



NOURISHING PAKISTAN

ANNUAL REPORT 2019





~ ABOUT ~

This review highlights the progress our company has made with the global dairy expertise of FrieslandCampina and the local knowledge of Engro. This combination has fortified our role as a leading dairy expert, and enabled us to achieve our business objectives. This year, we deepened the trust of our valued consumers by focusing on **quality, innovation, accessibility and sustainability**.

Our farmers are the backbone of our operations, and a vital partner in improving the state of nourishment in Pakistan. Our dairy development programmes empower our farmer community with training, tools and knowledge to improve their farm management and milk quality, thereby increasing their capacity, yield and livelihoods.

We are committed to providing the nation with affordable, safe and superior dairy products. This annual report highlights our commitment and elaborates how we have continued to realize our vision of creating value for our farmers, consumers and stakeholders for now and generations to come.

CONTENT

COMPANY INFORMATION

A Nourishing Journey From Grass To Glass

Company Overview	07
Company Information	09
Notice of the Meeting	10

CORPORATE GOVERNANCE

The Pursuit of Excellence

Chairman's Message	16
Chief Executive Officer's Message	18
Board of Directors	20
Directors' Profile	22

DIRECTORS' REPORT

Assuring Progress

Directors' Report	30
-------------------	----

The Promise of Nourishment

Financial Review	43
Financial Summary	46
Financial Performance Indicators 2014-2019	47
Key Shareholding and Shares Traded	48
Pattern of Shareholding	49
Category of Shareholding	50
Shareholders Information	51

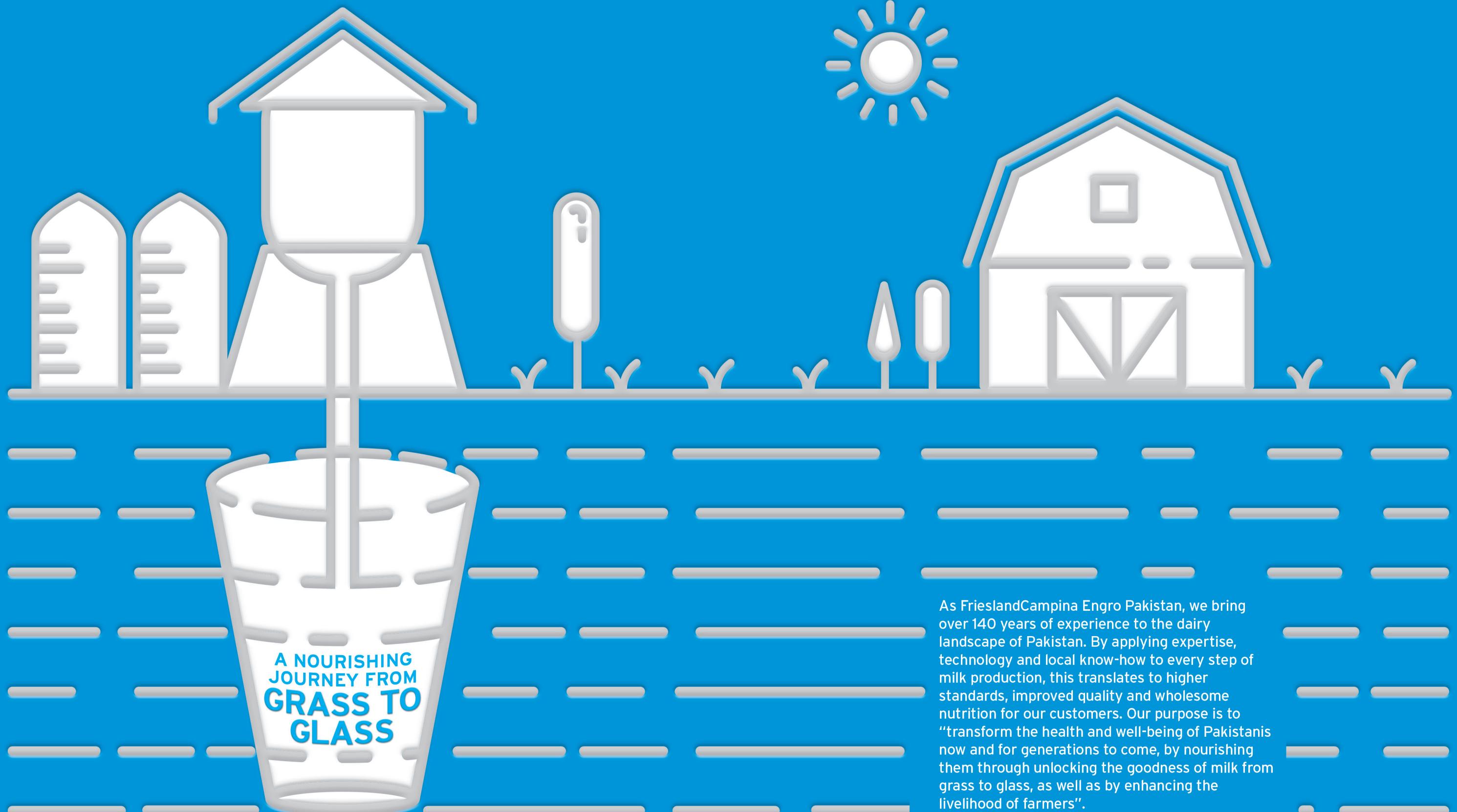
OUR BRANDS

Deepening Bonds

Our Brand Portfolio	58
Marketing Communication	64

FINANCIAL REPORT

Financial Statements and Auditor's Report	73
Annexure	136



As FrieslandCampina Engro Pakistan, we bring over 140 years of experience to the dairy landscape of Pakistan. By applying expertise, technology and local know-how to every step of milk production, this translates to higher standards, improved quality and wholesome nutrition for our customers. 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 OVERVIEW

It is our promise to make the grass greener for the cows, the yields higher for the farmers, the growth stronger for the milk industry and a glass of milk full of natural goodness for every Pakistani.

As FrieslandCampina Engro Pakistan, we bring over 140 years of experience to the dairy landscape of Pakistan. Our purpose is to "transform the health and wellbeing 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)
Abrar Hasan
Ali Ahmed Khan (Chief Executive Officer)
Eduardus Lambertus Holtzer
Petra Attje Zinkweg
Roeland Francois Van Neerbos
Zouhair Abdul Khaliq

Chief Financial Officer

Imran Husain

Company Secretary

Muneeza Iftikar

Members of the Audit Committee

Abrar Hasan (Chairman)
Eduardus Lambertus Holtzer (Member)
Zouhair Abdul Khaliq (Member)

Secretary of the committee is
Saleem Lallany, GM Internal Audit

Banks Conventional

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

Shariah Compliant

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

Auditors

M/s A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1- C
I.I. Chundrigar Road
Karachi - 74000, Pakistan.
Tel: +92 (21) 32426682-6 / 32426711-5
Fax: +92 (21) 32415007 / 32427938

Share Registrar

M/s FAMCO Associates (Private) Limited
8-F Next to Hotel Faran, Block-6 PECHS,
Shahrah-e-Faisal, Karachi - Pakistan
Tel: +92 (21) 34380104-5, 34384621-3
Fax: +92 (21) 34380106

Registered Office

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

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of FrieslandCampina Engro Pakistan Limited will be held at The Royal Rodale, TC-V, 34th Street, Khayaban-e-Seher, Phase V Ext., Defence Housing Authority, Karachi. On Friday 17th April 2020, at 03 p.m. to transact the following business:

A) ORDINARY BUSINESS

- (1) To receive and consider the Audited Accounts for the year ended December 31, 2019 and the Directors' and Auditor's Reports thereon.
- (2) To appoint Auditors and fix their remuneration.

N.B.

- (1) The Share Transfer Books of the Company will be closed from Friday, April 10, 2020 to Friday, April 17, 2020 (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, Shahrah-e-Faisal, Karachi [PABX Nos (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m.) on Thursday, April 9, 2020 will be treated as being in time for the transferees and to attend and vote at the meeting.
- (2) 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.
- (3) Pursuant to SECP Circular No 10 of 2014 dated May 21, 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

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

(4) 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.

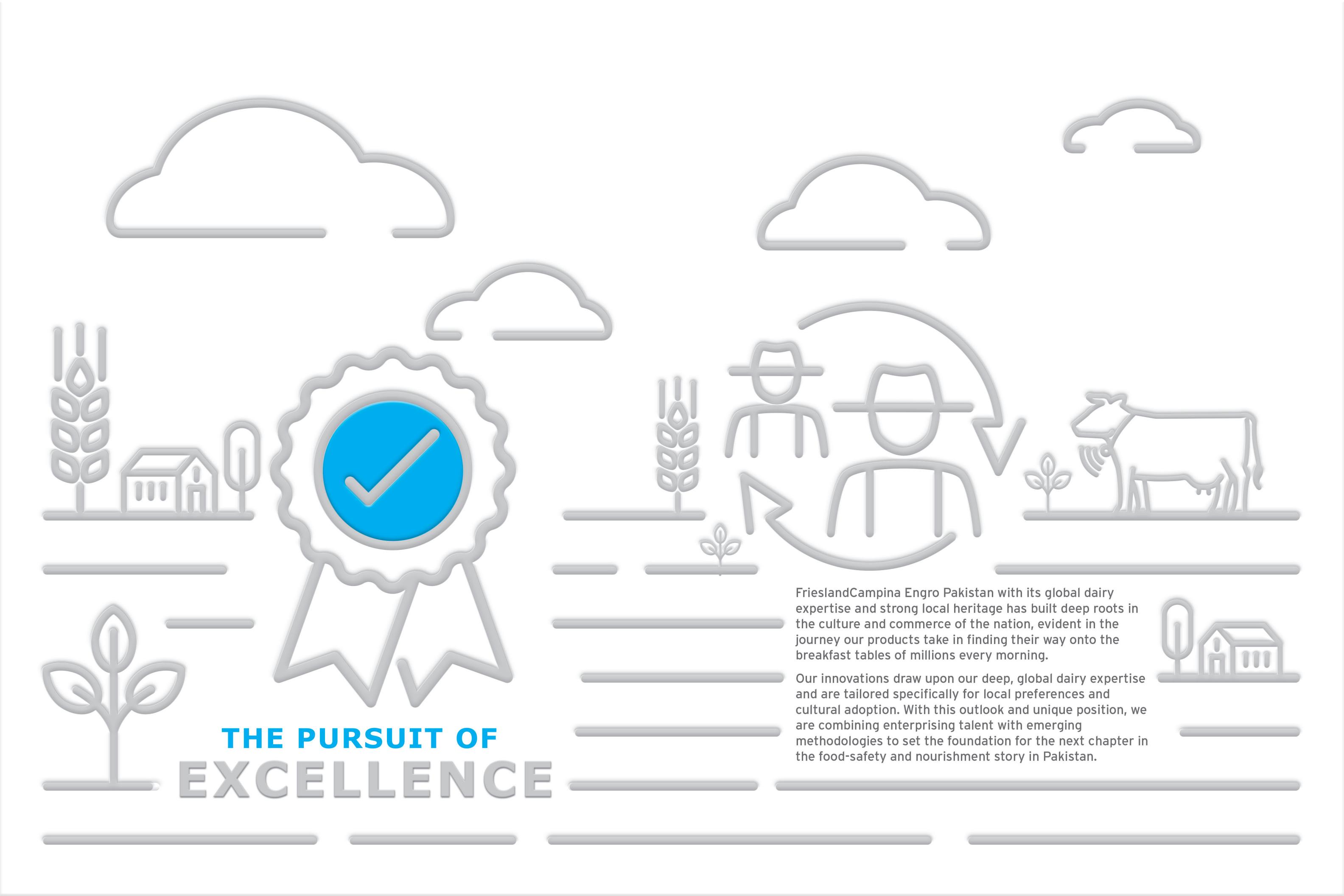
By order of the Board


Muneeza Iftikar

Company Secretary

Karachi,
February 06, 2020.

THE PURSUIT OF EXCELLENCE



THE PURSUIT OF EXCELLENCE

FrieslandCampina Engro Pakistan with its global dairy expertise and strong local heritage has built deep roots in the culture and commerce of the nation, evident in the journey our products take in finding their way onto the breakfast tables of millions every morning.

Our innovations draw upon our deep, global dairy expertise and are tailored specifically for local preferences and cultural adoption. With this outlook and 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 VISION FOR THE
FUTURE**

Chairman's Message

Dear Shareholders,

I am pleased to present to you the review for the year 2019. This has been a very challenging year for the Country as well as the Company. Sharp economic headwinds, particularly steep increases in commodity costs due to devaluation of rupee and rising interest rates, have put pressure on the overall Company profitability. Despite these economic headwinds, the Company has delivered a topline growth of 20 backed by a robust volume growth of 17. This has materialized in an environment where most FMCG companies have struggled to increase volumes.

FrieslandCampina Engro Pakistan will play an extremely important role in the development of dairy sector in Pakistan. Our journey of nourishment helps communities reach their potential. We are committed to providing better nutrition to our consumers. As the population of Pakistan crosses 300 million by 2050, we will be there to serve the nation with affordable, safe and constantly improving dairy products. We have a unique opportunity to create a positive impact on the entire dairy value chain, by working directly with the farmers. This will help to improve their livelihood, maximize their incomes and increase their contribution towards the Country's GDP.

Our Dairy Development Programs are designed to ensure inclusive growth and increased prosperity for Farmers. Since inception we have empowered 25,000+ women farmers by making them a part of our ecosystem, training them to enhance their yield and promoting socio-economic inclusion. In 2019 alone, we helped train 53000+ farmers on best dairy farming practices. We are proud that our efforts have been recognised nationally and internationally for the impact created through our programs. Our passion is to drive growth and progress through milk to create a positive change in the everyday lives of Pakistanis.

At present more than 90% of our population consumes milk that is neither processed nor tested for quality. This leads to a high probability of consuming hazardous concentration of bacteria and aflatoxins that may be present in the milk. The focus of the Company is to drive conversion from unsafe loose milk to safe and hygienic products. This is an uphill task especially when

one considers that loose milk industry is unregulated. However, the Company believes this to be the right approach for creating a nourishing Pakistan. We are motivated to build awareness and communicate the benefits of safe packaged milk to the consumers, to ensure that the consumers across Pakistan are aware and have access to safe, high quality and nourishing products.

The company steered through the challenges of 2019 with the invaluable input of the visionary business leaders on its board. The Board of Directors played a pivotal role in setting the strategic direction of the company. The members of the Board bring unique insights, both local and international due to their vast business experience. The Company has a unique opportunity to have positive impact in the entire dairy value chain by working side by side with all relevant stakeholders.

We look forward to working with the various Government bodies, to bring about regulatory changes focused on delivering nutrition to the population, through conversion of loose milk to packaged milk.

Last but not the least, I would like to thank you for your continued support, the Management and the wider team of the Company for their commitment and focus on Nourishing Pakistan, FrieslandCampina's management for bringing their global dairy expertise, our Board of Directors for their strategic guidance and most importantly, our consumers for their continued trust in what we do.



Abdul Samad Dawood
Chairman



Chief Executive Officer's Message

Dear Shareholders,

This year, we began the next chapter of our journey as FrieslandCampina Engro Pakistan. A journey with a very clear Purpose:

"We Will Transform The Health And Wellbeing of Pakistani's, Now And For Generations To Come, By Nourishing Them Through Unlocking the Goodness of Milk From Glass to Grass, as Well As By Enhancing The Livelihood Of Farmers"

We are committed to playing a key role in fulfilling the nutritional needs of Pakistanis, and in developing the Dairy sector in Pakistan, thereby increasing the income of farmers, and alleviating poverty amongst our rural population.

As part of a global, Dairy powerhouse with a unique heritage of over 140 years as a Cooperative, we now have the opportunity, technology, knowledge and methodologies to bring about an unprecedented transformation in Pakistan's Dairy industry.

2019 was a challenging year for our company, our industry, our economy and our country. Everyone, from consumers to businesses, felt the inflationary impact of a volatile exchange rate, in the wake of the rupee devaluation. As a business with many moving parts, we had to adjust our methods, expectations, and efforts.

Amidst a bleak environment, there were many wins to recognise and celebrate:

- Olper's maintained market leadership with a 45 share - A 815 BPS growth in comparison to January 2018. Loppers also achieved its highest sales in a single year
- Tarang achieved market leadership at 22.9 market share, with a 537 BPS growth since its relaunch in Feb 2018.
- We successfully launched Olper's Full Cream Milk Powder (FCMP), which is steadily moving ahead with an already impressive market share.
- Despite a slow start to the year, Omoré delivered double digit growth aided by 8 stellar innovations and expansion of retail footprint.

The circumstances of these accomplishments makes them all the more extraordinary.

Our human capital investments emphasized programs to attract, train and develop talent to ensure the right mix of people, projects and culture. In our 2019 Employee Engagement Survey, covering a workforce of 1200+ employees, 80%+ of our employees reported feeling proud of our open and collaborative culture.

On the development front, our goal was to offer more personalized capability plans, for divisions to develop talent for future leadership positions. One of our global-driven initiatives focused on our young professionals through our "Learn to Grow" program, while our leaders focused on identifying and growing talent, through the global "Nourishing Leadership" initiative.

2019 has underscored the need for a vibrant and collaborative team to carry us forward to greater heights. Equally, it has highlighted the need for us to remain agile in an unpredictable environment, and to adapt to a changing Dairy, economic and political landscape - while remaining fully committed to our long term Purpose.

I have great confidence in our team's ability to respond with speed and resolve, and convert market situations into opportunities.

We go into 2020 with momentum. We continue to be excited by the immense opportunity of the Pakistan Dairy market, where less than 10% of milk consumed is packaged, and therefore lacks nutrition and is unsafe. We will continue to advocate the consumption of nutritious, safe, packaged milk, and work towards our goal by supporting efforts to make the public aware of the facts around Dairy consumption, by working with Government to enact and enforce legislation to ensure quality Dairy products, and by making the right products affordable and accessible to Pakistanis.

With the right mindset we are confident we will see many wins. We have strong fundamentals, a comprehensive strategy, sustainable competitive advantages, a robust team, vibrant operations, and a future brimming with potential. Together, we will transform Pakistan's Dairy landscape.



Ali Ahmed Khan
Chief Executive Officer



Board of Directors



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

Directors' Profile

We are privileged, to have a visionary leadership on our board. Our directors brings varied experience of transformational successes to the table. FrieslandCampina executives bring the global dairy legacy of over 140 years and the Engro leadership provides us with the strategic guidance and input to deliver faster and better decisions.

Abdul Samad Dawood
Chairman

Mr. Dawood joined the Company in 2009 and now serves as the Chairman of FCEPL. He sits on the Board of Dawood Lawrencepur Limited, Engro Fertilizer Limited, Reon (Pvt.) Limited and Tenaga Generasi Limited. He is also a Trustee on the Board of The Dawood Foundation.

He has served as CEO of Cyan Limited and Dawood Hercules Corporation Limited. He has also been a Director on the Boards of International Industries Limited, ABL Asset Management Company Limited, Sui-Northern Gas Pipeline Company Limited and World Wide Fund for Nature-Pakistan.

He is also a member of the Young Presidents' Organization. Mr. Dawood is a graduate in Economics from University College London, UK.



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.



Roeland Francois Van Neerbos

President Consumer Dairy, FrieslandCampina

In January 2017, Roeland Francois Van Neerbos joined FrieslandCampina as Chief Operating Officer Consumer Products Europe Middle East and Africa Business Group of Royal FrieslandCampina.

The Business Group EMEA consist of a vast geographic territory with distinctive markets in terms of standard of living, dairy consumption and sophistication of retail environment, offering room for a balance strategy between value-added growth and milk valorization.

As of January 2018, Roeland leads the new Business Group Consumer Dairy Global. Until Mid-2016 Roeland Francois Van Neerbos was Chief Executive Officer of Maxeda, a Do-It-Yourself retailer operating more than 350 stores with around 7,000 employees across the

Benelux. Before that, he spent 8 years at Heinz as President Continental Europe and 4 years at Mattel as Senior Vice-President Iberia, EEMEA and Latin America based in Spain.

During the first 16 years of his career Roeland held various executive positions at Procter & Gamble in The Netherlands, Belgium, Yemen and Morocco. He studied Business Administration at the University of Groningen.



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 Stocks Exchange, the ICT R&D Fund and as Senior Advisor to the Better Than Cash Alliance and United Nations Capital Development Fund.

He has recently served as a Non-Executive Director on the Board of (Du Telecom) Emirates Integrated Telecom Investment Holdings Limited, Senior Advisor at Voltaire Capital in the UK, and the Advisory Board of Ding Ireland, a mobile top-up company. He is currently on the Advisory Board of Field Force LLC USA, a software analytics company. He is a member of the Board of Regents of Harris Manchester College, Oxford University in the UK, a member of the Institute of Chartered Accountants in England and Wales and an alumni of INSEAD, France.





Petra Attje Zinkweg

Business Group HR Director Consumer Dairy,
FrieslandCampina

Petra Attje Zinkweg is the Business Group HR Director Consumer Diary of Royal FrieslandCampina N.V. Before that, she held a variety of Management positions at FrieslandCampina N.V. and Unilever.

She has extensive experience in the domains of Human Resource and Marketing. She holds a Masters degree in Sports Science from the Free University of Amsterdam. She joined the Board of the Company 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. Mr. Hasan is providing direction to the company by setting a clear vision for future growth to become a Rs. 50 billion company by the year 2020.

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 Ltd, 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.



ASSURING PROGRESS

ASSURING PROGRESS



Through our strong foothold in the local market, FrieslandCampina Engro Pakistan is driven towards creating a sustainable supply chain. Our journey of nourishment helps communities reach their potential. We take great pride in our Dairy Development Programs for farmers. Designed to ensure inclusive growth and increased prosperity, we assist thousands of farmers by improving their farm management and milk quality. In 2019 alone, we have helped train 53,000+ farmers, enhancing their yield and creating sustainable livelihoods.

DIRECTORS' REPORT

On behalf of the Board of Directors of FrieslandCampina Engro Pakistan Limited (a majority owned subsidiary of FrieslandCampina Pakistan Holdings B.V. which is a subsidiary of Royal FrieslandCampina B.V.), we are pleased to present the annual report and the audited financial information of the Company for the year ended December 31, 2019.

BUSINESS OVERVIEW

In 2019, the Company continued its strong growth momentum and delivered a robust topline growth in each of the four quarters. The Company has reported a revenue of Rs. 38.9 billion in 2019, recording a 20% increase vs last year. This growth came primarily on the back of strong volumetric gains in both Dairy and Ice Cream business segments.

Sharp economic headwinds, particularly steep increases in commodity costs due to devaluation of Rupee and rising interest rates, have put pressure on overall company profitability. As a result, gross margin reduced from 16% to 13%. The Company has taken price increases across its portfolio in the last 6 months to offset these inflationary pressures. The interest cost for the Company has almost doubled primarily on account of higher interest rates. A once-off tax adjustment of Rs 153 million was also recorded due to revision in the Finance Act 2019. As a result, the Company registered a loss after tax of Rs 955 million vs a profit of Rs 64 million (loss per share of Rs 1.25 vs a profit per share of Rs 0.08) in the same period last year.

Rs.38.9 bn
Revenue in 2019

DAIRY AND BEVERAGES SEGMENT

The Dairy and Beverages segment reported a revenue of Rs. 34.9 billion vs a revenue of Rs. 29.0 billion in 2018, registering a growth of 20% vs last year.

The segment has maintained the strong growth momentum in both its core brands, i.e., Olper's and Tarang, which continue to win in the market on the back of significant brand investments since their relaunch last year. The segment has grown volumes by 17% whilst the consumer goods sector has been relatively stagnant. The growth was aided by an effective communication spend and expansion in retail coverage by more than 12,000 outlets. As a result, both Olper's

and Tarang have gained market share leadership in their respective categories.

Rs.3.9 bn revenue
recorded by the ice cream and frozen dessert segment

The Company's new launches, i.e., Olper's Full Cream Milk Powder (FCMP), Olper's Creams, Olper's ProCal+ and Tarang Elaichi, have received a positive response from both consumers and trade in 2019 and have gained a healthy market share in a short span of time despite strong competition from established players. The Company will continue to leverage FrieslandCampina's global expertise to introduce new products and innovations as a key driver of future business growth.

