



FrieslandCampina 

Engro Pakistan Limited

Legacy of 150 Years

FIRST QUARTER 2022

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Company information

Board of Directors

Abdul Samad Dawood (Chairman)
Ali Ahmed Khan (CEO)
Abrar Hasan
Eduardus Lambertus Holtzer
Petra Attje Zinkweg
Roeland Francois Van Neerbos
Zouhair Abdul Khaliq

Chief Financial Officer

Imran Husain

Company Secretary

Muneeza Iftikar

Members of Audit Committee

Abrar Hasan (Chairman)
Eduardus Lambertus Holtzer
Zouhair Abdul Khaliq

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

Bankers

Conventional

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Standard Chartered Bank Pakistan Limited
Summit Bank Limited
United Bank Limited
The Bank of Punjab

Shariah Compliant

Meezan Bank Limited
Bank Al-Habib Limited - Islamic Banking

Auditors

A. F. Ferguson & Company
Chartered Accountants

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

Share Registrar

M/s FAMCO Associates (Private) Limited
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

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 three months ended March 31, 2022.

FRIESLANDCAMPINA ENGRO PAKISTAN JOINS HANDS WITH UNIVERSITY OF VETERINARY AND ANIMAL SCIENCES (UVAS) TO ESTABLISH "PAKISTAN-NETHERLANDS DAIRY DEVELOPMENT CENTER" (PNDDC)

The Company aims to provide platform that will revolutionize the landscape of dairy in the world's 4th largest milk producing country; unlocking dairy development expertise for all core stakeholders through the sharing of rich Dutch dairy expertise.

The PNDDC will contribute to the improvement of production, food security, quality, food-safety, and sustainability throughout the dairy value chain of the Pakistan dairy sector.

Moreover, PNDDC would also commence exchange programs, incorporating knowledge and expertise from Netherlands, through arranging expert missions and Farmer2Farmer missions – Dutch farmers and experts would visit Pakistan for guidance and hands-on assistance of local farmers, meanwhile Pakistani farmers will visit Netherlands for hands-on training. The center would also manage deployment of academic talent (research sponsorship for Pakistani students) at the Netherlands or the countries with comparable challenges & opportunities as Pakistan.

BUSINESS OVERVIEW

The Company continues to record double digit growth with revenue reaching Rs 14 billion in the first three months reflecting 20.7% growth versus last year. The growth was fueled by improvement in mix along with increase in volumes in both Dairy & Beverages segment and Ice Cream & Frozen Desserts segment.

With inflation reaching 12.7% (PBS report for March) and devaluation of Pakistan Rupee (3.8% as per SBP since start of the year) the business environment remained challenging. As a result, the gross margins reduced by 140bps. However, through delivery of efficiencies in distribution and fixed cost, profit after tax improved by 10bps (profit after tax of Rs. 664 million in 2022 vs Rs. 547 million in 2021).

DAIRY AND BEVERAGES SEGMENT

With a growth of 19.5% versus last year, the segment reported a revenue of Rs. 12.8 billion. Olper's led the growth in the segment along with strengthening its market leadership position through brand and trade investments.

Significant expansion was witnessed in the retail footprint and E-Commerce channel during the quarter. The segment will continue to explore new channels and route to markets to serve its customers effectively and efficiently.

In 2022, new campaign on Olper's under the "Olper's Happy Mornings" theme went on air which aimed at further strengthening the brands equity and driving conversion from loose milk. 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.

Morning is a key occasion for dairy in Pakistan. To drive penetration of Olper's in the morning occasion and leverage on this huge opportunity of dairy food occasions, Olper's Cheese has been launched recently.

Every slice of Cheese (20g) provides nutrition of one glass of Olper's Milk (200ml) and hence continues to drive the brand message of Nutrition. The business's other recent launches like Olper's Flavored Milk, Olper's full cream milk powder (FCMP), Olper's Pro-Cal, Olper's Cream and Tarang Elaichi have gained a healthy market share in a short span of time despite strong competition from established players.

The Company continues 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

With a growth of 34.1% versus last year, the segment reported a revenue of Rs. 1.2 billion. This growth has been enabled by segment's investment behind season opening activities and expansion of the trade universe by inducting more assets in the market.

To give consumers an experience of a value-added product at an accessible price, the Omore Double Choco Chips Cone has been launched in 2022. A dual chocolate flavoured product with chocolate sauce and chocolate chips is an irresistible offer available for just Rs. 50.

Omore signature thematic campaign "Wow Bhara Bite" continues to be on air and is the perfect expression of what Omore stands for as a brand – the purveyors of tasty, creamy treats in a wide variety of formats, which can be enjoyed by people of all ages – from kids & youth to adults.

