around us

Financial Results – Third Quarter 2014



engro foods

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company information

Company Information

Board of Directors

Aliuddin Ansari	Chairman
Sarfaraz A. Rehman	Chief Executive Officer
Abdul Samad Dawood	Non-Executive Director
Muhammed Amin	Non-Executive Director
Mujahid Hamid	Non-Executive Director
Roshaneh Zafar	Non-Executive Director
Ruhail Mohammed	Non-Executive Director
Sabrina Dawood	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 Dawood	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 Al-Habib Limited - Islamic Banking
Barclays Bank PLC Pakistan
Citibank N.A.
Deutchse Bank AG
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank Pakistan Limited
Summit Bank Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

Registered Office

6th Floor, The Harbor Front Building
HC-3, Marine Drive, Block - 4, Clifton
Karachi - 75600, Pakistan.
Tel: +92(21) 35297501 - 35297510
Fax: +92(21) 35810669
e-mail: info@engro.com
Website: www.engro.com



engro foods

CONDENSED INTERIM
FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

directors' report

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 consolidated condensed interim financial information of the Company for the nine months ended September 30, 2014.

PRINCIPAL ACTIVITIES:

Engro Foods Limited, a majority owned subsidiary of Engro Corporation Limited, is engaged in manufacturing, processing and marketing of dairy products, ice cream & frozen desserts and beverages. As an example of Engro's pursuit of excellence, the business has established several brands that have already become household names in Pakistan such as Olper's, Tarang, Dairy Omung and Omore and others.

BUSINESS REVIEW:



The company has reported Rs. 31billion in consolidated revenue vs. Rs. 28 billion in the same period last year, and Rs. 252 million in consolidated profit vs Rs. 1,241 million in the same period last year for period ended September 30, 2014. Although the company achieved revenue growth of 11% vs. the same period last year but gross profit %age reduced from 25% to 19%, due to higher milk prices which were not passed on to consumer due to market environment.



DAIRY AND BEVERAGES SEGMENT

During the period ended September 30, 2014, the company witnessed volumetric growth of 7% vs. the same period last year. Dairy market share was 53% as of August 2014 as per A.C. Neilsen and the segment reported a top line of Rs. 28 billion registering a growth of 9% vs. the same period last year. Profit after tax for the nine months is Rs. 942 million showing a decline of 39% vs. the same period last year due to lower gross margins. Margins remained on the lower side mainly on account of higher milk prices which were not passed on to consumer due to market environment and consumer promotions to boost sales.



ICE CREAM AND FROZEN DESSERTS SEGMENT

During the first nine months of 2014, the Ice Cream business witnessed volumetric growth of 21% vs. the same period last year. This growth was led by consumer relevant product launches, initiatives to address distributor & trade ROI and strong freezer redeployment/ deployment. Segment registered operational loss of Rs. 122 million vs. loss of Rs. 136 million in the same period last year



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 produced 31,598 liters per day vs. 21,731 liters per day in the same period last year. The total herd size was 4,286 animals as of September 30, 2014. Milking animals in the first nine months of 2014 were 1,412 vs. 1,195 in the same period last year. Appreciation of PKR in the first nine months of 2014 resulted in valuation loss of Rs. 26 million; Nara Farm registered a loss of Rs. 34 million vs. loss of Rs.129 million in the same period last year.



ENGRO FOODS CANADA LIMITED (EFCL)

As informed in our Directors' report dated August 5, 2014, the Board carried out strategic review of its Canadian operations and decided to exit it, so focus can be achieved in growing local operations where opportunities are enormous.

As a result, EF Netherlands entered into a Share Purchase Agreement (SPA) with a Canadian registered company for sale of its North American businesses, which includes EFCL. Subject to satisfaction of all conditions precedent as set out in the SPA, It is expected that the transaction shall complete on or around October 31, 2014. The Company, based on this has recorded an impairment charge of Rs. 497 million and has classified the investment as Held for Sale, net of impairment.

CONSOLIDATED FINANCIAL PERFORMANCE

The consolidated financial performance of the company for first nine months of 2014 is summarized below:

(Rs. in million)	Nine months ended September 30,		Variation
	2014	2013	
Net Sales	31,020	28,023	11%
Operating Profit	1,222	2,329	
% of sales	4%	8%	
Profit after tax*	252	1,241	(80%)
% of sales	0.8%	4.4%	
Earnings / (Loss) per share – Basic & Diluted			
-continuing operations (Rs.)	1.06	1.62	(35%)
-discontinued operation (Rs.)	(0.73)	-	

* During the period, based on the advice of Company's tax consultant, a tax credit on account of balancing, modernisation, replacement, extension and expansion of plant and machinery amounting to Rs. 462 million (for the period from January 1, 2013 till September 30, 2014), available under Section 65B of Income Tax Ordinance, 2001, has been recorded.

FUTURE OUTLOOK

The increase in volume in the last six weeks bodes well for the future outlook. Based on this, the management will continue its volume growth thrust in the UHT segment. Also with the recent increase in Olper's sales price and full operation of our HFO power plant, our focus on improving overall margins should materialize in the next quarter.

Aliuddin Ansari
Chairman

Sarfaraz A. Rehman
Chief Executive

Karachi: October 20, 2014

condensed interim balance sheet (unaudited) as at september 30, 2014

(Amounts in thousand)

	Note	Unaudited September 30, 2014	Audited December 31, 2013
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	15,421,502	14,504,771
Biological assets		807,458	716,465
Intangible assets		129,509	122,838
Long term advances and deposits		118,547	93,132
Deferred employee share option compensation expense	6	118,318	168,865
Investment in subsidiary		-	427,288
		16,595,334	16,033,359
Current Assets			
Stores, spares and loose tools		756,241	739,671
Stock-in-trade	5	3,740,580	3,083,583
Trade debts		125,720	153,573
Advances, deposits and prepayments		184,105	181,080
Other receivables		2,760,541	2,354,280
Deferred employee share option compensation expense	6	100,253	136,153
Taxes recoverable		1,519,398	636,588
Short term investments		-	170,000
Cash and bank balances		224,749	557,266
		9,411,587	8,012,194
Investment classifed as held for sale	1.3	-	-
TOTAL ASSETS		26,006,921	24,045,553
EQUITY AND LIABILITIES			
Equity			
Share capital		7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve	6	398,323	407,133
Hedging reserve		(2,618)	(9,581)
Remeasurement of post employment benefits - Actuarial loss		(32,692)	(34,839)
Unappropriated profit		2,073,001	1,821,182
		10,967,329	10,715,210
Non-Current Liabilities			
Long term finances		5,950,608	7,126,994
Deferred taxation		1,279,751	1,538,583
Deferred income		4,333	9,410
		7,234,692	8,674,987
Current Liabilities			
Current portion of long term finances		1,271,553	1,032,008
Trade and other payables		3,279,860	3,369,182
Derivative financial instruments		3,908	14,517
Accrued interest / mark-up on			
- long term finances		250,933	229,312
- short term finances		100,442	10,337
Short term finances	7	2,898,204	-
		7,804,900	4,655,356
Contingencies and Commitments	8		
TOTAL EQUITY AND LIABILITIES		26,006,921	24,045,553

