



Facing Challenges & Delivering in Tough Times

SEARLE

Research in the service of mankind

Quarterly Report
September 2020

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Corporate Information

Board of Directors

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

Board of Audit Committee

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

Board of HR & Remuneration Committee

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

Chief Financial Officer

Mr. Mobeen Alam

Company Secretary

Mr. Zubair Razzak Palwala

Auditors

A. F. Ferguson & Co.

Legal Advisors

Mohsin Tayebaly & Co.

Bankers

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

Registered Office

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

Share Registrar

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

Directors' Review Report

The Directors take pleasure in presenting the unconsolidated interim financial information of the company for the period ended September 30, 2020. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting'. The directors report is prepared in accordance with section 227 of the Companies Act, 2017 and Chapter XII of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

OVERVIEW

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

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

There are more than 750 companies operating in the sector, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, infrastructure investment, technological advancements, evolving care models, higher life expectancy and increased incidence of chronic diseases and as well as new healthcare risks introduced during the pandemic.

Despite this, the pharmaceutical industry is unable to achieve its full potential, due to high reliance of imported APIs, fluctuation in exchange rates, low per capita expenditure, and low prices in terms of global environment.

OPERATING RESULTS

	September 30,	
	2020	2019
	(Rupees in thousand)	
Revenue	4,068,860	4,062,321
Cost of sales	(2,057,411)	(2,095,753)
Gross Profit	2,011,449	1,966,568
Operating expenses	(1,104,799)	(1,201,073)
Other operating expenses	(61,145)	(57,658)
Other income	183,567	151,784
Profit from operations	1,029,072	859,621
Finance cost	(252,389)	(135,260)
Profit before tax	776,683	724,361
Income tax expense	(184,623)	(177,044)
Profit after taxation	592,060	547,317

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. The Company was able to maintain its prominence in many therapeutic areas through its quality products and the dedication of its exceptional people.

During the period ended September 30, 2020, the Company's financial performance was affected by the exchange rate fluctuations. However, despite the challenging economic environment and unprecedented crisis of COVID-19, Searle managed to maintain its financial performance.

Financial highlights are summarized below:

- Net sales of the Company are Rs 4.06 billion.
- Gross profit margin increased to 49% from 48%.
- Operating profit margin was increased to 25% from 21%.
- Profit after taxation increased to 15% from 13%.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 2.79 (2019: Rs. 2.58). 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 of September 30, 2020

FUTURE OUTLOOK

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

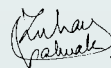
Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products. It is also pertinent to mention that Searle has an organic pipeline of over 200 products in different stages of the regulatory approval process and has a diversified drug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

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

For and on behalf of the Board



Syed Nadeem Ahmed
Chief Executive Officer



Zubair Razzak Palwala
Director

Karachi : October 27, 2020

مستقبل پر ایک نظر

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

مزید آگے پیش رفت کرتے ہوئے، ہم خصوصاً عمومی برانڈز کے پورٹ فولیو میں حصہ بڑھانے اور مختلف النوع پروڈکٹس پر توجہ مرکوز کر رہے ہیں۔ یہاں یہ بات بھی قابل ذکر ہے کہ سرل 200 سے زائد آرگینک مصنوعات کے ریگولیشنری منظوری کے عمل کے مختلف مراحل سے گزر رہا ہے اور متنوع ادویات کے پورٹ فولیو کے ساتھ مضبوط منافع کا مارجن ہے۔ مقامی مارکیٹ میں کمپنی نے گذشتہ برسوں میں امراض قلب، نزلہ اور کھانسی، ذیابیطس، نوزائیدہ فارمولہ، حیاتیاتی اور اینٹی بائیوٹک کے علاج معالجے میں مستحکم جگہ بنالی ہے۔

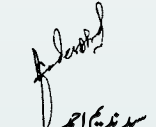
اظہار تشکر

سرل میں، ہم سب بے حد متحرک ہیں اور مستقل بنیادوں پر جوش و خروش سے خدمت کے خواہشمند ہیں۔ یہی صورت حال ہمارے شراکت داروں، سپلائرز اور صارفین کے ساتھ ہے، جس کے لئے ہم ان کے مشکور ہیں اور آئندہ کی شراکت کے لئے اسی جوش و جذبے کی توقع کرتے ہیں۔ ہم یقین دہانی کراتے ہیں کہ سرل اپنے سے وابستہ ہر فریق کو طویل المیعاد پائیدار ترقی کی فراہمی کے لئے کوشاں رہے گی۔

برائے اور بورڈ کی جانب سے



ذہیر رزاق پال والا
ڈائریکٹر


سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی: 27 اکتوبر 2020ء

30 ستمبر

2019 2020

(روپے ہزاروں میں)

4,062,321	4,068,860	آمدنی
(2,095,753)	(2,057,411)	فروخت کے اخراجات
1,966,568	2,011,449	مجموعی آمدنی
(1,201,073)	(1,104,799)	آپریٹنگ اخراجات
(57,658)	(61,145)	دیگر آپریٹنگ اخراجات
151,784	183,567	دیگر آمدنی
859,621	1,029,072	آپریٹنگ سے آمدنی
(135,260)	(252,389)	مالیاتی اخراجات
724,361	776,683	منافع قبل از ٹیکس
(177,044)	(184,623)	انکم ٹیکس اخراجات
547,317	592,060	منافع بعد از ٹیکس

سرل ایک ایسی کمپنی ہے جس نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات کی پیشکش سے مریضوں کی زندگی کو بہتر بنانے پر توجہ مرکوز کی ہے۔ ہم نے مریضوں اور اسمٹیک ہولڈرز کے فوائد کو اپنی بنیادی ترجیح بنا کر مستحکم ترقی کی پوزیشن استوار کی ہے اور ہمیں اپنی کوششوں کے اثرات پر فخر ہے۔ کمپنی اپنی معیاری مصنوعات اور اپنے لوگوں کی غیر معمولی لگن کے ذریعے علاج کے مختلف شعبوں میں اپنی اہمیت برقرار رکھنے میں کامیاب رہی۔

30 ستمبر، 2020 کو ختم ہونے والی مدت کے دوران، کمپنی کی مالی کارکردگی شرح مبادلہ کے اتار چڑھاؤ سے متاثر ہوئی۔ تاہم، مشکل معاشی ماحول اور COVID-19 کے بحران کے باوجود، سرل اپنی مالی کارکردگی کو برقرار رکھنے میں کامیاب رہی۔

مالیاتی جھلکیاں مختصر آڈیل میں بیان کی گئیں ہیں:

- کمپنی کی خالص سیلز 4.06 بلین روپے ہے۔
- مجموعی منافع کی شرح 48% سے بڑھ کر 49% ہو گئی۔
- آپریٹنگ منافع کی شرح 21 فیصد سے بڑھا کر 25 فیصد کر دی گئی۔
- بعد از ٹیکس منافع 13 فیصد سے 15 فیصد تک بڑھ گیا۔

آمدنی فی شیئر

اس مدت کے لئے بنیادی آمدنی فی شیئر بعد از ٹیکس 2.79 روپے رہی (2019: 2.58 روپے)۔ کمپنی کی بنیادی آمدنی فی شیئر پر کمی کے کوئی اثرات نہیں ہوئے، چونکہ 30 ستمبر، 2020 تک کمپنی کے تبدیل پذیر غیر متوقع ممکنہ شیئرز بقایا نہیں تھے۔

ڈائریکٹرز کی جائزہ رپورٹ

ڈائریکٹرز 30 ستمبر 2020 کو ختم ہونے والی مدت کے لئے کمپنی کے غیر اشتهامی عبوری مالیاتی معلومات پیش کرنے میں خوشی محسوس کرتے ہیں۔ یہ مالیاتی بیانات بین الاقوامی اکاؤنٹنگ اسٹینڈرڈ (IAS) 34 - عبوری فنانشل رپورٹنگ، کی ضروریات کے مطابق تیار کیے گئے ہیں۔ ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے باب XII کے مطابق تیار کی گئی ہے۔

