FrieslandCampina
Engro Pakistan Limited

Our Spirit, Our Strength

First Quarter 2021



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company information

Board of Directors
Abdul Samad Dawood (Chairman)
Ali Ahmed Khan (CEO)
Abrar Hasan
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
Zouhair Abdul Khaliq

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
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Standard Chartered Bank Pakistan Limited
Summit Bank Limited
United Bank Limited
The Bank of Punjab

Shariah Compliant
Meezan Bank Limited
Bank Al-Habib Limited - Islamic Banking

Auditors
A. F. Ferguson & Company
Chartered Accountants

State Life Building No. 1-C
I.I. Chundrigar Road
Karachi - 74000, Pakistan.
Tel: +92(21) 32426682-6 / 32426711-5

Share Registrar
M/s FAMCO Associates (Private) Limited
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Shahrah-e-Faisal, Karachi - Pakistan
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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 quarter ended March 31, 2021.

BUSINESS REVIEW

The Company continued its strong growth journey and reported a revenue of Rs. 11.6 billion during the quarter, registering a 18% growth versus last year. The cost environment remained challenging due to sharp increase in commodity costs, the Company managed to offset these challenges by taking few initiatives, including cost optimization and mix management. As a result, Gross Margin improved by 480bps versus last year. The business also continued to drive efficiencies in distribution and administrative expenses through multiple savings initiatives. Consequently, the Company registered a profit after tax of Rs 547 million versus a loss of Rs 131 million in the same period last year.

DAIRY AND BEVERAGES SEGMENT

The Dairy and Beverages segment reported a revenue of Rs. 10.7 billion, registering a 15% growth vs the same period last year. The growth for the segment comes on the back of strong momentum by Olper's which has been augmented by expansion of the portfolio (Creams, Milk Powder, Flavored Milk) enabling it's consumers to have a healthy start to their mornings, and strong investments behind brand and trade development initiatives. The business continued expansion of retail footprint by more than 11,000 outlets during the year. Additionally, the segment continues to build on the newer channels and routes to market to serve the consumers effectively and safely during the COVID-19 pandemic.

During the quarter, Olpers UHT pouch pack was introduced in Pakistan. This innovative multi-serve pack, launched at Rs 50 price point, offers a strong value proposition for the consumers to fulfill their daily morning dairy requirements, while fully preserving the goodness of milk from grass to glass. The business's other recent launches like Olper's Flavored Milk, Olper's full cream milk powder (FCMP), Olper's Creams, Olper's Pro-Cal, Tarang Tea Whitening Powder (TWP) and Tarang Elaichi 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 stellar 84% growth and registered revenue of Rs. 903 million versus a revenue of Rs. 491 million in the same period last year. The business has focused on building a solid foundation for the year by capitalizing on an early start to the summer season. The business has invested behind the biggest season opening activities including expansion of retail universe, creating excitement by introducing 2 new innovations, and investing in brand building through the "summer blockbuster" campaign. This has paid strong dividends as the segment recorded highest ever volumes in January-to-March period.

FINANCIAL PERFORMANCE

The financial performance of the company for the quarter ended March 31, 2021 is summarized below:

(Rs. in million)	Quarter ended March 31, 2021		
	2021	**2020**	**Variation**
Net Sales	11,577	9,806	18%
Operating Profit	964	197	390%
% of sales	*8.3%*	*2.0%*	*632 bps*
Profit / (Loss) after tax	547	-131	
% of sales	*4.7%*	*-1.3%*	*606 bps*
Earnings / (Loss) per share (Rs.)	0.71	-0.17	

FUTURE OUTLOOK

The macro economic environment remains challenging for businesses and consumers alike, amidst the resurgence of COVID – 19 cases. The operating environment is also adversely impacted by sharp inflation especially for food and agricultural commodities. Whilst the Company sees a tough business environment in the future due to declining consumer purchasing power and higher input costs, it has already put in place several initiatives to drive efficiencies and manage inflation to optimize the financial performance.

Amidst the rise in COVID cases, the safety and wellbeing of employees and business partners will remain the top priority. The Company will continue to reinforce safe operating behaviours through general and targeted campaigns, whilst ensuring adherence of strict safety protocols across all its offices and manufacturing sites.

