

**SEARLE**

Research in the service of mankind

From  
**CARE**  
to  
**CURE**



QUARTERLY REPORT  
MARCH 2014



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# Company Information

## Board of Directors

Mr. Rashid Abdulla Chief Executive Officer  
Mr. S. Nadeem Ahmed  
Mr. Zubair Palwala  
Mr. Munis Abdullah  
Mr. Asad Abdulla  
Mr. Ayaz Abdulla  
Mr. Adnan Asdar Ali

## Board of Audit Committee

Mr. Asad Abdulla Chairman  
Mr. S. Nadeem Ahmed  
Mr. Adnan Asdar Ali

## Board of HR & Remuneration Committee

Mr. Munis Abdullah Chairman  
Mr. Asad Abdulla  
Mr. Zubair Palwala

## Chief Financial Officer

Mr. Muhammad Jamil

## Company Secretary

Mr. Zubair Palwala

## Auditors

Grant Thornton Anjum Asim Shahid Rahman

## Legal Advisors

Mohsin Tayebaly & Co

## Bankers

- Standard Chartered Bank (Pakistan) Ltd
- Habib Bank Ltd
- Habib Metropolitan Bank Ltd
- National Bank of Pakistan
- Faysal Bank Ltd
- The Bank of Punjab
- Soneri Bank Ltd
- Citibank N.A
- Dubai Islamic Bank Pakistan Ltd.

## Registered Office

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

## Share Registrar

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

# Directors' Report to the Members

We are pleased to present the financial information of the group for the nine months ended March 31, 2014. This financial information is submitted in accordance with section 245 of the Companies Ordinance, 1984.

## OPERATING RESULTS

	March 31,	
	2014	2013
	(Rupees in thousand)	
Revenue	5,507,270	4,440,448
Gross profit	2,501,606	1,871,660
Operating expenses	1,438,889	1,030,754
Operating profit	1,062,717	840,906
Profit before taxation	893,598	624,704
Profit after taxation	719,477	444,871

Net sales of the group were reported at Rs. 5,507 million, which reflects an increase of 24.0% over the corresponding period of last year. Gross margin for the period increased to 45.4% from 42.2% of the same period last year which reflects the GP contribution of our subsidiaries.

The percentage of sales devoted to the operating expenses was increased to 26.1% as compared to 23.2% for the corresponding period of last year, the said increase is mainly due to additional expenditure incurred on the promotion of our new products.

Profit before tax as a percent of net sales increased to 16.2% (2013:14.1%). Similarly, the profit after tax increased to 13.1% (2013: 10.0%) due tax efficiencies brought by our subsidiaries.

## FUTURE OUTLOOK

Your group is one of the leading group in the pharmaceutical and healthcare industry in terms of growth and the management remains committed towards growth in group's earnings through introduction of innovative new medicines in The Searle Company limited.

The Management clearly sees remarkable growth in IBL Health Care business in the future. To generate better value and increase market share, aggressive promotional campaign on infant nutrition products, along with the introduction of children nutrition products during the year will contribute towards the growth of our business.

For strengthening our Medical Disposable Division, new sources and products are identified for launch during the new fiscal year to increase the business volume and profitability of the company.

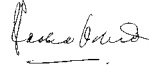
Searle Laboratories Private Limited has started its operations with a vision to deliver high quality IV solutions to the society at an affordable price so that the basic human right to get treated can be guarded.

## ACKNOWLEDGEMENT

We wish to thank the customers for their faith in our products, and their continuing patronage. We also take this opportunity to thank our suppliers, bankers and distributors for providing us with their valuable support throughout the year.

Finally we wish to thank our staff who remained committed to deliver towards the growth of all group companies.

For and on behalf of the board



Rashid Abdulla  
Chief Executive Officer

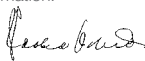
Karachi  
April 22, 2014

# Condensed Interim Consolidated Balance Sheet

As at March 31, 2014

ASSETS	Note	Un-audited March 31, 2014	Audited June 30, 2013  (Restated)
(Rupees in '000)			
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment	5	550,756	584,168
- Intangible assets		63,282	74,071
		614,038	658,239
Investment property		2,464,855	2,312,986
Long-term investment	6	95,700	-
Long-term loans		1,261	967
Long-term deposits		2,555	6,245
<b>Total non-current assets</b>		<b>3,178,409</b>	<b>2,978,437</b>
<b>Current assets</b>			
Stores and spares		2,186	2,186
Stock-in-trade		1,299,680	722,177
Trade debts	7	1,859,719	1,441,459
Loans and advances		191,048	81,919
Trade deposits and short term prepayments		89,125	67,128
Other receivables		80,113	145,714
Advance Tax		84,492	-
Cash and bank balances	8	48,895	29,066
<b>Total current assets</b>		<b>3,655,258</b>	<b>2,489,649</b>
<b>Total assets</b>		<b>6,833,667</b>	<b>5,468,086</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Authorized share capital			
70,000,000 (June 2013: 50,000,000) ordinary shares of			
Rs. 10 each		700,000	500,000
Issued, subscribed and paid-up capital	9	613,148	471,652
General reserve		280,251	280,251
Unappropriated profit		2,345,560	1,928,581
<b>Attributable to the holding company's shareholders</b>		<b>3,238,959</b>	<b>2,680,484</b>
Non-controlling interest		274,967	211,306
<b>Total shareholders' equity</b>		<b>3,513,926</b>	<b>2,891,790</b>
Surplus on revaluation of fixed assets		131,005	143,455
<b>Non-current liabilities</b>			
Long term finances - secured		766,667	858,334
Liabilities against assets subject to finance leases		-	2,182
Deferred liabilities			
Taxation		40,759	40,987
Gratuity - unfunded		34,015	36,862
		74,774	77,849
<b>Total non-current liabilities</b>		<b>841,441</b>	<b>938,365</b>
Trade and other payables		1,244,974	998,372
Accrued mark-up		67,537	21,528
Short-term finances		888,003	319,935
Current portion of			
- long term finances		145,833	108,333
- liabilities against assets subject to finance leases		948	2,513
Provision for taxation - net		-	43,795
<b>Total current liabilities</b>		<b>2,347,295</b>	<b>1,494,476</b>
<b>Total liabilities</b>		<b>3,188,736</b>	<b>2,432,841</b>
Contingencies and commitments	10		
<b>Total equity and liabilities</b>		<b>6,833,667</b>	<b>5,468,086</b>

The annexed selected notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

# Condensed Interim Consolidated Profit And Loss Account - Un-audited

For the period ended March 31, 2014

Note	Nine months ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees in '000)		(Rupees in '000)	
NET SALES	5,507,270	4,440,448	1,839,497	1,551,638
COST OF SALES	3,005,664	2,568,788	1,010,921	956,809
GROSS PROFIT	2,501,606	1,871,660	828,576	594,829
Selling and distribution expenses	1,253,108	900,352	397,670	301,367
Administrative expenses	174,809	119,877	53,724	40,340
Amortization of intangible assets	10,972	10,525	3,716	3,565
	1,438,889	1,030,754	455,110	345,272
OPERATING PROFIT	1,062,717	840,906	373,466	249,557
Other operating income	83,691	52,094	28,162	3,249
	1,146,408	893,000	401,628	252,806
Other operating expenses				
- Financial charges	162,200	218,958	62,370	61,535
- Other charges	90,610	49,338	28,221	14,590
	252,810	268,296	90,591	76,125
PROFIT BEFORE INCOME TAX	893,598	624,704	311,037	176,681
Income tax expense	174,121	179,833	46,010	51,688
PROFIT FOR THE PERIOD	719,477	444,871	265,027	124,993
	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----
EARNINGS PER SHARE - BASIC AND DILUTED	11	11.73	7.26	4.32
		2.04		

The annexed selected notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director



# Condensed Interim Consolidated Statement of Comprehensive Income - Un-audited

For the period ended March 31, 2014

	Nine months ended		Quarter ended	
	March 31, 2014 (Rupees in '000)	March 31, 2013	March 31, 2014 (Rupees in '000)	March 31, 2013
PROFIT FOR THE PERIOD	719,477	444,871	265,027	124,993
Other comprehensive income				
Item that will not be reclassified to profit and loss				
Remeasurement of post retirement benefits obligation	(668)	-	-	-
Impact of deferred tax	227	-	-	-
Total items that will not be reclassified to profit and loss	(441)	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>719,036</b>	<b>444,871</b>	<b>265,027</b>	<b>124,993</b>
Total comprehensive income attributable to:				
Shareholders' of the holding Company	655,375	409,498	259,914	112,062
Non-controlling interest	63,661	35,373	5,113	12,931
	<b>719,036</b>	<b>444,871</b>	<b>265,027</b>	<b>124,993</b>

The annexed selected notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.