FINANCIAL PERFORMANCE

The financial performance of the company for the three months ended March 31, 2022 is summarized below:

(Rs. in million)	Three Months ended March 31, 2022		Variation
	2022	2021	
Net Sales	13,971	11,577	20.7%
Operating Profit	1,184	964	22.9%
% of sales	8.5%	8.3%	20 bps
Profit / (Loss) after tax	664	547	
% of sales	4.8%	4.7%	10 bps
Earnings / (Loss) per share (Rs.)	0.87	0.71	

FUTURE OUTLOOK

Rising inflation and currency devaluation continue to put pressures on the Company's profitability however with an agile business model in place, the management is confident that it will be able to drive efficiencies across value chain and continue to deliver growth.

At FrieslandCampina Engro Pakistan Limited, our purpose is to transform the health and well-being of Pakistanis now and for generations to come, and hence, the Company will continue to partner with the Pakistan Dairy Association (PDA) and the Government on various initiatives to educate the consumers on the potential health hazards of loose milk consumption and reinforce the positive characteristics of safe packaged milk.

The business will also continue to invest behind brand equity to remain the preferred choice for consumers' dairy needs and expand its profit accretive portfolio to leverage margins.

Leveraging its global expertise and 150+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

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2022**

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2022

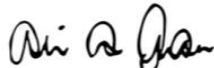
(Amounts in thousand)

	Note	Unaudited Mar 31, 2022	Audited December 31, 2021
		----- Rupees -----	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	9,379,838	9,512,746
Biological assets		1,635,194	1,533,562
Intangibles		49,569	53,876
Right-of-use assets		601,134	521,898
Deferred tax asset - net		178,339	184,917
Long term advances and deposits		78,551	60,688
		11,922,625	11,867,687
Current Assets			
Stores, spares and loose tools	5	410,817	369,152
Stock-in-trade	6	10,118,360	4,664,820
Trade debts		1,652,296	1,305,122
Advances, deposits and prepayments		538,598	538,795
Accrued mark-up / interest		-	21,264
Other receivables		262,481	185,040
Sales tax recoverable		3,163,548	2,764,518
Taxes recoverable		2,894,935	3,075,529
Short term investments		-	2,000,000
Cash and bank balances		356,677	346,185
		19,397,712	15,270,425
TOTAL ASSETS		31,320,337	27,138,112
EQUITY AND LIABILITIES			
Equity			
Share capital		7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve		43,093	43,093
Remeasurement of post employment benefits - Remeasurement loss		(170,910)	(170,910)
Unappropriated profit		2,587,475	1,923,746
		10,990,973	10,327,244
Non-Current Liabilities			
Long term:			
- finances		2,200,000	2,200,000
- lease liability against right-of-use assets		312,716	248,015
		2,512,716	2,448,015
Current Liabilities			
Current portion of:			
- finances		2,469,107	2,582,647
- lease liabilities against right-of-use assets		271,996	285,090
- other payables		9,464	15,567
Trade and other payables		13,677,892	10,710,082
Contract liabilities		143,958	103,725
Unclaimed dividend		6,913	6,943
Accrued interest / mark-up on:			
- long-term finances		149,114	81,285
- short-term finances		131,933	114,507
Short-term finances	7	956,271	463,007
		17,816,648	14,362,853
Contingencies and Commitments			
	8		
TOTAL EQUITY AND LIABILITIES		31,320,337	27,138,112

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



Chairman



Chief Executive Officer



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2022

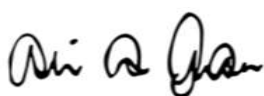
(Amounts in thousand except for earnings per share)

	Note	Quarter ended Mar 31,	
		2022	2021
		----- Rupees -----	
Revenue from contracts with customers - net		13,970,964	11,577,487
Cost of revenue		(11,379,621)	(9,279,102)
Gross profit		2,591,343	2,298,385
Distribution and marketing expenses		(1,142,120)	(1,027,425)
Administrative expenses		(359,993)	(288,040)
Other operating expenses		(71,975)	(92,597)
Other income		166,755	73,317
Operating profit		1,184,010	963,640
Finance cost		(250,034)	(177,561)
Profit before taxation		933,976	786,079
Taxation		(270,247)	(239,281)
Profit for the period		663,729	546,798
Earnings per share - basic and diluted	9	0.87	0.71

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



Chairman



Chief Executive Officer



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2022

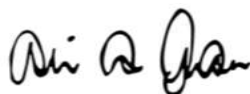
(Amounts in thousand)