Dairy farmers are the backbone of FrieslandCampina Engro Pakistan's supply chain and the Company will continue to scale up its industry-leading Dairy Development Program, which is designed to ensure inclusive growth and increased profitability for our farmers. The business will continue to train the farmers with best practices to help them improve productivity, yield and profits thereby supporting and improving the communities we operate in.

Our purpose is to transform the health and well-being of Pakistanis now and for generations to come, hence the Company will continue to drive business growth through conversion from unsafe loose milk to packaged milk by:

- Investing in strengthening its brand equity
- Accelerating innovation and expanding its portfolio
- Working with the Pakistan Dairy Association (PDA) to educate consumers on the hazards of loose milk and the benefits of packaged milk
- Encouraging the Government to provide support in creating mass awareness around nutrition and safe milk consumption and in developing favourable fiscal policies for the dairy sector.
- Working with Regulatory Authorities to harmonize the Federal and Provincial food laws and draft legislation on minimum pasteurization.

Leveraging its global expertise and 145+years heritage, the Company remains committed to the highest standards of hygiene, food safety and sustainability and providing safe, affordable, and nourishing dairy products to millions of Pakistanis, every day.



Abdul Samad Dawood
Chairman
Karachi: April 20, 2021



Ali Ahmed Khan
Chief Executive

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2021

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2021

(Amounts in thousand)

	Note	Unaudited March 31, 2021	Audited December 31, 2020
		---------- Rupees ----------	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	10,137,370	10,448,454
Biological assets		1,173,149	1,197,685
Intangibles		60,037	67,084
Right-of-use assets		474,875	451,138
Deferred tax asset - net		566,994	806,244
Long term advances and deposits		59,918	43,781
		12,472,343	13,014,386
Current Assets			
Stores, spares and loose tools	6	452,985	444,237
Stock-in-trade	7	6,807,947	3,538,892
Trade debts		1,192,198	801,387
Advances, deposits and prepayments		379,691	265,601
Other receivables		130,452	158,247
Sales tax recoverable		1,806,638	1,928,294
Taxes recoverable		2,696,524	2,576,420
Cash and bank balances		191,091	570,462
		13,657,526	10,283,540
TOTAL ASSETS		26,129,869	23,297,926
EQUITY AND LIABILITIES			
Equity			
Share capital		7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve		86,909	100,446
Remeasurement of post employment benefits - Remeasurement loss		(146,432)	(146,432)
Unappropriated profit		622,650	62,315
		9,094,442	8,547,644
Non-Current Liabilities			
Long term:			
- finances		4,549,464	4,663,004
- lease liability against right-of-use assets		281,799	258,219
- other payables		59,664	118,452
		4,890,927	5,039,675
Current Liabilities			
Current portion of:			
- finances		1,364,762	1,239,502
- lease liabilities against right-of-use assets		231,048	240,097
- other payables		33,452	39,069
Trade and other payables		8,629,667	7,814,922
Contract liabilities		148,233	215,144
Unclaimed dividend		7,943	8,507
Accrued interest / mark-up on:			
- long-term finances		159,509	87,570
- short-term finances		54,854	65,796
Short-term finances	8	1,515,032	-
		12,144,500	9,710,607
Contingencies and Commitments	9		
TOTAL EQUITY AND LIABILITIES		26,129,869	23,297,926

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

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

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2021

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

	Note	Quarter ended March 31,	
		2021	2020
		---------- Rupees ----------	
Revenue from contracts with customers - net		11,577,487	9,805,871
Cost of revenue		(9,279,102)	(8,325,423)
Gross profit		2,298,385	1,480,448
Distribution and marketing expenses		(1,027,425)	(1,000,184)
Administrative expenses		(288,040)	(302,685)
Other operating expenses		(92,597)	(10,781)
Other income		73,317	29,730
Operating profit		963,640	196,528
Finance cost		(177,561)	(378,885)
Profit / (loss) before taxation		786,079	(182,357)
Taxation		(239,281)	51,728
Profit / (loss) for the period		546,798	(130,629)
Earnings / (loss) per share - basic and diluted	10	0.71	(0.17)

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

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

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2021

(Amounts in thousand)

