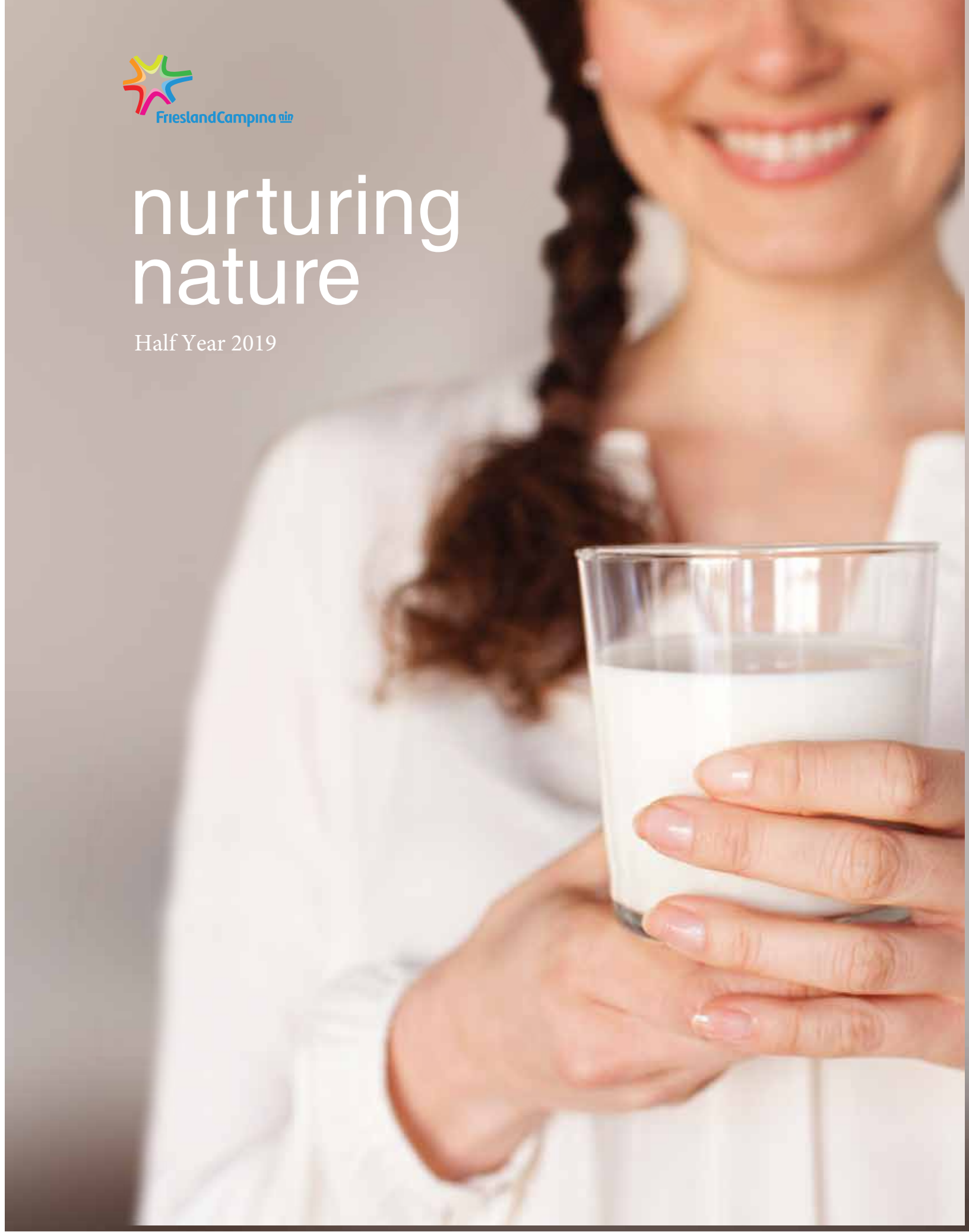
FrieslandCampina

nurturing nature

Half Year 2019



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company information

Board of Directors
Abdul Samad Dawood (Chairman)
Abrar Hasan
Ali Ahmed Khan (Chief Executive Officer)
Eduardus Lambertus Holtzer
Petra Attje Zinkweg
Roeland Francois Van Neerbos
Zouhair Abdul Khaliq

Chief Financial Officer
Imran Husain

Company Secretary
Muneeza Iftikar

Members of Audit Committee
Abrar Hasan (Chairman)
Edward Holtzer (Member)
Zouhair Abdul Khaliq (Member)

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

Bankers
Conventional
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Standard Chartered Bank of Pakistan Limited
Summit Bank Limited
Tameer Micro Finance Bank Limited
The Bank of Punjab
United Bank Limited

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

Auditors
A.F. Ferguson & Co.
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
8-F Next to Hotel Faran, Block-6 PECHS,
Shahrah-e-Faisal, Karachi - Pakistan
Tel: +92 (21) 34380104-5, 34384621-3
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Karachi - 75600, Pakistan.
Tel: +92 (21) 35296000 (10 lines)
Fax: +92 (21) 35295961-2
E-mail: info@frieslandcampina.com.pk
Website: www.frieslandcampina.com.pk

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
(FORMERLY ENGRO FOODS LIMITED)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

DIRECTORS' REPORT

On behalf of the Board of Directors of FrieslandCampina Engro Pakistan Limited (previously Engro Foods Limited), a majority owned subsidiary of FrieslandCampina Pakistan Holdings B.V., we are pleased to submit the report and the condensed interim financial information of the Company for the half year ended June 30, 2019.