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

condensed interim
profit and loss account (unaudited)
for the nine months ended september 30, 2014

(Amounts in thousand except for earnings per share)

	Note	Quarter ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
		Rupees			
Net sales		10,815,414	9,090,531	30,671,116	28,023,410
Cost of sales		(9,181,931)	(7,480,530)	(24,987,100)	(21,116,110)
Gross profit		1,633,483	1,610,001	5,684,016	6,907,300
Distribution and marketing expenses		(1,248,186)	(1,131,073)	(3,555,448)	(3,768,459)
Administrative expenses		(255,777)	(189,128)	(857,726)	(739,750)
Other operating expenses		(969)	(47,783)	(140,927)	(271,282)
Other income		106,305	121,956	203,239	201,387
Operating profit		234,856	363,973	1,333,154	2,329,196
Other expense	9	(497,000)	-	(558,805)	-
Finance cost		(335,246)	(188,345)	(938,980)	(586,245)
(Loss) / Profit before taxation		(597,390)	175,628	(164,631)	1,742,951
Taxation	10				
Current					
- For the period		199,604	(114,514)	-	(558,656)
- For prior year		152,000	-	152,000	(25,226)
		351,604	(114,514)	152,000	(583,882)
Deferred		168,460	66,666	264,450	81,429
		520,064	(47,848)	416,450	(502,453)
(Loss) / Profit for the period		(77,326)	127,780	251,819	1,240,498
(Loss) / Earning per share					
- basic & diluted	11	(0.10)	0.17	0.33	1.62

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand)

	Quarter ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	Rupees			
(Loss) / Profit for the period	(77,326)	127,779	251,819	1,240,498
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Gain / (Loss) on hedges during the period	(4,330)	83,367	(54,570)	19,612
Less: Adjustments for amounts transferred to initial carrying amounts of hedged items - capital work-in-progress / stock-in-trade	3,605	(17,834)	65,180	(2,076)
Income tax relating to hedging reserve	239	(22,280)	(3,647)	(5,703)
	(486)	43,253	6,963	11,833
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefits obligation - Actuarial loss	-	-	3,204	6,276
Income tax relating to Acturial loss	-	-	(1,057)	(2,133)
	-	-	2,147	4,143
Other comprehensive income / (loss) for the period, net of tax	(486)	43,253	9,110	15,976
Total comprehensive (loss) / income for the period	(77,812)	171,032	260,929	1,256,474

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

condensed interim statement of changes in equity (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand)

			RESERVES					
			CAPITAL			REVENUE		
	Share capital	Advance against issue of share capital	Share premium	Employee share option compensation reserve	Hedging reserve	Unappropriated profit	Remeasurement of post employment benefits - Actuarial loss	Total
	Rupees							
Balance as at January 1, 2013 (Audited)	7,615,776	1,234	810,280	-	16,761	1,610,222	(22,954)	10,031,319
Transactions with owners								
- Share capital issued	49,135	(1,234)	53,919	-	-	-	-	101,820
Employee share option scheme	-	-	-	178,714	-	-	-	178,714
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	-	11,833	1,240,498	4,143	1,256,474
Balance as at September 30, 2013 (Unaudited)	7,664,911	-	864,199	178,714	28,594	2,850,720	(18,811)	11,568,327
Transactions with owners								
- Share capital issued	1,050	-	1,155	-	-	-	-	2,205
Employee share option scheme	-	-	-	228,419	-	-	-	228,419
Total comprehensive loss for the three months ended December 31, 2013	-	-	-	-	(38,175)	(1,029,538)	(16,028)	(1,083,741)
Balance as at December 31, 2013 (Audited)	7,665,961	-	865,354	407,133	(9,581)	1,821,182	(34,839)	10,715,210
Employee share option scheme	-	-	-	(8,810)	-	-	-	(8,810)
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	-	6,963	251,819	2,147	260,929
Balance as at September 30, 2014 (Unaudited)	7,665,961	-	865,354	398,323	(2,618)	2,073,001	(32,692)	10,967,329

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

condensed interim
statement of cash flows (unaudited)
for the nine months ended september 30, 2014

(Amounts in thousand)

	Note	Nine months ended September 30, 2014	2013
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	1,439,514	3,780,796
Finance costs paid		(827,254)	(731,575)
Taxes paid		(729,896)	(409,030)
Retirement benefits paid		(59,478)	(69,479)
Long term advances and deposits - net		(25,415)	(14,173)
Net cash (utilized in) / generated from operating activities		(202,529)	2,556,539
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(2,209,564)	(3,735,522)
- intangible assets		(34,898)	(2,441)
Proceeds from disposal of:			
- property, plant and equipment		56,693	215,728
- biological assets		55,562	32,262
Investment in Engro Foods Netherlands B.V., a subsidiary company		(125,070)	(169,649)
Net cash utilized in investing activities		(2,257,277)	(3,659,622)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	101,820
Proceeds from long term finances		-	377,635
Repayments of			
- long term finances		(940,915)	(1,930,000)
- obligations under finance lease		-	(1,941)
Net cash utilized in financing activities		(940,915)	(1,452,486)
Net decrease in cash and cash equivalents		(3,400,721)	(2,555,569)
Cash and cash equivalents at beginning of the period		727,266	3,045,369
Cash and cash equivalents at end of the period	13	(2,673,455)	489,800

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

notes to the condensed interim financial information (unaudited) for the nine months ended september 30, 2014

(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 desserts. The Company also owns and operates a dairy farm.

1.3 The Company holds 100% of the shares in Engro Foods Netherlands B.V. (EF Netherlands), which in turn is the 100% shareholder of Engro Foods Canada Limited (EFCL). EF Netherlands has entered into a Share Purchase Agreement (SPA) with a Canadian registered company for sale of its North American businesses, which includes EFCL. Subject to satisfaction of all conditions precedent as set out in the SPA, It is expected that the transation shall complete on or around October 31, 2014. The Company, based on this has classified the investment as Held for Sale, net of impairment.

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. This condensed interim financial information should be read in conjunction with the financial statements of the Company for the year ended December 31, 2013.

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.

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, 2013, except for change in certain estimates / judgments regarding the new Employees Share Options Scheme (ESOS). The estimated fair value of these options and the underlying assumptions are disclosed in note 6. Any changes in these assumptions may materially impact the carrying amount of deferred employee share compensation expense and employee share compensation reserve within the current and next financial year.

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, 2013.

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited September 30, 2014	Audited December 31, 2013
	Rupees	
Operating assets, at net book value (notes 4.1 and 4.2)	14,255,068	11,045,375
Capital work-in-progress (note 4.3)	916,137	3,328,363
Major spare parts and stand by equipment	250,297	131,033
	15,421,502	14,504,771

(Amounts in thousand)

	Unaudited September 30, 2014	Audited December 31, 2013
	Rupees	

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

Free hold land (note 4.1.1)	-	228,625
Buildings on freehold land	977,994	200,265
Plant, machinery and related equipment	3,442,838	1,960,870
Office equipment and furniture and fittings	62,936	44,663
Computers	27,602	58,793
Vehicles	98,987	141,169
	4,610,357	2,634,385

4.1.1 The Company acquired land measuring 537 Kanals, 37 Marlas surrounding its Sahiwal plant through the Commissioner, Sahiwal Division, Government of Punjab (the Government) action, by invoking provisions of Land Acquisition Act, 1894.

