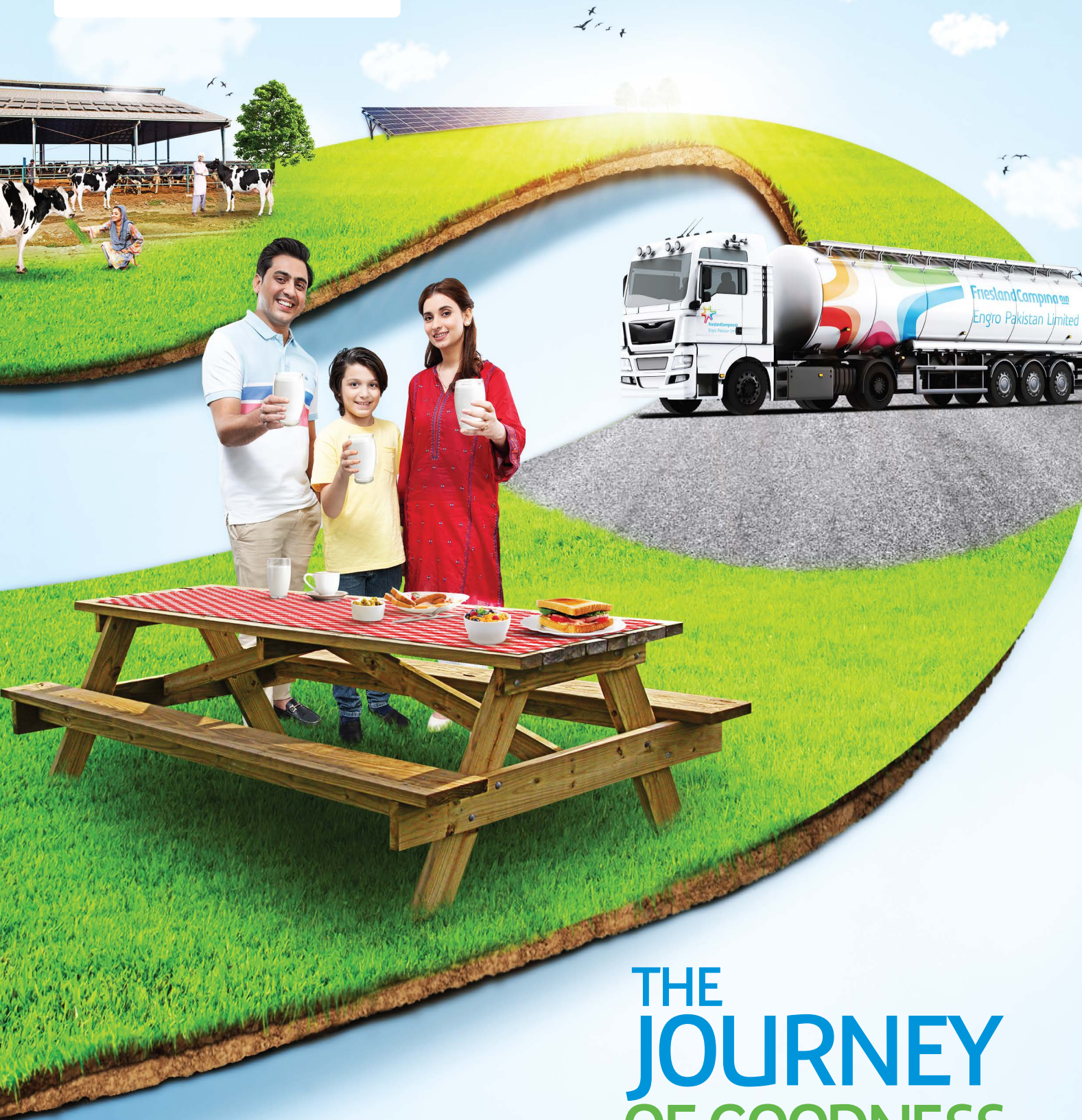




FrieslandCampina 
Engro Pakistan Limited



THE JOURNEY OF GOODNESS

THIRD QUARTER 2023

Contents

Company information	1
directors' report	2
condensed interim statement of financial position	6
condensed interim statement of profit or loss	7
condensed interim statement of comprehensive income	8
condensed interim statement of changes in equity	9
condensed interim statement of cash flows	10
notes to the condensed interim financial statements	11
directors' report (Urdu version)	21

company information

Board of Directors

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

Chief Financial Officer

Mr. Imran Husain

Company Secretary

Mr. Hassan Azwar

Members of Audit Committee

Mr. Abrar Hasan (Chairman)
Mr. Robert ter Borg (Member)
Mr. Zouhair Abdul Khaliq (Member)

The secretary of committee is

Ms. Maria Umer Memon, GM Internal Audit Department

Bankers

Conventional

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Citibank N.A.
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
Bank of Punjab

Shariah Compliant

Meezan Bank Limited
Faysal Bank Limited

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



**FrieslandCampina Engro Pakistan Limited
(Formerly Engro Foods Limited)**

5th Floor, The Harbor Front Building, HC-3,
Marine Drive, Block 4, Clifton, Karachi,
75600 Pakistan.

t +92 21 3529-6000 (10 Lines)
f +92 21 3529-5961

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 third quarter ended September 30, 2023.