Rashid Abdulla  
Chief Executive Officer



Syed Nadeem Ahmed  
Director

# Consolidated Statement of Cash Flows - Un-audited

For the period ended March 31, 2014

	Note	March 31, 2014	March 31, 2013
		(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations after working capital changes	12	327,721	908,932
Gratuity paid		-	(12,427)
Taxes paid		(302,408)	(148,815)
Recovery of long-term loans		(294)	(77)
Recovery / (Advance) of short-term loans		(109,129)	(9,221)
Payment of long-term deposits		3,690	379
Net cash from operating activities		(80,420)	738,771
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(52,672)	(130,695)
Purchase of intangible assets		(181)	(1,645)
Additions to Investment property under work in progress		(151,869)	(2,669)
Long-term investment in unquoted subsidiary		(95,700)	-
Proceeds from disposal of property, plant and equipment		84,286	12,105
Mark-up received from associated company		43,668	-
Foreign exchange loss - net		(16,036)	(12,109)
Net cash (used in) operating activities		(188,504)	(135,013)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liabilities paid		(3,747)	(10,830)
Dividend paid		(107,354)	(82,600)
Long-term finance paid		(54,167)	(16,667)
Financial charges paid		(114,047)	(164,313)
Net cash (used in) financing activities		(279,315)	(274,410)
Net increase / (decrease) in cash and cash equivalents		(548,239)	329,348
Cash and cash equivalents at the beginning of the period		(290,869)	(632,426)
Cash and cash equivalents at the end of the period	13	(839,108)	(303,078)

The annexed selected notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

# Complete Interim Consolidated Statement of Changes in Equity - Un-audited

For the period ended March 31, 2014

	Capital reserve		Revenue reserve		Non Controlling Interest	Share holders' equity
	Share capital	Reserve for issue of bonus shares	General reserve	Total reserves		
Note	------(Rupees in '000)-----					
Balance as at July 1, 2012 - Previously stated	336,895	-	280,251	280,251	1,447,386	2,225,530
Effect of change in accounting policy	4.2	-	-	-	778	778
<b>Balance as at July 1, 2012 - Restated</b>	<u>336,895</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>1,448,164</u>	<u>2,226,308</u>
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	13,382	13,382
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	409,498	444,871
<b>Transactions with owners</b>						
Transfer to reserve for issue of bonus shares	-	134,757	-	134,757	(134,757)	-
Bonus shares issued @ 40% in the ratio of 40 shares for every 100 shares held	134,757	(134,757)	-	(134,757)	-	-
Cash dividend paid for the year ended June 30, 2012 @ Re. 1 per share	-	-	-	-	(33,690)	(33,690)
	<u>134,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,690)</u>	<u>(33,690)</u>
<b>Balance as at December 31, 2012 - Restated</b>	<u>471,652</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>1,702,597</u>	<u>2,650,871</u>
<b>Balance as at January 01, 2013 - Restated</b>	471,652	-	280,251	280,251	1,702,597	2,650,871
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	4,406	4,406
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	140	140
Total comprehensive income for the period	-	-	-	-	333,813	348,748
<b>Balance as at June 30, 2013 - Restated</b>	<u>471,652</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>2,040,956</u>	<u>3,004,165</u>
<b>Balance as at July 01, 2013</b>	471,652	-	280,251	280,251	1,928,581	2,891,790
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	12,450	12,450
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	655,375	719,036
<b>Transactions with owners</b>						
Transfer to reserve for issue of bonus shares	-	141,496	-	141,496	(141,496)	-
Bonus shares issued @ 30% in the ratio of 30 shares for every 100 shares held	141,496	(141,496)	-	(141,496)	-	-
Cash dividend paid for the year ended June 30, 2013 @ Re. 1 per share	-	-	-	-	(94,330)	(94,330)
Cash dividend paid for the year ended June 30, 2013 @ Re. 1.5 per share by the subsidiary companies	-	-	-	-	(15,020)	(15,020)
	<u>141,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,846)</u>	<u>(109,350)</u>
<b>Balance as at March 31, 2014</b>	<u>613,148</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>2,345,560</u>	<u>3,513,926</u>

The annexed selected notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

## 1 LEGAL STATUS AND OPERATIONS

The Searle Company Limited (formerly "Searle Pakistan Limited" (the Company)) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted to a public limited company. Its shares are quoted on the Karachi and Islamabad stock exchanges. The Company is principally engaged in the manufacture of pharmaceutical products and a low calorie sweetener. In addition, the Company is engaged in sale of food and consumer items and manufacture of pharmaceutical items for other companies. Registered office of the Company is located at First Floor, N.I.C. Building, Abbasi Shaheed Road, Shahrae-e-Faisal, Karachi.

The company is a subsidiary of International Brands (Private) Limited.

The Company is the holding company of IBL HealthCare Limited due to significant representation in Board of Directors and 50% shareholding. Further, the Company has also wholly owned subsidiaries namely Searle Laboratories (Private) Limited and Searle Pharmaceuticals (Private) Limited and Searle Biosciences (Private) Limited.

## 2 STATEMENT OF COMPLIANCE

This condensed interim consolidated financial report (condensed interim financial information of the Company for the period ended December 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 – Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This un-audited condensed interim consolidated financial information constitutes separate condensed interim financial statements of the Company and are being presented and submitted to the shareholders as required by Listing Regulations of Karachi and Islamabad stock exchanges and under Section 245 of the Companies Ordinance, 1984. The condensed interim financial information do not include all information and disclosures required in the financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2013.

## 3 SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2013 except for the change in policy for gratuity scheme (unfunded) maintained for employees as follows:

During the current period, the Company has changed its accounting policy in respect of post-retirement defined benefits plan as required under International Accounting Standard (IAS) 19, "Employee Benefits". According to new policy, all actuarial gains and losses are recognized in other comprehensive income as they occur. Amounts recorded in the profit and loss account are limited to current service and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income.

# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" and comparatives figures have been restated. The effect of change in accounting policy on the current and prior period financial statements have been summarized below:

	March 31, 2014	June 30, 2013
	(Rupees in '000)	
(Decrease) / Increase in Deferred tax liability	(227)	544
Increase / (Decrease) in Deferred liability		
Gratuity (unfunded)	668	(1,599)
(Decrease) / Increase in Unappropriated profit	(441)	1,055

## 4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013.

		March 31, 2014	June 30, 2013
	Note	(Rupees in '000)	
5	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets	548,327	583,403
	Capital work in progress	2,429	765
		550,756	584,168

### 5.1 Details of additions and disposals to operating assets during the period ended March 31, 2014 are as follows:

	Additions at cost	Deletions at net book value
<b>Owned assets</b>		
Building on leasehold land	-	-
Plant and machinery	25,621	-
Office and electrical equipments	5,340	(71)
Air - conditioning	853	-
Vehicles	19,194	(24,315)
<b>March 31, 2014</b>	<b>51,008</b>	<b>(24,386)</b>
June 30, 2013	44,000	(1,763)

# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

## 6 LONG-TERM INVESTMENT

		March 31, 2014	June 30, 2013
	Note	(Rupees in '000)	
Unquoted subsidiaries - at cost			
Searle Biosciences (Private) Limited		500	
Other investment	6.1	94,500	-
Advance against issue of shares	6.2	700	-
		95,700	-

- 6.1 This represents 10,000,000 (June 30, 2013: 10,000,000) fully paid ordinary shares of Rs. 10 each in IBL HealthCare Limited. The proportion of ownership interest of the Company is 50% (June 30, 2013: 50%).
- 6.2 This represents 630,000 (June 30, 2013: Nil) fully paid ordinary shares of Rs. 150 each in Nextar Pharma (Private) Limited (NPL). The company has signed MOU with the NPL for acquisition of 1,040,000 shares at a price of Rs.150 per share amounting to Rs.156 million.
- 6.3 This represents advances amounted to Rs.0.2 million and Rs.0.5 million paid to Searle Biosciences (Private) Limited and Nextar Pharma (Private) Limited respectively for issue of shares.

		March 31, 2014	June 30, 2013
	Note	(Rupees in '000)	
<b>7 TRADE DEBTS</b>			
Considered good			
- Secured: Export debtors		120,570	61,592
- Unsecured: Due from:			
- associated/holding company	7.1	1,588,096	1,145,593
- others		151,053	234,274
		1,859,719	1,441,459
Considered doubtful - others		976	976
Less: Provision for doubtful debts		(976)	(976)
		-	-
		1,859,719	1,441,459

- 7.1 The receivable is stated net of amounts payable aggregating Rs. 135.18 million (June 30, 2013: Rs. 62.082 million) on account of expenses claimed by the associated company.
- 7.2 Competition Commission of Pakistan (CCP) through its order dated September 13, 2007 instructed the Company to reduce terms of trade credits with IBL, re-negotiate the offered rate of commission, and conduct audit of the transactions with associate, now the holding company.

The Company and the directors filed a counter case in Honorable High Court of Sindh to revert the said order by CCP. The Company, based on opinion of its legal advisor, believes that it has strong case and the matter would be decided in its favor and the matter is still pending in the Court.

# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

		March 31, 2014	June 30, 2013
8	CASH AND BANK BALANCES		
		(Rupees in '000)	
	Cash in hand	930	840
	Cash with banks in:		
	- deposit accounts	193	792
	- current accounts	47,772	27,434
		48,895	29,066

## 9 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	March 31, 2014	June 30, 2013		March 31, 2014	June 30, 2013
	(Number of shares)			(Rupees in '000)	
			Ordinary shares of Rs. 10 each		
	3,969,000	3,969,000	fully paid in cash	39,690	39,690
			Ordinary shares of Rs. 10 each issued for consideration other than cash	240	240
	24,000	24,000			
			Ordinary shares of Rs. 10 each issued as fully paid bonus shares	573,218	431,722
	57,321,818	43,172,245		613,148	471,652
	61,314,818	47,165,245		613,148	471,652

### 9.1 Movement in number of shares

Number of shares at beginning of the period	47,165	33,689
Bonus shares issued during the period	14,150	13,476
Number of shares at end of the period	61,315	47,165

## 10 CONTINGENCIES AND COMMITMENTS

There is no change in the contingencies and commitment since the last financial year ended June 30, 2013 except the following:

### 10.1 Contingencies

The facility for opening letters of credit (LCs) acceptances and guarantees as at March 31, 2014 amounted to Rs. 665 million (June 30, 2013: Rs. 665 million) of which the amount remaining unutilized as at that date was Rs. 457.62 million (June 30, 2013: Rs. 237 million).

# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

## 10.2 Commitments

Future rentals payable against operating lease arrangement

During the year 2010, the Company obtained factory building at Karachi on rent for a period of 5 years.

The Company has also entered into operating lease arrangements in the years 2009, and in 2011 with S.A.Pharma and Myplan Pharmaceuticals (Private) Limited, pharmaceutical concerns, respectively, for a period of 20 years. Lease includes land and building together with plant and machinery located at Lahore.

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

	March 31, 2014	June 30, 2013
	(Rupees in '000)	
Not later than one year	31,560	31,225
Later than one year and not later than five years	100,702	94,920
Later than five years	297,525	288,021
	429,787	414,166

The above also includes ujrah payments for Ijarah financing of motor vehicles.

	March 31, 2014	March 31, 2013
<b>11 EARNINGS PER SHARE - Basic and Diluted</b>		
Basic earnings per share		
Profit for the half year (Rupees in thousands)	719,477	444,871
Weighted average number of shares (Restated)	61,314,818	61,314,818
Earnings per share (Rupees)	11.73	7.26
Diluted earning per share		

There is no dilution effect on the basic earning per share of the Company as the Company has no such commitments.



# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

			March 31, 2014	March 31, 2013
12	CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES	Note	(Rupees in '000)	
	Profit before taxation		893,598	624,704
	Adjustments for non-cash items and other items:			
	Depreciation		61,697	64,928
	Amortization of intangible assets		10,972	10,525
	Gain on disposal of property, plant and equipment - net		(59,900)	(11,162)
	Provision for staff retirement gratuity		(3,514)	14,894
	Foreign exchange loss - net		16,036	12,109
	Financial charges - net		160,056	200,615
	Net (increase) in working capital	12.1	<u>(751,224)</u>	<u>(7,681)</u>
			<u>327,721</u>	<u>908,932</u>
12.1	Working capital changes			
	Current assets			
	(Increase)/Decrease in stock-in-trade		(577,503)	81,381
	Increase in trade debts		(418,260)	(168,432)
	Decrease/(Increase) in trade deposits and short term prepayments		(21,997)	(10,728)
	Decrease/(Increase) in other receivables		<u>21,933</u>	<u>11,579</u>
			(995,827)	(86,200)
	Current liabilities			
	Decrease/(Increase) in trade and other payables		<u>244,603</u>	<u>78,519</u>
	Net increase in working capital		<u>(751,224)</u>	<u>(7,681)</u>
13	CASH AND CASH EQUIVALENTS			
	Cash and bank balances		48,895	45,004
	Short term finances		<u>(888,003)</u>	<u>(348,082)</u>
			<u>(839,108)</u>	<u>(303,078)</u>
14	SEGMENT INFORMATION			

A segment is a distinguishable component of the Company that is engaged in business activities from which the Company earns revenues and incur expenses and its results are regularly reviewed by the Company's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure and products produced and sold, the Company is organised into the following three operating segments:

- Pharmaceutical
- Consumer
- Investment property

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.

# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

Segment revenue, segment result, costs, assets and liabilities for the period are as follows:

	Pharmaceutical		Consumer		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
----- (Rupees in '000) -----						
Sales						
Local	4,080,023	3,248,901	1,192,257	1,030,744	5,272,280	4,279,645
Export	272,743	154,871	28,970	12,729	301,713	167,600
	<u>4,352,766</u>	<u>3,403,772</u>	<u>1,221,227</u>	<u>1,043,473</u>	<u>5,573,993</u>	<u>4,447,245</u>
Less:						
Sales return & discounts	197,270	100,150	8,371	58,063	205,641	158,213
Sales tax & excise duty	-	-	91,284	36,924	91,284	36,924
	<u>197,270</u>	<u>100,150</u>	<u>99,655</u>	<u>94,987</u>	<u>296,925</u>	<u>195,137</u>
	<u>4,155,496</u>	<u>3,303,622</u>	<u>1,121,572</u>	<u>948,486</u>	<u>5,277,068</u>	<u>4,252,108</u>
Add: Toll manufacturing	223,286	184,853	8,092	4,045	231,378	188,898
Less : Sales tax	-	-	1,176	558	1,176	558
	<u>223,286</u>	<u>184,853</u>	<u>6,916</u>	<u>3,487</u>	<u>230,202</u>	<u>188,340</u>
Net sales	<u>4,378,782</u>	<u>3,488,475</u>	<u>1,128,488</u>	<u>951,973</u>	<u>5,507,270</u>	<u>4,440,448</u>
Cost of sales	2,382,169	1,967,983	623,495	600,805	3,005,664	2,568,788
Selling and distribution expenses	1,066,460	767,076	186,648	133,276	1,253,108	900,352
Administrative expenses	143,079	99,158	31,730	20,719	174,809	119,877
Amortization of intangible assets	4,077	3,972	6,895	6,553	10,972	10,525
	<u>3,595,785</u>	<u>2,838,189</u>	<u>848,768</u>	<u>761,353</u>	<u>4,444,553</u>	<u>3,599,542</u>
Segment result	<u>782,997</u>	<u>650,286</u>	<u>279,720</u>	<u>190,620</u>	<u>1,062,717</u>	<u>840,906</u>
Unallocated income and expenses						
Other operating income					83,691	52,094
Finance cost					(162,200)	(218,958)
Other charges					(90,610)	(49,338)
Profit before taxation					<u>893,598</u>	<u>624,704</u>
Income tax expense					(174,121)	(179,833)
Profit for the period					<u>719,477</u>	<u>444,871</u>
Depreciation	<u>54,345</u>	<u>57,874</u>	<u>7,352</u>	<u>7,054</u>	<u>61,697</u>	<u>64,928</u>

Segment revenue, segment result, costs, assets and liabilities for the period/year are as follows:

	Pharma		Consumer		Investment property		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
----- (Rupees in '000) -----								
	Un-audited		Un-audited		Un-audited		Un-audited	
Segment revenue	<u>4,378,782</u>	<u>3,488,475</u>	<u>1,128,488</u>	<u>951,973</u>	-	-	<u>5,507,270</u>	<u>4,440,448</u>
Segment result	<u>782,997</u>	<u>650,286</u>	<u>279,720</u>	<u>190,620</u>	-	-	<u>1,062,717</u>	<u>840,906</u>
Unallocated income and expenses								
Other operating income							83,691	52,094
Financial cost							(162,200)	(218,958)
Other charges							(90,610)	(49,338)
Profit before taxation							<u>893,598</u>	<u>624,704</u>
Income tax expense							(174,121)	(179,833)
Profit for the period/year							<u>719,477</u>	<u>444,871</u>
Depreciation	<u>54,345</u>	<u>57,874</u>	<u>7,352</u>	<u>7,054</u>	-	-	<u>61,697</u>	<u>64,928</u>

# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

	Pharma		Consumer		Investment property		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
----- (Rupees in '000) -----								
	Un-audited		Un-audited		Un-audited		Un-audited	
<b>Segment assets and liabilities</b>								
Segment assets	147,875	174,117	22,578	17,546	2,286,607	2,189,398	2,457,060	2,381,061
Unallocated assets							3,837,914	2,700,970
<b>Total assets</b>							<u>6,294,974</u>	<u>5,082,031</u>
Segment liabilities	-	-	-	-	912,500	966,667	912,500	966,667
Unallocated liabilities							2,448,016	1,459,012
<b>Total Liabilities</b>							<u>3,360,516</u>	<u>2,425,679</u>
<b>Addition in segment assets</b>	<u>44,252</u>	<u>33,995</u>	<u>6,756</u>	<u>10,005</u>	<u>97,209</u>	<u>2,312,886</u>	<u>148,217</u>	<u>2,356,886</u>
<b>Percentage for allocation</b>	<u>87%</u>	<u>92%</u>	<u>13%</u>	<u>8%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>100%</u>

There were no inter-segment transactions during the period/year (June 30, 2013: None).

March 31,      March 31,  
2014              2013  
(Rupees in '000)

## 14.1 Geographical segments gross revenue analysis

Pakistan	5,272,280	4,279,645
Asia	169,876	42,160
East Africa	2,270	3,493
South East Asia	27,993	46,599
Far Eastern countries	101,574	71,381
Central Asian Republic States	-	2,870
Middle East	-	1,097
	<u>5,573,993</u>	<u>4,447,245</u>

## 14.2 The Company's revenue from one of the major customer represents approximately Rs. 4.12 billion (March 31, 2013: Rs. 3.68 billion) of the total revenues.

March 31,      March 31,  
2014              2013  
(Rupees in '000)

## 15 TRANSACTIONS WITH RELATED PARTIES

### Transactions

#### IBL Operations (Private) Limited

Sales	4,121,811	3,686,560
Sales returns	98,817	70,083
<b>Expenses claimed</b>		
Carriage and duties	12,702	11,931
Discounts	15,539	16,289
Warehouse rent	2,229	970
Mark-up expenses	-	4,314
Professional Services Rendered	4,742	-
Corporate services charged	4,800	4,800
Sales promotion expenses	45,900	17,997
IT Services	4,400	4,950
Salaries and allowances	3,403	1,573

# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
<b>Expenses claimed from IBL Operations (Private) Limited</b>		
Staff salaries and other expenses	4,454	14,388
Royalty and price difference	-	7,663
<b>International Franchises (Private) Limited - associated company</b>		
Sales	501	223
Sales returns	-	8
Rent, utility and other income	2,025	2,340
<b>Expenses claimed by International Franchises (Private) Limited</b>		
Purchase of Promotional Items	370	-
Sales promotion expenses	-	341
<b>Expenses claimed by International Franchises (Private) Limited</b>		
Staff salaries and other expenses	871	1,972
<b>United Distributors Pakistan Limited</b>		
Warehouse rent	460	149
Vehicle hiring	26	-
Transfer of funds under group tax relief	-	35,998
<b>Expenses claimed from United Distributors Pakistan Limited</b>		
Warehouse rent & expenses	-	-
<b>HABITT - associate</b>		
Sales	-	10
<b>Expenses claimed by Habitt</b>		
Sales promotion expenses	706	863
<b>United Brands Limited - associated company</b>		
Sales	64,648	27,872
<b>Expenses claimed by United Brands Limited</b>		
Discounts	1,020	233
Purchase of promotional items	423	-
<b>The Citizens Foundation - associate</b>		
Donations	5,000	-

The Chairman of the Company is on the board of directors of the donee. The address of the donee is Plot No. 20, Sector - 14, Near Brookes Roundabout, Korangi Industrial Area, Karachi.

