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RECKITT BENCKISER PAKISTAN LIMITED

ANNUAL REPORT 2019

For the year ended

December 31, 2019

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Aslam Khaliq	Chairman
Mr. Kashan Hasan	Chief Executive
Mr. Shahzeb Mahmood	Director
Mr. Adil Saeed Khan	Director
Mr.Akbar A. Shah	Director
Mr. Atif Hashmi	Director

COMPANY SECRETARY
Miss. Zara Khalid

BANKERS
Citibank, N.A Pakistan Branch
Standard Chartered Bank (Pakistan) Limited
Deutsche Bank AG
Habib Bank Limited

AUDITORS
KPMG Taseer Hadi & Co., Chartered Accountants

SOLICITORS
Surridge & Beecheno

REGISTRARS
FAMCO Associates (Private) Limited
8-F, Next to Hotel Farhan,
Nursery, Block-6, P.E.C.H.S
Shahra-e-Faisal, Karachi-74000
Tel: 92-21 34480101-5

RECKITT BENCKISER PAKISTAN LIMITED

NOTICE OF MEETING

NOTICE is hereby given that the Annual General Meeting of the Company will be held at 11:00AM on Wednesday April 29, 2020 at the RB Factory, F-18 Site, Mauripur, Karachi, to transact the following business:

1. To receive and consider the Audited Accounts of the Company for the year ended December 31, 2019 and the Reports of the Directors and Auditors thereon.

2. To declare dividend at the rate of PKR 100 per share for the year ended December 31, 2019 as recommended by the Directors.

3. To elect six (06) directors of the Company for a period of three years in accordance with the provisions of the Companies Act 2017. The names of the retiring directors are Aslam Khaliq, Shahzeb Mahmood, Syed Kashan Hasan, Atif Hashmi, Akbar Ali Shah and Adil Saeed Khan.

4. To appoint auditors and fix their remuneration.

BY ORDER OF THE BOARD

ZARA KHALID
COMPANY SECRETARY

20 March 2020
Karachi

NOTES:

(1) The Directors of the Company have fixed, under S159(1) of the Companies Act 2017, the number of directors to be elected at six (06). All directors shall be eligible to offer themselves for re-election. Any person who seeks to contest election for directorship of the Company shall file with the Company at its registered office, tenancy 04-05, third floor, corporate offices block, dolmen city, HC-3, Block 4, Scheme 5, Clifton, Karachi- 75600, Pakistan, (a) notice of intention to offer himself/herself as a director not later than fourteen days before the date of the meeting at which elections are to be held (b) Form 28 (Consent to Act as Director) prescribed under S159(3) of the Companies Act 2017 and S167(1) of the Companies Act 2017.

(2) The Share Transfer Books of the Company will remain closed from 21th April 2020 to 29th April 2020 both days inclusive.

(3) A Member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as proxy (expect for a corporation) unless he/she

is entitled to be present and vote in his/her own right. The completed proxy form must be received at the Registered Office of the Company not less than 48 hours before the Meeting.

(4) The company has made arrangements to ensure that all participants including shareholders can participate in the AGM proceeding virtually. For this, members are required to email their names, folio number and mobile number at zara.khalid@rb.com by or before 5PM on Friday 24th April 2020.

(5) Members are Requested to Notify any change in their addresses immediately to office of share Registrars of the Company FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6 P.E.C.H.S, Shahra-e-Faisal, Karachi.

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REPORT OF THE DIRECTORS' TO THE SHAREHOLDERS

The Directors of Reckitt Benckiser Pakistan Limited (RBPL) have the pleasure of presenting the Annual Report together with audited accounts of the Company for the year ended December 31, 2019.

COMPANY'S PRINCIPAL ACTIVITIES

RBPL in 2019 was involved in the manufacture, marketing and sale of its reduced product portfolio comprising of consumer healthcare, pharmaceutical and hygiene products. In line with our motto of doing "better business" we have continued to provide innovative solutions for healthier lives and happier homes.

BUSINESS REVIEW

Key Financial Highlights

	***2019**	***2018**
	Rupees in thousand	
Sales	*10,491,764*	*14,725,526*
Gross Profit	*4,931,315*	*8,253,788*
Profit from Operations	*1,113,412*	*3,062,620*
Profit before Tax	*1,143,388*	*3,158,211*
Profit after Tax	*774,605*	*2,173,440*
**EPS	*158*	*444*

*2019 Financials are based on sales of revised portfolio comprising of healthcare, pharmaceutical and Hygiene product whereas 2018 comparative Financials also includes sales from portfolio comprising of Home and certain Hygiene products which were transferred to newly formed entity in 2019 under the Reconstruction Scheme.

**EPS for 2019 and 2018 is based on the numbers of shares outstanding at year end.

TRADING PERFORMANCE

2018 was yet another challenging year due to tough economic, market conditions and strict fiscal measures implemented by Government. Sales was Rs. 10.49bn in which Strong performance was delivered by Durex, Dettol Multipurpose Cleaner, Dettol Hand

Wash and Dettol Antiseptic Liquid mainly due to a combination of innovation-led success, brand pricing and improved in-market execution.

Gross Margin remained under pressure due to severe currency devaluation and commodity inflation. Investment behind brands was rationalized through synergies in media execution and cost negotiations.

Profit before tax was Rs. 1.14bn adversely impacted by lower gross margin realization, increased operational cost due to inflation and finance cost incurred on funds utilization of newly formed Entity.

INTERNAL CONTROLS

RBPL has ***adequate internal financial controls*** which are recognized under International Financial Control Framework and RB Group policy.

Unappropriated profit being carried forward

The unappropriated profit as at December 31, 2019 was PKR 774.6m which is being carried forward for 2020.

Dividend

The Board of Directors has recommended a final cash dividend of Rs. 100 per share amounting to Rs 386.25m(2018: Rs.240 per share amounting to a total dividend of Rs. 1,176m). There was no interim dividend declared within 2019 as the Company was under the process of demerging and distribution of reserves to the newly formed entity. Therefore, the total dividend for the year 2019 amounts to Rs. 100 per share amounting to Rs. 386.25m (2018: Rs. 390 per share amounting to a total dividend of Rs. 1,911m) per ordinary share of Rs.10 each, payable to those members whose name appears on the Register of the Company as at the closing period identified in the Notice of the Annual General Meeting of the Company.

DIRECTORS FOR 2019

Following served as the directors of the Company during the year 2019:

- Aslam Khaliq (Chairman)
- Fahad Ashraf (Chief Executive Officer)
- Atif Hashmi
- Akbar Ali Shah
- Shahzeb Mehmood
- Adil Saeed Khan
- Humayun Farooq

Changes on Board of Directors

Mr. Fahad Ashraf resigned from the BOD and Mr. Humayun Farooq was appointed as CEO & Director on October 18, 2019 in place of Mr. Fahad Ashraf. Subsequently, Mr. Humayun Farooq resigned on December 31, 2019 and was replaced by Mr. Syed Kashan Hasan on January 1, 2020.

Current Directors

- Aslam Khaliq (Chairman)
- Syed Kashan Hasan (Chief Executive Officer)
- Atif Hashmi
- Akbar Ali Shah
- Shahzeb Mehmood
- Adil Saeed Khan

PATTERN OF SHAREHOLDING AND HOLDING COMPANY

The pattern of shareholding has been annexed to this report on page number 57. Company's Holding Company is Reckitt Benckiser plc, which is incorporated in the United Kingdom.

PRINCIPAL RISK AND UNCERTAINTIES

We have well established risk management framework and effective internal control mechanism which helps us to identify and strategies to manage key risks impacting our Business. The key business risks include:

(i) Regulatory pricing policies which are overly restrictive and not market-oriented are the most significant strategic risk being faced by the Company.

(ii) Economic conditions including high inflation and low anticipated GDP growth continue to pose a threat. In addition, Pakistani Rupee's steep devaluation against the US Dollar has presented unanticipated challenges to the business in terms of increase in costs for the business. In addition the devaluation has also had an adverse impact on our imports due to which State Bank of Pakistan put a hold on advance payment, hedging, etc which has presented challenges to the business.

(iii) There is also increased burden on tax payer by way of increase in taxes and duties as well as introduction of new fiscal measures, levies, taxes and duties. This has continued to place pressure on profitability.

DISCLOSURE REGARDING RECONSTRUCTION OF COMPANY

Further to the disclosure in 2018 directors' report, the Scheme of Arrangement was submitted for approval of shareholders in the extra ordinary general meeting of the shareholders held on 26 June 2019. Subsequent to shareholders approval, creditors' consent was also sought. The Hon'ble High Court of Sindh has also approved the Scheme of Arrangement vide order dated 25 September 2019. The Scheme of Arrangement came into operation on the date of submission of High Court order approving the Scheme to the Securities & Exchange Commission of Pakistan vide Company letter dated 1 October 2019. After seeking all due approvals and making all necessary reporting, the Company proceeded to issue new shares to shareholders.

IMPACT OF COMPANY'S BUSINESS ON ENVIRONMENT

The Company is committed to making a positive contribution in reducing impact on the environment by its business activities. In this regard Company has taken the following actions:

- 30KW Grid tied solar system extension installed along with already in place 107 KW solar (which makes 15% of total Load) to provide clean Solar Energy and to Reduce environmental footprint (Carbon and Energy). The system consists of high efficiency roof mounted installed poly-crystalline solar panels that adheres to all engineering & safety standards.
- Energy Saving Initiatives have been in place like VFD's on Utility area pumps/motors to improve overall efficiency and conserve energy, reduce base load, carbon footprint and day-to-day operational cost as well. Energy saving IE3 motors have been installed in utility area thereby providing premium efficiency for sustainable operation ultimately reducing base load as well.
- RB Pakistan Mauripur Factory has won the Global Green Energy Award in the entire Health Wellness & Personal Hygiene Cluster. The competition was among 14 factories in the entire H&PH Cluster.

In addition, the following actions are being taken for Disposal of waste:

- 100% hazardous waste is handled and incinerated by EPA approved vendors as per defined procedure and guidelines.
- We are committed to Zero waste to Landfill.
- Effluent Treatment Plant is installed and fully complaint with local legal laws.
- RB factory has all applicable EPA NOCs pertaining to factory operations.
- Environmental monitoring and reporting as per SEPA requirements is fully in place.

OCCUPATIONAL SAFETY & HEALTH

RB Pakistan Mauripur factory received an award for 2nd position by Employers Federation of Pakistan in Pharmaceutical sector for Bests Occupational Health & Safety practices at workplace which included Celebration of Safety week at factory for engagement of company staff, workers and contractors. Several Tech – Enabled initiatives in Health & Safety like concept of Fire ball in critical risk areas, RFID based operation of Cargo / Goods lifts, Pedestrian walkway Alert system, etc. for safety culture improvements and continued the momentum of H&S outperformance at factory. RB Pakistan Mauripur factory is ISO 14001 Environment Management System & OHSAS 18001 certified as well.

SOCIALLY POSITIVE ACTIVITIES – BUSINESS WITH A PURPOSE

The Company has been executing various socially beneficial activities under the umbrella of Clean Green Pakistan (organizing various tree plantation and clean-up activities) as well as airing various public service messages to create awareness related to hygiene.

In addition, locally, we undertake several branded marketing activities but with an attempt to incorporate socially responsible & beneficial messages. Below are some of the campaigns that have been undertaken:

1. Dettol School Program – educating kids on good health & hygiene practices
2. Dettol Antenatal Classes – educating new mothers on health & hygiene practices during pregnancy, ease labour and post-birth baby care
3. Veet Academy – educating young girls on communication and personal grooming skills
4. Dettol Hoga Saaf Pakistan – Dettol-led awareness campaign to educate Pakistanis on hygiene and cleanliness with both media (shows, public service messages) and on-ground activities (cleanathons and hand washing drives).

MATERIAL CHANGES AND COMMITMENT AFFECTING FINANCIAL POSITION FROM END OF FINANCIAL TILL DATE OF REPORT

The Company has issued notice of entitlement determination dates under the Scheme of Arrangement for the reconstruction of the RBPL and of Book Closure which states that in accordance with the Scheme the share certificates relating to the shares in RBPL (prior to the reduction of share capital of RBPL) will stand cancelled with effect from January 17, 2020 and the relevant share certificates of RBPL and newly formed Entity are available for delivery from January 31, 2020 against surrender of the existing share certificates to RBPL's Share Registrar.

ADDITIONAL DISCLOSURES

As had been disclosed in the Directors Report appended to the audited financial statements of 2018, the Company had made an investment into of PKR 12,500,000 (by way of 1,250,000 ordinary shares of PKR 10 each) into SAAF SEHATMAND SERVICES (PRIVATE) LIMITED after duly seeking consent of the shareholders during the 2019 Annual General Meeting. Subsequent to the investment, the Company has started operations in Punjab. Since the last update, the Company has now been duly constituted and all agreements executed to enable the business to tap into 30,000 rural households through 30 sehat apas (women entrepreneurs). It is foreseen that this investment will help improve RBPL sales and penetration, especially in rural areas.

