

**SEARLE**

Research in the service of mankind

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



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



The human body is capable of many amazing things, but its power can often end in the fatality of thousands. Human life and its care is at the very core of our business. We are forever striving to make lives better, through our products. The theme of our Annual report this year is “from care to cure” Let us share with you few serious diseases and learn about their causes, symptoms and ways to avoid them.



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# Our Vision

To lead in improving the quality of human life.

# Our Mission

- ▶ Which provides its customers with the best possible products and services in the Healthcare and Consumer Industry.
- ▶ That is ever evolving in-step with the changing market place to maintain its leadership role.
- ▶ Which is a responsible corporate citizen contributing to society and protecting the environment.
- ▶ That promotes 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.
- ▶ Which cares for its employees and shares in their dreams.
- ▶ Which works today for a better and secure tomorrow for all its stake holders through innovation, new product development and sound business practices.
- ▶ Which would grow and live beyond each one of us.

# 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





# Malaria

Everyone despises being eaten alive by pesky mosquitoes in the summer, but you would be surprised how many of those annoying bugs could actually lead to our demise! Malaria is caused by a parasite that is transmitted from one human to another through the bite of an infected mosquito. In humans, the parasites travel to the liver, where they mature. Once matured, they release another parasite that then enters the bloodstream and infects the red blood cells. The parasites multiply at a rapid speed, but symptoms could take up to one year to show. The disease is a major health problem in much of the tropics and subtropics. It presents a major health hazard for travelers to warm climates - something definitely to be wary of when planning that once-in-a-lifetime trip to the rain forest.

It is estimated that there are **300-500** million cases of malaria each year, and more than **1 million** people die from the disease.



# Company Information

## Board of Directors

Mr. Rashid Abdulla Chairman  
Mr. S. Nadeem Ahmed CEO & Managing Director  
Mr. Zubair Palwala  
Mr. Munis Abdullah  
Mr. Asad Abdulla  
Mr. Ayaz Abdulla  
Mr. Adnan Asdar Ali

## Board of Audit Committee

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

## Board of HR & Remuneration Committee

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

## Chief Financial Officer & Company Secretary

Mr. Zubair Palwala

## Auditors

Grant Thornton Anjum Asim Shahid Rahman

## Legal Advisors

Mohsin Tayebaly & Co

## Bankers

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

## 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

**SEARLE**

BY APPOINTMENT ONLY  
SEARLE TRADING LTD.  
1972

# Notice of Annual General Meeting

Notice is hereby given that the 48th annual general meeting of the shareholders of The Searle Company Limited will be held on Thursday, October 24, 2013 at 04:00 p.m. at the Institute of Chartered Accountants of Pakistan, Clifton, Karachi to transact the following business:

## Ordinary Business

1. To confirm the minutes of the last general meeting held on October 23, 2012.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2013 together with the directors' and auditors' reports thereon.
3. To consider and approve final cash dividend for the financial year ended June 30, 2013, at the rate of Rs.2/- per share of Rs.10/- each, equivalent to 20%.
4. To appoint auditors for the year ending June 30, 2014 and to fix their remuneration. The present auditors, Grant Thornton Anjum Asim Shahid Rahman, Chartered Accountants being eligible, have offered themselves for re-appointment.

## Special Business

5. To approve the issue of bonus shares in the ratio of thirty shares for every hundred shares held i.e. 30% as recommended by the board of directors and, if thought appropriate, to pass with or without modification(s) the following resolutions as ordinary resolution:

**Resolved** that a sum of Rs.141,495,730/- out of the un-appropriated profits of the Company be capitalized and applied towards the issue of 14,149,573 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 17, 2013, in the proportion of thirty 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, 2013.

**Further Resolved** that in the event 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 consider the increase of authorized share capital of the Company from Rs.500.0 million to Rs.700.0 million divided into 70,000,000 ordinary shares of Rs.10/- each and to consider and if thought fit to pass the following resolution as special resolution:

**Resolved** that the authorised share capital of the Company be and is hereby increased from Rs.500,000,000/- divided into 50,000,000 ordinary shares of Rs.10/- each to Rs.700,000,000/- divided into 70,000,000 ordinary shares of Rs.10/- each, by the creation of 20,000,000 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.700,000,000/- divided into 70,000,000 ordinary shares of Rs.10/- each."
- Article 3 of Articles of Association "The authorized capital of the Company is Rs.700,000,000/- divided into 70,000,000 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.

## Other Business

7. 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 2, 2013

## Statement of material facts under section 160(1)(b) of the Companies Ordinance, 1984 regarding the Special Business

### 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 thirty 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

The amendment in Memorandum and Articles of Association of the Company is proposed to enhance the authorised capital of the Company to Rs.700.0 million. The enhancement of its authorised 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.

### Notes:

1. Share Transfer Books will be closed from October 18, 2013 to October 24, 2013 (both days inclusive).
2. A member of the Company entitled to attend, speak and vote at this meeting may appoint a proxy to attend, speak and vote on his / her behalf.

Proxies in order to be effective must be duly signed, witnessed and deposited at the registered office of the Company not less than 48 hours before the time of the meeting.

3. CDC account holders will have to follow the under mentioned guidelines as laid down in Circular # 1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting.

a) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

b) 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.

4. Shareholders are requested to notify change of their addresses, if any, to Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400.



# Nausea & Vomiting

Nausea is an uneasiness of the stomach that often comes before vomiting. Vomiting is the forcible voluntary or involuntary emptying (throwing up) of stomach contents through the mouth. The causes of vomiting differ according to age. For children, it is common for vomiting to occur from a viral infection, food poisoning, milk allergy, motion sickness, overeating or feeding, coughing, or blocked intestines and illnesses in which the child has a high fever.

The timing of the nausea or vomiting can indicate the cause. When appearing shortly after a meal, nausea or vomiting may be caused by food poisoning, gastritis (inflammation of the stomach lining), an ulcer, or bulimia. Nausea or vomiting one to eight hours after a meal may also indicate food poisoning. However, certain food borne bacteria, such as salmonella, can take longer to produce symptoms.

Usually vomiting is harmless, but it can be a sign of a more serious illness. Some examples of serious conditions that may result in nausea or vomiting include concussions, meningitis (infection of the membrane linings of the brain), intestinal blockage, appendicitis, and brain tumors.



# Directors' Report to Shareholders

The Directors are pleased to present the 2013 Annual Report of the group together with the Audited Financial Statements for the year ended June 30, 2013.

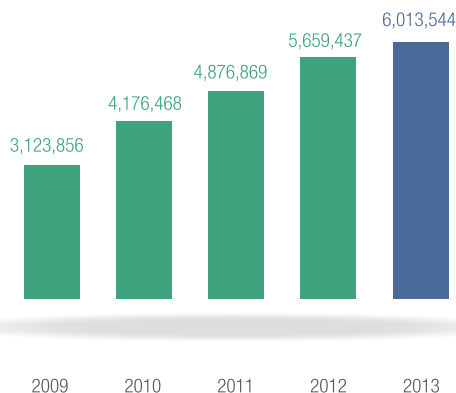
The Directors' Report is prepared under Section 236 of the Companies Ordinance, 1984 and Clause xvi of the Code of Corporate Governance.

## Financial Performance

	2013 Rs. '000	2012 Rs. '000
Revenue	6,013,544	5,659,437
Gross profit	2,703,817	2,349,267
Gross profit %	45.0	41.5
Operating expenses	1,454,223	1,372,655
Operating profit	1,249,594	976,612
Operating profit %	20.8	17.3
Other operating income	34,803	28,145
Profit before taxation	967,710	620,703
Taxation	261,743	188,952
Profit after taxation	705,967	431,751
Profit after tax %	11.7	7.6

We are pleased to report that compared to last year, your Company has been able to grow revenues from 5.7 billion to 6.0 billion, an increase of 6.3% (2012: 16.0%). The decrease in percentage growth is mainly due to our increased focus on high margin brands also resulting in a gross margin of 45.0% as compared to 41.5% last year.

Financial Performance



## Earnings Per Share

Basic earnings per share after taxation were Rs. 14.97 (2012: Rs. 9.15).

2009	2010	2011	2012	2013
4.62	7.80	8.81	9.15	14.97

Earnings Per Share



## Shareholding Information

The pattern of shareholding as at June 30, 2013 and other related information is set out on page 142 and 145.

None of the Directors, CEO, CFO and Company Secretary and their spouses and minor children has carried out any trades in the shares of the Company except as reported hereunder:

Mrs. Shakila Rashid w/o Mr. Rashid Abdulla purchase – 64,000 shares

## Directors' Training Program

During the year, Mr. Zubair Palwala attended the Directors' training program conducted by the Institute of Chartered Accountants of Pakistan.

## Corporate and Social Responsibility

Corporate responsibility is an integral part of the mission of the group. The group makes a significant contribution to society through the research based products that we manufacture and sell. The Company continues its support through donations of medicines and cash.

## Occupational Health and Safety

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

## Statement of Ethics and Business Practices

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

## Meetings of the Board of Directors

During the year, four meetings of the Board of Directors were held, the details of which are as follows:

Name of Director	Meetings attended
Mr. Rashid Abdulla	4
Mr. S. Nadeem Ahmed	4
Mr. Zubair Palwala	4
Mr. Munis Abdullah	4
Mr. Asad Abdulla	4
Mr. Ayaz Abdulla	4
Mr. Adnan Asdar Ali	2

## Audit Committee

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

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

Name of Director	Meetings attended
Mr. S. Nadeem Ahmed	4
Mr. Asad Abdulla	4
Mr. Adnan Asdar Ali	2

## 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 group and the date of this report.

## Corporate and Financial Reporting Framework

- The financial statements of the group, 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 group 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.



Profit after tax for the year was **Rs. 706** million compared to **Rs. 432** million for the last year.

- The group 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 group'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 disclosed on page 15

#### Future Outlook

Group's strong sales base and focused management provides a clear platform for growth, with 2014 making a start of what should be a series of growth years for the group. The management of the group is working diligently to overcome challenges and achieve its medium and long term goals. The medium term objectives include continued focus on producing high quality products that meet the demand of health care professionals and patients. We are committed to provide accurate health information, safety and protection, clean environment, medical education and health care to Pakistan and Global Markets.

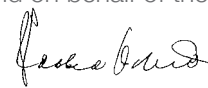


We are more confident than ever that group is well placed to succeed in emerging new markets. In closing, we would like to thank all our employees, partners and suppliers for their continued commitment and support.

## Statistical Summary

	2013	FINANCIAL YEARS ENDED ON 30 JUNE				
		2012	2011	2010	2009	2008
		----- Restated -----				
		----- (Rupees in thousand) -----				
<b>ASSETS EMPLOYED</b>						
Property, plant and equipment	584,168	2,672,448	837,385	742,428	621,198	661,880
Intangible assets	74,071	86,570	104,352	69,445	82,393	95,890
Investment property	2,312,986	120,952	-	-	-	-
Long-term loans, deposits & prepayments	7,212	7,273	7,953	7,872	4,766	8,822
Net current assets	995,173	561,505	1,181,693	988,979	860,853	796,572
<b>Total assets employed</b>	<b>3,973,610</b>	<b>3,448,748</b>	<b>2,131,383</b>	<b>1,808,724</b>	<b>1,569,210</b>	<b>1,563,164</b>
<b>FINANCED BY</b>						
Issued, subscribed and paid-up capital	471,652	336,895	306,268	306,268	266,320	266,320
Reserves and Unappropriated profit	2,207,777	1,727,637	1,393,115	1,053,117	748,429	654,123
Shareholder's equity	2,679,429	2,064,532	1,699,383	1,359,385	1,014,749	920,443
Non-controlling interest	211,306	160,998	146,818	124,060	119,513	-
Surplus on revaluation of fixed assets	143,455	161,383	179,901	207,484	229,852	262,644
Long-term and deferred liabilities	939,420	1,061,835	105,281	117,795	205,096	380,077
<b>Total capital employed</b>	<b>3,973,610</b>	<b>3,448,748</b>	<b>2,131,383</b>	<b>1,808,724</b>	<b>1,569,210</b>	<b>1,563,164</b>
<b>TURNOVER AND PROFITS</b>						
Turnover	6,013,544	5,659,437	4,876,869	4,176,468	3,123,856	2,721,883
Profit before tax	967,710	620,703	565,277	559,307	327,636	255,194
Profit after tax	705,967	431,751	415,453	368,039	217,967	159,159
<b>PROFIT AFTER TAX</b>						
% of turnover	11.74	7.63	8.52	8.81	6.98	5.85
% of capital employed	17.77	12.52	19.49	20.35	13.89	10.18
<b>DIVIDENDS</b>						
Cash (%)	35	35	40	30	15	10
Stock (%)	45	40	10	-	15	-

For and on behalf of the board



Rashid Abdulla  
Chairman

Karachi:  
September 23, 2013

# Cerebrovascular Disease

Cerebrovascular disease is a fancy way of saying stroke. Either way, this disease is not pleasant. A stroke happens when blood flow to a part of the brain is interrupted because a blood vessel in the brain is blocked (ischemic stroke) or bursts open (hemorrhagic stroke). If blood flow is stopped for longer than a few seconds, the brain can't get blood and oxygen. Brain cells then die, causing permanent damage. When brain cells die, the body panics.



**High blood pressure is the No. 1 risk factor for a stroke - so keep that blood running smoothly and no one gets hurt.**



# 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.

SPL enjoys the category championship in wide range of products.



**GRAVINATE**  
Trusted & time tested anti-emetic



**HYDRYLLIN**  
No. 1 cough remedy -the gold standard



**NUBEROL/NUBEROL FORTE**  
An effective analgesic and muscle relaxant



**SPIROMIDE**  
No.1 cardio-protective diuretic in Pakistan

The Searle Company Limited has comprehensive line of products encircle life itself - addressing important health needs from infancy to the golden years.

**ROTEC**

The NSAID with enhanced GI safety



**LOMOTIL**

Leading Antidiarrheal



**SUSTAC**

No.1 Nitrate with sustained release technology



**TRAMAL**

No.1 Non-narcotic pain reliever in Pakistan



EZIUM

Icon in the treatment of gastric ulcer



EXTOR

Modern way to control blood pressure



LUMARK

Referral in epilepsy management



PEDITRAL

High quality leading ORS



CANDEREL

Sugar that suits everyone

MORCET

Better way for treatment of depression



**GLITOS PLUS**  
Drug of choice for diabetes



**CANDEREL**  
Sugar that suits everyone



**VITRUM**  
Balanced formulation of  
Multi-Vitamin and Multi-Minerals



**PROBIOTIC**  
Emerging treatment with  
healthy bacteria



**RHULEF**  
An effective DMARD for rheumatoid arthritis

**SEREBAL**  
Active vitamin B12 to improve  
neurological functions



**ENFA MAMA & ENFAMIL**  
Where good health begins



## Diarrheal Diseases

It is never pleasant to have to excuse yourself during an important meeting to rush to the toilet or to spend much of your long-awaited trip to the beach in your hotel room because of diarrhea. Now just imagine if those embarrassing bowel movements caused your whole immune system to shut down! Diarrhea is defined as loose or watery stools that can last for a day or two. If it lasts for weeks or even months, diarrhea is considered a chronic disease. Diarrhea of any kind can cause dehydration, which means the body loses a lot of important fluids and electrolytes. People of all ages can get diarrhea. This unpleasant ailment is relatively common, but if left untreated, it can lead to severe dehydration and even death!

Diarrhea of any kind can cause dehydration, which means the body loses a lot of important fluids and electrolytes.



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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013 prepared by the board of directors (the Board) of The Searle Company Limited (formerly Searle Pakistan Limited) (the Company) to comply with the Listing Regulation No. 35 Chapter XI of The Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 35 Chapter XI of Islamabad Stock Exchange (Guarantee) Limited, 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. 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 part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board'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.

Further, Listing Regulations of Karachi and Islamabad Stock Exchanges require the Company to place before the Board for their consideration and approval, 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board and placement of such transactions before 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2013.

Karachi.

Date: September 23, 2013

Anjum Asim Shahid Rahman  
Chartered Accountants

# Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi and Islamabad Stock Exchanges 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 non-executive directors on its board of directors. At present the board includes:

Category	Names
Independent Directors	: None
Executive Directors	: Mr. Rashid Abdulla Mr. S. Nadeem Ahmed Mr. Zubair Palwala Mr. Ayaz Abdulla
Non-Executive Directors	: Mr. Munis Abdullah Mr. Asad Abdulla Mr. Adnan Asdar Ali

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 an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There was no casual vacancy occurring on the board during the period.
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, Chief Executive Officer 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 of three members, two of them are non-executive directors including the Chairman of the committee.
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, two of them are non-executive directors including the Chairman of the committee.
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, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



Syed Nadeem Ahmed  
CEO/Managing Director

Karachi.

Date: September 23, 2013



Grant Thornton

**Anjum Asim Shahid Rahman**

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Other offices: Islamabad, Lahore

## Independent Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **The Searle Company Limited** (formerly Searle Pakistan Limited) (the holding company) and its subsidiaries **IBL HealthCare Limited**, **Searle Pharmaceuticals (Private) Limited** and **Searle Laboratories (Private) Limited** (the subsidiaries) as at **June 30, 2013** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity together with the notes forming part thereof, for the year/period then ended. We have also expressed separate opinion on the financial statements of the holding company. The financial statements of the subsidiaries 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 subsidiaries as at June 30, 2013 and the results of their operations for the year/period then ended.

Karachi.

Date: September 23, 2013

Anjum Asim Shahid Rahman

Chartered Accountants

Shahzada Saleem Chughtai



## Ischemic Heart Disease

When an organ is forgotten by the body, we are in trouble. With ischemic heart disease, that is exactly what happens. Ischemic means that an organ (such as the heart) is not getting enough blood and oxygen. When the arteries that bring blood and oxygen to the heart are blocked, it means you have ischemic heart disease - and a very big problem. If left untreated, this disease can lead to heart failure and death. Ischemic Heart Disease affects 1 out of 100 people, often middle-aged to elderly males. But ladies, don't wipe your brow just yet, because it can affect you too! Risk factors include diabetes, high blood pressure and obesity.

**The best thing you can do to prevent ischemic heart disease is take great care of yourself and make sure no organ is left behind!**



# Consolidated Balance Sheet

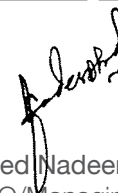
As at June 30, 2013

ASSETS	Note	As at June 30, 2013	(Restated) As at June 30, 2012	(Restated) As at July 1, 2011
			(Rupees in '000)	
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Fixed assets</b>				
- Property, plant and equipment	6	584,168	2,672,448	837,385
- Intangible assets	7	74,071	86,570	104,352
		658,239	2,759,018	941,737
Investment property	8	2,312,986	120,952	-
Long-term loans	9	967	648	1,552
Long-term deposits	10	6,245	6,625	6,401
<b>Total non-current assets</b>		<b>2,978,437</b>	<b>2,887,243</b>	<b>949,690</b>
<b>Current assets</b>				
Stores and spares		2,186	2,229	2,604
Stock-in-trade	11	722,177	780,345	850,160
Trade debts	12	1,441,459	1,202,418	1,061,501
Loans and advances	13	81,919	109,500	698,275
Trade deposits and short term prepayments	14	67,128	74,223	74,353
Other receivables	15	145,714	156,493	198,931
Taxation-net		-	1,578	-
Cash and bank balances	16	29,066	80,343	167,590
<b>Total current assets</b>		<b>2,489,649</b>	<b>2,407,129</b>	<b>3,053,414</b>
<b>Total assets</b>		<b>5,468,086</b>	<b>5,294,372</b>	<b>4,003,104</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
<b>Authorized share capital</b>				
50,000,000 (2012: 50,000,000) ordinary shares of Rs. 10 each		500,000	500,000	500,000
Issued, subscribed and paid-up capital	17	471,652	336,895	306,268
General reserve		280,251	280,251	280,251
Unappropriated profit		1,927,526	1,447,386	1,112,864
Attributable to the holding company's shareholders		2,679,429	2,064,532	1,699,383
Non-controlling interest		211,306	160,998	146,818
<b>Total equity</b>		<b>2,890,735</b>	<b>2,225,530</b>	<b>1,846,201</b>
Surplus on revaluation of fixed assets	18	143,455	161,383	179,901
<b>Non-current liabilities</b>				
Long term finances - secured	19	858,334	966,667	-
Liabilities against assets subject to finance leases	20	2,182	5,606	17,077
<b>Deferred liabilities</b>				
Taxation	21	40,443	52,000	55,732
Gratuity - unfunded	21	38,461	37,562	32,472
		78,904	89,562	88,204
<b>Total non-current liabilities</b>		<b>939,420</b>	<b>1,061,835</b>	<b>105,281</b>
<b>Current liabilities</b>				
Trade and other payables	22	998,372	1,052,587	984,345
Accrued mark-up	23	21,528	35,501	28,950
Short-term finances	24	319,935	712,769	839,011
Current portion of				
- long term finances	19	108,333	33,333	-
- liabilities against assets subject to finance leases	20	2,513	11,434	11,534
Provision for taxation - net		43,795	-	7,881
<b>Total current liabilities</b>		<b>1,494,476</b>	<b>1,845,624</b>	<b>1,871,721</b>
<b>Total liabilities</b>		<b>2,433,896</b>	<b>2,907,459</b>	<b>1,977,002</b>
Contingencies and commitments	25			
<b>Total equity and liabilities</b>		<b>5,468,086</b>	<b>5,294,372</b>	<b>4,003,104</b>

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



Rashid Abdulla  
Chairman



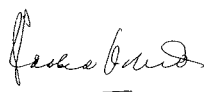
Syed Nadeem Ahmed  
CEO/Managing Director

# Consolidated Profit and Loss Account

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	(Restated) 2012
NET SALES	26	6,013,544	5,659,437
COST OF SALES	27	<u>3,309,727</u>	<u>3,310,170</u>
GROSS PROFIT		2,703,817	2,349,267
Selling and distribution expenses	28	<u>1,285,781</u>	<u>1,211,880</u>
Administrative expenses	29	<u>154,298</u>	<u>142,993</u>
Amortization of intangible assets	7	<u>14,144</u>	<u>17,782</u>
		<u>1,454,223</u>	<u>1,372,655</u>
OPERATING PROFIT	30	1,249,594	976,612
Other operating income	31	<u>34,803</u>	<u>28,145</u>
		1,284,397	1,004,757
Other operating expenses	32	<u>83,324</u>	<u>76,094</u>
Finance cost	33	<u>233,363</u>	<u>307,960</u>
		<u>316,687</u>	<u>384,054</u>
PROFIT BEFORE INCOME TAX		967,710	620,703
Income tax expense	34	<u>261,743</u>	<u>188,952</u>
PROFIT FOR THE YEAR		<u>705,967</u>	<u>431,751</u>
		----- Rupees -----	
EARNINGS PER SHARE - BASIC AND DILUTED	35	<u>14.97</u>	<u>9.15</u>

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

  
Rashid Abdulla  
Chairman


  
Syed Nadeem Ahmed  
CEO/Managing Director

# Consolidated Statement of Comprehensive Income

For the year ended June 30, 2013

		(Restated)
	2013	2012
	(Rupees in '000)	
PROFIT FOR THE YEAR	705,967	431,751
Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>705,967</u>	<u>431,751</u>
Total comprehensive income attributable to:		
Shareholders' of the holding company	655,659	392,571
Non-controlling interest	<u>50,308</u>	<u>39,180</u>
	<u>705,967</u>	<u>431,751</u>

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

  
Rashid Abdulla  
Chairman


  
Syed Nadeem Ahmed  
CEO/Managing Director


# Consolidated Statement of Cash Flows

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	(Restated) 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations after working capital changes	36	1,045,101	1,082,882
Gratuity paid	15.3.4, 21.3.4 & 21.4.4	(15,739)	(18,341)
Taxes paid		(227,928)	(202,143)
Advance of long-term loans		(319)	904
Receipt of short-term loans and advances		27,581	588,664
Receipts/(Payments) of long-term deposits		380	(224)
Net cash from operating activities		829,076	1,451,742
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6.1	(44,000)	(1,969,552)
Transfer from operating assets	6.1	1,915,871	-
Transfer from/(Additions to) capital work in progress	6.7	130,471	(82,616)
Purchase of intangible assets	7	(1,645)	-
Transfers/Additions to investment property	8	(2,192,034)	-
Proceeds from disposal of property, plant and equipment	6.5	15,978	8,982
Finance income received	31	2	203
Mark-up received from associated company	40.1	34,672	8,750
Net cash used in investing activities		(140,685)	(2,034,233)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liabilities paid		(12,345)	(11,571)
Long-term finances received	19	-	1,000,000
Long-term finance paid	19	(33,333)	-
Dividend paid		(57,687)	(70,203)
Finance charges paid		(243,469)	(296,740)
Net cash (used in)/from financing activities		(346,834)	621,486
Net increase in cash and cash equivalents		341,557	38,995
Cash and cash equivalents at the beginning of the year		(632,426)	(671,421)
Cash and cash equivalents at the end of the year	37	(290,869)	(632,426)

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

  
Rashid Abdulla  
Chairman

  
Syed Nadeem Ahmed  
CEO/Managing Director

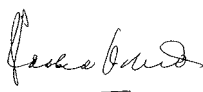
# Consolidated Statement of Changes in Equity

For the year ended June 30, 2013

Attributable to shareholders' of the holding company

	Note	Capital Reserve		Revenue Reserve		Unappropriated profit	Non Controlling Interest	Total
		Share capital	Reserve for issue of bonus shares	General reserve	Total reserves			
----- Rupees in '000 -----								
Balance as at July 1, 2011 as previously stated		306,268	-	280,251	280,251	1,097,505	146,818	1,830,842
Effect of change in accounting policy	3 & 5.5	-	-	-	-	15,359	-	15,359
Balance as at July 1, 2011 - Restated		306,268	-	280,251	280,251	1,112,864	146,818	1,846,201
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	18	-	-	-	-	17,952	-	17,952
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	18	-	-	-	-	566	-	566
Total comprehensive income for the year		-	-	-	-	392,571	39,180	431,751
<b>Transactions with owners</b>								
Transfer to reserve for issue of bonus shares		-	30,627	-	30,627	(30,627)	-	-
Bonus shares issued @ 10% in the ratio of 10 shares for every 100 shares held		30,627	(30,627)	-	(30,627)	-	-	-
Cash dividend paid for the year ended June 30, 2011 @ Rs. 1.5 per share (holding company)		-	-	-	-	(45,940)	-	(45,940)
Cash dividend paid for the year ended June 30, 2011 @ Rs. 2.5 per share (subsidiary company)		-	-	-	-	-	(25,000)	(25,000)
		30,627	-	-	-	(76,567)	(25,000)	(70,940)
Balance as at June 30, 2012 - Restated		336,895	-	280,251	280,251	1,447,386	160,998	2,225,530
Balance as at July 1, 2012 as previously stated		336,895	-	280,251	280,251	1,430,147	160,998	2,208,291
Effect of change in accounting policy		-	-	-	-	17,239	-	17,239
Balance as at July 1, 2012 - Restated		336,895	-	280,251	280,251	1,447,386	160,998	2,225,530
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	18	-	-	-	-	17,788	-	17,788
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	18	-	-	-	-	140	-	140
Total comprehensive income for the year		-	-	-	-	655,659	50,308	705,967
<b>Transactions with owners</b>								
Transfer to reserve for issue of bonus shares		-	134,757	-	134,757	(134,757)	-	-
Bonus shares issued @ 40% in the ratio of 40 shares for every 100 shares held (holding company)		134,757	(134,757)	-	(134,757)	-	-	-
Cash dividend paid for the year ended June 30, 2012 @ Re. 1 per share (holding company)		-	-	-	-	(33,690)	-	(33,690)
Cash dividend paid for the year ended June 30, 2012 @ Rs. 2.5 per share (subsidiary company)		-	-	-	-	(25,000)	-	(25,000)
		134,757	-	-	-	(193,447)	-	(58,690)
Balance as at June 30, 2013		471,652	-	280,251	280,251	1,927,526	211,306	2,890,735

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

  
Rashid Abdulla  
Chairman

  
Syed Nadeem Ahmed  
CEO/Managing Director

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 1 LEGAL STATUS AND OPERATIONS

### 1.1 The "Group" consist of :

#### Holding company

The Searle Company Limited (formerly Searle Pakistan Limited)

#### Subsidiary companies

IBL HealthCare Limited  
Searle Pharmaceuticals (Private) Limited  
Searle Laboratories (Private) Limited

The Group is engaged in sale of food and consumer items, manufacture of pharmaceutical items for other companies and marketing, selling and distribution of healthcare products.

