



engro foods

recipes for success



First Quarter 2012 Accounts

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company information

Board of Directors

Asad Umar	Chairman
Afnan Ahsan	Chief Executive Officer
Abdul Samad Khan	Non-Executive Director
Isar Ahmed	Non-Executive Director
Muhammed Amin	Non-Executive Director
Mujahid Hamid	Non-Executive Director
Ruhail Mohammed	Non-Executive Director
Shahzada Dawood	Non-Executive Director
Spenta Kandawalla	Non-Executive Director
Zafar Ahmed Siddiqui	Non-Executive Director

Chief Financial Officer

Imran Anwer

Company Secretary

Syed Bulent Sohail

Members of Audit Committee

Shahzada Dawood	Chairman
Abdul Samad Khan	Member
Ruhail Mohammed	Member
Zafar Ahmed Siddiqui	Member

The secretary of committee is Mazhar Hasnani, GM Internal Audit Department

Auditors

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

Share Registrar

M/s. FAMCO Associates (Private) Limited
First Floor, State Life Building 1-A, I.I. Chundrigar
Road, Karachi - 74000, Pakistan.

Bankers

Al-Baraka Islamic Bank Limited
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank of Punjab
Barclays Bank PLC Pakistan
Burj Bank Limited
Citibank N.A.
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Brunei Investment Company Limited
Pak Kuwait Investment Company (Private) Limited
Soneri Bank Limited
Standard Chartered Bank Pakistan Limited
The Bank of Khyber
United Bank Limited

Registered Office

6th Floor, The Harbor Front Building
HC-3, Marine Drive, Block - 4, Clifton
Karachi - 75600, Pakistan.
Tel: +92(21) 35297501 - 35297510
Fax: +92(21) 35810669
e-mail: info@engro.com
Website: www.engro.com



engro foods

First Quarter 2012 Accounts

directors' report

directors' report to the shareholders Quarter Ended March 31, 2012

On behalf of the Board of Directors of Engro Foods Limited (a subsidiary of Engro Corporation Limited), we are pleased to present the condensed interim financial information of the Company for the first quarter ended March 31, 2012.

BUSINESS REVIEW

DAIRY AND JUICES SEGMENT

Total sales of Dairy and Juices segment during the first quarter of 2012 were Rs. 9.3 billion vs. Rs. 5.9 billion during the same period in 2011, growth of 58%. Profit after tax increased by 129% to Rs. 620 million from profit of Rs. 271 million in the same period last year. Profit after tax to sales ratio also improved from 5% to 7% during the first quarter, compared to similar period last year.

Dairy:



Dairy volume grew by 39% over the corresponding period last year which translates into a revenue growth of 54%. Company continues to remain the market leader in Ambient UHT milk segment.

Juices and Nectars:

During the first quarter, the volume declined by 50% and the sales revenue declined by 38%, due to market dry out in line with the revised strategy.



ICE CREAM AND FROZEN DESSERTS SEGMENT



During the first quarter of 2012, Omore experienced 19% volumetric decline over the corresponding period and revenue declined by 7% to Rs. 409 million. This was primarily due to extended winter season in most parts of the country.

Ice Cream segment incurred a loss during the first quarter primarily due to continued investment in its brands and the cold chain infrastructure. The loss after tax was Rs. 135 million during the first quarter of 2012 as compared to Rs. 128 million during the same period last year.

DAIRY FARM SEGMENT

During the first quarter of 2012, Dairy Farm produced 26,979 liters (March 2011: 21,106) of milk per day.



At March 31, 2012, Dairy Farm herd was 3,204 animals (December 2011: 2,918). Profit after tax stood at Rs. 5 million vs. loss of Rs. 19 million in March 2011, primarily due to higher yield and production.

ENGRO FOODS CANADA

During the first quarter, Al Safa brand sales were Canadian \$ 2.5 million and loss after tax was Canadian \$ 313 thousand. These losses are directly consolidated in Engro Corporation financial statements and are not included in the financial performance mentioned below.



CERTIFICATIONS AND AWARDS:

During the quarter, “Engro Milk Automation Network” (EMAN) was awarded 2nd Position in the Professional Excellence Awards of The Institute of Chartered Accountants of Pakistan (ICAP).