BUSINESS PERFORMANCE OVERVIEW

The company delivered strong topline growth of 40% despite the challenging operating environment and economic slowdown. The Company generated revenue of PKR 73.8 billion, compared to PKR 52.8 billion in the same period last year, fueled by both volume and value growth.

The Company witnessed gross profit growth of 23 %, while the gross margin declined by 200 bps due to inflationary pressure on commodities and energy prices. In Q3'23, the gross margin declined by 458 bps compared to the same period last year, primarily attributable to one-offs in the preceding year, in addition to the aforementioned factors. The operating margin only declined by 13 bps over last year due to initiatives such as cost rationalization and driving efficiencies across the value chain.

However, the profit after tax (Rs. 1.57 billion vs. Rs. 1.77 billion in the same period last year) as a percentage of sales declined by 121 bps due to a significant increase in finance costs and taxation.

DAIRY-BASED PRODUCTS SEGMENT

The segment reported revenue of Rs. 65.7 billion, reflecting a growth of 43% compared to the same period last year. Olper's, our flagship brand, led the growth in the segment by strengthening its leadership position in the market through consistent brand and trade investments.

Olper's UHT continued to build the reach of the 'Happy Mornings' campaign through TV, social media, and in-store activities. The campaign establishes Olper's as an enabler of Happy Mornings for consumers by offering high-quality milk that is nutritious and delicious. These efforts helped drive Olper's household penetration and strengthened its Equity position within the Dairy Segment of Pakistan. The Olper's Flavoured Milk 'All Stars' campaign was launched in 2023, which continued to build the category by making it relevant for school-going children.

Our other brands like Olper's full-cream milk powder (FCMP), Olper's Cream, and Tarang have also gained a healthy market share despite competition from established players.

FROZEN DESSERTS SEGMENT

The segment reported revenue of Rs. 8.1 billion, reflecting a growth of 20% compared to the same period last year. This growth has been enabled by timely investments in occasions and innovations.

We believe that the novel experiences that we offer across our wide range of products in this segment are something everyone deserves.

FINANCIAL PERFORMANCE

The financial performance of the company for the nine months ended September 30, 2023, is summarized below:

(Rs. in million)	Nine months ended Sep 30, 2023		Variation
	2023	2022	
Net Sales	73,819	52,827	40%
Operating Profit	5,316	3,874	37%
<i>% of sales</i>	7.2%	7.3%	-13 bps
Profit / (Loss) after tax	1,575	1,765	
<i>% of sales</i>	2.1%	3.3%	-121 bps
Earnings / (Loss) per share (Rs.)	2.06	2.30	

FUTURE OUTLOOK

As FrieslandCampina Engro Pakistan, we bring over 150 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.”

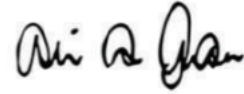
The company expects to face headwinds on both demand and supply sides due to the anticipated high levels of inflation, high-interest rates, and declining purchasing power of consumers. However, with an agile business model in place, the management is confident that it will be able to drive efficiencies across the value chain, build resilience and continue to deliver growth by staying relevant to the consumer.

Dairy farmers are the backbone of FCEPL’s supply chain, and we take great pride in our exemplary Dairy Development Program. The program is tailored and designed to ensure inclusive growth and increased profitability by sharing knowledge and best practices for dairy farming, providing training on animal health, housing and barn design, feed and water, milk hygiene, aflatoxin control, cow signals, farm economics, calf rearing, and the environment. We also help facilitate farmer communities in obtaining subsidized loans as working capital. Our innovations draw upon our deep, global dairy expertise and are tailored specifically for local preferences and cultural adoption. With this outlook and our 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.

The business will continue to invest behind brand equity and expand its profit-accretive portfolio to leverage margins. Leveraging its global expertise and 150 years of heritage, the Company remains committed to the highest standards of hygiene, food safety, and sustainability and providing safe, affordable, and nourishing dairy products to millions of Pakistanis every day.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer

Karachi: October 16, 2023

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023

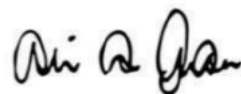
(Amounts in thousand)

	Note	Unaudited September 30, 2023	Audited December 31, 2022
----- Rupees -----			
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	10,822,343	9,857,619
Biological assets		2,966,576	2,167,920
Intangibles		18,161	29,622
Right-of-use assets		921,903	729,465
Long term advances and deposits		209,561	129,489
		14,938,544	12,914,115
Current Assets			
Stores, spares and loose tools	5	1,095,948	413,963
Stock-in-trade	6	16,442,961	7,566,388
Trade debts		2,761,707	1,902,141
Advances, deposits and prepayments		745,428	656,501
Accrued mark-up / interest		-	25,767
Other receivables		699,373	355,747
Sales tax recoverable		6,129,517	4,891,189
Taxes recoverable		1,655,975	2,196,246
Short term investments		-	2,000,000
Cash and bank balances		606,617	1,824,554
		30,137,526	21,832,496
TOTAL ASSETS		45,076,070	34,746,611
EQUITY AND LIABILITIES			
Equity			
Share capital		7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve		-	1,267
Remeasurement of post employment benefits - Remeasurement loss		(274,156)	(274,156)
Unappropriated profit		6,007,917	4,431,245
		14,265,076	12,689,671
Non-Current Liabilities			
Long term:			
- finances		250,000	750,000
- lease liability against right-of-use assets		551,733	437,691
Deferred tax liability - net		97,831	41,597
		899,564	1,229,288
Current Liabilities			
Current portion of long term:			
- finances		500,000	1,569,643
- lease liabilities against right-of-use assets		470,850	268,338
Trade and other payables		24,423,190	17,916,403
Contract liabilities		302,814	765,448
Unclaimed dividend		6,774	6,882
Accrued interest / mark-up on:			
- long term finances		28,904	72,287
- short term finances		790,751	228,651
Short term finances	7	3,388,147	-
		29,911,430	20,827,652
		30,810,994	22,056,940
Contingencies and Commitments			
	8		
TOTAL EQUITY AND LIABILITIES		45,076,070	34,746,611