BUSINESS REVIEW

The Company continued to deliver strong topline growth for the third successive quarter. The growth has come primarily on the back of strong volumetric gains in both Dairy and Ice Cream businesses. The Company has reported a revenue of Rs. 18.7 billion in the first six months of the year, recording a 22% increase vs same period last year. Economic headwinds, particularly sharp increase in commodity costs due to devaluation of Rupee and rising interest rates, continue to put pressure on overall company profitability. As a result, gross margin reduced from 20% to 16%. A once-off tax adjustment of Rs 153 million was recorded due to revision in the Finance Act 2019. As a result, the Company registered a loss after tax of Rs 239 million vs a profit of Rs 511 million in the same period last year.

DAIRY AND BEVERAGES SEGMENT

The segment witnessed significant volumetric growth of 24% versus the same period last year. The Dairy and Beverages segment reported a revenue of Rs. 16.5 billion in the first six months of the year vs Rs. 13.3 billion in the same period last year.

Both of our core brands, i.e. Olpers and Tarang, continued to win in the market on the back of significant brand investments since their relaunch last year. Building on its innovation journey, the Company launched 2 new products, i.e. Olpers Cream with an improved recipe and packaging, and Tarang Eliachi with natural cardamom flavor. Both innovations have received a highly positive response from consumers and trade alike. The segment has continued to increase its market share, improving by 260bps in the first half of the year, while expanding its retail footprint by more than 12,000 outlets.

ICE CREAM AND FROZEN DESSERTS SEGMENT

The Ice cream and Frozen Desserts segment registered its highest ever quarter in Q2'19, recording a 24% growth over the same period last year. This has helped the segment to overcome the slow start to the year due to extended winters. During the first six months, the segment has reported a revenue of Rs. 2.2 billion vs Rs 2.0 billion in the same period last year. The business has invested heavily behind new products by introducing 8 new innovations during the period which have been instrumental in propelling growth for the year. The category has also successfully inducted more than 2,300 new trade assets in the market place, hence further strengthening its trade footprint across 240 towns.

DAIRY FARM SEGMENT

The Company's Dairy Farm continued to be a rich and nutritious source of raw material for our dairy segment. However, falling international market prices of animals led to non-cash valuation losses and consequently the segment reported a loss of Rs. 2 million during the period.

FINANCIAL PERFORMANCE

The financial performance of the company for the six months ended June 30, 2019 is summarized below:

(Rs. in million)	Half year ended June 30,		Variation
	2019	2018	
Net Sales	18,690	15,346	22%
Operating Profit	464	722	(36%)
% of sales	2.5%	4.7%	
(Loss) / Profit after tax	(239)	511	(147%)
% of sales	(1.3%)	3.3%	
(Loss) / Earnings per share (Rs.)	(0.31)	0.67	(147%)

FUTURE OUTLOOK

The current economic environment is extremely challenging. The exchange rate and inflationary impacts have driven up input costs across businesses. Consumer disposable income is also expected to be adversely impacted.

In the long term, our focus will remain on driving conversion from loose milk, for which the Company will continue to:

- Invest in strengthening its brand equity to remain as the preferred choice for consumer's dairy needs.
- Work with the Pakistan Dairy Association (PDA) on various category development initiatives to educate the consumers on the potential health hazards of loose milk consumption and reinforce the positive characteristics of packaged milk.
- Work with the regulatory authorities through relevant business platforms to harmonize the Federal and Provincial food laws and draft legislation on minimum pasteurization.

Abdul Samad Dawood
Chairman

Ali Ahmed Khan
Chief Executive

Karachi: August 5, 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of FrieslandCampina Engro Pakistan Limited (Formerly Engro Foods Limited)

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of FrieslandCampina Engro Pakistan Limited (Formerly Engro Foods Limited) as at June 30, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended June 30, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2019.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is Osama Kapadia.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: August 29, 2019

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■KARACHI ■LAHORE ■ISLAMABAD

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED (FORMERLY ENGRO FOODS LIMITED)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

(Amounts in thousand)

