



Facing Challenges & Delivering in Tough Times

SEARLE

Research in the service of mankind

Annual Report 2020



SEARLE

Facing Challenges & Delivering in Tough Times

It is our company's firm commitment to face any unforeseen and unfortunate circumstances with strong determination and courage. We are always prepared for any such challenges, whether it being a short-term or long-term occurrence, nonetheless our strength and determination remains permanent. Our resilience gives hope to the people. They rely on our products and technology, as it guides them to a brighter future and better tomorrow. We are consistent in surpassing our ways, by overcoming all obstructions.



Contents

| | |
|---|-----|
| Vision and Mission | 03 |
| Values | 05 |
| Company Information | 08 |
| Notice of 55 th Annual General Meeting | 12 |
| Chairman's Review | 22 |
| Chairman's Review (Urdu) | 27 |
| Directors' Report | 30 |
| Directors' Report (Urdu) | 45 |
| Statement of Compliance | 48 |
| Auditors' Review Report to the Members on Statement of Compliance with the Code of Corporate Governance | 52 |
| Auditors' Report to the Members | 53 |
| Unconsolidated Statement of Financial Position | 60 |
| Unconsolidated Statement of Profit or Loss and Other Comprehensive Income | 61 |
| Unconsolidated Statement of Changes in Equity | 62 |
| Unconsolidated Statement of Cash Flows | 63 |
| Notes to the Unconsolidated Financial Statements | 64 |
| Consolidated Financial Statements | 117 |



Our Vision

To lead in improving the quality of human life.

Our Mission

Provide its customers with the best possible products and services in the healthcare and consumer industry.

Ever evolving in-step with the changing market place to maintain its leadership role.

Being responsible corporate citizen contributing to society and protecting the environment.

Promote team spirit amongst its employees whilst maintaining their individuality, in a culture where people are encouraged to think and strive to achieve their true potential.

Care for its employees and shares in their dreams.

Work today for a better and secure tomorrow for all its stake holders through innovation, new product development and sound business practices which would grow and live beyond each one of us.



Values

Passion

- Source of energy in the workplace
- Demonstrates entrepreneurial drive
- Shows grit

Integrity

- Creates transparency
- Acts fairly & honestly

Partnership

- Collaborates selflessly
- Behaves respectfully
- Seeks to create value for IBL Group, its partners and society

Excellence

- Takes ownership of current role and beyond
- Delivers quality work
- Strives for continuous improvement

We did it!

Countering Pandemic

COVID-19 pandemic is the cause of one the most devastating and severe recessions in recent memory and continues to cause unprecedented and unparalleled damage to people's health, jobs, well-being and every waking moment of our lives, as the entire world tries to tackle the situation to the best of their abilities. The spread of the virus across countries has prompted many governments to introduce drastic measures to contain the pandemic. Which has led to many businesses being shut down temporarily and widespread restrictions on travel and mobility.

As the virus placed its stranglehold on the economic and social environment of Pakistan, an ever-looming sense of dread, panic, anxiety, and stress had enveloped the lives of every citizen of the country. It severed the lives of common man, putting strain on commercial activities, making their lives difficult. Adding to the misery is the treacherous and perilous Public Health System of Pakistan which lacks in hospitals, healthcare providers, essential services, and personal protective equipment (PPE). The pandemic has taken the precious lives of hundreds of doctors and paramedics in the country and is still posing serious threat to the strained healthcare system.

Searle was faced with the gigantic task of safety and well-being of healthcare providers, doctors, nurses, community members, its employees, and patients at large. Searle has taken a road less traveled and decided to rise to the situation by initiating a rigorous and intense drive to produce and provide not only essential and live-saving medicines to its patients, but also PPEs, testing kits, screening and detection tools for the healthcare providers, employees and community members.



COVID-19

PULSE 82

120

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
Askari Bank Limited



Registered Office

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

Share Registrar

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







Human Care

Uninterrupted Supply of Medicine during Pandemic

As the Pandemic started to wreak havoc and the chaos began to set in, the supply of essential services and medicine was a mounting challenge for government and all other stakeholders. Ensuring the availability of life saving medicines and the vital supply line that is crucial for the continuous availability of life saving drugs in every corner of the country was a mammoth task for Searle. The Company used technology and innovation to make sure that life-saving and essential medicine remained available across the country. Keeping all SOPs in place, Searle Team risked their life while getting the essential medicines accessible to the patients throughout the testing Covid-19 times.

Notice of 55th Annual General Meeting

Notice is hereby given that the 55th Annual General Meeting (AGM) of the members of **The Searle Company Limited** will be held through video link (in compliance with Circular No. 25 of 2020 issued by SECP dated August 31, 2020), on Wednesday, October 28, 2020 at 05:45 p.m. from 3rd Floor, One IBL Center, Plot No. 1, Block 7 & 8, Tipu Sultan Road, Off Shahrah-e-Faisal, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of extraordinary general meeting held on May 18, 2020.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2020 together with the Directors' and Independent Auditors' reports thereon.
3. To declare and approve final cash dividend @ 25% i.e. PKR 2.50 per share of PKR 10/- each for the financial year ended June 30, 2020, as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration for the year ending June 30, 2021. The present Auditors, M/s. A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
5. To elect seven (7) directors of the Company as fixed by the Board of Directors, in accordance with the provisions of Section 159(1) of the Companies Act, 2017, for the next term of three (3) years. The names of retiring Directors are as follows:
 - i. Mr. Adnan Asdar Ali
 - ii. Mr. Rashid Abdulla
 - iii. Mr. S. Nadeem Ahmed
 - iv. Mr. Zubair Razzak Palwala
 - v. Mr. Ayaz Abdulla
 - vi. Mr. Asad Abdulla
 - vii. Mrs. Shaista Khaliq Rehman

The retiring Directors are eligible for re-election.

SPECIAL BUSINESS

6. To approve the remuneration of Executive Director(s) including the Chief Executive Officer and, if thought appropriate, to pass with or without modification(s) the following resolutions as ordinary resolution:

“**RESOLVED** that the Chief Executive Officer and one full-time working director will be paid an amount not exceeding PKR 112 million which includes allowances and other benefits as per terms of their employment for the year ending June 30, 2021 be and is hereby approved. Further, the Chief Executive Officer and Executive Director are entitled for free use of Company maintained transport for official and private purposes as approved by the Board.”
7. To ratify and approve transactions conducted with Related Parties for the year ended June 30, 2020 by passing the following special resolution with or without modification:

“**RESOLVED** that the transactions carried out with Related Parties as disclosed in the note 43 of the unconsolidated financial statements for the year ended June 30, 2020 and specified in the Statement of Material Information under section 134(3) of the Companies Act, 2017 be and are hereby ratified, approved and confirmed.”
8. To authorize the Board of Directors of the Company to approve transactions with Related Parties for the financial year ending June 30, 2021 by passing the following special resolution with or without modification:

“**RESOLVED** that the Board of Directors of the Company be and is hereby authorized to approve the transactions to be carried out with Related Parties on case to case basis for the financial year ending June 30, 2021.

FURTHER RESOLVED that these transactions by the Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.”

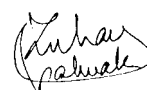
Notice of 55th Annual General Meeting

OTHER BUSINESS

9. To transact any other business with the permission of the chair.

“Attached to this notice is Statement of Material Facts concerning the special business, as required under section 134(3) of the Companies Act, 2017 and ordinary business under Section 166(3) of the Companies Act, 2017”

By order of the Board



Zubair Razzak Palwala
Company Secretary

Karachi: October 7, 2020

NOTES:

A. Book closure

The share transfer books will remain closed from October 22, 2020 to October 28, 2020 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi-74400 at the close of business on October 21, 2020 shall be considered in time for the purpose of attending the Annual General Meeting and entitlement of cash dividend.

B. Coronavirus contingency planning for general meeting of shareholders

In accordance with SECP Circular No. 5 of 2020 dated March 17, 2020, the Company will be taking measures for managing the annual general meeting of the Company in consonance with the Government's restrictions on public gatherings. Accordingly, the following information is set out below for the convenience of the shareholders of the Company:

- i) Shareholders are urged to send by email, WhatsApp or any other electronic mean or by post or courier their comments/suggestions for the proposed agenda item of the annual general meeting. The details are set out below:

| | |
|----------------------------|--|
| Email address: | muhammad.suleman@searlecompany.com |
| WhatsApp No.: | + 92 300 2700130 |
| Cell phone No.: | + 92 300 2700130 |
| Registered Office Address: | The Searle Company Limited 2nd Floor, One IBL Center, Plot No. 1, Block 7 & 8, Tipu Sultan Road, Off Shakra-e-Faisal, Karachi |

- ii) Shareholders of the Company can also attend the annual general meeting via video link to login and participate in the proceedings of the annual general meeting through their smartphones or computer devices from their homes or any convenient location after completing meeting attendance formalities.

Shareholders interested in attending the annual general meeting via video link are requested to have their particulars registered at least 24 hours before the time of annual general meeting with the Company Secretary at the following address:

Email address: muhammad.suleman@searlecompany.com

The login facility will be opened at 4:45 p.m. on October 28, 2020 enabling the participants to join the proceedings which will start at 5:45 p.m. sharp.

The shareholders are requested to provide the information as per the below format. The video link will be sent to the shareholders on the email address provided in the below table:

| S. No. | Name of Shareholder | CNIC No. | Folio No. | Cell No. | Email address |
|--------|---------------------|----------|-----------|----------|---------------|
| | | | | | |

Notice of 55th Annual General Meeting

In view of the prevailing situation shareholders are urged to provide proxies.

C. Participation in Annual General Meeting

All members are entitled to attend, speak and vote at the annual general meeting. A member may appoint a proxy to attend, speak and vote on his/her behalf. The proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company's Registered Office: 2nd Floor, One IBL Center, Plot No. 1, Block 7 & 8, Tipu Sultan Road, Off Shahrah-e-Faisal, Karachi-75530 not less than 48 hours before the meeting.

An individual beneficial owner of the shares must bring his/her original CNIC or Passport, Account and Participant's ID numbers to prove his / her identity. A representative of corporate members, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

D. Payment of Cash Dividend electronically (mandatory requirement)

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, a listed company, is required to pay cash dividend to its shareholder **only** through electronic mode directly into the bank account designated by the entitled shareholder. In this regard, The Searle Company Limited has already sent letters and Electronic Credit Mandate Forms to the shareholders and issued various notices requesting the shareholders to comply with the requirements of providing their International Bank Account Number (IBAN).

Those shareholders who have still not provided their IBAN are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC to their respective CDC participant / CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company's Share Registrar M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 (in case of shareholding in Physical Form).

| Details of Shareholder | |
|---|--|
| Name of shareholder | |
| Folio / CDS Account No. | |
| CNIC No. | |
| Cell number of shareholder | |
| Landline number of shareholder, if any | |
| Email | |
| Details of Bank Account | |
| Title of Bank Account | |
| International Bank Account Number (IBAN) "Mandatory" | PK _____ (24 digits) <small>(Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).</small> |
| Bank's name | |
| Branch name and address | |
| It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly. | |
| Signature of shareholder | |

Notice of 55th Annual General Meeting

In case of non-provision of IBAN, the Company will have to withhold the cash dividend according to SECP directives.

E. Withholding tax on Dividend

I) Pursuant to the provisions of the Finance Act 2019 effective July 1, 2019, the rate of deduction of income tax from dividend payment under the Income Tax Ordinance, 2001 have been revised as under:

- i. for filers of income tax return – 15%
- ii. for non-filers of income tax return – 30%

Shareholders whose names are not entered into the Active Tax-payers List (ATL) available on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- II) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to Company's Share Registrar by the first day of book closure.
- III) As per the clarification issued by FBR, withholding tax will be determined separately on "Filer/Non-filer" status of principal shareholder as well as joint-holder(s) based on their shareholding proportions.

If the shares are not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to the Registrar and Share Transfer Agent in writing as follows:

| Company Name | Folio/CDS Account # | Total Shares | Principal Shareholder | | Joint Shareholder | |
|--------------|---------------------|--------------|-----------------------|---|-------------------|---|
| | | | Name and CNIC # | Shareholding Proportion (No. of Shares) | Name and CNIC # | Shareholding Proportion (No. of Shares) |
| | | | | | | |

IV) The corporate shareholders having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate physical shareholders are requested to send a copy of their NTN certificate to the Company's Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.

F. Election of Directors

Any member, who seeks to contest the election of Directors, whether he/she is retiring Director or otherwise, shall file with the Company at its registered office 2nd Floor, One IBL Centre, Block 7 & 8, D.M.C.H.S., Tipu Sultan Road, off Shahrah-e-Faisal, Karachi not later than fourteen (14) days before the meeting, the following documents:

- i) Notice of his/ her intention to offer himself/herself for election of Directors in terms of Section 159 of the Companies Act, 2017.
- ii) His/her Folio No./CDC Investor Account No./CDC Participation ID No./Sub-Account No.
- iii) Consent to act as a Director in Form-28 under Section 167 of the Companies Act, 2017.
- iv) A detailed profile along with correspondence address and contact information for placement on Company's website as required under SECP's SRO 1196(I)/2019 dated October 3, 2019.
- v) The members who intend to contest election as Independent Directors shall submit a declaration under clause 6(3) of the Listed Companies (Code of Corporate Governance) Regulations, 2019 that he/she qualifies the criteria of eligibility and independence notified under Section 166 of the Companies Act, 2017 and Regulations issued thereunder and that their names are listed on the data bank referred in Section 166(1) of the Companies Act, 2017.
- vi) Detail of other Directorship(s) and office(s) held.
- vii) Attested copy of valid CNIC / Passport and National Tax Number (NTN).

Notice of 55th Annual General Meeting

- viii) A declaration confirming that:
- He/she is aware of duties and powers of Directors under the relevant laws, Memorandum & Articles of Association of the Company, the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the listing regulations of Pakistan Stock Exchange Limited;
 - He/she is not serving as a Director in more than seven (7) listed companies including this Company; and
 - He/she is not ineligible to become a Director of a listed company under Section 153 of the Companies Act, 2017 and any other applicable laws and regulations.

The qualification of a Director shall be holding shares in the Company of the nominal value of PKR 5,000/- in terms of Articles 49 of the Articles of Association of the Company.

If the number of persons who offer themselves to be elected is more than the number of Directors fixed under Section 159(1) of the Companies Act, 2017, then the Company shall provide members with the option of e-voting or voting by postal ballot in accordance with the provisions of Companies (Postal Ballot) Regulations, 2018.

G. Request for Video conference facility

Members can also avail video conference facility at Lahore and Islamabad. In this regard, please fill the following form and submit to registered address of the company ten days before holding of the annual general meeting.

If the company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 day prior to day of meeting, the company will arrange a video conference facility in the city subject to availability of such facility in that city.

I/We, _____ of _____ being a member of the Searle Company Limited, holder of _____ ordinary shares as per registered folio # _____ hereby opt for video conference facility at _____.

Signature of Member

The Company will intimate members regarding venue of video conference facility at least five days before the date of annual general meeting along with the complete information necessary to enable them to access the facility.

H. Electronic transmission of financial statements and notice of annual general meeting

Members who desire to receive financial statements and notice of annual general meeting through email are requested to send their consent on Standard Request Form available on company's website www.searlecompany.com in order to avail the facility. The financial statements and notice of annual general meeting are also available on company's website.

I. Postal Ballot/E-Voting

In accordance with the Companies (Postal Ballot) Regulations 2018, for the purpose of approval of any agenda item, members will be allowed to exercise their vote through postal ballot i-e, by post or e-voting, in the manner and subject to conditions contained in aforementioned regulations.

Notice of 55th Annual General Meeting

J. Change of Address

Members are requested to notify changes in their address, if any, immediately to the Company's Share Registrar, CDC Share Registrar Services Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahr-e-Faisal, Karachi-74400.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

- Item 6 of the notice - approval of the remuneration of Chief Executive Officer

The approval is being sought for fixing the remuneration of Executive Director(s) including the Chief Executive Officer of the Company in accordance with their terms and conditions of service.

None of the Directors of the Company have any, direct or indirect, interest in the above said special business, except that mentioned therein.

- Item 7 of the notice - ratification and approval of the related party transactions

All transactions of the Company with the related parties were approved by the Board. Transactions conducted with all related parties have to be approved by the Board of Directors duly recommended by the Audit Committee on quarterly basis pursuant to clause 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2019. However, during the year since majority of the Company's Directors were interested in certain transactions due to their common directorships in the group companies, these transactions are being placed for the approval by shareholders in the Annual General Meeting.

All transactions with related parties to be ratified have been disclosed in the note 43 to the unconsolidated financial statements for the year ended June 30, 2020. Party-wise details of such related party transactions are given below:

| Name of Related Parties | Nature of Transactions | PKR '1000 |
|--|---|------------|
| IBL Operation (Private) Limited | Revenue | 13,730,653 |
| | Rental Income | 13,613 |
| | Salaries and wages | 4,436 |
| | Purchases | 718 |
| | Carriage and duties | 74,017 |
| | Discounts claimed | 531,429 |
| | Rent expense | 16,803 |
| | Stock claims | 401,293 |
| | Internet services | 414 |
| | Repair and Maintenance | 807 |
| | Incentive of Field Force | 19,035 |
| | Merchandise Expense | 27,462 |
| | Others | 8,935 |
| United Brand Limited | Purchases | 27,962 |
| | Stock claims | 313 |
| | Group Tax Relief | 14,325 |
| IBL Frontier Market (Private) Limited | Furnitures and Fixtures purchased | 31,581 |
| | Purchase of personal protective equipment | 11,934 |
| International Franchises (Private) Limited | Rental Income | 12,651 |
| | Renovation | 13,749 |
| | Income from provision Amenities | 5,342 |
| United Distribution Limited | Rental Income | 409 |
| | Rent expense | 250 |
| | Income from provision Amenities | 165 |
| IBL-Unisys (Private) Limited | Rental Income | 695 |
| | Income from provision Amenities | 338 |
| AKAR Hospital | Donations | 8,374 |

Notice of 55th Annual General Meeting

| Name of Related Parties | Nature of Transactions | PKR '1000 |
|---|---|-----------|
| IBL Logistics (Private) Limited | Revenue | 9,301 |
| | Rental Income | 697 |
| | Purchases | 1,559 |
| Multinet Pakistan (Private) Limited | Internet services | 2,865 |
| Hunar Foundation | Donations | 11,500 |
| Trax Online Private Limited | Carriage and duties | 4,344 |
| Indus Hospital | Donations | 10,000 |
| Searle Biosciences (Private) Limited | Revenue | 164,529 |
| | Dividend Receivables | 332,000 |
| | Advance against financial assistance | 115,292 |
| | Advance Refund | 3,400 |
| IBL Healthcare Limited | Revenue | 317,739 |
| | Rental Income | 1,204 |
| | Dividend Receivables | 39,009 |
| | Advance against financial assistance | 8,277 |
| | Royalty Paid on Behalf of IBL Health Care Limited | 5,464 |
| | Income from provision Amenities | 586 |
| IBL Identity Private Limited | Advance against financial assistance | 125,750 |
| | Purchase of Property, plant and equipment | 74,060 |
| Searle Laboratories Private Limited | Advances refund | 8,700 |
| International Brand Limited | Rental Income | 13,048 |
| | Income from provision Amenities | 9,216 |
| | Corporate Service Charged | 240,000 |
| | Computer Expense | 2,643 |
| | Others | 135 |
| | Group Tax Relief | 137,089 |
| United Retail (SMC-Private) Limited | Rental Income | 32,054 |
| | Income from provision Amenities | 32,521 |
| OBS Pakistan (Private) Limited | Facility Management fee | 252,000 |
| | Rental Income | 2,814 |
| | Purchases | 2,071 |
| | Others | 111 |
| Arshad Shahid Abdulla (Private) Limited | Architect fee | 7,604 |
| IBL Company Limited | Others | 2,440 |
| Sabaq Learning Foundation | Donations | 15,000 |
| Key Management Employees Compensation | Salaries and other employee benefits | 66,521 |
| | Contributions to Provident Fund | 3,869 |

The Company carries out transactions with its related parties on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. All transactions entered into with related parties require the approval of the Board of Audit Committee of the Company, which is chaired by an independent director of the Company. Upon the recommendation of the Board of Audit Committee, such transactions are placed before the board of directors for approval.

Transactions entered into with the related parties include, but are not limited to, sale of goods, dividends paid, (in accordance with the approval of shareholders and board where applicable) and salaries and other benefits paid to the key management personnel.

The nature of relationship with these related parties has also been indicated in the note 43 to the unconsolidated financial statements for the year ended June 30, 2020. The Directors are interested in the resolution only to the extent of their common directorships in such related parties.

Notice of 55th Annual General Meeting

- **Item 8 of the notice - authorize the Board of Directors to approve the related party transactions during the year ending June 30, 2021**

The Company shall be conducting transactions with its related parties during the year ending June 30, 2021 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in the holding / associated companies. In order to promote transparent business practices, the shareholders desire to authorize the Board of Directors to approve transactions with the related parties from time-to-time on case to case basis for the year ending June 30, 2021, which transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ ratification.

The Directors are interested in the resolution only to the extent of their common directorships in such related parties.

STATEMENT UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017

Pursuant to the requirements of Section 166(3) of the Companies Act, 2017, independent directors will be elected through the process of election of directors in terms of Section 159 of the Act and they shall meet the criteria laid down under Section 166 (2) of the Act.

No Directors have direct or indirect interest in the above said business other than as shareholders of the Company and that they are eligible to contest the election for directorship.



Service to Humanity

Facilitating doctors to provide their services to society safely and securely

Searle takes pride in taking the initiative and to-date provided 18,000 60GSM Helmet Suits, 150,000 hand sanitizers, 10,000 latex and nitrile gloves, 2,000 N95 masks and thousands of other PPEs. Searle sales team also have steered the drive to disinfect hospitals and clinics, provided them with thermal screening and UV tools. In addition to that the Company took the initiative to timely arrange first FDA approved anti-viral drug Remdesivir that has proven successful in reduction of Covid-19 related complications and provided the drug to patients on no profit basis.



Chairman's Review

For the year ended June 30, 2020

To my fellow shareholders,

The financial year 2019-20 was a difficult and turbulent year, not only for the pharmaceutical industry but also for the global economic environment, the fast-spreading coronavirus (COVID-19) pandemic will leave its mark on the socioeconomic landscape of the world, as many countries, including Pakistan, tackles the situation to the best of their efforts and capabilities.

In the pharmaceutical industry stockpiling and panic buying were at the forefront of COVID-19 associated dynamics prior to the lockdown measures being imposed in Q3 2020. Stockpiling was not only triggered by wholesalers' concerns regarding possible disruption in the pharmaceutical supply chain but was also a reflection of a surge in patient demand for certain pharmaceutical products.

Panic-buying was mainly observed for chronic disease therapies, and I would like to prominently mention that Searle is one of the leading producers of these medicines. We ensured timely availability of all our medicines before, during and even after the lockdown phase. Also, I would like to personally praise all our employees, who continued to provide their services during this pandemic.

Despite this, in financial year 2020 we observed our highest sales revenue PKR 16.56 billion to date, up 13.96% from previous year. We also achieved an impressive earnings per share of PKR 11.56, and a net profit of PKR 2.45 billion. We have also decided to return PKR 531 million to the shareholders in 2020 in the form of cash dividends.

OVERVIEW

The pharmaceutical market in Pakistan is estimated to be around \$3.1 billion (PKR 425 billion), growing at a rate of 13.23% (as per IMS). The industry is dominated by local / national companies which account for 69% of market share whereas multinationals enjoy the remaining 31%. Top twenty-five companies constitute approximately 60% of the market, whereas top 50 share approximately 80% of the market.

Growth in sales of national companies has been higher than the multinationals as the market is essentially a low-cost generic market with large number of new generic medicines launched at higher unit price. There are approximately 650 companies operating in the Pakistani pharmaceutical market, out of which less than 31 are multinational companies. The pharmaceutical industry contributes approximately 1% to the GDP of Pakistan annually.

The growth of the pharmaceutical industry is dampened by high reliance of imported APIs, high volatility in exchange rates, low per capita expenditure, and uncompetitive prices in the global market.

However, Searle was able to persevere through these difficult times and still managed to achieve an impressive result, in no small part due to unwavering efforts of the management, sharp focus on success and dedications of its employees and stern supervision by the board of directors. Searle was able to maintain its prominence in many therapeutic areas through its quality products and the dedication of its exceptional people.

We have an established legacy of creating tremendous value for all our stakeholders and we continue to accelerate our efforts to make a lasting positive impact for them and the societies in which we operate.

BUILDING OUR LEGACY TO INNOVATE AND GROW

Our achievements in 2020 capped a decade of intense transformation during which we met or exceeded the ambitious financial commitments that we made to our shareholders. Simultaneously and critically, we continued to set the stage for our future, strengthening Searle's long-term ability to innovate, compete and grow.

Also, our experienced management team has a track record of navigating a relatively turbulent regulatory environment and has delivered a 6-year sales and earnings CAGR of 14% and 10%, respectively, while

growing its market share from only 2.7% in 2013 to 5.7% in 2020. This growth has largely been organic (new drug introductions), which has been facilitated by its sustainable competitive advantages in the form of: i) aggressively investing in its sales force; ii) nationwide distribution expertise of a related-entity within the same group (International Brands); and iii) utilizing the increased healthcare expenditure mindset of the public at large due to COVID-19.

FINANCIAL PERFORMANCE

Searle's financial performance has been outstanding over the past several years and the Company's performance during the year ended June 30, 2020 has continued this positive trajectory. The Company has created tremendous value for its shareholders through consistent double-digit growth and profitability.

The year ended June 30, 2020 has been an exciting one for Searle, building on the financial performance of the previous years. I am pleased to share the following financial highlights:

- Sales of the company grew to PKR 16.56 billion, at a growth rate of 13.96%.
- The profit from operations grew by PKR 687 million, which is around 21.11%.
- The profit after tax of the company was reported at PKR 2.45 billion.

KEY INITIATIVES

Searle continues to advance its market share in the domestic pharmaceutical market, particularly in the segments of Cardiovascular, Cold & cough, Diabetes, Infant formula, Probiotics and Antibiotics. Moving forward, we are focusing on enhancing our share of specialty generic branded portfolios and targeting differentiated products.

Quality of products is a concern of paramount importance to us; therefore, our key priority is to ensure continuous CGMP & Regulatory compliance while increasing our product volumes and portfolio. In the past years, Searle has invested in new manufacturing equipment and facility upgrades and

is continuing to improve its processes and human capabilities to meet global regulatory standards at all manufacturing facilities.

As part of our continuous improvement initiatives, Searle has also implemented a robust enterprise resource planning system (SAP), which we expect will enable our Company to have increased control over inventories, facilitate agile financial decision-making and improve performance management.

The company is also fully cognizant of its immense responsibility towards its stakeholders during this pandemic situation. Accordingly, following priorities were set by the management to ensure that the Company continues its operations smoothly during this unprecedented situation.

- Protecting the health and safety of our staff, who are at front line, due to their engagement in the production process and process of sales to customers through strict health and safety policies;
- Ensuring availability of our products to our customers during the pandemic; and
- Engaging in corporate social activities in form of donations and charities to clinics, hospitals and the less fortunate.

REVIEW ON BOARD'S PERFORMANCE U/S 192 OF THE COMPANIES ACT 2017

The Board is committed to operate at the highest standards of corporate governance. The work of the Board and its Committees during the year focused on ensuring compliance with all statutory and regulatory requirements applicable upon the Company.

There were nine meetings of the Board of Directors held in year ended June 30, 2020. In addition, there were six meetings of the Audit Committee of the Board.

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2017 an annual evaluation of the Board of Directors of the Company was carried out for the financial year ended 30 June 2020.

I am pleased to report that the overall performance of the Board was found satisfactory, based on an evaluation of the following components:

- **Corporate governance structure and Compliance with regulations:** The Company has a well-developed and transparent corporate governance system, with regular oversight by the Board.
- **Board Composition: The Board comprises** members with rich professional experience in various domains, having strong financial & analytical abilities and independent perspectives.
- **Strategic planning:** The Board actively engaged with the management to monitor the Company's performance against its established strategy, goals and targets. Further, the Board has a strategic view of how the organization will evolve over the next three to five years.
- **Execution of duties:** All Board members and members of Board Committees diligently performed their duties by thoroughly reviewing, discussing and approving business plans, financial statements and associated documents.
- **Resource management:** The Board provides appropriate direction and oversight on a timely basis to ensure optimal utilization of resources.

FUTURE OUTLOOK

Searle in the near future, is poised to lead the industry, due its focus on developing the Searle brand, its products and people. Looking ahead, we are ready to build on our recent transformation successes, including maintaining and improving on our leading process development and manufacturing capabilities, driving our innovation and expanding our outreach in patient access and services to more regions around the world. We will sustain the gains of the past five years through a culture of productivity so that the time, talent and capital invested in Searle is put to good use. We will continue to deliver on

our commitments to patients, to you as shareholders and to all those we serve, both year to year and generation to generation.

I am also delighted to mention that subsequent to the year end on 24th August 2020, the Company acquired OBS Pakistan (Private) Limited (OBS), engaged in manufacturing and sales of pharmaceutical products, from Universal Ventures (Private) Limited (UVPL). OBS, is one of our industry's top private limited pharmaceutical company and is a leading producers of iron sucrose injections with the brand name of Venofer. OBS is also the leading manufacturer of Decadron (Dexamethane), which is suggested to decrease the mortality rate in COVID-19 patients.

On behalf of Searle's board of directors and leadership team, thank you for your continued investment and support. I also thank our more than 2,300 staff members for their commitment to ethics and to our mission. It is our shared privilege to work at the leading edge of progress and for a company making a positive difference in the lives of so many people every day.

I would like to acknowledge and particularly thank our CEO, Mr. Nadeem Ahmed, his executive leadership team and commitment and leadership in steering the Company into a new era of growth & profitability.

Lastly, I would also like to thank the Board for its hard work and commitment to the Company.



Adnan Asdar Ali
Chairman

Karachi: September 28, 2020

جیسا کہ لسٹڈ کمپنیوں کے (کوڈ کارپوریشن گورننس) ریگولیشنز، 2017 کے تحت کرنا ضروری ہے، کمپنی کے بورڈ آف ڈائریکٹرز کی 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے سالانہ جانچ کی گئی۔

میں اس امر کو بسمرت واضح کرتا ہوں کہ بورڈ کی مجموعی کارکردگی اطمینان بخش پائی گئی جو درج ذیل نکات کے مطابق جائزے اور جانچ پر مشتمل تھی:

- کارپوریشن گورننس اسٹرکچر اور کپلائنس مع ریگولیشنز: کمپنی ایک انتہائی مستحکم اور شفاف کارپوریشن گورننس نظام کی تحت کام کرتی ہے جس کی بورڈ کی جانب سے باقاعدہ نگرانی کی جاتی ہے۔
- بورڈ کی تشکیل: بورڈ متعدد امور سے متعلق بھرپور پیشہ ورانہ تجربہ رکھنے والے ممبروں پر مشتمل ہے، جس میں مستحکم مالی اور تجرباتی قابلیت اور آزاد نقطہ نظر موجود ہے۔
- اسٹریٹجک منصوبہ بندی: بورڈ اپنی قائم کردہ حکمت عملی، اہداف اور ٹارگیٹس کے تحت کمپنی کی کارکردگی کی نگرانی کے لئے انتظامیہ کے ساتھ سرگرم عمل ہے۔ مزید برآں بورڈ اس حکمت عملی پر بھی نگاہ رکھتا ہے کہ ادارہ آئندہ 3 سے 5 سالوں کے دوران کس طرح کام کرے گا۔
- فرائض کی انجام دہی: تمام بورڈ ممبران اور بورڈ کمیٹیوں کے ممبران اپنے فرائض کی انجام دہی وسیع پیمانے پر صورت حال کا جائزہ لینے، باہمی مشاورت اور منصوبوں، مالیاتی حسابات اور منسلک دستاویزات کی منظوری کے تحت کرتے ہیں۔
- ریسورس منیجمنٹ: بورڈ وسائل کے درست اور بروقت استعمال کو یقینی بنانے کیلئے فوری بنیاد پر موزوں سمت اور ہدایات فراہم کرتا ہے۔

مستقبل کا جائزہ

سرل مستقبل قریب میں، اس انڈسٹری کی رہنمائی کے لئے تیار ہے، اس کی وجہ سرل برانڈ کا فروغ، اس کی مصنوعات اور صارفین پر خصوصی توجہ مرکوز کرنا ہے۔ آگے بڑھتے ہوئے، ہم اپنے حالیہ تبدیلی کی کامیابیوں پر مزید ترقی کرنے کے لئے تیار ہیں، بشمول ہماری نشوونما کے عمل اور مینوفیکچرنگ صلاحیتوں کو برقرار رکھنے اور ان میں بہتری کے ساتھ، ہماری جدت طرازی اور مریضوں تک رسائی اور خدمات کو دنیا بھر میں وسیع پیمانے تک پھیلاؤ شامل ہے۔ اپنے پیداواری رجحان سے گذشتہ پانچ سالوں کے حاصل کردہ فوائد کو برقرار رکھیں گے تاکہ سرل میں لگائے ہوئے وقت، ہنر اور سرمایہ کو بہتر انداز میں بروئے کار لایا جاسکے۔ ہم مریضوں کے لئے بہتر طبی سہولتوں کی فراہمی اور آپ کے لئے بطور شیئر ہولڈرز اور ان سب کے لئے جن کو ہم خدمات فراہم کر رہے ہیں سال بہ سال نسل در نسل بہتر فوائد کے عزم کے تسلسل کو جاری رکھیں گے۔

مجھے یہ بتاتے ہوئے مسرت ہو رہی ہے کہ 24 اگست 2020 کو اس سال کے اختتام کے بعد، کمپنی نے او بی ایس پاکستان (پرائیویٹ) لمیٹڈ (او بی ایس) جو فارماسیوٹیکل کی مصنوعات کی تیاری اور فروخت میں مصروف ہے اسے یونیورسل ونچرز (پرائیویٹ) لمیٹڈ (یو وی پی لٹل) سے حاصل کیا۔ یہ صحت کی دیکھ بھال کے شعبے میں پاکستان کی ایک اعلیٰ نجی لمیٹڈ فارما کمپنیوں میں سے ایک ہے اور وینوفر کی برانڈ نام کے ساتھ آئرن سوکروز انجکشن کی صف اول کی فراہم کنندہ ہے۔ او بی ایس ڈیکارون (ڈیکسامیٹھاسون) بھی بناتا ہے، جو COVID-19 کے مریضوں میں اموات کی شرح کو کم کرنے کی موزوں دوا سمجھا جاتا ہے۔

سرل کے بورڈ آف ڈائریکٹرز اور قیادت ٹیم کی جانب سے، آپ کی مستقل سرمایہ کاری اور معاونت پر شکریہ ادا کرتا ہوں۔ میں 2300 سے زائد اپنے ملازمین کا بھی ہمارے عزم اور ضابطہ سے وابستگی کے لئے مشکور ہوں۔ یہ ہمارا اعزاز ہے کہ ہم ترقی کے ایک عظیم سفر پر گامزن ہیں اور ایسی کمپنی کے لئے کام کر رہے ہیں جو ہر روز بڑی تعداد میں لوگوں کی زندگیوں میں مثبت تبدیلی پیدا کر رہی ہے۔

میں بالخصوص اپنے سی ای او، جناب ندیم احمد، ان کی ایگزیکٹو لیڈرشپ ٹیم اور کمپنی کو ترقی و منافع کے نئے دور میں شامل کرنے کے عہد اور قائدانہ صلاحیتوں کا معترف اور مشکور ہوں۔

آخر میں بورڈ کا بھی شکریہ ادا کرنا چاہوں گا جنہوں نے کمپنی کیلئے اپنی ذمہ داری اور بہترین صلاحیتوں کا اظہار کیا۔



عدنان اصدر علی
چیئرمین

کراچی: 28 ستمبر 2020

مزید یہ کہ، ہماری تجربہ کار انتظامی ٹیم کے پاس نسبتاً سخت گیر ریگولیٹری ماحول میں کام کرنے کا تجربہ موجود ہے اور انہوں نے فروخت اور آمدنی کو بالترتیب 14 فیصد اور 10 فیصد کی 6 سال کے سی اے جی آر تک پہنچایا ہے، جبکہ اس کا مارکیٹ شیئر جو 2013 میں صرف 2.7 فیصد تھا سے بڑھ کر 2020 میں 5.7 فیصد ہو گیا ہے۔ یہ نموبڑے پیمانے پر نامیاتی (نئی ادویات کے تعارف) سے منسلک رہی، جس کی معاونت اس کے پائیدار مسابقتی فوائد کی صورت میں کی گئی (i) جارحانہ طور پر اپنی سیلز فورس میں سرمایہ کاری؛ (ii) اسی گروپ (بین الاقوامی برانڈز) کے اندر ایک وابستہ ادارہ کی ملک گیر ڈسٹری بیوشن کی مہارت؛ اور (iii) COVID-19 کی وجہ سے عوام میں بڑے پیمانے پر صحت کی دیکھ بھال کے اخراجات کی ذہنیت کا استعمال تھا۔

مالیاتی کارکردگی

سرل کی مالیاتی کارکردگی گذشتہ کئی سالوں سے شاندار رہی ہے اور 30 جون 2020 کو ختم ہونے والے سال کے دوران کمپنی کی کارکردگی نے اس مثبت پیش رفت کو جاری رکھا ہے۔ کمپنی نے اپنے شیئر ہولڈرز کے لئے مستقل ڈبل ہندسے کی نمو اور منافع کے ذریعہ زبردست قدر پیدا کی ہے۔

گذشتہ سالوں کی مالیاتی کارکردگی کی وجہ سے سال 30 جون، 2020 کو ختم ہونے والا سال سرل کے لئے زبردست رہا۔ میں بسمرت مندرجہ ذیل مالیاتی جھلکیاں پیش کر رہا ہوں:

- کمپنی کی فروخت 13.96 فیصد کی شرح نمو پر، 16.56 بلین روپے ہو گئی۔
- آپریشنز سے حاصل ہونے والے منافع میں 687 ملین روپے کا اضافہ ہوا، جو 21.11 فیصد کے لگ بھگ ہے۔
- کمپنی کا بعد از ٹیکس ہونے والا منافع 2.45 ارب روپے ریکارڈ کیا گیا۔

کلیدی اقدامات

سرل مقامی فارماسیوٹیکل مارکیٹ میں اپنے مارکیٹ شیئر کو مزید بڑھا رہی ہے، خاص طور پر امراض قلب، سردی اور کھانسی، ذیابیطس، نوزائیدہ فارمولہ، پروبانیو ٹکس اور اینٹی بائیو ٹکس کے شعبوں میں پیشرفت حاصل کر کے۔ آگے بڑھتے ہوئے، ہم خصوصی طور پر جنرک برانڈڈ پورٹ فولیو میں اپنے شیئر کو بڑھانے اور متنوع مصنوعات کو متعارف کرانے پر توجہ دے رہے ہیں۔

مصنوعات کا معیار ہمارے لئے بہت اہمیت کا باعث ہے؛ لہذا، ہماری کلیدی ترجیح یہ ہے کہ ہم اپنی مصنوعات کے حجم اور پورٹ فولیو میں اضافہ کرتے ہوئے مستقل سی جی ایم بی اور ریگولیٹری تعمیل کو یقینی بنائیں۔ گذشتہ سالوں میں، سرل نے مینوفیکچرنگ کے نئے ساز و سامان اور سہولیات اپ گریڈ میں سرمایہ کاری کی ہے اور مسلسل مینوفیکچرنگ کی تمام سہولیات پر عالمی ریگولیٹری معیارات کو پورا کرنے کے لئے اپنے عمل اور انسانی صلاحیتوں میں بہتری لاتا رہا ہے۔

مستقل طور پر ہماری بہتری کے اقدامات کے ایک جز کے طور پر سرل نے ایک فعال انٹریپرائز ریورس پلاننگ سسٹم (ایس اے پی) بھی لاگو کیا جس سے ہمیں توقع ہے کہ ہماری کمپنی انٹریپرائز پر کنٹرول بڑھانے، حساس مالیاتی فیصلہ کن صلاحیت کے حصول اور انتظامی کارکردگی بہتر بنانے کی صلاحیت حاصل کر سکے گی۔

اس وبائی صورتحال کے دوران کمپنی اپنے اسٹیک ہولڈرز کی جانب اپنی بے پناہ ذمہ داری سے بھی پوری طرح واقف ہے۔ اسی مناسبت سے، انتظامیہ کی جانب سے مندرجہ ذیل ترجیحات کا تعین کیا گیا تھا تاکہ یہ یقینی بنایا جاسکے کہ کمپنی اس انوکھی صورتحال کے دوران آسانی سے اپنی کاروائیاں جاری رکھے۔

• اپنے عملے کی صحت اور حفاظت کا تحفظ سخت صحت اور حفاظت کی پالیسیوں کے ذریعے، جو اپنی مصروفیت کی وجہ سے پیداوار اور صارفین کو فروخت کے عمل میں اگلی صف میں ہیں؛

- وبائی مرض کے دوران اپنے صارفین تک اپنی مصنوعات کی دستیابی کو یقینی بنانا؛ اور
- کلینکوں، اسپتالوں اور متاثرہ لوگوں میں عطیات اور خیرات کی صورت میں کارپوریٹ سماجی سرگرمیوں سے شامل ہونا

کمپنیز ایکٹ 2017 کی زیر دفعہ 192 کے تحت بورڈ کی کارکردگی کا جائزہ

بورڈ کارپوریٹ گورننس کے اعلیٰ معیار پر کام کرنے کے عزم پر کاربند ہے۔ سال کے دوران بورڈ اور اس کی کمیٹیوں کا کام تمام قانونی اور کمپنی پر قابل اطلاق ریگولیٹری ضوابط پر عملدرآمد کو یقینی بنانے پر اپنی توجہ مرکوز کرنا تھا۔

30 جون 2020 کو ختم ہونے والے سال کے دوران بورڈ آف ڈائریکٹرز کے 9 اجلاس منعقد ہوئے۔ اس کے علاوہ بورڈ کی آڈٹ کمیٹی کے چھ اجلاس منعقد ہوئے۔

چیسر مین کا جائزہ برائے اختتامیہ سال 30 جون، 2020

ہنام میرے معزز شیئر ہولڈرز،

مالی سال 20-2019 نہ صرف فارماسیوٹیکل انڈسٹری بلکہ عالمی معاشی ماحول کے لئے بھی ایک مشکل اور ہنگامہ خیز سال تھا، کیونکہ تیزی سے پھیلنے والے کورونا وائرس (COVID-19) وبائی مرض نے دنیا کے سماجی و اقتصادی منظر نامے پر اپنے نشان چھوڑ دیئے اور پاکستان سمیت متعدد ممالک اس صورتحال سے نمٹنے کے لئے اپنی بہترین کاوشوں اور صلاحیتوں کو بروئے کار لے کر آئے۔

2020 کی تیسری سہ ماہی میں لاک ڈاؤن کے اقدامات کے نفاذ سے قبل فارماسیوٹیکل انڈسٹری میں ذخیرہ اندوزی اور افراتفری کے انداز میں خریداری کو ڈ۔19 سے وابستہ حرکیات میں سب سے آگے تھا۔ ذخیرہ اندوزی صرف دواسازی کی فراہمی کے سلسلے میں ممکنہ رکاوٹ کے خدشے کے باعث صرف تھوک فروشوں کی جانب سے نہیں ہوئی بلکہ کچھ فارماسیوٹیکل مصنوعات کی مریضوں کی مانگ میں اضافے کا رجحان کا بھی عمل دخل تھا۔

افراتفری میں خریداری بنیادی طور پر دائمی بیماری کے علاج کے ضمن میں دیکھی گئی، اور میں واضح طور پر یہ بتانا چاہتا ہوں کہ سرل ان ادویات کے صف اول کے پروڈیوسروں میں سے ایک ہے۔ اور ہم نے لاک ڈاؤن مرحلے سے پہلے، دوران اور اس کے بعد بھی اپنی تمام ادویات کی بروقت دستیابی کو یقینی بنایا۔ نیز، میں اپنے تمام ملازمین کی ذاتی طور پر تعریف کرنا چاہتا ہوں، جو اس وبائی مرض کے دوران اپنی خدمات فراہم کرتے رہے۔

اس کے باوجود، مالی سال 2020 میں ہم نے آج تک کی تاریخ کی اپنی سب سے زیادہ فروخت آمدنی 16.56 بلین روپے کا مشاہدہ کیا، جو پچھلے سال کے مقابلے میں 13.96 فیصد زیادہ ہے۔ ہم نے 11.56 روپے فی شیئر کی متاثر کن آمدنی اور 2.45 ارب روپے کا خالص منافع بھی حاصل کیا۔ ہم نے 2020 میں 531 ملین روپے شیئر ہولڈرز کو نقد منافع کی صورت میں ادائیگی کا بھی فیصلہ کیا ہے۔

جائزہ

پاکستان میں فارماسیوٹیکل مارکیٹ کا تخمینہ تقریباً 3.1 بلین ڈالر (425 بلین روپے) ہے، اور جو 13.23 فیصد (آئی ایم ایس کے مطابق) کی شرح سے بڑھ رہا ہے۔ اس انڈسٹری میں مقامی / قومی کمپنیوں کا غلبہ ہے جو مارکیٹ شیئر کا 69 فیصد حصہ ہے، جبکہ ملٹی نیشنلز کا حصہ باقی 31 فیصد ہے۔ سرفہرست کی کمپنیاں مارکیٹ کا تقریباً 60 فیصد اور جبکہ اوپن 50 کمپنیاں مارکیٹ کا تقریباً 80 فیصد حصہ ہیں۔

ملکی کمپنیوں کی فروخت میں اضافہ ملٹی نیشنلز کے مقابلے میں زیادہ رہا ہے چونکہ مارکیٹ بنیادی طور پر ایک کم قیمت کے رجحان پر مبنی ہے جہاں زائد قیمتوں پر نئی عام دوائیوں کی بڑی تعداد کو متعارف کیا گیا ہے۔ پاکستانی فارماسیوٹیکل مارکیٹ میں لگ بھگ 650 کمپنیاں کام کر رہی ہیں، جن میں 31 سے بھی کم ملٹی نیشنل کمپنیاں ہیں۔ فارماسیوٹیکل انڈسٹری سالانہ پاکستان کے جی ڈی پی میں تقریباً 1 فیصد حصہ ڈالتی ہے۔

درآمد شدہ APIs پر زائد انحصار، زرمبادلہ کی شرح میں زیادہ اتار چڑھاؤ، فی کس کم خرچ، اور عالمی مارکیٹ میں غیر مسابقتی قیمتیں سے فارماسیوٹیکل انڈسٹری کی افزائش نم ہو گئی ہے۔

تاہم، سرل ان مشکل اوقات میں ثابت قدم رہنے اور انتظامیہ کی غیر متزلزل کاوشوں، کامیابی پر خصوصی توجہ اور اس کے ملازمین کی لگن اور بورڈ آف ڈائریکٹرز کی سخت نگرانی کی وجہ سے ایک متاثر کن نتیجہ حاصل کرنے میں کامیاب رہی۔ سرل علاج معالجے کے مختلف شعبوں میں اپنی معیاری مصنوعات اور اپنے غیر معمولی لوگوں کی لگن کے سبب اپنی نمایاں کارکردگی برقرار رکھنے میں کامیاب رہی۔

ہمارے پاس اپنے تمام اسٹیک ہولڈرز کے لئے زبردست قدر پیدا کرنے کی میراث قائم ہے اور ہم ان کے لئے اور جس معاشرے میں ہم سرگرم عمل ہیں دیرپا مثبت اثرات مرتب کرنے کی کوششوں کو تیز کرتے رہتے ہیں۔

جدت طرازی اور ترقی کیلئے ہمارے عزم کی تعمیر

2020 میں ہماری کامیابیوں کا سہرا ایک دہائی کی مسلسل جدوجہد کے سر ہے جس کے دوران ہم نے خواہش کردہ مالیاتی معاہدے پورے یا تجاوز کر گئے جس کے عہد ہم نے اپنے شیئر ہولڈرز سے کئے تھے۔ اور ساتھ ہی جانچ پرکھ کے ساتھ، ہم نے اپنے مستقبل کی منزلیں طے کرنا جاری رکھیں، جس میں جدت طرازی، مقابلہ کرنے اور ترقی کی سرل کی طویل مدتی صلاحیت کو تقویت ملی۔

Employee Safety & Care

For Searle, the safety of its office, factory workers and field force staff is of paramount priority and has taken some of most stringent steps to slow the spread and by doing so saved countless lives. Sensing the threat in the early stage, the Company had sent, 100% of its field force and 50% of its operation staff home, without any layoffs or deductions and allowed them to work from home. The Company also initiated a prevention & awareness campaign for community and employees, ensured availability of thermal and RT-PCR screening, provision of WHO specified PPE, latex and nitrile gloves, hand sanitizers, goggles, face shields and disinfectants to slow the spread and flatten the curve.



Directors' Report to the Members

The Directors take pleasure in presenting the annual report together with the audited financial statements of the company for the year ended June 30, 2020.

The Directors' Report has been prepared in accordance with section 227 of the Companies Act, 2017 and Chapter XII of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

This report is to be submitted to the members at the 55th Annual General Meeting of the Company to be held on October 28, 2020.

OVERVIEW

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

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

Pharmaceutical sales in Pakistan grew at an annual growth rate of 13.23% worth nearly USD 3.1 billion (PKR 425 billion), with more than 650 companies operating in the sector, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, infrastructure investment, technological advancements, evolving care models,

higher life expectancy and increased incidence of chronic diseases and as well as new healthcare risks introduced during the pandemic.

Despite this, the pharmaceutical industry is unable to achieve its full potential, due to high reliance of imported APIs, fluctuation in exchange rates, low per capita expenditure, and low prices in terms of global environment. Although the industry is contributing 1% of their PBT to government for conducting R&D, a lot can be desired on the front of research and development.

OPERATING RESULTS

Searle is a company that has always focused on improving the lives of patients by offering them quality healthcare solutions. We have always placed the benefit of the patients and our stakeholders at the forefront and we are proud of the impact of our efforts.

Searle has recorded a 6-year (FY14-20) CAGR of 14% in its revenue and 10% in profit after tax. This growth in revenue is on the back of consistent growth in volumes and a diversified product range along with positive impact of DRAP pricing policy, which is now linked with annual Consumer Price Index (CPI).

The increased revenues have resulted in a higher market share for Searle, as during FY19 the company had a market share of 5.3%, which has now increased up to 6.5% as per industry sales value of Q1-2020, which is second highest in the entire Pakistan pharmaceutical industry.

COVID-19 pandemic has wreaked-havoc across the world with around 30 million cases and nearly a million deaths recorded, with no vaccine recognized by the World Health Organization (WHO), which can provide immunity against the virus. Nevertheless, the company has successfully entered into an exclusive licensing and marketing agreement with Beximco Pharmaceuticals to sell Remdesivir, with the name of Bemsivir, in the local market. Remdesivir has proven to be a very effective tool against the virus, as it shortened the recovery time of patients.

During this difficult and challenging times, which had severe repercussions on Pakistan as well as on the global economic environment, Searle secured an impressive performance during the year ended June 30, 2020. The company reported revenue of Rs. 16.56 billion, registering a growth of 14%. Profit after tax of the Company decreased by 7%, mainly due to impact of currency devaluation.

| | June 30, | |
|--------------------------|----------------------|-------------|
| | 2020 | 2019 |
| | (Rupees in thousand) | |
| Revenue | 16,567,219 | 14,537,198 |
| Cost of sales | (8,295,187) | (9,616,862) |
| Gross Profit | 8,272,032 | 4,920,336 |
| Operating expenses | (4,844,499) | (4,608,165) |
| Other operating expenses | (261,841) | (153,869) |
| Other income | 780,277 | 3,099,914 |
| Profit from operations | 3,945,969 | 3,258,216 |
| Finance cost | (641,491) | (428,036) |
| Profit before tax | 3,304,478 | 2,830,180 |
| Income tax expense | (849,401) | (188,234) |
| Profit after taxation | 2,455,077 | 2,641,946 |

The Company's hefty organic growth was driven by expanding doctor coverage, maturing product portfolio, introduction of new brands, higher volumes, richer product mix, branding efforts and strengthened demand. As well as utilizing the increased healthcare expenditure mindset of the public at large due to COVID-19. Further, tighter control over costs and expenses contributed towards improved financial performance of the Company.

SUBSIDIARIES OF THE COMPANY

Following are the subsidiary companies:

| | Principal place of business | Effective %age of holding | |
|---|-----------------------------|---------------------------|---------------|
| | | June 30, 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% |

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 11.56 (2019: Rs. 12.44). There is no dilution effect on the basic earnings per share of the Company, as the Company has no convertible dilutive potential ordinary shares outstanding as at June 30, 2020.

DIVIDEND

The Board of Directors has recommended cash dividend of 25% for the year ended June 30, 2020. During the previous year ended June 30, 2019, the Company declared cash dividend of 25% as well.

FINANCIAL STATEMENTS AND AUDITORS

The present auditors, Messrs. A.F. Ferguson & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as the Auditors of the Company for the financial year ending June 30, 2020, at a mutually agreed fee.

