



ABOUT

This review highlights the progress our company has made with the global dairy expertise of FrieslandCampina and the local knowledge of Engro. This combination has fortified our role as a leading dairy expert, and enabled us to achieve our business objectives. This year, we deepened the trust of our valued consumers by focusing on **quality, innovation, accessibility** and sustainability.

Our farmers are the backbone of our operations, and a vital partner in improving the state of nourishment in Pakistan. Our dairy development programmes empower our farmer community with training, tools and knowledge to improve their farm management and milk quality, thereby increasing their capacity, yield and livelihoods.

We are committed to providing the nation with affordable, safe and superior dairy products. This annual report highlights our commitment and elaborates how we have continued to realize our vision of creating value for our farmers, consumers and stakeholders for now and generations to come.



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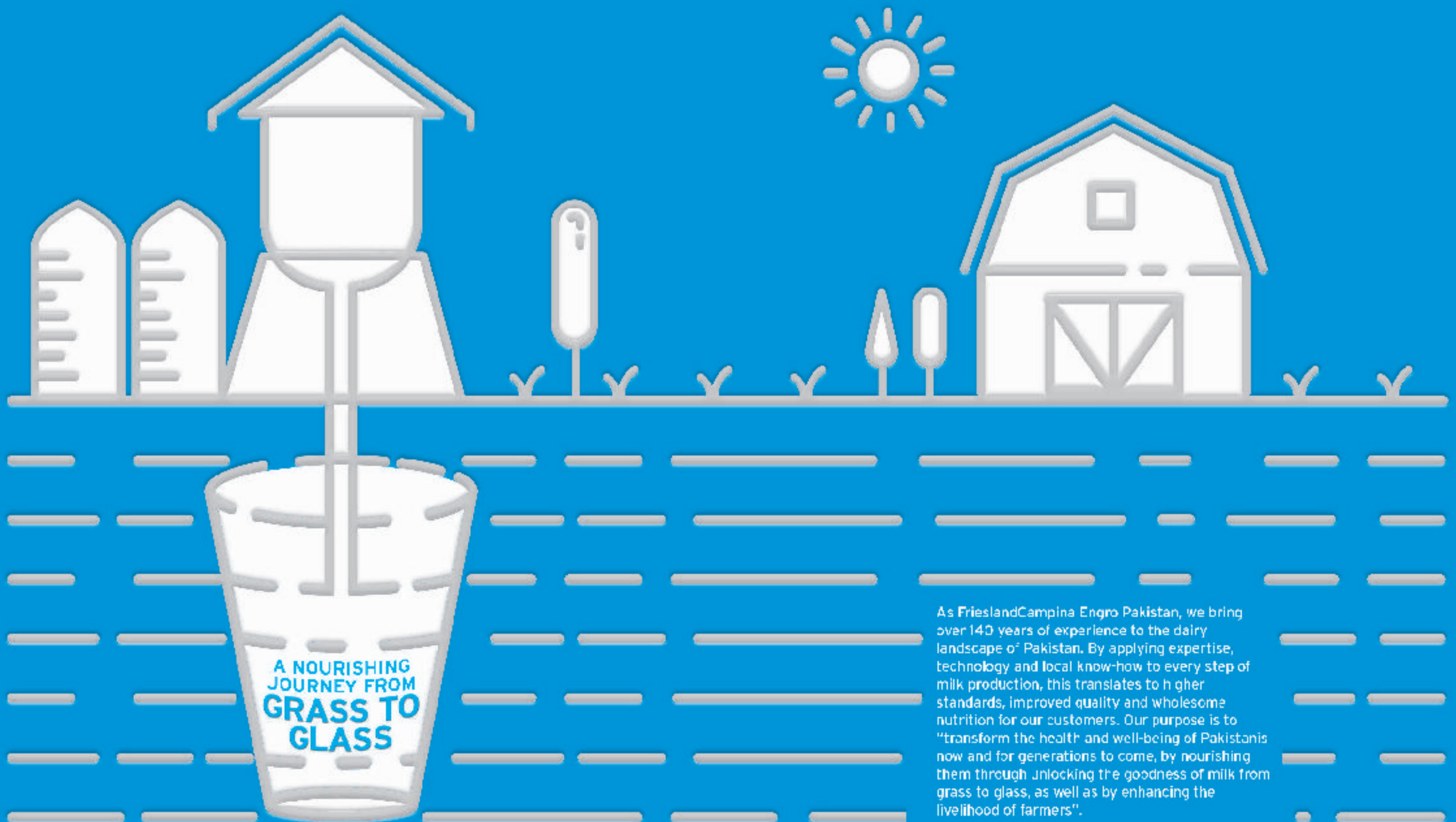
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As FrieslandCampina Engro Pakistan, we bring over 140 years of experience to the dairy landscape of Pakistan. By applying expertise, technology and local know-how to every step of milk production, this translates to higher standards, improved quality and wholesome nutrition for our customers. Our purpose is to "transform the health and well-being of Pakistanis now and for generations to come, by nourishing them through unlocking the goodness of milk from grass to glass, as well as by enhancing the livelihood of farmers".



COMPANY OVERVIEW

It is our promise to make the grass greener for the cows, the yields higher for the farmers, the growth stronger for the milk industry and a glass of milk full of natural goodness for every Pakistani.

As FrieslandCampina Engro Pakistan, we bring over 140 years of experience to the dairy landscape of Pakistan. Our purpose is to "transform the health and wellbeing of Pakistanis now and for generations to come, by nourishing them through unlocking the goodness of milk from grass to glass, as well as by enhancing the livelihood of farmers."

Company information

Board of Directors

Abdul Samad Dawood (Chairman)
Abrar Hasan
Ali Ahmed Khan (Chief Executive Officer)
Eduardus Lambertus Holtzer
Petra Attje Zinkweg
Roeland Francois Van Neerbos
Zouhair Abdul Khaliq

Chief Financial Officer

Imran Husain

Company Secretary

Muneeza Iftikar

Members of the Audit Committee

Abrar Hasan (Chairman)
Eduardus Lambertus Holtzer (Member)
Zouhair Abdul Khaliq (Member)

Secretary of the committee is
Saleem Lallany, GM Internal Audit

Banks

Conventional

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank AL Habib Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Standard Chartered Bank of Pakistan Limited
Summit Bank Limited
Tameer Micro Finance Bank Limited
The Bank of Punjab
United Bank Limited

Shariah Compliant

Al Baraka Bank Pakistan Limited
Bank AL Habib Limited - Islamic Banking
BankIslami Pakistan Limited
Meezan Bank Limited
Standard Chartered Bank Pakistan Limited - Saadiq

Auditors

M/s A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1- C
I.I. Chundrigar Road
Karachi - 74000, Pakistan.
Tel: +92 (21) 32426682-6 / 32426711-5
Fax: +92 (21) 32415007 / 32427938

Share Registrar

M/s FAMCO Associates (Private) Limited
8-F Next to Hotel Faran, Block-6 PECHS,
Shahrah-e-Faisal, Karachi - Pakistan
Tel: +92 (21) 34380104-5, 34384621-3
Fax: +92 (21) 34380106

Registered Office

5th Floor, Harbor Front Building
HC-3, Marine Drive, Block - 4, Clifton
Karachi - 75600, Pakistan.
Tel: +92 (21) 35296000 (10 lines)
Fax: +92 (21) 35295961-2
E-mail:
efl.shareholders@frieslandcampina.com
Website: www.frieslandcampina.com.pk

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of FrieslandCampina Engro Pakistan Limited will be held at The Royal Rodale, TC-V, 34th Street, Khayaban-e-Seher, Phase V Ext., Defence Housing Authority, Karachi. On Friday 17th April 2020, at 03 p.m. to transact the following business:

A) ORDINARY BUSINESS

- (1) To receive and consider the Audited Accounts for the year ended December 31, 2019 and the Directors' and Auditor's Reports thereon.
- (2) To appoint Auditors and fix their remuneration.

N.B.

- (1) The Share Transfer Books of the Company will be closed from Friday, April 10, 2020 to Friday, April 17, 2020 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO ASSOCIATES (PVT.) LTD, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahrah-e-Faisal, Karachi [PABX Nos (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m.) on Thursday, April 9, 2020 will be treated as being in time for the transferees and to attend and vote at the meeting.
- (2) A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.
- (3) Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the Company i.e., Messrs. FAMCO ASSOCIATES (PRIVATE) LIMITED, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahrah-e-Faisal, Karachi PABX Nos (+9221) 34380101-5 and email info.shares@famco.com.pk

I/We, of being a member of FrieslandCampina Engro Pakistan Limited holder of Ordinary Share(s) as per Register Folio No. _____ hereby opt for video conference facility at (Please insert name of the City)

Signature of member

(4) E-Voting

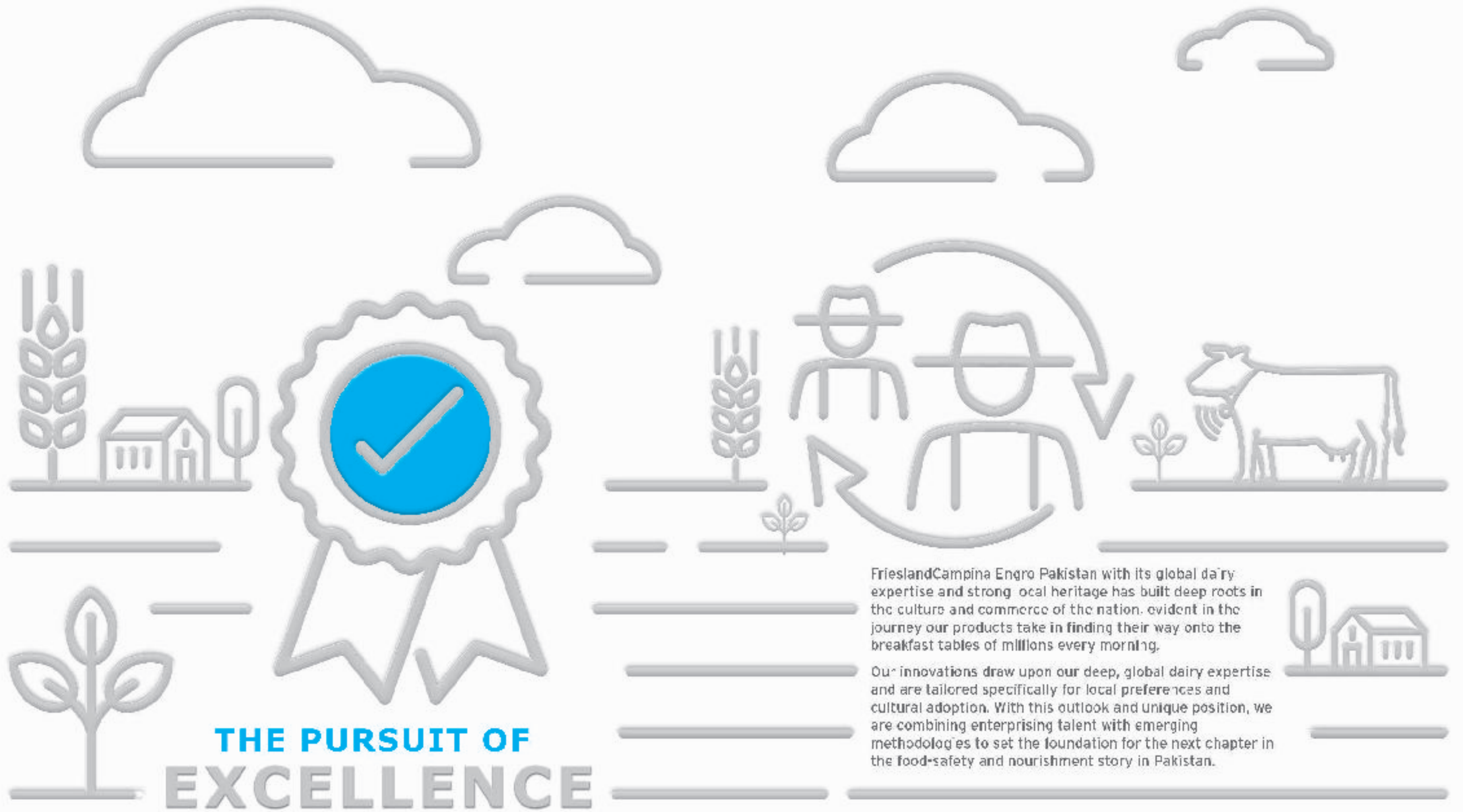
Members can exercise their right to demand a poll subject to meeting requirements of Sections 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

By order of the Board



Muneeza Iftikhar
Company Secretary

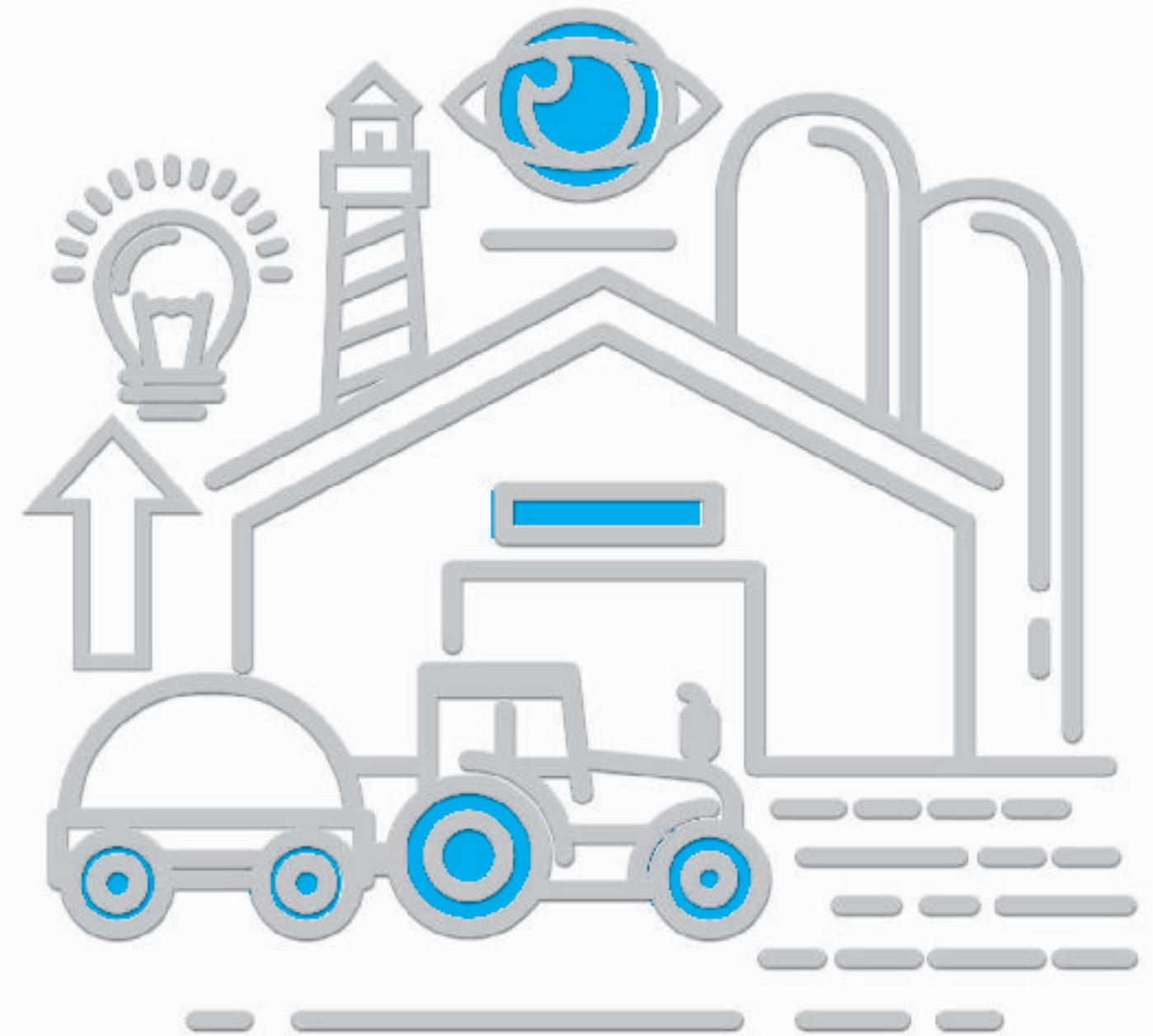
Karachi,
February 06, 2020.



THE PURSUIT OF EXCELLENCE

FrieslandCampina Engro Pakistan with its global dairy expertise and strong local heritage has built deep roots in the culture and commerce of the nation. evident in the journey our products take in finding their way onto the breakfast tables of millions every morning.

Our innovations draw upon our deep, global dairy expertise and are tailored specifically for local preferences and cultural adoption. With this outlook and unique position, we are combining enterprising talent with emerging methodologies to set the foundation for the next chapter in the food-safety and nourishment story in Pakistan.



OUR VISION FOR THE FUTURE

Chairman's Message

Dear Shareholders,

I am pleased to present to you the review for the year 2019. This has been a very challenging year for the Country as well as the Company. Sharp economic headwinds, particularly steep increases in commodity costs due to devaluation of rupee and rising interest rates, have put pressure on the overall Company profitability. Despite these economic headwinds, the Company has delivered a topline growth of 20% backed by a robust volume growth of 17%. This has materialized in an environment where most FMCG companies have struggled to increase volumes.

FrieslandCampina Engro Pakistan will play an extremely important role in the development of dairy sector in Pakistan. Our journey of nourishment helps communities reach their potential. We are committed to providing better nutrition to our consumers. As the population of Pakistan crosses 300 million by 2050, we will be there to serve the nation with affordable, safe and constantly improving dairy products. We have a unique opportunity to create a positive impact on the entire dairy value chain, by working directly with the farmers. This will help to improve their livelihood, maximize their incomes and increase their contribution towards the Country's GDP.

Our Dairy Development Programs are designed to ensure inclusive growth and increased prosperity for Farmers. Since inception we have empowered 25,000+ women farmers by making them a part of our ecosystem, training them to enhance their yield and promoting socio-economic inclusion. In 2019 alone, we helped train 53000+ farmers on best dairy farming practices. We are proud that our efforts have been recognised nationally and internationally for the impact created through our programs. Our passion is to drive growth and progress through milk to create a positive change in the everyday lives of Pakistanis.

At present more than 90% of our population consumes milk that is neither processed nor tested for quality. This leads to a high probability of consuming hazardous concentration of bacteria and aflatoxins that may be present in the milk. The focus of the Company is to drive conversion from unsafe loose milk to safe and hygienic products. This is an uphill task especially when

one considers that loose milk industry is unregulated. However, the Company believes this to be the right approach for creating a nourishing Pakistan. We are motivated to build awareness and communicate the benefits of safe packaged milk to the consumers, to ensure that the consumers across Pakistan are aware and have access to safe, high quality and nourishing products.

The company steered through the challenges of 2019 with the invaluable input of the visionary business leaders on its board. The Board of Directors played a pivotal role in setting the strategic direction of the company. The members of the Board bring unique insights, both local and international due to their vast business experience. The Company has a unique opportunity to have positive impact in the entire dairy value chain by working side by side with all relevant stakeholders.

We look forward to working with the various Government bodies, to bring about regulatory changes focused on delivering nutrition to the population, through conversion of loose milk to packaged milk.

Last but not the least, I would like to thank you for your continued support, the Management and the wider team of the Company for their commitment and focus on Nourishing Pakistan, FrieslandCampina's management for bringing their global dairy expertise, our Board of Directors for their strategic guidance and most importantly, our consumers for their continued trust in what we do.



Abdul Samad Dawood
Chairman



Chief Executive Officer's Message

Dear Shareholders,

This year, we began the next chapter of our journey as FrieslandCampina Engro Pakistan. A journey with a very clear Purpose:

“We Will Transform The Health And Wellbeing of Pakistani's, Now And For Generations To Come, By Nourishing Them Through Unlocking the Goodness of Milk From Glass to Grass, as Well As By Enhancing The Livelihood Of Farmers”

We are committed to playing a key role in fulfilling the nutritional needs of Pakistanis, and in developing the Dairy sector in Pakistan, thereby increasing the income of farmers, and alleviating poverty amongst our rural population.

As part of a global, Dairy powerhouse with a unique heritage of over 140 years as a Cooperative, we now have the opportunity, technology, knowledge and methodologies to bring about an unprecedented transformation in Pakistan's Dairy industry.

2019 was a challenging year for our company, our industry, our economy and our country. Everyone, from consumers to businesses, felt the inflationary impact of a volatile exchange rate, in the wake of the rupee devaluation. As a business with many moving parts, we had to adjust our methods, expectations, and efforts.

Amidst a bleak environment, there were many wins to recognise and celebrate:

- Olper's maintained market leadership with a 45 share - A 815 BPS growth in comparison to January 2018. Loppers also achieved its highest sales in a single year
- Tarang achieved market leadership at 22.9 market share, with a 537 BPS growth since its relaunch in Feb 2018.
- We successfully launched Olper's Full Cream Milk Powder (FCMP), which is steadily moving ahead with an already impressive market share.
- Despite a slow start to the year, Omoré delivered double digit growth aided by 8 stellar innovations and expansion of retail footprint.

The circumstances of these accomplishments makes them all the more extraordinary.

Our human capital investments emphasized programs to attract, train and develop talent to ensure the right mix of people, projects and culture. In our 2019 Employee Engagement Survey, covering a workforce of 1200+ employees, 80%+ of our employees reported feeling proud of our open and collaborative culture.

On the development front, our goal was to offer more personalized capability plans, for divisions to develop talent for future leadership positions. One of our global-driven initiatives focused on our young professionals through our “Learn to Grow” program, while our leaders focused on identifying and growing talent, through the global “Nourishing Leadership” initiative.

2019 has underscored the need for a vibrant and collaborative team to carry us forward to greater heights. Equally, it has highlighted the need for us to remain agile in an unpredictable environment, and to adapt to a changing Dairy, economic and political landscape - while remaining fully committed to our long term Purpose.

I have great confidence in our team's ability to respond with speed and resolve, and convert market situations into opportunities.

We go into 2020 with momentum. We continue to be excited by the immense opportunity of the Pakistan Dairy market, where less than 10% of milk consumed is packaged, and therefore lacks nutrition and is unsafe. We will continue to advocate the consumption of nutritious, safe, packaged milk, and work towards our goal by supporting efforts to make the public aware of the facts around Dairy consumption, by working with Government to enact and enforce legislation to ensure quality Dairy products, and by making the right products affordable and accessible to Pakistanis.

With the right mindset we are confident we will see many wins. We have strong fundamentals, a comprehensive strategy, sustainable competitive advantages, a robust team, vibrant operations, and a future brimming with potential. Together, we will transform Pakistan's Dairy landscape.



Ali Ahmed Khan
Chief Executive Officer



Board of Directors



Left to Right:

Zouhair Abdul Khaliq

Roeland Francols Van Neerbos

Ali Ahmed Khan (CEO)

Abdul Samad Dawood (Chairman)

Petra Attje Zinkweg

Eduardus Lambertus Holtzer

Abrar Hasan

Directors' Profile

We are privileged, to have a visionary leadership on our board. Our directors brings varied experience of transformational successes to the table. FrieslandCampina executives bring the global dairy legacy of over 140 years and the Engro leadership provides us with the strategic guidance and input to deliver faster and better decisions.

[Abdul Samad Dawood](#) Chairman

Mr. Dawood joined the Company in 2009 and now serves as the Chairman of FCEPL. He sits on the Board of Dawood Lawrencepur Limited, Engro Fertilizer Limited, Reon (Pvt.) Limited and Tenaga Generasi Limited. He is also a Trustee on the Board of The Dawood Foundation.

He has served as CEO of Cyan Limited and Dawood Hercules Corporation Limited. He has also been a Director on the Boards of International Industries Limited, ABL Asset Management Company Limited, Sui-Northern Gas Pipeline Company Limited and World Wide Fund for Nature-Pakistan.

He is also a member of the Young Presidents' Organization. Mr. Dawood is a graduate in Economics from University College London, UK.

[Ali Ahmed Khan](#) Chief Executive Officer

Mr. Khan has a rich experience spanning over 25 years in top management positions with leading FMCGs. He has been credited with turning around businesses and leading them to industry leadership. He joined the Company in March 2017.

His prior assignments include leading Personal Care at Iffco in the UAE and Far East, as well as Reckitt Benckiser (Pakistan) Limited, as CEO.

He has also been associated with Pakistan Tobacco Company Limited as Marketing & Sales Director and with Pepsi-Cola International as Head of Marketing. Mr. Khan has an MBA from Institute of Business Administration, Karachi.



Roeland Francois Van Neerbos

President Consumer Dairy, FrieslandCampina

In January 2017, Roeland Francois Van Neerbos joined FrieslandCampina as Chief Operating Officer Consumer Products Europe Middle East and Africa Business Group of Royal FrieslandCampina.

The Business Group EMEA consist of a vast geographic territory with distinctive markets in terms of standard of living, dairy consumption and sophistication of retail environment, offering room for a balance strategy between value-added growth and milk valorization.

As of January 2018, Roeland leads the new Business Group Consumer Dairy Global. Until Mid-2016 Roeland Francois Van Neerbos was Chief Executive Officer of Maxeda, a Do-It-Yourself retailer operating more than 350 stores with around 7,000 employees across the

Benelux. Before that, he spent 8 years at Heinz as President Continental Europe and 4 years at Mattel as Senior Vice-President Iberia, EEMEA and Latin America based in Spain.

During the first 16 years of his career Roeland held various executive positions at Procter & Gamble in The Netherlands, Belgium, Yemen and Morocco. He studied Business Administration at the University of Groningen.



Zouhair Abdul Khaliq

Partner at ICE Advisory LLP

Zouhair is an international business executive with experience in board level strategy, operations, M&A, startups, turnarounds, telecommunication, mobile financial services, micro-finance, mobile related services and real estate.

Zouhair is Managing Partner at ICE Advisory LLP and holds a portfolio of Advisory and Non-Executive Board positions. During his career he has worked with Orascom Telecom Holdings, the GSMA, Gemini Holdings (the Sawiris Family Office), Motorola UK, the Dhabi Group, Millicom International, the ICI Group and PWC.

He served as Managing Director, Mobile for Development, GSM Association working on development of ecosystems for mobile financial services, off-grid energy and mHealth. Zouhair as CEO of Mobilink in 2003-2008 led the growth of the Company from 1 million to 31 million customers building Mobilink in to a billion dollar company.

He has served on the Boards of mobile operations in Algeria, Tunisia, Egypt, Pakistan, Bangladesh and Jordan and on the Boards of the public sector at the Islamabad Stocks Exchange, the ICT R&D Fund and as Senior Advisor to the Better Than Cash Alliance and United Nations Capital Development Fund.

He has recently served as a Non-Executive Director on the Board of (Du Telecom) Emirates Integrated Telecom Investment Holdings Limited, Senior Advisor at Voltaire Capital in the UK, and the Advisory Board of Ding Ireland, a mobile top-up company. He is currently on the Advisory Board of Field Force LLC USA, a software analytics company. He is a member of the Board of Regents of Harris Manchester College, Oxford University in the UK, a member of the Institute of Chartered Accountants in England and Wales and an alumni of INSEAD, France.



Petra Attje Zinkweg

Business Group HR Director Consumer Dairy,
FrieslandCampina

Petra Attje Zinkweg is the Business Group HR Director Consumer Dairy of Royal FrieslandCampina N.V. Before that, she held a variety of Management positions at FrieslandCampina N.V. and Unilever.

She has extensive experience in the domains of Human Resource and Marketing. She holds a Masters degree in Sports Science from the Free University of Amsterdam. She joined the Board of the Company in 2018.

Eduardus Lambertus Holtzer

Finance Director Consumer Dairy,
FrieslandCampina

Eduardus Lambertus Holtzer is Finance Director of FrieslandCampina Consumer Dairy and has been working for FrieslandCampina since 2012. Prior to that, he held several leadership positions at Unilever, a.o. Vice President Finance at Unilever Spain and Director M&A at Unilever Corporate Center in the UK.

He holds a Master of Business Economics from the University of Brabant, from The Netherlands and a Postgraduate degree in Controlling/ Management Accounting at VU University of Amsterdam, Netherlands. He joined the Board of the Company in 2018.



Abrar Hasan

CEO National Foods Limited

Abrar Hasan is the Chief Executive Officer of National Foods Limited (NFL), the leading multi-category food company in Pakistan. Mr. Hasan is providing direction to the company by setting a clear vision for future growth to become a Rs. 50 billion company by the year 2020.

He has actively pursued new market opportunities and delivered successful strategies by focusing on continuous innovation, highest standards of quality and superior consumer value.

Being a staunch supporter of Corporate Social Responsibility he also initiated the Adult Literacy Programme in collaboration with the Citizens Foundation (TCF), which aims to equip rural women with basic literacy skills. In 2007, he spearheaded the development of a sustainability strategy of the company, which is today guiding all business functions across the board.

He has received numerous accolades, including Marketing Excellence Award 2008 from the Marketing Association of Pakistan (MAP) and the Best Workplace Award 2015.

He is member of the Board of Directors of various strategic forums like the Associated Textile Consultants, Cherat Packaging Ltd, Pakistan Business Council, and the Health Foundation. Mr. Hasan is a graduate of the Krannert School of Management at the Purdue University in Indiana, USA.



ASSURING PROGRESS

ASSURING PROGRESS



Through our strong foothold in the local market, FrieslandCampina Engro Pakistan is driven towards creating a sustainable supply chain. Our journey of nourishment helps communities reach their potential. We take great pride in our Dairy Development Programs for farmers. Designed to ensure inclusive growth and increased prosperity, we assist thousands of farmers by improving their farm management and milk quality. In 2019 alone, we have helped train 53,000+ farmers, enhancing their yield and creating sustainable livelihoods.

DIRECTORS' REPORT

On behalf of the Board of Directors of FrieslandCampina Engro Pakistan Limited (a majority owned subsidiary of FrieslandCampina Pakistan Holdings B.V. which is a subsidiary of Royal FrieslandCampina B.V.), we are pleased to present the annual report and the audited financial information of the Company for the year ended December 31, 2019.

BUSINESS OVERVIEW

In 2019, the Company continued its strong growth momentum and delivered a robust topline growth in each of the four quarters. The Company has reported a revenue of Rs. 38.9 billion in 2019, recording a 20% increase vs last year. This growth came primarily on the back of strong volumetric gains in both Dairy and Ice Cream business segments.

