



Condensed Interim  
Financial Statements For The  
NINE MONTHS ENDED  
30 SEPTEMBER

2019



fauji foods



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## CORPORATE INFORMATION

### Board of Directors

**Lt Gen Syed Tariq Nadeem Gilani** - Chairman  
*HI(M), (Retd)*

**Lt Gen Javed Iqbal** - CE & MD  
*HI(M), (Retd)*

**Lt Gen Tariq Khan**  
*HI(M), (Retd)*

**Dr. Nadeem Inayat**

**Mr. Rehan Laiq**

**Mr. Salman Hayat Noon**

**Syed Iqtidar Saeed**

**Lt Col Abdul Khaliq Khan** *(Retd)*

**Mr. Iltifat Rasul Khan**

**Mr. Par Soderlund**

**Mr. Basharat Ahmad Bhatti**

**Ms. Aminah Zahid Zaheer**

### Chief Financial Officer

**Syed Abdul Majid Shah**

### Company Secretary

**Brig Zahid Nawaz Mann** *SI(M), (Retd)*

### Auditors

**KPMG Taseer Hadi & Co.**  
*Chartered Accountants*



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### **Legal Advisers**

**Qazi Imran Zahid**  
*(Advocate Supreme Court)*

### **Audit Committee**

**Mr. Iltifat Rasul Khan**  
**Dr. Nadeem Inayat**  
**Mr. Rehan Laiq**  
**Lt Col Abdul Khaliq Khan (Retd)**

### **HR & R Committee**

**Ms. Aminah Zahid Zaheer**  
**Dr. Nadeem Inayat**  
**Syed Iqtidar Saeed**  
**Mr. Rehan Laiq**

### **Technical Committee**

**Syed Iqtidar Saeed**  
**Lt Col Abdul Khaliq Khan (Retd)**  
**Mr. Basharat Ahmad Bhatti**

### **Business Review Committee**

**Mr. Par Soderlund**  
**Dr. Nadeem Inayat**  
**Mr. Rehan Laiq**  
**Ms. Aminah Zahid Zaheer**  
**Mr. Basharat Ahmad Bhatti**

### **Registered Office**

42 CCA, DHA Phase - VIII,  
(Ex Park View), Lahore.  
Tel: +92-42-37136315-17  
E-mail: [info@faujifoods.com](mailto:info@faujifoods.com)

### **Shares Registrar**

*M/s Corplink (Pvt.) Limited*  
*Wings Arcade, 1-K, Commercial,*  
*Model Town, Lahore.*  
Tel: +92-42-35916714, 35916719, 35839182  
Fax: +92-42-35869037  
E-mail: [shares@corplink.com.pk](mailto:shares@corplink.com.pk)

### **Website**

[www.faujifoods.com](http://www.faujifoods.com)

### **Plant**

*Bhalwal, District Sargodha.*

### **Bankers**

**Habib Bank Limited**  
**United Bank Limited**  
**National Bank of Pakistan**  
**Bank Alfalah Limited**  
**Faysal Bank Limited**  
**MCB Bank Limited**  
**Askari Bank Limited**  
**Allied Bank Limited**  
**Bank AL Habib Limited**  
**Dubai Islamic Bank Pakistan Limited**  
**Soneri Bank Limited**  
**JS Bank Limited**  
**Al Baraka Bank (Pakistan) Limited**

NINE MONTHS ENDED  
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## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Fauji Foods Limited is pleased to present the directors' report along with the condensed unaudited interim financial information of the Company for the nine months ended September 30, 2019.

### **Principal Activities**

Fauji Foods Limited, a majority owned Company of Fauji Fertilizer Bin Qasim Limited (50.59 percent shareholding) and Fauji Foundation (12.75 percent shareholding) is engaged in processing, and marketing of dairy products, juices and jams. The Company's brand "Nurpur" is one of the oldest and highly recognized brand in Pakistan.

### **Business Review**

During the period under review, business activity remained affected to the macroeconomic challenges coupled with measures taken by the Government of Pakistan to redress the same through monetary policy tightening, currency devaluation and import duties revision, leading to increased input and finance costs of the business.