HOLDING COMPANY

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

PATTERN OF SHAREHOLDING

The pattern of shareholding along with categories of shareholders as at June 30, 2020 as required under section 227 of the Companies Act, 2017 and Listing Regulations is presented on pages 201 to 205 of the annual report 2020.

Trading of shares by Directors, CFO, Company Secretary etc. The Company's shares are traded on Pakistan Stock Exchange Limited. The Directors, CEO, Company Secretary and CFO and executives, their spouses and minor children did not carry out any trade in the shares of the Company.

BUSINESS CONDUCT

Searle's business practices are based on integrity, transparency and compliance with applicable laws and regulations.

Our values and expectations are more than just words. Together they help guide us to our goal to be one of the world's most innovative, best performing and trusted healthcare companies. They shape our culture and guide our actions and decision making, so we can maintain the trust of the people who rely on us each and every day – our patients and consumers. It's up to all of us, every day, to keep Searle the kind of company we can all be proud to be a part of. We seek to understand and meet our customers' needs, whilst seeking continuous improvement in all spheres of business operations.

We do the right thing for our patients and consumers and strive for the highest quality. We work with our partners to improve healthcare and find new medicines and vaccines. Regardless of our role, we understand how our work affects patients and consumers.

PRODUCT QUALITY

Consumers trust and confidence on Searle's products is our most valuable asset. We recognize that pharmaceutical manufacturing bears many inherent risks and that any mistake in product design or production can be severe, even fatal, therefore, the maintenance of quality is our utmost priority and moral responsibility.

We are committed to our duty towards safeguarding the patient's well-being, and assure that all operations associated with manufacture of medicinal products are of a standard that ensures the patient's expectations of safety and efficacy.

CORPORATE AND SOCIAL RESPONSIBILITY

The horizon of our duties does not end with the creation of wealth for our stakeholders. At Searle, our aim has always been to make useful contributions to the economy we operate in. One of the primary areas of focus has been creation of employment opportunities to support a large industrial and sales workforce.

The Company operates in a socially responsible manner. Accordingly, the Company's CSR program has a wide scope encompassing initiatives in the areas of healthcare, education, child welfare and other social welfare activities.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

We, at Searle, recognize the importance of safe and secure environment and consider it our duty to ensure that people who work for us know how to work safely and without any risks to their health. The health and safety of our employees and visitors is a high priority for the Company. Therefore, hazards associated with operations are continuously identified, assessed and managed to eliminate or reduce risks.

INFORMATION TECHNOLOGY

To cater the growing business needs of the Company, and in line with our continuous endeavors to regularly upgrade information systems, we continued with our policy to invest more and more in information technology. We have successfully deployed the most powerful business management system 'SAP' to further strengthen our business operations.

WEBSITE

All our stakeholders and general public can visit The Searle Company Limited's website, www.searlecompany.com, which has a dedicated section for investors containing information related to annual, half yearly and quarterly financial statements.

RELATED PARTY TRANSACTIONS

All related party transactions, during the year 2020, were placed before the Audit Committee and the Board for their review and approval. These transactions were duly approved by the Audit Committee and the Board in their respective meetings. All these transactions were in line with the transfer pricing methods and the policy with related parties approved by the board previously. The Company also maintains a full record of all such transactions, along with the terms and conditions. For further details, please refer note 43 to the financial statements.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The stock exchange has included in their Listing Rules and Listed Companies Regulations issued by the Securities & Exchange Commission of Pakistan. The Company has adopted the code and is implementing the same in letter and spirit.

TRADING OF SHARES BY DIRECTORS, CFO, COMPANY SECRETARY AND EXECUTIVES ETC.

The Company's shares are traded on Pakistan Stock Exchange Limited. The Directors, CEO, Company Secretary and CFO and executives, their spouses and minor children did not carry out any trade in the shares of the Company except the following executives:

| Name | Shares Purchased | Shares Disposed |
|----------------------|------------------|-----------------|
| Mr. Moujoodul Hassan | 1,700 | 700 |
| Mr. Fakher-e-Alam | - | 2,000 |

DIRECTORS' TRAINING PROGRAM

The directors either have already attended the directors' training as required in previous years or meet the exemption criteria as contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

In order to ensure that adequate internal controls are deployed by the company for safeguarding of company's assets, compliance with laws and regulations and reliable financial reporting, the Board of Directors has outsourced the internal audit function to Grant Thornton Anjum Rahman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

CODE OF CONDUCT

The Board of Directors of the Company has adopted a code of conduct. All employees are informed and aware of this and are required to observe these rules of conduct in relation to business and regulations.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed.

- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- There has been no departure from the best practices of transfer pricing.

The key operating and financial data for the six years is tabulated as follows:

| | 2020 | 2019 | 2018 | 2017 (Re-stated) | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|---------------------|------------------|------------------|
| ASSETS EMPLOYED | | | | | | |
| Property, plant and equipment | 3,707,635 | 2,879,439 | 1,714,141 | 1,235,640 | 808,692 | 687,332 |
| Right of use assets | 121,515 | - | - | - | - | - |
| Intangible assets | 131,438 | 164,913 | 189,068 | 207,732 | 69,885 | 30,642 |
| Investment properties-at cost | 2,203,890 | 2,458,041 | 2,456,565 | 2,460,614 | 2,483,919 | 2,491,318 |
| Long-term investments- subsidiaries | 1,686,186 | 1,686,186 | 1,686,186 | 1,486,186 | 2,636,202 | 519,091 |
| Long-term loans and deposits | 7,754 | 7,666 | 7,548 | 1,791 | 1,949 | 2,044 |
| Deferred assets | - | - | - | 443 | - | - |
| Non-current assets classified as held for sale | - | - | - | 600,278 | - | - |
| Net current assets | 9,632,223 | 7,470,720 | 6,337,546 | 4,636,991 | 2,984,954 | 1,827,051 |
| Total assets employed | 17,490,641 | 14,666,965 | 12,391,054 | 10,629,675 | 8,985,601 | 5,557,478 |
| FINANCED BY | | | | | | |
| Issued, subscribed and paid-up capital | 2,124,253 | 2,124,253 | 1,847,177 | 1,539,314 | 1,227,523 | 858,407 |
| Reserves and unappropriated profit | 13,300,048 | 11,342,852 | 9,893,014 | 8,385,533 | 6,952,694 | 3,689,268 |
| Shareholder's equity | 15,424,301 | 13,467,105 | 11,740,191 | 9,924,847 | 8,180,217 | 4,547,675 |
| Surplus on revaluation of fixed assets | 1,446,517 | 1,050,800 | 574,331 | 443,511 | 296,961 | 296,961 |
| Long-term and deferred liabilities | 619,823 | 149,060 | 76,532 | 261,317 | 508,423 | 712,842 |
| Total capital employed | 17,490,641 | 14,666,965 | 12,391,054 | 10,629,675 | 8,985,601 | 5,557,478 |
| Turnover | 16,567,219 | 14,537,198 | 12,675,110 | 10,753,751 | 9,561,490 | 7,582,470 |
| Profit before tax | 3,304,478 | 2,830,180 | 3,233,223 | 2,874,933 | 2,520,295 | 1,767,664 |
| Profit after tax | 2,455,077 | 2,641,946 | 3,049,164 | 2,638,745 | 2,089,388 | 1,405,413 |
| Profit after tax as % of turnover | 14.82 | 18.17 | 24.06 | 24.54 | 21.85 | 18.54 |
| Profit after tax as % of capital employed | 14.04 | 18.01 | 24.61 | 24.82 | 23.25 | 25.29 |
| Dividends | | | | | | |
| Cash (%) | 25 | 25 | 50 | 100 | 50 | 20 |
| Stock (%) | NIL | NIL | 15 | 30 | 24 | 20 |

COMPOSITION OF THE BOARD OF DIRECTORS

There have been seven directors on the Board. The composition of the board as at June 30, 2020 is as follows:

| | Category | Names |
|-----|-------------------------|----------------------------|
| i | Independent Director | Mrs. Shaista Khaliq Rehman |
| ii | Non-executive Directors | Mr. Adnan Asdar Ali |
| | | Mr. Rashid Abdulla |
| | | Mr. Ayaz Abdulla |
| | | Mr. Asad Abdulla |
| iii | Executive Directors | Mr. Syed Nadeem Ahmed |
| | | Mr. Zubair Palwala |

During the year, the casual vacancy created by Mr. Husain Lawai was filled by Ms. Shaista Khaliq as an independent director.

No person other than those mentioned above, have at any time during the year ended June 30, 2020 served as the director of the company.

MEETINGS OF THE BOARD OF DIRECTORS

During the year, nine meetings of the Board of Directors were held. The attendance at meetings of the board members is summarized as under:

| Name of Director | Meetings attended |
|----------------------------|-------------------|
| Mr. Adnan Asdar Ali | 9 |
| Mr. Rashid Abdulla | 6 |
| Mrs. Shaista Khaliq Rehman | 8 |
| Mr. Syed Nadeem Ahmed | 9 |
| Mr. Zubair Palwala | 8 |
| Mr. Ayaz Abdulla | 9 |
| Mr. Asad Abdulla | 8 |

AUDIT COMMITTEE

The Committee comprises of three non-executive Directors. The Chairman of the committee is also an independent director.

During the year, six meetings of audit committee were held, the attendance of which is as follows:

| Name of director | Meetings attended |
|----------------------------|-------------------|
| Mrs. Shaista Khaliq Rehman | 6 |
| Mr. Adnan Asdar Ali | 6 |
| Mr. Asad Abdulla | 5 |

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Committee comprises of four non-executive members. The Chairman of the committee is an independent director. During the year, no meeting of the committee was held.

DIRECTORS REMUNERATION

The significant features and key elements of directors' remuneration are as follows:

- Non-executive directors are only entitled to receive fees in lieu of remuneration in respect of the board and committee meetings attended by them.
- The board is authorized to determine the remuneration of its Directors for attending meetings of the board and committee.

SUBSEQUENT EVENTS

Subsequent to the year end on 24th August 2020, the Company acquired OBS Pakistan (Private) Limited (OBS), engaged in manufacturing and sales of pharmaceutical products, from Universal Ventures (Private) Limited (UVPL) - related party. The approval of acquisition was obtained in the Company's Extra-Ordinary General Meeting (EOGM) on May 18, 2020.

VALUE OF INVESTMENTS

The value of investment of provident fund based on their un-audited / audited accounts as on June 30, 2020 and June 30, 2019 respectively was as follows:

| | 2020 | 2019 |
|----------------|---------|---------|
| | Rs '000 | |
| Provident Fund | 708,917 | 554,984 |

FUTURE OUTLOOK

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

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

For and on behalf of the Board



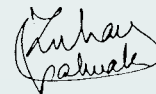
Syed Nadeem Ahmed
Chief Executive Officer

Karachi: September 28, 2020

The company's acquisition of OBS, is one of the most instrumental purchases in pharmaceutical industry of Pakistan. It is one of Pakistan's top private limited Pharma company in healthcare sector and is a leading producers of iron sucrose injections with the brand name of Venofer. OBS is also the manufacturer of Decadron (Dexamethane), which is considered as the drug to decrease the mortality rate in COVID-19 patients.

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.

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

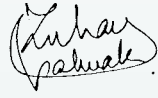


Zubair Palwala
Director

مزید یہ کہ حد سے زیادہ باقاعدگی سے ادویات کی قیمتوں کا تعین کرنے کے طریقہ کار اور خوردہ قیمتوں میں اتنا چڑھاؤ ہمارے لئے خاصی اہمیت کا باعث ہے۔ مصنوعات کی نئی منظوریوں میں تاخیر سے مجموعی طور پر انڈسٹری کو بھی اہم خطرہ لاحق ہے۔ تاہم، حالیہ سیاسی منظر نامے میں تبدیلی کے ساتھ ہمیں مستقبل کے معاشی رجحانات کا جائزہ لینے کے لئے انتظار کرنا پڑے گا اور اسی کے مطابق اپنی حکمت عملیوں میں ترمیم کی ضرورت ہوگی۔ طویل المیعاد بنیادوں پر، سرل ابھرتے ہوئے پورٹ فولیوز پر توجہ مرکوز کر رہی ہے جن میں بائیو سملرز، طبی آلات، نیوٹراسیوٹیکلز اور جینوم سائنسز شامل ہیں۔

سرل میں ہم سب انتہائی دلچسپی سے اور مستقل بنیادوں پر جوش و خروش سے اپنا حصہ ڈالنے کے لئے تیار ہیں۔ اسی طرح ہمارے شراکت دار، سپلائرز اور صارفین بھی اسی جذبے کا اظہار کرتے ہیں، جس کے لئے ہم شکر گزار ہیں اور آئندہ کے تعاون کے لئے اسی جوش و جذبے کی توقع کرتے ہیں۔ ہم یقین دہانی کراتے ہیں کہ، سرل اپنے سے وابستہ ہر فرد کو طویل مدتی اور پائیدار ترقی کی فراہمی کے لئے سخت جدوجہد اور لگن سے کوشاں رہیں گے۔

برائے اور بورڈ کی جانب سے



زیر پال والا
ڈائریکٹر



سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی: 28 ستمبر 2020

ہیومن ریسورس اور ریمونریشن کمیٹی

کمیٹی 4 نان ایگزیکٹو ممبران پر مشتمل ہے۔ کمیٹی کا چیئر مین آزاد ڈائریکٹر ہوتا ہے۔ سال کے دوران کمیٹی کا کوئی اجلاس منعقد نہیں ہوا۔

ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کے معاوضے کی اہم خصوصیات اور کلیدی عناصر حسب ذیل ہیں:

- صرف نان ایگزیکٹو ڈائریکٹرز ہی بورڈ اور کمیٹیوں کے اجلاسوں میں شرکت کے سلسلے میں معاوضے کے طور پر فیس وصول کرنے کا حق رکھتے ہیں۔
- بورڈ اپنے ڈائریکٹرز کی جانب سے بورڈ اور کمیٹی کے اجلاسوں میں شرکت کے لئے معاوضے کا تعین کرنے کا مجاز ہے۔

بعد ازاں ہونے والے واقعات

24 اگست 2020 کو سال کے اختتام کے بعد، کمیٹی نے OBS پاکستان (پرائیویٹ) لمیٹڈ کمیٹی جو دو سازی کی تیاری اور فروخت میں مصروف ہے اسے یونیورسل ونچرز (پرائیویٹ) لمیٹڈ (UVPL) وابستہ پارٹی سے حاصل کیا۔ اس حصول کی منظوری 18 مئی 2020 کو منعقدہ کمیٹی کے غیر معمولی عام اجلاس (ای او جی ایم) میں دی گئی۔

سرمایہ کاری کی قدر و قیمت

پروویڈنٹ فنڈ کی سرمایہ کاری کی قدر و قیمت ان کے غیر آڈٹ شدہ / آڈٹ شدہ حسابات کی بنیاد پر 30 جون، 2020 اور 30 جون، 2019 کو بالترتیب درج ذیل تھی:

| 2019 | 2020 | پروویڈنٹ فنڈ |
|---------|---------|--------------|
| 554,984 | 708,917 | Rs '000 |

مستقبل پر ایک نظر

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

آگے بڑھتے ہوئے، ہم خصوصاً جزک برانڈڈ پورٹ فولیو کا حصہ بڑھانے اور مختلف مصنوعات پر توجہ مرکوز کئے ہوئے ہیں۔ یہ بھی قابل تحسین ہے کہ ریگولیشنری منظوری کے عمل کے مختلف مراحل میں سرل کے پاس 200 سے زائد نامیاتی مصنوعات ہیں جس میں متنوع ادویات کا پورٹ فولیو اور مضبوط منافع بخش مارجن ہے۔ مقامی مارکیٹ میں کمیٹی نے گذشتہ برسوں میں امراض قلب، نزلہ اور کھانسی، ذیابیطس، نوزائیدہ فارمولہ، حیاتیاتی اور اینٹی بائیوٹک کے علاج معالجے میں مستحکم جگہ بنالی ہے۔

کمیٹی کا ادبی ایس کا حصول، پاکستان کی فارماسیوٹیکل انڈسٹری میں سب سے زیادہ معاون خریداری ہے۔ یہ صحت کی دیکھ بھال کے شعبے میں پاکستان کی ایک اعلیٰ نجی لمیٹڈ فارما کمیٹی میں سے ایک ہے اور ونوفر کی برانڈ نام کے ساتھ آئرن سوکروز اکیلیشن کی صف اول کی فراہم کنندہ ہے۔ ادبی ایس ڈیکازون (ڈیکسامیٹھاسون) بھی بناتا ہے، جو COVID-19 کے مریضوں میں اموات کی شرح کو کم کرنے کی موزوں دوا سمجھا جاتا ہے۔

بورڈ آف ڈائریکٹرز کی تشکیل

بورڈ میں سات ڈائریکٹر موجود ہیں۔ بورڈ کی تشکیل 30 جون 2020 کے مطابق مندرجہ ذیل ہے:

| نام | کیٹیگری | |
|----------------------|-------------------------|-----|
| مسز شائستہ خلیق رحمن | آزاد ڈائریکٹر | i |
| جناب عدنان اصدر علی | نان۔ ایگزیکٹو ڈائریکٹرز | ii |
| جناب راشد عبد اللہ | | |
| جناب ایاز عبد اللہ | | |
| جناب اسد عبد اللہ | | |
| جناب سید ندیم احمد | ایگزیکٹو ڈائریکٹرز | iii |
| جناب زبیر پال والا | | |

سال کے دوران، جناب حسین لوائی کی جانب سے ہونے والی غیر رسمی خلاء کو ایک آزاد ڈائریکٹر کے طور پر محترمہ شائستہ خلیق کے جانب سے پورا کیا گیا۔ مذکورہ بالا افراد کے علاوہ کسی بھی فرد نے 30 جون 2020 کو ختم ہوئے سال کے دوران کسی بھی وقت کمپنی کے ڈائریکٹر کی حیثیت سے خدمات انجام نہیں دیں۔

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران، بورڈ آف ڈائریکٹرز کے 19 اجلاس منعقد ہوئے۔ بورڈ ممبران کی میٹنگوں میں شرکت کا خلاصہ درج ذیل ہے:

| ڈائریکٹر کے نام | اجلاسوں میں شرکت |
|----------------------|------------------|
| جناب عدنان اصدر علی | 9 |
| جناب راشد عبد اللہ | 6 |
| مسز شائستہ خلیق رحمن | 8 |
| جناب سید ندیم احمد | 9 |
| جناب زبیر پال والا | 8 |
| جناب ایاز عبد اللہ | 9 |
| جناب اسد عبد اللہ | 8 |

آڈٹ کمیٹی

کمیٹی 3 نان ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔ کمیٹی کے چیئر مین بھی ایک آزاد ڈائریکٹر ہیں۔

سال کے دوران، آڈٹ کمیٹی کے 6 اجلاس منعقد ہوئے، جن میں حاضری کی تفصیلات مندرجہ ذیل ہیں:

| ڈائریکٹر کے نام | اجلاسوں میں شرکت |
|----------------------|------------------|
| مسز شائستہ خلیق رحمن | 6 |
| جناب عدنان اصدر علی | 6 |
| جناب اسد عبد اللہ | 5 |

- بین الاقوامی اکاؤنٹنگ معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالیاتی حسابات کی تیاری میں ملحوظ خاطر رکھا گیا ہے۔
- کمپنی ایک مستحکم انٹر کنٹرول سسٹم برقرار رکھتی ہے جو کسی بھی غلط بیانی یا نقصان کے خلاف تحفظ فراہم کرتا ہے۔ انٹر نل سسٹم کا باقاعدگی سے جائزہ لیا جاتا ہے۔
- کمپنی کی ترقی سے جاری رہنے کی صلاحیت پر کوئی شبہات نہیں ہیں۔
- کارپوریٹ گورننس کے بہترین طریقہ کار سے قطعی انحراف نہیں کیا جاتا جیسا کہ لسٹنگ ریگولیشنز میں تفصیل سے درج کیا گیا ہے۔
- ٹرانسفر کے نرخوں کے بہترین طریقہ کار سے روگردانی نہیں کی جاتی ہے۔
- 6 سالوں کے لئے اہم آپریٹنگ اور مالیاتی تفصیل درج ذیل ہے۔

| 2015 | 2016 | 2017 (Re-stated) | 2018 | 2019 | 2020 | |
|-----------|-----------|---------------------|------------|------------|------------|---|
| | | | | | | لاگو کردہ اثاثہ جات |
| 687,332 | 808,692 | 1,235,640 | 1,714,141 | 2,879,439 | 3,707,635 | املاک، پلائٹس اور کیوبکیمینٹ |
| - | - | - | - | - | 121,515 | استعمال اثاثہ جات کا حق |
| 30,642 | 69,885 | 207,732 | 189,068 | 164,913 | 131,438 | غیر معمولی اثاثہ جات |
| 2,491,318 | 2,483,919 | 2,460,614 | 2,456,565 | 2,458,041 | 2,203,890 | مالیت پر جائیدادوں میں سرمایہ کاری |
| 519,091 | 2,636,202 | 1,486,186 | 1,686,186 | 1,686,186 | 1,686,186 | طویل مدتی سرمایہ کاری۔ ذیلی اداروں |
| 2,044 | 1,949 | 1,791 | 7,548 | 7,666 | 7,754 | طویل مدتی قرضے اور ڈپازٹس |
| - | - | 443 | - | - | - | ڈیفرڈ اثاثہ جات |
| - | - | 600,278 | - | - | - | نان کرنٹ اثاثہ جات کا سیفائیڈ فروخت کے لئے دستیاب |
| 1,827,051 | 2,984,954 | 4,636,991 | 6,337,546 | 7,470,720 | 9,632,223 | خالص کرنٹ اثاثہ جات |
| 5,557,478 | 8,985,601 | 10,629,675 | 12,391,054 | 14,666,965 | 17,490,641 | مجموعی زیر عمل اثاثہ جات |
| | | | | | | سرمایہ کاری کا ذریعہ |
| 858,407 | 1,227,523 | 1,539,314 | 1,847,177 | 2,124,253 | 2,124,253 | جاری کردہ، سبسکرائبڈ اور ادا شدہ سرمایہ |
| 3,689,268 | 6,952,694 | 8,385,533 | 9,893,014 | 11,342,852 | 13,300,048 | ریزروز اور غیر منقولہ شدہ منافع جات |
| 4,547,675 | 8,180,217 | 9,924,847 | 11,740,191 | 13,467,105 | 15,424,301 | شیرتزر ہولڈرز کی لیکویٹی |
| 296,961 | 296,961 | 443,511 | 574,331 | 1,050,800 | 1,446,517 | ٹکسڈ اثاثہ جات کی دوبارہ قدر و قیمت پر اضافہ |
| 712,842 | 508,423 | 261,317 | 76,532 | 149,060 | 619,823 | طویل مدتی غیر معمولی شدہ مالیاتی ذمے داریاں |
| 5,557,478 | 8,985,601 | 10,629,675 | 12,391,054 | 14,666,965 | 17,490,641 | مجموعی لاگو شدہ سرمایہ |
| 7,582,470 | 9,561,490 | 10,753,751 | 12,675,110 | 14,537,198 | 16,567,219 | ٹرن اوور |
| 1,767,664 | 2,520,295 | 2,874,933 | 3,233,223 | 2,830,180 | 3,304,478 | منافع قبل از ٹیکس |
| 1,405,413 | 2,089,388 | 2,638,745 | 3,049,164 | 2,641,946 | 2,455,077 | منافع بعد از ٹیکس |
| 18.54 | 21.85 | 24.54 | 24.06 | 18.17 | 14.82 | منافع بعد از ٹیکس بمطابق ٹرن اوور کا فیصد |
| 25.29 | 23.25 | 24.82 | 24.61 | 18.01 | 14.04 | منافع بعد از ٹیکس بمطابق زیر عمل سرمائے کا فیصد |
| | | | | | | منافع مضمرہ |
| 20 | 50 | 100 | 50 | 25 | 25 | نقد (فیصد) |
| 20 | 24 | 30 | 15 | NIL | NIL | اسٹاک (فیصد) |

متعلقہ پارٹیوں کے لین دین

سال 2020 کے دوران تمام متعلقہ پارٹی ٹرانزیکشن، ان کے جائزے اور منظوری کے لئے آڈٹ کمیٹی اور بورڈ کے سامنے رکھے گئے تھے۔ ان ٹرانزیکشنس کو آڈٹ کمیٹی اور بورڈ نے اپنے متعلقہ اجلاسوں میں باضابطہ طور پر منظور کیا تھا۔ یہ تمام ٹرانزیکشنز منتقلی کی قیمتوں کے تعین کے طریقوں اور اس سے قبل بورڈ کے ذریعہ منظور شدہ متعلقہ فریقوں کے ساتھ پالیسی کے مطابق تھا۔ کمپنی ایسے تمام ٹرانزیکشنز کا شرائط و ضوابط کے ساتھ مکمل ریکارڈ بھی رکھتی ہے۔ مزید تفصیلات کے لئے، براہ کرم مالیات حسابات کا حوالہ نوٹ 43 ملاحظہ کریں۔

کوڈ آف کارپوریٹ گورننس سے مطابقت

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ کمپنیوں کے قواعد و ضوابط اسٹاک ایکسچینج نے اپنے لسٹنگ قوانین اور لسٹڈ کمپنیوں کے ضوابط میں شامل کر لئے ہیں۔ کمپنی نے ان ضوابط کو نافذ کر رکھا ہے اور انہی خطوط اور روح کے مطابق اسی پر عمل درآمد کیا جا رہا ہے۔

ڈائریکٹرز، سی ایف او، کمپنی سیکریٹری اور ایگزیکٹو وغیرہ کی جانب سے کی تجارت۔

کمپنی کے شیئرز کی تجارت پاکستان اسٹاک ایکسچینج لمیٹڈ میں کی جاتی ہے۔ ڈائریکٹرز، سی ای او، کمپنی سیکریٹری، سی ایف او اور ایگزیکٹوز، ان کی شریک حیات اور نابالغ بچوں نے کمپنی کے شیئرز میں کوئی تجارت نہیں کی ہے، ماسوائے درج ذیل ایگزیکٹوز کے:

| نام | خریدے گئے شیئرز | فروخت کئے گئے شیئرز |
|------------------|-----------------|---------------------|
| جناب موجود الحسن | 1,700 | 700 |
| جناب فخر عالم | - | 2,000 |

ڈائریکٹرز کا تربیتی پروگرام

ڈائریکٹرز یا تو پہلے ہی سے ڈائریکٹرز کی تربیتی پروگرام میں شرکت کر چکے ہیں یا لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ضابطہ، 2019 میں درج کردہ استثنائی کے معیار پر پورا اترتے ہیں۔

داخلی مالی کنٹرول کی اہلیت

اس امر کو یقینی بنانے کے لئے کہ کمپنی کی جانب سے کمپنی کے اثاثہ جات کے تحفظ، قواعد اور ضوابط پر عملدرآمد اور مستند فنانشل رپورٹنگ کے لئے موزوں داخلی کنٹرولز لاگو کئے گئے ہیں، بورڈ آف ڈائریکٹرز نے انٹرنل آڈٹ کے امور بیرونی ذرائع سے گرانٹ تھورنٹن انجمن رحمن، چارٹرڈ اکاؤنٹنٹس کو سونپ دیئے ہیں جن کو موزوں اور اہل ہونے کے ساتھ ساتھ اس مقصد کے لئے مناسب تجربے کے حامل تصور کئے جاتے ہیں اور وہ کمپنی کی پالیسی اور طریقہ کار سے بھی بخوبی واقف ہیں۔

ضابطہ اخلاق

کمپنی کے بورڈ آف ڈائریکٹرز نے ایک ضابطہ اخلاق رائج کیا ہے۔ تمام ملازمین کو اس بارے میں اطلاع اور آگاہی فراہم کر دی ہے اور یہ ضروری ہے کہ وہ کاروبار اور اصول و ضوابط سے متعلق امور میں ان قوانین پر عمل پیرا ہوں۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیات حسابات، اس کے معاملات، کاروباری امور کے نتائج، نقد بہاؤ اور ایکویٹی میں بدلاؤ کو شفاف انداز میں پیش کرتے ہیں۔
- کمپنی کے حسابات کی باقاعدہ کتب برقرار کی جاتی ہیں۔
- مالیاتی حسابات اور اکاؤنٹنگ کے تخمینہ جات کی تیاری میں موزوں اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں جو مناسب اور محتاط فیصلوں پر مبنی ہیں۔

پر منحصر ہے کہ، ہر روز، سرل کو اس نوعیت کی کمپنی بنائے رکھیں کہ ہم سب کو اس کا حصہ ہونے پر فخر ہو۔ ہم اپنے صارفین کی ضروریات کو سمجھنے اور اسے پورا کرنے کی کوشش میں جڑے رہتے ہیں، جبکہ کاروباری کاموں کے تمام شعبوں میں مستقل بہتری کی تلاش میں سرگرداں ہیں۔

ہم اپنے مریضوں اور صارفین کے لئے درست اقدامات اور اعلیٰ معیار کے لئے جستجو کرتے ہیں۔ ہم صحت کی دیکھ بھال کو بہتر بنانے اور نئی دوائیں اور ویکسین تلاش کرنے کے لئے اپنے شراکت داروں کے ساتھ مصروف عمل رہتے ہیں۔ ہمارے کردار سے قطع نظر، ہم سمجھتے ہیں کہ ہماری کوششیں مریضوں اور صارفین پر کیسے اثر انداز ہوتا ہے۔

مصنوعات کا معیار

صارفین کا سرل کی مصنوعات پر اعتماد اور بھروسہ ہمارا سب سے قیمتی اثاثہ ہے۔ ہم اس امر کو تسلیم کرتے ہیں کہ فارماسیوٹیکلز کی تیاری میں کئی منفی خطرات لاحق ہوتے ہیں اور پروڈکٹ ڈیزائن کرنے میں یا تیاری میں کوئی معمولی سی بھی غلطی مہلک حتیٰ کہ خطرناک بھی ہو سکتی ہے لہذا معیار کو برقرار رکھنا ہماری اولین ترجیح اور اخلاقی ذمہ داری ہے۔

ہم مریضوں کی صحت کی بحالی کے لئے اپنے فرض کے پابند ہیں، اور یہ یقین دہانی کرتے ہیں کہ دواؤں کی مصنوعات کی تیاری سے وابستہ تمام کاروائیاں ایک ایسے معیار کی ہوں جو مریض کی حفاظت اور افادیت کی توقعات کو یقینی بنائے۔

کارپوریٹ اور سماجی ذمہ داری

ہمارے فرائض کا دائرہ کار ہمارے اسٹیک ہولڈرز کے لئے منافع میں اضافے کے ساتھ ختم نہیں ہوتا ہے۔ سرل میں، ہمیشہ ہمارا مقصد یہی رہا ہے کہ ہم جس معیشت میں کام کرتے ہیں اس میں مفید شراکت کریں۔ توجہ کا ایک بنیادی شعبہ روزگار کے مواقع پیدا کرنا ہے تاکہ ایک بڑی صنعتی اور فروخت سے منسلک افرادی قوت کی معانت کی جاسکے۔

کمپنی معاشرتی طور پر ذمہ دارانہ انداز میں سرگرم عمل ہے۔ اس کے مطابق کمپنی کا سماجی ذمہ داری کا پروگرام وسیع البنیاد سرگرمیوں کا حامل ہے اور اس ضمن میں ہیلتھ کیئر، تعلیم، بچوں کی فلاح و بہبود اور دیگر سماجی و فلاحی اقدامات شامل ہیں۔

پیشہ ورانہ صحت، حفاظت اور ماحولیات

ہم، سرل میں، محفوظ اور پر اعتماد ماحول کی اہمیت کو تسلیم کرتے ہیں اور اسے اپنا فرض سمجھتے ہیں کہ یہ یقینی بنائیں کہ جو لوگ ہمارے ساتھ کام کرتے ہیں وہ اپنی صحت کو بغیر کسی خطرے کے محفوظ طریقے سے کام سرانجام دیتے رہیں۔ ہمارے ملازمین اور زائرین کی صحت اور حفاظت کمپنی کی اولین ترجیح ہے۔ لہذا، آپریشنز سے وابستہ خطرات کی مسلسل نشاندہی کی جاتی ہے، اور تشخیص کے بعد خطرات کو ختم کرنے یا کم کرنے کا انتظام کیا جاتا ہے۔

انفارمیشن ٹیکنالوجی

کمپنی کی بڑھتی ہوئی کاروباری ضروریات کو پورا کرنے اور مستقل طور پر انفارمیشن سسٹم کو اپ گریڈ کرنے کی ہماری مسلسل کوششوں کے ضمن میں، ہم انفارمیشن ٹیکنالوجی میں زیادہ سے زیادہ سرمایہ کاری کرنے کی اپنی پالیسی جاری رکھے ہوئے ہیں۔ ہم نے اپنے کاروباری عمل کو مزید مستحکم کرنے کے لئے کاروباری انتظام کے سب سے طاقتور سسٹم، ایس اے پی کو کامیابی کے ساتھ تعینات کیا ہے۔

ویب سائٹ

ہمارے تمام اسٹیک ہولڈرز اور عوام الناس دی سرل کمپنی لمیٹڈ کی ویب سائٹ www.searlecompany.com ملاحظہ کر سکتے ہیں، جس پر سرمایہ کاروں کے لئے ایک حصہ مختص ہے جس میں سالانہ، ششماہی اور سہ ماہی مالیاتی حسابات سے متعلق معلومات موجود ہیں۔

مالیاتی حسابات اور آڈیٹرز

موجودہ آڈیٹرز، میسرز۔ اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، سبکدوش ہو رہے ہیں اور اہل ہونے کے بناء پر انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا۔

بورڈ آف ڈائریکٹرز نے آڈٹ کمپنی کی سفارشات پر 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے باہمی طے شدہ معاوضے پر کمپنی کے آڈیٹر کی حیثیت سے ان کی دوبارہ تقرری کی توثیق کرتے ہیں۔

ہولڈنگ کمپنی

انٹرنیشنل برانڈز لمیٹڈ سرل کی ہولڈنگ کمپنی ہے، جو کمپنی میں 56.60 فیصد شیئر ہولڈنگ رکھتی ہے۔

کمپنی کے ذیلی ادارے

زیر انتظام کمپنیاں درج ذیل ہیں:

| کاروبار کا مرکزی مقام | مؤثر العمل |
|-----------------------|--------------------|
| فیصد ہولڈنگ کی عمر | فیصد ہولڈنگ کی عمر |
| جون 30، 2020 | جون 30، 2019 |
| 74.19% | 74.19% |
| 100.00% | 100.00% |
| 100.00% | 100.00% |
| 100.00% | 100.00% |
| 100.00% | 100.00% |
| 100.00% | 100.00% |
| 87.20% | 87.20% |

پاکستان

لسٹڈ کمپنی

- آئی بی لیل، ہیلتھ کیئر لمیٹڈ

غیر لسٹڈ کمپنیاں

- سرل فرماسیوٹیکلز (پرائیویٹ) لمیٹڈ

- سرل لیباریٹریز (پرائیویٹ) لمیٹڈ

- سرل بائیوسائنسز (پرائیویٹ) لمیٹڈ

- آئی بی لیل آئیڈیوٹیٹی (پرائیویٹ) لمیٹڈ

- آئی بی لیل فیوچر ٹیکنالوجیز (پرائیویٹ) لمیٹڈ

- نیکسٹ فارما (پرائیویٹ) لمیٹڈ

شیئر ہولڈنگ کا طریقہ کار

30 جون 2020 کے مطابق شیئر ہولڈنگ کا طریقہ کار بشمول شیئر ہولڈرز کی کیٹیگریز جیسا کہ کمپنی ایکٹ 2017 کے سیکشن 227 اور لسٹنگ ریگولیشنز کے تحت ضروری ہے، سالانہ رپورٹ 2020 کے صفحہ نمبر 201 تا 205 پر پیش کیا جا رہا ہے۔

ڈائریکٹرز، سی ایف او، کمپنی سکریٹری وغیرہ کی جانب سے شیئرز کی تجارت پاکستان اسٹاک ایکسچینج لمیٹڈ میں کی جاتی ہے۔ ڈائریکٹرز، سی ای او، کمپنی سکریٹری اور سی ایف او اور ایگزیکٹوز، ان کی شریک حیات اور نابالغ بچوں نے کمپنی کے شیئرز میں کوئی تجارت نہیں کی ہے۔

کاروباری اقدار

سرل کا کاروباری طریقہ کار ایمانداری، شفافیت اور قابل اطلاق قوانین اور ضوابط کی تعمیل پر مبنی ہے۔

ہماری اقدار اور توقعات محض لفظوں سے کہیں زیادہ ہیں۔ وہ مل کر دنیا کی ایک اہم جدید ترین، بہترین کارکردگی دیکھانے والی اور قابل اعتماد ہیلتھ کیئر کمپنیوں میں سے ایک بننے کے لئے ہمارے ہدف کی رہنمائی میں مدد کرتے ہیں۔ وہ ہماری ثقافت کی تشکیل اور ہمارے اقدامات اور فیصلہ سازی کی رہنمائی کرتے ہیں، لہذا ہم ان لوگوں کا اعتماد برقرار رکھ سکتے ہیں جو ہر روز ہم پر انحصار کرتے ہیں یعنی ہمارے مریضوں اور صارفین۔ اب یہ ہم سب

COVID-19 کے وبائی مرض نے پوری دنیا میں تباہی مچادی اور تقریباً 30 ملین کمیسز اور کم و بیش ایک ملین اموات ریکارڈ کی گئیں، اور جبکہ ورلڈ ہیلتھ آرگنائزیشن (ڈبلیو ایچ او) کی طرف سے کسی ویکسین جو وائرس کے خلاف قوت مدافعت فراہم کرنے کی تجویز کے بغیر۔ اس کے باوجود، کمپنی نے کامیابی کے ساتھ ریمیڈیسیور کو فروخت کرنے کے لئے بیکسکو فارماسیوٹیکلز کے ساتھ ایک خصوصی لائسنس اور مارکیٹنگ کا معاہدہ کیا، جس کا مقامی مارکیٹ میں نام، بیسویر ہے۔ ریمیڈیسیور وائرس کے خلاف بہت موثر ثابت ہوا ہے، کیونکہ اس نے مریضوں کی شفا یابی کے وقت کو مختصر کر دیا۔

اس مشکل ترین وقت کے دوران، جس نے پاکستان کے ساتھ عالمی معاشی ماحول پر بھی شدید دباؤ ڈالا تھا، سرل نے 30 جون 2020 کو ختم ہوئے سال کے دوران ایک متاثر کن کارکردگی دکھائی۔ اور کمپنی نے 16.56 بلین روپے کی آمدنی 14 فیصد اضافے کے ساتھ حاصل کی۔ جبکہ کمپنی کے منافع بعد از ٹیکس میں 7 فیصد کمی واقع ہوئی ہے، جس کی بنیادی وجہ کرنسی کی قدر میں کمی کے اثرات ہیں۔

| June 30, | | |
|----------------------------|--------------------|----------------------|
| 2019 | 2020 | |
| (پاکستانی روپے ہزاروں میں) | | |
| 14,537,198 | 16,567,219 | آمدنی |
| (9,616,862) | (8,295,187) | فروخت کے اخراجات |
| 4,920,336 | 8,272,032 | مجموعی آمدنی |
| (4,608,165) | (4,844,499) | آپریٹنگ اخراجات |
| (153,869) | (261,841) | دیگر آپریٹنگ اخراجات |
| 3,099,914 | 780,277 | دیگر آمدنی |
| 3,258,216 | 3,945,969 | آپریٹنگ سے آمدنی |
| (428,036) | (641,491) | مالیاتی اخراجات |
| 2,830,180 | 3,304,478 | منافع قبل از ٹیکس |
| (188,234) | (849,401) | انکم ٹیکس اخراجات |
| 2,641,946 | 2,455,077 | منافع بعد از ٹیکس |

کمپنی کی مربوط نامیاتی ترقی کا دارومدار ڈاکٹر کوریج میں توسیع، نئی پروڈکٹ کے تکمیل، نئے برانڈز کا تعارف، اعلیٰ مقدار، زیادہ سے زیادہ اجزاء کے مرکب، برانڈنگ کی کاوشوں اور طلب میں استحکام پر ہے۔ اس کے ساتھ ساتھ COVID-19 کی وجہ سے عوام میں صحت کی دیکھ بھال کے اخراجات میں اضافے کی ذہنیت کا عمل دخل بھی شامل ہے۔ مزید، لاگت اور اخراجات پر سخت کنٹرول نے بھی کمپنی کی مالی کارکردگی کو بہتر بنانے میں اہم کردار ادا کیا۔

فی شیئر آمدنی

اس مدت کے لئے بنیادی آمدنی فی شیئر بعد از ٹیکس 11.56 روپے رہی (2019:14.35)۔ کمپنی کی بنیادی آمدنی فی شیئر پر کمی کے کوئی اثرات نہیں ہوئے، چونکہ 30 جون، 2020 تک کمپنی کے تبدیل پذیر غیر متوقع ممکنہ شیئرز بقایا نہیں تھے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے سال کیلئے 25% کے نقد منافع کی سفارش کی ہے۔

30 جون 2019 کو ختم ہونے والے گزشتہ سال کے دوران، کمپنی نے 25 فیصد نقد منافع کا اعلان کیا تھا۔

ڈائریکٹرز کی ممبران کیلئے رپورٹ

ڈائریکٹرز سالانہ رپورٹ مع سال محنتہ 30 جون 2020 کے لئے کمپنی کے آڈٹ شدہ مالیاتی حسابات پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔ ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ، 2017 کی دفعہ 227 اور لسٹڈ کمپنیوں (کارپوریٹ گورننس کے ضابطہ) کی ریگولیشنز 2019 کے باب XII کے مطابق تیار کی گئی ہے۔

یہ رپورٹ 28 اکتوبر 2020 کو منعقدہ کمپنی کے 55 ویں سالانہ اجلاس عام میں ممبروں کو پیش کی جائے گی۔

جائزہ

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

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

پاکستان میں فارماسیوٹیکل کی فروخت میں سالانہ نمو کی شرح میں 13.23 فیصد اضافہ ہوا جس کی مالیت تقریباً 3.1 بلین امریکی ڈالر (پاکستانی 425 ارب روپے) ہے، اور اس شعبے میں 650 سے زائد کمپنیاں کام کر رہی ہیں، جس میں نئے مالیکول کے تعارف جیسے عوامل اور اس کی معاونت کرتی بڑھتی ہوئی استطاعت کے آبادیاتی رجحانات، آبادی میں اضافہ، بنیادی ڈھانچے کی سرمایہ کاری، تکنیکی پیش رفت، تدریجی کسٹر ماڈل، زائد متوقع عمر اور دائمی بیماریوں کے واقعات میں اضافہ اور اس کے ساتھ ہی وبائی امراض کے دوران صحت کو لاحق نئے تحفظات کا فرما ہیں۔

اس کے باوجود، فارماسیوٹیکل کی صنعت اپنی پوری صلاحیت حاصل کرنے میں ناکام ہے، جس کی وجوہات درآمد شدہ APIs پر زیادہ انحصار، زر مبادلہ کی شرح میں اتار چڑھاؤ، فی کس کم اخراجات اور عالمی ماحول کے لحاظ سے کم قیمتیں رہیں۔ اگرچہ انڈسٹری ان کے منافع قبل از ٹیکس کا 1 فیصد حصہ حکومت کو ریسرچ اور ڈیولپمنٹ کے ضمن میں دے رہی ہے، لیکن تحقیقاتی اور ترقیاتی محاذ پر مزید کچھ حاصل کیا جاسکتا ہے۔

آپریٹنگ نتائج

سرل ایک ایسی کمپنی ہے جس نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات پیش کر کے مریضوں کی زندگی کو بہتر بنانے پر توجہ مرکوز کی ہے۔ ہم نے مریضوں اور اپنے اسٹیک ہولڈرز کے فوائد کو ہمیشہ ترجیح دی ہے اور ہمیں اپنی کاوشوں کے ثمرات پر فخر ہے۔

سرل نے 6 سال (مالی سال 20-14 دورانیے) میں سی اے جی آر 14 فیصد اور منافع بعد از ٹیکس میں 10 فیصد اضافہ ریکارڈ کیا ہے۔ منافع میں اس اضافہ کی وجہ حجم میں مستقل نمو اور متنوع اقسام کی مصنوعات کے ساتھ ڈرگ ریگولیٹری اتھارٹی آف پاکستان کی قیمتوں کا تعین کرنے کی پالیسی کے مثبت اثرات شامل ہیں، جو اب سالانہ صارفی قیمت کے اشاریے (سی پی آئی) سے منسلک ہے۔

بڑھتی ہوئی آمدنی کے نتیجے میں سرل کے مارکیٹ شیئر میں اضافہ ہوا ہے، مالی سال 2019 کے دوران کمپنی کا مارکیٹ شیئر 5.3 فیصد تھا، جو اب سال 2020 کے پہلے سہ ماہی کی انڈسٹری کی فروخت کی قدر کے مطابق 6.5 فیصد تک بڑھ گیا ہے، جو کہ پاکستان میں فارماسیوٹیکل انڈسٹری میں دوسرے نمبر پر ہے۔





Corporate Social Responsibility

Being socially responsible and conscientious has always been the hallmark of Searle. Known for its successful and socially impactful CSR initiatives, the Company decided to act quickly & meaningfully and provided disinfectant services for hospitals and private clinics through disinfectant solutions, UV equipment and sanitizers. The Company also made donations to Indus Hospital, AKAR Hospital, Hunar Foundation, and other hospitals to combat the novel coronavirus.

In addition to this, Searle team created rigorous drive to create awareness among masses on social distancing, wearing face masks and hand wash using thousands of printable and digital media tools.

Searle recognized the services of Healthcare Professionals who have played key role in Covid-19 patients management and paid them tribute. The tribute involves certifications and recognitions of their services as the first line of defense against Covid-19.

Furthermore, Searle has distributed ration bags to the affected people in the dire time of lockdown during this pandemic amounting to Rs. 11.4 million.

Searle made a resolute pledge to continue to shoulder the burden and play its part in awareness, prevention, detection, and management of COVID-19 disease. Searle and the people of Pakistan stand with the compassionate medical fraternity and together we will sail through this tide and will come out triumphantly In Sha Allah.

Statement of Compliance

with Listed Companies (Code Of Corporate Governance) Regulations, 2019 for the yeart ended June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:

- The total number of directors are seven (7) as per the following:

| | | |
|----|--------|-----|
| a. | Male | Six |
| b. | Female | One |

- The composition of Board is as follows:

| | Category | Names |
|----|-------------------------|--|
| a) | Independent* Directors | 1. Shaista Khaliq Rehman |
| b) | Non-executive Directors | 1. Mr. Rashid Abdulla (Non-executive director) 2. Mr. Adnan Asdar Ali (Chairman/Non-Executive Director) 3. Mr. Ayaz Abdulla (Non-Executive Director) 4. Mr. Asad Abdulla (Non-Executive Director) |
| c) | Executive Director | 1. Mr. Syed Nadeem Ahmed (CEO/Executive Director) 2. Mr. Zubair Palwala (Executive Director) |
| d) | Female directors | 1. Shaista Khaliq Rehman |

* The Board does not have at least two or one-third members of the Board, whichever is higher, as independent directors as the regulations of 2019 came into effect after Director's election held in 2017.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
- The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- The Directors were apprised of their duties and responsibilities from time to time. The directors either have already attended the directors' training as required in previous years or meet the exemption criteria as contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019.
- The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
- Chief financial officer and Chief Executive officer duly endorsed the financial statements before approval of the board;
- The Board has formed committees comprising of members given below:
 - Audit Committee
 - Ms Shaista Khaliq Rehman (Chairperson)
 - Mr. Adnan Asdar Ali
 - Mr. Asad Abdulla

b) HR and Remuneration Committee

Ms Shaista Khaliq Rehman (Chairperson)
Mr. Adnan Asdar Ali
Mr. Asad Abdulla
Mr. Ayaz Abdulla

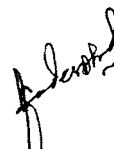
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a) Audit Committee: Quarterly
- b) HR and Remuneration Committee: Yearly
15. The Board has outsourced the internal audit function to Grant Thornton Anjum Rahman, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 (non-mandatory requirements) are below:

| S. No | Requirement | Explanation | Reg. No |
|-------|---|--|---------|
| 1 | The Board may constitute a separate committee, designed as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances. | The responsibilities as prescribed for the nomination committee are being taken care of at Board level as and when needed so a separate committee is not considered to be necessary. | 29 |
| 2 | The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board. | The Board has not constituted a risk management committee as risk management framework is managed at Company's level by the executive committee which is headed by the CEO and the CEO apprises the Board accordingly. | 30 |

On behalf of the Board



Adnan Asdar Ali
Chairman/ Director



Syed Nadeem Ahmed
Chief Executive Officer

Karachi: September 28, 2020

Product Portfolio

Pharmaceutical range include therapeutic areas such as Cardiovascular, Respiratory Care, Gastroenterology, Pain Management, CNS, Orthocare, Neuropsychiatry, Probiotics, Antibiotics and Nutritional Care.



HYDRYLLIN
Khansi jaye zindagi muskurai



NUBEROL FORTE
Lets educate Pakistan



EXTOR
I need you



PEDITRAL
Quality decision for loved ones



TRAMAL
Excellence in Pain Management



SUSTAC
Working together for risk prevention



SPIROMIDE
More than just a diabetic



GRAVINATE
Trusted companion



SELANZ SR
Why to take two capules when Selanz is there



METROZINE
The Right Amoebicide



EZIUM
Make life easy with Ezium



JENTIN MET
Overcome the risk



ENFAGROW A+ 3
Nurify little one to be a little pioneer



CANDEREL
Life is delicious with Canderel



ROTEC
For a day or longer therapy



LUMARK
Low marks to epilepsy, full marks to life



ENFAMIL A+ 1+2
Special care needs special attention



METHODINE
The gold standard



METHODINE DF
A chocolaty way to restore GI rhythm



VITRUM
A to Z say milay bharpur zindagi



DEXTOP
The Fast and Continuous



TRAMAL PLUS
Effective analgesia without NSAID like effects



Independent Auditor's Review Report to the Members of the Searle Company Limited

Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of The Searle Company Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

A. F. Ferguson & Co
Chartered Accountants
Karachi

Dated: October 06, 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of The Searle Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of The Searle Company Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2020, and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the Key audit matters:

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|---|---|
| (i) | Revenue from contracts with customers (Refer note 3.14 & 30 to the unconsolidated financial statements) The Company's revenue is generated from sales of pharmaceutical and consumer products. The Company recognized revenue of Rs. 16.57 billion from the sale of goods to domestic as well as export customers during the year ended June 30, 2020. Sales to related parties represent 81.06% of total sales. Revenue recognition includes determination of sales prices in accordance with the regulated price regime of the government and transfer of control of products sold to customers. Taking into account that revenue recognition is a higher risk area, we considered this as a key audit matter. | Our audit procedures included the following: <ul style="list-style-type: none"> - obtained an understanding of determination of sales prices in accordance with policies of Drug Regulatory Authority of Pakistan (DRAP); - tested on sample basis selling prices of regulated pharmaceutical products to ensure compliance with DRAP pricing policies; - obtained an understanding of and testing the design and effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; - inspected contracts to obtain an understanding of contract terms particularly relating to timing and the customer's acceptance of the products and assessing the Company's accounting policies for recognition of revenue with reference to the requirements of the prevailing accounting standards; and - compared on sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation, including the relevant sales contracts, the customer's acknowledgement of acceptance to assess whether revenue had been recognized in the appropriate period. |

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S. No. Key audit matters

How the matter was addressed in our audit

(ii) Loan to subsidiary

(Refer note 15 to the unconsolidated financial statements)

The Company has provided loan to its subsidiary – IBL Identity (Private) Limited amounting to Rs. 3.17 billion as at 30 June 2020. Considering the accumulated losses of the subsidiary, the management has assessed the recoverability of the amount of loan to subsidiary. The management has determined based on the future projections that no impairment is required to be recognised in respect of the loan provided as sufficient cash flows will be generated by the subsidiary for repayment of the loan.

The assessment of recoverability of loan to subsidiary requires application of significant judgement and assumptions in determining future profitability of the subsidiary.

In view of the materiality of the loan amount and that the determination of the recoverability of loan provided involved significant management judgement, we considered this as a key audit matter.

Our audit procedures included the following:

- inspected loan agreement to obtain an understanding of the contractual terms;
- assessed classification of the loan under the relevant category of financial asset as per prevailing accounting standards;
- obtained the management's impairment assessment for the recoverability of the loan provided to subsidiary;
- evaluated the judgements and assumptions included in the cash flow;
- performed sensitivity analyses on the key assumptions used including growth assumptions; and
- assessed the adequacy of disclosure made in the unconsolidated financial statements.

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S. No. Key audit matters

How the matter was addressed in our audit

(iii) Litigation matters

(Refer Note 29.1 and 30.1 to the unconsolidated financial statements)

The Company has litigation cases in respect of product pricing, income tax and sales tax matters, which are pending at various forums including Honourable High Court of Sindh, Commissioner Inland Revenue (Appeals) (CIR(A)), Appellate Tribunal Inland Revenue (ATIR) and DRAP.

Matters under litigation require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such litigation matters.

Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts, we considered litigation matters relating to product pricing and taxation a key audit matter.