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	11,303,545	11,819,283
Biological assets		1,240,209	1,208,264
Intangibles		90,806	92,420
Right-of-use assets	3	604,068	-
Long term advances and deposits		52,337	70,720
Deferred employee share option compensation expense		-	260
		13,290,965	13,190,947
Current Assets			
Stores, spares and loose tools	5	560,515	620,937
Stock-in-trade	6	5,008,682	3,020,190
Trade debts		951,942	400,313
Advances, deposits and prepayments		253,845	291,951
Other receivables		106,240	308,594
Sales tax recoverable		1,881,818	2,054,957
Taxes recoverable		2,717,567	2,776,347
Deferred employee share option compensation expense		-	3,565
Cash and bank balances		170,236	100,665
		11,650,845	9,577,519
TOTAL ASSETS		24,941,810	22,768,466
EQUITY AND LIABILITIES			
Equity			
Share capital		7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve		211,039	217,910
Remeasurement of post employment benefits - Remeasurement loss		(137,826)	(137,826)
Unappropriated profit		490,870	729,661
		9,095,398	9,341,060
Non-Current Liabilities			
Long term finances		4,000,000	4,000,000
Lease liabilities	3	267,921	-
Deferred taxation		446,458	616,413
		4,714,379	4,616,413
Current Liabilities			
Current portion of:			
- Lease liabilities	3	351,474	-
- Liability against assets subject to finance lease		-	121,506
Trade and other payables		6,863,619	6,427,662
Unclaimed dividend		8,848	9,351
Accrued interest / mark-up on:			
- Long term finances		105,260	85,482
- Short term finances		187,749	90,476
Short term finances	7	3,615,083	2,076,516
		11,132,033	8,810,993
Contingencies and Commitments	8		
TOTAL EQUITY AND LIABILITIES		24,941,810	22,768,466

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

Chairman **Chief Executive** **Chief Financial Officer**

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED (FORMERLY ENGRO FOODS LIMITED)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

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

	Note	Quarter ended June 30,		Half year ended June 30,	
		2019	2018	2019	2018
		Rupees		Rupees	
Net sales		10,007,325	8,201,994	18,690,096	15,346,020
Cost of sales		(8,510,375)	(6,585,011)	(15,637,784)	(12,210,999)
Gross profit		1,496,950	1,616,983	3,052,312	3,135,021
Distribution and marketing expenses		(1,170,655)	(1,374,007)	(2,157,539)	(2,250,847)
Administrative expenses		(271,355)	(228,086)	(571,049)	(419,531)
Other operating expenses		(93,392)	(9,229)	(111,648)	(47,600)
Other income		166,963	184,374	251,976	304,682
Operating profit		128,511	190,035	464,052	721,725
Finance cost		(318,324)	(176,132)	(550,925)	(308,600)
(Loss) / profit before taxation		(189,813)	13,903	(86,873)	413,125
Taxation (charge) / reversal		(132,430)	196,071	(151,918)	98,171
(Loss) / profit for the period		(322,243)	209,974	(238,791)	511,296
(Loss) / earnings per share - basic and diluted	9	(0.42)	0.27	(0.31)	0.67

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

Chairman **Chief Executive** **Chief Financial Officer**

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED (FORMERLY ENGRO FOODS LIMITED)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

(Amounts in thousand)

	Quarter ended June 30,		Half year June 30,	
	2019	2018	2019	2018
	Rupees		Rupees	
(Loss) / profit for the period	(322,243)	209,974	(238,791)	511,296
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(322,243)	209,974	(238,791)	511,296

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

Chairman **Chief Executive** **Chief Financial Officer**

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED (FORMERLY ENGRO FOODS LIMITED)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

(Amounts in thousand)

	Share capital	RESERVES				Total
		CAPITAL		REVENUE		
		Share premium	Employee share option compensation reserve	Remeasurement of post employment benefits - Remeasurement loss	Unappropriated profit	
	Rupees					
Balance as at January 1, 2018 (Audited)	7,665,961	865,354	297,836	(80,643)	972,516	9,721,024
Employee share option scheme	-	-	(70,722)	-	-	(70,722)
Transaction with owners						
Final dividend for the year ended December 31, 2017 at the rate of Re. 0.4 per share	-	-	-	-	(306,638)	(306,638)
Profit for the half year ended June 30, 2018	-	-	-	-	511,296	511,296
Other comprehensive income for the half year ended June 30, 2018	-	-	-	-	-	-
	-	-	-	-	511,296	511,296
Balance as at June 30, 2018 (Unaudited)	7,665,961	865,354	227,114	(80,643)	1,177,174	9,854,960
Balance as at January 1, 2019 (Audited)	7,665,961	865,354	217,910	(137,826)	729,661	9,341,060
Employee share option scheme	-	-	(6,871)	-	-	(6,871)
Loss for the half year ended June 30, 2019	-	-	-	-	(238,791)	(238,791)
Other comprehensive income for the half year ended June 30, 2019	-	-	-	-	-	-
	-	-	-	-	(238,791)	(238,791)
Balance as at June 30, 2019 (Unaudited)	7,665,961	865,354	211,039	(137,826)	490,870	9,095,398