جائزہ

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

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

اس شعبے میں 700 سے زائد کمپنیاں مصروف عمل ہیں، جس میں نئے بالیکول کے تعارف جیسے عوامل اور اس کی معاونت کرتے بڑھتی ہوئی استطاعت کے آبادیاتی رجحانات، آبادی میں اضافہ، بنیادی ڈھانچے کی سرمایہ کاری، تکنیکی پیش رفت، تدریجی کسٹرز ماڈل، زائد متوقع عمر اور دائمی بیماریوں کے واقعات میں اضافہ اور اس کے ساتھ ہی وبائی امراض کے دوران صحت کو لاحق نئے تحفظات کا فرما ہیں۔

اس کے باوجود، فارماسیوٹیکل کی صنعت اپنی پوری صلاحیت تک رسائی کرنے میں ناکام رہی، جس کی وجوہات در آمد شدہ APIs پر زیادہ انحصار، زر مبادلہ کی شرح میں اتار چڑھاؤ، فی کس کم اخراجات اور عالمی ماحول کے لحاظ سے کم قیمتیں رہیں۔

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

		(Un-audited) September 30, 2020	(Audited) June 30, 2020
		(Rupees in '000)	
ASSETS			
Non-current assets			
	5	3,706,389	3,707,635
		116,539	121,515
		2,198,443	2,203,890
		120,312	131,438
	6	17,486,186	1,686,186
		298	358
		7,396	7,396
		<u>23,635,563</u>	<u>7,858,418</u>
Current assets			
		2,560,283	2,632,887
	7	7,025,815	7,801,828
	8	4,986,261	4,712,052
		122,962	95,287
	9	1,251,534	1,063,601
		100,000	100,000
		692,940	809,636
		-	7,832
		265,189	299,624
		<u>17,004,984</u>	<u>17,522,747</u>
		<u><u>40,640,547</u></u>	<u><u>25,381,165</u></u>
Total assets			
EQUITY AND LIABILITIES			
EQUITY			
		2,124,253	2,124,253
		11,993,727	11,388,823
		280,251	280,251
		1,630,974	1,630,974
		1,433,673	1,446,517
		<u>17,462,878</u>	<u>16,870,818</u>
LIABILITIES			
Non-current liabilities			
		50,143	50,143
		56,344	54,994
	10	10,696,007	316,000
		3,988,000	-
		68,570	77,141
		121,545	121,545
		<u>14,980,609</u>	<u>619,823</u>
Current liabilities			
	11	3,399,626	2,719,812
	12	4,602,036	4,974,646
		1,722	-
		141,102	141,102
		43,542	43,544
		9,032	11,420
		<u>8,197,060</u>	<u>7,890,524</u>
		<u>23,177,669</u>	<u>8,510,347</u>
		<u><u>40,640,547</u></u>	<u><u>25,381,165</u></u>
	13		
Contingencies and commitments			
Total equity and liabilities			

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Period Ended September 30, 2020 - Unaudited

	Note	Year ended	
		September 30, 2020	September 30, 2019
		(Rupees in '000)	
Revenue from contracts with customers	14	4,068,860	4,062,321
Cost of sales		(2,057,411)	(2,095,753)
Gross profit		2,011,449	1,966,568
Distribution costs		(815,656)	(927,701)
Administrative expenses		(289,143)	(273,372)
Other operating expenses		(61,145)	(57,658)
Other income	15	183,567	151,784
Profit from operations		1,029,072	859,621
Finance cost		(252,389)	(135,260)
Profit before income tax		776,683	724,361
Income tax expense		(184,623)	(177,044)
Profit after tax		592,060	547,317
Other comprehensive income		-	-
Total comprehensive income		592,060	547,317
		(Re-stated)	
Basic and diluted earnings per share (Rupees)	16	2.79	2.58

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For The Period Ended September 30, 2020 - Unaudited

	Share capital	Capital reserve		Revenue reserves		Total reserves	Total
		Share premium	Revaluation surplus on Property, plant & equipment	General reserve	Unappropriated profits		
Rupees '000							
Balance as at July 01, 2019	2,124,253	1,630,974	1,050,800	280,251	9,431,627	12,393,652	14,517,905
Transfer of incremental depreciation for the period (net of deferred tax)	-	-	(2,121)	-	2,121	-	-
Total comprehensive income for the period	-	-	-	-	547,317	547,317	547,317
Balance as at September 30, 2019	<u>2,124,253</u>	<u>1,630,974</u>	<u>1,048,679</u>	<u>280,251</u>	<u>9,981,065</u>	<u>12,940,969</u>	<u>15,065,222</u>
Balance as at July 01, 2020	2,124,253	1,630,974	1,446,517	280,251	11,388,823	14,746,565	16,870,818
Transfer of incremental depreciation for the period (net of deferred tax)	-	-	(12,844)	-	12,844	-	-
Total comprehensive income for the period	-	-	-	-	592,060	592,060	592,060
Balance as at September 30, 2020	<u>2,124,253</u>	<u>1,630,974</u>	<u>1,433,673</u>	<u>280,251</u>	<u>11,993,727</u>	<u>15,338,625</u>	<u>17,462,878</u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For The Period Ended September 30, 2020 - Unaudited

	Note	September 30 2020 (Rupees in '000)	September 30 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	2,054,472	433,885
Finance cost paid		(123,516)	(91,843)
Income taxes paid		(67,927)	(52,734)
Increase in long-term loans		60	12
Net cash generated from operating activities		1,863,089	289,320
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(69,189)	(47,721)
Proceeds from disposal of property, plant and equipment		-	2,450
Purchase of investment properties		(10,991)	(61,266)
Long term investment in subsidiary		(15,800,000)	-
Net cash used in investing activities		(15,880,180)	(106,537)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(2)	-
Proceeds from export finance		216,500	-
Increase in long term borrowings		10,441,500	-
Increase in deferred consideration for acquisition of subsidiary		3,988,000	-
Payment against lease liabilities		(7,294)	-
Net cash from financing activities		14,638,704	-
Net increase in cash and cash equivalents		621,613	182,783
Cash and cash equivalents at the beginning of the period		(4,341,147)	(3,340,229)
Cash and cash equivalents at the end of the period	18	(3,719,534)	(3,157,446)

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended September 30, 2020 - Unaudited

1. THE COMPANY AND ITS OPERATIONS

1.1 The Searle Company Limited (the Company) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Company is principally engaged in the manufacture of pharmaceutical and other consumer products.

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	
		September 30, 2020	June 30, 2020
Listed Company			
- IBL HealthCare Limited		74.19%	74.19%
Unlisted Companies			
- Searle Pharmaceuticals (Private) Limited	Pakistan	100.00%	100.00%
- Searle Laboratories (Private) Limited		100.00%	100.00%
- Searle Biosciences (Private) Limited		100.00%	100.00%
- IBL Identity (Private) Limited		100.00%	100.00%
- IBL Future Technologies (Pvt) Limited		100.00%	100.00%
- Nextar Pharma (Private) Limited		87.20%	87.20%
- OBS Pakistan (Pvt) Limited		100.00%	-

The Company effectively holds 87.20% (June 30, 2020: 87.20%) shareholding in Nextar Pharma (Private) Limited through Searle Biosciences (Private) Limited.

2. BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

These unconsolidated condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2020, except as otherwise disclosed.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these unconsolidated condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these unconsolidated condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended June 30, 2020.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2020.

