

# Moving FORWARD

Third Quarter and Nine months ended  
March 31, 2020 (Un-audited)



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# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Rashid Abdulla	Chairman
Mr. Syed Qaiser Abbas	Chief Executive Officer
Mr. Ayaz Abdulla	Non-Executive Director
Mr. Asad Abdulla	Non-Executive Director
Mr. Syed Nadeem Ahmed	Non-Executive Director
Mr. Zubair Razzak Palwala	Non-Executive Director
Mr. Hasan Tariq Khan	Independent Director

## AUDIT COMMITTEE

Mr. Hasan Tariq Khan	Chairman
Mr. Zubair Razzak Palwala	Member
Mr. Ayaz Abdulla	Member

## HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Hasan Tariq Khan	Chairman
Mr. Zubair Razzak Palwala	Member
Mr. Ayaz Abdulla	Member

## CHIEF FINANCIAL OFFICER

Mr. Shariq Ahmed

## COMPANY SECRETARY

Mr. Abbas Ali

## INTERNAL AUDITORS

Grant Thornton Anjum Rahman, Chartered Accountants

## EXTERNAL AUDITORS

A.F. Ferguson & Company, Chartered Accountants

## LEGAL ADVISOR

Amin Ansari Law Associates

## BANKERS

Habib Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Silkbank Limited  
Meezan Bank Limited  
Al Baraka Bank Limited  
Habib Metropolitan Bank Limited

## REGISTERED OFFICE

"1st Floor, One IBL Center, Block no. 7 & 8, Delhi Mercantile Muslim Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi-75530 Tel: 35683944-6, 35675111-7, Fax: 35635530, 35682772"

## SHARE REGISTRAR

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

## WEBSITE

[www.ubrands.biz](http://www.ubrands.biz)

# DIRECTORS' REPORT TO THE SHAREHOLDERS OF THE COMPANY

The Board of Directors of United Brands Limited are pleased to present the Directors' Report together with the consolidated condensed interim financial information (unaudited) of the Company for the nine months period ended March 31, 2020. This consolidated condensed interim financial information (unaudited) is prepared in accordance with Section 228 of the Companies Act, 2017.

## Principal Activities

United Brands Limited is engaged in distribution of fast-moving consumer goods and allied products. The portfolio includes baby range, chocolates, confectionaries, sweetener, beverages, cereals, deodorants, cosmetics and other similar products.

## Summary and Comparison of Financial Performance for the Period

	Nine months period ended	
	March 31, 2020	March 31, 2019
	Rupees '000	
Revenue	2,502,974	3,138,118
Gross profit	725,457	934,347
Gross profit (% of revenue)	29.0%	29.8%
Loss after tax	(244,416)	(141,089)

## FINANCIAL OVERVIEW

The revenue of the Company has dropped by PKR 635 million, 20% decline as compared to last period. Reason for decrease in revenue is discontinuation of major businesses Mars, Haleeb, IFFCO and Johnson & Johnson. Gross Profit margin has deteriorated slightly due to product mix. Though operating expenses have reduced, however loss of revenue and burden of financial charges on borrowings has resulted in net loss after tax.

## LOSS PER SHARE

Loss per share for the nine months period ended March 31, 2020 is PKR 2.66 (March 31, 2019: PKR 1.54).

## FINANCIAL PERFORMANCE OF IBL LOGISTICS (PRIVATE) LIMITED – SUBSIDIARY COMPANY:

IBL Logistics is involved in the business of logistics services and sales of electronic LED lights. During the period, Logistic business was started through subsidiary which was transferred from its Parent Company – United Brands Limited. The Company generated revenue of PKR 203 million and net loss of PKR 28.5 million during the nine months period. The Company expects a major increase in revenue and profitability through this business in the upcoming years.

## **FUTURE OUTLOOK**

Due to change in economic situation of the country, the overall performance of Import Sector has affected adversely. This has also resulted negatively to United Brands Limited and we have suffered losses during the current period. However, management of the Company believes in rehabilitation of business through distribution of locally produced goods. In this connection, few accounts have been added subsequent to the year end. The whole organization is evolving to a new level and is going through significant changes to improve its functions and enhance productivity in each area.

## **ACKNOWLEDGMENT**

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

Karachi.

