

SEARLE

Research in the service of mankind

MEDICAL SCIENCE OF TOMORROW

Quarterly Report March 2019



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Board of Directors

Mr. Adnan Asdar Ali (Chairman)
Mr. Rashid Abdulla
Mr. Husain Lawai
Mr. S. Nadeem Ahmed (Chief Executive Officer)
Mr. Zubair Razzak Palwala
Mr. Ayaz Abdulla
Mr. Asad Abdulla

Board of Audit Committee

Mr. Husain Lawai (Chairman)
Mr. Adnan Asdar Ali (Member)
Mr. Asad Abdulla (Member)

Board of HR & Remuneration Committee

Mr. Husain Lawai (Chairman)
Mr. Adnan Asdar Ali (Member)
Mr. Ayaz Abdulla (Member)
Mr. Asad Abdulla (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

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

Share Registrar

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

DIRECTORS' REPORT TO THE MEMBERS

We are pleased to present the unconsolidated interim financial information of your Company for the nine months ended March 31, 2019. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting' and the provisions of the directives issued under the Companies Act, 2017.

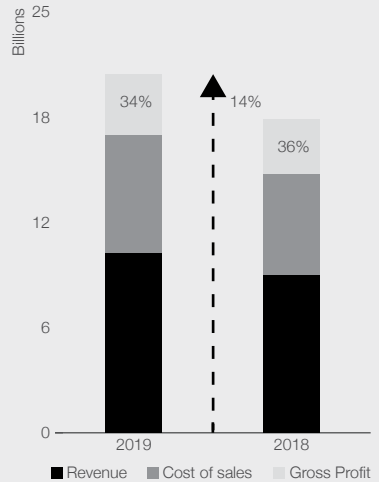
MARKET OVERVIEW

The size of the pharmaceutical industry in Pakistan is currently approximately US\$3.1 billion, with an annual growth rate of approximately 15%. There are more than 700 pharmaceutical manufacturing units in Pakistan, exporting products worth over US\$200 million to more than 60 countries.

The recent economic conditions have raised challenges on the industry as a whole. It is a fact hidden from none that the chemical industry of Pakistan has capacity constraints to develop basic components required for manufacturing drugs. Therefore, the industry resorts to import of raw materials. Due to this significant dependability, fluctuation in exchange rates coupled with stiff price regulations directly affect the product margins and consequent commercial feasibility. Pakistani rupee has recently experienced double-digit depreciation which has put the pharma industry under immense pressure.

OPERATING RESULTS

	March 31,	
	2019	2018
	(Rupees in thousand)	
Revenue	10,649,253	9,325,062
Cost of sales	(7,055,565)	(6,011,052)
Gross Profit	3,593,688	3,314,010
Operating expenses	(3,342,940)	(2,905,689)
Other operating expenses	(126,553)	(142,409)
Other income	2,374,388	2,462,816
Profit from operations	2,498,583	2,728,728
Finance cost	(303,424)	(123,529)
Profit before tax	2,195,159	2,605,199
Income tax expense	(114,089)	(103,792)
Profit after taxation	2,081,070	2,501,407



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.

During the period ended March 31, 2019, the company's financial performance was affected by the exchange rate fluctuations. However, despite the challenging economic conditions, Searle managed to continue its momentum.

Financial highlights are summarized below:

- Net sales of the Company grew by 14% to Rs 10.6 billion.
- Gross profit margin was 34%.
- Operating profit margin was 24%
- Profit before and after taxation was 21% and 20% respectively.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 9.8 (2018: Rs. 11.78). 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 at March 31, 2019.

FUTURE OUTLOOK

In order to enhance long-term shareholder value and to drive future growth and profitability, Searle has embarked on multiple initiatives both, locally and globally. We are strengthening with every passing day and are on our way to attain leadership position in key markets and business segments.

In the local market, the therapeutic areas which Searle has over the years strengthened include cardiovascular, cold & cough, diabetes, infant formula, pro-biotic and antibiotics. Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products.

For the longer run, Searle is focusing on emerging portfolios including, bio-similars, medical devices, nutraceuticals and genome sciences

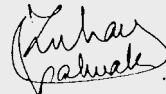
ACKNOWLEDGEMENT

At Searle, we all are emotionally 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 Palwala
Director

Karachi
April 18, 2019

ہیں اور اہم مارکیٹوں اور کاروباری شعبوں میں سرکردہ پوزیشن کے حصول کی طرف گامزن ہیں۔

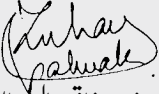
پاکستانی مارکیٹ میں وہ بنیادی علاج معالجے کے شعبے جن میں سرل گزشتہ سالوں کے دوران مستحکم ہوئی ہے، کارڈیو اسکولر، کولڈ و کف، ذیابیطیس، شیرخوار بچوں کا فارمولا، پرو بائیونک اور اینٹی بائیونک شامل ہیں۔ مستقبل میں ہم اسپیشلسٹی جنیرک برانڈ کے پورٹ فولیو میں اپنا حصہ بڑھانے اور منفرد مصنوعات کی طرف اپنی توجہ کو مرکوز کئے ہوئے ہیں۔


آنے والے سالوں میں سرل ابھرتے ہوئے پورٹ فولیو بشمول بائیو۔ سمیلرز، میڈیکل ڈیوائسز، نیوٹرا سیوٹیکلز اور جینیوم سائنسز پر خصوصی توجہ دے رہی ہے۔

اظہارِ تشکر

سرل میں ہم سب جذباتی طور پر ملحوظ و متحرک ہیں اور مستقل بنیاد پر پُر عزم شراکت کر رہے ہیں۔ یہی شیوہ ہمارے شراکت کار، سپلائرز اور صارفین، کا بھی ہے جس کیلئے ہم ان کے شکر گزار ہیں اور توقع کرتے ہیں کہ اسی لگن کے ساتھ وہ مستقبل میں بھی شریک کار رہیں گے۔ ہم یقین دلاتے ہیں کہ سرل اپنی کوششیں جاری رکھے گی اور ہم سے منسلک تمام شراکت کاروں کے لئے طویل المدتی ترقی فراہم کرے گی۔

بحکم بورڈ


زیر رزاق پیل والا
ڈائریکٹر


سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی

اپریل 18، 2019

سرل ایک ایسی کمپنی ہے کہ جس نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات کے ذریعے مریضوں کی زندگی کو بہتر بنانے کی کوشش کی ہے۔ مریضوں اور شیئر ہولڈرز کے مفادات کو اپنی بنیادی ترجیح بناتے ہوئے ہم نے ایک مستحکم اور مستند پوزیشن حاصل کر لی ہے اور ہم اپنی کوششوں سے حاصل ہونے والے اثرات پر فخر کرتے ہیں۔

31 مارچ 2019 کو ختم ہونے والی نو ماہی مدت میں کمپنی کی کارکردگی غیر ملکی کرنسی کے تبادلے میں اتار چڑھاؤ کی وجہ سے متاثر ہوئی۔ مگر اقتصادی بحران کے باوجود سرل اپنے ہدف کی طرف گامزن رہی۔

مالیاتی جھلکیاں درج ذیل ہیں:

- کمپنی کی سیلز میں 14 فیصد کا اضافہ ہوا اور کمپنی کی سیلز 10.6 بلین رہیں
- مجموعی منافع کی شرح 34 فیصد رہی
- آپریٹنگ منافع جات کی شرح 24 فیصد رہی
- منافع قبل از ٹیکس اور بعد از ٹیکس کی شرح 21 اور 20 فیصد بالترتیب رہی۔

آمدنی فی شیئر

بنیادی آمدنی فی شیئر بعد از ٹیکس 9.8 روپے تھی (11.78 روپے: 2018)۔

کمپنی کی بنیادی آمدنی فی حصص پر ڈائلوشن کا کوئی اثر نہیں پڑا کیونکہ کمپنی کے 31 مارچ 2019 کو کوئی کنورٹبل ڈائیلیٹیو پوٹینشل آرڈیزری شیئرز باقی نہیں تھے۔

مستقبل پر ایک نظر

طویل المدتی شیئر ہولڈر ویلیو میں اضافے اور مستقبل کی ترقی اور منافع جات کی غرض سے سرل مقامی اور عالمی دونوں سطح پر کثیر اقدامات انجام دے رہی ہے۔ ہم گزرتے ہوئے ہر دن کے ساتھ مضبوط ہو رہے

ڈائریکٹرز کی رپورٹ

ہم آپ کی کمپنی کی 31 مارچ 2019 کو ختم ہونے والی نو ماہی مدت کے انفرادی مالیاتی حسابات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ یہ مالیاتی حسابات انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ 'Interim Financial Reporting' - (IAS-34) اور کمپنیز ایکٹ 2017 کے تحت جاری کردہ ہدایات کے مطابق تیار کئے گئے ہیں۔

