engro foods

khud pakistan

First Quarter 2013 Accounts









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company information

Board of Directors

Aliuddin Ansari	Chairman
Afnan Ahsan	Chief Executive Officer
Abdul Samad Dawood	Non-Executive Director
Abdul Samad Khan	Non-Executive Director
Muhammed Amin	Non-Executive Director
Mujahid Hamid	Non-Executive Director
Roshaneh Zafar	Non-Executive Director
Ruhail Mohammed	Non-Executive Director
Shahzada Dawood	Non-Executive Director
Zafar Ahmed Siddiqui	Non-Executive Director

Chief Financial Officer
Imran Anwer

Company Secretary
Faiz Chapra

Members of Audit Committee

Zafar Ahmed Siddiqui	Chairman
Abdul Samad Khan	Member
Ruhail Mohammed	Member
Shahzada Dawood	Member

The secretary of committee is
Muhammad Imran Khalil, GM Internal Audit Department

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
Fax: +92(21) 32415007 / 32427938

Share Registrar
M/s. FAMCO Associates (Private) Limited
First Floor, State Life Building 1-A, I.I. Chundrigar Road, Karachi - 74000, Pakistan.

Bankers
Al-Baraka Bank Pakistan Limited
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank of Punjab
Barclays Bank PLC Pakistan
Burj Bank Limited
Citibank N.A.
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Brunei Investment Company Limited
Pak Kuwait Investment Company (Private) Limited
Soneri Bank Limited
Standard Chartered Bank Pakistan Limited
The Bank of Khyber
United Bank Limited

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Website: www.engrofoods.com | www.engro.com

directors' report

directors' report to the shareholders for the first quarter ended March 31, 2013

On behalf of the Board of Directors of Engro Foods Limited (a majority owned subsidiary of Engro Corporation Limited), we are pleased to submit the report and the condensed interim financial information of the Company for the first quarter ended March 31, 2013.

PRINCIPAL ACTIVITIES:

Engro Foods Limited is engaged in the manufacturing, processing and marketing of dairy products and ice cream. Engro Foods is also managing Al-Safa brand in North America and a dairy farm in Pakistan.

The business encompasses established household brands in Pakistan such as Olper's, Omore, Olper's Lite, Dairy Omung, Tarang and Omung Lassi.

ORGANIZATIONAL REVIEW

The first quarter in 2013 was tough for the Company due to escalating disturbances in Karachi and other areas of the country, which put the management under pressure to deal with challenges like; distributor resignations, team security etc. Despite these hurdles whereby business stoppages added up to losing almost 18- 20 selling days in Karachi in particular, stable revenues compared to prior period were achieved.The Company declared strong profit growth of 34% (Rs. 653 million as opposed to a profit of Rs. 486 million). Operational excellence in the area of Milk Collection, and efficiency improvements were the key elements for the profit growth.

BUSINESS REVIEW:

DAIRY AND JUICES SEGMENT



Volumetric decline of 11% compared to the corresponding period, is primarily due to decline in industry volume, coupled with operational challenges, which resulted in 1% decline in market share to 50% as of March 2013.

ICE CREAM AND FROZEN DESSERTS SEGMENT



During the first quarter 2013, the Ice Cream business witnessed strong revenue growth of 13% compared to corresponding period despite marginal decrease in volume (negative 0.5%). The segment made an operational loss of Rs. 143 million as opposed to loss of Rs. 135 million on 2012.

DAIRY FARM SEGMENT



The Company's Dairy Farm located in Nara continued to remain a rich and nutritious source of raw material for our dairy segment. The Farm currently produces 28,190 liters per day (compared to 30,481 liters per day in the corresponding period) with a total herd size of 3,852 animals as of March 31, 2013. The average milking animals in Q1 2013 were 1,300 compared to 1,554 in the corresponding period. Due to less number of milking animals in Q1 2013, the Nara Farm registered a loss of Rs. 18.4 million compared to a profit of Rs. 5 million in 2012.

ENGRO FOODS CANADA

Al-Safa Halal- halal meat brand, with operations spread in Canada and North America - posted sales of Canadian $2.2 million (Q1 2012: Canadian $ 2.5 million) and a loss after tax of Canadian $303 thousand (Q1 2012: Canadian $ 313 thousand). The loss is directly consolidated in Engro Corporation financial statements and is not included in the financial performance mentioned below.