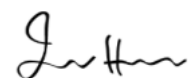
The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

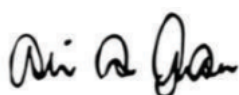
(Amounts in thousand except for earnings per share)

	Note	Quarter ended September 30,		Nine months ended September	
		2023	2022	2023	2022
		----- Rupees -----		----- Rupees -----	
Revenue from contracts with customers - net		26,803,644	22,056,694	73,818,555	52,827,498
Cost of sales		(23,389,083)	(18,236,360)	(62,690,909)	(43,809,402)
Gross profit		3,414,561	3,820,334	11,127,646	9,018,096
Distribution and marketing expenses		(1,776,119)	(1,823,393)	(5,633,834)	(4,361,512)
Administrative expenses		(491,301)	(531,907)	(1,345,937)	(1,240,190)
Other operating expenses		(48,125)	(209,264)	(430,940)	(369,407)
Other income		343,492	329,110	1,598,988	827,494
Operating profit		1,442,508	1,584,880	5,315,923	3,874,481
Finance cost		(970,140)	(365,306)	(2,292,432)	(990,910)
Profit before taxation		472,368	1,219,574	3,023,491	2,883,571
Taxation	9	(223,213)	(392,583)	(1,448,086)	(1,118,406)
Profit for the period		249,155	826,991	1,575,405	1,765,165
Earnings per share - basic and diluted	10	0.33	1.08	2.06	2.30

The annexed notes 1 to 19 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 COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023**

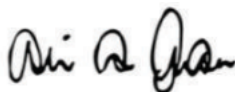
(Amounts in thousand)

	Quarter ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	----- Rupees -----		----- Rupees -----	
Profit for the period	249,155	826,991	1,575,405	1,765,165
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>249,155</u>	<u>826,991</u>	<u>1,575,405</u>	<u>1,765,165</u>


The annexed notes 1 to 19 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 NINE MONTHS ENDED SEPTEMBER 30, 2023

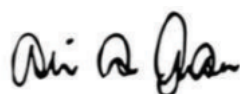
(Amounts in thousand)

	Share capital	RESERVES			Total
		CAPITAL	REVENUE		
	Share premium	Employee share option compensation reserve	Remeasurement of post employment benefits	Unappropriated profit	
----- Rupees -----					
Balance as at January 1, 2022 (Audited)	7,665,961	865,354	43,093	1,923,746	10,327,244
Transfer of employee share option compensation reserve to unappropriated profit	-	-	(41,826)	41,826	-
Profit for the period	-	-	-	1,765,165	1,765,165
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,765,165	1,765,165
Balance as at September 30, 2022 (Unaudited)	<u>7,665,961</u>	<u>865,354</u>	<u>1,267</u>	<u>3,730,737</u>	<u>12,092,409</u>
Balance as at January 1, 2023 (Audited)	7,665,961	865,354	1,267	4,431,245	12,689,671
Transfer of employee share option compensation reserve to unappropriated profit	-	-	(1,267)	1,267	-
Profit for the period	-	-	-	1,575,405	1,575,405
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,575,405	1,575,405
Balance as at September 30, 2023 (Unaudited)	<u>7,665,961</u>	<u>865,354</u>	<u>-</u>	<u>6,007,917</u>	<u>14,265,076</u>

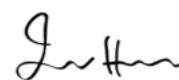
The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

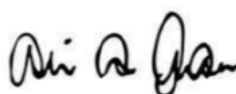
(Amounts in thousand)

	Note	Nine months ended September 30,	
		2023	2022
----- Rupees -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilized in) / generated from operations	11	(804,532)	4,311,260
Finance costs paid		(1,684,217)	(762,020)
Taxes paid		(851,581)	(250,855)
Contribution to retirement benefits funds		(48,177)	(41,703)
Long term advances and deposits - net		(80,072)	(46,494)
Net cash (utilized in) / generated from operating activities		(3,468,579)	3,210,188
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(1,756,528)	(1,001,264)
- intangibles		(14,506)	(2,994)
Proceeds from disposal of:			
- property, plant and equipment		134,089	70,069
- biological assets		157,438	154,563
Income on short term investments		145,085	24,489
Net cash utilized in investing activities		(1,334,422)	(755,137)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		(1,569,643)	(1,158,928)
Dividend paid		(108)	(57)
Repayment of lease liability against right-of-use assets		(233,332)	(284,431)
Net cash utilized in financing activities		(1,803,083)	(1,443,416)
Net decrease in cash and cash equivalents		(6,606,084)	1,011,635
Cash and cash equivalents at beginning of the period		3,824,554	1,883,178
Cash and cash equivalents at end of the period	12	(2,781,530)	2,894,813

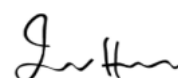
The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(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 The cumulative figures for the half year ended September 30, 2023 presented in these condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of the Act. 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 financial statements of the Company for the year ended December 31, 2022.