Forced by the external economic factors, the Company in January initiated a price adjustment in tea whitener category to absorb some of the escalated input costs. But with industry as a whole remaining indifferent to the price adjustment, Company was left with no option but to retreat; that caused volume losses and incurred additional sales support to maintain its market position.

Government in its Fiscal Budget applicable for year 2019-20 has levied sales tax on tea whitener. Therefore, in July, the Industry took price increase to the extent of sales tax adjustment.

During the third quarter of the period under review, the Company was able to regain much of its market share, though the economic situation continued to exert pressure on disposable income of consumers.

### **Financial Performance**

During the period under review, total net sales for the nine months stood at Rs 4,041 million compared with Rs 5,688 million while turning to gross loss of Rs. 563 million compared with Gross profit of Rs 23 million during the corresponding period of last year.

The loss after tax for the nine months stood at Rs 3,335 million compared with Rs 2,374 million loss in the corresponding period of last year.

Net sales for the quarter ended September 2019 stood at Rs 1,506 million compared with Rs 1,994 million while turning to gross loss of Rs. 148 million compared with gross loss of Rs 16 million during the corresponding period of last year.



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The loss after tax for the quarter ended September 2019 stood at Rs 992 million compared with Rs 900 million loss in the corresponding period of last year.

### **Future Outlook**

Despite the broader challenges and inflationary trends in the country, the management remains committed, vibrant and resilient to respond to these challenges with renewed vigor and passion to accomplish its objectives. The leadership is continuously revisiting and realigning the business strategies to make the Company's business profitable, as expected, by all the stake holders in near future.

The Board is thankful to the valuable shareholders for their trust and continued support to the Company.

For and on behalf of the Board

**Lt Gen Syed Tariq Nadeem Gilani**  
HI(M), (Retd)  
Chairman

**Lt Gen Javed Iqbal**  
HI(M), (Retd)  
Chief Executive /  
Managing Director

Dated: October 24, 2019

## ڈائریکٹران رپورٹ برائے ممبران

فوجی فوڈز لمیٹڈ کا بورڈ آف ڈائریکٹرز 30 ستمبر 2019 کو ختم ہونے والے نو ماہی ہی عرصہ کے لیے غیر آڈٹ شدہ مالیاتی معلومات پر ڈائریکٹران کی رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہا ہے۔

### بنیادی سرگرمیاں

فوجی فوڈز لمیٹڈ، فوجی فریٹلائزر بن قاسم لمیٹڈ (50.59 فیصد شیئر ہولڈنگ) اور فوجی فوڈز لمیٹڈ (12.75 فیصد شیئر ہولڈنگ) کے اکثریتی حصص کی ملکیت پر مبنی دودھ اور اس سے بنی ہوئی غذائی اشیاء، جوس اور جام تیار کرنے والی کمپنی ہے۔ کمپنی کا ”نور پور“ برانڈ پاکستان میں طویل عرصہ سے سب سے زیادہ جانا پہچانا نام ہے۔

### کاروباری جائزہ

زیر جائزہ عرصہ کے دوران بڑے اقتصادی چیلنجز کی وجہ سے کاروباری سرگرمی متاثر رہی اس کے ساتھ ساتھ حکومت پاکستان نے مالیاتی پالیسی کی سختی، کرنسی کی قدر میں کمی اور درآمدی ڈیوٹی پر نظر ثانی کے ذریعے اس کے ازالے کے اقدامات اٹھائے، جس کے نتیجے میں کاروبار کی پیداواری اور مالیاتی لاگت میں اضافہ ہوا۔