CERTIFICATIONS & AWARDS:

"Engro Milk Automation Network" (EMAN) has been named a 2013 Computer world Honors Laureate in the first quarter of 2013. This Honors program recognizes organizations and individuals who have used information technology to promote and advance public welfare, benefit society and business and change the world for the better. This is in recognition of the humanitarian benefits and measurable results of EMAN to meet a specific social and business need.

FINANCIAL PERFORMANCE

The financial performance of the company for the first quarter is summarized below:

(Rs. in million)	Quarter ended March 31,		Variation
	2013	2012	
Net Sales	9,624	9,666	-0.4%
Operating Profit	1,173	948	
% of sales	12.2%	9.8%	
Profit after tax	653	486	
% of sales	6.8%	5.0%	
Earnings per share -basic (Rs.)	0.86	0.65	1.3 times

FUTURE OUTLOOK

The Company continues to maintain a strong positive outlook and considers the current volumetric decline as a temporary change in business conditions triggered by various factors including volatile law and order situation etc.

The management is keeping its focus on key growth parameters of; innovation, brand differentiation and continuous business expansion. Q2 focus will be on execution of key growth drivers across all brands.

Aliuddin Ansari
Chairman

Afnan Ahsan
Chief Executive

Karachi: April 18, 2013

condensed interim balance sheet (unaudited) as at march 31, 2013

(Amounts in thousand)

ASSETS	Note	Unaudited March 31, 2013	(Restated) Audited December 31, 2012
		Rupees	
Non-Current Assets			
Property, plant and equipment	4	11,597,369	10,958,079
Biological assets		683,571	668,455
Intangible assets		94,573	104,569
Long term advances, deposits and prepayments		89,024	81,862
Advance against purchase of shares of Engro Foods Netherland B.V.		964,018	863,018
		13,428,555	12,675,983
Current Assets			
Stores, spares and loose tools		745,354	675,807
Stock-in-trade	5	4,112,963	3,494,605
Trade debts		120,173	149,074
Advances, deposits and prepayments		211,343	261,790
Other receivables		1,300,291	1,440,167
Taxes recoverable		395,508	334,714
Derivative financial instruments		-	25,787
Short term investments		1,170,666	2,708,750
Cash and bank balances		415,254	422,008
		8,471,552	9,512,702
TOTAL ASSETS		21,900,107	22,188,685
EQUITY AND LIABILITIES			
Equity			
Share capital	6	7,638,906	7,615,776
Advance agianst issue of share capital		-	1,234
Share premium	6.1	835,593	810,280
Hedging reserve		(12,787)	16,761
Unappropriated profit		2,227,530	1,574,907
		10,689,242	10,018,958
Non-Current Liabilities			
Long term finances		5,635,539	6,023,070
Deferred taxation		1,956,520	1,652,520
Deferred Income		15,203	17,390
		7,607,262	7,692,980
Current Liabilities			
Current portion of			
- long term finances		1,012,177	1,685,823
- obligations under finance lease		1,942	2,589
Trade and other payables		2,417,512	2,394,108
Derivative financial instruments		19,672	-
Accrued interest / mark-up on			
- long term finances		149,942	302,273
- short term finances		2,173	6,565
Short term finances	7	185	85,389
		3,603,603	4,476,747
Contingencies and Commitments	8		
TOTAL EQUITY AND LIABILITIES		21,900,107	22,188,685

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

condensed interim
profit and loss account (unaudited)
for the quarter ended march 31, 2013

(Amounts in thousand except for earnings per share)

	Note	Quarter ended March 31, 2013	Quarter ended March 31, 2012
		Rupees	
Net sales		9,623,522	9,666,316
Cost of sales		(6,782,461)	(7,410,148)
Gross profit		2,841,061	2,256,168
Distribution and marketing expenses		(1,356,228)	(1,070,300)
Administrative expenses		(278,699)	(230,250)
Other operating expenses		(104,847)	(72,730)
Other operating income		71,128	65,005
Operating profit		1,172,416	947,893
Finance costs		(199,883)	(209,266)
Profit before taxation		972,533	738,627
Taxation		(319,910)	(252,728)
Profit for the period		652,623	485,899
Earnings per share			
- basic	9	0.86	0.65
- diluted	9	0.85	0.65

The annexed notes 1 to 16 form an integral part of these financial statements.