(Unaudited) (Audited)
September 30 June 30,
2020 2020
(Rupees in '000)

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 6.1	3,566,903	3,616,514
Capital work-in-progress - at cost	139,486	91,121
	3,706,389	3,707,635

- 5.1 Details of additions in operating assets including transfers from capital work-in-progress during the period are as follows:

	Additions (at cost)		Disposals (at net book value)	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(Rupees in '000)			
Building on leasehold land	423	43,112	-	-
Plant and machinery	5,356	14,928	-	-
Furniture & fittings	2,094	-	-	-
Vehicles	847	-	-	(1,058)
Office equipment	12,100	41,592	-	-
	20,820	99,632	-	(1,058)

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

	(Unaudited) September 30 2020 (Rupees in '000)	(Audited) June 30, 2020
6. LONG-TERM INVESTMENTS		
Subsidiary companies (at cost)	<u>17,486,186</u>	<u>1,686,186</u>

6.1 Subsidiary companies

	(Unaudited) September 30, 2020		(Audited) June 30, 2020	
	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, 2020: 40,126,241)				
Ordinary shares of Rs. 10 each	74.19%	1,300,911	74.19%	1,300,911
Market price as at September 30, 2020: Rs. 85.76 (June 30, 2020: Rs. 77.45) per share				
		<u>1,300,911</u>		<u>1,300,911</u>
Unlisted securities				
<i>Searle Pharmaceuticals (Private) Limited</i>				
40,000 (June 30, 2020: 40,000)				
Ordinary shares of Rs. 10 each	100%	400	100%	400
Break up value as at September 30, 2020: nil (June 30, 2020: nil)				
<i>Searle Laboratories (Private) Limited</i>				
12,500,000 (June 30, 2020: 12,500,000)				
Ordinary shares of Rs. 10 each	100%	125,000	100%	125,000
Break up value as at September 30, 2020: 0.29 (June 30, 2020: Rs. 0.60) per share				
<i>Searle Biosciences (Private) Limited</i>				
1,000,000 (June 30, 2020: 1,000,000)				
Ordinary shares of Rs. 10 each	100%	10,000	100%	10,000
Break up value as at September 30, 2020: 71.35 (June 30, 2020: Rs. 62.82) per share				
<i>IBL Identity (Private) Limited</i>				
9,500,000 (June 30, 2020: 9,500,000)				
Ordinary shares of Rs. 10 each	100%	49,875	100%	49,875
Break up value as at September 30, 2020: nil (June 30, 2020: nil)				
<i>IBL Future Technologies (Private) Limited</i>				
20,000,000 (June 30, 2020: 20,000,000)				
Ordinary shares of Rs. 10 each	100%	200,000	100%	200,000
Break up value as at September 30, 2020: 9.96 (June 30, 2020: Rs. 9.96) per share				
<i>OBS Pakistan (Private) Limited</i>				
325,010,000	100%	15,800,000	-	-
Ordinary shares of Rs. 10 each				
Break up value as at September 30, 2020: 25.34 per share				
		<u>17,486,186</u>		<u>1,686,186</u>

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

	(Unaudited) September 30 2020 (Rupees in '000)	(Audited) June 30, 2020
7. TRADE RECEIVABLES		
Considered good		
- Export receivables - secured	473,534	448,334
- Due from related parties, unsecured - note 7.1	6,082,363	6,706,017
- others - unsecured	469,918	647,477
	7,025,815	7,801,828
Considered doubtful	151,915	151,915
Less: Provision for doubtful debts	(151,915)	(151,915)
	-	-
	7,025,815	7,801,828

7.1 These are stated net of amount payable to IBL Operations (Private) Limited, United Brands Limited and IBL Logistics (Private) Limited - associated companies amounting to Rs. 106.36 million (2020: Rs. 111.82 million), Rs. 1.63 million (2020: Rs. 0.63 million) and Rs. 6.21 million (2020: Rs. 4.03 million) respectively.

8. LOANS AND ADVANCES

8.1 This includes interest free loan provided to IBL Identity (Private) Limited - wholly owned subsidiary amounting to Rs. 3,189.38 million as at September 30, 2020 (June 30, 2020: Rs. 3,171.88 million).

8.2 This represents advances to Searle Biosciences (Pvt) Ltd and OBS Pakistan (Pvt) Ltd - wholly owned subsidiaries amounting to Rs. 972.18 million (June 30, 2020: Rs. 972.18 million) and Rs. 116 million (June 30, 2020: nil) respectively. These advances are provided for the purpose of financial assistance and are settled in the ordinary course of business.

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

	(Unaudited) September 30 2020	(Audited) June 30, 2020
9. OTHER RECEIVABLES		
	(Rupees in '000)	
Receivables from related parties		
Due from subsidiary companies:		
IBL Healthcare Limited against:		
Expenses	950	816
Rental income	770	-
Royalty	1,393	12,456
Searle Biosciences (Private) Limited against:		
Expenses	24,891	-
Dividend income	85,000	50,000
IBL Future Technologies (Private) Limited against:		
Financial assistance	1,949	1,949
OBS Pakistan (Pvt) Ltd against:		
Management fee	252,000	252,000
Rental income	2,814	895
Dividend income	90,000	-
Expenses	111	-
IBL Identity (Private) Limited against:		
Dividend income	24,000	-
Nextar Pharma (Pvt) Limited against expenses	4,178	-
	488,056	318,116
Due from group companies		
IBL Operations (Private) Limited against:		
Rental income and expenses	18,450	14,738
International Brands Limited against		
Rental income	3,686	20,795
Group relief	54,894	54,894
International Franchises (Private) Limited against		
Expenses	13,749	13,749
Rental income	2,313	4,107
IBL Unisys (Private) Limited against:		
Rental income	1,478	1,033
IBL Logistics (Private) Limited against:		
Rental income	796	697
United Distributors Pakistan Limited against:		
Rental income	835	574
	96,201	110,587
Due from other related party:		
United Retail (SMC-Private) Limited against:		
Rental income	291,723	274,140
The IBL Company (Pvt) Limited against:		
Expenses	3,202	2,440
Lunar Pharma (Pvt) Ltd against:		
Expenses	2,882	2,882
Surplus arising under retirement benefit fund	5,250	5,250
Receivables from other than related parties		
Others, considered good	364,220	350,186
	1,251,534	1,063,601

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

	(Unaudited) September 30 2020	(Audited) June 30, 2020
	(Rupees in '000)	
10. BORROWINGS		
Secured		
Syndicate Term Finance Facility - note 10.1	10,441,500	-
Salary refinancing	449,875	449,788
	5,445	87
	455,320	449,875
	10,896,820	449,875
Less: Current portion shown under current liabilities	(200,813)	(133,875)
	10,696,007	316,000

- 10.1** This is a Syndicate Term Finance Facility (Islamic) with a total facility amount of PKR 12 billion. The facility will be disbursed in two phases. In Phase 1, Rs. 10,441.5 million has been initially disbursed by Habib Bank Limited (Phase 1 Facility) and may be enhanced to Rs. 12,000 million by other banks, excluding HBL (Phase 2 Facility). The facility tenor is 7 years, with a grace period of 2 years. The markup rate under the facility is 3 month KIBOR + 1.35%. The purpose of facility is to acquire ownership and control of OBS Pakistan (Private Limited, formerly Luna Pakistan (Private) Limited, from their ultimate parent company Universal Ventures (Private) Limited and equity injection in the same company.