The Searle Company Limited (formerly Searle Pakistan 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 Karachi and Islamabad stock exchanges. The holding company is principally engaged in the manufacture of pharmaceutical products and a low calorie sweetener. In addition, the holding company is engaged in sale of food and consumer items, and manufacture of pharmaceutical items for other companies. The registered office of the holding company is situated at First Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

With effect from September 3, 2012 the holding company has changed its name to "The Searle Company Limited" from "Searle Pakistan Limited".

With effect from June 17, 2011 International Brands (Private) Limited has acquired additional shareholding of 15.9 % aggregating to 55.25% of the shareholding of the holding company and has become ultimate holding company.

IBL HealthCare (Private) 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 Karachi 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.

Searle Pharmaceuticals (Private) Limited was incorporated in Pakistan as a private limited during the year. 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.

Searle Laboratories (Private) Limited was incorporated in Pakistan as a private limited during the year. 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.

### 1.2 Basis of consolidation

Due to significant representation in Board of Directors and 50% holding of share capital, management perceive that the holding company can directly or indirectly exercise control over IBL HealthCare Limited.

Due to significant representation in Board of Directors and 100% holding of share capital, the holding company can directly exercise control over both Searle Pharmaceuticals (Private) Limited and Searle Laboratories (Private) Limited.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

The consolidated financial statements comprise financial statements of the holding company and its subsidiary companies - "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.

## 2 STATEMENT OF COMPLIANCE

2.1 These consolidated financial statements of the Group 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, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, amendments and interpretations of IFRSs will be effective for accounting periods beginning on or after the dates specified below:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Group has net unrecognized actuarial gain relating to staff gratuity scheme (un-funded) as at June 30, 2013 amounting to Rs. 1.599 million. Following the change, all actuarial gains and losses will be recorded immediately in other comprehensive income.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated financial statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate consolidated financial statements, with some minor clarifications. The amendments have no impact on consolidated financial statements of the Group.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on consolidated financial statements of the Group.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on consolidated financial statements of the Group.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments have no impact on consolidated financial statements of the Group.
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after January 01, 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments have no impact on consolidated financial statements of the Group.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or subject to master netting agreement or similar arrangement. The amendments have no impact on consolidated financial statements of the Group.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on consolidated financial statements of the Group.
- IFRIC 21 - Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after January 01, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendments have no impact on consolidated financial statements of the Group.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
  - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on consolidated financial statements of the Group.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on consolidated financial statements of the Group.

### 3 VOLUNTARY CHANGE IN ACCOUNTING POLICY

During the year, the Group has changed its accounting policy in respect of depreciation on leasehold land classified under property, plant and equipment. The new policy is to carry leasehold land at revalued amount less accumulated impairment losses if any (refer note 5.5).

The previous accounting policy was to charge depreciation to income on leasehold land applying the straight-line method whereby the cost of the land was being written off over its useful life.

The new accounting policy was adopted on July 1, 2012 and has been applied retrospectively. Management judges that the change in policy will result in the consolidated financial statements providing more reliable and relevant information.

The impacts of the change in accounting policy on the prior periods' consolidated financial statements have been summarized below:

	2012	2011
	(Rupees in '000)	
Increase in un-appropriated profit	1,880	1,880
Increase in property, plant & equipment	1,880	1,880
Decrease in cost of sales	1,880	1,880
Increase in profit after tax	1,880	1,880
Increase in earnings per share - Basic and diluted	0.04	0.04

### 4 SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Basis of preparation

These consolidated financial statements comprise consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity together with explanatory notes and have been prepared under the 'historical cost convention' except certain items of property, plant and equipment, which have been stated at revalued amount and loans and receivables that are not held for trading, are stated at amortized cost. Staff retirement benefits are carried at present value.

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

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 4.2 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:

a) Provisions for doubtful debts	Note 5.14
b) Useful life of depreciable and amortizable assets	5.5
c) Estimates of recoverable amounts of inventories	5.8
d) Loans and receivables	5.9

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 and 5.5 to the consolidated financial statements.

### 5.1 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.

### 5.2 Staff retirement benefits

#### Defined benefit plans

##### *Staff gratuity scheme (un-funded)*

The holding company operates an unfunded gratuity scheme covering all unionized employees with five or more years of service with the holding company. The provision has been made in accordance with actuarial recommendations using the projected unit credit method. The results of valuation are summarized in note 21.3.

The subsidiary company operates an unfunded gratuity scheme covering all employees. The eligibility period under the scheme is ten or more years of the service. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. The results of current valuation are summarized in note 21.4.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the balance sheet date exceeds ten percent of the higher of defined benefit obligation and fair value of the plan assets at end of the previous reporting period. These gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

## *Staff gratuity scheme (funded)*

During the year, the holding company terminated its approved funded staff gratuity scheme effective December 31, 2012. The liability recognized in the balance sheet in respect of defined benefit gratuity scheme is based on the terminal value i.e. the benefits to be paid to the permanent employees who completed qualifying period under the scheme. All the unrecognized actuarial gains or losses and past service cost have been recognized in the profit and loss account during the current year.

## 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 and employees, to the fund at the rate of 10% of basic salary.

## 5.3 Taxation

### 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.

### 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.

## 5.4 Borrowing cost

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.

## 5.5 Property, plant and equipment, and depreciation

### *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 Consolidated Financial Statements

For the year ended June 30, 2013

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.

## *Measurement subsequent to initial recognition*

### *Carried using revaluation model*

Building on lease hold land, plant and machinery, motor vehicles and air conditioning systems owned by the holding company 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 less any subsequent accumulated impairment losses (refer note 3). 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.

### *Carried using cost model*

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

Property, plant and equipment owned by the subsidiary company are stated at cost less accumulated depreciation and accumulated impairment losses.

Owned vehicles of the holding company are stated at their revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses while owned vehicles of the subsidiary company are stated at cost less accumulated depreciation and accumulated impairment losses. The inconsistency in accounting policy does not materially impact the consolidated financial statements.

## *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.

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.

## *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 consolidated balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Group 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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

- 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.

## 5.5.1 Capital work in progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date and represents expenditure incurred on property, plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets start operation.

## 5.5.2 Intangible assets

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).

## 5.6 Investment property

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.

## 5.7 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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 5.8 Stock-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 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.

## 5.9 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 Group intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss; (b) those that the Group upon initial recognition designates as available for sale; or (c) those for which the Group 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. Gains/Losses arising on remeasurement of loans and receivables are taken to the consolidated profit and loss account.

Gain or loss is also recognized in the consolidated 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.

## 5.10 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 Group's cash management are included as part of cash and cash equivalent for the purpose of the consolidated statement of cash flows.

## 5.11 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.

## 5.12 Revenue recognition

Sales are recorded on dispatch of goods and in case of export when the goods are shipped. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

Toll manufacturing income is recognized when services are rendered.

Dividend income is recognized when the Group's right of receipts is established.

Bank profit and commission income is recognized on accrual basis.

## 5.13 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.

## 5.14 Provisions

Provisions are recognized in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of past events, 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.

## 5.15 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.

## 5.16 Financial instruments

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, investment, 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## *Off-setting*

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

## *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.

## 5.17 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.

## 5.18 Dividend

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

## 5.19 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.

## 5.20 General

Figures have been rounded-off to nearest thousand rupee.

6	PROPERTY, PLANT AND EQUIPMENT	Note	(Restated)	
			2013	2012
			(Rupees in '000)	
	Operating assets	6.1	583,403	2,541,212
	Capital work in progress - at cost	6.7	765	131,236
			<u>584,168</u>	<u>2,672,448</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 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, 2011 - Restated												
Cost / Revalued amount	393,902	175,439	604,277	32,687	22,991	108,669	53,414	1,391,379	13,500	41,616	55,116	1,446,495
Accumulated depreciation	-	(95,432)	(372,349)	(28,457)	(14,296)	(84,584)	(41,268)	(636,386)	(2,025)	(19,319)	(21,344)	(657,730)
Net book amount	<u>393,902</u>	<u>80,007</u>	<u>231,928</u>	<u>4,230</u>	<u>8,695</u>	<u>24,085</u>	<u>12,146</u>	<u>754,993</u>	<u>11,475</u>	<u>22,297</u>	<u>33,772</u>	<u>788,765</u>
Year ended June 30, 2012 - Restated												
Opening net book amount	393,902	80,007	231,928	4,230	8,695	24,085	12,146	754,993	11,475	22,297	33,772	788,765
Additions	1,916,897	-	36,809	1,379	-	13,428	875	1,969,388	-	164	164	1,969,552
Transfers												
Cost / Revalued amount	(120,952)	-	-	-	-	8,334	-	(112,618)	-	(8,334)	(8,334)	(120,952)
Accumulated depreciation	-	-	-	-	-	(4,699)	-	(4,699)	-	4,699	4,699	-
	(120,952)	-	-	-	-	3,635	-	(117,317)	-	(3,635)	(3,635)	(120,952)
Disposal												
Cost / Revalued amount	-	-	(27,362)	(218)	-	(8,483)	-	(36,063)	-	-	-	(36,063)
Accumulated depreciation	-	-	18,136	120	-	7,762	-	26,018	-	-	-	26,018
	-	-	(9,226)	(98)	-	(721)	-	(10,045)	-	-	-	(10,045)
Depreciation charge	-	(8,700)	(49,868)	(2,441)	(1,787)	(11,989)	(4,116)	(78,901)	(1,350)	(5,857)	(7,207)	(86,108)
Closing net book amount	<u>2,189,847</u>	<u>71,307</u>	<u>209,643</u>	<u>3,070</u>	<u>6,908</u>	<u>28,438</u>	<u>8,905</u>	<u>2,518,118</u>	<u>10,125</u>	<u>12,969</u>	<u>23,094</u>	<u>2,541,212</u>
As at June 30, 2012 - Restated												
Cost / Revalued amount	2,189,847	175,439	613,724	33,848	22,991	121,948	54,289	3,212,086	13,500	33,446	46,946	3,259,032
Accumulated depreciation	-	(104,132)	(404,081)	(30,778)	(16,083)	(93,510)	(45,384)	(693,968)	(3,375)	(20,477)	(23,852)	(717,820)
Net book amount	<u>2,189,847</u>	<u>71,307</u>	<u>209,643</u>	<u>3,070</u>	<u>6,908</u>	<u>28,438</u>	<u>8,905</u>	<u>2,518,118</u>	<u>10,125</u>	<u>12,969</u>	<u>23,094</u>	<u>2,541,212</u>
Year ended June 30, 2013												
Opening net book amount	2,189,847	71,307	209,643	3,070	6,908	28,438	8,905	2,518,118	10,125	12,969	23,094	2,541,212
Additions	-	1,775	23,652	5,701	336	11,208	1,328	44,000	-	-	-	44,000
Transfers (refer note 6.8)												
Cost / Revalued amount	(1,915,871)	-	13,500	-	-	12,113	-	(1,890,258)	(13,500)	(12,113)	(25,613)	(1,915,871)
Accumulated depreciation	-	-	(4,275)	-	-	(7,784)	-	(12,059)	4,275	7,784	12,059	-
	(1,915,871)	-	9,225	-	-	4,329	-	(1,902,317)	(9,225)	(4,329)	(13,554)	(1,915,871)
Disposal												
Cost / Revalued amount	-	-	(3,761)	(885)	-	(20,887)	-	(25,533)	-	(569)	(569)	(26,102)
Accumulated depreciation	-	-	3,374	854	-	19,787	-	24,015	-	324	324	24,339
	-	-	(387)	(31)	-	(1,100)	-	(1,518)	-	(245)	(245)	(1,763)
Depreciation charge	-	(8,721)	(50,470)	(2,607)	(1,429)	(11,910)	(4,224)	(79,361)	(900)	(3,914)	(4,814)	(84,175)
Closing net book amount	<u>273,976</u>	<u>64,361</u>	<u>191,663</u>	<u>6,133</u>	<u>5,815</u>	<u>30,965</u>	<u>6,009</u>	<u>578,922</u>	<u>-</u>	<u>4,481</u>	<u>4,481</u>	<u>583,403</u>
As at June 30, 2013												
Cost / Revalued amount	273,976	177,214	647,115	38,664	23,327	124,382	55,617	1,340,295	-	20,764	20,764	1,361,059
Accumulated depreciation	-	(112,853)	(455,452)	(32,531)	(17,512)	(93,417)	(49,608)	(761,373)	-	(16,283)	(16,283)	(777,656)
Net book amount	<u>273,976</u>	<u>64,361</u>	<u>191,663</u>	<u>6,133</u>	<u>5,815</u>	<u>30,965</u>	<u>6,009</u>	<u>578,922</u>	<u>-</u>	<u>4,481</u>	<u>4,481</u>	<u>583,403</u>
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 amounting to Rs. 88.375 million in the process of lease hold land.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

- 6.2 The holding company had revalued its lease hold land, building on lease hold land, plant and machinery, vehicles and air-conditioning system as at March 31, 2010. The revaluation was performed by an independent valuer, M/s. Asif Associates (Private) Limited on the basis of current market value. The surplus arising as a result of this revaluation was not material, therefore, no effect of revaluation adjustment had been taken in the consolidated financial statements for the year ended June 30, 2010. These assets were also revalued earlier as at June 30, 2004 by Iqbal A. Nanjee on the basis of current market value. These assets have been carried at such revalued amounts.
- 6.3 Had there been no revaluation of lease hold land, building on lease hold land, plant and machinery, vehicles and air-conditioning system the cost and written down value of revalued assets would have been as follows:

	Cost		Written down value	
	2013	2012	2013	2012
	(Restated)		(Restated)	
	(Rupees in '000)		(Rupees in '000)	
<b>Owned assets</b>				
Lease hold land	273,976	2,021,684	273,976	2,021,684
Building on lease hold land	139,580	137,805	60,596	63,778
Plant and machinery	452,858	417,743	173,534	173,041
Vehicles	102,642	99,688	26,394	25,204
Air conditioning system	19,154	17,826	2,363	1,612
	<u>988,210</u>	<u>2,694,746</u>	<u>536,863</u>	<u>2,285,319</u>
<b>Leased assets</b>				
Plant and machinery	-	13,500	-	10,125
Vehicles	5,460	16,293	1,683	8,729
	<u>5,460</u>	<u>29,793</u>	<u>1,683</u>	<u>18,854</u>
	<u>993,670</u>	<u>2,724,539</u>	<u>538,546</u>	<u>2,304,173</u>

- 6.4 The depreciation expense has been allocated as follows:
- |                                   |      | 2013             | 2012          |
|-----------------------------------|------|------------------|---------------|
|                                   | Note | (Rupees in '000) |               |
| Cost of goods sold                | 27   | 67,737           | 67,968        |
| Selling and distribution expenses | 28   | 10,914           | 12,825        |
| Administrative expenses           | 29   | 5,525            | 5,314         |
|                                   |      | <u>84,176</u>    | <u>86,107</u> |

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

	Cost/ Revalued amount	Accumulated depreciation	Net book amount	Sale proceeds	Gain/ (Loss)	Realization of surplus	Mode of disposal	Particulars of buyers
	------(Rupees in '000)-----							
Plant & machinery	693	631	62	15	(47)	62	Negotiation	Mr. Sadiq, Flat No. 18, Rahat Apartment, Block-L, North Nazimabad, Karachi
	927	846	81	21	(60)	81	Negotiation -do-	
	558	386	172	41	(131)	-	Negotiation -do-	
Sub-total	2,178	1,863	315	77	(238)	143		

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Cost/ Revalued amount	Accumulated depreciation	Net book amount	Sale proceeds	Gain/ (Loss)	Realization of surplus	Mode of disposal	Particulars of buyers
	------(Rupees in '000)-----							
Vehicles	1,429	1,333	96	600	504	-	Full and final settle- ment	Mr. A.M. Jalaluddin (Employee) House No. A-395, Block N, Sakhi Hassan, North Nazimabad, Karachi.
	454	348	106	280	174	-	Full and final settle- ment	Mr. Moinuddin Khan (Employee) House No. 9/19, Beadon Road, Lahore.
	612	41	571	587	16	-	Insurance claim	PICIC Insurance Limited, 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi.
	787	616	171	775	604	-	Negotiation	Mr. Gul Farhan (Em- ployee) Laal Pura, Nai Abadi, Muzaffar Pur, Sialkot.
	470	313	157	410	253	-	Insurance claim	PICIC Insurance Limited, 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi.
	569	324	245	550	305	-	Negotiation	PICIC Insurance Limited, 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi.
Sub-total	4,321	2,975	1,346	3,202	1,856	-		

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

Plant & machinery	1,582	1,510	72	74	2	73
Office equipment	880	850	30	56	26	-
Vehicles	17,141	17,141	-	12,569	12,569	-
Sub-total	19,603	19,501	102	12,699	12,597	73
Total	26,102	24,339	1,763	15,978	14,215	216
2012	36,063	26,018	10,045	8,982	(1,063)	866

6.6 The gain on disposal of property, plant and equipment has been accounted for as follows:

	Note	2013 (Rupees in '000)	2012
Other operating income	31	14,453	4,978
Other operating expenses	32	(238)	(6,041)
		<u>14,215</u>	<u>(1,063)</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
6.7 Movement in capital work in progress			
Balance as at July 1		131,236	48,620
Add: Additions during the year - civil works		143,056	82,616
Less: Transfer to investment property	8.2	<u>(273,527)</u>	-
Balance as at June 30		<u>765</u>	<u>131,236</u>

6.8 During the year, leasehold land amounting to Rs. 1.916 billion has been transferred from property, plant and equipment to investment property (refer note 8.1)

## 7 INTANGIBLE ASSETS

	Distribution rights	Brand name & logo	Software licenses	Total
----- (Rupees in '000) -----				
As at June 30, 2011				
Cost	268,475	74,703	10,711	353,889
Accumulated amortization	<u>(213,997)</u>	<u>(26,787)</u>	<u>(8,753)</u>	<u>(249,537)</u>
Net book amount	<u>54,478</u>	<u>47,916</u>	<u>1,958</u>	<u>104,352</u>
Year ended June 30, 2012				
Opening net book amount	54,478	47,916	1,958	104,352
Amortization charge	<u>(10,936)</u>	<u>(5,000)</u>	<u>(1,846)</u>	<u>(17,782)</u>
Closing net book amount	<u>43,542</u>	<u>42,916</u>	<u>112</u>	<u>86,570</u>
As at June 30, 2012				
Cost	268,475	74,703	10,711	353,889
Accumulated amortization	<u>(224,933)</u>	<u>(31,787)</u>	<u>(10,599)</u>	<u>(267,319)</u>
Net book amount	<u>43,542</u>	<u>42,916</u>	<u>112</u>	<u>86,570</u>
Year ended June 30, 2013				
Opening net book amount	43,542	42,916	112	86,570
Additions	-	-	1,645	1,645
Amortization charge	<u>(8,700)</u>	<u>(5,000)</u>	<u>(444)</u>	<u>(14,144)</u>
Closing net book amount	<u>34,842</u>	<u>37,916</u>	<u>1,313</u>	<u>74,071</u>
As at June 30, 2013				
Cost	268,475	74,703	12,356	355,534
Accumulated amortization	<u>(233,633)</u>	<u>(36,787)</u>	<u>(11,043)</u>	<u>(281,463)</u>
Net book amount	<u>34,842</u>	<u>37,916</u>	<u>1,313</u>	<u>74,071</u>
Remaining useful life in years	<u>4</u>	<u>7.4</u>	<u>2</u>	

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

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>8 INVESTMENT PROPERTY</b>			
Leasehold land - at cost	8.1	2,039,459	120,952
Investment property under work in progress - at cost	8.2	<u>273,527</u>	<u>-</u>
		<u>2,312,986</u>	<u>120,952</u>
<b>8.1 Movement in leasehold land under investment property - at cost</b>			
Balance as at July 1		120,952	-
Add: Addition during the year		2,636	-
Add: Transfer during the year	6.8	<u>1,915,871</u>	<u>120,952</u>
Balance as at June 30		<u>2,039,459</u>	<u>120,952</u>
<b>8.2 Movement in investment property under work in progress - at cost</b>			
Balance as at July 1		-	-
Add: Transfer from capital work in progress	6.7	<u>273,527</u>	<u>-</u>
Balance as at June 30		<u>273,527</u>	<u>-</u>
<b>8.3 Leasehold land classified under investment property has been valued under the market value basis by an independent valuer, M/s. Asif Associates (Private) Limited. Market value of the property based on the valuation as of August 28, 2013 was Rs. 1.904 billion.</b>			

	Note	2013 (Rupees in '000)	2012
<b>9 LONG-TERM LOANS</b>			
Secured - Considered good	9.1	2,387	2,570
Less: Current portion of long term loans shown under current assets	13	<u>(1,420)</u>	<u>(1,922)</u>
		967	648
Considered doubtful		-	1,174
Less: Accumulated impairment loss	9.2	<u>-</u>	<u>(1,174)</u>
		-	-
		<u>967</u>	<u>648</u>

9.1 These include auto loans to employees which are secured against provident fund balance of respective employees. The reconciliation of amounts due from executives of the Group is given as follows:

	2013 (Rupees in '000)	2012
Opening balance	129	97
Disbursements	-	100
Repayments	<u>(76)</u>	<u>(68)</u>
Closing balance	<u>53</u>	<u>129</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
9.2 The movement of provision for doubtful loans is as follows:			
Opening balance as at July 1		1,174	1,174
Reversal of provision made during the year	31	<u>(1,174)</u>	-
Closing balance as at June 30		<u>-</u>	<u>1,174</u>
<b>10 LONG TERM DEPOSITS</b>			
Deposit against rent		1,598	1,598
Security deposits against lease		<u>5,795</u>	<u>10,564</u>
		7,393	12,162
Less: Current maturity of security deposits against lease	14	<u>(1,148)</u>	<u>(5,537)</u>
		<u>6,245</u>	<u>6,625</u>
<b>11 STOCK-IN-TRADE</b>			
Raw materials		213,141	269,795
Packing materials		119,320	121,971
Work-in-process	27	74,309	47,724
Finished goods	27	235,584	238,450
Materials in transit		<u>79,823</u>	<u>102,405</u>
		<u>722,177</u>	<u>780,345</u>
<b>12 TRADE DEBTS</b>			
Considered good			
- Secured: Export debtors		61,592	38,458
- Unsecured: Due from:			
- associated companies	13.1, 13.3 & 41.1	1,145,593	960,749
- others		<u>234,274</u>	<u>203,211</u>
		<u>1,441,459</u>	<u>1,202,418</u>
Considered doubtful - others		976	976
Less: Provision for doubtful debts	12.2	<u>(976)</u>	<u>(976)</u>
		<u>-</u>	<u>-</u>
		<u>1,441,459</u>	<u>1,202,418</u>
12.1 The receivable is stated net of amounts payable aggregating Rs. 62.082 million (2012: Rs. 50.83 million) on account of expenses claimed by the associated company.			
12.2 As at June 30, 2013, trade debts aggregating Rs. 0.976 million (2012: Rs. 0.976 million) were deemed to have been impaired. These balances are outstanding for more than 3 years. The movement of provision for doubtful debts is as follows:			
		2013 (Rupees in '000)	2012
Opening balance as at July 1		976	976
Provisions/(Reversal) made		-	-
Closing balance as at June 30		<u>976</u>	<u>976</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

12.3 As at June 30, 2013, trade debts from related parties other than directors, chief executive and executives of the Group are as follows:

	2013 (Rupees in '000)	2012 (Rupees in '000)
IBL Operations (Private) Limited {formerly IBL Ops (Private) Limited}	1,132,787	950,011
United Brands Limited	12,404	10,219
Dunkin Donuts	-	26
Habitt	402	493
	<u>1,145,593</u>	<u>960,749</u>

12.4 In addition, some of the unimpaired trade debts are past due as at the reporting date. The aging of trade debts 'past due' but not impaired of related parties is as follows:

	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>Age analysis</b>		
More than two months but less than four months	189,943	194,778
More than four months but less than one year	3,928	59,708
One year or more but less than two years	2,143	62,571
Two years and more	-	123,930
	<u>196,014</u>	<u>440,987</u>

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

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

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>13 LOANS AND ADVANCES</b>			
<b>Considered good</b>			
Current portion of long-term loans	9	1,420	1,922
Advances to employees	13.1	25,001	19,594
Advances to suppliers		55,498	87,984
		80,499	107,578
Considered doubtful	13.2	51	51
Less: Provision for doubtful advances		(51)	(51)
		-	-
		<u>81,919</u>	<u>109,500</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

- 13.1 These include advances to employees against salary, for house rent and expenses. These advances are interest free and repayable on monthly basis. The reconciliation of amounts due from executives and non-executives of the Group is given as follows:

	2013			2012		
	Executives	Non-executives	Total	Executives	Non-executives	Total
	----- (Rupees in '000) -----					
Opening balance	12,335	7,259	19,594	3,841	6,624	10,465
Disbursements	50,067	64,717	114,784	35,997	33,639	69,636
Repayments	(55,044)	(54,333)	(109,377)	(27,503)	(33,004)	(60,507)
Closing balance	<u>7,358</u>	<u>17,643</u>	<u>25,001</u>	<u>12,335</u>	<u>7,259</u>	<u>19,594</u>

- 13.2 As at June 30, 2013, loans and advance aggregating Rs. 0.051 million (2012: Rs. 0.051 million) were deemed to have been impaired. These balances are outstanding for more than 3 years. The movement of provision for doubtful advances is as follows:

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
Opening balance as at July 1		51	51
Provisions/(Reversal) made		-	-
Closing balance as at June 30		<u>51</u>	<u>51</u>

## 14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Deposits			
- Current portion of security deposit against lease	10	1,799	5,537
- Trade deposits		27,752	34,103
Less: Provision for doubtful deposits	14.1	(2,640)	(2,640)
		<u>25,112</u>	<u>31,463</u>
		26,911	37,000
Prepayments			
		40,217	37,223
		<u>67,128</u>	<u>74,223</u>

- 14.1 As at June 30, 2013, trade deposits amounted to Rs. 13.99 million (2012: Rs. 17.08 million) were past due but not impaired. These balances are outstanding for more than one year. The movement of provision for doubtful deposits is as follows:

	2013 (Rupees in '000)	2012 (Rupees in '000)
Opening balance as at July 1	2,640	2,640
Provisions/(Reversal) made	-	-
Closing balance as at June 30	<u>2,640</u>	<u>2,640</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 15 OTHER RECEIVABLES

	Note	2013 (Rupees in '000)	2012
Due from:			
- Associated companies:			
IBL Operations (Private) Limited (formerly IBL Ops (Private) Limited) against mark-up on over due balance and staff salaries and benefits	16.1, 16.2 & 41.1	107,490	130,529
International Franchises Limited against staff salaries and benefits		1,231	-
United Distributors Pakistan Limited against staff salaries and benefits		264	528
		108,985	131,057
Receivable from retirement benefit fund	15.3	9,698	1,826
Others, considered good	15.4	27,031	23,610
		<u>145,714</u>	<u>156,493</u>

15.1 The receivable from International Brands (Private) Limited (IBL) (ultimate holding company) represents mark-up charged on cash collected at the rate of 6-months KIBOR plus 3% per annum as late payment liquidated damages with an exception of transaction delay. On January 15, 2011 the holding company has amended the distribution agreement and accordingly no mark-up has been charged since then.

