



SEARLE

Research in the service of mankind

Winning Trust Through Quality

Annual Report 2019



Winning Trust Through Quality

To ensure quality, our Standard Operating Procedures (SOP's) are updated to match current industry standards. Besides that our employee training and a universal understanding of machinery, it's parts and components, are also constantly improved. As we have an eye on our standard process to maintain quality and productivity on the manufacturing lines, we know it's also important to measure our existing processes and evaluate baseline to implement improvements and change. Let's us share with you 5 ways we improve our efficiency and quality on the manufacturing floor, as a theme of our annual report this year.

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SEARLE



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







Customer FOCUS

Determined to exceed customer expectations is the primary focus of our company. We achieve success when we earn customer confidence and use customer interaction. This desire to help patients is fundamental to us. This effective approach encourages us to make decisions to improve the quality of products and the speed of delivery.

SEARLE



Company Information

Board of Directors

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

Board of Audit Committee

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

Board of HR & Remuneration Committee

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

Chief Financial Officer

Mr. Mobeen Alam

Company Secretary

Mr. Zubair Razzak Palwala

Auditors

A. F. Ferguson & Co.

Legal Advisors

Mohsin Tayebaly & Co.

Bankers

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



Registered Office

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

Share Registrar

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



SEARLE





Continuous Improvement

For us, constant improvement is vital to survival.

We are aware that pharmaceutical industry is under intense pressure to meet strict regulatory requirements and pricing pressures while evolving to meet changing customer expectations.

Notice of 54th Annual General Meeting

Notice is hereby given that the 54th Annual General Meeting (AGM) of the members of The Searle Company Limited will be held on Friday, October 25, 2019 at 05:00 p.m. at the Aquarius Hall, Beach Luxury Hotel, M.T Khan Road, Karachi-74000 to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of annual general meeting held on November 22, 2018.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2019 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, 2019, as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration for the year ending June 30, 2020. The present Auditors, M/s. A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

5. 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 105 million which includes allowances and other benefits as per terms of their employment for the year ending June 30,

2020 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."

6. To ratify and approve transactions conducted with Related Parties for the year ended June 30, 2019 by passing the following special resolution with or without modification:

"RESOLVED that the transactions carried out with Related Parties as disclosed in the note 36 of the unconsolidated financial statements for the year ended June 30, 2019 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."

7. To authorize the Board of Directors of the Company to approve transactions with Related Parties for the financial year ending June 30, 2020 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, 2020.

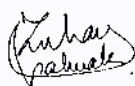
FURTHER RESOLVED that these transactions by the Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval."

OTHER BUSINESS

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

(Attached to this Notice is a Statement of Material Facts covering the abovementioned Special Business, as required under section 134(3) of the Companies Act, 2017)

By order of the Board



Zubair Palwala

Company Secretary

Karachi: October 4, 2019

NOTES:

A. Book closure

The share transfer books will remain closed from October 19, 2019 to October 25, 2019 (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 Shahr-e-Faisal, Karachi-74400 at the close of business on October 18, 2019 shall be treated in time for the purpose of attending the Annual General Meeting and entitlement of cash dividend, if approved by the shareholders.

B. 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: First Floor, NIC Building, Abbasi Shaheed Road, 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.

C. 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 Shahr-e-Faisal, Karachi-74400 (in case of shareholding in Physical Form).

Notice of 54th Annual General Meeting

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

PK _____ (24 digits)

International Bank Account Number (IBAN) **"Mandatory"** (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).

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

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

D. 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 is 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.

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.

E. 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

F. 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 Shahra-e-Faisal, Karachi-74400.

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

Item No. 5 of the notice - Approval of the remuneration of Executive Director(s) including the 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 No. 6 of the notice - Ratification and approval of the related party transactions carried out during the year ended June 30, 2019

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

Notice of 54th Annual General Meeting

Listed Companies (Code of Corporate Governance) Regulations, 2017. 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, the quorum of directors could not be formed for approval of these transactions pursuant to section 207 of the Companies Act, 2017. During the 25th Annual General Meeting of the Company, in order to promote transparent business practices, the shareholders had authorized the Board of Directors to approve transactions with the related parties from time-to-time on case to case basis for the year ended June 30, 2019 and such transactions were deemed to be approved by the shareholders. Such transactions were to be placed before the shareholders in next AGM for their formal approval / ratification. Accordingly, these transactions are being placed before the AGM for the formal approval / ratification by shareholders.

All transactions with related parties to be ratified have been disclosed in the note 36 to the unconsolidated financial statements for the year ended June 30, 2019. Party-wise details of such related party transactions are given below:

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

Name of Related Parties	Nature of Transactions	PKR '000
Akar Hospital	Donation	17,167
Arshad Shahid Abdulla Private Limited	Architect fee	3,295
International Franchises Private Limited	Revenue	71
	Rent income	15,641
	Income from provision of amenities	6,820
United Retail (SMC-Private) Limited	Rent income	46,376
	Income from provision of amenities	65,721
IBL Frontier Markets Private Limited	Revenue	152
	Purchases	769
IBL Future Technologies Private Limited	Short-term borrowing	23,100
IBL Health Care Limited	Revenue	2,064
	Dividend income	39,009
	Advance against financial assistance	24,777
IBL Identity Private Limited	Revenue	18
	Purchases of Land	400,500
	Purchases of Consumables	3,991
	Short-term loan	516,902
IBL Operations Private Limited	Revenue	12,180,664
	Rent income	1,125
	Salaries and wages	775
	Purchases	1,376
	Carriage and duties	70,564
	Discounts claimed	766,371
	Rent expense	10,856
	Stock claims	394,611
	Internet services	414
	Repair and Maintenance	7,893
	Donation	580
	Merchandise Expense	140,278
	Incentives to field force staff	12,672
IBL-Unisys Private Limited	Revenue	218
	Software Maintenance	20,289
	Purchases of ERP Software	26,308

International Brand Limited	Corporate service charges	216,000
	Computer Expense	441
	Rent income	9,557
	Income from provision of amenities	7,490
Multinet Pakistan Private Limited	Internet services	5,213
Mycart Private Limited	Purchases	2,682
	Advance against financial assistance	1,500
Nextar Pharma Private Limited	Advance against financial assistance	5,414
Searle Biosciences Private Limited	Revenue	261,815
	Dividend income	313,696
	Short-term borrowing	5,000
	Advance against financial assistance	15,362
Searle Pharmaceuticals Private Limited	Outside processing charges	3,330,278
	Dividend income	2,590,906
The Citizens Foundation	Donation	20,300
United Brand Limited	Revenue	4,344
	Purchases	10,799
	Stock claims	4,022
	Discounts claimed	2,304
United Distribution limited	Rent expense	486
IBL Logistics Private Limited	Revenue	96,839
Hunar Foundation	Revenue	117
Staff retirement benefits	Contributions to Provident Fund	51,704
Key management employees compensation	Salaries and other employee benefits	60,006
	Contributions to Provident Fund	3,517

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 36 to the unconsolidated financial statements for the year ended June 30, 2019. The Directors are interested in the resolution only to the extent of their common directorships in such related parties.

Item No. 7 of the notice – Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2020

The Company shall be conducting transactions with its related parties during the year ending June 30, 2020 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, 2020, 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.



Process-Centered Approach

Consistent and predictable results are achieved more effectively and efficiently when activities are understood and managed as interrelated processes. A process-centered approach involves the development of clear SOPs for every role and responsibility in our organization, but it also requires us to shift our focus to the entire product lifecycle.

SEARLE



Chairman's Review

For the year ended June 30, 2019

To My Fellow Shareholders,

The financial year 2018-19 was another outstanding year for Searle. Through our progress in serving patients around the world with innovative medicines to treat serious diseases, we achieved record levels of financial performance and provided an attractive return to our shareholders.

Total revenues in 2019 were our highest ever, a record PKR 14.5 billion, up 15% from 2018. We also achieved an impressive earnings per share of PKR 12.44, and operating profit of PKR 3.2 billion. Searle's gross margin of 34%, though down slightly from the prior year, still ranked among industry leaders. We invested heavily in our production facilities, with additions during the year in plant and equipment being PKR 512 million, reflecting both our commitment to innovation and our confidence in the potential of Searle's growing pipeline. We have also decided to return PKR 531 million to shareholders in 2019 in the form of cash dividends.

OVERVIEW

The pharmaceutical market in Pakistan is estimated to be around \$2.88 billion, growing at a rate of 13.83% (5 year CAGR). The industry is dominated by local / national companies which account for 64% of market share whereas multinationals enjoy the remaining 36%. Top ten companies constitute approximately 46% of the market whereas top 50 share approximately 90% 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 medicine launched at higher unit price. There are approximately 700 companies operating in the

Pakistani pharmaceutical market, out of which less than 30 are multinational companies. The pharmaceutical industry contributes approximately 1% to the GDP of Pakistan annually.

Pharmaceutical sector in Pakistan is strictly regulated by the Government. The Drug Regulatory Authority of Pakistan (DRAP) controls the registration of new medicines and new manufacturing sites. It also determines the Maximum Retail Price (MRP) of all medicines marketed in Pakistan.

The recent economic conditions have raised challenges for the industry as a whole. The major being the devaluation of Pakistani rupee by double-digits. As the industry relies on imported APIs for the majority of its production capacity, which consequently has made the industry highly dependent on fluctuations in exchange rates, coupled with stiff price regulations, which have direct adverse effects on our product margins and commercial feasibilities and has put pharma industry under immense pressure.

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 poses key threats for the industry as a whole.

Despite this, Searle was able to persevere through these difficult conditions and still managed to pose 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 the 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 2019 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 10-year sales and earnings CAGR of 15.82% and 33%, respectively, while growing its market share from only 2.7% in 2013 to 5.3% in 2019. This aggressive 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; and ii) nationwide distribution expertise of a related-entity within the same group (International Brands).

Furthermore, in an environment where domestic pharma sales are likely to grow at a CAGR of 11-12%, Searle's competitive advantages and dynamic management team will see its revenue and earnings outpace the market in the coming future.

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, 2019 has continued on this positive trajectory. The Company has created tremendous value for its shareholders through

consistent double-digit growth and profitability.

The year ended June 30, 2019 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 14.53 billion, at a growth rate of 14.69%

The gross profit margins in the current year dropped to 33.85% as compared with 35.01% of the preceding year, mainly on account of foreign currency fluctuations.

The profit after tax of the company was reported at PKR 2.6 billion.

KEY INITIATIVES

Searle continues to advance its market share in the Pakistan 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

Chairman's Review

For the year ended June 30, 2019

to have increased control over inventories, facilitate agile financial decision-making and improve performance management.

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 six meetings of the Board of Directors held in year ended June 30, 2019. In addition, there were four meetings of the Audit Committee of the Board.

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of the Searle Company Limited was carried out for the financial year ended June 30, 2019.

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 it's focus on developing the Searle brand, its products and people. Also, because the company is in the process of acquiring OBS Pakistan (Private) Limited, which will further strengthen the company's portfolios, allowing the company to reach unprecedented heights.

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.

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 2,200 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

September 30, 2019

مستقبل کا جائزہ

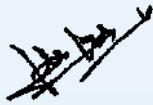
سرل مستقبل قریب میں صنعت کی رہنمائی کیلئے پُر عزم ہے اس کی وجہ سرل برانڈز کے فروغ، اس کی مصنوعات اور صارفین پر خصوصی توجہ دینا ہے۔ مزید برآں چونکہ کمپنی اوبی ایس پاکستان (پرائیویٹ) لمیٹڈ کے حصول کے عمل سے گزر رہی ہے جس سے کمپنی کے پورٹ فولیو میں مزید استحکام آئے گا اور کمپنی نئی وسعتوں تک پہنچ جائے گی۔

آگے بڑھتے ہوئے ہم اپنی حالیہ کامیابیوں بشمول سرکردہ پروجیکٹس ڈیولپمنٹ کو برقرار رکھنے اور بہتر بنانے کے ساتھ مینوفیکچرنگ صلاحیتوں کو فروغ دینے کے لئے جس کے ہم دنیا کے مزید خطوں میں خدمات کا دائرہ کار اور مریضوں تک رسائی کا سلسلہ مزید وسیع کرنے پر توجہ دے رہے ہیں۔ ہم نے پیداواری صلاحیت کے کچھ کے ذریعے گزشتہ 5 سالوں میں ترقی کا سفر برقرار رکھا ہے تاکہ ہم سرل میں وقت، ٹیلنٹ اور سرمائے کا بہتر استعمال کر سکیں۔ ہم مریضوں کے لئے بہتر سہولتوں کی فراہمی کا سلسلہ جاری رکھیں گے اور آپ کیلئے بطور شیئر ہولڈر اور ان سب کے لئے جن کو ہم خدمات فراہم کر رہے ہیں سال بہ سال بہتر سے بہتر فوائد اور منافع کی فراہمی کیلئے کوشاں رہیں گے۔

سرل کے بورڈ آف ڈائریکٹرز اور قائدانہ ٹیم کی جانب سے آپ کی مستقل سرمایہ کاری اور معاونت پر شکریہ ادا کرتا ہوں۔ میں 2200 سے زائد ملازمین کا بھی ان کی انھک کاوشوں اور ہمارے مشن کی تکمیل میں تعاون پر مشکور ہوں۔ یہ کام کے لئے ہمارا اعزاز ہے کہ ہم ترقی کے ایک عظیم سفر کے ساتھ ایسی کمپنی کیلئے کام کر رہے ہیں جو ہر روز بڑی تعداد میں لوگوں کی زندگیاں تبدیل کر رہی ہے۔

میں خصوصی طور پر اپنے سی ای او جناب ندیم احمد، ان کی ایگزیکٹو لیڈر شپ ٹیم کے ساتھ کمپنی کو چلانے والی قائدانہ ٹیم کا مشکور ہوں جنہوں نے کمپنی کو ترقی کے ایک نئے دور میں لانے کے ساتھ منافع بخش ادارہ بھی بنایا ہے۔

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



عدنان اصدر علی
چیئرمین

30 ستمبر 2019

30 جون 2019 کو ختم ہونے والے سال کیلئے چیئرمین کا جائزہ

کلیدی اقدامات

سرل نے پاکستان کی مقامی فارماسیوٹیکل مارکیٹ میں اپنا مارکیٹ شیئر بڑھانے کا سلسلہ جار رکھا بالخصوص کارڈیو ویسکیولر، نزلہ، کھانسی، ذیابیطیس، شیرخوار فارمولا، پروبائیوٹکس اور اینٹی بائیوٹکس شعبوں میں پیشرفت حاصل کی گئی۔ آگے بڑھتے ہوئے ہم خصوصی طور پر عمومی برانڈز پورٹ فولیوز میں شیئر بڑھانے اور مختلف النوع پروڈکٹس کو مارکیٹ کرنے پر توجہ دینے کا سلسلہ جاری رکھیں گے۔

ہمارے لئے پروڈکٹس کا معیار سب سے زیادہ اہمیت کا حامل ہے لہذا ہماری کلیدی ترجیح مستقل طور پر سی جی ایم پی اور ریگولیٹری کمپلائنس کو یقینی بنانا ہے جبکہ گزشتہ سالوں کے دوران ہماری پروڈکٹ کے حجم اور پورٹ فولیو بڑھانے پر خصوصی توجہ دی گئی۔ سرل نے نئے مینوفیکچرنگ ایکویپمنٹ اور فیسیلٹی کو اپ گریڈ کرنے میں سرمایہ کاری بھی کی اور تمام تر پیداواری امور اور انسانی صلاحیتوں کو بہتر بنانے کا سلسلہ جاری رکھے ہوئے ہے تاکہ تمام تر مینوفیکچرنگ سہولتوں کے عالمی ریگولیٹری اسٹینڈرڈز کو پورا کیا جاسکے۔

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

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

بورڈ کارپوریٹ گورننس کے بلند تر اسٹینڈرڈز میں سرگرم عمل رہنے کے عزم پر کاربند ہے۔ سال کے دوران بورڈ اور اس کی کمیٹیوں کا کام تمام قانونی اور کمپنی پر لاگو ریگولیٹری شرائط پر عملدرآمد کو یقینی بنانے پر اپنی توجہ مرکوز کرنا تھا۔

30 جون 2019 کو ختم ہونے والے سال کے دوران بورڈ آف ڈائریکٹرز کے 6 اجلاس منعقد ہوئے جن میں سے 4 اجلاس بورڈ کی آڈٹ کمیٹی کے تھے۔

جیسا کہ کوڈ آف کارپوریٹ گورننس کے تحت ضروری ہے، سرل کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز نے 30 جون 2019 کو ختم ہونے والے سال کے سلسلے میں سالانہ جائزہ اور صورت حال کی جانچ کی۔

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

- کارپوریٹ گورننس اسٹرکچر اور کمپلائنس مع ریگولیشنز: کمپنی ایک انتہائی مستحکم اور شفاف کارپوریٹ گورننس سسٹم کی حامل ہے جس کی بورڈ کی جانب سے باقاعدہ نگرانی کی جاتی ہے۔
- بورڈ کی تشکیل: بورڈ مختلف امور میں بہترین پیشہ ورانہ تجربے کے حامل ممبران پر مشتمل ہے جو مستحکم مالیاتی اور جائزہ لینے کی صلاحیت اور آزادانہ تصورات کی مہارت رکھتے ہیں۔
- اسٹرٹیجک پلاننگ: بورڈ اپنی طے کردہ حکمت عملی، اہداف اور ٹارگیٹس کے حصول کے تحت کمپنی کی کارکردگی پر نگاہ رکھنے کے لئے انتظامیہ کے ساتھ مسلسل رابطے میں رہتا 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 کی کمیٹیوں کے ممبران اپنے فرائض کی بجا آوری وسیع طور پر تمام تر صورت حال کا جائزہ لینے، بحث و تحقیق اور کاروباری مشوروں، مالیاتی حسابات اور منسلک دستاویزات کی منظوری کے تحت کام کرتے ہیں۔
- ریسورس مینجمنٹ: بورڈ وسائل کے درست اور بروقت استعمال کو یقینی بنانے کیلئے فوری بنیاد پر موزوں سمت اور ہدایات فراہم کرتا ہے۔

ان سب کے باوجود سرل اس کٹھن صورتحال پر قابو پانے کی صلاحیت اور بہتر نتائج کے حصول کے لئے پُر امید ہے اور انتظامیہ کے غیر متزلزل عزم اور کوششوں کے نتیجے میں اس کے ملازمین کی ترقی پر نمایاں توجہ اور بورڈ آف ڈائریکٹرز کی نگرانی کے باعث سرل کئی نمایاں شعبوں میں اپنی جگہ برقرار رکھنے میں کامیاب رہی ہے جو اس کی معیاری مصنوعات اور امتیازی اور مخلص افراد کی بدولت ممکن ہوا۔ ہم اپنے تمام اسٹیک ہولڈرز کیلئے پیش قدمی فوائد کے حصول کے لئے مصروف عمل ہیں اور ہم ان کیلئے اور اس سماج کے لئے جس میں ہم کام کر رہے ہیں ان پر مثبت اثرات ظاہر کرنے کیلئے اپنی کوششیں جاری رکھیں گے۔

جدت طرازی اور ترقی کیلئے ہمارے عزم کی تعمیر

2019 میں ہماری کامیابیوں کا سہرا ایک دہائی کی جہد مسلسل کے سر ہے جس کے دوران ہم نے بہترین مالیاتی معاہدے پورے کئے اور ان پر عمل پیرا ہیں جو کہ ہم نے اپنے شیئر ہولڈرز سے کئے تھے۔ اسی کے ساتھ اور مشکل مرحلے کے ساتھ ہم نے مستقل طور پر اپنے مستقبل کیلئے لائحہ عمل طے کرنے، جدت طرازی، مسابقت اور آگے بڑھنے کیلئے سرل کی طویل مدتی صلاحیت کو مستحکم بنانے کا سلسلہ بھی جاری رکھا۔

ہماری تجربہ کار انتظامی ٹیم بھی ایک متعلقہ سخت گیر، ریگولیٹری ماحول کو برقرار رکھنے کا ثابت شدہ ریکارڈ رکھتی ہے۔ اور بالترتیب 15.82 فیصد اور 33 فیصد سی اے جی آر کی 10 سالہ سیلز اور آمدنی کی حامل ہے۔ جبکہ اس کا مارکیٹ شیئر بھی 2013 کے 2.7 فیصد کے مقابلے میں 2019 میں 5.3 فیصد ہو چکا ہے۔ یہ شاندار ترقی وسیع طور پر آرگینک (نئی دواؤں کے تعارف) سے منسلک ہے جس سے اس کے پائیدار مسابقتی ماحول کو برقرار رکھنے میں سہولت میسر آئی جو (1) اس کی سیلز فورس میں جارحانہ سرمایہ کاری اور (2) اسی گروپ (انٹرنیشنل برانڈز) کے اندر ایک متعلقہ ادارے کی ملک گیر ڈسٹری بیوشن کی مہارت کی صورت میں تھا۔

مزید برآں ایک ایسا ماحول جہاں مقامی فارما کی سیلز ممکنہ طور پر 11 سے 12 فیصد سی اے جی آر تک بڑھی ہو، سرل کی مسابقتی صلاحیت اور متحرک انتظامی ٹیم آنے والے سالوں میں مارکیٹ میں اپنے ریونیو اور آمدنی میں غیر معمولی اضافہ دیکھ رہی ہے۔

مالیاتی کارکردگی

سرل کی مالیاتی کارکردگی گزشتہ کئی سالوں کے دوران غیر معمولی رہی ہے اور 30 جون 2019 کو ختم ہونے والے سال کے دوران کمپنی کی کارکردگی نے اس مثبت رجحان کا سلسلہ جاری رکھا۔ کمپنی نے دہرے ہندسوں میں گروتھ اور منافع کے ذریعے اپنے شیئر ہولڈرز کیلئے شاندار منافع ظاہر کرنے کا سلسلہ بھی برقرار رکھا۔

30 جون 2019 کو ختم ہونے والا سال سرل کیلئے زبردست رہا اور گزشتہ سالوں کے مقابلے میں کارکردگی شاندار رہی۔ میں اس حوالے سے بمسرت درج ذیل مالیاتی نکات پیش کر رہا ہوں:

- کمپنی کی سیلز 14.53 ملین روپے تک بڑھ گئی اور شرح نمو 14.69 فیصد ہو گئی۔
- رواں مالی سال میں مجموعی منافع کی شرح 33.85 فیصد تک گری جبکہ گزشتہ سال اس کے مقابلے میں 35.01 فیصد تھی جس کی بنیادی وجہ غیر ملکی کرنسی کے ریٹس میں اتار چڑھاؤ تھا۔
- کمپنی کا منافع بعد از ٹیکس 2.6 ملین روپے ریکارڈ کیا گیا۔

30 جون 2019 کو ختم ہونے والے سال کیلئے چیئرمین کا جائزہ

بنام میرے معزز شیئر ہولڈرز

مالی سال 2018-19 سرل کیلئے ایک اور غیر معمولی سال رہا۔ دنیا بھر میں اپنے مریضوں کی جدید ادویات کے ذریعے مہلک امراض میں ان کے علاج معالجے کی خدمت کے ذریعے ہم نے مالیاتی کارکردگی کی ریکارڈ سطح حاصل کی اور اپنے شیئر ہولڈرز کو پُرکشش منافع فراہم کیا۔

2019 میں مجموعی آمدنی ہمارے لئے اب تک سب سے زائد رہی اور ریکارڈ 14.5 بلین روپے حاصل ہوئے جو 2018 کے مقابلے میں 15 فیصد زائد ہے۔ ہم نے 12.44 پاک روپے فی شیئر کی متاثر کن آمدنی بھی حاصل کی اور آپریٹنگ منافع 3.2 بلین روپے رہا۔ سرل کا آپریٹنگ شرح منافع 34 فیصد تھا جو گزشتہ سال سے قدرے کم تھا تاہم یہ ہم عصر یعنی ٹریڈرز کے مقابلے میں بہتر رہا۔ ہم نے اپنی پروڈکشن سہولتوں میں جاری سرمایہ کاری کے ساتھ سال کے دوران پلانٹ اور مشینری میں 512 ملین روپے شامل کئے جو جدت طرازی کیلئے ہمارے عزم اور سرل کی ترقی پذیر پائپ لائن کو مستحکم بنانے کیلئے ہمارے بھرپور اعتماد کا عکاس ہیں۔ ہم نے 2019 میں شیئر ہولڈرز کو نقد منافع منقسمہ کی صورت میں 531 ملین روپے کا منافع دینے کا فیصلہ بھی کیا ہے۔

جائزہ

پاکستان میں فارماسیوٹیکل کی مارکیٹ کا تخمینہ 2.88 بلین روپے کے لگ بھگ ہے جو 13.83 فیصد کی شرح (5 سالہ سی اے جی آر) سے بڑھ رہی ہے۔ صنعت پر مقامی/نیشنل کمپنیاں حاوی ہیں جو تقریباً 64 فیصد مارکیٹ شیئرز کی حامل ہیں جبکہ ملٹی نیشنل کمپنیاں 36 فیصد شیئرز رکھتی ہیں۔ 10 سرکردہ کمپنیاں مارکیٹ کے لگ بھگ 46 فیصد حصے کی مالک ہیں جبکہ ٹاپ 50 شیئرز مارکیٹ کا لگ بھگ 90 فیصد ہیں۔

قومی کمپنیوں کی سیلز میں اضافہ ملٹی نیشنل کمپنیوں کے مقابلے میں زائد رہا کیونکہ مارکیٹ ایک کم قیمت کی عمومی ضروری مارکیٹ کے ساتھ بلند ترین پوائنٹ پر اس پر نئی عمومی ادویات کی وسیع مقدار متعارف کرانے میں کامیاب رہی۔ پاکستان کی فارماسیوٹیکل مارکیٹ میں لگ بھگ 700 کمپنیاں کام کر رہی ہیں جن میں 30 سے بھی کم ملٹی نیشنل کمپنیاں ہیں۔ فارماسیوٹیکل انڈسٹری پاکستان کے جی ڈی پی میں سالانہ لگ بھگ ایک فیصد کی شراکت کر رہی ہے۔

پاکستان میں فارماسیوٹیکل کا شعبہ سختی کے ساتھ حکومتی ضوابط پر عمل پیرا ہے۔ ڈرگ ریگولیٹری اتھارٹی آف پاکستان (ڈی آر اے پی) نئی ادویات کی رجسٹریشن اور نئی مینیوفیکچرنگ سائٹس کو کنٹرول کرتی ہے۔ یہ پاکستان میں مارکیٹ کی جانے والی تمام دواؤں کے زیادہ سے زیادہ خوردہ نرخ (ایم آر پی) کا تعین بھی کرتی ہے۔

حالیہ معاشی صورتحال نے مجموعی طور پر صنعت کیلئے کئی چیلنجز کھڑے کر دیئے ہیں جن میں اہم پاکستانی کرنسی کی قدر میں دہرے ہندسے میں کمی ہے کیونکہ صنعت اس کی پروڈکشن صلاحیت کے بڑے حصے کے لئے درآمد شدہ اے آئی پیجز پر انحصار کرتی ہے جس کے نتیجے میں غیر ملکی کرنسی ایکسیچ ریٹس پر نمایاں انحصار کیا جاتا ہے اور اس کے ساتھ سخت ریگولیشنز کے سبب ہماری پروڈکٹس مارجن پر مضرت اثرات اور تجارتی افادیت متاثر ہوئی اور فارما انڈسٹری بے پناہ دباؤ کا شکار رہی ہے۔

مزید برآں ڈرگ پرائسنگ میکنزم کو ریگولیٹ کئے جانے کے باعث خوردہ نرخوں میں اتار چڑھاؤ ہمارے لئے نمایاں حد تک تشویش کا سبب ہے۔ نئی پروڈکٹس کی منظوری میں تاخیر بھی مجموعی طور پر صنعت کے لئے اہم خطرات ظاہر کرتے ہیں۔

SEARLE





Total Employee Involvement

Every employee at our organization has an impact on the company's ability to deliver a quality product. Quality isn't a checklist, a goal of the management team, or the responsibility of the quality unit. It's a core component of the culture which we own. To involve employees in improvement, we create an empowered and knowledgeable workforce through practical training, collaboration tools, and clear channels for communicating opportunities.

Directors' Report

The Directors take pleasure in presenting the annual report together with the audited financial statements of the company for the year ended June 30, 2019.

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

This report is to be submitted to the members at the 54th Annual General Meeting of the Company to be held on October 25, 2019.

OVERVIEW

Pharmaceutical sales in Pakistan grew at a (2013-19) CAGR of 12%, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, higher life expectancy and increased incidence of chronic diseases.

However, the pharmaceutical industry is experiencing a constant downward trend, due to high reliance of imported APIs, low per capita expenditure and low prices in terms of global environment. Therefore, the industry resorts to import for the majority of its raw materials. Due to this significant dependability, fluctuation in exchange rates coupled with stiff price regulations directly affect the product margins and consequent commercial feasibility. Pakistani rupee has experienced double-digit depreciation which has put the pharma industry under immense pressure.

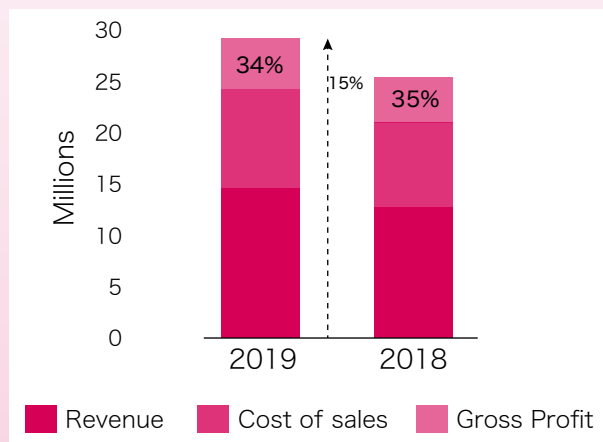
OPERATING RESULTS

Searle is a Company that has always focused on improving the lives of patients by offering quality healthcare solutions. We have built a firm growing position by putting the benefit of patients and stakeholders, our fundamental priority and are proud of the impact of our efforts.

Despite challenging economic conditions where foreign currency fluctuation impacted

the economy as a whole, Searle managed to performed adequately. During the year ended June 30, 2019, the company reported revenue of Rs. 14.53 billion, registering a growth of 15%. However, gross margins in the current year dropped to 34% as compared to 35% in the preceding year and profit after tax of the Company decreased by 13%, due to aforementioned impact of currency devaluation and hefty increase in KIBOR rates

	June 30, 2019	2018
	(Rupees in thousand)	
Revenue	14,537,198	12,675,110
Cost of sales	(9,616,862)	(8,237,736)
Gross Profit	4,920,336	4,437,374
Operating expenses	(4,608,165)	(4,050,048)
Other operating expenses	(153,869)	(177,601)
Other income	3,099,914	3,228,408
Profit from operations	3,258,216	3,438,133
Finance cost	(428,036)	(204,910)
Profit before tax	2,830,180	3,233,223
Income tax expense	(188,234)	(184,059)
Profit after taxation	2,641,946	3,049,164



The Company's organic growth was driven by expanding doctor coverage, maturing product portfolio, higher volumes, richer product mix, branding efforts and strengthened demand. Further, tighter control over costs and expenses contributed towards improved financial performance of the Company.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 12.44 (2018: Rs. 14.35). 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, 2019.