بیرونی معاشی عوامل سے مجبور ہو کر کمپنی نے بڑھتے ہوئے چند پیداواری اخراجات کو جذب کرنے کے لیے جنوری میں ٹی وائٹرز کی قیمت میں ایڈجسٹمنٹ کا آغاز کیا۔ لیکن مجموعی طور پر انڈسٹری قیمتوں میں اس ایڈجسٹمنٹ سے لائق رہی جس کی وجہ سے کمپنی کے پاس پیچھے ہٹنے کے سوا کوئی چارہ نہیں بچا جس سے فروخت کی مقدار میں کمی ہوئی اور بازار میں اپنی پوزیشن برقرار رکھنے کے لیے فروخت کی امداد کی مدد میں اضافی اخراجات کرنا پڑے۔ حکومت نے سال 2019-20 کے مالیاتی بجٹ میں ٹی وائٹرز پر سیلز ٹیکس عائد کر دیا ہے۔ لہذا جولائی میں، انڈسٹری نے سیلز ٹیکس ایڈجسٹمنٹ کی حد تک قیمت میں اضافہ کیا ہے۔

زیر جائزہ مدت کی تیسری سہ ماہی کے دوران، کمپنی اپنے بازاری حصے کا بڑا حصہ دوبارہ حاصل کرنے میں کامیاب رہی، حالانکہ معاشی صورتحال صارفین کی آمدنی پر دباؤ ڈالتی رہی۔

### مالیاتی کارکردگی

سابقہ سال کے تقابلی عرصہ کے دوران فروخت سے حاصل ہونے والے 5,688 ملین روپے کے مقابلے میں زیر جائزہ نو ماہی عرصہ کے دوران فروخت سے حاصل شدہ رقم 4,041 ملین روپے رہی جبکہ سابقہ تقابلی عرصہ کے دوران حاصل کردہ 23 ملین روپے کے خام منافع کے مقابلے میں اس سال کے زیر جائزہ عرصہ کے دوران 563 ملین روپے کا خام نقصان رہا۔

سابقہ سال کے تقابلی عرصہ کے دوران ہونے والے 2,374 ملین روپے بعد از ٹیکس نقصان کے مقابلے میں اس سال کے زیر جائزہ نو ماہی عرصہ کے دوران ہونے والا بعد از ٹیکس نقصان 3,335 ملین روپے رہا۔



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ستمبر 2019 کو ختم ہونے والی سہ ماہی میں تقابلی عرصہ میں ہونے والی 1,994 ملین روپے کے مقابلے میں خالص فروخت 1,506 ملین روپے رہی جبکہ سابقہ سال کے اسی عرصہ کے دوران 16 ملین روپے کے مجموعی نقصان کے مقابلے میں 148 ملین روپے کا مجموعی نقصان رہا۔ ستمبر 2019 کو ختم ہونے والی سہ ماہی میں بعد از ٹیکس نقصان سابقہ سال کے تقابلی عرصہ میں ہونے والے 900 ملین روپے کے مقابلے میں 992 ملین روپے رہا۔

### مستقبل کی پیش گوئی

ملک میں وسیع تر چیلنجوں اور افراط زر کے رجحانات کے باوجود، انتظامیہ ان مشکلات کا جواب دینے اور اپنے مقاصد کی تکمیل کے لیے نئے جوش و جذبے کے ساتھ پر عزم، متحرک اور لگن دار رہی۔ قیادت مستقبل قریب میں، تمام وابستگان کی توقعات کے مطابق، کمپنی کے کاروبار کو منافع بخش بنانے کے لیے کاروباری حکمت عملیوں پر مسلسل نظر ثانی کر رہی ہے۔

بورڈ کمپنی پر اعتماد اور مسلسل تعاون کے لیے تمام قابل قدر حصص یافتگان کا شکر گزار ہے۔

لیفٹیننٹ جنرل سید طارق ندیم گیلانی  
ہلال امتیاز (ملٹری) (ریٹائرڈ)  
چیئرمین

لیفٹیننٹ جنرل جاوید اقبال  
ہلال امتیاز (ملٹری) (ریٹائرڈ)  
چیف ایگزیکٹو/میجنگ ڈائریکٹر