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 for the preparation of financial statements of the Company for the year ended December 31, 2022, 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 financial statements for the year ended December 31, 2022, 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 Standards, amendments to published accounting and reporting standards and interpretations which are effective during the period.

There were certain amendments to accounting and reporting standards which became effective during the current period. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in this condensed interim financial information.

3.3 Standards, amendments to published accounting and reporting standards and interpretations that are not yet effective and have not been early adopted by the Company.

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 this condensed interim financial information.

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value
(notes 4.1, 4.2 and 4.3)
Capital work-in-progress (note 4.3)
Major spare parts and stand-by equipment

	Unaudited September 30, 2023	Audited December 31, 2022
	----- Rupees -----	
	9,257,811	9,053,759
	964,794	605,888
	599,738	197,972
	<u>10,822,343</u>	<u>9,857,619</u>

	Unaudited Nine months ended September 30, 2023	2022
	----- Rupees -----	

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

Buildings on freehold land	200,499	71,744
Plant, machinery and related equipment	799,147	1,069,406
Office equipment & furniture and fittings	54,667	45,788
Computer equipment	84,165	55,098
Vehicles	270,766	78,198
	<u>1,409,244</u>	<u>1,320,234</u>

(Amounts in thousand)

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

	Cost	Accumulated depreciation / impairment	Net book value	Sales proceeds	Mode of disposal
	----- Rupees -----				
Plant & machinery	364,035	(333,231)	30,804	54,555	Third party disposals
Freezers & Trikes	116,629	(108,842)	7,787	32,493	Third party disposals and Write-off
Office furniture & equipment	28,177	(26,611)	1,566	4,260	Third party disposals
Computer equipment	24,179	(23,908)	271	3,245	Employee buybacks and Insurance claims
Vehicles	107,305	(85,475)	21,830	39,536	Employee buybacks and Insurance claim
September 30, 2023	<u>640,325</u>	<u>(578,067)</u>	<u>62,258</u>	<u>134,089</u>	
September 30, 2022	<u>182,302</u>	<u>(137,878)</u>	<u>44,424</u>	<u>70,069</u>	

Unaudited
Nine months ended September 30,
2023 **2022**
----- Rupees -----

4.3 Following additions were made to capital work-in-progress during the period:

Building on freehold land	144,002	38,907
Plant, machinery and related equipment	1,250,090	814,073
IS and milk automation projects	14,506	2,994
Office equipment, furniture & fittings and computer equipment	140,400	70,086
Vehicles	222,036	78,198
	<u>1,771,034</u>	<u>1,004,258</u>

4.4 Following transfers were made from capital work-in-progress during the period:

- Operating assets (note 4.1)	(1,409,244)	(1,320,234)
- Intangibles	(2,885)	(2,994)
	<u>(1,412,129)</u>	<u>(1,323,228)</u>

5. STORES, SPARES AND LOOSE TOOLS

These are net of provision against expired / obsolete stores and spares amounting to Rs. 360,219 (December 31, 2022: Rs. 410,896). Stores, spares and loose tools amounting to Rs. 82,760 (September 30, 2022: Nil) have been written-off against provision during the period.

Unaudited **Audited**
September 30, **December 31,**
2023 **2022**
----- Rupees -----

6. STOCK-IN-TRADE

Raw and packaging material (note 6.1)	6,442,610	4,158,358
Work in process (note 6.2)	7,598,677	1,177,704
Finished goods (notes 6.3)	2,476,527	2,350,185
	<u>16,517,814</u>	<u>7,686,247</u>
Less: Provision for expired / obsolete stock	(74,853)	(119,859)
	<u>16,442,961</u>	<u>7,566,388</u>

6.1 Includes Rs. 2,553,728 (December 31, 2022: Rs. 389,599) in respect of raw and packaging material held by third parties.

(Amounts in thousand)

- 6.2 Includes Rs. 2,563,505 (December 31, 2022: Rs. 431,819) in respect of semi-finished stock held by third parties.
- 6.3 Includes Rs. 1,449,370 (December 31, 2022: Rs. 3,137,660) in respect of finished goods held by third parties and Rs. 19,700 (December 31, 2022: 87,459) in respect of finished goods carried at net realizable value.
- 6.4 Stock-in-trade amounting to Rs. 21,467 (September 30, 2022: Rs. 9,958) 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, 2022: Rs. 7,750,000). The unutilized balance against these facilities as at September 30, 2023 was Rs. 3,388,146 (December 31, 2022: Rs. 7,750,000). The rates of mark-up on these finances are KIBOR based and range from 22.61% to 23.11% (December 31, 2022: 15.71% to 17.08%) 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 September 30, 2023 amounts to Rs. 20,640,000 (December 31, 2022: Rs. 17,150,000), of which the amount remaining unutilized as at September 30, 2023 was Rs. 6,412,267 (December 31, 2022: Rs. 12,682,582).

