Notice of Annual General Meeting

Notice is hereby given that the 38th Annual General Meeting of UNITED DISTRIBUTORS PAKISTAN LIMITED will be held at 3rd Floor One IBL Center, Plot No. 1, Block 7/8. D.M.C.H.S. Tipu Sultan Road Shahrah-e-Faisal, Karachi via video link on Wednesday, October 28, 2020 at 1:30 p.m. to transact the following business:

1. To confirm the minutes of the last Extraordinary General Meeting held on July 15, 2020

2. To receive, consider and approve the audited financial statements of the Company for the year ended June 30, 2020 together with the Directors' and Auditors' reports thereon.

3. To appoint Auditors and fix their remuneration for the year 2020-2021. The present Auditors A.F Ferguson & Co., Chartered Accountants retire and being eligible, offer themselves for the re-appointment as auditors of the Company.

Special Business

4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution:
   "RESOLVED that the transactions carried out by the Company in the normal course of business with related parties during the year ended June 30, 2020 be and are hereby ratified, approved and confirmed
   FURTHER RESOLVED that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in the normal course of business with the related parties till the next annual general meeting of the Company and in this connection the Chief Executive Officer of the Company be and is hereby authorized to take any or all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

5. To approve the remuneration of the Chief Executive Officer of the Company, and if thought appropriate, to pass with or without modification(s) the following resolution as ordinary resolution:

“**RESOLVED** that the Company be and hereby approves and authorizes the payment of remuneration to the Chief Executive Officer for a total sum not exceeding Rs. 20 million per anum exclusive of perquisites and retirement benefits, admissible under the Company’s Rules

Other Business

6. To transact any other business with the permission of the Chair.

By Order of the Board

ADNAN AHMED FEROZE
Company Secretary

Karachi: October 7, 2020

Statement of material facts under section 134(3) of the Companies Act, 2017 regarding the Special Business

ITEM 4 of the Agenda

All transactions of the Company with the related parties were reviewed by the audit committee quarterly and now submitted for approval and adoption for full year

All transactions with related parties to be ratified have been disclosed in the note 35 to the audited financial statements for the year ended June 30, 2020. Party-wise details of such related party transactions are given below;

	Nature of relationship	Nature of transactions	2020 Rupees in '000
i.	IBL [Holding Company]	Payments on behalf of Holding Company	19,482
	IBL [Holding Company]	Corporate service charges	6,000
	IBL [Holding Company]	Receipts from Holding Company	15,206
ii.	The Searle Company Ltd	Receipts from associated companies	167
	The Searle Company Ltd	Warehouse rent	250
	IBL HealthCare Ltd	Dividend income	1,184
	IBL Unisys (pvt) Ltd	SAP maintenance fee and license	322
	The Searle Company Ltd	Repairs and maintenance	165
	The Searle Company Ltd	Rent charged	409
	IBL Ops (pvt) Ltd	Interest charged	2,701
	IBL HealthCare Ltd	Dividend received	1,006
iii.	Employees' Provident Fund	Contribution paid	6,904
iv.	Key Management Personnel	Salaries and other employee benefits	23,475
		Loan received	1,740
		Directors' fee	11

ITEM 5 of the Agenda

The approval is being sought for fixing the remuneration of the Chief Executive of the Company in accordance with their terms and conditions of service

The Chief Executive is interested only in the remuneration payable to him

Notes:

1. The Share transfer books of the Company will remain closed from October 22, 2020 to October 28, 2020(both days inclusive). Transfer (if any) should be received at the office of our Registrar M/ s Central Depository Company of Pakistan Limited, CDC House 99 B, Block B, S.M.C.H.S, Main Shahrah-e-Faisal Karachi, latest by the close of business on October 21, 2020.

2. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote on his/ her behalf. A proxy need not be a member of the Company.

3. Proxies in order to be effective must be received by the Company’s Registrar not less than 48 hours before the meeting.

4. Members are requested to notify any changes in their addresses immediately to the Company's Share Registrar, M/s Central Depository Company of Pakistan Limited.

5. In pursuance of the Circular No. 1 of 2000 of SECP dated January 26th, 2000 beneficial owners of the shares registered in the name of Central Depository Company (CDC) and / or their proxies are required to produce their Computerized National Identity Card (CNIC) or passport for identification purpose at the time of attending the meeting.

6. Proxy form must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of the CNIC or passport of the beneficial owner and the proxy.

In case of corporate entity, the Board of Directors' resolution/ power of attorney with the specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company

. **Provision of Video Link Facility:** Shareholders may participate in the meeting via video link facility. If the Company receives a demand (at least 7 days before the date of meeting) from Shareholder(s) holding aggregate 10% or more shareholding residing in any other city, to participate in the meeting through video link, the Company will arrange video link facility in that city.

Shareholders, who wish to participate through video link facility, are requested to fill in Video Link Facility Form available at Company's website and send a duly signed copy to the Company Secretary of the Company at his e mail address at least 48 hours before the meeting the email address is:

Adnan.Ahmed@udpl.com.pk

The Shareholders are requested to provide the information as per the below format. The video link will be sent to the shareholders on the email address provided in the table below:

S.No.	Name of Shareholder	CNIC No.	Folio No.	Cell No.	email Address

. It may be noted that no person other than the member or proxy holder can attend the meeting through video link facility

Coronavirus contingency planning for general meetings of Shareholders

In accordance with SECP Circular No. 5 of 2020 dated March 17, 2020 and SECP Circular No. 25 of 2020 dated August 31, 2020, the Company will be taking measures for managing the annual general meeting of the Company in consonance with the Government's restrictions on public gatherings. Accordingly, the following information is set out below for the convenience of the Shareholders of the Company:

i) Shareholders are urged to send by mail, WhatsApp or any other electronic mean or by post or courier their comments/ suggestions for the proposed agenda items of the annual general meeting. The details are set out below:

Email address: Adnan.Ahmed@udpl.com.pk
WhatsApp: +923072220429
Cell phone No.: +923072220429
Address: UNITED DISTRIBUTORS PAKISTAN LIMITED
2nd Floor, One IBL Center, Plot No. 1, Block 7/8 Tipu Sultan Road, off Shahrah-e-Faisal, Karachi

Review Report by the Chairman

The United Distributors Pakistan Ltd. complies with all the requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of (the “Board”) of the Company is in place. The purpose of this evaluation is to ensure that the Board’s overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company. Areas where improvements are required are duly considered and action plans are framed and implemented accordingly.

The overall performance of the Board measured on the basis of approved criteria for the year ended June 30, 2020 was satisfactory. The overall assessment as satisfactory is based on an evaluation of the following integral components, which have a direct bearing on the Board’s role in achievement of Company’s objectives:

1. Vision, mission and values: The Board members are familiar with the current vision, mission and values and support them. The Board revisits the mission and vision statement from time to time.

2. Engagement in strategic planning: The Board has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, society at large) whom the Company serves. The Board has a strategic vision that how the Organization should evolve over the next three to five years. Further, the Board sets annual goals and targets for the management in all major performance areas.

3. Diligence: The Board members diligently performed their duties and thoroughly reviewed, discussed and approved business strategies, corporate objectives, plans, budgets, financial statements and other reports. It received clear and succinct agendas and supporting written material in sufficient time prior to Board and committee meetings. The Board met frequently enough to adequately discharge its responsibilities.

4. Monitoring of Organization’s business activities: The Board remained updated with respect to achievement of Company’s objectives, goals, strategies and financial performance through regular presentations by the management, internal and external auditors and other independent consultants. The Board provided appropriate direction and oversight on a timely basis.

5. Diversity and mix: The Board members effectively bring the diversity to the Board and constitute a mix of independent and non-executive directors. The nonexecutive and independent directors were equally involved in important board decisions.

6. Governance and Control Environment: The Board has effectively set the tone at the top, by putting in place a transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of Corporate Governance and by promoting ethical and fair behavior across the Company.

Rashid Abdulla
Chairman
Karachi: September 30, 2020

Directors' Report

The Directors of United Distributors Pakistan Limited (UDPL) takes pleasure in presenting this report, together with the Audited Financial Statements of the Company for the year ended June 30, 2020.

The Company has complied with the requirements of the Regulations in the following manner:

Total number of directors:	
a) Male	07
b) Female	-

The names and composition of Board of Directors as at June 30, 2020 are as follows:	
a). Independent Directors	Mr. Tahir Saeed
	Mr. Salman Chawala
b). Other non-executive directors	Mr. Rashid Abdulla
	Mr. S. Nadeem Ahmed
	Mr. Zubair Palwala
	Mr. Ayaz Abdulla
c). Executive	Mr. Asad Abdulla

Board Meetings

During the year, four meetings of the Board of Directors were held. Attendance by each Director was as under:

Name of director	Meetings attended
Mr. Rashid Abdulla	3
Mr. Asad Abdulla	3
Mr. Zubair Palwala	3
Mr. S. Nadeem Ahmed	4
Mr. Ayaz Abdulla	3
Mr. Tahir Saeed	4
Mr. Salman Hussain Chawala	3

Further, leave of absence was granted to the Directors who could not attend some of the Board Meetings.

Committees of the Board

The Board formed two sub committees namely Audit Committee and Human Resource & Remuneration Committee. The Committee comprises of three members all of them are non-executive Directors and Chairman of the Committees is an Independent Director.

a. **Audit committee**
   - Mr. Tahir Saeed
   - Mr. Ayaz Abdulla
   - Mr. Zubair Palwala

b. **HR & Remuneration committee**
   - Mr. Salman Hussain Chawala
   - Mr. Ayaz Abdulla
   - Mr. Zubair Palwala

During the year four audit committee meetings were held and attendance of each director is as follows:

Name of director	Number of meetings attended
Mr. Tahir Saeed	3
Mr. Ayaz Abdulla	3
Mr. Zubair Palwala	3

Principal Activities of the Company

United Distributors Pakistan Ltd. (The Company) was incorporated in Pakistan as a public limited company and is listed on Pakistan Stock Exchange. The Company's principal activities are manufacturing, trading and distribution of pesticides, fertilizers and other allied products.

