



SEARLE

Research in the service of mankind

Winning
Trust
Through
Quality

Quarterly Report
March 2020



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COMPANY INFORMATION

Board of Directors

Mr. Adnan Asdar Ali (Chairman)
Mr. Rashid Abdulla
Mr. S. Nadeem Ahmed (Chief Executive Officer)
Mr. Zubair Razzak Palwala
Mr. Ayaz Abdulla
Mr. Asad Abdulla
Mrs. Shaista Khaliq Rehman

Board of Audit Committee

Mrs. Shaista Khaliq Rehman (Chairperson)
Mr. Adnan Asdar Ali (Member)
Mr. Asad Abdulla (Member)

Board of HR & Remuneration Committee

Mrs. Shaista Khaliq Rehman (Chairperson)
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
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 your Company for the nine months ended March 31, 2020. 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.

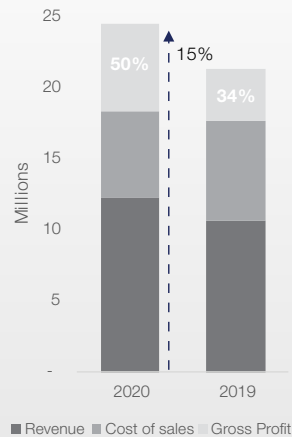
MARKET OVERVIEW

Pharmaceutical sales in Pakistan grew at a (2013-19) CAGR of 12%, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, higher life expectancy and increased incidence of chronic diseases. However, the pharmaceutical industry is experiencing a constant downward trend, due to high reliance of imported APIs, low per capita expenditure and low prices in terms of global environment.

The recent economic conditions have raised challenges on the industry as a whole. It is well known fact 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 experienced double-digit depreciation which has put the pharma industry under immense pressure.

OPERATING RESULTS

	March 31,	
	2020	2019
	(Rupees in thousand)	
Revenue	12,229,466	10,649,253
Cost of sales	(6,129,599)	(7,055,565)
Gross Profit	6,099,867	3,593,688
Operating expenses	(3,745,861)	(3,342,940)
Other operating expenses	(186,282)	(126,553)
Other income	634,523	2,374,388
Profit from operations	2,802,247	2,498,583
Finance cost	(478,578)	(303,424)
Profit before tax	2,323,669	2,195,159
Income tax expense	(565,949)	(114,089)
Profit after taxation	1,757,720	2,081,070



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, 2020, 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 15% to Rs 12.2 billion.
- Gross profit margin increased to 50%.
- Operating profit margin was 23%
- Profit before and after taxation was 19% and 14% respectively.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 8.27 (2019: Rs. 9.80).

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, 2020.

FUTURE OUTLOOK

The socio-economic impact of the 2019–20 coronavirus pandemic has had far-reaching consequences beyond the spread of the COVID-19 disease itself and efforts to quarantine it. As the SARS-CoV-2 virus has spread around the globe, concerns have shifted from supply-side manufacturing issues to decreased business in the services sector. The coronavirus pandemic caused the largest global recession in history, with more than a third of the global population at the time being placed on lockdown.

As countries and companies alike continue to grapple with the unprecedented challenges thrown up by the novel coronavirus (COVID-19), a specific area of concern has been the uncertainty surrounding the impact of the COVID-19 pandemic on the global as well as Pakistan's pharma industry supply chains. The concerns have been aggravated by the fact that COVID-19 struck first, and worst, in China, which is the world's leading producer and exporter of active pharmaceutical ingredients (API) by volume. A significant number of pharma companies in Pakistan and around the world import a bulk of their raw materials from China, which witnessed a lockdown of over two months from January 2020 to March 2020, while it battled COVID-19.

Further, due to overly regulated drug pricing mechanism, volatility in retail prices is a concern of paramount importance for us. Delays in new product approvals also pose key threats for the industry as a whole. However, with the change in recent political scenario, we will have to wait to assess the future economic trends and modify our strategies accordingly. For the longer run, Searle is focusing on emerging portfolios including, bio-similars, medical devices, nutraceuticals and genome sciences.

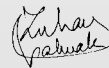
ACKNOWLEDGEMENT

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



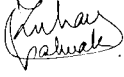
Zubair Razzak Palwala
Director

Karachi : April 27, 2020

اظہار تشکر

سرل میں، ہم جذباتی طور پر حوصلہ افزائی اور مستقل بنیادوں پر جوش و خروش سے خدمت کے خواہشمند ہیں۔ یہی معاملہ ہمارے شراکت داروں، سپلائرز اور صارفین کے ساتھ ہے، جس کے لئے ہم ان کے مشکور ہیں اور آئندہ کے 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 السعاد پائیدار ترقی کی فراہمی کے لئے کوشاں رہے گی۔

برائے اور بورڈ کی جانب سے



زیر رزاق پال والا
ڈائریکٹر



سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی:

۱۲ اپریل ۲۰۲۰ء

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۔

31 مارچ 2020 کو ختم ہونے والی نومبر کی مدت کے دوران، کمپنی کی مالی کارکردگی زربادلہ کی شرح کے اتار چڑھاؤ سے متاثر ہوئی۔ تاہم، مشکل معاشی صورتحال کے باوجود، سرل اپنے کاروباری رفتار کو جاری رکھنے میں کامیاب رہی۔

مالیاتی نکات مختصر آڈیل میں بیان کئے گئے ہیں:

- کمپنی کی خالص سیلز 15 فیصد اضافے سے 12.2 ارب روپے ہو گئی۔
- مجموعی منافع کی شرح 50 فیصد تک بڑھ گئی۔
- آپریٹنگ منافع کی شرح 23 فیصد رہی۔
- منافع قبل اور بعد از ٹیکس بالترتیب 19 اور 14 فیصد رہا۔

آمدنی فی شیئر

فی شیئر بنیادی آمدنی اس مدت کے لئے بعد از ٹیکس 8.27 روپے رہی (9.80:2019 روپے)۔

کمپنی کی بنیادی آمدنی فی شیئر پر کوئی اثرات ظاہر نہیں ہوئے، کیوں کہ کمپنی کے کسی ممکنہ منتقلی کی طاقت کے حامل شیئرز نہ ہونے کے باعث عمومی شیئرز بمطابق 31 مارچ، 2020، برقرار ہیں۔

مستقبل پر ایک نظر

2019-20 کے کورونا وائرس وبائی مرض کے سماجی و معاشی اثرات کے دور رس نتائج برآمد ہوئے ہیں جو خود COVID-19 بیماری کے پھیلاؤ اور اس کو قرنطینہ کرنے کے کوششوں کے بس سے باہر تھے۔ چونکہ SARS-CoV-2 وائرس دنیا بھر میں پھیل چکا ہے، خدشات سپلائی کے جانب سے مینوفیکچرنگ کے معاملات سے ہٹ کر سروسز کے شعبے میں کاروبار میں کمی کی طرف منتقل ہو گئے ہیں۔ کورونا وائرس کی وبائی بیماری تاریخ کی سب سے بڑی عالمی کساد بازاری کا سبب بنی، اس وقت عالمی آبادی کا ایک تہائی سے زیادہ حصہ لاک ڈاؤن پر ہے۔

جیسا کہ ممالک اور کمپنیاں ناول کورونا وائرس (COVID-19) کی وجہ سے درپیش غیر معمولی چیلنجوں کا مقابلہ کر رہے ہیں، بالخصوص تشویش کا مرکز یہ ہے کہ عالمی سطح پر اور پاکستان کے فارما انڈسٹری کی سپلائی پر COVID-19 وبائی مرض کے اثرات کے باعث غیر یقینی صورتحال ہے۔ خدشات اس وجہ سے بھی بڑھ گئے ہیں کہ COVID-19 نے پہلے چین پر حملہ کیا، اور صورتحال ابتر ہو گئی، چین جو حجم کے لحاظ سے فعال دواسازی اجزاء (API) کا دنیا کا نصف اول کار پروڈیوسر اور برآمد کنندہ ہے۔ پاکستان اور دنیا بھر میں ایک قابل ذکر تعداد میں فارما کمپنیاں اپنا خاں مال کی ایک بڑی تعداد چین سے درآمد کرتی ہیں، جہاں COVID-19 سے نبرد آزما ہوتے ہوئے جنوری 2020 سے مارچ 2020 تک دو ماہ سے زیادہ کالا ڈاؤن دیکھا گیا۔

مزید برآں ادویات کی ترخوں کے حدود رجسٹرول طریقہ کار اور ریٹیل ترخوں میں اتار چڑھاؤ بھی ہمارے لئے اہم تشویش کے اسباب ہے۔ نئی پروڈکٹ کی منظوری میں تاخیر سے بھی مجموعی طور پر صنعت کے لئے کلیدی خطرات سامنے آتے ہیں۔ تاہم حالیہ سیاسی صورتحال کی تبدیلی کے ساتھ ہم آنے والے معاشی رجحانات کا جائزہ لے رہے ہیں اور اس کے مطابق اپنی حکمت عملیوں میں تبدیلی لائیں گے۔ طویل المیعاد بنیادوں پر سرل گروپ ابھرتے ہوئے پورٹ فولیو بشمول بانیو۔ سمیلرز، میڈیکل آلات، نیوٹراسیوٹیکلز اور جینوم سائنسز پر خصوصی توجہ دے رہی ہے۔

