

MAKING A DIFFERENCE



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Company Information

Board of Directors

Mr. Adnan Asdar Ali	Chairman
Mr. Rashid Abdulla	
Mr. Husain Lawai	
Mr. S. Nadeem Ahmed	Chief Executive Officer
Mr. Zubair Razzak Palwala	
Mr. Ayaz Abdulla	
Mr. Asad Abdulla	

Board of Audit Committee

Mr. Husain Lawai	Chairman
Mr. Adnan Asdar Ali	Member
Mr. Asad Abdulla	Member

Board of HR & Remuneration Committee

Mr. Rashid Abdulla	Chairman
Mr. Adnan Asdar Ali	Member
Mr. Ayaz Abdulla	Member

Chief Financial Officer

Mr. Mobeen Alam

Company Secretary

Mr. Zubair Razzak Palwala

Auditors

A. F. Ferguson & Co.

Legal Advisors

Mohsin Tayebaly & Co.

Bankers

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

Registered Office

First Floor, N.I.C. 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 unconsolidated interim financial information of your Company for the half year ended December 31, 2017. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting' and the provisions of the directives issued under the Companies Act, 2017 (repealed Companies Ordinance, 1984).

OPERATING RESULTS

	December 31,	
	2017	2016
	(Rupees in thousand)	
Revenue	6,250,413	5,336,756
Cost of sales	(3,907,904)	(3,261,964)
Gross Profit	2,342,509	2,074,792
Operating expenses	(1,897,376)	(1,446,931)
Other operating expenses	(108,385)	(98,342)
Other income	1,646,097	1,196,971
Profit from operations	1,982,845	1,726,490
Finance cost	(78,157)	(82,624)
Profit before tax	1,904,688	1,643,866
Income tax expense	(98,234)	(157,999)
Profit after taxation	1,806,454	1,485,867

We believe success is a product of relentless efforts and opportunities just don't arise randomly but are created through strong committed endeavors. In lieu of this philosophy we are continuously on the verge of optimizing the value of our portfolio and increasing our overall commitment to ensure long-term value creation for our shareholders.

We have built a firm growing position by putting the benefit of patients and stakeholders our fundamental priority and we are proud of the impact our efforts are having.

During the period ended December 31, 2017, the company's financial performance scaled new heights and was yet again a commendable period for our shareholders.

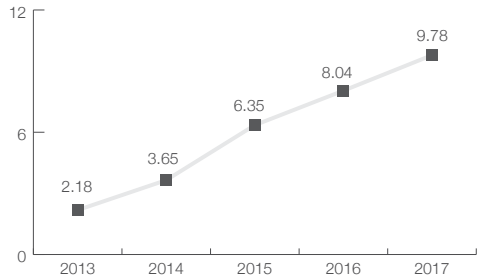
Financial highlights are summarized below:

- Net sales of the Company grew by 17.12% to Rs 6.25 billion.
- Gross profit margin was 37.48%.
- Operating profit margin was 31.72%
- Profit before and after taxation was 30.47% and 28.9% respectively.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 9.78 (2016: Rs. 8.04).

There is no dilution effect on the basic earnings per share of the Company, as the Company has no convertible dilutive potential ordinary shares outstanding as at December 31, 2017.



FUTURE OUTLOOK

In order to enhance long-term shareholder value and to drive future growth and profitability, Searle has embarked on multiple initiatives both locally & globally. We are strengthening with every passing day and are on our way to attain leadership position in key markets and business segments.

In Pakistan market, the therapeutic areas which Searle has over the years strengthened include cardiovascular, cold & cough, diabetes, infant formula, pro-biotic and antibiotics. Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products.

By acquisition of the state of the art facility of Nextar Pharma (Private) Limited, we anticipate overall profitability to improve substantially as our biosciences venture is now at the verge of delivering strong results. Further, Searle has also submitted Drug Master File (DMF) to USFDA and received acknowledgment in this regard. This approval will open new avenues of success for domestic and global markets. To address therapeutic areas of Oncology, Virology and Blood related diseases; we have signed agreements with some of the leading Bio-Similar companies of the developed world, which will expedite the progress of our biosciences venture in Pakistan.

For the longer run, Searle is focusing on emerging portfolios including, stem cells, bio-engineering, medical devices, nutraceuticals and genome sciences. Recently, we have signed exclusive agreement with the only genome research center in Pakistan, established by Prof. Atta-ur-Rehman. This center, known as Jamil-ur-Rehman Center for Genome Research, is part of the International Center for Chemical and Biological Sciences, University of Karachi.

In order to increase our presence in the growing international market, Searle is in the phase of collaboration with a Belgium based entity to enhance long term value for our stakeholders. Searle's shareholding in the said venture is 12% amounting to 120,000 Euros.



In lieu with our policy of keeping pace with the technological advancement, we have successfully implemented the most robust enterprise resource planning system SAP.

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

For and on behalf of the board

Syed Nadeem Ahmed
Chief Executive Officer

Karachi
February 26, 2018

نے یو ایس ایف ڈی اے (USFDA) کو ڈرگ ماسٹر فائل (DMF) بھی جمع کرا دی ہے اور اس سلسلے میں ایکٹائیو ایجنٹ موصول ہوگئی ہے۔ یہ منظوری مقامی اور عالمی مارکیٹوں کیلئے کامیابی کے نئے دروازے کھول دے گی۔ آنکالوجی، وائرولوجی اور خون سے متعلق امراض کے علاج و معالجے کے شعبوں سے نمٹنے کیلئے ہم نے ترقی یافتہ دنیا کی چند معروف بائیوسمیلر کمپنیوں کے ساتھ معاہدے کئے ہیں جو پاکستان میں ہمارے بائیوسائنسز و بیچر کی پیش رفت کو مزید تیز کریں گے۔

مستقل بعید کیلئے سرل ابھرتے ہوئے پورٹ فولیوز بشمول اسٹیم سیلز، بائیو انجینئرنگ، میڈیکل ڈیوائسز، نیوٹرا سیوٹیکلز اور جینوم سائنسز پر توجہ دے رہی ہے۔ حال ہی میں ہم نے ڈاکٹر عطاء الرحمن کی جانب سے پاکستان میں قائم شدہ واحد جینوم ریسرچ سینٹر، بنام جمیل الرحمن سینٹر برائے جینوم ریسرچ پارٹ آف انٹرنیشنل سینٹر برائے کیمیکل اینڈ بائیولوجیکل سائنسز، جامع کراچی کے ساتھ خصوصی معاہدے پر دستخط کئے ہیں۔

بین الاقوامی مارکیٹ میں اپنی موجودگی کو بڑھانے کے لئے سرل سیلیجیم کی ایک کمپنی کے ساتھ اشتراک کے مرحلے میں ہے تاکہ شینر ہولڈرز کی طویل المدتی مالیت کو بڑھایا جاسکے۔ اس وینچر میں سرل کی شینر ہولڈنگ 12 فیصد ہے جس کی مالیت 120,000 یوروں ہے۔

ٹیکنولوجیکل جدت کو پیش نظر رکھنے کی ہماری پالیسی کے تحت ہم نے کامیابی سے مضبوط انٹراپرائز ریسورس پلاننگ سسٹم SAP لاگو کر لیا ہے۔

اظہار تشکر

سرل میں ہم سب جذباتی طور پر ملحوظ و متحرک ہیں اور مستقل بنیاد پر پرعزم شراکت کر رہے ہیں۔ یہی شیوہ ہمارے شراکت کار، سپلائرز اور صارفین کا ہے، جس کیلئے ہم ان کے شکر گزار ہیں اور توقع کرتے ہیں کہ اسی لگن کے ساتھ وہ مستقبل میں بھی شریک کار رہیں گے۔ ہم یقین دہانی کراتے ہیں کہ سرل اپنی کوششیں جاری رکھے گی اور ہم سے منسلک تمام شراکت کاروں کے لئے طویل المدتی ترقی فراہم کرے گی۔

بحکم بورڈ



سید ندیم احمد

چیف ایگزیکٹو آفیسر

کراچی

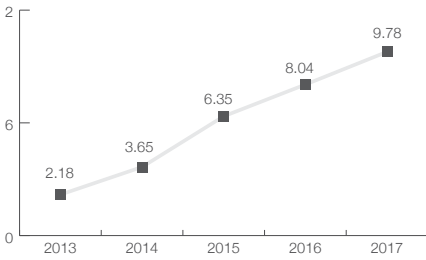
26 فروری 2018



مالیاتی جھلکیاں درج ذیل ہیں:

- کمپنی کی سیلز میں 17.12 فیصد کا اضافہ ہوا اور کمپنی کی سیلز 6.25 بلین رہیں
- مجموعی منافع کی شرح 37.48 فیصد رہی
- آپریٹنگ منافع جات کی شرح 31.72 فیصد رہی
- منافع قبل از ٹیکس اور بعد از ٹیکس کی شرح 30.47 اور 28.9 فیصد بالترتیب رہی۔

آمدنی فی شیئر



بنیادی آمدنی فی شیئر بعد از ٹیکس 9.78 روپے تھی (8.4 روپے: 2016)۔

کمپنی کی بنیادی آمدنی فی حصص پر ڈائیلوشن کا کوئی اثر نہیں پڑا کیونکہ کمپنی کے 31 دسمبر 2017 کو کوئی کنورٹبل ڈائیلیٹیو پوٹینشل آرڈینری شیئرز باقی نہیں تھے۔

مستقبل پر ایک نظر

طویل المدتی شیئر ہولڈر ویلیو میں اضافے اور مستقبل کی ترقی اور منافع جات کی غرض سے سرل مقامی اور عالمی دونوں سطح پر کثیر اقدامات انجام دے رہی ہے۔ ہم گزرتے ہوئے ہر دن کے ساتھ مضبوط ہو رہے ہیں اور اہم مارکیٹوں اور کاروباری شعبوں میں سرکردہ پوزیشن کے حصول کی طرف گامزن ہیں۔