ICE CREAM AND FROZEN DESSERTS SEGMENT

The Ice cream and Frozen Dessert segment reported a revenue of Rs. 3.9 billion in 2019 vs a revenue of Rs. 3.4 billion last year. The business has focused on creating excitement for consumers by introducing 9 new products and communicating the novelty of Omoré through "summer blockbuster" campaign. The category has also successfully inducted various new freezers and trikes in the market, further strengthening its trade footprint across 240 towns.





COOPERATION WITH STAKEHOLDERS

Preventing and combating non-communicable diseases (obesity, undernutrition and food-related diseases) is a shared responsibility of consumers, governments, and NGOs, as well as food producers and food suppliers. The Company sees it as part of its responsibility to constantly contribute to addressing this challenge and to work together with these stakeholders worldwide.

Rs. 30mn
contributed to social investment commitments

SOCIAL INVESTMENTS

The Company understands the changing needs of its consumers and in order keep up its commitment to its stakeholders and empower its dairy farmers. In 2019, the Company contributed PKR 30 million (including 10 million in Fixed Cost support) under its social investments commitments for its farmer and surrounding communities.

The Company's social investments programs have been managed by Engro Foundation - together with partners who work in the areas of education, health, infrastructure, livelihoods and disaster management to provide socio-economic opportunities to a multitude of individuals in the communities it operates in. Moreover, the Company continued its strategy to work towards generating greater sustainable impact by focusing on business inclusiveness.

SCHOOL ADOPTION PROGRAMS

The Company started a school adoption program in 2011 near its production facilities to provide the opportunity of education to the children from surrounding communities. This was an initiative to create better opportunities for the underprivileged and help build the community. The Company has been supporting six schools near its plants. In 2019, the Company invested PKR 4.5 million in two adopted schools near its dairy farm in Nara Sindh and PKR 7.0 million in the 4 schools near Sahiwal plant. Its employees conduct periodic community engagement sessions at these schools on the importance of environment, safe nutrition, cleanliness, health and safety.

HEALTH CENTRE

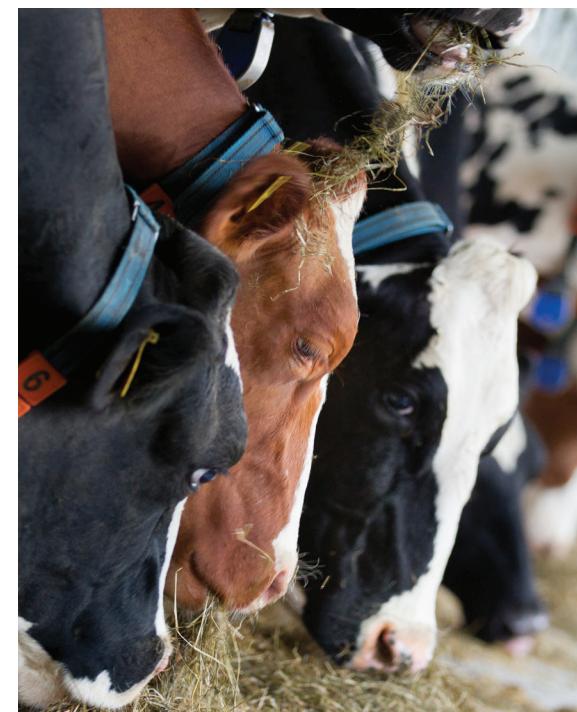
Basic healthcare problem is one of the major dilemmas in under privileged communities across Pakistan. The

mainstay of a healthy community is its mental and physical well-being. The Company's efforts are directed towards empowering and developing its farmers and surrounding communities, which is in line with two of the United Nation Sustainable Development Goals. The Company invested a total of PKR 8.5 million in its Health Center near its Sukkur plant. To date 13,000+ patients from underprivileged sector have been treated at the Company's Health Centre.

DAIRY DEVELOPMENT:

The Company has a network of more than 1,300+ milk collection centers which collects milk and provides livelihood to 250,000+ farmers and milk suppliers across Pakistan. Through its numerous dairy development initiatives, the Company directly contributes to the growth in dairy and livestock sector in Pakistan, which is around 11% of AGDP (Aggregate Gross Domestic Product) and accounts for 60% share in the agriculture sector.

As part of its regular dairy development programs, the Company has trained 53,000+ farmers in 2019 on animal health, nutrition & farm management. To overcome the scarcity of fodder at farms affiliated with the Company, its teams have assisted farmers in silage making and bales of 150 K tons worth Rs. 880 million. In addition to this, as part of its financial inclusion program, the Company has paid short term advances worth PKR 200+ million to its farmers for working capital management.



ENHANCING WOMEN'S INCOME THROUGH DAIRY INTERVENTIONS [EWID]:

The Company is committed to create social progress through programs devoted to improving livelihood and capacity building of small farmers with a special focus on women. The Company feels that there is a dire need for transfer of knowledge to these farmers in order to improve the productivity of the local Pakistani cattle breeds.

To address this concern, the Company initiated number of projects in past, EWID is one of the initiatives started in 2019, this project is co-funded by Department of Foreign Affair & Trade - Government of Australia, whereby the Company will transfer knowledge and train 4,100 farmers mostly women & 100 female livestock extension workers. Female extension workers will go through extensive training program & internship at farms to work as self-sustainable entrepreneurs.

WOMEN TRAINING IN LIVESTOCK MANAGEMENT [WTLM]:

WTLM is another project in collaboration with Punjab Skills Development Fund, for training and capacity building of 1,500 female farmers on basic livestock farming for optimum milk production. Selected female farmers went through a 45-day class room & demonstrative training course designed by the Company on disease control, fodder preservation and breed improvement.

OUR HUMAN RESOURCES

At FrieslandCampina Engro Pakistan, the employees are the backbone of the organisation. Over the course of the year, the Company took several steps to fortify each phase of its talent recruitment and engagement funnel resulting in optimally-placed, culturally-compatible and motivated new recruits and employees.

While the overarching theme of 2019 was adjustment and consolidation, the Company navigated the shifting landscape by delving a little deeper and mapping its human resource investments and initiatives to changes in strategy.

TRAINING AND PRODUCTIVITY

In 2019, the Company focused on training new, and retraining existing resources in emergent technologies, methodologies and skills by introducing several globally driven initiatives. The Company reinvented its productivity workflows with more emphasis on collaboration, and measurement via project tracking processes and management.

There was a lot of focus on making the Company's values livable by incorporating the win-win behaviours into actionable plans. In 2019, the Company introduced a Win-Win Week, where all employees participated in activities that helped them understand these behaviors and how to incorporate them into their daily routine.

The Company worked on expanding its lateral-thinking capabilities with a renewed focus on sustainability and inclusivity while developing personalised-capability plans for each division to build a strong talent pipeline which can sustainably create seasoned leaders.

A behavioural change workshop was conducted - with live simulations - for senior leaders & team leaders, to enable them able to recognize, understand and adapt to change in real-time.

These efforts yielded an employee engagement score of 80 (+3 > 2018), which placed the Company amongst the highest ranked OPCOs within the FrieslandCampina universe.

DIVERSITY AND INCLUSION:

In 2019, the Company introduced its first ever internship program for the differently abled. The Company also conducted sensitization sessions for various teams and to encourage open dialogues between employees. The Company is rethinking its office environment and physical infrastructure from an Accessibility perspective.

The Company launched a future leaders program which has diversity as a core tenet. Within the current employee structure, the Company has conducted gender audits and there is a pledge to continually reduce the disparity across every strata of the organization. Currently, the Company has a 6.5% diversity ratio

The goal is to create a vibrant culture which is more inclusive, promotes gender equality and recognises diversity as a pillar of strength, and a strategic advantage.

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 work-place safety program has been implemented, that actively seeks to reduce the potential risk of injuries within the work-place 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 13,000+ 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 'FOCUS SHE' was carried out and the Company became the first Operational Company in

Received ISO 14001 certifications

for its plants in Sukkur and Sahiwal, and Dairy Farm in Nara

FrieslandCampina world that achieved "Satisfactory" result in its first assessment. To further increase awareness of employees on serious injuries & threatening risks at work places, introduction of Seven 'Life Saving Rules' was one of the major value additions in 2019. To make its factories compliant with ATEX (EU Directives for controlling explosive atmospheres), assessment of 'Powder Dust Explosion Hazard' was carried out along with action plan. Moving forward in 2020, Machine Safety Assessment is one of the key areas where the Company is committed to add value.

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 0.07 with over 14.8 million man-hours 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.

Rs. 115 mn

invested in water conservation projects

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. Water consumption reduced by 19% in year 2019. This was driven by 9% volume growth and projects centered around conservation activities.

ACCOUNTING STANDARDS

The accounting policies of the Company reflect the requirements of the Companies Act 2017 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.

EMPLOYEE SHARE OPTION SCHEME

The Company operates a Share Option Scheme. The detail of such scheme is explained in note 10 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 millions 30-Jun-19
Net assets as per audited financial statements	500
Breakup of Net Assets	
Regular Income Certificates	180
Defence Saving Certificates	25
Pakistan Investment Bonds	189
Term Finance Certificates	19
Shares	99
Bank Deposits	6
Receivables	3
Payables	(21)
Total	500

The above mentioned plan is a funded scheme recognized by the tax authorities. The latest actuarial valuation of gratuity scheme was carried out at December 31, 2019 and the financial statements of these have been audited up to June 30, 2019.

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 2019, 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:

1. 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.
2. Proper books of accounts of the Company have been maintained.
3. 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.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored, including adequate internal financial controls.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Board Meetings and Attendance:

In 2019, the Board of Directors held 4 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 (7 Feb 2019)	2nd (26 Apr 2019)	3rd (5 Aug 2019)	4th (17 Oct 2019)	Meetings Attended
Abdul Samad Dawood	✓	✓	✓	✗	3
Ali Ahmed Khan	✓	✓	✓	✓	4
Roeland Francois Van Neerbos	✓	✓	✓	✓	4
Edward Lambertus Holtzer	✓	✓	✗	✓	3
Petra Attje Zinkweg	✓	✗	✓	✓	3
Abrar Hasan	✓	✓	✓	✓	4
Zouhair Abdul Khaliq	✓	✓	✓	✓	4

Board Composition and Governance

As at December 31, 2019, 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 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 share-holders, 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 2019. 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 Directors confirm compliance with the Corporate and Financial Reporting Framework of the SECP Code of Governance for the following:

The business continues to be impacted by an extremely challenging macroeconomic environment with rising inflation and eroding consumer purchasing power. All these factors pose significant challenges to the business profitability in the short term.

The Company's purpose is to provide a nutritious and safe offering to our consumers. The main source of growth for the Company is conversion from loose milk, which still represents ~90 (20+ billion litres) of untapped opportunity. Loose milk has been scientifically proven to be unsafe for human consumption as a sizeable portion of this segment operates with unacceptable business practices including adulteration, unhygienic conditions and conveyance methods, whilst also contributing negligibly to the government exchequer.

The Company will continue to:

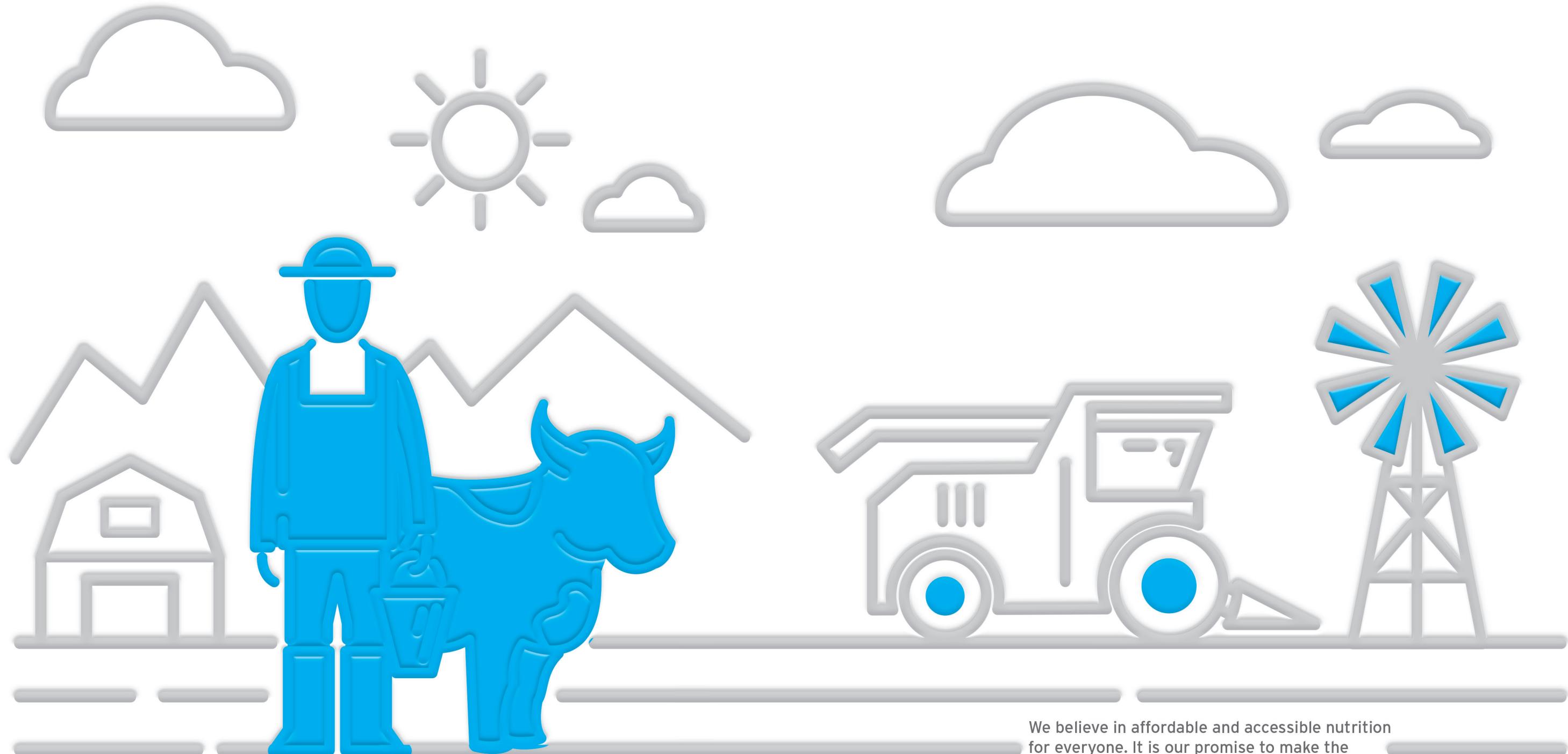
- Invest in strengthening its brand equity and offer innovative products to remain the preferred choice for consumers' dairy needs.
- Work with the Pakistan Dairy Association (PDA) on various category development initiatives to educate the consumers on the potential health hazards of loose milk consumption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

The growth of dairy industry is an extension of the Government's agenda of improving health and nutrition of masses, hence the Company will encourage the Government to support in creating mass awareness around safe milk consumption and financially incentivize the growth of formal dairy sector through favourable fiscal policies.

Every day, millions of consumers enjoy our products throughout Pakistan, hence the Company remains committed to highest standards in the field of food safety, sustainability and transparency throughout the entire production chain, i.e., "from grass to glass". The Company will leverage FrieslandCampina's expertise and heritage of 145+ years to continue to provide affordable, high quality, healthy and safe dairy products.

Abdul Samad Dawood
Chairman

Ali Ahmed Khan
Chief Executive Officer



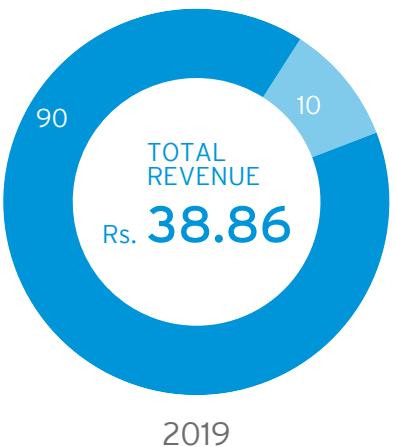
THE PROMISE OF NOURISHMENT

We believe in affordable and accessible nutrition for everyone. It is our promise to make the grass greener for the cows, the yields higher for the farmers, the growth stronger for the milk industry and a glass of milk full of natural goodness for every Pakistani.

FINANCIAL REVIEW

Business Revenue (Rs. in billions)
Segment Share

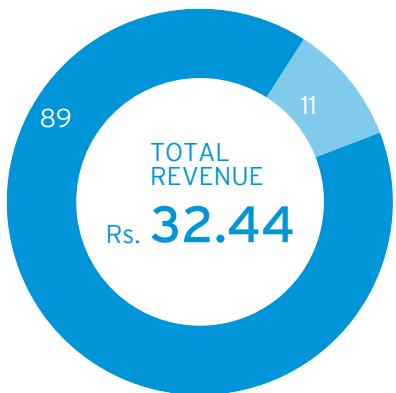
- Dairy, Beverages & Others
- Ice cream



2019

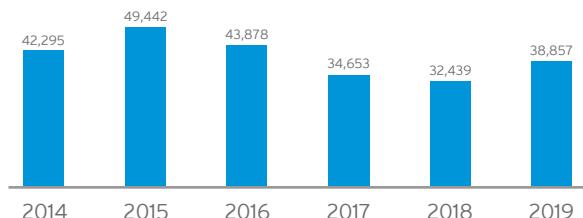
Business Revenue (Rs. in billions)
Segment Share

- Dairy, Beverages & Others
- Ice cream



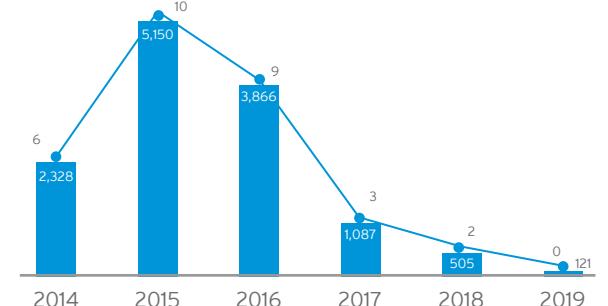
2018

Sales (Rs. in millions)



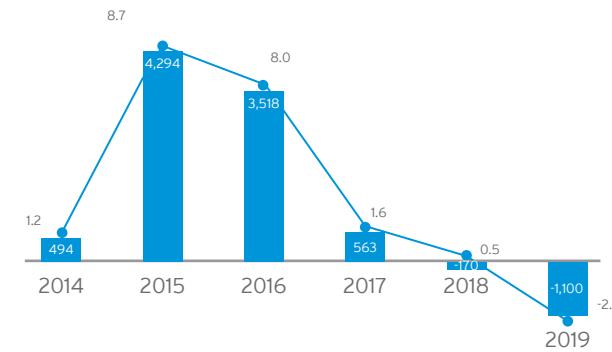
Opening Profit/Loss & % of Sales (Rs. in millions)

- Operating profit
- % of sales



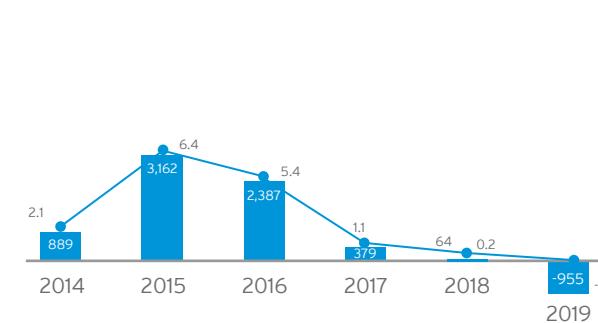
Profit/Loss Before Tax (Rs. in millions)

Profit/Loss Before Tax
of sales



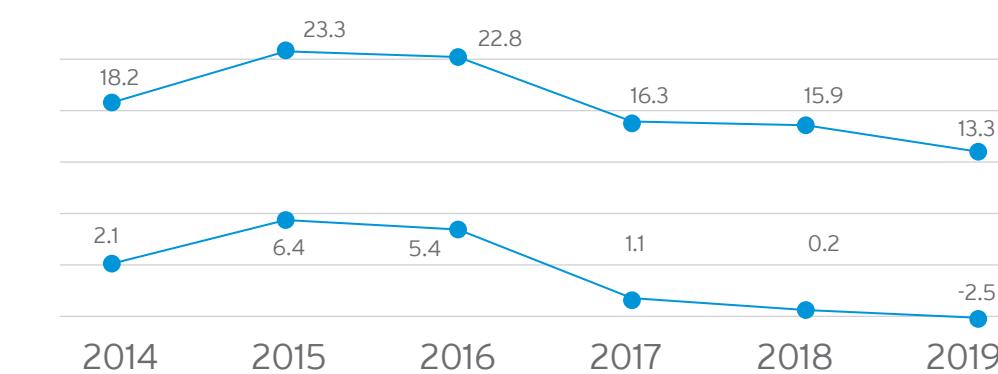
Profit/Loss After Tax (Rs. in millions)

Profit/Loss After Tax
of sales

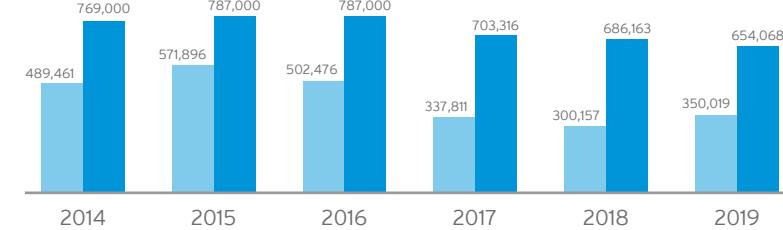


Profitability Ratios

Gross Profit Ratio
Net Profit to Sales

Actual Production vs.
Production Capacity ('000 litres)

Actual Production
Production Capacity



STATEMENT OF VALUE ADDITION & DISTRIBUTION

	2019	2018
WEALTH GENERATED		
Total Revenue inclusive of sales-tax and other income bought-in material and services	Rupees in million 40,818 (32,272)	Rupees in million 34,075 (25,484)
WEALTH DISTRIBUTED		
To employees Salaries, benefits and other costs	2,998	34.90
To Government Taxes, duties and development surcharge	3,511	40.87
To Society Donations towards education, health, environment and natural disaster	20	0.23
To Providers of Capital Mark up/interest expense on borrowed money	1,222	14.22
Retained for reinvestment and future growth, depreciation, amortization, retained profit	795	9.25
	8,546	8,591

FINANCIAL SUMMARY

	2019	2018	2017	2016	2015	2014
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	116	218	298	434	595	400
Hedging Reserve	-	-	-	-	(1)	(28)
Re-measurement of post employment benefits - Re-measurement loss	(132)	(138)	(81)	(74)	(84)	(36)
Unappropriate (loss) / profit	(130)	730	973	8,259	5,872	2,710
Shareholders funds / Equity	8,385	9,341	9,721	17,151	14,913	11,578
Long term borrowings	3,200	4,000	4,121	500	2,196	5,477
Capital employed	11,585	13,341	13,842	17,651	17,109	17,055
Property, plant & equipment	10,913	11,819	12,559	13,121	13,860	15,022
Long term advances and deposits	59	71	84	94	134	109
Statement of Profit or Loss						
Revenue from contracts with customer - net	38,857	32,439	34,653	43,878	49,442	42,295
Gross profit	5,170	5,154	5,636	10,015	11,538	7,701
Operating profit	121	505	1,087	3,866	5,150	2,328
Loss before tax	(1,100)	(170)	563	3,518	4,294	494
(Loss) / profit after tax	(955)	64	379	2,387	3,162	889
Statement of Cash Flows						
Net cash flow from operating activities	1,522	1,231	4,516	5,122	4,517	786
Net cash flow from investing activities	(838)	(1,113)	(900)	(1,188)	(790)	(2,556)
Net cash flow from financing activities	(458)	(958)	(5,393)	(3,176)	(1,722)	(1,081)
Changes in cash & cash equivalents	226	(840)	(1,778)	758	2,005	(2,851)
Cash & cash equivalents - Year end	(1,750)	(1,976)	(1,136)	638	(121)	(2,135)
Others (Million)						
Market capitalisation	60,823	61,145	61,598	147,218	112,366	83,250
Numbers of shares issued	767	767	767	767	767	767
Quantitative Data ('000 Litres)						
Production Capacity						
Dairy & Juices	610,004	642,540	662,516	748,000	748,000	730,000
Ice cream	44,064	43,623	40,800	39,000	39,000	39,000
Actual Production						
Dairy & Juices	328,627	281,903	320,344	482,958	552,532	472,735
Ice cream	21,392	18,254	17,467	19,518	19,364	16,726

FINANCIAL PERFORMANCE INDICATORS – 2014 TO 2019

RATIOS	2019	2018	2017	2016	2015	2014
Profitability Ratios:						
Gross Profit ratio	13.3	15.9	16.3	22.8	23.3	18.2
Net Profit to Sales	-2.5	0.2	1.1	5.4	6.4	2.1
EBITDA Margin to Sales	6.2	7.7	8.7	13.5	14.6	8.7
Operating leverage ratio	-3.84	8.38	3.42	2.22	11.69	2.42
Return on Equity	-11.4	0.7	3.9	13.9	21.2	7.7
Return on Capital employed	-7.5	0.5	2.4	13.7	18.5	5.1
Liquidity Ratios:						
Current ratio	0.9	1.1	1.2	1.9	1.5	1.3
Quick / Acid test ratio	0.5	0.7	0.7	1.1	1.0	0.7
Cash to Current Liabilities	0.0	0.0	0.0	0.1	0.0	0.0
Cash flow from Operations to Sales	0.0	0.0	0.1	0.1	0.1	0.0
Activity / Turnover Ratios:						
No. of Days Inventory	36.5	37.9	40.3	36.8	32.6	35.8
No. of Days Receivables	6.2	3.2	1.3	0.8	0.8	1.1
No. of Days Payables	96.2	98.8	73.8	46.5	40.3	41.4
Operating cycle	(53.6)	(57.7)	(32.2)	(8.8)	(6.9)	(4.5)
Inventory turnover	10.0	9.6	9.1	9.9	11.2	10.2
Debtors turnover	59.1	113.6	288.4	468.7	463.1	339.0
Creditors turnover	3.8	3.7	4.9	7.9	9.1	8.8
Total Assets turnover ratio / Fixed Assets turnover ratio	1.6	1.4	1.6	1.8	1.9	1.6
Investment / Market Ratios:						
Earnings per Share (EPS) - basic & diluted	(1.25)	0.08	0.49	3.11	4.13	1.16
Price Earnings ratio	(63.44)	996.50	165.71	61.72	35.49	93.57
Cash Dividend	-	-	-	-	-	-
Stock Dividend	-	-	-	-	-	-
Market value per share at the end of the year	79.30	79.72	81.20	191.94	146.50	108.54
Highest market value during the year	91.49	107.34	211.00	192.19	179.46	126.25
Lowest market value during the year	42.10	69.00	69.00	115.35	105.31	89.80
Breakup value per share	10.94	12.19	12.68	22.37	19.45	15.10
Capital Structure Ratios:						
Long-term Debt to Equity	30.1	30.0	29.8	2.8	12.8	32.1

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

3. Executives	23,200
4. Public sector companies and corporations	-
5. Banks, Development Financial Institutions, Non Banking Financial Institutions	20,360,609
6. Insurance Companies	28,000

6. Modarabas and Mutual Funds

Shareholder's category	No. of Shares Held
First Equity Modaraba	6,200
CDC - Trustee AKD Index Tracker Fund	18,674
CDC - Trustee AKD Opportunity Fund	295,000
Trust Modaraba	12,000
CDC - Trustee NIT-Equity Market Opportunity Fund	54,900
CDC - Trustee National Investment (Unit) Trust	34,400
CDC - Trustee NIT Islamic Equity Fund	15,600
Total	436,774

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 2019.