	Quarter ended March 31,	
	2022	2021
	----- Rupees -----	
Profit for the period	663,729	546,798
Other comprehensive income	-	-
Total comprehensive income for the period	<u>663,729</u>	<u>546,798</u>

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



Chairman



Chief Executive Officer



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2022

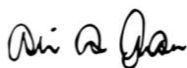
(Amounts in thousand)

	Share capital	RESERVES				Total
		CAPITAL		REVENUE		
		Share premium	Employee share option compensation reserve	Remeasurement of post employment benefits	Unappropriated profit	
----- Rupees -----						
Balance as at January 1, 2021 (Audited)	7,665,961	865,354	100,446	(146,432)	62,315	8,547,644
Transfer of employee share option compensation reserve to unappropriated loss	-	-	(13,537)	-	13,537	-
Profit for the period	-	-	-	-	546,798	546,798
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	546,798	546,798
Balance as at March 31, 2021 (Unaudited)	7,665,961	865,354	86,909	(146,432)	622,650	9,094,442
Balance as at January 1, 2022 (Audited)	7,665,961	865,354	43,093	(170,910)	1,923,746	10,327,244
Transfer of employee share option compensation reserve to unappropriated profit / (loss)	-	-	-	-	-	-
Profit for the period	-	-	-	-	663,729	663,729
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	663,729	663,729
Balance as at March 31, 2022 (Unaudited)	7,665,961	865,354	43,093	(170,910)	2,587,475	10,990,973

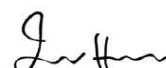
The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2022

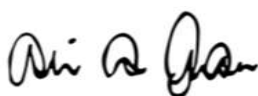
(Amounts in thousand)

		Quarter ended March 31,	
	Note	2022	2021
		----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	(1,736,154)	(1,400,367)
Finance costs paid		(151,794)	(105,137)
Taxes (paid) / recovered		(83,075)	(120,134)
Contribution to the retirement benefits paid		(13,677)	(7,065)
Long term advances and deposits - net		(17,863)	(16,137)
Net cash generated from operating activities		(2,002,563)	(1,648,840)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(348,634)	(223,087)
- intangibles		(2,994)	-
Proceeds from disposal of:			
- property, plant and equipment		15,009	39,786
- biological assets		47,869	18,068
Income on short term investments		21,264	-
Net cash utilized in investing activities		(267,486)	(165,233)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loan		(119,642)	-
Dividend paid		(30)	(564)
Repayment of lease liability against right-of-use assets		(93,051)	(79,766)
Net cash (utilized in) / generated from financing activities		(212,723)	(80,330)
Net decrease in cash and cash equivalents		(2,482,772)	(1,894,403)
Cash and cash equivalents at beginning of the period		1,883,178	570,462
Cash and cash equivalents at end of the period	11	(599,594)	(1,323,941)

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



Chairman



Chief Executive Officer



Chief Financial Officer

FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2022

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

- 1.1 FrieslandCampina Engro Pakistan Limited (the Company), is a public listed company incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act 2017), and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of FrieslandCampina Pakistan Holdings B.V. (the Holding Company) which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the Ultimate Parent Company) and its registered office is situated at 5th Floor, the Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.
- 1.2 The principal activity of the Company is to manufacture, process and sell dairy products, beverages and frozen desserts. The Company also owns and operates a dairy farm.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), issued by International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
 - Provisions of and directives issued under the Act.

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

- 2.2 These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2021.
- 2.3 The preparation of these condensed interim financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to the financial statements for the year ended December 31, 2021, unless otherwise specified.

3. ACCOUNTING POLICIES

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the financial statements for the year ended December 31, 2020, except in respect of taxes on income, which has been accrued in the interim period using the tax rate that would be applicable to expected total annual profit / (loss).
- 3.2 There are certain standards and amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

(Amounts in thousand)

4.	PROPERTY, PLANT AND EQUIPMENT	Unaudited March 31, 2022	Audited December 31, 2021
		----- Rupees -----	
	Operating assets, at net book value (notes 4.1, 4.2 and 4.3)	8,472,881	8,727,531
	Capital work-in-progress (note 4.4)	743,897	632,323
	Major spare parts and stand-by equipment	163,060	152,892
		9,379,838	9,512,746

		Unaudited Quarter ended March 31, 2022	2021
		Rupees	
4.1	Following additions, including transfers from capital work-in-progress, were made to operating assets during the period:		
	Buildings on freehold land	18,209	-
	Plant, machinery and related equipment	198,000	217,800
	Office equipment & furniture and fittings	895	7,303
	Computer equipment	9,936	15,541
	Vehicles	10,021	77,995
		237,061	318,639