Our audit procedures included the following:

- obtained and reviewed details of the pending litigations and discussed the same with the Company's management;
- reviewed correspondence of the Company with the relevant authorities including judgments or orders passed by the competent authorities/courts of law in relation to the issues involved or matters which have similarities with the issues involved;
- obtained confirmations from the Company's external legal and tax counsels for their views on open tax assessments and legal cases;
- involved internal tax professionals to assess management's conclusions on contingent tax matters and to evaluate the consistency of such conclusions with the views of the management and external tax advisors engaged by the Company; and
- reviewed disclosures made in respect of litigations in the unconsolidated financial statements.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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■ KARACHI ■ LAHORE ■ ISLAMABAD



- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance).

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

A. F. Ferguson & Co
Chartered Accountants
Karachi

Date: October 06, 2020

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■ KARACHI ■ LAHORE ■ ISLAMABAD

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

| | Note | 2020 -----Rupees '000 | 2019 ----- |
|--|------|--------------------------|--------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 3,707,635 | 2,879,439 |
| Right-of-use asset | 6 | 121,515 | - |
| Investment properties - at cost | 7 | 2,203,890 | 2,458,041 |
| Intangible assets | 8 | 131,438 | 164,913 |
| Long-term investments - subsidiaries | 10 | 1,686,186 | 1,686,186 |
| Long-term loans | 11 | 358 | 270 |
| Long-term deposits | 12 | 7,396 | 7,396 |
| | | <u>7,858,418</u> | <u>7,196,245</u> |
| Current assets | | | |
| Inventories | 13 | 2,632,887 | 2,194,650 |
| Trade receivables | 14 | 7,801,828 | 4,866,132 |
| Loans and advances | 15 | 4,712,052 | 4,516,941 |
| Trade deposits and short-term prepayments | 16 | 95,287 | 81,882 |
| Other receivables | 17 | 1,063,601 | 3,077,649 |
| Short-term investment | 18 | 100,000 | - |
| Taxation - payments less provision | 19 | 809,636 | 1,128,345 |
| Tax refunds due from Government - Sales Tax | | 7,832 | 35,179 |
| Cash and bank balances | 20 | 299,624 | 204,547 |
| | | <u>17,522,747</u> | <u>16,105,325</u> |
| Total assets | | <u><u>25,381,165</u></u> | <u><u>23,301,570</u></u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 21 | 2,124,253 | 2,124,253 |
| Unappropriated profit | | 11,388,823 | 9,431,627 |
| General reserve | | 280,251 | 280,251 |
| Share premium | | 1,630,974 | 1,630,974 |
| Revaluation surplus on property, plant and equipment | | 1,446,517 | 1,050,800 |
| | | <u>16,870,818</u> | <u>14,517,905</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | 9 | 50,143 | 93,240 |
| Employee benefit obligations | 22 | 54,994 | 55,820 |
| Long-term borrowings | 23 | 316,000 | - |
| Deferred income - Government grant | 24 | 77,141 | - |
| Lease liability | 25 | 121,545 | - |
| | | <u>619,823</u> | <u>149,060</u> |
| Current liabilities | | | |
| Trade and other payables | 26 | 2,719,812 | 4,529,480 |
| Short-term borrowings | 27 | 4,974,646 | 3,954,776 |
| Unpaid dividend | 28 | 141,102 | 112,062 |
| Unclaimed dividend | | 43,544 | 38,287 |
| Current portion of lease liability | 25 | 11,420 | - |
| | | <u>7,890,524</u> | <u>8,634,605</u> |
| Total liabilities | | <u>8,510,347</u> | <u>8,783,665</u> |
| Contingencies and commitments | 29 | | |
| Total equity and liabilities | | <u><u>25,381,165</u></u> | <u><u>23,301,570</u></u> |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.


Chief Executive


Director


Chief Financial Officer

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2020

| | Note | 2020 -----Rupees '000----- | 2019 ----- |
|--|------|-------------------------------|---------------|
| Revenue from contracts with customers | 30 | 16,567,219 | 14,537,198 |
| Cost of sales | 31 | (8,295,187) | (9,616,862) |
| Gross profit | | 8,272,032 | 4,920,336 |
| Distribution costs | 32 | (3,762,599) | (3,698,801) |
| Administrative expenses | 33 | (1,081,900) | (909,364) |
| Other operating expenses | 34 | (261,841) | (153,869) |
| Other income | 35 | 780,277 | 3,099,914 |
| Profit from operations | | 3,945,969 | 3,258,216 |
| Finance cost | 36 | (641,491) | (428,036) |
| Profit before income tax | | 3,304,478 | 2,830,180 |
| Income tax expense | 37 | (849,401) | (188,234) |
| Profit for the year | | 2,455,077 | 2,641,946 |
| Other comprehensive income / (loss): | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of post employment benefit obligations | 22 | 2,215 | (1,129) |
| Surplus on revaluation of property, plant and equipment - net of deferred tax | | 426,685 | 486,154 |
| | | 428,900 | 485,025 |
| Total comprehensive income for the year | | 2,883,977 | 3,126,971 |
| Basic and diluted earnings per share (Rupees) | 38 | 11.56 | 12.44 |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.


Chief Executive


Director


Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

| | Capital reserves | | | Revenue reserves | | Total reserves | Total | |
|---|------------------|------------------|-----------------------|--|-----------------|-------------------|-------------------|-----------------------|
| | Share capital | Share premium | Issue of bonus shares | Revaluation surplus on Property, plant & equipment | General reserve | | | Unappropriated profit |
| -----Rupees '000----- | | | | | | | | |
| Balance as at July 1, 2018 | 1,847,177 | 1,630,974 | - | 574,331 | 280,251 | 7,981,789 | 10,467,345 | 12,314,522 |
| Total comprehensive income for the year ended June 30, 2019 | | | | | | | | |
| Profit for the year ended June 30, 2019 | - | - | - | - | - | 2,641,946 | 2,641,946 | 2,641,946 |
| Other comprehensive income / (loss) for the year ended June 30, 2019 | - | - | - | 486,154 | - | (1,129) | 485,025 | 485,025 |
| Transfer of incremental depreciation - net of deferred tax | - | - | - | (9,685) | - | 9,685 | - | - |
| | - | - | - | 476,469 | - | 2,650,502 | 3,126,971 | 3,126,971 |
| Transactions with owners | | | | | | | | |
| Transfer to reserve for issue of bonus shares | - | - | 277,076 | - | - | (277,076) | - | - |
| Bonus shares issued during the year 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) |
| Balance as at June 30, 2019 | 2,124,253 | 1,630,974 | - | 1,050,800 | 280,251 | 9,431,627 | 12,393,652 | 14,517,905 |
| Total comprehensive income for the year ended June 30, 2020 | | | | | | | | |
| Profit for the year ended June 30, 2020 | - | - | - | - | - | 2,455,077 | 2,455,077 | 2,455,077 |
| Other comprehensive income / (loss) for the year ended June 30, 2020 | - | - | - | 426,685 | - | 2,215 | 428,900 | 428,900 |
| Transfer of incremental depreciation - net of deferred tax | - | - | - | (30,968) | - | 30,968 | - | - |
| | - | - | - | 395,717 | - | 2,488,260 | 2,883,977 | 2,883,977 |
| Transactions with owners | | | | | | | | |
| Final dividend for the year ended June 30, 2019 @ Rs. 2.5 per share | - | - | - | - | - | (531,064) | (531,064) | (531,064) |
| Balance as at June 30, 2020 | 2,124,253 | 1,630,974 | - | 1,446,517 | 280,251 | 11,388,823 | 14,746,565 | 16,870,818 |

The annexed notes from 1 to 49 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

| | Note | 2020 -----Rupees '000 ----- | 2019 |
|---|------|--------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 39 | 961,062 | 1,454,826 |
| Employee benefit obligations paid | | (7,269) | (2,071) |
| Finance cost paid | | (478,745) | (252,167) |
| Payments to workers' welfare funds and workers' profit participation fund | | (164,324) | (188,940) |
| Income tax paid | | (617,690) | (442,410) |
| Increase in long-term loans | | (88) | (118) |
| Net cash (used in) / generated from operating activities | | (307,054) | 569,120 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (236,878) | (777,807) |
| Proceeds from disposal of property, plant and equipment | | 2,450 | 10,650 |
| Purchase of investment properties | | (148,743) | (55,953) |
| Purchase of intangible assets | | (10,558) | (19,131) |
| Purchase of short-term investment | | (100,000) | - |
| Net cash used in investing activities | | (493,729) | (842,241) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (496,767) | (876,381) |
| Net (Repayment of) / proceeds from export refinance | | (210,000) | 210,000 |
| Proceeds from salary refinancing | | 535,500 | - |
| Current portion of long-term loan repaid | | - | (214,285) |
| Payments against lease liabilities | | (28,868) | - |
| Net cash used in financing activities | | (200,135) | (880,666) |
| Net decrease in cash and cash equivalents | | (1,000,918) | (1,153,787) |
| Cash and cash equivalents at beginning of the year | | (3,340,229) | (2,186,442) |
| Cash and cash equivalents at end of the year | 40 | (4,341,147) | (3,340,229) |

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.


Chief Executive


Director


Chief Financial Officer

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

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.

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 | |
|---|-----------------------------|---------------------------|---------------|
| | | June 30, 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 The geographical locations and addresses of the Company's business units, including plant are as under:

- The registered office of the Company is situated at One IBL Centre 2nd Floor, Plot No. 1, Block 7 & 8 D.M.C.H.S, Tipu Sultan Road Off Shahrah-e-Faisal, Karachi.
- The Company's manufacturing plants are located at F-319, S.I.T.E Area, Karachi, 32 km Multan Road, Lahore, and E-44 - 45, North Western Industrial store, Port Qasim, Karachi

The warehouses and storage facilities of the Company are situated at:

- Sana Logistics, Survey Number 53-55, Deh Gandpas, Tapo Gabopat, Kemari Town, Taluka & District, Karachi West
- Plot No. 21-C, Sector 15/16, Gulshan-e-Mazdoor, Hub River Road, Karachi.
- Raiwind Road, Manga Mandi, Lahore.
- Kotlakpat, Plot No. 131/3, Quaid-e-Azam Industrial Estate, Gate 4, Near Fine Chowk, Kotlakhpot, Lahore
- DHL Logistics, 26 - Km Multan Road, Opposite Maraka PTCL Exchange, Lahore
- Shabab Studio Chung, 19-KM, Multan Road, Lahore.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

2. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

2.1 The COVID-19 pandemic (the virus) continues to evolve and impact local and global markets. The spread of COVID-19 pandemic resulted in authorities implementing numerous measures since March 2020 to try to contain the virus, such as travel bans and restrictions, quarantines and shutdowns. Consequently, economic conditions have been increasingly volatile. However, since provision of pharmaceutical products fall under “essential services”, the Company continued production and its operation despite lockdown of economic activities due to spread of COVID-19. Although impact on Company’s sales cannot be precisely determined, the Company has sustained sales during the period of March to June 2020. The extent of the impact of the virus on the operational and financial performance of the Company includes the following:

- Loan of Rs. 535.50 million was obtained under the refinance scheme for payment of wages and salaries - note 23
- Deferred Government Grant of Rs. 85.71 million was recognised in relation to loan obtained for payment of wages and salaries at less than market rate - note 24
- Increase in trade receivables - note 14
- Decrease in rental income with respect to rent concessions given to tenants - note 35
- Decrease in discounts, rebates and allowances - note 30
- Decrease in advertisement and other marketing related expenses - note 32
- The reduction in interest rates by State Bank of Pakistan (SBP) had a positive impact in terms of interest on borrowing for the Company. The average interest rate on running finance has decreased from 13.44% in July 2019 to 11.51% in June 2020.

Further, there was no impairment triggering matter for non financial assets.

2.2 Due to the outbreak of the virus in Pakistan, the Company decided to import “Remdesivir” (the drug), a broad-spectrum antiviral medication authorised for emergency use by the United States of America (U.S) Food and Drug Administration (FDA) for the treatment of hospitalised COVID-19 patients. Consequently, the Company filed for registration of the drug with Drug Regulatory Authority of Pakistan (DRAP) under the Drugs Act, 1976, on June 03, 2020. The Company also entered into an agreement with Beximco Pharmaceuticals Limited, Bangladesh on June 01, 2020 for import of the drug. Meanwhile, the Company received the first consignment on June 10, 2020 of the drug under Rule 13 of the Drugs (Import and Export) Rules, 1976. DRAP approval was subsequently received on June 20, 2020 after which further imports were made. During the year ended June 30, 2020, the Company distributed “Remidisivir” amounting to Rs.12.76 million as a Corporate Social Responsibility (CSR) activity.

The Company also distributed personal protective equipments amounting to Rs. 17.28 million to healthcare professionals during the peak of COVID-19 pandemic in Pakistan.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

3.1 Basis of preparation

3.1.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.1.2 Use of critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unconsolidated financial statements are as follows:

- a) Income tax - note 3.4
- b) Revaluation of property, plant and equipment - note 3.6
- c) Pricing of revenue from contracts with customers - note 3.14
- d) Valuation of loan to subsidiary - note 3.18

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management believes that the change in outcome of estimates would not have a material impact on the amounts disclosed in the unconsolidated financial statements.

No critical judgement has been used in applying the accounting policies.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

3.1.3 Changes in accounting standards, interpretations and pronouncements

a) **Standards, interpretations and amendments to published approved accounting standards that are effective in the current year and are 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 impact of changes laid down by this standard is detailed in note 4.

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

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

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

There are certain amendments and interpretation that are mandatory for accounting period beginning on or after July 1, 2020 but are considered not relevant for Company's financial statements and hence have not been detailed here.

3.2 Overall valuation policy

These unconsolidated financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policy notes.

3.3 Staff retirement benefits

3.3.1 Defined benefit plan

Defined benefit plans define an amount of pension or gratuity or medical benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the unconsolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or the market rates on government bonds. These are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related benefit obligation.

The Company operates an approved unfunded gratuity scheme covering all unionised employees with five or more years of service with the Company. The provision has been made in accordance with actuarial valuations carried out as of June 30, 2020 using the projected unit credit method.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

3.3.2 Defined contribution plan

The Company operates a recognised provident fund scheme for all employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% per annum of the basic salary. The contributions are recognised as employee benefit expense when they are due.

3.4 Income tax

3.4.1 Current

The charge for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits and rebates available, if any.

3.4.2 Deferred

Deferred tax is accounted for using the liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the unconsolidated financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the unconsolidated statement of profit or loss and other comprehensive income, except in the case of items credited or charged to equity in which case it is included in equity.

Deferred tax is determined using tax rates and prevailing law for taxation on income that have been enacted or substantively enacted by the unconsolidated statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

3.5 Borrowings and their cost

Borrowings are initially recognised at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are recognised at amortised cost using the effective interest method. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalised as part of the cost of that asset. Borrowings payable within next twelve months are classified as current liabilities.

3.6 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortisation and impairment loss, if any, except leasehold land, building on leasehold land, plant and machinery, vehicles and airconditioning systems, which are stated at revalued amount less accumulated depreciation and impairment losses, if any, and capital work-in-progress which is stated at cost.

Depreciation is charged to unconsolidated statement of profit or loss and other comprehensive income applying the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life. The revalued amount of building on leasehold land, plant and machinery, vehicles and airconditioning systems is depreciated equally over the remaining life from the date of valuation. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in unconsolidated statement of profit or loss and other comprehensive income, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to retained earnings. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount.

Gain or loss on disposal or retirement of property, plant and equipment is included in unconsolidated statement of profit or loss and other comprehensive income.

3.7 Intangible assets

An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the Company and that the cost of such asset can be measured reliably. These are stated at cost less accumulated amortisation and impairment, if any.

Distribution rights, brand name & logo and licenses have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets having infinite life are carried at cost less impairment, if any.

Amortisation is calculated using the straight line method to allocate the cost of trademarks and licenses over the useful lives.

3.8 Investment property

The Company carries investment properties at their respective costs under the cost model in accordance with IAS 40 - 'Investment Property'. The fair values are determined by the independent valuation experts and such valuations are carried out every year to determine the recoverable amount.

Assets classified under investment properties are carried at their respective cost less accumulated depreciation and accumulated impairment losses, if any.

The Company carries investment property under work in progress at their respective costs less accumulated impairment losses, if any. Depreciation is charged on such property after it is completed as per IAS 40 - 'Investment Property'.

3.9 Investments

3.9.1 Investment in subsidiary companies

Investments in subsidiary companies are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in unconsolidated profit or loss and other comprehensive income.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

3.9.2 Investment in associated companies

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or common directorship. Investments in associates are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the unconsolidated statement of profit or loss and other comprehensive income.

Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in statement of unconsolidated statement of profit or loss and other comprehensive income. Investment in associates are accounted for using the equity method of accounting in the unconsolidated financial statements.

3.10 Inventories

These are valued at the lower of cost and net realisable value except goods-in-transit which are valued at invoice value plus other charges incurred thereon. Cost signifies standard cost adjusted by variances.

Cost of raw and packing material is determined using weighted average method and includes directly related expenses less trade discounts. Cost of work-in-process and finished goods includes cost of raw material, direct labour and related production overheads.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less cost of completion and estimated cost necessary to be incurred to make the sale.

Stores and spares are valued at lower of cost, determined using weighted average method less provision for slow moving and obsolete stores and spares. Items in transit are valued at invoice value plus other charges incurred thereon.

3.11 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. Refer note 3.17 for a description of the Company's impairment policies.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the unconsolidated statement of financial position at cost. For the purposes of statement of cash flows, cash and cash equivalents comprise cash, balances with banks on current and deposit accounts and finance under mark-up arrangements.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

3.13 Foreign currencies

The financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

Transactions in foreign currencies are converted into Pak Rupees using the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using the exchange rates prevailing on the reporting date. Exchange differences are taken to unconsolidated profit or loss and other comprehensive income.

3.14 Revenue recognition

Revenue is recognised when control of the products has transferred, being when the products are dispatched to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Revenue is recognised as follows:

- Revenue from sale of goods is recognised when control is transferred to the customers.
- Income from toll manufacturing is recognised when services are rendered.
- Dividend income, other than those from investments measured using equity method, is recognised when the right to receive payment is established.
- Interest income and rental income is recognised on accrual basis.

No element of financing is deemed present as the sales are made with a credit term of 30-90 days, which is consistent with the market practice.

The Transaction price for products are agreed under the contracts with customers.

Discounts are offered on the basis of contracts with customers.

3.15 Research and development cost

Research and development cost except to the extent that an intangible asset is recognised, is charged in the year in which it is incurred. Development costs previously charged to unconsolidated statement of profit or loss and other comprehensive income are not recognised as an asset in the subsequent period.

3.16 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each unconsolidated statement of financial position date and adjusted to reflect the current best estimates.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

3.17 Impairment of non-financial asset

Carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, assets or cash-generating units are tested for impairment. Cash-generating units to which goodwill is allocated are tested for impairment annually. Where the carrying values of assets or cash-generating units exceed the estimated recoverable amount, these are written down to their recoverable amount and the resulting impairment is charged to unconsolidated statement of profit or loss and other comprehensive income.

3.18 Financial Instruments - Initial recognition and subsequent measurement

Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

Classification of financial assets

The Company classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortised cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or
- at amortised cost.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Subsequent measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income/(loss).

ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

Impairment of financial asset

The Company recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost at an amount equal to life time ECLs except for the following, which are measured at 12 months ECLs:

- bank balances for whom credit risk (the risk of default occurring over the expected life of the financial instrument) has not increased since the inception.
- employee receivables.
- other short term loans and receivables that have not demonstrated any increase in credit risk since inception.

Loss allowance for trade receivables are always measured at an amount equal to life time ECLs.

The Company considers a financial asset in default when it is more than 90 days past due.

Life time ECLs are the ECLs that results from all possible defaults events over the expected life of a financial instrument. 12 month ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Derecognition

i) Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

ii) Financial liabilities

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

3.19 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.20 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is declared / approved.

3.21 Government Grants

Government grants relating to costs are deferred and recognised in the Statement of profit or loss and other comprehensive income over the period necessary to match these with the costs that they are intended to compensate.

3.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

4. CHANGE IN ACCOUNTING POLICIES

The Company has applied the following standard for the first time for its annual reporting period commencing July 1, 2019.

4.1 Impact of transition to IFRS 16 - Leases

The Company has adopted IFRS 16 from July 1, 2019, and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before July 01, 2019. Right-of-use assets and lease liabilities of Rs. 141.42 million respectively were recorded as of July 01, 2019, with no net impact on unappropriated profit. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate of 15.34% to 15.48% at July 01, 2019.

The following summary reconciles the Company's operating lease commitments previously considered as land rentals at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 1, 2019.

| | Rupees '000 | |
|--|--------------------------|-----------------------|
| Operating lease commitment as at July 01, 2019 | | 260,398 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | | (120,977) |
| Lease Liability recognised as at July 01, 2019 | | <u>139,421</u> |
| Of which are: | | |
| Current lease liabilities | | 8,556 |
| Non-current lease liabilities | | 130,865 |
| | June 30, 2020 | July 01, 2019 |
| | -----Rupees '000----- | |
| The recognised right-of-use assets relate to the following types of assets: | | |
| Property | 121,515 | 141,421 |
| The change in accounting policy affected the following items in the statement of financial position on July 1, 2019: | | |
| Right-of-use asset increased by | | 141,421 |
| Trade deposits and short-term prepayments decreased by | | 2,000 |
| Lease liabilities - increased by | | 139,421 |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | June 30, 2020 | July 01, 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| The change in accounting policy affected the following items in the profit and loss account for the year ended June 30, 2020: | | |
| Markup expense - increased by | 20,412 | - |
| Depreciation - increased by | 19,906 | - |
| Other expenses which includes rent expense decreased by | 28,868 | - |

4.2 Lease liability and right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease i.e. it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

From July 1, 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 payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, exercise price of a purchase option, payments of penalties for terminating the lease, less any lease incentives receivable. The purchase, 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 payments arising from a change in fixed payments or an index or rate, Company's estimate of the amount expected to be payable under a residual value guarantee or 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 is reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any payments made at or before the commencement date and any incentive received, plus any initial direct costs and estimate of costs to dismantle, remove or restore the underlying asset (if any) or to restore the site on which it is located. 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 does not recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less, leases of low-value assets and recognises associated payments in the period in which these are incurred.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

2020 2019
-----Rupees '000 -----

5. PROPERTY, PLANT AND EQUIPMENT

| | | |
|--|-------------------------|-------------------------|
| Operating assets - note 5.1 | 3,616,514 | 2,728,713 |
| Capital work-in-progress - at cost - note 5.11 | 91,121 | 150,726 |
| | <u>3,707,635</u> | <u>2,879,439</u> |

5.1 Operating assets:

| | Owned assets | | | | | | | Total |
|---|--|---|---|----------------------|---------------------------|---------------------------------------|---|-------------------------|
| | Leasehold land - notes 5.2, 5.3 & 5.4 | Building on leasehold land - notes 5.2, 5.3 & 5.4 | Plant and machinery - notes 5.2, 5.3 & 5.4 | Office equipment | Furniture and fixtures | Vehicles - notes 5.2, 5.3 & 5.4 | Air - conditioning systems - notes 5.2, 5.3 & 5.4 | |
| | -----Rupees '000----- | | | | | | | |
| Net carrying value basis | | | | | | | | |
| Year ended June 30, 2020 | | | | | | | | |
| Opening net book value | 1,340,640 | 368,234 | 856,250 | 50,986 | 26,071 | 49,101 | 37,431 | 2,728,713 |
| Additions - notes 5.6 and 5.7 | 14,010 | 139,716 | 46,310 | 28,151 | 18,324 | - | 49,972 | 296,483 |
| Transfers from investment property - note 5.5 | 267,861 | 45,146 | 13,774 | 2,683 | 8,387 | - | 8,062 | 345,913 |
| Revaluation - note 5.3 | 299,665 | 36,971 | 119,258 | - | - | 12,620 | 2,072 | 470,586 |
| Disposals | - | - | - | - | - | (1,058) | - | (1,058) |
| Depreciation charge | - | (33,896) | (128,125) | (23,238) | (5,891) | (16,913) | (16,060) | (224,123) |
| Closing net book value | <u>1,922,176</u> | <u>556,171</u> | <u>907,467</u> | <u>58,582</u> | <u>46,891</u> | <u>43,750</u> | <u>81,477</u> | <u>3,616,514</u> |
| Gross carrying value basis | | | | | | | | |
| As at June 30, 2020 | | | | | | | | |
| Cost or revaluation | 1,922,176 | 556,171 | 907,467 | 173,375 | 74,209 | 43,750 | 81,477 | 3,758,625 |
| Accumulated Depreciation | - | - | - | (114,793) | (27,318) | - | - | (142,111) |
| Closing net book value | <u>1,922,176</u> | <u>556,171</u> | <u>907,467</u> | <u>58,582</u> | <u>46,891</u> | <u>43,750</u> | <u>81,477</u> | <u>3,616,514</u> |
| Net carrying value basis | | | | | | | | |
| Year ended June 30, 2019 | | | | | | | | |
| Opening net book value | 620,025 | 231,509 | 459,614 | 28,402 | 14,913 | 36,175 | 21,384 | 1,412,022 |
| Additions | 400,000 | 161,539 | 268,117 | 45,380 | 14,099 | 16,754 | 23,311 | 929,200 |
| Revaluation - notes 5.2 & 5.3 | 320,615 | - | 218,371 | - | - | 14,506 | - | 553,492 |
| Disposal | - | - | - | (107) | - | (2,918) | - | (3,025) |
| Depreciation charge | - | (24,814) | (89,852) | (22,689) | (2,941) | (15,416) | (7,264) | (162,976) |
| Closing net book value | <u>1,340,640</u> | <u>368,234</u> | <u>856,250</u> | <u>50,986</u> | <u>26,071</u> | <u>49,101</u> | <u>37,431</u> | <u>2,728,713</u> |
| Gross carrying value basis | | | | | | | | |
| As at June 30, 2019 | | | | | | | | |
| Cost or revaluation | 1,340,640 | 393,048 | 856,250 | 142,541 | 47,498 | 49,101 | 44,695 | 2,873,773 |
| Accumulated depreciation | - | (24,814) | - | (91,555) | (21,427) | - | (7,264) | (145,060) |
| Net book value | <u>1,340,640</u> | <u>368,234</u> | <u>856,250</u> | <u>50,986</u> | <u>26,071</u> | <u>49,101</u> | <u>37,431</u> | <u>2,728,713</u> |
| Depreciation rate | - | 5% & 20% | 10%, 20% & 33% | 10%, 20% & 33% | 10%, 20% & 33% | 20% | 10% & 20% | |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

5.2 During the year, the Company revalued its operating assets classified under leasehold land, building on leasehold land, plant and machinery, vehicles and air-conditioning systems which resulted in re-valuation surplus amounting to Rs. 299.67 million (2019: Rs. 320.62 million), Rs. 36.97 million (2019: Nil), Rs.119.26 million (2019: Rs. 218.37 million), Rs. 12.62 million (2019: Rs. 14.51 million) and Rs. 2.07 million (2019: nil) respectively.

5.3 The valuation of leasehold land bearing no. 5-B, Block - 7 & 8, Delhi Mercantile Muslim Co-operative Housing Society Limited, Karachi measuring 505 square yards, leasehold land bearing no. E-58A, North Western Industrial Zone, Port Qasim Authority, Karachi measuring 1.522 acres and Plot No. B-168, S.I.T.E Nooriabad, District Jamshoro, Sindh, measuring 25 acres, was carried out by an independent valuer M/s. Pee Dee & Associates on June 30, 2020 on the basis of present market values for similar sized plots in the vicinity for land (level 2). The valuation of leasehold land bearing No. F-319, situated at S.I.T.E area, Karachi measuring 5.24 acres, building on leasehold land, plant and machinery, vehicles and air-conditioning systems was also carried out by M/s. Pee Dee & Associates on June 30, 2020 on the basis of present market values for similar sized plots in the vicinity for land and replacement values of similar type of buildings, plant and machinery, vehicles and air-conditioning systems (level 2).

Forced sale value of the revalued assets as at June 30, 2020 are as follows:

| | 2020 | 2019 |
|------------------------------|------------------------|---------|
| | -----Rupees '000 ----- | |
| - Leasehold land | 1,412,972 | 974,127 |
| - Building on leasehold land | 394,142 | 258,080 |
| - Plant and machinery | 636,871 | 599,375 |
| - Office Equipment | 41,915 | 35,690 |
| - Furniture and Fixtures | 33,481 | 18,250 |
| - Vehicles | 35,000 | 34,370 |
| - Air-conditioning systems | 56,001 | 25,700 |

5.4 The previous valuation was carried out by an independent valuer M/s. Pee Dee & Associates Limited on June 30, 2019.

The different levels have been defined in IFRS 13 as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e., unobservable inputs e.g. estimated future cash flows) (level 3).

5.5 During the year, the Company relocated its head office to IBL One Building Centre. The Property had been recognised as an investment property in these financial statements. Consequently, the owner occupied portion of investment property with net book value of Rs. 345.91 million (fair value - Rs. 593.12 million) has been reclassified to property, plant and equipment. The allocation of net book value was made on the basis of total covered area of the investment property occupied by the Company.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

5.6 This represents mutation charges given on leasehold land amounting to Rs. 5.29 million.

Further, this also includes registration fee of Rs. 6.95 million on leasehold land situated at Nooriabad in Company's name, which was acquired in the prior year from wholly owned subsidiary - IBL Identity (Private) Limited.

5.7 This includes leasehold improvements, plant and machinery, office equipments and furniture and fixtures purchased from wholly owned subsidiary IBL Identity (Private) Limited amounting to Rs. 74.06 million.

5.8 Had there been no revaluation of leasehold land, building on leasehold land, plant and machinery, office and equipments, furniture and fixtures, vehicles and air-conditioning systems, cost and written down value of revalued assets would have been as follows:

| | Leasehold land | Building on leasehold land | Plant and machinery | Air-conditioning systems | Vehicles | Total |
|---------------------------------|-----------------------|----------------------------|---------------------|--------------------------|---------------|------------------|
| | -----Rupees '000----- | | | | | |
| Cost | 805,757 | 616,289 | 1,186,418 | 121,928 | 48,361 | 2,778,753 |
| Accumulated depreciation | - | (158,574) | (595,010) | (44,614) | (29,212) | (827,410) |
| NBV as at June 30, 2020 | <u>805,757</u> | <u>457,715</u> | <u>591,408</u> | <u>77,314</u> | <u>19,149</u> | <u>1,951,343</u> |
| NBV as at June 30, 2019 | 523,886 | 300,788 | 625,111 | 34,124 | 29,472 | 1,513,381 |

5.9 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

| Location | Usage | Total Area (acres) |
|--|------------------------|--------------------|
| F-319, situated at S.I.T.E area, Karachi | Manufacturing Facility | 5.24 |
| E-58-A North Western Industrial Zone, Port Qasim | Land | 1.52 |

5.10 Following item of property, plant and equipment having net book value in excess of Rs. 500,000 each was disposed off during the year:

| Description | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain | Mode of disposal | Particulars of purchaser |
|---------------|-----------------------|--------------------------|------------|---------------|------------|---------------------|---|
| | -----Rupees '000----- | | | | | | |
| Motor Vehicle | 2,023 | 1,356 | 667 | 1,600 | 933 | Advertisement / Bid | Mr. Manzoor Ahmed - Village Wahid Buksh Khan, Bijarani Tehsil, Tanjwani District, Kashmore. |
| | <u>2,023</u> | <u>1,356</u> | <u>667</u> | <u>1,600</u> | <u>933</u> | | |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

5.11 Capital work-in-progress - at cost

| | Balance as at July 1, 2019 | Additions during the year | Transfers to operating assets | Balance as at June 30, 2020 | Balance as at July 1, 2018 | Additions during the year | Transfers to operating assets | Balance as at June 30, 2019 |
|-----------------------------------|----------------------------|---------------------------|-------------------------------|-----------------------------|----------------------------|---------------------------|-------------------------------|-----------------------------|
| ------(Rupees '000)----- | | | | | | | | |
| Civil works | 80,100 | 32,923 | (75,878) | 37,145 | 83,133 | 96,586 | (99,619) | 80,100 |
| Plant and machinery - note 5.11.1 | 63,395 | 76,646 | (103,228) | 36,813 | 181,661 | 130,225 | (248,491) | 63,395 |
| | <u>143,495</u> | <u>109,569</u> | <u>(179,106)</u> | <u>73,958</u> | <u>264,794</u> | <u>226,811</u> | <u>(348,110)</u> | <u>143,495</u> |
| Advances to suppliers | 7,231 | 54,465 | (44,533) | 17,163 | 37,325 | 114,970 | (145,064) | 7,231 |
| | <u>150,726</u> | <u>164,034</u> | <u>(223,639)</u> | <u>91,121</u> | <u>302,119</u> | <u>341,781</u> | <u>(493,174)</u> | <u>150,726</u> |

5.11.1 It represents plant and machinery that has not been commissioned yet.

2020 2019
-----Rupees '000 -----

6. RIGHT-OF-USE ASSET

| | | |
|--|----------------|----------|
| Balancing at the beginning / initial recognition | 141,421 | - |
| Depreciation for the year - note 6.1 | (19,906) | - |
| Net Book value as at June 30, 2020 | <u>121,515</u> | <u>-</u> |

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

2020 2019
-----Rupees '000 -----

7. INVESTMENT PROPERTIES - at cost

| | | |
|---|------------------|------------------|
| Operating assets - notes 7.1 & 7.2 | 2,145,144 | 2,451,842 |
| Investment property under work-in-progress - at cost - note 7.4 | 58,746 | 6,199 |
| | <u>2,203,890</u> | <u>2,458,041</u> |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

7.1 Operating assets

| | Owned assets | | | | | | | | Total |
|--|----------------|----------------------------|------------------|----------------------|-------------------|------------|----------------------|--------------------|-----------|
| | Leasehold Land | Building on Leasehold Land | Office Equipment | Electrical Equipment | Lifts & Elevators | Generators | Furniture & Fixtures | Air - conditioning | |
| | Rupees '000 | | | | | | | | |
| Gross carrying value basis | | | | | | | | | |
| Year ended June 30, 2020 | | | | | | | | | |
| Opening net book value | 1,915,871 | 326,986 | 12,927 | 68,984 | 22,317 | 18,056 | 28,205 | 58,496 | 2,451,842 |
| Additions - note 7.3 | 9,800 | 18,673 | 12,025 | 6,715 | - | - | 38,934 | 10,049 | 96,196 |
| Transfers to property plant and equipment - note 5.5 | (267,861) | (45,146) | (2,683) | (9,133) | (2,531) | (2,110) | (8,387) | (8,062) | (345,913) |
| Depreciation charge | - | (19,636) | (5,270) | (9,342) | (3,833) | (2,686) | (6,365) | (9,849) | (56,981) |
| Closing net book value | 1,657,810 | 280,877 | 16,999 | 57,224 | 15,953 | 13,260 | 52,387 | 50,634 | 2,145,144 |
| Net carrying value basis | | | | | | | | | |
| As at June 30, 2020 | | | | | | | | | |
| Cost | 1,657,810 | 371,914 | 34,476 | 89,804 | 35,469 | 24,856 | 76,213 | 98,542 | 2,389,084 |
| Accumulated depreciation | - | (91,037) | (17,477) | (32,580) | (19,516) | (11,596) | (23,826) | (47,908) | (243,940) |
| Net book value | 1,657,810 | 280,877 | 16,999 | 57,224 | 15,953 | 13,260 | 52,387 | 50,634 | 2,145,144 |
| Gross carrying value basis | | | | | | | | | |
| Year ended June 30, 2019 | | | | | | | | | |
| Opening net book value | 1,915,871 | 334,257 | 15,916 | 41,575 | 26,437 | 16,743 | 33,164 | 68,164 | 2,452,127 |
| Additions | - | 12,964 | 2,274 | 34,048 | - | 4,131 | - | 775 | 54,192 |
| Depreciation charge | - | (20,235) | (5,263) | (6,639) | (4,120) | (2,818) | (4,959) | (10,443) | (54,477) |
| Closing net book value | 1,915,871 | 326,986 | 12,927 | 68,984 | 22,317 | 18,056 | 28,205 | 58,496 | 2,451,842 |
| Net carrying value basis | | | | | | | | | |
| As at June 30, 2019 | | | | | | | | | |
| Cost | 1,915,871 | 413,333 | 28,021 | 97,599 | 41,200 | 28,872 | 49,593 | 104,415 | 2,678,904 |
| Accumulated depreciation | - | (86,347) | (15,094) | (28,615) | (18,883) | (10,816) | (21,388) | (45,919) | (227,062) |
| Net book value | 1,915,871 | 326,986 | 12,927 | 68,984 | 22,317 | 18,056 | 28,205 | 58,496 | 2,451,842 |
| Depreciation rate | - | 5% | 20% | 10% | 10% | 10% | 10% | 10% | |

7.2 Leasehold land classified under investment property has been valued under the market value basis by an independent valuer, M/s. Pee Dee & Associates. Market value of leasehold land and other assets based on the valuation as of June 30, 2020 was Rs. 3.44 billion (2019: Rs. 3.3 billion) and Rs. 0.825 billion (2019: Rs. 0.814 billion) respectively. Leasehold land and building on leasehold land represent Building Centre situated at Main Shahrah-e-Faisal, Block 7 & 8, Tipu Sultan Road, Delhi Mercantile Co-operative Housing Society having area of 5,291 square yards.

7.3 This includes furnitures and fixtures purchased from IBL Frontier Market (Private) Limited - related party amounting to Rs. 31.58 million.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

7.4 Movement in investment property under work in progress - at cost

| | 2020 | 2019 |
|---|-----------------------|--------------|
| | -----Rupees '000----- | |
| Balance at the beginning of the year | 6,199 | 4,438 |
| Additions during the year | 131,643 | 47,560 |
| Transfers to operating assets - investment property | (79,096) | (45,799) |
| Balance at the end of the year | <u>58,746</u> | <u>6,199</u> |

8. INTANGIBLE ASSETS

| | | |
|--|----------------|----------------|
| Operating intangible assets - note 8.1 | <u>131,438</u> | <u>164,913</u> |
|--|----------------|----------------|

8.1 Operating intangible assets

| | Distribution rights | Brand name and logo | Product license - note 8.1.1 | Software licenses - note 8.1.2 | Total |
|-----------------------------------|------------------------|------------------------|------------------------------------|--------------------------------------|----------------|
| | -----Rupees '000----- | | | | |
| Gross carrying value basis | | | | | |
| Year ended June 30, 2020 | | | | | |
| Opening net book value | - | 7,916 | 78,137 | 78,860 | 164,913 |
| Additions | - | - | - | 10,558 | 10,558 |
| Amortisation charge | - | (5,000) | (11,160) | (27,873) | (44,033) |
| Closing net book value | <u>-</u> | <u>2,916</u> | <u>66,977</u> | <u>61,545</u> | <u>131,438</u> |
| Net carrying value basis | | | | | |
| As at June 30, 2020 | | | | | |
| Cost | 76,275 | 74,703 | 111,623 | 160,882 | 423,483 |
| Accumulated amortisation | (76,275) | (71,787) | (44,646) | (99,337) | (292,045) |
| Net book value | <u>-</u> | <u>2,916</u> | <u>66,977</u> | <u>61,545</u> | <u>131,438</u> |
| Gross carrying value basis | | | | | |
| Year ended June 30, 2019 | | | | | |
| Opening net book value | - | 12,916 | 89,299 | 86,853 | 189,068 |
| Additions | - | - | - | 19,131 | 19,131 |
| Amortisation charge | - | (5,000) | (11,162) | (27,124) | (43,286) |
| Closing net book value | <u>-</u> | <u>7,916</u> | <u>78,137</u> | <u>78,860</u> | <u>164,913</u> |
| Net carrying value basis | | | | | |
| As at June 30, 2019 | | | | | |
| Cost | 76,275 | 74,703 | 111,623 | 150,324 | 412,925 |
| Accumulated amortisation | (76,275) | (66,787) | (33,486) | (71,464) | (248,012) |
| Net book value | <u>-</u> | <u>7,916</u> | <u>78,137</u> | <u>78,860</u> | <u>164,913</u> |
| Amortisation rate | 10% | 10% | 10% | 33.33% & 20% | |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

8.1.1 This represents license obtained for the production of product “Tramal”.

8.1.2 Software licenses include various licenses and enterprise resources planning software.

9. DEFERRED TAX (LIABILITIES) / ASSETS

| | Accelerated tax depreciation | Minimum tax | Surplus on revaluation | Right-of-use asset and Lease Liability | Decelerated tax amortisation | Deferred grant | Provision for doubtful receivables | Provision for doubtful trade deposits | Total |
|--------------------------------------|------------------------------|----------------|------------------------|--|------------------------------|-----------------|------------------------------------|---------------------------------------|-----------------|
| | Rupees '000 | | | | | | | | |
| July 1, 2019 | - | - | (93,240) | - | - | - | - | - | (93,240) |
| Credit / (charge) to profit or loss | (166,929) | 222,819 | - | 2,944 | 8,260 | (19,834) | 39,059 | 679 | 86,998 |
| Charge to other comprehensive income | - | - | (43,901) | - | - | - | - | - | (43,901) |
| June 30, 2020 | <u>(166,929)</u> | <u>222,819</u> | <u>(137,141)</u> | <u>2,944</u> | <u>8,260</u> | <u>(19,834)</u> | <u>39,059</u> | <u>679</u> | <u>(50,143)</u> |
| July 1, 2018 | - | - | (25,902) | - | - | - | - | - | (25,902) |
| (Charge) / credit to profit or loss | - | - | - | - | - | - | - | - | - |
| Charge to other comprehensive income | - | - | (67,338) | - | - | - | - | - | (67,338) |
| June 30, 2019 | <u>-</u> | <u>-</u> | <u>(93,240)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(93,240)</u> |

9.1 Deferred tax liability is restricted to 88.57% (2019: nil) of the total deferred tax liability based on the assumptions that export sales will continue to fall under Final Tax Regime and historical trend of export and local sales ratio will continue to be the same in foreseeable future.

10. LONG-TERM INVESTMENTS - SUBSIDIARIES

| | 2020 | 2019 |
|--|-----------------------|------------------|
| | -----Rupees '000----- | |
| Subsidiary companies (at cost) - note 10.1 | <u>1,686,186</u> | <u>1,686,186</u> |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

10.1 Subsidiary companies

| | 2020 | | 2019 | |
|---|---------------|----------------------------------|---------------|----------------------------------|
| | Equity % held | Investment at cost (Rupees '000) | Equity % held | Investment at cost (Rupees '000) |
| Listed security | | | | |
| <i>IBL HealthCare Limited</i> | | | | |
| 40,126,241 (June 30, 2019: 40,126,241) | | | | |
| Ordinary shares of Rs. 10 each | 74.19% | 1,300,911 | 74.19% | 1,300,911 |
| Market price as at June 30, 2020: Rs. 77.45 (June 30, 2019: Rs. 33.50) per share | | | | |
| | | 1,300,911 | | 1,300,911 |
| Unlisted securities | | | | |
| <i>Searle Pharmaceuticals (Private) Limited</i> | | | | |
| 40,000 (June 30, 2019: 40,000) | | | | |
| Ordinary shares of Rs. 10 each | 100% | 400 | 100% | 400 |
| Break up value as at June 30, 2020: nil (June 30, 2019: Rs. 48.52) per share | | | | |
| <i>Searle Laboratories (Private) Limited</i> | | | | |
| 12,500,000 (June 30, 2019: 12,500,000) | | | | |
| Ordinary shares of Rs. 10 each | 100% | 125,000 | 100% | 125,000 |
| Break up value as at June 30, 2020: Rs. 0.60 (June 30, 2019: Rs. 0.94) per share | | | | |
| Unlisted securities | | | | |
| <i>Searle Biosciences (Private) Limited</i> | | | | |
| 1,000,000 (June 30, 2019: 1,000,000) | | | | |
| Ordinary shares of Rs. 10 each | 100% | 10,000 | 100% | 10,000 |
| Break up value as at June 30, 2020: Rs. 62.82 (June 30, 2019: Rs. 12.02) per share | | | | |
| <i>IBL Identity (Private) Limited</i> | | | | |
| 9,500,000 (June 30, 2019: 9,500,000) | | | | |
| Ordinary shares of Rs. 10 each | 100% | 49,875 | 100% | 49,875 |
| Break up value as at June 30, 2020: Nil (June 30, 2019: Nil) per share | | | | |
| <i>IBL Future Technologies (Private) Limited</i> | | | | |
| 20,000,000 (June 30, 2019: 20,000,000) | | | | |
| Ordinary shares of Rs. 10 each | 100% | 200,000 | - | 200,000 |
| Break up value as at June 30, 2020: Rs. 9.96 (June 30, 2019: Rs. 10) per share | | | | |
| | | 385,275 | | 385,275 |
| | | 1,686,186 | | 1,686,186 |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

- 10.1.1** Section 236M of the Income tax Ordinance, 2001 (inserted through Finance Act, 2014), specified that every company, quoted on stock exchange, while issuing bonus shares shall withhold five percent of the bonus shares to be issued. Bonus shares withheld shall only be issued to a shareholder, if the Company collects tax equal to five percent of the value of the bonus shares issued including bonus share withheld, determined on the basis of day-end price on the first day of closure of books. The tax was to be collected within fifteen days of the first day of closure of books, after which the company was required to deposit shares withheld to Central Depository Company, in favour of the Federal Government. This section was later deleted through Finance Act, 2018.

Based on the requirement mentioned above, the Company is exposed to a tax liability of approximately Rs. 71.8 million (2019: Rs. 71.8 million), on account of bonus shares received from IBL HealthCare Limited from 2015 to 2018. The Company has filed a petition in respect of tax on bonus shares in Honourable High Court of Sindh, and expects a favourable outcome, based on a legal advice. Further, pending decision of the Honorable High Court of Sindh, IBL HealthCare Limited has withheld 1,117,379 shares (2019: 1,117,379 shares) with Central Depository Company of Pakistan Limited.

| | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| 11. LONG-TERM LOANS | | |
| Secured - considered good - note 11.1 | 1,046 | 1,834 |
| Less: Current portion - shown under loans and advances | (688) | (1,564) |
| | <u>358</u> | <u>270</u> |
| 11.1 This represents interest-free loans for automobiles to employees other than executives, as defined in note 42. These are secured against provident fund balances of respective employees. | | |
| | 2020 | 2019 |
| | -----Rupees '000----- | |
| 12. LONG-TERM DEPOSITS | | |
| Deposit against rent | <u>7,396</u> | <u>7,396</u> |
| 13. INVENTORIES | | |
| Raw materials | 1,692,248 | 1,198,476 |
| Packing materials | 383,576 | 330,251 |
| Stores and spares | 132,552 | 79,655 |
| Work-in-process | 133,341 | 96,524 |
| Finished goods | 291,170 | 489,744 |
| | <u>2,632,887</u> | <u>2,194,650</u> |
| 13.1 Inventories include inventory in transit amounting to Rs. 518.18 million (2019: Rs. 487.30 million). | | |
| 13.2 This includes inventory amounting to Rs. 560.80 million (2019: Rs. 625.92 million) held by third parties. | | |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| 14. TRADE RECEIVABLES | | |
| Considered good | | |
| - Export receivables, secured - note 14.5 | 448,334 | 307,294 |
| - Due from related parties, unsecured - note 14.1 | 6,706,017 | 3,839,765 |
| - Others, unsecured | 647,477 | 719,073 |
| | <u>7,801,828</u> | <u>4,866,132</u> |
| Considered doubtful - others | 151,915 | 152,003 |
| Less: Provision for impairment of trade receivables - note 14.7 | <u>(151,915)</u> | <u>(152,003)</u> |
| | <u>-</u> | <u>-</u> |
| | <u>7,801,828</u> | <u>4,866,132</u> |

| | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| 14.1 Due from related parties, unsecured | | |
| Subsidiary companies - notes 14.2 & 14.4 | | |
| - Searle Biosciences (Private) Limited | 333,488 | 233,598 |
| - IBL HealthCare Limited | 124,190 | 2,414 |
| Group companies - notes 14.3 & 14.4 | | |
| - IBL Operations (Private) Limited | 6,127,993 | 3,470,885 |
| - IBL Logistics (Private) Limited | 100,894 | 95,828 |
| - United Brands Limited | 11,485 | 29,073 |
| - International Franchises (Private) Limited | 20 | 20 |
| - IBL Frontier Markets (Private) Limited | 181 | 181 |
| United Retail (SMC-Private) Limited - notes 14.3 & 14.4 | 7,766 | 7,766 |
| | <u>6,706,017</u> | <u>3,839,765</u> |

14.2 The maximum aggregate amount outstanding at any time during the year from Searle Biosciences (Private) Limited and IBL HealthCare Limited was Rs. 360.19 million (2019: Rs. 511.37 million) and Rs. 291.76 million (2018: Rs. 2.41 million) respectively.

14.3 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. 111.82 million (2019: Rs. 284.97 million), Rs. 0.63 million (2019: Rs. 15.36 million) and Rs. 4.03 million (2019: Rs. 1.01 million) respectively.

The maximum aggregate amount of receivable outstanding at any time during the year are as follows

| | 2020 | 2019 |
|--|-----------------------|-----------|
| | -----Rupees '000----- | |
| IBL Operations (Private) Limited | 6,161,816 | 3,755,855 |
| United Brands Limited | 44,428 | 51,513 |
| IBL Logistics (Private) Limited | 107,691 | 95,828 |
| International Franchises (Private) Limited | 20 | 20 |
| IBL Frontier Markets (Private) Limited | 181 | 181 |
| United Retail (SMC-Private) Limited | 7,766 | 7,766 |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

14.4 As at June 30, 2020, the age analysis of these related party receivables is as follows:

| | 2020 | 2019 |
|-------------------------------|-----------------------|------------------|
| | -----Rupees '000----- | |
| Not yet due | 2,700,265 | 2,681,709 |
| Past due but not yet impaired | | |
| - 1 to 30 days | 1,034,036 | 764,239 |
| - 30 to 90 days | 2,403,472 | 147,810 |
| - 90 to 180 days | 476,381 | 5,795 |
| - 180 to 365 days | 83,516 | 2,404 |
| - older than 365 days | 8,347 | 237,808 |
| | <u>6,706,017</u> | <u>3,839,765</u> |

14.5 Breakup of export receivables are as follows:

| Country | Export Sales | Receivables | Confirmed Letter of Credit | Others |
|-------------|------------------|----------------|----------------------------|---------------|
| Afghanistan | 1,102,266 | 25,762 | - | 25,762 |
| Cambodia | 300,608 | 64,871 | 64,871 | - |
| Kenya | 19,666 | 4,142 | 4,142 | - |
| Laos | 17,123 | 5,476 | 2,464 | 3,012 |
| Maldives | 2,078 | - | - | - |
| Myanmar | 266,449 | 103,604 | 103,604 | - |
| Oman | 39,517 | - | - | - |
| Phillipines | 16,153 | 2,074 | 2,074 | - |
| Srilanka | 363,895 | 158,873 | 158,873 | - |
| Uganda | 13,663 | - | - | - |
| Vietnam | 157,747 | 83,532 | 83,532 | - |
| | <u>2,299,165</u> | <u>448,334</u> | <u>419,560</u> | <u>28,774</u> |

14.6 The Competition Commission of Pakistan (CCP) through its order dated September 13, 2007 instructed the Company to reduce terms of trade credit with IBL Operations (Private) Limited, an associated concern, re-negotiate the offered rate of commission and conduct audit of the transactions. The Company filed a counter case in Honorable High Court of Sindh to revert the order. The Company, based on the opinion of its legal advisor, believes that it has a strong case and the matter would be decided in favour of the Company.

| | 2020 | 2019 |
|---|-----------------------|----------------|
| | -----Rupees '000----- | |
| 14.7 Balance at beginning of the year | 152,003 | 154,573 |
| Charge / (reversal) during the year - net | (88) | (1,915) |
| Written off against provision | - | (655) |
| Balance at end of the year | <u>151,915</u> | <u>152,003</u> |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| 15. LOANS AND ADVANCES – considered good | | |
| Advances to: | | |
| - employees for business operations - notes 15.1 & 15.2 | 86,199 | 101,168 |
| - employees against salary - notes 15.1 & 15.2 | 9,288 | 9,536 |
| - suppliers | 416,465 | 281,064 |
| - against imports - note 15.3 | 55,351 | 101,898 |
| - related party - note 15.4 | 972,181 | 975,581 |
| | <u>1,539,484</u> | <u>1,469,247</u> |
| Short-term loan to subsidiary - note 15.5 | 3,171,880 | 3,046,130 |
| Current portion of long-term loans to employees - note 11 | 688 | 1,564 |
| | <u>4,712,052</u> | <u>4,516,941</u> |

15.1 These advances for business operations are adjusted against submission of actual expenses. Advances against salary are repayable on monthly basis. The maximum aggregate amount of these advances outstanding at any time during the year was Rs. 135.52 million (2019: Rs. 124.54 million).

15.2 Advances given to employees in excess of Rs. 1 million are as follows:

| Employee | Amount Rupees '000 |
|--------------------|-----------------------|
| Rodney Sham Kumara | 7,866 |
| Sameed Sohail | 1,100 |
| Sajjad Butt | 2,681 |

15.3 This represents amount kept with scheduled banks in accordance with the requirement of Circular No. 02 of 2017 of Banking Policy & Regulations Department issued by the State Bank of Pakistan, requiring 100% cash margin on the import of specified items.