Business Performance

The financial year 2020 was a challenging year due to Covid-19 pandemic, non-seasonal rainfall and swarm of locust attack on the crops. Despite these challenges the performance of the Company for the year ended June 30, 2020 has shown considerable improvement from the previous year.

A brief financial performance of the Company for the year ended June 30, 2020 is presented as under:

Particulars	2019-20	2018-19	Increase /
	....Rupees in 000....		(Decrease)
Net sales	644,318	540,600	19.2%
Gross profit	235,986	218,287	8.1%
Operating profit	54,174	50,178	8.0%
(Loss) / profit before taxation	(276,819)	72,860	-479.9%
(Loss) / profit after taxation	(223,039)	50,371	-542.8%
		Restated	
(Loss)/ earnings per share	(Rs. 6.32)	Rs. 1.43	

The Company recorded a net sales Rs 644 million, registering a growth of 19.2% over the corresponding period of the last year.

Gross profit of the Company grew by 8.1% and GP margin stood at 36.62% as compared with 40.37% of the corresponding period of the prior year. The margins affected adversely due to sharp increase of exchange rate led to increase the product cost.

The operating profit also increased by 8% over the corresponding period of the last year. The growth in sales and operating profit were mainly driven by better sales mix, branding efforts by changing the outlook of the products, extensive field work to ensure timely product off takes and taken some other operational measures for efficient and improved results.

The operating expenses increased by 5.3% over the corresponding period of last year which is attributable to higher sales volume and general inflation in expenses.

Despite the Company improves their operating profit along with significant reduction in finance cost, the Company's profit before tax and bottom line has been affected adversely due to a substantial share of loss from associate recorded for the period under review.

Share of loss from associates

During the year 2020, the associate company- FMC United (Pvt.) Ltd. able to increase their revenue by 39% but due to significant reduction in gross margins and huge finance cost the associate company posted a substantial loss for the period under review. Hence, the UDPL recognizes share of loss from associate in accordance with the International Accounting Standard 28 - 'Investment in Associates and Joint Ventures' in its books.

UDPL holds a 40% equity stake in FMC United (Private) Ltd.

(Loss)/earnings per share

Basic loss per share after taxation is Rs. (6.32) (2019: Rs. 1.43). the negative EPS posted due to substantial share of loss recorded from associate concern.

There is no dilution effect on the basic earnings per share of the Company, as the Company doesn't have any convertible instruments in issue as at June 30, 2020 and 2019.

Emphasis of the Matter Paragraph in Auditors' Report

The auditors' in their report have drawn attention to Note #7 that the Company is holding 11,079,852 shares of the holding company.

This was not a direct investment in the holding company. The shareholders in their meeting held on February 14, 2011, approved a special resolution for swapping of its investment from one of its associates to IBL, and the same was also approved through a scheme of arrangement approved by the Honorable High Court of Sindh.

Principal Risks and Uncertainties

Despite the fact that the Company's financial performance continues its pace towards improvements from the past few years and the Company successfully crossed all the barriers in its way to continue its journey of success.

The Company is exposed to certain inherent risks and uncertainties. However, we consider the market competition, adverse movement of foreign exchange rate and unfavorable weather and excessive rains for crops will be the vital factors that may have an impact on the future financial performance of the Company. The Company closely works to mitigate or reduce to these risks at acceptable level.

Holding company

International Brands Limited- IBL is the Holding Company of United Distributors Pakistan Ltd which holds 70.46% shareholding in the Company. As at June 30, 2020, IBL holds 24,851,298 shares of Rs.10 each.

Dividend

The year under review was tough for liquidity generation from market. In order to conserve cash flows, the Board of Directors in its meeting held on September 30, 2020 has recommended Nil dividend for the year ended June 30, 2020.

Corporate social responsibility (CSR)

UDPL has a firm commitment for the betterment of all our stakeholders including the society we live in. We, at UDPL consider it as an important ingredient of long-term success. Accordingly, during the year the Company made donations for health, education and other social activities.

Information Technology

The Company believes that Information technology allows the company to work more efficiently and help to maximize productivity.
The Company endeavors to upgrade its information systems in line with growing needs of the business along with rapid technological advancements taking place in the field of information

technology. However, the Company has successfully implemented 'SAP' which is currently one of the most power full ERP system.

Website

All our stake holders and general public can visit the United Distributor Pakistan Limited (UDPL) website, www.udpl.com.pk which has a separate section for investor containing information related to company's annual, half yearly and quarterly financial statements.

Subsequent event

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of the Report.

Code of conduct

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

Compliance with the Best Practices of Corporate Governance

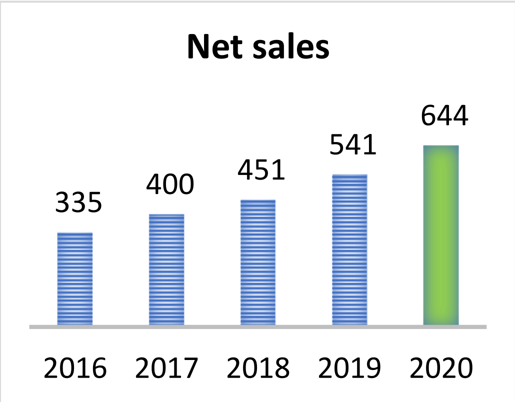
The Board is pleased to state that the management of the Company is compliant with the best practices of corporate governance. The Board acknowledge its responsibility in respect of the corporate and financial reporting framework and thus states that:

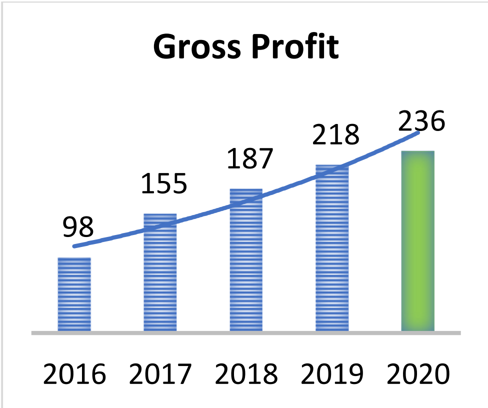
Following are the statements on financial and corporate governance framework:

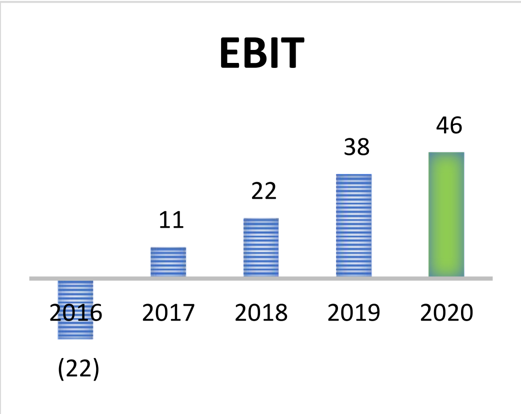
- The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been duly followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- 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 Pakistan Stock Exchange Rule Book.
- The pattern of shareholding has been included in this Annual Report.

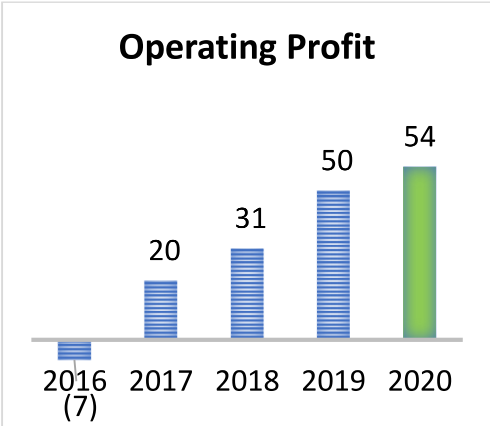
- The key audited operating and financial results for the last six years have been included in this Annual Report.

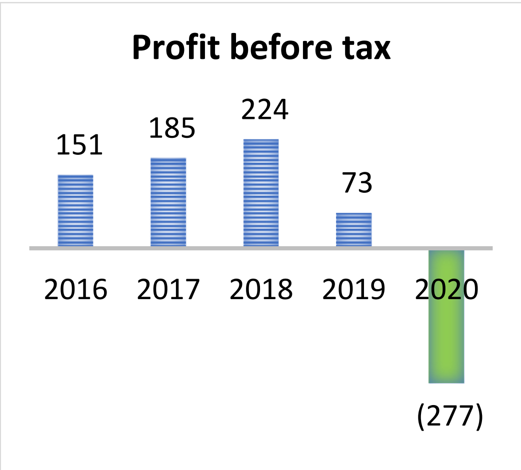
Graphical presentation

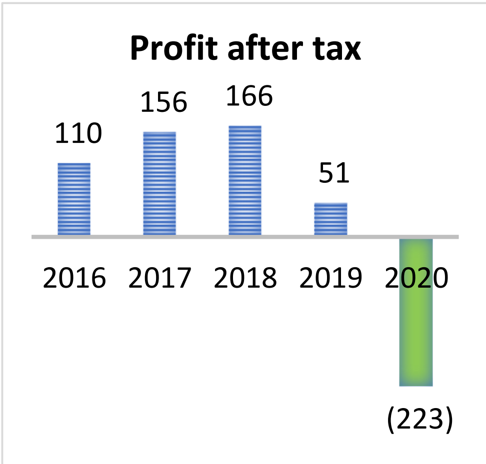












Summary of key operating and financial data of six years at a glance

Below is a summary of key operating and financial results for six years and includes the financial results for the year under review:

