



NOURISHING PAKISTAN

First Quarter 2020



FrieslandCampina 
Engro Pakistan Limited

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company information

Board of Directors

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

Chief Financial Officer

Imran Husain

Company Secretary

Muneeza Iftikar

Members of Audit Committee

Abrar Hasan (Chairman)
Eduardus Lambertus Holtzer
Zouhair Khaliq

The secretary of committee is
Saleem Lallany, GM Internal Audit Department

Bankers

Conventional

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah 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 Pakistan Limited
Summit Bank Limited
Tameer Micro Finance Bank Limited
United Bank Limited

Shariah Compliant

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

Auditors

A. F. Ferguson & Company
Chartered Accountants

State Life Building No. 1-C
I.I. Chundrigar Road
Karachi - 74000, Pakistan.
Tel: +92(21) 32426682-6 / 32426711-5

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, The 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

DIRECTORS' REPORT

On behalf of the Board of Directors of FrieslandCampina Engro Pakistan Limited (previously Engro Foods Limited - a majority owned subsidiary of FrieslandCampina Pakistan Holdings B.V.), we are pleased to submit the report and the condensed interim financial information of the Company for the quarter ended March 31, 2020.

BUSINESS REVIEW

Consolidating on last year's growth momentum, the Company recorded yet another quarter of strong topline growth on the back of strong volumetric gains in the Dairy and Beverages business segment. The Company has reported a revenue of Rs. 9.8 billion in the first quarter, registering a 14% growth versus last year.

The business operating environment remained challenging. Record inflationary levels have led to steep increase in commodity costs, thereby putting pressure on gross margins which declined to 15% from 17% in the same period last year. The Company has taken multiple price increases across its portfolio in the last 6 months to offset these inflationary impacts. As a result, our gross margins improved by more than 200 bps versus last quarter of 2019.

The business climate remained challenging in Pakistan with record breaking inflationary levels (14.6% in January) that has led to a steep increase in commodity costs.

Finance costs rose by more than 60% due to a sharp increase in interest rates which stood at an average of ~14% for the quarter. This increase had a negative impact of approximately 146 Million on profitability. Consequently, the Company registered a loss after tax of Rs 131 million versus a profit of Rs 83 million in the same period last year.

The month of March has seen sales being significantly affected by the closure of the retail & leisure sector, especially for the high-margin Ice cream business. The country has been in a state of lockdown for most of March, which has **affected the** route-to-market. **Despite logistical challenges** and volatility in the operating environment, the Company has managed to **maintain its supply chain operations and ensure** consistent supply to its customers. The Company also continues to support its farmer community (of over 50,000 farmers) and their livelihood during these difficult times.

DAIRY AND BEVERAGES SEGMENT

The Dairy and Beverages segment reported a revenue of Rs. 9.3 billion for the quarter versus a revenue of Rs. 8.1 billion in Q1'2019, registering a 15% growth versus last year, despite a complete lockdown of retail activity in March. The growth for the segment was led by Olpers, which continues to register a strong volumetric growth on back of significant marketing and trade investments and further consolidated its market share leadership by 415bps vs. its largest competitor.

Continuing its innovation journey, the Company has launched Tarang Tea Whitening Powder (TWP) during the quarter, which delivers a creamier cup of tea at an affordable Rs. 10 price point. This launch will further strengthen Tarang's credentials as the tea creaming expert of choice. The Company's other recent launches in recent times, i.e. Olpers full cream milk powder (FCMP), Olpers Creams, Olpers Pro-Cal and Tarang Elaichi, continue to receive a highly positive response from both consumers and trade alike 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. 491 million versus a revenue of Rs. 498 million in the same period last year. The business segment focused on creating excitement by introducing 7 new products whilst capitalizing on an early start to the season through "summer blockbuster" campaign and expansion of the trade universe by inducting more than 2000 assets in the market. Being an impulse purchase product, the Ice cream sales directly depend consumer's footfall on its freezers, hence the segment's growth has been sharply impacted by the retail and leisure spot lockdowns, which coincided with the beginning of Ice Cream summer season.

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 and feed costs, along with valuation losses due to falling market prices of animals resulted in a loss of Rs. 47 million for the segment during the period.

FINANCIAL PERFORMANCE

The financial performance of the company for the quarter ended March 31, 2020 is summarized below:

(Rs. in million)	Quarter ended March 31		Variation
	2020	2019	
Net Sales	9,806	8,618	14%
Operating Profit	197	336	-41%
% of sales	2.0%	3.9%	
(Loss) / Profit after tax	-131	83	-257%
% of sales	-1.3%	0.9%	
(Loss) / Earnings per share (Rs.)	- 0.17	0.11	-257%

FUTURE OUTLOOK

The impact of COVID-19, which encompasses the entire world, will much more pronounced in developing countries like Pakistan. The IMF projected the Country's economy will contract by 1.5% this fiscal year. The Fund foresees the impact of continued business closures and trade activities, is likely to result in unemployment affecting more than 10 million people, and pose a food security risk for an additional 45 million people. The decline in exports and remittances is also expected to weaken the Pakistani Rupee in the coming months.

