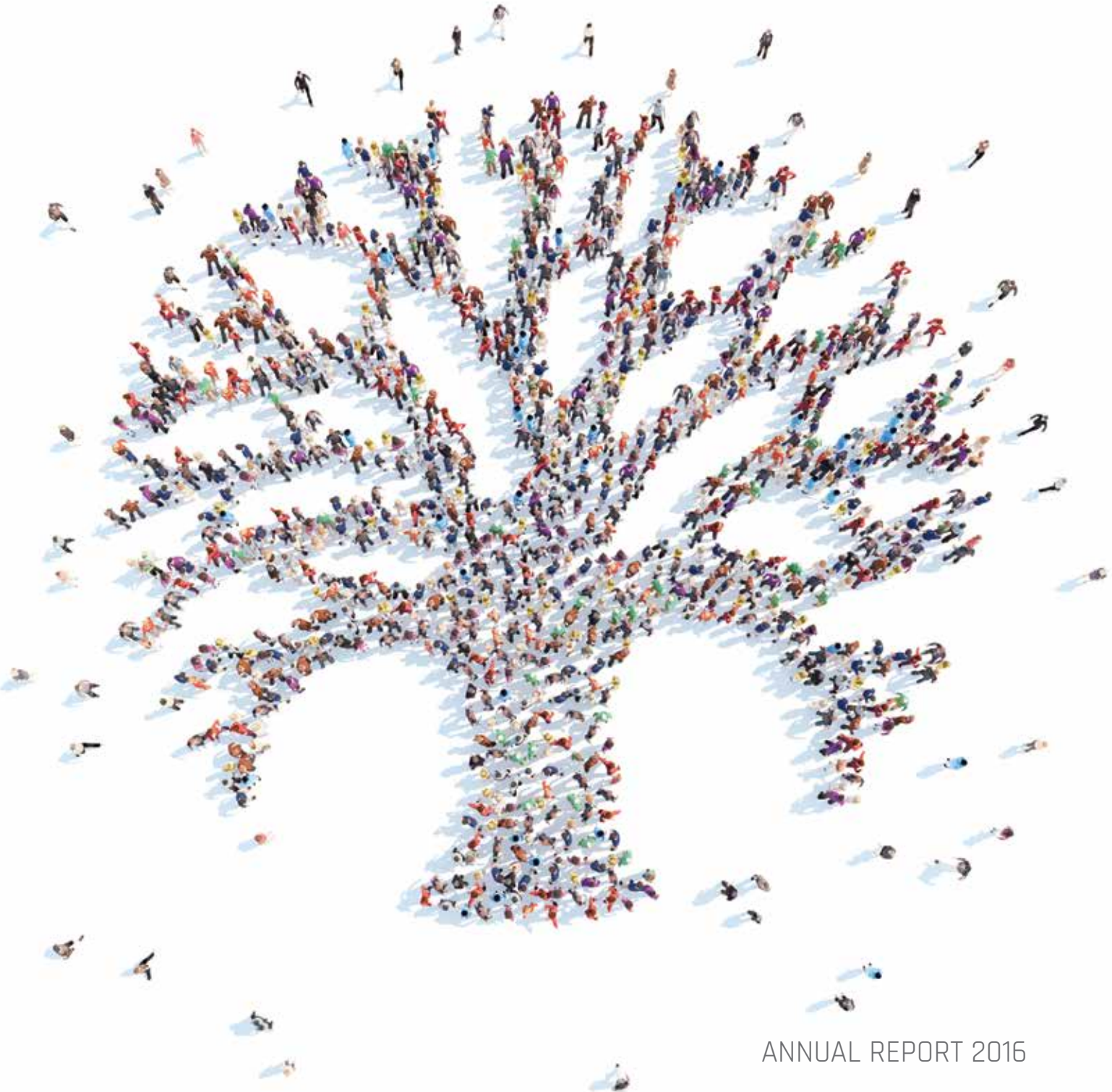


SEARLE

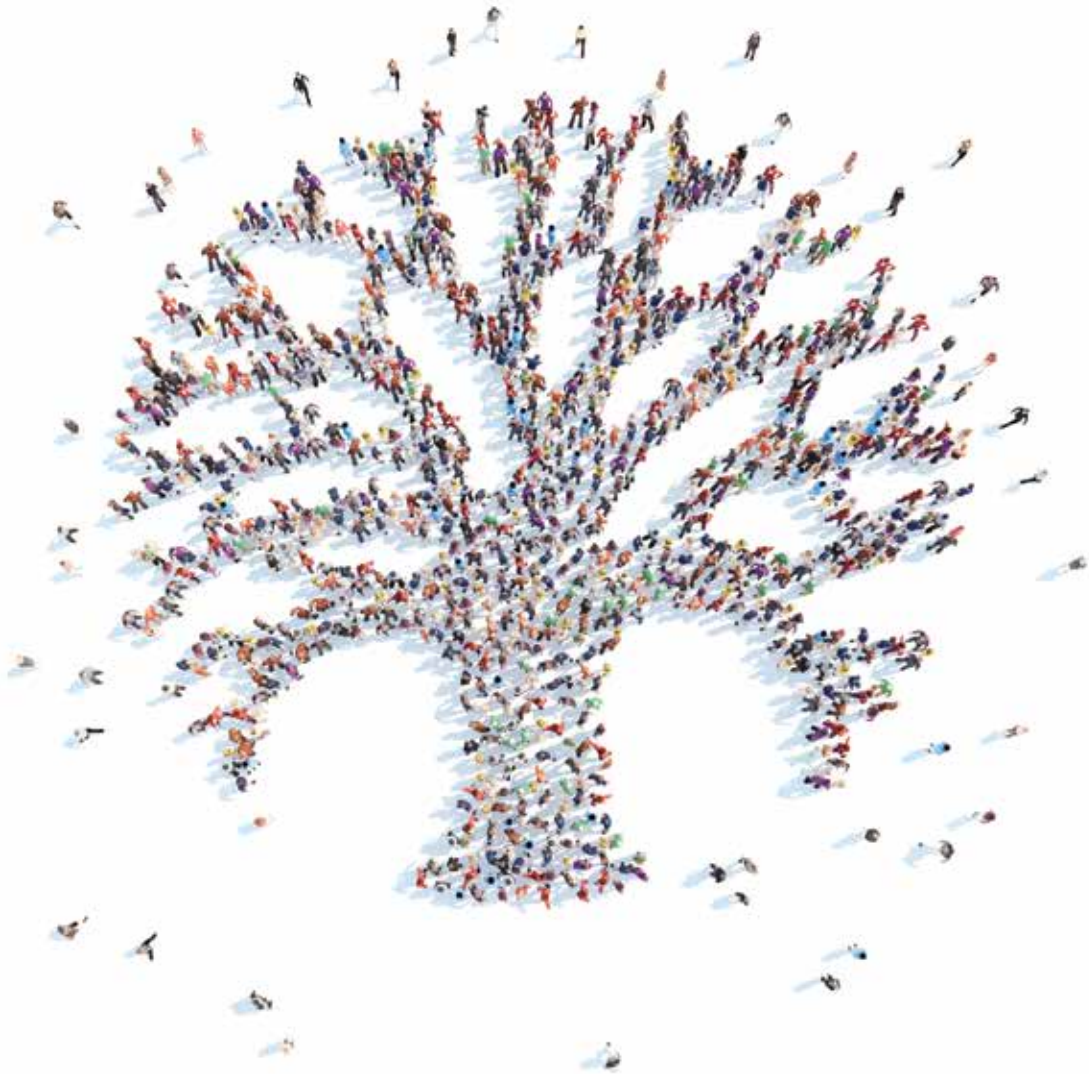
Research in the service of mankind

OUR STRENGTH IS
OUR PEOPLE



ANNUAL REPORT 2016

OUR STRENGTH IS OUR PEOPLE



Most valuable asset, to us, is our people. This is where all our strength comes from. It is our dedicated set of teams that have made the success of our Company possible. The tree of our organization is formed with branches of different departments working separately and yet integrated together completing our network of brains, making us strong and focused. This year as a theme of our annual report we mention some of our most important departments, and acknowledge the efforts of people in them.

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OUR VISION

To lead in improving the quality of human life

OUR MISSION

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

Corporate social responsibility towards society and protection of the environment

Progressively evolve with the changing market place to maintain its leadership position

Cultivate an organization that would grow and live beyond each one of us

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

Work today for a better tomorrow for all its stakeholders, through innovation, new product development and sound business practices

OUR STRENGTH IS
OUR PEOPLE



OUR PHARMACEUTICAL MARKETING DEPARTMENT

Our problems solvers our champions of putting the pieces together to complete the picture of our market, is our marketing department. With a vision and knowhow of the market, our team of experts are making valuable decisions and making strategies to make our brands stay on top.



Mr. Tahir Ahmed
Marketing Director



OUR VALUES

Seeking Allah's pleasure in all that we do.

Innovation and Dedication:

In all spheres of activity. Serving the needs of our customers with passion, dedication & by honoring our words.

Profitability:

Enhancing shareholder value through long-term profitability and improving performance ratios.

Corporate Social Responsibility:

To enrich our work environment with high levels of performance, participation & creativity and supporting society for healthy environment.

Recognition and Rewards:

For high performing and meritorious employees.
Sense of urgency: to drive each individual to achieve company's objectives.

Integrity:

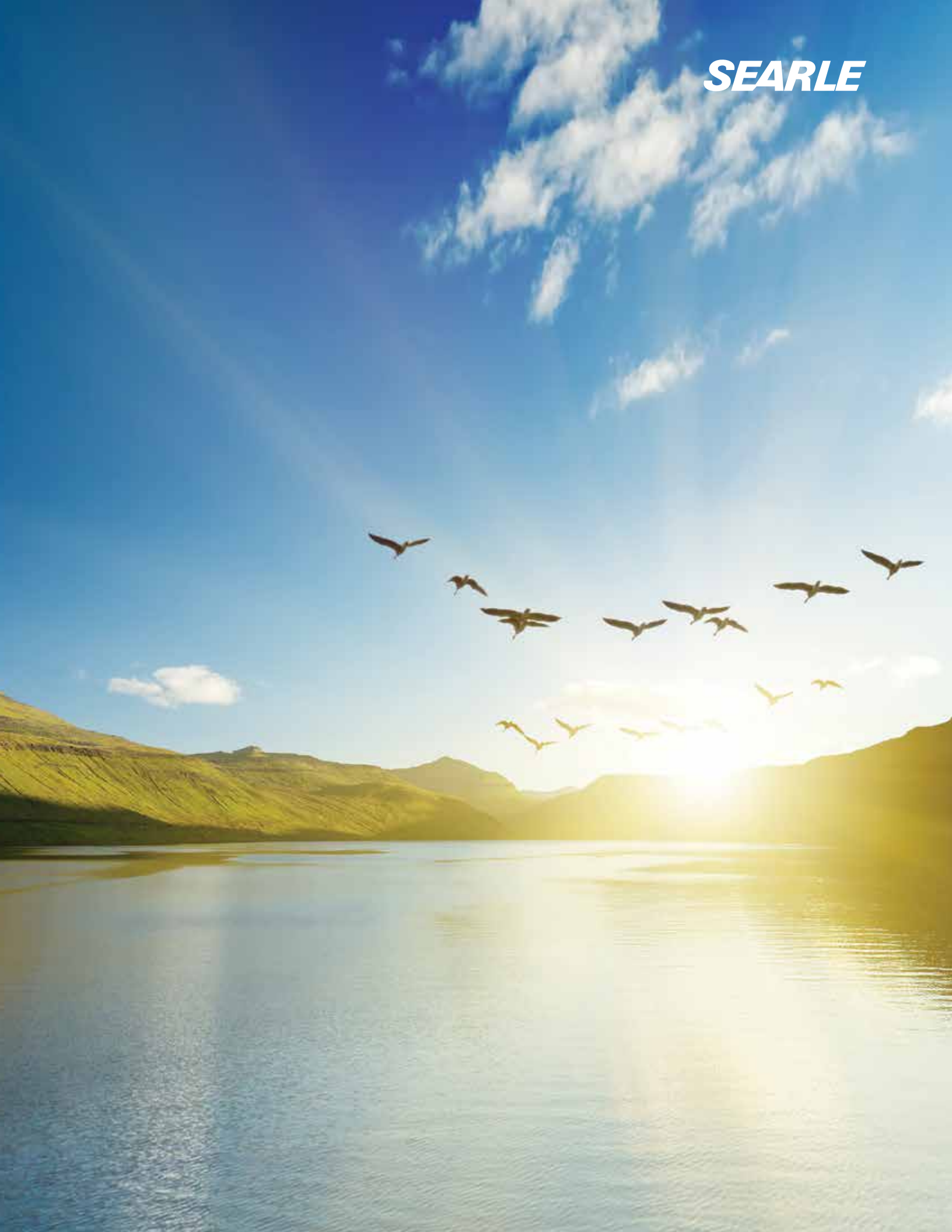
In all our dealings

Respect:

For our customers and each other



SEARLE



OUR STRENGTH IS
OUR PEOPLE



OUR FINANCE DEPARTMENT

With the precision of bull's eye, our finance department is always there to keep a close eye on the numbers. With a responsibility of keeping the finance of the Company, this department has reliable people, including experts in taxation and book keeping.



Mr. Mobeen Alam
Director Finance &
Chief Financial Officer





FRAMEZ

AMRELI STEELS
Building for Life

IBL
Building Center

IBL
Building Center

Sunon

CORIAN

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 Palwala | |
| Mr. Ayaz Abdulla | |
| Mr. Shahid Abdulla | |
| Mr. Arshad Anis | |
| Mr. Mufti Zia Ul Islam | |

Board of Audit Committee

| | |
|--------------------|----------|
| Mr. Husain Lawai | Chairman |
| Mr. Shahid Abdulla | Member |
| Mr. Arshad Anis | Member |

Board of HR & Remuneration Committee

| | |
|--------------------|----------|
| Mr. Shahid Abdulla | Chairman |
| Mr. Ayaz Abdulla | Member |
| Mr. Arshad Anis | Member |

Chief Financial Officer

Mr. Mobeen Alam

Company Secretary

Mr. Zubair Palwala

Auditors

Grant Thornton Anjum Rahman

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

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

OUR STRENGTH IS
OUR PEOPLE



OUR PRODUCTION DEPARTMENT

The gears that keep moving and keep producing without stopping, our production department is a giant comprising of a big number of employees. Always on their toes making sure there are no production shortages.



Mr. Imtiaz Haider
Director
Technical Operations



Mr. Nisar Qureshi
SITE Director, Lahore Plants



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 51st annual general meeting of the shareholders of The Searle Company Limited will be held on Friday, October 28, 2016 at 05:30 p.m. at the Building Centre, 2nd Floor, Plot # 1, Tipu Sultan Road, Off Shahrah-e-Faisal, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of extraordinary general meeting held on February 16, 2016.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2016 together with the directors' and auditors' reports thereon.
3. To consider and approve final cash dividend for the financial year ended June 30, 2016, at the rate of Rs.5/- per share of Rs.10/- each, equivalent to 50%, as recommended by the board of directors.
4. To appoint auditors for the year ending June 30, 2017 and to fix their remuneration. The present auditors, Grant Thornton Anjum Rahman, Chartered Accountants being eligible, have offered themselves for re-appointment. The Company has received a notice from a member having CDS Account # 11387-33970, proposing A. F. Ferguson & Co., Chartered Accountants for appointment as auditors of the Company for the year ending June 30, 2017 in place of retiring auditors. The board has recommended the appointment of A. F. Ferguson & Co., Chartered Accountants, as the Auditors of the Company for the year ending June 30, 2017.

SPECIAL BUSINESS

Ordinary Resolutions:

5. To approve the issue of bonus shares in the ratio of fourteen shares for every hundred shares held i.e. 14% as recommended by the board of directors, the issue of bonus shares is in addition to interim bonus shares already issued @ 10% and, if thought

appropriate, to pass with or without modification(s) the following resolutions as **ordinary resolution**:

“RESOLVED that a sum of PKR 171,853,160/- out of the un-appropriated profits of the Company be capitalized and applied towards the issue of 17,185,316 ordinary shares of Rs.10/- each and allotted as fully paid bonus shares to the members who are registered in the books of the Company as at the close of business on October 21, 2016, in the proportion of fourteen shares for every hundred ordinary shares held and that such new shares shall rank pari passu with the existing ordinary shares but shall not be eligible for the cash dividend declared for the year ended June 30, 2016.

FURTHER RESOLVED that in the event of any member becoming entitled to a fraction of a share, the Directors be and are hereby authorised to consolidate all such fractions and sell the shares so constituted on the Stock Market and to pay the proceeds of the sale when realized to a recognized charitable institution as may be selected by the Directors of the Company.

FURTHER RESOLVED that the Company Secretary be and is hereby authorized to take all necessary actions on behalf of the Company for allotment and distribution of the said bonus shares as he think fit.”

6. To give effect of SRO 470 (1)2016 dated May 31, 2016 of the Securities and Exchange Commission of Pakistan (“SECP”), members' approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company, however shall place on its website a standard Request Form to enable intimation to the Company by those members who require hard copy of the Annual Report instead of through CD/DVD/USB. In this regard, the following resolutions are proposed to be passed, with or without modification(s), as **ordinary resolution**:

“RESOLVED that the Company transmit the annual balance sheet and profit and loss accounts, auditors' report and directors' report, to its members through CD/DVD/USB instead of hard copy at their registered addresses.

FURTHER RESOLVED that the standard Request Form be and is hereby placed on Company's website for the purpose of communication of the requisition of annual audited accounts through hard copy."

Special Resolutions:

7. To consider the increase of authorized share capital of the Company from Rs.1,400 million to Rs.2,000 million divided into 200,000,000 ordinary shares of Rs.10/- each and to consider and if thought fit to pass the following resolution as special resolution:

"RESOLVED that the authorized share capital of the Company be and is hereby increased from Rs.1,400,000,000/- divided into 140,000,000 ordinary shares of Rs.10/- each to Rs.2,000,000,000/- divided into 200,000,000 ordinary shares of Rs.10/- each, by the creation of 60,000,000 additional ordinary shares at nominal value of Rs.10/- each to rank pari passu in every respect with the existing ordinary share of the Company.

FURTHER RESOLVED that the Memorandum and Articles of Association of the Company be and are hereby altered for increase in authorized share capital to read as follows:

- Clause V of Memorandum of Association "The authorized capital of the Company is Rs.2,000,000,000/- divided into 200,000,000 ordinary shares of Rs.10/- each."
- Article 3 of Articles of Association "The authorized capital of the Company is Rs.2,000,000,000/- divided into 200,000,000 ordinary shares of Rs.10/- each."

FURTHER RESOLVED that Mr. Zubair Palwala, Secretary of the Company be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementation the aforesaid resolution."

8. The Securities and Exchange Commission of Pakistan ("SECP") has issued the Companies (E-Voting) Regulations, 2016 (the "Regulations") on January 22, 2016 vide SRO 43(1)/2016 which allows both members and non-members to take part in decision making in the general meeting of the Company through electronic means through intermediary.

In order to comply with the Regulations, the existing Articles of Association (AoA) of the Company needs to be amended.

To consider, propose and if thought fit, pass with or without modification(s), the special resolution to amend the existing Articles of Association to set out the members' right to exercise their votes by electronic means as prescribed by the Companies (E-Voting) Regulations, 2016 as amended or revised from time to time:

"RESOLVED that the existing Article 42 be and is hereby replaced and to be read as follows:

42. On a show of hands every member presented in person or by proxy shall have one vote except for election of Directors in which case the provisions of Section 178 of the Companies Ordinance, 1984 will apply. In addition to the voting option available to the members under this Article, the Company shall also provide the option of e-voting to the members i.e. members to vote through electronic means in accordance with the procedure prescribed under the laws for the time being in force. Upon a poll every member presented in person or by proxy or through electronic means every member or his proxy shall have voting rights as laid down in Section 160 of the Companies Ordinance, 1984. Provided that no body shall vote by proxy as long as a resolution of its directors in accordance with the provisions of the Ordinance. On a poll or through electronic means, votes may be given either personally or by proxy.

FURTHER RESOLVED that the existing Article 44 be and is hereby replaced and to be read as follows:

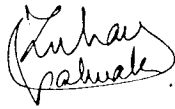
44. An instrument appointing a proxy shall be in the form specified in Regulation 39 of the table A in the first schedule to the Ordinance or schedule II of the Companies (E-voting) Regulations, 2016 or in any other form from which the directors may approve. A proxy need not be a member of the Company.

FURTHER RESOLVED that the chief executive officer and the Company secretary be and are hereby singly authorized to take or caused to be taken any and all actions necessary and incidental for the purpose of altering the Articles of Association of the Company and make necessary submission and complete legal formalities, as may be required to implement the aforesaid special resolution."

OTHER BUSINESS

9. To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board



Zubair Palwala
Company Secretary

Karachi: October 7, 2016

Pursuant to Section 160(1)(b) of the Companies Ordinance, 1984, this statement sets forth the material facts concerning the special business listed hereinabove, to be transacted at the 51st Annual General Meeting of the Company to be held on October, 28, 2016.

Item 5

The Directors of the Company are of the view that the Company's financial position justifies issuance of bonus shares in the ratio of fourteen shares for every hundred shares held.

The Directors are interested in the business to the extent of the entitlement of bonus shares as shareholders.

Item 6

In order to implement SECP directives with respect to transmission/circulation of annual audited accounts through CD/DVD/USB instead of hard copies, resolution is part of the notice for approval of shareholders to adopt the newly introduced mode of transmission.

Item 7

The amendment in Memorandum and Articles of Association of the Company is proposed to enhance the authorized capital of the Company by Rs.600 million. The enhancement of authorized capital will enable the Company to issue the bonus shares.

The Directors have no interest, directly or indirectly, in alteration of the Memorandum and Articles of Association of the Company, except that they are shareholders/directors in the Company.

Item 8

To give the effect of the Companies (E-Voting) Regulations, 2016, the shareholders' approval is being

sought to amend the Articles of Association of the Company to enable e-voting which will give the members option to be part of the decision making in the general meeting of the Company through electronic means.

The Directors are not interested, directly or indirectly, in the above business except to the extent of their investment, as has been detailed in the pattern of shareholding annexed to this annual report.

NOTES:

A. Book closure:

- i. The share transfer books will remain closed from October 22, 2016 to October 28, 2016 (both days inclusive) for entitlement of 50% final cash dividend and 14% bonus shares. Transfers in good order, received at the office of Company's Share Registrar, Central Depository Company of Pakistan Limited, CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shahr-e-Faisal, Karachi-74400 by close of the business on October 21, 2016 will be treated in time for the purpose of attending the annual general meeting and entitlement of cash dividend and stock dividend.
- ii. All members/shareholders are entitled to attend, speak and vote at the annual general meeting. A member/shareholder may appoint a proxy to attend, speak and vote on his/her behalf. The proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company's Registered Office: First Floor, NIC Building, Abbasi Shaheed Road, Karachi - 75530 not less than 48 hours before the meeting.
- iii. In pursuance of Circular No. 1. of 2000 of SECP dated January 26, 2000 the beneficial owners of the shares registered in the name of Central Depository Company (CDC) and/or their proxies are required to produce their Computerized National Identity Card (CNIC) or passport for identification purpose at the time of attending the meeting. The form of proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of the CNIC or the passport of the beneficial owner and the proxy.

In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

- iv. Members are requested to intimate any changes in address immediately to Company's Share Registrar, Central Depository Company of Pakistan Limited, CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shahr-e-Faisal, Karachi-74400.

B. Deduction of Income Tax from Dividend under section 150 of the Income Tax Ordinance, 2001:

- a) Pursuant to the provisions of the Finance Act 2016 effective July 1, 2016, the rate of deduction of income tax from dividend payments has been revised as follows:
 - i. Rate of tax deduction for filers of income tax return - 12.5%
 - ii. Rate of tax deduction for non-filers of income tax return - 20%

Shareholders whose names are not entered into the Active Tax-payers List (ATL) available on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.5%.

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

In this regard all shareholders who hold Company's shares jointly are requested to provide shareholding proportions or principle shareholder and joint-holder(s) in respect of shares held by them (if not already provided) to Company's Share Registrar, in writing as follows:

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

The required information must reach Company's Share Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by the principal shareholder and joint-holder(s).

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

C. Submission of copy of CNIC (Mandatory):

In accordance with the notification of the Securities and Exchange Commission of Pakistan (SECP) S.R.O. 779(i) 2011 dated August 18, 2011 dividend warrants should bear Computerized National Identity Card (CNIC) number of the registered members. Shareholders who have not yet submitted copy of their valid CNIC or National Tax Number (in case of corporate entities) are requested to submit the same to the Company's Share Registrar, Central Depository Company of Pakistan Limited, with members' Folio number(s)/Participant ID CDS Account number(s) mentioned thereon, before book closure date. It may kindly be noted that in case of non-receipt of the copy of valid CNIC, the Company would be constrained to withhold dispatch of dividend warrants.

D. Dividend Mandate (Optional):

Under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desires, direct the Company to pay dividend through his/her/its bank account. In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide circular number 18 of 2012 dated June 5, 2012, shareholders may authorize the Company for direct credit of his/her/its cash dividend in his/her/its bank account (please note that giving bank mandate for dividend payments is optional, in case shareholder do not wish to avail this facility his/her/its dividend will be paid through dividend warrant). If any shareholder wants to avail the facility of direct credit of dividend amount in his/her/its bank account, provide following information to the Company's Share Registrar, Central Depository Company of Pakistan Limited.

| Bank Account Details of Shareholder | |
|--|--|
| Title of Bank Account | |
| Bank Account Number | |
| Bank's Name | |
| Branch name and address | |
| Cell number of shareholder | |
| Landline number of shareholder, if any | |
| It is stated that the above-mentioned information is correct and in case of any change therein, I/we will immediately intimate to the Company and the concerned registrar. | |
| _____ | |
| Name, signature, folio # and CNIC number of shareholder | |
| Notes: | |
| (1) Those shareholders, who hold shares in book entry form in their CDS accounts, will provide the above dividend mandate information directly to their respective Participant/CDC Investor Account Services Department. | |
| (2) If dividend mandate information has already been provided, please ignore this request. | |

E. Video conference facility:

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

If the Company receives consent from members holding in aggregate 16% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 day prior to day of meeting, the Company will arrange a video conference facility in the city subject to availability of such facility in that city.

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

Signature of Member

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

F. Transmission of annual financial statements through email:

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787(1)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email, may fill the form attached to the annual report 2016 and send it back to the Company's share registrar along with a copy of CNIC.

www.jamapunji.pk

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-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



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*Mobile apps are also available for download for android and ios devices

OUR STRENGTH IS
OUR PEOPLE



OUR SUPPLY CHAIN DEPARTMENT

There is nothing more important than keeping a log and watchful eye on the products and their distribution. This is not just a department that does profitable negotiations with third parties, but also makes sure that relationships are built with other business partners.



Mr. Sajjad Hafeez
Director Supply Chain



DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors take pleasure in presenting the annual report together with the audited financial statements of the company for the year ended June 30, 2016.

The Directors' Report has been prepared in accordance with section 236 of the Companies Ordinance, 1984, regulation 5.19.11 of the Pakistan Stock Exchange Limited and clause xvi of the Code of Corporate Governance 2012.

This report is to be submitted to the members at the 51st Annual General Meeting of the Company to be held on October 28, 2016.

Keeping the convention alive, the year 2016 was yet again a phenomenal year for the patients we serve and for our shareholders. Searle has emerged stronger, with leaner operations, and is ready to embark on a new era as a resource-rich and fully integrated pharmaceutical company.

| | 2016 | 2015 |
|----------------------------------|-----------------|-----------|
| | PKR in thousand | |
| Revenue | 9,524,575 | 7,582,470 |
| Gross profit | 3,714,074 | 3,332,300 |
| Gross profit percentage | 38.99% | 43.9% |
| Operating expenses | 2,701,714 | 2,032,208 |
| Operating expenses percentage | 28.37% | 26.8% |
| Operating profit | 1,012,360 | 1,300,092 |
| Operating profit percentage | 10.63% | 17.1% |
| Other income | 1,806,046 | 805,676 |
| Profit before taxation | 2,520,295 | 1,767,664 |
| Profit after taxation | 2,089,388 | 1,405,413 |
| Profit after taxation percentage | 21.94% | 18.5% |

Operating results

We believe growth and success comes to those, who are prepared. At Searle, we continue to remain prepared and act vigilantly to grab all opportunities which enhance our stakeholder's satisfaction. Durable growth-and-income investment, delivering top-tier growth and steady margin expansion, with strong cash flow and increasing returns to shareholders is a concern of paramount importance to us.

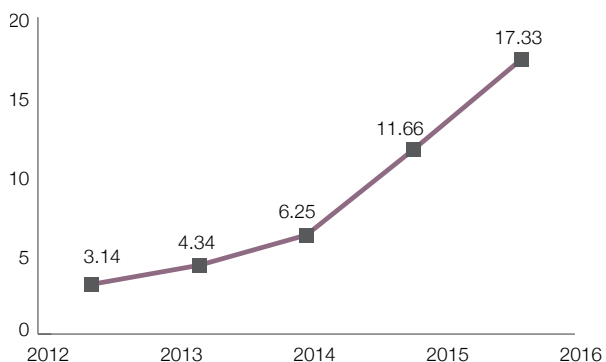
The Searle Company's business operations thrived during the year. Company operated strongly and achieved good results in strengthening its competitiveness, as evident from improved financial performance.

During the year 2016, the company's financial performance scaled new heights. The company reported revenue of 9.5 billion, registering an impressive growth of 25.61% as compared with the preceding year, further, profit after tax of the company also increased significantly by 48.6%. The growth was driven by expanding doctor coverage, maturing product portfolio, higher volumes, richer product mix, branding efforts and strengthened demand. Further, tighter control over costs and expenses contributed their part in the improved financial performance of the company.

Earnings per share

Basic earnings per share after taxation were Rs. 17.33 (2015: Rs. 11.66).

There is no dilution effect on the basic earnings per share of the Company, as the Company has no convertible dilutive potential ordinary shares outstanding as at June 30, 2016.



Dividend

The board of directors has recommended cash and stock dividend of 50% & 14% respectively, for the year ended June 30, 2016, this is in addition to the interim bonus

shares already issued @ 10%. The company declared cash and stock dividend of 20% each & 10% right shares in June 2015.

Financial statements and auditors

The financial statements of the company have been audited and approved without qualification by the auditors, Grant Thornton Anjum Rahman, Chartered Accountants.

The present auditors, Grant Thornton Anjum Rehman, Chartered Accountants, retire and being eligible, offer themselves for reappointment. However, Audit Committee after considering a notice received from a shareholder for change of auditors, recommended to the board for appointment of A.F. Ferguson & Co as auditors of the Company for the year ending June 30, 2017. The Board of Directors endorses the recommendation of the Audit Committee for appointment of A.F. Ferguson & Co for the financial year ending June 30, 2017.

Holding company

International Brands Limited is the holding company of Searle, which holds 55.36% shareholding in the Company.

Searle itself is the holding company of IBL HealthCare Limited and Nextar Pharma (Private) having 74.19% and 70.34% shareholding respectively. Further, Searle also owns four wholly owned subsidiaries namely Searle Pharmaceuticals (Private) Limited, Searle Laboratories (Private) Limited, Searle Biosciences (Private) Limited and IBL Identity (Private) Limited (Formerly Al-Abid Exports (Private) Limited).

Pattern of shareholding

The pattern of shareholding along with categories of shareholders as at June 30, 2016 as required under section 236 of the Companies Ordinance and Listing Regulations is presented on pages 172 to 175 of the Financial Report 2016.

Trading of shares by Directors, CFO, Company Secretary etc.

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

| Name | Shares Purchased | Shares Disposed |
|---------------------|------------------|-----------------|
| Mrs. Shakila Rashid | - | 94,600 |
| Mr. Shahid Abdulla | 7,100 | 7,100 |
| Mr. Shahid Abdulla | 7,500 | - |

The board was apprised with the transactions accordingly.

Business Conduct

We at Searle believe that integrity is a fundamental prerequisite for successful business relationships. Reputation, trust and confidence are essential elements which we seek to protect and enhance to the benefit of all with whom we have a relationship. The company seeks to understand and meet its customers' needs, whilst seeking continuous improvement in all spheres of business operations.

Product quality

We at Searle believe that it is our duty to ensure availability, accessibility, acceptability and quality of health services.

In lieu of the above, we are committed to our duty towards safeguarding the patient's well-being, by assuring that all operations associated with the manufacture of a medicinal product are of a standard that assures the patient's expectations of safety and efficacy. Our products carry a promise of Quality and we take issues related to the quality of our products very seriously.

Pharmaceutical industry is a vital segment of health care system bearing many inherent risks. In line with the above philosophy, we recognize that any mistake in product design or production can be severe, even fatal, therefore, the maintenance of quality with continuous improvement is Searle's utmost priority and moral responsibility.

Corporate and social responsibility

Goodness is the only investment that never fails. Creating a strong business and building a better world are not conflicting goals - they are both essential ingredients for long-term success

At Searle, our aim has always been to make useful contributions to the economy we operate in. One of the primary areas of focus has been the creation of employment opportunities to support a large industrial and sales workforce. The company operates in a socially responsible manner. Accordingly, the company's CSR program has a very wide scope encompassing initiatives in the areas of healthcare, education, child welfare, infrastructure development and other social welfare activities.

Occupational health and safety

We believe, at the end of the day, the goals are simple, safety and security. All workers have the right to return home each day safe and sound. We at Searle, recognize the importance of safe and secure environment and consider it our duty to ensure that people who work for

DIRECTORS' REPORT TO THE SHAREHOLDERS

us know how to work safely and without risks to health and to develop a positive health and safety culture.

The health and safety of our employees and visitors is a high priority for the company. Therefore, hazards associated with operations are continuously identified, assessed and managed to eliminate or reduce risks.

Information technology

Information technology benefits the business by allowing organization to work more efficiently and to maximize productivity. Faster communication, electronic storage and the protection of records are advantages that IT offers to the enterprise.

To cater the growing business needs of the company, and in line with our continuous endeavors to regularly upgrade information systems we continued with our policy to invest more and more in information technology. The major investment which we are working on is the implementation of most powerful business management system 'SAP'.

Website

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

Related party transactions

All related party transactions, during the year 2016, were placed before the audit committee and the board for their review and approval. These transactions were duly approved by the Audit Committee and the Board in their respective meetings. All these transactions were in line with the transfer pricing methods and the policy with related parties approved by the board previously. The company also maintains a full record of all such transactions, along with the terms and conditions. For further details please refer note 39 to the financial statements.

Compliance with the Code of Corporate Governance

The stock exchange have included in their Listing Rules, the Code of Corporate Governance (Code) issued by the Securities & Exchange Commission of Pakistan. The company has adopted the code and is implementing the same in letter and spirit.

Directors' training program

Board of directors training helps the board fulfil its role and make a real difference to the company's performance. It takes a practical and pragmatic approach – because every board has a unique role in company oversight including duty to stakeholders. Therefore, keeping the same in mind and the requirements of the code one Director namely Mr. Ayaz Abdulla has attended the directors' training program conducted by Institute of Chartered Accountants of Pakistan during the year.

Code of conduct

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

Corporate and financial reporting framework

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- There has been no departure from the best practices of transfer pricing.
- The key operating and financial data for the six years is tabulated as follows:

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| ASSETS EMPLOYED | | | | | | |
| Property, plant and equipment | 808,692 | 687,332 | 558,306 | 576,639 | 2,664,973 | 710,883 |
| Intangible assets | 69,885 | 30,642 | 33,572 | 39,008 | 43,030 | 52,112 |
| Investment property | 2,483,919 | 2,491,318 | 2,393,277 | 2,189,398 | | |
| Long-term investment | 2,636,202 | 519,091 | 359,900 | 100,800 | 100,000 | 100,000 |
| Long-term loans, deposits & prepayments | 1,949 | 2,044 | 2,100 | 7,027 | 6,771 | 7,468 |
| Net current assets | 2,984,954 | 1,827,051 | 715,954 | 671,708 | 397,114 | 1,053,193 |
| Total assets employed | 8,985,601 | 5,557,478 | 4,063,109 | 3,584,580 | 3,211,888 | 1,923,656 |
| FINANCED BY | | | | | | |
| Issued, subscribed and paid-up capital | 1,227,523 | 858,407 | 613,148 | 471,652 | 336,895 | 306,268 |
| Reserves and Unappropriated profit | 6,952,694 | 3,689,268 | 2,530,916 | 1,999,685 | 1,627,614 | 1,346,299 |
| Shareholder's equity | 8,180,478 | 4,547,675 | 3,144,064 | 2,471,337 | 1,964,509 | 1,652,567 |
| Surplus on revaluation of fixed assets | 296,961, | 296,961 | 168,163 | 185,020 | 201,589 | 179,901 |
| Long-term and deferred liabilities | 508,423 | 712,842 | 750,882 | 928,223 | 1,045,790 | 91,188 |
| Total capital employed | 8,985,601 | 5,557,478 | 4,063,109 | 3,584,580 | 3,211,888 | 1,923,656 |
| Turnover | 9,524,575 | 7,582,470 | 6,071,823 | 5,149,798 | 4,936,049 | 4,238,840 |
| Profit before tax | 2,520,295 | 1,767,664 | 958,120 | 752,976 | 557,977 | 511,101 |
| Profit after tax | 2,089,388 | 1,405,413 | 753,225 | 523,274 | 378,391 | 369,839 |
| Profit after tax | | | | | | |
| % of turnover | 21.94 | 18.54 | 12.41 | 10.16 | 7.67 | 8.73 |
| % of capital employed | 23.25 | 25.29 | 18.54 | 14.60 | 11.78 | 19.23 |
| Dividends | | | | | | |
| Cash (%) | 50 | 20 | | 20 | 10 | 15 |
| Stock (%) | 14 | 20 | 40 | 30 | 40 | 10 |

DIRECTORS' REPORT TO THE SHAREHOLDERS

Audit committee

The Committee comprises of three non-executive directors. The chairman of the committee is an independent director.

During the year, four meetings of audit committee were held, the details of which are as follows:

| Name of director | Meetings attended |
|---------------------|-------------------|
| Mr. Husain Lawai | 2 |
| Mr. Asad Abdulla | 3 |
| Mr. S. Nadeem Ahmed | 4 |
| Mr. Shahid Abdulla | - |
| Mr. Arshad Anis | - |

During the year Mr. Shahid Abdulla and Mr. Arshad Anis were appointed on the board of committee in place of Mr. S. Nadeem Ahmed and Mr. Asad Abdulla, however, they did not attended any meeting.

Meetings of the board of directors

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

| Name of director | Meetings attended |
|------------------------|-------------------|
| Mr. Rashid Abdulla | 6 |
| Mr. S. Nadeem Ahmed | 6 |
| Mr. Zubair Palwala | 5 |
| Mr. Shahid Abdullah | 1 |
| Mr. Asad Abdulla | 4 |
| Mr. Ayaz Abdulla | 6 |
| Mr. Adnan Asdar Ali | 5 |
| Mr. Husain Lawai | 3 |
| Mr. Arshad Anis | - |
| Mrs. Faiza Naeem | 5 |
| Mr. Mufti Zia Ul Islam | - |

During the year Mr. Arshad Anis and Mr. Mufti Zia Ul Islam were appointed on the board in place of Mrs. Faiza Naeem and Mr. Asad Abdulla, however, they did not attended any meeting.

Human resource and remuneration committee

The Committee comprises of following three members two of them are non-executive Directors including the Chairman of the Committee.

Mr. Shahid Abdulla - Chairman
Mr. Arshad Anis
Mr. Ayaz Abdulla

Subsequent events

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

Value of investments

The value of investment of provident fund based on their un-audited / audited accounts as on June 30, 2016 and June 30, 2015 respectively was as follows:

| | 2016 | 2015 |
|----------------|-----------------|---------|
| | PKR in thousand | |
| Provident Fund | 783,855 | 432,332 |

Consolidated performance

In compliance with section 236(5) of the companies Ordinance, 1984 relevant financial information of the Group for last four years appears as under:

| | 2016 | 2015 | 2014 | 2013 |
|----------------------------|----------------|-------|-------|-------|
| | PKR in million | | | |
| Turnover | 11,291 | 9,048 | 7,609 | 6,014 |
| Operating profit | 2,818 | 2,176 | 1,399 | 1,266 |
| Profit after taxation | 2,654 | 1,452 | 876 | 719 |
| Total assets | 1,1497 | 8,380 | 6,658 | 5,477 |
| Share capital and reserves | 7,777 | 5019 | 3,675 | 2,894 |

| | 2016 | 2015 | 2014 | 2013 |
|--|------|-------|------|-------|
| Consolidated earnings per share (Rupees) | 16.6 | 15.99 | 9.34 | 10.91 |

Future outlook

The sum and substance of the existence of Searle, is based on the doctrine, 'service of mankind'. We are functioning in full swing to make availability of adequate healthcare solutions certain, for the masses. Nationally and throughout the rapidly increasing cross border destinations, people rely on Searle, the new destination of possibilities, to help them get healthy throughout their lives.

We expect to evolve as a company with an interesting mix of high value Bio Similar and complex branded generic products with emerging Nutritional range.

We are persistently working for patients across the country and the respective markets, where we exist. Continuing our endeavors, we are developing Nutritional products and supplements and are trying to explore the possibilities for setting up a manufacturing facility in Europe and proceeding for USFDA approval for Bio Similar range. This evolution entails taking multiple initiatives, organic and inorganic, as well as higher risks. While not all these initiatives may give the desired results, we are

gearing up the group companies to maximize the odds of succeeding and minimize the disruption due to failure. Adding new Markets and launching high tech products with targeted improved productivity would fairly improve our profitability.

In the long-term, Searle is targeting sustainable growth, faster than the market, both locally and internationally. Close focus on Bio Similar business will add significant high value to the patient's life along with more profits for the shareholders.

When people are emotionally motivated, they contribute and same is the case with all our employees, partners, suppliers and customers, for which we are thankful. We expect the same zeal and zest from our stakeholders, for their contribution in future.