8. CONTINGENCIES AND COMMITMENTS

- 8.1 There is no significant change in the matters disclosed in notes 14, 25 and 33.2 to the financial statements for the year ended December 31, 2022, except for the following:
- 8.1.1 Commitments in respect of capital expenditure contracted for but not incurred as at September 30, 2023 amounts to Rs. 1,035,746 (December 31, 2022: Rs. 1,239,977).
- 8.1.2 Commitments in respect of purchase of certain commodities as at September 30, 2023 amounts to Rs. 2,648,631 (December 31, 2022: Rs. 309,439).
- 8.1.3 The Company being aggrieved with order of the Deputy Commissioner Inland Revenue (DCIR) for tax year 2020 raising a demand of Rs. 30,712, which has already been paid by the Company under protest, has filed an appeal before Commissioner Inland Revenue [CIR (A)] on January 26, 2023 which is pending adjudication. The Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.
- 8.1.4 On February 27, 2023 CIR (A) passed an order against the appeal filed for recovery of Super tax for tax year 2022 and directed the department to adjust the demand against the available income tax refunds of tax year 2013. The Company being aggrieved with the decision of the CIR (A), has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication.
- 8.1.5 On February 28, 2023, Additional Commissioner Inland Revenue (ACIR) passed an appeal effect order based on decision of CIR (A) and given complete effects on remand back issues and decided in favor of Company. The Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

(Amounts in thousand)

- 8.1.6 On June 06, 2023, Additional Commissioner Inland Revenue (ACIR) passed an appeal effect order based on decision of CIR (A) and created a tax refund of Rs. 137,272 to the extent of remanded back matters. The Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.
- 8.1.7 On June 06, 2023, Additional Commissioner Inland Revenue (ACIR) passed an appeal effect order based on decision of CIR (A) and created a tax refund of Rs. 83,353 to the extent of remanded back matters. The Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.
- 8.1.8 The Company, being aggrieved with the order of CIR (A) raising a demand of Rs. 150,402 against the inappropriate apportionment of input tax in the monthly sales tax returns for the period July 2020 to June 2021. The Company has filed an appeal before ATIR on February 10, 2023 which is pending adjudication.
- 8.1.9 On September 07, 2023, Deputy Commissioner Inland Revenue (DCIR) passed an order by disallowing input adjustment on foreign services having inappropriate tax numbers and created demand of Rs.17,348. The Company has filed appeal to CIR (A) against the order. The Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.
- 8.1.10 On March 3, 2023, Collectorate of Customs Adjudication-I, Karachi, issued show cause notices alleging that the Company has misdeclared HS code on certain raw materials imported and therefore, required to pay additional duties and taxes. On April 27, 2023, August 08, 2023 and August 16, 2023 Collectorate, issued demand orders of Rs.132,561. The Company being aggrieved with the said demands has filed an appeals with Custom Tribunal Karachi which are pending for adjudication. The Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeals.
- 8.1.11 Following the directions of Lahore High Court (LHC), on April 04, 2023, the Customs department confirmed the earlier ruling of the Classification Committee 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.

Subsequently, 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 Classification Committee 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.

9. TAXATION

Section 4C 'Super tax on high earning persons' of the Ordinance introduced through the Finance Act, 2022 has been further amended through the Finance Act, 2023, whereby super tax rate has been increased to 10% where the income exceeds Rs. 500,000. This is retrospectively applicable from tax year 2023 onwards. In previous year, the Company had already recognised super tax provision at 4% for tax year 2023 based on the rate applicable at December 31, 2022. Accordingly, during the current period, the Company has increased the super tax provision to 10% which has resulted in additional provision of Rs. 171,188 for prior tax year 2023. Further, this also includes super tax provision recognised at 10% for tax year 2024, amounting to Rs. 219,239.

Deferred tax expense has been recognised at the rate of 39% (including 10% super tax) being the new rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realised or the liability is settled. Liability as at December 31, 2022 was recognised at 33% being the rate then enacted.

(Amounts in thousand)

10. EARNINGS PER SHARE - Basic and diluted

	Quarter ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	----- Rupees -----		----- Rupees -----	
There is no dilutive effect on the basic earnings per share of the Company, which is based on:				
Profit for the period	<u>249,155</u>	<u>826,991</u>	<u>1,575,405</u>	<u>1,765,165</u>
	----- Number of shares -----			
Weighted average number of ordinary shares	<u>766,596,075</u>	<u>766,596,075</u>	<u>766,596,075</u>	<u>766,596,075</u>
Earnings per share	<u>0.33</u>	<u>1.08</u>	<u>2.06</u>	<u>2.30</u>

