



FrieslandCampina   
Engro Pakistan Limited

# Our Spirit, Our Strength

Annual Report 2020



SCAN ME

## HEAD OFFICE

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**FrieslandCampina** 

Engro Pakistan Limited



# About the Report

Leveraging the global dairy expertise of FrieslandCampina and the rich, local knowledge and network of Engro Corporation Limited, we continue to deliver on our promise of 'Nourishing Pakistan' with safe and nutritious products.

Melding state-of-the-art technology with best-in-class processes enables us to innovate at speed, while the operational resilience and efficiency of our supply chain and resource network guarantee that our customers have continued access to our products, even in adverse circumstances.

We were tested this year. Faced with the uncertainty and challenges of COVID-19, we drew upon knowledge cultivated over decades, and mobilised our entire team to navigate the complexities of the pandemic and ensure business continuity while prioritising the safety of our team, nationwide.

Our global success is a testament to the efforts we have made in the past towards building a talented organization, strong brands, and a performant culture.

Moreover, we increased engagement across our entire stakeholder ecosystem. From supporting our farmers and communities with our expansive Dairy Development Program, to transitioning our employees seamlessly to a hybrid model, by rethinking diversity as a cornerstone of our business, to improving our environmental impact with innovative sustainability initiatives, we have challenged ourselves to explore possibilities in the pursuit of excellence.

This year's report takes inspiration from and encapsulates the spirit of our most vibrant asset – our people. With them as the custodians of our brands and the guardians of our future, we know that we have the acumen and fortitude to brave every challenge, as we continue on our mission to serve the millions of Pakistanis who rely on us every day.

We remain committed to Pakistan, now, and for generations to come.



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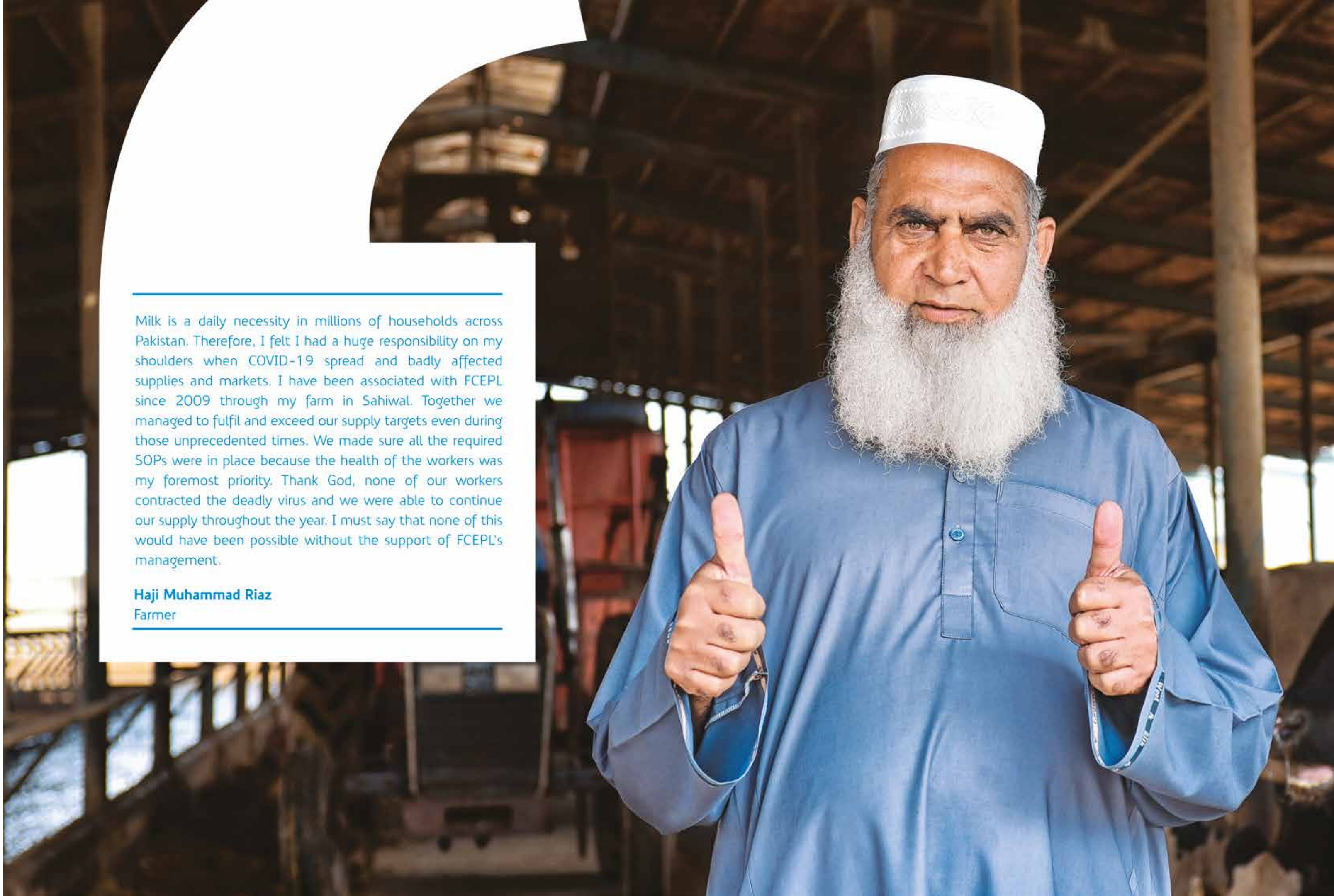
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Milk is a daily necessity in millions of households across Pakistan. Therefore, I felt I had a huge responsibility on my shoulders when COVID-19 spread and badly affected supplies and markets. I have been associated with FCEPL since 2009 through my farm in Sahiwal. Together we managed to fulfil and exceed our supply targets even during those unprecedented times. We made sure all the required SOPs were in place because the health of the workers was my foremost priority. Thank God, none of our workers contracted the deadly virus and we were able to continue our supply throughout the year. I must say that none of this would have been possible without the support of FCEPL's management.

**Haji Muhammad Riaz**  
Farmer



Our  
Company

# Company Overview

## Company Overview

FrieslandCampina Engro Pakistan Limited is a Pakistani dairy Company and a subsidiary of the Dutch multinational corporative Royal FrieslandCampina. The Company launched as Engro Foods in 2005 with our first production facility in Sukkur, Pakistan and the introduction of our flagship UHT milk brand: Olper's. Following successful entries in the tea-whitening category with Tarang in 2007, and the ice-cream market with Omore in 2009, we entered a strategic partnership with Royal FrieslandCampina of Netherlands in 2016.

This partnership allowed us to gain access to more than 145 years of dairy expertise, technology, and R&D. It further advanced our efforts towards the Sustainable Development Goals we prioritise: environment, gender equality, no poverty and zero hunger.

With two production facilities in Sukkur and Sahiwal, a dairy farm in Nara, over 1,300 milk collection centres and a resource network encompassing thousands of individuals, our expansive and robust footprint ensures a sustainable, efficient supply chain, knowledgeable farmers and empowered communities.

Dairy farmers are the backbone of FCEPL's supply chain, and we take great pride in our exemplary Dairy Development Program. The program is tailored and designed to ensure inclusive growth and increased profitability by sharing knowledge and best practices for dairy farming, providing training on animal health, housing and barn design, feed and water, milk hygiene, aflatoxin control, cow signals, farm economics, calf rearing and the

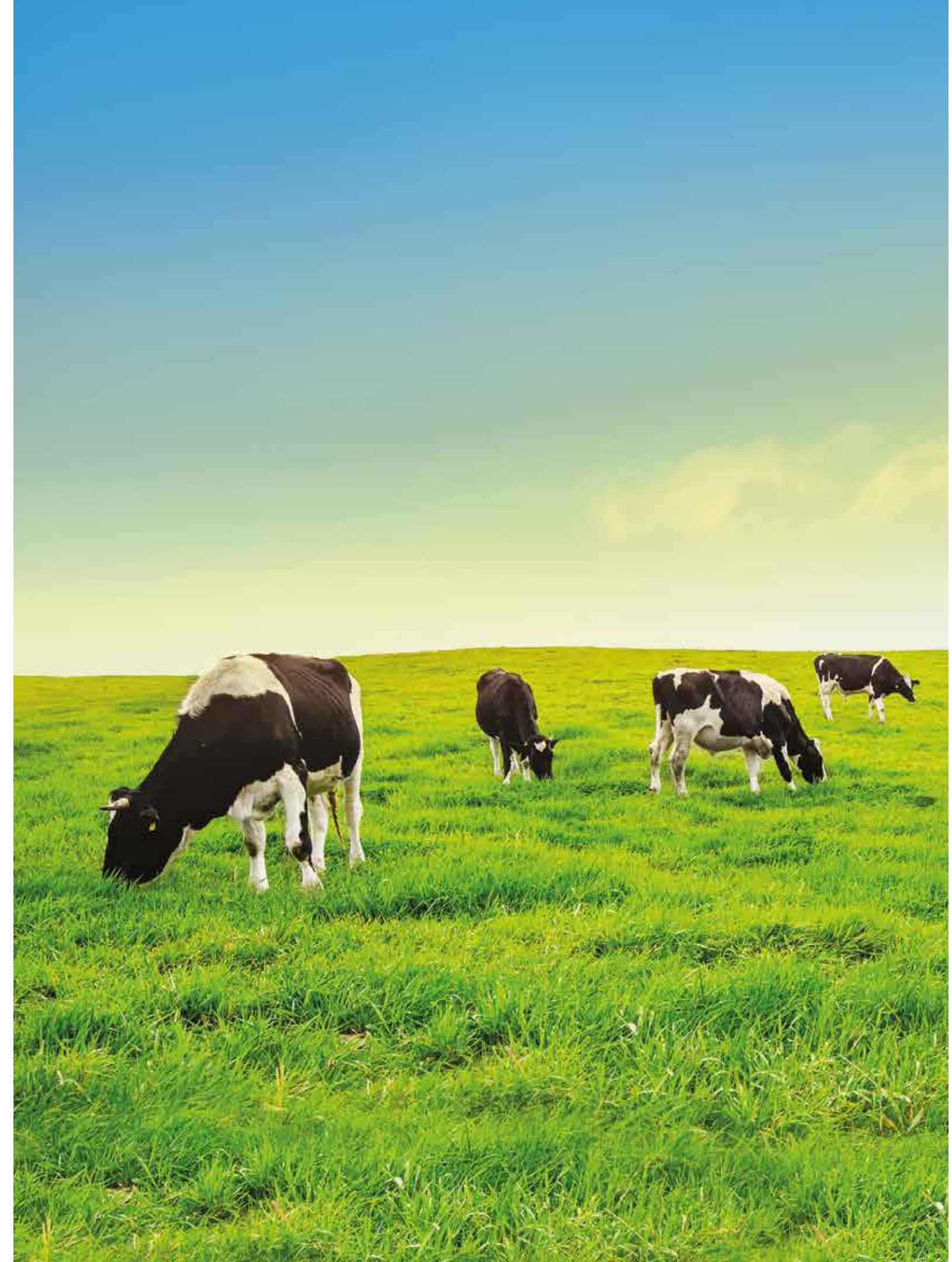
environment. We also help facilitate farmer communities in obtaining subsidised loans as working capital.

Our innovations draw upon our deep, global dairy expertise and are tailored specifically for local preferences and cultural adoption. With this outlook and our unique position, we are combining enterprising talent with emerging methodologies to set the foundation for the next chapter in the food-safety and nourishment story in Pakistan.

## Our Purpose

The pursuit of a healthy and nourished Pakistan is a core driving force for our success. It is our promise to make the grass greener for the cows, yields higher for the farmers, growth stronger for the milk industry and a glass of milk full of natural goodness for every Pakistani.

Simply put, our purpose is to transform the health and well-being of Pakistanis now and for generations to come, by nourishing them through unlocking the goodness of milk from grass to glass, as well as by enhancing the livelihood of farmers.





# 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 the Audit Committee

Abrar Hasan (Chairman)  
Eduardus Lambertus Holtzer  
Zouhair Abdul Khaliq

Secretary of the Committee is  
Saleem Lallany, GM Internal Audit Department

## Banks 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  
Telenor Microfinance Bank  
United Bank Limited  
The Bank of Punjab

## Shariah Compliant

Al-Baraka Bank Pakistan Limited  
Meezan Bank Limited  
Bank Al-Habib Limited – Islamic Banking  
BankIslami Pakistan Limited

## 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  
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 (9 lines)  
Fax: +92 (21) 35296010  
E-mail: efl.shareholders@frieslandcampina.com  
Website: www.frieslandcampina.com.pk



**FrieslandCampina**  
**Engro Pakistan Limited**

# FrieslandCampina Engro Pakistan Limited

## Notice of the Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of FrieslandCampina Engro Pakistan Limited will be held on Tuesday 20<sup>th</sup> April, 2021 at 03:00 p.m. via Zoom Cloud Meetings, for transacting the following business:

A) ORDINARY BUSINESS

- (1) To receive and consider the Audited Accounts for the year ended 31<sup>st</sup> December, 2020 and the Directors' and Auditors' Reports thereon.
- (2) To appoint Auditors and fix their remuneration.
- (3) To elect 7 directors in accordance with the Companies Act, 2017. The retiring Directors are Messrs. Abdul Samad Dawood, Ali Ahmed Khan, Roeland Francois van Neerbos, Eduardus Lambertus Holtzer, Petra Attje Zinkweg, Abrar Hasan and Zouhair Abdul Khaliq.

N.B.

- (1) The Directors of the Company have fixed, under sub section (1) of Section 159 of the Companies Act, 2017, the number of elected directors of the Company at 7.
- (2) Participation in the AGM proceeding via Video Conference:

Due to the ongoing pandemic (COVID-19) situation, shareholders are requested to attend the AGM virtually through Zoom Cloud link facility managed by the Company as per the instructions mentioned below.

Shareholders interested to participate in the meeting are requested to email their Name, Folio Number, Cell Number, and Number of Shares held in their name with subject "Registration for FrieslandCampina Engro Pakistan Limited Annual General Meeting" along with valid copy of both sides of Computerized National Identity Card (CNIC) at [Shareholders.pk@frieslandcampina.com](mailto:Shareholders.pk@frieslandcampina.com). Zoom Cloud link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address [Shareholders.pk@frieslandcampina.com](mailto:Shareholders.pk@frieslandcampina.com)

- (3) The Share Transfer Books of the Company will be closed from Tuesday 13<sup>th</sup> April, 2021 to Tuesday 20<sup>th</sup> April, 2021 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO ASSOCIATES (PVT.) LTD, 8-F, Near Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, Karachi PABX Nos. (92-21) 34380101-5 and email [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk) by the close

of business (5:00 p.m.) on Monday 12<sup>th</sup> April, 2021 will be treated as being in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.

- (4) A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.

- (5) SUBMISSION OF THE CNIC/NTN DETAILS (MANDATORY) FOR SHAREHOLDERS / JOINT HOLDERS

Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2017, the rates of deduction of income tax under Section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as: for filers of Income Tax return 15%; and for non-filer of Income Tax return 20%. In case of joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

| Company Name | Folio/CDS Account No. | Total Shares | Principal Shareholder<br><br>Name & CNIC No.<br>Shareholding Proportion<br>(No. of Shares) | Joint Shareholder(s)<br><br>Name & CNIC No.<br>Shareholding Proportion<br>(No. of Shares) |
|--------------|-----------------------|--------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
|--------------|-----------------------|--------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

Individuals including all joint holders holding physical share certificates are therefore requested to submit a copy of their valid CNIC to the Company or its Share Registrar if not already provided. For shareholders other than individuals, the checking will be done by matching the NTN number, therefore the corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate to check their names in the ATL before the book closure date to their respective participants/CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Company or its Share Registrar. The Shareholders while sending CNIC or NTN certificates, as the case may be, must quote their respective folio numbers.

In case of non-receipt of the copy of a valid CNIC, the Company would be constrained under Section 243(3) of the Companies Act, 2017 to withhold the dividend warrants of such shareholders.

- (6) Further, all the shareholders are advised to immediately check their status on ATL and may, if required, take necessary action for inclusion of their name in the ATL. The Company as per the new



- Law, shall apply 20.00% rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.
- (7) Withholding tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to M/s. FAMCO Associates (Pvt.) Ltd., by the first day of book closure.
- (8) In accordance with the provisions of Section 242 of the Companies Act, 2017 and Circular No. 18/2017, a listed company, is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders. In compliance with the said law, in order to receive your future dividends directly in your Bank account, you are required to provide the information mentioned on the Form placed on the Company's website <https://frieslandcampina.com.pk> and send the same to your brokers/the Central Depository Company Ltd. if the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in paper certificate form.
- (9) Pursuant to SECP Circular No. 10 of 2014 dated 21<sup>st</sup> May, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the Company i.e. Messrs. FAMCO ASSOCIATES (PRIVATE) LIMITED, 8-F, Near Hotel Faran, Nursery, Block 6, PECHS, Shahrah-e-Faisal, Karachi PABX Nos. (+9221) 34380101-5 and email [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)

I/We, of being a member of FrieslandCampina Engro Pakistan Limited holder of Ordinary Share(s) as per Register Folio No. \_\_\_\_\_ hereby opt for video conference facility at (Please insert name of the City)  
\_\_\_\_\_  
  
\_\_\_\_\_  
Signature of Member

- (10) E-Voting  
Members can exercise their right to demand a poll subject to meeting requirements of Sections 143-145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

# Notes

Video Link Facility for Attending the Meeting due to the prevailing COVID-19 pandemic, the Securities and Exchange Commission of Pakistan has allowed companies to hold general meetings virtually via video link. Members are advised to register for attending, participating in, and voting at the Extraordinary General Meeting via video link, not later than 48 hours before the Meeting, by providing the following information at [Shareholders.pk@frieslandcampina.com](mailto:Shareholders.pk@frieslandcampina.com). If the information is couriered, it should reach the Company's registered office no later than Friday, 16<sup>th</sup> April, 2021.

| Full Name | CNIC Number | Folio / CDC Account Number | Email Address | Cell Number |
|-----------|-------------|----------------------------|---------------|-------------|
|           |             |                            |               |             |

Karachi,  
February 08, 2021.

By order of the Board  
  
Muneeza Iftikar  
Company Secretary

# Chairman's Message

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Dear shareholders,

It is my humble privilege to present to you the Annual Report for FrieslandCampina Engro Pakistan Limited on behalf of the board of directors, for the year ended 31<sup>st</sup> December, 2020.

2020 has been a year of unprecedented events that many of us never imagined possible. Through this difficult time, my thoughts and prayers are with every person connected to FrieslandCampina Engro Pakistan Limited particularly those who have suffered the irreparable loss of loved ones. I would like to emphasize that our people remain the foremost consideration for the organization during this difficult period, and that we will strive to make this time easier for everyone.

The intensity of this pandemic has been amplified by its timing, having struck us on the back of a major transitional period for the Company. Over the past 3 years, FCEPL has been evolving to integrated global systems, processes and protocols, while stabilizing itself against macroeconomic, regulatory and political uncertainty. Given these trials and tribulations, I would like to thank everyone in the organization for the patience and resilience they have demonstrated while building the foundation for FCEPL. The manner in which we have re-organized ourselves has enabled us to continue on in our mission of nourishing Pakistan, and I have faith that the leadership team will keep that as the foremost priority in times to come.

The mission of nourishing Pakistan has been a recognition of our responsibility, beyond just being a strategic opportunity for the organization. Over the past decade of operations, we have accumulated a vast repository of insights and knowledge around the perils of consuming loose

milk. Yet, it accounts for more than 92% of total dairy consumption. Adulteration with toxic chemicals and a lack of hygiene in handling result in serious dangers for consumers who continue to believe it to be the purest form of milk available. Conversion to packaged dairy, therefore, is a primary lever in our mission to provide the best form of nourishment to Pakistanis. The efforts of FCEPL in this regard over the past year have been well-guided. Building robust relationships within the Pakistan Dairy Association and Pakistan Medical Association have led to these groups acknowledging their role and participating in awareness campaigns that have led to a wider acceptance of safe packaged milk. These are the kind of initiatives we need to reinforce in coming years.

Our efforts toward innovation have also been guided by the conversion opportunity. We have a portfolio of brands that have gained market share in 2020 despite lockdowns and restrained availability. At the same time, there is an organizational consciousness that real gains will come from creating avenues for innovation that drive conversion, and so projects in this stream are gaining momentum. Our dairy and brand knowledge, combined with affordable packaging and route-to-market solutions will pave the way for conversion of the 23-billion-liter loose milk market, and I have confidence in our efforts to execute on that front.

Our responsibility towards nourishing Pakistan has further been demonstrated in our Dairy Development Programs, through which the company works with farmers to increase the quantity and quality of their yield. The average yield for Pakistani cows hovers around 4 liters daily per animal, compared to a global average of





at least 25 liters daily per animal. The scope for yield improvement is immense and so in 2020 alone, FCEPL trained more than 34,000 farmers in animal health, nutrition, and farm management. The company has also partnered with the Bank of Punjab to deliver accessible financing to dairy farmers, enabling organized financial inclusion and improvement of farming practices through the program's working capital finance facility. Enabling better farmer outputs is a key mandate for FCEPL considering that raw milk availability has proved to be a major challenge in recent years. Improving farmer yields will, therefore, increase raw milk availability while benefitting farmers through higher incomes and standards of living.

Higher dairy outputs will also improve economic contributions and performance for the sector. The export capability of dairy, in particular, will support nation-building immensely but in order to drive that, there needs to be a levelling of the playing field between the formal and informal dairy sectors. The formal sector is subject to higher costs which drives further informalization. FCEPL has been regularly engaging with regulatory bodies, government officials and the Pakistan Dairy Association to campaign for tax and regulatory reform that would even out costs between the formal and informal segments. These efforts are extremely important from a WIN-WIN mindset; they will allow the government to increase tax collection, enable human capital development by improving the quality of milk available and most importantly, place dairy farmers as the primary beneficiaries of an export opportunity through investments and increases in their outputs. We are grateful to the government and regulatory bodies for collaborating with us on these initiatives and look forward to increased cooperation as we move forward, truly allowing Pakistan's potential to unlock as a leading dairy nation.

Our progress as an organization thus far has been facilitated through good governance that focuses on purpose and values. I am grateful to our board of directors who drive an unwavering focus on our core beliefs, steering the company towards stability

and sustainable growth. We will continue to rely on their experience and leadership to chalk out a strategic direction that allows FCEPL to solve Pakistan's nutrition challenge by developing our human, social and organizational capital. FrieslandCampina has also globally reinforced its commitment to sustainable operations by embarking on a strategy called "Nourishing a Better Planet." This will enable us to accelerate our efforts toward bettering nutrition, biodiversity, carbon footprint and packaging, as part of our collective corporate responsibility.

I would like to sincerely thank our employees, consumers, regulators and the government for enabling FCEPL to continue on its journey of solving the nutritional challenge of Pakistan. I would also like to thank the shareholders for the confidence and trust they have placed in this organization; their continued support, especially through adverse conditions, is held in the highest regard and has driven the company to turn things around. We have achieved considerable success in the past year despite operating in the middle of a pandemic and are primed for an even better year ahead. I wish everyone the very best of health, prosperity and contentment in the new year as we move ahead in our mission to nourish Pakistan, now and for generations to come.



Abdul Samad Dawood  
Chairman

## Message from the CEO

2020 was an unusual year for a myriad of reasons; one which we will likely look back upon as a harbinger of significant change. It tested our commitment to our purpose of providing nutrition and supporting livelihood for farmers and challenged our assumptive ways of working – we emerged stronger and remain more resolute to achieving our purpose than ever before.

As the pandemic swept across the globe, we worked around-the-clock to ensure our customers had continued access to safe and healthy nutrition during a time of crisis. To ensure business continuity, we focused on the safety and well-being of our teams, as they are the custodians and guardians of our business.

In addition to personal protection equipment, updated processes, safety protocols, support networks, awareness workshops, and training sessions, we increased the mediums and frequency of communication as we seamlessly transitioned to remote work.

By leveraging collaborative technology and with a renewed focus on e-commerce, we have come away with a few noteworthy accomplishments during a difficult time:

- Our flagship brand Olper's grew by double digits, while maintaining its leadership position with a 43.2% market share in the UHT category – a gain of 60 bps vs last year
- In 2020, Olper's also became the No. 1 equity brand in dairy, with a 3.9 Brand Equity Index
- Our thematic campaign under the 'Celebrate Happy Mornings' theme continued to be on air, further strengthening the brand's equity and driving conversion from loose milk. This campaign significantly improved the brand

saliency and imagery scores leading to a substantial growth in household usership and market leadership in the UHT Milk category

- We also upscaled the campaign to drive the positive perception of Packaged Milk in collaboration with Pakistan Dairy Association and Pakistan Medical Association
- Olper's Flavoured Milk, enriched with calcium and vitamins A and D, was launched in two delicious flavours (chocolate and strawberry) and a convenient single serve pack of 180ml. This fortified proposition sets it apart from other players in the market
- Olper's Cream continued to grow faster than the category in 2020 and launched a new 125ml SKU, gaining 2% market share on an FY basis
- Tarang extended its tea-creaming range by introducing a powder tea whitener. The launch was supported by a new campaign, "Chai to ab sirf creamy mazay wali chalay gi", driving the message of how Tarang tea whitening powder makes a great tasting creamy cup of tea that uplifts everyone's mood
- Despite volume loss due to effects of the pandemic, Omore grew its share by 100 BPS in the frozen dessert category through improved reach & focused communication
- Omore also successfully launched 8 new innovations across different formats, including two Omoji shape-based innovations, two Choc-bars in coffee and orange, two tangy berry lollies (Raspberry and Blueberry pop) and the beloved Cookie Mania flavour in two distinct family pack SKUs!



- The #GharMeinChuppiKhushiyan digital campaign emphasised on reminding people to celebrate the small but wonderful discoveries we make when we have the chance to spend time with our loved ones at home even as the world experiences fear and uncertainty
- To remain agile and accessible, availability was ensured on various digital retail platforms, including the popular PandaMart

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As a business, 2020 was a bittersweet year – missed opportunities but a consolidation of our processes, and an affirmation of the efforts we have put in the last three years, building a talented organization, strong brands, and a performing culture. Secondly, we learned once again the power of agility, flexibility, and innovation. The future belongs to the agile and the innovative – especially in uncertain times when the weak are paralyzed.

Our future, in FCEPL, is dependent more on innovation than ever before, and 2021 should be the year to prove this.

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Our supply chain encompasses 116,000+ farmers and milk suppliers, a network of over 1,300 milk collection centres, our plants in Sahiwal and Sukkur, our Nara Farm, and an extensive distribution network with a national footprint. Amidst the uncertainty, we ensured that safety was not compromised across the board, livelihoods were not affected, and communication was not disrupted, no small feat and a testament to the strength of our teams.

Additionally, through our Dairy Sales team, we continued to "Nourish Pakistan" by increasing our reach, re-engineering our operations, enhancing our sales capability and ensuring connectivity. We further strengthened the route-to-market by creating new benchmarks with the highest-ever direct coverage and infrastructure. We also explored and grew our coverage in new channels, capitalized on e-commerce and initiated home delivery solutions.

We ensured consistency in the learning and development sphere by introducing several globally driven initiatives throughout the year, including ACE and Supply Chain Unlock. We also utilized in-house expertise to build capabilities with our Learning Series; a series of lectures by internal functional experts to increase skill and knowledge levels, and foster employee engagement.



After a rigorous 18-month program, we welcomed our 2019 Young Leaders by placing them within their respective functions, ready to take on the responsibility of a full-fledged role. All of this resulted in an improvement of our Win-Win score in the global "Over2You" survey from 93 last year, to 94 this year – one of the highest in the RFC world.

Our farmers are the backbone of our supply chain and we have always taken great pride in our industry-leading Dairy Development Program, which is designed to ensure inclusive growth and increased profitability through regular training in good farming practices, as well as financial aid in capital investment. In 2020 alone we trained 34,000+ farmers in animal health, nutrition, and farm management.

The world is in the midst of a transformation that will upend many of the ways we used to live and work. With an outlook on innovation, fault-tolerant operations, a multifaceted team and unyielding resilience, I am confident we will reengineer circumstances into opportunities, and position our company to achieve greater heights while continuing to deliver on our promise of "Nourishing Pakistan".



Ali Ahmed Khan  
Chief Executive Officer

# Board of Directors





# Directors' Profile

## Abdul Samad Dawood

Chairman

Abdul Samad Dawood is the Chairman of FrieslandCampina Engro Pakistan Limited. He joined the organization in 2012 as a board director of (then) Engro Foods Limited and played a leading role in merging the company into global dairy giant, Royal FrieslandCampina N.V, based on the convergence of values and goals between the two organizations, and their combined ability to address Pakistan's nutritional challenges. Mr. Dawood has long advocated for the formalization of Pakistan's dairy sector to improve the quality of milk, which would enable human capital development of a young population and allow Pakistan to capitalize on potentially massive demographic dividends.

Mr. Dawood is also the Vice Chairman of Engro Corporation Limited which has a major position in sectors critical to Pakistan's economy and development, including petrochemicals, energy solutions and telecommunications. His rich and diverse experience of management and governance spans 18 years, with a special interest in mergers and acquisitions. He has led more than \$4 billion worth of M&A deals, including the Dawood group's acquisition of HUBCO from National Power International Holdings B.V. in 2012 and the sale of DH Fertilizers to Fatima Fertilizer Company Limited in 2015. Mr. Dawood is an active director on the board of Pakistan Business Council, a pan-industry advocacy group that promotes easing of barriers to enable Pakistani businesses to compete in regional and global arenas. He is also a director and trustee of boards across varied industries including investment holding, petrochemicals, renewable energy, and education, some of which are Dawood Hercules Corporation Limited, Engro Fertilizers Limited, Dawood Lawrencepur Limited, Reon (Pvt.) Limited, and Dawood Industries.

In addition to governance, Mr. Dawood has served as Chief Executive Officer for Dawood Hercules

Corporation Limited, and Cyan Limited, and is an active member of the Young Presidents Organization.

Mr. Dawood is a graduate in Economics from University College London, UK and a certified director of corporate governance from the Pakistan Institute of Corporate Governance.



## Ali Ahmed Khan

Chief Executive Officer

Mr. Khan has a rich experience spanning over 25 years in top management positions with leading FMCGs. He has been credited with turning around businesses and leading them to industry leadership. He joined the Company in March 2017.

His prior assignments include leading Personal Care at Iffco in the UAE and Far East, as well as Reckitt Benckiser (Pakistan) Limited, as CEO.

He has also been associated with Pakistan Tobacco Company Limited as Marketing & Sales Director and with Pepsi-Cola International as Head of Marketing. Mr. Khan has an MBA from Institute of Business Administration, Karachi.





### Roel van Neerbos

President Consumer Dairy, FrieslandCampina

Roel van Neerbos is an Executive Board member of FrieslandCampina. He is also the President of Consumer Dairy Global, at FrieslandCampina. An excellent communicator, with an ability to solve complex problems, he has held several leadership roles across the world during an illustrious career spanning over three decades.

He joined the organization as Chief Operating Officer, Consumer Products, Europe, the Middle East and the Africa Business Group in January 2017. His innovative and enterprising spirit has helped him to reach out to employees and all those who have been associated with him.

Up until mid-2016, Roel was Chief Executive Officer of Maxeda and is known for having developed the new Maxeda 2020 strategy. Prior to that, he was President at Heinz where he devised and implemented a 'Heinz way' of marketing and training. He has also been on the Board of Directors of Struik Foods and Spadel.

Roel's sharp thinking skills have helped him to implement strategic plans for the company. With a Master's Degree in Business Administration from Groningen University and a passion for racing ahead, Roel is a natural when it comes to leading the way.



### Zouhair Abdul Khaliq

Partner at ICE Advisory LLP

Zouhair is an international business executive with experience in board level strategy, operations, M&A, startups, turnarounds, telecommunication, mobile financial services, micro-finance, mobile related services and real estate.

Zouhair is Managing Partner at ICE Advisory LLP and holds a portfolio of Advisory and Non-Executive Board positions. During his career he has worked with Orascom Telecom Holdings, the GSMA, Gemini Holdings (the Sawiris Family Office), Motorola UK, the Dhabi Group, Millicom International, the ICI Group and PWC.

He served as Managing Director, Mobile for Development, GSM Association working on development of ecosystems for mobile financial services, off-grid energy and mHealth. Zouhair as CEO of Mobilink in 2003-2008 led the growth of the Company from 1 million to 31 million customers building Mobilink in to a billion dollar company.

He has served on the Boards of mobile operations in Algeria, Tunisia, Egypt, Pakistan, Bangladesh and Jordan and on the Boards of the public sector at the Islamabad Stock Exchange, the ICT R&D Fund and as Senior Advisor to the Better Than Cash Alliance and United Nations Capital Development Fund.



**Petra Attje Zinkweg**

Business Group HR Director Consumer Dairy,  
FrieslandCampina

Currently the Director Commercial Transformation of FrieslandCampina N.V., Ms. Zinkweg has held a variety of management positions at both FrieslandCampina and Unilever. With extensive experience in Marketing and Human Resource, Ms. Zinkweg is an incomparable resource for us and has been working towards introducing the industry's best practices into the Company. She hails from the Free University of Amsterdam, through which she has done Master's in Sports Science. She joined the Board of FrieslandCampina Engro Pakistan Limited in 2018.



**Eduardus Lambertus Holtzer**

Finance Director Consumer Dairy,  
FrieslandCampina

Eduardus Lambertus Holtzer is Finance Director of FrieslandCampina Consumer Dairy and has been working for FrieslandCampina since 2012. Prior to that, he held several leadership positions at Unilever, a.o. Vice President Finance at Unilever Spain and Director M&A at Unilever Corporate Center in the UK.

He holds a Master of Business Economics from the University of Brabant, from The Netherlands and a Postgraduate degree in Controlling/Management Accounting at VU University of Amsterdam, Netherlands. He joined the Board of the Company in 2018.





#### Abrar Hasan

CEO National Foods Limited

Abrar Hasan is the Chief Executive Officer of National Foods Limited (NFL), the leading multi-category food company in Pakistan. He has actively pursued new market opportunities and delivered successful strategies by focusing on continuous innovation, highest standards of quality and superior consumer value.

Being a staunch supporter of Corporate Social Responsibility he also initiated the Adult Literacy Programme in collaboration with The Citizens Foundation (TCF), which aims to equip rural women with basic literacy skills. In 2007, he spearheaded the development of a sustainability strategy of the company, which is today guiding all business functions across the board.

He has received numerous accolades, including Marketing Excellence Award 2008 from the Marketing Association of Pakistan (MAP) and the Best Workplace Award 2015.

He is member of the Board of Directors of various strategic forums like the Associated Textile Consultants, Cherat Packaging Limited, Pakistan Business Council, and the Health Foundation. Mr. Hasan is a graduate of the Krannert School of Management at the Purdue University in Indiana, USA.





Indeed, 2020 was a challenging year – not just for us but for the entire world. Personally, one of my biggest fears was that of job security. One kept hearing about people losing their jobs because businesses were either closing down or suffering losses. However, I was lucky enough to be working at FCEPL because the management not only alleviated our concerns and addressed our fears, but their encouragement and support during these testing times, made me determined to work harder and achieve my targets. Pulling through this pandemic was truly a team effort and I can proudly say that we are not just a business; we are a family.

**Aruba Sufyan**

Territory Sales Manager, Food Services





# Directors' Report

# 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 financial information of the Company for the year ended 31<sup>st</sup> December, 2020.

## Business Overview

The business continued its strong growth trajectory recording a 9th consecutive quarter of robust topline growth. During the year, the Company has reported a revenue of Rs. 44.2 billion, registering a 14% growth versus last year, despite COVID-19 related lockdowns and closure of retail & leisure outlets.

The overall cost environment remained challenging, with high increases in the commodity costs in last 12 months due to record food inflation and devaluation of Pakistan Rupee. The Company, however, took multiple business initiatives, including cost optimization and mix management to offset these impacts. As a result, gross margins improved by 80 bps versus the same period last year. The Company also continued to drive efficiencies in distribution and administrative expenses through multiple savings initiatives. Consequently, the Company registered a profit after tax of Rs. 177 million versus a loss of Rs. 955 million in the same period last year.

**Rs. 44.2<sup>bn</sup>**  
Revenue in 2020

## Dairy and Beverages Segment

The Dairy and Beverages segment reported a revenue of Rs. 40.5 billion, registering a 17% growth vs last year. The growth for the segment comes on the back of strong momentum by both its core brands, i.e. Olpers and Tarang, which continue to win in the marketplace through strong brand and trade investments and have consolidated market share leadership in their respective categories. To augment growth, the business continued expansion of retail footprint by more than 11,000 outlets during the year. Additionally, the segment explored newer channels and routes to market to serve the consumers effectively and minimize business disruptions during the COVID-19 lockdowns.