FUTURE PROSPECT OF PROFIT

RB has been on a well-established journey with a focused, strategic evolution from a household cleaning company to a world leader in consumer health. As we look to the future, we are well positioned for long term, sustainable growth, from the excellent portfolio of brands within each of our more focused and agile Business Units. For 2020 we expect to regain growth momentum through improved innovation pipeline, robust go-to-market plan and investment behind Brands. Moreover, the demerger provides a platform for future growth and outperformance in both companies. We remain committed to executing on this important project and will continue to evaluate opportunities to maximise shareholder value in the longer run.

ON BEHALF OF THE BOARD

Chief Executive

Director

March 20, 2020

Karachi

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KEY OPERATING AND FINANCIAL DATA

TRADING RESULTS

TRADING RESULTS	2015	2016	2017	2018	2019*
	<------------------------------Rupees In Thousand ----------------------------------->				
Sales and Services	11,120,008	12,500,520	13,891,116	14,725,526	**10,491,764**
Gross Profit	5,658,066	6,757,193	7,746,675	8,253,788	**4,931,315**
Profit before tax	2,193,674	2,551,386	3,385,990	3,158,211	**1,143,388**
Taxes	658,038	622,414	922,653	984,771	**368,783**
Net Earnings	1,535,636	1,928,972	2,463,337	2,173,440	**774,605**
Dividends	1,396,632	2,205,208	2,401,227	1,911,181	**386,253**

BALANCE SHEET

	2015	2016	2017	2018	2019*
Share Capital	49,005	49,005	49,005	49,005	**49,005**
Capital and Revenue Reserves	1,110,500	1,061,342	1,095,282	1,559,508	**810,222**
Other Reserves	202,175	235,698	278,709	354,490	**408,487**
Shareholders' Equity	1,361,680	1,346,045	1,422,996	1,963,003	**1,267,714**
Net deferred liabilities	11,708	25,687	83,990	96,532	**125,457**
	1,373,388	1,371,732	1,506,986	2,059,535	**1,393,171**
Represented by:					
Fixed assets	1,120,386	1,194,196	1,592,828	1,751,573	**1,839,889**
Long term Loans/deposits	7,046	16,501	12,253	12,383	**16,867**
Net current assets	245,956	161,035	(98,095)	295,579	**(463,585)**
	1,373,388	1,371,732	1,506,986	2,059,535	**1,393,171**

STATISTICS

	2015	2016	2017	2018	2019*
Gross profit in percentage of sales (%)	50.88	54.06	55.77	56.05	**47.00**
Profit before tax in percentage of sales (%)	19.73	20.41	24.38	21.45	**10.90**
Inventory turnover (times)	5.17	4.83	4.52	3.74	**3.18**
Total assets turnover (times)	2.31	2.25	2.10	2.22	**1.44**
Fixed asset turnover (times)	9.93	10.47	8.72	8.41	**5.94**
Current ratio	1.07	1.04	0.98	1.06	**0.92**
Return on capital employed (%)	112.78	143.31	173.11	110.72	**61.10**
Net earnings per share (Rs.)	313.37	393.63	502.67	443.52	**158.07**
Dividend declared per share (Rs.)	285.00	450.00	490.00	390.00	**100.00****
Break up value per share (Rs.)	277.87	274.68	290.38	400.58	**258.69**

* 2019 Financials are based on sales of revised portfolio comprising of healthcare, pharmaceutical and Hygiene product whereas prior year comparative Financials also includes sales from portfolio comprising of Home and certain Hygiene products which were transferred to newly formed entity in 2019 under the Reconstruction Scheme

** Subsequent to the year end, under the Scheme of Arrangement for the reconstruction of the Reckitt Benckiser Pakistan Limited the shares to the shareholders of the Company have been reduced by 1,037,935. Therefore the dividend declared per share is on the said reduced shares to the shareholders i.e 3,862,528.

KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi 75530 Pakistan
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INDEPENDENT AUDITORS' REPORT

To the members of Reckitt Benckiser Pakistan Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Reckitt Benckiser Pakistan Limited (the Company), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

KPMG Taseer Hadi & Co.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report 2019 but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matters

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Nadeem.

KPMG Taseer Hadi & Co.

Date: 20 March 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

Reckitt Benckiser Pakistan Limited
Statement of Financial Position
As at 31 December 2019

	Note	2019	2018
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,766,083**	1,751,573
Right of use asset	8	**73,806**	-
Investment in equity accounted investee	9	**6,250**	-
Deposits and loans		**10,617**	12,383
Deferred taxation	10	**34,697**	18,273
		1,891,453	1,782,229
Current assets			
Stock-in-trade	11	**1,551,877**	1,944,633
Trade receivables	12	**1,814,880**	1,384,916
Loans and advances	13	**18,776**	15,385
Trade deposits and prepayments	14	**52,411**	47,039
Other receivables	15	**96,968**	35,268
Taxation - net		**441,233**	146,510
Cash and bank balances	16	**1,433,010**	1,280,091
		5,409,155	4,853,842
TOTAL ASSETS		**7,300,608**	6,636,071
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
50,000,000 (2018: 50,000,000) ordinary shares of Rs. 10/- each		**500,000**	500,000
Issued, subscribed and paid-up capital			
4,900,463 ordinary shares of Rs. 10/- each	17	**49,005**	49,005
Reduction of share capital (Refer note 2)	18	**(10,379)**	-
		38,626	49,005
Reserves	19	**435,087**	381,090
Unappropriated profit		**794,001**	1,532,908
		1,229,088	1,913,998
Total Shareholder's equity		**1,267,714**	1,963,003
Non-current liabilities			
Staff retirement benefits	20	**118,379**	114,805
Lease liabilities	21	**41,775**	-
		160,154	114,805
Current liabilities			
Trade and other payables	22	**5,795,677**	4,524,013
Current portion of lease liabilities	21	**40,992**	-
Unclaimed dividend		**36,071**	34,250
		5,872,740	4,558,263
Total liabilities		**6,032,894**	4,673,068
Commitments	23		
TOTAL EQUITY AND LIABILITIES		**7,300,608**	6,636,071

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Reckitt Benckiser Pakistan Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	Note	2019	2018
		(Rupees in '000)	
Sales - net	24	**10,491,764**	14,725,526
Cost of sales	25	**(5,560,449)**	(6,471,738)
Gross profit		**4,931,315**	8,253,788
Distribution cost	26	**(3,322,707)**	(4,426,315)
Impairment loss / (reversal) on trade receivables		**(18,920)**	11,176
Administrative expenses	27	**(387,831)**	(529,520)
Other operating expenses	28	**(88,445)**	(246,509)
		(3,817,903)	(5,191,168)
		1,113,412	3,062,620
Other income	29	**116,523**	96,695
Finance costs	30	**(86,547)**	(1,104)
Profit before taxation		**1,143,388**	3,158,211
Taxation	31	**(368,783)**	(984,771)
Profit for the year		**774,605**	2,173,440
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement of net defined benefit liability	20.1.4	**(17,814)**	7,763
Deferred tax on remeasurement of net defined benefit liability		**4,837**	(1,815)
		(12,977)	5,948
Total comprehensive income for the year		**761,628**	2,179,388

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Reckitt Benckiser Pakistan Limited
Statement of Changes in Equity
For the year ended 31 December 2019

	Issued, subscribed and paid-up capital (Refer note 17)	Reduction of Share Capital (Refer note 18)	Capital reserve						Total
			Pre-incorporation profit (Refer note 19)	Capital repurchase reserve (Refer note 19)	Other reserve (Refer note 19)	Sub total	Unappropriated Profit		
	(Rupees in '000)								
Balance as at 31 December 2017	49,005	-	41	26,559	278,709	305,309	1,068,682		1,422,996
Total comprehensive income for the year ended 31 December 2018									
Profit for the year	-	-	-	-	-	-	2,173,440		2,173,440
Other comprehensive income for the year	-	-	-	-	-	-	5,948		5,948
Total comprehensive income for the year	-	-	-	-	-	-	2,179,388		2,179,388
Transactions with owners									
Final dividend for the year 31 December 2017 - @ Rs. 200 per share	-	-	-	-	-	-	(980,093)		(980,093)
Interim dividend for the period ended 31 December 2018 - @ Rs. 150 per share	-	-	-	-	-	-	(735,069)		(735,069)
Employee benefit cost under IFRS 2 - 'Share-based Payment'	-	-	-	-	75,781	75,781	-		75,781
Balance as at 31 December 2018	**49,005**	**-**	**41**	**26,559**	**354,490**	**381,090**	**1,532,908**		**1,963,003**
Adjustment relating to transfer of net assets as at 01 January 2019 (refer note 2.1.3)		(10,379)	-	-	-	-	(324,708)		(335,087)
Balances adjusted as at 1 January 2019	**49,005**	**(10,379)**	**41**	**26,559**	**354,490**	**381,090**	**1,208,200**		**1,627,916**
Total comprehensive income for the year ended 31 December 2019									
Profit for the year	-	-	-	-	-	-	774,605		774,605
Other comprehensive income for the year	-	-	-	-	-	-	(12,977)		(12,977)
Total comprehensive income for the year	-	-	-	-	-	-	761,628		761,628
Transactions with owners									
Final dividend for the year 31 December 2018 - @ Rs. 240 per share	-	-	-	-	-	-	(1,176,111)		(1,176,111)
Employee benefit cost under IFRS 2 - 'Share-based Payment'	-	-	-	-	54,281	54,281	-		54,281
Effect of employee left during the year before expiry of vesting period	-	-	-	-	(284)	(284)	284		-
Balance as at 31 December 2019	**49,005**	**(10,379)**	**41**	**26,559**	**408,487**	**435,087**	**794,001**		**1,267,714**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Reckitt Benckiser Pakistan Limited
Statement of Cash Flows
For the year ended 31 December 2019

	Note	2019	2018
		(Rupees in '000)	
Cash flows from operating activities			
Cash flow from operations	32	**2,344,405**	2,363,214
Staff retirement benefits paid		**(19,468)**	(15,361)
Deposits and loans		**1,766**	(130)
Income tax paid		**(701,709)**	(1,307,504)
Finance costs paid - Lease liabilities		**(12,452)**	-
Net cash generated from operating activities		**1,612,542**	1,040,219
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(381,586)**	(439,127)
Sale proceed from sale of property plant and equipment		**68,397**	53,688
Investment in equity accounted investee		**(6,250)**	-
Interest received		**65,403**	66,148
Net cash (used in) investing activities		**(254,036)**	(319,291)
Cash flows from financing activities	32.1		
Dividends paid		**(1,174,290)**	(1,709,307)
Payments of lease liablities		**(31,297)**	-
Net cash (used in) financing activities		**(1,205,587)**	(1,709,307)
Net increase / (decrease) in cash and cash equivalents		**152,919**	(988,379)
Cash and cash equivalents at beginning of the year		**1,280,091**	2,268,470
Cash and cash equivalents at end of the year	16	**1,433,010**	1,280,091

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

1 THE COMPANY AND ITS OPERATIONS

Reckitt Benckiser Pakistan Limited (the Company or RBPL) is incorporated in Pakistan as a public limited company. The principle activities of the Company are manufacturing and marketing of consumer household and pharmaceutical products.

The Company is a subsidiary of Reckitt Benckiser plc, UK, whereas its ultimate parent company is Reckitt Benckiser Group pie, UK (RB Group). The geographical location and address of the Company's business units, including mills/ plant is as under:

- The registered office of the Company is situated at 3rd Floor, Tenancy 05, Corporate Office Block Dolmen City.
- The Company's plant is located at F-18, Sindh Industrial Trading Estates, Karachi

In order to follow RB Group Global mandate, the Company has seperated its Hygiene Home and undertaking business as per Scheme of arrangement and transferred to RB hygiene home undertaking (refer note 2).

2 SCHEME OF ARRANGEMENT

The Board of Directors of the Company in its meeting held on 25 February 2019 has approved the Scheme of Arrangement (the Approved Scheme) under Section 279 to 282 and 285 of the Companies Act, 2017 between Reckitt Benckiser Pakistan Limited and its members and RB Hygiene Home Pakistan Limited and its members (RB Hygiene Home Limited established for the purposes of reconstruction proposed in the Scheme which is group company of RB UK) for Reconstruction of Reckitt Benckiser Pakistan Limited by (i) separating its Hygiene Home Undertaking inclusive of the Hygiene Home Business and certain assets, rights, liabilities and obligations pertaining to the Hygiene Home Business and vesting the Hygiene Home Undertaking in RB Hygiene Home Pakistan Limited against the issue of shares by RB Hygiene Home Pakistan Limited to the shareholders of Reckitt Benckiser Pakistan Limited and (ii) the consequent reduction in the issued and paid up share capital of Reckitt Benckiser Pakistan Limited (refer note 2.1.2).

In consideration of transferring to and vesting certain assets and liabilities to Hygiene Home Undertaking to RB Hygiene Home Pakistan Limited, RB Hygiene Home Pakistan Limited is required to issue its fully paid up ordinary shares at par value to the shareholders of Reckitt Benckiser Pakistan Limited (refer note 2.1.2).