Chairman

Chief Executive

condensed interim statement of comprehensive income (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

	Note	Quarter ended March 31, 2013	Quarter ended March 31, 2012
		Rupees	
Profit for the period		652,623	485,899
Other comprehensive income:			
Hedging reserve			
Gain / (loss) arising during the period		(46,006)	-
Less: Adjustments for amounts transferred to initial carrying amounts of hedged items - Capital work-in-progress		547	27,966
Income tax relating to hedging reserve		15,911	(9,788)
Other comprehensive income / (loss) for the period, net of tax		(29,548)	18,178
Total comprehensive income for the period		623,075	504,077

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

condensed interim statement of changes in equity (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

	Reserves					
			Capital		Revenue	
	Share capital	Advance against issue of share capital	Share premium	Hedging reserve	Unappropriated Profit / (Accumulated loss)	Total
	Rupees					
Balance as at January 1, 2012 (Audited) as previously reported	7,517,889	-	722,182	(18,178)	(984,951)	7,236,942
Effect of retrospective change in accounting policy with respect to accounting for acturial gains and losses referred in note 3.1	-	-	-	-	(27,277)	(27,277)
Balance as at January 1, 2012 (Audited) - restated	7,517,889	-	722,182	(18,178)	(1,012,228)	7,209,665
Share capital issued	2,149	-	1,934	-	-	4,083
Total comprehensive income for the period	-	-	-	18,178	485,899	504,077
Balance as at March 31, 2012 (Unaudited) - restated	7,520,038	-	724,116	-	(526,329)	7,717,825
Advance received during the period	-	1,234	-	-	-	1,234
Share capital issued	95,738	-	86,164	-	-	181,902
Total comprehensive income for the period (including the effect of retrospective change in accounting policy with respect to accounting for acturial gains and losses referred in note 3.1)	-	-	-	16,761	2,101,236	2,117,997
Balance as at December 31, 2012 (Audited) - restated	7,615,776	1,234	810,280	16,761	1,574,907	10,018,958
Share capital issued	23,130	(1,234)	25,313	-	-	47,209
Total comprehensive income for the period	-	-	-	(29,548)	652,623	623,075
Balance as at March 31, 2013 (Unaudited)	7,638,906	-	835,593	(12,787)	2,227,530	10,689,242

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

condensed interim statement of cash flows (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

	Note	Quarter ended March 31, 2013	(Restated) Quarter ended March 31, 2012
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	1,072,619	97,516
Finance costs paid		(356,606)	(467,959)
Taxes paid		(60,794)	(1032)
Retirement benefits paid		(500)	-
Subsidy received from Engro Foundation		-	5,000
Long term advances and deposits - net		(7,162)	(40,863)
Net cash generated from operating activities		647,557	(509,648)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of			
- property, plant and equipment		(1,040,259)	(445,124)
- biological assets		-	(1,651)
Proceeds from disposal of			
- property, plant and equipment		41,699	10,613
- biological assets		8,172	7,990
Advance against purchase of shares of Engro Foods Netherlands B.V.		(101,000)	-
Net cash generated from investing activities		(1,091,388)	(428,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		47,209	4,083
Proceeds from long term finances		377,635	-
Repayments of			
- long term finances		(1,440,000)	(141,667)
- obligations under finance lease		(647)	(648)
Net cash generated from financing activities		(1,015,803)	(138,232)
Net increase in cash and cash equivalents		(1,459,634)	(1,076,052)
Cash and cash equivalents at beginning of the year		3,045,369	1,392,478
Cash and cash equivalents at end of the year	11	1,585,735	316,426

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Foods Limited (the Company), is a public listed company incorporated in Pakistan, under the Companies Ordinance, 1984, and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company is a subsidiary of Engro Corporation Limited (ECL) and its registered office is situated at 6th 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 deserts. The Company also owns and operates a dairy farm. Further, the Company also has presence in the international market; its first venture being to manage the halal food business, Al Safa Halal, Inc. (Al-Safa) in North America, which has been acquired by ECL through Engro Foods Netherlands B.V. (EF Netherlands). The entire interest of ECL in EF Netherlands is proposed to be acquired by the Company at cost subject to requisite approvals from the regulators.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 The preparation of this condensed interim financial information in conformity with the approved accounting 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.