DIVIDEND

The Board of Directors has recommended cash dividend of 25% for the year ended June 30, 2019.

During the previous year ended June 30, 2018, the Company declared cash and stock dividend of 50% & 15% respectively.

SUBSIDIARIES OF THE 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

FINANCIAL STATEMENTS AND AUDITORS

The present auditors, Messrs. A.F. Ferguson & Co. Chartered Accountants, have retired 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.

	Principal place of business	Effective %age of holding	
		June 30, 2019	June 30, 2018
<div> <div></div> <div> </div> </div>	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%	85.17%

PATTERN OF SHAREHOLDING

The pattern of shareholding along with categories of shareholders as at June 30, 2019 as required under section 227 of the Companies Act, 2017 and Listing Regulations is presented on pages 198 to 202 of the annual report 2019.

Trading of shares by Directors, CFO, Company Secretary etc. The Company's shares are traded on Pakistan Stock Exchange Limited.

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

Directors' Report

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 2019, 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 36 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	8,400	-
Mr. Fakher-e-Alam	1,000	-
Mr. Muhammad Sajid	1,000	-
Mr. Muhammad Usman Chughtai	200	100
Mr. Umair Aslam	400	-

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, 2017.

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.

Directors' Report

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

	2019	2018	2017 (Re-stated)	2016	2015	2014
ASSETS EMPLOYED						
Property, plant and equipment	2,879,439	1,714,141	1,235,640	808,692	687,332	558,306
Intangible assets	164,913	189,068	207,732	69,885	30,642	33,572
Investment properties-at cost	2,458,041	2,456,565	2,460,614	2,483,919	2,491,318	2,393,277
Long-term investments- subsidiaries	1,686,186	1,686,186	1,486,186	2,636,202	519,091	359,900
Long-term loans and deposits	7,666	7,548	1,791	1,949	2,044	2,100
Deferred assets			443			
Non-current assets classified as held for sale			600,278			
Net current assets	7,470,720	6,337,546	4,636,991	2,984,954	1,827,051	715,954
Total assets employed	14,666,965	12,391,054	10,629,675	8,985,601	5,557,478	4,063,109
FINANCED BY						
Issued, subscribed and paid-up capital	2,124,253	1,847,177	1,539,314	1,227,523	858,407	613,148
Reserves and unappropriated profit	11,342,852	9,893,014	8,385,533	6,952,694	3,689,268	2,530,916
Shareholder's equity	13,467,105	11,740,191	9,924,847	8,180,217	4,547,675	3,144,064
Surplus on revaluation of fixed assets	1,050,800	574,331	443,511	296,961	296,961	168,163
Long-term and deferred liabilities	149,060	76,532	261,317	508,423	712,842	750,882
Total capital employed	14,666,965	12,391,054	10,629,675	8,985,601	5,557,478	4,063,109
Turnover	14,537,198	12,675,110	10,753,751	9,561,490	7,582,470	6,071,823
Profit before tax	2,830,180	3,233,223	2,874,933	2,520,295	1,767,664	958,120
Profit after tax	2,641,946	3,049,164	2,638,745	2,089,388	1,405,413	753,225
Profit after tax as % of turnover	18.17	25.50	24.54	21.85	18.54	12.41
Profit after tax as % of capital employed	18.01	24.61	24.82	23.25	25.29	18.54
Dividends						
Cash (%)	25	50	100	50	20	NIL
Stock (%)	NIL	15	30	24	20	40

COMPOSITION OF THE BOARD OF DIRECTORS

There have been seven directors on the Board. The composition of the board as at June 30, 2019 is as follows:

Category	Names
i Independent Director	Casual Vacancy
	Mr. Adnan Asdar Ali
ii Non-executive Directors	Mr. Rashid Abdulla
	Mr. Ayaz Abdulla
	Mr. Asad Abdulla
iii Executive Directors	Mr. Syed Nadeem Ahmed
	Mr. Zubair Palwala

During the year, Mr. Husain Lawai resigned from the Board of the company, in place of which Ms. Shahista Khaliq was appointed subsequent to year end.

No person other than those mentioned above, have at any time during the year ended June 30, 2019 served as the director of the company.

MEETINGS OF THE BOARD OF DIRECTORS

During the year, six 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	6
Mr. Rashid Abdulla	6
Mr. Husain Lawai	-
Mr. Syed Nadeem Ahmed	6
Mr. Zubair Palwala	6
Mr. Ayaz Abdulla	6
Mr. Asad Abdulla	6

AUDIT COMMITTEE

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

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

Name of director	Meetings attended
Mr. Husain Lawai	-
Mr. Adnan Asdar Ali	4
Mr. Asad Abdulla	4

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, one meeting of the committee was held, the attendance of which is as follows:

Name of director	Meetings attended
Mr. Husain Lawai	-
Mr. Adnan Asdar Ali	1
Mr. Ayaz Abdulla	1
Mr. Asad Abdulla	1

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

No material changes or commitments affecting the financial position of the Company have

occurred between the end of the financial year of the Company and the date of this report.

VALUE OF INVESTMENTS

The value of investment of provident fund based on their un-audited / audited accounts as on June 30, 2019 and June 30, 2018 respectively was as follows:

	2019	2018
	-----Rupees '000-----	
Provident Fund	554,984	901,108

FUTURE OUTLOOK

Searle is well positioned to benefit from the structural growth in Pakistan's healthcare spending, which at 2.8% of GDP and USD144/capita (PPP) is one of the lowest in the region. The company has a track record of navigating a relatively turbulent regulatory environment and has delivered a 10-year sales and earnings CAGR of 20% and 33%, respectively, while growing its market share from only 2.7% in 2013 to 5% in 2019.

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

The recent economic conditions have raised challenges on the industry as a whole. It is a fact hidden from none that the chemical industry of Pakistan has capacity constraints to develop basic components required for manufacturing drugs. Therefore, the industry resorts to import of raw materials. Due to this significant dependability, fluctuation in exchange rates coupled with stiff price regulations directly affect the product margins and consequent

Directors' Report

commercial feasibility. Pakistani rupee has recently experienced double-digit depreciation which has put the pharma industry under immense pressure.

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

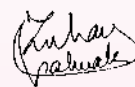
At Searle, we all are emotionally motivated and willing to contribute enthusiastically on continuous basis. Same is the case with our

partners, suppliers and customers, for which we are thankful and expect the same zeal and zest for future contribution. We assure, Searle will continue to work hard to provide long term sustainable growth to everyone associated with us.

For and on behalf of the Board



Syed Nadeem Ahmed
Chief Executive Officer



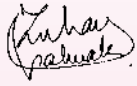
Zubair Palwala
Director

Karachi: September 30, 2019

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

سرل میں ہم سب جذباتی طور پر ملحوظ و متحرک ہیں اور مستقل بنیادوں پر ہر عزم شراکت کے خواہشمند ہیں۔ اسی طرح ہمارے شراکت کار، سپلائرز اور صارفین، جس کیلئے ہم ان کے شکر گزار ہیں اور توقع کرتے ہیں کہ اسی لگن کے ساتھ وہ مستقبل میں بھی شریک کار رہیں گے۔ ہم یقین دہانی کراتے ہیں کہ سرل گروپ اپنی انتہائی کوششیں جاری رکھے گی اور ہم سے منسلک تمام شراکت کاروں کے لئے طویل مدتی بنیادوں پر ترقی کی نئی منازل فراہم کی جائیں گی۔

برائے اور بورڈ کی جانب سے



زبیر پال والا
ڈائریکٹر



سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی:

30 ستمبر 2019

سرمایہ کاریوں کی قدر و قیمت

30 جون 2019 اور 30 جون 2018 کو پراویڈنڈ فنڈ کی سرمایہ کاری کی قدر و قیمت ان کے غیر آڈٹ شدہ / آڈٹ شدہ حسابات کی بنیاد پر بالترتیب درج ذیل کے مطابق تھی:

2018	2019
پاک روپے ہزاروں میں	
901,108	554,984
	پراویڈنڈ فنڈ

مستقبل پر ایک نظر

سرل پاکستان کے ہیلتھ کیئر اخراجات میں اسٹرکچرل گروتھ سے فوائد پہنچانے کے ضمن میں بہتر پوزیشن پر موجود ہے جو جی ڈی پی کا 2.8 فیصد اور USD144/capita (PPP) ہے جو خطے کے کمترین سطح میں سے ایک ہے۔ کمپنی ایک منسلک و مستحکم ریگولیٹری ماحول برقرار رکھنے کا ثابت شدہ ریکارڈ کی حامل ہے اور بالترتیب 20 فیصد اور 30 فیصد سی اے جی آر کا 10 سالہ سیلز و آمدنی فراہم کر چکی ہے جبکہ اس کا مارکیٹ شیئر 2013 کے 2.7 فیصد سے بڑھ کر 2019 میں 5 فیصد ہو چکا ہے۔

مقامی مارکیٹ میں وہ بنیادی علاج معالجے کے شعبے جن میں سرل گزشتہ سالوں کے دوران مستحکم ہوئی ہے، کارڈیو و اسکولر، نزلہ و کھانسی، ذیابیطیس، شیرخوار بچوں کا فارمولا، پرو بائیونک اور اینٹی بائیونک شامل ہیں۔ آگے بڑھتے ہوئے ہم خصوصاً عمومی برانڈ کے پورٹ فولیو میں اپنا حصہ بڑھانے اور مختلف النوع مصنوعات کو ہدف بنانے پر خصوصی توجہ دے رہے ہیں۔ یہ واضح کرنا بھی ضروری ہے کہ سرل 200 سے زائد پروڈکٹس کی ریگولیٹری منظوری کے عمل کے مختلف مراحل کا حامل بھی ہے۔

حالیہ اقتصادی صورتحال نے مجموعی طور پر صنعت کے لئے مزید چیلنجز کھڑے کر دیئے ہیں۔ یہ حقیقت اب چھپی ہوئی نہیں کہ پاکستان کی کیمیکل انڈسٹری ادویات کی تیاری کے لئے درکار بنیادی اجزاء کو تیار کرنے کے ضمن میں مقررہ گنجائش نہیں رکھتی، لہذا صنعت کو خام مال درآمد کرنا پڑتا ہے۔ اس نمایاں غیر ملکی انحصار کے باعث اور زر مبادلہ کے نرخوں میں اتار چڑھاؤ سے قیمتیں برقرار رکھنے میں دشواری ہوتی ہے اور یہ پروڈکٹس کے شرح منافع اور اس کی کمرشل فیزیبلٹی کو براہ راست متاثر کرتی ہے۔ پاکستانی روپے کی قدر حال میں دو ہندسوں میں گری جس سے فارما انڈسٹری کو بے پناہ پریشور کا سامنا کرنا پڑا ہے۔

مزید برآں ادویات کے نرخوں کے غیر منظم میکنزم کے باعث ریٹیل نرخوں میں اتار چڑھاؤ بھی ہمارے لئے تشویش کا ایک بڑا سبب ہے۔ نئی پروڈکٹ کی منظوری میں تاخیر سے بھی مجموعی طور پر صنعت کے لئے کلیدی خطرات سامنے آتے ہیں۔ تاہم حالیہ سیاسی صورتحال کی تبدیلی کے ساتھ ہم آنے والے معاشی رجحانات کا جائزہ لے رہے ہیں اور اس کے مطابق اپنی حکمت عملیوں میں تبدیلی لائیں گے۔

ڈائریکٹرز کی رپورٹ

آڈٹ کمیٹی

کمیٹی 3 نان۔ ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔ کمیٹی کے چیئرمین بھی ایک آزاد ڈائریکٹر ہیں۔ سال کے دوران آڈٹ کمیٹی کے 4 اجلاس منعقد ہوئے جس کی تفصیلات درج ذیل کے مطابق ہیں:

ڈائریکٹرز کے نام	شرکت کردہ اجلاس
جناب حسین لوئی	-
جناب عدنان اصدر علی	4
جناب اسد عبداللہ	4

ہیومن ریسورس اور ریمونریشن کمیٹی

کمیٹی 4 نان۔ ایگزیکٹو ممبران پر مشتمل ہے۔ کمیٹی کے چیئرمین ایک انڈیپنڈنٹ ڈائریکٹر ہیں۔ سال کے دوران کمیٹی کا ایک اجلاس منعقد کیا گیا، جس کی تفصیلات درج ذیل ہیں:

ڈائریکٹرز کے نام	شرکت کردہ اجلاس
جناب حسین لوئی	-
جناب عدنان اصدر علی	1
جناب ایاز عبداللہ	1
جناب اسد عبداللہ	1

ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کے مشاہرے کی نمایاں خصوصیات اور کلیدی عناصر درج ذیل کے مطابق ہیں:

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

بعد ازاں ہونے والے واقعات

کمپنی کے مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان ایسی کوئی نمایاں تبدیلیاں یا معاہدے نہیں ہوئے جو کمپنی کی مالیاتی حیثیت پر اثر انداز ہوں۔

بورڈ آف ڈائریکٹرز کی تشکیل

بورڈ میں سات ڈائریکٹرز موجود ہیں۔ بورڈ کی تشکیل 30 جون 2019 کے مطابق درج ذیل تھی:

کیٹگری	نام
i	انڈیپنڈنٹ ڈائریکٹر خالی جگہ
	جناب عدنان اصدر علی
	جناب راشد عبداللہ
ii	نان۔ ایگزیکٹو ڈائریکٹر جناب ایاز عبداللہ
	جناب اسد عبداللہ
iii	ایگزیکٹو ڈائریکٹر جناب سید ندیم احمد
	جناب زبیر پال والا

سال کے دوران جناب حسین لوئی نے ہولڈنگ کمپنی کے بورڈ سے استعفیٰ دیا، ان کی جگہ محترمہ شائستہ خالق کو سال کی باقی ماندہ مدت کے لئے تعینات کیا گیا۔

مذکورہ بالا افراد کے علاوہ کسی بھی فرد نے 30 جون 2019 کو ختم ہونے والے سال کے دوران کسی بھی کمپنی کے ڈائریکٹر کی حیثیت سے فرائض انجام نہیں دیئے۔

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے 6 اجلاس منعقد ہوئے۔ اور ان میں بورڈ ممبران کی اجلاسوں میں شرکت درج ذیل کے مطابق ہیں:

ڈائریکٹرز کے نام	شرکت کردہ اجلاس
جناب عدنان اصدر علی	6
جناب راشد عبداللہ	6
جناب حسین لوئی	-
جناب سید ندیم احمد	6
جناب زبیر پال والا	6
جناب ایاز عبداللہ	6
جناب اسد عبداللہ	6

ڈائریکٹرز کی رپورٹ

6 سالوں کے لئے اہم آپریٹنگ اور ماحولیاتی تفصیل درج ذیل کے مطابق ہے:

2014	2015	2016	2017 (دوبارہ بیان کردہ)	2018	2019	
						لاگو کردہ اثاثہ جات
558,306	687,332	808,692	1,235,640	1,714,141	2,879,439	املاک، پلائٹس اور ایکویٹمنٹ
33,572	30,642	69,885	207,732	189,068	164,913	غیر معمولی اثاثہ جات
2,393,277	2,491,318	2,483,919	2,460,614	2,456,565	2,458,041	مالیت پر جائیدادوں میں سرمایہ کاری
359,900	519,091	2,636,202	1,486,186	1,686,186	1,686,186	طویل مدتی سرمایہ کاری۔ ذیلی اداروں
2,100	2,044	1,949	1,791	7,548	7,666	طویل مدتی قرضے اور ڈپازٹس
			443			ڈیفرڈ اثاثہ جات
			600,278			نان کرنٹ اثاثہ جات کلاسیفائیڈ جیسا کہ فروخت کے لئے موجود ہیں
715,954	1,827,051	2,984,954	4,636,991	6,337,546	7,470,720	خالص کرنٹ اثاثہ جات
4,063,109	5,557,478	8,985,601	10,629,675	12,391,054	14,666,965	مجموعی زیر عمل اثاثہ جات
						سرمایہ کاری کا ذریعہ
613,148	858,407	1,227,523	1,539,314	1,847,177	2,124,253	جاری کردہ سیکر اینڈ اور ادا شدہ سرمایہ
2,530,916	3,689,268	6,952,694	8,385,533	9,893,014	11,342,852	ریزروز اور غیر منقولہ شدہ منافع جات
3,144,064	4,547,675	8,180,217	9,924,847	11,740,191	13,467,105	شیر ہولڈرز کی ایکویٹی
168,163	296,961	296,961	443,511	574,331	1,050,800	فلسفہ اثاثہ جات کی دوبارہ قدر و قیمت پر اضافہ
750,882	712,842	508,423	261,317	76,532	149,060	طویل مدتی غیر معمولی شدہ مالیاتی ذمے داریاں
4,063,109	5,557,478	8,985,601	10,629,675	12,391,054	14,666,965	مجموعی لاگو شدہ سرمایہ
6,071,823	7,582,470	9,561,490	10,753,751	12,675,110	14,537,198	ٹرن اوور
958,120	1,767,664	2,520,295	2,874,933	3,233,223	2,830,180	منافع قبل از ٹیکس
753,225	1,405,413	2,089,388	2,638,745	3,049,164	2,641,946	منافع بعد از ٹیکس
						منافع بعد از ٹیکس بمطابق ٹرن اوور کا فیصد
12.41	18.54	21.85	24.54	25.51	18.17	
						منافع بعد از ٹیکس بمطابق زیر عمل سرمائے کا فیصد
18.54	25.29	23.25	24.82	24.61	18.01	
						منافع منقسمہ
NIL	20	50	100	50	25	نقد (فیصد)
40	20	24	30	15	NIL	اسٹاک (فیصد)

ڈائریکٹرز کا تربیتی پروگرام

ڈائریکٹرز یا تو پہلے ہی سے ڈائریکٹرز کے تربیتی پروگرام میں شرکت کر چکے ہیں جیسا کہ گزشتہ سالوں میں یہ ضروری تھا یا اس سے استثنیٰ کی اہلیت کی شرائط پر پورا اترتے ہیں جیسا کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 میں درج ہے۔

انٹرل کنٹرولز کی موزونیت

اس امر کو یقینی بنانے کے لئے کہ کمپنی کی جانب سے کمپنی کے اثاثہ جات کے تحفظ، قوانین اور ضوابط پر عملدرآمد اور مستند فنانشل رپورٹنگ کے لئے موزوں انٹرل کنٹرولز لاگو کیئے گئے ہیں، بورڈ آف ڈائریکٹرز نے انٹرل آڈٹ کے امور آؤٹ سورس کر کے گرانٹ تھورنٹن انجمن رٹن، چارٹرڈ اکاؤنٹنٹس کو سونپ دیئے ہیں جن کو موزوں اور کوالیفائیڈ ہونے کے ساتھ اس مقصد کے لیے مناسب تجربے کا حامل تصور کیا جاتا ہے 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 کے بارے میں اطلاع اور آگاہی فراہم کر دی گئی ہے اور یہ ضروری ہے کہ کاروبار اور اصول و ضوابط سے متعلق امور میں ان قوانین پر عمل کیا جائے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی حسابات اس کے کاروباری امور آپریشنز کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلی کو شفاف انداز میں پیش کرتے ہیں۔
- کمپنی کے حسابات کی باقاعدہ کتب تیار کی جاتی ہیں۔
- مالیاتی حسابات اور اکاؤنٹنگ کے تخمینہ جات کی تیاری میں موزوں اکاؤنٹنگ پالیسیاں لاگو کی جاتی ہیں جو مناسب اور محتاط فیصلوں پر مبنی ہیں۔
- انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز، جیسا کہ پاکستان میں رائج ہیں، کو مالیاتی حسابات کی تیاری میں ملحوظ خاطر رکھا گیا ہے۔
- کمپنی ایک مستحکم انٹرل کنٹرول سسٹم برقرار رکھتی ہے جو کسی بھی غلط بیانی یا نقصان کے خلاف تحفظ فراہم کرتا ہے۔ انٹرل کنٹرول سسٹم کا باقاعدگی سے جائزہ لیا جاتا ہے۔
- اس امر میں کوئی شبہ نہیں کہ کمپنی میں ترقی کرنے کی صلاحیت موجود ہے۔
- 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 نزخوں کے بہترین طریقہ کار سے رُوگردانی نہیں کی جاتی۔

ڈائریکٹرز کی رپورٹ

انفارمیشن ٹیکنالوجی

کمپنی کی بڑھتی ہوئی کاروباری ضروریات سے نمٹنے اور انفارمیشن سسٹم کو اپ گریڈ کرنے کے لئے باقاعدگی سے ہماری کوششوں کے ضمن میں ہم اپنی پالیسی کو برقرار رکھتے ہوئے انفارمیشن ٹیکنالوجی میں زیادہ سے زیادہ سرمایہ کاری جاری رکھے ہوئے ہیں۔ ہم نے اپنے کاروباری آپریشنز کو مزید مستحکم اور منظم بنانے کے لئے انتہائی پاورفل کاروباری انتظامی سسٹم ایس اے پی ('SAP') کا کامیابی سے نافذ 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 کے متعلق معلومات درج ہیں۔

متعلقہ پارٹیوں کی لین دین

سال 2019 کے دوران تمام متعلقہ پارٹی ٹرانزیکشنز آڈٹ کمیٹی اور بورڈ کے جائزے اور منظوری سے قبل پیش کر دی گئی ہیں۔ یہ منتقلیاں آڈٹ کمیٹی اور بورڈ کی جانب سے ان کے متعلقہ اجلاسوں میں باقاعدہ منظوری کی گئی ہیں۔ یہ تمام ٹرانزیکشنز ٹرانسفر کے نزخوں کے طریقہ کار کے مطابق اور بورڈ کی جانب سے پہلے سے منظور شدہ متعلقہ پارٹیوں کے ساتھ پالیسی کے تحت کی گئیں۔ کمپنی ان ٹرانزیکشنز کا مکمل ریکارڈ بشمول ان کے شرائط و ضوابط بھی تیار کرتی ہے۔ مزید تفصیلات کے لئے براہ مہربانی مالیاتی حسابات کا حوالہ نوٹ 36 دیکھیں۔

کوڈ آف کارپوریٹ گورننس پر عملدرآمد

اسٹاک ایکسچینج کے جاری کردہ لسٹنگ قوانین اور لسٹڈ کمپنیز ریگولیشنز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے قوانین اس میں شامل کردیئے گئے ہیں۔ کمپنی نے کوڈ کو نافذ کر رکھا ہے اور انہی خطوط اور روح کے ساتھ اس پر عملدرآمد کیا جا رہا ہے۔

ڈائریکٹرز، سی ایف او، کمپنی سیکریٹری اور ایگزیکٹوز وغیرہ کی جانب سے شیئرز 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 بچے، ماسوائے درج ذیل ایگزیکٹوز، کمپنی کے شیئرز میں کسی قسم کی کوئی تجارت یا لین دین نہیں کر رہے:

نام	خریدے گئے شیئرز	فروخت کئے گئے شیئرز
جناب موجود الحسن	8,400	-
جناب فخر عالم	1,000	-
جناب محمد ساجد	1,000	-
جناب محمد عثمان چغتائی	200	100
جناب عمیر اسلم	400	-

کاروباری ضوابط

سرل کا کاروباری طریقہ کار منظم، شفاف اور نافذ العمل قوانین اور ضوابط پر عملدرآمد پر مبنی ہے۔

ہماری اقدار اور امیدیں محض لفظوں سے بہت زیادہ ہونے اور ہماری رہنمائی میں معاونت کے ساتھ ساتھ دنیا کی انتہائی منفرد کمپنیوں میں سے ایک بنانے، بہتر کارکردگی اور قابل بھروسہ ہیلتھ کیئر کمپنیوں میں شامل ہونے کے ہمارے ہدف کو پورا کرنے میں مدد دیتی ہیں۔ یہ ہمارے کلچر کو نمایاں کرنے اور ہمارے اقدامات اور فیصلوں میں رہنمائی کرتی ہیں تاکہ ہم ان لوگوں پر اپنا اعتماد برقرار رکھ سکیں جو ہم پر ہمہ وقت انحصار کرتے ہیں اور اپنے مریضوں اور صارفین کی امیدوں پر پورا اتر سکیں۔ یہ ہم پر منحصر ہے کہ ہم روزانہ سرل کو اس نوعیت کی کمپنی بنانے میں سرگرم رہیں جس پر ہم سب کو فخر ہو۔ ہم اپنے صارفین کی ضروریات کو سمجھنے اور ان کو پورا کرتے ہیں جبکہ کاروبار کے آپریشنز کے تمام تر پہلوؤں کو مستقل طور پر بہتر بنانے کے لئے کوشاں ہیں۔

ہم اپنے مریضوں اور صارفین کے لئے درست اقدامات کرنے اور بلند تر معیار کیلئے مصروف عمل ہیں ہم اپنے شراکت کاروں کے ساتھ مل کر ہیلتھ کیئر کی سہولتوں کی بہتری اور نئی ادویات اور ویکسینز کی تلاش کرنے میں سرگرم عمل ہیں۔ اپنے کردار کو سمجھتے ہوئے ہم مریضوں اور صارفین پر اپنے کاموں کے اثرات کو بخوبی جانتے ہیں۔

پروڈکٹ کا معیار

سرل کی مصنوعات پر صارفین کا بھروسہ اور اعتماد ہمارا انتہائی قیمتی اثاثہ ہے۔ ہم اس امر کو تسلیم کرتے ہیں کہ فارماسیوٹیکلز کی تیاری میں کئی منفی خطرات درپیش 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 و بہتری کے تحفظ کے ضمن میں اپنی ذمہ داری پوری طرح محسوس کرتے ہیں اور اس کیلئے کسی بھی دوا اور میڈیسن سے متعلق مصنوعات کی تیاری کیلئے تمام تر طریقہ کار میں اس معیار کو یقینی بنایا جاتا ہے جو صحت اور تحفظ کے بارے میں مریضوں کی توقعات پر پورا اتر سکے۔

کارپوریٹ اور سماجی ذمہ داری

ہمارے فرائض اور ذمہ داری کا دائرہ کار اپنے اسٹیک ہولڈرز کیلئے منافع بڑھانے پر ہی ختم نہیں ہو جاتا۔ سرل گروپ میں ہمارے اغراض و مقاصد میں اس معیشت کو مستحکم بنانا بھی شامل ہے جس میں ہم کاروبار کر رہے ہیں۔ جن بنیادی شعبوں پر ہم خصوصی توجہ دیتے ہیں ان میں سے ایک روزگار کے لئے مواقع پیدا کرنا ہے تاکہ وسیع صنعتی اور سیلر افراد کی قوت کی معاونت کی جاسکے۔

کمپنی سماجی ذمہ داری کو محسوس کرتے ہوئے سرگرم عمل ہے۔ اس کے مطابق کمپنی کا سی ایس آر پروگرام وسیع البیاد سرگرمیوں کا حامل ہے اور ہیلتھ کیئر، تعلیم، بچوں کی فلاح و بہبود اور دیگر سماجی بہبود کے اقدامات کئے جاتے ہیں۔

آ کیو پی شل ہیلتھ، سیفٹی اور اینوائرنمنٹ

ہم اپنی کمپنی سرل میں سیفٹی اور محفوظ ماحول کو بہت اہمیت دیتے ہیں اور یہ تصور کرتے ہیں کہ یہ ہماری ذمہ داری اور فرض ہے کہ اپنے لئے کام کرنے والے افراد کو بھی اس بات کا علم ہونا چاہیئے کہ کام کرنے کا محفوظ ماحول اور ان کی صحت کیلئے کسی بھی خطرے سے پاک ماحول کیسا ہونا چاہیئے۔ ہمارے ملازمین اور وزیٹرز کی صحت اور سیفٹی کمپنی کے لئے نہایت اہم ترجیح ہے، لہذا آپریشنز سے متعلق خطرات کی مستقل شناخت کی جاتی ہے اور ان کا جائزہ لے کر ان کے خاتمے یا خطرات کو کم کرنے کا بندوبست کیا جاتا ہے۔

ڈائریکٹرز کی رپورٹ

مالیاتی حسابات اور آڈیٹرز

موجودہ آڈیٹرز میسرز اے۔ ایف۔ فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس سیکڈوش ہور ہے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔

یورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارشات پر 30 جون 2020 کو ختم ہونے والے مالی سال کیلئے باہمی طے شدہ معاوضے پر کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کی توثیق کر دی ہے۔

ہولڈنگ کمپنی

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

کمپنی کے ذیلی ادارے

درج ذیل ذیلی کمپنیاں کام کر رہی ہیں:

کاروبار کا مرکزی مقام	موثر العمل فیصد ہولڈنگ کی عمر	لسٹڈ کمپنی
30 جون 2019	30 جون 2018	آئی بی ایل ہیلتھ کیئر لمیٹڈ
74.19%	74.19%	ان لسٹڈ کمپنیاں
100.00%	100.00%	سرل فارماسیوٹیکلز (پرائیویٹ) لمیٹڈ
100.00%	100.00%	سرل لیبارٹریز (پرائیویٹ) لمیٹڈ
100.00%	100.00%	سرل بائیوسائنسز (پرائیویٹ) لمیٹڈ
100.00%	100.00%	آئی بی ایل آئیڈینٹیٹی (پرائیویٹ) لمیٹڈ
100.00%	100.00%	آئی بی ایل فیوچر ٹیکنالوجیز (پرائیویٹ) لمیٹڈ
85.17%	87.20%	ٹیکسٹر فارما (پرائیویٹ) لمیٹڈ

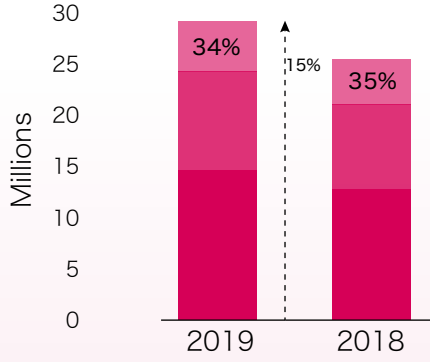
شیئر ہولڈنگ کا طریقہ کار

30 جون 2019 کے مطابق شیئر ہولڈنگ کا طریقہ کار بشمول شیئر ہولڈرز کی کیلنگرز جیسا کہ کمپنیز ایکٹ 2017 کے سیکشن 227 اور لسٹنگ ریگولیشنز کے تحت ضروری ہے، سالانہ رپورٹ 2019 کے صفحہ نمبر 198 تا 202 پر پیش کی جا رہی ہیں۔

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

30 جون

2018 2019
(پاکستانی روپے ہزاروں میں)



Revenue Cost of sales Gross Profit

12,675,110	14,537,198	آمدنی
(8,237,736)	(9,616,862)	فروخت کے اخراجات
4,437,374	4,920,336	مجموعی آمدنی
(4,050,048)	(4,608,165)	آپریٹنگ اخراجات
(177,601)	(153,869)	دیگر آپریٹنگ اخراجات
3,228,408	3,099,914	دیگر آمدنی
3,438,133	3,258,216	آپریٹنگ سے آمدنی
(204,910)	(428,036)	مالیاتی اخراجات
3,233,223	2,830,180	آمدنی قبل از ٹیکس
(184,059)	(188,234)	انکم ٹیکس اخراجات
3,049,164	2,641,946	آمدنی بعد از ٹیکس

