
UNITED DISTRIBUTORS PAKISTAN LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
DECEMBER 31, 2018

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





Pakistan

Directors' Report

The Board of Directors of United Distributors Pakistan Limited (UDPL) takes pleasure in presenting this unaudited condensed interim financial information for the half year ended December 31, 2018.

Financial Highlights

UDPL is continuously striving to become a strong, dynamic and vibrant company in the agriculture sector of Pakistan. The Company continued focus on its strategies and operational excellence in the period under review. The financial performance of the Company for the half year ended December 31, 2018 is summarized below:

Net sales of the Company amounted to Rs 266 million, registering a growth of 10% over the corresponding period of the last year. The growth in sales was mainly driven by good sales contribution of new products.

The gross profit of the Company has grown by 9.6% over the corresponding period of the last year and gross margin stood at 41%.

The Company faced significant challenges due to devaluation of the Pak Rupee which resulted in declining the operating profit and financial performance of the Company. Further, a significant reduction in share of profit from associate recognized which also had an adverse impact on overall profitability of the Company for the period under review.

Particulars	July-December	
	2018	2017
	Rs. in thousands	
Net sales	266,009	241,611
Gross profit	108,761	99,228
Profit from operations	12,127	19,750
Profit before taxation	52,271	77,964
Profit after taxation	40,211	74,735
Earning per share in Rs.	1.31	2.44

Future outlook

We aim to keep on our journey for the betterment of farmers through our best services and high quality products to enable them in getting the best crop yields and high quality of food for human beings. We anticipate the Company continues to face challenges of rapid escalation in cost owing to inflation, price hike and devaluation of the Pakistani rupee which may have an adverse impact on margins and profitability of the Company. Notwithstanding, the Company would continue its efforts to improve productivity, cost containment and operational excellence in order to fuel its growth.

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
Karachi: February 26, 2019

The Spirit of Growth



AF FERGUSON & CO

**Independent Auditor's Review Report to the members of
United Distributors Pakistan Limited**

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Distributors Pakistan Limited as at December 31, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of 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 six-month period 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 condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

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.

Emphasis of Matter

We draw attention to note 7 to the condensed interim financial statements. As stated in the note, as at December 31, 2018 the company is holding 11,079,852 shares of International Brands Limited (Holding Company), amounting to Rs. 83,663,056. Our conclusion is not qualified in respect of this matter.

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


Chartered Accountants
Karachi

Date: February 27, 2019

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UNITED DISTRIBUTORS PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Note	(Unaudited) December 31, 2018	(Audited) June 30, 2018
Rupees '000			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	19,958	19,537
Intangible assets	6	8,138	5,915
Long-term investments	7	1,253,165	1,257,612
Long-term loans		1,162	874
Long-term deposits		3,550	3,550
		<u>1,285,973</u>	<u>1,287,488</u>
CURRENT ASSETS			
Inventories		185,358	152,040
Trade and other receivables	8	102,392	78,655
Loans, advances and prepayments		7,659	4,497
Current tax asset		33,899	32,734
Cash and bank balances		3,684	13,076
		<u>332,992</u>	<u>281,002</u>
TOTAL ASSETS		<u><u>1,618,965</u></u>	<u><u>1,568,490</u></u>
SHARE CAPITAL AND RESERVES			
Share capital			
Issued, subscribed and paid up capital		306,707	266,702
Revenue Reserve			
Unappropriated profits		865,882	879,900
General reserve		28,548	28,548
		<u>894,430</u>	<u>908,448</u>
Revaluation reserve on investment at fair value through other comprehensive income		52,825	89,608
		<u>1,253,962</u>	<u>1,264,758</u>
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		5,439	6,143
Deferred tax liability		<u>133,247</u>	<u>129,388</u>
		<u>138,686</u>	<u>135,531</u>
CURRENT LIABILITIES			
Trade and other payables	9	193,044	163,760
Current portion of liabilities against assets subject to finance lease		4,154	3,708
Short-term borrowings - secured	10	28,317	-
Unclaimed dividend		802	733
		<u>226,317</u>	<u>168,201</u>
TOTAL LIABILITIES		<u>365,003</u>	<u>303,732</u>
COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	11	<u><u>1,618,965</u></u>	<u><u>1,568,490</u></u>