The Scheme was approved by the shareholders, in accordance with prevailing law, in the extra ordinary general meeting held on 26 June 2019 under the directions of the Sindh High Court and the approval of Competition Commission of Pakistan.

As per the Approved Scheme, the Scheme will take effect from 1 January 2019 (effective date). This Scheme shall become effective as soon as a certified copy of an order or orders of the Court under Section 282 of the Companies Act, 2017 sanctioning this Scheme is filed with the Registrar of Companies-Securities & Exchange Commission of Pakistan, Karachi (completion date). Unless this Scheme shall have become effective as aforesaid on or before 31 December 2019 or such later date (if any) as the Court may allow, this Scheme shall not become effective.

From effective date, share capital and unappropriated profits would be split between Hygiene Home Undertaking inclusive of the Hygiene Home Business and other business, on the basis of net assets of these business determined as at 31 December 2018 (immediately preceding the effective date) of the Company and net assets determined under the approved Scheme relating to Hygiene Home Undertaking would be transferred to RB Hygiene Home Pakistan Limited. The separation from Reckitt Benckiser Pakistan Limited and the transfer to and vesting in RB Hygiene Home Pakistan Limited of the Hygiene Home Undertaking in accordance with the approved Scheme shall be treated as having taken effect from the Effective Date and as from that time and until the Completion Date the Hygiene Home Undertaking shall be deemed to have been carried on for and on account and for the benefit of RB Hygiene Home Pakistan Limited Limited and all profits and losses accruing or arising to or incurred by Reckitt Benckiser Pakistan limited through the operation of the Hygiene Home Undertaking from the Effective Date shall be treated as the profits or losses, as the case may be, of RB Hygiene Home Pakistan Limited.

2.1 Main features of the Sanctioned Scheme are summarised below:

2.1.1 Assets and Liabilities

The allocation/ segregation of assets and liabilities is required to be made between Hygiene Home Undertaking inclusive of the Hygiene Home Business and other undertaking and business as at 31 December 2018 as reflected in the books of account of the Company immediately preceding the Effective Date(i.e. 31 December 2018) as required by the sancitoned Scheme.

- The Hygiene Home Undertaking shall comprise the following:

  (a) certain assets and properties of Reckitt Benckiser Pakistan Limited relating to the hygiene Home Business, in particular: to the extent the same relate to the Hygiene Home Business:

    (i) all computer hardware , motor vehicle , finished goods and advance to sales personnel; and

    (ii) all advances for motor vehicles, rented premises at Third floor, Tenancy -04, Corporate Office Block Dolmen City, HC, Block 4, Scheme 5, Clifton, Karachi- 75600 , together with all rights, easements, privileges and the transfer and vesting of such assets shall be free from all mortgages or charges or other encumbrances;

  (b) the liabilities and obligations of Reckitt Benckiser Pakistan Limited towards vendors and suppliers relating to the stocks of finished goods;

  (c) unappropriated profits and losses of Reckitt Benckiser Pakistan Limited relating to the Hygiene Home Business;

  (d) the contracts of employment of the Hygiene Home Employees and all rights, obligations and liabilities of Reckitt Benckiser Pakistan Limited under such contracts or otherwise in relation to the Hygiene Home Employees, including bonus payments and such liabilities payable on termination of service by way of gratuity, redundancy or provident fund;

  (e) deferred tax asset or liability in respect of assets and liabilities of the Hygiene Home Undertaking to be transferred to and vested in RB Hygiene Home Pakistan Limited under this Scheme;

But excluding all other undertakings and businesses, and all other properties, assets, rights, liabilities, obligations and debts of Reckitt Benckiser Pakistan Limited except for those specified above.

- The special purpose financial statements from the Effective Date to Completion Date are required to be prepared by the Company of the properties, assets, rights, liabilities and obligations relating to the Hygiene Home Undertaking, as reflected in the books of account of the Company as at the completion date.

- Any dispute between the Company and RB Hygiene Home Pakistan Limited as to the division of the assets, rights, liabilities and obligations referred to above shall finally determine by a firm of Chartered Accountants mutually agreed between the Company and RB Hygiene Home Pakistan Limited within two (2) months of the written notification of the dispute by either party. No objection to such division may be raised more than six (6) months after the completion date.

- The debts, liabilities and obligations of the Company comprised in the Hygiene Home Undertaking upon being transferred to and vested in RB Hygiene Home Pakistan Limited shall be treated as the debts, liabilities and obligations of RB Hygiene Home Pakistan Limited as if originally incurred by RB Hygiene Home Pakistan instead of the Company and RB Hygiene Home Pakistan Limited shall pay and discharge all such debts and liabilities and shall perform all such obligations, accordingly.

- On and from the completion date, the Company shall stand released and discharged from all obligations to pay and discharge all debts and liabilities and to perform all obligations transferred to and vested in RB Hygiene Home Pakistan Limited.

- On and from the completion date, RB Hygiene Home Pakistan Limited will take in employment all Hygiene Home Employees on the terms and conditions applicable to them in the Company immediately preceding the completion date, including those relating to entitlements arising upon termination of service to payment of provident fund, gratuity, redundancy, and other facilities as applicable and with the benefit of past service in the Company.

2.1.2 Capital and unappropriated profits

Capital and unappropriated profits will be allocated on the basis of the net assets ratio of Hygiene Home undertaking and Health and Other Undertakings business. The details are as follows:

- As a result of transfer to and vesting of the net assets of the Hygiene Home undertaking in RB Hygiene Home Pakistan Limited, the share capital of the Company (attributable to Hygiene Home undertaking business) will be reduced by 1,037,935 ordinary shares of Rs. 10/- each amounting to Rs. 10.379 million; and

- Further, 1,037,935 ordinary shares of Rs. 10/- each (par value) amounting to Rs. 10.379 million of RB Hygiene Home Pakistan Limited will be issued to the shareholders of Reckitt Benckiser Pakistan Limited as consequence of the transfer to and vesting of Hygiene Home undertaking.

The Company shall give at least seven (7) days' notice of the Record Date to the Qualifying Shareholders specifying the date by which the Qualifying Shareholders shall deliver to the Company for cancellation.

The share certificates relating to the Existing Shares held by the Qualifying Shareholders shall, as at the Record Date, stand cancelled and the surrender of the related share certificates shall entitle each such Qualifying Shareholder to share certificates of RB Hygiene Home Pakistan Limited and of the Company, respectively for the number of fully paid shares to which such Qualifying Shareholder is entitled in RB Hygiene Home Pakistan Limited and the Company as referred above.

2.1.3 Determination of assets and liabilities

The details of assets and liabilities of relating Hygiene Home Undertaking inclusive of the Hygiene Home Business as at 31 December 2018 for the purpose of the reconstruction of the Company by separation of its Hygiene Home Undertaking business in accordance with the approved Scheme and on the basis of allocation / segregation as per the sanctioned Scheme are as follows:

	Note	31 December 2018		
		Health and Other Undertakings	**Hygiene Home Undertaking**	**Total**
		(Rupees in '000)		
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital				
4,900,463 ordinary shares of Rs. 10/- each				49,005
Capital and other reserves				381,090
Unappropriated profit				1,532,908
Total Shareholders' equity				1,963,003
ASSETS				
Non-current assets				
Property, plant and equipment		1,671,544	80,029	1,751,573
Long term loans and advances		1,856	-	1,856
Long-term deposits		10,527	-	10,527
Deferred taxation		1,331	16,942	18,273
		1,685,258	96,971	1,782,229
Current assets				
Stock-in-trade		1,629,455	315,178	1,944,633
Trade debtors		1,384,916	-	1,384,916
Loans and advances		15,220	165	15,385
Trade deposits and prepayments		47,039	-	47,039
Other receivables		35,268	-	35,268
Taxation - net		239,864	-	239,864
Bank balances		1,280,091	-	1,280,091
		4,631,853	315,343	4,947,196
TOTAL ASSETS		6,317,111	412,314	6,729,425
LIABILITIES				
Non-current liabilities				
Staff retirement benefits		103,264	11,541	114,805
Current liabilities				
Trade and other payables		4,551,681	65,686	4,617,367
Unclaimed dividends		34,250	-	34,250
		4,585,931	65,686	4,651,617
Total liabilities		4,689,195	77,227	4,766,422
Contingencies and commitments				
NET ASSETS		1,627,916	335,087	1,963,003
Net Assets	39	1,246,826	335,087	1,581,913
Net Assets Ratio		78.82%	21.18%	100%

2.1.4 Transfer of assets and Liabilities

The Scheme was sanctioned / approved by Sindh High Court (the sanctioned Scheme) on 25 September 2019 by its order dated 25 September 2019 under Section 282 of the Companies Act, 2019 and the same filed with the Registrar of Companies - Securities and Exchange Commision of Pakistan, Karachi on 01 October 2019. Accordingly, the Scheme became effective from 1 January 2019 and the completion date was 01 October 2019. From 01 October 2019, all financial transactions relating to Hygiene Home undertaking are being recorded in the books of accounts of RB Hygiene Home Pakistan Limited. Hence, as per the Scheme, 30 September 2019 was considered as the completion date in order to determine the financial position and results of Hygiene Home undertaking as at and for the period from 1 January 2019 to 30 September 2019 as reflected in books of accounts of the Company during such period on account and for the benefit of RB Hygiene Home Pakistan Limited. Accordingly, all liabilities and assets as at 30 September 2019 and transactions for such period were transferred from the Company to RB Hygiene Home Pakistan Limited and were recorded accordingly.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS , the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for defined benefit plan (gratuity) which is measured at present value of defined contribution obligation.

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional currency and all financial information presented has been rounded off to the nearest thousand, unless otherwise stated.

3.4 Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgments made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year are set forth below:

- Property, plant and equipment (refer note 6.1)
- Stock-in-trade (refer note 6.3)
- Impairment of non-financial assets (refer note 6.5)
- Staff retirement benefits (refer note 6.6.2)
- Taxation (refer note 6.7)
- Provisions (refer note 6.10)

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on the Company's financial statements.

5 CHANGES IN ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these special purpose financial statements have been consistently applied to all periods presented except for the change in accounting policies as stated below. A number of other new standards are effective from 01 January 2019 but they do not have a material effect on the Company's financial position.

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective for annual periods beginning on or after 01 July 2018 and for reporting period/ year ending on or after 01 January 2019 respectively. The Company has also adopted consequential amendments to IAS 1 and IFRS 7 as a result of adoption of IFRS 9.

The key changes to the Company's accounting policies resulting from adoption of IFRS 15, IFRS 9 and IFRS 16 are summarized below:

5.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and the number of revenue related interpretations.

The Company manufactures and contracts with customers for the sale of Hyho, hygiene and home products which generally include single performance obligation. Management has concluded that revenve from sale of goods be recognized at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognized at that point in time, as the risks of loss heve been transferred to the customers. The above is generally consistent with the timing and amounts of revenue the Company recognized in accordance with the previous standard, IAS 18. Accordingly, there is no impact on comparative information.

5.2 IFRS 9 'Financial Instruments'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements', which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Company's approach was to include the impairment of trade receivables in distribution expenses. Consequently, the Company reclassified impairment reversals amounting to Rs. 11.176 million, recognized under IAS 39, from distribution expenses' to 'impairment (loss)/ reversal on trade receivables' in the statement of profit or loss for the year ended 31 December 2018. Additionally, the Company has adopted consequential amendments to IFRS 7 'Financial Instruments: Disclosures' that are applied to disclosures for the period ended 30 September 2019 but have not been generally applied to comparative information.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below:

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity , loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies financial assets under IFRS 9, see note 6.12 to the financial statements.

ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. The Company has classified its financial assets as measured at amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for financial assets measured at amoritised cost there are impairment requirements.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9.

For assets in the scope of IFRS 9 impairment model, impairment lossses are generally expected to increase and become more volatile. The Company based on its assessment has determined that the application of IFRS 9's impairment requirements at 1 January 2019 does not results in an additional significant allowance for impairment.

iii. Change in classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2019 before transfer of Hygiene Home undertaking business under the scheme.

	Orignal classification under IAS 39	New classification under IFRS 9	Orignal Carrying Amount	New Carrying Amount
			---------- (Rupees in 000's)	----------
Financial Assets				
Long / short term deposits	Loans and receivables	Amortized cost	49,005	49,005
Trade receivables	Loans and receivables	Amortized cost	1,384,916	1,384,916
Other receivables	Loans and receivables	Amortized cost	109	109
Bank balances	Loans and receivables	Amortized cost	1,280,091	1,280,091
			2,714,121	**2,714,121**
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	3,894,469	3,894,469
Unclaimed dividend	Amortised cost	Amortised cost	34,250	34,250
			3,928,719	**3,928,719**

These financial assets were orignally classified as loan and receivables under IAS 39 and are now classified as measured at amortized cost under IFRS 9.

