



COMPASSION for Healthcare

Half Yearly REPORT

December 2020

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Company Information

BOARD OF DIRECTORS

Mr. Munis Abdullah	Director
Mr. S. Nadeem Ahmed	Director
Mr. Mufti Zia ul Islam	Chief Executive Officer
Mr. Zubair Razzak Palwala	Director
Mr. Mobeen Alam	Director
Mr. Shuja Malik	Director
Ms. Aameena Saiyid	Director

AUDIT COMMITTEE

Ms. Aameena Saiyid	Chairperson
Mr. Zubair Razzak Palwala	Member
Mr. Shuja Malik	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Shuja Malik	Chairman
Mr. S. Nadeem Ahmed	Member
Ms. Aameena Saiyid	Member

CHIEF FINANCIAL OFFICER

Mr. Muhammad Tariq

COMPANY SECRETARY

Mr. Shariq Zafar

AUDITORS

A.F. Ferguson & Co., Chartered Accountants

INTERNAL AUDITORS

Grant Thornton Anjum Rahman

LEGAL ADVISOR

Mohsin Tayabaly & Co.

BANKERS

Habib Bank Limited
Standard Chartered Bank (Pakistan) Limited
National Bank of Pakistan
Summit Bank Limited
Soneri Bank Limited
Habib Metropolitan Bank Limited
Al-Baraka Bank (Pakistan) Limited

REGISTERED OFFICE

2nd Floor, One IBL Centre, Block 7&8, DMCHS
Tipu Sultan Road, Off: Shahrah-e-Faisal, Karachi

SHARE REGISTRAR

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B, SMCHS
Shahrah-e-Faisal, Karachi – 74400

DIRECTORS' REPORT

The Board of Directors of IBL HealthCare Limited (IBLHL) takes pleasure to present before shareholders' performance review together with the condensed interim financial statements of the Company for the half year ended December 31, 2020.

The Directors' report is prepared under section 227 of the Companies Act, 2017, chapter XII clause 34 of Listed Companies (Code of Corporate Governance) Regulations, 2019.

SUMMARY OF FINANCIAL PERFORMANCE

	December 31,	
	2020	2019
	(Rupees in Thousand)	
Revenue	1,436,357	1,244,565
Gross profit	439,471	374,578
Gross profit as a percentage of revenue	30.6%	30.1%
Profit before taxation	181,406	132,940
Profit after taxation	125,028	87,078

PRINCIPAL ACTIVITIES & OVERVIEW OF FINANCIAL PERFORMANCE

The principal activities of the Company include marketing, selling and distribution of healthcare & consumer products. During the period, efforts were made to increase revenue as global pandemic situation affected the overall economy.

The revenue for the current period is Rs. 1.44 billion as compared to Rs. 1.24 billion for the same period last year i-e, an increase of Rs. 191.8 million (15.4% growth). This increase in revenue is due to addition of pharma portfolio and growth in the existing business. The gross profit as a percentage of sales stood at 30.6% for the current period compared to 30.1% same period last year. Control over expenses resulted in after tax profit of Rs.125.03m compared to Rs.87.08m last year.

FUTURE OUTLOOK

The company is continuously striving to maximize the profitability and growth. We are confident that we can generate increased value for shareholders as well as deliver better products and services to our customers. In accomplishing this, we would like to appreciate the enormous cooperation and support of our sales force, without which we will not be able to achieve these results.

We also take this opportunity to thank our employees for their continuing contribution in the achievement of Company's results.



Chief Executive Officer



Director

February 24, 2021
Karachi

ڈائریکٹرز کی رپورٹ

آئی بی ایل ہیلتھ کیئر لمیٹڈ (آئی بی ایل ایچ ایل) کے بورڈ آف ڈائریکٹرز شیئر ہولڈرز کے روبرو سمیرت کارکردگی کا جائزہ مع ۳۱ دسمبر ۲۰۲۰ء کو ختم ہونے والی ششماہی کے لئے کمپنی کے مجموعی عبوری مالیاتی معلومات پیش کر رہے ہیں۔

ڈائریکٹرز کی رپورٹ کمپنیز ایکٹ، ۲۰۱۷ء کے سیکشن ۲۲۷، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، ۲۰۱۹ء کے باب XII، شیٹ ۳۴ کے تحت تیار کی گئی ہے۔