	Quarter ended March 31,	
	2021	**2020**
	---------- Rupees ----------	
Profit / (loss) for the period	546,798	(130,629)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	546,798	(130,629)

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

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

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2021

(Amounts in thousand)

	Share capital	RESERVES				Total
		CAPITAL		REVENUE		
		Share premium	Employee share option compensation reserve	Remeasurement of post employment benefits	Unappropriated profit / (loss)	
	Rupees					
Balance as at January 1, 2020 (Audited)	7,665,961	865,354	115,517	(132,485)	(129,682)	8,384,665
Transfer of employee share option compensation reserve to unappropriated loss	-	-	(9,204)	-	9,204	-
Loss for the period	-	-	-	-	(130,629)	(130,629)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(130,629)	(130,629)
Balance as at March 31, 2020 (Unaudited)	7,665,961	865,354	106,313	(132,485)	(251,107)	8,254,036
Balance as at January 1, 2021 (Audited)	7,665,961	865,354	100,446	(146,432)	62,315	8,547,644
Transfer of employee share option compensation reserve to unappropriated profit / (loss)	-	-	(13,537)	-	13,537	-
Profit for the period	-	-	-	-	546,798	546,798
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	546,798	546,798
Balance as at Marhc 31, 2021 (Unaudited)	7,665,961	865,354	86,909	(146,432)	622,650	9,094,442

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

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

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2021

(Amounts in thousand)

	Note	Quarter ended March 31, 2021	2020
		---------- Rupees ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	11	(1,400,367)	(2,046,992)
Finance costs paid		(105,137)	(272,665)
Taxes paid		(120,134)	186,608
Contribution to the retirement benefits paid		(7,065)	(8,693)
Long term advances and deposits - net		(16,137)	16,880
Net cash utilized in operating activities		(1,648,840)	(2,124,862)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(223,087)	(525,912)
- intangibles		-	(355)
Proceeds from disposal of:			
- property, plant and equipment		39,786	10,732
- biological assets		18,068	41,104
Net cash utilized in investing activities		(165,233)	(474,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term finances		-	1,000,000
Dividend paid		(564)	(139)
Repayment of lease liability against right-of-use assets		(79,766)	(40,108)
Net cash (utilized in) / generated from financing activities		(80,330)	959,753
Net decrease in cash and cash equivalents		(1,894,403)	(1,639,540)
Cash and cash equivalents at beginning of the period		570,462	(1,750,235)
Cash and cash equivalents at end of the period	12	(1,323,941)	(3,389,775)

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

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

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 FrieslandCampina Engro Pakistan Limited (the Company), is a public listed company incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act 2017), 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.

2. BASIS OF PREPARATION

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

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

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

2.2 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, 2020.

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, 2020, unless otherwise specified.

(Amounts in thousand)

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2020, except relating to the matters stated in notes 3.2.

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.

4. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

4.1 On March 11, 2020, the World Health Organization (WHO) declared COVID-19 (the Virus) a pandemic. In Pakistan the Federal Government and Provincial Governments have provided various directions and are taking measures to respond to the virus. The Company's management is observing the directives issued by the government and continues to monitor the developing situation and would proactively manage any risk arising thereof. The Company's management based on their current assessment has concluded that there are no material implications of COVID-19 on the Company's operations, financial position and results at the date these financial statements were approved and authorized for issue.

5. PROPERTY, PLANT AND EQUIPMENT

	Unaudited March 31, 2020	Audited December 31, 2020
	---------- Rupees ----------	
Operating assets, at net book value (notes 5.1, 5.2 and 5.3)	9,882,879	10,099,093
Capital work-in-progress (note 5.3)	110,296	205,848
Major spare parts and stand-by equipment	144,195	143,513
	10,137,370	10,448,454

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

	Unaudited March 31, 2021	Unaudited March 31, 2020
	---------- Rupees ----------	
Land	-	5,161
Buildings on freehold land	-	18,307
Plant, machinery and related equipment	217,800	335,752
Office equipment & furniture and fittings	7,303	37,935
Computer equipment	15,541	-
Vehicles	77,995	103,158
	318,639	495,152

(Amounts in thousand)