Transition

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

5.3 IFRS 16 'Leases'

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for allleases with a term of more than 12 months, unless the underlying asset is of low value A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The significant judgments in the implementation were determining if a contract contains a lease, and the determination of whether the Company is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 January 2019 was 13.1 percent. The impact of IFRS 16 on the Company is primarily where the Company is a lessee in property lease contracts. The Company has elected to adopt simplified approach on transition and has not restated comparative information. On 1 January 2019, the Company recognized a lease liability, being the remaining lease payments, including extension options where renewal is reasonably certain, discounted using the Company's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The statement of financial position increase as a result of recognition of lease liability and right to use assets as of 1 January 2019 was Rs. 114.064 million and Rs. 114.064 million respectively, with no adjustment to retained earnings. The asset is presented in 'Property, plant and equipment' and the liability is presented in 'Lease liabilities'. Also in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expenses. During the year, the Company recognized depreciation expense of Rs. 40.258 million and interest expense of Rs. 12.452 million on these leases.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (refer note 5).

6.1 Property, plant and equipment

Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials, direct labor and any other cost directly attributable to bring the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs, if any.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The costs relating to day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged to income on the assets in use at beginning of the year on the basis indicated in note 7.1 whereby the carrying value of an asset less estimated residual value, if not significant, is written off over its estimated useful life. Depreciation on assets is charged from the month of addition whereas no depreciation is charged in the month of disposal. Cost of leasehold land is amortized over the period of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced if any, are retired.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any and consists of expenditure incurred and advances made in respect of tangible fixed assets during the course of their construction and installation. Transfers are made to relevant assets category as and when assets are available for intended use.

Disposal

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the profit or loss.

6.2 **Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditures are expensed out as incurred.

Amortization

Amortization is charged to profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

6.3 **Stock in trade**

Stock in trade, except for stock in transit is valued at the lower of cost and net realizable value less provision for impairment, if any. Cost is determined on first in first out (FIFO) method.

Cost of work-in-process and finished goods include direct cost of material, direct labor and appropriate portion of manufacturing overheads.

Stock in transit is valued at cost comprising invoice value plus other charges incurred thereon. Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessarily to be incurred in order to make the sale.

6.4 **Investment in equity accounted investee**

Entities in which the Company has significant influence directly or indirectly but not control and which are neither subsidiaries nor joint ventures of the members of the Company are associates. Enitities in which the Company has joint control and rights to the net assets through a joint arrangement with other entities are joint ventures. Investment in associates and Joint venture are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognized at cost. Subsequently, the associates' and joint ventures' share of profit or loss and movements in other comprehensive income are recognised, after adjustments, if any, to align the accounting policies with those of the Company, from the date that significant influence commences until the date it ceases. Share of post acquisition profit/loss of associates and Joint ventures is recognized in the profit or loss. Distributions received from associates and Joint ventures reduce the carrying amount of investment. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Company's net investment in the associate and Joint Venture) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

The carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying amount that would have been determined if no impairment loss had been recognized. A reversal of impairment loss is recognized in the profit or loss.

6.5 **Impairment of non-financial assets**

The carrying amounts of the Company's non financial assets, other than deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value of use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

6.6 Employee Benefits

6.6.1 Compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

6.6.2 Staff retirement benefits

The Company operates the following defined benefit and contribution plans:

(i) an unfunded gratuity scheme for all the management staff and employees .The Company's obligation is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense, current service cost and any past service cost are recognized in profit or loss. Any assets resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. The latest actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries. Retirement benefits are payable to employees on the completion of the prescribed qualifying period of service under the funds.

(i) an approved contributory provident fund for all the permanent employees. Equal monthly contributions are made, both by the Company and the employees, at the rate of 10% of the basic salary of the employee.

(iii) an approved contributory pension fund for all the permanent workers. Contributions are made on the basis of the fund's prescribed scale.

6.7 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and tax paid under final tax regime.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.
Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits or taxable temporary difference will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

6.8 Foreign currencies translations

Transactions in foreign currencies are translated into Pakistani Rupees at the exchage rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Pakistani Rupees at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into Pakistani Rupees at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the statement of profit or loss.

6.9 Revenue recognition

6.9.1 Policies applicable before 01 January 2019

Revenue was recognized to the extent that was probable that the future economic benefits would flow to the Company and the revenue could be measured reliably. Revenue was measured at the fair value of consideration received or receivable. Revenue from sales of goods was recognized on the dispatch of goods to customers i.e. transfer of risks and rewards.

6.9.2 Policies applicable from 01 January 2019

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from operations of the Company are recognized when the goods are provided, and thereby the performance obligations are satisfied. Revenue consist of health related products which generally include single performance obligation. The Company's contract performance obligations are fulfilled at the point in time when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. Revenue is measured at fair value of the consideration received or receivable, excluding amount of sales tax. The Company assesses its revenue arrangements against specific criteria that must be met before revenue is recognised.

6.10 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made. Provision are reviewed at each reporting date and adjusted to reflect the current best estimates.

6.11 Share-based payments

The economic cost of awarding equity instruments by the ultimate parent to employees of the Company is reflected by recording an employee related cost in the profit or loss equivalent to the fair value of these financial instruments on the grant date over the vesting period with the corresponding credit to equity.

6.12 Financial instruments

6.12.1 Financial assets

6.12.1.1 Classification

6.12.1.1.1 Policies applicable before 01 January 2019

The management determined the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' at the time of purchase of financial assets. The financial assets of the Company were categorised as follows:

a) Financial assets at fair value through profit or loss

A financial asset was classified as at fair value through profit or loss if it was classified as held for trading or was designated as such on initial recognition. Financial assets that were acquired principally for the purpose of generating profit from short-term fluctuations in prices were classified in 'financial assets at fair value through profit or loss' category.

b) Loans and receivables

These were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. The Company's loans and receivables comprised of trade debts, loans and advances, deposits, other receivables and bank balances.

c) **Held-to-maturity**

These were financial assets with fixed or determinable payments and fixed maturity for which the Company had the positive intent and ability to hold till maturity.

d) **Available-for-sale financial assets**

Financial assets intended to be held for an indefinite period of time, which could be sold in response to needs for liquidity or changes in equity prices, were classified as 'available for sale'. Available for sale financial instruments were those non-derivative financial assets that were designated as available for sale or were not classified either as (a) financial assets at fair value through profit or loss; (b) loans and receivables; or (c) held to maturity.

6.12.1.1.2 Policies applicable from 01 January 2019

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The company's financial assets comprise of loans and receivables, the assessment of business model for other financial assets is made on a portfolio / asset by asset basis. The information considered in making this assessment includes:

- the stated policies and objectives for the asset and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio / asset is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

On the basis of above assessment the Company determined that Held-to-collect business model is relevant for the Company as its financial assets comprise of only cash and cash equivalents and trade and other receivables. These financial assets are held to collect contractual cash flow.

6.12.1.2 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

6.12.1.3 Initial recognition and measurement

All financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

6.12.1.4 Subsequent measurement

6.12.1.4.1 Policies applicable before 01 January 2019

Subsequent to initial recognition, financial assets were valued as follows:

a) 'Financial assets at fair value through profit or loss' and 'available-for-sale'

A financial asset was classified as at fair value through profit or loss if it was classified as held for trading or was designated as such on initial recognition. Financial assets that were acquired principally for the purpose of generating profit from short-term fluctuations in prices were classified in 'financial assets at fair value through profit or loss' category.

Financial assets intended to be held for an indefinite period of time, which could be sold in response to needs for liquidity or changes in equity prices, were classified as 'available for sale'. Available for sale financial instruments were those non-derivative financial assets that were designated as available for sale or were not classified either as (a) financial assets at fair value through profit or loss; (b) loans and receivables or (c) held to maturity.

b) 'Loans and receivables' and 'held-to-maturity'

Loans and receivables and held-to-maturity financial assets were carried at amortised cost.

6.12.1.4.2 Policies applicable from 01 January 2019

Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in statement of profit or loss.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.
Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

6.12.1.5 Trade receivables, loans and advances, deposits and other receivables

6.12.1.5.1 Policies applicable before 01 January 2019

These were classified as loans and receivables and were recognised initially at fair value and subsequently measured at amortised cost or cost, as the case may be, less provision for impairment, if any. A provision for impairment was established when there was an objective evidence that the Company would not be able to collect all amounts due according to the original terms of receivables. Items considered irrecoverable were written off.

6.12.1.5.2 Policies applicable from 01 January 2019

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

6.12.1.6 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and balances held with banks and short term running finance availed by the Company, which are payable on demand and form an integral part of the Company's cash management.

6.12.1.7 Impairment

6.12.1.7.1 Policies applicable before 01 January 2019

A financial asset was assessed at each reporting date to determine whether there was any objective evidence that it was impaired. A financial asset was considered to be impaired if objective evidence indicated that one or more events had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets were tested for impairment on an individual basis. The remaining financial assets were assessed collectively in groups that share similar credit risk characteristics. All impairment losses were recognised in statement of profit or loss. An impairment loss was reversed if the reversal could be related objectively to an event occurring after the impairment loss was recognised.

6.12.1.7.2 Policies applicable from 01 January 2019

The Company recognises loss allowances for ECLs in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occuring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6.12.1.8 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Company has transferred substantially all risks and rewards of ownership.

6.12.2 Financial liabilities

Financial liabilities for trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss. Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

6.12.2.1 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in profit and loss account over the period of borrowings on an effective interest basis.

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of that asset.

6.13 Leases

6.13.1 Policy applicable before 1 January 2019

Upto 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as assets in the statement of financial position. Payments under operating leases were recognized in profit and loss on a straight line basis over the term of the lease.

6.13.2 Policy applicable from 1 January 2019

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases properties for its operations. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of- use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expenses on a straight line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

6.14 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

6.15 Proposed dividends and transfer between reserves

Dividend distributions to the Company's shareholders are recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the reporting date is considered as a non-adjusting event and is recognized in the period in which such transfers are made.

7 PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		(Rupees in '000)	
Operating fixed assets	*7.1*	**1,688,331**	1,627,401
Capital work in progress	*7.5*	**77,752**	124,172
		1,766,083	1,751,573

7.1 Operating fixed assets

	31 December 2019									
	Cost				Depreciation				Net book value as at 31 December 2019	Depreciation rate
	Cost as at 01 January 2019	Transfer as at 01 January 2019 (Refer note 2.1.3)	Additions/ (disposals)	Cost as at 31 December 2019	Accumulated depreciation as at 01 January 2018	Transfer as at 01 January 2019 (Refer note 2.1.3)	Depreciation for the year / (on disposals)	Accumulated depreciation as at 31 December 2019		
	(Rupees in '000)									(% per annum)
Leasehold land	308,631	-	-	308,631	19,597	-	3,208	22,805	285,826	1.04 % - 1.85%
Leasehold improvements	90,471	-	8,338 -	98,809	26,260	-	14,575 -	40,835	57,974	20%
Buildings (Inclusive Buildings on leasehold land)	325,817	-	20,707 -	346,524	126,800	-	20,494 -	147,294	199,230	10%
Plant and machinery	1,231,586	- -	184,972 -	1,416,558	550,817	-	102,018 -	652,835	763,723 -	10%
Furniture and fittings	14,602	-	-	14,602	14,602	-	-	14,602	-	15%
Office equipment	310,634	(8,457)	65,270 (499)	366,948	173,964	(4,570)	37,585 (499)	206,480	160,468	10%- 33%
Vehicles	362,430	(63,623)	148,719 (95,888)	351,638	104,730	(15,955)	67,235 (25,482)	130,528	221,110	20%
Total	2,644,171	(72,080)	428,006 (96,387)	2,903,710	1,016,770	(20,525)	245,115 (25,981)	1,215,379	1,688,331	

	31 December 2018							
	Cost			Depreciation				
	Cost as at 01 January 2018	Additions/ (disposals)	Cost as at 31 December 2018	Accumulated depreciation as at 01 January 2018	Depreciation for the year / (on disposals)	Accumulated depreciation as at 31 December 2018	Net book value as at 31 December 2018	Depreciation rate (% per annum)
	(Rupees in '000)							
Leasehold land	308,631	-	308,631	16,389	3,208	19,597	289,034	1.04 % - 1.85%
	-	-	-	-	-	-	-	
Leasehold improvements	107,573	2,100	90,471	29,513	15,949	26,260	64,211	20%
		(19,202)			(19,202)	-	-	
Buildings on leasehold land	250,724	75,093	325,817	109,190	17,610	126,800	199,017	10%
	-	-	-	-	-	-	-	
Plant and machinery	1,011,689	263,961	1,231,586	498,485	92,491	550,817	680,769	10%
	-	(44,064)	-	-	(40,159)			
Furniture and fittings	14,602	-	14,602	14,602	-	14,602	-	15%
Office equipment	271,116	43,792	310,634	141,183	36,866	173,964	136,670	10%- 33%
		(4,274)	-	-	(4,085)	-	-	
Vehicles	319,100	122,668	362,430	73,904	57,526	104,730	257,700	20%
	-	(79,338)	-	-	(26,700)	-	-	
Total	2,283,435	507,614	2,644,171	883,266	223,650	1,016,770	1,627,401	
		(146,878)			(90,146)			

7.2 Certain assets having a nill book value (2018: 6.4 million) and these assets are held by third parties for the purpose of toll manufacturing and distribution services.