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

	Cost	Accumulated depreciation / impairment	Net book value	Sales proceeds	Mode of disposal
	Rupees				
Vehicles - owned	31,529	(21,098)	10,431	13,809	Employee Buybacks and Insurance claims
Computer equipment	7,798	(7,736)	62	914	Employee Buybacks and Insurance claims.
Freezers and Trikes	373	(185)	188	286	Insurance claims
March 31, 2022	<u>39,700</u>	<u>(29,019)</u>	<u>10,681</u>	<u>15,009</u>	
March 31, 2021	193,725	(180,907)	12,818	39,786	

4.3 During the period, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 407 (March 31, 2021: Rs. (659)) 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 exceeded their estimated recoverable amounts. These assets were deemed as idle primarily due to discontinuation of certain SKUs to rationalize product portfolio of the Company. Accordingly, provision for impairment was recognized thereagainst. The recoverable amount of these assets amounted to Nil (March 31, 2021: Rs. 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.

(Amounts in thousand)

		Unaudited Quarter ended March 31, 2022 2021	
		----- Rupees -----	
4.4	Following additions were made to capital work-in-progress during the period:		
	Building on freehold land	7,229	4,342
	Plant, machinery and related equipment	337,849	187,637
	IS and milk automation projects	2,994	-
	Office equipment, furniture & fittings and computer equipment	147	21,879
	Vehicles	3,409	9,229
		<u>351,628</u>	<u>223,087</u>
4.5	Following transfers were made from capital work-in-progress during the period:		
	- Operating assets	(237,061)	(318,639)
	- Intangibles	(2,993)	-
		<u>(240,054)</u>	<u>(318,639)</u>

5. STORES, SPARES AND LOOSE TOOLS

These includes provision against expired / obsolete stores and spares amounting to Rs. 351,685 (December 31, 2021: Rs. 322,786).

		Unaudited March 31, 2022	Audited December 31, 2021
		----- Rupees -----	
6.	STOCK-IN-TRADE		
	Raw and packaging material (note 6.1)	3,149,202	2,412,938
	Work in process (note 6.2)	5,637,467	1,404,670
	Finished goods (notes 6.3)	1,357,064	888,440
		<u>10,143,733</u>	<u>4,706,048</u>
	Less: Provision for expired / obsolete stock	(25,373)	(41,228)
		<u>10,118,360</u>	<u>4,664,820</u>

6.1 Includes Rs. 757,808 (December 31, 2021: Rs. 42,840) held by third parties.

6.2 Includes Rs. 1,829,099 (December 31, 2021: Rs. 473,675) held by third parties.

6.3 Includes Rs. 556,309 (December 31, 2021: Rs. 54,977) held by third parties and Rs. 418 (December 31, 2021: 62,197) in respect of finished goods carried at net realizable value.

6.4 Stock amounting to Rs. Nil (March 31, 2021: Rs. 2,236) has been written-off against provision during the period.

7. SHORT TERM FINANCES - secured

7.1 The facilities for short term running finance available from variously banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 9,000,000 (December 31, 2021: Rs. 9,000,000). The unutilized balance against these facilities as at March 31, 2022 was Rs. 8,043,729 (December 31, 2021: Rs. 8,536,993). The rates of mark-up on these finances are KIBOR based and range from 10.38% to 10.88% (December 31, 2021: 7.78% to 10.02%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

7.2 The facilities for opening letters of credit and bank guarantees as at March 31, 2022 amounts to Rs. 17,100,000 (December 31, 2021: Rs. 13,600,000), of which the amount remaining unutilized as at March 31, 2022 was Rs. 5,248,598 (December 31, 2021: Rs. 10,383,477).

(Amounts in thousand)

8. CONTINGENCIES AND COMMITMENTS

There is no significant change in the matters disclosed in notes 15, 26 and 34.1 to the financial statements for the year ended December 31, 2021, except for the following:

- Commitments in respect of capital expenditure contracted for but not incurred as at March 31, 2022 amounts to Rs. 510,861 (December 31, 2021: Rs. 750,200).
- Commitments in respect of purchase of certain commodities as at March 31, 2022 amounts to Rs. 2,180,383 (December 31, 2021: Rs. 1,798,840).
- On February 14, 2022 CIR (Appeals) issued order against the appeal filed for the tax years 2009 and 2020 and remand back the proceedings to DCIR for further verifications of various tax credits of Rs 25,713 and Rs 22,885 respectively. DCIR has not yet initiated the remand back proceedings. The Company also intend to file appeal in ATIR against the order. 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
- On February 14, 2022 CIR (A) passed an order against the appeal filed for the tax year 2012 and remanded back issues of provision for retirement benefits and marketing support reimbursements. DCIR has not yet initiated the remand back proceedings. The Company also intend to file appeal in ATIR against the order. 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.
- On February 14, 2022 CIR (Appeals) issued order against the appeal filed for the tax year 2019 and remand back the proceedings to DCIR for further verifications of various tax credits of Rs 23M. DCIR has not yet initiated the remand back proceedings. The Company also intend to file appeal in ATIR against the order. 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
- On March 15, 2022, the Classification Committee (CC) issued ruling on tea whiteners including Tarang. CC therein reviewed its previous rulings and decided that matter against the taxpayers. Company is in the process to avail legal remedy against the ruling issued. Based on the opinion of its legal advisor, the Company is confident of a favorable outcome of this matter, hence, no provision has been recognised in this respect in these financial statements.

9. EARNINGS PER SHARE - Basic and diluted

	Quarter ended March 31,	
	2022	2021
	----- Rupees -----	
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit for the period	663,729	546,798
	----- Number of shares -----	
Weighted average number of ordinary shares for determination of basic and diluted EPS	766,596,075	766,596,075
Earnings per share	0.87	0.71

(Amounts in thousand)

		Unaudited	
		Quarter ended March 31,	
		2022	2021
		Rupees	
10.	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	933,976	786,079
	Adjustment for non-cash charges and other items:		
	- Depreciation on property, plant and equipment	480,621	522,693
	- Depreciation on right-of-use asset	52,436	59,133
	- (Reversal of) / Provision for impairment of operating assets - net	407	(659)
	- Amortization of intangibles	7,301	7,047
	- Gain on death / disposal of biological assets	(5,332)	(4,138)
	- Gain on disposal of operating assets	(4,327)	(26,968)
	- (Gain) / Loss arising from changes in fair value less estimated point-of-sale costs of biological assets	(144,169)	10,606
	- Provision for retirement and other service benefits	27,608	32,588
	- Reversal of provision for stock-in-trade	(15,770)	(13,271)
	- Provision for slow moving spares - net	28,899	26,967
	- Increase / (Decrease) in provision for impairment in trade debts	2,197	(4,688)
	- Government grant recognized as income	(6,103)	(11,720)
	- Exchange gain	(2,506)	(6,514)
	- Finance cost on short term and long term finances including bank charges	237,049	166,134
	- Finance cost on lease liability against right-of-use assets	12,985	11,427
	Working capital changes (note 10.1)	(3,341,426)	(2,955,083)
		<u>(1,736,154)</u>	<u>(1,400,367)</u>
10.1	Working capital changes		
	(Increase) / Decrease in current assets		
	- Stores, spares and loose tools	(80,732)	(36,397)
	- Stock-in-trade	(5,437,770)	(3,255,784)
	- Trade debts	(349,371)	(386,123)
	- Advances, deposits and prepayments	197	(114,090)
	- Other receivables	(77,441)	27,795
	- Sales tax recoverable	(399,030)	121,656
		<u>(6,344,147)</u>	<u>(3,642,943)</u>
	Increase / (Decrease) in current liabilities		
	- Trade and other payables	2,962,488	754,771
	- Contract liabilities	40,233	(66,911)
		<u>3,002,721</u>	<u>687,860</u>
		<u>(3,341,426)</u>	<u>(2,955,083)</u>
11.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	356,677	191,091
	Short term finances	(956,271)	(1,515,032)
		<u>(599,594)</u>	<u>(1,323,941)</u>
12.	FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS		
12.1	Financial risk factors		
	The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.		
	There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.		
12.2	Fair value of financial assets and liabilities		
	The carrying value of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair values.		

(Amounts in thousand)

13. FAIR VALUE MEASUREMENT

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

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices within level 1 that are observable for the asset or liabilities, whether directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2022 and December 31, 2021, the Company did not have any financial instruments which were measured at fair values.