Under the said law, the price of the nearby land was assessed by the Government authorities and the Company paid Rs. 212,514 to the Government for purchase of the land. The Government will in turn pay to the respective land owners.

In 2013, few land owners filed writ petitions against the Government's action at Lahore High Court (the Court). During the period, the writ petitions has been decided in favor of the Company by the Court. However, an intra-court appeal has been filed against the aforesaid decision by few landowners, for which no stay has been granted.

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal
	Rupees				
Plant , machinery and equipment	36,823	(32,394)	4,429	6,425	Insurance claims / Sales
Vehicles:					
- owned	108,571	(64,698)	43,873	47,520	Insurance claims / Employee
- leased	1,365	(1,365)	-	518	Buyback / Bidding / Theft
	109,936	(66,063)	43,873	48,038	recovery
Computers	10,456	(9,271)	1,185	1,105	Insurance claim
Office equipment	9,391	(8,838)	553	1,125	Insurance claim
September 30, 2014	166,606	(116,566)	50,040	56,693	
December 31, 2013	286,443	(69,258)	217,185	230,662	

(Amounts in thousand)

	Unaudited September 30, 2014	Audited December 31, 2013
	Rupees	
4.3 Movement in capital work-in-progress during the period / year:		
Balance at beginning of the period / year	3,328,363	765,397
Additions:		
Land	11,990	216,793
Building on freehold land	859,907	515,260
Plant, machinery and equipment	1,148,560	4,272,590
IS and milk automation projects	34,898	20,376
Office equipment, furniture & fittings and computers	57,461	132,791
Vehicles	131,646	108,389
	2,244,462	5,266,199
Less:		
Transfers to:		
- Operating assets	(4,610,357)	(2,634,385)
- Intangible assets	(46,331)	(68,848)
Balance at end of the period / year	916,137	3,328,363
5. STOCK-IN-TRADE		
Raw and packaging material (note 5.1)	1,632,465	2,128,503
Work in process	1,260,784	390,133
Finished goods (note 5.2 and 5.3)	847,331	564,947
	3,740,580	3,083,583

5.1 Includes Nil (December 31, 2013: Rs. 3,326) in respect of stock held by third parties.

5.2 Includes Rs. 17,549 (December 31, 2013: Rs. 33,010) in respect of stock held by third parties.

5.3 These are net of provision against expired / obsolete stock and net realizable value amounting to Rs. 150,391 (December 31, 2013: Rs. 132,552).

6. EMPLOYEES' SHARE OPTION SCHEME

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

Under the Scheme, options can be granted in the years 2013 to 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. These options are exercisable within 3 years from the end of vesting period. The details of share options granted to date, which remained outstanding as at September 30, 2014 are as follows:

- number of options	Rs. 5,700,000
- range of exercise price	Rs. 191.89 - Rs. 253.77
- weighted average remaining contractual life	4.5 years

(Amounts in thousand)

The weighted average fair value of options granted till date, as estimated at the date of grant using the Black-Scholes model was Rs. 24.43 per option whereas weighted average fair value of options to be granted has been estimated as Rs. 23.13 per option. The following weighted average assumptions were used in calculating the fair values of the options:

	Options granted in 2013	Options to be granted
- share price	Rs. 127.23	Rs. 100.96
- exercise price	Rs. 191.89	Rs. 169.33
- expected volatility	34.16%	34.56%
- expected life	3 years	3.75 years
- annual risk free interest rate	9.71%	11.25%

No option has been granted during the period.

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective / expected grant date. In addition, the Company estimates that during the next six months options for remaining 11.2 million shares will be granted.

In this respect, Employee share option compensation reserve and the related deferred expense amounting to Rs. 398,323 has been recognized, out of which Rs.179,752 has been amortized to date including Rs. 77,637 as charge for the current period in respect of related employees services received to the balance sheet date.

7. SHORT TERM FINANCES - secured

7.1 The facilities for short term finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, as at September 30, 2014 amounts to Rs. 5,400,000 (December 31, 2013: Rs. 3,200,000). The unutilized balance against these facilities as at September 30, 2014 was Rs. 2,501,796 (December 31, 2013: Rs. 3,200,000). The rates of mark-up on these finances are KIBOR based and range from 10.95% to 12.17% (December 31, 2013: 10.01 % to 12.01%) 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 September 30, 2014 amounts to Rs. 4,515,000 (December 31, 2013: Rs. 4,515,000), of which the amount remaining unutilized as at September 30, 2014 was Rs. 1,724,127 (December 31, 2013: Rs. 2,558,450).

8. CONTINGENCIES AND COMMITMENTS

8.1 As at September 30, 2014 the Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 56,199 (December 31, 2013: Rs. 55,242) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (December 31, 2013: Rs. 34,350) under the contract for supply of gas;
- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,172 (December 31, 2013: 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 (December 31, 2013: Rs. 172,000) have been received to-date;

(Amounts in thousand)

- Controller Military Accounts, Rawalpindi amounting to Rs. 5,953 (December 31, 2013: Rs. 6,872), as collateral against supplies;
- Collector of Customs, Model Customs Collectorate amounting to Nil (December 31, 2013: Rs. 54,081) against payment of sales tax on import of plant and machinery;
- Officer Commanding PAF Faisal Base amounting to Rs. 3,818 (December 31, 2013: Nil) as collateral against supplies; and
- Parco Pearl Gas Co. Private Limited amounting to Rs. 600 (December 31, 2013: Nil) as collateral against supplies.

8.2 As at Septmber 30, 2014 post-dated cheques amounting to Rs. Nil (December 31, 2013: Rs. 44,003) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notifications dated July 8, 2011 and August 1, 2011.

8.3 Commitments in respect of capital expenditure contracted for but not incurred as at September 30, 2014 amounted to Rs. 157,512 (December 31, 2013: Rs. 966,772).

8.4 Commitments in respect of purchase of certain commodities as at September 30, 2014 amounted to Rs. 2,206,780 (December 31, 2013: Rs. 731,586).

8.5 Commitments for rentals payable under the Ijarah agreement as at September 30, 2014 amounted to Rs. 280,179 (December 31, 2013: Rs. 235,634).

8.6 Following is the position of the Company's open tax assessments/matters as at September 30, 2014:

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.

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, which is under the process of hearings. 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.

In 2013, the Appellate Tribunal also decided the similar appeal filed by the Holding Company for the year ended December 31, 2008 in favour of the Holding 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 taxes recoverable have 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

(Amounts in thousand)

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 was added to income for the year. The Company 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 filed an appeal at the Tribunal level for the remainder matters remanded back or decided against the Company. The Tribunal through its order dated May 3, 2013, has decided the remaining matters in favour of the Company except for certain disallowances of advances and stock written-off amounting to Rs. 8,642. These disallowances will be claimed in tax year 2014 as significant time has lapsed, and no amount has been realized thereagainst to date. Accordingly, there will be no effect on the results of the Company.

d) In 2013, the Commissioner Inland Revenue raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. The Company has obtained stay order from the Sindh High Court against the audit proceedings and has also filed an appeal thereagainst before the Commissioner Appeals. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

e) In 2013, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum tax paid cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Company's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by the Supreme Court, which they intend to approach, if required. Therefore, the Company has maintained the adjustment of carried forward minimum tax amounting to Rs. 473,589, made in prior years.

f) During the period, the Additional Commissioner Inland Revenue raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. The Company has obtained a stay order from the Sindh High Court against the recovery proceedings and has also filed an appeal thereagainst before the Commissioner Appeals. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

9. OTHER EXPENSE

Represents provision against investment in Engro Foods Netherlands B.V., a wholly owned subsidiary.