For and on behalf of the board



Karachi:
September 28, 2016

Syed Nadeem Ahmed
Chief Executive Officer

زائد پائیدار ترقی کا حصول ہے۔ بایوسمیلر کاروبار پر خصوصی توجہ سے مریضوں کی زندگی کو تحفظ دینے کے ساتھ حصص یافتگان کیلئے بھی زائد منافع جات حاصل ہوں گے۔

جب لوگ زیادہ پرجوش ہوتے ہیں تو وہ زیادہ جدوجہد کرتے ہیں اور یہی ہمارے تمام ملازمین، شرآکت کار، سپلائرز اور صارفین کا رویہ رہا ہے، جس کے لئے ہم ان کے شکرگزار ہیں۔ ہم توقع کرتے ہیں کہ ہمارے اسٹیک ہولڈرز اسی امنگ اور جذبے کے ساتھ ہمارے ساتھ شریک سفر رہیں گے۔

بحکم بورڈ

سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی 28 ستمبر 2016

کمپلیکس برانڈز کی عمومی مصنوعات کے زبردست آمیزے کے ساتھ غذائی رینج میں ابھرتے ہوئے ایک کمپنی کی صورت اختیار کریں۔

ہم ملک بھر اور موجودہ مارکیٹوں میں، جہاں جہاں تک ہماری رسائی ہے مریضوں کے لئے مستقل طور پر کام کر رہے ہیں۔ اپنی جدوجہد کو جاری رکھتے ہوئے ہم غذائی مصنوعات اور سپلیمنٹس تیار کر رہے ہیں اور کوشش کر رہے ہیں کہ یورپ میں ایک مینوفیکچرنگ سہولت قائم کر سکیں اور بایوسمیلر رینج کیلئے USFDA کی اجازت حاصل کر سکیں۔ یہ ارتقا کثیر نوعیت کے نامیاتی اور غیر نامیاتی اقدامات کے ساتھ خطرات پر بھی مبنی ہے۔ ہو سکتا ہے کہ ان تمام اقدامات سے من پسند نتائج حاصل نہ ہو سکیں، پھر بھی ہم کمپنی کو ترقی کی راہ پر ڈالنے کے لئے تیار کر رہے ہیں اور ناکامی کے باعث متاثر ہونے کے امکان کو کم کر رہے ہیں۔ نئی مارکیٹوں کو شامل کرنے اور ہائی ٹیک مصنوعات متعارف کرانے کے ساتھ اعلیٰ معیاری پیداواری اہداف ہمارے منافع جات کو بھی بہتر بنائیں گے۔

طویل المدتی عمل میں سرل کا ہدف ملکی و غیر ملکی دونوں سطح پر مارکیٹ سے

آڈٹ کمیٹی

ہیں، بشمول کمیٹی کے چیئرمین کے:

جناب شاہد عبداللہ - چیئرمین
جناب ارشد انیس
جناب ایاز عبداللہ

بعد ازاں ہونے والے واقعات

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

سرمایہ کاریوں کی قدر و قیمت

30 جون 2016 اور 30 جون 2015 کو پراویڈنڈ فنڈ کی سرمایہ کاری کی قدر و قیمت ان کے غیر آڈٹ شدہ / آڈٹ شدہ حسابات کی بنیاد پر بالترتیب درج ذیل کے مطابق تھی:

2015 2016

پاک روپے ہزاروں میں

432,332 783,855

پراویڈنڈ فنڈ

مجموعی کارکردگی

کمپنی آرڈیننس 1984 کی دفعہ (5) 236 پر عملدرآمد کرتے ہوئے گروپ کی متعلقہ مالیاتی تفصیل برائے گزشتہ سال درج ذیل میں ظاہر کی گئی ہے:

2013 2014 2015 2016

6,014 7,609 9,048 11,291

ٹرن اوور

1,266 1,399 2,176 2,818

آپریٹنگ مافع جات

719 876 1,452 2,654

منافع بعد از ٹیکس

5,477 6,658 8,380 11,497

مجموعی اثاثہ جات

2,894 3,675 5,019 7,777

ٹینر کا سرمایہ اور مختص اثاثہ جات

10.91 9.34 15.99 16.6

مجموعی آمدنی فی ٹینر (روپے)

مستقبل پر ایک نظر

سرل کی موجودگی کی بنیاد 'انسانیت کی خدمت' کے فلسفے پر مبنی ہے۔ ہم عوام الناس کو مناسب طبی سہولتوں کی دستیابی ممکن بنانے کیلئے ہر ممکن حد تک کوشاں ہیں۔ اندرون ملک اور سرحد پار، بیشتر مقامات پر، عوام اپنی زندگیوں کو صحت مند بنانے کے لئے سرل پر اعتماد کرتے ہیں۔

ہم توقع رکھتے ہیں کہ بحیثیت ایک ادارہ ہم اعلیٰ قدر و قیمت کے بائوسمیٹر اور

کمیٹی 3 نان ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔ کمیٹی کے چیئرمین ایک آزاد ڈائریکٹر ہیں۔

سال کے دوران آڈٹ کمیٹی کے 4 اجلاس منعقد ہوئے جس کی تفصیلات درج ذیل کے مطابق ہیں:

| ڈائریکٹرز کے نام | شرکت کردہ اجلاس |
|--------------------|-----------------|
| جناب حسین لوہانی | 2 |
| جناب اسد عبداللہ | 3 |
| جناب ہلس ندیم احمد | 4 |
| جناب شاہد عبداللہ | - |
| جناب ارشد انیس | - |

سال کے دوران جناب شاہد عبداللہ اور جناب ارشد انیس بورڈ میں جناب ہلس ندیم احمد اور جناب اسد عبداللہ کی جگہ تعینات کئے گئے تاہم انہوں نے کسی اجلاس میں شرکت نہیں کی۔

بورڈ آف ڈائریکٹرز کے اجلاس

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

| ڈائریکٹرز کے نام | شرکت کردہ اجلاس |
|-----------------------|-----------------|
| جناب راشد عبداللہ | 6 |
| جناب ہلس ندیم احمد | 6 |
| جناب زبیر پال والا | 5 |
| جناب شاہد عبداللہ | 1 |
| جناب اسد عبداللہ | 4 |
| جناب ایاز عبداللہ | 6 |
| جناب عدنان اصدر علی | 5 |
| جناب حسین لوہانی | 3 |
| جناب ارشد انیس | - |
| مسز فائزہ نعیم | 5 |
| جناب مفتی ضیا الاسلام | - |

سال کے دوران جناب ارشد انیس اور جناب مفتی ضیا الاسلام بورڈ میں مسز فائزہ نعیم اور جناب اسد عبداللہ کی جگہ تعینات کئے گئے تاہم انہوں نے کسی اجلاس میں شرکت نہیں کی۔

ہیومن ریسورس اور ریموونیشن کمیٹی

کمیٹی درج ذیل 3 ممبران پر مشتمل ہے، جن میں سے 2 نان ایگزیکٹو ڈائریکٹرز

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی حسابات اس کے کاروباری امور، آپریشنز کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلی کو شفاف انداز میں پیش کرتے ہیں۔
- کمپنی کے حسابات کی باقاعدہ کتب موجود ہیں۔
- مالیاتی حسابات کی تیاری میں درست اور موزوں اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی جاتی ہیں اور اکاؤنٹنگ حسابات موزوں اور محتاط فیصلوں پر مبنی ہیں۔
- مالیاتی حسابات پاکستان میں نافذ العمل انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز کے مطابق تیار کئے جاتے ہیں۔
- کمپنی ایک مستحکم انٹرنل کنٹرول سسٹم برقرار رکھتی ہے جو کسی بھی غلط بیانی یا نقصان کے خلاف تحفظ فراہم کرتا ہے۔ انٹرنل کنٹرول سسٹم کا باقاعدگی سے جائزہ لیا جاتا ہے۔
- اس امر میں کوئی شبہ نہیں کہ کمپنی میں مستقل انداز میں قائم رہنے کی بھرپور صلاحیت موجود ہے۔
- کارپوریٹ گورننس کی بیسٹ پریکٹسز سے قطعی انحراف نہیں کیا گیا ہے جیسا کہ لسٹنگ ریگولیشنز میں تفصیل سے درج کیا گیا ہے۔
- ٹرانسفر پرائیمنگ کی بیسٹ پریکٹسز سے کوئی روگردانی نہیں کی گئی ہے۔
- 6 سالوں کے لئے اہم آپریشننگ اور مالیاتی تفصیل درج ذیل کے مطابق ہے:

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
|-----------|-----------|-----------|-----------|-----------|-----------|---|
| | | | | | | لاگو کردہ اثاثہ جات |
| 710,883 | 2,664,973 | 576,639 | 558,306 | 687,332 | 808,692 | املاک، پلائٹس اور ایکویٹیمنٹ |
| 52,112 | 43,030 | 39,008 | 33,572 | 30,642 | 69,885 | غیر محسوس اثاثہ جات |
| | | 2,189,398 | 2,393,277 | 2,491,318 | 2,483,919 | انویسٹمنٹ پراپرٹی |
| 100,000 | 100,000 | 100,800 | 359,900 | 519,091 | 2,636,202 | طویل المدتی سرمایہ کاری |
| 7,468 | 6,771 | 7,027 | 2,100 | 2,044 | 1,949 | طویل المدتی لون، ڈپازٹس اور پری پیمنٹس |
| 1,053,193 | 397,114 | 671,708 | 715,954 | 1,827,051 | 2,984,954 | خالص موجودہ اثاثہ جات |
| 1,923,656 | 3,211,888 | 3,584,580 | 4,063,109 | 5,557,478 | 8,985,601 | کل لاگو شدہ اثاثہ جات |
| | | | | | | سرمایہ کاری کا ذریعہ |
| 306,268 | 336,895 | 471,652 | 613,148 | 858,407 | 1,227,523 | جاری کردہ سکر آئبڈ اور ادا شدہ سرمایہ |
| 1,346,299 | 1,627,614 | 1,999,685 | 2,530,916 | 3,689,268 | 6,952,694 | ریزرو اور غیر شدہ منافع جات |
| 1,652,567 | 1,964,509 | 2,471,337 | 3,144,064 | 4,547,675 | 8,180,478 | ٹینر ہولڈرز کی ایکویٹی |
| 179,901 | 201,589 | 185,020 | 168,163 | 296,961 | 296,961 | کلڈ اثاثہ جات کی دوبارہ قدر قیمت پر اضافہ |
| 91,188 | 1,045,790 | 928,223 | 750,882 | 712,842 | 508,423 | طویل المدتی اور ڈیفرڈ ڈسے داریاں |
| 1,923,656 | 3,211,888 | 3,584,580 | 4,063,109 | 5,557,478 | 8,985,601 | مجموعی لاگو شدہ سرمایہ |
| 4,238,840 | 4,936,049 | 5,149,798 | 6,071,823 | 7,582,470 | 9,524,575 | ٹرن اوور |
| 511,101 | 557,977 | 752,976 | 958,120 | 1,767,664 | 2,520,295 | منافع قبل از ٹیکس |
| 369,839 | 378,391 | 523,274 | 753,225 | 1,405,413 | 2,089,388 | منافع بعد از ٹیکس |
| | | | | | | منافع بعد از ٹیکس |
| 8.73 | 7.67 | 10.16 | 12.41 | 18.54 | 21.94 | ٹرن اوور کا فیصد |
| 19.23 | 11.78 | 14.60 | 18.54 | 25.29 | 23.25 | لاگو شدہ سرمائے کا فیصد |
| | | | | | | منافع منقسم |
| 15 | 10 | 20 | | 20 | 50 | نقد (فیصد) |
| 10 | 40 | 30 | 40 | 20 | 14 | اسٹاک (فیصد) |

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

متعلقہ پارٹیوں کی لین دین

سال 2016 کے دوران تمام متعلقہ پارٹی ٹرانزیکشنز آڈٹ کمیٹی اور بورڈ کے جائزے اور منظوری کے لئے پیش کر دی گئی تھیں۔ متعلقہ پارٹیوں میں لین دین کی یہ سرگرمیاں آڈٹ کمیٹی اور بورڈ کی جانب سے ان کے متعلقہ اجلاسوں میں باقاعدہ منظور کی گئی ہیں۔ یہ تمام ٹرانزیکشنز، ٹرانسفر پرائیسیٹنگ کے طریقہ کار اور ماضی میں بورڈ کی جانب سے منظور شدہ متعلقہ پارٹیوں کے ساتھ پالیسی کے مطابق تھیں۔ کمپنی ان تمام ٹرانزیکشنز کا مکمل ریکارڈ بشمول ان کے شرائط و ضوابط بھی اپنے پاس رکھتی ہے۔ مزید تفصیلات کے لئے براہ مہربانی مالیاتی حسابات کا حوالہ نوٹ 39 دیکھیں۔

کوڈ آف کارپوریٹ گورننس پر عملدرآمد

اسٹاک ایکسچینج کے لسٹنگ قوانین، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ کوڈ آف کارپوریٹ گورننس (کوڈ) میں شامل کردیئے گئے ہیں۔ کمپنی نے کوڈ کو نافذ کر رکھا ہے اور اس پر عملدرآمد کیا جا رہا ہے۔

ڈائریکٹرز کا تربیتی پروگرام

بورڈ آف ڈائریکٹرز کی تربیت بورڈ کو اس کا کردار ادا کرنے اور کمپنی کی کارکردگی میں حقیقی تبدیلی لانے کا موجب بنتی ہے۔ یہ ایک پریکٹیکل اور عملی طریقہ کار ہے۔ ہر بورڈ، کمپنی کی نگرانی بشمول اسٹیک ہولڈرز کی ذمہ داری پوری کرنے کے ضمن میں ایک منفرد کردار کا حامل ہے۔ لہذا اس امر کو ذہن میں رکھتے ہوئے اور کوڈ کی شرائط کو پورا کرتے ہوئے ایک ڈائریکٹر جناب ایاز عبداللہ نے ڈائریکٹرز کے تربیتی پروگرام میں شرکت کی جس کا انعقاد سال کے دوران انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان نے کیا تھا۔

ضابطہ اخلاق

سرل کے بورڈ آف ڈائریکٹرز نے ایک ضابطہ اخلاق رائج کیا ہوا ہے۔ تمام ملازمین اس کے بارے میں علم اور آگاہی رکھتے ہیں اور کاروبار کے اصول و ضوابط سے متعلق امور میں اس ضابطہ اخلاق کے قوانین پر عمل کرتے ہیں۔

بھلائی وہ واحد سرمایہ ہے جو کبھی رائیگاں نہیں جاتا۔ ایک مستحکم کاروبار کی تشکیل اور ایک بہتر دنیا کی تعمیر متنازع مقاصد نہیں ہیں۔ یہ دونوں طویل المدتی کامیابی کیلئے ضروری اجزاء ہیں۔

سرل میں ہمارا مقصد ہمیشہ اس معیشت میں کارآمد شراکت رہا ہے جس میں ہم کام کر رہے ہیں۔ ہماری بنیادی توجہ کے شعبوں میں سے ایک روزگار کے مواقع پیدا کرنا ہے تاکہ ایک وسیع تر صنعتی اور سیکڑ کی افرادی قوت تیار کی جاسکے۔ سرل سماجی طور پر بھی ذمہ داری سے کام کر رہا ہے۔ کمپنی کا CSR پروگرام ایک وسیع پیمانے پر مبنی ہے جس میں طبی دیکھ بھال، تعلیم، ماحولیاتی تحفظ، بچوں کی فلاح، انفراسٹرکچر کی ترقی اور دیگر سماجی بہبود کی سرگرمیوں سے منسلک اقدامات شامل ہیں۔

ایویشنل ہیلتھ اور سیفٹی

ہم اس امر پر یقین رکھتے ہیں کہ تحفظ اور سیکیورٹی ہمارے اہداف و مقاصد کا حصہ ہیں۔ تمام ملازمین کا ہر دن بحفاظت اور صحیح سلامت گھر پہنچنا ان کا حق ہے۔ ہم سرل میں تحفظ اور محفوظ ماحول کی اہمیت کو تسلیم کرتے ہیں اور سمجھتے ہیں کہ اس امر کو یقینی بنانا ہماری ذمہ داری ہے کہ اپنے ملازمین اور ان کے کام کرنے کے ماحول کو محفوظ بنانے کے ساتھ ان کی صحت کو درپیش خطرات کو ختم کریں اور سیفٹی کلچر کو ہر ممکن حد تک فروغ دیں۔

ہمارے ملازمین اور یہاں آنے والے مہمانوں کی صحت اور تحفظ سرل کے لئے اہم ترجیح ہے لہذا آپریشنز سے منسلک مہلک اثرات کی مستقل طور پر نشاندہی، ان کا جائزہ اور ان خطرات کو کم کرنے یا ختم کرنے کے انتظامات کئے جاتے ہیں۔

انفارمیشن ٹیکنالوجی

انفارمیشن ٹیکنالوجی کام کو منظم انداز میں انجام دینے میں مدد دیتی ہے جس سے کام میں برق رفتاری کے ساتھ پیداواری صلاحیت بھی بڑھتی ہے۔ تیز رفتار روابط، الیکٹرانک اسٹوریج اور ریکارڈز کا تحفظ وہ فوائد ہیں جو آئی ٹی ادارے کو فراہم کرتی ہے۔

سرل کی بڑھتی ہوئی بنیادی ضروریات کو پورا کرنے اور انفارمیشن سسٹم کو باقاعدگی سے اپ گریڈ کرنے کی ہماری مسلسل کوششوں کے ساتھ انفارمیشن ٹیکنالوجی میں زیادہ سے زیادہ سرمایہ کاری ہماری پالیسی رہی ہے۔ اہم منصوبہ جس میں ہم کام کر رہے ہیں، وہ 'SAP' کا نفاذ ہے۔ 'SAP' ایک انتہائی مضبوط کاروباری انتظامی نظام ہے۔

کمپنی کی بنیادی آمدنی فی حصص پر ڈائلیوشن کا کوئی اثر نہیں پڑا کیونکہ کمپنی کے 30 جون 2016 کو کوئی کورٹبل ڈائیلیوشن پوزیشنل آرڈینری شیئرز باقی نہیں تھے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2016 کو ختم ہونے والے سال کے لئے بالترتیب 50 فیصد اور 14 فیصد نقد اور اسٹاک منافع منقسمہ کی سفارش کی ہے۔ یہ پہلے سے جاری کردہ عبوری بونس شیئرز بشرح 10 فیصد کے علاوہ ہے۔ کمپنی نے جون 2015 میں نقد اور اسٹاک منافع منقسمہ 20 فیصد اور 10 فیصد رائٹ شیئرز کا اعلان کیا تھا۔

مالیاتی حسابات اور آڈیٹرز

کمپنی کے مالیاتی حسابات آڈٹ کرائے گئے اور آڈیٹران گرانٹ تھورنٹن انجم رحمن، چارٹرڈ اکاؤنٹنٹس نے مالیاتی حسابات کو بغیر کسی اعتراض کے تسلیم کیا۔

موجودہ آڈیٹرز گرانٹ تھورنٹن انجم رحمن، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی نے ایک شیئر ہولڈر کی جانب سے آڈیٹرز کی تبدیلی کیلئے موصولہ ایک نوٹس پر غور کرتے ہوئے بورڈ کو سفارش کی کہ اے ایف فرگوسن اینڈ کمپنی کو 30 جون 2017 کو ختم ہونے والے سال کے لئے کمپنی کے آڈیٹرز کی حیثیت سے منتخب کیا جائے۔ بورڈ آف ڈائریکٹرز نے 30 جون 2017 کو ختم ہونے والے مالی سال کیلئے اے ایف فرگوسن اینڈ کمپنی کی تقرری کے لئے آڈٹ کمیٹی کی سفارش کی توثیق کر دی ہے۔

ہولڈنگ کمپنی

انٹرنیشنل برانڈز لمیٹڈ سرل کی ہولڈنگ کمپنی ہے جو کمپنی میں 55.36 فیصد شیئر ہولڈنگ کی حامل ہے۔

سرل خود آئی بی ڈبل ہیلتھ کیئر لمیٹڈ اور نیکسٹر فارما (پرائیویٹ) لمیٹڈ کی ہولڈنگ کمپنی ہے جو بالترتیب 74.19 فیصد اور 70.34 فیصد شیئر ہولڈنگ کی حامل ہے۔ مزید برآں سرل 4 مکمل ملکیتی ذیلی اداروں بنام سرل فارما سیویٹیکلز (پرائیویٹ) لمیٹڈ، سرل لیبارٹریز (پرائیویٹ) لمیٹڈ، سرل بائیواسائنسز (پرائیویٹ) لمیٹڈ اور آئی بی ڈبل آئیڈیٹیٹی (پرائیویٹ) لمیٹڈ (سابق ال-عابد ایکسپورٹس (پرائیویٹ) لمیٹڈ) کی بھی حامل ہے۔

پرن آف شیئر ہولڈنگ

30 جون 2016 کو بیزنس آف شیئر ہولڈنگ بشمول شیئر ہولڈرز کی کیگرنیز، جیسا کہ کمپنی آرڈیننس کی دفعہ 236 اور لسٹنگ ریگولیشنز کے تحت ضروری

ہے، مالیاتی رپورٹ کے صفحہ نمبر 172 تا 175 پر پیش کی جارہی ہیں۔

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

کمپنی کے حصص کا کاروبار پاکستان اسٹاک ایکسچینج لمیٹڈ میں کیا جاتا ہے۔ ڈائریکٹرز، سی ای او، کمپنی سیکریٹری اور سی ایف او اور ان تمام حضرات کی شریک حیات اور نابالغ بچوں نے، ماسوائے درج ذیل افراد کے کمپنی کے شیئرز میں کسی قسم کا کاروبار نہیں کیا:

| نام | خریدے گئے شیئرز | فروخت کئے گئے شیئرز |
|-------------------|-----------------|---------------------|
| مسز شکیلہ راشد | - | 94,600 |
| جناب شاہد عبداللہ | 7,100 | 7,100 |
| جناب اسد عبداللہ | 7,500 | - |

بورڈ کو اس لین دین کے بارے میں آگاہ کر دیا تھا۔

کاروباری ضوابط

ہم سرل میں یقین رکھتے ہیں کہ، ایمانداری کامیاب کاروباری سرگرمیوں کا ایک بنیادی جزو ہے۔ ساکھ، بھروسہ اور اعتماد وہ ضروری عناصر ہیں جن کی توسیع اور تحفظ ہماری ذمہ داری ہے تاکہ سب کو فائدہ پہنچے اور ہم بہتر باہمی تعلقات قائم کر سکیں۔ کمپنی اپنے صارفین کی ضروریات کو سمجھتی ہے اور اس بات کو ملحوظ خاطر رکھتے ہوئے کاروباری سرگرمیوں کے تمام تر دائرہ کار میں مستقل بہتری کی خواہاں ہے۔

پروڈکٹ کا معیار

سرل میں ہم یقین رکھتے ہیں کہ طبی خدمات کی دستیابی، رسائی، قبولیت اور معیار کو یقینی بنانا ہماری اولین ذمہ داری ہے۔

مندرجہ بالا فلسفے کے تحت ہم مریضوں کی صحت و دیکھ بھال کے تحفظ کے ضمن میں اپنی ذمہ داری پوری کرنے پر کاربند ہیں اور یقین دلاتے ہیں کہ طبی مصنوعات کی تیاری سے منسلک سرگرمیوں پر سمجھوتہ نہیں کیا جاتا اور تمام سرگرمیاں اس معیار کی ہوتی ہیں جو مریضوں کی توقعات کے مطابق ہوں۔ ہماری مصنوعات معیار کے وعدے کے ساتھ ہوتی ہیں اور ہم اپنی مصنوعات کے معیار سے متعلق تمام معاملات کو انتہائی سنجیدگی سے دیکھتے ہیں۔

دوا سازی کی صنعت طبی دیکھ بھال کے نظام کا اہم ترین حصہ ہے جس میں کئی فطری خطرات بھی موجود ہیں۔ مذکورہ بالا فلسفے پر عمل کرتے ہوئے ہم تسلیم کرتے ہیں کہ پروڈکٹ کو ڈیزائن کرنے یا اس کی تیاری میں غلطی، خطرناک بھی ہو سکتی ہے لہذا معیار کی دیکھ بھال اور مستقل بہتری کمپنی کی اولین ترجیح اور اخلاقی ذمہ داری ہے۔

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

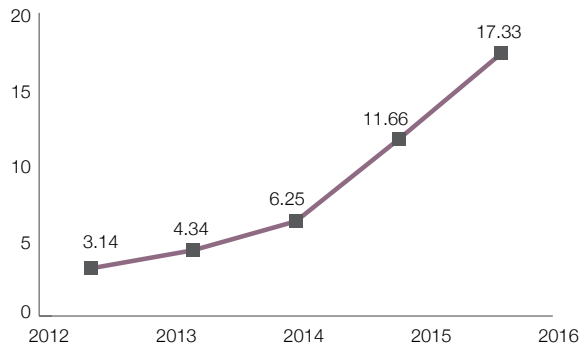
اقدامات کرتے ہیں، جس سے ہمارے اسٹیک ہولڈرز کو زیادہ سے زیادہ اطمینان حاصل ہو سکے۔ پائیدار ترقی اور آمدنی پر منحصر سرمایہ کاری، اعلیٰ ترین سطح کی افزائش اور تسلسل سے مارجن میں اضافہ فراہم مع مستحکم نقد بہاؤ اور حصص یافتگان کے لئے منافع جات میں اضافہ ہماری انتہائی اہم اور اولین ترجیحات ہیں۔

سرل کمپنی کا کاروبار رواں مالی سال کے دوران بہترین رہا۔ کمپنی مستحکم انداز میں چلتی رہی اور مسابقتی ماحول میں استحکام کے ساتھ بہترین نتائج حاصل کئے، جو کہ ہماری پہلے سے بہتر مالیاتی کارکردگی سے ظاہر ہوتا ہے۔

سال 2016 کے دوران کمپنی کی مالیاتی کارکردگی نے نئی بلندیوں کو چھوا لیا۔ کمپنی کا رپورٹ کردہ ریویونو 9.5 ارب ہے جو گزشتہ سال کے مقابلے میں 25.61 فیصد متاثر کن ترقی کا حامل ہے۔ مزید برآں کمپنی کا منافع بعد از ٹیکس بھی 48.6 فیصد کے نمایاں اضافے سے بڑھا۔ یہ بہتر شرح، ڈاکٹر کوریج میں اضافی، پروڈکٹ پورٹ فولیو میں پختگی، بلند حجم، شاندار پروڈکٹ کس، برانڈنگ کی کوششوں اور طلب میں استحکام کی بدولت حاصل ہوئی۔ مزید برآں اخراجات پر سخت کنٹرول نے بھی کمپنی کی مالیاتی کارکردگی کو بہتر بنانے میں اپنا کردار ادا کیا۔

آمدنی فی شیئر

بنیادی آمدنی فی شیئر بعد از ٹیکس 17.33 روپے تھی (11.66 روپے: 2015)۔



ڈائریکٹرز 30 جون 2016 کیلئے کے آڈٹ شدہ مالیاتی حسابات کے ساتھ سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

ڈائریکٹرز کی رپورٹ کمپنیز آرڈیننس 1984 کی دفعہ 236، پاکستان اسٹاک ایکسچینج لمیٹڈ کے ضابطے 5.19.11 اور کوڈ آف کارپوریٹ گورننس 2012 کی شق xvi کے مطابق تیار کی گئی ہے۔

یہ رپورٹ کمپنی کے 51 ویں سالانہ اجلاس عام منعقدہ 28 اکتوبر 2016 میں ممبران کو پیش کی جائے گی۔

روایت کے مطابق، سال 2016 مریضوں کے لئے جنگی ہم خدمت کرتے ہیں اور ہمارے حصص یافتگان کے لئے ایک بار پھر بہترین سال رہا۔ سرل کمپنی مستحکم ہو رہی ہے اور ساتھ ہی آپریشنز میں بہتری اس بات کی دلیل ہے کہ سرل ایک باوسائل اور جامع دواساز کمپنی کی صورت میں، ایک نئے دور میں آنے کے لئے تیار ہے۔

2015 2016

| | | |
|-----------|-----------|-------------------------------|
| 7,582,470 | 9,524,575 | آمدنی |
| 3,332,300 | 3,714,074 | مجموعی منافع |
| 43.9% | 38.99% | مجموعی منافع کی فیصد شرح |
| 2,032,208 | 2,701,714 | آپریٹنگ اخراجات |
| 26.8% | 28.37% | آپریٹنگ اخراجات کی فیصد شرح |
| 1,300,092 | 1,012,360 | آپریٹنگ منافع جات |
| 17.1% | 10.63% | آپریٹنگ منافع جات کی فیصد شرح |
| 805,676 | 1,806,046 | دیگر آمدنی |
| 1,767,664 | 2,520,295 | منافع قبل از ٹیکس |
| 1,405,413 | 2,089,388 | منافع بعد از ٹیکس |
| 18.5% | 21.94% | منافع بعد از ٹیکس کی فیصد شرح |

آپریٹنگ نتائج

ہمارا یقین ہے کہ کامیابی اور ترقی انھیں ملتی ہے جو اس کے لئے تیار ہوتے ہیں۔ سرل میں ہم ہر گھڑی تیاری مکمل رکھتے ہیں اور ہوشیاری سے، بروقت

OUR STRENGTH IS
OUR PEOPLE



OUR GLOBAL BUSINESS DIVISION

We have teams operating in different parts of the world. This is a division that is also our learning hub. Sharing experiences from different markets, is giving us valuable insights into the different facets of the business. Making us a truly international Company.



Mr. Moujood Hassan
Director Global
Business Division



OUR PRODUCTS

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

TSCC enjoys the category championship in wide range of products.



CO-OLESTA

More than 70% of patients achieved their BP goal



SELANZ SR

Sustained and fine one for nine



LEVOXIN

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



EZIUM

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



HYDRYLLIN

No. 1 cough syrup for everyone



XADINE

Truly non-sedative anti-allergic



ZENBAR

First line management for diabetic peripheral neuropathic pain



EXTOR

Effective way to control blood pressure



ADRONIL

The number one prescribed Ibandronate in Pakistan



NUBEROL/NUBEROL FORTE

A powerful and effective analgesic, muscle relaxant



Byscard

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

OUR STRENGTH IS
OUR PEOPLE



OUR HR DEPARTMENT

It is like a home to us. This department comprises of experienced experts. From recruiting to solving problems of employees, this department is always busy working for the welfare of the employees, securing their interests and planning their future growth.



Mr. Athar Iqbal
Director HR & Admin





RHULEF

An effective DMARD for rheumatoid arthritis

VITRUM
Best combination Multi-Vitamin and Multi-Minerals



SEARLE NUTRITION
Where good health begins



CANDEREL
Sugar that suits everyone



GUTCARE
Protect moments naturally



LOMOTIL
Leading Antidiarrheal



XAROBAN
Go with the flow safely



RANCARD XR
Innovative metabolic approach for the management of angina



PEDITRAL
The most trusted ORS of Pakistan

OUR STRENGTH IS
OUR PEOPLE



OUR BIOSCIENCES DEPARTMENT

Making products that are Bio-similar are now more affordable, this department is making remarkable contributions. Many successful new products, projects and segments have been introduced that have contributed a lot in the overall growth of the organization.



Dr. Syed Sarwar
Director & GM
Searle Biosciences



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company : The Searle Company Limited
 Year ended : June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors representing minority interest on its board of directors. At present the board includes:

| Category | Names |
|--------------------------|--|
| Independent Directors: | Mr. Husain Lawai |
| Executive Directors: | Mr. Rashid Abdulla Mr. S. Nadeem Ahmed Mr. Zubair Palwala |
| Non-Executive Directors: | Mr. Adnan Asdar Ali Mr. Ayaz Abdulla Mr. Shahid Abdullah Mr. Arshad Anis Mr. Mufti Zia Ul Islamt |

The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

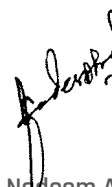
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or NBF1 or, being a Broker of a stock

exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurring on the Board on 18/02/2016 and 02/03/2016 were filled up by the directors within 88 days and 89 days, respectively.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the board/ shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged training programs for its directors during the year.
10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared

in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three members, all are non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members; all of them are non-executive directors including the Chairman.
18. The board has outsourced the internal audit function to BDO Ebrahim & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employee(s) and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.



Syed Nadeem Ahmed
Chief Executive Officer

Dated: September 28, 2016

OUR STRENGTH IS
OUR PEOPLE



OUR NUTRITION DEPARTMENT

A important division of our business is in nutrition, and we have the best of the people to guide for this rather challenging unit. We are proud of the fact that we are exploring possibilities in this sector with the best people in the market.



Mr. Mufti Zial ul Islam
Chief Executive Officer
IBL HealthCare



Mr. Sohail Chishti
Director
Infant Nutrition Division



Mr. Fakhr-e-Alam
Director & General Manager
Searle Nutrition Division



Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of The Searle Company Limited (the Company) for the year ended June 30, 2016 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Karachi
Date: September 28, 2016



Grant Thornton Anjum Rahman
Chartered Accountants
Khaliq-ur-Rahman

Auditors' Report to the Members of the Searle Company Limited

We have audited the annexed unconsolidated balance sheet of The Searle Company Limited (the Company) as at June 30, 2016 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these unconsolidated statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
 - i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



Grant Thornton Anjum Rahman
Chartered Accountants
Khaliq-ur-Rahman

Karachi
Date: September 28, 2016

Chartered Accountants
Member of Grant Thornton International Ltd
Offices in Islamabad & Lahore

UNCONSOLIDATED BALANCE SHEET

As at June 30, 2016

| | Note | 2016 | 2015 |
|--|------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| - Property, plant and equipment | 5 | 808,692 | 687,332 |
| - Intangible assets | 6 | 69,885 | 30,642 |
| | | 878,577 | 717,974 |
| Investment property | 7 | 2,483,919 | 2,491,318 |
| Long-term investments | 8 | 2,636,202 | 519,091 |
| Long-term loans | 9 | 351 | 446 |
| Long-term deposits | 10 | 1,598 | 1,598 |
| Total non-current assets | | 6,000,647 | 3,730,427 |
| Current assets | | | |
| Stores and spares | | 1,004 | 1,004 |
| Stock-in-trade | 11 | 1,166,583 | 1,016,154 |
| Trade debts | 12 | 2,577,971 | 2,182,838 |
| Loans and advances | 13 | 770,147 | 352,331 |
| Trade deposits and short-term prepayments | 14 | 130,780 | 101,295 |
| Other receivables | 15 | 241,022 | 300,188 |
| Advance tax | | 530,456 | 171,580 |
| Cash and bank balances | 16 | 87,888 | 122,821 |
| Total current assets | | 5,505,851 | 4,248,211 |
| Total assets | | 11,506,498 | 7,978,638 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Authorized share capital 140,000,000 (2015: 140,000,000) ordinary shares of Rs. 10 each | | 1,400,000 | 1,400,000 |
| Issued, subscribed and paid-up share capital | 17 | 1,227,523 | 858,407 |
| Reserves | | | |
| -General reserve | | 280,251 | 280,251 |
| -Share premium account | | 1,630,974 | - |
| -Unappropriated profit | | 5,041,469 | 3,409,017 |
| Total shareholders' equity | | 8,180,217 | 4,547,675 |
| Surplus on revaluation of fixed assets | 18 | 296,961 | 296,961 |
| Non-current liabilities | | | |
| Long term finances - secured | 19 | 428,571 | 642,857 |
| Deferred liabilities | 20 | 79,852 | 69,985 |
| Total non-current liabilities | | 508,423 | 712,842 |
| Current liabilities | | | |
| Current portion of long term finances | 19 | 214,286 | 107,143 |
| Short-term finances - secured | 21 | 475,577 | 682,334 |
| Trade and other payables | 22 | 1,819,328 | 1,617,026 |
| Accrued mark-up | 23 | 11,706 | 14,657 |
| Total current liabilities | | 2,520,897 | 2,421,160 |
| Total liabilities | | 3,029,320 | 3,134,002 |
| Contingencies and commitments | 24 | | |
| Total equity and liabilities | | 11,506,498 | 7,978,638 |

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.



Syed Nadeem Ahmed
Chief Executive Officer



Rashid Abdulla
Director

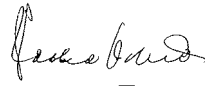
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 ----- (Rupees in '000) ----- |
|---|------|--------------------------------------|--------------------------------------|
| NET SALES | 25 | 9,524,575 | 7,582,470 |
| COST OF SALES | 26 | 5,810,501 | 4,250,170 |
| GROSS PROFIT | | 3,714,074 | 3,332,300 |
| Selling and distribution expenses | 27 | 2,420,331 | 1,829,885 |
| Administrative expenses | 28 | 281,383 | 202,323 |
| | | 2,701,714 | 2,032,208 |
| OPERATING PROFIT | | 1,012,360 | 1,300,092 |
| Other income | 29 | 1,806,046 | 805,676 |
| | | 2,818,406 | 2,105,768 |
| Other expenses | 30 | 187,964 | 147,938 |
| Finance cost | 31 | 110,147 | 190,166 |
| | | 298,111 | 338,104 |
| PROFIT BEFORE INCOME TAX | | 2,520,295 | 1,767,664 |
| Income tax expense | 32 | 430,907 | 362,251 |
| PROFIT FOR THE YEAR | | 2,089,388 | 1,405,413 |
| | | 2016 | (Re-stated) 2015 |
| | | ----- (Rupees in '000) ----- | ----- (Rupees in '000) ----- |
| EARNINGS PER SHARE - BASIC AND DILUTED | 33 | 17.33 | 11.66 |

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.


Syed Nadeem Ahmed
Chief Executive Officer


Rashid Abdulla
Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|--|--------|--------------------------------------|-----------|
| PROFIT FOR THE YEAR | | 2,089,388 | 1,405,413 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit and loss account | | - | - |
| Items that will not be subsequently reclassified to profit and loss account | | | |
| Remeasurement of defined benefit obligations | 34.1.4 | (1,982) | (1,802) |
| Total of items that will not be reclassified to profit and loss account | | (1,982) | (1,802) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 2,087,406 | 1,403,611 |

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.



Syed Nadeem Ahmed
Chief Executive Officer



Rashid Abdulla
Director

UNCONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|---|------|------------------------------|-----------|
| | | ----- (Rupees in '000) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations after working capital changes | 35 | 2,424,007 | 1,375,669 |
| Gratuity paid | | (4,973) | (1,293) |
| Taxes paid | | (782,353) | (350,804) |
| Recovery of long-term loans - net | | 95 | 56 |
| Payment of short-term loans and advances - net | | (417,816) | (207,494) |
| Net cash generated from operating activities | | 1,218,960 | 816,134 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 5.1 | (160,873) | (61,595) |
| Additions to capital work in progress - net | 5.7 | (27,319) | (1,136) |
| Purchase of intangible assets | 6 | (45,982) | (2,820) |
| Expenditures incurred on investment property | 7.2 | (40,330) | (122,991) |
| Long-term investment in subsidiaries | | (2,117,111) | (159,191) |
| Proceeds from disposal of property, plant and equipment | 5.5 | 5,864 | 25,044 |
| Mark-up received/expenses claimed from associated Company - net | | - | 1,650 |
| Net cash used in investing activities | | (2,385,751) | (321,039) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Share money received against issue of right shares | | 1,716,817 | - |
| Long-term finance (re-paid) | | (107,143) | (75,000) |
| Dividend paid | | (166,217) | (162) |
| Finance charges paid | | (104,842) | (204,185) |
| Net cash generated from / (used in) financing activities | | 1,338,615 | (279,347) |
| Net increase in cash and cash equivalents | | 171,824 | 215,748 |
| Cash and cash equivalents at the beginning of the year | | (559,513) | (775,261) |
| Cash and cash equivalents at the end of the year | 36 | (387,689) | (559,513) |

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.


 Syed Nadeem Ahmed
 Chief Executive Officer


 Rashid Abdulla
 Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2016

| | Reserves | | | | | | Total share holders' equity |
|--|------------------|---|-------------------------|----------------|-----------------------|-----------------------|-----------------------------|
| | Share capital | Capital Reserve for issue of bonus shares | Revenue General reserve | Total reserves | Share premium account | Unappropriated profit | |
| | (Rupees in '000) | | | | | | |
| Balance as at July 1, 2014 | 613,148 | - | 280,251 | 280,251 | - | 2,250,665 | 3,144,064 |
| Profit for the year | - | - | - | - | - | 1,405,413 | 1,405,413 |
| Other comprehensive loss | - | - | - | - | - | (1,802) | (1,802) |
| Total comprehensive income | - | - | - | - | - | 1,403,611 | 1,403,611 |
| Transactions with owners | | | | | | | |
| Transfer to reserve for issue of bonus shares | - | 245,259 | - | 245,259 | - | (245,259) | - |
| Bonus shares issued at the rate of 40% in the ratio of 40 shares for every 100 shares held | 245,259 | (245,259) | - | (245,259) | - | - | - |
| Total transactions with owners | 245,259 | - | - | - | - | (245,259) | - |
| Balance as at June 30, 2015 | 858,407 | - | 280,251 | 280,251 | - | 3,409,017 | 4,547,675 |
| Balance as at July 1, 2015 | 858,407 | - | 280,251 | 280,251 | - | 3,409,017 | 4,547,675 |
| Profit for the year | - | - | - | - | - | 2,089,388 | 2,089,388 |
| Other comprehensive loss | - | - | - | - | - | (1,982) | (1,982) |
| Total comprehensive income | - | - | - | - | - | 2,087,406 | 2,087,406 |
| Transactions with owners | | | | | | | |
| Transfer to reserve for issue of bonus shares | - | 283,273 | - | 283,273 | - | (283,273) | - |
| Bonus shares issued @ 20% in the ratio of 20 shares for every 100 shares held | 171,681 | (171,681) | - | (171,681) | - | - | - |
| Cash dividend paid for the year ended June 30, 2015 @ Rs. 2 per share | - | - | - | - | - | (171,681) | (171,681) |
| Right shares issued @ 10% in the ratio of 10 shares for every 100 shares held | 85,843 | - | - | - | 1,630,974 | - | 1,716,817 |
| Interim Bonus shares issued @ 10% in the ratio of 10 shares for every 100 shares held | 111,592 | (111,592) | - | (111,592) | - | - | - |
| Total transactions with owners | 369,116 | - | - | - | 1,630,974 | (454,954) | 1,545,136 |
| Balance as at June 30, 2016 | 1,227,523 | - | 280,251 | 280,251 | 1,630,974 | 5,041,469 | 8,180,217 |

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.



Syed Nadeem Ahmed
Managing Director



Rashid Abdulla
Chief Executive Officer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

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 products and other consumer products. In addition, the Company is engaged in sale of food and consumer products, and manufacture of pharmaceutical products for other companies. The registered office of the Company is situated at First Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

International Brands Limited is the holding Company, which holds 55.36% shareholding in the Company.

The Company is the holding Company of IBL HealthCare Limited and Nextar Pharma (Private) Limited due to significant representation in the board of directors of aforementioned companies having 74.19% and 70.34% shareholding respectively.

The Company owns four wholly owned subsidiaries namely Searle Pharmaceuticals (Private) Limited, Searle Laboratories (Private) Limited, Searle Biosciences (Private) Limited and IBL Identity (Private) Limited [Formerly Al-Abid Exports (Private) Limited].

2 STATEMENT OF COMPLIANCE

2.1 These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 STANDARDS, INTERPRETATION AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

2.2.1 Standards, amendments and interpretations to the published standards that are relevant to the Company and adopted in the current year

| | Introductory amendments and improvements of standards and interpretations | Effective date |
|------|--|-----------------------|
| IFRS | 10 - Consolidated Financial Statements | January 1, 2015 |
| IFRS | 11 - Joint Arrangements | January 1, 2015 |
| IFRS | 12 - Disclosure of Interests in other Entities | January 1, 2015 |
| IFRS | 13 - Fair Value Measurement | January 1, 2015 |
| IAS | 27 - Separate Financial Statements | January 1, 2015 |
| IAS | 28 - Investments in Associates and Joint Ventures | January 1, 2015 |

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended June 30, 2015 and 2016.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

2.2.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on June 01, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

2.2.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

| Amendments and improvements of standards | Effective date |
|---|-----------------|
| IAS 1 - Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements) | January 1, 2016 |
| IFRS 10, IFRS 12 and IAS 28 - Investment Entities : Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) | January 1, 2016 |
| IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Postponed |
| Annual Improvements to IFRSs 2012 - 2014 Cycle | January 1, 2016 |
| IAS 16 and IAS 41 - Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) | January 1, 2016 |
| IAS 27 - Equity method in Separate Financial Statements (Amendments to IAS 27) | January 1, 2016 |
| IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38) | January 1, 2016 |
| IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) | January 1, 2016 |
| IAS 7 - Disclosure Initiative (Amendments to IAS 7) | January 1, 2017 |
| IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) | January 1, 2017 |

2.2.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP) for applicability in Pakistan

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard or Interpretation | IASB effective date (Annual periods beginning on or after) |
|---|--|
| IFRS 14 - Regulatory Deferral Accounts | January 1, 2016 |
| IFRS 15 - Revenue from Contracts with Customers | January 1, 2018 |
| IFRS 9 - Financial Instruments (2014) | January 1, 2018 |
| IFRS 16 - Leases | January 1, 2019 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

3 BASIS OF PREPARATION

These unconsolidated financial statements have been prepared under the 'historical cost convention' except the revaluation of certain assets at fair value and recognition of certain retirement benefits at present value.

These unconsolidated financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

3.1 Use of critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised. Significant areas requiring the use of management estimates in these unconsolidated financial statements relate to the following:

| | Note |
|--|-----------|
| a) Staff retirement benefits | 4.2 |
| b) Taxation | 4.3 |
| c) Useful life of depreciable and amortizable assets | 4.5 & 4.6 |
| d) Revaluation of assets | 4.5.2 |
| e) Estimates of recoverable amounts of inventories | 4.10 |
| f) Loans and receivables | 4.11 |
| g) Provisions | 4.16 |
| h) Impairment | 4.17 |

The determination of carrying amount of staff retirement benefits that are defined benefit plans requires actuarial assumptions and estimates about financial variables such as future salary increases, and demographic variables such as employee turnover, mortality rates, etc. The Company employs services of professional actuaries to make such estimates and assumptions using actuarial techniques.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented except for the change in accounting policy as disclosed in note 2.2.1 to the unconsolidated financial statements.

4.1 Loans and finances

These are initially recognized at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are recognized at amortized cost using the effective interest method.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

4.2 Staff retirement benefits

4.2.1 Defined benefit plan

The Company operates an unfunded gratuity scheme covering all unionized employees with five or more years of service with the Company. The provision has been made in accordance with actuarial valuations carried out as of June 30, 2016 using the projected unit credit method based on the significant assumptions stated in note 34.

4.2.2 Defined contribution plan

In addition, the Company operates a recognized provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and employees, to the fund at the rate of 10% of basic salary.

4.3 Taxation

4.3.1 Current

The charge of current tax is based on taxable income at the applicable rate of taxation after taking into account available tax credits and rebates. Income for the purpose of computing current taxation is determined under the provisions of tax laws.