Sharp economic headwinds, particularly steep increases in commodity costs due to devaluation of Rupee and rising interest rates, have put pressure on overall company profitability. As a result, gross margin reduced from 16% to 13%. The Company has taken price increases across its portfolio in the last 6 months to offset these inflationary pressures. The interest cost for the Company has almost doubled primarily on account of higher interest rates. A once-off tax adjustment of Rs 153 million was also recorded due to revision in the Finance Act 2019. As a result, the Company registered a loss after tax of Rs 955 million vs a profit of Rs 64 million (loss per share of Rs 1.25 vs a profit per share of Rs 0.08) in the same period last year.

Rs. **38.9**bn
Revenue in 2019

DAIRY AND BEVERAGES SEGMENT

The Dairy and Beverages segment reported a revenue of Rs. 34.9 billion vs a revenue of Rs. 29.0 billion in 2018, registering a growth of 20% vs last year.

The segment has maintained the strong growth momentum in both its core brands, i.e., Olper's and Tarang, which continue to win in the market on the back of significant brand investments since their relaunch last year. The segment has grown volumes by 17% whilst the consumer goods sector has been relatively stagnant. The growth was aided by an effective communication spend and expansion in retail coverage by more than 12,000 outlets. As a result, both Olper's

and Tarang have gained market share leadership in their respective categories.

Rs. **3.9**bn revenue

recorded by the ice cream and frozen dessert segment

The Company's new launches, i.e., Olper's Full Cream Milk Powder (FCMP), Olper's Creams, Olper's ProCal+ and Tarang Elaichi, have received a positive response from both consumers and trade in 2019 and have gained a healthy market share in a short span of time despite strong competition from established players. The Company will continue to leverage FrieslandCampina's global expertise to introduce new products and innovations as a key driver of future business growth.

ICE CREAM AND FROZEN DESSERTS SEGMENT

The Ice cream and Frozen Dessert segment reported a revenue of Rs. 3.9 billion in 2019 vs a revenue of Rs. 3.4 billion last year. The business has focused on creating excitement for consumers by introducing 9 new products and communicating the novelty of Omoré through "summer blockbuster" campaign. The category has also successfully inducted various new freezers and trikes in the market, further strengthening its trade footprint across 240 towns.





DAIRY FARM SEGMENT

The Company's Dairy Farm continued to be a rich and nutritious source of raw material for our dairy segment. However, rising interest costs and feed prices, along with valuation losses due to lower market prices of animals resulted in a loss of Rs. 322 million for the segment during the period.

SUSTAINABILITY AT FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED

PURPOSE-DRIVEN ENTERPRISE

Providing the growing population of Pakistan with the right nutrients in a sustainable way is one of the challenges for the coming decades. By offering trustworthy, relevant and nourishing dairy products, the Company contributes to food and nutrient security of millions of Pakistanis. The Company's purpose resonates with – 'Nourishing Pakistan' – which stands for its promise to provide better and safe nutrition for its consumers, realise a good living for our farmers, for now and generations to come.

COOPERATION WITH STAKEHOLDERS

Preventing and combating non-communicable diseases (obesity, undernutrition and food-related diseases) is a shared responsibility of consumers, governments, and NGOs, as well as food producers and food suppliers. The Company sees it as part of its responsibility to constantly contribute to addressing this challenge and to work together with these stakeholders worldwide.

Rs. **30mn**
contributed to social investment commitments

SOCIAL INVESTMENTS

The Company understands the changing needs of its consumers and in order keep up its commitment to its stakeholders and empower its dairy farmers. In 2019, the Company contributed PKR 30 million (including 10 million in Fixed Cost support) under its social investments commitments for its farmer and surrounding communities.

The Company's social investments programs have been managed by Engro Foundation – together with partners who work in the areas of education, health, infrastructure, livelihoods and disaster management to provide socio-economic opportunities to a multitude of individuals in the communities it operates in. Moreover, the Company continued its strategy to work towards generating greater sustainable impact by focusing on business inclusiveness.

SCHOOL ADOPTION PROGRAMS

The Company started a school adoption program in 2011 near its production facilities to provide the opportunity of education to the children from surrounding communities. This was an initiative to create better opportunities for the underprivileged and help build the community. The Company has been supporting six schools near its plants. In 2019, the Company invested PKR 4.5 million in two adopted schools near its dairy farm in Nara Sindh and PKR 7.0 million in the 4 schools near Sahiwal plant. Its employees conduct periodic community engagement sessions at these schools on the importance of environment, safe nutrition, cleanliness, health and safety.

HEALTH CENTRE

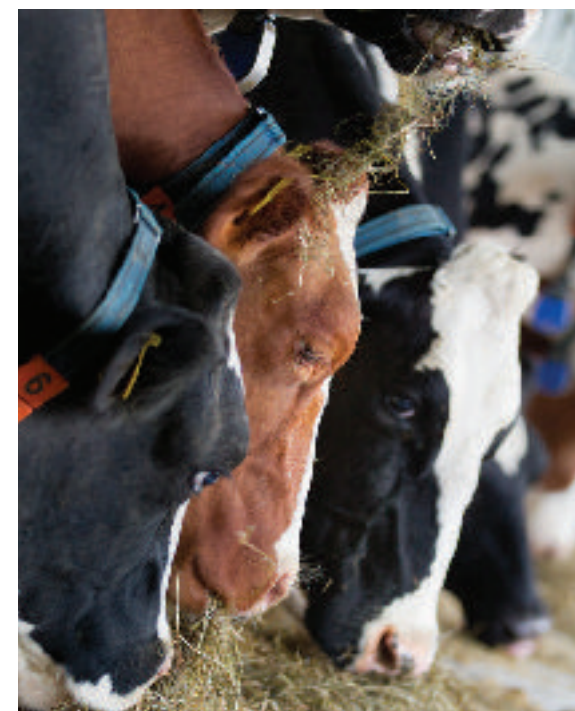
Basic healthcare problem is one of the major dilemmas in under privileged communities across Pakistan. The

mainstay of a healthy community is its mental and physical well-being. The Company's efforts are directed towards empowering and developing its farmers and surrounding communities, which is in line with two of the United Nation Sustainable Development Goals. The Company invested a total of PKR 8.5 million in its Health Center near its Sukkur plant. To date 13,000+ patients from underprivileged sector have been treated at the Company's Health Centre.

DAIRY DEVELOPMENT:

The Company has a network of more than 1,300+ milk collection centers which collects milk and provides livelihood to 250,000+ farmers and milk suppliers across Pakistan. Through its numerous dairy development initiatives, the Company directly contributes to the growth in dairy and livestock sector in Pakistan, which is around 11% of AGDP (Aggregate Gross Domestic Product) and accounts for 60% share in the agriculture sector.

As part of its regular dairy development programs, the Company has trained 53,000+ farmers in 2019 on animal health, nutrition & farm management. To overcome the scarcity of fodder at farms affiliated with the Company, its teams have assisted farmers in silage making and bales of 150 K tons worth Rs. 880 million. In addition to this, as part of its financial inclusion program, the Company has paid short term advances worth PKR 200+ million to its farmers for working capital management.



ENHANCING WOMEN'S INCOME THROUGH DAIRY INTERVENTIONS [EWID]:

The Company is committed to create social progress through programs devoted to improving livelihood and capacity building of small farmers with a special focus on women. The Company feels that there is a dire need for transfer of knowledge to these farmers in order to improve the productivity of the local Pakistani cattle breeds.

To address this concern, the Company initiated number of projects in past, EWID is one of the initiatives started in 2019, this project is co-funded by Department of Foreign Affairs & Trade - Government of Australia, whereby the Company will transfer knowledge and train 4,100 farmers mostly women & 100 female livestock extension workers. Female extension workers will go through extensive training program & internship at farms to work as self-sustainable entrepreneurs.

WOMEN TRAINING IN LIVESTOCK MANAGEMENT [WTLM]:

WTLM is another project in collaboration with Punjab Skills Development Fund, for training and capacity building of 1,500 female farmers on basic livestock farming for optimum milk production. Selected female farmers went through a 45-day class room & demonstrative training course designed by the Company on disease control, fodder preservation and breed improvement.

OUR HUMAN RESOURCES

At FrieslandCampina Engro Pakistan, the employees are the backbone of the organisation. Over the course of the year, the Company took several steps to fortify each phase of its talent recruitment and engagement funnel resulting in optimally-placed, culturally-compatible and motivated new recruits and employees.

While the overarching theme of 2019 was adjustment and consolidation, the Company navigated the shifting landscape by delving a little deeper and mapping its human resource investments and initiatives to changes in strategy.

TRAINING AND PRODUCTIVITY

In 2019, the Company focused on training new, and retraining existing resources in emergent technologies, methodologies and skills by introducing several globally driven initiatives. The Company reinvented its productivity workflows with more emphasis on collaboration, and measurement via project tracking processes and management.

There was a lot of focus on making the Company's values livable by incorporating the win-win behaviours into actionable plans. In 2019, the Company introduced a Win-Win Week, where all employees participated in activities that helped them understand these behaviors and how to incorporate them into their daily routine.

The Company worked on expanding its lateral-thinking capabilities with a renewed focus on sustainability and inclusivity while developing personalised-capability plans for each division to build a strong talent pipeline which can sustainably create seasoned leaders.

A behavioural change workshop was conducted - with live simulations - for senior leaders & team leaders, to enable them able to recognize, understand and adapt to change in real-time.

These efforts yielded an employee engagement score of 80 (+3 >2018), which placed the Company amongst the highest ranked OPCOs within the FrieslandCampina universe.

DIVERSITY AND INCLUSION:

In 2019, the Company introduced its first ever internship program for the differently abled. The Company also conducted sensitization sessions for various teams and to encourage open dialogues between employees. The Company is rethinking its office environment and physical infrastructure from an Accessibility perspective.

The Company launched a future leaders program which has diversity as a core tenet. Within the current employee structure, the Company has conducted gender audits and there is a pledge to continually reduce the disparity across every strata of the organization. Currently, the Company has a 6.5% diversity ratio

The goal is to create a vibrant culture which is more inclusive, promotes gender equality and recognises diversity as a pillar of strength, and a strategic advantage.

HEALTH, SAFETY AND ENVIRONMENT

The Company strongly believes in maintaining the highest standards in Health, Safety and Environment (HSE) to ensure the well-being of the people who work with it as well as the surrounding communities, where it

operates.

ENSURING EMPLOYEE SAFETY AT THE WORKPLACE

The Company's employees and contractors are expected to conform to its HSE management systems and processes which have been designed keeping in view international standards and best practices. Over the years, the Company has embarked on ambitious plans to achieve Occupational Safety and Health Administration (OSHA - USA) compliance through DuPont Alignment and has been successful in its endeavors.

A work-place safety program has been implemented, that actively seeks to reduce the potential risk of injuries within the work-place by conducting safety gap analysis. Since DuPont Safety Management is essentially a people-focused tool, the Company has also invested heavily in employee engagement by conducting trainings that spanned over the year, with a cumulative total of 13,000+ training hours. To reaffirm its commitment to safety of its employees and draw maximum buy-in, the Company hosted a series of engagement events including Safety Weeks & Safety Champions of the Month.

Alignment with FrieslandCampina Global HSE Management System 'FOQUS SHE' was carried out and the Company became the first Operational Company in

Received ISO 14001 certifications

for its plants in Sukkur and Sahiwal, and Dairy Farm in Nara

FrieslandCampina world that achieved "Satisfactory" result in its first assessment. To further increase awareness of employees on serious injuries & threatening risks at work places, introduction of Seven 'Life Saving Rules' was one of the major value additions in 2019. To make its factories compliant with ATEX (EU Directives for controlling explosive atmospheres), assessment of 'Powder Dust Explosion Hazard' was carried out along with action plan. Moving forward in 2020, Machine Safety Assessment is one of the key areas where the Company is committed to add value.

As a result of its efforts and focus on stringent and best in class HSE guidelines, the Total Recordable Injury Rate (TRIR) has declined significantly over the last six years. During the year, the TRIR of the Company's employees and contractors was recorded at 0.07 with over 14.8 million man-hours clocked in by employees and visitors.

ENSURING RESPONSIBLE ENVIRONMENTAL PRACTICES

The Company recognizes the need to protect and preserve the planet by going the extra mile to minimize the environmental impact of its business operations and prevent unnecessary wastage of natural resources. The Company's business strategies are also fully aligned with this vision. In an on-going effort to preserve the natural habitat, the Company has invested in installation of solar geysers at its Area Offices as well as encouraged its supply chain partners working as Milk Collection Centers (MCCs) to shift to solar powered energy, thereby minimizing the carbon footprint of the MCCs.

As part of its ongoing efforts to reduce greenhouse gas (GHG) emissions, the Company is actively promoting the use of Non-CFC products at all its manufacturing units. The Company is procuring eco-friendly air conditioners with refrigerant gases that are not harmful for the ozone layer. The Company is committed to making concerted efforts to protect and preserve the planet for future generations, whilst exercising effective controls to minimize potential environmental hazards. This is reflected in its endeavors to achieve ISO 14001 certifications for its plants in Sukkur and Sahiwal, and Dairy Farm in Nara. Furthermore, 20 area offices of Milk Procurement & Agri Services are ISO 14001 certified. There is also a structured program in place to reduce water consumption on a year on year basis.

The Company's Head Office, along with the Administration Offices of its Sahiwal Plant, Sukkur Plant and Nara Dairy Farm are certified as 'Green Offices' under the Green Office Project by WWF-Pakistan. The pilot project for paper reduction taken up by the Head Office in Karachi resulted in paper reduction of 40%. Throughout the year, various sessions were carried out, including Earth Day and Earth Hour celebration, in order to promote awareness of environmental issues amongst the employees.

Rs. 115 mn

invested in water conservation projects

The Company has made significant investments at its production facilities to reduce the water consumption. In the last couple of years, the Company has invested to the tune of Rs. 115 million in Water Conservation projects. Water consumption reduced by 19% in year 2019. This was driven by 9% volume growth and projects centered around conservation activities.

ACCOUNTING STANDARDS

The accounting policies of the Company reflect the requirements of the Companies Act 2017 and such approved International Financial Reporting Standards as have been notified under this Act as well as through the directives issued by the Securities and Exchange Commission of Pakistan.

EMPLOYEE SHARE OPTION SCHEME

The Company operates a Share Option Scheme. The detail of such scheme is explained in note 10 of the accounts.

PENSION, GRATUITY AND PROVIDENT FUND

The employees of the Company participate in Retirement Funds maintained by Engro Corporation Limited. The Company contributes to plans that provide post-employment and retirement benefits for its employees. These include Defined Contribution Provident plan, Defined Contribution Gratuity plan and Defined Benefit Gratuity plan. The value of investments of the Defined Benefit Gratuity scheme as at latest audited financial statement date is as follows:

	DB Gratuity Fund Rs. in millions 30-Jun-19
Net assets as per audited financial statements	500
Breakup of Net Assets	
Regular Income Certificates	180
Defence Saving Certificates	25
Pakistan Investment Bonds	189
Term Finance Certificates	19
Shares	99
Bank Deposits	6
Receivables	3
Payables	(21)
Total	500

The above mentioned plan is a funded scheme recognized by the tax authorities. The latest actuarial valuation of gratuity scheme was carried out at December 31, 2019 and the financial statements of these have been audited up to June 30, 2019.

AUDITORS

The present auditors, M/s A.F. Ferguson & Co. retired and offered themselves for re-appointment as the statutory auditors of the Company. The Board of Directors of the Company have endorsed the recommendation of the Board Audit Committee for the reappointment of M/s A.F. Ferguson & Co.

PATTERN OF SHAREHOLDING

Major shareholders of the Company are FrieslandCampina Pakistan Holdings B.V. (51 %) and Engro Corporation Limited (40 %). Other Shareholders are local institutions and the general public.

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, Executives and their spouses including minor children during 2019, is shown later.

INTERNAL CONTROL FRAMEWORK

Responsibility

The Board is ultimately responsible for the Company’s system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

Framework

The Company maintains an established control framework comprising clear structures, authority limits and accountabilities, well understood policies and procedures for review processes. The Board establishes corporate strategy and the Company’s business objectives. Divisional management integrates these objectives into divisional business strategies with supporting financial objectives.

Review

The Board meets quarterly to consider the Company’s financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

Internal Audit

The Company has an independent Internal Audit function. The Board Audit Committee annually reviews the appropriateness of resources and authority of this function. The Head of Internal Audit functionally reports to the Audit Committee. The Board Audit Committee approves the audit plan, based on an annual risk assessment of the operating areas. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports on findings to the Board Audit Committee, Chief Executive and the divisional management.

RISK MANAGEMENT

The Company has a formal risk management framework to assess the risks faced in the context of the broader political and macroeconomic environment. The risk management system identifies strategic, regulatory, financial, operational, reputational, and sustainability risks related to Company’s business activities. The risks are reviewed by the Pakistan Leadership Team along with departmental objectives, targets and performance. Appropriate strategies are developed and implemented to minimize the impact of the identified risks. The Company has formulated its risk management structure based on the global practice followed by FrieslandCampina, with the aim of driving the Company growth with managing risk associated with business adequately.

BOARD OF DIRECTORS

Statement of Director Responsibilities

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the SECP Code of Governance for the following:

- 1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- 2. Proper books of accounts of the Company have been maintained.
- 3. Appropriate accounting policies have been consistently applied in preparation of the financial statements, except for changes resulting on initial application of standards and amendments or interpretations to existing standards. Accounting estimates are based on reasonable prudent judgment.
- 4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.
- 5. The system of internal control is sound in design and has been effectively implemented and monitored, including adequate internal financial controls.
- 6. There are no significant doubts upon the Company’s ability to continue as a going concern.
- 7. There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Board Meetings and Attendance:

In 2019, the Board of Directors held 4 meetings to cover its complete cycle of activities. All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on business and full papers on matters where the Board is required to make a decision or give its approval. The Board deliberates and fixes remuneration for the independent non-executive Directors. The attendance record of the Directors is as follows:

Director's Name	1st (7 Feb 2019)	2nd (26 Apr 2019)	3rd (5 Aug 2019)	4th (17 Oct 2019)	Meetings Attended
Abdul Samad Dawood	✓	✓	✓	✗	3
Ali Ahmed Khan	✓	✓	✓	✓	4
Roeland Francois Van Neerbos	✓	✓	✓	✓	4
Edward Lambertus Holtzer	✓	✓	✗	✓	3
Petra Attje Zinkweg	✓	✗	✓	✓	3
Abrar Hasan	✓	✓	✓	✓	4
Zouhair Abdul Khaliq	✓	✓	✓	✓	4

Board Composition and Governance

As at December 31, 2019, the Board comprises of seven Directors (6 males, 1 female) including one Executive Director, two Independent Directors and four Non-Executive Directors. The Board has the collective responsibility for ensuring that the affairs of FCEPL are managed competently and with integrity. Mr. Abdul Samad Dawood, a non-executive Director, is the Chairman of the Board, and Mr. Ali Ahmed Khan is the Chief Executive Officer. Biographical details of the Directors are included in this report. A Board of Directors’ meeting calendar is issued annually that schedules the matters reserved for discussion and approval.

Board Compensation Committee

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives’ remuneration and to approve all matters relating to the remunerations of the Executive Director and members of the management committee. The Head of HR of the

Company is the secretary of the Board Compensation Committee Meeting. The committee comprises the following members:

Zouhair Abdul Khaliq	Chairman
Petra Attje Zinkweg	Member
Ali Ahmed Khan	Member

Board Audit Committee

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The committee met 4 times during 2019. The committee comprises the following members:

Abrar Hasan	Chairman
Eduardus Lambertus Holtzer	Member
Zouhair Abdul Khaliq	Member

The secretary of the committee is Saleem Lallany, GM Internal Audit.

FUTURE OUTLOOK

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the SECP Code of Governance for the following:

The business continues to be impacted by an extremely challenging macroeconomic environment with rising inflation and eroding consumer purchasing power. All these factors pose significant challenges to the business profitability in the short term.

The Company’s purpose is to provide a nutritious and safe offering to our consumers. The main source of growth for the Company is conversion from loose milk, which still represents ~90 (20+ billion litres) of untapped opportunity. Loose milk has been scientifically proven to be unsafe for human consumption as a sizeable portion of this segment operates with unacceptable business practices including adulteration, unhygienic conditions and conveyance methods, whilst also contributing negligibly to the government exchequer.

The Company will continue to:

- Invest in strengthening its brand equity and offer innovative products to remain the preferred choice for consumers’ dairy needs.
- Work with the Pakistan Dairy Association (PDA) on various category development initiatives to educate the consumers on the potential health hazards of loose milk consumption and reinforce the positive characteristics of packaged milk.
- Work with the regulatory authorities through relevant business platforms to harmonize the Federal and Provincial food laws and draft legislation on minimum pasteurization.

The growth of dairy industry is an extension of the Government’s agenda of improving health and nutrition of masses, hence the Company will encourage the Government to support in creating mass awareness around safe milk consumption and financially incentivize the growth of formal dairy sector through favourable fiscal policies.

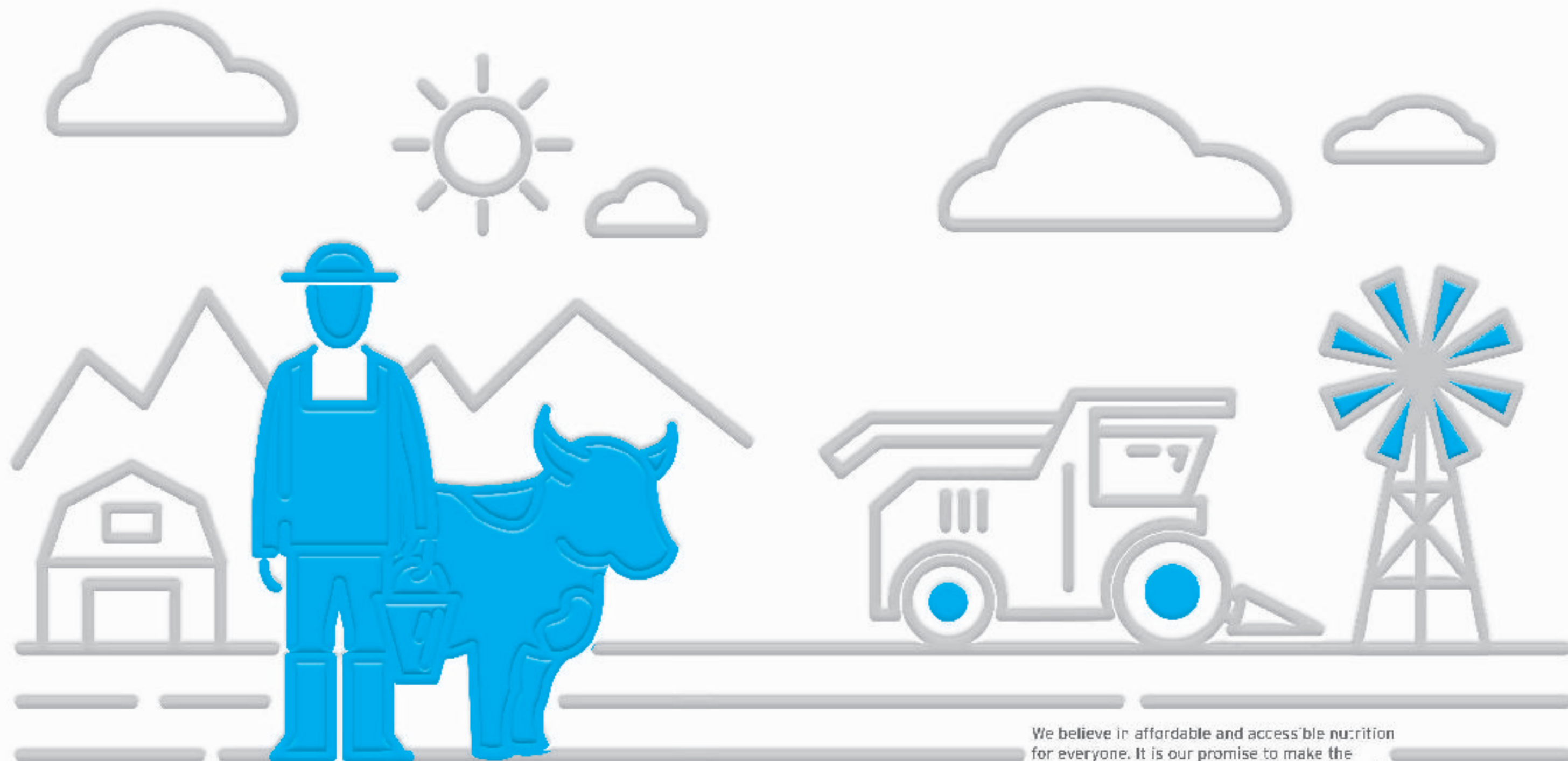
Every day, millions of consumers enjoy our products throughout Pakistan, hence the Company remains committed to highest standards in the field of food safety, sustainability and transparency throughout the entire production chain, i.e., “from grass to glass”. The Company will leverage FrieslandCampina’s expertise and heritage of 145+ years to continue to provide affordable, high quality, healthy and safe dairy products.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer



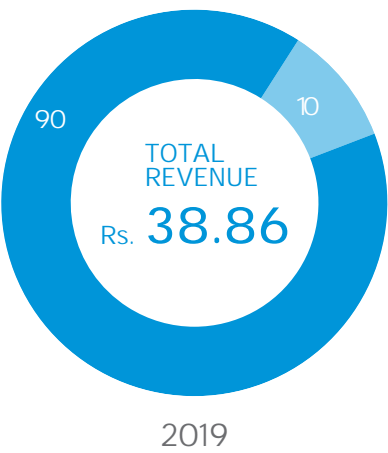
We believe in affordable and accessible nutrition for everyone. It is our promise to make the grass greener for the cows, the yields higher for the farmers, the growth stronger for the milk industry and a glass of milk full of natural goodness for every Pakistani.

THE PROMISE OF NOURISHMENT

FINANCIAL REVIEW

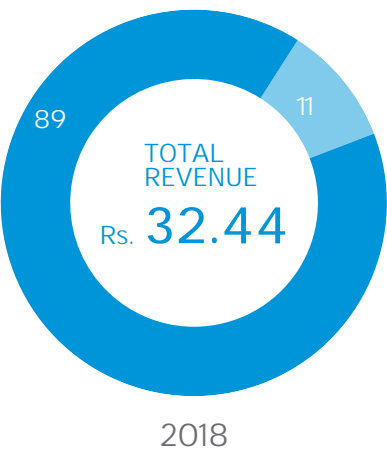
Business Revenue (Rs. in billions)
Segment Share

- Dairy, Beverages & Others
- Ice cream

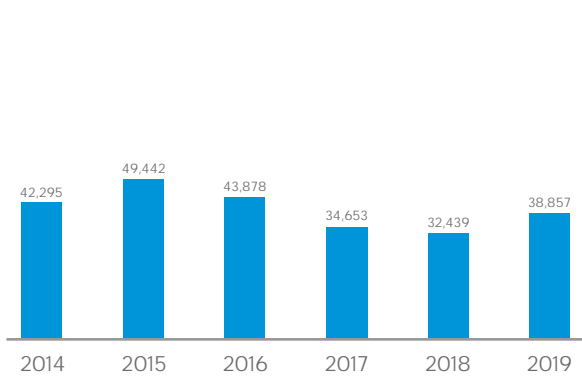


Business Revenue (Rs. in billions)
Segment Share

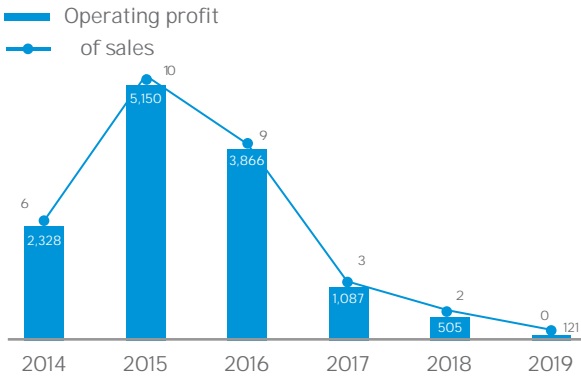
- Dairy, Beverages & Others
- Ice cream



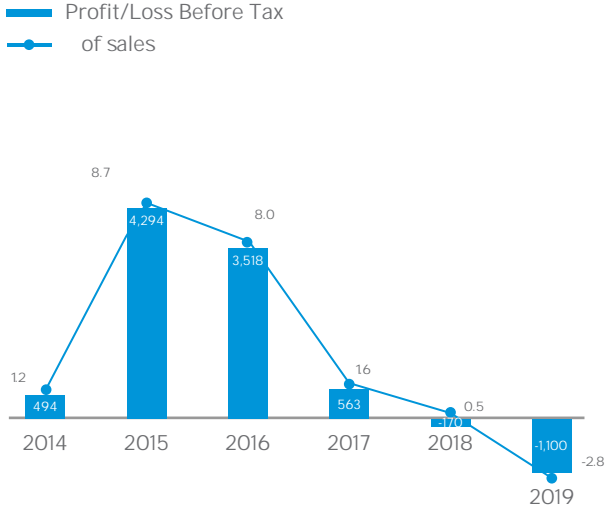
Sales (Rs. in millions)



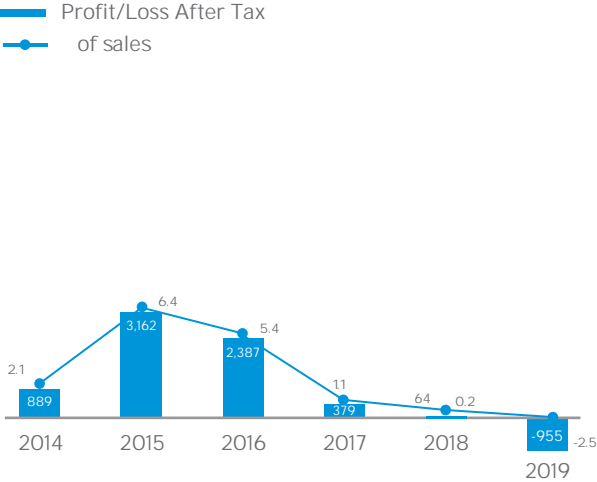
Operating Profit/Loss & of Sales (Rs. in millions)