	2020	2019	2018	2017	2016	2015
	.............................Rupees in (000).............................					
ASSETS EMPLOYED						
Property, plant and equipment	37,080	28,580	19,537	27,402	19,910	35,001
Intangible assets	4,637	6,971	5,915	5,317	4,158	248
Long-term investments	2,144,759	2,334,849	1,257,612	1,153,542	1,004,720	790,774
Long-term loan and deposits	3,122	3,436	4,424	3,942	2,550	2,325
Net current assets	127,995	93,302	112,801	79,306	75,261	82,332
Total assets employed	**2,317,593**	**2,467,138**	**1,400,289**	**1,269,509**	**1,106,599**	**910,680**
FINANCED BY						
Issued, subscribed and paid up capital	352,713	306,707	266,702	242,456	202,047	183,679
Reserve and unappropriated profit	1,873,073	2,016,101	998,056	929,180	831,610	676,276
Shareholder's equity	2,225,786	2,322,808	1,264,758	1,171,636	1,033,657	859,955
Long term and deferred liabilities	91,807	144,330	135,531	97,873	72,942	50,725
Total capital employed	**2,317,593**	**2,467,138**	**1,400,289**	**1,269,509**	**1,106,599**	**910,680**
Turnover	644,318	540,600	451,049	399,687	335,352	339,619
(Loss) / profit before tax	(276,819)	72,860	223,972	185,526	150,894	137,683
Profit after tax	(223,039)	50,371	166,439	156,249	109,768	116,942
Earning per share	(6.32)	1.43	5.43	5.09	3.58	3.81
Profit % of turnover	-34.62%	9.32%	36.90%	39.09%	32.73%	34.43%
Profit % of capital employed	-9.62%	2.04%	11.89%	12.31%	9.92%	12.84%
Cash (%)	0%	2.5%	2.5%	0%	0%	0%
Stock (%)	0%	15%	15%	10%	20%	10%
Bouns stock amount	-	46,006	40,005	24,246	40,409	18,368

Directors' training program

The directors either has already attended the directors' training as required in previous years or meet the exemption criteria as contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Employee's retirement benefit scheme

The Company provides terminal benefits to its employees in the form of provident fund. This funded benefit is maintained duly approved Trusts. These Trusts are managed by the trustees who get the Funds audited.

The value of investment of provident fund based on their audited accounts as on June 30, 2020 and as on June 30, 2019 respectively was as follows:

	2020	2019
	…..Rs. in thousands…..	
Fair value of provident fund investment	121,529	101,598

Directors Remuneration

The significant features and key elements of directors' remuneration are as follows:

- Non-executive directors are only entitled to receive fees in lieu of remuneration in respect of the board and committee meetings attended by them.
- The board is authorized to determine the remuneration of its Directors for attending meetings of the board and committee.

Adequacy of Internal Financial Controls

In order to ensure that adequate internal controls are deployed by the Company for safeguarding of Company's assets, compliance with relevant laws and regulations and reliable financial reporting. The Board of Directors has outsourced the internal audit function to BDO Ebrahim & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company.

Statutory auditors

The present auditor, A.F Ferguson & Co., Chartered Accountants, retires and being eligible, offer themselves for re-appointment. The Board of Directors endorses recommendation of the Audit

Committee for their re-appointment as statutory auditors of the Company for the financial year ending June 30, 2021 at a fee to be mutually agreed.

Pattern of shareholding

The pattern of Shareholding of the Company as at June 30th, 2020, along with the necessary information is annexed to this report.

There were 1,418 shareholders on the record of the Company as at 30th June 2020.

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

The crop protection market expected to remain under pressure going forward, primarily the potential impact of locust attack and less sowing of cotton crop. Keeping in view of these factors, we anticipate the competition in the market may increase further which may affect the revenue and timely availability of liquidity. However, the adequate measures have been taken by the Company to mitigate these challenges at the best level.

The Company would continue its efforts to improve productivity, cost containment and operational excellence in order to sustain performance and maximizing value creation.

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.

For and on behalf of the Board

Asad Abdulla
Chief Executive officer

Syed Nadeem Ahmed
Director

Karachi: September 30, 2020

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

NAME OF COMPANY: UNITED DISTRIBUTORS PAKISTAN LIMITED
YEAR ENDING: JUNE 30, 2020

The company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("Regulations") in the following manner:

1. The total number of Directors, including the Executive Director, are seven (7) as per the following:

a.	Male	Seven
b.	Female	None

2. The composition of Board is as follows:

Category	Names
Independent Directors*	Mr. Muhammed Salman Hussain Chawala Mr. Tahir Saeed
Non-Executive Directors	Mr. Rashid Abdulla Mr. S. Nadeem Ahmed Mr. Zubair Razzak Palwala Mr. Ayaz Abdulla
Executive Director / CEO	Mr. Asad Abdulla

** Based on mathematical rounding off principle the fraction i.e. 0.33 contained in one third of 7 elected directors was not rounded up as one as the regulations 2019 came into effect after Director's election held in May 2017.*

3. The Directors have confirmed that none of them is serving as a director on the board of more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable);

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act 2017 ("Act") and the Regulations;

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations;

9. All directors are either exempted or have attended the recommended training in prior years;

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board;

12. The Board has formed statutory committees comprising members whose names are given below:

a) Audit Committee

Tahir Saeed - Chairperson
Zubair Razzak Palwala
Ayaz Abdulla

b) Human Resources and Remuneration Committee

Muhammed Salman Hussain Chawala - Chairperson
Zubair Razzak Palwala
Ayaz Abdulla

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committees were as per following:

a) Audit Committee: Four Quarterly meetings during the financial year ended June 30, 2020

b) HR and Remuneration Committee: No meeting was held during the year ended June 30, 2020

15. The Board has outsourced the internal audit function to BDO Ebrahim & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;

16. The Statutory Auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the Firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the company;

17. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of the regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with;

19. Regulation 7, of Code of Corporate Governance Regulation 2019 states a mandatory requirement of the presence of a female director on the board. The election of Board of Directors was held on May 24, 2017 while the Companies Act 2017 came into effect on May 30, 2017. The condition pertaining to a female director, therefore, did not apply. However, had there been any casual vacancy then a female director would have been appointed. However, no such casual vacancy occurred during the board of directors' three-year term; and

20. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 (non- mandatory requirements) are below:

S. No	Requirement	Explanation	Reg. No
1	The HR and Remuneration Committee shall meet at least once in a financial year and may meet more often if requested by a member of the Board, or committee itself or the chief executive officer and the head of human resource or any other person appointed by the Board may act as the secretary of the committee.	Due to the non-availability of the quorum at the time of the meeting, no meeting of HR and Remuneration Committee was held during the year ended June 30, 2020. The Board later decided to delay the meeting till next year. The same was held subsequent to the year end on September 18, 2020.	28 (3)
2	The Board may constitute a separate committee, designated as the nomination committee, of such number and class of Directors, as it may deem appropriate in its circumstances.	The responsibilities prescribed for the nomination committee are being taken care of at board level as and when needed so a separate committee is not considered to be necessary.	29
3	The Board may constitute the risk management committee, of such number and class of Directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	As per Regulation 30 of the Listed Companies (Code of Corporate Governance) Regulations, 2019, constituting a Risk Management Committee is not mandatory and, therefore, the same has not been constituted during the year ended June 30, 2020. However, the Board intends to constitute the Risk Management Committee next year.	30
4	The company may post the following on its website: 1. key elements of its significant policies including but not limited to the following: (i) communication and disclosure policy; (ii) code of conduct for members of board of directors, senior management and other employees; (iii) risk management policy; (iv) internal control policy; (v) whistle blowing policy; (vi) corporate social responsibility/sustainability/ environmental, social	As the regulation provides concession with respect to disclosure of significant policies on the website, only a few policies have been uploaded on the Company's website. The Company will however, review and place key elements of other policies if considered necessary.	35

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

S. No	Requirement	Explanation	Reg. No
	and governance related policy. 2. brief synopsis of terms of reference of the Board's committees including: (i) Audit Committee (ii) HR and Remuneration Committee (iii) Nomination Committee (iv) Risk Management Committee (v) Key elements of the directors' remuneration policy.		

On behalf of the Board

Asad Abdulla
CEO

Rashid Abdulla
Chairman

September 24, 2020

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

Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of United Distributors Pakistan Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Aftergouy & Co.

Chartered Accountants
Karachi

Dated: October 5, 2020

INDEPENDENT AUDITORS'S REPORT

To the members of United Distributors Pakistan Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of United Distributors Pakistan Limited (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 7 to the financial statements. As stated in the note, as at June 30, 2020 the company is holding 11,079,852 shares of International Brands Limited (Holding Company), amounting to Rs. 1,282,117,131. Our conclusion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	**Valuation of Investments under IFRS 9 "Financial Instruments"** ***(Refer note 7 to the financial statements)***	
	IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The classification and measurement approach reflects the business model in which the financial assets are managed and the underlying cash flow characteristics. Accordingly, in respect of the investments in equity instruments other than subsidiaries, the Company has made an irrevocable option to present subsequent changes in fair value in Other Comprehensive Income. The Company holds an investment of 4.71% shareholding in International Brands Limited (IBL) which it carries at a fair value of Rs 1,282.12 million at June 30, 2020. It has recognized a fair value gain of Rs 119.77 million during the year in Other Comprehensive Income on the re-measurement of fair value at June 30, 2020. Due to IBL being a non-listed company, its shares do not have a quoted price in an active market. Therefore, fair value of the shares is determined through appropriate valuation methodology as disclosed in note 7.3. This involves a number of estimation techniques and management's judgement to obtain reasonable expected future cash flows and related discount rate. We considered this as key audit matter due to the significant judgments and complexities of the calculation of fair value of investment.	Our audit procedures amongst others include the following: • obtained understanding of management's controls relating to measurement of unlisted equity investment; • reviewed the valuation model used by management comprising of discounted projected cash flows for unlisted companies and market rates for listed equity securities held by International Brands Limited; • evaluated projected cash flows used for valuation of unlisted companies are consistent with the industry trend; • reviewed discount rates and terminal growth rates used in discounted projected cash flows for unlisted companies using our expert; • performed sensitivity analysis around key assumptions to ascertain the extent of change individually in the value of the investment; • traced mathematical accuracy of valuation model used by management; and • assessed the adequacy of the disclosures made in the financial statements.