جائزہ

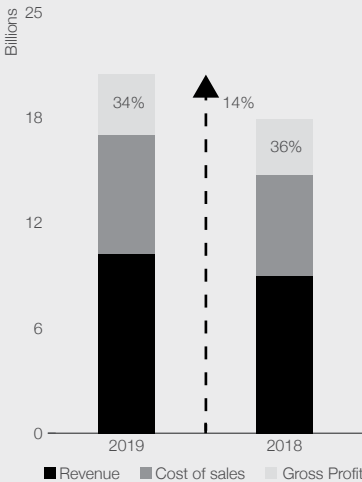
پاکستان میں فارماسیوٹیکل کی صنعت کا حجم موجودہ طور پر لگ بھگ 3.1 بلین امریکی ڈالر اور سالانہ شرح نمو تقریباً 15 فیصد ہے۔ پاکستان میں 700 سے زائد فارماسیوٹیکل مینوفیکچرنگ یونٹس ہیں جو کہ 20 سے زائد ممالک میں 200 بلین امریکی ڈالر سے زائد مالیت کی مصنوعات درآمد کر رہے ہیں۔

حالیہ اقتصادی صورتحال نے مجموعی طور پر صنعت کے لئے مزید چیلنجز کھڑے کر دیئے ہیں۔ یہ حقیقت کسی سے پوشیدہ نہیں ہے کہ پاکستان کی کیمیکل انڈسٹری ادویات کی تیاری کے لئے درکار بنیادی اجزاء کو تیار کرنے کے ضمن میں مقررہ گنجائش نہیں رکھتی، لہذا صنعت کو خام مال درآمد کرنا پڑتا ہے۔ غیر ملکی درآمدات پر انحصار کے باعث اور زرمبادلہ کے نرخوں میں اتار چڑھاؤ سے قیمتیں برقرار رکھنے میں دشواری کے باعث پروڈکٹس کی شرح منافع اور کمرشل فیئر بیلیٹی براہ راست متاثر ہوتی ہے۔ پاکستانی روپے کی گرتی قدر سے فارما انڈسٹری کو بے پناہ پریشر کا سامنا کرنا پڑا ہے۔

31 مارچ

(روپے ہزاروں میں)

آپریٹنگ نتائج



2018	2019
9,325,062	10,649,253
(6,011,052)	(7,055,565)
3,314,010	3,593,688
(2,905,689)	(3,342,940)
(142,409)	(126,553)
2,462,816	2,374,388
2,728,728	2,498,583
(123,529)	(303,424)
2,605,199	2,195,159
(103,792)	(114,089)
2,501,407	2,081,070

آمدنی
فروخت کے اخراجات
مجموعی آمدنی
آپریٹنگ اخراجات
دیگر آپریٹنگ اخراجات
دیگر آمدنی
آپریٹنگ سے آمدنی
فنانس کی لاگت
آمدنی قبل از ٹیکس
ٹیکسیشن
آمدنی بعد از ٹیکس

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2019

ASSETS	Note	(Un-audited) March 31, 2019	(Audited) June 30, 2018
		Rupees in '000	
Non-current assets			
Property, plant and equipment	5	1,934,261	1,714,141
Investment properties - at cost		2,432,120	2,456,565
Intangible assets		175,961	189,068
Long-term investments - subsidiaries	6	1,686,186	1,686,186
Long-term loans		278	152
Long-term deposits		7,396	7,396
		<u>6,236,202</u>	<u>6,053,508</u>
Current assets			
Inventories		2,234,240	2,294,306
Trade receivables	7	4,386,383	3,290,016
Loans and advances	8	4,827,230	4,327,289
Trade deposits and short-term prepayments		152,778	72,747
Other receivables	9	900,110	1,030,134
Taxation - payments less provision		956,001	874,169
Tax refunds due from Government - Sales Tax		-	14,436
Cash and bank balances		167,339	137,036
		<u>13,624,081</u>	<u>12,040,133</u>
Total assets		<u>19,860,283</u>	<u>18,093,641</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	2,124,253	1,847,177
Unappropriated profit		8,869,924	7,981,789
General reserve		280,251	280,251
Share premium		1,630,974	1,630,974
Revaluation surplus on property, plant and equipment		566,602	574,331
		<u>13,472,004</u>	<u>12,314,522</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		24,178	25,902
Employee benefit obligations		53,400	50,630
		<u>77,578</u>	<u>76,532</u>
Current liabilities			
Trade and other payables	11	2,373,574	2,861,682
Borrowings	12	3,782,402	2,737,763
Sales tax payable		2,668	-
Unpaid dividend	13	148,714	53,654
Unclaimed dividend		3,343	49,488
		<u>6,310,701</u>	<u>5,702,587</u>
Total liabilities		<u>6,388,279</u>	<u>5,779,119</u>
Contingencies and commitments			
	14		
Total equity and liabilities		<u>19,860,283</u>	<u>18,093,641</u>

The annexed notes from 1 to 24 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 period ended March 31, 2019 - Unaudited

	Note	Quarter ended		Nine months period ended	
		March, 2019	March, 2018	March, 2019	March, 2018
----- Rupees in '000 -----					
Revenue	15	3,718,213	3,176,193	10,649,253	9,325,062
Cost of sales		(2,511,372)	(2,204,692)	(7,055,565)	(6,011,052)
Gross profit		1,206,841	971,501	3,593,688	3,314,010
Distribution costs		(959,865)	(769,847)	(2,652,437)	(2,250,552)
Administrative expenses		(240,025)	(238,466)	(690,503)	(655,137)
Other operating expenses		(42,814)	(34,024)	(126,553)	(142,409)
Other income		793,433	816,719	2,374,388	2,462,816
Profit from operations		757,570	745,883	2,498,583	2,728,728
Finance cost		(89,758)	(45,372)	(303,424)	(123,529)
Profit before income tax		667,812	700,511	2,195,159	2,605,199
Income tax expense		(42,167)	(5,558)	(114,089)	(103,792)
Profit for the period		625,645	694,953	2,081,070	2,501,407
Other comprehensive income		-	-	-	-
Total comprehensive income		625,645	694,953	2,081,070	2,501,407
Basic and diluted earnings per share (Rupees)	18	2.95	(Restated) 3.27	9.80	(Restated) 11.78

The annexed notes from 1 to 24 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 March 31, 2019 - Unaudited

	Capital reserves				Revenue reserves			Total
	Share capital	Share premium account	Issue of bonus shares	Revaluation surplus on Property, plant & equipment	General reserve	Unappropriated profits	Total reserves	
Rupees in '000								
Balance as at July 01, 2017	1,539,314	1,630,974	-	443,511	280,251	6,474,308	8,829,044	10,368,358
Transfer of incremental depreciation for the period (net of tax)	-	-	-	(585)	-	585	-	-
Total comprehensive income for the period	-	-	-	-	-	2,501,407	2,501,407	2,501,407
Transactions with owners								
Transfer to reserve for issue of bonus shares	-	-	307,863	-	-	(307,863)	-	-
Bonus shares issued during the period in the ratio of 20 shares for every 100 shares held	307,863	-	(307,863)	-	-	-	(307,863)	-
Final dividend for the year ended June 30, 2017 @ Rs. 8 per share	-	-	-	-	-	(1,231,451)	(1,231,451)	(1,231,451)
	307,863	-	-	-	-	(1,539,314)	(1,539,314)	(1,231,451)
Balance as at March 31, 2018	1,847,177	1,630,974	-	442,926	280,251	7,436,986	9,791,137	11,638,314
Balance as at July 01, 2018	1,847,177	1,630,974	-	574,331	280,251	7,981,789	10,467,345	12,314,522
Transfer of incremental depreciation for the period (net of tax)	-	-	-	(7,729)	-	7,729	-	-
Total comprehensive income for the period	-	-	-	-	-	2,081,070	2,081,070	2,081,070
Transactions with owners								
Transfer to reserve for issue of bonus shares	-	-	277,076	-	-	(277,076)	-	-
Bonus shares issued during the period in the ratio of 15 shares for every 100 shares held	277,076	-	(277,076)	-	-	-	(277,076)	-
Final dividend for the year ended June 30, 2018 @ Rs. 5 per share	-	-	-	-	-	(923,588)	(923,588)	(923,588)
	277,076	-	-	-	-	(1,200,664)	(1,200,664)	(923,588)
Balance as at March 31, 2019	2,124,253	1,630,974	-	566,602	280,251	8,869,924	11,347,751	13,472,004

The annexed notes from 1 to 24 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 March 31, 2019 - Unaudited

	Note	March 31, 2019	March 31, 2018
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	691,563	958,479
Retirement benefit obligations paid		(830)	(1,418)
Finance cost paid		(257,952)	(99,245)
Income taxes paid		(197,645)	(141,967)
(Increase)/decrease in long-term loans		(126)	29
Increase in long-term deposits		-	(8,434)
Net cash generated from operating activities		235,010	707,444
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(339,653)	(318,073)
Proceeds from disposal of property, plant and equipment		60	9,351
Purchase of investment properties		(15,948)	(33,974)
Purchase of intangibles		(19,132)	(8,668)
Proceeds from disposal of investment in subsidiary		-	600,278
Additions to long-term investments		-	(200,000)
Net cash used in investing activities		(374,673)	48,914
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(874,673)	(1,164,785)
Export re finance received		210,000	11,000
Loan from subsidiary		-	200,000
Long-term finance paid		(107,142)	(107,142)
Net cash used in financing activities		(771,815)	(1,060,927)
Net decrease in cash and cash equivalents		(911,478)	(304,569)
Cash and cash equivalents at beginning of the period		(2,186,442)	(1,052,675)
Cash and cash equivalents at end of the period	20	(3,097,920)	(1,357,244)

The annexed notes from 1 to 24 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 March 31, 2019 - 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 1st Floor, N.I.C. Building, Abbasi Shaheed Road, 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	
		March 31, 2019	June 30, 2018
Listed Company			
- IBL HealthCare Limited	Pakistan	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%
- Nextar Pharma (Private) Limited *	85.17%	85.17%	

* The Company effectively holds 85.17% (June 30, 2018: 85.17%) shareholding in Nextar Pharma (Private) Limited through Searle Biosciences (Private) Limited.