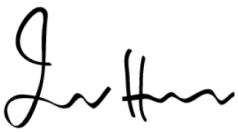
The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED (FORMERLY ENGRO FOODS LIMITED)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

(Amounts in thousand)

	Note	Half year ended June 30, 2019	2018
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	10	(30,514)	(967,585)
Finance costs paid		(433,874)	(263,857)
Taxes paid		(263,092)	(527,909)
Retirement benefits paid		(110,035)	(108,179)
Long term advances and deposits - net		18,383	2,970
Net cash utilized in operating activities		(819,132)	(1,864,560)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(608,423)	(603,755)
- intangibles		(6,594)	(7,669)
- biological assets		-	(154)
Proceeds from disposal of:			
- property, plant and equipment		45,825	53,801
- biological assets		62,514	41,528
Net cash utilized in investing activities		(506,678)	(516,249)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term finances		-	(250,000)
Dividend paid		(503)	(297,460)
Lease repayments		(142,683)	(74,516)
Net cash utilized in financing activities		(143,186)	(621,976)
Net decrease in cash and cash equivalents		(1,468,996)	(3,002,785)
Cash and cash equivalents at beginning of the period		(1,975,851)	(1,135,733)
Cash and cash equivalents at end of the period	11	(3,444,847)	(4,138,518)

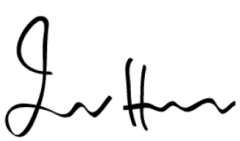
The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED (FORMERLY ENGRO FOODS LIMITED)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 FrieslandCampina Engro Pakistan Limited (formerly Engro Foods Limited) (the Company), is a public listed company incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act 2017), and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of FrieslandCampina Pakistan Holdings B.V. (the Holding Company) which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the Ultimate Parent Company) and its registered office is situated at 5th Floor, the Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.

1.2 The principal activity of the Company is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. The Company also owns and operates a dairy farm.

1.3 The name of the Company has been changed from Engro Foods Limited to FrieslandCampina Engro Pakistan Limited effective May 30, 2019.

2. BASIS OF PREPARATION

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 The cumulative figures for the half year ended June 30, 2019 presented in these condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2018.

2.3 The preparation of these condensed interim financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to the financial statements for the year ended December 31, 2018, unless otherwise specified.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2018, except relating to the matters stated in notes 3.2 and 3.3 below.

3.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3.3 New standards, amendments and interpretation to accounting and reporting standards which were effective during the period:

There were certain amendments to accounting and reporting standards which were mandatory for the Company's annual accounting period which began on January 1, 2019. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

In addition to the above, the following new standards have become applicable to the Company effective January 1, 2019:

- IFRS 9 'Financial instruments' – This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On January 1, 2019 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as 'loans and receivables' have now been classified as 'amortised cost').

- IFRS 15 'Revenue from contracts with customers' – This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract with customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

There is no significant impact of adoption of IFRS 9 and IFRS 15 on these condensed interim financial statements.

- IFRS 16, 'Leases' which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduced a single, on balance sheet lease accounting model for lessees. The Company has recognised (as lessee) a right a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments.

The Right-of-use (RoU) for finance leases was measured on a retrospective basis as if the new rules had always been applied. Other RoU (i.e. previously operating leases under IAS 17) was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2018. The RoU was capitalized by applying modified retrospective approach which does not require restatement of comparative information. The recognised RoU relate to rental premises, leased plants and machinery. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

The change in accounting policy relating to IFRS 16 affected the following items in the statement of financial position on January 1, 2019 (i.e. date of transition):

- Property, plant and equipment – decreased by Rs. 121,506;
- Right-of-use asset – increased by Rs. 762,078;
- Prepayments – decreased by Rs. 6,905;
- Liability against assets subject to finance lease - decreased by Rs. 121,506; and
- Lease liabilities – increased by Rs. 755,173.

		Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
4.	**PROPERTY, PLANT AND EQUIPMENT**		
	Operating assets, at net book value (notes 4.1, 4.2 and 4.3)	10,751,122	11,003,808
	Capital work-in-progress (note 4.4)	408,161	670,774
	Major spare parts and stand-by equipment	144,262	144,701
		11,303,545	11,819,283

		Unaudited June 30, 2019	Unaudited June 30, 2018
		Rupees	
4.1	Following additions, including transfers from capital work-in-progress, were made to operating assets during the period:		
	Buildings on freehold land	70,889	67,016
	Plant, machinery and related equipment	575,575	642,257
	Office equipment & furniture and fittings	9,466	7,255
	Computer equipment	28,681	30,935
	Vehicles	180,516	106,277
		865,127	853,740

