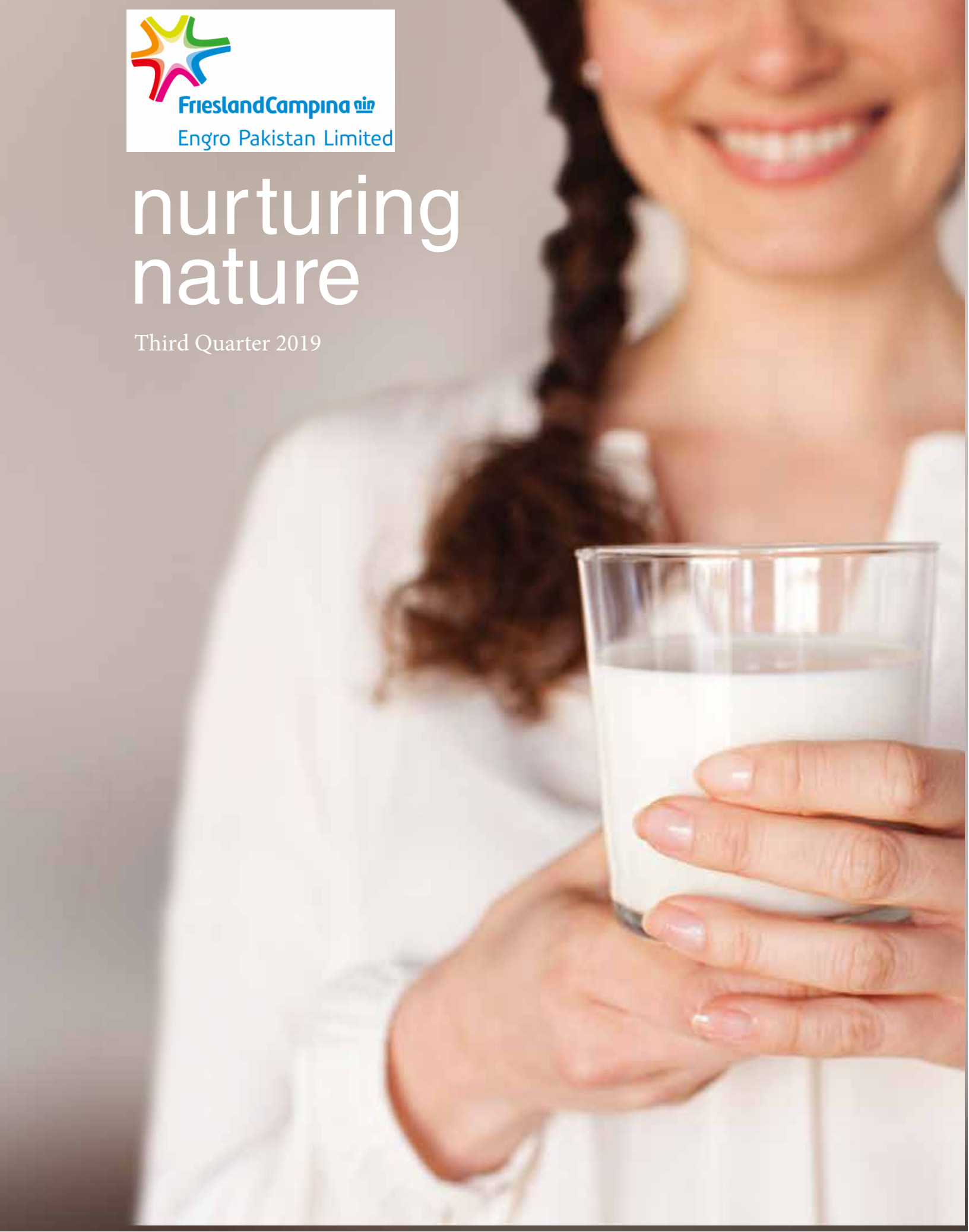
FrieslandCampina

Engro Pakistan Limited

nurturing nature

Third Quarter 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)
Eduardus Lambertus 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
Fax: +92 (21) 34380106

Registered Office
5th Floor, The Harbor Front Building
HC-3, Marine Drive, Block - 4, Clifton
Karachi - 75600, Pakistan.
Tel: +92 (21) 35296000 (10 lines)
Fax: +92 (21) 35295961-2
E-mail: info@engrofoods.com
Website: www.engrofoods.com

DIRECTORS' REPORT

On behalf of the Board of Directors of FrieslandCampina Engro Pakistan 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 nine months ended September 30, 2019.