S. No.	Key Audit Matter	How the matter was addressed in our audit
2.	**Deferred Taxation** ***(Refer note 19 to the financial statements)*** Under International Accounting Standard 12 "Income Taxes", the Company is required to review recoverability of the deferred tax assets recognized in the statement of financial position at each reporting period. Recognition of deferred tax asset is dependent on management's estimate of availability of sufficient future taxable profits against which carried forward losses and tax credits can be utilized. The future taxable profits are based on approved projections. This estimation involves a degree of uncertainty and requires judgement in relation to the future cash flows and also involves assessment of timing of reversal of un-used tax losses. As at June 30, 2020, the Company has recognized deferred tax asset amounting to Rs. 44.78 million mainly on account of unused tax losses and minimum tax. We considered this as a key audit matter due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences and management judgement regarding assumptions used in this area.	Our audit procedures amongst others include the following: • obtained understanding of the income taxes process, and evaluated the design and tested management's controls over the calculation of the deferred tax asset and the review of the future recoverability; • tested management's computation of un-used tax losses for which deferred tax asset has been recognized; • analyzed the requirements of Income Tax Ordinance, 2001, in relation to above and considering the ageing analysis, expiry periods of relevant deferred tax assets and tax rates enacted in consultation with our tax specialist; • assessed the reasonableness of assumptions such as growth rate, future revenue and costs, by comparing the assumptions with approved budget and other relevant information for assessing the quality of Company's forecasting process in determining the future taxable profits; • tested mathematical accuracy of future projections and the use of appropriate tax rate applicable on temporary differences; and • assessed the appropriateness of management's accounting for deferred taxes and the accuracy of related disclosures in accordance with the accounting and reporting standards.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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.

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

AFFerguson & Co.

A. F. Ferguson & Co.
Chartered Accountants

Karachi

Date: October 5, 2020

UNITED DISTRIBUTORS PAKISTAN LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Note	2020	2019
		Rupees in '000	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	37,080	28,580
Intangible assets	5	4,637	6,971
Investment in associate	6	768,530	1,131,793
Long-term investments	7	1,376,229	1,203,056
Long-term loans	8	-	314
Long-term deposits	9	3,122	3,122
		2,189,598	2,373,836
CURRENT ASSETS			
Inventories	10	265,925	282,237
Trade and other receivables	11	150,123	80,272
Loans, advances and prepayments	12	2,684	4,368
Current tax asset		37,519	37,328
Cash and bank balances	13	3,585	6,246
		459,836	410,451
TOTAL ASSETS		2,649,434	2,784,287
SHARE CAPITAL AND RESERVES			
Share capital			
Issued, subscribed and paid up capital	14	352,713	306,707
Revenue Reserve			
Un-appropriated profits		559,841	876,042
General reserve		28,548	28,548
		588,389	904,590
Revaluation reserve on investment held at fair value through OCI	15	1,284,684	1,111,511
		2,225,786	2,322,808
NON-CURRENT LIABILITIES			
Long-term portion of liability under diminishing musharakah financing	16	5,632	11,530
Long-term lease liability	17	9,916	-
Long- term portion of Salary refinancing	18	10,282	-
Deferred tax liability	19	65,977	132,800
		91,807	144,330
CURRENT LIABILITIES			
Trade and other payables	20	245,937	223,775
Current portion of liability under diminishing musharakah financing	16	5,897	7,202
Current portion of long-term lease liability	17	7,324	-
Short- term borrowings	21	71,782	85,654
Unclaimed dividend	22	901	518
		331,841	317,149
TOTAL LIABILITIES		423,648	461,479
COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		2,649,434	2,784,287

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

Chief Executive | Director | Chief Financial Officer

UNITED DISTRIBUTORS PAKISTAN LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees in '000	
Revenue from contracts with customers	24	644,318	540,600
Cost of Sales	25	(408,332)	(322,313)
Gross profit		235,986	218,287
Marketing and distribution expenses	26	(159,776)	(150,007)
Administrative and general expenses	27	(30,303)	(30,271)
Other operating expenses	28	-	(172)
Other income	29	8,267	12,341
Operating profit		54,174	50,178
Finance cost	30	(17,386)	(41,542)
Share of (loss) / income from associate	6	(313,607)	64,224
(Loss) / profit before income tax		(276,819)	72,860
Income tax credit / (expense)	31	53,780	(22,489)
(Loss) / profit for the year		(223,039)	50,371
			(Restated)
(Loss)/ earnings per share - basic and diluted	32	Rs. (6.32)	Rs 1.43

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

Chief Executive	Director	Chief Financial Officer

UNITED DISTRIBUTORS PAKISTAN LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees in '000	
(Loss) / profit for the year		(223,039)	50,371
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified in Profit or Loss:			
Share of remeasurements of post employment benefit obligations of associate		(13,139)	(8,890)
Deferred tax relating to component of other comprehensive loss		1,971	1,334
		(11,168)	(7,556)
Change in fair value of investments carried at fair value through OCI	15	173,173	(1,094,316)
Total comprehensive (loss) for the year		(61,034)	(1,051,501)

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

Chief Executive Director Chief Financial Officer

UNITED DISTRIBUTORS PAKISTAN LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	SHARE CAPITAL	REVENUE RESERVE			
	Issued, subscribed and paid up capital	General reserve	Unappropriated profits	Revaluation reserve on investments held at fair value through OCI	Total
	Rupees in '000				
Balance as at July 1, 2018	266,702	28,548	879,900	2,205,827	3,380,977
Issuance of bonus shares @ 15 shares for every 100 shares held	40,005	-	(40,005)	-	-
Final dividend @ 2.5% for the year ended June 30, 2018	-	-	(6,668)	-	(6,668)
Profit for the year ended June 30, 2019	-	-	50,371	-	50,371
Other comprehensive (loss) for the year ended June 30, 2019	-	-	(7,556)	(1,094,316)	(1,101,872)
Total comprehensive income/(loss)	-	-	42,815	(1,094,316)	(1,051,501)
Balance at June 30, 2019	306,707	28,548	876,042	1,111,511	2,322,808
Effect of change in accounting policy due to adoption of IFRS 9 by associate	-	-	(28,320)	-	(28,320)
Balance as at July 1, 2019	**306,707**	**28,548**	**847,722**	**1,111,511**	**2,294,488**
Issuance of bonus shares @ 15 shares for every 100 shares held	46,006	-	(46,006)	-	-
Final dividend @ 2.5% for year ended June 30, 2019	-	-	(7,668)	-	(7,668)
Loss for the year ended June 30, 2020	-	-	(223,039)	-	(223,039)
Other comprehensive (loss) / income for the year ended June 30, 2020	-	-	(11,168)	173,173	162,005
Total comprehensive income/(loss)	-	-	(234,207)	173,173	(61,034)
Balance at June 30, 2020	352,713	28,548	559,841	1,284,684	2,225,786

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

Chief Executive

Director

Chief Financial Officer

UNITED DISTRIBUTORS PAKISTAN LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	33	38,590	(37,222)
Income tax paid		(11,263)	(22,337)
Finance cost paid		(10,131)	(22,666)
Decrease in long-term loans		314	560
Decrease in long-term deposits		-	428
Net cash flow from / (used in) operating activities		17,510	(81,237)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(1,800)	(19,374)
Payments for acquisition of intangible asset		-	(3,390)
Dividend received		9,381	11,175
Proceeds from disposal of property and equipment		427	107
Net cash inflow / (outflow) from investing activities		8,008	(11,482)
CASH FLOW FROM FINANCING ACTIVITY			
Dividend paid		(7,668)	(6,668)
Rental paid		(9,718)	-
Short Term Loan obtained		-	18,800
Short-term loan (Tijarah) obtained		13,061	-
Loan obtained under Salary refinancing arrangement		13,709	-
(Decrease) / increase of liabilities against assets subject to diminishing musharakah financing arrangement		(7,203)	6,903
Net increase / (decrease) in cash and cash equivalents		27,699	(73,684)
Cash and cash equivalents at beginning of the year		(60,608)	13,076
Cash and cash equivalents at end of the year	34	(32,909)	(60,608)

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

Chief Executive | Director | Chief Financial Officer

UNITED DISTRIBUTORS PAKISTAN LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. THE COMPANY AND ITS OPERATIONS

1.1 United Distributors Pakistan Limited (UDPL) "the Company" 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 One IBL Centre 2nd Floor, Plot No. 1, Block 7 & 8 D.M.C.H.S, Tipu Sultan Road Off Shahrah-e-Faisal, Karachi. Its principal business activities are manufacturing, trading and distribution of pesticides, fertilizers and other allied products.

The Company has a factory located at plot # 231, Sector 7/A, Korangi Industrial Area, Karachi.

The Company also has following branch offices:

- Hyderabad: Plot # D 3/4, Hali Road, Site Area, Hyderabad
- Sukkur: Plot # B-95, near Model Worker School, Site Area, Sukkur
- Quetta: House # 237, near Aisha Masjid Block # 4 ,Satellite Town, Quetta
- Multan: Plot # 548, Jahangirabad, NLC Chowk 6-KM Khanewal Road, Multan
- Peshawar: Suite No. A-2/1,Tazkar Plaza, Main Dala Zak Road, Peshawar

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 Group Holding 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 5,504,149 shares of International Brands Limited (the holding company) which are held on the statement of financial position under long term investments.