ڈائریکٹرز کی جائزہ رپورٹ

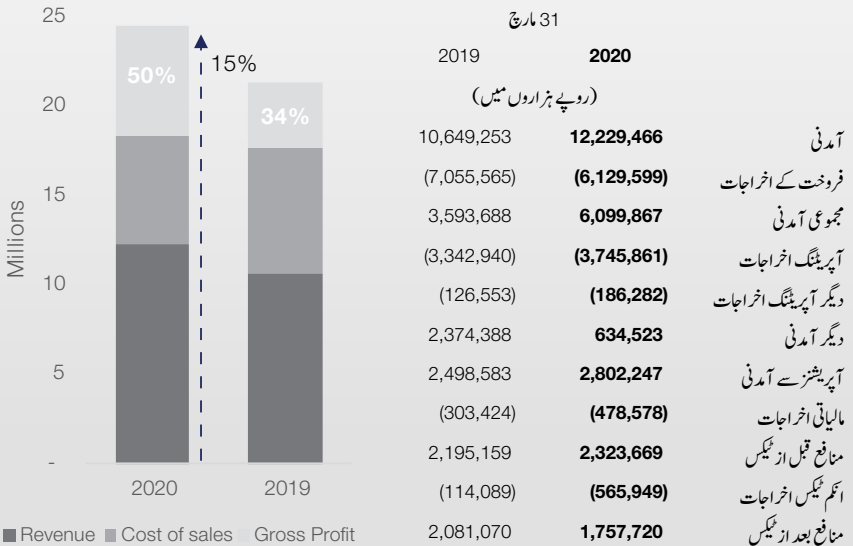
ہم 31 مارچ 2020 کو ختم ہونے والی نو ماہ کی مدت کے لئے کمپنی کے غیر مجموعی عبوری مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ یہ مالیاتی حسابات بین الاقوامی اکاؤنٹنگ اسٹینڈرڈ (IAS 34)۔ عبوری فنانشل رپورٹنگ اور کمپنیز ایکٹ، 2017 کے تحت جاری کردہ ہدایات کی دفعات کے تقاضوں کے مطابق تیار کیے گئے ہیں۔

مارکیٹ کا جائزہ

پاکستان میں فارماسیوٹیکلز کی فروخت (2013-19) میں 12 فیصد کے CAGR تک بڑھ گئیں، جس کی وجہ سے مالیکیول کا تعارف اور استطاعت میں اضافے کے رجحانات کی حمایت، بڑھتی ہوئی آبادی، اعلیٰ زندگی کی توقع اور مہلک اور پیچیدہ امراض کے بڑھتے ہوئے واقعات کا اضافہ تھا۔ تاہم، دواسازی کی صنعت کو مسلسل کمی کے رجحان کا سامنا ہے، جس کی وجوہات درآمد شدہ APIs پر زیادہ انحصار، کم فی کس اخراجات اور عالمی سطح کے لحاظ سے کم نرخ ہیں۔

موجودہ اقتصادی صورتحال نے مجموعی طور پر صنعت کے لئے چیلنجز بڑھادیئے ہیں۔ یہ معروف حقیقت ہے کہ پاکستان کی کیمیکل انڈسٹری کو ادویات کی تیاری کے لئے درکار بنیادی اجزاء تیار کرنے میں رکاوٹ کا سامنا ہے۔ لہذا، صنعت کو خام مال کی درآمد پر انحصار کرنا پڑتا ہے۔ اس واضح انحصار کی وجہ اور زرمبادلہ کے نرخوں میں اتار چڑھاؤ کے ساتھ نرخوں کی سخت ریگولیشنز براہ راست پروڈکٹ کے شرح منافع اور بعد ازاں تجارتی افادیت کو متاثر کرتی ہے۔ پاکستانی روپے کی قدر کو دو ہندسوں کی تخفیف کا سامنا ہے جس نے فارما انڈسٹری کو سخت دباؤ میں ڈال رکھا ہے۔

آپریٹنگ نتائج



UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2020

		(Un-audited) March 31 2020	(Audited) June 30, 2019
		(Rupees in '000)	
ASSETS	Note		
Non-current assets			
Property, plant and equipment	5	2,981,422	2,879,439
Investment properties - at cost		2,553,759	2,458,041
Intangible assets		135,041	164,913
Long-term investments - subsidiaries	6	1,686,186	1,686,186
Long-term loans		370	270
Long-term deposits		7,396	7,396
		<u>7,364,174</u>	<u>7,196,245</u>
Current assets			
Inventories		2,597,757	2,194,650
Trade receivables	7	6,428,727	4,866,132
Loans and advances	8	4,702,231	4,516,941
Trade deposits and short-term prepayments		89,444	81,882
Other receivables	9	2,038,795	3,077,649
Short-term investment - Term Finance Certificate		100,000	-
Taxation - payments less provision		835,348	1,128,345
Tax refunds due from Government - Sales Tax		4,118	35,179
Cash and bank balances		184,891	204,547
		<u>16,981,311</u>	<u>16,105,325</u>
Total assets		<u><u>24,345,485</u></u>	<u><u>23,301,570</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		2,124,253	2,124,253
Unappropriated profit		10,684,270	9,431,627
General reserve		280,251	280,251
Share premium		1,630,974	1,630,974
Revaluation surplus on property, plant and equipment		1,024,814	1,050,800
		<u>15,744,562</u>	<u>14,517,905</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		87,113	93,240
Employee benefit obligations		59,864	55,820
Long-term lease liability		96,766	-
		<u>243,743</u>	<u>149,060</u>
Current liabilities			
Trade and other payables	10	3,552,149	4,529,480
Borrowings	11	4,580,233	3,954,776
Current portion of long-term lease liability		38,484	-
Unpaid dividend	12	141,607	112,062
Unclaimed dividend		44,707	38,287
		<u>8,357,180</u>	<u>8,634,605</u>
Total liabilities		<u>8,800,923</u>	<u>8,783,665</u>
Contingencies and commitments	13		
Total equity and liabilities		<u><u>24,345,485</u></u>	<u><u>23,301,570</u></u>

The annexed notes from 1 to 23 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, 2020 - Unaudited

	Note	Quarter ended		Nine months period ended	
		March 2020	March 2019	March 2020	March 2019
------(Rupees in '000)-----					
Revenue from contracts with customers	14	4,158,151	3,718,213	12,229,466	10,649,253
Cost of sales	15	(2,138,599)	(2,511,372)	(6,129,599)	(7,055,565)
Gross profit		2,019,552	1,206,841	6,099,867	3,593,688
Distribution costs		(935,380)	(959,865)	(2,958,894)	(2,652,437)
Administrative expenses		(251,504)	(240,025)	(786,967)	(690,503)
Other operating expenses		(65,805)	(42,814)	(186,282)	(126,553)
Other income	16	199,690	793,433	634,523	2,374,388
Profit from operations		966,552	757,570	2,802,247	2,498,583
Finance cost		(155,687)	(89,758)	(478,578)	(303,424)
Profit before income tax		810,865	667,812	2,323,669	2,195,159
Income tax expense		(208,276)	(42,167)	(565,949)	(114,089)
Profit for the period		602,589	625,645	1,757,720	2,081,070
Other comprehensive income		-	-	-	-
Total comprehensive income		602,589	625,645	1,757,720	2,081,070
			(Re-stated)		(Re-stated)
Basic and diluted earnings per share (Rupees)	17	2.84	2.95	8.27	9.80

The annexed notes from 1 to 23 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

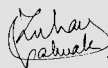
For the period ended March 31, 2020 - Unaudited

	Share capital	Capital reserve			Revenue reserves		Total reserves	Total
		Share premium	Issue of bonus shares	Revaluation surplus on Property, plant & equipment Rupees '000	General reserve	Unappropriated profits		
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 deferred 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
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
Transfer of incremental depreciation for the period (net of deferred tax)	-	-	-	(25,986)	-	25,986	-	-
Total comprehensive income for the period	-	-	-	-	-	1,757,720	1,757,720	1,757,720
Transactions with owners								
Final dividend for the year ended June 30, 2019 @ Rs. 2.5 per share						(531,063)	(531,063)	(531,063)
	-	-	-	-	-	(531,063)	(531,063)	(531,063)
Balance as at March 31, 2020	2,124,253	1,630,974	-	1,024,814	280,251	10,684,270	13,620,309	15,744,562

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



Chief Executive Officer



Director



Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

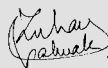
For the period ended March 31, 2020 - Unaudited