FINANCIAL PERFORMANCE

The financial performance of the company for the first quarter is summarized below:

(Rs. in million)	Quarter ended March 31,		Variation
	2012	2011	
Net Sales	9,666	6,363	52%
Operating Profit	948	376	
% of sales	9.8%	5.9%	
Profit after tax	486	117	
% of sales	5.0%	1.8%	
Earnings per share (Rs.)	0.65	0.17	3.8 times

FUTURE OUTLOOK

We will continue to strive for growth in all our business segments and expect to deliver strong performance in 2012 as well.

Afnan Ahsan
Chief Executive

Ruhail Mohammed
Director

Karachi: April 19, 2012

condensed interim balance sheet (unaudited) as at march 31, 2012

(Amounts in thousand)

	Note	Unaudited March 31, 2012	Audited December 31, 2011
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	9,781,568	9,615,426
Biological assets		533,127	496,809
Intangible assets		123,752	133,598
Long term advances, deposits and prepayments		65,075	24,212
		10,503,522	10,270,045
Current Assets			
Stores, spares and loose tools		611,710	571,812
Stock-in-trade	5	3,457,319	2,637,816
Trade debts		97,661	87,121
Advances, deposits and prepayments		244,046	266,093
Other receivables	6	1,118,271	1,160,126
Taxes recoverable		8,331	1,443
Short term investments		45,538	1,294,000
Cash and bank balances		288,127	350,728
		5,871,003	6,369,139
TOTAL ASSETS		16,374,525	16,639,184
EQUITY AND LIABILITIES			
Equity			
Share capital	7	7,520,038	7,517,889
Share premium	7.1	724,116	722,182
Hedging reserve		-	(18,178)
Accumulated loss		(499,052)	(984,951)
		7,745,102	7,236,942
Non-Current Liabilities			
Long term finances		4,419,333	5,610,000
Obligations under finance lease		647	1,295
Deferred taxation		474,152	308,090
Deferred liabilities		1,870	1,870
		4,896,002	5,921,255
Current Liabilities			
Current portion of			
- long term finances		1,514,000	465,000
- obligations under finance lease		3,884	3,884
Trade and other payables	8	2,068,610	2,343,506
Derivative financial instruments		-	27,966
Accrued interest / mark-up on			
- long term finances		124,728	368,152
- short term finances		4,960	20,229
Short term finances	9	17,239	252,250
		3,733,421	3,480,987
Contingencies and Commitments	10		
TOTAL EQUITY AND LIABILITIES		16,374,525	16,639,184

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director



engro foods

First Quarter 2012 Accounts

condensed interim profit and loss account (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand except for earnings per share)

	Note	Quarter ended March 31, 2012	Quarter ended March 31, 2011
Rupees			
Net sales		9,666,316	6,362,524
Cost of sales		(7,410,148)	(4,984,823)
Gross profit		2,256,168	1,377,701
Distribution and marketing expenses		(1,070,300)	(820,621)
Administrative expenses		(230,250)	(155,063)
Other operating expenses		(72,730)	(45,328)
Other operating income		65,005	19,130
Operating profit		947,893	375,819
Finance costs		(209,266)	(195,419)
Profit before taxation		738,627	180,400
Taxation		(252,728)	(63,140)
Profit for the period		485,899	117,260
Earnings per share - basic and diluted	11	0.65	0.17

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

condensed interim statement of comprehensive income (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

	Quarter ended March 31, 2012	Quarter ended March 31, 2011
	Rupees	
Profit for the period	485,899	117,260
Other comprehensive income:		
Hedging reserve		
Gain / (loss) arising during the period	-	(10,204)
Less: Adjustments for amounts transferred to initial carrying amounts of hedged items - Capital work-in-progress	27,966	9,694
Income tax relating to hedging reserve	(9,788)	179
Other comprehensive income / (loss) for the period, net of tax	18,178	(331)
Total comprehensive income for the period	504,077	116,929

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

condensed interim statement of cash flows (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