مالیاتی کارکردگی کا جائزہ

31 دسمبر

2019	2020	
(روپے ہزاروں میں)		
1,244,565	1,436,357	آمدنی
374,578	439,471	مجموعی منافع جات
30.1 فیصد	30.6 فیصد	مجموعی منافع جات بمطابق آمدنی کا فیصدی
132,940	181,406	قبل از ٹیکس منافع
87,078	125,028	بعد از ٹیکس منافع

بنیادی سرگرمیاں اور مالیاتی کارکردگی کا جائزہ


کمپنی کی بنیادی سرگرمیوں میں ہیلتھ کیئر اور کنزیومر پروڈکٹس کی مارکیٹنگ، فروخت اور تقسیم شامل ہے۔ اس مدت کے دوران ریونیو میں اضافے کی کوششیں کی جاتی رہیں کیونکہ عالمی وبائی صورتحال نے ملک کی مجموعی معیشت کو بھی متاثر کیا تھا۔


رواں مدت کیلئے آمدنی ۱۴۴ ملین روپے رہی جو اس کے مقابلے میں گزشتہ سال کی اسی مدت کے دوران ۱۲۴ ملین روپے رہی تھی۔ یعنی ۱۹۱ ملین روپے (۱۵۶ فیصد گروتھ) کا اضافہ ہوا۔ آمدنی میں یہ اضافہ فارما پورٹ فولیو کے اضافے اور موجودہ کاروبار میں بہتر شرح نمو کے باعث ہوا۔ مجموعی منافع بحیثیت سیلز کی فیصدی شرح رواں مدت کیلئے ۳۰.۶ فیصد تھا جو اس کے مقابلے میں گزشتہ سال کی اسی مدت کے دوران ۳۰.۱ فیصد تھا۔ اخراجات پر کنٹرول اور مالیاتی لاگتوں میں کمی کے نتیجے میں منافع بعد از ٹیکس ۱۲۵.۰۳ ملین روپے رہا جو اس کے مقابلے میں گزشتہ سال ۸۷.۰۸ ملین روپے تھا۔

مستقبل کا جائزہ

کمپنی مستقل طور پر منافع کی شرح اور گروتھ میں زیادہ سے زیادہ اضافے کیلئے کوشاں ہے۔ ہم پُر اعتماد ہیں کہ ہم شیئر ہولڈرز کیلئے اضافی منافع کے حصول نیز اپنے صارفین کو بہتر مصنوعات اور سروسز کی فراہمی کرنے میں کامیاب رہیں گے۔ ان سب کی تکمیل کیلئے ہم اپنی سیلز فورس کے بے مثال تعاون اور سپورٹ پر انہیں خراج تحسین پیش کرنا چاہیں گے جن کے بغیر ہم ان نتائج کے حصول میں کامیاب نہیں ہو سکتے تھے۔

ہم اس موقع پر اپنے ملازمین کے بھی مشکور ہیں کیونکہ انہوں نے کمپنی کے بہتر نتائج کے حصول میں اپنا بھرپور کردار ادا کیا۔


مفتی ضیاء الاسلام
چیف ایگزیکٹو آفیسر


سید ندیم احمد
ڈائریکٹر
۲۴ فروری ۲۰۲۱ء



Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of IBL HealthCare Limited as at December 31, 2020 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2020.

Scope of Review

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

Conclusion

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

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

Chartered Accountants
Karachi

Date: February 26, 2021

IBL HEALTHCARE LIMITED
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

		(Unaudited) December 31, 2020	(Audited) June 30, 2020
	Note	Rupees in '000	
ASSETS			
Non-current assets			
Furniture and equipment	5	9,894	9,628
Investment properties	6	568,357	368,235
Intangible assets	7	10,374	11,641
		<u>588,625</u>	<u>389,504</u>
Current assets			
Inventories	8	803,892	654,727
Loans, advances, deposits and prepayments	9	122,737	345,926
Trade and other receivables	10	986,761	823,592
Interest accrued		10,471	-
Taxation		28,388	18,127
Cash and bank balances	11	26,919	20,148
		<u>1,979,168</u>	<u>1,862,520</u>
Total assets		<u><u>2,567,793</u></u>	<u><u>2,252,024</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital			
Issued, subscribed and paid up capital	12	540,877	540,877
Capital reserve			
Share premium		119,600	119,600
Revenue reserve			
Unappropriated profit		<u>778,358</u>	<u>761,505</u>
		<u>1,438,835</u>	<u>1,421,982</u>
Liabilities			
Non-current liabilities			
Long-term finance - secured	13	18,817	-
Deferred grant		<u>2,477</u>	<u>-</u>
		<u>21,294</u>	<u>-</u>
Current liabilities			
Trade and other payables		678,157	623,772
Contract liabilities		30,855	16,248
Short term borrowings	14	294,744	178,682
Current portion of long-term finance		18,351	-
Unclaimed dividend		7,109	7,111
Unpaid dividend		78,448	4,229
		<u>1,107,664</u>	<u>830,042</u>
Contingencies and commitments	15		
Total equity and liabilities		<u><u>2,567,793</u></u>	<u><u>2,252,024</u></u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Chief Executive