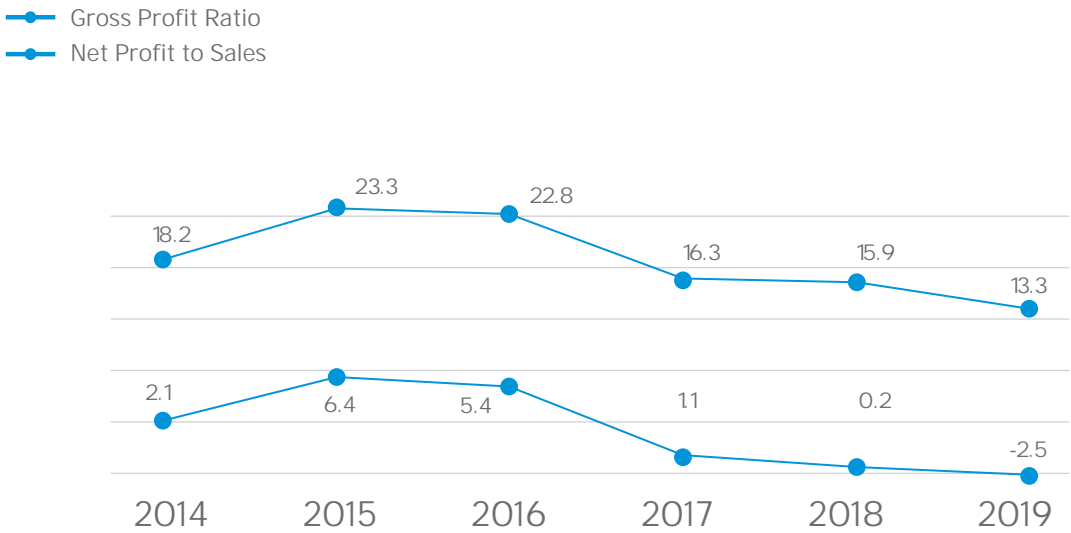
Profit/Loss Before Tax (Rs. in millions)



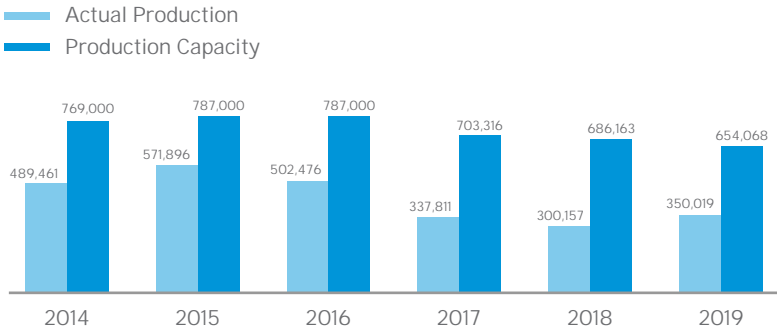
Profit/Loss After Tax (Rs. in millions)



Profitability Ratios



Actual Production vs. Production Capacity ('000 litres)



STATEMENT OF VALUE ADDITION & DISTRIBUTION

	2019		2018	
WEALTH GENERATED	Rupees in million		Rupees in million	
Total Revenue inclusive of sales-tax and other income	40,818	-	34,075	-
bought-in material and services	(32,272)	-	(25,484)	-
	8,546	-	8,591	-
WEALTH DISTRIBUTED				
To employees Salaries, benefits and other costs	2,998	34.90	2,690	31.31
To Government Taxes, duties and development surcharge	3,511	40.87	3,145	36.60
To Society Donations towards education, health, environment and natural disaster	20	0.23	40	0.47
To Providers of Capital Mark up/interest expense on borrowed money	1,222	14.22	675	7.86
Retained for reinvestment and future growth, depreciation, amortization, retained profit	795	9.25	2041	23.76
	8,546		8,591	

FINANCIAL SUMMARY

	2019	2018	2017	2016	2015	2014
	Rupees in million					
Statement of Financial Position						
Share capital	7,666	7,666	7,666	7,666	7,666	7,666
Share premium	865	865	865	865	865	865
Employee compensation reserve	116	218	298	434	595	400
Hedging Reserve	-	-	-	-	(1)	(28)
Re-measurement of post employment benefits - Re-measurement loss	(132)	(138)	(81)	(74)	(84)	(36)
Unappropriate (loss) / profit	(130)	730	973	8,259	5,872	2,710
Shareholders funds / Equity	8,385	9,341	9,721	17,151	14,913	11,578
Long term borrowings	3,200	4,000	4,121	500	2,196	5,477
Capital employed	11,585	13,341	13,842	17,651	17,109	17,055
Property,plant & equipment	10,913	11,819	12,559	13,121	13,860	15,022
Long term advances and deposits	59	71	84	94	134	109
Statement of Profit or Loss						
Revenue from contracts with customer - net	38,857	32,439	34,653	43,878	49,442	42,295
Gross profit	5,170	5,154	5,636	10,015	11,538	7,701
Operating profit	121	505	1,087	3,866	5,150	2,328
Loss before tax	(1,100)	(170)	563	3,518	4,294	494
(Loss) / profit after tax	(955)	64	379	2,387	3,162	889
Statement of Cash Flows						
Net cash flow from operating activities	1,522	1,231	4,516	5,122	4,517	786
Net cash flow from investing activities	(838)	(1,113)	(900)	(1,188)	(790)	(2,556)
Net cash flow from financing activities	(458)	(958)	(5,393)	(3,176)	(1,722)	(1,081)
Changes in cash & cash equivalents	226	(840)	(1,778)	758	2,005	(2,851)
Cash & cash equivalents – Year end	(1,750)	(1,976)	(1,136)	638	(121)	(2,135)
Others (Million)						
Market capitalisation	60,823	61,145	61,598	147,218	112,366	83,250
Numbers of shares issued	767	767	767	767	767	767
Quantitative Data ('000 Litres)						
Production Capacity						
Dairy & Juices	610,004	642,540	662,516	748,000	748,000	730,000
Ice cream	44,064	43,623	40,800	39,000	39,000	39,000
Fresh Dairy						
Actual Production						
Dairy & Juices	328,627	281,903	320,344	482,958	552,532	472,735
Ice cream	21,392	18,254	17,467	19,518	19,364	16,726

FINANCIAL PERFORMANCE INDICATORS - 2014 TO 2019

RATIOS

Profitability Ratios:

	2019	2018	2017	2016	2015	2014
Gross Profit ratio	13.3	15.9	16.3	22.8	23.3	18.2
Net Profit to Sales	-2.5	0.2	11	5.4	6.4	2.1
EBITDA Margin to Sales	6.2	7.7	8.7	13.5	14.6	8.7
Operating leverage ratio	-3.84	8.38	3.42	2.22	11.69	2.42
Return on Equity	-11.4	0.7	3.9	13.9	21.2	7.7
Return on Capital employed	-7.5	0.5	2.4	13.7	18.5	5.1

Liquidity Ratios:

	2019	2018	2017	2016	2015	2014
Current ratio	0.9	1.1	1.2	1.9	1.5	1.3
Quick / Acid test ratio	0.5	0.7	0.7	1.1	1.0	0.7
Cash to Current Liabilities	0.0	0.0	0.0	0.1	0.0	0.0
Cash flow from Operations to Sales	0.0	0.0	0.1	0.1	0.1	0.0

Activity / Turnover Ratios:

	2019	2018	2017	2016	2015	2014
No. of Days Inventory	36.5	37.9	40.3	36.8	32.6	35.8
No. of Days Receivables	6.2	3.2	1.3	0.8	0.8	1.1
No. of Days Payables	96.2	98.8	73.8	46.5	40.3	41.4
Operating cycle	(53.6)	(57.7)	(32.2)	(8.8)	(6.9)	(4.5)
Inventory turnover	10.0	9.6	9.1	9.9	11.2	10.2
Debtors turnover	59.1	113.6	288.4	468.7	463.1	339.0
Creditors turnover	3.8	3.7	4.9	7.9	9.1	8.8
Total Assets turnover ratio / Fixed Assets turnover ratio	1.6	1.4	1.6	1.8	1.9	1.6

Investment /Market Ratios:

	2019	2018	2017	2016	2015	2014
Earnings per Share (EPS) - basic & diluted	(1.25)	0.08	0.49	3.11	4.13	1.16
Price Earnings ratio	(63.44)	996.50	165.71	61.72	35.49	93.57
Cash Dividend						-
Stock Dividend						-
Market value per share at the end of the year	79.30	79.72	81.20	191.94	146.50	108.54
Highest market value during the year	91.49	107.34	211.00	192.19	179.46	126.25
Lowest market value during the year	42.10	69.00	69.00	115.35	105.31	89.80
Breakup value per share	10.94	12.19	12.68	22.37	19.45	15.10

Capital Structure Ratios:

	2019	2018	2017	2016	2015	2014
Long-term Debt to Equity	30.1	30.0	29.8	2.8	12.8	32.1

KEY SHAREHOLDING & SHARES TRADED

Information of shareholding required under the reporting framework is as follows:

1. Associated Companies, Undertakings and Related Parties

Shareholder's category	No. of Shares Held
FrieslandCampina Pakistan Holding B.V.	390,963,999
Engro Corporation Limited	306,075,947

2. Directors, Chief Executive Officer and their spouse(s) and minor children

Shareholder's category	No. of Shares Held
Mr. Abdul Samad Dawood	501
Mr. Abrar Hasan	500

3. Executives	23,200
4. Public sector companies and corporations	-
5. Banks, Development Financial Institutions, Non Banking Financial Institutions	20,360,609
6. Insurance Companies	28,000

6. Modarabas and Mutual Funds

Shareholder's category	No. of Shares Held
First Equity Modaraba	6,200
CDC - Trustee AKD Index Tracker Fund	18,674
CDC - Trustee AKD Opportunity Fund	295,000
Trust Modaraba	12,000
CDC - Trustee NIT-Equity Market Opportunity Fund	54,900
CDC - Trustee National Investment (Unit) Trust	34,400
CDC - Trustee NIT Islamic Equity Fund	15,600
Total	436,774

7. Shareholders holding five percent or more voting rights in the Company:

Shareholder's category	No. of Shares Held
Engro Corporation Limited	306,075,947
FrieslandCampina Pakistan Holding B.V.	390,963,999

8. Details of purchase/sale of shares by Directors, Executives* and their spouse(s) / minor children during 2019.

Name	Date of Purchase / Sale	Shares Purchased	Shares Sold	Rate
Muhammad Saleem	22/02/2019		500	74
Zeeshan ur Rub	14/05/2019	5000		49.99
Zouhair Abdul Khaliq	19/12/2019		1	85.38

* For the purpose of declaration of share trades all employee of the company are considered as “Executives”

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2019

No Of Shareholders	No. Of Shareholdings		Total	No Of Shareholders	No. Of Shareholdings		Total
	From	To	Shares		From	To	Shares
856	1	100	48,712	1	170,001	175,000	175,000
3,671	101	500	1,659,801	1	180,001	185,000	184,000
1,572	501	1,000	1,485,882	1	185,001	190,000	190,000
1,847	1,001	5,000	4,903,548	3	195,001	200,000	600,000
418	5,001	10,000	3,349,288	1	205,001	210,000	207,500
145	10,001	15,000	1,848,240	1	215,001	220,000	220,000
109	15,001	20,000	1,987,399	1	225,001	230,000	230,000
57	20,001	25,000	1,348,700	1	245,001	250,000	250,000
34	25,001	30,000	952,252	2	255,001	260,000	513,500
30	30,001	35,000	1,004,220	1	265,001	270,000	268,000
19	35,001	40,000	730,660	2	275,001	280,000	558,000
19	40,001	45,000	830,000	1	290,001	295,000	295,000
28	45,001	50,000	1,366,508	1	300,001	305,000	305,000
12	50,001	55,000	643,846	1	320,001	325,000	322,000
5	55,001	60,000	287,200	1	355,001	360,000	357,474
7	60,001	65,000	441,200	1	365,001	370,000	370,000
10	65,001	70,000	678,500	1	380,001	385,000	380,600
6	70,001	75,000	434,800	1	395,001	400,000	400,000
5	75,001	80,000	394,500	1	435,001	440,000	439,500
4	80,001	85,000	330,100	1	500,001	505,000	500,500
3	85,001	90,000	264,000	1	550,001	555,000	554,148
3	90,001	95,000	282,000	1	630,001	635,000	634,000
11	95,001	100,000	1,095,500	1	720,001	725,000	721,800
3	100,001	105,000	309,100	1	925,001	930,000	930,000
2	105,001	110,000	217,000	1	1,020,001	1,025,000	1,025,000
2	110,001	115,000	225,215	1	1,210,001	1,215,000	1,212,000
3	115,001	120,000	355,140	1	1,295,001	1,300,000	1,296,200
8	120,001	125,000	989,187	1	1,485,001	1,490,000	1,489,000
3	130,001	135,000	402,500	1	1,945,001	1,950,000	1,947,600
2	135,001	140,000	272,900	1	2,130,001	2,135,000	2,130,500
1	140,001	145,000	140,500	1	2,315,001	2,320,000	2,315,500
3	145,001	150,000	446,000	1	17,380,001	17,385,000	17,380,509
3	150,001	155,000	455,000	1	135,775,001	135,780,000	135,775,939
3	155,001	160,000	478,000	1	170,300,001	170,305,000	170,300,008
2	160,001	165,000	329,000	1	390,960,001	390,965,000	390,963,499
1	165,001	170,000	167,900	8,946			766,596,075

CATEGORY OF SHAREHOLDING

AS AT DECEMBER 31, 2019

Information of shareholding required under the reporting framework is as follows:

Shareholders' Category	No. of Shareholders	No. of Shares	Percentage of Holding
Directors, Chief Executive Officer, and their spouse(s) and minor children.	2	1,001	0
Associated companies, undertakings and related parties.	4	697,039,946	90.93
Banks, Development Financial Institutions, Non-Banking Financial Institutions.	10	20,360,609	2.66
Insurance Companies	2	28,000	0
Modarabas and Mutual Funds	7	436,774	0.06
Shareholders holding 10 or more shares	3	697,039,446	90.93
General Public (individuals)			
a. Local b. Foreign	8,799	37,812,512	4.93
Others	122	10,917,233	1.42

SHAREHOLDERS INFORMATION

Annual General Meeting

The annual shareholders meeting will be held at 03:00 p.m. on April 17, 2020 at The Royal Rod-ale, TC-V, 34th Street, Khayyam-e-Sehar, Phase V Ext., D.H.A., Karachi.

Shareholders as of April 17, 2020 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the company at least 48 hours before the meeting time.

CDC Shareholders or their Proxies are requested to bring with them copies of their Computerized National Identity Card or passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

Ownership

On December 31, 2019 there were 8,946, shareholders on record of the Company's ordinary shares.

Circulation of Annual Reports through CD/DVD/USB

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and in continuation with the SRO.787(1)/2014 dated 8th September, 2014, and approved by the Shareholders in the Annual General Meeting of the Company held on March 24, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hard copy of the Annual Audited Accounts. The standard request form for electronic transmission is available at the Company's website <http://frieslandcampina.com.pk/>

Alternatively members can fill up the Standard Request Forms respectively in the Annexures section at the end of the report.

E-Dividend Mandate (Mandatory)

In accordance with the provisions of Section 242 of the Companies Act, 2017, and Section 4 of the Companies (Distribution of Dividends) Regulations, 2017 it is mandatory for a listed company, to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders.

In order to receive your future dividends directly in your Bank account, then please provide the information mentioned on the Form placed on the Company's website <http://frieslandcampina.com.pk> and the same to your brokers or the Central Depository Company Ltd. (in case the shares are held in the electronic form) and to our Share Registrars (in case the shares are held in paper certificate form).

Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2020 are:

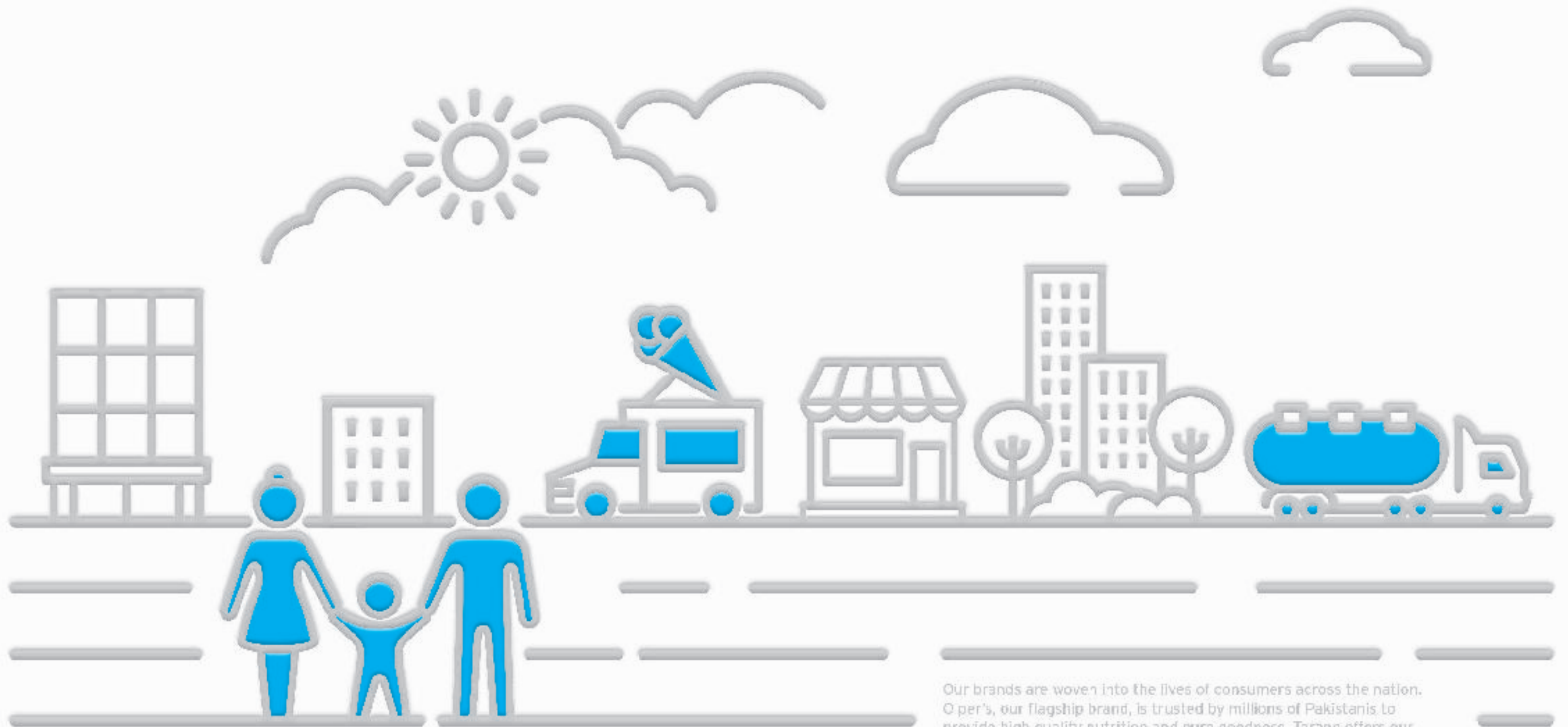
- 1st quarter : April 17, 2020
- 2nd quarter: August 21, 2020
- 3rd quarter: October 16, 2020

The Company reserves the right to change any of the above dates.

Change of Address

All registered shareholders should send information on changes of address to:

M/s. FAMCO Associates (Private) Limited
8-F, Near Hotel Faran Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-74000



DEEPENING BONDS

Our brands are woven into the lives of consumers across the nation. O per's, our flagship brand, is trusted by millions of Pakistanis to provide high quality nutrition and pure goodness. Tarang offers our tea-loving nation the perfect taste enhancement moments while Omore satisfies their sweet indulgences. We strive to bring happiness to the daily lives of our consumers and our strength lies in the trust they place in us, every day.

NURTURING PAKISTAN

Our Brands Portfolio

Our brands are woven into the lives of consumers across the nation. Olper's, our flagship brand, is trusted by millions of Pakistanis to provide their families high quality nutrition and pure goodness. Tarang offers our tea-loving nation the perfect taste enhancement moments while Omoré satisfies their sweet indulgences. We strive to bring happiness to the daily lives of our consumers and our strength lies in their trust. Our promise remains to provide better nutrition for Pakistan, now and for generations to come.



Olper's Milk

Olper's was launched in 2006 as the flagship brand of FrieslandCampina Engro Pakistan Limited (previously known as Engro Foods Ltd) and has grown to become a leading player in the UHT milk category in Pakistan. This phenomenal success is rooted in our commitment to providing high quality nutrition and pure goodness to families across Pakistan. The focus on this journey has been on collecting fresh and pure milk from farms across Pakistan on a daily basis and ensuring that every pack of milk conforms to the highest standards of safety and hygiene. Olper's Milk is free of preservatives, UHT treated and goes through a rigorous scrutiny of 28 different types of quality tests before reaching consumers. Olper's stands as a favorite for mothers seeking pure and delicious nourishment for the health and wellbeing of their families. Olper's has been the pioneer in innovation for the UHT category with multiple pack formats and sizes bringing convenience and accessibility to consumers. Whether for drinking, making tea or desserts, Olper's is the ideal all-purpose milk that captures the major usages and consumption occasions for Milk in Pakistan.



Olper's Full Cream Milk Powder

In Pakistan, the powders category is the second largest in the packaged dairy industry after liquid UHT. In late 2018, Olper's entered this category with the launch of Olper's Full Cream Milk Powder and has established itself as a major player in this category as well.

Olper's Full Cream Milk Powder is made from Natural Milk and is high in Protein and further enriched with Calcium, Vitamins A & B2. These nutrients help children reach the right height and right weight for their age when consumed as part of a balanced diet and active lifestyle.

Olper's ProCal+

Another innovation under the Olper's platform is Olper's ProCal+ which is high in both Protein and Calcium with less than 1% fat. Protein & Calcium together support the growth & maintenance of muscles and bones, helping to keep families strong & active! 2 servings of Olper's ProCal+ provide 30% of your daily protein needs & 80% of daily calcium needs.



Olper's Cream

Olper's Dairy Cream is made from fresh milk, making it the ideal all-purpose cream providing natural nourishment for the breakfast occasion as a complement to paratha, bread, honey and fruits. Its richness and consistency makes it a great ingredient for desserts and savory cooking.



Dairy Omung

Dairy Omung caters to the economy segment of Pakistani households in their quest for an unadulterated and hygienic offering for their families. Dairy Omung is a dairy drink that can be used in a multitude of consumption occasions ranging from plain drinking to tea-creaming and dessert-making.



Omung Dobala

Launched in 2010, Omung Dobala is an affordable alternate to dairy-based cream. It is high in nutrition yet priced within the reach of most Pakistani consumers. Every dollop of Omung Dobala provides sustenance to keep its users energized throughout the day. Omung Dobala not only has a great demand in northern Pakistan, it also has an appeal across the border: It is used in Afghanistan as a staple diet, providing the people with fuel for the entire day.



Tarang

Launched in 2007 as a tea-whitener brand, Tarang stands for the perfect match for tea, offering affordability and a blissful experience. It gives every cup of tea the perfect blend of colour, aroma and taste for a great tea experience. With its vivacious, light-hearted and glamorous personality, Tarang has since inception, utilized the song and dance platform to connect with consumers to add joy to their routine lives.



Omoré

Omoré celebrated its tenth year of operations in Pakistan in 2019, with a unique and expansive portfolio designed to excite consumers on a day-to-day basis. Omoré prides itself on novelty in a variety of formats with its stellar combinations of amazing tastes, textures, shapes, flavours and colours. Being an innovation trailblazer in the category, consumers can trust that Omoré will launch blockbuster products in imaginative flavours every year to make their summers fun and exciting!





Olper's Milk

Olper's was launched in 2006 as the flagship brand of FrieslandCampina Engro Pakistan Limited (previously known as Engro Foods Ltd) and has grown to become a leading player in the UHT milk category in Pakistan. This phenomenal success is rooted in our commitment to providing high quality nutrition and pure goodness to families across Pakistan. The focus on this journey has been on collecting fresh and pure milk from farms across Pakistan on daily basis and ensuring that every pack of milk conforms to the highest standards of safety and hygiene. Olper's Milk is free of preservatives, UHT treated and goes through a rigorous scrutiny of 28 different types of quality tests before reaching consumers. Today Olper's stands as a favorite for mothers that are seeking pure and delicious nourishment for the health and wellbeing of their families. Olper's has been the pioneer in innovation for the UHT category with multiple pack formats and sizes bringing convenience and accessibility to consumers. Whether for drinking, making tea or desserts, Olper's is the ideal all-purpose milk that captures the major usages and consumption occasions for Milk in Pakistan.

Campaign

In 2019 we continued our major thematic campaign on Olper's under the 'Celebrate Happy Mornings' theme, aimed at further strengthening the brand's equity and driving conversion from loose milk. The communication continued to leverage our heritage around the morning occasion while dialing up cues of "Purity" & "Nutrition" which are key drivers of consumer preference in the category. The campaign featured a fresh perspective on milk sourcing by showcasing how our well-cared-for cows and buffaloes provide more nourishing, delicious and creamy milk, enabling happy mornings for families across Pakistan. As a result of this campaign Olper's has significantly improved its brand saliency and imagery scores leading to significant growth in household usership and market leadership in the UHT Milk category.



#ManaoHappySubha



Olper's Full Cream Milk Powder

In Pakistan, the powders category is the second largest in the packaged dairy industry after liquid UHT. In late 2018, Olper's entered this category with the launch of Olper's Full Cream Milk Powder and has established itself as a major player in this category.

Olper's Full Cream Milk Powder is made from Natural Milk and is high in Protein and further enriched with Calcium, Vitamins A & B2. These nutrients help children reach the right height and right weight for their age when consumed as part of a balanced diet and active lifestyle.

Sachet Introductory Campaign

In 2019 we introduced a sachet variant at an accessible price point of Rs. 25 to drive penetration and accessibility for Olper's Full Cream Milk Powder.

A TV ad was launched and aired nation-wide and it received excellent feedback from consumers and enabled Olper's to establish significant footing in this category. The campaign had presence all over TV, digital and radio. The promotion was supplemented with multiple sampling activities across the country to generate trial for the new FCMP SKU. We will continue to support this much needed innovation to establish Olper's Full Cream Milk Powder as the right choice for school-going children.

Full Cream Milk POWDER Made from NATURAL MILK



Tarang

Launched in 2007 as a tea-whitener brand, Tarang stands for the perfect match for tea, offering affordability and a blissful experience. It gives every cup of tea the perfect blend of colour, aroma and taste for a great tea experience. With its vivacious, light-hearted and glamorous personality, Tarang has since inception, utilized the song and dance platform to connect with consumers to add joy to their routine lives.

Tarang Elaichi – “Elaichi ka perfect maza”

The Campaign idea “Elaichi Ka Perfect Maza” – The Perfect Taste of Cardamom stemmed from consumers’ desire to strike the perfect balance of cardamom taste and aroma when preparing a cup of cardamom tea. The campaign was developed to highlight the new product while retaining Tarang’s iconic song and dance platform which set it apart from competition.

“Elaichi Ka Perfect Maza” was a phrase coined to propagate the message of how Tarang Elaichi makes the perfect cup of cardamom tea that uplifts everyone’s mood. The packaging design was also revamped using vibrant green colours with two cardamom cloves dropping into a delicious cup of tea

coupled with uplifting musical notes enveloping the Tarang brand mark to symbolize the impact of the perfect cup of cardamom tea made with Tarang Elaichi.

The TV ad continued in the Dil Dance Maaray world where the irresistibility of cardamom tea made with Tarang Elaichi was manifested with the urge to dance with joy after taking just a sip. The campaign had presence all over TV, digital, radio and SMS with a Saba Qamar endorsement that further cemented the positioning of Tarang Elaichi as the best tasting cup of cardamom tea available in the market. The promotion was supplemented with multiple sampling activities across the country to generate trial of the new Tarang product.

#ElaichiKaPerfectMaza



Omore

Omore

Over the decades ice-cream and frozen desserts have become an integral part of Pakistani households. Whether it's a quick impulsive treat for oneself or for sharing sweetness with the whole family, Omore has something for everyone, with a novel assortment of products across different formats. Our philosophy is rooted in bringing something new for consumers to make summers the most exciting time of the year! In line with this spirit, Omore launched exciting new products in 2019, bringing joy and fun to Pakistani consumers.

Omore Summer Blockbuster

The Omore Summer Blockbuster campaign drew on exciting movie tropes and a trailer-style manifestation of Omore being the savior for people of all ages. In 2019, Omore launched three different advertisements under this big idea for our three biggest innovations of the year: Omore Cookie Mania, Omore Candy Pop and Omore Matka Kulfi. The aim of these copies was to build excitement and infuse novelty and originality in the brand.

Omore Innovations of 2019

Omore introduced a record number of 8 innovative products in 2019! These were across different formats, including Omore Vanilla Mango Cone (a 2-in-1 combination of popular flavours), Omore Rocket (a rocket-shaped ice-olly for kids to build on their imagination), Omore Krunch Kulfi (a truly traditional delight) and our breakthrough blockbusters of the year: Omore Cookie Mania, Omore Candy Pop, Omore Matka Kulfi and Omore Pistachio Chocolate Cone!

Omore Cookie Mania

Omore Cookie Mania, a cream-flavoured delight with chocolate cookie pieces, was a blockbuster success in 2019 with sales outpacing projections by almost 300%! The Omore Cookie Mania advertisement also built excitement across the youth for the exciting world of Omore where creamy and crunchy goodness collide to provide the best of two worlds

Omore Candy Pop

Year on year, Omore promises to bring consumers an impressive combination of vibrant colours and mouthwatering flavours. Omore Candy Pop cup gives the opportunity to experience cotton candy goodness in its signature blue and pink colours. Candy Pop's energetic TVC also built confidence in the brand's ability to innovate and relate to the right age groups without diluting the brand's appeal.

Omore Matka Kulfi

Omore was the talk of the town this Eid when it launched delicious and creamy Kulfi in a unique shaped Matka for the whole family to enjoy. A perfect gift to give on the Eid occasion, Omore Matka Kulfi is a treat for the eyes and for the taste buds.

Omore Pistachio Chocolate Cone

Omore Pistachio Chocolate Cone is the perfect fusion of a traditional flavour in a non-traditional format. Creamy pistachio goodness with delightful chocolate sauce in a crunchy cone gives a surprisingly scrumptious combination of textures, colours and aroma. The successful launch of the pistachio chocolate cone is testament to the fact that Omore is not scared to experiment across regions to increase consumer delight!