4.3.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the unconsolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted. The Company takes into account the current income tax law and decisions taken by the taxation authorities.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.4 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which these are incurred.

4.5 Property, plant and equipment

4.5.1 Initial recognition

An item of property, plant and equipment is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

The Company accounts for property, plant and equipment acquired under finance lease by recording the assets and the related liability. These amounts are determined at the inception of lease, on the basis of the lower of the fair value and the present value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant rate of charge on the outstanding liability.

4.5.2 Measurement subsequent to initial recognition

a) *Carried using revaluation model*

Building on leasehold land, plant and machinery, motor vehicles and air conditioning systems are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Leasehold land is stated at its revalued amount. Fair value is determined by external professional valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

b) *Carried using cost model*

Property, plant and equipment other than those mentioned above are stated at cost less accumulated depreciation and accumulated impairment losses.

c) *Depreciation*

Depreciation on assets (other than leasehold land) is charged to unconsolidated profit and loss account applying the straight-line method whereby the cost of an asset is written off over its useful life. Same basis and estimates for depreciation are applied to owned assets and assets acquired under finance lease.

Depreciation on additions is charged from the month during which the asset is available for use. For disposals during the year, depreciation is charged up to the end of the month preceding the month of disposal. Depreciation is charged to unconsolidated profit and loss account or included in the cost of inventory by applying the rates mentioned in note 5.1.

Maintenance and normal repairs are charged to unconsolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of property, plant and equipment are included in unconsolidated profit and loss account.

d) *Surplus on revaluation of fixed assets*

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. Accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

4.5.3 Capital work in progress

Capital work in progress (CWIP) is stated at cost less any impairment losses. All expenditures in connection with specific assets incurred during installation and construction period are carried to CWIP. These expenditures are transferred to operating assets as and when these are available for intended use.

4.6 Intangible assets

- An intangible asset is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition of the asset. Intangible assets are subsequently stated at cost less accumulated amortization and accumulated impairment losses. Gains and losses on disposal of intangible assets are included in unconsolidated profit and loss account.
- Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses, if any.
- Intangibles having infinite life are carried at cost less impairment, if any.
- Amortization is calculated using the straight line method to allocate the cost of trademarks and licenses over the useful lives (3 - 15 years) by applying the rates mentioned in note 6 to the financial statements.

4.7 Investment property

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

Building classified under investment property is carried at its respective cost less accumulated depreciation and accumulated impairment losses if any.

Leasehold land classified under investment property is carried at its respective cost less accumulated impairment losses if any.

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

4.8 Investments

4.8.1 Investment in subsidiary companies

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

4.8.2 Investment in associated companies

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or common directorship. Investments in associates are initially recognized at cost. At subsequent reporting dates, the recoverable

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in unconsolidated profit and loss account. Investment in associates are accounted for using the equity method of accounting in the consolidated financial statements.

4.9 Stores and spares

All stores, spares and loose tools either imported or purchased locally are charged to unconsolidated profit and loss account when consumed and are valued at cost, which is determined on a first-in-first-out basis. Spares-in-transit are valued at cost accumulated to the balance sheet date. A provision is made for any excess of book value over net realizable value.

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spares and loose tools.

4.10 Stocks-in-trade

These are valued at the lower of cost and net realizable value except goods-in-transit which are valued at invoice price and related expenses incurred up to the balance sheet date. Cost signifies standard cost adjusted by variances.

Cost of raw and packing material comprises purchase price including directly related expenses less trade discounts. Cost of work-in-process and finished goods includes cost of raw material, direct labor and related production overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.

4.11 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (a) those that the Company intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Company upon initial recognition designates as at fair value through profit or loss; (b) those that the Company upon initial recognition designates as available for sale; or (c) those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Subsequent to initial measurement loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment. Gains or losses arising on remeasurement of loans and receivables are taken to the profit and loss account.

Gains or losses are also recognized in profit and loss account when loans and receivables are derecognized or impaired, and through the amortization process.

Interest free loans to employees are stated at cost and recovered in equal monthly installments through salary of the employees.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, and current and deposit account balances with banks. Running finance facilities availed by the Company, which are payable on demand and form an

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

integral part of Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

4.13 Foreign currencies

Transactions in foreign currencies are accounted for in rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies as at the balance sheet date are expressed in rupees at rates of exchange prevailing on that date except where forward exchange cover has been obtained for payment of liabilities, in which case the contracted rates are applied. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange gains and losses are included in unconsolidated profit and loss account.

4.14 Revenue recognition

Revenue is recognized when it is probable that economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Sales are recorded on dispatch of goods. Export sales are recorded when the goods are shipped.
- Toll manufacturing income is recognized when services are rendered.
- Dividend income, other than those from investments measured using equity method, is recognized when the Company's right of receipt is established.
- Bank profit and commission income is recognized on accrual basis.

4.15 Research and development cost

- Research cost is charged to unconsolidated profit and loss account as and when incurred.
- Development cost is charged to unconsolidated profit and loss account when it does not meet the criteria of capitalization as specified in IAS 38 'Intangible Assets'.

4.16 Provisions

Provisions are recognized in the unconsolidated balance sheet when the Company has a legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

4.17 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in unconsolidated profit and loss account.

4.18 Financial instruments

4.18.1 Recognition

A financial instrument (financial asset or financial liability) is recognized in the unconsolidated balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets carried on the unconsolidated balance sheet include cash and bank balances, long term investments, trade debts, other receivables, loans, advances and deposits.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

Financial liabilities carried on the unconsolidated balance sheet include long term finances, loans, advances and deposits, short term finances, trade and other payables and accrued mark-up.

At the time of initial recognition i.e. at the time when the Company becomes a party to the contractual provisions of the instrument, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it following trade date accounting. Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs incurred on financial assets and liabilities classified as 'at fair value through profit or loss' and 'held for trading' and that may be incurred on disposal. The particular recognition methods adopted for the measurement of financial assets and liabilities subsequent to initial measurement are disclosed in the policy statements associated with each item.

Financial assets or a part thereof is derecognized when the Company loses control of the contractual rights that comprise the financial asset or part thereof. Financial liabilities or a part thereof is removed when it is extinguished, i.e. the obligation specified in contract is discharged, cancelled or expired.

4.18.2 Off-setting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4.18.3 Regular way purchase and sale transactions

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the asset.

4.19 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the board of directors, it is in the interest of the Company to do so.

4.20 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's unconsolidated financial statements in the period in which such dividends are approved.

4.21 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. The unconsolidated financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

4.22 General

- Figures have been rounded-off to nearest thousand rupee, unless stated otherwise.
- The comparative figures have been reclassified where considered necessary for the purpose of better presentation of the financial statements. However, no material reclassifications are made in these unconsolidated financial statements which have not been disclosed separately.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

5 PROPERTY, PLANT AND EQUIPMENT

Operating assets
Capital work in progress - at cost

| Note | 2016 | 2015 |
|------|------------------------------|---------|
| | ----- (Rupees in '000) ----- | |
| 5.1 | 781,373 | 687,332 |
| 5.7 | 27,319 | - |
| | 808,692 | 687,332 |

5.1 The following is a statement of operating assets:

| | Owned assets | | | | | | | Total |
|--|------------------------------|----------------------------|---------------------|------------------|------------------------|---------------|--------------------|------------------|
| | Leasehold land* | Building on leasehold land | Plant and machinery | Office equipment | Furniture and fixtures | Vehicles | Air - conditioning | |
| | ----- (Rupees in '000) ----- | | | | | | | |
| As at June 30, 2015 | | | | | | | | |
| Cost / revalued amount | 420,847 | 181,768 | 715,841 | 61,232 | 23,863 | 29,243 | 57,301 | 1,490,095 |
| Accumulated depreciation | - | (126,595) | (545,958) | (39,881) | (19,775) | (15,768) | (54,786) | (802,763) |
| Net book amount | 420,847 | 55,173 | 169,883 | 21,351 | 4,088 | 13,475 | 2,515 | 687,332 |
| Year ended June 30, 2016 | | | | | | | | |
| Opening net book amount | 420,847 | 55,173 | 169,883 | 21,351 | 4,088 | 13,475 | 2,515 | 687,332 |
| Transfer from capital work in progress / Additions | - | 1,940 | 89,153 | 24,115 | 389 | 43,750 | 1,526 | 160,873 |
| Disposal (refer note 5.5) | - | - | (155,299) | (15,353) | (6,276) | (7,847) | (2,535) | (187,310) |
| Cost / revalued amount | - | - | 154,076 | 15,198 | 6,272 | 6,854 | 2,535 | 184,935 |
| Accumulated depreciation | - | - | (1,223) | (155) | (4) | (993) | - | (2,375) |
| Depreciation charge | - | (4,975) | (36,077) | (12,366) | (1,196) | (8,861) | (982) | (64,457) |
| Closing net book amount | 420,847 | 52,138 | 221,736 | 32,945 | 3,277 | 47,371 | 3,059 | 781,373 |
| As at June 30, 2016 | | | | | | | | |
| Cost / revalued amount | 420,847 | 183,708 | 649,695 | 69,994 | 17,976 | 65,146 | 56,292 | 1,463,658 |
| Accumulated depreciation | - | (131,570) | (427,959) | (37,049) | (14,699) | (17,775) | (53,233) | (682,285) |
| Net book amount | 420,847 | 52,138 | 221,736 | 32,945 | 3,277 | 47,371 | 3,059 | 781,373 |
| Depreciation rate | - | 5% and 20% | 10%, 20% and 33% | 10%, 20% and 33% | 10%, 20% and 33% | 20% | 10% and 20% | |
| As at June 30, 2014 | | | | | | | | |
| Cost / revalued amount | 273,976 | 181,768 | 702,958 | 42,377 | 23,573 | 39,375 | 56,470 | 1,320,497 |
| Accumulated depreciation | - | (121,569) | (508,493) | (35,152) | (18,333) | (26,954) | (54,097) | (764,598) |
| Net book amount | 273,976 | 60,199 | 194,465 | 7,225 | 5,240 | 12,421 | 2,373 | 555,899 |
| Year ended June 30, 2015 | | | | | | | | |
| Opening net book amount | 273,976 | 60,199 | 194,465 | 7,225 | 5,240 | 12,421 | 2,373 | 555,899 |
| Transfer from capital work in progress / Additions | 18,073 | - | 12,883 | 19,148 | 290 | 13,679 | 1,065 | 65,138 |
| Upward revaluation (refer note 18) | 128,798 | - | - | - | - | - | - | 128,798 |
| Disposal | - | - | - | (293) | - | (23,811) | (234) | (24,338) |
| Cost / revalued amount | - | - | - | 278 | - | 16,044 | 143 | 16,465 |
| Accumulated depreciation | - | - | - | (15) | - | (7,767) | (91) | (7,873) |
| Depreciation charge | - | (5,026) | (37,465) | (5,007) | (1,442) | (4,858) | (832) | (54,630) |
| Closing net book amount | 420,847 | 55,173 | 169,883 | 21,351 | 4,088 | 13,475 | 2,515 | 687,332 |
| As at June 30, 2015 | | | | | | | | |
| Cost / revalued amount | 420,847 | 181,768 | 715,841 | 61,232 | 23,863 | 29,243 | 57,301 | 1,490,095 |
| Accumulated depreciation | - | (126,595) | (545,958) | (39,881) | (19,775) | (15,768) | (54,786) | (802,763) |
| Net book amount | 420,847 | 55,173 | 169,883 | 21,351 | 4,088 | 13,475 | 2,515 | 687,332 |
| Depreciation rate | - | 5% and 20% | 10%, 20% and 33% | 10%, 20% and 33% | 10%, 20% and 33% | 20% | 10% and 20% | |

* Includes land having market value / fair value of Rs. 88.375 million (2015: Rs. 88.375 million) for which lease in the name of the Company has not been finalized.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

5.2 The Company had revalued its operating assets classified under leasehold land, building on leasehold land, plant and machinery and air-conditioning as at April 26, 2015. The valuation was performed by an independent valuer, M/s. Anderson Consulting (Private) Limited. The surplus arising on assets other than land as a result of accounting under revaluation model based on that valuation was not material, therefore, no effect of revaluation had been taken in the financial statements for the year ended June 30, 2016. These assets were earlier carried at such revalued amounts as determined by an independent valuer, M/s. Iqbal A. Nanjee as at June 30, 2004.

5.3 Had there been no revaluation of leasehold land, building on leasehold land, plant and machinery, vehicles and air-conditioning system, cost and written down value of revalued assets would have been as follows:

| Note | 2016 | 2015 |
|--|------------------------------|---------|
| | ----- (Rupees in '000) ----- | |
| 5.3.1 Cost of assets held under revaluation model | | |
| Owned assets | | |
| Leasehold land | 123,886 | 123,886 |
| Building on leasehold land | 146,074 | 144,134 |
| Plant and machinery | 537,457 | 521,584 |
| Vehicles | 65,146 | 29,243 |
| Air conditioning system | 20,510 | 20,837 |
| | 893,073 | 839,684 |
| 5.3.2 Net book amount under cost model of assets held under revaluation model | | |
| Owned assets | | |
| Leasehold land | 123,886 | 123,886 |
| Building on leasehold land | 52,139 | 55,173 |
| Plant and machinery | 221,736 | 169,882 |
| Vehicles | 47,372 | 13,476 |
| Air conditioning system | 3,059 | 2,515 |
| | 448,192 | 364,932 |
| 5.4 The depreciation expense has been allocated as follows: | | |
| Cost of sales | 26 44,527 | 45,387 |
| Selling and distribution expenses | 27 57,478 | 29,377 |
| Administrative expenses | 28 10,181 | 4,816 |
| | 112,186 | 79,580 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

5.5 Following items of property, plant and equipment were disposed off during the year:

| Description of asset sold | Cost / revalued amount | Accumulated depreciation | Net book value | Sale proceeds | Gain / (loss) | Mode of disposal | Particulars of buyers |
|---------------------------|------------------------|--------------------------|----------------|---------------|---------------|------------------|-----------------------|
|---------------------------|------------------------|--------------------------|----------------|---------------|---------------|------------------|-----------------------|

----- (Rupees in '000) -----

Plant & Machinery

Aggregate of assets written off having written down value above Rs. 50,000 each

| | | | | | | |
|-------|-----|-----|---|-------|-----------|--|
| 1,438 | 771 | 667 | - | (667) | Write off | |
|-------|-----|-----|---|-------|-----------|--|

| | | | | | | |
|-----|-----|-----|-----|-----|---------------------|---|
| 612 | 408 | 204 | 408 | 204 | Advertisement / bid | Mr.M.Imran Paracha House No. A 50, P.I.B. Colony, Karachi |
| 206 | 89 | 117 | 362 | 245 | Advertisement / bid | Mr. M.Nazim Ahmad House No. R-1017, Sector 16-A, Buffer Zone, Karachi |
| 413 | 103 | 310 | 675 | 365 | Advertisement / bid | Mr.S.Qasim Shah (Employee) Area Seedan, Akbar Pura, Newshehra |
| 251 | 88 | 163 | 392 | 229 | Advertisement / bid | Mr. Rizwan Mustafa House No. 36, Ali Murad, Khairpur |
| 251 | 79 | 172 | 279 | 107 | Insurance claim | PICIC Insurance Limited, 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi. |

Sub-total 3,171 1,538 1,633 2,116 483

Aggregate of assets disposed off having written down value below Rs. 50,000 each

| | | | | | |
|----------------------|---------|---------|-------|--------|--------|
| Plant & machinery | 153,861 | 153,305 | 556 | - | (556) |
| Office equipment | 15,353 | 15,198 | 155 | 50 | (105) |
| Furniture & fixtures | 6,276 | 6,272 | 4 | - | (4) |
| Vehicles | 6,114 | 6,087 | 27 | 3,673 | 3,646 |
| Air Conditioners | 2,535 | 2,535 | - | 25 | 25 |
| Sub-total | 184,139 | 183,397 | 742 | 3,748 | 3,006 |
| Total - 2016 | 187,310 | 184,935 | 2,375 | 5,864 | 3,489 |
| Total - 2015 | 24,338 | 16,465 | 7,873 | 25,044 | 17,171 |

Note 2016 2015
----- (Rupees in '000) -----

5.6 Net gain on disposal of property, plant and equipment has been presented as follows:

Other operating income - gain on disposal of property, plant and equipment

29 4,821 17,262

Other operating expenses - loss on disposal of property, plant and equipment

30 (1,332) (91)

3,489 17,171

5.7 Movement in capital work in progress

Balance at the beginning of the year

- 2,407

Additions during the year

27,319 1,136

Transfer to operating assets

- (3,543)

Balance at the end of the year

27,319 -

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|--|-------|------------------------------|---------------|
| | | ----- (Rupees in '000) ----- | |
| 6 INTANGIBLE ASSETS | | | |
| 6.1 Operating intangible assets | | | |
| Capital work in progress - at cost | 6.1.1 | 27,459 42,426 | 30,642 - |
| | | 69,885 | 30,642 |

| | Distribution rights | Brand name & logo | Software licenses | Total |
|---------------------------------|------------------------------|-------------------|-------------------|---------------|
| | ----- (Rupees in '000) ----- | | | |
| Year ended June 30, 2016 | | | | |
| Opening net book amount | - | 27,916 | 2,726 | 30,642 |
| Additions | - | - | 3,556 | 3,556 |
| Amortization charge | - | (5,000) | (1,739) | (6,739) |
| Closing net book amount | - | 22,916 | 4,543 | 27,459 |
| As at June 30, 2016 | | | | |
| Cost | 76,275 | 74,703 | 18,397 | 169,375 |
| Accumulated amortization | (76,275) | (51,787) | (13,854) | (141,916) |
| Net book amount | - | 22,916 | 4,543 | 27,459 |
| Year ended June 30, 2015 | | | | |
| Opening net book amount | - | 32,916 | 656 | 33,572 |
| Additions | - | - | 2,820 | 2,820 |
| Amortization charge | - | (5,000) | (750) | (5,750) |
| Closing net book amount | - | 27,916 | 2,726 | 30,642 |
| As at June 30, 2015 | | | | |
| Cost | 76,275 | 74,703 | 14,841 | 165,819 |
| Accumulated amortization | (76,275) | (46,787) | (12,115) | (135,177) |
| Net book value | - | 27,916 | 2,726 | 30,642 |
| Amortization rate | 10% | 10% | 33.33% and 20% | |

| | 2016 | 2015 |
|---|------------------------------|----------|
| | ----- (Rupees in '000) ----- | |
| 6.1.1 Movement in capital work in progress | | |
| Balance at the beginning of the year | - | - |
| Additions during the year | 42,426 | - |
| Transfer to operating assets | - | - |
| Balance at the end of the year | 42,426 | - |

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

7 INVESTMENT PROPERTY

| | Note | 2016 | 2015 |
|--|------|------------------|-----------|
| ---- (Rupees in '000) ---- | | | |
| Operating assets | 7.1 | 2,480,818 | 2,491,318 |
| Investment property under work in progress - at cost | 7.2 | 3,101 | - |
| | | 2,483,919 | 2,491,318 |

7.1 The following is a statement of operating assets:

| | Owned assets | | | | | | | | Total |
|---------------------------------|----------------|----------------------------|------------------|----------------------|-------------------|------------|----------------------|--------------------|-----------|
| | Leasehold Land | Building on Leasehold Land | Office Equipment | Electrical Equipment | Lifts & Elevators | Generators | Furniture & Fixtures | Air - conditioning | |
| ----- (Rupees in '000) ----- | | | | | | | | | |
| As at June 30, 2015 | | | | | | | | | |
| Cost / revalued amount | 1,915,871 | 353,254 | 7,597 | 52,402 | 41,200 | 22,136 | 38,168 | 85,640 | 2,516,268 |
| Accumulated depreciation | - | (10,137) | (886) | (3,057) | (2,403) | (1,291) | (2,180) | (4,996) | (24,950) |
| Net book amount | 1,915,871 | 343,117 | 6,711 | 49,345 | 38,797 | 20,845 | 35,988 | 80,644 | 2,491,318 |
| Year ended June 30, 2016 | | | | | | | | | |
| Opening net book amount | 1,915,871 | 343,117 | 6,711 | 49,345 | 38,797 | 20,845 | 35,988 | 80,644 | 2,491,318 |
| Additions | - | 12,109 | 314 | 8,696 | - | - | 6,816 | 9,294 | 37,229 |
| Depreciation charge | - | (18,521) | (1,528) | (6,617) | (4,120) | (2,214) | (4,885) | (9,844) | (47,729) |
| Closing net book amount | 1,915,871 | 336,705 | 5,497 | 51,424 | 34,677 | 18,631 | 37,919 | 80,094 | 2,480,818 |
| As at June 30, 2016 | | | | | | | | | |
| Cost / revalued amount | 1,915,871 | 365,363 | 7,911 | 61,098 | 41,200 | 22,136 | 44,984 | 94,934 | 2,553,497 |
| Accumulated depreciation | - | (28,658) | (2,414) | (9,674) | (6,523) | (3,505) | (7,065) | (14,840) | (72,679) |
| Net book amount | 1,915,871 | 336,705 | 5,497 | 51,424 | 34,677 | 18,631 | 37,919 | 80,094 | 2,480,818 |

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

| | 2016 | 2015 |
|--|-----------------|-----------|
| ----- (Rupees in '000) ----- | | |
| Balance at the beginning of the year | - | 477,406 |
| Addition under work in progress | 40,330 | 122,991 |
| Transfer to operating assets - investment property | (37,229) | (600,397) |
| Balance at the end of the year | 3,101 | - |

7.3 Leasehold land classified under investment property had been valued under the market value basis by an independent valuer, M/s. Pee Dee & Associates. Market value of the property based on the valuation as of August 31, 2016 was Rs. 1.905 billion. Further, all other assets classified under investment property have been valued under the market value basis by the same valuer. Market value of these assets based on the valuation as of August 31, 2016 was Rs. 699.950 million.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|--|---|------------------------------|---------|
| | | ----- (Rupees in '000) ----- | |
| 8 | LONG-TERM INVESTMENTS - in related parties | | |
| Quoted subsidiary - at cost | 8.2 | 1,300,911 | 194,716 |
| Unquoted subsidiaries - at cost | 8.3 | 785,553 | 135,400 |
| Other investment - at cost | | - | 188,975 |
| Advance against issue of shares | 8.4 | 549,738 | - |
| | | 2,636,202 | 519,091 |
| 8.1 | Long term investment in companies under; | | |
| - Islamic index (IBL HealthCare Limited) | 8.2 | 1,300,911 | 194,716 |
| - other than Islamic index | | 1,335,291 | 324,375 |
| | | 2,636,202 | 519,091 |

8.2 This represents 20,778,398 (2015: 10,591,500) fully paid ordinary shares of Rs. 10 each in IBL HealthCare Limited (IBLHC).

The Company has received 3,073,797 including 153,690 frozen shares against 20% stock dividend distributed by IBLHC during the year (2015: 3,449,997 shares).

During the year, the Company purchased 8,650,000 shares, exercised right of 1,536,898 shares and has also received 2,847,598 shares including 142,379 frozen shares against 10% interim stock dividend distributed by IBLHC during the year (2015: Nil). The Company was also entitled to receive 70,568 shares in respect of bonuses announced over frozen shares. The Company holds 31,720,349 shares (2015: 15,541,488 shares) in total of IBLHC and the proportion of ownership interest of the Company is 74.19% (2015: 51.97%).

The bonus shares received by the Company also include 296,069 shares which are freezed in the Central Depository Company (CDC) account in lieu of 5% withholding tax under sections 236M of the Income Tax Ordinance, 2001. The Company has filed a petition against such provision and the case is pending before the High Court.

8.3 This represents:

- 40,000 (2015: 40,000) fully paid ordinary shares of Rs. 10 each in wholly owned subsidiary named Searle Pharmaceuticals (Private) Limited, amounting to Rs. 0.4 million (2015: Rs. 0.4 million).
- 12,500,000 (2015: 12,500,000) fully paid ordinary shares of Rs. 10 each in wholly owned subsidiary named Searle Laboratories (Private) Limited, amounting to Rs. 125 million (2015: Rs. 125 million).
- 1,000,000 (2015: 1,000,000) fully paid ordinary shares of Rs. 10 each in wholly owned subsidiary named Searle Biosciences (Private) Limited, amounting to Rs. 10 million (2015: 10 million).
- 9,500,000 (2015: Nil) fully paid ordinary shares of Rs.10 each in wholly owned subsidiary named IBL Identity (Private) Limited [formerly Al-Abid Exports (Private) Limited], amounting to Rs.49.875 million (2015: Rs. Nil).
- 3,516,900 (2015: 1,360,000) fully paid ordinary shares of Rs.100 each in Nextar Pharma (Private) Limited (NPL), amounting to Rs. 600.277 million (2015: Rs.404.57 million), which represents 70.34% (2015: 27.20%) of the total share capital of NPL.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

- 8.4** This represents advance given to IBL Identity (Private) Limited [formerly Al-Abid Exports (Private) Limited] for further issue of shares.

| Note | 2016 | 2015 |
|------|------------------------------|------|
| | ----- (Rupees in '000) ----- | |

9 LONG-TERM LOANS

| | | | |
|--|-----|----------------|-------|
| Secured - considered good | 9.1 | 1,380 | 1,405 |
| Current portion - shown under loans and advances | 13 | (1,029) | (959) |
| | | 351 | 446 |

- 9.1** This represents interest-free loans for automobiles to employees other than executives, as defined in note 38. These are secured against provident fund balances of respective employees.

- 9.2** The maximum aggregate amount of these loans outstanding at any time during the year was Rs. 1.43 million (2015: Rs. 2.59 million). Such maximum amount is calculated by reference to the month-end balance.

| Note | 2016 | 2015 |
|------|------------------------------|------|
| | ----- (Rupees in '000) ----- | |

10 LONG-TERM DEPOSITS

| | | | |
|----------------------|--|--------------|-------|
| Deposit against rent | | 1,598 | 1,598 |
|----------------------|--|--------------|-------|

11 STOCK-IN-TRADE

| | | | |
|----------------------|----|------------------|-----------|
| Raw materials | | 357,372 | 441,818 |
| Packing materials | | 120,242 | 144,532 |
| Work in process | 26 | 105,456 | 100,148 |
| Finished goods | 26 | 457,607 | 237,124 |
| Materials in transit | | 125,906 | 92,532 |
| | | 1,166,583 | 1,016,154 |

12 TRADE DEBTS

| | | | |
|------------------------------------|-------------------|------------------|-----------|
| Considered good | | | |
| Export debtors, secured | | 56,211 | 60,467 |
| Due from: | | | |
| - associated companies - unsecured | 12.1, 12.2 & 39.2 | 2,173,678 | 1,855,372 |
| - subsidiary Company - unsecured | | 1,820 | - |
| - others - unsecured | | 346,262 | 266,999 |
| | | 2,521,760 | 2,122,371 |
| | | 2,577,971 | 2,182,838 |
| Considered doubtful - others | | 622 | 622 |
| Provision for doubtful debts | 12.3 | (622) | (622) |
| | | - | - |
| | | 2,577,971 | 2,182,838 |

- 12.1** The receivable is stated net of amounts payable aggregating Rs. 615.34 million (2015: Rs. 58.49 million) on account of expenses claimed by the associated Company.

- 12.2** At year-end, no amount was due from directors, chief executive officer and executives of the Company in respect of trade debts. Moreover, trade debts from related parties other than directors, chief executive officer and executives of the Company are as follows:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | 2015 |
|--|------------------------------|------------------|
| | ----- (Rupees in '000) ----- | |
| - IBL Operations (Private) Limited | 2,165,872 | 1,838,039 |
| - United Brands Limited | - | 16,840 |
| - Dunkin Donuts/International Franchises (Private) Limited | 40 | 10 |
| - Habitt | 7,766 | 483 |
| | 2,173,678 | 1,855,372 |

12.3 At year-end, trade debts aggregating Rs. 0.622 million (2015: Rs. 0.622 million) were deemed to have been impaired. These balances are outstanding for more than 4 years.

12.4 In addition, some of the un-impaired trade debts are past due as at the reporting date, no provision has been made in respect of such trade debts. The aging of trade debts 'past due' but not impaired of related parties is as follows:

| | 2016 | 2015 |
|--|------------------------------|----------------|
| | ----- (Rupees in '000) ----- | |
| - More than two months but less than four months | 1,192,948 | 842,879 |
| - More than four months but less than one year | 15,859 | 17,471 |
| - One year or more but less than two years | 2,874 | - |
| - Two years and more | 112 | 706 |
| | 1,211,793 | 861,056 |

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

| | Note | 2016 | 2015 |
|------------------------------------|------|------------------------------|----------------|
| | | ----- (Rupees in '000) ----- | |
| 13 LOANS AND ADVANCES | | | |
| Considered good | | | |
| Advances to: | | | |
| - employees | 13.1 | 54,569 | 49,074 |
| - suppliers | 13.2 | 714,549 | 302,298 |
| | | 769,118 | 351,372 |
| Current portion of long-term loans | 9 | 1,029 | 959 |
| | | 770,147 | 352,331 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

- 13.1** These mainly include advances for business purpose. Moreover, this also includes advances against salary for personal purposes. These are interest free and repayable on monthly basis. The reconciliation of amounts due from executives and non-executives of the Company is given as follows:

| | 2016 | | | 2015 | | |
|-----------------|------------------------------|----------------|-----------|------------|----------------|-----------|
| | Executives | Non-executives | Total | Executives | Non-executives | Total |
| | ----- (Rupees in '000) ----- | | | | | |
| Opening balance | 20,225 | 28,849 | 49,074 | 18,083 | 23,609 | 41,692 |
| Disbursements | 63,325 | 164,244 | 227,569 | 59,400 | 112,352 | 171,752 |
| Repayments | (64,788) | (157,286) | (222,074) | (57,258) | (107,112) | (164,370) |
| Closing balance | 18,762 | 35,807 | 54,569 | 20,225 | 28,849 | 49,074 |

- 13.1.1** The maximum aggregate amount of these loans outstanding at any time during the year was Rs. 66.189 million (2015: Rs. 54.620 million). Such maximum amount is calculated by reference to the month-end balance.

| | Note | 2016 | 2015 |
|--|------|------------------------------|---------|
| | | ----- (Rupees in '000) ----- | |
| 13.2 Advances to suppliers | | | |
| - under Islamic index | | 44,975 | 18,437 |
| - under other than Islamic index | | 669,574 | 283,861 |
| | | 714,549 | 302,298 |
| 14 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | | | |
| Deposits | | | |
| - Trade deposits | 14.1 | 44,908 | 43,000 |
| Provision for doubtful deposits | | (2,640) | (2,640) |
| | | 42,268 | 40,360 |
| Prepayments | | 88,512 | 60,935 |
| | | 130,780 | 101,295 |

- 14.1** At year-end, trade deposits amounting to Rs. 19.68 million (2015: Rs. 14.15 million) were past due but not impaired. These balances are outstanding for more than three years. There has been no movement in provision for doubtful deposits during the year (2015: nil).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|---|-------------|------------------------------|----------------|
| | | ----- (Rupees in '000) ----- | |
| 15 OTHER RECEIVABLES | | | |
| Receivables from related parties | | | |
| <i>Due from subsidiary companies:</i> | | | |
| - IBL HealthCare Limited against expenses | | 164 | - |
| - Searle Laboratories (Private) Limited against expenses | | 330 | - |
| - Searle Biosciences (Private) Limited against expenses | | 227 | 150 |
| - IBL Future Technologies (Private) Limited against expenses | | 749 | - |
| - Searle Pharmaceuticals (Private) Limited: | | | |
| - against expenses | | 3,633 | - |
| - rental income against use of operating assets | | - | 2,000 |
| - against dividend income | | 122,000 | 230,000 |
| | | 127,103 | 232,150 |
| <i>Due from associated companies:</i> | | | |
| - IBL Operations (Private) Limited against: | | | |
| - mark-up on over due balance | 15.2 & 15.3 | 39,642 | 39,642 |
| - staff salaries and benefits | | - | 1,278 |
| - sale of assets | | 45 | - |
| - International Franchises Limited against rental income, staff salaries and other benefits | | 5,558 | 2,154 |
| - Habitt against rental income | | 10,838 | 5,174 |
| | 39.2 | 56,083 | 48,248 |
| Surplus arising under retirement benefit fund | 15.4 | 5,250 | 5,250 |
| Receivables from other than related parties | | | |
| Others, considered good | | 52,586 | 14,540 |
| | | 241,022 | 300,188 |
| 15.1 Other receivables from companies | | | |
| - Islamic index | 15.1.1 | 164 | - |
| - Other than Islamic index | | 240,858 | 300,188 |
| | | 241,022 | 300,188 |

15.1.1 This represents receivable from IBL HealthCare Limited against expenses incurred on behalf of the Company.

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

15.3 This amount is past due but not impaired and outstanding for more than three years.

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|----------------------------------|------|--------------------------------------|----------------|
| 16 CASH AND BANK BALANCES | | | |
| Cash in hand | | 2,484 | 1,429 |
| Cheques in hand | | - | 100,000 |
| Balance with banks in: | | | |
| - savings accounts | 16.1 | 9 | 9 |
| - current accounts | | 85,395 | 21,383 |
| | 16.2 | 87,888 | 122,821 |

16.1 These balances carry mark-up at a rate of 2.14 % (2015: 3.5%).

16.2 This include Rs. 13.52 million (2015: Rs. 8.02 million) placed in special bank accounts for dividend purposes.

17 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| | 2016 ---- (Number of shares) ---- | 2015 | 2016 ----- (Rupees in '000) ----- | 2015 |
|--|--------------------------------------|------------|--------------------------------------|---------|
| Ordinary shares of Rs. 10 each: | | | | |
| - fully paid in cash | 3,969,000 | 3,969,000 | 39,690 | 39,690 |
| - issued for consideration other than cash | 24,000 | 24,000 | 240 | 240 |
| - issued as fully paid bonus shares | 110,175,190 | 81,847,745 | 1,101,752 | 818,477 |
| - issued as fully paid right shares | 8,584,074 | - | 85,841 | - |
| | 122,752,264 | 85,840,745 | 1,227,523 | 858,407 |

17.1 Movement in number of shares

| | 2016 ---- (Number of shares) ---- | 2015 |
|---|--------------------------------------|------------|
| Number of shares at beginning of the year | 85,840,745 | 61,314,818 |
| Bonus shares issued during the year | 28,327,445 | 24,525,927 |
| Right shares issued during the year | 8,584,074 | - |
| Number of shares at end of the year | 122,752,264 | 85,840,745 |

17.2 Capital management policies and procedures

The Company's objective when managing above capital are:

- to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders and benefit other stakeholders; and
- to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and maintaining optional capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and other means commensurate to the circumstances.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

18 SURPLUS ON REVALUATION OF FIXED ASSETS

The Company had revalued its operating assets classified under leasehold land, building on leasehold land, plant and machinery, vehicles and air-conditioning as at April 26, 2015. The valuation was performed by an independent valuer, M/s. Anderson Consulting (Private) Limited. The surplus arising on assets other than land as a result of accounting under revaluation model based on that valuation was not material, therefore, no effect of revaluation adjustment has been taken in the financial statements for the year ended June 30, 2015. These assets were earlier carried at such revalued amounts as determined by an independent valuer, M/s. Iqbal A. Nanjee as at June 30, 2004.

The surplus would be realized on disposal of revalued assets and on charging of incremental depreciation.

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 ----- |
|--|------|--------------------------------------|---------------|
| Surplus on revaluation of property, plant and equipment (the surplus) | 18.1 | 296,961 | 296,961 |
| 18.1 Surplus on revaluation of property, plant and equipment (the surplus) | | | |
| Surplus on revaluation of property, plant and equipment at the beginning of the year | | 296,961 | 168,163 |
| Increase in surplus on revaluation during the year | | - | 128,798 |
| Surplus on revaluation of property, plant and equipment at the end of the year | | 296,961 | 296,961 |
| 19 LONG TERM FINANCES - secured | | | |
| Long term loan utilized under mark-up arrangement | 19.1 | 642,857 | 750,000 |
| Current portion of long term finances shown under current liabilities | | (214,286) | (107,143) |
| | | 428,571 | 642,857 |

19.1 The Company had obtained term finance facility of Rs. 750 million (2015: Rs. 900 million which was swapped to Rs. 750 million) for a tenure of four years from Dubai Islamic Bank Limited as against the aforementioned bank. This facility is repayable by May 2019.

19.2 The mark-up on above facilities is 6-months KIBOR plus 0.9% (2015: 6 months KIBOR plus 0.9%) per annum, payable semi-annually in arrears. The facility is secured by 1st exclusive charge with 25% security margin over land and building located at Plot No. 24/A1 & 2A, Delhi Mercantile Muslim Co-operative Housing Society, Block 7 & 8, Main Shahrah-e-Faisal, Karachi amounting to Rs. 1,233.34 million.

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 ----- |
|--------------------------------------|------|--------------------------------------|---------------|
| 20 DEFERRED LIABILITIES | | | |
| Deferred taxation | 20.1 | 37,604 | 30,174 |
| Staff retirement gratuity - unfunded | 34.1 | 42,248 | 39,811 |
| | | 79,852 | 69,985 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|--|------|--------------------------------------|---------|
| 20.1 | | | |
| The net balance of deferred taxation is in respect of following temporary differences: | | | |
| Taxable temporary difference relating to: | | | |
| Property, plant and equipment | | 39,538 | 32,155 |
| Deductible temporary difference relating to: | | | |
| Intangible assets | | (1,024) | (1,037) |
| Provisions for staff retirement gratuity, doubtful debts and doubtful refunds | | (910) | (944) |
| | | (1,934) | (1,981) |
| | 20.2 | 37,604 | 30,174 |

Provision for deferred taxation has been calculated only to the extent of those temporary differences except for those pertaining to surplus on revaluation of property, plant and equipment and that do not relate to the income falling under Final Tax Regime of the Income Tax Ordinance, 2001.

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|---|------|--------------------------------------|----------|
| 20.2 | | | |
| Balance at beginning of the year | | 30,174 | 42,379 |
| Raised / (reversed) during the year - through profit and loss account | 32 | 7,430 | (12,205) |
| Balance at end of the year | 20.1 | 37,604 | 30,174 |
| 21 | | | |
| SHORT-TERM FINANCES - secured | | | |
| Running finances under mark-up arrangements | 21.2 | 475,577 | 682,334 |
| 21.1 | | | |
| - Running finances under mark-up arrangements with other than Islamic index | | 175,239 | - |
| - Running finances under mark-up arrangements with Islamic index | 21.3 | 300,338 | - |
| | | 475,577 | - |

21.2 The Company has obtained syndicated running finances under mark-up arrangements of Rs. 1,413 million (2015: Rs. 1,033 million). The mark-up on running finances ranges between 4% to 9.14% (2015: 9.5% to 12.42%) per annum.

The running finances under mark-up arrangements are secured jointly by registered mortgage of Rs. 210.5 million (2015: Rs. 210.5 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 1,859 million (2015: Rs. 1,859 million). These short term facilities are arranged through Standard Chartered Bank (Pakistan) Limited from various banks. The securities are held jointly against the short term and long term finances (refer note 19).

21.3 The running finances include a facility under mark-up arrangements from Meezan Bank Limited amounting to Rs. 600 million which carries 1st charge on fixed assets and current assets of the Company carrying markup at the rate of KIBOR plus 0.5%.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|--|---|--------------------------------------|-----------|
| 22 TRADE AND OTHER PAYABLES | | | |
| Creditors | | 455,581 | 593,730 |
| Bills payable in foreign currency | | 251,089 | 264,170 |
| Accrued liabilities | | 814,905 | 568,748 |
| Advance from customers | 22.1 | 71,676 | 41,369 |
| Unclaimed dividend | | 16,204 | 10,740 |
| Workers' Profit Participation Fund | 22.2 | 135,159 | 95,736 |
| Workers' Welfare Fund | | 22,882 | 24,553 |
| Sales tax and excise duty payable | | 1,670 | - |
| Other liabilities | | 50,162 | 17,980 |
| | | 1,819,328 | 1,617,026 |
| 22.1 Advances from customers; | | | |
| - companies under Islamic index | | 744 | - |
| - companies under other than Islamic index | | 70,932 | 41,369 |
| | | 71,676 | 41,369 |
| 22.2 Workers' Profit Participation Fund | | | |
| Balance at beginning of the year | | 95,736 | 52,908 |
| Contribution for the year | 30 | 134,229 | 94,805 |
| | | 229,965 | 147,713 |
| Interest on funds utilized in the Company's business at 8.84% (2015: 10.44%) | 31 | 6,268 | 3,999 |
| | | 236,233 | 151,712 |
| Payments made during the year | | (101,074) | (55,976) |
| Balance at end of the year | | 135,159 | 95,736 |
| 23 ACCRUED MARK-UP | | | |
| Accrued mark-up on: | | | |
| - long term finances - secured | | 7,298 | 5,283 |
| - short-term finances - secured | | 4,408 | 9,374 |
| | | 11,706 | 14,657 |
| 23.1 Accrued mark-up on finances from companies under | | | |
| - Islamic index | | 2,879 | - |
| - Other than Islamic index | | 8,827 | 14,657 |
| | | 11,706 | 14,657 |
| 24 CONTINGENCIES AND COMMITMENTS | | | |
| Contingencies | | | |
| 24.1 | During the year ended June 30, 2014, Sindh Revenue Board (SRB) has imposed sales tax on toll manufacturing at the rate of 16% of sales value. The Company has contested the imposition in the Honorable Sindh Court and the matter is at the stage of Katcha Peshi. | | |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

24.2 Section 5A of Income Tax Ordinance 2001 inserted through Section 5(3) of the Finance Act 2015 requires the Company to charge income tax @ 10% on the reserves of the Company where they exceed an amount equivalent to the paid up capital. The Company has filed a suit for declaration and permanent injunction before the Honorable Sindh High Court challenging the vires of the above said section. The Court passed ad interim orders restraining the defendants from taking any coercive action as prayed. The case is at the stage of hearing of applications.

24.3 During the year, the Company has challenged the levy of Sindh Sales Tax on services of renting of immovable property which has been categorized as renting services by the SRB. The Company has impugned the levy on constitutional grounds taking the stance that renting of immovable property is not a “service” and therefore does not fall within the competence of SRB to tax through the Sindh Sales Tax on Services Act, 2011. Further, the Company has also taken the stance that the collection mechanism is ultra vires the Act 2011 and therefore no coercive measures can be adopted against the Company for the collection of the impugned levy.

The Honorable Sindh High Court, on the basis of the representations made, has been pleased to grant an ad interim order to the Company restraining the defendants from taking any coercive action against the Company. The matter is presently pending on hearing of the case.

24.4 During the year, a suit has been filed to impugn the illegal collection of Sales Tax under the Sales Tax Act 1990 on the supply and utilization of raw material in the manufacturing of drugs. The Company believes that the manufacturing of pharmaceuticals/drugs is exempt from a levy of Sales Tax by virtue of Entry No. 104/105 of the Sixth (6th) Schedule read conjunctively with Section 13 of the Act 1990. It has been further asserted that the term “manufacture”, as stated in Subsection (16) of Section 2 of the Act 1990, adequately covers the present activity and exempts the Company from payment of Sales Tax on the Packaging utilized in the manufacture of drugs/pharmaceuticals.

The management and the legal advisors is confident that the ultimate decisions in the above cases will be in favor of the Company, hence no provision has been made in respect of the aforementioned litigations.

Commitments

24.5 The facility for opening letters of credit (LCs) acceptances and guarantees as at June 30, 2016 amounted to Rs. 1,255 million (2015: Rs. 1,010 million) of which the amount remaining unutilized as at year end amounted to Rs. 652 million (2015: Rs. 547 million).