15.4 This represents advance to Searle Biosciences (Private) Limited - wholly owned subsidiary amounting to Rs. 972.18 million (2019: Rs. 975.6 million). These advances are provided for the purpose of financial assistance and are settled in the ordinary course of business.

The maximum aggregate amounts outstanding at any time during the year was Rs. 975.58 million (2019: Rs. 975.58 million).

15.5 This represents interest-free loan provided to IBL Identity (Private) Limited - wholly owned subsidiary. The maximum aggregate amount outstanding at any time during the year was Rs. 3.18 billion (2019 : Rs. 3.45 billion).

| | 2020 | 2019 |
|--|-----------------------|---------------|
| | -----Rupees '000----- | |
| 16. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | | |
| Deposits | | |
| Trade deposits | 79,180 | 72,688 |
| Less: Provision for doubtful deposits | (2,640) | (2,640) |
| | <u>76,540</u> | <u>70,048</u> |
| Prepayments | 18,747 | 11,834 |
| | <u>95,287</u> | <u>81,882</u> |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| 17. OTHER RECEIVABLES | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| Receivables from related parties | | |
| <i>Due from subsidiary companies:</i> | | |
| - IBL Healthcare Limited against: | | |
| Expenses - note 17.1 | 816 | 24,777 |
| Royalty - note 32 | 12,456 | - |
| - Searle Biosciences (Private) Limited against: | | |
| Expenses - note 17.1 | - | 85,682 |
| Dividend income - note 17.5 | 50,000 | 313,696 |
| - IBL Future Technologies (Private) Limited against: | | |
| Financial assistance - note 17.1 | 1,949 | 1,949 |
| - Nextar Pharma (Private) Limited against expenses | - | 5,414 |
| - Searle Pharmaceuticals (Private) Limited against: | | |
| Dividend income - note 17.1 | - | 1,982,566 |
| | 65,221 | 2,414,084 |
| <i>Due from group companies note - 17.2</i> | | |
| - IBL Operations (Private) Limited against | | |
| Markup on overdue balance | - | 26,642 |
| Rental Income | 14,738 | 1,125 |
| - International Brands Limited against: | | |
| Expenses | - | 7,472 |
| Rental income | 20,795 | 25,538 |
| Group relief - note 17.3 | 54,894 | - |
| - International Franchises (Private) Limited against: | | |
| Expenses | 13,749 | - |
| Rental income | 4,107 | 1,093 |
| - IBL Unisys (Private) Limited against: | | |
| Rental income | 1,033 | - |
| - IBL Logistics (Private) Limited against: | | |
| Rental income | 697 | - |
| - United Distributors Pakistan Limited against: | | |
| Rental income | 574 | - |
| | 110,587 | 61,870 |
| <i>Due from other related parties note - 17.2</i> | | |
| - United Retail (SMC-Private) Limited against: | | |
| Rental income | 274,140 | 209,566 |
| - OBS Pakistan (Private) Limited against: | | |
| Management fee - note 35.1 | 252,000 | - |
| Rental Income | 895 | - |
| - The IBL Company (Private) Limited against: | | |
| Expenses | 2,440 | - |
| - Lunar Pharma (Private) Limited against: | | |
| Expenses | 2,882 | - |
| Surplus arising under retirement benefit fund - note 17.4 | 5,250 | 5,250 |
| | 350,186 | 386,879 |
| Receivables from other than related parties | | |
| Others, considered good - note 17.6 | 350,186 | 386,879 |
| | 1,063,601 | 3,077,649 |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

- 17.1** These are settled in the ordinary course of business without any defined payment terms. The maximum aggregate amount outstanding at any time during the year are as follows:

| | 2020 | 2019 |
|---|-----------------------|-----------|
| | -----Rupees '000----- | |
| IBL Healthcare Limited | 70,007 | 41,346 |
| Searle Biosciences (Private) Limited | 767,164 | 399,378 |
| IBL Future Technologies (Private) Limited | 1,949 | 1,949 |
| Searle Pharmaceuticals (Private) Limited | 1,982,566 | 2,768,951 |
| Nextar Pharma (Private) Limited | - | 5,414 |

- 17.2** The maximum aggregate amount outstanding at any time during the year from group companies and other related parties are as follows:

| | 2020 | 2019 |
|--|-----------------------|----------------|
| | -----Rupees '000----- | |
| IBL Operations (Private) Limited | 33,392 | 27,767 |
| International Brands Limited | 75,690 | 33,010 |
| The IBL Company (Private) Limited | 2,440 | - |
| International Franchises (Private) Limited | 17,856 | 1,093 |
| IBL Unisys (Private) Limited | 1,033 | - |
| IBL Logistics (Private) Limited | 697 | - |
| United Distributors Pakistan Limited | 574 | - |
| United Retail (SMC-Private) Limited | 274,140 | 209,564 |
| OBS Pakistan (Private) Limited | 252,895 | - |
| Lunar Pharma (Private) Limited | 2,882 | - |
| | <u>661,599</u> | <u>271,434</u> |

- 17.2.1** The age analysis of these related parties is as follows:

| | 2020 | 2019 |
|-------------------------------|-----------------------|----------------|
| | -----Rupees '000----- | |
| Not yet due | 103,003 | 75,906 |
| Past due but not yet impaired | | |
| - 1 to 30 days | 26,097 | 5,706 |
| - 30 to 90 days | 30,195 | 5,706 |
| - 90 to 180 days | 94,223 | 16,988 |
| - 180 to 365 days | 178,737 | 36,720 |
| - older than 365 days | 210,689 | 130,408 |
| | <u>642,944</u> | <u>271,434</u> |

- 17.3** This represents excess amount paid in relation to group relief availed by the Company during the year (refer note 19). The amount was paid by the Company on the basis of estimation for the purpose of discharging liability of advance tax under section 147 of the Income Tax Ordinance, 2001.

- 17.4** This represents surplus on funded gratuity scheme discontinued by the Company with effect from December 31, 2012.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

17.5 This represents interim dividend declared by the Board of Directors of Searle Biosciences (Private) Limited in their meeting held on June 30, 2020.

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

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

During the year, the Company has entered into an agreement with ZHP for settlement of the above claims. As per the agreement, these claims will be settled against future purchases of raw material by the Company from ZHP. These claims will be accounted for when the credit notes for the discounted purchase price are received. Claims amounting to Rs. 39.83 million were settled during the year.

18. SHORT-TERM INVESTMENT - AT AMORTISED COST

This represents unsecured perpetual term finance certificates which carry markup at the rate of 3 months KIBOR + 1.6% per annum.

19. TAXATION - PAYMENTS LESS PROVISION

During the year, the Company has availed group relief under section 59B of the Income Tax Ordinance, 2001 (the Ordinance). As allowed under the Ordinance, the Company has claimed taxable losses amounting to Rs. 601.86 million surrendered by its Holding Company - International Brands Limited and subsidiary of Holding Company - United Brands Limited. The tax impact of the above losses amounts to Rs. 98.14 million.

| 20. | CASH AND BANK BALANCES | 2020 | 2019 |
|------------|--------------------------------|-----------------------|-----------------------|
| | | -----Rupees '000----- | -----Rupees '000----- |
| | Cash in hand | 5,510 | 2,737 |
| | Cheques in hand | 197,976 | - |
| | Balance with banks in: | | |
| | - savings accounts - note 20.1 | 11 | 11 |
| | - current accounts | 96,127 | 201,799 |
| | | 299,624 | 204,547 |

20.1 These balances carry mark-up at at the rate of 5.75 % (2019: 1.08 %) per annum.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

21. SHARE CAPITAL

Authorised share capital

| 2020 | 2019 | | 2020 | 2019 |
|--------------------------------|--------------------|--------------------------------|-------------------------|------------------|
| ----- (Number of shares) ----- | | | ----- Rupees '000 ----- | |
| <u>300,000,000</u> | <u>300,000,000</u> | Ordinary shares of Rs. 10 each | <u>3,000,000</u> | <u>3,000,000</u> |

Issued, subscribed and paid up capital

| 2020 | 2019 | | 2020 | 2019 |
|--------------------------------|--------------------|---|-------------------------|------------------|
| ----- (Number of shares) ----- | | | ----- Rupees '000 ----- | |
| <u>12,553,074</u> | 12,553,074 | Shares allotted for consideration paid in cash | <u>125,531</u> | 125,531 |
| <u>24,000</u> | 24,000 | Shares allotted for consideration other than cash | <u>240</u> | 240 |
| <u>199,848,171</u> | 199,848,171 | Shares allotted as bonus shares | <u>1,998,482</u> | 1,998,482 |
| <u>212,425,245</u> | <u>212,425,245</u> | | <u>2,124,253</u> | <u>2,124,253</u> |

22. EMPLOYEE BENEFIT OBLIGATIONS

| | | |
|--|---------------|---------------|
| Staff retirement gratuity - unfunded - note 22.1 | <u>54,994</u> | <u>55,820</u> |
|--|---------------|---------------|

22.1 Gratuity scheme - unfunded

22.1.1 General description

As stated in note 3.3.1, the Company operates unfunded gratuity scheme for eligible employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to minimum service under the scheme. The latest actuarial valuation was carried out as at June 30, 2020 using the Project Unit Credit method.

22.1.2 Statement of financial position reconciliation

| | 2020 | 2019 |
|---|-------------------------|---------------|
| | ----- Rupees '000 ----- | |
| Present value of defined benefit obligation | <u>54,994</u> | <u>55,820</u> |

22.1.3 Movement in the present value of defined benefit obligation

| | | |
|------------------------------|----------------|---------------|
| Obligation as at July 1 | <u>55,820</u> | 50,630 |
| Current service cost | <u>2,396</u> | 2,165 |
| Interest cost | <u>6,262</u> | 3,967 |
| Benefits paid | <u>(7,269)</u> | (2,071) |
| Remeasurements on obligation | <u>(2,215)</u> | 1,129 |
| Obligation as at June 30 | <u>54,994</u> | <u>55,820</u> |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|-----------------------|----------------|
| | -----Rupees '000----- | |
| 22.1.4 Expense recognised in unconsolidated statement of profit or loss and other comprehensive income | | |
| Current service cost | (2,396) | (2,165) |
| Interest cost | (6,262) | (3,967) |
| | <u>(8,658)</u> | <u>(6,132)</u> |
| 22.1.5 Remeasurement recognised in other comprehensive income | | |
| Experience gain or (losses) | <u>2,215</u> | <u>(1,129)</u> |
| 22.1.6 Net recognised liability | | |
| Balance as at July 1 | 55,820 | 50,630 |
| Expense for the year | 8,658 | 6,132 |
| Benefits paid | (7,269) | (2,071) |
| Remeasurement loss recognised in other comprehensive income | (2,215) | 1,129 |
| Balance as at June 30 | <u>54,994</u> | <u>55,820</u> |

| | 2020 | 2019 |
|--|----------|----------|
| 22.1.7 Actuarial assumptions | | |
| Discount rate used for year end obligation | 8.50% | 12.00% |
| Expected rate of increase in salaries | 8.50% | 12.00% |
| Retirement age (years) | 60 years | 60 years |

Mortality was assumed to be SLIC (2001-05) for males and females, as the case may be, but rated down by one year.

22.1.8 The sensitivity of the defined benefit obligation to changes in the weighted average principal assumption is:

| | <u>Impact on defined benefit obligation</u> | | |
|--------------------------|---|------------------------|------------------------|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| Discount rate at 30 June | 1% | (3,464) | 5,646 |
| Future salary increases | 1% | 6,156 | (3,964) |

22.1.9 If longevity increases by 1 year, the resultant increase in obligation is insignificant.

22.1.10 The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the gratuity liability recognised within the unconsolidated statement of financial position.

22.1.11 As per actuarial advice, the Company is expected to recognise a service cost of Rs. 6.91 million in 2021.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

22.1.12 The weighted average service duration of employees is 8 years.

23. LONG-TERM BORROWINGS

| | 2020 | 2019 |
|---------------------------------------|-----------------------|----------|
| | -----Rupees '000----- | |
| Salary refinancing | 535,500 | - |
| Less: | | |
| Deferred grant - note 24 | (85,712) | - |
| Current portion of salary refinancing | (133,875) | - |
| Unwinding of discount - note 36 | 87 | - |
| | <u>316,000</u> | <u>-</u> |

23.1 This represents salary financing obtained under SBP payroll refinance facility as a part of measures for countering economic hardships faced by the businesses during COVID-19 pandemic. The Company will pay a quarterly mark up at a discounted rate of 3% per annum, with eight equal quarterly instalments starting from January 2021. The loan is secured by way of equitable mortgage on land and building of the Company.

23.1.1 The facility is a sublimit of running musharikhah obtained from Dubai Islamic Bank.

| | 2020 | 2019 |
|---|-----------------------|----------|
| | -----Rupees '000----- | |
| 24. DEFERRED INCOME - GOVERNMENT GRANT | | |
| Deferred grant | 85,712 | - |
| Government grant recognised in income - note 35 | (8,571) | - |
| | <u>77,141</u> | <u>-</u> |

24.1 This represents the value of benefit of below-market interest rate which has been accounted for as government grant under IAS 20 - Government grants.

| | 2020 | 2019 |
|--|-----------------------|----------|
| | -----Rupees '000----- | |
| 25. LEASE LIABILITY | | |
| Lease liabilities under IFRS 16 | <u>132,965</u> | <u>-</u> |
| Non Current portion | <u>121,545</u> | <u>-</u> |
| Current portion | <u>11,420</u> | <u>-</u> |
| 25.1 Maturity analysis of lease liabilities | | |
| Upto 1 year | 11,420 | - |
| 1 - 5 years | 63,952 | - |
| More than 5 years | 57,593 | - |
| | <u>132,965</u> | <u>-</u> |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

25.2 Finance cost on lease liabilities for the year ended June 30, 2020 was Rs. 20.41 million. Total cash outflow for leases was Rs. 28.87 million.

| | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| 26. TRADE AND OTHER PAYABLES | | |
| Creditors - notes 26.1 & 26.2 | 399,804 | 2,531,434 |
| Bills payable in foreign currency | 481,130 | 708,946 |
| Royalty payable - notes 26.3 and 32.3 | 21,935 | 23,966 |
| Accrued liabilities | 1,154,741 | 801,222 |
| Payable to provident fund - note 26.4 | 10,946 | 8,619 |
| Advance from customers - unsecured | 14,029 | 22,415 |
| Payable under group relief - note 26.5 | 1,618 | - |
| Accrued mark-up - note 26.6 | 208,096 | 109,473 |
| Taxes deducted at source and payable to statutory authorities | 61,678 | 96,147 |
| Workers' Profits Participation Fund - note 26.7 | 178,920 | 149,417 |
| Workers' Welfare Fund | 72,560 | 16,342 |
| Other liabilities - note 26.9 | 114,355 | 61,499 |
| | <u>2,719,812</u> | <u>4,529,480</u> |

26.1 This includes amount payable to Searle Pharmaceuticals (Private) Limited - wholly owned subsidiary amounting to Rs. 4.29 million (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. 6.80 million (2019: Rs. 9.13 million).

26.2 The creditors also include payable to other related parties which are as follows:

| | 2020 | 2019 |
|--|-----------------------|---------------|
| | -----Rupees '000----- | |
| IBL Unisys (Private) Limited | - | 2,471 |
| MyCart Pakistan (Private) Limited | - | 1,325 |
| International Brands Limited - Holding Company | 89,577 | 44,124 |
| | <u>89,577</u> | <u>47,920</u> |

26.3 This includes royalty payable to Marisant Company on behalf of IBL Healthcare Limited as per agreement.

26.4 The investment in listed equity securities out of the provident fund is in excess of the limit prescribed under the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder. However, the fund is in the process of ensuring compliance with the prescribed limits.

26.5 This represents payable to subsidiary of Holding Company - United Brands Limited (UB) against claim of tax losses as allowed under section 59B of the Ordinance, 2001. The Company has claimed tax loss amounting to Rs. 54.97 million surrendered by UB, the tax impact of which amounts to Rs. 15.94 million - refer note 19.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|--------------------------------------|-----------------------|----------------|
| | -----Rupees '000----- | |
| 26.6 Accrued mark-up | | |
| Accrued mark-up on: | | |
| - long-term borrowing | 2,678 | - |
| - short-term borrowing note - 26.6.1 | 205,418 | 109,473 |
| | <u>208,096</u> | <u>109,473</u> |

26.6.1 This includes markup on loan obtained from employees provident fund - note 27 amounting to Rs 9.19 million (2019: nil).

| | 2020 | 2019 |
|--|-----------------------|----------------|
| | -----Rupees '000----- | |
| 26.7 Workers' Profit Participation Fund | | |
| Balance at beginning of the year | 149,417 | 174,379 |
| Charge for the year - note 34 | 178,470 | 148,967 |
| | <u>327,887</u> | <u>323,346</u> |
| Interest on funds utilised in Company's business - note 36 | 15,357 | 13,883 |
| Payments made during the year | (164,324) | (187,812) |
| Balance at end of the year | <u>178,920</u> | <u>149,417</u> |

26.8 This includes payable to associated company - United Distributors Pakistan Limited amounting to Rs. 0.25 million (2019: Rs. 0.167 million).

26.9 This includes payable to wholly owned subsidiary - IBL Identity (Private) Limited amounting to Rs. 74.06 million and Rs. 3.99 million on account of purchase of property, plant and equipment and promotional expenses incurred on behalf of Company, respectively.

| | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| 27. SHORT-TERM BORROWINGS - secured | | |
| Secured borrowings | | |
| Running finance under mark-up arrangements | | |
| - notes 27.1, 27.2 & 27.3 | 4,461,771 | 3,544,776 |
| Current portion of long-term borrowings | 133,875 | - |
| Export refinance | - | 210,000 |
| | <u>4,595,646</u> | <u>3,754,776</u> |
| Unsecured borrowings | | |
| IBL Future Technologies (Private) Limited - note 27.4 | 200,000 | 200,000 |
| Employees provident fund - note 27.5 | 161,000 | - |
| Employees provident fund - OBS Pakistan (Private) Limited - related party - note 27.6 | 18,000 | - |
| | <u>4,974,646</u> | <u>3,954,776</u> |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

- 27.1** The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 4,925 million (2019: Rs. 4,175 million) which include financing facilities obtained under Islamic mode amounting to Rs. 4,075 million (2019: Rs. 3,525 million). The arrangements are secured jointly by registered mortgage of Rs. 1,126.94 million (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. 6,889.23 million (2019: Rs. 4,071 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).
- 27.2** The amount utilised under the Islamic mode of financing amounted to Rs. 3,977.03 million (2019: Rs. 3,525 million).
- 27.3** The rates of mark-up ranged between 2.75% to 15.60% (2019: 2.75% to 12.7%) per annum.
- 27.4** This represents interest free loan which is repayable on demand.
- 27.5** Other than investment made from provident fund as stated in - note 26.4 the loan made to the Company carrying markup at the rate of 15% per annum, is not in accordance with the section 218 of the Companies Act, 2017.
- 27.6** This represents loan obtained from employees provident fund of OBS Pakistan (Private) Limited - related party, carrying markup at the rate of 15% per annum.

28. UNPAID DIVIDEND

This consists of unpaid dividend on account of:

| | Amount Rupees '000 |
|-------------------------------------|-------------------------------|
| - Bonus shares withheld - note 28.1 | 110,676 |
| - Unavailability of bank details | 30,190 |
| - Others | 236 |
| | <u>141,102</u> |

- 28.1** This includes dividend on bonus shares withheld pertaining to 125 shareholders on which stay from the Honorable High Court of Sindh has been obtained - refer note 10.1.1.

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

| | Name of the court, agency or authority | Description of the factual basis of the proceeding and relief sought | Principal parties | Date instituted |
|---------------|---|--|--|------------------------|
| 29.1.1 | High Court of Sindh | During the year ended June 30, 2014, Sindh Revenue Board (SRB) had imposed sales tax on toll manufacturing at the rate of 16% of sales value. The cumulative such sales tax amounts to Rs. 310.68 million. The matter has been contested in the High Court of Sindh. | The Company and The Federation of Pakistan | 2014 |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | Name of the court, agency or authority | Description of the factual basis of the proceeding and relief sought | Principal parties | Date instituted |
|--------|--|--|--|-----------------|
| 29.1.2 | High Court of Sindh | <p>Section 5A of Income Tax Ordinance, 2001 inserted through Section 5(3) of the Finance Act, 2015 requires the Company to charge income tax @ 10% on the reserves of the Company where they exceed an amount equivalent to the paid up capital. The Company has filed a suit for declaration and permanent injunction before the Court challenging the vires of the above said section.</p> <p>The Court passed an interim orders restraining the defendants from taking any coercive action as prayed. The case is at the stage of hearing of applications. The charge for the tax year 2016 amounts to Rs. 283.08 million.</p> | The Company and The Federation of Pakistan | 2015 |
| 29.1.3 | High Court of Sindh | <p>The Company has challenged the levy of Sindh Sales Tax on services of renting of immovable property which has been categorised as renting services by the SRB.</p> <p>The Company has challenged the levy on constitutional grounds taking the stance that renting of immovable property is not a “service” and therefore does not fall within the competence of SRB to tax through the Sindh Sales Tax on Services Act, 2011.</p> <p>Further, the Company has also taken the stance that the collection mechanism is ultra vires to the Act and therefore no coercive measures can be adopted against the Company for the collection of the impugned levy.</p> <p>The High Court of Sindh, on the basis of the representations made, has been pleased to grant an ad interim order to the Company restraining the defendants from taking any coercive action against the Company. The matter is presently pending on hearing of the case. The cumulative amount of such sales tax is Rs. 42.9 million.</p> | The Company and Province of Sindh | 2016 |
| 29.1.4 | High Court of Sindh | <p>A suit was filed to challenge the imposition of Sales Tax under Sales Tax Act, 1990 with respect to raw material being used for manufacturing pharmaceutical products inspite of such raw material being exempt in view of Entry No. 105 of the Sixth schedule of the Act.</p> | The Company and The Federation of Pakistan | 2014 |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | Name of the court, agency or authority | Description of the factual basis of the proceeding and relief sought | Principal parties | Date instituted |
|--------|--|--|--|-----------------|
| | | The Court issued interim orders restraining the defendants from collecting sales tax on raw material imported by the Company. It has been further asserted that the term “manufacture”, as stated in Sub-section 16 of Section 2 of the Sales Tax Act, 1990, adequately covers the present activity and exempts the Company from payment of Sales Tax on the Packaging utilised in the manufacture of drugs/ pharmaceuticals. The case is at the stage of hearing of applications. The cumulative impact of this levy amounts to Rs. 31.6 million. | | |
| 29.1.5 | High Court of Sindh | The Company has filed a petition against tax on bonus shares in the High Court of Sindh and expects a favourable outcome. For further detail, refer note 10.1.1 of these unconsolidated financial statements. | The Company and The Federation of Pakistan | 2015 |
| 29.1.6 | High Court of Sindh | Exemption provided to the companies falling under Group Relief (section 59B of Income Tax Ordinance, 2001), from tax on intercorporate dividend as mentioned under Clause 103A of Part I of the Second Schedule of the Income Tax Ordinance, 2001, is not applicable now on account of deletion of Section 59B from the said clause, through the Finance Act, 2016. | The Company and The Federation of Pakistan | 2017 to 2020 |
| | | The Company has filed petition against withholding tax on dividend received from the subsidiary companies in the High Court of Sindh and has obtained a stay order against the same. The total cumulative amount of withholding tax is Rs. 1,136.21 million. | | |
| 29.1.7 | | The Company is in the process of filing an appeal in Supreme Court of Pakistan against imposition of super tax for tax years 2015 to 2019 and expects a favourable outcome. For further detail, refer note 37.1 of these unconsolidated financial statements. | | |
| 29.1.8 | | The management, based on legal advice, is confident that the ultimate decisions in the above cases (notes 29.1.1 to 29.1.7) will be in favour of the Company, hence no provision has been made in respect of the aforementioned litigations. | | |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

29.2 Commitments

The facility for opening letters of credit and guarantees as at June 30, 2020 amounted to Rs. 2,105 million (2019: Rs. 2,180 million) of which the amount remaining unutilised as at year end amounted to Rs. 1,494 million (2019: Rs. 387 million).

| | 2020 | 2019 |
|--|--------------------------|--------------------------|
| | -----Rupees '000----- | |
| 30. REVENUE FROM CONTRACTS WITH CUSTOMERS | | |
| Gross sales | | |
| Local sale of goods - note 30.1 | 15,526,476 | 13,918,451 |
| Export sales | 2,299,165 | 1,831,388 |
| | <u>17,825,641</u> | <u>15,749,839</u> |
| Toll manufacturing | 285,000 | 288,635 |
| | <u>18,110,641</u> | <u>16,038,474</u> |
| Sales tax | (61,393) | (100,189) |
| | <u>18,049,248</u> | <u>15,938,285</u> |
| Less: | | |
| Discounts, rebates and allowances | 852,362 | 1,002,681 |
| Sales returns | 629,667 | 398,406 |
| | <u>1,482,029</u> | <u>1,401,087</u> |
| | <u><u>16,567,219</u></u> | <u><u>14,537,198</u></u> |

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

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

Consequent to the above, the Company challenged the prices for four of its products namely, Peditral, Gravinite, Metodine and Hydrylline set by DRAP in its Appellate Board and the Appellate Board under its orders dated 18 June, 20 June and 25 June 2019 rejected the said application of the Company. The Company has challenged the said orders in the Honourable High Court of Sindh and an interim order has been passed restricting DRAP from taking any coercive action against the Company. Exposure of the Company due to abovementioned litigation amounts to Rs. 1.27 billion (2019: Rs. 490.56 million).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| 31. COST OF SALES | | |
| Raw and packing material consumed | 5,565,668 | 4,020,639 |
| Processing charges - note 31.1 | 485,052 | 3,380,620 |
| Salaries, wages and benefits | 714,697 | 456,993 |
| Provision for staff gratuity (unfunded) | 4,779 | 3,532 |
| Provident fund contribution | 16,489 | 14,683 |
| Inventory written off - note 31.2 | 29,263 | 21,288 |
| Carriage and duties | 49,850 | 9,060 |
| Fuel, water and power | 207,792 | 138,118 |
| Rent, rate and taxes | 85,418 | 79,215 |
| Canteen expenses | 33,711 | 28,612 |
| Stationery and supplies | 53,032 | 27,944 |
| Travelling | 37,173 | 13,501 |
| Repairs and maintenance | 198,588 | 135,846 |
| Security expenses | 11,062 | 10,673 |
| Vehicle expenses | 8,286 | 8,615 |
| Insurance | 5,925 | 10,195 |
| Legal and professional charges | 19,808 | 9,944 |
| Depreciation | 191,872 | 126,455 |
| Medical expenses | 8,087 | 7,876 |
| Research cost | 76,990 | 75,605 |
| Others | 11,578 | 12,880 |
| | 7,815,120 | 8,592,294 |
| Add: Opening work-in-process | 96,524 | 101,792 |
| Less: Closing work-in-process | (133,341) | (96,524) |
| Cost of goods manufactured | 7,778,303 | 8,597,562 |
| Add: Opening inventory of finished goods | 489,744 | 720,050 |
| Add: Finished goods purchased | 425,360 | 865,299 |
| Less: Closing inventory of finished goods | (291,170) | (489,744) |
| | 8,402,237 | 9,693,167 |
| Less: Cost of samples | (107,050) | (76,305) |
| Cost of sales | 8,295,187 | 9,616,862 |

31.1 During the year, the Company discontinued toll manufacturing services obtained from its wholly owned subsidiary Searle Pharmaceuticals (Private) Limited.

31.2 This amount represents expired inventory written off.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---------------------------------------|-----------------------|------------------|
| | -----Rupees '000----- | |
| 32. DISTRIBUTION COSTS | | |
| Salaries, wages and benefits | 1,237,951 | 963,599 |
| Advertising and promotion - note 32.1 | 620,503 | 758,694 |
| Travelling and related | 447,124 | 491,859 |
| Carriage and duties | 301,889 | 286,108 |
| Bonus to salesmen | 263,272 | 241,548 |
| Samples | 254,158 | 336,373 |
| Stationery and printed materials | 84,091 | 86,648 |
| Vehicle running | 68,460 | 61,461 |
| Personal training and selection | 94,330 | 108,015 |
| Legal and professional | 53,428 | 42,352 |
| Services charges - note 32.2 | 97,696 | 42,466 |
| Fees and subscription | 51,099 | 32,617 |
| Communication | 23,964 | 21,504 |
| Provident fund contribution | 36,010 | 29,388 |
| Royalty - notes 32.3 & 32.4 | 1,587 | 43,448 |
| Insurance | 12,502 | 12,324 |
| Depreciation | 26,959 | 15,582 |
| Medical expenses | 19,248 | 8,150 |
| Replacement products | 18,379 | 36,536 |
| Rent, rate and taxes | 28,771 | 54,152 |
| Repairs and maintenance | 4,833 | 10,524 |
| Fuel, water and power | 10,170 | 4,386 |
| Canteen expenses | 2,444 | 4,492 |
| Security expenses | 1,191 | 825 |
| Others | 2,540 | 5,750 |
| | <u>3,762,599</u> | <u>3,698,801</u> |

32.1 This includes personal protective equipments purchased from IBL Frontier Market (Private) Limited - related party, amounting to Rs. 11.93 million, which were distributed to healthcare professionals as a part of CSR activity (refer - note 2.2).

32.2 These service charges mainly comprise of payments made to distributors for sale to institutions.

32.3 The Royalty pertains to M/s Sanofi Winthrop Industrie which is situated in France respectively. The Company only has a relation of licensor and licensee with the entity.

32.4 The Royalty is also stated net of receivable and payable amounting to Rs. 18.28 million from subsidiary - IBL Healthcare Limited.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|-----------------------|----------------|
| | -----Rupees '000----- | |
| 33. ADMINISTRATIVE EXPENSES | | |
| Salaries, wages and benefits | 274,809 | 221,918 |
| Corporate services charged by Holding Company | 240,000 | 216,000 |
| Legal and professional charges | 64,197 | 42,645 |
| Donation - notes 33.1, 33.2 & 33.3 | 144,442 | 104,158 |
| Depreciation | 82,179 | 75,416 |
| Reversal of Impairment provision on trade receivables | (88) | (1,915) |
| Repairs and maintenance | 56,860 | 43,009 |
| Rent, rate and taxes | 29,597 | 13,524 |
| Stationery and supplies | 12,301 | 11,508 |
| Amortisation | 44,033 | 43,286 |
| Fuel, water and power - note 33.4 | 1,846 | 28,783 |
| Insurance | 37,198 | 20,466 |
| Travelling | 22,326 | 17,867 |
| Auditors' remuneration - note 33.5 | 13,910 | 12,557 |
| Fees and subscription | 7,258 | 8,032 |
| Vehicle expenses | 10,576 | 13,609 |
| Canteen expenses | 2,150 | 2,123 |
| Provident fund contribution | 8,920 | 7,633 |
| Communication | 8,325 | 10,073 |
| Security expenses | 3,686 | 3,559 |
| Medical expenses | 3,593 | 3,609 |
| Provision for staff gratuity (unfunded) | 3,879 | 2,600 |
| Personal training and selection | 675 | 1,168 |
| Others | 9,228 | 7,736 |
| | 1,081,900 | 909,364 |

33.1 Donations to a single party exceeding 10% of total donations i.e. Rs. 14.44 million are as follows:

| | 2020 | 2019 |
|---|-----------------------|--------|
| | -----Rupees '000----- | |
| Arts Council of Pakistan | 21,625 | 23,200 |
| Sabaq Learning Foundation - related party | 15,000 | - |

33.2 During the year, the Company also donated Rs. 32.82 million to its other related parties:

| | 2020 | 2019 |
|------------------------|-----------------------|---------------|
| | -----Rupees '000----- | |
| The Citizen Foundation | - | 20,300 |
| Indus Hospital | 10,000 | - |
| AKAR Hospital | 8,374 | 17,167 |
| Hunar Foundation | 11,500 | - |
| | 29,874 | 37,467 |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

33.3 Following directors' interest in the above related parties is limited to the extent of their involvement as directors:

| Name of Related Party | Association |
|-----------------------------|--|
| - The Citizen Foundation | Mr. Adnan Asdar Ali and Mr. Rashid Abdulla - Directors |
| - Indus Hospital | Mr. Adnan Asdar Ali - member of General Body |
| - Hunar Foundation | Mr. Adnan Asdar Ali - Director |
| - Sabaq Learning Foundation | Mr. Adnan Asdar Ali - Trustee |

Moreover, the AKAR Hospital is being managed by the management of the Company.

33.3.1 The Directors or their spouse has no interest in any other donee entity.

33.4 This amount is stated net of fixed charges recovered from tenants in respect of provision of amenities.

| 33.5 Auditors' remuneration | 2020 | 2019 |
|---|-----------------------|---------------|
| | -----Rupees '000----- | |
| Audit fee (including consolidation) | 3,600 | 3,300 |
| Fee for review of interim financial information and Statement of Compliance with Code of Corporate Governance | 900 | 850 |
| Taxation services | 7,600 | 7,200 |
| Other certifications, attestations and other services | 1,420 | 850 |
| Out-of-pocket expenses | 390 | 357 |
| | <u>13,910</u> | <u>12,557</u> |

34. OTHER OPERATING EXPENSES

| | | |
|---|----------------|----------------|
| Workers' Profits Participation Fund - note 26.7 | 178,470 | 148,967 |
| Workers' Welfare Fund | 56,218 | 3,001 |
| Central Research Fund | 27,153 | 1,901 |
| | <u>261,841</u> | <u>153,869</u> |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| | -----Rupees '000----- | -----Rupees '000----- |
| 35. OTHER INCOME | | |
| Income from financial assets - related parties | | |
| Dividend income - subsidiary companies | | |
| IBL HealthCare Limited | 39,009 | 39,009 |
| Searle Pharmaceuticals (Private) Limited | - | 2,590,906 |
| Searle Biosciences (Private) Limited | 332,000 | 313,696 |
| Income from financial assets - others | | |
| Interest Income from Term Finance Certificates | 14,543 | - |
| | 385,552 | 2,943,611 |
| Income from non-financial assets | | |
| Facility management fee - note 35.1 | 252,000 | - |
| Rental income from investment property - note 35.2 | 91,144 | 132,811 |
| Government grant - note 24.1 | 8,571 | - |
| Exchange gain | 19,664 | - |
| Other rental income - note 35.3 | 3,492 | 3,837 |
| Gain on disposal of property, plant and equipment | 1,392 | 7,625 |
| Scrap sales | 18,370 | 10,498 |
| | 394,633 | 154,771 |
| Others | 92 | 1,532 |
| | 780,277 | 3,099,914 |

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

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| | -----Rupees '000----- | -----Rupees '000----- |
| 35.2 This includes rental income from related parties, which are as follows: | | |
| - United Retail (SMC- Private) Limited | 32,055 | 87,550 |
| - International Brands Limited | 13,048 | 10,680 |
| - International Franchises (Private) Limited | 12,651 | 11,840 |
| - IBL Operations (Private) Limited | 13,612 | - |
| - IBL Logistics (Private) Limited | 697 | - |
| - IBL Healthcare Limited | 1,204 | - |
| - IBL Unisys (Private) Limited | 695 | - |
| - United Distributors Pakistan Limited | 408 | - |
| - OBS Pakistan (Private) Limited | 2,814 | - |
| | 77,184 | 110,070 |

35.3 This represents income from International Franchises (Private) Limited - related party for use of operating assets of the Company.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|-----------------------|----------------|
| | -----Rupees '000----- | |
| 36. FINANCE COST | | |
| Bank charges | 23,933 | 27,342 |
| Interest on Workers' Profits Participation Fund - note 26.7 | 15,357 | 13,883 |
| Interest on: | | |
| Employees provident fund | 9,196 | - |
| Employees provident fund - OBS Pakistan (Private) Limited - related party | 1,036 | - |
| Exchange loss | - | 74,089 |
| Mark-up on: | | |
| - Long-term Borrowing | | |
| Others | - | 12,814 |
| Salary refinancing | 2,678 | - |
| - Short-term borrowing - note 36.1 | 568,792 | 299,908 |
| Unwinding of discount on long-term borrowing | 87 | - |
| Interest on lease liabilities | 20,412 | - |
| | <u>641,491</u> | <u>428,036</u> |

36.1 The amount of mark-up paid under Islamic mode of financing amounted to Rs. 497.09 million (2019: Rs. 287.65 million).

| | 2020 | 2019 |
|-------------------------------|-----------------------|----------------|
| | -----Rupees '000----- | |
| 37. INCOME TAX EXPENSE | | |
| Current tax | | |
| For the year | 854,474 | 188,234 |
| Prior year charge - note 37.1 | 81,925 | - |
| Deferred tax - note 9 | (86,998) | - |
| | <u>849,401</u> | <u>188,234</u> |

37.1 Subsequent to the year end, the petition filed by the Company against the imposition of super tax for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 for the tax years 2015 to 2019, in the High Court of Sindh was rejected vide order dated July 21, 2020. Consequently, Company received various notices from tax authorities for recoverability of super tax for the tax years 2015 to 2019 amounting to Rs. 485.19 million.

However, the Company has not made provision of full amount on the basis of the following contention:

- Applicability of super tax on Final Tax Regime (FTR) income.
- Taxability of dividend income in light of stay obtained from High Court of Sindh refer - note 29.1.6.
- Erroneous additions in the notices received.

Further, the Company in consultation with its legal and tax advisors is in the process of filing an appeal against the above decision of Honorable High Court of Sindh, in the Supreme Court of Pakistan. The Company expects a favourable outcome based on a legal advice.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|--|-----------------------|------------------|
| | -----Rupees '000----- | |
| 37.2 Relationship between tax expense and accounting profit | | |
| Profit before income tax | <u>3,304,478</u> | <u>2,830,180</u> |
| Tax at applicable rate of 29% (2019: 29%) | 958,299 | 820,752 |
| Effect of: | | |
| - final tax regime | (175,541) | (782,946) |
| - minimum tax | 96,770 | 163,820 |
| - tax credit | (25,054) | (13,392) |
| - super tax - note 37.1 | 81,925 | - |
| - deferred tax income | (86,998) | - |
| | <u>849,401</u> | <u>188,234</u> |

37.3 Current status of tax assessments

Tax Years 2009 to 2017

Deemed order under Section 120 of the Income tax Ordinance, 2001 for the above tax years were amended, where certain expenses / benefits were disallowed which mainly includes disallowance due to non-deduction of tax on Distributors margin, eligibility of claim made for Group Relief, finance cost on long-term loan as not being related to business income, receipts on termination of contract, advertisement expenses, salesman bonuses, discount given to group company, deemed interest income on interest-free loan given to group company and other expenses meeting the criteria of Section 21(c) of the Income Tax Ordinance, 2001 with reference to deduction of tax.

Appeals against the above orders are pending before Appellate Tribunal Inland Revenue (ATIR) except for tax years 2008 which is decided and the tax year 2014 which is pending before Commissioner Appeals.

Out of the above, majority of the issues have been decided in favour of the Company either by Commissioner Appeals or by ATIR in its decision for tax year 2008. Considering this position and in consultation with its tax advisors, the management is of the view that above issues will also be decided in favour of the Company. The impact of the above mentioned orders pending resolution amounts to approximately Rs. 1.09 billion.

| | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| 38. BASIC AND DILUTED EARNINGS PER SHARE | | |
| Profit for the year | <u>2,455,077</u> | <u>2,641,946</u> |
| Weighted average number of outstanding shares at the end of year (in thousands) | <u>212,425</u> | <u>212,425</u> |
| Basic and diluted earnings per share (Rupees) | <u>11.56</u> | <u>12.44</u> |

38.1 Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2020 and 2019 which would have any effect on the earnings per share if the option to convert is exercised.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|-----------------------|-------------|
| | -----Rupees '000----- | |
| 39. CASH GENERATED FROM OPERATIONS | | |
| Profit before income tax | 3,304,478 | 2,830,180 |
| Add / (less): Adjustments for non-cash charges and other items | | |
| Depreciation of property, plant and equipment | 224,123 | 162,976 |
| Depreciation of right-of-use assets | 19,906 | - |
| Depreciation of investment properties | 56,981 | 54,477 |
| Gain on disposal of property, plant and equipment | (1,392) | (7,625) |
| Amortisation | 44,033 | 43,286 |
| Provision for retirement benefits obligation | 8,658 | 6,132 |
| Government grant recognised in income | (8,571) | - |
| Unwinding of discount on long term borrowing | 87 | - |
| Interest on lease liabilities | 20,412 | - |
| Reversal of provision for impairment on trade receivables | (88) | (1,915) |
| Workers Welfare Fund and Workers Profit Participation Fund | 234,688 | 151,968 |
| Finance cost | 592,725 | 340,064 |
| Profit before working capital changes | 4,496,040 | 3,579,543 |
| Effect on cash flow due to working capital changes | | |
| (Increase) / decrease in current assets | | |
| Inventories | (438,237) | 99,656 |
| Trade receivables | (2,935,608) | (1,574,201) |
| Loans and advances | (195,111) | (189,652) |
| Trade deposits and short-term prepayments | (13,405) | (9,135) |
| Tax refunds due from Government - Sales Tax | 27,347 | (20,743) |
| Other receivables | 2,014,048 | (2,047,515) |
| | (1,540,966) | (3,741,590) |
| (Decrease) / Increase in current liabilities | | |
| Trade and other payables | (1,994,012) | 1,616,873 |
| | (3,534,978) | (2,124,717) |
| Cash generated from operations | 961,062 | 1,454,826 |
| | 2020 | 2019 |
| | -----Rupees '000----- | |
| 40. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances - note 20 | 299,624 | 204,547 |
| Short-term borrowing - note 27 | | |
| - Running finance under markup arrangement | (4,461,771) | (3,544,776) |
| - loan obtained from employees provident fund | (161,000) | - |
| - loan obtained from employees provident fund of OBS Pakistan (Private) Limited - related party | (18,000) | - |
| | (4,341,147) | (3,340,229) |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

41. SEGMENT INFORMATION

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

42. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | Chief Executive | | Executive Directors | | Executives | |
|-------------------------|-----------------------|--------|---------------------|--------|----------------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | -----Rupees '000----- | | | | | |
| Managerial remuneration | 25,543 | 23,220 | 13,147 | 11,952 | 188,808 | 152,359 |
| Housing allowance | 11,494 | 10,449 | 5,916 | 5,378 | 84,964 | 68,562 |
| Utility allowance | 2,554 | 2,322 | 1,315 | 1,195 | 18,881 | 15,236 |
| Bonus | 4,257 | 3,204 | 2,191 | 1,793 | 31,468 | 22,854 |
| Retirement benefits | 2,554 | 2,322 | 1,315 | 1,195 | 18,881 | 15,236 |
| Others | - | 302 | 104 | 191 | 5,904 | 6,856 |
| | 46,402 | 41,819 | 23,988 | 21,704 | 348,906 | 281,103 |
| Number of persons | 1 | 1 | 1 | 1 | 68 | 56 |

42.1 In addition to the above, the chief executive and some of the executives have been provided with free use of the Company maintained cars. Further, medical expenses are reimbursed in accordance with the Company's policies.

42.2 During the year, the Company has paid to five non-executive directors (2019: five) an aggregate amount of Rs. 57 thousand (2019: Rs. 32 thousand) as fee for attending board meetings.

43. TRANSACTIONS WITH RELATED PARTIES

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

| Nature of relationship | Nature of transactions | 2020 | 2019 |
|--|--------------------------------------|-----------------------|-----------|
| | | -----Rupees '000----- | |
| Holding company: | - Corporate service charges | 240,000 | 216,000 |
| | - Payment for Group tax relief | 137,089 | - |
| | - Computer expense | 2,643 | 441 |
| | - Rent income | 13,048 | 9,557 |
| | - Income from provision of amenities | 9,216 | 7,490 |
| | - Others | 135 | - |
| | Subsidiaries: | - Revenue | 482,268 |
| - Purchase of consumables | | - | 3,991 |
| - Outside processing charges | | - | 3,330,278 |
| - Short-term loan | | 125,750 | 516,902 |
| - Dividend income | | 371,009 | 2,943,611 |
| - Purchase of Property, plant and equipment | | 74,060 | - |
| - Royalty paid on behalf of IBL Healthcare Limited | | 5,464 | - |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| Nature of relationship | Nature of transactions | 2020 | 2019 |
|--|--|-----------------------|------------|
| | | -----Rupees '000----- | |
| | - Short-term borrowing | - | 28,100 |
| | - Advances refunded | 12,100 | - |
| | - Purchase of land | - | 400,500 |
| | - Rent income | 1,204 | - |
| | - Income from provision of amenities | 586 | - |
| | - Advance against financial assistance | 123,569 | 45,553 |
| Associates: | - Revenue | 13,739,955 | 12,282,406 |
| | - Salaries and wages | 4,436 | 775 |
| | - Purchases | 32,310 | 15,627 |
| | - Carriage and duties | 78,360 | 70,564 |
| | - Discounts claimed | 531,429 | 768,675 |
| | - Rent expense | 17,053 | 11,342 |
| | - Rent income | 62,931 | 63,142 |
| | - Income from provision of amenities | 38,367 | 72,541 |
| | - Inventory claims | 401,606 | 398,633 |
| | - Facility Management fee | 252,000 | - |
| | - Furnitures and Fixtures purchased | 31,580 | - |
| | - Purchase of personal protective equipments | 11,934 | - |
| | - Internet services | 3,279 | 5,627 |
| | - Architect fee | 7,604 | 3,295 |
| | - Advance against financial assistance | - | 1,500 |
| | - Repair and Maintenance | 807 | 7,893 |
| | - Software Maintenance | - | 20,289 |
| | - Payment for Group tax relief | 14,325 | - |
| | - Purchase of ERP software | - | 26,308 |
| | - Donation | 44,874 | 38,047 |
| | - Incentives to field force staff | 19,035 | 12,672 |
| | - Merchandise expense | 27,462 | 140,278 |
| | - Renovation | 13,749 | - |
| | - Others | 11,486 | - |
| Staff retirement benefits: | - Contributions to Provident Fund | 61,419 | 51,704 |
| Key management employees compensation: | - Salaries and other employee benefits | 66,521 | 60,006 |
| | - Contributions to Provident Fund | 3,869 | 3,517 |
| | - Sale of goods | 64 | - |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

43.1 The status of outstanding balances with related parties as at June 30, 2020 is included in the respective notes to the unconsolidated financial statements. These are settled in the ordinary course of business.

43.2 Following are the related parties including associated companies with whom the Company had entered into transactions or have arrangements / agreements in place:

| S. No. | Company name | Basis of Relationship | Aggregate % of shareholding |
|--------|--|----------------------------|-----------------------------|
| 1. | International Brands Limited | Parent | 56.60% |
| 2. | Searle Pharmaceuticals (Private) Limited | Subsidiary | 100% |
| 3. | Searle Biosciences (Private) Limited | Subsidiary | 100% |
| 4. | Searle Laboratories (Private) Limited | Subsidiary | 100% |
| 5. | IBL Identity (Private) Limited | Subsidiary | 100% |
| 6. | IBL Future Technologies (Private) Limited | Subsidiary | 100% |
| 7. | IBL Healthcare Limited | Subsidiary | 74.19% |
| 8. | Nextar Pharma (Private) Limited | Subsidiary | 87.20% |
| 9. | United Distributors Pakistan Limited | Group Company | N/A |
| 10. | International Franchises (Private) Limited | Group Company | N/A |
| 11. | IBL Operations (Private) Limited | Group Company | N/A |
| 12. | IBL Unisys (Private) Limited | Group Company | N/A |
| 13. | The IBL Company (Private) Limited | Common Directorship | N/A |
| 14. | Multinet (Private) Limited | Common Directorship | N/A |
| 15. | OBS Pakistan (Private) Limited | Close relative of Director | N/A |
| 16. | MyCart (Private) Limited | Group Company | N/A |
| 17. | United Brands Limited | Group Company | N/A |
| 18. | IBL Frontier Markets (Private) Limited | Group Company | N/A |
| 19. | Arshad Shahid Abdulla (Private) Limited | Close relative of Director | N/A |
| 20. | United Retail (SMC-Private) Limited | Close relative of Director | N/A |
| 21. | AKAR Hospital | Managing Company | N/A |
| 22. | Indus Hospital | Close relative of Director | N/A |
| 23. | Sabaq Learning Foundation | Common Directorship | N/A |

44. PLANT CAPACITIES AND ACTUAL PRODUCTION

The capacity and production of the Company's plants are indeterminable as these are multi-product and involve varying processes of manufacture.

45. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

45.1 Financial risk factors

The Company's activities expose it to variety of financial risks namely market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as manage financial risk to minimise earnings volatility and provide maximum return to shareholders.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

45.2 Financial assets and liabilities by category and their respective maturities

| | 2020 | | | 2019 | | |
|---|-------------------------|-------------------------|-------------------|-------------------------|-------------------------|-------------------|
| | Maturity up to one year | Maturity after one year | Total | Maturity up to one year | Maturity after one year | Total |
| -----Rupees '000----- | | | | | | |
| Financial assets | | | | | | |
| Loans and receivables | | | | | | |
| Loans, advances and deposits | 4,221,289 | 7,754 | 4,229,043 | 4,093,323 | 7,666 | 4,100,989 |
| Trade receivables | 7,801,828 | - | 7,801,828 | 4,866,132 | - | 4,866,132 |
| Other receivables | 1,063,601 | - | 1,063,601 | 3,077,649 | - | 3,077,649 |
| Bank balances | 294,114 | - | 294,114 | 201,810 | - | 201,810 |
| Cash in hand | 5,510 | - | 5,510 | 2,737 | - | 2,737 |
| At Cost | | | | | | |
| Short-term investment | - | 100,000 | 100,000 | - | - | - |
| Long-term investments | - | 1,686,186 | 1,686,186 | - | 1,686,186 | 1,686,186 |
| | 13,386,342 | 1,793,940 | 15,180,282 | 12,241,651 | 1,693,852 | 13,935,503 |
| Financial liabilities | | | | | | |
| Long-term borrowing | 316,000 | - | 316,000 | - | - | - |
| Trade and other payables | 2,511,716 | - | 2,511,716 | 4,341,306 | - | 4,341,306 |
| Borrowings | 4,974,646 | - | 4,974,646 | 3,754,776 | - | 3,754,776 |
| Unpaid dividend | 141,102 | - | 141,102 | 112,062 | - | 112,062 |
| Unclaimed dividend | 43,544 | - | 43,544 | 38,287 | - | 38,287 |
| | 7,987,008 | - | 7,987,008 | 8,246,431 | - | 8,246,431 |
| On reporting date gap | 5,399,334 | 1,793,940 | 7,193,274 | 3,995,220 | 1,693,852 | 5,689,072 |
| Net financial (liabilities) / assets | | | | | | |
| Interest bearing | (4,279,646) | - | (4,279,646) | (3,754,776) | - | (3,754,776) |
| Non-interest bearing | 9,678,980 | 1,793,940 | 11,472,920 | 7,749,996 | 1,693,852 | 9,443,848 |

a) Market Risk

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As per market practices, Company's borrowings are on variable interest rate exposing the Company to interest rate risk.

At June 30, 2020, the Company has variable interest bearing financial liabilities of Rs. 4.91 billion (2019: Rs. 3.75 billion), and had the interest rate varied by 200 basis points with all the other variables held constant, profit before income tax for the year would have been approximately Rs. 98.2 million (2019: Rs. 75 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

(ii) Foreign exchange risk

Foreign currency risk arises mainly where payables and receivables exist due to transactions in foreign currencies. The Company's exposure to exchange risk comprise mainly due to receivable, payable and bank balance maintained in foreign currency account. At June 30, 2020, trade and other payables of Rs. 481.13 million (2019: Rs. 708.95 million), trade receivables of Rs. 448.33 million (2019: Rs. 307.29 million) and bank balance of Rs. 0.13 million (2019: Rs. 0.13 million) are exposed to foreign currency risk.

As at June 30, 2020, if the Pakistan Rupee had weakened / strengthened by 2% against foreign currency with all other variables held constant, profit before income tax for the year would have been lower / higher by Rs. 0.66 million (2019: Rs. 8.02 million), as a result of foreign exchange gains / losses on translation of foreign currencies denominated trade and other payables, and trade receivables.

The sensitivity of foreign exchange rates looks at the outstanding foreign exchange balances of the Company only as at the unconsolidated statement of financial position date and assumes this is the position for a full twelve-month period. The volatility percentages for movement in foreign exchange rates have been used due to the fact that historically (five years) rates have moved on average basis by the mentioned percentages per annum.