پاکستانی مارکیٹ میں وہ بنیادی علاج معالجے کے شعبے، جن میں سرل گزشتہ سالوں کے دوران مستحکم ہوئی ہے، کارڈیو لیکولر، کولڈ وکف، ذیابیطیس، شیرخوار بچوں کا فارمولا، پرو بائیونک اور ایٹنی بائیونک شامل ہیں۔ مستقبل میں ہم اسپیشلیٹی جنیرک برانڈڈ پورٹ فولیو میں اپنا حصہ بڑھانے اور منفرد مصنوعات کی طرف اپنی توجہ مرکوز کئے ہوئے ہیں۔

نیکسٹ فارما پرائیوٹ لیٹیڈ کی جدید ترین فیسٹیٹی کے حصول کے ذریعے ہمیں توقع ہے کہ مجموعی منافع جات میں کثیر اضافہ ہوگا۔ مزید برآں ہمارا بایو سائنسز ونچر مستحکم نتائج دینے کے لئے تیار ہے۔ مزید برآں سرل

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ہم آپ کی کمپنی کی 31 دسمبر 2017 کو ختم ہونے والی ششماہی مدت کے انفرادی مالیاتی حسابات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ یہ مالیاتی حسابات انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ 'Interim Financial Reporting' - (IAS-34) اور کمپنیز ایکٹ 2017 (مٹروک کمپنیز آرڈیننس 1984) کے تحت جاری کردہ ہدایات کے مطابق تیار کئے گئے ہیں۔

31 دسمبر
(روپے ہزاروں میں)

آپریٹنگ نتائج

2016	2017	آمدنی
5,336,756	6,250,413	فروخت کے اخراجات
(3,261,964)	(3,907,904)	مجموعی آمدنی
2,074,792	2,342,509	آپریٹنگ اخراجات
(1,446,931)	(1,897,376)	دیگر آپریٹنگ اخراجات
(98,342)	(108,385)	دیگر آمدنی
1,196,971	1,646,097	آپریٹنگ سے آمدنی
1,726,490	1,982,845	فنانس کی لاگت
(82,624)	(78,157)	آمدنی قبل از ٹیکس
1,643,866	1,904,688	ٹیکس
(157,999)	(98,234)	آمدنی بعد از ٹیکس
1,485,867	1,806,454	

ہم اس امر پر یقین رکھتے ہیں کہ کامیابی انتھک جدوجہد سے حاصل ہوتی ہے اور مواقع محض اچانک نمودار نہیں ہوتے بلکہ مستحکم عزم و ہمت اور کوششوں کے ذریعے حاصل ہوتے ہیں۔ اس فلسفے پر عمل کرتے ہوئے ہم مستقل طور پر اپنے پورٹ فولیو اور اپنی مجموعی ذمہ داریوں کو بڑھا رہے ہیں تاکہ اپنے شیئر ہولڈرز کے لئے طویل المدتی ترقی کو یقینی بنا سکیں۔

مریضوں اور شیئر ہولڈرز کے مفادات کو اپنی بنیادی ترجیح بناتے ہوئے ہم نے ایک مستحکم اور مستند پوزیشن حاصل کر لی ہے اور ہم اپنی کوششوں سے حاصل ہونے والے اثرات پر فخر کرتے ہیں۔

31 دسمبر 2017 کو ختم ہونے والی ششماہی مدت میں کمپنی کی مالیاتی کارکردگی نے نئی بلندیوں کو چھو لیا اور یہ ششماہی مدت ہمارے حصص یافتگان کے لئے ایک دفعہ پھر سے قابل ستائش رہی۔



A·F·FERGUSON&CO.

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of The Searle Company Limited as at December 31, 2017 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account for the quarters ended December 31, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as of and for the half year ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi

Dated: February 27, 2018

Name of the engagement partner: Farrukh Rehman

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

*KARACHI = LAHORE = ISLAMABAD

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET

As at December 31, 2017

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
		(Rupees in '000)	
ASSETS	Note		
Non-current assets			
Property, plant and equipment	5	1,410,948	1,235,640
Investment properties		2,449,644	2,460,614
Intangibles		189,962	207,732
Deferred taxation		-	443
Long-term investments - subsidiaries	6	1,686,186	1,486,186
Long-term loans		122	193
Long-term deposits		9,451	1,598
		<u>5,746,313</u>	<u>5,392,406</u>
Current assets			
Stores and spares		13,249	1,842
Stock-in-trade		1,598,105	1,050,790
Trade debts	7	2,757,897	2,977,613
Loans and advances	8	3,849,508	2,458,745
Trade deposits and short-term prepayments		116,083	71,147
Other receivables	9	1,070,195	525,159
Taxation - payments less provision		653,797	675,642
Cash and bank balances	10	181,593	92,153
		<u>10,240,427</u>	<u>7,853,091</u>
Non-current asset classified as held for sale		-	600,278
Total assets		<u>15,986,740</u>	<u>13,845,775</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	11	1,847,177	1,539,314
Reserves		8,653,258	8,385,533
		<u>10,500,435</u>	<u>9,924,847</u>
Surplus on revaluation of fixed assets		442,926	443,511
LIABILITIES			
Non-current liabilities			
Long term financing		107,143	214,285
Deferred taxation		6,493	-
Retirement benefit obligations		48,315	47,032
		<u>161,951</u>	<u>261,317</u>
Current liabilities			
Trade and other payables	12	2,851,861	1,774,197
Accrued mark-up		24,546	16,467
Short term borrowings	13	1,786,222	1,208,828
Current portion of long term financing		214,286	214,286
Sales tax payable		4,513	2,322
		<u>4,881,428</u>	<u>3,216,100</u>
Total liabilities		<u>5,043,379</u>	<u>3,477,417</u>
Contingencies and commitments	14		
Total equity and liabilities		<u>15,986,740</u>	<u>13,845,775</u>

The annexed notes from 1 to 25 form an integral part of this unconsolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer



UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the half year ended December 31, 2017 - UNAUDITED

	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Rupees in '000)			
Revenue	15	3,004,693	2,577,763	6,250,413	5,336,756
Cost of sales	16	(1,701,578)	(1,520,801)	(3,907,904)	(3,261,964)
Gross profit		1,303,115	1,056,962	2,342,509	2,074,792
Distribution cost		(790,950)	(665,341)	(1,480,705)	(1,233,632)
Administrative expenses		(250,915)	(102,114)	(416,671)	(213,299)
Other operating expenses		(59,511)	(41,008)	(108,385)	(98,342)
Other income	17	922,494	623,762	1,646,097	1,196,971
Profit from operations		1,124,233	872,261	1,982,845	1,726,490
Finance cost		(42,068)	(57,030)	(78,157)	(82,624)
Profit before taxation		1,082,165	815,231	1,904,688	1,643,866
Taxation		(48,541)	(69,424)	(98,234)	(157,999)
Profit after taxation		1,033,624	745,807	1,806,454	1,485,867
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		1,033,624	745,807	1,806,454	1,485,867
Basic and diluted earnings per share (Rupees)	18	5.60	4.04	9.78	8.04
			(Restated)		(Restated)

The annexed notes from 1 to 25 form an integral part of this unconsolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT

For the half year ended December 31, 2017 - UNAUDITED

	Note	December 31, 2017	December 31, 2016
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	766,713	1,275,509
Retirement benefit obligations paid		(1,417)	(511)
Finance cost paid		(63,448)	(42,806)
Income tax paid		(69,453)	(35,386)
Decrease in long-term loans		71	80
Increase in long-term deposits		(7,853)	-
Net cash generated from operating activities		624,613	1,196,886
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(235,099)	(125,066)
Sale proceeds on disposal of property, plant and equipment		9,296	6,306
Payments for investment properties		(14,057)	(1,535)
Purchase of intangibles		(1,058)	(119,466)
Proceeds from disposal of investment in subsidiary		600,278	-
Addition to long-term investments		(200,000)	(636,204)
Net cash generated from / (used in) investing activities		159,360	(875,965)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,164,785)	(580,449)
Proceeds from export refinance		11,000	-
Loan from subsidiary		200,000	-
Long-term finance paid		(107,142)	(107,142)
Net cash used in financing activities		(1,060,927)	(687,591)
Net decrease in cash and cash equivalents		(276,954)	(366,670)
Cash and cash equivalents at beginning of the period		(1,052,675)	(387,689)
Cash and cash equivalents at end of the period	20	(1,329,629)	(754,359)

The annexed notes from 1 to 25 form an integral part of this unconsolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer



UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended December 31, 2017 - UNAUDITED

	Share capital	Capital reserves		Revenue reserves		Total reserves	Total
		Share premium account	Issue of bonus shares	General reserve	Unappropriated profits		
(Rupees in '000)							
Balance as at July 01, 2016	1,227,523	1,630,974	-	280,251	5,041,469	6,952,694	8,180,217
Total comprehensive income for the period	-	-	-	-	1,485,867	1,485,867	1,485,867
Transactions with owners							
Transfer to reserve for issue of bonus shares	-	-	171,853	-	(171,853)	-	-
Bonus shares issued during the period in the ratio of 14 shares for every 100 shares held	171,853	-	(171,853)	-	-	(171,853)	-
Final dividend for the year ended June 30, 2016 @ Rs. 5 per share	-	-	-	-	(613,761)	(613,761)	(613,761)
	171,853	-	-	-	(785,614)	(785,614)	(613,761)
Balance as at December 31, 2016	<u>1,399,376</u>	<u>1,630,974</u>	<u>-</u>	<u>280,251</u>	<u>5,741,722</u>	<u>7,652,947</u>	<u>9,052,323</u>
Balance as at July 01, 2017	1,539,314	1,630,974	-	280,251	6,474,308	8,385,533	9,924,847
Total comprehensive income for the period	-	-	-	-	1,806,454	1,806,454	1,806,454
Transactions with owners							
Transfer to reserve for issue of bonus shares	-	-	307,863	-	(307,863)	-	-
Bonus shares issued during the period in the ratio of 20 shares for every 100 shares held	307,863	-	(307,863)	-	-	(307,863)	-
Final dividend for the year ended June 30, 2017 @ Rs. 8 per share	-	-	-	-	(1,231,451)	(1,231,451)	(1,231,451)
	307,863	-	-	-	(1,539,314)	(1,539,314)	(1,231,451)
Transferred from surplus on revaluation of fixed assets - net of deferred taxation: - incremental depreciation for the period	-	-	-	-	585	585	585
Balance as at December 31, 2017	<u>1,847,177</u>	<u>1,630,974</u>	<u>-</u>	<u>280,251</u>	<u>6,742,033</u>	<u>8,653,258</u>	<u>10,500,435</u>

The annexed notes from 1 to 25 form an integral part of this unconsolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer

SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

1. LEGAL STATUS AND OPERATIONS

The Searle Company Limited (the Company) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Company is principally engaged in the manufacture of pharmaceutical and other consumer products. The registered office of the Company is situated at 1st Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

International Brands Limited is the holding company, which holds 56.12% shareholding in the Company.

