



FrieslandCampina <sup>nl</sup>  
Engro Pakistan Limited

# NOURISHING PAKISTAN

First Quarter 2024

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# COMPANY INFORMATION

## Board of Directors

Abdul Samad Dawood (Chairman)  
Kashan Hasan (CEO)  
Ali Ahmed Khan  
Abrar Hasan  
Robert ter Borg  
Petra Attje Zinkweg  
Roeland Francois Van Neerbos  
Zouhair Abdul Khaliq

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## Chief Financial Officer

Imran Husain

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## Company Secretary

Muhammad Hassan Azwar

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## Members of the Audit Committee

Abrar Hasan (Chairman)  
Robert ter Borg  
Zouhair Abdul Khaliq

Secretary of the Committee is  
Maria Umar Memon,  
GM Internal Audit Department

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## Banks 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

MCB Bank Limited  
National Bank of Pakistan  
Samba Bank Limited  
Standard Chartered Bank Pakistan Limited  
Summit Bank Limited  
United Bank Limited  
The Bank of Punjab

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## Shariah Compliant

Meezan Bank Limited

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## 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

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## Share Registrar

M/s. FAMCO Share Registration Services  
(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

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## Registered Office

5th Floor, The Harbor Front Building  
HC-3, Marine Drive, Block - 4, Clifton  
Karachi - 75600, Pakistan.  
Tel: +92 (21) 35296000 (9 lines)  
Fax: +92 (21) 35296010  
E-mail: efl.shareholders@frieslandcampina.com  
Website: www.frieslandcampina.com.pk

## **DIRECTORS' REPORT**

The Directors of FrieslandCampina Engro Pakistan Limited (a majority-owned subsidiary of FrieslandCampina Pakistan Holdings B.V.) (the "Company") are pleased to submit the report along with the condensed financial information of the Company for the first quarter ended 31st March 2024.

## **BUSINESS PERFORMANCE OVERVIEW**

The company delivered strong topline growth of 21% (PKR 27.5 billion compared to PKR 22.7 billion in the same period last year) despite the challenging operating environment and economic slowdown. This increase was fueled by volume growth and relevant consumer offerings.

The Company witnessed gross profit growth of 1%, while the gross margin declined by 320 bps due to currency devaluation and inflationary pressure on commodities and energy prices.

Profit after tax (as percentage of sales) declined by 200 bps over LY (Rs. 0.67 billion vs. Rs. 0.99 billion in the same period last year) due to an increase in interest rates.

## **DAIRY-BASED PRODUCTS SEGMENT**

The segment reported revenue of Rs. 26.1 billion, reflecting a growth of 23% compared to the same period last year. The growth was led by our flagship brand Olpers through consistent brand building and trade activities.

Olper's continued to expand reach of its 1½ Pao Bachat Pack Campaign through TV and Digital channels. The Olper's 1½ Pao Bachat Pack, an ideal size for a single breakfast occasion, provides the right milk quantity needed for a family's daily breakfast needs.

Our Value-added brands like Olper's Cream, Olper's Cheese, Dobala and Tarka have continued to gain volume despite competition from established players.

## **FROZEN DESSERTS SEGMENT**

The segment reported a revenue of Rs. 1.36 billion vs Rs. 1.44 billion period last year. The recent challenging times and a delayed summer onset, coupled with an unexpected rainy season across the country, impacted the expected growth. However, the Company anticipates a quick recovery in Q2 as the season fully commences.



## FINANCIAL PERFORMANCE

The financial performance of the company for the three months ended March 31, 2024, is summarized below:

(Rs. in million)	Three months ended		Variation
	2024	2023	
Net Sales	27,464	22,651	21%
Operating Profit	1,971	1,982	-1%
<i>% of sales</i>	7.18%	8.75%	-157 bps
Profit / (Loss) after tax	665	990	
<i>% of sales</i>	2.42%	4.37%	-195 bps
Earnings / (Loss) per share (Rs.)	0.87	1.29	

## FUTURE OUTLOOK

FCEPL maintains its dedication to delivering strong business results for its shareholders, despite external challenges like inflation, currency devaluation and elevated interest rates. The company's agile business model enables the management to maintain growth through operational efficiency and adapting to changing consumer demands. In the future, FCEPL plans to continue investing in enhancing brand value and broadening its portfolio to improve profit margins.