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

	Cost	Accumulated depreciation / impairment	Net book value	Sales proceeds	Mode of disposal
	---------- Rupees ----------				
Plant,machinery and equipment	95,681	(93,571)	2,110	2,436	Third party disposal and Write offs
Vehicles - owned	71,235	(61,907)	9,328	31,362	Employee Buybacks and Auction.
Computer equipment	2,663	(2,631)	32	282	Employee Buybacks and Write off.
Freezers and Trikes	21,714	(20,366)	1,348	5,706	Third Party disposal and Insurance claims
Building & civil works	2,432	(2,432)	-	-	Civil work - Write offs Q1 - 2021
March 31, 2021	193,725	(180,907)	12,818	39,786	
March 31, 2020	92,161	(85,741)	6,420	10,732	

	Unaudited March 31, 2021	Unaudited March 31, 2020
	---------- Rupees ----------	
5.3 Following additions, including transfers to operating assets, were made to capital work-in-progress during the period:		
Additions:		
Land	-	5,161
Building on freehold land	4,342	79,692
Plant, machinery and related equipment	187,637	397,937
IS and milk automation projects	-	355
Office equipment, furniture & fittings and computer equipment	21,879	14,306
Vehicles	9,229	28,816
	223,087	526,267
Transfers to:		
- Operating assets	(318,639)	(500,313)
- Intangibles	-	(355)
	(318,639)	(500,668)

6. STORES, SPARES AND LOOSE TOOLS

These includes provision against expired / obsolete stores and spares amounting to Rs. 271,269 (December 31, 2020: Rs. 244,302).

(Amounts in thousand)

		Unaudited March 31, 2021	Audited December 31, 2020
		---------- Rupees ----------	
7.	**STOCK-IN-TRADE**		
	Raw and packaging material (note 7.1)	1,951,285	2,348,105
	Work in process (note 7.2)	4,195,152	355,030
	Finished goods (notes 7.3)	745,248	867,086
		6,891,685	3,570,221
	Less: Provision for expired / obsolete stock	(83,738)	(31,329)
		6,807,947	3,538,892

7.1 Includes Rs. 182,107 (December 31, 2020: Rs. 459,314) in respect of raw and packaging material held by third parties.

7.2 Includes Rs. 1,150,593 (December 31, 2020: 126,121) in respect of semi-finished stock held by third parties.

7.3 Includes Rs. 89,190 (December 31, 2020: Rs. 11,046) in respect of finished goods held by third parties and Rs. 2,231 (December 31, 2020: 61,132) in respect of finished goods stock carried at net realizable value.

7.4 Stock amounting to Rs. 2,236 (Mar 31, 2020: Nil) has been written off against provision during the period.

(Amounts in thousand)

8. SHORT TERM FINANCES - secured

8.1 The facilities for short term running finance available from variously banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 8,200,000 (2020: Rs. 8,200,000). The unutilized balance against these facilities as at quarter end was Rs. 6,684,968 (2020: Rs. 8,200,000). The rates of mark-up on these finances are KIBOR based and range from 7.30% to 7.98% (2020: 7.25% to 7.93%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

8.2 The facilities for opening letters of credit and bank guarantees as at March 31, 2021 amounts to Rs. 13,940,000 (2020: Rs. 13,366,000), of which the amount remaining unutilized as at quarter end was Rs. 8,449,338 (2020: Rs. 6,947,576).

9. CONTINGENCIES AND COMMITMENTS

There is no significant change in the matters disclosed in notes 15, 26 and 34.1 to the financial statements for the year ended December 31, 2020, except for the following:

- Commitments in respect of capital expenditure contracted for but not incurred as at March 31, 2021 amounts to Rs. 701,241 (December 31, 2020: Rs. 159,632).

- Commitments in respect of purchase of certain commodities as at March 31, 2020 amounts to Rs. 69,926 (December 31, 2020: Rs. 2,293,830).

