

Directors' Report to Shareholders

SEARLE

The Board of Directors of Searle Pakistan Limited is pleased to present the annual report together with the Company's audited financial statements for the year ended June 30, 2007.

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

Operating results

Rupees in '000

Net profit for the year before taxation	103,863
Taxation	<u>40,328</u>
Profit after taxation	63,535
Unappropriated profit brought forward	82,367
Transfer from surplus on revaluation of fixed assets on account of	
- Incremental depreciation current year -net of tax	38,291
- on disposal	<u>2,755</u>
Profit available for appropriation	186,948
Appropriations :	
- Cash dividend @ 10%	24,211
- Bonus shares @ 10%	<u>24,211</u>
	48,422
Unappropriated profit carried forward	<u>138,526</u>

Net sales for the year were Rs. 2,104 million against Rs. 2,422 million last year. The basic reasons for decline is discontinuation of imported consumer business.

Earning per share

Basic earnings per share after taxation were Rs. 2.62 (2006 : Rs. 3.21).

Dividend

The Board of Directors has recommended a cash dividend of 10% and stock dividend of 10% by way of issuance of bonus shares in the ratio of 10 shares for every 100 shares held for the year ended June 30, 2007 against 15% cash dividend and 10% bonus shares last year, maintaining a fair return on earnings of the Company to its shareholders.

Statutory payments

There are no outstanding statutory payments on account of taxes, duties and charges except of a normal and routine nature.

Shareholding information

The shareholding information as at June 30, 2007 and other related information are set out on page 92 and 93.

None of the Directors, CEO, CFO, Company Secretary and their spouses and minor children carried out trades in shares of the company except Mr. Khalid Malik who traded 55,000 shares of the company.

Chief Executive's review

The Chief Executive's review on pages 9 to 10 deals with :

- ▶ The performance of the Company during the year under review.
- ▶ Significant plans and decisions.
- ▶ Future outlook of the company.

The Directors of the Company endorse the contents of the same.

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 to charities and NGOs through donations of medicines and cash.

Occupational Health and Safety

The health and safety of its employees, visitors and contractors is a high priority for Searle Pakistan Limited and hazards associated with our operation are continually 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, 4 meetings of the Board of Directors were held, the details are as follows :

Name of Directors	Meetings attended
Mr. Rashid Abdulla	4
Mr. Khalid Malik	4
Mr. Tariq Ismail	4
Mr. Mushtaq Abdulla	4
Mr. Shahid Abdulla	4
Mrs. Maneezeh Malik	4
Mr. Azad Alladin	4
Mr. Muhammad Ali	4

Subsequent to the year end, Mr. Tariq Ismail, Mr. Azad Alladin, Mr. Muhammad Ali and Mrs. Maneezeh Malik resigned from the board. The board welcomes the new directors Mr. Ayaz Abdulla, Mr. Munis Abdulla, Mr. Shuja Malik and Mr. Zubair Palwala and appreciates the services of outgoing directors.

Audit Committee

An Audit Committee has been in existence since August, 2002. It comprises of three members, of whom two 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 providing 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 Board's Audit Committee reviews risks and controls across the organization.

Auditors

The present auditors, Messrs Anjum Asim Shahid Rahman, Chartered Accountants, retire 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 financial year ending June 30, 2008, 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, 2007/June 30, 2006 respectively was as follows:

	2007	2006
	Rupees in '000	
Provident Fund	111,880	127,011
Gratuity Fund	93,401	84,776
Total	<u>205,281</u>	<u>211,787</u>

Corporate and Financial Reporting Framework

- a. 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.
- b. Proper books of accounts of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e. 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.

- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- h. There has been no departure from the best practices of transfer pricing.
- i. The key operating and financial data for the 10-years is set out on page 13.

Performance of the Group

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:

Year ended June 30,	2007	2006	2005
----- Rs in Million-----			
Sales	2,694	2,818	2,337
Operating profit	217	275	213
Profit after tax	78	88	76
Total assets	2,559	2,526	2,062
Share capital and reserves	751	664	564
Consolidated earnings per share (Rupees)	3.23	3.99	3.45

Future Outlook

Although operating in a highly competitive environment, we are confident of meeting our objectives.

Karachi
October 08, 2007

By order of the Board

RASHID ABDULLA
Chief Executive