7.3 Details of property, plant and equipment disposed of during the year exceeding book value of 500,000:

Description	Cost	Accumulated Depreciation	Book value	Sale proceeds	(Gain) / loss on disposal	Particular of buyers	Mode of disposal	Relationship with the purchaser
	----------	----------	----------	(Rupees in '000)	----------			
Motor Vehicle	15,400	(3,542)	11,858	11,242	(616)	Fahad Ashraf	As per policy	Employee
Motor Vehicle	7,720	(2,856)	4,864	3,214	(1,650)	Munaza Farooq Kasmani	As per policy	Employee
Motor Vehicle	2,577	(464)	2,113	1,803	(310)	Taha Khan Durani	As per policy	Employee
Motor Vehicle	2,448	(367)	2,081	1,792	(289)	Salman Taufiq	As per policy	Employee
Motor Vehicle	2,224	(278)	1,946	1,852	(93)	Saad Patel	As per policy	Employee
Motor Vehicle	2,224	(334)	1,890	1,705	(185)	Bushra Iqbal	As per policy	Employee
Motor Vehicle	2,003	(240)	1,763	1,602	(160)	Rehan Azhar	As per policy	Employee
Motor Vehicle	1,902	(495)	1,407	1,203	(204)	Saqir Riaz	As per policy	Employee
Motor Vehicle	1,902	(514)	1,388	1,474	86	Adnan Malik	As per policy	Employee
Motor Vehicle	1,435	(172)	1,263	1,148	(115)	Hassan Kaleem	As per policy	Employee
Motor Vehicle	1,403	(168)	1,235	1,175	(60)	Karim Ullah Rozik	As per policy	Employee
Motor Vehicle	1,435	(201)	1,234	1,124	(110)	Shoaib Akhtar	As per policy	Employee
Motor Vehicle	1,447	(217)	1,230	694	(536)	Muhammad Irfan	As per policy	Employee
Motor Vehicle	1,443	(231)	1,212	1,057	(155)	Saad Sarwar	As per policy	Employee
Motor Vehicle	1,701	(527)	1,174	1,127	(47)	Javed Iqbal	As per policy	Employee
Motor Vehicle	1,678	(571)	1,107	1,645	538	Atif Hussain	As per policy	Employee
Motor Vehicle	1,678	(587)	1,091	738	(352)	Humaira Siddique	As per policy	Employee
Motor Vehicle	1,443	(361)	1,082	909	(173)	Haseeb Shahid	As per policy	Employee
Motor Vehicle	1,695	(627)	1,068	678	(390)	Khliad Khan	As per policy	Employee
Motor Vehicle	1,702	(681)	1,021	681	(340)	Atif Hussain	As per policy	Employee
Motor Vehicle	1,452	(436)	1,017	1,016	(1)	Sana Khan	As per policy	Employee
Motor Vehicle	1,691	(761)	930	1,605	675	Syed Haider Kazim Ali	As per policy	Employee
Motor Vehicle	851	(77)	775	804	30	Saim Jawed	As per policy	Employee
Motor Vehicle	1,190	(440)	750	880	130	Osama Harroon	As per policy	Employee
Motor Vehicle	1,146	(447)	699	971	272	Waleed Haroon	As per policy	Employee
Motor Vehicle	1,701	(1,021)	681	340	(340)	Kashif Abidi	As per policy	Employee
Motor Vehicle	756	(151)	605	750	144	Khujista Zehra	As per policy	Employee
Motor Vehicle	1,055	(454)	601	785	184	M. Ilyas	As per policy	Employee
Motor Vehicle	1,055	(517)	538	783	245	Anas Amanullah	As per policy	Employee
Motor Vehicle	1,009	(484)	525	818	293	Zaffar Shah	As per policy	Employee
2019	**67,367**	**(18,220)**	**49,147**	**45,616**	**(3,531)**			

7.4 **The depreciation charge for the year has been allocated as follows:**

	Note	2019	2018
		(Rupees in '000)	
Cost of sales	26.1	**167,458**	146,046
Distribution cost	27	**29,954**	37,709
Administrative expenses	28	**47,702**	39,895
		245,115	223,650

7.5 **Capital work-in-progress**

	2019	2018
Opening balance as on 31 Decemeber	**124,172**	192,659
Transferred to RB Hygiene Home Pakistan Limited (Refer note 2.1.3)	**(28,474)**	-
Adjusted balance as on 1 January	**95,698**	192,659
Additions during the year	**410,060**	407,470
Transfers during the year	**(428,006)**	(475,957)
Closing balance as on 31 December	**77,752**	124,172

7.5.1 As at 31 December, capital work-in-progress represents:

	2019	2018
- Property plant and equipments	**24,232**	14,638
- Advance to Supplier	**13,724**	79,792
- Civil works	**39,796**	29,742
	77,752	124,172

8 **RIGHT OF USE ASSETS**

The Right-of-use asset related to leased properties that do not meet the defination of investment property and are presented as property, plant and equipment and the details are as follows:

	2019	2018
Recognition of right-of-use asset on intial application of IFRS 16 at 1 January 2019	**114,064**	-
Depreciation charge for the year	**(40,258)**	-
Closing balance	**73,806**	-

9 INVESTMENT IN EQUITY ACCOUNTED INVESTEE

This investments in shares of Saaf Sehatmand Pakistan (Private) Limited that represents 31.25% (i.e 1,250,000 shares) was made by the Company and shares are yet to be issued there against. The Company has transfered 624,999 shares (i.e 15.63%) to the RB Hygiene Home Pakistan Limited as agreed with other shareholders through Shareholder's agreement. Accordingly, the Company's investment is 625,001 shares of Rs. 10/- each.

10 DEFERRED TAXATION

	Note	2019	2018
Deferred tax credits / (debits) arising in respect of :		(Rupees in '000)	
Deductible temporary differences			
Provision for:			
- staff retirement benefits		**32,142**	26,834
- doubtful trade debts		**16,129**	11,945
- doubtful deposits		**3,265**	1,137
- slow moving and obsolete stock in trade		**46,033**	42,283
- Workers Welfare Fund		**21,493**	18,502
- leave encashment		**838**	585
- lease liability		**22,473**	-
Taxable temporary differences			
Accelerated tax depreciation		**(107,676)**	(83,013)
		34,697	18,273

10.1 Break up of deferred tax Asset / (Liability)

	Balance as at 1 January 2019	Transfer as at 01 January 2019 (Refer note 2.1.3)	Profit or loss	OCI	Balance as at 31 December 2019
	(Rupees in '000)				
Staff retirement benefits	26,834	(2,698)	12,843	(4,837)	**32,142**
Doubtful trade debts	11,945	-	4,184	-	**16,129**
Doubtful deposits	1,137	-	2,128	-	**3,265**
Slow moving and obsolete stock in trade	42,283	(14,594)	18,344	-	**46,033**
Workers Welfare Fund	18,502	-	2,991	-	**21,493**
Leave encashment	585	-	253	-	**838**
Lease liability	-	-	22,473	-	**22,473**
Accelerated tax depreciation	(83,013)	350	(25,013)	-	**(107,676)**
	18,273	**(16,942)**	**38,203**	**(4,837)**	**34,697**

11 STOCK-IN-TRADE

	Note	2019	2018
		(Rupees in '000)	
Raw and packing materials - including in transit Rs. 153.44 million (2018: Rs. 274.52 million)		**979,555**	919,062
Work-in-process		-	5,902
Finished goods - including in transit Rs. 42.82 million (2018: Rs. 400.45 million)		**741,858**	1,200,569
Provision for slow moving and obsolete stock		**(169,536)**	(180,900)
		1,551,877	1,944,633

11.1 **Provision for slow moving and obsolete stock**

	2019	2018
Opening	**180,900**	183,972
Transfered to RB Hygiene Home Pakistan Limited	**(62,438)**	-
Charge / (Reversal) during the year	**51,074**	(3,072)
	169,536	180,900

11.2 Raw and packing materials of Rs. 206.858 million (2018: Rs. 179.86 million) are held with the following third parties for toll manufacturing:

	2019	2018
Khatoon Industries (Private) Limited	**68,793**	90,616
Prime Tolling Company (Private) Limited	-	28,827
Ismail Industries Limited	-	8,106
Nimir Industrial Chemicals Limited	**106,747**	41,472
Herbion Industries Limited	**31,318**	10,842
	206,858	179,863

11.3 Items of Rs. 31.94 million (2018: Rs. 36.315 million) for the consumer promotion schemes and finished goods of Rs. 598.95 (2018: Rs. 710.102 million) are held at the third party warehouse facilities managed by Emirates Supply Chain Services (Private) Limited.

12 TRADE RECEIVABLES

	Note	2019	2018
		(Rupees in '000)	
Considered good - related parties	12.3	438,063	33,068
Considered good - others		1,436,219	1,402,954
Impairment against trade receivables		(59,402)	(51,106)
		1,376,817	1,351,848
		1,814,880	1,384,916

12.1 The age analysis of trade debts from related parties that are past due but not impaired are as follows:

	2019	2018
Upto 3 months	281,306	29,094
3 to 6 months	5,716	3,974
	287,022	33,068

12.2 Maximum amount outstanding during the year is as follows.

	Note	2019	2018
Reckitt Benckiser (Bangladesh) Limited		4,193	4,132
Reckitt Benckiser (Malaysia) Limited		26,731	27,914
Reckitt Benckiser (South Africa) Pty Limited		14,953	8,599
Reckitt Benckiser Healthcare (Philippines)		4,460	5,848
RB Hygeine Home Pakistan Limited	15.1	425,836	-

12.3 This includes payable to following related parties:

	Note	2019	2018
Reckitt Benckiser (Malaysia) Limited		10,044	20,337
Reckitt Benckiser (Bangladesh) Limited		-	4,132
Reckitt Benckiser (South Africa) Pty Limited		-	8,599
Reckitt Benckiser Healthcare (Philippines)		2,183	-
RB Hygeine Home Pakistan Limited	12.3.1	425,836	-
		438,063	33,068

12.3.1 This represents receivable from the RB Hygiene Home Pakistan Limited on account of sales (refer 24.1) and other receivables.

13 LOANS AND ADVANCES - considered good

	2019	2018
Loans and advances to:		
- executives	-	2,217
- other than executives	7,830	7,001
	7,830	9,218
Advances to suppliers	10,946	6,167
	18,776	15,385

14 TRADE DEPOSITS AND PREPAYMENTS

	2019	2018
Trade deposits	48,944	39,879
Cash Margin	8,499	-
Provision for doubtful deposits	(12,024)	(1,401)
	45,419	38,478
Prepayments	6,992	8,561
	52,411	47,039

15 OTHER RECEIVABLES

	Note	2019	2018
Reckitt Benckiser Pakistan Limited			
- Staff Provident Fund		978	-
Others - related party			
- Reckitt Benckiser (Bahrain) W.L.L		109	109
		1,087	109
Workers' Profit Participation Fund	15.1	76,311	35,159
Workers' Welfare Fund		19,570	-
		96,968	35,268

15.1 **Workers' Profit Participation Fund**

	Note	2019	2018
		(Rupees in '000)	
Balance at beginning of the year		**35,159**	11,852
Allocation for the year		**(61,511)**	(169,370)
		(26,352)	(157,518)
Less: Amount paid to the trustees of the Fund		**102,663**	192,677
		76,311	35,159

16 **CASH AND BANK BALANCES**

	Note	2019	2018
With banks on:			
- current accounts			
- local currency		**57,795**	219,687
- foreign currency [US $ 220,230 (2018: US $ 235,050)]		**34,123**	32,624
- savings accounts	16.1 & 16.2	**1,341,092**	1,027,780
- term deposit receipt		**-**	-
		1,433,010	1,280,091
Cash in hand		**-**	-
		1,433,010	1,280,091

16.1 This includes Rs. 927.82 million (2018: Rs. 690.534 million) in respect of security deposits received from customers.

16.2 These carry markup rates ranging from 8.09% to 12.25% (2018: 5.3% to 8.5%) per annum.

17 **ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

2019	2018			2019	2018
(Number of shares)				(Rupees in '000)	
687,312	687,312	Shares allotted for consideration paid in cash		**6,873**	6,873
4,772,131	4,772,131	Shares allotted for consideration paid other than cash		**47,722**	47,722
26,599,205	26,599,205	Shares allotted as bonus shares		**265,992**	265,992
(2,655,870)	(2,655,870)	Shares bought back		**(26,559)**	(26,559)
(14,701,389)	(14,701,389)	Shares reduced	17.1	**(147,014)**	(147,014)
(9,800,926)	(9,800,926)	Shares reduced	17.2	**(98,009)**	(98,009)
4,900,463	4,900,463			**49,005**	49,005

17.1 Pursuant to a special resolution passed at the annual general meeting of the members held on 31 March, 2006 and subsequently sanctioned to High Court of Sindh through its order dated 29 August, 2006, the Company reduced its share capital by half.

