Searle Pakistan Limited

1st Floor N.I.C Building, Abbasi Shaheed Road, Karachi-75530
URL: www.searlepak.com

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Acknowledging Commitments

ANNUAL REPORT 2011

SEARLE

Research in the service of mankind

To preserve health is a moral and religious duty, for health is the basis of all social virtues. We can no longer be useful when we are not well.

The Health of people is really the foundation upon which all their happiness and their powers as a state depend. We have the greatest hospitals and best doctors in the world, our talent and facilities are both at par with the international standards. We want to appreciate their efforts, dedication and commitment.

This report's theme is in the lines of acknowledging some of the best hospitals in our country and the dedicated doctors working in with them, giving us the care and attention.

Searle is one of the leading pharmaceutical companies in Pakistan having four state-of-the-art manufacturing facilities, two in Karachi and two in Lahore, Pakistan.

Contents

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 pation, dedication & by honoring our words.

Profitability:
enhancing shareholder value through long-term profitability and improving performance ratios.

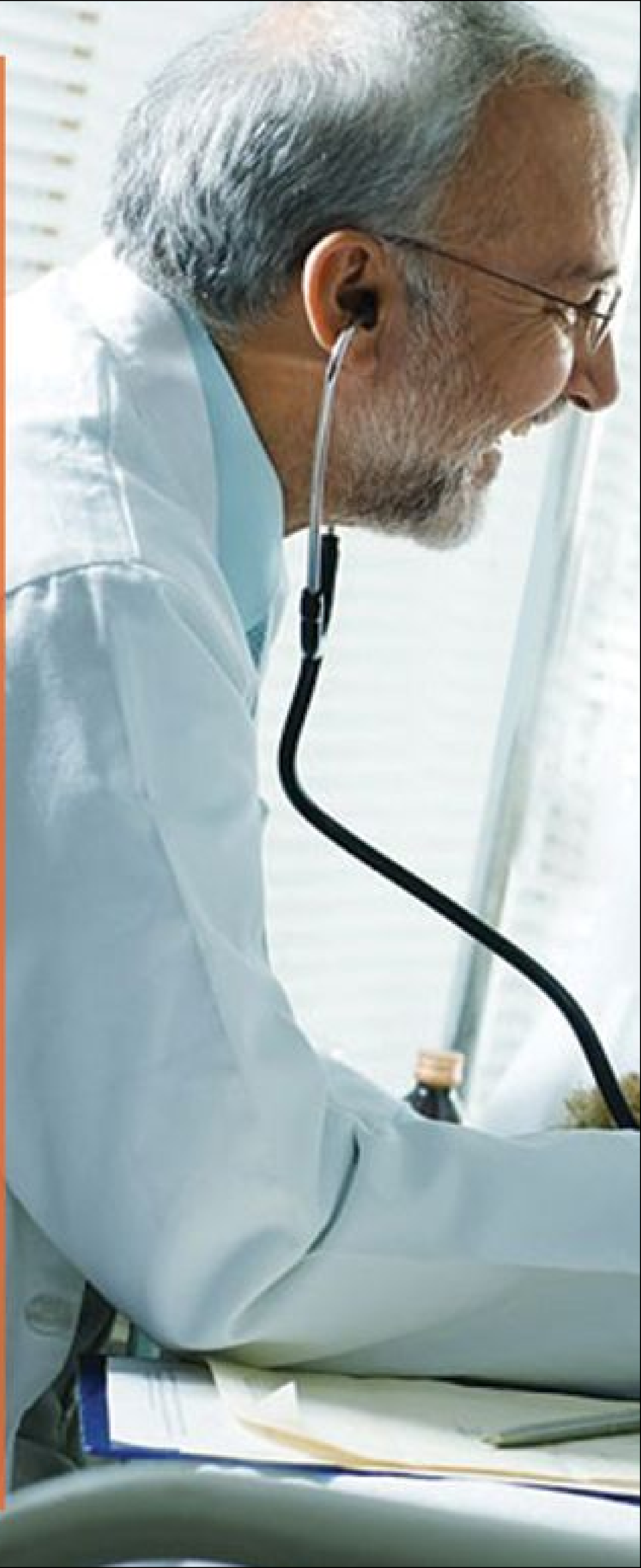
Corporate Social Responsibility:
to enrich our work environment with high levels of performance, participation & creativity and supporting society for healthy environment.

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.



The Aga Khan University Hospital, situated in Karachi was established in 1985 as the primary teaching site of the Aga Khan University's Faculty of Health Sciences. Founded by His Highness the Aga Khan, the hospital provides a broad range of secondary and tertiary care, including diagnosis of disease and team management of patient care.

"To insure good health eat lightly, breathe deeply, cultivate cheerfulness"

Company Information

Board of Directors

Mr. Rashid Abdulla	Chairman & Chief Executive
Mr. S. Nadeem Ahmed	Managing Director
Mr. Zubair Palwala	
Mr. Munis Abdulla	
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	

Chief Financial Officer & Company Secretary
Mr. Zubair Palwala

Auditors
Grant Thornton Anjum Asim Shahid Rahman

Legal Advisors
Mohsin Tayebaly & Co.

Bankers
- Standard Chartered Bank
- Habib Bank Ltd
- Habib Metropolitan Bank Ltd
- National Bank of Pakistan
- Faysal Bank Ltd (Formerly The Royal Bank of Scotland)
- Soneri Bank Ltd
- Citibank N.A.

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

Registrar
Gangjees Registrar Services (Pvt) Limited
Room No. 516, 5th Floor, Clifton Centre,
Kehkashan, Block – 5, Clifton, Karachi – 75600

Searle is one of the leading pharmaceutical companies in Pakistan having four state-of-the-art manufacturing facilities, two in Karachi and one in Lahore, Pakistan.

Notice of Annual General Meeting

Notice is hereby given that the 46th Annual General Meeting of the shareholders of Searle Pakistan Limited will be held on Wednesday, October 26, 2011 at 06:00 p.m. at the Institute of Cost and Management Accountants of Pakistan, Soldier Bazar, Hussain Shaheed Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last general meeting held on June 30, 2011.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2011 together with the reports of directors' and auditors' thereon.
3. To consider and approve final cash dividend for the financial year ended June 30, 2011, at the rate of Rs.1.50 per share of Rs.10/- each, equivalent to 15%.
4. To appoint auditors for the year ending June 30, 2012 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 ten shares for every hundred shares held i.e. 10% as recommended by the Board of Directors and, if thought appropriate, to pass with or without modification(s) the following resolutions as an ordinary resolution:

   "RESOLVED that a sum of Rs.30,626,783/- out of the un-appropriated profits of the Company be capitalized and applied towards the issue of 3,062,678 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 19, 2011, in the proportion of ten 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, 2011.

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

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

OTHER BUSINESS

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

[redacted] order of the Board

Zubair Palwala
Company Secretary

Karachi: October 4, 2011

Statement of Material Facts under section 160(1) (b) of the Companies Ordinance, 1984 regarding the Special Business

Item 5

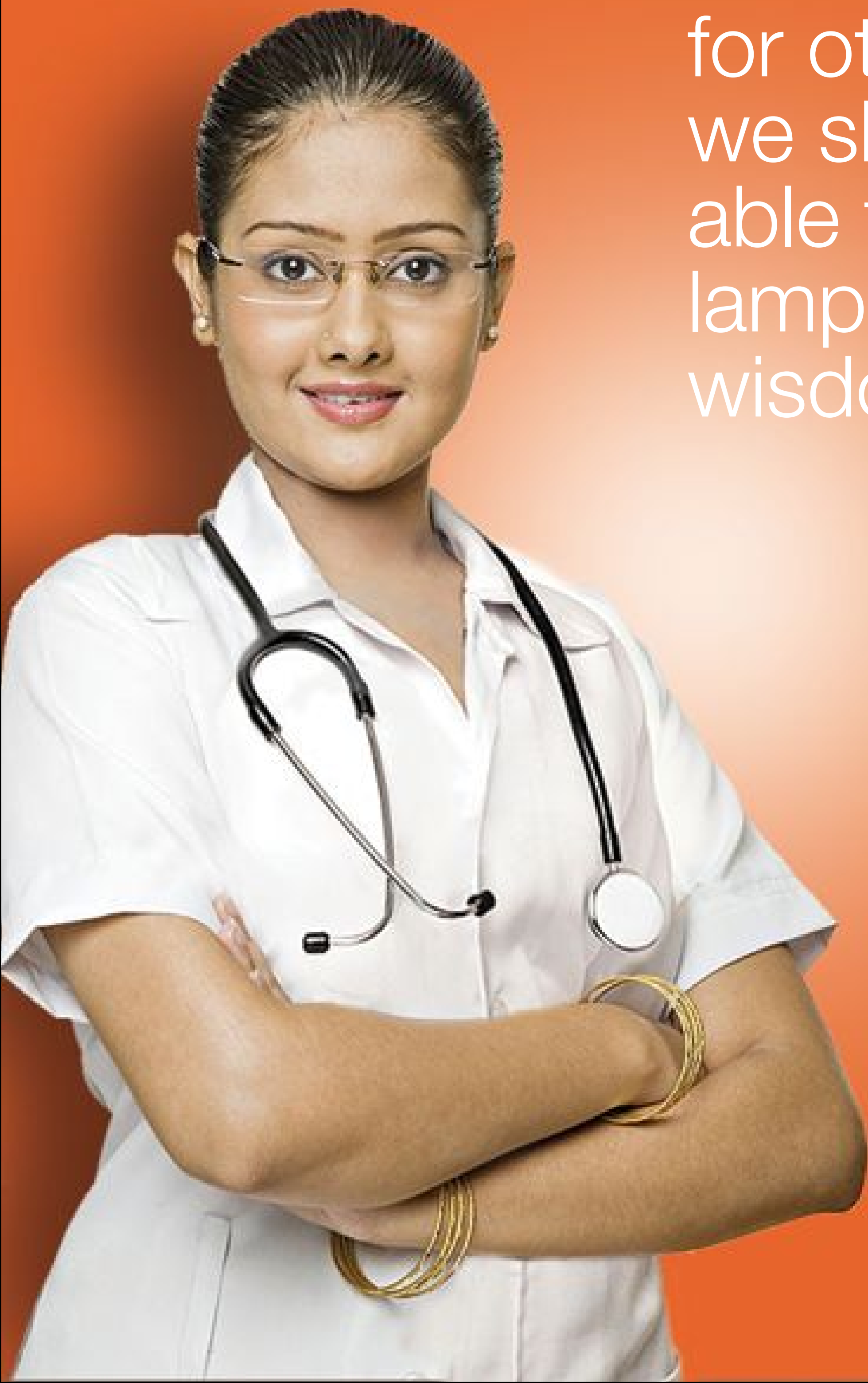
The Directors of the Company are of the view that the Company's financial position justifies issuance of bonus shares in the ratio of ten shares for every hundred shares held.

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

Notes:

1. Share Transfer Books will be closed from October 20, 2011 to October 26, 2011 (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, Gangjees Registrar Services (Private) Limited, Room # 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.

> To keep the body in good health is a duty, for otherwise we shall not be able to trim the lamp of wisdom.



South City Hospital is a top grade facility that rivals the finest hospitals of the world. The facility covers an area of 3,250 square yards and has a total capacity of 124 beds. It houses a pharmacy, laboratory, fully equipped radiology unit, 6 state of the art operating theatres, labor and delivery suites and a cardiac unit.

Directors' Report

The Directors are delighted to present the 2011 annual report together with the audited financial statements for the year ended June 30, 2011.

The Directors' report is prepared under section 236 of the Companies Ordinance, 1984 and Clause xix of the Code of Corporate Governance.

Financial Performance

	2011 Rs '000	2010 Rs '000
Revenue	4,238,840	3,702,518
Gross profit	1,886,410	1,673,789
Gross profit %	44.5	45.2
Operating expenses	1,124,827	1,031,288
Operating profit	761,583	642,501
Operating profit %	18.0	17.5
Other operating income	115,065	62,634
Profit before taxation	509,221	543,494
Taxation	141,262	186,330
Profit after taxation	367,959	357,164
Profit after tax %	8.7	9.7

Sales - Category Wise

We are pleased to report that compared to last year, your Company has been able to grow revenues from 3.7 billion to 4.2 billion, an increase of 14.5%. This is particularly pleasing given the state of the global economy and the law and order situation prevailing in Pakistan. In 2011, we experienced growth in almost every category of our product base including Sterile (35%), Solid (12%), Liquid (7%) and Consumer (6%).

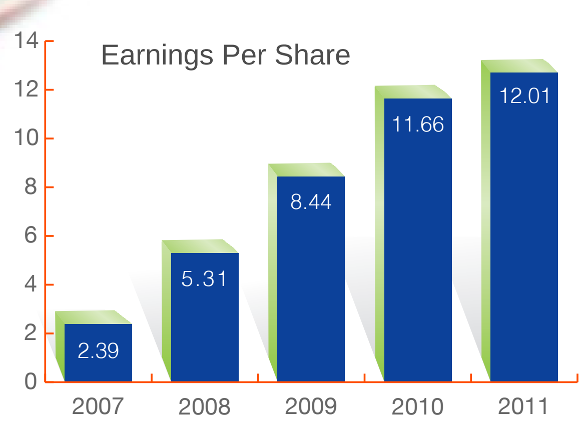
Underlying growth was driven by strong performances from a number of our brands, including Tramal (up 56%), Rotec (up 45%), Metrozine (up 34%), Nuberol (up 23%), and Gravinate (up 21%).

New products launched since 2009 grew 63% over last year and contributed 22% of 2011 sales (excluding the toll revenue).

The increase in turnover was partially offset due to termination of commercial activities in respect of certain products of Sanofi Aventis from March 31, 2011. As the Company relies heavily on imported raw materials for production, the increase in international prices of raw material, devaluation of Pak Rupee, has resulted in higher material costs. In addition to increase in imported material cost, increased cost of utilities and domestic inflation has also contributed towards increase in Cost of Sales percentage to Net Sales. However, the company has been able to reduce the percentage of sales devoted to operating expenses from 27.9% to 26.5%.

Earnings Per Share

Basic earnings per share after taxation were Rs. 12.01 (2010: Rs. 11.66).



Dividend

The Board of Directors has recommended a cash dividend of 15% and stock dividend of 10% for the year ended June 30, 2011, against 30% cash dividend last year.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2011 and other related information are set out on page --- and ---.

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 Searle Pakistan 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.

Meetings of the Board of Directors

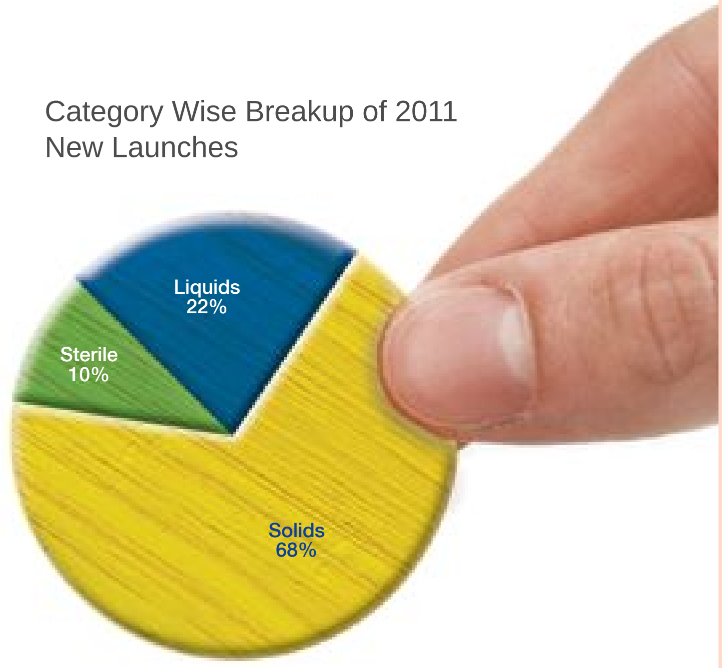
During the year, five meetings of the Board of Directors were held, the details of which are as follows:

Name of Directors	Meetings attended
Mr. Rashid Abdulla	3
Mr. S. Nadeem Ahmed	4
Mr. Khalid Malik	5
Mr. Abdul Hamid Dagia	Nil
Mr. Zubair Palwala	5
Mr. Munis Abdulla	3
Mr. Shuja Malik	3
Mr. Asad Abdulla	4
Mr. Ayaz Abdulla *	2
Mr. Adnan Asdar Ali **	1

* *Mr. Ayaz Abdulla was appointed on March 28, 2011 to fill the casual vacancy arose upon resignation of Mr. Abdul Hamid Dagia from the board.*

** *Mr. Adnan Asdar Ali was appointed on May 12, 2011 to fill the casual vacancy arose upon resignation of Mr. Shuja Malik from the board.*

Category Wise Breakup of 2011 New Launches



Cost of sales
55.5%

Gross profit
44.5%

Operating expense
26.5%

Operating profit
18.0%

Profit after taxation
8.7%

Election of directors was held on June 30, 2011 and the following seven directors were elected on the board:

1.	Mr. Rashid Abdulla
2.	Mr. S. Nadeem Ahmed
3.	Mr. Zubair Palwala
4.	Mr. Munis Abdulla
5.	Mr. Asad Abdulla
6.	Mr. Ayaz Abdulla
7.	Mr. Adnan Asdar Ali

Subsequent to the election Mr. Rashid Abdulla was elected as the Chairman and Chief Executive Officer in the 127th board of directors' meeting held on July 12, 2011.

Audit Committee

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

The terms of reference of the Committee have been determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations and advised to the Committee for compliance. The Committee held four meetings during the year. An independent Internal Audit Function reporting to the Committee reviews risks and controls across the organization.

Subsequent to the election of directors audit committee was reconstituted by the board of directors in their 127th meeting and the following members were selected for the committee:

1.	Mr. Asad Abdulla - Chairman
2.	Mr. S. Nadeem Ahmed
3.	Mr. Adnan Asdar Ali

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, 2012, 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, 2011 / June 30, 2010 respectively was as follows:

	2011 (Rs '000)	2010 (Rs '000)
Provident Fund	124,800	121,132
Gratuity Fund	104,703	105,278
Total	229,503	226,410

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 as follows:

Statistical Summary

	FINANCIAL YEARS ENDED ON JUNE 30					
	2011	2010	2009	2008	2007	2006
	(Rs '000)					
ASSETS EMPLOYED						
Property, plant and equipment	695,523	619,483	615,431	652,897	679,629	726,246
Intangible assets	52,112	8,504	12,752	17,550	13,102	43,409
Long-term loans, deposits & prepayments	7,467	7,430	3,781	7,722	14,303	13,954
Long-term investment	100,000	100,000	100,000	200,000	200,000	200,000
Net current assets	1,053,195	915,455	689,574	616,592	578,209	575,823
Total assets employed	1,908,297	1,650,872	1,421,538	1,494,761	1,485,243	1,559,432
FINANCED BY						
Issued, subscribed and paid-up capital	306,268	306,268	266,320	266,320	242,109	220,099
Reserves and un appropriated profit	1,330,940	1,027,278	727,642	594,268	467,199	417,643
Shareholders' equity	1,637,208	1,333,546	993,962	860,588	709,308	637,742
Surplus on revaluation of fixed assets	179,901	207,484	229,852	262,644	296,663	337,709
Long-term and deferred liabilities	91,188	109,842	197,724	371,529	479,272	583,981
Total capital employed	1,908,297	1,650,872	1,421,538	1,494,761	1,485,243	1,559,432
TURNOVER AND PROFITS						
Turnover	4,238,840	3,702,518	2,708,974	2,085,344	2,104,307	2,422,122
Profit before taxation	509,221	543,494	356,867	210,069	103,863	159,598
Profit after taxation	367,959	357,164	258,414	141,472	63,535	77,795
PROFIT AFTER TAX						
% of turnover	8.68	9.65	9.54	6.78	3.02	3.21
% of capital employed	19.28	21.63	18.18	9.46	4.28	4.99
DIVIDENDS						
Cash (%)	15	30	15	10	10	15
Stock (%)	10	-	15	-	10	10

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

	2011	2010	2009
		Rs in million	
Turnover	4,877	4,176	3,124
Operating profit	822	655	398
Profit after taxation	414	366	216
Total assets	3,988	3,152	2,579
Share capital and reserves	1,831	1,482	1,132
Consolidated earnings per share (Rupees)	13.50	11.96	7.06

Future Outlook

In the short term, the Company is continuously pursuing new products and drug deliveries system launches with high value addition that can meet the future needs of the society. The basics for this are progressive technological innovations that make use of diverse sophisticated technologies in the fields such as Neutraceutical Sciences, Pro-Biotic, and Biotechnology.

