

UNITED DISTRIBUTORS PAKISTAN LIMITED
FINANCIAL STATEMENTS FOR HALF YEAR ENDED
DECEMBER 31, 2019

A.F. FERGUSON & CO.
Chartered Accountants
a member firm of the PwC network





Pakistan

Directors' Report

The Directors are pleased to present the unaudited condensed interim financial information of the Company for the half year ended December 31, 2019.

The Company was able to improve its financial performance significantly during the half year ended on December 31, 2019.

The net sales of the Company amounted to Rs 339 million, registering a growth of 27% over the corresponding period of the last year.

The gross profit of the Company has also grown by 12% on account of higher sales value as compared to the same period last year. The gross margin has been adversely impacted due to rising cost, inflation and product mix.

Despite the reduction in margins the operating profit of the Company increased by 68% as compared to the same period last year.

The distribution & marketing and administrative expenses increased by 7% which is attributable to higher sales for the period under review.

	July-December	
	2019	2018
	Rupees in thousands	
Net sales	339,115	266,009
Gross profit	122,063	108,761
Profit from operations	34,946	20,797
(Loss) / profit before taxation	(134,862)	52,271
(Loss) / profit after taxation	(112,631)	40,211
(Loss)/earning per share in Rs.	(3.19)	1.14

Further, the associate company posted a loss for the period ended December 31, 2019. Hence, the proportionate share of loss from associate for the period under review has been incorporated in Company's books in accordance with relevant accounting law.

Future outlook

We aim to keep our journey for the betterment of farmers through the best services and high quality solutions to enable them in getting the best crop yields and healthy food for human beings. We anticipate the Company may continue to face challenges due to unfavorable weather conditions and unsupportive economic factors which will impact on profitability of the Company. Nevertheless, the management of the Company would continue its efforts with full of expertise to improve productivity and operational excellence in order to sustain a positive bottom line and fuel the growth substantially.

Acknowledgments

The Directors would like to express their gratitude to the customer, bankers and other stakeholders for their continued support and encouragement and also place on record the appreciation of the valuable services rendered by the employees of the Company.

The Company's financial results have been recommended by the audit committee of the Board and will be placed on the Company's website at www.udpl.com.pk.

For and on behalf of the Board


Asad Abdulla
Chief Executive officer


Syed Nadeem Ahmed
Director

Karachi: February 20, 2020

The Spirit of Growth

UNITED DISTRIBUTORS PAKISTAN LIMITED

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<http://www.udpl.com.pk>



**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
UNITED DISTRIBUTORS PAKISTAN LIMITED**

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Distributors Pakistan Limited as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to these financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 7 to the interim financial statements. As stated in the note, as at December 31, 2019 the company is holding 11,079,852 shares of International Brands Limited (Holding Company), valuing Rs. 1,455,688,056. Our conclusion is not qualified in respect of this matter.

The engagement partner on the audit resulting in this independent auditor's report is Syed Fahim ul Hasan.


Chartered Accountants
Karachi

Date: February 26, 2020

UNITED DISTRIBUTORS PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	Note	(Unaudited) December 31, 2019	(Audited) June 30, 2019
Rupees '000			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	39,258	28,580
Intangible assets		5,804	6,971
Investment in associate	6	950,433	1,131,793
Long-term investments	7	1,546,580	1,203,056
Long-term loans		-	314
Long-term deposits		3,121	3,122
		<u>2,545,196</u>	<u>2,373,836</u>
CURRENT ASSETS			
Inventories		193,348	282,237
Trade and other receivables	8	128,290	80,272
Loans, advances and prepayments		5,623	4,368
Taxation		35,430	37,328
Cash and bank balances		1,361	6,246
		<u>364,052</u>	<u>410,451</u>
TOTAL ASSETS		<u><u>2,909,248</u></u>	<u><u>2,784,287</u></u>
SHARE CAPITAL AND RESERVES			
Share capital			
Issued, subscribed and paid up capital		352,713	306,707
Revenue Reserve			
Unappropriated profits		698,570	876,042
General reserve		28,548	28,548
		<u>727,118</u>	<u>904,590</u>
Revaluation reserve on investment at fair value through other comprehensive income		1,455,034	1,111,511
		<u>2,534,865</u>	<u>2,322,808</u>
NON-CURRENT LIABILITIES			
Liabilities against assets subject to diminishing musharakah financing arrangement		7,928	11,530
Long-term lease liability		11,544	-
Deferred tax liability		<u>103,844</u>	<u>132,800</u>
		<u>123,316</u>	<u>144,330</u>
CURRENT LIABILITIES			
Trade and other payables	9	166,699	223,775
Current portion of liabilities against assets subject to diminishing musharakah financing arrangement		7,202	7,202
Current portion of long-term lease liability		3,295	-
Short-term borrowings - secured	10	72,734	85,654
Unclaimed dividend		1,137	518
		<u>251,067</u>	<u>317,149</u>
TOTAL LIABILITIES		<u>374,383</u>	<u>461,479</u>
COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	11	<u><u>2,909,248</u></u>	<u><u>2,784,287</u></u>

