



Facing Challenges & Delivering in Tough Times

SEARLE

Research in the service of mankind

Half Yearly Report
December 2020

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Corporate Information

Board of Directors

Mr. Adnan Asdar Ali (Chairman)
Mr. S. Nadeem Ahmed (Chief Executive Officer)
Mr. Zubair Razzak Palwala
Mrs. Shaista Khaliq Rehman
Dr. Atta-ur-Rehman

Board of Audit Committee

Mrs. Shaista Khaliq Rehman (Chairperson)
Mr. Adnan Asdar Ali (Member)
Dr. Atta-ur-Rehman (Member)

Board of HR & Remuneration Committee

Mrs. Shaista Khaliq Rehman (Chairperson)
Mr. Adnan Asdar Ali (Member)
Dr. Atta-ur-Rehman (Member)

Chief Financial Officer

Mr. Mobeen Alam

Company Secretary

Mr. Zubair Razzak Palwala

Auditors

A. F. Ferguson & Co.

Legal Advisors

Mohsin Tayebaly & Co.

Bankers

Albaraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bank of Punjab
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited

Registered Office

One IBL Centre, 2nd Floor, Plot # 1
Block 7 & 8, D.M.C.H.S., Tipu Sultan Road
Off Shahra-e-Faisal, Karachi

Share Registrar

CDC Share Registrar Services Limited
Head Office, CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi - 74400

Directors' Review Report

We are pleased to present the unconsolidated interim financial information of the company for the half year ended December 31, 2020. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting'. The directors report is prepared in accordance with section 227 of the Companies Act, 2017 and Chapter XII of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

MARKET OVERVIEW

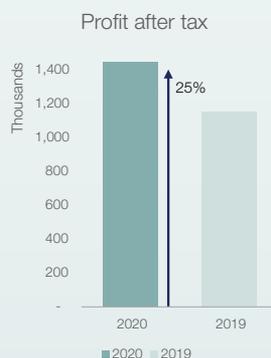
COVID-19 pandemic has triggered one of the most severe recession in nearly a century and is causing enormous damage to people's health, jobs, and well-being. The spread of the novel corona virus across countries has prompted many governments to introduce unprecedented measures to contain the pandemic. This has led to many businesses being shut down temporarily and widespread restrictions on travel and mobility.

However, COVID-19 has harnessed the integration of the pharmaceutical sector to the sustenance of the society at large and the industry is set to reap the benefits from changing consumer perspectives. The industry and especially the rightly placed institutions are taking advantage of branding and extra revenue streams. The temporary suspension of outdoor medical facilities including private clinics was a challenge, though. With global health care spending expected to rise at an accelerated growth rate, it will likely present many opportunities for the sector. While there will be uncertainties, stakeholders can navigate them by factoring in historic and current drivers of change when strategizing for 2020 and beyond.

There are more than 750 companies operating in the sector, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, infrastructure investment, technological advancements, evolving care models, higher life expectancy and increased incidence of chronic diseases and as well as new healthcare risks introduced during the pandemic.

OPERATING RESULTS

	December 31, 2020	2019
	(Rupees in thousand)	
Revenue	8,153,129	8,071,315
Cost of sales	(3,987,308)	(3,991,000)
Gross Profit	4,165,821	4,080,315
Operating expenses	(2,483,552)	(2,558,977)
Other operating expenses	(128,598)	(120,477)
Other income	799,469	434,833
Profit from operations	2,353,140	1,835,694
Finance cost	(577,309)	(322,891)
Profit before tax	1,775,831	1,512,803
Income tax expense	(330,073)	(357,673)
Profit after taxation	1,445,758	1,155,130



Searle is a Company that has always focused on improving the lives of patients by offering quality healthcare solutions. We have built a firm growing position by putting the benefit of patients and stakeholders, our fundamental priority and are proud of the impact of our efforts. The Company was able to maintain its prominence in many therapeutic areas through its quality products and the dedication of its exceptional people.

During the half year ended December 31, 2020, the Company faced new facets of challenges including challenging economic environment and unprecedented crisis of COVID-19. However, despite this Searle performed remarkably and was able to eclipse its last year's performance in terms of profit after taxation, with more than 25% increase from PKR 1.1 billion to PKR 1.4 billion.

Financial highlights are summarized below:

- Net sales of the Company are PKR 8.15 billion.
- Gross profit margins increased to 51% from 50%.
- Profit from operations % increased to 29% from 23%.
- Profit after taxation % increased to 18% from 14%.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 6.81 (2019: Rs. 5.44). There is no dilution effect on the basic earnings per share of the Company, as the Company has no convertible dilutive potential ordinary shares outstanding as of December 31, 2020.

FUTURE OUTLOOK

Searle is poised to grow and increase its market share among its competitors and maintain its organic and in-organic growth, in a relatively turbulent regulatory environment. While also focusing on its product demand in international market, coupled with increased healthcare spending trend after COVID-19, which will translate into greater revenues for the industry.

Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products. It is also pertinent to mention that Searle has an organic pipeline of over 200 products in different stages of the regulatory approval process and has a diversified drug portfolio and strong gross profit margins. The company, in the local market, has over the years strengthened in cardiovascular, cold & cough, diabetes, infant formula, pro-biotic and antibiotics therapeutic areas.

At Searle, we all are highly motivated and willing to contribute enthusiastically on continuous basis. Same is the case with our partners, suppliers and customers, for which we are thankful and expect the same zeal and zest for future contribution. We assure, Searle will continue to work hard to provide long term sustainable growth to everyone associated with us.

For and on behalf of the Board



Syed Nadeem Ahmed
Chief Executive Officer



Zubair Razzak Palwala
Director

Karachi : February 26, 2021

آمدنی فی شیئر

اس مدت کے لئے بنیادی آمدنی فی شیئر بعد از ٹیکس 6.81 روپے رہی (2019:5.44 روپے)۔ کمپنی کی بنیادی آمدنی فی شیئر پر کسی کے کوئی اثرات نہیں ہوئے، چونکہ 31 دسمبر، 2020 تک کمپنی کے تبدیل پذیر غیر متوقع ممکنہ شیئر زبٹھایا نہیں تھے۔

مستقبل پر ایک نظر

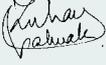
سرل اپنے حریفوں کے درمیان ایک نسبتاً مایوس کن ریگولیٹری ماحول میں اپنے مارکیٹ شیئر میں اضافہ اور اس کی نامیاتی اور غیر نامیاتی نمو کو برقرار رکھنے کیلئے تیار ہے۔ بین الاقوامی مارکیٹ میں اس کی مصنوعات کی طلب پر بھی توجہ دیتے ہوئے، اور COVID-19 کے بعد صحت کی دیکھ بھال کے اخراجات میں اضافے کے رجحان کے ساتھ مل کر، جو اس انڈسٹری کے لئے زیادہ سے زیادہ منافع کا باعث بنے گا۔

مزید آگے پیش رفت کرتے ہوئے، ہم خصوصاً عمومی برانڈز کے پورٹ فولیو میں حصہ بڑھانے اور مختلف النوع پروڈکٹس پر توجہ مرکوز کر رہے ہیں۔ یہاں یہ بات بھی قابل ذکر ہے کہ سرل 200 سے زائد آرگینک مصنوعات کے ریگولیٹری منظوری کے عمل کے مختلف مراحل سے گزر رہی ہے اور متنوع ادویات کے پورٹ فولیو کے ساتھ مضبوط منافع کا مارجن ہے۔ مقامی مارکیٹ میں کمپنی نے گذشتہ برسوں میں امراض قلب، نزلہ اور کھانسی، ڈیپریس، نوزائیدہ فارمولہ، حیاتیاتی اور اینٹی بائیوٹک کے علاج معاملے میں مستحکم جگہ بنالی ہے۔

اظہار تشکر

سرل میں، ہم سب بے حد متحرک ہیں اور مستقل بنیادوں پر جوش و خروش سے خدمت کے خواہشمند ہیں۔ یہی صورت حال ہمارے شراکت داروں، سپلائرز اور صارفین کے ساتھ ہے، جس کے لئے ہم ان کے مشکور ہیں اور آئندہ کی شراکت کے لئے اسی جوش و جذبے کی توقع کرتے ہیں۔ ہم یقین دہانی کراتے ہیں کہ سرل اپنے سے وابستہ ہر فریق کو طویل المیعاد پائیدار ترقی کی فراہمی کے لئے کوشاں رہے گی۔

برائے اور بورڈ کی جانب سے


ذہیر رزاق پال والا
ڈائریکٹر


سید ندیم احمد
چیف ایگزیکٹو آفیسر

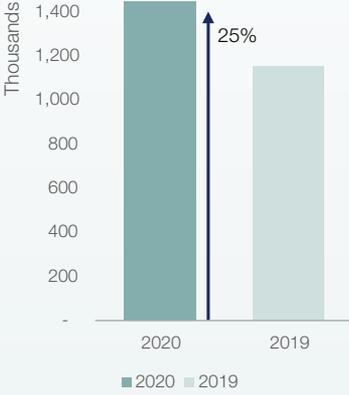
کراچی: 26 فروری 2021ء

31 دسمبر

2019 2020

(روپے ہزاروں میں)

Profit after tax



8,071,315	8,153,129	آمدنی
(3,991,000)	(3,987,308)	فروخت کے اخراجات
4,080,315	4,165,821	مجموعی آمدنی
(2,558,977)	(2,483,552)	آپریٹنگ اخراجات
(120,477)	(128,598)	دیگر آپریٹنگ اخراجات
434,833	799,469	دیگر آمدنی
1,835,694	2,353,140	آپریٹنگ سے آمدنی
(322,891)	(577,309)	مالیاتی اخراجات
1,512,803	1,775,831	منافع قبل از ٹیکس
(357,673)	(330,073)	انکم ٹیکس اخراجات
1,155,130	1,445,758	منافع بعد از ٹیکس

سرل ایک ایسی کمپنی ہے جس نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات کی پیشکش سے مریضوں کی زندگی کو بہتر بنانے پر توجہ مرکوز کی ہے۔ ہم نے مریضوں اور اسٹیک ہولڈرز کے فوائد کو اپنی بنیادی ترجیح بنا کر مستحکم ترقی کی پوزیشن استوار کی ہے اور ہمیں اپنی کوششوں کے اثرات پر فخر ہے۔ کمپنی اپنی معیاری مصنوعات اور اپنے لوگوں کی غیر معمولی لگن کے ذریعے علاج کے مختلف شعبوں میں اپنی اہمیت برقرار رکھنے میں کامیاب رہی۔

31 دسمبر، 2020 کو ختم ہونے والی ششماہی مدت کے دوران، کمپنی کو چیلنجز کے نئے پہلوؤں کا سامنا کرنا پڑا جن میں مشکل معاشی صورتحال اور COVID-19 کے غیر معمولی بحران شامل ہیں۔ تاہم، اس کے باوجود سرل نے نمایاں کارکردگی کا مظاہرہ کیا اور بعد از ٹیکس منافع کے معاملے میں گزشتہ سال کی کارکردگی کو 25 فیصد سے زائد اضافے کے ساتھ، 1.1 بلین روپے سے بڑھا کر 1.4 بلین روپے کر کے عبور کر لیا۔

مالیاتی جھلکیاں مختصر آڈیل میں بیان کی گئیں ہیں:

- کمپنی کی خالص سیلز 8.15 بلین روپے ہے۔
- مجموعی منافع کی شرح 50 فیصد سے بڑھ کر 51 فیصد ہو گئی۔
- آپریٹنگ سے منافع کی شرح 23 فیصد سے بڑھ کر 29 فیصد ہو گئی۔
- بعد از ٹیکس منافع کی شرح 14 فیصد سے 18 فیصد تک بڑھ گئی۔

ڈائریکٹرز کی جائزہ رپورٹ

ہم 31 دسمبر 2020 کو ختم ہونے والی ششماہی مدت کے لئے کمپنی کے غیر اشتهالی عبوری مالیاتی معلومات پیش کرنے میں خوشی محسوس کرتے ہیں۔ یہ مالیاتی بیانات بین الاقوامی اکاؤنٹنگ اسٹینڈرڈ (IAS) 34- عبوری فنانشل رپورٹنگ کی ضروریات کے مطابق تیار کیے گئے ہیں۔ ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے باب XII کے مطابق تیار کی گئی ہے۔

مارکیٹ کا جائزہ

کورونا وائرس کی عالمی وبائی بیماری اس سال کی ایک انتہائی شدید کساد بازاری کا محرک بنی اور جس نے لوگوں کی صحت، ملازمتوں اور فلاح و بہبود کو بے حد نقصان پہنچایا ہے۔ کورونا وائرس کے پھیلاؤ نے بہت سارے ممالک کی حکومتوں کو وبائی مرض پر قابو پانے کے لئے خلاف معمول اقدامات متعارف کرانے پر آمادہ کیا۔ اس کے نتیجے میں بہت سارے کاروبار عارضی طور پر بند ہو چکے ہیں اور سفر اور نقل و حرکت پر وسیع پیمانے پر پابندیاں عائد ہیں۔

تاہم، COVID-19 نے معاشرے کی بقاء کے لئے فارماسیوٹیکل سیکٹر کے بڑے پیمانے پر انضمام کی اہمیت وضع کی ہے اور یہ انڈسٹری صارفین کے تغیراتی نقطہ نظر کے تحت فوائد حاصل کرنے کے لئے تیار ہے۔ یہ انڈسٹری اور خاص طور پر صحیح مقام رکھنے والے ادارے برانڈنگ اور اضافی آمدنی کے دھارے سے مستفید ہو رہے ہیں۔ اگرچہ نجی کلینک سمیت بیرونی طبی سہولیات کی عارضی معطلی ایک چیلنج تھا۔ عالمی طور پر صحت کے اخراجات میں تیزی سے نمو کی شرح میں اضافہ متوقع ہے، جو ممکنہ طور پر اس شعبے کے لئے بہت سے مواقع پیش کرے گا۔ اگرچہ غیر یقینی صورتحال ہوگی، لیکن اسٹیک ہولڈرز 2020 اور اس سے آگے کی حکمت عملی بناتے وقت سابقہ اور حالیہ تبدیلی کے محرکات کو تقسیم کر سکتے ہیں۔

اس شعبے میں 700 سے زائد کمپنیاں مصروف عمل ہیں، جس میں نئے مالکیوں کے تعارف جیسے عوامل اور اس کی معاونت کرتے بڑھتی ہوئی استطاعت کے آبادیاتی رجحانات، آبادی میں اضافہ، بنیادی ڈھانچے کی سرمایہ کاری، تکنیکی پیش رفت، تدریجی کینسر ماڈل، زائد متوقع عمر اور دائمی بیماریوں کے واقعات میں اضافہ اور اس کے ساتھ ہی وبائی امراض کے دوران صحت کو لاحق نئے تحفظات کارفرما ہیں۔

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF THE SEARLE COMPANY LIMITED

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of The Searle Company Limited as at December 31, 2020 and the related unconsolidated condensed interim statement of profit or loss and other comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the financial statements for the half year 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 financial statements based on our review. The figures of the unconsolidated condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2020.

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 unconsolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.



Chartered Accountants
Karachi

Date: February 26, 2021

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		(Rupees in '000)	
ASSETS	Note		
Non-current assets			
Property, plant and equipment	5	3,952,881	3,707,635
Right-of-use asset	6	111,563	121,515
Investment properties - at cost		2,187,336	2,203,890
Intangible assets		109,188	131,438
Long-term investments - subsidiaries	7	17,486,186	1,686,186
Long-term loans		254	358
Long-term deposits		7,396	7,396
		<u>23,854,804</u>	<u>7,858,418</u>
Current assets			
Inventories		2,592,737	2,632,887
Trade receivables	8	7,687,208	7,801,828
Loans and advances	9	4,643,721	4,712,052
Trade deposits and short-term prepayments		110,034	95,287
Other receivables	10	1,893,223	1,063,601
Short-term investment - Term Finance Certificate		100,000	100,000
Taxation - payments less provision		843,240	809,636
Tax refunds due from Government - Sales Tax		-	7,832
Cash and bank balances		1,901,115	299,624
		<u>19,771,278</u>	<u>17,522,747</u>
Total assets		<u><u>43,626,082</u></u>	<u><u>25,381,165</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		2,124,253	2,124,253
Advance received against issue of share capital	11	4,364,474	-
Share premium		1,630,974	1,630,974
Revaluation surplus on property, plant and equipment		1,420,715	1,446,517
General reserve		280,251	280,251
Unappropriated profit		12,304,260	11,388,823
		<u>22,124,927</u>	<u>16,870,818</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	12	11,285,619	316,000
Deferred tax liabilities		57,033	50,143
Employee benefit obligations		55,575	54,994
Deferred income - Government grant		59,999	77,141
Long-term lease liability		112,213	121,545
		<u>11,570,439</u>	<u>619,823</u>
Current liabilities			
Trade and other payables	13	3,465,054	2,719,812
Borrowings	14	5,890,752	4,974,646
Sales tax payable		3,392	-
Current portion of long-term lease liability		13,524	11,420
Unpaid dividend	15	514,932	141,102
Unclaimed dividend		43,062	43,544
		<u>9,930,716</u>	<u>7,890,524</u>
Total liabilities		<u>21,501,155</u>	<u>8,510,347</u>
Contingencies and commitments	16		
Total equity and liabilities		<u><u>43,626,082</u></u>	<u><u>25,381,165</u></u>

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Half Year Ended December 31, 2020 - Unaudited

	Note	Quarter ended		Half year ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
------(Rupees in '000)-----					
Revenue from contracts with customers	17	4,084,269	4,008,994	8,153,129	8,071,315
Cost of sales	18	(1,929,897)	(1,895,247)	(3,987,308)	(3,991,000)
Gross profit		2,154,372	2,113,747	4,165,821	4,080,315
Distribution costs		(1,063,013)	(1,095,813)	(1,878,669)	(2,023,514)
Administrative expenses		(315,740)	(262,091)	(604,883)	(535,463)
Other operating expenses		(67,453)	(62,819)	(128,598)	(120,477)
Other income	20	615,902	283,049	799,469	434,833
Profit from operations		1,324,068	976,073	2,353,140	1,835,694
Finance cost		(324,920)	(187,631)	(577,309)	(322,891)
Profit before income tax		999,148	788,442	1,775,831	1,512,803
Income tax expense		(145,450)	(180,629)	(330,073)	(357,673)
Profit for the period		853,698	607,813	1,445,758	1,155,130
Other comprehensive income		-	-	-	-
Total comprehensive income		853,698	607,813	1,445,758	1,155,130
Basic and diluted earnings per share (Rupees)	21	4.02	2.86	6.81	5.44

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

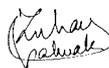
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For The Period Ended December 31, 2020 - Unaudited

	Share capital	Advance received against issue of share capital	Capital reserve		Revenue reserves		Total reserves	Total
			Share premium	Revaluation surplus on Property, plant & equipment	General reserve	Unappropriated profits		
Rupees '000								
Balance as at July 01, 2019	2,124,253	-	1,630,974	1,050,800	280,251	9,431,627	12,393,652	14,517,905
Total comprehensive income for the period	-	-	-	-	-	1,155,130	1,155,130	1,155,130
Transactions with owners								
Final dividend for the year ended June 30, 2019 @ Rs. 2.5 per share	-	-	-	-	-	(531,063)	(531,063)	(531,063)
Transfer of incremental depreciation for the period (net of deferred tax)	-	-	-	(17,463)	-	17,463	-	-
Balance as at December 31, 2019	<u>2,124,253</u>	<u>-</u>	<u>1,630,974</u>	<u>1,033,337</u>	<u>280,251</u>	<u>10,073,157</u>	<u>13,017,719</u>	<u>15,141,972</u>
Balance as at July 01, 2020	2,124,253	-	1,630,974	1,446,517	280,251	11,388,823	14,746,565	16,870,818
Total comprehensive income for the period	-	-	-	-	-	1,445,758	1,445,758	1,445,758
Transactions with owners								
Final dividend for the year ended June 30, 2020 @ Rs. 2.5 per share	-	-	-	-	-	(531,063)	(531,063)	(531,063)
Advance received against issue of share capital - note 11	-	4,364,474	-	-	-	-	-	4,364,474
Issuance cost against rights issue	-	-	-	-	-	(25,060)	-	(25,060)
Transfer of incremental depreciation for the period (net of deferred tax)	-	-	-	(25,802)	-	25,802	-	-
Balance as at December 31, 2020	<u>2,124,253</u>	<u>4,364,474</u>	<u>1,630,974</u>	<u>1,420,715</u>	<u>280,251</u>	<u>12,304,260</u>	<u>15,661,260</u>	<u>22,124,927</u>

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For The Period Ended December 31, 2020 - Unaudited

		December 31, 2020	December 31, 2019
	Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	2,597,753	258,584
Retirement benefit obligations paid		(2,119)	-
Finance cost paid		(504,220)	(253,367)
Income tax paid		(356,787)	(131,901)
Lease rentals paid		(13,108)	(16,484)
Decrease in long-term loans		104	14
Net cash generated from / (used in) operating activities		<u>1,721,623</u>	<u>(143,154)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(365,258)	(111,656)
Proceeds from disposal of property, plant and equipment		-	2,450
Addition to investment properties		(22,298)	(116,442)
Purchase of intangibles		-	(528)
Additions to short-term investments		-	(100,000)
Investments made in subsidiary		(15,800,000)	-
Net cash used in investing activities		<u>(16,187,556)</u>	<u>(326,176)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(157,715)	(164,420)
Proceeds from / (Repayment of) export finance		216,500	(110,000)
Increase in long term borrowings		10,969,619	-
Advance received against issue of share capital net of issuance cost		4,339,414	-
Net cash generated from / (used in) financing activities		<u>15,367,818</u>	<u>(274,420)</u>
Net increase / (decrease) in cash and cash equivalents		901,885	(743,750)
Cash and cash equivalents at the beginning of the period		(4,341,147)	(3,340,229)
Cash and cash equivalents at the end of the period	23	<u><u>(3,439,262)</u></u>	<u><u>(4,083,979)</u></u>

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended December 31, 2020 - Unaudited

1. THE COMPANY AND ITS OPERATIONS

- 1.1 The Searle Company Limited (the Company) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Company is principally engaged in the manufacture of pharmaceutical and other consumer products. The registered office of the Company is situated at One IBL Centre 2nd Floor, Plot No. 1, Block 7 & 8 D.M.C.H.S, Tipu Sultan Road Off Shahrah-e-Faisal, Karachi.

International Brands Limited is the holding company, which holds 56.60% shareholding in the Company.