Name	Date of Purchase / Sale	Shares Purchased	Shares Sold	Rate
Muhammad Saleem	22/02/2019	500	74	
Zeeshan ur Rub	14/05/2019	5000	49.99	
Zouhair Abdul Khaliq	19/12/2019	1	85.38	

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

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2019

No Of Shareholders	No. Of Shareholdings		Total Shares	No Of Shareholders	No. Of Shareholdings		Total Shares
	From	To			From	To	
856	1	100	48,712	1	170,001	175,000	175,000
3,671	101	500	1,659,801	1	180,001	184,000	184,000
1,572	501	1,000	1,485,882	1	185,001	190,000	190,000
1,847	1,001	5,000	4,903,548	3	195,001	200,000	600,000
418	5,001	10,000	3,349,288	1	205,001	210,000	207,500
145	10,001	15,000	1,848,240	1	215,001	220,000	220,000
109	15,001	20,000	1,987,399	1	225,001	230,000	230,000
57	20,001	25,000	1,348,700	1	245,001	250,000	250,000
34	25,001	30,000	952,252	2	255,001	260,000	513,500
30	30,001	35,000	1,004,220	1	265,001	270,000	268,000
19	35,001	40,000	730,660	2	275,001	280,000	558,000
19	40,001	45,000	830,000	1	290,001	295,000	295,000
28	45,001	50,000	1,366,508	1	300,001	305,000	305,000
12	50,001	55,000	643,846	1	320,001	325,000	322,000
5	55,001	60,000	287,200	1	355,001	360,000	357,474
7	60,001	65,000	441,200	1	365,001	370,000	370,000
10	65,001	70,000	678,500	1	380,001	385,000	380,600
6	70,001	75,000	434,800	1	395,001	400,000	400,000
5	75,001	80,000	394,500	1	435,001	440,000	439,500
4	80,001	85,000	330,100	1	500,001	505,000	500,500
3	85,001	90,000	264,000	1	550,001	555,000	554,148
3	90,001	95,000	282,000	1	630,001	635,000	634,000
11	95,001	100,000	1,095,500	1	720,001	725,000	721,800
3	100,001	105,000	309,100	1	925,001	930,000	930,000
2	105,001	110,000	217,000	1	1,020,001	1,025,000	1,025,000
2	110,001	115,000	225,215	1	1,210,001	1,215,000	1,212,000
3	115,001	120,000	355,140	1	1,295,001	1,300,000	1,296,200
8	120,001	125,000	989,187	1	1,485,001	1,490,000	1,489,000
3	130,001	135,000	402,500	1	1,945,001	1,950,000	1,947,600
2	135,001	140,000	272,900	1	2,130,001	2,135,000	2,130,500
1	140,001	145,000	140,500	1	2,315,001	2,320,000	2,315,500
3	145,001	150,000	446,000	1	17,380,001	17,385,000	17,380,509
3	150,001	155,000	455,000	1	135,775,001	135,780,000	135,775,939
3	155,001	160,000	478,000	1	170,300,001	170,305,000	170,300,008
2	160,001	165,000	329,000	1	390,960,001	390,965,000	390,963,499
1	165,001	170,000	167,900	8,946			766,596,075

CATEGORY OF SHAREHOLDING

AS AT DECEMBER 31, 2019

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

Shareholders' Category	No. of Shareholders	No. of Shares	Percentage of Holding
Directors, Chief Executive Officer, and their spouse(s) and minor children.	2	1,001	0
Associated companies, undertakings and related parties.	4	697,039,946	90.93
Banks, Development Financial Institutions, Non-Banking Financial Institutions.	10	20,360,609	2.66
Insurance Companies	2	28,000	0
Modarabas and Mutual Funds	7	436,774	0.06
Shareholders holding 10 or more shares	3	697,039,446	90.93
General Public (individuals)			
a. Local	8,799	37,812,512	4.93
b. Foreign			
Others	122	10,917,233	1.42

SHAREHOLDERS INFORMATION

Annual General Meeting

The annual shareholders meeting will be held at 03:00 p.m. on April 17, 2020 at The Royal Rod-ale, TC-V, 34th Street, Khayyam-e-Sehar, Phase V Ext., D.H.A., Karachi.

Shareholders as of April 17, 2020 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 along with 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, 2019 there were 8,946, 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 8th September, 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 hard copy of the Annual Audited Accounts. The standard request form for electronic transmission is available at the Company's website <http://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 <http://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 2020 are:

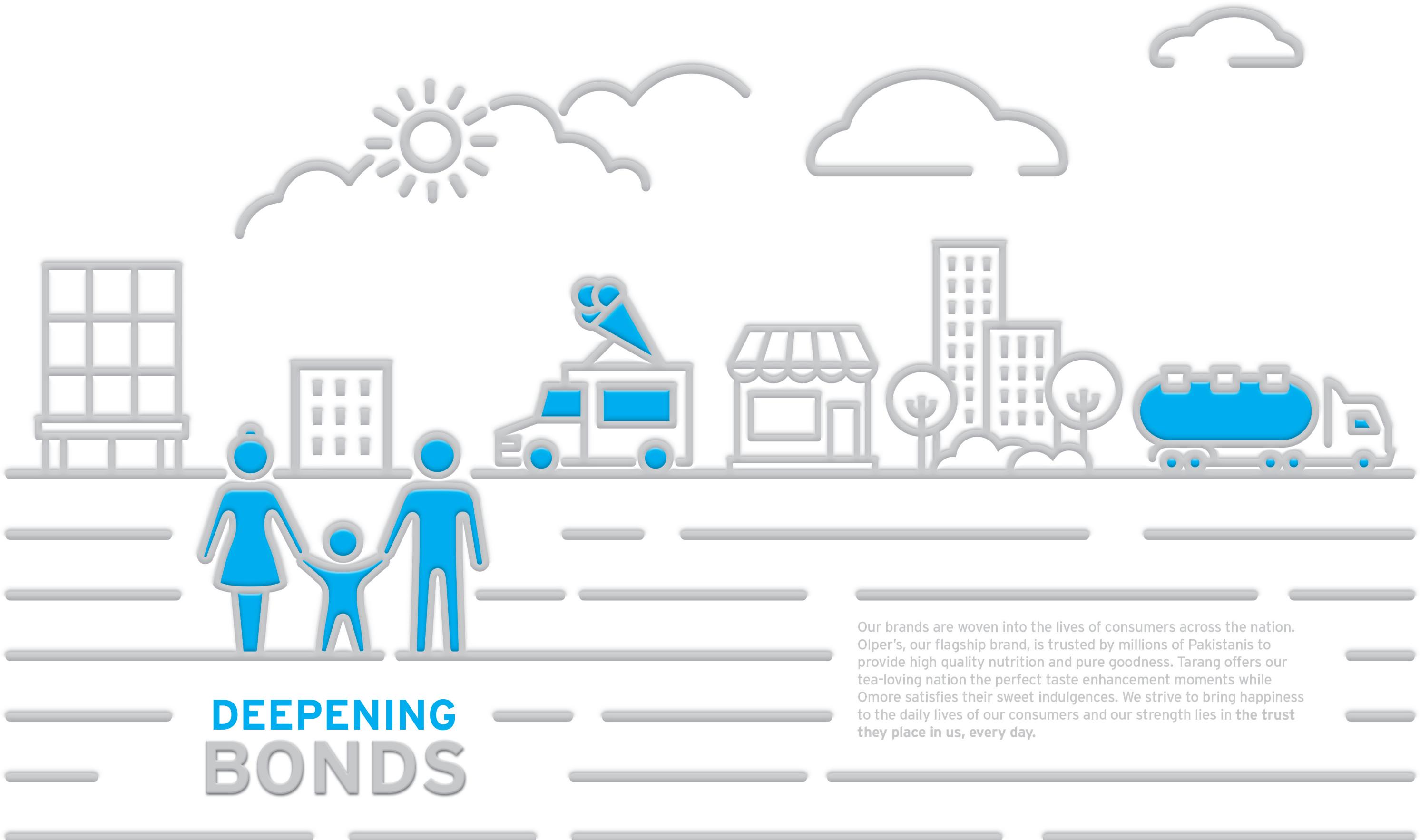
- 1st quarter : April 17, 2020
- 2nd quarter: August 21, 2020
- 3rd quarter: October 16, 2020

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., Shahrah-e-Faisal, Karachi-74000



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 high quality nutrition and pure goodness. Tarang offers our tea-loving nation the perfect taste enhancement moments while Omore satisfies their sweet indulgences. We strive to bring happiness to the daily lives of our consumers and our strength lies in the trust they place in us, every day.



FrieslandCampina
Engro Pakistan Limited

Our Brands Portfolio

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.

NURTURING PAKISTAN



FrieslandCampina
Engro Pakistan Limited

Olper's Milk

Olper's was launched in 2006 as the flagship brand of FrieslandCampina Engro Pakistan Limited (previously known as Engro Foods Ltd) 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 on a daily basis 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. Olper's stands as a favorite for mothers seeking pure and delicious nourishment for the health and wellbeing 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 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 and has established itself as a major player in this category as well. Olper's Full Cream Milk Powder 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 right weight for their age when consumed as part of a balanced diet and active lifestyle.



Olper's ProCal+

Another innovation under the Olper's platform is Olper's ProCal+ which is high in both Protein and Calcium with less than 1% fat. Protein & Calcium together support the growth & maintenance of muscles and bones, helping to keep families strong & active! 2 servings of Olper's ProCal+ provide 30% of your daily protein needs & 80% of daily calcium needs.



Olper's 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.



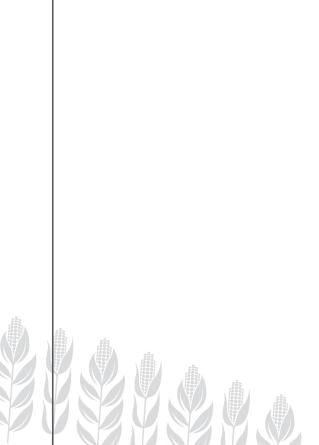
Dairy Omung

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 as a complement to paratha, bread, honey and fruits. Its richness and consistency makes it a great ingredient for desserts and savory cooking.



Omung Dobala

Launched in 2010, Omung Dobala is an affordable alternate to dairy-based cream. It is high in nutrition yet priced within the reach of most Pakistani consumers. Every dollop of Omung Dobala provides sustenance to keep its users energized throughout the day. Omung Dobala not only has a great demand in northern Pakistan, it also has an appeal across the border: It is used in Afghanistan as a staple diet, providing the people with fuel for the entire day.



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.



Omoré

Omoré celebrated its tenth year of operations in Pakistan in 2019, with a unique and expansive portfolio designed to excite consumers on a day-to-day basis. Omoré prides itself on novelty in a variety of formats with its stellar combinations of amazing tastes, textures, shapes, flavours and colours. Being an innovation trailblazer in the category, consumers can trust that Omoré will launch blockbuster products in imaginative flavours every year to make their summers fun and exciting!





Olper's Milk

Olper's was launched in 2006 as the flagship brand of FrieslandCampina Engro Pakistan Limited (previously known as Engro Foods Ltd) 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 on daily basis 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 favorite for mothers that are seeking pure and delicious nourishment for the health and wellbeing 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.

Campaign

In 2019 we continued our major thematic campaign on Olper's under the 'Celebrate Happy Mornings' theme, 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" & "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. As a result of this campaign Olper's has significantly improved its brand saliency and imagery scores leading to significant growth in household userhip and market leadership in the UHT Milk category.



#ManaoHappySubha



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 and has established itself as a major player in this category.

Olper's Full Cream Milk Powder 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 right weight for their age when consumed as part of a balanced diet and active lifestyle.

Sachet Introductory Campaign

In 2019 we introduced a sachet variant at an accessible price point of Rs. 25 to drive penetration and accessibility for Olper's Full Cream Milk Powder.

A TV ad was launched and aired nation-wide and it received excellent feedback from consumers and enabled Olper's to establish significant footing in this category. The campaign had presence all over TV, digital and radio. The promotion was supplemented with multiple sampling activities across the country to generate trial for the new FCMP SKU. We will continue to support this much needed innovation to establish Olper's Full Cream Milk Powder as the right choice for school-going children.



**Full Cream Milk
POWDER**
Made from
NATURAL MILK

Full Cream Milk POWDER

Made from
NATURAL MILK



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 Elaichi - "Elaichi ka perfect maza"

The Campaign idea "Elaichi Ka Perfect Maza" - The Perfect Taste of Cardamom stemmed from consumers' desire to strike the perfect balance of cardamom taste and aroma when preparing a cup of cardamom tea. The campaign was developed to highlight the new product while retaining Tarang's iconic song and dance platform which set it apart from competition.

"Elaichi Ka Perfect Maza" was a phrase coined to propagate the message of how Tarang Elaichi makes the perfect cup of cardamom tea that uplifts everyone's mood. The packaging design was also revamped using vibrant green colours with two cardamom cloves dropping into a delicious cup of tea

coupled with uplifting musical notes enveloping the Tarang brand mark to symbolize the impact of the perfect cup of cardamom tea made with Tarang Elaichi.

The TV ad continued in the Dil Dance Maaray world where the irresistibility of cardamom tea made with Tarang Elaichi was manifested with the urge to dance with joy after taking just a sip. The campaign had presence all over TV, digital, radio and SMS with a Saba Qamar endorsement that further cemented the positioning of Tarang Elaichi as the best tasting cup of cardamom tea available in the market. The promotion was supplemented with multiple sampling activities across the country to generate trial of the new Tarang product.

#ElaichiKaPerfectMaza



Omoré

Omoré

Over the decades ice-cream and frozen desserts have become an integral part of Pakistani households. Whether it's a quick impulsive treat for oneself or for sharing sweetness with the whole family, Omoré has something for everyone, with a novel assortment of products across different formats. Our philosophy is rooted in bringing something new for consumers to make summers the most exciting time of the year! In line with this spirit, Omoré launched exciting new products in 2019, bringing joy and fun to Pakistani consumers.

Omoré Summer Blockbuster

The Omoré Summer Blockbuster campaign drew on exciting movie tropes and a trailer-style manifestation of Omoré being the savior for people of all ages. In 2019, Omoré launched three different advertisements under this big idea for our three biggest innovations of the year: Omoré Cookie Mania, Omoré Candy Pop and Omoré Matka Kulfi. The aim of these copies was to build excitement and infuse novelty and originality in the brand.

Omoré Innovations of 2019

Omoré introduced a record number of 8 innovative products in 2019! These were across different formats, including Omoré Vanilla Mango Cone (a 2-in-1 combination of popular flavours), Omoré Rocket (a rocket-shaped ice-lolly for kids to build on their imagination), Omoré Krunch Kulfi (a truly traditional delight) and our breakthrough blockbusters of the year: Omoré Cookie Mania, Omoré Candy Pop, Omoré Matka Kulfi and Omoré Pistachio Chocolate Cone!



Omoré Cookie Mania

Omoré Cookie Mania, a cream-flavoured delight with chocolate cookie pieces, was a blockbuster success in 2019 with sales outpacing projections by almost 300%! The Omoré Cookie Mania advertisement also built excitement across the youth for the exciting world of Omoré where creamy and crunchy goodness collide to provide the best of two worlds

Omoré Candy Pop

Year on year, Omoré promises to bring consumers an impressive combination of vibrant colours and mouthwatering flavours. Omoré Candy Pop cup gives the opportunity to experience cotton candy goodness in its signature blue and pink colours. Candy Pop's energetic TVC also built confidence in the brand's ability to innovate and relate to the right age groups without diluting the brand's appeal.

Omoré Matka Kulfi

Omoré was the talk of the town this Eid when it launched delicious and creamy Kulfi in a unique shaped Matka for the whole family to enjoy. A perfect gift to give on the Eid occasion, Omoré Matka Kulfi is a treat for the eyes and for the taste buds.

Omoré Pistachio Chocolate Cone

Omoré Pistachio Chocolate Cone is the perfect fusion of a traditional flavour in a non-traditional format. Creamy pistachio goodness with delightful chocolate sauce in a crunchy cone gives a surprisingly scrumptious combination of textures, colours and aroma. The successful launch of the pistachio chocolate cone is testament to the fact that Omoré is not scared to experiment across regions to increase consumer delight!



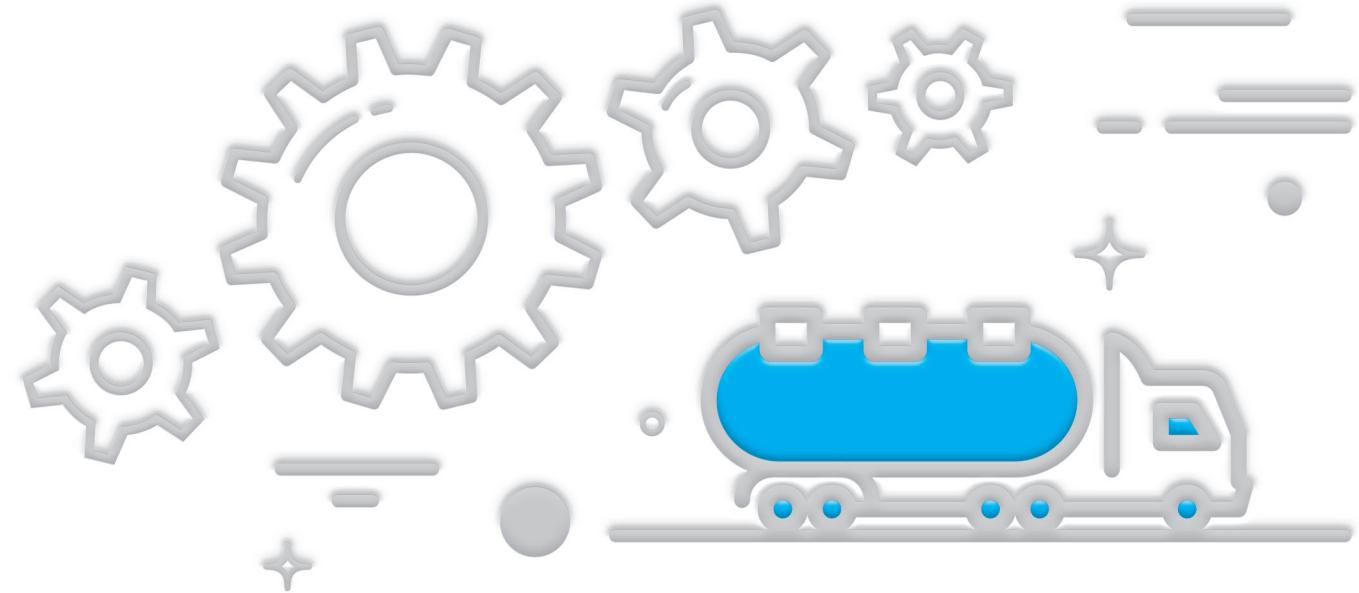
SUMMER BLOCKBUSTERS

ENJOY THEM NOW!





FrieslandCampina 
Engro Pakistan Limited



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, 2019 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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, 2019.



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

Karachi
Date: March 6, 2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

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 Khalilq
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 five 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training program for the Executive Director & CEO Mr. Ali Ahmed Khan during the year ended December 31, 2019.
10. There was no fresh appointment of CFO, Company Secretary and Head of Internal Audit during the year ended December 31, 2019. 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 formed in the prior year Committees comprising of members given below:

Audit Committee	Human Resource and Remuneration Committee
Abrar Hasan (Chairman)	Zouhair Khalilq (Chairman)
Zouhair Khalilq	Petra Attje Zinkweg (Female Director)
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:
 - a. Audit Committee: Four quarterly meetings during the financial year ended December 31, 2019.
 - b. Human Resource and Remuneration Committee: Two quarterly meetings during the financial year ended December 31, 2019.
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 6, 2020

Independent Assurance Report to the Members on the Statement of Compliance with Employees Share Option Scheme

Scope of our work

We have performed an independent reasonable assurance engagement of FrieslandCampina Engro Pakistan Limited (the Company) to express an opinion on the annexed Statement of Compliance with Employees Share Option Scheme (the Statement), as approved by the shareholders in their Extra Ordinary General Meeting held on March 22, 2013 and amended in their Annual General Meeting held on April 27, 2015 (the Scheme) and Companies (Further Issue of Shares) Regulations, 2018 issued by the Securities and Exchange Commission of Pakistan vide SRO 1399 (I)/2018 dated November 14, 2018 (the Regulations), for the year ended December 31, 2019.

Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement for the year ended December 31, 2019) is assessed, comprise the aforementioned Scheme and the Regulations. Our engagement was carried out as required under Regulation No. 18 (3) (ii) of the Regulation.

Responsibility of Company's Management

The responsibility for the preparation of the Statement (the subject matter information) and for compliance with the requirements of the Scheme and the Regulations is that of the Management of the Company. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 'Quality Control for Firms that perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the Statement reflects the status of Company's compliance with the Scheme and the Regulations (the Criteria) and is free from material misstatement.