	(Unaudited) September 30 2020	(Audited) June 30, 2020
	(Rupees in '000)	
11. TRADE AND OTHER PAYABLES		
Creditors - note 11.1	323,961	399,804
Bills payable in foreign currency	880,448	481,130
Royalty payable	10,862	21,935
Accrued liabilities	1,428,394	1,154,741
Payable to provident fund	11,977	10,946
Advance from customers - unsecured	21,553	14,029
Payable under group relief	1,618	1,618
Accrued mark-up	326,617	208,096
Taxes deducted at source and payable to statutory authorities	52,512	61,678
Workers' Profit Participation Fund	220,795	178,920
Workers' Welfare Fund	85,492	72,560
Other liabilities	35,397	114,355
	3,399,626	2,719,812

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

- 11.1** This includes amount payable to Searle Pharmaceutical (Private) Limited - wholly owned subsidiary amounting to Rs. 2.9 million (June 30, 2020: Rs. 4.29 million) on account of toll manufacturing services. This also includes payable to Searle Laboratories (Private) Limited - wholly owned subsidiary amounting to Rs. 6.4 million (June 30, 2020: Rs. 6.80 million).

	(Unaudited) September 30 2020	(Audited) June 30, 2020
12. SHORT-TERM BORROWINGS		(Rupees in '000)
Secured		
Running finances under mark-up arrangements - note - 11.1	3,805,723	4,461,771
Current portion of long-term borrowing	200,813	133,875
Export re-finance	216,500	-
	4,223,036	4,595,646
Unsecured		
Borrowing from IBL Future Technologies (Private) Limited - note 11.3	200,000	200,000
Employees provident fund	161,000	161,000
Employees provident fund - OBS Pakistan (Private) Limited - Subsidiary	18,000	18,000
	4,602,036	4,974,646

- 12.1** The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 4,925 million (June 30, 2020: Rs. 4,925 million) which include financing facilities obtained under Islamic mode amounting to Rs. 4,075 million (June 30, 2020: Rs. 4,075 million). The arrangements are secured jointly by registered mortgage of Rs. 1,126.94 million (June 30, 2020: Rs. 1,126.94 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 6,889.23 million (June 30, 2020: Rs. 6,889.23 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

- 12.2** The rates of mark-up ranged between 3 % to 8.53%(June 30, 2020: 2.75% to 15.60%) per annum.

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

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** There has been no significant change in the status of contingencies as reported in the note 29 of annual audited financial statements of the Company for the year ended June 30, 2020.

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

13.2 Commitments

13.2.1 The facility for opening letters of credit and guarantees as at September 30, 2020 amounted to Rs. 2,105 million (June 30, 2020: Rs. 2,105 million) of which the amount remaining unutilised as at the period ended September 30, 2020 amounted to Rs. 753.68 million (June 30, 2020: Rs. 1,494 million).

September 30, September 30,
2020 2019
(Rupees in '000)

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

Gross sales		
Local sales	3,542,259	3,701,258
Export sales	811,098	628,782
	<u>4,353,357</u>	<u>4,330,040</u>
 Toll manufacturing	 65,782	 71,854
	<u>4,419,139</u>	<u>4,401,894</u>
 Sales tax	 (15,995)	 (30,017)
	<u>4,403,144</u>	<u>4,371,877</u>
 Less:		
Discounts, rebates and allowances	136,281	227,710
Sales return	198,003	81,846
	<u>334,284</u>	<u>309,556</u>
	<u>4,068,860</u>	<u>4,062,321</u>

15. OTHER INCOME

Dividend income

- Searle Biosciences (Private) Limited	35,000	120,000
- OBS Pakistan (Private) Limited	90,000	-
- IBL Identity (Private) Limited	24,000	-
	<u>149,000</u>	<u>120,000</u>

Income from non - financial assets

Gain on disposal of property, plant and equipment	-	1,392
Government grant	8,571	-
Rental income from investment property	25,996	25,033
Others	-	5,359
	<u>34,567</u>	<u>31,784</u>
	<u>183,567</u>	<u>151,784</u>

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

	September 30, 2020	September 30, 2019
	(Rupees in '000)	
16. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the period	<u>592,060</u>	<u>547,317</u>
		(Re-stated)
Weighted average number of ordinary shares in issue during the period (in thousand)	<u>212,425</u>	<u>212,425</u>
		(Re-stated)
Earnings per share - Basic and diluted (Rupees)	<u>2.79</u>	<u>2.58</u>
	September 30, 2020	September 30, 2019
17. CASH GENERATED FROM OPERATIONS		
Profit before income tax	776,683	724,361
Add adjustments for non-cash charges and other items		
Depreciation of property, plant and equipment	70,435	43,496
Depreciation of right-of-use assets	4,976	-
Depreciation of investment properties	16,438	14,631
Gain on disposal of property, plant and equipment	-	(1,392)
Amortisation	11,126	11,047
Provision for retirement benefits obligation	1,350	1,344
Government grant recognised in income	(8,571)	-
Unwinding of discount on long term borrowing	5,445	-
Interest on lease liability	4,906	-
Finance cost	242,037	135,260
Profit before working capital changes	<u>1,124,825</u>	<u>928,747</u>
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	72,604	(226,183)
Trade receivables	776,013	(772,488)
Loans and advances	(274,209)	(21,124)
Trade deposits and short-term prepayments	(27,675)	(12,949)
Other receivables	(187,933)	808,519
Refund due from Government - sales tax	7,832	22,166
	<u>366,632</u>	<u>(202,059)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	561,293	(292,803)
Sales tax payable	1,722	-
	<u>563,015</u>	<u>(292,803)</u>
Cash flows generated from operations	<u>2,054,472</u>	<u>433,885</u>

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

18. CASH AND CASH EQUIVALENTS

Cash and bank balances	265,189	7,366
Short term running finance - note 12.1	(3,805,723)	(3,164,812)
Employees provident fund	(161,000)	-
Employees provident fund - OBS Pakistan (Private) Limited - Subsidiary	(18,000)	-
	<u>(3,719,534)</u>	<u>(3,157,446)</u>

19. SEGMENT INFORMATION

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

20. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	September 30, 2020	September 30, 2019
		(Rupees in '000)	
Holding company	- Corporate service charges	60,000	60,000
	- Rent income	3,338	1,669
	- Income from provision of amenities	1,905	1,270
Subsidiaries	- Revenue	249,839	229,364
	- Dividend income	149,000	120,000
	- Short term loan given	17,500	35,500
	- Advances recovered	400	(2,900)
	- Advance against financial assistance	24,891	-
	- Rent income	770	-
Associated companies	- Revenue	3,144,188	3,091,743
	- Salaries and wages	-	70
	- Purchases	-	245
	- Carriage and duties	14,102	1,518
	- Discounts claimed	25,618	76,265
	- Rent expense	2,425	2,547
	- Rent income	18,897	16,504
	- Income from Provision of Amenities	6,338	9,474
	- Stock claims	60,380	18,778
	- Internet services	2,961	281
	- Architect fee	-	2,375
	- Donations	9,009	4,296
	- Incentives to field force staff	3,166	696
	- Repair & maintenance	38	859
	- Merchandise expense	-	2,203
- Others	2,605	3,400	

Notes to the Unconsolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

		September 30, 2020	September 30, 2019
		(Rupees in '000)	
Staff retirement benefits			
	- Contributions to Provident Fund	34,565	29,213
	- Benefits paid	22,300	12,375
Key management employees compensation			
	- Salaries and other employee benefits	49,127	41,978
	- Contributions to Provident Fund	4,310	3,556
Key management employees			
	- Sale of goods	-	24

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

21. CORRESPONDING FIGURES

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

22. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on October 27, 2020.


Chief Executive Officer


Director


Chief Financial Officer

Consolidated Condensed Interim Financial Statements

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Directors' Review Report

The Directors take pleasure in presenting the consolidated interim financial information of the holding company for the period ended September 30, 2020. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting'. The directors report is prepared in accordance with section 227 of the Companies Act, 2017 and Chapter XII of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

OVERVIEW

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

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

There are more than 750 companies operating in the sector, driven by new molecule introductions and supported by underlying demographic trends of increasing affordability, rising population, infrastructure investment, technological advancements, evolving care models, higher life expectancy and increased incidence of chronic diseases and as well as new healthcare risks introduced during the pandemic.