15.2 As at June 30, 2013, due from associated company amounted to Rs. 94.07 million (2012: 129.53 million) were past due but not impaired. These balances are outstanding for more than one year.

15.3 Defined benefit scheme (the holding company)

### 15.3.1 General description

During the year, the holding company has discontinued the scheme effective from December 31, 2012. For the current year, annual provision is based on actuarial valuation. The valuation was carried out as at December 31, 2012 by Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

The scheme provided for post employment benefits for all permanent employees who completed qualifying period of ten years of service with the holding company and are entitled to one month's last drawn basic salary for each completed year of such service.

### 15.3.2 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation:

	2013 %	2012 %
	per annum	
Expected return on plan assets	11	11
Estimated rate of increase in salary of the employees	12.5	12.5
Valuation discount rate	12.5	12.5

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>15.3.3 Reconciliation of provision for gratuity scheme</b>			
The amounts recognized in the balance sheet are as follow:			
Present value of defined benefit obligation	15.3.5	139,022	147,358
Fair value of plan assets	15.3.6	<u>(148,720)</u>	<u>(136,688)</u>
Deficit		(9,698)	10,670
Unrecognized actuarial losses		-	(12,496)
Net asset		<u>(9,698)</u>	<u>(1,826)</u>
<b>15.3.4 Movement in the net asset recognized in the consolidated balance sheet</b>			
Opening net asset		(1,826)	(1,900)
Charge for the year	15.3.7	677	16,862
Contributions made during the year		<u>(8,549)</u>	<u>(16,788)</u>
Closing net asset		<u>(9,698)</u>	<u>(1,826)</u>
<b>15.3.5 Movement in the present value of defined benefit obligation</b>			
Balance at July 1		147,358	149,723
Current service component	15.3.9	(21,100)	11,536
Interest cost		8,639	18,894
Benefits paid		(18,270)	(29,535)
Actuarial gain on obligation		22,395	(3,260)
Balance at June 30		<u>139,022</u>	<u>147,358</u>
<b>15.3.6 Movement in the present value of plan assets</b>			
Balance as at July 1		136,688	138,107
Expected return on plan assets		7,753	13,567
Actuarial gain / (loss)		14,000	(2,239)
Contributions made during the year		8,549	16,788
Benefits paid		(18,270)	(29,535)
Balance at June 30		<u>148,720</u>	<u>136,688</u>
<b>15.3.7 The amounts recognized in the consolidated profit and loss account</b>			
Current service component	15.3.9	(21,100)	11,536
Interest cost		8,639	18,893
Expected return on plan assets		(7,753)	(13,567)
Actuarial gain recognized during the year		20,891	-
		<u>677</u>	<u>16,862</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	2013	2012	2011	2010	2009
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	139,022	147,358	149,723	129,798	115,044
Fair value of plan assets	<u>(148,720)</u>	<u>(136,688)</u>	<u>(138,107)</u>	<u>(116,509)</u>	<u>(97,071)</u>
Deficit/(Surplus)	<u>(9,698)</u>	<u>10,670</u>	<u>11,616</u>	<u>13,289</u>	<u>17,973</u>
Experience adjustments on defined benefit obligation [gain/(loss)]	<u>(22,395)</u>	<u>3,260</u>	<u>4,344</u>	<u>(1,539)</u>	<u>(7,306)</u>
Experience adjustments on plan assets [(loss)/gain]	<u>14,000</u>	<u>(2,239)</u>	<u>(5,665)</u>	<u>5,894</u>	<u>(11,875)</u>

15.3.8 The actual return on plan assets during the year was Rs. 28.235 million (2012: Rs. 11.33 million).

15.3.9 The current service component consists of the element of gain on settlement.

15.4 This includes Rs. 15 million (2012: Rs. 15 million) receivable from Sanofi-Aventis Pakistan Limited, as consideration for early termination of license agreement for manufacture, selling, and marketing of Sanofi-Aventis's pharmaceutical products.

16 CASH AND BANK BALANCES	2013	2012
	(Rupees in '000)	
Cash in hand	840	726
Cash with banks in:		
- deposit accounts	792	1,471
- current accounts	<u>27,434</u>	<u>78,146</u>
	<u>29,066</u>	<u>80,343</u>

## 17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
(Number of shares)				
3,969,000	3,969,000	Ordinary shares of Rs. 10 each fully paid in cash	39,690	39,690
24,000	24,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	240	240
43,172,245	29,696,461	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	431,722	296,965
<u>47,165,245</u>	<u>33,689,461</u>		<u>471,652</u>	<u>336,895</u>

### 17.1 Movement in number of shares

	2013	2012
	(Number of shares)	
Number of shares at beginning of the year	33,689,461	30,626,783
Bonus shares issued during the year	<u>13,475,784</u>	<u>3,062,678</u>
Number of shares at end of the year	<u>47,165,245</u>	<u>33,689,461</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 17.2 Capital management policies and procedures

The Group's objective when managing above capital are:

- to safe guard 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.

The Group 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 Group may adjust the amount of dividends paid to shareholders, issue new shares and other means commensurating to the circumstances.

## 18 SURPLUS ON REVALUATION OF FIXED ASSETS - net of deferred tax

This represents surplus resulting from revaluation of lease hold land, building on lease hold land, plant and machinery, vehicles and air conditioning system originally carried out on June 30, 2004 by surveyors M/s. Iqbal A. Nanjee & Co. on the basis of current market value. However, the carrying amount based on above revaluation did not materially differ from the fair market value determined by an independent valuer, M/s. Asif Associates (Private) Limited as on March 31, 2010.

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

	Note	2013 (Rupees in '000)	2012
Surplus on revaluation of property, plant and equipment as at July 1		177,692	206,181
Transferred to accumulated profit:			
- Surplus relating to incremental depreciation transferred to accumulated profit during the year - net of deferred tax		(17,788)	(17,952)
Realization of surplus on revaluation of fixed assets on disposal (net of tax)		(140)	(566)
Related deferred tax liability		(8,163)	(9,971)
		<u>(26,091)</u>	<u>(28,489)</u>
		151,601	177,692
Less: Related deferred tax liability on:			
- Revaluation		(16,309)	(26,280)
- Incremental depreciation charged during the year transferred to profit and loss account		8,163	9,971
	21.2	<u>(8,146)</u>	<u>(16,309)</u>
Surplus on revaluation of property, plant and equipment as at June 30		<u>143,455</u>	<u>161,383</u>
<b>19 LONG TERM FINANCES - secured</b>			
Syndicated finance - from banking companies	19.1	966,667	1,000,000
Less: Current portion of long term finances shown under current liabilities		<u>(108,333)</u>	<u>(33,333)</u>
		<u>858,334</u>	<u>966,667</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

19.1 The holding company has arranged syndicate term finance facilities of Rs. 1 billion for a tenure of three to five years from Habib Bank Limited, Standard Chartered Bank (Pakistan) Limited and Bank of Punjab, collectively referred to as Lead Advisors and Arrangers. The facilities are repayable from November 2012 till December 2016.

The mark-up on above facilities is six months KIBOR plus 2.5% per annum, payable semi-annually in arrears. The facility is secured by:

- 1st pari passu mortgage over all present and future immovable assets of the holding company with a 25% security margin.
- 1st pari passu charge with 25% security margin over land (and other immovable assets) located at Plot No. 24A/1 & 2-A, Delhi Mercantile Muslim Co-operative Housing Society, Block 7 & 8, Main Shahrah-e-Faisal, Karachi.

## 20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The Group has entered into arrangements with various leasing companies for lease of plant and machinery and motor vehicles. Lease rentals include financial charges ranging from 11.38% to 14.4% (2012: 14% to 16.68%) per annum which have been used as discount factor and are payable in monthly rentals. The Group has option to purchase the assets upon completion of lease period.

The amount of the future lease rentals and the periods in which these payments will become due are:

	2013			2012		
	Minimum lease payments	Financial charges allocated to future periods	Present value of minimum lease payments	Minimum lease payments	Financial charges allocated to future periods	Present value of minimum lease payments
	----- (Rupees in '000) -----					
Up to one year	2,870	357	2,513	12,692	1,258	11,434
Later than one year and not later than five years	2,254	72	2,182	6,205	599	5,606
	<u>5,124</u>	<u>429</u>	<u>4,695</u>	<u>18,897</u>	<u>1,857</u>	<u>17,040</u>

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
21 DEFERRED LIABILITIES			
Deferred taxation	21.1	40,443	52,000
Staff retirement gratuity - unfunded	21.3	<u>38,461</u>	<u>37,562</u>
		<u>78,904</u>	<u>89,562</u>
21.1 Balance at beginning of the year		52,000	55,732
Reversed during the year	34	<u>(11,557)</u>	<u>(3,732)</u>
Balance at end of the year		<u>40,443</u>	<u>52,000</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

21.2 The net balance of deferred taxation is in respect of following temporary differences:

	2013 (Rupees in '000)	2012 (Rupees in '000)
Credit balance arising on account of:		
Property, plant and equipment	35,262	36,847
Surplus on revaluation of property, plant and equipment	8,146	16,309
Finance lease arrangements	-	2,023
	<u>43,408</u>	<u>55,179</u>
Debit balance arising on account of:		
Finance lease arrangements	(191)	-
Intangible assets	(1,605)	(2,016)
Provisions for staff retirement gratuity, doubtful debts and doubtful refunds	(1,169)	(1,163)
	<u>(2,965)</u>	<u>(3,179)</u>
	<u>40,443</u>	<u>52,000</u>

Provision for deferred taxation has been calculated only to the extent of those temporary differences that do not relate to the income falling under Final Tax Regime of the Income Tax Ordinance, 2001.

21.3 Staff retirement gratuity - unfunded (the holding company)

21.3.1 General description

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

Annual provision is based on actuarial valuation. The valuation was carried out as at June 30, 2013 by Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

2013 %	2012 %
per annum	

21.3.2 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation:

Estimated rate of increase in salary of the employees	12	12.5
Discount rate	12	12.5

2013 (Rupees in '000)	2012 (Rupees in '000)
--------------------------	--------------------------

21.3.3 Reconciliation of provision for gratuity scheme

The amounts recognized in the balance sheet are as follows:

Present value of defined benefit obligation	27,821	24,829
Fair value of plan assets	-	-
Deficit	<u>27,821</u>	<u>24,829</u>
Unrecognized actuarial gains	1,599	1,179
Net liability	<u>29,420</u>	<u>26,008</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
21.3.4 Movements in the net liability recognized in the consolidated balance sheet			
Opening net liability		26,008	22,941
Charge for the year	21.3.5	4,174	4,178
Paid during the year		(762)	(1,111)
		<u>29,420</u>	<u>26,008</u>

21.3.5 The amounts recognized in the consolidated profit and loss account

Current service cost		1,118	1,086
Interest cost		3,056	3,092
		<u>4,174</u>	<u>4,178</u>

21.4 Staff retirement gratuity - unfunded (the subsidiary company)

21.4.1 General description

Annual provision is based on actuarial valuation. The valuation was carried out as at June 30, 2011 by Noman Associates, independent actuaries, using the projected unit credit method. No actuarial valuation was carried out during the current year and prior year.

	2013 %	2012 %
21.4.2 Principal actuarial assumptions		
Discount rate	14	14
Salary increase rate	13	13

	Note	2013 (Rupees in '000)	2012
21.4.3 Reconciliation of provision for gratuity scheme			
Present value of defined benefit obligation		9,041	11,200
Fair value of plan assets		-	-
Deficit		<u>9,041</u>	<u>11,200</u>
Unrecognized actuarial gains		-	637
Non-vested past service cost to be recognized in later periods		-	(146)
Unrecognized transitional liability		-	(137)
		<u>9,041</u>	<u>11,554</u>

21.4.4 Movement in the net liability recognized in the consolidated balance sheet

Opening net liability		11,554	9,531
Charge for the year	21.4.5	788	2,465
Benefits paid		(3,301)	(442)
		<u>9,041</u>	<u>11,554</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

21.4.5 The amounts recognized in the consolidated profit and loss account

	Note	2013 (Rupees in '000)	2012
Additional liability charged for the year		788	138
Current service cost		-	857
Interest cost		-	1,324
Amortization of non-vested past service cost		-	146
		<u>788</u>	<u>2,465</u>

## 22 TRADE AND OTHER PAYABLES

Creditors		344,720	334,296
Bills payable in foreign currency		259,441	268,566
Accrued liabilities		295,400	368,527
Advance from customers		6,344	7,977
Unclaimed dividend		8,952	7,949
Workers' Profits Participation Fund	22.1	41,707	31,535
Workers' Welfare Fund		24,929	19,366
Sales tax and excise duty payable		6,431	2,036
Other liabilities		10,448	12,335
		<u>998,372</u>	<u>1,052,587</u>

### 22.1 Worker's Profits Participation Fund

Balance at beginning of the year		31,535	28,069
Contribution for the year	32	<u>40,776</u>	<u>30,175</u>
		72,311	58,244
Interest on funds utilized in the holding company's business at 37.5 % (2012: 22.5 %)	33	<u>4,247</u>	<u>3,462</u>
		76,558	61,706
Less: Payments made during the year		<u>(34,851)</u>	<u>(30,171)</u>
Balance at end of the year		<u>41,707</u>	<u>31,535</u>

22.2 The corresponding period figures have been re-arranged where considered necessary for the purpose of better presentation.

		2013 (Rupees in '000)	2012
23 ACCRUED MARK-UP			
Accrued markup on:			
Long term finances - secured		9,598	11,926
Finance lease obligation - secured		4	127
Short-term finances - secured		<u>11,926</u>	<u>23,448</u>
		<u>21,528</u>	<u>35,501</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
24	SHORT-TERM FINANCES - Secured		
	Running finances under mark-up arrangements		
	-holding company	24.1 319,935	655,096
	-subsidiary company	24.2 -	57,673
		<u>319,935</u>	<u>712,769</u>

24.1 The holding company has arranged syndicated running finances under mark-up arrangements of Rs. 945 million (2012: Rs. 945 million). The mark-up on running finances ranges between 10.78% to 14.22% (2012: 13.41% to 15.79%) per annum.

The running finances under mark-up arrangements are secured jointly by registered mortgage of Rs. 172.5 million (2012: Rs. 172.5 million) of immovable property together with joint pari passu charge on all current assets of the holding company to the extent of Rs. 1,389 million (2012: Rs. 1,389 million). These short term facilities were 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 20).

24.2 This represents the utilized amount against the facility available from a commercial bank. The rate of markup is 6 months KIBOR+2% per quarter (2012: 6 months KIBOR+2% per quarter). The arrangement is secured by way of hypothecation of stocks and receivables of IBL HealthCare Limited - subsidiary company.

## 25 CONTINGENCIES AND COMMITMENTS

### Contingencies

25.1 The facility for opening letters of credit (LCs) acceptances and guarantees as at June 30, 2013 amounted to Rs. 930 million (2012: Rs. 875 million) of which the amount remaining unutilized as at that date was Rs. 326 million (2012: Rs. 366 million).

### Commitments

#### 25.2 Future rentals payable against operating lease arrangements

During the year ended June 30, 2011, the holding company obtained factory building at Karachi on rent for a period of 5 years.

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

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

2013                      2012  
(Rupees in '000)

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

Not later than one year	31,225	28,500
Later than one year and not later than five years	94,920	102,212
Later than five years	288,021	307,029
	<u>414,166</u>	<u>437,741</u>

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

- 25.3 During the last year, the holding company entered into architect work and project management agreement with Arshad Shahid Abdulla (Private) Limited, a related party for head office renovation. The aggregate amount of such commitment is Rs. 0.58 million. During the last year, the holding company entered into architect work and project management agreements with the same company and civil and plumbing works agreements with M/s. Total Construction for the construction of a plaza located at Shahra-e-Faisal, Karachi. The aggregate amount of such commitments is Rs. 2.8 million (2012: Rs. 24.26 million).

## 26 NET SALES

	Pharma		Consumer		Total	
	2013	2012	2013	2012	2013	2012
	----- ( Rupees in '000 ) -----					
Sales						
Local	4,401,382	4,101,622	1,557,830	1,383,462	5,959,212	5,485,084
Export	222,689	277,343	18,027	31,666	240,716	309,009
	4,624,071	4,378,965	1,575,857	1,415,128	6,199,928	5,794,093
Less:						
Sales returns & discounts	161,160	217,760	170,309	103,108	331,469	320,868
Sales tax & excise duty	-	-	92,059	58,946	92,059	58,946
	161,160	217,760	262,368	162,054	423,528	379,814
	4,462,911	4,161,205	1,313,489	1,253,074	5,776,400	5,414,279
Add: Toll manufacturing	232,807	240,923	5,031	4,913	237,838	245,836
Less : Sales tax	-	-	694	678	694	678
	232,807	240,923	4,337	4,235	237,144	245,158
	<u>4,695,718</u>	<u>4,402,128</u>	<u>1,317,826</u>	<u>1,257,309</u>	<u>6,013,544</u>	<u>5,659,437</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 27 COST OF SALES

	Pharma		Consumer		Total	
	2013	2012	2013	2012	2013	2012
	----- ( Rupees in '000 ) -----					
Raw and packing material consumed	1,486,202	1,659,259	169,623	211,210	1,655,825	1,870,469
Processing charges paid to third parties	261,004	149,881	-	-	261,004	149,881
	<u>1,747,206</u>	<u>1,809,140</u>	<u>169,623</u>	<u>211,210</u>	<u>1,916,829</u>	<u>2,020,350</u>
<b>Factory expenses</b>						
Salaries wages and benefits (refer note 27.1)	216,328	215,306	21,800	27,407	238,128	242,713
Provision for staff gratuity (unfunded)	2,184	2,135	220	272	2,404	2,407
Gratuity fund contribution	920	3,443	93	438	1,013	3,881
Provident fund contribution	5,066	4,774	511	608	5,577	5,382
Carriage and duties	4,187	12,165	422	1,549	4,609	13,714
Fuel, water and power	50,082	47,352	5,047	6,028	55,129	53,380
Rent and taxes	9,156	13,534	923	1,723	10,079	15,257
Communication	887	874	89	111	976	985
Stationery and supplies	1,482	2,641	149	336	1,631	2,977
Traveling	10,601	8,738	1,068	1,112	11,669	9,850
Advertisement	372	9	37	1	409	10
Entertainment	32	145	3	18	35	163
Repairs and maintenance	47,168	41,636	4,753	5,300	51,921	46,936
Medical expenses	2,816	1,991	284	253	3,100	2,244
Personal training and selection	123	69	12	9	135	78
Vehicle expenses	5,691	5,301	573	675	6,264	5,976
Subscription	48	41	5	5	53	46
Legal and professional charges	4,990	3,169	503	403	5,493	3,572
Depreciation (refer note 6.4)	61,536	60,282	6,201	7,686	67,737	67,968
Insurance	2,369	2,008	239	256	2,608	2,264
Corporate services charged by associated company (refer note 40.1)	1,308	1,277	132	163	1,440	1,440
Sundries	12,224	12,646	1,232	1,610	13,456	14,256
	<u>439,570</u>	<u>439,536</u>	<u>44,296</u>	<u>55,963</u>	<u>483,866</u>	<u>495,499</u>
	<u>2,186,776</u>	<u>2,248,676</u>	<u>213,919</u>	<u>267,173</u>	<u>2,400,695</u>	<u>2,515,849</u>
Work in process as at July 1 (refer note 11)	47,724	73,640	-	-	47,724	73,640
	<u>2,234,500</u>	<u>2,322,316</u>	<u>213,919</u>	<u>267,173</u>	<u>2,448,419</u>	<u>2,589,489</u>
Work in process as at June 30 (refer note 11)	(74,309)	(47,724)	-	-	(74,309)	(47,724)
	<u>2,160,191</u>	<u>2,274,592</u>	<u>213,919</u>	<u>267,173</u>	<u>2,374,110</u>	<u>2,541,765</u>
Finished goods as at July 1 (refer note 11)	89,996	120,747	148,453	214,111	238,449	334,858
Finished goods purchased	326,033	229,904	663,886	488,721	989,919	718,625
	416,029	350,651	812,339	702,832	1,228,368	1,053,483
Cost of samples manufactured	(44,389)	(40,658)	(5,420)	(5,971)	(49,809)	(46,629)
Stock written off	-	-	(7,358)	-	(7,358)	-
Finished goods as at June 30 (refer note 11)	(98,629)	(89,996)	(136,955)	(148,453)	(235,584)	(238,449)
Cost of sales	<u>2,433,202</u>	<u>2,494,589</u>	<u>876,525</u>	<u>815,581</u>	<u>3,309,727</u>	<u>3,310,170</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

27.1 Salaries, wages and benefits include Rs. 56.38 million (2012: Rs. 62.27 million) in respect of contractual labour provided by Paksons (Private) Limited.

	2013	2012
	(Rupees in '000)	
27.2 Employees Provident Fund (the holding company)		
- Size of the fund	168,028	171,272
- Cost of investments made	159,878	140,575
- Fair value of investments	159,878	140,575
- Percentage of investments made	95%	82%
Employees Provident Fund (IBL HealthCare Limited - subsidiary company)		
- Size of the fund	13,504	10,744
- Cost of investments made	-	10,000
- Fair value of investments	-	10,000
- Percentage of investments made	0%	93%

27.2.1 These figures have been obtained from unaudited financial statements of the funds for the year ended June 30, 2013.