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The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED DECEMBER 31, 2019 - UNAUDITED

	Note	Quarter ended		Half year ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		← Rupees '000 →			
Revenue from contracts with customers	12	159,267	118,317	339,115	266,009
Cost of sales		(101,154)	(66,716)	(217,052)	(157,248)
Gross profit		58,113	51,601	122,063	108,761
Marketing and distribution expenses		(41,113)	(36,818)	(79,743)	(73,486)
Administrative and general expenses		(8,393)	(8,716)	(16,648)	(16,383)
Other operating expenses		(61)	-	(245)	(82)
Other income		2,855	1,664	9,519	1,987
Profit from operations		11,401	7,731	34,946	20,797
Finance cost		(5,162)	(6,472)	(9,782)	(9,751)
Share of (loss) / profit from associate		(170,768)	34,478	(160,026)	41,225
(Loss) / profit before income tax		(164,529)	35,737	(134,862)	52,271
Income tax credit / (expense)		27,382	(8,737)	22,231	(12,060)
(Loss) / profit after taxation		(137,147)	27,000	(112,631)	40,211
(Loss) / earnings per share-basic and diluted (Rupees)		(Rs. 3.89)	Rs. 0.77	(Rs. 3.19)	Rs. 1.14

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The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

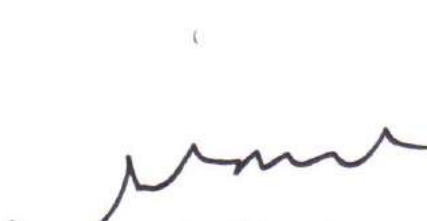
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2019 - UNAUDITED

	Quarter ended		Half year ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	← Rupees '000 →			
(Loss) / profit for the period	(137,147)	27,000	(112,631)	40,211
Other comprehensive income (OCI)				
Items that will not be subsequently reclassified to profit or loss				
Change in fair value of investment carried at fair value through OCI	408,237	-	343,523	-
Share of remeasurements of post employment benefit obligations of associate	(13,138)	(8,890)	(13,138)	(8,890)
Deferred tax thereon	1,971	1,334	1,971	1,334
	(11,167)	(7,556)	(11,167)	(7,556)
Items that may be subsequently reclassified in profit or loss				
Loss on revaluation of available for sale investment	-	(22,141)	-	(36,783)
Total comprehensive profit / (loss) for the period	259,923	(2,697)	219,725	(4,128)

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The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive


Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED DECEMBER 31, 2019 - UNAUDITED

		December 31, 2019	December 31, 2018
	Note	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	13	31,941	(3,951)
Finance cost paid		(6,447)	(9,751)
Income tax paid		(2,855)	(8,033)
Decrease / (increase) in long term loans and deposits		315	(288)
Net cash generated from / (used in) operating activities		<u>22,954</u>	<u>(22,023)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(543)	(5,470)
Payments for acquisition of intangible assets		-	(3,390)
Dividend received		1,184	-
Sale proceeds on disposal of property, plant and equipment		27	100
Net cash generated from / (used in) investing activities		<u>668</u>	<u>(8,760)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(7,668)	(6,668)
Lease rentals paid		(4,317)	-
Decrease in liabilities against assets subject to finance lease		(3,602)	(258)
Net cash used in financing activities		<u>(15,587)</u>	<u>(6,926)</u>
Net increase / (decrease) in cash and cash equivalents		<u>8,035</u>	<u>(37,709)</u>
Cash and cash equivalents at beginning of the period		(60,608)	13,076
Cash and cash equivalents at the end of period	14	<u>(52,573)</u>	<u>(24,633)</u>