As a dairy company, FCEPL expects a challenging operating environment in the short term, especially for the Ice cream business. In the medium term, decline in consumer purchasing power may affect the business adversely.

FCEPL's priority in the short term will be to ensure a consistent supply of nutritious and safe products to our consumers, while safeguarding the safety and health of all our employees and partners. The Company's purpose is to transform the health and well-being of Pakistani's 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.

FrieslandCampina Engro Pakistan Ltd is also actively supporting the Government of Pakistan's efforts to ensure food security across the country during this crisis through affordable and immunity boosting nutritional products and ensuring availability across Pakistan. FCEPL is also providing Olpers FCMP at special discounted prices to utility stores, and donating products for the requirement of district governments.

FCEPL remains committed to the highest standards of hygiene, food safety and sustainability to provide affordable, safe and nourishing dairy products to millions of Pakistani's, every day.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive

Karachi: April 22, 2020

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2020**

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2020

(Amounts in thousand)

	Note	Unaudited March 31, 2020	Audited December 31, 2019
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	10,950,855	10,913,215
Biological assets		1,066,299	1,086,734
Intangibles		88,388	95,135
Right-of-use assets		585,582	647,187
Deferred tax asset - net		385,098	174,338
Long term advances and deposits		42,054	58,934
		13,118,276	12,975,543
Current Assets			
Stores, spares and loose tools	5	506,201	515,048
Stock-in-trade	6	7,418,790	3,717,730
Trade debts		1,102,628	915,728
Advances, deposits and prepayments		220,204	270,866
Other receivables		51,345	313,481
Sales tax recoverable		1,928,354	2,004,857
Taxes recoverable		2,441,290	2,786,929
Cash and bank balances		541,419	65,915
		14,210,231	10,590,554
TOTAL ASSETS		27,328,507	23,566,097
EQUITY AND LIABILITIES			
Equity			
Share capital		7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve		106,313	115,517
Remeasurement of post employment benefits - Remeasurement loss		(132,485)	(132,485)
Unappropriated profit		(251,107)	(129,682)
		8,254,036	8,384,665
Non-Current Liabilities			
Long term finances		4,200,000	3,200,000
Lease liabilities		361,956	413,752
		4,561,956	3,613,752
Current Liabilities			
Current portion of:			
- long term finances		800,000	800,000
- Lease liabilities		233,933	235,692
Trade and other payables		8,966,587	8,226,126
Contract liabilities		109,302	140,926
Unclaimed dividend		8,592	8,731
Accrued interest / mark-up on:			
- Long term finances		293,555	131,474
- Short term finances		169,352	208,581
Short term finances	7	3,931,194	1,816,150
		14,512,515	11,567,680
Contingencies and Commitments			
	8		
TOTAL EQUITY AND LIABILITIES		27,328,507	23,566,097

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive


Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2020

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

	Note	Quarter ended Mar 31,	
		2020	2019
		Rupees	
Revenue from contracts with customers - net		9,805,871	8,617,850
Cost of sales		(8,325,423)	(7,127,409)
Gross profit		1,480,448	1,490,441
Distribution and marketing expenses		(1,000,184)	(921,963)
Administrative expenses		(302,685)	(299,694)
Other operating expenses		(10,781)	(18,256)
Other income		29,730	85,013
Operating (loss) / profit		196,528	335,541
Finance cost		(378,885)	(232,601)
(Loss) / Profit before taxation		(182,357)	102,940
Taxation reversal / (charge)		51,728	(19,488)
(Loss) / Profit for the period		(130,629)	83,452
(Loss) / Earnings per share - basic and diluted	9	(0.17)	0.11

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2020

(Amounts in thousand)

	Quarter ended March 31,	
	2020	2019
	Rupees	
(Loss) / Profit for the period	(130,629)	83,452
Other comprehensive income	-	-
Total comprehensive (loss) / income for the period	(130,629)	83,452

The annexed notes 1 to 18 form an integral part of these condensed interim financial statemen



Chairman



Chief Executive



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2020

(Amounts in thousand)