**Rs. 40.5<sup>bn</sup>**  
Revenue in 2020  
recorded by dairy and  
beverages segment

The segment also enhanced its portfolio by launching Olper's Flavoured Milk (fortified with added vitamins and minerals) and Tarang Tea Whitening Powder (at an affordable Rs. 10 price point) in the first half of the year. Other recent launches like Olper's full cream milk powder (FCMP), Olper's Creams, Olper's Pro Cal+ 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 revenue of Rs. 3.6 billion versus a revenue of Rs. 3.9 billion in the same period last year. The segment was impacted by the closure of retail and leisure spots due to COVID-19, which coincided with the Ice Cream summer season. However, the business focused on creating excitement by introducing 8 new innovations, investing in brand building through the "summer blockbuster" campaign, and expansion of the trade universe by inducting more assets in the market. All these initiatives paid strong dividends when the lockdowns were eased and the segment subsequently witnessed improvement in sales.



## Sustainability at FrieslandCampina Engro Pakistan Limited

### Our Purpose

The pursuit of a healthy and nourished Pakistan is a core driving force for our success. It is our promise to make the grass greener for the cows, yields higher for the farmers, growth stronger for the milk industry, and a glass of milk full of natural goodness for every Pakistani.

The Company's purpose is to transform the health and well-being of Pakistanis now and for generations to come, by nourishing them through unlocking the goodness of milk from grass to glass,

as well as by enhancing the livelihood of farmers. Being purpose-driven is not only at the heart of everything that we do it is a core value that defines us and guides us.

Staying true to this, the Company remains committed to the highest standards of food safety and hygiene, sustainability goals, and providing safe, affordable, and nourishing dairy products to millions of Pakistanis who rely on us every day.

## Social Investments

The Company invests in, and partners with the communities it operates in. Growth is truly sustainable when it is omnipresent and beneficial for all stakeholders. From education and empowerment initiatives, to infrastructure development and capacity building, the Company's initiatives are designed for impact and longevity.

## School Adoption & Health Center

In 2011 the Company initiated a school adoption program to provide education to children from the surrounding communities near its production facilities. Since then the Company has continued to support six schools (two in Nara, Sindh and four near the plant in Sahiwal), as well as a healthcare center near Sukkur plant, through financial and operational support of the Engro Foundation. In 2020, the Company contributed PKR 20 million towards the schools and clinic under social investment commitments.





Our employees continue to conduct periodic community engagement sessions at the schools on the importance of environment, safe nutrition, cleanliness, and health.

### Dairy Development Program

The Company's growing network now extends to 1,300+ milk collection centers which provide a sustainable livelihood to 116,000 farmers and milk suppliers across Pakistan. Dairy farmers are the backbone of the Company's supply chain and the Company takes great pride in industry-leading Dairy Development Program, which is designed to ensure inclusive growth and increased profitability.

Under the Dairy Development Program (DDP) the Company works with farmers to grow their farms and increase the quantity and quality of their yield. This takes place through regular training in good farming practices, as well as through financial aid in capital investment. Through numerous DDP initiatives, we directly contribute to the growth of the dairy and livestock sector in Pakistan, which is approximately 11.7% of AGDP (Aggregate Gross Domestic Product) and accounts for 60.6% share in the agriculture sector.



In 2020 the company trained 34,000+ farmers in animal health, nutrition, and farm management. Additionally, to help overcome the scarcity of fodder at farms affiliated with the Company, our teams assisted farmers in silage making and bales of 205K tons worth Rs. 1,435 million. We also supported 425+ farmers with the construction & improvement of sheds, and with the provision of

farm machinery at subsidized rates. Through the financial inclusion program, the Company also paid short-term advances of PKR 662 million to our farmers to purchase cows.

Furthermore, to augment the efforts of the Dairy Sector, the Company collaborated with the Bank of Punjab to extend accessible financing to dairy farmers, through their branches all over the country. Under this project, farmers will be able to avail finance facilities for their dairy business on favorable terms with the lowest markup rates from the Bank of Punjab.

### Enhancing Women's Income through Dairy Interventions [EWID]

The Company remains committed to driving social progress through programs which improve the livelihood, and support capacity-building for women. The EWID project is co-funded by Department of Foreign Affairs & Trade – Government of Australia. Through this initiative, since 2019 the Company has aimed to educate and train female farmers. Additionally, it helps women to gain employment as Female Livestock Extension Workers. As of November 2020:

- 1,452 women farmers have received Basic Livestock Training
- 52 women have been trained as Livestock Extension Workers
- 11 women have been trained as Village Milk Collection Agents
- 500 male farmers have also received gender sensitization training, in an effort to change societal norms and impact the culture of their environment.



### Women Training in Livestock Management [WTLM]



The WTLM project is a collaboration with the Punjab Skills Development Fund aimed at training and capacity building of 1,500 female farmers on basic livestock farming for optimum milk production. Selected female farmers participated in a 45-day demonstrative training course designed by the Company on disease control, fodder preservation and breed improvement. This resulted in a 20% increase in animal productivity and additional income generation for women in rural areas.

### Health, Safety and Environment

The Company strongly believes in maintaining the highest standards in Health, Safety and Environment (HSE) to ensure the well-being of the people who work with it as well as the surrounding communities, where it operates.

### Ensuring Employee Safety at the Workplace

The Company's employees and contractors are expected to conform to its HSE management systems and processes which have been designed keeping in view international standards and best practices. Over the years, the Company has embarked on ambitious plans to achieve Occupational Safety and Health Administration (OSHA USA) compliance through DuPont Alignment and has been successful in its endeavors.

A workplace safety program has been implemented, that actively seeks to reduce the potential risk of injuries within the workplace by conducting safety gap analysis. Since DuPont Safety Management is essentially a people-focused tool, the Company has also invested heavily in employee engagement by conducting trainings that spanned over the year, with a cumulative total of 6400+ training hours. To reaffirm its commitment to safety of its employees and draw maximum buy-in, the Company hosted a series of engagement events including Safety Weeks & Safety Champions of the Month.

Alignment with FrieslandCampina Global HSE Management System 'FOQUS SHE' was carried out and the Company became the first Operational Company in the FrieslandCampina world that achieved "Satisfactory" results in its first assessment. To further increase awareness of employees on serious injuries & threatening risks at workplaces, 'Life Saving Rules' have been the focal point for making the workplaces and operations even safer. To make its factories complaint on ATEX (EU Directives for controlling explosive atmospheres) gap assessment of 'Powder Dust Explosion Hazard' was carried out along with action plan. Chemical & Machine Safety Assessment are few areas where the Company has demonstrated its commitment to add more value.



Safety and well-being of our employees and business partners remains the No. 1 priority of the Company.



As the COVID-19 pandemic unfolded at start of the year, foremost challenge was to ensure smooth and continuous operations which the Company accomplished by adopting measures like Ring Fencing & Social Distancing built upon platforms of personal hygiene and contact tracing. During the year several proactive measures were implemented, including general and targeted safety communication campaigns across the organization, implementation of standard operational procedures, and provision of safety equipment for all field staff.



Strict protocols were established at both manufacturing sites and field offices where all Company and third-party personnel were required to undergo medical screening prior to entering the sites. A COVID-19 specific safety communication campaign 'Agahi' was also initiated at all Company locations and continues to-date. The campaign includes daily awareness sessions to ensure employees remain informed about the SOPs and best practices, both on and off-site. This helped attain 30,000+ training man hours around COVID-19 protocols, as well as approach 15,000+ people directly through employees and 50,000+ people indirectly increasing their awareness about this pandemic and its prevention.

The Company also initiated support programs for its employees and partners, including a medical helpdesk, increased OPD packages, and the availability of home support equipment like oxy-meters and oxygen tanks in case of emergency. The Company also continued to support farmer livelihoods and ran awareness workshops to educate its farmer community about COVID-19.

As a result of its efforts and focus on stringent and best in class HSE guidelines, the Total Recordable Injury Rate (TRIR) has declined significantly over the last six years. During the year, the TRIR of the Company's employees and contractors was recorded at 0.01 with over 14 million manhours clocked-in by employees and visitors.

### Ensuring Responsible Environmental Practices

The Company recognizes the need to protect and preserve the planet by going the extra mile to minimize the environmental impact of its business operations and prevent unnecessary wastage of natural resources. The Company's business strategies are also fully aligned with this vision. In an on-going effort to preserve the natural habitat, the Company has invested in installation of solar geysers at its Area Offices as well as encouraged its supply chain partners working as Milk Collection Centers (MCCs) to shift to solar powered energy, thereby minimizing the carbon footprint of the MCCs.

As part of its ongoing efforts to reduce greenhouse gas (GHG) emissions, the Company is actively promoting the use of Non-CFC products at all its manufacturing units. The Company is procuring eco-friendly air conditioners with refrigerant gases that are not harmful for the ozone layer. The Company is committed to making concerted efforts to protect and preserve the planet for future generations, whilst exercising effective controls to minimize potential environmental hazards. This is reflected in its endeavors to achieve ISO 14001 certifications for its plants in Sukkur and Sahiwal, and Dairy Farm in Nara. Furthermore, 20 area offices of Milk Procurement & Agri Services are ISO 14001 certified. There is also a structured program in place to reduce water consumption on a year on year basis.

The Company's Head Office, along with the Administration Offices of its Sahiwal Plant, Sukkur Plant and Nara Dairy Farm are certified as 'Green Offices' under the Green Office Project by WWF-Pakistan. The pilot project for paper

reduction taken up by the Head Office in Karachi resulted in paper reduction of 40%. Throughout the year, various sessions were carried out, including Earth Day and Earth Hour celebration, in order to promote awareness of environmental issues amongst the employees.

The Company has made significant investments at its production facilities to reduce the water consumption. In the last couple of years, the Company has invested to the tune of Rs. 115 million in Water Conservation projects. In 2019, water consumption was reduced by 19% from 4.47 m<sup>3</sup>/lit in year 2018 to 3.61 m<sup>3</sup>/lit which was maintained in 2020 despite extremely challenging operating conditions due to COVID-19.

In 2020, the Company has converted equipment, excluding milk chiller, on Solar Power at 35 MCC which will save around 7 Kg of CO<sub>2</sub>/MCC/Day. Further, a pilot project too was carried out to convert loading pump to direct current and installation of solar cells on milk tankers. The Company expect to increase the total number of milk tankers with solar cells to 40 and generate a saving of around 3 Kg of CO<sub>2</sub>/Tanker/Running Day. The Company also helped few dairy farmers to set up solar powered solutions.

### Our Human Resource

At FrieslandCampina Engro Pakistan Limited, employees' safety and well-being is regarded as the topmost priority. Since the year 2020 was marked by the COVID-19 pandemic; it called for many unprecedented initiatives and actions. In order to keep the workforce connected to the organization despite agile working; several digital initiatives were launched to continue the momentum on employee engagement and skill development. These initiatives included the Learning Series, Wellness sessions, daily Newsletters, online celebrations and many more virtual connects. The Leadership team was also committed to stay connected during the challenging times to ensure that the employees never lose their morale. Virtual townhalls and coffee sessions allowed the teams to interact with the Leadership team, which helped them

stay connected to the company's purpose and objectives. These interventions were taken with the aim to enhance the well-being of the employees, so they could continue to perform at their best.

### Training and Succession Planning



The talent ambition of the Company is "when you grow we grow" hence we believe in continuous learning and that everyone comes with their own strengths and opportunities to grow. During 2020, the Human Resources team consciously worked on personalized capability plans for each division to develop people for future roles and to build a strong succession plan for leadership roles. During the year, several globally driven initiatives were introduced, namely ACE and Supply Chain Unlock, and locally implemented soft skills trainings program like Skill Up 2020 to build the technical and behavior capability in the organization.

### Recruitment & Culture

The success of the company comes from the effort of its employees especially at the unprecedented times. It seeks to attract the best talent from the market through its rigorous talent acquisition process and ensures that it retains this talent through a great culture that nourishes and enables the workforce.

The Company celebrates the uniqueness of its employees and values their diversity. The Company fosters a belief in creating an environment where everyone can bring their best and whole selves to work in order to drive a better and more sustainable business performance. In this endeavor several initiatives were undertaken to stay strong on its



journey of Diversity and Inclusion. One of the initiatives was the introduction of Lean In Circles whereby women from across the organization were brought together and provided a platform to connect with each other and voice out their feelings. Moreover, the organization consciously embedded diversity based KPIs in its recruitment process to attract talent from diverse backgrounds. This was done with an aim to enable a culture that is more inclusive, promotes gender equality, appreciates and encourages contributions of the employees without any biases towards their age, gender, race, orientation or background.



The Young Leaders program that was launched in July 2019 inducted fresh graduates from diverse backgrounds into the Company with the aim to build future leaders and strengthen the talent pipeline of the organization. These young individuals were given the opportunity to interact and learn from various functions to develop their business acumen. After the rigorous program of 18 months, these resources are now ready to take on the responsibility of a full-fledged role in their respective functional areas.

Accounting Standards

The accounting policies of the Company reflect the requirements of the Companies Act 2017, (the Act) and such approved International Financial Reporting Standards as have been notified under this Act as well as through the directives issued by the Securities and Exchange Commission of Pakistan (SECP).

Employee Share Option Scheme

The Company operates a Share Option Scheme. The detail of such scheme is explained in Note 19 of the accounts.

Earnings Per Share

The earnings per share of the Company for the year ended 31<sup>st</sup> December, 2020 has been disclosed in Note 35 of the accounts

Pension, Gratuity and Provident Fund

The employees of the Company participate in Retirement Funds maintained by Engro Corporation Limited. The Company contributes to plans that provide post-employment and retirement benefits for its employees. These include Defined Contribution Provident plan, Defined Contribution Gratuity plan and Defined Benefit Gratuity plan. The value of investments of the Defined Benefit Gratuity scheme as at latest audited financial statement date is as follows:

|                                                | DB Gratuity Fund |
|------------------------------------------------|------------------|
|                                                | Rs. in million   |
|                                                | 30-Jun-20        |
| Net assets as per audited financial statements | 510              |
| Breakup of Net Assets                          |                  |
| 1 Regular Income Certificates                  | 178              |
| 2 Defence Saving Certificates                  | 28               |
| 3 Pakistan Investment Bonds                    | 188              |
| 4 Shares                                       | 103              |
| 5 Bank Deposits                                | 10               |
| 6 Receivables                                  | 12               |
| 7 Payables                                     | (9)              |
| Total                                          | 510              |

The above mentioned plan is a funded scheme recognized by the tax authorities. The latest actuarial valuation of gratuity scheme was carried out at 31<sup>st</sup> December, 2020 and the financial statements of these have been audited up to 30<sup>th</sup> June, 2020.

Auditors

The present auditors, M/s. A.F. Ferguson & Co. retired and offered themselves for re-appointment as the statutory auditors of the Company. The Board of Directors of the Company have endorsed the recommendation of the Board Audit Committee for the reappointment of M/s. A.F. Ferguson & Co.

Pattern of Shareholding

Major shareholders of the Company are FrieslandCampina Pakistan Holdings B.V. (51%) and Engro Corporation Limited (40%). Other Shareholders are local institutions and the general public.

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, Executives and their spouses including minor children during 2020, is shown later.

Internal Control Framework

Responsibility

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

Framework

The Company maintains an established control framework comprising clear structures, authority limits and accountabilities, well understood policies and procedures for review processes. The Board establishes corporate strategy and the Company's business objectives. Divisional management integrates these objectives into divisional business strategies with supporting financial objectives.

Review

The Board meets quarterly to consider the Company's financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

Internal Audit

The Company has an independent Internal Audit function. The Board Audit Committee annually reviews the appropriateness of resources and authority of this function. The Head of Internal Audit functionally reports to the Audit Committee. The Board Audit Committee approves the audit plan, based on an annual risk assessment of the operating areas. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports on findings to the Board Audit Committee, Chief Executive and the divisional management.

Risk Management

The Company has a formal risk management framework to assess the risks faced in the context of the broader political and macroeconomic environment. The risk management system identifies strategic, regulatory, financial, operational, reputational, and sustainability risks related to Company's business activities. The risks are reviewed by the Pakistan Leadership Team along with departmental objectives, targets and performance. Appropriate strategies are developed and implemented to minimize the impact of the identified risks. The Company has formulated its risk management structure based on the global practice followed by FrieslandCampina, with the aim of driving the Company growth with managing risk associated with business adequately.

Board of Directors

Statement of Director Responsibilities

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the SECP Code of Governance for the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- Proper books of accounts of the Company have been maintained
- Appropriate accounting policies have been consistently applied in preparation of the financial statements, except for changes resulting on initial application of standards and amendments or interpretations to existing standards. Accounting estimates are based on reasonable prudent judgment
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored, including adequate internal financial controls
- There are no significant doubts upon the Company's ability to continue as a going concern
- There is no material departure from the best practices of corporate governance, as detailed in the listing regulations

Board Meetings and Attendance

In 2020, the Board of Directors held 5 meetings to cover its complete cycle of activities. All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on business and full papers on matters where the Board is required to make a decision or give its approval. The Board deliberates and fixes remuneration for the independent non-executive Directors. The attendance record of the Directors is as follows:

| Director's Name              | 1st<br>(6 Feb<br>2020) | 2nd<br>(22 Apr<br>2020) | 3rd<br>(21 Aug<br>2020) | 4th<br>(16 Oct<br>2020) | 5th<br>(27 Nov<br>2020) | Meetings<br>Attended |   |
|------------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------------|---|
| Abdul Samad Dawood           | √                      | √                       | √                       | √                       | √                       | 5                    | 5 |
| Ali Ahmed Khan               | √                      | √                       | √                       | √                       | √                       | 5                    | 5 |
| Roeland Francois Van Neerbos | √                      | √                       | √                       | √                       | √                       | 5                    | 5 |
| Eduardus Lambertus Holtzer   | √                      | √                       | √                       | √                       | √                       | 5                    | 5 |
| Petra Attje Zinkweg          | x                      | √                       | √                       | √                       | √                       | 4                    | 5 |
| Abrar Hasan                  | √                      | √                       | √                       | √                       | √                       | 5                    | 5 |
| Zouhair Abdul Khaliq         | √                      | √                       | √                       | √                       | √                       | 5                    | 5 |



Board Composition and Governance

As at 31<sup>st</sup> December, 2020, the Board comprises of seven Directors (6 males, 1 female) including one Executive Director, two Independent Directors and four Non-Executive Directors. The Board has the collective responsibility for ensuring that the affairs of FCEPL are managed competently and with integrity. Mr. Abdul Samad Dawood, a non-executive Director, is the Chairman of the Board, and Mr. Ali Ahmed Khan is the Chief Executive Officer. Biographical details of the Directors are included in this report. A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval.

Board of Directors have a formal policy and transparent procedure for remuneration of Directors in accordance with Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations 2019.

Details of aggregate amount of remuneration, including salary/fee, perquisites, benefits, and performance-linked incentives etc. are available in Note 39 to the Financial Statements. No remuneration or fees is paid to the Non-executive directors of the Company.

Board Compensation Committee

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration and to approve all matters relating to the remunerations of the Executive Director and members of the management committee. The Head of HR of the Company is the secretary of the Board Compensation Committee Meeting. The committee comprises the following members:

|                      |          |
|----------------------|----------|
| Zouhair Abdul Khaliq | Chairman |
| Petra Attje Zinkweg  | Member   |
| Ali Ahmed Khan       | Member   |

Board Audit Committee

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of internal control and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The committee met 4 times during 2020. The committee comprises the following members:

|                            |          |
|----------------------------|----------|
| Abrar Hasan                | Chairman |
| Eduardus Lambertus Holtzer | Member   |
| Zouhair Abdul Khaliq       | Member   |

The secretary of the committee is Saleem Lallany, GM Internal Audit.

Future Outlook

The macroeconomic environment remains challenging for businesses and consumers alike, amidst the COVID-19 pandemic. 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.

The Company's purpose is to transform the health and well-being of Pakistanis now and for generations to come, by nourishing them through unlocking the goodness of milk from grass to glass, as well as by enhancing the livelihood of farmers. Staying anchored to its purpose, the Company's priority will be to ensure a consistent supply of nutritious and safe products to our consumers, while continuing 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 farmers through its dairy development program to help improve productivity, yield and volume while also building profitability for the farmers
- 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



Ali Ahmed Khan  
Chief Executive Officer



A man with dark hair, wearing a dark suit jacket over a light blue shirt, stands with his arms crossed in a grocery store aisle. He is smiling at the camera. Behind him are shelves stocked with Olper's products, including red cans and white boxes. The shelves have red banners that say "OLPER'S GET 100% PURE GOODNESS". To the left, there are yellow shelves with various products. To the right, there are green shelves with more products. The lighting is bright, typical of a grocery store.

During the pandemic, life as we knew it, changed completely. It was a strange time. Markets closed at 6 p.m. and opened much earlier than usual. We had to adjust our lifestyle accordingly. There came a point where I would have to wake up at 4 a.m. so that I could reach the markets by sunrise. It seemed that the world had been turned on its head. Thankfully, though, the senior management exhibited great empathy. What touched me the most was the fact that the management kept an eye on our mental and emotional state, aiding us when required. I think this allowed a strong relationship of mutual respect and admiration to blossom between the staff and the management. Ironically, it was the tough times that ended up turning us into a much better team.

**Hussain Aftab**

Channel Development Executive, Shopper Marketing



# Our Brands

# Our Brands

Our brands are woven into the lives of consumers across the nation. Olper's, our flagship brand, is trusted by millions of Pakistanis to provide their families high quality nutrition and pure goodness. Tarang offers our tea-loving nation the perfect taste enhancement moments while Omoré satisfies their sweet indulgences. We strive to bring happiness to the daily lives of our consumers and our strength lies in their trust. Our promise remains to provide better nutrition for Pakistan, now and for generations to come.

# Campaign

In 2020 the major thematic campaign on Olper's under the 'Celebrate Happy Mornings' theme continued to be on air, aimed at further strengthening the brand's equity and driving conversion from loose milk. The communication continued to leverage our heritage around the morning occasion while dialing up cues of "Purity" and "Nutrition" which are key drivers of consumer preference in the category. The campaign featured a fresh perspective on milk sourcing by showcasing how our well-cared-for cows and buffaloes provide more nourishing, delicious and creamy milk, enabling happy mornings for families across Pakistan. This campaign has significantly improved Olper's brand saliency and imagery scores leading to significant growth in household usership and market leadership in the UHT Milk category.

# OLPER'S Manao Happy Subha





## Olper's Milk

Olper's was launched in 2006 as the flagship brand of FrieslandCampina Engro Pakistan Limited and has grown to become a leading player in the UHT milk category in Pakistan. This phenomenal success is rooted in our commitment to providing high quality nutrition and pure goodness to families across Pakistan. The focus on this journey has been on collecting fresh and pure milk from farms across Pakistan and ensuring that every pack of milk conforms to the highest standards of safety and hygiene. Olper's Milk is free of preservatives, UHT treated and goes through a rigorous scrutiny of 28 different types of quality tests before reaching consumers. Today Olper's stands as a favourite for mothers that are seeking pure and delicious nourishment for the health and well-being of their families. Olper's has been the pioneer in innovation for the UHT category with multiple pack formats and sizes bringing convenience and accessibility to consumers. Whether for drinking, making tea or desserts, Olper's is the ideal all-purpose milk that captures the major usages and consumption occasions for milk in Pakistan.



## Olper's Flavoured Milk

In 2020, Olper's Flavoured Milk was launched in two delicious flavours, Chocolate and Strawberry. It contains the goodness of Olper's milk and is enriched with Calcium and Vitamins A & D.

The launch was supported with a TV & Digital campaign highlighting the benefits to consumers. Within a span of few months, Olper's Flavoured Milk has made a mark in the ready-to-drink category and is quickly becoming a favorite amongst children and adults alike, due to its superior nutritious profile and delicious taste.



## Olper's Full Cream Milk Powder

In Pakistan, the powders category is the second largest in the packaged dairy industry after liquid UHT. In late 2018, Olper's entered this category with the launch of Olper's Full Cream Milk Powder. It is made from Natural Milk and is high in Protein and further enriched with Calcium, Vitamins A & B2. These nutrients help children reach the right height and weight for their age when consumed as part of a balanced diet and active lifestyle.



## Olper's Dairy Cream

Olper's Dairy Cream is made from fresh milk, making it the ideal all-purpose cream providing natural nourishment for the breakfast occasion as a complement to paratha, bread, honey and fruits. Its richness and consistency makes it a great ingredient for desserts and savory cooking.



## Olper's ProCal+

Olper's ProCal+ is high in both Protein and Calcium with less than 1% fat. Protein and Calcium together support the growth and maintenance of muscles and bones, helping to keep families strong and active! 2 servings of Olper's ProCal+ provide 27% of daily protein needs and 80% of daily calcium needs.



## Tarang

Launched in 2007 as a tea-whitener brand, Tarang stands for the perfect match for tea, offering affordability and a blissful experience. It gives every cup of tea the perfect blend of colour, aroma and taste for a great tea experience. With its vivacious, light-hearted and glamorous personality, Tarang has since inception, utilized the song and dance platform to connect with consumers to add joy to their routine lives.

Tarang extended its tea-creaming range in 2020 by introducing a powder tea whitener to cater to consumers who prefer the powder format over liquid. Launched with a new campaign, the TVC was set within the Tarang world retaining Tarang's iconic song and dance platform which set it apart from competition. "Chai to ab sirf creamy mazay wali chalay gi" was the phrase coined to propagate the message of how Tarang tea whitening powder makes a great tasting creamy cup of tea that uplifts everyone's mood. The TVC also highlighted the attractive price point of PKR 10 of its sachet.



## Dairy Omung

Dairy Omung caters to the economy segment of Pakistani households in their quest for an unadulterated and hygienic offering for their families. Dairy Omung is a dairy drink that can be used in a multitude of consumption occasions ranging from plain drinking to tea-creaming and dessert-making.





# Omoré

In 2020, Omoré was on a mission to become a savior for monotonous moments in our everyday lives, and spark moments of excitement to make us feel alive. Everyday struggles become a little sweeter with Omoré. Whether it is a spontaneous moment of craving to be enjoyed alone, or a reason for family to bond together, Omoré has the perfect solution with a wide assortment of products, including cups, sticks, cones, and multi-serves. Omoré's philosophy is rooted in bringing something new for consumers each year while continuing to provide the highest quality of our classic beloved flavors.

## Ghar Mein Chuppi Khushiyan

In 2020, the entire world experienced fear and uncertainty due to the spread of COVID-19. These feelings sometimes overshadowed the small blessings that we may have encountered during the lockdown. Through its digital campaign #GharMeinChuppiKhushiyan Omoré reminded us to focus on the small but wonderful discoveries that we made when we got a chance to spend time at home with our loved ones.

## Omoré Innovations of 2020

Omoré launched 8 new innovations in 2020 across different formats, including two Omoji shape-based innovations with evergreen flavors, two Chocbars in exciting flavors, two tangy berry lollies and launched the beloved Cookie Mania flavor in two different family packs!

## Omoré Love and Cool Omoji

Year on year, Omoré promises to bring consumers an impressive combination of exciting shapes and mouthwatering flavors. In 2020, Omoré gave people the opportunity to express themselves with the romance filled Love Omoji with the flavors of Vanilla and Strawberry, and the swag filled Cool Omoji with the flavors of Caramel and Chocolate. The imaginative and vibrant Omojis

TVC provided some much-needed excitement in a year like 2020, and Omojis became a huge success, with sales exceeding targets.

## Omoré Coffee and Orange Chocbars

People of all ages love the Omoré Chocbar range. In 2020, Omoré added two more exciting flavors to the range by launching Omoré Orange Chocbar and Omoré Coffee Chocbar. The TVC for the Chocbars introduced a touch of mystery and led to the grand reveal of two creamy new flavors being introduced with a crunchy chocolate coating.

## Omoré Cookie Mania Family Packs

After the breakthrough success of the Omoré Cookie Mania stick in 2019, Omoré launched the beloved flavor in a tub and brick in 2020. With Cookie Mania flavor being a family favorite for people of all ages, it is no wonder that both packs performed exceptionally well.

## Omoré Raspberry and Blueberry Pop

Omoré launched the Raspberry and Blueberry Pop as the perfect respite for a hot summer day. The tangy and sweet combination was launched at an affordable price point in value-added flavors to appeal to all consumers while providing something a little extra.

omoré

# SUMMER BLOCKBUSTERS

NOW IN FREEZERS NEAR YOU!







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I am a mother of a three-year old child and this adds extra responsibility as a working woman, however but the inclusive environment at FrieslandCampina Engro Pakistan Limited has always made me comfortable and determined to give my best. The management respected my personal life especially during the peak months of the COVID-19 pandemic when I was struggling to manage my daily house chores and professional work. The leverage I got with flexible working hours and the overall support meant that I was able to do my job to the best of my abilities and at the same time, take care of my family.

**Denise D'souza**

Assistant Manager, Procurement

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Our  
People

# 2020 – From the People's Lens

## Our Human Resource

At FrieslandCampina Engro Pakistan, employees' safety and well-being is regarded as the top-most priority. Since the year 2020 was marked by the COVID-19 pandemic; it called for many unprecedented initiatives and actions. A COVID Helpdesk was launched to provide the employees a platform where they could raise concerns or receive medical guidance as per their needs, and work-from-home was embraced for most of the year keeping in mind the well-being of employees.

In order to keep the workforce connected to the organization despite agile working, several digital initiatives were launched to continue the momentum on employee engagement and skill development. These initiatives included the Learning Series, Wellness sessions, daily Newsletters, online celebrations and many more virtual connects. The Leadership team was also committed to stay connected during challenging times to ensure that the employees never lose their morale. Virtual townhalls and coffee sessions allowed the teams to interact with the Leadership team, which helped them stay connected to the company's purpose and objectives. These interventions were taken with the aim to enhance the well-being of the employees, so they could continue to perform at their best.

## Recruitment and Culture

The success of the company comes from the effort of its employees especially in unprecedented times. It seeks to attract the best talent from the market through its rigorous talent acquisition process and ensures that it retains them through a great culture that nourishes and enables the workforce. FrieslandCampina Engro Pakistan Limited celebrates the uniqueness of its employees and values their diversity. The company fosters a belief in creating an environment where everyone can bring their best and whole selves to work in order to drive a better and more sustainable business performance.

In this endeavour several initiatives were undertaken to stay strong on its journey of Diversity and Inclusion. One of the initiatives was the introduction of Lean In Circles whereby women from across the organization were brought together and provided a platform to connect with each other and voice out their feelings. Moreover, the organization consciously embedded diversity based KPIs in its recruitment process to attract talent from diverse backgrounds. This was done with the aim to enable a culture that is more inclusive, promotes gender equality, appreciates and encourages contributions of the employees without any biases towards their age, gender, race, orientation or background.

The Young Leaders program that was launched in July 2019 inducted fresh graduates from diverse backgrounds into the company with the aim to build future leaders and strengthen the talent pipeline of the organization. These young individuals were given the opportunity to interact and learn from various functions to develop their business acumen. After the rigorous program of 18 months, these resources are now ready to take on the responsibility of a full-fledged role in their respective functions.

## Training and Succession Planning

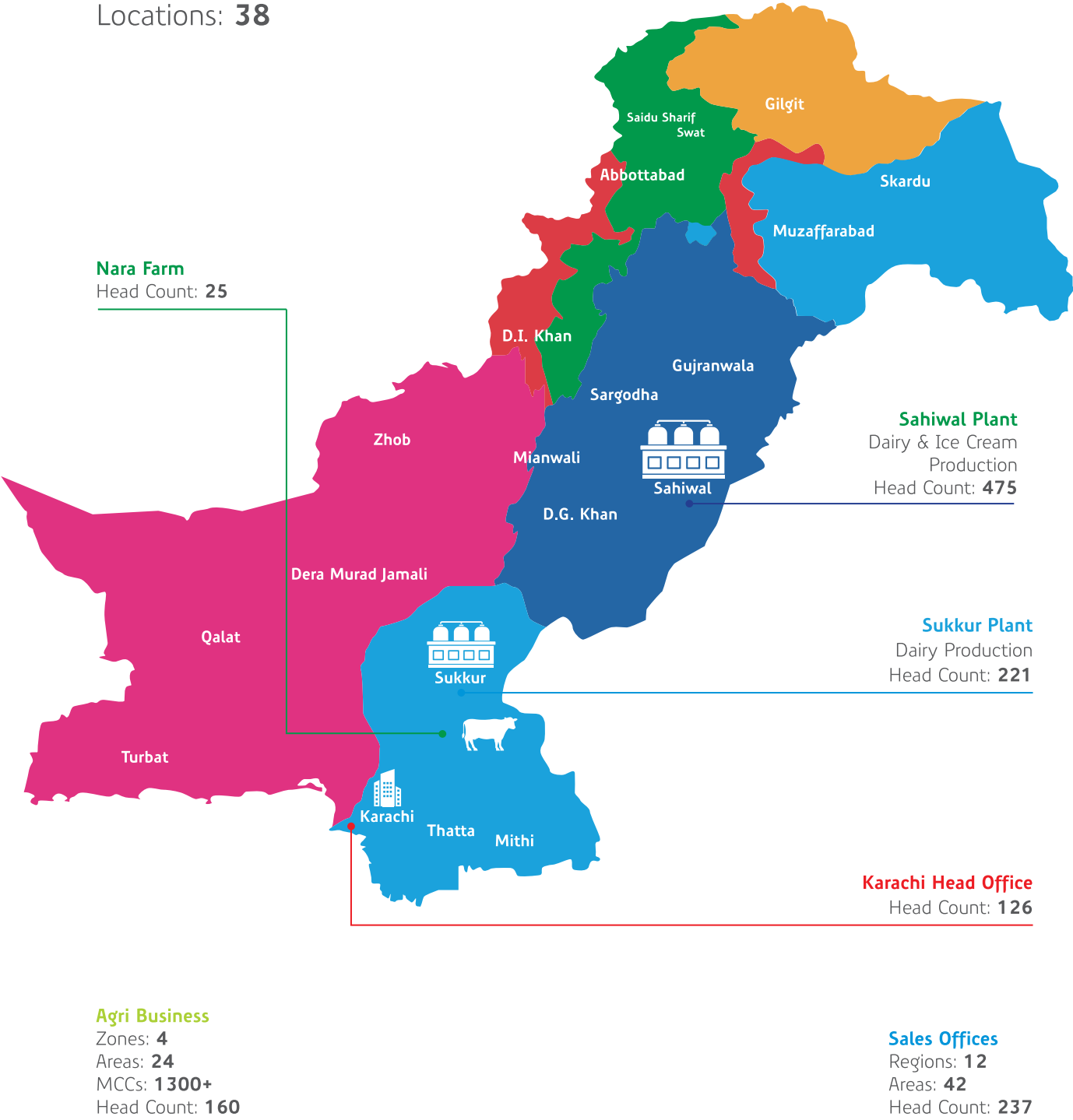
The talent ambition of FECPL is "when you grow we grow" hence we believe in continuous learning and that everyone comes with their own strengths and opportunities to grow. During 2020, the Human Resources team consciously worked on personalized capability plans for each division to develop people for future roles and to build a strong succession plan for leadership roles. During the year, several globally driven initiatives were introduced, namely ACE and Supply Chain Unlock, and locally implemented soft skills trainings program like Skill Up 2020 to build technical and behavioral capability in the organisation.





# The FrieslandCampina Engro Pakistan Family

Head Count: **1,310**  
Locations: **38**







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Incidentally my Management Trainee program was going on when the pandemic hit. It was an unusual time and I didn't know what to expect. However, the uncertainty I felt was soon eased by the management that went an extra mile to keep us posted on the changing situation. Their caring attitude and reassurance made me feel like I am part of the family, even though I was so new to the company - and this is what makes us bond as a team. Even an individual's problem is treated as one that is to be resolved by the team. We are one big family and now confident that we can face any challenge together.