Despite this, the pharmaceutical industry is unable to achieve its full potential, due to high reliance of imported APIs, fluctuation in exchange rates, low per capita expenditure, and low prices in terms of global environment.

OPERATING RESULTS

	September 30,	
	2020	2019
	(Rupees in thousand)	
Revenue	5,562,484	4,962,130
Cost of sales	(3,002,386)	(2,589,484)
Gross Profit	2,560,098	2,372,646
Operating expenses	(1,330,893)	(1,400,997)
Other operating expenses	(72,497)	(58,800)
Other income	42,886	49,400
Profit from operations	1,199,594	962,249
Finance cost	(272,479)	(143,040)
Profit before tax	927,115	819,209
Income tax expense	(278,779)	(264,593)
Profit after taxation	648,336	554,616

The holding company 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. The holding company was able to maintain its prominence in many therapeutic areas through its quality products and the dedication of its exceptional people.

During the period ended September 30, 2020, the holding company's financial performance was affected by the exchange rate fluctuations. However, despite the challenging economic environment and unprecedented crisis of COVID-19, Searle managed to improve its financial performance.

Financial highlights are summarized below:

- Net sales of the holding company are Rs 5.56 billion.
- Net profit of the holding company is Rs 648 million.
- Operating profit margin was increased to 22% from 19%.
- Profit after taxation was increased to 12% from 11%.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 2.99 (2019: Rs. 2.57). 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 of September 30, 2020.

FUTURE OUTLOOK

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

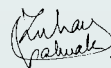
Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products. It is also pertinent to mention that Searle Group has an organic pipeline of over 200 products in different stages of the regulatory approval process and has a diversified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

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

For and on behalf of the Board



Syed Nadeem Ahmed
Chief Executive Officer



Zubair Razzak Palwala
Director

Karachi : October 27, 2020

مستقبل پر ایک نظر

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

مزید آگے پیش رفت کرتے ہوئے، ہم خصوصاً عمومی برانڈز کے پورٹ فولیو میں حصہ بڑھانے اور مختلف النوع پروڈکٹس پر توجہ مرکوز کر رہے ہیں۔ یہاں یہ بات بھی قابل ذکر ہے کہ سرل گروپ 200 سے زائد آرگینک مصنوعات کے ریگولیشنری منظوری کے عمل کے مختلف مراحل سے گزر رہا ہے اور متنوع ادویات کے پورٹ فولیو کے ساتھ مضبوط منافع کا مارجن ہے۔ مقامی مارکیٹ میں ہولڈنگ کمپنی نے گذشتہ برسوں میں امراض قلب، نزلہ اور کھانسی، ذیابیطس، نوزائیدہ فارمولہ، حیاتیاتی اور اینٹی بائیوٹک کے علاج معالجے میں مستحکم جگہ بنالی ہے۔

اظہار تشکر

سرل گروپ میں، ہم سب بے حد متحرک ہیں اور مستقبل بنیادوں پر جوش و خروش سے خدمت کے خواہشمند ہیں۔ یہی صورت حال ہمارے شراکت داروں، سپلائرز اور صارفین کے ساتھ ہے، جس کے لئے ہم ان کے مشکور ہیں اور آئندہ کی شراکت کے لئے اسی جوش و جذبے کی توقع کرتے ہیں۔ ہم یقین دہانی کراتے ہیں کہ سرل گروپ اپنے سے وابستہ ہر فریق کو طویل المدی پائیدار ترقی کی فراہمی کے لئے کوشاں رہے گی۔

برائے اور بورڈ کی جانب سے



زیر رزاق پال والا
ڈائریکٹر



سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی: 27 اکتوبر 2020ء

30 ستمبر

2019 2020

(روپے ہزاروں میں)

4,962,130	5,562,484	آمدنی
(2,589,484)	(3,002,386)	فروخت کے اخراجات
2,372,646	2,560,098	مجموعی آمدنی
(1,400,997)	(1,330,893)	آپریٹنگ اخراجات
(58,800)	(72,497)	دیگر آپریٹنگ اخراجات
49,400	42,886	دیگر آمدنی
962,249	1,199,594	آپریٹنگ سے آمدنی
(143,040)	(272,479)	مالیاتی اخراجات
819,209	927,115	منافع قبل از ٹیکس
(264,593)	(278,779)	انکم ٹیکس اخراجات
554,616	648,336	منافع بعد از ٹیکس

ہولڈنگ کمپنی نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات کی پیشکش سے مرہضوں کی زندگی کو بہتر بنانے پر توجہ مرکوز کی ہے۔ ہم نے مرہضوں اور اسٹیک ہولڈرز کے فوائد کو اپنی بنیادی ترجیح بنا کر مستحکم ترقی کی پوزیشن استوار کی ہے اور ہمیں اپنی کوششوں کے اثرات پر فخر ہے۔ ہولڈنگ کمپنی اپنی معیاری مصنوعات اور اپنے لوگوں کی غیر معمولی لگن کے ذریعے علاج کے مختلف شعبوں میں اپنی اہمیت برقرار رکھنے میں کامیاب رہی۔

30 ستمبر، 2020 کو ختم ہونے والی مدت کے دوران، ہولڈنگ کمپنی کی مالی کارکردگی شرح مبادلہ کے اتار چڑھاؤ سے متاثر ہوئی۔ تاہم، مشکل معاشی ماحول اور COVID-19 کے بحران کے باوجود، سرل اپنی مالی کارکردگی کو بہتر کرنے میں کامیاب رہی۔

مالیاتی جھلکیاں مختصر آڈیل میں بیان کی گئیں ہیں:

- ہولڈنگ کمپنی کی خالص سیلز 5.56 بلین روپے ہے۔
- ہولڈنگ کمپنی کا خالص منافع 648 ملین روپے ہے۔
- آپریٹنگ منافع کی شرح 19 فیصد سے بڑھا کر 22 فیصد کر دی گئی۔
- بعد از ٹیکس منافع 11 فیصد سے 12 فیصد تک بڑھ گیا۔

آمدنی فی شیئر

اس مدت کے لئے بنیادی آمدنی فی شیئر بعد از ٹیکس 2.99 روپے رہی (2019: 2.57 روپے)۔ ہولڈنگ کمپنی کی بنیادی آمدنی فی شیئر پر کمی کے کوئی اثرات نہیں ہوئے، چونکہ 30 ستمبر، 2020 تک ہولڈنگ کمپنی کے تبدیل پذیر غیر متوقع ممکنہ شیئرز بھایا نہیں تھے۔

ڈائریکٹرز کی جائزہ رپورٹ

ڈائریکٹرز 30 ستمبر 2020 کو ختم ہونے والی مدت کے لئے ہولڈنگ کمپنی کے اشتہاری عبوری مالیاتی معلومات پیش کرنے میں خوشی محسوس کرتے ہیں۔ یہ مالیاتی بیانات بین الاقوامی اکاؤنٹنگ اسٹینڈرڈ (IAS) 34 - عبوری فنانشل رپورٹنگ کی ضروریات کے مطابق تیار کیے گئے ہیں۔ ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے باب XII کے مطابق تیار کی گئی ہے۔

جائزہ

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

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

اس شعبے میں 700 سے زائد کمپنیاں مصروف عمل ہیں، جس میں نئے مالیکیول کے تعارف جیسے عوامل اور اس کی معاونت کرتے بڑھتی ہوئی استطاعت کے آبادیاتی رجحانات، آبادی میں اضافہ، بنیادی ڈھانچے کی سرمایہ کاری، تکنیکی پیش رفت، تدریجی کسٹرز ماڈل، زائد متوقع عمر اور دائمی بیماریوں کے واقعات میں اضافہ اور اس کے ساتھ ہی وبائی امراض کے دوران صحت کو لاحق نئے تحفظات کا فرما ہیں۔