- On March 22, 2021, Additional CIR raised demand of Rs. 54,088 for tax year 2020 by disallowing certain items. Being aggrieved with the impugned order, the Company intends to file appeal before the CIR (Appeals). The Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

- The Deputy CIR issued orders dated Febraury 22, 2021 and February 18, 2021 for tax years 2009 and 2020 wherein the tax authority had conducted verification of advance tax credits claimed by the Company in the income tax return. The tax authority disallowed the Company's claims to the extent of Rs. 25,713 and Rs. 25,024 for tax years 2009 and 2020 respectively. Being aggrieved with the impugned orders, the Company has filed appeals before CIR (Appeals) on March 12, 2021, which are pending adjudication. The Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

10. EARNINGS PER SHARE - Basic and diluted

	Quarter ended March 31, 2021	2020
	---------- Rupees ----------	
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit / (loss) for the period	546,798	(130,629)
	---------- Number of shares ----------	
Weighted average number of ordinary shares for determination of basic and diluted EPS	766,596,075	766,596,075
Earnings / (loss) per share	0.71	(0.17)

(Amounts in thousand)

		Unaudited March 31, 2021	Unaudited March 31, 2020
		---------- Rupees ----------	
11.	**CASH GENERATED FROM OPERATIONS**		
	Profit / (loss) before taxation	786,079	(182,357)
	Adjustment for non-cash charges and other items:		
	- Depreciation on property, plant and equipment	522,693	482,499
	- Depreciation on right-of-use asset	59,133	64,790
	- Impairment of operating assets - net	(659)	3,591
	- Amortization of intangibles	7,047	7,102
	- Gain on death / disposal of biological assets	(4,138)	1,847
	- Gain on disposal of operating assets	(26,968)	(4,311)
	- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	10,606	(22,516)
	- Provision for retirement and other service benefits	32,588	30,766
	- Provision for stock-in-trade	(13,271)	(1,087)
	- Provision for slow moving spares - net	26,967	21,530
	- Provision for impairment of trade debts	(4,688)	670
	- Government grant recognized as income	(11,720)	-
	- Exchange (gain) / loss	(6,514)	73
	- Finance cost on short term and long term finances including bank charges	166,134	362,253
	- Finance cost on lease liability against right-of-use assets	11,427	16,632
	Working capital changes (note 11.1)	(2,955,083)	(2,828,474)
		(1,400,367)	(2,046,992)
11.1	**Working capital changes**		
	(Increase) / decrease in current assets		
	- Stores, spares and loose tools	(36,397)	(16,922)
	- Stock-in-trade	(3,255,784)	(3,699,973)
	- Trade debts	(386,123)	(187,570)
	- Advances, deposits and prepayments	(114,090)	50,662
	- Other receivables	27,795	262,136
	- Sales tax recoverable	121,656	76,503
		(3,642,943)	(3,515,164)
	Increase / (decrease) in current liabilities		
	- Trade and other payables	754,771	718,314
	- Contract liabilities	(66,911)	(31,624)
		687,860	686,690
		(2,955,083)	(2,828,474)
12.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	191,091	541,419
	Short term finances	(1,515,032)	(3,931,194)
		(1,323,941)	(3,389,775)

(Amounts in thousand)

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

13.1 Financial risk factors

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

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

13.2 Fair value of financial assets and liabilities

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

14. FAIR VALUE ESTIMATION

14.1 The Company analyzes assets carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (level 3).

14.2 During the period, there were no changes in valuation techniques.

(Amounts in thousand)

15. TRANSACTIONS WITH RELATED PARTIES

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

		Unaudited March 31, 2021	Unaudited March 31, 2020
		---------- Rupees ----------	
Nature of relationship	**Nature of transactions**		
Associated companies / undertakings	Arrangement for sharing of premises, utilities, personnel and assets	30,062	32,561
	Fee for technical assistance	286,829	257,268
	Reimbursement of expense paid / payable on behalf of the Company	3,566	13,442
	Reimbursement of expenses received / receivable from the Company	21,233	10,838
	Purchases of goods and services	380,010	241,720
	Donation	5,000	5,000
Contribution for staff retirement funds	Managed and operated by Engro Corporation Limited:		
	- Gratuity fund contribution	33,737	31,345
	- Provident fund contribution	88,424	86,768
Key management personnel including the Chief Executive Officer but not other Directors	Managerial remuneration	51,208	49,538
	Contribution for staff retirement benefits	7,318	6,936
	Bonus payment	-	-
Other Directors	Fee	634	617

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

16. SEGMENT INFORMATION

16.1 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, 2020.

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, at market value.