# Selected Notes to the Condensed Interim Consolidated Financial Information

For the period ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Shahid Abdulla - associate		
Office and factories renovation	-	612
Multinet Pakistan (Private) Limited - associated company		
Internet services	610	-
<b>Balances</b>		
<b>Loans and advances - key management personnel</b>		
At beginning of the period/year	3,458	7,865
Given during the period/year	2,886	2,984
Repaid during the period/year	<u>(1,870)</u>	<u>(7,391)</u>
At the end of the period/year	<u>4,474</u>	<u>3,458</u>
<b>Trade debts - associated company</b>		
At beginning of the period/year	1,071,559	876,454
Given during the period/year	2,532,691	4,437,425
Repaid during the period/year	<u>(2,226,211)</u>	<u>(4,242,320)</u>
At the end of the period/year	<u>1,378,039</u>	<u>1,071,559</u>
<b>Other receivables - associates</b>		
At beginning of the period/year	107,490	130,529
Given during the period/year	5,465	27,094
Repaid during the period/year	<u>(49,133)</u>	<u>(50,133)</u>
At the end of the period/year	<u>63,822</u>	<u>107,490</u>
<b>Accrued liabilities - associates</b>		
At beginning of the period/year	-	612
Given during the period/year	-	9,795
Repaid during the period/year	<u>-</u>	<u>(10,407)</u>
At the end of the period/year	<u>-</u>	<u>-</u>

## 16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information was authorized for issue on April 22, 2014, by the Board of Directors of the Company.



Rashid Abdulla  
Chief Executive Officer



Syed Nadeem Ahmed  
Director



**Condensed Interim  
Financial Statements of  
The Searle Company Limited**

# Directors' Report to the Members

We are pleased to present the financial information of your Company for the nine months ended March 31, 2014. This financial information is submitted in accordance with section 245 of the Companies Ordinance, 1984.

## OPERATING RESULTS

	March 31,	
	2014	2013
	(Rupees in thousand)	
Revenue	4,392,960	3,784,659
Gross profit	1,809,029	1,703,942
Operating expenses	1,288,836	943,701
Operating profit	520,193	760,241
Profit before taxation	685,925	542,555
Profit after taxation	573,363	374,125

Net sales of the Company were reported at Rs. 4,392 million, registered a growth of 16.1% over the corresponding period of last year. However, the gross margin for the period dropped down to 41.2% from 45.0% of the same period last year which clearly reflects the rising cost of production triggered by devaluation of local currency for major part of the period & increase in utilities cost due to inflation.

The percentage of sales devoted to the operating expenses was increased to 29.3% as compared to 24.9% for the corresponding period of last year, the said increase is mainly due to additional expenditure incurred on the promotion of our products.

Profit before tax as a percent of net sales increased to 15.6% (2013:14.3%) due to dividend income from our subsidiary. Similarly, the profit after tax increased to 13.1% (2013: 9.9%) due to no tax on intercompany dividend income.

## FUTURE OUTLOOK

Your Company is one of the leading pharmaceutical Companies in terms of growth and the management remains committed towards growth in company's earnings through introduction of innovative new medicines.

## ACKNOWLEDGEMENT

We wish to thank the customers for their faith in our products, and their continuing patronage. We also take this opportunity to thank our suppliers, bankers and distributors for providing us with their valuable support throughout the year.

Finally we wish to thank our staff who remained committed to deliver towards the growth of your Company.

For and on behalf of the board

  
Rashid Abdulla

Chief Executive Officer

Karachi  
April 22, 2014

# Condensed Interim Balance Sheet

As at March 31, 2014

ASSETS	Note	Un-audited March 31, 2014	Audited June 30, 2013 Restated
(Rupees in '000)			
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment	5	545,450	576,639
- Intangible assets		34,931	39,008
		580,381	615,647
Investment property		2,341,267	2,189,398
Long-term investment	6	310,400	100,800
Long-term loans		338	782
Long-term deposits		2,555	6,245
<b>Total non-current assets</b>		<b>3,234,941</b>	<b>2,912,872</b>
<b>Current assets</b>			
Stores and spares		2,186	2,186
Stock-in-trade		1,032,546	569,342
Trade debts	7	1,547,282	1,298,386
Loans and advances		137,630	75,531
Trade deposits and short term prepayments		77,573	63,441
Other receivables		206,690	147,535
Advance Tax		107,805	-
Cash and bank balances	8	13,497	12,738
<b>Total current assets</b>		<b>3,125,209</b>	<b>2,169,159</b>
<b>Total assets</b>		<b>6,360,150</b>	<b>5,082,031</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Authorized share capital			
70,000,000 (June 2013: 50,000,000) ordinary shares of Rs. 10 each		700,000	500,000
Issued, subscribed and paid-up capital	9	613,148	471,652
General reserve		280,251	280,251
Unappropriated profit		2,110,540	1,760,994
<b>Total shareholders' equity</b>		<b>3,003,939</b>	<b>2,512,897</b>
Surplus on revaluation of fixed assets		131,005	143,455
<b>Non-current liabilities</b>			
Long term finances - secured		766,667	858,334
Liabilities against assets subject to finance leases		-	1,086
Deferred liabilities			
Taxation		40,759	40,987
Gratuity - unfunded		31,276	27,821
<b>Total non-current liabilities</b>		<b>838,702</b>	<b>928,228</b>
<b>Current liabilities</b>			
Trade and other payables		1,285,131	1,010,783
Accrued mark-up		67,537	21,528
Short-term finances		888,003	319,935
Current portion of			
- long term finances		145,833	108,333
- liabilities against assets subject to finance leases		-	1,196
Provision for taxation - net		-	35,676
<b>Total current liabilities</b>		<b>2,386,504</b>	<b>1,497,451</b>
<b>Total liabilities</b>		<b>3,225,206</b>	<b>2,425,679</b>
Contingencies and commitments	10	-	-
<b>Total equity and liabilities</b>		<b>6,360,150</b>	<b>5,082,031</b>

The annexed selected notes from 1 to 16 form an integral part of this condensed interim financial information.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director



# Condensed Interim Profit And Loss

## Account - Un-audited

For the period ended March 31, 2014

	Nine months ended		Quarter ended		
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	
Note	(Rupees in '000)		(Rupees in '000)		
NET SALES	4,392,960	3,784,659	1,421,555	1,336,260	
COST OF SALES	2,583,931	2,080,717	874,834	802,415	
GROSS PROFIT	1,809,029	1,703,942	546,721	533,845	
Selling and distribution expenses	1,141,382	832,158	351,782	276,203	
Administrative expenses	143,377	107,571	44,743	37,745	
Amortization of intangible assets	4,077	3,972	1,359	1,362	
	1,288,836	943,701	397,884	315,310	
OPERATING PROFIT	520,193	760,241	148,837	218,535	
Other operating income	413,226	45,931	143,416	1,158	
	933,419	806,172	292,253	219,693	
Other operating expenses					
- Financial charges	160,056	215,955	61,474	60,844	
- Other charges	87,438	47,662	25,049	12,914	
	247,494	263,617	86,523	73,758	
PROFIT BEFORE INCOME TAX	685,925	542,555	205,730	145,935	
Income tax expense	112,562	168,430	25,944	46,178	
PROFIT FOR THE PERIOD	573,363	374,125	179,786	99,757	
	----- (Rupees) -----		----- (Rupees) -----		
EARNINGS PER SHARE - BASIC AND DILUTED	11	9.35	6.10	2.93	1.63

The annexed selected notes from 1 to 16 form an integral part of this condensed interim financial information.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

# Condensed Interim Statement of Comprehensive Income - Un-audited

For the period ended March 31, 2014

	Nine months ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees in '000)		(Rupees in '000)	
PROFIT FOR THE PERIOD	573,363	374,125	179,786	99,757
Other comprehensive income				
Item that will not be reclassified to profit and loss				
Remeasurement of post retirement benefits obligation	(668)	420	-	-
Impact of deferred tax	227	(143)	-	-
Total items that will not be reclassified to profit and loss	(441)	277	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>572,922</b>	<b>374,402</b>	<b>179,786</b>	<b>99,757</b>

The annexed selected notes from 1 to 16 form an integral part of this condensed interim financial information.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