	Note	March 31 2020 (Rupees in '000)	March 31 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	871,825	691,563
Retirement benefit obligations paid		-	(830)
Finance cost paid		(344,791)	(257,952)
Lease rentals paid		(21,668)	-
Income taxes paid		(279,079)	(197,645)
(Increase)/decrease in long-term loans		(100)	(126)
Net cash generated from operating activities		226,187	235,010
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(135,637)	(339,653)
Proceeds from disposal of property, plant and equipment		2,450	60
Purchase of investment properties		(139,853)	(15,948)
Purchase of intangibles		(3,162)	(19,132)
Additions to short-term investments		(100,000)	-
Net cash used in investing activities		(376,202)	(374,673)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(495,098)	(874,673)
(Repayment of) / proceeds from export finance		(110,000)	210,000
Current portion of long-term loan repaid		-	(107,142)
Net cash used in financing activities		(605,098)	(771,815)
Net decrease in cash and cash equivalents		(755,113)	(911,478)
Cash and cash equivalents at the beginning of the period		(3,340,229)	(2,186,442)
Cash and cash equivalents at the end of the period	19	(4,095,342)	(3,097,920)

The annexed notes from 1 to 23 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, 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 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, 2020	June 30, 2019
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 (Pvt) Limited		100.00%	100.00%
- Nextar Pharma (Private) Limited		87.20%	87.20%

The Company effectively holds 87.20% (June 30, 2019: 87.20%) shareholding in Nextar Pharma (Private) Limited through Searle Biosciences (Private) Limited.

- 1.2 During the period, the Company's Board of Directors in its meeting held on October 22, 2019 approved acquisition of 100% paid up share capital of Luna Pakistan (Private) Limited (Luna), which indirectly owns 100% of the issued and paid up capital of OBS Pakistan (Private) Limited, which is one of the leading pharmaceutical companies in Pakistan, from Universal Venture (Private) Limited (UVPL) - related party. The said decision was subject to obtaining approvals and finalizations of the terms of the transaction with Universal Venture (Private) Limited. Further, the Board of Directors, in its meeting held on December 17, 2019 approved the acquisition of OBS Pakistan for the total consideration amounting to Rs. 8.6 billion. Out of the total consideration, the amount of Rs. 4.25 billion is agreed to be paid at the time of transfer of shares to the Company. The remaining amount of Rs. 4.325 billion is agreed to be paid on deferred payment basis. Further, the Company has also agreed to provide call option to Universal Venture (Private) Limited to acquire 25% of the paid up capital of Luna Pakistan (Private) Limited for a period of one year from the date of transfer of such shares.

In the abovementioned meeting of the Board, the Board also resolved that the approval of the shareholders shall also be obtained with respect to the said transaction. The Company is in the process of making necessary arrangements to complete the subject acquisition.

Subsequent to the meetings of the Board of Directors held on October 22, 2019 and December 17, 2019, the Board of Directors at its meeting held on March 6, 2020 approved the making of an equity investment with an amount up to PKR 7,200,000,000/- (Pak Rupees Seven Billion Two Hundred Million) in Luna for the purposes of settling and swapping the finance facility availed by Luna from Habib Bank Limited ("Proposed Equity Investment"), the funding of which Proposed Equity Investment, is intended to be made through availment of a finance facility from a syndicate of banks and financial institutions arranged by Habib Bank Limited itself.

The Board of Directors further resolved that an extraordinary general meeting of the Company be convened and held on April 20, 2020 for the purposes of seeking approval on a voluntary basis from the shareholders of the Company in respect of the Proposed Acquisition and Proposed Equity Investment.

The abovementioned extraordinary general meeting was postponed due to recent outbreak of COVID-19.

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 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, 2019.

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 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 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.

The changes laid down by this standard have been disclosed in note 3.1 of these condensed interim financial statements.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2020 - Unaudited

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2019 are considered not to be relevant for the Company's interim financial statements and hence have not been detailed here.

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, 2019, except as disclosed in note 3.1.

3.1 Changes in accounting policies

3.1.1 IFRS 16 'Leases'

Effective July 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases-Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to Company's right-of-use assets and lease liability are disclosed in note 3.1.2.

The Company has adopted IFRS 16 retrospectively from July 1, 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position on July 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of July 1, 2019. The lessee's incremental borrowing rate applied to lease liabilities on July 1, 2019 ranges between 15.34 to 15.48%.

The following summary reconciles the Company's operating lease commitments at June 30, 2019 as previously disclosed in the Company's annual financial statements as at June 30, 2019 to the lease liability recognised on initial application of IFRS 16 at July 1, 2019.

	(Rupees in '000)
Operating lease commitments as at July 1, 2019	260,398
Discounted using the Company's incremental borrowing rate at the date of initial application	<u>(120,977)</u>
Total liability as at July 1, 2019	<u>139,421</u>
Of which are:	
Current lease liability	8,556
Non-current lease liability	130,865

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at June 30, 2019.

	(Unaudited) March 31, 2020	(Audited) June 30, 2019
	(Rupees in '000)	
The recognised right of use asset related to the following type of asset:		
Leasehold Building	131,468	141,421

The change in accounting policy affected the following in the condensed interim financial position on July 1, 2019

	July 1, 2019 (Rupees in '000)
Right-of-use asset increased by	141,421
Trade deposits and short-term prepayments decreased by	2,000
Lease liability increased by	139,421

The change in accounting policy affected the following in the condensed interim statement of Profit or Loss account on March 31, 2020

	(Rupees in '000)
Mark up expense - increased by	15,497
Net of Depreciation charge and rent expense - decreased by	6,647

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2020 - Unaudited

3.1.2 Lease liability and right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

4. ACCOUNTING ESTIMATES AND 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, 2019.

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, 2019.

(Unaudited)	(Audited)
March 31,	June 30,
2020	2019
(Rupees in '000)	

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 6.1	2,764,473	2,728,713
Capital work-in-progress - at cost	90,457	150,726
Right-of-use assets - note 5.2	141,421	-
Less: Depreciation	(14,929)	-
	126,492	-
	2,981,422	2,879,439

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, 2020	March 31, 2019	March 31, 2020	March 31, 2019
		(Rupees in '000)		
Land	14,010	-	-	-
Building on leasehold land	90,176	26,451	-	-
Plant and machinery	38,788	128,682	-	-
Furniture & fittings	3,201	399	-	-
Vehicles	-	-	(1,058)	-
Office equipment	49,731	26,211	-	-
	195,906	181,743	(1,058)	-

5.2 The right-of-use assets pertain to the leasehold buildings at the Multan Road Plants, Lahore and Port Qasim Plant, Karachi.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS**

For the period ended March 31, 2020 - Unaudited

	(Unaudited) March 31, 2020	(Audited) June 30, 2019
	(Rupees in '000)	
6. LONG-TERM INVESTMENTS		
Subsidiary companies (at cost)	<u>1,686,186</u>	<u>1,686,186</u>
7. TRADE RECEIVABLES		
Considered good		
- Export receivables - secured	453,399	307,294
- Due from related parties, unsecured - note 7.1	5,276,331	3,839,765
- others - unsecured	<u>698,997</u>	<u>719,073</u>
	<u>6,428,727</u>	<u>4,866,132</u>
Considered doubtful	151,915	152,003
Less: Provision for doubtful debts	(151,915)	(152,003)
	-	-
	<u>6,428,727</u>	<u>4,866,132</u>

7.1 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. 338.19 million (2019: Rs. 284.97 million), Rs. 15.63 million (2019: Rs. 15.36 million) and Rs. 0.05 million (2019: Rs. 1.01 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. 3,119.13 million as at March 31, 2020 (June 30, 2019: Rs. 3,046.13 million).

8.2 This represents advance to Searle Biosciences (Private) Limited and Searle Laboratories (Private) limited - wholly owned subsidiaries amounting to Rs. 972.2 million (June 30, 2019: Rs. 975.6 million), Rs. 20.1 million (June 30, 2019: Rs. 6.5 million) respectively. These advances are provided for the purpose of financial assistance and are settled in the ordinary course of business.