**Amman Fatima**

Management Trainee, Finance

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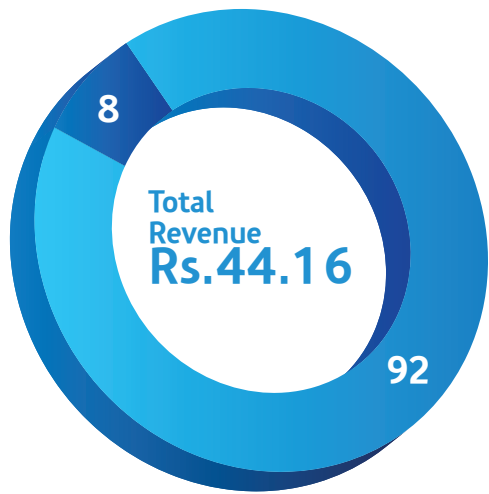


# Financial Review

FINANCIAL REVIEW

Business Revenue (Rs. in billions)  
% Segment Share

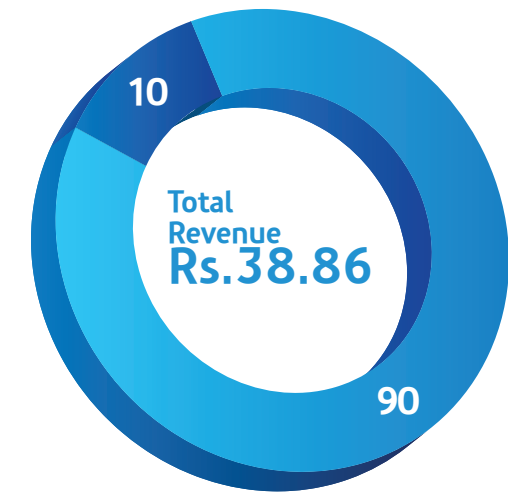
- Dairy, Beverages & Others
- Ice cream



2020

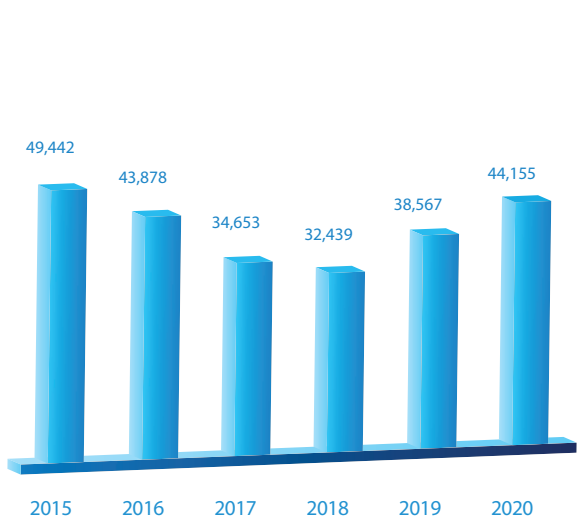
Business Revenue (Rs. in billions)  
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- Dairy, Beverages & Others
- Ice cream

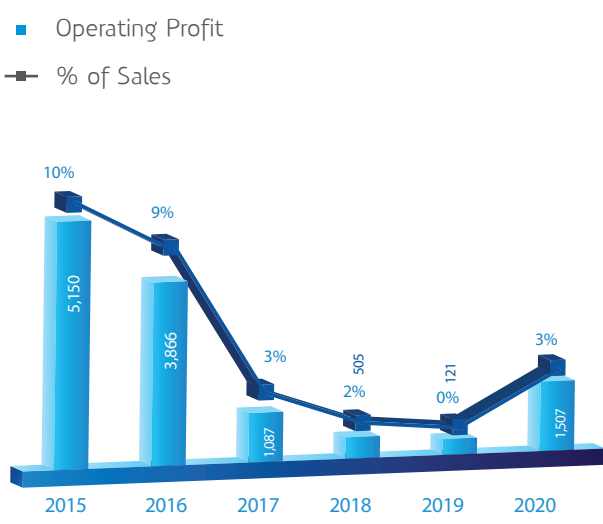


2019

Sales (Rs. in million)

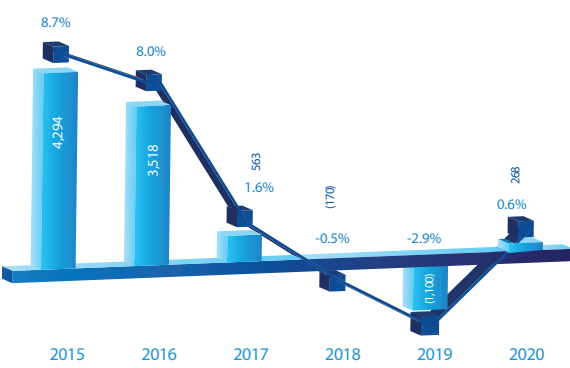


Operating Profit/Loss & % of Sales (Rs. in million)



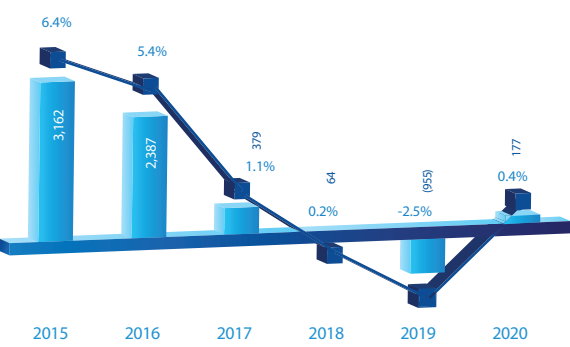
Profit / Loss Before Tax (Rs. in millions)

- Profit / Loss Before Tax
- % of Sales



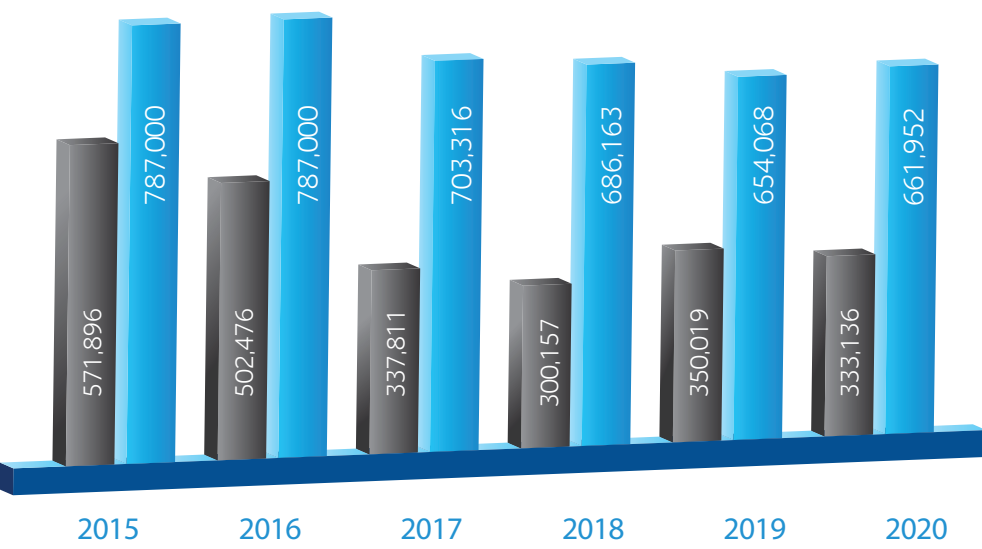
Profit / Loss After Tax (Rs. in millions)

- Profit / Loss After Tax
- % of Sales



Actual Production vs.  
Production Capacity ('000 litres)

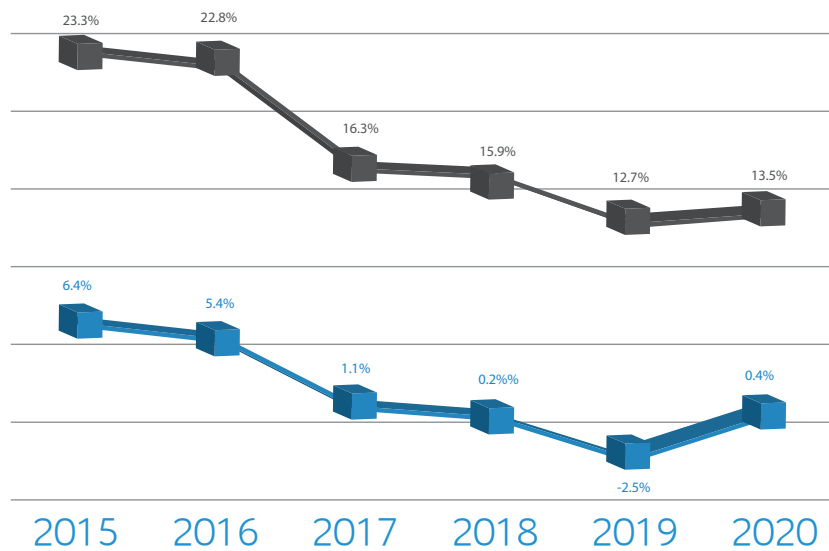
- Production Capacity
- Actual Production





### Profitability Ratios:

- Gross Profit Ratio
- Net Profit to Sales



### STATEMENT OF VALUE ADDITION & DISTRIBUTION

|                                                                                          | 2020            |        | 2019            |        |
|------------------------------------------------------------------------------------------|-----------------|--------|-----------------|--------|
| WEALTH GENERATED                                                                         | Rs. in millions | %      | Rs. in millions | %      |
| Total Revenue inclusive of sales tax and other income                                    | 46,514          |        | 40,528          |        |
| bought-in material and services                                                          | (36,400)        |        | (31,438)        |        |
|                                                                                          | 10,114          |        | 9,090           |        |
| WEALTH DISTRIBUTED                                                                       |                 |        |                 |        |
| To employees                                                                             |                 |        |                 |        |
| Salaries, benefits and other costs                                                       | 3,007           | 29.73% | 2,998           | 32.98% |
| To Government                                                                            |                 |        |                 |        |
| Taxes, duties and development surcharge                                                  | 3,389           | 33.51% | 3,511           | 38.63% |
| To Society                                                                               |                 |        |                 |        |
| Donations towards education, health, environment and natural disaster                    | 20              | 0.20%  | 20              | 0.22%  |
| To Providers of Capital                                                                  |                 |        |                 |        |
| Mark up/interest expense on borrowed money                                               | 1,239           | 12.25% | 1,222           | 13.44% |
| Retained for reinvestment and future growth, depreciation, amortization, retained profit | 2459            | 24.31% | 1339            | 14.73% |
|                                                                                          | 10,114          |        | 9,090           |        |

## FINANCIAL SUMMARY

### Description

2020 2019 2018 2017 2016 2015  
-----Rupees in million-----

### Statement of Financial Position

|                                                                |        |        |        |        |        |        |
|----------------------------------------------------------------|--------|--------|--------|--------|--------|--------|
| Share capital                                                  | 7,666  | 7,666  | 7,666  | 7,666  | 7,666  | 7,666  |
| Share premium                                                  | 865    | 865    | 865    | 865    | 865    | 865    |
| Employee compensation reserve                                  | 100    | 116    | 218    | 298    | 434    | 595    |
| Remeasurement of post employment benefits – Remeasurement loss | (146)  | (132)  | (138)  | (81)   | (74)   | (84)   |
| Unappropriate profit / (loss)                                  | 62     | (130)  | 730    | 973    | 8,259  | 5,872  |
| Shareholders' funds / Equity                                   | 8,548  | 8,385  | 9,341  | 9,721  | 17,151 | 14,913 |
| Long term borrowings                                           | 4,663  | 3,200  | 4,000  | 4,121  | 500    | 2,196  |
| Capital employed                                               | 13,211 | 11,585 | 13,341 | 13,842 | 17,651 | 17,109 |
| Property, plant & equipment                                    | 10,448 | 10,913 | 11,819 | 12,559 | 13,121 | 13,860 |
| Long term advances & deposits                                  | 44     | 59     | 71     | 84     | 94     | 134    |

### Statement of Profit or Loss

|                                            |        |         |        |        |        |        |
|--------------------------------------------|--------|---------|--------|--------|--------|--------|
| Revenue from contracts with customer – net | 44,155 | 38,567  | 32,439 | 34,653 | 43,878 | 49,442 |
| Gross profit                               | 5,953  | 4,880   | 5,154  | 5,636  | 10,015 | 11,538 |
| Operating profit                           | 1,507  | 121     | 505    | 1,087  | 3,866  | 5,150  |
| Profit / (loss) before tax                 | 268    | (1,100) | (170)  | 563    | 3,518  | 4,294  |
| Profit / (loss) after tax                  | 177    | (955)   | 64     | 379    | 2,387  | 3,162  |

### Statement of Cash Flows

|                                         |         |         |         |         |         |         |
|-----------------------------------------|---------|---------|---------|---------|---------|---------|
| Net cash flow from operating activities | 1,934   | 1,522   | 1,231   | 4,516   | 5,122   | 4,517   |
| Net cash flow from investing activities | (1,316) | (838)   | (1,113) | (900)   | (1,188) | (790)   |
| Net cash flow from financing activities | 1,703   | (458)   | (958)   | (5,393) | (3,176) | (1,722) |
| Changes in cash & cash equivalents      | 2,321   | 226     | (840)   | (1,778) | 758     | 2,005   |
| Cash & cash equivalents – Year end      | 570     | (1,750) | (1,976) | (1,136) | 638     | (121)   |

### Others (Million)

|                          |        |        |        |        |         |         |
|--------------------------|--------|--------|--------|--------|---------|---------|
| Market capitalisation    | 63,101 | 60,823 | 61,145 | 61,598 | 147,218 | 112,366 |
| Numbers of shares issued | 767    | 767    | 767    | 767    | 767     | 767     |

### Quantitative Data ('000 Litres)

|                     |         |         |         |         |         |         |
|---------------------|---------|---------|---------|---------|---------|---------|
| Production capacity |         |         |         |         |         |         |
| Dairy & beverages   | 617,888 | 610,004 | 642,540 | 662,516 | 748,000 | 748,000 |
| Ice cream           | 44,064  | 44,064  | 43,623  | 40,800  | 39,000  | 39,000  |

### Actual Production

|                   |         |         |         |         |         |         |
|-------------------|---------|---------|---------|---------|---------|---------|
| Dairy & beverages | 314,979 | 328,627 | 281,903 | 320,344 | 482,958 | 552,532 |
| Ice cream         | 18,157  | 21,392  | 18,254  | 17,467  | 19,518  | 19,364  |

# FINANCIAL PERFORMANCE INDICATORS – 2015 TO 2020

| RATIOS                                                       | 2020   | 2019    | 2018   | 2017   | 2016   | 2015   |
|--------------------------------------------------------------|--------|---------|--------|--------|--------|--------|
| -----Rupees in million -----                                 |        |         |        |        |        |        |
| <b>Profitability Ratios:</b>                                 |        |         |        |        |        |        |
| Gross Profit ratio                                           | 13.5%  | 12.7%   | 15.9%  | 16.3%  | 22.8%  | 23.3%  |
| Net Profit to Sales                                          | 0.4%   | (2.5%)  | 0.2%   | 1.1%   | 5.4%   | 6.4%   |
| EBITDA Margin to Sales                                       | 8.6%   | 6.3%    | 7.7%   | 8.7%   | 13.5%  | 14.6%  |
| Operating leverage ratio                                     | 78.87  | (4.02)  | 8.38   | 3.42   | 2.22   | 11.69  |
| Return on Equity                                             | 2.1%   | (11.4%) | 0.7%   | 3.9%   | 13.9%  | 21.2%  |
| Return on Capital employed                                   | 1.4%   | (7.5%)  | 0.5%   | 2.4%   | 13.7%  | 18.5%  |
| <b>Liquidity Ratios:</b>                                     |        |         |        |        |        |        |
| Current ratio                                                | 1.1    | 0.9     | 1.1    | 1.2    | 1.9    | 1.5    |
| Quick / Acid test ratio                                      | 0.6    | 0.5     | 0.7    | 0.7    | 1.1    | 1.0    |
| Cash to Current Liabilities                                  | 0.1    | 0.0     | 0.0    | 0.0    | 0.1    | 0.0    |
| Cash flow from Operations to Sales                           | 0.0    | 0.0     | 0.0    | 0.1    | 0.1    | 0.1    |
| <b>Activity / Turnover Ratios:</b>                           |        |         |        |        |        |        |
| No. of Days Inventory                                        | 34.7   | 36.5    | 37.9   | 40.3   | 36.8   | 32.6   |
| No. of Days Receivables                                      | 7.1    | 6.2     | 3.2    | 1.3    | 0.8    | 0.8    |
| No. of Days Payables                                         | 98.6   | 100.8   | 98.8   | 73.8   | 46.5   | 40.3   |
| Operating cycle                                              | (56.8) | (58.0)  | (57.7) | (32.2) | (8.8)  | (6.9)  |
| Inventory turnover                                           | 10.5   | 10.0    | 9.6    | 9.1    | 9.9    | 11.2   |
| Debtors turnover                                             | 51.4   | 58.6    | 113.6  | 288.4  | 468.7  | 463.1  |
| Creditors turnover                                           | 3.7    | 3.6     | 3.7    | 4.9    | 7.9    | 9.1    |
| Total Assets turnover ratio /<br>Fixed Assets turnover ratio | 1.9    | 1.6     | 1.4    | 1.6    | 1.8    | 1.9    |
| <b>Investment / Market Ratios:</b>                           |        |         |        |        |        |        |
| Earnings Per Share (EPS) – basic & diluted                   | 0.23   | (1.25)  | 0.08   | 0.49   | 3.11   | 4.13   |
| Price Earnings ratio                                         | 357.70 | (63.44) | 996.50 | 165.71 | 61.72  | 35.49  |
| Cash Dividend per share (Rs.)                                | -      | -       | -      | 0.40   | 10.00  | -      |
| Market value per share at the end of the year                | 82.27  | 79.30   | 79.72  | 81.20  | 191.94 | 146.50 |
| Highest market value during the year                         | 95.32  | 91.49   | 107.34 | 211.00 | 192.19 | 179.46 |
| Lowest market value during the year                          | 43.20  | 42.10   | 69.00  | 69.00  | 115.35 | 105.31 |
| Breakup value per share                                      | 11.15  | 10.94   | 12.19  | 12.68  | 22.37  | 19.45  |
| <b>Capital Structure Ratios:</b>                             |        |         |        |        |        |        |
| Long-term Debt to Equity                                     | 37.1%  | 30.1%   | 30.0%  | 29.8%  | 2.8%   | 12.8%  |

# KEY SHAREHOLDING & SHARES TRADED

Information of shareholding required under the reporting framework is as follows:

1. Associated Companies, Undertakings and Related Parties

| Shareholder's category                 | No. of Shares Held |
|----------------------------------------|--------------------|
| FrieslandCampina Pakistan Holding B.V. | 390,963,999        |
| Engro Corporation Limited              | 306,075,947        |

2. Directors, Chief Executive Officer and their spouse(s) and minor children

| Shareholder's category | No. of shares Held |
|------------------------|--------------------|
| Mr. Abdul Samad Dawood | 501                |
| Mr. Abrar Hasan        | 500                |
| Zouhair Abdul Khaliq   | 1                  |

3. Executives 23,899

4. Public sector companies and corporations -

5. Banks, Development Financial Institutions, Non Banking Financial Institutions 13,786,500

6. Insurance Companies 3,000

6. Modarabas and Mutual Funds

| Shareholder's category                             | No. of Shares Held |
|----------------------------------------------------|--------------------|
| NAME                                               | HOLDING            |
| B.F.MODARABA                                       | 10,000             |
| CDC – TRUSTEE AKD INDEX TRACKER FUND               | 18,824             |
| TRUST MODARABA                                     | 45,000             |
| CDC – TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND   | 54,900             |
| CDC – TRUSTEE AWT ISLAMIC STOCK FUND               | 36,000             |
| CDC – TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST     | 34,400             |
| CDC – TRUSTEE AWT STOCK FUND                       | 87,500             |
| CDC – TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND | 70,000             |
| CDC – TRUSTEE FAYSAL ISLAMIC STOCK FUND            | 72,500             |
| Total                                              | 429,124            |

7. Shareholders holding five percent or more voting rights in the Company:

| Shareholder's category                 | No. of shares Held |
|----------------------------------------|--------------------|
| ENGRO CORPORATION LIMITED              | 306,075,947        |
| FRIESLANDCAMPINA PAKISTAN HOLDING B.V. | 390,963,999        |

8. Details of purchase/sale of shares by Directors, Executives\* and their spouse(s) / minor children during 2020.

| Name | Date of Purchase / Sale | Shares Purchased | Shares Sold | Rate |
|------|-------------------------|------------------|-------------|------|
|------|-------------------------|------------------|-------------|------|

\* For the purpose of declaration of share trades all employee of the company are considered as "Executives"



PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2020

| NO OF SHARE | NO. OF SHAREHOLDINGS |         | Total     | NO OF SHARE | NO. OF SHAREHOLDINGS |             | Total       |
|-------------|----------------------|---------|-----------|-------------|----------------------|-------------|-------------|
| HOLDERS     | FROM                 | TO      | Shares    | HOLDERS     | FROM                 | TO          | Shares      |
| 765         | 1                    | 100     | 41,343    | 2           | 165,001              | 170,000     | 337,400     |
| 3,390       | 101                  | 500     | 1,545,467 | 1           | 170,001              | 175,000     | 171,500     |
| 1,409       | 501                  | 1,000   | 1,338,025 | 1           | 185,001              | 190,000     | 186,100     |
| 1,687       | 1,001                | 5,000   | 4,506,917 | 4           | 195,001              | 200,000     | 800,000     |
| 390         | 5,001                | 10,000  | 3,125,987 | 1           | 210,001              | 215,000     | 211,000     |
| 112         | 10,001               | 15,000  | 1,421,040 | 3           | 240,001              | 245,000     | 729,000     |
| 88          | 15,001               | 20,000  | 1,621,469 | 1           | 245,001              | 250,000     | 250,000     |
| 62          | 20,001               | 25,000  | 1,474,526 | 1           | 250,001              | 255,000     | 252,000     |
| 46          | 25,001               | 30,000  | 1,289,652 | 1           | 255,001              | 260,000     | 255,500     |
| 26          | 30,001               | 35,000  | 866,325   | 1           | 270,001              | 275,000     | 274,000     |
| 19          | 35,001               | 40,000  | 719,160   | 2           | 320,001              | 325,000     | 647,000     |
| 17          | 40,001               | 45,000  | 742,200   | 1           | 355,001              | 360,000     | 357,474     |
| 29          | 45,001               | 50,000  | 1,418,008 | 1           | 365,001              | 370,000     | 370,000     |
| 12          | 50,001               | 55,000  | 644,246   | 1           | 410,001              | 415,000     | 415,000     |
| 5           | 55,001               | 60,000  | 289,000   | 1           | 420,001              | 425,000     | 424,000     |
| 6           | 60,001               | 65,000  | 377,800   | 2           | 475,001              | 480,000     | 957,000     |
| 15          | 65,001               | 70,000  | 1,022,700 | 1           | 550,001              | 555,000     | 554,148     |
| 8           | 70,001               | 75,000  | 580,100   | 1           | 630,001              | 635,000     | 634,000     |
| 5           | 75,001               | 80,000  | 395,900   | 1           | 660,001              | 665,000     | 663,000     |
| 7           | 80,001               | 85,000  | 582,600   | 1           | 670,001              | 675,000     | 675,000     |
| 3           | 85,001               | 90,000  | 263,500   | 1           | 1,030,001            | 1,035,000   | 1,030,500   |
| 5           | 90,001               | 95,000  | 467,500   | 1           | 1,330,001            | 1,335,000   | 1,330,700   |
| 10          | 95,001               | 100,000 | 994,000   | 1           | 1,850,001            | 1,855,000   | 1,855,000   |
| 2           | 100,001              | 105,000 | 209,500   | 1           | 1,985,001            | 1,990,000   | 1,986,000   |
| 2           | 105,001              | 110,000 | 218,000   | 1           | 2,130,001            | 2,135,000   | 2,130,500   |
| 1           | 110,001              | 115,000 | 112,415   | 1           | 2,215,001            | 2,220,000   | 2,216,000   |
| 2           | 115,001              | 120,000 | 237,640   | 1           | 2,240,001            | 2,245,000   | 2,244,500   |
| 7           | 120,001              | 125,000 | 869,000   | 1           | 2,255,001            | 2,260,000   | 2,256,000   |
| 2           | 130,001              | 135,000 | 266,187   | 1           | 2,580,001            | 2,585,000   | 2,581,600   |
| 2           | 140,001              | 145,000 | 287,000   | 1           | 13,140,001           | 13,145,000  | 13,145,000  |
| 4           | 145,001              | 150,000 | 595,500   | 1           | 135,775,001          | 135,780,000 | 135,775,939 |
| 4           | 150,001              | 155,000 | 612,000   | 1           | 170,300,001          | 170,305,000 | 170,300,008 |
| 2           | 155,001              | 160,000 | 320,000   | 1           | 390,960,001          | 390,965,000 | 390,963,499 |
| 1           | 160,001              | 165,000 | 163,000   | 8,186       |                      |             | 766,596,075 |

CATEGORIES OF SHAREHOLDING
AS AT DECEMBER 31, 2020

| Shareholders' Category                                                         | No. of Shareholders | No. of Shares | Percentage of Holding |
|--------------------------------------------------------------------------------|---------------------|---------------|-----------------------|
| Directors, Chief Executive Officer, and their spouse(s) and minor children.    | 3                   | 1,002         | 0                     |
| Associated companies, undertakings and related parties.                        | 4                   | 697,039,946   | 90.93                 |
| Banks, Development Financial Institutions, Non-Banking Financial Institutions. | 4                   | 13,786,500    | 1.80                  |
| Insurance Companies                                                            | 1                   | 3,000         | 0                     |
| Modarabas and Mutual Funds                                                     | 9                   | 429,124       | 0.06                  |
| Shareholders holding 10% or more shares                                        | 3                   | 697,039,446   | 90.93                 |
| General Public (individuals)                                                   |                     |               |                       |
| a. Local<br>b. Foreign                                                         | 8,067               | 43,320,994    | 5.65                  |
| Others                                                                         | 98                  | 12,015,509    | 1.57                  |

# SHAREHOLDERS' INFORMATION

## Annual General Meeting

The annual shareholders meeting will be held at 03:00 p.m. on April 20, 2021 VIA VIDEO CONFERENCE Karachi.

Shareholders as of April 20, 2021 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the company at least 48 hours before the meeting time.

CDC Shareholders or their Proxies are requested to bring with them copies of their Computerized National Identity Card or passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

## Ownership

On December 31, 2020 there were 8,186, shareholders on record of the Company's ordinary shares.

## Circulation of Annual Reports through CD/DVD/USB

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and in continuation with the SRO.787(1)/2014 dated September 8, 2014, and approved by the Shareholders in the Annual General Meeting of the Company held on March 24, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts. The standard request form for electronic transmission is available at the Company's website <https://frieslandcampina.com.pk>.

Alternatively members can fill up the Standard Request Forms respectively in the Annexures section at the end of the report.

## E-DIVIDEND MANDATE (MANDATORY)

In accordance with the provisions of Section 242 of the Companies Act, 2017, and Section 4 of the Companies (Distribution of Dividends) Regulations, 2017 it is mandatory for a listed company, to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders.

In order to receive your future dividends directly in your Bank account, then please provide the information mentioned on the Form placed on the Company's website <https://frieslandcampina.com.pk> and the same to your brokers or the Central Depository Company Ltd. (in case the shares are held in the electronic form) and to our Share Registrars (in case the shares are held in paper certificate form).

## Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2021 are:

1st quarter: April 20, 2021  
2nd quarter: August 18, 2021  
3rd quarter: October 26, 2021

The Company reserves the right to change any of the above dates.

## Change of Address

All registered shareholders should send information on changes of address to:

M/s. FAMCO Associates (Private) Limited  
8-F, Near Hotel Faran Nursery, Block-6 P.E.C.H.S. Shahra-e-Faisal Karachi-74000





I joined FrieslandCampina Engro Pakistan Limited's Project EWID (Enhancing Women's Income through Dairy Interventions) to be trained as a Female Village Milk Collection Agent (FVMC). My aim was to provide for my family and when I joined the program in April 2020, I was apprehensive. However, FCEPL supported me continuously and trained me as a Milk Collection Agent which gave me the confidence to step out and earn a respectable living. Now I am the sole bread winner of the family without any worry of the future.

**Aqsa Bibi**

Milk Collection Agent

# Financial Statements





A.F. FERGUSON & CO.

## Independent Auditor's Review Report to the members of FrieslandCampina Engro Pakistan Limited

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of FrieslandCampina Engro Pakistan Limited for the year ended December 31, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2020.

**A. F. Ferguson & Co.**  
**Chartered Accountants**

Karachi  
Date: March 4, 2021

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*  
*State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan*  
*Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

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## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 For the year ended December 31, 2020

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven (7) as per the following:

Male: Six (6)  
Female: One (1)

2. The composition of Board is as follows:

| Category                | Name                                           |
|-------------------------|------------------------------------------------|
| Independent Directors   | Abrar Hasan                                    |
|                         | Zouhair Abdul Khaliq                           |
| Non-executive Directors | Abdul Samad Dawood (Chairman)                  |
|                         | Roeland Francois Van Neerbos                   |
|                         | Eduardus Lambertus Holtzer                     |
|                         | Petra Attje Zinkweg (Female Director)          |
| Executive Director      | Ali Ahmed Khan (Chief Executive Officer – CEO) |

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. No director attended the Directors' Training program during the year. However, three directors have already completed the Directors' Training program in previous years;
10. There was no fresh appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year ended December 31, 2020. The Board has approved the remuneration of Chief Financial Officer, Company Secretary and Head of Internal Audit and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed Committees comprising of members given below:

| Audit Committee            | Human Resource and Remuneration Committee |
|----------------------------|-------------------------------------------|
| Abrar Hasan (Chairman)     | Zouhair Abdul Khaliq (Chairman)           |
| Zouhair Abdul Khaliq       | Petra Attje Zinkweg                       |
| Eduardus Lambertus Holtzer | Ali Ahmed Khan                            |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
14. The frequency of meetings of the Committees was as follows:
- Audit Committee: Four quarterly meetings during the financial year ended December 31, 2020;
  - Human Resource and Remuneration Committee: one meeting during the financial year ended December 31, 2020;
15. The Board has set up an effective internal audit function comprising of suitably qualified and experienced staff who are conversant with the policies and procedures of the Company;
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



**Abdul Samad Dawood**  
Chairman

Karachi  
Date: February 8, 2021



A.F.FERGUSON&Co.

## Independent Auditor's Report

### To the members of FrieslandCampina Engro Pakistan Limited Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of FrieslandCampina Engro Pakistan Limited (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

| S. No. | Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i)    | <p><b>Deferred tax asset relating to minimum turnover tax</b></p> <p>[Refer notes 2.20, 3(a) and 8 to the financial statements]</p> <p>As at December 31, 2020, included in the balance of deferred tax asset (net) is an amount of Rs. 1,056,795 thousand representing deferred tax asset recognized on account of minimum turnover tax.</p> <p>Recognition of deferred tax asset on account of minimum turnover tax requires management to estimate the Company's tax liability in future tax years. This process relies on the assessment of the Company's profitability forecast, which in turn is based on assumptions concerning future economic conditions and business performance.</p> <p>As preparing of profitability forecast and assessment of realizability of recognized deferred tax asset requires significant management judgement, we considered this a key audit matter.</p> | <p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>obtained understanding of the management's process of preparation of profitability forecast, tax liability and deferred tax calculation;</li> <li>discussed with the management, significant underlying assumptions used in preparing the profitability forecast and assessed the same for reasonableness;</li> <li>checked appropriateness of tax rates applied in view of the local tax legislation;</li> <li>checked mathematical accuracy of calculations; and</li> <li>assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards.</li> </ul> |



| S. No. | Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (ii)   | <p><b>Valuation of dairy livestock</b></p> <p>[Refer notes 2.3, 3(c) and 5 to the financial statements]</p> <p>As at December 31, 2020, the fair value of the Company's biological assets amounts to Rs. 1,197,685 thousand. This includes Rs. 1,197,617 thousand in respect of dairy livestock.</p> <p>Dairy livestock is measured at fair value less estimated point-of-sale costs. Fair value of dairy livestock is determined by an external expert appointed by the Company on the basis of market and replacement values of similar livestock from active markets in other countries and physical attributes of livestock.</p> <p>Due to the level of judgment involved in determining fair values of dairy livestock, we considered this a key audit matter.</p> | <p>Our audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"><li>obtained understanding of the internal control over valuation of dairy livestock, assessed the design and tested operating effectiveness of controls on a test basis;</li><li>assessed management expert's report including process of valuation in the light of our knowledge of the business;</li><li>checked source data provided to the management's expert on a sample basis;</li><li>engaged our expert to evaluate significant assumptions used and values determined by management's expert; and</li><li>assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards.</li></ul> |

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

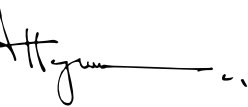
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



A. F. Ferguson & Co.  
Chartered Accountants  
Karachi

Date: March 4, 2021

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# STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

(Amounts in thousand)

|                                    | Note | 2020<br>-----Rupees----- | 2019                     |
|------------------------------------|------|--------------------------|--------------------------|
| <b>ASSETS</b>                      |      |                          |                          |
| <b>Non-Current Assets</b>          |      |                          |                          |
| Property, plant and equipment      | 4    | 10,448,454               | 10,913,215               |
| Biological assets                  | 5    | 1,197,685                | 1,086,734                |
| Intangibles                        | 6    | 67,084                   | 95,135                   |
| Right-of-use assets                | 7    | 451,138                  | 647,187                  |
| Deferred tax asset - net           | 8    | 806,244                  | 174,338                  |
| Long term advances and deposits    | 9    | 43,781                   | 58,934                   |
|                                    |      | <u>13,014,386</u>        | <u>12,975,543</u>        |
| <b>Current Assets</b>              |      |                          |                          |
| Stores, spares and loose tools     | 10   | 444,237                  | 515,048                  |
| Stock-in-trade                     | 11   | 3,538,892                | 3,717,730                |
| Trade debts                        | 12   | 801,387                  | 915,728                  |
| Advances, deposits and prepayments | 13   | 265,601                  | 270,866                  |
| Other receivables                  | 14   | 158,247                  | 313,481                  |
| Sales tax recoverable              | 15   | 1,928,294                | 2,004,857                |
| Taxes recoverable                  |      | 2,576,420                | 2,786,929                |
| Cash and bank balances             | 16   | 570,462                  | 65,915                   |
|                                    |      | <u>10,283,540</u>        | <u>10,590,554</u>        |
| <b>TOTAL ASSETS</b>                |      | <u><b>23,297,926</b></u> | <u><b>23,566,097</b></u> |

(Amounts in thousand)

## EQUITY AND LIABILITIES

### Equity

|                                                                |    |                  |                  |
|----------------------------------------------------------------|----|------------------|------------------|
| Share capital                                                  | 17 | 7,665,961        | 7,665,961        |
| Share premium                                                  | 18 | 865,354          | 865,354          |
| Employee share option compensation reserve                     | 19 | 100,446          | 115,517          |
| Remeasurement of post employment benefits - Remeasurement loss |    | (146,432)        | (132,485)        |
| Unappropriated profit / (loss)                                 |    | 62,315           | (129,682)        |
|                                                                |    | <u>8,547,644</u> | <u>8,384,665</u> |

### Non-Current Liabilities

|                                               |    |                  |                  |
|-----------------------------------------------|----|------------------|------------------|
| Long term:                                    |    |                  |                  |
| - finances                                    | 20 | 4,663,004        | 3,200,000        |
| - lease liability against right-of-use assets | 21 | 258,219          | 413,752          |
| - other payables                              | 22 | 118,452          | -                |
|                                               |    | <u>5,039,675</u> | <u>3,613,752</u> |

### Current Liabilities

|                                               |    |                          |                          |
|-----------------------------------------------|----|--------------------------|--------------------------|
| Current portion of long term:                 |    |                          |                          |
| - finances                                    | 20 | 1,239,502                | 800,000                  |
| - lease liability against right-of-use assets | 21 | 240,097                  | 235,692                  |
| - other payables                              | 22 | 39,069                   | -                        |
| Trade and other payables                      | 23 | 7,814,922                | 8,226,126                |
| Contract liabilities                          | 24 | 215,144                  | 140,926                  |
| Unclaimed dividend                            |    | 8,507                    | 8,731                    |
| Accrued interest / mark-up on:                |    |                          |                          |
| - long term finances                          |    | 87,570                   | 131,474                  |
| - short term finances                         |    | 65,796                   | 208,581                  |
| Short term finances                           | 25 | -                        | 1,816,150                |
|                                               |    | <u>9,710,607</u>         | <u>11,567,680</u>        |
|                                               |    | <u>14,750,282</u>        | <u>15,181,432</u>        |
| Contingencies and Commitments                 | 26 |                          |                          |
| <b>TOTAL EQUITY AND LIABILITIES</b>           |    | <u><b>23,297,926</b></u> | <u><b>23,566,097</b></u> |

The annexed notes 1 to 52 form an integral part of these financial statements.