# Statement of Cash Flows - Un-audited

For the period ended March 31, 2014

	Note	March 31 2014	March 31 2013
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations after working capital changes	12	318,716	829,744
Gratuity paid		-	(12,427)
Taxes paid		(256,043)	(135,201)
Recovery of long-term loans		444	59
Recovery / (Advance) of short-term loans		(62,099)	(15,142)
Payment of long-term deposits		3,690	379
<b>Net cash from operating activities</b>		<b>4,708</b>	<b>667,412</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(51,280)	(128,190)
Purchase of intangible assets		-	(1,310)
Additions to Investment property under work in progress		(151,869)	-
Long-term investment in unquoted subsidiary		(209,600)	(800)
Proceeds from disposal of property, plant and equipment		75,930	11,584
Mark-up received from associated company		43,668	-
Foreign exchange loss - net		(16,036)	(12,109)
<b>Net cash (used in) operating activities</b>		<b>(309,187)</b>	<b>(130,825)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liabilities paid		(2,282)	(9,917)
Dividend paid		(92,334)	(32,600)
Long-term finance paid		(54,167)	(16,667)
Financial charges paid		(114,047)	(164,313)
<b>Net cash (used in) financing activities</b>		<b>(262,830)</b>	<b>(223,497)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(567,309)</b>	<b>313,090</b>
Cash and cash equivalents at the beginning of the period		(307,197)	(646,077)
Cash and cash equivalents at the end of the half year	13	<u>(874,506)</u>	<u>(332,987)</u>

The annexed selected notes from 1 to 16 form an integral part of this condensed interim financial information.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

# Complete Interim Statement of Changes in Equity - Un-audited

For the period ended March 31, 2014


Note	Capital Reserve		Revenue Reserve		Share holders' equity	
	Share capital	Reserve for issue of bonus shares	General reserve	Total reserves		Unappropriated profit
	----- Rupees in '000' -----					
Balance as at July 1, 2012 - Previously stated	336,895	-	280,251	280,251	1,386,390	2,003,536
Effect of change in accounting policy	4.2				778	778
Balance as at July 1, 2012 - Restated	336,895	-	280,251	280,251	1,387,168	2,004,314
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	13,362	13,362
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	374,125	374,125
Transactions with owners						
Transfer to reserve for issue of bonus shares	-	134,757	-	134,757	(134,757)	-
Bonus shares issued @ 40% in the ratio of 40 shares for every 100 shares held	134,757	(134,757)	-	(134,757)	-	-
Cash dividend paid for the year ended June 30, 2012 @ Re. 1 per share	-	-	-	-	(33,690)	(33,690)
	134,757	-	-	-	(168,447)	(33,690)
Balance as at March 31, 2013 - Restated	<u>471,652</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>1,606,208</u>	<u>2,358,111</u>
Balance as at January 01, 2013 - Restated	471,652	-	280,251	280,251	1,606,208	2,358,111
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	4,426	4,426
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	140	140
Total comprehensive income for the period	-	-	-	-	249,700	249,700
Balance as at June 30, 2013 - Restated	<u>471,652</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>1,860,474</u>	<u>2,612,377</u>
Balance as at July 01, 2013 - Restated	471,652	-	280,251	280,251	1,760,994	2,612,377
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	12,450	12,450
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	572,922	572,922
Transactions with owners						
Transfer to reserve for issue of bonus shares	-	141,496	-	141,496	(141,496)	-
Bonus shares issued @ 30% in the ratio of 30 shares for every 100 shares held	141,496	(141,496)	-	(141,496)	-	-
Cash dividend paid for the year ended June 30, 2013 @ Re. 1 per share	-	-	-	-	(94,330)	(94,330)
	141,496	-	-	-	(235,826)	(94,330)
Balance as at March 31, 2014	<u>613,148</u>	<u>-</u>	<u>280,251</u>	<u>280,251</u>	<u>2,110,540</u>	<u>3,103,419</u>

The annexed notes 1 to 46 form an integral part of these complete interim financial statements.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

## 1 LEGAL STATUS AND OPERATIONS

The Searle Company Limited (formerly “Searle Pakistan Limited” (the Company)) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted to a public limited company. Its shares are quoted on the Karachi and Islamabad stock exchanges. The Company is principally engaged in the manufacture of pharmaceutical products and a low calorie sweetener. In addition, the Company is engaged in sale of food and consumer items and manufacture of pharmaceutical items for other companies. Registered office of the Company is located at First Floor, N.I.C. Building, Abbasi Shaheed Road, Shahrae-e-Faisal, Karachi.

The company is a subsidiary of International Brands (Private) Limited.

The Company is the holding company of IBL HealthCare Limited due to significant representation in Board of Directors and 50% shareholding. Further, the Company has also wholly owned subsidiaries namely Searle Laboratories (Private) Limited and Searle Pharmaceuticals (Private) Limited and Searle Biosciences (Private) Limited.

## 2 STATEMENT OF COMPLIANCE

This condensed interim financial report (condensed interim financial information of the Company for the period ended March 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 – Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This un-audited condensed interim financial information constitutes separate condensed interim financial statements of the Company and are being presented and submitted to the shareholders as required by Listing Regulations of Karachi and Islamabad stock exchanges and under Section 245 of the Companies Ordinance, 1984. The condensed interim financial information do not include all information and disclosures required in the financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2013.

## 3 SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2013 except for the change in policy for gratuity scheme (unfunded) maintained for employees as follows:

During the current period, the Company has changed its accounting policy in respect of post-retirement defined benefits plan as required under International Accounting Standard (IAS) 19, “Employee Benefits”.

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

According to new policy, all actuarial gains and losses are recognized in other comprehensive income as they occur. Amounts recorded in the profit and loss account are limited to current service and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" and comparatives figures have been restated. The effect of change in accounting policy on the current and prior period financial statements have been summarized below:

	March 31 2014	June 30, 2013
	(Rupees in '000)	
(Decrease) / Increase in Deferred tax liability	(227)	544
Increase / (Decrease) in Deferred liability - Gratuity (unfunded)	668	(1,599)
(Decrease) / Increase in Unappropriated profit	(441)	1,055

#### 4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013.

		March 31 2014	June 30, 2013
		(Rupees in '000)	
5 PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets	5.1	543,021	575,874
Capital work in progress		2,429	765
		545,450	576,639

5.1 Details of additions and disposals to operating assets during the period ended March 31, 2014 are as follows:

	Additions at cost	Deletions at net book value
<b>Owned assets</b>		
Plant and machinery	25,621	-
Office and electrical equipments	3,948	(71)
Air - conditioning	853	-
Vehicles	19,194	(22,448)
<b>March 31, 2014</b>	<b>49,616</b>	<b>(22,519)</b>
June 30, 2013	41,378	(1,518)

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

## 6 LONG-TERM INVESTMENT

	Note	March 31 2014 (Rupees in '000)	June 30 2013,
Quoted subsidiary - at cost	6.1	100,000	100,000
Unquoted subsidiaries - at cost			
Searle Pharmaceuticals (Private) Limited		400	400
Searle Laboratories (Private) Limited		114,300	400
Searle Biosciences (Private) Limited		500	-
		115,200	800
Other investment	6.2	94,500	-
Advance against issue of shares	6.3	700	-
		<u>310,400</u>	<u>100,800</u>

6.1 This represents 10,000,000 (June 30, 2013: 10,000,000) fully paid ordinary shares of Rs. 10 each in IBL HealthCare Limited. The proportion of ownership interest of the Company is 50% (June 30, 2013: 50%).

6.2 This represents 630,000 (June 30, 2013: Nil) fully paid ordinary shares of Rs. 150 each in Nextar Pharma (Private) Limited (NPL). The company has signed MOU with the NPL for acquisition of 1,040,000 shares at a price of Rs. 150 per share amounting to Rs. 156 million.