Again this year support program for rehabilitation to the flood victims in Pakistan is continued, and we are committed to support Pakistan in case any challenge is faced by our country in future.

In the long term, the demand for advance and composite drugs that are environmental friendly and contribute to low use of resources is expected to be even higher, and it will be the responsibility of pharmaceutical companies to make efforts to keep the green chemistry alive. State of the art manufacturing areas are required to be developed to produce drugs to ensure the availability to masses within affordable prices without hurting environment.

Climate change epidemics are significantly on the rise, we at Searle are fully aware and developing solutions to fight against it. We are geared up to enter into sensitive infant life sciences, and developing formula for adult Nutrition. Constant focus on global market will also add new dimension in the growth of organization.

There are many hurdles that must be cleared to attain excellence. However, Searle Pakistan has set the goals with this in mind. We will make collective efforts to achieve our short term and long term goals, and continue to provide better earnings to our shareholders.

For and on behalf of the board

Karachi:
September 30, 2011

RASHID ABDULLA
Chief Executive

In the long term, the demand for advance and composite drugs that are environmental friendly and contribute to low use of recourses is expected to be even higher, and it will be the responsibility of pharmaceutical companies to make efforts to keep the green chemistry alive.

"Every human being is the author of his own health or disease."

Pakistan Institute of Medical Sciences is located in Islamabad, Pakistan. Objectives of Pakistan Institute of Medical Sciences are to provide a tertiary level patient care and serve as referral hospital and also to conduct teaching and training of doctors and other health workers at various level in the field of medicine and surgery.

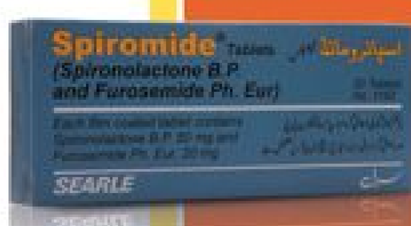
Our Products

Searle Pakistan Limited (SPL) has comprehensive line of products encircle life itself - addressing important health needs from infancy to the golden years. Our portfolio includes three major division; Pharma, Consumer Health and Nutrition. Pharmaceutical range across therapeutic area 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.

NUBEROL
No.1 muscle relaxant analgesic in Pakistan

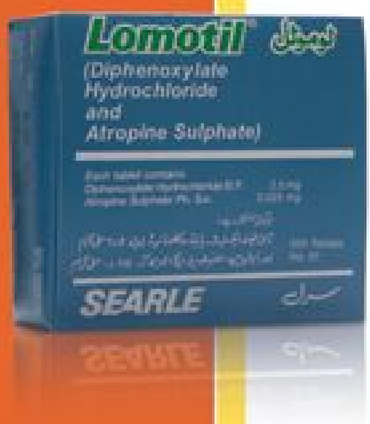
HYDRYLLIN
No. 1 cough remedy -the gold standard



SPIROMIDE
No.1 cardio-protective diuretic in Pakistan

GRAVINATE
Trusted & time tested anti-emetic

LOMOTIL
Leading Antidiarrheal



ROTEC
Leading GI protective
NSAIDs

TRAMAL
No.1 Non-narcotic pain
reliever in Pakistan

SUSTAC
No.1 Nitrate with sustained
release technology

Emerging Brands and Categories

We are endeavoring to explore future potential of upcoming therapeutic segments and brands in local and international market.

VITRUM
Multimineral multivitamin formula

EZIUM
Icon in the treatment of gastric ulcer

LUMARK
Referral in epilepsy management

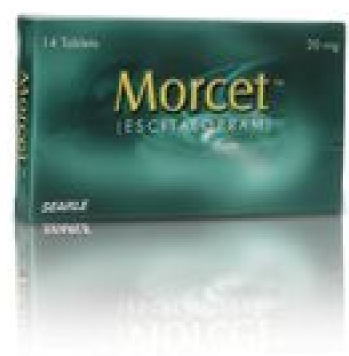
EXTOR
Modern way to control blood pressure

GLITOS PLUS
Drug of choice for
diabetes

PROBIOTIC
Emerging treatment with
healthy bacteria

GLITOS PLUS
Drug of choice for diabetes

NUTRACEUTICALS
Back to nature



MORCET
Better way for treatment of depression

Our Consumer Products

Serving the current desires of taste with healthy life style.

Exploring new avenues to match the consumer demands by bringing in new offerings and modifying the available products to cater the future needs.

PEDITRAL
High quality leading ORS

CANDEREL
Sugar that suits everyone

ENFAGROW & ENFA KID
Where good health begins

FIBERSIL
Ispaghol for healthy life style

Shaukat Khanum Memorial Cancer Hospital and Research Centre is a state-of-the-art cancer centre located in Lahore, Punjab, Pakistan. It is a project of the Shaukat Khanum Memorial Trust, which is a charitable organization. The institution is the brainchild of Pakistani cricket superstar, Imran Khan. The inspiration came after the death of his mother, Mrs. Shaukat Khanum, from cancer.

“Good health and good sense are two of life’s greatest blessings”

Grant Thornton

Anjum Asim Shahid Rahman
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Beaumont Road, Karachi 75530
T 9221 5672951-56
F 9221 5688834
W www.gtpak.com
Other offices: Islamabad, Lahore

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, 2011 prepared by the board of directors of the Searle Pakistan Limited (the Company) to comply with the Listing Regulations of the Karachi and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the board of directors 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 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 control 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 require the Company to place before the board of directors 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 of directors 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 of Corporate Governance.

Karachi.
Date: September 30, 2011

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 contained in the 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 code in the following manner:

1) The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes three non-executive directors.

2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4) All the casual vacancies occurred in the Board during the year were filled within the prescribed time.

5) The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by employees of the Company.

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, 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 CEO and other executive directors, have been taken by the Board.

8) The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded, circulated and were placed for approval of the Board in subsequent meetings.

9) The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.

10) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13) The Company has complied with all the corporate and financial reporting requirements of the Code.

14) 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.

15) 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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

16) The Board has set-up an effective internal audit function.

17) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.

18) 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.

19) The related party transactions were placed before the audit committee of the Company in accordance with the listing regulations of the stock exchanges and have been reviewed and approved by the Board.

20) We confirm that all other material principles contained in the Code have been complied with.

Karachi:
September 30, 2011

RASHID ABDULLA
Chief Executive

Grant Thornton

Anjum Asim Shahid Rahman
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AUDITORS' REPORT TO THE MEMBERS

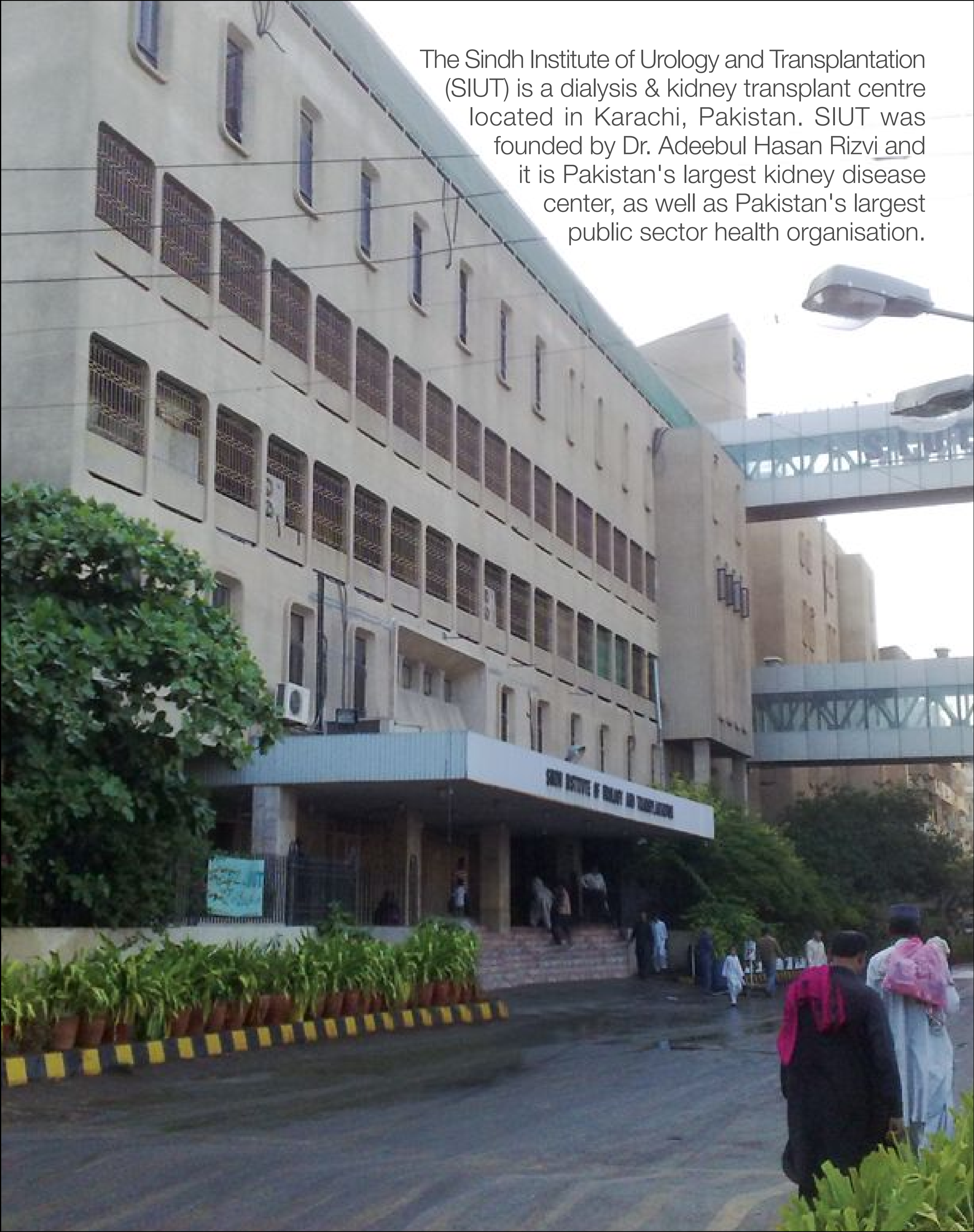
We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Searle Pakistan Limited (the holding Company) and its subsidiary IBL HealthCare Limited as at June 30, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Searle Pakistan Limited. The financial statements of IBL HealthCare Limited were audited by another firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company is based solely on the report of such other auditor. 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 Searle Pakistan Limited and its subsidiary IBL HealthCare Limited as at June 30, 2011 and the results of their operations for the year then ended.

Karachi.
Date: September 30, 2011

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai



The Sindh Institute of Urology and Transplantation (SIUT) is a dialysis & kidney transplant centre located in Karachi, Pakistan. SIUT was founded by Dr. Adeebul Hasan Rizvi and it is Pakistan's largest kidney disease center, as well as Pakistan's largest public sector health organisation.

“Health is not simply the absence of sickness”

Consolidated Balance Sheet

As at June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
ASSETS			
Non-current assets			
Fixed assets			
- Property, plant and equipment	5	822,026	740,548
- Intangible assets	6	104,352	69,445
		926,378	809,993
Long-term loans	7	1,552	1,786
Long-term deposits	8	6,401	6,086
Total non-current assets		934,331	817,865
Current assets			
Stores and spares		2,604	3,852
Stock-in-trade	9	850,160	545,421
Trade debts	10	1,061,501	1,387,399
Loans and advances	11	698,275	66,352
Trade deposits and short term prepayments	12	74,353	67,759
Other receivables	13	198,931	130,415
Cash and bank balances	14	167,590	132,808
Total current assets		3,053,414	2,334,006
Total assets		3,987,745	3,151,871
EQUITY AND LIABILITIES			
Shareholders' equity			
Authorised share capital			
50,000,000 (2010: 50,000,000) ordinary shares of Rs. 10 each		500,000	500,000
Issued, subscribed and paid-up capital	15	306,268	306,268
General reserve		280,251	280,251
Unappropriated profit		1,097,505	770,986
Attributable to the holding Company's shareholders		1,684,024	1,357,505
Non-controlling interest		146,818	124,060
Total equity		1,830,842	1,481,565
Surplus on revaluation of fixed assets	16	179,901	207,484
Non-current liabilities			
Long term finances - secured	17	-	-
Liabilities against assets subject to finance leases	18	17,077	22,927
Deferred liabilities			
Taxation	19	55,732	65,681
Gratuity - unfunded	19	32,472	29,187
		88,204	94,868
Total non-current liabilities		105,281	117,795
Current liabilities			
Trade and other payables	20	984,345	744,294
Accrued mark-up	21	28,950	23,634
Short-term finances	22	839,011	385,997
Current portion of long term finances	17	-	99,960
Current portion of liabilities against assets subject to finance leases	18	11,534	10,749
Provision for taxation - net		7,881	80,393
Total current liabilities		1,871,721	1,345,027
Total liabilities		1,977,002	1,462,822
Contingencies and commitments	23	-	-
Total equity and liabilities		3,987,745	3,151,871

The annexed notes 1 to 43 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Consolidated Profit and Loss Account

For the year ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
NET SALES	24	4,876,869	4,176,468
COST OF SALES	25	2,817,966	2,389,703
GROSS PROFIT		2,058,903	1,786,765
Selling and distribution expenses	26	1,092,377	1,014,855
Administrative expenses	27	129,015	104,045
Amortization of intangible assets	6	15,093	12,998
		1,236,485	1,131,898
OPERATING PROFIT	28	822,418	654,867
Other operating income	29	115,437	65,119
		937,855	719,986
Other operating expenses			
- Finance cost	30	319,387	112,355
- Other charges	31	55,071	50,204
		374,458	162,559
PROFIT BEFORE INCOME TAX		563,397	557,427
Income tax expense	32	149,824	191,268
PROFIT FOR THE YEAR		413,573	366,159
		(Rupees)	
EARNINGS PER SHARE - BASIC AND DILUTED	33	13.50	11.96

The annexed notes 1 to 43 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2011

	2011 (Rs '000)	2010 (Rs '000)
PROFIT FOR THE YEAR	413,573	366,159
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	413,573	366,159
Total comprehensive income attributable to:		
Shareholders' of the holding Company	390,815	361,612
Non-controlling interest	22,758	4,547
	413,573	366,159

The annexed notes 1 to 43 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended June 30, 2011

	Attributable to shareholders' of the holding Company						
		Capital Reserve	Revenue Reserve				
	Share capital	Reserve for issue of bonus shares	General reserve	Total reserves	Unappropriated profit	Non Controlling interest	Total
	(Rs '000)						
Balance as at June 30, 2009	266,320	-	280,251	280,251	466,902	119,513	1,132,986
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	22,224	-	22,224
Realization of surplus on revaluation of fixed assets on disposal	-	-	-	-	144	-	144
Total comprehensive income for the year	-	-	-	-	361,612	4,547	366,159
Transactions with owners							
Transfer of profit to reserve for issue of bonus shares	-	39,948	-	39,948	(39,948)	-	-
Bonus shares issued @ 15% in the ratio of 15 shares for every 100 shares held	39,948	(39,948)	-	(39,948)	-	-	-
Cash dividend paid for the year ended June 30, 2009 @ Rs. 1.5 per share	-	-	-	-	(39,948)	-	(39,948)
	39,948	-	-	-	(79,896)	-	(39,948)
Balance as at June 30, 2010	306,268	-	280,251	280,251	770,986	124,060	1,481,565
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	19,327	-	19,327
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	8,256	-	8,256
Total comprehensive income for the year	-	-	-	-	390,815	22,758	413,573
Transactions with owners							
Cash dividend paid for the year ended June 30, 2010 @ Rs. 3 per share	-	-	-	-	(91,880)	-	(91,880)
	-	-	-	-	(91,880)	-	(91,880)
Balance as at June 30, 2011	306,268	-	280,251	280,251	1,097,505	146,818	1,830,842

The annexed notes 1 to 43 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Consolidated Statement of Cash Flows

For the year ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	34	1,176,844	439,409
Gratuity paid	19.3.4 19.4.4 & 21.1.4	(17,446)	(11,585)
Taxes paid		(232,285)	(179,530)
Recovery of long-term loans		234	1,011
Advance of short-term loans and advances to suppliers		(631,923)	(25,071)
Payment of long-term deposits		(315)	(4,117)
Net cash from operating activities		295,109	220,117
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5.1	(143,008)	(184,667)
Additions to capital work in progress		(48,266)	(354)
Purchase of intangible assets	6	(50,000)	(50)
Proceeds from disposal of property, plant and equipment	5.5	13,665	2,821
Financial income received	29	134	1,820
Mark-up received from ultimate holding company		10,000	5,000
Exchange loss-net		(8,263)	(5,325)
Net cash used in investing activities		(225,738)	(180,755)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities paid		(5,065)	(14,093)
Dividend paid		(90,568)	(39,065)
Long-term finance paid		(99,960)	(99,960)
Financial charges paid		(292,010)	(87,500)
Net cash used in financing activities		(487,603)	(240,618)
Net decrease in cash and cash equivalents		(418,232)	(201,256)
Cash and cash equivalents at the beginning of the year		(253,189)	(51,933)
Cash and cash equivalents at the end of the year	35	(671,421)	(253,189)

The annexed notes 1 to 43 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

1 THE GROUP AND ITS OPERATIONS

1.1 The "Group" consist of :

Holding company

Searle Pakistan Limited

Subsidiary company

IBL HealthCare 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.

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

IBL - HealthCare (Private) Limited (the subsidiary Company) was incorporated in Pakistan as a private limited company on July 14, 1997. In November 2008 the 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.

1.2 Basis of consolidation

Due to significant representation in board of directors and 50% holding of share capital of the subsidiary, management perceive that the holding Company can directly or indirectly exercise control over the subsidiary.

The consolidated financial statements comprise financial statements of the holding Company and its subsidiary Company - "the Group". The assets and liabilities of the subsidiary have been consolidated on a line by line basis and the carrying value of the investment held by the holding Company has been eliminated against corresponding holding in subsidiary's 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

2.2.1 The following amendments to standards are mandatory for the first time for the financial year beginning July 1, 2010 that are effective in the current year:

- Amendments to IFRS 1, 'First time adoption', on financial instrument disclosures (effective July 1, 2010). This amendment provides first time adopters with the same transition provisions as included in the amendment to IFRS 7, 'Financial instruments Disclosures', regarding comparative information for the new three-level classification disclosures. However, this new amendment do not affect the consolidated financial statements of the Group.

- IFRIC 19, 'Extinguishing financial liabilities with equity investments' (effective July 1, 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of its debts with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

- Amendment to IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the consolidated financial statements.

2.2.2 During the year, other standards, amendments to standards and interpretations also became applicable. However, these are either not relevant or do not affect consolidated financial statements of the Group.

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

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

- Amendments to IFRS 1, 'First-time adoption', on fixed dates and hyperinflation. These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that accrued before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. These amendments will result in increased disclosures in the consolidated financial statements, as the case may be.

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is applicable on or after January 1, 2013.

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on the consolidated financial statements of the Group.

- IAS 24 'Related Party Disclosures' (revised 2009) – effective for annual periods beginning on or after January 1, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The amendment in future may result in certain changes in disclosures.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or to have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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 for certain items of property, plant and equipment, which have been stated at revalued amount and loans and receivables that are not held for trading, which 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.

3.2 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 useful lives of depreciable and amortizable assets, estimates of recoverable amounts of inventories, depreciable, amortizable and financial assets, provisions for doubtful debts, and loans and receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the consolidated financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

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.

4 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 unless / otherwise stated.

4.1 Loans and finances

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

4.2 Staff retirement benefits

Defined benefit plans

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 19.3.

The subsidiary 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 19.4.

The holding Company also operates an approved gratuity fund for its permanent employees who complete the eligible period of 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 20.1.

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.

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.

4.3 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. Instances where the Group's views differ from the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

4.4 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 recognised as an expense in the period in which these are incurred.

4.5 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 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

Lease hold land, building on lease hold land, plant and machinery, motor vehicles and air conditioning systems of 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. 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 of the Group other than those mentioned above are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation 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.

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.

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).

4.6 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.

4.7 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.

4.8 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 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.

4.9 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 statement of cash flows.

4.10 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.

4.11 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.

Handling income is recognized when the goods are delivered.

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

Bank profit and commission income is recognized on accrual basis.

4.12 Research and development cost

Research and development cost is charged to income as and when incurred.

4.13 Provisions

Provisions are recognized in the 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.

4.14 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 profit and loss account.

4.15 Financial instruments

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

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

Financial liabilities carried on the 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 looses 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 Group commits to purchase or sell the asset.

4.16 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.

4.17 Dividend

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

4.18 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.