Following are the subsidiary companies:

	Principal place of business	Effective %age of holding	
		December 31, 2020	June 30, 2020
Listed Company	Pakistan		
- IBL HealthCare Limited		74.19%	74.19%
Unlisted Companies			
- Searle Pharmaceuticals (Private) Limited		100.00%	100.00%
- Searle Laboratories (Private) Limited		100.00%	100.00%
- Searle Biosciences (Private) Limited		100.00%	100.00%
- IBL Identity (Private) Limited		100.00%	100.00%
- IBL Future Technologies (Private) Limited		100.00%	100.00%
- OBS Pakistan (Private) Limited	100.00%	Nil	
- Nextar Pharma (Private) Limited *	87.20%	87.20%	

* The Company effectively holds 87.20% (June 30, 2020: 87.20%) shareholding in Nextar Pharma (Private) Limited through Searle Biosciences (Private) Limited.

- 1.2 On July 1, 2020, the Company has executed a Memorandum of Understanding (MoU) with IBL Identity (Private) Limited (IBLID) - a wholly owned subsidiary of the Company, whereby the Company has agreed to transfer marketing and distribution rights of its certain Nutrition related products to IBLID. The Company has made product related sales of formula milk for infants in the current period to IBLID amounting to Rs. 213.39 million.

2. BASIS OF PREPARATION

These unconsolidated 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 (IAS) 34, Interim Financial Reporting, 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.

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

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

These unconsolidated condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2020.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2020. However, these do not have any significant impact on the Company's financial reporting.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2021. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2020.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these unconsolidated condensed interim financial statements in conformity with approved accounting and reporting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these unconsolidated condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended June 30, 2020.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2020.

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

(Unaudited) (Audited)
December 31, June 30,
2020 2020
(Rupees in '000)

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	3,601,763	3,616,514
Capital work-in-progress - at cost	351,118	91,121
	<u>3,952,881</u>	<u>3,707,635</u>

5.1 Details of additions in operating assets including transfers from capital work-in-progress during the period are as follows:

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in '000)			
Leasehold Land	1,498	11,418	-	-
Building on leasehold land	18,130	49,288	-	-
Plant and machinery	41,290	24,272	-	-
Office equipment	12,403	4,298	-	-
Furniture & fittings	8,750	3,201	-	-
Vehicles	847	-	-	(1,058)
Air conditioning systems	18,820	41,547	-	-
	<u>101,738</u>	<u>134,024</u>	<u>-</u>	<u>(1,058)</u>

(Unaudited) (Audited)
December 31, June 30,
2020 2020
(Rupees in '000)

6. RIGHT-OF-USE ASSET

Opening net book value	121,515	141,421
Depreciation for the period - note 6.1	(9,952)	(19,906)
Net book value as at December 31, 2020	<u>111,563</u>	<u>121,515</u>

6.1 Depreciation expense on right-of-use asset has been charged to cost of sales.

(Unaudited) (Audited)
December 31, June 30,
2020 2020
(Rupees in '000)

7. LONG-TERM INVESTMENTS

Subsidiary companies - at cost - note 7.1	<u>17,486,186</u>	<u>1,686,186</u>
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Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

- 7.1** On August 24, 2020, the Company acquired 100% paid up share capital of OBS Pakistan (Private) Limited (OBS), engaged in manufacturing and sales of pharmaceutical products, from Universal Venture (Private) Limited (UVPL) - related party. The said acquisition was approved by Board of Directors in its meeting held on October 23, 2019. The Board of Directors, in its meeting held on December 17, 2019 approved the acquisition of OBS for the total consideration amounting to Rs. 8.6 billion. Moreover, the acquisition was also approved by the shareholders in Extra-Ordinary General Meeting (EOGM) held on May 18, 2020.

Further, the Competition Commission of Pakistan (CCP), vide its order 1097/Merger-CCP/20 dated July 15, 2020 have authorised the transaction under section 31 (1) (d) (i) of the Competition Act, 2010.

The Company has acquired OBS as it is one of Pakistan's top private limited pharma company in healthcare sector and is a leading producers of iron sucrose injections with the brand name of Venofer. OBS is also the manufacturer of Decadron (Dexamethane), which is considered as the drug to decrease the mortality rate in COVID-19 patients.

The consideration for the above investment contains the following:

	Rupees in million
Initial consideration	3,250
Deferred consideration to be paid in cash	5,350
Total consideration paid to UVPL for OBS acquisition - note 7.1.1	<u>8,600</u>
Equity injection in OBS through right issue of shares - note 7.1.2	<u>7,200</u>
	<u><u>15,800</u></u>

- 7.1.1** Out of the total consideration of Rs. 8,600 million, Rs. 3,250 million was paid to the UVPL being the initial consideration. The balance consideration of Rs. 5,350 million was agreed to be paid in cash on a deferred payment basis. If the Company pays the amount after 12 months and before 36 months, the outstanding balance amount shall be paid along with mark-up calculated at the rate of 6 months KIBOR + 0.5% per annum. As at December 31, 2020, payable to UVPL in respect of OBS acquisition amounts to Rs. 640.15 million.
- 7.1.2** OBS has authorised share capital of 350 million ordinary shares out of which 325.01 million ordinary share has already been issued, subscribed and fully paid-up. The Company has further subscribed 24 million ordinary shares in OBS at a price of Rs. 300 per share, resulting in aggregate additional investment of Rs. 7,200 million. The purposes for this equity injection in OBS was to set off and swap the finance facility availed by OBS from Habib Bank Limited (HBL), through availing a new finance facility in the form of Musharaka Agreement from HBL itself - refer note 12.
- 7.1.3** The Company has obtained independent valuations for the acquisition of OBS from KPMG Taseer Hadi & Co. as at 30 June 2019 in September 2019 and from Ernst & Young Pakistan as at 31 December 2019 in April 2020.
- 7.1.4** The Company has also provided a call option to UVPL to purchase up to 25% of the issued share capital of OBS within one year of acquisition date. The price for such purchase under the call option shall be the price at which the Company acquired these shares from UVPL as duly adjusted for proportionate amounts of injection or withdrawal of equity from date of acquisition of OBS to the date of exercise of call option.

Based on expert advice, management believes that the call option does not carry any material fair value.

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

- 7.1.5** The Board of Directors, in its meeting held on October 27, 2020, authorized to create a pledge upto 14.5 million ordinary shares of IBL HealthCare Limited in favour of UVPL for securing the Company's obligations towards UVPL.

(Unaudited) December 31, 2020	(Audited) June 30, 2020
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(Rupees in '000)

8. TRADE RECEIVABLES

Considered good

- Export receivables, secured	464,442	448,334
- Due from related parties, unsecured - note 8.1	6,799,576	6,706,017
- Others - unsecured	423,190	647,477
	<u>7,687,208</u>	<u>7,801,828</u>
Considered doubtful	150,808	151,915
Less: Provision for doubtful debts	<u>(150,808)</u>	<u>(151,915)</u>
	-	-
	<u>7,687,208</u>	<u>7,801,828</u>

- 8.1** These are stated net of amount payable to IBL Operations (Private) Limited, United Brands Limited and IBL Logistics (Private) Limited - associated companies amounting to Rs. 237.2 million (June 30, 2020: Rs. 111.82 million), Rs. 1.63 million (June 30, 2020: Rs. 0.63 million) and Rs. 12.88 million (June 30, 2020: Rs. 4.03 million), respectively.

9. LOANS AND ADVANCES

- 9.1** This includes interest free loan provided to IBL Identity (Private) Limited - wholly owned subsidiary amounting to Rs. 3.18 billion as at December 31, 2020 (June 30, 2020: Rs. 3.18 billion).
- 9.2** This includes advance to Searle Biosciences (Private) Limited - wholly owned subsidiary amounting to Rs. 779.18 million (June 30, 2020: Rs. 972.2 million). These advances are provided for the purpose of financial assistance and are settled in the ordinary course of business.

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
10. OTHER RECEIVABLES		
Receivables from related parties		
Due from subsidiary companies:		
- IBL HealthCare Limited against:		
expenses	826	816
dividend income	78,018	-
royalty	-	12,456
- OBS Pakistan (Private) Limited against:		
management fee	368,000	252,000
rental income	6,414	895
dividend income	500,000	-
expenses	1,692	-
- Searle Biosciences (Private) Limited against:		
expenses	8,619	-
dividend income	63,000	50,000
- Nextar Pharma (Private) Limited against expenses	8,311	-
- IBL Future Technologies (Private) Limited against financial assistance	1,949	1,949
- IBL Identity (Private) Limited against dividend income	24,000	-
	1,060,829	318,116
Due from associated companies:		
- IBL Operations (Private) Limited against:		
rental income & expenses	22,163	14,738
- International Brands Limited against:		
rental income	9,366	20,795
group relief	34,895	54,894
- IBL Unisys (Private) Limited against:		
rental income	412	1,033
- IBL Logistics (Private) Limited against:		
rental income	1,294	697
	68,130	92,157
Due from other related party:		
- United Retail (SMC-Private) Limited (formerly The Home Makers (SMC-Private) Limited) against rental income	309,306	274,140
- The IBL Company (Private) Limited against expenses	50,036	2,440
- Lunar Pharma (Private) Limited against expenses	2,882	2,882
Surplus arising under retirement benefit fund	5,250	5,250
	396,790	368,616
Receivables from other than related parties		
Others, considered good - note 10.1	396,790	368,616
	1,893,223	1,063,601

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

- 10.1** This includes Rs. 269.5 million (June 30, 2020: Rs. 279.12 million) claimed by the Company from Zhejiang Huahai Pharmaceuticals, China (ZHP) relating to its product "Extor" that contains material supplied by ZHP. On July 12, 2018, the Drug Regulatory Authority of Pakistan in response to a review triggered by the European Medicine Agency (EMA), issued drug re-call for "Valsartan" containing products, due to the presence of cancer causing impurities. Accordingly, the Company re-called finished product "Extor" amounting to Rs. 221.95 million from the local market and Rs. 97 million from the international market. The impact of the product re-call has been set off by the claim raised by the Company against ZHP.

Further, the Company has lodged a claim of Rs. 881.05 million from ZHP in respect of the overall business loss.

During the previous year, the Company entered into an agreement with ZHP for settlement of the above claims. As per the agreement, these claims will be settled against future purchases of raw material by the Company from ZHP. These claims will be accounted for when the credit notes for the discounted purchase price are received. Claims amounting to Rs. 9.62 million were settled during the period.

11. ADVANCE RECEIVED AGAINST ISSUE OF SHARE CAPITAL

- 11.1** This represents amount partially received from the shareholders in respect of right shares. Shares against this subscription have been issued subsequent to the period end.
- 11.2** The Board of Directors in its meeting held on October 27, 2020 had approved the rights issue at par value of Rs. 10 per share in ratio of 13 right shares for every 100 ordinary shares held. The total size of the issue is 4.69 billion.

(Unaudited) December 31, 2020	(Audited) June 30, 2020
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(Rupees in '000)

12. LONG-TERM BORROWINGS

Long term loan from Habib Bank Limited -
note 12.1
Deferred payment to Universal
Ventures Private Limited - note 7.1.1
Salary refinancing

10,329,468	-
640,151	-
316,000	316,000
<u>11,285,619</u>	<u>316,000</u>

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

- 12.1** The Company has obtained a running mushakra facility from Habib Bank Limited for a period of 7 years with a repayment grace period of two years. The Company is required to repay the amount of the loan in 5 yearly installments, starting from August 2022. This facility carries a mark-up of three months KIBOR plus 1.35% which is secured against certain land and buildings of the Company which is situated at Deh Digh Malir, Korangi Industrial Area, S.I.T.E, Tipu Sultan Road, and North Western Zone Port Qasim, Karachi.