The procedures selected by us for the engagement depend on our judgement, including an assessment of the risks of material non-compliances with the requirements of the Scheme and the Regulations. In making those risk assessments, we have considered internal control relevant to the Company's compliance with the Scheme and the Regulations in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Company was not materially non-compliant with the Scheme and the

Regulations. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Our procedures applied to the selected data primarily comprised of:

- Verifying that only permanent employees have participated in the Scheme in compliance with the Regulations;
- Verifying that variation, if any, in the terms of the Scheme has been approved by passing a special resolution in the general meeting;
- Verifying that the share options granted, vested, lapsed, surrendered or exercised under the Scheme have been recorded in the books of accounts in accordance with the requirements of the Regulations;
- Ensuring that adequate disclosures have been made in respect of the Scheme in the Annual Report as required under the Regulations; and
- Ensuring that during the year no option granted to any employee has been transferred to any other person except to an entitled employee as per the Regulations.

We believe that the evidence we have obtained through performing our aforementioned procedures is sufficient and appropriate to provide a basis for our opinion.

Conclusion

Based on our reasonable assurance engagement, in our opinion, the Statement for the year ended December 31, 2019, reflects, in all material respects, the status of Company's compliance with the Scheme and the Regulations.



A.F. Ferguson & CO.
Chartered Accountants

Karachi
Date: March 6, 2020

Engagement Partner: Osama Kapadia

Management Statement of Compliance with Employees Share Option Scheme

FrieslandCampina Engro Pakistan Limited (the Company) for the year ended December 31, 2019 has implemented its Employees Share Option Scheme (the Scheme) as approved by the shareholders in their Extra Ordinary General Meeting held on March 22, 2013. The amendments to the Scheme were approved by the shareholders in the Annual General Meeting held on April 27, 2015 and by the Securities and Exchange Commission of Pakistan on August 31, 2015. The Company for the year ended December 31, 2019 has complied, in all material respects, with the requirements of the Scheme and the Companies (Further Issue of Shares) Regulations, 2018 (the Regulations) issued by the Securities and Exchange Commission of Pakistan vide SRO 1399 (I)/2018 dated November 14, 2018, except that the Board Compensation Committee, that was reconstituted by the Board of Directors on April 26, 2018, includes the Chief Executive of the Company as one of its members, which is currently not in line with requirements of Regulation No. 13 (I) (vii) of the Regulations. However, the vesting period under the Scheme lapsed in April 2018 and the Chief Executive was not granted any options under the Scheme. Furthermore, the Chief Executive has recused himself from participating in any agenda point of the Committee meetings that relates to the Scheme.

Abdul Samad Dawood
Chairman

Karachi
Date: February 6, 2020

Ali Ahmed Khan
Chief Executive Officer

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, 2019, and the statement of profit or loss, the statement of profit or loss and other 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 profit or loss and other 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, 2019 and of the loss and other comprehensive income, 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 Matter

Key audit matters are those matters that, in our professional judgement, 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 is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
(i)	Deferred tax asset relating to minimum turnover tax (Refer notes 3(a) and 8 to the financial statements) As at December 31, 2019, included in the balance of deferred tax asset (net) is an amount of Rs. 998,644 thousand representing deferred tax asset recognised on account of minimum turnover tax. Recognition of deferred tax asset on account of minimum turnover tax requires management to estimate Company's tax liability in future tax years.	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none">obtained understanding of management's process of preparation of profitability forecast, tax liability and deferred tax calculation;discussed with the management, significant underlying assumptions used in preparing the profitability forecast and assessed the same for reasonableness;

	<p>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 realisability of recognised deferred tax asset requires significant management judgement, we considered this a key audit matter.</p> <ul style="list-style-type: none"> • checked appropriateness of tax rates applied in view of the local tax legislation; • checked mathematical accuracy of calculations; and • reviewed and evaluated related disclosures in the financial statements. 	<ul style="list-style-type: none"> • 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.
--	--	--

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 judgement 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:

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss, the statement of profit or loss and other 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;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) 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 6, 2020

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(Amounts in thousand)

	Note	2019	2018
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	10,913,215	11,819,283
Biological assets	5	1,086,734	1,208,264
Intangibles	6	95,135	92,420
Right-of-use assets	7	647,187	-
Deferred tax asset - net	8	174,338	-
Long term advances and deposits	9	58,934	70,720
Deferred employee share option compensation expense	10	-	260
		<u>12,975,543</u>	<u>13,190,947</u>
Current Assets			
Stores, spares and loose tools	11	515,048	620,937
Stock-in-trade	12	3,717,730	3,020,190
Trade debts	13	915,728	400,313
Advances, deposits and prepayments	14	270,866	291,951
Other receivables	15	313,481	308,594
Sales tax recoverable	16	2,004,857	2,054,957
Taxes recoverable		2,786,929	2,776,347
Deferred employee share option compensation expense	10	-	3,565
Cash and bank balances	17	65,915	100,665
		<u>10,590,554</u>	<u>9,577,519</u>
TOTAL ASSETS		<u>23,566,097</u>	<u>22,768,466</u>

(Amounts in thousand)

	Note	2019	2018
		Rupees	
EQUITY AND LIABILITIES			
Equity			
Share capital	18	7,665,961	7,665,961
Share premium	19	865,354	865,354
Employee share option compensation reserve	10	115,517	217,910
Re-measurement of post employment benefits - Re-measurement loss		(132,485)	(137,826)
Unappropriated (loss) / profit		(129,682)	729,661
		<u>8,384,665</u>	<u>9,341,060</u>
Non-Current Liabilities			
Long term finances	20	3,200,000	4,000,000
Lease liability against right-of-use assets	21	413,752	-
Deferred tax liability - net	8	-	616,413
		<u>3,613,752</u>	<u>4,616,413</u>
Current Liabilities			
Current portion of:			
- long term finances	20	800,000	-
- lease liability against right-of-use assets	21	235,692	-
- liabilities against assets subject to finance lease		-	121,506
Trade and other payables	22	8,226,126	6,427,662
Contract liabilities		140,926	-
Unclaimed dividend		8,731	9,351
Accrued interest / mark-up on:			
- long term finances		131,474	85,482
- short term finances		208,581	90,476
Short term finances	23	1,816,150	2,076,516
		<u>11,567,680</u>	<u>8,810,993</u>
Contingencies and Commitments	24		
TOTAL EQUITY AND LIABILITIES		<u>23,566,097</u>	<u>22,768,466</u>

The annexed notes 1 to 49 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, 2019

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

	Note	2019	2018
		Rupees	
Revenue from contracts with customers - net	25	38,857,336	32,439,451
Cost of sales	26	(33,687,049)	(27,285,392)
Gross profit		5,170,287	5,154,059
Distribution and marketing expenses	27	(3,969,309)	(4,205,762)
Administrative expenses	28	(1,245,853)	(957,071)
Other operating expenses	29	(246,874)	(108,475)
Other income	30	412,968	622,269
Operating profit		121,219	505,020
Finance cost	31	(1,221,574)	(675,340)
Loss before taxation		(1,100,355)	(170,320)
Taxation	32	145,490	234,103
(Loss) / profit for the year		(954,865)	63,783
(Loss) / earnings per share - basic and diluted	33	(1.25)	0.08

The annexed notes 1 to 49 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 AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

	Note	2019	2018
		Rupees	
(Loss) / profit for the year		(954,865)	63,783
Other comprehensive income / (loss):			
Items that will not be reclassified to profit or loss			
Re-measurement of post employment benefits obligation - re-measurement income / (loss)	36.6	7,522	(80,540)
Less: Income tax relating to re-measurement (income) / loss		(2,181)	23,357
Other comprehensive income / (loss) for the year, net of tax		5,341	(57,183)
Total comprehensive (loss) / income for the year		(949,524)	6,600

The annexed notes 1 to 49 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 CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

	Note	Share capital	RESERVES				Total	
			CAPITAL		REVENUE			
			Share premium (note 19)	Employee share option compensation reserve	Re-measurement of post employment benefits	Unappropriated (loss) / profit		
Rupees								
Balance as at January 1, 2018		7,665,961	865,354	297,836	(80,643)	972,516	9,721,024	
Employee share option scheme	10	-	-	(79,926)	-	-	(79,926)	
Transaction with owners								
Final dividend for the year ended December 31, 2017 at the rate of Rs. 0.4 per share		-	-	-	-	(306,638)	(306,638)	
Profit for the year		-	-	-	-	63,783	63,783	
Other comprehensive loss for the year		-	-	-	(57,183)	-	(57,183)	
Total comprehensive (loss) / income for the year		-	-	-	(57,183)	63,783	6,600	
Balance as at December 31, 2018 / January 1, 2019		7,665,961	865,354	217,910	(137,826)	729,661	9,341,060	
Employee share option scheme	10	-	-	(6,871)	-	-	(6,871)	
Transfer of employee share option compensation reserve to unappropriated profit		-	-	(95,522)	-	95,522	-	
Transaction with owners								
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		7,665,961	865,354	115,517	(132,485)	(129,682)	8,384,665	

The annexed notes 1 to 49 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousand)

	Note	2019		2018
		Rupees		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations	34	3,254,046		2,713,106
Finance costs paid on:				
- short term and long term finances		(990,078)		(582,571)
- obligations subject to finance lease		-		(14,553)
Taxes paid		(658,024)		(798,022)
Contribution to the retirement benefits paid		(95,674)		(100,061)
Long term advances and deposits - net		11,786		12,911
Net cash generated from operating activities		1,522,056		1,230,810
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of:				
- property, plant and equipment		(1,145,873)		(1,272,401)
- intangibles		(12,221)		(67,328)
- biological assets		-		(584)
Proceeds from disposal of:				
- property, plant and equipment (note 4.4)		83,619		129,642
- biological assets		236,093		97,848
Net cash utilized in investing activities		(838,382)		(1,112,823)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of long term finances				
Dividend paid		-		(500,000)
Repayment of liabilities against assets subject to finance lease		(620)		(306,311)
Repayment of lease liability against right-of-use assets		-		(151,794)
Net cash utilized in financing activities		(457,438)		-
Net increase / (decrease) in cash and cash equivalents		(458,058)		(958,105)
Cash and cash equivalents at beginning of the year	35	225,616		(840,118)
Cash and cash equivalents at end of the year		(1,975,851)		(1,135,733)
		(1,750,235)		(1,975,851)

The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer



Imran Husain
Chief Financial Officer



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer



Imran Husain
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 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, 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 Salehpur, 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.

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

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

(Amounts in thousand)

- 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 judgement in the process of applying the Company's accounting policies. The areas involving high degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 3.

2.1.4 Initial application of Standards, Amendments or Interpretations to existing Standards

a) Standards and amendments to published standards that became effective during the year

The following new standards and interpretation to the accounting and reporting standards as applicable in Pakistan were effective for the first time during the year ended December 31, 2019:

- IFRS 9 'Financial instruments' addressed the classification, measurement and recognition of financial assets and financial liabilities and replaced the related guidance in IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. It retained but simplified the mixed measurement model and established three primary measurement categories for financial assets: Amortized Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or loss (FVPL). The basis of classification depends on the Company's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without recycling fair value changes to profit or loss.

The standard also includes an Expected Credit losses (ECL) model that replaced the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as the credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade debts).

For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The adoption of IFRS 9 from January 1, 2019 by the Company has resulted in change in accounting policies (notes 2.5 and 2.6), and as per the Company's business model, its financial assets and liabilities have been defined into appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as loan and receivables have now been classified as amortized cost).

- IFRS 15 'Revenue from contracts with customers' (effective January 1, 2019). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The adoption of IFRS 15 from January 1, 2019 has resulted in change in accounting policies (note 2.20), however, the impact of its adoption is not considered material on these financial statements.

- Effective January 1, 2019, the Company has adopted IFRS 16, 'Leases' which replaced guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduced a single, on balance sheet lease accounting model for the Company. The Company has recognized a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. The accounting policies relating to Company's right of use asset and lease liability are disclosed in note 2.15.

(Amounts in thousand)

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019.

For leases previously classified as finance leases the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are applied only after that date. The re-measurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease already recognised in the statement of financial position as at December 31, 2018.

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

- Property, plant and equipment - decreased by Rs. 241,024
- Right-of-use asset - increased by Rs. 809,598
- Prepayments - decreased by Rs. 6,905
- Liability against assets subject to finance lease - decreased by Rs. 121,506
- Lease liabilities - increased by Rs. 683,175

The change in accounting policy affected the following items in profit or loss for the year ended December 31, 2019:

- Markup on lease liability against right-of-use assets - increased by Rs. 67,399
- Cost of sales which includes depreciation and rent expenses decreased by Rs. 18,471
- Distribution and marketing expenses which include depreciation and rent expenses decreased by Rs. 4,498
- Administrative expenses which include depreciation and rent expenses decreased by Rs. 12,855

The net impacts on loss before tax, loss for the year and loss per share is a decrease by Rs.31,535, Rs.22,418 and Rs 0.03 respectively.

- IFRIC (Interpretation) 23, 'Uncertainty over income tax treatments'. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The interpretation had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The interpretation applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The interpretation does not have a significant impact on these financial statements.

The other amendments to published standards and interpretations that are mandatory for the financial year which began on January 1, 2019 are considered not to be relevant or to have any significant impact on the Company's financial reporting and operations and are therefore not disclosed in these financial statements.

(Amounts in thousand)

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

The following new standards, amendments and interpretations are not effective for the financial year that began on January 1, 2019 and have not been early adopted by the Company:

- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' (effective for the Company's annual period beginning on January 1, 2019). These amendments and consequential amendments to other IFRSs: (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and (iii) incorporate some of the guidance in IAS 1 about immaterial information. These amendments are not expected to have a significant impact on the Company's financial statements.

There is a standard and amendments to the published standards that are not yet effective and are also not relevant to the Company's financial statements 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 up to 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 original cost of the asset.

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.

(Amounts in thousand)

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 recognised 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.

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

Up to December 31, 2018 the Company classified its financial assets into four categories namely 'at fair value through profit or loss', 'loans and receivables', 'held to maturity' and 'available for sale'.

Effective, January 01, 2019 the Company classifies its financial assets in the following categories:

a) Amortised 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 amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on de-recognition are recognised 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 amortised 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 investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in profit or loss for the period in which it arises.

(Amounts in thousand)

Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

2.5.2 Financial Liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised 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 amortised cost using the effective yield method.

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

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 recognise lifetime expected credit losses for trade debts.

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 recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) 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.

(Amounts in thousand)

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.

2.9 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless such contain significant financing component in which case such are recognised 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 amortised 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

The grant date fair value of equity settled share based payments to employees is initially recognized in the statement of financial position as deferred employee compensation expense with a consequent credit to equity as employee share option compensation reserve. 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.

When an invested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the statement of profit or loss, such employee compensation expense is reversed in the statement of profit or loss equal to the amortized portion with a corresponding effect to employee share option compensation reserve in the statement of financial position.

(Amounts in thousand)

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the statement of profit or loss is reversed with a corresponding reduction to 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.

The Securities and Exchange Commission of Pakistan vide SRO 1399 (I) / 2018 dated November 14, 2018 issued the Companies (Further Issue of Shares) Regulations, 2018 (the Regulations) which repealed 'Public Companies (Employees Stock Option Scheme) Rules, 2001' (the Rules). The Regulations require the Company to follow accounting treatment as required by International Financial Reporting Standards.

2.13 Staff retirement and other service benefits

2.13.1 Gratuity fund - 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 re-measurement 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 Gratuity fund - Defined contribution plan

In January 2017, the Company gave a one time irrevocable offer to all members of Employees' Defined Benefit Gratuity Fund to join Engro Corporation Limited - Employees' Defined Contribution Gratuity Fund (the Fund), a defined contribution plan. The present value, as at December 31, 2016, of the defined benefit obligation of those employees, who accepted this offer, were transferred to this Fund. All new employees appointed in January 2017 and onwards have joined the defined contribution gratuity scheme.

The Company contributes to an approved defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and all new employees. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

2.13.3 Provident fund

For all permanent employees of the Company, Engro Corporation Limited, operates and maintains an approved defined contribution provident fund on behalf of the Company.

Equal monthly contribution at the rate of 10% of basic salary are made both by the Company and the employees to the defined contribution provident fund.

2.13.4 Compensated absences

The Company accounts for compensated absences on the basis of un-availed leave balance of eligible employees at the end of the reporting period.

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.

(Amounts in thousand)

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 Lease liability and Right-of-use asset

Effective January 1, 2019, 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 be 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 amortised cost using the effective interest rate 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.

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 re-measurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise 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 recognised as an expense on a straight line basis over the lease term.

(Amounts in thousand)

2.16 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.

2.17 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.

2.18 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.

2.19 Taxation

2.19.1 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.

2.19.2 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 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.

2.20 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.

2.21 Revenue recognition

Up to December 31, 2018 revenue was recognized when the risk and reward were transferred.

Effective Jan 1, 2019:

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

(Amounts in thousand)

2.22 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.

2.23 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.

2.24 Dividend and appropriation to reserves

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

2.25 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:

a) Taxation

In making the estimates for current income taxes payable by the Company, the management considers the applicable laws and the decisions / judgements of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made, taking into account these judgements 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.

(Amounts in thousand)

d) Lease accounting

The implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

e) Stock-in-trade

The Company regularly reviews the net realizable value of stock-in-trade to assess 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.

f) Stores and spares

The Company reviews the 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.

g) 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

	2019	2018
	Rupees	Rupees
Operating assets (note 4.1)	10,328,104	11,003,808
Capital work-in-progress (note 4.5)	439,746	670,774
Major spare parts and stand-by equipment (note 11)	145,365	144,701
	<u>10,913,215</u>	<u>11,819,283</u>

(Amounts in thousand)

4.1 Operating assets

	Freehold land (note 4.7)	Buildings and civil works on freehold land (note 4.7)	Plant, machinery and related equipment (note 4.2)	Computer equipment (note 4.2)	Office equipment and furniture & fittings	Vehicles (note 4.2)	Total
	As at January 1, 2018		Owning	Rupees	Leased	Owning	Leased
Cost	408,580	4,090,773	17,104,603	344,004	267,649	377,647	746,559
Accumulated depreciation	-	(1,455,866)	(8,846,087)	(50,292)	(201,503)	(297,864)	(430,094)
Accumulated impairment	-	-	(176,250)	-	(9)	(1,593)	(831)
Net book value	408,580	2,634,907	8,082,266	293,712	66,137	78,190	315,634
Year ended December 31, 2018							
Opening net book value	408,580	2,634,907	8,082,266	293,712	66,137	78,190	315,634
Additions, including transfers (note 4.5)	-	115,780	770,600	-	104,069	17,381	151,215
Disposals (note 4.4)	-	-	(421,220)	(206)	(24,705)	(7,026)	(106,313)
Cost	-	-	360,996	206	24,234	6,673	80,972
Accumulated depreciation	-	-	2,042	-	(471)	(353)	(25,341)
Accumulated impairment	-	-	(58,182)	-	-	-	(84,347)
Depreciation (note 4.3)	-	(207,752)	(1,461,790)	(52,688)	(43,730)	(31,163)	(121,998)
Impairment charge / reversal (notes 4.6, 26 and 27)	-	(1,482)	(29,662)	-	-	84	-
Write-off (note 29)	-	-	-	-	-	-	(31,060)
Cost	-	(16,562)	(21,235)	(20,415)	(384)	(550)	(1,197)
Accumulated depreciation	-	15,825	17,813	20,415	384	522	895
Accumulated impairment	-	632	3,420	(2)	-	(28)	302
Closing net book value	408,580	2,541,348	7,303,230	241,024	126,005	64,111	319,510
As at December 31, 2018							
Cost	408,580	4,189,991	17,432,748	323,383	346,629	387,452	790,264
Accumulated depreciation	-	(1,647,793)	(9,929,068)	(82,359)	(220,615)	(321,832)	(470,225)
Accumulated impairment	-	(850)	(200,450)	-	(9)	(1,509)	(529)
Net book value	408,580	2,541,348	7,303,230	241,024	126,005	64,111	319,510
Year ended December 31, 2019							
Opening net book value	408,580	2,541,348	7,303,230	241,024	126,005	64,111	319,510
Reclassification due to IFRS 16	-	-	-	(323,383)	-	1,389	(1,389)
Cost	-	-	-	82,359	-	(1,389)	(1,389)
Accumulated depreciation	-	-	-	(241,024)	-	-	(323,383)
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
Depreciation (note 4.3)	-	(213,425)	(1,501,413)	-	(66,276)	(21,041)	(143,344)
Impairment charge (notes 4.6, 26, 27, 28)	-	-	(16,033)	-	(158)	(3,742)	(700)
Write-off (note 29)	-	-	-	-	-	-	(20,633)
Cost	-	(513)	446	-	(243)	(2,573)	-
Accumulated depreciation	-	67	167	-	76	2,420	-
Accumulated impairment	-	-	-	-	153	(3,329)	2,942
Closing net book value	410,975	2,457,535	6,817,050	-	140,182	71,989	430,373
As at December 31, 2019							
Cost	410,975	4,319,603	18,229,735	-	403,624	413,465	945,874
Accumulated depreciation	-	(1,861,218)	(11,201,056)	-	(263,442)	(336,381)	(514,272)
Accumulated impairment	-	(850)	(211,629)	-	-	(5,095)	(1,229)
Net book value	410,975	2,457,535	6,817,050	-	140,182	71,989	430,373
Annual rate of depreciation (%)	-	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	2019		2018		Reason (note 4.2.1)
	Cost	Net Book Value	Cost	Net Book Value	
Plant, machinery and related equipment	218,429	78,211	226,340	84,480	Equipment mounted on transport contractors' vehicle
Plant, machinery and related equipment	1,324,491	704,244	1,022,230	435,584	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	225,396	135,970	175,719	91,822	Trikes held with third party for ice cream sales
	1,784,913	918,425	1,440,886	611,886	

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 Companies Act, 2017.

4.3 The depreciation charge has been allocated as follows:

- Cost of sales (note 26)
- Distribution and marketing expenses (note 27)
- Administrative expenses (note 28)

2019	2018
Rupees	
1,675,892	1,718,045
251,770	187,091
17,837	13,985
1,945,499	1,919,121

(Amounts in thousand)

4.4 The details of operating assets disposed off during the year are as follows:

Description and method of disposal	Sold to	Cost	Accumulated depreciation and impairment	Net Book Value	Sale proceeds	Gain / (loss)
Rupees						
Vehicles						
By the Company policy to existing / separating employees						
Muhammad Asif		1,694	(985)	709	1,068	359
Abdul Wahid Qazi		1,797	(1,213)	584	641	57
Waleed Akbar Shamim		1,691	(1,078)	613	943	330
Saud Farooq		1,705	(927)	778	1,156	378
Ismail Shah		1,751	(1,051)	700	1,247	547
Muhammad Ali Tariq		1,814	(1,021)	793	812	19
Shakil Ahmed		1,628	(1,282)	346	732	386
Muhammad Rafiq		1,663	(1,496)	167	748	581
Syed Ali Abbas Shah		1,646	(1,481)	165	740	575
Mohsin Hafeez		1,705	(1,247)	458	1,138	680
Nabeel Khawar		1,616	(1,454)	162	727	565
Ali Sulaiman		1,628	(1,465)	163	811	648
M. Pervaiz Rafiq		1,684	(1,484)	200	758	558
		22,022	(16,184)	5,838	11,521	5,683
By the Company policy to existing / separating employees having net book value of less than Rs. 500		99,646	(82,643)	17,003	23,836	6,833
Insurance claim	EFU General Insurance Ltd.	2,411	(1,859)	552	1,124	572
		124,079	(100,686)	23,393	36,481	13,088
Plant, machinery and related equipment - owned						
Sold through bidding/auction under the Company policy						
M/s Malik Iqbal		3,738	(2,773)	965	965	-
M/s Malik Iqbal		3,738	(2,773)	965	965	-
M/s Dairy Engineering		12,585	(10,937)	1,648	1,648	-
M/s Dairy Engineering		12,398	(10,774)	1,624	1,624	-
Assets having net book value of less than Rs. 500		215,995	(206,509)	9,486	38,573	29,087
		248,454	(233,766)	14,688	43,775	29,087
Office furniture						
Assets having net book value of less than Rs. 500		502	(477)	25	35	10
Office equipment						
Assets having net book value of less than Rs. 500		3,788	(3,598)	190	656	466
Computer equipment						
Assets having net book value of less than Rs. 500		24,346	(23,373)	973	2,672	1,699
December 31, 2019		401,169	(361,900)	39,269	83,619	44,350
December 31, 2018		559,470	(475,123)	84,347	129,642	45,295

(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, 2018							
Balance as at January 1, 2018	-	89,746	415,072	2,030	19,286	11,603	537,737
Additions during the year	-	90,853	776,634	67,328	137,849	267,065	1,339,729
Transferred to:							
- operating assets (note 4.1)	-	(115,780)	(770,600)	-	(121,450)	(151,215)	(1,159,045)
- intangible assets (note 6)	-	-	-	-	(47,647)	-	(47,647)
Balance as at December 31, 2018	-	64,819	421,106	21,711	35,685	127,453	670,774
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)
- intangible assets (note 6)	-	-	-	-	(33,932)	-	(33,932)
Balance as at December 31, 2019	-	59,714	278,595	-	25,672	75,765	439,746

4.6 During the year, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 20,633 (2018: Rs. 31,060) 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. In addition, the Company identified that carrying value of certain previously impaired assets in Ice cream segment is lower than the estimated recoverable amounts. Accordingly, provision for impairment was recognized there-against. The recoverable amount of these assets amounted to Nil (2018: Rs. 990) 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 Salehpur, 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 29)

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. 254,775 (2018: Rs. 219,995)]
 - Loss due to increase in age of livestock

Changes in fair value due to price changes:
 - Gain due to currency devaluation
 - Loss due to decrease in international market prices

Total gain (note 30)

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, 2019, the Company held 3,391 (2018: 3,170) mature assets able to produce milk and 2,076 (2018: 2,580) immature assets that are being raised to produce milk in the future. During the year, the Company produced approximately 20,485,240 (2018: 20,872,330) gross litres of milk from these biological assets with a fair value less estimated point-of-sale costs of Rs. 1,248,695 (2018: Rs.1,172,380), determined at the time of milking.