1.2 The Company in its Board of Directors meeting held on January 2, 2018 approved an equity investment of 240,000 euros by subscribing 2,400 shares of 100 euros each i.e. 12% equity in SEARLE-BEL (Belgian company) in Belgium. In this regard, a shareholders agreement dated May 14, 2018 has been entered between IBL Group (the Company, International Brands Limited - Holding company and the relative of a Director) and SPRL VINCRA FOOD. The Belgian company is formed for setting up manufacturing unit in Belgium's Wallonia region for production of Nutraceuticals - a food that supplements diet and assists in disease prevention. The Company is in the process of obtaining approval from the State Bank of Pakistan in respect of the proposed investment.

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

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 does not include all information required for full financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2018.

2.1 Changes in accounting standards, interpretations and pronouncements

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

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

As a result of application of IFRS 15, bonus stock claims amounting to Rs. 181.45 million (2018: Rs. 150.26 million) treated as Cost of sales have now been reclassified as deductions from Revenue.

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

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2018, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these unconsolidated condensed interim financial statements.

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

The following is the new standard, amendment to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2019 that may have an impact on the financial statements of the Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

Further, IFRS 9 'Financial Instruments' (previously applicable from annual periods beginning on or after July 1, 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. However, SECP through SRO 229(I)/2019 dated February 14, 2019 has deferred the application of IFRS 9 till June 30, 2019.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these unconsolidated condensed interim financial statements in conformity with approved accounting 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, 2018.

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, 2018.

(Unaudited) March 31, 2019	(Audited) June 30, 2018
(Rupees in '000)	

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 6.1

Capital work-in-progress - at cost

1,766,676	1,412,022
167,585	302,119
<u>1,934,261</u>	<u>1,714,141</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)	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	----- (Rupees in '000) -----			
Building on leasehold land	140,937	71,506	-	-
Plant and machinery	259,694	154,903	-	-
Furniture & fittings	5,417	5,719	-	-
Vehicles	16,754	16,560	-	(4,381)
Office equipment	51,385	14,889	(107)	(1)
	474,187	263,577	(107)	(4,382)
			(Unaudited)	(Audited)
			March 31, 2019	June 30, 2018
			(Rupees in '000)	

6. LONG-TERM INVESTMENTS

Subsidiary companies - at cost - note 6.1

1,686,186 1,686,186

6.1 Subsidiary companies

	Note	(Unaudited)		(Audited)	
		March 31, 2019		June 30, 2018	
		Equity held	Investment at cost	Equity held	Investment at cost
		(Rupees '000)		(Rupees '000)	
Listed security					
IBL HealthCare Limited					
40,126,241 (June 30, 2018: 40,126,241)					
Ordinary shares of Rs. 10 each	6.1.1	74.19%	1,300,911	74.19%	1,300,911
Market price as at March 31, 2019: Rs.41.5 (June 30, 2018: Rs. 80.23) per share			1,300,911		1,300,911
Unlisted securities					
Searle Pharmaceuticals (Private) Limited					
40,000 (June 30, 2018: 40,000)					
Ordinary shares of Rs. 10 each		100%	400	100%	400
Break up value as at March 31, 2019: Rs.171.87 (June 30, 2018: Rs. 10.77) per share					
Searle Laboratories (Private) Limited					
12,500,000 (June 30, 2018: 12,500,000)					
Ordinary shares of Rs. 10 each		100%	125,000	100%	125,000
Break up value as at March 31, 2019: Rs.2.03 (June 30, 2018: Rs. 3.81) per share					

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

Note	(Unaudited)		(Audited)	
	March 31, 2019		June 30, 2018	
	Equity	Investment	Equity	Investment
	% held	at cost	% held	at cost
	(Rupees '000)		(Rupees '000)	
Searle Biosciences (Private) Limited 1,000,000 (June 30, 2018: 1,000,000) Ordinary shares of Rs. 10 each Break up value as at March 31, 2019: Rs.17.23 (June 30, 2018: Rs. 13.11) per share	100%	10,000	100%	10,000
IBL Identity (Private) Limited 9,500,000 (June 30, 2018: 9,500,000) Ordinary shares of Rs. 10 each Break up value as at March 31, 2019: Rs.Nil (June 30, 2018: Nil) per share	100%	49,875	100%	49,875
IBL Future Technologies (Private) Limited 20,000,000 (June 30, 2018: 20,000,000) Ordinary shares of Rs. 10 each Break up value as at March 31, 2019: Rs.10 (June 30, 2018: Rs. 10) per share	100%	200,000	100%	200,000
		1,686,186		1,686,186

6.1.1 Shares held as at March 31, 2019 include 1,117,379 shares (June 30, 2018: 1,117,379 shares) of IBL HealthCare Limited withheld at the time of bonus declaration. The Company has included these shares in its portfolio pending decisions of the Honourable High Court of Sindh on petitions filed by Company in respect of tax on bonus shares.

7. TRADE RECEIVABLES

Considered good

- Export receivables, secured

(Unaudited)
March 31,
2019
(Rupees in '000)

(Audited)
June 30,
2018

- Due from related parties, unsecured - note 7.1

- Others, unsecured

Considered doubtful

Less: Provision for doubtful debts

303,600	182,894
3,339,260	2,392,015
743,523	715,107
4,386,383	3,290,016
154,573	154,573
(154,573)	(154,573)
-	-
4,386,383	3,290,016

7.1 The receivable is stated net of amount payable to IBL Operations (Private) Limited and United Brands Limited - associated companies amounting to Rs. 155.88 million (June 30, 2018: Rs. 338.60 million) and 0.46 million (June 30, 2018: Rs. 5.88 million) respectively.

8. LOANS AND ADVANCES

8.1 This includes interest free loan provided to IBL Identity (Private) Limited - wholly owned subsidiary amounting to Rs. 3,392.6 million as at March 31, 2019 (June 30, 2018: Rs. 2,929.73 million).

8.2 This represents advance to Searle Biosciences (Private) Limited and Searle Laboratories (Private) limited - wholly owned subsidiaries and IBL Frontier Markets (Private) Limited - associated company amounting to Rs. 975.6 million (June 30, 2018: Rs. 975.5 million), Rs. 6.5 million (June 30, 2018: Rs. 10.25 million) and Rs. 1.95 million (June 30, 2018: 1.98) respectively. 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 March 31, 2019 - Unaudited

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
9. OTHER RECEIVABLES		
Receivables from related parties		
Due from subsidiary companies:		
- IBL HealthCare Limited	2,429	601
- Searle Pharmaceuticals (Private) Limited against dividend income	-	669,699
- Searle Laboratories (Private) Limited	425	425
- Searle Biosciences (Private) Limited - note - 9.1	316,016	149,944
- IBL Future Technologies (Private) Limited against financial assistance	1,949	1,200
	320,819	821,869
Due from associated companies:		
- IBL Operations (Private) Limited against: mark-up on over due balance	26,642	26,642
- International Brands Limited against:		
• expenses	16,997	11,412
• rental income	11,605	4,551
- International Franchises (Private) Limited against rental income	4,357	4,313
	59,601	46,918
Due from other related party:		
- The Home Makers (SMC-Private) Limited (formerly Habitt) against rental income	134,198	98,376
Surplus arising under retirement benefit fund	5,250	5,250
Receivables from other than related parties		
Others, considered good - note 9.2	380,242	57,721
	900,110	1,030,134

9.1 This represent dividends receivable and against expenses from wholly owned subsidiary companies.

9.2 This includes Rs. 318.95 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) issuing 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 an overall claim of Rs. 881.05 million from ZHP in respect of the overall business loss which has not yet been recorded in these condensed interim financial statements. The Company is in the process of discussion for recovery of the losses from ZHP.