4.19 General

Figures have been rounded-off to nearest thousand rupee.

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2011 (Rs '000)	2010 (Rs '000)
Operating assets	5.1	773,406	740,194
Capital work in progress - at cost	5.9	48,620	354
		822,026	740,548

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

5.1 The following is a statement of operating assets:

	Owned assets								Leased assets			
	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	Total
	(Rs '000)											
As at June 30, 2009												
Cost / Revalued amount	185,601	174,476	557,449	37,220	20,701	84,441	52,644	1,112,532	18,799	25,773	44,572	1,157,104
Accumulated depreciation	(11,599)	(73,619)	(294,359)	(31,741)	(10,932)	(64,284)	(32,769)	(519,303)	(8,303)	(9,579)	(17,882)	(537,185)
Net book amount	174,002	100,857	263,090	5,479	9,769	20,157	19,875	593,229	10,496	16,194	26,690	619,919
Year ended June 30, 2010												
Opening net book amount	174,002	100,857	263,090	5,479	9,769	20,157	19,875	593,229	10,496	16,194	26,690	619,919
Additions	118,766	963	34,802	4,251	2,215	23,099	571	184,667	13,500	16,293	29,793	214,460
Transfers												
Cost / Revalued amount	-	-	18,799	-	-	13,197	-	31,996	(18,799)	(13,197)	(31,996)	-
Accumulated depreciation	-	-	(9,556)	-	-	(9,391)	-	(18,947)	9,556	9,391	18,947	-
	-	-	9,243	-	-	3,805	-	13,048	(9,243)	(3,805)	(13,048)	-
Disposal												
Cost / Revalued amount	-	-	(416)	(249)	(10)	(11,761)	(149)	(12,585)	-	-	-	(12,585)
Accumulated depreciation	-	-	287	249	10	10,903	134	11,583	-	-	-	11,583
	-	-	(129)	-	-	(858)	(15)	(1,002)	-	-	-	(1,002)
Deprecation charge	(1,880)	(11,691)	(51,518)	(3,802)	(1,646)	(10,875)	(4,336)	(85,748)	(1,928)	(5,507)	(7,435)	(93,183)
Closing net book amount	290,888	90,129	255,488	5,928	10,338	35,328	16,095	704,194	12,825	23,175	36,000	740,194
As at June 30, 2010												
Cost / Revalued amount	304,367	175,439	610,634	41,222	22,906	108,976	53,066	1,316,610	13,500	28,870	42,370	1,358,979
Accumulated depreciation	(13,479)	(85,310)	(355,146)	(35,294)	(12,568)	(73,647)	(36,971)	(612,415)	(675)	(5,695)	(6,370)	(618,785)
Net book amount	290,888	90,129	255,488	5,928	10,338	35,328	16,095	704,194	12,825	23,175	36,000	740,194
Year ended June 30, 2011												
Opening net book amount	290,888	90,129	255,488	5,928	10,338	35,328	16,095	704,194	12,825	23,175	36,000	740,194
Additions (refer note 5.8)	89,535	-	42,672	1,055	85	3,323	348	137,018	-	5,990	5,990	143,008
Transfers												
Cost / Revalued amount	-	-	-	-	-	3,081	-	3,081	-	(3,081)	(3,081)	-
Accumulated depreciation	-	-	-	-	-	(1,927)	-	(1,927)	-	1,927	1,927	-
	-	-	-	-	-	1,154	-	1,154	-	(1,154)	(1,154)	-
Disposal												
Cost / Revalued amount	-	-	(49,029)	(6,822)	-	(8,509)	-	(64,360)	-	-	-	(64,360)
Accumulated depreciation	-	-	35,709	6,789	-	5,309	-	47,807	-	-	-	47,807
	-	-	(13,320)	(33)	-	(3,200)	-	(16,553)		-	-	(16,553)
Depreciation charge	(1,880)	(10,122)	(52,912)	(2,720)	(1,728)	(12,520)	(4,297)	(86,179)	(1,350)	(5,714)	(7,064)	(93,243)
Closing net book amount	378,543	80,007	231,928	4,230	8,695	24,085	12,146	739,634	11,475	22,297	33,772	773,406
As at June 30, 2011												
Cost / Revalued amount	393,902	175,439	604,277	35,455	22,991	106,871	53,414	1,392,349	13,500	31,779	45,279	1,437,627
Accumulated depreciation	(15,359)	(95,432)	(372,349)	(31,225)	(14,296)	(82,786)	(41,268)	(652,715)	(2,025)	(9,482)	(11,507)	(664,221)
Net book amount	378,543	80,007	231,928	4,230	8,695	24,085	12,146	739,634	11,475	22,297	33,772	773,406
Depreciation rate	89, 92 and 99 years	5% and 20%	10%, 20% and 33%	10%, 20% and 33%	10%, 20% and 33%	20%	10% and 20%		10%	20%		

5.2 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 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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

5.3 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	
	2011 (Rs '000)	2010 (Rs '000)	2011 (Rs '000)	2010 (Rs '000)
Owned assets				
Lease hold land	105,813	17,438	102,345	14,151
Building on lease hold land	137,805	137,804	68,716	75,073
Plant and machinery	404,684	374,378	175,941	166,172
Vehicles	89,896	91,086	23,482	33,698
Air conditioning system	16,950	16,603	1,206	1,510
	755,148	637,309	371,690	290,604
Leased assets				
Plant and machinery	13,500	13,500	11,475	12,825
Vehicles	24,627	27,708	16,432	22,768
	38,127	41,208	27,907	35,593
	793,275	678,517	399,597	326,197

5.4 The depreciation expense has been allocated as follows:

	Note	2011 (Rs '000)	2010 (Rs '000)
Cost of goods sold	25	75,271	76,139
Selling and distribution expenses	26	13,605	13,369
Administrative expenses	27	4,367	3,675
		93,243	93,183

5.5 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
	(Rs '000)							
Plant & machinery	35,041	25,234	9,807	1,000	(8,807)	9,807	Negotiation	Myplan Pharmaceuticals (Private) Limited, 32 Km, Multan Road, Lahore.
	8,628	6,127	2,501	5,125	2,624	1,931	Negotiation	-do-
	3,341	2,522	819	900	81	818	Negotiation	Hakeem Agencies, 1-4/G, (E-Market), Block 6, P.E.C.H.S. Karachi.
	1,876	1,697	179	1,300	1,121	130	Negotiation	Macter (Private) Limited, F-216, S.I.T.E., Karachi.
Sub-total	48,886	35,580	13,306	8,325	(4,981)	12,686		
Vehicles	1,376	1,147	229	800	571	-	Insurance claim	PICIC Insurance Limited, 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi.
	3,700	1,172	2,528	2,800	272	-	Negotiation	UDL Modaraba - related party, 8th Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.
	1,060	618	442	900	458	-	Company policy	Mr. Muhammad Aurangzaib Ex-employee, R-64, Sector 15-A-3, Buffer Zone, North Karachi.
Sub-total	6,136	2,937	3,199	4,500	1,301	-		
Aggregate of assets disposed off having written down value below Rs. 50,000 each								
Plant & machinery	143	128	15	145	130	16		
Office equipment	6,822	6,789	33	10	(23)	-		
Vehicles	2,373	2,373	-	685	685	-		
Sub-total	9,338	9,290		84048	792		16	
Total	64,360	47,807	16,553	13,665	(2,888)	12,702		
2010	12,585	11,583	1,002	2,821	1,819	144		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

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

	Note	2011 (Rs '000)	2010 (Rs '000)
Other income	29	5,942	1,538
Other charges	30	(8,830)	(574)
		(2,888)	964

5.7 As at June 30, 2011 the gross carrying amount of fully depreciated property, plant and equipment that are still in use is Rs. 78.04 million (2010: Rs. 66.80 million).

5.8 The holding Company is in the process to transfer title of the land in its name.

5.9 Movement in capital work in progress

	2011 (Rs '000)	2010 (Rs '000)
Balance as at July 1	354	-
Add: additions during the year - civil works	49,680	354
Less: transferred to operating assets	(1,414)	-
Balance as at June 30	48,620	354

6 INTANGIBLE ASSETS

	Distribution rights	Brand name & logo	Software licenses	Total
	(Rs '000)			
As at June 30, 2009				
Cost	268,475	24,703	10,661	303,839
Accumulated amortization	(191,669)	(24,703)	(5,074)	(221,446)
Net book amount	76,806	-	5,587	82,393
Year ended June 30, 2010				
Opening net book amount	76,806	-	5,587	82,393
Additions	-	-	50	50
Amortization charge	(11,164)	-	(1,834)	(12,998)
Closing net book amount	65,642	-	3,803	69,445
As at June 30, 2010				
Cost	268,475	24,703	10,711	303,889
Accumulated amortization	(202,833)	(24,703)	(6,908)	(234,444)
Net book amount	65,642	-	3,803	69,445
Year ended June 30, 2011				
Opening net book amount	65,642	-	3,803	69,445
Additions	-	50,000	-	50,000
Amortization charge	(11,164)	(2,084)	(1,845)	(15,093)
Closing net book amount	54,478	47,916	1,958	104,352
As at June 30, 2011				
Cost	268,475	74,703	10,711	353,889
Accumulated amortization	(213,997)	(26,787)	(8,753)	(249,537)
Net book amount	54,478	47,916	1,958	104,352
Remaining useful life in years	1 - 6	9.4	1 - 2	

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

7 LONG-TERM LOANS

	Note	2011 (Rs '000)	2010 (Rs '000)
Secured - Considered good	7.1	3,585	4,157
Less: Current portion of long term loans shown under current assets	11	(2,033)	(2,371)
		1,552	1,786
Considered doubtful		1,174	1,174
Less: Accumulated impairment loss		(1,174)	(1,174)
		-	-
		1,552	1,786

7.1 These include auto loans to employees which are secured against provident fund balance of respective employees.

7.2 Corresponding figures have been re-classified to loans and advances (note 11) for better presentation under IAS 1 'Presentation of Financial Statement'.

8 LONG TERM DEPOSITS

	Note	2011 (Rs '000)	2010 (Rs '000)
Deposit against rent		1,598	1,598
Security deposits against lease		6,567	4,797
		8,165	6,395
Less: Current maturity of security deposits against lease	12	(1,764)	(309)
		6,401	6,086

9 STOCKS-IN-TRADE

	Note	2011 (Rs '000)	2010 (Rs '000)
Raw materials		251,326	145,965
Packing materials		111,232	62,724
Work-in-process	25	73,640	52,831
Finished goods	25	334,858	171,184
Materials in transit		79,104	112,717
		850,160	545,421

10 TRADE DEBTS

	Note	2011 (Rs '000)	2010 (Rs '000)
Considered good			
- Secured: Export debtors		87,178	71,771
- Unsecured: Due from:			
- ultimate holding company	10.1	810,984	1,219,691
- others		163,339	95,937
		1,061,501	1,387,399
Considered doubtful - others		976	976
Less: Provision for doubtful debts		(976)	(976)
		-	-
		1,061,501	1,387,399

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

10.1 The receivable from International Brands (Private) Limited (IBL), ultimate holding company (refer note 1), is stated net of amounts payable aggregating Rs. 42.16 million (2010: Rs. 25.2 million) on account of expenses claimed by the ultimate holding company.

10.2 Competition Commission through its order dated September 13, 2007 and Securities and Exchange Commission of Pakistan (SECP) through its order dated September 7, 2007, instructed the holding Company to reduce terms of trade credits with IBL (ultimate holding company) , re-negotiate the offered rate of commission, and conduct audit of the transactions with associate.

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

Revision application was filed before the SECP against the order passed by Director (Enforcement) SECP.

In the meantime, the holding Company negotiated with IBL for settlement of trade debts who in turn offered a plot of land measuring 5,291 square yards in this regard whereby Rs. 600 million was to be off-set against the outstanding receivables and balance sales consideration to be paid by the holding Company. This offer was considered by the board of directors of the holding Company and approved in their meeting on April 13, 2009. Subsequently, shareholders' approval was also obtained on August 25, 2009 in extra ordinary general meeting. However, one of the directors went against the decision and filed an application and a case in the Honorable High Court of Sindh at Karachi against the holding Company and others. The Honorable Court awarded stay order restraining the holding Company to undertake the intended transaction. However, a Memorandum of Understanding (MoU) was signed between the parties on January 11, 2011 and consequently, the said matters were dismissed by the Honorable High Court vide its order dated January 13, 2011, as withdrawn.

The case was closed with no further action by the SECP vide its letter EMD/233/510/2002-1196 dated May 27, 2010 upon withdrawal of the Revision filed by the holding Company under section 477 of the Companies Ordinance, 1984 wherein the holding Company is to settle the debtors subject to the decision of the High Court as stated above and reduce credit period allowed to IBL.

In February 2011, the holding Company has acquired a block of vacant land at a cost of Rs. 1.799 billion from its ultimate holding company (also refer note 23.3). Trade receivables from IBL amounting to Rs. 599 million have been adjusted and the balance consideration shall be paid in cash.

10.3 As at June 30, 2011, trade debts aggregating Rs. 0.976 million (2010: Rs. 0.976 million) were deemed to have been impaired. These balances are outstanding for more than 3 years.

10.4 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 is as follows:

	Note	2011 (Rs '000)	2010 (Rs '000)
Age analysis			
More than two months but less than one year		207,947	-
More than four months but less than one year		-	11,319
One year or more but less than two years		7,187	8,934
Two year and more		28,893	26,954
		244,027	47,207

11 LOANS AND ADVANCES

	Note	2011 (Rs '000)	2010 (Rs '000)
Considered good			
Current portion of long-term loans	7	2,033	2,371
Advances to employees	11.1	10,465	10,301
Advances to suppliers	11.2	685,777	52,637
Others		-	1,043
		696,242	63,981
Considered doubtful		51	51
Less: Provision for doubtful advances		(51)	(51)
		-	-
		698,275	66,352

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

11.1 These include advances to employees against salary, for house rent and expenses. These advances are interest free and repayable on monthly basis. The aggregate amount due from executives of the Company is Rs. 3.17 million (2010: Rs. 1.63 million).

11.2 These include advance to International Brands (Private) Limited, ultimate holding company, amounting to Rs. 598.94 million (2010: Nil) for purchase of land.

11.3 As at June 30, 2011, loans and advance aggregating Rs. 0.051 million (2010: Rs. 0.051 million) were deemed to have been impaired. These balances are outstanding for more than 3 years.

12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2011 (Rs '000)	2010 (Rs '000)
Deposits			
- Current portion of lease deposit	8	1,764	309
- Trade deposits		37,937	40,092
Less: Provision for doubtful deposits		(2,640)	(2,640)
		35,297	37,452
		37,061	37,761
Prepayments		37,292	29,998
		74,353	67,759

12.1 As at June 30, 2011, trade deposits amounting to Rs. 15.37 million (2010: 19.03 million) were past due but not impaired. These balances are outstanding for more than one year.

13 OTHER RECEIVABLES

	Note	2011 (Rs '000)	2010 (Rs '000)
Due from:			
- International Brands (Private) Limited - holding company against mark-up on over due balance	13.1	138,882	120,043
Associated companies:			
- International Franchises (Private) Limited - against rent and other utilities		-	466
- United Distributors Pakistan Limited - against staff salaries and benefits		3,266	749
		3,266	1,215
Receivable from retirement benefit fund	20.1.4	1,900	-
Others, considered good	13.2	54,883	9,157
		198,931	130,415

13.1 The receivable from International Brands (Private) Limited (IBL) (ultimate holding company) represents mark-up charged on the cash collected and held by the branches of IBL, at the rate of 6-months KIBOR plus 3% per annum (2010: 6-months KIBOR plus 3% per annum) as late payment liquidate damages with an exception of transaction delay.

13.2 This includes Rs. 35 million (2010: Nil) 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.

13.3 As at June 30, 2011, due from ultimate holding company amounted to Rs. 110.04 million (2010: 73.50 million) were past due but not impaired. These balances are outstanding for more than one year.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
14 CASH AND BANK BALANCES			
Cash in hand		103	1,870
Cheques in hand		144,000	90,000
Cash with banks in:			
- deposit accounts		1,826	2,920
- current accounts		21,661	38,018
		167,590	132,808

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011 (Number of shares)	2010 (Number of shares)		2011 (Rs '000)	2010 (Rs '000)
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
26,633,783	26,633,783	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	266,338	266,338
30,626,783	30,626,783		306,268	306,268

15.1 Movement in number of shares

	2011 (Number in '000)	2010 (Number in '000)
Number of the shares at beginning of the year	30,627	26,632
Bonus shares issued during the year	-	3,995
Number of the shares at end of the year	30,627	30,627

15.2 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 shareholders 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.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

16 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	2011 (Rs '000)	2010 (Rs '000)
Surplus on revaluation of fixed assets at beginning of the year		207,484	229,852
Surplus transferred to retained earning (unappropriated profit) in respect of incremental depreciation charge during the year - net of tax		(19,327)	(22,224)
Surplus realized on disposal - net of tax		(8,256)	(144)
Balance at the end of the year		179,901	207,484

17 LONG TERM FINANCES - secured

	Note	2011 (Rs '000)	2010 (Rs '000)
Term finance certificates	17.1	-	99,960
		-	99,960
Less: Current portion of long term finances shown under current liabilities		-	(99,960)
		-	-

17.1 The holding Company arranged finance of Rs. 400 million by way of issuance of redeemable capital in the form of Term Finance Certificates (TFCs) for the purpose of swapping of costly debts outstanding with various financial institutions and subsequent expansion of production capacity and facilities.

These TFCs were listed on Karachi Stock Exchange. The mark-up on above TFCs was six months KIBOR plus 2.5% per annum with no cap and no floor. The Group had created a hypothecation charge on current assets and mortgage charge in favor of the Trustee (i.e. Orix Investment Bank Pakistan Limited) for a total amount of Rs. 533 million. However, these TFCs were matured on March 9, 2011 and consequently the above said charge has been vacated.

18 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 14.00% to 16.68% (2010: 8.00% to 16.50%) 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:

	2011			2010		
	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
	(Rs '000)					
Up to one year	14,486	2,952	11,534	14,417	3,668	10,749
Later than one year and not later than five years	18,458	1,381	17,077	25,896	2,969	22,927
	32,944	4,333	28,611	40,313	6,637	33,676

		Note	2011 (Rs '000)	2010 (Rs '000)
19	**DEFERRED LIABILITIES**			
	Deferred taxation	19.1	55,732	65,681
	Staff retirement gratuity - unfunded	19.3 & 19.4	32,472	29,187
			88,204	94,868
19.1	Balance at beginning of the year		65,681	73,817
	Reversed during the year	32	(9,949)	(8,136)
	Balance at end of the year		55,732	65,681

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

	2011	2010
Credit balance arising on account of:		
Property, plant and equipment	38,773	36,464
Surplus on revaluation of property, plant and equipment	24,361	36,936
Finance lease arrangements	1,535	675
	64,669	74,075
Debit balance arising on account of:		
Intangible assets	(1,223)	(298)
Provisions for staff retirement gratuity, doubtful debts and doubtful refunds	(7,714)	(8,096)
	(8,937)	(8,394)
	55,732	65,681

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.

19.3 Staff retirement gratuity - unfunded (the holding company)

19.3.1 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, 2011 by Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

19.3.2 **Principal actuarial assumptions**

	Note	2011 %	2010 %
		per annum	
Following principal actuarial assumptions were used for the valuation:			
Estimated rate of increase in salary of the employees		14	13
Discount rate		14	13

19.3.3 **Reconciliation of provision for gratuity scheme**

The amounts recognized in the balance sheet are as follows:

	Note	2011 (Rs '000)	2010 (Rs '000)
Present value of defined benefit obligation		22,639	21,729
Fair value of plan assets		-	-
Deficit		22,639	21,729
Unrecognized actuarial gains/(losses)		302	(495)
Net liability		22,941	21,234

19.3.4 **Movements in the net liability recognized in the balance sheet**

	Note	2011 (Rs '000)	2010 (Rs '000)
Opening net liability		21,234	18,214
Charge for the year	19.3.5	3,941	3,227
Paid during the year		(2,234)	(207)
		22,941	21,234

19.3.5 **The amounts recognized in the profit and loss account**

	2011 (Rs '000)	2010 (Rs '000)
Current service cost	1,057	793
Interest cost	2,884	2,434
	3,941	3,227

19.4 **Staff retirement gratuity - unfunded (the subsidiary)**

19.4.1 **General description**

Annual provision is based on actuarial valuation. The valuation was carried out as at June 30, 2009 by Noman Associates, independent actuaries, using the projected unit credit method. No actuarial valuation was carried out in current year.