	Share capital	RESERVES				Total
		CAPITAL		REVENUE		
		Share premium	Employee share option compensation reserve	Remeasurement of post employment benefits	Unappropriated profit / (loss)	
		Rupees				
Balance as at January 1, 2019 (Audited)	7,665,961	865,354	217,910	(137,826)	729,661	9,341,060
Employee share option scheme	-	-	(6,871)	-	-	(6,871)
Profit for the period	-	-	-	-	83,452	83,452
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	83,452	83,452
Balance as at March 31, 2019 (Unaudited)	7,665,961	865,354	211,039	(137,826)	813,113	9,417,641
Balance as at January 31, 2020 (Audited)	7,665,961	865,354	115,517	(132,485)	(129,682)	8,384,665
Transfer of employee share option compensation reserve to unappropriated profit	-	-	(9,204)	-	9,204	-
Loss for the period	-	-	-	-	(130,629)	(130,629)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	-	-	(130,629)	(130,629)
Balance as at March 31, 2020 (Unaudited)	7,665,961	865,354	106,313	(132,485)	(251,107)	8,254,036

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2020

(Amounts in thousand)

		Quarter ended March 31,	
	Note	2020	2019
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	(2,046,992)	(648,535)
Finance costs paid		(272,665)	(120,736)
Taxes paid		186,608	(72,711)
Contribution to the retirement benefits paid		(8,693)	(6,625)
Long term advances and deposits - net		16,880	19,813
Net cash utilized in operating activities		(2,124,862)	(828,794)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(525,912)	(378,989)
- intangibles		(355)	(2,008)
Proceeds from disposal of:			
- property, plant and equipment		10,732	19,263
- biological assets		41,104	22,000
Net cash utilized in investing activities		(474,431)	(339,734)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finances		1,000,000	-
Dividend paid		(139)	(136)
Repayment of liabilities against assets subject to finance lease		-	(58,900)
Repayment of lease liability against right-of-use assets		(40,108)	-
Net cash utilized in financing activities		959,753	(59,036)
Net decrease in cash and cash equivalents		(1,639,540)	(1,227,564)
Cash and cash equivalents at beginning of the period		(1,750,235)	(1,975,851)
Cash and cash equivalents at end of the period	11	(3,389,775)	(3,203,415)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2020

(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, the Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.
- 1.2 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.
- 1.3 The name of the Company has been changed from Engro Foods Limited to FrieslandCampina Engro Pakistan Limited effective May 30, 2019.

2. BASIS OF PREPARATION

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

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

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

- 2.2 These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2019, unless otherwise specified.
- 2.3 The preparation of these condensed interim financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to the financial statements for the year ended December 31, 2019, unless otherwise specified.

(Amounts in thousand)

3. ACCOUNTING POLICIES

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2019.
- 3.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- 3.3 New standards, amendments and interpretation to accounting and reporting standards which were effective during the period:

There were certain amendments to accounting and reporting standards which were mandatory for the Company' annual accounting period which began on January 1, 2020. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited March 31, 2020	Audited December 31, 2019
	Rupees	
Operating assets, at net book value (notes 4.1, 4.2 and 4.3)	10,335,907	10,328,104
Capital work-in-progress (note 4.4)	465,344	439,746
Major spare parts and stand-by equipment	149,604	145,365
	<u>10,950,855</u>	<u>10,913,215</u>
	Unaudited March 31, 2020	Unaudited March 31, 2019
	Rupees	

- 4.1 Following additions, including transfers from capital work-in-progress, were made to operating assets during the period:

Land	5,161	-
Buildings on freehold land	18,307	51,314
Plant, machinery and related equipment	335,752	266,061
Office equipment & furniture and fittings	37,935	4,744
Computer equipment	-	13,838
Vehicles	103,158	88,705
	<u>500,313</u>	<u>424,662</u>

- 4.2 The details of operating assets disposed-off during the period are as follows:

	7 cghi	5 VVY a i 'UHYX' XYdfYVWUjcb'# Ja dUJfa Ybh	BYhi Vcc_j' U i Y	GU'Yg' dfcVWYXg	AcXY'cZ XjgdcgU
	Fi dYYg				
Plant , machinery and equipment	7,046	(6,236)	810	1,567	Auction / Sales Proceeds
Vehicles - owned	23,990	(18,617)	5,373	8,643	Employee buyback / Insurance claims
Computer equipment	2,663	(2,484)	179	461	Employee buyback / Insurance claims
Freezers & Trikes	58,461	(58,403)	58	60	Third Party count Disposal - Write-off
March 31, 2020	<u>92,161</u>	<u>(85,741)</u>	<u>6,420</u>	<u>10,732</u>	
Mar 31, 2019	<u>84,800</u>	<u>(74,374)</u>	<u>10,426</u>	<u>19,263</u>	

(Amounts in thousand)

- 4.3 During the period, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 3,600 (March 31, 2019: Rs. 7,265) 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 of operating assets identified that the carrying values of certain operating assets in Dairy and Beverages segment exceed their 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 is lower than their estimated recoverable amounts. Accordingly, reversal for impairment was recognized there against. The recoverable amount of these assets amounted to Rs. Nil (March 31, 2019: Rs. 2,628) 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.