17.2 Pursuant to a special resolution passed at the annual general meeting of the members held on 8 April, 2009 and subsequently sanctioned to High Court of Sindh through its order dated 4 November, 2009, the Company reduced its share capital by half.

17.3 At 31 December, 2018 Reckitt Benckiser plc, UK, the holding company, together with its nominees held 4,835,575 (2017: 4,835,575) shares of Rs. 10 each.

18 **REDUCTION OF SHARE CAPITAL**

1,037,935 shares to the shareholders have not been reduced upto 31 December 2019. Therefore, the amount of shares to be reduced has been reflected as reduction of share capital as per Sanctioned Scheme of Arrangement (refer note 2.1.2).

Subsequent to the year end, the Company has issued notice of entitlement determination dates under the Scheme of Arrangement for the reconstruction of the Reckitt Benckiser Pakistan Limited and of Book Closure which states that in accordance with the Scheme the share certificates relating to the shares in Reckitt Benckiser Pakistan Limited (prior to the reduction of share capital of Reckitt Benckiser Pakistan Limited) will stand cancelled with effect from 17 January 2020 and the relevant share certificates of Reckitt Benckiser Pakistan Limited and of RB Hygiene Home Pakistan Limited will be available for delivery by 31 January 2020 against surrender of the existing share certificates to Reckitt Benckiser Pakistan Limited's Share Registrars.

19 **RESERVES**

	2019	2018
Pre-incorporation profit	**41**	41
Capital repurchase reserve	**26,559**	26,559
Other reserve	**408,487**	354,490
	435,087	381,090

20 STAFF RETIREMENT BENEFITS

20.1 Staff Retirement Benefits

20.1.1 Actuarial valuation of the plan is carried out every year and the latest actuarial valuation was carried out as of 31 December, 2019, using the Projected Unit Credit method. Details of the Fund as per the actuarial valuation are as follows:

	Note	2019	2018
		(Rupees in '000)	
Present value of unfunded defined benefit obligation at 31 December	*19.1.2*	**118,379**	114,805

20.1.2 Movement in the present value of unfunded defined benefit obligation

	Note	2019	2018
Balance at 31 Decemeber		**114,805**	102,873
Transfer to RB Hygeine Home Pakistan Limited		**(11,542)**	-
Balance at 1 January		**103,263**	102,873
Benefits paid by the plan		**(7,926)**	(15,361)
Current service cost	*20.1.3*	**25,797**	25,665
Interest cost	*19.1.3*	**15,059**	9,391
Remeasurement on obligation	*19.1.4*	**(17,814)**	(7,763)
Balance at 31 December		**118,379**	114,805

20.1.3 Expense recognized in profit and loss account

	2019	2018
Current service cost	**25,797**	25,665
Interest cost	**15,059**	9,391
Expense recognized in profit and loss account	**40,856**	35,056

20.1.4 Remeasurerment recognized in Other Comprehensive Income

	2019	2018
(Gain) / loss due to changes in financial assumptions	**(11,037)**	(2,621)
Experience (gain) / loss	**(6,777)**	(5,142)
	(17,814)	(7,763)

20.1.5 Actuarial Assumptions

	2019	2018
Discount rate at 31 December	**11.25%**	13.25%
Future salary increases	**11.25%**	13.25%

20.1.6 The death in service rates were based on SLIC (2001 - 05) Ultimate mortality tables. For the valuation of SLIC with 1 year setback with respect to mortality has been used. Expense of the defined benefit plan is calculated by the actuary.

Analysis of present value of defined benefit obligation

Vested / Non-Vested	2019	2018
Vested benefits	**86,932**	79,227
Non - vested benefits	**31,447**	35,578
	118,379	114,805

20.2 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined obligation to changes in the weighted principal assumptions is:

	impact on defined benefit obligation		
	change in assumption	Increase in assumption	Decrease in assumption
Discount rate at 31 December	1%	**107,016**	**124,937**
Future salary increases	1%	**124,287**	**107,431**

If longevity increases by 1 year the resultant increase in obligation is insignificant.

20.3 The weighted average duration of unfunded gratuity scheme for its permanent employees is 7.73 years.

20.4 Figures in the note are based on latest actuarial valuation carried out as at 31 December, 2019.

21 LEASE LIABILITIES

	Note	2019	2018
		(Rupees in '000)	
Lease Liabilities as at 1 January		**82,767**	-
Less: Current portion of lease liabilities		**(40,992)**	-
		41,775	-

21.1 Amounts recognised in Special Purpose Profit and Loss and Other Comprehensive Income

21.1.1 2019 – Leases under IFRS 16

	(Rupees in '000)
Interest on lease liabilities	**12,452**

21.1.2 2018 – Operating leases under IAS 17

Lease expense	**37,556**

21.2 Amounts recognised in statement of cash flows

Total cash outflow for leases - for the year ended 31 December 2019	**43,749**

22 TRADE AND OTHER PAYABLES

	Note	2019	2018
		(Rupees in '000)	
Creditors			
- Related parties	*22.1*	**820,609**	126,019
- Others		**972,157**	1,209,286
Bills payable		**219,253**	154,870
Accrued liabilities	*22.2*	**1,253,333**	1,111,752
Advances from customers		**37,124**	102,145
Security deposits from customers	*22.3*	**892,602**	690,534
Royalty payable to Reckitt. & Colman (Overseas) Limited U.K. a related party		**1,200,289**	587,129
Sales tax payable		**220,174**	271,604
Workers' Welfare Fund		**-**	77,144
Central Research Fund	*22.4*	**289**	4,485
Provisions	*22.5*	**174,166**	174,166
Payable to pension fund		**3,327**	11,953
Due to shareholders in respect of reduction in share capital		**1,809**	1,809
Reckitt Benckiser Pakistan Limited - Staff Provident Fund		**-**	17
Others		**545**	1,100
		5,795,677	4,524,013

22.1 This includes payable to following related parties:

Reckitt Benckiser (Bahrain) Limited		-	519
Reckitt Benckiser (Rumea) Limited		-	61,874
Reckitt Benckiser (India) Limited		**2,369**	1,760
Reckitt Benckiser (Indonesia) Limited		-	6,303
Reckitt Benckiser (Arabia) Limited		**16,609**	11,302
Reckitt Benckiser Arabia Hygiene Home		**3,314**	
Reckitt Benckiser (SSL Thailand) Limited		**9,174**	1,714
Reckitt Benckiser (Thailand 533)		**4,850**	
Reckitt Benckiser (China) Limited		**290**	21,446
Reckitt Benckiser (Malaysia) Limited		**20,121**	5,427
Reckitt Benckiser (France) Limited		**13,085**	4,024
Reckitt Benckiser (India - Healthcare) Limited		-	1,176
Reckitt Benckiser (South Africa) Limited		-	317
Reckitt Benckiser (United Kindgom) Limited		-	278
Reckitt Benckiser (ENA) BV		-	9,879
RB Hygeine Home Pakistan Limited	*22.1.1*	**724,108**	-
Reckitt Benckiser (ENA) B.V., Netherlands		**3,372**	-
Reckitt Benckiser Healthcare (UK)		**23,317**	-
		820,609	409,522

22.1.1 This represents the net balance payable to RB Hygiene Home Pakistan Limited as at 31 December 2019 on account of transfer of assets and liabilities as at 30 September 2019 and transactions for the period from 1 January 2019 to 30 September 2019 as a result of Sanction of Scheme of Arrangement (refer note 2.1.4). The Company segregated the specific identified assets and liabilities in addition to payable to RB Hygiene Home Pakistan Limited as at 30 September 2019. Payable to RB Hygiene Home Pakistan Limited was determined based on revenue and expenses and other transactions for such period as all such transaction during period of nine months and maintained in its own books and records. Accordingly, the same has been recorded as payable to RB Hygiene Home Pakistan Limited.

22.2 Accrued liabilities

	2019	2018
	(Rupees in '000)	
Salaries, wages and benefits	**780,089**	137,099
Accrued expenses	**473,244**	974,653
	1,253,333	1,111,752

22.3 Amount has been kept in separate bank account.

22.4 Central Research Fund

Balance at beginning of the year		**4,485**	3,882
Charge for the year	*20.5.1*	**409**	4,604
		4,894	8,486
Less: Amount paid to drug regulatory authority of Pakistan		**(4,605)**	(4,001)
		289	4,485

22.4.1 The charge of 1% is booked for Central Research Fund based on the profits of the Pharmaceutical business which amounts to Rs. 114.683 million (2018: Rs. 460.45 million).

22.5 Provisions

	Provision for sales tax on services and other tax exposures	*24.5.2 & 24.5.3*	**95,007**	95,007
	Provision for Workers Welfare Fund	*22.5.4*	**79,159**	79,159
			174,166	174,166
22.5.1	Balance as at 1 January	22.5.5	**174,166**	234,166
	Reversals made during the year		**-**	(60,000)
	Balance as at 31 December		**174,166**	174,166

22.5.2 These represent provisions held against potential tax exposures on certain transactions carried out by the Company. The Company has not received demand as yet, however, as a matter of prudence, the Company is maintaining provisions in the accounts.

22.5.3 It includes a provision of Rs. 94.58 million created during the year 2017 as the Company received notice from Punjab Revenue Authority advising the Company to deposit Punjab Sales tax respectively withheld on various services.

22.5.4 During 2016, the Company received notices from Sindh Revenue Board advising the Company to pay WWF for the tax year 2014 onwards under Sindh Workers Welfare Fund Act, 2014. Based on legal advice, the Company is holding provision against the exposure.

22.5.5 Comapartive amopunt of Rs. 93.354 million has been reclassified from provision to taxation - net to allign current year presentation.

23 COMMITMENTS

Commitments for capital expenditure	**30,504**	58,346
Letters of credit / guarantee	**744,122**	1,100,000

24 SALES - NET

Manufactured goods			
Gross sales	*24.1*	**11,315,487**	15,091,486
Less:			
Commission		**13,402**	58,015
Sales tax		**1,376,697**	2,013,708
		1,390,099	2,071,723
		9,925,388	13,019,763
Trading goods			
Gross sales		**634,738**	1,994,879
Less:			
Sales tax		**68,362**	289,116
		566,376	1,705,763
		10,491,764	14,725,526

24.1 During the year, the Company has made sales amounting to Rs. 667.131 million to RB Hygiene Home Pakistan Limited at an estimated cost at the beginning of the year plus markup (i.e 5%).

25 COST OF SALES

	Note	2019	2018
		(Rupees in '000)	
Manufacturing	25.1	**4,810,727**	5,468,088
Trading	25.2	**749,722**	1,003,650
		5,560,449	6,471,738

25.1 Cost of sales - manufacturing

	Note	2019	2018
Raw and packing materials consumed		**3,759,109**	3,912,489
Manufacturing charges paid to third parties		**167,679**	251,909
Stores and spares consumed		**64,164**	43,563
Salaries, wages and staff welfare	25.1.1	**558,083**	606,517
Rent, rates and taxes		**345**	1,638
Fuels and power		**105,855**	104,859
Repairs and maintenance		**130,957**	139,142
Insurance		**3,564**	4,329
Travelling, conveyance and entertainment		**12,052**	14,836
Depreciation		**167,458**	146,046
Communication and stationery		**5,617**	6,999
Stocks written off		**38,106**	59,223
Charge / (Reversal) of provision for slow moving and obsolete stock		**53,851**	(1,656)
Security expenses		**14,718**	12,530
Other expenses		**2,559**	11,486
Manufacturing cost for the year		**5,084,117**	5,313,910
Opening stock of work-in-process and finished goods		**484,247**	638,425
Transfered to RB Hygiene Home Pakistan Limited		**(149,959)**	-
Closing stock of work-in-process and finished goods		**(607,678)**	(484,247)
		(273,390)	154,178
		4,810,727	5,468,088

25.1.1 Includes Rs. 16.09 million (2018: Rs. 17.04 million) and Rs. 14.41 million (2018: 11.87 million) in respect of defined contribution and defined benefit plans respectively.

25.2 Cost of sales - Trading

	2019	2018
Purchase of finished goods	**391,255**	1,257,802
Stocks written off	**856**	1,476
Charge / (Reversal) of provision for slow moving and obsolete stock	**(2,777)**	(1,416)
	389,334	1,257,862
Opening stock	**722,224**	468,012
Transfered to RB Hygiene Home Pakistan Limited	**(227,657)**	-
Closing stock	**(134,179)**	(722,224)
	360,388	(254,212)
	749,722	1,003,650

26 DISTRIBUTION COST

	Note	2019	2018
Salaries, wages and staff welfare	26.1	**448,492**	555,405
Travelling, conveyance and entertainment		**28,196**	28,500
Rent, rates and taxes		**9,491**	11,428
Utilities		**564**	930
Royalties		**492,416**	515,282
Insurance		**2,835**	4,799
Advertising and sales promotion	26.2	**2,049,868**	2,870,679
Forwarding expenses		**252,785**	391,277
Communication and stationery		**4,298**	7,829
Depreciation		**29,954**	37,709
Deposits written off		**2,464**	-
Repairs and maintenance		**769**	1,045
Security expenses		**485**	600
Other expenses		**90**	832
		3,322,707	4,426,315

26.1 Includes Rs. 10.153 million (2018: 12.59 million) and Rs. 15.703 million (2018: 15.38 million) in respect of defined contribution and defined benefit plans respectively.