BUSINESS REVIEW

The Company continued its strong growth momentum to register a fourth successive quarter of robust topline growth, on the back of strong volumetric gains in both Dairy and Ice Cream business segments. The Company has reported a revenue of Rs. 28.7 billion in the nine months of the year, recording a 20% increase vs same period last year. Sharp economic headwinds, particularly steep increases in commodity costs due to devaluation of Rupee and rising interest rates, however have put pressure on overall company profitability. As a result, gross margin reduced from 18% to 14%. The Company has taken price increases across its portfolio in Q3 to offset these inflationary pressures. 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 809 million vs a profit of Rs 513 million in the same period last year.

DAIRY AND BEVERAGES SEGMENT

The Dairy and Beverages segment reported a revenue of Rs. 25.1 billion in the nine months of the year vs Rs. 20.7 billion in the same period last year.

The segment has maintained the strong growth momentum in both its core brands, i.e. Olpers and Tarang, which continue to win in the market on the back of significant brand investments since their relaunch last year. The segment has grown volumes by 21% whilst the FMCG sector has been stagnant. As a result, both Olpers and Tarang have gained market share leadership in their respective categories aided by effective communication spend and expansion in retail coverage.

The Company's new launches in the last 12 months, i.e. Olpers full cream milk powder (FCMP), Olpers Creams, Olpers Pro-Cal and Tarang Elaichi, have received a highly positive response from both consumers and trade and have gained a healthy market share in a short span of time despite strong competition from established players. The Company will continue to leverage FrieslandCampina's global expertise to introduce new products and innovations as a key driver of future business growth.

ICE CREAM AND FROZEN DESSERTS SEGMENT

The Ice cream and Frozen Dessert segment reported a revenue of Rs. 3.7 billion in the nine months of the year vs Rs. 3.2 billion in the same period last year. The business has focused on creating excitement for consumers by introducing 9 new products and communicating the novelty of Omore through "summer blockbuster" campaign. The category has also successfully inducted more trade assets in the market, 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, rising interest and feed costs, along with valuation losses due to falling market prices of animals resulted in a loss of Rs. 84 million for the segment during the period.

FINANCIAL PERFORMANCE

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

(Rs. in million)	Nine months ended September 30		Variation
	2019	2018	
Net Sales	28,709	23,942	20%
Operating Profit	137	878	(84%)
% of sales	0.5%	3.7%	
(Loss) / Profit after tax	(809)	513	(257%)
% of sales	(2.8%)	2.1%	
(Loss) / Earnings per share (Rs.)	(1.05)	0.67	(257%)

FUTURE OUTLOOK

Challenging macroeconomic environment is likely to put pressure on the business profitability in the short term. The rising inflation is also expected to adversely affect the consumer purchasing power.

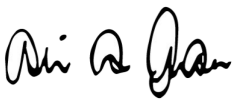
Living the principle of "Nourishing by Nature", our long-term focus will remain on driving conversion from loose milk, for which the Company will continue to:

- Invest in strengthening its brand equity to remain the preferred choice for consumers' 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.

The Company will leverage FrieslandCampina's expertise and heritage of 145+ years to continue to provide affordable, high quality, healthy and safe choices of dairy products.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive

Karachi: October 17, 2019

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT SEPTEMBER 30, 2019

(Amounts in thousand)