5.4 As at December 31, 2019, the Company held 43 (2018: 77) immature male calves.

5.5 The valuation of dairy livestock as at December 31, 2019 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, 2019. 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 his 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.

	2019	2018
	Rupees	Rupees
Dairy livestock (note 5.1):		
- mature	750,129	680,571
- immature	458,129	556,820
	<u>1,208,258</u>	<u>1,237,391</u>
Provision for culling (notes 5.2 and 29)	(121,553)	(30,000)
Crops - feed stock	1,086,705	1,207,391
	29	873
	<u>1,086,734</u>	<u>1,208,264</u>

(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 28)
 Less: Write-off
 Cost
 Accumulated amortization

Balance at end of the year

Gross carrying value

Cost
 Less: Accumulated amortization
 Net book value

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

	2019	2018
	Rupees	Rupees
92,420	92,420	71,635
33,932	33,932	47,647
(28,555)	(28,555)	(26,862)
	<u>(9,424)</u>	<u>-</u>
6,762	6,762	-
(2,662)	(2,662)	-
	<u>95,135</u>	<u>92,420</u>
463,921	463,921	439,413
(368,786)	(368,786)	(346,993)
	<u>95,135</u>	<u>92,420</u>

7. RIGHT-OF-USE ASSETS

	Land and buildings	Plant and equipments	Vehicles	Total
	Rupees	Rupees	Rupees	Rupees
Year ended December 31, 2019				
Impact on adoption of IFRS 16 (note 2.1.4)				
Cost	390,131	501,826	-	891,957
Accumulated depreciation	390,131	(82,359)	419,467	(82,359)
				809,598
Additions	72,445	-	150,356	222,801
Disposal	(288)	(18,799)	-	(19,087)
Cost	288	18,799	-	19,087
Accumulated depreciation	-	-	-	-
Transfer out to operating assets	-	(323,383)	-	(323,383)
Cost	-	107,852	-	107,852
Accumulated depreciation	-	(215,531)	-	(215,531)
Depreciation charge (note 7.1)	(147,506)	(136,219)	(12,558)	(296,283)
Re-measurement	1,950	124,652	-	126,602
Closing net book value	<u>317,020</u>	<u>192,369</u>	<u>137,798</u>	<u>647,187</u>
At December 31, 2019				
Cost	464,238	284,296	150,356	898,890
Accumulated depreciation	(147,218)	(91,927)	(12,558)	(251,703)
				647,187
Net book value	<u>317,020</u>	<u>192,369</u>	<u>137,798</u>	<u>647,187</u>
Rate of depreciation ()	<u>20 - 100</u>	<u>20-100</u>	<u>25</u>	

(Amounts in thousand)

	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
7.1 The depreciation charge has been allocated as follows:			9.1 Reconciliation of the carrying amount of advances to employees	
- Cost of sales (note 26)	176,325	-	Balance as at January 1	27,210
- Distribution and marketing expenses (note 27)	27,745	-	Add: Disbursements	-
- Administrative expenses (note 28)	92,213	-	Less:	10,537
	<u>296,283</u>	<u>-</u>	- Repayments	(18,627)
			- Amortization	(2,791)
			Balance as at December 31	5,792
8. DEFERRED TAX ASSETS / (LIABILITIES)				<u>27,210</u>
Credit balances arising due to:			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.	
- Accelerated tax depreciation / amortization	(566,086)	(1,027,946)	9.3 These include advances to key management personnel amounting to Rs. 206 (2018: Rs. 1,832). The maximum aggregate amount due from them at the end of any month during the year was Rs. 299 (2018: Rs. 4,430).	
- Right-of-use assets	(187,684)	-	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.	
- Biological assets	(315,144)	(302,066)		
- Others	(10,805)	(12,632)		
	<u>(1,079,719)</u>	<u>(1,342,644)</u>		
Debit balances arising due to:				
- Provisions for stock-in-trade, stores & spares and receivables	55,835	49,419	10. EMPLOYEES' SHARE OPTION SCHEME	
- Minimum turnover tax (note 8.1)	998,644	630,341	In 2013, the shareholders of the Company approved Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee.	
- Share issuance cost, net to equity	11,234	11,234	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, 2019, options for 4,231 million shares have been vested while options for remaining 12,668 million shares have lapsed during the year 2019 with the expiry of the Scheme.	
- Liabilities against assets subject to finance lease	-	35,237		
- Lease liability against right-of-use assets	188,344	-	The details of share options granted to date under the Scheme, which remained outstanding as at December 31, 2019 are as follows:	
	<u>1,254,057</u>	<u>726,231</u>		
	<u>174,338</u>	<u>(616,413)</u>		
8.1 The Company has recognized deferred tax asset on Minimum turnover tax of taxable turnover amounting to Rs. 998,644 (2018: Rs. 630,341) 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 set off these charges against the taxable profits of the Company for future years.				
9. LONG-TERM ADVANCES AND DEPOSITS	2019 Rupees	2018 Rupees		
- Unsecured, considered good				
Advances to employees (notes 9.1, 9.2 and 9.3)	5,792	27,210		
Less: Recoverable within one year shown under current assets (note 14)	<u>(2,975)</u>	<u>(11,967)</u>		
	<u>2,817</u>	<u>15,243</u>		
Deposits	56,117	55,477		
	<u>58,934</u>	<u>70,720</u>		
			Options granted and outstanding:	
			- number of options	4,231,250
			- share price	Rs. 182.85 - Rs. 268.36
			- exercise price	3.39 years
			- expected volatility	
			- expected life	
			- annual risk free interest rate	

(Amounts in thousand)

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.

11. STORES, SPARES AND LOOSE TOOLS

	2019 Rupees	2018 Rupees
Stores		
Spares and loose tools, including in-transit	80,612	90,353
	754,356	795,791
	834,968	886,144
Less: Provision for slow moving spares and loose tools	(174,555)	(120,506)
	660,413	765,638
	(145,365)	(144,701)
Less: Major spare parts and stand by equipment - shown under Property, plant and equipment (note 4)	515,048	620,937

12. STOCK-IN-TRADE

	2019 Rupees	2018 Rupees
Raw and packaging material (notes 12.1 and 12.4)	2,691,553	2,076,103
Work in process (note 12.2)	433,776	401,252
Finished goods (note 12.3)	608,290	592,694
	3,733,619	3,070,049
Less: Provision for expired / obsolete stock	(15,889)	(49,859)
	3,717,730	3,020,190

12.1 Includes Rs. 572,263 (2018: Rs. 13,392) in respect of raw and packaging material held by third parties.

12.2 Includes Rs. 76,549 (2018: Rs. 118,619) in respect of semi-finished stock held by third parties.

12.3 Include Rs. 8,892 (2018: Rs. 20,086) in respect of finished goods held by third parties and Rs. 36,491 (2018: 559,985) in respect of finished goods stock carried at net realizable value.

12.4 Stock amounting to Rs. 4,846 (2018: Rs. 48,651) has been written off against provision during the year.

13. TRADE DEBTS - Unsecured

	2019 Rupees	2018 Rupees
Considered good (notes 13.1 and 13.2)	915,728	400,313
Considered doubtful (note 13.3)	2,092	45
	917,820	400,358
Less: Provision for impairment (note 13.3)	(2,092)	(45)
	915,728	400,313

13.1 As at December 31, 2019, trade debts aggregating to Rs. 13,658 (2018: Rs. 1,366) 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.

(Amounts in thousand)

13.2 As at December 31, 2019, trade debts aggregating to Rs. 902,070 (2018: Rs. 398,947) 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.

13.3 As at December 31, 2019, trade debts aggregating to Rs. 2,092 (2018: Rs. 45) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

	2019 Rupees	2018 Rupees
Balance as at January 1	45	364
Provision for impairment / (reversal of provision) of trade debts (note 28)	2,047	(319)
	2,092	45

14. ADVANCES, DEPOSITS AND PREPAYMENTS - Unsecured, considered good

	2019 Rupees	2018 Rupees
Advances to employees (note 14.1)	32,611	34,721
Add: Current portion of long term advances to employees (note 9)	2,975	11,967
	35,586	46,688
Advances to suppliers	174,464	177,310
Deposits	13,491	34,976
Prepayments	47,325	32,977
	270,866	291,951

14.1 These include advances to key management personnel amounting to Rs. 3,477 (2018: Rs. 2,250). The maximum aggregate amount due from them at the end of any month during the year was Rs. 5,043 (2018: Rs. 2,250).

14.2 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.

15. OTHER RECEIVABLES

	2019 Rupees	2018 Rupees
Receivable from related parties (note 15.1):		
- FrieslandCampina Nederland B.V.	70,034	595
- Dutch Lady Milk Industries Berhad	1,836	-
- FrieslandCampina AMEA Pte Limited	946	2,669
- FC Thailand Make	95	-
- Engro Eximp Agriproduct (Private) Limited	-	271
	72,911	3,535
Others	242,570	305,059
Gross amount	315,481	308,594
Less: Provision for impairment	(2,000)	-
	313,481	308,594

15.1 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 74,311 (2018: Rs. 28,168).

(Amounts in thousand)

- 15.2 As at December 31, 2019, other receivables amounting to Rs 2,000 (2018: Nil) 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.

16. SALES TAX RECOVERABLE

- 16.1 On November 29, 2016, the Deputy Commissioner Inland Revenue 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 decision of ACIR in respect of mismatch of input tax claimed and remanded back adjustment of input tax against the appeal filed with CIR (Appeals) on December 29, 2016. On May 29, 2019 the Company filed an appeal with ATIR against the order and based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and, accordingly sales tax recoverable has not been reduced by the effect of aforementioned order.

- 16.2 The Deputy Commissioner Inland Revenue 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 has 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 has obtained an interim injunction against adverse action by tax authorities on same day. Based on the opinion of its legal advisor, the Company is confident of a favorable outcome of this matter.

- 16.3 The Assistant Commissioner Inland Revenue passed an order on September 17, 2019 for the tax periods July 2013 to June 2018 amounting to Rs. 245,575 including penalty and default surcharge by disallowing wrong input tax adjustment and purchases from blacklisted / suspended vendors. On December 26, 2019, Commissioner Inland Revenue (Appeals) passed an order and decided purchases from blacklisted / suspended vendors in favor of the Company and remanded back the matter relating to wrong input tax adjustment on appeal filed on October 17, 2019. 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.

2019	2018
Rupees	Rupees

17. CASH AND BANK BALANCES

Cash at bank on:

- current accounts - conventional [including foreign currency account of Rs. 27,431 (2018: Rs. 16,289)]	29,080	17,951
- current accounts - Islamic	832	426
- savings accounts [including foreign currency account of Rs. 33,231 (2018: Rs. 29,107)]	36,003	82,288
	<u>65,915</u>	<u>100,665</u>

18. SHARE CAPITAL

Authorized capital

850,000,000 (2018: 850,000,000) Ordinary shares of Rs. 10 each	8,500,000	8,500,000
--	-----------	-----------

Issued, subscribed and paid-up capital

766,596,075 (2018: 766,596,075) Ordinary shares of Rs. 10 each fully paid in cash (note 18.1)	7,665,961	7,665,961
---	-----------	-----------

- 18.1 As at December 31, 2019, FrieslandCampina Pakistan Holdings B.V. (the Holding Company) held 390,963,999 (2018: 390,963,999) ordinary shares of Rs. 10 each and Engro Corporation Limited held 306,075,947 (2018: 306,075,947) ordinary shares of Rs. 10 each.

(Amounts in thousand)

- 18.2 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.

19. This reserve can be utilized by the Company only for the purpose specified in section 81 of the Companies Act, 2017.

20. LONG TERM FINANCES, Secured (Non-participatory)

Long term finances utilized under mark-up arrangements:

	Instalments			2019 Rupees	2018 Rupees
	Number	Commencing from	Interest Rate		
Long term finances					
Bank Al-Habib Limited	4 half yearly	October 7, 2020	6 months KIBOR + 0.05	2,000,000	2,000,000
Habib Bank Limited	4 half yearly	October 7, 2020	6 months KIBOR + 0.05	2,000,000	2,000,000
Less: Current portion shown under current liabilities					
				4,000,000	4,000,000
				<u>(800,000)</u>	<u>-</u>
				<u>3,200,000</u>	<u>4,000,000</u>

- 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. 10,042,000 (2018: Rs. 11,917,000).

- 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):

	2019	2018
	Rupees	Rupees
Balance as at January 1	4,000,000	4,500,000
Repayments of long term finances	-	(500,000)
Balance as at December 31	<u>4,000,000</u>	<u>4,000,000</u>

21. LEASE LIABILITY AGAINST RIGHT-OF-USE ASSETS

Non-current portion	413,752	-
Current portion	235,692	-
Total lease liability as at December 31	<u>649,444</u>	<u>-</u>

Maturity analysis

within 1 year	235,692	-
between 1 to 2 years	227,817	-
between 2 to 3 years	99,046	-
between 3 to 4 years	86,667	-
between 4 to 5 years	222	-
	<u>649,444</u>	<u>-</u>

(Amounts in thousand)

	2019	2018
	Rupees	Rupees
22. TRADE AND OTHER PAYABLES		
Trade payables (note 22.1)	6,047,547	4,407,531
Accrued liabilities	1,797,210	1,523,713
Retention money	3,113	5,824
Suppliers' security deposits (note 22.2)	98	4,229
Customers' security deposit (note 22.3)	2,700	1,700
Advances from customers (note 22.4)	-	182,037
Withholding tax payable	40,646	12,916
Payable to provident fund	28,686	25,964
Payable to defined benefit gratuity fund (note 36.4)	229,315	224,640
Payable to defined contribution gratuity fund	7,866	3,270
Workers' profits participation fund	(5,635)	(5,635)
Workers' welfare fund	36,737	18,260
Others	37,843	23,213
	<u>8,226,126</u>	<u>6,427,662</u>

22.1 Include amounts payable to following related parties:

- FrieslandCampina Nederland B.V.	494,259	277,672
- Dutch Lady Milk Industries Berhad	-	55,275
- Alaska Milk Corporation	-	3,717
	<u>494,259</u>	<u>336,664</u>

22.2 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.

22.3 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.

22.4 These represent advances received by the Company from customers and distributors in respect of sale of goods. These deposits are in the nature of an advance payment for goods to be delivered to customer. During the current year, these advances have been reclassified to contract liabilities in the statement of financial position in pursuance of adoption of IFRS 15.

23. SHORT TERM FINANCES - secured

23.1 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. 8,550,000 (2018: Rs. 8,000,000). The un-utilized balance against these facilities as at year end was Rs. 7,183,850 (2018: Rs. 5,928,908). The rates of mark-up on these finances are KIBOR based and range from 10.5% to 14.86% (2018: 8.08% to 11.15%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

23.2 The facilities for short term running finance available from shariah compliant Islamic bank, which represent the aggregate sale price of musharaka arrangement, amounts to Nil (2018: Rs. 300,000). The unutilized balance against these facilities as at year end was Nil (2018: Rs. 294,576). The rates of profit on these finances are at the rate of Nil (2018: 10.91%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

23.3 The facilities for opening letters of credit and bank guarantees as at December 31, 2019 amounts to Rs. 11,651,000 (2018: Rs. 8,665,000), of which the amount remaining un-utilized as at year end was Rs. 5,262,243 (2018: Rs. 4,558,874).

(Amounts in thousand)

24. CONTINGENCIES AND COMMITMENTS

24.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 81,769 (December 31, 2018: Rs. 75,495) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (December 31, 2018: 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 (2018: Rs. 154,278) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs. 90,820 (2018: Rs. 86,844) have been received to date;
- Parco Pearl Gas Co. (Private) Limited amounting to Rs. 1,000 (December 31, 2018: Rs. 1,000) as collateral against supplies;
- The Government of Sindh, amounting to Rs. 229,886 (December 31, 2018: Rs. 212,887), 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;

24.2 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.

24.3 Commitments in respect of capital expenditure contracted for but not incurred as at December 31, 2019 amounts to Rs. 701,364 (2018: Rs. 634,327).

24.4 Commitments in respect of purchase of certain commodities as at December 31, 2019 amounts to Rs. 908,855 (2018: Rs. 1,027,547).

24.5 Commitments for rentals payable under the Ijarah agreements as at December 31, 2019 amounts to Nil (2018: Rs. 20,810) as follows:

2019	2018
Rupees	Rupees
Not later than one year	-
Later than one year but not later than five years	20,810
<u>-</u>	<u>-</u>
<u>-</u>	<u>20,810</u>

24.6 Details of the other matters are given in note 16 and 32.1 to these financial statements.

2019	2018
Rupees	Rupees

25. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

Revenue from contracts with customers - gross	43,465,542	36,215,042
Less:		
- Sales tax	(1,548,396)	(1,014,052)
- Trade and other discounts	(3,059,810)	(2,761,539)
	<u>38,857,336</u>	<u>32,439,451</u>

25.1 This includes export sales amounting to Rs. 187,299 (2018: Rs. 564,958).

(Amounts in thousand)

	2019	2018		2019	2018
	Rupees	Rupees		Rupees	Rupees
26. COST OF SALES					
Raw and packaging material consumed (note 26.1)	25,924,715	20,259,414	Salaries, wages, and staff welfare (note 27.1)	777,298	787,816
Salaries, wages, and staff welfare (note 26.2)	1,505,576	1,446,135	Advertising	1,091,329	1,665,790
Fuel and power	1,225,378	992,163	Freight outward	1,534,571	1,225,231
Repair and maintenance	591,907	652,230	Travelling	123,435	114,307
Freight inwards	588,850	506,391	Communication and other office expenses	35,954	66,089
Depreciation on property, plant and equipment (note 4.3)	1,675,892	1,718,045	Depreciation on property, plant and equipment (note 4.3)	251,770	187,091
Depreciation on right-of-use assets	176,325	-	Depreciation on right-of-use assets	27,745	-
Impairment of operating assets (note 4.6)	738	27,616	Impairment of operating assets (note 4.6)	19,705	3,444
Intangibles written off	900	-	Fuel and power	5,077	5,375
Travelling	106,847	111,156	Repairs and maintenance	57,663	62,757
Communication and other office expenses	77,679	92,200	Rent, rates and taxes (note 27.2)	4,441	32,296
Insurance	104,757	85,740	Insurance	14,408	14,465
Rent and utilities (note 26.4)	143,607	366,160	Software maintenance	15,256	-
Research and business development	32,730	4,228	Research and business development	93	2,036
Fee for technical assistance (note 26.3)	1,000,185	824,369	Legal and professional	-	3,829
Legal and professional	6,174	8,220	Ijarah rentals	-	35,224
Purchased services	547,983	553,867	Purchased services	10,564	12
(Reversal) / provision against:				<u>3,969,309</u>	<u>4,205,762</u>
- stock-in-trade	(29,123)	48,401			
- slow moving spares	54,049	60,057			
Manufacturing cost	33,735,169	27,756,392			
Add: Opening stock of work-in-process	401,252	200,171			
Less: Closing stock of work-in-process	<u>(433,776)</u>	<u>(401,252)</u>			
Cost of goods manufactured	33,702,645	27,555,311			
Add: Opening stock of finished goods manufactured	592,694	322,775			
Less: Closing stock of finished goods manufactured	<u>(608,290)</u>	<u>(592,694)</u>			
	<u>33,687,049</u>	<u>27,285,392</u>			
27. DISTRIBUTION AND MARKETING EXPENSES					
Salaries, wages, and staff welfare (note 27.1)	777,298	787,816			
Advertising	1,091,329	1,665,790			
Freight outward	1,534,571	1,225,231			
Travelling	123,435	114,307			
Communication and other office expenses	35,954	66,089			
Depreciation on property, plant and equipment (note 4.3)	251,770	187,091			
Depreciation on right-of-use assets	27,745	-			
Impairment of operating assets (note 4.6)	19,705	3,444			
Fuel and power	5,077	5,375			
Repairs and maintenance	57,663	62,757			
Rent, rates and taxes (note 27.2)	4,441	32,296			
Insurance	14,408	14,465			
Software maintenance	15,256	-			
Research and business development	93	2,036			
Legal and professional	-	3,829			
Ijarah rentals	-	35,224			
Purchased services	10,564	12			
	<u>3,969,309</u>	<u>4,205,762</u>			
26.1 Raw and packaging material consumed					
Opening stock of raw and packaging material	2,076,103	2,173,157			
Add: Purchases	27,788,860	21,334,740			
Less:					
- Fair value of milk produced from biological assets (note 5.3)	(1,248,695)	(1,172,380)			
- Closing stock of raw and packaging material	<u>(2,691,553)</u>	<u>(2,076,103)</u>			
Raw and packaging material consumed	<u>25,924,715</u>	<u>20,259,414</u>			
26.2 These include Rs. 152,056 (2018: Rs. 140,548) in respect of staff retirement benefits referred to in notes 36 and 46.					
26.3 This represents charge for technical assistance and royalty to FrieslandCampina Nederland B.V. (note 41.3)					
26.4 This includes short-term leases, leases of low-value assets and variable lease payments amounting to Rs. 30,936, Rs. 59,631 and Rs. 39,620 respectively.					
28. ADMINISTRATIVE EXPENSES					
Salaries, wages and staff welfare (notes 28.1 and 28.2)	715,306	456,313			
Training and development	25,586	43,241			
Communication and other office expenses	119,106	90,708			
Rent, rates and taxes (note 28.4)	25,881	115,374			
Travelling	36,253	47,579			
Depreciation on property, plant and equipment (note 4.3)	17,837	13,985			
Depreciation on right-of-use assets	92,213	-			
Impairment of operating assets (note 4.6)	190	-			
Intangibles written off	1,762	-			
Amortization (note 6)	28,555	26,862			
Fuel and power	2,860	2,476			
Repairs and maintenance	4,022	11,111			
Insurance	6,337	4,068			
Legal and professional	47,503	72,010			
Auditors' remuneration (note 28.3)	5,706	8,791			
Software maintenance and license cost	19,328	18,862			
Provision for / (reversal of) impairment of trade debts (note 13.3)	2,047	(319)			
Purchased services	<u>95,361</u>	<u>46,010</u>			
	<u>1,245,853</u>	<u>957,071</u>			
28.1 These include Rs. 61,343 (2018: Rs. 46,451) in respect of staff retirement benefits referred to in notes 36 and 46.					

(Amounts in thousand)

28.2 These include charge of Rs. 3,046 (2018: reversal of Rs. 57,170) in respect of employees' share option compensation expense.