27.3 The effect of change in accounting policy on the cost of sales is described as under:

	Note	2013	(Restated) 2012	(As previously stated) 2012
		(Rupees in '000)		
Depreciation	6.4	<u>67,737</u>	<u>67,968</u>	<u>69,849</u>
Cost of sales		<u>3,309,727</u>	<u>3,310,170</u>	<u>3,312,050</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 28 SELLING AND DISTRIBUTION EXPENSES

	Pharma		Consumer		Total	
	2013	2012	2013	2012	2013	2012
	----- ( Rupees in '000 ) -----					
Salaries wages and benefits	329,042	269,165	75,467	68,688	404,509	337,853
Provision for staff gratuity (unfunded)	1,244	1,215	125	2,321	1,369	3,536
Gratuity fund contribution	8,596	9,913	1,549	1,262	10,145	11,175
Provident fund contribution	10,317	10,129	3,205	2,466	13,522	12,595
Services charges	15,642	25,052	1,576	-	17,218	25,052
Carriage and duties	70,136	67,460	10,635	13,280	80,771	80,740
Water and power	985	1,408	673	804	1,658	2,212
Rent and taxes	10,532	11,045	5,405	4,559	15,937	15,604
Communication	12,673	9,797	2,350	2,638	15,023	12,435
Stationery and supplies	5,740	6,468	1,172	1,385	6,912	7,853
Traveling	170,166	144,031	24,376	26,821	194,542	170,852
Advertising and promotion	181,228	154,206	41,036	50,027	222,264	204,233
Samples	62,713	64,099	6,320	8,159	69,033	72,258
Bonus to salesmen	57,249	86,233	5,769	10,977	63,018	97,210
Entertainment	724	1,010	73	129	797	1,139
Repairs and maintenance	14,003	2,223	1,845	1,256	15,848	3,479
Medical expenses	4,361	3,692	440	470	4,801	4,162
Personal training and selection	14,818	3,804	1,493	1,800	16,311	5,604
Vehicle expenses	63,524	50,947	9,056	8,646	72,580	59,593
Insurance	4,762	10,997	1,557	2,214	6,319	13,211
Depreciation (refer note 6.4)	8,049	8,889	2,865	3,936	10,914	12,825
Subscription	11,820	11,560	1,191	1,472	13,011	13,032
Donation (refer note 28.1)	-	35	-	4	-	39
Replacement products	11,296	15,452	1,138	1,967	12,434	17,419
Royalty	3,728	14,347	376	1,826	4,104	16,173
Corporate services charged by associated company (refer note 40.1)	3,270	3,193	330	407	3,600	3,600
Legal and professional charges	7,898	6,746	796	875	8,694	7,621
Sundries	104	89	343	286	447	375
	<u>1,084,620</u>	<u>993,205</u>	<u>201,161</u>	<u>218,675</u>	<u>1,285,781</u>	<u>1,211,880</u>

28.1 Directors of the holding company have no interest in the donee institution.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 29 ADMINISTRATIVE EXPENSES

	Pharma		Consumer		Total	
	2013	2012	2013	2012	2013	2012
	----- ( Rupees in '000 ) -----					
Salaries wages and benefits	55,899	50,374	13,152	17,413	69,051	67,787
Provision for staff gratuity (unfunded)	364	356	37	344	401	700
Gratuity fund contribution	1,091	1,602	215	204	1,306	1,806
Provident fund contribution	2,119	1,896	647	719	2,766	2,615
Carriage and duties	1,437	185	23	24	1,460	209
Water and power	259	212	26	27	285	239
Rent and taxes	10,300	3,508	1,605	447	11,905	3,955
Communication	3,652	2,955	614	563	4,266	3,518
Stationery and supplies	3,365	3,095	1,180	478	4,545	3,573
Traveling	5,240	4,770	750	766	5,990	5,536
Advertisement	520	474	243	94	763	568
Entertainment	89	56	9	7	98	63
Repairs and maintenance	13,511	10,426	2,233	1,642	15,744	12,068
Medical expenses	3,767	2,874	380	366	4,147	3,240
Personal training and selection	122	39	12	5	134	44
Vehicle expenses	3,461	2,966	959	1,780	4,420	4,746
Insurance	2,372	2,706	266	399	2,638	3,105
Depreciation (refer note 6.4)	4,775	4,388	750	926	5,525	5,314
Subscription	36	287	1,524	1,554	1,560	1,841
Donation (refer note 29.1)	1,363	7,230	137	920	1,500	8,150
Corporate services charged by associated company (refer note 40.1)	1,962	1,916	198	244	2,160	2,160
Legal and professional charges	10,740	9,773	1,909	1,533	12,649	11,306
Sundries	895	399	90	51	985	450
	<u>127,339</u>	<u>112,487</u>	<u>26,959</u>	<u>30,506</u>	<u>154,298</u>	<u>142,993</u>

29.1 Directors of the holding company have no interest in the donee institution except as stated in note 40.

## 30 OPERATING PROFIT

Net sales (refer note 26)	4,695,718	4,402,128	1,317,826	1,257,309	6,013,544	5,659,437
Cost of goods sold (refer note 27)	2,433,202	2,494,589	876,525	815,581	3,309,727	3,310,170
Selling and distribution expenses (refer note 28)	1,084,620	993,205	201,161	218,675	1,285,781	1,211,880
Administrative expenses (refer note 29)	127,339	112,487	26,959	30,506	154,298	142,993
Amortization of intangible assets (refer note 7)	14,144	9,082	-	8,700	14,144	17,782
Operating profit	<u>3,659,305</u>	<u>3,609,363</u>	<u>1,104,645</u>	<u>1,073,462</u>	<u>4,763,950</u>	<u>4,682,825</u>
	<u>1,036,413</u>	<u>792,765</u>	<u>213,181</u>	<u>183,847</u>	<u>1,249,594</u>	<u>976,612</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>31 OTHER OPERATING INCOME</b>			
Income from financial assets			
Profit on amounts placed in bank deposit accounts		2	203
Exchange gain		4,800	8,582
		4,802	8,785
Income from related parties			
Rent income from International Franchises (Private) Limited - associated company		7,571	6,743
Income from non-financial assets			
Gain on disposal of property, plant and equipment	6.6	14,453	5,618
Reversal of doubtful loans	9.2	1,174	-
Others		6,803	6,999
		22,430	12,617
		<u>34,803</u>	<u>28,145</u>
<b>32 OTHER OPERATING EXPENSES</b>			
Contribution to:			
- Workers' profits participation fund	22.1	40,776	30,175
- Workers' welfare fund		16,632	13,293
- Central research fund		7,606	5,618
Auditors' remuneration	32.1	2,241	2,019
Loss on disposal of property, plant and equipment	6.6	238	6,041
Exchange loss		15,831	18,948
		<u>83,324</u>	<u>76,094</u>
<b>32.1 Auditors' remuneration</b>			
Audit fee			
Annual audit		1,525	1,425
Half yearly review		325	325
Fee in respect of:			
Special reports and certifications		225	125
Out of pocket expenses		166	144
		<u>2,241</u>	<u>2,019</u>
<b>33 FINANCE COST</b>			
Lease finance charges		1,005	2,635
Mark-up on long term and running finances		214,012	127,771
Interest on workers' profits participation fund	22.1	4,247	3,462
Interest on gratuity fund		2,982	-
Interest charged by associated/holding company	33.1	-	162,500
Arrangement fee for financing facilities		7,250	6,960
Bank charges		3,867	4,632
		<u>233,363</u>	<u>307,960</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

33.1 This represents compensation for delayed execution of agreement with International Brands (Private) Limited, ultimate holding company, for purchase of land.

	Note	2013 (Rupees in '000)	2012
34 INCOME TAX EXPENSE			
Current			
- For the year		273,300	187,045
- For prior years		-	5,639
		<u>273,300</u>	<u>192,684</u>
Deferred	21.1	<u>(11,557)</u>	<u>(3,732)</u>
		<u>261,743</u>	<u>188,952</u>

## 34.1 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 35% for the tax year 2012 (2012: 35%).

## 34.2 Reconciliation of tax expense

	2013 (Rupees in '000)	2012
Accounting profit	<u>967,710</u>	<u>618,823</u>
Applicable tax rate	<u>35%</u>	<u>35%</u>
Tax on accounting profit at applicable rate	338,699	216,588
Tax effect of:		
Difference in method of lease accounting	3,308	3,351
Permanent differences	(43,614)	(31,650)
Temporary differences	12,612	14,707
Applicability of lower tax rate on certain income	(6,940)	(7,095)
Demand provided and raised during the year	-	5,639
Applicability of lower tax rate under final tax regime on behalf of subsidiary	<u>(42,322)</u>	<u>(12,588)</u>
Tax expense charged on income	<u>261,743</u>	<u>188,952</u>

## 34.3 Current status of tax assessments

Assessments of the holding company for the assessment years 1995-1996 to 1999-2000, 2002-2003, tax years 2004, 2005, 2008, 2009 and 2010 are pending before various appellate forums in respect of issues related to certain disallowances. For all the cases, the holding company has made provisions in the financial statements as per the assessed liability.

The subsidiary's income tax has been assessed under section 153 of the Income Tax Ordinance 2001, based on final tax regime. Management therefore, believes that deferred tax liability would not be relevant for current and future periods.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 35 EARNINGS PER SHARE - Basic and Diluted

	2013	(Restated) 2012
Basic earnings per share		
Profit for the year (Rupees in thousands)	<u>705,967</u>	<u>431,751</u>
Weighted average number of shares in thousands (2012: Restated)	<u>47,165</u>	<u>47,165</u>
Earnings per share (Rupees) (2012: Restated)	<u>14.97</u>	<u>9.15</u>
Diluted earning per share		

There is no dilution effect on the basic earning per share of the Group as the Group has no convertible dilutive potential ordinary shares outstanding on June 30, 2013.

## 36 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

	Note	2013 (Rupees in '000)	(Restated) 2012
Profit before tax		967,710	620,703
Adjustments for non-cash items:			
Depreciation	6.4	84,176	86,107
Amortization of intangible assets	7	14,144	17,782
(Gain)/Loss on disposal of property, plant and equipment (net)	6.6	(14,215)	1,063
Provision for staff retirement gratuity		16,638	23,506
Profit on amounts placed in bank deposit accounts	31	(2)	(203)
Financial charges	33	229,496	303,328
Net (increase)/decrease in working capital	36.1	<u>(252,846)</u>	<u>30,596</u>
		<u>1,045,101</u>	<u>1,082,882</u>

### 36.1 (Increase)/Decrease in working capital

#### Current assets

Decrease in stores and spares	43	375
Decrease in stock-in-trade	58,168	69,815
Increase in trade debts	(239,041)	(140,917)
Decrease in trade deposits and short term prepayments	7,095	130
(Increase)/Decrease in other receivables	<u>(23,893)</u>	<u>33,688</u>
	<u>(197,628)</u>	<u>(36,909)</u>

#### Current liabilities

(Decrease)/Increase in trade and other payables	<u>(55,218)</u>	<u>67,505</u>
Net (increase)/decrease in working capital	<u>(252,846)</u>	<u>30,596</u>

## 37 CASH AND CASH EQUIVALENTS

Cash and bank balances	16	29,066	80,343
Running finances under markup arrangement	24	<u>(319,935)</u>	<u>(712,769)</u>
		<u>(290,869)</u>	<u>(632,426)</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

## 38 SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged in business activities from which the Group earns revenues and incur 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 organised 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	
	2013	(Restated) 2012	2013	(Restated) 2012	2013	(Restated) 2012	2013	(Restated) 2012
----- ( Rupees in '000 ) -----								
Segment revenue	4,695,718	4,402,128	1,317,826	1,257,309	-	-	6,013,544	5,659,437
Segment result	1,036,413	792,765	213,181	183,847	-	-	1,249,594	976,612
Unallocated income and expenses								
Other operating income							34,803	28,145
Financial cost							(233,363)	(307,960)
Other charges							(83,324)	(76,094)
Profit before taxation							967,710	620,703
Income tax expense							(261,743)	(188,952)
Profit for the year							705,967	431,751
Segment assets and liabilities								
Segment assets	148,081	194,952	43,582	24,816	2,312,986	120,952	2,504,649	340,720
Unallocated assets							2,963,437	4,953,652
Total assets							5,468,086	5,294,372
Segment liabilities	-	-	-	-	966,667	-	966,667	-
Unallocated liabilities							1,467,229	2,907,459
Total Liabilities							2,433,896	2,907,459
Depreciation	74,360	73,559	9,815	12,547	-	-	84,175	86,106
Non-cash expenses other than depreciation	14,144	9,082	-	8,700	-	-	14,144	17,782
Addition in segment assets	33,995	126,362	10,005	9,496	2,312,986	-	2,356,986	135,858
Percentage for allocation	77%	77%	23%	23%	0%	0%	100%	100%

There were no inter-segment transactions during the year (2012: None).

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	2013	2012
	(Rupees in '000)	
38.1 Geographical segments		
Gross revenue analysis		
Pakistan	5,959,212	5,485,084
Asia	77,468	173,271
East Africa	3,493	3,642
South East Asia	63,923	35,931
Far Eastern Countries	91,866	93,429
Central Asian Republic States	2,870	2,736
Middle East	1,096	-
	<u>6,199,928</u>	<u>5,794,093</u>

38.2 The Group's revenue from one of the major customer represents approximately Rs. 5,072 million (2012: Rs. 4,575 million) of the total revenue.

## 39 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2013			2012		
	(Rupees in '000)			(Rupees in '000)		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
Managerial remuneration	5,835	6,990	94,657	3,110	10,943	87,647
Annual bonus	926	1,934	16,682	518	1,608	14,111
Leave fare assistance	-	-	144	-	-	340
Retirement benefits						
Provident fund	584	699	9,466	311	1,094	8,516
Gratuity fund	243	291	4,044	259	912	7,004
Perquisites						
Rent	2,626	3,146	42,543	1,400	4,924	38,038
Utilities	584	699	9,466	311	1,094	8,510
Telephone	-	-	190	-	-	208
Entertainment	-	-	392	-	-	254
Car maintenance	150	500	4,597	41	301	4,179
	<u>10,948</u>	<u>14,259</u>	<u>182,181</u>	<u>5,950</u>	<u>20,876</u>	<u>168,807</u>
Number of persons	<u>1</u>	<u>3</u>	<u>98</u>	<u>1</u>	<u>3</u>	<u>85</u>

39.1 In addition to the above, the Chief Executive Officer and some of the executives have been provided with free use of company maintained cars. Further, medical expenses are reimbursed in accordance with the Group's policies.

39.2 Three non-full time working directors (2012: three) were paid fee for attending board meetings aggregating Rs. 160,000 (2012: Rs. 98,000).

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

## 40 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise International Brands (Private) 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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

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

	2013			2012		
	Associates/ Group companies/ ultimate holding company/ close family members	Directors	Key management	Associates/ Group companies/ ultimate holding company/ close family members	Directors	Key management
	----- (Rupees in '000) -----					
<b>Transactions</b>						
<b>IBL Operations (Private) Limited - associated company {formerly IBL Ops (Private) Limited} (refer note 41.1 and 41.2)</b>						
Sales	5,072,809	-	-	4,574,536	-	-
Sales returned	94,174	-	-	79,398	-	-
Purchase of land	-	-	-	1,200,000	-	-
<b>Expenses claimed</b>						
Carriage and duties	19,156	-	-	15,879	-	-
Discounts	117,332	-	-	94,132	-	-
Warehouse rent	1,143	-	-	2,563	-	-
Mark-up expenses	5,810	-	-	162,500	-	-
Reimbursement of construction cost	-	-	-	1,300	-	-
Corporate services charged	7,200	-	-	7,200	-	-
Sales promotion expenses	29,898	-	-	54,795	-	-
IT Services	6,600	-	-	6,600	-	-
Share of employees cost and other expenses	822	-	-	2,474	-	-
<b>Expenses claimed from IBL Operations (Private) Limited - associated company {formerly IBL Ops (Private) Limited} (refer note 41.1)</b>						
Staff salaries and other expenses	12,266	-	-	10,184	-	-
Royalty and price difference claims	7,663	-	-	-	-	-
<b>International Franchises (Private) Limited - associated company</b>						
Sales	230	-	-	181	-	-
Rent, utility and other income	2,619	-	-	3,114	-	-
Staff salaries and Allowance	2,749	-	-	-	-	-
Purchase of Promotional Items	523	-	-	-	-	-

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	2013			2012		
	Associates/ Group companies/ ultimate holding company/ close family members	Directors	Key management	Associates/ Group companies/ ultimate holding company/ close family members	Directors	Key management
	----- (Rupees in '000) -----					
<b>United Distributors Pakistan Limited (UDPL) - associated company</b>						
Sales	-	-	-	212	-	-
Purchase of vehicles	-	-	-	5,841	-	-
Payment under group tax relief	35,998	-	-	35,819	-	-
Purchases	122	-	-	-	-	-
<b>Expenses claimed from UDPL</b>						
Staff salary and benefits	264	-	-	1,153	-	-
Warehouse rent & expenses	534	-	-	-	-	-
<b>HABITT - associate</b>						
Sales	10	-	-	970	-	-
Purchase of Promotional Items from Habitt	976	-	-	-	-	-
<b>Expenses claimed</b>						
Sales promotion expenses	-	-	-	492	-	-
<b>Expenses claimed from HABITT</b>						
Share of employees cost and other expenses	4,849	-	-	3,663	-	-
<b>The Citizens Foundation - associate</b>						
Donations	1,500	-	-	8,150	-	-
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.						
<b>Arshad Shahid Abdulla (Private) Limited - associated company</b>						
Architect fee	6,508	-	-	8,503	-	-
Project management fee	2,675	-	-	4,500	-	-
<b>Shahid Abdulla</b>						
Office and factories renovation	612	-	-	612	-	-
<b>Multinet Pakistan (Private) Limited - associated company</b>						
Internet services	376	-	-	312	-	-

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	2013			2012		
	Associates/ Group companies/ ultimate holding company/ close family members	Directors	Key management	Associates/ Group companies/ ultimate holding company/ close family members	Directors	Key management
	----- (Rupees in '000) -----					
<b>United Brands Limited - associated company</b>						
Sales	35,613	-	-	50,338	-	-
Sales returns	-	-	-	87	-	-
Tax payment of group tax relief	-	-	-	10,247	-	-
<b>Expenses claimed by United Brands Limited</b>						
Discounts	566	-	-	607	-	-
Purchase of promotional items	-	-	-	3,731	-	-
<b>Balances</b>						
<b>Loans and advances</b>						
At beginning of the year	-	-	7,865	-	-	3,171
Given during the year	-	-	2,984	-	-	6,988
Repaid during the year	-	-	(7,391)	-	-	(2,294)
At the end of the year	-	-	<u>3,458</u>	-	-	<u>7,865</u>
<b>Trade debts - associated company (refer note 12)</b>						
At beginning of the year	876,454	-	-	755,729	-	-
Addition during the year	4,437,425	-	-	4,042,697	-	-
Repaid during the year	<u>(4,242,320)</u>	-	-	<u>(3,921,972)</u>	-	-
At the end of the year	<u>1,071,559</u>	-	-	<u>876,454</u>	-	-
<b>Other receivables - associates (refer note 15)</b>						
At beginning of the year	130,529	-	-	138,882	-	-
Addition during the year	27,094	-	-	10,184	-	-
Repaid during the year	<u>(50,133)</u>	-	-	<u>(18,537)</u>	-	-
At the end of the year	<u>107,490</u>	-	-	<u>130,529</u>	-	-
<b>Accrued liabilities - associates (refer note 22)</b>						
At beginning of the year	612	-	-	8,900	-	-
Addition during the year	9,795	-	-	13,615	-	-
Repaid during the year	<u>(10,407)</u>	-	-	<u>(21,903)</u>	-	-
At the end of the year	-	-	-	<u>612</u>	-	-

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

- 40.1 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 (ultimate holding company) were transferred to IBL Operations (Private) Limited (associated company). However, the name of the associated company was changed from IBL Ops (Private) Limited. In December 2011.
- 40.2 Sales to IBL Operations (Private) Limited {formerly IBL Ops (Private) Limited} (associated company) were made during the year at ex-factory price i.e. trade prices less distributor's margin of 10% and 12% (2012: 10% and 12%). In addition, the amounts of communication, utilities, salaries and wages and carriage and duties are also being reimbursed.

## 41 PLANT CAPACITIES AND ACTUAL PRODUCTION

	Installed capacity per annum (based on eight hours shift)			Total	Actual production 2013	Actual production 2012
	At owned plant (Karachi)	At leased plant (Karachi)	At leased plant (Lahore)			
	----- Quantity in '000 -----					
Liquid (bottles)	8,000	-	16,400	24,400	37,291	45,078
Tablets (numbers)	440,000	-	211,000	651,000	1,413,391	1,653,198
Capsules (numbers)	45,000	-	15,000	60,000	62,820	52,133
Sachets (numbers)	19,200	30,500	-	49,700	16,717	28,024
Pouches (numbers)	-	250	-	250	1,354	734
Injectables (numbers)	5,280	-	-	5,280	19,875	15,600
Jars (numbers)	-	800	-	800	414	1,179

The current actual production capacity of Sachets was under utilized on account of lower demand.

## 42 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Financial risk management

The board of directors of the Group 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

### 42.1 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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

Credit risk of the Group 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 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	2013 (Rupees in '000)	2012 (Rupees in '000)
Trade debts	12	1,441,459	1,202,418
Loans and advances (advance to suppliers)	13	55,498	87,984
Trade deposits	14	25,112	31,463
Other receivables	15	145,714	156,493
		<u>1,667,783</u>	<u>1,478,358</u>

## Concentration of credit risk

Out of the total financial assets of Rs. 1.676 billion (2012: Rs. 1.593 billion) financial assets amounting to Rs. 1.287 billion (2012: Rs. 1.177 billion) consist of transactions made by the Group with its affiliates and cash and bank balances. The Group's major sales are with IBL Operations (Private) Limited (formerly IBL Ops (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.

## 42.2 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:

Note	Effective interest rate %	2013							Total
		Interest / Mark-up bearing			Non-Interest / Mark-up bearing				
		Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total		
----- (Rupees in '000) -----									
<b>Financial assets</b>									
Loans and advances	9 & 13	-	-	-	26,421	967	27,388	27,388	
Deposits	10	-	-	-	1,148	6,245	7,393	7,393	
Trade debts	12	-	-	-	1,441,459	-	1,441,459	1,441,459	
Trade deposits	14	-	-	-	25,112	-	25,112	25,112	
Other receivables	15	9,698	-	9,698	136,016	-	136,016	145,714	
Cash and bank balances	16	6 - 6.5	792	-	792	28,274	-	28,274	29,066
			<u>10,490</u>	<u>-</u>	<u>10,490</u>	<u>1,658,430</u>	<u>7,212</u>	<u>1,665,642</u>	<u>1,676,132</u>
<b>Financial liabilities</b>									
Long-term finance	19	14.51	108,333	858,334	966,667	-	-	-	966,667
Liabilities against assets subject to finance leases	20	11.38 - 14.4	2,513	2,182	4,695	-	-	-	4,695
Trade and other payables	22	-	-	-	992,028	-	992,028	992,028	
Accrued mark-up	23	-	-	-	21,528	-	21,528	21,528	
Short-term finances	24	10.78 - 14.22	319,935	-	319,935	-	-	-	319,935
			<u>430,781</u>	<u>860,516</u>	<u>1,291,297</u>	<u>1,013,556</u>	<u>-</u>	<u>1,013,556</u>	<u>2,304,853</u>
On balance sheet date gap			<u>(420,291)</u>	<u>(860,516)</u>	<u>(1,280,807)</u>	<u>644,874</u>	<u>7,212</u>	<u>652,086</u>	<u>(628,721)</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

Note	Effective interest rate %	2012							Total
		Interest / Mark-up bearing			Non Interest / Mark-up bearing				
		Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total		
----- (Rupees in '000) -----									
Financial assets									
Loans and advances	9 & 13	-	-	-	109,500	648	110,148	110,148	
Long term deposits	10	-	-	-	5,537	6,625	12,162	12,162	
Trade debts	12	-	-	-	1,202,418	-	1,202,418	1,202,418	
Trade deposits	14	-	-	-	31,463	-	31,463	31,463	
Other receivables	15	12.5	1,826	-	1,826	-	154,667	156,493	
Cash and bank balances	16	4 - 8.37	1,471	-	1,471	78,872	-	80,343	
			<u>3,297</u>	<u>-</u>	<u>3,297</u>	<u>1,582,457</u>	<u>7,273</u>	<u>1,589,730</u>	<u>1,593,027</u>
Financial liabilities									
Long-term finance	19	14.51	33,333	966,667	1,000,000	-	-	1,000,000	
Liabilities against assets subject to finance leases	20	14-16.68	11,434	5,606	17,040	-	-	17,040	
Trade and other payables	22	14	-	-	-	1,044,610	-	1,044,610	
Accrued mark-up	23		-	-	-	35,501	-	35,501	
Short-term finances	24	14.21-15.71	712,769	-	712,769	-	-	712,769	
			<u>757,536</u>	<u>972,273</u>	<u>1,729,809</u>	<u>1,080,111</u>	<u>-</u>	<u>1,080,111</u>	<u>2,809,920</u>
On balance sheet date gap			<u>(754,239)</u>	<u>(972,273)</u>	<u>(1,726,512)</u>	<u>502,346</u>	<u>7,273</u>	<u>509,619</u>	<u>(1,216,893)</u>

## 42.3 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.

### 42.3.1 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 as at June 30, 2013 are Rs. 259.44 million (2012: Rs. 268.57 million) and receivable included in trade debtors are Rs. 61.59 million (2012: Rs. 38.46 million). The Group earned exchange gain of Rs. 4.8 million (2012: Rs. 8.6 million) and suffered exchange loss of Rs. 15.83 million (2012: Rs. 18.95 million) during the year.

### 42.3.2 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, liability against asset subject to finance lease, short term finance, trade debt and term deposits and deposits in profit and loss sharing accounts with banks. At the balance sheet date the interest rate profile of the Group's mark-up bearing financial instruments is as follows:

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
Variable rate instruments			
Financial assets			
- Cash with banks in deposit accounts	16	792	1,471
Financial liabilities			
- Long term finance	19	(858,334)	(966,667)
- Liabilities against assets subject to finance lease	20	(4,695)	(17,040)
- Short term finance	24	(319,935)	(712,769)
		<u>(1,182,964)</u>	<u>(1,696,476)</u>
		<u>(1,182,172)</u>	<u>(1,695,005)</u>

## Cash flow sensitivity for variable rate instruments

A change of 100 basis points 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 2012.

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	------(Rupees in '000)-----			
As at June 30, 2013				
Cash flow sensitivity - variable rate instruments	<u>(2,150)</u>	<u>2,150</u>	<u>(2,150)</u>	<u>2,150</u>
As at June 30, 2012				
Cash flow sensitivity - variable rate instruments	<u>(2,929)</u>	<u>2,929</u>	<u>(2,929)</u>	<u>2,929</u>

## 43 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 Group prepares its consolidated 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 on June 30, 2013.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>44 FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>Financial liabilities</b>			
<b>Financial liabilities measured at amortized cost</b>			
Long-term finances	19	966,667	1,000,000
Trade and other payables	22	992,028	1,044,610
Short-term finances	24	319,935	712,769
Liabilities against assets subject to finance leases	20	4,695	17,040
<b>Financial liabilities measured at fair value through profit or loss</b>			
Accrued markup	23	21,528	35,501
		<u>2,304,853</u>	<u>2,809,920</u>
<b>Financial assets</b>			
<b>Loans and receivables</b>			
Loans and advances	9 & 13	27,388	110,148
Long term deposit	10	7,393	12,162
Trade debts	12	1,441,459	1,202,418
Trade deposits	14	25,112	31,463
Other receivables	15	145,714	156,493
Cash and bank balances	16	29,066	80,343
		<u>1,676,132</u>	<u>1,593,027</u>
On balance sheet gap		<u>628,721</u>	<u>1,216,893</u>
<b>45 NUMBER OF EMPLOYEES</b>			
Number of employees as at the year end		<u>1,342</u>	<u>1,183</u>
Average number of employees during the year		<u>1,258</u>	<u>1,238</u>

## 46 DATE OF AUTHORIZATION FOR ISSUE

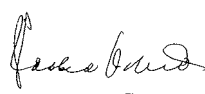
These consolidated financial statements were authorized for issue by the Board of Directors on September 23, 2013.