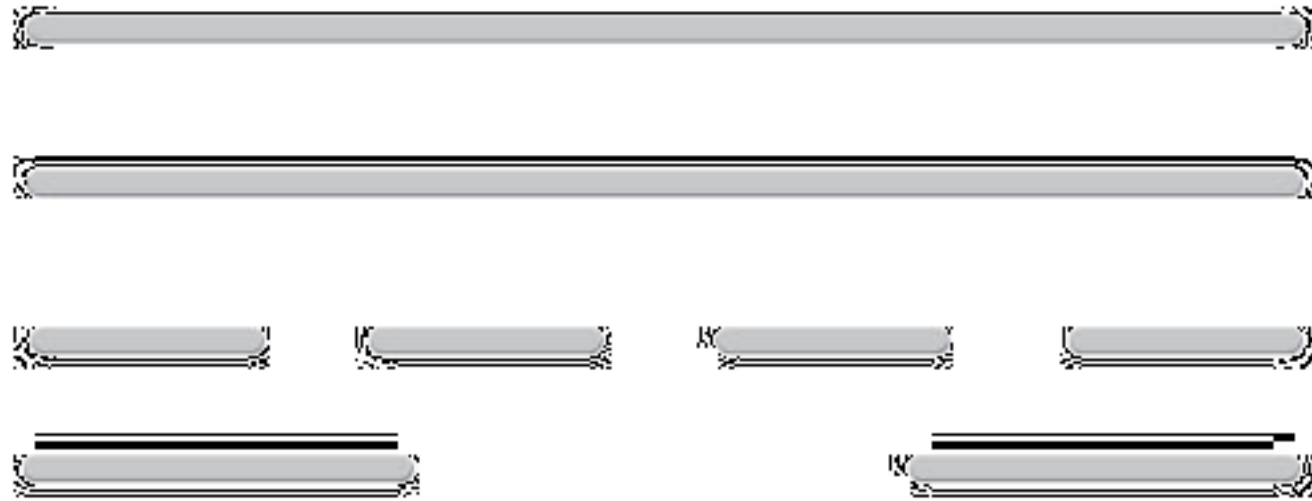


omoré

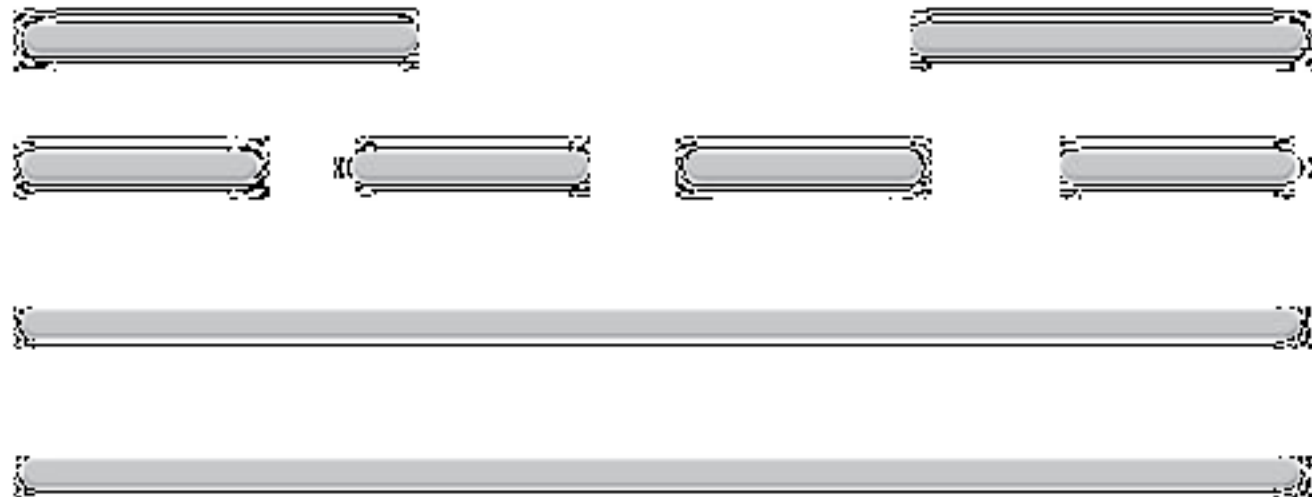
SUMMER BLOCKBUSTERS

ENJOY THEM NOW!





FrieslandCampina 
Engro Pakistan Limited



Independent Auditor's Review Report to the Members of FrieslandCampina Engro Pakistan Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of FrieslandCampina Engro Pakistan Limited for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2019.



A.F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 6, 2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

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

1. The total number of directors are seven (7) as per the following:

- Male: Six (6)
- Female: One (1)

2. The composition of board is as follows:

Category	Name
Independent Directors	Abrar Hasan
	Zouhair Khaliq
Non-Executive Directors	Abdul Samad Dawood (Chairman)
	Roeland Francois Van Neerbos
	Eduardus Lambertus Holtzer
	Petra Attje Zinkweg (Female Director)
Executive Director	Ali Ahmed Khan (Chief Executive Officer – CEO)

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training program for the Executive Director & CEO Mr. Ali Ahmed Khan during the year ended December 31, 2019.
10. There was no fresh appointment of CFO, Company Secretary and Head of Internal Audit during the year ended December 31, 2019. The Board has approved the remuneration of Chief Financial Officer, Company Secretary and Head of Internal Audit and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board formed in the prior year Committees comprising of members given below:

Audit Committee	Human Resource and Remuneration Committee
Abrar Hasan (Chairman)	Zouhair Khaliq (Chairman)
Zouhair Khaliq	Petra Attje Zinkweg (Female Director)
Eduardus Lambertus Holtzer	Ali Ahmed Khan

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the Committees was as follows:
- a. Audit Committee: Four quarterly meetings during the financial year ended December 31, 2019.
- b. Human Resource and Remuneration Committee: Two quarterly meetings during the financial year ended December 31, 2019.
15. The Board has set up an effective internal audit function comprising of suitably qualified and experienced staff who are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.



Abdul Samad Dawood
Chairman

Karachi
Date: February 6, 2020

Independent Assurance Report to the Members on the Statement of Compliance with Employees Share Option Scheme

Scope of our work

We have performed an independent reasonable assurance engagement of FrieslandCampina Engro Pakistan Limited (the Company) to express an opinion on the annexed Statement of Compliance with Employees Share Option Scheme (the Statement), as approved by the shareholders in their Extra Ordinary General Meeting held on March 22, 2013 and amended in their Annual General Meeting held on April 27, 2015 (the Scheme) and Companies (Further Issue of Shares) Regulations, 2018 issued by the Securities and Exchange Commission of Pakistan vide SRO 1399 (I)/2018 dated November 14, 2018 (the Regulations), for the year ended December 31, 2019.

Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement for the year ended December 31, 2019) is assessed, comprise the aforementioned Scheme and the Regulations. Our engagement was carried out as required under Regulation No. 18 (3) (ii) of the Regulation.

Responsibility of Company's Management

The responsibility for the preparation of the Statement (the subject matter information) and for compliance with the requirements of the Scheme and the Regulations is that of the Management of the Company. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 'Quality Control for Firms that perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the Statement reflects the status of Company's compliance with the Scheme and the Regulations (the Criteria) and is free from material misstatement.

The procedures selected by us for the engagement depend on our judgement, including an assessment of the risks of material non-compliances with the requirements of the Scheme and the Regulations. In making those risk assessments, we have considered internal control relevant to the Company's compliance with the Scheme and the Regulations in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Company was not materially non-compliant with the Scheme and the

Regulations. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Our procedures applied to the selected data primarily comprised of:

- Verifying that only permanent employees have participated in the Scheme in compliance with the Regulations;
- Verifying that variation, if any, in the terms of the Scheme has been approved by passing a special resolution in the general meeting;
- Verifying that the share options granted, vested, lapsed, surrendered or exercised under the Scheme have been recorded in the books of accounts in accordance with the requirements of the Regulations;
- Ensuring that adequate disclosures have been made in respect of the Scheme in the Annual Report as required under the Regulations; and
- Ensuring that during the year no option granted to any employee has been transferred to any other person except to an entitled employee as per the Regulations.

We believe that the evidence we have obtained through performing our aforementioned procedures is sufficient and appropriate to provide a basis for our opinion.

Conclusion

Based on our reasonable assurance engagement, in our opinion, the Statement for the year ended December 31, 2019, reflects, in all material respects, the status of Company's compliance with the Scheme and the Regulations.



A.F. Ferguson & CO.
Chartered Accountants

Karachi
Date: March 6, 2020

Engagement Partner: Osama Kapadia

Management Statement of Compliance with Employees Share Option Scheme

FrieslandCampina Engro Pakistan Limited (the Company) for the year ended December 31, 2019 has implemented its Employees Share Option Scheme (the Scheme) as approved by the shareholders in their Extra Ordinary General Meeting held on March 22, 2013. The amendments to the Scheme were approved by the shareholders in the Annual General Meeting held on April 27, 2015 and by the Securities and Exchange Commission of Pakistan on August 31, 2015. The Company for the year ended December 31, 2019 has complied, in all material respects, with the requirements of the Scheme and the Companies (Further Issue of Shares) Regulations, 2018 (the Regulations) issued by the Securities and Exchange Commission of Pakistan vide SRO 1399 (I)/2018 dated November 14, 2018, except that the Board Compensation Committee, that was reconstituted by the Board of Directors on April 26, 2018, includes the Chief Executive of the Company as one of its members, which is currently not in line with requirements of Regulation No. 13 (I) (vii) of the Regulations. However, the vesting period under the Scheme lapsed in April 2018 and the Chief Executive was not granted any options under the Scheme. Furthermore, the Chief Executive has recused himself from participating in any agenda point of the Committee meetings that relates to the Scheme.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer

Karachi
Date: February 6, 2020

Independent Auditor’s Report

To the Members of FrieslandCampina Engro Pakistan Limited Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of 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 December 31, 2019 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter

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

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
(i)	<p>Deferred tax asset relating to minimum turnover tax</p> <p>(Refer notes 3(a) and 8 to the financial statements)</p> <p>As at December 31, 2019, included in the balance of deferred tax asset (net) is an amount of Rs. 998,644 thousand representing deferred tax asset recognised on account of minimum turnover tax.</p> <p>Recognition of deferred tax asset on account of minimum turnover tax requires management to estimate Company’s tax liability in future tax years.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none">obtained understanding of management’s process of preparation of profitability forecast, tax liability and deferred tax calculation;discussed with the management, significant underlying assumptions used in preparing the profitability forecast and assessed the same for reasonableness;

	<p>This process relies on the assessment of the Company's profitability forecast, which in turn is based on assumptions concerning future economic conditions and business performance.</p> <p>As preparing of profitability forecast and assessment of realisability of recognised deferred tax asset requires significant management judgement, we considered this a key audit matter.</p>	<ul style="list-style-type: none">• checked appropriateness of tax rates applied in view of the local tax legislation;• checked mathematical accuracy of calculations; and• reviewed and evaluated related disclosures in the financial statements.
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Information Other than the Financial Statements and Auditor’s Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

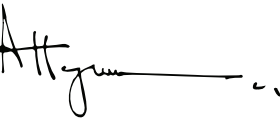
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes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

Report on Other Legal and Regulatory Requirements

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

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss, the statement of 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 and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company’s business; and
- (d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor’s report is Osama Kapadia.



A.F. Ferguson & Co
Chartered Accountants

Karachi

Date: March 6, 2020

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(Amounts in thousand)

	Note	2019 Rupees	2018
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	10,913,215	11,819,283
Biological assets	5	1,086,734	1,208,264
Intangibles	6	95,135	92,420
Right-of-use assets	7	647,187	-
Deferred tax asset - net	8	174,338	-
Long term advances and deposits	9	58,934	70,720
Deferred employee share option compensation expense	10	-	260
		<u>12,975,543</u>	<u>13,190,947</u>
Current Assets			
Stores, spares and loose tools	11	515,048	620,937
Stock-in-trade	12	3,717,730	3,020,190
Trade debts	13	915,728	400,313
Advances, deposits and prepayments	14	270,866	291,951
Other receivables	15	313,481	308,594
Sales tax recoverable	16	2,004,857	2,054,957
Taxes recoverable		2,786,929	2,776,347
Deferred employee share option compensation expense	10	-	3,565
Cash and bank balances	17	65,915	100,665
		<u>10,590,554</u>	<u>9,577,519</u>
TOTAL ASSETS		<u><u>23,566,097</u></u>	<u><u>22,768,466</u></u>

(Amounts in thousand)

EQUITY AND LIABILITIES

Equity

Share capital	18	7,665,961	7,665,961
Share premium	19	865,354	865,354
Employee share option compensation reserve	10	115,517	217,910
Re-measurement of post employment benefits - Re-measurement loss		(132,485)	(137,826)
Unappropriated (loss) / profit		<u>(129,682)</u>	<u>729,661</u>
		<u>8,384,665</u>	<u>9,341,060</u>

Non-Current Liabilities

Long term finances	20	3,200,000	4,000,000
Lease liability against right-of-use assets	21	413,752	-
Deferred tax liability - net	8	-	616,413
		<u>3,613,752</u>	<u>4,616,413</u>

Current Liabilities

Current portion of:			
- long term finances	20	800,000	-
- lease liability against right-of-use assets	21	235,692	-
- liabilities against assets subject to finance lease		-	121,506
Trade and other payables	22	8,226,126	6,427,662
Contract liabilities		140,926	-
Unclaimed dividend		8,731	9,351
Accrued interest / mark-up on:			
- long term finances		131,474	85,482
- short term finances		208,581	90,476
Short term finances	23	<u>1,816,150</u>	<u>2,076,516</u>
		<u>11,567,680</u>	<u>8,810,993</u>

Contingencies and Commitments

TOTAL EQUITY AND LIABILITIES

Note	2019 Rupees	2018
	<u><u>23,566,097</u></u>	<u><u>22,768,466</u></u>

The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer



Imran Husain
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand except for (loss) / earnings per share)

	Note	2019 Rupees	2018
Revenue from contracts with customers - net	25	38,857,336	32,439,451
Cost of sales	26	(33,687,049)	(27,285,392)
Gross profit		5,170,287	5,154,059
Distribution and marketing expenses	27	(3,969,309)	(4,205,762)
Administrative expenses	28	(1,245,853)	(957,071)
Other operating expenses	29	(246,874)	(108,475)
Other income	30	412,968	622,269
Operating profit		121,219	505,020
Finance cost	31	(1,221,574)	(675,340)
Loss before taxation		(1,100,355)	(170,320)
Taxation	32	145,490	234,103
(Loss) / profit for the year		(954,865)	63,783
(Loss) / earnings per share - basic and diluted	33	(1.25)	0.08

The annexed notes 1 to 49 form an integral part of these financial statements.


Abdul Samad Dawood
Chairman


Ali Ahmed Khan
Chief Executive Officer


Imran Husain
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

	Note	2019 Rupees	2018
(Loss) / profit for the year		(954,865)	63,783
Other comprehensive income / (loss):			
Items that will not be reclassified to profit or loss			
Re-measurement of post employment benefits obligation - re-measurement income / (loss)	36.6	7,522	(80,540)
Less: Income tax relating to re-measurement (income) / loss		(2,181)	23,357
Other comprehensive income / (loss) for the year, net of tax		5,341	(57,183)
Total comprehensive (loss) / income for the year		(949,524)	6,600

The annexed notes 1 to 49 form an integral part of these financial statements.


Abdul Samad Dawood
Chairman


Ali Ahmed Khan
Chief Executive Officer


Imran Husain
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

	Note	Share capital	RESERVES				Total
			CAPITAL		REVENUE		
			Share premium (note 19)	Employee share option compensation reserve	Re-measurement of post employment benefits	Unappropriated (loss) / profit	
			Rupees				
Balance as at January 1, 2018		7,665,961	865,354	297,836	(80,643)	972,516	9,721,024
Employee share option scheme	10	-	-	(79,926)	-	-	(79,926)
Transaction with owners							
Final dividend for the year ended December 31, 2017 at the rate of Rs. 0.4 per share		-	-	-	-	(306,638)	(306,638)
Profit for the year		-	-	-	-	63,783	63,783
Other comprehensive loss for the year		-	-	-	(57,183)	-	(57,183)
Total comprehensive (loss) / income for the year		-	-	-	(57,183)	63,783	6,600
Balance as at December 31, 2018 / January 1, 2019							
		7,665,961	865,354	217,910	(137,826)	729,661	9,341,060
Employee share option scheme	10	-	-	(6,871)	-	-	(6,871)
Transfer of employee share option compensation reserve to unappropriated profit		-	-	(95,522)	-	95,522	-
Transaction with owners							
Loss for the year		-	-	-	-	(954,865)	(954,865)
Other comprehensive income for the year		-	-	-	5,341	-	5,341
Total comprehensive income / (loss) for the year		-	-	-	5,341	(954,865)	(949,524)
Balance as at December 31, 2019							
		7,665,961	865,354	115,517	(132,485)	(129,682)	8,384,665

The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer



Imran Husain
Chief Financial Officer



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer



Imran Husain
Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations
Finance costs paid on:
- short term and long term finances
- obligations subject to finance lease
Taxes paid
Contribution to the retirement benefits paid
Long term advances and deposits - net
Net cash generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of:
- property, plant and equipment
- intangibles
- biological assets

Proceeds from disposal of:
- property, plant and equipment (note 4.4)
- biological assets
Net cash utilized in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of long term finances
Dividend paid
Repayment of liabilities against assets subject to finance lease
Repayment of lease liability against right-of-use assets
Net cash utilized in financing activities
Net increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the year
Cash and cash equivalents at end of the year

Note	2019	2018
	Rupees	
34	3,254,046	2,713,106
	(990,078)	(582,571)
	-	(14,553)
	(658,024)	(798,022)
	(95,674)	(100,061)
	11,786	12,911
	1,522,056	1,230,810
	(1,145,873)	(1,272,401)
	(12,221)	(67,328)
	-	(584)
	83,619	129,642
	236,093	97,848
	(838,382)	(1,112,823)
	-	(500,000)
	(620)	(306,311)
	-	(151,794)
	(457,438)	-
	(458,058)	(958,105)
	225,616	(840,118)
	(1,975,851)	(1,135,733)
35	(1,750,235)	(1,975,851)

The annexed notes 1 to 49 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

- 1.1 FrieslandCampina Engro Pakistan Limited (the Company), is a public listed company incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act 2017), and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of FrieslandCampina Pakistan Holdings B.V. (the Holding Company) which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the Ultimate Parent Company) and its registered office is situated at 5th Floor, Harbor Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.
- 1.2 The business units of the Company include the following:

Business Unit	Geographical Location
Head Office	5th Floor, Harbor Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi
Sahiwal Plant	8 km Road Pakpattan Road, Sahiwal
Sukkur Plant	Deh Miani Baghat, Tapa Rohri, Taluka Rohri, District Sukkur
Dairy Farm	Near Qalmi Quran Taluka Salehpat, District Sukkur

Regional sales offices and milk collection centers are located across the country, the details of which are impracticable to disclose in these financial statements as required under Paragraph 1 (i) of Part I of the 4th Schedule to the Companies Act, 2017.

- 1.3 The principal activity of the Company is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. The Company also owns and operates a dairy farm.
- 1.4 The name of the Company has been changed from Engro Foods Limited to FrieslandCampina Engro Pakistan Limited effective May 30, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

- 2.1.1 These financial statements have been prepared under the historical cost convention unless otherwise stated.
- 2.1.2 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017.

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

(Amounts in thousand)

- 2.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving high degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 3.

2.1.4 Initial application of Standards, Amendments or Interpretations to existing Standards

a) Standards and amendments to published standards that became effective during the year

The following new standards and interpretation to the accounting and reporting standards as applicable in Pakistan were effective for the first time during the year ended December 31, 2019:

- IFRS 9 'Financial instruments' addressed the classification, measurement and recognition of financial assets and financial liabilities and replaced the related guidance in IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. It retained but simplified the mixed measurement model and established three primary measurement categories for financial assets: Amortized Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or loss (FVPL). The basis of classification depends on the Company's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without recycling fair value changes to profit or loss.

The standard also includes an Expected Credit losses (ECL) model that replaced the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as the credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade debts).

For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The adoption of IFRS 9 from January 1, 2019 by the Company has resulted in change in accounting policies (notes 2.5 and 2.6), and as per the Company's business model, its financial assets and liabilities have been defined into appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as loan and receivables have now been classified as amortized cost.

- IFRS 15 'Revenue from contracts with customers' (effective January 1, 2019). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The adoption of IFRS 15 from January 1, 2019 has resulted in change in accounting policies (note 2.20), however, the impact of its adoption is not considered material on these financial statements.
- Effective January 1, 2019, the Company has adopted IFRS 16, 'Leases' which replaced guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduced a single, on balance sheet lease accounting model for the Company. The Company has recognized a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. The accounting polices relating to Company' right of use asset and lease liability are disclosed in note 2.15.

(Amounts in thousand)

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

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

For leases previously classified as finance leases the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are applied only after that date. The re-measurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease already recognised in the statement of financial position as at December 31, 2018.

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

- Property, plant and equipment – decreased by Rs. 241,024
- Right-of-use asset – increased by Rs. 809,598
- Prepayments – decreased by Rs. 6,905
- Liability against assets subject to finance lease - decreased by Rs. 121,506
- Lease liabilities – increased by Rs. 683,175

The change in accounting policy affected the following items in profit or loss for the year ended December 31, 2019:

- Markup on lease liability against right-of-use assets - increased by Rs. 67,399
- Cost of sales which includes depreciation and rent expenses decreased by Rs. 18,471
- Distribution and marketing expenses which include depreciation and rent expenses decreased by Rs. 4,498
- Administrative expenses which include depreciation and rent expenses decreased by Rs.12,855

The net impacts on loss before tax, loss for the year and loss per share is a decrease by Rs.31,535, Rs.22,418 and Rs 0.03 respectively.

- IFRIC (Interpretation) 23, 'Uncertainty over income tax treatments'. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The interpretation had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The interpretation applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The interpretation does not have a significant impact on these financial statements.

The other amendments to published standards and interpretations that are mandatory for the financial year which began on January 1, 2019 are considered not to be relevant or to have any significant impact on the Company's financial reporting and operations and are therefore not disclosed in these financial statements.

(Amounts in thousand)

b) Standards, amendments and interpretation to published standards that are not yet effective and have not been early adopted by the Company

The following new standards, amendments and interpretations are not effective for the financial year that began on January 1, 2019 and have not been early adopted by the Company:

- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' (effective for the Company's annual period beginning on January 1, 2019). These amendments and consequential amendments to other IFRSs: (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and (iii) incorporate some of the guidance in IAS 1 about immaterial information. These amendments are not expected to have a significant impact on the Company's financial statements.

There is a standard and amendments to the published standards that are not yet effective and are also not relevant to the Company's financial statements and therefore, have not been presented in these financial statements.

2.2 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land and capital work-in-progress, which are stated at cost.

Depreciation is charged to profit or loss using the straight-line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 4.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

Where parts of an item of property, plant and equipment have different useful lives and such are material, those are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which these are incurred.

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognized in profit or loss. The recoverable amount is higher of fair value, less cost of disposal and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in profit or loss, however, is restricted to the original cost of the asset.

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 period of disposal or retirement.

2.3 Biological assets

Livestock are measured at their fair value less estimated point-of-sale costs. Fair value of livestock is determined by an external valuer on the basis of best available estimates for livestock of similar attributes.

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock are recognized in profit or loss.

Crops in the ground and at the point of harvest at the reporting date are measured at cost being an approximation of fair value, as these are presently being used as internal consumption for cattle feed and have a very short biological transformation and consumption cycle.

(Amounts in thousand)

2.4 Intangibles - Computer software

Intangibles are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can also be measured reliably.

Generally, costs associated with maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as intangibles. Direct costs include the purchase cost of software and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangibles are amortized from the date the software is put to use on straight-line basis over a period of 5 years. The carrying amount of the intangibles is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount in profit or loss. Reversal of impairment losses are also recognized in profit or loss.

2.5 Financial assets and liabilities

2.5.1 Financial assets

Up to December 31, 2018 the Company classified its financial assets into four categories namely 'at fair value through profit or loss', 'loans and receivables', 'held to maturity' and 'available for sale'.

Effective, January 01, 2019 the Company classifies its financial assets in the following categories:

- a) Amortised cost
- Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on de-recognition are recognised directly in profit or loss.
- b) Fair value through other comprehensive income
- Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- c) Fair value through profit or loss
- Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.
- Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.
- Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in profit or loss for the period in which it arises.

(Amounts in thousand)

Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

2.5.2 Financial Liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.5.3 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.6 Impairment

- a) Financial assets
- The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognise lifetime expected credit losses for trade debts.
- Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
- The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.
- b) Non-Financial assets
- The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).
- An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Amounts in thousand)

2.7 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit, which are stated at invoice value plus other charges paid thereon till the reporting date. A provision is made for any excess book value over estimated realizable value of items identified as surplus to the Company's requirements. Adequate provision is also made for slow moving and obsolete items.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are shown separately as major spare parts and stand-by equipment.

2.8 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw materials in transit which are stated at invoice value plus other charges paid thereon till the reporting date. Cost of finished goods comprises purchase cost and other manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale. Provision is made for slow moving stocks where considered necessary.

2.9 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless such contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts and other receivables with the objective of collecting the contractual cash flows and therefore measures the receivables subsequently at amortised cost using the effective interest method. Impairment of trade debts and other receivables is described in note 2.6.

Exchange gains and losses arising on translation in respect of 'trade debts' and 'other receivables' in foreign currency are added to the carrying amount of the respective receivables.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balances with banks on current, deposit and saving accounts, short-term highly liquid investments subject to insignificant risk of changes in values and short term finances. Short term finances on the statement of financial position are shown as part of current liabilities.

2.11 Share capital

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs, if any, directly attributable to the issue of new shares or options, are recognized in equity as a deduction, net of tax, from the proceeds.

2.12 Employees' share option scheme

The grant date fair value of equity settled share based payments to employees is initially recognized in the statement of financial position as deferred employee compensation expense with a consequent credit to equity as employee share option compensation reserve. The fair value determined at the grant date of the equity settled share based payments is recognized as an employee compensation expense on a straight line basis over the vesting period.

When an invested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the statement of profit or loss, such employee compensation expense is reversed in the statement of profit or loss equal to the amortized portion with a corresponding effect to employee share option compensation reserve in the statement of financial position.

(Amounts in thousand)

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the statement of profit or loss is reversed with a corresponding reduction to employee share option compensation reserve in the statement of financial position.

When the options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

The Securities and Exchange Commission of Pakistan vide SRO 1399 (I) / 2018 dated November 14, 2018 issued the Companies (Further Issue of Shares) Regulations, 2018 (the Regulations) which repealed 'Public Companies (Employees Stock Option Scheme) Rules, 2001' (the Rules). The Regulations require the Company to follow accounting treatment as required by International Financial Reporting Standards.

2.13 Staff retirement and other service benefits

2.13.1 Gratuity fund - Defined benefit plan

Engro Corporation Limited (an associated Company) operates and maintains an approved defined benefit funded gratuity plan (the Fund) on behalf of the Company, for all its permanent employees. The Fund provides for a graduated scale of benefits dependent on the length of service of an employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn basic salary.

Provisions are made to cover the obligations under the Fund on the basis of actuarial valuation carried out annually by an external expert, using the 'Projected Unit Credit Method'. All re-measurement gains and losses are recognized in 'Other Comprehensive Income' as these occur.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

2.13.2 Gratuity fund - Defined contribution plan

In January 2017, the Company gave a one time irrevocable offer to all members of Employees' Defined Benefit Gratuity Fund to join Engro Corporation Limited - Employees' Defined Contribution Gratuity Fund (the Fund), a defined contribution plan. The present value, as at December 31, 2016, of the defined benefit obligation of those employees, who accepted this offer, were transferred to this Fund. All new employees appointed in January 2017 and onwards have joined the defined contribution gratuity scheme.

The Company contributes to an approved defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and all new employees. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

2.13.3 Provident fund

For all permanent employees of the Company, Engro Corporation Limited, operates and maintains an approved defined contribution provident fund on behalf of the Company.

Equal monthly contribution at the rate of 10% of basic salary are made both by the Company and the employees to the defined contribution provident fund.

2.13.4 Compensated absences

The Company accounts for compensated absences on the basis of un-availed leave balance of eligible employees at the end of the reporting period.

2.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

(Amounts in thousand)

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at-least twelve months after the reporting date.

2.15 Lease liability and Right-of-use asset

Effective January 1, 2019, at inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to extended (or not terminated).

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

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

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Company reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

A change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

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

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

(Amounts in thousand)

2.16 Trade and other payables

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.17 Contract assets and liabilities

Contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time. If a customer makes a payment or an amount of payment is due before the Company has satisfied its performance obligations, the Company presents that amount as a contract liability.

Impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9.

2.18 Provisions

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

2.19 Taxation

2.19.1 Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

2.19.2 Deferred

Deferred income tax is accounted for using the liability method on all temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset will be realized or the deferred income tax liability will be settled. Deferred tax is charged or credited in profit or loss.

2.20 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.21 Revenue recognition

Up to December 31, 2018 revenue was recognized when the risk and reward were transferred.

Effective Jan 1, 2019:
Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

(Amounts in thousand)

2.22 Research and development costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognized as intangibles when it is probable that the development project will be a success and certain criteria, including commercial and technological feasibility have been met.

2.23 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such costs are capitalized as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

2.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes the strategic decisions.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Taxation

In making the estimates for current income taxes payable by the Company, the management considers the applicable laws and the decisions / judgements of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made, taking into account these judgements and the best estimates of future results of operations of the Company. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets may be utilized.

b) Property, plant and equipment and intangibles

The Company reviews the appropriateness of the rate of depreciation / amortization, useful lives and residual values used for recording the depreciation / amortization on annual basis. Further, if required based on any indication for impairment, an estimate of recoverable amount of assets is made for possible impairment.

c) Biological assets

The fair values of biological assets (Dairy livestock) is determined semi-annually by utilizing the services of an external expert. These valuations are mainly based on market conditions and physical attributes of livestock existing at the end of each reporting period, which are subject to change at each period end due to market conditions.