مورخہ: 24 اکتوبر 2019

Condensed Interim  
Statement of Financial Position  
As at 30 September, 2019

	Note	(Un-audited) 30 September 2019 Rupees	(Audited) 31 December 2018 Rupees
<b>EQUITY AND LIABILITIES</b>			
<u>Share capital and reserves</u>			
Authorized capital			
700,000,000 (31 December 2018: 700,000,000)			
ordinary shares of Rs 10 each		<u>7,000,000,000</u>	<u>7,000,000,000</u>
Issued, subscribed and paid up capital		5,284,071,920	5,284,071,920
Share premium		1,925,340,907	1,925,340,907
Accumulated loss		(9,771,023,126)	(6,491,314,836)
Surplus on revaluation of property, plant and equipment - net of tax		<u>1,333,581,317</u>	<u>1,424,377,761</u>
		(1,228,028,982)	2,142,475,752
<u>Non-current liabilities</u>			
Long term finances		3,299,999,999	4,191,666,667
Liabilities against assets subject to finance lease		282,581,899	289,272,895
Employee retirement benefits		<u>99,262,688</u>	<u>86,167,817</u>
		3,681,844,586	4,567,107,379
<u>Current liabilities</u>			
Short term borrowings		7,092,961,622	4,991,083,521
Loan from Parent Company - unsecured		1,750,000,000	-
Current portion of long term liabilities		1,230,242,472	403,631,987
Trade and other payables		896,158,861	1,255,264,861
Unclaimed dividend		965,752	965,752
Accrued finance cost		<u>344,086,124</u>	<u>195,648,668</u>
		11,314,414,831	6,846,594,789
<b>Contingencies and commitments</b>	5	<u>13,768,230,435</u>	<u>13,556,177,920</u>

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

  
Chairman

  
Chief Executive

  
Director

  
Chief Financial Officer



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Condensed Interim  
Statement of Financial Position  
As at 30 September 2019

ASSETS	Note	(Un-audited) 30 September 2019 Rupees	(Audited) 31 December 2018 Rupees
<u>Non-current assets</u>			
Property, plant and equipment	6	8,098,950,920	7,953,143,603
Intangible assets		49,459,671	59,158,143
Security deposits		10,864,306	944,306
Deferred taxation - net		<u>1,309,648,268</u>	<u>1,571,537,380</u>
		<b>9,468,923,165</b>	<b>9,584,783,432</b>
 <u>Current assets</u>			
Stores, spares and loose tools		267,507,750	142,132,460
Stock-in-trade		1,164,922,758	1,380,400,512
Trade debts		217,581,770	124,573,265
Loans and advances		100,276,674	61,527,093
Deposits, prepayments and other receivables		238,602,628	733,787,593
Due from associated companies		39,247	308,895
Sales tax refundable - net		436,093,015	440,797,114
Income tax - net		1,115,037,981	989,646,258
Cash and bank balances		759,245,447	98,221,298
		<b>4,299,307,270</b>	<b>3,971,394,488</b>
		<u><b>13,768,230,435</b></u>	<u><b>13,556,177,920</b></u>

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

Chairman

Chief Executive

Director

Chief Financial Officer

NINE MONTHS ENDED  
30 SEPT.

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Condensed Interim  
Profit or Loss Account (Un-Audited)  
For the Nine Months Ended 30 September 2019