	Note	Quarter ended March 31, 2012	Quarter ended March 31, 2011
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	12	68,306	116,962
Finance costs paid		(467,959)	(319,131)
Taxes paid		(103,342)	(73,049)
Retirement benefits paid		-	(5,046)
Subsidy received from Engro Foundation		5,000	-
Long term advances and deposits - net		(40,863)	(1,590)
Net cash generated from operating activities		(538,858)	(281,854)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of			
- property, plant and equipment		(445,124)	(1,201,607)
- intangible assets		-	(25,514)
Proceeds from disposal of			
- property, plant and equipment		10,613	921
- biological assets		7,990	4,954
Proceeds from disposal of investments in Mutual fund securities		966,721	-
Investment in Engro Foods Supply Chain (Private) Limited		-	(125,000)
Interest Income		9,300	5,609
Net cash generated from investing activities		549,500	(1,340,637)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		4,083	-
Proceeds from long term finances		-	800,000
Repayments of			
- long term finances		(141,667)	(58,333)
- obligations under finance lease		(648)	(81)
Net cash generated from financing activities		(138,232)	741,586
Net increase in cash and cash equivalents		(127,590)	(880,905)
Cash and cash equivalents at beginning of the year		398,478	180,181
Cash and cash equivalents at end of the period	13	270,888	(700,724)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

condensed interim statement of changes in equity (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

	Share capital	Share premium	Advance against issue of share capital	Hedging reserve	Accumulated loss	Total
	Rupees					
Balance as at January 1, 2011 (Audited)	7,000,000	-	-	331	(1,875,924)	5,124,407
Advance received during the year	-	-	-	-	-	-
Share capital issued	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(331)	117,260	116,929
Balance as at March 31, 2011 (Unaudited)	7,000,000	-	-	-	(1,758,664)	5,241,336
Share capital issued	517,889	746,522	-	-	-	1,264,411
Share issuance cost, net	-	(24,340)	-	-	-	(24,340)
Total comprehensive income for the period	-	-	-	(18,178)	773,713	755,535
Balance as at December 31, 2011 (Audited)	7,517,889	722,182	-	(18,178)	(984,951)	7,236,942
Share capital issued	2,149	1,934	-	-	-	4,083
Total comprehensive income for the period	-	-	-	18,178	485,899	504,077
Balance as at March 31, 2012 (Unaudited)	7,520,038	724,116	-	-	(499,052)	7,745,102

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive



Director

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Foods Limited (the Company), incorporated in Pakistan on April 26, 2005, under the Companies Ordinance, 1984, is a listed public company on Karachi and Lahore Stock Exchanges. The Company is a subsidiary of Engro Corporation Limited (ECL) (formerly Engro Chemical Pakistan Limited). The Company's registered office is situated at 6th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.

The principal activity of the Company is to manufacture, process and sell dairy, ice-cream, juices and other food products. The Company also owns and operates a dairy farm. Further, the Company has also entered into international market and its first venture is to manage a halal food business, Al Safa Halal, Inc. (Al-Safa) in North America, which is owned by ECL. The entire shares of Al-Safa are proposed to be acquired by the Company from ECL at cost subject to requisite approvals from the regulators.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

2.2 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

2.3 During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that apply to the financial statements for the year ended December 31, 2011.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2011.

Unaudited March 31, 2012	Audited December 31, 2011
Rupees	

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value (notes 4.1 and 4.2)	8,980,687	8,432,467
Capital work-in-progress (note 4.3)	800,881	1,182,959
	<u>9,781,568</u>	<u>9,615,426</u>

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

	Unaudited March 31, 2012	Audited December 31, 2011
	Rupees	
4.1 Following additions, including transfers from capital work-in-progress, were made to operating assets during the period / year:		
Buildings on freehold land	111,560	397,170
Plant, machinery and related equipment	673,353	2,080,612
Office equipment	6,182	70,310
Computers	2,386	48,951
Furniture and fittings	-	1,622
Vehicles	33,723	106,930
	<u>827,204</u>	<u>2,705,595</u>

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal
	Rupees				
Vehicles - owned	22,380	(13,105)	9,275	10,564	Insurance claims / Employee buyback
Computer Equipment	72	(41)	31	49	Insurance claim
	<u>22,452</u>	<u>(13,146)</u>	<u>9,306</u>	<u>10,613</u>	
December 31, 2011	<u>28,520</u>	<u>(14,605)</u>	<u>13,915</u>	<u>16,043</u>	