Following are the subsidiary companies:

	Principal place of business	Effective %age of holding	
		December 31, 2017	June 30, 2017
Listed Company			
- IBL HealthCare Limited		74.19%	74.19%
Unlisted Companies			
- Searle Pharmaceuticals (Private) Limited	Pakistan	100.00%	100.00%
- Searle Laboratories (Private) Limited		100.00%	100.00%
- Searle Biosciences (Private) Limited		100.00%	100.00%
- IBL Identity (Private) Limited		100.00%	100.00%
- IBL Future Technologies (Private) Limited		100.00%	-
- Nextar Pharma (Private) Limited		-	70.34%

Subsequent to December 31, 2017 the Company in their Board meeting held on January 2, 2018 approved an equity investment of Euro 240,000 i.e., 12% equity in proposed joint venture of IBL Group in Belgium. The total investment of IBL Group would be 50% in the proposed joint venture. The joint venture is with Belgian company, Belourthe for setting up a manufacturing unit in Belgium's Wallonia region for production of Nutraceuticals - a food that supplements diet and assists in disease prevention.

2. BASIS OF PREPARATION

As per the requirements of circular no. CLD/CCD/PR(11)/2017 dated October 4, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), where the financial year, including quarterly and other interim periods, of a company closes on or before December 31, 2017, the financial statements, including interim financial statements shall be prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

Accordingly, this unconsolidated condensed interim financial information of the Company for the period ended December 31, 2017 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of or directives issued under the repealed Companies Ordinance, 1984. In



SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed. This unconsolidated condensed interim financial information is being presented and submitted to the shareholders as required by Listing Regulations of Pakistan Stock Exchange and under Section 245 of the repealed Companies Ordinance, 1984.

This unconsolidated condensed interim financial information does 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, 2017.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IAS 7, 'Statement of cash flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

IAS 7, 'Statement of cash flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

IAS 19 'Employee benefits' clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. It is unlikely that the standard will have any significant impact on the Company's financial statements.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2017 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018 that may have an impact on the financial statements of the Company.

SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

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

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

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

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

In addition to the foregoing, the Companies Act, 2017 which is not effective on these financial statements, has added certain disclosure requirements which will be applicable in future.

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2017.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

Judgements and estimates made by the management in the preparation of this unconsolidated condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2017.

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, 2017.



SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

(Unaudited)
December 31,
2017
(Rupees in '000)

(Audited)
June 30,
2017

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	1,164,472	1,033,870
Capital work-in-progress - at cost	246,476	201,770
	<u>1,410,948</u>	<u>1,235,640</u>

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)	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----			
Building on leasehold land	36,548	6,887	-	-
Plant and machinery	128,915	53,208	-	(55)
Furniture and fixtures	1,001	85	-	-
Vehicles	16,560	1,867	(4,376)	(5,385)
Office equipment	7,369	14,439	(4)	(294)
	<u>190,393</u>	<u>76,486</u>	<u>(4,380)</u>	<u>(5,734)</u>

(Unaudited)
December 31,
2017
(Rupees in '000)

(Audited)
June 30,
2017

6. LONG-TERM INVESTMENTS - SUBSIDIARIES

Subsidiary companies - at cost - note 6.1	<u>1,686,186</u>	<u>1,486,186</u>
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6.1 Subsidiary companies

Note	(Unaudited) December 31, 2017		(Audited) June 30, 2017	
	Equity % held (Rupees '000)	Investment at cost (Rupees '000)	Equity % held (Rupees '000)	Investment at cost (Rupees '000)
Listed security				
IBL HealthCare Limited 40,126,241 (June 30, 2017: 36,478,401)				
Ordinary shares of Rs. 10 each	6.1.1	74.19%	74.19%	1,300,911
Market price as at December 31, & 2017: Rs. 86 (June 30, 2017: Rs. 122) per share	6.1.2			
		<u>1,300,911</u>		<u>1,300,911</u>

SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	(Unaudited) December 31, 2017		(Audited) June 30, 2017	
	Equity % held	Investment at cost	Equity % held	Investment at cost
	(Rupees '000)		(Rupees '000)	
Unlisted securities				
Searle Pharmaceuticals (Private) Limited				
40,000 (June 30, 2017: 40,000)				
Ordinary shares of Rs. 10 each	100%	400	100%	400
Break up value as at December 31, 2017: Rs. 19.14 (June 30, 2017: Rs. 27.73) per share				
Searle Laboratories (Private) Limited				
12,500,000 (June 30, 2017: 12,500,000)				
Ordinary shares of Rs. 10 each	100%	125,000	100%	125,000
Break up value as at December 31, 2017: Rs. 4.59 (June 30, 2017: Rs. 5.61) per share				
Searle Biosciences (Private) Limited				
(Formerly: Unisys Pakistan (Private) Limited 1,000,000 (June 30, 2017: 1,000,000)				
Ordinary shares of Rs. 10 each	100%	10,000	100%	10,000
Break up value as at December 31, 2017: Rs. 38.09 (June 30, 2017: Rs. 13.73) per share				
IBL Identity (Private) Limited				
9,500,000 (June 30, 2017: 9,500,000)				
Ordinary shares of Rs. 10 each	100%	49,875	100%	49,875
Break up value as at December 31, 2017: Rs. Nil (June 30, 2017: Rs. Nil) per share				
IBL Future Technologies (Private) Limited				
20,000,000 (June 30, 2017: Nil)				
Ordinary shares of Rs. 10 each	100%	200,000	-	-
Break up value as at December 31, 2017: Rs. 10 (June 30, 2017: Rs. Nil) per share				
		<u>1,686,186</u>		<u>1,486,186</u>

6.1.1 During the current period, IBL HealthCare Limited announced issue of bonus shares in proportion of 10 share for every 100 share held (the Company was entitled to 3,647,840 shares).

6.1.2 Shares held as at December 31, 2017 include 1,117,378 shares (June 30, 2017: 853,869 shares) of IBL HealthCare Limited withheld at the time of bonus declaration. The Company has included these shares in its portfolio pending decisions of the Honourable High Court of Sindh on petitions filed by Company in respect of tax on bonus shares.



SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
7. TRADE DEBTS		
Considered good		
- Export debtors, secured	295,778	135,850
- Due from related parties, unsecured - note 7.1	2,074,009	2,356,033
- Others, unsecured	388,110	485,730
	<u>2,757,897</u>	<u>2,977,613</u>
Considered doubtful - others	165,430	165,430
Less: Provision for doubtful debts	(165,430)	(165,430)
	<u>-</u>	<u>-</u>
	<u>2,757,897</u>	<u>2,977,613</u>

7.1 The receivable is stated net of amount payable to IBL Operations (Private) Limited and United Brands Limited - associated companies amounting to Rs. 164.22 million (June 30, 2017: Rs. 29.47 million) and Rs. Nil (June 30, 2017: Rs. 3.07 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. 2,476.03 million as at December 31, 2017 (June 30, 2017: Rs. 1,758.90 million).

8.2 This also includes advance to Searle Biosciences (Private) Limited - wholly owned subsidiary amounting to Rs 975.58 million (June 30, 2017: Rs. 265.30 million).

SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
9. OTHER RECEIVABLES		
Receivables from related parties		
Due from subsidiary companies:		
- Searle Pharmaceuticals (Private) Limited - note 9.1	722,173	263,000
- Searle Laboratories (Private) Limited	253	253
- Searle Biosciences (Private) Limited - note 9.1	198,151	53,409
	<u>920,577</u>	<u>316,662</u>
Due from associated companies:		
- IBL Operations (Private) Limited	22,500	26,642
- International Franchises (Private) Limited	3,222	3,422
- International Brands Limited	-	89,789
	<u>25,722</u>	<u>119,853</u>
Due from other related party:		
- Habitt	58,063	28,023
Surplus arising under retirement benefit fund	5,250	5,250
Receivables from other than related parties		
Others, considered good	60,583	55,371
	<u>1,070,195</u>	<u>525,159</u>

9.1 This represent dividends receivable from wholly owned subsidiary companies.

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
10. CASH AND BANK BALANCES		
Cash in hand	6,674	2,267
Balances with banks in:		
- savings account	10	10
- current accounts	174,909	89,876
	<u>181,593</u>	<u>92,153</u>



SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

11. SHARE CAPITAL

Authorised share capital			(Unaudited)	(Audited)
(Unaudited)	(Audited)		December 31,	June 30,
2017	2017		2017	2017
(Number of shares)			(Rupees in '000)	
<u>300,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>3,000,000</u>	<u>2,000,000</u>

Issued, subscribed and paid up capital

(Unaudited)	(Audited)		(Unaudited)	(Audited)
December 31,	June 30,		December 31,	June 30,
2017	2017		2017	2017
(Number of shares)			(Rupees in '000)	
12,553,074	12,553,074	Shares allotted for consideration paid in cash	125,531	125,531
24,000	24,000	Shares allotted for consideration other than cash	240	240
172,140,532	141,354,264	Shares allotted as bonus shares	1,721,406	1,413,543
<u>184,717,606</u>	<u>153,931,338</u>		<u>1,847,177</u>	<u>1,539,314</u>

11.1 During the period, the company increased its authorised share capital for ordinary shares from Rs. 2 billion to Rs. 3 billion in its annual general meeting held on October 27, 2017.