(Amounts in thousand)

d) Lease accounting

The implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

e) Stock-in-trade

The Company regularly reviews the net realizable value of stock-in-trade to asses any diminution in the carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to be incurred to make the sale.

f) Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding effect on the provision.

g) Provision for staff retirement and other service benefits

The present value of the obligations is determined by an independent actuary using a number of assumptions and other factors. Any change in these assumptions and factors will impact the obligations recorded in the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets (note 4.1)
Capital work-in-progress (note 4.5)
Major spare parts and stand-by equipment (note 11)

2019	2018
Rupees	
10,328,104	11,003,808
439,746	670,774
145,365	144,701
10,913,215	11,819,283

(Amounts in thousand)

4.1 Operating assets

	Freehold land (note 4.7)	Buildings and civil works on freehold land (note 4.7)	Plant, machinery and related equipment (note 4.2)		Computer equipment (note 4.2)	Office equipment and furniture & fittings	Vehicles (note 4.2)		Total
			Owned	Leased			Owned	Leased	
Rupees									
As at January 1, 2018									
Cost	408,580	4,090,773	17,104,603	344,004	267,649	377,647	746,559	1,389	23,341,204
Accumulated depreciation	-	(1,455,866)	(8,846,087)	(50,292)	(201,503)	(297,864)	(430,094)	(1,389)	(11,283,095)
Accumulated impairment	-	-	(176,250)	-	(9)	(1,593)	(831)	-	(178,683)
Net book value	408,580	2,634,907	8,082,266	293,712	66,137	78,190	315,634	-	11,879,426
Year ended December 31, 2018									
Opening net book value	408,580	2,634,907	8,082,266	293,712	66,137	78,190	315,634	-	11,879,426
Additions, including transfers (note 4.5)	-	115,780	770,600	-	104,069	17,381	151,215	-	1,159,045
Disposals (note 4.4)									
Cost	-	-	(421,220)	(206)	(24,705)	(7,026)	(106,313)	-	(559,470)
Accumulated depreciation	-	-	360,996	206	24,234	6,673	80,972	-	473,081
Accumulated impairment	-	-	2,042	-	-	-	-	-	2,042
	-	-	(58,182)	-	(471)	(353)	(25,341)	-	(84,347)
Depreciation (note 4.3)	-	(207,752)	(1,461,790)	(52,688)	(43,730)	(31,163)	(121,998)	-	(1,919,121)
Impairment charge / reversal (notes 4.6, 26 and 27)	-	(1,482)	(29,662)	-	-	84	-	-	(31,060)
Write-off (note 29)									
Cost	-	(16,562)	(21,235)	(20,415)	(384)	(550)	(1,197)	-	(60,343)
Accumulated depreciation	-	15,825	17,813	20,415	384	522	895	-	55,854
Accumulated impairment	-	632	3,420	-	-	-	302	-	4,354
	-	(105)	(2)	-	-	(28)	-	-	(135)
Closing net book value	408,580	2,541,348	7,303,230	241,024	126,005	64,111	319,510	-	11,003,808
As at December 31, 2018									
Cost	408,580	4,189,991	17,432,748	323,383	346,629	387,452	790,264	1,389	23,880,436
Accumulated depreciation	-	(1,647,793)	(9,929,068)	(82,359)	(220,615)	(321,832)	(470,225)	(1,389)	(12,673,281)
Accumulated impairment	-	(850)	(200,450)	-	(9)	(1,509)	(529)	-	(203,347)
Net book value	408,580	2,541,348	7,303,230	241,024	126,005	64,111	319,510	-	11,003,808
Year ended December 31, 2019									
Opening net book value	408,580	2,541,348	7,303,230	241,024	126,005	64,111	319,510	-	11,003,808
Reclassification due to IFRS 16									
Cost	-	-	-	(323,383)	-	-	1,389	(1,389)	(323,383)
Accumulated depreciation	-	-	-	82,359	-	-	(1,389)	1,389	82,359
	-	-	-	(241,024)	-	-	-	-	(241,024)
Transfer in from right-of-use assets	-	-	215,531	-	-	-	-	-	215,531
Additions, including transfers (note 4.5)	2,395	129,612	830,423	-	81,584	32,876	278,300	-	1,355,190
Disposals (note 4.4)									
Cost	-	-	(248,454)	-	(24,346)	(4,290)	(124,079)	-	(401,169)
Accumulated depreciation	-	-	228,979	-	23,373	4,072	100,686	-	357,110
Accumulated impairment	-	-	4,787	-	-	3	-	-	4,790
	-	-	(14,688)	-	(973)	(215)	(23,393)	-	(39,269)
Depreciation (note 4.3)	-	(213,425)	(1,501,413)	-	(66,276)	(21,041)	(143,344)	-	(1,945,499)
Impairment charge (notes 4.6, 26, 27, 28)	-	-	(16,033)	-	(158)	(3,742)	(700)	-	(20,633)
Write-off (note 29)									
Cost	-	-	(513)	-	(243)	(2,573)	-	-	(3,329)
Accumulated depreciation	-	-	446	-	76	2,420	-	-	2,942
Accumulated impairment	-	-	67	-	167	153	-	-	387
	-	-	-	-	-	-	-	-	-
Closing net book value	410,975	2,457,535	6,817,050	-	140,182	71,989	430,373	-	10,328,104
As at December 31, 2019									
Cost	410,975	4,319,603	18,229,735	-	403,624	413,465	945,874	-	24,723,276
Accumulated depreciation	-	(1,861,218)	(11,201,056)	-	(263,442)	(336,381)	(514,272)	-	(14,176,369)
Accumulated impairment	-	(850)	(211,629)	-	-	(5,095)	(1,229)	-	(218,803)
Net book value	410,975	2,457,535	6,817,050	-	140,182	71,989	430,373	-	10,328,104
Annual rate of depreciation ()									
	-	5 to 33.3	8.33 to 25	20	20 to 33.3	20	25	25	

(Amounts in thousand)

4.2 Includes following assets held by third parties:

Description	2019		2018		Reason (note 4.2.1)
	Cost	Net Book Value	Cost	Net Book Value	
	Rupees				
Plant, machinery and related equipment	218,429	78,211	226,340	84,480	Equipment mounted on transport contractors' vehicle
Plant, machinery and related equipment	1,324,491	704,244	1,022,230	435,584	Freezers held with third party for ice cream sales
Computer equipment	16,597	-	16,597	-	Computer equipment managed by a third party for disaster recovery
Vehicles	225,396	135,970	175,719	91,822	Trikes held with third party for ice cream sales
	1,784,913	918,425	1,440,886	611,886	

4.2.1 In view of the nature of items that are being held by large number of the Company's business partners, the Company considers it impracticable to disclose particulars of assets not in the possession of the Company as required under Paragraph 12 of Part II of the Fourth Schedule to the Companies Act, 2017.

4.3 The depreciation charge has been allocated as follows:

- Cost of sales (note 26)
- Distribution and marketing expenses (note 27)
- Administrative expenses (note 28)

2019	2018
Rupees	
1,675,892	1,718,045
251,770	187,091
17,837	13,985
1,945,499	1,919,121

(Amounts in thousand)

4.4 The details of operating assets disposed off during the year are as follows:

Description and method of disposal	Sold to	Cost	Accumulated depreciation and impairment	Net Book Value	Sale proceeds	Gain / (loss)
Rupees						
Vehicles						
By the Company policy to existing / separating employees						
	Muhammad Asif	1,694	(985)	709	1,068	359
	Abdul Wahid Qazi	1,797	(1,213)	584	641	57
	Waleed Akbar Shamim	1,691	(1,078)	613	943	330
	Saud Farooq	1,705	(927)	778	1,156	378
	Ismail Shah	1,751	(1,051)	700	1,247	547
	Muhammad Ali Tariq	1,814	(1,021)	793	812	19
	Shakil Ahmed	1,628	(1,282)	346	732	386
	Muhammad Rafiq	1,663	(1,496)	167	748	581
	Syed Ali Abbas Shah	1,646	(1,481)	165	740	575
	Mohsin Hafeez	1,705	(1,247)	458	1,138	680
	Nabeel Khawar	1,616	(1,454)	162	727	565
	Ali Sulaiman	1,628	(1,465)	163	811	648
	M. Pervaiz Rafiq	1,684	(1,484)	200	758	558
		22,022	(16,184)	5,838	11,521	5,683
By the Company policy to existing / separating employees having net book value of less than Rs. 500						
		99,646	(82,643)	17,003	23,836	6,833
Insurance claim	EFU General Insurance Ltd.	2,411	(1,859)	552	1,124	572
		124,079	(100,686)	23,393	36,481	13,088
Plant, machinery and related equipment - owned						
Sold through bidding/auction under the Company policy						
	M/s Malik Iqbal	3,738	(2,773)	965	965	-
	M/s Malik Iqbal	3,738	(2,773)	965	965	-
	M/s Dairy Engineering	12,585	(10,937)	1,648	1,648	-
	M/s Dairy Engineering	12,398	(10,774)	1,624	1,624	-
Assets having net book value of less than Rs. 500		215,995	(206,509)	9,486	38,573	29,087
		248,454	(233,766)	14,688	43,775	29,087
Office furniture						
Assets having net book value of less than Rs. 500		502	(477)	25	35	10
Office equipment						
Assets having net book value of less than Rs. 500		3,788	(3,598)	190	656	466
Computer equipment						
Assets having net book value of less than Rs. 500		24,346	(23,373)	973	2,672	1,699
December 31, 2019		401,169	(361,900)	39,269	83,619	44,350
December 31, 2018		559,470	(475,123)	84,347	129,642	45,295

(Amounts in thousand)

4.5 Capital work-in-progress

	Land	Building on freehold land	Plant, machinery and related equipment	IS and milk automation projects	Office equipment/ Furniture & Fittings/ Computer equipment	Vehicles	Total
Rupees							
Year ended December 31, 2018							
Balance as at January 1, 2018	-	89,746	415,072	2,030	19,286	11,603	537,737
Additions during the year	-	90,853	776,634	67,328	137,849	267,065	1,339,729
Transferred to:							
- operating assets (note 4.1)	-	(115,780)	(770,600)	-	(121,450)	(151,215)	(1,159,045)
- intangible assets (note 6)	-	-	-	(47,647)	-	-	(47,647)
Balance as at December 31, 2018	-	64,819	421,106	21,711	35,685	127,453	670,774
Year ended December 31, 2019							
Balance as at January 1, 2019	-	64,819	421,106	21,711	35,685	127,453	670,774
Additions during the year	2,395	124,507	687,912	12,221	104,447	226,612	1,158,094
Transferred to:							
- operating assets (note 4.1)	(2,395)	(129,612)	(830,423)	-	(114,460)	(278,300)	(1,355,190)
- intangible assets (note 6)	-	-	-	(33,932)	-	-	(33,932)
Balance as at December 31, 2019	-	59,714	278,595	-	25,672	75,765	439,746

4.6 During the year, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 20,633 (2018: Rs. 31,060) against idle assets, determined on the basis of fair value of the assets less cost of disposal. The Company based on a review for impairment on the operating assets identified that the carrying values of certain operating assets in Dairy and Beverages segment exceed the estimated recoverable amounts. These assets were deemed as idle primarily due to discontinuation of certain SKUs to rationalize product portfolio of the Company. In addition, the Company identified that carrying value of certain previously impaired assets in Ice cream segment is lower than the estimated recoverable amounts. Accordingly, provision for impairment was recognized there-against. The recoverable amount of these assets amounted to Nil (2018: Rs. 990) determined on the basis of fair value less cost of disposal of underlying assets which is based on the historical experience of net recovery proceeds on similar nature of assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

4.7 The details of immovable fixed assets (i.e. land and buildings) are as follows:

Description of location	Addresses	Total Area of Land in Square Yards
Production Plant	8 km Road Pakpattan Road, Sahiwal	485,641
Production Plant	Deh Miani Baghat, Tapa Rohri, Taluka Rohri, District Sukkur	148,104
Dairy Farm	Near Qalmi Quran Taluka Salehpat, District Sukkur	1,064,800

(Amounts in thousand)

5. BIOLOGICAL ASSETS

Dairy livestock (note 5.1):

- mature
- immature

Provision for culling (notes 5.2 and 29)

Crops - feed stock

	2019	2018
	Rupees	
	750,129	680,571
	458,129	556,820
	1,208,258	1,237,391
	(121,553)	(30,000)
	1,086,705	1,207,391
	29	873
	1,086,734	1,208,264

5.1 Reconciliation of carrying amounts of livestock

Carrying amount at the beginning of the year

Add:

Changes in fair value due to biological transformation:

- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 254,775 (2018: Rs. 219,995)]
- Loss due to increase in age of livestock

Changes in fair value due to price changes:

- Gain due to currency devaluation
- Loss due to decrease in international market prices

Total gain (note 30)

Less:

- Decrease due to deaths / disposals
- Provision for culling (note 5.2)

Carrying amount at the end of the year, which approximates the fair value

	1,207,391	968,516
	313,479	262,836
	(62,514)	(78,754)
	250,965	184,082
	146,407	256,192
	(82,985)	(43,587)
	63,422	212,605
	314,387	396,687
	(313,520)	(127,812)
	(121,553)	(30,000)
	1,086,705	1,207,391

5.2 Represents provision in respect of low yielding animals, animals having poor health and animals to be culled due to capacity constraints.

5.3 As at December 31, 2019, the Company held 3,391 (2018: 3,170) mature assets able to produce milk and 2,076 (2018: 2,580) immature assets that are being raised to produce milk in the future. During the year, the Company produced approximately 20,485,240 (2018: 20,872,330) gross litres of milk from these biological assets with a fair value less estimated point-of-sale costs of Rs. 1,248,695 (2018: Rs.1,172,380), determined at the time of milking.

5.4 As at December 31, 2019, the Company held 43 (2018: 77) immature male calves.

5.5 The valuation of dairy livestock as at December 31, 2019 has been carried out by an external valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the farm conditions and relied on the representations made by the Company as at December 31, 2019. Further, market and replacement values of similar live stock from active markets in USA, EU and Australia, have also been used by the valuer as a basis of his valuation. Immature male calves have not been included in the fair valuation due to the insignificant value in use. The valuation is considered to be level 2 in the fair value hierarchy due to observable market data other than quoted prices in active markets.

(Amounts in thousand)

6. INTANGIBLES - Computer software**Net carrying value**

Balance at beginning of the year

Add: Additions at cost (note 4.5)

Less: Amortization charge for the year (notes 6.1 and 28)

Less: Write-off

Cost

Accumulated amortization

Balance at end of the year

Gross carrying value

Cost

Less: Accumulated amortization

Net book value

	2019	2018
	Rupees	

	92,420	71,635
	33,932	47,647
	(28,555)	(26,862)
	(9,424)	-
	6,762	-
	(2,662)	-
	95,135	92,420
	463,921	439,413
	(368,786)	(346,993)
	95,135	92,420

6.1 The cost is being amortized over a period of 5 years

7. RIGHT-OF-USE ASSETS

	Land and buildings	Plant and equipments	Vehicles	Total
	Rupees			
Year ended December 31, 2019				
Impact on adoption of IFRS 16 (note 2.1.4)				
Cost	390,131	501,826	-	891,957
Accumulated depreciation	-	(82,359)	-	(82,359)
	390,131	419,467	-	809,598
Additions	72,445	-	150,356	222,801
Disposal				
Cost	(288)	(18,799)	-	(19,087)
Accumulated depreciation	288	18,799	-	19,087
	-	-	-	-
Transfer out to operating assets				
Cost	-	(323,383)	-	(323,383)
Accumulated depreciation	-	107,852	-	107,852
	-	(215,531)	-	(215,531)
Depreciation charge (note 7.1)	(147,506)	(136,219)	(12,558)	(296,283)
Re-measurement	1,950	124,652	-	126,602
Closing net book value	317,020	192,369	137,798	647,187
At December 31, 2019				
Cost	464,238	284,296	150,356	898,890
Accumulated depreciation	(147,218)	(91,927)	(12,558)	(251,703)
Net book value	317,020	192,369	137,798	647,187
Rate of depreciation ()	20 - 100	20-100	25	

(Amounts in thousand)

	2019	2018
	Rupees	
7.1 The depreciation charge has been allocated as follows:		
- Cost of sales (note 26)	176,325	-
- Distribution and marketing expenses (note 27)	27,745	-
- Administrative expenses (note 28)	92,213	-
	<u>296,283</u>	<u>-</u>

8. DEFERRED TAX ASSETS / (LIABILITIES)

Credit balances arising due to:

- Accelerated tax depreciation / amortization	(566,086)	(1,027,946)
- Right-of-use assets	(187,684)	-
- Biological assets	(315,144)	(302,066)
- Others	(10,805)	(12,632)
	<u>(1,079,719)</u>	<u>(1,342,644)</u>

Debit balances arising due to:

- Provisions for stock-in-trade, stores & spares and receivables	55,835	49,419
- Minimum turnover tax (note 8.1)	998,644	630,341
- Share issuance cost, net to equity	11,234	11,234
- Liabilities against assets subject to finance lease	-	35,237
- Lease liability against right-of-use assets	188,344	-
	<u>1,254,057</u>	<u>726,231</u>
	<u>174,338</u>	<u>(616,413)</u>

- 8.1 The Company has recognized deferred tax asset on Minimum turnover tax of taxable turnover amounting to Rs. 998,644 (2018: Rs. 630,341) as the Company, based on its financial projections, expects to recoup it in the ensuing years. The Company carries out periodic assessments to determine if the Company would be able to set off these charges against the taxable profits of the Company for future years.

	2019	2018
	Rupees	
9. LONG-TERM ADVANCES AND DEPOSITS		
- Unsecured, considered good		
Advances to employees (notes 9.1, 9.2 and 9.3)	5,792	27,210
Less: Recoverable within one year shown under current assets (note 14)	<u>(2,975)</u>	<u>(11,967)</u>
	2,817	15,243
Deposits	<u>56,117</u>	<u>55,477</u>
	<u>58,934</u>	<u>70,720</u>

(Amounts in thousand)

	2019	2018
	Rupees	
9.1 Reconciliation of the carrying amount of advances to employees		
Balance as at January 1	27,210	43,089
Add: Disbursements	-	10,537
Less:		
- Repayments	(18,627)	(12,212)
- Amortization	<u>(2,791)</u>	<u>(14,204)</u>
Balance as at December 31	<u>5,792</u>	<u>27,210</u>

- 9.2 These include interest free advances to employees for vehicles given in accordance with the terms of employment under the vehicle earn-out scheme. These advances are amortized over a period of 48 months, unless repaid as a result of change in employee classification level or leaving the Company. These also include investment loan plan assistance repayable after 3 years in lump sum and long-term incentive given to certain employees which is amortized over a period of 3 years, unless repaid as a result of leaving the Company.

- 9.3 These include advances to key management personnel amounting to Rs. 206 (2018: Rs. 1,832). The maximum aggregate amount due from them at the end of any month during the year was Rs. 299 (2018: Rs. 4,430).

- 9.4 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

10. EMPLOYEES' SHARE OPTION SCHEME

In 2013, the shareholders of the Company approved Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee.

Under the Scheme, options were granted in the years 2013 to April 2015. 50 of the options granted were to vest in two years whereas the remaining 50 were to vest in three years from the date of the grant of options. These options are exercisable within 3 years from the end of vesting period. As at December 31, 2019, options for 4,231 million shares have been vested while options for remaining 12,668 million shares have lapsed during the year 2019 with the expiry of the Scheme.

The details of share options granted to date under the Scheme, which remained outstanding as at December 31, 2019 are as follows:

- number of options	4,231,250
- range of exercise price	Rs. 182.85 - Rs. 268.36
- weighted average remaining contractual life	3.39 years

The weighted average fair value of options granted to date, as estimated at the date of grant using the Black-Scholes model was Rs. 27.32 per option. The following weighted average assumptions have been used in calculating the fair values of the options:

	Options granted in 2015	Options granted in 2016	Options granted in 2017
Options granted and outstanding:			
- number of options	800,000	3,306,250	125,000
- share price	Rs. 107.67	Rs. 156.85	Rs. 168.19
- exercise price	Rs. 182.85	Rs. 230.76	Rs. 268.36
- expected volatility	30.32	34.86	25.74
- expected life	3.5 years	3.5 years	3.5 years
- annual risk free interest rate	7.93	6.15	6.12

(Amounts in thousand)

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective / expected grant date.

The time period under the Scheme for granting of share options expired in April 2015. However, the Company obtained approval of shareholders for extension in share options grant period for further 3 years in the Annual General Meeting held on April 27, 2015. The approval from the SECP for aforementioned modification in the Scheme and the related vesting period has also been received through letter dated August 31, 2015.

	2019 Rupees	2018
11. STORES, SPARES AND LOOSE TOOLS		
Stores	80,612	90,353
Spares and loose tools, including in-transit	754,356	795,791
	834,968	886,144
Less: Provision for slow moving spares and loose tools	(174,555)	(120,506)
	660,413	765,638
Less: Major spare parts and stand by equipment - shown under Property, plant and equipment (note 4)	(145,365)	(144,701)
	515,048	620,937
12. STOCK-IN-TRADE		
Raw and packaging material (notes 12.1 and 12.4)	2,691,553	2,076,103
Work in process (note 12.2)	433,776	401,252
Finished goods (note 12.3)	608,290	592,694
	3,733,619	3,070,049
Less: Provision for expired / obsolete stock	(15,889)	(49,859)
	3,717,730	3,020,190

12.1 Includes Rs. 572,263 (2018: Rs. 13,392) in respect of raw and packaging material held by third parties.

12.2 Includes Rs. 76,549 (2018: Rs. 118,619) in respect of semi-finished stock held by third parties.

12.3 Include Rs. 8,892 (2018: Rs. 20,086) in respect of finished goods held by third parties and Rs. 36,491 (2018: 559,985) in respect of finished goods stock carried at net realizable value.

12.4 Stock amounting to Rs. 4,846 (2018: Rs. 48,651) has been written off against provision during the year.

	2019 Rupees	2018
13. TRADE DEBTS - Unsecured		
Considered good (notes 13.1 and 13.2)	915,728	400,313
Considered doubtful (note 13.3)	2,092	45
	917,820	400,358
Less: Provision for impairment (note 13.3)	(2,092)	(45)
	915,728	400,313

13.1 As at December 31, 2019, trade debts aggregating to Rs. 13,658 (2018: Rs. 1,366) were past due but not impaired. These relate to various customers and have either been confirmed / acknowledged by the customer or cleared subsequent to the year end.

(Amounts in thousand)

13.2 As at December 31, 2019, trade debts aggregating to Rs. 902,070 (2018: Rs. 398,947) were neither past due nor impaired. The credit quality of these receivables can be assessed with reference to their historical performance with no defaults ever.

13.3 As at December 31, 2019, trade debts aggregating to Rs. 2,092 (2018: Rs. 45) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

	2019 Rupees	2018
Balance as at January 1	45	364
Provision for impairment / (reversal of provision) of trade debts (note 28)	2,047	(319)
Balance as at December 31	2,092	45

14. ADVANCES, DEPOSITS AND PREPAYMENTS - Unsecured, considered good

Advances to employees (note 14.1)	32,611	34,721
Add: Current portion of long term advances to employees (note 9)	2,975	11,967
	35,586	46,688
Advances to suppliers	174,464	177,310
Deposits	13,491	34,976
Prepayments	47,325	32,977
	270,866	291,951

14.1 These include advances to key management personnel amounting to Rs. 3,477 (2018: Rs. 2,250). The maximum aggregate amount due from them at the end of any month during the year was Rs. 5,043 (2018: Rs. 2,250).

14.2 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

	2019 Rupees	2018
15. OTHER RECEIVABLES		
Receivable from related parties (note 15.1):		
- FrieslandCampina Nederland B.V.	70,034	595
- Dutch Lady Milk Industries Berhad	1,836	-
- FrieslandCampina AMEA Pte Limited	946	2,669
- FC Thailand Make	95	-
- Engro Eximp Agriproduct (Private) Limited	-	271
	72,911	3,535
Others	242,570	305,059
Gross amount	315,481	308,594
Less: Provision for impairment	(2,000)	-
	313,481	308,594

15.1 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 74,311 (2018: Rs. 28,168).

(Amounts in thousand)

- 15.2 As at December 31, 2019, other receivables amounting to Rs 2,000 (2018: Nil) were past due and impaired. The carrying values of other receivables are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to their historical performance with no defaults.

16. SALES TAX RECOVERABLE

- 16.1 On November 29, 2016, the Deputy Commissioner Inland Revenue after conducting sales tax audit for the year ended December 2013 raised sales tax demand amounting to Rs. 158,826 including penalty. The demand primarily arose on account of (i) mismatch of input tax claimed with suppliers output tax on FBR portal; (ii) alleged unlawful adjustment of input tax; and (iii) alleged non-withholding of sales tax on certain supplies. On February 28, 2019, CIR Appeals upheld the decision of ACIR in respect of mismatch of input tax claimed and remanded back adjustment of input tax against the appeal filed with CIR (Appeals) on December 29, 2016 .On May 29, 2019 the Company filed an appeal with ATIR against the order and based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and, accordingly sales tax recoverable has not been reduced by the effect of aforementioned order.
- 16.2 The Deputy Commissioner Inland Revenue issued show cause notices for sales tax on tea whitener and dairy drink product i.e. 'Tarang' and 'Omung' respectively for year 2013 on October 17, 2017 and for years 2014, 2015 and 2016 on March 9, 2018 aggregating to Rs. 14,886,500 challenging the exemption / zero rating on these products. Against the show cause notices the Company has filed Constitutional Petitions before the High Court of Sindh for year 2013 on October 25, 2017 and for years 2014, 2015 and 2016 on March 15, 2018, and has obtained an interim injunction against adverse action by tax authorities on same day. Based on the opinion of its legal advisor, the Company is confident of a favorable outcome of this matter.
- 16.3 The Assistant Commissioner Inland Revenue passed an order on September 17, 2019 for the tax periods July 2013 to June 2018 amounting to Rs. 245,575 including penalty and default surcharge by disallowing wrong input tax adjustment and purchases from blacklisted / suspended vendors. On December 26, 2019, Commissioner Inland Revenue (Appeals) passed an order and decided purchases from blacklisted / suspended vendors in favor of the Company and remanded back the matter relating to wrong input tax adjustment on appeal filed on October 17, 2019. The Company based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and, accordingly sales tax recoverable has not been reduced by the effect of aforementioned order.

2019	2018
Rupees	

17. CASH AND BANK BALANCES

Cash at bank on:

- current accounts - conventional [including foreign currency account of Rs. 27,431 (2018: Rs. 16,289)]
- current accounts - Islamic
- savings accounts [including foreign currency account of Rs. 33,231 (2018: Rs. 29,107)]

29,080	17,951
832	426
36,003	82,288
65,915	100,665

18. SHARE CAPITAL

Authorized capital

850,000,000 (2018: 850,000,000) Ordinary shares of Rs. 10 each

8,500,000	8,500,000
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Issued, subscribed and paid-up capital

766,596,075 (2018: 766,596,075) Ordinary shares of Rs. 10 each fully paid in cash (note 18.1)

7,665,961	7,665,961
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- 18.1 As at December 31, 2019, FrieslandCampina Pakistan Holdings B.V. (the Holding Company) held 390,963,999 (2018: 390,963,999) ordinary shares of Rs. 10 each and Engro Corporation Limited held 306,075,947 (2018: 306,075,947) ordinary shares of Rs. 10 each.

(Amounts in thousand)

- 18.2 The Company has only one class of ordinary shares which do not carry any rights to a fixed income. The holders of the shares are entitled to receive dividends as declared from time to time and are also entitled to one vote per share at meetings of the Company. All shares rank pari passu with regards to the Company's residual assets. The Shareholders' Agreement executed between FrieslandCampina Pakistan Holding B.V. and Engro Corporation Limited (ECL) provides certain restricted matters that require prior ECL approval. These matters include but are not limited to loans to a third party over a prescribed limit (not included in the Business Plan), purchase / acquisition / sale / disposition of a business over a prescribed limit (not included in Business Plan) and creation of Board committees.

19. This reserve can be utilized by the Company only for the purpose specified in section 81 of the Companies Act, 2017.

20. LONG TERM FINANCES, Secured (Non-participatory)

Long term finances utilized under mark-up arrangements:

	Instalments			2019	2018
	Number	Commencing from	Interest Rate	Rupees	
Long term finances					
Bank Al-Habib Limited	4 half yearly	October 7, 2020	6 months KIBOR + 0.05	2,000,000	2,000,000
Habib Bank Limited	4 half yearly	October 7, 2020	6 months KIBOR + 0.05	2,000,000	2,000,000
				4,000,000	4,000,000
Less: Current portion shown under current liabilities				(800,000)	-
				3,200,000	4,000,000

- 20.1 The above finances are secured by registered floating charges / mortgages over the present and future operating assets of the Company up to a maximum of Rs. 10,042,000 (2018: Rs. 11,917,000).

- 20.2 Following are the changes in the long term finances (i.e. for which cash flows have been classified as financing activities in the statement of cash flows):

	2019	2018
	Rupees	
Balance as at January 1	4,000,000	4,500,000
Repayments of long term finances	-	(500,000)
Balance as at December 31	4,000,000	4,000,000

21. LEASE LIABILITY AGAINST RIGHT-OF-USE ASSETS

Non-current portion
Current portion
Total lease liability as at December 31

413,752	-
235,692	-
649,444	-

Maturity analysis

within 1 year
between 1 to 2 years
between 2 to 3 years
between 3 to 4 years
between 4 to 5 years

235,692	-
227,817	-
99,046	-
86,667	-
222	-
649,444	-

(Amounts in thousand)

22. TRADE AND OTHER PAYABLES

	2019	2018
	Rupees	
Trade payables (note 22.1)	6,047,547	4,407,531
Accrued liabilities	1,797,210	1,523,713
Retention money	3,113	5,824
Suppliers' security deposits (note 22.2)	98	4,229
Customers' security deposit (note 22.3)	2,700	1,700
Advances from customers (note 22.4)	-	182,037
Withholding tax payable	40,646	12,916
Payable to provident fund	28,686	25,964
Payable to defined benefit gratuity fund (note 36.4)	229,315	224,640
Payable to defined contribution gratuity fund	7,866	3,270
Workers' profits participation fund	(5,635)	(5,635)
Workers' welfare fund	36,737	18,260
Others	37,843	23,213
	<u>8,226,126</u>	<u>6,427,662</u>

22.1 Include amounts payable to following related parties:

- FrieslandCampina Nederland B.V.	494,259	277,672
- Dutch Lady Milk Industries Berhad	-	55,275
- Alaska Milk Corporation	-	3,717
	<u>494,259</u>	<u>336,664</u>

22.2 These represent interest free security deposit received from suppliers in accordance with the terms of the supplier arrangements. These deposits have been utilized for the purpose of the Company's business.

22.3 These represent interest free security deposit received from customers in accordance with the terms of the customer arrangements. These deposits have been kept in separate bank accounts and not been utilized for the purpose of the Company's business.

22.4 These represent advances received by the Company from customers and distributors in respect of sale of goods. These deposits are in the nature of an advance payment for goods to be delivered to customer. During the current year, these advances have been reclassified to contract liabilities in the statement of financial position in pursuance of adoption of IFRS 15.