(Amounts in thousand)

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

	Unaudited Quarter ended March 31, 2021			Unaudited Quarter ended March 31, 2020 (Restated)		
	Dairy and Beverages	Ice cream & frozen desserts	Total	Dairy and Beverages	Ice cream & frozen desserts	Total
	----------Rupees----------					
Results for the period						
Net sales	10,697,569	902,909	11,600,478	9,704,286	491,260	10,195,546
Inter-segment sales	(22,990)	-	(22,990)	(389,675)	-	(389,675)
	10,674,579	902,909	11,577,487	9,314,611	491,260	9,805,871
Net profit / (loss) after tax	619,932	(73,134)	546,798	37,771	(168,400)	(130,629)

	Unaudited Quarter ended March 31, 2021			Audited December 31, 2020 (Restated)		
	----------Rupees----------					
Assets						
- Segment assets	17,510,277	2,641,333	20,151,610	13,434,322	2,267,417	15,701,739
- Un-allocated assets	-	-	5,978,259	-	-	7,596,187
	17,510,277	2,641,333	26,129,869	13,434,322	2,267,417	23,297,926

17. 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 quarter ended March 31, 2021 are not necessarily indicative of result to be expected for the full year.

18. CORRESPONDING FIGURES

18.1 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 transactions of comparable period of immediately preceding financial year.

19. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 20, 2021 by the Board of Directors of the Company.

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

فریزلینڈ کمپینا اینگرو پاکستان لمیٹیڈ

ڈائریکٹرز رپورٹ
(Director's Report)

فریزلینڈ کمپینا اینگرو پاکستان لمیٹیڈ (اینگروفوڈز لمیٹیڈ۔فریزلینڈ کمپینا پاکستان ہولڈنگز بی وی کی اکثریتی ملکیتی ماتحت کمپنی) کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 31 مارچ 2021 کوختم ہونے والی سہ ماہی کی رپورٹ اور کمپنی کی عبوری مالی معلومات پیش کرتے ہوئے انتہائی خوشی محسوس کررہے ہیں۔

کاروباری جائزہ
(Business Review)

کاروبار نے بہترین ترقی اور بہترین شرح نمو کا سلسلہ جاری رکھتے ہوئے سہ ماہی میں 11.6 ارب روپے کی آمدن ظاہر کی جو گزشتہ سال کے مقابلے میں 18 فیصد زائد ہے۔اجناس کی قیمتوں میں تیزی سے اضافے کی وجہ سے لاگت کا مجموعی ماحول مشکل رہا۔کمپنی لاگت کی اصلاح اور مکس مینجمنٹ سمیت متعدد اقدامات کے ذریعے ان مشکلات سے نمٹنے میں کامیاب رہی۔اس کے نتیجے میں گزشتہ سال کے مقابلے میں مجموعی منافع میں 480 بیسس پوائنٹس بہتری آئی۔کمپنی نے بچت کے متعدد اقدامات کے ذریعے ترسیلی اور انتظامی اخراجات کی مد میں مؤثر طریقے سے کام جاری رکھا۔اس کے نتیجے میں کمپنی نے گزشتہ سال 131 ملین روپے خسارے کے مقابلے میں 547 ملین روپے کا بعد از ٹیکس منافع ریکارڈ کیا۔

دودھ اور مشروبات کا شعبہ
(Dairy and Beverages Segment)

ڈیری اور مشروبات کے شعبے نے 10.7 ارب روپے کی آمدن ریکارڈ کی جو گزشتہ سال اسی دورانیے کے مقابلے میں 15 فیصد زائد ہے۔ اس شعبے کی ترقی اوپلرز کی شاندار کارکردگی کی بدولت ممکن ہوسکی جس میں پورٹ فولیو (کریمز، ملک پاؤڈر، ذائقہ دار دودھ) میں توسیع کی وجہ سے بہتری آئی اور ان سب نے صارفین کے لیے صبح کا صحت بخش آغاز کے ساتھ ساتھ برانڈ اور تجارتی ترقیاتی اقدامات کے سلسلے میں