	(Unaudited) March 31, 2020	(Audited) June 30, 2019
9. OTHER RECEIVABLES		(Rupees in '000)
Receivables from related parties		
Due from subsidiary companies:		
- IBL HealthCare Limited	70,007	24,777
- Searle Pharmaceuticals (Private) Limited against dividend income	240,772	1,982,566
- Searle Laboratories (Private) Limited	425	-
- Searle Biosciences (Private) Limited - note - 9.1	767,164	399,378
- Nextar Pharma (Pvt) Limited against expenses	16,954	5,414
- IBL Future Technologies (Private) Limited against financial assistance	1,949	1,949
	1,097,271	2,414,084
Due from associated companies:		
- IBL Operations (Private) Limited against: mark-up on over due balance rental income and expenses	19,091	27,767 -
- International Brands Limited against expenses rental income	12,005	7,472 25,538
- International Franchises (Private) Limited against rental income and capital expenditure	15,063	1,093
	46,159	61,870
Due from other related party:		
- United Retail (SMC-Private) Limited (formerly The Home Makers (SMC-Private) Limited) against rental income	260,525	209,566
- OBS Pakistan (Pvt) Ltd against facility management fee	215,000	-
- Lunar Pharma (Pvt) Ltd against expenses	2,882	-
Surplus arising under retirement benefit fund	5,250	5,250
Receivables from other than related parties		
Others, considered good - note 9.2	411,708	386,879
	2,038,795	3,077,649

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

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2020 - Unaudited

	(Unaudited) March 31, 2020	(Audited) June 30, 2019
10. TRADE AND OTHER PAYABLES		(Rupees in '000)
Creditors - note 10.1	559,709	2,531,434
Bills payable in foreign currency	804,631	708,946
Royalty payable	14,275	23,966
Accrued liabilities	1,545,704	801,222
Payable to provident fund	10,447	8,619
Advance from customers - unsecured	92,635	22,415
Accrued mark-up	227,764	109,473
Taxes deducted at source and payable to statutory authorities	55,687	96,147
Workers' Profit Participation Fund	125,478	149,417
Workers' Welfare Fund	57,451	16,342
Other liabilities	58,368	61,499
	<u>3,552,149</u>	<u>4,529,480</u>

- 10.1** This includes amount payable to Searle Pharmaceutical (Private) Limited - wholly owned subsidiary amounting to Rs. 261.79 million (June 30, 2019: Rs. 2,192.65 million) on account of toll manufacturing services. This also includes payable to Searle Laboratories (Private) Limited - wholly owned subsidiary amounting to Rs. 26.87 million (June 30, 2019: Rs. 9.13 million).

	(Unaudited) March 31, 2020	(Audited) June 30, 2019
11. BORROWINGS		(Rupees in '000)
Secured		
Running finances under mark-up arrangements - note - 11.1	4,280,233	3,544,776
Export re-finance	100,000	210,000
	<u>4,380,233</u>	<u>3,754,776</u>
Unsecured		
Borrowing from IBL Future Technologies (Private) Limited - note 11.3	200,000	200,000
	<u>4,580,233</u>	<u>3,954,776</u>

- 11.1** The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 4,735 million (June 30, 2019: Rs. 4,175 million) which include financing facilities obtained under Islamic mode amounting to Rs. 3,885 million (June 30, 2019: Rs. 3,525 million). The arrangements are secured jointly by registered mortgage of Rs. 1,127 million (June 30, 2019: Rs. 589.44 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 6,889 million (June 30, 2019: Rs. 4,071 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

- 11.2** The rates of mark-up ranged between 2.75 % to 14.55% (June 30, 2019: 6.9% to 12.7%) per annum.

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

12. UNPAID DIVIDEND

12.1 This includes dividend on bonus shares withheld pertaining to 125 shareholders amounting to Rs. 96.7 million, on which stay from the Honorable High Court of Sindh has been obtained.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 There has been no significant change in the status of contingencies as reported in the note 22 of annual audited financial statements of the Company for the year ended June 30, 2019.

13.2 Commitments

13.2.1 The facility for opening letters of credit and guarantees as March 31, 2020 amounted to Rs. 2,111 million (June 30, 2019: Rs. 2,111 million) of which the amount remaining unutilised as at the period ended March 31, 2020 amounted to Rs. 259 million (June 30, 2019: Rs. 318 million).

	March 31, 2020	March 31, 2019
	(Rupees in '000)	
14. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Gross sales		
Local sales	12,184,830	10,082,461
Export sales	1,850,925	1,459,857
	14,035,755	11,542,318
Toll manufacturing	229,965	220,592
	14,265,720	11,762,910
Sales tax	(50,301)	(83,156)
	14,215,419	11,679,754
Less:		
Discounts, rebates and allowances	1,294,800	667,394
Sales return	691,153	363,107
	1,985,953	1,030,501
	12,229,466	10,649,253

15. COST OF SALES

This includes inventory written-off during the period amounting to Rs. 22.8 million (March 31, 2019: Rs. 11.1 million)

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2020 - Unaudited

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

16. OTHER INCOME

Income from financial assets

Interest income

- Habib Bank Limited - Term Finance **7,522** -

Dividend income

- IBL HealthCare Limited **39,009** 39,009

- Searle Pharmaceuticals (Private) Limited - 2,005,906

- Searle Biosciences (Private) Limited **282,000** 245,696

321,009 2,290,611

Income from non - financial assets

Gain on disposal of property, plant and equipment

1,392 -

Rental income from investment property

73,653 75,269

Facility management fee - note 16.1

215,000 -

Others

15,947 8,508

305,992 83,777

634,523 2,374,388

- 16.1** This pertains to fee charged from OBS Pakistan (Private) Limited in respect of finance, administration, human resources and other services provided by the Company, in accordance with the agreement.

March 31, March 31,
2020 2019

17. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period **1,757,720** 2,081,070

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) **8.27** (Re-stated)
9.80

	March 31, 2020	March 31, 2019
	(Rupees in '000)	
18. CASH GENERATED FROM OPERATIONS		
Profit before income tax	2,323,669	2,195,159
Add adjustments for non-cash charges and other items		
Depreciation	218,152	159,819
(Gain)/loss on disposal of property, plant and equipment	(1,392)	47
Amortisation	33,034	32,239
Provision for retirement benefits obligation	4,044	3,600
Finance cost	463,082	303,424
Interest on lease liability	15,497	-
Profit before working capital changes	3,056,086	2,694,288
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	(403,107)	60,066
Trade receivables	(1,562,595)	(1,096,367)
Loans and advances	(185,290)	(499,941)
Trade deposits and short-term prepayments	(7,562)	(80,031)
Other receivables	1,038,854	130,024
Refund due from Government - sales tax	31,061	17,104
	(1,088,639)	(1,469,145)
Increase / (decrease) in current liabilities		
Trade and other payables	(1,095,622)	(533,580)
Cash flows generated from operations	871,825	691,563
	March 31, 2020	March 31, 2019
	(Rupees in '000)	
19. CASH AND CASH EQUIVALENTS		
Cash and bank balances	184,891	167,339
Short term running finance - note 11.1	(4,280,233)	(3,265,259)
	(4,095,342)	(3,097,920)

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2020 - Unaudited

20. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

	Pharmaceutical		Consumer		Total	
	Mar' 31 2020	Mar' 31 2019	Mar' 31 2020	Mar' 31 2019	Mar' 31 2020	Mar' 31 2019
----- (Rupees in '000) -----						
Segment revenue	11,422,537	9,582,911	806,929	1,066,342	12,229,466	10,649,253
Segment result	2,328,184	238,534	25,822	12,214	2,354,006	250,748
Unallocated income and expenses						
Other expenses					(186,282)	(126,553)
Other income					634,523	2,374,388
Finance cost					(478,578)	(303,424)
Profit before taxation					2,323,669	2,195,159
Income tax expense					(565,949)	(114,089)
Total comprehensive income					1,757,720	2,081,070

	Pharmaceutical		Consumer		Total	
	Mar' 31 2020	June 30, 2019	Mar' 31 2020	June 30, 2019	Mar' 31 2020	June 30, 2019
----- (Rupees in '000) -----						
Segment assets and liabilities						
Segment assets	777,750	836,546	21,881	19,704	799,631	856,250
Unallocated assets					23,545,854	22,445,320
Total assets					24,345,485	23,301,570
Unallocated liabilities					8,600,923	8,783,665
Total liabilities					8,600,923	8,783,665

21. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	March 31,	March 31,
		2020	2019
		(Rupees in '000)	
Holding company	- Corporate service charges	180,000	162,000
	- Rent income	7,759	7,054
	- Income from provision of amenities	5,715	5,585
Subsidiaries	- Revenue	395,558	171,596
	- Purchase of consumables	-	1,703
	- Outside processing charges	-	2,579,789
	- Dividend income	321,009	2,290,611
	- Short term loan given	73,000	462,876
	- Advances recovered	(12,100)	(3,800)
	- Advance against financial assistance	105,546	-
Associated companies	- Revenue	10,016,655	8,989,450
	- Salaries and wages	2,604	548
	- Purchases	30,864	2,820
	- Carriage and duties	22,830	32,916
	- Discounts claimed	350,732	454,026
	- Rent expense	10,176	8,469
	- Rent income	50,583	47,410
	- Stock claims	247,282	228,332
	- Internet services	3,124	4,996
	- Architect fee	7,604	3,295
	- Income from Provision of Amenities	24,793	5,725
	- Donations	8,566	10,800
	- Purchases of ERP Hardware	-	14,153
	- ERP maintenance charges	-	29,974
	- Incentives to field force staff	9,889	7,642
	- Repair & maintenance	1,007	7,057
	- Merchandise expense	19,119	89,707
- Facility management fee	215,000	-	
- Others	7,474	-	
Staff retirement benefits	- Contributions to Provident Fund	91,165	77,510
	- Benefits paid	47,000	78,785
Key management employees compensation	- Salaries and other employee benefits	136,785	114,432
	- Contributions to Provident Fund	11,729	11,771
	- Directors' fees	30	21
	- Sale of goods	106	172

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended March 31, 2020 - Unaudited

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

22. CORRESPONDING FIGURES

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

23. 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 27, 2020.