23. SHORT TERM FINANCES - secured

23.1 The facilities for short term running finance available from variously banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 8,550,000 (2018: Rs. 8,000,000). The un-utilized balance against these facilities as at year end was Rs. 7,183,850 (2018: Rs. 5,928,908). The rates of mark-up on these finances are KIBOR based and range from 10.5 to 14.86 (2018: 8.08 to 11.15) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

23.2 The facilities for short term running finance available from shariah compliant Islamic bank, which represent the aggregate sale price of musharaka arrangement, amounts to Nil (2018: Rs. 300,000). The unutilized balance against these facilities as at year end was Nil (2018: Rs 294,576). The rates of profit on these finances are at the rate of Nil (2018: 10.91) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

23.3 The facilities for opening letters of credit and bank guarantees as at December 31, 2019 amounts to Rs. 11,651,000 (2018: Rs. 8,665,000), of which the amount remaining un-utilized as at year end was Rs. 5,262,243 (2018: Rs. 4,558,874).

(Amounts in thousand)

24. CONTINGENCIES AND COMMITMENTS

24.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 81,769 (December 31, 2018: Rs. 75,495) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (December 31, 2018: Rs. 34,350) under the contract for supply of gas;
- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 154,278 (2018: Rs. 154,278) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs.90,820 (2018: Rs. 86,844) have been received to date;
- Parco Pearl Gas Co. (Private) Limited amounting to Rs. 1,000 (December 31, 2018: Rs. 1,000) as collateral against supplies;
- The Government of Sindh, amounting to Rs. 229,886 (December 31, 2018: Rs. 212,887), upon the order of the High Court of Sindh to furnish bank guarantees for 50 of the amount of Infrastructure cess of the goods entering or leaving the province through air or sea;

24.2 On January 18, 2017, the Company received an order from Competition Commission of Pakistan (CCP), imposing a penalty of Rs. 62,293 in respect of the Company's marketing activities relating to one of its products. The Company filed an appeal against the aforementioned order on February 8, 2017, which was decided by the CCP tribunal on January 16, 2019, in the Company's favor. However the CCP has appealed the decision of the tribunal in the Supreme Court (SC) of Pakistan and the Company has submitted its response in the SC which is pending adjudication.

24.3 Commitments in respect of capital expenditure contracted for but not incurred as at December 31, 2019 amounts to Rs. 701,364 (2018: Rs. 634,327).

24.4 Commitments in respect of purchase of certain commodities as at December 31, 2019 amounts to Rs. 908,855 (2018: Rs. 1,027,547).

24.5 Commitments for rentals payable under the Ijarah agreements as at December 31, 2019 amounts to Nil (2018: Rs. 20,810) as follows:

	2019	2018
	Rupees	
Not later than one year	-	20,810
Later than one year but not later than five years	-	-
	<u>-</u>	<u>20,810</u>

24.6 Details of the other matters are given in note 16 and 32.1 to these financial statements.

25. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

Revenue from contracts with customers - gross	43,465,542	36,215,042
Less:		
- Sales tax	(1,548,396)	(1,014,052)
- Trade and other discounts	(3,059,810)	(2,761,539)
	<u>38,857,336</u>	<u>32,439,451</u>

25.1 This includes export sales amounting to Rs. 187,299 (2018: Rs. 564,958).

(Amounts in thousand)

26. COST OF SALES

	2019	2018
	Rupees	
Raw and packaging material consumed (note 26.1)	25,924,715	20,259,414
Salaries, wages, and staff welfare (note 26.2)	1,505,576	1,446,135
Fuel and power	1,225,378	992,163
Repair and maintenance	591,907	652,230
Freight inwards	588,850	506,391
Depreciation on property, plant and equipment (note 4.3)	1,675,892	1,718,045
Depreciation on right-of-use assets	176,325	-
Impairment of operating assets (note 4.6)	738	27,616
Intangibles written off	900	-
Travelling	106,847	111,156
Communication and other office expenses	77,679	92,200
Insurance	104,757	85,740
Rent and utilities (note 26.4)	143,607	366,160
Research and business development	32,730	4,228
Fee for technical assistance (note 26.3)	1,000,185	824,369
Legal and professional	6,174	8,220
Purchased services	547,983	553,867
(Reversal) / provision against:		
- stock-in-trade	(29,123)	48,401
- slow moving spares	54,049	60,057
Manufacturing cost	33,735,169	27,756,392
Add: Opening stock of work-in-process	401,252	200,171
Less: Closing stock of work-in-process	(433,776)	(401,252)
Cost of goods manufactured	33,702,645	27,555,311
Add: Opening stock of finished goods manufactured	592,694	322,775
Less: Closing stock of finished goods manufactured	(608,290)	(592,694)
	<u>33,687,049</u>	<u>27,285,392</u>

26.1 Raw and packaging material consumed

Opening stock of raw and packaging material	2,076,103	2,173,157
Add: Purchases	27,788,860	21,334,740
Less:		
- Fair value of milk produced from biological assets (note 5.3)	(1,248,695)	(1,172,380)
- Closing stock of raw and packaging material	<u>(2,691,553)</u>	<u>(2,076,103)</u>
Raw and packaging material consumed	<u>25,924,715</u>	<u>20,259,414</u>

26.2 These include Rs. 152,056 (2018: Rs. 140,548) in respect of staff retirement benefits referred to in notes 36 and 46.

26.3 This represents charge for technical assistance and royalty to FrieslandCampina Nederland B.V. (note 41.3)

26.4 This includes short-term leases, leases of low-value assets and variable lease payments amounting to Rs. 30,936, Rs. 59,631 and Rs. 39,620 respectively.

(Amounts in thousand)

27. DISTRIBUTION AND MARKETING EXPENSES

Salaries, wages, and staff welfare (note 27.1)	777,298	787,816
Advertising	1,091,329	1,665,790
Freight outward	1,534,571	1,225,231
Travelling	123,435	114,307
Communication and other office expenses	35,954	66,089
Depreciation on property, plant and equipment (note 4.3)	251,770	187,091
Depreciation on right-of-use assets	27,745	-
Impairment of operating assets (note 4.6)	19,705	3,444
Fuel and power	5,077	5,375
Repairs and maintenance	57,663	62,757
Rent, rates and taxes (note 27.2)	4,441	32,296
Insurance	14,408	14,465
Software maintenance	15,256	-
Research and business development	93	2,036
Legal and professional	-	3,829
Ijarah rentals	-	35,224
Purchased services	10,564	12
	<u>3,969,309</u>	<u>4,205,762</u>

27.1 These include Rs. 75,872 (2018: Rs. 78,629) in respect of staff retirement benefits referred to in notes 36 and 46.

27.2 This includes leases of low-value assets and variable lease payments amounting to Rs. 75 and Rs. 162 respectively.

28. ADMINISTRATIVE EXPENSES

Salaries, wages and staff welfare (notes 28.1 and 28.2)	715,306	456,313
Training and development	25,586	43,241
Communication and other office expenses	119,106	90,708
Rent, rates and taxes (note 28.4)	25,881	115,374
Travelling	36,253	47,579
Depreciation on property, plant and equipment (note 4.3)	17,837	13,985
Depreciation on right-of-use assets	92,213	-
Impairment of operating assets (note 4.6)	190	-
Intangibles written off	1,762	-
Amortization (note 6)	28,555	26,862
Fuel and power	2,860	2,476
Repairs and maintenance	4,022	11,111
Insurance	6,337	4,068
Legal and professional	47,503	72,010
Auditors' remuneration (note 28.3)	5,706	8,791
Software maintenance and license cost	19,328	18,862
Provision for / (reversal of) impairment of trade debts (note 13.3)	2,047	(319)
Purchased services	95,361	46,010
	<u>1,245,853</u>	<u>957,071</u>

28.1 These include Rs. 61,343 (2018: Rs. 46,451) in respect of staff retirement benefits referred to in notes 36 and 46.

(Amounts in thousand)

28.2 These Include charge of Rs. 3,046 (2018: reversal of Rs. 57,170) in respect of employees' share option compensation expense.

28.3 Auditors' remuneration

Fee for:

- audit of annual financial statements and group reporting
- review of half yearly financial information
- review of compliance with the Code of Corporate Governance
- special certifications, taxation and other services

Reimbursement of expenses and taxes

	2019	2018
	Rupees	
	3,260	2,875
	600	565
	125	95
	960	4,580
	4,945	8,115
	761	676
	5,706	8,791

28.4 This includes leases of low-value assets amounting to Rs. 55 respectively.

29. OTHER OPERATING EXPENSES

- Workers' welfare fund
Donations (note 29.1)
Loss on death / disposals of biological assets
Provision for culling of biological assets (note 5)
Workers' profits participation fund
Exchange loss
Operating assets written off (note 4.1)
Others

	2019	2018
	Rupees	
	18,478	2,944
	20,000	40,185
	78,271	29,964
	121,553	30,000
	-	-
	-	5,247
	-	135
	8,572	-
	246,874	108,475

29.1 This includes donation to Engro Foundation, a related party, amounting to Rs. 20,000 (2018: Rs. 40,000). The directors including the Chief Executive and their spouses do not have any interest in the donee.

30. OTHER INCOME

From financial assets

Interest on bank deposits / saving accounts

From other than financial assets

- Gain arising from changes in fair value of biological assets (note 5.1)
Gain on disposal of operating assets
Exchange gain
Scrap sales
Reversal of provision of workers' welfare fund
Others

	2019	2018
	Rupees	
	8,521	1,688
	314,387	396,687
	44,350	45,295
	9,960	-
	32,711	21,028
	-	81,303
	3,039	76,268
	404,447	620,581
	412,968	622,269

(Amounts in thousand)

31. FINANCE COST

Mark-up on:

- Short-term finances - conventional
- Short-term finances - Islamic
- Long-term finances
- Obligations subject to finance lease
- Lease liability against right-of-use assets

Bank charges

	2019	2018
	Rupees	
	681,297	322,739
	-	4,509
	455,195	318,379
	-	14,553
	67,399	-
	1,203,891	660,180
	17,683	15,160
	1,221,574	675,340

31.1 This includes finance cost on local letters of credit. The rates of mark-up on these finances are KIBOR based and range from 10.76 to 14.5 (2018: 6.21 to 10.80) per annum.

32. TAXATION

Current

- for the year
- for prior year

Deferred

	2019	2018
	Rupees	
	628,083	413,081
	17,178	23,717
	645,261	436,798
	(790,751)	(670,901)
	(145,490)	(234,103)

32.1 Following is the position of the Company's open tax assessments:

32.1.1 The Company in accordance with section 59B (Group Relief) of the Income Tax Ordinance (ITO), 2001 has surrendered to Engro Corporation Limited (ECL), the associated company (then the holding company), its tax losses amounting to Rs. 4,288,134 out of the total tax losses of Rs. 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs. 1,500,847, being equivalent to tax benefit/effect thereof.

The Company had been designated as part of the Group of Engro Corporation Limited by the Securities and Exchange Commission of Pakistan (SECP) through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59B of ITO and a requirement under the Group Companies Registration Regulations, 2008 (the Regulations) notified by the SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the Company to ECL for the years ended December 31, 2006 and 2007, decided the appeals on July 1, 2010 in favour of ECL, whereby, allowing the surrender of tax losses by the Company to ECL. The tax department has filed reference application there against before the High Court of Sindh dated October 23, 2010, which is under the process of hearings. On May 20, 2013, the Appellate Tribunal also decided similar appeal filed by ECL for the year ended December 31, 2008 in favour of ECL. The Company based on the merits of the case expects a favorable outcome of the matter.

32.1.2 On January 29, 2009, the Deputy Commissioner Inland Revenue (DCIR) reduced tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007. The Company's appeal against the order of Commissioner Inland Revenue (CIR) on March 11, 2009 is currently in the process of being heard. However, the Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and hence the balance of taxes recoverable has not been reduced by the effect of the aforementioned disallowance.

(Amounts in thousand)

32.1.3 On October 31, 2013, CIR raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. On May 25, 2015, in response to the appeal filed against the audit proceedings on December 9, 2013, CIR Appeals issued an appellate order in favour of the Company holding the selection of case for audit to be illegal and without jurisdiction. The tax department has filed an appeal against the order with the Appellate Tribunal Inland Revenue (ATIR) on August 11, 2015, however, no hearing has been conducted to date. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.4 On May 20, 2014, the Additional Commissioner Inland Revenue (ACIR) raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. On January 26, 2017, CIR Appeals upheld the decision of ACIR in respect of provision for retirement benefits and marketing support reimbursements against appeal filed with CIR Appeals dated May 28, 2014. On August 30, 2017, the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.5 On December 23, 2015, ACIR raised a demand of Rs. 73,962 for tax year 2014 by disallowing the loss on sales of raw milk considered as trading activity, depreciation on certain additions to property, plant and equipment and tax credit under 65B etc. On December 06, 2018, CIR appeals upheld the decision of ACIR on all major items against appeal filed with CIR Appeals on January 22, 2016. During the year on March 07, 2019, the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.6 On June 29, 2016, the DCIR raised a demand of Rs. 541,221 for tax year 2013 by disallowing the loss on sales of raw milk considered as trading activity, stock written-off, finance cost allocation against advance for purchase of Engro Foods Netherlands and certain other items, research and business expenses, adjustment of tax losses for tax year 2011 and minimum turnover tax credit for tax years 2008, 2010 and 2011 etc. On January 26, 2017, CIR (Appeals) upheld the decision of DCIR in respect of minimum turnover tax credit and finance cost allocation against appeal filed with CIR Appeals on July 29, 2016. On May 29, 2018, the DCIR passed an appeal effect order based on the decision of CIR Appeals reducing the demand to Rs. 98,548. On May 15, 2017, the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.7 On June 29, 2016, ACIR raised a demand of Rs. 59,772 for tax year 2010, primarily on account of disallowance of sales promotion and freight expenses. On November 23, 2018 CIR Appeals upheld the decision of ACIR in respect of loss on sale of raw milk and inventory write-off while giving relief on all other matters against appeal filed with CIR appeals on August 15, 2016. During the year on March 07, 2019 the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.8 On December 7, 2016, ACIR raised a demand of Rs. 34,134 for tax year 2011 by disallowing depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, sales promotion and advertisement and other expenses etc. During the year on April 15, 2019 CIR Appeals upheld the decision of ACIR on all major items against appeal filed with CIR appeals on January 5, 2017. During the year on June 03, 2019 the Company filed an appeal with ATIR against the order of CIR appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.9 On November 3, 2017, ACIR raised a demand of Rs. 511,801 for tax year 2016 by disallowing minimum turnover tax credit, expenses on account of Employee Share Option Scheme and Worker's Welfare Fund. On June 30, 2018, CIR Appeals upheld the decision of ACIR in respect of minimum turnover tax credit and Employee Share Option Scheme against the appeal filed with CIR Appeals on November 23, 2017. On August 15, 2018, the Company filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

(Amounts in thousand)

32.1.10 The ACIR issued an order on February 22, 2019 by disallowing expenses on account of Employee Share Option Scheme, loss on Sale of disposal of assets and assets written off. During the year on August 19, 2019, CIR Appeals upheld the decision in respect of Employee Share Option Scheme and assets written off against the appeal filed with CIR Appeals on April 24, 2019. During the year on October 24, 2019 the Company filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and, accordingly income tax recoverable has not been reduced by the effect of aforementioned order.

	2019	2018
	Rupees	
32.2 Relationship between tax expense and accounting profit		
Loss before taxation	(1,100,355)	(170,320)
Tax at the applicable tax rate of 29 (2018: 29)	(319,103)	(49,393)
Tax effect of:		
- increase / (reduction) in future tax rates	153,134	(204,030)
- transaction taxed at different rates	4,137	28,442
- prior year charge	17,178	23,717
- tax credits for investment in operating assets	(2,138)	(34,355)
- others	1,302	1,516
	173,613	(184,710)
	(145,490)	(234,103)

33. EARNINGS PER SHARE - Basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2019	2018
	Rupees	
(Loss) / profit for the year	(954,865)	63,783
	Number of shares in thousands	
Weighted average number of ordinary shares issue during the year	766,596	766,596

(Amounts in thousand)

34. CASH GENERATED FROM OPERATIONS

	2019	2018
	Rupees	
Loss before taxation	(1,100,355)	(170,320)
Adjustment for non-cash charges and other items:		
- Depreciation on property, plant and equipment	1,945,499	1,919,121
- Depreciation on right-of-use assets	296,283	-
- Impairment of operating assets - net	20,633	31,060
- Intangibles written off	2,662	-
- Amortization of intangibles	28,555	26,862
- Reversal of amortization of employee share option compensation reserve	(3,046)	(57,170)
- Operating assets written off	-	135
- Gain on disposal of operating assets	(44,350)	(45,295)
- Gain arising from changes in fair value of biological assets	(314,387)	(396,687)
- Loss on death / disposal of biological assets	78,271	29,964
- Provision for culling of biological assets	121,553	30,000
- Provision for staff retirement and other service benefits	107,871	102,528
- Provision for stock-in-trade	(29,123)	48,401
- Provision for slow moving spares	54,049	60,057
- Provision for impairment of other receivables	2,000	-
- (Reversal of provision) / provision for impairment of trade debts	2,047	(319)
- Finance cost on short term and long term finances including bank charges	1,154,175	660,787
- Finance cost on obligations subject to finance lease	-	14,553
- Exchange (gain) / loss	(9,960)	5,247
- Finance cost on lease liability against right-of-use assets	67,399	-
- Reversal of provision of workers' welfare fund	-	(81,303)
Working capital changes (note 34.1)	874,270	535,485
	<u>3,254,046</u>	<u>2,713,106</u>

(Amounts in thousand)

34.1 Working capital changes

(Increase) / Decrease in current assets:	
- Stores, spares and loose tools	51,176
- Stock-in-trade	(668,417)
- Trade debts	(517,462)
- Advances, deposits and prepayments	21,085
- Other receivables	(6,887)
- Sales tax recoverable	50,100
	<u>(1,070,405)</u>

Increase / (decrease) in current liabilities:	
- Trade and other payables	1,803,749
- Contract liabilities	140,926
	<u>874,270</u>

35. CASH AND CASH EQUIVALENTS

Cash and bank balances (note 17)	65,915
Short term finances (note 23)	(1,816,150)
	<u>(1,750,235)</u>

	2019	2018
	Rupees	
	51,176	56,938
	(668,417)	(422,597)
	(517,462)	(229,355)
	21,085	(134,604)
	(6,887)	(80,619)
	50,100	50,735
	<u>(1,070,405)</u>	<u>(759,502)</u>
	1,803,749	1,294,987
	140,926	-
	<u>874,270</u>	<u>535,485</u>
	65,915	100,665
	<u>(1,816,150)</u>	<u>(2,076,516)</u>
	<u>(1,750,235)</u>	<u>(1,975,851)</u>

36. STAFF RETIREMENT AND OTHER SERVICE BENEFITS

36.1 As stated in notes 2.13.1 and 2.13.2, Engro Corporation Limited (ECL) operates and maintains an approved defined contribution gratuity scheme and an approved defined benefit funded gratuity scheme (the Fund) on behalf of the Company, for all its permanent employees subjected to minimum prescribed period of service.

36.2 During the year, an amount of Rs. 30,668 (2018: Rs. 19,409) has been charged in respect of defined contribution gratuity scheme maintained by Engro Corporation Limited.

36.3 Plan assets held in trust are governed by local regulations which mainly include Trust Act, 1882, repealed Companies Ordinance, 1984 (now Companies Act, 2017), Income Tax Rules, 2002 and Rules under the Trust deed of the Fund. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The latest actuarial valuation of the Fund was carried out as at December 31, 2019 using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

	2019	2018
	Rupees	
36.4 Reconciliation for Statement of financial position		
Present value of defined benefit obligation (note 36.7)	(750,529)	(685,281)
Fair value of plan assets (note 36.8)	521,214	460,641
Net liability at end of the year	<u>(229,315)</u>	<u>(224,640)</u>
36.5 Movement in net liability in the statement of financial position		
Net liability at beginning of the year	(224,640)	(141,633)
Charge for the year (note 36.9)	(107,871)	(102,528)
Contribution made during the year to the Fund (note 36.8)	95,674	100,061
Re-measurements recognized in Other Comprehensive Income (OCI) (note 36.6)	7,522	(80,540)
Net liability at end of the year	<u>(229,315)</u>	<u>(224,640)</u>

(Amounts in thousand)

	2019	2018
	Rupees	
36.6 Re-measurement recognised in other comprehensive income		
(Loss) / Gain from changes in financial assumptions	(738)	1,410
Experience loss	(6,222)	(23,488)
Re-measurement of defined benefit obligation	(6,960)	(22,078)
Actual return on plan assets	34,217	6,368
Expected return on plan assets	(55,308)	(44,821)
Adjustment	35,573	(20,981)
Re-measurement of fair value of plan assets	14,482	(59,434)
Liability adjustment	-	972
	7,522	(80,540)
36.7 Movement in present value of defined benefit obligation		
Present value of defined benefit obligation at beginning of the year	685,281	620,927
Current service cost	87,053	90,725
Interest cost	76,126	56,624
Liability in respect of transfers - Inter Group	-	198
Benefits paid during the year	(104,891)	(105,271)
Re-measurement on obligation (note 36.6)	6,960	22,078
Present value of defined benefit obligation at end of the year	750,529	685,281
36.7.1 Analysis of present value of defined benefit obligation		
Vested benefits	750,529	685,281
Non-vested benefits	-	-
	750,529	685,281
Accumulated benefit obligation	297,387	284,353
Amounts attributed to future salary increases	453,142	400,928
	750,529	685,281
36.8 Movement in fair value of plan assets		
Fair value of plan assets at beginning of the year	460,641	480,266
Expected return on plan assets	55,308	44,821
Contributions for the year	95,674	100,061
Assets in respect of transfers - Inter Group	-	198
Benefits paid during the year	(104,891)	(105,271)
Re-measurement (note 36.6)	14,482	(59,434)
Fair value of plan assets at end of the year	521,214	460,641
36.9 Cost charged to profit or loss:		
Current service cost	87,053	90,725
Net interest cost	20,818	11,803
Cost for the year	107,871	102,528

(Amounts in thousand)

	2019	2018	
	Rupees		
36.10 Charge for the year has been allocated as follows:			
Cost of sales	56,703	54,249	
Distribution and marketing expenses	28,293	30,350	
Administrative expenses	22,875	17,929	
	107,871	102,528	
36.11 Principle actuarial assumptions used are as follows:			
Financial assumptions			
- Discount rate - per annum compound	11.75	13.75	
- Expected rate of increase in salaries - per annum			
- First year	10.75	12.75	
- Long-term	10.75	12.75	
Demographic assumptions			
- Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)	
- Withdrawal rates / Rate of employees turnover	Moderate	Moderate	
36.12 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:			
	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	Rupees		
Discount rate	1	(675,784)	838,923
Expected rate of increase in salaries - long term	1	838,923	(674,532)

36.13 The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

(Amounts in thousand)

36.14 Plan assets comprise of following:

	2019				2018			
	Quoted	Un-Quoted	Total		Quoted	Un-Quoted	Total	
	Rupees				Rupees			
Equity Instruments								
Quoted Shares	126,246	-	126,246	24	118,062	-	118,062	26
	126,246	-	126,246	24	118,062	-	118,062	26
Debt Instruments								
Government Bonds	-	385,251	385,251	74	-	329,145	329,145	72
Engro Rupiya Certificates	-	-	-	0	19,799	-	19,799	4
	-	385,251	385,251	74	19,799	329,145	348,944	76
Cash and cash equivalents	-	12,532	12,532	2	-	5,058	5,058	1
Other assets	-	2,694	2,694	1	-	1,897	1,897	0
Other liabilities	-	(5,509)	(5,509)	-1	-	(13,320)	(13,320)	-3
Total	126,246	394,968	521,214	100	137,861	322,780	460,641	100

36.15 Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant to which are detailed below:

Asset Volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields, if plan assets underperform this yield, this will create a deficit. The Fund believes that due to long-term nature of the plan liabilities and the strength of the ECL's support, the current investment strategy manages this risk adequately.

Inflation risk

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, the Fund manages plan assets to offset inflationary impacts.

Life expectancy / withdrawal rate

The majority of the plan's obligations are to provide benefits on severance with the Company or on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

36.16 Expected contributions to the Fund for the year ending December 31, 2020 are Rs. 110,728.

36.17 The weighted average duration of the defined benefit obligation is 10.8 years.

36.18 Historical information of staff retirement benefits:

	2019	2018	2017	2016	2015	2014
	Rupees					
Present value of obligations	(750,529)	(685,281)	(620,927)	(610,231)	(526,803)	(382,274)
Fair value of plan assets	521,214	460,641	480,266	469,331	475,217	383,822
(Deficit) / Surplus	(229,315)	(224,640)	(140,661)	(140,900)	(51,586)	1,548

(Amounts in thousand)

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements in respect of remuneration and benefits to the Chief Executive, directors and executives are as follows:

	2019			2018		
	Directors			Directors		
	Chief Executive	Others	Executives	Chief Executive	Others	Executives
	Rupees					
Managerial remuneration	56,534	-	1,135,904	44,200	-	1,068,156
Contribution for staff retirement benefits	7,676	-	156,091	5,667	-	143,542
Bonus paid	9,687	-	118,294	9,193	-	102,474
Fees	-	2,801	-	-	2,176	-
Total	73,897	2,801	1,410,289	59,060	2,176	1,314,172
Number of persons, including those who worked part of the year	1	6	299	1	11	268

37.1 The Company also provides the Company owned and maintained vehicles for use of the Chief Executive and certain executives.

37.2 Premium charged in respect of non-executive directors indemnity insurance amounts to Rs. 438 (2018: Rs. 359).

	2019	2018
	Rupees	

38. FINANCIAL INSTRUMENTS BY CATEGORY

38.1 Financial assets as per statement of financial position

- At Amortized cost		
Long term deposits	56,117	55,477
Trade debts	915,728	400,313
Advances and deposits	49,077	81,664
Other receivables	313,481	308,594
Cash and bank balances	65,915	100,665
	1,400,318	946,713

38.2 Financial liabilities as per statement of financial position

- Financial liabilities measured at amortized cost		
Long term finances	4,000,000	4,000,000
Lease liability against right-of-use assets	649,444	-
Liabilities against assets subject to finance lease	-	121,506
Trade and other payables	7,888,511	5,966,210
Accrued interest / mark-up	340,055	175,958
Short term finances	1,816,150	2,076,516
	14,694,160	12,340,190

(Amounts in thousand)

38.3 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's risk management program focuses on unpredictability of the financial markets for having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to the shareholders. Risk management is carried out by the Company's finance department under the policies approved by the Company's Board of Directors.

a) Market risk

i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company's exposure to currency risk is limited as all the foreign purchases are made against on sight letters of credit where the payment is made on the date of delivery with no credit period. The Company imports plant and machinery and certain raw materials which exposes it to currency risk, primarily with respect to liabilities denominated in US Dollars.

At December 31, 2019, if the Pakistan Rupee had weakened / strengthened by 5 against the US Dollar with all other variables held constant, the effect on post-tax loss for the year would have been immaterial.

ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises primarily from long and short term borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk. As there are no borrowings at fixed rates, the Company is not exposed to fair value interest rate risk.

The Company analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available. For borrowing at variable rates, the rates are determined in advance for stipulated periods with reference to KIBOR.

At December 31, 2019, if interest rates on the Company's borrowings had been 1 higher / lower with all other variables held constant, post tax loss for the year would have been higher / lower by Rs.67,629 (2018: Rs.61,808) mainly as a result of higher / lower interest exposure on variable rate borrowings.

iii) Other price risk

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk as it carries no price sensitive financial instrument.

(Amounts in thousand)

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The Company is not materially exposed to credit risk on trade debts and other receivables since credit is only granted to few reputed customers with good credit standings, with whom the Company has written terms of arrangement.

Further, the bank balances of the Company are held with banks having minimum credit rating of A1.

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. The Company's liquidity management involves projecting cash flows and considering the level of liquid funds necessary to meet these, monitoring statement of financial position liquidity ratios against external regulatory requirements and maintaining debt financing plans. These objectives are achieved by maintaining sufficient cash and readily marketable securities and availability of funding through committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2019			2018		
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total
	Rupees					
Long term finances	800,000	3,200,000	4,000,000	-	4,000,000	4,000,000
Lease liability against right-of-use assets	235,692	413,752	649,444	-	-	-
Liabilities against asset subject to finance lease	-	-	-	121,506	-	121,506
Trade and other payables	7,888,511	-	7,888,511	5,966,210	-	5,966,210
Accrued interest / mark-up	340,055	-	340,055	175,958	-	175,958
Short term finances	1,816,150	-	1,816,150	2,076,516	-	2,076,516
	<u>11,080,408</u>	<u>3,613,752</u>	<u>14,694,160</u>	<u>8,340,190</u>	<u>4,000,000</u>	<u>12,340,190</u>

(Amounts in thousand)

39.2 Fair value estimation

39.2.1 The Company analysis assets carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

39.2.2 There were no changes in valuation techniques during the year.

40. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt. The Company also manages capital by maintaining gearing and current ratios at certain levels. The Company's strategy is to maintain the gearing and current ratio in accordance with the Prudential Regulations issued by the State Bank of Pakistan and in accordance with agreements with financial institutions.