	Unaudited March 31, 2020	Unaudited March 31, 2019
	Rupees	
4.4 Following additions, including transfers to operating assets, were made to capital work-in-progress during the period:		
Additions:		
Land	5,161	-
Building on freehold land	79,692	67,455
Plant, machinery and related equipment	397,937	249,366
IS and milk automation projects	355	2,008
Office equipment, furniture & fittings and computer equipment	14,306	22,881
Vehicles	28,816	39,287
	<u>526,267</u>	<u>380,997</u>
Transfers to:		
- Operating assets	(500,313)	(424,662)
- Intangibles	(355)	(8,083)
	<u>(500,668)</u>	<u>(432,745)</u>

5. STORES, SPARES AND LOOSE TOOLS

These includes provision against expired / obsolete stores and spares amounting to Rs. 196,085 (December 31, 2019: Rs. 174,555).

	Unaudited March 31, 2020	Audited December 31, 2019
	Rupees	

6. STOCK-IN-TRADE

Raw and packaging material (note 6.1)	2,521,145	2,691,553
Work in process (note 6.2)	3,714,308	433,776
Finished goods (notes 6.3)	1,198,139	608,290
	<u>7,433,592</u>	<u>3,733,619</u>
Less: Provision for expired / obsolete stock	(14,802)	(15,889)
	<u>7,418,790</u>	<u>3,717,730</u>

(Amounts in thousand)

- 6.1 Includes Rs. 536,468 (December 31, 2019: Rs. 572,263) in respect of raw and packaging material held by third parties.
- 6.2 Includes Rs. 1,024,656 (December 31, 2019: 76,549) in respect of semi-finished stock held by third parties.
- 6.3 Includes Rs. 166,081 (December 31, 2019: Rs. 8,892) in respect of finished goods held by third parties and Rs. 1,172 (December 31, 2019: 36,491) in respect of finished goods stock carried at net realizable value.
- 6.4 Stock amounting to Rs. Nil (Mar 31, 2019: Rs. 240) has been written off against provision during the period.

7. SHORT TERM FINANCES - secured

- 7.1 The facilities for short term running finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 9,000,000 (December 31, 2019: Rs. 9,000,000). The unutilized balance against these facilities as at quarter end was Rs. 5,068,804 (December 31, 2019: Rs. 7,183,850). The rates of mark-up on these finances are KIBOR based and range from 13.56% to 14.56% (December 31, 2019: 10.5% to 14.86%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.
- 7.2 The facilities for opening letters of credit and bank guarantees as at March 31, 2020 amounts to Rs.11,966,000 (December 31, 2019: Rs.11,651,000), of which the amount remaining unutilized as at quarter end was Rs.5,170,194 (December 31, 2019: Rs.5,262,243).

8. CONTINGENCIES AND COMMITMENTS

- 8.1 There is no significant change in the matters disclosed in notes 16, 24 and 32.1 to the financial statements for the year ended December 31, 2019, except for the following:
- 8.2 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 wrongly 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 wrongly input tax adjustment against the appeal filed on October 17, 2019. During the year on February 20, 2020 the Company has filed an appeal with ATIR against the CIR A 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.
- 8.3 Commitments in respect of capital expenditure contracted for but not incurred as at March 31, 2020 amounts to Rs. 663,554 (December 31, 2019: Rs. 701,364).
- 8.4 Commitments in respect of purchase of certain commodities as at March 31, 2020 amounts to Rs. 280,690 (December 31, 2019: Rs. 908,855).

(Amounts in thousand)

	Unaudited March 31, 2020	Unaudited March 31, 2019
	Rupees	
9. EARNINGS PER SHARE - Basic and diluted		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit/(Loss) for the period	(130,629)	83,452
Weighted average number of ordinary shares for determination of basic & diluted EPS (in thousand)	766,596	766,596
10. CASH GENERATED FROM OPERATIONS		
(Loss) / Profit before taxation	(182,357)	102,940
Adjustment for non-cash charges and other items:		
- Depreciation	482,499	476,611
- Depreciation on right-of-use asset	64,790	75,727
- Impairment of operating assets - net	3,591	7,265
- Amortization of intangibles	7,102	7,341
- Reversal of amortization of employee share option compensation reserve - net	-	(3,046)
- Loss / provision on death / disposal of biological assets	1,847	4,442
- Gain on disposal of operating assets	(4,311)	(8,837)
- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(22,516)	(61,948)
- Provision for retirement and other service benefits	30,766	29,052
- (Reversal) / Provision for stock-in-trade	(1,087)	(20,937)
- Provision for slow moving spares - net	21,530	12,733
- Provision / (Reversal) of provision for impairment of trade debts	670	(9)
- Exchange (gain) / loss	73	(692)
- Finance costs	378,885	232,601
Working capital changes (note 10.1)	(2,828,474)	(1,502,470)
	(2,046,992)	(649,227)
10.1 Working capital changes		
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(16,922)	28,201
- Stock-in-trade	(3,699,973)	(1,970,718)
- Trade debts	(187,570)	(283,122)
- Advances, deposits and prepayments	50,662	(57,121)
- Other receivables	262,136	182,268
- Sales tax recoverable	76,503	84,262
	(3,515,164)	(2,016,230)
Increase in current liabilities		
- Trade and other payables	718,314	514,452
- Contract liabilities	(31,624)	-
	686,690	514,452
	(2,828,474)	(1,501,778)