اس کے باوجود، فارماسیوٹیکل کی صنعت اپنی پوری صلاحیت تک رسائی کرنے میں ناکام رہی، جس کی وجوہات در آمد شدہ APIs پر زیادہ انحصار، مزید ہارڈلہ کی شرح میں اتار چڑھاؤ، فی کس کم اخراجات اور عالمی ماحول کے لحاظ سے کم قیمتیں رہیں۔

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

		(Un-audited) September 30, 2020	(Audited) June 30, 2020
	Note	(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,712,681	4,415,663
Right-of-use asset		116,995	121,515
Investment properties - at cost		2,702,178	2,571,674
Intangible assets	7	16,260,186	328,533
Long-term loans and advances		501	358
Long-term deposits		13,986	10,824
		<u>24,806,527</u>	<u>7,448,567</u>
Current assets			
Inventories		5,178,113	3,428,519
Trade receivables	8	9,167,114	8,633,836
Loans and advances	9	3,193,525	2,950,401
Trade deposits and short-term prepayments		168,929	113,181
Interest accrued		2,480	-
Other receivables	10	829,616	1,187,736
Short-term investment		116,721	100,000
Taxation - payments less provision		873,404	793,352
Tax refunds due from government - Sales tax		13,866	23,757
Cash and bank balances	11	540,328	335,189
		<u>20,084,096</u>	<u>17,565,971</u>
Asset classified as 'Held for Sale'		<u>88,064</u>	<u>88,064</u>
Total assets		<u><u>44,978,687</u></u>	<u><u>25,102,602</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	12	2,124,253	2,124,253
Unappropriated profit		10,253,937	9,605,494
General reserve		280,251	280,251
Share premium		1,630,974	1,630,974
Revaluation surplus on property, plant and equipment		1,833,309	1,846,153
Attributable to owners of The Searle Company Limited		<u>16,122,724</u>	<u>15,487,125</u>
- Holding Company		<u>488,145</u>	<u>475,408</u>
Non-controlling interests		<u>16,610,869</u>	<u>15,962,533</u>
LIABILITIES			
Non-current liabilities			
Long term borrowings		383,878	320,664
Long-term loan		10,374,562	-
Deferred consideration	5	3,988,000	-
Deferred tax liabilities		95,692	55,052
Employee benefit obligations		112,772	54,994
Deferred income - Government grant		68,570	77,141
Lease liability		121,545	121,545
		<u>15,145,019</u>	<u>629,396</u>
Current liabilities			
Trade and other payables	11	6,785,275	3,351,333
Borrowings	12	6,192,160	4,953,328
Unpaid dividend		82,102	139,707
Unclaimed dividend		139,882	54,885
Contract liability		14,348	-
Current portion of lease liability		9,032	11,420
		<u>13,222,799</u>	<u>8,510,673</u>
Total liabilities		<u>28,367,818</u>	<u>9,140,069</u>
Contingencies and commitments	13		
Total equity and liabilities		<u><u>44,978,687</u></u>	<u><u>25,102,602</u></u>

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial information.


Chief Executive Officer


Director


Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Period Ended September 30, 2020 - Unaudited

	Note	Quarter ended	
		September 30, 2020	September 30, 2019
(Rupees in '000)			
Revenue from contracts with customers	14	5,562,484	4,962,130
Cost of sales		(3,002,386)	(2,589,484)
Gross profit		2,560,098	2,372,646
Distribution cost		(1,015,026)	(1,096,777)
Administrative expenses		(315,867)	(304,220)
Other operating expenses		(72,497)	(58,800)
Other income	15	42,886	49,400
Profit from operations		1,199,594	962,249
Finance cost		(272,479)	(143,040)
Profit before income tax		927,115	819,209
Income tax expense		(278,779)	(264,593)
Profit for the period		648,336	554,616
Other comprehensive income		-	-
Total comprehensive income		648,336	554,616
Total comprehensive income is attributable to:			
Owners of the The Searle Company Limited - Holding Company		635,599	545,952
Non-controlling interests		12,737	8,664
		648,336	554,616
Basic and diluted earnings per share (Rupees)	16	2.99	2.57

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For The Period Ended September 30, 2020 - Unaudited

	Note	September 30, 2020 (Rupees in '000)	September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	2,291,728	565,701
Employee benefit obligations paid		(232,677)	-
Finance cost paid		(153,958)	(99,623)
Income tax paid		(133,990)	(166,053)
Decrease in long-term deposits		5,825	(2,586)
Lease rentals paid		(2,388)	
Increase in long-term loans and advances		(78)	12
Net cash generated from operating activities		1,774,462	297,449
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(446,281)	(85,001)
Consideration for acquisition of wholly owned subsidiary - net		(3,087,566)	-
Sale proceeds on disposal of property, plant and equipment		802	2,450
Payments for investment properties		(146,491)	(61,717)
Purchase of intangible assets		(1,027)	(408)
Net cash used in investing activities		(3,680,564)	(144,676)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		27,393	(38)
Repayment of long-term borrowings		(7,921,608)	-
Proceeds from long-term loan		10,374,562	-
Deferred consideration paid		(1,362,000)	-
Net cash generated from / (used in) financing activities		1,334,847	(38)
Net increase in cash and cash equivalents		(571,255)	152,735
Cash and cash equivalents at beginning of the period		(4,484,264)	(3,450,223)
Cash and cash equivalents at end of the period	18	(5,055,519)	(3,297,488)

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For The Period Ended September 30, 2020 - Unaudited

	Attributable to the owners of the Holding Company							Non-Controlling interest	Total
	Capital reserves			Revenue reserves					
	Share capital	Share premium	Revaluation surplus on property, plant and equipment	General reserve	Unappropriated profits	Sub-Total reserves			
	(Rupees in '000)								
Balance as at July 01, 2019	2,124,253	1,630,974	1,437,936	280,251	7,603,678	10,952,839	442,137	13,519,229	
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period (net of tax)	-	-	(2,121)	-	2,121	-	-	-	
Total comprehensive income for the period	-	-	-	-	545,952	545,952	8,664	554,616	
Balance as at September 30, 2019	<u>2,124,253</u>	<u>1,630,974</u>	<u>1,435,815</u>	<u>280,251</u>	<u>8,151,751</u>	<u>11,498,791</u>	<u>450,801</u>	<u>14,073,845</u>	
Balance as at July 01, 2020	2,124,253	1,630,974	1,846,153	280,251	9,605,494	13,362,872	475,408	15,962,533	
Total comprehensive income for the period	-	-	-	-	635,599	635,599	12,737	648,336	
Transferred from surplus on revaluation of fixed assets - net of deferred taxation: - incremental depreciation for the period	-	-	(12,844)	-	12,844	-	-	-	
Balance as at September 30, 2020	<u>2,124,253</u>	<u>1,630,974</u>	<u>1,833,309</u>	<u>280,251</u>	<u>10,253,937</u>	<u>13,998,471</u>	<u>488,145</u>	<u>16,610,869</u>	

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended September 30, 2020 - Unaudited

1. LEGAL STATUS AND OPERATIONS

- 1.1 The Searle Company Limited (the Company) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Company is principally engaged in the manufacture of pharmaceutical and other consumer products. The registered office of the Company is situated at One IBL Centre, 2nd Floor, Plot No. 1, Block 7 & 8, D.M.C.H.S, Tipu Sultan Road, Off Shahrah-e-Faisal, Karachi.