یہ شرح نمو ڈاکٹر کی کوریج میں توسیع، پروڈکٹ پورٹ فولیو پختہ ہونے، بلند تر حجم، مستحکم پروڈکٹ مکس، برانڈنگ کی کوششوں اور مستحکم طلب کے نتیجے میں کمپنی نے حاصل کی۔ مزید برآں کاسٹ اور اخراجات پر سخت انتظامی کنٹرول نے کمپنی کی مالیاتی کارکردگی کو بہتر بنانے میں اپنا بھرپور کردار ادا کیا۔

آمدنی فی شیئر

اس مدت کے لئے بنیادی آمدنی فی شیئر بعد از ٹیکیشن 12.44 روپے رہی (2018: 14.35 روپے)۔ کمپنی کی بنیادی آمدنی فی شیئر پر براہ راست کوئی اثرات ظاہر نہیں ہوئے کیونکہ کمپنی کے کسی ممکنہ منتقلی کی طاقت کی حامل نہ ہونے کے باعث عمومی شیئرز بربطابق 30 جون 2019 برقرار رہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2019 کو ختم ہونے والے سال کے لئے نقد منافع منقسمہ 25 فیصد کی سفارش کی ہے۔ 30 جون 2018 کو ختم ہونے والے گزشتہ سال کے دوران کمپنی نے نقد اور اسٹاک منافع منقسمہ میں بالترتیب 50 فیصد اور 15 فیصد کا اعلان کیا تھا۔

ڈائریکٹرز کی رپورٹ

ڈائریکٹرز سالانہ رپورٹ مع سال مختتمہ 30 جون 2019 کیلئے کمپنی کے آڈٹ شدہ مالیاتی حسابات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور ریگولیشنز 2017 (کوڈ آف کارپوریٹ گورننس) لسٹڈ کمپنیز کے باب XIII کے مطابق تیار کی گئی ہے۔

یہ رپورٹ کمپنی کے 54 ویں سالانہ اجلاس عام منعقدہ 25 اکتوبر 2019 میں ممبران کو جمع کرائی جائے گی۔

جائزہ

پاکستان میں فارماسیوٹیکل سیکٹر کی استطاعت میں اضافے، آبادی بڑھنے، بلند تر زندگی کی امیدوں اور مہلک امراض کے واقعات بڑھنے کے واضح رجحانات کے باعث نئے مالکیوں کے تعارف اور وجوہات کی بناء پر (19-2013) میں 12 فیصدی اے جی آر تک بڑھ گئی۔

تاہم فارماسیوٹیکل انڈسٹری مستقل طور پر در آمد شدہ اے پی ایلز، کم تر ٹاکس اخراجات اور عالمی ماحولیات کے باعث کم تر نرخوں پر زیادہ انحصار کے باعث سست روی کے رجحانات سے گزر رہی ہے لہذا صنعت اپنے خام مال کے لئے درآمدات پر انحصار کرتی ہے۔ اس نمایاں واضح انحصار کے باعث ایکسچینج ریٹس کے اتار چڑھاؤ مع نرخوں کے سخت ضوابط کے سبب براہ راست پروڈکٹ کی شرح منافع اور نتیجتاً تجارتی افادیت متاثر ہوئی۔ پاکستانی روپے نے دہرے ہندسے میں اپنی قدر کم کی جس کے سبب فارما انڈسٹری سخت دباؤ کا شکار رہی۔

آپریٹنگ نتائج

سرل ایک کمپنی ہے جو ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات پیش کرنے کے ذریعے مریضوں کی زندگی و حالت کو بہتر بنانے کی کوشش کی ہے۔ ہم نے مریضوں اور اسٹیک ہولڈرز کے لئے فوائد کو مد نظر رکھتے ہوئے ایک مستحکم ترقی کی پوزیشن حاصل کی ہے ہماری بنیادی ترجیح یہی ہے اور ہم اپنی کوششوں کے بار آور ہونے پر فخر کرتے ہیں۔

اقتصادی چیلنجنگ صورتحال کی باوجود جہاں غیر ملکی کرنسی کے اتار چڑھاؤ نے مجموعی معاشی صورتحال پر اثرات مرتب کئے، سرل نے اس کا مناسب حد تک بندوبست کر کے معاملات کو سنبھالا۔ 30 جون 2019 کو ختم ہونے والے سال کے دوران کمپنی نے 14.53 بلین روپے کارپوریٹ حاصل کیا اور 15 فیصد کی گروتھ رجسٹرڈ کی۔ تاہم رواں سال میں مجموعی شرح منافع 34 فیصد تک گر گیا جو اس کے مقابلے میں 35 فیصد تک تھا اور کمپنی کا منافع بعد از ٹیکس کرنسی کی قدر میں کمی اور کائی بور (KIBOR) ریٹس میں بھاری اضافے کے مذکورہ بالا اثرات کے باعث 13 فیصد تک کم ہو گیا۔



Fact-Based Decision Making

“Evidence-based decision making” is among our core principles. “Decisions based on the analysis and evaluation of data and information are more likely to produce desired results. Our Pharmaceutical executives are required to make decisions based on data throughout the product lifecycle. We rely on comprehensive picture and analysis capabilities to avoid the risks of assumptions.



Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2017
for the year ended June 30, 2019

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

1. The total number of directors are six (06) as per the following:
 - a. Male: (06)*
 - b. Female: None
2. The composition of board is as follows:
 - a) Independent Directors (00)*
 - b) Other Non-executive Directors (04)
 - c) Executive Directors (02)
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. 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.
7. 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 board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Two directors of the Company meet the exemption criteria of the Directors' Training Program and four directors have acquired certification under the said program.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

a) Audit Committee:

Mr. Adnan Asdar Ali
Mr. Asad Abdulla

During the year, Chairman of the audit committee namely Mr. Husain Lawai resigned on 18th April, 2019.

b) HR and Remuneration Committee:

Mr. Adnan Asdar Ali
Mr. Ayaz Abdulla
Mr. Asad Abdulla

During the year, Chairman of the HR&R committee namely Mr. Husain Lawai resigned on 18th April, 2019.

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: Four meetings during the financial year ended June, 30, 2019.
 - b) HR and Remuneration Committee: One meeting during the financial year ended June, 30, 2019.
15. The board 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.
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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 other requirements of the Regulations have been complied with.

*The board of directors of the company had seven directors out of which one independent director namely Mr. Husain Lawai resigned on April 18, 2019. Any casual vacancy on the board of listed company shall be filled up by the directors at the earliest but not later than 90 days from the date



Adnan Asdar Ali
Chairman/Director



Syed Nadeem Ahmed
Chief Executive Officer

Karachi: September 30, 2019

SEARLE





Communication

To support relationships as a quality-driven organization, we pool and share information, expertise, and resources with relevant interested parties, provide success metrics and channels for feedback, and refine methods for collaboration.

Our Product

Our portfolio includes three major division; Pharma, Consumer Health and Nutrition. Pharmaceutical range include therapeutic areas such as Cardiovascular, Respiratory Care, Gastroenterology, Pain Management, CNS, Orthocare, Neuropsychiatry, Probiotics, Antibiotics and Nutritional Care.



ZENBAR

First line management for diabetic peripheral neuropathic pain



SELANZ SR

Sustained and fine one for nine



M-folate

The only bioactive folate with WHO/FAO recommended dosage with economy



Oste gem

Total Bone Care



XADINE

Truly non-sedative anti-allergic

Nuberol-P 1g/100ml

The Searle's Paracetamol For relieving Pain & Fever



NUBEROL/NUBEROL FORTE

A powerful and effective analgesic, muscle relaxant



LEVOXIN

Levoxin is the only quinolone approved by FDA for the treatment of 10 infections



EXTOR
Effective way to
control blood pressure



Byscard
The novel β -Blocker without β -Blocker
like side effects



ADRONIL
The number one prescribed
Ibandronate in Pakistan



EZIUM
Make life easy with Ezium - The
reliable and time tested PPI



HYDRYLLIN
No. 1 cough syrup
for everyone



Tramal
The Original Tramadol- Having
opioid and non-opioid actions for
moderate to severe pain



Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of The Searle Company Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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, 2019.

Chartered Accountants

Karachi

Dated: October 4, 2019

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Independent Auditors' 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, 2019, 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, 2019 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

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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.

Following are the Key audit matters:

S. No. Key audit matters

How the matter was addressed in our audit

(i) Revenue from contract with customers

(Refer note 23.1 to the unconsolidated financial statements)

During the year in respect of pharmaceutical products, the Drug Regulatory Authority of Pakistan (DRAP) revised maximum retail prices (MRP) of drugs.

The Company accepted the prices as notified by DRAP except for four of its products namely, Hydryllin, Gravinate, Metodine and Peditral. The Company challenged the prices in the DRAP Appellate Board, however, the said application was rejected by the Appellate Board. The Company has filed an appeal in the Honourable High Court of Sindh. The exposure to the litigation amounts to Rs. 490.56 million.

The above matter 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 the inherent uncertainties with respect to the outcome of the matter and use of significant management judgement and estimates, we considered this as a key audit matter.

Our audit procedures included the following:

- obtained and reviewed details of the pending litigation 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 confirmation from the Company's external legal counsel; and
- assessed the adequacy of disclosures made in the unconsolidated financial statements.

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S. No. Key audit matters

How the matter was addressed in our audit

(ii) Loan to subsidiary

(Refer note 13 to the unconsolidated financial statements)

The Company has provided loan to its subsidiary – IBL Identity (Private) Limited amounting to Rs. 3.05 billion as at 30 June 2019. 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:

- 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 projections by considering the historical accuracy of forecasts and comparing these to our understanding of the subsidiary's business model;
- performed sensitivity analyses on the key assumptions used including growth assumptions; and
- assessed the adequacy of disclosure made in the unconsolidated financial statements.

S. No. Key audit matters

How the matter was addressed in our audit

(iii) Product Recall

Refer Note 15.9 to the unconsolidated financial statement

The Company has claimed Rs. 318.95 million from Zhejiang Huahai Pharmaceuticals, China (ZHP) relating to its product "Extor" that contains material supplied by ZHP. During the year, the Drug Regulatory Authority of Pakistan in response to a review triggered by the European Medicine Agency (EMA) issued drug re-call for "Valsartan" containing products due to the presence of cancer causing impurities. Accordingly, the Company re-called finished product "Extor" amounting to Rs. 221.95 million from the local market and Rs. 97 million from the international market.

The impact of the product re-call has been set off by the claim raised by the Company against ZHP.

Considering the significance of the event during the year, this matter has been considered as a key audit matter.

Our audit procedures included the following:

- obtained and reviewed the correspondence between the Company and the Supplier;
- checked the claim to the Supplier in respect of the product recall and also the claim raised by the respective distributors;
- obtained direct confirmation from the Supplier in respect of the balance due; and
- assessed the adequacy of disclosure made 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

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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.
- 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.

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Report on Other Legal and Regulatory Requirements

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

- a. proper books of accounts have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b. 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 accounts and returns;
- 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 4, 2019

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UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	2019 -----Rupees '000-----	2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,879,439	1,714,141
Investment properties - at cost	5	2,458,041	2,456,565
Intangible assets	6	164,913	189,068
Long-term investments - subsidiaries	8	1,686,186	1,686,186
Long-term loans	9	270	152
Long-term deposits	10	7,396	7,396
		<u>7,196,245</u>	<u>6,053,508</u>
Current assets			
Inventories	11	2,194,650	2,294,306
Trade receivables	12	4,866,132	3,290,016
Loans and advances	13	4,516,941	4,327,289
Trade deposits and short-term prepayments	14	81,882	72,747
Other receivables	15	3,077,649	1,030,134
Taxation - payments less provision		1,128,345	874,169
Tax refunds due from Government - Sales Tax		35,179	14,436
Cash and bank balances	16	204,547	137,036
		<u>16,105,325</u>	<u>12,040,133</u>
Total assets		<u>23,301,570</u>	<u>18,093,641</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	2,124,253	1,847,177
Unappropriated profit		9,431,627	7,981,789
General reserve		280,251	280,251
Share premium		1,630,974	1,630,974
Revaluation surplus on property, plant and equipment		1,050,800	574,331
		<u>14,517,905</u>	<u>12,314,522</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	7	93,240	25,902
Employee benefit obligations	18	55,820	50,630
		<u>149,060</u>	<u>76,532</u>
Current liabilities			
Trade and other payables	19	4,529,480	2,861,682
Borrowings	20	3,954,776	2,737,763
Unpaid dividend	21	112,062	53,654
Unclaimed dividend		38,287	49,488
		<u>8,634,605</u>	<u>5,702,587</u>
Total liabilities		<u>8,783,665</u>	<u>5,779,119</u>
Contingencies and commitments			
	22		
Total equity and liabilities		<u>23,301,570</u>	<u>18,093,641</u>

The annexed notes from 1 to 41 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, 2019

	Note	2019 -----Rupees '000-----	2018
Revenue from contracts with customers	23	14,537,198	12,675,110
Cost of sales	24	(9,616,862)	(8,237,736)
Gross profit		4,920,336	4,437,374
Distribution costs	25	(3,698,801)	(3,149,899)
Administrative expenses	26	(909,364)	(900,149)
Other operating expenses	27	(153,869)	(177,601)
Other income	28	3,099,914	3,228,408
Profit from operations		3,258,216	3,438,133
Finance cost	29	(428,036)	(204,910)
Profit before income tax		2,830,180	3,233,223
Income tax expense	30	(188,234)	(184,059)
Profit for the year		2,641,946	3,049,164
Other comprehensive income / (loss):			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	18	(1,129)	(3,506)
Surplus on revaluation of property, plant and equipment - net of deferred tax		486,154	131,957
		485,025	128,451
Total comprehensive income for the year		3,126,971	3,177,615
Basic and diluted earnings per share (Rupees)	31	12.44	(Restated) 14.35

The annexed notes from 1 to 41 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, 2019

	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, 2017	1,539,314	1,630,974	-	443,511	280,251	6,474,308	8,829,044	10,368,358
Total comprehensive income for the year ended June 30, 2018								
Profit for the year ended June 30, 2018	-	-	-	-	-	3,049,164	3,049,164	3,049,164
Other comprehensive income / (loss) for the year ended June 30, 2018	-	-	-	131,957	-	(3,506)	128,451	128,451
Transfer of incremental depreciation - net of deferred tax	-	-	-	(1,137)	-	1,137	-	-
	-	-	-	130,820	-	3,046,795	3,177,615	3,177,615
Transactions with owners								
Transfer to reserve for issue of bonus shares	-	-	307,863	-	-	(307,863)	-	-
Bonus shares issued during the year in the ratio of 20 shares for every 100 shares held	307,863	-	(307,863)	-	-	-	(307,863)	-
Final dividend for the year ended June 30, 2017 @ Rs. 8 per share	-	-	-	-	-	(1,231,451)	(1,231,451)	(1,231,451)
Balance as at June 30, 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

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.


Chief Executive


Director


Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

	Note	2019 -----Rupees '000-----	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	1,279,769	718,632
Employee benefit obligations paid		(2,071)	(5,416)
Finance cost paid		(266,050)	(100,276)
Income tax paid		(442,410)	(379,229)
(Increase) / Decrease in long-term loans		(118)	41
Increase in long-term deposit		-	(5,798)
Net cash generated from operating activities		569,120	227,954
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(777,807)	(447,090)
Proceeds from disposal of property, plant and equipment		10,650	13,166
Purchase of investment properties		(55,953)	(47,365)
Purchase of intangible assets		(19,131)	(20,767)
Proceeds from disposal of subsidiary company		-	600,278
Investment in subsidiary company		-	(200,000)
Net cash used in investing activities		(842,241)	(101,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(876,381)	(1,181,657)
Proceeds from / (repayment of) export refinance		210,000	(64,000)
Proceeds from borrowings - subsidiary		-	200,000
Current portion of long-term loan re-paid		(214,285)	(214,286)
Net cash used in financing activities		(880,666)	(1,259,943)
Net decrease in cash and cash equivalents		(1,153,787)	(1,133,767)
Cash and cash equivalents at beginning of the year		(2,186,442)	(1,052,675)
Cash and cash equivalents at end of the year	33	(3,340,229)	(2,186,442)

The annexed notes from 1 to 41 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, 2019

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, 2019	June 30, 2018
Listed Company			
-	IBL HealthCare Limited	74.19%	74.19%
Unlisted Companies			
-	Searle Pharmaceuticals (Private) Limited	100.00%	100.00%
-	Searle Laboratories (Private) Limited	100.00%	100.00%
-	Searle Biosciences (Private) Limited	100.00%	100.00%
-	IBL Identity (Private) Limited	100.00%	100.00%
-	IBL Future Technologies (Private) Limited	100.00%	100.00%
-	Nextar Pharma (Private) Limited	87.20%	85.17%

} Pakistan

- 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 1st Floor, N.I.C.L Building, Abbasi Shaheed Road, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 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; 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.

2.1.2 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 2.4
- b) Revaluation of property, plant and equipment - note 2.6
- c) Pricing of revenue from contract with customers - note 2.14
- d) Valuation of loan to subsidiary - note 2.19

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.

2.1.3 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 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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

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

The impact of changes laid down by these standards are detailed in note 3.

The Securities and Exchange Commission of Pakistan (SECP) through its notification dated July 29, 2019 brought certain alterations in fourth schedule to the Companies Act, 2017 (the Act) with regard to preparation and presentation of financial statements. These alterations resulted in elimination of certain disclosures in these financial statements of the Company as at June 30, 2019.

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

There are other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2018 are considered not to be relevant for the Company's unconsolidated 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

The following is the new standard, that will be effective for the periods beginning on or after January 1, 2019 that may have an impact on the financial statements of the Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new 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 management is in the process of assessing the impact of changes laid down by the standard on its financial statements.

2.2 Overall valuation policy

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

2.3 Staff retirement benefits

2.3.1 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 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, 2019 using the projected unit credit method.

2.3.2 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.

2.4 Income tax

2.4.1 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.

2.4.2 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.

2.5 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.

2.6 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.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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.

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.

2.7 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.

2.8 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'.

2.9 Investments

2.9.1 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.

2.9.2 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.

2.10 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 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 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 necessarily to be incurred to make the sale.

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.

2.11 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 2.18 for a description of the Company's impairment policies.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

2.12 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.

2.13 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.

2.14 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 contract with customers.

Discounts are offered on the basis of contracts with customers.

2.15 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.

2.16 Leases

Operating leases

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 unconsolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

2.17 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.

2.18 Impairment

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.

2.19 Financial Instruments - Initial recognition and subsequent measurement

Policy effective from 1 July 2018

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.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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.

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).

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.

2.20 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.

2.21 Financial assets and liabilities - Policy upto 30 June 2018

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

Financial assets and liabilities are off set and the net amount is reported in the unconsolidated 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.

2.22 Dividend distribution

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

2.23 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.

3. Change in accounting policies

i) IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from July 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.19 above. In accordance with the transitional provisions in IFRS 9, corresponding figures have not been restated and any adjustment to carrying amount of financial assets and liabilities were recognised in the opening retained earnings as of the transition date.

Classifications and remeasurement

On July 1, 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassifications and adjustments are as follows:

Financial assets - July 1, 2018	Note	Carrying amount as reported under IAS 39 July 1, 2018	Reclassi- fication due to IFRS - 9	Re- measurement allowance: ECL	Carrying amount as reported under IFRS 9 July 1, 2018
----- (Rupees '000) -----					
Loans and advances		4,327,441	-	-	4,327,441
Deposits		64,883	-	-	64,883
Trade receivables	a,b	3,290,016	-	-	3,290,016
Other receivable		1,030,134	-	-	1,030,134
Cash and bank balances		137,036	-	-	137,036
		<u>8,849,510</u>	<u>-</u>	<u>-</u>	<u>8,849,510</u>

(a) IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Company has determined that the application of IFRS 9's impairment requirement at July 1, 2018 results in no additional allowance for trade receivables.

(b) the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements which require impairment of financial assets to be presented in a separate line item in the profit and loss account. However, during the year ended June 30, 2018 there was no provision for doubtful debts that could be reclassified to 'impairment loss on trade receivables' in the profit and loss account.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at July 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original amount under IAS 39	New carrying amount under IFRS 9
(Rupees in '000')				
Financial assets				
Loans and advances	Loans and receivables	Amortised cost	4,327,441	4,327,441
Deposits	Loans and receivables	Amortised cost	64,883	64,883
Trade receivables	Loans and receivables	Amortised cost	3,290,016	3,290,016
Other receivable	Loans and receivables	Amortised cost	1,030,134	1,030,134
Cash and bank balances	Loans and receivables	Amortised cost	137,036	137,036
Financial liabilities				
Trade and other payables	Other financial liabilities	Other financial liabilities	2,603,394	2,603,394
Unpaid dividend	Other financial liabilities	Other financial liabilities	53,654	53,654
Unclaimed dividend	Other financial liabilities	Other financial liabilities	49,488	49,488
Borrowings	Other financial liabilities	Other financial liabilities	2,737,763	2,737,763

ii) IFRS 15 - Revenue from contracts with customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers from July 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As a result of application of IFRS 15, bonus stock claims amounting to Rs. 260.74 million (2018: Rs. 236.03 million) treated as Cost of sales have now been reclassified as deductions from Revenue.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	-----Rupees '000-----	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 4.1	2,728,713	1,412,022
Capital work-in-progress - at cost - note 4.8	150,726	302,119
	2,879,439	1,714,141

4.1 Operating assets:

	Owned assets							Total
	Leasehold land - notes 4.2, 4.3, 4.4 & 4.5	Building on leasehold land - notes 4.3, 4.4 & 4.5	Plant and machinery - notes 4.3, 4.4 & 4.5	Office equipment	Furniture and fixtures	Vehicles - notes 4.3, 4.4 & 4.5	Air - conditioning systems - notes 4.3, 4.4 & 4.5	
-----Rupees '000-----								
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 4.3 & 4.4	320,615	-	218,371	-	-	14,506	-	553,492
Disposals	-	-	-	(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	1,340,640	368,234	856,250	50,986	26,071	49,101	37,431	2,728,713
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	1,340,640	368,234	856,250	50,986	26,071	49,101	37,431	2,728,713
Net carrying value basis								
Year ended June 30, 2018								
Opening net book value	560,599	86,489	298,025	31,364	10,391	29,145	17,857	1,033,870
Additions	-	87,600	214,057	17,390	7,119	16,560	4,015	346,741
Revaluation - notes 4.3 & 4.4	59,426	69,527	13,160	-	-	8,550	4,283	154,946
Disposals	-	-	-	-	-	(6,701)	-	(6,701)
Depreciation charge	-	(12,107)	(65,628)	(20,352)	(2,597)	(11,379)	(4,771)	(116,834)
Closing net book value	620,025	231,509	459,614	28,402	14,913	36,175	21,384	1,412,022
Gross carrying value basis								
As at June 30, 2018								
Cost or revaluation	620,025	231,509	459,614	97,457	33,399	36,175	21,384	1,499,563
Accumulated depreciation	-	-	-	(69,055)	(18,486)	-	-	(87,541)
Net book value	620,025	231,509	459,614	28,402	14,913	36,175	21,384	1,412,022
Depreciation rate	-	5% & 20%	10%, 20% & 33%	10%, 20% & 33%	10%, 20% & 33%	20%	10% & 20%	

- 4.2** Leasehold land includes lands having market value / fair value of Rs. 507.04 million (2018: Rs. 93.4 million) for which lease in the name of the Company has not been finalised. The land has not been commercialised yet.
- 4.3** 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. This resulted in revaluation surplus on leasehold land, building on leasehold land, plant and machinery, vehicles and air-conditioning systems amounting to Rs. 320.62 million (2018: Rs. 59.43 million), Nil (2018: Rs. 69.53 million), Rs. 218.37 million (2018: Rs. 13.16 million), Rs. 14.51 million (2018: Rs. 8.6 million) and Nil (2018: Rs. 4.3 million) respectively.
- 4.4** 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 ,leasehold land bearing no. E-58, North Western Industrial Zone, Port Qasim Authority, Karachi measuring 1.50 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, 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, 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, 2019 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, 2019 are as follows:

	2019	2018
	-----Rupees '000-----	
- Leasehold land	974,127	448,860
- Building on leasehold land	258,080	162,057
- Plant and machinery	599,375	321,731
- Vehicles	34,370	25,323
- Air-conditioning systems	25,700	14,968

- 4.5** The previous valuation was carried out by an independent valuer M/s. Pee Dee & Associates and M/s. A.J. Associates on June 30, 2018.

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).

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 4.6** 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	Building on leasehold land	Plant and machinery	Air-conditioning systems	Vehicles	Total
	----- Rupees '000 -----					
Cost	523,886	431,427	1,126,334	63,894	51,063	2,196,604
Accumulated depreciation	-	(130,639)	(501,223)	(29,770)	(21,591)	(683,223)
NBV as at June 30, 2019	523,886	300,788	625,111	34,124	29,472	1,513,381
NBV as at June 30, 2018	123,886	157,619	444,538	16,834	26,082	768,959

- 4.7** 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	1.50

- 4.8 Capital work-in-progress - at cost**

	Balance as at July 1, 2018	Additions during the year	Refund by supplier	Transfers to operating assets	Balance as at June 30, 2019	Balance as at July 1, 2017	Additions during the year	Refund by supplier	Transfers to operating assets	Balance as at June 30, 2018
	-----Rupees '000-----									
Civil works	83,133	96,586	-	(99,619)	80,100	21,137	156,715	-	(94,719)	83,133
Plant and machinery										
- note 4.8.1	181,661	130,225	-	(248,491)	63,395	97,866	203,455	-	(119,660)	181,661
	264,794	226,811	-	(348,110)	143,495	119,003	360,170	-	(214,379)	264,794
Advances against purchase of land	-	-	-	-	-	48,000	-	(48,000)	-	-
Advances to suppliers	37,325	114,970	-	(145,064)	7,231	34,767	5,794	-	(3,236)	37,325
	302,119	341,781	-	(493,174)	150,726	201,770	365,964	(48,000)	(217,615)	302,119

- 4.8.1** It represents plant and machinery that has not been commissioned yet.

	2019	2018
	-----Rupees '000-----	
5. INVESTMENT PROPERTIES - at cost		
Operating assets - notes 5.1 & 5.2	2,451,842	2,452,127
Investment property under work-in-progress - at cost - note 5.3	6,199	4,438
	2,458,041	2,456,565

5.1 Operating assets

	Owned assets								
	Leasehold Land	Building on Leasehold Land	Office Equipment	Electrical Equipment	Lifts & Elevators	Generators	Furniture & Fixtures	Air - conditioning	Total
	-----Rupees '000-----								
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
Disposal	-	-	-	-	-	-	-	-	-
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
Gross carrying value basis									
Year ended June 30, 2018									
Opening net book value	1,915,871	320,097	17,313	45,314	30,557	16,417	35,151	73,252	2,453,972
Additions	-	33,079	3,496	2,453	-	2,605	2,803	5,133	49,569
Depreciation charge	-	(18,919)	(4,893)	(6,192)	(4,120)	(2,279)	(4,790)	(10,221)	(51,414)
Closing net book value	1,915,871	334,257	15,916	41,575	26,437	16,743	33,164	68,164	2,452,127
Net carrying value basis									
As at June 30, 2018									
Cost	1,915,871	400,369	25,747	63,551	41,200	24,741	49,593	103,640	2,624,712
Accumulated depreciation	-	(66,112)	(9,831)	(21,976)	(14,763)	(7,998)	(16,429)	(35,476)	(172,585)
Net book value	1,915,871	334,257	15,916	41,575	26,437	16,743	33,164	68,164	2,452,127
Depreciation rate	-	5%	20%	10%	10%	10%	10%	10%	

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

5.2 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, 2019 was Rs. 3.3 billion (2018: Rs. 3.175 billion) and Rs. 0.814 billion (2018: Rs. 0.705 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 5291 square yards.

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

	2019	2018
	-----Rupees '000-----	
Balance at the beginning of the year	4,438	6,642
Additions during the year	47,560	-
Transfers to operating assets - investment property	(45,799)	(2,204)
Balance at the end of the year	<u>6,199</u>	<u>4,438</u>

6. INTANGIBLE ASSETS

Operating intangible assets - note 6.1	<u>164,913</u>	<u>189,068</u>
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6.1 Operating intangible assets

	Distribution rights	Brand name and logo	Product license - note 6.1.1	Software licenses - note 6.1.2	Total
	-----	-----	-----	-----	-----
	Rupees '000				
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>
Gross carrying value basis					
Year ended June 30, 2018					
Opening net book value	-	17,916	100,461	89,355	207,732
Additions	-	-	-	20,767	20,767
Amortisation charge	-	(5,000)	(11,162)	(23,269)	(39,431)
Closing net book value	<u>-</u>	<u>12,916</u>	<u>89,299</u>	<u>86,853</u>	<u>189,068</u>
Net carrying value basis					
As at June 30, 2018					
Cost	76,275	74,703	111,623	131,193	393,794
Accumulated amortisation	(76,275)	(61,787)	(22,324)	(44,340)	(204,726)
Net book value	<u>-</u>	<u>12,916</u>	<u>89,299</u>	<u>86,853</u>	<u>189,068</u>
Amortisation rate	10%	10%	10%	33.33% & 20%	

6.1.1 This represents license obtained for the production of product "Tramal".

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

7. DEFERRED TAX (LIABILITIES) / ASSETS

	Accelerated tax depreciation	Surplus on revaluation	Decelerated tax amortisation	Provision for doubtful receivables	Provision for doubtful trade deposits	Total
	-----Rupees '000-----					
July 1, 2018	-	(25,902)	-	-	-	(25,902)
Credit / (charge) to profit or loss	-	-	-	-	-	-
Charge to other comprehensive income	-	(67,338)	-	-	-	(67,338)
June 30, 2019	-	(93,240)	-	-	-	(93,240)
July 1, 2017	(43,298)	(2,914)	2,276	43,682	697	443
(Charge) / credit to profit or loss	43,298	-	(2,276)	(43,682)	(697)	(3,357)
Charge to other comprehensive income	-	(22,988)	-	-	-	(22,988)
June 30, 2018	-	(25,902)	-	-	-	(25,902)

8. LONG-TERM INVESTMENTS - SUBSIDIARIES

Subsidiary companies (at cost) - note 8.1	<u>1,686,186</u>	<u>1,686,186</u>
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NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

8.1 Subsidiary companies

	2019		2018	
	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, 2018: 40,126,241) Ordinary shares of Rs. 10 each Market price as at June 30, 2019: Rs. 33.50 (June 30, 2018: Rs. 80.23) per share	74.19%	1,300,911	74.19%	1,300,911
Unlisted securities				
<i>Searle Pharmaceuticals (Private) Limited</i> 40,000 (June 30, 2018: 40,000) Ordinary shares of Rs. 10 each Break up value as at June 30, 2019: Rs. 48.52 (June 30, 2018: Rs. 10.77) per share	100%	400	100%	400
<i>Searle Laboratories (Private) Limited</i> 12,500,000 (June 30, 2018: 12,500,000) Ordinary shares of Rs. 10 each Break up value as at June 30, 2019: Rs. 0.94 (June 30, 2018: Rs. 3.81) per share	100%	125,000	100%	125,000
<i>Searle Biosciences (Private) Limited</i> 1,000,000 (June 30, 2018: 1,000,000) Ordinary shares of Rs. 10 each Break up value as at June 30, 2019: Rs. 12.02 (June 30, 2018: Rs. 13.11) per share	100%	10,000	100%	10,000
<i>IBL Identity (Private) Limited</i> 9,500,000 (June 30, 2018: 9,500,000) Ordinary shares of Rs. 10 each Break up value as at June 30, 2019: Nil (June 30, 2018: Nil) per share	100%	49,875	100%	49,875
<i>IBL Future Technologies (Private) Limited</i> 20,000,000 (June 30, 2018: 20,000,000) Ordinary shares of Rs. 10 each Break up value as at June 30, 2019: Rs. 10 (June 30, 2018: Rs. 10) per share	100%	200,000	-	200,000
		<u>385,275</u>		<u>385,275</u>
		<u>1,686,186</u>		<u>1,686,186</u>

- 8.1.1** Section 236M of the Income tax Ordinance, 2001 (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 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 the company is required to deposit shares withheld to Central Depository Company, in favour of the Federal Government.