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 nine months ended March 31, 2020. 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.

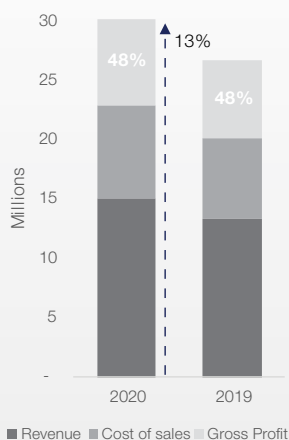
MARKET OVERVIEW

Pharmaceutical sales in Pakistan grew at a (2013-19) CAGR of 12%, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, higher life expectancy and increased incidence of chronic diseases. However, the pharmaceutical industry is experiencing a constant downward trend, due to high reliance of imported APIs, low per capita expenditure and low prices in terms of global environment.

The recent economic conditions have raised challenges on the industry as a whole. It is well known fact 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 experienced double-digit depreciation which has put the pharma industry under immense pressure.

OPERATING RESULTS

	March 31,	
	2020	2019
	(Rupees in thousand)	
Revenue	15,102,987	13,374,554
Cost of sales	(7,864,456)	(6,796,733)
Gross Profit	7,238,531	6,577,821
Operating expenses	(4,385,839)	(4,062,417)
Other operating expenses	(193,992)	(137,111)
Other income	371,861	118,946
Profit from operations	3,030,561	2,497,239
Finance cost	(503,661)	(309,637)
Profit before tax	2,526,900	2,187,602
Income tax expense	(768,893)	(398,437)
Profit after taxation	1,758,007	1,789,165



Searle group of companies have 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, 2020, the holding company's financial performance was affected by the exchange rate fluctuations. However, despite the challenging economic conditions, Searle group of companies managed to continue its momentum.

Financial highlights are summarized below:

- Net sales of the Company grew by 13% to Rs 15.1 billion.
- Gross profit margin remained at 48%.
- Operating profit margin was 20%
- Profit before and after taxation was 17% and 12% respectively.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 8.11 (2019: Rs. 8.34).

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, 2020.

FUTURE OUTLOOK

The socio-economic impact of the 2019–20 coronavirus pandemic has had far-reaching consequences beyond the spread of the COVID-19 disease itself and efforts to quarantine it. As the SARS-CoV-2 virus has spread around the globe, concerns have shifted from supply-side manufacturing issues to decreased business in the services sector. The coronavirus pandemic caused the largest global recession in history, with more than a third of the global population at the time being placed on lockdown.

As countries and companies alike continue to grapple with the unprecedented challenges thrown up by the novel coronavirus (COVID-19), a specific area of concern has been the uncertainty surrounding the impact of the COVID-19 pandemic on the global as well as Pakistan's pharma industry supply chains. The concerns have been aggravated by the fact that COVID-19 struck first, and worst, in China, which is the world's leading producer and exporter of active pharmaceutical ingredients (API) by volume. A significant number of pharma companies in Pakistan and around the world import a bulk of their raw materials from China, which witnessed a lockdown of over two months from January 2020 to March 2020, while it battled COVID-19.

Further, due to overly regulated drug pricing mechanism, volatility in retail prices is a concern of paramount importance for us. Delays in new product approvals also pose key threats for the industry as a whole. However, with the change in recent political scenario, we will have to wait to assess the future economic trends and modify our strategies accordingly. For the longer run, Searle is focusing on emerging portfolios including, bio-similars, medical devices, nutraceuticals and genome sciences.

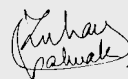
ACKNOWLEDGEMENT

At Searle group of companies, 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



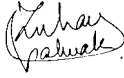
Zubair Razzak Palwala
Director

Karachi : April 27, 2020

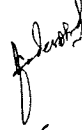
اظہار تشکر

سرل گروپ آف کمپنیز میں، ہم جذباتی طور پر حوصلہ افزائی اور مستقل بنیادوں پر جوش و خروش سے خدمت کے خواہشمند ہیں۔ یہی معاملہ ہمارے شراکت داروں، سپلائرز اور صارفین کے ساتھ ہے، جس کے لئے ہم ان کے مشکور ہیں اور آئندہ کے شراکت کے لئے اسی جوش و جذبے کی توقع کرتے ہیں۔ ہم یقین دہانی کراتے ہیں کہ سرل گروپ اپنے سے وابستہ ہر فریق کو طویل المیعاد پائیدار ترقی کی فراہمی کے لئے کوشاں رہے گی۔

برائے اور بورڈ کی جانب سے



زبیر ذاق پال والا
ڈائریکٹر



سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی:

۱۳ اپریل ۲۰۲۰ء

سرل گروپ آف کمپنیز نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات کی پیشکش سے مرہضوں کی زندگی کو بہتر بنانے پر توجہ مرکوز کی ہے۔ ہم نے مرہضوں 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۔

31 مارچ 2020 کو ختم ہونے والی نو ماہ کی مدت کے دوران، ہولڈنگ کمپنی کی مالی کارکردگی زر مبادلہ کی شرح کے اتار چڑھاؤ سے متاثر ہوئی۔ تاہم، مشکل معاشی صورتحال کے باوجود، سرل گروپ آف کمپنیز اپنے کاروباری رفتار کو جاری رکھنے میں کامیاب رہی۔

مالیاتی نکات مختصر آڈیل میں بیان کئے گئے ہیں:

- کمپنی کی خالص سیلز 13 فیصد اضافے سے 15.1 ارب روپے ہو گئی۔
- مجموعی منافع کی شرح 48 فیصد تک برقرار رہی۔
- آپریٹنگ منافع کی شرح 20 فیصد رہی۔
- منافع قبل اور بعد از ٹیکس بالترتیب 17 اور 12 فیصد رہا۔

آمدنی فی شیئر

فی شیئر بنیادی آمدنی اس مدت کے لئے بعد از ٹیکس 8.11 روپے رہی (8.34:2019 روپے)۔

ہولڈنگ کمپنی کی بنیادی آمدنی فی شیئر پر کوئی اثرات ظاہر نہیں ہوئے، کیوں کہ ہولڈنگ کمپنی کے کسی ممکنہ منتقلی کی طاقت کے حامل شیئرز نہ ہونے کے باعث عمومی شیئرز برطبق 31 مارچ، 2020 برقرار ہیں۔

مستقبل پر ایک نظر

2019-20 کے کورونا وائرس وبائی مرض کے سماجی و معاشی اثرات کے دور رس نتائج برآمد ہوئے ہیں جو خود COVID-19 بیماری کے پھیلاؤ اور اس کو قرض لینے کرنے کے کوششوں کے بس سے باہر تھے۔ چونکہ SARS-CoV-2 وائرس دنیا بھر میں پھیل چکا ہے، خدشات سپلائی کے جانب سے مینوفیکچرنگ کے معاملات سے ہٹ کر سروسز کے شعبے میں کاروبار میں کمی کی طرف منتقل ہو گئے ہیں۔ کورونا وائرس کی وبائی بیماری تاریخ کی سب سے بڑی عالمی کساد بازاری کا سبب بنی، اس وقت عالمی آبادی کا ایک تہائی سے زیادہ حصہ لاک ڈاؤن پر ہے۔

جیسا کہ ممالک اور کمپنیاں ناول کورونا وائرس (COVID-19) کی وجہ سے درپیش غیر معمولی چیلنجوں کا مقابلہ کر رہے ہیں، بالخصوص تشویش کا مرکز یہ ہے کہ عالمی سطح پر اور پاکستان کے فارما انڈسٹری کی سپلائی پر COVID-19 وبائی مرض کے اثرات کے باعث غیر یقینی صورتحال ہے۔ خدشات اس وجہ سے بھی بڑھ گئے ہیں کہ COVID-19 نے پہلے چین پر حملہ کیا، اور صورتحال ابتر ہو گئی، چین جو حجم کے لحاظ سے فعال دواسازی اجزاء (API) کا دنیا کا نصف اول کار وڈیوسر اور برآمد کنندہ ہے۔ پاکستان اور دنیا بھر میں ایک قابل ذکر تعداد میں فارما کمپنیاں اپنا خاں مال کی ایک بڑی تعداد چین سے درآمد کرتی ہیں، جہاں COVID-19 سے نبرد آزما ہوتے ہوئے جنوری 2020 سے مارچ 2020 تک دو ماہ سے زیادہ کالا ڈاؤن دیکھا گیا۔