1.2 Impact of COVID-19

The events surrounding the COVID-19 pandemic (the virus) continue to evolve and impact global markets. The spread of the virus in the last quarter of the financial year has resulted in authorities implementing numerous measures to contain the virus, such as travel bans and restrictions, quarantines and shutdowns. Consequently, the economic conditions have been increasingly volatile. The Company continued its operations despite lockdown of economic activities due to the spread of Covid-19. The extent of the impact of the virus on the financial position and financial performance of the Company includes the following:

- A long-term loan was otained under the refinance scheme for payment of wages and salaries as disclosed in note - 18.
- Delays in realization of trade and other receivables.
- Significant losses incurred by the Associate due to increased borrowings and finance cost.

There was no significant impact of the virus on other operations of the Company. However, the Company will pay close attention to the developments of COVID-19 and evaluate the impact on its future financial position and operating results.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1.2 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are income tax and valuation of long term investment held at fair value through OCI.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgements made by the Company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements except the following:

- valuation of long term investments held at fair value through OCI.
- deferred taxation.

2.1.3 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 '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 impact of the adoption of IFRS 16 on the Company's financial statements is disclosed in note 3.

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

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2019. However, these do not have any significant impact on the Company’s financial reporting.

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

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these financial statements.

2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 Property, plant and equipment

2.3.1 Owned assets

These are stated at cost less accumulated depreciation and impairment, if any.

Depreciation on property, plant and equipment is charged to statement of profit or loss applying the straight-line method over the estimated useful lives of related assets. The useful lives of the assets as estimated by the management are as follows:

- Leasehold improvements	10 years
- Plant and machinery	4 to 10 years
- Office equipments	3 to 10 years
- Furniture and fixtures	7 years
- Motor vehicles	5 to 10 years

Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is put to use. For disposal during the year depreciation is charged up to the end of month preceding the month in which property, plant and equipment is disposed off.

Subsequent costs are included in the assets' carrying amount when it is probable that future economic benefits associated with the item will increase as a result of that expenditure, will flow to the Company and the cost can be measured reliably.

Gains and losses on disposal of fixed assets are included in statement of profit or loss.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

2.3.2 Lease liability and Right-of-use asset

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

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 the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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. The Company uses its incremental borrowing rate as the discount rate.

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 lease payments or an index or rate, in the Company's estimate of the amount expected to be payable under a residual value guarantee, or in its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a 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 the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient as not to recognise right-of-use assets and liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term.

2.4 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Generally, costs associated with maintaining computer software programs are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefit exceeding one year are recognised as intangible assets. Direct costs include the purchase cost of software and related overhead cost.

Intangible assets are amortised from the point at which the asset is ready for use. Amortisation charge is based on the straight-line method whereby the cost of an intangible asset is written off over its estimated useful life of 4 years.

2.5 Investments in associates

Associates are all entities over which the Company has significant influence but not control. Investment in associates are accounted for using the equity method.

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Company’s share of post-acquisition profits or losses of the investee in the statement of profit or loss, and the Company’s share of movements in statement of comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Company’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy described in note below.

2.6 Financial Instruments - Initial recognition and subsequent measurement

a) Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

b) Classification of financial assets

The Company classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortised cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

c) Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"), or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

d) Subsequent measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, these are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income.

ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in other comprehensive income. Currently, there are no financial liabilities designated at FVTPL.

e) Impairment of financial asset

The Company recognises lifetime expected credit losses for trade receivables that do not constitute a financing transaction. Expected credit losses (ECLs) are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive). Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. For all other financial assets, expected credit losses are measured at an amount equal to 12 months’ ECLs i.e. ECLs that result from default event that are possible within 12 months after the reporting date.

f) Derecognition

i) Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying value and the sum of the consideration received and receivable is recognised in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

ii) Financial liabilities

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

2.7 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Trade and other receivables

Trade and other receivables are recognised at fair value of consideration receivable. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

2.9 Loans, deposits and other debts

These are initially measured at cost which is the fair value of the consideration given and are subsequently measured at amortised cost.

2.10 Inventories

Inventories are valued at lower of cost, determined on first-in first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of work in process and finished goods comprise direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

Stock-in-transit is valued at cost accumulated to the reporting date. Provision is made for slow moving and obsolete items based on management's judgement.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purposes of statement of cash flows, cash and cash equivalents comprise cash-in-hand, cheques, demand drafts in hand, running finance under mark up arrangements and balances with banks on current and deposit accounts with maturity of less than 90 days.

2.12 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Taxation

(I) Current

The charge for current tax is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits and rebates available, if any.

(II) Deferred

Deferred tax is accounted for using the statement of financial position liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised 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 utilised.

Deferred tax is determined using tax rates and prevailing laws for taxation on income that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2.14 Staff retirement benefits

The Company operates an approved contributory provident fund scheme for all eligible employees who have completed the minimum qualifying period of service. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary.

2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

2.16 Provisions

Provisions are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

2.17 Foreign currencies

Transactions in foreign currencies are recorded in Pak Rupee at the rates of exchange approximating those prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee using the exchange rates approximating those prevailing at the reporting date. Exchange differences are included in statement of profit or loss.

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency and figures are rounded off to the nearest thousand of Pak Rupee.

2.18 Revenue recognition

Revenue is recognised when control of the goods is transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

Revenue is recognised on dispatch of goods to customers i.e. when the significant risks and rewards of ownership have been transferred to the customer.

No element of financing is present as the sales are made with a credit term of upto 365 days, which is consistent with the market practice.

2.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying asset, if any, are capitalised as part of the cost of that asset.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as liability in the financial statements in the period in which the dividend is approved.

2.21 Method of preparation of statement of cash flows

The statement of cash flows is prepared using the indirect method.

3. CHANGES IN ACCOUNTING POLICIES - 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 polices relating to Company's right-of-use asset and lease liability are disclosed in note 2.3.2.

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. The reclassifications and the adjustments arising from adoption of IFRS 16 are therefore recognised in the opening statement of financial position on July 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate of 15.40% as of July 1, 2019.

On adoption of IFRS 16, the Company has recognised lease liability amounting to Rs 23.86 million as at July 1, 2019 in respect of operating lease commitments of its rental premises.

	Rupees in '000
Total lease liability recognized of which	
Current lease liabilities	6,617
Non-current lease liabilities	17,239
	23,856

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 June 30, 2019.

	June 30, 2020	July 1, 2019
	Rupees in '000	
The recognised right-of-use assets relate to the following types of assets:		
Property	15,421	23,856

	Rupees in '000
The change in accounting policy affected the following items in the statement of financial position on July 1, 2019	
Property, plant and equipment - increased by	23,856
Lease liabilities - increased by	23,856

The change in accounting policy affected the following items in the statement of profit or loss for the year ended June 30, 2020:

Finance cost - increased by	3,102
Depreciation - increased by	8,435
Rent expense - decreased by	9,718

4. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	Rupees in '000	
Operating assets - note 4.1	37,080	28,580

4.1 Operating Assets

	Owned operating assets					Right-of-use assets		
	Leasehold improvements	Plant and machinery	Office and other equipments	Motor Vehicles	Furniture and fixtures	Rental Property	Leased Motor Vehicles	Total
	Rupees in '000							
Net carrying value basis								
Year ended June 30, 2020								
Opening net book value	101	3,227	899	1,909	124	-	22,320	28,580
Additions / initial recognition	-	1,531	269	-	-	23,856	-	25,656
Disposals								
Cost	-	-	(273)	(997)	(8)	-	-	(1,278)
Accumulated depreciation	-	-	272	997	8	-	-	1,277
	-	-	(1)	-	-	-	-	(1)
Depreciation charge (note - 4.2)	(68)	(1,142)	(483)	(624)	(30)	(8,435)	(6,373)	(17,155)
Closing net book value	33	3,616	684	1,285	94	15,421	15,947	37,080
Gross carrying value basis								
At June 30, 2020								
Cost	762	14,385	6,703	41,689	950	23,856	31,868	120,213
Accumulated depreciation	(729)	(10,769)	(6,019)	(40,404)	(856)	(8,435)	(15,921)	(83,133)
Net book value	33	3,616	684	1,285	94	15,421	15,947	37,080
Net carrying value basis								
Year ended June 30, 2019								
Opening net book value	177	2,889	1,243	3,405	116	-	11,707	19,537
Additions	-	2,140	281	1,300	44	-	15,609	19,374
Disposals								
Cost	-	(507)	(16)	-	-	-	-	(523)
Accumulated depreciation	-	388	10	-	-	-	-	398
	-	(119)	(6)		-	-	-	(125)
Depreciation charge (note - 4.2)	(76)	(1,683)	(619)	(2,796)	(36)	-	(4,996)	(10,206)
Closing net book value	101	3,227	899	1,909	124	-	22,320	28,580
Gross carrying value basis								
At June 30, 2019								
Cost	762	12,854	6,707	42,686	958	-	31,868	95,835
Accumulated depreciation	(661)	(9,627)	(5,808)	(40,777)	(834)	-	(9,548)	(67,255)
Net book value	101	3,227	899	1,909	124	-	22,320	28,580
Depreciation rate per annum	10%	10% to 25%	10% to 33%	10% to 20%	15%	26% to 80%	10% to 20%	

4.2 Depreciation for the year has been allocated as follows:

	2020	2019
	Rupees in '000	
Cost of Sales - note 25	5,069	1,905
Marketing and distribution expenses - note 26	11,945	8,078
Administrative and general expenses - note 27	141	223
	17,155	10,206