6.3 This represents advances amounted to Rs. 0.2 million and Rs. 0.5 million paid to Searle Biosciences (Private) Limited and Nextar Pharma (Private) Limited respectively for issue of shares.

	Note	March 31 2014 (Rupees in '000)	June 30, 2013
<b>7 TRADE DEBTS</b>			
Considered good			
- Secured: Export debtors		120,570	61,592
- Unsecured: Due from:			
- associated/holding company	7.1	1,275,659	1,071,559
- others		151,053	165,235
		<u>1,547,282</u>	<u>1,298,386</u>
Considered doubtful - others		976	976
Less: Provision for doubtful debts		(976)	(976)
		<u>-</u>	<u>-</u>
		<u>1,547,282</u>	<u>1,298,386</u>

7.1 The receivable is stated net of amounts payable aggregating Rs. 62.913 million (June 30, 2013: Rs. 62.082 million) on account of expenses claimed by the associated company.

7.2 Competition Commission of Pakistan (CCP) through its order dated September 13, 2007 instructed the Company to reduce terms of trade credits with IBL, re-negotiate the offered rate of commission, and conduct audit of the transactions with associate, now the holding company.

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

The Company and the directors filed a counter case in Honorable High Court of Sindh to revert the said order by CCP. The Company, based on opinion of its legal advisor, believes that it has strong case and the matter would be decided in its favor and the matter is still pending in the Court.

		March 31 2014	June 30, 2013
8	CASH AND BANK BALANCES	(Rupees in '000)	
	Cash in hand	930	840
	Cash with banks in:		
	- deposit accounts	-	-
	- current accounts	12,567	11,898
		13,497	12,738

## 9 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	March 31 2014	June 30, 2013		March 31, 2014	June 30, 2013
	(Number of shares)			(Rupees in '000)	
			Ordinary shares of Rs. 10 each fully paid in cash	39,690	39,690
	3,969,000	3,969,000			
			Ordinary shares of Rs. 10 each issued for consideration other than cash	240	240
	24,000	24,000			
			Ordinary shares of Rs. 10 each issued as fully paid bonus shares	573,218	431,722
	57,321,818	43,172,245		613,148	471,652
	61,314,818	47,165,245			

		March 31, 2014	June 30, 2013
9.1	Movement in number of shares	(Shares in '000)	
	Number of shares at beginning of the period	47,165	33,689
	Bonus shares issued during the period	14,150	13,476
	Number of shares at end of the period	61,315	47,165

## 10 CONTINGENCIES AND COMMITMENTS

There is no change in the contingencies and commitment since the last financial year ended June 30, 2013 except the following:

### 10.1 Contingencies

The facility for opening letters of credit (LCs) acceptances and guarantees as at March 31, 2014 amounted to Rs. 665 million (June 30, 2013: Rs. 665 million) of which the amount remaining unutilized as at that date was Rs. 304 million (June 30, 2013: Rs. 237 million).



# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

## 10.2 Commitments

### Future rentals payable against operating lease arrangement

During the year 2010, the Company obtained factory building at Karachi on rent for a period of 5 years.

The Company has also entered into operating lease arrangements in the years 2009, and in 2011 with S.A.Pharma and Myplan Pharmaceuticals (Private) Limited, pharmaceutical concerns, respectively, for a period of 20 years. Lease includes land and building together with plant and machinery located at Lahore.

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

	March 31, 2014	June 30, 2013
	(Rupees in '000)	
Not later than one year	19,931	31,225
Later than one year and not later than five years	88,296	94,920
Later than five years	<u>273,045</u>	<u>288,021</u>
	<u><u>381,272</u></u>	<u><u>414,166</u></u>

The above also includes ujarah payments for ljarah financing of motor vehicles.

	March 31, 2014	March 31, 2013
11 EARNINGS PER SHARE - Basic and Diluted		
Basic earnings per share		
Profit for the period (Rupees in thousands)	<u>573,363</u>	<u>374,125</u>
Weighted average number of shares (Restated)	<u>61,314,818</u>	<u>61,314,818</u>
Earnings per share (Rupees)	<u>9.35</u>	<u>6.10</u>
Diluted earning per share		

There is no dilution effect on the basic earning per share of the Company as the Company has no such commitments.

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

		Note	March 31, 2014	March 31, 2013
			(Rupees in '000)	
12	CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES			
	Profit before taxation		685,925	542,555
	Adjustments for non-cash items and other items:			
	Depreciation		59,949	62,784
	Amortization of intangible assets		4,077	3,972
	Gain on disposal of property, plant and equipment - net		(53,411)	(10,641)
	Provision for staff retirement gratuity		2,788	15,597
	Foreign exchange loss - net		16,036	12,109
	Financial charges - net		160,056	200,615
	Net (increase) in working capital	12.1	<u>(556,704)</u>	<u>2,753</u>
			<u><u>318,716</u></u>	<u><u>829,744</u></u>
12.1	Working capital changes			
	Current assets			
	(Increase)/Decrease in stock-in-trade		(463,204)	79,463
	Increase in trade debts		(248,896)	(123,347)
	Decrease/(Increase) in trade deposits and short term prepayments		(14,132)	2,737
	Decrease/(Increase) in other receivables		<u>(102,823)</u>	<u>634</u>
			(829,055)	(40,513)
	Current liabilities			
	Decrease/(Increase) in trade and other payables		<u>272,351</u>	<u>43,266</u>
	Net increase in working capital		<u><u>(556,704)</u></u>	<u><u>2,753</u></u>
13	CASH AND CASH EQUIVALENTS			
	Cash and bank balances		13,497	15,095
	Short term finances		<u>(888,003)</u>	<u>(348,082)</u>
			<u><u>(874,506)</u></u>	<u><u>(332,987)</u></u>

## 14 SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in business activities from which the Company earns revenues and incur expenses and its results are regularly reviewed by the Company's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure and products produced and sold, the Company is organised into the following three operating segments:

- Pharmaceutical
- Consumer
- Investment property

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

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 revenue, segment result, costs, assets and liabilities for the period are as follows:

	Pharmaceutical		Consumer		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
----- (Rupees in '000) -----						
Sales						
Local	3,673,079	3,248,901	484,891	374,955	4,157,970	3,623,856
Export	272,743	154,871	28,970	12,729	301,713	167,600
	3,945,822	3,403,772	513,861	387,684	4,459,683	3,791,456
Less:						
Sales return & discounts	197,270	100,150	8,371	58,063	205,641	158,213
Sales tax & excise duty	-	-	91,284	36,924	91,284	36,924
	197,270	100,150	99,655	94,987	296,925	195,137
	3,748,552	3,303,622	414,206	292,697	4,162,758	3,596,319
Add: Toll manufacturing	223,286	184,853	8,092	4,045	231,378	188,898
Less : Sales tax	-	-	1,176	558	1,176	558
	223,286	184,853	6,916	3,487	230,202	188,340
Net sales	3,971,838	3,488,475	421,122	296,184	4,392,960	3,784,659
Cost of sales	2,382,169	1,967,983	201,762	112,734	2,583,931	2,080,717
Selling and distribution expenses	1,031,966	767,076	109,416	65,082	1,141,382	832,158
Administrative expenses	129,632	99,158	13,745	8,413	143,377	107,571
Amortization of intangible assets	4,077	3,972	-	-	4,077	3,972
	3,547,844	2,838,189	324,923	186,229	3,872,767	3,024,418
Segment result	423,994	650,286	96,199	109,955	520,193	760,241
Unallocated income and expenses						
Other operating income					413,226	45,931
Finance cost					(160,056)	(215,955)
Other charges					(87,438)	(47,662)
Profit before taxation					685,925	542,555
Income tax expense					(112,562)	(168,430)
Profit for the period					573,363	374,125
Depreciation	54,202	57,874	5,747	4,910	59,949	62,784