Leveraging its global expertise and 150 years heritage, FCEPL remains committed to the highest standards to hygiene, food safety and sustainability and providing safe, affordable, and nourishing dairy products to millions of Pakistanis, every day.



**Abdul Samad Dawood**  
Chairman



**Syed Kashan Hasan**  
Chief Executive Officer

Karachi: April 26, 2024

**FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED**

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2024**

**FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS AT MARCH 31, 2024**

(Amounts in thousand)

	Note	Unaudited March 31, 2024	Audited December 31, 2023
		----- Rupees -----	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	11,625,387	11,393,773
Biological assets		3,075,289	3,005,743
Intangible assets		8,773	13,362
Right-of-use assets		918,936	1,020,192
Deferred tax asset - net		336,279	194,313
Long term advances and deposits		265,824	253,217
		16,230,488	15,880,600
<b>Current Assets</b>			
Stores, spares and loose tools	5	1,276,269	1,137,210
Stock-in-trade	6	16,324,523	10,182,994
Trade debts		3,518,839	1,888,698
Advances, deposits and prepayments		566,710	394,901
Accrued mark-up / interest		7,868	7,868
Other receivables		756,870	701,409
Sales tax recoverable		6,979,559	6,527,295
Taxes recoverable		1,690,668	2,087,349
Short term investments		-	1,000,000
Cash and bank balances		710,734	2,078,478
		31,832,040	26,006,202
<b>TOTAL ASSETS</b>		<b>48,062,528</b>	<b>41,886,802</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve		-	-
Remeasurement of post employment benefits - Remeasurement loss		(296,594)	(296,593)
Unappropriated profit		6,606,072	5,941,298
		14,840,793	14,176,020
<b>Non-Current Liabilities</b>			
Long term:			
- finances		-	250,000
- lease liability against right-of-use assets		498,264	583,851
		498,264	833,851
<b>Current Liabilities</b>			
Current portion of long term:			
- finances		500,000	500,000
- lease liability against right-of-use assets		415,729	423,514
Trade and other payables		14,743,887	12,255,637
Contract liabilities		230,218	1,427,299
Unclaimed dividend		6,774	6,774
Accrued interest / mark-up on:			
- long term finances		18,099	27,839
- short term finances		886,344	739,931
Supplier financing - unfunded		13,624,809	11,374,678
Short term finances	7	2,297,611	121,259
		32,723,471	26,876,931
<b>Contingencies and Commitments</b>			
	8		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48,062,528</b>	<b>41,886,802</b>

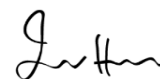
The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer



**FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2024**

(Amounts in thousand except for earnings per share)

	Note	Quarter ended March 31,	
		2024	2023
		----- Rupees -----	
Revenue from contracts with customers - net		27,463,601	22,650,926
Cost of sales		(23,057,659)	(18,293,886)
<b>Gross profit</b>		4,405,942	4,357,040
Distribution and marketing expenses		(2,167,800)	(1,956,334)
Administrative expenses		(427,634)	(429,409)
Other operating expenses		(104,405)	(265,298)
Other income		264,568	276,192
<b>Operating profit</b>		1,970,671	1,982,191
Finance cost		(864,996)	(490,557)
<b>Profit before taxation</b>		1,105,675	1,491,634
Taxation		(440,902)	(501,271)
<b>Profit for the period</b>		664,773	990,363
<b>Earnings per share - basic and diluted</b>	9	0.87	1.29

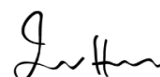
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**Chairman**



**Chief Executive Officer**



**Chief Financial Officer**

**FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2024**

(Amounts in thousand)

	Quarter ended March 31,	
	2024	2023
	----- Rupees -----	
<b>Profit for the period</b>	664,773	990,363
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<u>664,773</u>	<u>990,363</u>

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



**Chairman**



**Chief Executive Officer**



**Chief Financial Officer**

**FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED MARCH 31, 2024**

(Amounts in thousand)