Date: April 22, 2020



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Syed Qaisar Abbas  
Chief Executive Officer



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Zubair Razzak Palwala  
Director

UNCONSOLIDATED  
FINANCIAL STATEMENTS

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Note	Unaudited March 31, 2020	Audited June 30, 2019
		----- Rupees in '000 -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		83,113	3,381
Intangible assets		254	322
Investment in Subsidiary		25,000	25,000
Long term deposits		114	114
		<b>108,481</b>	<b>28,817</b>
<b>Current assets</b>			
Inventories	5	873,166	1,102,071
Trade and other receivables		422,969	606,896
Prepayments and advances - unsecured	6	251,416	469,483
Current tax asset		22,966	52,413
Tax refunds due from Government - sales tax		24,857	3,771
Cash and bank balances		24,358	200,915
		<b>1,619,732</b>	<b>2,435,549</b>
<b>Total assets</b>		<b>1,728,213</b>	<b>2,464,366</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		918,000	918,000
Accumulated loss		(826,902)	(610,990)
		<b>91,098</b>	<b>307,010</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term lease liability		46,899	-
<b>Current liabilities</b>			
Trade and other payables		816,166	666,075
Unclaimed dividend		371	371
Accrued mark-up		38,120	37,641
Current portion of long term lease liability		29,840	-
Short term financing		705,719	1,453,269
		<b>1,590,216</b>	<b>2,157,356</b>
<b>Commitments</b>	9	-	-
<b>Total equity and liabilities</b>		<b>1,728,213</b>	<b>2,464,366</b>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial information.



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer



# CONDENSED INTERIM PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - (UNAUDITED)

## FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2020

	Note	Quarter ended		Nine Months Ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
		----- Rupees in '000 -----			
Revenue	7	651,678	902,874	2,302,800	3,138,118
Cost of sales		(480,329)	(629,775)	(1,728,420)	(2,203,771)
Gross profit		171,349	273,099	574,380	934,347
Distribution cost		(146,787)	(197,052)	(437,863)	(635,676)
Administrative expenses		(13,576)	(48,869)	(66,272)	(152,203)
Loss allowance on trade receivables		-	-	(11,493)	-
Other expenses		(13,492)	(7,595)	(88,460)	(7,626)
Other income		15,398	9,553	28,785	11,102
Operating profit		12,892	29,136	(923)	149,944
Finance cost		(36,891)	(47,373)	(108,567)	(148,569)
Profit before taxation		(23,999)	(18,237)	(109,490)	1,375
Taxation		(17,557)	(40,806)	(106,422)	(142,464)
Loss after taxation		(41,556)	(59,043)	(215,912)	(141,089)
Other comprehensive income		-	-	-	-
Total comprehensive loss		(41,556)	(59,043)	(215,912)	(141,089)
Loss per share (Rupees)		(0.45)	(0.64)	(2.35)	(1.54)

The annexed notes from 1 to 11 form an integral part of these condensed interim financial information.



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CASH FLOWS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	March 31, 2020	March 31, 2019
Note	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from / (used in) operations	8 <b>780,837</b>	(492,186)
Income tax paid	<b>(76,975)</b>	(129,482)
Finance cost paid	<b>(108,088)</b>	(100,973)
Net cash inflow / (outflow) used in operating activities	<b>595,774</b>	(722,641)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) / Disposal of property and equipment	<b>(101,520)</b>	168
Purchase of intangibles	-	(74)
Net cash (used in) / generated from investing activities	<b>(101,520)</b>	94
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings	<b>(747,550)</b>	616,864
Lease liability	<b>76,739</b>	-
Net cash (outflow) / inflow from financing activities	<b>(670,811)</b>	616,864
<b>Net decrease in cash and cash equivalents</b>	<b>(176,557)</b>	(105,683)
Cash and cash equivalents at the beginning of the period	<b>200,915</b>	175,515
<b>Cash and cash equivalents at the end of the period</b>	<b>24,358</b>	69,832

The annexed notes from 1 to 11 form an integral part of these condensed interim financial information.