5. INTANGIBLE ASSETS

Computer software - note 5.1	4,637	6,971

5.1 Movement in Intangible Assets

	Computer Software	Intangible Asset under development	Total
		Rupees in '000	
Year ended 30 June 2020			
Opening net book value	6,971	-	6,971
Additions during the year	-	-	-
Amortisation charge for the year	(2,334)	-	(2,334)
Closing net book value	**4,637**	**-**	**4,637**
At 30 June 2020			
Cost	10,722	-	10,722
Accumulated amortisation	(6,085)	-	(6,085)
Net book value	**4,637**	**-**	**4,637**
Year ended 30 June 2019			
Opening net book value	74	5,841	5,915
Additions during the year	3,390	-	3,390
Transfers from Intangibles under development	5,841	(5,841)	-
Amortisation charge for the year	(2,334)	-	(2,334)
Closing net book value	6,971	-	6,971
At 30 June 2019			
Cost	10,722	-	10,722
Accumulated amortisation	(3,751)	-	(3,751)
Net book value	6,971	-	6,971
Useful life in years	**4**	**-**	

5.2 Amortisation for the year has been allocated as follows:

	2020	2019
	Rupees in '000	
Marketing and distribution expenses - note 26	1,166	1,166
Administrative and general expenses - note 27	1,168	1,168
	2,334	2,334

6. INVESTMENT IN ASSOCIATE

Balance at beginning of the year	1,131,793	1,076,459
Effect of change in accounting policy due to adoption of IFRS 9 accounted for during the year 2020	(28,320)	-
Share of (loss) / profit for the year	(313,607)	64,224
Share of other comprehensive loss for the year	(13,139)	(8,890)
Less: Dividend income for the year	(8,197)	-
Balance at end of the year	768,530	1,131,793

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

6.2 **Financial details / position of associate**

	2020	2019
	Rupees in '000	
Total assets	20,994,218	12,931,551
Total liabilities	19,217,897	10,102,070
Revenues	15,661,622	11,283,034
(Loss) / profit for the year	(929,023)	160,560

The financial year end of FMC United (Private) Limited is December 31. Total assets and liabilities disclosed above are based on unaudited condensed interim financial information for the half year ended June 30, 2020, whereas revenues and loss / profit for the year disclosed above have been worked out on the basis of audited financial statements for the years ended December 31, 2019 and December 31, 2018 and unaudited condensed interim financial information for the half years ended June 30, 2020 and June 30, 2019.

6.3 FMC United (Private) Limited is principally engaged in the manufacturing, repackaging and marketing of pesticides, fertilizers and seeds.

7. LONG-TERM INVESTMENTS

	2020	2019
	Rupees in '000	
Investments held at fair value through OCI		
- **IBL HealthCare Limited - Listed - note 7.1**	94,112	40,707
1,215,135 fully paid ordinary shares of Rs. 10 each		
Percentage holding 2.19%		
Cost: Rs. 7,882,580		
- **International Brands Limited (Holding Company) - Unlisted - notes 7.1, 7.2 & 7.3**	1,282,117	1,162,349
11,079,852 fully paid ordinary shares of Rs. 10 each		
Percentage holding 4.71%		
Cost: Rs. 83,663,056		
	1,376,229	1,203,056

7.1 Shares held as at June 30, 2020 include 31,343 shares (2019: 31,343 shares) of IBL HealthCare Limited and 184,665 shares (2019: 184,665) of International Brands Limited withheld by respective companies 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.

7.2 As explained in note 1.1, the Company holds shares of International Brands Limited (holding Company) which have been carried at fair value through OCI.

7.3 Valuation technique used to value investment in International Brands Limited includes 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.
- earning growth factors based on market information.

Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows:

- If the discount rate increases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs. 25.879 million (2019: Rs. 39.524 million) lower.
- If the long term growth rate decreases by 1% with all other variables held constant, the impact on fair value as at June 30, 2020 would be Rs. 28.308 million (2019: Rs. 37.534 million) lower.

		2020	2019
		Rupees in '000	
8.	**LONG -TERM LOANS**		
	Loan to employees - note 8.1	335	2,143
	Less: Recoverable within one year - note 12	(335)	(1,829)
		-	314

8.1 Interest free loans under the scheme have been provided to facilitate expenditures for domestic purposes. The loans are interest free and secured against employees' retirement fund balances.

		2020	2019
		Rupees in '000	
9.	**LONG -TERM DEPOSITS**		
	Rent deposit	2,275	2,275
	Others	847	847
		3,122	3,122

9.1 These deposits do not carry any mark-up.

10.	**INVENTORIES**		
	Raw materials	40,796	21,174
	Packing materials - note 10.1	14,064	5,177
	Finished goods	216,222	259,547
		271,082	285,898
	Less: Provision for slow moving and obsolete inventories - note 10.2	(5,157)	(3,661)
		265,925	282,237

10.1 These include packing materials amounting to Rs. 0.43 million (2019: Rs. 0.61 million) held with third party.

		2020	2019
		Rupees in '000	
10.2	**Movement of provision for slow moving and obsolete inventories**		
	Opening balance	3,661	3,808
	Addition / (reversal) during the year	1,496	(147)
	Closing balance	5,157	3,661

		2020	2019
		Rupees in '000	
11.	**TRADE AND OTHER RECEIVABLES**		
	Trade Receivables - note 11.1	146,964	77,782
	Other Receivables - note 11.2	3,159	2,490
		150,123	80,272
11.1	**Trade Receivables**		
	Secured	12,484	10,281
	Unsecured	134,480	67,501
		146,964	77,782
11.1.1	The age analysis of trade receivables is as follows:		
	1 to 3 months	87,426	57,424
	3 to 6 months	12,500	14,922
	More than 6 months	47,038	5,436
		146,964	77,782
11.2	**Other Receivables**		
	Receivable from related parties	-	897
	Sales tax receivable	2,416	1,593
	Others	743	-
		3,159	2,490

11.2.1 The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 3.16 million (2019: Rs. 9.95 million).

		2020	2019
		Rupees in '000	
12.	**LOANS, ADVANCES AND PREPAYMENTS**		
	Advance to suppliers - note 12.1	533	1,391
	Advances to employees against expenses - notes 12.1 & 12.2	1,060	761
	Current portion of long term loan - notes 8 & 12.1	335	1,829
	Prepayments	756	387
		2,684	4,368

12.1 These loans and advances do not carry mark-up.

12.2 These advances are secured against employees’ retirement fund balances.

		2020	2019
		Rupees in '000	
13.	**CASH AND BANK BALANCES**		
	Cash at bank - current accounts - note 13.1	3,411	5,969
	Cash in hand	174	277
		3,585	6,246

13.1 These include current accounts having balances of Rs. 0.167 million (2019: Rs. 0.190 million) maintained with Islamic Banks.

		2020	2019
14.	**SHARE CAPITAL**	Rupees in '000	
14.1	**Authorised Share Capital**		
	50,000,000 ordinary shares of Rs. 10 each (2019: 50,000,000 ordinary shares of Rs. 10 each)	500,000	500,000

14.2 Issued, subscribed and paid up capital

Ordinary shares of Rs 10 each 2020	2019		2020	2019
Number of shares in thousand				
		Ordinary shares of Rs. 10 each		
5,000	5,000	Shares issued for consideration paid in cash.	50,000	50,000
21,087	16,487	Shares issued as bonus shares	210,873	164,867
9,184	9,184	Shares issued as right shares	91,840	91,840
35,271	30,671		352,713	306,707

14.3 Movement in Issued, subscribed and paid-up capital

Ordinary shares of Rs 10 each 2020	2019			
Number of shares in thousand				
30,671	26,670	Opening shares outstanding	306,707	266,702
4,600	4,001	Bonus shares issued	46,006	40,005
35,271	30,671		352,713	306,707

14.4 As at June 30, 2020 International Brands Limited, the holding company held 24,851,298 (2019: 21,609,825) shares of Rs. 10 each.

	2020	2019
	Rupees in '000	

15. REVALUATION RESERVE ON INVESTMENTS HELD AT FAIR VALUE THROUGH

	2020	2019
Balance at July 1, 2019	1,111,511	-
Reclassification due to IFRS 9	-	89,608
IFRS 9 Transition	-	2,116,219
Gain/ (deficit) arising on revaluation of investment	173,173	(1,094,316)
Balance at June 30, 2020	1,284,684	1,111,511

16. LIABILITIES UNDER DIMINSIHING MUSHARAKAH FINANCING ARRANGEMENT

	2020			2019		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000					
Not later than one year	7,229	1,332	5,897	9,113	1,911	7,202
Later than one year but not later than five years	6,398	766	5,632	13,184	1,654	11,530
	13,627	**2,098**	**11,529**	22,297	3,565	18,732

16.1 These represent Rs. 11.53 million (2019: Rs. 18.73 million) outstanding under Diminishing Musharakah Financing arrangement.

17. LEASE LIABILITY

	2020	2019
	Rupees in '000	
Lease liabilities under IFRS 16	**17,240**	-
Current Portion	**7,324**	-
Non-current portion	**9,916**	-

Finance cost on lease liabilities for the year ended June 30, 2020 was Rs. 3.10 million (2019: Nil). Total cash outflow for leases was Rs. 9.72 million.

18. SALARY REFINANCING

This represents salary refinancing amounting to Rs. 13.06 million in relation to the Company availing the State Bank of Pakistan's (SBP) payroll refinance facility as a part of measures for countering COVID-19. The Company will pay a quarterly mark up at a discounted rate of 3% per annum, with eight equal quarterly installments starting from January 2021.