2.3 During preparation of this condensed interim financial information, 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 apply to the financial statements for the year ended December 31, 2012.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2012 except for the adoption of the following new accounting policy:

3.1 Retirement and other serivce benefits

During the current period (with effect from 1 January 2013), the Company adopted revised IAS 19 'Employee Benefits' standard and changed its basis for recognition of actuarial gains and losses. The revised IAS 19 require actuarial gains and losses to be recognised immediately in other comprehensive income. Previously, actuarial gains and losses were amortised over the expected average remaining working lives of employees as allowed under the relevant provision of previous IAS 19.

As required by the revised IAS 19, this change has been applied retrospectively by restating the prior period balances.

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

		Unaudited March 31, 2013	Audited December 31, 2012
		Rupees	
4.	PROPERTY, PLANT AND EQUIPMENT		
	Operating assets, at net book value (notes 4.1 and 4.2)	10,571,159	10,192,682
	Capital work-in-progress (note 4.3)	1,026,210	765,397
		11,597,369	10,958,079
4.1	Following additions, including transfers from capital work-in-progress, were made to operating assets during the period / year:		
	Land	213,046	-
	Buildings on freehold land	8,292	320,333
	Plant, machinery and related equipment	481,403	2,216,129
	Office equipment and furniture fixture	8,340	43,733
	Computers	19,822	51,583
	Vehicles	48,543	396,860
		779,446	3,028,638

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal
	Rupees				
Plant, machinery and related equipment	11,300	(2,478)	8,822	8,837	Insurance claim
Vehicles - owned	43,573	(21,127)	22,446	32,616	Insurance claims / Employee buyback
Computer Equipment	291	(47)	244	57	Insurance claim
Office Equipment	254	(65)	189	189	Insurance claim
March 31, 2013	55,418	(23,717)	31,701	41,699	
December 31, 2012	138,047	(76,763)	61,284	73,460	

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

	Unaudited March 31, 2013	Audited December 31, 2012
	Rupees	
4.3 Following additions were made to capital work-in-progress during the period / year:		
Land	212,514	11,832
Building on freehold land	14,575	184,262
Plant, machinery and related equipment	756,874	1,947,690
IS and milk automation	14,456	73,993
Office equipment, furniture, fittings and computers	13,209	85,491
Vehicles	28,631	319,474
	1,040,259	2,622,742

5. STOCK-IN-TRADE

Raw and packaging material (note 5.1)	2,799,093	2,595,145
Work in process	546,050	276,851
Finished goods (note 5.2)	767,820	622,609
	4,112,963	3,494,605

5.1 Includes Rs. 101,805 (2012: Rs. Nil) in respect of stock held by third parties.

5.2 Includes Rs. 51,790 (2012: Rs. 40,198) in respect of stock held by third parties.

6. SHARE CAPITAL

Authorized capital		
850,000,000 (2012: 850,000,000) Ordinary shares of Rs. 10 each	8,500,000	8,500,000
Issued, subscribed and paid-up capital		
Rs. 763,890,575 (2012: 761,577,575) Ordinary shares of Rs. 10 each fully paid in cash (note 7.1)	7,638,906	7,615,776

6.1 During the period, the Company issued and alloted 2,313,000 shares at Rs. 21 per share to employees who exercised their share options under Employees' Share Option Scheme (ESOS).

6.2 In an Extra Ordinary General Meeting (EOGM) held on March 22, 2013, the Shareholders approved an Employee Share Option Scheme (ESOS) for grant of 16.9 million shares to Company's employees. The applicability of the said scheme is subject to approval from the Securities and Exchange Commission of Pakistan (SECP), which is awaited.

Out of the total shares granted, 50% shares will vest in two years and the remaining 50% will vest in three years.

(Amounts in thousand)

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. 3,600,000 (2012: Rs. 3,600,000). The unutilized balance against these facilities as at year end was Rs. 3,599,815 (2011: Rs. 3,514,611). The rates of mark-up on these finances are KIBOR based and range from 10.02% to 11.78% (2012: 10.38 % to 13.60%) 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 guarantees as at March 31, 2013 amounts to Rs. 5,315,000 (2012: Rs. 5,315,000), of which the amount remaining unutilized as at March 31,2013 was Rs. 2,470,272 (2012: Rs. 2,881,378).