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

	Cost	Accumulated depreciation / impairment	Net book value	Sales proceeds	Mode of disposal
	Rupees				
Plant , machinery and equipment	156,520	(146,112)	10,408	24,061	Auction / Sales Proceeds
Vehicles - owned	73,782	(58,644)	15,138	21,121	Employee buyback / Insurance claims
Computer equipment	400	(108)	292	332	Insurance claims / Auction
Office equipment & furniture and fixture	1,657	(1,574)	83	311	Insurance claims / Auction
June 30, 2019	232,359	(206,438)	25,921	45,825	
June 30, 2018	220,124	(189,563)	30,561	53,503	

4.3 During the period, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 181 (June 30, 2018: Rs. 14,165) against idle assets, determined on the basis of fair value of the assets less cost of disposal. The Company based on a review for impairment of operating assets identified that the carrying values of certain operating assets in Dairy and Beverages segment exceed their estimated recoverable amounts. These assets were deemed as idle primarily due to discontinuation of certain SKUs to rationalize product portfolio of the Company. In addition, the Company identified that carrying value of certain previously impaired assets is lower than their estimated recoverable amounts. Accordingly, reversal for impairment was recognized there against. The recoverable amount of these assets amounted to Rs. 2,628, determined on the basis of fair value less cost of disposal of underlying assets which is based on the historical experience of net recovery proceeds on similar nature of assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

	Unaudited June 30, 2019	Unaudited June 30, 2018
	Rupees	
4.4 Following additions, including transfers to operating assets, were made to capital work-in-progress during the period:		
Additions:		
Land	2,200	-
Building on freehold land	69,828	33,677
Plant, machinery and related equipment	420,834	431,916
IS and milk automation projects	6,594	7,669
Office equipment, furniture & fittings and computer equipment	38,663	39,431
Vehicles	76,898	98,731
	615,017	611,424
Transfers to:		
- Operating assets	(865,127)	(853,740)
- Intangibles	(12,503)	(7,874)
	(877,630)	(861,614)

5. STORES, SPARES AND LOOSE TOOLS

These includes provision against expired / obsolete stores and spares amounting to Rs. 144,838 (December 31, 2018: Rs. 120,506).

		Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
6.	**STOCK-IN-TRADE**		
	Raw and packaging material (note 6.1)	1,581,423	2,076,103
	Work in process (note 6.2)	2,873,460	401,252
	Finished goods (notes 6.3)	567,226	592,694
		5,022,109	3,070,049
	Less: Provision for expired / obsolete stock	(13,427)	(49,859)
		5,008,682	3,020,190

6.1 Includes Rs. 88,653 (December 31, 2018: Rs. 13,392) in respect of raw and packaging material held by third parties.

6.2 Includes Rs. 1,121,534 (December 31, 2018: 118,619) in respect of semi-finished stock held by third parties and Rs. 292,544 (December 31, 2018: Nil) in respect of semi-finished stock carried at net realizable value.

6.3 Includes Rs. 30,563 (December 31, 2018: Rs. 20,086) in respect of finished goods held by third parties and Rs. 38,812 (December 31, 2018: 559,985) in respect of finished goods stock carried at net realizable value.

6.4 Stock amounting to Rs. 3,907 (June 30, 2018: Rs. 29,215) has been written off against provision during the period.

7. SHORT TERM FINANCES - secured

7.1 The facilities for short term running finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 9,000,000 (December 31, 2018: Rs. 8,000,000). The unutilized balance against these facilities as at June 30, 2019 was Rs. 5,384,917 (December 31, 2018: Rs. 5,923,484). The rates of mark-up on these finances are KIBOR based and range from 10.54% to 13.55% (December 31, 2018: 8.08% to 11.15%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

7.2 The facilities for opening letters of credit and bank guarantees as at June 30, 2019 amounts to Rs. 11,586,000 (December 31, 2018: Rs. 8,665,000), of which the amount remaining unutilized as at June 30, 2019 was Rs. 7,472,645 (December 31, 2018: Rs. 4,558,874).

8. CONTINGENCIES AND COMMITMENTS

There is no significant change in the matters disclosed in notes 14, 23 and 31.2 to the financial statements for the year ended December 31, 2018, except for the following:

8.1 The Company has provided bank guarantees to Sui Southern Gas Company Limited amounting to Rs. 78,061 (December 31, 2018: Rs. 75,495) under the contract for supply of gas;

8.2 On January 18, 2017, the Company received an order from Competition Commission of Pakistan (CCP), imposing a penalty of Rs. 62,293 in respect of the Company's marketing activities relating to one of its products. The Company filed an appeal against the aforementioned order on February 8, 2017, which was decided by the CCP tribunal on January 16, 2019, in the Company's favor. However the CCP has appealed the decision of the Tribunal in the Supreme Court (SC) of Pakistan and the Company has submitted its response in the SC which is pending adjudication.

8.3 Commitments in respect of capital expenditure contracted for but not incurred as at June 30, 2019 amounts to Rs. 267,239 (December 31, 2018: Rs. 634,327).