19.4.2 **Principal actuarial assumptions**

	2011 %	2010 %
	per annum	
Discount rate	12	12
Medical cost trend rates	11	11

19.4.3 **Reconciliation of provision for gratuity scheme**

	2011 (Rs '000)	2010 (Rs '000)
Present value of defined benefit obligation	9,461	8,335
Fair value of plan assets	-	-
Deficit	9,461	8,335
Unrecognized actuarial gains	637	469
Non-vested past service cost to be recognized in later periods	(292)	(438)
Unrecognized transitional liability	(275)	(413)
	9,531	7,953

	Note	2011 (Rs '000)	2010 (Rs '000)
19.4.4 Movement in the net liability recognized in the balance sheet			
Opening net liability		7,953	7,000
Charge for the year		1,950	1,671
Contributions		-	(31)
Benefits paid		(372)	(687)
		9,531	7,953
19.4.5 The amounts recognized in the profit and loss account			
Additional liability charged for the year		138	103
Current service cost		666	580
Interest cost		1,000	842
Amortization of non-vested past service cost		146	146
		1,950	1,671

20 TRADE AND OTHER PAYABLES

	Note	2011 (Rs '000)	2010 (Rs '000)
Creditors		295,911	171,582
Bills payable in foreign currency		199,527	106,563
Accrued liabilities		403,618	391,214
Advance from customers		23,668	11,662
Payable to retirement benefits fund	20.1	-	1,094
Unclaimed dividend		7,212	5,900
Workers' Profits Participation Fund	20.2	28,069	30,550
Workers' Welfare Fund		14,041	14,164
Sales tax and excise duty payable		1,464	258
Other liabilities		10,835	11,307
		984,345	744,294

20.1 Defined benefit scheme

20.1.1 General description

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

For the current year, annual provision is based on actuarial valuation. The valuation was carried out as at June 30, 2011 by Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

20.1.2 Principal actuarial assumptions

	2011 % per annum	2010 % per annum
Following principal actuarial assumptions were used for the valuation:		
Expected return on plan assets	11	14
Estimated rate of increase in salary of the employees	14	14
Discount rate	14	14

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

		Note	2011 (Rs '000)	2010 (Rs '000)
20.1.3	**Reconciliation of provision for gratuity scheme**			
	The amounts recognized in the balance sheet are as follow:			
	Present value of defined benefit obligation	20.1.5	149,723	129,798
	Fair value of plan assets	20.1.6	(138,107)	(116,509)
	Deficit		11,616	13,289
	Unrecognized actuarial losses		(13,516)	(12,195)
	Net (asset)/liability		(1,900)	1,094
20.1.4	**Movement in the net (asset)/liability recognized in the balance sheet**			
	Opening net liability		1,094	862
	Charge for the year	20.1.7	11,846	10,892
	Paid during the year		(14,840)	(10,660)
		13	(1,900)	1,094
20.1.5	**Movement in the present value of defined benefit obligation during the year is as follows:**			
	Balance at July 1		129,798	115,044
	Current service cost		9,986	8,301
	Interest cost		17,917	15,356
	Benefits paid		(3,634)	(10,442)
	Actuarial (gain)/loss		(4,344)	1,539
	Balance at June 30		149,723	129,798
20.1.6	**Movement in the present value of plan assets**			
	Balance at January 1		116,509	97,071
	Expected return on plan assets		16,057	13,326
	Actuarial (loss)/gain		(5,665)	5,894
	Contributions		14,840	10,660
	Benefits paid		(3,634)	(10,442)
	Balance at June 30		138,107	116,509
20.1.7	**The amounts recognized in the profit and loss account**			
	Current service cost		9,986	8,301
	Interest cost		17,917	15,356
	Expected return on plan assets		(16,057)	(13,326)
	Actuarial losses recognised		-	561
			11,846	10,892

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

20.1.8 Five years data on surplus /deficit of the plans and experience adjustment

	2011	2010	2009	2008	2007
	(Rs '000)				
Present value of defined benefit obligation	149,723	129,798	115,044	113,229	121,597
Fair value of plan assets	(138,107)	(116,509)	(97,071)	(115,299)	(132,849)
Deficit/(Surplus)	11,616	13,289	17,973	(2,070)	(11,252)
Experience adjustments on plan liabilities [(loss)/gain]	4,344	(1,539)	(7,306)	(8,218)	3,069
Experience adjustments on plan assets [gain/(loss)]	(5,665)	5,894	(11,875)	(2,184)	10,530

20.1.9 The actual return on plan assets during the year was Rs. 10.39 million (2010: Rs. 19.22 million).

	Note	2011 (Rs '000)	2010 (Rs '000)
20.2 Worker's Profits Participation Fund			
Balance at beginning of the year		30,550	19,809
Contribution for the year	31	27,619	30,100
		58,169	49,909
Interest on funds utilized in the holding Company's business at 22.5 % (2010: 14.85 %)	32	5,084	1,985
		63,253	51,894
Less: Payments made during the year		(35,184)	(21,344)
Balance at end of the year		28,069	30,550
21 ACCRUED MARK-UP			
Accrued markup on:			
long term finances - secured		-	4,611
finance lease obligation - secured		313	91
short-term finances - secured		28,637	18,932
		28,950	23,634
22 SHORT-TERM FINANCES - Secured			
Running finances under mark-up arrangements			
- holding Company	22.1	764,022	385,997
- subsidiary Company	22.2	74,989	-
		839,011	385,997

22.1 The holding Company has arranged syndicated running finances under mark-up arrangements of Rs. 770 million (2010: Rs. 544 million). The mark-up on running finances range between 14.21% to 15.71% (2010: 13.88% to 17.50%) per annum.

The running finances under mark-up arrangements are secured jointly by registered mortgage of Rs. 172.5 million (2010: Rs. 146.8 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 (2010: Rs. 1,059 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 17).

22.2 This represents the utilised amount against the facility available from a commercial bank amounting to Rs. 75 million (2010: Nil). The rate of markup is 6 months KIBOR +2% per quarter (2010 : Nil). The arrangement is secured by way of hypothecation of stocks and receivables of the subsidiary company.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

23 CONTINGENCIES AND COMMITMENTS

Contingencies

23.1 The facility for opening letters of credit (LCs) acceptances and guarantees as at June 30, 2011 amounted to Rs. 925 million (2010: Rs. 727 million) of which the amount remaining unutilized as at that date was Rs. 533 million (2010: Rs. 309 million).

Commitments

23.2 Future rentals payable against operating lease arrangements

During last year 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 current year and in 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.

The details of future rentals over lease period are as follows:	2011 (Rs '000)	2010 (Rs '000)
Not later than one year	19,042	8,337
Later than one year and not later than five years	87,516	46,021
Later than five years	324,741	164,170
	431,299	218,528

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

23.3 During current year the holding Company has entered into architect work and project management agreements with Arshad Shahid Abdullah (Private) Limited, a related party 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. 64.82 million (2010: Nil).

24 NET SALES

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Sales						
Local	3,581,548	3,134,530	1,034,538	816,149	4,616,086	3,950,679
Export	249,945	251,475	20,316	31,063	270,261	282,538
	3,831,493	3,386,005	1,054,854	847,212	4,886,347	4,233,217
Less:						
Sales returns & discounts	94,350	133,970	102,760	76,894	197,110	210,864
Sales tax & excise duty	-	-	34,183	32,391	34,183	32,391
	94,350	133,970	136,943	109,285	231,293	243,255
	3,737,143	3,252,035	917,911	737,927	4,655,054	3,989,962
Add: Toll manufacturing	218,255	185,964	4,166	635	222,421	186,599
Less : Sales tax		-	606	93	606	93
	218,255	185,964	3,560	542	221,815	186,506
	3,955,398	3,437,999	921,471	738,469	4,876,869	4,176,468

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

25 COST OF GOODS SOLD

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Raw and packing material consumed	1,358,939	1,321,908	102,129	108,044	1,461,068	1,429,952
Processing charges paid to third parties	141,972	111,757	-	-	141,972	111,757
	1,500,911	1,433,665	102,129	108,044	1,603,040	1,541,709
Factory expenses						
Salaries wages and benefits (note 25.1)	201,040	191,639	15,109	15,663	216,149	207,302
Provision for staff gratuity (unfunded)	2,111	1,719	159	140	2,270	1,859
Gratuity fund contribution	2,350	2,416	177	198	2,527	2,614
Provident fund contribution	4,504	3,937	338	322	4,842	4,259
Carriage and duties	4,247	1,967	319	161	4,566	2,128
Fuel, water and power	39,944	34,430	3,002	2,814	42,946	37,244
Rent and taxes	11,821	7,106	888	90	12,709	7,196
Communication	1,099	844	83	69	1,182	913
Stationery and supplies	12,704	17,804	955	1,455	13,659	19,259
Traveling	8,221	7,136	618	583	8,839	7,719
Advertisement	89	72	7	6	96	78
Entertainment	111	169	8	14	119	183
Repairs and maintenance	33,645	28,227	2,528	2,307	36,173	30,534
Medical expenses	1,446	3,758	109	307	1,555	4,065
Personal training and selection	95	115	7	9	102	124
Vehicle expenses	4,077	3,627	306	296	4,383	3,923
Subscription	1,113	5	84	-	1,197	5
Legal and professional charges	5,551	3,449	417	282	5,968	3,731
Depreciation (note 5.4)	70,010	70,386	5,261	5,753	75,271	76,139
Insurance	4,909	3,203	369	262	5,278	3,465
Corporate services charged by ultimate holding company	1,339	1,331	101	109	1,440	1,440
Sundries	10,365	9,731	779	795	11,144	10,526
	420,791	393,071	31,624	31,635	452,415	424,706
	1,921,702	1,826,736	133,753	139,679	2,055,455	1,966,415
Work in process as at July 01, (refer note 9)	52,831	21,436	-	-	52,831	21,436
	1,974,533	1,848,172	133,753	139,679	2,108,286	1,987,851
Work in process as at June 30, (refer note 9)	(73,640)	(52,831)	-	-	(73,640)	(52,831)
	1,900,893	1,795,341	133,753	139,679	2,034,646	1,935,020
Finished goods as at July 01, (refer note 9)	104,963	69,511	66,221	82,943	171,184	152,454
Finished goods purchased	378,412	159,000	613,828	346,742	992,240	505,742
	483,375	228,511	680,049	429,685	1,163,424	658,196
Cost of samples manufactured	(38,100)	(30,417)	(7,146)	(1,912)	(45,246)	(32,329)
Finished goods as at June 30, (refer note 9)	(120,747)	(104,963)	(214,111)	(66,221)	(334,858)	(171,184)
Cost of goods sold	2,225,421	1,888,472	592,545	501,231	2,817,966	2,389,703

25.1 Salaries, wages and benefits include Rs. 57.21 million (2010: Rs. 54.77 million) in respect of contractual labour provided by Paksons (Private) Limited.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

26 SELLING AND DISTRIBUTION EXPENSES

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Salaries wages and benefits	249,151	205,941	50,253	45,698	299,404	251,639
Provision for staff gratuity (unfunded)	1,203	978	1,767	1,628	2,970	2,606
Gratuity fund contribution	7,576	6,481	569	530	8,145	7,011
Provident fund contribution	9,949	7,534	1,894	1,654	11,843	9,188
Services charges	12,994	22,305	-	-	12,994	22,305
Carriage and duties	58,426	47,311	9,089	7,212	67,515	54,523
Water and power	2,151	3,502	262	466	2,413	3,968
Rent and taxes	11,552	8,908	3,234	2,586	14,786	11,494
Communication	11,117	6,193	1,931	1,656	13,048	7,849
Stationery and supplies	10,673	10,496	1,372	1,249	12,045	11,745
Traveling	145,581	150,933	18,743	22,006	164,324	172,939
Advertising and promotion	155,488	172,630	40,045	42,280	195,533	214,910
Samples	63,316	54,226	4,758	4,432	68,074	58,658
Bonus to salesmen	70,280	65,837	5,282	5,381	75,562	71,218
Entertainment	556	1,449	42	118	598	1,567
Repairs and maintenance	11,126	3,427	1,703	839	12,829	4,266
Medical expenses	4,105	8,040	309	657	4,414	8,697
Personal training and selection	2,337	6,631	838	984	3,175	7,615
Vehicle expenses	31,113	11,204	6,220	4,218	37,333	15,422
Insurance	9,594	5,077	1,304	989	10,898	6,066
Depreciation (refer note 5.4)	11,244	10,569	2,361	2,800	13,605	13,369
Subscription	15,197	10,473	1,142	870	16,339	11,343
Donation (refer note 27.1)	32	41	2	3	33	44
Replacement products	10,270	8,365	772	684	11,042	9,049
Royalty	13,776	22,407	4,458	1,831	18,234	24,238
Corporate services charged by ultimate holding company	3,348	3,328	252	272	3,600	3,600
Legal and professional charges	10,535	8,356	869	1,170	11,404	9,526
Sundries	11	-	205	-	216	-
	932,701	862,642	159,676	152,213	1,092,377	1,014,855

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

27 ADMINISTRATIVE EXPENSES

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Salaries wages and benefits	44,162	40,030	14,003	8,302	58,165	48,332
Provision for staff gratuity (unfunded)	352	287	299	146	651	433
Gratuity fund contribution	1,092	1,170	82	96	1,174	1,266
Provident fund contribution	1,692	1,333	606	359	2,298	1,692
Water and power	1,231	1,847	93	151	1,324	1,998
Rent and taxes	4,411	3,543	331	290	4,742	3,833
Communication	2,989	2,821	438	356	3,427	3,177
Stationery and supplies	4,100	3,428	986	384	5,086	3,812
Traveling	409	2,945	247	434	656	3,379
Advertisement	20	43	127	80	147	123
Entertainment	48	67	4	5	52	72
Repairs and maintenance	14,501	10,271	1,604	1,149	16,105	11,420
Medical expenses	1,265	2,709	95	221	1,360	2,930
Personal training and selection	92	159	11	13	103	172
Vehicle expenses	2,601	2,517	709	660	3,310	3,177
Insurance	395	569	84	46	479	615
Depreciation (refer note 5.4)	3,877	3,163	490	512	4,367	3,675
Subscription	711	60	884	939	1,595	999
Donation (refer note 27.1)	2	3,238	-	265	2	3,503
Corporate services charged by ultimate holding company	2,009	1,997	151	163	2,160	2,160
Legal and professional charges	19,056	6,192	2,473	1,035	21,529	7,227
Sundries	263	46	20	4	283	50
	105,278	88,435	23,737	15,610	129,015	104,045

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

28 OPERATING PROFIT

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Net sales (refer note 24)	3,955,398	3,437,999	921,471	738,469	4,876,869	4,176,468
Cost of goods sold (refer note 25)	2,225,421	1,888,472	592,545	501,231	2,817,966	2,389,703
Selling and distribution expenses (refer note 26)	932,701	862,642	159,676	152,213	1,092,377	1,014,855
Administrative expenses (refer note 27)	105,278	88,435	23,737	15,610	129,015	104,045
Amortization of intangible assets (refer note 6)	15,093	12,998	-	-	15,093	12,998
	3,278,493	2,852,547	775,958	669,054	4,054,451	3,521,601
Operating profit	676,905	585,452	145,513	69,415	822,418	654,867

29 OTHER OPERATING INCOME

	Note	2011 (Rs '000)	2010 (Rs '000)
Income from financial assets			
Profit on amounts placed in bank deposit accounts		134	1,820
Exchange gain		4,604	10,882
		4,738	12,702
Income from related parties			
Mark-up from International Brands (Private) Limited holding company	13	28,839	46,543
Rent income from International Franchises (Private) Limited - associated company		3,000	1,500
		31,839	48,043
Income from non-financial assets			
Gain on disposal of property, plant and equipment	5.6	5,942	2,393
Bad debts recovered		-	136
Others	29.1	72,918	1,845
		78,860	4,374
		115,437	65,119

29.1 This includes Rs. 70 million (2010: Nil) as consideration from Sanofi-Aventis Pakistan Limited, for early termination of license agreement for manufacture, selling, and marketing of Sanofi-Aventis's pharmaceutical products.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

30 FINANCIAL COST

	Note	2011 (Rs '000)	2010 (Rs '000)
Lease finance charges		4,058	2,208
Mark-up on long term and running finances		104,649	85,448
Interest on workers' profits participation fund	20.2	5,084	1,985
Interest charged by ultimate holding company	30.1	183,535	-
Bank charges		9,194	6,507
Exchange loss		12,867	16,207
		319,387	112,355

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

31 OTHER CHARGES

	Note	2011 (Rs '000)	2010 (Rs '000)
Contribution to:			
- workers' profits participation fund	20.2	27,619	30,100
- workers' welfare fund		11,499	12,023
- central research fund		5,144	5,605
Auditors' remuneration	31.1	1,979	1,902
Loss on disposal of property, plant and equipment	5.6	8,830	574
		55,071	50,204

31.1 Auditors' remuneration

	2011	2010
Audit fee		
Annual audit	1,275	1,100
Half yearly review	325	350
Fee in respect of:		
Special reports and certifications	175	150
Out of pocket expenses	204	302
	1,979	1,902

32 INCOME TAX EXPENSE

	Note	2011	2010
Current			
- for the year		169,944	194,326
- for prior years		(10,171)	5,078
		159,773	199,404
Deferred	19.1	(9,949)	(8,136)
		149,824	191,268

32.1 Charge for the year

Provisions for current taxation and deferred taxation have been made after considering the implications of section 169 of the Income Tax Ordinance, 2001. Income not covered under final tax regime is provided at the normal basis using the applicable rate of 35% for the tax year 2011 (2010: 35%).

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

32.2 Reconciliation of tax expense

	2011 (Rs '000)	2010 (Rs '000)
Accounting profit	563,397	557,427
Applicable tax rate	35%	35%
Tax on accounting profit at applicable rate	197,189	195,099
Tax effect of:		
difference in method of lease accounting	3,323	3,899
permanent differences	(42,921)	(12,470)
temporary differences	7,340	(15,405)
applicability of lower tax rate on certain income	5,464	15,005
applicability of lower tax rate under final tax regime on behalf of subsidiary	(10,400)	62
demand provided and raised during the year	(10,171)	5,078
Tax expense charged on income	149,824	191,268

32.3 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 and 2009 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.

33 EARNINGS PER SHARE-Basic and Diluted

Basic earnings per share

	2011 (Rs '000)	2010 (Rs '000)
Profit for the year (Rupees in thousands)	413,573	366,159
Weighted average number of shares in thousands	30,627	30,627
Earnings per share (Rupees)	13.50	11.96

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, 2011.

35 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

	Note	2011 (Rs '000)	2010 (Rs '000)
Profit before tax		563,397	557,427
Adjustments for non-cash items:			
Depreciation	5.4	93,243	93,183
Amortization of intangible assets	6	15,093	12,998
Loss/(gain) on disposal of property, plant and equipment (net)	29	2,888	(1,819)
Provision for staff retirement gratuity	19.3.5 & 19.4.5	17,737	15,790
Mark-up from ultimate holding company	29	(28,839)	(46,543)
Profit on amounts placed in bank deposit accounts	29	(134)	(1,820)
Exchange gain	29	(4,604)	(10,882)
Exchange loss	30	12,867	16,207
Financial charges		297,326	89,641
Net increase/(decrease) in working capital	34.1	207,869	(284,773)
		1,176,844	439,409

		Note	2011 (Rs '000)	2010 (Rs '000)
34.1	(Increase)/Decrease in working capital			
	Current assets			
	Decrease in stores and spares		1,248	497
	Increase in stock-in-trade		(304,739)	(160,490)
	Decrease/(Increase) in trade debts		325,898	(343,432)
	Increase in trade deposits and short-term prepayments		(6,594)	(25,210)
	(Increase)/decrease in other receivables		(48,213)	34,050
			(32,400)	(494,585)
	Current liabilities			
	Increase in trade and other payables		240,269	209,812
	Net decrease/(increase) in working capital		207,869	(284,773)

35 CASH AND CASH EQUIVALENTS

	Note	2011 (Rs '000)	2010 (Rs '000)
Cash and bank balances	14	167,590	132,808
Running finances under mark-up arrangement	22	(839,011)	(385,997)
		(671,421)	(253,189)

36 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 two operating segments:

- Pharma
- Consumer

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

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

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Segment revenue	3,955,398	3,437,999	921,471	738,469	4,876,869	4,176,468
Segment result	676,905	585,452	145,513	69,415	822,418	654,867
Unallocated income and expenses						
Other operating income					115,437	65,119
Financial cost					(319,387)	(112,355)
Other charges					(55,071)	(50,204)
Profit before taxation					563,397	557,427
Income tax expense					(149,824)	(191,268)
Profit for the year					413,573	366,159
Segment assets and liabilities						
Segment assets	226,389	248,040	17,014	20,273	243,403	268,313
Unallocated assets	-	-	-	-	3,744,342	2,883,558
Total assets					3,987,745	3,151,871
Segment liabilities	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	2,123,820	1,462,822
Total Liabilities					2,123,820	1,462,822
Depreciation	85,131	84,118	8,112	9,065	93,243	93,183
Non-cash expenses other than depreciation	15,093	12,998	-	-	15,093	12,998
Addition in segment assets	126,362	199,557	9,496	14,903	135,858	214,460
Percentage for allocation	93%	92%	7%	8%	100%	100%

There were no inter-segment transactions during the year (2010: None).