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

14. TRANSACTIONS WITH RELATED PARTIES

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

		Unaudited	
		March 31, 2022	March 31, 2021
		----- Rupees -----	
Nature of relationship	Nature of transactions		
Associated companies / undertakings	Arrangement for sharing of premises, utilities, personnel and assets	30,062	30,062
	Fee for technical assistance	283,675	286,829
	Reimbursement of expenses received / receivable from the company	29,762	21,233
	Reimbursement of expense paid / payable on behalf of the Company	1,912	3,566
	Purchases of goods and services	34,784	380,010
	Donation	-	5,000
Contribution for staff retirement funds	Managed and operated by Engro Corporation Limited		
	- Gratuity funds	27,608	33,737
	- Provident fund	96,368	88,424
Key management personnel including the Chief Executive Officer but not other Directors	Managerial remuneration	67,576	51,208
	Contribution for staff retirement benefits	9,614	7,318
	Bonus payment	-	-
Other Directors	Fee	699	634

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

(Amounts in thousand)

15. SEGMENT INFORMATION

- 15.1 The basis of segmentation and reportable segments presented in these condensed interim financial statements is the same which was disclosed in financial statements for the year ended December 31, 2021.

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

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

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

	Unaudited			Unaudited		
	Quarter ended March 31, 2022			Quarter ended March 31, 2021		
	Dairy and Beverages	Frozen desserts	Total	Dairy and Beverages	Frozen desserts	Total
	-----Rupees-----					
Results for the period						
Net sales	12,804,072	1,211,212	14,015,284	10,697,569	902,909	11,600,478
Inter-segment sales	(44,320)	-	(44,320)	(22,990)	-	(22,990)
	<u>12,759,752</u>	<u>1,211,212</u>	<u>13,970,964</u>	<u>10,674,579</u>	<u>902,909</u>	<u>11,577,487</u>
Net Profit / (Loss) after tax	<u>778,565</u>	<u>(114,835)</u>	<u>663,730</u>	<u>619,932</u>	<u>(73,133)</u>	<u>546,798</u>
	Unaudited			Audited		
	Quarter ended March 31, 2022			December 31, 2021		
	-----Rupees-----					
Assets						
- Segment assets	19,326,057	3,984,920	23,310,977	13,924,028	2,373,060	16,297,088
- Un-allocated assets	-	-	7,484,464	-	-	10,841,024
	<u>19,326,057</u>	<u>3,984,920</u>	<u>30,795,441</u>	<u>13,924,028</u>	<u>2,373,060</u>	<u>27,138,112</u>

16. SEASONALITY

The Company's businesses are subject to seasonal fluctuation, with demand of frozen desserts and beverages products increasing in summer. The Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection. Therefore, revenues and profits for the nine months ended March 31, 2022 are not necessarily indicative of result to be expected for the full year.

17. CORRESPONDING FIGURES

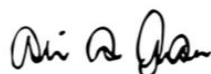
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of annual financial statements of preceding financial year and condensed interim statement of profit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

18. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 20, 2022 by the Board of Directors of the Company.



Chairman



Chief Executive Officer



Chief Financial Officer

ڈائریکٹرز کی رپورٹ

فریز لینڈ کیمپینا اینگرو پاکستان (فریز لینڈ کیمپینا پاکستان ہولڈنگز بی.وی کی اکثریتی ملکیت والی ذیلی کمپنی) کے بورڈ آف ڈائریکٹرز کی جانب سے، ہمیں 31 مارچ 2022 کو ختم ہونے والے تین مہینوں کی رپورٹ اور کمپنی کی مالی معلومات جمع کرنے پر خوشی ہے۔

فریز لینڈ کیمپینا اینگرو پاکستان نے "پاکستان-ہالینڈ ڈیری ڈویلپمنٹ سنٹر" (PNDDC) کے قیام کے لیے یونیورسٹی آف ویٹرنری اینڈ اینیمل سائنسز (UVAS) کے ساتھ ہاتھ ملایا۔

کمپنی کا مقصد ایک ایسا پلیٹ فارم مہیا کرنا ہے جو دنیا کے چوتھے سب سے بڑے دودھ پیدا کرنے والے ملک میں ڈیری کے منظر نامے میں انقلاب برپا کرے گا۔ ڈیج ڈیری کی بھرپور مہارت کے اشتراک کے ذریعے تمام بنیادی اسٹیک ہولڈرز کے لیے ڈیری ڈویلپمنٹ کی مہارت کو بے نقاب کریگا۔

پی این ڈی ڈی سی پاکستان ڈیری سیکٹر کی پوری ڈیری ویلیو چین میں پیداوار، فوڈ سیکیورٹی، کوالٹی، فوڈ سیفٹی، اور پائیداری کو بہتر بنانے میں اپنا حصہ ڈالے گا۔