8.4 Commitments in respect of purchase of certain commodities as at June 30, 2019 amounts to Rs. 3,184,009 (December 31, 2018: Rs. 1,027,547).

8.5 In connection with the ACIR's decision for matters relating to tax year 2010, 2011 and 2014, the Company has filed appeals during the period before the Appellate Tribunal and based on the opinion of its tax consultant is confident of a favorable outcome therefrom tax recoverable have not been reduced.

8.6 On February 22, 2019, ACIR passed an order for the tax year 2015 by disallowing expenses on account of Employee Share Option Scheme, loss on sale of disposal of assets and assets written off against which the Company has filed an appeal with CIR(A) dated March 20, 2019. Based on the opinion of its tax consultant, the Company is confident of a favorable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

8.7 In connection with the sales tax order amounting to Rs. 158,826 including penalty, on February 28, 2019, CIR Appeals upheld the decision of ACIR in respect of mismatch of input tax claimed and remanded back adjustment of input tax. On May 29, 2019 the Company has filed an appeal with ATIR against the order and based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and, accordingly sales tax recoverable has not been reduced by the effect of aforementioned order.

	Unaudited June 30, 2019	Unaudited June 30, 2018
	Rupees	
9. EARNINGS PER SHARE - Basic and diluted		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit for the period	(238,791)	511,296
Weighted average number of ordinary shares for determination of basic & diluted EPS (in thousand)	766,596	766,596

		Unaudited June 30, 2019	Unaudited June 30, 2018
		Rupees	
10.	**CASH GENERATED FROM OPERATIONS**		
	(Loss) / profit before taxation	(86,873)	413,125
	Adjustment for non-cash charges and other items:		
	- Depreciation	970,567	963,659
	- Depreciation on right-of-use asset	158,010	-
	- (Reversal) / impairment of operating assets - net	(181)	14,165
	- Amortization of intangibles	14,117	14,396
	- Reversal of amortization of employee share option compensation reserve - net	(3,046)	(57,951)
	- Loss on death / disposal of biological assets	100,573	5,959
	- Gain on disposal of operating assets	(19,904)	(23,240)
	- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(195,032)	(124,963)
	- Provision for retirement and other service benefits	63,253	59,696
	- Provision for stock-in-trade	3,359	12,042
	- Provision for slow moving spares - net	24,332	29,964
	- Provision / (reversal) of provision for impairment of trade debts	1,584	(31)
	- Finance costs	550,925	308,600
	Working capital changes (note 10.1)	(1,612,198)	(2,583,006)
		(30,514)	(967,585)
10.1	**Working capital changes**		
	(Increase) / Decrease in current assets		
	- Stores, spares and loose tools	36,529	16,696
	- Stock-in-trade	(1,991,851)	(3,122,234)
	- Trade debts	(553,213)	(71,350)
	- Advances, deposits and prepayments	38,106	(13,107)
	- Other receivables	202,354	124,973
	- Sales tax recoverable	173,139	131,462
		(2,094,936)	(2,933,560)
	Increase in current liabilities		
	- Trade and other payables	482,738	350,554
		(1,612,198)	(2,583,006)
11.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	170,236	43,275
	Short term finances	(3,615,083)	(4,181,793)
		(3,444,847)	(4,138,518)

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

12.1 Financial risk factors

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

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

13. FAIR VALUE MEASUREMENT

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

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2: Inputs other than quoted prices within level 1 that are observable for the asset or liabilities, whether directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As at June 30, 2019 and December 31, 2018, the Company did not have any financial instruments which were measured at fair values.

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

14. TRANSACTIONS WITH RELATED PARTIES

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

		Unaudited June 30, 2019	Unaudited June 30, 2018
		Rupees	
Nature of relationship	**Nature of transactions**		
Holding company	Dividend Paid	-	156,386
Associated companies	Arrangement for sharing of premises, utilities, personnel and assets	589	80,282
	Fee for technical assistance	480,563	394,915
	Reimbursement of expense paid on behalf of	3,841	31,802
	Reimbursement of expenses received from	58,971	-
	Purchases of goods and services	845,887	295,938
	Dividend Paid	-	122,430
Contribution to staff retirement funds	Managed and operated by ECL:		
	- Gratuity fund contribution	110,034	108,179
	- Provident fund contribution	174,669	170,337
Key management personnel	Managerial remuneration	96,634	94,454
	Contribution for staff retirement benefits	12,204	11,309
	Bonus payment	32,828	23,439
	Other benefits	-	360
Directors	Fee	1,538	694

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

15. SEGMENT INFORMATION

15.1 The basis of segmentation and reportable segments presented in these condensed interim financial statements are the same which were disclosed in annual financial statements for the year ended December 31, 2018.