مزید برآں ادویات کی ترخوں کے حدود رجسٹرول طریقہ کار اور ریٹیل ترخوں میں اتار چڑھاؤ بھی ہمارے لئے اہم تشویش کے اسباب ہے۔ نئی پروڈکٹ کی منظوری میں تاخیر سے بھی مجموعی طور پر صنعت کے لئے کلیدی خطرات سامنے آتے ہیں۔ تاہم حالیہ سیاسی صورتحال کی تبدیلی کے ساتھ ہم آنے والے معاشی رجحانات کا جائزہ لے رہے ہیں اور اس کے مطابق اپنی حکمت عملیوں میں تبدیلی لائیں گے۔ طویل المیعاد بنیادوں پر سرل گروپ ابھرتے ہوئے پورٹ فولیو بشمول بایو-سیمیلرز، میڈیکل آلات، نیوٹراسیوٹیکلز اور جینوم سائنسز پر خصوصی توجہ دے رہی ہے۔

ڈائریکٹرز کی جائزہ رپورٹ

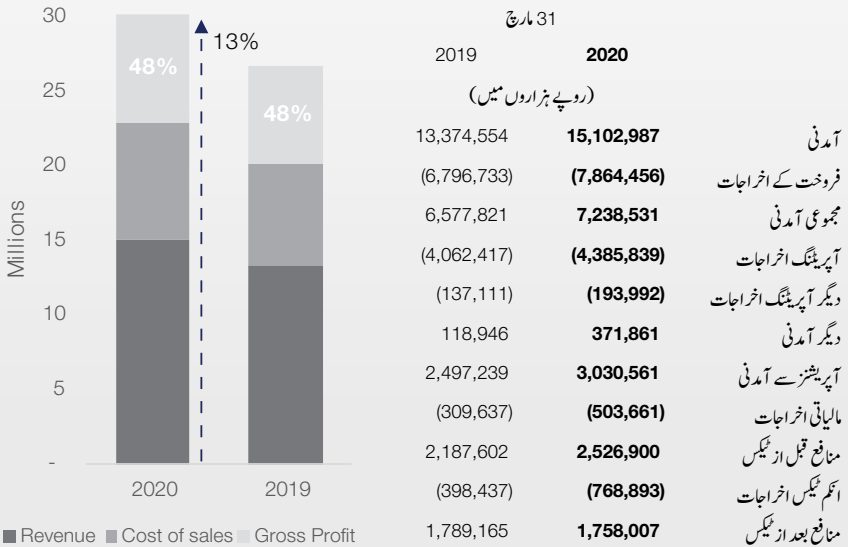
ہم 31 مارچ 2020 کو ختم ہونے والی نو ماہ کی مدت کے لئے ہولڈنگ کمپنی کے مجموعی عبوری مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ یہ مالیاتی حسابات بین الاقوامی اکاؤنٹنگ اسٹینڈرڈ (IAS 34)۔ عبوری فنانشل رپورٹنگ اور کمپنیز ایکٹ، 2017 کے تحت جاری کردہ ہدایات کی دفعات کے تقاضوں کے مطابق تیار کیے گئے ہیں۔

مارکیٹ کا جائزہ

پاکستان میں فارماسیوٹیکلز کی فروخت (2013-19) میں 12 فیصد کے CAGR تک بڑھ گئیں، جس کی وجہ سے مائیکرو کیول کا تعارف اور استطاعت میں اضافے کے رجحانات کی حمایت، بڑھتی ہوئی آبادی، اعلیٰ زندگی کی توقع اور مہلک اور پیچیدہ امراض کے بڑھتے ہوئے واقعات کا اضافہ تھا۔ تاہم، دواسازی کی صنعت کو مسلسل کمی کے رجحان کا سامنا ہے، جس کی وجوہات درآمد شدہ APIs پر زیادہ انحصار، کم فی کس اخراجات اور عالمی سطح کے لحاظ سے کم نرخ ہیں۔

موجودہ اقتصادی صورتحال نے مجموعی طور پر صنعت کے لئے چیلنجز بڑھادیئے ہیں۔ یہ معروف حقیقت ہے کہ پاکستان کی کیمیکل انڈسٹری کو ادویات کی تیاری کے لئے درکار بنیادی اجزاء تیار کرنے میں رکاوٹ کا سامنا ہے۔ لہذا، صنعت کو خام مال کی درآمد پر انحصار کرنا پڑتا ہے۔ اس واضح انحصار کی وجہ اور زرمبادلہ کے نرخوں میں اتار چڑھاؤ کے ساتھ نرخوں کی سخت ریگولیشنز براہ راست پروڈکٹ کے شرح منافع اور بعد ازاں تجارتی افادیت کو متاثر کرتی ہے۔ پاکستانی روپے کی قدر کو دو ہندسوں کی تخفیف کا سامنا ہے جس نے فارما انڈسٹری کو سخت دباؤ میں ڈال رکھا ہے۔

آپریٹنگ نتائج



CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2020

ASSETS	Note	(Un-audited) March 31, 2020	(Audited) June 30, 2019
(Rupees in '000)			
Non-current assets			
Property, plant and equipment	5	3,875,951	3,786,177
Investment properties		2,918,309	2,724,116
Intangibles		325,220	365,268
Long-term loans and advances	6	200,370	270
Long-term deposits		13,624	13,624
		<u>7,333,475</u>	<u>6,889,455</u>
Current assets			
Inventories		3,285,383	2,953,902
Trade receivables	7	8,269,804	6,209,817
Loans and advances	8	2,657,864	2,944,181
Trade deposits and short-term prepayments		234,965	91,074
Interest accrued		20,888	2,970
Other receivables	9	1,117,336	787,859
Short-term investment - Term Finance Certificate		100,000	-
Tax refunds due from government - Sales tax		4,765	59,527
Taxation - payments less provision		833,187	1,000,760
Cash and bank balances		250,037	262,054
		<u>16,774,229</u>	<u>14,312,144</u>
Assets classified as held for sale		-	75,500
Total assets		<u><u>24,107,704</u></u>	<u><u>21,277,099</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		2,124,253	2,124,253
Share premium		1,630,974	1,630,974
Unappropriated profit		8,821,573	7,603,678
General reserve		280,251	280,251
Revaluation surplus on property, plant and equipment		1,411,950	1,437,936
Attributable to owners of			
The Searle Company Limited - Holding Company		14,269,001	13,077,092
Non-controlling interests		462,093	442,137
		<u>14,731,094</u>	<u>13,519,229</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings		4,664	4,664
Deferred tax liabilities		90,454	96,581
Employee benefit obligations		59,864	55,820
Long term lease liability		96,766	-
		<u>251,748</u>	<u>157,065</u>
Current liabilities			
Trade and other payables	10	4,303,425	3,520,230
Borrowings	11	4,553,536	3,922,277
Current portion of long-term lease liability		38,484	-
Unpaid dividend	12	176,953	110,667
Unclaimed dividend		52,464	47,631
		<u>9,124,862</u>	<u>7,600,805</u>
Total liabilities		<u>9,376,610</u>	<u>7,757,870</u>
Contingencies and commitments	13		
Total equity and liabilities		<u><u>24,107,704</u></u>	<u><u>21,277,099</u></u>

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended March 31, 2020 - Unaudited

	Note	Quarter ended		Nine months period ended	
		March 2020	March 2019	March 2020	March 2019
(Rupees in '000)					
Revenue from contract with customers	14	5,214,468	4,603,027	15,102,987	13,374,554
Cost of sales	15	(2,790,137)	(2,445,316)	(7,864,456)	(6,796,733)
Gross profit		2,424,331	2,157,711	7,238,531	6,577,821
Distribution costs		(1,109,291)	(1,204,227)	(3,497,023)	(3,142,393)
Administrative expenses		(308,315)	(238,085)	(888,816)	(920,024)
Other operating expenses		(70,891)	(45,790)	(193,992)	(137,111)
Other income	16	134,507	43,497	371,861	118,946
Profit from operations		1,070,341	713,106	3,030,561	2,497,239
Finance cost		(165,499)	(93,031)	(503,661)	(309,637)
Profit before income tax		904,842	620,075	2,526,900	2,187,602
Income tax expense		(279,981)	(142,801)	(768,893)	(398,437)
Profit for the year		624,861	477,274	1,758,007	1,789,165
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		624,861	477,274	1,758,007	1,789,165
Total comprehensive income is attributable to:					
Owners of the The Searle Company Limited - Holding Company		609,612	473,313	1,722,972	1,772,490
Non-controlling interests		15,249	3,961	35,035	16,675
		624,861	477,274	1,758,007	1,789,165
Basic and diluted earnings per share (Rupees)	17	2.87	2.23	8.11	8.34