Based on the requirement mentioned above, the Company is exposed to a tax liability of approximately Rs. 71.8 million (2018: Rs. 71.8 million), on account of bonus shares received from IBL HealthCare Limited from 2015 onwards. 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 Honourable High Court of Sindh, IBL HealthCare Limited has withheld 1,117,379 shares (2018: 1,117,379 shares) with Central Depository Company of Pakistan Limited.

	2019	2018
	-----Rupees '000-----	
9. LONG-TERM LOANS		
Secured - considered good - note 9.1	1,834	1,665
Less: Current portion - shown under loans and advances	(1,564)	(1,513)
	<u>270</u>	<u>152</u>
9.1	This represents interest-free loans for automobiles to employees other than executives, as defined in note 35. These are secured against provident fund balances of respective employees.	
10. LONG-TERM DEPOSITS	2019	2018
	-----Rupees '000-----	
Deposit against rent	7,396	7,396
11. INVENTORIES		
Raw materials	1,198,476	1,192,722
Packing materials	330,251	214,044
Stores and spares	79,655	65,698
Work-in-process	96,524	101,792
Finished goods	489,744	720,050
	<u>2,194,650</u>	<u>2,294,306</u>
11.1	Inventories include inventory in transit amounting to Rs. 487.3 million (2018: Rs. 541.04 million).	
12. TRADE RECEIVABLES	2019	2018
	-----Rupees '000-----	
Considered good		
- Export receivables, secured - note 12.5	307,294	182,894
- Due from related parties, unsecured - note 12.1	3,839,765	2,392,015
- Others, unsecured	719,073	715,107
	<u>4,866,132</u>	<u>3,290,016</u>
Considered doubtful - others	152,003	154,573
Less: Provision for doubtful receivables - note 12.7	(152,003)	(154,573)
	<u>-</u>	<u>-</u>
	<u>4,866,132</u>	<u>3,290,016</u>

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

12.1 Due from related parties, unsecured

	2019	2018
	-----Rupees '000-----	
Subsidiary companies - notes 12.2 & 12.4		
- Searle Biosciences (Private) Limited	233,598	282,982
- IBL HealthCare Limited	2,414	203
Group companies - notes 12.3 & 12.4		
- IBL Operations (Private) Limited	3,470,885	2,060,057
- IBL Logistics (Private) Limited	95,828	-
- United Brands Limited	29,073	40,598
- International Franchises (Private) Limited	20	380
- IBL Frontier Markets (Private) Limited	181	29
United Retail (SMC-Private) Limited		
[formerly The Home Makers (SMC-Private) Limited] - note 12.4	7,766	7,766
	<u>3,839,765</u>	<u>2,392,015</u>

12.2 The maximum aggregate amount outstanding at any time during the year from Searle Biosciences (Private) Limited and IBL HealthCare Limited was Rs. 511.37 million (2018: Rs. 536.7 million) and Rs. 2.41 million (2018: Rs. 1.37 million) respectively.

12.3 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. 284.97 million (2018: Rs. 338.60 million), Rs. 15.36 million (2018: Rs. 5.88 million) and Rs. 1.01 million (2018: Nil) respectively.

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

	2019	2018
	-----Rupees '000-----	
IBL Operations (Private) Limited	3,755,855	2,996,600
United Brands Limited	51,513	46,400
IBL Logistics (Private) Limited	95,828	-
International Franchises (Private) Limited	20	380
IBL Frontier Markets (Private) Limited	181	29

12.4 As at June 30, 2019, the age analysis of these related party receivables is as follows:

	2019	2018
	-----Rupees '000-----	
Not yet due	2,681,709	1,072,887
Past due but not yet impaired		
- 1 to 30 days	764,239	895,953
- 30 to 90 days	147,810	118,646
- 90 to 180 days	5,795	43,445
- 180 to 365 days	2,404	173,040
- older than 365 days	237,808	88,044
	<u>3,839,765</u>	<u>2,392,015</u>

12.5 Breakup of export receivables are as follows:

Confirmed letters of credit

	2019	2018
	-----Rupees '000-----	
Srilanka	148,898	69,930
Cambodia	62,132	49,733
Thailand	-	33,892
Singapore	-	12,722
Maldives	-	1,190
Myanmar	37,297	-
Vietnam	54,595	-
	302,922	167,467
Others	4,372	15,427
	307,294	182,894

The above receivables are from unrelated parties.

12.6 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.

	2019	2018
	-----Rupees '000-----	
12.7 Balance at beginning of the year	154,573	165,430
Reversal during the year - net	(1,915)	(10,346)
Written off against provision	(655)	(511)
Balance at end of the year	152,003	154,573

13. LOANS AND ADVANCES – considered good

Advances to:

- employees for business operations - notes 13.1	101,168	81,069
- employees against salary - notes 13.1	9,536	26,751
- suppliers	281,064	268,578
- against imports - note 13.2	101,898	31,920
- related parties - note 13.3	975,581	987,730
	1,469,247	1,396,048
Short-term loan to subsidiary - note 13.4	3,046,130	2,929,728
Current portion of long-term loans to employees - note 9	1,564	1,513
	4,516,941	4,327,289

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 13.1** 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. 124.54 million (2018: Rs. 124.48 million).
- 13.2** 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.
- 13.3** This represents advance to Searle Biosciences (Private) Limited and Searle Laboratories (Private) limited - wholly owned subsidiaries amounting to Rs. 975.6 million (2018: Rs. 975.6 million) and Nil (2018: Rs. 10.25 million) respectively. These advances are provided for the purpose of financial assistance and are settled in the ordinary course of business. The maximum aggregate amount outstanding at any time during the year are as follows:

	2019	2018
	-----Rupees '000-----	
Searle Biosciences (Private) Limited	<u>975,581</u>	<u>975,581</u>

- 13.4** 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. 3.45 billion (2018 : Rs. 2.9 billion).

2019	2018
-----Rupees '000-----	

14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits

Trade deposits	72,688	60,127
Less: Provision for doubtful deposits	<u>(2,640)</u>	<u>(2,640)</u>
	<u>70,048</u>	<u>57,487</u>

Prepayments

11,834	15,260
<u>81,882</u>	<u>72,747</u>

15. OTHER RECEIVABLES

2019 2018
-----Rupees '000-----

Receivables from related parties

Due from subsidiary companies:

- IBL HealthCare Limited against expenses - note 15.1	24,777	601
- Searle Laboratories (Private) Limited against expenses - note 15.1	-	425
- Searle Biosciences (Private) Limited against expenses - note 15.1	85,682	95,944
against dividend income - note 15.7	313,696	54,000
- IBL Future Technologies (Private) Limited		
against financial assistance - note 15.1	1,949	1,200
- Nextar Pharma (Pvt) Limited against expenses	5,414	-
- Searle Pharmaceuticals (Private) Limited		
against dividend income - note 15.1 & 15.8	1,982,566	669,699
	<u>2,414,084</u>	<u>821,869</u>

Due from group companies:

- IBL Operations (Private) Limited against		
Markup on overdue balance - notes 15.2 & 15.3	26,642	26,642
Rental Income - note 15.3	1,125	-
International Brands Limited against:		
expenses - note 15.4	7,472	11,412
Rental income - notes 15.4 & 15.5	25,538	4,551
International Franchises (Private) Limited		
against rental income - note 15.5	1,093	4,313
	61,870	46,918

Due from other related party:

- United Retail (SMC-Private) Limited		
(formerly The Home Makers (SMC-Private)		
Limited) against rental income - note 15.5	209,566	98,376
Surplus arising under retirement benefit fund - note 15.6	5,250	5,250

Receivables from other than related parties

Others, considered good - note 15.9	386,879	57,721
	<u>3,077,649</u>	<u>1,030,134</u>

- 15.1** 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:

2019 2018
-----Rupees '000-----

IBL Healthcare Limited	41,346	880
Searle Laboratories (Private) Limited	425	425
Searle Biosciences (Private) Limited	399,378	252,150
IBL Future Technologies (Private) Limited	1,949	1,949
Searle Pharmaceuticals (Private) Limited	2,768,951	669,699
Nextar Pharma (Private) Limited	5,414	-

- 15.2** The receivable represents mark-up charged on cash collected at the rate of 6-months KIBOR plus 3% per annum as late payment liquidated damages with an exception of transaction delay. On January 15, 2011, the Company has amended the distribution agreement, accordingly no mark-up has been charged since then.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 15.3** This amount is past due but not impaired and outstanding for more than three years. The maximum aggregate balance at any time of the year was Rs. 27.8 million (2018: Rs. 26.6 million).
- 15.4** The maximum aggregate amount outstanding at any time during the year was Rs. 33.01 million (2018: Rs. 15.96 million).
- 15.5** The maximum aggregate amount outstanding at any time during the year from International Franchises (Private) Limited and United Retail (SMC-Private) Limited (formerly The Home Makers (SMC-Private) Limited) was Rs. 7.02 million (2018: Rs. 5.2 million) and Rs. 146 million (2018: Rs. 98.4 million) respectively. As at June 30, 2019 the age analysis of receivables in respect of rental receivables from International Brands Limited, International Franchises (Private) Limited and Habitt is as follows:

	2019	2018
	-----Rupees '000-----	
Not yet due	5,508	5,865
Past due but not yet impaired		
- 1 to 30 days	5,706	4,925
- 30 to 90 days	5,706	24,113
- 90 to 180 days	16,988	27,458
- 180 to 365 days	36,720	24,050
- older than 365 days	165,569	20,829
	<u>236,197</u>	<u>107,240</u>

- 15.6** This represents surplus on funded gratuity scheme discontinued by the Company with effect from December 31, 2012.
- 15.7** This represents interim dividend declared by the Board of Directors of Searle Biosciences (Private) Limited in their meeting held on September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019.
- 15.8** This represents interim dividend declared by the Board of Directors of Searle Biosciences (Private) Limited in their meeting held on September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019.
- 15.9** This includes Rs. 318.95 million claimed by the Company from Zhejiang Huahai Pharmaceuticals, China (ZHP) relating to its product "Extor" that contains material supplied by ZHP. On July 12, 2018, the Drug Regulatory Authority of Pakistan in response to a review triggered by the European Medicine Agency (EMA) issuing drug re-call for "Valsartan" containing products due to the presence of cancer causing impurities. Accordingly, the Company re-called finished product "Extor" amounting to Rs. 221.95 million from the local market and Rs. 97 million from the international market. The impact of the product re-call has been set off by the claim raised by the Company against ZHP.

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

	2019	2018
	-----Rupees '000-----	
16. CASH AND BANK BALANCES		
Cash in hand	2,737	4,584
Balance with banks in:		
- savings accounts - note 16.1	11	10
- current accounts	201,799	132,442
	<u>204,547</u>	<u>137,036</u>

16.1 These balances carry mark-up at at the rate of 1.08 % (2018: 2.17 %) per annum.

17. SHARE CAPITAL

Authorised share capital

2019 (Number of shares)	2018		2019 -----Rupees '000-----	2018
<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

2019 (Number of shares)	2018		2019 -----Rupees '000-----	2018
12,553,074	12,553,074	Shares allotted for consideration paid in cash	125,531	125,531
24,000	24,000	Shares allotted for consideration other than cash	240	240
199,848,171	172,140,532	Shares allotted as bonus shares	1,998,482	1,721,406
<u>212,425,245</u>	<u>184,717,606</u>		<u>2,124,253</u>	<u>1,847,177</u>

17.1 Movement in number of shares

2019 (Number of shares)	2018		2019 -----Rupees '000-----	2018
184,717,606	153,931,338	Opening shares outstanding	1,847,177	1,539,314
27,707,639	30,786,268	Shares allotted as bonus shares	277,076	307,863
<u>212,425,245</u>	<u>184,717,606</u>		<u>2,124,253</u>	<u>1,847,177</u>

18. EMPLOYEE BENEFIT OBLIGATIONS

Staff retirement gratuity - unfunded - note 18.1	<u>55,820</u>	<u>50,630</u>
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18.1 Gratuity scheme - unfunded

18.1.1 General description

As stated in note 2.3.1, 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, 2019 using the Project Unit Credit method.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019 -----Rupees '000-----	2018
18.1.2 Statement of financial position reconciliation		
Present value of defined benefit obligation	<u>55,820</u>	<u>50,630</u>
18.1.3 Movement in the present value of defined benefit obligation		
Obligation as at July 1	50,630	47,032
Current service cost	2,165	1,962
Interest cost	3,967	3,546
Benefits paid	(2,071)	(5,416)
Remeasurements on obligation	1,129	3,506
Obligation as at June 30	<u>55,820</u>	<u>50,630</u>
18.1.4 Expense recognised in unconsolidated statement of profit or loss and other comprehensive income		
Current service cost	(2,165)	(1,962)
Interest cost	(3,967)	(3,546)
	<u>(6,132)</u>	<u>(5,508)</u>
18.1.5 Remeasurement recognised in other comprehensive income		
Experience losses	<u>(1,129)</u>	<u>(3,506)</u>
18.1.6 Net recognised liability		
Balance as at July 1	50,630	47,032
Expense for the year	6,132	5,508
Benefits paid	(2,071)	(5,416)
Remeasurement loss recognised in other comprehensive income	1,129	3,506
Balance as at June 30	<u>55,820</u>	<u>50,630</u>

	2019 -----Rupees '000-----	2018
18.1.7 Actuarial assumptions		
Discount rate used for year end obligation	12.00%	8.00%
Expected rate of increase in salaries	12.00%	8.00%
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.

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate at 30 June	1%	(4,290)	4,820
Future salary increases	1%	5,330	(4,790)

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

18.1.10 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.

18.1.11 As per actuarial advice, the Company is expected to recognise a service cost of Rs. 9.07 million in 2020.

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

	2019	2018
	-----Rupees '000-----	-----Rupees '000-----
19. TRADE AND OTHER PAYABLES		
Creditors - notes 19.1 & 19.2	2,531,434	983,557
Bills payable in foreign currency	708,946	677,604
Royalty payable - note 25.1	23,966	24,761
Accrued liabilities	801,222	778,521
Payable to provident fund - note 19.3	8,619	7,915
Advance from customers - unsecured	22,415	29,035
Accrued mark-up - note 19.4	109,473	35,459
Taxes deducted at source and payable to statutory authorities	96,147	69,440
Workers' Profits Participation Fund - note 19.5	149,417	174,379
Workers' Welfare Fund	16,342	14,469
Other liabilities - note 19.6	61,499	66,542
	4,529,480	2,861,682

19.1 This includes amount payable to Searle Pharmaceutical (Private) Limited - wholly owned subsidiary amounting to Rs. 2,192.65 million (2018: Rs. 755.81 million) on account of toll manufacturing services. This also includes payable to Searle Laboratories (Private) Limited - wholly owned subsidiary amounting to Rs. 9.13 million (2018: Rs. 26.87 million).

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

	2019	2018
	-----Rupees '000-----	-----Rupees '000-----
IBL Identity (Private) Limited	3,991	-
IBL Unisys (Private) Limited	2,471	18,144
MyCart Pakistan (Private) Limited	1,325	140
Multinet Pakistan (Private) Limited	-	265
International Brands Limited	44,124	21,683
	51,911	40,232

19.3 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.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	-----Rupees '000-----	
19.4. Accrued mark-up		
Accrued mark-up on:		
- long-term borrowing	-	1,387
- short-term borrowing	109,473	34,072
	<u>109,473</u>	<u>35,459</u>
19.5 Workers' Profit Participation Fund		
Balance at beginning of the year	174,379	160,139
Charge for the year - note 27	148,967	170,541
	<u>323,346</u>	<u>330,680</u>
Interest on funds utilised in Company's business - note 29	13,883	6,630
Payments made during the year	(187,812)	(162,931)
	<u>149,417</u>	<u>174,379</u>
19.6 This includes payable to associated company United Distributors Pakistan Limited amounting to Rs. 0.167 million (2018: Rs. 0.062 million).		
	2019	2018
	-----Rupees '000-----	
20. BORROWINGS - secured		
Secured		
Running finance under mark-up arrangements - notes 20.1, 20.3 & 20.4	3,544,776	2,323,478
Export refinance - notes 20.2	210,000	-
Current portion of long-term borrowing	-	214,285
	<u>3,754,776</u>	<u>2,537,763</u>
Unsecured		
Borrowing from IBL Future Technologies (Private) Limited - note 20.5	200,000	200,000
	<u>3,954,776</u>	<u>2,737,763</u>
20.1 The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 4,175 million (2018: Rs. 2,875 million) which include financing facilities obtained under Islamic mode amounting to Rs. 3,525 million (2018: Rs. 2,725 million). The arrangements are secured jointly by registered mortgage of Rs. 589.44 million (2018: Rs. 325.9 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 4,071 million (2018: Rs. 2,850 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).		
20.2 The rate of mark-up was 2.75% (2018: Nil). The facility is a sub-limit of the running musharika obtained from Habib Bank Limited.		
20.3 The amount utilised under the Islamic mode of financing amounted to Rs.3,525 million (2018: Rs. 2,014.5 million).		
20.4 The rates of mark-up ranged between 6.9% to 12.7 % (2018: 6.2% to 9%) per annum.		
20.5 This represents interest free loan obtained last year and is repayable on demand.		

21. UNPAID DIVIDEND

This represents dividend on bonus shares withheld pertaining to 125 shareholders, on which stay from the Honorable High Court of Sindh has been obtained.

22. CONTINGENCIES AND COMMITMENTS

Contingencies

	Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
22.1	High Court of Sindh	During the year ended June 30, 2014, Sindh Revenue Board (SRB) has imposed sales tax on toll manufacturing at the rate of 16% of sales value. The cumulative such sales tax amounts to Rs. 218.9 million. The matter has been contested in the High Court of Sindh.	The Company and The Federation of Pakistan	2014
22.2	High Court of Sindh	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. 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 Company and The Federation of Pakistan	2015
22.3	High Court of Sindh	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.	The Company and Province of Sindh	2016

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
		<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>		
22.4	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 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.</p>	The Company and The Federation of Pakistan	2014
22.5	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 8.1.1 of these unconsolidated financial statements.	The Company and The Federation of Pakistan	2015
22.6	High Court of Sindh	The Company has filed a petition against imposition of super tax in the High Court of Sindh and expects a favourable outcome. For further detail, refer note 30.1 of these unconsolidated financial statements.	The Company and The Federation of Pakistan	2016

	Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
22.7	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 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. 1,011.3 million.	The Company and The Federation of Pakistan	2015, 2016 and 2017

- 22.8** The management, based on legal advice, is confident that the ultimate decisions in the above cases (notes 22.1 to 22.7) will be in favour of the Company, hence no provision has been made in respect of the aforementioned litigations.

Commitments

- 22.9** The facility for opening letters of credit and guarantees as at June 30, 2019 amounted to Rs. 2,111 million (2018: Rs. 1,905 million) of which the amount remaining unutilised as at year end amounted to Rs. 318 million (2018: Rs. 1,527 million).

22.10 Future rentals payable against operating lease arrangements

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

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

	2019	2018
	-----Rupees '000-----	
Not later than one year	28,868	16,368
Later than one year but not later than five years	137,571	89,201
Later than five years	93,959	114,889
	<u>260,398</u>	<u>220,458</u>

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	-----Rupees '000-----	
23. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Gross sales		
Local sale of goods - note 23.1	14,195,451	12,215,600
Export sales	1,831,388	1,380,267
	<u>16,026,839</u>	<u>13,595,867</u>
 Toll manufacturing	 288,635	 357,439
	<u>16,315,474</u>	<u>13,953,306</u>
 Sales tax	 (100,189)	 (115,976)
	<u>16,215,285</u>	<u>13,837,330</u>
 Less:		
Discounts, rebates and allowances	1,279,681	998,284
Sales returns	398,406	163,936
	<u>1,678,087</u>	<u>1,162,220</u>
	<u>14,537,198</u>	<u>12,675,110</u>

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

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

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

24. COST OF SALES

	2019	2018
	-----Rupees '000-----	
Raw and packing material consumed	4,020,639	3,081,924
Processing charges	3,380,620	3,569,182
Salaries, wages and benefits	456,993	417,751
Provision for staff gratuity (unfunded)	3,532	2,894
Provident fund contribution	14,683	12,747
Inventory written off - note 24.1	21,288	41,281
Carriage and duties	9,060	45,213
Fuel, water and power	138,118	131,398
Rent, rate and taxes	79,215	37,844
Canteen expenses	28,612	25,871
Stationery and supplies	27,944	23,051
Travelling	13,501	9,814
Repairs and maintenance	135,846	163,868
Security expenses	10,673	10,387
Vehicle expenses	8,615	8,238
Insurance	10,195	15,222
Legal and professional charges	9,944	2,694
Depreciation	126,455	86,710
Medical expenses	7,876	7,360
Research cost	75,605	35,992
Others	12,880	10,555
	<u>8,592,294</u>	<u>7,739,996</u>
Add: Opening work-in-process	101,792	98,427
Less: Closing work-in-process	(96,524)	(101,792)
Cost of goods manufactured	<u>8,597,562</u>	<u>7,736,631</u>
Add: Opening inventory of finished goods	720,050	300,319
Add: Finished goods purchased	865,299	964,717
Less: Closing inventory of finished goods	(489,744)	(720,050)
	<u>9,693,167</u>	<u>8,281,617</u>
Less: Cost of samples	(76,305)	(43,881)
Cost of sales	<u>9,616,862</u>	<u>8,237,736</u>

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

24.1 This amount represents expired inventory written off.

25. DISTRIBUTION COSTS

	2019	2018
	-----Rupees '000-----	
Salaries, wages and benefits	963,599	880,769
Advertising and promotion	758,694	583,658
Travelling and related	491,859	475,315
Carriage and duties	286,108	272,581
Bonus to salesmen	241,548	231,300
Samples	336,373	153,788
Stationery and printed materials	86,648	106,778
Vehicle running	61,461	62,231
Personal training and selection	108,015	96,449
Legal and professional	42,352	39,260
Services charges	42,466	36,382
Fees and subscription	32,617	28,179
Communication	21,504	26,054
Provident fund contribution	29,388	25,560
Royalty - note 25.1	43,448	20,531
Insurance	12,324	13,369
Depreciation	15,582	12,489
Medical expenses	8,150	10,970
Replacement products	36,536	9,188
Rent, rate and taxes	54,152	30,936
Repairs and maintenance	10,524	22,609
Fuel, water and power	4,386	3,802
Provision for staff gratuity (unfunded)	-	1,979
Canteen expenses	4,492	2,773
Security expenses	825	1,263
Others	5,750	1,686
	<u>3,698,801</u>	<u>3,149,899</u>

25.1 The Royalty pertains to M/s Sanofi Winthrop Industries and M/s Marisant Company which are situated in France and Switzerland respectively. The Company only has a relation of licensor and licensee with these entities.

	2019	2018
	-----Rupees '000-----	
26. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits	221,918	205,599
Corporate services charged by associated company	216,000	168,000
Legal and professional charges	42,645	121,753
Donation - notes 26.2 & 26.3	104,158	110,613
Depreciation	75,416	69,048
(Reversal) of provision against doubtful receivable	(1,915)	(10,346)
Repairs and maintenance	43,009	45,938
Rent, rate and taxes	13,524	13,655
Stationery and supplies	11,508	28,057
Amortisation	43,286	39,431
Fuel, water and power	28,783	16,859
Insurance	20,466	15,691
Travelling	17,867	13,313
Auditors' remuneration - note 26.1	12,557	12,160
Fees and subscription	8,032	10,010
Vehicle expenses	13,609	7,988
Canteen expenses	2,123	7,724
Provident fund contribution	7,633	6,582
Communication	10,073	6,167
Security expenses	3,559	4,051
Medical expenses	3,609	4,017
Provision for staff gratuity (unfunded)	2,600	635
Personal training and selection	1,168	775
Others	7,736	2,429
	909,364	900,149

26.1 Auditors' remuneration

Audit fee (including consolidation)	3,300	2,800
Fee for review of interim financial information and Statement of Compliance with Code of Corporate Governance	850	850
Taxation services	7,200	7,296
Other certifications, attestations and other services	850	850
Out-of-pocket expenses	357	364
	12,557	12,160

26.2 Donations to a single party exceeding 10% of total donations i.e. Rs. 10.4 million are as follows:

	2019	2018
	-----Rupees '000-----	
Arts Council of Pakistan	23,200	4,700
The Citizen Foundation	20,300	20,000
AKAR Hospital	17,167	6,150

26.3 The Chairman of the Company is on the board of directors of The Citizen Foundation. Moreover AKAR Hospital is being managed by the management of the Company. The Directors or their spouse has no interest in any other donee entity.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	-----Rupees '000-----	
27. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund - note 19.5	148,967	170,541
Workers' Welfare Fund	3,001	5,445
Central Research Fund	1,901	1,615
	<u>153,869</u>	<u>177,601</u>
28. OTHER INCOME		
Income from financial assets - related parties		
Dividend income - subsidiary companies		
IBL HealthCare Limited	39,009	35,625
Searle Pharmaceuticals (Private) Limited	2,590,906	2,767,872
Searle Biosciences (Private) Limited	313,696	307,600
	<u>2,943,611</u>	<u>3,111,097</u>
Income from non-financial assets		
Rental income from investment properties - note 28.1	132,811	93,561
Other rental income - note 28.2	3,837	3,577
Gain on disposal of property, plant and equipment	7,625	6,465
Scrap sales	10,498	11,602
	<u>154,771</u>	<u>115,205</u>
Others	<u>1,532</u>	<u>2,106</u>
	<u>3,099,914</u>	<u>3,228,408</u>
28.1	This includes rental income from United Retail (SMC-Private) Limited (formerly The Home Makers (SMC-Private) Limited), International Brands Limited and International Franchises (Private) Limited - Related parties amounting to Rs. 87.55 million (2018: Rs. 50.28 million), Rs. 9.56 million (2018: Rs. 4.6 million) and Rs. 11.84 million (2018: Rs. 14.27 million) respectively.	
28.2	This represents income from International Franchises (Private) Limited - related party for use of operating assets of the Company.	
	2019	2018
	-----Rupees '000-----	
29. FINANCE COST		
Bank charges	27,342	10,876
Interest on Workers' Profits Participation Fund - note 19.5	13,883	6,630
Exchange loss	74,089	68,136
Mark-up on:		
- Long-term borrowing - note 29.1	12,814	24,935
- Short-term borrowing - note 29.1	299,908	94,333
	<u>428,036</u>	<u>204,910</u>
29.1	The amount of mark-up paid under Islamic mode of financing amounted to Rs. 287.65 million (2018: Rs. 95.3 million).	

	2019	2018
	-----Rupees '000-----	
30. INCOME TAX EXPENSE		
Current - for the year	188,234	180,702
Deferred tax expense - note 7	-	3,357
	188,234	184,059

- 30.1** The Company has not made provision for super tax for the tax years 2015 to 2019 amounting to Rs. 165.41 million, imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001, as the Company has filed petition against the same in High Court of Sindh, decision of which is pending. The Company expects a favourable outcome based on a legal advice and therefore has not made any provision against the same in these unconsolidated financial statements.

	2019	2018
	-----Rupees '000-----	
30.2 Relationship between tax expense and accounting profit		
Profit before income tax	2,830,180	3,233,223
Tax at applicable rate of 29% (2018: 30%)	820,752	969,967
Effect of final tax regime	(782,946)	(890,518)
Effect of minimum tax	150,428	104,610
Income tax expense	188,234	184,059

30.3 Current status of tax assessments

Tax Years 2009 to 2013 and 2015 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 2017 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. 862.28 million.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	(Restated) 2018
31. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year (Rupees in thousands)	<u>2,641,946</u>	<u>3,049,164</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>12.44</u>	<u>14.35</u>

31.1 Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2019 and 2018 which would have any effect on the earnings per share if the option to convert is exercised.

	2019 -----Rupees '000-----	2018
32. CASH GENERATED FROM OPERATIONS		
Profit before income tax	2,830,180	3,233,223
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	217,453	168,247
Gain on disposal of property, plant and equipment	(7,625)	(6,465)
Amortisation	43,286	39,431
Provision for retirement benefits obligation	6,132	5,508
Finance cost	340,064	119,268
Profit before working capital changes	<u>3,429,490</u>	<u>3,559,212</u>

Effect on cash flow due to working capital changes

(Increase) / decrease in current assets		
Inventories	99,656	(1,241,674)
Trade receivables	(1,576,116)	(312,403)
Loans and advances	(189,652)	(1,868,544)
Trade deposits and short-term prepayments	(9,135)	(1,600)
Sales tax	(20,743)	-
Other receivables	(2,047,515)	(504,975)
	<u>(3,743,505)</u>	<u>(3,929,196)</u>
Increase in current liabilities		
Trade and other payables	1,593,784	1,088,616
	<u>(2,149,721)</u>	<u>(2,840,580)</u>
Cash generated from operations	<u>1,279,769</u>	<u>718,632</u>

33. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 16	204,547	137,036
Short-term running finances - note 20	(3,544,776)	(2,323,478)
	<u>(3,340,229)</u>	<u>(2,186,442)</u>

34. SEGMENT INFORMATION

Management has determined the operating segments based on the information that is presented to the chief operation decision-maker of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure, the Company is organised into the following two operating segments:

- Pharmaceutical
- Consumer

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

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

34.1 The financial information regarding operating segments is as follows:

Segment wise operating results

	Pharmaceutical		Consumer		Total	
	2019	2018	2019	2018	2019	2018
	----- Rupees '000 -----					
Segment revenue	12,823,422	10,844,458	1,713,776	1,830,652	14,537,198	12,675,110
Cost of sales	(8,487,588)	(6,815,420)	(1,129,274)	(1,422,316)	(9,616,862)	(8,237,736)
Distribution cost	(3,322,174)	(2,788,851)	(376,627)	(361,048)	(3,698,801)	(3,149,899)
	(11,809,762)	(9,604,271)	(1,505,901)	(1,783,364)	(13,315,663)	(11,387,635)
Segment result	1,013,660	1,240,187	207,875	47,288	1,221,535	1,287,475

Unallocated income and expenses

Administrative expenses	(909,364)	(900,149)
Other income	3,099,914	3,228,408
Other expenses	(153,869)	(177,601)
Finance cost	(428,036)	(204,910)
Profit before income tax	2,830,180	3,233,223
Income tax expense	(188,234)	(184,059)
Profit for the year	2,641,946	3,049,164

34.2 Analysis of segments' assets and liabilities and their reconciliation to total assets and liabilities:

	Pharmaceutical		Consumer		Total	
	2019	2018	2019	2018	2019	2018
	----- Rupees '000 -----					
Segment assets and liabilities						
Segment assets	836,546	395,746	19,704	63,868	856,250	459,614
Unallocated assets					22,445,320	17,634,027
Total assets					23,301,570	18,093,641
Unallocated liabilities					8,783,665	5,779,119
Total liabilities					8,783,665	5,779,119

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

34.3 There are no inter-segment transactions during the year (2018: Nil).

	2019	2018
	-----Rupees '000-----	
34.4 Geographical segments		
Net sales by region		
Pakistan	12,940,019	11,430,820
South Asia	1,080,657	863,443
East Africa	13,285	8,076
South-East Asia	503,237	372,771
	<u>14,537,198</u>	<u>12,675,110</u>

The geographical segment has been categorised using United Nation's composition of macro geographical (continental) regions.