	For the quarter ended		For the nine months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	----- Rupees -----		----- Rupees -----	
Sales - net	1,505,740,506	1,993,866,360	4,040,543,723	5,688,264,658
Cost of sales	(1,653,698,047)	(2,010,132,406)	(4,603,990,495)	(5,665,592,978)
<b>Gross (loss)/ profit</b>	<b>(147,957,541)</b>	<b>(16,266,046)</b>	<b>(563,446,772)</b>	<b>22,671,680</b>
Marketing & distribution expenses	(293,407,102)	(557,627,940)	(1,067,087,247)	(1,386,516,617)
Administrative expenses	(108,825,095)	(119,231,574)	(332,540,190)	(334,678,832)
<b>Loss from operations</b>	<b>(550,189,738)</b>	<b>(693,125,560)</b>	<b>(1,963,074,209)</b>	<b>(1,698,523,769)</b>
Other income	52,330,037	2,415,160	75,256,829	12,391,586
Other expenses	(2,620,503)	-	(10,299,207)	-
Finance cost	(471,556,616)	(180,884,956)	(1,210,499,035)	(461,639,312)
<b>Loss before taxation</b>	<b>(972,036,820)</b>	<b>(871,595,356)</b>	<b>(3,108,615,622)</b>	<b>(2,147,771,495)</b>
Taxation	(19,658,028)	(28,038,945)	(226,260,502)	(226,561,851)
<b>Loss for the period</b>	<b>(991,694,848)</b>	<b>(899,634,301)</b>	<b>(3,334,876,124)</b>	<b>(2,374,333,346)</b>
<b>Loss per share - basic and diluted</b>	<b>(1.88)</b>	<b>(1.70)</b>	<b>(6.31)</b>	<b>(4.49)</b>

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



Chairman



Chief Executive



Director



Chief Financial Officer



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Condensed Interim  
Statement of Other Comprehensive  
Income (Un-Audited)  
For the Nine Months Ended 30 September 2019

	For the quarter ended		For the nine months ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	----- Rupees -----		----- Rupees -----	
<b>Loss for the period</b>	<b>(991,694,848)</b>	<b>(899,634,301)</b>	<b>(3,334,876,124)</b>	<b>(2,374,333,346)</b>
<b><u>Other comprehensive income for the period</u></b>				
Items that will not be reclassified to profit and loss account:	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b><u>(991,694,848)</u></b>	<b><u>(899,634,301)</u></b>	<b><u>(3,334,876,124)</u></b>	<b><u>(2,374,333,346)</u></b>

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

  
Chairman

  
Chief Executive

  
Director

  
Chief Financial Officer

NINE MONTHS ENDED  
30 SEPT.

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Condensed Interim  
Statement of Changes In Equity  
(Un-Audited)

For the Nine Months Ended 30 September 2019

	Capital Reserve		Revenue reserve	Total	
	Share premium	Surplus on revaluation of property, plant and equipment-net of tax	Accumulated loss		
Share capital					
----- Rupees -----					
<b>Balance as at 01 January 2018</b>	5,284,071,920	1,925,340,907	1,458,968,052	(3,722,990,539)	4,945,390,340
Total comprehensive loss for the period	-	-	-	(2,374,333,346)	(2,374,333,346)
<u>Surplus transferred to accumulated losses</u>					
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(61,297,648)	61,297,648	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	47,139,906	-	47,139,906
<b>Balance as at 30 September 2018 (unaudited)</b>	-	-	(14,157,742)	61,297,648	47,139,906
<b>5,284,071,920</b>	<b>1,925,340,907</b>	<b>1,444,810,310</b>	<b>(6,036,026,237)</b>		<b>2,618,196,900</b>
<u>Total comprehensive loss for the period</u>					
Loss after taxation	-	-	-	(474,905,256)	(474,905,256)
<u>Other comprehensive income</u>					
Remeasurement of defined benefit obligation	-	-	-	(815,892)	(815,892)
<u>Surplus transferred to accumulated losses</u>					
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	-	(475,721,148)	(475,721,148)
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(20,432,549)	20,432,549	-
Balance as at 31 December 2018	5,284,071,920	1,925,340,907	1,424,377,761	(6,491,314,836)	2,142,475,752
<b>Total comprehensive loss for the period</b>	-	-	-	(3,334,876,124)	(3,334,876,124)
<u>Surplus transferred to accumulated losses</u>					
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(55,167,834)	55,167,834	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	(35,628,610)	-	(35,628,610)
<b>Balance as at 30 September 2019 (un-audited)</b>	-	-	(90,796,444)	55,167,834	(35,628,610)
<b>5,284,071,920</b>	<b>1,925,340,907</b>	<b>1,333,581,317</b>	<b>(9,771,023,126)</b>		<b>(1,228,028,982)</b>