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, 2020 - 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, 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	<u>2,124,253</u>	<u>1,630,974</u>	<u>-</u>	<u>669,830</u>	<u>280,251</u>	<u>7,143,204</u>	<u>9,724,259</u>	<u>453,559</u>	<u>12,302,071</u>
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	-	-	-	-	-	1,722,972	1,722,972	35,035	1,758,007
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)
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(531,063)	(531,063)	(15,079)	(546,142)
Transfer of incremental depreciation - net of deferred tax	-	-	-	(25,986)	-	25,986	-	-	-
Balance as at March 31, 2020	<u>2,124,253</u>	<u>1,630,974</u>	<u>-</u>	<u>1,411,950</u>	<u>280,251</u>	<u>8,821,573</u>	<u>12,144,746</u>	<u>462,093</u>	<u>14,731,094</u>

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, 2020 - Unaudited

	Note	March 31 2020 (Rupees in '000)	March 31 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	1,446,182	825,699
Retirement benefit obligations paid		1,350	(830)
Finance cost paid		(369,873)	(264,165)
Income tax paid		(607,447)	(332,905)
Lease rentals paid		(21,668)	-
Interest income received		5,250	15,153
Increase in long-term deposits		-	(870)
Increase in long-term borrowings		(200,100)	(71,669)
Net cash generated from operating activities		253,694	170,413
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(168,793)	(367,516)
Sale proceeds on disposal of property, plant and equipment		4,886	60
Sale proceeds on disposal of assets held for sale		75,500	-
Additions to investment properties		(238,328)	(16,544)
Purchase of intangibles		(935)	(7,859)
Disposal of intangibles		5,723	-
Purchase of Term Finance Certificate		(100,000)	-
Proceeds from redemption of investments - at fair value through profit or loss		-	56,090
Dividend income received		-	17
Net cash generated from / (used in) investing activities		(421,947)	(335,752)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(475,023)	(886,199)
Current portion of Long-term loan repaid (Payment to) / proceeds from export refinance		-	(107,143)
		(110,000)	210,000
Net cash used in financing activities		(585,023)	(783,342)
Net decrease in cash and cash equivalents		(753,276)	(948,681)
Cash and cash equivalents at beginning of the period		(3,450,223)	(2,118,818)
Cash and cash equivalents at end of the period	19	(4,203,499)	(3,067,499)

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, 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 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, 2020	June 30, 2019
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*		87.20%	87.20%

- 1.2** During the period, the Holding Company's Board of Directors in its meeting held on October 22, 2019 approved acquisition of 100% paid up share capital of Luna Pakistan (Private) Limited (Luna), which indirectly owns 100% of the issued and paid up capital of OBS Pakistan (Private) Limited, which is one of the leading pharmaceutical companies in Pakistan, from Universal Venture (Private) Limited (UVPL) - related party. The said decision was subject to obtaining approvals and finalizations of the terms of the transaction with Universal Venture (Private) Limited. Further, the Board of Directors, in its meeting held on December 17, 2019 approved the acquisition of OBS Pakistan for the total consideration amounting to Rs. 8.6 billion. Out of the total consideration, the amount of Rs. 4.25 billion is agreed to be paid at the time of transfer of shares to the Company. The remaining amount of Rs. 4.325 billion is agreed to be paid on deferred payment basis. Further, the Company has also agreed to provide call option to Universal Venture (Private) Limited to acquire 25% of the paid up capital of Luna Pakistan (Private) Limited for a period of one year from the date of transfer of such shares.

In the abovementioned meeting of the Board, the Board also resolved that the approval of the shareholders shall also be obtained with respect to the said transaction. The Company is in the process of making necessary arrangements to complete the subject acquisition.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2019 - Unaudited

Subsequent to the meetings of the Board of Directors held on October 22, 2019 and December 17, 2019, the Board of Directors at its meeting held on March 6, 2020 approved the making of an equity investment with an amount up to PKR 7,200,000,000/- (Pak Rupees Seven Billion Two Hundred Million) in Luna for the purposes of settling and swapping the finance facility availed by Luna from Habib Bank Limited ("Proposed Equity Investment"), the funding of which Proposed Equity Investment, is intended to be made through availment of a finance facility from a syndicate of banks and financial institutions arranged by Habib Bank Limited itself.

The Board of Directors further resolved that an extraordinary general meeting of the Company be convened and held on April 20, 2020 for the purposes of seeking approval on a voluntary basis from the shareholders of the Company in respect of the Proposed Acquisition and Proposed Equity Investment.

The abovementioned extraordinary general meeting was postponed due to recent outbreak of COVID-19.

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.

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, 2019.

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 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 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.

The changes laid down by this standard have been disclosed in note 3.1 of these condensed interim financial statements.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2019 are considered not to be relevant for the Company's interim financial statements and hence have not been detailed here.

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, 2019, except as disclosed in note .

3.1 Changes in accounting policies

3.1.1 IFRS 16 «Leases»

Effective July 1, 2019, the Company has adopted IFRS 16, «Leases» which replaces existing guidance on accounting for leases, including IAS 17 «Leases», IFRIC 4 «Determining whether an arrangement contains a Lease», SIC-15 «Operating Leases-Incentive and SIC-27 «Evaluating the substance of transactions involving the legal form of a Lease». IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to Company's right-of-use assets and lease liability are disclosed in note 3.1.2.

On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of July 1, 2019. The lessee's incremental borrowing rate applied to lease liabilities on July 1, 2019 ranges between 15.34 to 15.48%.

The following summary reconciles the Company's operating lease commitments at June 30, 2019 as previously disclosed in the Company's annual financial statements as at June 30, 2019 to the lease liability recognised on initial application of IFRS 16 at July 1, 2019.

	(Rupees in '000)
Operating lease commitments as at July 1, 2019	260,398
Discounted using the Company's incremental borrowing rate at the date of initial application	(120,977)
Total liability as at July 1, 2019	<u>139,421</u>
Of which are:	
Current lease liability	8,556
Non-current lease liability	130,865

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2019 - Unaudited

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at June 30, 2019.

	(Unaudited) March 31, 2020	(Audited) June 30, 2019 (Rupees in '000)
The recognised right of use asset related to the following type of asset:		
Leasehold Building	131,468	141,421

The change in accounting policy affected the following in the condensed interim financial position on July 1, 2019

	July 1, 2019 (Rupees in '000)
Right-of-use asset increased by	141,421
Trade deposits and short-term prepayments decreased by	2,000
Lease liability increased by	139,421

The change in accounting policy affected the following in the condensed interim statement of Profit or Loss account on March 31, 2020

Mark up expense - increased by	15,497
Net of Depreciation charge and rent expense - decreased by	6,647

3.1.2 Lease liability and right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this consolidated condensed interim financial information 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 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, 2019.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2019 - Unaudited

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, 2019.

(Unaudited) (Audited)
March 31, June 30,
2020 2019
(Rupees in '000)

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	3,052,805	3,046,624
Capital work-in-progress - at cost	696,654	739,553
Right-of-use assets - note 5.2	141,421	-
Less: Depreciation	(14,929)	-
	126,492	-
	3,875,951	3,786,177

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, 2020	March 31, 2019	March 31, 2020	March 31, 2019
		(Rupees in '000)		
Leasehold land	14,510	-	-	-
Building on leasehold land	90,176	140,937	-	-
Plant and machinery	49,910	259,694	-	-
Office equipment	10,423	51,385	(2,435)	(107)
Furniture & fittings	3,201	5,417	-	-
Vehicles	-	16,754	(1,058)	-
Air conditioning systems	42,062	-	-	-
	210,281	474,187	(3,493)	(107)

5.2 The right-of-use assets pertains to the leasehold buildings at the Multan Road Plants, Lahore and Port Qasim Plant, Karachi.

(Unaudited) (Audited)
March 31, June 30,
2020 2019
(Rupees in '000)

6. LONG TERM LOANS AND ADVANCES - unsecured

Loans - considered good		
- Ultimate Parent Company - note 6.1	200,000	-
- Employees	1,938	1,834
Less: current portion employee loan	(1,568)	(1,564)
	370	270
	200,370	270

- 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.