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The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2019 - UNAUDITED

	SHARE CAPITAL	REVENUE RESERVE			Total
	Issued, subscribed and paid up capital	General reserve	Unappropriated Profits	Revaluation reserve on investment at fair value through OCI	
	Rupees '000				
Balance at July 1, 2018	266,702	28,548	879,900	2,205,827	3,380,977
Bonus shares issued during the period in the ratio of 1 share for every 15 shares held	40,005	-	(40,005)	-	-
Cash dividend paid @ Re. 0.25 per share	-	-	(6,668)	-	(6,668)
Profit for the half year ended December 31, 2018	-	-	40,211	-	40,211
Other comprehensive loss	-	-	(7,556)	(36,783)	(44,339)
Total comprehensive income / (loss)	-	-	32,655	(36,783)	(4,128)
Balance as at December 31, 2018	<u>306,707</u>	<u>28,548</u>	<u>865,882</u>	<u>2,169,044</u>	<u>3,370,181</u>
Balance as at July 1, 2019	306,707	28,548	876,042	1,111,511	2,322,808
Bonus shares issued during the period in the ratio of 1 share for every 15 shares held	46,006	-	(46,006)	-	-
Cash dividend paid @ Re. 0.25 per share	-	-	(7,668)	-	(7,668)
Loss for the half year ended December 31, 2019	-	-	(112,631)	-	(112,631)
Other comprehensive loss	-	-	(11,167)	343,523	332,356
Total comprehensive income / (loss)	-	-	(123,798)	343,523	219,725
Balance at December 31, 2019	<u>352,713</u>	<u>28,548</u>	<u>698,570</u>	<u>1,455,034</u>	<u>2,534,865</u>

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The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2019 - UNAUDITED

1. THE COMPANY AND ITS OPERATIONS

United Distributors Pakistan Limited (UDPL) was incorporated in Pakistan as a public company limited by shares and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated at 9th Floor, NIC Building, Abbasi Shaheed Road, Karachi. Its principal business activities are manufacturing, trading and distribution of pesticides, fertilizers and other allied products.

In 2011, the IBL Group decided to adopt the holding company structure wherein International Brands Limited holds at least 55% shareholding in all the subsidiary companies. This restructuring was undertaken to provide the platform to manage the long term Group expansion strategy, corporate compliance, operational efficiency, financial arrangements and tax benefits, thereby, resulting in improved returns to the shareholders.

After the approval of the scheme of Arrangement by the Honourable High Court of Sindh on May 25, 2011, International Brands Limited became the Group holding company. The operating activities of the Company were transferred to IBL Operations (Private) Limited and separate books were opened effective July 01, 2011. As a consequence of the above restructuring, United Distributors Pakistan Limited received shares of International Brands Limited (the holding company) which are held by the Company as at December 31, 2018.

2. BASIS OF PREPARATION

These condensed interim financial statements of the Company for the half year ended December 31, 2019 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting and provisions of and directive issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2019.

2.1 Changes in accounting standards, interpretations and pronouncements

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

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay the rentals are recognised. The only exceptions are short term and low value leases.

The changes laid down by this standard have been disclosed in note 3.1, of these condensed interim financial statements.

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

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2019 are considered not to be relevant to the Company's financial statements and hence have not been detailed here.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2019, except as disclosed in note 3.1.

3.1 CHANGE IN ACCOUNTING POLICY- IFRS 16

Effective July 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to Company's right-of-use asset and lease liability are disclosed in note 3.2

The Company has adopted IFRS 16 from July 1, 2019, and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of July 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on July 1, 2019 was 15.40% per annum.

The following summary reconciles the Company's operating lease commitments previously considered as land rentals at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 1, 2019.

	(Rupees '000)
Operating lease commitment as at July 01, 2019	24,647
Effect of discount using the lessee's incremental borrowing rate at the date of initial application	(6,860)
Total liability as at July 01, 2019	<u>17,787</u>
Of which are:	
Current lease liabilities	2,739
Non-current lease liabilities	<u>15,048</u>
	<u>17,787</u>

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The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2019.