26.2 Comparative sales commission related expenses amounted to Rs. 485.781 million has been reclassified from commission to advertising and sales promotion to align current year presentation.

27 ADMINISTRATIVE EXPENSES

		2019	2018
		(Rupees in '000)	
Salaries, wages and staff welfare	*27.1*	**200,832**	365,413
Travelling, conveyance and entertainment		**21,360**	18,187
Rent, rates and taxes		**13,906**	47,833
Utilities		**2,653**	3,022
Insurance		**9,430**	7,837
Repairs and maintenance		**7,568**	15,573
Depreciation		**87,960**	39,895
Communication and stationery		**12,013**	2,729
Legal and professional charges		**26,140**	18,234
Security expenses		**1,718**	503
Other expenses		**4,251**	10,294
		387,831	529,520

27.1 Includes Rs. 3.331 million (2018: Rs. 2.76 million) and Rs. 9.89 million (2018: Rs. 8.95 million) in respect of defined contribution and defined benefit plans respectively.

28 OTHER OPERATING EXPENSES

		2019	2018
Auditors' remuneration	*28.1*	**4,501**	3,478
Workers' Profit Participation Fund		**61,511**	169,370
Workers' Welfare Fund	*22.5.4*	**21,989**	55,224
Central Research Fund	*22.4*	**409**	4,604
Exchange loss		**-**	10,768
Loss on disposal of property, plant and equipment		**-**	3,044
Donations		**-**	21
Others		**35**	-
		88,445	246,509

28.1 Auditors' remuneration

	2019	2018
Audit fee	**2,500**	2,346
Special purpose audit fee	**1,200**	-
Fee for other certifications	**201**	836
Out of pocket expenses	**600**	296
	4,501	3,478

29 OTHER INCOME

	2019	2018
Income from financials assets		
Finance Income	**65,403**	66,148
Income from non - financials assets		
Liabilities no longer required written back	-	21,435
Others		
Gain on disposal of property, plant and equipment	**2,519**	-
Scrap sales	**8,590**	9,112
Exchange gain	**14,751**	-
Others	**25,260**	-
	116,523	96,695

30 FINANCE COST

		2019	2018
Finance cost on lease liability		**12,452**	-
Finance Cost on balances	*30.1*	**73,790**	-
Bank charges		**305**	1,104
		86,547	1,104

30.1 This represent finance cost on account of opportunity cost allocated by the Company to the RB Hygiene Home Pakistan Limited due to utilization of its cash flows received out of the receivables outstanding in the books of the Company pertaining to Hygiene and Home undertaking during the period from 1 January 2019 to 30 September 2019.

31 TAXATION

	2019	2018
	(Rupees in '000)	
Current		
- for the year	356,630	891,762
- prior years	50,356	94,214
	406,986	985,976
Deferred	(38,203)	(1,205)
	368,783	984,771

The Income Tax assessments of the Company have been finalized up to and including tax year 2018, deemed assessments for certain tax years have been amended by the department on account of various issues which have been provided for appropriately.

31.1 Relationship between tax expense and accounting profit

	2019	2018
Profit before taxation	1,143,388	3,158,211
Tax calculated at applicable tax rate	331,583	915,881
Impact of taxability at Final Tax Regime	(9,185)	(46,259)
Effect of changes in tax rate	(110)	(1,287)
Super tax		59,390
Effect of prior years charge	50,356	94,214
Tax credit	-	(28,790)
Tax effect of other than temporary differences	(3,861)	(8,378)
Tax expense for the year	368,783	984,771
Applicable rate	29%	29%

32 CASH GENERATED FROM OPERATIONS

	Note	2019	2018
Profit before taxation		1,143,388	3,158,211
Adjustments for:			
Depreciation	7.1	285,373	223,650
Provision for gratuity	20.1.3	40,856	35,056
Loss / (gain) on sale of property, plant and equipment		2,009	3,044
Finance cost on lease liabilities	21.1.1	12,452	-
(Reversal) / charge of provision for slow moving and obsolete stock - net of stocks written off		(11,364)	(3,072)
Increase in provision for doubtful debts		10,623	(11,176)
Income from financial assets	29	(65,403)	(66,148)
Employee benefit cost under IFRS-2 'Share-based Payment'		54,281	75,781
Profit before working capital changes		1,472,215	3,415,346
Changes in:			
Stock in trade		404,120	(429,736)
Trade debts		(440,587)	(283,198)
Loans and advances		(3,391)	58,089
Trade deposits and prepayments		(5,372)	(3,934)
Other receivables		(378,861)	(16,879)
Trade and other payables		1,296,281	(316,474)
Provisions		-	(60,000)
		872,190	(1,052,132)
		2,344,405	2,363,214

32.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Dividend Payable	Lease liabilities	Total
Opening balance as at 1 January 2019	34,250	-	34,250
Changes from financing cash flows			
Dividend declared	1,176,111	-	1,176,111
Dividend paid	(1,174,290)	-	(1,174,290)
Lease liabilities at intial application of IFRS 16 (I.e 1 Janauary 2019)	-	114,064	114,064
Finacne cost on lease liabilities		12,452	
Repayment of Lease rental during the year	-	(43,749)	(43,749)
	1,821	82,767	72,136
Closing balance as at 31 December 2019	36,071	82,767	106,386

33 SHARE-BASED COMPENSATION PLANS*

As at 31 December 2019, two share-based payment arrangement, namely Long-Term Incentive Plan (LTIP) and Global Stock Profit Plan (GSPP) are in place.

Under LTIP, few employees of the Company eligible as per policy are awarded restricted shares and share options of Reckitt Benckiser Group plc, UK (the Ultimate parent company). The plan entitles shares of the ultimate parent company to eligible employees which are vested equally over next three years, subject to certain vesting conditions.

Under GSPP, employees of the Company participating in the plan are awarded restricted shares of Reckitt Benckiser Group plc, UK at a discount price as on grant date.

The expense of share based plans corresponds to the fair value of the stock plans of the shares of Reckitt Benckiser Group plc, UK, and is charges against income on a straight-line basis over the vesting period of the plans.

The fair value of stock units under LTIP is measured by Reckitt Benckiser Group plc at the date of grant using the Black-Scholes option pricing model and the assumptions made within the valuation calculation with respect to the achievement of the performance criteria based in the expectations of Reckitt Benckiser Group plc directors in the light of the Group's business model and relevant published targets.

A summary of options and shares outstanding under LTIP and GSPP is given below:

		LTIP		GSPP Restricted shares
		Share Option	**Restricted shares**	
Shares of		Reckitt Benckiser Group plc	Reckitt Benckiser Group plc	Reckitt Benckiser Group plc
Date of grant	2017	02 December 2017	01 December 2016	-
	2018	30 November 2017	30 November 2017	18 October 2017
	2019	10 May 2019	10 May 2019	30 October 2018
Total number of shares granted	2017	15,550	4,950	-
	2018	18,450	6,150	17,484
	2019	7,650	6,150	3,792
Fair Value of one award on grant date	2017	£5.54	£58.84	-
	2018	£5.58	£56.71	£11.79
	2019	£5.89	£53.02	£10.86
Equivalent to	2017	Rs. 725.05	Rs. 7,701.99	-
	2018	Rs. 792.47	Rs. 8,053.95	Rs. 1644.26
	2019	Rs. 1,081.25	Rs. 9,797.51	Rs. 1758.78
Exercise price	2017	£67.68	-	-
	2018	£64.99	-	£58.95
	2019	£60.83	-	£54.31
Contractual life (years)		3	3	3
Vesting conditions		Performance Conditions	Performance Conditions	Service Condition
Share price on grant date	2017	£66.28	£66.28	-
	2018	£64.86	£64.86	£68.57
	2019	£61.45	£61.45	£63.13
Equivalent to	2017	Rs. 8,674.40	Rs. 8,674.40	-
	2018	Rs. 9,211.42	Rs. 9,211.42	Rs. 9,562.94
	2019	Rs. 9,949.98	Rs. 9,949.98	Rs. 10,222.01

*pending year end disclosure

34 REMUNERATION OF CHIEF EXECUTIVE and DIRECTORS

	Chief Executive		Directors	
	2019	2018	**2019**	2018
	(Rupees in '000)			
Managerial remuneration including bonus	**24,048**	69,296	**28,913**	60,918
Share-based compensation	**12,708**	7,721	**41,573**	5,491
Retirement benefits	**4,208**	4,187	**2,289**	5,317
Medical expenses	**223**	295	**85**	64
Club Subscription	**556**	967	**5,690**	2,863
	41,744	82,466	**78,550**	74,653
Number of persons	**1**	1	**3**	3

34.1 The Chief Executive and Directors are also provided with free use of Company maintained cars and allowances in respect of relocation and school fees of their children in accordance with their terms of service.

35 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of holding company and associated companies, directors of the Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds. All transactions with related parties are under agreed terms / contractual arrangements.

	Name of the related party	Relationship	Nature of Transaction	2019	2018
				(Rupees in '000)	
1	Reckitt Benckiser Group Plc UK	Holding Company	Dividends paid	**1,044,482**	1,692,449
			Share based payments	**15,574**	75,781
2	Reckitt & Colman (Overseas)	Associated company	a. Royalty	**1,200,289**	587,129
3	Reckitt Benckiser (Rumea) Limited	Associated company	a. Purchase of goods	**45,950**	141,539
			b. Sale of goods	**-**	41,000
4	Reckitt Benckiser (Arabia) Limited	Associated company	a. Purchase of goods	**14,109**	15,919
			b. Sale of goods	**7,889**	16,788
5	Reckitt Benckiser (South Africa) Limited	Associated company	a. Purchase of goods	**-**	505
			b. Sale of goods	**15,875**	21,929
6	Reckitt Benckiser (Malaysia) Limited	Associated company	a. Purchase of goods	**319,198**	218,577
			b. Sale of goods	**41,471**	74,371
7	Reckitt Benckiser (Bahrain)	Associated company	a. Purchase of fixed assets	**-**	32,564
			b. Purchase of goods	**1,772**	1,413
8	Reckitt Benckiser (Bangladesh) Limited	Associated company	a. Sale of goods	**11,842**	17,344
9	Reckitt Benckiser (Philippine) Limited	Associated company	a. Sale of goods	**15,385**	8,975
10	Reckitt Benckiser (Hongkong) Limited	Associated company	a. Sale of goods	**-**	537
11	Reckitt Benckiser Espana S.L.	Associated company	a. Sale of goods	**24,490**	46,300
12	Reckitt Benckiser Health Limited	Associated company	a. Sale of goods	**-**	13,997
13	Reckitt Benckiser (ENA) B.V.	Associated company	a. Sale of goods	**-**	496
14	Reckitt Benckiser (Indonesia) Limited	Associated company	a. Purchase of goods	**100,233**	17,566
15	Reckitt Benckiser (India) Limited	Associated company	a. Purchase of goods	**9,149**	1,704
16	Reckitt Benckiser (China) Limited	Associated company	a. Purchase of goods	**290**	67,552
17	Reckitt Benckiser (France) Limited	Associated company	a. Purchase of goods	**32,438**	10,375
18	Reckitt Benckiser (SSL Thailand)	Associated company	a. Purchase of goods	**20,283**	13,438
19	Reckitt Benckiser (Thailand 533)	Associated company	a. Purchase of goods	**23,362**	4,073
20	Reckitt Benckiser Arabia Hygiene Home	Associated Company	a. Purchase of goods	**7,240**	-

KPMG

	Name of the related party	Relationship	Nature of Transaction	2019 (Rupees in '000)	2018
21	Reckit Benckiser Manufacturing LLC	Associated company	a. Purchase of goods	27,524	-
22	RB Hygiene Home Pakistan Limited	Associated company	a. Royalty expenses (refer note 35.1)	123,025	-
			b. Allocated expenses (refer note 35.2)	22,521	-
			c. Purchase of goods (refer note 35.2)	667,131	-
23	Key management personnel	Related Parties	a. Salaries and other employee benefits	81,121	176,285
			b. Post employment benefits	7,697	10,933
			c. Share based compensation	45,564	45,564
			d. Sale of assets - sale proceeds	11,242	5,145
24	Reckitt Benckiser Pakistan Limited staff provident fund	Post employment staff benefit funds	Contributions	68,819	59,582

35.1 Royalty is payable to Reckitt & Colman (Overseas) Limited, U.K. in accordance with the agreement duly acknowledged by the State Bank of Pakistan. Other transactions with related parties are settled in the ordinary course of business. Further, Company is also liable to pay royalty on behalf of RB Hygiene Home Pakistan Limited which has been recovered by the Company.