10. TAXATION

During the period, prior period tax credit of Rs. 152,000 (for period from January 1, 2013 to December 31, 2013), available under section 65B of the Income Tax Ordinance, 2001, (being 10% of the value of additions to plant and machinery qualifying for balancing, modernisation, replacement, extension and expansion) has been recorded. The aforesaid tax credit recognized for the nine months ended September 30, 2014 amounts to Rs. 310,000 and have been netted off against the current tax charge for the period.

(Amounts in thousand)

11. (LOSS) / EARNING PER SHARE - Basic and diluted

	Quarter ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	Rupees			
The basic and diluted (loss) / earnings per share of the Company are based on:				
(Loss) / Profit for the period	(77,326)	127,780	251,819	1,240,498
	Number of shares			
Weighted average number of ordinary shares in issue during the period (in thousand)	766,596	766,482	766,596	764,667
Weighted average number of ordinary shares for determination of diluted EPS (in thousand)	766,596	766,630	766,596	766,297

12. CASH GENERATED FROM OPERATIONS

	Unaudited September 30, 2014	Unaudited September 30, 2013
	Rupees	
(Loss) / Profit before taxation	(164,631)	1,742,951
Adjustment for non-cash charges and other items:		
- Depreciation	1,339,902	1,070,266
- Amortization of intangible assets	39,659	35,367
- Amortization of deferred income	(5,077)	(6,420)
- Amortization of arrangement fees on long term loan	4,074	3,607
- Amortization of deferred employee share option compensation reserve	77,637	37,232
- Loss on disposal / death of biological assets	15,827	13,057
- Biological assets written-off	-	50,533
- Gain on disposal of operating assets	(6,653)	(14,182)
- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(162,382)	(94,844)
- Provision for retirement and other service benefits	62,811	55,446
- Provision for stock-in-trade	52,393	97,427
- Provision for slow moving spares	2,214	2,174
- Provision for impairment of trade debts	(349)	811
- Provision for impairment of property, plant and equipment	10,722	93,909
- Provision against investment in subsidiary	552,358	-
- Finance cost	938,980	586,245
Working capital changes (note 12.1)	(1,317,971)	107,217
	1,439,514	3,780,796

(Amounts in thousand)

		Unaudited September 30, 2014	Unaudited September 30, 2013
12.1	**Working capital changes**	Rupees	
	(Increase) / Decrease in current assets		
	- Stores, spares and loose tools	(138,048)	(161,603)
	- Stock-in-trade	(709,390)	739,566
	- Trade debts	28,202	1,718
	- Advances, deposits and prepayments	(3,025)	94,626
	- Other receivables	(406,261)	(817,325)
		(1,228,522)	(143,018)
	Increase / (Decrease) in current liabilities		
	Trade and other payables - net	(89,449)	250,235
		(1,317,971)	107,217

13. CASH AND CASH EQUIVALENTS

Cash and bank balances	224,749	499,601
Short term finances	(2,898,204)	(9,801)
	(2,673,455)	489,800

14. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Nine months ended September 30, 2014	Nine months ended September 30, 2013
		Rupees	
Holding company	Arrangement for sharing of premises, utilities, personnel and assets	184,486	160,241
	Advance against purchase of shares of Engro Foods Netherlands B.V.	-	169,649
	Pension fund contribution	867	878
	Provident fund contribution	20,588	17,563
	Gratuity fund contribution	640	1,071
	Reimbursement of net cost incurred for meat business	44,813	-
Subsidiary and associated companies	Investment in subsidiary	125,070	-
	Arrangement for sharing of premises, utilities, personnel and assets	41,944	79,253
	Purchases of goods	73,214	103,632
	Purchases of services	32,684	1,944
	Donation	12,000	10,000
	Subsidy received	-	5,009
Contribution to staff retirement funds	Provident Fund	161,363	129,311
	Gratuity Fund	58,310	68,407
Key management personnel	Managerial remuneration	100,191	104,498
	Contribution for staff retirement benefits	8,106	9,690
	Bonus payment	7,071	78,328
	Other benefits	759	748

(Amounts in thousand)

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

15. SEGMENT INFORMATION

15.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are the same which were disclosed in annual published financial statements for the year ended December 31, 2013.

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

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

	Unaudited Nine months ended September 30, 2014						Unaudited Nine months ended September 30, 2013				
	Dairy & Beverages	Ice cream & frozen desserts	Dairy farm	Business Development	Others	Total	Dairy & Beverages	Ice cream & frozen desserts	Dairy farm	Business Development	Total
	Rupees										
Results for the period											
Net sales	28,084,979	2,634,177	527,219	66,994		31,313,369	25,889,850	2,266,160	326,410	598	28,483,018
Inter-segment sales	(141,342)	(60)	(527,219)	(11,697)		(680,318)	(153,403)	-	(326,410)		(479,813)
Net revenue from external customers	27,943,637	2,634,117	-	55,297	-	30,633,051	25,736,447	2,266,160	-	598	28,003,205
Raw milk sales	38,065	-	-	-	-	38,065	20,205	-	-	-	20,205
	27,981,702	2,634,117	-	55,297	-	30,671,116	25,756,652	2,266,160	-	598	28,023,410
Segment profit / (loss)	942,116	(122,379)	(33,719)	(127,394)	(406,805)	251,819	1,536,208	(136,421)	(128,800)	(30,488)	1,240,499
	As at September 30, 2014 (Unaudited)						As at December 31, 2013 (Audited)				
Assets											
- Segment assets	19,034,831	2,494,326	1,892,691	78,008	-	23,499,856	16,913,103	2,610,091	1,706,295	58,859	21,288,348
- Un-allocated assets	-	-	-	-	-	2,507,065	-	-	-	-	2,757,205
	19,034,831	2,494,326	1,892,691	78,008	-	26,006,921	16,913,103	2,610,091	1,706,295	58,859	24,045,553

notes to the condensed interim financial information (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand)

16. SEASONALITY

The Company's 'Ice cream' and 'Beverages' businesses are subject to seasonal fluctuation, with demand of ice cream and beverages products increasing in summer. The Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection. Therefore, revenues and profits as at September 30, 2014 are not necessarily indicative of the results to be achieved 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 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.

18. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on October 20, 2014 by the Board of Directors of the Company.