Further, land and building including plant and machinery of OBS - subsidiary and land and building of Nextar Pharma (Private) Limited - subsidiary are also secured against the long-term borrowings.

(Unaudited) December 31, 2020	(Audited) June 30, 2020
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(Rupees in '000)

12.1.1 Long-term loan movement

Loan obtained during the period	10,441,500	-
Transaction cost	(117,989)	-
Amortisation of transaction cost	5,957	-
	10,329,468	-

13. TRADE AND OTHER PAYABLES

Creditors - note 13.1	438,705	399,804
Bills payable in foreign currency	453,624	481,130
Royalty payable	10,862	21,935
Accrued liabilities	1,822,215	1,154,741
Payable to provident fund	11,832	10,946
Advance from customers - unsecured	12,757	14,029
Payable under group relief	1,618	1,618
Accrued mark-up	252,858	208,096
Taxes deducted at source and payable to statutory authorities	53,523	61,678
Workers' Profit Participation Fund	274,348	178,920
Workers' Welfare Fund	94,822	72,560
Other liabilities	37,890	114,355
	3,465,054	2,719,812

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

- 13.1** This includes amount payable to Searle Pharmaceutical (Private) Limited - wholly owned subsidiary amounting to Rs. Nil (June 30, 2020: Rs. 4.29 million) on account of toll manufacturing services. This also includes payable to Searle Laboratories (Private) Limited - wholly owned subsidiary amounting to Rs. 5.44 million (June 30, 2020: Rs. 6.80 million).

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
(Rupees in '000)		
14. BORROWINGS		
Secured		
Running finances under mark-up arrangements - note -14.1	5,161,377	4,461,771
Current portion of long-term borrowings	133,875	133,875
Export refinance	216,500	-
	5,511,752	4,595,646
Unsecured		
Borrowing from IBL Future Technologies (Private) Limited - note 14.2	200,000	200,000
Employees provident fund - note 14.3	161,000	161,000
OBS Pakistan (Private) Limited - subsidiary	18,000	18,000
	5,890,752	4,974,646

- 14.1** The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 5,825 million (June 30, 2020: Rs. 4,925 million) which include financing facilities obtained under Islamic mode amounting to Rs. 5,125 million (June 30, 2020: Rs. 4,075 million). The arrangements are secured jointly by registered mortgage of Rs. 1,126.94 million (June 30, 2020: Rs. 1,126.94 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 6,889.23 million (June 30, 2020: Rs. 6,889.23 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

- 14.1.1** The rates of mark-up ranged between 2.75% to 9.75% (June 30, 2020: 2.75% to 15.6%) per annum.

- 14.2** This represents interest free loan obtained from IBL Future Technologies (Private) Limited - wholly owned subsidiary and is repayable on demand.

- 14.3** Subsequent to the period end, the loan obtained from employees provident fund has been repaid.

15. UNPAID DIVIDEND

- 15.1** This includes dividend on bonus shares withheld pertaining to 125 shareholders amounting to Rs. 130.99 million, on which stay from the Honorable High Court of Sindh has been obtained.

- 15.2** This also includes dividend pertaining to the year ended June 30, 2020 amounting to Rs. 364.12 million, due to unavailability of IBAN numbers, out of which Rs. 52.57 million has been paid subsequent to the half year ended December 31, 2020.

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

There has been no significant change in the status of contingencies as reported in the note 29 of annual audited financial statements of the Company for the year ended June 30, 2020.

16.2 Commitments

The facility for opening letters of credit and guarantees as at December 31, 2020 amounted to Rs. 2,105 million (June 30, 2020: Rs. 2,105 million) of which the amount remaining unutilised as at December 31, 2020 amounted to Rs. 1,233 million (June 30, 2020: Rs. 1,494 million).

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

	(Unaudited) December 31, 2020	(Unaudited) December 31, 2019
	(Rupees in '000)	
Gross sales		
Local sale of goods	7,411,797	7,453,211
Export sales	1,354,756	1,224,584
	8,766,553	8,677,795
Toll manufacturing	139,071	163,861
	8,905,624	8,841,656
Sales tax	(30,151)	(43,045)
	8,875,473	8,798,611
Less:		
Discounts, rebates and allowances	318,780	576,804
Sales return	403,564	150,492
	722,344	727,296
	8,153,129	8,071,315

- 17.1 Consequent to Order 4480/2018 dated August 3, 2018 issued by the Honourable Supreme Court of Pakistan, the Drug Regulatory Authority of Pakistan (DRAP) fixed maximum retail price of drugs vide notification S.R.O 1610/2018 dated December 31, 2018. Further, DRAP vide Notification S.R.O 34(1)/2019 dated January 10, 2019 increased the maximum retail prices of drugs by nine percent over and above the maximum retail prices as determined under hardship category during the year 2018 and fifteen percent over and above existing maximum retail prices determined under Drug Pricing Policy, 2018 for drugs other than those specified under hardship category.

The Honourable High Court of Sindh vide Order dated January 22, 2019 has disposed off all the legal cases of the Company against DRAP. As mandated under the orders dated August 3, 2018 and November 14, 2018 passed by the Honourable Supreme Court of Pakistan in Human Rights Case No. 2858 of 2006, the Company may file an appeal before the Appellate Board of DRAP as provided under Section 9 of the Drugs Act, 1976, if the Company is dissatisfied by the prices fixed by DRAP.

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

Consequent to the above, the Company challenged the prices for four of its products namely, Peditral, Gravinite, Metodine and Hydryline set by DRAP in its Appellate Board and the Appellate Board under its orders dated 18 June, 20 June and 25 June 2019 rejected the said application of the Company. The Company has challenged the said orders in the Honourable High Court of Sindh and an interim order has been passed restricting DRAP from taking any coercive action against the Company. Exposure of the Company due to abovementioned litigation amounts to Rs. 1.44 billion (June 30, 2020: Rs. 1.27 billion).

18. COST OF SALES

This includes inventory written-off during the period amounting to Rs. 13.19 million (December 31, 2019: Rs. 16.22 million)

19. DONATIONS

During the period, the Company made donations amounting to Rs. 90.86 million. Donations to a single party exceeding 10% of the total donations includes Arts Council of Pakistan, Sabaq Learning foundation - a related party and Expo Pakistan amounting to Rs. 18.11 million, Rs. 10 million and Rs. 10 million respectively.

(Unaudited) December 31, 2020	(Unaudited) December 31, 2019
(Rupees in '000)	

20. OTHER INCOME

Income from financial assets - related parties

Dividend income - subsidiary companies:

- IBL HealthCare Limited	78,018	39,009
- OBS Pakistan (Private) Limited	500,000	-
- IBL Identity (Private) Limited	24,000	-
- Searle Biosciences (Private) Limited	98,000	194,000
Income from financial assets - others		
Return on Term Finance Certificate	4,611	7,521
	704,629	240,530
Income from non - financial assets		
Rental income from investment properties	71,704	49,562
Facility management fee	-	130,000
Gain on disposal of property, plant and equipment	-	1,392
Government grant	17,142	-
Scrap sales	5,994	13,349
	94,840	194,303
	799,469	434,833

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

	(Unaudited) December 31, 2020	(Unaudited) December 31, 2019
21. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the period (Rupees in thousands)	1,445,758	1,155,130
Weighted average number of outstanding shares at the end of the period (in thousand)	212,425	212,425
Basic and diluted earnings per share (Rupees)	6.81	5.44
	(Unaudited) December 31, 2020	(Unaudited) December 31, 2019
	(Rupees in '000)	
22. CASH GENERATED FROM OPERATIONS		
Profit before income tax	1,775,831	1,512,803
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	168,818	145,129
Gain on disposal of property, plant and equipment	-	(1,392)
Amortisation	22,248	22,002
Provision for employee benefits obligation	2,700	2,694
Finance cost	548,982	291,835
Interest on lease liability	5,880	10,370
Government grant recognised in income	(17,142)	-
Profit before working capital changes	2,507,317	1,983,441
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	40,150	(508,834)
Trade receivables	114,620	(967,661)
Loans and advances	68,331	(122,443)
Trade deposits and short-term prepayments	(14,747)	(34,427)
Other receivables	(829,622)	597,080
Refund due from Government - Sales tax	7,832	30,970
	(613,436)	(1,005,315)
Increase / (decrease) in current liabilities		
Trade and other payables	700,480	(719,542)
Sales tax payable	3,392	-
	703,872	(719,542)
Cash flows generated from operations	2,597,753	258,584

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

	(Unaudited) December 31, 2020	(Unaudited) December 31, 2019
(Rupees in '000)		
23. CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,901,115	365,025
Short-term borrowings		
- Running finance under markup arrangement - note 14.1	(5,161,377)	(4,449,004)
- Loan obtained from employees provident fund - note 14.3	(161,000)	-
- Loan obtained from employees provident fund of OBS Pakistan (Private) Limited - Subsidiary	(18,000)	-
	<u>(3,439,262)</u>	<u>(4,083,979)</u>

24. SEGMENT INFORMATION

Based on internal management reporting structure for the period, no reportable segments were identified that were of continuing significance for decision making.

25. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties during the period:

Nature of relationship	Nature of transactions	(Unaudited) December 31, 2020	(Unaudited) December 31, 2019
(Rupees in '000)			
Holding company	- Corporate service charges	120,000	120,000
	- Rent income	6,677	5,006
	- Income from provision of amenities	4,249	3,810
Subsidiaries	- Revenue	446,740	293,656
	- Purchase of consumables	3,785	-
	- Dividend income	700,018	233,009
	- Short term loan given	6,446	66,500
	- Advances recovered	2,060	5,900
	- Advance against financial assistance	175,499	63,988
	- Rent income	5,140	-
	- Income from provision of amenities	749	-
	- Others	3,275	-
	Staff retirement benefits	- Contributions to Provident Fund	71,402
- Finance cost on loan		13,535	-
- Benefits paid		57,700	51,982

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

Nature of relationship	Nature of transactions	(Unaudited)	(Unaudited)
		December 31, 2020	December 31, 2019
		(Rupees in '000)	
Associated companies	- Revenue	6,593,118	6,624,900
	- Salaries and wages	1,606	2,197
	- Purchases	265	25,558
	- Carriage and duties	64,433	23,285
	- Discounts claimed	87,698	292,882
	- Rent expense	10,121	8,102
	- Rent income	31,402	34,825
	- Stock claims	208,738	193,798
	- Internet services	3,771	2,905
	- Architect fee	-	5,272
	- Income from Provision of amenities	12,890	17,335
	- Donations	7,072	6,446
	- Incentives to field force staff	11,118	-
	- Repair & maintenance	234	859
	- Merchandise expense	12,130	13,904
	- Facility management fee	-	130,000
	- Others	47,596	5,275
- Long term loan	2,360	-	
Key management employees	- Salaries and other employee benefits	113,403	90,766
	- Compensation	8,622	7,387
	- Sale of goods	-	64

25.1 The status of outstanding balances with related parties as at December 31, 2020 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.

25.2 During the period ended December 31, 2020, assets of OBS Pakistan (Private) Limited and Nextar Pharma (Private) Limited have been secured against the long-term borrowings obtained by the Company - refer - note 12.1

26. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on February 26, 2021.