	Share capital	RESERVES			Total	
		CAPITAL		REVENUE		
		Share premium	Employee share option compensation reserve	Remeasurement of post employment benefits Unappropriated profit		
----- Rupees -----						
<b>Balance as at January 1, 2023 (Audited)</b>	7,665,961	865,354	1,267	(274,156)	4,431,245	12,689,671
Profit for the period	-	-	-	-	990,363	990,363
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	990,363	990,363
<b>Balance as at March 31, 2023 (Unaudited)</b>	<u>7,665,961</u>	<u>865,354</u>	<u>1,267</u>	<u>(274,156)</u>	<u>5,421,608</u>	<u>13,680,034</u>
<b>Balance as at January 1, 2024 (Audited)</b>	7,665,961	865,354	-	(296,594)	5,941,299	14,176,020
Profit for the period	-	-	-	-	664,773	664,773
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	664,773	664,773
<b>Balance as at March 31, 2024 (Unaudited)</b>	<u>7,665,961</u>	<u>865,354</u>	<u>-</u>	<u>(296,594)</u>	<u>6,606,072</u>	<u>14,840,793</u>


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



**Chairman**



**Chief Executive Officer**



**Chief Financial Officer**



**FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2024**

(Amounts in thousand)

	Note	Quarter ended March 31,	
		2024	2023
----- Rupees -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	10	(2,854,473)	(6,434,609)
Finance costs paid		(686,499)	(234,663)
Taxes paid		(186,187)	(267,104)
Long term deposits - net		(12,607)	681
<b>Net cash generated from operating activities</b>		<b>(3,739,766)</b>	<b>(6,935,695)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of:			
- property, plant and equipment		(572,701)	(391,627)
- intangibles		-	(387)
Proceeds from disposal of:			
- property, plant and equipment		27,186	65,542
- biological assets		113,853	106,722
Income received on short term investments		29,101	126,475
<b>Net cash utilized in investing activities</b>		<b>(402,561)</b>	<b>(93,275)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term finances		(250,000)	(119,643)
Repayment of short term finance		(121,259)	-
Dividend paid		-	(90)
Repayment of lease liability against right-of-use assets		(151,769)	(109,080)
<b>Net cash utilized in financing activities</b>		<b>(523,028)</b>	<b>(228,813)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,665,355)</b>	<b>(7,257,784)</b>
Cash and cash equivalents at beginning of the period		3,078,478	3,824,554
<b>Cash and cash equivalents at end of the period</b>	11	<b>(1,586,877)</b>	<b>(3,433,230)</b>

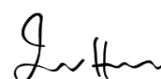
The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



**Chairman**



**Chief Executive Officer**



**Chief Financial Officer**

**FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2024**

(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) on April 26, 2005, 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 based products and frozen desserts. The Company also owns and operates a dairy farm.

**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 (the Act); and
- Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act 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, 2023.
- 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, 2023, unless otherwise specified.

**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 financial statements for the year ended December 31, 2023, except in respect of taxes on income, which has been accrued in the interim period using the tax rate that would be applicable to expected total annual profit / (loss).
- 3.2 There are certain standards and amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

(Amounts in thousand)