Chairman

Chief Executive



engro foods

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

consolidated condensed interim balance sheet (unaudited) as at september 30, 2014

(Amounts in thousand)

	Note	Unaudited September 30, 2014	Audited December 31, 2013
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	15,421,502	14,509,608
Biological assets		807,458	716,465
Intangible assets		129,509	603,719
Long term advances and deposits		118,547	93,132
Deferred employee share option compensation expense	6	118,318	168,865
		16,595,334	16,091,789
Current Assets			
Stores, spares and loose tools		756,241	739,671
Stock-in-trade	5	3,740,580	3,199,390
Trade debts		125,720	245,767
Advances, deposits and prepayments		184,105	186,754
Other receivables		2,760,541	2,359,162
Deferred employee share option compensation expense	6	100,253	136,153
Taxes recoverable		1,519,398	636,588
Short term investments		-	170,000
Cash and bank balances		224,749	575,036
		9,411,587	8,248,521
Assets attributable to discontinued operations	7	134,985	-
TOTAL ASSETS		26,141,906	24,340,310
EQUITY AND LIABILITIES			
Equity			
Share capital		7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve	6	398,323	407,133
Hedging reserve		(2,618)	(9,581)
Remeasurement of post employment benefits - Actuarial loss		(32,692)	(34,839)
Other reserves		(628,780)	(628,780)
Exchange revaluation reserve		(24,185)	14,727
Unappropriated profit		2,732,413	2,480,594
		10,973,776	10,760,569
Non-Current Liabilities			
Long term finances		5,950,608	7,126,994
Deferred taxation		1,279,751	1,538,583
Deferred income		4,333	9,410
		7,234,692	8,674,987
Current Liabilities			
Current portion of long term finances		1,271,553	1,032,008
Trade and other payables		3,273,413	3,405,175
Derivative financial instruments		3,908	14,517
Accrued interest / mark-up on			
- long term finances		250,933	229,312
- short term finances		100,442	10,337
Short term finances	8	2,898,204	213,405
		7,798,453	4,904,754
Liabilities assoicated with dscontinued operations	7	134,985	-
Contingencies and Commitments	9		
TOTAL EQUITY AND LIABILITIES		26,141,906	24,340,310

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

Chairman

Chief Executive

consolidated condensed interim profit and loss account (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand except for earnings per share)

	Note	Quarter ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
		Rupees			
Net sales		10,920,851	9,090,531	31,020,456	28,023,410
Cost of sales		(9,275,938)	(7,480,530)	(25,291,902)	(21,116,110)
Gross Profit		1,644,913	1,610,001	5,728,554	6,907,300
Distribution and marketing expenses		(1,261,176)	(1,131,073)	(3,599,073)	(3,768,459)
Administrative expenses		(297,830)	(189,128)	(985,585)	(739,750)
Other operating expenses		(33,943)	(47,783)	(145,867)	(271,282)
Other income		126,644	121,956	223,578	201,387
Operating profit		178,608	363,973	1,221,607	2,329,196
Other expense	7	(437,588)	-	(437,588)	-
Finance costs		(338,410)	(188,345)	(948,650)	(586,245)
(Loss) / Profit before taxation		(597,390)	175,628	(164,631)	1,742,951
Taxation	10				
Current					
- For the period		199,604	(114,514)	-	(558,656)
- For prior year		152,000	-	152,000	(25,226)
		351,604	(114,514)	152,000	(583,882)
Deferred		168,460	66,666	264,450	81,429
		520,064	(47,848)	416,450	(502,453)
(Loss) / Profit for the period		(77,326)	127,780	251,819	1,240,498
(Loss) / Profit attributable to:					
- continuing operations		481,479	127,780	810,624	1,240,498
- discontinued operations		(558,805)	-	(558,805)	-
Basic and diluted earnings / (loss) per share from:					
- continuing operations	11	0.63	0.17	1.06	1.62
- discontinued operations		(0.73)	-	(0.73)	-

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

Chairman

Chief Executive

consolidated condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand)

	Quarter ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	Rupees			
(Loss) / Profit for the period	(77,326)	127,780	251,819	1,240,498
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Gain / (Loss) on hedges during the period	(4,330)	83,367	(54,570)	19,612
Less: Adjustments for amounts transferred to initial carrying amounts of hedged items - capital work-in-progress / stock-in-trade	3,605	(17,834)	65,180	(2,076)
Income tax relating to hedging reserve	239	(22,280)	(3,647)	(5,703)
	(486)	43,253	6,963	11,833
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefits obligation - Actuarial loss	-	-	3,204	6,276
Income tax relating to Acturial loss	-	-	(1,057)	(2,133)
	-	-	2,147	4,143
Exchange differences on translation of foreign operations	(1,948)	-	(38,912)	-
Other comprehensive income / (loss) for the period, net of tax	(2,434)	43,253	(29,802)	15,976
Total comprehensive (loss) / income for the period	(79,760)	171,033	222,017	1,256,474
Total comprehensive (loss) / income attributable to equity shareholders arises from:				
- continuing operations	480,993	171,033	819,734	1,256,474
- discontinued operations	(560,753)	-	(597,717)	-

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

Chairman

Chief Executive

consolidated condensed interim statement of changes in equity (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand)

	RESERVES									
			CAPITAL			REVENUE				
	Share capital	Advance against issue of share capital	Share premium	Employee share compensation reserve	Hedging reserve	Unappropriated profit	Remeasurement of post employment benefits - Actuarial loss	Other reserve	Exchange revaluation reserve	Total
	Rupees									
Balance as at January 1, 2013 (Audited)	7,615,776	1,234	810,280	-	16,761	1,610,222	(22,954)	-	-	10,031,319
Transactions with owners										
- Share capital issued	49,135	(1,234)	53,919	-	-	-	-	-	-	101,820
Employee share option scheme	-	-	-	178,714	-	-	-	-	-	178,714
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	-	11,833	1,240,498	4,143	-	-	1,256,474
Balance as at September 30, 2013 (Unaudited)	7,664,911	-	864,199	178,714	28,594	2,850,720	(18,811)	-	-	11,568,327
Transactions with owners										
- Share capital issued	1,050		1,155	-	-	-	-	-	-	2,205
Employee share option scheme	-	-	-	228,419	-	-	-	-	-	228,419
Reserve on acquisition of subsidiary	-	-	-	-	-	-	-	(628,780)	13,285	(615,495)
Total comprehensive loss for the three months ended December 31, 2013	-	-	-	-	(38,175)	(370,126)	(16,028)	-	1,442	(422,887)
Balance as at December 31, 2013 (Audited)	7,665,961	-	865,354	407,133	(9,581)	2,480,594	(34,839)	(628,780)	14,727	10,760,569
Employee share option scheme	-	-	-	(8,810)	-	-	-	-	-	(8,810)
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	-	6,963	251,819	2,147	-	(38,912)	222,017
Balance as at September 30, 2014 (Unaudited)	7,665,961	-	865,354	398,323	(2,618)	2,732,413	(32,692)	(628,780)	(24,185)	10,973,776

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

Chairman

Chief Executive

consolidated condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand)

	Note	Nine months ended September 30, 2014	2013
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilized in) / generated from operations	12	1,413,602	3,780,796
Finance costs paid		(836,924)	(731,575)
Taxes paid		(729,896)	(409,030)
Retirement benefits paid		(59,478)	(69,479)
Long term advances and deposits - net		(25,415)	(14,173)
Net cash (utilized in) / generated from operating activities		(238,111)	2,556,539
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(2,209,564)	(3,735,522)
- intangible assets		(34,898)	(2,441)
Proceeds from disposal of:			
- property, plant and equipment		59,125	215,728
- biological assets		55,562	32,262
Advance against purchase of shares of Engro Foods Netherlands B.V.		-	(169,649)
Net cash utilized in investing activities		(2,129,775)	(3,659,622)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	101,820
Proceeds from long term finances		-	377,635
Repayments of			
- long term finances		(940,915)	(1,930,000)
- obligations under finance lease		-	(1,941)
Net cash utilized in financing activities		(940,915)	(1,452,486)
Net decrease in cash and cash equivalents		(3,308,801)	(2,555,569)
Cash and cash equivalents at beginning of the period		531,631	3,045,369
Cash and cash equivalents at end of the period	13	(2,777,170)	489,800

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

Chairman

Chief Executive

notes to the consolidated condensed interim financial information (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Foods Limited (the Holding 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 Holding Company is a subsidiary of Engro Corporation Limited (ECL). The registered office of the Holding Company 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 Holding Company is to manufacture, process and sell dairy products, beverages, ice cream and frozen deserts. The Holding Company also owns and operates a dairy farm.