11.2 Movement in issued, subscribed and paid-up share capital

(Unaudited)	(Audited)		(Unaudited)	(Audited)
December 31,	June 30,		December 31,	June 30,
2017	2017		2017	2017
(Number of shares)			(Rupees in '000)	
153,931,338	122,752,264	Opening shares outstanding	1,539,314	1,227,523
30,786,268	31,179,074	Share allotted as bonus shares	307,863	311,791
<u>184,717,606</u>	<u>153,931,338</u>		<u>1,847,177</u>	<u>1,539,314</u>

SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
12. TRADE AND OTHER PAYABLES		
Creditors - note 12.1	1,079,724	529,284
Bills payable in foreign currency	128,252	217,156
Accrued liabilities	1,030,862	634,453
Advance from customers	59,980	73,462
Taxes deducted at source and payable to statutory authorities	100,706	36,094
Unclaimed dividend	120,014	53,348
Workers' Profit Participation Fund	266,762	160,139
Workers' Welfare Fund	14,860	25,082
Other liabilities	50,701	45,179
	<u>2,851,861</u>	<u>1,774,197</u>

- 12.1 This includes amount payable to Searle Pharmaceutical (Private) Limited - wholly owned subsidiary amounting to Rs. 797.62 million (June 30, 2017: Rs. 298.01 million) on account of contract manufacturing services.

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
13. SHORT TERM BORROWINGS		
Loans from banks, secured:		
- Running finance under mark-up arrangements - note 13.1	1,511,222	1,144,828
- Export re-finance	75,000	64,000
	<u>1,586,222</u>	<u>1,208,828</u>
Loan from related party:		
- Loan from subsidiary - note 13.2	200,000	-
	<u>1,786,222</u>	<u>1,208,828</u>

- 13.1 The facilities available from various banks amount to Rs. 1,625 million (June 30, 2017: Rs. 1,445 million). The mark-up on running finances ranges between 6.64% to 8.03% (June 30, 2017: 6.54% to 8.1%) per annum. Further, markup over export refinance facility is 4% (June 30, 2017: 4%).

The running finance under mark-up arrangements are secured jointly by registered mortgage over immovable property together with joint pari passu charge on all current assets of the Company.

- 13.2 This represents interest free loan obtained from IBL Future Technologies (Private) Limited - wholly owned subsidiary.



SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 There has been no significant change in the status of contingencies as reported in the note 24 and 32.3 of annual audited financial statements of the Company for the year ended June 30, 2017.

14.2 Commitments

14.2.1 The facility for opening letters of credit and guarantees as at December 31, 2017 amounted to Rs. 1,365 million (June 30, 2017: Rs. 1,644 million) of which the amount remaining unutilised as at the period end amounted to Rs. 683.492 million (June 30, 2017: Rs. 1,152 million).

14.2.2 Future rentals payable against operating lease arrangements

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

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

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
Not later than one year	15,936	15,072
Later than one year but not later than five years	87,542	86,506
Later than five years	124,732	133,953
	<u>228,210</u>	<u>235,531</u>

SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	December 31, 2017	December 31, 2016
	(Rupees in '000)	
15. REVENUE		
Gross sales		
Local sales - note 15.1	5,804,919	5,005,355
Export sales	740,779	483,808
	<u>6,545,698</u>	<u>5,489,163</u>
Toll manufacturing	170,507	149,218
	<u>6,716,205</u>	<u>5,638,381</u>
Sales tax	(64,433)	(57,545)
	<u>6,651,772</u>	<u>5,580,836</u>
Less:		
Discounts, rebates and allowances	255,649	204,833
Sales returns	145,710	39,247
	<u>401,359</u>	<u>244,080</u>
	<u><u>6,250,413</u></u>	<u><u>5,336,756</u></u>

- 15.1 In respect of pricing of pharmaceutical products, the Company has instituted legal proceedings against the Drug Regulatory Authority of Pakistan relating to the upward revision of the maximum retail prices of certain products. These legal proceedings are presently pending before the High Court of Sindh and the Court has issued orders that no adverse action shall be taken against the Company until disposal of the matters. Based upon legal advice rendered, the Company expect of a favourable outcome in these legal proceedings.

16. COST OF SALES

This includes inventory written-off during the period amounting to Rs. 0.2 million (December 31, 2016: Rs. 11.3 million)



SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

December 31, 2017 December 31, 2016
(Rupees in '000)

17. OTHER INCOME

Income from financial assets - related parties Dividend income - subsidiary companies

- IBL HealthCare Limited	35,625	31,181
- Searle Pharmaceuticals (Private) Limited	1,350,173	936,700
- Searle Biosciences (Private) Limited	208,600	154,000
	<u>1,594,398</u>	<u>1,121,881</u>

Income from non - financial assets

Gain on disposal of property, plant and equipment	4,916	572
Insurance claim recovery	-	18,874
Rental income from investment properties	38,494	50,680
Others	8,289	4,964
	<u>51,699</u>	<u>75,090</u>
	<u>1,646,097</u>	<u>1,196,971</u>

December 31, 2017 December 31, 2016
(Rupees in '000)

18. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	<u>1,806,454</u>	<u>1,485,867</u>
Weighted average number of outstanding shares at the end of the period (in thousand) - Restated	<u>184,718</u>	<u>184,718</u>
Basic and diluted earnings per share (Rupees) - Restated	<u>9.78</u>	<u>8.04</u>

SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	December 31, 2017	December 31, 2016
	(Rupees in '000)	
19. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,904,688	1,643,866
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	80,438	62,601
Gain on disposal of property, plant and equipment	(4,916)	(572)
Amortisation	18,828	9,237
Provision for retirement benefits obligation	2,700	2,100
Finance cost	78,157	82,624
Profit before working capital changes	<u>2,079,895</u>	<u>1,799,856</u>
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(11,407)	(9)
Stock-in-trade	(547,315)	91,616
Trade debts	219,716	(145,272)
Loans and advances	(1,390,763)	(300,071)
Trade deposits and short-term prepayments	(44,936)	(15)
Other receivables	(545,036)	(473,533)
Increase / (decrease) in current liabilities	<u>(2,319,741)</u>	<u>(827,284)</u>
Trade and other payables	1,004,368	297,590
Sales tax payables	2,191	5,347
	<u>1,006,559</u>	<u>302,937</u>
Cash generated from operations	<u>766,713</u>	<u>1,275,509</u>
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 10	181,593	64,327
Short term running finances - note 13	(1,511,222)	(818,686)
	<u>(1,329,629)</u>	<u>(754,359)</u>



SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

21. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

	Pharmaceutical		Consumer		Total	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in '000)					
Segment revenue	5,483,032	4,747,173	767,381	589,583	6,250,413	5,336,756
Segment result	390,483	558,498	54,650	69,363	445,133	627,861
Unallocated income and expenses						
Other expenses					(108,385)	(98,342)
Other income					1,646,097	1,196,971
Finance cost					(78,157)	(82,624)
Profit before taxation					1,904,688	1,643,866
Income tax expense					(98,234)	(157,999)
Total comprehensive income					1,806,454	1,485,867

	Pharmaceutical		Consumer		Total	
	December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017
	(Rupees in '000)					
Segment assets and liabilities						
Segment assets	392,830	294,899	3,126	3,126	395,956	298,025
Unallocated assets					15,590,784	13,547,750
Total assets					15,986,740	13,845,775
Unallocated liabilities					5,043,379	3,477,417
Total liabilities					5,043,379	3,477,417

SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

22. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	December 31, 2017	December 31, 2016
		(Rupees in '000)	
Holding company	- Corporate service charges	84,000	36,000
Subsidiaries	- Revenue	182,925	190,985
	- Purchase of consumables	-	25,496
	- Outside processing charges	1,717,268	1,214,932
	- Dividend income	1,594,398	1,121,881
	- Short term loan given	717,126	-
	- Short term loan obtained	200,000	-
	- Advance given	710,276	43,280
Associated companies	- Revenue	5,211,623	4,585,937
	- Salaries and wages	547	4,747
	- Purchases	2,008	4,885
	- Carriage and duties	19,716	12,011
	- Discounts claimed	197,079	187,757
	- Rent expense	2,678	6,310
	- Rent income	24,168	23,610
	- Income from provision of amenities	16,135	17,436
	- Stock claims	91,544	97,972
	- Internet services	2,557	2,541
	- Architect fee	1,568	2,563
	- Payment under group tax relief	-	1,558
	- Royalty expense claimed	-	7,119
	- Purchase of ERP software	1,059	4,500
- Purchase of computer hardware	-	5,706	
- Donation	15,000	10,000	
- Incentives to field force staff	3,225	2,837	
- Others	549	813	
Staff retirement benefits	- Contributions to Provident Fund	19,459	18,525
	- Benefits paid	26,011	15,523
Key management employees compensation	- Salaries and other employee benefits	184,627	167,106
	- Contributions to Provident Fund	1,532	1,614
	- Directors' fees	8	16
	- Sale of goods	57	36
	- Sale of vehicles	-	1,592

22.1 The status of outstanding balances with related parties as at December 31, 2017 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.



SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

23. CORRESPONDING FIGURES

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

24. SUBSEQUENT EVENTS

The Board of Directors of the Company in its meeting held on has approved the following appropriation:

	December 31, 2017	December 31, 2016
	(Rupees in '000)	
- Issue of bonus shares for every shares (December 31, 2016: 10 shares for every 100 shares) held	-	139,938
- Cash dividend - Rs. – (December 31, 2016: Rs.2) per share of Rs. 10 each	-	279,875

25. DATE OF AUTHORISATION FOR ISSUE

This unconsolidated condensed interim financial information was approved and authorised for issue by the Board of Directors of the Company on February 26, 2018.

CONSOLIDATED FINANCIAL STATEMENTS

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DIRECTORS' REPORT TO THE MEMBERS

We are pleased to present the consolidated interim financial information of the holding company for the half year ended December 31, 2017. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting' and the provisions of the directives issued under Companies Act 2017 (repealed Companies Ordinance, 1984).

OPERATING RESULTS

	December 31,	
	2017	2016
	(Rupees in thousand)	
Revenue	7,883,351	6,599,340
Cost of sales	(3,467,675)	(2,993,525)
Gross Profit	4,415,676	3,605,815
Operating expenses	(2,297,564)	(1,836,881)
Other operating expenses	(108,385)	(123,153)
Other income	71,188	92,769
Profit from operations	2,080,915	1,738,550
Finance cost	(83,281)	(84,188)
Profit before tax	1,997,634	1,654,362
Income tax expense	(277,724)	(286,953)
Profit after taxation	1,719,910	1,367,409

We believe success is a product of relentless efforts and opportunities just don't arise randomly but are created through strong committed endeavors. In lieu of this philosophy we are continuously on the verge of optimizing the value of our portfolio and increasing our overall commitment to ensure long-term value creation for our shareholders.

We have built a firm growing position by putting the benefit of patients and stakeholders our fundamental priority and we are proud of the impact our efforts are having.

Though our conventional business scaled new heights, the consolidated results were diluted after incorporating the financial results of the pre-mature portfolio of our textile business.

Financial highlights are summarized below:

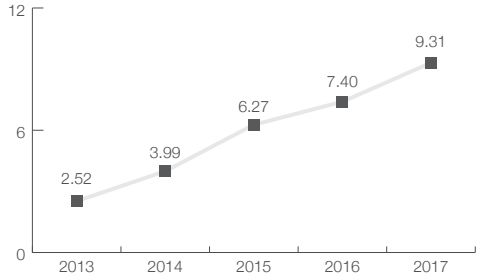
- Net sales of the holding Company grew by 19.45% to Rs 7.88 billion.
- Gross profit margin was 56%.
- Operating profit margin was 26.4%
- Profit before and after taxation was 25.3% and 21.8% respectively.

DIRECTORS' REPORT TO THE MEMBERS

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 9.31 (2016: Rs. 7.40).

There is no dilution effect on the basic earnings per share of the holding Company, as the holding Company has no convertible dilutive potential ordinary shares outstanding as at December 31, 2017.



FUTURE OUTLOOK

In order to enhance long-term shareholder value and to drive future growth and profitability, Searle group has embarked on multiple initiatives both locally & globally. We are strengthening with every passing day and are on our way to attain leadership position in key markets and business segments.

In Pakistan market, the therapeutic areas which Searle group has over the years strengthened include cardiovascular, cold & cough, diabetes, infant formula, pro-biotic and antibiotics. Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products.

By acquisition of the state of art facility of Nextar Pharma (Private) Limited, we anticipate overall profitability to improve substantially as our biosciences venture is now at the verge of delivering strong results. Further, Searle has also submitted Drug Master File (DMF) to USFDA and received acknowledgment in this regard. This approval will open new avenues of success for domestic and global markets. To address therapeutic areas of Oncology, Virology and Blood related diseases; we have signed agreements with some of the leading Bio-Similar companies of the developed world, which will expedite the progress of our biosciences venture in Pakistan.

For the longer run, Searle group is focusing on emerging portfolios including, stem cells, bio-engineering, medical devices, nutraceuticals and genome sciences. Recently, we have signed exclusive agreement with the only genome research center in Pakistan, established by Prof. Atta-ur-Rehman. This center, known as Jamil-ur-Rehman Center for Genome Research, is part of the International Center for Chemical and Biological Sciences, University of Karachi.

In order to increase our presence in the growing international market, Searle is in the phase of collaboration with a Belgium based entity to enhance long term value for our stakeholders. Searle's shareholding in the said venture is 12% amounting to 120,000 Euros.

In lieu with our policy of keeping pace with the technological advancement, we have successfully implemented the most robust enterprise resource planning system SAP.



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

For and on behalf of the board

Syed Nadeem Ahmed
Chief Executive Officer

Karachi
February 26, 2018

اظہارِ تشکر

سرل گروپ میں ہم سب جذباتی طور پر ملحوظ و متحرک ہیں اور مستقل بنیاد پر پُر عزم شراکت کر رہے ہیں۔ یہی شیوہ ہمارے شراکت کار، سپلائرز اور صارفین کا ہے، جس کیلئے ہم ان کے شکرگزار ہیں اور توقع کرتے ہیں کہ اسی لگن کے ساتھ وہ مستقبل میں بھی شریک کار رہیں گے۔ ہم یقین دہانی کراتے ہیں کہ سرل اپنی کوششیں جاری رکھے گی اور ہم سے منسلک تمام شراکت کاروں کے لئے طویل المدتی ترقی فراہم کرے گی۔

بحکم بورڈ



سید ندیم احمد

چیف ایگزیکٹو آفیسر

کراچی

26 فروری 2018



پاکستانی مارکیٹ میں وہ بنیادی علاج معالجے کے شعبے، جن میں سرل گروپ گزشتہ سالوں کے دوران مستحکم ہوا ہے، کارڈیوویسکولر، کولڈ وکف، ذیابیطیس، شیرخوار بچوں کا فارمولا، پرو بائیونک اور اہٹی بائیونک شامل ہیں۔ مستقبل میں ہم اسپیشلسٹی جنیرک برانڈڈ پورٹ فولیو میں اپنا حصہ بڑھانے اور منفرد مصنوعات کی طرف اپنی توجہ مرکوز کئے ہوئے ہیں۔

نیکسٹر فارما پرائیوٹ لمیٹڈ کی جدید ترین فیسیلیٹی کے حصول کے ذریعے ہمیں توقع ہے کہ مجموعی منافع جات میں کثیر اضافہ ہوگا۔ مزید برآں ہمارا بائیو سائنسز وینچر مستحکم نتائج دینے کے لئے تیار ہے۔ مزید برآں سرل نے یو ایس ایف ڈی اے (USFDA) کو ڈرگ ماسٹر فائل (DMF) بھی جمع کرا دی ہے اور اس سلسلے میں ایکٹائیو موصول ہو گئی ہے۔ یہ منظوری مقامی اور عالمی مارکیٹوں کیلئے کامیابی کے نئے دروازے کھول دے گی۔ آنکالوجی، وائرولوجی اور خون سے متعلق امراض کے علاج و معالجے کے شعبوں سے نمٹنے کیلئے ہم نے ترقی یافتہ دنیا کی چند معروف بائیو سیمیلر کمپنیوں کے ساتھ معاہدے کئے ہیں جو پاکستان میں ہمارے بائیو سائنسز وینچر کی پیش رفت کو مزید تیز کریں گے۔

مستقل بعید کیلئے سرل گروپ ابھرتے ہوئے پورٹ فولیوز بشمول اسٹیم سیلز، بائیو انجینئرنگ، میڈیکل ڈیوائسز، نیوٹرا سیوٹیکلز اور جینوم سائنسز پر توجہ دے رہی ہے۔ حال ہی میں ہم نے ڈاکٹر عطاء الرحمن کی جانب سے پاکستان میں قائم شدہ واحد جینوم ریسرچ سینٹر، بنام جمیل الرحمن سینٹر برائے جینوم ریسرچ پارٹ آف انٹرنیشنل سینٹر برائے کیمیکل اینڈ بائیولوجیکل سائنسز، جامع کراچی کے ساتھ خصوصی معاہدے پر دستخط کئے ہیں۔

بین الاقوامی مارکیٹ میں اپنی موجودگی کو بڑھانے کے لئے سرل بیلیجیم کی ایک کمپنی کے ساتھ اشتراک کے مرحلے میں ہے تاکہ شیئر ہولڈرز کی طویل المدتی مالیت کو بڑھایا جاسکے۔ اس وینچر میں سرل کی شیئر ہولڈنگ 12 فیصد ہے جس کی مالیت 120,000 یورو ہے۔

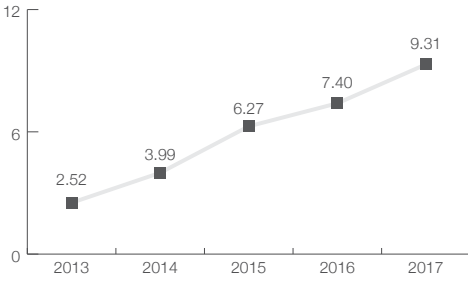
ٹیکنولوجیکل جدت کو پیش نظر رکھنے کی ہماری پالیسی کے تحت ہم نے کامیابی سے مضبوط انٹرپرائز ریپورس پلاننگ سسٹم SAP لاگو کر لیا ہے۔

اگرچہ ہمارے روایتی کاروبار نے نئی بلندیوں کو چھولیا لیکن مجموعی مالیاتی نتائج ہمارے ٹیکسٹائل شعبے کے پری میوچر پورٹ فولیو کے مالیاتی حسابات شامل کرنے کی وجہ سے پستی کا شکار رہے۔