Abdul Samad Dawood  
Chairman

Ali Ahmed Khan  
Chief Executive Officer

Imran Husain  
Chief Financial Officer



# STATEMENT OF PROFIT OR LOSS

## FOR THE YEAR ENDED DECEMBER 31, 2020

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

|                                                        | Note | 2020<br>-----Rupees----- | 2019         |
|--------------------------------------------------------|------|--------------------------|--------------|
| Revenue from contracts with customers – net            | 27   | 44,155,023               | 38,567,019   |
| Cost of sales                                          | 28   | (38,202,175)             | (33,687,049) |
| <b>Gross profit</b>                                    |      | 5,952,848                | 4,879,970    |
| Distribution and marketing expenses                    | 29   | (3,661,213)              | (3,678,992)  |
| Administrative expenses                                | 30   | (1,154,310)              | (1,245,853)  |
| Other operating expenses                               | 31   | (177,243)                | (246,874)    |
| Other income                                           | 32   | 546,438                  | 412,968      |
| <b>Operating profit</b>                                |      | 1,506,520                | 121,219      |
| Finance cost                                           | 33   | (1,238,840)              | (1,221,574)  |
| <b>Profit / (loss) before taxation</b>                 |      | 267,680                  | (1,100,355)  |
| Taxation                                               | 34   | (90,754)                 | 145,490      |
| <b>Profit / (loss) for the year</b>                    |      | 176,926                  | (954,865)    |
| <b>Earnings / (loss) per share – basic and diluted</b> | 35   | 0.23                     | (1.25)       |

The annexed notes 1 to 52 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in thousand)

|                                                                                                  | Note | 2020<br>-----Rupees----- | 2019      |
|--------------------------------------------------------------------------------------------------|------|--------------------------|-----------|
| <b>Profit / (loss) for the year</b>                                                              |      | 176,926                  | (954,865) |
| <b>Other comprehensive (loss) / income:</b>                                                      |      |                          |           |
| <b>Items that will not be reclassified to profit or loss</b>                                     |      |                          |           |
| Remeasurement (loss) / gain of post employment benefits obligation – remeasurement (loss) / gain | 38.6 | (19,643)                 | 7,522     |
| Less: Income tax relating to remeasurement loss / (gain)                                         |      | 5,696                    | (2,181)   |
| Other comprehensive (loss) / income for the year, net of tax                                     |      | (13,947)                 | 5,341     |
| <b>Total comprehensive income / (loss) for the year</b>                                          |      | 162,979                  | (949,524) |

The annexed notes 1 to 52 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in thousand)

|                                                                                 |      |               | RESERVES                |                                            |                                           |                                |           |
|---------------------------------------------------------------------------------|------|---------------|-------------------------|--------------------------------------------|-------------------------------------------|--------------------------------|-----------|
|                                                                                 | Note | Share capital | CAPITAL                 |                                            | REVENUE                                   |                                | Total     |
|                                                                                 |      |               | Share premium (note 18) | Employee share option compensation reserve | Remeasurement of post employment benefits | Unappropriated profit / (loss) |           |
|                                                                                 |      |               | -----Rupees-----        |                                            |                                           |                                |           |
| Balance as at January 1, 2019                                                   |      | 7,665,961     | 865,354                 | 217,910                                    | (137,826)                                 | 729,661                        | 9,341,060 |
| Employee share option scheme                                                    | 19   | -             | -                       | (6,871)                                    | -                                         | -                              | (6,871)   |
| Transfer of employee share option compensation reserve to unappropriated profit |      | -             | -                       | (95,522)                                   | -                                         | 95,522                         | -         |
| Loss for the year                                                               |      | -             | -                       | -                                          | -                                         | (954,865)                      | (954,865) |
| Other comprehensive income for the year                                         |      | -             | -                       | -                                          | 5,341                                     | -                              | 5,341     |
| Total comprehensive income / (loss) for the year                                |      | -             | -                       | -                                          | 5,341                                     | (954,865)                      | (949,524) |
| Balance as at December 31, 2019 / January 1, 2020                               |      | 7,665,961     | 865,354                 | 115,517                                    | (132,485)                                 | (129,682)                      | 8,384,665 |
| Transfer of employee share option compensation reserve to unappropriated profit |      | -             | -                       | (15,071)                                   | -                                         | 15,071                         | -         |
| Profit for the year                                                             |      | -             | -                       | -                                          | -                                         | 176,926                        | 176,926   |
| Other comprehensive loss for the year                                           |      | -             | -                       | -                                          | (13,947)                                  | -                              | (13,947)  |
| Total comprehensive income / (loss) for the year                                |      | -             | -                       | -                                          | (13,947)                                  | 176,926                        | 162,979   |
| Balance as at December 31, 2020                                                 |      | 7,665,961     | 865,354                 | 100,446                                    | (146,432)                                 | 62,315                         | 8,547,644 |

The annexed notes 1 to 52 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in thousand)

|                                                              | Note | 2020        | 2019        |
|--------------------------------------------------------------|------|-------------|-------------|
| -----Rupees-----                                             |      |             |             |
| CASH FLOWS FROM OPERATING ACTIVITIES                         |      |             |             |
| Cash generated from operations                               | 36   | 3,959,546   | 3,254,046   |
| Finance costs paid                                           |      | (1,346,034) | (990,078)   |
| Taxes paid                                                   |      | (506,455)   | (658,024)   |
| Contribution to the retirement benefits paid                 | 38.8 | (188,500)   | (95,674)    |
| Long term advances and deposits – net                        |      | 15,153      | 11,786      |
| Net cash generated from operating activities                 |      | 1,933,710   | 1,522,056   |
| CASH FLOWS FROM INVESTING ACTIVITIES                         |      |             |             |
| Purchases of:                                                |      |             |             |
| – property, plant and equipment                              | 4.5  | (1,594,105) | (1,145,873) |
| – intangibles                                                | 4.5  | (355)       | (12,221)    |
| Proceeds from disposal of:                                   |      |             |             |
| – property, plant and equipment                              | 4.4  | 121,510     | 83,619      |
| – biological assets                                          |      | 157,219     | 236,093     |
| Net cash utilized in investing activities                    |      | (1,315,731) | (838,382)   |
| CASH FLOWS FROM FINANCING ACTIVITIES                         |      |             |             |
| Proceeds from long term finances                             | 20.2 | 1,957,142   | -           |
| Dividend paid                                                |      | (224)       | (620)       |
| Repayment of lease liability against right-of-use assets     |      | (254,200)   | (457,438)   |
| Net cash generated from / (utilized in) financing activities |      | 1,702,718   | (458,058)   |
| Net increase in cash and cash equivalents                    |      | 2,320,697   | 225,616     |
| Cash and cash equivalents at beginning of the year           |      | (1,750,235) | (1,975,851) |
| Cash and cash equivalents at end of the year                 | 37   | 570,462     | (1,750,235) |

The annexed notes 1 to 52 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

(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 Harbor Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.

1.2 The Business Units of the Company Include the Following:

| Business Unit | Geographical Location                                                                         |
|---------------|-----------------------------------------------------------------------------------------------|
| Head Office   | 5th Floor, the Harbor Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi. |
| Sahiwal Plant | 8 km Road Pakpattan Road, Sahiwal.                                                            |
| Sukkur Plant  | Deh Miani Baghat, Tapa Rohri, Taluka Rohri, District Sukkur.                                  |
| Dairy Farm    | Near Qalmi Quran Taluka Salehpat, District Sukkur.                                            |

Regional sales offices and milk collection centers are located across the country, the details of which are impracticable to disclose in these financial statements as required under Paragraph 1 (i) of Part I of the 4th Schedule to the Companies Act, 2017 (the Act).

1.3 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

2.1.1 These financials statements have been prepared under the historical cost convention unless otherwise stated.

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

2.1.3 The preparation of financial statements in conformity with the above requirements 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. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 3.

2.1.4 During the year, the management reassessed its reported segments and has concluded that dairy farm, which was being reported as separate segment, no longer qualifies as a reportable segment, owing to fact that chief operating decision makers are no longer reviewing the results of dairy farm separately. Operating results of dairy farm are now being reported as part of dairy and beverages segment. Accordingly, all financial information related to dairy farm has been reported as part of dairy and beverages segment and prior year results have been restated.

(Amounts in thousand)

2.1.5 Initial application of standards, amendments or interpretations to existing standards

a) Amendments to accounting and reporting standards that became effective during the year

There are certain amendments to the accounting and reporting standards that became effective during the year ended December 31, 2020, however, these are considered not to have a significant impact on the Company's financial reporting and operations and therefore have not been presented here.

b) Standards, amendments and interpretation to published standards that are not yet effective and have not been early adopted by the Company

There is a standard and certain amendments to the accounting and reporting standards that are not yet effective and are also not expected to have a significant impact on the Company's financial reporting and therefore, have not been presented in these financial statements.

2.2 Property, Plant and Equipment

Owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land and capital work-in-progress, which are stated at cost.

Depreciation is charged to profit or loss using the straight-line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 4.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the preceding month of disposal.

Where parts of an item of property, plant and equipment have different useful lives and such are material, those are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which these are incurred.

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognized in profit or loss. The recoverable amount is higher of fair value, less cost of disposal and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in profit or loss, however, is restricted to the net book value of the asset had there been no impairment.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period of disposal or retirement.

2.3 Biological Assets

Livestock are measured at their fair value less estimated point-of-sale costs. Fair value of livestock is determined by an external valuer on the basis of best available estimates for livestock of similar attributes.

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock are recognized in profit or loss.

Crops in the ground and at the point of harvest at the reporting date are measured at cost being an approximation of fair value, as these are presently being used as internal consumption for cattle feed and have a very short biological transformation and consumption cycle.

2.4 Intangibles - Computer Software

Intangibles are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can also be measured reliably.

Generally, costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as intangibles. Direct costs include the purchase cost of software and related overhead cost.

(Amounts in thousand)

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangibles are amortized from the date the software is put to use on straight-line basis over a period of 5 years. The carrying amount of the intangibles is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount in profit or loss. Reversal of impairment losses are also recognized in profit or loss.

## 2.5 Financial Assets and Liabilities

### 2.5.1 Financial Assets

The Company classifies its financial assets in the following categories:

a) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt instrument that is subsequently measured at fair value through profit or loss is recognized in profit or loss in the year in which it arises.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investment in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gain / (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

### 2.5.2 Financial Liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in profit or loss.

(Amounts in thousand)

### 2.5.3 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 2.6 Impairment

a) Financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognize lifetime expected credit losses for trade debts.

For financial assets other than trade debts, the Company applies general approach in calculating expected credit losses. It is based on difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Company expect to receive discounted at the approximation of the original effective interest rate. The expected cashflows will include cash flows from sale of collateral held or other credit enhancements that are integral to the contractual terms.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

b) Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 2.7 Stores, Spares and Loose Tools

These are valued at weighted average cost except for items in transit, which are stated at invoice value plus other charges paid thereon till the reporting date. A provision is made for any excess book value over estimated realizable value of items identified as surplus to the Company's requirements. Adequate provision is also made for slow moving and obsolete items.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are shown separately as major spare parts and stand-by equipment.

## 2.8 Stock-in-Trade

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw materials in transit which are stated at invoice value plus other charges paid thereon till the reporting date. Cost of finished goods comprises purchase cost and other manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale. Provision is made for slow moving stocks where considered necessary.



(Amounts in thousand)

## 2.9 Trade Debts and Other Receivables

Trade debts and other receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case trade debts are recognized at fair value. The Company holds the trade debts and other receivables with the objective of collecting the contractual cash flows and therefore measures the receivables subsequently at amortized cost using the effective interest method. Impairment of trade debts and other receivables is described in note 2.6.

Exchange gains and losses arising on translation in respect of 'trade debts' and 'other receivables' in foreign currency are added to the carrying amount of the respective receivables.

## 2.10 Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balances with banks on current, deposit and saving accounts, short-term highly liquid investments subject to insignificant risk of changes in values and short term finances. Short term finances on the statement of financial position are shown as part of current liabilities.

## 2.11 Share Capital

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs, if any, directly attributable to the issue of new shares or options, are recognized in equity as a deduction, net of tax, from the proceeds.

## 2.12 Employees' Share Option Scheme

Equity-settled share-based payments to employees are measured at fair value at the grant date. The fair value determined at the grant date of the equity settled share-based payments is recognized as an employee compensation expense on a straight-line basis over the vesting period.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of exercise restrictions.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the statement of profit or loss, is transferred to unappropriated profit from employee share option compensation reserve in the statement of financial position.

When the options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

## 2.13 Staff Retirement and Other Service Benefits

### 2.13.1 Defined Benefit Plan

Engro Corporation Limited (an associated company) operates and maintains an approved defined benefit funded gratuity plan (the Fund) on behalf of the Company, for all its permanent employees. The Fund provides for a graduated scale of benefits dependent on the length of service of an employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn basic salary.

Provisions are made to cover the obligations under the Fund on the basis of actuarial valuation carried out annually by an external expert, using the 'Projected Unit Credit Method'. All remeasurement gains and losses are recognized in 'other comprehensive income' as these occur.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

### 2.13.2 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(Amounts in thousand)

Engro Corporation Limited (an associated company) operates and maintains:

- an approved defined contribution provident fund on behalf of the Company for permanent employees of the Company. Monthly contributions are made both by the Company and employees to the fund at the rate of 10% of basic salary; and
- an approved defined contribution gratuity fund for the benefit of management employees of the Company. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

### 2.13.3 Compensated Absences

The Company accounts for compensated absences on the basis of unavailed leave balance of eligible employees at the end of the year.

## 2.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at-least twelve months after the reporting date.

## 2.15 Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grant will be received.

The benefit of a long-term finance at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to long-term finances are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as finance cost related to long-term finances at market rate of interest.

## 2.16 Lease Liability and Right-of-Use Asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Company reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

(Amounts in thousand)

A change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

The right-of-use asset is initially measured based on the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight line basis over the lease term.

## 2.17 Trade and Other Payables

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

Trade payable under vendor financing arrangements are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as trade payables as specified in note 23. The credit period does not exceed 12 months and the accounts payables are therefore not discounted.

## 2.18 Contract Assets and Liabilities

Contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time. If a customer makes a payment or an amount of payment is due before the Company has satisfied its performance obligations, the Company presents that amount as a contract liability.

Impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9.

## 2.19 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

## 2.20 Taxation

### 2.20.1 Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

### 2.20.2 Deferred

Deferred income tax is accounted for using the liability method on all temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is

(Amounts in thousand)

probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset will be realized or the deferred income tax liability will be settled. Deferred tax is charged or credited in profit or loss.

## 2.21 Foreign Currency Transactions and Translation

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

## 2.22 Revenue and Income Recognition

Revenue is recognized at a point in time when performance obligations are satisfied by transferring control of promised goods or services to a customer. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

Interest income on bank deposits and scrap sales are recognized on an accrual basis.

## 2.23 Research and Development Costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognized as intangibles when it is probable that the development project will be a success and certain criteria, including commercial and technological feasibility have been met.

## 2.24 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such costs are capitalized as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

## 2.25 Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) in respect of its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 2.26 Dividend and Appropriation to Reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

## 2.27 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes the strategic decisions.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:



(Amounts in thousand)

**a) Taxation**

In making the estimates for current income taxes payable by the Company, the management considers the applicable laws and the decisions / judgments of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made, taking into account these judgments and the best estimates of future results of operations of the Company. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets may be utilized.

**b) Property, Plant and Equipment and Intangibles**

The Company reviews the appropriateness of the rate of depreciation / amortization, useful lives and residual values used for recording the depreciation / amortization on annual basis. Further, if required based on any indication for impairment, an estimate of recoverable amount of assets is made for possible impairment.

**c) Biological Assets**

The fair values of biological assets (Dairy livestock) is determined semi-annually by utilizing the services of an external expert. These valuations are mainly based on market conditions and physical attributes of livestock existing at the end of each reporting period, which are subject to change at each period end due to market conditions.

**d) Stock-in-Trade**

The Company regularly reviews the net realizable value of stock-in-trade to asses any diminution in the carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to be incurred to make the sale.

**e) Stores and Spares**

The Company reviews stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding effect on the provision.

**f) Provision for Staff Retirement and Other Service Benefits**

The present value of the obligations is determined by an independent actuary using a number of assumptions and other factors. Any change in these assumptions and factors will impact the obligations recorded in the financial statements.

**4. PROPERTY, PLANT AND EQUIPMENT**

|                                                    | 2020              | 2019              |
|----------------------------------------------------|-------------------|-------------------|
|                                                    | -----Rupees-----  |                   |
| Operating assets (note 4.1)                        | 10,099,093        | 10,328,104        |
| Capital work-in-progress (note 4.5)                | 205,848           | 439,746           |
| Major spare parts and stand-by equipment (note 10) | 143,513           | 145,365           |
|                                                    | <u>10,448,454</u> | <u>10,913,215</u> |

(Amounts in thousand)

**4.1 Operating Assets**

|                                                         | Freehold land<br>(note 4.7) | Buildings and civil works on<br>freehold land<br>(note 4.7) | Plant, machinery<br>and related equipment<br>(note 4.2) |                | Computer<br>equipment<br>(note 4.2) | Office<br>equipment<br>and furniture<br>& fittings | Vehicles (note 4.2) |          | Total             |
|---------------------------------------------------------|-----------------------------|-------------------------------------------------------------|---------------------------------------------------------|----------------|-------------------------------------|----------------------------------------------------|---------------------|----------|-------------------|
|                                                         |                             |                                                             | Owned                                                   | Leased         |                                     |                                                    | Owned               | Leased   |                   |
| -----Rupees-----                                        |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| <b>As at January 1, 2019</b>                            |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Cost                                                    | 408,580                     | 4,189,991                                                   | 17,432,748                                              | 323,383        | 346,629                             | 387,452                                            | 790,264             | 1,389    | 23,880,436        |
| Accumulated depreciation                                | -                           | (1,647,793)                                                 | (9,929,068)                                             | (82,359)       | (220,615)                           | (321,832)                                          | (470,225)           | (1,389)  | (12,673,281)      |
| Accumulated impairment                                  | -                           | (850)                                                       | (200,450)                                               | -              | (9)                                 | (1,509)                                            | (529)               | -        | (203,347)         |
| Net book value                                          | <u>408,580</u>              | <u>2,541,348</u>                                            | <u>7,303,230</u>                                        | <u>241,024</u> | <u>126,005</u>                      | <u>64,111</u>                                      | <u>319,510</u>      | <u>-</u> | <u>11,003,808</u> |
| <b>Year ended December 31, 2019</b>                     |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Opening net book value                                  | 408,580                     | 2,541,348                                                   | 7,303,230                                               | 241,024        | 126,005                             | 64,111                                             | 319,510             | -        | 11,003,808        |
| Reclassification due to IFRS 16                         |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Cost                                                    | -                           | -                                                           | -                                                       | (323,383)      | -                                   | -                                                  | 1,389               | (1,389)  | (323,383)         |
| Accumulated depreciation                                | -                           | -                                                           | -                                                       | 82,359         | -                                   | -                                                  | (1,389)             | 1,389    | 82,359            |
|                                                         | -                           | -                                                           | -                                                       | (241,024)      | -                                   | -                                                  | -                   | -        | (241,024)         |
| Transfer in from right-of-use assets                    | -                           | -                                                           | 215,531                                                 | -              | -                                   | -                                                  | -                   | -        | 215,531           |
| Additions, including transfers (note 4.5)               | 2,395                       | 129,612                                                     | 830,423                                                 | -              | 81,584                              | 32,876                                             | 278,300             | -        | 1,355,190         |
| Disposals (note 4.4)                                    |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Cost                                                    | -                           | -                                                           | (248,454)                                               | -              | (24,346)                            | (4,290)                                            | (124,079)           | -        | (401,169)         |
| Accumulated depreciation                                | -                           | -                                                           | 228,979                                                 | -              | 23,373                              | 4,072                                              | 100,686             | -        | 357,110           |
| Accumulated impairment                                  | -                           | -                                                           | 4,787                                                   | -              | -                                   | 3                                                  | -                   | -        | 4,790             |
|                                                         | -                           | -                                                           | (14,688)                                                | -              | (973)                               | (215)                                              | (23,393)            | -        | (39,269)          |
| Depreciation (note 4.3)                                 | -                           | (213,425)                                                   | (1,501,413)                                             | -              | (66,276)                            | (21,041)                                           | (143,344)           | -        | (1,945,499)       |
| Impairment charge / reversal (notes 4.6, 28, 29 and 30) | -                           | -                                                           | (16,033)                                                | -              | (158)                               | (3,742)                                            | (700)               | -        | (20,633)          |
| Write-off                                               |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Cost                                                    | -                           | -                                                           | (513)                                                   | -              | (243)                               | (2,573)                                            | -                   | -        | (3,329)           |
| Accumulated depreciation                                | -                           | -                                                           | 446                                                     | -              | 76                                  | 2,420                                              | -                   | -        | 2,942             |
| Accumulated impairment                                  | -                           | -                                                           | 67                                                      | -              | 167                                 | 153                                                | -                   | -        | 387               |
|                                                         | -                           | -                                                           | -                                                       | -              | -                                   | -                                                  | -                   | -        | -                 |
| Closing net book value                                  | <u>410,975</u>              | <u>2,457,535</u>                                            | <u>6,817,050</u>                                        | <u>-</u>       | <u>140,182</u>                      | <u>71,989</u>                                      | <u>430,373</u>      | <u>-</u> | <u>10,328,104</u> |
| <b>As at December 31, 2019</b>                          |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Cost                                                    | 410,975                     | 4,319,603                                                   | 18,229,735                                              | -              | 403,624                             | 413,465                                            | 945,874             | -        | 24,723,276        |
| Accumulated depreciation                                | -                           | (1,861,218)                                                 | (11,201,056)                                            | -              | (263,442)                           | (336,381)                                          | (514,272)           | -        | (14,176,369)      |
| Accumulated impairment                                  | -                           | (850)                                                       | (211,629)                                               | -              | -                                   | (5,095)                                            | (1,229)             | -        | (218,803)         |
| Net book value                                          | <u>410,975</u>              | <u>2,457,535</u>                                            | <u>6,817,050</u>                                        | <u>-</u>       | <u>140,182</u>                      | <u>71,989</u>                                      | <u>430,373</u>      | <u>-</u> | <u>10,328,104</u> |
| <b>Year ended December 31, 2020</b>                     |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Opening net book value                                  | 410,975                     | 2,457,535                                                   | 6,817,050                                               | -              | 140,182                             | 71,989                                             | 430,373             | -        | 10,328,104        |
| Additions, including transfers (note 4.5)               | 5,161                       | 154,734                                                     | 1,214,945                                               | -              | 53,781                              | 33,069                                             | 366,313             | -        | 1,828,003         |
| Disposals (note 4.4)                                    |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Cost                                                    | -                           | -                                                           | (214,694)                                               | -              | (6,637)                             | (6,759)                                            | (179,085)           | -        | (407,175)         |
| Accumulated depreciation                                | -                           | -                                                           | 194,948                                                 | -              | 5,983                               | 6,422                                              | 154,837             | -        | 362,190           |
| Accumulated impairment                                  | -                           | -                                                           | -                                                       | -              | -                                   | -                                                  | -                   | -        | -                 |
|                                                         | -                           | -                                                           | (19,746)                                                | -              | (654)                               | (337)                                              | (24,248)            | -        | (44,985)          |
| Depreciation (note 4.3)                                 | -                           | (214,586)                                                   | (1,521,037)                                             | -              | (71,299)                            | (21,756)                                           | (163,010)           | -        | (1,991,688)       |
| Impairment charge (notes 4.6, 28, 29 and 30)            | -                           | (51)                                                        | (17,949)                                                | -              | (208)                               | (1,894)                                            | (239)               | -        | (20,341)          |
| Write-off                                               |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Cost                                                    | -                           | (14,751)                                                    | (77,219)                                                | -              | (409)                               | -                                                  | (4,251)             | -        | (96,630)          |
| Accumulated depreciation                                | -                           | 14,701                                                      | 59,560                                                  | -              | 274                                 | -                                                  | 3,109               | -        | 77,644            |
| Accumulated impairment                                  | -                           | 50                                                          | 17,659                                                  | -              | 135                                 | -                                                  | 1,142               | -        | 18,986            |
|                                                         | -                           | -                                                           | -                                                       | -              | -                                   | -                                                  | -                   | -        | -                 |
| Closing net book value                                  | <u>416,136</u>              | <u>2,397,632</u>                                            | <u>6,473,263</u>                                        | <u>-</u>       | <u>121,802</u>                      | <u>81,071</u>                                      | <u>609,189</u>      | <u>-</u> | <u>10,099,093</u> |
| <b>As at December 31, 2020</b>                          |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
| Cost                                                    | 416,136                     | 4,459,586                                                   | 19,152,767                                              | -              | 450,359                             | 439,775                                            | 1,128,851           | -        | 26,047,474        |
| Accumulated depreciation                                | -                           | (2,061,103)                                                 | (12,467,585)                                            | -              | (328,484)                           | (351,715)                                          | (519,336)           | -        | (15,728,223)      |
| Accumulated impairment                                  | -                           | (851)                                                       | (211,919)                                               | -              | (73)                                | (6,989)                                            | (326)               | -        | (220,158)         |
| Net book value                                          | <u>416,136</u>              | <u>2,397,632</u>                                            | <u>6,473,263</u>                                        | <u>-</u>       | <u>121,802</u>                      | <u>81,071</u>                                      | <u>609,189</u>      | <u>-</u> | <u>10,099,093</u> |
| <b>Annual rate of depreciation (%)</b>                  |                             |                                                             |                                                         |                |                                     |                                                    |                     |          |                   |
|                                                         | -                           | 5 to 33.3                                                   | 8.33 to 25                                              | 20             | 20 to 33.3                          | 20                                                 | 25                  | 25       |                   |

(Amounts in thousand)

4.2 Includes Following Assets Held by Third Parties:

| Description                            | 2020               |                  | 2019             |                | Reason (note 4.2.1)                                                |
|----------------------------------------|--------------------|------------------|------------------|----------------|--------------------------------------------------------------------|
|                                        | Cost               | Net Book Value   | Cost             | Net Book Value |                                                                    |
|                                        | ----- Rupees ----- |                  |                  |                |                                                                    |
| Plant, machinery and related equipment | 298,705            | 145,559          | 218,429          | 78,211         | Equipment mounted on transport contractors' vehicles.              |
| Plant, machinery and related equipment | 1,624,246          | 973,812          | 1,324,491        | 704,244        | Freezers held with third party for ice cream sales.                |
| Computer equipment                     | 16,597             | -                | 16,597           | -              | Computer equipment managed by a third party for disaster recovery. |
| Vehicles                               | 244,295            | 133,566          | 225,396          | 135,970        | Trikes held with third party for ice cream sales.                  |
|                                        | <u>2,183,843</u>   | <u>1,252,937</u> | <u>1,784,913</u> | <u>918,425</u> |                                                                    |

4.2.1 In view of the nature of items that are being held by large number of the Company's business partners, the Company considers it impracticable to disclose particulars of assets not in the possession of the Company as required under Paragraph 12 of Part II of the Fourth Schedule to the Act.

4.3 The Depreciation Charge has been Allocated as Follows:

|                                                 | 2020               | 2019               |
|-------------------------------------------------|--------------------|--------------------|
|                                                 | ----- Rupees ----- | ----- Rupees ----- |
| - Cost of sales (note 28)                       | 1,654,878          | 1,675,892          |
| - Distribution and marketing expenses (note 29) | 313,441            | 251,770            |
| - Administrative expenses (note 30)             | 23,369             | 17,837             |
|                                                 | <u>1,991,688</u>   | <u>1,945,499</u>   |

(Amounts in thousand)

4.4 The Details of Operating Assets Disposed off During the year are as Follows:

| Description and<br>method of disposal                                                                     | Sold to                                 | Cost         | Accumulated<br>depreciation<br>and<br>impairment | Net<br>book<br>value | Sale<br>proceeds | Gain /<br>(loss) |
|-----------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------|--------------------------------------------------|----------------------|------------------|------------------|
| ----- Rupees -----                                                                                        |                                         |              |                                                  |                      |                  |                  |
| <b>Vehicles</b>                                                                                           |                                         |              |                                                  |                      |                  |                  |
| By the Company policy to existing /<br>separating employees                                               | Muhaimin Mahmood Khan<br>Mohsin Mahmood | 2,398<br>878 | (674)<br>(198)                                   | 1,724<br>680         | 1,734<br>510     | 10<br>(170)      |
| Sold through auction under<br>the Company policy                                                          | Muhammad Waqar Alam                     | 12,746       | (11,471)                                         | 1,275                | 10,425           | 9,150            |
|                                                                                                           |                                         | 16,022       | (12,343)                                         | 3,679                | 12,669           | 8,990            |
| By the Company policy to existing /<br>separating employees having<br>net book value of less than Rs. 500 |                                         | 162,265      | (141,862)                                        | 20,403               | 56,411           | 36,008           |
| Insurance claim                                                                                           | EFU General Insurance Limited           | 798          | (632)                                            | 166                  | 754              | 588              |
|                                                                                                           |                                         | 179,085      | (154,837)                                        | 24,248               | 69,834           | 45,586           |
| <b>Plant, machinery and related<br/>equipment - owned</b>                                                 |                                         |              |                                                  |                      |                  |                  |
| Sold through bidding/auction<br>under the Company policy having<br>net book value of less than Rs. 500    |                                         | 214,694      | (194,948)                                        | 19,746               | 49,193           | 29,447           |
| <b>Office equipment</b>                                                                                   |                                         |              |                                                  |                      |                  |                  |
| Sold through bidding/auction<br>under the Company policy having<br>net book value of less than Rs. 500    |                                         | 6,759        | (6,422)                                          | 337                  | 1,241            | 904              |
| <b>Computer equipment</b>                                                                                 |                                         |              |                                                  |                      |                  |                  |
| Sold through bidding/auction<br>under the Company policy having<br>net book value of less than Rs. 500    |                                         | 6,637        | (5,983)                                          | 654                  | 1,242            | 588              |
| December 31, 2020                                                                                         |                                         | 407,175      | (362,190)                                        | 44,985               | 121,510          | 76,525           |
| December 31, 2019                                                                                         |                                         | 401,169      | (361,900)                                        | 39,269               | 83,619           | 44,350           |



(Amounts in thousand)

4.5 Capital Work-in-Progress

|                                 | Land    | Building on freehold land | Plant, machinery and related equipment | IS and milk automation projects | Office equipment/ Furniture & Fittings/ Computer equipment | Vehicles  | Total       |
|---------------------------------|---------|---------------------------|----------------------------------------|---------------------------------|------------------------------------------------------------|-----------|-------------|
| -----Rupees-----                |         |                           |                                        |                                 |                                                            |           |             |
| Year ended December 31, 2019    |         |                           |                                        |                                 |                                                            |           |             |
| Balance as at January 1, 2019   | -       | 64,819                    | 421,106                                | 21,711                          | 35,685                                                     | 127,453   | 670,774     |
| Additions during the year       | 2,395   | 124,507                   | 687,912                                | 12,221                          | 104,447                                                    | 226,612   | 1,158,094   |
| Transferred to:                 |         |                           |                                        |                                 |                                                            |           |             |
| - operating assets (note 4.1)   | (2,395) | (129,612)                 | (830,423)                              | -                               | (114,460)                                                  | (278,300) | (1,355,190) |
| - intangibles (note 6)          | -       | -                         | -                                      | (33,932)                        | -                                                          | -         | (33,932)    |
| Balance as at December 31, 2019 | -       | 59,714                    | 278,595                                | -                               | 25,672                                                     | 75,765    | 439,746     |
| Year ended December 31, 2020    |         |                           |                                        |                                 |                                                            |           |             |
| Balance as at January 1, 2020   | -       | 59,714                    | 278,595                                | -                               | 25,672                                                     | 75,765    | 439,746     |
| Additions during the year       | 5,161   | 108,948                   | 1,040,858                              | 355                             | 77,669                                                     | 361,469   | 1,594,460   |
| Transferred to:                 |         |                           |                                        |                                 |                                                            |           |             |
| - operating assets (note 4.1)   | (5,161) | (154,734)                 | (1,214,945)                            | -                               | (86,850)                                                   | (366,313) | (1,828,003) |
| - intangibles (note 6)          | -       | -                         | -                                      | (355)                           | -                                                          | -         | (355)       |
| Balance as at December 31, 2020 | -       | 13,928                    | 104,508                                | -                               | 16,491                                                     | 70,921    | 205,848     |

4.6 During the year, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 20,341 (2019: Rs. 20,633) 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 on the operating assets identified that the carrying values of certain operating assets in Dairy and Beverages segment exceed the estimated recoverable amounts. These assets were deemed as idle primarily due to discontinuation of certain SKUs to rationalize product portfolio of the Company. The recoverable amount of these assets amounted to Nil (2019: Nil) 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.

4.7 The Details of Immovable Fixed Assets (i.e. Land and Buildings) are as Follows:

| Description of location | Addresses                                                    | Total Area of Land in Square Yards |
|-------------------------|--------------------------------------------------------------|------------------------------------|
| Production Plant        | 8 km Road Pakpattan Road, Sahiwal.                           | 485,641                            |
| Production Plant        | Deh Miani Baghat, Tapa Rohri, Taluka Rohri, District Sukkur. | 148,104                            |
| Dairy Farm              | Near Qalmi Quran Taluka Salehpat, District Sukkur.           | 1,064,800                          |

(Amounts in thousand)

5. BIOLOGICAL ASSETS

Dairy livestock (note 5.1):

- mature
- immature

Provision for culling (notes 5.2 and 31)

Crops – feed stock

5.1 Reconciliation of Carrying Amounts of Livestock

Carrying amount at the beginning of the year

Add:

Changes in fair value due to biological transformation:

- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 258,485 (2019: Rs. 254,775)]
- Loss due to increase in age of livestock

Changes in fair value due to price changes:

- Gain due to currency devaluation
- Gain / (loss) due to change in international market prices

Total gain (note 32)

Less:

- Decrease due to deaths / disposals
- Provision for culling (note 5.2)

Carrying amount at the end of the year, which approximates the fair value

5.2 Represents provision in respect of low yielding animals, animals having poor health and animals to be culled due to capacity constraints.

5.3 As at December 31, 2020, the Company held 3,151 (2019: 3,391) mature assets able to produce milk and 2,162 (2019: 2,076) immature assets that are being raised to produce milk in the future. During the year, the Company produced approximately 21,523,666 (2019: 20,485,240) gross litres of milk from these biological assets.