36.1 **Geographical segments**

	2011 (Rs '000)	2010 (Rs '000)
Gross revenue analysis		
Pakistan	4,616,086	3,950,679
Asia	135,130	127,105
East Africa	1,770	5,156
South East Asia	49,663	53,198
Far Eastern Countries	63,140	84,169
Central Asian Republic States	20,558	12,910
	4,886,347	4,233,217

36.2 The Group's revenue from one of the major customer represents approximately Rs. 3,975 million (2010: Rs. 3,501 million) of the total revenues.

37 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rs '000)					
Managerial remuneration	2,939	9,996	79,276	2,704	4,384	64,795
Annual bonus	231	1,474	12,569	220	348	7,671
Retirement benefits						
Provident fund	294	1,000	7,599	270	438	6,239
Gratuity fund	245	833	6,185	225	365	5,115
Perquisites						
Rent	1,323	4,498	33,929	1,217	1,973	27,838
Utilities	294	1,000	7,608	270	438	6,239
Telephone	-	-	181	-	-	160
Entertainment	-	-	221	-	-	195
Car maintenance		21	2053,660		9	164 3,050
	5,347	19,006	151,228	4,916	8,111	121,302
Number of persons	1	3	84	1	1	70

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

37.2 Three (2010: Six) non-full time working directors were paid fee for attending board meetings aggregating Rs. 139,500 (2010: Rs. 366,000).

37.3 Directors were paid conveyance/lunch expenses aggregating Rs. Nil (2010: Rs. 194,000) for attending board meetings.

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

38 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises International Brands (Private) Limited, ultimate holding company, 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, 2011

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

	2011			2010		
	Associates/ Group companies/ ultimate holding company and close family member	Directors	Key management	Associates/ Group companies/ ultimate holding company and close family member	Directors	Key management
	(Rs '000)					
Transactions						
International Brands (Private) Limited - ultimate holding company						
Sales	3,975,261	-	-	3,500,584	-	-
Sales returned	21,406	-	-	18,979	-	-
Mark-up income	28,839	-	-	46,543	-	-
Purchase of land	88,000	-	-	-	-	-
Advance against land	598,940	-	-	-	-	-
Expenses claimed						
Carriage and duties	11,485	-	-	10,824	-	-
Discounts	63,607	-	-	49,448	-	-
Warehouse rent	2,231	-	-	1,005	-	-
Mark-up expenses	183,535	-	-	-	-	-
Reimbursement of construction cost	13,985	-	-	-	-	-
Corporate services charged	16,579	-	-		7,200	-
Sales promotion expenses	46,651	-	-	37,136	-	-
IT Services	6,600	-	-	6,600	-	-
Share of employees cost and other expenses	6,637	-	-	2,950	-	-
International Franchises (Private) Limited						
Sales	41	-	-	31	-	-
Rent, utility and other income	3,000	-	-	1,500	-	-
Expenses claimed						
Sales promotion expenses	-	-	-	553	-	-
United Distributors Pakistan Limited						
Expenses claimed						
Staff salary and benefits	3,266	-	-	749	-	-

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

	2011			2010		
	Associates/ Group companies/ ultimate holding company and close family member	Directors	Key management	Associates/ Group companies/ ultimate holding company and close family member	Directors	Key management
	(Rs '000)					
HABITT						
Expenses claimed						
Sales promotion expenses	601	-	-	1,016	-	-
Services relating to renovation	1,954	-	-	-	-	-
The Citizens Foundation						
Donations	-	-	-	3,500	-	-
Arshad Shahid Abdulla (Private) Limited						
Architect fee	4,734	-	-	-	-	-
Project management fee	900	-	-	-	-	-
Shahid Abdulla						
Office and factories renovation	18,000	-	-	-	-	-
Balances						
Loans and advances						
At beginning of the year	-	-	1,634	-	-	1,796
Given during the year	-	-	8,412	-	-	3,106
Repaid during the year	-	-	(6,875)	-	-	(3,268)
At the end of the year	-	-	3,171	-	-	1,634

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

	2011			2010		
	Associates/ Group companies/ ultimate holding company and close family member	Directors	Key management	Associates/ Group companies/ ultimate holding company and close family member	Directors	Key management
	(Rs '000)					
Trade debts - ultimate holding company						
At beginning of the year	1,219,961	-	-	900,865	-	-
Addition during the year	3,987,417	-	-	3,511,428	-	-
Repaid during the year	(4,396,124)	-	-	(3,192,332)	-	-
At the end of the year	811,254	-	-	1,219,961	-	-
(refer note 11)						
Other receivables - associates						
At beginning of the year	120,043	-	-	78,500	-	-
Addition during the year	28,839	-	-	46,543	-	-
Repaid during the year	(10,000)	-	-	(5,000)	-	-
At the end of the year	138,882	-	-	120,043	-	-
(refer note 14)						
Accrued liabilities - associates						
At beginning of the year	-	-	-	-	-	-
Addition during the year		23,634	-	-	-	-
Repaid during the year	(14,734)	-	-	-	-	-
At the end of the year	8,900	-	-	-	-	-
(refer note 21)						

38.1 Sales to International Brands (Private) Limited (ultimate holding company) were made during the year at ex factory price i.e. trade prices less distributor's margin of 10% and 12% (2010: 10% and 12%). In addition, the amounts of communication, utilities, salaries and wages and carriage and duties are also being reimbursed.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

39 PLANT CAPACITIES AND ACTUAL PRODUCTION

	Installed capacity per annum (based on eight hours shift)					
	At owned plant (Karachi)	At leased plant (Karachi)	At leased plant (Lahore)	Total	Actual production 2011	Actual production 2010
	(Numbers in '000)					
Liquid (bottles)	8,000	-	16,400	24,400	39,037	46,584
Tablets (numbers)	440,000	-	211,000	651,000	1,203,334	1,445,506
Capsules (numbers)	45,000	-	15,000	60,000	58,750	58,819
Sachets (numbers)	19,200	30,500	-	49,700	21,467	20,696
Pouches (numbers)	-	250	-	250	-	50
Injectibles (numbers)	5,280	-	-	5,280	8,490	4,650

The current actual production capacity of Capsules, Sachets and Pouches was under utilized on account of lower demand.

40 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

40.1 Credit risk

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

Credit risk of the Group arises principally from the trade debts, loans and advances, trade deposits and other receivables. 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	2011 (Rs '000)	2010 (Rs '000)
Trade debts	10	1,061,501	1,387,399
Loans and advances	11	698,275	66,352
Trade deposits	12	35,297	37,452
Other receivables	13	198,931	130,415
		1,994,004	1,621,618

Concentration of credit risk

Out of the total financial assets of Rs. 2.17 billion (2010: Rs. 1.76 billion) financial assets amounting to Rs. 1.72 billion (2010: Rs. 1.47 billion) consist of transactions made by the Group with its affiliates and cash and bank balances. The Group's major sales are with International Brands (Private) Limited (IBL), ultimate holding company, which is a concentration and a credit risk. However, the Group has established policies and procedures for timely recovery of trade debts. In order to minimize exposure in trade debts the holding Company is in the process of acquiring property from IBL in settlement of trade debts amounting to Rs. 600 million (refer note 10.2). With respect to parties other than affiliates, the Group mitigates its exposure and credit risk by applying credit limits to its customers.

40.2 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:

			2011						
			Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Notes	Effective interest rate %	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
			(Rs '000)						
Financial assets									
Loans and advances	7 & 11		-	-	-	698,275	1,552	699,827	699,827
Long term deposit	8		-	-	-	1,764	6,401	8,165	8,165
Trade debts	10	16.62	810,984	-	810,984	250,517	-	250,517	1,061,501
Trade deposits	12		-	-	-	35,297	-	35,297	35,297
Other receivables	13	14	1,900	-	1,900	197,031	-	197,031	198,931
Cash and bank balances	14	4 - 8.37	1,826	-	1,826	165,764	-	165,764	167,590
			814,710	-	814,710	1,348,648	7,953	1,356,601	2,171,311
Financial liabilities									
Long-term finance	17		-	-	-	-	-	-	-
Liabilities against assets subject to finance leases	18	14 - 16.68	11,534	17,077	28,611	-	-	-	28,611
Deferred liability - gratuity	19	14	-	22,941	22,941	-	-	-	22,941
Trade and other payables	20		-	-	-	984,345	-	984,345	984,345
Accrued mark-up	21		-	-	-	28,950	-	28,950	28,950
Short-term finance	22	14.21-15.71	839,011	-	839,011	-	-	-	839,011
			850,545	40,018	890,563	1,013,295	-	1,013,295	1,903,858
On balance sheet date gap			(35,835)	(40,018)	(75,853)	335,353	7,953	343,306	267,453

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

	Notes	Effective interest rate %	Interest / Mark-up bearing Maturity up to one year	Interest / Mark-up bearing Maturity after one year	Interest / Mark-up bearing Sub total	Non-Interest / Mark-up bearing Maturity up to one year	Non-Interest / Mark-up bearing Maturity after one year	Non-Interest / Mark-up bearing Sub total	Total
			2010 (Rs '000)						
Financial assets									
Loans and advances	7 & 11		-	-	-	66,352	1,786	68,138	68,138
Long term deposits	8		-	-	-	309	6,395	6,704	6,704
Trade debts	10	15.37	1,219,691	-	1,219,691	167,708	-	167,708	1,387,399
Trade deposits	12		-	-	-	37,452	-	37,452	37,452
Other receivables	13		-	-	-	130,415	-	130,415	130,415
Cash and bank balances	14	8		2,920 -		129,888 2,920	-	129,888	132,808
			1,222,611	-	1,222,611	532,124	8,181	540,305	1,762,916
Financial liabilities									
Long-term finance	17	14.9	99,960	-	99,960	-	-	-	99,960
Liabilities against assets subject to finance leases	18	14-16.5	10,749	22,927	33,676	-	-	-	33,676
Deferred liability - gratuity	19	13	-	29,187	29,187	-	-	-	29,187
Trade and other payables	20	14	1,094	-	1,094	743,200	-	743,200	744,294
Accrued mark-up	21		-	-	-	23,634	-	23,634	23,634
Short-term finance	22	13.88-17.5	385,997	-	385,997	-	-	-	385,997
			497,800	52,114	549,914	766,834	-	766,834	1,316,748
On balance sheet date gap			724,811	(52,114)	672,697	(234,711)	8,181	(226,530)	446,167

40.3 **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.

40.3.1 **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, 2011 are Rs. 199.53 million (2010: Rs. 106.56 million) and receivable included in trade debtors and other receivable are Rs. 87.18 million (2010: Rs. 71.77 million). The Group earned / suffered exchange gain of Rs. 4.60 million (2010: Rs. 10.88 million) and exchange loss of Rs. 12.87 million (2010: Rs. 16.21 million) during the year.

40.3.2 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:

	Note	2011 (Rs '000)	2010 (Rs '000)
Variable rate instruments			
Financial assets			
- Due from ultimate holding company	10	-	1,219,691
- Gratuity funded	13	1,900	-
- Cash with banks in deposit accounts	14	1,826	2,920
		3,726	1,222,611
Financial liabilities			
- Long term finance	17	-	(99,960)
- Liabilities against assets subject to finance lease	18	(28,61[illegible])	(33,676)
- Gratuity unfunded	19	(32,472)	(29,187)
- Gratuity funded	20	-	(1,094)
- Short-term finance	22	(839,011)	(385,997)
		(900,094)	(549,914)
		(896,368)	672,697

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 2010.

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	(Rs '000)			
As at June 30, 2011				
Cash flow sensitivity - variable rate instruments	(22,371)	22,371	(22,371)	22,371
As at June 30, 2010				
Cash flow sensitivity - variable rate instruments	(44,740)	44,740	(44,740)	44,740

41 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 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, 2011.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011

42 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2011 (Rs '000)	2010 (Rs '000)
Financial liabilities measured at amortized cost			
Long-term finance	17	-	99,960
Trade and other payable	20	984,345	744,294
Short-term finance	22	839,011	385,997
Financial liabilities measured at fair value through profit or loss			
Accrued markup	21	28,950	23,634
Financial liabilities measured at present value			
Liabilities against assets subject to finance leases	18	28,611	33,676
Deferred liability - gratuity	19	22,941	29,187
		1,903,858	1,316,748
Financial assets			
Loans and receivables			
Loans and advances	7 & 11	699,827	68,138
Long term deposit	8	8,165	6,395
Trade debts	10	1,061,501	1,387,399
Trade deposits	12	35,297	37,452
Other receivables	13	198,931	130,415
Cash and bank balances	14	167,590	132,808
		2,171,311	1,762,607
On balance sheet gap		(267,453)	(445,858)

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on September 30, 2011.

43.1 Appropriation

The Board of Directors of the holding Company has approved the following appropriation in the meeting held on September 30, 2011.

	2011 (Rs '000)	2010 (Rs '000)
Cash dividend - Rs.1.5 (2010: Rs. 3) per share of Rs. 10 each.	45,940	91,880
Issue of bonus shares 10% in the ratio of 10 shares for every 100 shares held (2010: nil).	30,627	-

43.2 The Board of Directors of the subsidiary Company has approved cash dividend of Rs. 2.5 (2010: Nil) per share amounting to Rs. 50 million, in their meeting held on September 29, 2011.

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

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Bakhtawar Amin Memorial Hospital, Multan is a medical institution dedicated to providing quality patient care with unrelenting attention to clinical excellence, patient safety and an unparalleled passion and commitment ot assure the very best healthcare for those we serve, regardless of their financial status.

Grant Thornton

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Searle Pakistan Limited (the Company) as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, statement of cash flows and 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 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 balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and 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, 2011 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 30, 2011

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

The Jinnah Postgraduate Medical Centre (JPMC), a.k.a. Jinnah Hospital is located at Rafique Shaheed Road in Karachi, Sindh, Pakistan. The JPMC is a public hospital. The hospital was established in 1959. In the beginning the hospital operated in a building, which was actually an army barracks constructed in 1865 and transferred to the JPMC in 1959.

Balance Sheet

As at June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
ASSETS			
Non-current assets			
Fixed assets			
- Property, plant and equipment	5	695,524	619,481
- Intangible assets	6	52,112	8,505
Long-term investment		747,636	627,986
Long-term loans	7	100,000	100,000
Long-term deposits	8	1,067	1,344
Total non-current assets	9	6,401	6,086
		855,104	735,416
Current assets			
Stores and spares		2,604	3,851
Stock-in-trade	10	615,458	434,276
Trade debts	11	971,348	1,355,139
Loans and advances	12	678,638	64,474
Trade deposits and short term prepayments	13	69,438	64,670
Other receivables	14	199,616	124,888
Cash and bank balances	15	151,448	104,168
Total current assets		2,688,550	2,151,467
Total assets		3,543,654	2,886,883
EQUITY AND LIABILITIES			
Shareholders' equity			
Authorised share capital			
50,000,000 (2010: 50,000,000) ordinary shares of Rs. 10 each		500,000	500,000
Issued, subscribed and paid-up capital	16	306,268	306,268
General reserve		280,251	280,251
Unappropriated profit		1,050,689	747,027
Total shareholders' equity		1,637,208	1,333,546
Surplus on revaluation of fixed assets	17	179,901	207,484
Non-current liabilities			
Long term finances - secured	18	-	-
Liabilities against assets subject to finance leases	19	12,515	22,927
Deferred liabilities			
Taxation	20	55,732	65,681
Gratuity - unfunded	20	22,941	21,234
		78,673	86,915
Total non-current liabilities		91,188	109,842
Current liabilities			
Trade and other payables	21	821,120	633,431
Accrued mark-up	22	28,950	23,634
Short-term finances	23	764,022	385,997
Current portion of long term finances	18	-	99,960
Current portion of liabilities against assets subject to finance leases	19	10,465	10,493
Provision for taxation - net		10,800	82,496
Total current liabilities		1,635,357	1,236,011
Total liabilities		1,726,545	1,345,853
Contingencies and commitments	24	-	-
Total equity and liabilities		3,543,654	2,886,883

The annexed notes 1 to 44 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Profit and Loss Account

For the year ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
NET SALES	25	4,238,840	3,702,518
COST OF SALES	26	2,352,430	2,028,729
GROSS PROFIT		1,886,410	1,673,789
Selling and distribution expenses	27	1,005,244	931,325
Administrative expenses	28	113,190	95,665
Amortization of intangible assets	6	6,393	4,298
		1,124,827	1,031,288
OPERATING PROFIT	29	761,583	642,501
Other operating income	30	115,065	62,634
		876,648	705,135
Other operating expenses			
- Finance cost	31	313,878	111,905
- Other charges	32	53,549	49,736
		367,427	161,641
PROFIT BEFORE INCOME TAX		509,221	543,494
Income tax expense	33	141,262	186,330
PROFIT FOR THE YEAR		367,959	357,164
		(Rupees)	
EARNINGS PER SHARE - BASIC AND DILUTED	34	12.01	11.66

The annexed notes 1 to 44 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Statement of Comprehensive Income

For the year ended June 30, 2011

	2011 (Rs '000)	2010 (Rs '000)
PROFIT FOR THE YEAR	367,959	357,164
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	367,959	357,164

The annexed notes 1 to 44 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Statement of Changes in Equity

For the year ended June 30, 2011

	Share capital	Capital Reserve: Reserve for issue of bonus shares	Revenue Reserve: General reserve	Total reserves	Unappropriated profit	Share holders' equity
	(Rs '000)					
Balance as at June 30, 2009	266,320	-	280,251	280,251	447,391	993,962
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	22,224	22,224
Realization of surplus on revaluation of fixed assets on disposal	-	-	-	-	144	144
Total comprehensive income for the year	-	-	-	-	357,164	357,164
Transactions with owners						
Transfer of profit to reserve for issue of bonus shares	-	39,948	-	39,948	(39,948)	-
Bonus shares issued @ 15% in the ratio of 15 shares for every 100 shares held	39,948	(39,948)		- (39,948)	-	-
Cash dividend paid for the year ended June 30, 2009 @ Rs. 1.5 per share	-	-	-	-	(39,948)	(39,948)
	39,948	-	-		- (79,896)	(39,948)
	306,268	-	280,251	280,251	747,027	1,333,546
Balance as at June 30, 2010						
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the year (net of tax)	-	-	-	-	19,327	19,327
Realization of surplus on revaluation of fixed assets on disposal (net of tax)	-	-	-	-	8,256	8,256
Total comprehensive income for the year	-	-	-		- 367,959	367,959
Transactions with owners						
Cash dividend paid for the year ended June 30, 2010 @ Rs. 3 per share	-	-		-	- (91,880)	(91,880)
	-	-		-	- (91,880)	(91,880)
Balance as at June 30, 2011	306,268	-	280,251	280,251	1,050,689	1,637,208

The annexed notes 1 to 44 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Statement of Cash Flows

For the year ended June 30, 2011

	Note	2011 (Rs '000)	2010 (Rs '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	35	1,230,155	326,312
Gratuity paid	20.3.4 & 21.1.4	(17,074)	(10,867)
Taxes paid		(222,907)	(173,373)
Recovery of long-term loans		277	1,027
Advance of short-term loans and advances to suppliers		(614,164)	(24,399)
Payment of long-term deposits		(315)	(4,676)
Net cash from operating activities		375,972	114,025
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5.1	(135,858)	(65,901)
Additions to capital work in progress		(48,266)	(354)
Purchase of intangible assets	6	(50,000)	(50)
Proceeds from disposal of property, plant and equipment	5.5	13,330	1,966
Financial income received	30	97	190
Mark-up received from holding company		10,000	5,000
Exchange loss-net		(8,263)	(5,325)
Net cash used in investing activities		(218,960)	(64,474)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities paid		(10,440)	(12,387)
Dividend paid		(90,568)	(39,065)
Long-term finance paid		(99,960)	(99,960)
Financial charges paid		(286,789)	(85,196)
Net cash used in financing activities		(487,757)	(236,608)
Net decrease in cash and cash equivalents		(330,745)	(187,057)
Cash and cash equivalents at the beginning of the year		(281,829)	(94,772)
Cash and cash equivalents at the end of the year	36	(612,574)	(281,829)

The annexed notes 1 to 44 form an integral part of these financial statements.