Segment revenue, segment result, costs, assets and liabilities for the period/year are as follows:

	Pharmaceutical		Consumer		Investment property		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
----- (Rupees in '000) -----								
	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited
Segment revenue	3,971,838	3,488,475	421,122	296,184	-	-	4,392,960	3,784,659
Segment result	423,994	650,286	96,199	109,955	-	-	520,193	760,241
Unallocated income and expenses								
Other operating income							413,226	45,931
Financial cost							(160,056)	(215,955)
Other charges							(87,438)	(47,662)
Profit before taxation							685,925	542,555
Income tax expense							(112,562)	(168,430)
Profit for the period/year							573,363	374,125
Depreciation	54,202	57,874	5,747	4,910	-	-	59,949	62,784
Non-cash expenses other than depreciation	4,077	3,972	-	-	-	-	4,077	3,972

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

	Pharmaceutical		Consumer		Investment property		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees in '000)							
	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited	Un-audited
<b>Segment assets and liabilities</b>								
Segment assets	161,207	174,117	17,092	17,546	2,341,267	2,189,398	2,519,566	2,381,061
Unallocated assets							<u>3,840,584</u>	<u>2,700,970</u>
<b>Total assets</b>							<u><b>6,360,150</b></u>	<u><b>5,082,031</b></u>
Segment liabilities	-	-	-	-	912,500	966,667	912,500	966,667
Unallocated liabilities							<u>2,312,706</u>	<u>1,459,012</u>
<b>Total Liabilities</b>							<u><b>3,225,206</b></u>	<u><b>2,425,679</b></u>
<b>Addition in segment assets</b>	<u>44,860</u>	<u>37,590</u>	<u>4,756</u>	<u>-</u>	<u>151,869</u>	<u>2,189,398</u>	<u>201,485</u>	<u>2,226,988</u>
<b>Percentage for allocation</b>	<u>90%</u>	<u>92%</u>	<u>10%</u>	<u>8%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>100%</u>

There were no inter-segment transactions during the period/year (June 30, 2013: None).

March 31,      March 31,  
2014              2013  
(Rupees in '000)

#### 14.1 Geographical segments gross revenue analysis

Pakistan	4,157,970	3,623,856
Asia	169,876	42,160
East Africa	2,270	3,493
South East Asia	27,993	46,599
Far Eastern countries	101,574	71,381
Central Asian Republic States	-	2,870
Middle East	-	1,097
	<u>4,459,683</u>	<u>3,791,456</u>

#### 14.2 The Company's revenue from one of the major customer represents approximately Rs. 3.6 billion (March 31, 2013: Rs. 3.2 billion) of the total revenues.

March 31,      March 31,  
2014              2013  
(Rupees in '000)

#### 15 TRANSACTIONS WITH RELATED PARTIES

##### Transactions

##### IBL Operations (Private) Limited

Sales	3,580,671	3,240,246
Sales returns	98,817	70,083

##### Expenses claimed

Carriage and duties	12,702	11,931
Discounts	15,539	16,289
Warehouse rent	2,229	970
Mark-up expenses	-	4,314
Professional Services Rendered	4,742	-
Corporate services charged	4,800	4,800
Sales promotion expenses	45,900	17,997
IT Services	4,400	4,950
Salaries and allowances	3,403	1,573

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
<b>Expenses claimed from IBL Operations (Private) Limited</b>		
Staff salaries and other expenses	4,454	14,388
Royalty and price difference	-	7,663
<b>International Franchises (Private) Limited - associated company</b>		
Sales	501	223
Sales returns	-	8
Rent, utility and other income	2,025	2,340
<b>Expenses claimed by International Franchises (Private) Limited</b>		
Purchase of Promotional Items	370	-
Sales promotion expenses	-	341
<b>Expenses claimed from International Franchises (Private) Limited</b>		
Staff salaries and other expenses	871	1,972
<b>United Distributors Pakistan Limited</b>		
Warehouse rent	460	149
Vehicle hiring	26	-
Transfer of funds under group tax relief	-	35,998
<b>Expenses claimed from United Distributors Pakistan Limited</b>		
Warehouse rent & expenses	-	-
<b>HABITT - associate</b>		
Sales	-	10
<b>Expenses claimed by Habitt</b>		
Sales promotion expenses	706	863
Rent expense	-	-
<b>United Brands Limited - associated company</b>		
Sales	64,648	27,872
<b>Expenses claimed by United Brands Limited</b>		
Discounts	1,020	233
Purchase of promotional items	423	-

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
<b>IBL HealthCare Limited (IBL-HC) - subsidiary company</b>		
Staff salary and benefits	-	5,100
Dividend Income	15,000	25,000
<b>Expenses claimed by IBL-HC</b>		
Salaries, wages & benefits	-	305
Purchase of promotional items	431	413
Purchase of vehicles	-	700
Hiring of vehicles	1,853	2,317
<b>The Citizens Foundation - associate</b>		
Donations	5,000	1,500
<p>The Chairman of the Company is on the board of directors of the donee. The address of the donee is Plot No. 20, Sector - 14, Near Brookes Roundabout, Korangi Industrial Area, Karachi.</p>		
<b>Multinet Pakistan (Private) Limited - associated company</b>		
Internet services	610	-
<b>Searle Pharmaceuticals (Private) Limited - subsidiary company</b>		
Purchases	488,642	-
Dividend income	324,980	-
Rent income	1,500	-
<b>Searle Laboratories (Private) Limited - subsidiary company</b>		
Advances for issue of shares	113,900	-
<b>Balances</b>		
<b>Long term investment - Advances for issue of shares</b>		
At beginning of the period/year	-	-
Given during the period/year	113,900	-
Repaid during the period/year	-	-
At the end of the period/year	<u>113,900</u>	<u>-</u>
<b>Loans and advances - key management personnel</b>		
At beginning of the period/year	3,458	7,865
Given during the period/year	3,936	2,984
Repaid during the period/year	<u>(2,593)</u>	<u>(7,391)</u>
At the end of the period/year	<u>4,801</u>	<u>3,458</u>

# Selected Notes to the Condensed Interim Financial Information

For the period ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees in '000)	
<b>Trade debts - associated company</b>		
At beginning of the period/year	1,071,559	876,454
Sales - net during the period/year	3,596,755	4,437,425
Repaid during the period/year	<u>(3,392,655)</u>	<u>(4,242,320)</u>
At the end of the period/year	<u>1,275,659</u>	<u>1,071,559</u>
<b>Other receivables - associates</b>		
At beginning of the period/year	107,490	130,529
Given during the period/year	5,465	27,094
Repaid during the period/year	<u>(49,133)</u>	<u>(50,133)</u>
At the end of the period/year	<u>63,822</u>	<u>107,490</u>
<b>Accrued liabilities - associates</b>		
At beginning of the period/year	-	612
Given during the period/year	-	9,795
Repaid during the period/year	<u>-</u>	<u>(10,407)</u>
At the end of the period/year	<u>-</u>	<u>-</u>
<b>Creditors - subsidiary company</b>		
At beginning of the period/year	153,645	-
Purchases during the period/year	488,642	197,010
Repaid during the period/year	<u>(344,799)</u>	<u>(43,365)</u>
At the end of the period/year	<u>297,488</u>	<u>153,645</u>

## 16 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 22, 2014, by the Board of Directors of the Company.



Rashid Abdulla

Chief Executive Officer



Syed Nadeem Ahmed

Director











**SEARLE**

THE SEARLE COMPANY LIMITED

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