Unaudited
Nine months ended September 30,
2023 **2022**
----- Rupees -----

11. CASH GENERATED FROM OPERATIONS

Profit before taxation		3,023,491	2,883,571
Adjustment for non-cash charges and other items:			
- Depreciation on property, plant and equipment		1,145,970	1,424,923
- Depreciation on right-of-use asset		280,990	231,573
- (Reversal) / Provision for Impairment of operating assets - net		(3,034)	3,993
- Impairment of intangible assets - net		-	90
- Amortization of intangibles		14,345	21,307
- Loss on death / disposal of biological assets		80,827	43,550
- Gain on disposal of operating assets		(71,833)	(34,976)
- Gain on derecognition of right of use asset		(13,040)	(23,349)
- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		(1,036,921)	(686,289)
- Provision for retirement and other service benefits		128,617	94,544
- Provision for impairment of stock-in-trade		225,948	82,513
- Provision for slow moving spares - net		32,084	59,792
- (Reversal) / Provision for impairment of trade debts		(2,336)	698
- Government grant recognized as income		-	(13,959)
- Exchange (gain) / loss recognized		(62,240)	57,419
- Interest income on short term investments		(119,318)	(3,225)
- Finance cost on short term and long term finances including bank charges		2,202,934	945,436
- Finance cost on lease liability against right-of-use assets		89,498	45,474
Working capital changes (note 11.1)		<u>(6,720,514)</u>	<u>(821,825)</u>
		<u>(804,532)</u>	<u>4,311,260</u>

(Amounts in thousand)

	Unaudited	
	----- Nine months ended September 30, -----	
	2023	2022
	----- Rupees -----	
11.1 Working capital changes		
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(1,115,835)	(211,302)
- Stock-in-trade	(9,102,521)	(2,612,536)
- Trade debts	(857,230)	(298,208)
- Advances, deposits and prepayments	(88,927)	(385,214)
- Other receivables	(343,626)	(123,017)
- Sales tax recoverable	(1,238,328)	(1,149,172)
	<u>(12,746,467)</u>	<u>(4,779,449)</u>
Increase / (Decrease) in current liabilities		
- Trade and other payables	<u>6,488,587</u>	<u>3,806,983</u>
- Contract liabilities	<u>(462,634)</u>	<u>150,641</u>
	<u>6,025,953</u>	<u>3,957,624</u>
	<u>(6,720,514)</u>	<u>(821,825)</u>
12. CASH AND CASH EQUIVALENTS		
Cash and bank balances	606,617	1,894,814
Short term finances	<u>(3,388,147)</u>	<u>-</u>
	<u>(2,781,530)</u>	<u>1,894,814</u>

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

13.1 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.

13.2 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.

14. 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

The Company shall classifies 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

(Amounts in thousand)

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2023 and December 31, 2022, the Company did not have any financial instruments which were measured at fair values.

The Company's biological assets are carried at fair values using valuation level 2. There were no changes in valuation techniques during the period.

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 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.

15. TRANSACTIONS WITH RELATED PARTIES

- 15.1 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	
		Nine months ended September 30, 2023	2022
		----- Rupees -----	
Associated companies / undertakings	Arrangement for sharing of premises, utilities, personnel and assets	15,513	48,127
	Fee for technical assistance	1,609,422	1,126,316
	Reimbursement of expenses incurred by the Company	92,458	98,063
	Reimbursement of expense paid / payable on behalf of the Company	52,204	9,363
	Purchases of goods and services	71,478	73,020
	Sale of goods	420,326	-
	Donation	6,250	15,000
Contribution for staff retirement funds	Managed and operated by Engro Corporation Limited		
	- Gratuity funds	48,177	21,998
	- Provident fund	368,710	319,116
Key management personnel including the Chief Executive Officer	Managerial remuneration	243,942	219,355
	Contribution for staff retirement benefits	24,738	31,507
	Bonus payment	89,458	106,701
Directors	Fee	4,281	2,893

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

(Amounts in thousand)

16. SEGMENT INFORMATION

16.1 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, 2022.

Unallocated assets includes assets which can not be allocated to a specific segment on a reasonable basis. Liabilities are not segment-wise reported to the Board of Directors. All the unallocated results and assets and liabilities are reported to the Board of Directors at entity level. Inter-segment revenue of processed milk and powder are made by Dairy based products segment to Frozen desserts segment.

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

	Unaudited Nine months ended September 30, 2023			Unaudited Nine months ended September 30, 2022		
	Dairy based products	Frozen desserts	Total	Dairy based products	Frozen desserts	Total
-----Rupees-----						
Results for the period						
Revenue	66,414,776	8,090,807	74,505,583	46,270,901	6,826,382	53,097,283
Inter-segment revenue	(687,028)	-	(687,028)	(207,055)	(62,730)	(269,785)
	<u>65,727,748</u>	<u>8,090,807</u>	<u>73,818,555</u>	<u>46,063,846</u>	<u>6,763,652</u>	<u>52,827,498</u>
Profit for the period	<u>1,067,280</u>	<u>508,125</u>	<u>1,575,405</u>	<u>1,526,461</u>	<u>238,704</u>	<u>1,765,165</u>
	Unaudited Nine months ended September 30, 2023			Audited December 31, 2022		
	-----Rupees-----					
Assets						
- Segment assets	30,748,717	4,435,841	35,184,558	18,678,211	3,765,144	22,443,355
- Un-allocated assets	-	-	9,931,532	-	-	12,303,256
	<u>30,748,717</u>	<u>4,435,841</u>	<u>45,116,090</u>	<u>18,678,211</u>	<u>3,765,144</u>	<u>34,746,611</u>

17. 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 raw milk collection. Therefore, revenues and profits for the half year and quarter ended September 30, 2023 are not necessarily indicative of results to be expected for the full year.