The Company manages capital by maintaining gearing ratio at certain level. The ratio is calculated as long term debt divided by total capital. Total capital is calculated as 'equity' in the statement of financial position plus long term debt. The gearing ratio as at December 31 is as follows:

	2019	2018
	Rupees	
Long term finances	3,200,000	4,000,000
Lease liability against right-of-use assets	413,752	-
Total long term debt	3,613,752	4,000,000
Total equity	8,384,665	9,341,060
Total capital	11,998,417	13,341,060
Debt to equity ratio	0.30	0.30

(Amounts in thousand)

41. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

41.1 Following are the details of associated companies, related parties and associated undertakings with whom the Company had entered into transactions or had agreements and / or arrangements in place during the year:

Name of Related parties	Direct Shareholding	Relationship
FrieslandCampina Pakistan Holdings B.V.	51.00	Holding Company/ Major Shareholders
Engro Corporation Limited	39.93	Associated Company/ Major Shareholders
FrieslandCampina Nederland B.V.	N/A	Associated Undertaking
FrieslandCampina AMEA Pte Limited	N/A	Associated Undertaking
Engro Fertilizer Limited	N/A	Associated Company
Engro Foundation	N/A	Associated Company
FrieslandCampina (Thailand) PCL	N/A	Associated Undertaking
FrieslandCampina PT Kievit	N/A	Associated Undertaking
Dutch Lady Milk Industries Berhad	N/A	Associated Undertaking
The Pakistan Business Council	N/A	Common Directorship
Pakistan Dairy Association	N/A	Common Directorship
Engro Foods Limited -		
Defined Benefit Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited-Provident Fund	N/A	Post Employment Benefits
Engro Corporation Limited-Defined		
Contribution Gratuity Fund	N/A	Post Employment Benefits
Mr. Abrar Hasan	N/A	Director
Mr. Zouhair Abdul Khaliq	N/A	Director
Mr. Zahid Mahmud	N/A	Key Management Personnel
Mr. Imran Ahmed	N/A	Key Management Personnel
Mr. Usman Zaheer	N/A	Key Management Personnel
Mr. Ali Ahmed Khan	N/A	Key Management Personnel
Mr. Syed Saud Ahmed Pasha	N/A	Key Management Personnel
Mr. Imran Husain	N/A	Key Management Personnel
Mr. Muhammad Usman Abid	N/A	Key Management Personnel
Mr. Haseeb ur Rahman	N/A	Key Management Personnel
Mr. Ali Tanveer Khan	N/A	Key Management Personnel
Mr. Muhammad Ali Ata	N/A	Key Management Personnel
Ms. Muneeza Iftikar	N/A	Key Management Personnel
Mr. Saleem Lallany	N/A	Key Management Personnel
Mr. Syed Talha Imam	N/A	Key Management Personnel

(Amounts in thousand)

41.2 Following are the names of associated companies, subsidiaries, joint ventures or holding company incorporated outside Pakistan with whom the Company had entered into transactions or had agreements and / or arrangements in place during the year:

Name of Company	Country of incorporation	Aggregate percentage of shareholding including through other companies	Basis of association
FrieslandCampina Pakistan Holdings B.V.	Netherlands	51	Holding Company / Major shareholder
FrieslandCampina Nederland B.V.	Netherlands	N/A	Associated Undertaking
FrieslandCampina (Thailand) PCL	Thailand	N/A	Associated Undertaking
Dutch Lady Milk Industries Berhad	Malaysia	N/A	Associated Undertaking
FrieslandCampina AMEA Pte Limited	Singapore	N/A	Associated Undertaking
FrieslandCampina PT Kievit	Indonesia	N/A	Associated Undertaking

41.3 Transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

		2019	2018
		Rupees	
Nature of relationship	Nature of transactions		
Holding Company	Dividend paid	-	156,386
	Reimbursement of expense paid on behalf of the Company	-	1,714
Associated companies / undertakings	Dividend paid	-	122,430
	Fee for technical assistance	1,000,185	824,369
	Arrangement for sharing of premises, utilities, personnel and assets	160,819	158,800
	Purchase of goods and services	1,887,706	516,358
	Reimbursement of expenses to be received	146,242	82,975
	Reimbursement of expenses paid on behalf of the Company	10,139	33,297
	Donations	20,000	40,000
Contribution for staff retirement funds	Managed and operated by Engro Corporation Limited		
	- Provident fund	353,414	341,742
	- Gratuity funds	126,660	119,710
Key management personnel including the Chief Executive Officer but not other Directors	Managerial remuneration	219,085	196,791
	Contribution for staff retirement benefits	28,885	24,118
	Bonus payments	35,447	33,467
	Other benefits	438	359
Other Directors	Fee	2,801	2,176

(Amounts in thousand)

41.4 The related party status of outstanding receivables and payables as at December 31, 2019 are included in respective notes to these financial statements.

42. SEGMENT INFORMATION

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Board of Directors of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Company is organized into the following three operating segments:

- Dairy, beverages and others;
- Ice cream & frozen desserts; and
- Dairy farm.

Management monitors the operating results of the above-mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in table below, is measured differently from statement of profit or loss in these financial statements. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated assets include long and short term advances, deposits and prepayments, other receivables, taxes recoverable and cash and bank balances. Liabilities are not segment-wise reported to the Board of Directors. All the unallocated results and assets are reported to the Board of Directors at entity level. Inter-segment revenue of processed milk and powder are made by Dairy and Beverages to Ice cream and inter-segment sales of raw milk are made by Dairy farm to Dairy and Beverages, at market value.

The following information presents operating results information regarding operating segments for the year ended December 31, 2019 and asset information regarding operating segments as at December 31, 2019:

	2019				2018			
	Dairy & beverages	Ice cream & frozen desserts	Dairy farm	Total	Dairy & beverages	Ice cream & frozen desserts	Dairy farm	Total
Rupees								
Results for the year								
Revenue from contracts with customers - net	35,058,413	3,925,910	1,248,695	40,233,018	29,104,097	3,441,001	1,172,380	33,717,478
Inter-segment revenue	(126,987)	-	(1,248,695)	(1,375,682)	(105,647)	-	(1,172,380)	(1,278,027)
	34,931,426	3,925,910	-	38,857,336	28,998,450	3,441,001	-	32,439,451
Depreciation, impairment and amortisation	1,797,137	410,873	82,962	2,290,972	1,558,628	335,691	82,724	1,977,043
Finance cost	600,291	342,197	279,086	1,221,574	331,425	191,362	152,553	675,340
Net profit / (loss) after tax	(709,748)	77,367	(322,484)	(954,865)	(189,945)	140,927	112,801	63,783
Assets								
- Segment assets	13,416,133	2,227,618	2,398,097	18,041,848	13,001,179	1,898,962	2,490,148	17,390,289
- Un-allocated assets	-	-	-	5,524,249	-	-	-	5,378,177
	13,416,133	2,227,618	2,398,097	23,566,097	13,001,179	1,898,962	2,490,148	22,768,466

(Amounts in thousand)

43. SEASONALITY

The Company's 'Ice cream & frozen desserts' and 'Beverages' businesses are subject to seasonal fluctuation, with demand of ice cream and beverages products increasing in summer. The Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection.

44. PRODUCTION CAPACITY

	Designed Annual Capacity (note 44.1)		Actual Production		Remarks
	2019	2018	2019	2018	
	Liters in thousand				
Dairy and Beverages	610,004	642,540	328,627	281,903	Production planned as per market demand
Ice cream	44,064	43,623	21,392	18,254	

44.1 Represents capacity as at the reporting date.

45. NUMBER OF EMPLOYEES

	Number of employees as at		Average number of employees	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Management employees	1,163	1,240	1,187	1,237
Non-management employees	171	183	174	187
	1,334	1,423	1,361	1,424

46. RETIREMENT CONTRIBUTORY FUNDS

The contributory provident and gratuity funds are being maintained by Engro Corporation Limited which has made investments out of the funds in accordance with the provisions of section 218 of the Companies Act, 2017.

47. SUPPLEMENTARY INFORMATION

47.1 Details of expenses allocated to export business during the year are as follows:

	Rupees
Cost of sales	114,477
Salaries, wages and staff welfare	19,495
Freight outward	21,429
Communication, utilities and other office expenses	4,964
Travelling	1,020
Legal charges	1,076
Bank charges	836
	163,297

(Amounts in thousand)


47.2 Represents all expenses directly attributable to exports and incremental expenses incurred due to exports.

48. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

49. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 6, 2020 by Board of Directors of the Company.


Abdul Samad Dawood
Chairman


Ali Ahmed Khan
Chief Executive Officer


Imran Husain
Chief Financial Officer

Employee Share Option Scheme 2013

The Company in the Extra Ordinary General Meeting held on March 22, 2013, has approved an Employee Share Option Scheme (ESOS) for granting of options to its certain critical employees. As disclosed in note 10 to the financial statements time period under the Scheme for granting of share options expired in April 2015. However, the Company obtained approval of shareholders for extension in share options grant period for further 3 years in the Annual General Meeting held on April 27, 2015 and the Securities and Exchange Commission of Pakistan approval on August 31, 2015. The fair value of the option was determined by management using the Black-Scholes model.

According to this scheme, 16.9 million shares can be granted to certain critical employees. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. Granted options are exercisable within 3 years from the end of vesting period. There has been no variation in the terms of the options during the year.

As at December 31, 2019, options for 4,231,250 shares have been vested while options for remaining 12,668,750 shares have lapsed during the year 2019 with the expiry of the Scheme.

During the year, 265,625 previously granted share options lapsed due to resignation of some employees. Further, during the year, 1,000,000 vested share options, granted in 2013 to a senior management employee and 2,478,125, granted in 2016 to other critical employees expired due to non-exercise by ex-employees within the exercise period. Till date 4,231,250 share options have been granted, out of which, 2,400,000 options have been granted to the following senior management personnel:

S. No	Name	No. of Options
1	Imran Husain	800,000
2	Imran Ahmed	800,000
3	Syed Saud Ahmed Pasha	800,000

All of the above personnel were given more than 5% of total options issued.

None of the employees were issued with options exceeding 1% of the paid up capital of Company

Proxy Form

I/We _____
of _____ being a member of **FrieslandCampina**
Engro Pakistan Limited and holder of _____

Ordinary shares as per share Register Folio No. _____ and/or CDC
Participant I.D. No. _____ and Sub Account No. _____, hereby appoint
_____ of _____ or failing him
_____ of _____

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held
on the 17th day of April, 2020 and at any adjournment thereof.

Signed this _____ day of _____ 2020.

WITNESSES:

1. Signature : _____
Name : _____
Address : _____

CNIC or : _____
Passport No. : _____

Signature

2. Signature : _____
Name : _____
Address : _____

CNIC or : _____
Passport No. : _____

Note:
Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A
Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized
National Identity Card or Passport with this proxy form before submission to the Company.

Standard Request Form

Circulation of Annual Audited Accounts.

The Share Registrar
FrieslandCampina Engro Pakistan Limited.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal,
KARACHI.
E-mail: info.shares@famco.com.pk
Telephone No. (9221) 3438 0101-5, 3438 4621-3

Dated: _____

Dear Sirs,

Subject: **Request for Hard Copy of Annual Report of FrieslandCampina Engro Pakistan Limited.**

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on March 24, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor’s report and directors report etc. (“Annual Audited Accounts”) to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hard copy of the Annual Audited Accounts by filling out the details below and sending it to the Company’s share registrar and Company Secretary.

I, _____ S/o, D/o, W/o _____ being a registered shareholder of FrieslandCampina Engro Pakistan Ltd. with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hard copy of the Annual Audited Accounts of the Company and hereby request you send to me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

	Particulars
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC/NICOP/ Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours truly,

Shareholder’s Signature

Copy to:
Ms. Muneeza Iftikar
Company Secretary
FrieslandCampina Engro Pakistan Limited.
5th Floor, Harbor Front Building, Dolmen City,
HC-3, Block 4, Clifton, Karachi-75600.
E-mail: muneeza.iftikar@frieslandcampina.com

اسٹینڈرڈ درخواست فارم

سالانہ آڈٹ اکاؤنٹس کی گردش

حصص رجسٹرار

فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ

فیکو ایسوسی ایٹس پرائیویٹ لمیٹڈ

F-8، نزد ہٹول فاران، نرسری، بلاک 6، پی ای سی ایچ ایس،

شاہراہ فیصل، کراچی۔

ای میل: info.shares@famco.com.pk

ٹیلی فون نمبر: 3-3438 4621، 5-3438 0101 (9221)

عنوان: فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ کی سالانہ رپورٹ کیلئے ہارڈ کاپی کی درخواست

محترم گرامی

جیسا کہ سکیورٹی اینڈ ایکسچینج نے بذریعہ ایس آر او 2016(I)/470 بتاریخ 21 مئی 2016ء مطلع کیا ہے اور شیئرز ہولڈرز نے 24 مارچ 2017ء کو منعقد کیے جانے والے سالانہ عمومی اجلاس میں منظوری دی تھی کہ کمپنی اپنی مالیاتی معلومات بشمول بیلنس شیٹ، منافع خسارے کے کھاتے، آڈیٹر رپورٹ اپنے ممبران کو ان کے رجسٹرڈ پتے پر سی ڈی/ ڈی وی ڈی/ یو ایس بی کی شکل میں ارسال کرے گی۔ تاہم وہ جو کمپنی کے مالیاتی گوشواروں کی ہارڈ کاپی چاہتے ہیں انھیں درج ذیل فارم میں اپنی معلومات پُر کر کے کمپنی کے حصص رجسٹرار اور کمپنی سیکریٹری کو فراہم کرنا ہوں گی۔

میں..... ولد/ دختر/ زوجہ..... بطور فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ کا/ کی رجسٹرڈ شیئرز ہولڈر، اپنا نام اُس فہرست میں شامل کروانا چاہتا/ چاہتی ہوں جنھیں کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس ہارڈ کاپی کی شکل میں ارسال کیے جائیں گے۔ لہذا میری گزارش ہے کہ مجھے سالانہ آڈٹ شدہ اکاؤنٹس بجائے سی ڈی/ ڈی وی ڈی/ یو ایس بی کے ہارڈ کاپی میں ارسال کیے جائیں۔

معلومات	
شیئرز ہولڈر کا نام	
فولیو نمبر/ سی ڈی سی آئی ڈی نمبر	
قومی شناختی کارڈ نمبر/ پاسپورٹ نمبر	
لینڈ لائن ٹیلی فون نمبر (اگر کوئی ہو تو)	
موبائل نمبر (اگر کوئی ہو تو)	

شکریہ

شیئرز ہولڈر کے دستخط

نقل برائے: مس منیرہ افتخار، کمپنی سیکریٹری، فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ، پانچویں منزل، دی ہاربر فرنٹ، ڈولمن سٹی،

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پرو کسی فارم

اپنے طور پر مناسب سمجھتے ہوئے مشاورت کرنے کیلئے بااختیار ہے۔ چیف فنانشل آفیسر

کمپنی درج ذیل کرنے کا عزم رکھتی ہے:

- اپنی برائڈا کیوٹیٹی کی اسٹیٹ کام میں سرمایہ کاری جاری رکھے گی اور جدت طراز پروڈکٹس پیش کرتی رہے گی تاکہ دودھ اور دودھ سے بنی اشیاء کی ضروریات کیلئے یہ صارفین کا پسندیدہ انتخاب رہے۔

• مختلف زمروں کی ترقی و تشکیل کے اقدامات پر پاکستان ڈیری ایسوسی ایشن (پی ڈی اے) کے ساتھ کام جاری رکھے گی تاکہ کھلے دودھ کے استعمال کے ممکنہ صحت پر مرتب ہونے والے خطرات پر صارفین کی تعلیم کی جائے اور پیکیڈ دودھ کی مثبت خصوصیات و تقویت پہنچائی جائے۔

- متعلقہ بزنس پلیٹ فارمز کے ذریعے ریگولیٹری اٹھارٹیز کے ساتھ کام جاری رکھے گی تاکہ وفاقی و صوبائی قوانین خوراک اور کم سے کم پیچورائزیشن پر مسودہ قانون کو ہم آہنگ کر دیا جائے۔

ڈیری صنعت یعنی صنعت لبنیات کی ترقی عوام الناس کی صحت و غذا کی بہتری کے حقوق ایجنڈے کا توسیع ہے، چنانچہ کمپنی حکومت کی حوصلہ افزائی کرے گی تاکہ وہ دودھ کے محفوظ استعمال پر عوامی آگہی کی تشکیل میں مدد کرے اور سازگار مالیاتی پالیسیز کے ذریعے باضابطہ ڈیری کے شعبے کی نشوونما میں مالی ترغیبات فراہم کرے۔

ہر روز لاکھوں صارفین پاکستان بھر میں ہماری مصنوعات سے لطف اندوز ہوتے ہیں، اس لیے کمپنی حفاظتِ غذا، پائیداری اور شفافیت کے میدان میں بلند ترین معیارات تمام تر پیداواری سلسلے یعنی ”گھاس سے گلاس تک“ کیلئے پُر عزم ہے اور فریڈ لینڈ کمپنی کی مہارت اور 145 برسوں سے زائد کے ورثے سے مستفید ہوتی رہے گی تاکہ کم لاگت، عمدہ معیار اور محفوظ ڈیری پروڈکٹس کی فراہمی کا سلسلہ جاری وساری رہے۔

اپنے طور پر مناسب سمجھتے ہوئے مشاورت کرنے کیلئے بااختیار ہے۔ چیف فنانسل آفیسر مدعو کیے جانے پر باقاعدہ طور پر بورڈ آؤٹ کمیٹی کے اجلاس میں حسابات پیش کرنے کیلئے شریک ہوتا ہے۔ ہر اجلاس کے بعد کمیٹی کا سربراہ بورڈ کو معاملات سے آگاہ کرتا ہے۔ 2019ء میں کمیٹی کا چار دفعہ اجلاس ہوا۔ کمیٹی میں درج ذیل اراکین شامل ہیں:

ابراہیم حسن
یڈورڈس لمبرٹس ہولٹزر
رکن
رکن
کیٹی کے سیکریٹری سلیم لالانی ہیں جو جی ایم انٹرنل آڈٹ ہیں۔

مستقبل کا منظر نامہ

FUTURE OUTLOOK

بڑھتے ہوئے افراط زر اور غائب ہوتی صارف کی قوت خرید کے ساتھ ایک زور سے لگاتار تے اقتصادی کلی کے ماحول سے یہ کاروبار مسلسل اثر انداز ہوگا۔ یہ تمام عوامل قلیل مدت کے اندر کاروباری منفعت کی اہلیت کو اچھی خاصی لگا دیتے ہیں۔

کمپنی کا مقصد ہمارے صارفین کو غذائیت سے بھرپور اور محفوظ اشیائے خورد و نوش فراہم کرنا ہے۔ کمپنی کیلئے ترقی کا اہم سرچشمہ کھلے دودھ سے پلٹنا ہے جو کہ غیر دستیاب، چھوئے نہ گئے موقع کے تقریباً 90% (20 ارب لیٹر سے زائد) کی نمائندگی کرتا ہے۔

کھلا دودھ سائنسی طور پر انسانی استعمال کیلئے غیر محفوظ ثابت کیا جا چکا ہے جیسا کہ اس شعبے کا بڑا حصہ ناقابل قبول طور طریقوں سے کام کرتا ہے جس میں ملاوٹ، آلودہ امور کار و صورت حال اور فراہمی کے طریقہ کار شامل ہیں، اگرچہ قومی خزانے میں بھی اس کا حصہ ناقابل بیان ہے۔

Mr. A. J. Jones

علی احمد خان

چیف ایگزیکٹو آفیسر

Adams

عبدالصمد داؤد

چیسر مین

نوٹ: نمائندے کو فعال بنانے کیلئے نامزدگی کا فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو وصول ہونا چاہیے۔ نمائندے کا کمپنی کا رکن ہونا ضروری نہیں۔

سی ڈی سی ٹیمر ہولڈرز اور ان کے نمائندوں سے فردا فردا درخواست ہے کہ وہ اپنے کمپیوٹر انڈومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پر کسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔

نظام

Framework

کمپنی مقرر کردہ طریقہ کار کو برقرار رکھتی ہے، جو شفافیت، اختیارات کی حدود، احتساب، واضح منصوبہ بندیوں اور طرزِ عمل پر مشتمل ہے۔ بورڈ مشترکہ لائحہ عمل اور کمپنی کے کاروباری مقاصد ترتیب دیتا ہے۔ ذیلی انتظامیہ ان مقاصد کی تائید کے ساتھ ذیلی کاروباری حکمت عملیوں میں ضم کرتی ہے۔

نظریاتی

Review

کمپنی کی مالیاتی کارکردگی، مالیاتی اور انتظامی میزانیہ اور پیش بینی، کاروبار کی نشوونما اور ترقی کے منصوبوں، سرمائے کے اخراجات کی تجاویز اور کارکردگی کے اہم زاویوں پر غور کرنے کیلئے بورڈ کا سہ ماہی اجلاس ہوتا ہے۔ بورڈ کی آڈٹ کمیٹی داخلی اختیارات کے طریقہ کار پر داخلی خارجی پڑتال کنندگان (آڈیٹرز) کی رپورٹ وصول کرتی ہے اور داخلی اختیارات کی فعالی کے طریقے پر نظریاتی کی جاتی ہے۔

داخلی پڑتال

Internal Audit

کمپنی کا داخلی پڑتال کا خود مختار طریقہ ہے، بورڈ کی آڈٹ کمیٹی کی جانب سے سالانہ بنیاد پر ذرائع کی موزونیت اور اختیارات پر نظریاتی کی جاتی ہے۔ داخلی پڑتال کا سربراہ خود آڈٹ کمیٹی کو اس سلسلے میں قاعدے کے مطابق مطلع کرتا ہے۔ بورڈ کی آڈٹ کمیٹی کارکردگی کے شعبوں میں سالانہ اندیشوں کے تخمینے کی پڑتال پر مشتمل تدابیر کی منظوری دیتی ہے۔ داخلی پڑتال کے طریقے سے مالیاتی نظریاتی کام اور تکمیل کے اختیارات اور تجاویز کی رپورٹس بورڈ آڈٹ کمیٹی، چیف ایگزیکٹو اور ذیلی انتظامیہ کو دی جاتی ہے۔

خطرات سے بچاؤ

RISK MANAGEMENT

کمپنی کے پاس سیاسی اور معاشی حالات سے پیدا ہونے والے خطرات کو بھانپنے کا رسمی طریقہ کار ہے۔ خطرات سے بچاؤ کا نظام کمپنی کی کاروباری سرگرمیوں میں حکمت عملی، مالیات، ریگولیٹری اور آپریشنز جس میں بھی خطرات کے امکانات ہوں اُس کی تشخیص کرے۔

ان تشخیص کردہ خطرات پر مینجمنٹ کمیٹی مخصوص شعبوں کے مقاصد، مارگٹ اور کارکردگی کو مد نظر رکھتے ہوئے نظریاتی کرتی ہے۔ پھر حکمت عملی طے کی جاتی ہے تاکہ تشخیص کردہ خطرات کے اثرات کو کم سے کم کیا جاسکے۔ کمپنی اپنے کاروبار کو مضبوط کرنے اور اُسے آگے بڑھانے کیلئے فریز لینڈ کمپنا کے خطرات کے بچاؤ کے نظام کے تحت کام کرتی ہے۔

بورڈ آف ڈائریکٹرز

BOARD OF DIRECTORS

بورڈ آف ڈائریکٹرز کی ذمّے داریوں کا بیان

Statement of Director Responsibilities

ڈائریکٹرز درج ذیل اُمور کیلئے ایس ای سی پی (SECP) کے انتظامی ضابطے سے مشترکہ اور مالیاتی رپورٹنگ کے نظام کی مطابقت کی تصدیق کرتے ہیں:

- کمپنی کی انتظامیہ کے تیار کردہ مالی گوشوارہ، اپنے صحیح معاملات، کارکردگی کے نتائج، کیش فلو ز اور معدلت (ایکویٹی) کی تبدیلی کے ساتھ پیش کیے جا رہے ہیں۔
- کمپنی کے حسابات کے کھاتے صحیح طور پر ترتیب دیے گئے ہیں۔
- مالی گوشواروں کی تیاری میں کھاتداری کے مناسب طریقے عمل میں لائے جاتے ہیں، ماسوائے تبدیلیوں کے جو معیارات کے بنیادی استعمال اور موجودہ معیارات میں ترامیم یا تشریح کے نتیجے میں ہوں۔ حسابات کے تخمینے مناسب محتاط اندازوں کی بنیاد پر لگائے جاتے ہیں۔
- انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز، جیسے پاکستان میں لاگو ہیں، کی پیروی اس مالیاتی گوشوارہ جات کی تیاری میں کی گئی ہے اور اس سے سرمو انحراف کے بارے میں مناسب طور پر آگاہ کر دیا گیا ہے۔
- انٹرل کنٹرول کا نظام ڈیزائن میں جامع ہے اور اس کا نفاذ اور لگوائی مؤثر طور پر کی گئی ہے جس میں انٹرل فنانشل کنٹرولز بھی شامل ہیں۔

- ایک جاری و ساری کاروبار کے طور پر کمپنی کے تسلسل کی صلاحیت پر کوئی شک وشبہ نہیں ہے۔

- ادارہ جاتی نظم و نسق کے بہترین طور طریقوں سے، جیسا کہ بسنگ رگولیشنز میں تفصیل دی گئی ہے، کوئی عملی انحراف نہیں ہے۔

بورڈ کے اجلاس اور حاضری

Board Meetings and Attendance

2019ء میں بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد کیے گئے تاکہ کارکردگی کا دائرہ کار مکمل کیا جاسکے۔ بورڈ کے تمام اراکین کو بورڈ کے اجلاس کی تمام دستاویزات پیشگی فراہم کی گئیں۔ یہ عمومی طور پر کاروبار سے متعلق تفصیلی تجزیے اور اُن تمام معاملات پر مبنی دستاویزات ہوتی ہیں جن پر بورڈ کا فیصلہ یا منظوری درکار ہوتی ہے۔ بورڈ خود مختار غیر ایگزیکٹو ڈائریکٹرز کے مشاہرے پر مشاورت اور تقرّری کرتا ہے۔

ڈائریکٹرز کی حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹر کا نام	1 (07 فروری 2019ء)	2 (26 اپریل 2019ء)	3 (05 اگست 2019ء)	4 (17 اکتوبر 2019ء)	اجلاس میں حاضری
عبدالصمد داؤد	✓	✓	✓	x	3
علی احمد خان	✓	✓	✓	✓	4
رولینڈ فرینکوائس وین نیروس	✓	✓	✓	✓	4
ایڈورڈ لیمبرٹس ہولٹزر	✓	✓	x	✓	3
پیٹر ایڈجے زنک ویگ	✓	x	✓	✓	3
ابرار احسن	✓	✓	✓	✓	4
زُہیر عبدالحلق	✓	✓	✓	✓	4

بورڈ کی ساخت اور دائرہ اختیار

Board Composition and Governance

بتاریخ 31 دسمبر 2019ء تک بورڈ آف ڈائریکٹرز (6 مرد، 1 خاتون) بشمول ایک ایگزیکٹو ڈائریکٹر، دو خود مختار ڈائریکٹرز اور چار غیر ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔ بورڈ کی مشترکہ ذمّے داری ہوتی ہے کہ وہ فریز لینڈ کمپنا اینگرو کے معاملات کی مستعدی اور دیانت کے ساتھ انجام دہی کو یقینی بنائے۔ جناب عبدالصمد داؤد غیر ایگزیکٹو ڈائریکٹر، بورڈ کے چیئرمین اور جناب علی احمد خان چیف ایگزیکٹو آفیسر ہیں۔ ڈائریکٹرز کے بارے میں تفصیلات اس رپورٹ میں آگے درج ہیں۔ ڈائریکٹرز کے اجلاس کی تقویم سالانہ جاری کی جاتی ہے جس میں معاملات برائے بحث و منظوری پیش کیے جاتے ہیں۔

بورڈ کمیٹی برائے معاوضہ

Board Compensation Committee

اعلیٰ افسران کے مشاہرے سے متعلق معاوضے، ادارے اور ملازمین کی ترقی کے منصوبوں کے ضمن میں تمام عناصر پر نظریاتی اور تجاویز پیش کرنے اور ایگزیکٹو ڈائریکٹرز

اور انتظامی کمیٹی کے اراکین کے تمام معاملات طے کرنے کیلئے کمیٹی کا اجلاس منعقد ہوتا ہے۔ کمپنی کے چیف ایگزیکٹو اور افرادی قوت HR کے سربراہ کو بورڈ کمیٹی برائے معاوضہ میں باقاعدہ مدعو کیا جاتا ہے۔ کمیٹی میں درج ذیل ممبرز شامل ہیں:

زُہیر عبدالحلق	چیئرمین
پیٹر ایڈجے زنک ویگ	رکن
علی احمد خان	رکن

بورڈ آڈٹ کمیٹی

Board Audit Committee

اپنی نظامت کی ذمّے داریوں کی تکمیل بنیادی طور پر حصص مالکان کو مالی اور غیر مالی معاملات کی اطلاعات کی فراہمی، داخلی اختیارات اور اندیشوں کے انتظامات اور آڈٹ کے عمل پر نظریاتی کے ضمن میں بورڈ آڈٹ کمیٹی، بورڈ کی ماتحتی میں کام انجام دیتی ہے۔ یہ انتظامیہ سے معلومات کے حصول اور بلاواسطہ خارجی پڑتال کنندگان یا مشیروں سے

ذتے دارانہ ماحولیات طریقہ کار کو یقینی بنانا

ENSURING RESPONSIBLE ENVIRONMENTAL PRACTICES

کمپنی کز ہ عرض کے تحفظ کی اہمیت سے نہ صرف بخوبی واقف ہے بلکہ وہ اس معاملے میں ایک قدم آگے بڑھتے ہوئے کاروبار سے ماحول پر پڑنے والے اثرات کو کم کرنے اور قدرتی وسائل کے بے جایاں کو روکنے پر بھی کام کرتی ہے۔ اپنی بودوباش کی حفاظت کی جاری کوششوں کے تحت کمپنی اپنے ایر یا آفسز میں شمسی توانائی سے چلنے والے گیزر نصب کرنے کے ساتھ ساتھ اپنے دودھ جمع کرنے کے مراکز پر اپنے اثتر کی تقسیم کاروں کی بھی شمسی توانائی پر منتقلی کی حوصلہ افزائی کرتی ہے تاکہ کاربن کے استعمال کو کم سے کم کیا جاسکے۔

گرین ہاؤس گیس اور اس کے اخراج کو کم کرنے کیلئے کمپنی اپنے تمام مینوفیکچرنگ یٹس میں اُن مصنوعات کے استعمال کو فروغ دے رہی ہے جو CFC پر مشتمل نہ ہوں، کمپنی نے اوزون کی تہ کو نقصان پہنچانے والے غیر ماحولیاتی ایئر کنڈیشنرز اور ریفریجریٹرز کا استعمال بھی روک دیا ہے۔ کمپنی اپنے سیارے کو تحفظ فراہم کرنے اور آنے والی نسلوں کیلئے محفوظ رکھنے کی باہمی کوششیں جاری رکھے گی اور ماحولیاتی خطرات کو کم کرنے کیلئے مؤثر اقدامات کرے گی۔ اس کی جھلک سکھر اور ساہیوال میں ہماری فیکٹریز اور نار میں ہمارے ڈیری فارم کیلئے ISO 14001 کی سند کے حصول کی کاوشوں میں نظر آتی ہے۔ ہمارے دودھ کے حصول کیلئے قائم کردہ بیس (20) علاقائی دفاتر اور دیگر سروسز دفاتر بھی ISO 14001 سے سند یافتہ ہیں۔ سال بہ سال کی بنیاد پر پانی کے استعمال کو کم سے کم کرنے کا منصوبہ بھی قابلِ غور ہے۔