2019
Rupees

28.3 Auditors' 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

Reimbursement of expenses and taxes

	2019	2018
	Rupees	
Fee for:		
- audit of annual financial statements and group reporting	3,260	2,875
- review of half yearly financial information	600	565
- review of compliance with the Code of Corporate Governance	125	95
- special certifications, taxation and other services	960	4,580
	<u>4,945</u>	<u>8,115</u>
Reimbursement of expenses and taxes	761	676
	<u>5,706</u>	<u>8,791</u>

28.4 This includes leases of low-value assets amounting to Rs. 55 respectively.

2019
Rupees

29. OTHER OPERATING EXPENSES

- Workers' welfare fund
- Donations (note 29.1)
- Loss on death / disposals of biological assets
- Provision for culling of biological assets (note 5)
- Workers' profits participation fund
- Exchange loss
- Operating assets written off (note 4.1)
- Others

	2019	2018
	Rupees	
Workers' welfare fund	18,478	2,944
Donations (note 29.1)	20,000	40,185
Loss on death / disposals of biological assets	78,271	29,964
Provision for culling of biological assets (note 5)	121,553	30,000
Workers' profits participation fund	-	-
Exchange loss	-	5,247
Operating assets written off (note 4.1)	-	135
Others	<u>8,572</u>	<u>-</u>
	<u>246,874</u>	<u>108,475</u>

29.1 This includes donation to Engro Foundation, a related party, amounting to Rs. 20,000 (2018: Rs. 40,000). The directors including the Chief Executive and their spouses do not have any interest in the donee.

2019
Rupees

30. OTHER INCOME

From financial assets

Interest on bank deposits / saving accounts

	2019	2018
	Rupees	
Interest on bank deposits / saving accounts	8,521	1,688
From other than financial assets		
Gain arising from changes in fair value of biological assets (note 5.1)	314,387	396,687
Gain on disposal of operating assets	44,350	45,295
Exchange gain	9,960	-
Scrap sales	32,711	21,028
Reversal of provision of workers' welfare fund	-	81,303
Others	<u>3,039</u>	<u>76,268</u>
	<u>404,447</u>	<u>620,581</u>
	<u>412,968</u>	<u>622,269</u>

(Amounts in thousand)

31. FINANCE COST

Mark-up on:

- Short-term finances - conventional
- Short-term finances - Islamic
- Long-term finances
- Obligations subject to finance lease
- Lease liability against right-of-use assets

681,297	322,739
-	4,509
455,195	318,379
-	14,553
67,399	-
1,203,891	660,180
17,683	15,160
<u>1,221,574</u>	<u>675,340</u>

31.1 This includes finance cost on local letters of credit. The rates of mark-up on these finances are KIBOR based and range from 10.76% to 14.5% (2018: 6.21% to 10.80%) per annum.

2019
Rupees

2018

32. TAXATION

Current

- for the year
- for prior year

628,083	413,081
17,178	23,717
<u>645,261</u>	<u>436,798</u>

Deferred

(790,751)	(670,901)
<u>(145,490)</u>	<u>(234,103)</u>

32.1 Following is the position of the Company's open tax assessments:

32.1.1 The Company in accordance with section 59B (Group Relief) of the Income Tax Ordinance (ITO), 2001 has 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 years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs. 1,500,847, being equivalent to tax benefit/effect thereof.

The Company had been designated as part of the Group of Engro Corporation Limited 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 (the Regulations) notified by the SECP on December 31, 2008.

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

32.1.2 On January 29, 2009, the Deputy Commissioner Inland Revenue (DCIR) reduced tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007. The Company's appeal against the order of Commissioner Inland Revenue (CIR) on March 11, 2009 is currently in the process of being heard. 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)

32.1.3 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 on December 9, 2013, CIR Appeals issued an appellate order in favour of the Company holding the selection of case for audit to be illegal and without jurisdiction. The tax department has filed an appeal against the order with the Appellate Tribunal Inland Revenue (ATIR) on August 11, 2015, however, no hearing has been conducted to date. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.4 On May 20, 2014, the Additional Commissioner Inland Revenue (ACIR) raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to 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 ACIR in respect of provision for retirement benefits and marketing support reimbursements against appeal filed with CIR Appeals dated May 28, 2014. On August 30, 2017, the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.5 On December 23, 2015, ACIR 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 06, 2018, CIR appeals upheld the decision of ACIR on all major items against appeal filed with CIR Appeals on January 22, 2016. During the year on March 07, 2019, the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.6 On June 29, 2016, the DCIR 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 of Engro Foods Netherlands and certain other items, 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 DCIR in respect of minimum turnover tax credit and finance cost allocation against appeal filed with CIR Appeals on July 29, 2016. On May 29, 2018, the DCIR passed an appeal effect order based on the decision of CIR Appeals reducing the demand to Rs. 98,548. On May 15, 2017, the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.7 On June 29, 2016, ACIR 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 ACIR in respect of loss on sale of raw milk and inventory write-off while giving relief on all other matters against appeal filed with CIR appeals on August 15, 2016. During the year on March 07, 2019 the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.8 On December 7, 2016, ACIR 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. During the year on April 15, 2019 CIR Appeals upheld the decision of ACIR on all major items against appeal filed with CIR appeals on January 5, 2017. During the year on June 03, 2019 the Company filed an appeal with ATIR against the order of CIR appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.9 On November 3, 2017, ACIR 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 ACIR in respect of minimum turnover tax credit and Employee Share Option Scheme against the appeal filed with CIR Appeals on November 23, 2017. On August 15, 2018, the Company filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

(Amounts in thousand)

32.1.10 The ACIR issued an order on February 22, 2019 by disallowing expenses on account of Employee Share Option Scheme, loss on Sale of disposal of assets and assets written off. During the year on August 19, 2019, CIR Appeals upheld the decision in respect of Employee Share Option Scheme and assets written off against the appeal filed with CIR Appeals on April 24, 2019. During the year on October 24, 2019 the Company filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and, accordingly income tax recoverable has not been reduced by the effect of aforementioned order.

	2019 Rupees	2018 Rupees
32.2 Relationship between tax expense and accounting profit		
Loss before taxation	(1,100,355)	(170,320)
Tax at the applicable tax rate of 29 (2018: 29)	(319,103)	(49,393)
Tax effect of:		
- increase / (reduction) in future tax rates	153,134	204,030
- transaction taxed at different rates	4,137	28,442
- prior year charge	17,178	23,717
- tax credits for investment in operating assets	(2,138)	(34,355)
- others	1,302	1,516
	173,613	(184,710)
	(145,490)	(234,103)

33. EARNINGS PER SHARE - Basic and diluted

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

	2019 Rupees	2018 Rupees
(Loss) / profit for the year	(954,865)	63,783
Number of shares in thousands		
	766,596	766,596

(Amounts in thousand)

(Amounts in thousand)

	2019 Rupees	2018		2019 Rupees	2018
34. CASH GENERATED FROM OPERATIONS			34.1 Working capital changes		
Loss before taxation	(1,100,355)	(170,320)	(Increase) / Decrease in current assets:		
Adjustment for non-cash charges and other items:			- Stores, spares and loose tools	51,176	56,938
- Depreciation on property, plant and equipment	1,945,499	1,919,121	- Stock-in-trade	(668,417)	(422,597)
- Depreciation on right-of-use assets	296,283	-	- Trade debts	(517,462)	(229,355)
- Impairment of operating assets - net	20,633	31,060	- Advances, deposits and prepayments	21,085	(134,604)
- Intangibles written off	2,662	-	- Other receivables	(6,887)	(80,619)
- Amortization of intangibles	28,555	26,862	- Sales tax recoverable	50,100	50,735
- Reversal of amortization of employee share option compensation reserve	(3,046)	(57,170)		(1,070,405)	(759,502)
- Operating assets written off	-	135	Increase / (decrease) in current liabilities:		
- Gain on disposal of operating assets	(44,350)	(45,295)	- Trade and other payables	1,803,749	1,294,987
- Gain arising from changes in fair value of biological assets	(314,387)	(396,687)	- Contract liabilities	140,926	-
- Loss on death / disposal of biological assets	78,271	29,964		874,270	535,485
- Provision for culling of biological assets	121,553	30,000			
- Provision for staff retirement and other service benefits	107,871	102,528			
- Provision for stock-in-trade	(29,123)	48,401			
- Provision for slow moving spares	54,049	60,057			
- Provision for impairment of other receivables	2,000	-			
- (Reversal of provision) / provision for impairment of trade debts	2,047	(319)			
- Finance cost on short term and long term finances including bank charges	1,154,175	660,787			
- Finance cost on obligations subject to finance lease	-	14,553			
- Exchange (gain) / loss	(9,960)	5,247			
- Finance cost on lease liability against right-of-use assets	67,399	-			
- Reversal of provision of workers' welfare fund	-	(81,303)			
Working capital changes (note 34.1)	<u>874,270</u>	<u>535,485</u>			
	<u>3,254,046</u>	<u>2,713,106</u>			
35. CASH AND CASH EQUIVALENTS			36. STAFF RETIREMENT AND OTHER SERVICE BENEFITS		
Cash and bank balances (note 17)			36.1 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 scheme (the Fund) on behalf of the Company, for all its permanent employees subjected to minimum prescribed period of service.		
Short term finances (note 23)			36.2 During the year, an amount of Rs. 30,668 (2018: Rs. 19,409) has been charged in respect of defined contribution gratuity scheme maintained by Engro Corporation Limited.		
			36.3 Plan assets held in trust are governed by local regulations which mainly include Trust Act, 1882, repealed Companies Ordinance, 1984 (now Companies Act, 2017), 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, 2019 using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:		
	2019 Rupees	2018		2019 Rupees	2018
36.4 Reconciliation for Statement of financial position			36.4 Reconciliation for Statement of financial position		
Present value of defined benefit obligation (note 36.7)	(750,529)	(685,281)	Present value of defined benefit obligation (note 36.7)	(750,529)	(685,281)
Fair value of plan assets (note 36.8)	521,214	460,641	Fair value of plan assets (note 36.8)	521,214	460,641
Net liability at end of the year	<u>(229,315)</u>	<u>(224,640)</u>	Net liability at end of the year	<u>(229,315)</u>	<u>(224,640)</u>
36.5 Movement in net liability in the statement of financial position			36.5 Movement in net liability in the statement of financial position		
Net liability at beginning of the year	(224,640)	(141,633)	Net liability at beginning of the year	(224,640)	(141,633)
Charge for the year (note 36.9)	(107,871)	(102,528)	Charge for the year (note 36.9)	(107,871)	(102,528)
Contribution made during the year to the Fund (note 36.8)	95,674	100,061	Contribution made during the year to the Fund (note 36.8)	95,674	100,061
Re-measurements recognized in Other Comprehensive Income (OCI) (note 36.6)	7,522	(80,540)	Re-measurements recognized in Other Comprehensive Income (OCI) (note 36.6)	7,522	(80,540)
Net liability at end of the year	<u>(229,315)</u>	<u>(224,640)</u>	Net liability at end of the year	<u>(229,315)</u>	<u>(224,640)</u>

(Amounts in thousand)

	2019 Rupees	2018 Rupees		2019 Rupees	2018 Rupees
36.6 Re-measurement recognised in other comprehensive income			36.10 Charge for the year has been allocated as follows:		
(Loss) / Gain from changes in financial assumptions	(738)	1,410	Cost of sales	56,703	54,249
Experience loss	(6,222)	(23,488)	Distribution and marketing expenses	28,293	30,350
Re-measurement of defined benefit obligation	<u>(6,960)</u>	<u>(22,078)</u>	Administrative expenses	<u>22,875</u>	<u>17,929</u>
Actual return on plan assets	34,217	6,368		<u>107,871</u>	<u>102,528</u>
Expected return on plan assets	(55,308)	(44,821)			
Adjustment	35,573	(20,981)			
Re-measurement of fair value of plan assets	14,482	(59,434)			
Liability adjustment	-	972			
	<u>7,522</u>	<u>(80,540)</u>			
36.7 Movement in present value of defined benefit obligation			36.11 Principle actuarial assumptions used are as follows:		
Present value of defined benefit obligation at beginning of the year	685,281	620,927	Financial assumptions		
Current service cost	87,053	90,725	- Discount rate - per annum compound	11.75	13.75
Interest cost	76,126	56,624	- Expected rate of increase in salaries - per annum		
Liability in respect of transfers - Inter Group	-	198	- First year	10.75	12.75
Benefits paid during the year	(104,891)	(105,271)	- Long-term	10.75	12.75
Re-measurement on obligation (note 36.6)	6,960	22,078			
Present value of defined benefit obligation at end of the year	<u>750,529</u>	<u>685,281</u>	Demographic assumptions		
36.7.1 Analysis of present value of defined benefit obligation			- Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)
Vested benefits	750,529	685,281	- Withdrawal rates / Rate of employees turnover	Moderate	Moderate
Non-vested benefits	<u>750,529</u>	<u>685,281</u>			
Accumulated benefit obligation	297,387	284,353			
Amounts attributed to future salary increases	453,142	400,928			
	<u>750,529</u>	<u>685,281</u>			
36.8 Movement in fair value of plan assets			Discount rate	1	(675,784)
Fair value of plan assets at beginning of the year	460,641	480,266	Expected rate of increase in salaries - long term	1	838,923
Expected return on plan assets	55,308	44,821		838,923	(674,532)
Contributions for the year	95,674	100,061			
Assets in respect of transfers - Inter Group	-	198			
Benefits paid during the year	(104,891)	(105,271)			
Re-measurement (note 36.6)	14,482	(59,434)			
Fair value of plan assets at end of the year	<u>521,214</u>	<u>460,641</u>			
36.9 Cost charged to profit or loss:					
Current service cost	87,053	90,725			
Net interest cost	20,818	11,803			
Cost for the year	<u>107,871</u>	<u>102,528</u>			

(Amounts in thousand)

	2019 Rupees	2018 Rupees	
36.10 Charge for the year has been allocated as follows:			
Cost of sales	56,703	54,249	
Distribution and marketing expenses	28,293	30,350	
Administrative expenses	22,875	17,929	
	<u>107,871</u>	<u>102,528</u>	
36.11 Principle actuarial assumptions used are as follows:			
Financial assumptions			
- Discount rate - per annum compound	11.75	13.75	
- Expected rate of increase in salaries - per annum			
- First year	10.75	12.75	
- Long-term	10.75	12.75	
Demographic assumptions			
- Expected mortality rate			
- Withdrawal rates / Rate of employees turnover			
SLIC (2001-05)	Moderate	Moderate	
36.12 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	(675,784)	838,923
Expected rate of increase in salaries - long term	1	838,923	(674,532)
36.13 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.			

(Amounts in thousand)

36.14 Plan assets comprise of following:

	2019				2018			
	Quoted	Un-Quoted	Total	Rupees	Quoted	Un-Quoted	Total	Rupees
Equity Instruments								
Quoted Shares	126,246	-	126,246	24	118,062	-	118,062	26
	126,246	-	126,246	24	118,062	-	118,062	26
Debt Instruments								
Government Bonds	-	385,251	385,251	74	-	329,145	329,145	72
Engro Rupiya Certificates	-	-	-	0	19,799	-	19,799	4
	-	385,251	385,251	74	19,799	329,145	348,944	76
Cash and cash equivalents	-	12,532	12,532	2	-	5,058	5,058	1
Other assets	-	2,694	2,694	1	-	1,897	1,897	0
Other liabilities	-	(5,509)	(5,509)	-1	-	(13,320)	(13,320)	-3
Total	126,246	394,968	521,214	100	137,861	322,780	460,641	100

36.15 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.

36.16 Expected contributions to the Fund for the year ending December 31, 2020 are Rs. 110,728.

36.17 The weighted average duration of the defined benefit obligation is 10.8 years.

36.18 Historical information of staff retirement benefits:

	2019	2018	2017	2016	2015	2014
	Rupees					
Present value of obligations	(750,529)	(685,281)	(620,927)	(610,231)	(526,803)	(382,274)
Fair value of plan assets	521,214	460,641	480,266	469,331	475,217	383,822
(Deficit) / Surplus	(229,315)	(224,640)	(140,661)	(140,900)	(51,586)	1,548

(Amounts in thousand)

37. 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:

2019			2018		
Directors			Directors		
Chief Executive	Others	Executives	Chief Executive	Others	Executives
Rupees					
56,534	-	1,135,904	44,200	-	1,068,156
7,676	-	156,091	5,667	-	143,542
9,687	-	118,294	9,193	-	102,474
-	2,801	-	-	2,176	-
73,897	2,801	1,410,289	59,060	2,176	1,314,172
1	6	299	1	11	268

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

37.2 Premium charged in respect of non-executive directors indemnity insurance amounts to Rs. 438 (2018: Rs. 359).

2019 2018
Rupees

38. FINANCIAL INSTRUMENTS BY CATEGORY

38.1 Financial assets as per statement of financial position

- At Amortized cost

56,117	55,477
915,728	400,313
49,077	81,664
313,481	308,594
65,915	100,665
1,400,318	946,713

38.2 Financial liabilities as per statement of financial position

- Financial liabilities measured at amortized cost

4,000,000	4,000,000
649,444	-
-	121,506
7,888,511	5,966,210
340,055	175,958
1,816,150	2,076,516
<u>14,694,160</u>	<u>12,340,190</u>

(Amounts in thousand)

38.3 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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 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.

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, 2019, 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. As there are no borrowings at fixed rates, the Company is not exposed to fair value 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, 2019, if interest rates on the Company's borrowings had been 1% higher / lower with all other variables held constant, post tax loss for the year would have been higher / lower by Rs.67,629 (2018: Rs.61,808) 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.

(Amounts in thousand)

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.

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.

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.

	2019			2018		
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total
Long term finances	800,000	3,200,000	4,000,000	-	4,000,000	4,000,000
Lease liability against right-of-use assets	235,692	413,752	649,444	-	-	-
Liabilities against asset subject to finance lease	-	-	-	121,506	-	121,506
Trade and other payables	7,888,511	-	7,888,511	5,966,210	-	5,966,210
Accrued interest / mark-up	340,055	-	340,055	175,958	-	175,958
Short term finances	1,816,150	-	1,816,150	2,076,516	-	2,076,516
	<u>11,080,408</u>	<u>3,613,752</u>	<u>14,694,160</u>	<u>8,340,190</u>	<u>4,000,000</u>	<u>12,340,190</u>

(Amounts in thousand)

39.2 Fair value estimation

39.2.1 The Company analysis 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)

39.2.2 There were no changes in valuation techniques during the year.

40. 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's strategy is to maintain the gearing and current ratio in accordance with the Prudential Regulations issued by the State Bank of Pakistan and in accordance with agreements with financial institutions.

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:

	2019	2018
	Rupees	Rupees
Long term finances	3,200,000	4,000,000
Lease liability against right-of-use assets	413,752	-
Total long term debt	<u>3,613,752</u>	<u>4,000,000</u>
Total equity	8,384,665	9,341,060
Total capital	<u>11,998,417</u>	<u>13,341,060</u>
Debt to equity ratio	<u>0.30</u>	<u>0.30</u>

(Amounts in thousand)

41. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

41.1 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 Shareholders
Engro Corporation Limited	39.93	Associated Company/ Major Shareholders
FrieslandCampina Nederland B.V.	N/A	Associated Undertaking
FrieslandCampina AMEA Pte Limited	N/A	Associated Undertaking
Engro Fertilizer Limited	N/A	Associated Company
Engro Foundation	N/A	Associated Company
FrieslandCampina (Thailand) PCL	N/A	Associated Undertaking
FrieslandCampina PT Kievit	N/A	Associated Undertaking
Dutch Lady Milk Industries Berhad	N/A	Associated Undertaking
The Pakistan Business Council	N/A	Common Directorship
Pakistan Dairy Association	N/A	Common Directorship
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. Zahid Mahmud	N/A	Key Management Personnel
Mr. Imran Ahmed	N/A	Key Management Personnel
Mr. Usman Zaheer	N/A	Key Management Personnel
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. Muhammad Usman Abid	N/A	Key Management Personnel
Mr. Haseeb ur Rahman	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

(Amounts in thousand)

- 41.2 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 Holdings B.V.	Netherlands	51	Holding Company / Major shareholder
FrieslandCampina Nederland B.V.	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 Limited	Singapore	N/A	Associated Undertaking
FrieslandCampina PT Kievit	Indonesia	N/A	Associated Undertaking

- 41.3 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	2019		2018	
		Rupees		Rupees	
Holding Company	Dividend paid	-	156,386		
	Reimbursement of expense paid on behalf of the Company	-	1,714		
Associated companies / undertakings	Dividend paid	-	122,430		
	Fee for technical assistance	1,000,185	824,369		
	Arrangement for sharing of premises, utilities, personnel and assets	160,819	158,800		
	Purchase of goods and services	1,887,706	516,358		
	Reimbursement of expenses to be received	146,242	82,975		
	Reimbursement of expenses paid on behalf of the Company	10,139	33,297		
	Donations	20,000	40,000		
Contribution for staff retirement funds	Managed and operated by Engro Corporation Limited				
	- Provident fund	353,414	341,742		
	- Gratuity funds	126,660	119,710		
Key management personnel including the Chief Executive Officer but not other Directors	Managerial remuneration	219,085	196,791		
	Contribution for staff retirement benefits	28,885	24,118		
	Bonus payments	35,447	33,467		
	Other benefits	438	359		
Other Directors	Fee	2,801	2,176		

(Amounts in thousand)

- 41.4 The related party status of outstanding receivables and payables as at December 31, 2019 are included in respective notes to these financial statements.

42. SEGMENT INFORMATION

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. Based on internal management reporting structure and products produced and sold, the Company is organized into the following three operating segments:

- Dairy, beverages and others;
- Ice cream & frozen desserts; and
- Dairy farm.

Management monitors the operating results of the above-mentioned 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 and inter-segment sales of raw milk are made by Dairy farm to Dairy and Beverages, at market value.

The following information presents operating results information regarding operating segments for the year ended December 31, 2019 and asset information regarding operating segments as at December 31, 2019:

	2019				2018			
	Dairy & beverages	Ice cream & frozen desserts	Dairy farm	Total	Dairy & beverages	Ice cream & frozen desserts	Dairy farm	Total
Results for the year								
Revenue from contracts with customers - net	35,058,413 (126,987)	3,925,910 -	1,248,695 (1,248,695)	40,233,018 (1,375,682)	29,104,097 (105,647)	3,441,001 -	1,172,380 (1,172,380)	33,717,478 (1,278,027)
Inter-segment revenue	34,931,426	3,925,910	-	38,857,336	28,998,450	3,441,001	-	32,439,451
Depreciation, impairment and amortisation	1,797,137	410,873	82,962	2,290,972	1,558,628	335,691	82,724	1,977,043
Finance cost	600,291	342,197	279,086	1,221,574	331,425	191,362	152,553	675,340
Net profit / (loss) after tax	(709,748)	77,367	(322,484)	(954,865)	(189,945)	140,927	112,801	63,783
Assets								
- Segment assets	13,416,133	2,227,618	2,398,097	18,041,848	13,001,179	1,898,962	2,490,148	17,390,289
- Un-allocated assets	-	-	-	5,524,249	-	-	-	5,378,177
	13,416,133	2,227,618	2,398,097	23,566,097	13,001,179	1,898,962	2,490,148	22,768,466

(Amounts in thousand)

43. 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.

44. PRODUCTION CAPACITY

	Designed Annual Capacity (note 44.1)		Actual Production		Remarks
	2019	2018	2019	2018	
	Liters in thousand				
Dairy and Beverages	610,004	642,540	328,627	281,903	Production planned as per market demand
Ice cream	44,064	43,623	21,392	18,254	

44.1 Represents capacity as at the reporting date.

45. NUMBER OF EMPLOYEES

	Number of employees as at		Average number of employees		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	
Management employees	1,163	1,240	1,187	1,237	
Non-management employees	171	183	174	187	
	1,334	1,423	1,361	1,424	

46. RETIREMENT CONTRIBUTORY FUNDS

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.

47. SUPPLEMENTARY INFORMATION

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

	Rupees
Cost of sales	114,477
Salaries, wages and staff welfare	19,495
Freight outward	21,429
Communication, utilities and other office expenses	4,964
Travelling	1,020
Legal charges	1,076
Bank charges	836
	163,297

(Amounts in thousand)

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

48. CORRESPONDING FIGURES

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

49. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 6, 2020 by Board of Directors of the Company.

Abdul Samad Dawood
Chairman

Ali Ahmed Khan
Chief Executive Officer

Imran Husain
Chief Financial Officer

annexure

Employee Share Option Scheme 2013

The Company in the Extra Ordinary General Meeting held on March 22, 2013, has approved an Employee Share Option Scheme (ESOS) for granting of options to its certain critical employees. As disclosed in note 10 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 April 27, 2015 and the Securities and Exchange Commission of Pakistan approval on August 31, 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 December 31, 2019, options for 4,231,250 shares have been vested while options for remaining 12,668,750 shares have lapsed during the year 2019 with the expiry of the Scheme.