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

Chief Financial Officer

Chief Executive

Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

CONDENSED INTERIM PROFIT OR LOSS ACCOUNT

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED


	Note	Quarter ended		Half year ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		← Rupees '000 →			
Revenue	12	118,317	103,517	266,009	241,611
Cost of sales		(66,716)	(59,349)	(157,248)	(142,383)
Gross profit		51,601	44,168	108,761	99,228
Marketing and distribution expenses		(36,818)	(35,185)	(73,486)	(69,570)
Administrative and general expenses		(8,716)	(6,553)	(16,383)	(11,929)
Other operating expenses		(5,882)	(27)	(8,752)	(136)
Other income		1,664	1,780	1,987	2,157
Profit from operations		1,849	4,183	12,127	19,750
Finance cost		(590)	(914)	(1,081)	(1,712)
Share of profit from associate		34,478	18,594	41,225	59,926
Profit before income tax		35,737	21,863	52,271	77,964
Income tax (expense) / credit		(8,737)	3,961	(12,060)	(3,229)
Profit after taxation		27,000	25,824	40,211	74,735
Basic and diluted earnings per share (Rupees)		Rs. 0.88	(Restated) Rs. 0.84	Rs. 1.31	(Restated) Rs. 2.44

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Chief Financial Officer


Chief Executive


Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED**

	SHARE CAPITAL Issued, subscribed and paid up capital	REVENUE RESERVE			Total
		General reserve	Unappropriated Profits	Revaluation reserve on investment at fair value through OCI	
	Rupees '000				
Balance as at July 1, 2017	242,456	28,548	773,457	127,175	1,171,636
Bonus shares issued during the period in the ratio of 1 share for every 10 shares held	24,246	-	(24,246)	-	-
Profit for the half year ended December 31, 2017	-	-	74,735	-	74,735
Other comprehensive loss	-	-	(52,943)	(30,556)	(83,499)
Total comprehensive loss	-	-	21,792	(30,556)	(8,764)
Balance as at December 31, 2017	<u>266,702</u>	<u>28,548</u>	<u>771,003</u>	<u>96,619</u>	<u>1,162,872</u>
Balance as at July 1, 2018	266,702	28,548	879,900	89,608	1,264,758
Bonus shares issued during the period in the ratio of 1 share for every 15 shares held	40,005	-	(40,005)	-	-
Cash dividend paid	-	-	(6,668)	-	(6,668)
Profit for the half year ended December 31, 2018	-	-	40,211	-	40,211
Other comprehensive loss	-	-	(7,556)	(36,783)	(44,339)
Total comprehensive loss	-	-	32,655	(36,783)	(4,128)
Balance at December 31, 2018	<u>306,707</u>	<u>28,548</u>	<u>865,882</u>	<u>52,825</u>	<u>1,253,962</u>

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


Chief Financial Officer


Chief Executive


Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED**

	Quarter ended		Half year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	← Rupees '000 →			
Profit for the period	27,000	25,824	40,211	74,735
Other comprehensive income (OCI)				
Items that will not be subsequently reclassified to profit or loss				
Unrealised loss on revaluation of investment at fair value through OCI	(22,141)	(32,084)	(36,783)	(30,556)
Share of remeasurements of post employment benefit obligations of associate	(8,890)	(60,506)	(8,890)	(60,506)
Deferred tax thereon	1,334	7,563	1,334	7,563
	(7,556)	(52,943)	(7,556)	(52,943)
Total comprehensive loss for the period	(2,697)	(59,203)	(4,128)	(8,764)