24.6 Future rentals payable against operating lease arrangements

The Company obtained factory building in Karachi on rent for a period of 5 years with effect from July 01, 2012. The rent agreement was renewed in December 2014. The details of future rentals over the lease period are as follows:

| | 2016 | 2015 |
|---|------------------------------|---------------|
| | ----- (Rupees in '000) ----- | |
| Not later than one year | 22,683 | 5,580 |
| Later than one year but not later than five years | 100,944 | 5,883 |
| Later than five years | 223,797 | - |
| | 347,424 | <u>11,463</u> |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | | 2016 | 2015 |
|-----------|--|------------------------------|-----------|
| | | ----- (Rupees in '000) ----- | |
| 25 | NET SALES | | |
| | Sales | | |
| | Local | 9,004,398 | 7,216,899 |
| | Export | 851,217 | 524,027 |
| | | 9,855,615 | 7,740,926 |
| | Sales returns & discounts | (488,159) | (342,523) |
| | Sales tax & excise duty | (133,387) | (86,892) |
| | | (621,546) | (429,415) |
| | | 9,234,069 | 7,311,511 |
| | Toll manufacturing | 290,506 | 270,959 |
| | | 9,524,575 | 7,582,470 |
| 26 | COST OF SALES | | |
| | Material consumed | | |
| | Raw and packing material consumed | 2,554,250 | 2,492,808 |
| | Processing charges paid to third parties | 2,148,409 | 1,008,919 |
| | | 4,702,659 | 3,501,727 |
| | Factory expenses | | |
| | Salaries, wages and benefits | 26.1 248,313 | 288,695 |
| | Provision for staff gratuity (unfunded) | 34.1.5 3,127 | 3,339 |
| | Provident fund contribution | 7,855 | 6,302 |
| | Carriage and duties | 15,132 | 13,565 |
| | Fuel, water and power | 92,500 | 88,384 |
| | Rent and taxes | 27,318 | 9,949 |
| | Communication | 1,428 | 1,073 |
| | Stationery and supplies | 11,284 | 7,638 |
| | Traveling | 11,424 | 13,604 |
| | Advertisement | 11,688 | 9,670 |
| | Entertainment | 369 | 80 |
| | Repairs and maintenance | 98,803 | 63,617 |
| | Medical expenses | 3,503 | 4,060 |
| | Personal training and selection | 957 | 1,396 |
| | Vehicle expenses | 6,321 | 5,852 |
| | Subscription | 97 | 162 |
| | Legal and professional charges | 8,987 | 11,663 |
| | Depreciation | 5.4 44,527 | 45,387 |
| | Insurance | 3,286 | 3,151 |
| | Corporate services charged by associated Company | 39.2 14,400 | 7,920 |
| | Sundries | 28,052 | 17,694 |
| | | 639,371 | 603,201 |
| | | 5,342,030 | 4,104,928 |
| | Work in process as at beginning of the year | 11 100,148 | 58,886 |
| | | 5,442,178 | 4,163,814 |
| | Work in process as at end of the year | 11 (105,456) | (100,148) |
| | Cost of goods manufactured | 5,336,722 | 4,063,666 |
| | Finished goods as at the beginning of the year | 11 237,124 | 203,089 |
| | Finished goods purchased | 744,377 | 276,018 |
| | | 981,501 | 479,107 |
| | Cost of samples | (50,115) | (55,479) |
| | Finished goods as at the end of the year | 11 (457,607) | (237,124) |
| | Cost of sales | 5,810,501 | 4,250,170 |

26.1 Salaries, wages and benefits include Rs. Nil (2015: Rs. 84.57 million) in respect of contractual labour provided by Paksons (Private) Limited.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|--|--------|--------------------------------------|-----------|
| 27 SELLING AND DISTRIBUTION EXPENSES | | | |
| Salaries, wages and benefits | | 601,869 | 500,464 |
| Provision for staff gratuity (unfunded) | 34.1.5 | 1,780 | 1,904 |
| Provident fund contribution | | 19,730 | 15,387 |
| Services charges | | 31,299 | 31,201 |
| Carriage and duties | | 184,244 | 109,903 |
| Water and power | | 59,330 | 25,953 |
| Rent and taxes | | 22,484 | 22,361 |
| Communication | | 18,086 | 16,593 |
| Stationery and supplies | | 9,556 | 7,633 |
| Traveling | | 403,251 | 293,598 |
| Advertising and promotion | | 392,607 | 293,296 |
| Samples | | 78,803 | 76,149 |
| Bonus to salesmen | | 198,276 | 133,154 |
| Entertainment | | 3,559 | 818 |
| Repairs and maintenance | | 26,186 | 12,941 |
| Medical expenses | | 5,683 | 5,034 |
| Personal training and selection | | 48,496 | 22,240 |
| Vehicle expenses | | 53,018 | 49,007 |
| Insurance | | 14,190 | 10,455 |
| Depreciation | 5.4 | 57,478 | 29,377 |
| Subscription | | 19,701 | 20,681 |
| Donation | 27.1 | 11,606 | 5,991 |
| Replacement products | | 59,136 | 67,446 |
| Royalty | | 7,284 | 5,528 |
| Corporate services charged by associated Company | 39.2 | 36,000 | 19,800 |
| Legal and professional charges | | 55,353 | 52,366 |
| Sundries | | 1,326 | 605 |
| | | 2,420,331 | 1,829,885 |

27.1 Directors of the Company have no interest in the donee institution except as stated in note 39.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|--|--------|------------------------------|---------|
| | | ----- (Rupees in '000) ----- | |
| 28 ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and benefits | | 103,507 | 78,423 |
| Provision for staff gratuity (unfunded) | 34.1.5 | 521 | 556 |
| Provident fund contribution | | 3,382 | 2,356 |
| Carriage and duties | | 153 | 22 |
| Water and power | | 5,247 | 1,048 |
| Rent and taxes | | 6,073 | 7,979 |
| Communication | | 19,160 | 6,078 |
| Stationery and supplies | | 6,142 | 5,122 |
| Traveling | | 8,161 | 6,031 |
| Advertisement | | 399 | 82 |
| Entertainment | | 208 | 209 |
| Repairs and maintenance | | 15,937 | 19,393 |
| Medical expenses | | 4,677 | 5,695 |
| Personal training and selection | | 1,769 | 2,204 |
| Vehicle expenses | | 3,830 | 4,518 |
| Insurance | | 2,926 | 3,340 |
| Depreciation | 5.4 | 10,181 | 4,816 |
| Amortization | 6 | 6,739 | 5,750 |
| Subscription | | 34 | 34 |
| Donation | 28.1 | 34,147 | 6,108 |
| Corporate services charged by associated Company | 39.2 | 21,600 | 11,880 |
| Legal and professional charges | | 25,315 | 29,421 |
| Sundries | | 1,275 | 1,258 |
| | | 281,383 | 202,323 |

28.1 Directors of the Company have no interest in the donee institution except as stated in note 39.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|---|------|--------------------------------------|---------|
| 29 OTHER INCOME | | | |
| Income from financial assets | | | |
| Exchange gain | | 8,118 | 13,446 |
| Income from financial assets - related parties | | | |
| Dividend income from IBL HealthCare Limited (subsidiary Company) | | 30,738 | 11,500 |
| Dividend income from Searle Pharmaceuticals (Private) Limited (subsidiary Company) | | 1,592,000 | 705,000 |
| | | 1,622,738 | 716,500 |
| Income from non-financial assets | | | |
| Gain on disposal of property, plant and equipment | 5.6 | 4,821 | 17,262 |
| Reversal of provision of doubtful supplier advances and trade debts | | - | 405 |
| Others | | 57,494 | 18,020 |
| | | 62,315 | 35,687 |
| Income from non-financial assets - related parties | | | |
| Rental income against use of operating assets by related parties: | | | |
| - Searle Pharmaceuticals (Private) Limited (subsidiary Company) | | - | 6,000 |
| - International Franchises (Private) Limited (associated Company) | | 3,143 | 2,930 |
| | | 3,143 | 8,930 |
| Income from investment property | | 109,732 | 31,113 |
| | | 1,806,046 | 805,676 |
| 29.1 Other income from companies | | | |
| - Islamic index (dividend income from IBL HealthCare Limited) | | 30,738 | 11,500 |
| - Other than Islamic index | | 1,775,308 | 794,176 |
| | | 1,806,046 | 805,676 |
| 30 OTHER EXPENSES | | | |
| Contribution to: | | | |
| - Workers' Profits Participation Fund | 22.2 | 134,229 | 94,805 |
| - Workers' Welfare Fund | | 20,175 | 22,412 |
| - Central research fund | | 9,886 | 11,118 |
| Auditors' remuneration | 30.1 | 2,807 | 2,158 |
| Loss on disposal of property, plant and equipment | 5.6 | 1,332 | 91 |
| Exchange loss | | 19,535 | 17,354 |
| | | 187,964 | 147,938 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|--|------|------------------------------|----------------|
| | | ----- (Rupees in '000) ----- | |
| 30.1 Auditors' remuneration | | | |
| Audit fee | | | |
| - Annual audit | | 1,800 | 1,550 |
| - Half yearly review | | 424 | 263 |
| Fee in respect of special reports and certifications | | 398 | 215 |
| Out of pocket expenses | | 185 | 130 |
| | | 2,807 | 2,158 |
| 31 FINANCE COST | | | |
| Bank charges | | 8,256 | 7,276 |
| Interest on Workers' Profits Participation Fund | 22.2 | 6,268 | 3,999 |
| Lease finance charges | | - | - |
| Mark-up on long term and running finances | | 95,623 | 178,891 |
| | | 110,147 | 190,166 |
| 32 INCOME TAX EXPENSE | | | |
| Current | | | |
| - For the year | | 313,449 | 374,456 |
| - For prior years | | 110,028 | - |
| | | 423,477 | 374,456 |
| Deferred tax expense/(income) | 20.2 | 7,430 | (12,205) |
| | | 430,907 | 362,251 |

32.1 Charge for the year

Provisions for current taxation and deferred taxation have been made after considering the implications of section 169 of the Income Tax Ordinance, 2001. Income not covered under Final Tax Regime is provided at the normal basis using the applicable rate of 32% for the tax year 2016 (2015: 33% for the tax year 2015). While income covered under FTR and separate block are taxed accordingly.

| | 2016 | 2015 |
|---|------------------------------|----------------|
| | ----- (Rupees in '000) ----- | |
| 32.2 Reconciliation of tax expense | | |
| Profit before income tax | 2,520,295 | 1,767,664 |
| Enacted tax rate | 32% | 33% |
| Tax on accounting profit at applicable tax rate | 806,494 | 583,329 |
| Tax effect of: | | |
| - permanent differences | (456,262) | (187,036) |
| - temporary differences | (13,397) | (21,131) |
| - applicability of lower tax rate on certain income | (15,956) | (12,911) |
| - demand provided and raised during the year | 110,028 | - |
| Tax expense charged on income | 430,907 | 362,251 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

32.3 Current status of tax assessments

Assessments of the Company for the assessment years 2002-2003, tax years 2004, 2005, 2008, and 2012 are pending before various appellate forums in respect of issues related to certain disallowances.

During the year ended June 30, 2014, an assessment order for the tax year 2012, dated March 10, 2014 under section 122(5A) of Income Tax Ordinance 2001 was passed by Additional Commissioner Inland Revenue (ACIR) against the Company, thereby raising a tax demand of Rs. 369.807 million in respect of certain disallowances. The Company had filed an appeal against the aforementioned order, however, no hearing has been fixed and no set aside order has been received by the Company till end of current year.

During the year ended June 30, 2014, an assessment order for the tax year 2008, dated October 31, 2013 under section 122(5A) of Income Tax Ordinance 2001 was passed by ACIR against the Company, thereby raising a tax demand amounting to Rs. 128.832 million against the Company in respect of certain disallowances. An appeal was filed by the Company against the aforementioned order, however, no hearing has been fixed and no set aside order has been received by the Company till end of current year.

During the year ended June 30, 2015, an assessment order for the tax year 2013, dated April 30, 2015 under section 122(5A) of Income Tax Ordinance 2001 was passed by ACIR against the Company, thereby raising a tax demand amounting to Rs. 586.7 million against the Company in respect of certain disallowances. An appeal was filed by the Company against the aforementioned order.

During the year, an assessment order for the tax year 2015, dated April 21, 2015 under section 161/205 of Income Tax Ordinance 2001 was passed by IRO against the Company, thereby raising tax demand amounting to Rs. 243.94 million comprising of Rs. 213.42 million as tax under section 236M not withheld and Rs. 30.52 million as default surcharge under section 205. An appeal was filed by the Company with the Commission Inland Revenue (Appellate) - CIR(A) against this order, which was heard on December 21, 2015. The appellate order of CIR(A) is still awaited.

Out of Rs 213.42 million, shares worth Rs 56.57 million have been deposited and issued in the name of FBR as per section 236M. For the remaining amount, the High Court of Sindh vide order sheet dated May 25, 2015 has refrained the Company to withhold tax under section 236M in case of certain shareholders.

During the year, an assessment order for the tax year 2011, dated March 31, 2016 under section 122(5A) of Income Tax Ordinance 2001 was passed by ACIR against the Company, thereby raising a tax demand amounting to Rs. 94.83 million against the Company in respect of certain disallowances. The Company filed an appeal with CIR(A) against the aforementioned order.

The return e-filed on January 23, 2010 for the tax year 2009 has been amended during the year vide order under section 122(5A) of Income Tax Ordinance 2001, dated June 30, 2015 (received on July 23, 2015) raising a tax demand amounting to Rs. 112.98 million. An appeal against the aforesaid order was filed with the CIR(A) which was heard on August 20, 2015. Through the appellate order No. 33, dated August 31, 2015 of the CIR(A) disposes off the Company's appeal against the order and maintained certain disallowances. The Company then filed an appeal against the CIR(A) order before the ATIR, dated October 15, 2015. However, no hearing has been fixed till end of current year.

The Company has good arguable cases on merits and as such there is no likelihood of unfavorable outcome or any potential loss on account of above assessment orders.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 ----- (Rupees in '000) ----- | 2015 ----- |
|--|--------------------------------------|------------------|
| 33 EARNINGS PER SHARE - Basic and Diluted | | |
| 33.1 Basic earnings per share | | |
| Profit for the year (Rupees in thousands) | <u>2,089,388</u> | <u>1,405,413</u> |
| | | (Re-stated) |
| Weighted average number of shares in thousands | <u>120,550</u> | <u>120,550</u> |
| Earnings per share (Rupees) | <u>17.33</u> | <u>11.66</u> |

33.2 Diluted earning per share

There is no dilution effect on the basic earning per share of the Company as the Company has no convertible dilutive potential ordinary shares outstanding on June 30, 2016, which would have effect on the basic EPS if the option to convert would have been exercised.

34 EMPLOYEE BENEFITS

a) Defined benefit plans

34.1 Gratuity scheme - unfunded

34.1.1 General description

The scheme provides for post employment benefits for all unionized employees who complete qualifying period of five years of service with the Company and are entitled to one months' last drawn basic salary for each completed year / period of such service.

Annual provision is based on actuarial valuation. The valuation was carried out as at June 30, 2016 by M/s. Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

| | 2016 ---- (percentage per annum) ---- | 2015 ---- |
|---|--|---------------------|
| 34.1.2 Principal actuarial assumptions | | |
| <i>Financial assumptions</i> | | |
| - Estimated rate of increase in salary of the employees | 7.25% | 10.0% |
| - Discount rate | 7.25% | 10.0% |
| <i>Demographic assumptions</i> | | |
| - Mortality | SLIC 2001 - 2005 | SLIC 2001 - 2005 |
| Retirement age | 60 years | 60 years |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|---|--------|--------------------------------------|----------|
| 34.1.3 Movement in the present value of defined benefit obligation (DBO) | | | |
| Present value of DBO at the beginning of the year | | (39,811) | (33,503) |
| Current service cost | | (1,695) | (1,528) |
| Interest cost | | (3,733) | (4,272) |
| | | (5,428) | (5,800) |
| Benefits paid | | 4,973 | 1,294 |
| Actuarial (gain) on obligation | | (1,982) | (1,802) |
| Present value of DBO at the end of the year | 34.1.4 | (42,248) | (39,811) |
| 34.1.4 Movement in the deficit recognized in the balance sheet | | | |
| Deficit at the beginning of the year | | (39,811) | (33,503) |
| Expense recognized in profit & loss account | 34.1.5 | | |
| - current service cost | | (1,695) | (1,528) |
| - net interest | | (3,733) | (4,272) |
| | | (5,428) | (5,800) |
| Remeasurement - recognized in other comprehensive income: | | | |
| Actuarial (loss)/gain arising due to change in: | | | |
| - demographic assumptions - (unfavorable)/favorable | | - | - |
| - financial assumptions - (unfavorable)/favorable | | - | - |
| - experience adjustment - (losses)/gains | | (1,982) | (1,802) |
| | | (1,982) | (1,802) |
| Payment made on behalf of fund | | 4,973 | 1,294 |
| Deficit at the end of the year | 34.1.3 | (42,248) | (39,811) |
| 34.1.5 Amount recognized as expense | | | |
| Cost of sales | 26 | 3,127 | 3,339 |
| Selling and distribution expenses | 27 | 1,780 | 1,904 |
| Administrative expenses | 28 | 521 | 556 |
| | | 5,428 | 5,799 |

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

| | Impact on defined benefit obligation | | |
|----------------------------|--------------------------------------|------------------------|------------------------|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 1% | (38,780) | 46,200 |
| Rate of increase in salary | 1% | 46,560 | (38,410) |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | 2015 |
|---|------------------------------|---------|
| | ----- (Rupees in '000) ----- | |
| b) Defined contribution plan | | |
| 34.2 Employees Provident Fund (the Fund) | | |
| 34.2.1 Fund position * | | |
| Size of the fund - Rupees in '000 | 833,468 | 469,593 |
| Cost of investments made - Rupees in '000 | 783,855 | 432,332 |
| Fair value of investments - Rupees in '000 | 783,855 | 432,332 |
| Percentage of investments to total assets | 94% | 92% |
| Number of members | 1,337 | 1,477 |

| | 2016 | 2015 | 2016 | 2015 |
|---|--------------------------|------|------------------------------|---------|
| | ----- (Percentage) ----- | | ----- (Rupees in '000) ----- | |
| 34.2.2 Composition of the Fund * | | | | |
| Term finance certificates | 1% | 1% | 4,994 | 4,994 |
| Deposits with banks | 1% | 2% | 9,000 | 9,000 |
| Pakistan Investments Bonds (PIBs) | 7% | 10% | 58,156 | 41,222 |
| NIT units | 10% | 16% | 78,790 | 67,449 |
| Investment in mutual fund | 5% | 8% | 37,639 | 36,388 |
| Share of associated Company | 76% | 63% | 595,276 | 273,279 |

* These figures have been taken from unaudited financial statements of the Fund for the years ended June 30, 2015 and June 30, 2016.

34.2.3 The investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

35 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

| | Note | 2016 | 2015 |
|---|--------|------------------------------|-----------|
| | | ----- (Rupees in '000) ----- | |
| Profit before tax | | 2,520,295 | 1,767,664 |
| Adjustments for non-cash items: | | | |
| Depreciation | 5.4 | 112,186 | 79,580 |
| Gain on disposal of property, plant and equipment - net | 5.6 | (3,489) | (17,171) |
| Amortization | 6 | 6,739 | 5,750 |
| Financial charges excluding bank charges | 31 | 101,891 | 182,890 |
| Provision for staff gratuity (unfunded) | 34.1.5 | 5,428 | 5,799 |
| Net (increase) in working capital | 35.1 | (319,043) | (648,843) |
| | | 2,424,007 | 1,375,669 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 ----- (Rupees in '000) ----- |
|---|------|--------------------------------------|--------------------------------------|
| 35.1 (Increase)/Decrease in working capital | | | |
| Current assets | | | |
| (Increase) in stock-in-trade | | (150,429) | (211,575) |
| (Increase) in trade debts | | (395,133) | (720,182) |
| (Increase) in trade deposits and short term prepayments | | (29,485) | (15,005) |
| Decrease / (Increase) in other receivables | | 59,166 | (92,810) |
| | | (515,881) | (1,039,572) |
| Current liabilities | | | |
| Increase in trade and other payables | | 196,838 | 390,729 |
| Net (increase) in working capital | | (319,043) | (648,843) |
| 36 CASH AND CASH EQUIVALENTS | | | |
| Running financial under Markup arrangement | 16 | 87,888 | 122,821 |
| Cash and bank balances | 21 | (475,577) | (682,334) |
| | | (387,689) | (559,513) |

37 SEGMENT INFORMATION

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

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

- Pharma
- Consumer
- Investment property

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

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

| | Pharma | | Consumer | | Investment property | | Total | |
|--|------------------------------|-------------|------------------|-----------|---------------------|-----------|--------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | ----- (Rupees in '000) ----- | | | | | | | |
| 37.1 Segment result and performance | | | | | | | | |
| Segment revenue | 8,228,654 | 6,651,207 | 1,295,921 | 931,263 | 109,732 | 31,113 | 9,634,307 | 7,613,583 |
| Cost of sales | (4,867,039) | (3,720,843) | (943,462) | (529,327) | - | - | (5,810,501) | (4,250,170) |
| Selling and distribution | (2,233,401) | (1,667,576) | (51,817) | (93,563) | (135,113) | (68,746) | (2,420,331) | (1,829,885) |
| Administrative expenses | (281,383) | (202,323) | - | - | - | - | (281,383) | (202,323) |
| | (7,381,823) | (5,590,742) | (995,279) | (622,890) | (135,113) | (68,746) | (8,512,215) | (6,282,378) |
| Segment result | 846,831 | 1,060,465 | 300,642 | 308,373 | (25,381) | (37,633) | 1,122,092 | 1,331,205 |
| 37.2 Unallocated income and expense | | | | | | | | |
| Other income | | | | | | | 1,696,314 | 774,563 |
| Other expenses | | | | | | | (187,964) | (147,938) |
| Financial cost | | | | | | | (110,147) | (190,166) |
| Profit before taxation | | | | | | | 2,520,295 | 1,767,664 |
| Income tax expense | | | | | | | (430,907) | (362,251) |
| Profit for the year | | | | | | | 2,089,388 | 1,405,413 |
| 37.3 Segment assets and liabilities | | | | | | | | |
| Segment assets | 166,302 | 135,906 | 55,434 | 33,977 | 2,483,919 | 2,491,318 | 2,705,655 | 2,661,201 |
| Unallocated assets | | | | | | | 8,800,843 | 5,317,437 |
| Total assets | | | | | | | 11,506,498 | 7,978,638 |
| Segment liabilities | - | - | - | - | 642,857 | 750,000 | 642,857 | 750,000 |
| Unallocated liabilities | | | | | | | 2,386,463 | 2,384,002 |
| Total liabilities | | | | | | | 3,029,320 | 3,134,002 |
| 37.4 Depreciation | 47,054 | 42,065 | 17,403 | 12,565 | 47,729 | 24,950 | 112,186 | 79,580 |
| 37.5 Other non-cash expenses | 6,739 | 5,750 | - | - | - | - | 6,739 | 5,750 |
| 37.6 Addition in segment assets | 137,380 | 51,031 | 50,812 | 15,243 | 77,559 | 723,388 | 265,751 | 789,662 |
| 37.7 Percentage for allocation | 75% | 80% | 27% | 23% | -2% | -3% | 100% | 100% |

37.8 There were no inter-segment transactions during the year (2015: None).

37.9 Geographical segments

| | 2016 | 2015 |
|-----------------|------------------------------|-----------|
| | ----- (Rupees in '000) ----- | |
| Pakistan | 8,673,388 | 7,105,160 |
| South Asia | 606,297 | 283,728 |
| East Africa | 8,819 | 3,068 |
| South-East Asia | 231,111 | 174,223 |
| Middle East | 4,960 | 16,291 |
| | 9,524,575 | 7,582,470 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

37.10 The Company has earned major revenue from one of the customer, which amounts to Rs. 8.35 billion (2015: Rs. 6.61 billion) out of the total revenue.

38 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

| | 2016 | | | 2015 | | |
|-------------------------|------------------------------|---------------|----------------|-------------------------|---------------|----------------|
| | Chief Executive Officer | Directors | Executives* | Chief Executive Officer | Directors | Executives* |
| | ----- (Rupees in '000) ----- | | | | | |
| Managerial remuneration | 9,560 | 13,581 | 124,171 | 4,577 | 9,235 | 94,798 |
| Annual bonus | 631 | 2,105 | 17,829 | 710 | 1,112 | 13,467 |
| Retirement benefits | | | | | | |
| - Provident fund | 956 | 1,358 | 12,417 | 458 | 924 | 9,480 |
| Perquisites | | | | | | |
| - Rent | 4,302 | 6,111 | 55,877 | 2,060 | 4,156 | 42,659 |
| - Utilities | 956 | 1,358 | 12,417 | 458 | 924 | 9,480 |
| - Telephone | - | - | 216 | - | - | 156 |
| - Entertainment | - | - | 304 | - | - | 271 |
| - Car maintenance | 126 | 252 | 6,480 | 201 | 392 | 4,116 |
| | 16,531 | 24,765 | 229,711 | 8,464 | 16,743 | 174,427 |
| Number of persons | 1 | 2 | 90 | 1 | 2 | 92 |

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

38.2 During the year, the Company has paid to six non-executive directors (2015: six) an aggregate amount of Rs. 28,000 (2015: Rs. 182,000) as fee for attending board meetings.

* Executive means an employee other than chief executive officer and director, whose basic salary exceeds five hundred thousand rupees in a financial year.

39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises International Brands Limited (holding Company), IBL HealthCare Limited (subsidiary Company), associated companies, related group companies, key management personnel, compensation to key management personnel, retirement benefit plan and close family members.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

39.1 Aggregate transactions and balances with related parties and associated undertakings which are not disclosed in respective notes are as follows:

| | 2016 | | | 2015 | | |
|---|--|-----------|--------------------------------|--|-----------|--------------------------------|
| | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel |
| ----- (Rupees in '000) ----- | | | | | | |
| 39.1.1 Transactions | | | | | | |
| (i) IBL Operations (Private) Limited - associated Company (refer note 39.2 and 39.3) | | | | | | |
| Sales | 8,351,611 | - | - | 6,608,552 | - | - |
| Sales returns | 32,019 | - | - | 66,261 | - | - |
| Expenses claimed by the associated Company | | | | | | |
| Carriage and duties | 32,018 | - | - | 34,106 | - | - |
| Staff salaries and benefits | 1,384 | - | - | 1,678 | - | - |
| Discounts | 344,510 | - | - | 168,691 | - | - |
| Warehouse rent | 4,165 | - | - | 3,731 | - | - |
| Corporate services charged | - | - | - | 39,600 | - | - |
| Sales promotion expenses | 71,338 | - | - | 7,206 | - | - |
| IT Services | 569 | - | - | 2,802 | - | - |
| Investment in Shares | 195,699 | - | - | - | - | - |
| Expenses claimed by the Company | | | | | | |
| Staff salaries and other expenses | 2,780 | - | - | 1,278 | - | - |
| Royalty and price difference claims | 16,374 | - | - | 19,387 | - | - |
| (ii) International Brand Ltd. - holding Company | | | | | | |
| Expenses claimed by the holding Company | | | | | | |
| Corporate services charges | 72,000 | - | - | - | - | - |
| (iii) International Franchises (Private) Limited - associated Company | | | | | | |
| Sales | 26 | - | - | 325 | - | - |
| Sales returns | - | - | - | 69 | - | - |
| Rent, utility and other income | 15,670 | - | - | 8,740 | - | - |
| Purchase of Promotional Items | - | - | - | 201 | - | - |
| Expenses claimed by the Company | | | | | | |
| Utilities expenses (Building center) | 3,814 | - | - | 569 | - | - |
| (iv) United Distributors Pakistan Limited (UDPL) - associated Company | | | | | | |
| Purchase of vehicles | - | - | - | 2,010 | - | - |
| Payment under group tax relief | - | - | - | 11,558 | - | - |
| Expenses claimed by the Company | | | | | | |
| Vehicle hiring/ Insurance | - | - | - | 10 | - | - |
| Warehouse rent & expenses | 689 | - | - | 686 | - | - |
| Purchases | 417 | - | - | - | - | - |
| (v) HABITT - associate | | | | | | |
| Sales | 6,629 | - | - | 6,907 | - | - |
| Sales returns | 112 | - | - | 580 | - | - |
| Rent income | 60,262 | - | - | 27,875 | - | - |
| Purchase of promotional items from Habitt | 1,193 | - | - | 558 | - | - |
| (vi) MyCart (Private) Limited - associate Purchases | | | | | | |
| | 384 | - | - | - | - | - |

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For the year ended June 30, 2016

| | 2016 | | | 2015 | | |
|---|--|-----------|--------------------------------|--|-----------|--------------------------------|
| | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel |
| | ----- (Rupees in '000) ----- | | | | | |
| (vii) IBL Unisys (Private) Limited - associate | | | | | | |
| Purchase of ERP software license and its implementation cost | 42,426 | - | - | - | - | - |
| Maintenance charges | 2,592 | - | - | - | - | - |
| (viii) IBL HealthCare Limited - subsidiary Company | | | | | | |
| Expenses claimed by the Company | | | | | | |
| Warehouse expenses | - | - | - | 90 | - | - |
| Purchases of promotional items | 159 | - | - | 320 | - | - |
| Investment in shares | 76,845 | - | - | - | - | - |
| (ix) The Citizens Foundation - associate (refer note 39.4) | | | | | | |
| Donations | 20,000 | - | - | 15,000 | - | - |
| (x) Arshad Shahid Abdulla (Private) Limited - associated Company | | | | | | |
| Architect fee | 11,058 | - | - | 2,980 | - | - |
| (xi) Shahid Abdulla | | | | | | |
| Office and factories renovation | - | - | - | 373 | - | - |
| (xii) Shakila Rashid | | | | | | |
| Gain tentered - sale of securities | 5,231 | - | - | - | - | - |
| (xiii) Multinet Pakistan (Private) Limited - associated Company | | | | | | |
| Internet services | 3,874 | - | - | 452 | - | - |
| (xiv) United Brands Limited - associated Company | | | | | | |
| Sales | - | - | - | 71,755 | - | - |
| Sales returns | - | - | - | 461 | - | - |
| Expenses claimed by United Brands Limited | | | | | | |
| Discounts | - | - | - | 944 | - | - |
| Purchase of promotional items | 476 | - | - | 777 | - | - |
| (xv) Searle Pharmaceuticals (Private) Limited - subsidiary Company | | | | | | |
| Purchases | 2,092,806 | - | - | 966,858 | - | - |
| (xvi) Searle Laboratories (Private) Limited - subsidiary Company | | | | | | |
| Purchases | - | - | - | 5,978 | - | - |
| (xvii) Nextar Pharma (Private) Limited - subsidiary Company | | | | | | |
| Sales | 1,820 | - | - | - | - | - |
| (xviii) Professional fee | | | | | | |
| | - | 6,000 | - | - | 24,500 | - |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | | | 2015 | | |
|--|--|-----------|--------------------------------|--|-----------|--------------------------------|
| | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel |
| ----- (Rupees in '000) ----- | | | | | | |
| 39.1.2 Balances | | | | | | |
| (i) Loans and advances | | | | | | |
| At beginning of the year | - | - | 7,004 | - | - | 3,604 |
| Given during the year | - | - | 2,617 | - | - | 7,259 |
| Repaid during the year | - | - | (7,206) | - | - | (3,859) |
| At the end of the year | - | - | 2,415 | - | - | 7,004 |
| (ii) Trade debts - associated Company (refer note 12) | | | | | | |
| At beginning of the year | 1,855,372 | - | - | 1,252,643 | - | - |
| Addition during the year | 8,412,078 | - | - | 6,666,488 | - | - |
| Repaid during the year | (8,093,772) | - | - | (6,063,759) | - | - |
| At the end of the year | 2,173,678 | - | - | 1,855,372 | - | - |
| (iii) Other receivables - associates (refer note 15) | | | | | | |
| At beginning of the year | 40,920 | - | - | 41,292 | - | - |
| Addition during the year | 19,199 | - | - | 20,665 | - | - |
| Repaid during the year | (20,432) | - | - | (21,037) | - | - |
| At the end of the year | 39,687 | - | - | 40,920 | - | - |
| (iv) Creditors - subsidiary Company (refer note 22) | | | | | | |
| At beginning of the year | 322,524 | - | - | 291,694 | - | - |
| Addition during the year | 2,092,806 | - | - | 910,836 | - | - |
| Repaid during the year | (2,272,278) | - | - | (880,006) | - | - |
| At the end of the year | 143,052 | - | - | 322,524 | - | - |

39.2 In pursuance of scheme of arrangement and court order dated May 2011, with effect from July 1, 2011 all assets (except for retained assets), liabilities and operation division of International Brands (Private) Limited (the holding Company) were transferred to IBL Operations (Private) Limited (associated Company).

39.3 Sales to IBL Operations (Private) Limited (associated Company) are made at ex-factory price i.e. trade prices less distributor's margin of 10% and 12% (2015: 10% and 12%). In addition, the amounts of communication, utilities, salaries and wages and carriage and duties are also being reimbursed.

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

40 PLANT CAPACITIES AND ACTUAL PRODUCTION

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

41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

41.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises principally from the trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is as follows:

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|--|--------|--------------------------------------|-----------|
| Loans and advances | 9 & 13 | 55,949 | 50,479 |
| Long term deposit | 10 | 1,598 | 1,598 |
| Trade debts, excluding secured debtors | 12 | 2,521,760 | 2,122,371 |
| Trade deposits | 14 | 42,268 | 40,360 |
| Other receivables | 15 | 239,637 | 294,888 |
| | | 2,861,212 | 2,509,696 |

Concentration of credit risk

The Company's major sales are with IBL Operations (Private) Limited, which is a concentration and a credit risk. However, the Company has established policies and procedures for timely recovery of trade debts. With respect to parties other than affiliates, the Company mitigates its exposure and credit risk by applying credit limits to its customers.

Out of the total financial assets of Rs. billion (2015: Rs. billion), financial assets which are subject to credit risk amount to Rs. billion (2015: Rs. billion). Moreover, financial assets amounting to Rs. billion (2015: Rs. billion) consist of receivables from the Company's affiliates and cash and bank balances.

41.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company would be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial assets and financial liabilities:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| 2016 | | | | | | | | | |
|------------------------------|----------------------------|------------------------------|-----------|--------------------------------|-------------------------|-------------|-----------|-------------|-------------|
| Effective interest rate | Interest / mark-up bearing | | | Non-interest / mark-up bearing | | | Total | | |
| | Maturity up to one year | Maturity after one year | Subtotal | Maturity up to one year | Maturity after one year | Subtotal | | | |
| Note | % | ----- (Rupees in '000) ----- | | | | | | | |
| Financial assets | | | | | | | | | |
| Loans and advances | 9 & 13 | - | - | - | 55,598 | 351 | 55,949 | 55,949 | |
| Long term deposits | 10 | - | - | - | - | 1,598 | 1,598 | 1,598 | |
| Trade debts | 12 | - | - | - | 2,577,971 | - | 2,577,971 | 2,577,971 | |
| Trade deposits | 14 | - | - | - | 42,268 | - | 42,268 | 42,268 | |
| Other receivables | 15 | - | - | - | 239,637 | - | 239,637 | 239,637 | |
| Cash and bank balances | 16 | 2.14 | 9 | - | 9 | 87,879 | - | 87,879 | 87,888 |
| | | | 9 | - | 9 | 3,003,353 | 1,949 | 3,005,302 | 3,005,311 |
| Financial liabilities | | | | | | | | | |
| Long-term finance | 19 | KIBOR +0.9 | (214,286) | (428,571) | (642,857) | - | - | - | (642,857) |
| Trade and other payables | 22 | | - | - | - | (1,587,941) | - | (1,587,941) | (1,587,941) |
| Accrued mark-up | 23 | | - | - | - | (11,706) | - | (11,706) | (11,706) |
| Short-term finances | 21 | 4 to 9.14 | (475,577) | - | (475,577) | - | - | - | (475,577) |
| | | | (689,863) | (428,571) | (1,118,434) | (1,599,647) | - | (1,599,647) | (2,718,081) |
| On balance sheet date gap | | | (689,854) | (428,571) | (1,118,425) | 1,403,706 | 1,949 | 1,405,655 | 287,230 |

| 2015 | | | | | | | | | |
|------------------------------|----------------------------|------------------------------|-----------|--------------------------------|-------------------------|-------------|-----------|-------------|-------------|
| Effective interest rate | Interest / mark-up bearing | | | Non-interest / mark-up bearing | | | Total | | |
| | Maturity up to one year | Maturity after one year | Subtotal | Maturity up to one year | Maturity after one year | Subtotal | | | |
| Note | % | ----- (Rupees in '000) ----- | | | | | | | |
| Financial assets | | | | | | | | | |
| Loans and advances | 9 & 13 | - | - | - | 50,033 | 446 | 50,479 | 50,479 | |
| Long term deposits | 10 | - | - | - | - | 1,598 | 1,598 | 1,598 | |
| Trade debts | 12 | - | - | - | 2,182,838 | - | 2,182,838 | 2,182,838 | |
| Trade deposits | 14 | - | - | - | 40,360 | - | 40,360 | 40,360 | |
| Other receivables | 15 | - | - | - | 294,888 | - | 294,888 | 294,888 | |
| Cash and bank balances | 16 | 3.5 | 9 | - | 9 | 122,812 | - | 122,812 | 122,821 |
| | | | 9 | - | 9 | 2,690,931 | 2,044 | 2,692,975 | 2,692,984 |
| Financial liabilities | | | | | | | | | |
| Long-term finance | 19 | KIBOR +0.9 | (107,143) | (642,857) | (750,000) | - | - | - | (750,000) |
| Trade and other payables | 22 | | - | - | - | (1,455,368) | - | (1,455,368) | (1,455,368) |
| Accrued mark-up | 23 | | - | - | - | (14,657) | - | (14,657) | (14,657) |
| Short-term finances | 21 | 9.5 to 12.42 | (682,334) | - | (682,334) | - | - | - | (682,334) |
| | | | (789,477) | (642,857) | (1,432,334) | (1,470,025) | - | (1,470,025) | (2,902,359) |
| On balance sheet date gap | | | (789,468) | (642,857) | (1,432,325) | 1,220,906 | 2,044 | 1,222,950 | (209,375) |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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41.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

41.3.1 Currency risk

Currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on purchases that are entered in a currency other than Pak Rupees. Payable exposed to foreign currency risk have been included in creditors/bills payable, which at year-end are Rs. 251 million (2015: Rs. 264 million) and foreign currency receivables included in trade debtors are Rs. 56.21 million (2015: Rs. 60.46 million). The Company earned exchange gain of Rs. 8.1 million (2015: Rs. 13.4 million) and suffered exchange loss of Rs. 19.4 million (2015: Rs. 17.3 million) during the year.

41.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises under long term finance and short term finance. Further there has been no variable rate instrument at both the current and comparative year-end. At the balance sheet date the interest rate profile of the Company's mark-up bearing financial instruments is as follows:

| | Note | 2016 | 2015 |
|----------------------------------|------|------------------------------|--------------------|
| | | ----- (Rupees in '000) ----- | |
| Variable rate instruments | | | |
| <i>Financial liabilities</i> | | | |
| - Long term finance | 19 | (642,857) | (750,000) |
| - Short term finance | 21 | (475,577) | (682,334) |
| | | <u>(1,118,434)</u> | <u>(1,432,334)</u> |

Cash flow sensitivity for variable rate instruments

A change of 100 basis points (bp) in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2015.

| | Profit and loss | | Equity | |
|---|------------------------------|-----------------|-----------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| | ----- (Rupees in '000) ----- | | | |
| As at June 30, 2016 | | | | |
| Cash flow sensitivity - variable rate instruments | <u>956</u> | <u>(956)</u> | <u>956</u> | <u>(956)</u> |
| As at June 30, 2015 | | | | |
| Cash flow sensitivity - variable rate instruments | <u>1,789</u> | <u>(1,789)</u> | <u>1,789</u> | <u>(1,789)</u> |

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42 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction. The Company prepares its unconsolidated financial statements under the historical cost convention and where applicable at fair value and amortized cost. Estimated fair value of all financial instruments are not significantly different from their carrying values at the year end.

| | Note | 2016 | 2015 |
|---|--------|------------------------------|-------------|
| | | ----- (Rupees in '000) ----- | |
| 43 FINANCIAL INSTRUMENTS BY CATEGORY | | | |
| 43.1 Financial liabilities | | | |
| Financial liabilities measured at amortized cost | | | |
| Long-term finances | 19 | (642,857) | (750,000) |
| Trade and other payables | 22 | (1,587,941) | (1,455,368) |
| Short-term finances | 21 | (475,577) | (682,334) |
| Financial liabilities measured at fair value through profit or loss | | | |
| Accrued mark-up | 23 | (11,706) | (14,657) |
| | | (2,718,081) | (2,902,359) |
| 43.2 Financial assets | | | |
| Loans and receivables | | | |
| Loans and advances | 9 & 13 | 55,949 | 50,479 |
| Long term deposit | 10 | 1,598 | 1,598 |
| Trade debts | 12 | 2,577,971 | 2,182,838 |
| Trade deposits | 14 | 42,268 | 40,360 |
| Other receivables | 15 | 239,637 | 294,888 |
| Cash and bank balances | 16 | 87,888 | 122,821 |
| | | 3,005,311 | 2,692,984 |
| On balance sheet gap | | 287,230 | (209,375) |
| | | 2016 | 2015 |
| 44 NUMBER OF EMPLOYEES | | | |
| Number of employees as at the year end | | 1,756 | 1,468 |
| Average number of employees during the year | | 1,620 | 1,381 |

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

45 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements are authorized for issue by the board of directors on September 28, 2016.

45.1 Event after balance sheet date

The Board of Directors of the Company in the meeting held on September 28, 2016 has approved the following appropriation:

| | 2016 | 2015 |
|---|------------------------------|---------|
| | ----- (Rupees in '000) ----- | |
| - Cash dividend - Rs. 5 (2015: Rs. 2) per share of Rs. 10 each | 613,762 | 171,681 |
| - Issue of bonus shares 14% (2015: 20%) in the ratio of 14 (2015: 20) shares for every 100 shares held (This is in addition to interim bonus share already issue @10% during the year). | 171,853 | 171,681 |

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

The board of directors of the Company has also approved Nil% (2015: 10%) right issue at a premium of Rs. Nil per share (2015: Rs. 190 per share)



Syed Nadeem Ahmed
Chief Executive Officer



Rashid Abdulla
Director

Consolidated Financial Statements

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OUR STRENGTH IS
OUR PEOPLE



OUR BUSINESS DEVELOPMENT & REGULATORY AFFAIRS DEPARTMENT

Comprising of highly energetic professionals having good and relevant academic and professional back ground, the main focus of this department is the product launch from its idea generation till delivery to the market. A very vital role of the team is to focus on the registration of new products in all the operating and new markets to maintain stream of the new and first-to-market products.



Muhammad Sajid
Director Business Development
& Regulatory Affairs



DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors take pleasure in presenting the annual report together with the audited financial statements of the group for the year ended June 30, 2016.

The Directors' Report has been prepared in accordance with section 236 of the Companies Ordinance, 1984, regulation 5.19.11 of the Pakistan Stock Exchange Limited and clause xvi of the Code of Corporate Governance 2012.

This report is to be submitted to the members at the 51st Annual General Meeting of the Company to be held on October 28, 2016.

Top-tier growth, strong cash flows and increasing returns to shareholders are concerns of paramount importance to us. In order to embark on a new era as a resource-rich and fully integrated group, we are broadening our business horizon and are diversifying our operations to optimize shareholders value.

In lieu of the same philosophy, we have penetrated further by stepping into Biosimilar medicines and complex branded generic products with emerging Nutritional range. We have also initiated our presence in the growing textile sector.

| | 2016 | 2015 |
|----------------------------------|-----------------|-----------|
| | PKR in thousand | |
| Revenue | 11,291,324 | 9,048,041 |
| Gross profit | 5,876,184 | 4,402,890 |
| Gross profit percentage | 52.04% | 48.6% |
| Operating expenses | 3,057,680 | 2,227,010 |
| Operating expenses percentage | 27.08% | 24.6% |
| Operating profit | 2,818,504 | 2,175,880 |
| Operating profit percentage | 24.96% | 24.05% |
| Other income | 216,308 | 98,382 |
| Profit before taxation | 2,654,860 | 1,908,819 |
| Profit after taxation | 2,034,030 | 1,452,391 |
| Profit after taxation percentage | 18.01% | 16.05% |

Operating results

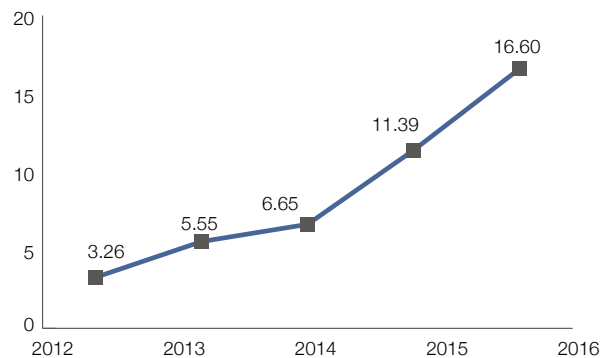
The year 2016 was an infant year for our new portfolio of businesses. Though our conventional business scaled

new heights, the consolidated results were diluted after incorporating the financial results of the pre-mature portfolio of biosimilar and textile business. Nevertheless, the holding company reported revenue of 11.29 billion, registering a growth of 24.79% as compared with the preceding year, further, profit after tax of the holding company also increased substantially by 40.05% as compared with prior year. The growth was driven by expanding doctor coverage, maturing product portfolio, higher volumes, richer product mix, branding efforts and strengthened demand.