Director


Chief Financial Officer

IBL HEALTHCARE LIMITED
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2020 - UNAUDITED**

		Quarter ended		Half year ended	
		December 31,	December 31,	December 31,	December 31,
		2020	2019	2020	2019
Note		Rupees '000			
Revenue from contracts with customers	16	721,495	627,440	1,436,357	1,244,565
Cost of sales		<u>(482,374)</u>	<u>(438,588)</u>	<u>(996,886)</u>	<u>(869,987)</u>
Gross profit		239,121	188,852	439,471	374,578
Other income	17	14,037	16,095	22,737	32,443
Marketing and distribution expenses		(119,044)	(113,830)	(221,529)	(212,125)
Administrative and general expenses		(23,898)	(21,985)	(44,294)	(43,661)
Other operating expenses		-	(2,182)	-	(3,024)
Finance cost	18	<u>(9,186)</u>	<u>(7,492)</u>	<u>(14,979)</u>	<u>(15,271)</u>
Profit before taxation		101,030	59,458	181,406	132,940
Income tax expense	19	<u>(29,765)</u>	<u>(10,496)</u>	<u>(56,378)</u>	<u>(45,862)</u>
Profit after taxation		71,265	48,962	125,028	87,078
Other comprehensive income		-	-	-	-
Total comprehensive income		<u><u>71,265</u></u>	<u><u>48,962</u></u>	<u><u>125,028</u></u>	<u><u>87,078</u></u>
Earnings per share	20	<u><u>1.32</u></u>	<u><u>0.91</u></u>	<u><u>2.31</u></u>	<u><u>1.61</u></u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


 Chief Executive


 Director



 Chief Financial Officer

IBL HEALTHCARE LIMITED
**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED DECEMBER 31, 2020 - UNAUDITED**

		December 31, 2020	December 31, 2019
	Note	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	21	(81,090)	210,298
Interest income received		-	5,250
Income tax paid		(66,639)	(51,172)
Finance cost paid		(14,212)	(15,270)
Increase in long-term loans and advances		-	(200,000)
Net cash outflow from operating activities		(161,941)	(50,894)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of furniture and equipment		(1,764)	(2,553)
Proceeds from sale of investment property		-	75,500
Payments for acquisition of intangible assets		-	(407)
Payment for acquisition of investment property		(200,122)	(48,139)
Net cash (outflow) / inflow from investing activities		(201,886)	24,401
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(33,958)	(17,436)
Repayment of loan by related party		249,616	13,120
Long-term loan obtained		38,878	-
Net cash inflow / (outflow) from financing activities		254,536	(4,316)
Net decrease in cash and cash equivalents		(109,291)	(30,809)
Cash and cash equivalents at beginning of the period		(158,534)	(136,607)
Cash and cash equivalents at end of the period	22	(267,825)	(167,416)

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Chief Executive


Director


Chief Financial Officer

IBL HEALTHCARE LIMITED

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2020 - UNAUDITED**

	Issued, subscribed and paid up capital	Capital reserve Share Premium	Revenue reserve Unappropriated profit	Total
	← Rupees in '000 →			
Balance at July 01, 2019	540,877	119,600	595,563	1,256,040
Total comprehensive income for the period	-	-	87,078	87,078
Transaction with owners				
Final dividend for the year ended June 30, 2019 @ Re. 1 per share	-	-	(54,088)	(54,088)
Balance at December 31, 2019	<u>540,877</u>	<u>119,600</u>	<u>628,553</u>	<u>1,289,030</u>
Balance at July 01, 2020	540,877	119,600	761,505	1,421,982
Total comprehensive income for the period	-	-	125,028	125,028
Transaction with owners				
Final dividend for the year ended June 30, 2020 @ Rs. 2 per share	-	-	(108,175)	(108,175)
Balance at December 31, 2020	<u>540,877</u>	<u>119,600</u>	<u>778,358</u>	<u>1,438,835</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Chief Executive