Chief Executive Officer


Director


Chief Financial Officer

Consolidated Condensed Interim Financial Statements

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Directors' Review Report

We are pleased to present the consolidated interim financial information of the holding company for the half year ended December 31, 2020. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting'. The directors report is prepared in accordance with section 227 of the Companies Act, 2017 and Chapter XII of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

MARKET OVERVIEW

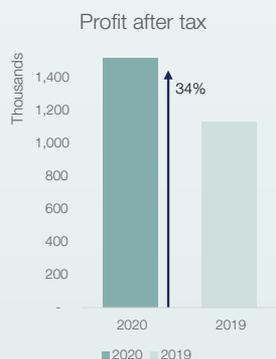
COVID-19 pandemic has triggered one of the most severe recession in nearly a century and is causing enormous damage to people's health, jobs, and well-being. The spread of the novel corona virus across countries has prompted many governments to introduce unprecedented measures to contain the pandemic. This has led to many businesses being shut down temporarily and widespread restrictions on travel and mobility.

However, COVID-19 has harnessed the integration of the pharmaceutical sector to the sustenance of the society at large and the industry is set to reap the benefits from changing consumer perspectives. The industry and especially the rightly placed institutions are taking advantage of branding and extra revenue streams. The temporary suspension of outdoor medical facilities including private clinics was a challenge, though. With global health care spending expected to rise at an accelerated growth rate, it will likely present many opportunities for the sector. While there will be uncertainties, stakeholders can navigate them by factoring in historic and current drivers of change when strategizing for 2020 and beyond.

There are more than 750 companies operating in the sector, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, infrastructure investment, technological advancements, evolving care models, higher life expectancy and increased incidence of chronic diseases and as well as new healthcare risks introduced during the pandemic.

OPERATING RESULTS

	December 31, 2020	2019
	(Rupees in thousand)	
Revenue	12,378,375	9,888,519
Cost of sales	(6,572,453)	(5,074,319)
Gross Profit	5,805,922	4,814,200
Operating expenses	(3,026,557)	(2,968,233)
Other operating expenses	(187,767)	(123,101)
Other income	236,926	237,354
Profit from operations	2,828,524	1,960,220
Finance cost	(648,779)	(338,162)
Profit before tax	2,179,745	1,622,058
Income tax expense	(657,517)	(488,912)
Profit after taxation	1,522,228	1,133,146



Searle is has always focused on improving the lives of patients by offering quality healthcare solutions. We have built a firm growing position by putting the benefit of patients and stakeholders, our fundamental priority and are proud of the impact of our efforts. The holding company was able to maintain its prominence in many therapeutic areas through its quality products and the dedication of its exceptional people.

During the half year ended December 31, 2020, the holding company faced a new facet of challenges including challenging economic environment and unprecedented crisis of COVID-19. However, despite this Searle performed remarkably and was able to eclipse its last year's performance in terms of profit after taxation, with more than 34% increase from PKR 1.1 billion to PKR 1.5 billion.

Financial highlights are summarized below:

- Net sales of the holding company are PKR 12.3 billion.
- Gross profit margin was at 47%.
- Profit from operations % increased to 23% from 20%.
- Profit after taxation % increased to 12% from 11%.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 7.02 (2019: Rs. 5.24). There is no dilution effect on the basic earnings per share of the holding company, as the holding company has no convertible dilutive potential ordinary shares outstanding as of December 31, 2020.

FUTURE OUTLOOK

Searle is poised to grow and increase its market share among its competitors and maintain its organic and in-organic growth, in a relatively turbulent regulatory environment. While also focusing on its product demand in international market, coupled with increased healthcare spending trend after COVID-19, which will translate into greater revenues for the industry.

Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products. It is also pertinent to mention that Searle has an organic pipeline of over 200 products in different stages of the regulatory approval process and has a diversified drug portfolio and strong gross profit margins. The holding company, in the local market, has over the years strengthened in cardiovascular, cold & cough, diabetes, infant formula, pro-biotic and antibiotics therapeutic areas.

At Searle, we all are highly motivated and willing to contribute enthusiastically on continuous basis. Same is the case with our partners, suppliers and customers, for which we are thankful and expect the same zeal and zest for future contribution. We assure, Searle will continue to work hard to provide long term sustainable growth to everyone associated with us.

For and on behalf of the Board



Syed Nadeem Ahmed
Chief Executive Officer



Zubair Razzak Palwala
Director

Karachi : February 26, 2021

آمدنی فی شیئر

اس مدت کے لئے بنیادی آمدنی فی شیئر بعد از ٹیکس 7.02 روپے ربی (2019: 5.24 روپے)۔ ہولڈنگ کمپنی کی بنیادی آمدنی فی شیئر پر کم کے کوئی اثرات نہیں ہوئے، چونکہ 31 دسمبر، 2020 تک ہولڈنگ کمپنی کے تبدیل پذیر غیر متوقع ممکنہ شیئر زبٹایا نہیں تھے۔

مستقبل پر ایک نظر

سرل اپنے حریفوں کے درمیان ایک نسبتاً مایوس کن ریگولیٹری ماحول میں اپنے مارکیٹ شیئر میں اضافہ اور اس کی نامیاتی اور غیر نامیاتی نمو کو برقرار رکھنے کیلئے تیار ہے۔ بین الاقوامی مارکیٹ میں اس کی مصنوعات کی طلب پر بھی توجہ دیتے ہوئے، اور COVID-19 کے بعد صحت کی دیکھ بھال کے اخراجات میں اضافے کے رجحان کے ساتھ مل کر، جو اس انڈسٹری کے لئے زیادہ سے زیادہ منافع کا باعث بنے گا۔

مزید آگے پیش رفت کرتے ہوئے، ہم خصوصاً عمومی برانڈز کے پورٹ فولیو میں حصہ بڑھانے اور مختلف النوع پروڈکٹس پر توجہ مرکوز کر رہے ہیں۔ یہاں یہ بات بھی قابل ذکر ہے کہ سرل 200 سے زائد آرگینک مصنوعات کے ریگولیٹری منظوری کے عمل کے مختلف مراحل سے گزر رہی ہے اور متنوع ادویات کے پورٹ فولیو کے ساتھ مضبوط منافع کا مارجن ہے۔ مقامی مارکیٹ میں ہولڈنگ کمپنی نے گذشتہ برسوں میں امراض قلب، نزلہ اور کھانسی، ذیابیطس، نوزائیدہ فارمولہ، حیاتیاتی اور اینٹی بائیوٹک کے علاج معالجے میں مستحکم جگہ بنالی ہے۔

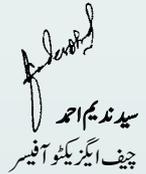
اظہار تشکر

سرل میں، ہم سب بے حد متحرک ہیں اور مستقل بنیادوں پر جوش و خروش سے خدمت کے خواہشمند ہیں۔ یہی صورت حال ہمارے شراکت داروں، سپلائرز اور صارفین کے ساتھ ہے، جس کے لئے ہم ان کے مشکور ہیں اور آئندہ کی شراکت کے لئے اسی جوش و جذبے کی توقع کرتے ہیں۔ ہم یقین دہانی کراتے ہیں کہ سرل اپنے سے وابستہ ہر فریق کو طویل المیعاد پائیدار ترقی کی فراہمی کے لئے کوشاں رہے گی۔

برائے اور بورڈ کی جانب سے



زہیر رزاق پال والا
ڈائریکٹر



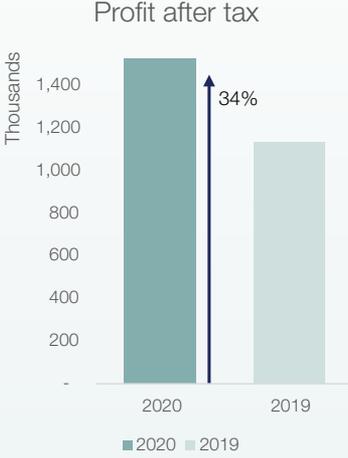
سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی: 26 فروری 2021ء

31 دسمبر

2019 2020

(روپے ہزاروں میں)



9,888,519	12,378,375	آمدنی
(5,074,319)	(6,572,453)	فروخت کے اخراجات
4,814,200	5,805,922	مجموعی آمدنی
(2,968,233)	(3,026,557)	آپریٹنگ اخراجات
(123,101)	(187,767)	دیگر آپریٹنگ اخراجات
237,354	236,926	دیگر آمدنی
1,960,220	2,828,524	آپریٹنگ سے آمدنی
(338,162)	(648,779)	مالیاتی اخراجات
1,622,058	2,179,745	منافع قبل از ٹیکس
(488,912)	(657,517)	انکم ٹیکس اخراجات
1,133,146	1,522,228	منافع بعد از ٹیکس

سرل نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات کی پیشکش سے مریضوں کی زندگی کو بہتر بنانے پر توجہ مرکوز کی ہے۔ ہم نے مریضوں اور اسٹیک ہولڈرز کے فوائد کو اپنی بنیادی ترجیح بنا کر مستحکم ترقی کی پوزیشن استوار کی ہے اور ہمیں اپنی کوششوں کے اثرات پر فخر ہے۔ ہولڈنگ کمپنی اپنی معیاری مصنوعات اور اپنے لوگوں کی غیر معمولی لگن کے ذریعے علاج کے مختلف شعبوں میں اپنی اہمیت برقرار رکھنے میں کامیاب رہی۔

31 دسمبر، 2020 کو ختم ہونے والی ششماہی مدت کے دوران، ہولڈنگ کمپنی کو چیلنجز کے نئے پہلوؤں کا سامنا کرنا پڑا جن میں مشکل معاشی صورتحال اور COVID-19 کے غیر معمولی بحران شامل ہیں۔ تاہم، اس کے باوجود سرل نے نمایاں کارکردگی کا مظاہرہ کیا اور بعد از ٹیکس منافع کے معاملے میں گزشتہ سال کی کارکردگی کو 34 فیصد سے زائد اضافے کے ساتھ، 1.1 بلین روپے سے بڑھا کر 1.5 بلین روپے کر کے عبور کر لیا۔

مالیاتی جھلکیاں مختصر آڈیل میں بیان کی گئیں ہیں:

- ہولڈنگ کمپنی کی خالص سیلز 12.3 بلین روپے ہے۔
- مجموعی منافع کی شرح 47 فیصد رہی۔
- آپریٹنگ سے منافع کی شرح 20 فیصد سے بڑھ کر 23 فیصد ہو گئی۔
- بعد از ٹیکس منافع کی شرح 11 فیصد سے 14 فیصد تک بڑھ گئی۔

ڈائریکٹرز کی جائزہ رپورٹ

ہم 31 دسمبر 2020 کو ختم ہونے والی ششماہی مدت کے لئے ہولڈنگ کمپنی کے غیر اشتهائی عبوری مالیاتی معلومات پیش کرنے میں خوشی محسوس کرتے ہیں۔ یہ مالیاتی بیانات بین الاقوامی اکاؤنٹنگ اسٹینڈرڈ (IAS) 34- عبوری فنانشل رپورٹنگ کی ضروریات کے مطابق تیار کیے گئے ہیں۔ ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے باب XII کے مطابق تیار کی گئی ہے۔