بہترین سرمایہ کاری کو بھی یقینی بنایا۔ کاروبار نے ریٹیل سطح پر توسیع کا عمل جاری رکھا اور سال بھر میں 11 ہزار آؤٹ لیٹس تک توسیع دے دی گئی۔ اس کے علاوہ اس شعبے نے مارکیٹ میں نئی جہتوں اور راہوں پر گامزن رہنے کا سلسلہ بھی جاری رکھا تا کہ کووڈ-19 کے وبائی مرض کے دوران صارفین کی مؤثر طریقے سے خدمت کی جا سکے۔

سہ ماہی کے دوران پاکستان میں اولپرز یو ایچ ٹی پاؤچ پیک متعارف کروایا گیا۔ جدید طرز پر تیار اس پیک کو 50 روپے کی کفایتی قیمت پر متعارف کیا گیا جو صارفین کے لیے گھاس سے گلاس تک دودھ کی افادیت کو مکمل طور پر محفوظ بناتے ہوئے بہترین قدر کی حامل چیز فراہم کرتا ہے تا کہ وہ روزانہ صبح اپنی ڈیری کی ضروریات کو پورا کر سکیں۔ اس کے علاوہ کاروبار نے حال ہی میں جن دیگر مصنوعات کو متعارف کیا ان میں اولپرز فلیورڈ ملک، اولپرز فُل کریم ملک پاؤڈر، اولپرز کریمز، اولپرز پروکیل، ترنگ ٹی وائٹننگ پاؤڈر اور ترنگ الائچی نے پہلے سے مارکیٹ میں موجودہ بڑے ناموں کے باوجود کم مدت میں صحت مند مارکیٹ شیئر حاصل کیا۔ کمپنی مستقبل میں کاروباری نمو میں کلیدی محرک کے طور پر نئی مصنوعات اور جدتیں متعارف کرانے کے لیے فریزلینڈ کمپینا کی عالمی مہارت سے استفادہ کرتی رہے گی۔

آئس کریم اور منجمد میٹھوں کا شعبہ
(Ice Cream and Frozen Dessert Segment)

آئس کریم اور منجمد میٹھوں کے شعبے کی نمو میں 84 فیصد کا شاندار اضافہ ریکارڈ کیا گیا اور گزشتہ سال 491 ملین روپے آمدن کے مقابلے میں اس سال 903 ملین روپے کی آمدن ریکارڈ کی گئی۔ کاروبار نے گرمیوں کے موسم کے جلد آغاز کے ساتھ ہی سرمایہ کاری کرتے ہوئے سال کے لیے ایک مضبوط بنیاد رکھنے پر توجہ مرکوز کی۔ کاروبار نے اس سیزن کی بڑی افتتاحی سرگرمیوں پر سرمایہ کاری کی گئی جس میں ریٹیل کاروبار میں توسیع اور 2 نئی جدتیں متعارف کروا کر جوش و خروش پیدا کیا اور 'سمر بلاک بسٹر' مہم کے ذریعے برانڈ کی ترویج پر سرمایہ کاری کی۔ ان سب اقدامات نے بہترین منافع فراہم کیا کیونکہ اس شعبے میں جنوری سے مارچ کے عرصے میں تاریخ کا سب سے زیادہ کاروباری حجم ریکارڈ کیا۔

مالیاتی کارکردگی
(Financial Performance)

31 مارچ 2021 کو ختم ہونے والی سہ ماہی میں کمپنی کی مالیاتی کارکردگی کی تفصیل درج ذیل ہے۔

روپے ملین میں	31، مارچ 2021 کو ختم ہونے والی سہ ماہی		
	2021	2020	تبدیلی
خالص فروخت	11,577	9,806	18%
آپریٹنگ منافع	964	197	390%
فروخت کا فیصد	8.3%	2.0%	632 بیسس پوائنٹس
بعد از ٹیکس منافع / نقصان	547	-131	
فروخت کا فیصد	4.7%	-1.3%	606 بیسس پوائنٹس
فی حصص آمدن / نقصان روپے	0.71	-0.17	

مستقبل کا جائزہ
(Future Outlook)