18. 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.

(Amounts in thousand)

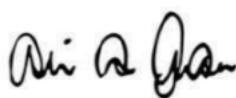
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

19. DATE OF AUTHORIZATION FOR ISSUE

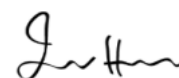
These condensed interim financial statements were authorized for issue on October 16, 2023 by the Board of Directors of the Company.



Chairman



Chief Executive Officer



Chief Financial Officer

فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ

ڈائریکٹرز رپورٹ

DIRECTORS' REPORT

فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ (فریز لینڈ کمپنا پاکستان ہولڈنگز B.V. کی اکثریتی ملکیتی ماتحت کمپنی) کے بورڈ آف ڈائریکٹرز کمپنی کے 30 ستمبر 2023 کو ختم ہوئے رواں سال کے تیسرے سہ ماہی کی رپورٹ اور کمپنی کی عبوری مالی معلومات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کاروباری کارکردگی کا جائزہ

BUSINESS PERFORMANCE REVIEW

مشکل کاروباری ماحول اور معاشی سست روی کے باوجود کمپنی کی آمدن میں 40 فیصد کا نمایاں اضافہ ہوا۔ کمپنی کو رواں سال کے 9 ماہ کے اختتام پر 73.8 ارب روپے آمدن ہوئی، جب کہ گزشتہ سال کی اسی مدت میں 52.8 ارب روپے کی آمدن ریکارڈ کی گئی تھی۔ آمدن بڑھنے کی وجہ حجم اور قدر دونوں میں اضافہ ہے۔

مہنگائی میں اضافے سے توانائی اور کموڈٹی کی قیمتیں بڑھ گئیں، اس کے باوجود کمپنی کے مجموعی منافع میں 23 فیصد کا اضافہ ہوا، تاہم مجموعی مارجن میں 200 پیس پوائنٹس (بی پی ایس) کمی دیکھی گئی۔ 2023 کے تیسری سہ ماہی کے اختتام پر مجموعی مارجن میں گزشتہ سال کی اسی مدت کے مقابلے میں 458 بی پی ایس کی کمی ریکارڈ کی گئی۔ جس کی بنیادی وجہ مندرجہ بالا عوامل کے ساتھ گزشتہ سال واقع ہونے والے دیگر مختلف عوامل ہیں۔ آپریٹنگ مارجن میں گزشتہ سال کے مقابلے میں صرف 13 بی پی ایس کی کمی ہوئی، جس کی وجہ لاگت کو کم کرنے اور ویلیو چین کی کارکردگی بڑھانے کے لیے کمپنی کی جانب سے کیے گئے اقدامات ہیں۔

مالیاتی لاگت اور ٹیکسز میں نمایاں اضافے کے باعث کمپنی کی فروخت کی شرح میں 121 بی پی ایس کی کمی ہوئی اور بعد از ٹیکس منافع گزشتہ سال کے 1.77 ارب روپے کے مقابلے میں 1.57 ارب روپے ریکارڈ کیا گیا۔

ڈیری پر مبنی مصنوعات کا شعبہ

DAIRY-BASED PRODUCTS SEGMENT

ڈیری پر مبنی مصنوعات کے شعبے کی آمدن گزشتہ سال کے مقابلے میں 43 فیصد بڑھ کر 65.7 ارب روپے پر جا پہنچی۔ کمپنی کے فلیگ شپ برانڈ اولپرز نے مسلسل برانڈ بلڈنگ اور تجارتی سرگرمیوں کے ذریعے مارکیٹ لیڈر کے طور پر اپنی پوزیشن کو مستحکم بناتے ہوئے شعبے کی ترقی میں اہم کردار ادا کیا۔

اولپرز یو ایچ ٹی کی ”پپی مارنگ“، تشہیری مہم ٹی وی، ڈیجیٹل، سوشل میڈیا اور اسٹورز میں ہونے والی سرگرمیوں کے ساتھ جاری رہی۔ اس مہم کے ذریعے

اولپرز کے اعلیٰ معیار کے دودھ کی اہمیت کو اجاگر کیا گیا، جو غذائیت سے بھرپور اور مزیدار ہے اور صارفین کی صبح کو خوشگوار بناتا ہے۔ ان اقدامات سے اولپرز کا گھروں میں استعمال بڑھ گیا، جس سے پاکستانی ڈیری شعبے میں ایف سی ای پی ایل کی مالیاتی پوزیشن مستحکم ہوئی۔ اولپرز فلیورڈ ملک ”آل اسٹار“ مہم 2023 میں متعارف کرائی گئی، جس نے بچوں کے اسکول لچ میں لازمی جگہ بنالی ہے۔

اولپرز کے برانڈ بشمول اولپرز فزلس کریم ملک پاؤڈر (ایف سی ایم پی)، اولپرز کریم اور ترنگ نے سخت مسابقت کے باوجود مارکیٹ میں اپنی جگہ بنالی ہے۔