1.3 The Group consist of:

Holding Company: Engro Foods Limited

Subsidiary Company: Engro Foods Netherlands B.V. (note 1.3.1), in which the Holding Company owns 100% voting rights and is controlled by the Holding Company

1.3.1 Engro Foods Netherlands B.V. (the Subsidiary Company), was incorporated in Netherlands in 2011. The principal activity of the Subsidiary Company is marketing and selling of Halal food products. For this purpose, the Subsidiary Company has acquired an existing brand of halal meat business known as 'Al-Safa', engaged in supply of variety of packaged halal foods across North America, through Engro Foods Canada Limited (EFCL), a wholly owned subsidiary of EF Netherlands, incorporated in Canada on April 5, 2011 having its registered office situated at 1900 Minnesota Court, Unit No. 112, Mississauga, ON L5N 3C9; and Engro Foods US LLC, a wholly owned subsidiary of EFCL, incorporated as a limited liability company on April 11, 2011 and registered in Delaware, USA.

As explained in note 7, EF Netherlands has entered into a Share Purchase Agreement (SPA) with a Canadian registered company for sale of its North American businesses, which includes EFCL. Subject to satisfaction of all conditions precedent as set out in the SPA. It is expected that the transation shall complete on or around October 31, 2014. The Holding Company, based on this has classified the subsidairy as discontinued operations.

2. BASIS OF PREPARATION

2.1 This consolidated 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. This consolidated condensed interim financial information should be read in conjunction with the financial statements of the Holding Company for the year ended December 31, 2013.

2.2 The preparation of this consolidated 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 Group'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 this condensed interim financial information, the significant judgments made by the management in applying the Group'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, 2013, except for change in certain estimates / judgments regarding the new Employees Share Options Scheme (ESOS). The estimated fair value of these options and the underlying assumptions are disclosed in note 6. Any changes in these assumptions may materially impact the carrying amount of deferred employee share compensation expense and employee share compensation reserve within the current and next financial year.

(Amounts in thousand)

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2013.

	Unaudited September 30, 2014	Audited December 31, 2013
	Rupees	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value (notes 4.1 and 4.2)	14,255,068	11,050,212
Capital work-in-progress (note 4.3)	916,137	3,328,363
Major spare parts and stand by equipment	250,297	131,033
	15,421,502	14,509,608
4.1 Following additions, including transfers from capital work-in-progress, were made to operating assets during the period / year:		
Free hold land (note 4.1.1)	-	228,625
Buildings on freehold land	977,994	200,265
Plant, machinery and related equipment	3,442,838	1,960,870
Office equipment and furniture and fittings	62,936	44,663
Computers	27,602	58,793
Vehicles	98,987	141,169
	4,610,357	2,634,385

4.1.1 The Holding Company acquired land measuring 537 Kanals, 37 Marlas surrounding its Sahiwal plant through the Commissioner, Sahiwal Division, Government of Punjab (the Government) action, by invoking provisions of Land Acquisition Act, 1894.

Under the said law, the price of the nearby land was assessed by the Government authorities and the Holding Company paid Rs. 212,514 to the Government for purchase of the land. The Government will in turn pay to the respective land owners.

In 2013, few land owners filed writ petitions against the Government's action at Lahore High Court (the Court). During the period, the writ petitions has been decided in favor of the Holding Company by the Court. However, an intra-court appeal has been filed against the aforesaid decision by few landowners, for which no stay has been granted.

(Amounts in thousand)

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal
	Rupees				
Plant, machinery and equipment	36,823	(32,394)	4,429	6,425	Insurance claims / Sales
Vehicles:					
- owned	108,571	(64,698)	43,873	47,520	Insurance claims / Employee
- leased	1,365	(1,365)	-	518	buyback / Bidding / Theft
	109,936	(66,063)	43,873	48,038	recovery
Computers	10,456	(9,271)	1,185	1,105	Insurance claim
Office equipment	9,391	(8,838)	553	1,125	Insurance claim
September 30, 2014	166,606	(116,566)	50,040	56,693	
December 31, 2013	286,443	(69,258)	217,185	230,662	

	Unaudited September 30, 2014	Audited December 31, 2013
	Rupees	
4.3 Movement in capital work-in-progress during the period / year:		
Balance at beginning of the period / year	3,328,363	765,397
Additions:		
Land	11,990	216,793
Building on freehold land	859,907	515,260
Plant, machinery and equipment	1,148,560	4,272,590
IS and milk automation projects	34,898	20,376
Office equipment and furniture and fittings	57,461	132,791
Vehicles	131,646	108,389
	2,244,462	5,266,199
Less:		
Transfers to:		
- Operating assets	(4,610,357)	(2,634,385)
- Intangible assets	(46,331)	(68,848)
Balance at end of the period / year	916,137	3,328,363

5. STOCK-IN-TRADE

Raw and packaging material (note 5.1)	1,632,465	2,150,536
Work in process	1,260,784	390,133
Finished goods (note 5.2 and 5.3)	847,331	658,721
	3,740,580	3,199,390

(Amounts in thousand)

5.1 Includes Nil (December 31, 2013: Rs. 3,326) in respect of stock held by third parties.

5.2 Includes Rs. 17,549 (December 31, 2013: Rs. 33,010) in respect of stock held by third parties.

5.3 These are net of provision against expired / obsolete stock and net realizable value amounting to Rs. 150,391 (December 31, 2013: Rs. 132,552).

6. EMPLOYEES' SHARE OPTION SCHEME

In 2013, the shareholders of the Holding Company approved a new Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares.

Under the Scheme, options can be granted in the years 2013 to 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. These options are exercisable within 3 years from the end of vesting period. The details of share options granted to date, which remained outstanding as at September 30, 2014 are as follows:

- number of options	5,700,000
- range of exercise price	Rs. 191.89 - Rs. 253.77
- weighted average remaining contractual life	4.5 years

The weighted average fair value of options granted till date, as estimated at the date of grant using the Black-Scholes model was Rs. 24.43 per option whereas weighted average fair value of options to be granted has been estimated as Rs. 23.13 per option. The following weighted average assumptions were used in calculating the fair values of the options:

	Options granted in 2013	Options to be granted
- share price	Rs. 127.23	Rs. 100.96
- exercise price	Rs. 191.89	Rs. 169.33
- expected volatility	34.16%	34.56%
- expected life	3 years	3.75 years
- annual risk free interest rate	9.71%	11.25%

No option has been granted during the period.