کمپنی کا صدر دفتر مع ساہیوال، سکھر پلانٹس اور نار اڈیری فارم اُس کے انتظامی دفاتر ڈبلیو ڈبلیو ایف۔ پاکستان کی جانب سے گرین آفس پروجیکٹ کے تحت، گرین آفسز کے طور پر سند یافتہ ہیں۔ کراچی میں مرکزی دفتر کی جانب سے کاغذ کی کمی کیلئے کیے گئے اقدامات کیلئے پائینٹ پروجیکٹ کاغذ میں %40 کی کمی پر متوجہ ہوا۔ پورے سال کے دوران مختلف نشستوں کا انعقاد کیا گیا تاکہ ملازمین کے درمیان ماحولیاتی مسائل کی آگہی کو فروغ دیا جائے جس میں ارتھ ڈے (یوم ارض) اور ارتھ آور (ساعتِ ارض) منایا جانا شامل ہے۔

کمپنی نے اس کی پیداواری سہولیات پر پانی کے استعمال میں کمی کی غرض سے اچھی خاصی سرمایہ کاری کی ہے۔ پچھلے چند برسوں میں کمپنی نے بقائے آب منصوبہ جات میں لگ بھگ 115 ملین روپے کی سرمایہ کاری کی ہے۔ سال 2018ء میں پانی کا استعمال 4.47 ملعب میٹر فی لیٹر %19 سے کم ہو کر سال 2019ء میں 3.61 ملعب میٹر فی لیٹر ہو گیا۔ اس %9 نموئے حجم (حجم میں اضافہ) کی وجہ متحرک منصوبہ جات کا مرکز تحفظ و بقا کی سرگرمیاں رہیں۔

اکاؤنٹنگ کے معیارات

ACCOUNTING STANDARDS

کمپنی کی اکاؤنٹنگ کی حکمتِ عملی میں کمپنیز ایکٹ 2017ء اور دیگر منظور شدہ بین الاقوامی مالیاتی رپورٹنگ کے معیارات جو اس ایکٹ کے تحت آگاہ کردہ اور اس کے علاوہ سیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے احکام کی مطابقت نمایاں ہے۔

ایمپلائی شیر آپشن اسکیم

EMPLOYEE SHARE OPTION SCHEME

کمپنی حصص کے اختیار کا منصوبہ چلاتی ہے۔ اس منصوبے کی تفصیل وضاحت حسابات کے نوٹ 10 میں درج ہے۔

پنشن، گریجویٹی اور پروویڈنٹ فنڈ

PENSION, GRATUITY AND

PROVIDENT FUND

کمپنی کے ملازمین اینگروکار پوریشن لمیٹڈ کے زیرِ نگرانی ریٹائرمنٹ فنڈ میں حصّہ لیتے ہیں۔ کمپنی اپنے ملازمین کی ملازمت سے سبکدوشی کے بعد ہونے والے فنڈز کے منصوبے میں اپنی شراکت کرتی ہے۔ اس میں ڈی سی پروویڈنٹ پلان، ڈی سی گریجویٹی پلان شامل ہے۔ ڈی بی گریجویٹی اسکیم کی سرمایہ کاری قدر پڑتال شدہ مالیاتی گوشوارہ کی تاریخ کے مطابق درج ذیل ہے:

		ڈی بی گریجویٹی فنڈ (روپے ملین) 30 جون 2019ء
	پڑتال شدہ مالیاتی گوشوارہ کے مطابق خالص اثاثہ	500
	خالص اثاثوں کی تفصیلات	
1	ریگولر انکم سرٹیفکیٹس (RIC)	180
2	ڈیفنس سیونگ سرٹیفکیٹس (DSC)	25
3	پاکستان انویسٹمنٹ بونڈز (PIB)	189
4	ٹرم فنانس سرٹیفکیٹس	19
5	شیرز (حصص)	99
6	بینک ڈپازٹس	6
7	واجب الوصولی رقوم	3
8	واجب الادا رقوم	(21)
	کُل میزان	500

گوشوارہ برائے شیر ہولڈنگ کے عام اسلوب اور مخصوص درجات برائے شیر ہولڈنگ جن کی رپورٹنگ ڈھانچے کے تحت ضروری ہے، اور ڈائریکٹرز، ایگزیکٹوز اور ان کے رفقاءے حیات بشمول نابالغ اولاد کے شیرز کے گوشوارے برائے خرید و فروخت دورانِ سال 2019ء آگے درج کیے گئے ہیں۔

داخلی اختیار کا نظام INTERNAL CONTROL FRAMEWORK

ذتے داری Responsibility

ذتے داری Responsibility

کمپنی کی نظامت اور اس کی فعالیت پر نظر ثانی کی حتیٰ ذتے داری بورڈ پر ہے۔ البتہ یہ طریقہ کار کوتاہی کے خطرات کو کم کرنے کی بجائے کاروباری مقاصد حاصل کرنے کیلئے ترتیب دیا گیا ہے۔ اور مادی غلطی یا نقصان کے برخلاف مناسب ضمانت فراہم کرتا ہے تاہم مطلق ضمانت نہیں۔ بورڈ کمپنی کے داخلی خطرے کیلئے اپنی مجموعی ذتے داری کو برقرار رکھنے کے ساتھ داخلی اختیار کے نظام کا تفصیلی نقشہ چیف ایگزیکٹو کو تفویض کرتا ہے۔

درج بالا منصوبہ ٹیکس حکام سے منظور شدہ سرمایہ کاری کا منصوبہ ہے۔ گریجویٹی منصوبے کی

actuarial valuation 31 دسمبر 2019ء میں کی گئی اور ان کے مالیاتی گوشاروں کی پڑتال 30 جون 2019ء تک کی گئی ہے۔

آڈیٹرز

AUDITORS

موجودہ آڈیٹر میسرز اے ایف فرگوسن اینڈ کمپنی کی ملازمت کی مدت ختم ہو چکی ہے۔ اور کمپنی کے قانونی آڈیٹرز کی حیثیت سے اپنی دوبارہ تقرّری کے خواہشمند ہیں۔ کمپنی کے بورڈ آف ڈائریکٹرز نے میسرز اے ایف فرگوسن اینڈ کمپنی کی دوبارہ تقرّری کیلئے بورڈ آڈٹ کمیٹی کی سفارش کی تصدیق کی ہے۔

شیر ہولڈنگ کا اسلوب

PATTERN OF SHAREHOLDING

فریز لینڈ کمپنیا اینگرو پاکستان لمیٹڈ کے بڑے شیر ہولڈرز فریز لینڈ کمپنیا پاکستان ہولڈنگز بی۔وی (%51) اور اینگروکار پوریشن لمیٹڈ (%40) ہیں۔ دیگر شیر ہولڈرز میں مقامی ادارے اور عام افراد شامل ہیں۔

ڈیری کی ترقی

DAIRY DEVELOPMENT

کمپنی میں تیرہ سو (1300) سے زائد دودھ جمع کرنے کے سینئرز کا نیٹ ورک ہے، جو پورے پاکستان سے تقریباً ڈھائی لاکھ (250,000) سے زائد کسانوں اور دودھ پہنچانے والوں سے دودھ جمع کر کے انھیں روزگار فراہم کرتا ہے۔ ہمارے بہت سارے ڈیری کی ترقی کے اقدامات سے پاکستان میں لائیو اسٹاک اور ڈیری کی ترقی میں کمپنی کا حصّہ براہ راست شامل ہو جاتا ہے جو AGDP کا تقریباً %11 اور زراعت کے شعبے میں اس کا حجم تقریباً %60 بنتا ہے۔

باقاعدہ ڈیری ڈیولپمنٹ پروگرام کے حصّے کے طور پر، کمپنی نے مویشیوں کی صحت، غذا اور فارم مینجمنٹ پرسن 2019ء میں 53,000 سے زائد کسانوں کو تربیت فراہم کی۔ کمپنی سے منسلک فارمز پر فوڈ ریجنی چارے کی کمی پر قابو پانے کی غرض سے، اس کی ٹیمز نے چارہ گھاس بنانے میں کسانوں کی مدد کی اور 880 ملین روپے مالیت کی 150 ہزار ٹن چارے کی گانٹھیں تیار کرنے میں معاونت کی۔ اس کے علاوہ، مالی پروگرام کے حصّے میں شمولیت کے طور پر، کمپنی نے ورکنگ کیپٹل مینجمنٹ کیلئے اس کے کسانوں کو 200 ملین روپے سے زائد کے قلیل مدتی قرضے دیے۔

ڈیری انٹرویوشنرز کے ذریعے عورتوں کی آمدن میں اضافہ کرنا (ای ڈبلیو آئی ڈی)

ENHANCING WOMEN’S INCOME THROUGH DAIRY INTERVENTIONS (EWID)

وسیلۂ معاش کو بہتر بنانے کی غرض سے منسلک پروگرامز کے ذریعے سماجی ترقی کی تشکیل اور خواتین پر خصوصی توجّہ دینے کے ساتھ چھوٹے کسانوں کی صلاحیتوں کی تعمیر سے کمپنی پُر عزم ہے۔ کمپنی محسوس کرتی ہے کہ پاکستان کے مقامی مویشیوں کی نسل کی پیداواری صلاحیت کی بہتری کی غرض سے ان کسانوں کو علم کی منتقلی کی اشد ضرورت ہے۔

اس مسئلے کے ازالے وحل کیلئے کمپنی نے ماضی میں کئی پروگرام شروع کیے، 2019ء میں شروع کیا گیا ای ڈبلیو آئی ڈی بھی اُن ہی میں سے ایک ہے۔ یہ پروجیکٹ ڈپارٹمنٹ آف فارن ایفیریز انڈیڈ حکومت آسٹریلیا کی مالی اعانت سے شروع کیا گیا جس کے ذریعے کمپنی نے 4100 کسانوں کو زیادہ تر خواتین اور 100 عدد خاتون لائیو اسٹاک ایکسٹینشن ورکرز کو

منتقلی علم کا فریضہ انجام دیا اور انھیں تربیت دی گئی۔ خاتون ایکسٹینشن ورکرز خود انحصار و پائیدار کاروباری کے طور پر کام کی غرض سے فارم ہی پر ایک طویل تربیتی پروگرام اور انٹرن شپ کے عمل سے گزریں گی۔

لائیو اسٹاک مینجمنٹ میں خواتین کی تربیت (ڈبلیو آئی ایل ایم) WOMEN TRAINING IN LIVESTOCK MANAGEMENT (WTLM)

ڈبلیو آئی ایل ایم، پنجاب اسکلز ڈیولپمنٹ فنڈ کے اشتراک سے ایک اور منصوبہ ہے، جس کی مدد سے دودھ کی زیادہ سے زیادہ پیداوار کیلئے بنیادی لائیو اسٹاک فارمنگ پر 1500 خواتین کسانوں کی تربیت اور صلاحیتوں کی تعمیر کی جائے گی۔ منتخب خاتون کسانوں کو بیماری پر کنٹرول، چارے کے تحفظ و بقا اور نسل کو بہتر بنانے پر کمپنی کی جانب سے تیار کردہ ایک 45 روزہ کلاس روم اور عملی تربیتی کورس سے گزارا گیا۔

ہمارے انسانی وسائل OUR HUMAN RESOURCES

فریز لینڈ کمپنیا اینگلو پاکستان میں ملازمین اس ادارے کی ریڈھ کی ہڈی کی حیثیت رکھتے ہیں۔ برسہا برس سے کمپنی نے اپنے استعداد کی بھرتی اور شمولیت کے ہر مرحلے کو مضبوط و مستحکم بنانے کی غرض سے کئی اقدامات کیے جس کے نتیجے میں موزوں ترین لحاظ سے تعینات کردہ، ثقافتی لحاظ سے سازگار اور پرجوش نئی بھرتیوں اور ملازمین کی راہ ہموار ہوئی۔

2019ء میں ہمارا جامع موضوع اصلاح اور استحکام تھا، کمپنی نے حکمت عملی میں تبدیلیوں کی غرض سے اس کی انسانی وسائل سرمایہ کاریوں اور اقدامات میں قدرے گہرے اثر و نفوذ اور عکاسی کے ذریعے بدلتے منظر نامے کی منصوبہ سازی کی۔

تربیت اور پیداوار TRAINING AND PRODUCTIVITY

2019ء میں کمپنی نے نئی تربیت پروتوجہ مرکوز کی اور موجودہ وسائل کی اُبھرنے والی ٹیکنالوجیز، روش کار اور ہنر و مہارتوں میں کئی عالمی طور پر متحرک اقدامات متعارف کراتے ہوئے ازسرنو تربیت کے اہتمام پر توجّہ رکھی ہے۔ کمپنی نے باہمی اشتراک عمل پر زیادہ زور کے ساتھ اس کے پیداواری پروسس اور نظم کاری کے ذریعے پیمائش کو نئے سرے سے ایجاد کیا۔

جیت–جیت (win-win) طرز عمل کو قابل عمل منصوبوں میں شامل کر کے کمپنی کی اقدار کو قابل عمل بنانے پر بہت زیادہ توجّہ رہی ہے۔ 2019ء میں کمپنی نے ایک جیت–جیت (win-win) ہفتہ متعارف کروایا جس کی سرگرمیوں میں تمام ملازمین نے حصّہ لیا جس سے انھیں ان طرز عمل اور رویوں کو سمجھنے میں مدد ملی اور وہ اُن کی روزمرّہ زندگی میں کیسے شامل ہوں میں بھی مدد و معاون ثابت ہوا۔

کمپنی نے پائیداری اور شمولیت پر ازسرنو توجّہ کے ساتھ اُس کی غیر روایتی سوچ کی تعمیری صلاحیتوں کی توسیع پر کام کیا اور اس میں ایک مضبوط و مستحکم استعداد کے سلسلے کی تعمیر کی غرض سے ہر شعبے کیلئے شخصی ضروریات کے مطابق منصوبہ اہلیت تشکیل دیے۔

سینئر لیڈرز اور ٹیم لیڈرز کیلئے بروقت شعبہ سازی کے ساتھ ایک تبدیلی طرز عمل ورکشاپ کا انعقاد کیا گیا تاکہ اُنھیں اس قابل بنایا جائے کہ وہ حقیقی وقت میں تبدیلی کی شناخت، تفہیم کر لیں اور تبدیلی کو اپنانے کے قابل بن جائیں۔

ان اقدامات سے ملازمین کی انجمنٹ کا اسکور %80 (2018ء سے 3 گنا زیادہ) پر چلا گیا جو کہ فریز لینڈ کمپنیا یونیورس کی دوسری کمپنیز کے مقابلے میں سب سے زیادہ ہے۔

تنوع اور شمولیت DIVERSITY AND INCLUSION

2019ء میں کمپنی نے پہلی مرتبہ معذور افراد کی تربیتی نشست کا انعقاد کیا۔ کمپنی نے مختلف ٹیمز کیلئے احساس سازی نشستوں کا بھی انعقاد کیا اور ملازمین کے درمیان ایک کھلے مکالمے کی حوصلہ افزائی کی۔ کمپنی قابل رسائی مکینز نظر سے اپنے دفتری ماحول اور طبعی ساختیات پر ازسرنو غور کر رہی ہے۔

کمپنی نے ایک فیوچر لیڈرز پروگرام بھی شروع کیا ہے جس میں تنوع کو بنیادی اصول کے طور پر رکھا گیا ہے۔ ملازمین کی موجودہ ساخت کے اندر، کمپنی نے صنفی احتساب کا انعقاد بھی کیا ہے اور ارادہ ہے کہ اس ادارے کے ہر طبقے کے آرا پارامتیاز و تفاوت کو یکسر تسلسل سے کم کر دیا جائے گا۔ فی الوقت کمپنی کے پاس تنوع کا تناسب %6.5 ہے۔

اس کا ہدف و مقصد یہ ہے کہ ایک متحرک ثقافت تشکیل دی جائے جو کہ زیادہ محیط ہو، صنفی مساوات کو فروغ دے اور تنوع و رنگارنگی کو طاقت و مضبوطی کے ایک ستون کے طور پر تسلیم کرے اور اسے ایک مبنی بر حکمت منفعت تسلیم کرے۔

صحت، حفاظت اور ماحولیات

HEALTH, SAFETY AND ENVIRONMENT

صحت، حفاظت اور ماحولیات (HSE) کے اعلیٰ معیار کو برقرار رکھنے پر کمپنی پختہ یقین رکھتی ہے، تاکہ ہمارے ساتھ کام کرنے والے افراد اور اطراف کی کمیونٹیز بہتر حالات میں زندگی گزاریں۔

کام کرنے کی جگہوں پر ملازمین کی حفاظت کو یقینی بنانا ENSURING EMPLOYEE SAFETY AT THE WORKPLACE

کمپنی اپنے ملازمین اور کنٹریکٹرز سے توقع رکھتی ہے کہ وہ صحت، حفاظت اور ماحول کے انتظامی نظام اور طریقہ کار کو یقینی بنائیں، جنھیں بین الاقوامی معیار اور بہترین طریقوں کو مدّ نظر رکھتے ہوئے ترتیب دیا گیا ہے، برسوں سے کمپنی کی کوشش ہے کہ ڈیولپمنٹ اینٹنٹ کے ذریعے پیشہ ورانہ حفاظت اور صحت کے نظام (OSHA-USA) کو اپنائے اور اپنے مقاصد میں کامیاب رہی ہے۔

کام کرنے کے مقامات پر حفاظتی نظام نافذ کیا گیا جو کام کے مقامات پر ناگہانی حادثات کو کم سے کم کرنے کیلئے حفاظتی کمی کا تجزیہ کرتے ہوئے پوری طرح فعال ہے۔ چونکہ ڈیولپمنٹ سیفٹی مینجمنٹ بنیادی طور پر افراد پر توجّہ رکھتی ہے لہذا ہم نے ملازمین کی تربیت کیلئے اس سال 13,000 سے زائد گھنٹے مختص کیے۔ اپنے ملازمین کی حفاظت کے ضمن میں اپنے عزم کی تصدیق کیلئے کمپنی حفاظتی ہفتے اور سیفٹی چیمپئنز آف دی مینٹھ جیسی تقریبات کا انعقاد بھی کرواتی رہتی ہے۔

فریز لینڈ کمپنیا گلوبل ایچ ایس سی مینجمنٹ سسٹم ’FOQUS SHE‘ کے تحت کیا گیا جس میں کمپنی فریز لینڈ کمپنیا کی پہلی انتظامی کمپنی بن گئی جسے پہلے ہی امتحان میں تسلی بخش نتائج حاصل ہوئے۔ ملازمین میں کام کی جگہ پر لگنے والی خطرناک چوٹوں اور زندگی کو لاحق خطرات سے آگاہی کیلئے زندگی بچانے کے 07 اصولوں کا تعارف بھی 2019ء میں کروایا گیا۔ مزید آگے بڑھتے ہوئے 2020ء میں ہم مشینز کے حفاظتی جائزے کی طرف بڑھیں گے۔

اپنی کاوشوں اور صحت، حفاظت اور ماحول کی سخت ہدایات کے نتیجے کے طور پر ٹول ریکارڈ اسٹبل انجری ریٹ (TRIR) میں پچھلے چھ برسوں میں حیرت انگیز کمی واقع ہوئی ہے۔ دوران سال ہمارے ملازمین اور کنٹریکٹرز کا ریکارڈ اسٹبل انجری ریٹ 14.8 ملین گھنٹوں کے اوقات کار میں 0.07 رہا۔

ڈائریکٹرز رپورٹ

فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ (فریز لینڈ کمپنا پاکستان ہولڈنگز بی۔وی کی ایک اکثریتی ملکیتی ماتحت کمپنی جو کہ رائل فریز لینڈ کمپنا بی۔وی کی ماتحت کمپنی ہے) کے بورڈ آف ڈائریکٹرز کی طرف سے ہم کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی معلومات برائے سال جو 31 دسمبر 2019ء کو اختتام پذیر ہوا بصدرست پیش کر رہے ہیں۔

کاروبار کا جائزہ

BUSINESS OVERVIEW

سال 2019ء میں، کمپنی نے اس کی مستحکم رفتار نمو کو جاری و ساری رکھا اور چاروں سہ ماہیوں میں ایک مضبوط بلند و بالا ترقی فراہم کی۔ سال 2019ء میں کمپنی نے 38.9 ارب روپے کی آمدنی حاصل کی اور پچھلے سال کے مقابلے میں 20% کا اضافہ درج کیا۔ یہ نمو بنیادی طور پر ڈیری اور آئسکریم کے کاروباری شعبہ جات دونوں میں بالحاظ حجم مستحکم کی اعانت سے تھی۔

تندوتیز معاشی باؤ مخالف، خاص طور پر ایشیائے خور و نوش میں اچانک اضافے، روپے کی قدر میں کمی اور بڑھتے ہوئے شرح سود نے مجموعی طور پر کمپنی کے منافع کی قابلیت پر دباؤ بنائے رکھا۔ نتیجتاً، مجموعی مارجن %16 سے کم ہو کر %13 ہو گیا۔ کمپنی نے گزشتہ 6 مہینوں میں اس کے تمام تر پورٹفولیوز یعنی محفوظوں کی قیمتوں میں اضافہ کیا تا کہ افراط زر کے ان دباؤ کو دور کیا جائے۔ کمپنی کیلئے لاگت سود تقریباً ڈگنی ہوگئی ہے جس کی وجہ شرح سود میں بلند تر اضافہ ہے۔ فنانس ایکٹ 2019ء میں ترمیم کی وجہ سے 153 ملین روپے کے یکبارگی ٹیکس کی ایڈجسٹمنٹ کا بھی اعلان کیا گیا۔ اس کے نتیجے میں سال 2018ء کے منافع 64 ملین روپے کے مقابلے میں 2019ء میں 955 ملین روپے کا بعد از ٹیکس نقصان دیکھا گیا (0.08 روپے کے فی حصص منافع کے مقابلے میں 1.25 روپے فی حصص کا نقصان)۔

ڈیری اور مشروبات کا شعبہ

DAIRY AND BEVERAGES SEGMENT

ڈیری اور مشروبات کے شعبے نے 2018ء میں 29 ارب روپے کی آمدنی کے مقابلے میں 34.9 ارب روپے کی آمدنی حاصل کی جو پچھلے سال کے مقابلے میں 20% کی نمو ظاہر کرتے ہیں۔

اس شعبے نے اس کے دونوں اہم برانڈز یعنی اولپرز اور ترنگ میں مستحکم رفتار نمو کو برقرار رکھا ہے، جو کہ پچھلے سال ان کے دوبارہ ازسرنو آغاز سے اچھی خاصی برانڈ سرمایہ کاری کی بدولت ہوا اور مارکیٹ جیت لینے کے تسلسل کو قائم رکھا گیا۔ یہ شعبہ %17 تک کا حجم بڑھا چکا ہے جبکہ اشیائے صرف کا شعبہ نسبتاً محدود کا شکار رہا۔ 12,000 سے زائد آؤٹ لیٹس کے ذریعے خوردی شمولیت میں مؤثر ابلاغ کے استعمال اور بڑھاوے سے نمو کو اعانت حاصل رہی۔ اس کے نتیجے میں، اولپرز اور ترنگ دونوں نے ان کے متعلقہ زمرے میں قیادت کا مارکیٹ شیئر پایا۔

2019ء میں کمپنی کے نئے لانچز یعنی اولپرز فل کریم ملک پاؤڈر (ایف سی ایم پی)، اولپرز کریمز، اولپرز پرو۔کیل اور ترنگ الپچی، نے صارفین اور تجارت دونوں سے ایک مثبت ردعمل حاصل کیا اور مختصر وقت ہی میں ایک بھر پور صحت مند مارکیٹ شیئر حاصل کر لیا اس کے باوجود کہ پہلے سے موجود مستحکم حریفوں سے ایک زبردست مقابلہ رہا۔ کمپنی فریز لینڈ کمپنا کی عالمی مہارت سے مسلسل استفادہ حاصل کرے گی تاکہ مستقبل میں کاروباری ترقی کے ایک کلیدی محرک کے طور پر نئے پروڈکٹس اور اختراعات متعارف کروائے۔

آئسکریم اور منجمد میٹھوں کا شعبہ

ICE CREAM AND FROZEN

DESSERTS SEGMENT

آئسکریم اور فروزن ڈیزرٹ شعبے نے پچھلے سال 3.4 ارب روپے کی آمدنی کے مقابلے میں 2019ء میں 3.9 ارب کی آمدنی کا اعلان کیا ہے۔ کاروبار نے ”سمر بلاک بسٹر“ کمپین کے ذریعے 9 نئے پروڈکٹس سے صارفین کیلئے جوش و ولولے پر توجہ مرکوز کی اور ”سمر بلاک بسٹر“ کمپین کے ذریعے اومور کے انوکھے پن کی تشہیر کی۔ اس کیلگری نے کامیابی سے نئے فریزرز بھی شامل کیے ہیں اور مارکیٹ میں دھوم مچائی، جس سے 240 قصبوں میں اس کاروبار کے نقش قدم، مزید مستحکم اور مثبت رہے ہیں۔

ڈیری فارم کا شعبہ

DAIRY FARM SEGMENT

کمپنی کے ڈیری فارم نے ڈیری شعبے کیلئے خام مواد کے ایک بھرپور اور پُر غذائیت سرچشمہ ہونے کے تسلسل کو جاری رکھا۔ تاہم، قیمتوں کے خساروں کے ساتھ بڑھتی شرح سود لاگتیں اور فیڈ (جانوروں کی خوراک) کی بڑھتی قیمتیں اس عرصے کے دوران اس شعبے کیلئے 322 ملین روپے کا خسارہ ہو جانا مارکیٹ کے اندر جانوروں (مویشیوں) کی قیمتوں میں نسبتاً کمی کے نتیجے کی وجہ سے ہے۔

فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ کی استقامت (پائیداری)

SUSTAINABILITY AT FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED

بامقصد کاروبار

PURPOSE-DRIVEN ENTERPRISE

پاکستان میں بڑھتی ہوئی آبادی کو صحیح غذائی اجزا کی مستحکم بنیادوں پر فراہمی آنے والی دہائیوں میں ایک بڑا چیلنج ہے۔ قابل اعتماد، غذائیت سے بھرپور ڈیری مصنوعات کی فراہمی کرتے ہوئے، کمپنی پاکستانیوں کی نشوونما میں اپنا حصہ ڈال رہی ہے۔ کمپنی کا مقصد، غذائیت سے بھرپور پاکستان سے ہم آہنگ ہے جس سے مراد اس کا وہ وعدہ ہے جو اس کے صارفین کیلئے بہتر اور محفوظ غذا کی فراہمی ہے، کاشتکاروں کیلئے ایک اچھی زندگی کے خواب کو تعبیر کرنا اور اس نسل اور آنے والی نسلوں کی زندگی کو، بہتر بنانے کو حقیقی روپ دینا ہے۔

اسٹیک ہولڈرز کے ساتھ تعاون

COOPERATION WITH STAKEHOLDERS

کمپنی نان کمیونیکمیل بیمار یوں (موٹا پا، جسم میں غذائی توانائی کی کمی، یا مضر صحت غذا سے پیدا ہونے والی بیماریوں) سے بچاؤ اور روک تھام کو صارفین، حکومت وقت، این جی اوز، اس کے ساتھ ساتھ غذائی اجناس کی پیداوار اور تقسیم کرنے والے سب کی مشترکہ ذمّے داری کے طور پر دیکھتی ہے اور دنیا بھر میں پھیلے اپنے اسٹیک ہولڈرز کے ساتھ مل کر ان مسائل کے حل کیلئے مستقل کوشاں رہتی ہے۔

سماجی سرمایہ کاری

SOCIAL INVESTMENTS

ہم اپنے صارفین کی بدلتی ہوئی ضروریات، اسٹیک ہولڈرز کی ترقی اور کسانوں کو خود مختار بنانے کے وعدوں سے اچھی طرح باخبر ہیں۔ 2019ء میں کمپنی نے اپنے سماجی سرمایہ کاری کے وعدے کو پورا کرتے ہوئے 30 ملین روپے (بشمول 10 ملین روپے کی معاونت) کسانوں اور اُن کے آس پاس کی کمیونٹی کی بہبود و ترقی پر خرچ کیے۔

کمپنی کا سماجی سرمایہ کاری پروگرام اینگرو فاؤنڈیشن کے تحت دوسرے شراکت داروں جو کہ تعلیم، صحت، آباد کاری، روزگار، آفات سے بچاؤ کیلئے انفرادی یا کمیونٹی کی بنیاد پر مدد فراہم کرتے ہیں اُن کے ساتھ مل کر کام کرتا ہے۔ مزید برآں کمپنی کاروبار کی جامعیت پر توجہ مرکوز رکھتے ہوئے ایسی حکمت عملی پر کام کرتی ہے جو اپنے دیرپا اثرات مرتب کریں۔

اسکولز کی سرپرستی کے پروگرامز

SCHOOL ADOPTION PROGRAMS

کمپنی نے اپنی پیداواری سہولیات کے قریب 2011ء میں اسکولز کی سرپرستی کے پروگرام کا آغاز کیا تا کہ اردگرد کی آبادیوں کے بچوں کو تعلیم کا موقع فراہم کیا جائے۔ یہ محروم اور پسماندہ آبادیوں کیلئے بہتر مواقع تشکیل کرنے کا آغاز تھا اور اس سے ان برادریوں کی تعمیر میں مدد ملی ہے۔ کمپنی اس کے پلانٹس کے قریب چھ عدد اسکولز کو مدد کر رہی ہے۔ 2019ء میں، کمپنی نے ناراسندھ میں اس کے ڈیری فارم کے قریب دو اسکولز پر 4.5 ملین روپے کی سرمایہ کاری کی جبکہ ساہیوال میں پلانٹ کے قریب چار اسکولز پر 7.0 ملین روپے کی سرمایہ کاری کی، ان اسکولز پر ہمارے ملازمین ماحولیات، محفوظ غذا، صفائی ستھرائی، صحت و حفاظت کی اہمیت پر سلسلہ وار شمولیت برادری کی نشستوں کا انعقاد کرتے ہیں۔

ہیلتھ سینٹر

HEALTH CENTRE

بنیادی صحت کے مسائل پسماندہ کمیونٹیز میں ایک بہت بڑا مسئلہ ہے۔ صحت مند کمیونٹی کی اہم بنیاد جسمانی اور ذہنی تندرستی ہے۔ کمپنی کی کاوشوں کی سمت اپنے کسانوں اور ان کے اردگرد کی کمیونٹیز کو خود مختار اور ترقی کرتے ہوئے دیکھنا ہے، جو کہ اقوام متحدہ کے پائیدار ترقی کے دو مقاصد ہیں۔ کمپنی نے 8.5 ملین روپے سکھر پلانٹ کے قریب، ہیلتھ سینٹر پر خرچ کیے، کمپنی، ہیلتھ سینٹر میں اب تک تیرہ ہزار سے زائد پسماندہ علاقوں کے مریضوں کا علاج کیا جا چکا ہے۔