10. SHARE CAPITAL

Authorised share capital

(Unaudited) March 31, 2019	(Audited) June 30, 2018		(Unaudited) March 31, 2019	(Audited) June 30, 2018
			(Rupees in '000)	
300,000,000	300,000,000	Ordinary shares of Rs. 10 each	3,000,000	3,000,000

Issued, subscribed and paid up capital

(Unaudited) March 31, 2019 (Number of shares)	(Audited) June 30, 2018		(Unaudited) March 31, 2019	(Audited) June 30, 2018
12,553,074	12,553,074	Shares allotted for consideration paid in cash	125,531	125,531
24,000	24,000	Shares allotted for consideration other than cash	240	240
199,848,171	172,140,532	Shares allotted as bonus shares	1,998,482	1,721,406
212,425,245	184,717,606		2,124,253	1,847,177

10.1 Movement in number of shares

(Unaudited) March 31, 2019 (Number of shares)	(Audited) June 30, 2018		(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) June 30, 2018
184,717,606	153,931,338	Opening shares outstanding	1,847,177	1,539,314
27,707,639	30,786,267	Share allotted as bonus shares	277,076	307,863
212,425,245	184,717,605		2,124,253	1,847,177

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
	(Rupees in '000)	
11. TRADE AND OTHER PAYABLES		
Creditors - note 11.1	447,084	983,557
Bills payable in foreign currency	400,587	677,604
Royalty payable	9,763	24,761
Accrued liabilities	1,167,311	778,521
Payable to provident fund	8,655	7,915
Advance from customers - unsecured	21,948	29,035
Accrued mark-up	80,931	35,459
Taxes deducted at source and payable to statutory authorities	38,476	69,440
Workers' Profit Participation Fund	124,720	174,379
Workers' Welfare Fund	16,886	14,469
Other liabilities	57,213	66,542
	<u>2,373,574</u>	<u>2,861,682</u>

- 11.1** This includes amount payable to Searle Pharmaceutical (Private) Limited - wholly owned subsidiary amounting to Rs. 207.2 million (June 30, 2018: Rs. 755.81 million) on account of contract manufacturing services. This also includes payable to Searle Laboratories (Private) Limited - wholly owned subsidiary amounting to Rs. 26.87 million (June 30, 2018: Rs. 26.87 million).

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
	(Rupees in '000)	
12. BORROWINGS		
Secured		
Running finances under mark-up arrangements - note - 12.1	3,265,259	2,323,478
Export re-finance	210,000	-
Current portion of long-term borrowing	107,143	214,285
	<u>3,582,402</u>	<u>2,537,763</u>
Unsecured		
Borrowing from IBL Future Technologies (Private) Limited - note 12.2	200,000	200,000
	<u>3,782,402</u>	<u>2,737,763</u>

12.1 The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs.3,925 million (June 30, 2018: Rs. 2,875 million) which include financing facilities obtained under Islamic mode amounting to Rs. 3,525 million (June 30, 2018: Rs. 2,725 million). The arrangements are secured jointly by registered mortgage of Rs. 589 million (June 30, 2018: Rs. 325.9 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 4,071 million (June 30, 2018: Rs. 2,850 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

The rates of mark-up ranged between 3% to 11.5% (June 30, 2018: 6.2% to 9%) per annum.

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

13. UNPAID DIVIDEND

This includes dividend on bonus shares amounting to Rs. 96.7 million withheld pertaining to 125 shareholders, on which stay from the Honourable High Court of Sindh has been obtained. The amount further includes dividend withheld amounting to Rs. 52.02 million due to non-compliance of certain legal / regulatory requirements by the shareholders.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 There has been no significant change in the status of contingencies as reported in the note 25 and 33.4 of annual audited financial statements of the Company for the year ended June 30, 2018.

14.2 Commitments

14.2.1 The facility for opening letters of credit and guarantees as at March 31, 2019 amounted to Rs. 2,080 million (June 30, 2018: Rs. 1,905 million) of which the amount remaining unutilised as at the period end amounted to Rs. 197.6 million (June 30, 2018: Rs. 1,527 million).

14.2.2 Future rentals payable against operating lease arrangements

The Company had entered into lease arrangements with Myplan Pharmaceuticals (Private) Limited and S. A. Pharma, a pharmaceutical concern, respectively, for a period of 20 years for land, building and plant and machinery located at Lahore.

During the period, the Company has entered into lease arrangement with First UDL Modaraba for a period of 5 years for land, building and plant and machinery located at Bin Qasim, Karachi.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

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

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
	(Rupees in '000)	
Not later than one year	28,718	16,368
Later than one year but not later than five years	138,440	89,201
Later than five years	104,424	114,889
	<u>271,582</u>	<u>220,458</u>

15. REVENUE

	March 31, 2019	March 31, 2018
	(Rupees in '000)	
Gross sales		
Local sales	10,082,461	9,330,069
Export sales	1,459,857	1,159,720
	<u>11,542,318</u>	<u>10,489,789</u>
Toll manufacturing	220,592	248,703
	<u>11,762,910</u>	<u>10,738,492</u>
Sales tax	(83,156)	(94,707)
	<u>11,679,754</u>	<u>10,643,785</u>
Less:		
Discounts, rebates and allowances	667,394	975,865
Sales returns	363,107	342,858
	<u>1,030,501</u>	<u>1,318,723</u>
	<u>10,649,253</u>	<u>9,325,062</u>

16. COST OF SALES

This includes inventory written-off during the period amounting to Rs. 11.1 million (March 31, 2018: Rs. 0.2 million)

March 31, March 31,
2019 2018
(Rupees in '000)

17. OTHER INCOME

Income from financial assets
Dividend income

- IBL HealthCare Limited	39,009	35,625
- Searle Pharmaceuticals (Private) Limited	2,005,906	2,098,173
- Searle Biosciences (Private) Limited	245,696	253,600
	2,290,611	2,387,398

Income from non - financial assets

Gain on disposal of property, plant and equipment	-	4,969
Rental income from investment properties	75,269	59,184
Others	8,508	11,265
	83,777	75,418
	2,374,388	2,462,816

18. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the period	2,081,070	2,501,407
Weighted average number of ordinary shares in issue during the period (in thousand)-Restated	212,425	212,425
Earnings per share - Basic and diluted (Rupees)	9.80	(Restated) 11.78

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

	March 31, 2019	March 31, 2018
	(Rupees in '000)	
19. CASH GENERATED FROM OPERATIONS		
Profit before income tax	2,195,159	2,605,199
Add adjustments for non-cash charges and other items		
Depreciation	159,819	123,577
Loss/(gain) on disposal of property, plant and equipment	47	(4,969)
Amortisation	32,239	28,282
Provision for retirement benefits obligation	3,600	4,050
Finance cost	303,424	123,529
Profit before working capital changes	2,694,288	2,879,668
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	60,066	(873,168)
Trade receivables	(1,096,367)	81,559
Loans and advances	(499,941)	(1,924,668)
Trade deposits and short-term prepayments	(80,031)	(11,504)
Other receivables	130,024	98,715
Sales tax	17,104	-
	(1,469,145)	(2,629,066)
Increase / (decrease) in current liabilities		
Trade and other payables	(533,580)	709,467
Sales tax paid	-	(1,590)
	(533,580)	707,877
Cash flows generated from operations	691,563	958,479
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances	167,339	7,961
Short term borrowings	(3,265,259)	(1,365,205)
	(3,097,920)	(1,357,244)

21. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

	Pharmaceutical		Consumer		Total	
	Mar' 31, 2019	Mar' 31, 2018	Mar' 31, 2019	Mar' 31, 2018	Mar' 31, 2019	Mar' 31, 2018
	----- (Rupees in '000) -----					
Segment revenue	9,582,911	8,514,845	1,066,342	810,217	10,649,253	9,325,062
Segment result	238,534	372,830	12,214	35,491	250,748	408,321
Unallocated income and expenses						
Other expenses					(126,553)	(142,409)
Other income					2,374,388	2,462,816
Finance cost					(303,424)	(123,529)
Profit before taxation					2,195,159	2,605,199
Income tax expense					(114,089)	(103,792)
Total comprehensive income					2,081,070	2,501,407

	Pharmaceutical		Consumer		Total	
	Mar' 31, 2019	June 30, 2018	Mar' 31, 2019	June 30, 2018	Mar' 31, 2019	June 30, 2018
	----- (Rupees in '000) -----					
Segment assets and liabilities						
Segment assets	632,256	395,746	20,888	63,868	653,144	459,614
Unallocated assets					19,207,139	17,634,027
Total assets					19,860,283	18,093,641
Unallocated liabilities	-	-	-	-	6,388,279	5,779,119
Total liabilities					6,388,279	5,779,119

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

22. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	March 31, 2019	March 31, 2018
		(Rupees in '000)	
Holding company	- Corporate service charges	162,000	126,000
	- Rent income	7,054	-
	- Income from provision of amenities	5,585	-
Subsidiaries	- Revenue	171,596	212,717
	- Purchase of consumables	1,703	-
	- Outside processing charges	2,579,789	1,717,268
	- Dividend income	2,290,611	2,387,398
	- Short term loan given	462,876	971,726
	- Short term loan obtained	-	200,000
	- Advance(received back)/given	(3,800)	710,276
Associated companies	- Revenue	8,989,450	7,744,323
	- Salaries and wages	548	3,462
	- Purchases	2,820	3,311
	- Carriage and duties	32,916	32,391
	- Discounts claimed	454,026	367,568
	- Rent expense	8,469	3,885
	- Rent income	47,410	38,854
	- Stock claims	228,332	140,259
	- Internet services	4,996	3,835
	- Architect fee	3,295	2,057
	- Income from Provision of Amenities	5,725	26,235
	- Donations	10,800	15,000
	- Purchases of ERP Hardware	14,153	8,193
	- ERP maintenance charges Incentive on Searle Focus	29,974	-
	- Prooducts	7,642	5,893
	- Repair & maintenance	7,057	-
	- Merchandise expense	89,707	-
	- Others	-	8,730
	Staff retirement benefits	- Contributions to Provident Fund	77,510
- Benefits paid		78,785	64,579
Key management employees compensation	- Salaries and other employee benefits	114,432	95,612
	- Contributions to Provident Fund	11,771	9,909
	- Directors' fees	21	29
	- Sale of goods	172	94

22.1 The status of outstanding balances with related parties as at March 31, 2019 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.