(Amounts in thousand)

11. CASH AND CASH EQUIVALENTS

Cash and bank balances	541,419	88,165
Short term finances	(3,931,194)	(3,291,580)
	<u>(3,389,775)</u>	<u>(3,203,415)</u>

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

12.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.

12.2 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

13. FAIR VALUE MEASUREMENT

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

Fair value hierarchy

As per the requirements of IFRS 13 "Fair Value Measurement", the Company shall classify fair value instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices within level 1 that are observable for the asset or liabilities, whether directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2020 and December 31, 2019, the Company did not have any financial instruments which were measured at fair values.

The Company has a number of financial instruments which are not measured at fair value in the statement of financial position. These include bank balances, loans to employees, trade debts, mark-up receivable and payable and long-term finances. For the majority of these instruments, the fair values are considered not to be materially different from their respective carrying amounts since the instruments are either short-term in nature or are periodically repriced.

(Amounts in thousand)

14. TRANSACTIONS WITH RELATED PARTIES

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

		I bU XjHx A UFW " % &&\$	I bU XjHx A UFW " % &&\$
		Fi dYYg	
BUi fYcZfYUjcbg\ jd	BUi fYcZfUbgUWjcbg		
Associated companies	Arrangement for sharing of premises, utilities, personnel and assets	32,561	38,488
	Fee for technical assistance	257,268	209,611
	Reimbursement of expense paid on behalf of the Company	13,442	-
	Reimbursement of expenses received from the Company	10,838	4,384
	Purchases of goods and services	241,720	256,092
	Donation	5,000	-
Contribution to staff retirement funds	Managed and operated by ECL:		
	- Gratuity fund contribution	31,345	28,657
	- Provident fund contribution	86,768	81,839
Key management personnel	Managerial remuneration	49,538	50,157
	Contribution for staff retirement benefits	6,936	6,291
Directors	Fee	617	690

14.2 There are no transactions with key management personnel other than under the terms of the employment.

15. SEGMENT INFORMATION

15.1 The basis of segmentation and reportable segments presented in these condensed interim financial statements are the same which were disclosed in annual financial statements for the year ended December 31, 2019.

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 sales of processed milk and powder are made by Dairy & Beverages to Ice cream & frozen desserts and inter-segment sales of raw milk are made by Dairy farm to Dairy, at market value.

(Amounts in thousand)

15.2 Information regarding the Company's operating segments is as follows:

	I bU xjHX' Ei UfHY'YbXYX'AUFW " %Z&\$&\$				I bU xjHX' Ei UfHY'YbXYX'AUFW " %Z&\$&\$			
	8 UjfmUbx'6 Yj YfU' Yg	W'WYUa / 'ZcnYb' XYggYftg	8 Ujfm ZJfa	HcIU	8 UjfmUbx'6 Yj YfU' Yg	W'WYUa / 'ZcnYb' XYggYftg	8 Ujfm ZJfa	HcIU
	Fi dYYg				Fi dYYg			
FYgi 'rgZf'h YdYf]cX								
Net sales	9,288,829	491,260	415,457	10,195,546	8,152,916	498,274	402,877	9,054,067
Inter-segment sales	25,782	-	(415,457)	(389,675)	(33,340)	-	(402,877)	(436,217)
	9,314,611	491,260	-	9,805,871	8,119,576	498,274	-	8,617,850
Net profit / (loss) after tax	85,131	(168,400)	(47,360)	(130,629)	176,733	(125,302)	32,021	83,452
	I bU xjHX' Ei UfHY'YbXYX'AUFW " %Z&\$&\$				5i xjHX' 8 YWVa VYf' " %Z&\$&\$			
	Fi dYYg				Fi dYYg			
5ggYftg								
- Segment assets	16,670,213	2,614,245	2,220,847	21,505,305	13,416,133	2,227,618	2,398,097	18,041,848
- Un-allocated assets	-	-	-	5,823,202	-	-	-	5,524,249
	16,670,213	2,614,245	2,220,847	27,328,507	13,416,133	2,227,618	2,398,097	23,566,097

16. 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. Therefore, revenues and profits for the quarter ended March 31, 2020 are not necessarily indicative of result to be expected for the full year.