	December 31, 2019	July 1, 2019
	(Rupees '000)	
The recognised right-of-use assets relate to the following types of assets:		
Property	<u>14,563</u>	<u>17,787</u>
The effect of this change in accounting policy is as follows:		
Impact on Statement of Financial Position		
Increase in fixed assets right-of-use assets	14,563	17,787
Increase in lease liability against right-of-use assets	(14,840)	(17,787)
Increase in deferred tax liability	(512)	-
Decrease in net assets	<u>(789)</u>	<u>-</u>
Impact on Statement of Profit or Loss		
Increase in mark-up expense- lease liability against right-of-use assets	1,370	-
Increase / (decrease) in administrative expenses		
- Depreciation on right-of-use assets	3,224	-
- Rent expense	(4,317)	-
	<u>277</u>	<u>-</u>
Increase in tax credit	512	-
Decrease in loss before tax	<u>789</u>	<u>-</u>

3.2 Lease liability and right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease i.e. it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

From July 1, 2019 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, exercise price of a purchase option, payments of penalties for terminating the lease, less any lease incentives receivable. The purchase, extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future payments arising from a change in fixed payments or an index or rate, Company's estimate of the amount expected to be payable under a residual value guarantee or its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of right-of-use asset is reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any payments made at or before the commencement date and any incentive received, plus any initial direct costs and estimate of costs to dismantle, remove or restore the underlying asset (if any) or to restore the site on which it is located. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company does not recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less, leases of low-value assets and recognises associated payments in the period in which these are incurred.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions.

However, management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in these condensed interim financial statements.

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2019.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2019.

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5. PROPERTY, PLANT AND EQUIPMENT

Following are additions to / disposals of property, plant and equipment during the period:

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	← Rupees '000 →			
Plant and Machinery	324	1,818	1	119
Computers	-	30	-	-
Office Equipment	219	115	-	-
Vehicles	-	3,509	-	-
	<u>543</u>	<u>5,472</u>	<u>1</u>	<u>119</u>

- 5.1 This includes right-of-use asset amounting to Rs. 14.56 million (June 2018: Rs. Nil) representing its right against use of property.

(Unaudited)	(Audited)
December 31,	June 30,
2019	2019
Rupees '000	

6. INVESTMENT IN ASSOCIATE

Balance at beginning of the period	1,131,793	1,076,459
Share of (loss) / profit for the period	(160,025)	64,224
Share of other comprehensive loss for the period	(13,138)	(8,890)
Less: Dividend income for the period	(8,197)	-
Balance at end of the period	<u>950,433</u>	<u>1,131,793</u>

This represents shareholding of 40% (June 30, 2019: 40%) comprising of 1,639,418 shares (June 30, 2019: 1,639,418 shares) of FMC United (Private) Limited, original cost of the shares was Rs. 16.39 million.

- 6.1 The amounts of share of loss and other comprehensive loss for the period are based on unaudited financial statements of FMC United (Private) Limited as at December 31, 2019.

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(Unaudited) December 31, 2019	(Audited) June 30, 2019
Rupees '000	

7. LONG-TERM INVESTMENTS

Investments at fair value through OCI

- **IBL HealthCare Limited - Listed**

1,215,135 (June 30, 2019: 1,215,135)
fully paid ordinary shares of Rs. 10 each

Percentage holding 2.19%
(June 30, 2019: 2.19%)

Cost: Rs. 7,882,580
(June 30, 2019: Rs. 7,882,580)

- **International Brands Limited
(Holding Company) - Unlisted - note 7.2**

11,079,852 (June 30, 2019: 11,079,852)
fully paid ordinary shares of Rs. 10 each

Percentage holding 4.71%
(June 30, 2019: 4.71%)

Cost: Rs. 83,663,056
(June 30, 2019: Rs. 83,663,056)

90,892	40,707
1,455,688	1,162,349
<u>1,546,580</u>	<u>1,203,056</u>

7.1 Valuation technique used to value investment in International Brands Limited include the use of quoted market prices for listed equity securities and the discounted future cash flows for unlisted equity securities held by International Brands Limited. The main level 3 inputs used are;

- discount rates for financial assets and financial liabilities determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessment of the time value of money and the risk specific to the asset; and
- earning growth factors based on market information.