23. CORRESPONDING FIGURES

Corresponding figures have been rearranged for better presentation and comparison purpose, wherever considered necessary. However, there is no material reclassification.

24. 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 April 18, 2019.



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

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DIRECTORS' REPORT TO THE MEMBERS

We are pleased to present the consolidated interim financial information of the holding company for the nine months ended March 31, 2019. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting' and the provisions of the directives issued under the Companies Act, 2017.

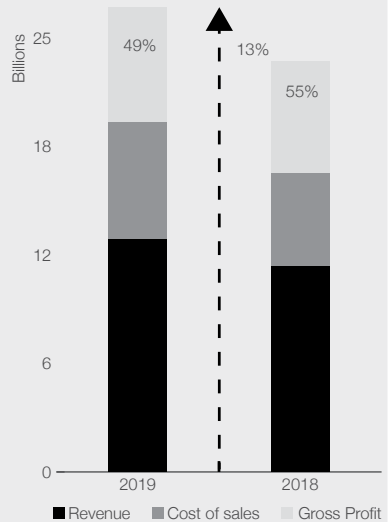
MARKET OVERVIEW

The size of the pharmaceutical industry in Pakistan is currently approximately US\$3.1 billion, with an annual growth rate of approximately 15%. There are more than 700 pharmaceutical manufacturing units in Pakistan, exporting products worth over US\$200 million to more than 60 countries.

The recent economic conditions have raised challenges on the industry as a whole. It is a fact hidden from none that the chemical industry of Pakistan has capacity constraints to develop basic components required for manufacturing drugs. Therefore, the industry resorts to import of raw materials. Due to this significant dependability, fluctuation in exchange rates coupled with stiff price regulations directly affect the product margins and consequent commercial feasibility. Pakistani rupee has recently experienced double-digit depreciation which has put the pharma industry under immense pressure.

OPERATING RESULTS

	March 31,	
	2019	2018
	(Rupees in thousand)	
Revenue	13,374,554	11,847,525
Cost of sales	(6,796,733)	(5,352,256)
Gross Profit	6,577,821	6,495,269
Operating expenses	(4,062,417)	(3,581,049)
Other operating expenses	(137,111)	(142,409)
Other income	118,946	90,793
Profit from operations	2,497,239	2,862,604
Finance cost	(309,637)	(127,238)
Profit before tax	2,187,602	2,735,366
Income tax expense	(398,437)	(379,861)
Profit after taxation	1,789,165	2,355,505



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.

During the period ended March 31, 2019, the company's financial performance was affected by the exchange rate fluctuations. However, despite the challenging economic conditions, Searle managed to continue its momentum.

Financial highlights are summarized below:

- Net sales of the Company grew by 13% to Rs 13.3 billion.
- Gross profit margin was 49%.
- Operating profit margin was 19%
- Profit before and after taxation was 16% and 13% respectively.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 8.34 (2018: Rs. 10.99). 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 at March 31, 2019.

FUTURE OUTLOOK

In order to enhance long-term shareholder value and to drive future growth and profitability, Searle has embarked on multiple initiatives both, locally and globally. We are strengthening with every passing day and are on our way to attain leadership position in key markets and business segments.


In the local market, the therapeutic areas which Searle has over the years strengthened include cardiovascular, cold & cough, diabetes, infant formula, pro-biotic and antibiotics. Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products.

For the longer run, Searle group is focusing on emerging portfolios including, bio-similars, medical devices, nutraceuticals and genome sciences

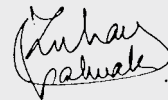
ACKNOWLEDGEMENT

At Searle, we all are emotionally 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 Palwala
Director

Karachi:
April 18, 2019

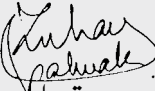
پاکستانی مارکیٹ میں وہ بنیادی علاج معالجے کے شعبے جن میں سرل گروپ گزشتہ سالوں کے دوران مستحکم ہوا ہے، کارڈیوایسکولر، کولڈوکف، ذیابیطیس، شیرخوار بچوں کا فارمولا، پرو بائیونک اور اینٹی بائیونک شامل ہیں۔ مستقبل میں ہم اسپیشلسٹی جنیرک برانڈ کے پورٹ فولیو میں اپنا حصہ بڑھانے اور منفرد مصنوعات کی طرف اپنی توجہ کو مرکوز کئے ہوئے ہیں۔

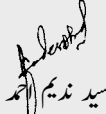
آنے والے سالوں میں سرل گروپ ابھرتے ہوئے پورٹ فولیو بشمول بائیو-سمیلرز، میڈیکل ڈیوائسز، نیوٹرا سیوٹیکلز اور جینیوم سائنسز پر خصوصی توجہ دے رہا ہے۔

اظہارِ تشکر

سرل گروپ میں ہم سب جذباتی طور پر ملحوظ و متحرک ہیں اور مستقل بنیاد پر پُر عزم شراکت کر رہے ہیں۔ یہی شیوہ ہمارے شراکت کار، سپلائرز اور صارفین، کا بھی ہے جس کیلئے ہم ان کے شکر گزار ہیں اور توقع کرتے ہیں کہ اسی لگن کے ساتھ وہ مستقبل میں بھی شریک کار رہیں گے۔ ہم یقین دلاتے ہیں کہ سرل گروپ اپنی کوششیں جاری رکھے گا اور ہم سے منسلک تمام شراکت کاروں کے لئے طویل المدتی ترقی فراہم کرے گا۔

بحکم بورڈ


 زبیر زاق پال والا
 ڈائریکٹر


 سید ندیم احمد
 چیف ایگزیکٹو آفیسر

کراچی

اپریل 18، 2019

سرل گروپ ایک ایسا گروپ ہے جس نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات کے ذریعے مریضوں کی زندگی کو بہتر بنانے کی کوشش کی ہے۔ مریضوں اور شیئر ہولڈرز کے مفادات کو اپنی بنیادی ترجیح بناتے ہوئے ہم نے ایک مستحکم اور مستند پوزیشن حاصل کر لی ہے اور ہم اپنی کوششوں سے حاصل ہونے والے اثرات پر فخر کرتے ہیں۔

31 مارچ 2019 کو ختم ہونے والی نو ماہی مدت میں ہولڈنگ کمپنی کی کارکردگی غیر ملکی کرنسی کے تبادلے میں اتار چڑھاؤ کی وجہ سے متاثر ہوئی۔ مگر اقتصادی بحران کے باوجود سرل گروپ اپنے ہدف کی طرف گامزن رہا۔

مالیاتی جھلکیاں درج ذیل ہیں:

- ہولڈنگ کمپنی کی سیلز میں 13 فیصد کا اضافہ ہوا اور ہولڈنگ کمپنی کی سیلز: 13.3 بلین رہیں
- مجموعی منافع کی شرح 49 فیصد رہی
- آپریٹنگ منافع جات کی شرح 19 فیصد رہی
- منافع قبل از ٹیکس اور بعد از ٹیکس کی شرح 16 اور 13 فیصد بالترتیب رہی۔

آمدنی فی شیئر

بنیادی آمدنی فی شیئر بعد از ٹیکس 8.34 روپے تھی (10.99 روپے: 2018)۔

ہولڈنگ کمپنی کی بنیادی آمدنی فی حصص پر ڈائلیوشن کا کوئی اثر نہیں پڑا کیونکہ ہولڈنگ کمپنی کے 31 مارچ 2019 کو کوئی کنورٹبل ڈائیلیٹیو پوٹینشل آرڈیزی شیئرز باقی نہیں تھے۔

مستقبل پر ایک نظر

طویل المدتی شیئر ہولڈر ویلیو میں اضافے اور مستقبل کی ترقی اور منافع جات کی غرض سے سرل گروپ مقامی اور عالمی دونوں سطح پر کثیر اقدامات انجام دے رہا ہے۔ ہم گزرتے ہوئے ہر دن کے ساتھ مضبوط ہو رہے ہیں اور اہم مارکیٹوں اور کاروباری شعبوں میں سرکردہ پوزیشن کے حصول کی طرف گامزن ہیں۔