4. PROPERTY, PLANT AND EQUIPMENT	Unaudited March 31, 2024	Audited December 31, 2023			
	----- Rupees -----				
Operating assets, at net book value (notes 4.1, 4.2 and 4.3)	9,839,241	9,494,743			
Capital work-in-progress (note 4.3)	1,018,991	1,194,407			
Major spare parts and stand-by equipment	767,155	704,623			
	<u>11,625,387</u>	<u>11,393,773</u>			
	Unaudited Quarter ended March 31, 2024				
	----- Rupees -----				
4.1 Following additions, including transfers from capital work-in-progress, were made to operating assets during the period:					
Buildings on freehold land	49,523	106,955			
Plant, machinery and related equipment	673,047	168,693			
Computer equipment	-	3,484			
Office equipment and furniture & fittings	15,714	9,626			
Vehicles	9,833	91,294			
	<u>748,117</u>	<u>380,052</u>			
4.2 The details of operating assets disposed-off / write-off during the period are as follows:					
	Cost	Accumulated depreciation / impairment	Net book value	Sales proceeds	Mode of disposal
	----- Rupees -----				
Plant, machinery and related equipment	43,484	(40,722)	2,762	18,702	Sold to Third Party
Computer equipment	941	(669)	272	424	Employee buybacks and insurance claims
Office equipment and furniture & fittings	1,611	(1,502)	109	426	Sold to Third Party
Freezers and Trikes	56,195	(53,878)	2,317	7,634	Write offs and Sold to Third Party
Intangibles	372,120	(372,120)	-	-	Write offs
March 31, 2024	<u>474,351</u>	<u>(468,891)</u>	<u>5,460</u>	<u>27,186</u>	
March 31, 2023	<u>418,005</u>	<u>(380,181)</u>	<u>37,824</u>	<u>65,542</u>	
	Unaudited Quarter ended March 31, 2024		Unaudited Quarter ended March 31, 2023		
	----- Rupees -----				
4.3 Following additions were made to capital work-in-progress during the period:					
Buildings on freehold land	49,033			10,294	
Plant, machinery and related equipment	496,374			307,366	
IS and milk automation projects	-			387	
Office equipment, furniture & fittings and computer equipment	17,461			13,834	
Vehicles	9,833			60,133	
	<u>572,701</u>			<u>392,014</u>	
4.4 Following transfers were made from capital work-in-progress during the period:					
- Operating assets	(748,117)			(380,052)	
- Intangibles	-			-	
	<u>(748,117)</u>			<u>(380,052)</u>	

#### 5. STORES, SPARES AND LOOSE TOOLS

These includes provision against expired / obsolete stores and spares amounting to Rs. 387,797 (December 31, 2023: Rs. 380,475).



(Amounts in thousand)

	Unaudited March 31, 2024	Audited December 31, 2023
	----- Rupees -----	
<b>6. STOCK-IN-TRADE</b>		
Raw and packaging material (note 6.1)	6,236,928	5,164,982
Work in process (note 6.2)	6,997,050	3,064,608
Finished goods (notes 6.3)	3,215,068	2,050,221
	<u>16,449,046</u>	<u>10,279,811</u>
Less: Provision for expired / obsolete stock	(124,523)	(96,817)
	<u>16,324,523</u>	<u>10,182,994</u>

6.1 Includes Rs. 1,109,093 (December 31, 2023: Rs. 773,853) held by third parties.

6.2 Includes Rs. 1,942,607 (December 31, 2023: Rs. 889,632) held by third parties.

6.3 Includes Rs. 1,770,294 (December 31, 2023: Rs. 484,736) held by third parties and Rs. 66,075 (December 31, 2023: 31,066) in respect of finished goods carried at net realizable value.

6.4 Stock amounting to Rs. 2,918 (March 31, 2023: Rs. 8,172) 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. 10,750,000 (December 31, 2023: Rs. 10,750,000). The unutilized balance against these facilities as at March 31, 2024 was Rs. 8,344,312 (December 31, 2023: Rs. 10,628,741). The rates of mark-up on these finances are KIBOR based and range from 21.46% to 22.75% (December 31, 2023: 22.31% to 22.84%) per annum. These facilities are secured by way of floating charge 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, 2024 amounts to Rs. 24,550,000 (December 31, 2023: Rs. 24,550,000), of which the amount remaining unutilized as at March 31, 2024 was Rs. 7,858,067 (December 31, 2023: Rs. 7,669,591).

#### 8. CONTINGENCIES AND COMMITMENTS

There is no significant change in the matters disclosed in notes 14, 26 and 34.2 to the financial statements for the year ended December 31, 2023, except for the following:

- Commitments in respect of capital expenditure contracted for but not incurred as at March 31, 2024 amounts to Rs. 627,725 (December 31, 2023: Rs. 921,909).
- Commitments in respect of purchase of certain commodities as at March 31, 2024 amounts to Rs. 1,414,250 (December 31, 2023: Rs. 1,511,700).
- The DCIR conducted examination of withholding obligation of the Company for tax year 2020 and passed an order on December 29, 2022 raising a demand of Rs. 30,712, which has been paid by the Company under protest and filed an appeal to the CIR (A) on January 26, 2023 against the order. On March 19, 2024 CIR A issued an order against the appeal filed and remanded back the order to DCIR for re-verification. DCIR has not initiated the remand back proceedings. The Company intends to file appeal against the CIR A order. Company, based on the opinion of its tax consultant, is confident of a favorable outcome, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned demand.
- The DCIR passed an order on March 19, 2024 for the period July 2021 to June 2023 alleging inappropriate apportionment of input tax in the monthly sales tax returns, creating demand of Rs.157,629. The Company has filed an appeal before the CIRA against the order. The Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and accordingly sales tax recoverable have not been reduced by the effect of the aforementioned disallowances.
- During the period, Customs Department issued various orders alleging that the Company has misdeclared Harmonized System (HS) code on certain raw materials imported and is therefore, required to pay additional duties and taxes creating a demand of Rs. 52,486. The Company being aggrieved with the said demands has filed appeals before Collector of Customs (Appeal) which are pending adjudication. The Company, based on the opinion of its consultant, is confident of a favorable outcome of the appeals.

**(Amounts in thousand)**

- During the period, SRB issued notice to recover WWF for the year 2022. The Company being a transprovincial entity has discharged its liability under the federal law therefore it filed a case before the SHC. SHC vide interim order dated April 03 ,2024 has directed SRB to not recover the amount till the decision of the case. The Company, based on the opinion of its legal consultant, is confident of a favorable outcome.
- The DCIR issued show cause notices for sales tax on tea whitener and dairy drink product i.e. 'Tarang' and 'Omung' respectively for the 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 had filed Constitutional Petitions before the High Court of Sindh (HCS) for year 2013 on October 25, 2017 and for years 2014, 2015 and 2016 on March 15, 2018, and had obtained an interim injunction against adverse action by tax authorities on the same day. The HCS through its order dated November 18, 2020 has upheld Company's view with respect to 'Tarang' in view of the decision of the Classification Committee obtained by the Company on February 11, 2019. With respect to 'Omung' the HCS suspended the notice, advising that the FBR may refer the matter to the Classification Committee, for a decision afresh, and till such time no action can be taken against the Company. The amount of show cause notices pertaining to 'Omung' aggregate to Rs. 1,480,841. In case the Classification Committee (for Omung) decides against the Company, the Company can avail all legal remedies available to it. The Company filed an appeal against this decision with respect to Omung in the Supreme Court of Pakistan (SCP). Further, FBR also challenged the order dated November 18, 2020 in the SCP. Subsequent to year end, SCP disposed-off cross appeals filed against the HSC order dated November 18, 2020. SCP has allowed the Company's appeals and has set aside the notices related to Omung, whereas SCP dismissed the appeals of tax department against 'Tarang'. Accordingly, show cause notices issued to the Company have been completely quashed.

On March 15, 2022, the Classification Committee (CC) issued ruling, effective prospectively, on tea whiteners including 'Tarang'. CC therein reviewed its previous rulings and decided the matter against the taxpayers. On October 28, 2022, the Lahore High Court (LHC) passed an order setting aside the ruling dated March 15, 2022 and remanded back the case to the Collector of Customs to re-adjudicate the matter as per the procedure prescribed under the law. Pursuant to the order of the LHC if any classification ruling is issued, the same would be applicable prospectively from the date of the final decision by the Collector of Customs. Some dairy companies have further challenged LHC order in SC on the ground that LHC direction to Collector of Customs to re-adjudicate the matter afresh is void and illegal.

Following the directions of LHC, on April 04, 2023, the Customs department confirmed the earlier ruling of the CC pertaining to Tea Whiteners dated March 15, 2022 against the taxpayers. Being aggrieved, the ruling dated April 04, 2023 was again challenged in LHC on the grounds that proper opportunity of being heard was not provided to petitioners. Later by, LHC converted these appeals into representations before the FBR and directed the FBR to decide the same within 15 days. FBR vide order dated September 20, 2023 has upheld the CC ruling. However, various companies have challenged the FBR order in LHC which has suspended FBR's order and directed that previous ruling shall continue to apply in meantime. Hence, no provision has been recognised prior to the date of the aforementioned latest Classification decision.