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Share Capital - Issued, subscribed and paid up capital	Accumulated Loss	Total Equity
----- Rupees in '000 -----			
Balance as at July 1, 2018	918,000	(41,459)	876,541
Loss for the nine months ended March 31, 2019	-	(141,089)	(141,089)
Other comprehensive income	-	-	-
Total comprehensive income	-	(141,089)	(141,089)
<b>Balance at March 31, 2019</b>	<b>918,000</b>	<b>(182,548)</b>	<b>735,452</b>
Balance as at July 1, 2019	918,000	(610,990)	307,010
Loss for the nine months ended March 31, 2020	-	(215,912)	(215,912)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(215,912)	(215,912)
<b>Balance as at March 31, 2020</b>	<b>918,000</b>	<b>(826,902)</b>	<b>91,098</b>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial information.



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

## 1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on March 13, 1965 as Batlay Match Industries Limited under the repealed Companies Act, 1913. The Company was renamed as UDL Industries Limited on March 16, 1987 under the repealed Companies Ordinance, 1984. The Company was again renamed as United Brands Limited, a public limited company on April 5, 2006 under the repealed Companies Ordinance, 1984. The shares of the Company are quoted on the Pakistan Stock Exchange. The registered office of the Company is situated at 1st Floor, One IBL Center, Block no. 7 & 8, Delhi Mercantile Muslim Cooperative Housing Society, Main Shahra-e-Faisal, Karachi.

The Company is a subsidiary of International Brands Limited, which is also the Company's ultimate parent.

The principal activities of the Company are trading and distribution of consumer goods and allied products.

## 2. BASIS OF PREPARATION

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

### 2.1 Changes in accounting standards, interpretations and pronouncements

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

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

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

## **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 January 1, 2019 are considered not to be relevant for the Company's unconsolidated condensed interim financial statements and hence have not been detailed here.

## **3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2019.

### **3.1 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 policies relating to the Company's right-of-use asset and lease liability are disclosed in note 3.2 of the unconsolidated condensed interim financial statements.

The Company has adopted IFRS 16 retrospectively from July 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liability for leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". This liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of July 1, 2019. The weighted average Company's incremental borrowing rate applied to the lease liability on July 1, 2019 was 16.29%.

### **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. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

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

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

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

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

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 lease incentive 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 future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise right-of-use asset and lease liabilities for leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

## 4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of unconsolidated 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 unconsolidated condensed interim financial statements.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

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

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

	<b>Unaudited March 31, 2020</b>	Audited June 30, 2019
	----- Rupees in '000 -----	
<b>5. INVENTORIES</b>		
Finished Goods		
in hand	<b>636,265</b>	558,005
in transit	<b>236,901</b>	544,066
	<b><u>873,166</u></b>	<u>1,102,071</u>
<b>6. PREPAYMENTS AND ADVANCES</b>		
Prepayments - note 6.1	<b>81,975</b>	101,652
Advances - note 6.2	<b>169,441</b>	367,831
	<b><u>251,416</u></b>	<u>469,483</u>
<b>6.1 Prepayments</b>		
Rent		
Deposit	<b>298</b>	1,011
Prepaid	<b>92</b>	108
Insurance	<b>105</b>	193
Others note 6.1.1	<b>81,480</b>	100,340
	<b><u>81,975</u></b>	<u>101,652</u>
<b>6.1.1</b>	This mainly represents amount paid to Red Bull Asia FZE in respect of Marketing Contribution as per the terms of the agreement. The amount is amortised on the basis of sales.	
<b>6.2 Advances</b>		
Employees	<b>2,529</b>	956
Advance against letter of credit - note 6.2.1	<b>122,136</b>	333,327
Others - note 6.2.2	<b>44,776</b>	33,548
	<b><u>169,441</u></b>	<u>367,831</u>
<b>6.2.1</b>	This represents advances paid as 100% margin as per the BPRD circular No. 02 of 2017 issued by SBP under the Banking Companies Ordinance, 1962 for the import of goods.	
<b>6.2.2</b>	This amount represents advances given to clearing agents, shipping companies and regulatory authorities.	