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


Chief Financial Officer


Chief Executive


Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED

		December 31, 2018	December 31, 2017
	Note	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	13	(3,951)	22,968
Finance cost paid		(9,751)	(1,712)
Income tax paid		(8,033)	(5,243)
(Increase) / decrease in long term loans and deposits		(288)	320
Net cash (used in) / generated from operating activities		(22,023)	16,333
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(5,470)	(4,157)
Payments for acquisition of intangible assets		(3,390)	-
Dividend received		-	5,999
Sale proceeds on disposal of property, plant and equipment		100	-
Net cash (used in) / from investing activities		(8,760)	1,842
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(6,668)	-
(Decrease) / increase of liabilities against assets subject to finance lease		(258)	117
Net cash (used in) / from financing activities		(6,926)	117
Net (decrease) / increase in cash and cash equivalents		(37,709)	18,292
Cash and cash equivalents at beginning of the period		13,076	6,029
Cash and cash equivalents at the end of period	14	(24,633)	24,321

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


Chief Financial Officer


Chief Executive


Director

UNITED DISTRIBUTORS PAKISTAN LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED

1. THE COMPANY AND ITS OPERATIONS

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

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

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

2. BASIS OF PREPARATION

These condensed interim financial statements of the Company for the half year ended December 31, 2018 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting and provisions of and directive issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2018.

2.1 Changes in accounting standards, interpretations and pronouncements

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

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

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IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The changes laid down by these standards do not have any significant impact on these financial statements of the Company.

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

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2018, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these condensed interim financial statements.

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

The following is the new standard that will be effective for the periods beginning on or after January 1, 2019 that may have an impact on the financial statements of the Company.

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 lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short term and low value leases.

The management is in the process of assessing the impact of changes laid down by this standard on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018.

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4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

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

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

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2018.

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, 2018.

5. PROPERTY, PLANT AND EQUIPMENT

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

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	← Rupees '000 →			
Plant and Machinery	1,818	241	119	-
Computers	30	357	-	-
Office Equipment	115	32	-	-
Furniture and Fixtures	-	27	-	-
Vehicles	3,509	3,500	-	-
	<u>5,472</u>	<u>4,157</u>	<u>119</u>	<u>-</u>

6. INTANGIBLE ASSETS

Additions to intangible assets during the period amounted to Rs. 3.39 million which represents cost of licenses and consultation fee for the implementation of SAP Enterprise Resource Planning (ERP) System.

At

(Unaudited) December 31, 2018	(Audited) June 30, 2018
Rupees '000	

7. LONG-TERM INVESTMENTS

Investment in associate

- FMC United (Private) Limited - note 7.1

1,639,418 (June 30, 2018: 1,639,418)

fully paid ordinary shares of Rs. 10 each

1,108,794

1,076,459

Percentage holding 40% (June 30, 2018: 40%)

Cost: Rs. 16,394,180

(June 30, 2018: Rs. 16,394,180)

Investments at fair value through OCI

- IBL HealthCare Limited - Listed

1,215,135 (June 30, 2018: 1,215,135)

fully paid ordinary shares of Rs. 10 each

60,708

97,490

Percentage holding 2.25% (June 30, 2018: 2.25%)

Cost: Rs. 7,882,580

(June 30, 2018: Rs. 7,882,580)

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

11,079,852 (June 30, 2018: 11,079,852)

fully paid ordinary shares of Rs. 10 each

83,663

83,663

Percentage holding 4.71% (June 30, 2018: 4.71%)

Cost: Rs. 83,663,056

(June 30, 2018: Rs. 83,663,056)

144,371

181,153

1,253,165

1,257,612

7.1 Movement of investment in associate

Balance at beginning of the period

1,076,459

934,822

Share of profit for the period

41,225

202,023

Share of other comprehensive loss for the period

(8,890)

(42,354)

Less: Dividend income for the period

-

(18,032)

Balance at end of the period

1,108,794

1,076,459

7.1.1 The amounts of share of profit and other comprehensive loss for the period are based on unaudited financial statements of FMC United (Private) Limited.