Earnings per share

Basic earnings per share after taxation were Rs. 16.6 (2015: Rs. 11.39).

There is no dilution effect on the basic earnings per share of the holding company, as the holding company has no convertible dilutive potential ordinary shares outstanding as at June 30, 2016.



Dividend

The board of directors has recommended cash and stock dividend of 50% & 14% respectively, for the year ended June 30, 2016, this is in addition to the interim bonus shares already issued @ 10%. The company declared cash and stock dividend of 20% each & 10% right shares in June 2015.

Financial statements and auditors

The financial statements of the holding company have been audited and approved without qualification by the auditors, Grant Thornton Anjum Rahman, Chartered Accountants.

The present auditors, Grant Thornton Anjum Rehman, Chartered Accountants, retire and being eligible, offer themselves for reappointment. However, Audit Committee after considering a notice received from a shareholder for change of auditors, recommended to the board for appointment of A.F. Ferguson & Co as auditors of the Company for the year ending June 30, 2017. The Board of Directors endorses the recommendation of the Audit Committee for appointment of A.F. Ferguson & Co for the financial year ending June 30, 2017.

Group Structure

International Brands Limited is the 'ultimate holding company' holding 55.36% of the total paid-up share capital of the holding company i.e. The Searle Company Limited.

The Searle Company Limited is the holding company of IBL HealthCare Limited and Nextar Pharma (Private) Limited having 74.19% and 70.34% shareholding respectively. Further, the holding company also owns four wholly owned subsidiaries namely Searle Pharmaceuticals (Private) Limited, Searle Laboratories (Private) Limited, Searle Biosciences (Private) Limited and IBL Identity (Private) Limited (Formerly Al-Abid Exports (Private) Limited).

Pattern of shareholding

The pattern of shareholding along with categories of shareholders as at June 30, 2016 as required under section 236 of the Companies Ordinance and Listing Regulations is presented on pages 172 to 175 of the Financial Report.

Trading of shares by Directors, CFO, Company Secretary etc.

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

| Name | Shares Purchased | Shares Disposed |
|---------------------|------------------|-----------------|
| Mrs. Shakila Rashid | - | 94,600 |
| Mr. Shahid Abdulla | 7,100 | 7,100 |
| Mr. Shahid Abdulla | 7,500 | -- |

The board was apprised with the transactions accordingly.

Business Conduct

We believe that integrity is a fundamental prerequisite for successful business relationships. Reputation, trust and confidence are essential elements which we seek to protect and enhance, to the benefit of all with whom we have a relationship. The group companies seek to understand and meet its customers' needs, whilst seeking continuous improvement in all spheres of business operations.

Product quality

We at Searle group believe that it is our duty to ensure availability, accessibility, acceptability and quality of health services.

In lieu of the above, we are committed to our duty towards safeguarding the patient's well-being, by assuring that all operations associated with the manufacture of a medicinal product are of a standard that assures the patient's expectations of safety and efficacy. Our products carry a promise of Quality and we take issues related to the quality of our products very seriously.

Pharmaceutical industry is a vital segment of health care system bearing many inherent risks. In line with the above philosophy, we recognize that any mistake in product design or production can be severe, even fatal, therefore, the maintenance of quality with continuous improvement is groups utmost priority and moral responsibility.

Corporate and social responsibility

Goodness is the only investment that never fails. Creating a strong business and building a better world are not conflicting goals - they are both essential ingredients for long-term success

At Searle group, our aim has always been to make useful contributions to the economy we operate in. One of the primary areas of focus has been the creation of employment opportunities to support a large industrial and sales workforce. The group operates in a socially responsible manner. Accordingly, the CSR program has a very wide scope encompassing initiatives in the areas of healthcare, education, child welfare, infrastructure development and other social welfare activities.

Occupational health and safety

We believe, at the end of the day, the goals are simple, safety and security. All workers have the right to return home each day safe and sound. We at Searle group, recognize the importance of safe and secure environment and consider it our duty to ensure that people who work for us know how to work safely and

DIRECTORS' REPORT TO THE SHAREHOLDERS

without risks to health and to develop a positive health and safety culture.

The health and safety of our employees and visitors is a high priority for the group. Therefore, hazards associated with operations are continuously identified, assessed and managed to eliminate or reduce risks.

Information technology

Information technology benefits the business by allowing organization to work more efficiently and to maximize productivity. Faster communication, electronic storage and the protection of records are advantages that IT offers to the enterprise.

To cater the growing business needs of the group, and in line with our continuous endeavors to regularly upgrade information systems we continued with our policy to invest more and more in information technology. The major investment which we are working on is the implementation of most powerful business management system 'SAP'.

Website

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

Related party transactions

All related party transactions, during the year 2016, were placed before the audit committee and the board for their review and approval. These transactions were duly approved by the Audit Committee and the Board in their respective meetings. All these transactions were in line with the transfer pricing methods and the policy with related parties approved by the board previously. The holding company also maintains a full record of all such transactions, along with the terms and conditions. For further details please refer note 42 to the financial statements.

Compliance with the Code of Corporate Governance

The stock exchange have included in their Listing Rules, the Code of Corporate Governance (Code) issued by the Securities & Exchange Commission of Pakistan. The holding company has adopted the code and is implementing the same in letter and spirit.

Directors' training program

Board of directors training helps the board fulfil its role and make a real difference to the company's performance. It takes a practical and pragmatic approach – because every board has a unique role in company oversight including duty to stakeholders. Therefore, keeping the same in mind and the requirements of the code one Director namely Mr. Ayaz Abdulla has attended the directors' training program conducted by Institute of Chartered Accountants of Pakistan during the year.

Code of conduct

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

Corporate and financial reporting framework

- The financial statements, prepared by the management of the holding company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the holding company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The holding company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed.
- There are no significant doubts upon the holding company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- There has been no departure from the best practices of transfer pricing.
- The key operating and financial data for the six years is tabulated as follows:

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|------------------|-----------|-----------|-----------|-----------|-----------|
| ASSETS EMPLOYED | | | | | | |
| Property, plant and equipment | 1,437,042 | 688,354 | 560,152 | 584,168 | 2,672,448 | 837,385 |
| Intangible assets | 247,961 | 39,845 | 47,782 | 74,071 | 86,570 | 104,352 |
| Investment property | 2,607,507 | 2,614,906 | 2,516,865 | 2,312,986 | 120,952 | - |
| Long-term investment | - | 187,792 | 124,500 | - | - | - |
| Long-term loans, deposits & prepayments & deferred cost | 392,240 | 100,300 | 2,476 | 7,212 | 7,273 | 7,953 |
| Net current assets | 3,956,258 | 2,397,902 | 1,342,194 | 1,030,267 | 580,193 | 1,181,693 |
| Total assets employed | 8,641,008 | 6,029,099 | 4,593,969 | 4,008,704 | 3,467,436 | 2,131,383 |
| FINANCED BY | | | | | | |
| Issued, subscribed and paid-up capital | 1,227,523 | 858,407 | 613,148 | 471,652 | 336,895 | 306,268 |
| Reserves and Unappropriated profit | 6,154,517 | 3,842,263 | 2,800,929 | 2,221,285 | 1,703,731 | 1,393,115 |
| Shareholder's equity | 7,382,040 | 4,700,670 | 3,414,077 | 2,692,937 | 2,040,626 | 1,699,383 |
| Non-controlling interest | 395,203 | 318,627 | 260,847 | 201,428 | 176,119 | 146,818 |
| Surplus on revaluation of fixed assets | 296,961 | 296,961 | 168,163 | 185,020 | 201,589 | 179,901 |
| Long-term and deferred liabilities | 566,804 | 712,841 | 750,882 | 929,319 | 1,049,102 | 105,281 |
| Total capital employed | 8,641,008 | 6,029,099 | 4,593,969 | 4,008,704 | 3,467,436 | 2,131,383 |
| Turnover | 11,291,324 | 9,048,041 | 7,608,594 | 6,013,544 | 5,659,437 | 4,876,869 |
| Profit before tax | 2,654,860 | 1,908,819 | 1,165,879 | 981,603 | 620,703 | 563,397 |
| Profit after tax | 2,034,030 | 1,452,391 | 876,057 | 719,066 | 431,751 | 413,573 |
| Profit after tax | | | | | | |
| % of turnover | 18.01 | 16.05 | 11.51 | 11.96 | 7.63 | 8.48 |
| % of capital employed | 23.54 | 24.09 | 19.07 | 17.94 | 12.45 | 19.40 |
| Dividends | | | | | | |
| Cash (%) | 50 | 20 | - | 35 | 35 | 40 |
| Stock (%) | 14 | 20 | 40 | 45 | 40 | 10 |

DIRECTORS' REPORT TO THE SHAREHOLDERS

Audit committee

The Committee comprises of three non-executive directors. The chairman of the committee is an independent director.

During the year, four meetings of audit committee were held, the details of which are as follows:

| Name of director | Meetings attended |
|---------------------|-------------------|
| Mr. Husain Lawai | 2 |
| Mr. Asad Abdulla | 3 |
| Mr. S. Nadeem Ahmed | 4 |
| Mr. Shahid Abdulla | |
| Mr. Arshad Anis | |

During the year Mr. Shahid Abdulla and Mr. Arshad Anis were appointed on the board of committee in place of Mr. S. Nadeem Ahmed and Mr. Asad Abdulla, however, they did not attended any meeting.

Meetings of the board of directors

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

| Name of director | Meetings attended |
|------------------------|-------------------|
| Mr. Rashid Abdulla | 6 |
| Mr. S. Nadeem Ahmed | 6 |
| Mr. Zubair Palwala | 5 |
| Mr. Shahid Abdullah | 1 |
| Mr. Asad Abdulla | 4 |
| Mr. Ayaz Abdulla | 6 |
| Mr. Adnan Asdar Ali | 5 |
| Mr. Husain Lawai | 3 |
| Mr. Arshad Anis | - |
| Mrs. Faiza Naeem | 5 |
| Mr. Mufti Zia Ul Islam | - |

During the year Mr. Arshad Anis and Mr. Mufti Zia Ul Islam were appointed on the board in place of Mrs. Faiza Naeem and Mr. Asad Abdulla, however, they did not attended any meeting.

Human resource and remuneration committee

The Committee comprises of following three members two of them are non-executive Directors including the Chairman of the Committee.

Mr. Shahid Abdulla - Chairman
Mr. Arshad Anis
Mr. Ayaz Abdulla

Subsequent events

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

Value of investments

The value of investment of provident fund based on their un-audited / audited accounts as on June 30, 2016 and June 30, 2015 respectively was as follows:

| | 2016 | 2015 |
|----------------|-----------------|---------|
| | PKR in thousand | |
| Provident Fund | 783,855 | 432,332 |

Future outlook

The sum and substance of the existence of Searle group, is based on the doctrine, 'service of mankind'. We are functioning in full swing to make availability of adequate healthcare solutions certain, for the masses. Nationally and throughout the rapidly increasing cross border destinations, people rely on Searle group, the new destination of possibilities, to help them get healthy throughout their lives.

We expect to evolve as a group with an interesting mix of high value Bio Similar and complex branded generic products with emerging Nutritional range.

We are persistently working for patients across the country and the respective markets, where we exist. Continuing our endeavors, we are developing Nutritional products and supplements and are trying to explore the possibilities for setting up a manufacturing facility in Europe and proceeding for USFDA approval for Bio Similar range. This evolution entails taking multiple initiatives, organic and inorganic, as well as higher risks. While not all these initiatives may give the desired results, we are gearing up the group companies to maximize the odds of succeeding and minimize the disruption due to failure. Adding new Markets and launching high tech products with targeted improved productivity would fairly improve our profitability.

In the long-term, Searle group is targeting sustainable growth, faster than the market, both locally and internationally. Close focus on Bio Similar business will add significant high value to the patient's life along with more profits for the shareholders.

When people are emotionally motivated, they contribute and same is the case with all our employees, partners, suppliers and customers, for which we are thankful. We expect the same zeal and zest from our stakeholders, for their contribution in future.

For and on behalf of the board

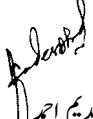


Karachi:
September 28, 2016

Syed Nadeem Ahmed
Chief Executive Officer

جب لوگ زیادہ پر جوش ہوتے ہیں تو وہ زیادہ جدوجہد کرتے ہیں اور یہی ہمارے تمام ملازمین، شراکت کار، سپلائرز اور صارفین کا رویہ رہا ہے، جس کے لئے ہم ان کے شکر گزار ہیں۔ ہم توقع کرتے ہیں کہ ہمارے اسٹیک ہولڈرز اسی امنگ اور جذبے کے ساتھ ہمارے ساتھ شریک سفر رہیں گے۔

بحکم بورڈ


سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی 28 ستمبر 2016

کیلئے USFDA کی اجازت حاصل کر سکیں۔ یہ ارتقا کثیر نوعیت کے نامیاتی اور غیر نامیاتی اقدامات کے ساتھ ساتھ خطرات پر بھی مبنی ہے۔ ہو سکتا ہے کہ ان تمام اقدامات سے من پسند نتائج حاصل نہ ہو سکیں، پھر بھی ہم گروپ کمپنیز کو ترقی کی راہ پر ڈالنے کے لئے تیار کر رہے ہیں اور ناکامی کے باعث متاثر ہونے کے امکان کو کم کر رہے ہیں۔ نئی مارکیٹوں کو شامل کرنے اور ہائی ٹیک مصنوعات متعارف کرانے کے ساتھ اعلیٰ معیاری پیداواری اہداف ہمارے منافع جات کو بھی بہتر بنائیں گے۔

طویل المدتی عمل میں سرل گروپ کا ہدف ملکی و غیر ملکی دونوں سطح پر مارکیٹ سے زائد پائیدار ترقی کا حصول ہے۔ بائوسمیلر کاروبار پر خصوصی توجہ سے مریضوں کی زندگی کو تحفظ دینے کے ساتھ حصص یافتگان کیلئے بھی زائد منافع جات حاصل ہوں گے۔

آڈٹ کمیٹی

ہیومن ریسورس اور ریسیوریشن کمیٹی

کمیٹی درج ذیل 3 ممبران پر مشتمل ہے، جن میں سے 2 نان ایگزیکٹو ڈائریکٹرز ہیں، بشمول کمیٹی کے چیئرمین کے:

جناب شاہد عبداللہ - چیئرمین
جناب ارشد انیس
جناب ایاز عبداللہ

بعد ازاں ہونے والے واقعات

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

سرمایہ کاریوں کی قدر و قیمت

30 جون 2016 اور 30 جون 2015 کو پراویڈنڈ فنڈ کی سرمایہ کاری کی قدر و قیمت ان کے غیر آڈٹ شدہ / آڈٹ شدہ حسابات کی بنیاد پر بالترتیب درج ذیل تھی:

2015 2016

پاک روپے ہزاروں میں

432,332 783,855 پراویڈنڈ فنڈ

مستقبل پر ایک نظر

سرل گروپ کی موجودگی کی بنیاد 'انسانیت کی خدمت' کے فلسفے پر مبنی ہے۔ ہم عوام الناس کو مناسب طبی سہولتوں کی دستیابی ممکن بنانے کیلئے ہر ممکن حد تک کوشاں ہیں۔ اندرون ملک اور سرحد پار، بیشتر مقامات پر، عوام اپنی زندگیوں کو صحت مند بنانے کے لئے سرل گروپ پر اعتماد کرتے ہیں۔

ہم توقع رکھتے ہیں کہ بحیثیت ایک ادارہ ہم اعلیٰ قدر و قیمت کے بائیوسمیلر اور کمپلیکس برانڈز کی عمومی مصنوعات کے زبردست آمیزے کے ساتھ غذائی رتنج میں ابھرتے ہوئے ایک گروپ کی صورت اختیار کریں۔

ہم ملک بھر اور موجودہ مارکیٹوں میں، جہاں جہاں تک ہماری رسائی ہے مریضوں کے لئے مستقل طور پر کام کر رہے ہیں۔ اپنی جدوجہد کو جاری رکھتے ہوئے ہم غذائی مصنوعات اور سپلیمنٹس تیار کر رہے ہیں اور کوشش کر رہے ہیں کہ یورپ میں ایک مینوفیکچرنگ سہولت قائم کر سکیں اور بائیوسمیلر رتنج

کمیٹی 3 نان ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔ کمیٹی کے چیئرمین ایک آزاد ڈائریکٹر ہیں۔

سال کے دوران آڈٹ کمیٹی کے 4 اجلاس منعقد ہوئے جس کی تفصیلات درج ذیل ہیں:

| ڈائریکٹرز کے نام | شرکت کردہ اجلاس |
|--------------------|-----------------|
| جناب حسین لوہانی | 2 |
| جناب اسد عبداللہ | 3 |
| جناب ہلس ندیم احمد | 4 |
| جناب شاہد عبداللہ | - |
| جناب ارشد انیس | - |

سال کے دوران جناب شاہد عبداللہ اور جناب ارشد انیس بورڈ میں جناب ہلس ندیم احمد اور جناب اسد عبداللہ کی جگہ تعینات کئے گئے تاہم انہوں نے کسی اجلاس میں شرکت نہیں کی۔

بورڈ آف ڈائریکٹرز کے اجلاس

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

| ڈائریکٹرز کے نام | شرکت کردہ اجلاس |
|-----------------------|-----------------|
| جناب راشد عبداللہ | 6 |
| جناب ہلس ندیم احمد | 6 |
| جناب زبیر پال والا | 5 |
| جناب شاہد عبداللہ | 1 |
| جناب اسد عبداللہ | 4 |
| جناب ایاز عبداللہ | 6 |
| جناب عدنان اصدر علی | 5 |
| جناب حسین لوہانی | 3 |
| جناب ارشد انیس | - |
| مسز فائزہ نعیم | 5 |
| جناب مفتی ضیا الاسلام | - |

سال کے دوران جناب ارشد انیس اور جناب مفتی ضیا الاسلام بورڈ میں مسز فائزہ نعیم اور جناب اسد عبداللہ کی جگہ تعینات کئے گئے تاہم انہوں نے کسی اجلاس میں شرکت نہیں کی۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- ہولڈنگ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی حسابات اس کے کاروباری امور، آپریشنز کے نتائج، نقد بہاؤ اور لیکویٹی میں تبدیلی کو شفاف انداز میں پیش کرتے ہیں۔
- ہولڈنگ کمپنی کے حسابات کی باقاعدہ کتب موجود ہیں۔
- مالیاتی حسابات کی تیاری میں درست اور موزوں اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی جاتی ہیں اور اکاؤنٹنگ حسابات موزوں اور محتاط فیصلوں پر مبنی ہیں۔
- مالیاتی حسابات پاکستان میں نافذ العمل انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز کے مطابق تیار کئے جاتے ہیں۔
- ہولڈنگ کمپنی ایک مستحکم انٹرئل کنٹرول سسٹم برقرار رکھتی ہے جو کسی بھی غلط بیانی یا نقصان کے خلاف تحفظ فراہم کرتا ہے۔ انٹرئل کنٹرول سسٹم کا باقاعدگی سے جائزہ لیا جاتا ہے۔
- اس امر میں کوئی شبہ نہیں کہ ہولڈنگ کمپنی میں مستقل انداز میں قائم رہنے کی بھرپور صلاحیت موجود ہے۔
- کارپوریٹ گورننس کی بیسٹ پریکٹسز سے قطعی انحراف نہیں کیا گیا ہے جیسا کہ لسٹنگ ریگولیشنز میں تفصیل سے درج کیا گیا ہے۔
- ٹرانسفر پرائیمنگ کی بیسٹ پریکٹسز سے کوئی روگردانی نہیں کی گئی ہے۔
- 6 سالوں کے لئے اہم آپریشننگ اور مالیاتی تفصیل درج ذیل کے مطابق ہے:

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
|-----------|-----------|-----------|-----------|-----------|------------|---|
| | | | | | | لاگو کردہ اثاثہ جات |
| 837,385 | 2,672,448 | 584,168 | 560,152 | 688,354 | 1,437,042 | املاک، پلائنس اور لیکویٹیز |
| 104,352 | 86,570 | 74,071 | 47,782 | 39,845 | 247,961 | غیر محسوس اثاثہ جات |
| - | 120,952 | 2,312,986 | 2,516,865 | 2,614,906 | 2,607,507 | انویسٹمنٹ پراپرٹی |
| - | - | - | 124,500 | 187,792 | - | طویل المدتی سرمایہ کاری |
| 7,953 | 7,273 | 7,212 | 2,476 | 100,300 | 392,240 | طویل المدتی لون، ڈپازٹس اور پری پیمنٹس |
| 1,181,693 | 580,193 | 1,030,267 | 1,342,194 | 2,397,902 | 3,956,258 | خالص موجودہ اثاثہ جات |
| 2,131,383 | 3,467,436 | 4,008,704 | 4,593,969 | 6,029,099 | 8,641,008 | کل لاگو شدہ اثاثہ جات |
| | | | | | | سرمایہ کاری کا ذریعہ |
| 306,268 | 336,895 | 471,652 | 613,148 | 858,407 | 1,227,523 | جاری کردہ سکر آؤٹ اور ادا شدہ سرمایہ |
| 1,393,115 | 1,703,731 | 2,221,285 | 2,800,929 | 3,842,263 | 6,154,517 | ریزرو اور غیر شدہ منافع جات |
| 1,699,383 | 2,040,626 | 2,692,937 | 3,414,077 | 4,700,670 | 7,382,040 | ٹینر ہولڈرز کی لیکویٹی |
| 146,818 | 176,119 | 201,428 | 260,847 | 318,627 | 395,203 | کلڈ اثاثہ جات کی دوبارہ قدر قیمت پر اضافہ |
| 179,901 | 201,589 | 185,020 | 168,163 | 296,961 | 296,961 | طویل المدتی اور ڈیفرڈ ڈسے داریاں |
| 105,281 | 1,049,102 | 929,319 | 750,882 | 712,841 | 566,804 | مجموعی لاگو شدہ سرمایہ |
| 2,131,383 | 3,467,436 | 4,008,704 | 4,593,969 | 6,029,099 | 8,641,008 | ٹرن اوور |
| 4,876,869 | 5,659,437 | 6,013,544 | 7,608,594 | 9,048,041 | 11,291,324 | منافع قبل از ٹیکس |
| 563,397 | 620,703 | 981,603 | 1,165,879 | 1,908,819 | 2,654,860 | منافع بعد از ٹیکس |
| 413,573 | 431,751 | 719,066 | 876,057 | 1,452,391 | 2,034,030 | منافع بعد از ٹیکس |
| 8.48 | 7.63 | 11.96 | 11.51 | 16.05 | 18.01 | ٹرن اوور کا فیصد |
| 19.40 | 12.45 | 17.94 | 19.07 | 24.09 | 23.54 | لاگو شدہ سرمائے کا فیصد |
| | | | | | | منافع منقسم |
| 40 | 35 | 35 | - | 20 | 50 | نقد (فیصد) |
| 10 | 40 | 45 | 40 | 20 | 14 | اسٹاک (فیصد) |

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

متعلقہ پارٹیوں کی لین دین

سال 2016 کے دوران تمام متعلقہ پارٹی ٹرانزیکشنز آڈٹ کمیٹی اور بورڈ کے جائزے اور منظوری کے لئے پیش کردی گئی تھیں۔ متعلقہ پارٹیوں میں لین دین کی یہ سرگرمیاں آڈٹ کمیٹی اور بورڈ کی جانب سے ان کے متعلقہ اجلاسوں میں باقاعدہ منظور کی گئی ہیں۔ یہ تمام ٹرانزیکشنز، ٹرانسفر پرائیمنٹ کے طریقہ کار اور ماضی میں بورڈ کی جانب سے منظور شدہ متعلقہ پارٹیوں کے ساتھ پالیسی کے مطابق تھیں۔ ہولڈنگ کمپنی ان تمام ٹرانزیکشنز کا مکمل ریکارڈ بشمول ان کے شرائط و ضوابط بھی اپنے پاس رکھتی ہے۔ مزید تفصیلات کے لئے براہ مہربانی مالیاتی حسابات کا حوالہ نوٹ 42 دیکھیں۔

کوڈ آف کارپوریٹ گورننس پر عملدرآمد

اسٹاک ایکسچینج کے لسٹنگ قوانین، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ کوڈ آف کارپوریٹ گورننس (کوڈ) میں شامل کردیے گئے ہیں۔ ہولڈنگ کمپنی نے کوڈ کو نافذ کر رکھا ہے اور اس پر عملدرآمد کیا جا رہا ہے۔

ڈائریکٹرز کا تربیتی پروگرام

بورڈ آف ڈائریکٹرز کی تربیت بورڈ کو اس کا کردار ادا کرنے اور کمپنی کی کارکردگی میں حقیقی تبدیلی لانے کا موجب بنتی ہے۔ یہ ایک پریکٹیکل اور عملی طریقہ کار ہے۔ ہر بورڈ، کمپنی کی نگرانی بشمول اسٹیک ہولڈرز کی ذمہ داری پوری کرنے کے ضمن میں ایک منفرد کردار کا حامل ہے۔ لہذا اس امر کو ذہن میں رکھتے ہوئے اور کوڈ کی شرائط کو پورا کرتے ہوئے ایک ڈائریکٹر جناب ایاز عبداللہ نے ڈائریکٹرز کے تربیتی پروگرام میں شرکت کی جس کا انعقاد سال کے دوران انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان نے کیا تھا۔

ضابطہ اخلاق

بورڈ آف ڈائریکٹرز نے ایک ضابطہ اخلاق رائج کیا ہوا ہے۔ تمام ملازمین اس کے بارے میں علم اور آگاہی رکھتے ہیں اور کاروبار کے اصول و ضوابط سے متعلق امور میں اس ضابطہ اخلاق کے قوانین پر عمل کرتے ہیں۔

بھلائی وہ واحد سرمایہ ہے جو کبھی رائیگاں نہیں جاتا۔ ایک مستحکم کاروبار کی تشکیل اور ایک بہتر دنیا کی تعمیر متنازع مقاصد نہیں ہیں۔ یہ دونوں طویل المدتی کامیابی کیلئے ضروری اجزاء ہیں۔

سرل گروپ میں ہمارا مقصد ہمیشہ اس معیشت میں کارآمد شراکت رہا ہے جس میں ہم کام کر رہے ہیں۔ ہماری بنیادی توجہ کے شعبوں میں سے ایک روزگار کے مواقع پیدا کرنا ہے تاکہ ایک وسیع تر صنعتی اور سیکڑ کی افرادی قوت تیار کی جاسکے۔ سرل گروپ سماجی طور پر بھی ذمے داری سے کام کر رہا ہے۔ گروپ کمپنیز کا CSR پروگرام وسیع پیمانے پر مبنی ہے جس میں طبی دیکھ بھال، تعلیم، ماحولیاتی تحفظ، بچوں کی فلاح، انفراسٹرکچر کی ترقی اور دیگر سماجی بہبود کی سرگرمیوں سے منسلک اقدامات شامل ہیں۔

ایکویٹی شل ہیلتھ اور سیفٹی

ہم اس امر پر یقین رکھتے ہیں کہ تحفظ اور سیکیورٹی ہمارے اہداف و مقاصد کا حصہ ہیں۔ تمام ملازمین کا ہر دن بحفاظت اور صحیح سلامت گھر پہنچنا ان کا حق ہے۔ ہم سرل گروپ میں تحفظ اور محفوظ ماحول کی اہمیت کو تسلیم کرتے ہیں اور سمجھتے ہیں کہ اس امر کو یقینی بنانا ہماری ذمہ داری ہے کہ اپنے ملازمین اور ان کے کام کرنے کے ماحول کو محفوظ بنانے کے ساتھ ان کی صحت کو درپیش خطرات کو ختم کریں اور سیفٹی کلچر کو ہر ممکن حد تک فروغ دیں۔

ہمارے ملازمین اور یہاں آنے والے مہمانوں کی صحت اور تحفظ سرل گروپ کی اہم ترجیح ہے لہذا آپریشنز سے منسلک مہلک اثرات کی مستقل طور پر نشاندہی، ان کا جائزہ اور ان خطرات کو کم کرنے یا ختم کرنے کے انتظامات کئے جاتے ہیں۔

انفارمیشن ٹیکنالوجی

انفارمیشن ٹیکنالوجی کام کو منظم انداز میں انجام دینے میں مدد دیتی ہے جس سے کام میں برق رفتاری کے ساتھ پیداواری صلاحیت بھی بڑھتی ہے۔ تیز رفتار روابط، الیکٹرانک اسٹوریج اور ریکارڈز کا تحفظ وہ فوائد ہیں جو آئی ٹی ادارے کو فراہم کرتی ہے۔

سرل گروپ کی بڑھتی ہوئی بنیادی ضروریات کو پورا کرنے اور انفارمیشن سسٹم کو باقاعدگی سے اپ گریڈ کرنے کی ہماری مسلسل کاوشوں کے ساتھ انفارمیشن ٹیکنالوجی میں زیادہ سے زیادہ سرمایہ کاری ہماری پالیسی رہی ہے۔ اہم منصوبہ جس میں ہم کام کر رہے ہیں، وہ 'SAP' کا نفاذ ہے۔ 'SAP' ایک انتہائی مضبوط کاروباری انتظامی نظام ہے۔

منافع منقسمہ

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

ہولڈنگ کمپنی کے حصص کا کاروبار پاکستان اسٹاک ایکسچینج لمیٹڈ میں کیا جاتا ہے۔ ڈائریکٹرز، سی ای او، کمپنی سیکریٹری اور سی ایف او اور ان تمام حضرات کی شریک حیات اور نابالغ بچوں نے، ماسوائے درج ذیل افراد کے کمپنی کے شیئرز میں کسی قسم کا کاروبار نہیں کیا:

| نام | خریدے گئے شیئرز | فروخت کئے گئے شیئرز |
|-------------------|-----------------|---------------------|
| مسز شکیلہ راشد | - | 94,600 |
| جناب شاہد عبداللہ | 7,100 | 7,100 |
| جناب اسد عبداللہ | 7,500 | - |

بورڈ کو اس لین دین کے بارے میں آگاہ کر دیا تھا۔

کاروباری ضوابط

ہم سرل میں یقین رکھتے ہیں کہ، ایمانداری کامیاب کاروباری سرگرمیوں کا ایک بنیادی جزو ہے۔ ساکھ، بھروسہ اور اعتماد وہ ضروری عناصر ہیں جن کی توسیع اور تحفظ ہماری ذمہ داری ہے تاکہ سب کو فائدہ پہنچے اور ہم بہتر باہمی تعلقات قائم کر سکیں۔ گروپ کمپنیز اپنے صارفین کی ضروریات کو سمجھتی ہے اور اس بات کو ملحوظ خاطر رکھتے ہوئے کاروباری سرگرمیوں کے تمام تر دائرہ کار میں مستقل بہتری کی خواہاں ہے۔

پروڈکٹ کا معیار

سرل گروپ میں ہم یقین رکھتے ہیں کہ طبی خدمات کی دستیابی، رسائی، قبولیت اور معیار کو یقینی بنانا ہماری اولین ذمہ داری ہے۔

مندرجہ بالا فلسفے کے تحت ہم مریضوں کی صحت و دیکھ بھال کے تحفظ کے ضمن میں اپنی ذمہ داری پوری کرنے پر کاربند ہیں اور یقین دلاتے ہیں کہ طبی مصنوعات کی تیاری سے منسلک سرگرمیوں پر سمجھوتہ نہیں کیا جاتا اور تمام سرگرمیاں اس معیار کی ہوتی ہیں جو مریضوں کی توقعات کے مطابق ہوں۔ ہماری مصنوعات معیار کے وعدے کے ساتھ ہوتی ہیں اور ہم اپنی مصنوعات کے معیار سے متعلق تمام معاملات کو انتہائی سنجیدگی سے دیکھتے ہیں۔

دوا سازی کی صنعت طبی دیکھ بھال کے نظام کا اہم ترین حصہ ہے جس میں کئی فطری خطرات بھی موجود ہیں۔ مذکورہ بالا فلسفے پر عمل کرتے ہوئے ہم تسلیم کرتے ہیں کہ پروڈکٹ کو ڈیزائن کرنے یا اس کی تیاری میں غلطی، خطرناک بھی ہو سکتی ہے لہذا معیار کی دیکھ بھال اور مستقل بہتری گروپ کمپنیز کی اولین ترجیح اور اخلاقی ذمہ داری ہے۔

بورڈ آف ڈائریکٹرز نے 30 جون 2016 کو ختم ہونے والے سال کے لئے بالترتیب 50 فیصد اور 14 فیصد نقد اور اسٹاک منافع منقسمہ کی سفارش کی ہے۔ یہ پہلے سے جاری کردہ عبوری بونس شیئرز بشرح 10 فیصد کے علاوہ ہے۔ کمپنی نے جون 2015 میں نقد اور اسٹاک منافع منقسمہ 20 فیصد اور 10 فیصد رائٹ شیئرز کا اعلان کیا تھا۔

مالیاتی حسابات اور آڈیٹرز

ہولڈنگ کمپنی کے مالیاتی حسابات آڈٹ کرائے گئے اور آڈیٹران گرانٹ تھورنٹن انجم رحمن، چارٹرڈ اکاؤنٹینٹس نے مالیاتی حسابات کو بغیر کسی اعتراض کے تسلیم کیا۔

موجودہ آڈیٹرز گرانٹ تھورنٹن انجم رحمن، چارٹرڈ اکاؤنٹینٹس سکدوش ہورے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی نے ایک شیئر ہولڈر کی جانب سے آڈیٹرز کی تبدیلی کیلئے موصولہ ایک نوٹس پر غور کرتے ہوئے بورڈ کو سفارش کی کہ اے ایف فرگوسن اینڈ کمپنی کو 30 جون 2017 کو ختم ہونے والے سال کے لئے کمپنی کے آڈیٹرز کی حیثیت سے منتخب کیا جائے۔ بورڈ آف ڈائریکٹرز نے 30 جون 2017 کو ختم ہونے والے مالی سال کیلئے اے ایف فرگوسن اینڈ کمپنی کی تقرری کے لئے آڈٹ کمیٹی کی سفارش کی توثیق کر دی ہے۔

گروپ اسٹریکچر

انٹرنیشنل برانڈز لمیٹڈ 'حتمی ہولڈنگ کمپنی' کی حیثیت سے سرل کمپنی کے 55.36 فیصد شیئرز کی حامل ہے۔

دی سرل کمپنی لمیٹڈ آئی بی ایل ہیلتھ کیئر لمیٹڈ اور نیکیٹر فارما (پرائیویٹ) لمیٹڈ کی ہولڈنگ کمپنی ہے جو بالترتیب 74.19 فیصد اور 70.34 فیصد شیئر ہولڈنگ کی حامل ہے۔ مزید برآں ہولڈنگ کمپنی 4 مکمل ملکیتی ذیلی اداروں بنام سرل فارما سیویٹیکلز (پرائیویٹ) لمیٹڈ، سرل لیبارٹریز (پرائیویٹ) لمیٹڈ، سرل بائیوسائنسز (پرائیویٹ) لمیٹڈ اور آئی بی ایل آئیڈینٹیٹی (پرائیویٹ) لمیٹڈ (سابق العابد ایکسپورٹس (پرائیویٹ) لمیٹڈ) کی بھی حامل ہے۔

پٹن آف شیئر ہولڈنگ

30 جون 2016 کو بیزن آف شیئر ہولڈنگ بشمول شیئر ہولڈرز کی کیملگریز، جیسا کہ کمپنیز آرڈیننس کی دفعہ 236 اور لسٹنگ ریگولیشنز کے تحت ضروری ہے، مالیاتی رپورٹ کے صفحہ نمبر 172 تا 175 پر پیش کی جا رہی ہیں۔

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

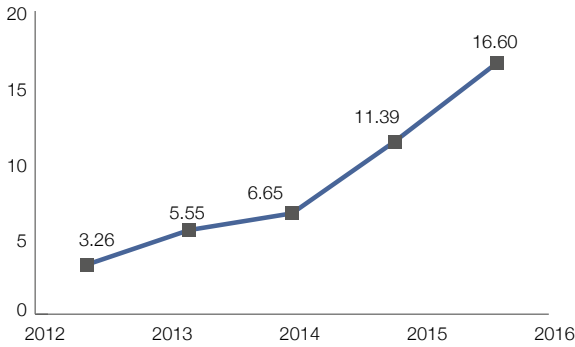
آپریٹنگ نتائج

سال 2016 ہماری نئی کاروباری سرگرمیوں کے اعتبار سے ایک ابتدائی سال تھا۔ اگرچہ ہمارے روایتی کاروبار نے نئی بلندیوں کو حاصل کیا، لیکن مجموعی نتائج بائوسمیلر اور ٹیکسٹائل کے شعبے کے مالیاتی حسابات کو شامل کرنے کے بعد پستی کا شکار رہے۔ بہر حال ہولڈنگ کمپنی نے 11.29 ارب کارونیو ظاہر کیا، جو کہ گزشتہ سال کے مقابلے میں 24.79 فیصد اضافی رہا۔ مزید برآں ہولڈنگ کمپنی کے بعد از ٹیکس منافع میں بھی گزشتہ سال کے مقابلے میں 40.05 فیصد تک اضافہ ہوا۔ ترقی کے یہ مواقع ڈاکٹروں کی کوریج میں توسیع، پروڈکٹ فولیو میں پختگی، بلند حجم، بہترین پروڈکٹ مکس، برانڈنگ کی کوششوں اور طلب میں استحکام کے باعث حاصل ہوئے۔

آمدنی فی شیئر

بنیادی آمدنی فی شیئر بعد از ٹیکس 16.6 روپے تھی
(11.39 روپے: 2015)۔

ہولڈنگ کمپنی کی بنیادی آمدنی فی حصص پر ڈائلیوشن کا کوئی اثر نہیں پڑا کیونکہ ہولڈنگ کمپنی کے 30 جون 2016 کو کوئی کنورٹبل ڈائلیٹیو پونڈیشنل آرڈینری شیئرز باقی نہیں تھے۔



ڈائریکٹرز 30 جون 2016 کیلئے گروپ کے آڈٹ شدہ مالیاتی حسابات کے ساتھ سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

ڈائریکٹرز کی رپورٹ کمپنیز آرڈیننس 1984 کی دفعہ 236، پاکستان اسٹاک ایکسچینج لیمنڈ کے ضابطے 5.19.11 اور کوڈ آف کارپوریٹ گورننس 2016 کی شق xvi کے مطابق تیار کی گئی ہے۔

یہ رپورٹ کمپنی کے 51 ویں سالانہ اجلاس عام منعقدہ 28 اکتوبر 2016ء میں ممبران کو پیش کرائی جائے گی۔

اعلیٰ درجے کی ترقی، مستحکم نقد بہاؤ اور حصص یافتگان کیلئے منافع جات میں اضافہ ہمارے لئے سب سے نمایاں ترجیحات ہیں۔ وسائل سے بھرپور اور جامعہ گروپ کی حیثیت سے نئے دور میں داخل ہونے کی غرض سے ہم اپنے کاروبار کو مزید وسعت دے رہے ہیں اور حصص یافتگان کی قدر بڑھانے کے لئے کاروبار کو توسیع دے رہے ہیں۔

اسی فلسفے کے تحت ہم نے بائوسمیلر ادویات اور کمپلیکس برانڈز کی عمومی مصنوعات کے ساتھ ابھرتی ہوئی غذائی رتن کے شعبے میں قدم اور ہمالے ہیں۔ ہم نے تیزی سے بڑھتے ہوئے ٹیکسٹائل کے شعبے میں بھی اپنی موجودگی ظاہر کر دی ہے۔

2015 2016

| | | |
|-----------|------------|--------------------------------|
| 9,048,041 | 11,291,324 | آمدنی |
| 4,402,890 | 5,876,184 | مجموعی منافع |
| 48.6% | 52.04% | مجموعی منافع کی فیصد شرح |
| 2,227,010 | 3,057,680 | آپریٹنگ اخراجات |
| 24.6% | 27.08% | آپریٹنگ اخراجات کی فیصد شرح |
| 2,175,880 | 2,818,504 | آپریٹنگ منافع جات |
| 24.05% | 24.96% | آپریٹنگ منافع جات کی فیصد شرح |
| 98,382 | 216,308 | دیگر آمدنی |
| 1,908,819 | 2,654,860 | منافع قبل از ٹیکس |
| 1,452,391 | 2,034,030 | منافع بعد از ٹیکس |
| 16.05% | 18.01% | منافع بعد از ٹیکس کی فیصدی شرح |

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Auditors' Report on Consolidated Financial Statements to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of The Searle Company Limited (the Holding Company) and its subsidiary companies IBL HealthCare Limited, Searle Pharmaceuticals (Private) Limited, Searle Laboratories (Private) Limited, Searle Biosciences (Private) Limited, IBL Identity (Private) Limited {formerly Al-Abid Exports (Private) Limited} and Nextar Pharma (Private) Limited (the subsidiaries) as at June 30, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company and the subsidiary companies, whereas, financial statements of IBL Identity (Private) Limited {formerly Al-Abid Exports (Private) Limited} and Nextar Pharma (Private) Limited were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies are based solely on the report of such other auditors.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary companies as at June 30, 2016 and the results of their operations for the year then ended.

Karachi
Date: September 28, 2016



Grant Thornton Anjum Rahman
Chartered Accountants
Khaliq-ur-Rahman

CONSOLIDATED BALANCE SHEET

As at June 30, 2016

| | Note | 2016 | 2015 |
|--|------|-------------------|------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| - Property, plant and equipment | 6 | 1,437,042 | 688,354 |
| - Intangible assets | 7 | 247,961 | 39,845 |
| | | 1,685,003 | 728,199 |
| Investment properties | 8 | 2,607,507 | 2,614,906 |
| Long term investment | 9 | - | 187,792 |
| Long term loans | 10 | 320,534 | 98,702 |
| Long term deposits | 11 | 5,026 | 1,598 |
| Deferred cost | | 66,680 | - |
| Total non-current assets | | 4,684,750 | 3,631,197 |
| Current assets | | | |
| Stores and spares | | 1,004 | 1,004 |
| Stock-in-trade | 12 | 1,533,770 | 1,221,235 |
| Trade debts | 13 | 2,988,769 | 2,434,515 |
| Loans and advances | 14 | 882,701 | 314,660 |
| Trade deposits and short-term prepayments | 15 | 186,947 | 111,031 |
| Other receivables | 16 | 423,627 | 205,761 |
| Short term investments | 17 | 99,593 | 126,929 |
| Advance tax | | 560,088 | 180,770 |
| Cash and bank balances | 18 | 136,001 | 152,876 |
| Total current assets | | 6,812,500 | 4,748,781 |
| Total assets | | 11,497,250 | 8,379,978 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Authorized share capital 140,000,000 (2015: 140,000,000) ordinary shares of Rs. 10 each | | 1,400,000 | 1,400,000 |
| Issued, subscribed and paid-up share capital | 19 | 1,227,523 | 858,407 |
| Share Premium | | 1,630,974 | - |
| General reserve | | 280,251 | 280,251 |
| Unappropriated profit | | 4,243,292 | 3,562,012 |
| Equity attributable to the Holding Company's shareholders | | 7,382,040 | 4,700,670 |
| Non controlling interest | | 395,203 | 318,627 |
| Total equity | | 7,777,243 | 5,019,297 |
| Surplus on revaluation of fixed assets | 20 | 296,961 | 296,961 |
| Non-current liabilities | | | |
| Long term finances - secured | 21 | 486,953 | 642,857 |
| Deferred liabilities | 22 | 79,851 | 69,984 |
| Total non-current liabilities | | 566,804 | 712,841 |
| Current liabilities | | | |
| Current portion of long term finances | 21 | 214,286 | 107,143 |
| Short-term finances | 23 | 475,577 | 682,334 |
| Trade and other payables | 24 | 2,154,673 | 1,546,745 |
| Accrued mark-up | 25 | 11,706 | 14,657 |
| Total current liabilities | | 2,856,242 | 2,350,879 |
| Total liabilities | | 3,423,046 | 3,063,720 |
| Contingencies and commitments | 26 | | |
| Total shareholders' equity and liabilities | | 11,497,250 | 8,379,978 |

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.