17. CORRESPONDING FIGURES

17.1 In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of annual financial statements of preceding financial year, condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

17.2 For better presentation, following reclassifications have been made in this condensed interim financial statement:

8 YgW]dH]cb	Fi dYYg	< YUX'cZUWU'i bh]b'W'cbXYbgYX']bhYf]a' ZjbUbVU']jbZfa Ujcb'Zf'h YdYf]cX YbXYX'AUFW " %Z&\$&\$	< YUX'cZUWU'i bh]b'W'cbXYbgYX']bhYf]a' ZjbUbVU']jbZfa Ujcb'Zf'h YdYf]cX YbXYX'AUFW " %Z&\$&\$
-------------	---------	---	---

DfcZhiUbX'cggu'UWU'i bh

Freight charges	64,921	Distribution and marketing expenses	Net sales
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(Amounts in thousand)

18. DATE OF AUTHORIZATION FOR ISSUE

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



Chairman



Chief Executive



Chief Financial Officer

فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ

ڈائریکٹرز رپورٹ

DIRECTORS' REPORT

31 مارچ 2020ء کو ختم شدہ سہ ماہی کیلئے فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ (سابقہ اینگرو فوڈز لمیٹڈ - فریز لینڈ کمپنا پاکستان ہولڈنگز B.V. کی اکثریتی ملکیتی ماتحت کمپنی) کے بورڈ آف ڈائریکٹرز کی طرف سے ہمیں کمپنی کی رپورٹ اور مختصر عبوری مالیاتی معلومات جمع کروانے میں خوشی محسوس ہو رہی ہے۔

کاروبار کا جائزہ

BUSINESS OVERVIEW

پچھلے سال کی شرح نمو کی رفتار کو مستحکم کرتے ہوئے، کمپنی ڈیری اور مشروبات کے کاروباری شعبے میں مضبوط مجموعی شمراحت کی اعانت پر ایک اور سہ ماہی کیلئے مستحکم اعلیٰ شرح نمو ریکارڈ کر چکی ہے۔ کمپنی نے پہلی سہ ماہی میں 9.8 ارب روپے کی آمدنی حاصل کی جو کہ پچھلے سال کے شرح نمو کے مقابلے میں 14% زیادہ ہے۔

عملی طور پر کاروباری ماحول چیلنجنگ ہی رہا۔ افراط زر کی ریکارڈ سطح کے باعث اشیائے صرف کی قیمتوں میں تیزی سے اضافہ ہوا، جس کے ذریعے مجموعی منافع پر دباؤ رہا جو کہ پچھلے سال کے اسی عرصے میں 17% سے کم ہو کر 15% ہو گئے۔ کمپنی نے گزشتہ 6 مہینوں میں اپنے پورے پورٹ فولیو میں قیمتوں میں اضافے کا قدم اٹھایا تاکہ افراط زر کے ان اثرات کو کم کیا جائے۔ اس کے نتیجے میں ہمارے مجموعی منافع جات 2019ء کی آخری سہ ماہی کے مقابلے میں 200 بی پی ایس سے بھی زیادہ بہتر ہو گئے۔

کاروباری فضا پاکستان میں چیلنجنگ رہی ہے کیونکہ افراط زر کی سطح ریکارڈ بریکنگ تھی (جنوری میں 14.6%) جس سے اشیائے خورد و نوش کی لاگتوں میں تیزی سے اضافہ ہو گیا۔

مالیاتی لاگتیں اور شرح سود میں تیزی سے اضافے کی وجہ سے 60% سے زیادہ بڑھ گئیں جو کہ اس سہ ماہی کیلئے لگ بھگ 14% کی اوسط پر رہی ہیں۔ اس اضافہ سے منافع پر تقریباً 146 ملین (روپے) کا منفی اثر پڑا نتیجتاً، کمپنی نے پچھلے برس کی اسی مدت میں 83 ملین روپے کے منافع کے مقابلے میں 131 ملین روپے کا بعد از ٹیکس نقصان اٹھایا۔

مارچ کے مہینے میں کمپنی نے ریٹیل اور تفریحی شعبے کی بندش سے اچھا خاصا اثر لیا اور فروخت کافی متاثر ہوئیں، خاص طور پر زیادہ منافع والا آئسکریم کا کاروبار۔ ملک مارچ کے تقریباً پورے مہینے میں لاک ڈاؤن کی حالت میں رہا، جس سے مارکیٹ کو جانے والے راستے متاثر ہوئے۔ نقل و حرکت کے چیلنجز اور عملی فضا میں غیر یقینی صورتحال کے باوجود کمپنی اپنے سپلائی چین آپریشنز کو برقرار رکھنے میں کامیاب رہی اور اپنے کسٹمرز کو مستقل فراہمی کو یقینی بنایا، کمپنی نے کاشتکار طبقے (50,000 سے زائد کاشتکار) کی مدد کو بھی جاری وساری رکھا اور ان مشکل لمحوں میں بھی ان کے ذریعہ روزگار کو جاری رکھنے میں مدد فراہم کی۔