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Notes to the Financial Statements

For the year ended June 30, 2011

1 LEGAL STATUS AND OPERATIONS

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 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.

2 STATEMENT OF COMPLIANCE

2.1 These financial statements are separate financial statements of the Company and 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

2.2.1 The following amendments to standards are mandatory for the first time for the financial year beginning July 1, 2010 that are effective in the current year:

- Amendments to IFRS 1, 'First time adoption', on financial instrument disclosures (effective July 1, 2010). This amendment provides first time adopters with the same transition provisions as included in the amendment to IFRS 7, 'Financial instruments Disclosures', regarding comparative information for the new three-level classification disclosures. However, this new amendment do not affect the financial statements of the Company.

- IFRIC 19, 'Extinguishing financial liabilities with equity investments' (effective July 1, 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of its debts with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

- Amendment to IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after February 1, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.

2.2.2 During the year, other standards, amendments to standards and interpretations also became applicable. However, these are either not relevant or do not affect financial statements of the Company.

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

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

Notes to the Financial Statements

For the year ended June 30, 2011

- Amendments to IFRS 1, 'First-time adoption', on fixed dates and hyperinflation. These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that accrued before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. These amendments will result in increased disclosures in the financial statements, as the case may be.

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is applicable on or after January 1, 2013.

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.

- IAS 24 'Related Party Disclosures' (revised 2009) – effective for annual periods beginning on or after January 1, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The amendment in future may result in certain changes in disclosures.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements comprise balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and 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 financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

3.2 Use of critical accounting estimates and judgments

The preparation of 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.

Notes to the Financial Statements

For the year ended June 30, 2011

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 financial statements relate to the useful life of depreciable and amortizable assets, estimates of recoverable amounts of inventories, depreciable, amortizable and financial assets, provisions for doubtful debts, and loans and receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless or otherwise stated.

4.1 Loans and finances

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

4.2 Staff retirement benefits

Defined benefit plans

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 20.3.

The Company also operates an approved gratuity fund for its permanent employees who complete the eligible period of 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 21.1.

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.

Defined contribution plan

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

4.3 Taxation

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 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 Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.4 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 recognised as an expense in the period in which these are incurred.

4.5 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

Lease hold land, 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. 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 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.

Notes to the Financial Statements

For the year ended June 30, 2011

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.

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).

4.6 Investment in a subsidiary company

Investment in subsidiary company 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.

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

4.8 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.

4.9 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 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.

4.10 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 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.

4.11 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.

4.12 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.

Toll manufacturing income is recognized when services are rendered.

Handling income is recognized when the goods are delivered.

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

Bank profit and commission income is recognized on accrual basis.

4.13 Research and development cost

Research and development cost is charged to income as and when incurred.

4.14 Provisions

Provisions are recognized in the 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.

4.15 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 profit and loss account.

4.16 Financial instruments

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

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

Financial liabilities carried on the 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 looses 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.

4.17 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 Company to do so.

4.18 Dividend

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

4.19 Functional and presentation currency

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

4.20 General

Figures have been rounded-off to nearest thousand rupee.

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2011 (Rs '000)	2010 (Rs '000)
Operating assets	5.1	646,904	619,127
Capital work in progress - at cost	5.9	48,620	354
		695,524	619,481

Notes to the Financial Statements

For the year ended June 30, 2011

5.1 The following is a statement of operating assets:

	Owned assets								Leased assets			
	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	Total
	(Rs '000)											
As at June 30, 2009												
Cost / Revalued amount	185,601	174,476	557,449	34,117	20,094	73,387	52,644	1,097,768	18,799	19,384	38,183	1,135,951
Accumulated depreciation	(11,599)	(73,619)	(294,359)	(28,973)	(10,527)	(55,001)	(32,769)	(506,847)	(8,303)	(5,372)	(13,675)	(520,522)
Net book amount	174,002	100,857	263,090	5,144	9,567	18,386	19,875	590,921	10,496	14,012	24,508	615,429
Year ended June 30, 2010												
Opening net book amount	174,002	100,857	263,090	5,144	9,567	18,386	19,875	590,921	10,496	14,012	24,508	615,429
Additions	-	963	34,802	4,251	2,215	23,099	571	65,901	13,500	16,293	29,793	95,694
Transfers												
Cost / Revalued amount	-	-	18,799	-	-	7,969	-	26,768	(18,799)	(7,969)	(26,768)	-
Accumulated depreciation	-	-	(9,556)	-	-	(4,781)	-	(14,337)	9,556	4,781	14,337	-
	-	-	9,243	-	-	3,188	-	12,431	(9,243)	(3,188)	(12,431)	-
Disposal												
Cost / Revalued amount	-	-	(416)	(249)	(10)	(9,963)	(149)	(10,787)	-	-	-	(10,787)
Accumulated depreciation	-	-	287	249	10	9,105	134	9,785	-	-	-	9,785
	-	-	(129)	-	-	(858)	(15)	(1,002)	-	-	-	(1,002)
Deprecation charge	(1,880)	(11,691)	(51,518)	(3,577)	(1,596)	(10,119)	(4,336)	(84,717)	(1,928)	(4,349)	(6,277)	(90,994)
Closing net book amount	172,122	90,129	255,488	5,818	10,186	33,696	16,095	583,534	12,825	22,768	35,593	619,127
As at June 30, 2010												
Cost / Revalued amount	185,601	175,439	610,634	38,119	22,299	94,492	53,066	1,179,650	13,500	27,708	41,208	1,220,858
Accumulated depreciation	(13,479)	(85,310)	(355,146)	(32,301)	(12,113)	(60,796)	(36,971)	(596,116)	(675)	(4,940)	(5,615)	(601,731)
Net book amount	172,122	90,129	255,488	5,818	10,186	33,696	16,095	583,534	12,825	22,768	35,593	619,127
Year ended June 30, 2011												
Opening net book amount	172,122	90,129	255,488	5,818	10,186	33,696	16,095	583,534	12,825	22,768	35,593	619,127
Additions (refer note 5.8)	88,375	-	42,672	1,055	85	3,323	348	135,858	-	-	-	135,858
Transfers												
Cost / Revalued amount	-	-	-	-	-	3,081	-	3,081	-	(3,081)	(3,081)	-
Accumulated depreciation	-	-	-	-	-	(1,927)	-	(1,927)	-	1,927	1,927	-
	-	-	-	-	-	1,154	-	1,154	-	(1,154)	(1,154)	-
Disposal												
Cost / Revalued amount	-	-	(49,029)	(6,822)	-	(7,954)	-	(63,805)	-	-	-	(63,805)
Accumulated depreciation	-	-	35,709	6,789	-	4,754	-	47,252	-	-	-	47,252
	-	-	(13,320)	(33)	-	(3,200)	-	(16,553)	-	-	-	(16,553)
Depreciation charge	(1,880)	(10,122)	(52,912)	(2,610)	(1,684)	(11,491)	(4,297)	(84,996)	(1,350)	(5,182)	(6,532)	(91,528)
Closing net book amount	258,617	80,007	231,928	4,230	8,587	23,482	12,146	618,997	11,475	16,432	27,907	646,904
As at June 30, 2011												
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	(15,359)	(95,432)	(372,349)	(28,122)	(13,797)	(69,460)	(41,268)	(635,787)	(2,025)	(8,195)	(10,220)	(646,007)
Net book amount	258,617	80,007	231,928	4,230	8,587	23,482	12,146	618,997	11,475	16,432	27,907	646,904
Depreciation rate	89, 92 and 99 years	5% and 20%	10%, 20% and 33%	10%, 20% and 33%	10%, 20% and 33%	20%	10% and 20%		10%	20%		

5.2 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.

Notes to the Financial Statements

For the year ended June 30, 2011

5.3 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	
	2011 (Rs '000)	2010 (Rs '000)	2011 (Rs '000)	2010 (Rs '000)
Owned assets				
Lease hold land	105,813	17,438	102,345	14,151
Building on lease hold land	137,805	137,804	68,716	75,073
Plant and machinery	404,684	374,378	175,941	166,172
Vehicles	89,896	91,086	23,482	33,698
Air conditioning system	16,950	16,603	1,206	1,510
	755,148	637,309	371,690	290,604
Leased assets				
Plant and machinery	13,500	13,500	11,475	12,825
Vehicles	24,627	27,708	16,432	22,768
	38,127	41,208	27,907	35,593
	793,275	678,517	399,597	326,197

5.4 The depreciation expense has been allocated as follows:

	Note	2011 (Rs '000)	2010 (Rs '000)
Cost of goods sold	26	75,271	76,139
Selling and distribution expenses	27	12,089	11,433
Administrative expenses	28	4,168	3,422
		91,528	90,994

5.5 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
	(Rs '000)							
Plant & machinery	35,041	25,234	9,807	1,000	(8,807)	9,807	Negotiation	Myplan Pharmaceuticals (Private) Limited, 32 Km, Multan Road, Lahore.
	8,628	6,127	2,501	5,125	2,624	1,931	Negotiation	-do-
	3,341	2,522	819	900	81	818	Negotiation	Hakeem Agencies, 1-4/G, (E-Market), Block 6, P.E.C.H.S. Karachi.
	1,876	1,697	179	1,300	1,121	130	Negotiation	Macter (Private) Limited, F-216, S.I.T.E., Karachi.
Sub-total	48,886	35,580	13,306	8,325	(4,981)	12,686		
Vehicles	1,376	1,147	229	800	571	-	Insurance claim	PICIC Insurance Limited, 8th Floor, Shaheen Complex, M.R. Kayani Road, Karachi.
	3,700	1,172	2,528	2,800	272	-	Negotiation	UDL Modaraba - related party, 8th Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.
	1,060	618	442	900	458	-	Company policy	Mr. Muhammad Aurangzaib Ex-employee, R-64, Sector 15-A-3, Buffer Zone, North Karachi.
Sub-total	6,136	2,937	3,199	4,500	1,301	-		

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

Plant & machinery	143	128	15	145	130	16	
Office equipment	6,822	6,789	33	10	(23)	-	
Vehicles	1,818	1,818	-	350	350	-	
Sub-total	8,783	8,735		50548	457		16
Total	63,805	47,252	16,553	13,330	(3,223)	12,702	
2010	10,787	9,785	1,002	1,966	964	144	

Notes to the Financial Statements

For the year ended June 30, 2011

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

	Note	2011 (Rs '000)	2010 (Rs '000)
Other income	30	5,607	1,538
Other charges	32	(8,830)	(574)
		(3,223)	964

5.7 As at June 30, 2011 the gross carrying amount of fully depreciated property, plant and equipment that are still in use is Rs. 67.3 million (2010: Rs. 61.0 million).

5.8 The Company is in the process to transfer title of the land in its name.

5.9 Movement in capital work in progress

	2011 (Rs '000)	2010 (Rs '000)
Balance as at July 1	354	-
Add: additions during the year - civil works	49,680	354
Less: transferred to operating assets	1,414	-
Balance as at June 30	48,620	354

6 INTANGIBLE ASSETS

	Distribution rights	Brand name & logo	Software licenses	Total
	(Rs '000)			
As at June 30, 2009				
Cost	76,275	24,703	10,661	111,639
Accumulated amortization	(69,111)	(24,703)	(5,072)	(98,886)
Net book amount	7,164	-	5,589	12,753
Year ended June 30, 2010				
Opening net book amount	7,164	-	5,589	12,753
Additions	-	-	50	50
Amortization charge	(2,464)	-	(1,834)	(4,298)
Closing net book amount	4,700	-	3,805	8,505
As at June 30, 2010				
Cost	76,275	24,703	10,711	111,689
Accumulated amortization	(71,575)	(24,703)	(6,906)	(103,184)
Net book amount	4,700	-	3,805	8,505
Year ended June 30, 2011				
Opening net book amount	4,700	-	3,805	8,505
Additions	-	50,000	-	50,000
Amortization charge	(2,464)	(2,084)	(1,845)	(6,393)
Closing net book amount	2,236	47,916	1,960	52,112
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	2,236	47,916	1,960	52,112
Remaining useful life in years	1	9.4	1 - 2	

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

Notes to the Financial Statements

For the year ended June 30, 2011

		Note	2011 (Rs '000)	2010 (Rs '000)
7	LONG-TERM INVESTMENT - IN RELATED PARTY			
	Quoted subsidiary - at cost	7.1	100,000	100,000

7.1 This represents 10,000,000 (2010: 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% (2010: 50%).

		Note	2011 (Rs '000)	2010 (Rs '000)
8	LONG-TERM LOANS			
	Secured - Considered good	8.1	2,792	3,402
	Less: Current portion of long term loans shown under current assets	12	(1,725)	(2,058)
			1,067	1,344
	Considered doubtful		1,174	1,174
	Less: Accumulated impairment loss		(1,174)	(1,174)
			-	-
			1,067	1,344

8.1 These include auto loans to employees which are secured against provident fund balance of respective employees.

8.2 Corresponding figures have been re-classified to Loans and advances (note 12) for better presentation under IAS 1 'Presentation of Financial Statement'.

		Note	2011 (Rs '000)	2010 (Rs '000)
9	LONG TERM DEPOSITS			
	Deposit against rent		1,598	1,598
	Security deposits against lease		5,636	4,797
			7,234	6,395
	Less: Current maturity of security deposits against lease	13	(833)	(309)
			6,401	6,086
10	STOCKS-IN-TRADE			
	Raw materials		251,326	145,965
	Packing materials		111,232	62,724
	Work-in-process	26	73,640	52,831
	Finished goods	26	129,822	110,157
	Materials in transit		49,438	62,599
			615,458	434,276
11	TRADE DEBTS			
	Considered good			
	- Secured: Export debtors		87,178	71,771
	- Unsecured: Due from:			
	- holding company	11.1	755,729	1,205,581
	- subsidiary company		-	1,298
	- others		128,441	76,489
			971,348	1,355,139
	Considered doubtful - others		976	976
	Less: Provision for doubtful debts		(976)	(976)
			-	-
			971,348	1,355,139

Notes to the Financial Statements

For the year ended June 30, 2011

11.1 The receivable from International Brands (Private) Limited (IBL), the holding company (refer note 1), is stated net of amounts payable aggregating Rs. 42.16 million (2010: Rs. 25.2 million) on account of expenses claimed by the holding company.

11.2 Competition Commission through its order dated September 13, 2007 and Securities and Exchange Commission of Pakistan (SECP) through its order dated September 7, 2007, instructed the Company to reduce terms of trade credits with IBL, re-negotiate the offered rate of commission, and conduct audit of the transactions with associate.

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

Revision application was filed before the SECP against the order passed by Director (Enforcement) SECP.

In the meantime, the Company negotiated with IBL for settlement of trade debts who in turn offered a plot of land measuring 5,291 square yards in this regard whereby Rs. 600 million was to be off-set against the outstanding receivables and balance sales consideration to be paid by the Company. This offer was considered by the board of directors of the Company and approved in their meeting on April 13, 2009. Subsequently, shareholders' approval was also obtained on August 25, 2009 in extra ordinary general meeting. However, one of the directors went against the decision and filed an application and a case in the Honorable High Court of Sindh at Karachi against the Company and others. The Honorable Court awarded stay order restraining the Company to undertake the intended transaction. However, a Memorandum of Understanding (MoU) was signed between the parties on January 11, 2011 and consequently, the said matters were dismissed by the Honorable High Court vide its order dated January 13, 2011, as withdrawn.

The case was closed with no further action by the SECP vide its letter EMD/233/510/2002-1196 dated May 27, 2010 upon withdrawal of the Revision filed by the Company under section 477 of the Companies Ordinance, 1984 wherein the Company is to settle the debtors subject to the decision of the High Court as stated above and reduce credit period allowed to IBL.

In February 2011, the Company has acquired a block of vacant land at a cost of Rs. 1.799 billion from its holding company (also refer note 24.3). Trade receivables from IBL amounting to Rs. 599 million have been adjusted and the balance consideration shall be paid in cash.

11.3 As at June 30, 2011, trade debts aggregating Rs. 0.976 million (2010: Rs. 0.976 million) were deemed to have been impaired. These balances are outstanding for more than 3 years.

11.4 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 is as follows:

	Note	2011 (Rs '000)	2010 (Rs '000)
Age analysis			
More than two months but less than one year		188,639	-
More than four months but less than one year		-	11,319
One year or more but less than two years		7,187	8,934
Two year and more		28,893	26,954
		224,719	47,207

12 LOANS AND ADVANCES

	Note	2011 (Rs '000)	2010 (Rs '000)
Considered good			
Current portion of long-term loans	8	1,725	2,058
Advances to employees	12.1	9,818	9,779
Advances to suppliers	12.2	667,095	52,637
		676,913	62,416
Considered doubtful		51	51
Less: Provision for doubtful advances		(51)	(51)
		-	-
		678,638	64,474

Notes to the Financial Statements

For the year ended June 30, 2011

12.1 These include advances to employees against salary, for house rent and expenses. These advances are interest free and repayable on monthly basis. The aggregate amount due from executives of the Company is Rs. 3.17 million (2010: Rs. 1.63 million).

12.2 These include advance to International Brands (Private) Limited, holding company, amounting to Rs. 598.94 million (2010: Nil) for purchase of land.

12.3 As at June 30, 2011, loans and advance aggregating Rs. 0.051 million (2010: Rs. 0.051 million) were deemed to have been impaired. These balances are outstanding for more than 3 years.

13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2011 (Rs '000)	2010 (Rs '000)
Deposits	9		
- Current portion of lease deposit		833	309
- Trade deposits		33,953	37,003
Less: Provision for doubtful deposits		(2,640)	(2,640)
		31,313	34,363
		32,146	34,672
Prepayments		37,292	29,998
		69,438	64,670

13.1 As at June 30, 2011, trade deposits amounted to Rs. 15.37 million (2010: 19.03 million) were past due but not impaired. These balances are outstanding for more than one year.

14 OTHER RECEIVABLES

	Note	2011 (Rs '000)	2010 (Rs '000)
Due from:			
- International Brands (Private) Limited - holding company against mark-up on over due balance	14.1	138,882	120,043
- IBL HealthCare Limited - subsidiary company against staff salaries and benefits		685	2,904
Associated companies:			
- International Franchises (Private) Limited - against rent and other utilities		-	466
- United Distributors Pakistan Limited - against staff salaries and benefits		3,266	749
		3,266	1,215
Receivable from retirement benefit fund	21.1.4	1,900	-
Others, considered good	14.2	54,883	726
		199,616	124,888

14.1 The receivable from International Brands (Private) Limited (IBL) (the holding company) represents mark-up charged on the cash collected and held by the branches of IBL, at the rate of 6-months KIBOR plus 3% per annum (2010: 6-months KIBOR plus 3% per annum) as late payment liquidate damages with an exception of transaction delay.

14.2 This includes Rs. 35 million (2010: Nil) 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.

14.3 As at June 30, 2011, due from holding company amounted to Rs. 110.04 million (2010: 73.50 million) were past due but not impaired. These balances are outstanding for more than one year.

Notes to the Financial Statements

For the year ended June 30, 2011

		2011 (Rs '000)	2010 (Rs '000)
15	**CASH AND BANK BALANCES**		
	Cash in hand	103	1,870
	Cheques in hand	144,000	90,000
	Cash with banks in:		
	- deposit accounts	1,366	1,366
	- current accounts	5,979	10,932
		151,448	104,168

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011 (Number of shares)	2010 (Number of shares)		2011 (Rs '000)	2010 (Rs '000)
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
26,633,783	26,633,783	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	266,338	266,338
30,626,783	30,626,783		306,268	306,268

		2011 (Number in '000)	2010 (Number in '000)
16.1	**Movement in number of shares**		
	Number of the shares at beginning of the year	30,627	26,632
	Bonus shares issued during the year	-	3,995
	Number of the shares at end of the year	30,627	30,627

16.2 **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.

Notes to the Financial Statements

For the year ended June 30, 2011

17 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	2011 (Rs '000)	2010 (Rs '000)
Surplus on revaluation of fixed assets at beginning of the year		207,484	229,852
Surplus transferred to retained earning (unappropriated profit) in respect of incremental depreciation charge during the year - net of tax		(19,327)	(22,224)
Surplus realized on disposal - net of tax		(8,256)	(144)
Balance at the end of the year		179,901	207,484

18 LONG TERM FINANCES - secured

	Note	2011 (Rs '000)	2010 (Rs '000)
Term finance certificates	18.1	-	99,960
		-	99,960
Less: Current portion of long term finances shown under current liabilities		-	(99,960)
		-	-

18.1 The Company arranged finance of Rs. 400 million by way of issuance of redeemable capital in the form of Term Finance Certificates (TFCs) for the purpose of swapping of costly debts outstanding with various financial institutions and subsequent expansion of production capacity and facilities.