5.4 As at December 31, 2020, the Company held 47 (2019: 43) immature male calves.

5.5 The valuation of dairy livestock as at December 31, 2020 has been carried out by an external valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the farm conditions and relied on the representations made by the Company as at December 31, 2020. Further, market and replacement values of similar live stock from active markets in USA, EU and Australia, have also been used by the valuer as a basis of valuation. Immature male calves have not been included in the fair valuation due to the insignificant value in use. The valuation is considered to be level 2 in the fair value hierarchy due to observable market data other than quoted prices in active markets.

| 2020             | 2019      |
|------------------|-----------|
| -----Rupees----- |           |
| 726,296          | 750,129   |
| 529,023          | 458,129   |
| 1,255,319        | 1,208,258 |
| (57,702)         | (121,553) |
| 1,197,617        | 1,086,705 |
| 68               | 29        |
| 1,197,685        | 1,086,734 |
| 1,086,705        | 1,207,391 |
| 304,883          | 313,479   |
| (117,220)        | (62,514)  |
| 187,663          | 250,965   |
| 36,181           | 146,407   |
| 80,043           | (82,985)  |
| 116,224          | 63,422    |
| 303,887          | 314,387   |
| (135,273)        | (313,520) |
| (57,702)         | (121,553) |
| 1,197,617        | 1,086,705 |

(Amounts in thousand)

## 6. INTANGIBLES – Computer Software

### Net Carrying Value

Balance at beginning of the year  
Add: Additions at cost (note 4.5)  
Less: Amortization charge for the year (notes 6.1 and 30)  
Less: Write-off  
Cost  
Accumulated amortization

Balance at end of the year

### Gross Carrying Value

Cost  
Less: Accumulated amortization  
Net book value

2020  
-----Rupees-----  
2019

|           |           |
|-----------|-----------|
| 95,135    | 92,420    |
| 355       | 33,932    |
| (28,406)  | (28,555)  |
| -         | (9,424)   |
| -         | 6,762     |
| -         | (2,662)   |
| 67,084    | 95,135    |
| 464,275   | 463,921   |
| (397,191) | (368,786) |
| 67,084    | 95,135    |

6.1 The cost is being amortized over a period of 5 years

## 7. RIGHT-OF-USE ASSETS

### Year ended December 31, 2019

Impact on adoption of IFRS 16  
Cost  
Accumulated depreciation

Additions

Disposal

Cost  
Accumulated depreciation

Transfer out to operating assets

Cost  
Accumulated depreciation

Depreciation charge (note 7.1)

Remeasurement

Closing net book value

### At December 31, 2019

Cost  
Accumulated depreciation  
Net book value

### Year ended December 31, 2020

Opening net book value

Additions

Disposal

Cost  
Accumulated depreciation

Depreciation charge (note 7.1)

Remeasurement

Closing net book value

### At December 31, 2020

Cost  
Accumulated depreciation  
Net book value

Rate of depreciation (%)

Land and buildings  
Plant and equipment  
Vehicles  
Total  
-----Rupees-----

|           |            |          |           |
|-----------|------------|----------|-----------|
| 390,131   | 501,826    | -        | 891,957   |
| -         | (82,359)   | -        | (82,359)  |
| 390,131   | 419,467    | -        | 809,598   |
| 72,445    | -          | 150,356  | 222,801   |
| (288)     | (18,799)   | -        | (19,087)  |
| 288       | 18,799     | -        | 19,087    |
| -         | -          | -        | -         |
| -         | (323,383)  | -        | (323,383) |
| -         | 107,852    | -        | 107,852   |
| -         | (215,531)  | -        | (215,531) |
| (147,506) | (136,219)  | (12,558) | (296,283) |
| 1,950     | 124,652    | -        | 126,602   |
| 317,020   | 192,369    | 137,798  | 647,187   |
| 464,238   | 284,296    | 150,356  | 898,890   |
| (147,218) | (91,927)   | (12,558) | (251,703) |
| 317,020   | 192,369    | 137,798  | 647,187   |
| 317,020   | 192,369    | 137,798  | 647,187   |
| 7,026     | -          | 36,954   | 43,980    |
| (1,084)   | -          | -        | (1,084)   |
| 1,084     | -          | -        | 1,084     |
| -         | -          | -        | -         |
| (126,297) | (72,948)   | (42,465) | (241,710) |
| (34,943)  | 37,731     | (1,107)  | 1,681     |
| 162,806   | 157,152    | 131,180  | 451,138   |
| 435,237   | 322,027    | 186,203  | 943,467   |
| (272,431) | (164,875)  | (55,023) | (492,329) |
| 162,806   | 157,152    | 131,180  | 451,138   |
| 20 - 50   | 20 - 33.33 | 25       |           |

(Amounts in thousand)

## 7.1 The Depreciation Charge has been Allocated as Follows:

- Cost of sales (note 28)
- Distribution and marketing expenses (note 29)
- Administrative expenses (note 30)

2020  
-----Rupees-----  
2019

|         |         |
|---------|---------|
| 125,656 | 176,325 |
| 28,079  | 27,745  |
| 87,975  | 92,213  |
| 241,710 | 296,283 |

## 8. DEFERRED TAX ASSET – Net

Debit balances arising due to:

- Provisions for stock-in-trade, stores and spares and receivables
- Minimum turnover tax (note 8.1)
- Share issuance cost, net to equity
- Lease liability against right-of-use assets

Credit balances arising due to:

- Accelerated tax depreciation / amortization
- Right-of-use assets
- Biological assets
- Others

|           |             |
|-----------|-------------|
| 104,782   | 55,835      |
| 1,056,795 | 998,644     |
| 11,234    | 11,234      |
| 144,513   | 188,344     |
| 1,317,324 | 1,254,057   |
| (21,910)  | (566,086)   |
| (130,830) | (187,684)   |
| (347,309) | (315,144)   |
| (11,031)  | (10,805)    |
| (511,080) | (1,079,719) |
| 806,244   | 174,338     |

8.1 The Company has recognized deferred tax asset on Minimum turnover tax of taxable turnover amounting to Rs. 1,056,795 (2019: Rs. 998,644) as the Company, based on its financial projections, expects to recoup it in the ensuing years. The Company carries out periodic assessments to determine if the Company would be able to recoup minimum turnover tax paid against the tax liability of the Company for future years. This process relies on the assessment of the Company's profitability forecast, which in turn is based on assumptions concerning future economic conditions and business performance.

2020  
-----Rupees-----  
2019

## 9. LONG-TERM ADVANCES AND DEPOSITS – Unsecured, Considered Good

Advances to employees (notes 9.1, 9.2 and 9.3)  
Less: Recoverable within one year shown under current assets (note 13)

Deposits

|        |         |
|--------|---------|
| 242    | 5,792   |
| (219)  | (2,975) |
| 23     | 2,817   |
| 43,758 | 56,117  |
| 43,781 | 58,934  |

## 9.1 Reconciliation of the Carrying Amount of Advances to Employees

Balance as at January 1

Add: Disbursements

Less:

- Repayments
- Amortization

Balance as at December 31

|         |          |
|---------|----------|
| 5,792   | 27,210   |
| -       | -        |
| -       | (18,627) |
| (5,550) | (2,791)  |
| 242     | 5,792    |



(Amounts in thousand)

**9.2** These include interest free advances to employees for vehicles given in accordance with the terms of employment under the vehicle earn-out scheme. These advances are amortized over a period of 48 months, unless repaid as a result of change in employee classification level or leaving the Company. These also include investment loan plan assistance repayable after 3 years in lump sum and long-term incentive given to certain employees which is amortized over a period of 3 years, unless repaid as a result of leaving the Company.

**9.3** These include advances to key management personnel amounting to Rs. 115 (2019: Rs. 206). The maximum aggregate amount due from them at the end of any month during the year was Rs. 207 (2019: Rs. 299).

**9.4** The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

|                                                                                                                                                                                                       | 2020             | 2019      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------|
|                                                                                                                                                                                                       | -----Rupees----- |           |
| <b>10. STORES, SPARES AND LOOSE TOOLS</b>                                                                                                                                                             |                  |           |
| Stores                                                                                                                                                                                                | 96,298           | 80,612    |
| Spares and loose tools, including in-transit                                                                                                                                                          | 735,754          | 754,356   |
|                                                                                                                                                                                                       | 832,052          | 834,968   |
| Less: Provision for slow moving spares and loose tools                                                                                                                                                | (244,302)        | (174,555) |
|                                                                                                                                                                                                       | 587,750          | 660,413   |
| Less: Major spare parts and stand by equipment – shown under property, plant and equipment (note 4)                                                                                                   | (143,513)        | (145,365) |
|                                                                                                                                                                                                       | 444,237          | 515,048   |
| <b>10.1 The Movement in Provision During the Year is as Follows:</b>                                                                                                                                  |                  |           |
| Balance as at January 1                                                                                                                                                                               | 174,555          | 120,506   |
| Provision against slow moving spares (note 28)                                                                                                                                                        | 69,747           | 54,049    |
| Balance as at December 31                                                                                                                                                                             | 244,302          | 174,555   |
| <b>11. STOCK-IN-TRADE</b>                                                                                                                                                                             |                  |           |
| Raw and packaging material (notes 11.1 and 11.4)                                                                                                                                                      | 2,348,105        | 2,691,553 |
| Work in process (note 11.2)                                                                                                                                                                           | 355,030          | 433,776   |
| Finished goods (note 11.3)                                                                                                                                                                            | 867,086          | 608,290   |
|                                                                                                                                                                                                       | 3,570,221        | 3,733,619 |
| Less: Provision for expired / obsolete stock (note 11.5)                                                                                                                                              | (31,329)         | (15,889)  |
|                                                                                                                                                                                                       | 3,538,892        | 3,717,730 |
| <b>11.1</b> Includes Rs. 459,314 (2019: Rs. 572,263) in respect of raw and packaging material held by third parties.                                                                                  |                  |           |
| <b>11.2</b> Includes Rs. 126,121 (2019: Rs. 76,549) in respect of semi-finished stock held by third parties.                                                                                          |                  |           |
| <b>11.3</b> Include Rs. 11,046 (2019: Rs. 8,892) in respect of finished goods held by third parties and Rs. 61,132 (2019: 36,491) in respect of finished goods stock carried at net realizable value. |                  |           |
| <b>11.4</b> Stock amounting to Rs. 4,010 (2019: Rs. 4,847) has been written off against provision during the year.                                                                                    |                  |           |

(Amounts in thousand)

|                                                                                                                                                                                                                                                                                                                                 | 2020             | 2019     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------|
|                                                                                                                                                                                                                                                                                                                                 | -----Rupees----- |          |
| <b>11.5 The Movement in Provision During the Year is as Follows:</b>                                                                                                                                                                                                                                                            |                  |          |
| Balance as at January 1                                                                                                                                                                                                                                                                                                         | 15,889           | 49,859   |
| Provision / (reversal of provision) against slow moving stock-in-trade (note 28)                                                                                                                                                                                                                                                | 19,450           | (29,123) |
| Stock-in-trade written off                                                                                                                                                                                                                                                                                                      | (4,010)          | (4,847)  |
| Balance as at December 31                                                                                                                                                                                                                                                                                                       | 31,329           | 15,889   |
| <b>12. TRADE DEBTS - Unsecured</b>                                                                                                                                                                                                                                                                                              |                  |          |
| Considered good (notes 12.1 and 12.2)                                                                                                                                                                                                                                                                                           | 801,387          | 915,728  |
| Considered doubtful (note 12.3)                                                                                                                                                                                                                                                                                                 | 17,772           | 2,092    |
|                                                                                                                                                                                                                                                                                                                                 | 819,159          | 917,820  |
| Less: Provision for impairment (note 12.3)                                                                                                                                                                                                                                                                                      | (17,772)         | (2,092)  |
|                                                                                                                                                                                                                                                                                                                                 | 801,387          | 915,728  |
| <b>12.1</b> As at December 31, 2020, trade debts aggregating to Rs. 93,870 (2019: Rs. 13,658) were past due but not impaired. These relate to various customers and have either been confirmed / acknowledged by the customer or cleared subsequent to the year end.                                                            |                  |          |
| <b>12.2</b> As at December 31, 2020, trade debts aggregating to Rs. 707,517 (2019: Rs. 902,070) were neither past due nor impaired. The credit quality of these receivables can be assessed with reference to their historical performance with no defaults ever.                                                               |                  |          |
| <b>12.3</b> As at December 31, 2020, trade debts aggregating to Rs. 17,772 (2019: Rs. 2,092) were deemed to have been impaired and provided for. Trade debts amounting to Rs. 112 (2019: Nil) were considered irrecoverable and have been written off during the year. The movement in provision during the year is as follows: |                  |          |
|                                                                                                                                                                                                                                                                                                                                 | 2020             | 2019     |
|                                                                                                                                                                                                                                                                                                                                 | -----Rupees----- |          |
| Balance as at January 1                                                                                                                                                                                                                                                                                                         | 2,092            | 45       |
| Provision for impairment of trade debts (note 30)                                                                                                                                                                                                                                                                               | 15,680           | 2,047    |
| Balance as at December 31                                                                                                                                                                                                                                                                                                       | 17,772           | 2,092    |
| <b>13. ADVANCES, DEPOSITS AND PREPAYMENTS - Unsecured, Considered Good</b>                                                                                                                                                                                                                                                      |                  |          |
| Advances to employees (note 13.1)                                                                                                                                                                                                                                                                                               | 29,552           | 32,611   |
| Add: Current portion of long term advances to employees (note 9)                                                                                                                                                                                                                                                                | 219              | 2,975    |
|                                                                                                                                                                                                                                                                                                                                 | 29,771           | 35,586   |
| Advances to suppliers                                                                                                                                                                                                                                                                                                           | 121,254          | 174,464  |
| Deposits                                                                                                                                                                                                                                                                                                                        | 8,787            | 13,491   |
| Prepayments                                                                                                                                                                                                                                                                                                                     | 105,789          | 47,325   |
|                                                                                                                                                                                                                                                                                                                                 | 265,601          | 270,866  |
| <b>13.1</b> These include advances to key management personnel amounting to Rs. 2,528 (2019: Rs. 3,477). The maximum aggregate amount due from them at the end of any month during the year was Rs. 3,968 (2019: Rs. 5,043).                                                                                                    |                  |          |
| <b>13.2</b> The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.                                                                                                                                   |                  |          |

(Amounts in thousand)

|                                              | 2020             | 2019           |
|----------------------------------------------|------------------|----------------|
|                                              | -----Rupees----- |                |
| <b>14. OTHER RECEIVABLES</b>                 |                  |                |
| Receivable from related parties (note 14.1): |                  |                |
| - FrieslandCampina Nederland B.V.            | 34,322           | 70,034         |
| - Dutch Lady Milk Industries Berhad          | -                | 1,836          |
| - FrieslandCampina AMEA Pte Limited          | 4,517            | 946            |
| - FC Thailand Make                           | -                | 95             |
| - Alaska Milk Corporation - Philippines      | 1,359            | -              |
| - PT Frisian Flag Indonesia                  | 511              | -              |
|                                              | <u>40,709</u>    | <u>72,911</u>  |
| Others                                       | <u>117,538</u>   | <u>242,570</u> |
| Gross amount                                 | <u>158,247</u>   | <u>315,481</u> |
| Less: Provision for impairment               | -                | (2,000)        |
|                                              | <u>158,247</u>   | <u>313,481</u> |

**14.1** The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 68,968 (2019: Rs. 74,311).

**14.2** As at December 31, 2020, other receivables amounting to Nil (2019: Rs. 2,000) were past due and impaired. The carrying values of other receivables are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to their historical performance with no defaults.

## 15. SALES TAX RECOVERABLE

**15.1** On November 29, 2016, the Deputy Commissioner Inland Revenue (DCIR) after conducting sales tax audit for the year ended December 2013 raised sales tax demand amounting to Rs. 158,826 including penalty. The demand primarily arose on account of (i) mismatch of input tax claimed with suppliers output tax on FBR portal; (ii) alleged unlawful adjustment of input tax; and (iii) alleged non-withholding of sales tax on certain supplies. On February 28, 2019, CIR (Appeals) upheld the demand of DCIR in respect of mismatch of input tax claimed and remanded back adjustment of input tax. Being aggrieved with the impugned order, the Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) on May 29, 2019, which is pending for adjudication 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.

**15.2** The DCIR issued show cause notices for sales tax on tea whitener and dairy drink product i.e. 'Tarang' and 'Omung' respectively for year 2013 on October 17, 2017 and for years 2014, 2015 and 2016 on March 9, 2018 aggregating to Rs. 14,886,500 challenging the exemption / zero rating on these products. Against the show cause notices the Company had filed Constitutional Petitions before the High Court of Sindh for year 2013 on October 25, 2017 and for years 2014, 2015 and 2016 on March 15, 2018, and had obtained an interim injunction against adverse action by tax authorities on the same day. The High Court of Sindh vide its order dated November 18, 2020 has upheld Company's view with respect to 'Tarang' in view of the decision of the Classification Committee obtained by the Company on February 11, 2019. With respect to 'Omung' the Court has suspended the notice, advising that the FBR may refer the matter to the Classification Committee, for a decision afresh; and till such time no action can be taken against the Company. The amount of show cause notices pertaining to 'Omung' aggregate to Rs. 1,480,841. In case the Classification Committee (for Omung) decides against the Company, the Company can avail all legal remedies available to it. The Company has appealed the decision with respect to Omung in the Supreme Court, the decision of which is pending for adjudication. Based on the opinion of its legal advisor, the Company is confident of a favorable outcome of this matter.

**15.3** The Assistant Commissioner Inland Revenue passed an order on September 17, 2019 for the tax periods July 2013 to June 2018 raising demand amounting to Rs. 245,575 including penalty and default surcharge by disallowing input tax on certain items and purchases from blacklisted / suspended vendors. On December 26, 2019, CIR (Appeals) passed an order allowing input tax on purchases from blacklisted / suspended vendors and remanded back claim of input tax on certain items. Being aggrieved with the impugned order, the Company has filed appeal before the ATIR on February 20, 2020, which is pending for adjudication. The Company 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.

(Amounts in thousand)

|                                                                                                         | 2020             | 2019             |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                         | -----Rupees----- |                  |
| <b>16. CASH AND BANK BALANCES</b>                                                                       |                  |                  |
| Cash at bank on:                                                                                        |                  |                  |
| - current accounts - conventional [including foreign currency account of Rs. 28,107 (2019: Rs. 27,431)] | 532,656          | 29,080           |
| - current accounts - Islamic                                                                            | 857              | 832              |
| - savings accounts [including foreign currency account of Rs. 34,315 (2019: Rs. 33,231)]                | <u>36,949</u>    | <u>36,003</u>    |
|                                                                                                         | <u>570,462</u>   | <u>65,915</u>    |
| <b>17. SHARE CAPITAL</b>                                                                                |                  |                  |
| <b>Authorized Capital</b>                                                                               |                  |                  |
| 850,000,000 (2019: 850,000,000) ordinary shares of Rs. 10 each                                          | <u>8,500,000</u> | <u>8,500,000</u> |
| <b>Issued, Subscribed and Paid-up Capital</b>                                                           |                  |                  |
| 766,596,075 (2019: 766,596,075) ordinary shares of Rs. 10 each fully paid in cash (note 17.1)           | <u>7,665,961</u> | <u>7,665,961</u> |

**17.1** As at December 31, 2020, FrieslandCampina Pakistan Holdings B.V. (the Holding Company) held 390,963,999 (2019: 390,963,999) ordinary shares of Rs. 10 each and Engro Corporation Limited held 306,075,947 (2019: 306,075,947) ordinary shares of Rs. 10 each.

**17.2** The Company has only one class of ordinary shares which do not carry any rights to a fixed income. The holders of the shares are entitled to receive dividends as declared from time to time and are also entitled to one vote per share at meetings of the Company. All shares rank pari passu with regards to the Company's residual assets. The Shareholders' Agreement executed between FrieslandCampina Pakistan Holding B.V. and Engro Corporation Limited (ECL) provides certain restricted matters that require prior ECL approval. These matters include but are not limited to loans to a third party over a prescribed limit (not included in the Business Plan), purchase / acquisition / sale / disposition of a business over a prescribed limit (not included in Business Plan) and creation of Board committees.

## 18. SHARE PREMIUM

This reserve can be utilized by the Company only for the purpose specified in section 81 of the Act.

## 19. EMPLOYEES' SHARE OPTION SCHEME

In 2013, the shareholders of the Company approved Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16,900,000 new ordinary shares, to be determined by the Board Compensation Committee.

Under the Scheme, options were granted in the years 2013 to April 2015. 50% of the options granted were to vest in two years whereas the remaining 50% were to vest in three years from the date of the grant of options. These options are exercisable within 3 years from the end of vesting period. As at December 31, 2020, options for 3,531,250 shares have been vested while options for remaining 13,368,750 shares have lapsed till December 31, 2020 with the expiry of the Scheme.

The details of share options granted to date under the Scheme, which remained outstanding as at December 31, 2020 are as follows:

|                                               |                         |
|-----------------------------------------------|-------------------------|
| - number of options                           | 3,531,250               |
| - range of exercise price                     | Rs. 210.28 - Rs. 308.61 |
| - weighted average remaining contractual life | 2.39 years              |



(Amounts in thousand)

The weighted average fair value of options granted to date, as estimated at the date of grant using the Black-Scholes model was Rs. 28.39 per option. The following assumptions have been used in calculating the fair values of the options:

|                                         | Options granted<br>in 2015 | Options granted<br>in 2016 | Options granted<br>in 2017 |
|-----------------------------------------|----------------------------|----------------------------|----------------------------|
| <b>Options granted and outstanding:</b> |                            |                            |                            |
| - number of options                     | 400,000                    | 3,006,250                  | 125,000                    |
| - share price                           | Rs. 107.67                 | Rs. 156.85                 | Rs. 168.19                 |
| - exercise price                        | Rs. 210.28                 | Rs. 305.18                 | Rs. 308.61                 |
| - expected volatility                   | 30.32%                     | 34.86%                     | 25.74%                     |
| - expected life                         | 3.5 years                  | 3.5 years                  | 3.5 years                  |
| - annual risk free interest rate        | 7.93%                      | 6.15%                      | 6.12%                      |

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective / expected grant date.

The time period under the Scheme for granting of share options expired in April 2015. However, the Company obtained approval of shareholders for extension in share options grant period for further 3 years in the Annual General Meeting held on April 27, 2015. The approval from the SECP for aforementioned modification in the Scheme and the related vesting period has also been received through letter dated August 31, 2015.

## 20. LONG TERM FINANCES, Secured (Non-Participatory)

Long Term Finances Utilized Under Mark-Up Arrangements:

|                                                       | Instalments   |                 | Interest Rate          | 2020             | 2019      |
|-------------------------------------------------------|---------------|-----------------|------------------------|------------------|-----------|
|                                                       | Number        | Commencing from |                        | -----Rupees----- |           |
| <b>Long term finances</b>                             |               |                 |                        |                  |           |
| Bank Al-Habib Limited                                 | 4 half yearly | October 7, 2021 | 6 months KIBOR + 0.05% | 2,000,000        | 2,000,000 |
| Habib Bank Limited                                    | 4 half yearly | October 7, 2021 | 6 months KIBOR + 0.05% | 2,000,000        | 2,000,000 |
| MCB Bank Limited                                      | 4 half yearly | June 27, 2023   | 3 months KIBOR + 0.25% | 1,000,000        | -         |
| Habib Metropolitan Bank Limited (note 20.4)           | 8 quarterly   | March 31, 2021  | 2% - 3%                | 902,506          | -         |
|                                                       |               |                 |                        | 5,902,506        | 4,000,000 |
| Less: Current portion shown under current liabilities |               |                 |                        | (1,239,502)      | (800,000) |
|                                                       |               |                 |                        | 4,663,004        | 3,200,000 |

**20.1** The above finances are secured by registered floating charges / mortgages over the present and future operating assets of the Company up to a maximum of Rs. 9,750,000 (2019: Rs. 10,042,000).

**20.2** Following are the changes in the long term finances (i.e. for which cash flows have been classified as financing activities in the statement of cash flows):

|                                                         | 2020             | 2019      |
|---------------------------------------------------------|------------------|-----------|
|                                                         | -----Rupees----- |           |
| Balance as at January 1                                 | 4,000,000        | 4,000,000 |
| Proceeds from long term finances                        | 1,957,142        | -         |
| Less: Amount recognized as government grant (note 22.1) | (76,720)         | -         |
|                                                         | 1,880,422        | -         |
| Add: Amortization of long term finance (note 22.1)      | 22,084           | -         |
| Balance as at December 31                               | 5,902,506        | 4,000,000 |

(Amounts in thousand)

**20.3** In light of the relief granted by the State Bank of Pakistan (SBP) vide Banking Policy and Regulation Department (BPRD) Circular Letter No. 13 of 2020 dated March 26, 2020, the Company sought relaxation in repayment terms in respect of its long term finance facilities from Habib Bank Limited and Bank Al-Habib Limited. The principal payments of these loans which were due in October 2020 and April 2021 have been deferred for a period of one year thereby extending the overall maturities of these liabilities by the same period.

**20.4** During the year, the Company entered into a long term loan agreement with Habib Metropolitan Bank Limited amounting to Rs. 957,142 under the Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns by SBP. The loan is repayable in eight equal quarterly instalments, starting from March 2021. The loan carries mark-up ranging from 2% to 3% per annum starting from the date of disbursement and is payable in arrears on quarterly basis. The loan has been recognized at fair value (i.e. present value of loan receipts discounted using prevailing market interest rate for a similar instrument) and the differential amount has been booked as Government grant as disclosed in note 22.1. The loan amount is being accreted using the effective interest rate method with the corresponding effect on the interest expense for the year in the profit or loss.

## 21. LEASE LIABILITY AGAINST RIGHT-OF-USE ASSETS

|                                         | 2020             | 2019    |
|-----------------------------------------|------------------|---------|
|                                         | -----Rupees----- |         |
| Non-current portion                     | 258,219          | 413,752 |
| Current portion                         | 240,097          | 235,692 |
| Total lease liability as at December 31 | 498,316          | 649,444 |
| Maturity analysis:                      |                  |         |
| within 1 year                           | 240,097          | 235,692 |
| between 1 to 2 years                    | 126,876          | 227,817 |
| between 2 to 3 years                    | 124,443          | 99,046  |
| between 3 to 4 years                    | 6,900            | 86,667  |
| between 4 to 5 years                    | -                | 222     |
|                                         | 498,316          | 649,444 |

## 22. OTHER PAYABLES

|                                                     |         |   |
|-----------------------------------------------------|---------|---|
| Government grant on a long term finance (note 22.1) | 15,567  | - |
| Deferred liability (note 22.2)                      | 102,885 | - |
|                                                     | 118,452 | - |

### 22.1 The Movement is as Follows:

|                                                       | 2020             | 2019 |
|-------------------------------------------------------|------------------|------|
|                                                       | -----Rupees----- |      |
| Recognition of government grant on long term finance  | 76,720           | -    |
| Less: Amortization for the year                       | (22,084)         | -    |
|                                                       | 54,636           | -    |
| Less: Current portion shown under current liabilities | (39,069)         | -    |
| Balance as at December 31                             | 15,567           | -    |

**22.2** Represents non-current portion of amount payable in respect of Gas Infrastructure Development (GIDC) amounting to Rs. 102,885 (2019: Nil). During the year, the Supreme Court of Pakistan upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional and intravires. The Supreme Court has allowed settlement of GIDC over a period of time.

(Amounts in thousand)

## 23. TRADE AND OTHER PAYABLES

|                                                                       | 2020             | 2019             |
|-----------------------------------------------------------------------|------------------|------------------|
|                                                                       | -----Rupees----- |                  |
| Trade payables (notes 23.1 and 23.3)                                  | 5,437,604        | 6,047,547        |
| Accrued liabilities                                                   | 1,980,485        | 1,797,210        |
| Retention money                                                       | 1,710            | 3,113            |
| Suppliers' security deposits (note 23.4)                              | 98               | 98               |
| Customers' security deposit (note 23.5)                               | 3,850            | 2,700            |
| Withholding tax payable                                               | 51,330           | 40,646           |
| Payable to provident fund                                             | 261              | 28,686           |
| Payable to defined benefit gratuity fund (note 38.4)                  | 171,185          | 229,315          |
| Payable to defined contribution gratuity fund                         | 6,748            | 7,866            |
| Workers' profits participation fund (note 23.2)                       | 10,915           | (5,635)          |
| Workers' welfare fund                                                 | 46,769           | 36,737           |
| Others                                                                | 103,967          | 37,843           |
|                                                                       | <u>7,814,922</u> | <u>8,226,126</u> |
| <b>23.1 Include Amounts Payable to the Following Related Parties:</b> |                  |                  |
| - FrieslandCampina Nederland B.V.                                     | 332,121          | 494,259          |
| - FrieslandCampina AMEA Pte Ltd                                       | 509              | -                |
| - Engro Corporation Limited                                           | 790              | -                |
|                                                                       | <u>333,420</u>   | <u>494,259</u>   |
| <b>23.2 Workers' Profits Participation Fund</b>                       |                  |                  |
| Balance as at January 1                                               | (5,635)          | (5,635)          |
| Add: Allocation for the year (note 31)                                | 16,550           | -                |
|                                                                       | <u>10,915</u>    | <u>(5,635)</u>   |
| Less: Amount paid to the Fund                                         | -                | -                |
| Balance as at December 31                                             | <u>10,915</u>    | <u>(5,635)</u>   |

**23.3** Trade payables include inland letters of credit under vendor financing arrangements which include interest cost as per the negotiated rates.

**23.4** These represent interest free security deposit received from suppliers in accordance with the terms of the supplier arrangements. These deposits have been utilized for the purpose of the Company's business.

**23.5** These represent interest free security deposit received from customers in accordance with the terms of the customer arrangements. These deposits have been kept in separate bank accounts and not been utilized for the purpose of the Company's business.

## 24. CONTRACT LIABILITIES

These represent advances received by the Company from customers and distributors for goods to be delivered.

## 25. SHORT TERM FINANCES - Secured

**25.1** 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 (2019: Rs. 8,550,000). The unutilized balance against these facilities as at year end was Rs. 8,200,000 (2019: Rs. 7,183,850). The rates of mark-up on these finances are KIBOR based and range from 7.25% to 7.93% (2019: 10.5% to 14.86%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

(Amounts in thousand)

**25.2** The facilities for opening letters of credit and bank guarantees as at December 31, 2020 amounts to Rs. 13,366,000 (2019: Rs. 11,651,000), of which the amount remaining unutilized as at year end was Rs. 6,947,576 (2019: Rs. 5,262,243).

## 26. CONTINGENCIES AND COMMITMENTS

**26.1** The Company has Provided Bank Guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 83,074 (2019: Rs. 81,769) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (2019: Rs. 34,350) under the contract for supply of gas;
- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 154,278 (2019: Rs. 154,278) under the Sales Tax Rules 2006, against refund claims of input sales tax. Against these guarantees, sales tax refunds amounting to Rs. 90,820 (2019: Rs. 90,820) have been received to date;
- Parco Pearl Gas Co. (Private) Limited amounting to Rs. 1,000 (2019: Rs. 1,000) as collateral against supplies;
- The Government of Sindh, amounting to Rs. 245,886 (2019: Rs. 229,886), upon the order of the High Court of Sindh to furnish bank guarantees for 50% of the amount of Infrastructure cess of the goods entering or leaving the province through air or sea;

**26.2** 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.

**26.3** Commitments in respect of capital expenditure contracted for but not incurred as at December 31, 2020 amounts to Rs. 159,632 (2019: Rs. 701,364).

**26.4** Commitments in respect of purchase of certain commodities as at December 31, 2020 amounts to Rs. 2,293,830 (2019: Rs. 908,855).

**26.5** Details of the other matters are given in notes 15 and 34.1 to these financial statements.

## 27. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

|                                               | 2020               | 2019               |
|-----------------------------------------------|--------------------|--------------------|
|                                               | -----Rupees-----   |                    |
| Revenue from contracts with customers - gross | 49,429,583         | 43,465,542         |
| Less:                                         |                    |                    |
| - Sales tax                                   | (1,812,606)        | (1,548,396)        |
| - Trade and other discounts                   | <u>(3,461,954)</u> | <u>(3,350,127)</u> |
|                                               | <u>44,155,023</u>  | <u>38,567,019</u>  |

**27.1** This includes export sales amounting to Rs. 17,772 (2019: Rs. 187,299).



(Amounts in thousand)

|                                                          | 2020              | 2019              |
|----------------------------------------------------------|-------------------|-------------------|
|                                                          | -----Rupees-----  |                   |
| <b>28. COST OF SALES</b>                                 |                   |                   |
| Raw and packaging material consumed (note 28.1)          | 30,033,630        | 25,924,715        |
| Salaries, wages and staff welfare (note 28.2)            | 1,609,992         | 1,505,576         |
| Fuel and power                                           | 1,260,299         | 1,225,378         |
| Repair and maintenance                                   | 739,272           | 591,907           |
| Freight inwards                                          | 647,260           | 588,850           |
| Depreciation on property, plant and equipment (note 4.3) | 1,654,878         | 1,675,892         |
| Depreciation on right-of-use assets (note 7.1)           | 125,656           | 176,325           |
| Impairment of operating assets (note 4.6)                | 9,248             | 738               |
| Intangibles written off                                  | -                 | 900               |
| Travelling                                               | 81,025            | 106,847           |
| Communication and other office expenses                  | 66,553            | 77,679            |
| Insurance                                                | 122,379           | 104,757           |
| Rent and utilities (note 28.4)                           | 161,091           | 143,607           |
| Research and business development                        | 79,990            | 32,730            |
| Fee for technical assistance (note 28.3)                 | 1,085,814         | 1,000,185         |
| Legal and professional                                   | 6,520             | 6,174             |
| Purchased services                                       | 609,421           | 547,983           |
| Provision / (reversal of provision) against:             |                   |                   |
| - stock-in-trade                                         | 19,450            | (29,123)          |
| - slow moving spares                                     | 69,747            | 54,049            |
| Manufacturing cost                                       | 38,382,225        | 33,735,169        |
| Add: Opening stock of work-in-process                    | 433,776           | 401,252           |
| Less: Closing stock of work-in-process                   | (355,030)         | (433,776)         |
| Cost of goods manufactured                               | 38,460,971        | 33,702,645        |
| Add: Opening stock of finished goods manufactured        | 608,290           | 592,694           |
| Less: Closing stock of finished goods manufactured       | (867,086)         | (608,290)         |
|                                                          | <u>38,202,175</u> | <u>33,687,049</u> |
| <b>28.1 Raw and Packaging Material Consumed</b>          |                   |                   |
| Opening stock of raw and packaging material              | 2,691,553         | 2,076,103         |
| Add: Purchases                                           | 29,690,182        | 26,540,165        |
| Less: Closing stock of raw and packaging material        | (2,348,105)       | (2,691,553)       |
| Raw and packaging material consumed                      | <u>30,033,630</u> | <u>25,924,715</u> |

- 28.2** These include Rs. 163,832 (2019: Rs. 152,056) in respect of staff retirement benefits referred to in note 38.
- 28.3** This represents charge for technical assistance and royalty to FrieslandCampina Nederland B.V., the Netherlands.
- 28.4** These include short-term leases, leases of low-value assets and variable lease payments amounting to Rs. 20,353, Rs. 66,700 and Rs. 67,720 (2019: Rs. 30,936, Rs. 59,631 and Rs. 39,620) respectively.

(Amounts in thousand)

|                                                          | 2020             | 2019             |
|----------------------------------------------------------|------------------|------------------|
|                                                          | -----Rupees----- |                  |
| <b>29. DISTRIBUTION AND MARKETING EXPENSES</b>           |                  |                  |
| Salaries, wages and staff welfare (note 29.1)            | 733,890          | 777,298          |
| Advertising                                              | 1,186,196        | 1,091,329        |
| Freight outward                                          | 1,174,066        | 1,244,254        |
| Travelling                                               | 77,480           | 123,435          |
| Communication and other office expenses                  | 32,951           | 35,954           |
| Depreciation on property, plant and equipment (note 4.3) | 313,441          | 251,770          |
| Depreciation on right-of-use assets (note 7.1)           | 28,079           | 27,745           |
| Impairment of operating assets (note 4.6)                | 10,662           | 19,705           |
| Fuel and power                                           | 3,658            | 5,077            |
| Repairs and maintenance                                  | 55,218           | 57,663           |
| Rent, rates and taxes (note 29.2)                        | 5,016            | 4,441            |
| Insurance                                                | 16,265           | 14,408           |
| Software maintenance                                     | 16,633           | 15,256           |
| Research and business development                        | 106              | 93               |
| Legal and professional                                   | 2,406            | -                |
| Purchased services                                       | 5,146            | 10,564           |
|                                                          | <u>3,661,213</u> | <u>3,678,992</u> |

- 29.1** These include Rs. 75,299 (2019: Rs. 75,872) in respect of staff retirement benefits referred to in note 38.
- 29.2** These include leases of low-value assets and variable lease payments amounting to Nil and Rs. 62 (2019: Rs. 75 and Rs. 162) respectively.

|                                                          | 2020             | 2019             |
|----------------------------------------------------------|------------------|------------------|
|                                                          | -----Rupees----- |                  |
| <b>30. ADMINISTRATIVE EXPENSES</b>                       |                  |                  |
| Salaries, wages and staff welfare (notes 30.1 and 30.2)  | 663,195          | 715,306          |
| Training and development                                 | 6,197            | 25,586           |
| Communication and other office expenses                  | 104,979          | 119,106          |
| Rent, rates and taxes (note 30.3)                        | 34,316           | 34,881           |
| Travelling                                               | 10,497           | 36,253           |
| Depreciation on property, plant and equipment (note 4.3) | 23,369           | 17,837           |
| Depreciation on right-of-use assets (note 7.1)           | 87,975           | 92,213           |
| Impairment of operating assets (note 4.6)                | 431              | 190              |
| Intangibles written off                                  | -                | 1,762            |
| Amortization (note 6)                                    | 28,406           | 28,555           |
| Fuel and power                                           | 1,534            | 2,860            |
| Repairs and maintenance                                  | 4,390            | 4,022            |
| Insurance                                                | 5,395            | 6,337            |
| Legal and professional                                   | 74,541           | 47,503           |
| Auditor's remuneration (note 30.4)                       | 6,448            | 5,706            |
| Software maintenance and license cost                    | 16,536           | 19,328           |
| Trade debts written off (note 12.3)                      | 112              | -                |
| Provision for impairment of trade debts (note 12.3)      | 15,680           | 2,047            |
| Purchased services                                       | 70,309           | 86,361           |
|                                                          | <u>1,154,310</u> | <u>1,245,853</u> |

- 30.1** These include Rs. 67,457 (2019: Rs. 61,343) in respect of staff retirement benefits referred to in note 38.
- 30.2** These include charge of Nil (2019: reversal of Rs. 3,046) in respect of employees' share option compensation expense.
- 30.3** These include leases of low-value assets amounting to Rs. 141 (2019: Rs. 55).