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Unaudited March 31, 2020	Audited June 30, 2019
	----- Rupees in '000 -----	
<b>7. REVENUE</b>		
Gross Sales	2,412,178	3,614,408
Service Income	-	196,741
Less:		
Trade Discounts	(63,865)	(499,399)
Sales Return	(45,513)	(173,632)
Net Sales	<u>2,302,800</u>	<u>3,138,118</u>
<b>8. CASH USED IN OPERATIONS</b>		
(Loss) / Profit before income tax	(109,490)	1,375
<b>Adjustment for non-cash charges and other items</b>		
Depreciation	21,856	758
Finance cost	108,567	100,973
	<u>130,423</u>	<u>101,731</u>
	20,933	103,106
<b>Effect on cash flow due to working capital changes</b>		
Decrease / (increase) in current assets:		
Inventories	228,905	(404,644)
Trade and other receivables	183,927	(309,897)
Prepayments and advances	218,067	4,231
Tax refunds due from government - sales tax	(21,086)	39,599
	609,813	(670,711)
Increase in trade and other payables	150,091	75,419
Cash generated from / (used in) operations	<u>780,837</u>	<u>(492,186)</u>
<b>9. COMMITMENTS</b>		

The facilities for opening letter of credit and guarantees as at March 31, 2020 amounted to **Rs. 600 million** (June 30, 2019: Rs. 840 million) and **Rs. 233 million** (June 30, 2019: Rs. 233 million) respectively. The amount remaining unutilised as at March 31, 2020 for letter of credit and guarantees was **Rs. 564 million** (June 30, 2019: Rs. 544 million) and **Rs. 153 million** (June 30, 2019: Rs. 61 million) respectively.

The facilities are secured by way of pari passu charge against hypothecation of Company's stocks and receivables.



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

## 10. RELATED PARTY TRANSACTIONS

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

Nature of relationship	Nature of transactions	Note	March 31, 2020	March 31, 2019
			----- Rupees in '000 -----	
Holding company	- Corporate Service Charges		9,000	9,000
Associated companies	- Shared expenses	10.1	98,071	171,526
	- Purchases		9,474	6,495
	- Sale of goods		41,439	3,638

10.1 The Company has an agreement with IBL Operations (Private) Limited regarding sharing of expenses relating to sales and administrative infrastructure.

## 11. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorized for issue by the Board of Directors of the Company on April 22, 2020



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer

CONSOLIDATED  
FINANCIAL STATEMENTS

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

		Unaudited March 31, 2020	Audited June 30, 2019
	Note	----- Rupees in '000 -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		86,923	5,487
Intangible assets		1,073	1,317
Long term deposits		114	114
		<u>88,110</u>	<u>6,918</u>
<b>Current assets</b>			
Inventories	5	977,119	1,194,899
Trade and other receivables		452,758	610,238
Prepayments and advances - unsecured	6	272,280	474,483
Current tax asset		17,803	52,455
Tax refunds due from Government - sales tax		24,766	3,772
Cash and bank balances		62,848	203,854
		<u>1,807,574</u>	<u>2,539,701</u>
<b>Total assets</b>		<u><b>1,895,684</b></u>	<u><b>2,546,619</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		918,000	918,000
Accumulated loss		(855,880)	(611,464)
		<u>62,120</u>	<u>306,536</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term lease liability		46,899	-
<b>Current liabilities</b>			
Trade and other payables		1,012,615	748,802
Unclaimed dividend		371	371
Accrued mark-up		38,120	37,641
Current portion of long term lease liability		29,840	-
Short term financing		705,719	1,453,269
		<u>1,786,665</u>	<u>2,240,083</u>
<b>Commitments</b>	9	-	-
<b>Total equity and liabilities</b>		<u><b>1,895,684</b></u>	<u><b>2,546,619</b></u>

The annexed notes from 1 to 11 form an integral part of these consolidated condensed interim financial information



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer

# CONSOLIDATED CONDENSED INTERIM PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - (UNAUDITED) FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2020

	Quarter ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Note	----- Rupees in '000 -----			
Revenue	709,134	902,874	2,502,974	3,138,118
Cost of sales	(495,371)	(629,775)	(1,777,517)	(2,203,771)
Gross profit	213,763	273,099	725,457	934,347
Distribution cost	(204,269)	(197,052)	(594,686)	(635,676)
Administrative expenses	(18,292)	(48,869)	(79,777)	(152,203)
Loss allowance on trade receivables	-	-	(11,493)	-
Other expenses	(13,774)	(7,595)	(94,470)	(7,626)
Other income	15,649	9,553	31,409	11,102
Operating profit	(6,923)	29,136	(23,560)	149,944
Finance cost	(37,062)	(47,373)	(108,765)	(148,569)
Profit before taxation	(43,985)	(18,237)	(132,325)	1,375
Taxation	(19,159)	(40,806)	(112,091)	(142,464)
Loss after taxation	(63,144)	(59,043)	(244,416)	(141,089)
Other comprehensive income	-	-	-	-
Total comprehensive loss	(63,144)	(59,043)	(244,416)	(141,089)
Loss per share (Rupees)	(0.69)	(0.64)	(2.66)	(1.54)