7.2 Consequent to the restructuring under Court order as explained in note 1, the Company holds shares of International Brands Limited (the Holding Company). These shares have been carried at cost.

7.3 Shares held as at December 31, 2019 include 31,343 shares (June 30, 2019: 31,343 shares) of IBL HealthCare Limited and 184,665 shares (June 30, 2019: 184,665 shares) of International Brands Limited withheld by respective company at the time of bonus declaration. The Company has included these shares in its portfolio pending decision of the Honourable High Court of Sindh on petitions filed by the Company in respect of tax on bonus shares.

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8. TRADE AND OTHER RECEIVABLES

These include Rs. 8.37 million (June 2019: Rs. 0.17 million) receivables from related parties.

9. TRADE AND OTHER PAYABLES

These include Rs. 1.17 million (June 2019: Rs. 5.27 million) payables to related parties.

10. SHORT-TERM BORROWINGS - Secured

	Note	(Unaudited) December 31, 2019	(Audited) June 30, 2019
		Rupees '000	
Running finance under mark-up arrangement	10.1	53,934	66,854
Short- term loan	10.2	18,800	18,800
		<u>72,734</u>	<u>85,654</u>

10.1 The Company obtained running finance facility from Habib Metropolitan Bank Limited at KIBOR + 2% (June 30, 2019 KIBOR + 2%) per annum. This facility is secured by way of hypothecation on current assets of the Company.

10.2 This represents short term loan from IBL Operations (Private) Limited, a related party, payable within one year at 6 months KIBOR + 2.5% per annum.

11. COMMITMENTS

The facilities for opening letters of credit as at December 31, 2019 amounted to Rs. 300 million (June 30, 2019: Rs. 300 million). The amount remaining unutilised as at December 31, 2019 is Rs. 201.36 (June 30, 2019: Rs. 150.35 million).

	December 31, 2019	December 31, 2018
	Rupees '000	
12. REVENUE		
Gross Sales	384,666	301,952
Less:		
- trade discounts	(19,071)	(29,555)
- sales return	(23,970)	(4,567)
	<u>341,625</u>	<u>267,830</u>
Less: Sales tax	(2,510)	(1,821)
	<u>339,115</u>	<u>266,009</u>

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December 31, December 31,
2019 2018
Rupees '000

13. CASH GENERATED FROM / (USED IN) OPERATIONS

(Loss) / profit before income tax	(134,862)	52,271
Adjustment for non-cash incomes and expenses:		
Depreciation and amortisation	8,818	6,097
Finance cost	9,782	9,751
(Gain) / loss on disposal of property, plant and equipment	(26)	19
Dividend Income	(1,184)	(1,184)
Share of loss / (profit) from associate	160,026	(41,225)
	177,416	(26,542)
Profit before changes in working capital	42,554	25,729
Changes in Working Capital:		
Decrease / (increase) in current assets:		
Inventories	88,889	(33,318)
• Trade and other receivables	(39,823)	(22,553)
Loans, advances and prepayments	(1,255)	(3,162)
	47,811	(59,033)
(Decrease) / increase in current liabilities		
Trade and other payables	(58,424)	29,353
Cash generated from / (used in) operations	31,941	(3,951)

14. CASH AND CASH EQUIVALENTS

Cash and bank balances	1,361	3,684
Short-term borrowings - note 10	(53,934)	(28,317)
	(52,573)	(24,633)

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15. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	December 31, 2019	December 31, 2018
		Rupees '000	
i. Holding company	- Corporate service charges	3,000	2,400
	- Payment on behalf of Holding Company	7,880	-
	- Receipts from Holding Company	6,783	6,962
ii. Associated companies	- Receipts from associated Company	-	238
	- IT services	69	69
	- Warehouse rent	-	483
	- Dividend received	1,184	-
	- SAP ERP Implementation cost	-	3,390
	- Dividend income	9,381	1,184
	- Contribution paid	3,548	2,775
iii. Employees' Provident Fund	- Salaries and other employee benefits	10,776	10,389
	- Directors' fee	3	6

16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on **20 FEB 2020**

Att


Chief Financial Officer


Chief Executive


Director