کووڈ-19 کی وبا کی وجہ سے کلاں معاشیاتی ماحول کاروباروں اور صارفین کے لیے یکساں چیلنج رہا ہے۔ کاروباری ماحول پر افراط زر کی تیزی سے بڑھتی ہوئی شرح خصوصاً خوراک اور زرعی اجناس پر بری طرح اندزا ہوئی ہے۔ گو کہ صارفین کی گرتی ہوئی قوت خرید اور انتہا سے زیادہ بڑھتی ہوئی لاگت کے اخراجات کی وجہ سے کمپنی کو مستقبل میں سخت کاروباری ماحول نظر آرہا ہے لیکن اس کے باوجود اس نے مالی کارکردگی کو بہتر بناتے ہوئے کام کو مؤثر انداز سے انجام دینے اور افراط زر پر قابو پانے کے لیے متعدد اقدامات کیے ہیں۔

کووڈ-19 کے بڑھتے ہوئے کیسز کے پیش نظر ملازمین اور کاروباری شراکت داروں کی حفاظت اور خوشحالی اولین ترجیح رہے گی۔ کمپنی عمومی اور اہداف پر مبنی مہمات کے ذریعے کام کے محفوظ رویوں کو کولاگو کرتی رہے گی جبکہ اس کے علاوہ تمام دفاتر اور مینوفیکچرنگ کے مقامات پر سخت حفاظتی پروٹوکول کی پاسداری کو یقینی بنایا جائے گا۔

ڈیری کسان فریز لینڈ کمپینا اینگرو پاکستان کی سپلائی چین کی ریڑھ کی ہڈی ہیں اور کمپنی اس صنعت میں اپنے صف اول کے ڈیری ڈیولپمنٹ پروگرام کو بہتر بنانے کا عمل جاری رکھے گی جو خصوصی طور پر ہمارے ڈیری کسانوں کی ترقی اور منافع میں اضافہ یقینی بنانے کے لیے تیار کیا گیا

ہے۔ یہ کاروبار ڈیری کسانوں کو بہترین طریقوں سے تربیت کی فراہمی کا عمل جاری رکھے گا تا کہ ان کی پیداواری صلاحیت، پیداوار اور منافع کو بہتر بنایا جاسکے اور ہم اس معاشرے کی مدد اور اسے بہتر بنا سکیں جس میں ہم کام کرتے ہیں۔

ہمارا مقصد پاکستانیوں کی موجودہ اور آنے والی نسلوں کی صحت اور فلاح و بہبود کو بہتر بنانا ہے لہٰذا یہ کمپنی غیر محفوظ کھلے دودھ سے پیکیج دودھ کی جانب منتقلی کی مہم جاری رکھتے ہوئے درج ذیل اقدامات کے ذریعے کاروباری ترقی کا سفر جاری رکھے گی۔

- سرمایہ کاری کے ذریعے برانڈ کی ساکھ کو مضبوط بنایا جائے
- جدت کو تیز تر اور پورٹ فولیو کو توسیع دی جائے
- پاکستان ڈیری ایسوسی ایشن (PDA) کے ساتھ مل کر صارفین کو کھلے دودھ کے خطرات اور پیکیجڈ دودھ کے فوائد کے حوالے سے آگاہی فراہم کرنا
- غذائیت اور محفوظ دودھ کی کھپت کے بارے میں بڑے پیمانے پر آگاہی بیدار اور دودھ کے شعبے کے لیے سازگار مالی پالیسیاں تیار کرنے کے سلسلے میں حکومت کی حوصلہ افزائی کرنا۔
- وفاقی اور صوبائی غذائی قوانین کو ہم آہنگ کرنے کے لیے نگراں اداروں کے ساتھ مل کر کام کرنا اور کم سے کم پاسچرائزیشن سے متعلق قانون کا مسودہ تیار کرنا۔

اپنی عالمی مہارت اور 145 سے زائد سالوں کے تجربے کی میراث کا فائدہ اٹھاتے ہوئے یہ کمپنی حفظان صحت کے اعلیٰ معیار، غذائی تحفظ اور استحکام کے لیے پرعزم ہے اور کروڑوں پاکستانیوں کو روزانہ محفوظ، سستی اور غذائیت سے بھرپور ڈیری مصنوعات کی فراہمی کے لیے کاوشوں کو جاری رکھے گی۔

عبدالصمد داؤد	علی احمد خان
چیئرمین	چیف ایگزیکٹو

کراچی: 20 اپریل 2021

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