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective / expected grant date. In addition, the Company estimates that during the next six months options for remaining 11.2 million shares will be granted.

In this respect, Employee share option compensation reserve and the related deferred expense amounting to Rs. 398,323 has been recognized, out of which Rs.179,752 has been amortized to date including Rs. 77,637 as charge for the current period in respect of related employees services received to the balance sheet date.

7. DISCONTINUED OPERATIONS

7.1 In view of the divestment of the business as explained in note 1.3.1, at September 30, 2014, the amount of investment has been impaired in the standalone financial statements of the Holding Company. Accordingly, in this consolidated condensed interim financial information, Goodwill and Brand (Al- Safa) have been reduced to its recoverable amount.

(Amounts in thousand)

7.2 An analysis of the discontinued operations as required by IFRS 5 is as under:

a) Assets	September 30, 2014 (Rupees)
Property, plant & equipment	821
Intangibles - Brand & Goodwill	31,151
Stock in trade	32,719
Trade debts	58,712
Advances, deposits and prepayments	8,034
Others receivable	3,176
Cash & bank balances	372
	134,985
b) Liabilities	
Trade and other payables	30,898
Short term borrowings	104,087
	134,985

	For nine months ended September 30,	
c) Results of operations	2014	2013
	Rupees	
Sales	349,340	718,506
Gross profit	44,538	81,919
Operating loss	(111,547)	(145,739)
Loss for the period from discontinued operations *	(558,805)	(110,175)

* Includes Rs. 45,837 & Rs. 388,437 in respect of impairment of Goodwill and Brand respectively.

	For nine months ended September 30,	
d) Cash flows	2014	2013
	Rupees	
Operating cash flows	(31,230)	(205,380)
Investing cash flows	-	(504)
Financing cash flows	123,151	167,143
	91,921	(38,741)

8. SHORT TERM FINANCES - secured

8.1 Holding company

The facilities for short term finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, as at September 30, 2014 amounts to Rs. 5,400,000 (December 31, 2013: Rs. 3,200,000). The unutilized balance against these facilities as at September 30, 2014 was Rs. 2,501,796 (December 31, 2013: Rs. 3,200,000). The rates of mark-up on these finances are KIBOR based and range from 10.95% to 12.17% (December 31, 2013: 10.01 % to 12.01%) per annum. These

(Amounts in thousand)

facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

The facilities for opening letters of credit and guarantees as at September 30, 2014 amounts to Rs. 4,515,000 (December 31, 2013: Rs. 4,515,000), of which the amount remaining unutilized as at September 30, 2014 was Rs. 1,474,127 (December 31, 2013: Rs. 2,558,450).

8.2 Subsidiary company

Engro Foods Canada Limited (EFCL), a subsidiary company of Engro Foods Netherland B.V. entered into revolving working capital facility with the National Bank of Pakistan, New York on October 29, 2012. The Subsidiary Company's revolving working capital facility provides for a maximum operating line of credit of US $ 2,000. Borrowing under this revolving working capital facility bear interest at US prime rate plus 2.75%, but not less than 5.75% payable monthly. As security, Engro Corporation Limited, the Ultimate Parent Company, provided a guarantee and the general security consists of a first charge over EFCL's current assets up to US $ 2,670. There are certain operational covenants with which EFCL is in compliance as at September 30, 2014. EFCL had drawn $ 1,250 (Rs. 128,696) [2013: $ 1,242 (Rs. 122,508)] on the revolving working capital facility.

9. CONTINGENCIES AND COMMITMENTS

9.1 As at September 30, 2014 the Holding Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 56,199 (December 31, 2013: Rs. 55,242) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (December 31, 2013: Rs. 34,350) under the contract for supply of gas;
- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,172 (December 31, 2013: 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 (December 31, 2013: Rs. 172,000) have been received to-date;
- Controller Military Accounts, Rawalpindi amounting to Rs. 5,953 (December 31, 2013: Rs. 6,872), as collateral against supplies;
- Collector of Customs, Model Customs Collectorate amounting to Nil (December 31, 2013: Rs. 54,081) against payment of sales tax on import of plant and machinery;
- Officer Commanding PAF Faisal Base amounting to Rs. 3,818 (December 31, 2013: Nil) as collateral against supplies; and
- Parco Pearl Gas Co. Private Limited amounting to Rs. 600 (December 31, 2013: Nil) as collateral against supplies.

9.2 As at Septmber 30, 2014 post-dated cheques amounting to Rs. Nil (December 31, 2013: Rs. 44,003) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notifications dated July 8, 2011 and August 1, 2011.

9.3 Commitments in respect of capital expenditure contracted for but not incurred as at September 30, 2014 amounted to Rs. 157,512 (December 31, 2013: Rs. 966,772).

9.4 Commitments in respect of purchase of certain commodities as at September 30, 2014 amounted to Rs. 2,206,780 (December 31, 2013: Rs. 731,586).

9.5 Commitments for rentals payable under the Ijarah agreement as at September 30, 2014 amounted to Rs. 280,179 (December 31, 2013: Rs. 235,634).

(Amounts in thousand)

9.6 Following is the position of the Holding Company's open tax assessments/matters as at September 30, 2014:

a) The Holding 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.

The Holding Company has been designated as part of the Group of Engro Corporation Limited (ECL) 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 Holding Company to ECL 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 Holding Company to ECL. The tax department has filed reference application thereagainst before the Sindh High Court, which is under the process of hearings. However, in any event, should the reference application be upheld and the losses are returned to the Holding Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to ECL for refund of the consideration received. As such there will be no effect on the results of the Group.

In 2013, the Appellate Tribunal also decided the similar appeal filed by ECL for the year ended December 31, 2008 in favour of ECL.

b) The Holding 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 Holding Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence taxes recoverable have 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, on surrender of tax loss was added to income for the year. The Holding Company 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 Holding Company whereby withdrawing the demand amounting to Rs. 222,357. The Holding Company filed an appeal at the Tribunal level for the remainder matters remanded back or decided against the Holding Company. The Tribunal through its order dated May 3, 2013, has decided the remaining matters in favour of the Holding Company except for certain disallowances of advances and stock written-off amounting to Rs. 8,642. These disallowances will be claimed in tax year 2014 as significant time has lapsed, and no amount has been realized thereagainst to date. Accordingly, there will be no effect on the results of the Group.

d) In 2013, the Commissioner Inland Revenue raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. The Holding Company has obtained stay order from the Sindh High Court against the audit proceedings and has also filed an appeal thereagainst before the Commissioner Appeals. The Holding Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

e) In 2013, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum tax paid cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Holding Company's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by the Supreme Court, which they intend to approach, if required. Therefore, the Holding Company has maintained the adjustment of

(Amounts in thousand)

carried forward minimum tax amounting to Rs. 473,589, made in prior years.

f) During the period, the Additional Commissioner Inland Revenue raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. The Holding Company has obtained a stay order from the Sindh High Court against the recovery proceedings and has also filed an appeal thereagainst before the Commissioner Appeals. The Holding Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

10. TAXATION

During the period, the Holding Company has recorded a prior period tax credit of Rs. 152,000 (for period from January 1, 2013 to December 31, 2013), available under section 65B of the Income Tax Ordinance, 2001, (10% of the value of additions to plant and machinery qualifying for balancing, modernisation, replacement, extension and expansion). The aforesaid tax credit recognized for the nine months ended September 30, 2014 amounts to Rs. 310,000 and have been netted off against the current tax charge for the period.