ڈیری اور مشروبات کا شعبہ

DAIRY AND BEVERAGES SEGMENT

ڈیری اور مشروبات کے شعبے نے 2019ء پہلی سہ ماہی میں 8.1 ارب روپے کی آمدنی کے مقابلے میں اس سہ ماہی کیلئے 9.3 ارب روپے کی آمدنی حاصل کی، جو کہ پچھلے سال کی شرح نمو کے مقابلے میں 15% ہے، اس کے باوجود کہ مارچ کے مہینے میں ریٹیل ایکٹیویٹی لاک ڈاؤن کی وجہ سے مکمل بند رہی۔ اس شعبے میں اضافہ اولیہرز کے ذریعے ہوا، جو کہ اچھی خاصی مارکیٹنگ اور تجارتی سرمایہ کاری کی مدد سے ایک مستحکم مجموعی اضافے کے تسلسل کو جاری رکھے ہوئے ہے اور اپنے سب سے بڑے حریف کے مقابلے میں اپنی مارکیٹ لیڈر شپ شیئر کو 415 بی پی ایس سے مزید مستحکم کیا ہے۔

جدت طرازی کے سفر کے تسلسل کے ساتھ، اس کمپنی نے اس سہ ماہی کے دوران ترنگ ٹی - وائٹنگ پاؤڈر (ٹی ڈبلیو پی) لانچ کر دیا ہے، جو کہ 10/- روپے کی معقول قیمت کے ساتھ زیادہ ملائی والی چائے کی پیالی پیش کرتا ہے۔ اس آغاز سے ٹی کریمنگ ایکسپریٹ آف چوائس کے طور پر ترنگ کے اعتماد میں مزید استحکام آئے گا۔ کمپنی کی حالیہ دنوں میں تازہ لانچ یعنی اولیہز فل کریم ملک پاؤڈر (ایف سی ایم پی)،

اولپرز کریم، اولپرز پروکل اور ترنگ الائچی، صارفین اور کاروباری طبقے دونوں سے یکساں طور پر انتہائی مثبت رد عمل حاصل کر رہے ہیں اور مختصر سے وقت میں ایک صحتمندانہ مارکیٹ شیئر حاصل کر چکے ہیں اس کے باوجود کہ پہلے سے موجود مضبوط حریفوں سے سخت مقابلہ بھی درپیش ہے۔ کمپنی فریز لینڈ کمپنا کی عالمی مہارت سے فائدہ اٹھانے کے تسلسل کو برقرار رکھتے ہوئے نئی پروڈکٹس اور جدت طرازیوں کو متعارف کروانے کے عمل کو جاری رکھے گی کیونکہ یہ کاروبار میں مزید وسعت و اضافے کا ایک کلیدی محرک ہے۔

آئسکریم اور منجمد میٹھوں (فروزن ڈیزرٹ) کا شعبہ

ICE CREAM AND FROZEN DESSERTS SEGMENT

آئسکریم اور فروزن ڈیزرٹ شعبے نے پچھلے سال کے اس عرصے میں 498 ملین روپے کی آمدنی کے مقابلے میں 491 ملین روپے کی آمدنی حاصل کی ہے۔ کاروبار کے اس شعبے نے 7 نئی پروڈکٹس کو متعارف کروانے کے ذریعے ایک جوش و جذبہ پیدا کرنے پر توجہ مرکوز رکھی ہے جبکہ ”سربلاک بسٹ“ کمپین کے ذریعے اس سیزن کے جلد آغاز کا فائدہ اٹھاتے ہوئے اور مارکیٹ میں 2000 سے زیادہ نئے اثاثہ جات متعارف کروا کر ٹریڈ یونیورس یعنی کائنات تجارت کو وسیع کر دیا ہے۔ ایک غیر ارادی خریداری مصنوعات ہوتے ہوئے، آئسکریم کی فروخت کا انحصار کنزیومر کے قدموں کا اس کے فریزر کی طرف اٹھ جانے سے براہ راست جڑا ہے، چنانچہ ریٹیل اور تفریحی مقامات کے لاک ڈاؤن سے اس شعبے کی نشوونما بہت تیزی سے متاثر ہو رہی ہے، جو کہ آئسکریم سمر سیزن شروع ہونے کے ساتھ ساتھ چل رہا ہے۔

ڈیری فارم کا شعبہ

DAIRY FARM SEGMENT

کمپنی کا ڈیری فارم ہمارے ڈیری کے شعبے کیلئے تسلسل کے ساتھ بھرپور اور پُر غذائیت خام مال کا ایک سرچشمہ رہا ہے۔ تاہم سودا اور چارے کی لاگتوں میں اضافے کے ساتھ ساتھ جانوروں کی مارکیٹ قیمتوں میں کمی کی وجہ سے نقصان کی مالیت بھی بڑھ گئی ہے جس کا نتیجہ اس عرصے کے دوران اس شعبے کیلئے 47 ملین روپے کے نقصان کی صورت میں ظاہر ہوا ہے۔