These TFCs were listed on Karachi Stock Exchange. The mark-up on above TFCs was six months KIBOR plus 2.5% per annum with no cap and no floor. The Company had created a hypothecation charge on current assets and mortgage charge in favor of the Trustee (i.e. Orix Investment Bank Pakistan Limited) for a total amount of Rs. 533 million. However, these TFCs were matured on March 9, 2011 and consequently the above said charge has been vacated.

19 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 14.00% to 16.68% (2010: 14.00% to 16.50%) 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.

Notes to the Financial Statements

For the year ended June 30, 2011

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

	2011			2010		
	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
	(Rs '000)					
Up to one year	12,699	2,234	10,465	14,024	3,531	10,493
Later than one year and not later than five years	13,544	1,029	12,515	25,896	2,969	22,927
	26,243	3,263	22,980	39,920	6,500	33,420

		Note	2011 (Rs '000)	2010 (Rs '000)
20	DEFERRED LIABILITIES			
	Deferred taxation	20.1	55,732	65,681
	Staff retirement gratuity - unfunded	20.3	22,941	21,234
			78,673	86,915
20.1	Balance at beginning of the year		65,681	73,817
	Reversed during the year	33	(9,949)	(8,136)
	Balance at end of the year		55,732	65,681

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

	2011	2010
Credit balance arising on account of:		
Property, plant and equipment	38,773	36,464
Surplus on revaluation of property, plant and equipment	24,361	36,936
Finance lease arrangements	1,535	675
	64,669	74,075
Debit balance arising on account of:		
Intangible assets	(1,223)	(298)
Provisions for staff retirement gratuity, doubtful debts and doubtful refunds	(7,714)	(8,096)
	(8,937)	(8,394)
	55,732	65,681

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.

20.3 Staff retirement gratuity - unfunded

20.3.1 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, 2011 by Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

Notes to the Financial Statements

For the year ended June 30, 2011

20.3.2 Principal actuarial assumptions

	2011	2010
	%	%
	per annum	
Following principal actuarial assumptions were used for the valuation:		
Estimated rate of increase in salary of the employees	14	13
Discount rate	14	13

20.3.3 Reconciliation of provision for gratuity scheme

	Note	2011 (Rs '000)	2010 (Rs '000)
The amounts recognized in the balance sheet are as follows:			
Present value of defined benefit obligation		22,639	21,729
Fair value of plan assets		-	-
Deficit		22,639	21,729
Unrecognized actuarial gains/(losses)		302	(495)
Net liability		22,941	21,234

20.3.4 Movements in the net liability recognized in the balance sheet

	Note	2011 (Rs '000)	2010 (Rs '000)
Opening net liability		21,234	18,214
Charge for the year	20.3.5	3,941	3,227
Paid during the year		(2,234)	(207)
		22,941	21,234

20.3.5 The amounts recognized in the profit and loss account

	Note	2011 (Rs '000)	2010 (Rs '000)
Current service cost		1,057	793
Interest cost		2,884	2,434
		3,941	3,227

21 TRADE AND OTHER PAYABLES

	Note	2011 (Rs '000)	2010 (Rs '000)
Creditors		148,184	73,222
Bills payable in foreign currency		199,527	106,563
Accrued liabilities		392,587	384,815
Advance from customers		23,668	11,662
Payable to retirement benefits fund	21.1	-	1,094
Unclaimed dividend		7,212	5,900
Workers' Profits Participation Fund	21.2	28,069	30,550
Workers' Welfare Fund		12,937	14,164
Sales tax and excise duty payable		1,464	258
Other liabilities		7,472	5,203
		821,120	633,431

21.1 Defined benefit scheme

21.1.1 General description

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

For the current year, annual provision is based on actuarial valuation. The valuation was carried out as at June 30, 2011 by Sidat Hyder Morshed Associates (Private) Limited, independent actuaries, using the projected unit credit method.

Notes to the Financial Statements

For the year ended June 30, 2011

21.1.2 Principal actuarial assumptions

	2011 %	2010 %
	per annum	
Following principal actuarial assumptions were used for the valuation:		
Expected return on plan assets	11	14
Estimated rate of increase in salary of the employees	14	14
Discount rate	14	14

21.1.3 Reconciliation of provision for gratuity scheme

The amounts recognized in the balance sheet are as follow:

	Note	2011 (Rs '000)	2010 (Rs '000)
Present value of defined benefit obligation	21.1.5	149,723	129,798
Fair value of plan assets	21.1.6	(138,107)	(116,509)
Deficit		11,616	13,289
Unrecognized actuarial losses		(13,516)	(12,195)
Net (asset)/liability		(1,900)	1,094

21.1.4 Movement in the net (asset)/liability recognized in the balance sheet

	Note	2011 (Rs '000)	2010 (Rs '000)
Opening net liability		1,094	862
Charge for the year	21.1.7	11,846	10,892
Paid during the year		(14,840)	(10,660)
	14	(1,900)	1,094

21.1.5 Movement in the present value of defined benefit obligation during the year is as follows:

	2011 (Rs '000)	2010 (Rs '000)
Balance at July 1	129,798	115,044
Current service cost	9,986	8,301
Interest cost	17,917	15,356
Benefits paid	(3,634)	(10,442)
Actuarial (gain)/loss	(4,344)	1,539
Balance at June 30	149,723	129,798

21.1.6 Movement in the present value of plan assets

	2011 (Rs '000)	2010 (Rs '000)
Balance at January 1	116,509	97,071
Expected return on plan assets	16,057	13,326
Actuarial (loss)/gain	(5,665)	5,894
Contributions	14,840	10,660
Benefits paid	(3,634)	(10,442)
Balance at June 30	138,107	116,509

21.1.7 The amounts recognized in the profit and loss account

	2011 (Rs '000)	2010 (Rs '000)
Current service cost	9,986	8,301
Interest cost	17,917	15,356
Expected return on plan assets	(16,057)	(13,326)
Actuarial losses recognised	-	561
	11,846	10,892

Notes to the Financial Statements

For the year ended June 30, 2011

21.1.8 Five years data on surplus /deficit of the plans and experience adjustment

	2011	2010	2009	2008	2007
	(Rs '000)				
Present value of defined benefit obligation	149,723	129,798	115,044	113,229	121,597
Fair value of plan assets	(138,107)	(116,509)	(97,071)	(115,299)	(132,849)
Deficit/(Surplus)	11,616	13,289	17,973	(2,070)	(11,252)
Experience adjustments on plan liabilities [(loss)/gain]	4,344	(1,539)	(7,306)	(8,218)	3,069
Experience adjustments on plan assets [gain/(loss)]	(5,665)	5,894	(11,875)	(2,184)	10,530

21.1.9 The actual return on plan assets during the year was Rs. 10.39 million (2010: Rs. 19.22 million).

	Note	2011 (Rs '000)	2010 (Rs '000)
21.2 Worker's Profits Participation Fund			
Balance at beginning of the year		30,550	19,809
Contribution for the year	32	27,619	30,100
		58,169	49,909
Interest on funds utilized in the Company's business at 22.5 % (2010: 14.85 %)	31	5,084	1,985
		63,253	51,894
Less: Payments made during the year		(35,184)	(21,344)
Balance at end of the year		28,069	30,550

22 ACCRUED MARK-UP

Accrued markup on:			
long term finances - secured		-	4,611
finance lease obligation - secured		313	91
short-term finances - secured		28,637	18,932
		28,950	23,634

23 SHORT-TERM FINANCES - Secured

Running finances under mark-up arrangements	23.1	764,022	385,997

23.1 The Company has arranged syndicated running finances under mark-up arrangements of Rs. 770 million (2010: Rs. 544 million). The mark-up on running finances range between 14.21% to 15.71% (2010: 13.88% to 17.50%) per annum.

The running finances under mark-up arrangements are secured jointly by registered mortgage of Rs. 172.5 million (2010: Rs. 146.8 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 (2010: Rs. 1,059 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 18).

Notes to the Financial Statements

For the year ended June 30, 2011

24 CONTINGENCIES AND COMMITMENTS

Contingencies

24.1 The facility for opening letters of credit (LCs) acceptances and guarantees as at June 30, 2011 amounted to Rs. 650 million (2010: Rs. 500 million) of which the amount remaining unutilized as at that date was Rs. 335 million (2010: Rs. 82 million).

Commitments

24.2 Future rentals payable against operating lease arrangements

During last year 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 current year and in 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.

The details of future rentals over lease period are as follows:	2011 (Rs '000)	2010 (Rs '000)
Not later than one year	19,042	8,337
Later than one year and not later than five years	87,516	46,021
Later than five years	324,741	164,170
	431,299	218,528

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

24.3 During current year the Company has entered into architect work and project management agreements with Arshad Shahid Abdullah (Private) Limited, a related party 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. 64.82 million (2010: Nil).

25 NET SALES

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Sales						
Local	3,581,548	3,134,530	294,013	263,078	3,875,561	3,397,608
Export	249,945	251,475	20,316	31,063	270,261	282,538
	3,831,493	3,386,005	314,329	294,141	4,145,822	3,680,146
Less:						
Sales returns & discounts	94,350	133,970	841	346	5,191	134,316
Sales tax & excise duty	-		- 33,606	29,818	33,606	29,818
	94,350	133,970	34,447	30,164	128,797	164,134
	3,737,143	3,252,035	279,882	263,977	4,017,025	3,516,012
Add: Toll manufacturing	218,255	185,964	4,166	635	222,421	186,506
Less : Sales tax		-	- 606	93	606	-
	218,255	185,964	3,560	542	221,815	186,506
	3,955,398	3,437,999	283,442	264,519	4,238,840	3,702,518

Notes to the Financial Statements

For the year ended June 30, 2011

26 COST OF GOODS SOLD

	Pharma 2011	Pharma 2010	Consumer 2011	Consumer 2010	Total 2011	Total 2010
	(Rs '000)					
Raw and packing material consumed	1,358,939	1,321,908	102,129	108,044	1,461,068	1,429,952
Processing charges paid to third parties	141,972	111,757	-	-	141,972	111,757
	1,500,911	1,433,665	102,129	108,044	1,603,040	1,541,709
Factory expenses						
Salaries wages and benefits (note 26.1)	201,040	191,639	15,109	15,663	216,149	207,302
Provision for staff gratuity (unfunded)	2,111	1,719	159	140	2,270	1,859
Gratuity fund contribution	2,350	2,416	177	198	2,527	2,614
Provident fund contribution	4,504	3,937	338	322	4,842	4,259
Carriage and duties	4,247	1,967	319	161	4,566	2,128
Fuel, water and power	39,944	34,430	3,002	2,814	42,946	37,244
Rent and taxes	11,821	7,106	888	90	12,709	7,196
Communication	1,099	844	83	69	1,182	913
Stationery and supplies	12,704	17,804	955	1,455	13,659	19,259
Traveling	8,221	7,136	618	583	8,839	7,719
Advertisement	89	72	7	6	96	78
Entertainment	111	169	8	14	119	183
Repairs and maintenance	33,645	28,227	2,528	2,307	36,173	30,534
Medical expenses	1,446	3,758	109	307	1,555	4,065
Personal training and selection	95	115	7	9	102	124
Vehicle expenses	4,077	3,627	306	296	4,383	3,923
Subscription	1,113	5	84	-	1,197	5
Legal and professional charges	5,551	3,449	417		5,968	3,731
Depreciation (note 5.4)	70,010	70,386	5,261	5,753	75,271	76,139
Insurance	4,909	3,203	369	262	5,278	3,465
Corporate services charged by holding company	1,339	1,331	101	109	1,440	1,440
Sundries	10,365	9,731	779	795	11,144	10,526
	420,791	393,071	31,624	31,635	452,415	424,706
	1,921,702	1,826,736	133,753	139,679	2,055,455	1,966,415
Work in process as at July 01, (refer note 10)	52,831	21,436	-	-	52,831	21,436
	1,974,533	1,848,172	133,753	139,679	2,108,286	1,987,851
Work in process as at June 30, (refer note 10)	(73,640)	(52,831)	-	-	(73,640)	(52,831)
	1,900,893	1,795,341	133,753	139,679	2,034,646	1,935,020
Finished goods as at July 01, (refer note 10)	104,963	69,511	5,194	6,044	110,157	75,555
Finished goods purchased	378,412	159,000	-	-	378,412	159,000
	483,375	228,511	5,194	6,04	488,569	234,555
Cost of samples manufactured	(38,100)	(30,417)	(2,863)	(272)	(40,963)	(30,689)
Finished goods as at June 30, (refer note 10)	(120,747)	(104,963)	(9,075)	(5,194)	(129,822)	(110,157)
Cost of goods sold	2,225,421	1,888,472	127,009	140,257	2,352,430	2,028,729

26.1 Salaries, wages and benefits include Rs. 57.21 million (2010: Rs. 54.77 million) in respect of contractual labour provided by Paksons (Private) Limited.

Notes to the Financial Statements

For the year ended June 30, 2011

27 SELLING AND DISTRIBUTION EXPENSES

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Salaries wages and benefits	249,151	205,941	18,725	16,832	267,876	222,773
Provision for staff gratuity (unfunded)	1,203	978	90	80	1,293	1,058
Gratuity fund contribution	7,576	6,481	569	530	8,145	7,011
Provident fund contribution	9,949	7,534	748	616	10,697	8,150
Services charges	12,994	22,305	-	-	12,994	22,305
Carriage and duties	58,426	47,311	4,391	3,867	62,817	51,178
Water and power	2,151	3,502	162	286	2,313	3,788
Rent and taxes	11,552	8,908	868	728	12,420	9,636
Communication	11,117	6,193	836	506	11,953	6,699
Stationery and supplies	10,673	10,496	802	858	11,475	11,354
Traveling	145,581	150,933	10,941	12,336	156,522	163,269
Advertising and promotion	155,488	172,630	11,685	14,110	167,173	186,740
Samples	63,316	54,226	4,758	4,432	68,074	58,658
Bonus to salesmen	70,280	65,837	5,282	5,381	75,562	71,218
Entertainment	556	1,449	42	118	598	1,567
Repairs and maintenance	11,126	3,427	836	280	11,962	3,707
Medical expenses	4,105	8,040	309	657	4,414	8,697
Personal training and selection	2,337	6,631	176	542	2,513	7,173
Vehicle expenses	31,113	11,204	2,338	916	33,451	12,120
Insurance	9,594	5,077	721	415	10,315	5,492
Depreciation (refer note 5.4)	11,244	10,569	845	864	12,089	11,433
Subscription	15,197	10,473	1,142	856	16,339	11,329
Donation (refer note 27.1)	32	41	2	3	34	44
Replacement products	10,270	8,365	772	684	11,042	9,049
Royalty	13,776	22,407	4,458	1,831	18,234	24,238
Corporate services charged by holding company	3,348	3,328	252	272	3,600	3,600
Legal and professional charges	10,535	8,356	792	683	11,327	9,039
Sundries	11	-	1	-	12	-
	932,701	862,642	72,543	68,683	1,005,244	931,325

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

Notes to the Financial Statements

For the year ended June 30, 2011

28 ADMINISTRATIVE EXPENSES

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Salaries wages and benefits	44,162	40,030	3,319	3,272	47,481	43,302
Provision for staff gratuity (unfunded)	352	287	26	23	378	310
Gratuity fund contribution	1,092	1,170	82	96	1,174	1,266
Provident fund contribution	1,692	1,333	127	109	1,819	1,442
Water and power	1,231	1,847	93	151	1,324	1,998
Rent and taxes	4,411	3,543	331	290	4,742	3,833
Communication	2,989	2,821	225	231	3,214	3,052
Stationery and supplies	4,100	3,428	308	280	4,408	3,708
Traveling	409	2,945	31	241	440	3,186
Advertisement	20	43	1	4	21	47
Entertainment	48	67	4	5	52	72
Repairs and maintenance	14,501	10,271	1,090	840	15,591	11,111
Medical expenses	1,265	2,709	95	221	1,360	2,930
Personal training and selection	92	159	7	13	99	172
Vehicle expenses	2,601	2,517	196	206	2,797	2,723
Insurance	395	569	30	46	425	615
Depreciation (refer note 5.4)	3,877	3,163	291	259	4,168	3,422
Subscription	711	60	53	5	764	65
Donation (refer note 28.1)	2	3,238	-	265	2	3,503
Corporate services charged by holding company	2,009	1,997	151	163	2,160	2,160
Legal and professional charges	19,056	6,192	1,432	506	20,488	6,698
Sundries	263	46	20	4	283	50
	105,278	88,435	7,912	7,230	113,190	95,665

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

Notes to the Financial Statements

For the year ended June 30, 2011

29 OPERATING PROFIT

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Net sales (refer note 25)	3,955,398	3,437,999	283,442	264,519	4,238,840	3,702,518
Cost of goods sold (refer note 26)	2,225,421	1,888,472	127,009	140,257	2,352,430	2,028,729
Selling and distribution expenses (refer note 27)	932,701	862,642	72,543	68,683	1,005,244	931,325
Administrative expenses (refer note 28)	105,278	88,435	7,912	7,230	113,190	95,665
Amortization of intangible assets (refer note 6)	6,393	4,298	-	-	6,393	4,298
	3,269,793	2,843,847	207,464	216,170	3,477,257	3,060,017
Operating profit	685,605	594,152	75,978	48,349	761,583	642,501

30 OTHER OPERATING INCOME

	Note	2011 (Rs '000)	2010 (Rs '000)
Income from financial assets			
Profit on amounts placed in bank deposit accounts		97	190
Exchange gain		4,604	10,882
		4,701	11,072
Income from related parties			
Mark-up from International Brands (Private) Limited holding company	14	28,839	46,543
Rent income from International Franchises (Private) Limited - associated company		3,000	1,500
		31,839	48,043
Income from non-financial assets			
Gain on disposal of property, plant and equipment	5.6	5,607	1,538
Bad debts recovered		-	136
Others	30.1	72,918	1,845
		78,525	3,519
		115,065	62,634

30.1 This includes Rs. 70 million (2010: Nil) as consideration from M/s. Sanofi-Aventis Pakistan Limited, for early termination of license agreement for manufacture, selling, and marketing of Sanofi-Aventis's pharmaceutical products.

Notes to the Financial Statements

For the year ended June 30, 2011

31 FINANCIAL COST

	Note	2011 (Rs '000)	2010 (Rs '000)
Lease finance charges		3,902	2,046
Mark-up on long term and running finances		99,584	85,448
Interest on workers' profits participation fund	21.2	5,084	1,985
Interest charged by holding company	31.1	183,535	-
Bank charges		8,906	6,219
Exchange loss		12,867	16,207
		313,878	111,905

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

32 OTHER CHARGES

	Note	2011 (Rs '000)	2010 (Rs '000)
Contribution to:			
- workers' profits participation fund	21.2	27,619	30,100
- workers' welfare fund		10,395	12,023
- central research fund		5,144	5,605
Auditors' remuneration	32.1	1,561	1,434
Loss on disposal of property, plant and equipment	5.6	8,830	574
		53,549	49,736

32.1 Auditors' remuneration

Audit fee		
Annual audit	1,025	850
Half yearly review	250	250
Fee in respect of:		
Special reports and certifications	175	150
Out of pocket expenses	111	184
	1,561	1,434

33 INCOME TAX EXPENSE

	Note		
Current			
- for the year		161,382	189,388
- for prior years		(10,171)	5,078
		151,211	194,466
Deferred	20.1	(9,949)	(8,136)
		141,262	186,330

33.1 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 2011 (2010: 35%).

Notes to the Financial Statements

For the year ended June 30, 2011

33.2 Reconciliation of tax expense

	2011 (Rs '000)	2010 (Rs '000)
Accounting profit	509,221	543,494
Applicable tax rate	35%	35%
Tax on accounting profit at applicable rate	178,227	190,223
Tax effect of:		
difference in method of lease accounting	3,323	3,899
permanent differences	(42,921)	(12,470)
temporary differences	7,340	(15,405)
applicability of lower tax rate on certain income	5,464	15,005
demand provided and raised during the year	(10,171)	5,078
Tax expense charged on income	141,262	186,330

33.3 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 and 2009 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.

34 EARNINGS PER SHARE-Basic and Diluted

Basic earnings per share

	2011 (Rs '000)	2010 (Rs '000)
Profit for the year (Rupees in thousands)	367,959	357,164
Weighted average number of shares in thousands	30,627	30,627
Earnings per share (Rupees)	12.01	11.66

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, 2011.