(Amounts in thousand)

### 30.4 Auditor's Remuneration

Fee for:

- audit of annual financial statements and group reporting
- review of half yearly financial information
- review of compliance with the Code of Corporate Governance
- special certifications, taxation and other services

| 2020             | 2019         |
|------------------|--------------|
| -----Rupees----- |              |
| 3,808            | 3,260        |
| 700              | 600          |
| 140              | 125          |
| 685              | 960          |
| <u>5,333</u>     | <u>4,945</u> |
| 1,115            | 761          |
| <u>6,448</u>     | <u>5,706</u> |

Reimbursement of expenses and taxes

### 31. OTHER OPERATING EXPENSES

Workers' welfare fund  
Donations (note 31.1)  
Loss on death / disposals of biological assets  
Provision for culling of biological assets (note 5)  
Workers' profits participation fund (note 23.2)  
Exchange loss  
Others

|                |                |
|----------------|----------------|
| 46,769         | 18,478         |
| 20,016         | 20,000         |
| -              | 78,271         |
| 57,702         | 121,553        |
| 16,550         | -              |
| 22,512         | -              |
| 13,694         | 8,572          |
| <u>177,243</u> | <u>246,874</u> |

**31.1** These include donation to Engro Foundation, a related party, amounting to Rs. 20,000 (2019: Rs. 20,000). The directors including the Chief Executive and their spouses do not have any interest in the donee.

## 32. OTHER INCOME

### From Financial Assets

Interest on bank deposits / saving accounts

### From Other Than Financial Assets

Gain arising from changes in fair value of  
biological assets (note 5.1)  
Gain on disposals of biological assets  
Gain on disposal of operating assets  
Exchange gain  
Scrap sales  
Amortization of government grant on long term  
finances (note 22.1)  
Others

| 2020    | 2019    |
|---------|---------|
| 14,905  | 8,521   |
| 303,887 | 314,387 |
| 21,985  | -       |
| 76,525  | 44,350  |
| -       | 9,960   |
| 26,423  | 32,711  |
| 22,084  | -       |
| 80,629  | 3,039   |
| 531,533 | 404,447 |
| 546,438 | 412,968 |

(Amounts in thousand)

### 33. FINANCE COST

Mark-up on:

- Short-term finances (note 33.1)
- Long-term finances
- Lease liability against right-of-use assets

| 2020             | 2019             |
|------------------|------------------|
| -----Rupees----- |                  |
| 606,177          | 681,297          |
| 557,674          | 455,195          |
| 57,411           | 67,399           |
| <u>1,221,262</u> | <u>1,203,891</u> |
| 17,578           | 17,683           |
| <u>1,238,840</u> | <u>1,221,574</u> |

Bank charges

**33.1** This includes finance cost on local letters of credit. The rates of mark-up on these finances are KIBOR based and range from 7.25% to 7.93% (2019: 10.76% to 14.5%) per annum.

## 34. TAXATION

Current

- for the year
- for prior year

| 2020             | 2019             |
|------------------|------------------|
| -----Rupees----- |                  |
| 717,071          | 628,083          |
| 5,589            | 17,178           |
| <u>722,660</u>   | <u>645,261</u>   |
| (631,906)        | (790,751)        |
| <u>90,754</u>    | <u>(145,490)</u> |

Deferred

### 34.1 Following is the Position of the Company's Open Tax Assessments:

**34.1.1** The Company in accordance with section 59B 'Group Relief' of the Income Tax Ordinance (ITO), 2001 had surrendered to Engro Corporation Limited (ECL), the associated company (then the holding company), its tax losses amounting to Rs. 4,288,134 out of the total tax losses of Rs. 4,485,498 for the financial years ended December 31, 2006, 2007 and 2008 (i.e. tax years 2007, 2008 and 2009) for cash consideration aggregating to Rs. 1,500,847, being equivalent to tax benefit/effect thereof.

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

Further, the Appellate Tribunal Inland Revenue (ATIR), in respect of surrender of aforementioned tax losses by the Company to ECL for the financial years ended December 31, 2006 and 2007, decided the appeals on July 1, 2010 in favor of ECL, whereby, allowing the surrender of tax losses by the Company to ECL. The tax authority has filed reference application dated October 23, 2010 there against before the High Court of Sindh, which is under the process of hearings. On May 20, 2013, ATIR also decided similar appeal filed by ECL for the year ended December 31, 2008 in favor of ECL. The Company based on the merits of the case expects a favorable outcome of the matter.

**34.1.2** On January 29, 2009, the Deputy Commissioner Inland Revenue (Deputy CIR) reduced tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007. Being aggrieved with the impugned order, the Company has filed appeal before the CIR (Appeals) on March 11, 2009, which is pending for adjudication. However, the Company, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and hence the balance of taxes recoverable has not been reduced by the effect of the aforementioned disallowance.



(Amounts in thousand)

- 34.1.3** On October 31, 2013, CIR raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. On May 25, 2015, in response to the appeal filed against the audit proceedings, CIR (Appeals) issued an order in favor of the Company holding the selection of case for audit to be illegal and without jurisdiction. The tax authority has filed an appeal against the order before ATIR on August 11, 2015, however, no hearing has been conducted to date. On June 24, 2020 the tax authority has passed an appeal effect order giving effect to the directions of the CIR (Appeals) whereby it has restored the position of the Company as was shown in the income tax return. 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.
- 34.1.4** On May 20, 2014, the Additional CIR raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation claimed on certain items of property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. On January 26, 2017, CIR (Appeals) upheld the decision of Additional CIR in respect of provision for retirement benefits and marketing support reimbursements while remanded back various issues for reexamination. Being aggrieved with the impugned order, the Company has filed appeal before ATIR on August 30, 2017, which is pending adjudication. On October 27, 2020, the tax authority has passed an order to conclude reexamination proceedings and give effect to the directions of CIR (Appeals). As complete effects have not been given in the order, the Company has filed appeal before CIR (Appeals) on November 24, 2020, which is 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.
- 34.1.5** On December 23, 2015, Additional CIR raised a demand of Rs. 73,962 for tax year 2014 by disallowing the loss on sales of raw milk considered as trading activity, depreciation on certain additions to property, plant and equipment and tax credit under 65B etc. On December 6, 2018, CIR (Appeals) upheld the decision of Additional CIR on major items. Being aggrieved with the impugned order, the Company has filed appeal before ATIR on March 7, 2019, which is pending adjudication. On December 17, 2020, the tax authority has passed an order giving effect to the directions of CIR (Appeals) and 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.
- 34.1.6** On June 29, 2016, the Deputy CIR raised a demand of Rs. 541,221 for tax year 2013 by disallowing the loss on sales of raw milk considered as trading activity, stock written-off, finance cost allocation against advance for purchase from Engro Foods Netherlands, research and business expenses, adjustment of tax losses for tax year 2011 and minimum turnover tax credit for tax years 2008, 2010 and 2011 etc. On January 26, 2017, CIR (Appeals) upheld the decision of Deputy CIR in respect of minimum turnover tax credit and finance cost allocation. On May 29, 2018, the Deputy CIR passed an appeal effect order based on the decision of CIR (Appeals) reducing the demand to Rs. 98,548. Being aggrieved with the impugned order, the Company has filed appeal before ATIR on May 15, 2017, which is 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.
- 34.1.7** On June 29, 2016, Additional CIR raised a demand of Rs. 59,772 for tax year 2010, primarily on account of disallowance of sales promotion and freight expenses. On November 23, 2018 CIR (Appeals) upheld the decision of Additional CIR in respect of loss on sale of raw milk and inventory write-off while giving relief on other matters. Being aggrieved with the impugned order, the Company has filed appeal before ATIR on March 7, 2019, which is pending adjudication.
- On December 17, 2020, the tax authorities have passed an order to conclude reexamination proceedings and give effect to the directions of CIR (Appeals). As complete effects have not been given in the order, the Company has filed appeal before the CIR (Appeals) on January 13, 2021, which is pending for 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.
- 34.1.8** On December 7, 2016, Additional CIR raised a demand of Rs. 34,134 for tax year 2011 by disallowing depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, sales promotion and advertisement and other expenses etc. On April 15, 2019 CIR (Appeals) upheld the decision of Additional CIR on major items. Being aggrieved with the impugned order, the Company has filed appeal before ATIR on June 3, 2019, which is 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.

(Amounts in thousand)

- 34.1.9** On November 3, 2017, Additional CIR raised a demand of Rs. 511,801 for tax year 2016 by disallowing minimum turnover tax credit, expenses on account of Employee Share Option Scheme and Worker's Welfare Fund. On June 30, 2018, CIR (Appeals) upheld the decision of Additional CIR in respect of minimum turnover tax credit and Employee Share Option Scheme. Being aggrieved with the impugned order, the Company has filed appeal before ATIR on August 15, 2018, which is 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.
- 34.1.10** The Additional CIR issued an order dated February 22, 2019 amounting to Rs 274,588 for tax year 2015 by disallowing expenses on account of Employee Share Option Scheme, loss on sale of disposal of assets and assets written off. On August 19, 2019, CIR (Appeals) upheld the decision in respect of Employee Share Option Scheme and assets written off, while other matters were remanded back for reexamination. Being aggrieved with the impugned order, the Company has filed appeal before ATIR on October 24, 2019, which is pending adjudication.
- On December 17, 2020, the tax authority has passed an order to conclude reexamination proceedings and give effect to the directions of CIR (Appeals). As complete effects have not been given, the Company has filed appeal before CIR (Appeals) on January 15, 2021, which is 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.
- 34.1.11** During the year, Additional CIR raised demands aggregating to Rs. 221,472 for tax years 2017 to 2019 by disallowing certain items e.g. depreciation on freezers, loss on sale of disposal of fixed assets, written off inventory and gas infrastructure development cess. Being aggrieved with the impugned orders, the Company has filed appeals before the CIR (Appeals), 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.
- 34.1.12** The Deputy CIR conducted examination of withholding obligation of the Company for tax years 2013 and for tax years 2015 to 2018 and raised demands aggregating to Rs. 55,153. CIR (Appeals) decided the case in favor of the Company for tax year 2013 while remanded back the cases for tax years 2017 and 2018. Further, CIR (Appeals) in relation to tax years 2015 and 2016 decided the case against the Company. Being aggrieved with the impugned orders, the Company has filed appeals before ATIR for tax years 2015 to 2018, 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.
- 34.1.13** The Deputy CIR issued orders dated July 8, 2020 and September 20, 2020 for tax years 2019 and 2018 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. 23,117 and Rs. 12,859 for tax years 2019 and 2018 respectively. Being aggrieved with the impugned orders, the Company has filed appeals before CIR (Appeals) on July 29, 2020 and October 15, 2020, 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.

2020                      2019  
-----Rupees-----

**34.2      Relationship Between Tax Expense and Accounting Profit**

|                                                   |         |             |
|---------------------------------------------------|---------|-------------|
| Profit / (loss) before taxation                   | 267,680 | (1,100,355) |
| Tax at the applicable tax rate of 29% (2019: 29%) | 77,627  | (319,103)   |
| Tax effect of:                                    |         |             |
| - increase in future tax rates                    | -       | 153,134     |
| - transactions taxed at different rates           | 6,003   | 4,137       |
| - prior year charge                               | 5,589   | 17,178      |
| - tax credits for investment in operating assets  | -       | (2,138)     |
| - others                                          | 1,535   | 1,302       |
|                                                   | 13,127  | 173,613     |
|                                                   | 90,754  | (145,490)   |

(Amounts in thousand)

### 35. EARNINGS/(LOSS) PER SHARE - Basic and Diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

|                                                                     | 2020             | 2019             |
|---------------------------------------------------------------------|------------------|------------------|
|                                                                     | -----Rupees----- |                  |
| Profit/(loss) for the year                                          | <u>176,926</u>   | <u>(954,865)</u> |
|                                                                     | Number of shares |                  |
|                                                                     | in thousand      |                  |
| Weighted average number of ordinary shares in issue during the year | <u>766,596</u>   | <u>766,596</u>   |
|                                                                     | 2020             | 2019             |
|                                                                     | -----Rupees----- |                  |

### 36. CASH GENERATED FROM OPERATIONS

|                                                                            |                  |                  |
|----------------------------------------------------------------------------|------------------|------------------|
| Profit/(loss) before taxation                                              | 267,680          | (1,100,355)      |
| Adjustment for non-cash charges and other items:                           |                  |                  |
| - Depreciation on property, plant and equipment                            | 1,991,688        | 1,945,499        |
| - Depreciation on right-of-use assets                                      | 241,710          | 296,283          |
| - Impairment of operating assets - net                                     | 20,341           | 20,633           |
| - Intangibles written off                                                  | -                | 2,662            |
| - Amortization of intangibles                                              | 28,406           | 28,555           |
| - Reversal of amortization of employee share option compensation reserve   | -                | (3,046)          |
| - Gain on disposal of operating assets                                     | (76,525)         | (44,350)         |
| - Gain arising from changes in fair value of biological assets             | (303,887)        | (314,387)        |
| - Gain/(loss) on death/disposal of biological assets                       | (21,985)         | 78,271           |
| - Provision for culling of biological assets                               | 57,702           | 121,553          |
| - Provision for staff retirement and other service benefits                | 110,727          | 107,871          |
| - Reversal of provision for stock-in-trade                                 | 19,450           | (29,123)         |
| - Provision for slow moving spares                                         | 69,747           | 54,049           |
| - (Reversal of provision)/provision for impairment of other receivables    | -                | 2,000            |
| - Trade debts written off                                                  | 112              | -                |
| - Provision for impairment of trade debts                                  | 15,680           | 2,047            |
| - Government grant recognized as income                                    | (22,084)         | -                |
| - Finance cost on short term and long term finances including bank charges | 1,181,429        | 1,154,175        |
| - Exchange loss/(gain)                                                     | 22,512           | (9,960)          |
| - Finance cost on lease liability against right-of-use assets              | 57,411           | 67,399           |
| Working capital changes (note 36.1)                                        | <u>299,432</u>   | <u>874,270</u>   |
|                                                                            | <u>3,959,546</u> | <u>3,254,046</u> |

(Amounts in thousand)

### 36.1 Working Capital Changes

Decrease / (increase) in current assets:

- Stores, spares and loose tools
- Stock-in-trade
- Trade debts
- Advances, deposits and prepayments
- Other receivables
- Sales tax recoverable

Increase / (decrease) in current liabilities:

- Trade and other payables
- Contract liabilities

|  | 2020             | 2019               |
|--|------------------|--------------------|
|  | -----Rupees----- |                    |
|  | 2,916            | 51,176             |
|  | 159,388          | (668,417)          |
|  | 98,549           | (517,462)          |
|  | 5,265            | 21,085             |
|  | 155,234          | (6,887)            |
|  | 76,563           | 50,100             |
|  | <u>497,915</u>   | <u>(1,070,405)</u> |
|  | (272,701)        | 1,803,749          |
|  | 74,218           | 140,926            |
|  | <u>299,432</u>   | <u>874,270</u>     |
|  | 570,462          | 65,915             |
|  | -                | (1,816,150)        |
|  | <u>570,462</u>   | <u>(1,750,235)</u> |

### 37. CASH AND CASH EQUIVALENTS

Cash and bank balances (note 16)  
Short term finances (note 25)

### 38. STAFF RETIREMENT AND OTHER SERVICE BENEFITS

**38.1** As stated in notes 2.13.1 and 2.13.2, Engro Corporation Limited (ECL) operates and maintains an approved defined contribution gratuity scheme and an approved defined benefit funded gratuity fund (the Fund) on behalf of the Company, for all its permanent employees subjected to minimum prescribed period of service.

**38.2** During the year, an amount of Rs. 35,764 (2019: Rs. 30,668) has been charged in respect of defined contribution gratuity scheme maintained by Engro Corporation Limited.

**38.3** Plan assets held in trust are governed by local regulations which mainly include the Trust Act, 1882, (now the Companies Act, 2017), the Income Tax Rules, 2002 and Rules under the Trust deed of the Fund. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The latest actuarial valuation of the Fund was carried out as at December 31, 2020 using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

|                                                                                        | 2020             | 2019             |
|----------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                        | -----Rupees----- |                  |
| <b>38.4 Reconciliation for Statement of Financial Position</b>                         |                  |                  |
| Present value of defined benefit obligation (note 38.7)                                | (868,008)        | (750,529)        |
| Fair value of plan assets (note 38.8)                                                  | <u>696,823</u>   | <u>521,214</u>   |
| Net liability at end of the year                                                       | <u>(171,185)</u> | <u>(229,315)</u> |
| <b>38.5 Movement in Net Liability in the Statement of Financial Position</b>           |                  |                  |
| Net liability at beginning of the year                                                 | (229,315)        | (224,640)        |
| Charge for the year (note 38.9)                                                        | (110,727)        | (107,871)        |
| Contribution made during the year to the Fund (note 38.8)                              | 188,500          | 95,674           |
| Remeasurement (loss) / gain recognized in other comprehensive income (OCI) (note 38.6) | <u>(19,643)</u>  | <u>7,522</u>     |
| Net liability at end of the year                                                       | <u>(171,185)</u> | <u>(229,315)</u> |



(Amounts in thousand)

### 38.6 Remeasurement Recognized in Other Comprehensive Income

(Loss) / Gain from changes in financial assumptions  
Experience loss  
Remeasurement of defined benefit obligation

|                                            | 2020             | 2019     |
|--------------------------------------------|------------------|----------|
|                                            | -----Rupees----- |          |
|                                            | 1,264            | (738)    |
|                                            | (16,489)         | (6,222)  |
|                                            | (15,225)         | (6,960)  |
| Actual return on plan assets               | 59,466           | 34,217   |
| Expected return on plan assets             | (63,884)         | (55,308) |
| Adjustment                                 | -                | 35,573   |
| Remeasurement of fair value of plan assets | (4,418)          | 14,482   |
|                                            | (19,643)         | 7,522    |

### 38.7 Movement in Present Value of Defined Benefit Obligation

Present value of defined benefit obligation at beginning of the year  
Current service cost  
Interest cost  
Benefits paid during the year  
Remeasurement on obligation (note 38.6)  
Present value of defined benefit obligation at end of the year

|  |          |           |
|--|----------|-----------|
|  | 750,529  | 685,281   |
|  | 84,376   | 87,053    |
|  | 90,235   | 76,126    |
|  | (72,357) | (104,891) |
|  | 15,225   | 6,960     |
|  | 868,008  | 750,529   |

#### 38.7.1 Analysis of Present Value of Defined Benefit Obligation

Vested benefits  
Non-vested benefits

|  |         |         |
|--|---------|---------|
|  | 868,008 | 750,529 |
|  | -       | -       |
|  | 868,008 | 750,529 |

Accumulated benefit obligation  
Amounts attributed to future salary increases

|  |         |         |
|--|---------|---------|
|  | 381,237 | 297,387 |
|  | 486,771 | 453,142 |
|  | 868,008 | 750,529 |

### 38.8 Movement in Fair Value of Plan Assets

Fair value of plan assets at beginning of the year  
Expected return on plan assets  
Contributions for the year  
Benefits paid during the year  
Remeasurement (loss) / gain (note 38.6)  
Fair value of plan assets at end of the year

|  |          |           |
|--|----------|-----------|
|  | 521,214  | 460,641   |
|  | 63,884   | 55,308    |
|  | 188,500  | 95,674    |
|  | (72,357) | (104,891) |
|  | (4,418)  | 14,482    |
|  | 696,823  | 521,214   |

### 38.9 Cost Charged to Profit or Loss:

Current service cost  
Net interest cost  
Cost for the year

|  |         |         |
|--|---------|---------|
|  | 84,376  | 87,053  |
|  | 26,351  | 20,818  |
|  | 110,727 | 107,871 |

### 38.10 Charge for the Year has been Allocated as Follows:

Cost of sales (note 28)  
Distribution and marketing expenses (note 29)  
Administrative expenses (note 30)

|  |         |         |
|--|---------|---------|
|  | 59,170  | 56,703  |
|  | 27,195  | 28,293  |
|  | 24,362  | 22,875  |
|  | 110,727 | 107,871 |

(Amounts in thousand)

### 38.11 Principle Actuarial Assumptions used are as Follows:

#### Financial Assumptions

- Discount rate – per annum compound
- Expected rate of increase in salaries – per annum
  - First year
  - Long-term

#### Demographic Assumptions

- Expected mortality rate
- Withdrawal rates / Rate of employees turnover

|  | 2020                       | 2019                       |
|--|----------------------------|----------------------------|
|  | -----Rupees-----           |                            |
|  | 10.25%                     | 11.75%                     |
|  | 9.25%                      | 10.75%                     |
|  | 9.25%                      | 10.75%                     |
|  | SLIC (2001-05)<br>Moderate | SLIC (2001-05)<br>Moderate |

38.12 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|                                                   | Impact on defined benefit obligation |                        |                        |
|---------------------------------------------------|--------------------------------------|------------------------|------------------------|
|                                                   | Change in assumption                 | Increase in assumption | Decrease in assumption |
|                                                   |                                      | ----- Rupees -----     |                        |
| Discount rate                                     | 1%                                   | (782,058)              | 969,458                |
| Expected rate of increase in salaries – long term | 1%                                   | 969,458                | (780,597)              |

38.13 The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

### 38.14 Plan Assets Comprise of Following:

|                           | 2020             |           |          |      | 2019             |           |         |      |
|---------------------------|------------------|-----------|----------|------|------------------|-----------|---------|------|
|                           | Quoted           | Un-Quoted | Total    | (%)  | Quoted           | Un-Quoted | Total   | (%)  |
|                           | -----Rupees----- |           |          |      | -----Rupees----- |           |         |      |
| Equity Instruments        |                  |           |          |      |                  |           |         |      |
| Quoted Shares             | 156,929          | -         | 156,929  | 23%  | 126,246          | -         | 126,246 | 24%  |
| Debt Instruments          |                  |           |          |      |                  |           |         |      |
| Government Bonds          | -                | 538,159   | 538,159  | 77%  | -                | 385,251   | 385,251 | 74%  |
| Cash and cash equivalents | -                | 16,300    | 16,300   | 2%   | -                | 12,532    | 12,532  | 2%   |
| Other assets              | -                | 2,267     | 2,267    | 0%   | -                | 2,694     | 2,694   | 1%   |
| Other liabilities         | -                | (16,832)  | (16,832) | -2%  | -                | (5,509)   | (5,509) | -1%  |
| Total                     | 156,929          | 539,894   | 696,823  | 100% | 126,246          | 394,968   | 521,214 | 100% |

(Amounts in thousand)

**38.15** Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant to which are detailed below:

#### Asset Volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields, if plan assets underperform this yield, this will create a deficit. The Fund believes that due to long-term nature of the plan liabilities and the strength of the ECL's support, the current investment strategy manages this risk adequately.

#### Inflation Risk

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, the Fund manages plan assets to offset inflationary impacts.

#### Life Expectancy / Withdrawal Rate

The majority of the plan's obligations are to provide benefits on severance with the Company or on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

**38.16** Expected contributions to the fund for the year ending December 31, 2021 are Rs. 103,490.

**38.17** The weighted average duration of the defined benefit obligation is 10.73 years.

#### 38.18 Historical information of staff retirement benefits:

|                              | 2020             | 2019             | 2018             | 2017             | 2016             | 2015            |
|------------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|
|                              | -----Rupees----- |                  |                  |                  |                  |                 |
| Present value of obligations | (868,008)        | (750,529)        | (685,281)        | (620,927)        | (610,231)        | (526,803)       |
| Fair value of plan assets    | 696,823          | 521,214          | 460,641          | 480,266          | 469,331          | 475,217         |
| Deficit                      | <u>(171,185)</u> | <u>(229,315)</u> | <u>(224,640)</u> | <u>(140,661)</u> | <u>(140,900)</u> | <u>(51,586)</u> |

### 39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements in respect of remuneration and benefits to the Chief Executive, directors and executives are as follows:

|                                                                | 2020             |              |                  | 2019            |              |                  |
|----------------------------------------------------------------|------------------|--------------|------------------|-----------------|--------------|------------------|
|                                                                | Directors        |              | Executives       | Directors       |              | Executives       |
|                                                                | Chief Executive  | Others       |                  | Chief Executive | Others       |                  |
|                                                                | -----Rupees----- |              |                  |                 |              |                  |
| Managerial remuneration                                        | 65,424           | -            | 1,218,841        | 56,534          | -            | 1,135,904        |
| Contribution for staff retirement benefits                     | 8,968            | -            | 119,849          | 7,676           | -            | 156,091          |
| Bonus paid                                                     | 27,897           | -            | 163,306          | 9,687           | -            | 118,294          |
| Fees                                                           | -                | 3,059        | -                | -               | 2,801        | -                |
| Total                                                          | <u>102,289</u>   | <u>3,059</u> | <u>1,501,996</u> | <u>73,897</u>   | <u>2,801</u> | <u>1,410,289</u> |
| Number of persons, including those who worked part of the year | <u>1</u>         | <u>6</u>     | <u>312</u>       | <u>1</u>        | <u>6</u>     | <u>299</u>       |

(Amounts in thousand)

**39.1** The Company also provides the Company owned and maintained vehicles for use of the Chief Executive and certain executives.

**39.2** Premium charged in respect of non-executive directors indemnity insurance amounts to Rs. 499 (2019: Rs. 438).

|  | 2020             | 2019 |
|--|------------------|------|
|  | -----Rupees----- |      |

### 40. FINANCIAL INSTRUMENTS BY CATEGORY

#### 40.1 Financial Assets as Per Statement of Financial Position

##### - At Amortized cost

|                        |                  |                  |
|------------------------|------------------|------------------|
| Long term deposits     | 43,758           | 56,117           |
| Trade debts            | 801,387          | 915,728          |
| Advances and deposits  | 38,558           | 49,077           |
| Other receivables      | 158,247          | 313,481          |
| Cash and bank balances | 570,462          | 65,915           |
|                        | <u>1,612,412</u> | <u>1,400,318</u> |

#### 40.2 Financial Liabilities as Per Statement of Financial Position

##### - Financial liabilities measured at amortized cost

|                                             |                   |                   |
|---------------------------------------------|-------------------|-------------------|
| Long term finances                          | 5,902,506         | 4,000,000         |
| Lease liability against right-of-use assets | 498,316           | 649,444           |
| Trade and other payables                    | 7,527,714         | 7,888,511         |
| Unclaimed dividend                          | 8,507             | 8,731             |
| Accrued interest / mark-up                  | 153,366           | 340,055           |
| Short term finances                         | -                 | 1,816,150         |
|                                             | <u>14,090,409</u> | <u>14,702,891</u> |

#### 40.3 Fair Values of Financial Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 41.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's risk management program focuses on unpredictability of the financial markets for having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to the shareholders. Risk management is carried out by the Company's finance department under the policies approved by the Company's Board of Directors.



(Amounts in thousand)

**a) Market Risk**

**i) Currency Risk**

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company's exposure to currency risk is limited as all the foreign purchases are made against on-sight letters of credit where the payment is made on the date of delivery with no credit period. The Company imports plant and machinery and certain raw materials which exposes it to currency risk, primarily with respect to liabilities denominated in US Dollars.

At December 31, 2020, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, the effect on post-tax loss for the year would have been immaterial.

**ii) Interest Rate Risk**

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises primarily from long and short term borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available. For borrowing at variable rates, the rates are determined in advance for stipulated periods with reference to KIBOR.

At December 31, 2020, if interest rates on the Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 41,908 (2019: Rs. 41,295) mainly as a result of higher / lower interest exposure on variable rate borrowings.

**iii) Other Price Risk**

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk as it carries no price sensitive financial instrument.

**b) Credit Risk**

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The Company is not materially exposed to credit risk on trade debts and other receivables since credit is only granted to few reputed customers with good credit standings, with whom the Company has written terms of arrangement. The Company has also entered into Standing Instruction for Debit of Account (SIDA) arrangement with a few of its customers.

Further, the bank balances of the Company are held with banks having minimum credit rating of A1.

**c) Liquidity Risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. The Company's liquidity management involves projecting cash flows and considering the level of liquid funds necessary to meet these, monitoring statement of financial position liquidity ratios against external regulatory requirements and maintaining debt financing plans. These objectives are achieved by maintaining sufficient cash and readily marketable securities and availability of funding through committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

(Amounts in thousand)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

|                                             | 2020                   |                         |                   | 2019                   |                         |                   |
|---------------------------------------------|------------------------|-------------------------|-------------------|------------------------|-------------------------|-------------------|
|                                             | Maturity upto one year | Maturity after one year | Total             | Maturity upto one year | Maturity after one year | Total             |
|                                             | ----- Rupees -----     |                         |                   |                        |                         |                   |
| Long term finances                          | 1,239,502              | 4,663,004               | 5,902,506         | 800,000                | 3,200,000               | 4,000,000         |
| Lease liability against right-of-use assets | 240,097                | 258,219                 | 498,316           | 235,692                | 413,752                 | 649,444           |
| Trade and other payables                    | 7,527,714              | 102,885                 | 7,630,599         | 7,888,511              | -                       | 7,888,511         |
| Accrued interest / mark-up                  | 153,366                | -                       | 153,366           | 340,055                | -                       | 340,055           |
| Short term finances                         | -                      | -                       | -                 | 1,816,150              | -                       | 1,816,150         |
|                                             | <u>9,160,679</u>       | <u>5,024,108</u>        | <u>14,184,787</u> | <u>11,080,408</u>      | <u>3,613,752</u>        | <u>14,694,160</u> |

**41.2 Fair Value Estimation**

**41.2.1** 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).

**41.2.2** There were no changes in valuation techniques during the year.

**42. CAPITAL RISK MANAGEMENT**

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt. The Company also manages capital by maintaining gearing and current ratios at certain levels.

The Company manages capital by maintaining gearing ratio at certain level. The ratio is calculated as long term debt divided by total capital. Total capital is calculated as 'equity' in the statement of financial position plus long term debt. The gearing ratio as at December 31 is as follows:

|                                               | 2020              | 2019              |
|-----------------------------------------------|-------------------|-------------------|
|                                               | -----Rupees-----  |                   |
| Long-term:                                    |                   |                   |
| - finances                                    | 4,663,004         | 3,200,000         |
| - lease liability against right-of-use assets | 258,219           | 413,752           |
| Total long term debt                          | <u>4,921,223</u>  | <u>3,613,752</u>  |
| Total equity                                  | 8,547,644         | 8,384,665         |
| Total capital                                 | <u>13,468,867</u> | <u>11,998,417</u> |
| Debt to equity ratio                          | <u>0.37</u>       | <u>0.30</u>       |

(Amounts in thousand)

43. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

43.1 Following are the details of associated companies, related parties and associated undertakings with whom the Company had entered into transactions or had agreements and / or arrangements in place during the year:

| Name of Related parties                                        | Direct Shareholding | Relationship                          |
|----------------------------------------------------------------|---------------------|---------------------------------------|
| FrieslandCampina Pakistan Holdings B.V.                        | 51.00%              | Holding Company/ Major Shareholder    |
| Engro Corporation Limited                                      | 39.93%              | Associated Company/ Major Shareholder |
| FrieslandCampina Nederland B.V.                                | N/A                 | Associated Undertaking                |
| FrieslandCampina AMEA Pte Ltd                                  | N/A                 | Associated Undertaking                |
| FrieslandCampina Nutrifeed B.V.                                | N/A                 | Associated Company                    |
| FrieslandCampina PT Kievit                                     | N/A                 | Associated Company                    |
| Friesland Campina Dairy Sourcing (FCDS)                        | N/A                 | Associated Company                    |
| Engro Fertilizer Limited                                       | N/A                 | Associated Company                    |
| Engro Foundation                                               | N/A                 | Associated Company                    |
| PT Frisian Flag Indonesia                                      | N/A                 | Associated Company                    |
| Alaska Milk Corporation                                        | N/A                 | Associated Company                    |
| FrieslandCampina (Thailand) PCL                                | N/A                 | Associated Undertaking                |
| Pakistan Dairy Association                                     | N/A                 | Common Directorship                   |
| Dutch Lady Milk Industries Berhad                              | N/A                 | Associated Undertaking                |
| Pakistan Business Council                                      | N/A                 | Common Directorship                   |
| FrieslandCampina Supply point                                  | N/A                 | Associated Company                    |
| Engro Foods Limited – Defined Benefit Gratuity Fund            | N/A                 | Post Employment Benefits              |
| Engro Corporation Limited – Provident Fund                     | N/A                 | Post Employment Benefits              |
| Engro Corporation Limited – Defined Contribution Gratuity Fund | N/A                 | Post Employment Benefits              |
| Mr. Abrar Hasan                                                | N/A                 | Director                              |
| Mr. Zouhair Abdul Khaliq                                       | N/A                 | Director                              |
| Mr. Ali Ahmed Khan                                             | N/A                 | Key Management Personnel              |
| Mr. Syed Saud Ahmed Pasha                                      | N/A                 | Key Management Personnel              |
| Mr. Imran Husain                                               | N/A                 | Key Management Personnel              |
| Mr. Faisal Razi Azeem                                          | N/A                 | Key Management Personnel              |
| Mr. Ali Tanveer Khan                                           | N/A                 | Key Management Personnel              |
| Mr. Muhammad Ali Ata                                           | N/A                 | Key Management Personnel              |
| Ms. Muneeza Iftikar                                            | N/A                 | Key Management Personnel              |
| Mr. Saleem Lallany                                             | N/A                 | Key Management Personnel              |
| Mr. Syed Talha Imam                                            | N/A                 | Key Management Personnel              |

43.2 Following are the names of associated companies, subsidiaries, joint ventures or holding company incorporated outside Pakistan with whom the Company had entered into transactions or had agreements and / or arrangements in place during the year:

| Name of Company                                 | Country of incorporation | Aggregate percentage of shareholding including through other companies | Basis of association                |
|-------------------------------------------------|--------------------------|------------------------------------------------------------------------|-------------------------------------|
| FrieslandCampina Pakistan (Holding) B.V.        | Netherlands              | 51%                                                                    | Holding Company / Major Shareholder |
| FrieslandCampina Netherlands B.V. (note 43.2.1) | Netherlands              | N/A                                                                    | Associated Undertaking              |
| Frieslandcampina Thailand PCL                   | Thailand                 | N/A                                                                    | Associated Undertaking              |
| Dutch Lady Milk Industries Berhad               | Malaysia                 | N/A                                                                    | Associated Undertaking              |
| FrieslandCampina AMEA Pte. Ltd.                 | Singapore                | N/A                                                                    | Associated Undertaking              |
| FC Thailand Make                                | Thailand                 | N/A                                                                    | Associated Undertaking              |
| FrieslandCampina Dairy Sourcing                 | Netherlands              | N/A                                                                    | Associated Undertaking              |
| FrieslandCampina Supply point                   | Netherlands              | N/A                                                                    | Associated Undertaking              |
| FrieslandCampina PT Kievit                      | Indonesia                | N/A                                                                    | Associated Undertaking              |
| PT Frisian Flag Indonesia                       | Indonesia                | N/A                                                                    | Associated Undertaking              |
| Alaska Milk Corporation                         | Philippines              | N/A                                                                    | Associated Undertaking              |

(Amounts in thousand)

43.2.1 Registered address of FrieslandCampina Nederland B.V. is Stationsplein 4, 3818 LE, Amersfoort, the Netherlands.

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

| Nature of relationship                                                                 | Nature of transactions                                               | 2020             | 2019             |
|----------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------|------------------|
|                                                                                        |                                                                      | -----Rupees----- | -----Rupees----- |
| Associated companies / undertakings                                                    | Fee for technical assistance                                         | 1,085,814        | 1,000,185        |
|                                                                                        | Arrangement for sharing of premises, utilities, personnel and assets | 110,392          | 160,819          |
|                                                                                        | Purchase of goods and services                                       | 1,231,861        | 1,887,706        |
|                                                                                        | Reimbursement of expenses incurred on behalf of the Company          | 170,900          | 146,242          |
|                                                                                        | Reimbursement of expenses paid on behalf of the Company              | 27,122           | 10,139           |
| Contribution for staff retirement funds                                                | Donations                                                            | 20,000           | 20,000           |
|                                                                                        | Managed and operated by Engro Corporation Limited                    |                  |                  |
|                                                                                        | - Provident fund                                                     | 364,138          | 353,414          |
| Key management personnel including the Chief Executive Officer but not other Directors | - Gratuity funds                                                     | 169,450          | 126,660          |
|                                                                                        | Managerial remuneration                                              | 209,084          | 219,085          |
|                                                                                        | Contribution for staff retirement benefits                           | 29,315           | 28,885           |
|                                                                                        | Bonus payments                                                       | 67,029           | 35,447           |
| Other Directors                                                                        | Other benefits                                                       | 499              | 438              |
|                                                                                        | Fee                                                                  | 3,059            | 2,801            |

43.4 The related party status of outstanding receivables and payables as at December 31, 2020 are included in respective notes to these financial statements.