Syed Nadeem Ahmed
Chief Executive Officer



Rashid Abdulla
Director

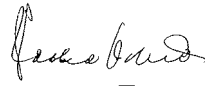
CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 ----- (Rupees in '000) ----- |
|---|------|--------------------------------------|--------------------------------------|
| NET SALES | 27 | 11,291,324 | 9,048,041 |
| COST OF SALES | 28 | 5,415,140 | 4,645,151 |
| GROSS PROFIT | | 5,876,184 | 4,402,890 |
| Selling and distribution expenses | 29 | 2,635,397 | 1,965,775 |
| Administrative expenses | 30 | 422,283 | 261,235 |
| | | 3,057,680 | 2,227,010 |
| OPERATING PROFIT | 31 | 2,818,504 | 2,175,880 |
| Other income | 32 | 216,308 | 98,382 |
| | | 3,034,812 | 2,274,262 |
| Other expenses | 33 | 267,056 | 171,969 |
| Share of loss from associates | | - | 1,183 |
| Finance cost | 34 | 112,896 | 192,291 |
| | | 379,952 | 365,443 |
| PROFIT BEFORE INCOME TAX | | 2,654,860 | 1,908,819 |
| Income tax expense | 35 | 620,830 | 456,428 |
| PROFIT FOR THE YEAR | | 2,034,030 | 1,452,391 |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO: | | | |
| Shareholders of the Holding Company | | 2,000,689 | 1,372,837 |
| Non-controlling interest | | 33,341 | 79,554 |
| | | 2,034,030 | 1,452,391 |
| | | | (Re-stated) |
| | | 2016 | 2015 |
| | | ----- (Rupees in '000) ----- | ----- (Rupees in '000) ----- |
| EARNINGS PER SHARE - BASIC AND DILUTED | 36 | 16.60 | 11.39 |

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.


Syed Nadeem Ahmed
Chief Executive Officer


Rashid Abdulla
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2016

| Note | 2016 ----- (Rupees in '000) ----- | 2015 ----- (Rupees in '000) ----- |
|---|--------------------------------------|--------------------------------------|
| PROFIT FOR THE YEAR | 2,034,030 | 1,452,391 |
| Other comprehensive loss | | |
| Items that may be reclassified to profit and loss account subsequently | - | - |
| Items that will not be reclassified subsequently to profit or loss account | | |
| Remeasurement of defined benefit obligations | 37.1.4 (1,982) | (1,802) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 2,032,048 | 1,450,589 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO: | | |
| Shareholders of the Holding Company | 1,998,707 | 1,371,035 |
| Non-controlling interest | 33,341 | 79,554 |
| | 2,032,048 | 1,450,589 |

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.



Syed Nadeem Ahmed
Chief Executive Officer



Rashid Abdulla
Director


CONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|---|------|--------------------------------------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations after working capital changes | 38 | 1,665,804 | 1,309,086 |
| Gratuity paid | | (4,973) | (1,421) |
| Taxes paid | | (992,154) | (452,803) |
| Net cash generated from operating activities | | 668,677 | 854,862 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 6.1 | (173,636) | (62,376) |
| Proceeds from disposal of property, plant and equipment | 6.5 | 7,589 | 27,845 |
| Additions to capital work in progress - net | 6.7 | (52,224) | (1,136) |
| Purchase of intangible assets | 7 | (50,590) | (2,820) |
| Expenditures incurred on investment property | 8.2 | (40,330) | (122,991) |
| Long-term investments made in associates | 9 | 187,792 | (63,975) |
| Acquisition of non-controlling interest | | (1,029,345) | (94,716) |
| Acquisition of subsidiary, net of cash acquired | | | |
| - Nextar Pharma (Private) Limited | | (598,464) | - |
| - IBL Identity (Private) Limited | | (42,914) | - |
| Mark-up received from associated Company | 16 | - | 1,650 |
| Purchase of short-term investments | 17 | (481,464) | (85,871) |
| Proceeds from redemption of investments | 17 | 518,572 | - |
| Net cash used in investing activities | | (1,755,014) | (404,390) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Issue of shares | | 1,716,817 | - |
| Issue of shares by subsidiary Company to NCI | | 72,650 | - |
| Long-term finance paid | | (213,931) | (75,000) |
| Dividends paid to shareholders of the Holding Company | | (171,681) | (162) |
| Dividends paid to non-controlling interest | | (29,062) | (11,500) |
| Finance charges paid | | (98,574) | (204,185) |
| Net cash generated from / (used in) financing activities | | 1,276,219 | (290,847) |
| Net increase in cash and cash equivalents | | 189,882 | 159,625 |
| Cash and cash equivalents at the beginning of the year | | (529,458) | (689,083) |
| Cash and cash equivalents at the end of the year | 39 | (339,576) | (529,458) |

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.


 Syed Nadeem Ahmed
 Chief Executive Officer


 Rashid Abdulla
 Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2016

| | Reserves | | | | Share premium account | Unappropriated profit | Equity attributable to the Holding Company's shareholders | Non controlling interest | Total equity |
|---|------------------|---|-------------------------|----------------|-----------------------|-----------------------|---|--------------------------|------------------|
| | Share capital | Capital Reserve for issue of bonus shares | Revenue General reserve | Total | | | | | |
| | (Rupees in '000) | | | | | | | | |
| Balance as at July 1, 2014 | 613,148 | - | 280,251 | 280,251 | - | 2,520,678 | 3,414,077 | 260,847 | 3,674,924 |
| Profit for the year | - | - | - | - | - | 1,372,837 | 1,372,837 | 79,554 | 1,452,391 |
| Other comprehensive income | - | - | - | - | - | (1,802) | (1,802) | - | (1,802) |
| | - | - | - | - | - | 1,371,035 | 1,371,035 | 79,554 | 1,450,589 |
| Transactions with owners | | | | | | | | | |
| <i>Distributions to owners of the Company</i> | | | | | | | | | |
| Transfer to reserve for issue of bonus shares | - | 245,259 | - | 245,259 | - | (245,259) | - | - | - |
| Bonus shares issued @ 40% in the ratio of 40 shares for every 100 shares held | 245,259 | (245,259) | - | (245,259) | - | - | - | - | - |
| Cash dividend paid for the year ended June 30, 2014 @ Re. 1 per share (Subsidiary Company) | - | - | - | - | - | - | - | (11,500) | (11,500) |
| <i>Changes in ownership interests in subsidiaries</i> | | | | | | | | | |
| Acquisition of non-controlling interest without a change in control | - | - | - | - | - | (84,442) | (84,442) | (10,274) | (94,716) |
| | 245,259 | - | - | - | - | (329,701) | (84,442) | (21,774) | (106,216) |
| Balance as at June 30, 2015 | 858,407 | - | 280,251 | 280,251 | - | 3,562,012 | 4,700,670 | 318,627 | 5,019,297 |
| Balance as at July 1, 2015 | 858,407 | - | 280,251 | 280,251 | - | 3,562,012 | 4,700,670 | 318,627 | 5,019,297 |
| Profit for the year | - | - | - | - | - | 2,000,689 | 2,000,689 | 33,341 | 2,034,030 |
| Other comprehensive income | - | - | - | - | - | (1,982) | (1,982) | - | (1,982) |
| | - | - | - | - | - | 1,998,707 | 1,998,707 | 33,341 | 2,032,048 |
| Transactions with owners | | | | | | | | | |
| <i>Distributions to owners of the Company</i> | | | | | | | | | |
| Transfer to reserve for issue of bonus shares | - | 283,273 | - | 283,273 | - | (283,273) | - | - | - |
| Bonus shares issued @ 20% in the ratio of 20 shares for every 100 shares held | 171,681 | (171,681) | - | (171,681) | - | - | - | - | - |
| Cash dividend paid for the year ended June 30, 2015 @ Rs. 2 per share | - | - | - | - | - | (171,681) | (171,681) | - | (171,681) |
| Right shares issued @ 10% in the ratio of 10 shares for every 100 shares held | 85,843 | - | - | - | 1,630,974 | - | 1,716,817 | - | 1,716,817 |
| Right shares issued @ 10% in the ratio of 10 shares for every 100 shares held by non controlling interest | - | - | - | - | - | - | - | 72,650 | 72,650 |
| Interim Bonus shares issued @ 10% in the ratio of 10 shares for every 100 shares held | 111,592 | (111,592) | - | (111,592) | - | - | - | - | - |
| Cash dividend paid for the year ended June 30, 2015 @ Rs. 2 per share | - | - | - | - | - | - | - | (29,062) | (29,062) |
| <i>Changes in ownership interests in subsidiaries</i> | | | | | | | | | |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | 166,519 | 166,519 |
| Acquisition of non-controlling interest without a change in control | - | - | - | - | - | (862,473) | (862,473) | (166,872) | (1,029,345) |
| | 369,116 | - | - | - | 1,630,974 | (1,317,427) | 682,663 | 43,235 | 725,898 |
| Balance as at June 30, 2016 | 1,227,523 | - | 280,251 | 280,251 | 1,630,974 | 4,243,292 | 7,382,040 | 395,203 | 7,777,243 |

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.


Syed Nadeem Ahmed
Chief Executive Officer


Rashid Abdulla
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

1 LEGAL STATUS AND OPERATIONS

The 'Group' consist of:

Holding Company

- The Searle Company Limited (the Holding Company)

Subsidiary companies

- IBL HealthCare Limited
- Searle Pharmaceuticals (Private) Limited
- Searle Laboratories (Private) Limited
- Searle Biosciences (Private) Limited
- IBL Identity (Private) Limited {formerly Al-Abid Exports (Private) Limited}
- Nextar Pharma (Private) Limited

International Brands Limited is the 'ultimate holding Company' as it holds 55.36% of the total paid-up share capital of the Holding Company.

The Group is engaged in manufacture and sale of pharmaceutical items, food and consumer items, manufacture of pharmaceutical items for other companies and marketing, selling and distribution of other healthcare products. Brief profile of the Holding Company and subsidiaries is as under:

a) The Searle Company Limited

The Holding Company was incorporated in Pakistan as a private limited Company in October 1965. In November 1993, the Holding Company was converted to a public limited Company. Its shares are quoted on the Pakistan Stock Exchange. The Holding Company is principally engaged in the manufacture of pharmaceutical products and other consumer products. In addition, the Holding Company is engaged in sale of food and consumer products, and manufacture of pharmaceutical products for other companies. The registered office of the Holding Company is situated at First Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

b) IBL HealthCare Limited

IBL HealthCare Limited was incorporated in Pakistan as a private limited Company on July 14, 1997. In November 2008 the subsidiary Company was converted to a public limited Company and its shares were listed on Pakistan Stock Exchange. The address of its registered office is 9th Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi. The principal business activities of the subsidiary are marketing, selling and distribution of healthcare products.

c) Searle Pharmaceuticals (Private) Limited

Searle Pharmaceuticals (Private) Limited was incorporated in Pakistan as a private limited Company on December 18, 2012. The address of its registered office is 1st Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi. The principal business activity of the subsidiary is manufacturing of pharmaceutical products.

d) Searle Laboratories (Private) Limited

Searle Laboratories (Private) Limited was incorporated in Pakistan as a private limited Company on December 26, 2012. The address of its registered office is 1st Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi. The principal business activity of the subsidiary is manufacturing of pharmaceutical products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

e) Searle Biosciences (Private) Limited

Searle Biosciences (Private) Limited was incorporated in Pakistan as a private limited Company on August 7, 2013. The address of its registered office is 1st Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi. The principal business activity of the subsidiary is manufacturing of pharmaceutical products.

f) IBL Identity (Private) Limited {formerly Al-Abid Exports (Private) Limited}

IBL Identity (Private) Limited [formerly Al-Abid Exports (Private) Limited] (the Company) was incorporated in Pakistan in 1986 as a private limited Company. The registered office of the Company is situated at Office no 104, First Floor, Landmark Plaza, Muhammad Bin Qasim Road, Off. I.I. Chundrigar Road, Karachi. The principal activities include retail business of printed and dyed cloth, bed sets & other made ups.

On August 26, 2015, the Holding Company acquired the entire shareholding comprising of 9,500,000 ordinary shares of Al-Abid Exports (Private) Limited amounting to Rs.49.875 million in order to diversify its business and bring in the required focus as part of its business widening plans. Al-Abid Exports (Private) Limited was later renamed as IBL Identity (Private) Limited and its registered office was changed to First Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

g) Nextar Pharma (Private) Limited

The Company was incorporated in Pakistan in February 2003 as a private limited Company. The main objective of the Company is the business of manufacturing and trading of pharmaceutical products. The registered office of the Company is situated at Plot No. E-58, N.W.I.Z. Port Qasim, Karachi.

On December 31, 2015, the Holding Company acquired further shares of Nextar Pharma (Private) Limited ("NPL") raising total voting rights to 70.34% (2015: 27.20%) of the total share capital with 3,516,900 (2015: 1,360,000) fully paid ordinary shares of Rs.100/- each, amounting to Rs.600.277 million (2015: Rs.404.57 million) in NPL, a Company involved in the business of production and sale of Bio Similar products.

The acquisition raised the Company's ownership in NPL to 70.34% of voting rights from previously held equity interest. As a result, NPL became a subsidiary of the Company as the Company obtained control of NPL. The Company intends to enhance the Company's pharma business.

2 BASIS OF CONSOLIDATION

The consolidated financial statements includes the financial statements of Holding Company and its subsidiaries comprising together 'the group'.

Subsidiaries

a) IBL HealthCare Limited

The Holding Company can directly or indirectly exercise control over IBL HealthCare Limited, as it has significant representation in Board of directors of, and 74.19% shareholding in, IBL HealthCare Limited.

b) Nextar Pharma (Private) Limited

The Holding Company can directly or indirectly exercise control over Nextar Pharma (Private) Limited, as it has significant representation in Board of directors, and 70.34% shareholding in, Nextar Pharma (Private) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

c) Searle Pharmaceuticals (Private) Limited, Searle Laboratories (Private) Limited, Searle Biosciences (Private) Limited and IBL Identity (Private) Limited {formerly Al-Abid Exports (Private) Limited}

The Holding Company can directly exercise control over Searle Pharmaceuticals (Private) Limited, Searle Laboratories (Private) Limited, Searle Biosciences (Private) Limited and IBL Identity (Private) Limited {formerly Al-Abid Exports (Private) Limited} as these are 100% owned by the Holding Company.

The financial statements of the subsidiaries are prepared for the same reporting year as the financial statements of the Holding Company, using consistent accounting policies.

The consolidated financial statements comprise financial statements of the Group. The assets and liabilities of the subsidiary companies have been consolidated on a line by line basis and the carrying values of the investments held by the Holding Company have been eliminated against corresponding holding in subsidiaries' shareholders' equity in the consolidated financial statements. All intra-group transactions, balances, income and expenses have been eliminated.

Non-controlling interests, presented as part of total equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Holding Company and the non-controlling interests based on their respective ownership interests.

3 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3.1 STANDARDS, INTERPRETATION AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

Standards, amendments and interpretations to the published standards that are relevant to the Company and adopted in the current year

| Amendments, improvements of standards and interpretations | | Effective date |
|--|---|-----------------------|
| IFRS | 10 - Consolidated Financial Statements | January 1, 2015 |
| IFRS | 11 - Joint Arrangements | January 1, 2015 |
| IFRS | 12 - Disclosure of Interests in other Entities | January 1, 2015 |
| IFRS | 13 - Fair Value Measurement | January 1, 2015 |
| IAS | 27 - Separate Financial Statements | January 1, 2015 |
| IAS | 28 - Investments in Associates and Joint Ventures | January 1, 2015 |

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended June 30, 2015 and 2016.

Standards, amendments to published standards and interpretations that are effective but not relevant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on June 01, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

| Amendments, improvements of standards and interpretations | Effective date |
|---|-----------------------|
| IAS 1 - Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements) | January 1, 2016 |
| IFRS 10, IFRS 12 and IAS 28 - Investment Entities : Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) | January 1, 2016 |
| IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Postponed |
| Amendments, improvements of standards and interpretations | Effective date |
| Annual Improvements to IFRSs 2012 - 2014 Cycle | January 1, 2016 |
| IAS 16 and IAS 41 - Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) | January 1, 2016 |
| IAS 27 - Equity method in Separate Financial Statements (Amendments to IAS 27) | January 1, 2016 |
| IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38) | January 1, 2016 |
| IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) | January 1, 2016 |
| IAS 7 - Disclosure Initiative (Amendments to IAS 7) | January 1, 2017 |
| IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) | January 1, 2017 |

Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP) for applicability in Pakistan

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard | IASB effective date (Annual periods beginning on or after) |
|---|---|
| IFRS 14 - Regulatory Deferral Accounts | January 1, 2016 |
| IFRS 15 - Revenue from Contracts with Customers | January 1, 2018 |
| IFRS 9 - Financial Instruments (2014) | January 1, 2018 |
| IFRS 16 - Leases | January 1, 2019 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

4 BASIS OF PREPARATION

These consolidated financial statements have been prepared under the 'historical cost convention' except for revaluation of certain assets at fair value and recognition of certain retirement benefits at present value.

These consolidated financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

4.1 Use of critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the use of management estimates in these consolidated financial statements relate to the following:

| | Note |
|---|-----------|
| a) Staff retirement benefits | 5.3 |
| b) Taxation | 5.4 |
| c) Useful life of depreciable and amortizable assets | 5.6 & 5.7 |
| d) Revaluation of assets | 5.6.3 |
| e) Estimates of recoverable amounts of inventories | 5.12 |
| f) Loans and receivables | 5.13 |
| g) Provisions, contingent assets and contingent liabilities | 5.18 |
| h) Impairment | 5.19 |

The determination of carrying amount of staff retirement benefits that are defined benefit plans requires actuarial assumptions and estimates about financial variables such as future salary increases, and demographic variables such as employee turnover, mortality rates, etc. The Group employs services of professional actuaries to make such estimates and assumptions using actuarial techniques.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented except for the change in accounting policy as disclosed in note 3.2.1 to the consolidated financial statements.

5.1 Business combinations and investments in associates

5.1.1 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement, if any. Acquisition costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

The Group recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5.1.2 Investments in associate

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates is increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities.

5.2 Loans and finances

These are initially recognized at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are recognized at amortized cost using the effective interest method.

5.3 Staff retirement benefits

5.3.1 Defined benefit plans (also refer note 37)

Gratuity scheme (un-funded)

The Group operates an unfunded gratuity scheme covering all unionized employees with five or more years of service with the Holding Company, The Searle Company Limited. The provision has been made in accordance with actuarial valuations carried out as of June 30, 2016 using the projected unit credit method based on the significant assumptions stated in note 37.

5.3.2 Defined contribution plan

In addition, the Group operates a recognized provident fund scheme for its employees. Equal monthly contributions are made, both by the group companies and employees, to the fund at the rate of 10% of basic salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

5.4 Taxation

5.4.1 Current

The charge of current tax is based on taxable income at the applicable rate of taxation after taking into account available tax credits and rebates. Income for the purpose of computing current taxation is determined under the provisions of tax laws.

5.4.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. The Group takes into account the current income tax law and decisions taken by the taxation authorities.

Deferred tax is charged or credited in the profit or loss account, except in the case of items credited or charged to other comprehensive income/equity in which case it is included in other comprehensive income/equity.

5.5 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which these are incurred.

5.6 Property, plant and equipment, depreciation and finance leases

5.6.1 Initial recognition

An item of property, plant and equipment is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

5.6.2 Leases

The Group accounts for property, plant and equipment acquired under finance leases by recording the assets and the related liability. These amounts are determined at the inception of lease, on the basis of the lower of the fair value and the present value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant rate of charge on the outstanding liability.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

5.6.3 Measurement subsequent to initial recognition

a) *Carried using revaluation model*

Building on leasehold land, plant and machinery, motor vehicles and air conditioning systems are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Lease hold land is stated at its revalued amount. Fair value is determined by external professional valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

b) *Carried using cost model*

Property, plant and equipment other than those mentioned above are stated at cost less accumulated depreciation and accumulated impairment losses.

c) *Depreciation*

Depreciation on assets (other than leasehold land) is charged to income applying the straight-line method whereby the cost of an asset is written off over its useful life. Same basis and estimates for depreciation are applied to owned assets and assets acquired under finance lease.

Depreciation on additions is charged from the month during which the asset is available for use. For disposals during the year, depreciation is charged up to the end of the month preceding the month of disposal. Depreciation is charged to income or included in the cost of inventory by applying the rates mentioned in note 6.1.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gain and loss on disposal of property, plant and equipment is included in income currently.

d) *Surplus on revaluation of fixed assets*

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. Accordingly the Group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets" account to accumulated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

5.6.4 Capital work in progress

Capital work-in-progress (CWIP) is stated at cost less any impairment loss. All expenditures in connection with specific assets incurred during installation and construction period are carried to CWIP. These expenditures are transferred to operating assets as and when these are available for intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

5.7 Intangible assets

- An intangible asset is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition of the asset. Intangible assets are subsequently stated at cost less accumulated amortization and accumulated impairment losses. Gain and loss on disposal of intangible assets is included in income currently.
- Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses, if any.
- Intangibles having infinite life are carried at cost less impairment, if any.
- Amortization is calculated using the straight line method to allocate the cost of trademarks and licenses over the useful lives (3 - 15 years) by applying the rates mentioned in note 7 to the financial statements.

5.8 Investment properties

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

Building classified under investment property is carried at its respective cost less accumulated depreciation and accumulated impairment losses if any.

Leasehold land classified under investment properties is carried at its respective cost less accumulated impairment losses, if any.

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

5.9 Investments

5.9.1 Investment in associated companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or common directorship. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associate after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

5.9.2 Short term investments

All investments are initially recognised at the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments.

a) *Fair value through profit or loss (FVTPL) - Held for trading*

Financial assets at FVTPL include financial assets that are either classified as held for trading (HFT) or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Investments which are acquired with the intention to trade by taking advantage of short term market/interest rate movements are considered as held for trading. Dividend income and entitlement of bonus shares are recognized when the Company's right to receive such dividend and bonus shares is established.

5.10 Deferred cost

Deferred cost is to be amortized over a period of five years from the year of commercial production in Nextar Pharma (Private) Limited.

5.11 Stores and spares

All stores, spares and loose tools either imported or purchased locally are charged to income when consumed and are valued at cost, which is determined on a first-in-first-out basis. Spares-in-transit are valued at cost accumulated to the balance sheet date. A provision is made for any excess of book value over net realizable value.

The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores, spares and loose tools.

5.12 Stocks-in-trade

These are valued at the lower of cost and net realizable value except goods-in-transit which are valued at invoice price and related expenses incurred up to the balance sheet date. Cost signifies standard cost adjusted by variances.

Cost of raw and packing material comprises purchase price including directly related expenses less trade discounts. Cost of work-in-process and finished goods includes cost of raw material, direct labor and related production overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.

5.13 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

Subsequent to initial measurement loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment. Gains/Losses arising on remeasurement of loans and receivables are taken to the profit and loss account.

Gain or loss is also recognized in profit and loss account when loans and receivables are derecognized or impaired, and through the amortization process.

Interest free loans to employees are stated at cost and recovered in equal monthly instalments through salary of the employees.

5.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, and current and deposit account balances with banks. Running finance facilities availed by the Group, which are payable on demand and form an integral part of the Group's cash management are included as part of cash and cash equivalents for the purpose of cash flow statement.

5.15 Foreign currencies

Transactions in foreign currencies are accounted for in rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies as at the balance sheet date are expressed in rupees at rates of exchange prevailing on that date except where forward exchange cover has been obtained for payment of liabilities, in which case the contracted rates are applied. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange gains and losses are included in income currently.

5.16 Revenue recognition

Revenue is recognized when it is probable that economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Sales are recorded on dispatch of goods and in case of confection and packaging, on the completion of contractual obligation. Export sales are recorded when the goods are shipped.
- Toll manufacturing income is recognized when services are rendered.
- Dividend income, other than those from investments measured using equity method, is recognized when the Group's right of receipts is established.
- Bank profit and commission income are recognized on accrual basis.
- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

5.17 Research and development cost

- Research cost is charged to income as and when incurred.
- Development cost is charged to income when it does not meet the criteria of capitalization as specified in IAS 38 'Intangible Assets'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

5.18 Provisions, contingent assets and contingent liabilities

Provisions are recognized in the consolidated balance sheet when the Group has a legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

5.19 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in consolidated profit and loss account.

5.20 Financial instruments

5.20.1 Recognition

A financial instrument (financial asset or financial liability) is recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets carried on the consolidated balance sheet include cash and bank balances, investments, trade and other receivables, loans, advances and deposits.

Financial liabilities carried on the consolidated balance sheet include long term finances, liabilities against assets subject to finance lease, short term running finances, trade and other payables and accrued mark-up.

At the time of initial recognition i.e. at the time when the Group becomes a party to the contractual provisions of the instrument, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it following trade date accounting. Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs incurred on financial assets and liabilities classified as 'at fair value through profit or loss' and held for trading and that may be incurred on disposal. The particular recognition methods adopted for the measurement of financial assets and liabilities subsequent to initial measurement are disclosed in the policy statements associated with each item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

Financial assets or a part thereof is derecognized when the Group loses control of the contractual rights that comprise the financial asset or part thereof. Financial liabilities or a part thereof is removed when it is extinguished, i.e. the obligation specified in contract is discharged, cancelled or expired.

5.20.2 Off-setting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

5.20.3 Regular way purchase and sale transactions

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the asset.

5.21 Operating expense

Operating expenses are recognised in profit or loss upon utilization of the service or as incurred. Expenditure for warranties is recognised when the Group incurs an obligation, which is typically when the related goods are sold or services provided.

5.22 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Group to do so.

5.23 Dividend

Dividend distribution to the shareholders' of the Holding Company is recognized as a liability in the Group's consolidated financial statements in the period in which such dividends are approved.

5.24 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

5.25 General

- Figures have been rounded-off to nearest thousand rupee.
- The comparative figures have been reclassified where considered necessary for the purpose of better presentation of the consolidated financial statements. However, no material reclassifications are made in these consolidated financial statements which have not been disclosed separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

2016 2015
----- (Rupees in '000) -----

6. PROPERTY, PLANT AND EQUIPMENT

| | | |
|------------------------------------|------------------|---------|
| Operating assets | 812,925 | 688,354 |
| Capital work in progress - at cost | 624,117 | - |
| | 1,437,042 | 688,354 |

6.1 The following is a statement of operating assets:

| | Owned assets | | | | | | | Leased assets | | | Total | |
|--|-----------------|----------------------------|---------------------|------------------|------------------------|---------------|--------------------|----------------|---------------------|----------|----------|----------------|
| | Leasehold land* | Building on leasehold land | Plant and machinery | Office equipment | Furniture and fixtures | Vehicles | Air - conditioning | Sub-total | Plant and machinery | Vehicles | | Sub-total |
| ----- (Rupees in '000) ----- | | | | | | | | | | | | |
| As at June 30, 2015 | | | | | | | | | | | | |
| Cost / revalued amount | 420,847 | 181,768 | 715,841 | 65,902 | 24,470 | 29,799 | 57,301 | 1,495,928 | - | 9,837 | 9,837 | 1,505,765 |
| Accumulated depreciation | - | (126,595) | (545,958) | (43,661) | (20,382) | (16,192) | (54,786) | (807,574) | - | (9,837) | (9,837) | (817,411) |
| Net book amount | 420,847 | 55,173 | 169,883 | 22,241 | 4,088 | 13,607 | 2,515 | 688,354 | - | - | - | 688,354 |
| Year ended June 30, 2016 | | | | | | | | | | | | |
| Opening net book amount | 420,847 | 55,173 | 169,883 | 22,241 | 4,088 | 13,607 | 2,515 | 688,354 | - | - | - | 688,354 |
| Additions due to acquisition of subsidiaries - WDV | 8,694 | 4,398 | 8,657 | 2,029 | 3,945 | 2,388 | - | 30,111 | - | - | - | 30,111 |
| Additions | - | 1,940 | 91,743 | 30,434 | 1,717 | 43,750 | 4,158 | 173,742 | - | - | - | 173,742 |
| Transfers/adjustment | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost / revalued amount | - | - | - | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposal (refer note 6.5) | - | - | (155,299) | (15,353) | (6,276) | (9,953) | (2,535) | (189,416) | - | - | - | (189,416) |
| Cost / revalued amount | - | - | 154,076 | 15,198 | 6,272 | 7,711 | 2,535 | 185,792 | - | - | - | 185,792 |
| Accumulated depreciation | - | - | (1,223) | (155) | (4) | (2,242) | - | (3,624) | - | - | - | (3,624) |
| Depreciation charge (refer note 6.4) | - | (5,490) | (38,151) | (14,665) | (1,905) | (9,532) | (1,026) | (70,769) | - | - | - | (70,769) |
| Impairment | - | - | (291) | (996) | (3,602) | - | - | (4,889) | - | - | - | (4,889) |
| Closing net book amount | 429,541 | 56,021 | 230,618 | 38,888 | 4,239 | 47,971 | 5,647 | 812,925 | - | - | - | 812,925 |
| As at June 30, 2016 | | | | | | | | | | | | |
| Cost / revalued amount | 429,541 | 188,106 | 660,942 | 83,012 | 23,856 | 65,984 | 58,924 | 1,510,365 | - | - | - | 1,510,365 |
| Accumulated depreciation | - | (132,085) | (430,033) | (43,128) | (16,015) | (18,013) | (53,277) | (692,551) | - | - | - | (692,551) |
| Accumulated impairment | - | - | (291) | (996) | (3,602) | - | - | (4,889) | - | - | - | (4,889) |
| Net book amount | 429,541 | 56,021 | 230,618 | 38,888 | 4,239 | 47,971 | 5,647 | 812,925 | - | - | - | 812,925 |
| As at June 30, 2014 | | | | | | | | | | | | |
| Cost / revalued amount | 273,976 | 181,768 | 702,958 | 46,514 | 24,180 | 43,367 | 56,470 | 1,329,233 | - | 9,837 | 9,837 | 1,339,070 |
| Accumulated depreciation | - | (121,569) | (508,493) | (38,553) | (18,940) | (29,836) | (54,097) | (771,488) | - | (9,837) | (9,837) | (781,325) |
| Net book amount | 273,976 | 60,199 | 194,465 | 7,961 | 5,240 | 13,531 | 2,373 | 557,745 | - | - | - | 557,745 |
| Year ended June 30, 2015 | | | | | | | | | | | | |
| Opening net book amount | 273,976 | 60,199 | 194,465 | 7,961 | 5,240 | 13,531 | 2,373 | 557,745 | - | - | - | 557,745 |
| Additions | 18,073 | - | 12,883 | 19,929 | 290 | 13,679 | 1,065 | 65,919 | - | - | - | 65,919 |
| Upward revaluation | 128,798 | - | - | - | - | - | - | 128,798 | - | - | - | 128,798 |
| Transfers (refer note 6.7) | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost / revalued amount | - | - | - | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposal (refer note 6.5) | - | - | - | (541) | - | (27,247) | (234) | (28,022) | - | - | - | (28,022) |
| Cost / revalued amount | - | - | - | 360 | - | 18,726 | 143 | 19,229 | - | - | - | 19,229 |
| Accumulated depreciation | - | - | - | (181) | - | (8,521) | (91) | (8,793) | - | - | - | (8,793) |
| Depreciation charge (refer note 6.4) | - | (5,026) | (37,465) | (5,468) | (1,442) | (5,082) | (832) | (55,315) | - | - | - | (55,315) |
| Closing net book amount | 420,847 | 55,173 | 169,883 | 22,241 | 4,088 | 13,607 | 2,515 | 688,354 | - | - | - | 688,354 |
| As at June 30, 2015 | | | | | | | | | | | | |
| Cost / revalued amount | 420,847 | 181,768 | 715,841 | 65,902 | 24,470 | 29,799 | 57,301 | 1,495,928 | - | 9,837 | 9,837 | 1,505,765 |
| Accumulated depreciation | - | (126,595) | (545,958) | (43,661) | (20,382) | (16,192) | (54,786) | (807,574) | - | (9,837) | (9,837) | (817,411) |
| Net book amount | 420,847 | 55,173 | 169,883 | 22,241 | 4,088 | 13,607 | 2,515 | 688,354 | - | - | - | 688,354 |
| Depreciation rate | - | 5% and 20% | 10%, 20% and 33% | 10%, 20% and 33% | 10%, 20% and 33% | 20% | 10% and 20% | - | 10% | 20% | - | - |

* Includes land having market value / fair value of Rs. 88.375 million (2015: Rs. 88.375 million) for which lease in the name of the Holding Company has not been finalized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

6.2 The Holding Company had revalued its operating assets classified under leasehold land, building on leasehold land, plant and machinery and air-conditioning as at April 26, 2015. The valuation was performed by an independent valuer, M/s. Anderson Consulting (Private) Limited. The surplus arising on assets other than land as a result of accounting under revaluation model based on that valuation was not material, therefore, no effect of revaluation had been taken in the financial statements for the year ended June 30, 2016. These assets were earlier carried at such revalued amounts as determined by an independent valuer, M/s. Iqbal A. Nanjee as at June 30, 2004.

6.3 Had there been no revaluation of leasehold land, building on lease hold land, plant and machinery, vehicles and air-conditioning system, cost and written down value of revalued assets would have been as follows:

Note **2016** 2015
----- (Rupees in '000) -----

6.3.1 Cost of assets held under revaluation model

| | | |
|-----------------------------|----------------|---------|
| Owned assets | | |
| Leasehold land | 132,580 | 123,886 |
| Building on lease hold land | 61,071 | 55,173 |
| Plant and machinery | 621,054 | 521,585 |
| Vehicles | 74,426 | 29,799 |
| Air conditioning system | 24,951 | 20,837 |
| | 914,082 | 751,280 |

6.3.2 Net book amount under cost model of assets held under revaluation model

| | | |
|-----------------------------|----------------|---------|
| Owned assets | | |
| Leasehold land | 429,541 | 123,886 |
| Building on lease hold land | 56,096 | 55,173 |
| Plant and machinery | 232,052 | 169,883 |
| Vehicles | 48,248 | 13,607 |
| Air conditioning system | 5,647 | 2,515 |
| | 771,584 | 365,064 |

6.4 The depreciation expense has been allocated as follows:

| | | | |
|-----------------------------------|----|----------------|--------|
| Cost of sales | 28 | 45,887 | 45,387 |
| Selling and distribution expenses | 29 | 59,832 | 29,874 |
| Administrative expenses | 30 | 12,779 | 5,004 |
| | | 118,498 | 80,265 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

6.5 Following items of property, plant and equipment were disposed off during the year:

| Description of asset sold | Cost / revalued amount | Accumulated depreciation | Net book value | Sale proceeds | Gain / (loss) | Mode of disposal | Particulars of buyers |
|--|------------------------|--------------------------|----------------|---------------|---------------|---------------------|---|
| ----- (Rupees in '000) ----- | | | | | | | |
| Plant & Machinery | | | | | | | |
| Aggregate of assets written off having written down value above Rs. 50,000 each | 1,438 | 771 | 667 | - | (667) | Write off | |
| Vehicles | | | | | | | |
| | 612 | 408 | 204 | 408 | 204 | Advertisement / bid | Mr.M.Imran Paracha House No. A 50, P.I.B. Colony, Karachi |
| | 206 | 89 | 117 | 362 | 245 | Advertisement / bid | Mr. M.Nazim Ahmad House No. R-1017, Sector 16-A, Buffer Zone, Karachi |
| | 413 | 103 | 310 | 675 | 365 | Advertisement / bid | Mr.S.Qasim Shah (Employee) Area Seedan, Akbar Pura, Nowshehra |
| | 251 | 88 | 163 | 392 | 229 | Advertisement / bid | Mr. Rizwan Mustafa House No. 36, Ali Murad, Khairpur |
| | 251 | 79 | 172 | 279 | 107 | Insurance claim | PICIC Insurance Limited, 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi. |
| | 556 | 491 | 65 | 274 | 209 | Tender | Nazeer Hussain, Muhalla Kangarh, Gali Number 01, Manshera City, Pakistan. |
| | 1,550 | 366 | 1,184 | 1,450 | 266 | Negotiation | N/A |
| | 3,839 | 1,624 | 2,215 | 3,840 | 1,625 | | |
| Sub-total | 5,277 | 2,395 | 2,882 | 3,840 | 958 | | |
| Aggregate of assets disposed off having written down value below Rs. 50,000 each | | | | | | | |
| Plant & machinery | 153,861 | 153,305 | 556 | - | (556) | | |
| Office equipment | 15,353 | 15,198 | 155 | 50 | (105) | | |
| Furniture & fixtures | 6,276 | 6,272 | 4 | - | (4) | | |
| Vehicles | 6,114 | 6,087 | 27 | 3,674 | 3,647 | | |
| Air Conditioners | 2,535 | 2,535 | - | 25 | 25 | | |
| Sub-total | 184,139 | 183,397 | 742 | 3,749 | 3,007 | | |
| Total - 2016 | 189,416 | 185,792 | 3,624 | 7,589 | 3,965 | | |
| Total - 2015 | 28,022 | 19,229 | 8,793 | 27,845 | 19,052 | | |

Note **2016** 2015
----- (Rupees in '000) -----

6.6 Net gain on disposal of property, plant and equipment has been presented as follows:

| | | | |
|--|----|----------------|--------|
| Other operating income - gain on disposal of property, plant and equipment | 32 | 5,297 | 19,193 |
| Other operating expenses - loss on disposal of property, plant and equipment | 33 | (1,332) | (141) |
| | | 3,965 | 19,052 |

6.7 Movement in capital work in progress

| | | |
|--------------------------------------|----------------|---------|
| Balance at the beginning of the year | - | 2,407 |
| Additions due to subsidiary | 571,893 | - |
| Additions during the year | 52,224 | 1,136 |
| Transfer to operating assets | - | (3,543) |
| Balance at the end of the year | 624,117 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

Note **2016** 2015
----- (Rupees in '000) -----

7 INTANGIBLE ASSETS

| | | | |
|------------|------------------------------------|----------------|--------|
| 7.1 | Operating intangible assets | 32,311 | 39,845 |
| | Capital work in progress - at cost | 46,546 | - |
| | Goodwill | 169,104 | - |
| | | 247,961 | 39,845 |

| | Distribution rights | Brand name & logo | Software licenses | Total |
|---------------------------------|---------------------|-------------------|-------------------|---------------|
| ----- (Rupees in '000) ----- | | | | |
| Year ended June 30, 2016 | | | | |
| Opening net book value | 9,187 | 27,916 | 2,742 | 39,845 |
| Addition due to subsidiary | - | - | 498 | 498 |
| Additions | - | - | 4,044 | 4,044 |
| Amortisation charge | (4,824) | (5,000) | (2,252) | (12,076) |
| Closing net book value | 4,363 | 22,916 | 5,032 | 32,311 |
| As at June 30, 2016 | | | | |
| Cost | 268,475 | 74,703 | 19,941 | 363,119 |
| Accumulated amortization | (251,983) | (51,787) | (14,909) | (318,679) |
| Accumulated Impairment | (12,129) | - | - | (12,129) |
| Net book value | 4,363 | 22,916 | 5,032 | 32,311 |
| Year ended June 30, 2015 | | | | |
| Opening net book value | 13,990 | 32,916 | 876 | 47,782 |
| Additions | - | - | 2,820 | 2,820 |
| Amortization charge | (4,803) | (5,000) | (954) | (10,757) |
| Closing net book value | 9,187 | 27,916 | 2,742 | 39,845 |
| As at June 30, 2015 | | | | |
| Cost | 268,475 | 74,703 | 15,399 | 358,577 |
| Accumulated amortization | (247,159) | (46,787) | (12,657) | (306,603) |
| Accumulated impairment | (12,129) | - | - | (12,129) |
| Net book value | 9,187 | 27,916 | 2,742 | 39,845 |
| Amortization rate | 10% | 10% | 33.33% and 20% | |

2016 2015
----- (Rupees in '000) -----

7.1.1 Movement in capital work in progress

| | | |
|--------------------------------------|---------------|---|
| Balance at the beginning of the year | - | - |
| Additions during the year | 46,546 | - |
| Transfer to operating assets | - | - |
| Balance at the end of the year | 46,546 | - |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| 8 | INVESTMENT PROPERTY | Note | 2016 | 2015 |
|---|--|------|------------------------------|------------------|
| | | | ----- (Rupees in '000) ----- | |
| | Operating assets | | 2,604,406 | 2,614,906 |
| | Investment property under work in progress - at cost | 8.2 | 3,101 | - |
| | | | 2,607,507 | <u>2,614,906</u> |

8.1 The following is a statement of operating assets:

| | Owned assets | | | | | | | | Total |
|--------------------------------|------------------|----------------------------|------------------|----------------------|-------------------|---------------|----------------------|--------------------|------------------|
| | Leasehold land | Building on leasehold land | Office Equipment | Electrical Equipment | Lifts & Elevators | Generators | Furniture & Fixtures | Air - conditioning | |
| | (Rupees in '000) | | | | | | | | |
| As at June 30, 2015 | | | | | | | | | |
| Cost / revalued amount | 2,039,459 | 353,254 | 7,597 | 52,402 | 41,200 | 22,136 | 38,168 | 85,640 | 2,639,856 |
| Accumulated depreciation | - | (10,137) | (886) | (3,057) | (2,403) | (1,291) | (2,180) | (4,996) | (24,950) |
| Net book amount | <u>2,039,459</u> | <u>343,117</u> | <u>6,711</u> | <u>49,345</u> | <u>38,797</u> | <u>20,845</u> | <u>35,988</u> | <u>80,644</u> | <u>2,614,906</u> |
| Year ended | | | | | | | | | |
| June 30, 2016 | | | | | | | | | |
| Opening net book amount | 2,039,459 | 343,117 | 6,711 | 49,345 | 38,797 | 20,845 | 35,988 | 80,644 | 2,614,906 |
| Additions | - | 12,109 | 314 | 8,696 | - | - | 6,816 | 9,294 | 37,229 |
| Depreciation charge | - | (18,521) | (1,528) | (6,617) | (4,120) | (2,214) | (4,885) | (9,844) | (47,729) |
| Closing net book amount | 2,039,459 | 336,705 | 5,497 | 51,424 | 34,677 | 18,631 | 37,919 | 80,094 | 2,604,406 |
| As at June 30, 2016 | | | | | | | | | |
| Cost / revalued amount | 2,039,459 | 355,226 | 7,025 | 58,041 | 38,797 | 20,845 | 42,804 | 89,938 | 2,652,135 |
| Accumulated depreciation | - | (18,521) | (1,528) | (6,617) | (4,120) | (2,214) | (4,885) | (9,844) | (47,729) |
| Net book amount | <u>2,039,459</u> | <u>336,705</u> | <u>5,497</u> | <u>51,424</u> | <u>34,677</u> | <u>18,631</u> | <u>37,919</u> | <u>80,094</u> | <u>2,604,406</u> |

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

| | | |
|--|--------------|-----------|
| Balance at the beginning of the year | - | 477,406 |
| Addition under work in progress | 40,330 | 122,991 |
| Transfer to operating assets - investment property | (37,229) | (600,397) |
| Balance at the end of the year | <u>3,101</u> | <u>-</u> |

8.3 Leasehold land, held by the Holding Company, classified under investment property had been valued under the market value basis by an independent valuer, M/s. Pee Dee & Associates. Market value of the property based on the valuation as of August 31, 2016 was Rs. 2.057 billion. Further, all other assets classified under investment property have been valued under the market value basis by the same valuer. Market value of these assets based on the valuation as of August 31, 2016 was Rs. 699.950 million.

| 9 | LONG TERM INVESTMENT | Note | 2016 | 2015 |
|---|--|------|------------------------------|----------------|
| | | | ----- (Rupees in '000) ----- | |
| | Investment in associate - under equity method | | | |
| | Balance at the beginning of year | | 187,792 | 124,500 |
| | Additions during the year | | - | 64,475 |
| | Divestment | 9.1 | (187,792) | - |
| | Share of loss for the year | | - | (1,183) |
| | | | <u>-</u> | <u>187,792</u> |

9.1 This represented 1,360,000 fully paid ordinary shares of Rs. 100 each in Nextar Pharma (Private) Limited (NPL), which has become subsidiary Company during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | 2015 |
|---|------------------------------|---------|
| | ----- (Rupees in '000) ----- | |
| 10 LONG TERM LOANS | | |
| <i>Loans - considered good, to:</i> | | |
| Related party | 342,000 | 98,000 |
| Employees | 1,747 | 2,005 |
| Less: current portion - shown under "loans and advances" (refer note 14) | (23,213) | (1,303) |
| | 320,534 | 98,702 |

10.1 This represents loan provided by the subsidiary Company to Habitt for establishment of an outlet at Dolmen Mall, Clifton, Karachi under musharaka arrangement amounting to Rs. 228 million. The repayments will start after 5 years from the date of disbursement. Further it includes loan provided by a subsidiary Company to International Brands Limited (an associated Company) amounting to Rs. 98 million (2015: Rs. 98 million). The tenure of the 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 remaining amount of Rs. 16 million (2015: Nil) represents interest free loan provided by a subsidiary Company to a former director, Mr. Naseem A. Satar, This loan will be repaid by the borrower on a mutually agreed future date.