8. CONTINGENCIES AND COMMITMENTS

8.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 39,037 (2012: Rs. 39,037) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (December 31, 2011: Rs. 34,350) in accordance with contracts for supply of gas;
- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,712 (2012: Rs. 258,712) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs. 172,000 (2012: Rs. 172,000) have been received to-date; and
- Controller Military Accounts, Rawalpindi amounting to Rs. 4,680 (2012: Rs. 4,680), as collateral against supplies.
- Collector of Customs, Model Customs Collectorate amounting to Rs. 14,691 (2012: Nil).

8.2 As at March 31, 2013 post-dated cheques amounting to Rs.50,907 (2012: Rs. 15,106) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notification dated July 8, 2011 and August 1, 2011.

8.3 Commitments in respect of capital expenditure contracted for but not incurred as at March 31, 2013 amounted to Rs. 2,047,882 (2012: Rs. 2,139,539).

8.4 Commitments in respect of purchase of certain commodities as at March 31, 2013 amounted to Rs.1,024,867 (2012: 181,420)

8.5 Commitments for rentals payable under the Ijarah agreement as at March 31, 2013 amounted to Rs. 218,641 (2012: Rs. 296,581)

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

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

(Amounts in thousand)

The Company has been designated as part of the Group of Engro Corporation Limited by the Securities and Exchange Commission of Pakistan (SECP) through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59 B(2)(g) of the Ordinance and a requirement under the Group Companies Registration Regulations, 2008 (the Regulations) notified by the SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the Company to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of the Holding Company, whereby, allowing the surrender of tax losses by the Company to the Holding Company. The tax department has filed reference application thereagainst before the Sindh High Court, have been heard and is pending for next hearing. However, in any event, should the reference application be upheld and the losses are returned to the Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to the Holding Company for refund of the consideration received. As such there will be no effect on the results of the Company.

b) The Company's appeal against the order of Commissioner Inland Revenue (CIR) for reduction of tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007, is currently in the process of being heard. However, the Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the deferred tax asset recognized on taxable losses has not been reduced by the effect of the aforementioned disallowance.

c) In 2010, the Commissioner Inland Revenue raised a demand of Rs. 337,386 for tax year 2008 by disallowing the provision for gratuity, advances and stock written-off, repair and maintenance, provision for bonus, sales promotion and advertisement expenses. Further, in the aforementioned order the consideration receivable from ECL, the Holding Company, on surrender of tax loss has been added to income for the year. The Company had filed an appeal thereagainst before the Commissioner Appeals. The Commissioner Appeals through his order dated September 16, 2011, has decided certain matters in favour of the Company whereby withdrawing the demand amounting to Rs. 222,357. The Company has filed an appeal at the Tribunal level for the remainder matters remanded back or decided against the Company. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the deferred tax asset recognized on taxable losses has not been reduced by the effect of the aforementioned disallowance.

	Unaudited March 31, 2013	Unaudited March 31, 2012
	Rupees	

9. EARNINGS PER SHARE - Basic and diluted

The basic and dilutive earning per share of the Company, are based on:		
Profit for the period	652,623	485,899
Weighted average number of ordinary shares issue during the period (in thousand)	762,794	751,848
Weighted average number of ordinary shares for determination of dilluted EPS (in thousand)	765,926	751,848

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

	Unaudited March 31, 2013	(Restated) Unaudited March 31, 2012
	Rupees	
10. CASH GENERATED FROM OPERATIONS		
Profit before taxation	972,533	738,627
Adjustment for non-cash charges and other items:		
- Depreciation	369,268	269,676
- Amortization of intangible assets	9,996	9,846
- Amortization of deferred income	(2,187)	(1,250)
- Amortization of arragement fees on long term loan	1,189	-
- Gain / (loss) on disposal of biological assets	9,851	(719)
- Gain on disposal of operating assets	(9,999)	(1,307)
- Provision/ (Reversal of provision) against sales tax refundable	-	7,545
- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(33,138)	(40,286)
- Provision for retirement and other service benefits	17,360	13,416
- Provision/ (Reversal of provision) for impairment of trade debts	(1,247)	(1,240)
- Finance costs	199,883	209,266
Working capital changes (note 10.1)	(460,890)	(1,106,058)
	1,072,619	97,516
10.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(69,547)	(39,898)
- Stock-in-trade	(618,358)	(819,503)
- Trade debts	30,148	(9,300)
- Advances, deposits and prepayments	50,447	22,047
- Other receivables	139,876	34,310
	(467,434)	(812,344)
Increase / (decrease) in current liabilities		
- Trade and other payables - net	6,544	(293,714)
	(460,890)	(1,106,058)
11. CASH AND CASH EQUIVALENTS		
Short term investments	1,170,666	45,538
Cash and bank balances	415,254	288,127
Short term finances	(185)	(17,239)
	1,585,735	316,426