44. SEGMENT INFORMATION

44.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Board of Directors of the Company for allocation of resources and assessment of performance. During the year based on internal management reporting structure and products produced and sold, the Company is organized into the following two operating segments:

- Dairy and beverages; and
- Ice cream and frozen desserts.

Management monitors the operating results of the abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in table below, is measured differently from statement of profit or loss in these financial statements. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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 revenue of processed milk and powder are made by Dairy and Beverages to Ice cream.

(Amounts in thousand)

The following information presents operating results information regarding operating segments for the year ended December 31, 2020 and asset information regarding operating segments as at December 31, 2020:

|                                             | 2020                |                               |            | 2019 (Restated)     |                               |            |
|---------------------------------------------|---------------------|-------------------------------|------------|---------------------|-------------------------------|------------|
|                                             | Dairy and Beverages | Ice cream and frozen desserts | Total      | Dairy and Beverages | Ice cream and frozen desserts | Total      |
| -----Rupees-----                            |                     |                               |            |                     |                               |            |
| <b>Results for the year</b>                 |                     |                               |            |                     |                               |            |
| Revenue from contracts with customers – net | 40,546,350          | 3,677,628                     | 44,223,978 | 34,768,096          | 3,925,910                     | 38,694,006 |
| Inter-segment revenue                       | (68,955)            | -                             | (68,955)   | (126,987)           | -                             | (126,987)  |
|                                             | 40,477,395          | 3,677,628                     | 44,155,023 | 34,641,109          | 3,925,910                     | 38,567,019 |
| Depreciation, impairment and amortization   | 1,818,635           | 463,510                       | 2,282,145  | 1,880,099           | 410,873                       | 2,290,972  |
| Finance cost                                | 974,931             | 263,909                       | 1,238,840  | 879,377             | 342,197                       | 1,221,574  |
| Net profit / (loss) after tax               | 226,558             | (49,632)                      | 176,926    | (1,032,232)         | 77,367                        | (954,865)  |
| <b>Assets</b>                               |                     |                               |            |                     |                               |            |
| - Segment assets                            | 13,434,322          | 2,267,417                     | 15,701,739 | 15,814,230          | 2,227,618                     | 18,041,848 |
| - Un-allocated assets                       | -                   | -                             | 7,596,187  | -                   | -                             | 5,524,249  |
|                                             | 13,434,322          | 2,267,417                     | 23,297,926 | 15,814,230          | 2,227,618                     | 23,566,097 |

#### 45. 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.

#### 46. PRODUCTION CAPACITY

|                     | Designed<br>Annual Capacity<br>(note 46.1) |         | Actual Production |         | Remarks                                    |
|---------------------|--------------------------------------------|---------|-------------------|---------|--------------------------------------------|
|                     | 2020                                       | 2019    | 2020              | 2019    |                                            |
|                     | -----Liters in thousand-----               |         |                   |         |                                            |
| Dairy and Beverages | 617,888                                    | 610,004 | 314,979           | 328,627 | Production planned as per<br>market demand |
| Ice cream           | 44,064                                     | 44,064  | 18,157            | 21,392  |                                            |

46.1 Represents capacity as at the reporting date.

#### 47. NUMBER OF EMPLOYEES

|                          | Number of employees as at |                   | Average number of employees |                   |
|--------------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                          | December 31, 2020         | December 31, 2019 | December 31, 2020           | December 31, 2019 |
| Management employees     | 1,147                     | 1,163             | 1,160                       | 1,187             |
| Non-management employees | 163                       | 171               | 167                         | 174               |
|                          | 1,310                     | 1,334             | 1,327                       | 1,361             |

(Amounts in thousand)

#### 48. RETIREMENT CONTRIBUTORY FUNDS

48.1 The contributory provident and gratuity funds are being maintained by Engro Corporation Limited which has made investments out of the funds in accordance with the provisions of section 218 of the Companies Act, 2017.

#### 49. SUPPLEMENTARY INFORMATION

49.1 Details of expenses allocated to export business during the year are as follows:

|                                                    | Rupees |
|----------------------------------------------------|--------|
| Cost of sales                                      | 12,071 |
| Salaries, wages and staff welfare                  | 16,624 |
| Communication, utilities and other office expenses | 3,895  |
| Travelling                                         | 325    |
| Legal charges                                      | 1,546  |
| Bank charges                                       | 40     |
|                                                    | 34,501 |

49.2 Represents all expenses directly attributable to exports and incremental expenses incurred due to exports.

#### 50. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

On March 11, 2020, the World Health Organization 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, except relating to the matters stated in note 20 and decline in sales volume of ice cream and frozen desserts segment as disclosed in note 44.1.

#### 51. CORRESPONDING FIGURES

51.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

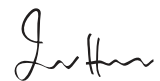
51.2 For better presentation freight allowance for the year ended December 31, 2019 amounting to Rs. 290,317 have been reclassified from 'distribution and marketing' expenses' to 'revenue from contracts with customers – net'.

#### 52. DATE OF AUTHORIZATION FOR ISSUE

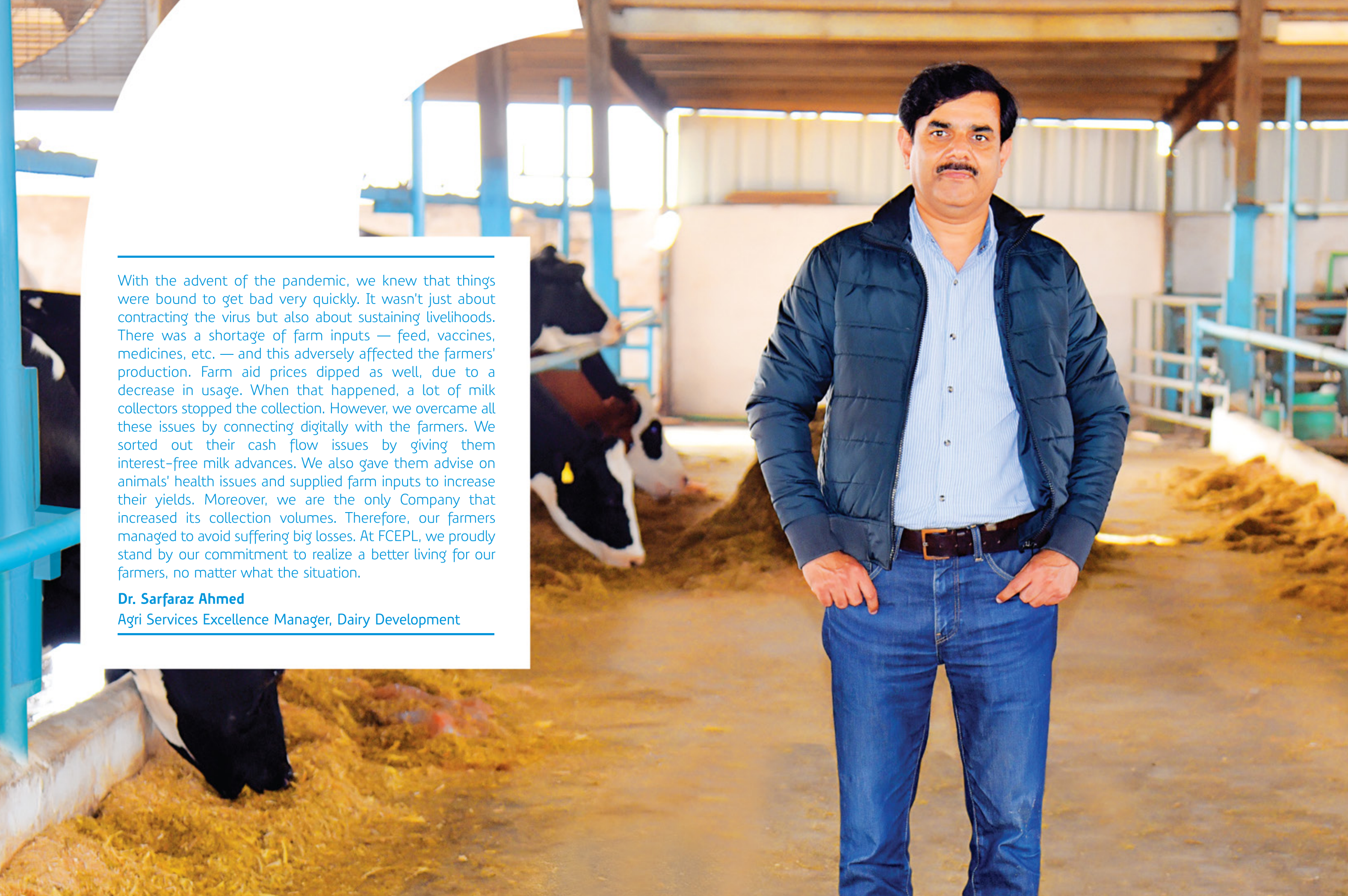
These financial statements were authorized for issue on February 8, 2021 by Board of Directors of the Company.

  
Abdul Samad Dawood  
Chairman

  
Ali Ahmed Khan  
Chief Executive Officer

  
Imran Husain  
Chief Financial Officer



A full-page photograph of a man standing in a dairy barn. The man is in the foreground, wearing a dark blue quilted jacket over a light blue button-down shirt, blue jeans, and a brown belt. He has dark hair and a mustache, and is looking directly at the camera with his hands in his pockets. In the background, several black and white cows are visible in their stalls, eating from large piles of yellow feed. The barn has a high ceiling with wooden beams and large windows letting in natural light.

With the advent of the pandemic, we knew that things were bound to get bad very quickly. It wasn't just about contracting the virus but also about sustaining livelihoods. There was a shortage of farm inputs — feed, vaccines, medicines, etc. — and this adversely affected the farmers' production. Farm aid prices dipped as well, due to a decrease in usage. When that happened, a lot of milk collectors stopped the collection. However, we overcame all these issues by connecting digitally with the farmers. We sorted out their cash flow issues by giving them interest-free milk advances. We also gave them advise on animals' health issues and supplied farm inputs to increase their yields. Moreover, we are the only Company that increased its collection volumes. Therefore, our farmers managed to avoid suffering big losses. At FCEPL, we proudly stand by our commitment to realize a better living for our farmers, no matter what the situation.

**Dr. Sarfaraz Ahmed**

Agri Services Excellence Manager, Dairy Development



# Annexure

# Employee Share Option Scheme 2013

The Company in the Extra Ordinary General Meeting held on 22<sup>nd</sup> March, 2013 has approved an Employee Share Option Scheme (ESOS) for granting of options to its certain critical employees. As disclosed in note 19 to the financial statements time period under the Scheme for granting of share options expired in April 2015. However, the Company obtained approval of shareholders for extension in share options grant period for further 3 years in the Annual General Meeting held on 27<sup>th</sup> April, 2015 and the Securities and Exchange Commission of Pakistan approval on 31<sup>st</sup> August, 2015. The fair value of the option was determined by management using the Black-Scholes model.

According to this scheme, 16.9 million shares can be granted to certain critical employees. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. Granted options are exercisable within 3 years from the end of vesting period. There has been no variation in the terms of the options during the year.

As at 31<sup>st</sup> December, 2020, options for 3,531,250 shares have been vested while options for remaining 13,368,750 shares have lapsed till 31<sup>st</sup> December, 2020 with the expiry of the Scheme.

During the year, 300,000 previously granted share options lapsed due to resignation of an employee. Further, during the year, 400,000 vested share options, granted in 2015 to a senior management employee expired due to non-exercise by employee within the exercise period. Till date 3,531,250 share options have been granted, out of which, 2,000,000 options have been granted to the following senior management personnel:

| S.No. | Name                  | No. of Options |
|-------|-----------------------|----------------|
| 1     | Imran Husain          | 400,000        |
| 2     | Syed Saud Ahmed Pasha | 800,000        |

All of the above personnel were given more than 5% of total options issued.

None of the employees were issued with options exceeding 1% of the paid up capital of Company.

# Proxy Form

I/We\_\_\_\_\_ of \_\_\_\_\_ being a member of FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED and holder of \_\_\_\_\_ Ordinary shares as per share \_\_\_\_\_ (Number of Shares) Register Folio No. \_\_\_\_\_ and/or CDC Participant I.D. No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on the 17<sup>th</sup> day of April, 2020 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

## WITNESSES:

1.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

CNIC or \_\_\_\_\_

Passport No. \_\_\_\_\_
2.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

CNIC or \_\_\_\_\_

Passport No. \_\_\_\_\_

\_\_\_\_\_  
**Signature**  
Signature should agree with the specimen registered with the Company

Note: Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.



# Standard Request Form

## Circulation of Annual Audited Accounts

The Share Registrar  
FrieslandCampina Engro Pakistan Limited.  
**FAMCO Associates (Pvt.) Ltd.**  
8-F, Near Hotel Faran  
Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal  
KARACHI.  
E-mail: info.shares@famco.com.pk  
Telephone No. (92 21) 3438 0101-5, 3438 4621-3

Dated: \_\_\_\_\_

Dear Sirs,

Subject: **Request for Hard Copy of Annual Report of FrieslandCampina Engro Pakistan Limited.**

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated 21<sup>st</sup> May, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on 24<sup>th</sup> March, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors' report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hard copy of the Annual Audited Accounts by filling out the details below and sending it to the Company's share registrar and Company Secretary.

I, \_\_\_\_\_ S/o, D/o, W/o \_\_\_\_\_ being a registered shareholder of FrieslandCampina Engro Pakistan Limited with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hard copy of the Annual Audited Accounts of the Company and hereby request you send to me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

| Particulars                      |  |
|----------------------------------|--|
| Name of Shareholder              |  |
| Folio No./CDC ID No.             |  |
| CNIC/NICOP/Passport No.          |  |
| Land Line Telephone No. (if any) |  |
| Cell No. (if any)                |  |

Yours truly,

\_\_\_\_\_  
**Shareholder's Signature**

Copy to:  
Ms. Muneeza Iftikar  
Company Secretary  
FrieslandCampina Engro Pakistan Limited  
The Harbor Front Building, 5<sup>th</sup> Floor,  
HC-3, Block-4, Near Marine Drive, Clifton Karachi - 75600, Pakistan  
E-mail: muneeza.iftikar@frieslandcampina.com

پراکسی فارم

میں / ہم۔۔۔۔۔ کے۔۔۔۔۔  
فریز لینڈ کمپینا اینگرو پاکستان لمیٹڈ کے رکن اور عام شیئرز کے حامل کی حیثیت سے۔۔۔۔۔  
(شیئرز کی تعداد) رجسٹر کا فولیو نمبر۔۔۔۔۔ اور / یا سی ڈی سی فولیو کا آئی ڈی نمبر۔۔۔۔۔ اور ذیلی کاؤنٹ نمبر  
کے۔۔۔۔۔ یا۔۔۔۔۔ کے۔۔۔۔۔  
کو کمپنی کے کمپنی کے سالانہ اجلاس عام جو کہ 17 اپریل 2021 کو منعقد ہوگا، میں میرے /  
ہمارے لیے اور میری / ہماری طرف سے بحیثیت اپنا پراکسی ووٹ دینے کے لیے نامزد کرتا ہوں / کرتے ہیں۔

روز/تاریخ/2021

گواہان:

1- دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

---

مپیوٹرائزڈ دومی شناختی کارڈ نمبر: -----

پاسپورٹ نمبر: \_\_\_\_\_

2- دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

---

مپیوٹر انزڈومی شناسی کارڈ نمبر:-----

پاسپورٹ نمبر: -----

شیر ہولڈر کے دستخط:

(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو بہو مطابق ہونا ضروری ہے)۔

نوٹ: نمائندے کو فعال بنانے کے لیے نامزدگی کا فارم اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جانا چاہئے۔ پر کسی نمائندے کے لیے کمپنی کا رکن ہونا لازمی نہیں ہے۔

سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پر کسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔

# اسٹینڈرڈ درخواست فارم سالانہ آڈٹ کی گردش

شیراز جسرار

فریز لینڈ کیمپنا اینگرو پاکستان لمیٹڈ

فیمکو ایسوسی ایٹس پرائیویٹ لمیٹڈ

8-F، نزد ہوٹل فاران، نرسری، بلاک 6، پی ای سی ایچ ایس،

شاہراہ فیصل، کراچی۔

ای میل [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)

ٹیلی فون نمبر 3-4621 3438، 5-0101 3438 (9221)

عنوان: فریز لینڈ کمیٹی نے انگریزوں کو پاکستان لمیٹڈ کی سالانہ رپورٹ کے لیے ہارڈ کاپی کی درخواست

محترم گرامی،

جیسا کہ سکیورٹی اینڈ انٹیلیجنس نے بذریعہ ایس آر او 2016/470 بتاریخ 21 مئی 2016 مطلع کیا جاتا ہے اور شیئر ہولڈرز نے 24 مارچ 2017 کو منعقد کیے جانے والے سالانہ اجلاس عام میں منظوری دی تھی کہ کمپنی اپنی مالیاتی معلومات بشمول بیلنس شیٹ، منافع خسارے کے کھاتے، آڈیٹر رپورٹ اپنے اراکین کو ان کے رجسٹرڈ پتوں پر سی ڈی / ڈی وی ڈی / یو ایس بی کی شکل میں ارسال کرے گی، تاہم وہ جو کمپنی کے مالیاتی گوشواروں کی ہارڈ کاپی چاہتے ہیں انہیں درج ذیل فارم میں اپنی معلومات پر کر کے کمپنی کے شیئر رجسٹرار اور کمپنی سیکریٹری کو فراہم کرنا ہوں گی۔

[illegible]

| معلومات |                                          |
|---------|------------------------------------------|
|         | شیر، ہولڈر کا نام                        |
|         | فولیو نمبر / سی ڈی سی آئی ڈی نمبر        |
|         | قومی شناختی کارڈ نمبر / پاسپورٹ نمبر     |
|         | لینڈ لائن ٹیلی فون نمبر (اگر کوئی ہے تو) |
|         | موبائل نمبر (اگر کوئی ہے تو)             |

شکر

شیئر ہولڈر کے دستخط

نقل برائے:

محترمہ منیزہ افتخار۔ کمپنی سیکریٹری، فریز لینڈ کمپنیاں انگلو پاکستان لمیٹڈ، پانچویں منزل، دی ہاربر فرنٹ، ڈولمن سٹی،

ایچ سی-3، میرین ڈرائیو، بلاک 4، کلفٹن، کراچی، پاکستان

ای میل: [muneeza.iftikar@frieslandcampina.com](mailto:muneeza.iftikar@frieslandcampina.com)

# مستقبل کے خدو خال

## Future Outlook

COVID-19 وبائی مرض کے نتیجے میں وسیع معاشی ماحول کاروباروں اور صارفین کے لئے یکساں چیلنج رہا ہے۔ مجموعی ماحول پر تیز افراط زر کی وجہ سے بھی خاص طور پر خوراک اور زرعی اجناس پر بھی منفی اثر پڑتا ہے۔ جب کہ کمپنی، صارفین کی خریداری میں کمی اور بلند لاگت کی وجہ سے مستقبل میں ایک سخت کاروباری ماحول دیکھتی ہے، اس نے مالی کارکردگی کو بہتر بنانے کے لئے افادیت کو بڑھانے اور افراط زر کے نظم و نسق کے لئے پہلے ہی متعدد اقدامات کیے ہیں۔

کمپنی کا مقصد یہ ہے کہ وہ گھاس سے گلاس تک دودھ کی فراہمی کے ساتھ ساتھ کسانوں کے ذریعہ آمدنی میں اضافے کے ساتھ پاکستان کی موجودہ اور آئندہ آنے والی نسلوں کی صحت و تندرستی کو یقینی بنانا ہے۔ اپنے مقصد پر قائم رہنا، صارفین کو غذائیت سے بھرپور اور محفوظ مصنوعات کی مسلسل فراہمی کو یقینی بنانا کمپنی کی ترجیح رہے گی جبکہ صارفین کو غیر محفوظ کھلے دودھ سے بیکلڈ دودھ کی جانب منتقلی کا عمل بھی جاری رہے گا بذریعہ؛

- اپنی برانڈ ایکویٹی کو مضبوط بنانے کے لیے سرمایہ کاری کر کے
- جدت پسندی کے ساتھ اپنے پروڈکٹ پورٹ فولیو کو بہتر بنانا
- ڈیری ڈویلپمنٹ پروگرام کے ذریعے کسانوں کے ساتھ کام کرنا تاکہ آمدنی، پیداوار اور حجم کو بہتر بنایا جاسکے جبکہ کسانوں کے لئے منافع کو بھی بڑھایا جاسکے
- پاکستان ڈیری ایسوسی ایشن کے ساتھ مل کر صارفین کو کھلے دودھ کے استعمال سے ہونے والے نقصان سے متعلق آگاہ کر کے اور بیکلڈ دودھ کے فوائد سے آگاہ کرنا
- غذائیت اور معیاری دودھ کی کھپت کے بارے میں بڑے پیمانے پر آگاہی پیدا کرنے اور دودھ کے شعبے کے لئے سازگار مالی پالیسیاں تیار کرنے میں حکومت کی حوصلہ افزائی کرنا۔
- وفاقی اور صوبائی غذائی قوانین کو ہم آہنگ کرنے کے لئے نگران اداروں کے ساتھ کام کرنا اور کم سے کم پیچھے انٹرینشن سے متعلق قانون کا مسودہ تیار کرنا۔

کمپنی اپنی عالمی مہارت اور 145 سے زائد سالوں کی تجربے کی میراث سے فائدہ اٹھاتے ہوئے حفظانِ 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۔



علی احمد خان  
چیف ایگزیکٹو آفیسر



عبدالصمد داؤد  
چیئر مین



# بورڈ آف ڈائریکٹرزBoard of Directors

**ڈائریکٹر کی ذمہ داریوں کا بیان**

### Statement of Director Responsibilities

ڈائریکٹرز درج ذیل کے لئے ایس ای سی پی کے انتظامی ضابطے سے مشر کہ اور مالی رپورٹنگ کے نظام کی تعمیل کی تصدیق کرتے ہیں۔

1۔ کمپنی کی انتظامیہ کے ذریعہ تیار کردہ مالی بیانات، اس کی امور کی منصفانہ حیثیت، اس کے آپریشن، نقد بہاؤ اور معدلت میں بدلاؤ کا نتیجہ پیش کرتے ہیں۔

2۔ کمپنی کے حسابات کے کھاتے صحیح طور پر ترتیب دیئے گئے ہیں۔

3۔ مالی بیانات کی تیاری کے لئے مناسب حساباتی پالیسیاں مستقل طور پر لاگو کی گئیں، سوائے اس کے جو کہ ابتدائی اطلاق کے معیاروں اور ترمیم یا موجودہ معیارات کی تشریح کے ابتدائی اطلاق کے نتیجے میں

ہونے والی تبدیلیوں کے نتیجے میں ہوں۔ حسابات کا تخمینہ معقول اندازوں پر مبنی ہے۔

4۔ بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالی بیانات کی تیاری میں عمل کیا گیا ہے اور ان معیارات سے انحراف کا مناسب طور پر انکشاف کیا گیا ہے۔

5۔ اندرونی اختیاری نظام کا خاکہ مضحکم ہے اور اس کی موثر انداز میں نافذ اور نگرانی کی گئی ہے جس میں مناسب اندرونی مالی اختیارات بھی شامل ہیں۔

6۔ کمپنی کی مسلسل کاروبار جاری رکھنے کی اہلیت پر کوئی شک و شبہات نہیں ہیں۔

7۔ ادارہ جاتی نظم و نسق کے بہترین طریقہ کار سے کوئی مادی انحراف نہیں ہے، جیسا کہ فہرست سازی کے ضوابط میں تفصیل ہے۔

**بورڈ کے اجلاس اور حاضری**

### Board Meetings and Attendance

2020 میں، بورڈ آف ڈائریکٹرز کے ۱5 اجلاس منعقد کیے گئے تاکہ کارکردگی کا دائرہ کا مکمل کیا جاسکے۔ بورڈ کے تمام ممبروں کو بورڈ کے ہر اجلاس سے قبل مناسب دستاویزات دی جاتی ہیں۔ اس میں

عام طور پر کاروباری معاملات پر تفصیلی تجزیہ اور ان معاملات پر مکمل کاغذات شامل ہوتے ہیں جہاں بورڈ کو فیصلہ لینے یا اس کی منظوری دینے کی ضرورت ہوتی ہے۔ بورڈ، خود مختار غیر ایگزیکٹو ڈائریکٹرز کے لئے مشاہرے کا تعین کرتا ہے۔ ڈائریکٹرز کی حاضری کا ریکارڈ درج ذیل ہے۔

| ڈائریکٹر کا نام             | 1<br>6 فروری<br>2020 | 2<br>22 اپریل<br>2020 | 3<br>21 اگست<br>2020 | 4<br>16 اکتوبر<br>2020 | 5<br>27 نومبر<br>2020 | اجلاس میں حاضری |
|-----------------------------|----------------------|-----------------------|----------------------|------------------------|-----------------------|-----------------|
| عبدالصمد داؤد               | √                    | √                     | √                    | √                      | √                     | 55              |
| علی احمد خان                | √                    | √                     | √                    | √                      | √                     | 55              |
| رو لینڈ فریکٹکس وین نیر بوس | √                    | √                     | √                    | √                      | √                     | 55              |
| ایڈورڈس لیمرٹس ہولٹزر       | √                    | √                     | √                    | √                      | √                     | 55              |
| پیٹر الٹے زکو یگ            | ×                    | √                     | √                    | √                      | √                     | 54              |
| ابرا حسن                    | √                    | √                     | √                    | √                      | √                     | 55              |
| زوہیر عبدالخالق             | √                    | √                     | √                    | √                      | √                     | 55              |

**بورڈ کی ساخت اور دائرہ اختیار**

### Board Composition and Governance

31 دسمبر 2020 تک، بورڈ سات ڈائریکٹرز (6 مرد، 1 خاتون) پر مشتمل ہے جس میں ایک ایگزیکٹو ڈائریکٹر، دو آزاد ڈائریکٹر اور چار غیر ایگزیکٹو ڈائریکٹرز شامل ہیں۔ بورڈ کی اجتماعی ذمہ داری ہے کہ

وہ یہ یقینی بنائے کہ فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ کے امور کا اہلیت اور یانت کے ساتھ انتظام کیا جائے۔ جناب عبدالصمد داؤد، ایک غیر ایگزیکٹو ڈائریکٹر، بورڈ کے چیئرمین ہیں، اور جناب علی احمد خان چیف ایگزیکٹو آفیسر ہیں۔ ڈائریکٹرز کی سو انجی تفصیلات اس رپورٹ میں شامل ہیں۔ بورڈ آف ڈائریکٹرز کے اجلاس کے تقویم کو سالانہ جاری کیا جاتا ہے جو مہا سٹے اور منظوری کے لئے مختص معاملات کا شیڈول بناتا ہے۔

بورڈ آف ڈائریکٹرز کمپنیز ایکٹ 2017 اور سٹاک کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے مطابق ڈائریکٹرز کے مشاہروں کے لیے باقاعدہ پالیسی اور شفاف طریقہ رکھتے ہیں۔

مشاہرے / فیس، اجازت نامے، فوائد، اور کارکردگی سے منسلک مراعات سمیت مجموعی طور پر مشاہرے کی تفصیلات مالیاتی بیانات کے نوٹ 39 میں دستیاب ہیں۔ کمپنی کے غیر ایگزیکٹو ڈائریکٹرز کو کوئی معاوضہ یا فیس ادا نہیں کی جاتی ہے۔

**بورڈ معاوضہ کمیٹی**

### Board Compensation Committee

کمیٹی اجلاس میں اعلیٰ افسران کے مشاہرے سے متعلق معاوضے، تنظیم اور ملازمین کی ترقیاتی پالیسیوں کے تمام عناصر کا جائزہ لینے اور تجویز کرنے کے لئے اور ایگزیکٹو ڈائریکٹر اور انتظامی کمیٹی کے ممبروں کے معاوضوں سے متعلق تمام امور کی منظوری کے لئے ملاقات کرتی ہے۔ کمپنی کا افرادی قوت (ایمپل آر) کا سربراہ، بورڈ معاوضہ کمیٹی اجلاس کا سیکریٹری ہے۔ کمیٹی میں درج ذیل ممبران شامل ہیں:

زوہیر عبدالخالق

پیٹر الٹے زکو یگ

علی احمد خان

**بورڈ آڈٹ کمیٹی**

### Board Audit Committee

بورڈ آڈٹ کمیٹی بورڈ کو اپنی نگرانی کی ذمہ داریوں کو پورا کرنے میں معاونت کرتی ہے اور بنیادی طور پر حصص مالکان، اندرونی اختیارات اور خطرات سے نمٹنے کے نظام اور آڈٹ کے عمل کو مالی اور غیر مالی معلومات کا جائزہ لینے اور ان کی رپورٹنگ کرنے میں مدد کرتی ہے۔ اسے انتظامیہ سے معلومات طلب کرنے اور بیرونی آڈیٹرز یا مشیروں کے ساتھ جو مناسب سمجھا جاتا ہے ان سے براہ راست مشورہ کرنے کی خود مختاری ہے۔ چیف فنانشل آفیسر حسابات پیش کرنے کی دعوت کے ذریعہ باقاعدگی سے بورڈ آڈٹ کمیٹی کے اجلاسوں میں شریک ہوتے ہیں۔ ہر اجلاس کے بعد، کمیٹی کے چیئرمین بورڈ کو رپورٹ پیش کرتے ہیں۔ کمیٹی نے 2020 کے دوران 4 بار ملاقات کی۔ کمیٹی میں درج ذیل ممبران شامل ہیں:

ابرا حسن

ایڈورڈ زلیمرٹس ہولٹزر

زوہیر عبدالخالق

کمیٹی کے سیکریٹری جی ایم انٹرنل آڈٹ سلیم لالانی ہیں۔

اٹھائے گئے۔ ان اقدامات میں سے ایک Lean In Circles کا تعارف تھا جس کے تحت تنظیم بھر کی خواتین کو اکٹھا کیا گیا اور ایک دوسرے سے رابطہ قائم کرنے اور اپنے جذبات کے اظہار کے لئے ایک پلیٹ فارم مہیا کیا گیا۔مزید برآں، تنظیم نے متنوع پس منظر سے ہنر کوراغب کرنے کے لئے اپنی بھرتی کے عمل میں شعوری طور پرتنوع پڑتی کے پی آئی سرایت کی ہے۔

یہ اس مقصد کے ساتھ کیا گیا ہے جو ایک ایسی ثقافت کو قابل بنائے جو مجموعی ہو، صنفی مساوات کو فروغ دے، ملازمین کی شراکت کو ان کی عمر، صنف، نسل، واقفیت یا پس منظر کی طرف کسی تعصب کے بغیر ان کی قدر اور حوصلہ افزائی کرے۔



بنگ لیڈرز پروگرام جو، جولائی 2019 میں شروع کیا گیا تھا، اس میں متنوع پس منظر کے موجودہ گریجویٹس کو کمپنی میں شامل کیا جس کا مقصد مستقبل کے رہنماؤں کی تشکیل اور تنظیم کی وئی پائپ لائن کو مضبوط بنانا ہے۔ ان نوجوان افراد کو بات چیت کرنے اور اپنے کاروباری صلاحیتوں کو فروغ دینے کے لیے مختلف افعال سے سیکھنے کا موقع ملا۔ 18 ماہ کے کٹھن پروگرام کے بعد، اب یہ نوجوان اپنے اپنے متعلقہ شعبوں میں مکمل فریضے کی ذمہ داری قبول کرنے کے لئے تیار ہیں۔

#### اکاؤنٹنگ کے معیارات

### Accounting Standards

کمپنی کی اکاؤنٹنگ پالیسیاں کمپنیز ایکٹ 2017 اور اس طرح کے منظور شدہ بین الاقوامی مالیاتی رپورٹنگ معیارات کے قاضیوں کی عکاسی کرتی ہیں جن کو اس ایکٹ کے تحت مطلع کیا گیا ہے اور ساتھ ہی ساتھ پاکستان کے سکیورٹیز اینڈ ایکسچینج کمیشن کی جاری کردہ ہدایت کے ذریعے بھی۔

#### ایمپلائئ شیئر آپشن اسکیم

### Employee Share Option Scheme

کمپنی حصص کے اختیار کا منصوبہ چلاتی ہے۔ اس منصوبے کی تفصیل وضاحتی حسابات کے نوٹ 19 میں بیان کی گئی ہے۔

#### آمدنی فی حصص

### Earnings Per Share

31 دسمبر 2020 کو ختم ہونے والے سال میں کمپنی کی آمدنی فی حصص کا بیان حسابات کے نوٹ نمبر 35 میں کیا گیا ہے۔

#### پنشن، گریجویٹی اور پروویڈنٹ فنڈ

### Pension, Gratuity and Provident Fund

کمپنی کے ملازمین اینگرو کارپوریشن لمیٹڈ کے زیر انتظام ریٹائرمنٹ فنڈز میں حصہ لیتے ہیں۔ کمپنی ایسے منصوبوں میں حصہ ڈالتی ہے جو اپنے ملازمین کے بعد ملازمت اور ریٹائرمنٹ کے فوائد مہیا کرتی ہے۔ ان میں ڈیفائنڈ کنٹری پیوشن پروویڈنٹ پلان، ڈیفائنڈ کنٹری پیوشن گریجویٹی پلان اور ڈیفائنڈ پینیفٹ گریجویٹی پلان شامل ہیں۔ ڈیفائنڈ پیفٹ گریجویٹی پلان کی سرمایہ کاری کی مدت تازہ ترین پڑتال شدہ مالیاتی گوشواروں کے مطابق درج ذیل ہے۔

| ڈی بی گریجویٹی فنڈ         |     |
|----------------------------|-----|
| روپے ملین میں              |     |
| 30 جون 2020                | 510 |
| 1- ریگولر انکم سرٹیفکیٹس   | 178 |
| 2- ڈیفنس سیونگ سرٹیفکیٹس   | 28  |
| 3- پاکستان انویسٹمنٹ بانڈز | 188 |
| 4- شیئرز (حصص)             | 103 |
| 5- پیپک ڈپازٹس             | 10  |
| 6- واجب الوصول رقم         | 12  |
| 7- واجب الادا رقم          | (9) |
| کل میزان                   | 510 |

مذکورہ منصوبہ ٹیکس حکام کے ذریعہ تسلیم شدہ ایک سرمایہ کاری کا منصوبہ ہے۔ گریجویٹی اسکیم کی تازہ ترین قیمت کا تخمینہ 31 دسمبر 2020 کو انجام دیا گیا تھا اور ان کے مالی گوشواروں کی پڑتال 30 جون 2020 تک کی گئی ہے۔

## آڈیٹرز

# Auditors

موجودہ آڈیٹرز، میسرز اے ایف فرگوسن اینڈ کمپنی سبکدوش ہوئے اور خود کو کمپنی کے قانونی آڈیٹر کی حیثیت سے دوبارہ تقرری کے لئے پیش کیا۔ کمپنی کے بورڈ آف ڈائریکٹرز نے میسرز اے ایف فرگوسن اینڈ کمپنی کی دوبارہ تقرری کے لئے بورڈ آڈٹ کمیٹی کی سفارش کی توثیق کی ہے۔

#### شیئر ہولڈنگ کا اسلوب

### Pattern of Shareholding

کمپنی کے بڑے حصص یافتگان فریڈ لینڈ کمپنا پاکستان ہولڈنگز لمی وی (51%) اور اینگرو کارپوریشن لمیٹڈ (40%) ہیں۔ دوسرے حصص یافتگان مقامی ادارے اور عام عوام ہیں۔

حصص یافتگان کے کچھ حصوں کی شیئرز ہولڈنگ کے اسلوب کے ساتھ حصص یا فٹنگی کے عمومی اسلوب کا بیان جس کا انکشاف رپورٹنگ فریم ورک کے تحت ضروری ہے اور ڈائریکٹرز، ایگزیکٹوز اور ان کے شریک حیات کی طرف سے 2020 کے دوران نابالغ بچوں سمیت حصص کی خرید و فروخت کا بیان آگے دکھایا گیا ہے۔