	(Unaudited) March 31, 2020	(Audited) June 30, 2019
(Rupees in '000)		
7. TRADE RECEIVABLES		
Considered good		
- Export receivables, secured	453,399	307,294
- Due from related parties, unsecured	5,245,996	4,628,362
- Others, unsecured	2,570,409	1,274,161
	8,269,804	6,209,817
Considered doubtful - others	165,161	165,454
Less: Provision for doubtful receivables	(165,161)	(165,454)
	-	-
	8,269,804	6,209,817

	(Unaudited) March 31, 2020	(Audited) June 30, 2019
(Rupees in '000)		
8. LOANS AND ADVANCES		
Loans to related parties		
- Short term loan - note 8.1	1,746,118	1,946,118
- Current portion of long term loan - note 6	-	49,630
	1,746,118	1,995,748
- Current portion of employee loan - note 6	1,568	1,564
Advances		
- To employees	139,386	118,667
- Against imports	109,788	208,640
- Suppliers	658,418	572,062
- Against purchase of land	-	47,500
- Others	2,586	-
	910,178	946,869
	2,657,864	2,944,181

- 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 repealed Companies Ordinance, 1984.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2019 - Unaudited

	(Unaudited)	(Audited)
	March 31,	June 30,
	2020	2019
	(Rupees in '000)	
9. OTHER RECEIVABLES		
Receivables from related parties		
Due from associated companies:		
- IBL Operations (Private) Limited	148,092	27,767
- International Brands Limited	12,005	33,010
- International Franchises (Private) Limited	15,063	1,094
- United Retail (SMC- Private) Limited	260,525	294,777
- Trax Online (Private) Limited	-	175
- Lunar Pharma (Private) Limited	2,882	-
- OBS Pakistan (Private) Limited	215,000	-
- IBL Frontier Market (Private) Limited	-	25,882
	653,567	382,705
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 9.1	458,519	399,904
	1,117,336	787,859
	(Unaudited)	(Audited)
	March 31,	June 30,
	2020	2019
	(Rupees in '000)	

10. TRADE AND OTHER PAYABLES

Creditors	2,024,844	1,259,513
Bills payable in foreign currency	804,631	716,426
Royalty payable	14,275	23,966
Accrued liabilities	786,204	866,018
Payable to provident fund	10,447	14,717
Advance from customers	125,410	88,603
Accrued markup	227,764	109,473
Taxes deducted at source and payable to statutory authorities	54,524	104,163
Workers' Profit Participation Fund	125,478	149,417
Workers' Welfare Fund	66,846	26,000
Advance against sale of land	-	73,500
Other liabilities	63,002	88,434
	4,303,425	3,520,230

	(Unaudited) March 31, 2020	(Audited) June 30, 2019
11. BORROWINGS		(Rupees in '000)
Loans from banks, secured:		
- Running finance under mark-up arrangements - note 11.1	4,453,536	3,712,277
- Export re-finance - note 11.2	100,000	210,000
	<u>4,553,536</u>	<u>3,922,277</u>

11.1 The Holding Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 4,735 million (June 30, 2019: Rs. 4,175 million) which include financing facilities obtained under Islamic mode amounting to Rs. 3,885 million (June 30, 2019: Rs. 3,525 million). The arrangements are secured jointly by registered mortgage of Rs. 1127 million (June 30, 2019: Rs. 589.44 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 6,889 million (June 30, 2019: Rs. 4,071 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

11.2 The rates of mark-up ranged between 2.75 % to 14.55% (June 30, 2019: 6.9% to 12.7%) per annum.

12. UNPAID DIVIDEND

12.1 This includes dividend on bonus shares withheld pertaining to 125 shareholders amounting to Rs. 96.7 million, on which stay from the Honorable High Court of Sindh has been obtained.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 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, 2019.

13.2 Commitments

13.2.1 The facility for opening letters of credit and guarantees as March 31, 2020 amounted to Rs. 2,111 million (June 30, 2019: Rs. 2,111 million) of which the amount remaining unutilised as at the period ended March 31, 2020 amounted to Rs. 259 million (June 30, 2019: Rs. 318 million).

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS**

For the half year ended December 31, 2019 - Unaudited

	March 31, 2020	March 31, 2019
	(Rupees in '000)	
14. REVENUE FROM CONTRACT WITH CUSTOMERS		
Gross sales		
Local sales - note 14.1	15,532,809	13,386,187
Export sales	1,850,925	1,459,857
	17,383,734	14,846,044
Toll manufacturing	229,965	220,592
	17,613,699	15,066,636
Sales tax	(176,591)	(213,390)
	17,437,108	14,853,246
Less:		
Discounts, rebates and allowances	1,596,108	1,102,430
Sales returns	738,013	376,262
	2,334,121	1,478,692
	15,102,987	13,374,554

15. COST OF SALES

This includes inventory written-off during the period amounting to Rs. 22.8 million (March 31, 2019: Rs. 11.1 million)

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

16. OTHER INCOME

Income from financial assets

Realised gain on investments - at fair value through profit or loss	-	308
Interest on loan to International Brands Limited	23,168	15,744
Dividend income	-	17
Exchange gain	11,336	2,000
Interest income on Term Finance Certificate	7,522	-
	42,026	18,069

Income from non - financial assets

Insurance claim recovery		959
Rental income from investment properties	92,253	90,071
Facility management fee - note 16.1	215,000	-
Gain on disposal of property, plant and equipment	1,392	-
Scrap sales	21,186	-
Others	4	10,806
	329,835	100,877
	371,861	118,946

- 16.1** This pertains to fee charged from OBS Pakistan (Private) Limited in respect of finance, administration, human resources and other services provided by the Company, in accordance with the agreement.

17. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the period	1,722,972	1,772,490
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)	8.11	8.34

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS**

For the half year ended December 31, 2019 - Unaudited

	March 31, 2020	March 31, 2019
	(Rupees in '000)	
18. CASH GENERATED FROM OPERATIONS		
Profit before income tax	2,526,900	2,187,602
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	261,081	194,322
Gain on disposal of property, plant and equipment	(1,393)	47
Amortisation	35,260	33,129
Provision for retirement benefits obligation	2,694	3,600
Realised gain on investments - at fair value through profit or loss	-	(308)
Dividend income	-	(17)
Interest income	(23,168)	(10,772)
Finance cost	488,164	309,637
Interest on lease liability	15,497	-
Profit before working capital changes	3,305,035	2,717,240
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	(331,481)	(21,530)
Trade receivables	(2,059,987)	(2,171,345)
Loans and advances	286,317	(118,068)
Trade deposits and short-term prepayments	(143,891)	(136,076)
Tax refunds due from government - Sales tax	54,762	16,045
Other receivables	(329,477)	(526,881)
	(2,523,757)	(2,957,855)
Increase in current liabilities		
Trade and other payables	664,904	1,066,314
Cash generated from operations	1,446,182	825,699
	March 31, 2020	March 31, 2019
	(Rupees in '000)	
19. CASH AND CASH EQUIVALENTS		
Cash and bank balances	250,037	184,760
Short term running finances - note 11	(4,453,536)	(3,252,259)
	(4,203,499)	(3,067,499)

20. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

	Pharmaceutical		Consumer		Total	
	March 31 2020	March 31 2019	March 31 2020	March 31 2019	March 31 2020	March 31 2019
	(Rupees in '000)					
Segment revenue	12,329,233	10,632,878	2,773,754	2,741,676	15,102,987	13,374,554
Segment result	2,715,382	1,999,766	137,310	515,638	2,852,692	2,515,404
Unallocated income and expenses						
Other expenses					(193,992)	(137,111)
Other income					371,861	118,946
Finance cost					(503,661)	(309,637)
Profit before taxation					2,526,900	2,187,602
Taxation					(768,893)	(398,437)
Total comprehensive income					1,758,007	1,789,165

	Pharmaceutical		Consumer		Total	
	March 31, 2020	June 30, 2019	March 31, 2020	June 30, 2019	March 31, 2020	June 30, 2019
	(Rupees in '000)					
Segment assets and liabilities						
Segment assets	777,750	833,052	21,881	63,916	799,631	896,968
Unallocated assets					23,308,073	20,380,131
Total assets					24,107,704	21,277,099
Unallocated liabilities	-	-	-	-	9,376,610	7,757,870
Total liabilities					9,376,610	7,757,870

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2019 - Unaudited

21. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	March 31 2,020 (Rupees in '000)	March 31 2019
Holding company	- Corporate service charges	180,000	162,000
	- Rent income	7,759	7,054
	- Income from provision of amenities	5,715	5,585
Associated companies	- Revenue	10,016,655	8,989,450
	- Salaries and wages	2,604	548
	- Purchases	30,864	2,820
	- Carriage and duties	22,830	32,916
	- Discounts claimed	350,732	454,026
	- Rent expense	10,176	8,469
	- Rent income	50,583	47,410
	- Stock claims	247,282	228,332
	- Internet services	3,124	4,996
	- Architect fee	7,604	3,295
	- Income from provision of amenities	24,793	5,725
	- Donation	8,566	10,800
	- Purchases of ERP Hardware	-	14,153
	- ERP maintenance charges	-	29,974
	- Incentives to field force staff	9,889	7,642
	- Repair and maintenance	1,007	7,057
	- Merchandise expense	19,119	89,707
- Facility management fee	215,000		
- Others	7,474	-	
Staff retirement benefits	- Contributions to Provident Fund	91,165	77,510
	- Benefits paid	47,000	78,785
Key management employees compensation	- Salaries and other employee benefits	136,785	114,432
	- Contributions to Provident Fund	11,729	11,771
	- Directors' fees	30	21
	- Sale of goods	106	172

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

22. CORRESPONDING FIGURES

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

23. 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 April 27, 2020.



Chief Executive Officer



Director



Chief Financial Officer



SEARLE

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