Subsequent to the period end, FBR re-issued the Show cause notices (SCN) for the years 2013-16 based on the FBR order dated September 20, 2023. The Company has challenged these SCNs before the SHC who vide interim order dated April 17, 2024 has stayed the proceedings. The Company, based on the opinion of its lawyer is confident of the favorable outcome.

**9. EARNINGS PER SHARE - Basic and diluted**

	<b>Quarter ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>----- Rupees -----</b>	
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit for the period	<u>664,773</u>	<u>990,363</u>
	<b>----- Number of shares -----</b>	
Weighted average number of ordinary shares for determination of basic and diluted EPS	<u>766,596,075</u>	<u>766,596,075</u>
Earnings per share	<u>0.87</u>	<u>1.29</u>

(Amounts in thousand)

	Unaudited	
	Quarter ended March 31, 2024	2023
	----- Rupees -----	
<b>10. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	1,105,675	1,491,634
Adjustment for non-cash charges and other items:		
- Depreciation on property, plant and equipment	400,519	368,662
- Depreciation on right-of-use asset	117,829	84,662
- Reversal of provision for impairment of operating assets - net	(2,361)	(12,426)
- Amortization of intangibles	4,589	4,717
- Gain on death / disposal of biological assets	(9,150)	(14,516)
- Gain on disposal of operating assets	(21,725)	(27,718)
- Gain on derecognition of right of use asset	-	(1,129)
- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(174,249)	(124,574)
- Provision for retirement and other service benefits	25,131	23,633
- (Reversal of provision) / Provision for impairment of stock-in-trade	(51,905)	14,056
- Provision for slow moving spares - net	14,588	1,513
- Reversal of provision for impairment of trade debts	(392)	(2,168)
- Exchange loss	5,834	149,919
- Interest income on short term investments	(29,101)	(100,708)
- Finance cost on short term and long term finances including bank charges	823,172	468,079
- Finance cost on lease liability against right-of-use assets	41,824	22,478
Working capital changes (note 10.1)	(5,104,751)	(8,780,724)
	<u>(2,854,473)</u>	<u>(6,434,609)</u>
<b>10.1 Working capital changes</b>		
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(216,179)	(366,734)
- Stock-in-trade	(6,089,624)	(9,594,406)
- Trade debts	(1,629,749)	(368,649)
- Advances, deposits and prepayments	(171,809)	(286,981)
- Other receivables	(55,461)	(54,693)
- Sales tax recoverable	(452,264)	(1,080,887)
	<u>(8,615,086)</u>	<u>(11,752,350)</u>
Increase / (Decrease) in current liabilities		
- Trade and other payables	2,457,285	2,614,479
- Supplier financing - unfunded	2,250,131	727,246
- Contract liabilities	(1,197,081)	(370,099)
	<u>3,510,335</u>	<u>2,971,626</u>
	<u>(5,104,751)</u>	<u>(8,780,724)</u>
<b>11. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	710,734	836,359
Short term finances	(2,297,611)	(4,269,589)
	<u>(1,586,877)</u>	<u>(3,433,230)</u>
<b>12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS</b>		
<b>12.1 Financial risk factors</b>		
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.		
<b>12.2 Fair value of financial assets and liabilities</b>		
The carrying value of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.		

(Amounts in thousand)

### 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, 2024 and December 31, 2023, 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, markup 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.

### 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:

Nature of relationship	Nature of transactions	Unaudited	
		Quarter ended March 31, 2024	2023
		----- Rupees -----	
Associated companies / undertakings	Arrangement for sharing of premises, utilities, personnel and assets	7,526	6,264
	Fee for technical assistance	567,341	512,318
	Reimbursement of expenses received / receivable from the company	31,360	36,323
	Reimbursement of expense paid / payable on behalf of the Company	461	7,659
	Purchases of goods and services	26,275	18,366
	Sale of goods	808,807	12,938
	Donation	-	3,125
Contribution for staff retirement funds	Managed and operated by Engro Corporation Limited		
	- Gratuity funds	11,652	15,365
	- Provident fund	117,780	107,548
Key management personnel including the Chief Executive Officer but not other Directors	Managerial remuneration	75,947	74,161
	Contribution for staff retirement benefits	9,560	7,682
	Bonus payment	-	-
Other Directors	Fee	1,118	1,092

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

(Amounts in thousand)

## 15. SEGMENT INFORMATION

15.1 The basis of segmentation and reportable segments presented in these condensed interim financial statements is the same which was disclosed in financial statements for the year ended December 31, 2023.