مالی کارکردگی

FINANCIAL PERFORMANCE

31 مارچ 2020ء کو ختم شدہ ماہی کیلئے کمپنی کی مالی کارکردگی کا خلاصہ یہ ہے:

تغیر و تبدیلی	31 مارچ 2020ء کو ختم شدہ ماہی		(ملین روپے)
	2019ء	2020ء	
خالص فروخت	8,618	9,806	14%
آپریٹنگ منافع	336	197	-41%
فروخت کی فیصد	3.9%	2.0%	
(نقصان)/منافع بعد از ٹیکس	83	-131	-257%
فروخت کی فیصد	0.9%	-1.3%	
(نقصان)/منافع فی حصص	0.11	-0.17	-257%

مستقبل کا منظر نامہ

FUTURE OUTLOOK

کووڈ-19 کے اثرات جس نے پوری دنیا کو اپنی پلیٹ میں لے لیا ہے، ترقی پذیر ممالک جیسے پاکستان میں بہت نمایاں ہوں گے۔ آئی ایم ایف نے ملک کی معیشت کو اس مالی سال کے 1.5% تک سکڑ جانے کی نشاندہی کر دی ہے۔ آئی ایم ایف نے کاروبار اور تجارتی سرگرمیوں کو مسلسل متاثر ہونے کی پیش بینی کر دی ہے جو کہ 1 کروڑ افراد سے زائد کی بے روزگاری کے امکان پر منتج ہوگی، اور 4.5 کروڑ مزید افراد کو خوراک کی کمی کے خطرات سے دوچار کر سکتا ہے۔ برآمدات اور ترسیلات زر میں کمی ہو جانے کی بھی توقع ہے جس سے آنے والے مہینوں میں روپے کی قدر میں مزید کمی ہوگی۔

ایک ڈیری کمپنی ہونے کی حیثیت سے، ایف سی ای پی ایل توقع کرتی ہے کہ قلیل مدت کے دوران عملی کاروباری ماحول مشکل ہوگا، خاص طور پر آئسکریم کے کاروبار کیلئے۔ درمیانی مدت میں، صارفین کی قوت خرید کاروبار کو بری طرح متاثر کر سکتی ہے۔

ایف سی ای پی ایل کی قلیل مدتی ترجیح یہ ہوگی کہ ہمارے صارفین کو پُر غذائیت اور محفوظ مصنوعات کی لگاتار فراہمی کو یقینی بنایا جائے، جبکہ ساتھ ہی ہمارے تمام ملازمین اور پارٹنرز کی حفاظت اور صحت کو بھی بچایا جائے۔ اس کمپنی کا مقصد یہ ہے کہ گھاس سے گلاس تک دودھ کی خوبی کو آشکار کر کے لوگوں کو اچھی غذا فراہم کرتے ہوئے اور ساتھ ہی کاشتکاروں کے ذریعہ معاش میں اضافہ کرتے ہوئے پاکستان کی صحت اور فلاح کو اب اور آئندہ نسلوں کیلئے بہتر بنایا جائے۔

فریز لینڈ کمپنا اینگرو پاکستان، پاکستان بھر میں اس بحران کے دوران کم لاگت اور قوت مدافعت بڑھانے والی پُر غذائیت مصنوعات اور اُن کی دستیابی کو یقینی بناتے ہوئے ملک بھر میں حفظانِ خوراک و غذا کو یقینی بنانے کی غرض سے حکومت پاکستان کی کاوشوں میں سرگرمی سے مدد فراہم کر رہی ہے۔ ایف سی ای پی ایل یوٹیلیٹی اسٹور کو خصوصی رعایتی نرخوں پر اوپریٹنگ ایف ای ایم پی فراہم کر رہی ہے، اور ضلعی حکومتوں کی ضروریات کیلئے مصنوعات کا عطیہ بھی دے رہی ہے۔

ایف سی ای پی ایل پاکستان کے کروڑوں افراد کو کم لاگت، محفوظ اور پُر غذا ڈیری مصنوعات کی ہر روز فراہمی کے ذریعہ حفظانِ صحت، حفظانِ غذا اور خوراک اور استحکام کے اعلیٰ ترین معیارات کو برقرار رکھنے کیلئے پُر عزم ہے۔



علی احمد خان
چیف ایگزیکٹو



عبدالصمد داؤد
چیرمین

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HEAD OFFICE
5th Floor, Harbor Front Building, HC-3,
Marine Drive, Block 4, Clifton, Karachi 75600, Pakistan
Phone: +92 213 529 6000 (ext: 9 Lines) Fax: +92 213 529 6010
Web: www.frieslandcampina.com.pk