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to individual financial instruments company, its issuer, or factors affecting all similar financial instrument traded in the market. The Company has no investment as at June 30, 2020 which is subject to a change in market price.

b) Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 15,180 million (2019: Rs. 13,892 million) the financial assets exposed to credit risk amounts to Rs. 13,544 million (2019: Rs. 12,348 million). The carrying values of financial assets are as under:

| | 2020 | 2019 |
|------------------------------------|-----------------------|-------------------|
| | -----Rupees '000----- | |
| Loans and advances - notes 11 & 15 | 4,200,458 | 4,125,443 |
| Trade deposits - notes 12 & 16 | 83,936 | 77,444 |
| Trade receivables - note 14 | 7,801,828 | 4,866,132 |
| Other receivables - note 17 | 1,063,601 | 3,077,649 |
| Bank balances | 294,114 | 201,810 |
| Short-term investment - note 18 | 100,000 | - |
| | <u>13,543,937</u> | <u>12,348,478</u> |

Trade receivables of the Company are not exposed to significant credit risk as the major amount is due from IBL Operations (Private) Limited - an associated company. However, the Company has established policies and procedures for timely recovery of trade receivables. With respect to parties other than affiliates, the Company mitigates its exposure and credit risk by applying credit limits to its customers.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

Deposits, loans, advances and other receivables are not exposed to any material credit risk as loans and advances mainly relate to subsidiary companies amounting to Rs. 4,144.06 million (2019: Rs. 4,021.71 million) and other receivables mainly pertains to related parties amounting to Rs. 708.17 million (2019: Rs. 2,690.77 million).

Bank balance represent low credit risk as major balances are placed with banks having credit ratings of A or above as assigned by PACRA or JCR-VIS.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The management believes that it will be able to fulfill its financial obligations.

d) Fair values of the financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

45.3 Capital risk management

The Company's objectives when managing capital are to safeguard company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

The debt to capital ratio are as follows:

| | 2020 | 2019 |
|-------------------------|-----------------------|------------|
| | -----Rupees '000----- | |
| Total borrowings | 5,290,646 | 3,954,776 |
| Cash and bank - note 20 | (299,624) | (204,547) |
| Net debt | 4,991,022 | 3,750,229 |
| Equity | 16,870,818 | 14,517,905 |
| Total capital | 21,861,840 | 18,268,134 |
| Debt to capital ratio | 23% | 21% |

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

| 46. NUMBER OF EMPLOYEES | 2020 | 2019 |
|--|-------|-------|
| 46.1 Number of employees as at June 30 | | |
| Permanent | 2,273 | 2,051 |
| Contractual | 50 | 47 |
| | 2,323 | 2,098 |
| 46.2 Average number of employees during the year | | |
| Permanent | 2,226 | 2,022 |
| Contractual | 49 | 51 |
| | 2,275 | 2,073 |

47. CORRESPONDING FIGURES

Following corresponding figures have been reclassified, for the purpose of comparison:

| | Rupees '000 |
|-------------------------------------|-------------|
| From: | |
| - Discounts, rebates and allowances | (277,000) |
| To: | |
| - Local sales of goods | (277,000) |

48. SUBSEQUENT EVENTS

48.1 DIVIDEND

The Board of Directors of the Company in the meeting held on September 28, 2020, has approved the following appropriation:

| | 2020 | 2019 |
|---|-----------------------|---------|
| | -----Rupees '000----- | |
| - Cash dividend of Rs. 2.5 (June 30, 2019: Rs. 2.5) per share | 531,063 | 531,063 |

This would be recognised in the Company's financial statements in the year in which such dividend and distribution are paid.

48.2 ACQUISITION OF OBS PAKISTAN (PRIVATE) LIMITED

Subsequent to the year end on August 24, 2020, the Company acquired OBS Pakistan (Private) Limited (OBS), engaged in manufacturing and sales of pharmaceutical products, from Universal Ventures (Private) Limited (UVPL) - related party. The approval of acquisition was obtained in the Company's Extra-Ordinary General Meeting (EOGM) on May 18, 2020.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended June 30, 2020

The consideration for the above transaction contains the following:

| | Rupees in million |
|---|----------------------|
| Payment at the time of share transfer of UVPL | 3,250 |
| Deferred payment on a maximum period of three years | 5,350 |
| Equity injection in OBS for the purposes of setting and swapping the finance facility availed by OBS from Habib Bank Limited (HBL), through availing a new finance facility in the form of Musharaka Agreement from HBL itself. | 7,200 |
| | <u>15,800</u> |

48.3 NUTRITION BUSINESS

Subsequent to the year end, the Company transferred its “Nutrition” business to its wholly owned subsidiary - IBL Identity (Private) Limited. The business relates to sales of formula milk for infants.

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue by the Board of Directors on September 28, 2020



Chief Executive



Director



Chief Financial Officer

Consolidated Financial Statements

| | |
|--|-----|
| Directors' Report | 118 |
| Directors' Report (Urdu) | 133 |
| Auditors' Review Report to the Members | 134 |
| Consolidated Statement of Financial Position | 139 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 140 |
| Consolidated Statement of Changes in Equity | 142 |
| Consolidated Statement of Cash Flows | 143 |
| Notes to the Consolidated Financial Statements | 144 |

Consolidated Directors' Report to the Members

The Directors take pleasure in presenting the annual report together with the audited financial statements of the holding company for the year ended June 30, 2020.

The Directors' Report has been prepared in accordance with section 227 of the Companies Act, 2017 and Chapter XII of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

This report is to be submitted to the members at the 55th Annual General Meeting of the Company to be held on October 28, 2020.

OVERVIEW

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

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

Pharmaceutical sales in Pakistan grew at an annual growth rate of 13.23% worth nearly USD 3.1 billion (PKR 425 billion), with more than 650 companies operating in the sector, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, infrastructure investment,

technological advancements, evolving care models, higher life expectancy and increased incidence of chronic diseases and as well as new healthcare risks introduced during the pandemic.

Despite this, the pharmaceutical industry is unable to achieve its full potential, due to high reliance of imported APIs, fluctuation in exchange rates, low per capita expenditure, and low prices in terms of global environment. Although the industry is contributing 1% of their PBT to government for conducting R&D, a lot can be desired on the front of research and development.

OPERATING RESULTS

Searle is a company that has always focused on improving the lives of patients by offering them quality healthcare solutions. We have always placed the benefit of the patients and our stakeholders at the forefront and we are proud of the impact of our efforts.

Searle has recorded a 6-year (FY14-20) CAGR of 14% in its revenue and 10% in profit after tax. This growth in revenue is on the back of consistent growth in volumes and a diversified product range along with positive impact of DRAP pricing policy, which is now linked with annual Consumer Price Index (CPI).

The increased revenues have resulted in a higher market share for Searle, as during FY19 the holding company had a market share of 5.3%, which has now increased up to 6.5% as per industry sales value of Q1-2020, which is second highest in the entire Pakistan pharmaceutical industry.

COVID-19 pandemic has wreaked-havoc across the world with around 30 million cases and nearly a million deaths recorded, with no vaccine recognized by the World Health Organization (WHO), which can provide immunity against the virus. Nevertheless, the holding company has successfully entered into an exclusive licensing and marketing agreement with Beximco Pharmaceuticals to sell Remdesivir, with the name of Bemsivir, in the local market. Remdesivir has proven to be a very effective tool against the virus, as it shortened the recovery time of patients.

During this difficult and challenging times, which had severe repercussions on Pakistan as well as on the global economic environment, Searle secured an impressive performance during the year ended June 30, 2020. The holding company reported revenue of PKR 20.47 billion, registering a growth of 13%. Profit from operations increased to PKR 4.34 billion, while profit after tax of the holding company increased by 12% to PKR 2.54 billion.

| | June 30, | |
|--------------------------|----------------------|-------------|
| | 2020 | 2019 |
| | (Rupees in thousand) | |
| Revenue | 20,474,842 | 18,062,107 |
| Cost of sales | (10,769,089) | (9,462,243) |
| Gross Profit | 9,705,753 | 8,599,864 |
| Operating expenses | (5,606,056) | (5,388,217) |
| Other operating expenses | (261,841) | (174,994) |
| Other income | 505,957 | 234,445 |
| Profit from operations | 4,343,813 | 3,271,098 |
| Finance cost | (684,953) | (438,870) |
| Profit before tax | 3,658,860 | 2,832,228 |
| Income tax expense | (1,110,813) | (566,932) |
| Profit after taxation | 2,548,047 | 2,265,296 |

The holding company's hefty organic growth was driven by expanding doctor coverage, maturing product portfolio, introduction of new brands, higher volumes, richer product mix, branding efforts and strengthened demand. As well as utilizing the increased healthcare expenditure mindset of the public at large due to COVID-19. Further, tighter control over costs and expenses contributed towards improved financial performance of the holding company.

SUBSIDIARIES OF THE HOLDING COMPANY

Following are the subsidiary companies:

Listed Company

- IBL HealthCare Limited

Unlisted Companies

- Searle Pharmaceuticals (Private) Limited
- Searle Laboratories (Private) Limited
- Searle Biosciences (Private) Limited
- IBL Identity (Private) Limited
- IBL Future Technologies (Private) Limited
- Nextar Pharma (Private) Limited

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 11.77 (2019: Rs. 10.55). 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 June 30, 2020.

DIVIDEND

The Board of Directors has recommended cash dividend of 25% for the year ended June 30, 2020. During the previous year ended June 30, 2019, the holding company declared cash dividend of 25% as well.

FINANCIAL STATEMENTS AND AUDITORS

The present auditors, Messrs. A.F. Ferguson & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as the Auditors of the holding company for the financial year ending June 30, 2020, at a mutually agreed fee.

HOLDING COMPANY

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

| Principal place of business | Effective %age of holding | |
|-----------------------------|---------------------------|---------------|
| | June 30, 2020 | June 30, 2019 |
| Pakistan | 74.19% | 74.19% |
| | 100.00% | 100.00% |
| | 100.00% | 100.00% |
| | 100.00% | 100.00% |
| | 100.00% | 100.00% |
| | 100.00% | 100.00% |
| | 87.20% | 87.20% |

PATTERN OF SHAREHOLDING

The pattern of shareholding along with categories of shareholders as at June 30, 2020 as required under section 227 of the Companies Act, 2017 and Listing Regulations is presented on pages 201 to 205 of the annual report 2020.

Trading of shares by Directors, CFO, Company Secretary etc. The holding company's shares are traded on Pakistan Stock Exchange Limited. The Directors, CEO, Company Secretary and CFO and executives, their spouses and minor children did not carry out any trade in the shares of the holding company.

BUSINESS CONDUCT

Searle's business practices are based on integrity, transparency and compliance with applicable laws and regulations.

Our values and expectations are more than just words. Together they help guide us to our goal to be one of the world's most innovative, best performing and trusted healthcare companies. They shape our culture and guide our actions and decision making, so we can maintain the trust of the people who rely on us each and every day – our patients and consumers. It's up to all of us, every day, to keep Searle the kind of company we can all be proud to be a part of. We seek to understand and meet our customers' needs, whilst seeking continuous improvement in all spheres of business operations.

We do the right thing for our patients and consumers and strive for the highest quality. We work with our partners to improve healthcare and find new medicines and vaccines. Regardless of our role, we understand how our work affects patients and consumers.

PRODUCT QUALITY

Consumers trust and confidence on Searle's products is our most valuable asset. We recognize that pharmaceutical manufacturing bears many inherent risks and that any mistake in product design or production can be severe, even fatal,

therefore, the maintenance of quality is our utmost priority and moral responsibility.

We are committed to our duty towards safeguarding the patient's well-being, and assure that all operations associated with manufacture of medicinal products are of a standard that ensures the patient's expectations of safety and efficacy.

CORPORATE AND SOCIAL RESPONSIBILITY

The horizon of our duties does not end with the creation of wealth for our stakeholders. At Searle, our aim has always been to make useful contributions to the economy we operate in. One of the primary areas of focus has been creation of employment opportunities to support a large industrial and sales workforce.

The holding company operates in a socially responsible manner. Accordingly, the holding company's CSR program has a wide scope encompassing initiatives in the areas of healthcare, education, child welfare and other social welfare activities.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

We, at Searle, recognize the importance of safe and secure environment and consider it our duty to ensure that people who work for us know how to work safely and without any risks to their health. The health and safety of our employees and visitors is a high priority for the holding company. Therefore, hazards associated with operations are continuously identified, assessed and managed to eliminate or reduce risks.

INFORMATION TECHNOLOGY

To cater the growing business needs of the holding company, and in line with our continuous endeavors to regularly upgrade information systems, we continued with our policy to invest more and more in information technology. We have successfully deployed the most powerful business management system 'SAP' to further strengthen our business operations.

WEBSITE

All our stakeholders and public can visit The Searle Company Limited's website, www.searlecompany.com, which has a dedicated section for investors containing information related to annual, half yearly and quarterly financial statements.

RELATED PARTY TRANSACTIONS

All related party transactions, during the year 2020, were placed before the Audit Committee and the Board for their review and approval. These transactions were duly approved by the Audit Committee and the Board in their respective meetings. All these transactions were in line with the transfer pricing methods and the policy with related parties approved by the board previously. The holding company also maintains a full record of all such transactions, along with the terms and conditions. For further details, please refer note 43 to the financial statements.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The stock exchange has included in their Listing Rules and Listed Companies Regulations issued by the Securities & Exchange Commission of Pakistan. The holding company has adopted the code and is implementing the same in letter and spirit.

TRADING OF SHARES BY DIRECTORS, CFO, COMPANY SECRETARY AND EXECUTIVES ETC.

The holding company's shares are traded on Pakistan Stock Exchange Limited. The Directors, CEO, Company Secretary and CFO and executives, their spouses and minor children did not carry out any trade in the shares of the holding company except the following executives:

| Name | Shares Purchased | Shares Disposed |
|----------------------|------------------|-----------------|
| Mr. Moujoodul Hassan | 1,700 | 700 |
| Mr. Fakher-e-Alam | - | 2,000 |

DIRECTORS' TRAINING PROGRAM

The directors either have already attended the directors' training as required in previous years or meet the exemption criteria as contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

In order to ensure that adequate internal controls are deployed by the holding company for safeguarding of holding company's assets, compliance with laws and regulations and reliable financial reporting, the Board of Directors has outsourced the internal audit function to Grant Thornton Anjum Rahman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the holding company.

CODE OF CONDUCT

The Board of Directors of the holding company has adopted a code of conduct. All employees are informed and aware of this and are required to observe these rules of conduct in relation to business and regulations.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the holding company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the holding company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The holding company maintains a sound internal control system which gives reasonable

- assurance against any material misstatement or loss. The internal control system is regularly reviewed.
- There are no significant doubts upon the holding company's ability to continue as a going concern.
 - There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
 - There has been no departure from the best practices of transfer pricing.

The key operating and financial data for the six years is tabulated as follows:

| | 2020 | 2019 | 2018 | 2017 (Re-stated) | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|---------------------|-------------------|------------------|
| ASSETS EMPLOYED | | | | | | |
| Property, plant and equipment | 4,415,663 | 3,786,177 | 2,692,524 | 2,254,788 | 1,528,607 | 688,354 |
| Right of use assets | 121,515 | - | - | - | - | - |
| Intangible assets | 328,533 | 365,268 | 384,661 | 397,709 | 254,473 | 39,845 |
| Investment properties-at cost | 2,571,674 | 2,724,116 | 2,871,818 | 2,584,202 | 2,607,507 | 2,614,906 |
| Long-term investments- subsidiaries | - | - | - | - | - | 187,792 |
| Long-term loans and deposits | 11,182 | 13,895 | 1,682,189 | 1,020,405 | 325,560 | 100,300 |
| Deferred assets | - | - | - | 1,894 | - | - |
| Assets classified as held for sale | 88,064 | 75,500 | - | - | - | - |
| Net current assets | 9,055,298 | 6,711,339 | 3,897,703 | 3,817,731 | 3,956,256 | 2,397,902 |
| Total assets employed | 16,591,929 | 13,676,294 | 11,528,895 | 10,076,729 | 8,672,403 | 6,029,099 |
| FINANCED BY | | | | | | |
| Issued, subscribed and paid-up capital | 2,124,253 | 2,124,253 | 1,847,177 | 1,539,314 | 1,227,523 | 858,407 |
| Reserves and unappropriated profit | 11,516,719 | 9,514,903 | 8,477,432 | 7,335,404 | 6,185,481 | 3,842,263 |
| Shareholder's equity | 13,640,972 | 11,639,156 | 10,324,609 | 8,874,718 | 7,413,004 | 4,700,670 |
| Surplus on revaluation of fixed assets | 1,846,153 | 1,437,936 | 675,001 | 493,079 | 296,961 | 296,961 |
| Non-controlling Interest | 475,408 | 442,137 | 451,963 | 422,867 | 390,725 | 318,627 |
| Long-term and deferred liabilities | 629,396 | 157,065 | 77,322 | 286,065 | 571,713 | 712,841 |
| Total capital employed | 16,591,929 | 13,676,294 | 11,528,895 | 10,076,729 | 8,672,403 | 6,029,099 |
| Turnover | 20,474,842 | 18,062,107 | 16,148,468 | 13,309,651 | 11,328,239 | 9,048,041 |
| Profit before tax | 3,658,860 | 2,832,228 | 3,254,423 | 2,880,416 | 2,679,203 | 1,908,819 |
| Profit after tax | 2,548,047 | 2,265,296 | 2,716,600 | 2,393,075 | 2,058,373 | 1,452,391 |
| Profit after tax as % of turnover | 12.44 | 12.54 | 16.82 | 17.98 | 18.17 | 16.05 |
| Profit after tax as % of capital employed | 15.36 | 16.56 | 23.56 | 23.75 | 23.73 | 24.09 |
| Dividends | | | | | | |
| Cash (%) | 25 | 25 | 50 | 100 | 50 | 20 |
| Stock (%) | NIL | NIL | 15 | 30 | 24 | 20 |

COMPOSITION OF THE BOARD OF DIRECTORS

There have been seven directors on the Board. The composition of the board as at June 30, 2020 is as follows:

| | Category | Names |
|-----|-------------------------|----------------------------|
| i | Independent Director | Mrs. Shaista Khaliq Rehman |
| ii | Non-executive Directors | Mr. Adnan Asdar Ali |
| | | Mr. Rashid Abdulla |
| | | Mr. Ayaz Abdulla |
| | | Mr. Asad Abdulla |
| iii | Executive Directors | Mr. Syed Nadeem Ahmed |
| | | Mr. Zubair Palwala |

During the year, the casual vacancy created by Mr. Husain Lawai was filled by Ms. Shaista Khaliq as an independent director.

No person other than those mentioned above, have at any time during the year ended June 30, 2020 served as the director of the holding company.

MEETINGS OF THE BOARD OF DIRECTORS

During the year, nine meetings of the Board of Directors were held. The attendance at meetings of the board members is summarized as under:

| Name of Director | Meetings attended |
|----------------------------|-------------------|
| Mr. Adnan Asdar Ali | 9 |
| Mr. Rashid Abdulla | 6 |
| Mrs. Shaista Khaliq Rehman | 8 |
| Mr. Syed Nadeem Ahmed | 9 |
| Mr. Zubair Palwala | 8 |
| Mr. Ayaz Abdulla | 9 |
| Mr. Asad Abdulla | 8 |

AUDIT COMMITTEE

The Committee comprises of three non-executive Directors. The Chairperson of the committee is also an independent director.

During the year, six meetings of audit committee were held, the attendance of which is as follows:

| Name of director | Meetings attended |
|----------------------------|-------------------|
| Mrs. Shaista Khaliq Rehman | 6 |
| Mr. Adnan Asdar Ali | 6 |
| Mr. Asad Abdulla | 5 |

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Committee comprises of four non-executive members. The Chairperson of the committee is an independent director. During the year, no meeting of the committee was held.

DIRECTORS REMUNERATION

The significant features and key elements of directors' remuneration are as follows:

- Non-executive directors are only entitled to receive fees in lieu of remuneration in respect of the board and committee meetings attended by them.
- The board is authorized to determine the remuneration of its Directors for attending meetings of the board and committee.

SUBSEQUENT EVENTS

Subsequent to the year end on 24th August 2020, the holding company acquired OBS Pakistan (Private) Limited (OBS), engaged in manufacturing and sales of pharmaceutical products, from Universal Ventures (Private) Limited (UVPL) - related party. The approval of acquisition was obtained in the Company's Extra-Ordinary General Meeting (EOGM) on May 18, 2020.

VALUE OF INVESTMENTS

The value of investment of provident fund based on their un-audited / audited accounts as on June 30, 2020 and June 30, 2019 respectively was as follows:

| | 2020 | 2019 |
|----------------|---------|---------|
| | Rs '000 | |
| Provident Fund | 708,917 | 554,984 |

FUTURE OUTLOOK

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

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

For and on behalf of the Board



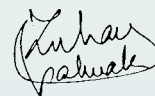
Syed Nadeem Ahmed
Chief Executive Officer

Karachi: September 28, 2020

The holding company's acquisition of OBS, is one of the most instrumental purchases in pharmaceutical industry of Pakistan. It is one of Pakistan's top private limited pharmaceutical company in healthcare sector and is a leading producers of iron sucrose injections with the brand name of Venofer. OBS is also the manufacturer of Decadron (Dexamethane), which is considered as a drug to decrease the mortality rate in COVID-19 patients.

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.

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

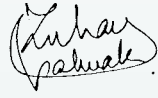


Zubair Palwala
Director

مزید یہ کہ حد سے زیادہ باقاعدگی سے ادویات کی قیمتوں کا تعین کرنے کے طریقہ کار اور خوردہ قیمتوں میں اتنا چڑھاؤ ہمارے لئے خاصی اہمیت کا باعث ہے۔ مصنوعات کی نئی منظوریوں میں تاخیر سے مجموعی طور پر انڈسٹری کو بھی اہم خطرہ لاحق ہے۔ تاہم، حالیہ سیاسی منظر نامے میں تبدیلی کے ساتھ ہمیں مستقبل کے معاشی رجحانات کا جائزہ لینے کے لئے انتظار کرنا پڑے گا اور اسی کے مطابق اپنی حکمت عملیوں میں ترمیم کی ضرورت ہوگی۔ طویل المیعاد بنیادوں پر، سرل ابھرتے ہوئے پورٹ فولیوز پر توجہ مرکوز کر رہی ہے جن میں بائیو سملرز، طبی آلات، نیوٹراسیوٹیکلز اور جینوم سائنسز شامل ہیں۔

سرل میں ہم سب انتہائی دلچسپی سے اور مستقل بنیادوں پر جوش و خروش سے اپنا حصہ ڈالنے کے لئے تیار ہیں۔ اسی طرح ہمارے شراکت دار، سپلائرز اور صارفین بھی اسی جذبے کا اظہار کرتے ہیں، جس کے لئے ہم شکر گزار ہیں اور آئندہ کے تعاون کے لئے اسی جوش و جذبے کی توقع کرتے ہیں۔ ہم یقین دہانی کراتے ہیں کہ، سرل اپنے سے وابستہ ہر فرد کو طویل مدتی اور پائیدار ترقی کی فراہمی کے لئے سخت جدوجہد اور لگن سے کوشاں رہیں گے۔

برائے اور بورڈ کی جانب سے



زبیر پال والا
ڈائریکٹر



سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی: 28 ستمبر 2020

ہیومن ریسورس اور ریمونریشن کمیٹی

کمیٹی 4 نان ایگزیکٹو ممبران پر مشتمل ہے۔ کمیٹی کا چیئر پرسن آزاد ڈائریکٹر ہوتا ہے۔ سال کے دوران کمیٹی کا کوئی اجلاس منعقد نہیں ہوا۔

ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کے معاوضے کی اہم خصوصیات اور کلیدی عناصر حسب ذیل ہیں:

- صرف نان ایگزیکٹو ڈائریکٹرز ہی بورڈ اور کمیٹیوں کے اجلاسوں میں شرکت کے سلسلے میں معاوضے کے طور پر فیس وصول کرنے کا حق رکھتے ہیں۔
- بورڈ اپنے ڈائریکٹرز کی جانب سے بورڈ اور کمیٹی کے اجلاسوں میں شرکت کے لئے معاوضے کا تعین کرنے کا مجاز ہے۔

بعد ازاں ہونے والے واقعات

24 اگست 2020 کو سال کے اختتام کے بعد، ہولڈنگ کمپنی نے OBS پاکستان (پرائیویٹ) لمیٹڈ کمپنی جو دو سازی کی تیاری اور فروخت میں مصروف ہے اسے یونیورسل وینچرز (پرائیویٹ) لمیٹڈ (UVPL) وابستہ پارٹی سے حاصل کیا۔ اس حصول کی منظوری 18 مئی 2020 کو منعقدہ کمپنی کے غیر معمولی عام اجلاس (ای او جی ایم) میں دی گئی۔

سرمایہ کاری کی قدر و قیمت

پروویڈنٹ فنڈ کی سرمایہ کاری کی قدر و قیمت ان کے غیر آڈٹ شدہ / آڈٹ شدہ حسابات کی بنیاد پر 30 جون، 2020 اور 30 جون، 2019 کو بالترتیب درج ذیل تھی:

| 2019 | 2020 |
|--------------|---------|
| 554,984 | 708,917 |
| Rs '000 | |
| پروویڈنٹ فنڈ | |

مستقبل پر ایک نظر

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

آگے بڑھتے ہوئے، ہم خصوصاً جزک برانڈڈ پورٹ فولیو کا حصہ بڑھانے اور مختلف مصنوعات پر توجہ مرکوز کئے ہوئے ہیں۔ یہ بھی قابل تحسین ہے کہ ریگولیشنری منظوری کے عمل کے مختلف مراحل میں سرل کے پاس 200 سے زائد نامیاتی مصنوعات ہیں جس میں متنوع ادویات کا پورٹ فولیو اور مضبوط منافع بخش مارجن ہے۔ مقامی مارکیٹ میں کمپنی نے گذشتہ برسوں میں امراض قلب، نزلہ اور کھانسی، ذیابیطس، نوزائیدہ فارمولہ، حیاتیاتی اور اینٹی بائیوٹک کے علاج معالجے میں مستحکم جگہ بنالی ہے۔

ہولڈنگ کمپنی کا ادبی ایس کا حصول، پاکستان کی فارماسیوٹیکل انڈسٹری میں سب سے زیادہ معاون خریداری ہے۔ یہ صحت کی دیکھ بھال کے شعبے میں پاکستان کی ایک اعلیٰ نجی لمیٹڈ فارما کمپنی میں سے ایک ہے اور وینوفر کی برانڈ نام کے ساتھ آرن سو کروڑا انجیکشن کی صف اول کی فراہم کنندہ ہے۔ ادبی ایس ڈیکاڈرون (ڈیکسامیٹھاسون) بھی بناتا ہے، جو COVID-19 کے مریضوں میں اموات کی شرح کو کم کرنے کی موزوں دوا سمجھا جاتا ہے۔

بورڈ آف ڈائریکٹرز کی تشکیل

بورڈ میں سات ڈائریکٹر موجود ہیں۔ بورڈ کی تشکیل 30 جون 2020 کے مطابق مندرجہ ذیل ہے:

| نام | کیٹیگری | |
|----------------------|-------------------------|-----|
| مسز شائستہ خلیق رحمن | آزاد ڈائریکٹر | i |
| جناب عدنان اصدر علی | نان۔ ایگزیکٹو ڈائریکٹرز | ii |
| جناب راشد عبد اللہ | | |
| جناب ایاز عبد اللہ | | |
| جناب اسد عبد اللہ | | |
| جناب سید ندیم احمد | ایگزیکٹو ڈائریکٹرز | iii |
| جناب زبیر پال والا | | |

سال کے دوران، جناب حسین لوئی کی جانب سے ہونے والی غیر رسمی خلاء کو ایک آزاد ڈائریکٹر کے طور پر محترمہ شائستہ خلیق کے جانب سے پورا کیا گیا۔ مذکورہ بالا افراد کے علاوہ کسی بھی فرد نے 30 جون 2020 کو ختم ہوئے سال کے دوران کسی بھی وقت ہولڈنگ کمپنی کے ڈائریکٹر کی حیثیت سے خدمات انجام نہیں دیں۔

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران، بورڈ آف ڈائریکٹرز کے 19 اجلاس منعقد ہوئے۔ بورڈ ممبران کی میٹنگوں میں شرکت کا خلاصہ درج ذیل ہے:

| ڈائریکٹر کے نام | اجلاسوں میں شرکت |
|----------------------|------------------|
| جناب عدنان اصدر علی | 9 |
| جناب راشد عبد اللہ | 6 |
| مسز شائستہ خلیق رحمن | 8 |
| جناب سید ندیم احمد | 9 |
| جناب زبیر پال والا | 8 |
| جناب ایاز عبد اللہ | 9 |
| جناب اسد عبد اللہ | 8 |

آڈٹ کمیٹی

کمیٹی 3 نان ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔ کمیٹی کے چیئر پرسن بھی ایک آزاد ڈائریکٹر ہیں۔

سال کے دوران، آڈٹ کمیٹی کے 6 اجلاس منعقد ہوئے، جن میں حاضری کی تفصیلات مندرجہ ذیل ہیں:

| ڈائریکٹر کے نام | اجلاسوں میں شرکت |
|----------------------|------------------|
| مسز شائستہ خلیق رحمن | 6 |
| جناب عدنان اصدر علی | 6 |
| جناب اسد عبد اللہ | 5 |

- بین الاقوامی اکاؤنٹنگ معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالیاتی حسابات کی تیاری میں ملحوظ خاطر رکھا گیا ہے۔
 - ہولڈنگ کمپنی ایک مستحکم انٹرنل کنٹرول سسٹم برقرار رکھتی ہے جو کسی بھی غلط بیانی یا نقصان کے خلاف تحفظ فراہم کرتا ہے۔ انٹرنل سسٹم کا باقاعدگی سے جائزہ لیا جاتا ہے۔
 - ہولڈنگ کمپنی کی ترقی سے جاری رہنے کی صلاحیت پر کوئی شبہات نہیں ہیں۔
 - کارپوریٹ گورننس کے بہترین طریقہ کار سے قطعی انحراف نہیں کیا جاتا جیسا کہ لسٹنگ ریگولیشنز میں تفصیل سے درج کیا گیا ہے۔
 - ٹرانسفر کے نرخوں کے بہترین طریقہ کار سے روگردانی نہیں کی جاتی ہے۔
- 6 سالوں کے لئے اہم آپریٹنگ اور مالیاتی تفصیل درج ذیل ہے۔

| 2015 | 2016 | 2017 (Re-stated) | 2018 | 2019 | 2020 | |
|------------------|-------------------|---------------------|-------------------|-------------------|-------------------|---|
| | | | | | | لاگو کردہ اثاثہ جات |
| 688,354 | 1,528,607 | 2,254,788 | 2,692,524 | 3,786,177 | 4,415,663 | املاک، پلائٹس اور کیوبکیمینٹ |
| - | - | - | - | - | 121,515 | استعمال اثاثہ جات کا حق |
| 39,845 | 254,473 | 397,709 | 384,661 | 365,268 | 328,533 | غیر معمولی اثاثہ جات |
| 2,614,906 | 2,607,507 | 2,584,202 | 2,871,818 | 2,724,116 | 2,571,674 | مالیت پر جائیدادوں میں سرمایہ کاری |
| 187,792 | - | - | - | - | - | طویل مدتی سرمایہ کاری۔ ذیلی اداروں |
| 100,300 | 325,560 | 1,020,405 | 1,682,189 | 13,895 | 11,182 | طویل مدتی قرضے اور ڈپازٹس |
| - | - | 1,894 | - | - | - | ڈیفریڈ اثاثہ جات |
| - | - | - | - | 75,500 | 88,064 | اثاثہ جات کلاسیفائیڈ فروخت کے لئے دستیاب |
| 2,397,902 | 3,956,256 | 3,817,731 | 3,897,703 | 6,711,339 | 9,055,298 | خالص کرنٹ اثاثہ جات |
| 6,029,099 | 8,672,403 | 10,076,729 | 11,528,895 | 13,676,294 | 16,591,929 | مجموعی زیر عمل اثاثہ جات |
| | | | | | | سرمایہ کاری کا ذریعہ |
| 858,407 | 1,227,523 | 1,539,314 | 1,847,177 | 2,124,253 | 2,124,253 | جاری کردہ، سبسکرائبڈ اور ادا شدہ سرمایہ |
| 3,842,263 | 6,185,481 | 7,335,404 | 8,477,432 | 9,514,903 | 11,516,719 | ریزروز اور غیر منقولہ شدہ منافع جات |
| 4,700,670 | 7,413,004 | 8,874,718 | 10,324,609 | 11,639,156 | 13,640,972 | شیرس ہولڈرز کی لیکویٹی |
| 296,961 | 296,961 | 493,079 | 675,001 | 1,437,936 | 1,846,153 | ٹکسڈ اثاثہ جات کی دوبارہ قدر و قیمت پر اضافہ |
| 318,627 | 390,725 | 422,867 | 451,963 | 442,137 | 475,408 | کنٹرول نہ کئے جانے والا مفاد |
| 712,841 | 571,713 | 286,065 | 77,322 | 157,065 | 629,396 | طویل مدتی غیر معمولی شدہ مالیاتی ذمے داریاں |
| 6,029,099 | 8,672,403 | 10,076,729 | 11,528,895 | 13,676,294 | 16,591,929 | مجموعی لاگو شدہ سرمایہ |
| 9,048,041 | 11,328,239 | 13,309,651 | 16,148,468 | 18,062,107 | 20,474,842 | ٹرن اوور |
| 1,908,819 | 2,679,203 | 2,880,416 | 3,254,423 | 2,832,228 | 3,658,860 | منافع قبل از ٹیکس |
| 1,452,391 | 2,058,373 | 2,393,075 | 2,716,600 | 2,265,296 | 2,548,047 | منافع بعد از ٹیکس |
| 16.05 | 18.17 | 17.98 | 16.82 | 12.54 | 12.44 | منافع بعد از ٹیکس بمطابق ٹرن اوور کا فیصد |
| 24.09 | 23.73 | 23.75 | 23.56 | 16.56 | 15.36 | منافع بعد از ٹیکس بمطابق زیر عمل سرمائے کا فیصد |
| | | | | | | منافع منقسمہ |
| 20 | 50 | 100 | 50 | 25 | 25 | نقد (فیصد) |
| 20 | 24 | 30 | 15 | NIL | NIL | اسٹاک (فیصد) |

متعلقہ پارٹیوں کے لین دین

سال 2020 کے دوران تمام متعلقہ پارٹی ٹرانزیکشن، ان کے جائزے اور منظوری کے لئے آڈٹ کمیٹی اور بورڈ کے سامنے رکھے گئے تھے۔ ان ٹرانزیکشنس کو آڈٹ کمیٹی اور بورڈ نے اپنے متعلقہ اجلاسوں میں باضابطہ طور پر منظور کیا تھا۔ یہ تمام ٹرانزیکشنز منتقلی کی قیمتوں کے تعین کے طریقوں اور اس سے قبل بورڈ کے ذریعہ منظور شدہ متعلقہ فریقوں کے ساتھ پالیسی کے مطابق تھا۔ ہولڈنگ کمپنی ایسے تمام ٹرانزیکشنز کا شرائط و ضوابط کے ساتھ مکمل ریکارڈ بھی رکھتی ہے۔ مزید تفصیلات کے لئے، براہ کرم مالیات حسابات کا حوالہ نوٹ 43 ملاحظہ کریں۔

کوڈ آف کارپوریٹ گورننس سے مطابقت

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ کمپنیوں کے قواعد و ضوابط اسٹاک ایکسچینج نے اپنے لسٹنگ قوانین اور لسٹڈ کمپنیوں کے ضوابط میں شامل کر لئے ہیں۔ ہولڈنگ کمپنی نے ان ضوابط کو نافذ کر رکھا ہے اور انہی خطوط اور روح کے مطابق اسی پر عمل درآمد کیا جا رہا ہے۔

ڈائریکٹرز، سی ایف او، کمپنی سیکریٹری اور ایگزیکٹو وغیرہ کی جانب سے کی تجارت۔

ہولڈنگ کمپنی کے ڈائریکٹرز کی تجارت پاکستان اسٹاک ایکسچینج لمیٹڈ میں کی جاتی ہے۔ ڈائریکٹرز، سی ای او، کمپنی سیکریٹری، سی ایف او اور ایگزیکٹوز، ان کی شریک حیات اور نابالغ بچوں نے ہولڈنگ کمپنی کے ڈائریکٹرز میں کوئی تجارت نہیں کی ہے، ماسوائے درج ذیل ایگزیکٹوز کے:

| نام | خریدے گئے شیئرز | فروخت کئے گئے شیئرز |
|------------------|-----------------|---------------------|
| جناب موجود الحسن | 1,700 | 700 |
| جناب فخر عالم | - | 2,000 |

ڈائریکٹرز کا تربیتی پروگرام

ڈائریکٹرز یا تو پہلے ہی سے ڈائریکٹرز کی تربیتی پروگرام میں شرکت کر چکے ہیں یا لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ضابطہ، 2019 میں درج کردہ استثنائی کے معیار پر پورا اترتے ہیں۔

داخلی مالی کنٹرول کی اہلیت

اس امر کو یقینی بنانے کے لئے کہ ہولڈنگ کمپنی کی جانب سے ہولڈنگ کمپنی کے اثاثہ جات کے تحفظ، قواعد اور ضوابط پر عملدرآمد اور مستند فنانس رپورٹنگ کے لئے موزوں داخلی کنٹرولز لاگو کئے گئے ہیں، بورڈ آف ڈائریکٹرز نے انٹرنل آڈٹ کے امور بیرونی ذرائع سے گرانٹ تھورنٹن انجمن رحمن، چارٹرڈ اکاؤنٹنٹس کو سونپ دیئے ہیں جن کو موزوں اور اہل ہونے کے ساتھ ساتھ اس مقصد کے لئے مناسب تجربے کے حامل تصور کئے جاتے ہیں اور وہ ہولڈنگ کمپنی کی پالیسی اور طریقہ کار سے بھی بخوبی واقف ہیں۔

ضابطہ اخلاق

ہولڈنگ کمپنی کے بورڈ آف ڈائریکٹرز نے ایک ضابطہ اخلاق رائج کیا ہے۔ تمام ملازمین کو اس بارے میں اطلاع اور آگاہی فراہم کر دی ہے اور یہ ضروری ہے کہ وہ کاروبار اور اصول و ضوابط سے متعلق امور میں ان قوانین پر عمل پیرا ہوں۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- ہولڈنگ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیات حسابات، اس کے معاملات، کاروباری امور کے نتائج، نقد بہاؤ اور ایکویٹی میں بدلاؤ کو شفاف انداز میں پیش کرتے ہیں۔
- ہولڈنگ کمپنی کے حسابات کی باقاعدہ کتب برقرار کی جاتی ہیں۔
- مالیاتی حسابات اور اکاؤنٹنگ کے تخمینہ جات کی تیاری میں موزوں اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں جو مناسب اور محتاط فیصلوں پر مبنی ہیں۔

رہنمائی کرتے ہیں، لہذا ہم ان لوگوں کا اعتماد برقرار رکھ سکتے ہیں جو ہر روز ہم پر انحصار کرتے ہیں یعنی ہمارے مریضوں اور صارفین۔ اب یہ ہم سب پر منحصر ہے کہ، ہر روز، سرل کو اس نوعیت کی کمپنی بنائے رکھیں کہ ہم سب کو اس کا حصہ ہونے پر فخر ہو۔ ہم اپنے صارفین کی ضروریات کو سمجھنے اور اسے پورا کرنے کی کوشش میں جڑے رہتے ہیں، جبکہ کاروباری کاموں کے تمام شعبوں میں مستقل بہتری کی تلاش میں سرگرداں ہیں۔

ہم اپنے مریضوں اور صارفین کے لئے درست اقدامات اور اعلیٰ معیار کے لئے جتجو کرتے ہیں۔ ہم صحت کی دیکھ بھال کو بہتر بنانے اور نئی دوائیں اور ویکسین تلاش کرنے کے لئے اپنے شراکت داروں کے ساتھ مصروف عمل رہتے ہیں۔ ہمارے کردار سے قطع نظر، ہم سمجھتے ہیں کہ ہماری کاوشیں مریضوں اور صارفین پر کیسے اثر انداز ہوتا ہے۔

مصنوعات کا معیار

صارفین کا سرل کی مصنوعات پر اعتماد اور بھروسہ ہمارا سب سے قیمتی اثاثہ ہے۔ ہم اس امر کو تسلیم کرتے ہیں کہ فارماسیوٹیکلز کی تیاری میں کئی منفی خطرات لاحق ہوتے ہیں اور پروڈکٹ ڈیزائن کرنے میں یا تیاری میں کوئی معمولی سی بھی غلطی مہلک حتیٰ کہ خطرناک بھی ہو سکتی ہے لہذا معیار کو برقرار رکھنا ہماری اولین ترجیح اور اخلاقی ذمہ داری ہے۔

ہم مریضوں کی صحت کی بحالی کے لئے اپنے فرض کے پابند ہیں، اور یہ یقین دہانی کرتے ہیں کہ دواؤں کی مصنوعات کی تیاری سے وابستہ تمام کاروائیاں ایک ایسے معیار کی ہوں جو مریض کی حفاظت اور افادیت کی توقعات کو یقینی بنائے۔

کارپوریٹ اور سماجی ذمہ داری

ہمارے فرائض کا دائرہ کار ہمارے اسٹیک ہولڈرز کے لئے منافع میں اضافے کے ساتھ ختم نہیں ہوتا ہے۔ سرل میں، ہمیشہ ہمارا مقصد یہی رہا ہے کہ ہم جس معیشت میں کام کرتے ہیں اس میں مفید شراکت کریں۔ توجہ کا ایک بنیادی شعبہ روزگار کے مواقع پیدا کرنا ہے تاکہ ایک بڑی صنعتی اور فروخت سے منسلک افرادی قوت کی معانت کی جاسکے۔

ہولڈنگ کمپنی معاشرتی طور پر ذمہ دارانہ انداز میں سرگرم عمل ہے۔ اس کے مطابق ہولڈنگ کمپنی کا سماجی ذمہ داری کا پروگرام وسیع البنیاد سرگرمیوں کا حامل ہے اور اس ضمن میں ہیلتھ کیئر، تعلیم، بچوں کی فلاح و بہبود اور دیگر سماجی و فلاحی اقدامات شامل ہیں۔

پیشہ ورانہ صحت، حفاظت اور ماحولیات

ہم، سرل میں، محفوظ اور پر اعتماد ماحول کی اہمیت کو تسلیم کرتے ہیں اور اسے اپنا فرض سمجھتے ہیں کہ یہ یقینی بنائیں کہ جو لوگ ہمارے ساتھ کام کرتے ہیں وہ اپنی صحت کو بغیر کسی خطرے کے محفوظ طریقے سے کام سرانجام دیتے رہیں۔ ہمارے ملازمین اور زائرین کی صحت اور حفاظت ہولڈنگ کمپنی کی اولین ترجیح ہے۔ لہذا، آپریشنز سے وابستہ خطرات کی مسلسل نشاندہی کی جاتی ہے، اور تشخیص کے بعد خطرات کو ختم کرنے یا کم کرنے کا انتظام کیا جاتا ہے۔

انفارمیشن ٹیکنالوجی

ہولڈنگ کمپنی کی بڑھتی ہوئی کاروباری ضروریات کو پورا کرنے اور مستقل طور پر انفارمیشن سسٹم کو اپ گریڈ کرنے کی ہماری مسلسل کوششوں کے ضمن میں، ہم انفارمیشن ٹیکنالوجی میں زیادہ سے زیادہ سرمایہ کاری کرنے کی اپنی پالیسی جاری رکھے ہوئے ہیں۔ ہم نے اپنے کاروباری عمل کو مزید مستحکم کرنے کے لئے کاروباری انتظام کے سب سے طاقتور سسٹم 'ہلس اے پی' کو کامیابی کے ساتھ تعینات کیا ہے۔

ویب سائٹ

ہمارے تمام اسٹیک ہولڈرز اور عوام الناس دی سرل کمپنی لمیٹڈ کی ویب سائٹ www.searlecompany.com ملاحظہ کر سکتے ہیں، جس پر سرمایہ کاروں کے لئے ایک حصہ مختص ہے جس میں سالانہ، ششماہی اور سہ ماہی مالیاتی حسابات سے متعلق معلومات موجود ہیں۔

30 جون 2019 کو ختم ہونے والے گزشتہ سال کے دوران، ہولڈنگ کمپنی نے 25 فیصد نقد منافع کا اعلان کیا تھا۔

مالیاتی حسابات اور آڈیٹرز

موجودہ آڈیٹرز، میسرز۔ اے ایف فرگوسن لینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، سبکدوش ہو رہے ہیں اور اہل ہونے کے بناء پر انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا۔

بورڈ آف ڈائریکٹرز نے آڈٹ کمپنی کی سفارشات پر 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے باہمی طے شدہ معاوضے پر ہولڈنگ کمپنی کے آڈیٹ کی حیثیت سے ان کی دوبارہ تقرری کی توثیق کرتے ہیں۔

ہولڈنگ کمپنی

انٹرنیشنل برانڈز لمیٹڈ سرل کی ہولڈنگ کمپنی ہے، جو ہولڈنگ کمپنی میں 56.60 فیصد شیئر ہولڈنگ رکھتی ہے۔

ہولڈنگ کمپنی کے ذیلی ادارے

زیر انتظام کمپنیاں درج ذیل ہیں:

| موثر العمل | کاروبار کا مرکزی مقام | فیصد ہولڈنگ کی عمر | لسٹڈ کمپنی |
|--------------|-----------------------|--------------------|--|
| جون 30، 2019 | جون 30، 2020 | | |
| 74.19% | 74.19% | | آئی بی لیل ہیلتھ کیئر لمیٹڈ |
| 100.00% | 100.00% | پاکستان | سرل فرماسیوٹیکلز (پرائیویٹ) لمیٹڈ |
| 100.00% | 100.00% | | سرل لیباریٹریز (پرائیویٹ) لمیٹڈ |
| 100.00% | 100.00% | | سرل بائیوسائنسز (پرائیویٹ) لمیٹڈ |
| 100.00% | 100.00% | | آئی بی لیل آئیڈیوٹیکل (پرائیویٹ) لمیٹڈ |
| 100.00% | 100.00% | | آئی بی لیل فیوچر ٹیکنالوجیز (پرائیویٹ) لمیٹڈ |
| 100.00% | 100.00% | | نیکسٹر فارما (پرائیویٹ) لمیٹڈ |
| 87.20% | 87.20% | | |

شیئر ہولڈنگ کا طریقہ کار

30 جون 2020 کے مطابق شیئر ہولڈنگ کا طریقہ کار بشمول شیئر ہولڈرز کی کمیٹیگریز جیسا کہ کمپنیز ایکٹ 2017 کے سیکشن 227 اور لسٹنگ ریگولیشنز کے تحت ضروری ہے، سالانہ رپورٹ 2020 کے صفحہ نمبر 201 تا 205 پر پیش کیا جا رہا ہے۔

ڈائریکٹرز، سی ایف او، کمپنی سکریٹری وغیرہ کی جانب سے شیئرز کی تجارت پاکستان اسٹاک ایکسچینج لمیٹڈ میں کی جاتی ہے۔ ڈائریکٹرز، سی ای او، کمپنی سکریٹری اور سی ایف او اور ایگزیکٹوز، ان کی شریک حیات اور نابالغ بچوں نے ہولڈنگ کمپنی کے شیئرز میں کوئی تجارت نہیں کی ہے۔

کاروباری اقدار

سرل کا کاروباری طریقہ کار ایمانداری، شفافیت اور قابل اطلاق قوانین اور ضوابط کی تعمیل پر مبنی ہے۔

ہماری اقدار اور توقعات محض لفظوں سے کہیں زیادہ ہیں۔ وہ مل کر دنیا کی ایک اہم جدید ترین، بہترین کارکردگی دیکھانے والی اور قابل اعتماد ہیلتھ کیئر کمپنیوں میں سے ایک بننے کے لئے ہمارے ہدف کی رہنمائی میں مدد کرتے ہیں۔ وہ ہماری ثقافت کی تشکیل اور ہمارے اقدامات اور فیصلہ سازی کی

دوسرے نمبر پر ہے۔

COVID-19 کے وبائی مرض نے پوری دنیا میں تباہی مچادی اور تقریباً 30 ملین کیسز اور کم و بیش ایک ملین اموات ریکارڈ کی گئیں، اور جبکہ ورلڈ ہیلتھ آرگنائزیشن (ڈبلیو ایچ او) کی طرف سے کسی ویکسین جو وائرس کے خلاف قوت مدافعت فراہم کرنے کی تجویز کے بغیر۔ اس کے باوجود، ہولڈنگ کمپنی نے کامیابی کے ساتھ ریمیڈیوسیر کو فروخت کرنے کے لئے سیلیمکو فارماسیوٹیکلز کے ساتھ ایک خصوصی لائسنس اور مارکیٹنگ کا معاہدہ کیا، جس کا مقامی مارکیٹ میں نام، بیمسویر ہے۔ ریمیڈیوسیر وائرس کے خلاف بہت موثر ثابت ہوا ہے، کیونکہ اس نے مریضوں کی شفا یابی کے وقت کو مختصر کر دیا۔

اس مشکل ترین وقت کے دوران، جس نے پاکستان کے ساتھ عالمی معاشی ماحول پر بھی شدید دباؤ ڈالا تھا، سرل نے 30 جون 2020 کو ختم ہوئے سال کے دوران ایک متاثر کن کارکردگی دکھائی۔ اور ہولڈنگ کمپنی نے 20.47 بلین روپے کی آمدنی 13 فیصد اضافے کے ساتھ حاصل کی۔ آپریشنز سے منافع میں اضافہ 4.34 بلین روپے، جب کہ ہولڈنگ کمپنی کا منافع بعد از ٹیکس 12 فیصد اضافے سے 2.54 بلین روپے ہو گیا۔

June 30,

2019

2020

(پاکستانی روپے ہزاروں میں)

| 2019 | 2020 | |
|-------------|--------------|----------------------|
| 18,062,107 | 20,474,842 | آمدنی |
| (9,462,243) | (10,769,089) | فروخت کے اخراجات |
| 8,599,864 | 9,705,753 | مجموعی آمدنی |
| (5,388,217) | (5,606,056) | آپریٹنگ اخراجات |
| (174,994) | (261,841) | دیگر آپریٹنگ اخراجات |
| 234,445 | 505,957 | دیگر آمدنی |
| 3,271,098 | 4,343,813 | آپریٹیشنز سے آمدنی |
| (438,870) | (684,953) | مالیاتی اخراجات |
| 2,832,228 | 3,658,860 | منافع قبل از ٹیکس |
| (566,932) | (1,110,813) | انکم ٹیکس اخراجات |
| 2,265,296 | 2,548,047 | منافع بعد از ٹیکس |

ہولڈنگ کمپنی کی مربوط نامیاتی ترقی کا دارومدار ڈاکٹر کورج میں توسیع، نئی پروڈکٹ کے تکمیل، نئے برانڈز کا تعارف، اعلیٰ مقدار، زیادہ سے زیادہ اجزاء کے مرکب، برانڈنگ کی کاوشوں اور طلب میں استحکام پر ہے۔ اس کے ساتھ ساتھ COVID-19 کی وجہ سے عوام میں صحت کی دیکھ بھال کے اخراجات میں اضافے کی ذہنیت کا عمل دخل بھی شامل ہے۔ مزید، لاگت اور اخراجات پر سخت کنٹرول نے بھی ہولڈنگ کمپنی کی مالی کارکردگی کو بہتر بنانے میں اہم کردار ادا کیا۔

فی شیئر آمدنی

اس مدت کے لئے بنیادی آمدنی فی شیئر بعد از ٹیکس 11.77 روپے رہی (2019:10.55)۔ ہولڈنگ کمپنی کی بنیادی آمدنی فی شیئر پر کسی کے کوئی اثرات نہیں ہوئے، چونکہ 30 جون، 2020 تک ہولڈنگ کمپنی کے تبدیل پذیر غیر متوقع ممکنہ شیئرز بھٹایا نہیں تھے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے سال کیلئے 25% کے نقد منافع کی سفارش کی ہے۔

اشتمالی ڈائریکٹرز کی ممبران کیلئے رپورٹ

ڈائریکٹرز سالانہ رپورٹ مع سال محترمہ 30 جون 2020 کے لئے ہولڈنگ کمپنی کے آڈٹ شدہ مالیاتی حسابات پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ، 2017 کی دفعہ 227 اور لسٹڈ کمپنیوں (کارپوریٹ گورننس کے ضابطہ) کی ریگولیشنز 2019 کے باب XII کے مطابق تیار کی گئی ہے۔

یہ رپورٹ 28 اکتوبر 2020 کو منعقدہ کمپنی کے 55 ویں سالانہ اجلاس عام میں ممبروں کو پیش کی جائے گی۔

جائزہ

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

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

پاکستان میں فارماسیوٹیکل کی فروخت میں سالانہ نمو کی شرح میں 13.23 فیصد اضافہ ہوا جس کی مالیت تقریباً 3.1 بلین امریکی ڈالر (پاکستانی 425 ارب روپے) ہے، اور اس شعبے میں 650 سے زائد کمپنیاں کام کر رہی ہیں، جس میں نئے مالیکیوں کے تعارف جیسے عوامل اور اس کی معاونت کرتی بڑھتی ہوئی استطاعت کے آبادیاتی رجحانات، آبادی میں اضافہ، بنیادی ڈھانچے کی سرمایہ کاری، تکنیکی پیش رفت، تدریجی کسٹمر ماڈل، زائد متوقع عمر اور دائمی بیماریوں کے واقعات میں اضافہ اور اس کے ساتھ ہی وبائی امراض کے دوران صحت کو لاحق نئے تحفظات کا فرما ہیں۔

اس کے باوجود، فارماسیوٹیکل کی صنعت اپنی پوری صلاحیت حاصل کرنے میں ناکام ہے، جس کی وجوہات درآمد شدہ APIs پر زیادہ انحصار، زر مبادلہ کی شرح میں اتار چڑھاؤ، فی کس کم اخراجات اور عالمی ماحول کے لحاظ سے کم قیمتیں ہیں۔ اگرچہ انڈسٹری ان کے منافع قبل از ٹیکس کا 1 فیصد حصہ حکومت کو ریورس اور ڈیولپمنٹ کے ضمن میں دے رہی ہے، لیکن تحقیقاتی اور ترقیاتی محاذ پر مزید بہت کچھ حاصل کیا جاسکتا ہے۔

آپریشننگ نتائج

سرل ایک ایسی کمپنی ہے جس نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات پیش کر کے مریضوں کی زندگی کو بہتر بنانے پر توجہ مرکوز کی ہے۔ ہم نے مریضوں اور اپنے اسٹیک ہولڈرز کے فوائد کو ہمیشہ ترجیح دی ہے اور ہمیں اپنی کاوشوں کے ثمرات پر فخر ہے۔

سرل نے 6 سال (مالی سال 20-14 دورانیے) میں سی اے جی آر 14 فیصد اور منافع بعد از ٹیکس میں 10 فیصد اضافہ ریکارڈ کیا ہے۔ منافع میں اس اضافہ کی وجہ حجم میں مستقل نمو اور متنوع اقسام کی مصنوعات کے ساتھ ڈرگ ریگولیشنز اور اتھارٹی آف پاکستان کی قیمتوں کا تعین کرنے کی پالیسی کے مثبت اثرات شامل ہیں، جو اب سالانہ صارفین کی قیمت کے اشاریے (سی پی آئی) سے منسلک ہے۔

بڑھتی ہوئی آمدنی کے نتیجے میں سرل کے مارکیٹ شیئر میں اضافہ ہوا ہے، مالی سال 2019 کے دوران ہولڈنگ کمپنی کا مارکیٹ شیئر 5.3 فیصد تھا، جو اب سال 2020 کے پہلے سہ ماہی کی انڈسٹری کی فروخت کی قدر کے مطابق 6.5 فیصد تک بڑھ گیا ہے، جو کہ پاکستان میں فارماسیوٹیکل انڈسٹری میں



Independent Auditor's Report to the Members of the Searle Company Limited

Opinion

We have audited the annexed consolidated financial statements of The Searle Company Limited (the Holding Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the Key audit matters:

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|---|---|
| (i) | Revenue from contracts with customers (Refer note 3.18 and 30 to the consolidated financial statements) The Holding Company's revenue is generated from sales of pharmaceutical and consumer products. The Holding Company recognized revenue of Rs. 16.57 billion from the sale of goods to domestic as well as export customers during the year ended June 30, 2020. Sales to related parties represent 81.06% of total sales. Revenue recognition includes determination of sales prices in accordance with the regulated price regime of the government and transfer of control of products sold to customers. Taking into account that revenue recognition is a higher risk area, we considered this as a key audit matter. | Our audit procedures included the following: <ul style="list-style-type: none">• obtained an understanding of determination of sales prices in accordance with policies of Drug Regulatory Authority of Pakistan (DRAP);• tested on sample basis selling prices of regulated pharmaceutical products to ensure compliance with DRAP pricing policies;• obtained an understanding of and testing the design and effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period;• inspected contracts to obtain an understanding of contract terms particularly relating to timing and the customer's acceptance of the products and assessing the Holding Company's accounting policies for recognition of revenue with reference to the requirements of the prevailing accounting standards; and• compared on sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation, including the relevant sales contracts, the customer's acknowledgement of acceptance to assess whether revenue had been recognized in the appropriate period. |

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S. No. Key audit matters **How the matter was addressed in our audit**

(ii) Litigation matters

(Refer Note 29.1 and 30.1 to the consolidated financial statement)

The Holding Company has litigation cases in respect of product pricing, income tax and sales tax matters, which are pending at various forums including Honourable High Court of Sindh, Commissioner Inland Revenue (Appeals) (CIR(A)), Appellate Tribunal Inland Revenue (ATIR) and DRAP.