Unallocated assets include long and short term advances, deposits and prepayments, 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 based products to frozen desserts, at market value.

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

	Unaudited Quarter ended March 31, 2024			Unaudited Quarter ended March 31, 2023		
	Dairy based products	Frozen desserts	Total	Dairy based products	Frozen desserts	Total
-----Rupees-----						
<b>Results for the period</b>						
Net sales	26,529,712	1,359,209	27,888,921	21,367,249	1,440,677	22,807,926
Inter-segment sales	(425,320)	-	(425,320)	(157,000)	-	(157,000)
	<u>26,104,392</u>	<u>1,359,209</u>	<u>27,463,601</u>	<u>21,210,249</u>	<u>1,440,677</u>	<u>22,650,926</u>
Net Profit / (Loss) after tax	<u>889,644</u>	<u>(224,871)</u>	<u>664,773</u>	<u>1,038,192</u>	<u>(47,829)</u>	<u>990,363</u>
	Unaudited Quarter ended March 31, 2024			Audited December 31, 2023		
-----Rupees-----						
<b>Assets</b>						
- Segment assets	30,985,099	5,908,236	36,893,335	24,574,826	4,106,254	28,681,080
- Un-allocated assets	-	-	11,169,193	-	-	13,205,722
	<u>30,985,099</u>	<u>5,908,236</u>	<u>48,062,528</u>	<u>24,574,826</u>	<u>4,106,254</u>	<u>41,886,802</u>

## 16. SEASONALITY

The Company's businesses are subject to seasonal fluctuation, with demand of frozen desserts and dairy based 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, 2024 are not necessarily indicative of result to be expected for the full year.

## 17. CORRESPONDING FIGURES

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 and condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the transactions of comparable period of immediately preceding financial year.

## 18. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 26, 2024 by the Board of Directors of the Company.

  
Chairman

  
Chief Executive Officer

  
Chief Financial Officer

## ڈائریکٹرز کی رپورٹ:

فریز لینڈ کیمپینا اینگرو پاکستان لمیٹڈ (فریز لینڈ کیمپینا پاکستان ہولڈنگ بی وی کی اکثریتی ملکیت) (دی کمپنی) کے ڈائریکٹرز 31 مارچ 2024 کو ختم ہونے والی پہلی سہ ماہی کی اہم مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

## کاروباری کارکردگی کا جائزہ:

فریز لینڈ کیمپینا اینگرو پاکستان (ایف سی ای پی ایل) نے 2024 کی پہلی سہ ماہی کے مالیاتی نتائج کا اعلان کر دیا ہے جس کے مطابق معاشی سست روی اور کاروباری چیلنجز کے باوجود اس عرصے میں کمپنی کی مجموعی فروخت 21 فیصد اضافہ سے 27.5 ارب روپے رہی جو گزشتہ سال اسی عرصے کے دوران 22.7 ارب روپے رہی تھی۔ مجموعی فروخت میں اضافہ فروخت کے حجم میں اضافہ اور صارفین کو دی جانے والی ترغیبات کا نتیجہ ہے۔

کمپنی کا مجموعی منافع ایک فیصد زائد جبکہ روپے کی قدر میں کمی اور افراط زر کے دباؤ کی وجہ سے کماڈیٹیز اور انرجی کی لاگت بڑھنے سے گراس مارجن 320 بیس پوائنٹس کم رہا۔

شرح سود میں اضافہ سے کمپنی کا خالص منافع بھی دباؤ کا شکار رہا اس عرصے میں کمپنی کا بعد از ٹیکس خالص منافع 200 بیس پوائنٹس کمی سے 67 کروڑ روپے رہا جو گزشتہ سال کے اسی عرصے میں 99 کروڑ رہا تھا۔