34.5 The Company has earned major revenue from one of the customer, which amounts to Rs. 12.18 billion (2018: Rs. 10.6 billion) out of the total revenue.

35. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executive Directors		Executives	
	2019	2018	2019	2018	2019	2018
	----- Rupees '000 -----					
Managerial remuneration	23,220	19,763	11,952	10,869	152,359	175,145
Housing allowance	10,449	8,893	5,378	4,891	68,562	78,815
Utility allowance	2,322	1,976	1,195	1,087	15,236	17,515
Bonus	3,204	2,718	1,793	1,631	22,854	26,819
Retirement benefits	2,322	1,976	1,195	1,087	15,236	17,515
Others	302	252	191	179	6,856	7,844
	<u>41,819</u>	<u>35,578</u>	<u>21,704</u>	<u>19,744</u>	<u>281,103</u>	<u>323,653</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>56</u>	<u>55</u>

35.1 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.

35.2 During the year, the Company has paid to five non-executive directors (2018: five) an aggregate amount of Rs. 32 thousand (2018: Rs. 39 thousand) as fee for attending board meetings.

36. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	2019 -----Rupees '000-----	2018
Holding company:	- Corporate service charges	216,000	168,000
	- Consultancy expense	-	88,950
	- Computer expense	441	-
	- Rent income	9,557	4,551
	- Income from provision of amenities	7,490	3,940
Subsidiaries:	- Revenue	263,896	241,284
	- Purchase of consumables	3,991	1,988
	- Outside processing charges	3,330,278	3,542,692
	- Short-term loan	516,902	1,170,826
	- Dividend income	2,943,611	3,111,097
	- Disposal of subsidiary	-	600,278
	- Investment in subsidiary	-	200,000
	- Short-term borrowing	28,100	200,000
	- Purchase of land	400,500	-
	- Advance against financial assistance	45,553	111,198
Associates:	- Revenue	12,282,406	10,648,901
	- Salaries and wages	775	5,017
	- Purchases	15,627	21,309
	- Carriage and duties	70,564	52,861
	- Discounts claimed	768,675	642,621
	- Rent expense	11,342	5,726
	- Rent income	63,142	64,553
	- Income from provision of amenities	72,541	27,846
	- Stock claims	398,633	237,783
	- Internet services	5,627	6,108
	- Architect fee	3,295	3,424
	- Advance against financial assistance	1,500	1,952
	- Repair and Maintenance	7,893	-
	- Software Maintenance	20,289	-
	- Purchase of ERP software	26,308	-
	- Donation	38,047	26,150
	- Incentives to field force staff	12,672	10,863
	- Merchandise expense	140,278	-
	- Others	-	32,355
Staff retirement benefits:	- Contributions to Provident Fund	51,704	44,889
Key management employees compensation:	- Salaries and other employee benefits	60,006	52,259
	- Contributions to Provident Fund	3,517	3,063

36.1 The status of outstanding balances with related parties as at June 30, 2019 is included in the respective notes to the unconsolidated financial statements. These are settled in the ordinary course of business.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

36.2 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.	Multinet (Private) Limited	Common Directorship	N/A
14.	MyCart (Private) Limited	Group Company	N/A
15.	United Brands Limited	Group Company	N/A
16.	IBL Frontier Markets (Private) Limited	Group Company	N/A
17.	Arshad Shahid Abdulla (Private) Limited	Close relative of Director	N/A
18.	United Retail (SMC-Private) Limited (formerly The Home Makers (SMC-Private) Limited)	Close relative of Director	N/A
19.	AKAR Hospital	Managing Company	N/A
20.	The Citizen Foundation	Common Directorship	N/A

37. 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.

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 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.

38.2 Financial assets and liabilities by category and their respective maturities

	2019			2018		
	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	4,093,323	7,666	4,100,989	4,008,378	7,548	4,015,926
Trade receivables	4,866,132	-	4,866,132	3,290,016	-	3,290,016
Other receivables	3,077,649	-	3,077,649	1,030,134	-	1,030,134
Bank balances	201,810	-	201,810	132,452	-	132,452
Cash in hand	2,737	-	2,737	4,584	-	4,584
At Cost						
Long term investments	-	1,686,186	1,686,186	-	1,686,186	1,686,186
	<u>12,241,651</u>	<u>1,693,852</u>	<u>13,935,503</u>	<u>8,465,564</u>	<u>1,693,734</u>	<u>10,159,298</u>
Financial liabilities						
Long term borrowing	-	-	-	214,285	-	214,285
Trade and other payables	4,341,306	-	4,341,306	2,574,359	-	2,574,359
Borrowings	3,754,776	-	3,754,776	2,737,763	-	2,737,763
Unpaid dividend	112,062	-	112,062	53,654	-	53,654
Unclaimed dividend	38,287	-	38,287	49,488	-	49,488
	<u>8,246,431</u>	<u>-</u>	<u>8,246,431</u>	<u>5,629,549</u>	<u>-</u>	<u>5,629,549</u>
On reporting date gap	<u>3,995,220</u>	<u>1,693,852</u>	<u>5,689,072</u>	<u>2,836,015</u>	<u>1,693,734</u>	<u>4,529,749</u>
Net financial (liabilities) / assets						
Interest bearing	(3,754,776)	-	(3,754,776)	(2,537,763)	-	(2,537,763)
Non-interest bearing	<u>7,749,996</u>	<u>1,693,852</u>	<u>9,443,848</u>	<u>5,373,778</u>	<u>1,693,734</u>	<u>7,067,512</u>

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, 2019, the Company has variable interest bearing financial liabilities of Rs. 3.75 billion (2018: Rs. 2.54 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. 75 million (2018: Rs. 50.8 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, 2019

(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, 2019, trade and other payables of Rs. 708.95 million (2018: Rs. 677.6 million), trade receivables of Rs. 307.29 million (2018: Rs. 182.89 million) and bank balance of Rs. 0.13 million (2018: Rs. 0.35 million) are exposed to foreign currency risk.

As at June 30, 2019, if the Pakistani 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. 8.02 million (2018: Rs. 9.88 million), as a result of foreign exchange gains / losses on translation of US Dollar 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, 2019 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. 13,936 million (2018: Rs. 10,159 million) the financial assets exposed to credit risk amounts to Rs. 12,348 million (2018: Rs. 8,468 million). The carrying values of financial assets are as under:

	2019	2018
	-----Rupees '000-----	
Loans and advances - notes 9 & 13	4,125,443	3,951,043
Trade deposits - notes 10 & 14	77,444	64,883
Trade receivables - note 12	4,866,132	3,290,016
Other receivables - note 15	3,077,649	1,030,134
Bank balances	201,810	132,452
	<u>12,348,478</u>	<u>8,468,528</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.

Deposits, loans, advances and other receivables are not exposed to any material credit risk as loans and advances mainly relates to subsidiary companies amounting to Rs. 4,021.71 million (2018: Rs. 3,917.46 million) and other receivables mainly pertains to related parties amounting to Rs. 2,690.77 million (2018: Rs. 967.16 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.

38.3 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:

	2019	2018
	-----Rupees '000-----	
Total borrowings	3,954,776	2,737,763
Cash and bank - note 16	(204,547)	(137,036)
Net debt	3,750,229	2,600,727
Equity	14,517,905	12,314,522
Total capital	18,268,134	14,915,249
Debt to capital ratio	21%	17%

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

39. NUMBER OF EMPLOYEES

39.1 Number of employees as at June 30

Permanent	2,051	1,987
Contractual	47	46
	<u>2,098</u>	<u>2,033</u>

39.2 Average number of employees during the year

Permanent	2,022	1,925
Contractual	51	43
	<u>2,073</u>	<u>1,968</u>

40. SUBSEQUENT EVENTS

40.1 The Board of Directors of the Company in the meeting held on September 30, 2019 has approved the following appropriation:

	2019	2018
	-----Rupees '000-----	
- Nil bonus shares (June 30, 2018: 15 bonus shares for every 100 shares held)	-	277,076
- Cash dividend of Rs. 2.5 per share (June 30, 2018: Rs. 5 per share)	531,063	923,588

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

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue by the Board of Directors on September 30, 2019.


Chief Executive


Director


Chief Financial Officer

Consolidated **Financial** Statements

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Directors' Report

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, 2019.

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

This report is to be submitted to the members at the 54th Annual General Meeting of the Company to be held on October 25, 2019.

OVERVIEW

Pharmaceutical sales in Pakistan grew at a (2013-19) CAGR of 12%, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, higher life expectancy and increased incidence of chronic diseases.

However, the pharmaceutical industry is experiencing a constant downward trend, due to high reliance of imported APIs, low per capita expenditure and low prices in terms of global environment. Therefore, the industry resorts to import for the majority of its raw materials. Due to this significant dependability, fluctuation in exchange rates coupled with stiff price regulations directly affect the product margins and consequent commercial feasibility. Pakistani rupee has experienced double-digit depreciation which has put the pharma industry under immense pressure.

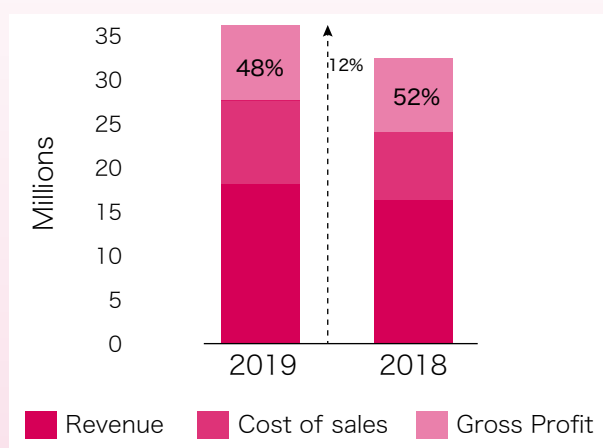
OPERATING RESULTS

Searle group has always focused on improving the lives of patients by offering quality healthcare solutions. We have built a firm growing position by putting the benefit of patients and stakeholders, our fundamental priority and are proud of the impact of our efforts.

Despite challenging economic conditions where foreign currency fluctuation impacted the economy as a whole, Searle group managed to performed adequately. During the year ended

June 30, 2019, the holding company reported revenue of Rs. 18.06 billion, registering a growth of 12%. However, gross margins in the current year dropped to 48% as compared to 52% in the preceding year and profit after tax of the holding company decreased to 13%, due to aforementioned impact of currency devaluation and hefty increase in KIBOR rates.

	June 30, 2019	2018
	(Rupees in thousand)	
Revenue	18,062,107	16,148,468
Cost of sales	(9,462,243)	(7,817,504)
Gross Profit	8,599,864	8,330,964
Operating expenses	(5,401,463)	(4,820,791)
Other operating expenses	(161,748)	(195,407)
Other income	234,445	156,393
Profit from operations	3,271,098	3,471,159
Finance cost	(438,870)	(216,736)
Profit before tax	2,832,228	3,254,423
Income tax expense	(566,932)	(537,823)
Profit after taxation	2,265,296	2,716,600



The Holding company's organic growth was driven by expanding doctor coverage, maturing product portfolio, higher volumes, richer product mix, branding efforts and strengthened demand. Further, tighter control over costs and expenses contributed towards improved financial performance of the holding company.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 10.55 (2018: Rs. 12.65). 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, 2019.

DIVIDEND

The Board of Directors has recommended cash dividend of 25% for the year ended June 30, 2019.

During the previous year ended June 30, 2018, the holding company declared cash and stock dividend of 50% & 15% respectively.

FINANCIAL STATEMENTS AND AUDITORS

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

SUBSIDIARIES OF THE COMPANY

Following are the subsidiary companies:

		Principal place of business	Effective %age of holding	
			June 30, 2019	June 30, 2018
Listed Company				
-	IBL HealthCare Limited	Pakistan	74.19%	74.19%
Unlisted Companies				
-	Searle Pharmaceuticals (Private) Limited		100.00%	100.00%
-	Searle Laboratories (Private) Limited		100.00%	100.00%
-	Searle Biosciences (Private) Limited		100.00%	100.00%
-	IBL Identity (Private) Limited		100.00%	100.00%
-	IBL Future Technologies (Private) Limited		100.00%	100.00%
-	Nextar Pharma (Private) Limited		87.20%	85.17%

PATTERN OF SHAREHOLDING

The pattern of shareholding along with categories of shareholders as at June 30, 2019 as required under section 227 of the Companies Act, 2017 and Listing Regulations is presented on pages 198 to 202 of the annual report 2019.

Trading of shares by Directors, CFO, Company Secretary etc. The holding company's shares are traded on Pakistan Stock Exchange Limited.

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 ultimate holding company of Searle, which holds 56.60% shareholding in the holding company.

BUSINESS CONDUCT

Searle groups 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

Directors' Report

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 group 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 group 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 group, 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 group, 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 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 2019, 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 38 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	8,400	-
Mr. Fakher-e-Alam	1,000	-
Mr. Muhammad Sajid	1,000	-
Mr. Muhammad Usman Chughtai	200	100
Mr. Umair Aslam	400	-

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, 2017.

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.

Directors' Report

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

	2019	2018	2017 (Re-stated)	2016	2015	2014
ASSETS EMPLOYED						
Property, plant and equipment	3,786,177	2,692,524	2,254,788	1,528,607	688,354	560,152
Intangible assets	365,268	384,661	397,709	254,473	39,845	47,782
Investment properties-at cost	2,724,116	2,871,818	2,584,202	2,607,507	2,614,906	2,516,865
Long-term investments- subsidiaries	-	-	-	-	187,792	124,500
Long-term loans and deposits	13,895	1,682,189	1,020,405	325,560	100,300	2,476
Deferred assets	-	-	1,894.0	-	-	-
Assets classified as held for sale	75,500	-	-	-	-	-
Net current assets	6,711,339	3,897,703	3,817,731	3,956,256	2,397,902	1,342,194
Total assets employed	13,676,294	11,528,895	10,076,729	8,672,403	6,029,099	4,593,969
FINANCED BY						
Issued, subscribed and paid-up capital	2,124,253	1,847,177	1,539,314	1,227,523	858,407	613,148
Reserves and unappropriated profit	9,514,903	8,477,432	7,335,404	6,185,481	3,842,263	2,800,929
Shareholder's equity	11,639,156	10,324,609	8,874,718	7,413,004	4,700,670	3,414,077
Surplus on revaluation of fixed assets	1,437,936	675,001	493,079	296,961	296,961	168,163
Non-controlling Interest	442,137	451,963	422,867	390,725	318,627	260,847
Long-term and deferred liabilities	157,065	77,322	286,065	571,713	712,841	750,882
Total capital employed	13,676,294	11,528,895	10,076,729	8,672,403	6,029,099	4,593,969
Turnover	18,062,107	16,148,468	13,309,651	11,328,239	9,048,041	7,608,594
Profit before tax	2,832,228	3,254,423	2,880,416	2,679,203	1,908,819	1,165,879
Profit after tax	2,265,296	2,716,600	2,393,075	2,058,373	1,452,391	876,057
Profit after tax as % of turnover	12.54	16.82	17.98	18.17	16.05	11.51
Profit after tax as % of capital employed	16.56	23.56	23.75	23.73	24.09	19.07
Dividends						
Cash (%)	25	50	100	50	20	NIL
Stock (%)	NIL	15	30	24	20	40

COMPOSITION OF THE BOARD OF DIRECTORS

There have been seven directors on the Board. The composition of the board as at June 30, 2019 is as follows:

Category	Names
i Independent Director	Casual Vacancy
ii Non-executive Directors	Mr. Adnan Asdar Ali
	Mr. Rashid Abdulla
	Mr. Ayaz Abdulla
iii Executive Directors	Mr. Asad Abdulla
	Mr. Syed Nadeem Ahmed
	Mr. Zubair Palwala

During the year, Mr. Husain Lawai resigned from the Board of the holding company, in place of which Ms. Shahista Khaliq was appointed subsequent to year end.

No person other than those mentioned above, have at any time during the year ended June 30, 2019 served as the director of the holding company.

MEETINGS OF THE BOARD OF DIRECTORS

During the year, six 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	6
Mr. Rashid Abdulla	6
Mr. Husain Lawai	-
Mr. Syed Nadeem Ahmed	6
Mr. Zubair Palwala	6
Mr. Ayaz Abdulla	6
Mr. Asad Abdulla	6

AUDIT COMMITTEE

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

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

Name of director	Meetings attended
Mr. Husain Lawai	-
Mr. Adnan Asdar Ali	4
Mr. Asad Abdulla	4

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, one meeting of the committee was held, the attendance of which is as follows:

Name of director	Meetings attended
Mr. Husain Lawai	-
Mr. Adnan Asdar Ali	1
Mr. Ayaz Abdulla	1
Mr. Asad Abdulla	1

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

No material changes or commitments affecting the consolidated financial position of the holding company have occurred between the end of the financial year of the holding company and the date of this report.

VALUE OF INVESTMENTS

The value of investment of provident fund based on their un-audited / audited accounts as on June 30, 2019 and June 30, 2018 respectively was as follows:

	2019	2018
	-----Rupees '000-----	
Provident Fund	554,984	901,108

FUTURE OUTLOOK

Searle group is well positioned to benefit from the structural growth in Pakistan's healthcare spending, which at 2.8% of GDP and USD144/capita (PPP) is one of the lowest in the region. The holding company has a track record of navigating a relatively turbulent regulatory environment and has delivered a 10-year sales and earnings CAGR of 20% and 33%, respectively, while growing its market share from only 2.7% in 2013 to 5% in 2019.

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

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

Directors' Report

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.

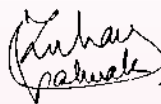
For the longer run, Searle group is focusing on emerging portfolios including, bio-similars, medical devices, nutraceuticals and genome sciences

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

For and on behalf of the Board



Syed Nadeem Ahmed
Chief Executive Officer



Zubair Palwala
Director

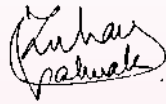
Karachi: September 30, 2019

ڈائریکٹرز کی رپورٹ

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

سرل گروپ آف کمپنیز میں ہم سب جذباتی طور پر ملحوظ و متحرک ہیں اور مستقل بنیادوں پر ہر عزم شراکت کے خواہشمند ہیں۔ اسی طرح ہمارے شراکت کار، سپلائرز اور صارفین، جس کیلئے ہم ان کے شکر گزار ہیں اور توقع کرتے ہیں کہ اسی لگن کے ساتھ وہ مستقبل میں بھی شریک کار رہیں گے۔ ہم یقین دہانی کراتے ہیں کہ سرل گروپ اپنی انتہائی کوششیں جاری رکھے گی اور ہم سے منسلک تمام شراکت کاروں کے لئے طویل مدتی بنیادوں پر ترقی کی نئی منازل فراہم کی جائیں گی۔

برائے اور پورڈ کی جانب سے



زیر پال والا
ڈائریکٹر



سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی:

30 ستمبر 2019

سرمایہ کاریوں کی قدر و قیمت

30 جون 2019 اور 30 جون 2018 کو پرائیڈ فنڈ کی سرمایہ کاری کی قدر و قیمت ان کے غیر آڈٹ شدہ/آڈٹ شدہ حسابات کی بنیاد پر بالترتیب درج ذیل کے مطابق تھی:

2018	2019
پاک روپے ہزاروں میں	
901,108	554,984
پرائیڈ فنڈ	

مستقبل پر ایک نظر

سرل گروپ پاکستان کے ہیلتھ کیئر اخراجات میں اسٹرکچرل گروتھ سے فائدہ پہنچانے کے ضمن میں بہتر پوزیشن پر موجود ہے جو جی ڈی پی کا 2.8 فیصد اور USD144/capita (PPP) ہے جو خطے کے کمترین سطح میں سے ایک ہے۔ ہولڈنگ کمپنی ایک منسلک و مستحکم ریگولیٹری ماحول برقرار رکھنے کا ثابت شدہ ریکارڈ کی حامل ہے اور بالترتیب 20 فیصد اور 30 فیصد سی اے جی آر کا 10 سالہ سیلز و آمدنی فراہم کر چکی ہے جبکہ اس کا مارکیٹ شیئر 2013 کے 2.7 فیصد سے بڑھ کر 2019 میں 5 فیصد ہو چکا ہے۔

مقامی مارکیٹ میں وہ بنیادی علاج معالجے کے شعبے جن میں سرل گروپ گزشتہ سالوں کے دوران مستحکم ہوئی ہے، کارڈیوویسکولر، نزلہ و کھانسی، ذیابیطیس، شیرخوار بچوں کا فارمولا، پروبائیوٹک اور اینٹی بائیوٹک شامل ہیں۔ آگے بڑھتے ہوئے ہم خصوصاً عمومی برانڈ کے پورٹ فولیو میں اپنا حصہ بڑھانے اور مختلف النوع مصنوعات کو ہدف بنانے پر خصوصی توجہ دے رہے ہیں۔ یہ واضح کرنا بھی ضروری ہے کہ سرل گروپ 200 سے زائد پروڈکٹس کی ریگولیٹری منظوری کے عمل کے مختلف مراحل کا حامل بھی ہے۔

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

مزید برآں ادویات کے نرخوں کے غیر منظم میکنزم کے باعث ریٹیل نرخوں میں اتار چڑھاؤ بھی ہمارے لئے تشویش کا ایک بڑا سبب ہے۔ نئی پروڈکٹ کی منظوری میں تاخیر سے بھی مجموعی طور پر صنعت کے لئے کلیدی خطرات سامنے آتے ہیں۔ تاہم حالیہ سیاسی صورتحال کی تبدیلی کے ساتھ ہم آنے والے معاشی رجحانات کا جائزہ لے رہے ہیں اور اس کے مطابق اپنی حکمت عملیوں میں تبدیلی لائیں گے۔

ڈائریکٹرز کی رپورٹ

آڈٹ کمیٹی

کمیٹی 3 نان۔ ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔ کمیٹی کے چیئرمین بھی ایک آزاد ڈائریکٹر ہیں۔ سال کے دوران آڈٹ کمیٹی کے 4 اجلاس منعقد ہوئے جس کی تفصیلات درج ذیل کے مطابق ہیں:

ڈائریکٹرز کے نام	شرکت کردہ اجلاس
جناب حسین لوئی	-
جناب عدنان اصدر علی	4
جناب اسد عبداللہ	4

ہیومن ریسورس اور ریمونریشن کمیٹی

کمیٹی 4 نان۔ ایگزیکٹو ممبران پر مشتمل ہے۔ کمیٹی کے چیئرمین ایک انڈیپنڈنٹ ڈائریکٹر ہیں۔ سال کے دوران کمیٹی کا ایک اجلاس منعقد کیا گیا، جس کی تفصیلات درج ذیل ہیں:

ڈائریکٹرز کے نام	شرکت کردہ اجلاس
جناب حسین لوئی	-
جناب عدنان اصدر علی	1
جناب ایاز عبداللہ	1
جناب اسد عبداللہ	1

ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کے مشاہرے کی نمایاں خصوصیات اور کلیدی عناصر درج ذیل کے مطابق ہیں:

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

بعد از آن ہونے والے واقعات

ہولڈنگ کمپنی کے مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان ایسی کوئی نمایاں تبدیلیاں یا معاہدے نہیں ہوئے جو ہولڈنگ کمپنی کی کنسولیڈیٹڈ مالیاتی حیثیت پر اثر انداز ہوں۔

بورڈ آف ڈائریکٹرز کی تشکیل

بورڈ میں سات ڈائریکٹرز موجود ہیں۔ بورڈ کی تشکیل 30 جون 2019 کے مطابق درج ذیل تھی:

کیٹگری	نام
i	انڈیپنڈنٹ ڈائریکٹر جناب خالی جگہ
ii	نان۔ ایگزیکٹو ڈائریکٹرز جناب راشد عبداللہ جناب ایاز عبداللہ جناب اسد عبداللہ
iii	ایگزیکٹو ڈائریکٹرز جناب سید ندیم احمد جناب زبیر پال والا

سال کے دوران جناب حسین لوہانی نے ہولڈنگ کمپنی کے بورڈ سے استعفیٰ دیا، ان کی جگہ محترمہ شائستہ خالق کو سال کی باقی ماندہ مدت کے لئے تعینات کیا گیا۔

مذکورہ بالا افراد کے علاوہ کسی بھی فرد نے 30 جون 2019 کو ختم ہونے والے سال کے دوران کسی بھی ہولڈنگ کمپنی کے ڈائریکٹر کی حیثیت سے فرائض انجام نہیں دیئے۔

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے 6 اجلاس منعقد ہوئے۔ اور ان میں بورڈ ممبران کی اجلاسوں میں شرکت درج ذیل کے مطابق ہیں:

ڈائریکٹرز کے نام	شرکت کردہ اجلاس
جناب عدنان اصدر علی	6
جناب راشد عبداللہ	6
جناب حسین لوہانی	-
جناب سید ندیم احمد	6
جناب زبیر پال والا	6
جناب ایاز عبداللہ	6
جناب اسد عبداللہ	6

ڈائریکٹرز کی رپورٹ

6 سالوں کے لئے اہم آپریٹنگ اور ماحولیاتی تفصیل درج ذیل کے مطابق ہے:

2014	2015	2016	2017 (دوبارہ بیان کردہ)	2018	2019	
						لاگو کردہ اثاثہ جات
560,152	688,354	1,528,607	2,254,788	2,692,524	3,786,177	املاک، پلائٹس اور ایکویٹمنٹ
47,782	39,845	254,473	397,709	384,661	365,268	غیر معمولی اثاثہ جات
2,516,865	2,614,906	2,607,507	2,584,202	2,871,818	2,724,116	مالیت پر جائیدادوں میں سرمایہ کاری
124,500	187,792	-	-	-	-	طویل مدتی سرمایہ کاری - ذیلی اداروں
2,476	100,300	325,560	1,020,405	1,682,189	13,895	طویل مدتی قرضے اور ڈپازٹس
-	-	-	1,894	-	-	ڈیفرنڈ اثاثہ جات
-	-	-	-	-	75,500	اثاثہ جات کلاسیفائیڈ جیسا کہ فروخت کے لئے موجود ہیں
1,342,194	2,397,902	3,956,256	3,817,731	3,897,703	6,711,339	خالص کرنٹ اثاثہ جات
4,593,969	6,029,099	8,672,403	10,076,729	11,528,895	13,676,294	مجموعی زیر عمل اثاثہ جات
						سرمایہ کاری کا ذریعہ
613,148	858,407	1,227,523	1,539,314	1,847,177	2,124,253	جاری کردہ سکر ایپڈ اور ادا شدہ سرمایہ
2,800,929	3,842,263	6,185,481	7,335,404	8,477,432	9,514,903	ریزروز اور غیر منقولہ شدہ منافع جات
3,414,077	4,700,670	7,413,004	8,874,718	10,324,609	11,639,156	شیر ہولڈرز کی ایکویٹی
168,163	296,961	296,961	493,079	675,001	1,437,936	فکسڈ اثاثہ جات کی دوبارہ قدر و قیمت پر اضافہ
260,847	318,627	390,725	422,867	451,963	442,137	کنٹرول نہ کئے جانے والا مقام
750,882	712,841	571,713	286,065	77,322	157,065	طویل مدتی غیر معمولی شدہ مالیاتی ذمے داریاں
4,593,969	6,029,099	8,672,403	10,076,729	11,528,895	13,676,294	مجموعی لاگو شدہ سرمایہ
7,608,594	9,048,041	11,328,239	13,309,651	16,148,468	18,062,107	ٹرن اوور
1,165,879	1,908,819	2,679,203	2,880,416	3,254,423	2,832,228	منافع قبل از ٹیکس
876,057	1,452,391	2,058,373	2,393,075	2,716,600	2,265,296	منافع بعد از ٹیکس
						منافع بعد از ٹیکس بمطابق ٹرن اوور کا فیصد
11.51	16.05	18.17	17.98	16.82	12.54	
						منافع بعد از ٹیکس بمطابق زیر عمل سرمائے کا فیصد
19.07	24.09	23.73	23.75	23.56	16.56	
						منافع منقسمہ
						نقد (فیصد)
NIL	20	50	100	50	25	
						اسٹاک (فیصد)
40	20	24	30	15	NIL	

ڈائریکٹرز کا تربیتی پروگرام

ڈائریکٹرز یا تو پہلے ہی سے ڈائریکٹرز کے تربیتی پروگرام میں شرکت کر چکے ہیں جیسا کہ گزشتہ سالوں میں یہ ضروری تھا یا اس سے استثنیٰ کی اہلیت کی شرائط پر پورا اترتے ہیں جیسا کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 میں درج ہے۔

انٹرنل کنٹرولز کی موزونیت

اس امر کو یقینی بنانے کے لئے کہ ہولڈنگ کمپنی کی جانب سے ہولڈنگ کمپنی کے اثاثہ جات کے تحفظ، قوانین اور ضوابط پر عملدرآمد اور مستند فنانشل رپورٹنگ کے لئے موزوں انٹرنل کنٹرولز لاگو کیئے گئے ہیں، بورڈ آف ڈائریکٹرز نے انٹرنل آڈٹ کے امور آؤٹ سورس کر کے گرانٹ تھورنٹن انجمن رچمن، چارٹرڈ اکاؤنٹینٹس کو سونپ دیئے ہیں جن کو موزوں اور کوالیفائیڈ ہونے کے ساتھ اس مقصد کے لئے مناسب تجربے کا حامل تصور کیا جاتا ہے 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 کے بارے میں اطلاع اور آگاہی فراہم کر دی گئی ہے اور یہ ضروری ہے کہ کاروبار اور اصول و ضوابط سے متعلق امور میں ان قوانین پر عمل کیا جائے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- ہولڈنگ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی حسابات اس کے کاروباری امور آپریشنز کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلی کو شفاف انداز میں پیش کرتے ہیں۔
- ہولڈنگ کمپنی کے حسابات کی باقاعدہ کتب تیار کی جاتی ہیں۔
- مالیاتی حسابات اور اکاؤنٹنگ کے تخمینہ جات کی تیاری میں موزوں اکاؤنٹنگ پالیسیاں لاگو کی جاتی ہیں جو مناسب اور محتاط فیصلوں پر مبنی ہیں۔
- انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز، جیسا کہ پاکستان میں رائج ہیں، کو 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 کنٹرول سسٹم کا باقاعدگی سے جائزہ لیا جاتا ہے۔
- اس امر میں کوئی شبہ نہیں کہ ہولڈنگ کمپنی میں ترقی کرنے کی صلاحیت موجود ہے۔
- 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 نزخوں کے بہترین طریقہ کار سے رُوگردانی نہیں کی جاتی۔