		2020	2019
		Rupees in '000	
19.	**DEFERRED TAXATION**		
	Credit balances arising in respect of:		
	- Investments in Associate	101,657	158,194
	- Assets held under Diminishing Musharakah Financing arrangement	4,624	3,477
	- Right of use asset	4,472	-
	Debit balances arising in respect of:		
	- Liability under Diminishing Musharakah Financing arrangement	(3,344)	(2,919)
	- Lease liability	(4,999)	-
	- Carried forward tax losses	(10,955)	(18,917)
	- Minimum tax	(19,322)	(3,631)
	- Property, plant and equipment	(4,660)	(2,834)
	- Provision for slow moving and obsolete inventory	(1,496)	(570)
		65,977	132,800

19.1 Analysis of change in deferred tax

	Accelerated tax depreciation	Assets under Diminishing Musharakah financing arrangement	Right of use asset	Liability under Diminishing Musharakah financing arrangement	Lease liability	Investment in Associate	Retirement Benefit Obligation in Associate	Unused tax losses and minimum tax	Provision for Slow Moving and Obsolete inventory	Total
	Rupees in '000									
Balance at July 01, 2018	(1,978)	1,292	-	(1,087)	-	159,009	(7,859)	(19,502)	(487)	129,388
(Charge) / credit to profit or loss for the year	(856)	2,185	-	(1,832)	-	8,376	-	(3,046)	(83)	4,745
Charge to other comprehensive income for the year	-	-	-	-	-	-	(1,333)	-	-	(1,333)
Balance at June 30, 2019	**(2,834)**	**3,477**	**-**	**(2,919)**	**-**	**167,385**	**(9,192)**	**(22,548)**	**(570)**	**132,800**
(Charge) / credit to profit or loss for the year	(1,826)	1,147	4,472	(425)	(4,999)	(54,565)		(7,729)	(926)	(64,852)
Charge to other comprehensive income for the year	-			-		-	(1,971)	-	-	(1,971)
Balance at June 30, 2020	**(4,660)**	**4,624**	**4,472**	**(3,344)**	**(4,999)**	**112,820**	**(11,163)**	**(30,277)**	**(1,496)**	**65,977**

19.2 The deferred tax asset for unused tax losses as at June 30, 2020 amounts to Rs. 10.96 million (2019: Rs. 18.92 million). Unused tax losses in respect of Business losses will expire on June 30, 2024.

19.3 The deferred tax asset for minimum tax carried forward amounts to Rs. 19.32 million (2019: Rs. 3.63 million), which will expire on June 30, 2025.

19.4 Deferred tax liabilitiy has been recognised using the expected applicable rate of 29%.

		2020	2019
		Rupees in '000	
20.	**TRADE AND OTHER PAYABLES**		
	Creditors - note 20.1	185,200	165,709
	Accrued liabilities	47,824	40,426
	Advances from customers -note 20.2	3,060	11,718
	Taxes deducted at source	7,258	3,393
	Payable to provident fund- note 20.3	633	567
	Workers' Welfare Fund	1,962	1,962
		245,937	223,775

20.1 Creditors include payable to the following related parties:

The Searle Company Limited	324	-
International Brands Limited	994	-
IBL Unisys (Private) Limited	4,421	5,271
	5,739	5,271

20.2 Advances received from customers is recognised as revenue when the performance obligation in accordance with the policy as described in note 2.18 is satisfied.

	2020	2019
	Rupees in '000	
Opening balance	11,718	16,856
Advance received during the year	182,048	235,760
Revenue recognised during the year	(190,706)	(240,898)
Closing balance	3,060	11,718

20.3 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

		2020	2019
21.	**SHORT-TERM BORROWINGS**	Rupees in '000	
	Secured		
	Running finance under mark-up arrangement - note 21.1	36,494	66,854
	Short-term loan (Tijarah) - note 21.2	13,061	-
	Unsecured		
	Current portion of salary refinancing - note 18	3,427	-
	Short-term loan - note 21.3	18,800	18,800
		71,782	85,654

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

21.2 During the year, the Company obtained short-term loan (Tijarah) Financing facility from Al Baraka Bank (Pakistan) Limited at KIBOR + 2.5% per annum. This facility is secured by way of hypothecation of current assets of the Company.

21.3 This represents short term loan obtained in the prior year from IBL Operations (Private) Limited, a related party, the amount was payable within one year at 6 months KIBOR + 2.5%.

The Company has not made any repayments in the current year, hence the entire amount is payable on demand.

22. UNCLAIMED DIVIDEND

	2020	2019
	Rupees in '000	
Balance at beginning of the year	518	733
Dividend declared during the year	7,668	6,668
Claims received and settled	(7,285)	(6,883)
Balance at end of the year	901	518

The Company is in the process of transferring the balance of unclaimed dividend to a separate profit bearing account maintained with a scheduled bank as required by the amendment made in Companies Act, 2017 through Companies (Amendment) Ordinance, 2020. The profit generated from this account shall be utilised by the Company for its Corporate Social Responsibility (CSR) initiatives and specified purposes in accordance with the provisions of Companies Act, 2017.

23. COMMITMENTS

The facilities for opening letters of credit and guarantees as at June 30, 2020 amounted to Rs. 300 million (2019: Rs. 300 million) of which unutilised balance at year end amounted to Rs. 139.89 million (2019: Rs. 150.35 million).

24. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020	2019
	Rupees in '000	
Gross Revenue	730,055	635,069
Less: Discounts	(26,627)	(62,060)
Sales returns	(55,101)	(28,910)
Sales tax	(4,009)	(3,499)
	644,318	540,600

		2020	2019
25.	**COST OF SALES**	**Rupees in '000**	
	Raw materials consumed	285,339	210,081
	Manufacturing charges to third party	3,886	7,241
	Salaries, wages and benefits	6,349	4,672
	Charge for defined contribution plan	90	82
	Rent, rates and taxes	614	4,848
	Depreciation	5,069	1,905
	Utilities and communication	576	403
	Printing and stationery	20	20
	Freight expense	6,115	3,704
	Repairs and maintenance	1,126	1,261
	Entertainment expenses	292	207
	Travelling and conveyance	129	68
	Insurance expense	127	107
	Sampling	702	68
	Others	286	184
	Provision/ (reversal) for slow moving and obsolete Inventories	1,496	(147)
		312,216	234,704
	Add: Opening inventory of finished goods	259,547	122,824
	Add: Purchases	52,791	224,332
	Less: Closing inventory of finished goods	(216,222)	(259,547)
		96,116	87,609
		408,332	322,313

		2020	2019
26.	**MARKETING AND DISTRIBUTION EXPENSES**		
	Salaries, wages and benefits	73,452	69,252
	Contributions to defined contribution plan	1,939	1,855
	Rent, rates and taxes	860	5,120
	Depreciation and amortisation	13,111	9,244
	Safety and security	1,021	1,037
	Sales promotion and advertisement	8,031	8,150
	Distribution freight	9,205	8,635
	Vehicle running	26,456	23,312
	Utilities and communication	2,017	1,813
	Travelling and transportation	2,502	4,423
	Entertainment expenses	678	767
	Repairs and maintenance	1,038	773
	Printing and stationery	319	214
	Fee, subscription and periodicals	-	238
	Commission and incentives	15,146	10,236
	Research and development	2,330	3,069
	Insurance expense	1,312	1,478
	Legal and professional charges	359	391
		159,776	150,007

27. ADMINISTRATIVE AND GENERAL EXPENSES

	2020	2019
	Rupees in '000	
Salaries, wages and benefits	11,225	10,495
Contributions to defined contribution plan	597	524
Depreciation and amortisation	1,309	1,391
Legal and professional charges	1,189	1,515
Travelling and conveyance	693	803
Utilities and communication	243	436
Vehicle running	658	657
Printing and stationery	457	434
Auditors' remuneration- note 27.1	1,821	2,996
Entertainment expenses	109	120
Repairs and maintenance	825	119
Fee, subscription and periodicals	2,253	2,071
Sales promotion and advertisement	384	288
Insurance expense	10	13
Corporate expenses	6,000	4,800
Donations note - 27.2	428	1,809
Others	2,102	1,800
	30,303	30,271

27.1 Auditors' remuneration

Audit fee	600	600
Fee for review of half yearly financial statements, special certifications and others	600	600
Taxation services	350	1,494
Out of pocket expenses	271	302
	1,821	2,996

27.2 Donations

Donations of Rs.0.43 million (2019 : Rs. 0.55 million) were given to various needy individuals. None of the directors or their spouses had any interest in the donees.

28. OTHER OPERATING EXPENSES

	2020	2019
	Rupees in '000	
Sindh Workers' Welfare Fund	-	172

	2020	2019
	Rupees in '000	
29. OTHER INCOME		
Income from financial assets		
Exchange gain-net	1,165	-
Dividend income on investments - note 29.1	1,184	11,175
	2,349	11,175
Income from non-financial assets		
Gain/(loss) on disposal of property, plant and equipment	426	(18)
	426	(18)
Others		
Scrap sales	4	240
Rental income	250	486
Others	5,238	458
	5,492	1,184
	8,267	12,341

29.1 This represents dividend income from IBL HealthCare Limited amounting to Rs.1.18 million (2019: Rs. 1.18 million).

	2020	2019
30. FINANCE COST	Rupees in '000	
Mark-up on diminishing musharakah financing	2,311	1,978
Mark-up on running finance	8,885	4,302
Mark-up on short-term loan (Tijarah)	104	-
Mark-up on salary refinancing	13	-
Interest on short-term loan	2,701	138
Interest on lease liability	3,102	-
Exchange loss - net	-	34,876
Bank charges and commission	270	248
	17,386	41,542

	2020	2019
31. INCOME TAX EXPENSE		
Current		
- for the year	11,072	15,255
- for prior year	-	2,489
	11,072	17,744
Deferred	(64,852)	4,745
	(53,780)	22,489

31.1 Current income tax expense is calculated on the basis of gross revenue under section 113 of the Income Tax Ordinance, 2001.

31.2 Relationship between tax expense and accounting profit has not been presented as the tax expense has been computed under Final Tax Regime and under Minimum Tax Regime in accordance with sections 113 and 150 of the Income Tax Ordinance, 2001.