مارکیٹ کا جائزہ

کورونا وائرس کی عالمی وبائی بیماری اس سال کی ایک انتہائی شدید کساد بازاری کا محرک بنی اور جس نے لوگوں کی صحت، ملازمتوں اور فلاح و بہبود کو بے حد نقصان پہنچا ہے۔ کورونا وائرس کے پھیلاؤ نے بہت سارے ممالک کی حکومتوں کو وبائی مرض پر قابو پانے کے لئے خلاف معمول اقدامات متعارف کرانے پر آمادہ کیا۔ اس کے نتیجے میں بہت سارے کاروبار عارضی طور پر بند ہو چکے ہیں اور سفر اور نقل و حرکت پر وسیع پیمانے پر پابندیاں عائد ہیں۔

تاہم، COVID-19 نے معاشرے کی بقاء کے لئے فارماسیوٹیکل سیکٹر کے بڑے پیمانے پر انضمام کی اہمیت وضع کی ہے اور یہ انڈسٹری صارفین کے تغیراتی نقطہ نظر کے تحت فوائد حاصل کرنے کے لئے تیار ہے۔ یہ انڈسٹری اور خاص طور پر صحیح مقام رکھنے والے ادارے برانڈنگ اور اضافی آمدنی کے دھارے سے مستفید ہو رہے ہیں۔ اگرچہ نجی کلینک سمیت بیرونی طبی سہولیات کی عارضی معطلی ایک چیلنج تھا۔ عالمی طور پر صحت کے اخراجات میں تیزی سے نمو کی شرح میں اضافہ متوقع ہے، جو ممکنہ طور پر اس شعبے کے لئے بہت سے مواقع پیش کرے گا۔ اگرچہ غیر یقینی صورتحال ہوگی، لیکن اسٹیک ہولڈرز 2020 اور اس سے آگے کی حکمت عملی بناتے وقت سابقہ اور حالیہ تبدیلی کے محرکات کو تقسیم کر سکتے ہیں۔

اس شعبے میں 700 سے زائد کمپنیاں مصروف عمل ہیں، جس میں نئے مالکیوں کے تعارف جیسے عوامل اور اس کی معاونت کرتے بڑھتی ہوئی استطاعت کے آبادیاتی رجحانات، آبادی میں اضافہ، بنیادی ڈھانچے کی سرمایہ کاری، تکنیکی پیش رفت، تدریجی کیئر ماڈل، زائد متوقع عمر اور دائمی بیماریوں کے واقعات میں اضافہ اور اس کے ساتھ ہی وبائی امراض کے دوران صحت کو لاحق نئے تحفظات کارفرما ہیں۔

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		(Rupees in '000)	
ASSETS			
Non-current assets			
	6	5,912,486	4,415,663
	7	152,810	121,515
		2,755,242	2,571,674
	8	15,655,181	328,533
	9	407	358
		4,393	10,824
		<u>24,480,519</u>	<u>7,448,567</u>
Current assets			
		5,266,531	3,428,519
	10	9,715,781	8,633,836
	11	3,418,050	2,950,401
		144,209	113,181
		10,471	-
	12	1,449,589	1,187,736
		100,000	100,000
		10,303	23,757
		989,067	793,352
		2,188,252	335,189
		257,236	-
		<u>23,549,489</u>	<u>17,565,971</u>
Assets classified as held for sale		88,064	88,064
Total assets		<u><u>48,118,072</u></u>	<u><u>25,102,602</u></u>
EQUITY AND LIABILITIES			
EQUITY			
		2,124,253	2,124,253
	13	4,364,474	-
		1,630,974	1,630,974
		10,566,015	9,605,494
		280,251	280,251
		1,820,351	1,846,153
		20,786,318	15,487,125
		476,637	475,408
		<u>21,262,955</u>	<u>15,962,533</u>
LIABILITIES			
Non-current liabilities			
	14	11,382,486	320,664
		-	55,052
		100,045	54,994
		67,886	77,141
		160,634	121,545
		<u>11,711,051</u>	<u>629,396</u>
Current liabilities			
	15	5,835,793	3,143,237
	16	8,440,358	4,953,328
		13,524	11,420
		252,858	208,096
	17	515,362	139,707
		86,171	54,885
		<u>15,144,066</u>	<u>8,510,673</u>
Total liabilities		<u>26,855,117</u>	<u>9,140,069</u>
Contingencies and commitments			
Total equity and liabilities		<u><u>48,118,072</u></u>	<u><u>25,102,602</u></u>

The annexed notes from 1 to 27 form an integral part of these consolidated condensed interim financial statements


Chief Executive Officer


Director


Chief Financial Officer

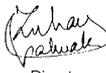
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Period Ended December 31, 2020 - Unaudited

	Note	Quarter ended		Half year ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
------(Rupees in '000)-----					
Revenue from contract with customers	19	6,815,891	4,926,389	12,378,375	9,888,519
Cost of sales	20	(3,570,067)	(2,484,835)	(6,572,453)	(5,074,319)
Gross profit		3,245,824	2,441,554	5,805,922	4,814,200
Distribution costs		(1,334,417)	(1,290,955)	(2,349,443)	(2,387,732)
Administrative expenses		(361,247)	(276,281)	(677,114)	(580,501)
Other operating expenses		(115,270)	(64,301)	(187,767)	(123,101)
Other income	21	194,040	187,954	236,926	237,354
Profit from operations		1,628,930	997,971	2,828,524	1,960,220
Finance cost		(376,300)	(195,122)	(648,779)	(338,162)
Profit before income tax		1,252,630	802,849	2,179,745	1,622,058
Income tax expense		(378,738)	(224,319)	(657,517)	(488,912)
Profit for the year		873,892	578,530	1,522,228	1,133,146
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		873,892	578,530	1,522,228	1,133,146
Total comprehensive income is attributable to:					
Owners of the The Searle Company Limited - Holding Company		855,243	567,408	1,490,842	1,113,360
Non-controlling interests		18,649	11,122	31,386	19,786
		873,892	578,530	1,522,228	1,133,146
Basic and diluted earnings per share (Rupees)	22	4.03	2.67	7.02	5.24

The annexed notes from 1 to 27 form an integral part of these consolidated condensed interim financial statements


Chief Executive Officer


Director


Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For The Period Ended December 31, 2020 - Unaudited

	Share capital	Advance received against issue of share capital	Capital reserves		Revenue reserves		Non-Controlling interest	Total	
			Share premium account	Revaluation surplus on Property, plant & equipment	General reserve	Unap-pro-priated profits			
----- (Rupees in '000) -----									
Balance as at July 01, 2019	2,124,253	-	1,630,974	1,437,936	280,251	7,603,678	10,952,839	442,137	13,519,229
Total comprehensive income for the period	-	-	-	-	-	1,113,360	1,113,360	19,786	1,133,146
Transactions with owners									
Final dividend for the year ended June 30, 2019 @ Rs. 2.5 per share	-	-	-	-	-	(531,063)	(531,063)	-	(531,063)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	-	(15,079)	(15,079)
	-	-	-	-	-	(531,063)	(531,063)	(15,079)	(546,142)
Transfer of incremental depreciation - net of deferred tax	-	-	-	(17,463)	-	17,463	-	-	-
Balance as at December 31, 2019	2,124,253	-	1,630,974	1,420,473	280,251	8,203,438	11,535,136	446,844	14,106,233
Balance as at July 01, 2020	2,124,253	-	1,630,974	1,846,153	280,251	9,605,494	13,362,872	475,408	15,962,533
Total comprehensive income for the period	-	-	-	-	-	1,490,842	1,490,842	31,386	1,522,228
Transactions with owners									
Final dividend for the year ended June 30, 2020 @ Rs. 2.5 per share	-	-	-	-	-	(531,063)	(531,063)	-	(531,063)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	-	(30,157)	(30,157)
Advance received against issue of share capital - note 12	-	4,364,474	-	-	-	-	-	-	4,364,474
Issuance cost against rights issue	-	-	-	-	-	(25,060)	(25,060)	-	(25,060)
	-	4,364,474	-	-	-	(556,123)	(556,123)	(30,157)	3,778,194
Transfer of incremental depreciation - net of deferred tax	-	-	-	(25,802)	-	25,802	-	-	-
Balance as at December 31, 2020	2,124,253	4,364,474	1,630,974	1,820,351	280,251	10,566,015	14,297,591	476,637	21,262,955

The annexed notes from 1 to 27 form an integral part of these consolidated condensed interim financial statements


Chief Executive Officer


Director


Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For The Period Ended December 31, 2020 - Unaudited

		December 31, 2020	December 31, 2019
	Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23	2,873,520	191,463
Finance cost paid		(589,680)	(289,324)
Income tax paid		(722,951)	(379,557)
Lease rentals paid		(13,108)	(16,484)
Interest income received		-	5,250
Decrease in long-term deposits		6,432	-
Increase in long-term loans and advances		(183)	(199,986)
Net cash generated from / (used in) operating activities		<u>1,554,030</u>	<u>(688,638)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(548,204)	(125,946)
Consideration for acquisition of wholly owned subsidiary - net		(10,269,400)	-
Sale proceeds on disposal of property, plant and equipment		802	4,886
Sale proceeds on disposal of assets held for sale		-	75,500
Additions to investment properties		(222,421)	(212,081)
Purchase of intangibles		-	(935)
Purchase of Term Finance Certificate		-	(100,000)
Net cash used in investing activities		<u>(11,039,223)</u>	<u>(358,576)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in dividend payable		93,965	364,850
(Payment to) / proceeds from export refinance		216,500	(110,000)
Proceeds from subordinated loan		300,000	-
Proceeds from borrowings - net		7,993,821	-
Deferred consideration paid		(4,709,849)	-
Advance received against issue of share capital net of issuance cost		4,339,414	-
Net cash generated from financing activities		<u>8,233,851</u>	<u>254,850</u>
Net decrease in cash and cash equivalents		<u>(1,251,342)</u>	<u>(792,364)</u>
Cash and cash equivalents at beginning of the period		(4,484,264)	(3,450,223)
Cash and cash equivalents at end of the period	24	<u>(5,735,606)</u>	<u>(4,242,587)</u>

The annexed notes from 1 to 27 form an integral part of these consolidated condensed interim financial statements


Chief Executive Officer


Director


Chief Financial Officer

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended December 31, 2020 - Unaudited

1. LEGAL STATUS AND OPERATIONS

- 1.1 The Searle Company Limited (the Company) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Company is principally engaged in the manufacture of pharmaceutical and other consumer products. The registered office of the Company is situated at One IBL Centre 2nd Floor, Plot No. 1, Block 7 & 8 D.M.C.H.S, Tipu Sultan Road Off Shahrah-e-Faisal, Karachi.

International Brands Limited is the holding company, which holds 56.60% shareholding in the Company.

Following are the subsidiary companies:

	Principal place of business	Effective %age of holding	
		December 31, 2020	June 30, 2020
Listed Company			
- IBL HealthCare Limited		74.19%	74.19%
Unlisted Companies			
- Searle Pharmaceuticals (Private) Limited	Pakistan	100.00%	100.00%
- Searle Laboratories (Private) Limited		100.00%	100.00%
- Searle Biosciences (Private) Limited		100.00%	100.00%
- IBL Identity (Private) Limited		100.00%	100.00%
- IBL Future Technologies (Private) Limited		100.00%	100.00%
- OBS Pakistan (Private) Limited		100.00%	Nil
- Nextar Pharma (Private) Limited *		87.20%	87.20%

* The Company effectively holds 87.20% (June 30, 2020: 87.20%) shareholding in Nextar Pharma (Private) Limited through Searle Biosciences (Private) Limited.

- 1.2 On July 1, 2020, the Company has executed a Memorandum of Understanding (MoU) with IBL Identity (Private) Limited (IBLID) - a wholly owned subsidiary of the Company, whereby the Company has agreed to transfer marketing and distribution rights of its certain Nutrition related products to IBLID. The Company has made product related sales of formula milk for infants in the current period to IBLID amounting to Rs. 213.39 million.