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

Following are the subsidiary companies:

	Principal place of business	Effective %age of holding	
		September 30, 2020	June 30, 2020
Listed Company			
- IBL HealthCare Limited		74.19%	74.19%
Unlisted Companies			
- Searle Pharmaceuticals (Private) Limited	Pakistan	100%	100%
- Searle Laboratories (Private) Limited		100%	100%
- Searle Biosciences (Private) Limited		100%	100%
- IBL Identity (Private) Limited		100%	100%
- IBL Future Technologies (Private) Limited		100%	100%
- Nextar Pharma (Private) Limited		87.20%	87.20%
- OBS Pakistan (Private) Limited - refer note 5		100%	0%

2. BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These consolidated 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, 2020.

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of these consolidated condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2020, except as otherwise disclosed.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these consolidated condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these consolidated condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2020.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2020.

5. BUSINESS COMBINATION

5.1 Acquisition of OBS Pakistan (Private) Limited

On August 24, 2020, the Company acquired 100% equity of OBS Pakistan (Private) Limited (OBS), engaged in manufacturing and sales of pharmaceutical products, from Universal Ventures (Private) Limited (UVPL) - a related party. The approval of acquisition was obtained in the Company's Extra-Ordinary General Meeting (EOGM) held on May 18, 2020.

The business combination has been accounted for by applying the acquisition method. The cost of the acquisition has been measured at the consideration by the Company against the purchase of shares. Identified assets acquired, liabilities assumed or incurred have been recorded at the provisional values at the acquisition date. The excess of the cost of acquisition over the recorded values of the Group's shares of the identifiable net assets acquired has been recorded as goodwill in the consolidated financial statements of the Group. This is provisional as fair value of the assets and liabilities was not determined as at the end of the reporting period.

IFRS 3 - 'Business Combinations', requires that all identified assets (including intangible assets) and liabilities assumed in a business combination should be recognised at their fair values on the acquirer's statement of financial position. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise the determination of fair values of assets and liabilities and to determine the value of any intangible separately identified.

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

The consideration for the above transaction is as follows:

	Rupees in million
Payment to UVPL at the time of transfer of shares	3,250
Deferred payment over a maximum period of three years	5,350
Equity injection in OBS for settling of the long-term loan availed by OBS from Habib Bank Limited (HBL) as per Share Subscription Agreement	7,200
	<u>15,800</u>

5.2 Assets acquired and liabilities transferred at the time of acquisition:

As stated in note 5.1, at the acquisition date, the identifiable assets acquired and liabilities assumed have provisionally been recognised. The management is in the process of determining the fair values of acquired assets and liabilities.

The provisional values of assets and liabilities acquired are as follows:

	Rupees in '000
Property, plant and equipment	1,305,356
Intangibles	9,023,821
Long-term loans to employees	221
Long-term deposits	8,987
Inventories	1,423,640
Trade debts - net	1,076,136
Short-term investments	16,721
Loans and advances	79,026
Trade deposits and prepayments	15,208
Other receivables	509,790
Taxation - payments less provision	237,427
Cash and bank balances	112,434
Total assets	13,808,766
Long term finance	57,769
Deferred taxation	45,549
Employee benefit obligations	58,570
Trade and other payables	2,800,479
Short-term borrowings - secured	1,965,885
Sales tax payable	209
Total liabilities	4,928,461
Provisional value of net assets acquired	8,880,305

5.3 This has resulted in recognition of goodwill as follows:

	Rupees in '000
Fair value of consideration	15,800,000
Provisional value of net assets acquired	(8,880,305)
Goodwill arising on acquisition - refer note 5.4	<u>6,919,695</u>

5.4 As stated in note 5.1, these values may be adjusted within a period of one year subsequent to the completion of fair value exercise.

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

- 5.5 The following amounts have been recognised in the Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income of these consolidated financial statements post acquisition of OBS:

	Rupees in '000	
- Revenue		<u><u>542,092</u></u>
- Profit for the period*		<u><u>97,180</u></u>
	(Unaudited)	(Audited)
	September 30,	June 30,
	2020	2020
	(Rupees in '000)	

6. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 6.1 & 6.2	<u>5,445,042</u>	4,197,208
Capital work-in-progress - at cost	<u>267,639</u>	218,455
	<u><u>5,712,681</u></u>	<u><u>4,415,663</u></u>

- 6.1 Details of additions in operating assets including transfers from capital work-in-progress during the period are as follows:

	Additions (at cost)		Disposals (at net book value)	
	<u>September 30, 2020</u>	September 30, 2019	<u>September 30, 2020</u>	September 30, 2019
	(Rupees in '000)			
Building on leasehold land	<u>4,686</u>	43,112	-	-
Plant and machinery	<u>6,109</u>	14,928	-	-
Furniture & fittings	<u>2,094</u>	-	-	-
Vehicles	<u>847</u>	-	<u>(802)</u>	(1,058)
Office equipment	<u>12,852</u>	41,592	-	-
	<u><u>26,588</u></u>	<u>99,632</u>	<u><u>(802)</u></u>	<u><u>(1,058)</u></u>
			(Unaudited)	(Audited)
			September 30,	June 30,
			2020	2020
			(Rupees in '000)	

7. INTANGIBLES ASSETS

Operating intangible assets	<u>141,054</u>	152,917
Intangible assets arising on acquisition of OBS - refer note 5	<u>6,919,695</u>	-
Intangibles assets acquired as part of net assets of OBS - refer note 5.2	<u>9,023,821</u>	-
Goodwill pertaining to Nextar Pharma (Private) Limited and IBL Identity (Private) Limited	<u>175,616</u>	175,616
	<u><u>16,260,186</u></u>	<u><u>328,533</u></u>

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

	(Unaudited) September 30, 2020	(Audited) June 30, 2020
(Rupees in '000)		
8. TRADE RECEIVABLES		
Considered good		
- Export receivables, secured	473,534	448,334
- Due from related parties, unsecured - note 8.1	7,788,107	7,327,278
- Others, unsecured	905,473	858,224
	9,167,114	8,633,836
Considered doubtful - others	154,099	154,099
Less: Provision for doubtful debts	(154,099)	(154,099)
	-	-
	9,167,114	8,633,836

- 8.1** These are stated net of amount payable to IBL Operations (Private) Limited, United Brands Limited and IBL Logistics (Private) Limited - associated companies amounting to Rs. 106.36 million (2020: Rs. 111.82 million), Rs. 1.63 million (2020: Rs. 0.63 million) and Rs. 6.21 million (2020: Rs. 4.03 million) respectively.

	(Unaudited) September 30, 2020	(Audited) June 30, 2020
(Rupees in '000)		
9. LOANS AND ADVANCES		
- considered good		
Advances to:		
- employees for operating activities	127,674	89,295
- employees against salaries	20,764	11,879
- suppliers	1,173,215	764,992
- against imports	125,739	100,539
- against LC margin	-	1,890
Other advances	-	5,986
	1,447,393	974,581
Loans to Related parties:		
- Short term loan - note 9.2	1,696,502	1,975,132
- Current portion of long term loan	49,630	-
	1,746,132	1,975,132
Current portion long-term loans to employee	-	688
	3,193,525	2,950,401