### 46.1 Appropriation

The Board of Directors of the holding company has approved the following appropriation in the meeting held on September 23, 2013.

	2013 (Rupees in '000)	2012 (Rupees in '000)
Cash dividend - Rs.2 (2012: Re. 1) per share of Rs. 10 each.	<u>94,330</u>	<u>33,689</u>
Issue of bonus shares 30% in the ratio of 30 shares for every 100 shares held (2012: 40%).	<u>141,496</u>	<u>134,758</u>
The Board of Directors of IBL HealthCare Limited has approved the following appropriation in the meeting held on September 9, 2013.		
Cash dividend - Rs.1.5 (2012: Rs. 2.5) per share of Rs. 10 each.	<u>30,000</u>	<u>50,000</u>
Issue of bonus shares 15% in the ratio of 15 shares for every 100 shares held (2012: Nil).	<u>30,000</u>	<u>-</u>

These would be recognized as a liability in the Group's consolidated financial statements in the period in which such dividends are approved.

  
Rashid Abdulla  
Chairman

  
Syed Nadeem Ahmed  
CEO/Managing Director



# Unconsolidated Financial Statements

## Auditors' Report to the Members of The Searle Company Limited (formerly Searle Pakistan Limited)

We have audited the annexed unconsolidated balance sheet of The Searle Company Limited (formerly Searle Pakistan Limited) (the Company) as at June 30, 2013 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows 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, except for the change in accounting policy as disclosed in note 3 and 5.5 to the unconsolidated financial statements, with which we concur;
  - 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 statement of cash flows 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, 2013 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 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi.  
Date: September 23, 2013



Anjum Asim Shahid Rahman  
Chartered Accountants  
Shahzada Saleem Chughtai

# Directors' Report to Shareholders

The Directors are pleased to present the 2013 Annual Report together with the Audited Financial Statements for the year ended June 30, 2013.

The Directors' Report is prepared under Section 236 of the Companies Ordinance, 1984 and Clause xvi of the Code of Corporate Governance.

## Financial Performance

	2013 Rs. '000	2012 Rs. '000
Revenue	5,149,798	4,936,049
Gross profit	2,343,199	2,131,459
Gross profit %	45.5	43.1
Operating expenses	1,330,824	1,252,330
Operating profit	1,012,375	879,129
Operating profit %	19.7	17.8
Other operating income	50,974	48,700
Profit before taxation	752,976	557,977
Taxation	228,908	179,586
Profit after taxation	524,068	378,391
Profit after tax %	10.2	7.7

We are pleased to report that compared to last year, your Company has been able to grow revenues from 4.9 billion to 5.1 billion, an increase of 4.3% (2012: 16.4%). The decrease in percentage growth is mainly due to our increased focus on high margin brands resulting in a gross margin of 45.5% as compared to 43.1% reported last year.

The said improvement in the gross margin is mainly due to focus on a more profitable product mix.

## Earnings Per Share

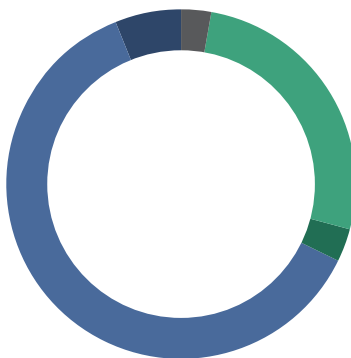
Basic earnings per share after taxation were Rs. 11.11 (2012: Rs. 8.02).

2009	2010	2011	2012	2013
5.52	7.61	7.84	8.02	11.11

## Earnings Per Share

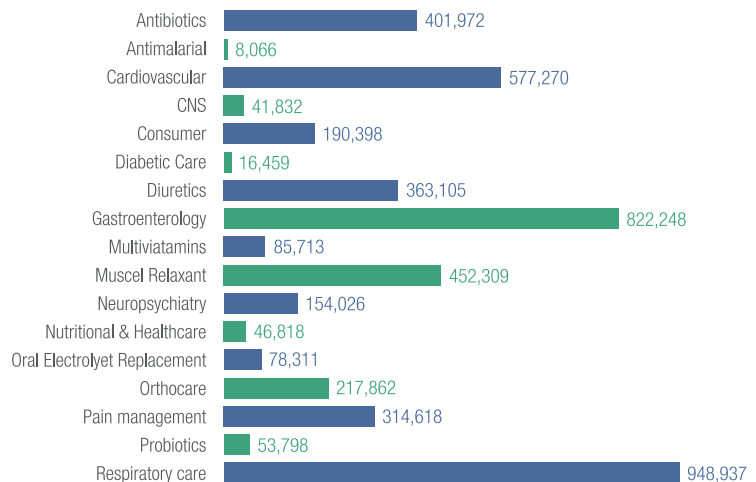


## Financial Performance



CONSUMER 3% LIQUID 26% POWDER 3% SOLID 61% STERILE 6%

## Therapeutic Class-wise Sales



## Dividend

The Board of Directors has recommended a cash dividend of 20% and stock dividend of 30% for the year ended June 30, 2013, against cash dividend of 10% and stock dividend of 40% in June 30, 2012.

## Shareholding Information

The pattern of shareholding as at June 30, 2013 and other related information is set out on page 142 and 145.

None of the Directors, CEO, CFO and Company Secretary and their spouses and minor children has carried out any trades in the shares of the Company except as reported hereunder:

Mrs. Shakila Rashid w/o Mr. Rashid Abdulla purchase – 64,000 shares

## Directors' Training Program

During the year, Mr. Zubair Palwala attended the Directors' training program conducted by the Institute of Chartered Accountants of Pakistan.

## Corporate and Social Responsibility

Corporate responsibility is an integral part of the mission of the organization. The Company makes a significant contribution to society through the research based products that we manufacture and sell. The Company continues its support through donations of medicines and cash.

## Occupational Health and Safety

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

## Statement of Ethics and Business Practices

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

**Company has been able to grow revenues from 4.9 billion to 5.1 billion, an increase of 4.3%, the said increase is mainly due to our increased focus on high margin brands.**



Profit after tax for the year was **Rs. 524** million compared to **Rs. 378** million for the last year.

#### Meetings of the Board of Directors

During the year, four meetings of the Board of Directors were held, the details of which are as follows:

Name of Director	Meetings attended
Mr. Rashid Abdulla	4
Mr. S. Nadeem Ahmed	4
Mr. Zubair Palwala	4
Mr. Munis Abdullah	4
Mr. Asad Abdulla	4
Mr. Ayaz Abdulla	4
Mr. Adnan Asdar Ali	2

#### Audit Committee

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

Name of Director	Meetings attended
Mr. S. Nadeem Ahmed	4
Mr. Asad Abdulla	4
Mr. Adnan Asdar Ali	2

#### Auditors

The present auditors Grant Thornton Anjum Asim Shahid Rahman, Chartered Accountants, retired and being eligible,



offer themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as Auditors of the Company for the year ending June 30, 2014, at a fee to be mutually agreed.

### 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 of Provident and Gratuity Funds

The value of investments of provident and gratuity funds based on their un-audited / audited accounts as on June 30, 2013 / June 30, 2012 respectively was as follows:

	2013 Rs. '000	2012 Rs. '000
Provident Fund	139,878	140,575
Gratuity Fund	9,726	115,520
Total	<u>149,604</u>	<u>256,095</u>

### 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 disclosed on page 88

### Consolidated Performance

In compliance with section 236(5) of the Companies Ordinance, 1984 we give below the following information:

Annual consolidated financial statements are attached.

**The Searle management continues to take positive initiatives and focus on performance to transform our vision into reality, securing profit and sustainable growth for the shareholders of the Company.**

# Statistical Summary

## financial years ended on June 30

	2013	2012	2011	2010	2009	2008
	----- Restated -----					
	----- (Rupees in thousand) -----					
<b>ASSETS EMPLOYED</b>						
Property, plant and equipment	576,639	2,664,973	710,883	621,361	617,311	654,777
Intangible assets	39,008	43,030	52,112	8,505	12,752	17,550
Investment property	2,189,398	-	-	-	-	-
Long-term investment	100,800	100,000	100,000	100,000	100,000	200,000
Long-term loans, deposits & prepayments	7,027	6,771	7,468	7,430	3,781	7,722
Net current assets	671,708	397,114	1,053,193	915,456	689,574	616,592
<b>Total assets employed</b>	<b>3,584,580</b>	<b>3,211,888</b>	<b>1,923,656</b>	<b>1,652,752</b>	<b>1,423,418</b>	<b>1,496,641</b>
<b>FINANCED BY</b>						
Issued, subscribed and paid-up capital	471,652	336,895	306,268	306,268	266,320	266,320
Reserves and Unappropriated profit	2,040,190	1,666,641	1,346,299	1,029,158	729,522	596,148
Shareholder's equity	2,511,842	2,003,536	1,652,567	1,335,426	995,842	862,468
Surplus on revaluation of fixed assets	143,455	161,383	179,901	207,484	229,852	262,644
Long-term and deferred liabilities	929,283	1,046,969	91,188	109,842	197,724	371,529
<b>Total capital employed</b>	<b>3,584,580</b>	<b>3,211,888</b>	<b>1,923,656</b>	<b>1,652,752</b>	<b>1,423,418</b>	<b>1,496,641</b>
<b>TURNOVER AND PROFITS</b>						
Turnover	5,149,798	4,936,049	4,238,840	3,702,518	2,708,974	2,085,344
Profit before tax	752,976	557,977	511,101	545,374	358,747	211,949
Profit after tax	524,068	378,391	369,839	359,044	260,294	143,352
<b>PROFIT AFTER TAX</b>						
% of turnover	10.18	7.67	8.73	9.70	9.61	6.87
% of capital employed	14.62	11.78	19.23	21.72	18.29	9.58
<b>DIVIDENDS</b>						
Cash (%)	20	10	15	30	15	10
Stock (%)	30	40	10	-	15	-

Relevant financial information of the Group for last three years appears as under:

	2013	2012	2011
	Rs. in million		
Turnover	6,014	5,659	4,877
Operating profit	1,250	977	824
Profit after taxation	706	432	416
Total assets	5,468	5,294	4,003
Share capital and reserves	2,891	2,225	1,846
Consolidated earnings per share (Rupees)	14.97	9.15	8.82

### Future Outlook

Searle's strong sales base and focused management provides a clear platform for growth, with 2014 making a start of what should be a series of growth years for the Company. The management of your Company is working diligently to overcome challenges and achieve its medium and long term goals. The medium term objectives include continued focus on producing high quality pharmaceutical products that meet the demand of health care professionals and patients. We are committed to provide accurate health information, safety and protection, clean environment, medical education and health care to Pakistan and Global Markets.

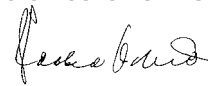
Searle is also continuously developing its high quality sales force that will enhance the sales volume of its existing products portfolio. Support to different NGOs and contribution in unforeseen calamities will continue as a regular commitment to the nation of Pakistan.

Our medium term objectives also include focusing on different operational activities that will help in optimizing the cost of product at different levels. To maximize Searle's comprehensive capabilities and expedite implementation of its growth strategies, Searle has taken great strides towards revamping and restructuring the organization. We believe these positive steps will lead to realizing our goals in the medium and long term. We are more confident than ever that Searle is well placed to succeed in emerging new markets. Searle is planning to align with global trends including an ongoing population growth, rising demand of generic branded pharmaceuticals and nutritional products. Searle will aggressively focus on the global market and will primarily focus to expand the business operation in existing export countries while looking to penetrate into new countries as well. Besides targeting the global markets Searle is also strengthening its new product pipeline, which in the near future will include Oncology, High Tech IV, Solutions and Biological products.

The Searle management continues to take positive initiatives and focus on performance to transform our vision into reality, securing profit and sustainable growth for the shareholders of "The Searle Company Ltd."

In closing, we would like to thank all our employees, partners and suppliers for their continued commitment and support.

For and on behalf of the board



Rashid Abdulla  
Chairman

Karachi:  
September 23, 2013



# Chronic Obstructive Pulmonary Disease

Chronic obstructive pulmonary disease is definitely a mouthful, but a mouthful of something nobody wants to taste. Commonly known as COPD, is one of the most common forms of lung disease, and it makes very difficult to breathe. There are two different forms. One is chronic bronchitis, which is defined by a long- term cough with mucous. The other is emphysema, which is the destruction of the lungs over time. Most people with COPD have a combination of both. Smoking is the leading cause of this disease, although some people smoke for years and seem to dodge the bullet! Other risk factors include exposure to gases or fumes in the work place as well as exposure to heavy second hand smoke.

**Emphysema is the  
destruction of the  
lungs over time.**



# Unconsolidated Balance Sheet

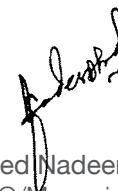
As at June 30, 2013

ASSETS	Note	As at June 30, 2013	(Restated) As at June 30, 2012	(Restated) As at July 1, 2011
		(Rupees in '000)		
<b>ASSETS</b>				
<b>Non-current assets</b>				
Fixed assets				
- Property, plant and equipment	6	576,639	2,664,973	710,883
- Intangible assets	7	39,008	43,030	52,112
		615,647	2,708,003	762,995
Investment property	8	2,189,398	-	-
Long-term investments	9	100,800	100,000	100,000
Long-term loans	10	782	146	1,067
Long-term deposits	11	6,245	6,625	6,401
Total non-current assets		2,912,872	2,814,774	870,463
<b>Current assets</b>				
Stores and spares		2,186	2,229	2,604
Stock-in-trade	12	569,342	559,231	615,458
Trade debts	13	1,298,386	1,083,534	971,348
Loans and advances	14	75,531	103,414	678,638
Trade deposits and short term prepayments	15	63,441	68,290	69,438
Other receivables	16	147,535	153,172	199,616
Cash and bank balances	17	12,738	9,019	151,448
Total current assets		2,169,159	1,978,889	2,688,550
Total assets		5,082,031	4,793,663	3,559,013
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Authorized share capital				
50,000,000 (2012: 50,000,000) ordinary shares of Rs. 10 each		500,000	500,000	500,000
Issued, subscribed and paid-up capital	18	471,652	336,895	306,268
General reserve		280,251	280,251	280,251
Unappropriated profit		1,759,939	1,386,390	1,066,048
Total shareholders' equity		2,511,842	2,003,536	1,652,567
Surplus on revaluation of fixed assets	19	143,455	161,383	179,901
<b>Non-current liabilities</b>				
Long term finances - secured	20	858,334	966,667	-
Liabilities against assets subject to finance leases	21	1,086	2,294	12,515
<b>Deferred liabilities</b>				
Taxation	22	40,443	52,000	55,732
Gratuity - unfunded	22	29,420	26,008	22,941
		69,863	78,008	78,673
Total non-current liabilities		929,283	1,046,969	91,188
<b>Current liabilities</b>				
Trade and other payables	23	1,010,783	846,319	821,120
Accrued mark-up	24	21,528	35,501	28,950
Short-term finances	25	319,935	655,096	764,022
Current portion of				
- long term finances	20	108,333	33,333	-
- liabilities against assets subject to finance leases	21	1,196	10,184	10,465
Provision for taxation - net		35,676	1,342	10,800
Total current liabilities		1,497,451	1,581,775	1,635,357
Total liabilities		2,426,734	2,628,744	1,726,545
Contingencies and commitments	26			
Total equity and liabilities		5,082,031	4,793,663	3,559,013

The annexed notes 1 to 47 form an integral part of these financial statements.



Rashid Abdulla  
Chairman



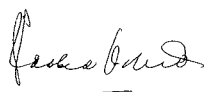
Syed Nadeem Ahmed  
CEO/Managing Director

# Unconsolidated Profit and Loss Account

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	(Restated) 2012
NET SALES	27	5,149,798	4,936,049
COST OF SALES	28	<u>2,806,599</u>	<u>2,804,590</u>
GROSS PROFIT		2,343,199	2,131,459
Selling and distribution expenses	29	<u>1,193,921</u>	<u>1,116,442</u>
Administrative expenses	30	131,571	126,806
Amortization of intangible assets	7	<u>5,332</u>	<u>9,082</u>
		<u>1,330,824</u>	<u>1,252,330</u>
OPERATING PROFIT	31	1,012,375	879,129
Other operating income	32	<u>50,974</u>	<u>48,700</u>
		1,063,349	927,829
Other operating expenses	33	<u>80,324</u>	<u>73,884</u>
Finance cost	34	<u>230,049</u>	<u>295,968</u>
		310,373	369,852
PROFIT BEFORE INCOME TAX		<u>752,976</u>	<u>557,977</u>
Income tax expense	35	<u>228,908</u>	<u>179,586</u>
PROFIT FOR THE YEAR		<u>524,068</u>	<u>378,391</u>
		----- Rupees -----	
EARNINGS PER SHARE - BASIC AND DILUTED	36	<u>11.11</u>	<u>8.02</u>

The annexed notes 1 to 47 form an integral part of these financial statements.

  
Rashid Abdulla  
Chairman

  
Syed Nadeem Ahmed  
CEO/Managing Director

# Unconsolidated Statement of Comprehensive Income

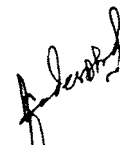
For the year ended June 30, 2013

	2013	(Restated) 2012
	(Rupees in '000)	
PROFIT FOR THE YEAR	524,068	378,391
Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>524,068</u>	<u>378,391</u>

The annexed notes 1 to 47 form an integral part of these financial statements.



Rashid Abdulla  
Chairman



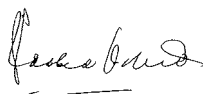
Syed Nadeem Ahmed  
CEO/Managing Director

# Unconsolidated Statement of Cash Flows

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	(Restated) 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations after working capital changes	37	985,537	981,749
Gratuity paid	16.3.4 & 22.3.4	(12,438)	(17,973)
Taxes paid		(206,132)	(192,776)
Advance of long-term loans		(636)	1,236
Receipt of short-term loans and advances		27,883	574,909
Receipts/(Payments) of long-term deposits		380	(224)
Net cash from operating activities		794,594	1,346,921
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6.1	(41,378)	(1,964,454)
Transfer from operating assets	6.1	1,915,871	-
Transfer from/(Additions to) capital work in progress	6.7	130,471	(82,616)
Purchase of intangible assets	7	(1,310)	-
Transfers to investment property	8	(2,189,398)	-
Long-term investment in unquoted subsidiaries	9	(800)	-
Proceeds from disposal of property, plant and equipment	6.5	13,045	8,982
Finance income received	32	-	63
Mark-up received from associated company	41.1	34,672	8,750
Net cash used in investing activities		(138,827)	(2,039,641)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liabilities paid		(10,196)	(10,502)
Long-term finances received	20	-	1,000,000
Long-term finance paid	20	(33,333)	-
Dividend paid		(32,687)	(45,203)
Finance charges paid		(240,671)	(285,078)
Net cash (used in)/from financing activities		(316,887)	659,217
Net increase/decrease in cash and cash equivalents		338,880	(33,503)
Cash and cash equivalents at the beginning of the year		(646,077)	(612,574)
Cash and cash equivalents at the end of the year	38	(307,197)	(646,077)

The annexed notes 1 to 47 form an integral part of these financial statements.

  
Rashid Abdulla  
Chairman

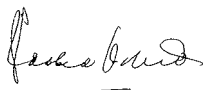
  
Syed Nadeem Ahmed  
CEO/Managing Director

# Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2013

Note	Capital Reserve		Revenue Reserve		Unappropriated profit	Share holders' equity
	Share capital	Reserve for issue of bonus shares	General reserve	Total reserves		
	Rupees in '000					
Balance as at July 1, 2011 as previously stated	306,268	-	280,251	280,251	1,050,689	1,637,208
Effect of change in accounting policy	3 & 5.5	-	-	-	15,359	15,359
Balance as at July 1, 2011 - Restated	306,268	-	280,251	280,251	1,066,048	1,652,567
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	19	-	-	-	17,952	17,952
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	19	-	-	-	566	566
Total comprehensive income for the year		-	-	-	378,391	378,391
<b>Transactions with owners</b>						
Transfer to reserve for issue of bonus shares	-	30,627	-	30,627	(30,627)	-
Bonus shares issued @ 10% in the ratio of 10 shares for every 100 shares held	30,627	(30,627)	-	(30,627)	-	-
Cash dividend paid for the year ended June 30, 2011 @ Rs. 1.5 per share	-	-	-	-	(45,940)	(45,940)
	30,627	-	-	-	(76,567)	(45,940)
Balance as at June 30, 2012 - Restated	336,895	-	280,251	280,251	1,386,390	2,003,536
Balance as at July 1, 2012 as previously stated	336,895	-	280,251	280,251	1,369,151	1,986,297
Effect of change in accounting policy	-	-	-	-	17,239	17,239
Balance as at July 1, 2012 - Restated	336,895	-	280,251	280,251	1,386,390	2,003,536
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	19	-	-	-	17,788	17,788
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	19	-	-	-	140	140
Total comprehensive income for the year		-	-	-	524,068	524,068
<b>Transactions with owners</b>						
Transfer to reserve for issue of bonus shares	-	134,757	-	134,757	(134,757)	-
Bonus shares issued @ 40% in the ratio of 40 shares for every 100 shares held	134,757	(134,757)	-	(134,757)	-	-
Cash dividend paid for the year ended June 30, 2012 @ Re. 1 per share	-	-	-	-	(33,690)	(33,690)
	134,757	-	-	-	(168,447)	(33,690)
Balance as at June 30, 2013	471,652	-	280,251	280,251	1,759,939	2,511,842

The annexed notes 1 to 47 form an integral part of these financial statements.

  
Rashid Abdulla  
Chairman

  
Syed Nadeem Ahmed  
CEO/Managing Director

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 1 LEGAL STATUS AND OPERATIONS

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

With effect from September 3, 2012 the Company has changed its name to "The Searle Company Limited" from "Searle Pakistan Limited".

With effect from June 17, 2011 International Brands (Private) Limited has acquired additional shareholding of 15.9 % aggregating to 55.25% of the shareholding of the Company and has become its holding company.

The Company is the holding company of IBL HealthCare Limited due to significant representation in board of directors and 50% shareholding.

The Company is also the holding company of two wholly owned subsidiaries namely Searle Pharmaceuticals (Private) Limited and Searle Laboratories (Private) Limited. The subsidiaries have been incorporated in the current year.

## 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

Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, amendments and interpretations of IFRSs will be effective for accounting periods beginning on or after the dates specified below:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company has net unrecognized actuarial gain relating to staff gratuity scheme (un-funded) as at June 30, 2013 amounting to Rs. 1.599 million. Following the change, all actuarial gains and losses will be recorded immediately in other comprehensive income.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated financial statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate unconsolidated financial statements, with some minor clarifications. The amendments have no impact on unconsolidated financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on unconsolidated financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on unconsolidated financial statements of the Company.
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after January 01, 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments have no impact on unconsolidated financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or subject to master netting agreement or similar arrangement. The amendments have no impact on unconsolidated financial statements of the Company.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on unconsolidated financial statements of the Company.
- IFRIC 21 - Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after January 01, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

legislation that triggers the payment of the levy. The amendments have no impact on unconsolidated financial statements of the Company.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
  - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on unconsolidated financial statements of the Company.
  - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
  - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on unconsolidated financial statements of the Company.

### 3 VOLUNTARY CHANGE IN ACCOUNTING POLICY

During the year, the Company has changed its accounting policy in respect of depreciation on leasehold land classified under property, plant and equipment. The new policy is to carry leasehold land at revalued amount less accumulated impairment losses if any (refer note 5.5).

The previous accounting policy was to charge depreciation to income on leasehold land applying the straight-line method whereby the cost of the land are being written off over its useful life.

The new accounting policy was adopted on July 1, 2012 and has been applied retrospectively. Management judges that the change in policy will result in the unconsolidated financial statements providing more reliable and relevant information.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

The impacts of the change in accounting policy on the prior periods' unconsolidated financial statements have been summarized below:

	2012	2011
	(Rupees in '000)	
Increase in un-appropriated profit	1,880	1,880
Increase in property, plant & equipment	1,880	1,880
Decrease in cost of sales	1,880	1,880
Increase in profit after tax	1,880	1,880
Increase in earnings per share - Basic and diluted	0.04	0.04

## 4 SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of preparation

These unconsolidated financial statements comprise unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows and unconsolidated statement of changes in equity together with explanatory notes and have been prepared under the 'historical cost convention' except certain items of property, plant and equipment, which have been stated at revalued amount and loans and receivables that are not held for trading, are stated at amortized cost. Staff retirement benefits are carried at present value.

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

### 4.2 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 period in which the estimates are revised. Significant areas requiring the use of management estimates in these unconsolidated financial statements relate to the following:

a) Provisions for doubtful debts	Note 5.15
b) Useful life of depreciable and amortizable assets	5.5
c) Estimates of recoverable amounts of inventories	5.9
d) Loans and receivables	5.10

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.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 5 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 3 and 5.5 to the unconsolidated financial statements.

### 5.1 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.

### 5.2 Staff retirement benefits

Defined benefit plans

#### *Staff gratuity scheme (un-funded)*

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 recommendations using the projected unit credit method. The results of valuation are summarized in note 22.3.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the balance sheet date exceeds ten percent of the higher of defined benefit obligation and fair value of the plan assets at end of the previous reporting period. These gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

#### *Staff gratuity scheme (funded)*

During the year, the Company terminated its approved funded staff gratuity scheme effective December 31, 2012. The liability recognized in the balance sheet in respect of defined benefit gratuity scheme is based on the terminal value i.e. the benefits to be paid to the permanent employees who completed qualifying period under the scheme. All the unrecognized actuarial gains or losses and past service cost have been recognized in the profit and loss account during the current year.