2. BASIS OF PREPARATION

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 (IAS) 34, Interim Financial Reporting, 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.

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

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

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2020.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2020. However, these do not have any significant impact on the Company's financial reporting.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2021. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these consolidated condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2020.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these consolidated condensed interim financial statements in conformity with approved accounting and reporting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this consolidated condensed interim financial information are the same as those that were applied to the annual audited consolidated financial statements as at and for the year ended June 30, 2020.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended June 30, 2020.

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

5. BUSINESS COMBINATION

5.1 Acquisition of OBS Pakistan (Private) Limited

On August 24, 2020, the Company acquired 100% paid up share capital of OBS Pakistan (Private) Limited (OBS), engaged in manufacturing and sales of pharmaceutical products, from Universal Venture (Private) Limited (UVPL) - related party. The said acquisition was approved by Board of Directors in its meeting held on October 23, 2019. The Board of Directors, in its meeting held on December 17, 2019 approved the acquisition of OBS for the total consideration amounting to Rs. 8.6 billion. Moreover, the acquisition was also approved by the shareholders in Extra-Ordinary General Meeting (EOGM) held on May 18, 2020.

Further, the Competition Commission of Pakistan (CCP), vide its order 1097/Merger-CCP/20 dated July 15, 2020 have authorised the transaction under section 31 (1) (d) (i) of the Competition Act, 2010.

The Company has acquired OBS as it is one of Pakistan's top private limited pharma company in healthcare sector and is a leading producers of iron sucrose injections with the brand name of Venofer. OBS is also the manufacturer of Decadron (Dexamethane), which is considered as the drug to decrease the mortality rate in COVID-19 patients.

The consideration for the above transaction is as follows:

	Rupees in million
Initial consideration	3,250
Deferred consideration to be paid in cash	5,350
Total consideration paid to UVPL for OBS acquisition	8,600
Equity injection in OBS through right issue of shares	7,200
	15,800

Out of the total consideration of Rs. 8,600 million, Rs. 3,250 million was paid to the UVPL being the initial consideration. The balance consideration of Rs. 5,350 million was agreed to be paid in cash on a deferred payment basis. If the Company pays the amount after 12 months and before 36 months, the outstanding balance amount shall be paid along with mark-up calculated at the rate of 6 months KIBOR + 0.5% per annum. As at December 31, 2020, payable to UVPL in respect of OBS acquisition amounts to Rs. 640.15 million.

OBS has authorised share capital of 350 million ordinary shares out of which 325.01 million ordinary share has already been issued, subscribed and fully paid-up. The Company has further subscribed 24 million ordinary shares in OBS at a price of Rs. 300 per share, resulting in aggregate additional investment of Rs. 7,200 million. The purposes for this equity injection in OBS was to set off and swap the finance facility availed by OBS from Habib Bank Limited (HBL), through availing a new finance facility in the form of Musharaka Agreement from HBL itself.

The Company has obtained independent valuations for the acquisition of OBS from KPMG Taseer Hadi & Co. as at 30 June 2019 in September 2019 and from Ernst & Young Pakistan as at 31 December 2019 in April 2020.

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

The Company has also provided a call option to UVPL to purchase up to 25% of the issued share capital of OBS within one year of acquisition date. The price for such purchase under the call option shall be the price at which the Company acquired these shares from UVPL as duly adjusted for proportionate amounts of injection or withdrawal of equity from date of acquisition of OBS to the date of exercise of call option.

Based on expert advice, management believes that the call option does not carry any material fair value.

The Board of Directors, in its meeting held on October 27, 2020, authorized to create a pledge upto 14.5 million ordinary shares of IBL HealthCare Limited in favour of UVPL for securing the Company's obligations towards UVPL.

The business combination has been accounted for by applying the acquisition method. The cost of the acquisition has been measured at the consideration by the Company against the purchase of shares. Identified assets acquired, liabilities assumed or incurred have been recorded at the provisional values at the acquisition date. The excess of the cost of acquisition over the recorded values of the Group's shares of the identifiable net assets acquired has been recorded as goodwill in the consolidated financial statements of the Group. This is provisional as fair value of the assets and liabilities was not determined as at the end of the reporting period.

IFRS 3 - 'Business Combinations', requires that all identified assets (including intangible assets) and liabilities assumed in a business combination should be recognised at their fair values on the acquirer's statement of financial position. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise the determination of fair values of assets and liabilities and to determine the value of any intangible separately identified.

5.2 Assets acquired and liabilities transferred at the time of acquisition:

As stated in note 5.1, at the acquisition date, the identifiable assets acquired and liabilities assumed have provisionally been recognised. The management is in the process of determining the fair values of acquired assets and liabilities.

The provisional values of assets and liabilities acquired are as follows:

	Rupees in '000
Property, plant and equipment	1,305,356
Right-of-use asset	43,853
Intangibles	9,007,823
Long-term loans to employees	232
Inventories	1,398,878
Trade debts - net	1,291,299
Loans and advances	493,052
Trade deposits and prepayments	24,185
Taxation - payments less provision	259,167
Cash and bank balances	180,600
Deferred tax asset	314,269
Total assets	14,318,713

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

Long term finance	21,007
Employee benefit obligations	46,771
Trade and other payables	2,371,176
Short-term borrowings - secured	2,368,441
Deferred income - government grant	5,411
Long-term lease liability	48,420
Total liabilities	4,861,226
Provisional value of net assets acquired	9,457,487

5.3 This has resulted in recognition of goodwill as follows:

Fair value of consideration	Rupees in '000 15,800,000
Provisional value of net assets acquired	(9,457,487)
Goodwill arising on acquisition - refer note 5.4	6,342,513

5.4 As stated in note 5.1, these values may be adjusted within a period of one year subsequent to the completion of fair value exercise.

(Unaudited)	(Audited)
December 31,	June 30,
2020	2020
(Rupees in '000)	

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 6.1	5,410,773	4,197,208
Capital work-in-progress - at cost	501,713	218,455
	5,912,486	4,415,663

6.1 Details of additions in operating assets including transfers from capital work-in-progress during the period are as follows:

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in '000)			
Leasehold land	1,498	11,918	-	-
Building on leasehold land	22,788	49,288	-	-
Plant and machinery	43,167	35,394	-	-
Office equipment	16,607	6,968	-	(2,436)
Furniture & fittings	9,244	3,201	-	-
Vehicles	847	-	(802)	(1,058)
Air conditioning systems	19,169	41,547	-	-
	113,320	148,316	(802)	(3,494)

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
(Rupees in '000)		
7. RIGHT-OF-USE ASSET		
Opening net book value	121,515	141,421
Lease liability on acquisition of OBS - note 5.2	43,853	-
Depreciation for the period - note 7.1	(12,558)	(19,906)
Net book value as at December 31, 2020	<u>152,810</u>	<u>121,515</u>

7.1 Depreciation expense on right-of-use asset has been charged to cost of sales.

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
8. INTANGIBLES		
Operating intangible assets	129,229	152,917
Intangible assets arising on acquisition of OBS - refer note 5.2	6,342,513	-
Intangibles assets acquired as part of net assets of OBS - refer note 5.2	9,007,823	-
Goodwill pertaining to Nextar Pharma (Private) Limited and IBL Identity (Private) Limited	175,616	175,616
	<u>15,655,181</u>	<u>328,533</u>

9. LONG TERM LOANS AND ADVANCES - unsecured

- Employees - note 9.1	1,096	1,046
Less: current portion employee loan	(689)	(688)
	<u>407</u>	<u>358</u>

9.1 This represents interest-free loans for automobiles to employees other than executives. These are secured against provident fund balances of respective employees.

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
(Rupees in '000)		
10. TRADE RECEIVABLES		
Considered good		
- Export receivables, secured	662,742	448,334
- Due from related parties, unsecured	6,963,463	7,327,278
- Others, unsecured	2,089,576	858,224
	<u>9,715,781</u>	<u>8,633,836</u>
Considered doubtful - others	151,346	154,099
Less: Provision for doubtful receivables	(151,346)	(154,099)
	<u>9,715,781</u>	<u>8,633,836</u>

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
(Rupees in '000)		
11. LOANS AND ADVANCES		
Loans to International Brands Limited		
- Short term loan - note 11.1	1,746,118	1,975,132
- Current portion of long term loan - note 9	14	-
	<u>1,746,132</u>	<u>1,975,132</u>
- Current portion of employee loan - note 9	689	688
Advances		
- To employees	165,973	101,174
- Against imports	214,163	100,539
- Suppliers	807,778	764,992
- Others	483,314	7,876
	<u>1,671,229</u>	<u>974,581</u>
	<u>3,418,050</u>	<u>2,950,401</u>

- 11.1** This loan is repayable within 1 year and carries mark-up at the rate of 12 months KIBOR + 2% per annum. The said loan was approved in the extra ordinary general meeting of IBLHC, held on May 18, 2016 as per the requirements of section 208 of the repealed Companies Ordinance, 1984.

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
(Rupees in '000)		
12. OTHER RECEIVABLES		
Receivables from related parties		
Due from associated companies:		
- IBL Operations (Private) Limited	22,163	15,170
- International Brands Limited	94,297	78,129
- United Retail (SMC- Private) Limited	309,306	410,772
- Trax Online (Private) Limited	-	385
- Lunar Pharma (Private) Limited	442,282	2,882
- IBL Frontier Market (Private) Limited	-	35,882
- IBL Logistics (Private) Limited	1,294	697
- International Knitwear Limited	-	562
- IBL Unisys (Private) Limited	412	1,033
	<u>869,753</u>	<u>563,368</u>
Due from other related party:		
Surplus arising under retirement benefit fund	5,250	5,250
Receivables from other than related parties		
Others, considered good - note 12.1	574,586	636,974
	<u>1,449,589</u>	<u>1,187,736</u>

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

- 12.1** This includes Rs. 269.5 million (June 30, 2020: Rs. 279.12 million) claimed by the Company from Zhejiang Huahai Pharmaceuticals, China (ZHP) relating to its product “Extor” that contains material supplied by ZHP. On July 12, 2018, the Drug Regulatory Authority of Pakistan in response to a review triggered by the European Medicine Agency (EMA), issued drug re-call for “Valsartan” containing products, due to the presence of cancer causing impurities. Accordingly, the Company re-called finished product “Extor” amounting to Rs. 221.95 million from the local market and Rs. 97 million from the international market. The impact of the product re-call has been set off by the claim raised by the Company against ZHP.

Further, the Company has lodged a claim of Rs. 881.05 million from ZHP in respect of the overall business loss.

During the pervious year, the Company entered into an agreement with ZHP for settlement of the above claims. As per the agreement, these claims will be settled against future purchases of raw material by the Company from ZHP. These claims will be accounted for when the credit notes for the discounted purchase price are received. Claims amounting to Rs. 9.62 million were settled during the period.

13. ADVANCE RECEIVED AGAINST ISSUE OF SHARE CAPITAL

This represents amount partially received by the Company from the shareholders in respect of right shares. Shares against this subscription have been issued subsequent to the period end.

The Board of Directors of the Company in its meeting held on October 27, 2020 had approved the rights issue at par value of Rs. 10 per share in ratio of 13 right shares for every 100 ordinary shares held. The total size of the issue is 4.69 billion.