ڈائریکٹرز کی رپورٹ

انفارمیشن ٹیکنالوجی

ہولڈنگ کمپنی کی بڑھتی ہوئی کاروباری ضروریات سے نمٹنے اور انفارمیشن سسٹم کو اپ گریڈ کرنے کے لئے باقاعدگی سے ہماری کوششوں کے ضمن میں ہم اپنی پالیسی کو برقرار رکھتے ہوئے انفارمیشن ٹیکنالوجی میں زیادہ سے زیادہ سرمایہ کاری جاری رکھے ہوئے ہیں۔ ہم نے اپنے کاروباری آپریشنز کو مزید مستحکم اور منظم بنانے کے لئے انتہائی پاورفل کاروباری انتظامی سسٹم ایس اے پی ('SAP') کا کامیابی سے نافذ 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 کے متعلق معلومات درج ہیں۔

متعلقہ پارٹیوں کی لین دین

سال 2019 کے دوران تمام متعلقہ پارٹی ٹرانزیکشنز آڈٹ کمیٹی اور بورڈ کے جائزے اور منظوری سے قبل پیش کر دی گئی ہیں۔ یہ منتقلیاں آڈٹ کمیٹی اور بورڈ کی جانب سے ان کے متعلقہ اجلاسوں میں باقاعدہ منظوری کی گئی ہیں۔ یہ تمام ٹرانزیکشنز ٹرانسفر کے نرخوں کے طریقہ کار کے مطابق اور بورڈ کی جانب سے پہلے سے منظور شدہ متعلقہ پارٹیوں کے ساتھ پالیسی کے تحت کی گئیں۔ ہولڈنگ کمپنی ان ٹرانزیکشنز کا مکمل ریکارڈ بشمول ان کے شرائط و ضوابط بھی تیار کرتا ہے۔ مزید تفصیلات کے لئے براہ مہربانی مالیاتی حسابات کا حوالہ نوٹ 38 دیکھیں۔

کوڈ آف کارپوریٹ گورننس پر عملدرآمد

اسٹاک ایکسچینج کے جاری کردہ لسٹنگ قوانین اور لسٹڈ کمپنیز ریگولیشنز، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے قوانین اس میں شامل کردیئے گئے ہیں۔ ہولڈنگ کمپنی نے کوڈ کو نافذ کر رکھا ہے اور انہی خطوط اور روح کے ساتھ اس پر عملدرآمد کیا جا رہا ہے۔

ڈائریکٹرز، سی ایف او، کمپنی سیکریٹری اور ایگزیکٹوز وغیرہ کی جانب سے شیئرز کی تجارت

ہولڈنگ 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 بچے، ماسوائے درج ذیل ایگزیکٹوز، ہولڈنگ کمپنی کے شیئرز میں کسی قسم کی کوئی تجارت یا لین دین نہیں کر رہے:

نام	خریدے گئے شیئرز	فروخت کئے گئے شیئرز
جناب موجود الحسن	8,400	-
جناب فخر عالم	1,000	-
جناب محمد ساجد	1,000	-
جناب محمد عثمان چغتائی	200	100
جناب عمیر اسلم	400	-

کاروباری ضوابط

سرل گروپ کا کاروباری طریقہ کار منظم، شفاف اور نافذ العمل قوانین اور ضوابط پر عملدرآمد پر مبنی ہے۔

ہماری اقدار اور امیدیں محض لفظوں سے بہت زیادہ ہونے اور ہماری رہنمائی میں معاونت کے ساتھ ساتھ دنیا کی انتہائی منفرد کمپنیوں میں سے ایک بنانے، بہتر کارکردگی اور قابل بھروسہ ہیلتھ کیئر کمپنیوں میں شامل ہونے کے ہمارے ہدف کو پورا کرنے میں مدد دیتی ہیں۔ یہ ہمارے کلچر کو نمایاں کرنے اور ہمارے اقدامات اور فیصلوں میں رہنمائی کرتی ہیں تاکہ ہم ان لوگوں پر اپنا اعتماد برقرار رکھ سکیں جو ہم پر ہمہ وقت انحصار کرتے ہیں اور اپنے مریضوں اور صارفین کی امیدوں پر پورا اتر سکیں۔ یہ ہم پر منحصر ہے کہ ہم روزانہ سرل کو اس نوعیت کا گروپ بنانے میں سرگرم رہیں جس پر ہم سب کو فخر ہو۔ ہم اپنے صارفین کی ضروریات کو سمجھنے اور ان کو پورا کرتے ہیں جبکہ کاروبار کے آپریشنز کے تمام تر پہلوؤں کو مستقل طور پر بہتر بنانے کے لئے کوشاں ہیں۔

ہم اپنے مریضوں اور صارفین کے لئے درست اقدامات کرنے اور بلند ترین معیار کیلئے مصروف عمل ہیں ہم اپنے شراکت کاروں کے ساتھ مل کر ہیلتھ کیئر کی سہولتوں کی بہتری اور نئی ادویات اور ویکسینز کی تلاش کرنے میں سرگرم عمل ہیں۔ اپنے کردار کو سمجھتے ہوئے ہم مریضوں اور صارفین پر اپنے کاموں کے اثرات کو بخوبی جانتے ہیں۔

پروڈکٹ کا معیار

سرل گروپ کی مصنوعات پر صارفین کا بھروسہ اور اعتماد ہمارا انتہائی قیمتی اثاثہ ہے۔ ہم اس امر کو تسلیم کرتے ہیں کہ فارماسیوٹیکلز کی تیاری میں کئی منفی خطرات درپیش 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 و بہتری کے تحفظ کے ضمن میں اپنی ذمہ داری پوری طرح محسوس کرتے ہیں اور اس کیلئے کسی بھی دوا اور میڈیسن سے متعلق مصنوعات کی تیاری کیلئے تمام تر طریقہ کار میں اس معیار کو یقینی بنایا جاتا ہے جو صحت اور تحفظ کے بارے میں مریضوں کی توقعات پر پورا اتر سکے۔

کارپوریٹ اور سماجی ذمہ داری

ہمارے فرائض اور ذمہ داری کا دائرہ کار اپنے اسٹیک ہولڈرز کیلئے منافع بڑھانے پر ہی ختم نہیں ہو جاتا۔ سرل گروپ میں ہمارے اغراض و مقاصد میں اس معیشت کو مستحکم بنانا بھی شامل ہے جس میں ہم کاروبار کر رہے ہیں۔ جن بنیادی شیعوں پر ہم خصوصی توجہ دیتے ہیں ان میں سے ایک روزگار کے لئے مواقع پیدا کرنا ہے تاکہ وسیع صنعتی اور سیلز افراد کی قوت کی معاونت کی جاسکے۔

ہولڈنگ کمپنی سماجی ذمہ داری کو محسوس کرتے ہوئے سرگرم عمل ہے۔ اس کے مطابق ہولڈنگ کمپنی کا سی ایس آر پروگرام وسیع البیاد سرگرمیوں کا حامل ہے اور ہیلتھ کیئر، تعلیم، بچوں کی فلاح و بہبود اور دیگر سماجی بہبود کے اقدامات کئے جاتے ہیں۔

آ کیو پی شل ہیلتھ، سیفٹی اور اینوائرنمنٹ

ہم اپنی کمپنی سرل گروپ میں سیفٹی اور محفوظ ماحول کو بہت اہمیت دیتے ہیں اور یہ تصور کرتے ہیں کہ یہ ہماری ذمہ داری اور فرض ہے کہ اپنے لئے کام کرنے والے افراد کو بھی اس بات کا علم ہونا چاہیے کہ کام کرنے کا محفوظ ماحول اور ان کی صحت کیلئے کسی بھی خطرے سے پاک ماحول کیسا ہونا چاہیے۔ ہمارے ملازمین اور ویزٹرز کی صحت اور سیفٹی ہولڈنگ کمپنی کے لئے نہایت اہم ترجیح ہے، لہذا آپریشنز سے متعلق خطرات کی مستقل شناخت کی جاتی ہے اور ان کا جائزہ لے کر ان کے خاتمے یا خطرات کو کم کرنے کا بندوبست کیا جاتا ہے۔

ڈائریکٹرز کی رپورٹ

مالیاتی حسابات اور آڈیٹرز

موجودہ آڈیٹرز میسرز اے۔ ایف۔ فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سیکڈوش ہور ہے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔

بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارشات پر 30 جون 2020 کو ختم ہونے والے مالی سال کیلئے باہمی طے شدہ معاوضے پر ہولڈنگ کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کی توثیق کر دی ہے۔

ہولڈنگ کمپنی

انٹرنیشنل برانڈز لمیٹڈ سرل کی سرکردہ ہولڈنگ کمپنی ہے جو ہولڈنگ کمپنی میں 56.60 فیصد شیئر ہولڈنگ کی حامل ہے۔

کمپنی کے ذیلی ادارے

درج ذیل ذیلی کمپنیاں کام کر رہی ہیں:

موثر العمل فیصد ہولڈنگ کی عمر	کاروبار کا مرکزی مقام	
30 جون 2018	30 جون 2019	
74.19%	74.19%	لسٹڈ کمپنی
		- آئی بی ایل ہیلتھ کیئر لمیٹڈ
		ان لسٹڈ کمپنیاں
100.00%	100.00%	- سرل فارماسیوٹیکلز (پرائیویٹ) لمیٹڈ
100.00%	100.00%	- سرل لیبارٹریز (پرائیویٹ) لمیٹڈ
100.00%	100.00%	- سرل بائیوسائنسز (پرائیویٹ) لمیٹڈ
100.00%	100.00%	- آئی بی ایل آئیڈنٹیٹی (پرائیویٹ) لمیٹڈ
100.00%	100.00%	- آئی بی ایل فوچر ٹیکنالوجیز (پرائیویٹ) لمیٹڈ
85.17%	87.20%	- نیکسٹر فارما (پرائیویٹ) لمیٹڈ

پاکستان

شیئر ہولڈنگ کا طریقہ کار

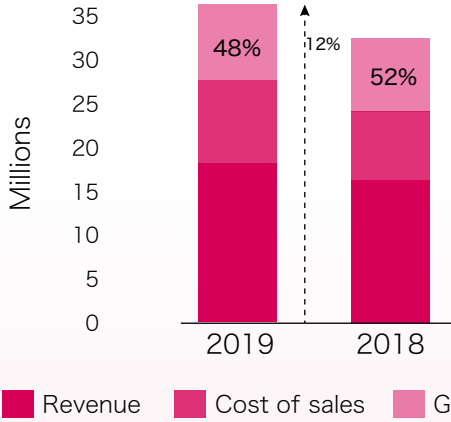
30 جون 2019 کے مطابق شیئر ہولڈنگ کا طریقہ کار بشمول شیئر ہولڈرز کی کیلنگرز جیسا کہ کمپنیز ایکٹ 2017 کے سیکشن 227 اور لسٹنگ ریگولیشنز کے تحت ضروری ہے، سالانہ رپورٹ 2019 کے صفحہ نمبر 198 تا 202 پر پیش کی جا رہی ہیں۔

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

30 جون

2018 2019

(پاکستانی روپے ہزاروں میں)



16,148,468	18,062,107	آمدنی
(7,817,504)	(9,462,243)	فروخت کے اخراجات
8,330,964	8,599,864	مجموعی آمدنی
(4,820,791)	(5,401,463)	آپریٹنگ اخراجات
(195,407)	(161,748)	دیگر آپریٹنگ اخراجات
156,393	234,445	دیگر آمدنی
3,471,159	3,271,098	آپریٹنگ سے آمدنی
(216,736)	(438,870)	مالیاتی اخراجات
3,254,423	2,832,228	آمدنی قبل از انکم ٹیکس
(537,823)	(566,932)	انکم ٹیکس اخراجات
2,716,600	2,265,296	منافع برائے سال

یہ شرح نمو ڈاکٹر کی کوریج میں توسیع، پروڈکٹ پورٹ فولیو پختہ ہونے، بلند تر حجم، مستحکم پروڈکٹ مکس، برانڈنگ کی کوششوں اور مستحکم طلب کے نتیجے میں ہولڈنگ کمپنی نے حاصل کی۔ مزید برآں کاسٹ اور اخراجات پر سخت انتظامی کنٹرول نے ہولڈنگ کمپنی کی مالیاتی کارکردگی کو بہتر بنانے میں اپنا بھرپور کردار ادا کیا۔

آمدنی فی شیئر

اس مدت کے لئے بنیادی آمدنی فی شیئر بعد از ٹیکسیشن 10.55 روپے رہی (2018: 12.65 روپے)۔ ہولڈنگ کمپنی کی بنیادی آمدنی فی شیئر پر براہ راست کوئی اثرات ظاہر نہیں ہوئے کیونکہ ہولڈنگ کمپنی کے کسی ممکنہ منتقلی کی طاقت کی حامل نہ ہونے کے باعث عمومی شیئرز بہ مطابق 30 جون 2019 برقرار رہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2019 کو ختم ہونے والے سال کے لئے نقد منافع منقسمہ 25 فیصد کی سفارش کی ہے۔ 30 جون 2018 کو ختم ہونے والے گزشتہ سال کے دوران ہولڈنگ کمپنی نے نقد اور اسٹاک منافع منقسمہ میں بالترتیب 50 فیصد اور 15 فیصد کا اعلان کیا تھا۔

ڈائریکٹرز کی رپورٹ

ڈائریکٹرز سالانہ رپورٹ مع سال ختمہ 30 جون 2019 کیلئے ہولڈنگ کمپنی کے آڈٹ شدہ مالیاتی حسابات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور ریگولیشنز 2017 (کوڈ آف کارپوریٹ گورننس) لسٹڈ کمپنیز کے باب XIII کے مطابق تیار کی گئی ہے۔

یہ رپورٹ کمپنی کے 54 ویں سالانہ اجلاس عام منعقدہ 25 اکتوبر 2019 میں ممبران کو جمع کرائی جائے گی۔

جائزہ

پاکستان میں فارماسیوٹیکل سیکٹر کی استطاعت میں اضافے، آبادی بڑھنے، بلند تر زندگی کی امیدوں اور مہلک امراض کے واقعات بڑھنے کے واضح رجحانات کے باعث نئے مالکیوں کے تعارف اور وجوہات کی بناء پر (19-2013) میں 12 فیصد سی اے جی آر تک بڑھ گئی۔

تاہم فارماسیوٹیکل انڈسٹری مستقل طور پر درآمدمد شدہ اے پی ایلز، کمتر ٹاکس اخراجات اور عالمی ماحولیات کے باعث کمتر نرخوں پر زیادہ انحصار کے باعث سست روی کے رجحانات سے گزر رہی ہے لہذا صنعت اپنے خام مال کے لئے درآمدات پر انحصار کرتی ہے۔ اس نمایاں واضح انحصار کے باعث ایکسچینج ریٹس کے اتار چڑھاؤ مع نرخوں کے سخت ضوابط کے سبب براہ راست پروڈکٹ کی شرح منافع اور نتیجتاً تجارتی افادیت متاثر ہوئی۔ پاکستانی روپے نے دہرے دہرے ہندسے میں اپنی قدر کم کی جس کے سبب فارما انڈسٹری سخت دباؤ کا شکار رہی۔

آپریٹنگ نتائج

سرل گروپ نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات پیش کرنے کے ذریعے مریضوں کی زندگی و حالت کو بہتر بنانے کی کوشش کی ہے۔ ہم نے مریضوں اور اسٹیک ہولڈرز کے لئے فوائد کو مد نظر رکھتے ہوئے ایک مستحکم ترقی کی پوزیشن حاصل کی ہے ہماری بنیادی ترجیح یہی ہے اور ہم اپنی کوششوں کے بار آور ہونے پر فخر کرتے ہیں۔

اقتصادی چیلنجز صورتحال کی باوجود جہاں غیر ملکی کرنسی کے اتار چڑھاؤ نے مجموعی معاشی صورتحال پر اثرات مرتب کئے، سرل گروپ نے اس کا مناسب حد تک بندوبست کر کے معاملات کو سنبھالا۔ 30 جون 2019 کو ختم ہونے والے سال کے دوران ہولڈنگ کمپنی نے 18.06 بلین روپے کاروبار میں حاصل کیا اور 12 فیصد کی گروتھ رجسٹرڈ کی۔ تاہم رواں سال میں مجموعی شرح منافع 48 فیصد تک گر گیا جو اس کے مقابلے میں 52 فیصد تک تھا اور ہولڈنگ کمپنی کا منافع بعد از ٹیکس کرنسی کی قدر میں کمی اور کائی بور (KIBOR) ریٹس میں بھاری اضافے کے مذکورہ بالا اثرات کے باعث 13 فیصد تک کم ہو گیا۔



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, 2019, and 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, 2019, 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 contract with customers

(Refer note 25.1 to the consolidated financial statements)

During the year in respect of pharmaceutical products, the Drug Regulatory Authority of Pakistan (DRAP) revised maximum retail prices (MRP) of drugs.

The Holding Company accepted the prices as notified by DRAP except for four of its products namely, Hydryllin, Gravinat, Metodine and Peditral. The Holding Company challenged the prices in the DRAP Appellate Board, however, the said application was rejected by the Appellate Board. The Holding Company has filed an appeal in the Honourable High Court of Sindh. The exposure to the litigation amounts to Rs. 490.56 million.

The above matter requires 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 the inherent uncertainties with respect to the outcome of the matter and use of significant management judgement and estimates, we considered this as a key audit matter.

Our audit procedures included the following:

- obtained and reviewed details of the pending litigation 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 confirmation from the Holding Company's external legal counsel; and
- assessed the adequacy of disclosures made in the consolidated financial statements.

S. No. Key audit matters

How the matter was addressed in our audit

(ii) Product Recall

Refer Note 13.10 to the consolidated financial statement

The Holding Company has claimed Rs. 318.95 million from Zhejiang Huahai Pharmaceuticals, China (ZHP) relating to its product "Extor" that contains material supplied by ZHP. During the year, 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 re-called finished product "Extor" amounting to Rs. 221.95 million from the local market and Rs. 97 million from the international market.

The impact of the product re-call has been set off by the claim raised by the Holding Company against ZHP.

Considering the significance of the event during the year, this matter has been considered as a key audit matter.

Our audit procedures included the following:

- obtained and reviewed the correspondence between the Holding Company and the Supplier;
- checked the claim to the Supplier in respect of the product recall and also the claim raised by the respective distributors;
- obtained direct confirmation from the Supplier in respect of the balance due; and
- assessed the adequacy of disclosure made 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:

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- 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.
- 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.

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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 4, 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	2019	2018
		-----Rupees '000-----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,786,177	2,692,524
Investment properties - at cost	5	2,724,116	2,871,818
Intangible assets	6	365,268	384,661
Long-term loans and advances	7	270	1,657,012
Long-term deposits	8	13,624	25,177
		<u>6,889,455</u>	<u>7,631,192</u>
Current assets			
Inventories	9	2,953,902	2,831,232
Trade receivables	10	6,209,817	4,359,858
Loans and advances	11	2,944,181	883,167
Trade deposits and short-term prepayments	12	91,074	80,409
Interest accrued		2,970	16,208
Other receivables	13	787,859	318,467
Investments - at fair value through profit or loss	14	-	55,782
Taxation - payments less provision		1,000,760	846,554
Tax refunds due from Government - Sales tax		59,527	21,723
Cash and bank balances	15	262,054	204,660
		<u>14,312,144</u>	<u>9,618,060</u>
Asset classified as 'Held for Sale'	16	75,500	-
Total assets		<u>21,277,099</u>	<u>17,249,252</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	2,124,253	1,847,177
Share premium		1,630,974	1,630,974
Unappropriated profit		7,603,678	6,566,207
General reserve		280,251	280,251
Revaluation surplus on property, plant and equipment		1,437,936	675,001
Attributable to owners of The Searle Company Limited - Holding Company		13,077,092	10,999,610
Non-controlling interests		442,137	451,963
		<u>13,519,229</u>	<u>11,451,573</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	18	4,664	4,664
Deferred tax liabilities	19	96,581	22,028
Employee benefit obligations	20	55,820	50,630
		<u>157,065</u>	<u>77,322</u>
Current liabilities			
Trade and other payables	21	3,520,230	3,073,659
Borrowings	22	3,922,277	2,537,763
Unpaid dividend	23	110,667	52,259
Unclaimed dividend		47,631	56,676
		<u>7,600,805</u>	<u>5,720,357</u>
Total liabilities		<u>7,757,870</u>	<u>5,797,679</u>
Contingencies and commitments	24		
Total equity and liabilities		<u>21,277,099</u>	<u>17,249,252</u>

The annexed notes from 1 to 46 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, 2019

	Note	2019 -----Rupees '000-----	2018
Revenue from contract with customers	25	18,062,107	16,148,468
Cost of sales	26	(9,462,243)	(7,817,504)
Gross profit		8,599,864	8,330,964
Distribution costs	27	(4,284,999)	(3,742,496)
Administrative expenses	28	(1,103,218)	(1,078,295)
Loss Allowance		(13,246)	-
Other operating expenses	29	(161,748)	(195,407)
Other income	30	234,445	156,393
Profit from operations		3,271,098	3,471,159
Finance cost	31	(438,870)	(216,736)
Profit before income tax		2,832,228	3,254,423
Income tax expense	32	(566,932)	(537,823)
Profit for the year		2,265,296	2,716,600
Profit is attributable to:			
Owners of The Searle Company Limited - Holding Company		2,241,258	2,687,216
Non-controlling interests		24,038	29,384
		2,265,296	2,716,600
Basic and diluted earnings per share (Rupees)	33	10.55	(Restated) 12.65

The annexed notes from 1 to 46 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, 2019

	2019	2018
	-----Rupees '000-----	
Profit for the year	2,265,296	2,716,600
Other comprehensive (loss) / income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	(1,129)	(3,506)
Surplus on revaluation of property, plant and equipment	772,620	191,957
- net of deferred tax	771,491	188,451
Total comprehensive income for the year	3,036,787	2,905,051
Total comprehensive income is attributable to:		
Owners of The Searle Company Limited - Holding Company	3,012,749	2,866,769
Non-controlling interests	24,038	38,282
	3,036,787	2,905,051

The annexed notes from 1 to 46 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, 2019

	Attributable to the owners of the Holding Company								
	Capital reserves				Revenue reserves				
	Share capital	Share premium	Issue of bonus shares	Revaluation surplus on Property, plant & equipment	General reserve	Unappropriated profit	Sub - Total reserves	Non-controlling interests	Total
	-----Rupees '000-----								
Balance as at July 1, 2017	1,539,314	1,630,974	-	493,079	280,251	5,424,179	7,828,483	422,867	9,790,664
Total comprehensive income for the year ended June 30, 2018									
Profit for the year ended June 30, 2018	-	-	-	-	-	2,687,216	2,687,216	29,384	2,716,600
Other comprehensive income / (loss) for the year ended June 30, 2018	-	-	-	183,059	-	(3,506)	179,553	8,898	188,451
Transfer of incremental depreciation net of deferred tax	-	-	-	(1,137)	-	1,137	-	-	-
	-	-	-	181,922	-	2,684,847	2,866,769	38,282	2,905,051
Transaction with owners in their capacity as owners									
Transfer to reserve for issuance of bonus shares	-	-	307,863	-	-	(307,863)	-	-	-
Bonus shares issued during the year in the ratio of 20 shares for every 100 shares held	307,863	-	(307,863)	-	-	-	(307,863)	-	-
Final dividend for the year ended June 30, 2017 @ Rs. 8 per share	-	-	-	-	-	(1,231,451)	(1,231,451)	-	(1,231,451)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	-	(12,691)	(12,691)
Transaction with non-controlling interests	-	-	-	-	-	(3,505)	(3,505)	3,505	-
	307,863	-	-	-	-	(1,542,819)	(1,542,819)	(9,186)	(1,244,142)
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 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)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	-	(15,078)	(15,078)
Transactions 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 June 30, 2019	<u>2,124,253</u>	<u>1,630,974</u>	<u>-</u>	<u>1,437,936</u>	<u>280,251</u>	<u>7,603,678</u>	<u>10,952,839</u>	<u>442,137</u>	<u>13,519,229</u>

The annexed notes from 1 to 46 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, 2019

Note **2019** 2018
-----Rupees '000-----

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations	34	(623,328)	2,449,174
Employee benefit obligations paid		(2,071)	(5,416)
Finance cost paid		(364,857)	(100,276)
Income taxes paid		(713,921)	(704,312)
Interest income received		35,022	11,001
Decrease / (Increase) in long-term deposits		11,553	(20,151)
Increase in long-term loans and advances		1,656,742	(641,633)
Net cash (used in) / generated from operating activities		(860)	988,387

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(383,312)	(530,464)
Proceeds from disposal of property, plant and equipment	16,820	13,166
Purchase of investment properties	(70,487)	(190,303)
Purchase of intangible assets	(25,518)	(27,289)
Acquisition of non-controlling interest	(30,465)	-
Purchase of investments - at fair value through profit or loss	-	(213,576)
Proceeds from redemption of investments - at fair value through profit or loss	56,005	320,386
Net cash used in investing activities	(436,957)	(628,080)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	(889,303)	(1,193,302)
Proceeds / (Repayment of) from export refinance	210,000	(64,000)
Current portion of long-term loan repaid	(214,285)	(214,286)
Long-term bills paid	-	(20,084)
Net cash used in financing activities	(893,588)	(1,491,672)

Net decrease in cash and cash equivalents

(1,331,405) (1,131,365)

Cash and cash equivalents at beginning of the year

(2,118,818) (987,453)

Cash and cash equivalents at end of the year

35 (3,450,223) (2,118,818)

The annexed notes from 1 to 46 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, 2019

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 Holding Company is situated at 1st Floor, N.I.C.L Building, Abbasi Shaheed Road, 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	
Listed Companies		2019	2018
- 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%	85.17%
- 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 IBLHC is located at 9th Floor, N.I.C.L Building, Abbasi Shaheed Road, 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 SPPL is located at 1st Floor, N.I.C.L Building, Abbasi Shaheed Road, Karachi.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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 SLPL is located at 1st Floor, N.I.C.L Building, Abbasi Shaheed Road, 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.L 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 NPPL is situated at Plot No. E-58, N.W.I.Z. Port Qasim, 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 IBLIPL is located at 1st Floor, N.I.C.L Building, Abbasi Shaheed Road, 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.L Building, Abbasi Shaheed Road, Karachi.

1.3 The geographical location and address of the Group business units, including plant are detailed in note 44

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

2.1.1 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; 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.

2.2 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 2.15
- b) Revaluation of property, plant and equipment - note 2.6
- c) Pricing from revenue - note 2.17

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.

2.3 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 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

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

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

The impact of changes laid down by these standards are detailed in note 3.

The Securities and Exchange Commission of Pakistan (SECP) through its notification dated July 29, 2019 brought certain alterations in fourth schedule to the Companies Act, 2017 (the Act) with regard to preparation and presentation of financial statements. These alterations resulted in elimination of certain disclosures in these financial statements of the Company as at June 30, 2019.

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

There are other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2018 but are considered not to be relevant for the Holding Company's consolidated financial statements and hence have not been detailed here.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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

The following is the new standard, that will be effective for the periods beginning on or after January 1, 2019 that may have an impact on the financial statements of the Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new 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 management is in the process of assessing the impact of changes laid down by these standards on its consolidated financial statements.

2.4 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.

2.5 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 affects 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.

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.

2.6 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, 2019

2.7 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.

2.8 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.

2.9 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.

2.10 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'.

2.11 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.

2.12 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 2.23 for a description of the Company'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.

2.13 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.

2.14 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.

2.15 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.

2.16 Employee retirement benefits

The Group operates various post-employment schemes, including both defined contribution and defined benefit plans.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

2.16.1 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.

2.16.2 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 consolidated 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 Holding Company operates an unfunded gratuity scheme covering all unionised employees with five or more years of service with the Holding Company. The provision has been made in accordance with actuarial valuations carried out as of June 30, 2019 using the projected unit credit method.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 Financial Instruments - Initial recognition and subsequent measurement

Policy effective from 1 July 2018

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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 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.

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 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 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.

2.24 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.

2.25 Financial assets and liabilities - Policy upto 30 June 2018

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

Financial assets and liabilities are off set and the net amount is reported in the unconsolidated 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.

2.26 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

2.27 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.

3. Change in accounting policies

i) IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from July 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.24 above. In accordance with the transitional provisions in IFRS 9, corresponding figures have not been restated and any adjustment to carrying amount of financial assets and liabilities were recognised in the opening retained earnings as of the transition date.

Classifications and remeasurement

On July 1, 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassifications and adjustments are as follows:

Financial assets - July 1, 2018	Note	Carrying amount as reported under IAS 39 July 1, 2018	Reclassifica- tion due to IFRS - 9	Remeasure- ment allowance: ECL	Carrying amount as reported under IFRS 9 July 1, 2018
----- (Rupees in 000) -----					
Loans and advances		2,007,586	-	-	2,007,586
Deposits		89,491	-	-	89,491
Trade receivables	a,b	4,359,858	-	-	4,359,858
Interest accrued		16,208	-	-	16,208
Investments - at fair value through profit or loss		55,782	-	-	55,782
Other receivable		318,467	-	-	318,467
Cash and bank balances		204,660	-	-	204,660
		<u>7,052,052</u>	<u>-</u>	<u>-</u>	<u>7,052,052</u>

- (a) IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Company has determined that the application of IFRS 9's impairment requirement at July 1, 2018 results in no additional allowance for trade receivables.
- (b) the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements which require impairment of financial assets to be presented in a separate line item in the profit and loss account. However, during the year ended June 30, 2018 there was no provision for doubtful debts that could be reclassified to 'impairment loss on trade receivables' in the profit and loss account.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at July 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original amount under IAS 39	New carrying amount under IFRS 9
-----Rupees '000-----				
Financial assets				
Loans and advances	Loans and receivables	Amortised cost	2,007,586	2,007,586
Deposits	Loans and receivables	Amortised cost	89,491	89,491
Trade receivables	Loans and receivables	Amortised cost	4,359,858	4,359,858
Interest accrued	Loans and receivables	Amortised cost	16,208	16,208
Investments - at fair value through profit or loss	Loans and receivables	Amortised cost	55,782	55,782
Other receivable	Loans and receivables	Amortised cost	318,467	318,467
Cash and bank balances	Loans and receivables	Amortised cost	204,660	204,660
Financial liabilities				
Trade and other payables	Other financial liabilities	Other financial liabilities	3,073,659	3,073,659
Unclaimed dividend	Other financial liabilities	Other financial liabilities	52,259	52,259
Unpaid dividend	Other financial liabilities	Other financial liabilities	56,676	56,676
Borrowings	Other financial liabilities	Other financial liabilities	2,537,763	2,537,763

ii) IFRS 15 - Revenue from contracts with customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers from July 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As a result of application of IFRS 15, bonus stock claims amounting to Rs. 264.07 million (2018: Rs. 247.17 million) treated as Cost of sales have now been reclassified as deductions from Revenue.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	-----Rupees '000-----	-----Rupees '000-----
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 4.1	3,046,624	1,792,837
Capital work-in-progress - at cost - note 4.9	739,553	899,687
	<u>3,786,177</u>	<u>2,692,524</u>

4.1 Operating assets:

	OWNED ASSETS							
	Leasehold land - notes 4.2, 4.3, 4.4 & 4.5	Building on leasehold land / rented office premises - notes 4.3, 4.4 & 4.5	Plant and machinery 4.3, 4.4 & 4.5	Office equipment	Furniture and fixtures	Vehicles - notes 4.3, 4.4 & 4.5	Air - conditioning systems - notes 4.3, 4.4 & 4.5	Total
	-----Rupees '000-----							
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 4.3 & 4.4	607,081	-	218,371	-	-	14,506	-	839,958
Disposals - note 4.8	-	-	(2,017)	(4,350)	-	(2,918)	-	(9,285)
Transfer from 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	<u>1,440,641</u>	<u>485,512</u>	<u>896,968</u>	<u>92,604</u>	<u>42,028</u>	<u>48,852</u>	<u>40,019</u>	<u>3,046,624</u>
Gross carrying value basis								
As 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	<u>1,440,641</u>	<u>485,512</u>	<u>896,968</u>	<u>92,604</u>	<u>42,028</u>	<u>48,852</u>	<u>40,019</u>	<u>3,046,624</u>
Net carrying value basis								
Year ended June 30, 2018								
Opening net book value	773,634	194,041	334,716	57,898	22,945	29,602	20,445	1,433,281
Additions	694	148,812	224,282	46,119	11,802	16,560	4,015	452,284
Revaluation - notes 4.3 & 4.4	119,426	69,527	13,160	-	-	8,550	4,283	214,946
Disposals	-	-	-	-	-	(7,402)	-	(7,402)
Transfer to investment property	(148,728)	-	-	-	-	-	-	(148,728)
Depreciation charge	-	(33,258)	(69,727)	(28,881)	(3,525)	(11,382)	(4,771)	(151,544)
Closing net book value	<u>745,026</u>	<u>379,122</u>	<u>502,431</u>	<u>75,136</u>	<u>31,222</u>	<u>35,928</u>	<u>23,972</u>	<u>1,792,837</u>
Gross carrying value basis								
As at June 30, 2018								
Cost or revaluation	745,026	561,369	1,042,467	166,063	56,024	57,460	83,817	2,712,226
Accumulated depreciation	-	(182,247)	(532,776)	(89,522)	(21,200)	(21,532)	(59,845)	(907,122)
Accumulated impairment	-	-	(7,260)	(1,405)	(3,602)	-	-	(12,267)
Net book value	<u>745,026</u>	<u>379,122</u>	<u>502,431</u>	<u>75,136</u>	<u>31,222</u>	<u>35,928</u>	<u>23,972</u>	<u>1,792,837</u>
Depreciation rate	-	5% & 20%	10%, 20% & 33%	10%, 20% & 33%	10%, 20% & 33%	20%	10% & 20%	

4.2 Leasehold land includes land having market value / fair value of Rs. 106.54 million (2018: Rs. 93.4 million) for which lease in name of Holding Company has not been finalised. The land has not been commercialised yet.