	Note	Unaudited September 30, 2019	Audited December 31, 2018
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	10,970,327	11,819,283
Biological assets		1,265,596	1,208,264
Intangibles		83,639	92,420
Right-of-use assets	3	535,346	-
Long term advances and deposits		45,426	70,720
Deferred employee share option compensation expense		-	260
		12,900,334	13,190,947
Current Assets			
Stores, spares and loose tools	5	560,564	620,937
Stock-in-trade	6	3,966,484	3,020,190
Trade debts		753,764	400,313
Advances, deposits and prepayments		187,920	291,951
Other receivables		95,705	308,594
Sales tax recoverable		2,014,440	2,054,957
Taxes recoverable		2,646,543	2,776,347
Deferred employee share option compensation expense		-	3,565
Cash and bank balances		111,199	100,665
		10,336,619	9,577,519
TOTAL ASSETS		23,236,953	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		(79,096)	729,661
		8,525,432	9,341,060
Non-Current Liabilities			
Long term finances		4,000,000	4,000,000
Lease liabilities	3	298,960	-
Deferred taxation		212,373	616,413
		4,511,333	4,616,413
Current Liabilities			
Current portion of:			
- Lease liabilities	3	229,720	-
- Liability against assets subject to finance lease		-	121,506
Trade and other payables		7,549,246	6,427,662
Unclaimed dividend		8,803	9,351
Accrued interest / mark-up on:			
- Long term finances		219,189	85,482
- Short term finances		161,058	90,476
Short term finances	7	2,032,172	2,076,516
		10,200,188	8,810,993
Contingencies and Commitments	8		
TOTAL EQUITY AND LIABILITIES		23,236,953	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
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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

	Note	Quarter ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
		Rupees		Rupees	
Net sales		10,019,219	8,596,175	28,709,315	23,942,195
Cost of sales		(9,194,387)	(7,319,402)	(24,832,171)	(19,530,401)
Gross profit		824,832	1,276,773	3,877,144	4,411,794
Distribution and marketing expenses		(901,211)	(938,221)	(3,058,750)	(3,189,068)
Administrative expenses		(320,917)	(236,156)	(891,966)	(655,687)
Other operating expenses		(11,071)	(37,486)	(122,719)	(85,086)
Other income		80,885	91,554	332,861	396,236
Operating (loss) / profit		(327,482)	156,464	136,570	878,189
Finance cost		(315,972)	(162,584)	(866,897)	(471,184)
(Loss) / profit before taxation		(643,454)	(6,120)	(730,327)	407,005
Taxation reversal / (charge)		73,488	8,015	(78,430)	106,186
(Loss) / profit for the period		(569,966)	1,895	(808,757)	513,191
(Loss) / earnings per share - basic and diluted	9	(0.74)	0.00	(1.05)	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
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

	Quarter ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	Rupees		Rupees	
(Loss) / profit for the period	(569,966)	1,895	(808,757)	513,191
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	(569,966)	1,895	(808,757)	513,191

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
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 30, 2018	-	-	-	-	513,191	513,191
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	-
	-	-	-	-	513,191	513,191
Balance as at September 30, 2018 (Unaudited)	7,665,961	865,354	227,114	(80,643)	1,179,069	9,856,855
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 nine months ended September 30, 2019	-	-	-	-	(808,757)	(808,757)
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-
	-	-	-	-	(808,757)	(808,757)
Balance as at September 30, 2019 (Unaudited)	7,665,961	865,354	211,039	(137,826)	(79,096)	8,525,432

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
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

	Note	Nine months ended September 30, 2019	2018
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	10	2,011,728	1,230,753
Finance costs paid		(662,608)	(361,106)
Taxes paid		(352,665)	(413,675)
Retirement benefits paid		(118,125)	(113,566)
Long term advances and deposits - net		25,294	9,070
Net cash utilized in operating activities		903,624	351,476
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(665,357)	(806,491)
- intangibles		(5,360)	(6,655)
- biological assets		-	(366)
Proceeds from disposal of:			
- property, plant and equipment		53,862	66,496
- biological assets		102,780	62,726
Net cash utilized in investing activities		(514,075)	(684,290)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term finances		-	(250,000)
Dividend paid		(548)	(305,833)
Repayment of liabilities against assets subject to finance lease		-	(112,808)
Lease payments		(334,123)	-
Net cash utilized in financing activities		(334,671)	(668,641)
Net decrease in cash and cash equivalents		54,878	(1,001,455)
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	(1,920,973)	(2,137,188)

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

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

1. LEGAL STATUS AND OPERATIONS

1.1 FrieslandCampina Engro Pakistan Limited (the Company), is a public listed company incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act 2017), 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 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' 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 to 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: lAS 18 Revenue, lAS 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 capitalised by applying modified retrospective approach which does not require restatement of comparative information. The recognised RoU relate to rental premises, leased plants and machinery.