The annexed notes from 1 to 11 form an integral part of these consolidated condensed interim financial information



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	March 31, 2020	March 31, 2019
Note	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from / (used in) operations	8 <b>825,440</b>	(492,186)
Income tax paid	<b>(77,439)</b>	(129,482)
Finance cost paid	<b>(108,286)</b>	(100,973)
Net cash inflow / (outflow) used in operating activities	<b>639,715</b>	(722,641)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) / Disposal of property and equipment	<b>(109,798)</b>	168
Purchase of intangibles	<b>(113)</b>	(74)
Net cash (used in) / generated from investing activities	<b>(109,911)</b>	94
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings	<b>(747,550)</b>	616,864
Lease liability	<b>76,739</b>	-
Net cash (outflow) / inflow from financing activities	<b>(670,811)</b>	616,864
<b>Net decrease in cash and cash equivalents</b>	<b>(141,007)</b>	(105,683)
Cash and cash equivalents at the beginning of the period	<b>203,854</b>	175,515
<b>Cash and cash equivalents at the end of the period</b>	<b>62,847</b>	69,832

The annexed notes from 1 to 11 form an integral part of these consolidated condensed interim financial information



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer

# CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

	Share Capital - Issued, subscribed and paid up capital	Accumulated Loss	Total Equity
----- Rupees in '000 -----			
<b>Balance as at July 1, 2018</b>	918,000	(41,459)	876,541
Loss for the nine months ended March 31, 2019	-	(141,089)	(141,089)
Other comprehensive income	-	-	-
Total comprehensive income	-	(141,089)	(141,089)
<b>Balance as March 31, 2019</b>	918,000	(182,548)	735,452
<b>Balance as at July 1, 2019</b>	918,000	(611,464)	306,536
Loss for the nine months ended March 31, 2020	-	(244,416)	(244,416)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(244,416)	(244,416)
<b>Balance as at March 31, 2020</b>	918,000	(855,880)	62,120

The annexed notes from 1 to 11 form an integral part of these consolidated condensed interim financial information



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

## 1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on March 13, 1965 as Batlay Match Industries Limited under the repealed Companies Act, 1913. The Company was renamed as UDL Industries Limited on March 16, 1987 under the repealed Companies Ordinance, 1984. The Company was again renamed as United Brands Limited, a public limited company on April 5, 2006 under the repealed Companies Ordinance, 1984. The shares of the Company are quoted on the Pakistan Stock Exchange. The registered office of the Company is situated at 1st Floor, One IBL Center, Block no. 7 & 8, Delhi Mercantile Muslim Cooperative Housing Society, Main Shahra-e-Faisal, Karachi.

The Company is a subsidiary of International Brands Limited, which is also the Company's ultimate parent.

The principal activities of the Company are trading and distribution of consumer goods and allied products.

### **Subsidiary Company IBL Logistics (Private) Limited.**

IBLPL is a private limited company incorporated and registered under the Companies Act, 2017 on April 23, 2018.

The principal activities of the subsidiary company comprises primarily of warehousing, transportation, supply chain management, logistics services, trading and distribution of goods.

## 2. BASIS OF PREPARATION

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

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

## 2.1 Changes in accounting standards, interpretations and pronouncements

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

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

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

### 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 January 1, 2019 are considered not to be relevant for the Company's unconsolidated condensed interim financial statements and hence have not been detailed here.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2019.

### 3.1 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 policies relating to the Company's right-of-use asset and lease liability are disclosed in note 3.2 of the unconsolidated condensed interim financial statements.

The Company has adopted IFRS 16 retrospectively from July 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liability for leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". This liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of July 1, 2019. The weighted average Company's incremental borrowing rate applied to the lease liability on July 1, 2019 was 16.29%.



# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

## 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. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

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

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

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

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 lease incentive 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 future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise right-of-use asset and lease liabilities for leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

## 4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of unconsolidated 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.

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

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 consolidated condensed interim financial statements.