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

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

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

	Unaudited Half year ended June 30, 2019				Unaudited Half year ended June 30, 2018			
	Dairy and Beverages	Ice cream & frozen desserts	Dairy farm	Total	Dairy and Beverages	Ice cream & frozen desserts	Dairy farm	Total
	Rupees							
Results for the period								
Net sales	16,541,828	2,229,973	717,915	19,489,716	13,325,808	2,050,665	672,507	16,048,980
Inter-segment sales	(81,705)	-	(717,915)	(799,620)	(30,453)	-	(672,507)	(702,960)
	16,460,123	2,229,973	-	18,690,096	13,295,355	2,050,665	-	15,346,020
Net profit / (loss) after tax	(295,763)	58,742	(1,770)	(238,791)	277,093	160,803	73,400	511,296

	Unaudited Half year ended June 30, 2019				Audited December 31, 2018			
	Rupees							
Assets								
- Segment assets	14,960,437	2,331,157	2,257,516	19,549,110	13,001,179	1,898,962	2,490,148	17,390,289
- Un-allocated assets	-	-	-	5,392,700	-	-	-	5,378,177
	14,960,437	2,331,157	2,257,516	24,941,810	13,001,179	1,898,962	2,490,148	22,768,466

16. SEASONALITY

The Company's 'Ice cream & frozen desserts' and 'Beverages' businesses are subject to seasonal fluctuation, with demand of ice cream and beverages products increasing in summer. The Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection. Therefore, revenues and profits for the half year ended June 30, 2019 are not necessarily indicative of result to be expected for the full year.

17. CORRESPONDING FIGURES

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

18. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on August 05, 2019 by the Board of Directors of the Company.

Chairman **Chief Executive** **Chief Financial Officer**

ڈائریکٹرز رپورٹ

ہم فریزلینڈ کمپینا اینگرو پاکستان لمیٹڈ (سابقہ اینگرو فوڈز لمیٹڈ)، فریزلینڈ کمپینا پاکستان ہولڈنگز بی. وی کی اکثریت ملکیتی ذیلی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی 30 جون 2019 کو مکمل ہونے والی ششماہی کے لیے رپورٹ اور عبوری مالیاتی معلومات کا خلاصہ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کاروباری تجزیہ

کمپنی نے لگاتار تیسری سہ ماہی کے دوران بھی مستحکم ٹاپ لائن گروتھ کا سلسلہ جاری رکھا۔ ڈیری اور آئس کریم دونوں کاروبار کے حجم میں اضافے کے سبب ترقی کا سلسلہ دیکھا گیا۔ کمپنی نے سال کے ابتدائی چھ ماہ کے دوران 18.7 بلین روپے کی آمدنی حاصل کی جو کہ گزشتہ سال اسی مدت کے مقابلے میں 22 فیصد زیادہ ہے۔ معاشی مشکلات خاص طور پر روپے کی قدر میں کمی سے اشیائے خورد و نوش کی قیمتوں میں اضافے اور بڑھتے ہوئے شرح سود کے سبب کمپنی کے منافع پر دباؤ رہا۔ جس کے نتیجے میں گروس مارجن 20 فیصد سے کم ہو کر 16 فیصد رہ گیا۔ فنانس ایکٹ 2019 میں نظر ثانی کے سبب ٹیکس کی مد میں 153 ملین روپے کی ایڈجسٹمنٹ کی گئی۔ جس کے نتیجے میں، کمپنی کو بعد از ٹیکس 239 ملین روپے نقصان کا سامنا کرنا پڑا جبکہ گزشتہ سال اسی مدت کے دوران 511 ملین روپے کا منافع ہوا تھا۔

ڈیری اور مشروبات کا شعبہ

اس سیگمنٹ میں حجم کے لحاظ سے گزشتہ سال کی نسبت 24 فیصد اضافے کا مشاہدہ کیا گیا۔ اس سال کے ابتدائی چھ ماہ کے دوران ڈیری اور مشروبات کے سیگمنٹ کی کل آمدنی 16.5 بلین روپے رہی جو کہ گزشتہ سال اسی مدت کے دوران 13.3 بلین روپے تھی۔

ہمارے دونوں اہم بنیادی برانڈز اولپرز اور ترنگ نے مارکیٹ میں اپنی قیادت برقرار رکھی جس کی وجہ دونوں برانڈز پر کی جانے والی سرمایہ کاری ہے، ان دونوں برانڈز کو پوری شان کی ساتھ دوبارہ لانچ کیا گیا۔ اپنے جدت کے سفر کو جاری رکھتے ہوئے کمپنی نے دو نئے برانڈز بھی متعارف کروائے؛ اولپرز کریم کو نئی بہتر ریسپی اور پیکنگ کے ساتھ جبکہ ترنگ میں الائچی فلیور کو متعارف کروایا گیا۔ جدت سے بھرپور دونوں پروڈکٹس کو ٹریڈ اور صارفین کی جانب سے بے پناہ پذیرائی ملی۔ اس سیگمنٹ نے اپنا مارکیٹ شیئر بڑھایا اور سال کے ابتدائی چھ ماہ کے دوران 260bps کی بہتری آئی جبکہ ریٹیل انڈسٹری میں 12 ہزار سے زائد اسٹورز تک رسائی حاصل کی گئی۔