## ڈیری بیسڈ پراڈکٹ سیگمنٹ:

اس شعبہ میں کمپنی کی مجموعی آمدن 26.1 ارب روپے رہی جو گزشتہ سال کے اسی عرصے کے مقابلے میں 23 فیصد نمو کو ظاہر کرتی ہے۔ یہ نمو کمپنی کی فلیگ شپ برانڈ اولپرز کی مسلسل برانڈنگ اور تجارتی سرگرمیوں کا نتیجہ ہے۔

اولپرز نے ڈیرھ پاؤ بچت بیک کی مہم ٹی وی اور ڈیجیٹل چینلز پر جاری رکھی۔ اولپرز کا ڈیرھ پاؤ بچت بیک ایک وقت کے ناشتے کے لیے آئیڈیل ساز ہے جو کسی ایک فیملی کے لیے یومیہ ناشتہ میں دودھ کی موزوں ترین مقدار ہے۔

کمپنی کی دیگر ویلیو ایڈڈ مصنوعات بشمول اولپرز کی کریم، اولپرز کا چیر، دوبالا اور تڑکھ کے حجم میں بھی مارکیٹ کی دیگر مستحکم مصنوعات سے سخت مسابقت کے باوجود اضافہ کا رجحان رہا۔

## فروزن ڈیزرٹ سیگمنٹ:

اس شعبہ میں کمپنی کا ریونیو 1.36 ارب روپے رہا جو گزشتہ سال کے اسی عرصے میں 1.44 ارب روپے رہا تھا۔ موجودہ سخت حالات اور موسم سرما کی آمد میں تاخیر کے ساتھ ملک بھر میں غیر متوقع بارشوں سے ریونیو میں متوقع نمو متاثر ہوئی تاہم کمپنی کو امید ہے کہ دوسری سہ ماہی میں ریکوری ہوگی اور سیزن کے دوران پہلی سہ ماہی میں کمی کا مکمل ازالہ ہوگا۔

## نمائش پر فارمنس:

31 مارچ 2024 کو ختم ہونے والی سہ ماہی میں کمپنی کی مالی کارکردگی کی تفصیل درج ذیل ہے:

	Three months ended		Variation
	2024	2023	
(Rs. in million)			
Net Sales	27,464	22,651	21%
Operating Profit	1,971	1,982	-1%
% of sales	7.18%	8.75%	-157 bps
Profit / (Loss) after tax	665	990	
% of sales	2.42%	4.37%	-195 bps
Earnings / (Loss) per share (Rs.)	0.87	1.29	

## فیوچر آؤٹ لک:

فریز لینڈ کیمپینا اینگرو پاکستان لمیٹڈ نے بیرونی چیلنجز افراط زر، کرنسی کی قدر میں کمی اور بلند شرح سود کے باوجود اپنے شیئر ہولڈرز کے لیے مضبوط کاروباری نتائج فراہم کرنے کے لیے اپنی لگن کو برقرار رکھا ہے۔ کمپنی کا فعال کاروباری ماڈل انتظامیہ کو اس قابل بناتا ہے کہ وہ آپریشنل کارکردگی کے ذریعے ترقی کو برقرار رکھ سکے اور صارفین کی بدلتی ہوئی ضروریات کے مطابق خود کو ڈھال سکے۔ فریز لینڈ کیمپینا اینگرو پاکستان لمیٹڈ مستقبل میں، برانڈ ویلیو کو بڑھانے اور منافع کے مارجن کو بہتر بنانے کے لیے اپنے پورٹ فولیو کو وسیع کرنے میں سرمایہ کاری جاری رکھنے کا ارادہ رکھتا ہے۔



فریز لینڈ کیمپینا اینگرو پاکستان لمیٹڈ اپنی عالمی مہارت اور 150 سالہ ورثہ سے فائدہ اٹھاتے ہوئے، حفظانِ صحت، خوراک کی حفاظت اور پائیداری کے اعلیٰ ترین معیارات کے لیے پرعزم ہے اور لاکھوں پاکستانیوں کو روزانہ محفوظ، سستی، اور پرورش بخش ڈیری مصنوعات فراہم کرتی ہے۔



سید کاشان حسن

چیف ایگزیکٹو آفیسر



عبدالصمد داؤد

چیرمین