Director


Chief Financial Officer

IBL HEALTHCARE LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2020

1. LEGAL STATUS AND OPERATIONS

IBL HealthCare Limited (the Company) was incorporated in Pakistan as a private limited company on July 14, 1997. In November 2008 the Company was converted into public limited company. The shares of the Company are quoted on Pakistan Stock Exchange. The principal business activities of the Company include marketing, selling and distribution of healthcare products.

The Company is a subsidiary of The Searle Company Limited (the Parent Company) and International Brands Limited (the Ultimate Parent Company).

The geographical location and address of the Company's business units are as under:

- The registered office of the Company is located at One IBL Centre, 2nd floor, Plot No.1, Block 7 and 8, D.M.C.H.S. Tipu Sultan Road, Off Shahra-e-faisal, Karachi.
- The Company also has a distribution warehouse in S.I.T.E. Area, Karachi.

- 1.1 The Company is the sole distributor of Mead Johnson products in Pakistan. In this respect, the Company has entered into a service level agreement on January 1, 2019 that remains valid and effective until December 31, 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2020.

2.2 Changes in accounting standards, interpretations and pronouncements

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

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period beginning July 1, 2020. However, these do not have any significant impact on the Company's financial reporting.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2020 are considered not to be relevant to the Company's financial statements and hence have not been detailed here.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended June 30, 2020.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

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

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

4.2 Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2020.

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2020.

5. FURNITURE AND EQUIPMENT - OPERATING ASSETS

During the period, the Company purchased office equipment amounting to Rs. 1.76 million (December 31, 2019 : Rs. 2.55 million).

6. INVESTMENT PROPERTIES

During the period, the Company purchased plot no. 24/4, Block 7 & 8, D.M.C.H.S., Karachi measuring 502 square yards at a value of Rs. 190 million.

(Unaudited) December 31, 2020	(Audited) June 30, 2020
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Rupees in '000

7. INTANGIBLE ASSETS

Computer software	4,207	4,517
Software Licenses	317	374
Marketing rights	5,850	6,750
	<u>10,374</u>	<u>11,641</u>

8. INVENTORIES

- 8.1 These include inventories in transit amounting to Rs. 182.94 million (June 30, 2020: Rs. 264.64 million).
- 8.2 These also include inventory held in the custody of The Searle Company Limited (the Parent Company) amounting to Rs. 17.41 million (June 30, 2020: Nil).

(Unaudited) December 31, 2020	(Audited) June 30, 2020
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Rupees in '000

9. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

Loan from International Brands Limited
(the Ultimate Parent Company)

14	229,014
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Advances

- to employees
- to suppliers - note 9.1
- against imports - note 9.2

4,852	3,096
48,881	56,042
54,575	45,188
108,308	104,326
12,615	11,567
1,800	1,019
<u>122,737</u>	<u>345,926</u>

- 9.1 This includes advance paid to The Searle Company Limited (the Parent Company), amounting to Rs. 4.8 million for purchase of goods.
- 9.2 These advances include 100% cash margin on import of specified items kept with scheduled banks in accordance with the requirement of Circular No. 02 of 2017 of Banking Policy & Regulations Department, State Bank of Pakistan amounting to Rs. 51.57 million (June 30, 2020: Rs. 40.20 million).

10. TRADE AND OTHER RECEIVABLES

These include Rs. 770.82 million (June 30, 2020: Rs. 433.19 million) receivable from related parties.

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
	Rupees in '000	
Cash at bank in current accounts	26,819	16,967
Cash in hand	100	100
Cheques in hand	-	3,081
	<u>26,919</u>	<u>20,148</u>

11. SHARE CAPITAL

Authorised share capital

(Unaudited) December 31, 2020	(Audited) June 30, 2020		(Unaudited) December 31, 2020	(Audited) June 30, 2020
<u>75,000,000</u>	<u>75,000,000</u>	Ordinary shares of Rs. 10 each	<u>750,000</u>	<u>750,000</u>