ڈائریکٹرز کی رپورٹ

ہم آپ کی ہولڈنگ کمپنی کی 31 مارچ 2019 کو ختم ہونے والی نو ماہی مدت کے مجموعی مالیاتی حسابات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ یہ مالیاتی حسابات انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ 'Interim Financial Reporting' - (IAS-34) اور کمپنیز ایکٹ 2017 کے تحت جاری کردہ ہدایات کے مطابق تیار کئے گئے ہیں۔

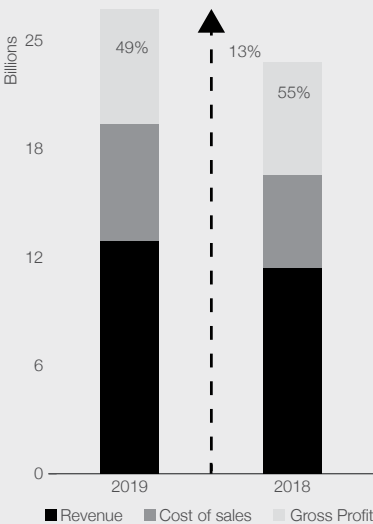
جاڑہ

پاکستان میں فارماسیوٹیکل کی صنعت کا حجم موجودہ طور پر لگ بھگ 3.1 بلین امریکی ڈالر اور سالانہ شرح نمو تقریباً 15 فیصد ہے۔ پاکستان میں 700 سے زائد فارماسیوٹیکل مینوفیکچرنگ یونٹس ہیں جو کہ 20 سے زائد ممالک میں 200 بلین امریکی ڈالر سے زائد مالیت کی مصنوعات درآمد کر رہے ہیں۔

حالیہ اقتصادی صورتحال نے مجموعی طور پر صنعت کے لئے مزید چیلنجز کھڑے کر دیئے ہیں۔ یہ حقیقت کسی سے پوشیدہ نہیں ہے کہ پاکستان کی کیمیکل انڈسٹری ادویات کی تیاری کے لئے درکار بنیادی اجزاء کو تیار کرنے کے ضمن میں مقررہ گنجائش نہیں رکھتی، لہذا صنعت کو خام مال درآمد کرنا پڑتا ہے۔ غیر ملکی درآمدات پر انحصار کے باعث اور زر مبادلہ کے نرخوں میں اتار چڑھاؤ سے قیمتیں برقرار رکھنے میں دشواری کے باعث پروڈکٹس کی شرح منافع اور کمرشل فیئر بیلیٹی براہ راست متاثر ہوتی ہے۔ پاکستانی روپے کی گرتی قدر سے فارما انڈسٹری کو بے پناہ پریشر کا سامنا کرنا پڑا ہے۔

31 مارچ
(روپے ہزاروں میں)

آپریٹنگ نتائج



2018	2019
11,847,525	13,374,554
(5,352,256)	(6,796,733)
6,495,269	6,577,821
(3,581,049)	(4,062,417)
(142,409)	(137,111)
90,793	118,946
2,862,604	2,497,239
(127,238)	(309,637)
2,735,366	2,187,602
(379,861)	(398,437)
2,355,505	1,789,165

آمدنی
فروخت کے اخراجات
مجموعی آمدنی
آپریٹنگ اخراجات
دیگر آپریٹنگ اخراجات
دیگر آمدنی
آپریٹنگ سے آمدنی
فنانس کی لاگت
آمدنی قبل از ٹیکس
ٹیکسیشن
آمدنی بعد از ٹیکس

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2019

ASSETS	Note	(Un-audited) March 31, 2019	(Audited) June 30, 2018
Rupees in '000			
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,892,517	2,692,524
Investment properties		2,861,456	2,871,818
Intangibles		359,391	384,661
Long-term loans and advances	6	1,728,681	1,657,012
Long-term deposits		26,047	25,177
		7,868,092	7,631,192
Current assets			
Inventories		2,852,762	2,831,232
Trade receivables	7	6,531,203	4,359,858
Loans and advances	8	1,001,235	883,167
Trade deposits and short-term prepayments		216,485	80,409
Interest accrued		11,827	16,208
Other receivables	9	845,348	318,467
Investments - at fair value through profit or loss	10	-	55,782
Tax refunds due from government - Sales tax		5,678	21,723
Taxation - payments less provision		779,298	846,554
Cash and bank balances		184,760	204,660
		12,428,596	9,618,060
Total assets		20,296,688	17,249,252
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	2,124,253	1,847,177
Unappropriated profit		7,143,204	6,566,207
General reserve		280,251	280,251
Share premium		1,630,974	1,630,974
Revaluation surplus on property, plant and equipment		669,830	675,001
Attributable to owners of			
The Searle Company Limited - Holding Company		11,848,512	10,999,610
Non-controlling interests		453,559	451,963
		12,302,071	11,451,573
LIABILITIES			
Non-current liabilities			
Long-term borrowings		4,664	4,664
Deferred tax liabilities		20,304	22,028
Employee benefit obligations		53,400	50,630
		78,368	77,322
Current liabilities			
Trade and other payables	12	4,179,260	3,073,659
Borrowings	13	3,569,402	2,537,763
Unpaid dividend		150,934	52,259
Unclaimed dividend		16,654	56,676
		7,916,249	5,720,357
Total liabilities		7,994,617	5,797,679
Contingencies and commitments			
Total equity and liabilities	14	20,296,688	17,249,252

The annexed notes from 1 to 23 form an integral part of these consolidated condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended March 31, 2019 - Unaudited

	Note	Quarter ended		Nine months period ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
----- Rupees in '000 -----					
Revenue	15	4,603,027	4,061,576	13,374,554	11,847,525
Cost of sales	16	(2,445,316)	(1,981,983)	(6,796,733)	(5,352,256)
Gross profit		2,157,711	2,079,593	6,577,821	6,495,269
Distribution costs		(1,204,227)	(919,432)	(3,142,393)	(2,583,464)
Administrative expenses		(238,085)	(364,053)	(920,024)	(997,585)
Other operating expenses		(45,790)	(34,024)	(137,111)	(142,409)
Other income	17	43,497	19,605	118,946	90,793
Profit from operations		713,106	781,689	2,497,239	2,862,604
Finance cost		(93,031)	(43,957)	(309,637)	(127,238)
Profit before income tax		620,075	737,732	2,187,602	2,735,366
Income tax expense		(142,801)	(102,137)	(398,437)	(379,861)
Profit for the period		477,274	635,595	1,789,165	2,355,505
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		477,274	635,595	1,789,165	2,355,505
Total comprehensive income is attributable to:					
Owners of the The Searle Company Limited - Holding Company		473,313	625,505	1,772,490	2,334,170
Non-controlling interests		3,961	10,090	16,675	21,335
		477,274	635,595	1,789,165	2,355,505
			(Restated)		(Restated)
Basic and diluted earnings per share (Rupees)	18	2.23	2.94	8.34	10.99

The annexed notes from 1 to 23 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 March 31, 2019 - Unaudited

	Capital reserves				Revenue reserves			Non-Controlling interest	Total
	Share capital	Share premium account	Issue of bonus shares	Revaluation surplus on Property, plant & equipment	General reserve	Unappropriated profits	Sub-Total reserves		
(Rupees in '000)									
Balance as at July 01, 2017	1,539,314	1,630,974	-	498,426	280,251	5,424,179	7,833,830	416,935	9,790,079
Total comprehensive income for the period	-	-	-	-	-	2,334,170	2,334,170	21,335	2,355,505
Transactions with owners									
Transfer to reserve for issue of bonus shares	-	-	307,863	-	-	(307,863)	-	-	-
Bonus shares issued during the period in the ratio of 20 shares for every 100 shares held	307,863	-	(307,863)	-	-	-	(307,863)	-	-
Final dividend for the year ended June 30, 2017 @ Rs. 8 per share	-	-	-	-	-	(1,231,451)	(1,231,451)	-	(1,231,451)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	-	(13,546)	(13,546)
	307,863	-	-	-	-	(1,539,314)	(1,539,314)	(13,546)	(1,244,997)
Transfer of incremental depreciation - net of deferred tax	-	-	-	(585)	-	585	-	-	-
Balance as at March 31, 2018	1,847,177	1,630,974	-	497,841	280,251	6,219,620	8,628,686	424,724	10,900,587
Balance as at July 01, 2018	1,847,177	1,630,974	-	675,001	280,251	6,566,207	9,152,433	451,963	11,451,573
Total comprehensive income for the period	-	-	-	-	-	1,772,490	1,772,490	16,675	1,789,165
Transactions with owners									
Transfer to reserve for issue of bonus shares	-	-	277,076	-	-	(277,076)	-	-	-
Bonus shares issued during the period in the ratio of 15 shares for every 100 shares held	277,076	-	(277,076)	-	-	-	(277,076)	-	-
Final dividend for the year ended June 30, 2018 @ Rs. 5 per share	-	-	-	-	-	(923,588)	(923,588)	-	(923,588)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	-	(15,079)	(15,079)
	277,076	-	-	-	-	(1,200,664)	(1,200,664)	(15,079)	(938,667)
Transfer of incremental depreciation - net of deferred tax	-	-	-	(5,171)	-	5,171	-	-	-
Balance as at March 31, 2019	2,124,253	1,630,974	-	669,830	280,251	7,143,204	9,724,259	453,559	12,302,071