منجمد میٹھوں کا شعبہ

FROZEN DESSERTS SEGMENT

منجمد میٹھوں کے شعبے کی آمدن 8.1 ارب روپے رہی، جو گزشتہ سال کے مقابلے میں 20 فیصد نمو کو ظاہر کرتی ہے۔ اس ترقی کی وجہ جدید دور کے تقاضوں کے مطابق نئی مصنوعات متعارف کرانے کے لیے کی گئی بروقت سرمایہ کاری ہے۔

ہمیں یقین ہے کہ منجمد میٹھوں کے شعبے میں پیش کی جانے والی مصنوعات کی وسیع رینج میں وہ سب کچھ ہے جس کا ہر کوئی حقدار ہے۔

مالیاتی کارکردگی

FINANCIAL PERFORMANCE

30 ستمبر 2023 کو ختم ہوئے 9 ماہ میں کمپنی کی مالیاتی کارکردگی کا خلاصہ ذیل میں دیکھا جاسکتا ہے۔

رواں سال کے 9 ماہ کا اختتام 30 ستمبر 2023

تغیر و تبدیلی فیصد میں	2022	2023	ملین روپے
40%	52,827	73,819	خالص فروخت
37%	3,874	5,316	آپریٹنگ منافع
13- پیس پوائنٹس	7.3%	7.2%	فروخت کا فیصد (%)
	1,765	1,575	بعد از ٹیکس منافع/نقصان
121- پیس پوائنٹس	3.3%	2.1%	فروخت کا فیصد (%)
	2.30	2.06	فی حصص منافع/نقصان (روپے)

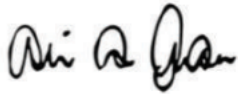
FUTURE OUTLOOK

اپنی عالمی مہارت اور 150 سال سے زائد کے تجربے سے فائدہ اٹھاتے ہوئے ایف سی ای پی ایل پاکستان کے ڈیری منظر نامے کو تبدیل کرنا چاہتا ہے۔ ہمارا مقصد پاکستان کی موجودہ اور آنے والی نسلوں کی صحت و تندرستی ہے۔ جس کے لیے ہم ”گراس ٹو گلاس“ تک صحت مند ڈیری مصنوعات فراہم کرنے کے ساتھ ساتھ ڈیری فارمرز کی آمدن میں اضافہ چاہتے ہیں۔

مہنگائی بڑھنے، بلند شرح سود اور صارفین کی قوت خرید میں کمی کے باعث کمپنی کو طلب و رسد دونوں میں مشکلات کا سامنا کرنا پڑ سکتا ہے۔ تاہم ایک اچھے کاروباری ماڈل کے ساتھ کمپنی کی انتظامیہ پر امید ہے کہ ویلیو چین کی کارکردگی میں اضافہ اور کاروباری استحکام کے ساتھ صارفین کو پسندیدہ مصنوعات کی فراہمی اور ترقی کا سفر جاری رکھے گی۔

ڈیری فارمرز ایف سی ای پی ایل کی سپلائی چین میں ریڑھ کی ہڈی کی حیثیت رکھتے ہیں، اور ہمیں اپنے مثالی ڈیری ڈویلپمنٹ پروگرام پر فخر ہے۔ یہ پروگرام ڈیری فارمرز کی جامع ترقی اور آمدن میں اضافے کو یقینی بنانے کے لیے تیار اور ڈیزائن کیا گیا ہے۔ اس پروگرام کے ذریعے فارمنگ کے بارے میں معلومات اور بہترین طریقے، جانوروں کی صحت کے حوالے سے تربیت، ہاؤسنگ اور بارن ڈیزائن، غذا اور پانی، صحت مند دودھ، افلاٹوکسن کنٹرول، گائے کے اشارے، فارم اکنامکس، بچھڑے کی دیکھ بھال اور ماحول کے حوالے سے تربیت فراہم کی جاتی ہے۔ ہم ورکنگ کیپٹل کے طور پر آسان قرض کے حصول کی خواہشمند کسان برادری کی مدد اور سہولت فراہم کرتے ہیں۔ ہماری جدید مصنوعات ڈیری کے شعبے میں ہماری وسیع عالمی ڈیری مہارت پر مبنی ہیں اور خاص طور پر مقامی ترجیحات اور ثقافت کو مد نظر رکھ کر تیار کی گئی ہیں۔ اس نقطہ نظر اور اپنی منفرد پوزیشن کے ساتھ ہم نئے دور کے طریقہ کار کے مطابق کاروبار کر رہے ہیں، تاکہ صحت مند پاکستان کے لیے خوراک کی بچت اور غذائیت کو فروغ دیا جاسکے۔

کمپنی برانڈ ایکویٹی میں سرمایہ کاری کرتی رہے گی اور مارجن سے فائدہ اٹھانے کے لیے اپنے منافع بخش پورٹ فولیو کو وسعت دے گی۔ اپنی عالمی مہارت اور 150 سال سے زائد کے ورثے سے فائدہ اٹھاتے ہوئے ایف سی ای پی ایل حفظان صحت، خوراک کی بچت اور پائیداری کے اعلیٰ ترین معیارات کے ساتھ لاکھوں پاکستانیوں کو روزانہ محفوظ، سستی اور صحت بخش ڈیری مصنوعات فراہم کرنے کے لیے پرعزم ہے۔



علی احمد خان

چیف ایگزیکٹو آفیسر



عبدالصمد داؤد

چیرمین