	2020	2019
32. (LOSS) / EARNINGS PER SHARE	**Rupees in '000**	
Basic		
(Loss) / profit for the year attributable to ordinary shareholders	(223,039)	50,371
Weighted average number of shares in issue during the year (in thousand) - Restated	35,271	35,271
(Loss) / earnings per share - Restated	Rs. (6.32)	Rs 1.43

Diluted

A diluted (loss) / earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2020 and 2019 which would have any effect on the (loss) / earnings per share if the option to convert is exercised.

	2020	2019
33. CASH GENERATED FROM / (USED IN) OPERATIONS	**Rupees in '000**	
(Loss) / profit before income tax	(276,819)	72,860
Adjustments for non-cash incomes and expenses:		
Depreciation and amortisation	19,489	12,540
Finance cost	17,386	41,542
(Gain) / loss on disposal of property, plant and equipment	(426)	18
Dividend income	(1,184)	(11,175)
Share of loss / (profit) from associate	313,607	(64,224)
Provision for slow moving and obsolete inventories	1,496	(147)
	73,549	51,414
Changes in Working Capital:		
(Increase) / decrease in current assets		
Inventories	14,816	(130,050)
Trade and other receivables	(69,851)	(1,617)
Loans, advances and prepayments	1,684	129
	(53,351)	(131,538)
(Decrease) / increase in current liabilities		
Trade and other payables	18,009	43,117
Unclaimed dividend	383	(215)
	18,392	42,902
	38,590	(37,222)

	2020	2019
34. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 13	3,585	6,246
Running finance under mark-up arrangement - note 21	(36,494)	(66,854)
	(32,909)	(60,608)

35. RELATED PARTY TRANSACTIONS

35.1 The Company entered into transactions and has arrangements / agreements in place with the following related parties:

S.No.	Company	Basis of Association	Aggregate % of Shareholding
1.	International Brands Limited	Holding Company	70.46%
2.	IBL Operations (Private) Limit	Associated Company	N/A
3.	The Searle Company Limited	Associated Company	N/A
4.	IBL Unisys (Private) Limited	Associated Company	N/A
5.	IBL Healthcare Limited	Associated Company	N/A
6.	FMC United (Private) Limited	Associate	40%

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

	Nature of relationship	Nature of transactions	2020	2019
			Rupees in '000	
i.	Holding Company	Payments on behalf of Holding Company	19,482	21,298
		Corporate service charges	6,000	4,800
		Dividend income	-	9,991
		Receipts from Holding Company	15,206	16,764
		Dividend received	-	8,492
ii.	Associated Companies	Receipts from associated companies	167	478
		Warehouse rent	250	486
		Dividend income	1,184	1,184
		SAP maintenance fee and license	322	3,390
	Movement in Intangible Assets	Repairs and maintenance	165	-
		Rent charged	409	-
		Interest charged	2,701	138
		Loan received	-	18,800
		Dividend received	1,006	1,006
iii.	Employees' Provident Fund	Contribution paid	6,904	6,776
iv.	Key Management Personnel	Salaries and other employee benefits	23,475	21,125
		Loan disbursed	-	2,500
		Loan received	1,740	2,257
		Directors' fee	11	13

35.3 The status of outstanding balances with related parties as at June 30, 2020 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	Rupees in '000					
Managerial remuneration	-	-	-	-	8,943	7,638
Bonus	-	-	-	-	1,591	1,830
Company's contribution to provident fund	-	-	-	-	841	764
House rent allowance	-	-	-	-	3,364	3,465
Utilities allowance	-	-	-	-	841	628
Car rental	-	-	-	-	1,140	1,515
Leave encashment	-	-	-	-	244	261
EOBI	-	-	-	-	21	24
Commission and incentives	-	-	-	-	6,490	5,000
	-	-	-	-	23,475	21,125
Number of persons	1	1	6	6	3	3

There was no remuneration paid to the Chief Executive and Directors since the same has been paid by related parties in the capacity of them being the Chief Executive and Directors of the related parties.

Fee paid to five directors for attending Board of Directors meetings during the year amounted to Rs. 11,000 (2019: Rs. 13,000).

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(i) Financial assets and liabilities by category and their respective maturities

		Interest / Mark-up bearing			Non interest bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
		Rupees in '000						
FINANCIAL ASSETS								
Loans and receivables								
Trade and other receivables		-	-	-	147,707	-	147,707	147,707
Loans, advances, prepayments and deposits		-	-	-	335	3,122	3,457	3,457
Cash and bank balances		-	-	-	3,585	-	3,585	3,585
Long-term investments		-	-	-	-	1,376,229	1,376,229	1,376,229
	2020	**-**	**-**	**-**	**151,627**	**1,379,351**	**1,530,978**	**1,530,978**
	2019	**-**	**-**	**-**	**90,499**	**1,206,492**	**1,296,991**	**1,296,991**
FINANCIAL LIABILITIES								
Trade and other payables		-	-	-	233,024	-	233,024	233,024
Short term borrowings		71,782	-	71,782	-	-	-	71,782
Lease liability		7,324	9,916	17,240	-	-	-	17,240
Unclaimed dividend		-	-	-	901	-	901	901
	2020	**79,106**	**9,916**	**89,022**	**233,925**	**-**	**233,925**	**322,947**
	2019	**66,854**	**-**	**66,854**	**225,453**	**-**	**225,453**	**292,307**
Off balance sheet items								
Letters of credit and guarantee								160,105
	2020							**160,105**
	2019							**149,652**

(ii) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1,510.47 million (2019: Rs. 1,297 million) the financial assets exposed to the credit risk amount to Rs. 1,510.47 million (2019: Rs. 1,297 million) which mainly comprise of long-term investments.

The Company attempts to control credit risk associated with the carrying amount of its receivables by monitoring credit sales limits and securing credits through bank and personal guarantees.

The cash and bank balances represent low credit risk as major balances are placed with banks having credit ratings of A or above as assigned by credit rating agencies.

Loans to employees are not exposed to any material credit risk as these are secured against the employees retirement benefits.

The management does not expect any losses from non-performance by these counterparts.

(iii) Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecast of the Company's liquidity reserve which comprises of undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow.

(iv) Market risk

a) Foreign exchange risk

Foreign currency risk arises mainly where payables and receivables exist due to transactions in foreign currencies. The Company's exposure to exchange risk comprises mainly due to accounts payable in foreign currency. At June 30, 2020, trade and other payables of Rs. 90.25 million (2019: Rs. 131.70 million) are exposed to foreign currency risk.

As at June 30, 2020, if the Pak Rupee had weakened / strengthened by 10% (2019: 9%) against US Dollar with all other variables held constant, loss before income tax for the year would have been higher / lower by Rs. 8.74 million (2019: Rs. 5.74 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated trade and other payables.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at June 30, 2019, the Company is not materially exposed to interest rate risk.

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The Company's exposure to equity securities price risk arises from investment held by the Company in IBL Healthcare Limited and International Brands Limited and classified in the statement of financial position as fair value through OCI. The maximum exposure to price risk as at June 30, 2020 amounts to Rs. 94.11 million and Rs. 1,282.17 million (2019: Rs. 40.71 million and Rs. 1,162.34 million) respectively.

As at June 30, 2020, if the market prices of the equity securities had increased / decreased by 1% with all other variables held constant, other comprehensive income for the year would have been higher / lower by Rs. 13.76 million (2019: Rs. 12.03 million).

(v) Fair values of the financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As at June 30, 2020, all financial assets and financial liabilities are carried at amortised cost except for investments in IBL HealthCare Limited and International Brands Limited which are being carried at fair value.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

b) Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

The Company's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- changes in market and trading activity (eg. significant increases / decreases in activity); and

- changes in inputs used in valuation techniques (eg. inputs becoming / ceasing to be observable in the market).

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

The valuation technique used is as follows:

Level 1: Quoted prices (unadjusted) in active markets

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: Inputs that are observable either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Unobservable inputs

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table analyses within the fair value hierarchy of the Company's financial assets (by class) measured at fair value at June 30, 2020:

	2020			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
	← **Rupees in '000** →			
Recurring FV measurment of FVOCI investments	94,112	-	1,282,117	1,376,229

	2019			
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
	← **Rupees in '000** →			
Recurring FV measurment of FVOCI investments	40,707	-	1,162,349	1,203,056

38. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard Company's ability to continue as a going concern in order to provide adequate returns for shareholders and benefit for other stakeholders. The Company finances its operations through equity. The Company has long-term borrowing, short-term borrowings and running finance arrangement issued to meet its working capital and capital expenditure requirement.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

The debt to capital ratios at June 30, 2020 and at June 30, 2019 were as follows:

	2020	2019
	Rupees '000	
Total borrowings	93,593	18,732
Cash and bank	(3,585)	(6,246)
Net debt	90,008	12,486
Equity	2,225,786	2,322,808
Total capital	2,315,794	2,335,294
Debt to capital ratio	0.04	0.01

39. PLANT CAPACITY AND PRODUCTION

	2020		2019	
	Annual Production	Annual Capacity	Annual Production	Annual Capacity
	Kilograms			
Packaging				
Powder Products	145,947	197,127	58,371	197,127
Granular Products	1,088,075	1,351,728	763,882	1,351,728
	Litres			
Liquid Products	136,297	1,633,338	107,909	1,633,338

Production during the year was as per market demand.

40. NUMBER OF EMPLOYEES

	2020	2019
Number of employees as at June 30	92	93
Average number of employees during the year	93	92

41. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on have proposed a cash dividend of Rs per share (2019: 0.25 per share) amounting to Rs. million (2019: 7.6 million) and a bonus issue at (2019: 15%) amounting to Rs. million (2019: Rs 46 million) subject to approval of the Company in the forthcoming annual general meeting.

42. CORRESPONDING FIGURES

Comparative information has been reclassified or re-arranged in these financial statement, wherever necessary to facilitate comparison and to confirm with presentation in the current year.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 30, 2020 by the Board of Directors.

Chief Executive	Director	Chief Financial Officer