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

12. TRANSACTIONS WITH RELATED PARTIES

12.1 Transactions with related parties, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

		Unaudited March 31, 2013	Unaudited March 31, 2012
		Rupees	
Nature of relationship	Nature of transactions		
Holding company	Arrangement for sharing of premises, utilities, personnel and assets	61,222	38,042
	Advances against purchase of shares of Engro Foods Netherlands B.V.	101,000	-
	Pension fund contribution	276	3,362
	Provident fund contribution	5,525	5,926
	Gratuity fund contribution	500	405
Subsidiary and associated companies	Arrangement for sharing of premises, utilities, personnel and assets	51,453	22,277
	Provident fund contribution	38,402	21,640
	Purchases of goods	9,352	105,804
	Purchases of services	-	127
	Donation	7,000	-
	Subsidy received	1,306	5,000
	Sale of goods	-	140
Key management personnel	Managerial remuneration	26,306	19,744
	Contribution for staff retirement benefits	3,355	2,696
	Bonus payment	78,328	46,208
	Other benefits	-	900

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

12.3 While Engro Foods Limited manages the Al-Safa business, no remuneration has been charged to Engro Foods Canada as the business is owned by Engro Corporation and will be acquired from Engro Corporation at cost subject to regulatory approvals.

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

13. SEGMENT INFORMATION

13.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are the same which were disclosed in annual financial statements for the year ended December 31, 2012.

Unallocated assets include long term investments, 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 and others to Ice cream and inter-segment sales of raw milk are made by Dairy farm to Dairy, at market value.

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

	Unaudited Quarter ended March 31, 2013					Unaudited Quarter ended March 31, 2012				
	Dairy and Beverages	Ice Cream & frozen desserts	Dairy farm	Business Development	Total	Dairy and Beverages	Ice Cream & frozen desserts	Dairy farm	Business Development	Total
	Rupees									
Results for the period										
Net Sales	9,214,516	462,804	144,554	-	9,821,874	9,338,567	409,396	152,255	-	9,900,218
inter-segment sales	(61,491)	-	(144,554)	-	(206,045)	(97,835)	-	(152,255)	-	(250,090)
Net revenue from external customers	9,153,025	462,804	-	-	9,615,829	9,240,732	409,396	-	-	9,650,128
Raw milk sales	7,693	-	-	-	7,693	16,188	-	-	-	16,188
	9,160,718	462,804	-	-	9,623,522	9,256,920	409,396	-	-	9,666,316
Segment profit / (loss)	824,080	(142,752)	(18,433)	(10,272)	652,623	620,215	(135,371)	5,369	(4,314)	485,899

	Unudited March 31, 2013					Audited December 31, 2012				
Assets										
- Segment assets	13,919,018	2,992,400	1,652,406	6,067	18,569,891	12,513,007	2,989,067	1,632,305	5,470	17,139,849
- Un-allocated assets	-	-	-	-	3,330,216	-	-	-	-	5,048,836
	13,919,018	2,992,400	1,652,406	6,067	21,900,107	12,513,007	2,989,067	1,632,305	5,470	22,188,685

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2013

(Amounts in thousand)

14. SEASONALITY

The Company's 'Ice Cream' and 'Beverages' business is 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 are not necessarily indicative of result to be expected for the full year.

15. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of annual audited financial statements of preceding financial year, whereas the condensed interim profit and loss account, 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 balances of comparable period of immediately preceding financial year.

16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 18, 2013 by the Board of Directors of the Company.

Chairman

Chief Executive

111-211-211
engrofoods.com