10.2 This represents interest-free loans for automobiles to employees other than executives, as defined in note 42. These are secured against provident fund balances of respective employees, and are repayable in equal monthly installments over a term of four to five years.

10.3 The maximum aggregate amount of these loans outstanding at any time during the year was Rs. 2.03 million (2015: Rs. 2.59 million). Such maximum amount is calculated by reference to the month-end balance.

| | Note | 2016 | 2015 |
|---|------|------------------------------|-------|
| | | ----- (Rupees in '000) ----- | |
| 11 LONG TERM DEPOSITS | | | |
| Deposit against property obtained under operating lease | | 1,598 | 1,598 |
| Deposit against utility | 11.1 | 3,428 | - |
| | | 5,026 | 1,598 |

11.1 This represents amount deposited for electricity and gas amounting to Rs. 0.75 million and Rs. 2.68 million respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|--------------------------------------|-------------------|--------------------------------------|-----------|
| 12 STOCK-IN-TRADE | | | |
| Raw materials | | 370,122 | 441,818 |
| Packing materials | | 120,242 | 144,532 |
| Work in process | 28 | 118,455 | 100,148 |
| Finished goods - net | 12.1 & 28 | 710,176 | 396,370 |
| Materials in transit | | 214,775 | 138,367 |
| | | 1,533,770 | 1,221,235 |
| Finished goods - gross | 12.1 | 713,056 | 399,394 |
| Provision for obsolescence | | | |
| - Opening balance | | (1,301) | (1,301) |
| - Charge for the year | | (1,579) | - |
| - Closing balance | | (2,880) | (1,301) |
| Finished goods, directly written-off | | - | (1,723) |
| Finished goods - net | | 710,176 | 396,370 |
| 13 TRADE DEBTS | | | |
| Considered good | | | |
| Export debtors, secured | | 56,211 | 60,467 |
| Due from: | | | |
| - associated companies, unsecured | 13.1, 13.2 & 42.2 | 2,406,638 | 2,049,855 |
| - others - unsecured | | 525,920 | 324,193 |
| | | 2,932,558 | 2,374,048 |
| | | 2,988,769 | 2,434,515 |
| Considered doubtful - others | | 2,287 | 2,287 |
| Provision for doubtful debts | 13.1 | (2,287) | (2,287) |
| | | - | - |
| | | 2,988,769 | 2,434,515 |

13.1 The receivable is stated net of amounts payable aggregating Rs. 615.34 million (2015: Rs. 58.49 million) on account of expenses claimed by the associated Company.

13.2 At year-end, no amount was due from directors, chief executive and executives of the Group in respect of trade debts. Moreover, trade debts from related parties other than directors, chief executive and executives of the Group are as follows:

| | 2016 ----- (Rupees in '000) ----- | 2015 |
|--------------------------|--------------------------------------|-----------|
| - IBL Operations Limited | 2,398,832 | 2,032,522 |
| - United Brands Limited | - | 16,840 |
| - Dunkin Donuts | 40 | 10 |
| - Habitt | 7,766 | 483 |
| | 2,406,638 | 2,049,855 |

13.3 At year-end, trade debts aggregating Rs. 2.287 million (2015: Rs. 2.287 million) were deemed to have been impaired. These balances are outstanding for more than 4 years. The movement of provision for doubtful debts is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | 2015 |
|--------------------------------------|------------------------------|---------|
| | ----- (Rupees in '000) ----- | |
| Balance at the beginning of the year | (2,287) | (2,641) |
| Reversal made during the year | - | 354 |
| Balance at the end of the year | (2,287) | (2,287) |

- 13.4** In addition, some of the unimpaired trade debts are past due as at the reporting date, no provision has been made in respect of such trade debts. The aging of trade debts 'past due' but not impaired of related parties is as follows:

Age analysis of 'past due' but not impaired trade debts due from related parties

| | 2016 | 2015 |
|--|------------------------------|---------|
| | ----- (Rupees in '000) ----- | |
| - More than two months but less than four months | 1,257,918 | 883,172 |
| - More than four months but less than one year | 43,659 | 14,571 |
| - One year or more but less than two years | 2,874 | 14 |
| - Two years and more | 112 | 40,700 |
| | 1,304,563 | 938,457 |

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

| | Note | 2016 | 2015 |
|--------------------------------------|------|------------------------------|---------|
| | | ----- (Rupees in '000) ----- | |
| 14 LOANS AND ADVANCES | | | |
| <i>Loans</i> | | | |
| - Current portion of long term loans | 10 | 23,213 | 1,303 |
| - Short term loan | 14.1 | 200,000 | - |
| <i>Advances</i> | | | |
| Considered good: | | | |
| Advances to: | | | |
| - employees | 14.2 | 56,755 | 49,544 |
| - suppliers | 14.4 | 595,179 | 263,813 |
| - others | | 7,554 | - |
| | | 659,488 | 313,357 |
| | | 882,701 | 314,660 |

- 14.1** This represent loan to International Brands Limited (an associated Company). The loan is repayable within 1 year. The rate of mark-up is KIBOR+2%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

- 14.2** These include advance against salary for house rent to employees. These are interest free and repayable on monthly basis. Moreover, this includes advances for business purposes. The reconciliation of amounts due from executives and non-executives of the Group is given as follows:

| | 2016 | | | 2015 | | |
|-----------------|------------------------------|----------------|-----------|------------|----------------|-----------|
| | Executives | Non-executives | Total | Executives | Non-executives | Total |
| | ----- (Rupees in '000) ----- | | | | | |
| Opening balance | 20,225 | 29,319 | 49,544 | 18,633 | 23,809 | 42,442 |
| Disbursements | 63,325 | 167,700 | 231,025 | 59,400 | 112,643 | 172,043 |
| Repayments | (64,788) | (159,026) | (223,814) | (57,808) | (107,133) | (164,941) |
| Closing balance | 18,762 | 37,993 | 56,755 | 20,225 | 29,319 | 49,544 |

- 14.3** The maximum aggregate amount of these loans outstanding at any time during the year was Rs. 66.189 million (2015: Rs. 54.620 million). Such maximum amount is calculated by reference to the month-end balance.

Note **2016** 2015
----- (Rupees in '000) -----

- 14.4** Advances to suppliers
- under Islamic index
- under other than Islamic index

| | | |
|--|----------------|----------------|
| | 44,975 | 18,437 |
| | 550,204 | 245,376 |
| | 595,179 | 263,813 |

15 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

- Trade deposits
Provision for doubtful deposits

| | | |
|--|---------|---------|
| | 55,108 | 48,363 |
| | (2,640) | (2,640) |

- Prepayments

| | | |
|--|----------------|----------------|
| | 52,468 | 45,723 |
| | 134,479 | 65,308 |
| | 186,947 | 111,031 |

- 15.1** At year-end, trade deposits amounting to Rs. 19.68 million (2015: Rs. 14.15 million) were past due but not impaired. These balances are outstanding for more than three years. There has been no movement in provision for doubtful deposits during the year (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|--|-------------|------------------------------|----------------|
| | | ----- (Rupees in '000) ----- | |
| 16 OTHER RECEIVABLES | | | |
| Receivables from related parties | | | |
| <i>Due from holding Company:</i> | | | |
| - International Brands Limited | | 143,078 | - |
| <i>Due from associated companies:</i> | | | |
| - IBL Operations (Private) Limited against: | | | |
| - mark-up on over due balance | 16.1 & 16.2 | 39,642 | 39,642 |
| - staff salaries and benefits | | - | 1,278 |
| - sale of assets | | 45 | |
| - International Franchises Limited against staff salaries and benefits | | 13,558 | 2,154 |
| - Habitt against staff salaries and benefits | | 12,920 | 7,256 |
| - IBL Future Technologies (Private) Limited against expenses | | 749 | - |
| | 42.2 | 66,914 | 50,330 |
| Interest receivable on loan | | 3,045 | 4,478 |
| Surplus arising under retirement benefit fund | 16.3 | 5,250 | 5,250 |
| Receivables from other than related parties | | | |
| Others, considered good | | 205,340 | 145,703 |
| | | 423,627 | 205,761 |

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

16.2 This amount is past due but not impaired and outstanding for more than three years.

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

17 SHORT TERM INVESTMENTS - Held for trading

Investment in other than related parties

| | Note | 2016 | 2015 | 2016 | 2015 |
|--|---------------|-------------------------------|-----------|------------------------------|----------------|
| | | ----- (Number of units) ----- | | ----- (Rupees in '000) ----- | |
| Meezan Cash Fund - at cost | | - | 1,791,408 | - | 89,734 |
| Meezan Sovereign Fund - at cost | | 1,536,775 | - | 78,077 | - |
| NAFA Islamic Aggressive Income Fund | | 2,269,207 | 3,925,360 | 21,520 | 37,179 |
| Unrealized (loss)/gain on revaluation of units | 17.2, 32 & 33 | | | (4) | 16 |
| | | | | 99,593 | 126,929 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

17.1 Short term investments include investment in Meezan Sovereign Fund and NAFA Islamic Aggressive Income Fund, open end mutual funds. The rating of the Meezan Fund is 'AA(f)' as per the credit rating agency JCR-VIS and that of NAFA Fund is 'A-(f)' and the credit rating agency is PACRA. The investments have been classified as "financial assets at fair value through profit and loss".

17.2 These are Shariah compliant investments.

17.3 This amount represents unrealized (loss) / gain which is earned from arrangements permissible under Shariah.

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|----------------------------------|------|--------------------------------------|----------------|
| 18 CASH AND BANK BALANCES | | | |
| Cash in hand | | 2,998 | 1,478 |
| Cheques in hand | | 10,000 | 100,000 |
| Cash with banks in: | | | |
| - savings accounts | 18.1 | 26 | 21,386 |
| - current accounts | 18.2 | 122,977 | 30,012 |
| | | 136,001 | 152,876 |

18.1 These balances carry mark-up at a rate of 2.14 % (2015: 3.5%).

18.2 This include Rs. 13.52 million (2015:Rs. 8.02 million) placed in special bank account for dividend purposes.

19 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| | 2016 ---- (Number of shares) ---- | 2015 | 2016 ----- (Rupees in '000) ----- | 2015 |
|--|--------------------------------------|------------|--------------------------------------|---------|
| Ordinary shares of Rs. 10 each: | | | | |
| - fully paid in cash | 3,969,000 | 3,969,000 | 39,690 | 39,690 |
| - issued for consideration other than cash | 24,000 | 24,000 | 240 | 240 |
| - issued as fully paid bonus shares | 110,175,190 | 81,847,745 | 1,101,752 | 818,477 |
| - issued as fully paid right shares | 8,584,074 | - | 85,841 | - |
| | 122,752,264 | 85,840,745 | 1,227,523 | 858,407 |

19.1 Movement in number of shares

| | 2016 ----- (Rupees in '000) ----- | 2015 |
|---|--------------------------------------|------------|
| Number of shares at beginning of the year | 85,840,745 | 61,314,818 |
| Bonus shares issued during the year | 28,327,445 | 24,525,927 |
| Right shares issued during the year | 8,584,074 | - |
| Number of shares at end of the year | 122,752,264 | 85,840,745 |

19.2 Capital management policies and procedures

The Group's objectives when managing above capital are:

- to safeguard its ability to continue as a going concern so that it can continue to provide returns to share holders and benefit other stakeholders; and
- to maintain a strong capital base to support the sustained development of its business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

The Company manages its capital structure by monitoring return on net assets and maintaining optional capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and other means commensurate to the circumstances.

20 SURPLUS ON REVALUATION OF FIXED ASSETS

The Company had revalued its operating assets classified under leasehold land, building on leasehold land, plant and machinery, vehicles and air-conditioning as at April 26, 2015. The valuation was performed by an independent valuer, M/s. Anderson Consulting (Private) Limited. The surplus arising on assets other than land as a result of accounting under revaluation model based on that valuation was not material, therefore, no effect of revaluation adjustment has been taken in the financial statements for the year ended June 30, 2015. These assets were earlier carried at such revalued amounts as determined by an independent valuer, M/s. Iqbal A. Nanjee as at June 30, 2004.

The surplus would be realized on disposal of revalued assets and on charging of incremental depreciation.

| | Note | 2016 | 2015 |
|--|-------------|------------------------------|-----------|
| | | ----- (Rupees in '000) ----- | |
| 20.1 Surplus on revaluation of property, plant and equipment (the surplus) | 20.1 | 296,961 | 296,961 |
| Surplus on revaluation of property, plant and equipment (the surplus) | | | |
| Surplus on revaluation of property, plant and equipment at the beginning of the year | | 296,961 | 168,163 |
| Increase in surplus on revaluation during the year | | - | 128,798 |
| Surplus on revaluation of property, plant and equipment at the end of the year | | 296,961 | 296,961 |
| 21 LONG TERM FINANCES - secured | | | |
| Syndicated finance - from banking companies | 21.1 & 21.2 | 642,857 | 750,000 |
| Current portion of long term finances shown under current liabilities | | (214,286) | (107,143) |
| | | 428,571 | 642,857 |
| Bills payable | 21.3 | 53,718 | - |
| Other liabilities | | 4,664 | - |
| | | 486,953 | 642,857 |

21.1 The Holding Company had obtained term finance facility of Rs. 750 million (2015: Rs. 900 million which was swapped to Rs. 750 million) for a tenure of four years from Dubai Islamic Bank Limited as against the aforementioned bank. This facility is repayable by May 2019.

21.2 The mark-up on above facilities is 6-months KIBOR plus 0.9% (2015: 6 months KIBOR plus 0.9%) per annum, payable semi-annually in arrears. The facility is secured by 1st exclusive charge with 25% security margin over land and building located at Plot No. 24/A1 & 2A, Delhi Mercantile Muslim Co-operative Housing Society, Block 7 & 8, Main Shahrah-e-Faisal, Karachi amounting to Rs, 1,233.34 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

21.3 It represents US\$ 30,147 (2015: US\$ 556,360) and € 360,000 which is payable to M/s. Pooyesh Darou Pharmaceutical Co. - Iran and € 40,000 which is payable to M/s. Osvah Pharmaceutical Co. - Iran.

| | Note | 2016 | 2015 |
|--|------|------------------------------|---------|
| | | ----- (Rupees in '000) ----- | |
| 22 DEFERRED LIABILITIES | | | |
| Deferred taxation | 22.1 | 37,604 | 30,174 |
| Staff retirement gratuity - unfunded | 37.1 | 42,247 | 39,810 |
| | | 79,851 | 69,984 |
| 22.1 The net balance of deferred taxation is in respect of following temporary differences: | | | |
| Taxable temporary difference relating to: | | | |
| Property, plant and equipment | | 39,538 | 32,155 |
| Debit balance arising on account of: | | | |
| Intangible assets | | (1,024) | (1,037) |
| Provisions for staff retirement gratuity, doubtful debts and doubtful refunds | | (910) | (944) |
| | | (1,934) | (1,981) |
| | 22.2 | 37,604 | 30,174 |

Provision for deferred taxation has been calculated only to the extent of those temporary differences except for those pertaining to surplus on revaluation of property, plant and equipment and that do not relate to the income falling under Final Tax Regime of the Income Tax Ordinance, 2001.

| | Note | 2016 | 2015 |
|---|------|------------------------------|----------|
| | | ----- (Rupees in '000) ----- | |
| 22.2 Balance at beginning of the year | | 30,174 | 42,379 |
| Raised/(reversed) during the year - through profit and loss account | 35 | 7,430 | (12,205) |
| Balance at end of the year | 22.1 | 37,604 | 30,174 |
| 23 SHORT-TERM FINANCES - secured | | | |
| Running finances under mark-up arrangements | 23.1 | 475,577 | 682,334 |
| - Running finances under mark-up arrangements with other than Islamic index | | 175,239 | - |
| - Running finances under mark-up arrangements with Islamic index | | 300,338 | - |
| | | 475,577 | - |

23.2 The Holding Company has obtained syndicated running finances under mark-up arrangements of Rs. 1,413 million (2015: Rs. 1,033 million). The mark-up on running finances ranges between 4% to 9.14% (2015: 9.5% to 12.42%) per annum.

The running finances under mark-up arrangements are secured jointly by registered mortgage of Rs. 210.5 million (2015: Rs. 210.5 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 1,859 million (2015: Rs. 1,859 million). These short term facilities are arranged through Standard Chartered Bank (Pakistan) Limited from various banks. The securities are held jointly against the short term and long term finances (refer note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

23.3 The running finances include a facility under mark-up arrangements from Meezan Bank Limited amounting to Rs. 600 million which carries 1st charge on fixed assets and current assets of the Company carrying markup at the rate of KIBOR plus 0.5%.

| | Note | 2016 | 2015 |
|---|------|------------------------------|-----------|
| | | ----- (Rupees in '000) ----- | |
| 24 TRADE AND OTHER PAYABLES | | | |
| Creditors | | 587,250 | 394,961 |
| Bills payable in foreign currency | | 251,089 | 264,170 |
| Accrued liabilities | | 876,436 | 616,477 |
| Advance from customers | 24.1 | 113,961 | 65,637 |
| Unclaimed dividend | | 20,304 | 13,594 |
| Payable under defunct staff retirement benefits scheme | | 2,566 | 2,612 |
| Workers' Profits Participation Fund | 24.2 | 135,159 | 95,736 |
| Workers' Welfare Fund | | 94,973 | 61,308 |
| Sales tax and excise duty payable | | 1,670 | 933 |
| Other liabilities | | 71,265 | 31,317 |
| | | 2,154,673 | 1,546,745 |
| 24.1 Advances from customers; | | | |
| - companies under Islamic index | | 744 | - |
| - companies under other than Islamic index | | 113,217 | 65,637 |
| | | 113,961 | 65,637 |
| Worker's Profits Participation Fund | | | |
| Balance at beginning of the year | | 95,736 | 52,908 |
| Contribution for the year | 33 | 134,229 | 94,805 |
| | | 229,965 | 147,713 |
| Interest on funds utilized in the Company's business at 8.84% (2015: 10.44%) | 34 | 6,268 | 3,999 |
| | | 236,233 | 151,712 |
| Payments made during the year | | (101,074) | (55,976) |
| Balance at end of the year | | 135,159 | 95,736 |
| 25 ACCRUED MARK-UP | | | |
| Accrued mark-up on: | | | |
| - long term finances - secured | | 7,298 | 5,283 |
| - short-term finances - secured | | 4,408 | 9,374 |
| | | 11,706 | 14,657 |
| 25.1 Accrued mark-up on finances from companies under | | | |
| - Islamic index | | 2,879 | - |
| - Other than Islamic index | | 8,827 | 14,657 |
| | | 11,706 | 14,657 |
| 26 CONTINGENCIES AND COMMITMENTS | | | |
| Contingencies | | | |
| 26.1 During the year ended June 30, 2014, Sindh Revenue Board (SRB) has imposed sales tax on toll manufacturing at the rate of 16% of sales value. The Holding Company has contested the imposition in the Honorable Sindh Court and the matter is at the stage of Katcha Peshi. | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

26.2 Section 5A of Income Tax Ordinance 2001 inserted through Section 5(3) of the Finance Act 2015 require companies to charge income tax @ 10% on the reserves of the companies where they exceed an amount equivalent to the paid up capital. The Group has filed a suit for declaration and permanent injunction before the Honorable Sindh High Court challenging the vires of the above said section. The Court passed ad interim orders restraining the defendants from taking any coercive action as prayed. The case is at the stage of hearing of applications.

26.3 During the year, the Group has challenged the levy of Sindh Sales Tax on services of renting of immovable property which has been categorized as renting services by the SRB. The Group has impugned the levy on constitutional grounds taking the stance that renting of immovable property is not a "service" and therefore does not fall within the competence of SRB to tax through the Sindh Sales Tax on Services Act, 2011. Further, the Group has also taken the stance that the collection mechanism is ultra vires the Act 2011 and therefore no coercive measures can be adopted against the Group for the collection of the impugned levy.

The Honorable Sindh High Court, on the basis of the representations made, has been pleased to grant an ad interim order to the Holding Company restraining the defendants from taking any coercive action against the Holding Company. The matter is presently pending on hearing of the case.

26.4 During the year, a suit has been filed to impugn the illegal collection of Sales Tax under the Sales Tax Act 1990 on the supply and utilization of raw material in the manufacturing of drugs. The Holding Company believes that the manufacturing of pharmaceuticals/drugs is exempt from a levy of Sales Tax by virtue of Entry No. 104/105 of the Sixth (6th) Schedule read conjunctively with Section 13 of the Act 1990. It has been further asserted that the term "manufacture", as stated in Subsection (16) of Section 2 of the Act 1990, adequately covers the present activity and exempts the Company from payment of Sales Tax on the Packaging utilized in the manufacture of drugs/pharmaceuticals.

The management and the legal advisors of the Group are confident that the ultimate decisions in the above cases will be in favor of the Group, hence no provision has been made in respect of the aforementioned litigations.

Commitments

26.5 The facility for opening letters of credit (LCs) acceptances and guarantees as at June 30, 2016 amounted to Rs. 1,520 million (2015: Rs. 1,275 million) of which the amount remaining unutilized as at year end amounted to Rs. 751 million (2015: Rs. 712 million).

26.6 Future rentals payable against operating lease arrangements

The Company obtained factory building in Karachi on rent for a period of 5 years with effect from July 01, 2012. The rent agreement was renewed in December 2014. The details of future rentals over the lease period are as follows:

| | 2016 | 2015 |
|---|------------------------------|--------|
| | ----- (Rupees in '000) ----- | |
| Not later than one year | 22,683 | 5,580 |
| Later than one year but not later than five years | 100,944 | 5,883 |
| Later than five years | 223,797 | - |
| | 347,424 | 11,463 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | 2015 |
|--|------------------------------|-----------|
| | ----- (Rupees in '000) ----- | |
| 27 NET SALES | | |
| Sales | | |
| Local | 11,285,203 | 8,270,308 |
| Export | 864,649 | 524,027 |
| | 12,149,852 | 8,794,335 |
| Sales returns & discounts | (1,013,699) | (463,650) |
| Sales tax & excise duty | (133,788) | (87,193) |
| | (1,147,487) | (550,843) |
| | 11,002,365 | 8,243,492 |
| Toll manufacturing | | |
| Sales tax | 290,506 | 804,549 |
| | (1,547) | - |
| | 288,959 | 804,549 |
| | 11,291,324 | 9,048,041 |
| 28 COST OF SALES | | |
| Material consumed | | |
| Raw and packing material consumed | 2,607,072 | 2,492,808 |
| Processing charges paid to third parties | 55,603 | 1,008,919 |
| | 2,662,675 | 3,501,727 |
| Factory expenses | | |
| Salaries, wages and benefit (refer note 28.1) | 264,846 | 288,695 |
| Provision for staff gratuity (unfunded) | 3,127 | 3,339 |
| Provident fund contribution | 7,855 | 6,302 |
| Carriage and duties | 16,395 | 13,565 |
| Fuel, water and power | 92,500 | 88,384 |
| Rent and taxes | 27,318 | 3,949 |
| Communication | 1,428 | 1,073 |
| Stationery and supplies | 25,631 | 7,638 |
| Traveling | 13,024 | 13,604 |
| Advertisement | 11,688 | 9,670 |
| Entertainment | 369 | 80 |
| Repairs and maintenance | 98,803 | 63,617 |
| Medical expenses | 3,503 | 4,060 |
| Personal training and selection | 957 | 1,396 |
| Vehicle expenses | 7,132 | 5,852 |
| Subscription | 97 | 162 |
| Legal and professional charges | 8,987 | 11,663 |
| Depreciation (refer note 6.4) | 45,887 | 45,387 |
| Insurance | 3,286 | 3,151 |
| Corporate services charged by associated Company (refer note 42.2) | 14,400 | 7,920 |
| Sundries | 28,998 | 17,694 |
| | 676,231 | 597,201 |
| | 3,338,906 | 4,098,928 |
| Work in process at beginning of the year (refer note 12) | 100,148 | 58,886 |
| | 3,439,054 | 4,157,814 |
| Work in process at end of the year (refer note 12) | (118,455) | (100,148) |
| Cost of good manufactured | 3,320,599 | 4,057,666 |
| Finished goods as at the beginning of the year (refer note 12.1) | 396,370 | 406,025 |
| Finished goods purchased | 2,474,793 | 642,218 |
| | 2,871,163 | 1,048,243 |
| Cost of samples manufactured | (59,300) | (64,388) |
| Stock written off | (4,266) | - |
| Finished goods as at the end of the year (refer note 12.1) | (713,056) | (396,370) |
| Cost of sales | 5,415,140 | 4,645,151 |

28.1 Salaries, wages and benefits include Rs. Nil (2015: Rs. 84.57 million) in respect of contractual labor provided by Paksons (Private) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | 2015 |
|--|------------------------------|-----------|
| | ----- (Rupees in '000) ----- | |
| 29 SELLING AND DISTRIBUTION EXPENSES | | |
| Salaries wages and benefits | 677,242 | 553,559 |
| Provision for staff gratuity (unfunded) | 4,162 | 1,904 |
| Provident fund contribution | 19,730 | 18,035 |
| Services charges | 31,299 | 31,201 |
| Carriage and duties | 190,354 | 116,848 |
| Water and power | 60,163 | 26,086 |
| Rent and taxes | 32,954 | 28,242 |
| Communication | 19,267 | 17,113 |
| Stationery and supplies | 10,871 | 7,986 |
| Traveling | 417,492 | 254,657 |
| Advertising and promotion | 458,018 | 394,268 |
| Samples | 82,366 | 76,156 |
| Bonus to salesmen | 198,745 | 133,754 |
| Entertainment | 4,109 | 6,062 |
| Repairs and maintenance | 26,949 | 13,202 |
| Medical expenses | 6,269 | 5,656 |
| Personal training and selection | 48,797 | 22,320 |
| Vehicle expenses | 60,641 | 56,027 |
| Insurance | 15,211 | 11,473 |
| Depreciation (refer note 6.4) | 59,832 | 29,874 |
| Subscription | 20,173 | 20,681 |
| Donation (refer note 29.1) | 11,606 | 5,991 |
| Replacement products | 59,136 | 55,726 |
| Royalty | 7,284 | 5,528 |
| Corporate services charged by associated Company (refer note 42.2) | 36,000 | 19,800 |
| Legal and professional charges | 55,121 | 52,626 |
| Provision for slow moving stock | 4,566 | - |
| Amortization | 4,352 | - |
| Provision for claim | 7,500 | - |
| Sundries | 5,188 | 1,000 |
| | 2,635,397 | 1,965,775 |

29.1 The Director of the Company have no interest in donee institution except as stated in note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | 2015 |
|--|------------------------------|-------------|
| | ----- (Rupees in '000) ----- | |
| 30 ADMINISTRATIVE EXPENSES | | |
| Salaries wages and benefits | 191,224 | 104,509 |
| Provision for staff gratuity (unfunded) | 1,489 | 556 |
| Provident fund contribution | 3,382 | 2,930 |
| Carriage and duties | 2,175 | 1,783 |
| Water and power | 10,688 | 1,506 |
| Rent and taxes | 11,262 | 8,458 |
| Communication | 20,330 | 6,618 |
| Stationery and supplies | 7,624 | 6,468 |
| Traveling | 9,188 | 16,419 |
| Advertisement | 1,295 | 244 |
| Entertainment | 393 | 209 |
| Repairs and maintenance | 16,291 | 19,500 |
| Medical expenses | 4,765 | 5,770 |
| Personal training and selection | 1,998 | 2,384 |
| Vehicle expenses | 17,394 | 5,981 |
| Insurance | 2,980 | 3,835 |
| Depreciation (refer note 6.4) | 12,779 | 5,004 |
| Amortization (refer note 7) | 7,725 | 10,757 |
| Subscription | 4,102 | 2,856 |
| Donation (refer note 29.1) | 34,147 | 6,108 |
| Corporate services charged by associated Company (refer note 42.2) | 21,600 | 12,040 |
| Legal and professional charges | 30,044 | 36,041 |
| Impairment | 4,889 | - |
| Sundries | 4,519 | 1,259 |
| | 422,283 | 261,235 |
| 31 OPERATING PROFIT | | |
| Net sales | 11,291,324 | 9,048,041 |
| Cost of sales | (5,415,140) | (4,645,151) |
| Selling and distribution expenses | (2,635,397) | (1,965,775) |
| Administrative expenses | (422,283) | (261,235) |
| | (8,472,820) | (6,872,161) |
| Operating profit | 2,818,504 | 2,175,880 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|--|------|------------------------------|---------|
| | | ----- (Rupees in '000) ----- | |
| 32 OTHER INCOME | | | |
| Income from financial assets | | | |
| Gain on revaluation of financial assets classified as held for trading | 17 | - | 16 |
| Gain on sale of short term investment | | 9,776 | 5,522 |
| Interest on loan | | 8,022 | 4,478 |
| Exchange gain | | 8,203 | 13,446 |
| Reversal of provision for doubtful loans | | - | 405 |
| | | 26,001 | 23,867 |
| Income from non-financial assets | | | |
| Gain on disposal of property, plant and equipment | 6.6 | 5,297 | 19,193 |
| Gain on bargain purchase | | 14,242 | - |
| Others | | 57,893 | 18,956 |
| | | 77,432 | 38,149 |
| Income from non-financial assets - related parties | | | |
| Rental income against use of operating assets by related parties: - International Franchises (Private) Limited (associated Company) | | 3,143 | 5,253 |
| Rental income from investment property | | 109,732 | 31,113 |
| | | 216,308 | 98,382 |
| 33 OTHER EXPENSES | | | |
| Contribution to: | | | |
| - Workers' Profits Participation Fund | 24.2 | 134,229 | 94,805 |
| - Workers' Welfare Fund | | 55,567 | 39,652 |
| - Central Research Fund | | 9,886 | 11,172 |
| Auditors' remuneration | 33.1 | 6,373 | 4,860 |
| FV measurement | | 35,871 | - |
| Loss on disposal of property, plant and equipment | 6.6 | 1,332 | 141 |
| Loss on revaluation of financial assets classified as held for trading | 17 | 4 | - |
| Exchange loss | | 23,794 | 21,339 |
| | | 267,056 | 171,969 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

Note **2016** 2015
----- (Rupees in '000) -----

33.1 Auditors' remuneration

- Grant Thornton Anjum Rahman - external audit

| | | |
|--|--------------|-------|
| Audit fee | | |
| - Annual audit | 3,162 | 2,269 |
| - Half yearly review | 645 | 361 |
| Fee in respect of special reports and certifications | 846 | 215 |
| Out of pocket expenses | 423 | 141 |
| | 5,076 | 2,986 |

- F.R.A.N.T.S & Co. - external audit

| | | |
|--------------|---|-----|
| Annual audit | - | 538 |
|--------------|---|-----|

- Muniff Ziauddin & Co. - external audit

| | | |
|--------------|------------|---|
| Annual audit | 145 | - |
|--------------|------------|---|

- Kodvavi & Co. - external audit

| | | |
|--------------|------------|---|
| Annual audit | 100 | - |
|--------------|------------|---|

- BDO Ebrahim & Co. - internal audit

| | | |
|--------------|--------------|-------|
| Annual audit | 1,052 | 1,336 |
| | 6,373 | 4,860 |

34 FINANCE COST

| | | | |
|---|------|----------------|---------|
| Bank charges | | | |
| Interest on Workers' Profits Participation Fund | 24.2 | 11,005 | 9,401 |
| Mark-up on long term and running finances | | 6,268 | 3,999 |
| | | 95,623 | 178,891 |
| | | 112,896 | 192,291 |

35 INCOME TAX EXPENSE

| | | | |
|-------------------|------|----------------|----------|
| Current | | | |
| - For the year | | 500,344 | 468,633 |
| - For prior years | | 113,056 | - |
| | | 613,400 | 468,633 |
| Deferred | 22.2 | 7,430 | (12,205) |
| | | 620,830 | 456,428 |

35.1 Charge for the year

For the Holding Company, provisions for current taxation and deferred taxation have been made after considering the implications of section 169 of the Income Tax Ordinance, 2001. Income not covered under Final Tax Regime is provided at the normal basis using the applicable rate of 32% for the tax year 2016 (2015: 33% for the tax year 2015). While income covered under FTR and separate block are taxed accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For IBL HealthCare Limited, current period income tax represents provision based on section 148 of the Income Tax Ordinance 2001 at 5.5% on goods imported during the year. As a result, tax reconciliation has not been presented.

For other subsidiaries excluding Nextar Pharma (Private) Limited and IBL Identity (Private) Limited, provision for taxation is accounted for in accordance with the provision of Section 153(1)(c) of the Income Tax Ordinance, 2001, wherein tax deducted on contract constitutes final discharge of tax liability.

For Nextar Pharma (Private) Limited and IBL Identity (Private) Limited, provision for taxation is accounted for in accordance with the provision of Section 113(a) of the Income Tax Ordinance, 2001.

| | 2016 | 2015 |
|--|------------------------------|-----------|
| | ----- (Rupees in '000) ----- | |
| 35.2 Reconciliation of tax expense | | |
| Profit before income tax | 2,654,860 | 1,908,819 |
| Enacted tax rate | 32% | 33% |
| Tax on accounting profit at applicable tax rate | 849,555 | 629,910 |
| Tax effect of: | | |
| - permanent differences | 62,718 | 61,043 |
| - temporary differences | (13,397) | (21,131) |
| - applicability of lower tax rate on certain income | (15,956) | (12,911) |
| - demand provided and raised during the year | 110,028 | - |
| - applicability of lower tax rate under final tax regime on behalf of subsidiary | (372,521) | (200,483) |
| Tax expense charged on income | 620,427 | 456,428 |

35.3 Current status of tax assessments

Assessments of the Holding Company for the assessment years 2002-2003, tax years 2004, 2005, 2008, and 2012 are pending before various appellate forums in respect of issues related to certain disallowances.

During the year ended June 30, 2014, an assessment order for the tax year 2012, dated March 10, 2014 under section 122(5A) of Income Tax Ordinance 2001 was passed by Additional Commissioner Inland Revenue (ACIR) against the Company, thereby raising a tax demand of Rs. 369.807 million in respect of certain disallowances. The Company had filed an appeal against the aforementioned order, however, no hearing has been fixed and no set aside order has been received by the Holding Company till end of current year.

During the year ended June 30, 2014, an assessment order for the tax year 2008, dated October 31, 2013 under section 122(5A) of Income Tax Ordinance 2001 was passed by ACIR against the Holding Company, thereby raising a tax demand amounting to Rs. 128.832 million against the Company in respect of certain disallowances. An appeal was filed by the Company against the aforementioned order, however, no hearing has been fixed and no set aside order has been received by the Company till end of current year.

An order was passed against a subsidiary Company for the tax year 2014 under section 122(1) on May 10, 2016, under which The Deputy Commissioner Inland Revenue (DCIR) has raised additional demand for Rs 136,446,996. An appeal against the said Order have already been filed on June 7, 2016 with the commissioner appeals, along with the stay and out of turn hearing application. It is pertinent to mention here that stay form the Sindh High Court, for both years, against the recovery of the demand has also been obtained and the court has specifically directed the department not to take any coercive action against the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

During the year ended June 30, 2015, an assessment order for the tax year 2013, dated April 30, 2015 under section 122(5A) of Income Tax Ordinance 2001 was passed by ACIR against the Holding Company, thereby raising a tax demand amounting to Rs. 586.7 million against the Company in respect of certain disallowances. An appeal was filed by the Company against the aforementioned order.

An order was passed against a subsidiary Company for the tax year 2015 under section 122(5A) on June 30, 2016, under which the Deputy Commissioner Inland Revenue (DCIR) has raised additional demand for Rs 191.248 million. An appeal against the said Order have already been filed on July 18, 2016 with the commissioner appeals, along with the stay and out of turn hearing application. A rectification application has also been filed against the said order with the Tax Officer which is pending disposal.

During the year, an assessment order for the tax year 2015, dated April 21, 2015 under section 161/205 of Income Tax Ordinance 2001 was passed by IRO against the Holding Company, thereby raising tax demand amounting to Rs. 243.94 million comprising of Rs. 213.42 million as tax under section 236M not withheld and Rs. 30.52 million as default surcharge under section 205. An appeal was filed by the Company with the Commission Inland Revenue (Appellate) - CIR(A) against this order, which was heard on December 21, 2015. The appellate order of CIR(A) is still awaited.

Out of Rs 213.42 million, shares worth Rs 56.57 million have been deposited and issued in the name of FBR as per section 236M. For the remaining amount, the High Court of Sindh vide order sheet dated May 25, 2015 has refrained the Company to withhold tax under section 236M in case of certain shareholders.

During the year, an assessment order for the tax year 2011, dated March 31, 2016 under section 122(5A) of Income Tax Ordinance 2001 was passed by ACIR against the Holding Company, thereby raising a tax demand amounting to Rs. 94.83 million against the Company in respect of certain disallowances. The Company filed an appeal with CIR(A) against the aforementioned order.

The return e-filed on January 23, 2010 for the tax year 2009 has been amended during the year vide order under section 122(5A) of Income Tax Ordinance 2001, dated June 30, 2015 (received on July 23, 2015) raising a tax demand amounting to Rs. 112.98 million. An appeal against the aforesaid order was filed with the CIR(A) which was heard on August 20, 2015. Through the appellate order No. 33, dated August 31, 2015 of the CIR(A) disposes off the Holding Company's appeal against the order and maintained certain disallowances. The Company then filed an appeal against the CIR(A) order before the ATIR, dated October 15, 2015. However, no hearing has been fixed till end of current year.

The Additional Commissioner Inland Revenue (ACIR) through the order no 05/125 dated January 13, 2016 framed under section 122(5A) of the Ordinance amended the deemed assessed version in which ACIR has demanded additional tax of Rs 9.154 million from a subsidiary Company. The Company has filed an appeal to impugn above mentioned recovery proceedings. Appellate order no 29 dated May 27, 2016 has been issued against the said appeal by CIR(A) in which most of the decisions have been given in favor of the Company. The department has filed an appeal before the ATIR against the said CIR(A) order. No hearing has been fixed yet.

The Group has good arguable cases on merits and as such there is no likelihood of unfavorable outcome or any potential loss on account of above assessment orders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | 2015 |
|--|------------------------------|-------------|
| | ----- (Rupees in '000) ----- | |
| 36 EARNINGS PER SHARE - basic and diluted | | |
| 36.1 Basic earnings per share | | |
| Profit attributable to shareholders of the Holding Company (Rupees in thousands) | 2,000,689 | 1,372,837 |
| | | (Re-stated) |
| Weighted average number of shares in thousands | 120,550 | 120,550 |
| Earnings per share (Rupees) | 16.60 | 11.39 |

36.2 Diluted earning per share

There is no dilution effect on the basic earning per share of the Company as the Company has no convertible dilutive potential ordinary shares outstanding on June 30, 2016, which would have effect on the basic EPS if the option to convert would have been exercised.

37 EMPLOYEE BENEFITS

a) Defined benefit plans

37.1 Gratuity scheme - unfunded

37.1.1 General description

The scheme provides for post employment benefits for all unionized employees who complete qualifying period of five years of service with the Company and are entitled to one months' last drawn basic salary for each completed year / period of such service.

Annual provision is based on actuarial valuation. The valuation was carried out as at June 30, 2016 by M/s. Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

37.1.2 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation:

| | 2016 | 2015 |
|---|--------------------------------|------|
| | --- (Percentage per annum) --- | |
| - Estimated rate of increase in salary of the employees | 7.25 | 10 |
| - Discount rate | 7.25 | 10 |

Demographic assumptions

| | | |
|----------------|---------------------|---------------------|
| - Mortality | SLIC 2001 - 2005 | SLIC 2001 - 2005 |
| Retirement age | 60 years | 60 years |

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For the year ended June 30, 2016

Note **2016** 2015
----- (Rupees in '000) -----

37.1.3 Movement in the present value of defined benefit obligation (DBO)

| | | |
|---|-----------------|----------|
| Present value of DBO at the beginning of the year | (39,810) | (33,503) |
| Current service cost | (1,695) | (1,528) |
| Interest cost | (3,733) | (4,271) |
| | (5,428) | (5,799) |
| Benefits paid | 4,973 | 1,294 |
| Actuarial loss/(gain) on obligation | (1,982) | (1,802) |
| Present value of DBO at the end of the year (refer note 37.1.4) | (42,247) | (39,810) |

37.1.4 Movement in the deficit recognized in the balance sheet

| | | |
|--|-----------------|----------|
| Deficit at the beginning of the year | (39,810) | (33,503) |
| Expense recognize in profit & loss account (refer note 37.1.5) | | |
| - current service cost | (1,695) | (1,528) |
| - net interest | (3,733) | (4,271) |
| | (5,428) | (5,799) |
| Remeasurement - recognized in other comprehensive income: | | |
| Actuarial (loss)/gain arising due to change in: | | |
| - demographic assumptions - (unfavorable)/favorable | - | - |
| - financial assumptions - (unfavorable)/favorable | - | - |
| - experience adjustment - (losses)/gains | (1,982) | (1,802) |
| | (1,982) | (1,802) |
| Payment made on behalf of fund | 4,973 | 1,294 |
| Deficit at the end of the year (refer note 37.1.3) | (42,247) | (39,810) |

37.1.5 Amount recognized as expense

| | | | |
|-----------------------------------|----|--------------|-------|
| Cost of sales | 28 | 3,127 | 3,339 |
| Selling and distribution expenses | 29 | 4,162 | 1,904 |
| Administrative expenses | 30 | 1,489 | 556 |
| | | 5,428 | 5,799 |

b) Defined contribution plan

37.4 The Searle Company Limited - Employees Provident Fund (the Fund)

37.4.1 Fund position *

| | | |
|--|----------------|---------|
| Size of the fund - Rupees in '000 | 833,468 | 469,593 |
| Cost of investments made - Rupees in '000 | 783,855 | 432,332 |
| Fair value of investments - Rupees in '000 | 783,855 | 432,332 |
| Percentage of investments to total assets | 94% | 92% |
| Number of members | 1,337 | 1,477 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 ----- (Percentage) ----- | 2015 | 2016 ----- (Rupees in '000) ----- | 2015 |
|---|----------------------------------|------|--------------------------------------|---------|
| 37.4.2 Composition of the Fund * | | | | |
| Term finance certificates | 1% | 1% | 4,994 | 4,994 |
| Deposits with banks | 1% | 2% | 9,000 | 9,000 |
| Pakistan Investments Bonds (PIBs) | 7% | 10% | 58,156 | 41,222 |
| NIT units | 10% | 16% | 78,790 | 67,449 |
| Investment in mutual fund | 5% | 8% | 37,639 | 36,388 |
| Equity investment in associated Company | 76% | 63% | 595,276 | 273,279 |

* These figures have been taken from unaudited financial statements of the Fund for the years ended June 30, 2015 and June 30, 2016.

The investments out of provident fund have been made in accordance with provisions of section 227 of the Companies Ordinance, 1984.

| | 2016 ----- (Rupees in '000) ----- | 2015 |
|--|--------------------------------------|------|
| 37.5 IBL HealthCare Limited - Employees Provident Fund (the Fund) | | |

37.5.1 Fund position **

| | | |
|--|---------------|--------|
| Size of the fund - Rupees in '000 | 25,416 | 23,567 |
| Cost of investments made - Rupees in '000 | 24,015 | 22,126 |
| Fair value of investments - Rupees in '000 | 24,281 | 23,001 |
| Percentage of investments to total assets | 94% | 94% |

| | 2016 ----- (Percentage) ----- | 2015 | 2016 ----- (Rupees in '000) ----- | 2015 |
|--|----------------------------------|------|--------------------------------------|------|
| 37.5.2 Composition of the Fund ** | | | | |

| | | | | |
|-------------------------------------|------------|-----|---------------|--------|
| Deposits with banks | 0% | 14% | - | 3,126 |
| Investment in government securities | 79% | 68% | 19,089 | 15,000 |
| Investment in mutual fund | 21% | 18% | 4,926 | 4,000 |

** These figures have been obtained from unaudited financial statements of the fund for the year ended June 30, 2016 and June 30, 2015.