Matters under litigation require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Holding Company for disclosure and recognition and measurement of any provisions that may be required against such litigation matters.

Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts, we considered litigation matters relating to product pricing and taxation a key audit matter.

Our audit procedures included the following:

- obtained and reviewed details of the pending litigations and discussed the same with the Holding Company's management;
- reviewed correspondence of the Holding Company with the relevant authorities including judgments or orders passed by the competent authorities/courts of law in relation to the issues involved or matters which have similarities with the issues involved;
- obtained confirmations from the Holding Company's external legal and tax counsels for their views on open tax assessments and legal cases;
- involved internal tax professionals to assess management's conclusions on contingent tax matters and to evaluate the consistency of such conclusions with the views of the management and external tax advisors engaged by the Holding Company; and
- reviewed disclosures made in respect of litigations in the consolidated financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A. F. Ferguson & Co
Chartered Accountants
Karachi

Date: October 06, 2020

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

| | Note | 2020 | 2019 |
|--|------|--------------------------|--------------------------|
| | | -----Rupees '000----- | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 4,415,663 | 3,786,177 |
| Right-of-use asset | 6 | 121,515 | - |
| Investment properties - at cost | 7 | 2,571,674 | 2,724,116 |
| Intangible assets | 8 | 328,533 | 365,268 |
| Long-term loans and advances | 9 | 358 | 270 |
| Long-term deposits | 10 | 10,824 | 13,624 |
| | | <u>7,448,567</u> | <u>6,889,455</u> |
| Current assets | | | |
| Inventories | 11 | 3,428,519 | 2,953,902 |
| Trade receivables | 12 | 8,633,836 | 6,209,817 |
| Loans and advances | 13 | 2,950,401 | 2,944,181 |
| Trade deposits and short-term prepayments | 14 | 113,181 | 91,074 |
| Interest accrued | | - | 2,970 |
| Other receivables | 15 | 1,187,736 | 787,859 |
| Short-term investment | 16 | 100,000 | - |
| Taxation - payments less provision | 17 | 793,352 | 1,000,760 |
| Tax refunds due from Government - Sales tax | | 23,757 | 59,527 |
| Cash and bank balances | 18 | 335,189 | 262,054 |
| | | <u>17,565,971</u> | <u>14,312,144</u> |
| Asset classified as 'Held for Sale' | 19 | <u>88,064</u> | <u>75,500</u> |
| Total assets | | <u><u>25,102,602</u></u> | <u><u>21,277,099</u></u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 20 | 2,124,253 | 2,124,253 |
| Share premium | | 1,630,974 | 1,630,974 |
| Unappropriated profit | | 9,605,494 | 7,603,678 |
| General reserve | | 280,251 | 280,251 |
| Revaluation surplus on property, plant and equipment | | 1,846,153 | 1,437,936 |
| Attributable to owners of The Searle Company Limited - Holding Company | | 15,487,125 | 13,077,092 |
| Non-controlling interests | | 475,408 | 442,137 |
| | | <u>15,962,533</u> | <u>13,519,229</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 21 | 320,664 | 4,664 |
| Deferred tax liabilities | 22 | 55,052 | 96,581 |
| Employee benefit obligations | 23 | 54,994 | 55,820 |
| Deferred income - Government grant | 24 | 77,141 | - |
| Lease liability | 25 | 121,545 | - |
| | | <u>629,396</u> | <u>157,065</u> |
| Current liabilities | | | |
| Trade and other payables | 26 | 3,351,333 | 3,520,230 |
| Borrowings | 27 | 4,953,328 | 3,922,277 |
| Unpaid dividend | 28 | 139,707 | 110,667 |
| Unclaimed dividend | | 54,885 | 47,631 |
| Current portion of lease liability | | 11,420 | - |
| | | <u>8,510,673</u> | <u>7,600,805</u> |
| Total liabilities | | <u>9,140,069</u> | <u>7,757,870</u> |
| Contingencies and commitments | 29 | | |
| Total equity and liabilities | | <u><u>25,102,602</u></u> | <u><u>21,277,099</u></u> |

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.


Chief Executive


Director


Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2020

| | Note | 2020 -----Rupees '000----- | 2019 ----- |
|--|------|-------------------------------|---------------|
| Revenue from contracts with customers | 30 | 20,474,842 | 18,062,107 |
| Cost of sales | 31 | (10,769,089) | (9,462,243) |
| Gross profit | | 9,705,753 | 8,599,864 |
| Distribution costs | 32 | (4,417,290) | (4,284,999) |
| Administrative expenses | 33 | (1,188,766) | (1,103,218) |
| Loss Allowance | | - | (13,246) |
| Other operating expenses | 34 | (261,841) | (161,748) |
| Other income | 35 | 505,957 | 234,445 |
| Profit from operations | | 4,343,813 | 3,271,098 |
| Finance cost | 36 | (684,953) | (438,870) |
| Profit before income tax | | 3,658,860 | 2,832,228 |
| Income tax expense | 37 | (1,110,813) | (566,932) |
| Profit for the year | | 2,548,047 | 2,265,296 |
| Profit is attributable to: | | | |
| Owners of The Searle Company Limited - Holding Company | | 2,499,697 | 2,241,258 |
| Non-controlling interests | | 48,350 | 24,038 |
| | | 2,548,047 | 2,265,296 |
| Basic and diluted earnings per share (Rupees) | 38 | 11.77 | 10.55 |

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.


Chief Executive


Director


Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2020

| | 2020 | 2019 |
|--|------------------------|------------------|
| | -----Rupees '000 ----- | |
| Profit for the year | 2,548,047 | 2,265,296 |
| Other comprehensive (loss) / income: | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of post employment benefit obligations | 2,215 | (1,129) |
| Surplus on revaluation of property, plant and equipment - net of deferred tax | 439,185 | 772,620 |
| | 441,400 | 771,491 |
| Total comprehensive income for the year | 2,989,447 | 3,036,787 |
| Total comprehensive income is attributable to: | | |
| Owners of The Searle Company Limited - Holding Company | 2,941,097 | 3,012,749 |
| Non-controlling interests | 48,350 | 24,038 |
| | 2,989,447 | 3,036,787 |

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.


Chief Executive


Director


Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

| | Attributable to the owners of the Holding Company | | | | | | | | |
|---|---|---------------|-----------------------|--|------------------|------------------------|----------------------|---------------------------|------------|
| | Capital reserves | | | | Revenue reserves | | | Non-controlling interests | Total |
| | Share capital | Share premium | Issue of bonus shares | Revaluation surplus on property, plant and equipment | General reserve | Unappropriated profits | Sub - Total reserves | | |
| -----Rupees '000----- | | | | | | | | | |
| Balance as at July 1, 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 year ended June 30, 2019 | | | | | | | | | |
| Profit for the year ended June 30, 2019 | - | - | - | - | - | 2,241,258 | 2,241,258 | 24,038 | 2,265,296 |
| Other comprehensive income / (loss) for the year ended June 30, 2019 | - | - | - | 772,620 | - | (1,129) | 771,491 | - | 771,491 |
| Transfer of incremental Depreciation net of deferred tax | - | - | - | (9,685) | - | 9,685 | - | - | - |
| | - | - | - | 762,935 | - | 2,249,814 | 3,012,749 | 24,038 | 3,036,787 |
| Transaction with owners in their capacity as owners | | | | | | | | | |
| Transfer to reserve for issuance of bonus shares | - | - | 277,076 | - | - | (277,076) | - | - | - |
| Bonus shares issued during the year 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 | - | - | - | - | - | - | - | (15,078) | (15,078) |
| Transaction with non-controlling interests | - | - | - | - | - | (11,679) | (11,679) | (18,786) | (30,465) |
| | 277,076 | - | - | - | - | (1,212,343) | (1,212,343) | (33,864) | (969,131) |
| Balance as at July 1, 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 year ended June 30, 2020 | | | | | | | | | |
| Profit for the year ended June 30, 2020 | - | - | - | - | - | 2,499,697 | 2,499,697 | 48,350 | 2,548,047 |
| Other comprehensive income / (loss) for the year ended June 30, 2020 | - | - | - | 439,185 | - | 2,215 | 441,400 | - | 441,400 |
| Transfer of incremental depreciation net of deferred tax | - | - | - | (30,968) | - | 30,968 | - | - | - |
| | - | - | - | 408,217 | - | 2,532,880 | 2,941,097 | 48,350 | 2,989,447 |
| Transaction with owners in their capacity as owners | | | | | | | | | |
| Final dividend for the year ended June 30, 2019 @ Rs. 2.5 per share | - | - | - | - | - | (531,064) | (531,064) | - | (531,064) |
| Dividend pertaining to non-controlling interests | - | - | - | - | - | - | - | (15,079) | (15,079) |
| Transactions with non-controlling interests | - | - | - | - | - | (531,064) | (531,064) | (15,079) | (546,143) |
| Balance as at June 30, 2020 | 2,124,253 | 1,630,974 | - | 1,846,153 | 280,251 | 9,605,494 | 13,362,872 | 475,408 | 15,962,533 |

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.


Chief Executive


Director


Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

| | 2020 | 2019 |
|--|-----------------------|-------------|
| Note | -----Rupees '000----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash generated from operations | 39 1,321,335 | (448,270) |
| Employee benefit obligations paid | (7,269) | (2,071) |
| Finance cost paid | (570,973) | (350,975) |
| Income taxes paid | (988,835) | (713,921) |
| Payments to workers' welfare fund and workers' profit participation fund | (164,324) | (188,940) |
| Interest income received | 33,570 | 35,022 |
| Decrease / (Increase) in long-term deposits | 2,800 | 11,553 |
| Increase in long-term loans and advances | (88) | 1,656,742 |
| Net cash used in from operating activities | (373,784) | (860) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (163,694) | (383,312) |
| Proceeds from disposal of property, plant and equipment | 2,778 | 16,820 |
| Purchase of investment properties | (250,452) | (70,487) |
| Proceeds from sale of investment property | 75,500 | - |
| Purchase of intangible assets | (11,171) | (25,518) |
| Acquisition of non-controlling interest | - | (30,465) |
| Purchase of investments | (100,000) | - |
| Proceeds from redemption of investments - at fair value through profit or loss | - | 56,005 |
| Net cash used in investing activities | (447,039) | (436,957) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | (509,850) | (889,303) |
| (Repayment of) / Proceeds from export refinance | (210,000) | 210,000 |
| Current portion of long-term loan repaid | - | (214,285) |
| Proceeds from salary refinancing | 535,500 | - |
| Payments against lease liabilities | (28,868) | - |
| Net cash used in financing activities | (213,218) | (893,588) |
| Net decrease in cash and cash equivalents | (1,034,041) | (1,331,405) |
| Cash and cash equivalents at beginning of the year | (3,450,223) | (2,118,818) |
| Cash and cash equivalents at end of the year | (4,484,264) | (3,450,223) |

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.


Chief Executive


Director


Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

1. LEGAL STATUS AND OPERATIONS

1.1 The Group consists of:

Holding company - The Searle Company Limited (the 'Holding Company')

The Holding Company was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Holding Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Holding Company is principally engaged in the manufacture of pharmaceutical and other consumer products.

International Brands Limited is the ultimate holding company (the 'Ultimate Holding Company') as it holds 56.60% of the total paid-up share capital of the Holding Company.

The registered office of the Company is located at One IBL Centre, 2nd floor, Plot No.1, Block 7 and 8, D.M.C.H.S. Tipu Sultan Road, Off Shahra-e-faisal, Karachi.

Subsidiary companies - Companies in which the Holding Company owns over 50% of voting rights or companies directly or indirectly controlled by the Holding Company.

| | Principal place of business | %age of effective holding | |
|--|-----------------------------|---------------------------|---------|
| | | 2020 | 2019 |
| Listed Companies | | | |
| - IBL HealthCare Limited (note 1.2.1) | | 74.19% | 74.19% |
| Unlisted Companies | | | |
| - Searle Pharmaceuticals (Private) Limited (note 1.2.2) | Pakistan | 100.00% | 100.00% |
| - Searle Laboratories (Private) Limited (note 1.2.3) | | 100.00% | 100.00% |
| - Searle Biosciences (Private) Limited (note 1.2.4) | | 100.00% | 100.00% |
| - Nextar Pharma (Private) Limited (note 1.2.4.1) | | 87.20% | 87.20% |
| - IBL Identity (Private) Limited (note 1.2.5) | | 100.00% | 100.00% |
| - IBL Future Technologies (Private) Limited (note 1.2.6) | | 100.00% | 100.00% |

1.2 Subsidiary Companies

1.2.1 IBL HealthCare Limited

IBL HealthCare Limited (IBLHC) was incorporated in Pakistan as a private limited company on July 14, 1997. In November 2008, IBLHC was converted into public limited company with its liability limited by shares. The shares of IBLHC are quoted on the Pakistan Stock Exchange. Its principal business activities include marketing, selling and distribution of health care products. The registered office of the Company is located at One IBL Centre, 2nd floor, Plot No.1, Block 7 and 8, D.M.C.H.S. Tipu Sultan Road, Off Shahra-e-faisal, Karachi.

1.2.2 Searle Pharmaceuticals (Private) Limited

Searle Pharmaceuticals (Private) Limited (SPPL) was incorporated in Pakistan on December 18, 2012 as a private limited company. It is principally engaged in the facilitation of manufacturing of pharmaceutical products. The registered office of the Company is located at One IBL Centre, 2nd floor, Plot No.1, Block 7 and 8, D.M.C.H.S. Tipu Sultan Road, Off Shahra-e-faisal, Karachi.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

1.2.3 Searle Laboratories (Private) Limited

Searle Laboratories (Private) Limited (SLPL) was incorporated in Pakistan on December 26, 2012 as a private limited company. Its principal business activities include marketing, selling and distribution of pharmaceutical products. The registered office of the Company is located at One IBL Centre, 2nd floor, Plot No.1, Block 7 and 8, D.M.C.H.S. Tipu Sultan Road, Off Shakra-e-faisal, Karachi.

1.2.4 Searle Biosciences (Private) Limited

Searle Biosciences (Private) Limited (SBPL) was incorporated in Pakistan on August 17, 2013 as a private limited company. Its principal business activities include marketing, selling and distribution of pharmaceutical products. SBPL commenced its commercial operations from July 28, 2016. The registered office of SBPL is located at 1st Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

1.2.4.1 Nextar Pharma (Private) Limited

Nextar Pharma (Private) Limited (NPPL) was incorporated in Pakistan in February 2003 as a private limited company. It's the main objective of the Company is the business of manufacturing and trading of pharmaceutical products. The registered office of the Company is located at One IBL Centre, 2nd floor, Plot No.1, Block 7 and 8, D.M.C.H.S. Tipu Sultan Road, Off Shakra-e-faisal, Karachi.

1.2.5 IBL Identity (Private) Limited

IBL Identity (Private) Limited (IBLIPL) was incorporated in Pakistan on April 23, 1986 as a private limited company. It is principally engaged in the business of designing, manufacturing, producing, marketing, distributing and selling textile products under the brand name 'Tarzz'. The registered office of the Company is located at One IBL Centre, 2nd floor, Plot No.1, Block 7 and 8, D.M.C.H.S. Tipu Sultan Road, Off Shakra-e-faisal, Karachi.

1.2.6 IBL Future Technologies (Private) Limited

IBL Future Technologies (Private) Limited (IBLFT) was incorporated in Pakistan on June 15, 2016 as a private limited company. Its principal business activities are marketing, selling and distribution of electronic goods. The registered office of IBLFT is located at 1st Floor, N.I.C Building, Abbasi Shaheed Road, Karachi.

1.3 The geographical location and address of the Group business units, including plant are detailed in note 49.

2. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

2.1 The COVID-19 pandemic (the virus) continues to evolve and impact local and global markets. The spread of COVID-19 pandemic resulted in authorities implementing numerous measures since March 2020 to try to contain the virus, such as travel bans and restrictions, quarantines and shutdowns. Consequently, economic conditions have been increasingly volatile. However, the Group continued production and its operation despite lockdown of economic activities due to spread of COVID-19. Although impact on Group's sales cannot be precisely determined, the Group has sustained sales during the period of March to June 2020. The extent of the impact of the virus on the operational and financial performance of the Group includes the following:

- Loan of Rs. 535.50 million was obtained by the Holding Company under the refinance scheme for payment of wages and salaries - note 21

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

- Deferred Government Grant of Rs. 85.71 million was recognised by the Holding Company in relation to loan obtained for payment of wages and salaries at less than market rate - note 24
- Increase in trade receivables of the Group - note 12
- Decrease in rental income of the Group with respect to rent concessions given to tenants - note 35
- Decrease in discounts, rebates and allowances of the Group - note 30
- Decrease in advertisement and other marketing related expenses of the Holding Company - note 32
- The reduction in interest rates by State Bank of Pakistan (SBP) had a positive impact in terms of interest on borrowing for the Group.

Further, there was no impairment triggering matter for non-financial assets of the Group.

2.2 Due to the outbreak of the virus in Pakistan, the Holding Company decided to import “Remdesivir” (the drug), a broad-spectrum antiviral medication authorised for emergency use by the United States of America (U.S) Food and Drug Administration (FDA) for the treatment of hospitalised COVID-19 patients. Consequently, the Company filed for registration of the drug with Drug Regulatory Authority of Pakistan (DRAP) under the Drugs Act, 1976, on June 03, 2020. The Holding Company also entered into an agreement with Beximco Pharmaceuticals Limited, Bangladesh on June 01, 2020 for import of the drug. Meanwhile, the Holding Company received the first consignment on June 10, 2020 of the drug under Rule 13 of the Drugs (Import and Export) Rules, 1976. DRAP approval was subsequently received on June 20, 2020 after which further imports were made. During the year ended June 30, 2020, the Holding Company distributed “Remidisivir” amounting to Rs. 12.76 million as a Corporate Social Responsibility (CSR) activity.

The Holding Company also distributed personal protective equipments amounting to Rs. 17.28 million to healthcare professionals during the peak of COVID-19 pandemic in Pakistan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3.1 Basis of preparation

3.1.1 Statement of Compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

3.2 Use of critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with the approved accounting and reporting standards require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

- a) Income tax - note 3.16
- b) Revaluation of property, plant and equipment - note 3.6
- c) Pricing of revenue from contracts with customers - note 3.18

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management believes that the change in outcome of estimates would not have a material impact on the amounts disclosed in the consolidated financial statements.

No critical judgement has been used in applying the accounting policies.

3.3 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year and are 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 impact of changes laid down by this standard is detailed in note 4.

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

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

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

There are certain amendments and interpretation that are mandatory for accounting period beginning on or after July 1, 2020 but are considered not relevant for Company's financial statements and hence have not been detailed here.

3.4 Overall valuation policy

These consolidated financial statements have been prepared under the historical cost convention except as otherwise stated below in the respective accounting policy notes.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

3.5 Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are derecognised from the date the control ceases. These consolidated financial statements include The Searle Company Limited (the Holding Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in consolidated statement of profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the proportionate net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised in consolidated statement of profit or loss.

The financial statements of the subsidiaries have been consolidated on a line by line basis. Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealised) are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

ii. Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.6 Property, plant and equipment

i. Owned

These are stated at cost less accumulated depreciation / amortisation and impairment loss, if any, except leasehold land, building on leasehold land, plant and machinery, vehicles and air-conditioning systems, which are stated at revalued amount less accumulated depreciation and impairment losses, if any, and capital work-in-progress which is stated at cost.

Depreciation is charged to the consolidated statement of profit or loss applying the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life. The revalued amount of building on leasehold land, plant and machinery, vehicles and air-conditioning systems is depreciated equally over the remaining life from the date of valuation. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in the consolidated statement of profit or loss and comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in consolidated statement of profit or loss, the increase is first recognised in consolidated statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in consolidated statement of profit or loss and other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to consolidated statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to retained earnings. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount.

Disposal of asset is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expense / income' in the consolidated statement of profit or loss.

Gain or loss on disposal or retirement of property, plant and equipment is included in the consolidated statement of profit or loss.

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

3.7 Intangible assets

An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the Group and that the cost of such asset can be measured reliably. These are stated at cost less accumulated amortisation and impairment, if any.

Distribution rights, brand name & logo and licenses have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangibles having infinite life are carried at cost less impairment, if any.

Amortisation is calculated using the straight line method to allocate the cost of trademarks and licenses over the useful lives.

Goodwill represents the difference between the consideration paid, for acquiring interests in a company and the value of the Group's share of its net assets at the date of acquisition.

3.8 Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in consolidated statement of profit or loss.

3.9 Investments in associates

Associates are all entities over which the Holding Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or common directorship. Investments in associates are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the consolidated statement of profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the consolidated statement of profit or loss. Investment in associates are accounted for using the equity method of accounting in the consolidated financial statements.

3.10 Investment properties

The Group carries investment properties at their respective costs under the cost model in accordance with IAS 40 'Investment Property'. The fair values are determined by the independent valuation experts and such valuations are carried out every year to determine the recoverable amount.

Asset classified as investment property is carried at its respective cost less accumulated depreciation and accumulated impairment losses, if any.

The Group carries investment property under work-in-progress at their respective costs less accumulated impairment losses, if any. Depreciation is charged on such property after it is completed as per IAS 40 'Investment Property'.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

3.11 Inventories

Inventories are valued at the lower of cost and net realisable value except goods-in-transit which are valued at invoice value plus other charges incurred thereon. Cost signifies standard cost adjusted by variances.

Cost of raw and packing material comprises purchase price including directly related expenses less trade discounts. Cost of work-in-process and finished goods includes cost of raw material, direct labour and related production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessarily to be incurred in order to make the sales.

Stores and spares are valued at lower of cost, determined using first-in-first-out method less provision for slow moving and obsolete stores and spares. Items in transit are valued at invoice value plus other charges incurred thereon.

3.12 Short-term deposits, prepayments, loans and advances

Short-term deposits, prepayments, loans and advances are non-derivative financial assets with fixed and determinable payments. These are included in current assets, except those with maturities greater than twelve months after the reporting date, which are classified as non-current assets.

Interest free loans to employees are stated at amortised cost.

3.13 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. Refer - note 3.8 for a description of the Group's impairment policies.

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of consolidated statement of cash flows, cash and cash equivalents comprise cash, balances with banks on current and deposit accounts and finance under mark-up arrangements.

3.14 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.15 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

3.16 Income tax

i. Current

The charge for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits and rebates available, if any.

ii. Deferred

Deferred tax is accounted for using the liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the consolidated statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity. Deferred tax is determined using tax rates and prevailing law for taxation on income that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

3.17 Employee retirement benefits

The Group operates various post-employment schemes, including both defined contribution and defined benefit plans.

3.17.1 Defined contribution plan

The Group operates a recognised provident fund scheme for all employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate of 10% per annum of the basic salary. The contributions are recognised as employee benefit expense when they are due.

3.17.2 Defined benefit plan

Defined benefit plans define an amount of pension or gratuity or medical benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the unconsolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or the market rates on government bonds. These are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related benefit obligation.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

The Company operates an approved unfunded gratuity scheme covering all unionised employees with five or more years of service with the Group. The provision has been made in accordance with actuarial valuations carried out as of June 30, 2020 using the projected unit credit method.

3.18 Revenue recognition

Revenue is recognised when control of the products has transferred, being when the products are dispatched to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Revenue is recognised as follows:

- Revenue from sale of goods is recognised when control is transferred to the customers.
- Income from toll manufacturing is recognised when services are rendered.
- Dividend income, other than those from investments measured using equity method, is recognised when the Group's right of receipts is established.
- Interest income and rental income are recognised on accrual basis.

No element of financing is deemed present as the sales are made with a credit term of 30-90 days, which is consistent with the market practice.

The Transaction price for products are agreed under the contract with customers.

Discounts are offered on the basis of contracts with customers.

3.19 Borrowings and their cost

Borrowings are initially recognised at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are recognised at amortised cost using the effective interest method. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalised as part of the cost of that asset. Borrowings payable within next twelve months are classified as current liabilities.

3.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21 Foreign currency transactions and translation

The consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

Transactions in foreign currencies are converted into Pak Rupees using the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using the exchange rates prevailing on the reporting date. Exchange differences are taken to consolidated statement of profit or loss.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

3.22 Research and development costs

Research and development cost except to the extent that an intangible asset is recognised, is charged in the year in which it is incurred. Development costs previously charged to in the consolidated statement of profit or loss are not recognised as an asset in the subsequent period.

3.23 Operating lease

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are charged to in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

3.24 Financial Instruments - Initial recognition and subsequent measurement

Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

Classification of financial assets

The Group classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortised cost.

The Group determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

Classification of financial liabilities

The Group classifies its financial liabilities in the following categories:

- at fair value through profit and loss (“FVTPL”), or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVTPL.

Subsequent measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income/(loss).

ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Group’s own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVTPL.

Impairment of financial asset

The Group recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost at an amount equal to life time ECLs except for the following, which are measured at 12 months ECLs:

- bank balances for whom credit risk (the risk of default occurring over the expected life of the financial instrument has not increased since the inception.
- employee receivables.
- other short term loans and receivables that have not demonstrated any increase in credit risk since inception.

Loss allowance for trade receivables are always measured at an amount equal to life time ECLs.

The Group considers a financial asset in default when it is more than 90 days past due.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

Life time ECLs are the ECLs that results from all possible defaults events over the expected life of a financial instrument. 12 month ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Group expects to receive).

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Derecognition

i) Financial assets

The Group derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

ii) Financial liabilities

The Group derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

3.25 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position if the Group has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.26 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the consolidated financial statements in the period in which the dividend is declared and approved.

3.27 Government Grants

Government grants relating to costs are deferred and recognised in the Statement of profit or loss and other comprehensive income over the period necessary to match these with the costs that they are intended to compensate.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

3.28 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

4. CHANGE IN ACCOUNTING POLICIES

The Group has applied the following standard for the first time for its annual reporting period commencing July 1, 2019.

4.1 Impact of transition to IFRS 16 - Leases

The Group has adopted IFRS 16 from July 1, 2019, and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before July 01, 2019. Right-of-use assets and lease liabilities of Rs. 141.42 million and Rs. 139.42 million were recorded respectively, as of July 01, 2019, with no net impact on unappropriated profit. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of 15.34% to 15.48% at July 01, 2019.

The following summary reconciles the Group's operating lease commitments previously considered as land rentals at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 1, 2019.

| | Rupees '000 | | | | | | |
|---|--|-----------------|----------|-------------|------|-----------------------|--|
| Operating lease commitment as at July 01, 2019 | 260,398 | | | | | | |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | (120,977) | | | | | | |
| Lease Liability recognised as at July 01, 2019 | <u>139,421</u> | | | | | | |
| Of which are: | | | | | | | |
| Current lease liabilities | 8,556 | | | | | | |
| Non-current lease liabilities | 130,865 | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: center;">June 30,</td> <td style="text-align: center;">July 01,</td> </tr> <tr> <td style="text-align: center;">2020</td> <td style="text-align: center;">2019</td> </tr> <tr> <td colspan="2" style="text-align: center;">-----Rupees '000-----</td> </tr> </table> | June 30, | July 01, | 2020 | 2019 | -----Rupees '000----- | |
| June 30, | July 01, | | | | | | |
| 2020 | 2019 | | | | | | |
| -----Rupees '000----- | | | | | | | |
| The recognised right-of-use assets relate to the following types of assets: | | | | | | | |
| Property | 121,515 141,421 | | | | | | |
| following items in the statement of financial position on July 1, 2019: | | | | | | | |
| Right-of-use asset increased by | 141,421 | | | | | | |
| Trade deposits and short-term prepayments decreased by | 2,000 | | | | | | |
| Lease liabilities - increased by | 139,421 | | | | | | |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| | June 30, 2020 | July 01, 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| The change in accounting policy affected the following items in the profit and loss account for the year ended June 30, 2020: | | |
| Markup expense - increased by | 20,412 | - |
| Depreciation - increased by | 19,906 | - |
| Other expenses which includes rent expense decreased by | 28,868 | - |

4.2 Lease liability and right-of-use asset

At inception of a contract, the Group assesses whether a contract is, or contains, a lease i.e. it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

From July 1, 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 Group.

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 Group's incremental borrowing rate.

Lease payments include fixed payments, variable payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, exercise price of a purchase option, payments of penalties for terminating the lease, less any lease incentives receivable. The purchase, extension and termination options are incorporated in determination of lease term only when the Group 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 payments arising from a change in fixed payments or an index or rate, Group's estimate of the amount expected to be payable under a residual value guarantee or 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 is reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any payments made at or before the commencement date and any incentive received, plus any initial direct costs and estimate of costs to dismantle, remove or restore the underlying asset (if any) or to restore the site on which it is located. 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 Group does not recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less, leases of low-value assets and recognises associated payments in the period in which these are incurred.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|-----------------------|------------------|
| | -----Rupees '000----- | |
| 5. PROPERTY, PLANT AND EQUIPMENT | | |
| Operating assets - note 5.1 | 4,197,208 | 3,046,624 |
| Capital work in progress - note 5.12 | 218,455 | 739,553 |
| | 4,415,663 | 3,786,177 |

5.1 Operating assets

| | OWNED ASSETS | | | | | | | Total |
|-----------------------------------|---|--|--|---------------------|---------------------------|--------------------------------------|--|------------------|
| | Leasehold land - notes 5.3, 5.4, 5.5 & 5.8 | Building on leasehold land / rented office premises - notes 5.3, 5.4 & 5.5 | Plant and machinery 5.3, 5.4 & 5.5 | Office equipment | Furniture and fixtures | Vehicles - note 5.3, 5.4 & 5.5 | Air - conditioning- note 5.3, 5.4 & 5.5 | |
| | -----Rupees '000----- | | | | | | | |
| Net carrying value basis | | | | | | | | |
| Year ended June 30, 2020 | | | | | | | | |
| Opening net book value | 1,440,641 | 485,512 | 896,968 | 92,604 | 42,028 | 48,852 | 40,019 | 3,046,624 |
| Additions - notes 5.2 & 5.7. | 14,735 | 547,204 | 61,695 | 625 | 10,563 | - | 49,972 | 684,794 |
| Transfer from investment property | 267,861 | 45,146 | 13,774 | 2,683 | 8,387 | - | 8,062 | 345,913 |
| Revaluation - notes 5.3 & 5.4 | 312,165 | 36,971 | 119,258 | - | - | 12,620 | 2,072 | 483,086 |
| Disposals - note 5.11 | - | - | (520) | - | - | (1,085) | - | (1,605) |
| Transfers to assets held for sale | - | (81,360) | (35,623) | (436) | - | - | - | (117,419) |
| Impairment loss | - | - | (3,101) | - | - | - | - | (3,101) |
| Depreciation charge | (157) | (46,831) | (129,425) | (25,371) | (6,327) | (16,913) | (16,060) | (241,084) |
| Closing net book value | 2,035,245 | 986,642 | 923,026 | 70,105 | 54,651 | 43,474 | 84,065 | 4,197,208 |
| Gross carrying value basis | | | | | | | | |
| At June 30, 2020 | | | | | | | | |
| Cost or revaluation | 2,035,245 | 986,642 | 926,127 | 217,844 | 89,975 | 43,474 | 84,065 | 4,383,372 |
| Accumulated depreciation | - | - | - | (146,334) | (31,722) | - | - | (178,056) |
| Accumulated impairment | - | - | (3,101) | (1,405) | (3,602) | - | - | (8,108) |
| Net book value | 2,035,245 | 986,642 | 923,026 | 70,105 | 54,651 | 43,474 | 84,065 | 4,197,208 |
| Net carrying value basis | | | | | | | | |
| Year ended June 30, 2019 | | | | | | | | |
| Opening net book value | 745,026 | 379,122 | 502,431 | 75,136 | 31,222 | 35,928 | 23,972 | 1,792,837 |
| Additions | - | 162,064 | 272,490 | 53,826 | 15,001 | 16,754 | 23,311 | 543,446 |
| Revaluation - notes 5.3 & 5.4 | 607,081 | - | 218,371 | - | - | 14,506 | - | 839,958 |
| Disposals | - | - | (2,017) | (4,350) | - | (2,918) | - | (9,285) |
| Transfer to investment property | 88,534 | - | - | - | - | - | - | 88,534 |
| Depreciation charge | - | (55,674) | (94,307) | (32,008) | (4,195) | (15,418) | (7,264) | (208,866) |
| Closing net book value | 1,440,641 | 485,512 | 896,968 | 92,604 | 42,028 | 48,852 | 40,019 | 3,046,624 |
| Gross carrying value basis | | | | | | | | |
| At June 30, 2019 | | | | | | | | |
| Cost or revaluation | 1,440,641 | 723,433 | 1,530,982 | 215,101 | 71,025 | 71,692 | 107,041 | 4,159,915 |
| Accumulated depreciation | - | (237,921) | (626,754) | (121,092) | (25,395) | (22,840) | (67,022) | (1,101,024) |
| Accumulated impairment | - | - | (7,260) | (1,405) | (3,602) | - | - | (12,267) |
| Net book value | 1,440,641 | 485,512 | 896,968 | 92,604 | 42,028 | 48,852 | 40,019 | 3,046,624 |
| Depreciation rate | - | 5% & 20% | 10%, 20% & 33% | 10%, 20% & 33% | 10%, 20% & 33% | 20% | 10% & 20% | |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

5.2 This represents mutation charges given on leasehold land amounting to Rs. 5.29 million paid by Holding Company.

5.3 During the year, the Group revalued its operating assets classified under leasehold land, building on leasehold land, plant and machinery, vehicles and air-conditioning systems. This resulted in revaluation surplus on leasehold land, building on leasehold land, plant and machinery, vehicles and air-conditioning systems amounting to Rs. 312.17 million (2019: Rs. 607.08 million), Rs. 36.97 million (2019: Rs. Nil), Rs. 119.26 million (2019: Rs. 218.37 million), Rs. 12.62 million (2019: Rs. 14.51 million) and Rs. 2.07 million (2019: Rs. Nil) respectively.

5.4 The valuation of leasehold land bearing no. 5-B, Block - 7 & 8, Delhi Mercantile Muslim Co-operative Housing Society Limited, Karachi measuring 505 square yards and leasehold land bearing no. E-58A, North Western Industrial Zone, Port Qasim Authority, Karachi measuring 1.522 acres, was carried out by an independent valuer M/s. Pee Dee & Associates on June 30, 2019 on the basis of present market values for similar sized plots in the vicinity for land (level 2). The valuation of leasehold land bearing No. F-319, situated at S.I.T.E area, Karachi measuring 5.24 acres, leasehold land bearing no. E-58, North Western Industrial Zone, Port Qasim Authority, Karachi measuring 1.5 acres, and leasehold land bearing No. B-168, S.I.T.E, Nooriabad, District Jamshoro, Sindh measuring 25 acres, building on leasehold land, plant and machinery, vehicles and air-conditioning systems was carried out by an independent valuer, M/s. Pee Dee & Associates on June 30, 2020 on the basis of present market values for similar sized plots in the vicinity for land and replacement values of similar type of buildings, plant and machinery, vehicles and air-conditioning systems (level 2).

Forced sale value of the revalued assets as at June 30, 2020 are as follows:

| | 2020 | 2019 |
|------------------------------|------------------------|---------|
| | -----Rupees '000 ----- | |
| - Leasehold land | 1,412,972 | 974,127 |
| - Building on leasehold land | 394,142 | 258,080 |
| - Plant and machinery | 636,871 | 599,375 |
| - Vehicles | 35,000 | 34,370 |
| - Air-conditioning systems | 56,001 | 25,700 |

5.5 The previous valuation was carried out by an independent valuer M/s. Pee Dee & Associates Limited and M/s. A.J. Associates on June 30, 2019.

The different levels have been defined in IFRS 13 as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included with in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e., unobservable inputs e.g. estimated future cash flows) (level 3).

5.6 During the year, the Holding Company relocated its head office to IBL One Building Centre. The Property had been recognised as an investment property in these consolidated financial statements. Consequently, the owner occupied portion of investment property with net book value of Rs. 345.91 million (fair value - Rs. 593.12 million) has been reclassified to property, plant and equipment. The allocation of net book value was made on the basis of total covered area of the investment property occupied by the Holding Company.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

- 5.7** Leasehold land represents 1.5 acres of land out of which 1 acre has been registered while 0.5 acres has not yet been registered in the name of NPPL. The NPPL is in the process of getting the remaining 0.5 acres registered in its name. Addition during the year represents payment made by the NPPL to Port Qasim Authorities in relation to it. Further, the NPPL is also pursuing mutation of 1.5 acres in its name.
- 5.8** During the year, NPPL received approval for commencement of commercial production in August 2019 due to which, the factory building and the Ampoule Syringe Filling machine were transferred from capital work in progress to operating assets.
- 5.9** Had there been no revaluation of leasehold land, building on leasehold land, plant and machinery, vehicles and air-conditioning systems, cost and written down value of revalued assets would have been as follows:

| | Leasehold land | Buildings on leasehold land / rented office premises | Plant and machinery | Air conditioners | Vehicles | Total |
|--|-----------------------|--|---------------------|------------------|---------------|------------------|
| | -----Rupees '000----- | | | | | |
| Cost | 1,628,503 | 628,767 | 1,290,940 | 102,729 | 52,416 | 3,703,355 |
| Accumulated depreciation / impairment | (156) | (185,584) | (614,523) | (44,614) | (29,221) | (874,098) |
| NBV as at June 30, 2020 | 1,628,347 | 443,183 | 676,417 | 58,115 | 23,195 | 2,829,257 |
| NBV as at June 30, 2019 | 292,494 | 377,691 | 659,412 | 35,470 | 27,278 | 1,392,345 |

- 5.10** Particulars of immovable property (i.e. land and building) in the name of the Group are as follows:

| Location | Usage | Total Area (acres / sqr. yds) |
|--|------------------------|-------------------------------|
| F-319, situated at S.I.T.E area, Karachi | Manufacturing facility | 5.24 acres |
| E-58-A North Western Industrial Zone, Port Qasim | Land | 1.52 acres |
| Plot no. 24/3, Block 7 & 8, D.M.C.H.S., Karachi | Rented property | 754 sqr yds |
| Plot no. 4-A, Block 7 & 8, D.M.C.H.S., Karachi | Vacant plot | 1,004 sqr yds |
| F/2-A-1, situated at S.I.T.E area, Karachi | Vacant plot | 2,226 sqr yds |
| Plot no. B-168, S.I.T.E area, Nooriabad, District Jamshoro | Vacant plot | 25 acres |
| E-58 North Western Industrial Zone, Port Qasim | Land | 1.5 acres |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

- 5.11** The details of operating assets disposed off, having net book value in excess of Rs. 500,000 each are as follows:

| Description | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain | Mode of disposal | Particulars of purchaser |
|-----------------------|--------------|--------------------------|--------------|---------------|------------|---------------------|--|
| -----Rupees '000----- | | | | | | | |
| Motor Vehicle | 2,023 | 1,356 | 667 | 1,600 | 933 | Advertisement / Bid | Mr. Manzoor Ahmed - Village Wahid Buksh Khan, Bijarani Tehsil, Tanjwani District, Kashmir. |
| Sewing machine | 615 | 95 | 520 | 520 | - | Negotiation | International Knitwear Limited - associated company |
| | <u>2,638</u> | <u>1,451</u> | <u>1,187</u> | <u>2,120</u> | <u>933</u> | | |

5.12 Capital work-in-progress - at cost

| Reclassification | Balance as at July 1, 2019 | Additions during the year | Reclassification | Transfers to operating assets | Balance as at June 30, 2020 | Balance as at July 1, 2018 | Additions during the year | Transfers to operating assets | Balance as at June 30, 2019 |
|-----------------------------------|----------------------------|---------------------------|------------------|-------------------------------|-----------------------------|----------------------------|---------------------------|-------------------------------|-----------------------------|
| -----Rupees '000----- | | | | | | | | | |
| Civil works | 310,179 | 32,923 | 213,402 | (519,359) | 37,145 | 327,096 | 96,785 | (113,702) | 310,179 |
| Shop fitouts | - | - | - | - | - | 42 | - | (42) | - |
| Plant and machinery - note 5.12.1 | <u>422,143</u> | <u>76,646</u> | <u>(213,402)</u> | <u>(121,240)</u> | <u>164,147</u> | <u>535,224</u> | <u>135,410</u> | <u>(248,491)</u> | <u>422,143</u> |
| | <u>732,322</u> | <u>109,569</u> | <u>-</u> | <u>(640,599)</u> | <u>201,292</u> | <u>862,362</u> | <u>232,195</u> | <u>(362,235)</u> | <u>732,322</u> |
| Advances to suppliers | 7,231 | 54,465 | - | (44,533) | 17,163 | 37,325 | 114,970 | (145,064) | 7,231 |
| | <u>739,553</u> | <u>164,034</u> | <u>-</u> | <u>(685,132)</u> | <u>218,455</u> | <u>899,687</u> | <u>347,165</u> | <u>(507,299)</u> | <u>739,553</u> |

- 5.12.1** It represents plant and machinery that has not been commissioned yet.

6. RIGHT-OF-USE ASSET

| | 2020 | 2019 |
|--|----------------|----------|
| -----Rupees '000----- | | |
| Balancing at the beginning / initial recognition | 141,421 | - |
| Depreciation for the year - note 6.1 | (19,906) | - |
| Net Book value as at June 30, 2020 | <u>121,515</u> | <u>-</u> |

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

7. INVESTMENT PROPERTIES - at cost

| | 2020 | 2019 |
|---|------------------|------------------|
| -----Rupees '000----- | | |
| Operating assets - note 7.1 | 2,512,928 | 2,717,917 |
| Investment property under work in progress - at cost - note 7.8 | 58,746 | 6,199 |
| | <u>2,571,674</u> | <u>2,724,116</u> |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

7.1 Operating assets

| | Owned assets | | | | | | | | Total |
|---|-----------------------|----------------------------|------------------|----------------------|-------------------|---------------|----------------------|------------------|------------------|
| | Leasehold land | Building on leasehold land | Office equipment | Electrical equipment | Lifts & elevators | Generators | Furniture & fittings | Air-conditioning | |
| | -----Rupees '000----- | | | | | | | | |
| Year ended June 30, 2020 | | | | | | | | | |
| Opening net book value | 2,181,946 | 326,986 | 12,927 | 68,984 | 22,317 | 18,056 | 28,205 | 58,496 | 2,717,917 |
| Additions - notes 7.3, 7.4 & 7.5 | 111,509 | 18,673 | 12,025 | 6,715 | - | - | 38,934 | 10,049 | 197,905 |
| Transfer to property, plant and equipment | (267,861) | (45,146) | (2,683) | (9,134) | (2,530) | (2,110) | (8,387) | (8,062) | (345,913) |
| Depreciation charge | - | (19,636) | (5,270) | (9,342) | (3,833) | (2,686) | (6,365) | (9,849) | (56,981) |
| Closing net book value | 2,025,594 | 280,877 | 16,999 | 57,223 | 15,954 | 13,260 | 52,387 | 50,634 | 2,512,928 |
| As at June 30, 2020 | | | | | | | | | |
| Cost | 2,025,594 | 371,909 | 34,475 | 89,803 | 35,469 | 24,856 | 76,212 | 98,541 | 2,756,859 |
| Accumulated depreciation | - | (91,032) | (17,476) | (32,580) | (19,515) | (11,596) | (23,825) | (47,907) | (243,931) |
| Net book amount | 2,025,594 | 280,877 | 16,999 | 57,223 | 15,954 | 13,260 | 52,387 | 50,634 | 2,512,928 |
| Year ended June 30, 2019 | | | | | | | | | |
| Opening net book value | 2,331,124 | 334,257 | 15,916 | 41,575 | 26,437 | 16,743 | 33,164 | 68,164 | 2,867,380 |
| Additions | 14,534 | 12,964 | 2,274 | 34,048 | - | 4,131 | - | 775 | 68,726 |
| Transfer from property, plant and equipment | (88,534) | - | - | - | - | - | - | - | (88,534) |
| Transfer to assets held for sale | (75,178) | - | - | - | - | - | - | - | (75,178) |
| Depreciation charge | - | (20,235) | (5,263) | (6,639) | (4,120) | (2,818) | (4,959) | (10,443) | (54,477) |
| Closing net book value | 2,181,946 | 326,986 | 12,927 | 68,984 | 22,317 | 18,056 | 28,205 | 58,496 | 2,717,917 |
| As at June 30, 2019 | | | | | | | | | |
| Cost | 2,181,946 | 413,333 | 28,021 | 97,599 | 41,200 | 28,872 | 49,593 | 104,415 | 2,944,979 |
| Accumulated depreciation | - | (86,347) | (15,094) | (28,615) | (18,883) | (10,816) | (21,388) | (45,919) | (227,062) |
| Net book value | 2,181,946 | 326,986 | 12,927 | 68,984 | 22,317 | 18,056 | 28,205 | 58,496 | 2,717,917 |
| Depreciation rate | - | 5% | 20% | 10% | 10% | 10% | 10% | 10% | |

7.2 This includes investment in plots which have been rented to various tenants including IBL Identity (Private) Limited, United Franchises (Private) Limited and Trax Online (Private) Limited (associated companies), Espresso Coffee Houses (Private) Limited and J.B Saeed Home and Hardware in consideration for monthly rentals.

7.3 This represents purchase cost, mutation and other registration charges for Plot 24/4, Block 7 & 8, D.M.C.H.S, Karachi, incurred by IBL HC.

7.4 This represents amount paid as amalgamation charges in respect of Plots 24/4, 24/4-A and 24/3, Block 7 & 8, D.M.C.H.S, Karachi, paid by IBL HC.

7.5 This includes furnitures and fixtures purchased from IBL Frontier Market (Private) Limited - related party amounting to Rs. 31.58 million.

7.6 Leasehold land classified under investment property had been valued under the market value basis by an independent valuer, M/s. Pee Dee & Associates. Market value of leasehold land and other assets based on the valuation as of June 30, 2020 was Rs. 3.44 billion (2019: Rs. 3.3 billion) and Rs. 0.825 billion (2019: Rs. 0.814 billion) respectively. Leasehold land and building on leasehold land represent Building Centre situated at Main Shahrah-e-Faisal, Block 7 & 8, Tipu Sultan Road, Delhi Mercantile Co-operative Housing Society having area of 5,291 square yards.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

7.7 The valuations of investment properties of IBL HC have been carried out by M/s. Pee Dee & Associates, an independent valuer engaged by the Company as at June 30, 2020. Market value of these investment properties as at June 30, 2020 is Rs. 1.01 billion (2019: Rs. 0.795 billion).