The annexed notes from 1 to 23 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 March 31, 2019 - Unaudited

	Note	March 31, 2019	March 31, 2018
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	819,514	2,138,926
Retirement benefit obligations paid		(830)	(1,417)
Finance cost paid		(264,165)	(96,324)
Income tax paid		(332,905)	(298,928)
Interest income received		15,153	10,901
Increase in long-term deposits		(870)	(8,920)
Increase in long-term borrowings		(71,669)	(490,982)
Net cash generated from operating activities		164,228	1,253,256
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(367,515)	(349,459)
Proceeds from disposal of property, plant and equipment		60	9,349
Payments for investment properties		(16,544)	(33,974)
Purchase of intangibles		(7,859)	(9,720)
Additions to investments - at fair value through profit or loss		-	(158,582)
Proceeds from redemption of investments - at fair value through profit or loss		56,090	256,301
Dividend income received		17	6
Net cash generated from / (used in) investing activities		(335,752)	(286,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(880,014)	(1,183,061)
Long-term finance paid		-	(127,226)
Current portion of long-term loan repaid		(107,143)	-
Loan from related party		-	5
Proceeds from export refinance		210,000	11,000
Net cash used in financing activities		(777,157)	(1,299,282)
Net decrease in cash and cash equivalents		(948,680)	(332,105)
Cash and cash equivalents at beginning of the period		(2,118,818)	(987,453)
Cash and cash equivalents at end of the period	20	(3,067,498)	(1,319,558)

The annexed notes from 1 to 23 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 March 31, 2019 - Unaudited

1. LEGAL STATUS & OPERATIONS

- 1.1** The Searle Company Limited (the Holding Company) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Holding Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Holding Company is principally engaged in the manufacture of pharmaceutical and other consumer products. The registered office of the Holding Company is situated at 1st Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

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

Following are the subsidiary companies:

	Principal place of business	Effective %age of holding	
		March 31, 2019	June 30, 2018
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%
- Nextar Pharma (Private) Limited *		85.17%	85.17%

* The holding Company effectively holds 85.17% (June 30, 2018: 85.17%) shareholding in Nextar Pharma (Private) Limited through Searle Biosciences (Private) Limited.

- 1.2** The Holding Company in its Board of Directors meeting held on January 2, 2018 approved an equity investment of 240,000 euros by subscribing 2,400 shares of 100 euros each i.e. 12% equity in SEARLE-BEL (Belgian company) in Belgium. In this regard, a shareholders agreement dated May 14, 2018 has been entered between IBL Group (the Company, International Brands Limited - Holding company and the relative of a Director) and SPRL VINCRA FOOD. The Belgian company is formed for setting up manufacturing unit in Belgium's Wallonia region for production of Nutraceuticals - a food that supplements diet and assists in disease prevention. The Company is in the process of obtaining approval from the State Bank of Pakistan in respect of the proposed investment.

2. BASIS OF PREPARATION

These consolidated 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.

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 consolidated financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2018.

2.1 Changes in accounting standards, interpretations and pronouncements

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

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

As a result of application of IFRS 15, bonus stock claims amounting to Rs. 181.45 million (2018: Rs. 150.26 million) treated as Cost of sales have now been reclassified as deductions from Revenue.

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

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2018, but are considered not to be relevant or have any significant effect on the Holding Company's reporting and are therefore, not disclosed in these consolidated condensed interim financial statements.

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

The following is the new standard, amendment to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2019 that may have an impact on the financial statements of the holding Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

Further, IFRS 9 'Financial Instruments' (previously applicable from annual periods beginning on or after July 1, 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. However, SECP through SRO 229(I)/2019 dated February 14, 2019 has deferred the application of IFRS 9 till June 30, 2019.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this consolidated condensed interim financial statements in conformity with approved accounting 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 statements are the same as those that were applied to the annual audited consolidated financial statements as at and for the year ended June 30, 2018.

The Holding 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, 2018.

(Unaudited) March 31, 2019	(Audited) June 30, 2018
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(Rupees in '000)

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1

Capital work-in-progress - at cost

2,124,823	1,792,837
767,694	899,687
<u>2,892,517</u>	<u>2,692,524</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)	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	----- (Rupees in '000) -----			
Leasehold land	-	108,646	-	-
Building on leasehold land	140,937	36,548	-	-
Plant and machinery	259,694	154,903	-	-
Furniture and fixtures	5,417	5,719	-	-
Vehicles	16,754	16,560	-	(4,381)
Office equipment	51,385	27,083	(107)	(1)
	474,187	349,459	(107)	(4,382)

(Unaudited) (Audited)
March 31, June 30,
2019 2018
(Rupees in '000)

6. **LONG TERM LOANS AND ADVANCES - unsecured**

Loans - considered good

- Ultimate Parent Company - note 6.1

Less: current portion of long term loan

16,385	62,750
-	(36,512)

- Other Related parties

16,385	26,238
1,712,018	1,630,600

- Employees

Less: current portion employee loan

278	1,747
-	(1,573)

278	174
1,728,681	1,657,012

- 6.1 This represents loan to International Brands Limited. The tenure of this loan is 5 years with a grace period of 1 year payable in equal semi-annual installments. The rate of mark-up is 12 months KIBOR+1%. The said loan was approved in the extra ordinary general meeting of IBL HealthCare Limited held on January 14, 2015 as per the requirements of section 208 of the Companies Ordinance, 1984.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
7. TRADE RECEIVABLES		
Considered good		
- Export receivables, secured	303,600	182,894
- Due from related parties, unsecured - note 7.1	4,667,660	3,157,294
- Others, unsecured	1,559,943	1,019,670
	6,531,203	4,359,858
Considered doubtful - others	155,173	155,173
Less: Provision for doubtful receivables	(155,173)	(155,173)
	-	-
	6,531,203	4,359,858

- 7.1** The receivable is stated net of amount payable to IBL Operations (Private) Limited and United Brands Limited - associated companies amounting to Rs. 155.88 million (June 30, 2018: Rs. 338.60 million) and 0.46 million (June 30, 2018: Rs. 5.88 million) respectively.

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
8. LOANS AND ADVANCES		
Loans to International Brands Limited		
- Current portion of long term loan - note 6.1	-	36,512
- Short term loan - note 8.1	252,875	200,000
	252,875	236,512
- Current portion of employee loan	-	1,573
Advances		
- To employees	108,356	112,082
- Against imports	75,856	71,546
- Suppliers	564,148	459,474
- Related party	-	1,980
	748,360	645,082
	1,001,235	883,167

- 8.1** 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 Companies Ordinance, 1984. The loan has been further extended for a period of one year effective July 01, 2017.

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
(Rupees in '000)		
9. OTHER RECEIVABLES		
Receivables from related parties		
Due from associated companies:		
- IBL Operations (Private) Limited	26,642	26,642
- International Franchises (Private) Limited	4,357	4,313
- United Franchises (SMC-Private) Limited	-	634
- International Brands Limited	28,602	15,963
	59,601	47,552
Due from other related party:		
- Habitt	134,198	179,099
Surplus arising under retirement benefit fund	5,250	5,250
Receivables from other than related parties		
Others, considered good - note 9.1	646,299	86,566
	845,348	318,467

- 9.1** This includes Rs. 318.95 million claimed by the Company from Zhejiang Huahai Pharmaceuticals, China (ZHP) relating to its product "Extor". On July 12, 2018, the Drug Regulatory Authority of Pakistan in response to a review triggered by the European Medicine Agency (EMA) issuing 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 markets and Rs. 97 million from the International markets.

Further, the Company has lodged an overall claim of Rs. 881.05 million from ZHP in respect of the overall business loss which has not yet been recorded in these condensed interim financial statements. The Company is in the process of discussion for recovery of the losses from ZHP.

10. INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS

(Unaudited) March 31, 2019	(Audited) June 30, 2018		(Unaudited) March 31, 2019	(Audited) June 30, 2018
Number of units			Rupees '000	
-	-	Meezan Islamic Income Fund	-	-
-	-	Meezan Sovereign Fund	-	-
-	5,505,230	NAFA Islamic Aggressive Income Fund	-	55,008
-	14,709	Meezan Cash Fund	-	774
-	5,519,939		-	55,782

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

11. SHARE CAPITAL

Issued, subscribed and paid up capital

(Unaudited) March 31, 2019 (Number of shares)	(Audited) June 30, 2018		(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) June 30, 2018
12,553,074	12,553,074	Shares allotted for consideration paid in cash	125,531	125,531
24,000	24,000	Shares allotted for consideration other than cash	240	240
199,848,171	172,140,532	Shares allotted as bonus shares	1,998,483	1,721,405
212,425,245	184,717,606		2,124,254	1,847,176

11.1 Movement in issued, subscribed and paid-up share capital

(Unaudited) March 31, 2019 (Number of shares)	(Audited) June 30, 2018		(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) June 30, 2018
184,717,606	153,931,338	Opening shares outstanding	1,847,177	1,539,314
27,707,639	30,786,268	Share allotted as bonus shares	277,076	307,863
212,425,245	184,717,606		2,124,253	1,847,177

(Unaudited) March 31, 2019 (Rupees in '000)	(Audited) June 30, 2018

12. TRADE AND OTHER PAYABLES

Creditors	2,001,603	1,000,419
Bills payable in foreign currency	400,587	683,284
Royalty payable	9,763	24,761
Accrued liabilities	1,227,269	866,232
Payable to provident fund	30,311	33,850
Advance from customers	46,034	40,217
Accrued markup	80,931	35,460
Taxes deducted at source and payable to statutory authorities	81,329	82,682
Workers' Profit Participation Fund	124,720	174,379
Workers' Welfare Fund	26,281	24,128
Other liabilities	150,432	108,247
	4,179,260	3,073,659

13. BORROWINGS	(Unaudited) March 31, 2019	(Audited) June 30, 2018
	(Rupees in '000)	
Loans from banks, secured:		
- Running finance under mark-up arrangements - note 13.1	3,252,259	2,323,478
- Export re-finance	210,000	-
	3,462,259	2,323,478
Current portion of long term borrowing	107,143	214,285
	3,569,402	2,537,763

- 13.1** The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs.3,925 million (June 30, 2018: Rs. 2,875 million) which include financing facilities obtained under Islamic mode amounting to Rs. 3,525 million (June 30, 2018: Rs. 2,725 million). The arrangements are secured jointly by registered mortgage of Rs. 589 million (June 30, 2018: Rs. 325.9 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 4,071 million (June 30, 2018: Rs. 2,850 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

The rates of mark-up ranged between 3% to 11.5% (June 30, 2018: 6.2% to 9%) per annum.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- 14.1.1** There has been no significant change in the status of contingencies as reported in note 24 of the annual audited financial statements of the Company for the year ended June 30, 2018.

14.2 Commitments

- 14.2.1** The facility for opening letters of credit and guarantees as at March 31, 2019 amounted to Rs. 2,080 million (June 30, 2018: Rs. 1,905 million) of which the amount remaining unutilised as at the period end amounted to Rs. 197.6 million (June 30, 2018: Rs. 1,527 million).

14.2.2 Future rentals payable against operating lease arrangements

The Company had entered into lease arrangements with Myplan Pharmaceuticals (Private) Limited and S. A. Pharma, a pharmaceutical concern, respectively, for a period of 20 years for land, building and plant and machinery located at Lahore.

During the period, the Company has entered into lease arrangement with First UDL Modaraba for a period of 5 years for land, building and plant and machinery located at Bin Qasim, Karachi.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

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

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
	(Rupees in '000)	
Not later than one year	28,718	16,368
Later than one year but not later than five years	138,440	89,201
Later than five years	104,424	114,889
	<u>271,582</u>	<u>220,458</u>
15. REVENUE	March 31, 2019	March 31, 2018
	(Rupees in '000)	
Gross sales		
Local sales	13,386,187	12,255,162
Export sales	1,459,857	1,159,720
	<u>14,846,044</u>	<u>13,414,882</u>
Toll manufacturing	220,592	248,703
	<u>15,066,636</u>	<u>13,663,585</u>
Sales tax	(213,390)	(103,643)
	<u>14,853,246</u>	<u>13,559,942</u>
Less:		
Discounts, rebates and allowances	1,102,430	1,350,602
Sales returns	376,262	361,815
	<u>1,478,692</u>	<u>1,712,417</u>
	<u>13,374,554</u>	<u>11,847,525</u>

16. COST OF SALES

This includes inventory written-off during the period amounting to Rs. 11.1 million (March 31, 2018: Rs. 0.2 million)

**March 31,
2019** March 31,
2018
(Rupees in '000)

17. OTHER INCOME

Income from financial assets

Realised gain on investments - at fair value through profit or loss	308	500
Unrealised gain on investments - at fair value through profit or loss	-	785
Interest on loan to International Brands Limited	15,744	15,400
Exchange gain	2,000	-
Dividend income	17	6
	18,069	17,016

Income from non - financial assets

Gain on disposal of property, plant and equipment	-	4,969
Insurance claim recovery	-	1,052
Rental income from investment properties	90,071	59,184
Others	10,806	12,537
	100,877	77,742
	118,946	94,758

18. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the period	1,772,490	2,334,170
Weighted average number of outstanding shares at the end of the period (in thousand) - Restated	212,425	212,425
Basic and diluted earnings per share (Rupees) - Restated	8.34	10.99

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

	March 31, 2019	March 31, 2018
	(Rupees in '000)	
19. CASH GENERATED FROM OPERATIONS		
Profit before income tax	2,187,602	2,735,366
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	194,322	149,083
Loss / (gain) on disposal of property, plant and equipment	47	(4,969)
Amortisation	33,129	27,848
Provision for retirement benefits obligation	3,600	4,050
Unrealised gain on investments - at fair value through profit or loss	-	(615)
Realised gain on investments - at fair value through profit or loss	(308)	(500)
Dividend income	(17)	(6)
Interest income	(10,772)	(15,400)
Finance cost	309,637	127,238
Profit before working capital changes	2,717,240	3,022,095
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	(21,530)	(1,043,545)
Trade receivables	(2,171,345)	(1,005,981)
Loans and advances	(118,068)	(547,441)
Trade deposits and short-term prepayments	(136,076)	(23,768)
Tax refunds due from government - Sales tax	16,045	4,266
Other receivables	(526,881)	403
	(2,957,855)	(2,616,066)
Increase / (decrease) in current liabilities		
Trade and other payables	1,060,129	1,732,897
Sales tax payables	-	-
	1,060,129	1,732,897
Cash generated from operations	819,514	2,138,926
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances	184,760	45,647
Short term running finances - note 13	(3,252,259)	(1,365,205)
	(3,067,499)	(1,319,558)

21. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

	Pharmaceutical		Consumer		Total	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	----- (Rupees in '000) -----					
Segment revenue	10,632,878	9,458,264	2,741,676	2,389,261	13,374,554	11,847,525
Segment result	1,999,766	2,871,691	515,638	42,529	2,515,404	2,914,220
Unallocated income and expenses						
Other expenses					(137,111)	(142,409)
Other income					118,946	90,793
Finance cost					(309,637)	(127,238)
Profit before taxation					2,187,602	2,735,366
Taxation					(398,437)	(379,861)
Total comprehensive income					1,789,165	2,355,505

	Pharmaceutical		Consumer		Total	
	March 31, 2019	June 30, 2018	March 31, 2019	June 30, 2018	March 31, 2019	June 30, 2018
	----- (Rupees in '000) -----					
Segment assets and liabilities						
Segment assets	632,256	394,351	20,888	108,080	653,144	502,431
Unallocated assets					19,643,544	16,179,904
Total assets					20,296,688	16,682,335
Segment liabilities	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	7,994,617	5,714,499
Total liabilities					7,994,617	5,714,499

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2019 - Unaudited

22. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	March 31 2019	March 31 2018
		(Rupees in '000)	
Holding company	- Corporate service charges	162,000	126,000
	- Rent income	7,054	-
	- Income from provision	5,585	-
Associated companies	- Revenue	8,989,450	7,744,323
	- Salaries and wages	548	3,462
	- Purchases	2,820	3,311
	- Carriage and duties	32,916	32,391
	- Discounts claimed	454,026	367,568
	- Rent expense	8,469	3,885
	- Rent income	47,410	38,854
	- Stock claims	228,332	140,259
	- Internet services	4,996	3,835
	- Architect fee	3,295	2,057
	- Income from Provision of Amenities	5,725	26,235
	- Donations	10,800	15,000
	- Purchases of ERP Hardware	14,153	8,193
	- ERP maintenance charges	29,974	-
	- Incentive on Searle Focus Products	7,642	5,893
	- Repair & maintenance	7,057	-
	- Merchandise expense	89,707	-
- Others	-	8,730	
- Merchandise expense	49,179	-	
- Others	-	549	
Staff retirement benefits	- Contributions to Provident Fund	77,510	66,324
	- Benefits paid	78,785	64,579
Key management employees compensation	- Salaries and other employee benefits	114,432	95,612
	- Contributions to Provident Fund	11,771	9,909
	- Directors' fees	21	29
	- Sale of goods	172	94

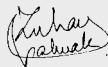
22.1 The status of outstanding balances with related parties as at March 31, 2019 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.

23. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on April 18, 2019.



Chief Executive Officer



Director



Chief Financial Officer



SEARLE

THE SEARLE COMPANY LIMITED

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