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.

### 5.3 Taxation

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.

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

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

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 Company takes into account the current income tax law and decisions taken by the taxation authorities.

## 5.4 Borrowing cost

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.

## 5.5 Property, plant and equipment, and depreciation

### *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.

The Company 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.

### *Measurement subsequent to initial recognition*

#### *Carried using revaluation model*

Building on lease hold 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 less any subsequent accumulated impairment losses (refer note 3). 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.

#### *Carried using cost model*

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

### *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.

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.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

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

## *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. The said section was amended through the Companies (Amendment) Ordinance, 2002 and 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.

### 5.5.1 Capital work in progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date and represents expenditure incurred on property, plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets start operation.

### 5.5.2 Intangible assets

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).

### 5.6 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 properties 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.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 5.7 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 income.

## 5.8 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 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.

## 5.9 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 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.

## 5.10 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. 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 installments through salary of the employees.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

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

## 5.12 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.

## 5.13 Revenue recognition

Sales are recorded on dispatch of goods and in case of export when the goods are shipped. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

Toll manufacturing income is recognized when services are rendered.

Dividend income is recognized when the Company's right of receipts is established.

Bank profit and commission income is recognized on accrual basis.

## 5.14 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.

## 5.15 Provisions

Provisions are recognized in the unconsolidated balance sheet when the Company has a legal or constructive obligation as a result of past events, 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.

## 5.16 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.

## 5.17 Financial instruments

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, investment, trade and other receivables, loans, advances and deposits.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

Financial liabilities carried on the unconsolidated 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 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.

## 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.

## 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.

## 5.18 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.

## 5.19 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.

## 5.20 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.

## 5.21 General

Figures have been rounded-off to nearest thousand rupee.

6	PROPERTY, PLANT AND EQUIPMENT	Note	(Restated)	
			2013 (Rupees in '000)	2012
	Operating assets	6.1	575,874	2,533,737
	Capital work in progress - at cost	6.7	765	131,236
			<u>576,639</u>	<u>2,664,973</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

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, 2011 - Restated												
Cost / Revalued amount	273,976	175,439	604,277	32,352	22,384	92,942	53,414	1,254,784	13,500	24,627	38,127	1,292,911
Accumulated depreciation	-	(95,432)	(372,349)	(28,122)	(13,797)	(69,460)	(41,268)	(620,428)	(2,025)	(8,195)	(10,220)	(630,648)
Net book amount	<u>273,976</u>	<u>80,007</u>	<u>231,928</u>	<u>4,230</u>	<u>8,587</u>	<u>23,482</u>	<u>12,146</u>	<u>634,356</u>	<u>11,475</u>	<u>16,432</u>	<u>27,907</u>	<u>662,263</u>
Year ended June 30, 2012 - Restated												
Opening net book amount	273,976	80,007	231,928	4,230	8,587	23,482	12,146	634,356	11,475	16,432	27,907	662,263
Additions	1,915,871	-	36,809	1,379	-	9,520	875	1,964,454	-	-	-	1,964,454
Transfers												
Cost / Revalued amount	-	-	-	-	-	8,334	-	8,334	-	(8,334)	(8,334)	-
Accumulated depreciation	-	-	-	-	-	(4,699)	-	(4,699)	-	4,699	4,699	-
	-	-	-	-	-	3,635	-	3,635	-	(3,635)	(3,635)	-
Disposal												
Cost / Revalued amount	-	-	(27,362)	(218)	-	(8,483)	-	(36,063)	-	-	-	(36,063)
Accumulated depreciation	-	-	18,136	120	-	7,762	-	26,018	-	-	-	26,018
	-	-	(9,226)	(98)	-	(721)	-	(10,045)	-	-	-	(10,045)
Depreciation charge	-	(8,700)	(49,868)	(2,441)	(1,679)	(10,712)	(4,116)	(77,516)	(1,350)	(4,069)	(5,419)	(82,935)
Closing net book amount	<u>2,189,847</u>	<u>71,307</u>	<u>209,643</u>	<u>3,070</u>	<u>6,908</u>	<u>25,204</u>	<u>8,905</u>	<u>2,514,884</u>	<u>10,125</u>	<u>8,728</u>	<u>18,853</u>	<u>2,533,737</u>
As at June 30, 2012 - Restated												
Cost / Revalued amount	2,189,847	175,439	613,724	33,513	22,384	102,313	54,289	3,191,509	13,500	16,293	29,793	3,221,302
Accumulated depreciation	-	(104,132)	(404,081)	(30,443)	(15,476)	(77,109)	(45,384)	(676,625)	(3,375)	(7,565)	(10,940)	(687,565)
Net book amount	<u>2,189,847</u>	<u>71,307</u>	<u>209,643</u>	<u>3,070</u>	<u>6,908</u>	<u>25,204</u>	<u>8,905</u>	<u>2,514,884</u>	<u>10,125</u>	<u>8,728</u>	<u>18,853</u>	<u>2,533,737</u>
Year ended June 30, 2013												
Opening net book amount	2,189,847	71,307	209,643	3,070	6,908	25,204	8,905	2,514,884	10,125	8,728	18,853	2,533,737
Additions	-	1,775	23,652	5,527	336	8,760	1,328	41,378	-	-	-	41,378
Transfers (refer note 6.8)												
Cost / Revalued amount	(1,915,871)	-	13,500	-	-	10,833	-	(1,891,538)	(13,500)	(10,833)	(24,333)	(1,915,871)
Accumulated depreciation	-	-	(4,275)	-	-	(6,504)	-	(10,779)	4,275	6,504	10,779	-
	(1,915,871)	-	9,225	-	-	4,329	-	(1,902,317)	(9,225)	(4,329)	(13,554)	(1,915,871)
Disposal												
Cost / Revalued amount	-	-	(3,761)	(885)	-	(18,209)	-	(22,855)	-	-	-	(22,855)
Accumulated depreciation	-	-	3,374	854	-	17,109	-	21,337	-	-	-	21,337
	-	-	(387)	(31)	-	(1,100)	-	(1,518)	-	-	-	(1,518)
Depreciation charge	-	(8,721)	(50,470)	(2,592)	(1,429)	(10,799)	(4,224)	(78,235)	(900)	(2,717)	(3,617)	(81,852)
Closing net book amount	<u>273,976</u>	<u>64,361</u>	<u>191,663</u>	<u>5,974</u>	<u>5,815</u>	<u>26,394</u>	<u>6,009</u>	<u>574,192</u>	<u>-</u>	<u>1,682</u>	<u>1,682</u>	<u>575,874</u>
As at June 30, 2013												
Cost / Revalued amount	273,976	177,214	647,115	38,155	22,720	103,697	55,617	1,318,494	-	5,460	5,460	1,323,954
Accumulated depreciation	-	(112,853)	(455,452)	(32,181)	(16,905)	(77,303)	(49,608)	(744,302)	-	(3,778)	(3,778)	(748,080)
Net book amount	<u>273,976</u>	<u>64,361</u>	<u>191,663</u>	<u>5,974</u>	<u>5,815</u>	<u>26,394</u>	<u>6,009</u>	<u>574,192</u>	<u>-</u>	<u>1,682</u>	<u>1,682</u>	<u>575,874</u>
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 amounting to Rs. 88.375 million in the process of lease hold land.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

- 6.2 The Company had revalued its lease hold land, building on lease hold land, plant and machinery, vehicles and air-conditioning system as at March 31, 2010. The revaluation was performed by an independent revaluer, M/s. Asif Associates (Private) Limited on the basis of current market value. The surplus arising as a result of this revaluation was not material, therefore, no effect of revaluation adjustment had been taken in the financial statements for the year ended June 30, 2010. These assets were also revalued earlier as at June 30, 2004 by Iqbal A. Nanjee on the basis of current market value. These assets have been carried at such revalued amounts.
- 6.3 Had there been no revaluation of lease hold land, building on lease hold land, plant and machinery, vehicles and air-conditioning system the cost and written down value of revalued assets would have been as follows:

	Cost		Written down value	
	2013	(Restated) 2012	2013	(Restated) 2012
	(Rupees in '000)		(Rupees in '000)	
Owned assets				
Lease hold land	273,976	2,021,684	273,976	2,021,684
Building on lease hold land	139,580	137,805	60,596	63,778
Plant and machinery	452,858	417,743	173,534	173,041
Vehicles	102,642	99,688	26,394	25,204
Air conditioning system	19,154	17,826	2,363	1,612
	<u>988,210</u>	<u>2,694,746</u>	<u>536,863</u>	<u>2,285,319</u>
Leased assets				
Plant and machinery	-	13,500	-	10,125
Vehicles	5,460	16,293	1,683	8,729
	<u>5,460</u>	<u>29,793</u>	<u>1,683</u>	<u>18,854</u>
	<u>993,670</u>	<u>2,724,539</u>	<u>538,546</u>	<u>2,304,173</u>

- 6.4 The depreciation expense has been allocated as follows:
- |                                   | Note | 2013             | (Restated)<br>2012 |
|-----------------------------------|------|------------------|--------------------|
|                                   |      | (Rupees in '000) |                    |
| Cost of goods sold                | 28   | 67,737           | 67,969             |
| Selling and distribution expenses | 29   | 8,860            | 10,020             |
| Administrative expenses           | 30   | 5,256            | 4,946              |
|                                   |      | <u>81,853</u>    | <u>82,935</u>      |

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

	Cost/ Revalued amount	Accumulated depreciation	Net book amount	Sale proceeds	Gain/ (Loss)	Realization of surplus	Mode of disposal	Particulars of buyers
	------(Rupees in '000)-----							
Plant & machinery	693	631	62	15	(47)	62	Negotiation	Mr. Sadiq, Flat No. 18, Rahat Apartment, Block-L, North Nazimabad, Karachi
	927	846	81	21	(60)	81	Negotiation	-do-
	558	386	172	41	(131)	-	Negotiation	-do-
Sub-total	2,178	1,863	315	77	(238)	143		

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	Cost/ Revalued amount	Accumulated depreciation	Net book amount	Sale proceeds	Gain/ (Loss)	Realization of surplus	Mode of disposal	Particulars of buyers
------(Rupees in '000)-----								
Vehicles	1,429	1,333	96	600	504	-	Full and final settle- ment	Mr. A.M. Jalaluddin (Employee) House No. A-395, Block N, Sakhi Hassan, North Nazimabad, Karachi.
	454	348	106	280	174	-	Full and final settle- ment	Mr. Moinuddin Khan (Employee) House No. 9/19, Beadon Road, Lahore.
	612	41	571	587	16	-	Insurance claim	PICIC Insurance Limited, 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi.
	787	616	171	775	604	-	Negotiation	Mr. Gul Farhan (Employee) Laal Pura, Nai Abadi, Muzaffar Pur, Sialkot.
	470	313	157	410	253	-	Insurance claim	PICIC Insurance Limited, 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi.
Sub-total	3,752	2,651	1,101	2,652	1,551	-		

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

Plant & machinery	1,582	1,510	72	74	2	73
Office equipment	880	850	30	56	26	-
Vehicles	14,463	14,463	-	10,186	10,186	-
Sub-total	16,925	16,823	102	10,316	10,214	73
Total	<u>22,855</u>	<u>21,337</u>	<u>1,518</u>	<u>13,045</u>	<u>11,527</u>	<u>216</u>
2012	<u>36,063</u>	<u>26,018</u>	<u>10,045</u>	<u>8,982</u>	<u>(1,063)</u>	<u>866</u>

6.6 The gain on disposal of property, plant and equipment has been accounted for as follows:

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
Other operating income	32	11,765	4,978
Other operating expenses	33	<u>(238)</u>	<u>(6,041)</u>
		<u>11,527</u>	<u>(1,063)</u>

6.7 Movement in capital work in progress

Balance as at July 1		131,236	48,620
Add: Additions during the year - civil works		143,056	82,616
Less: Transfer to investment property	8.2	<u>(273,527)</u>	-
Balance as at June 30		<u>765</u>	<u>131,236</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

- 6.8 During the year, leasehold land amounting to Rs. 1.916 billion has been transferred from property, plant and equipment to investment property (refer note 8.1)

## 7 INTANGIBLE ASSETS

	Distribution rights	Brand name & logo	Software licenses	Total
------(Rupees in '000)-----				
As at June 30, 2011				
Cost	76,275	74,703	10,711	161,689
Accumulated amortization	(74,039)	(26,787)	(8,751)	(109,577)
Net book amount	<u>2,236</u>	<u>47,916</u>	<u>1,960</u>	<u>52,112</u>
Year ended June 30, 2012				
Opening net book amount	2,236	47,916	1,960	52,112
Amortization charge	(2,236)	(5,000)	(1,846)	(9,082)
Closing net book amount	<u>-</u>	<u>42,916</u>	<u>114</u>	<u>43,030</u>
As at June 30, 2012				
Cost	76,275	74,703	10,711	161,689
Accumulated amortization	(76,275)	(31,787)	(10,597)	(118,659)
Net book amount	<u>-</u>	<u>42,916</u>	<u>114</u>	<u>43,030</u>
Year ended June 30, 2013				
Opening net book amount	-	42,916	114	43,030
Additions	-	-	1,310	1,310
Amortization charge	-	(5,000)	(332)	(5,332)
Closing net book amount	<u>-</u>	<u>37,916</u>	<u>1,092</u>	<u>39,008</u>
As at June 30, 2013				
Cost	76,275	74,703	12,021	162,999
Accumulated amortization	(76,275)	(36,787)	(10,929)	(123,991)
Net book amount	<u>-</u>	<u>37,916</u>	<u>1,092</u>	<u>39,008</u>
Remaining useful life in years	<u>-</u>	<u>7.4</u>	<u>2</u>	

- 7.1 Software licenses include various licenses and enterprise resources planning software.

	Note	2013 (Rupees in '000)	2012
8 INVESTMENT PROPERTY			
Leasehold land - at cost	8.1	1,915,871	-
Investment property under work in progress - at cost	8.2	273,527	-
		<u>2,189,398</u>	<u>-</u>
8.1 Movement in leasehold land under investment property - at cost			
Balance as at July 1		-	-
Add: Transfer from operating assets	6.8	1,915,871	-
Balance as at June 30		<u>1,915,871</u>	<u>-</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
8.2 Movement in investment property under work in progress - at cost			
Balance as at July 1		-	-
Add: Transfer from capital work in progress	6.7	<u>273,527</u>	-
Balance as at June 30		<u>273,527</u>	-
8.3 Leasehold land classified under investment property has been valued under the market value basis by an independent valuer, M/s. Asif Associates (Private) Limited. Market value of the property based on the valuation as of August 28, 2013 was Rs. 1.904 billion.			
	Note	2013 (Rupees in '000)	2012
9 LONG-TERM INVESTMENTS - IN RELATED PARTIES			
Quoted subsidiary - at cost	9.1	100,000	100,000
Unquoted subsidiaries - at cost	9.2	<u>800</u>	-
		<u>100,800</u>	<u>100,000</u>
9.1 This represents 10,000,000 (2012: 10,000,000) fully paid ordinary shares of Rs. 10 each in IBL HealthCare Limited. The proportion of ownership interest of the Company is 50% (2012: 50%).			
9.2 This represents equal investment in wholly owned subsidiaries namely Searle Pharmaceuticals (Private) Limited and Searle Laboratories (Private) Limited by subscribing 40,000 (2012: Nil) fully paid ordinary shares of Rs. 10 each in both the subsidiaries.			
	Note	2013 (Rupees in '000)	2012
10 LONG-TERM LOANS			
Secured - Considered good	10.1	1,847	1,556
Less: Current portion of long term loans shown under current assets	14	<u>(1,065)</u>	<u>(1,410)</u>
		782	146
Considered doubtful		-	1,174
Less: Accumulated impairment loss	10.2	<u>-</u>	<u>(1,174)</u>
		-	-
		<u>782</u>	<u>146</u>
10.1 These include auto loans to employees (excluding executive employees) which are secured against provident fund balance of respective employees.			
10.2 The movement of provision for doubtful loans is as follows:			
	Note	2013 (Rupees in '000)	2012
Opening balance as at July 1		1,174	1,174
Reversal of provision made during the year	32	<u>(1,174)</u>	-
Closing balance as at June 30		<u>-</u>	<u>1,174</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>11 LONG TERM DEPOSITS</b>			
Deposit against rent		1,598	1,598
Security deposits against lease		<u>5,795</u>	<u>8,135</u>
		7,393	9,733
Less: Current maturity of security deposits against lease	15	<u>(1,148)</u>	<u>(3,108)</u>
		<u>6,245</u>	<u>6,625</u>
<b>12 STOCK-IN-TRADE</b>			
Raw materials		213,141	269,795
Packing materials		119,320	121,971
Work-in-process	28	74,309	47,724
Finished goods	28	108,384	103,264
Materials in transit		<u>54,188</u>	<u>16,477</u>
		<u>569,342</u>	<u>559,231</u>
<b>13 TRADE DEBTS</b>			
Considered good			
- Secured: Export debtors		61,592	38,458
- Unsecured: Due from:			
- associated companies	13.1, 13.3 & 41.1	1,071,559	876,454
- others		<u>165,235</u>	<u>168,622</u>
		<u>1,298,386</u>	<u>1,083,534</u>
Considered doubtful - others		<u>976</u>	<u>976</u>
Less: Provision for doubtful debts	13.2	<u>(976)</u>	<u>(976)</u>
		<u>-</u>	<u>-</u>
		<u>1,298,386</u>	<u>1,083,534</u>

13.1 The receivable is stated net of amounts payable aggregating Rs. 62.082 million (2012: Rs. 50.83 million) on account of expenses claimed by the associated company.

13.2 As at June 30, 2013, trade debts aggregating Rs. 0.976 million (2012: Rs. 0.976 million) were deemed to have been impaired. These balances are outstanding for more than 3 years. The movement of provision for doubtful debts is as follows:

	2013 (Rupees in '000)	2012 (Rupees in '000)
Opening balance as at July 1	976	976
Provisions/(Reversal) made	-	-
Closing balance as at June 30	<u>976</u>	<u>976</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

- 13.3 As at June 30, 2013, trade debts from related parties other than directors, chief executive and executives of the Company are as follows:

	2013	2012
	(Rupees in '000)	
IBL Operations (Private) Limited {formerly IBL Ops (Private) Limited}	1,058,753	865,716
United Brands Limited	12,404	10,219
Dunkin Donuts	-	26
Habitt	402	493
	<u>1,071,559</u>	<u>876,454</u>

- 13.4 In addition, some of the unimpaired trade debts are past due as at the reporting date. The aging of trade debts 'past due' but not impaired of related parties is as follows:

	2013	2012
	(Rupees in '000)	
<b>Age analysis</b>		
More than two months but less than four months	189,728	78,595
More than four months but less than one year	3,611	598
One year or more but less than two years	2,143	-
Two years and more	-	-
	<u>195,482</u>	<u>79,193</u>

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

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

## 14 LOANS AND ADVANCES

		2013	2012
		(Rupees in '000)	
<b>Considered good</b>			
Current portion of long-term loans	10	1,065	1,410
Advances to employees	14.1	22,962	18,946
Advances to suppliers		51,504	83,058
		74,466	102,004
Considered doubtful	14.2	51	51
Less: Provision for doubtful advances		(51)	(51)
		-	-
		<u>75,531</u>	<u>103,414</u>

- 14.1 These include advances to employees against salary, for house rent and expenses. These advances 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:

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	2013			2012		
	Executives	Non-executives	Total	Executives	Non-executives	Total
	----- (Rupees in '000) -----					
Opening balance	12,335	6,611	18,946	3,841	5,977	9,818
Disbursements	49,477	61,963	111,440	35,997	33,638	69,635
Repayments	(55,004)	(52,420)	(107,424)	(27,503)	(33,004)	(60,507)
Closing balance	<u>6,808</u>	<u>16,154</u>	<u>22,962</u>	<u>12,335</u>	<u>6,611</u>	<u>18,946</u>

14.2 As at June 30, 2013, loans and advance aggregating Rs. 0.051 million (2012: Rs. 0.051 million) were deemed to have been impaired. These balances are outstanding for more than 3 years. The movement of provision for doubtful advances is as follows:

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
Opening balance as at July 1		51	51
Provisions/(Reversal) made		-	-
Closing balance as at June 30		<u>51</u>	<u>51</u>

## 15 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Deposits			
- Current portion of security deposit against lease	11	1,148	3,108
- Trade deposits		24,716	30,599
Less: Provision for doubtful deposits	15.1	(2,640)	(2,640)
		<u>22,076</u>	<u>27,959</u>
		23,224	31,067
Prepayments		<u>40,217</u>	<u>37,223</u>
		<u>63,441</u>	<u>68,290</u>

15.1 As at June 30, 2013, trade deposits amounted to Rs. 13.99 million (2012: Rs. 17.08 million) were past due but not impaired. These balances are outstanding for more than one year. The movement of provision for doubtful deposits is as follows:

	2013 (Rupees in '000)	2012 (Rupees in '000)
Opening balance as at July 1	2,640	2,640
Provisions/(Reversal) made	-	-
Closing balance as at June 30	<u>2,640</u>	<u>2,640</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
16 OTHER RECEIVABLES			
Due from:			
- Subsidiary companies:			
- against staff salaries and benefits (IBL HealthCare Limited)		8,030	3,981
- against staff salaries expenses {Searle Pharmaceuticals (Private) Limited}		77	-
- Associated companies:			
IBL Operations (Private) Limited {formerly IBL Ops (Private) Limited} against mark-up on over due balance and staff salaries and benefits	16.1, 16.2 & 41.1	107,490	130,529
International Franchises Limited against staff salaries and benefits		1,231	-
United Distributors Pakistan Limited against staff salaries and benefits		264	528
		108,985	131,057
Receivable from retirement benefit fund	16.3	9,698	1,826
Others, considered good	16.4	20,745	16,308
		<u>147,535</u>	<u>153,172</u>

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 and accordingly no mark-up has been charged since then.

16.2 As at June 30, 2013, due from associated company amounted to Rs. 94.07 million (2012: 129.53 million) were past due but not impaired. These balances are outstanding for more than one year.

## 16.3 Defined benefit scheme

### 16.3.1 General description

During the year, the Company has discontinued the scheme effective from December 31, 2012. For the current year, annual provision is based on actuarial valuation. The valuation was carried out as at December 31, 2012 by Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

The scheme provided for post employment benefits for all permanent employees who completed qualifying period of ten years of service with the Company and are entitled to one month's last drawn basic salary for each completed year of such service.

### 16.3.2 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation:

	2013 %	2012 %
	per annum	
Expected return on plan assets	11	11
Estimated rate of increase in salary of the employees	12.5	12.5
Valuation discount rate	12.5	12.5

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>16.3.3 Reconciliation of provision for gratuity scheme</b>			
The amounts recognized in the balance sheet are as follow:			
Present value of defined benefit obligation	16.3.5	139,022	147,358
Fair value of plan assets	16.3.6	<u>(148,720)</u>	<u>(136,688)</u>
Deficit		(9,698)	10,670
Unrecognized actuarial losses		-	(12,496)
Net asset		<u>(9,698)</u>	<u>(1,826)</u>
<b>16.3.4 Movement in the net asset recognized in the balance sheet</b>			
Opening net asset		(1,826)	(1,900)
Charge for the year	16.3.7	677	16,862
Contributions made during the year		<u>(8,549)</u>	<u>(16,788)</u>
Closing net asset		<u>(9,698)</u>	<u>(1,826)</u>
<b>16.3.5 Movement in the present value of defined benefit obligation</b>			
Balance at July 1		147,358	149,723
Current service component	16.3.9	(21,100)	11,536
Interest cost		8,639	18,894
Benefits paid		(18,270)	(29,535)
Actuarial gain on obligation		22,395	(3,260)
Balance at June 30		<u>139,022</u>	<u>147,358</u>
<b>16.3.6 Movement in the present value of plan assets</b>			
Balance as at July 1		136,688	138,107
Expected return on plan assets		7,753	13,567
Actuarial gain / (loss)		14,000	(2,239)
Contributions made during the year		8,549	16,788
Benefits paid		<u>(18,270)</u>	<u>(29,535)</u>
Balance at June 30		<u>148,720</u>	<u>136,688</u>
<b>16.3.7 The amounts recognized in the profit and loss account</b>			
Current service component	16.3.9	(21,100)	11,536
Interest cost		8,639	18,893
Expected return on plan assets		(7,753)	(13,567)
Actuarial gain recognized during the year		20,891	-
		<u>677</u>	<u>16,862</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	2013	2012	2011	2010	2009
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	139,022	147,358	149,723	129,798	115,044
Fair value of plan assets	(148,720)	(136,688)	(138,107)	(116,509)	(97,071)
Deficit/(Surplus)	<u>(9,698)</u>	<u>10,670</u>	<u>11,616</u>	<u>13,289</u>	<u>17,973</u>
Experience adjustments on defined benefit obligation [gain/(loss)]	<u>(22,395)</u>	<u>3,260</u>	<u>4,344</u>	<u>(1,539)</u>	<u>(7,306)</u>
Experience adjustments on plan assets [(loss)/gain]	<u>14,000</u>	<u>(2,239)</u>	<u>(5,665)</u>	<u>5,894</u>	<u>(11,875)</u>

16.3.8 The actual return on plan assets during the year was Rs. 28.235 million (2012: Rs. 11.33 million).

16.3.9 The current service component consists of the element of gain on settlement.

16.4 This includes Rs. 15 million (2012: Rs. 15 million) receivable from Sanofi-Aventis Pakistan Limited, as consideration for early termination of license agreement for manufacture, selling, and marketing of Sanofi Aventis's pharmaceutical products.

	2013	2012
17 CASH AND BANK BALANCES	(Rupees in '000)	
Cash in hand	840	726
Cash with banks in:		
- deposit accounts	-	989
- current accounts	<u>11,898</u>	<u>7,304</u>
	<u>12,738</u>	<u>9,019</u>

## 18 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
(Number of shares)				
3,969,000	3,969,000	Ordinary shares of Rs. 10 each fully paid in cash	39,690	39,690
24,000	24,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	240	240
43,172,245	29,696,461	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	431,722	296,965
<u>47,165,245</u>	<u>33,689,461</u>		<u>471,652</u>	<u>336,895</u>

### 18.1 Movement in number of shares

	2013	2012
	(Number of shares)	
Number of shares at beginning of the year	33,689,461	30,626,783
Bonus shares issued during the year	<u>13,475,784</u>	<u>3,062,678</u>
Number of shares at end of the year	<u>47,165,245</u>	<u>33,689,461</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 18.2 Capital management policies and procedures

The Company's objective when managing above capital are:

- to safe guard 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.