7.8 Movement in investment properties under work-in-progress - at cost

| | 2020 | 2019 |
|--|------------------------|--------------|
| | -----Rupees '000 ----- | |
| Balance at beginning of the year | 6,199 | 4,438 |
| Addition during the year | 131,643 | 47,560 |
| Transfer to operating assets - investment property | (79,096) | (45,799) |
| Balance at the end of the year | <u>58,746</u> | <u>6,199</u> |

8. INTANGIBLE ASSETS

| | | |
|--|----------------|----------------|
| Operating intangible assets - note 8.1 | 328,533 | 356,638 |
| Capital work-in-progress - at cost | - | 8,630 |
| | <u>328,533</u> | <u>365,268</u> |

8.1 Operating intangibles

| | Distribution rights | Brand name and logo | Product license - note 8.2 | Software licenses - note 8.3 | Goodwill - note 8.4 | Total |
|-----------------------------------|------------------------|---------------------|----------------------------|------------------------------|---------------------|----------------|
| | -----Rupees '000 ----- | | | | | |
| Net carrying value basis | | | | | | |
| Year ended June 30, 2020 | | | | | | |
| Opening net book value | 8,550 | 7,916 | 78,137 | 86,419 | 175,616 | 356,638 |
| Additions | - | - | - | 19,801 | - | 19,801 |
| Amortisation charge | (1,800) | (5,000) | (11,160) | (29,946) | - | (47,906) |
| Closing net book value | <u>6,750</u> | <u>2,916</u> | <u>66,977</u> | <u>76,274</u> | <u>175,616</u> | <u>328,533</u> |
| Gross carrying value basis | | | | | | |
| At June 30, 2020 | | | | | | |
| Cost | 277,475 | 74,703 | 111,623 | 181,247 | 175,616 | 820,664 |
| Accumulated amortisation | (258,596) | (71,787) | (44,646) | (104,973) | - | (480,002) |
| Accumulated impairment | (12,129) | - | - | - | - | (12,129) |
| Net book value | <u>6,750</u> | <u>2,916</u> | <u>66,977</u> | <u>76,274</u> | <u>175,616</u> | <u>328,533</u> |
| Net carrying value basis | | | | | | |
| Year ended June 30, 2019 | | | | | | |
| Opening net book value | - | 12,916 | 89,299 | 95,375 | 175,616 | 373,206 |
| Additions | 9,000 | - | - | 19,343 | - | 28,343 |
| Amortisation charge | (450) | (5,000) | (11,162) | (28,299) | - | (44,911) |
| Closing net book value | <u>8,550</u> | <u>7,916</u> | <u>78,137</u> | <u>86,419</u> | <u>175,616</u> | <u>356,638</u> |
| Gross carrying value basis | | | | | | |
| At June 30, 2019 | | | | | | |
| Cost | 277,475 | 74,703 | 111,623 | 161,446 | 175,616 | 800,863 |
| Accumulated amortisation | (256,796) | (66,787) | (33,486) | (75,027) | - | (432,096) |
| Accumulated impairment | (12,129) | - | - | - | - | (12,129) |
| Net book value | <u>8,550</u> | <u>7,916</u> | <u>78,137</u> | <u>86,419</u> | <u>175,616</u> | <u>356,638</u> |
| Amortisation rate | <u>10%</u> | <u>10%</u> | <u>10%</u> | <u>20% & 33.33%</u> | | |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

- 8.2** This represents license obtained for the production of product “Tramal”.
- 8.3** Software licenses include various licenses and enterprise resources planning software and cost of implementation and license of SAP in collaboration with IBL Unisys (Private) Limited, an associated company. The software has a remaining useful life of 8.5 & 9.5 years.
- 8.4** This represents goodwill recognised on the acquisition of the controlling interest in NPPL during the year ended June 30, 2016.
- 8.5** This represents license cost of Candela inventory management system and cost of Oracle Enterprise Resource Planning package along with consultancy services rendered in relation to implementation and related services.

| | 2020 | 2019 |
|--|------------------------|------------------------|
| | -----Rupees '000 ----- | -----Rupees '000 ----- |
| 9. LONG-TERM LOANS AND ADVANCES | | |
| Loans - considered good | | |
| - To others - note 9.1 | <u>358</u> | <u>270</u> |
| 9.1 Others | | |
| Employees - note 9.1.1 | 1,046 | 1,834 |
| Less: current portion employee loan | (688) | (1,564) |
| | <u>358</u> | <u>270</u> |
| 9.1.1 This represents interest-free loans for automobiles to employees other than executives, as defined in note - 42. These are secured against provident fund balances of respective employees. | | |

| | 2020 | 2019 |
|--|------------------------|------------------------|
| | -----Rupees '000 ----- | -----Rupees '000 ----- |
| 10. LONG TERM DEPOSITS | | |
| Deposit against: | | |
| - rent - note 10.1 | 7,396 | 10,196 |
| - utilities - note 10.2 | 3,428 | 3,428 |
| | <u>10,824</u> | <u>13,624</u> |
| 10.1 This represents deposits by IBLIPL in respect of rented premises including factory warehouse and retail outlets. | | |
| 10.2 This represents amount deposited for electricity and gas amounting to Rs. 0.75 million (2019: Rs. 0.75 million) and Rs. 2.68 million (2019: Rs. 2.68 million) respectively. It does not carry any mark up arrangement. | | |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|------------------------------------|------------------------|------------------|
| | -----Rupees '000 ----- | |
| 11. INVENTORIES | | |
| Raw materials | 1,715,353 | 1,250,553 |
| Packing materials | 390,314 | 330,251 |
| Stores and spares | 137,159 | 79,655 |
| Work-in-process - note 11.2 | 133,452 | 99,369 |
| Finished goods - notes 11.2 & 11.3 | 1,052,241 | 1,194,074 |
| | <u>3,428,519</u> | <u>2,953,902</u> |

11.1 Inventories includes material in transit amounting to Rs.782.821 million (2019: Rs. 748.15 million).

11.2 Work in process and finished goods includes inventories amounting to Rs. 560.8 million (2019: Nil) held with third parties.

11.3 These are net of provision against expired / obsolete stock amounting to Rs. Nil (2019: 4.57 million).

| | 2020 | 2019 |
|--|------------------------|------------------|
| | -----Rupees '000 ----- | |
| 12. TRADE RECEIVABLES | | |
| Considered good | | |
| - Export receivables, secured - note 12.4 | 448,334 | 307,294 |
| - Due from related parties, unsecured - note 12.1, 12.2 & 12.3 | 7,327,278 | 4,628,362 |
| - Others, unsecured | 858,224 | 1,274,161 |
| | <u>8,633,836</u> | <u>6,209,817</u> |
| Considered doubtful - others | 154,099 | 165,454 |
| Less: Provision for doubtful receivables | <u>(154,099)</u> | <u>(165,454)</u> |
| | <u>-</u> | <u>-</u> |
| | <u>8,633,836</u> | <u>6,209,817</u> |

12.1 Due from related parties, unsecured

| | | |
|--|------------------|------------------|
| Group companies - note 12.2 | | |
| - IBL Operations (Private) Limited | 7,022,659 | 4,312,102 |
| - United Brands Limited | 12,063 | 29,073 |
| - International Franchises (Private) Limited | 20 | 20 |
| - Mycart (Private) Limited | 135 | 135 |
| - IBL Logictics (Private) Limited | 100,894 | 95,828 |
| - IBL Frontier Markets (Private) Limited | 23,160 | 23,160 |
| - United Retail (SMC-Private) Limited | 168,347 | 168,044 |
| | <u>7,327,278</u> | <u>4,628,362</u> |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

- 12.2** The maximum aggregate amount of receivable outstanding at any time during the year are as follows:

| | 2020 | 2019 |
|--|------------------------|-----------|
| | -----Rupees '000 ----- | |
| IBL Operations (Private) Limited | 7,980,180 | 5,244,888 |
| United Brands Limited | 51,513 | 51,513 |
| IBL Logistics (Private) Limited | 107,691 | 95,828 |
| International Franchises (Private) Limited | 20 | 20 |
| IBL Frontier Markets (Private) Limited | 23,188 | 23,188 |
| Mycart (Private) Limited | 794 | 135 |
| United Retail (SMC-Private) Limited | 168,347 | 168,347 |

- 12.3** As at June 30, 2020, the age analysis of these related party receivables is as follows:

| | 2020 | 2019 |
|-------------------------------|------------------------|------------------|
| | -----Rupees '000 ----- | |
| Not yet due | 3,156,829 | 2,902,432 |
| Past due but not yet impaired | | |
| - 1 to 30 days | 1,189,536 | 975,152 |
| - 30 to 90 days | 2,534,699 | 403,917 |
| - 90 to 180 days | 225,750 | 102,944 |
| - 180 to 365 days | 9,196 | 69,075 |
| - older than 365 days | 211,268 | 174,842 |
| | <u>7,327,278</u> | <u>4,628,362</u> |

- 12.4** Breakup of export receivables are as follows:

| Country | Export Sales | Receivables | Confirmed Letter of Credit | Others |
|-------------|------------------|----------------|----------------------------|---------------|
| Afghanistan | 1,102,266 | 25,762 | - | 25,762 |
| Cambodia | 300,608 | 64,871 | 64,871 | - |
| Kenya | 19,666 | 4,142 | 4,142 | - |
| Laos | 17,123 | 5,476 | 2,464 | 3,012 |
| Maldives | 2,078 | - | - | - |
| Myanmar | 266,449 | 103,604 | 103,604 | - |
| Oman | 39,517 | - | - | - |
| Phillipines | 16,153 | 2,074 | 2,074 | - |
| Srilanka | 363,895 | 158,873 | 158,873 | - |
| Uganda | 13,663 | - | - | - |
| Vietnam | 157,747 | 83,532 | 83,532 | - |
| | <u>2,299,165</u> | <u>448,334</u> | <u>419,560</u> | <u>28,774</u> |

The above receivables are from unrelated parties.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

- 12.5** The Competition Commission of Pakistan (CCP) through its order dated September 13, 2007 instructed the Holding Company to reduce terms of trade credit with IBL Operations (Private) Limited, an associated concern, re-negotiate the offered rate of commission and conduct audit of the transactions. The Holding Company filed a counter case in Honorable High Court of Sindh to revert the order. The Holding Company, based on the opinion of its legal advisor, believes that it has a strong case and the matter would be decided in the favour of the Holding Company.

| | 2020 | 2019 |
|---|------------------------|-----------|
| | -----Rupees '000 ----- | |
| 13. LOANS AND ADVANCES | | |
| - considered good | | |
| Advances to: | | |
| - employees for operating activities - notes 13.1 & 13.2. | 89,295 | 107,140 |
| - employees against salaries - notes 13.1 & 13.2. | 11,879 | 11,527 |
| - suppliers - note 13.1 | 764,992 | 572,062 |
| - against purchase of land | - | 47,500 |
| - against imports - note 13.3 | 100,539 | 208,640 |
| - against LC margin | 1,890 | - |
| Other advances | 5,986 | - |
| | 974,581 | 946,869 |
| Loans to related parties. | | |
| - Short term loan - notes 13.4, 13.5 & 13.6 | 1,975,132 | 1,946,118 |
| - Current portion of long term loan | - | 49,630 |
| | 1,975,132 | 1,995,748 |
| Current portion long-term loans to employee - note 9.1 | 688 | 1,564 |
| | 2,950,401 | 2,944,181 |

- 13.1** The maximum aggregate amount of these advances outstanding at any time during the year was Rs. 138.62 million (2019: Rs. 124.54 million).

- 13.2** Advances given to employees in excess of Rs. 1 million are as follows:

| Employee | Amount Rupees '000 |
|--------------------|-----------------------|
| Rodney Sham Kumara | 7,866 |
| Sameed Sohail | 1,100 |
| Sajjad Butt | 2,681 |

- 13.3** This represents amount kept with scheduled banks in accordance with the requirement of Circular No. 02 of 2017 of Banking Policy & Regulations Department issued by the State Bank of Pakistan, requiring 100% cash margin on the import of specified items.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

- 13.4** 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 extraordinary general meeting of IBLHC, held on May 18, 2016 as per the requirements of section 208 of the repealed Companies Ordinance, 1984. The loan was converted into a long term loan for a period upto five years under an addendum to the loan agreement dated June 29, 2019 and was approved in the annual general meeting held on October 25, 2019 in accordance with the requirements of section 199 of the Companies Act, 2017. However, the management of IBL has expressed intention to repay the loan subsequent to the year end within a period of three months. (refer note - 13.5.1)
- 13.5** This also includes loan to IBL amounting to Rs 29.01 million (2019: Rs 49.63 million) under an agreement between the IBLHC and IBL on January 19, 2015 for a period of five years and was approved in extraordinary general meeting held on January 14, 2015 in accordance with the requirements of section 208 of the repealed Companies Ordinance, 1984. The rate of markup is KIBOR + 1% per annum. The management of IBL has expressed intention to repay the loan subsequent to year end within a period of three months.(refer note - 13.5.1)
- 13.5.1** The maximum aggregate amount of loan outstanding at any time during the year was Rs. 229.01 million (2019: Rs. 249.63 million).
- 13.6** The IBLIPL has provided financing to an associate United Retail (SMC-Private) Limited (formerly The Home Makers (SMC-Private) Limited) for establishment of outlets at Dolmen Mall Clifton, Lucky One mall, Karachi and Packages mall, Lahore under musharika agreement. According to the terms of the agreement, 25% of profit and loss of the arrangement will be shared with the Company. The loan has become repayable on demand as of April 2019 as per the agreed terms. Starting from December 31, 2019, all the above-mentioned outlets were closed and the Company transferred the entire amount of loan to finance the establishment of the outlet located at Habitt City, a hypermarket under construction, under a modified musharika agreement.
- 13.6.1** The maximum aggregate amount due from United Retail (SMC-Private) Limited at the end of any month during the year is Rs. 1.75 billion (2019: Rs. 1.75 billion).

| 14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | 2020 | 2019 |
|--|------------------|---------|
| | -----Rupees '000 | ----- |
| Deposits | | |
| Trade deposits | 91,932 | 75,242 |
| Considered doubtful: | | |
| Trade deposits | 2,640 | 2,640 |
| Less: provision for doubtful deposits | (2,640) | (2,640) |
| | - | - |
| Prepayments | 21,249 | 15,832 |
| | 113,181 | 91,074 |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| 15. OTHER RECEIVABLES | 2020 | 2019 |
|---|------------------------|----------------|
| | -----Rupees '000 ----- | |
| Receivables from related parties | | |
| <i>Due from group companies - note 15.1</i> | | |
| - IBL Operations (Private) Limited against: | | |
| Mark-up on overdue balance | - | 26,642 |
| Expenses | 432 | - |
| Rental income | 14,738 | 1,125 |
| - International Brands Limited against: | | |
| Expenses | - | 7,472 |
| Rental income | 20,795 | 25,538 |
| Group Relief | 54,894 | - |
| - International Franchises Limited against: | | |
| Expenses - note | 13,749 | - |
| Rental income | 4,107 | 1,094 |
| - Trax Online (Private) Limited against: | | |
| Expenses | 385 | 175 |
| - IBL Frontier Market (Private) Limited against: | | |
| Expenses | 35,882 | 25,882 |
| - United Distributors Pakistan Limited against: | | |
| Rental Income | 574 | - |
| - IBL Logistics (Private) Limited against: | | |
| Rental Income | 697 | - |
| - IBL Unisys (Private) Limited against: | | |
| Rental Income | 1,033 | - |
| <i>Due from other related parties: - note 15.1</i> | | |
| - United Retail (SMC-Private) Limited against: | | |
| Rental income | 274,140 | 209,566 |
| Expenses | 136,632 | 85,211 |
| - The IBL Company (Private) Limited against: | | |
| Expenses | 2,440 | - |
| - Lunar Pharma (Private) Limited against: | | |
| Expenses | 2,882 | - |
| - OBS Pakistan (Private) Limited against: | | |
| Management fee | 252,000 | - |
| Expenses | 895 | - |
| - International Knitwear Limited against: | | |
| Expenses | 562 | - |
| | 669,551 | 294,777 |
| Surplus arising under retirement benefit - fund - note 15.3 | 5,250 | 5,250 |
| Receivables from other than related parties | | |
| Others, considered good - note 15.4 & 15.5 | 365,649 | 399,904 |
| | 1,187,736 | 787,859 |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

- 15.1** The maximum aggregate amount outstanding at any time during the year from the related parties are as follows:

| | 2020 | 2019 |
|---------------------------------------|------------------------|---------------|
| | -----Rupees '000 ----- | |
| IBL Operations (Private) Limited | 33,824 | 27,767 |
| International Brands Limited | 75,690 | 34,010 |
| International Franchises Limited | 17,856 | 7,020 |
| Trax Online (Private) Limited | 1,587 | 175 |
| IBL Frontier Market (Private) Limited | 41,646 | 25,882 |
| United Distirbutors Pakisan Limited | 574 | - |
| IBL Logistics (Private) Limited | 697 | - |
| IBL Unisys (Private) Limited | 1,033 | - |
| United Retail (SMC-Private) Limited | 436,825 | - |
| The IBL Company (Private) Limited | 2,440 | - |
| Lunar Pharma (Private) Limited | 2,882 | - |
| OBS Pakistan (Private) Limited | 252,895 | - |
| International Knitwear Limited | 562 | - |
| | 868,511 | 94,854 |

- 15.1.1** The aging of the receivables from related parties is as follows:

| | | |
|-------------------------------|----------------|----------------|
| Not yet due | 103,003 | 5,508 |
| Past due but not yet impaired | | |
| - 1 to 30 days | 26,290 | 5,881 |
| - 30 to 90 days | 30,388 | 17,315 |
| - 90 to 180 days | 94,223 | 36,299 |
| - 181 to 365 days | 254,529 | 152,132 |
| - older than 365 days | 308,404 | 165,570 |
| | 816,837 | 382,705 |

- 15.2** This represents receivable by IBLIPL from United Retail (SMC-Private) Limited against various shared expenses paid by the Company as per expense sharing agreement.

- 15.3** This represents surplus on funded gratuity scheme discontinued by the Holding Company with effect from December 31, 2012.

- 15.4** This represents amount claimed from Nestle Health Sciences, Bausch & Lomb, Brand Plus and Reckitt Benckiser in respect of certain claimable expenses related to trade.

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

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

During the year, the Holding Company has entered into an agreement with ZHP for settlement of the above claims. As per the agreement, these claims will be settled against future purchases of raw material by the Holding Company from ZHP. These claims will be accounted for when the credit notes for the discounted purchase price are received. Claims amounting to Rs. 39.83 million were settled during the year.

16. SHORT-TERM INVESTMENT - AT AMORTISED COST

This represents unsecured perpetual term finance certificates which carry markup at the rate of 3 months KIBOR + 1.6% per annum.

17. TAXATION - PAYMENTS LESS PROVISION

During the year, the Holding Company has availed group relief under section 59B of the Income Tax Ordinance, 2001 (the Ordinance). As allowed under the Ordinance, the Company has claimed taxable losses amounting to Rs. 601.86 million surrendered by its Ultimate Holding Company - International Brands Limited (IBL) and subsidiary of IBL - United Brands Limited. The tax impact of the above losses amounts to Rs. 98.14 million.

18. CASH AND BANK BALANCES

| | 2020 | 2019 |
|-------------------------------|------------------------|----------------|
| | -----Rupees '000 ----- | |
| Cheques in hand | 201,057 | - |
| Cash in hand | 5,610 | 6,342 |
| | <u>206,667</u> | <u>6,342</u> |
| Balance with banks in: | | |
| - current accounts | 128,421 | 252,889 |
| - saving accounts - note 18.1 | 101 | 2,823 |
| | <u>128,522</u> | <u>255,712</u> |
| | <u>335,189</u> | <u>262,054</u> |

18.1 At June 30, 2020 the rates of mark-up on PLS accounts is 5.75% (2019: 1.08%) per annum respectively.

19. ASSETS CLASSIFIED AS 'HELD FOR SALE'

| | 2020 | 2019 |
|-----------------------------|------------------------|---------------|
| | -----Rupees '000 ----- | |
| Plant and machinery | 26,717 | - |
| Office and other equipments | 327 | - |
| Shop fitouts | 61,020 | - |
| Leasehold Land | - | 75,178 |
| | <u>88,064</u> | <u>75,178</u> |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

During the year, IBLIPL has shut down its production plant and closed down all of its outlets during the year. The IBLIPL is in the process of locating a buyer and disposing off all the related assets. Resultantly, the above assets qualified the criteria of IFRS-5: Non-current Assets Held for Sale and Discontinued Operations and have, therefore, been classified as assets 'Held for Sale'. The assets are recorded at carrying value being lower than fair value less cost to sell.

20. SHARE CAPITAL

Authorised share capital

| 2020 | 2019 | | 2020 | 2019 |
|--------------------|--------------------|--------------------------------|------------------------|------------------|
| (Number of shares) | | | -----Rupees '000 ----- | |
| <u>300,000,000</u> | <u>300,000,000</u> | Ordinary shares of Rs. 10 each | <u>3,000,000</u> | <u>3,000,000</u> |

Issued, subscribed and paid up capital

| 2020 | 2019 | | 2020 | 2019 |
|--------------------|--------------------|---|------------------|------------------|
| (Number of shares) | | | | |
| <u>12,553,074</u> | 12,553,074 | Shares allotted for consideration paid in cash | <u>125,531</u> | 125,531 |
| <u>24,000</u> | 24,000 | Shares allotted for consideration other than cash | <u>240</u> | 240 |
| <u>199,848,171</u> | 199,848,171 | Shares allotted as bonus shares | <u>1,998,482</u> | 1,998,482 |
| <u>212,425,245</u> | <u>212,425,245</u> | | <u>2,124,253</u> | <u>2,124,253</u> |

21. LONG TERM BORROWINGS - secured

| | | |
|---------------------------------------|------------------|--------------|
| Salary refinancing note -21.1 | <u>535,500</u> | - |
| Less: | | |
| Deferred grant note - 24 | <u>(85,712)</u> | - |
| Current portion of salary refinancing | <u>(133,875)</u> | - |
| Unwinding of discount note - 36 | <u>87</u> | - |
| Other liabilities | <u>4,664</u> | 4,664 |
| | <u>320,664</u> | <u>4,664</u> |

21.1 This represents salary financing obtained under SBP payroll refinance facility as a part of measures for countering economic hardships faced by the businesses during COVID-19 pandemic. The Holding Company will pay a quarterly mark up at a discounted rate of 3% per annum, with eight equal quarterly instalments starting from January 2021. The loan is secured by way of equitable mortgage on land and building of the Holding Company.

21.1.1 The facility is a sublimit of running musharikhah obtained from Dubai Islamic Bank.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

22. DEFERRED TAX ASSETS / (LIABILITIES)

| | Accelerated tax depreciation | Minimum tax | Surplus on revaluation | Right-of-use asset and Lease Liability | Decelerated tax amortisation | Deferred grant | Provision for doubtful receivables | Provision for trade deposits | Net effect of consolidation adjustment | Total |
|--------------------------------------|------------------------------|----------------|------------------------|--|------------------------------|-----------------|------------------------------------|------------------------------|--|-----------------|
| | -----Rupees '000----- | | | | | | | | | |
| July 1, 2019 | (4,909) | | (93,240) | | - | | - | - | 1,568 | (96,581) |
| Credit / (charge) to profit or loss | (166,929) | 222,819 | - | 2,944 | 8,260 | (19,834) | 39,059 | 679 | (1,568) | 85,430 |
| Charge to other comprehensive income | - | - | (43,901) | - | - | - | - | - | - | (43,901) |
| June 30, 2020 | <u>(171,838)</u> | <u>222,819</u> | <u>(137,141)</u> | <u>2,944</u> | <u>8,260</u> | <u>(19,834)</u> | <u>39,059</u> | <u>679</u> | <u>-</u> | <u>(55,052)</u> |
| July 1, 2018 | (4,909) | | (25,902) | | - | | - | - | 8,783 | (22,028) |
| (Charge) / credit to profit or loss | - | | - | | - | | - | - | (7,215) | (7,215) |
| Charge to other comprehensive income | - | | (67,338) | | - | | - | - | - | (67,338) |
| June 30, 2019 | <u>(4,909)</u> | | <u>(93,240)</u> | | <u>-</u> | | <u>-</u> | <u>-</u> | <u>1,568</u> | <u>(96,581)</u> |

2020 2019

-----Rupees '000-----

23. EMPLOYEE BENEFIT OBLIGATIONS

Staff retirement gratuity - unfunded - note 23.1

54,994

55,820

23.1 Gratuity scheme - unfunded

23.1.1 General description

As stated in note 3.17.2, the Holding Company operates unfunded gratuity scheme for eligible employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to minimum service under the scheme. The latest actuarial valuation was carried out as at June 30, 2020 using the Project Unit Credit method.

2020

2019

-----Rupees '000-----

23.1.2 Consolidated statement of financial position reconciliation

Present value of defined benefit obligation

54,994

55,820

23.1.3 Movement in the present value of defined benefit obligation

Obligation as at July 1
Current service cost
Interest cost
Benefits paid
Remeasurement on obligation
Obligation as at June 30

55,820

50,630

2,396

2,165

6,262

3,967

(7,269)

(2,071)

(2,215)

1,129

54,994

55,820

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

2020 2019
-----Rupees '000 -----

23.1.4 Expense recognised in the consolidated statement of profit or loss

| | | |
|----------------------|----------------|----------------|
| Current service cost | (2,396) | (2,165) |
| Interest expense | (6,262) | (3,967) |
| | <u>(8,658)</u> | <u>(6,132)</u> |

23.1.5 Remeasurement recognised in consolidated statement of other comprehensive income

| | | |
|-------------------|--------------|----------------|
| Experience losses | <u>2,215</u> | <u>(1,129)</u> |
|-------------------|--------------|----------------|

23.1.6 Net recognised liability

| | | |
|---|----------------|---------------|
| Balance as at July 1 | 55,820 | 50,630 |
| Expense for the year | 8,658 | 6,132 |
| Benefits paid | (7,269) | (2,071) |
| Remeasurement loss recognised in consolidated statement of profit and loss and other comprehensive income | <u>(2,215)</u> | <u>1,129</u> |
| Balance as at June 30 | <u>54,994</u> | <u>55,820</u> |

23.1.7 Actuarial assumptions

| | | |
|--|----------|----------|
| Discount rate used for year end obligation | 8.50% | 12.00% |
| Expected rate of increase in salaries | 8.50% | 12.00% |
| Retirement age (years) | 60 years | 60 years |

Mortality was assumed to be SLIC (2001-05) for males and females, as the case may be, but rated down by one year.

23.1.8 The sensitivity of the defined benefit obligation to changes in the weighted average principal assumption is:

| | <u>Impact on defined benefit obligation</u> | | |
|----------------------------|---|-------------------------------|-------------------------------|
| | <u>Change in assumption</u> | <u>Increase in assumption</u> | <u>Decrease in assumption</u> |
| - Discount rate at June 30 | 1% | (3,464) | 5,646 |
| - Future salary increase | 1% | 6,156 | (3,964) |

23.1.9 If longevity increases by 1 year, the resultant increase in obligation is insignificant.

23.1.10 The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the gratuity liability recognised within the consolidated statement of financial position.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

23.1.11 As per actuarial advice, the Holding Company is expected to recognise a service cost of Rs. 6.91 million in 2021.

23.1.12 The weighted average service duration of employees is 8 years.

| | 2020 | 2019 |
|---|------------------------|----------|
| | -----Rupees '000 ----- | |
| 24. DEFERRED INCOME - GOVERNMENT GRANT | | |
| Deferred grant | 85,712 | - |
| Government grant recognised in income - note 35 | (8,571) | - |
| | <u>77,141</u> | <u>-</u> |

24.1 This represents the value of benefit of below-market interest rate which has been accounted for as government grant under IAS 20 - Government grants.

| | 2020 | 2019 |
|---------------------------------|------------------------|------|
| | -----Rupees '000 ----- | |
| 25. LEASE LIABILITY | | |
| Lease liabilities under IFRS 16 | 132,965 | - |
| Non Current portion | 121,545 | - |
| Current portion | 11,420 | - |

25.1 Maturity analysis of lease liabilities

| | | |
|-------------------|----------------|----------|
| Upto 1 year | 11,420 | - |
| 1 - 5 years | 63,952 | - |
| More than 5 years | 57,593 | - |
| | <u>132,965</u> | <u>-</u> |

25.2 Finance cost on lease liabilities for the year ended June 30, 2020 was Rs. 20.41 million. Total cash outflow for leases was Rs. 28.87 million.

| | 2020 | 2019 |
|---|------------------------|------------------|
| | -----Rupees '000 ----- | |
| 26. TRADE AND OTHER PAYABLES | | |
| Creditors - note 26.1 | 901,336 | 1,259,513 |
| Payable under group relief note - 26.2 | 1,618 | - |
| Salaries and benefits payable | 4,738 | - |
| Bills payable in foreign currency | 481,130 | 716,426 |
| Royalty payable - note 32.4 | 21,935 | 23,966 |
| Accrued liabilities | 1,301,159 | 866,018 |
| Payable to provident fund - notes 26.3 and 26.4. | 15,215 | 14,717 |
| Advance from customers - unsecured | 38,634 | 88,603 |
| Accrued mark-up - note 26.5 | 208,096 | 109,473 |
| Taxes deducted at source and payable to statutory authorities | 75,959 | 104,163 |
| Workers' Profit Participation Fund - note 26.6 | 178,920 | 149,417 |
| Workers' Welfare Fund | 82,218 | 26,000 |
| Advance against sale of land | - | 73,500 |
| Other liabilities - note 26.7 | 40,375 | 88,434 |
| | <u>3,351,333</u> | <u>3,520,230</u> |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

26.1 The creditors include payable to related parties which are as follows:

| | 2020 | 2019 |
|-------------------------------------|------------------------|----------------|
| | -----Rupees '000 ----- | |
| IBL-Unisys (Private) Limited | - | 8,246 |
| MyCart Pakistan (Private) Limited | - | 1,395 |
| Multinet Pakistan (Private) Limited | - | - |
| International Brands Limited | 94,921 | 44,124 |
| IBL Operations (Private) Limited | 63,973 | 47,220 |
| | <u>158,894</u> | <u>100,985</u> |

26.2 This represents payable to subsidiary of Ultimate Parent Company - United Brands Limited (UB) against claim of tax losses as allowed under section 59B of the Ordinance, 2001. The Holding Company has claimed tax loss amounting to Rs. 54.97 million surrendered by UB, the tax impact of which amounts to Rs. 15.94 million.

26.3 The investment in listed equity securities out of the provident fund of the Holding Company is in excess of the limit prescribed under the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder. However, the fund is in the process of ensuring compliance with the prescribed limits.

26.4 The investments in collective investment schemes, listed equity and listed debt securities out of the provident fund of IBLHC have been made in accordance with the provision of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

| | 2020 | 2019 |
|--------------------------------------|------------------------|----------------|
| | -----Rupees '000 ----- | |
| 26.5 Accrued mark-up | | |
| Accrued mark-up on: | | |
| - long-term borrowing | 2,678 | - |
| - short-term borrowing note - 26.5.1 | 205,418 | 109,473 |
| | <u>208,096</u> | <u>109,473</u> |

26.5.1 This includes markup on loan obtained from employees provident fund - note 27 amounting to Rs 9.19 million (2019: nil).

| | 2020 | 2019 |
|--|------------------------|----------------|
| | -----Rupees '000 ----- | |
| 26.6 Workers' Profit Participation Fund | | |
| Balance at beginning of the year | 149,417 | 174,379 |
| Charge for the year - note 34 | 178,470 | 148,967 |
| | <u>327,887</u> | 323,346 |
| Interest on funds utilised in the Holding Company's business - note 36 | 15,357 | 13,883 |
| Payments made during the year | (164,324) | (187,812) |
| Balance at end of the year | <u>178,920</u> | <u>149,417</u> |

26.7 This includes payable to associated company United Distributors Pakistan Limited, amounting to Rs. 0.25 million (2019: Rs. 0.167 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| 27. BORROWINGS | 2020 -----Rupees '000 ----- | 2019 -----Rupees '000 ----- |
|---|--------------------------------|--------------------------------|
| Secured borrowings: | | |
| Running finance under mark-up arrangements - notes 27.1, 27.2, 27.3 & 27.4. | 4,640,453 | 3,712,277 |
| Export refinance - note 27.3 | - | 210,000 |
| Current portion of long term borrowing | 133,875 | - |
| | <u>4,774,328</u> | <u>3,922,277</u> |
| Unsecured borrowings: | | |
| Employees provident fund - Holding Company - note 27.5 | 161,000 | - |
| Employees provident fund - OBS Pakistan (Private) Limited - related party - note - 27.6 | 18,000 | - |
| | <u>4,953,328</u> | <u>3,922,277</u> |

27.1 The Holding Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 4,925 million (2019: Rs. 4,175 million) which include financing facilities obtained under Islamic mode amounting to Rs. 4,075 million (2019: Rs. 3,525 million). The arrangements are secured jointly by registered mortgage of Rs. 1,126.94 million (2019: Rs. 584.99 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 6,889.23 million (2019: Rs. 4,071 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

27.2 The amount utilised under the Islamic mode of financing amounted to Rs. 3,977.03 million (2019: Rs. 3,525 million).

27.3 The rates of mark-up ranged between 2.75% to 15.60% (2019: 2.75% to 12.7%) per annum.

27.4. It further includes running finance facilities obtained by IBLHC from Soneri Bank Limited and Habib Bank Limited amounting to Rs. 100 million each at KIBOR + 1.5% and KIBOR + 0.75% per annum respectively (2019: KIBOR + 1.5% and KIBOR + 0.75% per annum respectively). These facilities have been secured by way of hypothecation of first pari passu charge over present and future current assets amounting to Rs. 267 million and Rs. 133 million respectively.

27.5. Other than investment made from provident fund as stated in - note 26.3 the loan made to the Holding Company carrying markup at the rate of 15% per annum, is not in accordance with the section 218 of the Companies Act, 2017.

27.6. This represents loan obtained from employees provident fund of OBS Pakistan (Private) Limited - related party, carrying markup at the rate of 15% per annum.

28. UNPAID DIVIDEND

This consists of unpaid dividend on account of:

| | Amount Rupees '000 |
|-------------------------------------|-----------------------|
| - Bonus shares withheld - note 28.1 | 110,676 |
| - Others | 29,031 |
| | <u>139,707</u> |

28.1 This includes dividend on bonus shares withheld pertaining to 125 shareholders on which stay from the Honorable High Court of Sindh has been obtained.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

| | Name of the court, agency or authority | Description of the factual basis of the proceeding and relief sought | Principal parties | Date instituted |
|--------|--|---|--|-----------------|
| 29.1.1 | High Court of Sindh | During the year ended June 30, 2014, Sindh Revenue Board (SRB) had imposed sales tax on toll manufacturing at the rate of 16% of sales value. The cumulative such sales tax amounts to Rs. 310.68 million. The matter has been contested in the High Court of Sindh. | The Holding Company and The Federation of Pakistan | 2014 |
| 29.1.2 | High Court of Sindh | Section 5A of Income Tax Ordinance, 2001 inserted through Section 5(3) of the Finance Act, 2015 requires the Holding Company to charge income tax @ 10% on the reserves of the companies where they exceed an amount equivalent to the paid up capital. The Company has filed a suit for declaration and permanent injunction before the Court challenging the vires of the above said section. The Court passed ad interim orders restraining the defendants from taking any coercive action as prayed. The case is at the stage of hearing of applications. The charge for the tax year 2016 amounts to Rs. 283.08 million. | The Holding Company and The Federation of Pakistan | 2015 |
| 29.1.3 | High Court of Sindh | The Holding Company and IBLHC has challenged the levy of Sindh Sales Tax on services of renting of immovable property which has been categorised as renting services by the SRB. The companies have challenged the levy on constitutional grounds taking the stance that renting of immovable property is not a "service" and therefore does not fall within the competence of SRB to tax through the Sindh Sales Tax on Services Act, 2011. Further, the companies have also taken the stance that the collection mechanism is ultra vires to the Act and therefore no coercive measures can be adopted against the companies for the collection of the impugned levy. | The Holding Company, IBLHC and Province of Sindh | 2016 |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| | Name of the court, agency or authority | Description of the factual basis of the proceeding and relief sought | Principal parties | Date instituted |
|--------|--|---|--|-----------------|
| | | The High Court of Sindh, on the basis of the representations made, has been pleased to grant an ad interim order to the companies restraining the defendants from taking any coercive action against the companies. The matter is presently pending on hearing of the case. The cumulative amount of such sales tax is Rs. 43.48 million. | | |
| 29.1.4 | High Court of Sindh | <p>A suit was filed to challenge the imposition of Sales Tax under Sales Tax Act, 1990 with respect to raw material being used for manufacturing pharmaceutical products inspite of such raw material being exempt in view of Entry No. 105 of the Sixth schedule of the Act.</p> <p>The Court issued interim orders restraining the defendants from collecting sales tax on raw material imported by the Holding Company. It has been further asserted that the term "manufacture", as stated in Sub-section 16 of Section 2 of the Sales Tax Act, 1990, adequately covers the present activity and exempts the Holding Company from payment of Sales Tax on the Packaging utilised in the manufacture of drugs/ pharmaceuticals. The case is at the stage of hearing of applications. The cumulative impact of this levy amounts to Rs. 31.6 million.</p> | The Holding Company and The Federation of Pakistan | 2014 |
| 29.1.5 | High Court of Sindh | Section 236 M of the Income Tax Ordinance, 2001 (the 'Ordinance'), inserted through Finance Act, 2014, specifies that every company, quoted on stock exchange, while issuing bonus shares shall withhold five percent of the bonus shares to be issued. Bonus shares withheld shall only be issued to a shareholder, if the Holding Company collects tax equal to five percent of the value of the bonus shares issued including bonus share withheld, determined on the basis of day-end price on the first day of closure of books. The tax is to be collected within fifteen days of the first day of closure of books, after which company is required to deposit shares withheld to Central Depository Company, in favour of the Federal Government. | The Holding Company and The Federation of Pakistan | 2015 |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| Name of the court, agency or authority | Description of the factual basis of the proceeding and relief sought | Principal parties | Date instituted | |
|--|--|---|--|---------------------|
| | <p>Based on the requirement mentioned above, the Holding Company is exposed to tax liability of approximately Rs. 71.8 million (2019: Rs. 71.8 million), on account of bonus shares received from IBLHC from 2015 onwards. The Holding Company has filed a petition in respect of tax on bonus shares in Honourable High Court of Sindh, and expects a favourable outcome, based on a legal advice. Further, pending decision of the Honourable High Court of Sindh, IBLHC has withheld 1,117,379 shares (2019: 1,117,379 shares) with Central Depository Company of Pakistan Limited.</p> | | | |
| 29.1.6 | High Court of Sindh | <p>Exemption provided to the companies falling under Group Relief (section 59B of Income Tax Ordinance, 2001), from tax on intercorporate dividend as mentioned under Clause 103A of Part I of the Second Schedule of the Income Tax Ordinance, 2001, is not applicable now on account of deletion of Section 59B from the said clause, through the Finance Act, 2016.</p> <p>The Holding Company has filed petition against withholding tax on dividend received from the subsidiary companies in the High Court of Sindh and has obtained a stay order against the same. The total cumulative amount of withholding tax is Rs. 1,136.21 million.</p> | The Holding Company and The Federation of Pakistan | 2015, 2016 and 2017 |
| 29.1.7 | Appellate Tribunal Inland Revenue (ATIR) | <p>SPPL's declared version of return of income, for tax years 2015 and 2016, have been rejected by the respective Tax Officers and the amounts deemed to be assessed under the Final Tax Regime (FTR) of the provisions of section 169 read with section 153(1)(c) of the Income Tax Ordinance, 2001 (the Ordinance) have been subjected to tax under the normal provisions of the law.</p> <p>Consequently, net profit as per SPPL's audited financial statements have been considered as taxable income for the respective years and tax liability at normal rate determined along with super tax and Workers' Welfare Fund aggregating to Rs. 646.9 million. Appeal against the above orders were filed before the Appellate Tribunal Inland Revenue (ATIR) which have been decided against SPPL vide order dated September 18, 2017 against which an appeal before the Honorable High Court of Sindh has been filed whereas, appeal for the tax year 2016 is pending before the ATIR.</p> | SPPL, Commissioner Inland Revenue, CIRA and ATIR | 2017 |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| Name of the court, agency or authority | Description of the factual basis of the proceeding and relief sought | Principal parties | Date instituted |
|---|---|--|-----------------|
| | <p>SPPL's management has obtained a stay order from the High Court against the recovery of demand and expects a positive outcome. Therefore, no provision has been made in SPPL's financial statements.</p> | | |
| <p>29.1.8 Commissioner Inland Revenue (Appeals)</p> | <p>SPPL's declared version for return of income for tax year 2017 has been rejected by the Additional Commissioner Inland Revenue (ACIR) and the amounts deemed to be assessed under FTR of provision of section 169 read with section 153(1)(c) of the Ordinance has been subjected to tax under the normal provision of the law.</p> <p>Consequently, net profit as per SPPL's audited financial statements has been considered as taxable income and tax liability at normal rate was determined along with super tax aggregating to Rs. 542.41 million. An appeal against the order of ACIR was filed with Commissioner Inland Revenue (Appeals) which is still pending. The management has obtained a stay order from the High Court against the recovery of demand and expects a positive outcome. Therefore, no provision has been made in the financial statements.</p> | <p>SPPL, ACIR and CIRA</p> | <p>2018</p> |
| <p>29.1.9 Appellate Tribunal Inland Revenue (ATIR)</p> | <p>The deemed assessed version of the return of income of SLPL for tax year 2014 was amended by the Additional Commissioner Inland Revenue (ACIR) vide the order dated January 13, 2016 under section 122(5A) of the Income Tax Ordinance, 2001 (the 'Ordinance'). The main issue involved in the case was due to the addition made under the section 111 of the Ordinance and consequential effect thereof raising the demand of Rs. 9.15 million.</p> <p>SLPL filed an appeal before the Commissioner (Appeals) against the said order whereby main issue along with consequential effect thereof has been decided in favour of SLPL vide appellate order dated May 27, 2016.</p> <p>The department has filed an appeal before the ATIR against the said appellate order of the CIR(A) which has not been fixed for hearing as yet.</p> | <p>SLPL, ACIR, Commissioner (Appeals) and ATIR</p> | <p>2016</p> |
| <p>29.1.10</p> | <p>The Holding Company is in the process of filing an appeal in Supreme Court of Pakistan against imposition of super tax for tax years 2015 to 2019 and expects a favourable outcome. For further detail, refer note 37.1 of these consolidated financial statements.</p> | | |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

29.1.11 The management, based on legal / tax advices, is confident that the ultimate decisions in the above cases (notes 29.1.1 to 29.1.10) will be in favour of the Group, hence, no provision has been made in respect of the aforementioned litigations.

29.2 Commitments

29.2.1 The facility for opening letters of credit and guarantees for the Holding Company as at June 30, 2020 amounted to Rs. 2,105 million (2019: Rs. 2,180 million) of which the amount remaining unutilised as at year end amounted to Rs. 1,494 million (2019: Rs. 387 million).

29.2.2 The facility for opening letter of credit and Running Musharakah for IBLHC as at June 30, 2020 amounted to Rs. 683 million (2019: Rs. 683 million) of which the amount remaining unutilised at the end of year was Rs. 94.45 million (2019: Rs. 207.32 million).

| 30. REVENUE FROM CONTRACTS WITH CUSTOMERS | 2020 | 2019 |
|--|-------------------|-------------|
| | -----Rupees '000 | ----- |
| Gross sales | | |
| Local sale of goods - note 30.1 | 20,870,166 | 18,906,259 |
| Export sales | 2,299,165 | 1,855,855 |
| | 23,169,331 | 20,762,114 |
| Toll manufacturing | 285,000 | 288,635 |
| | 23,454,331 | 21,050,749 |
| Sales tax | (234,648) | (168,156) |
| | 23,219,683 | 20,882,593 |
| Less: | | |
| Discounts, rebates and allowances | 1,864,432 | 2,011,393 |
| Sales returns | 880,409 | 809,093 |
| | 2,744,841 | 2,820,486 |
| | 20,474,842 | 18,062,107 |

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

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

Consequent to the above, the Holding Company challenged the prices for four of its products namely, Peditral, Gravinite, Metodine and Hydrylline set by DRAP in its Appellate Board and the Appellate Board under its orders dated 18 June, 20 June and 25 June 2019 rejected the said application of the Holding Company. The Holding Company has challenged the said orders in the Honourable High Court of Sindh and an interim order has been passed restricting DRAP from taking any coercive action against the Holding Company. Exposure of the Holding Company due to abovementioned litigation amounts to Rs. 1.27 billion (2019: Rs. 490.56 million).

| | 2020 | 2019 |
|---|------------------------|------------------|
| | -----Rupees '000 ----- | |
| 31. COST OF SALES | | |
| Raw and packing material consumed | 5,609,203 | 4,192,334 |
| Processing charges | 485,052 | 472,018 |
| Printing and processing charges | 140 | 135,604 |
| Salaries, wages and benefits | 738,681 | 545,278 |
| Provision for staff gratuity (unfunded) | 4,779 | 18,215 |
| Provident fund contribution | 17,355 | 3,597 |
| Inventory written off - note 31.1 | 20,511 | 15,092 |
| Provision for slow-moving inventory | 4,904 | 18,794 |
| Carriage and duties | 50,764 | 14,549 |
| Fuel, water and power | 218,153 | 143,326 |
| Rent, rate and taxes | 85,418 | 79,215 |
| Canteen expenses | 33,711 | 28,612 |
| Cost of samples and promotions | 742 | - |
| Stationery and supplies | 53,032 | 27,944 |
| Travelling | 37,173 | 33,607 |
| Repairs and maintenance | 200,251 | 141,664 |
| Security expenses | 12,976 | 10,673 |
| Impairment of plant and machinery | 3,101 | - |
| Vehicle expenses | 8,286 | 8,615 |
| Insurance | 5,925 | 10,195 |
| Legal and professional charges | 19,808 | 9,944 |
| Depreciation | 206,263 | 130,906 |
| Medical expenses | 8,087 | 7,876 |
| Research cost | 76,990 | 75,605 |
| Others | 12,500 | 13,745 |
| | 7,913,805 | 6,137,408 |
| Add: Opening work-in-process | 99,369 | 217,129 |
| Less: Closing work-in-process | (133,452) | (99,369) |
| | (34,083) | 117,760 |
| Cost of goods manufactured | 7,879,722 | 6,255,168 |
| Add: Opening inventory of finished goods | 1,194,074 | 1,093,443 |
| Add: Finished goods purchased | 2,841,893 | 3,316,032 |
| Add: Free of cost goods | 26,578 | 73,292 |
| Less: Closing inventory of finished goods | (1,052,241) | (1,194,074) |
| | 10,890,026 | 9,543,861 |
| Less: Cost of samples | (120,937) | (81,618) |
| Cost of sales | 10,769,089 | 9,462,243 |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

31.1 This amount represents expired inventory written off.

| | 2020 | 2019 |
|---|------------------------|------------------|
| | -----Rupees '000 ----- | |
| 32. DISTRIBUTION COSTS | | |
| Salaries, wages and benefits - note 32.1 | 1,537,165 | 1,191,244 |
| Advertising and promotion - note 32.2 | 738,191 | 858,104 |
| Travelling and related | 505,725 | 535,628 |
| Carriage and duties | 326,177 | 309,634 |
| Samples | 254,158 | 336,419 |
| Bonus to salesmen | 263,272 | 241,548 |
| Service charges - note 32.3 | 97,696 | 42,466 |
| Personal training and selection | 94,330 | 108,015 |
| Vehicle running | 89,191 | 68,073 |
| Stationery and printed materials | 88,470 | 88,714 |
| Rent, rate and taxes | 72,945 | 141,351 |
| Fees and subscription | 53,756 | 34,536 |
| Legal and professional | 53,428 | 44,028 |
| Provident fund contribution | 36,010 | 30,886 |
| Loss on asset classified as 'held for sale' | 29,355 | - |
| Medical expenses | 19,248 | 8,150 |
| Replacement products | 18,379 | 36,536 |
| Royalty - note 32.4 | 18,334 | 43,448 |
| Depreciation | 27,266 | 43,755 |
| Fuel, water and power | 21,615 | 20,525 |
| Communication | 23,964 | 21,504 |
| Insurance | 14,762 | 12,970 |
| Repairs and maintenance | 12,213 | 35,058 |
| Security | 1,796 | 5,901 |
| Canteen expenses | 2,444 | 4,492 |
| Amortisation | 2,259 | 450 |
| Provision for claims | 8,752 | 6,196 |
| Others | 6,389 | 15,368 |
| | 4,417,290 | 4,284,999 |

32.1 This represents salaries of shared sales staff allocated to the IBLIPL by United Retail (SMC-Private) Limited - related party.

32.2 This includes personal protective equipments purchased from IBL Frontier Market (Private) Limited - related party, amounting to Rs. 11.93 million, which were distributed to healthcare professionals as a part of CSR activity refer - note 2.2.

32.3 These service charges mainly comprise of payments made to distributors for sale to institutions.

32.4 The Royalty pertains to M/s Sanofi Winthrop Industrie and M/s Marisant Company which are situated in France and Switzerland respectively. The Holding Company only has a relation of licensor and licensee with these entities. Further, the royalty payable to M/s Marisant Company is payable on behalf of IBLHC, as per agreement.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|--|------------------------|------------------|
| | -----Rupees '000 ----- | |
| 33. ADMINISTRATIVE EXPENSES | | |
| Salaries, wages and benefits | 313,312 | 305,497 |
| Corporate services charged by ultimate parent company | 261,000 | 235,200 |
| Donation - notes 33.3 & 33.4 | 144,892 | 107,508 |
| Depreciation | 84,441 | 88,682 |
| Legal and professional charges | 69,814 | 49,004 |
| Repairs and maintenance | 63,569 | 47,878 |
| Amortisation | 45,646 | 44,459 |
| Insurance | 38,025 | 21,199 |
| Rent, rate and taxes | 29,320 | 22,726 |
| Travelling | 23,087 | 20,081 |
| Auditors' remuneration - note 33.2 | 21,860 | 21,403 |
| Stationery and supplies | 14,433 | 14,545 |
| Vehicle expenses | 12,621 | 16,301 |
| Fees and subscription | 11,891 | 11,900 |
| Provident fund contribution | 10,270 | 10,883 |
| Communication | 9,555 | 10,631 |
| Security expenses | 3,897 | 5,119 |
| Provision for staff gratuity (unfunded) | 3,879 | 2,600 |
| Fuel, water and power - note 33.1 | 2,896 | 45,470 |
| Provision / (reversal) of impairment provision on trade receivable | 2,285 | (1,915) |
| Canteen expenses | 2,150 | 2,123 |
| Personal training and selection | 675 | 1,168 |
| Others | 19,248 | 20,756 |
| | <u>1,188,766</u> | <u>1,103,218</u> |

33.1 This amount is stated net of fixed charges recovered from tenants in respect of provision of amenities.

| | 2020 | 2019 |
|---|------------------------|---------------|
| | -----Rupees '000 ----- | |
| 33.2 Auditors' remuneration | | |
| Audit fee | 7,725 | 6,685 |
| Fee for review of interim financial information and Statement of Compliance with Code of Corporate Governance | 1,350 | 1,250 |
| Taxation services | 9,752 | 10,933 |
| Other certifications, attestations and other services | 1,670 | 1,150 |
| Out-of-pocket expenses | 1,363 | 1,385 |
| | <u>21,860</u> | <u>21,403</u> |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

33.3 Donations to a single party exceeding 10% of total donations i.e. Rs. 14.45 million are as follows:

| | 2020 | 2019 |
|---|------------------------|--------|
| | -----Rupees '000 ----- | |
| Arts Council | 21,625 | 23,200 |
| Sabaq Learning Foundation - related party | 15,000 | - |

33.4 During the year, the Holding Company also donated Rs. 29.87 million to its other related parties:

| | 2020 | 2019 |
|------------------------|------------------------|---------------|
| | -----Rupees '000 ----- | |
| The Citizen Foundation | - | 20,300 |
| Indus Hospital | 10,000 | - |
| AKAR Hospital | 8,374 | 17,167 |
| The Hunar Foundation | 11,500 | - |
| | <u>29,874</u> | <u>37,467</u> |

33.5 Following directors' interest in the above related parties is limited to the extent of their involvement as directors:

| | Name of Related Party | Association |
|---|---------------------------|--|
| - | The Citizen Foundation | Mr. Adnan Asdar Ali and Mr. Rashid Abdulla - Directors |
| - | Indus Hospital | Mr. Adnan Asdar Ali - member of General Body |
| - | Hunar Foundation | Mr. Adnan Asdar Ali - Director |
| - | Sabaq Learning Foundation | Mr. Adnan Asdar Ali - Trustee |

Moreover, the AKAR Hospital is being managed by the management of the Holding Company.

33.5.1 The Directors or their spouse has no interest in any other donee entity.

| | 2020 | 2019 |
|--|------------------------|----------------|
| | -----Rupees '000 ----- | |
| 34. OTHER OPERATING EXPENSES | | |
| Workers' Profit Participation Fund - note 26.6 | 178,470 | 148,967 |
| Workers' Welfare Fund | 56,218 | 3,001 |
| Central Research Fund | 27,153 | 1,901 |
| Loss on revaluation of investments - at fair value through profit and loss | - | 85 |
| Exchange loss | - | 7,794 |
| | <u>261,841</u> | <u>161,748</u> |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|------------------------|----------------|
| | -----Rupees '000 ----- | |
| 35. OTHER INCOME | | |
| Income from financial assets | | |
| Realised gain on investments - at fair value through profit or loss | - | 308 |
| Return on PLS accounts | 29 | 142 |
| Exchange gain - net | 19,709 | 291 |
| Interest on loans from International Brands Limited | 30,571 | 21,642 |
| Dividend income | - | 17 |
| Interest Income from Term Finance Certificates | 14,543 | - |
| | 64,852 | 22,400 |
| Income from non-financial assets | | |
| Facility management fee - note 35.1 | 252,000 | - |
| Gain on disposal of property, plant and equipment - net | 1,173 | 7,535 |
| Rental income from investment properties - note 35.2 | 109,574 | 153,943 |
| Government grant - note 24.1 | 8,571 | - |
| Gain on asset classified as 'Held for Sale' | - | 322 |
| Liabilities written back | 47,616 | - |
| Other rental income - note 35.3 | 3,492 | 3,837 |
| Scrap sales | 18,584 | 44,874 |
| | 441,010 | 210,511 |
| Others | | |
| Insurance claim recovery | 3 | 2 |
| Others | 92 | 1,532 |
| | 95 | 1,534 |
| | 505,957 | 234,445 |

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

| | 2020 | 2019 |
|---|------------------------|----------------|
| | -----Rupees '000 ----- | |
| 35.2 This includes rental income from related parties, which are as follows: | | |
| - United Retail (SMC- Private) Limited | 32,055 | 87,550 |
| - International Brands Limited | 13,048 | 9,560 |
| - International Franchises (Private) Limited | 12,651 | 11,840 |
| - IBL Operations (Private) Limited | 13,612 | - |
| - IBL Logistics (Private) Limited | 697 | - |
| - IBL Unisys (Private) Limited | 695 | - |
| - United Distributors Pakistan Limited | 408 | - |
| - OBS Pakistan (Private) Limited | 2,814 | - |
| | 75,980 | 108,950 |

35.3 This represents income from International Franchises (Private) Limited - related party for use of operating assets of the Holding Company.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|------------------------|----------------|
| | -----Rupees '000 ----- | |
| 36. FINANCE COST | | |
| Mark-up on: | | |
| - Long-term borrowing | - | 12,814 |
| - Short-term borrowing - note 36.1 | 568,792 | 299,908 |
| - Salary refinancing | 2,678 | - |
| Interest on: | | |
| Employees provident fund - Holding Company | 9,196 | - |
| Employees provident fund - OBS Pakistan (Private) Limited - related party | 1,036 | - |
| Unwinding of discount on long-term borrowing | 87 | - |
| Bank charges | 67,395 | 36,375 |
| Interest on lease liabilities | 20,412 | - |
| Exchange loss | - | 75,890 |
| Interest on Workers' Profit Participation Fund - note 26.6 | 15,357 | 13,883 |
| | <u>684,953</u> | <u>438,870</u> |

36.1 The amount of mark-up paid by Holding Company under Islamic mode of financing amounted to Rs. 497.09 million (2019: Rs. 287.65 million).

| | 2020 | 2019 |
|---|------------------------|----------------|
| | -----Rupees '000 ----- | |
| 37. INCOME TAX EXPENSE | | |
| Current | | |
| - for the year | 1,114,318 | 551,522 |
| - for prior years | 81,925 | 8,195 |
| | <u>1,196,243</u> | <u>559,717</u> |
| Deferred tax (income) / expense - note 22 | (85,430) | 7,215 |
| | <u>1,110,813</u> | <u>566,932</u> |

37.1 Subsequent to the year end, the petition filed by the Holding Company against the imposition of super tax for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 for the tax years 2015 to 2019, in the High Court of Sindh was rejected vide order dated July 21, 2020. Consequently, the Holding Company received various notices from tax authorities for recoverability of super tax for the tax years 2015 to 2019 amounting to Rs. 485.19 million.