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

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

	<b>Unaudited March 31, 2020</b>	Audited June 30, 2019
----- Rupees in '000 -----		
<b>5. INVENTORIES</b>		
Finished Goods		
in hand	<b>740,218</b>	649,812
in transit	<b>236,901</b>	545,087
	<b><u>977,119</u></b>	<u>1,194,899</u>
<b>6. PREPAYMENTS AND ADVANCES</b>		
Prepayments - note 6.1	<b>84,984</b>	101,652
Advances - note 6.2	<b>187,296</b>	372,831
	<b><u>272,280</u></b>	<u>474,483</u>
<b>6.1 Prepayments</b>		
Rent		
Deposit	<b>1,607</b>	1,011
Prepaid	<b>1,763</b>	108
Insurance	<b>134</b>	193
Others note 6.1.1	<b>81,480</b>	100,340
	<b><u>84,984</u></b>	<u>101,652</u>
<b>6.1.1</b>	This mainly represents amount paid to Red Bull Asia FZE in respect of Marketing Contribution as per the terms of the agreement. The amount is amortised on the basis of sales.	
<b>6.2 Advances</b>		
Employees	<b>2,529</b>	956
Advance against letter of credit - note 6.2.1	<b>122,136</b>	333,328
Others - note 6.2.2	<b>62,631</b>	38,547
	<b><u>187,296</u></b>	<u>372,831</u>
<b>6.2.1</b>	This represents advances paid as 100% margin as per the BPRD circular No. 02 of 2017 issued by SBP under the Banking Companies Ordinance, 1962 for the import of goods.	

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

**6.2.2** This amount represents advances given to clearing agents, shipping companies and regulatory authorities.

	<b>Unaudited March 31, 2020</b>	Audited June 30, 2019
	----- Rupees in '000 -----	
<b>7. REVENUE</b>		
Gross Sales	<b>2,538,633</b>	3,614,407
Service Income	<b>118,877</b>	196,741
Less:		
Trade Discounts	<b>(109,022)</b>	(499,399)
Sales Return	<b>(45,513)</b>	(173,631)
Net Sales	<b><u>2,502,974</u></b>	<u>3,138,118</u>
<b>8. CASH USED IN OPERATIONS</b>		
(Loss) / Profit before income tax	<b>(132,325)</b>	1,375
<b>Adjustment for non-cash charges and other items</b>		
Depreciation	<b>28,718</b>	758
Finance cost	<b>108,765</b>	100,973
	<b>137,483</b>	101,731
	<b>5,158</b>	103,106
<b>Effect on cash flow due to working capital changes</b>		
Decrease / (increase) in current assets:		
Inventories	<b>217,780</b>	(404,644)
Trade and other receivables	<b>157,480</b>	(309,897)
Prepayments and advances	<b>202,203</b>	4,231
Tax refunds due from government - sales tax	<b>(20,994)</b>	39,599
	<b>556,469</b>	(670,711)
Increase in trade and other payables	<b>263,813</b>	75,419
Cash generated from / (used in) operations	<b><u>825,440</u></b>	<u>(492,186)</u>
<b>9. COMMITMENTS</b>		

The facilities for opening letter of credit and guarantees as at March 31, 2020 amounted to **Rs. 600 million** (June 30, 2019: Rs. 840 million) and **Rs. 233 million** (June 30, 2019: Rs. 233 million) respectively. The amount remaining unutilised as at March 31, 2020 for letter of credit and guarantees was **Rs. 564 million** (June 30, 2019: Rs. 544 million) and **Rs. 153 million** (June 30, 2019: Rs. 61 million) respectively.

The facilities are secured by way of pari passu charge against hypothecation of Company's stocks and receivables.

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020

## 10. RELATED PARTY TRANSACTIONS

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

Nature of relationship	Nature of transactions	Note	March	March
			31, 2020	31, 2019
			----- Rupees in '000 -----	
Holding company	- Corporate Service Charges		9,000	9,000
Associated companies	- Shared expenses	10.1	98,071	171,526
	- Purchases		9,474	6,495
	- Sale of goods		41,439	3,638

- 10.1 The Company has an agreement with IBL Operations (Private) Limited regarding sharing of expenses relating to sales and administrative infrastructure.

## 11. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorized for issue by the Board of Directors of the Company on April 22, 2020



Qaisar Abbas  
Chief Executive Officer



Zubair Razzak Palwala  
Director



Shariq Ahmed  
Chief Financial Officer





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