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. 690,080
- Prepayments – decreased by Rs. 6,905
- Liability against assets subject to finance lease - decreased by Rs. 121,506
- Lease liabilities – increased by Rs. 683,175

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited September 30, 2019	Audited December 31, 2018
	Rupees	
Operating assets, at net book value (notes 4.1, 4.2 and 4.3)	10,506,684	11,003,808
Capital work-in-progress (note 4.4)	316,500	670,774
Major spare parts and stand-by equipment	147,143	144,701
	10,970,327	11,819,283

	Unaudited September 30, 2019	Unaudited September 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	72,737	72,208
Plant, machinery and related equipment	693,220	729,764
Office equipment & furniture and fittings	10,080	13,504
Computer equipment	34,327	73,701
Vehicles	200,476	122,976
	1,010,840	1,012,153

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	156,797	(146,167)	10,630	24,348	Auction / Sales Proceeds
Vehicles - owned	102,230	(82,837)	19,393	28,221	Employee buyback / Insurance claims
Computer equipment	9,069	(8,565)	504	982	Employee buyback / Insurance claims
Office equipment & furniture and fixture	1,657	(1,574)	83	311	Auction / Sales Proceeds
September 30, 2019	269,753	(239,143)	30,610	53,862	
September 30, 2018	313,991	(277,099)	36,892	66,496	

4.3 During the period, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 4,381 (September 30, 2018: Rs. 34,672) 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 (September 30, 2018: Rs. 3,627) 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 September 30, 2019	Unaudited September 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	75,479	56,968
	Plant, machinery and related equipment	443,188	497,958
	IS and milk automation projects	5,360	6,655
	Office equipment, furniture & fittings and computer equipment	42,772	90,768
	Vehicles	101,718	160,797
		670,717	813,146
	Transfers to:		
	- Operating assets	(1,010,840)	(1,012,153)
	- Intangibles	(14,151)	(6,457)
		(1,024,991)	(1,018,610)

5. STORES, SPARES AND LOOSE TOOLS

These includes provision against expired / obsolete stores and spares amounting to Rs. 154,410 (December 31, 2018: Rs. 120,506).

	Unaudited September 30, 2019	Audited December 31, 2018
	Rupees	
6. STOCK-IN-TRADE		
Raw and packaging material (note 6.1)	2,275,681	2,076,103
Work in process (note 6.2)	1,253,929	401,252
Finished goods (notes 6.3)	496,862	592,694
	4,026,472	3,070,049
Less: Provision for expired / obsolete stock	(59,988)	(49,859)
	3,966,484	3,020,190

6.1 Includes Rs. 461,866 (December 31, 2018: Rs. 13,392) in respect of raw and packaging material held by third parties.

6.2 Includes Rs. 366,827 (December 31, 2018: 118,619) in respect of semi-finished stock held by third parties and Rs. 679,831 (December 31, 2018: Nil) in respect of semi-finished stock carried at net realizable value.

6.3 Includes Rs. 6,833 (December 31, 2018: Rs. 20,086) in respect of finished goods held by third parties and Rs. 110,382 (December 31, 2018: 559,985) in respect of finished goods stock carried at net realizable value.

6.4 Stock amounting to Rs. 4,667 (September 30, 2018: Rs. 48,626) 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. 7,700,000). The unutilized balance against these facilities as at September 30, 2019 was Rs. 6,967,828 (December 31, 2018: Rs. 5,628,907). The rates of mark-up on these finances are KIBOR based and range from 10.88% to 14.55% (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 September 30, 2019 amounts to Rs. 12,566,000 (December 31, 2018: Rs. 8,665,000), of which the amount remaining unutilized as at September 30, 2019 was Rs. 9,598,578 (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 September 30, 2019 amounts to Rs. 194,771 (December 31, 2018: Rs. 634,327).

8.4 Commitments in respect of purchase of certain commodities as at September 30, 2019 amounts to Rs. 1,890,350 (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 In connection with the Income Tax Order for the tax year 2015 on February 22, 2019 CIR appeals on August 26, 2019 passed an order and upheld the decision of ACIR by disallowing expenses on account of Employee Share Option Scheme and assets written off. The Company intents to file 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 income tax recoverable has not been reduced by the effect of aforementioned order.