However, the Holding Company has not made provision of full amount on the basis of the following contention:

- Applicability of super tax on Final Tax Regime (FTR) income.
- Taxability of dividend income in light of stay obtained from High Court of Sindh refer - note 29.1.10.
- Erroneous additions in the notices received.

Further, the Holding Company in consultation with its legal and tax advisors is in the process of filing an appeal against the above decision of Honorable High Court of Sindh, in the Supreme Court of Pakistan. The Holding Company expects a favourable outcome based on a legal advice.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|--|------------------------|------------------|
| | -----Rupees '000 ----- | |
| 37.2 Relationship between tax expense and accounting profit | | |
| Profit before income tax | <u>3,658,860</u> | <u>2,832,228</u> |
| Tax at the applicable rate of 29% (2019: 29%) | 1,061,069 | 821,346 |
| Effect of temporary difference | - | 10,366 |
| Effect of applicability of final tax | (175,541) | (444,108) |
| Effect of applicability of minimum tax | 253,765 | 172,197 |
| Effect of applicability of tax credit | (25,054) | (13,392) |
| Effect of applicability of taxable loss | - | 13,732 |
| Effect of consolidation adjustment | 1,568 | - |
| Effect of prior period charge | 81,925 | 8,195 |
| Others | 79 | (1,404) |
| Deferred Tax Income | (86,998) | - |
| Tax expense for the year | <u>1,110,813</u> | <u>566,932</u> |

37.3 Current status of tax assessments

Tax Years 2009 to 2013 and 2015 to 2017 (Holding Company)

Deemed order under Section 120 of the Income tax Ordinance, 2001 for the above tax years were amended, where certain expenses / benefits were disallowed which mainly includes disallowance due to non-deduction of tax on Distributors margin, eligibility of claim made for Group Relief, finance cost on long-term loan as not being related to business income, advertisement expenses, salesman bonuses, discount given to group company, deemed interest income on interest-free loan given to group company and other expenses meeting the criteria of Section 21(c) of the Income Tax Ordinance, 2001 with reference to deduction of tax.

Appeals against the above orders are pending before Appellate Tribunal Inland Revenue (ATIR) except for tax years 2008 which is decided and the tax year 2017 which is pending before Commissioner Appeals.

Out of the above, majority of the issues have been decided in favour of the Holding Company either by Commissioner Appeals or by ATIR in its decision for tax year 2008. Considering this position and in consultation with its tax advisors, the management is of the view that above issues will also be decided in favour of the Holding Company. The impact of the above mentioned orders pending resolution amounts to approximately Rs. 862.28 million.

| | 2020 | (Re-stated) 2019 |
|---|------------------|---------------------|
| 38. EARNINGS PER SHARE - BASIC AND DILUTED | | |
| Profit for the year (Rupees '000) | <u>2,499,697</u> | <u>2,241,258</u> |
| Weighted average number of outstanding shares at the end of year (in thousands) | <u>212,425</u> | <u>212,425</u> |
| Basic and diluted earnings per share (Rupees) | <u>11.77</u> | <u>10.55</u> |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

38.1 Diluted earnings per share has not been presented as the Group did not have any convertible instruments in issue as at June 30, 2020 and 2019 which would have any effect on the earnings per share if the option to convert is exercised.

| 39. CASH GENERATED FROM OPERATIONS | 2020 | 2019 |
|---|--------------------|-------------|
| | -----Rupees '000 | ----- |
| Profit before income tax | 3,658,860 | 2,832,228 |
| Add / (less): Adjustments for non-cash charges and other items | | |
| Depreciation of property, plant and equipment | 241,084 | 208,866 |
| Depreciation of right-of-use assets | 19,906 | - |
| Depreciation of investment property | 56,981 | 54,477 |
| Gain on disposal of property, plant and equipment - net | (1,173) | (7,535) |
| Amortisation | 47,905 | 44,909 |
| Interest on lease liabilities | 20,412 | - |
| Provision for retirement benefits obligation | 8,658 | 6,132 |
| Government Grant recognised in income | (8,571) | - |
| Unwinding of discount on long term borrowing | 87 | - |
| Impairment on plant and machinery | 3,101 | - |
| Loss on asset classified as 'held for sale' | 29,355 | - |
| Realised loss on investments - at fair value through profit or loss | - | 85 |
| Gain on asset classified as 'Held for Sale' | - | (322) |
| Realised gain on investments - at fair value through profit or loss | - | (308) |
| Workers Welfare Fund and Workers Profit Participation Fund | 234,688 | 151,968 |
| Interest income | (30,600) | (21,784) |
| Finance cost | 684,953 | 438,870 |
| | 1,306,786 | 875,358 |
| Profit before working capital changes | 4,965,646 | 3,707,586 |
| Effect on cash flow due to working capital changes | | |
| (Increase) / decrease in current assets: | | |
| Inventories | (474,617) | (122,670) |
| Trade receivables | (2,424,019) | (1,849,959) |
| Loans and advances | (6,220) | (2,061,014) |
| Trade deposits and short-term prepayments | (22,107) | (10,665) |
| Other receivables | (399,877) | (469,392) |
| Refunds due from Government - Sales tax | 35,770 | (37,804) |
| | (3,291,070) | (4,551,504) |
| Increase in current liabilities | | |
| Trade and other payables | (353,241) | 395,648 |
| Cash generated from / (used in) operations | 1,321,335 | (448,270) |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| | 2020 | 2019 |
|---|------------------------|--------------------|
| | -----Rupees '000 ----- | |
| 40. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances - note 18 | 335,189 | 262,054 |
| Short-term borrowing - note 27 | | |
| Running finance under markup arrangement | (4,640,453) | (3,712,277) |
| Loan obtained from employees provident fund of the Holding Company. | (161,000) | - |
| Loan obtained from employees provident fund of the OBS Pakistan (Private) Limited - related party | (18,000) | - |
| | <u>(4,484,264)</u> | <u>(3,450,223)</u> |

41. SEGMENT INFORMATION

Based on Holding Company's internal management reporting structure for the year, no reportable segments were identified that were of continuing significance for decision making.

42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts in respect of remuneration, including all benefits, to the Chief Executive and Directors of the Holding Company and Executives of the Group are as follows:

| | Chief Executive | | Executive Directors | | Executives | |
|-------------------------|------------------------|---------------|---------------------|---------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | -----Rupees '000 ----- | | | | | |
| Managerial remuneration | 25,543 | 23,220 | 13,147 | 11,952 | 221,673 | 203,728 |
| Housing allowance | 11,494 | 10,449 | 5,378 | 5,378 | 102,108 | 97,544 |
| Utility allowance | 2,554 | 2,322 | 1,195 | 1,195 | 15,585 | 16,638 |
| Bonus | 4,257 | 3,204 | 1,793 | 1,793 | 42,440 | 37,164 |
| Retirement benefits | 2,554 | 2,322 | 1,195 | 1,195 | 21,176 | 20,049 |
| Others | - | 302 | 191 | 191 | 12,185 | 20,004 |
| | <u>46,402</u> | <u>41,819</u> | <u>22,899</u> | <u>21,704</u> | <u>415,167</u> | <u>395,127</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>94</u> | <u>84</u> |

42.1 In addition to the above, the chief executive officer and some of the executives have been provided with free use of the Group maintained cars. Further, medical expenses are reimbursed in accordance with the Group's policies.

42.2 During the year, the Holding Company has paid to five non-executive directors (2019: five) an aggregate amount of Rs. 57 thousand (2019: Rs. 32 thousand) as fee for attending board meetings.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

43. TRANSACTIONS WITH RELATED PARTIES

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

| Nature of relationship | Nature of transactions | 2020 | 2019 |
|---------------------------|--|------------------|------------|
| | | -----Rupees '000 | ----- |
| Ultimate Holding Company: | - Corporate service charges | 261,000 | 235,200 |
| | - Interest income | 30,571 | 21,642 |
| | - Rent income | 13,048 | 9,557 |
| | - Income from provision of amenities | 9,216 | 7,490 |
| | - Dividend paid | 173 | 1,184 |
| | - Recovery of loan | 20,616 | 13,120 |
| | - Payment for Group tax relief | 137,089 | - |
| | - Computer expense | 2,643 | - |
| | - SAP maintenance fee | 344 | - |
| | - Others | 135 | - |
| Associates: | - Revenue | 16,506,690 | 14,378,517 |
| | - Salaries and wages | 4,436 | 775 |
| | - Purchases | 32,310 | 15,627 |
| | - Purchase of ERP software | - | 26,927 |
| | - Discounts claimed | 531,804 | 855,804 |
| | - Rental income | 65,191 | 66,932 |
| | - Income from provision of amenities | 38,367 | 72,541 |
| | - Facility Management fee | 252,000 | - |
| | - Furnitures and Fixtures purchased | 31,580 | - |
| | - Purchase of personal protective equipments | 11,934 | - |
| | - Rent expense | 17,053 | 7,668 |
| | - Donations | 44,874 | 38,047 |
| | - Architect fee | 7,604 | 3,295 |
| | - Stock claims | 398,633 | 398,633 |
| | - Internet services | 3,279 | 5,627 |
| | - Carriage and duties | 78,360 | 70,564 |
| | - Repair and maintenance | 807 | 7,893 |
| | - Payment for group tax relief | 14,325 | - |
| | - Advance against financial assistance | - | 1,500 |
| | - SAP maintenance fee | 745 | 20,289 |
| | - Dividend paid | 1,184 | 1,184 |
| | - Shared cost | 58,508 | 41,668 |
| | - Incentives to field force staff | 19,035 | 12,672 |
| | - Merchandise expense | 27,462 | 140,278 |
| | - Renovation | 13,749 | - |
| | - Rent paid | 2,150 | - |
| | - Sale of property, plant and equipment | 994 | - |
| | - Others | 11,486 | - |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| Nature of relationship | Nature of transactions | 2020 | 2019 |
|--|--|------------------------|--------|
| | | -----Rupees '000 ----- | |
| Post employment staff benefit plans: | - Contributions to Provident Fund | 63,635 | 55,758 |
| | - Benefits paid | 47,288 | 47,288 |
| Key management employees compensation: | - Salaries and other employee benefits | 65,552 | 60,006 |
| | - Contributions to Provident Fund | 3,749 | 3,517 |
| | - Director's fee and conveyance | 978 | 450 |
| | - Sale of goods | 804 | - |

43.22 The status of outstanding balances with related parties as at June 30, 2020 is included in the respective notes to the consolidated financial statements. These are settled in the ordinary course of business.

43.3 Following are the related parties with whom the Group had entered into transactions or have arrangement(s) / agreement(s) in place:

| S. No. | Company Name | Basis of Association | Aggregate % of Shareholding |
|--------|--|----------------------------|-----------------------------|
| 1. | International Brands Limited | Ultimate Holding Company | 56.60% |
| 2. | United Distributors Pakistan Limited | Group Company | N/A |
| 3. | International Franchises (Private) Limited | Group Company | N/A |
| 4. | IBL Operations (Private) Limited | Group Company | N/A |
| 5. | IBL Unisys (Private) Limited | Group Company | N/A |
| 6. | Multinet (Private) Limited | Common Directorship | N/A |
| 7. | MyCart (Private) Limited | Group Company | N/A |
| 8. | United Brands Limited | Group Company | N/A |
| 9. | IBL Frontier Markets (Private) Limited | Group Company | N/A |
| 10. | Arshad Shahid Abdulla (Private) Limited | Close relative of Director | N/A |
| 11. | United Retail (SMC-Private) Limited | Close relative of Director | N/A |
| 12. | AKAR Hospital | Managing Company | N/A |
| 13. | The Citizen Foundation | Common Directorship | N/A |
| 14. | The Hunar Foundation | Common Directorship | N/A |
| 15. | Sabaq Learning Foundation | Common Directorship | N/A |
| 16. | Indus Hospital | Close relative of Director | N/A |
| 17. | International Knitwear Limited | Associated company | N/A |
| 18. | United Franchises (SMC-Private) Limited | Associated company | N/A |

44. PRODUCTION CAPACITY

Plant capacities and actual production

The capacity and production of the Group's plants are indeterminable as these are multi-product and involve varying processes of manufacture.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

45. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

45.1 Financial risk factors

The Group's activities expose it to variety of financial risks namely market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost effective funding as well as managing financial risk to minimise earnings volatility and provide maximum return to shareholders.

45.2 Financial assets and liabilities

| | 2020 | | | 2019 | | |
|---|-------------------------|-------------------------|-------------------|-------------------------|-------------------------|------------------|
| | Maturity up to one year | Maturity after one year | Total | Maturity up to one year | Maturity after one year | Total |
| | -----Rupees '000----- | | | | | |
| Financial assets | | | | | | |
| Loans and receivables | | | | | | |
| Loans, advances and deposits | 2,277,341 | 11,182 | 2,288,523 | 2,447,361 | 13,895 | 2,461,256 |
| Trade receivables | 8,633,836 | - | 8,633,836 | 6,209,817 | - | 6,209,817 |
| Interest accrued | - | - | - | 2,970 | - | 2,970 |
| Other receivables | 1,187,736 | - | 1,187,736 | 787,859 | - | 787,859 |
| Short-term investment | 100,000 | - | 100,000 | - | - | - |
| Bank balances | 128,522 | - | 128,522 | 255,712 | - | 255,712 |
| Cash in hand | 206,667 | - | 206,667 | 6,342 | - | 6,342 |
| | <u>12,534,102</u> | <u>11,182</u> | <u>12,545,284</u> | <u>9,710,061</u> | <u>13,895</u> | <u>9,723,956</u> |
| Financial liabilities | | | | | | |
| Long-term borrowing | - | 320,664 | 320,664 | - | 4,664 | 4,664 |
| Trade and other payables | 2,724,000 | - | 2,724,000 | 2,930,391 | - | 2,930,391 |
| Short-term borrowings | 4,953,328 | - | 4,953,328 | 3,922,277 | - | 3,922,277 |
| | <u>7,677,328</u> | <u>320,664</u> | <u>7,997,992</u> | <u>6,852,668</u> | <u>4,664</u> | <u>6,857,332</u> |
| On reporting date gap | <u>4,856,774</u> | <u>(309,482)</u> | <u>4,547,292</u> | <u>2,857,393</u> | <u>9,231</u> | <u>2,866,624</u> |
| Net financial (liabilities) / assets | | | | | | |
| Interest bearing | (4,953,227) | (320,664) | (5,273,891) | (3,916,484) | (4,664) | (3,921,148) |
| Non-interest bearing | 9,810,001 | 11,182 | 9,821,183 | 6,773,877 | 13,895 | 6,787,772 |

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Financial assets and liabilities obtained at variable rates expose the Group to cash flow interest rate risk.

At June 30, 2020, the Group has variable interest bearing financial liabilities of Rs. 4.95 billion (2019: Rs. 3.92 billion), and had the interest rate varied by 200 basis points with all the other variables held constant, profit before tax for the year would have been approximately Rs. 99 million (2019: Rs. 78.4 million) higher / lower, mainly as a result of lower / higher interest expense on floating rate borrowings respectively.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

(ii) Currency risk

Foreign currency risk arises mainly where payables and receivables exist due to transactions in foreign currencies. The Group's exposure to exchange risk comprise mainly due to receivable, payable and bank balance in foreign currency. At June 30, 2020, trade and other payables of Rs. 488.67 million (2019: Rs. 716.42 million), trade receivables of Rs. 448.33 million (2019: Rs. 307.29 million) and bank balance of Rs. 0.13 million (2019: Rs. 0.13 million) are exposed to foreign currency risk.

As at June 30, 2020, if the Pakistan Rupee had weakened / strengthened by 2% against US Dollar with all other variables held constant, profit before income tax for the year would have been lower / higher by Rs. 0.80 million (2019: Rs. 8.17 million), mainly as a result of foreign exchange gains / losses on translation of US Dollar denominated trade and other payables, bills payable, trade receivables and cash and bank.

The sensitivity of foreign exchange rates looks at the outstanding foreign exchange balances of the company only as at the reporting date and assumes this is the position for a full twelve-month period. The volatility percentages for movement in foreign exchange rates have been used due to the fact that historically (five years) rates have moved on average basis by the mentioned percentages per annum.

(iii) Price risk

Price risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the fund or its management company.

The Group limits price risk by maintaining a diversified portfolio and by continuous monitoring of developments in open ended income funds. In addition, the Group actively monitors the key factors that affect the open ended income funds. The maximum exposure to price risk as at June 30, 2020 amounts to (2019: Nil).

(b) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 12,545 million (2019: Rs. 9,723 million) the financial assets exposed to the credit risk amount to Rs. 12,314 million (2019: Rs. 9,714 million). The carrying values of financial assets are as under:

| | 2020 | 2019 |
|---|------------------------|------------------|
| | -----Rupees '000 ----- | |
| Loans and advances - notes 9 & 13 | 2,185,767 | 2,372,389 |
| Trade deposits - notes 10 & 14 | 102,756 | 88,866 |
| Trade receivables - note 12 | 8,633,836 | 6,209,817 |
| Other receivables - note 15 | 1,187,736 | 787,859 |
| Investments - at fair value through profit or loss | 100,000 | - |
| Bank balances | 128,522 | 255,712 |
| | <u>12,338,617</u> | <u>9,714,643</u> |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

Trade receivables of the Group are not exposed to significant credit risk as the major amount is due from IBL Operations (Private) Limited - an associated company. However, the Group has established policies and procedures for timely recovery of trade receivables. With respect to parties other than affiliates, the Group mitigates its exposure and credit risk by applying credit limits to its customers. Loans and advances include Rs. 229.01 million (2019: Rs. 249.63 million) due from International Brands Limited - Ultimate Parent Company.

The fair value through profit and loss investments represent investments in open end mutual funds. The Group manages its credit and price risk by investing in income based diversified mutual funds.

Bank balance represent low credit risk as major balances are placed with banks having credit ratings of A or above as assigned by PACRA or JCR-VIS.

(c) Liquidity risk

Liquidity risk reflects the Group's inability in raising funds to meet commitments. The management closely monitors the Group's liquidity and cash flow position. The Group's approach to manage liquidity risk is to maintain sufficient level of liquidity based on expected cash flow by holding highly liquid assets, creditor concentration and maintaining sufficient reserve borrowing facilities.

(d) Fair values of the financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

46. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide adequate returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

The debt to capital ratio is as follows:

| | 2020 | 2019 |
|-------------------------|------------------|------------|
| | -----Rupees '000 | ----- |
| Total borrowings | 4,953,328 | 3,922,277 |
| Cash and bank - note 18 | (335,189) | (262,054) |
| Net debt | 4,618,139 | 3,660,223 |
| Equity | 15,962,533 | 13,519,229 |
| Total capital | 20,580,672 | 17,179,452 |
| Debt to capital ratio | 22% | 21% |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

| 47. NUMBER OF EMPLOYEES | 2020 | 2019 |
|--|------------------------|--------------|
| | -----Rupees '000 ----- | |
| 47.1 Number of employees as at June 30 | <u>2,766</u> | <u>2,465</u> |
| 47.2 Average number of employees during the year | <u>2,688</u> | <u>2,357</u> |

48. LISTING OF SUBSIDIARY COMPANIES

| Name of Subsidiary | Financial year end |
|---|--------------------|
| - IBL HealthCare Limited | June 30 |
| - IBL Future Technologies (Private) Limited | June 30 |
| - Searle Pharmaceuticals (Private) Limited | June 30 |
| - Searle Laboratories (Private) Limited | June 30 |
| - Searle Biosciences (Private) Limited | June 30 |
| - IBL Identity (Private) Limited | June 30 |
| - Nextar Pharma (Private) Limited | June 30 |
| - IBL Future Technologies (Private) Limited | June 30 |

48.1 Set out below is summarised financial information for each subsidiary that has Non-Controlling Interests (NCI).

| Name of Subsidiaries | IBL HC | NPPL |
|--|-----------|----------|
| Percentage Holding | 25.81% | 12.80% |
| Total Assets | 2,525,024 | 966,696 |
| Total Liabilities | 830,042 | 172,380 |
| Total Comprehensive Income / (loss) | 220,030 | (65,937) |
| Allocated to NCI | 56,790 | (8,440) |
| Accumulated NCI | 367,014 | 108,395 |
| Cash and Cash Equivalent | 20,148 | 418 |
| Cash (utilised in) / generated from | | |
| - operating activities | 40,438 | 1,035 |
| - investing activities | (10,272) | (843) |
| - financing activities | (52,093) | - |
| Dividend paid to NCI | 15,079 | - |

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

49. BUSINESS UNITS - GEOGRAPHICAL LOCATION AND ADDRESSES

| Business units | Addresses |
|--|--|
| Factories | <ul style="list-style-type: none"> - F-319, S.I.T.E Area, Karachi - 32 km Multan Road, Lahore. - Survey 391/1 and 392/2, Sector 3, Korangi Industrial Area, Karachi. |
| Warehouses and storage facilities | <ul style="list-style-type: none"> - Sana Logistics, Survey Number 53-55, Deh Gandpas, Tapo Gabopat, Kemari Town, Taluka & District, Karachi West - Plot No. 21-C, Sector 15/16, Gulshan-e-Mazdoor, Hub River Road, Karachi. - Kotlakpat, Plot No. 131/3, Quaid-e-Azam Industrial Estate, Gate 4, Near Fine Chowk, Kotlakhpot, Lahore - Raiwind Road, Manga Mandi, Lahore. - 137, Shahrah-e-Maulana, Jalaluddin Roomi, Lahore. - Shabab Studio Chung, 19-KM, Multan Road, Lahore. - F-2/Q, PTC Compound, S.I.T.E., Karachi. |
| Outlets | <ul style="list-style-type: none"> - Zarina Mall, Lahore |

50. CORRESPONDING FIGURES

Following corresponding figures having material impact were reclassified, for the purpose of comparison:

| | Rupees '000 |
|-------------------------------------|-------------|
| From: | |
| - Discounts, rebates and allowances | (277,000) |
| To: | |
| - Local sales of goods | (277,000) |

Other reclassification made, for the purpose of better presentation and comparison, were immaterial for these consolidated financial statements.

51. SUBSEQUENT EVENTS

51.1 The Board of Directors of the Holding Company in the meeting held on has approved the following appropriation:

| | 2020 | 2019 |
|---|------------------|---------|
| | -----Rupees '000 | ----- |
| - Cash dividend of Rs. 2.5 (June 30, 2019: Rs. 2.5) per share | 531,063 | 531,063 |

This would be recognised in the Company's financial statements in the year in which such dividend and distribution are paid.

51.2 ACQUISITION OF OBS PAKISTAN (PRIVATE) LIMITED

Subsequent to the year end on August 24, 2020, the Holding Company acquired OBS Pakistan (Private) Limited (OBS), engaged in manufacturing and sales of pharmaceutical products, from Universal Ventures (Private) Limited (UVPL) - related party. The approval of acquisition was obtained in the Holding Company's Extra-Ordinary General Meeting (EOGM) on May 18, 2020.

Notes to and forming part of the Consolidated Financial Statements

For the year ended June 30, 2020

The consideration for the above transaction contains the following:

| | Rupees in million |
|---|----------------------|
| - Payment at the time of share transfer of UVPL | 3,250 |
| - Deferred payment on a maximum period of three years | 5,350 |
| - Equity injection in OBS for the purposes of setting and swapping the finance facility availed by OBS from Habib Bank Limited (HBL), through availing a new finance facility in the form of Musharaka Agreement from HBL itself. | 7,200 |
| | <u>15,800</u> |

52. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors of the Holding Company and authorised for issue on September 28, 2020.


Chief Executive


Director


Chief Financial Officer

Pattern of Shareholding

As at June 30, 2020

| No. of Shareholders | | Shareholdings' Slab | Total Shares Held |
|---------------------|--------|---------------------|-------------------|
| 3022 | 1 | to 100 | 117,522 |
| 3283 | 101 | to 500 | 955,860 |
| 1829 | 501 | to 1000 | 1,407,467 |
| 3010 | 1001 | to 5000 | 7,564,792 |
| 631 | 5001 | to 10000 | 4,483,664 |
| 235 | 10001 | to 15000 | 2,898,902 |
| 120 | 15001 | to 20000 | 2,096,151 |
| 82 | 20001 | to 25000 | 1,856,938 |
| 48 | 25001 | to 30000 | 1,313,905 |
| 46 | 30001 | to 35000 | 1,515,114 |
| 25 | 35001 | to 40000 | 940,708 |
| 25 | 40001 | to 45000 | 1,068,476 |
| 17 | 45001 | to 50000 | 816,177 |
| 21 | 50001 | to 55000 | 1,096,059 |
| 11 | 55001 | to 60000 | 634,805 |
| 11 | 60001 | to 65000 | 690,149 |
| 8 | 65001 | to 70000 | 543,371 |
| 5 | 70001 | to 75000 | 362,983 |
| 11 | 75001 | to 80000 | 853,495 |
| 9 | 80001 | to 85000 | 733,628 |
| 4 | 85001 | to 90000 | 357,781 |
| 6 | 90001 | to 95000 | 547,448 |
| 4 | 95001 | to 100000 | 392,640 |
| 4 | 100001 | to 105000 | 402,539 |
| 7 | 105001 | to 110000 | 758,331 |
| 5 | 110001 | to 115000 | 557,310 |
| 2 | 120001 | to 125000 | 242,425 |
| 1 | 125001 | to 130000 | 125,146 |
| 4 | 130001 | to 135000 | 534,612 |
| 6 | 135001 | to 140000 | 826,938 |
| 2 | 140001 | to 145000 | 282,657 |
| 3 | 145001 | to 150000 | 445,475 |
| 4 | 150001 | to 155000 | 609,377 |
| 4 | 155001 | to 160000 | 630,048 |
| 1 | 160001 | to 165000 | 163,900 |
| 5 | 165001 | to 170000 | 833,934 |
| 1 | 170001 | to 175000 | 173,400 |
| 1 | 175001 | to 180000 | 178,548 |
| 1 | 180001 | to 185000 | 183,231 |
| 6 | 185001 | to 190000 | 1,127,451 |
| 2 | 195001 | to 200000 | 399,712 |
| 1 | 200001 | to 205000 | 204,938 |
| 1 | 205001 | to 210000 | 210,000 |
| 1 | 210001 | to 215000 | 212,708 |
| 1 | 220001 | to 225000 | 222,281 |
| 3 | 225001 | to 230000 | 683,740 |
| 4 | 240001 | to 245000 | 970,095 |
| 1 | 270001 | to 275000 | 271,503 |
| 2 | 275001 | to 280000 | 555,014 |
| 1 | 280001 | to 285000 | 284,545 |
| 1 | 295001 | to 300000 | 300,000 |

Pattern of Shareholding

As at June 30, 2020

| No. of Shareholders | | Shareholdings' Slab | | Total Shares Held |
|---------------------|-----------|---------------------|-----------|--------------------|
| 1 | 300001 | to | 305000 | 302,401 |
| 1 | 310001 | to | 315000 | 310,102 |
| 1 | 320001 | to | 325000 | 324,940 |
| 3 | 325001 | to | 330000 | 985,522 |
| 1 | 335001 | to | 340000 | 335,700 |
| 1 | 340001 | to | 345000 | 345,000 |
| 1 | 345001 | to | 350000 | 346,354 |
| 1 | 350001 | to | 355000 | 352,400 |
| 1 | 370001 | to | 375000 | 370,318 |
| 2 | 375001 | to | 380000 | 754,500 |
| 1 | 380001 | to | 385000 | 384,431 |
| 1 | 385001 | to | 390000 | 389,353 |
| 2 | 390001 | to | 395000 | 785,438 |
| 1 | 405001 | to | 410000 | 406,700 |
| 1 | 435001 | to | 440000 | 435,158 |
| 1 | 455001 | to | 460000 | 456,200 |
| 1 | 485001 | to | 490000 | 486,000 |
| 2 | 505001 | to | 510000 | 1,013,327 |
| 1 | 525001 | to | 530000 | 525,804 |
| 1 | 530001 | to | 535000 | 533,444 |
| 1 | 565001 | to | 570000 | 568,016 |
| 1 | 590001 | to | 595000 | 590,951 |
| 1 | 600001 | to | 605000 | 602,118 |
| 1 | 610001 | to | 615000 | 614,442 |
| 1 | 625001 | to | 630000 | 627,705 |
| 1 | 640001 | to | 645000 | 641,181 |
| 1 | 705001 | to | 710000 | 706,602 |
| 1 | 745001 | to | 750000 | 746,800 |
| 1 | 835001 | to | 840000 | 838,151 |
| 1 | 840001 | to | 845000 | 841,015 |
| 1 | 965001 | to | 970000 | 967,400 |
| 1 | 1000001 | to | 1005000 | 1,003,669 |
| 1 | 1025001 | to | 1030000 | 1,029,449 |
| 1 | 1040001 | to | 1045000 | 1,044,775 |
| 1 | 1045001 | to | 1050000 | 1,047,595 |
| 1 | 1105001 | to | 1110000 | 1,105,734 |
| 1 | 1170001 | to | 1175000 | 1,171,946 |
| 1 | 1245001 | to | 1250000 | 1,249,292 |
| 1 | 1405001 | to | 1410000 | 1,405,004 |
| 1 | 1530001 | to | 1535000 | 1,531,484 |
| 1 | 1755001 | to | 1760000 | 1,756,871 |
| 1 | 1930001 | to | 1935000 | 1,934,646 |
| 1 | 2465001 | to | 2470000 | 2,467,925 |
| 1 | 2515001 | to | 2520000 | 2,515,983 |
| 1 | 2650001 | to | 2655000 | 2,653,474 |
| 1 | 3755001 | to | 3760000 | 3,757,335 |
| 1 | 3845001 | to | 3850000 | 3,847,707 |
| 1 | 4620001 | to | 4625000 | 4,623,670 |
| 1 | 115050001 | to | 115055000 | 115,053,320 |
| 12592 | | | | 212,425,245 |

Pattern of Shareholding

As at June 30, 2020

| Categories of Shareholders | Shareholders | Shares Held | Percentage |
|--|--------------|-------------|------------|
| Directors and their spouse(s) and minor children | | | |
| ADNAN ASDAR ALI | 1 | 3,308 | 0.00 |
| RASHID ABDULLA | 2 | 47,516 | 0.02 |
| SYED NADEEM AHMED | 1 | 3,797 | 0.00 |
| ZUBAIR RAZZAK PALWALA | 1 | 3,966 | 0.00 |
| AYAZ ABDULLA | 1 | 19,869 | 0.01 |
| ASAD ABDULLA | 1 | 34,597 | 0.02 |
| SHAKILA RASHID | 2 | 384,445 | 0.18 |
| FATIMA HYDER | 1 | 19,869 | 0.01 |
| MARIUM ASAD | 1 | 1,380 | 0.00 |
| Associated companies, undertakings and related parties | | | |
| INTERNATIONAL BRANDS LIMITED | 3 | 120,239,641 | 56.60 |
| ARSHAD SHAHID ABDULLA (PRIVATE) LIMITED | 2 | 22,770 | 0.01 |
| IBL OPS (PVT) LIMITED | 1 | 58,974 | 0.03 |
| IMPERIAL BRANDS (PRIVATE) LIMITED | 1 | 26,427 | 0.01 |
| INTERNATIONAL FRANCHISES (PRIVATE) LIMITED | 1 | 51,087 | 0.02 |
| UNITED BRANDS LIMITED STAFF PROVIDENT FUND | 1 | 3,220 | 0.00 |
| IBL OPERATIONS (PRIVATE) LIMITED STAFF PROVIDENT FUND | 1 | 31,464 | 0.01 |
| UNITED DISTRIBUTORS PAKISTAN LIMITED STAFF PROVIDENT FUND | 1 | 4,700 | 0.00 |
| UNITED DISTRIBUTORS PAKISTAN LTD. MANAGEMENT PROVIDENT FUND | 1 | 8,800 | 0.00 |
| TRUSTEE SEARLE PAKISTAN LIMITED PROVIDENT FUND | 1 | 1,105,734 | 0.52 |
| Executive | 4 | 13,079 | 0.01 |
| Public Sector Companies and Corporations | 5 | 4,037,450 | 1.90 |
| Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds | 68 | 5,740,131 | 2.70 |
| Mutual Funds | | | |
| FIRST CAPITAL MUTUAL FUND LTD. | 1 | 51,839 | 0.02 |
| CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND | 1 | 2 | 0.00 |
| CDC - TRUSTEE PICIC INVESTMENT FUND | 1 | 67,533 | 0.03 |
| CDC - TRUSTEE PICIC GROWTH FUND | 1 | 81,833 | 0.04 |
| CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND | 1 | 2 | 0.00 |
| CDC - TRUSTEE ATLAS STOCK MARKET FUND | 1 | 706,602 | 0.33 |
| CDC - TRUSTEE MEEZAN BALANCED FUND | 1 | 178,548 | 0.08 |
| CDC - TRUSTEE ALFALAH GHP VALUE FUND | 1 | 30,427 | 0.01 |
| CDC - TRUSTEE AKD INDEX TRACKER FUND | 1 | 23,944 | 0.01 |
| CDC - TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND | 1 | 1 | 0.00 |
| CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 1 | 324,940 | 0.15 |
| CDC - TRUSTEE MEEZAN ISLAMIC FUND | 1 | 2,653,474 | 1.25 |
| CDC - TRUSTEE UBL STOCK ADVANTAGE FUND | 1 | 302,401 | 0.14 |
| CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND | 1 | 187,872 | 0.09 |
| CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND | 1 | 370,318 | 0.17 |
| CDC - TRUSTEE NBP STOCK FUND | 1 | 967,400 | 0.46 |
| CDC - TRUSTEE NBP BALANCED FUND | 1 | 9,000 | 0.00 |
| CDC - TRUSTEE MCB DCF INCOME FUND | 1 | 14,500 | 0.01 |

Pattern of Shareholding

As at June 30, 2020

| Categories of Shareholders | Shareholders | Shares Held | Percentage |
|---|--------------|-------------|------------|
| CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND | 1 | 212,708 | 0.10 |
| CDC - TRUSTEE HBL - STOCK FUND | 1 | 88,848 | 0.04 |
| CDC - TRUSTEE NBP ISLAMIC SARMAVA IZAFI FUND | 1 | 65,000 | 0.03 |
| CDC - TRUSTEE HBL MULTI - ASSET FUND | 1 | 9,099 | 0.00 |
| CDC - TRUSTEE ALFALAH GHP STOCK FUND | 1 | 80,554 | 0.04 |
| CDC - TRUSTEE ALFALAH GHP ALPHA FUND | 1 | 54,600 | 0.03 |
| CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND | 1 | 156,521 | 0.07 |
| CDC - TRUSTEE ABL STOCK FUND | 1 | 72,338 | 0.03 |
| CDC - TRUSTEE FIRST HABIB STOCK FUND | 1 | 550 | 0.00 |
| CDC - TRUSTEE LAKSON EQUITY FUND | 1 | 51,700 | 0.02 |
| CDC - TRUSTEE NBP SARMAVA IZAFI FUND | 1 | 9,415 | 0.00 |
| CDC - TRUSTEE NBP MAHANA AMDANI FUND - MT | 1 | 96,600 | 0.05 |
| CDC - TRUSTEE HBL ISLAMIC STOCK FUND | 1 | 51,397 | 0.02 |
| CDC - TRUSTEE HBL EQUITY FUND | 1 | 49,600 | 0.02 |
| CDC - TRUSTEE KSE MEEZAN INDEX FUND | 1 | 241,853 | 0.11 |
| CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND | 1 | 6,600 | 0.00 |
| MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND | 1 | 153 | 0.00 |
| CDC - TRUSTEE UBL ASSET ALLOCATION FUND | 1 | 27,029 | 0.01 |
| CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND | 1 | 8,000 | 0.00 |
| CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND | 1 | 74,094 | 0.03 |
| CDC - TRUSTEE AWT ISLAMIC STOCK FUND | 1 | 21,500 | 0.01 |
| CDC - TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND | 1 | 70,451 | 0.03 |
| CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND | 1 | 63,541 | 0.03 |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 1 | 4,623,670 | 2.18 |
| CDC - TRUSTEE HBL ISLAMIC EQUITY FUND | 1 | 21 | 0.00 |
| CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II | 1 | 600 | 0.00 |
| CDC - TRUSTEE NBP ISLAMIC STOCK FUND | 1 | 486,000 | 0.23 |
| CDC - TRUSTEE NBP INCOME OPPORTUNITY FUND - MT | 1 | 5,100 | 0.00 |
| CDC - TRUSTEE AWT STOCK FUND | 1 | 18,000 | 0.01 |
| CDC - TRUSTEE NIT ISLAMIC EQUITY FUND | 1 | 525,804 | 0.25 |
| CDC - TRUSTEE NBP SAVINGS FUND - MT | 1 | 43,100 | 0.02 |
| CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND | 1 | 10,505 | 0.00 |
| CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND | 1 | 54,000 | 0.03 |
| CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND | 1 | 13,296 | 0.01 |
| CDC - TRUSTEE FAYSAL MTS FUND - MT | 1 | 406,700 | 0.19 |
| CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND | 1 | 93,017 | 0.04 |
| CDC - TRUSTEE LAKSON TACTICAL FUND | 1 | 7,200 | 0.00 |
| CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND | 1 | 3,178 | 0.00 |
| MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND | 1 | 12,731 | 0.01 |
| CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND | 1 | 33,697 | 0.02 |
| CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND | 1 | 55,055 | 0.03 |
| CDC - TRUSTEE UBL DEDICATED EQUITY FUND | 1 | 1,900 | 0.00 |
| MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND | 1 | 5,100 | 0.00 |
| CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND | 1 | 35,400 | 0.02 |
| CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND | 1 | 44,500 | 0.02 |
| CDC - TRUSTEE NIT ASSET ALLOCATION FUND | 1 | 35,000 | 0.02 |

Pattern of Shareholding

As at June 30, 2020

| Categories of Shareholders | Shareholders | Shares Held | Percentage |
|----------------------------|---------------|--------------------|---------------|
| General Public | | | |
| a. Local | 12,081 | 37,631,956 | 17.72 |
| b. Foreign | 15 | 4,170,753 | 1.96 |
| Foreign Companies | 80 | 13,103,814 | 6.17 |
| Others | 251 | 11,660,137 | 5.49 |
| Totals | 12,592 | 212,425,245 | 100.00 |

| Shareholders holding 5% or more | Shares Held | Percentage |
|---------------------------------|-------------|------------|
| * INTERNATIONAL BRANDS LIMITED | 120,239,641 | 56.60 |

* This includes 5,161,394 shares which are freezed in lieu of 5% withholding tax under section 236M of the Income Tax Ordinance, 2001. The Shareholder has filed a petition against such provision and the case is pending before the Hon'ble High Court.

SEARLE

Proxy Form

The Secretary
The Searle Company Limited
2nd Floor, One IBL Centre, Plot # 1, Block 7 & 8, D.M.C.H.S, Tipu Sultan Road,
Off Shahra-e-Faisal, Karachi-75350

I/We _____ son/daughter/wife/husband of _____,
shareholder of The Searle Company Limited, holding _____ ordinary shares hereby
appoint _____ who is my _____ [state relationship (if any) with
the proxy; required by Government regulations] and the son/daughter/wife/husband of
_____, (holding _____ ordinary shares in the Company under Folio No.
_____) [required by Government; delete if proxy is not the Company's shareholder] as
my/our proxy, to attend and vote for me/us and on my/our behalf at the Annual General Meeting
of the Company to be held on Wednesday, October 28, 2020 and/or any adjournment thereof.

Signed this _____ day of _____ 2020

Witness 1:

Signature: _____
Name: _____
CNIC #: _____
Address: _____

[Signature should agree
with the specimen signature
registered with the Company]

Sign across Rs.5/-
Revenue Stamp

Signature of Member(s)

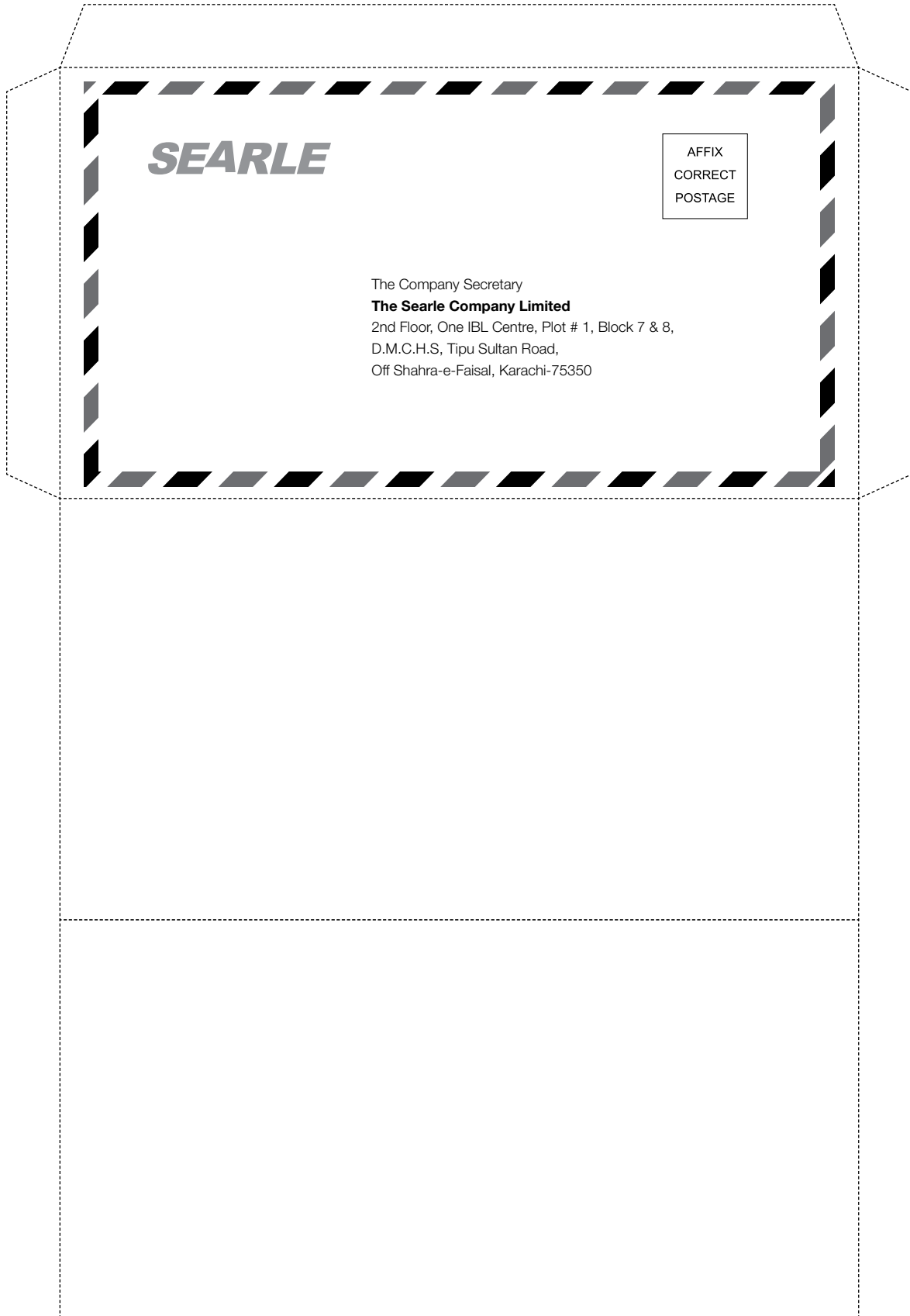
Witness 2:

Signature: _____
Name: _____
CNIC #: _____
Address: _____

Shareholder's Folio No.: _____
and/or CDC Participant I.D. No.: _____
and Sub-Account No.: _____
Shareholder's CNIC #: _____

Note:

- The member is requested:
 - To affix revenue stamp of Rs.5/- at the place indicated above.
 - To sign across the revenue stamp in the same style of signature as is registered with the Company.
 - To write down his/her/their folio number.
 - Attach an attested photocopy of their valid Computerized National Identity Card/ Passport/Board Resolution and the copy of CNIC of the proxy, with this proxy form before submission.
- In order to be valid, this proxy must be received at the registered office of the Company at least 48 hours before the time fixed for the meeting, duly completed in all respects.
- CDS Shareholders or their proxies should bring their original computerized national identity card or passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the notes to the notice of AGM.



SEARLE

AFFIX
CORRECT
POSTAGE

The Company Secretary
The Searle Company Limited
2nd Floor, One IBL Centre, Plot # 1, Block 7 & 8,
D.M.C.H.S, Tipu Sultan Road,
Off Shakra-e-Faisal, Karachi-75350

پراسی فارم

دی سیکریٹری

دی سرل کمپنی لمیٹڈ

دوسری منزل، ون آئی بی لیل سینٹر، پلاٹ نمبر 1،

بلاک 7 اور 8، ٹیپو سلطان روڈ، آف شاہراہ فیصل، کراچی۔

میں/ہم _____ پسر / دختر / زوجہ / خاندان بابت _____ شیئر ہولڈر دی سرل کمپنی لمیٹڈ،
 حال _____ عمومی شیئر ہولڈر ہذا _____ کو مقرر کر رہے ہیں جو میرے
 _____ (رشتہ بیان کریں) (اگر کوئی ہے) پراسی ہیں، جیسا کہ حکومتی ضوابط کے تحت ضروری ہے) اور پسر / دختر / زوجہ / خاندان
 بابت _____ حال _____ کمپنی کے عمومی شیئر ہولڈر نمبر _____ کے تحت
 (حکومت کی جانب سے لازمی، اگر پراسی کمپنی کا شیئر ہولڈر نہیں ہے) بطور میرے / ہمارے پراسی میری / ہماری اور میرے / ہمارے جانب سے کمپنی
 کے سالانہ اجلاس عام منعقدہ 14.08.2020 کو توہیناً پیش ہونے والے اجلاس میں میری / ہماری جانب سے شرکت کریں گے اور ووٹ کا حق
 استعمال کریں گے۔

دستخط شدہ بتاریخ _____ دن _____ 2020ء

گواہ نمبر 1:

(دستخط کمپنی کے پاس رجسٹرڈ نمونہ دستخط
 کے مطابق ہونے چاہئیں)

5/- روپے مالیت کے ریونیو
 اسٹیپ پر دستخط کریں

ممبر (ممبرز) کے دستخط

دستخط: _____

نام: _____

سی این آئی سی نمبر: _____

پتہ: _____

گواہ نمبر 2:

_____ شیئر ہولڈر کا فوٹیو نمبر:

_____ اور / یا سی ڈی سی پارٹنیشن آئی ڈی نمبر:

_____ اور ذیلی اکاؤنٹ نمبر:

_____ شیئر ہولڈر کا سی این آئی سی نمبر:

دستخط: _____

نام: _____

سی این آئی سی نمبر: _____

پتہ: _____

نوٹ:

1- ممبر سے درخواست ہے کہ:

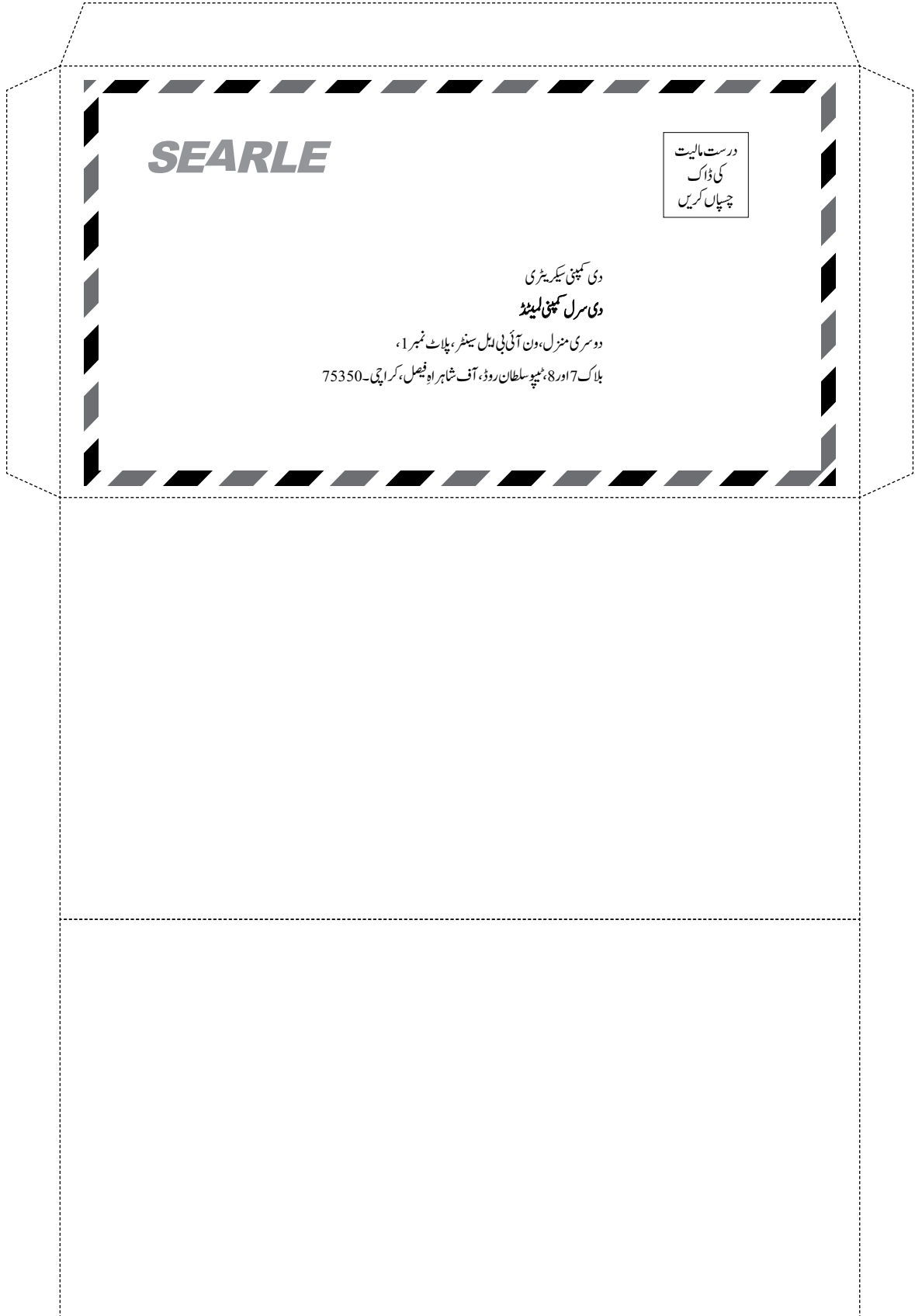
(i) مذکورہ بالا نشان زدہ جگہ پر 5 روپے مالیت کا ریونیو اسٹیپ چسپاں کریں۔

(ii) ریونیو اسٹیپ پر اسی انداز میں دستخط کریں جیسا کہ کمپنی کے پاس رجسٹرڈ ہیں۔

(iii) اپنا فوٹیو نمبر نیچے درج کریں۔

(iv) اپنے کارآمد کمپیوٹر انڈر قومی شناختی کارڈ / پاسپورٹ / بورڈ کی قرارداد پر کسی کے سی این آئی سی کی کاپی پر کسی فارم کے ساتھ منسلک کر کے جمع کریں۔
 2- کارآمد ہونے کے لئے یہ ضروری ہے کہ یہ پراسی کمپنی کے رجسٹرڈ آفس میں اجلاس کے لئے مقررہ وقت سے کم از کم ۲۸ گھنٹے قبل ہر طرح سے مکمل صورت
 میں جمع کرائے جائیں۔















3- سی ڈی سی شیئر ہولڈر یا ان کے پراسی: اپنے اصل کمپیوٹر انڈر قومی شناختی کارڈ یا پاسپورٹ مع پارٹنیشن آئی ڈی نمبر ان کے اکاؤنٹ نمبر اپنی شناخت میں
 سہولت کے لئے ہمراہ لائیں مفضل طریقہ کار سالانہ اجلاس عام کے نوٹ میں درج ہے۔





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