The investments out of provident fund have been made in accordance with provisions of section 227 of the Companies Ordinance, 1984.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | Note | 2016 | 2015 |
|--|-----------------|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 38 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES | | | |
| Profit before tax | | 2,654,860 | 1,908,819 |
| Adjustments for non-cash items: | | | |
| Depreciation | 6.4 | 118,498 | 80,265 |
| Gain on disposal of property, plant and equipment - net | 6.6 | (3,965) | (19,052) |
| Amortization of intangible assets | 7 | 12,076 | 10,757 |
| Loss on remeasurement of investment NPL | | 36,267 | - |
| Gain on bargain purchase | | (14,242) | - |
| Impairment of property, plant and equipment | 6.1 | 4,889 | - |
| Gain on revaluation of financial assets classified as held for trading | 32 | 4 | (16) |
| Realized Gain on sale of investment | | (9,776) | - |
| Financial charges excluding bank charges | 34 | 95,623 | 182,890 |
| Provision for staff retirement gratuity | 37.1.4 & 37.1.4 | 5,428 | 5,799 |
| Net changes in working capital | 38.1 | (1,233,858) | (861,559) |
| Share of loss from associate | | - | 1,183 |
| | | 1,665,804 | <u>1,309,086</u> |
| 38.1 Net changes in working capital | | | |
| Change in stock-in-trade | | (308,498) | (208,980) |
| Change in trade debts | | (553,502) | (732,297) |
| Change in trade deposits and short term prepayments | | (47,270) | (19,774) |
| Change in long-term loans | | (221,832) | (97,824) |
| Current portion | | 107,143 | - |
| Change in short-term loans and advances | | (568,041) | (123,114) |
| Change in other receivables | | (216,452) | (143,983) |
| | | (1,808,452) | (1,325,972) |
| Change in trade and other payables | | 574,594 | 464,413 |
| Net changes in working capital | | (1,233,858) | (861,559) |
| 39 CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 136,001 | 152,876 |
| Running finances under mark-up arrangements | | (475,577) | (682,334) |
| | | (339,576) | <u>(529,458)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

40 SEGMENT INFORMATION

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

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

- Pharma
- Consumer
- Investment property

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

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

| | Pharma | | Consumer | | Investment property | | Total | |
|--|------------------------------|-------------|--------------------|-----------|---------------------|-----------|--------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | ----- (Rupees in '000) ----- | | | | | | | |
| 40.1 Segment revenue | 9,964,517 | 8,116,778 | 1,326,807 | 931,263 | 109,732 | 31,113 | 11,401,056 | 9,079,154 |
| Cost of sales | (4,451,521) | (4,117,547) | (963,619) | (529,327) | - | - | (5,415,140) | (4,646,874) |
| Selling and distribution | (2,406,874) | (1,801,743) | (93,410) | (93,563) | (135,113) | (68,746) | (2,635,397) | (1,964,052) |
| Administrative expenses | (351,952) | (261,235) | (70,331) | - | - | - | (422,283) | (261,235) |
| | (7,210,347) | (6,180,525) | (1,127,360) | (622,890) | (135,113) | (68,746) | (8,472,820) | (6,872,161) |
| Segment result | 2,754,170 | 1,936,253 | 199,447 | 308,373 | (25,381) | (37,633) | 2,928,236 | 2,206,993 |
| 40.2 Unallocated income and expense | | | | | | | | |
| Other income | | | | | | | 106,576 | 67,269 |
| Other expense | | | | | | | (267,056) | (171,969) |
| Share of loss from associates | | | | | | | - | (1,183) |
| Financial cost | | | | | | | (112,896) | (192,291) |
| Profit before taxation | | | | | | | 2,654,860 | 1,908,819 |
| Income tax expense | | | | | | | (620,830) | (456,428) |
| Profit for the year | | | | | | | 2,034,030 | 1,452,391 |
| 40.3 Segment assets and liabilities | | | | | | | | |
| Segment assets | 216,781 | 144,603 | 13,837 | 25,280 | 2,607,507 | 2,614,906 | 2,838,125 | 2,784,789 |
| Unallocated assets | | | | | | | 8,659,125 | 5,595,189 |
| Total assets | | | | | | | 11,497,250 | 8,379,978 |
| Segment liabilities | - | - | - | - | 642,857 | 750,000 | 642,857 | 750,000 |
| Unallocated liabilities | | | | | | | 2,780,189 | 2,313,720 |
| Total liabilities | | | | | | | 3,423,046 | 3,063,720 |
| 40.4 Depreciation | 65,815 | 69,826 | 4,954 | 10,439 | 47,729 | 24,950 | 118,498 | 105,215 |
| 40.5 Other non-cash expenses | 7,725 | 10,757 | - | - | - | - | 7,725 | 10,757 |
| 40.6 Addition in segment assets | 210,148 | 57,202 | 15,818 | 8,717 | 77,559 | 122,991 | 303,525 | 188,910 |
| 40.7 Percentage for allocation | 94% | 88% | 7% | 14% | -1% | -2% | 100% | 100% |

40.8 There were no inter-segment transactions during the year (2015: None).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| 40.9 Geographical segments | 2016 | 2015 |
|----------------------------|------------------------------|-----------|
| | ----- (Rupees in '000) ----- | |
| Pakistan | 10,426,705 | 8,492,317 |
| South Asia | 619,729 | 362,142 |
| East Africa | 8,819 | 3,068 |
| South-East Asia | 231,111 | 174,223 |
| Middle East | 4,960 | 16,291 |
| | 11,291,324 | 9,048,041 |

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

40.10 The Company has earned major revenue from one of the customer, which amounts to Rs. 8.35 billion (2015: Rs. 6.61 billion) out of the total revenue.

41 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts in respect of remuneration, including all benefits, to the Chief Executive and Directors of the Holding Company and Executives of the Group are as follows:

| | 2016 | | | 2015 | | |
|-------------------------|------------------------------|---------------|----------------|-------------------------|-----------|-------------|
| | Chief Executive Officer | Directors | Executives* | Chief Executive Officer | Directors | Executives* |
| | ----- (Rupees in '000) ----- | | | | | |
| Managerial remuneration | 9,560 | 13,581 | 135,287 | 4,577 | 9,235 | 103,493 |
| Annual bonus | 631 | 2,105 | 20,171 | 710 | 1,112 | 16,692 |
| Leave fare assistance | - | - | 279 | - | - | 678 |
| Retirement benefits | | | | | | |
| - Provident fund | 956 | 1,358 | 13,366 | 458 | 924 | 10,338 |
| - Gratuity fund | - | - | - | - | - | - |
| Perquisites | | | | | | |
| - Rent | 4,302 | 6,111 | 60,204 | 2,060 | 4,156 | 46,572 |
| - Utilities | 956 | 1,358 | 13,379 | 458 | 924 | 10,349 |
| - Telephone | - | - | 216 | - | - | 156 |
| - Entertainment | - | - | 304 | - | - | 271 |
| - Car maintenance | 126 | 252 | 6,480 | 201 | 392 | 4,116 |
| | 16,531 | 24,765 | 249,686 | 8,464 | 16,743 | 192,665 |
| Number of persons | 1 | 2 | 97 | 1 | 2 | 96 |

41.1 In addition to the above, the Chief Executive Officer and some of the executives have been provided with free use of the Company maintained cars. Further, medical expenses are reimbursed in accordance with the Group's policies.

41.2 During the year, the Holding Company has paid to six non-executive directors (2015: six) an aggregate amount of Rs. 28,000 (2015: Rs. 182,000) as fee for attending board meetings.

* Executive means an employee other than chief executive officer and director, whose basic salary exceeds five hundred thousand rupees in a financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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42 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises International Brands Limited (ultimate holding Company), associated companies, related group companies, key management personnel, compensation to key management personnel, retirement benefit plan, companies in which directors are common or a director hold office and close family members.

42.1 Aggregate transactions and balances with related parties and associated undertakings which are not disclosed in respective notes are as follows:

| | 2016 | | | 2015 | | |
|--|---|-----------|--------------------------------|---|-----------|--------------------------------|
| | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel |
| ----- (Rupees in '000) ----- | | | | | | |
| 42.1.1 Transactions | | | | | | |
| (i) International Brands Limited | | | | | | |
| Interest on loan | 8,022 | - | - | 4,478 | - | - |
| Corporate expense | - | - | - | 6,000 | - | - |
| (ii) IBL Operations (Private) Limited - associated Company (refer note 42.2 and 42.3) | | | | | | |
| Sales | 9,254,230 | - | - | 7,436,437 | - | - |
| Sales returns | 32,019 | - | - | 66,261 | - | - |
| Expenses claimed by the associated Company | | | | | | |
| Carriage and duties | 32,018 | - | - | 34,106 | - | - |
| Staff salaries and benefits | 1,384 | - | - | 1,678 | - | - |
| Discounts | 344,510 | - | - | 168,691 | - | - |
| Warehouse rent | 6,987 | - | - | 5,546 | - | - |
| Mark-up expenses | - | - | - | - | - | - |
| Corporate services charged | - | - | - | 39,600 | - | - |
| Sales promotion expenses | 71,338 | - | - | 7,206 | - | - |
| IT Services | 569 | - | - | 2,802 | - | - |
| Investment in Shares | 195,699 | - | - | - | - | - |
| Expenses claimed by the Group | | | | | | |
| Staff salaries and other expenses | 2,780 | - | - | 1,278 | - | - |
| Royalty and price difference claims | 16,374 | - | - | 19,387 | - | - |
| (iii) International Brand Ltd. - holding Company | | | | | | |
| Expenses claimed by the holding Company | | | | | | |
| Corporate services charges | 72,000 | - | - | - | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | | | 2015 | | |
|---|---|-----------|--------------------------------|---|-----------|--------------------------------|
| | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel |
| ----- (Rupees in '000) ----- | | | | | | |
| (iv) International Franchises (Private) Limited - associated Company | | | | | | |
| Sales | 26 | - | - | 325 | - | - |
| Sales return | - | - | - | 69 | - | - |
| Rent, utility and other income | 15,670 | - | - | 9,286 | - | - |
| Staff salaries and benefits | - | - | - | - | - | - |
| Purchase of promotional items | - | - | - | 201 | - | - |
| Expenses claimed by the Company | | | | | | |
| Utilities expenses (Building center) | 3,814 | - | - | 569 | - | - |
| (v) United Distributors Pakistan Limited (UDPL) - associated Company | | | | | | |
| Purchase of vehicles | - | - | - | 2,010 | - | - |
| Payment under group tax relief | - | - | - | 11,558 | - | - |
| Expenses claimed by the Company | | | | | | |
| Vehicle hiring/ insurance | - | - | - | 10 | - | - |
| Warehouse rent & expenses | 689 | - | - | 686 | - | - |
| Staff salaries and benefits | 417 | - | - | - | - | - |
| (vi) HABITT - associate | | | | | | |
| Sales | 6,629 | - | - | 6,907 | - | - |
| Sales return | 112 | - | - | 580 | - | - |
| Purchase of promotional items | 1,193 | - | - | 558 | - | - |
| Rental income | 60,262 | - | - | 30,053 | - | - |
| (vii) MyCart (Private) Limited - associate | | | | | | |
| Purchases | 384 | - | - | - | - | - |
| (viii) IBL Unisys (Private) Limited- associate | | | | | | |
| Purchase of ERP software license and its implementation cost | 42,426 | - | - | - | - | - |
| Maintenance charges | 2,592 | - | - | - | - | - |
| (ix) The Citizens Foundation - associate (refer note 42.4) | | | | | | |
| Donations | 20,000 | - | - | 15,000 | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | | | 2015 | | |
|---|---|-----------|--------------------------------|---|-----------|--------------------------------|
| | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel |
| ----- (Rupees in '000) ----- | | | | | | |
| (x) Arshad Shahid Abdulla (Private) Limited - associated Company | | | | | | |
| Architect fee | 11,058 | - | - | 2,980 | - | - |
| (xi) Shahid Abdulla Office and factories renovation | - | - | - | 373 | - | - |
| (xii) Shakila Rashid Gain tendered - sale of securities | 5,321 | - | - | - | - | - |
| (xiii) Multinet Pakistan (Private) Limited - associated Company | | | | | | |
| Internet services | 3,874 | - | - | 452 | - | - |
| (xiv) United Brands Limited - associated Company | | | | | | |
| Sales | - | - | - | 71,555 | - | - |
| Sales returns | - | - | - | 461 | - | - |
| Expenses claimed by United Brands Limited | | | | | | |
| Discounts | - | - | - | 944 | - | - |
| Purchase of promotional items | 476 | - | - | 777 | - | - |
| (xiiv) Professional fee | - | 6,000 | - | - | 24,500 | - |
| 42.1.2 Balances | | | | | | |
| (i) Loans and advances | | | | | | |
| At beginning of the year | - | - | 7,004 | - | - | 3,604 |
| Given during the year | - | - | 2,617 | 4,478 | - | 7,529 |
| Repaid during the year | - | - | (7,206) | - | - | (3,859) |
| At the end of the year | - | - | 2,415 | 4,478 | - | 7,274 |
| (ii) Trade debts - associated Company (refer note 13) | | | | | | |
| At beginning of the year | 1,855,372 | - | - | 1,414,832 | - | - |
| Addition during the year | 8,420,009 | - | - | 7,363,441 | - | - |
| Repaid during the year | (8,093,772) | - | - | (6,728,418) | - | - |
| At the end of the year | 2,181,609 | - | - | 2,049,855 | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| | 2016 | | | 2015 | | |
|--|---|-----------|--------------------------------|---|-----------|--------------------------------|
| | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel | Associates/ Group companies/ holding and subsidiary Company/ close family members | Directors | Key management personnel |
| (Rupees in '000) ----- | | | | | | |
| (iii) Other receivables - associates (refer note 16) | | | | | | |
| At beginning of the year | 40,920 | - | - | 41,292 | - | - |
| Addition during the year | 240,378 | - | - | 19,387 | - | - |
| Repaid during the year | (20,432) | - | - | (23,036) | - | - |
| At the end of the year | 260,866 | - | - | 37,643 | - | - |
| (iv) Accrued liabilities - associates (refer note 24) | | | | | | |
| At beginning of the year | - | - | - | - | - | - |
| Addition during the year | 11,801 | - | - | - | - | - |
| Repaid during the year | - | - | - | - | - | - |
| At the end of the year | 11,801 | - | - | - | - | - |

42.2 In pursuance of scheme of arrangement and court order dated May 2011, with effect from July 1, 2011 all assets (except for retained assets), liabilities and operation division of International Brands Limited (the holding Company) were transferred to IBL Operations (Private) Limited (associated Company).

42.3 Sales to IBL Operations (Private) Limited (associated Company) are made at ex-factory price i.e. trade prices less distributor's margin of 10% and 12% (2015: 10% and 12%). In addition, the amounts of communication, utilities, salaries and wages and carriage and duties are also being reimbursed.

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

43 PLANT CAPACITIES AND ACTUAL PRODUCTION

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

44 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The board of directors of the Holding Company has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

44.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Credit risk of the Group arises principally from the trade debts, loans and advances, trade deposits and other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The maximum exposure to credit risk at the reporting date is as follows:

| | Note | 2016 ----- (Rupees in '000) ----- | 2015 |
|--------------------|------|--------------------------------------|-----------|
| Loans and advances | 14 | 608,056 | 149,549 |
| Long term deposit | 11 | 5,026 | 1,598 |
| Trade debts | 13 | 2,988,769 | 2,434,515 |
| Trade deposits | 15 | 52,468 | 45,723 |
| Other receivables | 16 | 422,242 | 200,461 |
| Balance with banks | 18 | 123,003 | 51,398 |
| | | 4,199,564 | 2,883,244 |

Concentration of credit risk

The Group's major sales are with IBL Operations (Private) Limited, which is a concentration and a credit risk. However, the Group has established policies and procedures for timely recovery of trade debts. With respect to parties other than affiliates, the Group mitigates its exposure and credit risk by applying credit limits to its customers.

Out of the total financial assets of Rs. 4.59 billion (2015: Rs. 3.28 billion), financial assets which are subject to credit risk amount to Rs. 4.20 billion (2015: Rs. 2.88 billion). Moreover, financial assets amounting to Rs. 5.24 billion (2015: Rs. 4.30 billion) consist of receivables from the Group's affiliates and cash and bank balances.

44.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The following are the contractual maturities of financial assets and financial liabilities:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

| 2016 | | | | | | | |
|----------------------------------|----------------------------|------------------------------|-----------|--------------------------------|-------------------------|-------------|-------------|
| Effective interest rate | Interest / mark-up bearing | | | Non-interest / mark-up bearing | | | Total |
| | Maturity up to one year | Maturity after one year | Subtotal | Maturity up to one year | Maturity after one year | Subtotal | |
| Note | % | ----- (Rupees in '000) ----- | | | | | |
| Financial assets | | | | | | | |
| Loans and advances | 14 | - | - | - | 882,701 | - | 882,701 |
| Deposits | 11 | - | - | - | - | 5,026 | 5,026 |
| Trade debts | 13 | - | - | - | 2,988,769 | - | 2,988,769 |
| Trade deposits | 15 | - | - | - | 52,468 | - | 52,468 |
| Other receivables | 16 | - | - | - | 423,627 | - | 423,627 |
| Cash and bank balances | 18 | 2.14 | 26 | - | 26 | 135,975 | - |
| | | | 26 | - | 26 | 4,483,540 | 5,026 |
| | | | | | | 4,488,566 | 4,488,592 |
| Financial liabilities | | | | | | | |
| Long-term finance | 21 | KIBOR plus 0.9 | (214,286) | (486,953) | (701,239) | - | - |
| Trade and other payables | 24 | | - | - | - | (2,154,673) | - |
| Accrued mark-up | 25 | | (11,706) | - | (11,706) | - | - |
| Short-term finances | 23 | 4 to 9.14 | (475,577) | - | (475,577) | - | - |
| | | | (701,569) | (486,953) | (1,188,522) | (2,154,673) | - |
| | | | | | | | (2,154,673) |
| | | | | | | | (3,343,195) |
| On balance sheet date gap | | | | | | | |
| | | | (701,543) | (486,953) | (1,188,496) | 2,328,867 | 5,026 |
| | | | | | | 2,333,893 | 1,145,397 |

| 2015 | | | | | | | |
|----------------------------------|----------------------------|------------------------------|-----------|--------------------------------|-------------------------|-------------|-------------|
| Effective interest rate | Interest / mark-up bearing | | | Non-interest / mark-up bearing | | | Total |
| | Maturity up to one year | Maturity after one year | Subtotal | Maturity up to one year | Maturity after one year | Subtotal | |
| Note | % | ----- (Rupees in '000) ----- | | | | | |
| Financial assets | | | | | | | |
| Loans and advances | 14 | - | - | - | 314,660 | - | 314,660 |
| Deposits | 11 | - | - | - | - | 1,598 | 1,598 |
| Trade debts | 13 | - | - | - | 2,434,515 | - | 2,434,515 |
| Trade deposits | 15 | - | - | - | 45,723 | - | 45,723 |
| Other receivables | 16 | - | - | - | 205,761 | - | 205,761 |
| Cash and bank balances | 18 | 6 | 21,386 | - | 21,386 | 131,490 | - |
| | | | 21,386 | - | 21,386 | 3,132,149 | 1,598 |
| | | | | | | 3,133,747 | 3,155,133 |
| Financial liabilities | | | | | | | |
| Long-term finance | 21 | KIBOR plus 2.5% | (107,143) | (642,857) | (750,000) | - | - |
| Trade and other payables | 24 | | - | - | - | - | - |
| Accrued mark-up | 25 | | (14,657) | - | (14,657) | (1,546,745) | - |
| Short-term finances | 23 | 10.53% - 12.39% | (682,334) | - | (682,334) | - | - |
| | | | (804,134) | (642,857) | (1,446,991) | (1,546,745) | - |
| | | | | | | | (1,546,745) |
| | | | | | | | (2,993,736) |
| On balance sheet date gap | | | | | | | |
| | | | (782,748) | (642,857) | (1,425,605) | 1,585,404 | 1,598 |
| | | | | | | 1,587,002 | 161,397 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

44.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group is exposed to currency risk and interest rate risk only.

44.3.1 Currency risk

Currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Group is exposed to currency risk on purchases that are entered in a currency other than Pak Rupees. Payable exposed to foreign currency risk have been included in creditors/bills payable, which year-end are Rs. 420 million (2015: Rs. 394 million) and foreign currency receivable included in trade debtors are Rs. 56.21 million (2015: Rs. 60.46 million). The Group earned exchange gain of Rs. 8.2 million (2015: Rs. 13.4 million) and suffered exchange loss of Rs. 23.8 million (2015: Rs. 21.3 million) during the year.

44.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term finance and short term finance. At the balance sheet date the interest rate profile of the Group's mark-up bearing financial instruments is as follows:

| | Note | 2016 | 2015 |
|----------------------------------|------|------------------------------|--------------------|
| | | ----- (Rupees in '000) ----- | |
| Variable rate instruments | | | |
| <i>Financial liabilities</i> | | | |
| - Long term finance | 21 | (642,857) | (750,000) |
| - Short term finance | 23 | (475,577) | (682,334) |
| | | (1,118,434) | (1,432,334) |

Cash flow sensitivity for variable rate instruments

A change of 100 basis points (bp) in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2015.

| | Profit and loss | | Equity | |
|---|------------------------------|-----------------|-----------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| | ----- (Rupees in '000) ----- | | | |
| As at June 30, 2016 | | | | |
| Cash flow sensitivity - variable rate instruments | 956 | (956) | 956 | (956) |
| As at June 30, 2015 | | | | |
| Cash flow sensitivity - variable rate instruments | 1,789 | (1,789) | 1,789 | (1,789) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

As at June 30, 2016, all financial assets and financial liabilities are carried at amortised cost except for investment in mutual funds which are carried at their fair values.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

The Company's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- changes in market and trading activity (e.g. significant increases / decreases in activity)
- changes in inputs used in valuation techniques (e.g. inputs becoming / ceasing to be observable in the market)

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

The valuation techniques used are as follows:

Level 1: Quoted prices (unadjusted) in active markets

The fair value of financial instruments traded in active markets is based on Net Asset Values (NAVs) of the units of the mutual funds at the reporting date. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within level 1 that are observable

Level 3: Fair values for debt securities are determined using a discounted cash flow technique, which uses expected cash flows and a market-related discount rate (PKRV rates for the purpose).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

The following table analysis within the fair value hierarchy of the Company's financial assets (by class) measured at fair value at June 30, 2016:

| Financial assets | 2016 | | | |
|-----------------------------------|---------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial investments: fair value | 99,593 | - | - | 99,593 |

| Financial assets | 2015 | | | |
|-----------------------------------|---------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial investments: fair value | 126,929 | - | - | 126,929 |

Note **2016** 2015
----- (Rupees in '000') -----

46 FINANCIAL INSTRUMENTS BY CATEGORY

46.1 Financial liabilities

Financial liabilities measured at amortized cost

| | | | |
|--------------------------|----|-------------|-------------|
| Long-term finances | 21 | (701,239) | (750,000) |
| Trade and other payables | 24 | (2,154,673) | (1,546,745) |
| Short-term finances | 23 | (475,577) | (682,334) |

Financial liabilities measured at fair value through profit or loss

| | | | |
|-----------------|----|--------------------|-------------|
| Accrued mark-up | 25 | (11,706) | (14,657) |
| | | (3,343,195) | (2,993,736) |

46.2 Financial assets

Loans and receivables

| | | | |
|------------------------|----|------------------|-----------|
| Loans and advances | 14 | 882,701 | 314,660 |
| Long term deposit | 11 | 5,026 | 1,598 |
| Trade debts | 13 | 2,988,769 | 2,434,515 |
| Trade deposits | 15 | 52,468 | 45,723 |
| Other receivables | 16 | 423,627 | 205,761 |
| Cash and bank balances | 18 | 136,001 | 152,876 |
| | | 4,488,592 | 3,155,133 |

Financial assets measured at fair value through profit or loss

| | | | |
|-----------------------|----|------------------|-----------|
| Short term investment | 17 | 99,593 | 126,929 |
| | | 4,588,185 | 3,282,062 |
| On balance sheet gap | | 1,244,990 | 288,326 |

47 NUMBER OF EMPLOYEES

Number of employees as at the year end

| | | | |
|--|--|--------------|-------|
| | | 2,117 | 1,555 |
|--|--|--------------|-------|

Average number of employees during the year

| | | | |
|--|--|--------------|-------|
| | | 1,969 | 1,466 |
|--|--|--------------|-------|

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2016

48 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors on September 28, 2016.

48.1 Event after balance sheet date

48.1.1 The Board of Directors of the Holding Company in the meeting held on September 28, 2016 has approved the following appropriation:

| | 2016 | 2015 |
|---|------------------------------|---------|
| | ----- (Rupees in '000) ----- | |
| - Cash dividend - Rs. 5 (2015: Rs. 2) per share of Rs. 10 each | 613,762 | 171,681 |
| - Issue of bonus shares 14% (2015: 20%) in the ratio of 14 (2015: 20) shares for every 100 shares held (This is in addition to interim bonus share already issue @10% during the year). | 171,853 | 171,681 |

The Board of Directors of IBL HealthCare Limited in the meeting held on September 26, 2016 has approved the following appropriation:

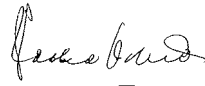
| | 2016 | 2015 |
|--|------------------------------|--------|
| | ----- (Rupees in '000) ----- | |
| - Cash dividend - Re. 1 (2015: Rs. 2) per share of Rs. 10 each | 24,757 | 59,800 |
| - Issue of bonus shares 15% (2015: 20%) in the ratio of 15 (2015: 20) shares for every 100 shares held | 64,136 | 59,800 |

These would be recognized as a liability in the Group's financial statements in the year in which such dividends are approved.

48.1.2 The Board of Directors of the Holding Company has also approved Nil (2015: 10) right shares for every 100 shares held i.e. Nil% (2015: 10%) at a premium of Nil (2015: Rs. 190) per share.

The Board of Directors of the IBL HealthCare Limited has also approved nil (2015: 10) right shares for every 100 shares held i.e. nil% (2015: 10%) at a premium of Nil (2015: Rs. 40) per share.


Syed Nadeem Ahmed
Chief Executive Officer


Rashid Abdulla
Director

Pattern of Shareholding

As of June 30, 2016

| No. of Shareholders | Shareholdings' Slab | | | Total Shares Held |
|---------------------|---------------------|----|--------|-------------------|
| 2378 | 1 | to | 100 | 72,339 |
| 1842 | 101 | to | 500 | 496,259 |
| 836 | 501 | to | 1000 | 630,509 |
| 1573 | 1001 | to | 5000 | 3,782,806 |
| 284 | 5001 | to | 10000 | 1,988,171 |
| 122 | 10001 | to | 15000 | 1,502,581 |
| 49 | 15001 | to | 20000 | 855,755 |
| 35 | 20001 | to | 25000 | 781,317 |
| 26 | 25001 | to | 30000 | 719,833 |
| 19 | 30001 | to | 35000 | 618,394 |
| 20 | 35001 | to | 40000 | 750,336 |
| 11 | 40001 | to | 45000 | 470,402 |
| 10 | 45001 | to | 50000 | 470,036 |
| 10 | 50001 | to | 55000 | 527,222 |
| 4 | 55001 | to | 60000 | 232,270 |
| 5 | 60001 | to | 65000 | 315,913 |
| 6 | 65001 | to | 70000 | 401,117 |
| 5 | 70001 | to | 75000 | 358,251 |
| 5 | 75001 | to | 80000 | 387,683 |
| 5 | 80001 | to | 85000 | 410,636 |
| 1 | 85001 | to | 90000 | 88,000 |
| 6 | 90001 | to | 95000 | 554,571 |
| 3 | 95001 | to | 100000 | 296,395 |
| 3 | 100001 | to | 105000 | 308,210 |
| 4 | 105001 | to | 110000 | 430,540 |
| 2 | 110001 | to | 115000 | 224,201 |
| 2 | 115001 | to | 120000 | 233,953 |
| 1 | 130001 | to | 135000 | 130,743 |
| 3 | 135001 | to | 140000 | 413,923 |
| 3 | 145001 | to | 150000 | 440,655 |
| 3 | 150001 | to | 155000 | 457,898 |
| 1 | 155001 | to | 160000 | 158,677 |
| 1 | 160001 | to | 165000 | 164,495 |
| 3 | 165001 | to | 170000 | 500,566 |
| 1 | 170001 | to | 175000 | 174,100 |
| 2 | 175001 | to | 180000 | 354,753 |
| 2 | 180001 | to | 185000 | 367,146 |
| 3 | 185001 | to | 190000 | 562,997 |
| 3 | 190001 | to | 195000 | 577,558 |
| 1 | 195001 | to | 200000 | 196,378 |
| 2 | 205001 | to | 210000 | 413,878 |
| 2 | 210001 | to | 215000 | 423,967 |

| No. of Shareholders | Shareholdings' Slab | | | Total Shares Held |
|---------------------|---------------------|----|----------|--------------------|
| 2 | 215001 | to | 220000 | 437,398 |
| 1 | 220001 | to | 225000 | 221,220 |
| 4 | 225001 | to | 230000 | 908,639 |
| 1 | 230001 | to | 235000 | 234,224 |
| 2 | 250001 | to | 255000 | 502,218 |
| 2 | 265001 | to | 270000 | 536,166 |
| 1 | 285001 | to | 290000 | 285,067 |
| 1 | 290001 | to | 295000 | 290,290 |
| 1 | 295001 | to | 300000 | 297,577 |
| 1 | 310001 | to | 315000 | 312,268 |
| 2 | 340001 | to | 345000 | 681,585 |
| 1 | 345001 | to | 350000 | 346,402 |
| 2 | 375001 | to | 380000 | 754,464 |
| 1 | 380001 | to | 385000 | 380,400 |
| 1 | 400001 | to | 405000 | 404,567 |
| 1 | 405001 | to | 410000 | 407,405 |
| 1 | 410001 | to | 415000 | 411,500 |
| 1 | 470001 | to | 475000 | 470,900 |
| 1 | 490001 | to | 495000 | 493,668 |
| 1 | 525001 | to | 530000 | 525,900 |
| 1 | 595001 | to | 600000 | 596,374 |
| 1 | 615001 | to | 620000 | 617,030 |
| 1 | 625001 | to | 630000 | 629,187 |
| 1 | 765001 | to | 770000 | 768,772 |
| 1 | 965001 | to | 970000 | 969,027 |
| 1 | 980001 | to | 985000 | 984,068 |
| 1 | 1030001 | to | 1035000 | 1,034,789 |
| 1 | 1050001 | to | 1055000 | 1,051,254 |
| 1 | 1100001 | to | 1105000 | 1,100,759 |
| 1 | 1480001 | to | 1485000 | 1,481,902 |
| 1 | 1505001 | to | 1510000 | 1,509,820 |
| 1 | 1780001 | to | 1785000 | 1,780,596 |
| 1 | 1790001 | to | 1795000 | 1,794,321 |
| 1 | 2000001 | to | 2005000 | 2,003,572 |
| 1 | 2170001 | to | 2175000 | 2,171,219 |
| 1 | 2850001 | to | 2855000 | 2,854,825 |
| 1 | 3015001 | to | 3020000 | 3,017,537 |
| 1 | 66235001 | to | 66240000 | 66,239,920 |
| 7343 | | | | 122,752,264 |

Pattern of Shareholding

As of June 30, 2016

| Categories of Shareholders | Shareholders | Shares Held | Percentage |
|--|--------------|-------------|------------|
| Directors and their spouse(s) and minor children | | | |
| ADNAN ASDAR ALI | 1 | 1,950 | 0.00 |
| RASHID ABDULLA | 2 | 27,988 | 0.02 |
| HUSAIN LAWAI | 2 | 2,944 | 0.00 |
| SYED NADEEM AHMED | 2 | 3,008 | 0.00 |
| ZUBAIR RAZZAK PALWALA | 2 | 6,275 | 0.01 |
| AYAZ ABDULLA | 1 | 11,705 | 0.01 |
| ARSHAD ANIS | 1 | 500 | 0.00 |
| SHAHID ABDULLA | 3 | 208,607 | 0.17 |
| MUFTI ZIA UL ISLAM | 2 | 1,349 | 0.00 |
| SHAKILA RASHID | 3 | 215,748 | 0.18 |
| FATIMA HYDER | 1 | 11,705 | 0.01 |
| Associated Companies, undertakings and related parties | | | |
| INTERNATIONAL BRANDS LTD | 4 | 66,505,361 | 54.18 |
| Trustee The Searle Company Limited Provident Fund | 1 | 768,772 | 0.63 |
| Executives | | | |
| | - | - | - |
| Public Sector Companies and Corporations | | | |
| | 6 | 2,205,079 | 1.80 |
| Banks, development finance institutions, non-banking finance, companies insurance companies, takaful, modarabas and pension funds | | | |
| | 42 | 8,325,112 | 6.78 |
| Mutual Funds | | | |
| CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND | 1 | 33,230 | 0.03 |
| CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND | 1 | 1,995 | 0.00 |
| CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND | 1 | 1,995 | 0.00 |
| CDC - TRUSTEE MEEZAN BALANCED FUND | 1 | 153,488 | 0.13 |
| CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND | 1 | 2,500 | 0.00 |
| CDC - TRUSTEE ALFALAH GHP VALUE FUND | 1 | 23,773 | 0.02 |
| CDC - TRUSTEE AKD INDEX TRACKER FUND | 1 | 10,916 | 0.01 |
| CDC - TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND | 1 | 1,909 | 0.00 |
| CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 1 | 188,208 | 0.15 |
| CDC - TRUSTEE MEEZAN ISLAMIC FUND | 1 | 1,780,596 | 1.45 |
| CDC - TRUSTEE UBL STOCK ADVANTAGE FUND | 1 | 99,159 | 0.08 |
| CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND | 1 | 152,410 | 0.12 |
| CDC - TRUSTEE NAFA STOCK FUND | 1 | 131 | 0.00 |
| CDC - TRUSTEE MCB DCF INCOME FUND | 1 | 44,000 | 0.04 |
| CDC - TRUSTEE FIRST HABIB INCOME FUND | 1 | 8,500 | 0.01 |
| CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND | 1 | 168,393 | 0.14 |
| CDC - TRUSTEE DAWOOD ISLAMIC FUND | 1 | 2,500 | 0.00 |
| CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND | 1 | 84,829 | 0.07 |
| CDC - TRUSTEE HBL - STOCK FUND | 1 | 266,166 | 0.22 |
| CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND | 1 | 68,195 | 0.06 |
| MC FSL TRUSTEE JS - INCOME FUND | 1 | 44,000 | 0.04 |
| CDC - TRUSTEE HBL MULTI - ASSET FUND | 1 | 33,262 | 0.03 |
| CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND | 1 | 21 | 0.00 |
| CDC - TRUSTEE ALFALAH GHP STOCK FUND | 1 | 49,684 | 0.04 |
| CDC - TRUSTEE ALFALAH GHP ALPHA FUND | 1 | 41,233 | 0.03 |

| Categories of Shareholders | Shareholders | Shares Held | Percentage |
|---|--------------|--------------------|---------------|
| CDC - TRUSTEE ABL STOCK FUND | 1 | 205,178 | 0.17 |
| CDC - TRUSTEE FIRST HABIB STOCK FUND | 1 | 9,000 | 0.01 |
| CDC - TRUSTEE PICIC INCOME FUND - MT | 1 | 8,500 | 0.01 |
| CDC-TRUSTEE HBL ISLAMIC STOCK FUND | 1 | 54,580 | 0.04 |
| CDC - TRUSTEE PICIC STOCK FUND | 1 | 6,000 | 0.00 |
| CDC - TRUSTEE ASKARI EQUITY FUND | 1 | 950 | 0.00 |
| CDC - TRUSTEE KSE MEEZAN INDEX FUND | 1 | 46,751 | 0.04 |
| MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND | 1 | 3,700 | 0.00 |
| MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND | 1 | 3,200 | 0.00 |
| CDC - TRUSTEE LAKSON INCOME FUND - MT | 1 | 500 | 0.00 |
| CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND | 1 | 4,800 | 0.00 |
| MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND | 1 | 164,495 | 0.13 |
| CDC - TRUSTEE UBL ASSET ALLOCATION FUND | 1 | 101,725 | 0.08 |
| CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND | 1 | 2,900 | 0.00 |
| CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND | 1 | 4,789 | 0.00 |
| CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND | 1 | 72,708 | 0.06 |
| CDC - TRUSTEE NIT INCOME FUND - MT | 1 | 63,700 | 0.05 |
| CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I | 1 | 17,495 | 0.01 |
| CDC - TRUSTEE PIML ISLAMIC EQUITY FUND | 1 | 6,787 | 0.01 |
| CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT | 1 | 100 | 0.00 |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 1 | 3,017,537 | 2.46 |
| CDC - TRUSTEE PICIC ISLAMIC STOCK FUND | 1 | 7,000 | 0.01 |
| CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II | 1 | 23,950 | 0.02 |
| CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT | 1 | 2,400 | 0.00 |
| CDC - TRUSTEE NAFA ISLAMIC STOCK FUND | 1 | 38,738 | 0.03 |
| CDC - TRUSTEE PIML VALUE EQUITY FUND | 1 | 4,879 | 0.00 |
| CDC - TRUSTEE HBL MUSTAHEKUM SARMAYA FUND 1 | 1 | 11,900 | 0.01 |
| CDC - TRUSTEE NIT ISLAMIC EQUITY FUND | 1 | 217,398 | 0.18 |
| MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND | 1 | 10,000 | 0.01 |
| CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND | 1 | 346,402 | 0.28 |
| CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND | 1 | 23,144 | 0.02 |
| CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND | 1 | 19,890 | 0.02 |
| General Public | | | |
| a. Local | 7017 | 19,085,788 | 15.55 |
| b. Foreign | 6 | 2,210,990 | 1.80 |
| Foreign Companies | 67 | 12,904,394 | 10.51 |
| Others | 123 | 2,492,800 | 2.03 |
| Totals | 7343 | 122,752,264 | 100.00 |

| Share holders holding 5% or more | Shares Held | Percentage |
|----------------------------------|-------------|------------|
| INTERNATIONAL BRANDS LTD | 66,505,361 | 54.18 |

SEARLE

Proxy Form

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

I/We _____
of _____, being a member of The Searle Company Limited, holding
_____ ordinary shares as per the share register Folio No. _____ and/
or CDC Participant ID No. and Account/Sub-Account No. _____ hereby appoint
_____ Folio No. and/or CDC Participant ID No. and Account/Sub-Account

No. (if member) _____ of _____ or failing him _____
Folio No. and/or CDC Participant ID No. and Account/Sub-Account No. (if member)
_____ of _____, as my/our proxy in my/our absence, to
attend and vote for me/us and on my/our behalf at the 51st Annual General Meeting of the
Company to be held on October 28, 2016 and/or any adjournment thereof.

Signed this _____ day of _____ 2016

Witness 1:
Signature: _____
Name: _____
CNIC #: _____
Address: _____

[Signature should agree with the specimen
signature registered with the Company]



Signature of Member(s)

Witness 2:
Signature: _____
Name: _____
CNIC #: _____
Address: _____

Shareholder's Folio No. _____
and/or CDC Participant I.D. No.: _____
and Sub-Account No.: _____
Shareholder's CNIC #: _____

Note:

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A proxy need not be a member of the Company.
2. The member is requested:
 - i) To affix revenue stamp of Rs.5/- at the place indicated above.
 - ii) To sign across the revenue stamp in the same style of signature as is registered with the Company.
 - iii) To write down his/her/their folio number.
 - iv) Attach an attested photocopy of their valid Computerized National Identity Card/Passport/Board Resolution and the copy of CNIC of the proxy, with this proxy form before submission.
3. In order to be valid, this proxy must be received at the registered office of the Company at least 48 hours before the time fixed for the meeting, duly completed in all respects.
4. CDS Shareholders or their proxies should bring their original computerized national identity card or passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the notes to the notice of AGM.

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The Company Secretary

The Searle Company Limited

First Floor, N.I.C. Building
Abbasi Shaheed Road,
Karachi-75530



Consent to receive annual financial statements electronically

The Manager
Share Department
Central Depository Company of Pakistan
Share Registrar – THE SEARLE Company LIMITED
99-B, Block B, S.M.C.H.S.
Main Shahrah-e-Faisal
Karachi

CONSENT TO RECEIVE ANNUAL FINANCIAL STATEMENTS ELECTRONICALLY

I/we _____ of _____ being a member of the Searle Company Limited holder of _____ ordinary shares under folio # _____ opt for receiving financial statements of your Company through email instead of receiving by post.

My current email address is as under: _____

Regards,

Signature of Member

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The Manager
Share Department
Central Depository Company of Pakistan
Share Registrar – THE SEARLE Company LIMITED
99-B, Block B, S.M.C.H.S.
Main Shahrah-e-Faisal
Karachi

پراکسی فارم

کمپنی سیکریٹری

دی سرل کمپنی لمیٹڈ

پہلی منزل، این آئی سی بلڈنگ، عباسی شہید روڈ، کراچی۔ 75530

میں/ ہم _____ بابت _____ بحیثیت دی سرل کمپنی لمیٹڈ کا ایک ممبر
حامل _____ عمومی شیئرز برطانیہ شیئرز رجسٹر فوئیو نمبر _____ اور/ یا سی ڈی سی
پارٹیشن آئی ڈی نمبر اور اکاؤنٹ/ ذیلی اکاؤنٹ نمبر _____ بذریعہ ہذا _____ فوئیو نمبر اور/ یا سی ڈی سی پارٹیشن آئی ڈی نمبر اور
اکاؤنٹ/ ذیلی اکاؤنٹ نمبر (اگر ممبر ہو) _____ بابت _____ یا ان کی عدم حاضری پر _____ فوئیو نمبر اور/ یا سی ڈی سی
پارٹیشن آئی ڈی نمبر اور اکاؤنٹ/ ذیلی اکاؤنٹ نمبر (اگر ممبر ہو) _____ بابت _____ بطور میرے/ ہمارے پراکسی کا تقرر کرتا
ہوا کرتے ہیں جو میری/ ہماری عدم موجودگی میں کمپنی کے ۵۱ ویں سالانہ اجلاس عام منعقد ۱۲۸ اکتوبر ۲۰۱۶ء اور/ یا کسی ملوثی شدہ تاریخ پر میری/ ہماری جگہ
شرکت کریں گے اور ووٹ دیں گے۔

دستخط شدہ تاریخ _____ دن _____ ۲۰۱۶ء

گواہ نمبر 1:

(دستخط کمپنی کے پاس رجسٹرڈ نمونہ دستخط
کے مطابق ہونے چاہیں)

5/- روپے مالیت کے ریونیو
اسٹیپ پر دستخط کریں

ممبر (ممبرز) کے دستخط

دستخط:

نام:

سی این آئی سی نمبر:

پتہ:

گواہ نمبر 2:

دستخط:

نام:

سی این آئی سی نمبر:

پتہ:

نوٹ:

- 1- اجلاس میں شرکت کرنے اور ووٹ دینے کا استحقاق رکھنے والا کوئی بھی ممبر اجلاس میں اپنی جگہ شرکت کرنے اور ووٹ دینے کے لئے تحریری طور پر پراکسی کا تقرر کر سکتا ہے۔ پراکسی کے لئے کمپنی کا ممبر ہونا ضروری نہیں۔
- 2- ممبر سے درخواست ہے کہ:
 - (i) مذکورہ بالا نشان زدہ جگہ پر 5/- روپے مالیت کا ریونیو اسٹیپ چسپاں کریں۔
 - (ii) ریونیو اسٹیپ پر اسی انداز میں دستخط کریں جیسا کہ کمپنی کے پاس رجسٹرڈ ہیں۔
 - (iii) اپنا فوئیو نمبر نیچے درج کریں۔
 - (iv) اپنے کارآمد کمپیوٹرائزڈ قومی شناختی کارڈ/ پاسپورٹ/ بورڈ کی قرارداد اور پراکسی کے سی این آئی سی کی کاپی پراکسی فارم کے ساتھ منسلک کر کے جمع کرائیں۔
- 3- کارآمد ہونے کے لئے یہ ضروری ہے کہ یہ پراکسی کمپنی کے رجسٹرڈ آفس میں اجلاس کے لئے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل ہر طرح سے مکمل صورت میں جمع کرادیئے جائیں۔
- 4- سی ڈی ایس شیئرز ہولڈرز یا ان کے پراکسیز اپنے اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ مع پارٹیشن آئی ڈی نمبر اور ان کے اکاؤنٹ نمبر اپنی شناخت میں سہولت کے لئے ہمراہ لائیں مفصل طریقہ کار اطلاع سالانہ اجلاس کے نوٹ میں درج ہے۔

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The Manager
Share Department
Central Depository Company of Pakistan
Share Registrar – THE SEARLE Company LIMITED
99-B, Block B, S.M.C.H.S.
Main Shahrah-e-Faisal
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URL: www.searlecompany.com