مالیاتی جھلکیاں درج ذیل ہیں:

- ہولڈنگ کمپنی کی سیلز میں 19.45 فیصد کا اضافہ ہوا اور ہولڈنگ کمپنی کی سیلز 7.88 بلین رہیں۔
- مجموعی منافع کی شرح 56 فیصد رہی۔
- آپریٹنگ منافع جات کی شرح 26.4 فیصد رہی۔
- منافع قبل از ٹیکس اور بعد از ٹیکس کی شرح 25.3 اور 21.8 فیصد بالترتیب رہی۔

آمدنی فی شیئر



بنیادی آمدنی فی شیئر بعد از ٹیکس 9.31 روپے تھی (7.40 روپے: 2016)۔

ہولڈنگ کمپنی کی بنیادی آمدنی فی حصص پر ڈائلیوشن کا کوئی اثر نہیں پڑا کیونکہ کمپنی کے 31 دسمبر 2017 کو کوئی کنورٹبل ڈائیلیٹیو پوٹینشل آرڈینری شیئرز باقی نہیں تھے۔

مستقبل پر ایک نظر

طویل المدتی شیئر ہولڈرز ویلیو میں اضافے اور مستقبل کی ترقی اور منافع جات کی غرض سے سرل گروپ مقامی اور عالمی دونوں سطح پر کثیر اقدامات انجام دے رہا ہے۔ ہم گزرتے ہوئے ہر دن کے ساتھ مضبوط ہو رہے ہیں اور اہم مارکیٹوں اور کاروباری شعبوں میں سرکردہ پوزیشن کے حصول کی طرف گامزن ہیں۔



ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ہم آپ کے گروپ کے 31 دسمبر 2017 کو ختم ہونے والی ششماہی مدت کے مجموعی مالیاتی حسابات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ یہ مالیاتی حسابات انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ 'Interim Financial Reporting' - (IAS-34) اور کمپنیز ایکٹ 2017 (متروک کمپنیز آرڈیننس 1984) کے تحت جاری کردہ ہدایات کے مطابق تیار کئے گئے ہیں۔

31 دسمبر (روپے ہزاروں میں)		آپریٹنگ نتائج
2016	2017	
6,599,340	7,883,351	آمدنی
(2,993,525)	(3,467,675)	فروخت کے اخراجات
3,605,815	4,415,676	مجموعی آمدنی
(1,836,881)	(2,297,564)	آپریٹنگ اخراجات
(123,153)	(108,385)	دیگر آپریٹنگ اخراجات
92,769	71,188	دیگر آمدنی
1,738,550	2,080,915	آپریٹنگ سے آمدنی
(84,188)	(83,281)	فنانس کی لاگت
1,654,362	1,997,634	آمدنی قبل از ٹیکس
(286,953)	(277,724)	ٹیکسیشن
1,367,409	1,719,910	آمدنی بعد از ٹیکس

ہم اس امر پر یقین رکھتے ہیں کہ کامیابی انتھک جدوجہد سے حاصل ہوتی ہے اور مواقع محض اچانک نمودار نہیں ہوتے بلکہ مستحکم عزم و ہمت اور کوششوں کے ذریعے حاصل ہوتے ہیں۔ اس فلسفے پر عمل کرتے ہوئے ہم مستقل طور پر اپنے پورٹ فولیو اور اپنی مجموعی ذمہ داریوں کو بڑھا رہے ہیں تاکہ اپنے شیئر ہولڈرز کے لئے طویل المدتی ترقی کو یقینی بنا سکیں۔

مریضوں اور شیئر ہولڈرز کے مفادات کو اپنی بنیادی ترجیح بناتے ہوئے ہم نے ایک مستحکم اور مستند پوزیشن حاصل کر لی ہے اور ہم اپنی کوششوں سے حاصل ہونے والے اثرات پر فخر کرتے ہیں۔

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

As at December 31, 2017

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,558,219	2,254,788
Investment properties		2,573,232	2,584,202
Intangibles		380,535	397,709
Deferred taxation		-	1,894
Long-term loans and advances	6	1,324,690	1,015,379
Long-term deposits		12,879	5,026
		6,849,555	6,258,998
Current assets			
Stores and spares		13,249	1,842
Stock-in-trade		2,265,003	1,508,401
Trade debts	7	3,948,457	3,609,434
Loans and advances	8	1,084,982	705,694
Trade deposits and short-term prepayments		147,884	82,297
Interest accrued		6,316	6,743
Other receivables	9	304,195	378,595
Investments - at fair value through profit or loss	10	66,376	160,884
Tax refunds due from government - Sales tax		11,456	16,490
Taxation - payments less provision		599,492	679,131
Cash and bank balances	11	167,072	157,375
		8,614,482	7,306,886
Total assets		15,464,037	13,565,884
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	12	1,847,177	1,539,314
Reserves		7,505,340	7,335,404
Attributable to owners of The Searle Company Limited - Holding Company		9,352,517	8,874,718
Non-controlling interests		414,634	416,935
		9,767,151	9,291,653
Surplus on revaluation of fixed assets		498,426	499,011
LIABILITIES			
Non-current liabilities			
Long term financing		111,807	239,033
Deferred taxation		5,042	-
Retirement benefit obligations		48,315	47,032
		165,164	286,065
Current liabilities			
Trade and other payables	13	3,208,237	2,049,574
Accrued mark-up		24,546	16,467
Short term borrowings	14	1,586,227	1,208,828
Current portion of long term financing		214,286	214,286
		5,033,296	3,489,155
Total liabilities		5,198,460	3,775,220
Contingencies and commitments	15		
Total equity and liabilities		15,464,037	13,565,884

The annexed notes from 1 to 26 form an integral part of this consolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer



CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the half year ended December 31, 2017 - UNAUDITED

	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Rupees in '000)			
Revenue	16	3,891,678	3,230,597	7,883,351	6,599,340
Cost of sales	17	(1,446,656)	(1,424,247)	(3,467,675)	(2,993,525)
Gross profit		2,445,022	1,806,350	4,415,676	3,605,815
Distribution cost		(906,752)	(792,941)	(1,664,032)	(1,484,177)
Administrative expenses		(402,004)	(200,427)	(633,532)	(352,704)
Other operating expenses		(59,511)	(53,583)	(108,385)	(123,153)
Other income	18	32,669	37,196	71,188	92,769
Profit from operations		1,109,424	796,595	2,080,915	1,738,550
Finance cost		(46,066)	(57,820)	(83,281)	(84,188)
Profit before taxation		1,063,358	738,775	1,997,634	1,654,362
Taxation		(145,568)	(140,977)	(277,724)	(286,953)
Profit after taxation		917,790	597,798	1,719,910	1,367,409
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		917,790	597,798	1,719,910	1,367,409
Total comprehensive income is attributable to:					
Owners of the The Searle Company Limited - Holding Company		915,251	588,328	1,708,665	1,348,221
Non-controlling interests		2,539	9,470	11,245	19,188
		917,790	597,798	1,719,910	1,367,409
Basic and diluted earnings per share (Rupees)	19	4.97	(Restated) 3.24	9.31	(Restated) 7.40

The annexed notes from 1 to 26 form an integral part of this consolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT

For the half year ended December 31, 2017 - UNAUDITED

	Note	December 31, 2017	December 31, 2016
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	20	1,803,858	1,410,412
Retirement benefit obligations paid		(1,417)	(511)
Finance cost paid		(68,572)	(44,370)
Income tax paid		(191,149)	(119,641)
Interest income received		10,902	7,258
Increase in long-term deposits		(7,853)	-
Increase in long-term loans		(309,311)	(441,469)
Net cash generated from operating activities		1,236,458	811,679
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(382,197)	(243,372)
Sale proceeds on disposal of property, plant and equipment		9,296	6,306
Payments for investment properties		(14,056)	(1,534)
Purchase of intangibles		(1,988)	(121,500)
Additions to investments - at fair value through profit or loss		(120,082)	(169,000)
Proceeds from redemption of investments - at fair value through profit or loss		215,705	129,830
Dividend income received		6	-
Net cash generated from / (used in) investing activities		(293,316)	(399,270)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,183,618)	(590,195)
Long-term finance paid		(127,226)	(108,625)
Loan from related party		5	-
Proceeds from export refinance		11,000	-
Net cash used in financing activities		(1,299,839)	(698,820)
Net decrease in cash and cash equivalents		(356,697)	(286,411)
Cash and cash equivalents at beginning of the period		(987,453)	(339,576)
Cash and cash equivalents at end of the period	21	(1,344,150)	(625,987)
		<u>(1,344,150)</u>	<u>(625,987)</u>

The annexed notes from 1 to 26 form an integral part of this consolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer



CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended December 31, 2017 - UNAUDITED