4.3 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. 607.08 million (2018: Rs. 59.43 million), Nil (2018: Rs. 69.53 million), Rs. 218.37 million (2018: Rs. 13.16 million), Rs. 14.51 million (2018: Rs. 8.6 million) and Nil (2018: Rs. 4.3 million) respectively.

4.4 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, 2019 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, 2019 are as follows:

	2019	2018
	-----Rupees '000-----	
- Leasehold land	974,127	542,610
- Building on leasehold land	258,080	162,057
- Plant and machinery	599,375	321,731
- Vehicles	34,370	25,323
- Air-conditioning systems	25,700	14,968

4.5 The previous valuation was carried out by an independent valuer M/s. Pee Dee & Associates and M/s. A.J. Associates on June 30, 2018.

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).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 4.6** 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-conditioning	Vehicles	Total
	----- Rupees '000 -----					
Cost	292,494	598,023	1,289,265	102,495	66,154	2,348,431
Accumulated depreciation / impairment	-	(220,332)	(629,853)	(67,025)	(38,876)	(956,086)
NBV as at June 30, 2019	292,494	377,691	659,412	35,470	27,278	1,392,345
NBV as at June 30, 2018	203,960	271,301	481,229	19,423	25,942	1,001,855

- 4.7** 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

- 4.8** 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	2,223	1,447	776	1,790	1,014	Advertisement / Bid / Negotiation	Mr. Whahaj Ahmed - H.No 185, Street No 15, Sharfabad Housing Society, Karachi.
"	14,805	12,663	2,142	8,800	6,658	"	Mr. Muhammad Hamaid Javaid House No 180 Main Stadium Road, Area Civil Line, Sargodha.
Office equipment	296	189	107	60	(47)	Full & Final Settlement	Mr Sohail Nazir - Ex employee Nazir Cottage, Main Gate Sakhi Sultan Colony
Plant and machinery	2,345	328	2,017	2,017	-	Company policy	IBL Frontier Markets (Private) Limited - (Associate Company)
	19,669	14,627	5,042	12,667	7,625		

4.9 Capital work-in-progress - at cost

	Balance as at July 1, 2018	Additions during the year	Refund by supplier	Transfers to operating assets	Balance as at June 30, 2019	Balance as at July 1, 2017	Additions during the year	Refund by supplier	Transfers to operating assets	Balance as at June 30, 2018
	-----Rupees '000-----									
Civil works	327,096	96,785	-	(113,702)	310,179	252,893	170,212	-	(95,999)	327,096
Shop fitouts	42	-	-	(42)	-	-	42	-	-	42
Plant and machinery										
- note 4.9.1	535,224	135,410	-	(248,491)	422,143	447,795	210,703	-	(123,274)	535,224
	862,362	232,195	-	(362,235)	732,322	700,688	380,947	-	(219,273)	862,362
Advances against purchase of land	-	-	-	-	-	86,052	-	(48,000)	(38,052)	-
Advances to suppliers	37,325	114,970	-	(145,064)	7,231	34,767	5,794	-	(3,236)	37,325
	899,687	347,165	-	(507,299)	739,553	821,507	386,741	(48,000)	(260,561)	899,687

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

5. INVESTMENT PROPERTIES - at cost

	2019	2018
	-----Rupees '000-----	
Operating assets - note 5.1	2,717,917	2,867,380
Investment property under work in progress - at cost - note 5.5	6,199	4,438
	2,724,116	2,871,818

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For the year ended June 30, 2019

5.1 Operating assets

	Owned assets								Total
	Leasehold Land	Building on Leasehold Land	Office Equipment	Electrical Equipment	Lifts & Elevators	Generators	Furniture & Fixtures	Air - conditioning	
	-----Rupees '000-----								
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 to 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 amount	2,181,946	326,986	12,927	68,984	22,317	18,056	28,205	58,496	2,717,917
Year ended June 30, 2018									
Opening net book value	2,039,459	320,097	17,313	45,314	30,557	16,417	35,151	73,252	2,577,560
Additions	142,938	33,079	3,496	2,453	-	2,605	2,803	5,133	192,507
Transfer from property, plant and equipment	148,727	-	-	-	-	-	-	-	148,727
Depreciation charge	-	(18,919)	(4,893)	(6,192)	(4,120)	(2,279)	(4,790)	(10,221)	(51,414)
Closing net book value	2,331,124	334,257	15,916	41,575	26,437	16,743	33,164	68,164	2,867,380
As at June 30, 2018									
Cost	2,331,124	400,369	25,747	63,551	41,200	24,741	49,593	103,640	3,039,965
Accumulated depreciation	-	(66,112)	(9,831)	(21,976)	(14,763)	(7,998)	(16,429)	(35,476)	(172,585)
Net book value	2,331,124	334,257	15,916	41,575	26,437	16,743	33,164	68,164	2,867,380
Depreciation rate	-	5%	20%	10%	10%	10%	10%	10%	

5.2 This represents 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.

5.3 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, 2019 was Rs. 3.3 billion (2018: Rs. 3.175 billion) and Rs. 0.814 billion (2018: Rs. 0.705 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 5291 square yards.

5.4 The valuations of investment properties have been carried out by M/s. Pee Dee & Associates, an independent valuer engaged by the Company as at June 30, 2019. Market value of these investment properties as at June 30, 2019 is Rs. 795.131 million (2018: Rs. 454.84 million).

5.5 Movement in investment properties under work-in-progress - at cost

	2019	2018
	-----Rupees '000-----	
Balance at beginning of the year	4,438	6,642
Addition during the year	47,560	-
Transfer to operating assets - investment property	(45,799)	(2,204)
Balance at the end of the year	<u>6,199</u>	<u>4,438</u>

6. INTANGIBLE ASSETS

Operating intangible assets - note 6.1	356,638	373,206
Capital work-in-progress - at cost	8,630	11,455
	<u>365,268</u>	<u>384,661</u>

6.1 Operating intangibles

	Distribution rights	Brand name and logo	Product license - note 6.1.1	Software licenses - note 6.1.2	Goodwill - note 6.4	Total
	-----Rupees '000-----					
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>
Net carrying value basis						
Year ended June 30, 2018						
Opening net book value	-	17,916	100,461	92,134	175,616	386,127
Additions	-	-	-	27,416	-	27,416
Amortisation charge	-	(5,000)	(11,162)	(24,175)	-	(40,337)
Closing net book value	<u>-</u>	<u>12,916</u>	<u>89,299</u>	<u>95,375</u>	<u>175,616</u>	<u>373,206</u>
Gross carrying value basis						
At June 30, 2018						
Cost	268,475	74,703	111,623	142,103	175,616	772,520
Accumulated amortisation	(256,346)	(61,787)	(22,324)	(46,728)	-	(387,185)
Accumulated impairment	(12,129)	-	-	-	-	(12,129)
Net book value	<u>-</u>	<u>12,916</u>	<u>89,299</u>	<u>95,375</u>	<u>175,616</u>	<u>373,206</u>
Amortisation rate	10%	10%	10%	20% & 33.33%		

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 6.2** This represents license obtained for the production of product "Tramal".
- 6.3** 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.
- 6.4** This represents goodwill recognised on the acquisition of the controlling interest in NPPL during the year ended June 30, 2016.
- 6.5** 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.

2019 2018
-----Rupees '000-----

7. LONG-TERM LOANS AND ADVANCES

Loans - considered good

- To related parties - note 7.1
- To others - note 7.5

-	1,656,838
270	174
270	1,657,012

7.1 Related parties

- Ultimate Holding Company - notes 7.2 & 7.3
- Loan provided under Musharika arrangements - note 7.4
- Less: Current portion of long-term loans

-	62,750
-	1,630,600
-	(36,512)
-	1,656,838

- 7.2** This represents loan to the Ultimate Holding Company. The tenure of this loan is 5 years with a grace period of 1 year payable in equal semi-annual installments. The rate of mark-up is 12 months KIBOR+1%. The said loan was approved in an extra ordinary meeting of IBLHC held on January 14, 2015 as per the requirements of section 208 of the repealed Companies Ordinance, 1984.

- 7.3** The maximum amount due as at the end of any month during the year was Rs. 62.75 million (2018: Rs. 62.75 million)

- 7.4** This represents loan given to United Retail (SMC-Private) Limited (formerly The Home Makers (SMC-Private) Limited) which has been reclassified to short-term loan during the year. Refer note 11.

7.5 Others

2019 2018
-----Rupees '000-----

- Employees - note 7.5.1
- Less: current portion employee loan

1,834	1,747
(1,564)	(1,573)
270	174

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

	2019	2018
	-----Rupees '000-----	
8. LONG TERM DEPOSITS		
Deposit against:		
- rent - note 8.1	10,196	21,749
- utilities - note 8.2	3,428	3,428
	<u>13,624</u>	<u>25,177</u>

8.1 This represents deposits by IBLIPL in respect of rented premises including factory warehouse and retail outlets.

8.2 This represents amount deposited for electricity and gas amounting to Rs. 0.75 million (2018: Rs. 0.75 million) and Rs. 2.68 million (2018: Rs. 2.68 million) respectively. It does not carry any mark up arrangement.

	2019	2018
	-----Rupees '000-----	
9. INVENTORIES		
Raw materials	1,250,553	1,240,918
Packing materials	330,251	214,044
Stores and spares	79,655	65,698
Work-in-process - note 9.2	99,369	217,129
Finished goods - notes 9.2 & 9.3	1,194,074	1,093,443
	<u>2,953,902</u>	<u>2,831,232</u>

9.1 Inventories includes material in transit amounting to Rs. 748.15 million (2018: Rs. 564.84 million).

9.2 Work in process and finished goods includes inventories amounting to nil (2018: Rs. 91.95 million) held with third parties.

9.3 These are net of provision against expired / obsolete stock amounting to Rs. 4.57 million (2018: 4.28 million).

	2019	2018
	-----Rupees '000-----	
10. TRADE RECEIVABLES		
Considered good		
- Export receivables, secured - note 10.5	307,294	182,894
- Due from related parties, unsecured - note 10.2, 10.3 & 10.4	4,628,362	3,157,294
- Others, unsecured - note 10.1	1,274,161	1,019,670
	<u>6,209,817</u>	<u>4,359,858</u>
Considered doubtful - others	165,454	155,173
Less: Provision for doubtful receivables	(165,454)	(155,173)
	<u>-</u>	<u>-</u>
	<u>6,209,817</u>	<u>4,359,858</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 10.1** This includes Rs. 0.13 million (2018: Rs. 1.66 million) in respect of IBLIPL sales, payment of which is made through payment cards and Rs. 0.98 million (2018: Rs. 2.4 million) in respect of online sales.

	2019	2018
	-----Rupees '000-----	-----Rupees '000-----
10.2 Due from related parties, unsecured		
Group companies - note 10.3		
- IBL Operations (Private) Limited	4,312,102	2,977,192
- United Brands Limited	29,073	40,598
- International Franchises (Private) Limited	20	380
- Mycart (Private) Limited	135	-
- IBL Logistics (Private) Limited	95,828	-
- IBL Frontier Markets (Private) Limited	23,160	29
- United Retail (SMC-Private) Limited [formerly The Home Makers (SMC-Private) Limited]	168,044	139,095
	<u>4,628,362</u>	<u>3,157,294</u>

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

	2019	2018
	-----Rupees '000-----	-----Rupees '000-----
IBL Operations (Private) Limited	5,244,888	3,021,810
United Brands Limited	51,513	46,400
IBL Logistics (Private) Limited	95,828	-
International Franchises (Private) Limited	20	20
IBL Frontier Markets (Private) Limited	23,188	29
Mycart (Private) Limited	135	-
United Retail (SMC-Private) Limited [formerly The Home Makers (SMC-Private) Limited]	168,347	131,330
	<u>5,583,919</u>	<u>3,199,589</u>

- 10.4** As at June 30, 2019, the age analysis of these related party receivables is as follows:

	2019	2018
	-----Rupees '000-----	-----Rupees '000-----
Not yet due	2,902,432	1,243,687
Past due but not yet impaired		
- 1 to 30 days	975,152	1,051,456
- 30 to 90 days	403,917	352,438
- 90 to 180 days	102,944	129,085
- 180 to 365 days	69,075	301,474
- older than 365 days	174,842	79,154
	<u>4,628,362</u>	<u>3,157,294</u>

10.5 Breakup of export receivables are as follows:

	2019	2018
	-----Rupees '000-----	
Confirmed letters of credit		
Srilanka	148,898	69,930
Cambodia	62,132	49,733
Thailand	-	33,892
Myanmar	37,297	7,637
Singapore	-	5,085
Maldives	-	1,190
Vietnam	54,595	-
	<u>302,922</u>	<u>167,467</u>
Others	4,372	15,427
	<u>307,294</u>	<u>182,894</u>

The above receivables are from unrelated parties.

10.6 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.

11. LOANS AND ADVANCES
- considered good

	2019	2018
	-----Rupees '000-----	
Advances to:		
employees for operating activities	107,140	81,069
employees against salaries	11,527	31,013
- suppliers	572,062	459,474
- against purchase of land	47,500	-
- against imports - note 11.2	208,640	71,546
- related party - notes 11.3	-	1,980
	<u>946,869</u>	<u>645,082</u>
Loans to related parties.		
- Short term loan - notes 11.4, 11.5 & 11.6	1,946,118	200,000
- Current portion of long term loan - note 7.2	49,630	36,512
	<u>1,995,748</u>	<u>236,512</u>
Current portion long-term loans to employee - note 7.5	1,564	1,573
	<u>2,944,181</u>	<u>883,167</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 11.1** The maximum aggregate amount of these advances outstanding at any time during the year was Rs. 124.54 million (2018: Rs. 124.48 million). Such maximum amount is calculated by reference to the month-end balance.
- 11.2** This includes Rs. 204.75 million (2018: Rs. 67.73 million) 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.
- 11.3** This represents advance to IBL Frontier Markets (Private) Limited - associated company amounting to Nil (2018: Rs. 1.98 million). This is provided for the purpose of financial assistance and is settled in the ordinary course of business. The maximum aggregate amount outstanding at any time during the year was Nil (2018: Rs. 1.98 million).
- 11.4** 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 extra ordinary general meeting of IBLHC, held on May 18, 2016 as per the requirements of section 208 of the repealed Companies Ordinance, 1984.
- 11.5** 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.
- 11.6** The maximum aggregate amount due from United Retail (SMC-Private) Limited (formerly The Home Makers (SMC-Private) Limited) at the end of any month during the year is Rs. 1.75 billion (2018: Rs. 1.63 billion).

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	2019	2018
	-----Rupees '000-----	
Deposits		
Trade deposits	75,242	62,342
Others	-	1,972
	75,242	64,314
Considered doubtful:		
Trade deposits	2,640	3,240
Less: provision for doubtful deposits	(2,640)	(3,240)
	-	-
Prepayments	15,832	16,095
	91,074	80,409

13. OTHER RECEIVABLES

2019 2018
-----Rupees '000-----

Receivables from related parties

Due from group companies:

- IBL Operations (Private) Limited against mark-up on over due balance - notes 13.1 & 13.2	26,642	26,642
- Rental income	1,125	-
- International Brands Limited against: expenses - note 13.3	7,472	11,412
rental income - notes 13.3 & 13.4	25,538	4,551
- International Franchises Limited against rental income - note 13.4	1,094	4,313
- United Retail (SMC-Private) Limited [formerly The Home Makers (SMC-Private) Limited] against: rental income - note 13.4	209,566	98,376
expenses - note 13.6	85,211	80,723
United Franchises (SMC-Private) Limited against expenses - note 13.7	-	634
Trax Online (Private) Limited against - expenses - note 13.6	175	-
IBL Frontier Market (Private) Limited against expenses - note 13.6	25,882	-
	<u>382,705</u>	<u>226,651</u>
Due from other related parties:		
Surplus arising under retirement benefit - fund - note 13.8	5,250	5,250
	<u>387,955</u>	<u>231,901</u>
Receivables from other than related parties		
Others, considered good - note 13.9	399,904	86,566
	<u>787,859</u>	<u>318,467</u>

13.1 The receivable represents mark-up charged on cash collected at the rate of 6-months KIBOR plus 3% per annum as late payment liquidated damages with an exception of transaction delay. On January 15, 2011, the Holding Company has amended the distribution agreement, accordingly no mark-up has been charged since then.

13.2 This amount is past due but not impaired and outstanding for more than three years. The maximum aggregate balance at any time of the year was Rs. 26.6 million (2018: Rs. 26.6 million).

13.3 The maximum aggregate amount outstanding at any time during the year was Rs. 33.01 million (2018: Rs. 15.96 million).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 13.4** The maximum aggregate amount outstanding at any time during the year from International Franchises (Private) Limited and United Retail (SMC-Private) Limited formerly {The Home Makers (SMC-Private) Limited} was Rs. 7.02 million (2018: Rs. 5.2 million), Rs. 209.6 million (2018: Rs. 98.4 million) and Rs. 0.175 million (2018: Nil) respectively. As at June 30, 2019 the age analysis of receivables in respect of rental receivables from International Brands Limited, International Franchises (Private) Limited and United Retail (SMC-Private) Limited {formerly The Home Makers (SMC-Private) Limited} is as follows:

	2019	2018
	-----Rupees '000-----	
Not yet due	5,508	5,865
Past due but not yet impaired		
- 1 to 30 days	5,881	4,925
- 30 to 90 days	5,531	24,113
- 90 to 180 days	16,988	27,458
- 181 to 365 days	36,720	24,050
- older than 365 days	165,570	20,829
	<u>236,198</u>	<u>107,240</u>

- 13.5** This represents receivable by IBLIPL from United Retail (SMC-Private) Limited (Formerly The Home Makers (SMC - Private) Limited) against various shared expenses paid by the Company as per expense sharing agreement.

- 13.6** As at 30 June 2019 the age analysis of other receivables from related parties is as follows:

	2019	2018
	-----Rupees '000-----	
Past due but not yet impaired		
- 1 to 90 days	11,784	80,679
- 90 to 180 days	19,311	44
- 181 to 365 days	68,560	-
- older than 365 days	11,613	-
	<u>111,268</u>	<u>80,723</u>

- 13.7** The maximum aggregate amount outstanding at any time during the year was Rs. 0.63 million (2018: Rs. 0.63 million).

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

- 13.9** This represents amount claimed from Nestle Health Sciences in respect of certain claimable expenses related to trade.

- 13.10** This includes Rs. 318.95 million claimed by the Company from Zhejiang Huahai Pharmaceuticals, China (ZHP) relating to its product "Extor" that contains material supplied by ZHP. On July 12, 2018, the Drug Regulatory Authority of Pakistan in response to a review triggered by the European Medicine Agency (EMA) issuing drug re-call for "Valsartan" containing products due to the presence of cancer causing impurities. Accordingly, the Company re-called finished product "Extor" amounting to Rs. 221.95 million from the local market and Rs. 97 million from the international market. The impact of the product re-call has been set off by the claim raised by the Company against ZHP.

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

14. INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS

2019	2018		2019	2018
Number of units			-----Rupees '000-----	
-	5,505,230	NAFA Islamic Aggressive Income Fund	-	55,008
-	14,709	Meezan Cash Fund	-	774
-	5,519,939		-	55,782

14.1 The rating of Meezan Cash Fund is 'AA' and NAFA Islamic Aggressive Income Fund is 'A-' as per the credit rating agency JCR-VIS and PACRA respectively.

14.2 The fair value of these investments is the Net Asset Value (NAV) as assessed by the respective Asset Management Company.

	2019	2018
	-----Rupees '000-----	
Cheques in hand	-	8,900
Cash in hand	6,342	13,918
	6,342	22,818
Balance with banks in:		
- current accounts	252,889	175,376
- saving accounts - note 15.1	2,823	6,466
	255,712	181,842
	262,054	204,660

15.1 At June 30, 2019 the rates of mark-up on PLS accounts is 1.08% (2018: 2.17%) per annum respectively.

16. Asset classified as 'Held for Sale'

During the year, the IBLHC has entered into an agreement for assignment of one of its properties located at F/2-A/1 S.I.T.E having carrying value amounting to Rs. 75.18 million against transaction price of Rs. 75.5 million. This property qualifies the criteria of IFRS-5: Non-current Asset Held for Sale and Discontinued Operations, therefore, it has been classified as an asset 'Held for Sale' and is recorded at fair value less cost to sell as at June 30, 2019.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

17. SHARE CAPITAL Authorised share capital

2019 (Number of shares)	2018		2019 -----Rupees '000-----	2018
<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				
2019 (Number of shares)	2018			
12,553,074	12,553,074	Shares allotted for consideration paid in cash	125,531	125,531
24,000	24,000	Shares allotted for consideration other than cash	240	240
199,848,171	172,140,532	Shares allotted as bonus shares	1,998,482	1,721,406
<u>212,425,245</u>	<u>184,717,606</u>		<u>2,124,253</u>	<u>1,847,177</u>

17.1 Movement in number of shares

2019 (Number of shares)	2018		2019 -----Rupees '000-----	2018
184,717,606	153,931,338	Opening shares outstanding	1,847,177	1,539,314
27,707,639	30,786,268	Shares allotted as bonus shares	277,076	307,863
<u>212,425,245</u>	<u>184,717,606</u>		<u>2,124,253</u>	<u>1,847,177</u>

18. LONG TERM BORROWINGS - secured

Other liabilities	4,664	4,664
	<u>4,664</u>	<u>4,664</u>

19. DEFERRED TAX ASSETS / (LIABILITIES)

	Accelerated tax depreciation	Surplus on revaluation	Decelerated tax amortisation	Provision for doubtful receivables	Provision for trade deposits	Net effect of consolidation adjustment	Total
	-----Rupees '000-----						
July 1, 2018	(4,909)	(25,902)	-	-	-	8,783	(22,028)
Credit / (charge) to profit or loss	-	-	-	-	-	(7,215)	(7,215)
Charge to other comprehensive income	-	(67,338)	-	-	-	-	(67,338)
June 30, 2019	(4,909)	(93,240)	-	-	-	1,568	(96,581)
July 1, 2017	(48,207)	(2,914)	2,276	43,682	697	6,360	1,894
(Charge) / credit to profit or loss	43,298	-	(2,276)	(43,682)	(697)	2,423	(934)
Charge to other comprehensive income	-	(22,988)	-	-	-	-	(22,988)
June 30, 2018	(4,909)	(25,902)	-	-	-	8,783	(22,028)

20. EMPLOYEE BENEFIT OBLIGATIONS

Staff retirement gratuity - unfunded - note 20.1

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

2018
-----Rupees '000-----

20.1 Gratuity scheme - unfunded

20.1.1 General description

As stated in note 2.16, 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, 2018 using the Project Unit Credit method.

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

20.1.2 Consolidated statement of financial position reconciliation

Present value of defined benefit obligation

2018
-----Rupees '000-----

20.1.3 Movement in the present value of defined benefit obligation

Obligation as at July 1	50,630	47,032
Current service cost	2,165	1,962
Interest cost	3,967	3,546
Benefits paid	(2,071)	(5,416)
Remeasurement on obligation	1,129	3,506
Obligation as at June 30	55,820	50,630

20.1.4 Expense recognised in the consolidated statement of profit or loss

Current service cost	(2,165)	(1,962)
Interest expense	(3,967)	(3,546)
	(6,132)	(5,508)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	-----Rupees '000-----	

20.1.5 Remeasurement recognised in consolidated statement of other comprehensive income

Experience losses	(1,129)	(3,506)
-------------------	---------	---------

20.1.6 Net recognised liability

Balance as at July 1	50,630	47,032
Expense for the year	6,132	5,508
Benefits paid	(2,071)	(5,416)
Remeasurement loss recognised in consolidated statement of profit and loss and other comprehensive income	1,129	3,506
Balance as at June 30	55,820	50,630

2019 2018

20.1.7 Actuarial assumptions

Discount rate used for year end obligation	12.00%	8.00%
Expected rate of increase in salaries	12.00%	8.00%
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.

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
- Discount rate at June 30	1 %	(4,290)	4,820
- Future salary increase	1 %	5,330	(4,790)

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

20.1.10 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.

20.1.11 As per actuarial advice, the Holding Company is expected to recognise a service cost of Rs. 9.07 million in 2020.

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

	2019	2018
	-----Rupees '000-----	
21. TRADE AND OTHER PAYABLES		
Creditors - note 21.1	1,259,513	1,000,419
Bills payable in foreign currency	716,426	683,284
Royalty payable - note 27.1	23,966	24,761
Accrued liabilities - note 21.2	866,018	866,232
Payable to provident fund - notes 21.3, 21.4 & 21.5	14,717	33,850
Advance from customers - unsecured	88,603	40,217
Accrued mark-up - note 21.6	109,473	35,460
Taxes deducted at source and payable to statutory authorities	104,163	82,682
Workers' Profit Participation Fund - note 21.7	149,417	174,379
Workers' Welfare Fund	26,000	24,128
Advance against sale of land	73,500	
Other liabilities - note 21.8	88,434	108,247
	<u>3,520,230</u>	<u>3,073,659</u>

21.1 The creditors include payable to related parties which are as follows:

	2019	2018
	-----Rupees '000-----	
IBL-Unisys (Private) Limited	8,246	18,144
MyCart Pakistan (Private) Limited	1,395	140
Multinet Pakistan (Private) Limited	-	265
International Brands Limited	44,124	21,688
IBL Operations (Private) Limited	47,220	162,425
	<u>100,985</u>	<u>202,662</u>

21.2 This includes payable to associated company, IBL Operations (Private) Limited, amounting to Rs. Nil (2018: 2.02 million) on account of merchandise expense incurred on behalf of SBPL.

21.3 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.

21.4 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.

21.5 This includes amount deducted by IBLIPL from the salaries of employees and its contributions in respect of provident fund. IBLIPL is in the process of formation of recognised provident fund and has applied for required regulatory approvals.

	2019	2018
	-----Rupees '000-----	
21.6 Accrued mark-up		
Accrued mark-up on:		
- long-term borrowing	-	1,387
- short-term borrowing	109,473	34,073
	<u>109,473</u>	<u>35,460</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

21.7 Workers' Profit Participation Fund

2019 2018
-----Rupees '000-----

Balance at beginning of the year	174,379	160,139
Charge for the year - note 29	148,967	170,541
	<u>323,346</u>	<u>330,680</u>
Interest on funds utilised in the Holding Company's business - note 31	13,883	6,630
Payments made during the year	(187,812)	(162,931)
Balance at end of the year	<u>149,417</u>	<u>174,379</u>

21.8 This includes payable to associated company United Distributors Pakistan Limited, amounting to Rs. 0.167 million (2018: Rs. 0.062 million) and euro 40 thousands payable to M/s. Osvah Pharmaceuticals Co. - Iran.

22. BORROWINGS - secured

Running finance under mark-up arrangements - notes 22.1, 22.2, & 22.3	3,712,277	2,323,478
Export refinance - note 22.4	210,000	-
Current portion of long term borrowing	-	214,285
	<u>3,922,277</u>	<u>2,537,763</u>

22.1 The Holding Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 4,175 million (2018: Rs. 2,875 million) which include financing facilities obtained under Islamic mode amounting to Rs. 3,525 million (2018: Rs. 2,725 million). The arrangements are secured jointly by registered mortgage of Rs. 584.99 million (2018: Rs. 325.9 million) of immovable property together with joint pari passu charge on all current assets of the Holding Company to the extent of Rs. 4,071 million (2018: Rs. 2,850 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

22.2 The amount utilised under the Islamic mode of financing amounted to Rs. 3,525 million (2018: Rs. 2,014.5 million).

22.3 The rates of mark-up ranged between 6.9% to 12.7% (2018: 6.2% to 9%) per annum.

22.4 The rate of mark-up was 2.75% (2018: Nil). The facility is a sub-limit of the running musharika obtained from Habib Bank Limited.