Issued, subscribed and paid up capital

(Unaudited) December 31, 2020	(Audited) June 30, 2020		(Unaudited) December 31, 2020	(Audited) June 30, 2020
22,990,000	22,990,000	Shares allotted for consideration paid in cash	229,900	229,900
31,097,605	31,097,605	Shares allotted as bonus shares	310,977	310,977
<u>54,087,605</u>	<u>54,087,605</u>		<u>540,877</u>	<u>540,877</u>

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
	Rupees in '000	
13. LONG-TERM FINANCE – SECURED		

The movement of long-term finance during the period is as follows:

Balance at beginning of the period	-	-
Disbursements	38,878	-
Deferred grant recognition - 13.2	(2,956)	-
Interest expense including impact of unwinding	1,246	-
	<u>37,168</u>	<u>-</u>
Current portion	18,351	-
Long-term portion	18,817	-
Total	<u>37,168</u>	<u>-</u>

- 13.1 This represents loan obtained under the State Bank of Pakistan's Refinance Scheme 'Payment of Wages and Salaries to the Workers and Employees of Business Concerns'. It carries mark-up at the rate of 3% per annum and is repayable in 8 equal quarterly installments, starting from January 2021. The loan is secured by way of first pari passu hypothecation general charge over present and future current assets of the Company with 25% margin.
- 13.2 This represents the value of benefit of below-market interest which has been accounted for as government grant under IAS 20 - Government Grants.

	(Unaudited) December 31, 2020	(Audited) June 30, 2020
14. SHORT TERM BORROWINGS	Rupees in '000	
Running finance under mark-up arrangements - note 13.1	<u>294,744</u>	<u>178,682</u>

- 14.1. The Company obtained running finance facilities from Soneri Bank Limited and Habib Bank Limited at 3 months KIBOR + 1.5% and 1 month KIBOR + 1% per annum respectively (June 30, 2020: 3 months KIBOR + 1.5% and 1 month KIBOR +0.75% per annum) respectively. These facilities have been secured by way of hypothecation of first pari passu charge over present and future current assets amounting to Rs. 267 million and Rs. 133 million respectively.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

The status of contingencies reported in the financial statements for the year ended June 30, 2020 is same except the following:

- 15.1.1 The Company filed a suit for declaration and permanent injunction before the High Court of Sindh to challenge the vires of Section 5A of the Income Tax Ordinance 2001 inserted through Section 5(3) of the Finance Act 2015 whereby income tax is imposed @ 10% on the reserves of the Company where they exceed an amount equivalent to the paid-up capital. The Court passed ad-interim orders restraining the defendants from taking any coercive action as prayed. Issues have been framed and the matter is at the stage of arguments.
- 15.1.2 During the period, the Company filed a suit before the High Court of Sindh challenging the refusal of the Customs Authorities to allow exemption on the dietary food for medical purposes being imported by them from Nestle Health Sciences GmbH, Deutschland (Germany). The exposure of the Company in this case is Rs. 38.47 million. The management believes that the likelihood of liability is remote and based on the advice of legal consultant, no provision is required.

- 15.1.3 During the period, the Company filed a suit before the High Court of Sindh challenging the refusal of the Customs Authorities to allow exemption on the dietary food for medical purposes being imported by them from Mead Johnson Nutrition (Thailand). The exposure of the Company in this case is Rs. 3.68 million. The management believes that the likelihood of liability is remote and based on the advice of legal consultant, no provision is required.

15.2 Commitments

The facility for opening letter of credit and Running Musharakah as at December 31, 2020 amounted to Rs. 929 million (June 30, 2020: Rs. 683 million) of which the amount remaining unutilised at the end of year was Rs. 268.42 million (June 30, 2020: Rs. 94.45 million).

December 31, December 31,
2020 2019
Rupees in '000

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

Gross revenue	1,780,660	1,564,320
Less: Sales tax	(76,087)	(97,114)
	<u>1,704,573</u>	<u>1,467,206</u>
Less:		
- Trade discount	(204,294)	(183,767)
- Sales returns	(63,922)	(38,874)
	<u>(268,216)</u>	<u>(222,641)</u>
	<u><u>1,436,357</u></u>	<u><u>1,244,565</u></u>

17. OTHER INCOME

Income from financial assets

Interest on loan to International Brands Limited	10,471	15,764
Exchange gain - net	2,362	3,534
	<u>12,833</u>	<u>19,298</u>

Income from non-financial assets

Rental income from investment property	9,761	13,077
Insurance claim	-	2
Scrap sales	143	66
	<u>9,904</u>	<u>13,145</u>
	<u><u>22,737</u></u>	<u><u>32,443</u></u>