#### اندرونی اختیاری نظام

### Internal Control Framework

#### ذمہ داری

### Responsibility

بورڈ کمپنی کے اندرونی اختیاری نظام اور اس کی تاثیر کا جائزہ لینے کے لئے ذمہ دار ہے۔ تاہم، ایسا نظام کاروباری مقاصد کے حصول میں ناکامی کے خطرے کو ختم کرنے کے بجائے اس کو کم از کم کرنے کے لئے بنایا گیا ہے، اور یہ مادی غلط استعمال یا نقصان کے خلاف صرف معقول لیکن مطلق یقین دہانی فراہم نہیں کر سکتا ہے۔ بورڈ کے تحت، کمپنی کے اندر خطرات کے انتظام کے لئے اپنی مجموعی ذمہ داری کو برقرار رکھتے ہوئے، اندرونی اختیاری نظام کا تفصیلی خاکہ اور عمل چیف ایگزیکٹو کو سونپا ہے۔

#### نظام

### Framework

کمپنی واضح ڈھانچے، اختیارات کی حدود، احتساب، واضح منصوبہ بندیوں اور طرز عمل پر مشتمل ایک واضح اختیاری نظام کو برقرار رکھتی ہے۔ بورڈ تنظیمی حکمت عملی اور کمپنی کے کاروباری مقاصد کو قائم کرتا ہے۔ ذیلی انتظامیہ ان مقاصد کو مالی مقاصد کی حمایت کے ساتھ ذیلی کاروباری حکمت عملی میں ضم کرتی ہے۔

#### جائزہ

### Review

کمپنی کی مالی کارکردگی، مالی اور انتظامی میزانیہ اور پیش گوئی، کاروبار میں اضافے اور ترقیاتی منصوبوں، سرمایہ خرچ کی تجاویز اور دیگر اہم کارکردگی کے اشارے پر غور کرنے کے لئے سہ ماہی اجلاس ہوتا ہے۔ بورڈ آڈٹ کمیٹی بیرونی اور اندرونی پڑتال کنندگان سے اندرونی اختیاری نظام کے بارے میں رپورٹس حاصل کرتی ہے اور اندرونی اختیارات کی تاثیر کی نگرانی کے عمل کا جائزہ لیتی ہے۔

#### اندرونی جانچ پڑتال

### Internal Audit

کمپنی کے اندرونی جانچ پڑتال کا ایک خود مختار شعبہ ہے۔ بورڈ آڈٹ کمیٹی ہر سال وسائل کی مناسبات اور اس شعبے کے اختیار کا جائزہ لیتی ہے۔ اندرونی جانچ پڑتال کا سربراہ ہی آڈٹ کمیٹی کو فعال طور پر جوابدہ ہے۔ بورڈ آڈٹ کمیٹی کارکردگی کے شعبوں میں سالانہ اندیشوں کے تخمینے کی پڑتال پر مشتمل درامد کی منظوری دیتی ہے۔ اندرونی جانچ پڑتال کے طریقے سے مالیاتی نظرنانی، کام اور تکمیل کے اختیارات اور تجاویز کی رپورٹس بورڈ آڈٹ کمیٹی، چیف ایگزیکٹو اور ذیلی انتظامیہ کو دی جاتی ہے۔

#### خطرات سے نمٹنا

### Risk Management

وسیع تر سیاسی اور معاشی ماحول کے تناظر میں درپیش خطرات کا جائزہ لینے کے لئے کمپنی کے پاس خطرات سے نمٹنے کا باقاعدہ نظام ہے۔ خطرات سے نمٹنے کا نظام کمپنی کی کاروباری سرگرمیوں سے متعلق حکمت عملی، ریگولیٹری، مالی، آپریشنل، ساکھ، اور پائیداری کے خطرات کی نشاندہی کرتا ہے۔ خطرات کا جائزہ پاکستانی قائدانہ ٹیم محکمانہ مقاصد، اہداف اور کارکردگی کو مد نظر رکھتے ہوئے لیتی ہے۔ تشخیص شدہ خطرات کے اثرات کو کم سے کم کرنے کے لئے مناسب حکمت عملی تیار کی جاتی ہے اور ان پر عمل درآمد کیا جاتا ہے۔ کمپنی نے اپنے خطرات سے نمٹنے کے ڈھانچے کو عالمی طرز عمل کی بنیاد پر وضع کیا ہے جس کی بیرونی فریڈ لینڈ کمپنیا کرتی ہے، جس کا مقصد کاروبار سے وابستہ خطرے کے انتظام کے ساتھ کمپنی کی ترقی کو آگے بڑھانا ہے۔

میونیکھچرنگ سائنس اور فیلڈ دفاتر میں سخت پروڈکول قائم کیے گئے۔ جہاں کمپنی اور فریق ثالث کے لیے کام کرنے والے تمام ملازمین کو سائنس میں داخل ہونے سے پہلے طبی معائنہ کروانا ہوگا۔ کمپنی کے تمام مقامات پر COVID-19 کی مخصوص حفاظتی مواصلاتی مہم آگاہی بھی شروع کی گئی تھی اور آج بھی جاری ہے۔ ہم میں روزانہ آگاہی نشستیں شامل ہیں تاکہ یہ یقینی بنایا جاسکے کہ ملازمین دفاتر اور دفاتر سے باہر ایس او پیز اور بہترین طریقوں کے بارے میں باخبر رہیں۔ اس سے ہمیں COVID-19 پروڈکول کے بارے میں 30,000 سے زائد گھنٹوں کی ٹریننگ حاصل کرنے میں مدد ملی، نیز ہمارے ملازمین کے ذریعہ بالواسطہ 15,000 سے زائد افراد کو اس عالمی وبائی مرض سے حفاظت کے اقدامات اور روک تھام کے بارے میں آگاہی حاصل کرنے میں مدد ملی۔



کمپنی نے اپنے ملازمین اور شرکات داروں کے لئے امدادی پروگرام بھی شروع کیے، جن میں طبی ہیلپ ڈیسک، او پی ڈی کیپیج میں اضافہ اور ہنگامی صورت حال میں آکسی میٹر اور آکسیجن ٹینکس جیسے گھر بلومعاون سامان کی دستیابی شامل ہے۔ کمپنی نے کسانوں کی ذریعہ آمدنی میں بہتری لانے کے لیے بھی مدد بھی جاری رکھی اور آگاہی نشستیں منعقد کیں تاکہ کسانوں کو COVID-19 کے بارے میں تعلیم دی جاسکے۔

ایچ ایس ای کے رہنما اصولوں کی پابندی میں کمپنی کی کوششوں اور بہترین توجہ دینے کے نتیجے میں، پچھلے چھ سالوں میں ٹوٹل ریکارڈڈ مل انجری ریٹ (ٹی آر آئی آر) میں نمایاں کمی واقع ہوئی ہے۔ ایک سال کے دوران، کمپنی کے ملازمین اور ٹیکیداروں کی ٹی آر آئی آر کو 0.01 ریکارڈ کیا گیا، ملازمین اور مقاماتیوں کے ذریعہ 14 ملین سے زائد مین آورز ریکارڈ کیے گئے۔

## ماحولیاتی ذمہ دارانہ طریقوں کو یقینی بنانا Ensuring Responsible Environmental Practices

کمپنی اپنے کاروباری عمل کے ماحولیاتی اثرات کو کم کرنے اور قدرتی وسائل کے غیر ضروری ضیاع کو روکنے کے لئے اضافی میل طے کر کے دنیا کے تحفظ اور تحفظ کی ضرورت کو تسلیم کرتی ہے۔ کمپنی کی کاروباری حکمت عملی بھی اس نقطہ نظر کے ساتھ پوری طرح منسلک ہے۔ قدرتی رہائش کے تحفظ کے لئے جاری کوششوں میں، کمپنی نے اپنے ایریا دفاتر میں سٹی توانائی سے گیزر کی تنصیب میں سرمایہ کاری کی ہے اور اس کے ساتھ ساتھ اس کے سپلائی چین کے شرکات داروں کو دودھ جمع کرنے والے مراکز (ایم سی سی) کے طور پر کام کرتے ہوئے سٹی توانائی سے چلنے والی توانائی کی طرف منتقل ہونے کی بھی حوصلہ افزائی کی ہے، اس طرح ایم سی سی کے کاربن فٹ پرنٹ کو کم کرنے میں مدد ملی۔

گرین ہاؤس گیس (جی ایچ جی) کے اخراج کو کم کرنے کی اپنی جاری کوششوں کے ایک حصے کے طور پر، کمپنی اپنی تمام میڈوٹیکھرنگ یونٹوں میں غیر سی ایف سی مصنوعات کے استعمال کو فروغ دے رہی ہے۔ کمپنی ماحول دوست ایئر کنڈیشنر وں کو فری گیسوں کے ساتھ خرید رہی ہے جو اوزون کی تہہ کے لئے نقصان دہ نہیں ہیں۔ ممکنہ ماحولیاتی خطرات کو کم سے کم کرنے کے لئے موثر کنٹرول کا استعمال کرتے ہوئے، کمپنی مستقبل کی نسلوں کے لئے زمین کے تحفظ کے لئے ٹھوس کوششیں کرنے کا عزم رکھتی ہے۔ اس کا اظہار سکھر اور ساہیوال میں اپنے پیداواری پلانٹس اور ناراڈیری فارم کے لئے آئی ایس او 14001 سرٹیفیکیشن حاصل کرنے کی کوششوں سے ظاہر ہوتا ہے مزید برآں، دودھ کی خریداری اور زرعی خدمات کے 20 ایریا دفاتر آئی ایس او 14001 سے تصدیق شدہ ہیں۔ پانی کی کھیت کو سالانہ بنیادوں پر کم کرنے کے لئے ایک منظم پروگرام بھی ہے۔

ڈبلیو ڈبلیو ایف پاکستان کے ذریعہ گرین آفس پروجیکٹ کے تحت کمپنی کا مرکزی دفتر اس کے ساہیوال اور سکھر پلانٹ اور ناراڈیری فارم اور انتظامیہ کے دفاتر "گرین آفس" کے طور پر سند یافتہ ہے۔ کراچی میں مرکزی دفتر کے ذریعہ کاغذات کے کم استعمال کے پائلٹ پروجیکٹ کے نتیجے میں کاغذات کے استعمال میں 40 فیصد کمی واقع ہوئی۔ ملازمین میں ماحولیاتی امور کے بارے میں شعور اجاگر کرنے کے لئے سال بھر میں مختلف نشستوں کا انعقاد کیا گیا، جن میں ارتھ ڈے اور ارتھ آور شامل ہیں۔

پانی کی کھیت کو کم کرنے کے لئے کمپنی نے اپنی پیداواری سہولیات پر نمایاں سرمایہ کاری کی ہے۔ گزشتہ سالوں میں، کمپنی نے پانی کے تحفظ کے منصوبوں میں 115 ملین روپے کی سرمایہ کاری کی ہے۔ سال 2019 میں، پانی کی کھیت سال 2018 کے 4.47 کیوبک میٹر فی لیٹر سے 19 فیصد کم ہو کر 3.61 کیوبک میٹر فی لیٹر ہو گئی، جسے COVID-19 کی وجہ سے انتہائی مشکل آپریشننگ حالات کے باوجود 2020 میں برقرار رکھا گیا۔

2020 میں، کمپنی نے 35 ایم سی سی پر سٹی توانائی سے دودھ کے چلر کو چھوڑ کر دیگر آلات تبدیل کر دیئے ہیں، جس سے کاربن ڈائی آکسائیڈ / ایم سی سی / یومیہ 7 کلوگرام بچت ہوگی۔ مزید یہ کہ، ایک پائلٹ پروجیکٹ جس میں لوڈنگ پمپ کو ڈائریکٹ کرنٹ میں تبدیل کرنا اور دودھ کے ٹینکروں پر سٹی خلیوں کی براہ راست تنصیب شامل ہے۔ کمپنی توقع کرتی ہے کہ سٹی خلیوں والے دودھ کے ٹینکروں کی مجموعی تعداد 40 ہو جائے گی اور تقریباً 3 کلوگرام کاربن ڈائی آکسائیڈ / ٹینکر / رنگ ڈے کی بچت ہوگی۔ کمپنی نے کچھ ڈیری فارمز کی سٹی توانائی سے چلنے والا سیٹ اپ لگانے میں بھی مدد کی۔

## ہمارے انسانی وسائل Our Human Resource

فریڈ لینڈ کمپنا اینگریو پاکستان میں، ملازمین کی حفاظت اور بہبود کو اولین ترجیح سمجھا جاتا ہے۔ چونکہ سال 2020 کو COVID-19 وبائی مرض نے متاثر کیا۔ اس میں بہت سارے بے مثال اقدامات کی ضرورت پیش آئی۔ فرحت سے کام کرنے کے باوجود افرادی قوت کو تنظیم سے منسلک رکھنے کے لئے۔ ملازمین کی مصروفیت اور مہارت کی نشوونما کے سلسلے کو جاری رکھنے کے لئے متعدد ڈیجیٹل اقدامات شروع کیے گئے تھے۔ ان اقدامات میں سیکھنے کی نشستیں، فلاح و بہبود کی نشستیں، روزانہ اطلاع نامہ، آن لائن تقریبات اور بہت سے ورچوئل روابط شامل تھے۔ قائدانہ ٹیم بھی مشکل وقتوں میں جڑے رہنے کے لئے پرعزم تھی تاکہ اس بات کو یقینی بنایا جاسکے کہ ملازمین کا حوصلہ کبھی نہ کھوئیں۔ ورچوئل ٹاؤن ہالز اور کافی نشستوں سے ٹیموں کو قائدانہ ٹیم کے ساتھ بات چیت کرنے کے مواقع ملے، جس کی مدد سے وہ کمپنی کے مقاصد سے جڑے رہے۔ یہ مداخلت ملازمین کی فلاح و بہبود کو بڑھانے کے مقصد سے کی گئی ہے، تاکہ وہ اپنی بہتر کارکردگی کو جاری رکھیں۔

### ترتیب اور جانشینی کی منصوبہ بندی

## Training and Succession Planning



کمپنی کا ہنرمندانہ عزم "جب آپ ترقی کرتے ہیں تو ہم ترقی کرتے ہیں" ہے لہذا ہم مستقل سیکھنے پر یقین رکھتے ہیں اور یہ کہ ہر کوئی اپنی طاقت اور ترقی کے مواقع لے کر آتا ہے۔ 2020 کے دوران انسانی وسائل کی ٹیم نے شعبے میں ہر درجے کے لئے افرادی ذاتی صلاحیتوں کے منصوبوں پر شعوری طور پر کام کیا تاکہ لوگوں کو مستقبل کے کرداروں کو تیار کیا جاسکے اور قائدانہ کرداروں کے لیے ایک مضبوط جانشینی کا منصوبہ تیار کیا جاسکے۔ سال کے دوران، عالمی سطح پر چلنے والے متعدد اقدامات متعارف کروائے گئے۔ جس میں ACE اور سپلائی چین اُن لاک، اور تنظیم میں تکنیکی اور طرز عمل کی اہلیت کو بڑھانے کے لئے Skill Up 2020 جیسا ٹریننگ پروگرام مقامی طور پر نافذ کیا گیا۔

### بحرئی اور ثقافت

## Recruitment & Culture

کمپنی کی کامیابی خاص طور پر غیر معمولی اوقات میں اپنے ملازمین کی کوشش سے حاصل ہوتی ہے۔ کمپنی اپنے بہترین ٹیلنٹ کے حصول کے عمل کے ذریعے مارکیٹ سے بہترین ہنر کو راغب کرنے کی کوشش کرتی ہے اور اس بات کو یقینی بناتی ہے کہ وہ اس ہنر کو برقرار رکھے اور ایک عظیم ثقافت کے ذریعہ جو افرادی قوت کو پرورش اور قابل بناتا ہے۔

کمپنی اپنے ملازمین کی انفرادیت پر خوشی محسوس کرتی ہے اور ان کے تنوع کی قدر کرتی ہے۔ کمپنی ایک ایسا ماحول پیدا کرنے کے اعتقاد کو فروغ دیتی ہے جہاں ہر ایک بہتر اور زیادہ پائیدار کاروباری کارکردگی کو آگے بڑھانے کے لیے کام کرنے کے لئے اپنی بہترین کارکردگی کا مظاہرہ کرے۔ اس کوشش میں اس کے تنوع اور شمولیت کے سفر پر مستحکم رہنے کے لئے متعدد اقدامات



ہمارے ملازمین اسکولوں میں ماحولیات، صفائی ستھرائی، اور صحت کی اہمیت کے بارے میں وقتاً فوقتاً کمیونٹی کی مصروفیات تشیتیں جاری رکھے ہوئے ہیں۔

### ڈیری کی ترقی کا منصوبہ:

### Dairy Development Program

کپنی کے ابھرتے ہوئے نیٹ ورک میں دودھ جمع کرنے والے مراکز کی تعداد +1,300 سے زائد ہے۔ جو پورے پاکستان میں 116,000 کسانوں اور دودھ فراہم کرنے والوں کو پائیدار معاش فراہم کرتی ہے۔ ڈیری فارمز کپنی کی سیلائی چین کی ریڈھکی ہڈی کی حیثیت رکھتے ہیں اور کپنی صنعت کے معروف ڈیری ڈویلپمنٹ پروگرام میں بہت فخر محسوس کرتی ہے، جو جامع ترقی اور منافع میں اضافے کو یقینی بنانے کے لئے مرتب کیا گیا ہے۔

ڈیری ڈویلپمنٹ پروگرام (ڈی ڈی پی) کے تحت کپنی کسانوں کے ساتھ مل کر ان کے فارم کی ترقی اور ان کی پیداوار کی مقدار اور معیار کو بڑھانے کے لئے کام کرتی ہے۔ یہ فارم سے منسلک اچھے طریقوں کی باقاعدہ تربیت کے ساتھ ساتھ سرمایہ کاری میں مالی اعانت کے ذریعے ہوتی ہے۔ ڈی ڈی پی کے متعدد اقدامات کے ذریعہ، ہم پاکستان میں ڈیری اور مویشیوں کے شعبے کی ترقی میں براہ راست حصہ ڈالتے ہیں، جو اسے جی ڈی پی (خالص مجموعی گھریلو مصنوعات) کا تقریباً 11.7 فیصد ہے اور زراعت کے شعبے میں 60.6 فیصد حصہ ہے۔



2020 میں کپنی نے 34,000 سے زائد کسانوں کو جانوروں کی صحت، غذائیت اور فارم کے انتظام میں تربیت دی۔ مزید برآں، کپنی سے وابستہ کھیتوں میں چارے کی قلت پر قابو پانے کے لئے، ہماری ٹیموں نے کسانوں کو چارہ گھاس بنانے اور 205 ہزار ٹن گناخوں کے بنانے میں مدد کی، جن کی مالیت 1,435 ملین روپے ہے۔ کپنی نے 425 سے زائد کسانوں کے لیے شیڈ کی

تعمیر اور بہتری کے ساتھ سسڈی والے نر خوں پر فارم مشینری کی فراہمی کی صورت میں تعاون کیا۔ ہمارے مالی شمولیتی پروگرام کے ذریعہ، ہم نے اپنے کسانوں کو گائے کی خریداری کے لئے 662 ملین روپے کے مختصر المدتی قرضے دیئے۔

مزید برآں، ڈیری شعبے کی کاوشوں کو بڑھانے کے لئے، کپنی نے کسانوں کے لیے بینک آف پنجاب کے ساتھ مل کر ان کی برانچوں کے ذریعے، ملک بھر میں قابل رسائی مالی اعانت فراہم کرنے کے لئے تعاون کیا۔ اس منصوبے کے تحت، کسان بینک آف پنجاب کی جانب سے سب سے کم شرح سود کے ساتھ سازگار شرائط پر اپنے کاروبار کے لئے مالی سہولیات حاصل کر سکیں گے۔

### ڈیری مداخلتوں کے ذریعہ خواتین کی آمدنی میں اضافہ (ای ڈبلیو آئی ڈی):

### Enhancing Women's Income through Dairy Interventions [EWID]

کپنی معاشرتی ترقی کو ایسے پروگراموں کے ذریعہ آگے بڑھانے کے لئے پرعزم ہے جو وسیلہ معاش کو بہتر بنائے اور خواتین کے لئے صلاحیت پیدا کرنے میں معاون ہو۔ ای ڈبلیو آئی ڈی پروجیکٹ کا آغاز محکمہ برائے خارجہ امور اور تجارت – حکومت آسٹریلیا کے تعاون سے کیا گیا۔ اس اقدام کے ذریعہ، 2019 سے ہم خواتین کسانوں کو تعلیم اور تربیت دینا چاہتے ہیں۔ مزید برآں، ہم خواتین کو لائیو اسٹاک ایکسٹینشن ورکرز کی حیثیت سے ملازمت حاصل کرنے میں مدد کرتے ہیں۔

نومبر 2020 تک:

- 1452 خواتین کسانوں نے مویشیوں سے منسلک بنیادی تربیت حاصل کی ہے۔
- 52 خواتین کو لائیو اسٹاک ایکسٹینشن ورکرز کی تربیت دی گئی ہے۔
- 11 خواتین کو گاؤں میں دودھ جمع کرنے والے کارندوں کی حیثیت سے تربیت دی گئی ہے۔
- 500 مرد کسانوں نے معاشرتی اصولوں کو تبدیل کرنے اور ان کے ماحول کی ثقافت کو متاثر کرنے کی کوشش میں صنفی حساسیت کی تربیت بھی حاصل کی ہے۔



### لائو اسٹاک مینجمنٹ (ڈبلیو آئی ایل ایم) میں خواتین کی تربیت:

### Women Training in Livestock Management [WTLM]



ڈبلیو آئی ایل ایم منصوبہ پنجاب سکڑ ڈویلپمنٹ فنڈ کے ساتھ اشتراک عمل ہے جس کا مقصد دودھ کی زیادہ سے زیادہ پیداوار کے لئے 1500 خواتین کا ششکاردوں کو بنیادی مویشیوں کی کھیتی باڑی پر تربیت اور صلاحیت سازی کرنا ہے۔ منتخب خواتین کا ششکاروں نے 45 دن تک جاری رہنے والے مظاہرے کے تربیتی کورس میں حصہ لیا جو بیماریوں پر قابو پانے، چارے کے تحفظ اور نسلوں کی بہتری کے بارے میں بنایا گیا تھا۔ اس کے نتیجے میں دیہی علاقوں میں جانوروں کی پیداواری صلاحیت میں 20 فیصد اضافہ اور اضافی آمدنی پیدا ہوئی۔

### صحت، حفاظت اور ماحولیات

### Health, Safety and Environment

کپنی صحت، حفاظت اور ماحولیات (ایچ ایس ای) کے اعلی معیار کو برقرار رکھنے پر پختہ یقین رکھتی ہے تاکہ اس کے ساتھ کام کرنے والے لوگوں کے ساتھ ساتھ آس پاس کی برادریوں، جہاں یہ کام کرتی ہے، کی فلاح و بہبود کو یقینی بنائے۔

### ملازمین کی حفاظت کی یقینی

### Ensuring employee safety at the workplace

کپنی کے ملازمین اور نگیداروں سے توقع کی جاتی ہے کہ وہ اس کے ایچ ایس ای مینجمنٹ سسٹم پر عمل درآمد کریں گے جو بین الاقوامی معیار اور بہترین طریق کار کو مد نظر رکھتے ہوئے تیار کیا گیا ہے۔ کئی سالوں کے دوران، کپنی ڈوپنٹ مطابقت کے ذریعہ پیشہ ورانہ حفاظت اور صحت انتظامیہ (اولیں ایچ اے – امریکہ) کی تعمیل حاصل کرنے کے منصوبوں پر عمل پیرا ہے اور اس کی کوششوں میں کامیاب رہی ہے۔

کام کی جگہ پر ایک حفاظتی پروگرام نافذ کیا گیا ہے، جو حفاظت سے متعلق امور کا تجربہ کر کے کام کے مقام پر حادثات کے ممکنہ خطرات کو فعال طور پر کم کرنے کی کوشش کرتا ہے۔ چونکہ ڈوپنٹ

حفاظتی امور بنیادی طور پر لوگوں پر مرکوز ایک آلہ کار ہے، لہذا کپنی نے سال بھر میں تربیتی نشستیں منعقد کروا کے ملازمین کی فلاح و بہبود میں بہت زیادہ سرمایہ کاری کی ہے، جس میں مجموعی طور پر 6400 سے زائد ٹریننگ اوقات شامل ہیں۔ اپنے ملازمین کی حفاظت سے متعلق وابستگی کی توثیق کرنے اور زیادہ سے زیادہ بہتری حاصل کرنے کے لیے کپنی نے مختلف سلسلوں کی میزبانی کی جس میں حفاظتی ہفتہ اور مہینے کے حفاظتی چیمپئنز کا انعقاد شامل ہے۔

فریز لینڈ کمپنا گلوبل ایچ ایس ای مینجمنٹ سسٹم "FOQUS SHE" کے ساتھ صف بندی کی گئی اور یہ کپنی فریز لینڈ کمپنا دنیا کی پہلی آپریشنل کپنی بن گئی جس نے اپنے پہلے امتحان میں "اعطیان بخش" نتیجہ حاصل کیا۔ کام کی جگہوں پر شدید حادثات اور خطرات سے متعلق ملازمین کی آگاہی کو بڑھانے کے لیے 'لائف سیویگ رولز' کو مرکزی حیثیت حاصل رہی تاکہ کام کے لیے محفوظ ماحول فراہم کیا جائے۔ اسے آئی ای ایس (دھماکہ خیز ماحول کو کنٹرول کرنے کے لئے یورپی یونین کی ہدایت) کے ذریعے اپنی ٹیکسٹریوں کے لئے ایکشن پلان کے ساتھ پاؤڈر ڈسٹ کے دھماکوں کا خطرہ؛ جانچ لیا گیا۔ کیمیکل اور مشینی حفاظت کچھ ایسے شعبے ہیں جہاں کپنی نے مزید اقدامات بڑھانے کے عزم کا مظاہرہ کیا ہے۔



ملازمین اور کاروباری شراکت داروں کی حفاظت کپنی کے لئے اولین کی ترجیح ہے۔ جب COVID-19 وبا کی امراض کا آغاز ہوا تو پہلا اور سب سے اہم مشکل ہموار اور مسلسل کاموں کو یقینی بنانا تھا جو ہم نے ذاتی حفظان صحت اور رابطے کا سراغ لگانے کے پلیٹ فارم بنانے کے ساتھ، رنگ باڑ لگانے اور سماجی دوری جیسے اقدامات اپناتے ہوئے حاصل کیے۔ سال کے دوران متعدد فعال اقدامات نافذ کیے گئے، جن میں ادارے بھر میں عام اور خصوصی حفاظتی مواصلاتی کی مہمات، معیاری آپریشنل طریقہ کار پر عمل درآمد، اور تمام فیلڈ عملے کے لئے حفاظتی سامان کی فراہمی شامل ہیں۔



# ڈائریکٹرز کی رپورٹ Directors' Report

ہم، فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ (فریز لینڈ کمپنا پاکستان ہولڈنگز بی۔وی کی اکثریتی ملکیتی ماتحت کمپنی) کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے رپورٹ اور عبوری مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

## کاروباری جائزہ Business Overview

لگاتار 9 ویں سہ ماہی کے دوران بھی کاروبار نے شاندار شرح نمو کے ساتھ ترقی کا سلسلہ کامیابی کے ساتھ جاری وساری رکھا۔ اگرچہ لاک ڈاؤن کے سبب ریٹیل اور تفریحی مقامات کو بہت سی بندشوں کا سامنا کرنا پڑا تھا لیکن پھر بھی اس سال کے دوران، کمپنی نے 144.2 ارب روپے کی آمدنی سال 2020 میں ظاہر کی جو کہ گزشتہ مالی سال کے اسی عرصے کے مقابلے میں 14 فیصد زیادہ ہے۔

گزشتہ 12 ماہ کے دوران اجناس کی قیمتوں میں بے پناہ اضافے کے باعث افراط زر کی ریکارڈ سطح اور پاکستانی روپے کی قدر میں بے پناہ کمی کے سبب لاگت کے اعتبار سے کمپنی کو بے تحاشہ مشکلات کا سامنا رہا تاہم کمپنی نے کاروبار میں متعدد اہم اقدامات اٹھائے جس میں لاگت کی موثریت اور کمس منجمنٹ جیسے اقدامات شامل ہیں جنہوں نے اس مشکل سے نبرد آزما ہونے میں معاونت کی۔ جس کے نتیجے میں مجموعی منافع گزشتہ سال کے مقابلے میں 80 ہیز پوائنٹس بہتر ہوا۔ اس کے علاوہ کمپنی نے انتظامی اور ترسیلاتی اخراجات کی موثریت کے اہم اور مناسب اقدامات اٹھائے جس سے اخراجات پر قابو پانے میں بہت مدد ملی۔ اس سب کے نتیجے میں، کمپنی نے بعد از ٹیکس 177 ملین روپے کا منافع حاصل کیا جبکہ گزشتہ سال کی اسی مدت کے دوران 955 ملین روپے کا نقصان اٹھانا پڑا تھا۔

# 44.2

ارب روپے  
سال 2020 میں آمدنی

## ڈیری و مشروبات کا شعبہ

### Dairy and Beverages Segment

ڈیری اور مشروبات کے شعبے نے 40.5 ارب روپے کی آمدنی سال 2020 میں ظاہر کی جو کہ گزشتہ سال کے مقابلے میں 17 فیصد زیادہ ہے۔ اس شعبے میں ترقی کا رجحان دو اہم اور بنیادی برانڈز اولپرز اور ترنگ کے باعث جاری رہا جنہوں نے مارکیٹ میں اپنے بطور نمایاں برانڈز اور تجارتی سرمایہ کاری کے ذریعے مضبوط پوزیشن کو برقرار رکھا۔ اس سال کے دوران، ترقی کے سلسلے کو جاری رکھنے کے لیے ریٹیل فٹ پرنٹ کو مزید 11,000 آؤٹ لیٹس تک بڑھایا گیا۔ اسی طرح، COVID-19 کے دوران جاری لاک ڈاؤن کے دوران زیادہ سے زیادہ صارفین تک موثر رسائی حاصل کرنے کے لیے نئے ترسیلاتی ذرائع اور طریقوں نے بھی ترقی میں اہم کردار ادا کیا ہے۔

اس شعبے نے اپنے پورٹ فولیو کو مزید بہتر بنانے کے لیے اولپرز فلیورڈ ملک (حبائین اور

# 40.5

ارب روپے

سال 2020 میں آمدنی

ڈیری اور مشروبات کے شعبے میں

معدنیات کی طاقت سے بھرپور) اور ترنگ ٹی وائٹنگ پاؤڈر (10 روپے کی کفایتی قیمت میں) کو سال کے پہلے حصے میں متعارف کروایا۔ حالیہ متعارف کروائی گئی مصنوعات میں شامل اولپرز فیل کریم ملک پاؤڈر، اولپرز کریم، اولپرز پروکال اور ترنگ الائچی نے نہایت مختصر مدت میں مارکیٹ کے اندر اپنی جگہ بنائی اور سخت مسابقتی رجحان کے باوجود حوصلہ افزاء مارکیٹ شیئر حاصل کیا۔ کمپنی فریز لینڈ کمپنا کی عالمی مہارتوں سے استفادہ حاصل کرتے ہوئے نئی مصنوعات اور جدید تر متعارف کروائی گئیں اور کاروباری دنیا میں توسیع کی گئی تاکہ مستقبل میں ترقی کا رجحان جاری رہے۔

## آئس کریم اور منجمد میٹھوں کا شعبہ

### Ice Cream and Frozen Desserts Segment

آئس کریم اور منجمد میٹھوں کے شعبے نے 3.6 ارب روپے کی آمدنی ظاہر کی جبکہ گزشتہ سال کی اسی مدت کے دوران 3.9 ارب روپے کی آمدنی ریکارڈ کی گئی تھی۔ یہ شعبہ COVID-19 کے سبب لاک ڈاؤن کے نتیجے میں ریٹیل اور تفریحی مقامات کی بندش کی وجہ سے متاثر ہوا کیونکہ آئس کریم کا کاروبار موسم گرما سے ہی جڑا ہوتا ہے۔ تاہم "سمر بلاک بسٹر" مہم کے ذریعے صارفین میں جوش و خروش بڑھانے کے لیے 7 نئی جدتیں متعارف کروائی گئیں اور کاروباری دنیا میں توسیع کی گئی۔ ان تمام اقدامات کا اُس وقت فائدہ دیکھا گیا جب لاک ڈاؤن میں نرمی ہوئی اور شعبے کی شرح نمو میں اضافہ ہوا۔



## فریز لینڈ کمپنا اینگرو پاکستان لمیٹڈ میں استحکام

### Sustainability at FrieslandCampina Engro Pakistan Limited

## ہمارا مقصد Our Purpose

صحت مند اور پرورش مند پاکستان کا حصول ہماری کامیابی کے لئے بنیادی محرک ہے۔ ہمارا یہ وعدہ ہے کہ ہر بھری گھاس کی فراہمی گائے کے لیے، کسانوں کے لئے زیادہ پیداوار، دودھ کی صنعت کے لئے مضبوط ترقی اور ہر پاکستانی کو قدرتی غذائیت سے بھرپور دودھ ملے۔

کمپنی کا مقصد گھاس سے گلاس تک غذائیت سے بھرپور دودھ کی فراہمی کے ساتھ ساتھ، کسانوں کی ذریعہ آمدنی میں اضافے کے ساتھ، پاکستانیوں کی موجودہ اور آئندہ آنے والی نسلوں کی صحت و تندرستی کو یقینی بنانا ہے۔ کارفرما مقصد کے ساتھ چلنا ہی یہ سب نہیں جو ہم کرتے ہیں بلکہ یہ ایک قدر سے اور یہی مقصد ہمیں آگے بڑھاتا ہے اور ہمارے عمل کی وضاحت کرتا ہے۔

کمپنی، فوڈ سیفٹی اور حفظان صحت، پائیداری کے اہداف اور لاکھوں پاکستانیوں کو غذائیت سے بھرپور ڈیری مصنوعات کی فراہمی کو یقینی بناتی ہے جو قدرتی غذائیت کے لیے ہم پر انحصار کرتے ہیں۔

## سماجی سرمایہ کاری

### Social Investments

کمپنی اُن کیونٹیر کے ساتھ شراکت دار ہے اور سرمایہ کاری کرتی ہے جن میں ہم کام کرتے ہیں۔ نمونہ واقعات یا نیدار ہوتی ہے جب یہ سارے اسٹیک ہولڈرز کے لئے جامع اور فائدہ مند ہو۔ تعلیم اور بااختیار بنانے کے اقدامات سے لے کر بنیادی ڈھانچے کی ترقی اور صلاحیتوں کی تعمیر تک، ہمارے اقدامات اثر اور طویل المدت کے لئے تیار کیے گئے ہیں۔

## اسکول اپنانے اور صحت کا مرکز

### School Adoption & Health Center

2011 میں کمپنی نے پیداواری سہولیات کے قریب آبادی کے بچوں کو تعلیم فراہم کرنے کے لئے اسکول اپنانے کا پروگرام شروع کیا۔ جب سے کمپنی نے اینگرو فوڈ انڈیشن کی مالی اور آپریشنل مدد کے ذریعہ چھ اسکولوں (نارا، سندھ میں دو اور ساہیوال میں ہمارے پلانٹ کے قریب چار) کے ساتھ ساتھ سکھر پلانٹ کے قریب ایک ہیلتھ کیئر سنٹر کی امداد جاری رکھی ہے۔ 2020 میں، کمپنی نے سماجی سرمایہ کاری کے وعدوں کے تحت اسکولوں اور کلب تک میں 20 ملین روپے کا تعاون کیا۔





A man with dark, wavy hair, wearing a black suit jacket, a light blue shirt, and a black tie, is sitting on a brown leather couch. He is looking directly at the camera with a slight smile. His hands are clasped in his lap. The background is a plain, light-colored wall. A large white curved shape is on the left side of the image, partially obscuring the man and the wall.

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As a distribution company, we have been associated with FrieslandCampina Engro Pakistan Limited since 2009. 2020 started off like any other year, full of hope. Unfortunately, that feeling was short-lived. The pandemic greatly affected a lot of businesses, but we managed to recover our losses with the unwavering support of FCEPL. Our partnership with FCEPL has been extraordinary and I take pride in saying that it has become even stronger during these tumultuous times.

**Usman Cheema**  
CEO, Shan Distributors

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