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

	Unaudited March 31, 2012	Audited December 31, 2011
	Rupees	
4.3 Following additions were made to capital work-in-progress during the period / year:		
Building on freehold land	95,054	490,941
Plant, machinery and related equipment	271,889	2,613,860
Data center and milk automation	34,497	32,880
Office equipment, furniture, fittings and computers	298	105,811
Vehicles	43,388	192,194
	<u>445,126</u>	<u>3,435,686</u>
5. STOCK-IN-TRADE		
Raw and packaging material (note 5.1)	2,547,802	1,685,987
Work in process	84,082	128,689
Finished goods	825,435	823,140
	<u>3,457,319</u>	<u>2,637,816</u>
5.1 Includes Rs. 10,500 (2011: Rs. 19,356) in respect of harvested feed stock and Rs. 252,242 (2011: Rs. 115,442) in respect of stock held by third parties.		
	Unaudited March 31, 2012	Audited December 31, 2011
	Rupees	
6. OTHER RECEIVABLES		
Sales tax refundable (note 6.1)	967,050	827,268
Receivable from Tetra Pak Pakistan Limited (note 6.2)	146,457	311,785
	1,113,507	1,139,053
Receivable from related parties:		
- Engro Corporation Limited, the Holding Company	159	2,991
- Engro Fertilizer Limited	-	265
- Engro Foundation	1,784	2,269
- Engro Foods Canada Limited	414	3,742
- Engro Foods Supply Chain (Private) Limited	2,314	8,601
- Engro Eximp (Private) Limited	-	1,650
- Engro PowerGen Limited	93	58
	4,764	19,576
Others	-	1,497
	<u>1,118,271</u>	<u>1,160,126</u>

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

- 6.1 Sales tax has been zero rated on the Company's supplies (output) and raw materials, components and assemblies imported or purchased locally by the Company for manufacturing in respect of its dairy products.
- 6.2 Includes packaging support subsidies/ discounts, net of amount due on account of packaging material purchased.

	Unaudited March 31, 2012	Audited December 31, 2011
	Rupees	
7. SHARE CAPITAL		
Authorized capital		
850,000,000 (2011: 850,000,000) Ordinary shares of Rs. 10 each	8,500,000	8,500,000
Issued, subscribed and paid-up capital		
752,003,795 (2011: 751,788,855) Ordinary shares of Rs. 10 each fully paid in cash (note 7.1)	7,520,038	7,517,889

- 7.1 During the period, the Company issued and allotted 214,940 shares at Rs. 19 per share to employees who exercised their share options under Employees' Share Option Scheme (ESOS).

8. TRADE AND OTHER PAYABLES

Includes following amounts due to related party:

	Unaudited March 31, 2012	Audited December 31, 2011
	Rupees	
- Engro Eximp (Private) Limited	373	-

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

9. SHORT TERM FINANCES - secured

- 9.1 The facilities for short term running finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 3,400,000 (December 31, 2011: Rs. 2,800,000). The unutilized balance against these facilities as at March 31, 2012 was Rs. 3,382,761 (December 31, 2011: Rs. 2,547,750). These facilities are secured by way of hypothecation upon all the present and future current assets of the Company. The corresponding purchase prices are payable on various dates by July 31, 2012.
- 9.2 The facilities for opening letters of credit and guarantees as at March 31, 2012 amounts to Rs. 4,000,000 (December 31, 2011: Rs. 3,500,000), of which the amount remaining unutilized at March 31, 2012 was Rs. 2,042,527 (December 31, 2011: Rs. 1,830,159).