مزید برآں، PNDDC ماہرین کے مشنر اور Farmer2Farmer مشنوں کا اہتمام کرتے ہوئے نیدر لینڈ سے علم اور مہارت کو شامل کرتے ہوئے تبادلہ پروگرام بھی شروع کرے گا۔ ڈیج کسان اور ماہرین مقامی کسانوں کی رہنمائی اور مدد کے لیے پاکستان کا دورہ کریں گے، اسی دوران پاکستانی کسان نیدر لینڈ کا دورہ کریں گے۔ یہ مرکز ہالینڈ یا پاکستان کی طرح تقابلی چیلنجوں اور مواقع والے ممالک میں تعلیمی ٹیلنٹ (پاکستانی طلباء کے لیے ریسرچ اسپانسرشپ) کی تعیناتی کا بھی انتظام کرے گا۔

کاروبار کا جائزہ

کمپنی نے پہلے تین مہینوں میں 14 بلین روپے تک پہنچنے والے ریونیو کے ساتھ دوہرے ہندسوں میں اضافہ ریکارڈ کرنا جاری رکھا ہے جو پچھلے سال کے مقابلے میں 20.7 فیصد اضافہ کی عکاسی کرتا ہے۔ ڈیری اور بیوریجز سیگمنٹ اور آئس کریم اور فروزن ڈیسرٹ سیگمنٹ دونوں میں حجم میں اضافے کے ساتھ مکس میں بہتری ملی۔

افراط زر % 12.7 تک پہنچنے (مارچ کے لیے پی بی ایس کی رپورٹ) اور پاکستانی روپے کی قدر میں کمی (سال کے آغاز سے اسٹیٹ بینک کے مطابق % 3.8) کے ساتھ کاروباری ماحول چیلنجنگ رہا۔ نتیجے کے طور پر، مجموعی مارجن میں 140bps کی کمی واقع ہوئی۔ تاہم، ڈسٹری بیوشن اور مقررہ لاگت میں افادیت کی افادیت کے ذریعے، ٹیکس کے بعد منافع میں 10bps کی بہتری ہوئی (2022 میں 664 ملین روپے کے بعد ٹیکس منافع بمقابلہ 2021 میں 547 ملین روپے)۔

ڈیری اور مشروبات کا طبقہ

پچھلے سال کے مقابلے میں % 19.5 کی نمو کے ساتھ، طبقہ نے روپے کی آمدنی کی اطلاع دی۔ 12.8 بلین۔ اولپرز نے برانڈ اور تجارتی سرمایہ کاری کے ذریعے اپنی مارکیٹ کی قیادت کی پوزیشن کو مضبوط بنانے کے ساتھ اس شعبے میں ترقی کی قیادت کی۔

سہ ماہی کے دوران ریٹیل فوٹ پرنٹ اور ای کامرس چینل میں نمایاں توسیع دیکھی گئی۔ یہ طبقہ اپنے صارفین کو مؤثر اور مؤثر طریقے سے خدمت کرنے کے لیے مارکیٹوں کے نئے چینلز اور راستوں کی تلاش جاری رکھے گا۔

2022 میں، "Olpers Happy Mornings" تھیم کے تحت Olpers پر ایک نئی مہم چلائی گئی جس کا مقصد برانڈ کی ایکویٹی کو مزید مضبوط کرنا اور کھلے دودھ سے تبدیلی لانا تھا۔ اس مہم میں دودھ کے حصول کے بارے میں ایک تازہ نقطہ

نظر پیش کیا گیا جس میں یہ دکھایا گیا کہ ہماری اچھی طرح سے دیکھ بھال کرنے والی گائے اور بھینسیں کس طرح زیادہ پرورش بخش، مزیدار اور کربھی دودھ فراہم کرتی ہیں، جس سے پاکستان بھر کے خاندانوں کے لیے خوشگوار صبحیں گزرتی ہیں۔

صبح پاکستان میں ڈیری کے لیے ایک اہم موقع ہے۔ صبح کے موقع پر اولپرز کی رسائی کو بڑھانے اور ڈیری فوڈ کے اس بڑے موقع سے فائدہ اٹھانے کے لیے، اولپرز پنیر کو حال ہی میں لانچ کیا گیا ہے۔ پنیر کا ہر ٹکڑا (20 گرام) ایک گلاس اولپرز دودھ (200 ملی لیٹر) کی غذائیت فراہم کرتا ہے اور اسی وجہ سے غذائیت کے برانڈ پیغام کو آگے بڑھاتا ہے۔ کاروبار کے دیگر حالیہ لانچوں جیسے Olper's Full Cream Milk، Olper's Flavored Milk، Olper's Pro-Cal، Olper's Cream، اور Tarang Elaichi نے قائم کھلاڑیوں کے مضبوط مقابلے کے باوجود بہت کم وقت میں ایک صحت مند مارکیٹ شیئر حاصل کر لیا ہے۔