(Unaudited) December 31, 2020	(Audited) June 30, 2020
(Rupees in ‘000)	

14. LONG-TERM BORROWINGS

Long term loan from Habib Bank Limited - note 13.1	10,329,468	-
Deferred payment to Universal Ventures Private Limited - note 5.1	640,151	-
Salary refinancing	408,203	316,000
	11,377,822	316,000
Retention money	4,664	4,664
	11,382,486	320,664

- 14.1** The Company has obtained a running mushakra facility from Habib Bank Limited for a period of 7 years with a repayment grace period of two years. The Company is required to repay the amount of the loan in 5 yearly installments, starting from August 2022. This facility carries a mark-up of three months KIBOR plus 1.35% which is secured against certain land and buildings of the Company which is situated at Deh Digh Malir, Korangi Industrial Area, S.I.T.E, Tipu Sultan Road, and North Western Zone Port Qasim, Karachi.

Further, land and building including plant and machinery of OBS - subsidiary and land and building of Nextar Pharma (Private) Limited - subsidiary are also secured against the long-term borrowings.

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
	(Rupees in '000)	
15. TRADE AND OTHER PAYABLES		
Creditors	1,182,636	901,336
Payable under group relief	1,618	1,618
Salaries and benefits payable	-	4,738
Bills payable in foreign currency	1,339,197	481,130
Royalty payable	10,862	21,935
Accrued liabilities	2,605,381	1,301,159
Payable to provident fund	13,374	15,215
Advance from customers	114,880	38,634
Taxes deducted at source and payable to statutory authorities	63,573	75,959
Workers' Profit Participation Fund	313,054	178,920
Workers' Welfare Fund	118,805	82,218
Other liabilities	72,414	40,375
	<u>5,835,793</u>	<u>3,143,237</u>
16. BORROWINGS		
Secured borrowings:		
Loans from banks, secured:		
- Running finance under mark-up arrangements - note 16.1	7,578,189	4,640,453
- Export re-finance - note 16.3	216,500	-
- Current portion of long term borrowing	166,669	133,875
- Subordinated loan - note 16.2	300,000	-
	<u>8,261,358</u>	<u>4,774,328</u>
Unsecured borrowings:		
Employees provident fund		
- Holding Company - note 16.4	161,000	161,000
- OBS Pakistan (Private) Limited - note 16.4	18,000	18,000
	<u>8,440,358</u>	<u>4,953,328</u>

- 16.1** The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 5,825 million (June 30, 2020: Rs. 4,925 million) which include financing facilities obtained under Islamic mode amounting to Rs. 5,125 million (June 30, 2020: Rs. 4,075 million). The arrangements are secured jointly by registered mortgage of Rs. 1,126.94 million (June 30, 2020: Rs. 1,126.94 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 6,889.23 million (June 30, 2020: Rs. 6,889.23 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

This includes facility obtained by OBS from Dubai Islamic Bank amounting to Rs.550 million carrying markup rate at Kibor plus 2% per annum, repayable within one year. The facility is secured by way of joint pari passu hypothecation charge over stock and receivables of OBS amounting to Rs. 783.33 million including 25% margin.

Moreover, OBS have obtained running finance facilities from commercial banks amounting to Rs 1.15 billion, carry markup ranging from 7.0% to 9.9%. The facilities are secured by way of joint pari passu hypothecation charge over current assets of OBS including 25% margin.

- 16.2** This represents a subordinated, interest free loan obtained by OBS from its director. The loan is repayable by OBS on demand.
- 16.3** The rates of mark-up ranged between 2.75% to 9.75% (June 30, 2020: 2.75% to 15.6%) per annum.
- 16.4** Subsequent to the period end, the loan obtained from employees provident fund has been repaid.

17. UNPAID DIVIDEND

- 17.1** This includes dividend on bonus shares withheld pertaining to 125 shareholders amounting to Rs. 130.99 million, on which stay from the Honorable High Court of Sindh has been obtained.
- 17.2** This also includes dividend pertaining to the year ended June 30, 2020 by the Company amounting to Rs. 364.12 million, due to unavailability of IBAN numbers, out of which Rs. 52.57 million has been paid subsequent to the half year ended December 31, 2020.

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

There has been no significant change in the status of contingencies as reported in the note 29 of consolidated audited financial statements of the Company for the year ended June 30, 2020.

18.2 Commitments

The facility for opening letters of credit and guarantees of the Company as at December 31, 2020 amounted to Rs. 2,105 million (June 30, 2020: Rs. 2,105 million) of which the amount remaining unutilised as at December 31, 2020 amounted to Rs. 1,233 million (June 30, 2020: Rs. 1,494 million).

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

19. REVENUE FROM CONTRACT WITH CUSTOMERS	2020	2019
	(Rupees in '000)	
Gross sales		
Local sales - note 19.1	12,151,433	9,589,916
Export sales	1,459,028	1,224,584
	<u>13,610,461</u>	<u>10,814,500</u>
Toll manufacturing	139,071	163,861
	<u>13,749,532</u>	<u>10,978,361</u>
Sales tax	(106,238)	(152,405)
	<u>13,643,294</u>	<u>10,825,956</u>
Less:		
Discounts, rebates and allowances	599,270	748,071
Sales returns	665,650	189,366
	<u>1,264,920</u>	<u>937,437</u>
	<u>12,378,375</u>	<u>9,888,519</u>

- 19.1** Consequent to Order 4480/2018 dated August 3, 2018 issued by the Honourable Supreme Court of Pakistan, the Drug Regulatory Authority of Pakistan (DRAP) fixed maximum retail price of drugs vide notification S.R.O 1610/2018 dated December 31, 2018. Further, DRAP vide Notification S.R.O 34(1)/2019 dated January 10, 2019 increased the maximum retail prices of drugs by nine percent over and above the maximum retail prices as determined under hardship category during the year 2018 and fifteen percent over and above existing maximum retail prices determined under Drug Pricing Policy, 2018 for drugs other than those specified under hardship category.

The Honourable High Court of Sindh vide Order dated January 22, 2019 has disposed off all the legal cases of the Company against DRAP. As mandated under the orders dated August 3, 2018 and November 14, 2018 passed by the Honourable Supreme Court of Pakistan in Human Rights Case No. 2858 of 2006, the Company may file an appeal before the Appellate Board of DRAP as provided under Section 9 of the Drugs Act, 1976, if the Company is dissatisfied by the prices fixed by DRAP.

Consequent to the above, the Company challenged the prices for four of its products namely, Peditral, Gravinite, Metodine and Hydrylline set by DRAP in its Appellate Board and the Appellate Board under its orders dated 18 June, 20 June and 25 June 2019 rejected the said application of the Company. The Company has challenged the said orders in the Honourable High Court of Sindh and an interim order has been passed restricting DRAP from taking any coercive action against the Company. Exposure of the Company due to abovementioned litigation amounts to Rs. 1.44 billion (June 30, 2020: Rs. 1.27 billion).

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

20. COST OF SALES

This includes inventory written-off by the Company during the period amounting to Rs. 13.19 million (December 31, 2019: Rs. 16.22 million)

December 31, December 31,
2020 2019
(Rupees in '000)

21. OTHER INCOME

Income from financial assets

Interest on loan to International Brands Limited	10,471	15,764
Exchange gain	121,148	3,534
Interest income on Term Finance Certificate	4,611	7,521
	136,230	26,819

Income from non - financial assets

Insurance claim recovery		959
Rental income from investment properties	76,325	62,639
Facility management fee	-	130,000
Gain on disposal of property, plant and equipment	-	1,392
Scrap sales	6,137	16,502
Government grant	17,142	-
Others	1,092	2
	100,696	210,535
	236,926	237,354

22. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the period	1,490,842	1,113,360
Weighted average number of outstanding shares at the end of the period (in thousand)	212,425	212,425
Basic and diluted earnings per share (Rupees)	7.02	5.24

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

	December 31, 2020	December 31, 2019
	(Rupees in '000)	
23. CASH GENERATED FROM OPERATIONS		
Profit before income tax	2,179,745	1,622,058
Add / (less): Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	163,935	138,071
Depreciation on investment property	38,853	29,127
Depreciation on right-of-use-asset	12,558	-
Gain on disposal of property, plant and equipment	-	(1,392)
Amortisation	23,688	23,497
Provision for retirement benefits obligation	1,720	2,694
Deferred Income - Government grant	(17,142)	-
Unwinding of discount on salary refinancing	2,477	-
Interest income	(10,471)	(15,764)
Finance cost	634,442	327,792
Interest on lease liability	5,880	10,370
Profit before working capital changes	<u>3,035,686</u>	<u>2,136,454</u>
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	(439,134)	(516,708)
Trade receivables	(5,843)	(1,846,545)
Loans and advances	25,403	(899,495)
Trade deposits and short-term prepayments	(6,844)	(34,429)
Tax refunds due from government - Sales tax	(10,471)	47,119
Other receivables	(46,657)	(839,054)
Increase in current liabilities	<u>(483,546)</u>	<u>(4,089,112)</u>
Trade and other payables	<u>321,380</u>	<u>2,144,121</u>
Cash generated from operations	<u><u>2,873,520</u></u>	<u><u>191,463</u></u>
24. CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,188,252	405,919
Short term running finances - note 15	(7,744,858)	(4,648,506)
Loan from provident fund - Holding Company	(161,000)	-
Loan from provident fund - OBS	(18,000)	-
	<u><u>(5,735,606)</u></u>	<u><u>(4,242,587)</u></u>

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

25. SEGMENT INFORMATION

Based on internal management reporting structure for the period, no reportable segments were identified that were of continuing significance for decision making.

26. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties during the period :

Nature of relationship	Nature of transactions	December 31, 2020	December 31, 2019
		(Rupees in '000)	
Holding company	- Corporate service charges	120,000	120,000
	- Rent income	6,677	5,006
	- Income from provision of amenities	4,249	3,810
Associated companies	- Revenue	6,593,118	6,624,900
	- Salaries and wages	1,606	2,197
	- Purchases	265	25,558
	- Carriage and duties	64,433	23,285
	- Discounts claimed	87,698	292,882
	- Rent expense	10,121	8,102
	- Rent income	31,402	34,825
	- Stock claims	208,738	193,798
	- Internet services	3,771	2,905
	- Architect fee	-	5,272
	- Income from provision of amenities	12,890	17,335
	- Donation	7,072	6,446
	- Incentives to field force staff	11,118	-
	- Repair and maintenance	234	859
	- Merchandise expense	12,130	13,904
	- Facility management fee	-	130,000
- Others	47,596	5,275	
- Long term loan	2,360	-	
Staff retirement benefits	- Contributions to Provident Fund	71,402	28,711
	- Finance cost on loan	13,535	-
	- Benefits paid	57,700	51,982
Key management employees compensation	- Salaries and other employee benefits	113,403	90,766
	- Contributions to Provident Fund	8,622	7,387
	- Sale of goods	-	64

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended December 31, 2020 - Unaudited

- 26.1** The status of outstanding balances with related parties as at December 31, 2020 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.

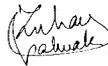
During the period ended December 31, 2020, assets of OBS Pakistan (Private) Limited and Nextar Pharma (Private) Limited have been secured against the long-term borrowings obtained by the Company - refer note 14.1

27. DATE OF AUTHORISATION FOR ISSUE

This consolidated condensed interim financial information was approved and authorised for issue by the Board of Directors of the Company on February 26, 2021.



Chief Executive Officer



Director



Chief Financial Officer

SEARLE

THE SEARLE COMPANY LIMITED

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