December 31, December 31,
2020 2019
Rupees in '000

18. FINANCE COST

Mark-up expense and unwinding on long-term finance	767	-
Mark-up expense on short-term borrowings	12,709	14,774
Bank and other charges	1,503	497
	<u>14,979</u>	<u>15,271</u>

19. INCOME TAX EXPENSE

Current		
- for the period	(62,316)	(45,862)
- prior year	5,938	-
	<u>(56,378)</u>	<u>(45,862)</u>

20. EARNINGS PER SHARE

20.1 Earnings per share - Basic

	For the quarter ended		For the half year ended	
	December 2020	December 2019	December 2020	December 2019
	← Rupees in '000 →			
Profit for the period attributable to ordinary shareholders	<u>71,265</u>	<u>48,962</u>	<u>125,028</u>	<u>87,078</u>
Weighted average number of ordinary shares outstanding during the period (in thousand)	<u>54,088</u>	<u>54,088</u>	<u>54,088</u>	<u>54,088</u>
Basic earnings per share	<u>Rs. 1.32</u>	<u>Rs. 0.91</u>	<u>Rs. 2.31</u>	<u>Rs. 1.61</u>

20.2 Earnings per share - diluted

Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at December 31, 2020 and December 31, 2019 which would have any effect on the earnings per share if the option to convert is exercised.

	December 31, 2020	December 31, 2019
	Rupees in '000	
21. CASH (USED IN) / GENERATED FROM OPERATIONS		
Profit for the period	181,406	132,940
Adjustments for non-cash income and expenses:		
Depreciation of furniture and equipment	1,498	1,155
Amortisation of intangible assets	1,267	1,226
Finance costs	14,979	15,271
Provision for doubtful receivables	-	123
Interest income	(10,471)	(15,764)
	7,273	2,011
	<u>188,679</u>	<u>134,951</u>
Changes in working capital:		
(Increase) / decrease in current assets:		
Inventories	(149,165)	(43,585)
Trade and other receivables	(163,169)	(312,538)
Loans, advances, deposits and prepayments	(26,427)	146,927
	<u>(338,761)</u>	<u>(209,196)</u>
Increase in current liabilities:		
Trade and other payables	54,385	273,690
Contract Liabilities	14,607	10,853
	<u>(81,090)</u>	<u>210,298</u>
22. CASH AND CASH EQUIVALENTS		
Cash at bank in current accounts	26,819	31,982
Cash in hand	100	100
Short term borrowings - note 14	(294,744)	(199,498)
	<u>(267,825)</u>	<u>(167,416)</u>

23. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk factors

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

Fair value estimation and hierarchy

As at December 31, 2020 all financial assets and financial liabilities are carried at amortised cost.

The valuation techniques and fair value hierarchy of the financial assets of the Company are consistent with those given in the financial statements for the year ended June 30, 2020.

24. RELATED PARTY TRANSACTIONS

Disclosure of transactions with related parties during the period are as follows:

S.No.	Nature of relationship	Nature of transaction	December 31,	December 31,
			2020	2019
			Rupees in '000	
i.	Ultimate parent company	- Interest income	10,471	15,764
		- Corporate service charges	10,500	10,500
		- Dividend paid	295	147
		- Recovery of loan	229,000	-
ii.	Parent company	- Sale of goods	1,754	-
		- Shared costs	511	499
		- Purchase of goods	169,747	235,636
		- Royalty paid	11,775	10,500
		- Product testing cost paid	588	-
		- Dividend paid	-	33,158
		- Dividend declared	78,018	39,009
		- Dividend paid - provident fund	-	1,226
		- Dividend declared - provident fund	2,885	1,442
iii.	Associated companies	- Sale of goods	931,604	775,248
		- Shared costs	3,660	3,600
		- Purchase of goods	11,045	-
		- Rental income	814	3,348
		- SAP maintenance fee	-	328
		- Freight cost	2,560	300
		- Dividend paid	2,012	1,006
iv.	Employees' Provident Fund	- Contribution paid	4,333	3,748
v.	Key Management Personnel	- Salaries and other employee benefits	59,374	30,808
		- Directors' fee and conveyance	900	250

- 24.1 The status of outstanding balances with related parties as at December 31, 2020 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.

25. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on February 24, 2021.



Chief Executive



Director



Chief Financial Officer



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