کمپنی مستقبل میں کاروباری ترقی کے ایک اہم محرک کے طور پر نئی مصنوعات اور اختراعات متعارف کرانے کے لیے فریس لینڈ کیمپینا کی عالمی مہارت سے فائدہ اٹھانا جاری رکھے ہوئے ہے۔

آئس کریم اور منجمد ڈیسرٹس سیگمنٹ

پچھلے سال کے مقابلے میں %34.1 کی نمو کے ساتھ، طبقہ نے روپے کی آمدنی کی اطلاع دی۔ 1.2 بلین۔ اس ترقی کو سیزن کے آغاز کی سرگرمیوں کے پیچھے طبقہ کی سرمایہ کاری اور مارکیٹ میں مزید اثاثوں کو شامل کر کے تجارتی کائنات کی توسیع کے ذریعے فعال کیا گیا ہے۔

صارفین کو قابل رسائی قیمت پرویلوایڈڈ پروڈکٹ کا تجربہ فراہم کرنے کے لیے، Omore ڈبل چاکو چپس کون کو 2022 میں لانچ کیا گیا ہے۔ چاکلیٹ سوس اور چاکلیٹ چپس کے ساتھ ایک ڈبل چاکلیٹ ذائقہ والی مصنوعات صرف روپے میں دستیاب ایک ناقابل تلافی پیشکش ہے - 50 روپے۔

Omored سٹخلى تهيمينك مهم "واوبهرا بائٹ" جارى ركهى گى هے اور يه اس بات كا بهترين اظهار هے كه اومور كا ايك برانڈ كه طور پر مطلب هے- مختلف قسم كه فارميش ميں لذيزه، كريمى ٹريٹس كه خريدار، جن سه تمام لوگ لطف اندوز هو سكتے هيں- عمريں- بچوں اور نوجوانوں سه له كر بڑوں تك.

مالياى كار كردگى

31 مارچ 2022 كو ختم هونے والے تين ماه كه ليے كمپنى كى مالى كار كردگى كا خلاصه ذيل ميں ديا گيا هے:

تبدىلى	31 مارچ 2022 كو ختم هونے والى سه ماهى		روپے ملين ميں
	2022	2021	
خالص فروخت	13,971	11,577	20.7%
آپريٹنگ منافع	1,184	964	22.9%
فروخت كا فيصد	8.5%	8.3%	20 bps
ٹيكس كه بعد منافع	664	547	
فروخت كا فيصد	4.8%	4.7%	10 bps
فى شيئر آمدنى	0.87	0.71	

مستقبل کے خدو خال

بڑھتی ہوئی افراط زر اور کرنسی کی قدر میں کمی کمپنی کے منافع پر دباؤ ڈالتی رہتی ہے تاہم ایک چست کاروباری ماڈل کے ساتھ، انتظامیہ کو یقین ہے کہ وہ دلیلیو چین میں افادیت کو آگے بڑھانے کے قابل ہوگی اور ترقی کو جاری رکھے گی۔

فریز لینڈ کیمپینا اینگرو پاکستان میں، ہمارا مقصد پاکستانیوں کی صحت اور بہبود کو موجودہ اور آنے والی نسلوں کے لیے تبدیل کرنا ہے، اور اسی لیے، کمپنی پاکستان ڈیری ایسوسی ایشن (PDA) اور حکومت کے ساتھ مختلف اقدامات پر شراکت داری جاری رکھے گی۔ ڈھیلے دودھ کے استعمال کے ممکنہ صحت کے خطرات کے بارے میں صارفین کو آگاہ کریں اور محفوظ پیک شدہ دودھ کی مثبت خصوصیات کو تقویت دیں۔

یہ کاروبار صارفین کی ڈیری ضروریات کے لیے ترجیحی انتخاب رہنے کے لیے برانڈ ایکویٹی کے پیچھے سرمایہ کاری کرتا رہے گا اور اپنے منافع کے حصول کے پورٹ فولیو کو مارجن سے فائدہ اٹھانے کے لیے وسعت دے گا۔

اپنی عالمی مہارت اور 150+ سال کے ورثے سے فائدہ اٹھاتے ہوئے، کمپنی حفظان صحت، خوراک کی حفاظت اور پائیداری کے اعلیٰ ترین معیارات کے لیے پرعزم ہے اور لاکھوں پاکستانیوں کو روزانہ محفوظ، سستی، اور پرورش بخش ڈیری مصنوعات فراہم کرتی ہے۔