آئس کریم اور منجمد ڈیزرٹس سیگمنٹ

مالی سال 2019 کی دوسری سہ ماہی کے دوران آئس کریم اور منجمد ڈیزرٹس کے شعبے میں اب تک کی سب سے زیادہ ترقی ریکارڈ کی گئی جو کہ گزشتہ سال اسی مدت کے مقابلے میں 24 فیصد زیادہ ہے۔ چونکہ سردی کا دورانیہ مقررہ مدت سے زیادہ بڑھ گیا تھا اس لیے سال کا آغاز زرا سست روی کا شکار رہا تھا لیکن بعد ازاں اس ترقی نے اُس کمی کو بھی پورا کر دیا۔ سال کے ابتدائی چھ ماہ کے دوران، اس سیگمنٹ کی آمدنی 2.2 بلین روپے رہی جو کہ گزشتہ سال اسی مدت کے دوران 2 بلین روپے تھی۔ اس ریکارڈ آمدنی کے پیچھے بہترین حکمتِ عملی تھی جس کے تحت 8 نئی پروڈکٹس متعارف کروائی گئیں تھیں جنہوں نے فروخت بڑھانے میں اہم کردار ادا کیا تھا۔ اس کیٹیگری میں نہایت کامیابی کے ساتھ 2,300 نئے ٹریڈ ایسیٹس کو شامل کیا جس سے کمپنی کی موجودگی بڑھ کر 240 سے زائد ٹاؤنز میں ہوگئی۔

ڈیری فارم سیگمنٹ

ہمیشہ کی طرح کمپنی کے ڈیری فارمز ہمارے ڈیری سیکشن کے لیے خام مال کی سپلائی کا اہم اور بہترین ذریعہ رہے ہیں۔ تاہم عالمی مارکیٹ میں جانوروں کی قیمتوں میں کمی سے non-cash valuation loss کا سامنا کرنا پڑا جس سے اس مدت کے دوران اِس سیگمنٹ کو 2 ملین روپے کا نقصان اٹھانا پڑا۔

مالیاتی کارکردگی

30 جون 2019 کو مکمل ہونے والے چھ ماہ کے دوران کمپنی کی مالیاتی کارکردگی کا خلاصہ درج ذیل ہے۔

رقم ملین میں	30 جون 2019 کو اختتام پذیر چھ ماہ کی مدت 2019	2018	تبدیلی
خالص فروخت	18,690	15,346	22%
آپریٹنگ منافع	464	722	(36%)
فروخت کی شرح	2.5%	4.7%	
منافع بعد از ٹیکس	(239)	511	(147%)
فروخت کی شرح	(1.3%)	3.3%	
آمدنی فی شیئرز Rs.	(0.31)	0.67	(147%)

مستقبل کا منظرنامہ

موجودہ معاشی صورتحال شدید مشکلات کا شکار ہے۔ زرمبادلہ کی شرح اور افراطِ زر نے کاروباری لاگت کو کافی بڑھا دیا ہے۔ جس سے توقع ہے کہ صارفین کی قابلِ تصرف آمدنی پر بھی منفی اثرات مرتب ہوں گے۔

طویل المدت میں ہماری توجہ صارفین کو کھلے دودھ سے اپنے برانڈ پر منتقل کرنے پر مرکوز رہے گی، جس کے لیے کمپنی مندرجہ ذیل کاوشیں جاری رکھے گی؛

- برانڈ ایکویٹی میں سرمایہ کاری کی جائے تاکہ ہم صارفین کے لیے ڈیری کی ضروریات پورا کرنے کی اولین ترجیح بن جائیں۔
- کمپنی، پاکستان ڈیری ایسوسی ایشن کے ساتھ مل کر متعدد کیٹیگری ڈویلپمنٹ کے اقدامات پر کام کرے گی تاکہ پراسسڈ دودھ کی غذائیت، صحت اور حفاظت کے فوائد کے بارے میں صارفین کو تعلیم دی جائے اور کھلے دودھ کی منتقلی کے ذریعے سے کیٹیگری میں اضافہ کیا جا سکے۔
- کمپنی انضباطی اتھارٹیز کے ساتھ متحرک رہے گی تاکہ وفاقی اور صوبائی فوڈ کے قوانین اور انضباطی ناموافق چیزوں کو دور کیا جا سکے اور ان کی کم از کم پیسچرائزیشن (Pasteurization) کے ضابطہ کے مسودے کی تیاری میں مدد کی جائے۔

علی احمد خان
چیف ایگزیکٹو

عبدالصمد داؤد
چیئرمین

کراچی: 5 اگست 2019

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