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 commensurating to the circumstances.

## 19 SURPLUS ON REVALUATION OF FIXED ASSETS - net of deferred tax

This represents surplus resulting from revaluation of lease hold land, building on lease hold land, plant and machinery, vehicles and air conditioning system originally carried out on June 30, 2004 by surveyors M/s. Iqbal A. Nanjee & Co. on the basis of current market value. However, the carrying amount based on above revaluation did not materially differ from the fair market value determined by an independent valuer, M/s. Asif Associates (Private) Limited as on March 31, 2010.

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

	Note	2013 (Rupees in '000)	2012
Surplus on revaluation of property, plant and equipment as at July 1		177,692	206,181
Transferred to accumulated profit:			
- Surplus relating to incremental depreciation transferred to accumulated profit during the year - net of deferred tax		(17,788)	(17,952)
Realization of surplus on revaluation of fixed assets on disposal (net of tax)		(140)	(566)
Related deferred tax liability		(8,163)	(9,971)
		<u>(26,091)</u>	<u>(28,489)</u>
		151,601	177,692
Less: Related deferred tax liability on:			
- Revaluation		(16,309)	(26,280)
- Incremental depreciation charged during the year transferred to profit and loss account		8,163	9,971
	22.2	<u>(8,146)</u>	<u>(16,309)</u>
Surplus on revaluation of property, plant and equipment as at June 30		<u>143,455</u>	<u>161,383</u>
<b>20 LONG TERM FINANCES - secured</b>			
Syndicated finance - from banking companies	20.1	966,667	1,000,000
Less: Current portion of long term finances shown under current liabilities		(108,333)	(33,333)
		<u>858,334</u>	<u>966,667</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

20.1 The Company has arranged syndicate term finance facilities of Rs. 1 billion for a tenure of three to five years from Habib Bank Limited, Standard Chartered Bank (Pakistan) Limited and Bank of Punjab, collectively referred to as Lead Advisors and Arrangers. The facilities are repayable from November 2012 till December 2016.

The mark-up on above facilities is six months KIBOR plus 2.5% per annum, payable semi-annually in arrears. The facility is secured by:

- 1st pari passu mortgage over all present and future immovable assets of the Company with a 25% security margin.
- 1st pari passu charge with 25% security margin over land (and other immovable assets) located at Plot No. 24A/1 & 2-A, Delhi Mercantile Muslim Co-operative Housing Society, Block 7 & 8, Main Shahrah-e-Faisal, Karachi.

## 21 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The Company has entered into arrangements with various leasing companies for lease of plant and machinery and motor vehicles. Lease rentals include financial charges ranging from 11.38% to 14.4% (2012: 14% to 16.68%) per annum which have been used as discount factor and are payable in monthly rentals. The Company has option to purchase the assets upon completion of lease period.

The amount of the future lease rentals and the periods in which these payments will become due are:

	2013			2012		
	Minimum lease payments	Financial charges allocated to future periods	Present value of minimum lease payments	Minimum lease payments	Financial charges allocated to future periods	Present value of minimum lease payments
	----- (Rupees in '000) -----					
Up to one year	1,334	138	1,196	10,905	721	10,184
Later than one year and not later than five years	1,102	16	1,086	2,484	190	2,294
	<u>2,436</u>	<u>154</u>	<u>2,282</u>	<u>13,389</u>	<u>911</u>	<u>12,478</u>

## 22 DEFERRED LIABILITIES

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
Deferred taxation	22.1	40,443	52,000
Staff retirement gratuity - unfunded	22.3	<u>29,420</u>	<u>26,008</u>
		<u>69,863</u>	<u>78,008</u>
22.1 Balance at beginning of the year		52,000	55,732
Reversed during the year	35	<u>(11,557)</u>	<u>(3,732)</u>
Balance at end of the year		<u>40,443</u>	<u>52,000</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

22.2 The net balance of deferred taxation is in respect of following temporary differences:

	2013	2012
	(Rupees in '000)	
Credit balance arising on account of:		
Property, plant and equipment	35,262	36,847
Surplus on revaluation of property, plant and equipment	8,146	16,309
Finance lease arrangements	-	2,023
	43,408	55,179
Debit balance arising on account of:		
Finance lease arrangements	(191)	-
Intangible assets	(1,605)	(2,016)
Provisions for staff retirement gratuity, doubtful debts and doubtful refunds	(1,169)	(1,163)
	(2,965)	(3,179)
	<u>40,443</u>	<u>52,000</u>

Provision for deferred taxation has been calculated only to the extent of those temporary differences that do not relate to the income falling under Final Tax Regime of the Income Tax Ordinance, 2001.

22.3 Staff retirement gratuity - unfunded

22.3.1 General description

The scheme provides for post employee 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 of such service.

Annual provision is based on actuarial valuation. The valuation was carried out as at June 30, 2013 by Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

22.3.2 Principal actuarial assumptions

	2013	2012
	%	
	per annum	
Following principal actuarial assumptions were used for the valuation:		
Estimated rate of increase in salary of the employees	12	12.5
Discount rate	12	12.5

22.3.3 Reconciliation of provision for gratuity scheme

The amounts recognized in the balance sheet are as follows:

	2013	2012
	(Rupees in '000)	
Present value of defined benefit obligation	27,821	24,829
Fair value of plan assets	-	-
Deficit	<u>27,821</u>	<u>24,829</u>
Unrecognized actuarial gains	1,599	1,179
Net liability	<u>29,420</u>	<u>26,008</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
22.3.4 Movements in the net liability recognized in the balance sheet			
Opening net liability		26,008	22,941
Charge for the year	22.3.5	4,174	4,178
Paid during the year		(762)	(1,111)
		<u>29,420</u>	<u>26,008</u>
22.3.5 The amounts recognized in the profit and loss account			
Current service cost		1,118	1,086
Interest cost		3,056	3,092
		<u>4,174</u>	<u>4,178</u>
<b>23 TRADE AND OTHER PAYABLES</b>			
Creditors		392,867	154,926
Bills payable in foreign currency		259,441	268,566
Accrued liabilities		268,593	349,880
Advance from customers		6,344	7,977
Unclaimed dividend		8,952	7,949
Workers' Profits Participation Fund	23.1	41,707	31,535
Workers' Welfare Fund		19,551	16,470
Sales tax and excise duty payable		6,431	2,036
Other liabilities		6,897	6,980
		<u>1,010,783</u>	<u>846,319</u>
23.1 Worker's Profits Participation Fund			
Balance at beginning of the year		31,535	28,069
Contribution for the year	33	40,776	30,175
		<u>72,311</u>	<u>58,244</u>
Interest on funds utilized in the Company's business at 37.5 % (2012: 22.5 %)	34	4,247	3,462
		<u>76,558</u>	<u>61,706</u>
Less: Payments made during the year		(34,851)	(30,171)
Balance at end of the year		<u>41,707</u>	<u>31,535</u>
23.2 The corresponding period figures have been re-arranged where considered necessary for the purpose of better presentation.			
<b>24 ACCRUED MARK-UP</b>			
Accrued markup on:		2013	2012
		(Rupees in '000)	
Long term finances - secured		9,598	11,926
Finance lease obligation - secured		4	127
Short-term finances - secured		11,926	23,448
		<u>21,528</u>	<u>35,501</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 25 SHORT-TERM FINANCES - Secured

Running finances under mark-up arrangements	25.1	<u>319,935</u>	<u>655,096</u>
---------------------------------------------	------	----------------	----------------

25.1 The Company has arranged syndicated running finances under mark-up arrangements of Rs. 945 million (2012: Rs. 945 million). The mark-up on running finances ranges between 10.78% to 14.22% (2012: 13.41% to 15.79%) per annum.

The running finances under mark-up arrangements are secured jointly by registered mortgage of Rs. 172.5 million (2012: Rs. 172.5 million) of immovable property together with joint pari passu charge on all current assets of the Company to the extent of Rs. 1,389 million (2012: Rs. 1,389 million). These short term facilities were 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 20).

## 26 CONTINGENCIES AND COMMITMENTS

### Contingencies

26.1 The facility for opening letters of credit (LCs) acceptances and guarantees as at June 30, 2013 amounted to Rs. 665 million (2012: Rs. 650 million) of which the amount remaining unutilized as at that date was Rs. 237 million (2012: Rs. 276 million).

26.2 During the last year the Company has given a corporate guarantee amounting to Rs. 35 million against letter of credit facility availed by United Distributors Pakistan Limited, a related party.

### Commitments

#### 26.3 Future rentals payable against operating lease arrangements

During the year ended June 30, 2011, the Company obtained factory building at Karachi on rent for a period of 5 years.

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

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

2013                      2012  
(Rupees in '000)

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

Not later than one year	31,225	28,500
Later than one year and not later than five years	94,920	102,212
Later than five years	288,021	307,029
	<u>414,166</u>	<u>437,741</u>

The above also includes ujjrah payments for ijjrah financing of motor vehicles.

- 26.4 During the last year, the Company entered into architect work and project management agreement with Arshad Shahid Abdulla (Private) Limited, a related party for head office renovation. The aggregate amount of such commitment is Rs. 0.58 million. During the last year, the Company entered into architect work and project management agreements with the same company and civil and plumbing works agreements with M/s. Total Construction for the construction of a plaza located at Shahra-e-Faisal, Karachi. The aggregate amount of such commitments is Rs. 2.8 million (2012: Rs. 24.26 million).

## 27 NET SALES

	Pharma		Consumer		Total	
	2013	2012	2013	2012	2013	2012
	----- ( Rupees in '000 ) -----					
Sales						
Local	4,401,382	4,101,622	588,100	566,893	4,989,482	4,668,515
Export	222,689	277,343	18,027	31,666	240,716	309,009
	4,624,071	4,378,965	606,127	598,559	5,230,198	4,977,524
Less:						
Sales returns & discounts	161,160	217,760	64,731	12,027	225,891	229,787
Sales tax & excise duty	-	-	91,653	56,846	91,653	56,846
	161,160	217,760	156,384	68,873	317,544	286,633
	4,462,911	4,161,205	449,743	529,686	4,912,654	4,690,891
Add: Toll manufacturing	232,807	240,923	5,031	4,913	237,838	245,836
Less : Sales tax	-	-	694	678	694	678
	232,807	240,923	4,337	4,235	237,144	245,158
	<u>4,695,718</u>	<u>4,402,128</u>	<u>454,080</u>	<u>533,921</u>	<u>5,149,798</u>	<u>4,936,049</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 28 COST OF SALES

	Pharma		Consumer		Total	
	2013	2012	2013	2012	2013	2012
	----- ( Rupees in '000 )-----					
Raw and packing material consumed	1,683,212	1,659,259	169,623	211,210	1,852,835	1,870,469
Processing charges paid to third parties	261,004	149,881	-	-	261,004	149,881
	<u>1,944,216</u>	<u>1,809,140</u>	<u>169,623</u>	<u>211,210</u>	<u>2,113,839</u>	<u>2,020,350</u>
Factory expenses						
Salaries wages and benefits (refer note 28.1)	216,328	215,306	21,800	27,407	238,128	242,713
Provision for staff gratuity (unfunded)	2,184	2,135	220	272	2,404	2,407
Gratuity fund contribution	920	3,443	93	438	1,013	3,881
Provident fund contribution	5,066	4,774	511	608	5,577	5,382
Carriage and duties	4,187	12,165	422	1,549	4,609	13,714
Fuel, water and power	50,082	47,352	5,047	6,028	55,129	53,380
Rent and taxes	9,156	13,534	923	1,723	10,079	15,257
Communication	887	874	89	111	976	985
Stationery and supplies	1,482	2,641	149	336	1,631	2,977
Traveling	10,601	8,738	1,068	1,112	11,669	9,850
Advertisement	372	9	37	1	409	10
Entertainment	32	145	3	18	35	163
Repairs and maintenance	47,168	41,636	4,753	5,300	51,921	46,936
Medical expenses	2,816	1,991	284	253	3,100	2,244
Personal training and selection	123	69	12	9	135	78
Vehicle expenses	5,691	5,301	573	675	6,264	5,976
Subscription	48	40	5	5	53	45
Legal and professional charges	4,990	3,169	503	403	5,493	3,572
Depreciation (refer note 6.4)	61,536	60,283	6,201	7,686	67,737	67,969
Insurance	2,369	2,008	239	256	2,608	2,264
Corporate services charged by associated company (refer note 41.1)	1,308	1,277	132	163	1,440	1,440
Sundries	12,224	12,646	1,232	1,610	13,456	14,256
	<u>439,570</u>	<u>439,536</u>	<u>44,296</u>	<u>55,963</u>	<u>483,866</u>	<u>495,499</u>
	<u>2,383,786</u>	<u>2,248,676</u>	<u>213,919</u>	<u>267,173</u>	<u>2,597,705</u>	<u>2,515,849</u>
Work in process as at July 1 (refer note 12)	47,724	73,640	-	-	47,724	73,640
	<u>2,431,510</u>	<u>2,322,316</u>	<u>213,919</u>	<u>267,173</u>	<u>2,645,429</u>	<u>2,589,489</u>
Work in process as at June 30 (refer note 12)	(74,309)	(47,724)	-	-	(74,309)	(47,724)
	<u>2,357,201</u>	<u>2,274,592</u>	<u>213,919</u>	<u>267,173</u>	<u>2,571,120</u>	<u>2,541,765</u>
Finished goods as at July 1 (refer note 12)	89,996	120,747	13,268	9,075	103,264	129,822
Finished goods purchased	255,039	229,904	29,949	47,021	284,988	276,925
	345,035	350,651	43,217	56,096	388,252	406,747
Cost of samples manufactured	(44,389)	(40,658)	-	-	(44,389)	(40,658)
Finished goods as at June 30 (refer note 12)	(98,629)	(89,996)	(9,755)	(13,268)	(108,384)	(103,264)
Cost of sales	<u>2,559,218</u>	<u>2,494,589</u>	<u>247,381</u>	<u>310,001</u>	<u>2,806,599</u>	<u>2,804,590</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

28.1 Salaries, wages and benefits include Rs. 56.38 million (2012: Rs. 62.27 million) in respect of contractual labour provided by Paksons (Private) Limited.

28.2 Employees Provident Fund	2013	2012
	(Rupees in '000)	
- Size of the fund	168,028	171,272
- Cost of investments made	159,878	140,575
- Fair value of investments	159,878	140,575
- Percentage of investments made	95.1%	82.1%

27.2.1 These figures have been obtained from unaudited financial statements of the fund for the year ended June 30, 2013.

28.3 The effect of change in accounting policy on the cost of sales is described as under:

		(Restated)	(As previously stated)
	2013	2012	2012
		(Rupees in '000)	
	Note		
Depreciation	6.4	<u>67,737</u>	<u>69,849</u>
Cost of sales		<u>2,806,599</u>	<u>2,806,470</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 29 SELLING AND DISTRIBUTION EXPENSES

	Pharma		Consumer		Total	
	2013	2012	2013	2012	2013	2012
	----- ( Rupees in '000 ) -----					
Salaries wages and benefits	329,042	269,165	33,159	34,262	362,201	303,427
Provision for staff gratuity (unfunded)	1,244	1,215	125	155	1,369	1,370
Gratuity fund contribution	8,596	9,913	866	1,262	9,462	11,175
Provident fund contribution	10,317	10,129	1,040	1,289	11,357	11,418
Services charges	15,642	25,052	1,576	-	17,218	25,052
Carriage and duties	70,136	67,460	7,068	8,587	77,204	76,047
Water and power	985	1,408	99	179	1,084	1,587
Rent and taxes	10,532	11,045	1,061	1,406	11,593	12,451
Communication	12,673	9,797	1,277	1,247	13,950	11,044
Stationery and supplies	5,740	6,468	579	823	6,319	7,291
Traveling	170,166	144,031	17,148	18,334	187,314	162,365
Advertising and promotion	181,228	154,206	18,263	19,629	199,491	173,835
Samples	62,713	64,099	6,320	8,159	69,033	72,258
Bonus to salesmen	57,249	86,233	5,769	10,977	63,018	97,210
Entertainment	724	1,010	73	129	797	1,139
Repairs and maintenance	14,003	2,223	1,411	283	15,414	2,506
Medical expenses	4,361	3,692	440	470	4,801	4,162
Personal training and selection	14,818	3,804	1,493	484	16,311	4,288
Vehicle expenses	63,524	50,947	6,401	6,485	69,925	57,432
Insurance	4,762	10,997	480	1,400	5,242	12,397
Depreciation (refer note 6.4)	8,049	8,889	811	1,131	8,860	10,020
Subscription	11,820	11,560	1,191	1,472	13,011	13,032
Donation (refer note 29.1)	-	35	-	4	-	39
Replacement products	11,296	15,452	1,138	1,967	12,434	17,419
Royalty	3,728	14,347	376	1,826	4,104	16,173
Corporate services charged by associated company (refer note 41.1)	3,270	3,193	330	407	3,600	3,600
Legal and professional charges	7,898	6,746	796	859	8,694	7,605
Sundries	104	89	11	11	115	100
	<u>1,084,620</u>	<u>993,205</u>	<u>109,301</u>	<u>123,237</u>	<u>1,193,921</u>	<u>1,116,442</u>

29.1 Directors of the Company have no interest in the donee institution.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 30 ADMINISTRATIVE EXPENSES

	Pharma		Consumer		Total	
	2013	2012	2013	2012	2013	2012
	----- ( Rupees in '000 ) -----					
Salaries wages and benefits	55,899	50,374	5,633	6,412	61,532	56,786
Provision for staff gratuity (unfunded)	364	356	37	45	401	401
Gratuity fund contribution	1,091	1,602	110	204	1,201	1,806
Provident fund contribution	2,119	1,896	214	241	2,333	2,137
Carriage and duties	224	185	23	24	247	209
Water and power	259	212	26	27	285	239
Rent and taxes	3,700	3,508	373	447	4,073	3,955
Communication	3,652	2,955	368	376	4,020	3,331
Stationery and supplies	3,365	3,095	339	394	3,704	3,489
Traveling	5,240	4,770	528	607	5,768	5,377
Advertisement	520	474	52	60	572	534
Entertainment	89	56	9	7	98	63
Repairs and maintenance	13,511	10,426	1,361	1,327	14,872	11,753
Medical expenses	3,767	2,874	380	366	4,147	3,240
Personal training and selection	122	39	12	5	134	44
Vehicle expenses	3,461	2,966	349	378	3,810	3,344
Insurance	2,372	2,706	239	345	2,611	3,051
Depreciation (refer note 6.4)	4,775	4,388	481	558	5,256	4,946
Subscription	36	287	4	37	40	324
Donation (refer note 30.1)	1,363	7,230	137	920	1,500	8,150
Corporate services charged by associated company (refer note 41.1)	1,962	1,916	198	244	2,160	2,160
Legal and professional charges	10,740	9,773	1,082	1,244	11,822	11,017
Sundries	895	399	90	51	985	450
	<u>119,526</u>	<u>112,487</u>	<u>12,045</u>	<u>14,319</u>	<u>131,571</u>	<u>126,806</u>

30.1 Directors of the Company have no interest in the donee institution except as stated in note 41.

## 31 OPERATING PROFIT

Net sales (refer note 27)	4,695,718	4,402,128	454,080	533,921	5,149,798	4,936,049
Cost of goods sold (refer note 28)	2,559,218	2,494,589	247,381	310,001	2,806,599	2,804,590
Selling and distribution expenses (refer note 29)	1,084,620	993,205	109,301	123,237	1,193,921	1,116,442
Administrative expenses (refer note 30)	119,526	112,487	12,045	14,319	131,571	126,806
Amortization of intangible assets (refer note 7)	5,332	9,082	-	-	5,332	9,082
	<u>3,768,696</u>	<u>3,609,363</u>	<u>368,727</u>	<u>447,557</u>	<u>4,137,423</u>	<u>4,056,920</u>
Operating profit	<u>927,022</u>	<u>792,765</u>	<u>85,353</u>	<u>86,364</u>	<u>1,012,375</u>	<u>879,129</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>32 OTHER OPERATING INCOME</b>			
Income from financial assets			
Profit on amounts placed in bank deposit accounts		-	63
Exchange gain		4,800	8,582
		<u>4,800</u>	<u>8,645</u>
Income from related parties			
Dividend income from IBL HealthCare Limited - subsidiary company		25,000	25,000
Rent income from International Franchises (Private) Limited - associated company		2,619	3,080
		<u>27,619</u>	<u>28,080</u>
Income from non-financial assets			
Gain on disposal of property, plant and equipment	6.6	11,765	4,978
Reversal of doubtful loans	10.2	1,174	-
Others		5,616	6,997
		<u>18,555</u>	<u>11,975</u>
		<u>50,974</u>	<u>48,700</u>
<b>33 OTHER OPERATING EXPENSES</b>			
Contribution to:			
- Workers' profits participation fund	23.1	40,776	30,175
- Workers' welfare fund		14,150	11,501
- Central research fund		7,606	5,618
Auditors' remuneration	33.1	1,723	1,601
Loss on disposal of property, plant and equipment	6.6	238	6,041
Exchange loss		15,831	18,948
		<u>80,324</u>	<u>73,884</u>
<b>33.1 Auditors' remuneration</b>			
Audit fee			
Annual audit		1,125	1,125
Half yearly review		250	250
Fee in respect of:			
Special reports and certifications		225	125
Out of pocket expenses		123	101
		<u>1,723</u>	<u>1,601</u>
<b>34 FINANCE COST</b>			
Lease finance charges		551	1,940
Mark-up on long term and running finances		211,668	116,767
Interest on workers' profits participation fund	23.1	4,247	3,462
Interest on gratuity fund		2,982	
Interest charged by associated/holding company	34.1	-	162,500
Arrangement fee for financing facilities		7,250	6,960
Bank charges		3,351	4,339
		<u>230,049</u>	<u>295,968</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

34.1 This represents compensation for delayed execution of agreement with International Brands (Private) Limited, holding company, for purchase of land.

	Note	2013 (Rupees in '000)	2012
35 INCOME TAX EXPENSE			
Current			
- For the year		240,465	177,679
- For prior years		-	5,639
		<u>240,465</u>	<u>183,318</u>
Deferred	22.1	<u>(11,557)</u>	<u>(3,732)</u>
		<u>228,908</u>	<u>179,586</u>

## 35.1 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 35% for the tax year 2012 (2012: 35%).

	2013 (Rupees in '000)	2012
35.2 Reconciliation of tax expense		
Accounting profit	<u>752,976</u>	<u>557,977</u>
Applicable tax rate	<u>35%</u>	<u>35%</u>
Tax on accounting profit at applicable rate	<u>263,542</u>	<u>195,292</u>
Tax effect of:		
Difference in method of lease accounting	3,308	3,351
Permanent differences	(43,614)	(31,650)
Temporary differences	12,612	14,707
Applicability of lower tax rate on certain income	(6,940)	(7,095)
Demand provided and raised during the year	-	5,639
Tax expense charged on income	<u>228,908</u>	<u>180,244</u>

## 35.3 Current status of tax assessments

Assessments of the Company for the assessment years 1995-1996 to 1999-2000, 2002-2003, tax years 2004, 2005, 2008, 2009 and 2010 are pending before various appellate forums in respect of issues related to certain disallowances. For all the cases, the Company has made provisions in the financial statements as per the assessed liability.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 36 EARNINGS PER SHARE - Basic and Diluted

	2013	(Restated) 2012
Basic earnings per share		
Profit for the year (Rupees in thousands)	<u>524,068</u>	<u>378,391</u>
Weighted average number of shares in thousands (2012: Restated)	<u>47,165</u>	<u>47,165</u>
Earnings per share (Rupees) (2012: Restated)	<u>11.11</u>	<u>8.02</u>
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, 2013.

## 37 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

	Note	2013 (Rupees in '000)	(Restated) 2012
Profit before tax		752,976	557,977
Adjustments for non-cash items:			
Depreciation	6.4	81,853	82,935
Amortization of intangible assets	7	5,332	9,082
(Gain)/Loss on disposal of property, plant and equipment (net)	32 & 33	(11,527)	1,063
Provision for staff retirement gratuity		15,850	21,040
Profit on amounts placed in bank deposit accounts	32	-	(63)
Financial charges	34	226,698	291,629
Net (increase)/decrease in working capital	37.1	<u>(85,645)</u>	<u>7,720</u>
		<u>985,537</u>	<u>981,749</u>

### 37.1 (Increase)/Decrease in working capital

#### Current assets

Decrease in stores and spares	43	375
(Increase)/Decrease in stock-in-trade	(10,111)	56,227
Increase in trade debts	(214,852)	(112,186)
Decrease in trade deposits and short term prepayments	4,849	1,148
(Increase)/Decrease in other receivables	<u>(29,035)</u>	<u>37,694</u>
	<u>(249,106)</u>	<u>(16,742)</u>

#### Current liabilities

Increase in trade and other payables	<u>163,461</u>	<u>24,462</u>
Net (increase)/decrease in working capital	<u>(85,645)</u>	<u>7,720</u>

## 38 CASH AND CASH EQUIVALENTS

Cash and bank balances	17	12,738	9,019
Running finances under markup arrangement	25	<u>(319,935)</u>	<u>(655,096)</u>
		<u>(307,197)</u>	<u>(646,077)</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 39 SEGMENT INFORMATION

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

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

- 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	
	2013	(Restated) 2012	2013	(Restated) 2012	2013	(Restated) 2012	2013	(Restated) 2012
----- ( Rupees in '000 ) -----								
Segment revenue	<u>4,695,718</u>	<u>4,402,128</u>	<u>454,080</u>	<u>533,921</u>	<u>-</u>	<u>-</u>	<u>5,149,798</u>	<u>4,936,049</u>
Segment result	<u>927,022</u>	<u>792,765</u>	<u>85,353</u>	<u>86,364</u>	<u>-</u>	<u>-</u>	<u>1,012,375</u>	<u>879,129</u>
Unallocated income and expenses								
Other operating income							50,974	48,700
Financial cost							(230,049)	(295,968)
Other charges							(80,324)	(73,884)
Profit before taxation							752,976	557,977
Income tax expense							(228,908)	(179,586)
Profit for the year							<u>524,068</u>	<u>378,391</u>
Segment assets and liabilities								
Segment assets	174,117	194,952	17,546	24,816	2,189,398	-	2,381,061	219,768
Unallocated assets							2,700,970	4,573,895
Total assets							<u>5,082,031</u>	<u>4,793,663</u>
Segment liabilities	-	-	-	-	966,667	-	966,667	-
Unallocated liabilities							1,460,067	2,628,744
Total Liabilities							<u>2,426,734</u>	<u>2,628,744</u>
Depreciation	<u>74,360</u>	<u>73,560</u>	<u>7,492</u>	<u>9,374</u>	<u>-</u>	<u>-</u>	<u>81,852</u>	<u>82,934</u>
Non-cash expenses other than depreciation	<u>5,332</u>	<u>9,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,332</u>	<u>9,082</u>
Addition in segment assets	<u>37,590</u>	<u>126,362</u>	<u>-</u>	<u>9,496</u>	<u>2,189,398</u>	<u>-</u>	<u>2,226,988</u>	<u>135,858</u>
Percentage for allocation	<u>91%</u>	<u>89%</u>	<u>9%</u>	<u>11%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>100%</u>

There were no inter-segment transactions during the year (2012: None).