35 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

	Note	2011 (Rs '000)	2010 (Rs '000)
Profit before tax		509,221	543,494
Adjustments for non-cash items:			
Depreciation	5.4	91,528	90,994
Amortization of intangible assets	6	6,393	4,298
Loss/(gain) on disposal of property, plant and equipment (net)	30	3,223	(964)
Provision for staff retirement gratuity	20.3.5 & 21.1.7	15,787	14,118
Mark-up from holding company	30	(28,839)	(46,543)
Profit on amounts placed in bank deposit accounts	30	(97)	(190)
Exchange gain	30	(4,604)	(10,882)
Exchange loss	31	12,867	16,207
Financial charges		292,106	89,479
Net increase/(decrease) in working capital	35.1	332,570	(373,699)
		1,230,155	326,312

		Note	2011 (Rs '000)	2010 (Rs '000)
35.1	(Increase)/Decrease in working capital			
	Current assets			
	Decrease in stores and spares		1,247	497
	Increase in stock-in-trade		(181,182)	(162,204)
	Decrease/(Increase) in trade debts		383,791	(375,652)
	Increase in trade deposits and short term prepayments		(4,768)	(24,194)
	Increase in other receivables		(53,989)	(4,267)
			145,099	(565,820)
	Current liabilities			
	Increase in trade and other payables		187,471	192,121
	Net decrease/(increase) in working capital		332,570	(373,699)

36 CASH AND CASH EQUIVALENTS

	Note	2011 (Rs '000)	2010 (Rs '000)
Cash and bank balances	15	151,448	104,168
Running finances under markup arrangement	23	(764,022)	(385,997)
		(612,574)	(281,829)

37 SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in business activities from which the Company earns revenues and 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 two operating segments:

- Pharma
- Consumer

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

Notes to the Financial Statements

For the year ended June 30, 2011

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

	Pharma		Consumer		Total	
	2011	2010	2011	2010	2011	2010
	(Rs '000)					
Segment revenue	3,955,398	3,437,999	283,442	264,519	4,238,840	3,702,518
Segment result	685,605	594,152	75,978	48,349	761,583	642,501
Unallocated income and expenses						
Other operating income					115,065	62,634
Financial cost					(313,878)	(111,905)
Other charges					(53,549)	(49,736)
Profit before taxation					509,221	543,494
Income tax expense					(141,262)	(186,330)
Profit for the year					367,959	357,164
Segment assets and liabilities						
Segment assets	226,389	248,040	17,014	20,273	243,403	268,313
Unallocated assets	-	-	-	-	3,300,251	2,618,570
Total assets					3,543,654	2,886,883
Segment liabilities	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	1,726,545	1,345,853
Total Liabilities					1,726,545	1,345,853
Depreciation	85,131	84,118	6,397	6,876	91,528	90,994
Non-cash expenses other than depreciation	6,393	4,298	-	-	6,393	4,298
Addition in segment assets	126,362	88,464	9,496	7,230	135,858	95,694
Percentage for allocation	93%	92%	7%	8%	100%	100%

There were no inter-segment transactions during the year (2010: None).

37.1 Geographical segments

	2011 (Rs '000)	2010 (Rs '000)
Gross revenue analysis		
Pakistan	3,875,561	3,397,608
Asia	135,130	127,105
East Africa	1,770	5,156
South East Asia	49,663	53,198
Far Eastern Countries	63,140	84,169
Central Asian Republic States	20,558	12,910
	4,145,822	3,680,146

37.2 The Company's revenue from one of the major customer represents approximately Rs. 3,579 million (2010: Rs. 3,187 million) of the total revenues.

Notes to the Financial Statements

For the year ended June 30, 2011

38 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rs '000)					
Managerial remuneration	2,939	9,996	69,734	2,704	4,384	57,598
Annual bonus	231	1,474	11,326	220	348	6,704
Retirement benefits						
Provident fund	294	1,000	6,973	270	438	5,760
Gratuity fund	245	833	5,809	225	365	4,798
Perquisites						
Rent	1,323	4,498	31,380	1,217	1,973	25,919
Utilities	294	1,000	6,973	270	438	5,760
Telephone	-	-	181	-	-	160
Entertainment	-	-	221	-	-	195
Car maintenance	21	205	3,660	9	164	3,050
	5,347	19,006	136,257	4,915	8,110	109,944
Number of persons	1	3	73	1	1	61

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

38.2 Three non-full time working directors (2010: Six) were paid fee for attending board meetings aggregating Rs. 139,500 (2010: Rs. 366,000).

38.3 Directors were paid conveyance/lunch expenses aggregating Rs. Nil (2010: Rs. 194,000) for attending board meetings.

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

39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises International Brands (Private) Limited, holding company, IBL-HealthCare Limited, a subsidiary, 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 Financial Statements

For the year ended June 30, 2011

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

	2011			2010		
	Associates/ Group companies/ holding and subsidiary company/ close family member	Directors	Key management	Associates/ Group companies/ holding and subsidiary company/ close family member	Directors	Key management
	(Rs '000)					
Transactions						
International Brands (Private) Limited - holding company						
Sales	3,579,565	-	-	3,187,064	-	-
Sales returned	21,406	-	-	18,979	-	-
Mark-up income	28,839	-	-	46,543	-	-
Purchase of land	88,000	-	-	-	-	-
Advance against land	598,940	-	-	-	-	-
Expenses claimed						
Carriage and duties	11,485	-	-	10,824	-	-
Discounts	63,607	-	-	49,448	-	-
Warehouse rent	2,231	-	-	1,005	-	-
Mark-up expenses	183,535	-	-	-	-	-
Reimbursement of construction cost	13,985	-	-	-	-	-
Corporate services charged	16,579	-	-		7,200	-
Sales promotion expenses	46,651	-	-	37,136	-	-
IT Services	6,600	-	-	6,600	-	-
International Franchises (Private) Limited						
Sales	41	-	-	31	-	-
Rent, utility and other income	3,000	-	-	1,500	-	-
Expenses claimed						
Sales promotion expenses	-	-	-	553	-	-
United Distributors Pakistan Limited						
Expenses claimed						
Staff salary and benefits	3,266	-	-	749	-	-

Notes to the Financial Statements

For the year ended June 30, 2011

	2011			2010		
	Associates/ Group companies/ holding and subsidiary company/ close family member	Directors	Key management	Associates/ Group companies/ holding and subsidiary company/ close family member	Directors	Key management
	(Rs '000)					
HABITT						
Expenses claimed						
Sales promotion expenses	601	-	-	1,016	-	-
Services relating to renovation	1,954	-	-	-	-	-
IBL Healthcare Limited (IBL-HC) - subsidiary company						
Sales	1,872	-	-	1,298	-	-
Sales return	706	-	-	-	-	-
Staff salary and benefits	8,173	-	-	4,204	-	-
Expenses claimed						
Salaries, wages and benefits	5,387	-	-	350	-	-
Warehouse expenses	950	-	-	950	-	-
The Citizens Foundation						
Donations	-	-	-	3,500	-	-
Arshad Shahid Abdulla (Private) Limited						
Architect fee	4,734	-	-	-	-	-
Project management fee	900	-	-	-	-	-
Shahid Abdulla						
Office and factories renovation	18,000	-	-	-	-	-
Balances						
Loans and advances						
At beginning of the year	-	-	1,634	-	-	1,796
Given during the year	-	-	8,412	-	-	3,106
Repaid during the year	-	-	(6,875)	-	-	(3,268)
At the end of the year	-	-	3,171	-	-	1,634

Notes to the Financial Statements

For the year ended June 30, 2011

	2011			2010		
	Associates/ Group companies/ holding and subsidiary company/ close family member	Directors	Key management	Associates/ Group companies/ holding and subsidiary company/ close family member	Directors	Key management
	(Rs '000)					
Trade debts - holding company						
At beginning of the year	1,205,581	-	-	863,717	-	-
Addition during the year	3,591,721	-	-	3,197,908	-	-
Repaid during the year	(4,041,573)	-	-	(2,856,044)	-	-
At the end of the year	755,729	-	-	1,205,581	-	-
(refer note 11)						
Trade debts - subsidiary						
At beginning of the year	1,298	-	-	-	-	-
Addition during the year	1,167	-	-		1,298	-
Repaid during the year	(2,465)	-	-	-	-	-
At the end of the year	-	-	-		1,298	-
(refer note 11)						
Other receivables - associates						
At beginning of the year	120,043	-	-	78,500	-	-
Addition during the year	28,839	-	-	46,543	-	-
Repaid during the year	(10,000)	-	-	(5,000)	-	-
At the end of the year	138,882	-	-	120,043	-	-
(refer note 14)						
Accrued liabilities - associates						
At beginning of the year	-	-	-	-	-	-
Addition during the year		23,634	-	-	-	-
Repaid during the year	(14,734)	-	-	-	-	-
At the end of the year	8,900	-	-	-	-	-
(refer note 21)						

39.1 Sales to International Brands (Private) Limited (holding company) were made during the year at ex factory price i.e. trade prices less distributor's margin of 10% and 12% (2010: 10% and 12%). In addition, the amounts of communication, utilities, salaries and wages and carriage and duties are also being reimbursed.

Notes to the Financial Statements

For the year ended June 30, 2011

40 PLANT CAPACITIES AND ACTUAL PRODUCTION

	Installed capacity per annum (based on eight hours shift)					
	At owned plant (Karachi)	At leased plant (Karachi)	At leased plant (Lahore)	Total	Actual production 2011	Actual production 2010
	(Numbers in '000)					
Liquid (bottles)	8,000	-	16,400	24,400	39,037	46,584
Tablets (numbers)	440,000	-	211,000	651,000	1,203,334	1,445,506
Capsules (numbers)	45,000	-	15,000	60,000	58,750	58,819
Sachets (numbers)	19,200	30,500	-	49,700	21,467	20,696
Pouches (numbers)	-	250	-	250	-	50
Injectibles (numbers)	5,280	-	-	5,280	8,496	4,650

The current actual production capacity of Capsules, Sachets and Pouches was under utilized on account of lower demand.

41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

41.1 Credit risk

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

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

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

	Note	2011 (Rs '000)	2010 (Rs '000)
Trade debts	11	971,348	1,355,139
Loans and advances	12	667,095	52,637
Trade deposits	13	31,313	34,363
Other receivables	14	199,616	124,888
		1,869,372	1,567,027

Concentration of credit risk

Out of the total financial assets of Rs. 2.04 billion (2010: Rs. 1.69 billion) financial assets amounting to Rs. 1.50 billion (2010: Rs. 1.34 billion) consist of transactions made by the Company with its affiliates and cash and bank balances. The Company's major sales are with International Brands (Private) Limited (IBL), holding company, which is a concentration and a credit risk. However, the Company has established policies and procedures for timely recovery of trade debts. In order to minimize exposure in trade debts the Company is in the process of acquiring property from IBL in settlement of trade debts amounting to Rs. 600 million (refer note 11.2). With respect to parties other than affiliates, the Company mitigates its exposure and credit risk by applying credit limits to its customers.

41.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company 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:

			2011						
			Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Notes	Effective interest rate %	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
			(Rs '000)						
Financial assets									
Loans and advances	8 & 12		-	-	-	678,638	1,067	679,705	679,705
Long term deposit	9		-	-	-	833	6,401	7,234	7,234
Trade debts	11	16.62	755,729	-	755,729	215,619	-	215,619	971,348
Trade deposits	13		-	-	-	31,313	-	31,313	31,313
Other receivables	14	14	1,900	-	1,900	197,716	-	197,716	199,616
Cash and bank balances	15	4 - 8.37	1,366	-	1,366	150,082	-	150,082	151,448
			758,995	-	758,995	1,274,201	7,468	1,281,669	2,040,664
Financial liabilities									
Long-term finance	18		-	-	-	-	-	-	-
Liabilities against assets subject to finance leases	19	14 - 16.68	10,465	12,515	22,980	-	-	-	22,980
Deferred liability - gratuity	20	14	-	22,941	22,941	-	-	-	22,941
Trade and other payables	21		-	-	-	821,120	-	821,120	821,120
Accrued mark-up	22		-	-	-	28,950	-	28,950	28,950
Short-term finance	23	14.21-15.71	764,022	-	764,022	-	-	-	764,022
			774,487	35,456	809,943	850,070	-	850,070	1,660,013
On balance sheet date gap			(15,492)	(35,456)	(50,948)	424,131	7,468	431,599	380,651

Notes to the Financial Statements

For the year ended June 30, 2011

			2010						
			Interest / Mark-up bearing			Non-Interest / Mark-up bearing			
	Notes	Effective interest rate %	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total
			(Rs '000)						
Financial assets									
Loans and advances	8 & 12		-	-	-	64,474	1,344	65,818	65,818
Long term deposits	9		-	-	-	309	6,086	6,395	6,395
Trade debts	11	15.37	1,205,581	-	1,205,581	149,558	-	149,558	1,355,139
Trade deposits	13		-	-	-	34,363	-	34,363	34,363
Other receivables	14		-	-	-	124,888	-	124,888	124,888
Cash and bank balances				1,366	1,366	102,802	-	102,802	104,168
	15	8	1,206,947	-	1,206,947	476,394	7,430	483,824	1,690,771
Financial liabilities									
Long-term finance	18	14.9	99,960	-	99,960	-	-	-	99,960
Liabilities against assets subject to finance leases	19	14-16.5	10,493	22,927	33,420	-	-	-	33,420
Deferred liability - gratuity	20	13	-	21,234	21,234	-	-	-	21,234
Trade and other payables	21	14	1,094	-	1,094	632,337	-	632,337	633,431
Accrued mark-up	22		-	-	-	23,634	-	23,634	23,634
Short-term finance	23	13.88- 17.5	385,997	-	385,997	-	-	-	385,997
			497,544	44,161	541,705	655,971	-	655,971	1,197,676
On balance sheet date gap			709,403	(44,161)	665,242	(179,578)	7,430	(172,148)	493,094

41.3 **Market risk**

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

41.3.1 **Currency risk**

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

The Company is exposed to currency risk on purchases that are entered in a currency other than Pak Rupees. Payable exposed to foreign currency risk have been included in creditors / bills payable, which as at June 30, 2011 are Rs. 199.53 million (2010: Rs. 106.56 million) and receivable included in trade debtors and other receivable are Rs. 87.18 million (2010: Rs. 71.77 million). The Company earned / suffered exchange gain of Rs. 4.60 million (2010: Rs. 10.88 million) and exchange loss of Rs. 12.87 million (2010: Rs. 16.21 million) during the year.

41.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises 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:

	Note	2011 (Rs '000)	2010 (Rs '000)
Variable rate instruments			
Financial assets			
- Due from holding company	11	-	1,205,581
- Gratuity funded	14	1,900	-
- Cash with banks in deposit accounts	15	1,366	1,366
		3,266	1,206,947
Financial liabilities			
- Long term finance	18	-	(99,960)
- Liabilities against assets subject to finance lease	19	(22,980)	(33,420)
- Gratuity unfunded	20	(22,941)	(21,234)
- Gratuity funded	21	-	(1,094)
- Short term finance	23	(764,022)	(385,997)
		(809,943)	(541,705)
		(806,677)	665,242

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 2010.

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	(Rs '000)			
As at June 30, 2011 Cash flow sensitivity - variable rate instruments	(21,569)	21,569	(21,569)	21,569
As at June 30, 2010 Cash flow sensitivity - variable rate instruments	(44,740)	44,740	(44,740)	44,740

42 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction. The Company prepares its 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, 2011.

Notes to the Financial Statements

For the year ended June 30, 2011

		Note	2011 (Rs '000)	2010 (Rs '000)
43	FINANCIAL INSTRUMENTS BY CATEGORY			
	Financial liabilities measured at amortized cost			
	Long-term finance	18	-	99,960
	Trade and other payable	21	821,120	633,431
	Short-term finance	23	764,022	385,997
	Financial liabilities measured at fair value through profit or loss			
	Accrued markup	22	28,950	23,634
	Financial liabilities measured at present value			
	Liabilities against assets subject to finance leases	19	22,980	33,420
	Deferred liability - gratuity	20	22,941	21,234
			1,660,013	1,197,676
	Financial assets			
	Loans and receivables			
	Loans and advances	8 & 12	679,705	65,818
	Long term deposit	9	7,234	6,395
	Trade debts	11	971,348	1,355,139
	Trade deposits	13	31,313	34,363
	Other receivables	14	199,616	124,888
	Cash and bank balances	15	151,448	104,168
			2,040,664	1,690,771
	On balance sheet gap		(380,651)	(493,094)

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on September 30, 2011.

44.1 Appropriation

The Board of Directors of the Company has approved the following appropriation in the meeting held on September 30, 2011.

	2011 (Rs '000)	2010 (Rs '000)
Cash dividend - Rs.1.5 (2010: Rs. 3) per share of Rs. 10 each.	45,940	91,880
Issue of bonus shares 10% in the ratio of 10 shares for every 100 shares held (2010: nil).	30,627	-

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

RASHID ABDULLA
CHAIRMAN

SYED NADEEM AHMED
DIRECTOR

Pattern of Shareholding

as of June 30, 2011

NUMBER OF SHAREHOLDERS	SHAREHOLDING From	To		TOTAL SHARES HELD
2,022	1	100	Shares	64,107
966	101	500	Shares	248,546
742	501	1,000	Shares	547,714
445	1,001	5,000	Shares	974,552
76	5,001	10,000	Shares	549,357
24	10,001	15,000	Shares	290,897
9	15,001	20,000	Shares	163,405
7	20,001	25,000	Shares	150,385
4	25,001	30,000	Shares	105,523
3	30,001	35,000	Shares	96,321
1	40,001	45,000	Shares	42,282
2	45,001	50,000	Shares	96,940
1	50,001	55,000	Shares	53,562
5	55,001	60,000	Shares	293,626
2	60,001	65,000	Shares	124,894
3	85,001	90,000	Shares	259,178
2	110,001	115,000	Shares	228,293
1	125,001	130,000	Shares	126,500
1	135,001	140,000	Shares	137,045
1	150,001	155,000	Shares	153,484
2	195,001	200,000	Shares	395,150
1	200,001	205,000	Shares	203,000
1	230,001	235,000	Shares	234,282
1	385,001	390,000	Shares	389,832
1	480,001	485,000	Shares	484,639
1	595,001	600,000	Shares	599,418
1	655,001	660,000	Shares	657,924
1	760,001	765,000	Shares	763,280
1	895,001	900,000	Shares	895,937
1	900,001	905,000	Shares	904,749
1	995,001	1,000,000	Shares	999,200
1	2,475,001	2,480,000	Shares	2,475,927
1	16,915,001	16,920,000	Shares	16,916,834
4,331				30,626,783

Pattern of Shareholding

as of June 30, 2011

Categories of Shareholders as of June 30, 2011

	Categories of Shareholders	Number	Shares Held	Percentage
1	Individuals	4,223	4,548,263	14.85
2	Insurance Companies	3	1,473,889	4.81
3	Joint Stock Companies	48	17,408,830	56.84
4	Financial Institution	15	4,543,140	14.83
5	Modaraba Companies	7	821,503	2.68
6	Foreign Investors	21	26,474	0.09
7	Others	14	1,804,684	5.89
	TOTAL	4,331	30,626,783	100.00

Pattern of Shareholdings	Number	Shares Held	Percentage
Associated Company, Undertakings			
International Brands (Pvt) Limited	3	16,920,599	55.248
Trustee - Searle Pakistan Limited Gratuity Fund	1	196,994	0.643
Chairman & CEO			
Rashid Abdulla	1	2,628	0.009
Directors and their Spouse and Minor Children			
Directors:			
Syed Nadeem Ahmed	1	575	0.002
Zubair Palwala	1	600	0.002
Munis Abdulla	1	1,852	0.006
Asad Abdulla	1	500	0.002
Ayaz Abdulla	1	3,000	0.010
Adnan Asdar Ali	1	500	0.002
Spouse:			
Shakila Rashid	1	10,000	0.033
Public Sector Companies & Corporations, Banks, DFIs, NBFIs, Insurance Companies, Modarabas, Mutual Funds, Foreign Investors and Other Organizations	104	8,960,927	29.258
Individuals	4,215	4,528,608	14.786
	4,331	30,626,783	100.000

Notes

SEARLE

Proxy Form

SEARLE PAKISTAN LIMITED

I / We ________________ son / daughter / wife / husband of ________________ , shareholder of Searle Pakistan 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 26, 2011 and / or any adjournment thereof.

Signed this_____day of_____2011.

Witness:

1. ________________

2. ________________

RS. 5/-
Revenue
Stamp

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 his 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.

AFFIX
CORRECT
POSTAGE

The Company Secretary

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