11. (LOSS) / EARNINGS PER SHARE - Basic and diluted

	Quarter ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	Rupees			
The basic and diluted earnings / (loss) per share of the Group are based on:				
Profit / (Loss) attributable to:				
- continuing operations	481,479	127,780	810,624	1,240,498
- discontinued operations	(558,805)	-	(558,805)	-
	Number of shares			
Weighted average number of ordinary shares in issue during the period (in thousand)	766,596	766,482	766,596	764,667
Weighted average number of ordinary shares for determination of diluted EPS (in thousand)	766,596	766,630	766,596	766,297

notes to the consolidated condensed interim financial information (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand)

		Unaudited September 30, 2014	Unaudited September 30, 2013
		Rupees	
12.	CASH GENERATED FROM OPERATIONS		
	(Loss) / Profit before taxation	(164,631)	1,742,951
	Adjustment for non-cash charges and other items:		
	- Depreciation	1,341,126	1,070,266
	- Amortization of intangible assets	66,225	35,367
	- Amortization of deferred income	(5,077)	(6,420)
	- Amortization of arrangement fees on long term loan	4,074	3,607
	- Amortization of deferred employee share option compensation reserve	77,637	37,232
	- Effect of translation of foreign operations	(52,977)	-
	- Loss on disposal of biological assets	15,828	13,057
	- Biological assets written-off	-	50,533
	- Gain on disposal of operating assets	(6,653)	(14,182)
	- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(162,382)	(94,844)
	- Provision for impairment of brand and goodwill (note 7)	437,588	-
	- Provision for retirement and other service benefits	62,811	55,446
	- Provision for stock-in-trade	52,393	97,427
	- Provision for slow moving spares	2,214	2,174
	- Provision for impairment of trade debts	(349)	811
	- Provision for impairment of property, plant and equipment	10,722	93,909
	- Finance cost	948,650	586,245
	Working capital changes (note 11.1)	(1,213,597)	107,217
		1,413,602	3,780,796
12.1	Working capital changes		
	(Increase) / Decrease in current assets		
	- Stores, spares and loose tools	(138,048)	(161,603)
	- Stock-in-trade	(626,302)	739,566
	- Trade debts	61,684	1,718
	- Advances, deposits and prepayments	(5,385)	94,626
	- Other receivables	(404,555)	(817,325)
		(1,112,606)	(143,018)
	Increase / (Decrease) in current liabilities		
	Trade and other payables - net	(100,991)	250,235
		(1,213,597)	107,217
13.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	225,121	499,601
	Short term finances	(3,002,291)	(9,801)
		(2,777,170)	489,800

(Amounts in thousand)

13.1 These include balances in respect of the discontinued operations of the Holding Company as disclosed in note 7 to this consolidated condensed interim financial information.

14. TRANSACTIONS WITH RELATED PARTIES

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

		Nine months ended September 30,	
		2014	2013
		Rupees	
Nature of relationship	Nature of transactions		
Holding company	Arrangement for sharing of premises, utilities, personnel and assets	184,486	160,241
	Advance against purchase of shares of Engro Foods Netherlands B.V.	-	169,649
	Pension fund contribution	867	878
	Provident fund contribution	20,588	17,563
	Gratuity fund contribution	640	1,071
	Reimbursement of net cost incurred for meat business	44,813	-
Associated companies	Arrangement for sharing of premises, utilities, personnel and assets	41,944	79,253
	Purchases of goods	73,214	103,632
	Purchases of services	3,037	1,944
	Donation	12,000	10,000
	Subsidy received	-	5,009
Contribution to staff retirement funds	Provident Fund	161,363	129,311
	Gratuity Fund	58,310	68,407
	Managerial remuneration	100,331	104,498
Key management personnel	Contribution for staff retirement benefits	8,106	9,690
	Bonus payment	7,071	78,328
	Other benefits	759	748

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

15. SEGMENT INFORMATION

15.1 The basis of segmentation and reportable segments presented in this consolidated condensed interim financial information are the same which were disclosed in annual published financial statements for the year ended December 31, 2013.

Unallocated assets include long term investments, long and short term advances, deposits and prepayments, other receivables, taxes recoverable and cash and bank balances.

(Amounts in thousand)

Liabilities are not segment-wise reported to the Board of Directors. All the unallocated results and assets are reported to the Board of Directors at entity level. Inter-segment sales of processed milk and powder are made by Dairy & Beverages to Ice cream and inter-segment sales of raw milk are made by Dairy farm to Dairy, at market value.

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

	Unaudited Nine months ended September 30, 2014						Unaudited Nine months ended September, 2013					
	Dairy & Beverages	Ice cream & frozen desserts	Dairy farm	Business Development	Others	Total	Dairy & Beverages	Ice cream & frozen desserts	Dairy farm	Business Development	Others	Total
	Rupees											
Results for the period												
Net sales	28,084,979	2,634,177	527,219	66,994	349,340	31,662,709	25,889,850	2,266,160	326,410	598	-	28,483,018
Inter-segment sales	(141,342)	(60)	(527,219)	(11,697)	-	(680,318)	(153,403)	-	(326,410)		-	(479,813)
Net revenue from external customers	27,943,637	2,634,117	-	55,297	349,340	30,982,391	25,736,447	2,266,160	-	598	-	28,003,205
Raw milk sales	38,065	-	-	-	-	38,065	20,205	-	-	-	-	20,205
	27,981,702	2,634,117	-	55,297	349,340	31,020,456	25,756,652	2,266,160	-	598	-	28,023,410
Segment profit / (loss)	942,116	(122,379)	(33,719)	(127,394)	(406,805)	251,819	1,536,208	(136,421)	(128,800)	(30,488)	-	1,240,499
	As at September 30, 2014 (Unaudited)						As at December 31, 2013 (Audited)					
Assets												
- Segment assets	19,034,831	2,494,326	1,892,691	78,008	134,985	23,634,841	17,121,104	2,610,091	1,706,295	58,859	485,718	21,982,067
- Un-allocated assets	-	-	-	-	-	2,507,065	-	-	-	-	-	2,358,243
	19,034,831	2,494,326	1,892,691	78,008	134,985	26,141,906	17,121,104	2,610,091	1,706,295	58,859	485,718	24,340,310

16. SEASONALITY

The Holding Company's 'Ice cream' and 'Beverages' businesses are subject to seasonal fluctuation, with demand of ice cream and beverages products increasing in summer. The Holding Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection. Therefore, revenues and profits as at September 30, 2014 are not necessarily indicative of the results to be achieved for the full year.

notes to the consolidated condensed interim financial information (unaudited) for the nine months ended september 30, 2014

(Amounts in thousand)

17. CORRESPONDING FIGURES

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

18. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on October 20, 2014 by the Board of Directors of the Holding Company.

Chairman

Chief Executive

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