8.7 In connection with the sales tax order for the tax year 2014 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.

8.8 On September 17, 2019 ACIR passed an order of Sales tax for the period 2013 to 2018 amounting to Rs. 245,575 including penalty and default surcharge by disallowing wrongly input tax adjustment and purchases from blacklisted / suspended vendors. The Company intents to file an appeal with CIR (A) 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 September 30, 2019	Unaudited September 30, 2018
9.	**EARNINGS PER SHARE - Basic and diluted**	**Rupees**	
	There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
	Profit for the period	(808,757)	513,191
	Weighted average number of ordinary shares for determination of basic & diluted EPS (in thousand)	766,596	766,596

10.	**CASH GENERATED FROM OPERATIONS**		
	(Loss) / profit before taxation	(730,327)	407,005
	Adjustment for non-cash charges and other items:		
	- Depreciation	1,450,142	1,442,667
	- Depreciation on right-of-use asset	231,444	-
	- (Reversal) / impairment of operating assets - net	1,719	34,672
	- Impairment of intangibles assets	2,662	-
	- Amortization of intangibles	20,270	19,986
	- Reversal of amortization of employee share option compensation reserve - net	(3,046)	(53,006)
	- Loss / provision on death / disposal of biological assets	101,871	13,587
	- Gain on disposal of operating assets	(23,252)	(29,604)
	- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(261,983)	(214,561)
	- Provision for retirement and other service benefits	94,095	89,672
	- Provision for stock-in-trade	14,795	93,231
	- Provision for slow moving spares - net	33,904	51,872
	- Provision / (reversal) of provision for impairment of trade debts	1,339	(270)
	- Finance costs	866,897	471,184
	Working capital changes (note 10.1)	211,198	(1,095,682)
		2,011,728	1,230,753

10.1	**Working capital changes**		
	(Increase) / Decrease in current assets		
	- Stores, spares and loose tools	24,027	49,554
	- Stock-in-trade	(961,089)	(1,679,005)
	- Trade debts	(354,790)	(103,597)
	- Advances, deposits and prepayments	104,031	(126,781)
	- Other receivables	212,889	48,232
	- Sales tax recoverable	40,517	62,461
		(934,415)	(1,749,136)
	Increase in current liabilities		
	- Trade and other payables	1,145,613	653,454
		211,198	(1,095,682)

11. CASH AND CASH EQUIVALENTS

	Unaudited September 30, 2019	Unaudited September 30, 2018
	Rupees	
Cash and bank balances	111,199	50,124
Short term finances	(2,032,172)	(2,187,312)
	(1,920,973)	(2,137,188)

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.

12.2 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.

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 September 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 September 30, 2019	Unaudited September 30, 2018
		Rupees	
Nature of relationship	**Nature of transactions**		
Holding company	Dividend Paid	-	156,386
	Reimbursement of expenses received on behalf of the Company	-	1,714
Associated companies	Arrangement for sharing of premises, utilities, personnel and assets	98,341	119,684
	Fee for technical assistance	733,982	612,598
	Reimbursement of expense paid on behalf of the Company	2,809	28,706
	Reimbursement of expenses received from the Company	76,554	91,787
	Purchases of goods and services	1,349,613	493,959
	Donation	10,000	20,000
	Dividend Paid	-	122,430
Contribution to staff retirement funds	Managed and operated by ECL:		
	- Gratuity fund contribution	118,125	113,566
	- Provident fund contribution	263,316	256,062
Key management personnel	Managerial remuneration	145,711	138,110
	Contribution for staff retirement benefits	18,811	16,666
	Bonus payment	32,828	32,633
	Other benefits	438	359
Directors	Fee	2,331	1,497

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 Nine months ended September 30, 2019				Unaudited Nine months ended September 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	25,175,767	3,655,454	924,368	29,755,589	20,799,422	3,245,591	862,783	24,907,796
Inter-segment sales	(121,906)	-	(924,368)	(1,046,274)	(102,818)	-	(862,783)	(965,601)
	25,053,861	3,655,454	-	28,709,315	20,696,604	3,245,591	-	23,942,195
Net profit / (loss) after tax	(928,885)	205,613	(85,485)	(808,757)	158,090	290,114	64,987	513,191

	Unaudited Nine months ended September 30, 2019				Audited December 31, 2018			
				Rupees				
Assets								
- Segment assets	13,389,875	2,222,016	2,374,663	17,986,554	13,001,179	1,898,962	2,490,148	17,390,289
- Un-allocated assets	-	-	-	5,250,399	-	-	-	5,378,177
	13,389,875	2,222,016	2,374,663	23,236,953	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 nine months ended September 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 and other 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 October 17, 2019 by the Board of Directors of the Company.