During the year, 265,625 previously granted share options lapsed due to resignation of some employees. Further, during the year, 1,000,000 vested share options, granted in 2013 to a senior management employee and 2,478,125, granted in 2016 to other critical employees expired due to non-exercise by ex-employees within the exercise period. Till date 4,231,250 share options have been granted, out of which, 2,400,000 options have been granted to the following senior management personnel:

S. No	Name	No. of Options
1	Imran Husain	800,000
2	Imran Ahmed	800,000
3	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 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 17th day of April, 2020 and at any adjournment thereof.

Signed this _____ day of _____ 2020.

WITNESSES:

1. Signature : _____

Name : _____

Address : _____

CNIC or : _____

Passport No. : _____

Signature

2. Signature : _____

Name : _____

Address : _____

CNIC or : _____

Passport No. : _____

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., Shahrah-e-Faisal,
KARACHI.
E-mail: info.shares@famco.com.pk
Telephone No. (9221) 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 May 21, 2016 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 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 Ltd. 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.
5th Floor, Harbor Front Building, Dolmen City,
HC-3, Block 4, Clifton, Karachi-75600.
E-mail: muneeza.iftikar@frieslandcampina.com

اسٹینڈرڈ درخواست فارم

سالانہ آڈٹ اکاؤنٹس کی گردش

حصہ رجسٹر

فریز لینڈ کمپنیا اینگرو پاکستان لمبینڈ

فیکو ایسوی ایس پرائیویٹ لمبینڈ

F-8، نزد ہولی فاران، نرسی، بلاک 6، پاکستان

شہر اوفیصل، کراچی۔

ایمیل: info.shares@famco.com.pk

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

عنوان: فریز لینڈ کمپنیا اینگرو پاکستان لمبینڈ کی سالانہ پورٹ کیلیج ہارڈ کاپی کی درخواست

محترم گرامی

جیسا کہ سیورٹی اینڈ ایچینج نے بذریعہ ایں آراو 2016/470 بتارن 21 مئی 2016ء مطلع کیا ہے اور شیر ہولڈر زنے 24 مارچ 2017ء کو منعقد کیے جانے والے سالانہ عمومی اجلاس میں منظوری دی تھی کہ کمپنی اپنی مالیاتی معلومات بشمل بیلنس شیٹ، منافع خسارے کے کھاتے، آڈیٹر پورٹ اپنے ممبر ان کو ان کے جسٹر ڈپے پر ڈی ڈی/ڈی وی ڈی/یوائیس بی کی شکل میں ارسال کرے گی۔ تاہم وہ جو کمپنی کے مالیاتی گوشواروں کی ہارڈ کاپی چاہتے ہیں انھیں درج ذیل فارم میں اپنی معلومات پر کر کے کمپنی کے حصہ رجسٹر اور کمپنی سیکریٹری کو فراہم کرنا ہوں گی۔

..... ولد/ذخیر/زوج بطور فریز لینڈ کمپنیا اینگرو پاکستان لمبینڈ کا/کی رجسٹر شیر ہولڈر، اپنا نام اُس فہرست میں شامل کروانا چاہتا/ چاہتی ہوں جنہیں کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس ہارڈ کاپی کی شکل میں ارسال کیے جائیں گے۔ لہذا میری گزارش ہے کہ مجھے سالانہ آڈٹ شدہ اکاؤنٹس جائے ہی ڈی ڈی/ڈی وی ڈی/یوائیس بی کے ہارڈ کاپی میں ارسال کیے جائیں۔

معلومات	
شیر ہولڈر کا نام	
فویونبر/ای ڈی ہی آئی ڈی نمبر	
قومی شناختی کارڈ نمبر / پاسپورٹ نمبر	
لینڈ لائن ٹیلی فون نمبر (اگر کوئی ہوتا)	
موبائل نمبر (اگر کوئی ہوتا)	

شکریہ

شیر ہولڈر کے دستخط

نقل برائے: مس منیزہ افخار، کمپنی سیکریٹری، فریز لینڈ کمپنیا اینگرو پاکستان لمبینڈ، پانچیں منزل، دی ہار بر فرنٹ، ڈولمن ٹی،
اٹچ سی-3، میر بن ڈرائیور، بلاک 4، کلفشن، کراچی، پاکستان۔

muneeza.iftikar@frieslandcampina.com

پروکسی فارم

میں / ہم فریز لینڈ کمپنیا انگلریو پاکستان لینڈ میٹر کے رکن اور عام شہر کے حامل کی حیثیت کے رجسٹر کا فول یونر... اور / یاسی ڈی سی فول یونک آئی ڈی نمبر... کے کو کمپنی کے سالانہ اجلاس جو 17 اپریل 2020 کو منعقد ہو گا، میں میرے / ہمارے لیے اور میری / ہماری طرف سے بھیت اپنارکو کسی دوٹ دینے کیلئے نامزد کرتا ہوں / کرتے ہیں۔

دستخط بیانات / تاریخ بروز ۲۰۲۰

گواہان

دستخط:
نام:
پتہ:
	
کمپیوٹر ائرڈو می شناختی کارڈ نمبر:
پاسپورٹ نمبر:
	
دستخط:
نام:
پتہ:
	
کمپیوٹر ائرڈو می شناختی کارڈ نمبر:
پاسپورٹ نمبر:

نوث: نماں ندے کو فعال بنانے کیلئے نامزدگی کا فارم مینگ سے کم از کم 48 گھنٹے قبل کمپنی کو وصول ہو جانا چاہیے۔ نماں ندے کا کمپنی کا رکن ہونا ضروری نہیں۔
سی ڈی سی شیئر ہولڈر روز اور ان کے نماں ندوں سے فرد افراد اور خواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پروکسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔

- کمپنی درج ذیل کرنے کا عزم رکھتی ہے:
 اپنی برائنا کیوں نیکی کی استحکام میں سرمایہ کاری جاری رکھنے کی اور جدت ط
 پر وہ کش پیش کرتی رہے گی تاکہ دودھ اور دودھ سے بنی اشیا کی ضروریات ک
 ی صارفین کا پسندیدہ انتخاب رہے۔

- مختلف زمروں کی ترقی و تکمیل کے اقدامات پر پاکستان ڈیری ایسوٹی ایم (پی ڈی اے) کے ساتھ کام باری رکھے گی تاکہ کھلے دودھ کے استعمال ممکنہ صحت پر مرتب ہونے والے خطرات پر صارفین کی تعلیم کی جائے پہنچنے دو دو دھ کی ثابت خصوصیات کا تقویت پہنچائی جائے۔
 - متعلقہ بنس پلیٹ فارمز کے ذریعے ریگو لیٹری اخخار ٹیز کے ساتھ چاری رکھے گی تاکہ وفاقی و صوبائی قوانین خوراک اور کم سے کم پیچوراائزیشن مسودہہ قانون کو ہم آئنگ کر دیا جائے۔

مستقبل کا منظر نامہ

FUTURE OUTLOOK

اپنے طور پر مناسب سمجھتے ہوئے مشاورت کرنے کیلئے با اختیار ہے۔ جیف فناش آفیسر مدعو کیے جانے پر باقاعدہ طور پر بورڈ آؤٹ کمیٹی کے اجلاس میں حسابات پیش کرنے کیلئے شریک ہوتا ہے۔ ہر اجلاس کے بعد کمیٹی کا سربراہ بورڈ کو معاملات سے آگاہ کرتا ہے۔ 2019ء میں کمیٹی کا چار دفعہ اجلاس ہوا۔ کمیٹی میں درج ذیل اراکین شامل ہیں:

ابرار حسن
ایڈ ورڈس لمپرٹس ہوٹلز
زبیر عبدالخالق
کمیٹی کے سیکریٹری سلیم لا لانی ہیں جو جی ایم ائم آڈٹ ہے

ڈیری صنعت یعنی صنعت لہنیا ت کی ترقی عوام اتنا س کی صحت و غذا کی بہتری حکومتی ایجنسیز کی توسعے ہے، چنانچہ کمپنی حکومت کی حوصلہ افزائی کرے گی تاکہ وہ دو دھر محفوظ استعمال پر عوامی آگہی کی تشکیل میں مدد کرے اور سازگار مالیاتی پالسیز کے ذریباً ضابط ڈیری کے شعبے کی نشوونما میں مالی تغییبات فراہم کرے۔

ہر روز لاکھوں صارفین پاکستان بھر میں ہماری مصنوعات سے لطف اندوز ہوتے ہیں، اس کمپنی حفاظتِ غذا، پائیداری اور شفاقتی کے میدان میں بلند ترین معیارات تما پیڈ اواری سلسلے یعنی ”گھاس سے گلاس تک“ کیلئے پر عزم ہے اور فریز لینڈ کمپنیا کی مہار اور 145 برسوں سے زائد کے ورثے سے مستفید ہوتی رہے گی تاکہ کم لاگت، عمدہ معروضہ اور محفوظ ڈیری کی روکش کی فراہمی کا سلسہ جاری و مداری رہے۔

Dirk Graa

علی احمد خان

A. Parker

عبدالصمد داؤد
چیرمین

بڑھتے ہوئے افراد از روا رغائب ہوتی صارف کی توقت خرید کے ساتھ ایک زور سے لکارتے اقتصادی کلی کے ماحول سے یہ کاروبار مسلسل اثر انداز ہوگا۔ یہ تمام عوامل قابلیت کے اندر کاروبار کی مفتحت کی الیٹ کو چھپی خاصی لکار دیتے ہیں۔

کمپنی کا مقصد ہمارے صارفین کو غذا ائیٹ سے بھر پورا اور محفوظ اشیائیے خور و نوش فراہم کرنا ہے۔ کمپنی کیلئے ترقی کا اہم سرچشمہ کھلے دودھ سے پلٹنا ہے جو کہ غیر دستیاب، چھوٹے نہ گئے موقع کے تقریباً 90% (20 ارب لیٹر سے زائد) کی نمائندگی کرتا ہے۔

کھلا دودھ سانسنسی طور پر انسانی استعمال کیلئے غیر محفوظ ثابت کیا جا چکا ہے جیسا کہ اس شبیعے کا بڑا حصہ ناقابل قبول طور طریقوں سے کام کرتا ہے جس میں ملاوٹ، آلووہ امور کار و صورت حال اور فراہمی کے طریقہ کار شامل ہیں، اگرچہ خزانے میں بھی اس کا حصہ ناقابل بیان ہے۔

کمپنی مقرر کردہ طریقہ کارکو برقرار رکھتی ہے، جوشقا فیت، اختیارات کی حدود، احتساب، واضح منصوبہ بندیوں اور طرز عمل پر مشتمل ہے۔ بورڈ منسٹر کے لائچے عمل اور کمپنی کے کاروباری مقاصد ترتیب دیتا ہے۔ ذیلی انتظامیہ ان مقاصد کی تائید کے ساتھ ذیلی کاروباری حکمت عملیوں میں ختم کرتی ہے۔

بورڈ آف ڈائریکٹرز

BOARD OF DIRECTORS

بورڈ آف ڈائریکٹرز کی ذمے داریوں کا بیان

Statement of Director Responsibilities

ڈائریکٹرز درج ذیل امور کیلئے اسی سی پی (SECP) کے انتظامی ضابطے سے غور کرنے کیلئے بورڈ کے نظام کی مطابقت کی تصدیق کرتے ہیں:

- کمپنی کی انتظامیہ کی تیار کردہ مالی گوشوارہ، اپنے صحیح معاملات، کارکردگی کے نتائج، کیش فلوو اور معدالت (ایکوئی) کی تبدیلی کے ساتھ پیش کیے جائیں ہیں۔

- کمپنی کے حسابات کے لحاظ سے صحیح طور پر ترتیب دیے گئے ہیں۔

- مالی گوشواروں کی تیاری میں کھاتہ داری کے مناسب طریقہ عمل میں لائے جاتے ہیں، مساوائے تبدیلیوں کے جو معیارات کے بنیادی استعمال اور موجودہ معیارات میں تراجم یا تشریع کے نتیجے میں ہوں۔ حسابات کے تینی مناسب محتاط اندازوں کی بیان پر لگائے جاتے ہیں۔

- انٹریشنل فانشل رپورٹنگ اسٹینڈرڈز، جیسے پاکستان میں لا گوہیں، کی پیروی اس مالیاتی گوشوارہ جات کی تیاری میں کی گئی ہے اور اس سے سرمایخ راف کے بارے میں مناسب طور پر آگاہ کر دیا گیا ہے۔

- انٹریشنل کنٹرول کا نظام ڈیزائن میں جامع ہے اور اس کا نفاذ اور گلواہی مؤثر طور پر کی گئی ہے جس میں انٹریشنل فناشل کنٹرول کی شامل ہیں۔

- ایک جاری و ساری کاروبار کے طور پر کمپنی کے تسلیل کی صلاحیت پر کوئی شک و شبہ نہیں ہے۔

- کمپنی کے پاس سیاسی اور معادلی حالات سے پیدا ہونے والے خطرات کو بجا نہیں کر سکتی، خطرات سے بچاؤ کا نظام کمپنی کی کاروباری سرگرمیوں میں حکمت عملی، مالیات، ریگولیٹری اور آپریشنز جس میں بھی خطرات کے امکانات ہوں اس کی تثییض کرے۔

نظر ثانی

Review

کمپنی کی مالیاتی کارکردگی، مالیاتی اور انتظامی میزبانیہ اور پیش میں، کاروباری کنشنا اور ترقی کے منصوبوں، سرمائے کے اخراجات کی تباہی اور کارکردگی کے اہم زاویوں پر غور کرنے کیلئے بورڈ کا سہ ماہی اجلاس ہوتا ہے۔ بورڈ کی آڈٹ کمیٹی داخلی اختیارات کے طریقہ کار پر داخلی خارجی پڑتال کنندگان (آڈیٹر) کی روپوٹ وصول کرتی ہے اور داخلی اختیارات کی نفعی کے طریقے پر نظر ثانی کی جاتی ہے۔

داخلی پڑتال

Internal Audit

کمپنی کا داخلی پڑتال کا خود مختار طریقہ ہے، بورڈ کی آڈٹ کمیٹی کی جانب سے سالانہ بنیاد پر ذراائع کی موزو دیت اور اختیارات پر نظر ثانی کی جاتی ہے۔ داخلی پڑتال کا سربراہ خود آڈٹ کمیٹی کو اس سلسلے میں قاعدے کے مطابق مطلع کرتا ہے۔ بورڈ کی آڈٹ کمیٹی کارکردگی کے شعبوں میں سالانہ اندیشوں کے تینیں کی پڑتال پر مشتمل تداہیر کی منظوری دیتی ہے۔ داخلی پڑتال کے طریقے سے مالیاتی نظر ثانی کام اور تکمیل کے اختیارات اور تجاویز کی روپری ڈائریکٹ کمیٹی، چیف ایگزیکیوٹیو اور ذیلی انتظامیہ کو دی جاتی ہے۔

خطرات سے بچاؤ

RISK MANAGEMENT

ان تثییض کردہ خطرات پر مبنیہ کمیٹی مخصوص شعبوں کے مقاصد، ٹارگٹ اور کارکردگی کو مدد نظر رکھتے ہوئے نظر ثانی کرتی ہے۔ پھر حکمت عملی طے کی جاتی ہے تاکہ تثییض کردہ خطرات کے اثرات کو کم کیا جاسکے۔ کمپنی اپنے کاروبار کو مضمبوط کرنے اور اسے آگے بڑھانے کیلئے فریزلینڈ کمپنی کے خطرات کے بچاؤ کے نظام کے تحت کام کرتی ہے۔

بورڈ کے اجلاس اور حاضری

Board Meetings and Attendance

2019ء میں بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد کیے گئے تاکہ کارکردگی کا دائرہ کا مکمل کیا جاسکے۔ بورڈ کے تمام ارکین کو بورڈ کے اجلاس کی تمام دستاویزات پیش کیے جائیں گے۔ یہ عمومی طور پر کاروبار سے متعلق تفصیلی تجزیے اور ان تمام معاملات پر مبنی دستاویزات ہوتی ہیں جن پر بورڈ کا فیصلہ یا منظوری درکار ہوتی ہے۔ بورڈ خود مختار نیز ایگزیکیوٹیو ڈائریکٹرز کے مشاہرے پر مشاورت اور تقریبی کرتا ہے۔

ڈائریکٹرز کی حاضری کا رکارڈ درج ذیل ہے:

اجلاس میں حاضری	4 (17 اکتوبر 2019ء)	3 (05 اگست 2019ء)	2 (26 پریل 2019ء)	1 (07 فروری 2019ء)	ڈائریکٹرز کا نام
3	x	✓	✓	✓	عبدالصمد داؤد
4	✓	✓	✓	✓	علی احمد خان
4	✓	✓	✓	✓	رولینڈ فرینکناؤس وین نیز بوس
3	✓	x	✓	✓	ایڈورڈ زیمپر ہولٹر
3	✓	✓	x	✓	پیتر ایڈجے زنک ویگ
4	✓	✓	✓	✓	ابرار حسن
4	✓	✓	✓	✓	زہیر عبدالحلاق

اور انتظامی کمیٹی کے ارکین کے تمام معاملات طے کرنے کیلئے کمیٹی کا اجلاس منعقد ہوتا ہے۔ کمپنی کے چیف ایگزیکیوٹیو اور افرادی قوت HR کے سربراہ کو بورڈ کیمیٹی برائے معاوضہ میں باقاعدہ مدد کیا جاتا ہے۔ کمیٹی میں درج ذیل ممبر شامل ہیں:

چیئرمین
رُکن
رُکن
علی احمد خان
پیتر ایڈجے زنک ویگ
زہیر عبدالحلاق

بورڈ آف ڈائریکٹ کمیٹی

Board Audit Committee

اپنی نظمات کی ذمے داریوں کی تکمیل بنیادی طور پر حصہ مالکان کو مالی اور غیر مالی معاملات کی اطلاعات کی فراہمی، داخلی اختیارات اور اندریشوں کے انتظامات اور آڈٹ کے عمل پر نظر ثانی کے ضمن میں بورڈ آف ڈائریکٹ کمیٹی، بورڈ کی ماتحتی میں کام انجام دیتا ہے۔ یہ انتظامیہ سے معلومات کے حصوں اور بلا واسطہ خارجی پڑتال کنندگان یا مشیروں سے

بورڈ کمیٹی برائے معاوضہ

Board Compensation Committee

اعلیٰ افسران کے مشاہرے سے متعلق معاوضہ، ادارے اور ملازمین کی ترقی کے منصوبوں کے ضمن میں تمام عناصر پر نظر ثانی اور تجاویز پیش کرنے اور ایگزیکیوٹیو ڈائریکٹرز

ذمے دارانہ ماحولیات طریقہ کارکوئینی بنانا

ENSURING RESPONSIBLE ENVIRONMENTAL PRACTICES

کمپنی کردار عرض کے تحقیق کی اہمیت سے نہ صرف مخوبی واقف ہے بلکہ وہ اس معاملے میں سرمایہ کاری کی ہے۔ پچھلے چند برسوں میں کمپنی نے بقاء آب منصوبہ جات میں لگ بھگ 115 ملین روپے کی سرمایہ کاری کی ہے۔ سال 2018ء میں پانی کا استعمال 4.47 مکعب میٹرنی لیٹر 19% سے کم ہو کر سال 2019ء میں 3.61 مکعب میٹرنی لیٹر ہو گیا۔ اس 9% نمودے جنم (جم میں اضافہ) کی وجہ تکڑک منصوبہ جات کا مرکز تحقیق و بقا کی سرگرمیاں رہیں۔

اکاؤنٹنگ کے معیارات

ACCOUNTING STANDARDS

کمپنی کی اکاؤنٹنگ کی حکمت عملی میں کمپنیز ایکٹ 2017ء اور دیگر منظور شدہ میں الاقوامی مالیاتی روپورٹنگ کے معیارات جو اس ایکٹ کے تحت آگاہ کردہ اور اس کے علاوہ سیورٹی ایڈا پیچینج کمیشن آف پاکستان کے احکام کی مطابقت نمایاں ہے۔

ایمپلائی شیر آپشن اسکیم

EMPLOYEE SHARE OPTION SCHEME

کمپنی حصہ کے اختیار کا منصوبہ چلاتی ہے۔ اس منصوبے کی تفصیل وضاحت حسابات کے نوٹ 10 میں درج ہے۔

پنشن، گرجوئی اور پروویدنس فنڈ

PENSION, GRATUITY AND PROVIDENT FUND

کمپنی کے ملازمین اینگرڈ کارپوریشن لمیٹڈ کے زیر نگرانی ریٹائرمنٹ فنڈ میں حصہ لیتے ہیں۔ کمپنی اپنے ملازمین کی ملازمت سے سبدشو کے بعد ہونے والے فنڈز کے منصوبے میں اپنی شرکت کرتی ہے۔ اس میں ڈی سی پروویدنس پلان، ڈی سی گرجوئی پلان فریز لمیٹ کمپنی اینگرڈ پاکستان لمیٹڈ کے بڑے شیر ہولڈرز فریز لمیٹ کمپنی پاکستان ہولڈز شامل ہے۔ ڈی سی گرجوئی اسکیم کی سرمایہ کاری قدر پختال شدہ مالیاتی گوشوارہ کی تاریخ کے مطابق درج ذیل ہے:

گرین ہاؤس گیس اور اس کے اخراج کوکم کرنے کیلئے کمپنی اپنے تامین فنی پیچنگ ٹیکس میں اُن مصنوعات کے استعمال کو فروغ دے رہی ہے جو CFC پر مشتمل نہ ہوں، کمپنی نے اوزون کی تہہ کو نقصان پہنچانے والے غیر ماحولیاتی ایئر کلڈ شیرز اور فریز یرز کا استعمال بھی روک دیا ہے۔ کمپنی اپنے سیارے کو تحقیق فراہم کرنے اور آنے والی نسلوں کیلئے محفوظ رکھنے کی باہمی کوششیں جاری رکھے گی اور ماحولیاتی نظرات کوکم کرنے کیلئے موثر اقدامات کرے گی۔ اس کی جملک سکھ اور ساہیوال میں ہماری فیکریز اور نارا میں ہمارے ڈیری فارم کیلئے ISO 14001 کی سند کے حصول کی کاوشوں میں نظر آتی ہے۔ ہمارے دو دو حصے کے حصول کیلئے قائم کردہ میں (20) علاقائی دفاتر اور دیگر سروسز دفاتر ہمی ISO 14001 سے سند یافتہ ہیں۔ سال ہے سال کی بنیاد پر پانی کے استعمال کو کم کرنے کا منصوبہ بھی قابل غور ہے۔

داخلی اختیار کا نظام INTERNAL CONTROL FRAMEWORK

ذمے داری

Responsibility

کمپنی کی نظامت اور اس کی فعالیت پر نظر ثانی کی جتنی ذمے داری بورڈ پر ہے۔ البتہ یہ طریقہ کارکوتاہی کے خطرات کوکم کرنے کی بجائے کاروباری مقاصد حاصل کرنے کیلئے ترتیب دیا گیا ہے۔ اور مادی غلطی یا نقصان کے برخلاف مناسب خلافت فرماہم کرتا ہے تاہم مطلق خلافت نہیں۔ بورڈ کمپنی کے داخلی خطرے کیلئے اپنی مجموعی ذمے داری کو برقرار رکھنے کے ساتھ داخلی اختیار کے نظام کا تفصیلی نقشہ چیف ایگریڈیٹ کو تفویض کرتا ہے۔

آڈیٹر AUDITORS

موجودہ آڈیٹر میسر زا ایف فرگون ایڈ کمپنی کی ملازمت کی مدت ختم ہو چکی ہے۔ اور کمپنی کے قانونی آڈیٹر کی حیثیت سے اپنی دوبارہ تقری کے خواہشمند ہیں۔ کمپنی کے بورڈ آف ڈائریکٹرز نے میسر زا ایف فرگون ایڈ کمپنی کی دوبارہ تقری کیلئے بورڈ آڈٹ کمیٹی کی سفارش کی تصدیق کی ہے۔

شیر ہولڈنگ کا اسلوب PATTERN OF SHAREHOLDING

فریز لمیٹ کمپنی اینگرڈ پاکستان لمیٹڈ کے بڑے شیر ہولڈرز فریز لمیٹ کمپنی پاکستان ہولڈز بی-وی (51%) اور اینگرڈ کارپوریشن لمیٹڈ (40%) ہیں۔ دیگر شیر ہولڈرز میں مقامی ادارے اور عام افراد شامل ہیں۔