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

	(Unaudited) September 30, 2020	(Audited) June 30, 2020
10. OTHER RECEIVABLES		
(Rupees in '000)		
Receivables from related parties		
Due from group companies:		
- IBL Operations (Private) Limited against:		
Expenses	-	432
Rental income	18,450	14,738
- IBL Logistics (Private) Limited against:		
Rental Income	796	697
- IBL Unisys (Private) Limited against:		
Rental Income	1,478	1,033
- United Distributors Pakistan Limited against:		
Rental Income	835	574
- International Brands Limited against:		
Rental income	3,686	20,795
Group Relief	54,894	54,894
- OBS Pakistan (Private) Limited against:		
Management fee	-	252,000
Rental income	-	895
- International Franchises (Private) Limited against:		
Expenses	13,749	13,749
Rental income	2,313	4,107
- IBL Frontier Market (Private) Limited against:		
Expenses	-	35,882
	96,201	399,796
<i>Due from other related parties:</i>		
- United Retail (SMC-Private) Limited against:		
Rental income	291,723	274,140
Expenses	-	136,632
- Lunar Pharma (Private) Limited against:		
Expenses	2,882	2,882
- International Knitwear Limited against:		
Expenses	-	562
- The IBL Company (Private) Limited against:		
Expenses	3,202	2,440
- Trax Online (Private) Limited against:		
Expenses	-	385
	297,807	417,041
Surplus arising under retirement benefit fund	5,250	5,250
	399,258	822,087
Receivables from other than related parties		
Others, considered good	430,358	365,649
	829,616	1,187,736

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

(Unaudited)
September 30,
2020
(Rupees in '000)

(Audited)
June 30,
2020

11. TRADE AND OTHER PAYABLES

Creditors	3,142,439	901,336
Payable under group relief	1,618	1,618
Salaries and benefits payable	-	4,738
Bills payable in foreign currency	880,448	481,130
Royalty payable	10,862	21,935
Accrued liabilities	1,507,946	1,301,159
Payable to provident fund	11,977	15,215
Advance from customers - unsecured	21,553	38,634
Accrued mark-up	326,617	208,096
Taxes deducted at source and payable to statutory authorities	52,512	75,959
Workers' Profit Participation Fund	220,795	178,920
Workers' Welfare Fund	85,492	82,218
Other liabilities	523,016	40,375
	<u>6,785,275</u>	<u>3,351,333</u>

12. SHORT TERM BORROWINGS

Secured borrowings:

- Running finance under mark-up arrangements - note 14.1	5,595,847	4,640,453
- Export re-finance	216,500	-
- Current portion of long term borrowing	200,813	133,875
	<u>6,013,160</u>	<u>4,774,328</u>

Unsecured borrowings:

- Employees provident fund - Holding Company	161,000	161,000
- Employees provident fund - OBS Pakistan (Private) Limited	18,000	18,000
	<u>6,192,160</u>	<u>4,953,328</u>

12.1 The holding Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 4,925 million (June 30, 2020: Rs. 4,925 million) which include financing facilities obtained under Islamic mode amounting to Rs. 4,075 million (June 30, 2020: Rs. 4,075 million). The arrangements are secured jointly by registered mortgage of Rs. 1,126.94 million (June 30, 2020 : Rs. 1,126.94 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 6,889.23 million (June 30, 2020: Rs. 6,889.23 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

12.2 The rates of mark-up ranged between 3% to 8.53% (June 30, 2020: 2.75% to 15.6%) per annum.

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 There has been no significant change in the status of contingencies as reported in the note 29 of annual audited consolidated financial statements of the Company for the year ended June 30, 2020.

13.2 Commitments

13.2.1 The facility for opening letters of credit and guarantees for the Holding Company as at September 30, 2020 amounted to Rs. 2,105 million (June 30, 2020: Rs. 2,105 million) of which the amount remaining unutilised as at period end amounted to Rs. 1,494 million (June 30, 2020: Rs. 1,494 million).

13.2.2 The facility for opening Letters of Credit (LCs) and running musharaka for IBLHC as at September 30, 2020 amounted to Rs. 683 million (June 30, 2020: Rs. 683 million) of which the amount remained unutilised as at balance sheet date was Rs. 199.95 million (June 30, 2020: Rs. 94.45 million).

(Unaudited) (Unaudited)
September 30, September 30,
2020 2019
 (Rupees in '000)

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

Gross sales		
Local sales	5,152,952	4,743,080
Export sales	840,049	628,782
	<u>5,993,001</u>	<u>5,371,862</u>
Toll manufacturing	65,782	71,854
	<u>6,058,783</u>	<u>5,443,716</u>
Sales tax	(54,855)	(67,299)
	<u>6,003,928</u>	<u>5,376,417</u>
Less:		
Discounts, rebates and allowances	220,299	315,173
Sales returns	221,145	99,114
	<u>441,444</u>	<u>414,287</u>
	<u>5,562,484</u>	<u>4,962,130</u>

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

September 30, September 30,
2020 2019
(Rupees in '000)

15. OTHER INCOME

Income from financial assets

Interest on loan to International Brands Limited	2,480	7,882
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Income from non - financial assets

Gain on disposal of property, plant and equipment	-	1,392
Exchange gain	1,275	1,536
Government grant	8,571	-
Rental income from investment properties	30,167	31,913
Others	393	6,677
	40,406	41,518
	42,886	49,400

16. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year (Rupees '000)	635,599	545,952
Weighted average number of outstanding shares at the end of the period (in thousand)	212,425	212,425
Basic and diluted earnings per share (Rupees)	2.99	2.57

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

September 30, September 30,
2020 2019
(Rupees in '000)

17. CASH GENERATED FROM OPERATIONS

Profit before income tax	927,115	819,209
Add / (less): Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	82,135	54,588
Depreciation on investment properties	15,987	-
Gain on disposal of property, plant and equipment - net	-	(1,392)
Deferred grant income	(8,571)	-
Amortisation	13,145	11,778
Provision for retirement benefits obligation	(792)	1,344
Interest income - net	(2,480)	(2,632)
Finance cost	(272,479)	143,040
	754,060	1,025,935

Effect on cash flow due to working capital changes

(Increase) / decrease in current assets

Inventories	(325,954)	(318,401)
Trade receivables	542,858	(1,073,189)
Loans and advances	(164,099)	(46,345)
Trade deposits and short-term prepayments	(40,540)	(26,874)
Tax refunds due from government - Sales tax	9,682	20,177
Other receivables	867,910	(94,071)
	889,857	(1,538,703)

Increase in current liabilities

Trade and other payables	633,463	1,078,469
Contract liability	14,348	-
	647,811	1,078,469

Cash generated from operations

	2,291,728	565,701
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18. CASH AND CASH EQUIVALENTS

Cash and bank balances - note 11	540,328	57,714
Short term running finances - note 14	(5,595,847)	(3,355,202)
	(5,055,519)	(3,297,488)

Notes to the Consolidated Condensed Interim Financial Statements

For the period ended September 30, 2020 - Unaudited

19. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	September 30, 2020	September 30, 2019
		(Rupees in '000)	
Holding company	- Corporate service charges	60,000	60,000
	- Rent income	3,338	1,669
	- Income from provision of amenities	1,905	1,270
Associated companies	- Revenue	3,144,188	3,091,743
	- Salaries and wages	-	70
	- Purchases	-	245
	- Carriage and duties	14,102	1,518
	- Discounts claimed	25,618	76,265
	- Rent expense	2,425	2,547
	- Rent income	18,897	16,504
	- Stock claims	60,380	18,778
	- Internet services	2,961	281
	- Architect fee	-	2,375
	- Income from Provision of Amenities	6,338	9,474
	- Donations	9,009	4,296
	- Incentives to field force staff	3,166	696
	- Repair & maintenance	38	859
- Merchandising Services	-	2,203	
- Others	2,605	3,400	
Staff retirement benefits	- Contributions to Provident Fund	34,565	29,213
	- Benefits paid	22,300	12,375
Key management employees compensation	- Salaries and other employee benefits	49,127	41,978
	- Contributions to Provident Fund	4,310	3,556
	- Sale of goods	-	24

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

20. DATE OF AUTHORISATION FOR ISSUE

This consolidated condensed interim financial information was approved and authorised for issue by the Board of Directors of the Company on October 27, 2020.


Chief Executive Officer


Director


Chief Financial Officer

SEARLE

THE SEARLE COMPANY LIMITED

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