23. UNPAID DIVIDEND

This represents dividend on bonus shares withheld pertaining to 125 shareholders of the Holding Company, on which stay from the Honorable High Court of Sindh has been obtained.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

	Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
24.1.1	High Court of Sindh	During the year ended June 30, 2014, Sindh Revenue Board (SRB) has imposed sales tax on toll manufacturing at the rate of 16% of sales value. The cumulative such sales tax amounts to Rs. 218.9 million. The matter has been contested in the High Court of Sindh.	The Holding Company and The Federation of Pakistan	2014
24.1.2	High Court of Sindh	<p>Section 5A of Income Tax Ordinance, 2001 inserted through Section 5(3) of the Finance Act, 2015 requires the 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.</p> <p>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.</p>	The Holding Company and The Federation of Pakistan	2015
24.1.3	High Court of Sindh	<p>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.</p> <p>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.</p> <p>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.</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 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.</p>	The Holding Company, IBLHC and Province of Sindh	2016

	Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
24.1.4	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
24.1.5	High Court of Sindh	<p>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 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.</p> <p>Based on the requirement mentioned above, the Holding Company is exposed to tax liability of approximately Rs. 71.8 million (2018: 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 (2018: 1,117,379 shares) with Central Depository Company of Pakistan Limited.</p>	The Holding Company and The Federation of Pakistan	2015

	Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
24.1.6	High Court of Sindh	The Holding Company has filed petition against imposition of super tax in the High Court of Sindh and expects a favourable outcome. For further detail, refer note 32.1 of these consolidated financial statements.	The Holding Company and The Federation of Pakistan	2016
24.1.7	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. 1011.3 million.</p>	The Holding Company and The Federation of Pakistan	2015, 2016 and 2017
24.1.8	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> <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>	SPPL, Commissioner Inland Revenue, CIRA and ATIR	2017

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	Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
24.1.9	Commissioner Inland Revenue (Appeals)	<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. 542,414,253. 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>	SPPL, ACIR and CIRA	2018
24.1.10	Appellate Tribunal Inland Revenue (ATIR)	<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>	SLPL, ACIR, Commissioner (Appeals) and ATIR	2016
24.1.11	The management, based on legal / tax advices, is confident that the ultimate decisions in the above cases (notes 24.1.1 to 24.1.10) will be in favour of the Group, hence, no provision has been made in respect of the aforementioned litigations.			

24.2 Commitments

24.2.1 Future rentals payable against operating lease arrangements

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

The detail of future rentals over the lease period is as follows:

	2019	2018
	-----Rupees '000-----	-----Rupees '000-----
Not later than one year	28,868	16,368
Later than one year but not later than five years	137,571	89,201
Later than five years	93,959	114,889
	<u>260,398</u>	<u>220,458</u>

24.2.2 The facility for opening letters of credit and guarantees for the Holding Company as at June 30, 2019 amounted to Rs. 2,111 million (2018: Rs. 1,905 million) of which the amount remaining unutilised as at year end amounted to Rs. 318 million (2018: Rs. 1,527 million).

24.2.3 The facility for opening Letters of credit and guarantees for IBLHC as at June 30, 2019 amounted to Rs. 683 million (2018: Rs. 383 million) of which the amount remained unutilised as at the reporting date amounted to Rs. 207.32 million (2018: Rs. 163.09 million).

25. REVENUE FROM CONTRACT WITH CUSTOMERS

	2019	2018
	-----Rupees '000-----	-----Rupees '000-----
Gross sales		
Local sale of goods - note 25.1	19,183,259	16,935,430
Export sales	1,855,855	1,380,267
	<u>21,039,114</u>	<u>18,315,697</u>
Toll manufacturing	288,635	357,439
	<u>21,327,749</u>	<u>18,673,136</u>
Sales tax	(168,156)	(182,810)
	<u>21,159,593</u>	<u>18,490,326</u>
Less:		
Discounts, rebates and allowances	2,288,393	2,144,113
Sales returns	809,093	197,745
	<u>3,097,486</u>	<u>2,341,858</u>
	<u>18,062,107</u>	<u>16,148,468</u>

25.1 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.

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The Honourable 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.

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. 490.56 million.

	2019	2018
	-----Rupees '000-----	
26. COST OF SALES		
Raw and packing material consumed	4,192,334	3,444,130
Processing charges	472,018	524,425
Printing and processing charges	135,604	305,093
Salaries, wages and benefits	545,278	553,305
Provision for staff gratuity (unfunded)	18,215	2,894
Provident fund contribution	3,597	16,888
Inventory written off - note 26.1	15,092	45,457
Provision for slow-moving inventory	18,794	4,283
Carriage and duties	14,549	65,718
Fuel, water and power	143,326	140,961
Rent, rate and taxes	79,215	37,844
Canteen expenses	28,612	25,871
Stationery and supplies	27,944	23,051
Travelling	33,607	26,428
Repairs and maintenance	141,664	168,713
Security expenses	10,673	10,387
Vehicle expenses	8,615	8,238
Insurance	10,195	15,222
Legal and professional charges	9,944	2,694
Depreciation	130,906	90,805
Medical expenses	7,876	7,360
Research cost	75,605	35,992
Others	13,745	24,731
	6,137,408	5,580,490
Add: Opening work-in-process	217,129	180,068
Less: Closing work-in-process	(99,369)	(217,129)
	117,760	(37,061)
Cost of goods manufactured	6,255,168	5,543,429
Add: Opening inventory of finished goods	1,093,443	654,814
Add: Finished goods purchased	3,316,032	2,723,892
Add: Free of cost goods	73,292	38,211
Less: Closing inventory of finished goods	(1,194,074)	(1,093,443)
	9,543,861	7,866,903
Less: Cost of samples	(81,618)	(49,399)
Cost of sales	9,462,243	7,817,504

26.1 This amount represents expired inventory written off.

27. DISTRIBUTION COSTS

	2019	2018
	-----Rupees '000-----	
Salaries, wages and benefits	1,191,244	1,099,569
Provision for staff gratuity (unfunded)	-	1,979
Provident fund contribution	30,886	29,911
Samples	336,419	160,189
Bonus to salesmen	241,548	231,300
Medical expenses	8,150	10,970
Replacement products	36,536	9,188
Royalty - note 27.1	43,448	20,531
Carriage and duties	309,634	291,576
Fuel, water and power	20,525	15,399
Rent, rate and taxes	141,351	68,171
Communication	21,504	26,943
Canteen expenses	4,492	2,773
Stationery and printed materials	88,714	107,117
Advertising and promotion	858,104	784,688
Travelling and related	535,628	521,046
Repairs and maintenance	35,058	27,759
Security	5,901	3,853
Personal training and selection	108,015	96,449
Vehicle running	68,073	68,228
Fees and subscription	34,536	29,015
Insurance	12,970	14,160
Legal and professional	44,028	42,692
Depreciation	43,755	30,154
Amortisation	450	-
Service charges	42,466	36,382
Provision for claims	6,196	4,176
Others	15,368	8,278
	4,284,999	3,742,496

27.1 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.

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	2019	2018
	-----Rupees '000-----	
28. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits	305,497	281,235
Provision for staff gratuity (unfunded)	2,600	635
Provident fund contribution	10,883	10,951
(Reversal) of provision against doubtful receivables	(1,915)	(9,746)
Provision against doubtful deposits	-	600
Fuel, water and power	45,470	26,318
Rent, rate and taxes	22,726	14,879
Communication	10,631	8,097
Canteen expenses	2,123	7,257
Stationery and supplies	14,545	29,938
Travelling	20,081	15,888
Repairs and maintenance	47,878	48,805
Security expenses	5,119	5,514
Personal training and selection	1,168	775
Vehicle expenses	16,301	11,035
Fees and subscription	11,900	16,186
Insurance	21,199	16,520
Legal and professional charges	49,004	131,084
Depreciation	88,682	81,999
Amortisation	44,459	40,337
Auditors' remuneration - note 28.1	21,403	22,717
Donation - notes 28.2 & 28.3	107,508	117,663
Corporate services charged by ultimate parent company	235,200	182,400
Others	20,756	17,208
	<u>1,103,218</u>	<u>1,078,295</u>

28.1 Auditors' remuneration

Audit fee	6,685	5,790
Fee for review of interim financial information and Statement of Compliance with Code of Corporate Governance	1,250	1,250
Taxation services	10,933	13,532
Other certifications, attestations and other services	1,150	650
Out-of-pocket expenses	1,385	995
	<u>21,403</u>	<u>22,217</u>

28.2 Donations to a single party exceeding 10% of total donations i.e. Rs. 10.4 million are as follows:

	2019	2018
	-----Rupees '000-----	
Arts Council	23,200	4,700
The Citizen Foundation	20,300	20,000
AKAR Hospital	17,167	6,150

- 28.3** The Chairman of the Holding Company is on the board of directors of The Citizen Foundation. Moreover, AKAR Hospital is being managed by the management of the Holding Company. The Directors or their spouse have no interest in any other donee entity.

	2019	2018
	-----Rupees '000-----	
29. OTHER OPERATING EXPENSES		
Workers' Profit Participation Fund - note 21.7	148,967	170,541
Workers' Welfare Fund	3,001	5,445
Central Research Fund	1,901	1,615
Loss on revaluation of investments - at fair value through profit and loss	85	1,564
Exchange loss	7,794	16,242
	161,748	195,407
30. OTHER INCOME		
Income from financial assets		
Realised gain on investments - at fair value through profit or loss	308	3,272
Return on PLS accounts	142	99
Exchange gain - net	291	-
Interest on loans from International Brands Limited	21,642	20,367
Dividend income	17	6
	22,400	23,744
Income from non-financial assets		
Gain on disposal of property, plant and equipment - net	7,535	5,763
Rental income from investment properties - note 30.1	153,943	107,596
Gain on asset classified as 'Held for Sale'	322	-
Other rental income - note 30.2	3,837	3,577
Scrap sales	44,874	11,637
	210,511	128,573
Others		
Insurance claim recovery	2	1,060
Others	1,532	3,016
	1,534	4,076
	234,445	156,393

- 30.1** This includes rental income from United Retail (SMC-Private) Limited [Formerly The Home Makers (SMC-Private) Limited], International Brands Limited and International Franchises (Private) Limited - related parties amounting to Rs. 87.55 million (2018: Rs. 50.28 million), Rs. 9.56 million (2018: Rs. 4.6 million) and Rs. 11.84 million (2018: Rs. 14.27 million) respectively.

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

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	2019	2018
	-----Rupees '000-----	
31. FINANCE COST		
Mark-up on:		
- Long-term borrowing - note 31.1	12,814	24,935
- Short-term borrowing - note 31.1	299,908	94,333
Bank charges	36,375	16,739
Exchange loss	75,890	74,099
Interest on Workers' Profit Participation Fund - note 21.7	13,883	6,630
	<u>438,870</u>	<u>216,736</u>

31.1 The amount of mark-up paid under Islamic mode of financing amounted to Rs. 287.65 million (2018: Rs. 95.3 million).

	2019	2018
	-----Rupees '000-----	
32. INCOME TAX EXPENSE		
Current		
- for the year	551,522	541,484
- for prior years	8,195	(4,595)
	<u>559,717</u>	<u>536,889</u>
Deferred tax expense - note 19	7,215	934
	<u>566,932</u>	<u>537,823</u>

32.1 The Holding Company has not made provision for super tax for the tax years 2015 to 2018 amounting to Rs. 165.41 million, imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001, as the Holding Company has filed petition against the same in High Court of Sindh, decision of which is pending. The Holding Company expects a favourable outcome based on a legal advice and therefore has not made any provision against the same in these consolidated financial statements.

	2019	2018
	-----Rupees '000-----	
32.2 Relationship between tax expense and accounting profit		
Profit before income tax	<u>2,832,228</u>	<u>3,254,423</u>
Tax at the applicable rate of 29% (2018: 30%)	821,346	976,327
Effect of temporary difference	10,366	851
Effect of reduced rate of tax	-	(22)
Effect of applicability of final tax	(444,108)	(678,839)
Effect of applicability of minimum tax	158,805	113,243
Effect of applicability of taxable loss	13,732	130,151
Effect of consolidation adjustment	-	1,756
Effect of prior period charge	8,195	(4,595)
Others	(1,404)	(1,049)
Tax expense for the year	<u>566,932</u>	<u>537,823</u>

32.3 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.

	2019	(Re-stated) 2018
33. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees in thousands)	<u>2,241,258</u>	<u>2,687,216</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>10.55</u>	<u>12.65</u>

- 33.1** Diluted earnings per share has not been presented as the Group did not have any convertible instruments in issue as at June 30, 2019 and 2018 which would have any effect on the earnings per share if the option to convert is exercised.

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	2019	2018
	-----Rupees '000-----	
34. CASH GENERATED FROM OPERATIONS		
Profit before income tax	2,832,228	3,254,423
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	263,343	202,958
Gain on disposal of property, plant and equipment - net	(7,535)	(5,763)
Amortisation	44,909	40,337
Provision for employee benefits obligation	6,132	5,508
Realised loss on investments - at fair value through profit or loss	85	1,564
Gain on asset classified as 'Held for Sale'	(322)	
Realised gain on investments - at fair value through profit or loss	(308)	(3,272)
Interest income	(21,784)	(20,466)
Finance cost	438,870	119,268
	<u>723,390</u>	<u>340,134</u>
Profit before working capital changes	3,555,618	3,594,557
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Inventories	(122,670)	(1,320,989)
Trade receivables	(1,849,959)	(750,424)
Loans and advances	(2,061,014)	(177,473)
Trade deposits and short-term prepayments	(10,665)	1,888
Other receivables	(469,392)	60,128
Refunds due from Government - Sales tax	(37,804)	(7,555)
	<u>(4,551,504)</u>	<u>(2,194,425)</u>
Increase in current liabilities		
Trade and other payables	372,558	1,049,042
	<u>(623,328)</u>	<u>2,449,174</u>
Cash (used in) / generated from operations		
35. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 15	262,054	204,660
Short-term running finances - note 22	(3,712,277)	(2,323,478)
	<u>(3,450,223)</u>	<u>(2,118,818)</u>

36. SEGMENT INFORMATION

Management has determined the operating segments based on the information that is presented to the chief operation decision-maker of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure the Group is organised into the following two operating segments:

- Pharmaceutical
- Consumer

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance. Previously, Investment property was also considered a separate segment.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

36.1 The financial information regarding operating segments is as follows:

	Pharmaceutical		Consumer		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
-----Rupees in '000 -----						
Segment revenue	14,207,387	13,465,061	3,854,720	2,683,407	18,062,107	16,148,468
Cost of sales	(6,608,811)	(5,614,939)	(2,853,432)	(2,202,565)	(9,462,243)	(7,817,504)
Distribution costs	(3,437,072)	(3,064,552)	(847,927)	(677,944)	(4,284,999)	(3,742,496)
	(10,045,883)	(8,679,491)	(3,701,359)	(2,880,509)	(13,747,242)	(11,560,000)
Segment result	4,161,504	4,785,570	153,361	(197,102)	4,314,865	4,588,468

Unallocated income and expenses

Administrative expenses	(1,103,218)	(1,078,295)
Loss allowance	(13,246)	-
Other operating expenses	(161,748)	(195,407)
Other income	234,445	156,393
Finance cost	(438,870)	(216,736)
Profit before taxation	2,832,228	3,254,423
Taxation	(566,932)	(537,823)
Profit after taxation	2,265,296	2,716,600

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For the year ended June 30, 2019

36.2 Analysis of segments' assets and liabilities and their reconciliation to total assets and liabilities:

	Pharmaceutical		Consumer		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	-----Rupees in '000 -----					
Segment assets and liabilities						
Segment assets	833,052	394,351	63,916	108,080	896,968	502,431
Unallocated assets					20,380,131	16,746,821
Total assets					<u>21,277,099</u>	<u>17,249,252</u>
Segment liabilities	-	-	-	-	-	214,285
Unallocated liabilities	-	-	-	-	7,757,870	5,583,394
Total liabilities					<u>7,757,870</u>	<u>5,797,679</u>

36.3 There were no inter-segment transactions during the year (2018: None).

	2019	2018
	-----Rupees '000-----	
36.4 Geographical segments		
Net sales by region		
Pakistan	16,450,526	14,904,178
South Asia	1,095,059	863,443
East Africa	13,285	8,076
South-East Asia	503,237	372,771
	<u>18,062,107</u>	<u>16,148,468</u>

36.5 The geographical segment has been categorised using United Nation's composition of macro geographical (continental) regions.

36.6 The Group has earned major revenue from one of the customer, which amounts to Rs. 14.47 billion (2018: Rs. 11.61 billion) out of the total revenue.

37. 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	
	2019	2018	2019	2018	2019	2018
	-----Rupees in '000 -----					
Managerial remuneration	23,220	19,763	11,952	10,869	203,728	153,506
Housing allowance	10,449	8,893	5,378	4,891	97,544	82,670
Utility allowance	2,322	1,976	1,195	1,087	16,638	2,062
Bonus	3,204	2,718	1,793	1,631	37,164	22,998
Retirement benefits	2,322	1,976	1,195	1,087	20,049	10,310
Others	302	252	191	179	20,004	12,872
	<u>41,819</u>	<u>35,578</u>	<u>21,704</u>	<u>19,744</u>	<u>395,127</u>	<u>284,418</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>84</u>	<u>84</u>

37.1 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.

37.2 During the year, the Holding Company has paid to five non-executive directors (2018: five) an aggregate amount of Rs. 32 thousand (2018: Rs. 39 thousand) as fee for attending board meetings.

38. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	2019 -----Rupees '000-----	2018 -----Rupees '000-----
UltimateHolding Company:	- Corporate service charges	235,200	182,400
	- Interest income	21,642	6
	- Consultancy expense	-	88,950
	- Rent income	9,557	4,551
	- Income from provision of amenities	7,490	3,940
	- Dividend paid	1,184	158
	- Recovery of loan	13,120	-
	- Repayment of loan	-	25,926
Associates:	- Revenue	14,378,517	12,864,216
	- Salaries and wages	775	5,017
	- Purchases	15,627	37,056
	- Purchase of ERP software	26,927	5,613
	- Discounts claimed	855,804	788,581
	- Rental income	66,932	70,009
	- Income from provision of amenities	72,541	27,846
	- Rent expense	7,668	11,094
	- Donations	38,047	26,150
	- Architect fee	3,295	3,424
	- Internet and IT services	-	6,108
	- Stock claims	398,633	237,783
	- Internet services	5,627	-
	- Carriage and duties	70,564	52,861
	- Repair and maintenance	7,893	-
	- Advance against financial assistance	1,500	1,952
	- SAP maintenance fee	20,289	2,057
	- Dividend paid	1,184	1,081
	- Shared cost	3,303	57,548
	- Incentives to field force staff	12,672	10,863
	- Advertisement and promotion	140,278	-
	- Others	-	32,355
Post employment staff benefit plans:	- Contributions to Provident Fund	55,758	57,750
	- Benefits paid	47,288	-
Key management employees compensation:	- Salaries and other employee benefits	60,006	75,211
	- Contributions to Provident Fund	3,517	3,488
	- Director's fee and conveyance	450	628

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

38.2 The status of outstanding balances with related parties as at June 30, 2019 is included in the respective notes to the consolidated financial statements. These are settled in the ordinary course of business.

38.3 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.	The Home Makers (SMC-Private) Limited (formerly Habitt)	Close relative of Director	N/A
12.	AKAR Hospital	Managing Company	N/A
13.	The Citizen Foundation	Common Directorship	N/A
14.	United Franchises (SMC - Private) Limited	Group Company	N/A

39. 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.

40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

40.1 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.

40.2 Financial assets and liabilities

	2019			2018		
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total
-----Rupees in '000 -----						
Financial assets						
Loans and receivables						
Loans, advances and deposits	2,447,361	13,895	2,461,256	488,007	1,682,189	2,170,196
Trade receivables	6,209,817	-	6,209,817	4,359,858	-	4,359,858
Interest accrued	2,970	-	2,970	16,208	-	16,208
Other receivables	787,859	-	787,859	318,467	-	318,467
Investments - at fair value through profit or loss	-	-	-	55,782	-	55,782
Bank balances	255,712	-	255,712	181,842	-	181,842
Cash in hand	6,342	-	6,342	22,818	-	22,818
	<u>9,710,061</u>	<u>13,895</u>	<u>9,723,956</u>	<u>5,442,982</u>	<u>1,682,189</u>	<u>7,125,171</u>
Financial liabilities						
Long-term borrowing	-	4,664	4,664	214,285	4,664	218,949
Trade and other payables	2,930,391	-	2,930,391	2,658,182	-	2,658,182
Short-term borrowings	3,922,277	-	3,922,277	2,537,763	-	2,537,763
Accrued markup	-	-	-	-	-	-
	<u>6,852,668</u>	<u>4,664</u>	<u>6,857,332</u>	<u>5,410,230</u>	<u>4,664</u>	<u>5,414,894</u>
On reporting date gap	<u>2,857,393</u>	<u>9,231</u>	<u>2,866,624</u>	<u>32,752</u>	<u>1,677,525</u>	<u>1,710,277</u>
Net financial (liabilities) / assets						
Interest bearing	<u>(3,916,484)</u>	<u>(4,664)</u>	<u>(3,921,148)</u>	<u>(2,729,374)</u>	<u>21,574</u>	<u>(2,707,800)</u>
Non-interest bearing	<u>6,773,877</u>	<u>13,895</u>	<u>6,787,772</u>	<u>2,762,126</u>	<u>1,655,951</u>	<u>4,418,077</u>

(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, 2019, the Group has variable interest bearing financial liabilities of Rs. 3.92 billion (2018: Rs. 2.71 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. 78.4 million (2018: Rs. 54.2 million) higher / lower, mainly as a result of lower / higher interest expense on floating rate borrowings respectively.

(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, 2019, trade and other payables of Rs. 716.42 million (2018: Rs. 708 million), trade receivables of Rs. 307.29 million (2018: Rs. 182.9 million) and bank balance of Rs. 0.13 million (2018: Rs. 0.35 million) are exposed to foreign currency risk.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

As at June 30, 2019, 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. 8.17 million (2018: Rs. 10.5 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, 2019 amounts to Nil (2018: Rs. 55.78 million).

(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. 9,723 million (2018: Rs. 7,125 million) the financial assets exposed to the credit risk amount to Rs. 9,714 million (2018: Rs. 7,086 million). The carrying values of financial assets are as under:

	2019	2018
	-----Rupees '000-----	
Loans and advances - notes 7 & 11	2,372,389	2,080,705
Trade deposits - notes 8 & 12	88,866	89,491
Trade receivables - note 10	6,209,817	4,359,858
Other receivables - note 13	787,859	318,467
Investments - at fair value through profit or loss	-	55,782
Bank balances	255,712	181,842
	<u>9,714,643</u>	<u>7,086,145</u>

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. 249.63 million (2018: Rs. 236.51 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.

41. 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:

	2019	2018
	-----Rupees '000-----	
Total borrowings	3,922,277	2,542,427
Cash and bank - note 15	(262,054)	(204,660)
Net debt	3,660,223	2,337,767
Equity	13,519,229	11,451,573
Total capital	17,179,452	13,789,340
Debt to capital ratio	21%	17%

42. NUMBER OF EMPLOYEES

	2019	2018
42.1 Number of employees as at June 30	2,465	2,510
42.2 Average number of employees during the year	2,357	2,405

43. LISTING OF SUBSIDIARY COMPANIES

Name of Subsidiary	Financial year end
- IBL HealthCare 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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

- 43.1** Set out below is summarised financial information for each subsidiary that has Non-Controlling Interests (NCI).

Name Of Subsidiaries	IBLHC	NPPL
Percentage Holding	25.81%	12.80%
Total Assets	1,888,766	1,019,484
Total Liabilities	632,726	45,175
Total Comprehensive Income / (loss)	121,376	(61,773)
Allocated to NCI	31,327	(7,289)
Accumulated NCI	324,184	117,953
Cash and Cash Equivalent	30,894	226,143
Cash (utilised in) / generated from		
- operating activities	12,434	(49,060)
- investing activities	42,668	(6,552)
- financing activities	(51,930)	-
Dividend paid to NCI	15,078	-

44. 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"> Karachi - Dolmen Mall, Clifton. - Lucky One Mall, Karachi - Tipu Sultan Road, Karachi Lahore - Packages Mall, Lahore - Zarina Mall, Lahore

45. SUBSEQUENT EVENTS

- 45.1 The Board of Directors of the Holding Company in the meeting held on September 30, 2019 has approved the following appropriation:

	2019	2018
	-----Rupees '000-----	
- Nil bonus shares (June 30, 2018: 15 bonus shares for every 100 shares held)	-	277,076
- Cash dividend of Rs. 2.5 (June 30, 2018: Rs. 5) per share	531,063	923,588

These would be recognised in the Group's financial statements in the year in which such dividend and distribution are approved.

46. 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 30, 2019.


Chief Executive


Director


Chief Financial Officer

Pattern of Shareholding

As at June 30, 2019

No. of Shareholders		Shareholdings'Slab		Total Shares Held
2883	1	to	100	99,476
3040	101	to	500	836,313
1752	501	to	1000	1,293,496
2924	1001	to	5000	7,216,165
592	5001	to	10000	4,086,919
250	10001	to	15000	3,049,310
110	15001	to	20000	1,918,546
95	20001	to	25000	2,147,686
40	25001	to	30000	1,103,381
38	30001	to	35000	1,248,088
26	35001	to	40000	992,501
23	40001	to	45000	968,446
12	45001	to	50000	574,794
13	50001	to	55000	673,090
10	55001	to	60000	577,463
12	60001	to	65000	752,368
7	65001	to	70000	476,208
3	70001	to	75000	213,454
8	75001	to	80000	616,552
6	80001	to	85000	491,174
5	85001	to	90000	436,648
7	90001	to	95000	643,410
5	95001	to	100000	494,975
5	100001	to	105000	504,957
2	105001	to	110000	216,635
4	110001	to	115000	447,394
5	115001	to	120000	586,976
2	120001	to	125000	243,774
2	125001	to	130000	254,146
7	130001	to	135000	926,294
5	135001	to	140000	691,790
2	140001	to	145000	286,490
3	145001	to	150000	444,024
1	150001	to	155000	154,668
4	155001	to	160000	625,156
2	165001	to	170000	335,066
1	170001	to	175000	173,400
1	175001	to	180000	179,816
4	180001	to	185000	733,884
4	185001	to	190000	751,519
1	190001	to	195000	192,412
2	200001	to	205000	406,700
1	205001	to	210000	210,000
1	210001	to	215000	212,001
1	215001	to	220000	218,055
2	220001	to	225000	442,048
3	225001	to	230000	685,529
2	240001	to	245000	485,718
1	265001	to	270000	269,627
1	275001	to	280000	278,714
1	280001	to	285000	284,545
1	290001	to	295000	292,503
1	295001	to	300000	300,000
1	300001	to	305000	302,711

Pattern of Shareholding

As at June 30, 2019

No. of Shareholders	Shareholdings' Slab		Total Shares Held
1	310001	to	315000
3	325001	to	330000
1	330001	to	335000
1	335001	to	340000
1	340001	to	345000
1	365001	to	370000
1	375001	to	380000
1	380001	to	385000
1	385001	to	390000
1	390001	to	395000
1	405001	to	410000
1	435001	to	440000
1	490001	to	495000
2	505001	to	510000
1	510001	to	515000
1	515001	to	520000
1	525001	to	530000
1	530001	to	535000
1	535001	to	540000
1	590001	to	595000
1	610001	to	615000
1	625001	to	630000
1	640001	to	645000
1	675001	to	680000
1	715001	to	720000
1	835001	to	840000
1	840001	to	845000
1	905001	to	910000
1	1045001	to	1050000
2	1105001	to	1110000
1	1115001	to	1120000
1	1140001	to	1145000
1	1170001	to	1175000
1	1285001	to	1290000
1	1305001	to	1310000
1	1450001	to	1455000
1	1570001	to	1575000
1	1710001	to	1715000
1	1755001	to	1760000
1	1930001	to	1935000
1	2515001	to	2520000
1	2645001	to	2650000
1	3445001	to	3450000
1	3755001	to	3760000
1	3845001	to	3850000
1	4735001	to	4740000
1	115050001	to	115055000
11985			212,425,245

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
IBL OPS (PVT) LIMITED	1	58,974	0.03
IBL UNISYS PVT. LIMITED	1	100,050	0.05
IMPERIAL BRANDS (PRIVATE) LIMITED	1	26,427	0.01
INTERNATIONAL FRANCHISES (PRIVATE) LIMITED	1	51,087	0.02
TRUSTEE SEARLE PAKISTAN LIMITED PROVIDENT FUND	1	1,105,734	0.52

Executives

3	16,179	0.01
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Public Sector Companies and Corporations

5	4,667,458	2.20
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Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds

65	8,676,892	4.08
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Mutual Funds

FIRST CAPITAL MUTUAL FUND LTD.	1	51,839	0.02
CDC - TRUSTEE MEEZAN BALANCED FUND	1	336,648	0.16
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	21,994	0.01
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	405,940	0.19
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	3,448,274	1.62
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	212,001	0.10
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	325,118	0.15
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	533	0.00
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	100	0.00
CDC - TRUSTEE ABL STOCK FUND	1	238	0.00
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	12,165	0.01
CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	182,453	0.09
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	653	0.00
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	19,941	0.01
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	69,251	0.03
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	45,041	0.02
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	4,738,670	2.23
CDC - TRUSTEE PIML VALUE EQUITY FUND	1	113	0.00
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	490,804	0.23
CDC - TRUSTEE UBL CAPITAL PROTECTED FUND-III	1	470	0.00

Pattern of Shareholding

As at June 30, 2019

Categories of Shareholders

Shareholders Shares Held Percentage

CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	297	0.00
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	387	0.00
CDC - TRUSTEE PICIC INVESTMENT FUND	1	75,533	0.04
CDC - TRUSTEE PICIC GROWTH FUND	1	144,833	0.07
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	310	0.00
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	510,102	0.24
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	427	0.00
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	91,346	0.04
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	1	1,062	0.00
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	100,072	0.05
CDC - TRUSTEE NAFA STOCK FUND	1	46,550	0.02
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	156,208	0.07
CDC - TRUSTEE HBL - STOCK FUND	1	81,348	0.04
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	6,899	0.00
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	156,521	0.07
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	40,297	0.02
CDC - TRUSTEE HBL EQUITY FUND	1	8,500	0.00
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	7,729	0.00
CDC - TRUSTEE ASKARI EQUITY FUND	1	600	0.00
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	1	4,600	0.00
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	18,929	0.01
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	77,594	0.04
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	1	17,221	0.01
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	455	0.00
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	1	39,396	0.02
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	130,017	0.06
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	1	731	0.00
CDC - TRUSTEE NBP SARMAZA IZAFAT FUND	1	415	0.00
CDC - TRUSTEE NIT INCOME FUND - MT	1	39,900	0.02
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	1	40,200	0.02
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	16,300	0.01
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1	4,597	0.00
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	218,055	0.10
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	600	0.00
MC FSL TRUSTEE JS - INCOME FUND	1	3,000	0.00
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	5,750	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	1	805	0.00
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	6,610	0.00
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	1	8,450	0.00
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	1	31,400	0.01

Categories of Shareholders	Shareholders	Shares Held	Percentage
General Public			
a. Local	11525	36,179,258	17.03
b. Foreign	12	3,872,585	1.82
Foreign Companies	82	14,032,324	6.61
Others	214	10,423,597	4.91
Totals	11985	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 liue 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.

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SEARLE

Proxy Form

The Secretary
The Searle Company Limited
First Floor, NIC Building, Abbasi Shaheed Road,
Karachi-75530

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 October 25, 2019 and/or any adjournment thereof.

Signed this _____ day of _____ 2019

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
1st Floor, N.I.C.L. Building
Abbasi Shaheed Road
Off: Shahrah-e-Faisal
Karachi - 75530



SEARLE

THE SEARLE COMPANY LIMITED

1st Floor, N.I.C.L. Building, Abbasi Shaheed Road, Karachi-75530
URL: www.searlecompany.com