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	2013	2012
	(Rupees in '000)	
39.1 Geographical segments		
Gross revenue analysis		
Pakistan	4,989,482	4,668,515
Asia	77,468	173,271
East Africa	3,493	3,642
South East Asia	63,923	35,931
Far Eastern Countries	91,866	93,429
Central Asian Republic States	2,870	2,736
Middle East	1,096	-
	<u>5,230,198</u>	<u>4,977,524</u>

39.2 The Company's revenue from one of the major customer represents approximately Rs. 4,463 million (2012: Rs. 4,095 million) of the total revenue.

## 40 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2013			2012		
	(Rupees in '000)			(Rupees in '000)		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
Managerial remuneration	5,835	6,990	92,218	3,110	10,943	80,194
Annual bonus	926	1,934	16,213	518	1,608	13,025
Retirement benefits						
Provident fund	584	699	9,222	311	1,094	8,019
Gratuity fund	243	291	3,841	259	912	6,680
Perquisites						
Rent	2,626	3,146	41,498	1,400	4,924	36,087
Utilities	584	699	9,222	311	1,094	8,019
Telephone	-	-	190	-	-	208
Entertainment	-	-	392	-	-	254
Car maintenance	150	500	4,597	41	301	4,179
	<u>10,948</u>	<u>14,259</u>	<u>177,393</u>	<u>5,950</u>	<u>20,876</u>	<u>156,665</u>
Number of persons	<u>1</u>	<u>3</u>	<u>95</u>	<u>1</u>	<u>3</u>	<u>77</u>

40.1 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.

40.2 Three non-full time working directors (2012: three) were paid fee for attending board meetings aggregating Rs. 160,000 (2012: Rs. 98,000).

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

## 41 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises International Brands (Private) Limited, (holding company), IBL HealthCare Limited (subsidiary 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.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

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

	2013			2012		
	Associates/ Group companies/ holding and subsidiary company/ close family members	Directors	Key management	Associates/ Group companies/ holding and subsidiary company/ close family members	Directors	Key management
	----- (Rupees in '000) -----					
<b>Transactions</b>						
<b>IBL Operations (Private) Limited</b> - associated company {formerly IBL Ops (Private) Limited} (refer note 41.1 and 41.2)						
Sales	4,463,419	-	-	4,094,996	-	-
Sales returned	94,174	-	-	79,398	-	-
Markup-up income	-	-	-	-	-	-
Purchase of land	-	-	-	1,200,000	-	-
<b>Expenses claimed</b>						
Carriage and duties	19,156	-	-	15,879	-	-
Discounts	117,332	-	-	94,132	-	-
Warehouse rent	1,143	-	-	2,563	-	-
Mark-up expenses	5,810	-	-	162,500	-	-
Reimbursement of construction cost	-	-	-	1,300	-	-
Corporate services charged	7,200	-	-	7,200	-	-
Sales promotion expenses	29,898	-	-	54,795	-	-
IT Services	6,600	-	-	6,600	-	-
<b>Expenses claimed from IBL Operations (Private) Limited - associated company {formerly IBL Ops (Private) Limited} (refer note 41.1)</b>						
Staff salaries and other expenses	13,088	-	-	10,184	-	-
Royalty and price difference claims	7,663	-	-	-	-	-
<b>International Franchises (Private) Limited - associated company</b>						
Sales	230	-	-	181	-	-
Rent, utility and other income	2,619	-	-	3,114	-	-
Staff salaries and Allowance	2,749	-	-	-	-	-
Purchase of Promotional Items	523	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	2013			2012		
	Associates/ Group companies/ holding and subsidiary company/ close family members	Directors	Key management	Associates/ Group companies/ holding and subsidiary company/ close family members	Directors	Key management
	----- (Rupees in '000) -----					
<b>United Distributors Pakistan Limited (UDPL) - associated company</b>						
Sales	-	-	-	212	-	-
Purchase of vehicles	-	-	-	5,841	-	-
Payment under group tax relief	35,998	-	-	35,819	-	-
Purchases	122	-	-	-	-	-
<b>Expenses claimed from UDPL</b>						
Staff salary and benefits	264	-	-	1,153	-	-
Warehouse rent & expenses	534	-	-	-	-	-
<b>HABITT - associate</b>						
Sales	10	-	-	970	-	-
Purchase of Promotional Items from Habitt	976	-	-	-	-	-
<b>Expenses claimed</b>						
Sales promotion expenses	-	-	-	492	-	-
<b>IBL HealthCare Limited (IBL-HC) - subsidiary company</b>						
Staff salary and benefits	5,506	-	-	14,205	-	-
<b>Expenses claimed</b>						
Salaries, wages and benefits	415	-	-	1,047	-	-
Warehouse expenses	-	-	-	1,186	-	-
Purchases	1,113	-	-	269	-	-
Vehicle Hiring	3,181	-	-	2,575	-	-
<b>The Citizens Foundation - associate</b>						
Donations	1,500	-	-	8,150	-	-

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.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	2013			2012		
	Associates/ Group companies/ holding and subsidiary company/ close family members	Directors	Key management	Associates/ Group companies/ holding and subsidiary company/ close family members	Directors	Key management
	----- (Rupees in '000) -----					
<b>Arshad Shahid Abdulla (Private) Limited - associated company</b>						
Architect fee	6,508	-	-	8,503	-	-
Project management fee	2,675	-	-	4,500	-	-
<b>Shahid Abdulla</b>						
Office and factories renovation	612	-	-	612	-	-
<b>Multinet Pakistan (Private) Limited - associated company</b>						
Internet services	376	-	-	312	-	-
<b>United Brands Limited - associated company</b>						
Sales	35,613	-	-	50,338	-	-
Sales returns	-	-	-	87	-	-
Tax payment of group tax relief	-	-	-	10,247	-	-
<b>Expenses claimed by United Brands Limited</b>						
Discounts	566	-	-	607	-	-
Purchase of promotional items	-	-	-	3,731	-	-
<b>Searle Pharmaceuticals (Private) Limited - subsidiary company</b>						
Purchases	197,010	-	-	-	-	-
<b>Balances</b>						
<b>Loans and advances</b>						
At beginning of the year	-	-	7,865	-	-	3,171
Given during the year	-	-	2,984	-	-	6,988
Repaid during the year	-	-	(7,391)	-	-	(2,294)
At the end of the year	-	-	3,458	-	-	7,865

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	2013			2012		
	Associates/ Group companies/ holding and subsidiary company/ close family members	Directors	Key management	Associates/ Group companies/ holding and subsidiary company/ close family members	Directors	Key management
	----- (Rupees in '000) -----					
<b>Trade debts - associated company (refer note 13)</b>						
At beginning of the year	876,454	-	-	755,729	-	-
Addition during the year	4,437,425	-	-	4,042,697	-	-
Repaid during the year	<u>(4,242,320)</u>	-	-	<u>(3,921,972)</u>	-	-
At the end of the year	<u>1,071,559</u>	-	-	<u>876,454</u>	-	-
<b>Other receivables - associates (refer note 16)</b>						
At beginning of the year	130,529	-	-	138,882	-	-
Addition during the year	27,094	-	-	10,184	-	-
Repaid during the year	<u>(50,133)</u>	-	-	<u>(18,537)</u>	-	-
At the end of the year	<u>107,490</u>	-	-	<u>130,529</u>	-	-
<b>Accrued liabilities - associates (refer note 23)</b>						
At beginning of the year	612	-	-	8,900	-	-
Addition during the year	9,795	-	-	13,615	-	-
Repaid during the year	<u>(10,407)</u>	-	-	<u>(21,903)</u>	-	-
At the end of the year	<u>-</u>	-	-	<u>612</u>	-	-
<b>Creditors - subsidiary company (refer note 23)</b>						
At beginning of the year	-	-	-	-	-	-
Addition during the year	197,010	-	-	-	-	-
Repaid during the year	<u>(43,365)</u>	-	-	<u>-</u>	-	-
At the end of the year	<u>153,645</u>	-	-	<u>-</u>	-	-

- 41.1 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). However, the name of the associated company was changed from IBL Ops (Private) Limited in December 2011.
- 41.2 Sales to IBL Operations (Private) Limited {formerly IBL Ops (Private) Limited} (associated company) were made during the year at ex-factory price i.e. trade prices less distributor's margin of 10% and 12% (2012: 10% and 12%). In addition, the amounts of communication, utilities, salaries and wages and carriage and duties are also being reimbursed.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

## 42 PLANT CAPACITIES AND ACTUAL PRODUCTION

	Installed capacity per annum (based on eight hours shift)			Total	Actual production 2013	Actual production 2012
	At owned plant (Karachi)	At leased plant (Karachi)	At leased plant (Lahore)			
	----- Quantity in '000 -----					
Liquid (bottles)	8,000	-	16,400	24,400	37,291	45,078
Tablets (numbers)	440,000	-	211,000	651,000	1,413,391	1,653,198
Capsules (numbers)	45,000	-	15,000	60,000	62,820	52,133
Sachets (numbers)	19,200	30,500	-	49,700	16,717	28,024
Pouches (numbers)	-	250	-	250	1,354	734
Injectables (numbers)	5,280	-	-	5,280	19,875	15,600
Jars (numbers)	-	800	-	800	414	1,179

The current actual production capacity of Sachets was under utilized on account of lower demand.

## 43 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

### 43.1 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.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

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

	Note	2013 (Rupees in '000)	2012
Trade debts	13	1,298,386	1,083,534
Loans and advances (advance to suppliers)	14	51,504	83,058
Trade deposits	15	22,076	27,959
Other receivables	16	147,535	153,172
		<u>1,519,501</u>	<u>1,347,723</u>

## Concentration of credit risk

Out of the total financial assets of Rs. 1.513 billion (2012: Rs. 1.304 billion) financial assets amounting to Rs. 1.204 billion (2012: Rs. 1.023 billion) consist of transactions made by the Company with its affiliates and cash and bank balances. The Company's major sales are with IBL Operations (Private) Limited {formerly IBL Ops (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.

## 43.2 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 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 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:

Note	Effective interest rate %	2013						Total
		Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
		Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
----- (Rupees in '000) -----								
<b>Financial assets</b>								
Loans and advances	10 & 14	-	-	-	24,027	782	24,809	24,809
Deposits	11	-	-	-	1,148	6,245	7,393	7,393
Trade debts	13	-	-	-	1,298,386	-	1,298,386	1,298,386
Trade deposits	15	-	-	-	22,076	-	22,076	22,076
Other receivables	16	9,698	-	9,698	137,837	-	137,837	147,535
Cash and bank balances	17	6 - 6.5	-	-	12,738	-	12,738	12,738
		<u>9,698</u>	<u>-</u>	<u>9,698</u>	<u>1,496,212</u>	<u>7,027</u>	<u>1,503,239</u>	<u>1,512,937</u>
<b>Financial liabilities</b>								
Long-term finance	20	14.51	108,333	858,334	966,667	-	-	966,667
Liabilities against assets subject to finance leases	21	11.38 - 14.4	1,196	1,086	2,282	-	-	2,282
Trade and other payables	23		-	-	-	1,004,439	-	1,004,439
Accrued mark-up	24		-	-	-	21,528	-	21,528
Short-term finances	25	10.78 - 14.22	319,935	-	319,935	-	-	319,935
			<u>429,464</u>	<u>859,420</u>	<u>1,288,884</u>	<u>1,025,967</u>	<u>-</u>	<u>1,025,967</u>
On balance sheet date gap			<u>(419,766)</u>	<u>(859,420)</u>	<u>(1,279,186)</u>	<u>470,245</u>	<u>7,027</u>	<u>(801,914)</u>

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

Note	Effective interest rate %	2012							Total
		Interest / Mark-up bearing			Non Interest / Mark-up bearing				
		Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total		
		----- (Rupees in '000) -----							
Financial assets									
Loans and advances	10 & 14	-	-	-	20,356	146	20,502	20,502	
Long term deposits	11	-	-	-	3,108	6,625	9,733	9,733	
Trade debts	13	-	-	-	1,083,534	-	1,083,534	1,083,534	
Trade deposits	15	-	-	-	27,959	-	27,959	27,959	
Other receivables	16	1,826	-	1,826	151,346	-	151,346	153,172	
Cash and bank balances	17	4 - 8.37	989	-	989	8,030	8,030	9,019	
			<u>2,815</u>	<u>-</u>	<u>2,815</u>	<u>1,294,333</u>	<u>6,771</u>	<u>1,301,104</u>	<u>1,303,919</u>
Financial liabilities									
Long-term finance	20	14.9	33,333	966,667	1,000,000	-	-	-	1,000,000
Liabilities against assets subject to finance leases	21	14-16.5	10,184	2,294	12,478	-	-	-	12,478
Trade and other payables	23	14	-	-	-	838,342	-	838,342	838,342
Accrued mark-up	24		-	-	-	35,501	-	35,501	35,501
Short-term finances	25	13.88- 17.5	655,096	-	655,096	-	-	-	655,096
			<u>698,613</u>	<u>968,961</u>	<u>1,667,574</u>	<u>873,843</u>	<u>-</u>	<u>873,843</u>	<u>2,541,417</u>
On balance sheet date gap			<u>(695,798)</u>	<u>(968,961)</u>	<u>(1,664,759)</u>	<u>420,490</u>	<u>6,771</u>	<u>427,261</u>	<u>(1,237,498)</u>

### 43.3 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.

#### 43.3.1 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 as at June 30, 2013 are Rs. 259.44 million (2012: Rs. 268.57 million) and receivable included in trade debtors are Rs. 61.59 million (2012: Rs. 38.46 million). The Company earned exchange gain of Rs. 4.8 million (2012: Rs. 8.6 million) and suffered exchange loss of Rs. 15.83 million (2012: Rs. 18.95 million) during the year.

#### 43.3.2 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, liability against asset subject to finance lease, short term finance, trade debt and term deposits and deposits in profit and loss sharing accounts with banks. At the balance sheet date the interest rate profile of the Company's mark-up bearing financial instruments is as follows:

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
Variable rate instruments			
Financial assets			
- Cash with banks in deposit accounts	17	-	989
Financial liabilities			
- Long term finance	20	(858,334)	(966,667)
- Liabilities against assets subject to finance lease	21	(2,282)	(12,478)
- Short term finance	25	(319,935)	(655,096)
		<u>(1,180,551)</u>	<u>(1,634,241)</u>
		<u>(1,180,551)</u>	<u>(1,633,252)</u>

## Cash flow sensitivity for variable rate instruments

A change of 100 basis points 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 2012.

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	------(Rupees in '000)-----			
As at June 30, 2013				
Cash flow sensitivity - variable rate instruments	<u>(2,122)</u>	<u>2,122</u>	<u>(2,122)</u>	<u>2,122</u>
As at June 30, 2012				
Cash flow sensitivity - variable rate instruments	<u>(2,812)</u>	<u>2,812</u>	<u>(2,812)</u>	<u>2,812</u>

## 44 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 on June 30, 2012.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
45 FINANCIAL INSTRUMENTS BY CATEGORY			
Financial liabilities			
Financial liabilities measured at amortized cost			
Long-term finances	20	966,667	1,000,000
Trade and other payables	23	1,004,439	838,342
Short-term finances	25	319,935	655,096
Liabilities against assets subject to finance leases	21	2,282	12,478
Financial liabilities measured at fair value through profit or loss			
Accrued markup	24	21,528	35,501
		<u>2,314,851</u>	<u>2,541,417</u>
Financial assets			
Loans and receivables			
Loans and advances	10 & 14	24,809	20,502
Long term deposit	11	7,393	9,733
Trade debts	13	1,298,386	1,083,534
Trade deposits	15	22,076	27,959
Other receivables	16	147,535	153,172
Cash and bank balances	17	12,738	9,019
		<u>1,512,937</u>	<u>1,303,919</u>
On balance sheet gap		<u>801,914</u>	<u>1,237,498</u>
46 NUMBER OF EMPLOYEES			
Number of employees as at the year end		<u>1,275</u>	<u>1,110</u>
Average number of employees during the year		<u>1,189</u>	<u>1,159</u>

## 47 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors on September 23, 2013.

### 47.1 Appropriation

The Board of Directors of the Company has approved the following appropriation in the meeting held on September 23, 2013.

	2013 (Rupees in '000)	2012
Cash dividend - Rs.2 (2012: Re. 1) per share of Rs. 10 each.	<u>94,330</u>	<u>33,689</u>
Issue of bonus shares 30% in the ratio of 30 shares for every 100 shares held (2012: 40%).	<u>141,496</u>	<u>134,758</u>

These would be recognized as a liability in the Company's unconsolidated financial statements in the period in which such dividends are approved.



Rashid Abdulla  
Chairman



Syed Nadeem Ahmed  
CEO/Managing Director

# Pattern of Shareholding

As at June 30, 2013

No. of Shareholders	Shareholdings' Slab				Total Shares Held
1881	1	to	100	50,367	
1166	101	to	500	309,254	
508	501	to	1000	394,168	
1059	1001	to	5000	2,008,838	
143	5001	to	10000	1,077,645	
51	10001	to	15000	644,205	
20	15001	to	20000	342,965	
13	20001	to	25000	281,422	
11	25001	to	30000	306,999	
5	30001	to	35000	157,501	
5	35001	to	40000	194,642	
3	40001	to	45000	124,467	
5	45001	to	50000	239,520	
2	50001	to	55000	105,894	
2	60001	to	65000	126,400	
3	65001	to	70000	200,614	
1	70001	to	75000	72,287	
1	75001	to	80000	79,400	
2	80001	to	85000	167,485	
4	90001	to	95000	365,976	
5	95001	to	100000	493,981	
1	125001	to	130000	127,297	
1	130001	to	135000	134,146	
1	155001	to	160000	160,000	
2	165001	to	170000	333,000	
1	175001	to	180000	175,870	
1	190001	to	195000	194,810	
1	300001	to	305000	303,370	
1	325001	to	330000	327,394	
1	360001	to	365000	364,000	
1	555001	to	560000	558,600	
1	570001	to	575000	573,000	
1	580001	to	585000	582,124	
1	590001	to	595000	590,329	
1	625001	to	630000	625,341	
1	635001	to	640000	636,000	
2	845001	to	850000	1,695,342	
1	920001	to	925000	923,102	
1	935001	to	940000	935,451	
1	1045001	to	1050000	1,050,000	
1	1390001	to	1395000	1,393,340	
1	1650001	to	1655000	1,650,768	
1	26085001	to	26090000	26,087,931	
4,914				47,165,245	

# Pattern of Shareholding

As at June 30, 2013

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
Rashid Abdulla	1	4,046	0.01
Syed Nadeem Ahmed	1	884	0.00
Zubair Razzak Palwala	1	924	0.00
Munis Abdullah	1	2,851	0.01
Asad Abdulla	1	770	0.00
Ayaz Abdulla	1	4,620	0.01
Adnan Asdar Ali	1	770	0.00
Shakila Rashid	1	79,400	0.17
<b>Associated Companies, undertakings and related parties</b>			
International Brands (Pvt) Ltd	3	26,093,728	55.32
Searle Pakistan Limited Provident Fund	1	303,370	0.64
<b>Executives</b>			
	-	-	-
<b>Public Sector Companies and Corporations</b>			
	6	2,406,243	5.10
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>			
	19	2,835,756	6.01
<b>Mutual Funds</b>			
Safeway Mutual Fund Limited	1	149	0.00
Bsjs Balanced Fund Ltd.	1	56	0.00
Cdc-Trustee First Habib Islamic Balanced Fund	1	3,000	0.01
First Capital Mutual Fund Ltd.	1	13,063	0.03
<b>General Public</b>			
a. Local	4847	12,056,497	25.56
b. Foreign	26	3,359,118	7.12
<b>Totals</b>	<b>4914</b>	<b>47,165,245</b>	<b>100.00</b>

Share holders holding 5% or more	Shares Held	Percentage
International Brands (Pvt) Ltd	26,093,728	55.32

# Pattern of Shareholding

As at June 30, 2013

S.No.	Folio #	Name of shareholder	Number of shares	Percentage	
Directors and their spouse(s) and minor children					
1	1	Rashid Abdulla	4,046	0.01	
2	13667	Syed Nadeem Ahmed	884	0.00	
3	02113-1037	Zubair Razzak Palwala	924	0.00	
4	13287	Munis Abdulla	2,851	0.01	
5	03277-20909	Asad Abdulla	770	0.00	
6	03277-21385	Ayaz Abdulla	4,620	0.01	
7	02113-3389	Adnan Asdar Ali	770	0.00	
8	03277-12714	Shakila Rashid	79,400	0.17	
			8	94,265	0.20

## Associated companies, undertakings and related parties

1	8	International Brands (Pvt) Ltd	407	0.00	
2	9	International Brands (Pvt) Ltd	5,390	0.01	
3	03277-2937	International Brands (Pvt) Ltd	26,087,931	55.31	
4	02113-3439	Searle Pakistan Limited Provident Fund	303,370	0.64	
			4	26,397,098	55.97

## Executive

NIL

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## Public sector companies and corporations

1	10	National Bank Of Pakistan Trustee Wing	140	0.00	
2	11757	National Bank Of Pakistan Trustee Wing	140	0.00	
3	03889-28	National Bank Of Pakistan	781	0.00	
4	03889-44	National Bank Of Pakistan	165,500	0.35	
5	02683-23	State Life Insurance Corp. Of Pakistan	846,342	1.79	
6	02154-27	National Bank Of Pakistan-Trustee Department Ni(U)T Fund	1,393,340	2.95	
			6	2,406,243	5.10

Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds

# Pattern of Shareholding

As at June 30, 2013

1	11293	Atlas Investment Bank Ltd.	70	0.00
2	11306	Asset Investment Bank Limited	12	0.00
3	12392	Crescent Investment Bank Ltd	987	0.00
4	02675-16	Indus Bank Limited	12,889	0.03
5	03079-83	Soneri Bank Limited	12,000	0.03
6	03798-52	The Bank Of Khyber	31,900	0.07
7	04127-28	Mcb Bank Limited - Treasury	70,000	0.15
8	11940-4410	Escorts Investment Bank Limited	193	0.00
9	12444	Business & Industrial Insurance Company	32	0.00
10	03277-2184	Efu General Insurance Limited	923,102	1.96
11	03277-2538	Efu Life Assurance Ltd	625,341	1.33
12	12406	First Udl Modaraba	144	0.00
13	12410	First Udl Modaraba	40,304	0.09
14	12626	First Ibl Modaraba	434	0.00
15	02113-21	First Equity Modaraba	47,000	0.10
16	02113-708	First Udl Modaraba	5,000	0.01
17	03277-1651	First Udl Modaraba	935,451	1.98
18	03277-3367	First Ibl Modaraba	3,600	0.01
		Trustee National Bank Of Pakistan		
19	03277-78335	Employees Pension Fund	127,297	0.27
		19	2,835,756	6.01
Mutual Funds				
1	12791	Safeway Mutual Fund Limited	149	0.00
2	12676	Bsjs Balanced Fund Ltd.	56	0.00
3	14126-26	Cdc-Trustee First Habib Islamic Balanced Fund	3,000	0.00
4	12391	First Capital Mutual Fund Ltd.	13,063	0.03
		4	16,268	0.03
General Public				
	a. Local	4847	12,056,497	25.56
	b. Foreign	26	3,359,118	7.12
		4873	15,415,615	32.68
<b>Total</b>				
		4914	47,165,245	100.00



# SEARLE

## Proxy Form

THE SEARLE COMPANY LIMITED

I / We \_\_\_\_\_ son / daughter / wife / husband of \_\_\_\_\_  
, shareholder of The Searle Company Limited, holding \_\_\_\_\_ ordinary shares hereby  
appoint \_\_\_\_\_ who is my \_\_\_\_\_ [state relationship ( if any) with  
the proxy; required by Government regulations] and the son / daughter / wife / husband of  
\_\_\_\_\_, (holding \_\_\_\_\_ ordinary shares in the Company under Folio  
No. \_\_\_\_\_) [required by Government] as my / our proxy, to attend and vote for me  
/ us and on my / our behalf at the Annual General Meeting of the Company to be held on  
October 24, 2013 and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

Witness:

1. \_\_\_\_\_

2. \_\_\_\_\_



Signature of Member(s)  
Shareholders Folio No. \_\_\_\_\_ and / or  
CDC Participation I.D. No. \_\_\_\_\_ and  
Sub-Account No. \_\_\_\_\_

Note:

1. 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 their Folio Number.
2. 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.
3. CDC Shareholders or their proxies should bring their original Computerized National Identity Card or Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the Notes to the Notice of AGM.

**SEARLE**

AFFIX  
CORRECT  
POSTAGE

The Company Secretary

**The Searle Company Limited**

First Floor, N.I.C. Building  
Abbasi Shaheed Road,  
Karachi-75530

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URL: [www.searlecompany.com](http://www.searlecompany.com)