10. CONTINGENCIES AND COMMITMENTS

- 10.1 The Company has provided bank guarantees to:
- Sui Southern Gas Company Limited amounting to Rs. 39,037 (December 31, 2011: Rs. 39,037) in accordance with contracts for supply of gas;
 - Sui Northern Gas Company Limited amounting to Rs. 34,350 (December 31, 2011: Rs. 34,350) in accordance with contracts for supply of gas;
 - Irrigation and Power Department, Government of Sindh amounting to Rs. 100 (December 31, 2011: Rs. 100) under an agreement for disposal of treated waste water;
 - Collector of Sales tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,712 (December 31, 2011: Rs. 258,712) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs. 172,000 (December 31, 2011: Rs. 172,000) have been received to-date; and
 - Controller Military Accounts, Rawalpindi amounting to Rs. 5,351 (December 31, 2011: Rs. 5,351), as collateral against supplies.
- 10.2 As at March 31, 2012 post-dated cheques amounting to Rs. 165,474 (2011: Rs. 153,342) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notification dated July 8, 2011 and August 1, 2011.
- 10.3 Following is the position of Company's open tax assessments/matters as at March 31, 2012:
- a) The Company in accordance with section 59 B (Group Relief) of the Income Tax Ordinance, 2001 has surrendered to ECL, 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 has 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 59 B(2)(g) of the Ordinance and a requirement under the Group Companies Registration Regulations, 2008, (the Regulations) notified by SECP on December 31, 2008.

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the Company to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in favour of the Holding Company, whereby, allowing the surrender of tax losses by the Company to the Holding Company. The tax department has filed reference application there against before the Sindh High Court, which is pending for hearing. However, in any event, should the reference application be upheld and the losses are returned to the Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to the Holding Company for refund of the consideration received. As such there will be no effect on the results of the Company.

- b) The Company's appeal against the order of Commissioner of Income Tax (CIT) for reduction of tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007, is currently in the process of being heard. However, the Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the deferred tax asset recognized on taxable losses has not been reduced by the effect of the aforementioned disallowance.
- c) During 2010, the Commissioner Inland Revenue raised a demand of Rs. 337,386 for tax year 2008 by disallowing the provision for gratuity, advances and stock written-off, repair and maintenance, provision for bonus, sales promotion and advertisement expenses. Further, in the aforementioned order the consideration receivable from ECL, the Holding Company, on surrender of tax loss has been added to income for the year. The Company had filed an appeal before Commissioner Appeals and has received his order on 16 September 2011, where by Commissioner has withdrawn demand amounting to Rs 222,357 in favour of the Company. The Company has filed appeal at ITAT level for the remainder amounts which have been remanded back / disallowed. However, the Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the deferred tax asset recognized on taxable losses has not been reduced by the effect of the aforementioned disallowance.

10.4 Commitments in respect of capital expenditure contracted for but not incurred as at March 31, 2012 amounted to Rs. 352,419 (December 31, 2011: Rs. 661,295).

Unaudited March 31, 2012	Unaudited March 31, 2011
Rupees	

11. EARNINGS PER SHARE - Basic and diluted

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

Profit for the period

485,899	117,260
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Weighted average number of ordinary shares in issue during the period (in thousand)

751,848	700,000
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notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

	Unaudited March 31, 2012	Unaudited March 31, 2011
	Rupees	
12. CASH GENERATED FROM OPERATIONS		
Profit before taxation	738,627	180,400
Adjustment for non-cash charges and other items:		
- Depreciation	269,676	177,430
- Amortization of intangible assets	9,846	19,411
- Amortization of deferred income	(1,250)	(15)
- Loss/(Gain) on disposal of biological assets	(719)	8,396
- Profit on disposal of operating assets	(1,307)	(255)
- Gain on disposal / revaluation of investment in mutual funds	(18,259)	-
- Provision against sales tax refundable	7,545	-
- Loss/(Gain) arising from changes in fair value less estimated point-of-sale costs of biological assets	(41,937)	(12,826)
- Provision for retirement and other service benefits	13,416	2,921
- Finance costs	209,266	195,419
- Income on bank deposit / saving accounts	(9,300)	(5,609)
Working capital changes (note 12.1)	(1,107,298)	(448,310)
	<u>68,306</u>	<u>116,962</u>
12.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(39,898)	(88,188)
- Stock-in-trade	(819,503)	(565,171)
- Trade debts	(10,540)	(1,703)
- Advances, deposits and prepayments	22,047	(228,923)
- Other receivables	34,310	74,240
	<u>(813,584)</u>	<u>(809,745)</u>
Increase / (decrease) in current liabilities		
- Trade and other payables - net	(293,714)	361,435
	<u>(1,107,298)</u>	<u>(448,310)</u>
13. CASH AND CASH EQUIVALENTS		
Cash and bank balances	288,127	-
Short term finances	(17,239)	(700,724)
	<u>270,888</u>	<u>(700,724)</u>



notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

14. TRANSACTIONS WITH RELATED PARTIES

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

		Unaudited March 31, 2012	Unaudited March 31, 2011
		Rupees	
Nature of relationship	Nature of transactions		
Holding company	Arrangement for sharing of premises, utilities, personnel and assets	38,042	31,840
	Expense claimable	-	8,699
	Pension fund contribution	3,362	-
	Provident fund contribution	5,926	-
	Gratuity fund contribution	405	-
Subsidiary and associated companies	Amount paid on behalf of subsidiary	-	17,740
	Arrangement for sharing of premises, utilities, personnel and assets	22,277	22,751
	Provident fund contribution	21,640	18,057
	Purchases of goods	105,804	11,312
	Purchases of services	127	1,849
	Donation	-	7,464
	Subsidy received	5,000	-
	Sale of goods	140	-
Key management personnel	Managerial remuneration	19,744	17,495
	Contribution for staff retirement benefits	2,696	2,569
	Bonus payment	46,208	53,465
	Other benefits	900	2,708



notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

- 14.2 There are no transactions with key management personnel other than under the terms of the employment.
- 14.3 While Engro Foods Limited manages the Al-Safa business, no remuneration has been charged to Engro Foods Canada as the business is owned by Engro Corporation and will be acquired from Engro Corporation at cost subject to regulatory approvals.

15. SEGMENT INFORMATION

- 15.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are the same which were disclosed in annual financial statements for the year ended December 31, 2011.

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

Liabilities are not reported segment-wise to the Board of Directors. Further, all the unallocated assets are reported to the Board of Directors at entity level. Inter-segment sales of powder and cream by Dairy to Ice cream and of unprocessed milk by Dairy farm to Dairy are made at prevailing market price.

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

	Unaudited Quarter ended March 31, 2012					Unaudited Quarter ended March 31, 2011				
	Dairy and juice	Ice cream & frozen desserts	Dairy farm	Business Development	Total	Dairy and juice	Ice cream & frozen desserts	Dairy farm	Business Development	Total
	Rupees									
Results for the year										
Net sales	9,338,567	409,396	152,255	-	9,900,218	6,087,229	438,137	89,644	-	6,615,010
Inter-segment sales	(97,835)	-	(152,255)	-	(250,090)	(167,911)	-	(89,644)	-	(257,555)
Net revenue from external customers	9,240,732	409,396	-	-	9,650,128	5,919,318	438,137	-	-	6,357,455
Raw milk sales	16,188	-	-	-	16,188	5,069	-	-	-	5,069
	<u>9,256,920</u>	<u>409,396</u>	<u>-</u>	<u>-</u>	<u>9,666,316</u>	<u>5,924,387</u>	<u>438,137</u>	<u>-</u>	<u>-</u>	<u>6,362,524</u>
Segment profit / (loss)	<u>620,215</u>	<u>(135,371)</u>	<u>5,369</u>	<u>(4,314)</u>	<u>485,899</u>	<u>270,799</u>	<u>(127,952)</u>	<u>(19,324)</u>	<u>(6,263)</u>	<u>117,260</u>
	Unaudited March 31, 2012					Audited December 31, 2011				
Assets										
- Segment assets	10,795,259	3,299,654	1,362,031	1,814	15,458,758	9,998,461	3,127,662	1,305,092	1,974	14,433,189
- Un-allocated assets	-	-	-	-	915,767	-	-	-	-	2,205,995
	<u>10,795,259</u>	<u>3,299,654</u>	<u>1,362,031</u>	<u>1,814</u>	<u>16,374,525</u>	<u>9,998,461</u>	<u>3,127,662</u>	<u>1,305,092</u>	<u>1,974</u>	<u>16,639,184</u>

notes to the condensed interim financial information (unaudited) for the quarter ended march 31, 2012

(Amounts in thousand)

16. SEASONALITY

The Company's 'Ice Cream' and 'Juice' business is subject to seasonal fluctuation, with demand of ice cream and juice products increasing in summer. The Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection. Therefore, revenues and profits are not necessarily indicative of result to be expected for the full year.

17. CORRESPONDING FIGURES

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

18. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 19, 2012 by the Board of Directors of the Company.



Chief Executive



Director

111-211-211

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