	Share capital	Capital reserves Share premium account	Issue of bonus shares	Revenue reserves General reserve	Unappropriated profits	Sub-Total reserves	Non-Controlling interest	Total
(Rupees in '000)								
Balance as at July 01, 2016	1,227,523	1,630,974	-	280,251	4,243,292	6,154,517	395,203	7,777,243
Total comprehensive income for the period	-	-	-	-	1,348,221	1,348,221	19,188	1,367,409
Transactions with owners								
Transfer to reserve for issue of bonus shares	-	-	171,853	-	(171,853)	-	-	-
Bonus shares issued during the period in the ratio of 14 shares for every 100 shares held	171,853	-	(171,853)	-	-	(171,853)	-	-
Final dividend for the year ended June 30, 2016 @ Rs. 5 per share	-	-	-	-	(613,761)	(613,761)	-	(613,761)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	(11,576)	(11,576)
	171,853	-	-	-	(785,614)	(785,614)	(11,576)	(625,337)
Balance as at December 31, 2016	<u>1,399,376</u>	<u>1,630,974</u>	<u>-</u>	<u>280,251</u>	<u>4,805,899</u>	<u>6,717,124</u>	<u>402,815</u>	<u>8,519,315</u>
Balance as at July 01, 2017	1,539,314	1,630,974	-	280,251	5,424,179	7,335,404	416,935	9,291,653
Total comprehensive income for the period	-	-	-	-	1,708,665	1,708,665	11,245	1,719,910
Transactions with owners								
Transfer to reserve for issue of bonus shares	-	-	307,863	-	(307,863)	-	-	-
Bonus shares issued during the period in the ratio of 20 shares for every 100 shares held	307,863	-	(307,863)	-	-	(307,863)	-	-
Final dividend for the year ended June 30, 2017 @ Rs. 8 per share	-	-	-	-	(1,231,451)	(1,231,451)	-	(1,231,451)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	(13,546)	(13,546)
	307,863	-	-	-	(1,539,314)	(1,539,314)	(13,546)	(1,244,997)
Transferred from surplus on revaluation of fixed assets - net of deferred taxation: - incremental depreciation for the period	-	-	-	-	585	585	-	585
Balance as at December 31, 2017	<u>1,847,177</u>	<u>1,630,974</u>	<u>-</u>	<u>280,251</u>	<u>5,594,115</u>	<u>7,505,340</u>	<u>414,634</u>	<u>9,767,151</u>

The annexed notes from 1 to 26 form an integral part of this consolidated condensed interim financial information


Chief Executive Officer


Director


Chief Financial Officer

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

1. LEGAL STATUS AND OPERATIONS

The Searle Company Limited (the Company) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Company is principally engaged in the manufacture of pharmaceutical and other consumer products. The registered office of the Company is situated at 1st Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

International Brands Limited is the holding company, which holds 56.12% shareholding in the Company.

Following are the subsidiary companies:

	Principal place of business	Effective %age of holding	
		December 31, 2017	June 30, 2017
Listed Company			
- IBL HealthCare Limited		74.19%	74.19%
Unlisted Companies			
- Searle Pharmaceuticals (Private) Limited	} Pakistan	100.00%	100.00%
- Searle Laboratories (Private) Limited		100.00%	100.00%
- Searle Biosciences (Private) Limited		100.00%	100.00%
- IBL Identity (Private) Limited		100.00%	100.00%
- IBL Future Technologies (Private) Limited		100.00%	-
- Nextar Pharma (Private) Limited		-	70.34%

Subsequent to December 31, 2017 the Company in their Board meeting held on January 2, 2018 approved an equity investment of Euro 240,000 i.e., 12% equity in proposed joint venture of IBL Group in Belgium. The total investment of IBL Group would be 50% in the proposed joint venture. The joint venture is with Belgian company, Belourthe for setting up a manufacturing unit in Belgium's Wallonia region for production of Nutraceuticals - a food that supplements diet and assists in disease prevention.

2. BASIS OF PREPARATION

As per the requirements of circular no. CLD/CCD/PR(11)/2017 dated October 4, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), where the financial year, including quarterly and other interim periods, of a company closes on or before December 31, 2017, the financial statements, including interim financial statements shall be prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

Accordingly, this consolidated condensed interim financial information of the Company for the period ended December 31, 2017 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of or directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed. This consolidated condensed interim financial information is being presented and submitted to the



SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

shareholders as required by Listing Regulations of Pakistan Stock Exchange and under Section 245 of the repealed Companies Ordinance, 1984.

This consolidated condensed interim financial information does not include all information and disclosures required in the financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended June 30, 2017.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IAS 7, 'Statement of cash flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2017 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018 that may have an impact on the financial statements of the Company.

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

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

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

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

In addition to the foregoing, the Companies Act, 2017 which is not effective on these financial statements, has added certain disclosure requirements which will be applicable in future.

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the annual audited consolidated financial statements for the year ended June 30, 2017.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

Judgements and estimates made by the management in the preparation of this consolidated condensed interim financial information are the same as those that were applied to the annual audited consolidated financial statements as at and for the year ended June 30, 2017.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended June 30, 2017.

5. PROPERTY, PLANT AND EQUIPMENT

(Unaudited) December 31, 2017	(Audited) June 30, 2017
-------------------------------------	-------------------------------

(Rupees in '000)

Operating assets - note 5.1	1,714,933	1,433,281
Capital work-in-progress - at cost	<u>843,286</u>	<u>821,507</u>
	<u>2,558,219</u>	<u>2,254,788</u>



SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

- 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)	
	December 31, 2017	December 31, 2016 (Rupees in '000)	December 31, 2017	December 31, 2016
Leasehold land	142,937	70,000	-	-
Leasehold improvements	-	75,963	-	-
Building on leasehold land	36,548	6,887	-	-
Plant and machinery	133,091	86,032	-	(55)
Furniture & fittings	4,199	3,800	-	-
Vehicles	16,560	1,903	(4,376)	(5,385)
Office equipment	27,083	25,919	(4)	(294)
	360,418	270,504	(4,380)	(5,734)

(Unaudited) (Audited)
December 31, June 30,
2017 2017
(Rupees in '000)

6. LONG TERM LOANS AND ADVANCES - unsecured

Loans - considered good		
- Ultimate Parent Company - note 6.1	62,750	75,076
Less: current portion of long term loan	(24,234)	(22,972)
	38,516	52,104
- Other Related parties - note 6.2	1,286,000	963,000
- Employees - note	1,731	2,103
Less: current portion employee loan	(1,557)	(1,828)
	174	275
	1,324,690	1,015,379

- 6.1 This represents loan to International Brands Limited. The tenure of this loan is 5 years with a grace period of 1 year payable in equal semi-annual installments. The rate of mark-up is 12 months KIBOR+1%. The said loan was approved in the extra ordinary general meeting of IBL HealthCare Limited held on January 14, 2015 as per the requirements of section 208 of the Companies Ordinance, 1984.
- 6.2 IBLIPL has provided financing to an associate Habitt (a sole proprietorship) for establishment of outlets at Dolmen Mall Clifton, Lucky One mall, Karachi and Packages mall, Lahore under musharika agreement. The repayment will start after 3 years from the date of disbursement. According to the terms of the agreement, 25% profitability of the arrangement will be shared with the Group.

This also includes advance provided to IBL Frontier Markets (Private) Limited - an associate undertaking of the group.

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
7. TRADE DEBTS		
Considered good		
- Export debtors, secured	295,778	135,850
- Due from related parties, unsecured - note 7.1	2,684,317	2,356,033
- Others, unsecured	968,362	485,730
	<u>3,948,457</u>	<u>2,977,613</u>
Considered doubtful - others	165,430	165,430
Less: Provision for doubtful debts	<u>(165,430)</u>	<u>(165,430)</u>
	<u>-</u>	<u>-</u>
	<u>3,948,457</u>	<u>2,977,613</u>

- 7.1 The receivable is stated net of amount payable to IBL Operations (Private) Limited and United Brands Limited - associated companies amounting to Rs. 164.22 million (June 30, 2017: Rs. 29.47 million) and Rs. Nil (June 30, 2017: Rs. 3.07 million) respectively.

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
8. LOANS AND ADVANCES		
Loans to International Brands Limited		
- Current portion of long term loan - note 6.1	24,234	22,972
- Short term loan - note 8.1	200,000	200,000
	<u>224,234</u>	<u>222,972</u>
- Current portion of employee loan	1,557	1,828
Advances		
- To employees	100,427	77,204
- Against imports	97,552	93,429
- Suppliers	661,212	310,261
	<u>859,191</u>	<u>480,894</u>
	<u>1,084,982</u>	<u>705,694</u>

- 8.1 This loan is repayable within 1 year and carries mark-up at the rate of 12 months KIBOR + 2% per annum. The said loan was approved in the extra ordinary general meeting of IBLHC, held on May 18, 2016 as per the requirements of section 208 of the Companies Ordinance, 1984. The loan has been further extended for a period of one year effective July 01, 2017.



SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
9. OTHER RECEIVABLES		
Receivables from related parties		
Due from associated companies:		
- IBL Operations (Private) Limited	22,500	26,642
- International Franchises (Private) Limited	3,222	3,422
- International Brands Limited	-	89,789
	25,722	119,853
Due from other related party:		
- Habitt	58,063	28,023
Surplus arising under retirement benefit fund	5,250	5,250
Receivables from other than related parties		
Others, considered good	215,160	55,371
	304,195	208,497

10. INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS

(Unaudited) December 30, 2017	(Audited) June 30, 2017		(Unaudited) December 30, 2017	(Audited) June 30, 2017
Number of units			Rupees '000	
-	291,942	Meezan Islamic Income Fund	-	15,003
-	345,910	Meezan Sovereign Fund	-	17,780
-	13,469,704	NAFA Islamic Aggressive Income Fund	-	128,101
1,290,103	-	Meezan Cash Fund	66,376	-
1,290,103	14,107,556		66,376	160,884

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
11. CASH AND BANK BALANCES		
Cheques in hand	-	1,358
Cash in hand	7,119	3,472
	7,119	4,830
Balances with banks in:		
- savings account	4,431	1,992
- current accounts	155,522	150,553
	167,072	157,375

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

12. SHARE CAPITAL

Authorised share capital			
(Unaudited)	(Audited)	(Unaudited)	(Audited)
December 31,	June 30,	December 31,	June 30,
2017	2017	2017	2017
(Number of shares)		(Rupees in '000)	
<u>300,000,000</u>	<u>200,000,000</u>	<u>3,000,000</u>	<u>2,000,000</u>

Issued, subscribed and paid up capital

(Unaudited)	(Audited)		(Unaudited)	(Audited)
December 31,	June 30,		December 31,	June 30,
2017	2017		2017	2017
(Number of shares)			(Rupees in '000)	
12,553,074	12,553,074	Shares allotted for consideration paid in cash	125,531	125,531
24,000	24,000	Shares allotted for consideration other than cash	240	240
172,140,532	141,354,264	Shares allotted as bonus shares	1,721,406	1,413,543
<u>184,717,606</u>	<u>153,931,338</u>		<u>1,847,177</u>	<u>1,539,314</u>

12.1 During the period, the company increased its authorised share capital for ordinary shares from Rs. 2 billion to Rs. 3 billion in its annual general meeting held on October 27, 2017.