35.2 The Company has entered into sale agreement with RB Hygiene Home at estimated cost at the start of the year plus markup (i.e 5%). Further, expenses has been allocated to the company at a agreed percentage based on sales by RB Hygiene Home.

36 SHORT-TERM RUNNING FINANCES

The facilities for running finance from various banks amounted to Rs. 150 million (2018: Rs. 150 million). The rate of mark-up is three months' KIBOR + 1.5% (2018: three months' KIBOR + 1.5%) per annum.

The arrangements are secured by the way of pari-passu charge against hypothecation of the Company's stock-in-trade and book debts.

The facilities for opening letters of credit and guarantees amounted to Rs. 1.1 billion (2018: Rs. 1.1 billion) out of which unutilized balance amounted to Rs.0.44 billion (2018: Rs. 0.36 billion).

The amount of cash collateral for import amounted to Rs. 17.23 million (2018: Rs. 100.88 million)

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 Financial assets and liabilities

	Interest/mark-up bearing			Non-interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
	(Rupees in '000)						
Financial assets							
Loans and receivables							
Investment in equity accounted investee	-	-	-	-	6,250	6,250	6,250
Deposits	-	-	-	45,419	10,000	55,419	55,419
Trade debts	-	-	-	1,814,880	-	1,814,880	1,814,880
Other receivables	-	-	-	1,087	-	1,087	1,087
Bank balances	1,433,010	-	1,433,010	1,433,010	-	1,433,010	2,866,020
31 December 2019	1,433,010	-	1,433,010	3,294,396	16,250	3,310,646	4,743,656
31 December 2018	1,027,780	-	1,027,780	1,675,814	10,527	1,686,341	2,714,121
Financial liabilities							
Lease	40,992	41,775	82,767	-	-	-	82,767
Trade and other payables	-	-	-	5,363,924	-	5,363,924	5,363,924
Unclaimed dividend	-	-	-	36,071	-	36,071	36,071
31 December 2019	40,992	41,775	82,767	5,399,995	-	5,399,995	5,482,762
31 December 2018	-	-	-	3,238,185	-	3,238,185	3,238,185
On balance sheet gap							
2019	1,392,018	(41,775)	1,350,243	(2,105,599)	16,250	(2,089,349)	(739,106)
2018	1,027,780	-	1,027,780	(1,562,371)	10,527	(1,551,844)	(524,064)

37.2 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in annual financial statement of the Company as at and the year ended 31 December 2019.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

	31 December 2019								
	Carrying amount					Fair value			
	Fair value through profit or loss	**Fair value through other comprehensive income**	**Amortised cost**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees)								
On-balance sheet financial instruments									
Financial assets measured at fair value	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value									
Investment in equity accounted investee	-	-	6,250	-	6,250	-	-	-	-
Deposits	-	-	55,419	-	55,419	-	-	-	-
Trade receivables	-	-	1,814,880	-	1,814,880	-	-	-	-
Other receivables	-	-	1,087	-	1,087	-	-	-	-
Bank balances	-	-	1,433,010	-	1,433,010	-	-	-	-
	-	-	3,310,646	-	3,310,646	-	-	-	-
Financial liabilities not measured at fair value									
Leases	-	-	-	82,767	82,767				
Trade and other payables	-	-	-	5,363,924	5,363,924	-	-	-	-
Unclaimed dividends	-	-	-	36,071	36,071	-	-	-	-
	-	-	-	5,482,762	5,482,762	-	-	-	-

	31 December 2018								
	Carrying amount					Fair value			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)								
On-balance sheet financial instruments									
Financial assets measured at fair value	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value									
Deposits	-	-	49,005	-	49,005	-	-	-	-
Trade debtors	-	-	1,384,916	-	1,384,916	-	-	-	-
Other receivables	-	-	109	-	109	-	-	-	-
Bank balances	-	-	1,280,091	-	1,280,091	-	-	-	-
	-	-	2,714,121	-	2,714,121	-	-	-	-
Financial liabilities not									
Financial liabilities not measured at fair value									
Leases	-	-	-	-	-				
Trade and other payables	-	-	-	3,894,469	3,894,469	-	-	-	-
Unclaimed dividends	-	-	-	34,250	34,250	-	-	-	-
	-	-	-	3,928,719	3,928,719	-	-	-	-

The Company has not disclosed the fair values for all other financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

37.3 Financial Instruments

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is also responsible for developing and monitoring the Company's risk management policies.

37.3.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company. It arises principally from trade receivables, bank balances, security deposits, profit accrued and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2019	2018
	(Rupees in '000)	
Investment in equity accounted investee	**6,250**	-
Deposits	**55,419**	49,005
Trade debtors	**1,814,880**	1,384,916
Other receivables	**1,087**	109
Bank balances (including cash in hand)	**1,433,010**	1,280,091
	3,310,646	2,714,121

All the trade debtors at the reporting date represent domestic as well as related parties.

The maximum exposure to credit risk before any credit enhancements for trade debts at the reporting date by type of customer was as follows:

The aging of trade debts at the balance sheet date is:

Not past due	**1,608,117**	1,182,554
Past due 1 - 30 days	**64,228**	78,906
Past due 30 - 60 days	**42,091**	12,550
Past due 60 - 90 days	**26,845**	9,150
Past due 90 - 120 days	**75,013**	26,392
Over 120 days	**57,988**	126,470
	1,874,282	1,436,022
Impairment	**(59,402)**	(51,106)
	1,814,880	1,384,916

Based on past experience the management believes that no impairment allowance is necessary, except mentioned above, in respect of trade debts past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

Bank balances

The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follow:

Name of bank	**Rating Agency**	**Rating**	
		Short term	**Long term**
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Habib Bank Limited	JCR-VIS	A1+	AAA
Citibank, N.a. Pakistan Branch	Moody's	P-1	Aa3
Deutsche Bank AG	Moody's	P-2	A3

Deposits

The Company has provided security deposits as per the contractual terms with counter parties as security and does not expect material loss against those deposits.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

37.3.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligation arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Company. The Company is not materially exposed to liquidity risk as substantially all obligation / commitments of the Company are restricted to the extent of available liquidity.

The following are the contractual maturities of the financial liabilities, including estimated profit payments:

	2019					
	Carrying amount	**On demand**	**Contractual cash flows**	**Less than one year**	**Two to five years**	**More than five years**
	(Rupees)					
Financial liabilities						
Leases	**82,767**	**-**	**93,181**	**49,000**	**44,181**	**-**
Trade and other payables	**5,363,924**	**5,363,924**	**5,363,924**	**5,363,924**	**-**	**-**
Unclaimed dividend	**36,071**	**36,071**	**36,071**	**36,071**	**-**	**-**
	5,482,762	**5,399,995**	**5,493,176**	**5,448,995**	**44,181**	**-**

	2018					
	Carrying amount	On demand	Contractual cash flows	Less than one year	Two to five years	More than five years
	(Rupees)					
Financial liabilities						
Leases	-	-	-	-	-	-
Trade and other payables	3;894,469	3,894,469	3,894,469	3,894,469	-	-
Unclaimed dividend	34,250	34,250	34,250	34,250	-	-
	3,928,719	3,928,719	3,928,719	3,928,719	-	-

37.3.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates and interest rates will affect the Company's income.

37.3.3.1 Currency risk

Currency risk arises mainly where receivables and payables exist in foreign currency due to transactions with foreign undertakings. Net payables exposed to foreign currency risk as at 31 December, 2019 amount to Rs. 312.37 million (2018: Rs. 247.71 million). At 31 December, 2019 if the Pakistan Rupee had weakened / strengthened by 5% against the Euro, GBP or US Dollar with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 15.62 million (2018: Rs. 12.39 million).

38 CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy remains unchanged from year 2018.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments to shareholders or issue new shares. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

The Company is not subject to any externally imposed capital requirements.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

39 NET ASSETS AND NET ASSETS RATIO

The net assets relating to Hygiene Home Undertaking is determined / allocated based on total net equity of the Company. However, allocation of net assets has been made from unappropriated profits and issued, subscribed and paid up capital under the Sanctioned Scheme. Accordingly, net assets ratio has been determined and presented.

40 GENERAL

40.1 Number of employees

	2019	2018
Total employees (including contractual) of the company at the year end	927	1,163
Average employees (including contractual) of the company during the year	990	1,130
Employees working in the company's factory at the year end	301	397
Average employees working at company's factory at the year end	303	356

40.2 Plant capacity and production

	(Tons)	
Actual	16,352	15,452
Installed	35,656	35,656

40.2.1 Difference is due to the supply demand situation in the market.

40.3 Non-adjusting event after reporting date

The Board of Directors in their meeting held on 20 MARCH 2020 have proposed a final cash dividend of Rs. 100 per share amounting to Rs 386.252M (2018: Rs. 240 per share amounting to a total dividend of Rs. Rs. 1,176.11 million) for approval of the members at the Annual General Meeting to be held on 29TH APRIL 2020 The special purpose financial statements for the year ended 30 September 2019 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending 31 December 2020.

40.4 Comparatives

Comparative figures have been rearranged and reclassified whereever necessary in order to give better presentation.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 20TH MARCH 2020

Chief Executive Officer

Director

RECKITT BENCKISER PAKISTAN LIMITED
CATEGORIES OF SHAREHOLDING
AS AT DECEMBER 31, 2019

HEALTH • HYGIENE • HOME

SNO.	Shareholders Category	No. of Shareholder	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children (to be confirm by Company)	6	6	-
2	Associated Companies, Undertakings and related Parties (to be confirm by Company)	2	4,835,569	98.68
3	NIT and ICP			
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	2	36	0.00
5	Insurance Companies			
6	Modarabas and Mutual Funds			
7	Share holders holding 10%	2	4,835,569	98.68
8	General Public :			
	a. local	495	62,609	1.28
	b .Foreign			
9	Others	7	2,243	0.05
	Total (excluding : share holders holding 10%)	**512**	**4,900,463**	**100.00**

RECKITT BENCKISER PAKISTAN LIMITED
PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2019

	NO. OF SHARESHOLDINGS		
NO OF SHAREHOLDERS	**FROM**	**TO**	**Total Shares**
402	1	100	9,776
84	101	500	21,324
16	501	1,000	11,423
8	1,001	5,000	22,371
1	1,730,001	1,735,000	1,730,758
1	3,100,001	3,105,000	3,104,811
512			**4,900,463**

RECKITT BENCKISER PAKISTAN LIMITED
CATEGORIES OF SHAREHOLDING
AS AT JANUARY 31, 2020

HEALTH • HYGIENE • HOME

SNO.	Shareholders Category	No. of Shareholder	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children (to be confirm by Company)	-	-	-
2	Associated Companies, Undertakings and related Parties (to be confirm by Company)	2	3,811,395	98.68
3	NIT and ICP			
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	2	28	0.00
5	Insurance Companies			
6	Modarabas and Mutual Funds			
7	Share holders holding 10%	2	3,811,395	98.68
8	General Public :			
	a. local	459	49,865	1.29
	b .Foreign			
9	Others	6	1,240	0.03
	Total (excluding : share holders holding 10%)	**469**	**3,862,528**	**100.00**

RECKITT BENCKISER PAKISTAN LIMITED
PATTERN OF SHAREHOLDING
AS AT JANUARY 31, 2020

	NO. OF SHARESHOLDINGS		
NO OF SHAREHOLDERS	**FROM**	**TO**	**Total Shares**
375	1	100	9,060
73	101	500	17,628
12	501	1,000	7,675
7	1,001	5,000	16,770
1	1,360,001	1,365,000	1,364,183
1	2,400,001	2,500,000	2,447,212
469			**3,862,528**

FORM OF PROXY

The Company Secretary
Reckitt Benckiser Pakistan Limited
3rd Floor, Tenancy 04 & 05, Corporate Office Block,
Dolmen City, HC Block 4,
Scheme 5, Clifton
Karachi

I / We ____

of ____(full address)

being a member of Reckitt Benckiser Pakistan Limited hereby appoint ____

of ____(full address)

or failing him ____

of ____(full address)

another member of the Company to attend and vote for me / us and on my / our behalf at the Sixty Ninth Annual General Meeting of the Company to be held on the 29th day of April 2020 and at any adjournment thereof.

As witness my / our hand this _____________ day of ______________ 2020.

Witness No. 1

Name ___________________________

Address ___________________________

____

____

CNIC No. ___________________________

____
Signature of Member(s)

Witness No. 2

Name ___________________________

Address ___________________________

____

____

CNIC No. ___________________________

____
(Name in Block letters)

Folio No. ______________________________

Important:

1. A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as a Proxy (except for a corporation) unless he / she is entitled to be present and vote in his / her own right.
2. Members are requested:
   (a) to sign in the same style of signature as is registered with the Company.
   (b) to write down their Folio Numbers at the place indicated above.
3. The instrument appointing a proxy, together with the Board of Directors' resolution / Power of Attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time for holding the meeting.