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

ڈائریکٹرز رپورٹ

ہم، فریزلینڈ اینگرو پاکستان لمیٹڈ، فریزلینڈ کیمپینا پاکستان ہولڈنگز بی. وی کی اکثریت ملکیتی ذیلی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی 30 ستمبر 2019 کو مکمل ہونے والے نو ماہ کے لیے رپورٹ اور عبوری مالیاتی معلومات کا خلاصہ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کاروباری تجزیہ

کمپنی نے لگاتار چوتھی سہ ماہی میں بھی مسلسل مستحکم ترقی کا سلسلہ برقرار رکھا، ڈیری اور آئس کریم دونوں شعبوں میں بحساب حجم متواتر اضافہ ہوا۔ اس سال کے نو ماہ کے دوران کمپنی کا ریونیو 28.7 بلین روپے رہا ہے جو کہ گزشتہ سال کی اسی مدت کے مقابلے میں 20 فیصد زیادہ ہے۔ تاہم سخت معاشی حالات، روپے کی قدر میں کمی اور شرح سود میں اضافے سے اجناس کی قیمتوں میں ہونے والے ہوشربا اضافے سے کمپنی کے مجموعی منافع پر دباؤ رہا ہے۔ اس کے نتیجے میں گروس مارجن 18 فیصد سے کم ہو کر 14 فیصد ہو گیا۔ کمپنی نے تیسری سہ ماہی کے دوران اپنے پورٹ فولیو میں موجود پروڈکٹس کی قیمتوں میں اضافہ کیا تاکہ افراطِ زر سے پیدا ہونے والے فرق کو پورا کیا جا سکے۔ فنانس ایکٹ 2019 میں نظر ثانی کے سبب ٹیکس کی مد میں 153 ملین روپے ٹیکس کی ایڈجسٹمنٹ کی گئی۔ جس کے نتیجے میں کمپنی نے بعد از ٹیکس 809 ملین روپے کا نقصان اٹھایا جبکہ گزشتہ سال کی اسی مدت کے دوران 513 ملین روپے منافع حاصل ہوا تھا۔

ڈیری اور مشروبات کا شعبہ

ڈیری اور مشروبات سیگمنٹ نے رواں سال کے نو ماہ میں 25.1 بلین روپے روپے کی آمدنی دکھائی جو کہ گزشتہ سال اسی مدت میں 20.7 بلین روپے تھی۔

اس شعبے نے اپنے دونوں اہم برانڈز میں ترقی کی رفتار کو برقرار رکھا۔ جیسے کہ اولپرز اور ترنگ۔ دونوں برانڈز پر اُن کے دوبارہ متعارف سے لے کر اب تک کثیر مقدار میں سرمایہ کاری کی گئی جس کے نتیجے میں دونوں برانڈز نے مارکیٹ میں اپنی پوزیشن کو برقرار رکھا۔ اگرچہ FMCG سیکٹر جمود کا شکار رہا ہے لیکن پھر بھی ان برانڈز میں بحساب حجم 21 فیصد اضافہ دیکھا گیا۔ جس کے نتیجے میں، اولپرز اور ترنگ دونوں ہی اپنی متعلقہ کیٹیگریز میں مارکیٹ لیڈر رہے اور اس سلسلے میں موثر مواصلات، ریٹیل کوریج میں اضافے جیسے اقدامات نے اہم کردار ادا کیا۔

گزشتہ بارہ ماہ کے دوران کمپنی نے کچھ نئی پروڈکٹس متعارف کروائیں جیسے کہ اولپرز فل کریم ملک پاؤڈر، اولپرز کریم، اولپرز پرو۔ کیل اور ترنگ الائچی۔ ان تمام پروڈکٹس کو صارفین اور ٹریڈ دونوں جانب سے بے حد پذیرائی ملی اور ان برانڈز نے دیگر مستحکم کمپنیوں کی جانب سے شدید مسابقتی رجحان کے باوجود مارکیٹ میں اپنی جگہ بنالی ہے۔ کمپنی مستقبل میں کاروباری ترقی کے لیے فریزلینڈ کمپینا کی عالمی مہارت سے استفادہ حاصل کرتے ہوئے نئی پروڈکٹس اور جدت کو متعارف کروانے کا عمل برقرار رکھے گی۔