12.2 Movement in issued, subscribed and paid-up share capital

(Unaudited)	(Audited)		(Unaudited)	(Audited)
December 31,	June 30,		December 31,	June 30,
2017	2017		2017	2017
(Number of shares)			(Rupees in '000)	
153,931,338	122,752,264	Opening shares outstanding	1,539,314	1,227,523
30,786,268	31,179,074	Share allotted as bonus shares	307,863	311,791
<u>184,717,606</u>	<u>153,931,338</u>		<u>1,847,177</u>	<u>1,539,314</u>



SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	(Rupees in '000)	
13. TRADE AND OTHER PAYABLES		
Creditors	1,308,616	561,863
Bills payable in foreign currency	128,252	333,245
Accrued liabilities	1,122,232	699,695
Advance from customers	59,980	82,758
Taxes deducted at source and payable to statutory authorities	102,091	44,165
Unclaimed dividend	119,474	58,095
Workers' Profit Participation Fund	266,762	160,139
Workers' Welfare Fund	14,860	34,740
Other liabilities	85,970	74,874
	<u>3,208,237</u>	<u>2,049,574</u>
14. SHORT TERM BORROWINGS		
Loans from banks, secured:		
- Running finance under mark-up arrangements - note 14.1"	1,511,222	1,144,828
- Export re-finance	75,000	64,000
	1,586,222	1,208,828
Loans from Related party, unsecured	5	-
	<u>1,586,227</u>	<u>1,208,828</u>

- 14.1** The facilities available from various banks amount to Rs. 1,625 million (June 30, 2017: Rs. 1,445 million). The mark-up on running finances ranges between 6.64% to 8.03 % (June 30, 2017: 6.54% to 8.1%) per annum. Further, markup over export refinance facility is 4% (June 30, 2017: 4%).

The running finance under mark-up arrangements are secured jointly by registered mortgage over immovable property together with joint pari passu charge on all current assets of the Company.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- 15.1.1** There has been no significant change in the status of contingencies as reported in the note 24 and 32.3 of annual audited consolidated financial statements of the Company for the year ended June 30, 2017.

15.2 Commitments

- 15.2.1** The facility for opening letters of credit and guarantees as at December 31, 2017 amounted to Rs. 1,648 million (June 30, 2017: Rs. 1,902 million) of which the amount remaining unutilised as at the period end amounted to Rs. 796.842 million (June 30, 2017: Rs. 1,263.6 million).

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

15.2.2 Future rentals payable against operating lease arrangements

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

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

	(Unaudited) December 31, 2017 (Rupees in '000)	(Audited) June 30, 2017
Not later than one year	15,936	15,072
Later than one year but not later than five years	87,542	86,506
Later than five years	124,732	133,953
	<u>228,210</u>	<u>235,531</u>
	December 31, 2017 (Rupees in '000)	December 31, 2016
16. REVENUE		
Gross sales		
Local sales - note 16.1	7,761,185	6,626,547
Export sales	740,779	491,248
	<u>8,501,964</u>	<u>7,117,795</u>
Toll manufacturing	170,507	149,218
	<u>8,672,471</u>	<u>7,267,013</u>
Sales tax	(66,467)	(59,404)
	<u>8,606,004</u>	<u>7,207,609</u>
Less:		
Discounts, rebates and allowances	561,202	498,436
Sales returns	161,451	109,833
	<u>722,653</u>	<u>608,269</u>
	<u>7,883,351</u>	<u>6,599,340</u>

16.1 In respect of pricing of pharmaceutical products, the Company has instituted legal proceedings against the Drug Regulatory Authority of Pakistan relating to the upward revision of the maximum retail prices of certain products. These legal proceedings are presently pending before the High Court of Sindh and the Court has issued orders that no adverse action shall be taken against the Company until disposal of the matters. Based upon legal advice rendered, the Company expect of a favourable outcome in these legal proceedings.

17. COST OF SALES

This includes inventory written-off during the period amounting to Rs. 4.58 million (December 31, 2016: Rs. 11.3 million)



SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

December 31, December 31,
2017 2016
(Rupees in '000)

18. OTHER INCOME

Income from financial assets

Realised gain on investments - at fair value through profit or loss	500	379
Unrealised gain on investments - at fair value through profit or loss	615	2,035
Interest on loan to International Brands Limited	10,475	11,473
Dividend income	6	-
	11,596	13,887

Income from non - financial assets

Gain on disposal of property, plant and equipment	4,916	572
Exchange (loss) / gain	-	736
Insurance claim recovery	959	18,874
Rental income from investment properties	44,768	52,880
Others	8,949	5,820
	59,592	78,882
	71,188	92,769

19. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	1,719,910	1,367,409
Weighted average number of outstanding shares at the end of the period (in thousand) - Restated	184,718	184,718
Basic and diluted earnings per share (Rupees) - Restated	9.31	7.40

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	December 31, 2017	December 31, 2016
	(Rupees in '000)	
20. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,997,634	1,654,362
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	99,412	70,532
Gain on disposal of property, plant and equipment	(4,916)	(572)
Amortisation	19,162	13,773
Provision for retirement benefits obligation	2,700	2,100
Unrealised gain on investments - at fair value through profit or loss	(615)	(2,035)
Realised gain on investments - at fair value through profit or loss	(500)	(379)
Dividend income	(6)	-
Interest income	(10,475)	(11,473)
Finance cost	83,281	84,188
Profit before working capital changes	<u>2,185,677</u>	<u>1,810,496</u>
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(11,407)	(9)
Stock-in-trade	(756,602)	91,616
Trade debts	(339,023)	(145,272)
Loans and advances	(379,288)	(300,071)
Trade deposits and short-term prepayments	(65,587)	(15)
Tax refunds due from government - Sales tax	5,034	-
Other receivables	74,400	(473,533)
	<u>(1,472,473)</u>	<u>(827,284)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	1,090,654	297,590
Sales tax payables	-	5,347
	<u>1,090,654</u>	<u>302,937</u>
Cash generated from operations	<u><u>1,803,858</u></u>	<u><u>1,286,149</u></u>
21. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 11	167,072	192,699
Short term running finances - note 14	(1,511,222)	(818,686)
	<u><u>(1,344,150)</u></u>	<u><u>(625,987)</u></u>



SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

	Pharmaceutical		Consumer		Total	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----					
Segment revenue	6,134,337	5,282,271	1,749,014	1,317,069	7,883,351	6,599,340
Segment result	1,648,184	1,415,898	469,928	353,036	2,118,112	1,768,934
Unallocated income and expenses						
Other expenses					(108,385)	(123,153)
Other income					71,188	92,769
Finance cost					(83,281)	(84,188)
Profit before taxation					1,997,634	1,654,362
Taxation					(277,724)	(286,953)
Total comprehensive income					1,719,910	1,367,409

	Pharmaceutical		Consumer		Total	
	December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017
	----- (Rupees in '000) -----					
Segment assets and liabilities						
Segment assets	392,830	294,899	42,937	41,208	435,767	336,107
Unallocated assets					15,028,270	13,229,777
Total assets					15,464,037	13,565,884
Unallocated liabilities	-	-	-	-	5,198,460	3,775,220
Total liabilities					5,198,460	3,775,220
Percentage for allocation	77.81%	80.04%	22.19%	19.96%	100.00%	100.00%

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

23. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	December 31, 2017	December 31, 2016
		(Rupees in '000)	
Holding company	- Corporate service charges	84,000	36,000
Associated companies	- Revenue	483,828	4,585,937
	- Salaries and wages	547	4,747
	- Purchases	2,008	4,885
	- Carriage and duties	19,716	12,011
	- Discounts claimed	197,079	187,757
	- Rent expense	2,678	6,310
	- Rent income	24,168	23,610
	- Income from provision of amenities	16,135	17,436
	- Stock claims	91,544	97,972
	- Internet services	2,557	2,541
	- Architect fee	1,568	2,563
	- Payment under group tax relief	-	1,558
	- Royalty expense claimed	-	7,119
	- Purchase of ERP software	1,203	4,500
	- Purchase of computer hardware	-	5,706
	- Donation	15,000	10,000
	- Incentives to field force staff	3,225	2,837
	- Others	549	813
Staff retirement benefits	- Contributions to Provident Fund	21,266	19,890
	- Benefits paid	26,011	15,523
Key management employees compensation	- Salaries and other employee benefits	192,851	174,626
	- Contributions to Provident Fund	1,532	1,614
	- Directors' fees	408	316
	- Sale of goods	57	36
	- Sale of vehicles	-	1,592

23.1 The status of outstanding balances with related parties as at December 31, 2017 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.



SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2017 - UNAUDITED

24. CORRESPONDING FIGURES

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

25. SUBSEQUENT EVENTS

The Board of Directors of the Company in its meeting held on 26th Feb, 2018 has approved the following appropriation:

	December 31, 2017	December 31, 2016
	(Rupees in '000)	
- Issue of bonus shares for every shares (December 31, 2016: 10 shares for every 100 shares) held	-	139,938
- Cash dividend - Rs. – (December 31, 2016: Rs.2) per share of Rs. 10 each	-	279,875

26. 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 February 26, 2018.

SEARLE

THE SEARLE COMPANY LIMITED

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