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

7.3 Shares held as at December 31, 2018 include 31,343 shares (June 30, 2018: 31,343 shares) of IBL HealthCare Limited and 184,665 shares (June 30, 2018: 184,665 shares) of International Brands Limited withheld by respective company at the time of bonus declaration. The Company has included these shares in its portfolio pending decision of the Honourable High Court of Sindh on petitions filed by the Company in respect of tax on bonus shares.

8. TRADE AND OTHER RECEIVABLES

These include Rs. 3.83 million (June 2018: Rs. 1.15 million) receivables from related parties.

9. TRADE AND OTHER PAYABLES

These include Rs. 5.21 million (June 2018: Rs. 1.75 million) payables to related parties.

10. SHORT-TERM BORROWINGS - Secured

	Note	(Unaudited) December 31, 2018	(Audited) June 30, 2018
		Rupees '000	
Running finance	10.1	<u>28,317</u>	<u>-</u>

10.1 The Company obtained running finance facility from Habib Metropolitan Bank Limited at KIBOR + 2% (June 2018: Nil) per annum. This facility is secured by way of hypothecation on current assets of the Company.

11. COMMITMENTS

The facilities for opening letters of credit as at December 31, 2018 amounted to Rs. 300 million (June 30, 2018: Rs. 150 million). The amount remaining unutilised as at December 31, 2018 is Nil (June 30, 2018: Rs. 67.02 million).

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December 31, December 31,
2018 2017
Rupees '000

12. REVENUE

Gross Sales	301,952	331,446
Less:		
- trade discounts	(29,555)	(62,114)
- sales return	(4,567)	(14,599)
	<u>267,830</u>	<u>254,733</u>
Less: Sales tax	(1,821)	(13,122)
	<u><u>266,009</u></u>	<u><u>241,611</u></u>

13. CASH (USED IN) / GENERATED FROM OPERATIONS

Profit before income tax	52,271	77,964
Adjustment for non-cash incomes and expenses:		
Depreciation and amortisation	6,097	6,169
Finance cost	1,081	1,712
Exchange Loss - Net	8,670	-
Loss on disposal of property, plant and equipment	19	-
Dividend Income	(1,184)	(1,081)
Share of profit from associate	(41,225)	(59,926)
	<u>(26,542)</u>	<u>(53,126)</u>
Profit before changes in working capital	25,729	24,838
Changes in Working Capital:		
Decrease / (increase) in current assets:		
Inventories	(33,318)	52,438
Trade and other receivables	(22,553)	(4,037)
Loans, advances and prepayments	(3,162)	(63)
	<u>(59,033)</u>	<u>48,338</u>
Increase / (decrease) in current liabilities		
Trade and other payables	29,353	(50,208)
Cash (used in) / generated from operations	<u><u>(3,951)</u></u>	<u><u>22,968</u></u>

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	December 31, 2018	December 31, 2017
	Rupees '000	
14. CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,684	24,321
Short-term borrowings - note 10	(28,317)	-
	<u>(24,633)</u>	<u>24,321</u>

15. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	December 31, 2018	December 31, 2017
		Rupees '000	
i. Holding company	- Corporate service charges	2,400	2,100
	- Receipts from Holding Company	6,962	781
ii. Associated companies	- Receipts from associated Company	238	3,578
	- IT services	69	-
	- Warehouse rent	483	442
	- Dividend received	-	5,999
	- SAP ERP Implementation cost	3,390	-
	- Dividend income	1,184	1,081
iii. Employees' Provident Fund	- Contribution paid	2,775	2,663
iv. Key Management Personnel	- Salaries and other employee benefits	10,389	16,101
	- Directors' fee	6	6

16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on **26 FEB 2019**.

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Chief Financial Officer



Chief Executive



Director