آئس کریم اور منجمد ڈیزرٹس سیگمنٹ

آئس کریم اور منجمد ڈیزرٹ سیگمنٹ نے رواں سال کے ابتدائی نو ماہ کے دوران 3.7 بلین روپے کی آمدنی کی جو کہ گزشتہ سال کی اسی مدت کے دوران 3.2 بلین روپے تھی۔ کاروبار میں زیادہ توجہ اس بات پر مرکوز رکھی گئی کہ صارفین میں جوش و خروش بڑھایا جائے، لہذا اس سلسلے میں اومور نے 9 نئے فلیورز متعارف کروائے اور "سمر بلاک بسٹر" کے عنوان سے ایک بہت بڑی تشہیری مہم بھی چلائی گئی تاکہ صارفین کو زیادہ سے زیادہ آگاہی حاصل ہو۔ کیٹیگری نے نہایت کامیابی کے ساتھ مارکیٹ میں مزید فریزرز رکھوائے جس سے کمپنی کی رسائی 240 سے زائد ٹاؤنز میں ہو گئی۔

ڈیری فارم سیگمنٹ

کمپنی کا ڈیری فارم ہماری ڈیری کے شعبے کے لیے صحت بخش، معیاری اور اعلیٰ کوالٹی خام مال کی فراہمی کا سبب بنا رہا۔ تاہم، شرح سود اور جانوروں کی خوراک کی قیمتوں میں اضافے، مارکیٹ میں جانوروں کی گرتی ہوئی قیمتوں کے سبب اس مدت کے دوران 84 ملین روپے کا نقصان اٹھانا پڑا۔

مالیاتی کارکردگی

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

رقم ملین میں	30 ستمبر 2019 کو اختتام پذیر نو ماہ کی مدت		
	2019	2018	تبدیلی
خالص فروخت	28,709	23,942	20%
آپریٹنگ منافع	137	878	(84%)
فروخت کی شرح	0.5%	3.7%	
نقصان/منافع بعد از ٹیکس	(809)	513	(257%)
فروخت کی شرح	(2.8%)	2.1%	
نقصان/آمدنی فی شیئرز Rs.	(1.05)	0.67	(257%)

مستقبل کا منظر نامہ

مختصر مدت کے دوران معاشی ماحول میں درپیش مشکلات کمپنی کے لیے منافع کے حصول میں رکاوٹ رہیں گی۔ افراطِ زر میں متوقع اضافے سے لوگوں کی قوتِ خرید پر بھی اثرات مرتب ہوں گے۔

"فطرت کے ساتھ پرورش" کے بنیادی اصول کے تحت، طویل المدت میں ہماری توجہ صارفین کو کھلے دودھ سے ڈبے کے دودھ پر منتقل کرنے پر مرکوز رہے گی؛ جس کے لیے ہماری تمام تر کوشش ہوگی کہ؛

- کمپنی پاکستانی صارفین کے لیے روزمرہ کی ڈیری پروڈکٹس کے انتخاب میں اولین ترجیح برانڈ بننے کی تمام تر کوشش کرے گی۔
- کمپنی، پاکستان ڈیری ایسوسی ایشن کے ساتھ مل کر ڈیری کے فروغ کے لیے مختلف اقدامات کرے گی تاکہ لوگوں کو کھلے دودھ سے لاحق خطرات کے بارے میں آگاہ کرے اور 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 جاسکے۔
- کمپنی انضباطی اتھارٹیز کے ساتھ متحرک رہے گی تاکہ وفاقی اور صوبائی فوڈ کے قوانین اور انضباطی ناموافق چیزوں کو دور کیا جاسکے اور ان کی کم از کم پیسچرائزیشن (Pasteurization) کے ضابطے کے مسودے کی تیاری میں مدد کی جائے۔

کمپنی صارفین کو ڈیری پروڈکٹس کی کفایتی، اعلیٰ معیاری اور صحت بخش ڈیری پروڈکٹس کی فراہمی کو ممکن بنانے کے لیے فریزلینڈ کمپینا کی مہارت اور 145 سال سے زائد تجربے کی میراث کو بروئے کار لائے گی۔

علی احمد خان
چیف ایگزیکٹو

عبدالصمد داؤد
چیئرمین

کراچی: 17 اکتوبر 2019

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