ڈی بی گرجوئی فنڈ (روپے ملین)		
30 جون 2019ء		
500	پختال شدہ مالیاتی گوشوارہ کے مطابق خالص اثاثہ	
	خالص اثاثوں کی تفصیلات	
180	ریگولر انکم سرٹیکیٹس (RIC)	1
25	ڈیفنس سیوگ سرٹیکیٹس (DSC)	2
189	پاکستان انویسٹمنٹ بونڈز (PIB)	3
19	ٹرم فناں سرٹیکیٹس	4
99	شیرز (حصہ)	5
6	بینک ڈپاٹس	6
3	واجب الوصولی رقم	7
(21)	واجب الادارۃ	8
500	گل میزان	

گوشوارہ برائے شیر ہولڈنگ کے عام اسلوب اور مخصوص درجات برائے شیر ہولڈنگ درج بالا منصوبہ کیس حکام سے منظور شدہ سرمایہ کاری کا منصوبہ ہے۔ گرجوئی منصوبے کی جن کی رپورٹنگ ڈھانچے کے تحت ضروری ہے، اور ڈائریکٹرز، ایگریڈیٹ کمپنی اور ان کے رفقے حیات شمول نابغ اولاد کے شیرز کے گوشوارے برائے خرید و فروخت دورانی سال 2019ء آگے درج کیے گئے ہیں۔

کمپنی کا صدر دفتر مع ساہیوال، سکھر پلانش اور نارا ڈیری فارم اس کے انتظامی دفاتر ڈبلیو ڈبلیو ایف۔ پاکستان کی جانب سے گرین آفس پروجیکٹ کے تحت، گرین آفس کے طور پر سند یافتہ ہیں۔ کراچی میں مرکزی دفتر کی جانب سے کاغذ کی کمی کیلئے کے گئے اقدامات کیلئے پائیٹ پروجیکٹ کا گذشتہ 40% کی پریمیون ہوا۔ پورے سال کے دوران مختلف نشستوں کا انعقاد کیا گیا تاکہ ملازمین کے درمیان ماحولیاتی مسائل کی آگہی کو فروغ دیا جائے جس میں ارتحلے (بیم ارض) اور ارتحل آور (ساعیت ارض) میا جانا شامل ہے۔

DAIRY DEVELOPMENT

کمپنی میں تیرہ سو (1300) سے زائد دودھ جمع کرنے کے سینٹر زکا نیٹ ورک ہے، جو پورے پاکستان سے تقریباً ڈھانی لاکھ (250,000) سے زائد کسانوں اور دودھ پنچانے والوں سے دودھ جمع کر کے انھیں روزگار فراہم کرتا ہے۔ ہمارے بہت سارے ڈیری کی ترقی کے اقدامات سے پاکستان میں لاپوشاٹک اور ڈیری کی ترقی میں کمپنی کا حصہ براہ راست شامل ہوجاتا ہے جو AGDP کا تقریباً 11% اور زراعت کے شعبے میں اس کا جنم تقریباً 60% ہے۔

باقاعدہ ڈیری ڈیلوپمنٹ پروگرام کے حصے کے طور پر، کمپنی نے مویشون کی صحت، غذہ اور فارم میخانے پر سن 2019ء میں 53,000 سے زائد کسانوں کو تربیت فراہم کی۔ کمپنی سے ملک فارمز پروفوڈریشن چارے کی مدد پر قابو پانے کی غرض سے، اس کی ٹیکنالوژی چارہ گھاس بنانے میں کسانوں کی مدد کی اور 880 میلین روپے پر مالیت کی 150 ہزار ٹن چارے کی گھنیمی تیار کرنے میں معاونت کی۔ اس کے علاوہ، مالی پروگرام کے حصے میں شمولیت کے طور پر، کمپنی نے ورنگ کمپنی میخانے کیلئے اس کے کسانوں کو 200 میلین روپے سے زائد کے قیلی ملتی قرضے دیے۔

ڈیری انٹروینشنر کے ذریعے عورتوں کی آمدن میں اضافہ کرنا (ای ڈبلیو آئی ڈی)

ENHANCING WOMEN'S INCOME THROUGH DAIRY INTERVENTIONS (EWID)

وسلیہ معاش کو بہتر بنانے کی غرض سے ملک پروگرام کے ذریعے سماجی ترقی کی تکمیل اور خواتین پر خصوصی توجہ دینے کے ساتھ چھوٹے کسانوں کی صلاحیتوں کی تعمیر سے کمپنی پُر عزم ہے۔ کمپنی محسوں کرتی ہے کہ پاکستان کے مقامی مویشون کی نسل کی پیدادواری صلاحیت کی بہتری کی غرض سے ان کسانوں کو علم کی منتقلی کی اشد ضرورت ہے۔

اس مسئلے کے ازالے حل کیلئے کمپنی نے ماضی میں کئی پروگرام شروع کیے، 2019ء میں شروع کیا گیا ڈبلیو آئی ڈی بھی اُن ہی میں سے ایک ہے۔ یہ پروجیکٹ ڈپارٹمنٹ آف فارم انیٹریڈریڈ، حکومتِ آسٹریلیا کی مالی اعانت سے شروع کیا گیا جس کے ذریعے کمپنی نے 4100 کسانوں کو زیادہ تر خواتین اور 100 عدد خاتون لاپوشاٹک ایکسٹینشن ورکرزو

صحت، حفاظت اور ماحولیات

HEALTH, SAFETY AND ENVIRONMENT

صحت، حفاظت اور ماحولیات (HSE) کے اعلیٰ معیار کو برقرار رکھنے پر کمپنی پختہ میں رکھتی ہے، تاکہ ہمارے ساتھ کام کرنے والے افراد اور اطراف کی کمیونیز بہتر حالات میں زندگی گزاریں۔

کام کرنے کی بجھوں پر ملازمین کی حفاظت کو یقین بنا

ENSURING EMPLOYEE SAFETY AT THE WORKPLACE

کمپنی اپنے ملازمین اور کشہریکٹر سے توقع رکھتی ہے کہ وہ صحت، حفاظت اور ماحول کے انتظامی نظام اور طریقہ کا کو یقینی بنائیں، جنہیں میں الاقوامی معیار اور بہترین طریقوں کو مُنظرا رکھتے ہوئے ترتیب دیا گیا ہے، برسوں سے کمپنی کی کوشش ہے کہ ڈیلوپمنٹ الائمنٹ کے ذریعے پیشہ ورانہ حفاظت اور صحت کے نظام (OSHA-USA) کو اپنانے اور اپنے مقاصد میں کامیاب رہی ہے۔

کام کرنے کے مقامات پر حفاظتی نظام نافذ کیا گیا جو کام کے مقامات پر ناگہانی حادثات کو کم کرنے کیلئے حفاظتی کمی کا تجزیہ کرتے ہوئے پوری طرح فعل ہے۔ چونکہ ڈیلوپمنٹ سیفیٹی میخانے کی بیادی طور پر افراد پر توجہ رکھتی ہے لہذا ہم نے ملازمین کی تربیت کیلئے اس سال 13,000 سے زائد گھنٹے میخانی کیے۔ اپنے ملازمین کی حفاظت کے ضمن میں اپنے عزم کی تصدیق کیلئے کمپنی حفاظتی ہفتہ اور سیفیٹی چیمپئن آف دی منٹھ جیسی تقریبات کا انعقاد بھی کرواتی رہتی ہے۔

فریز لینڈ کمپنیا گلوبل ایچ ایس سی میخانے سٹم 'FOCUS SHE' کے تحت کیا گیا جس میں کمپنی فریز لینڈ کمپنیا کی پہلی انتظامی کمپنی بن گئی جسے پہلے ہی امتحان میں تسلی بخش تنائی حاصل ہوئے۔ ملازمین میں کام کی جگہ پر لگنے والی خطرناک چوڑوں اور زندگی کو لاحق خطرات سے آگاہی کیلئے زندگی بچانے کے 107 اصولوں کا تعارف بھی 2019ء میں کروایا گیا۔ مزید آگے بڑھتے ہوئے 2020ء میں ہم مشینز کے حفاظتی جائزے کی طرف بڑھیں گے۔

اپنی کاؤشوں اور صحت، حفاظت اور ماحول کی سخت بدایات کے نتیجے کے طور پر ٹولریکارڈ ایبل انجری ریٹ (TRIR) میں پچھلے پھر برسوں میں حیرت انگیز کی واقع ہوئی ہے۔ دورانِ سال ہمارے ملازمین اور کشہریکٹر کاریکارڈ ایبل انجری ریٹ 14.8 میلن گھنٹوں کے اوقات کار میں 0.07 رہا۔

جیت-جیت (win-win) طرز عمل کو قابل عمل منصوبوں میں شامل کر کے کمپنی کی اقدار کو قابل عمل بنانے پر بہت زیادہ توجہ رکھی ہے۔ 2019ء میں کمپنی نے ایک جیت-جیت (win-win) ہفتہ میخانے کے طرز عمل اور ریویوں کو سمجھنے میں مدد لی اور وہ اُن کی روزمرہ زندگی میں کیسے شامل ہوں میں بھی مدد و معاون ثابت ہوا۔

کمپنی نے پاسیداری اور شمولیت پر اس سر نو توجہ کے ساتھ اُس کی غیر رواہی سوچ کی تعمیری صلاحیتوں کی توسعہ پر کام کیا اور اس میں ایک مضبوط و مستحکم استعداد کے سلسلے کی تعمیر کی غرض سے ہر شبے کیلئے شخصی ضروریات کے مطابق منصوبہ اہلیت تکمیل دیے۔

سینٹر لیڈر ریز اور ٹیم لیڈر ریز کیلئے بروقت شعبدہ سازی کے ساتھ ایک تبدیلی طریقہ عمل و رکشاپ کا انعقاد کیا گیا تاکہ انھیں اس قابل بنایا جائے کہ وہ حقیقی وقت میں تبدیلی کی شناخت، تغییم کر لیں اور تبدیلی کو اپنانے کے قابل بن جائیں۔

ان اقدامات سے ملازمین کی نگہنٹ کا اسکور 80% (2018ء سے 3 گناہ زیادہ) پر چلا گیا جو کہ فریز لینڈ کمپنیا یونیورس کی دوسری کمپنیز کے مقابلے میں سب سے زیادہ ہے۔

تنوع اور شمولیت

DIVERSITY AND INCLUSION

2019ء میں کمپنی نے بہلی مرتبہ مخذور افراد کی تربیتی نشست کا انعقاد کیا۔ کمپنی نے مختلف ٹیمز کیلئے احساس سازی نشتوں کا بھی انعقاد کیا اور ملازمین کے درمیان ایک کھلے مکالے کی حوصلہ افزائی کی۔ کمپنی قابل رسائی کا نظر سے اپنے دفتری ماحول اور طبعی ساختیات پر اس سر نو غور کر رہی ہے۔

کمپنی نے ایک فیوچر لینڈر ریز پروگرام بھی شروع کیا ہے جس میں نوع کو بیانی اصول کے طور پر رکھا گیا ہے۔ ملازمین کی موجودہ ساخت کے اندر، کمپنی نے صفائی احتساب کا انعقاد بھی کیا ہے اور ارادہ ہے کہ اس ادارے کے ہر طبقے کے آر پار امتیاز و تقاضوں کی تکمیل سے کم کر دیا جائے گا۔ فی الوقت کمپنی کے پاس نوع کا تنااسب 6.5% ہے۔

اس کا ہدف و مقصد یہ ہے کہ ایک متحرک شافت تکمیل دی جائے جو کہ زیادہ محیط ہوئے صفائی مساوات کو فروغ دے اور تنوع و رنگ اگلی کو طاقت و مضبوطی کے ایک ستوں کے طور پر تسلیم کرے اور اسے ایک مبنی بر حکمت منفعت تسلیم کرے۔

متفقی علم کا فریضہ انجام دیا اور انھیں تربیت دی گئی۔ خاتون ایکسٹینشن ورکرزو خود انھارو پائیڈار کاروباری کے طور پر کام کی غرض سے فارم ہی پر ایک طویل تربیتی پروگرام اور اٹھن شپ کے عمل سے گزریں گی۔

لائیواٹک میخانے میں خواتین کی تربیت (ڈبلیو ایل ایم)

WOMEN TRAINING IN LIVESTOCK MANAGEMENT (WTLM)

ڈبلیو ایل ایم، پنجاب اسکلوڈ یو پیٹ فنڈ کے اشتراک سے ایک اور منصوبہ ہے، جس کی مدد سے دودھ کی زیادہ سے زیادہ پیداوار کیلئے بیانی دلایا ڈپارٹمنٹ کے طریقہ عمل و رکشاپ پر 1500 خواتین کسانوں کی تربیت اور صلاحیتوں کی تعمیر کی جائے گی۔ منتخب خاتون کسانوں کو بیاری پر کنٹرول، چارے کے تقطیع و بقا اور نسل کو بہتر بنانے پر کمپنی کی جانب سے تیار کردہ ایک 45 روزہ کلاس روم اور عملی تربیتی کووس سے گزارا گیا۔

ہمارے انسانی وسائل

OUR HUMAN RESOURCES

فریز لینڈ کمپنیا گلوبل پاکستان میں ملازمین اس ادارے کی ریڑھ کی بُدھی کی حیثیت رکھتے ہیں۔ بہبادر سے کمپنی نے اپنے استعداد کی بھرتی اور شمولیت کے ہر حلے کو مضبوط و مستحکم بنانے کی غرض سے کئی اقدامات کیے جس کے نتیجے میں موزوں ترین لحاظ سے تعینات کردہ، شفافی لحاظ سے سازگار اور پُر جوش نئی بھرتیوں اور ملازمین کی راہ ہموار ہوئی۔

2019ء میں ہمارا جامع موضوع اصلاح اور استحکام تھا، کمپنی نے حکمت عملی میں تبدیلیوں کی غرض سے اس کی انسانی وسائل سرمایہ کاریوں اور اقدامات میں قدرے گھرے اڑوں گھوڑا اور عکاسی کے ذریعے بدلتے مظہرname کی منصوبہ سازی کی۔

تربیت اور پیدادوار

TRAINING AND PRODUCTIVITY

2019ء میں کمپنی نے نئی تربیت پر توجہ مرکوز کی اور موجودہ وسائل کی ابھرنے والی ٹیکنالوژی، روٹی کار اور ہنر و مہارتوں میں کئی عالمی طور پر متعدد اقدامات میخانے کے طور پر توجہ کرتے ہوئے اس سر نو تربیت کے اہتمام پر توجہ کھی ہے۔ کمپنی نے باہمی اشتراک عمل پر زیادہ زور کے ساتھ اس کے پیدادواری پروگرام اور نظم کاری کے ذریعے پیمائش کوئئے سرے سے ایجاد کیا۔

ڈائریکٹر زر پورٹ

سماجی سرمایہ کاری SOCIAL INVESTMENTS

ہم اپنے صارفین کی بدلتی ہوئی ضروریات، اسٹیک ہولڈرز کی ترقی اور کسانوں کو خود مختار بنانے کے وعدوں سے اچھی طرح باخبر ہیں۔ 2019ء میں کمپنی نے اپنے سماجی سرمایہ کاری کے وعدے کو پورا کرتے ہوئے 30 ملین روپے (بشمل 10 ملین روپے کی معافوت) کسانوں اور ان کے آس پاس کی کمیونٹی کی بہبود و ترقی پر خرچ کیے۔

کمپنی کا سماجی سرمایہ کاری پروگرام اینگریو فاؤنڈیشن کے تحت دوسرے شرکت داروں جو کہ تعلیم، صحت، آباد کاری، روزگار، آفات سے بچاؤ کیلئے انفرادی یا کمیونٹی کی بنیاد پر مد فراہم کرتے ہیں ان کے ساتھ مل کر کام کرتا ہے۔ مزید برآں کمپنی کاروبار کی جامعیت پر تو جرم کو زرکھتی ہوئے ایسی حکمت عملی پر کام کرتی ہے جو اپنے دیر پا اثرات مرتب کریں۔

اسکولز کی سرپرستی کے پروگرامز

SCHOOL ADOPTION PROGRAMS

کمپنی نے اپنی پیداواری سہولیات کے قریب 2011ء میں اسکولز کی سرپرستی کے پروگرام کا آغاز کیا تا کہ اردوگرد کی آبادیوں کے بیچوں کو تعلیم کا موقع فراہم کیا جائے۔ یہ محروم اور پسمندہ آبادیوں کیلئے بہتر متوافق تشکیل کرنے کا آغاز تھا اور اس سے ان برادریوں کی تعمیر میں مدد ملی ہے۔ کمپنی اس کے پلانٹس کے قریب چھ عدداً اسکولز کو مدد کر رہی ہے۔ 2019ء میں، کمپنی نے نارا سندھ میں اس کے ڈیری فارم کے قریب دواں اسکولز پر 4.5 ملین روپے کی سرمایہ کاری کی جبکہ ساہیوال میں پلانٹ کے قریب چار اسکولز پر 7.0 ملین روپے کی سرمایہ کاری کی، ان اسکولز پر ہمارے ملازم میں ماحولیات، محفوظ غذا، صفائی س्थاری، صحیت و حفاظت کی اہمیت پر سلسہ وار شمولیت برادری کی نشتوں کا انعقاد کرتے ہیں۔

ہیلٹھ سینٹر

HEALTH CENTRE

بنیادی صحیت کے مسائل پسمندہ کمیونٹی میں ایک بہت بڑا مسئلہ ہے۔ صحیت مند کیونٹی کی اہم بنیاد جسمانی اور ذہنی تدریستی ہے۔ کمپنی کی کاؤنٹوں کی سمت اپنے کسانوں اور ان کے اردوگرد کی کمیونٹی کو خود مختار اور ترقی کرتے ہوئے دیکھتا ہے، جو کہ اقوام متحده کے پانیدار ترقی کے دو مقاصد ہیں۔ کمپنی نے 8.5 ملین روپے کی سکھ پلانٹ کے قریب ہیلٹھ سینٹر پر خرچ کیے، کمپنی ہیلٹھ سینٹر میں اب تک تیرہ ہزار سے زائد پسمندہ علاقوں کے مریضوں کا علاج کیا جا چکا ہے۔

ڈیری فارم کا شعبہ DAIRY FARM SEGMENT

کمپنی کے ڈیری فارم نے ڈیری شعبے کیلئے خام مواد کے ایک بھرپور اور پُر غذا ایتیت سرچشمہ ہونے کے تسلسل کو جاری رکھا۔ تاہم، قیتوں کے خارروں کے ساتھ بڑھتی شرح سودا لگتی اور فیڈ (جانوروں کی خوراک) کی بڑھتی قیمتیں اس عرصے کے دوران اس شعبے کیلئے 322 ملین روپے کا خسارہ ہو جاتا ہے اور جانوروں (مویشیوں) کی قیتوں میں نسبتاً کمی کے نتیجے کی وجہ سے ہے۔

فریز لینڈ کمپنیا انگریو پاکستان لمبیڈ کی استقامت (پائیداری) SUSTAINABILITY AT FRIESLANDCAMPINA ENGRO PAKISTAN LIMITED

بامقصود کاروبار

PURPOSE-DRIVEN ENTERPRISE

پاکستان میں بڑھتی ہوئی آبادی کو صحیح غذائی اجزا کی میکٹ نیادوں پر فراہمی آنے والی دہائیوں میں ایک بڑا چیخ ہے۔ قابل اعتماد، غذا ایتیت سے بھرپور ڈیری مصنوعات کی فراہمی کرتے ہوئے، کمپنی پاکستانیوں کی نشومنی میں اپنا حصہ ڈال رہی ہے۔ کمپنی کا مقصد، غذا ایتیت سے بھرپور پاکستان سے ہم آنک ہے جس سے مراد اس کا وہ وعدہ ہے جو اس کے صارفین کیلئے بہتر اور محفوظ غذا کی فراہمی ہے، کاشنکاروں کیلئے ایک اچھی زندگی کے خواب کو تعبیر کرنا اور اس نسل اور آنے والی نسلوں کی زندگی کو بہتر بنانے کو حقیقی روپ دینا ہے۔

اسٹیک ہولڈرز کے ساتھ تعاون

COOPERATION WITH STAKEHOLDERS

کمپنی نان کمیونٹی میں بیماریوں (موٹا پا جنم میں غذا کی تو ناتی کی کی)، یا یہ صحت غذا سے پیدا ہونے والی بیماریوں (سے بچاؤ اور روک تھام کو صارفین، حکومت وقت، این جی اوز، اس کے ساتھ ساتھ غذائی اجناس کی پیداوار اور توزیم کرنے والے سب کی مشترک ذمہ داری کے طور پر دیکھتی ہے اور دنیا بھر میں پھیلے اپنے اسٹیک ہولڈرز کے ساتھ مل کر ان مسائل کے حل کیلئے مستقل کوشش رہتی ہے۔

فریز لینڈ کمپنیا انگریو پاکستان ہولڈنگز بی۔ وی کی ایک اکثریتی ملکیتی ماتحت کمپنی جو کہ رائل فریز لینڈ کمپنی بی۔ وی کی ماتحت کمپنی ہے) کے بودھ آف ڈائریکٹر زر کی طرف سے ہم کمپنی کی سالانہ پورٹ اور آڈٹ شدہ مالیاتی معلومات برائے سال جو 31 دسمبر 2019ء کو اختتم پذیر ہو اب صدر مسٹر پیش کر رہے ہیں۔

کاروبار کا جائزہ

BUSINESS OVERVIEW

سال 2019ء میں، کمپنی نے اس کی میکٹ رفتار نموداری جاری دس ساری رکھا اور چاروں سہ ماہیوں میں ایک مضبوط بلند ببال ترقی فراہم کی۔ سال 2019ء میں کمپنی نے 38.9 ارب روپے کی آمدی حاصل کی اور پچھلے سال کے مقابلے میں 20% کا اضافہ درج کیا۔ یہ نیو بینیادی طور پر ڈیری اور آئیکریم کے کاروباری شعبہ جات دونوں میں بالخطاب جم میکٹ کی اعانت سے تھی۔

تدویزی معافی با مخالف، خاص طور پر ایشیائی خور و نوش میں اچانک اضافے، روپے کی قدر میں کی اور بڑھتے ہوئے شرح سودے میں مجموعی طور پر کمپنی کے منافع کی قابلیت پر دباؤ بنائے رکھا۔ نتیجتاً، مجموعی مارجین 16% سے کم ہو کر 13% ہو گیا۔ کمپنی نے گز شے 6 میلیوں میں اس کے قائم تر پوٹنی یوز یعنی محفوظوں کی قیتوں میں اضافہ کیا تاکہ افریاطر کے ان دباؤ کو دور کیا جائے۔ کمپنی کیلئے لاگت سودا تقریباً ڈگنی ہو گئی ہے جس کی وجہ شرح سود میں بلند تر اضافہ ہے۔ فنس ایکٹ 2019ء میں ترمیم کی وجہ سے 153 ملین روپے کے یکباری ٹکیس کی ایڈ جسٹمنٹ کاہی اعلان کیا گیا۔ اس کے نتیجے میں سال 2018ء کے منافع 64 ملین روپے کے مقابلے میں 2019ء میں 955 ملین روپے کا بعد ازاں ٹکیس نقصان دیکھا گیا (0.08% روپے کے فی حصہ منافع کے مقابلے میں 1.25 روپے فی حصہ کا نقصان)۔

ڈیری اور مشروبات کا شعبہ

DAIRY AND BEVERAGES SEGMENT

ڈیری اور مشروبات کے شعبے نے پچھلے سال 3.4 ارب روپے کی آمدی کے مقابلے میں 2019ء میں 3.9 ارب کی آمدی کا اعلان کیا ہے۔ کاروبار نے "سر بلاک بیٹر"، کمپنی کے ذریعے 9 نئے پروڈکٹس سے صارفین کیلئے جوش و لوگے پر تو جرم کو زکی اور "سر بلاک بیٹر" کمپنی کے ذریعے امور کے انوکھے بن کی تشبیہ کی۔ اس کیلگری نے کامیابی سے نئے فریز رز بھی شامل کیے ہیں اور مارکیٹ میں دھوم چائی، جس سے 240 قصبوں میں اس کاروبار کے نقش قدم، مزید میکٹ اور ثابت رہے ہیں۔

ڈیری اور مشروبات کے شعبے نے 2018ء میں 29 ارب روپے کی آمدی کے مقابلے میں 34.9 ارب روپے کی آمدی حاصل کی جو پچھلے سال کے مقابلے میں 20% کی نیو ظاہر کرتے ہیں۔