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



Chairman



Chief Executive



Director



Chief Financial Officer



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**Condensed Interim Statement  
Of Cash Flow (Un-Audited)  
For the Nine Months Ended 30 September 2019**

	<b>For the nine months ended</b>	
	<b>30 September 2019 Rupees</b>	<b>30 September 2018 Rupees</b>
<b><u>Cash flows from operating activities</u></b>		
Loss before taxation	<b>(3,108,615,622)</b>	(2,147,771,495)
Adjustments for non-cash items:		
Depreciation on property, plant and equipment	<b>564,116,513</b>	473,318,717
Amortization of intangible assets	<b>11,417,356</b>	2,275,126
Gain on disposal of property, plant and equipment	<b>(29,085,397)</b>	44,395
Provision for doubtful debts	<b>7,678,704</b>	-
Profit on bank deposits	<b>(41,294,731)</b>	(6,862,886)
Foreign exchange loss	<b>81,542,435</b>	40,966,076
Provision for employee retirement benefits	<b>31,480,480</b>	24,451,370
Finance cost	<b>1,210,499,035</b>	461,639,312
Loss before working capital changes	<b>(1,272,261,227)</b>	(1,151,939,385)
<b><u>Effect on cash flow due to working capital changes</u></b>		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	<b>(125,375,290)</b>	(49,890,961)
Stock-in-trade	<b>215,477,754</b>	(1,067,221,387)
Trade debts	<b>(100,687,209)</b>	23,980,401
Loans and advances	<b>(38,749,581)</b>	(38,948,908)
Deposits, prepayments and other receivables	<b>485,264,965</b>	(342,188,199)
Due from Associated Companies	<b>269,648</b>	(1,545,437)
Sales tax refundable	<b>4,704,099</b>	33,632,692
Decrease/ (increase) in current liabilities:		
Trade and other payables	<b>(440,648,435)</b>	154,448,757
	<b>255,951</b>	(1,287,733,042)
<b>Cash used in operations</b>	<b>(1,272,005,276)</b>	(2,439,672,427)
Income tax paid	<b>(125,391,723)</b>	(332,833,854)
Employee retirement benefits paid	<b>(18,385,609)</b>	(1,430,729)
<b>Net cash used in operating activities</b>	<b>(1,415,782,608)</b>	(2,773,937,010)
<b><u>Cash flow from investing activities</u></b>		
Fixed capital expenditure	<b>(629,202,621)</b>	(861,176,574)
Income on bank deposits received	<b>41,294,731</b>	6,862,886
Sale proceeds from disposal of property, plant and equipment	<b>80,331,558</b>	602,794
<b>Net cash used in investing activities</b>	<b>(507,576,332)</b>	(853,710,894)

**For the nine months ended**

	30 September 2019 Rupees	30 September 2018 Rupees
<b>Cash flow from financing activities</b>		
Short term borrowings - net	1,105,657,489	549,999,175
Term Loan - net	(66,666,667)	-
Finance cost paid	(1,062,061,579)	(370,967,163)
Dividend paid	-	(4,427)
Lease rentals paid	(138,766,766)	(20,319,550)
Loan received from Parent Company	1,750,000,000	-
<b>Net cash generated from financing activities</b>	<b>1,588,162,477</b>	<b>158,708,035</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(335,196,463)</b>	<b>(3,468,939,869)</b>
<b>Cash and cash equivalents - at beginning of the period</b>	<b>(4,542,862,747)</b>	<b>(254,199,678)</b>
<b>Cash and cash equivalents - at end of the period</b>	<b>(4,878,059,210)</b>	<b>(3,723,139,547)</b>

Cash and cash equivalents comprise of the following:

- Cash and bank balances	759,245,447	43,639,982
- Running finances	(5,637,304,657)	(3,766,779,529)
	<b>(4,878,059,210)</b>	<b>(3,723,139,547)</b>

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



Chairman



Chief Executive



Director



Chief Financial Officer

**Notes to the Condensed Interim  
Financial Statements (Un-audited)**  
For the Nine Months Ended 30 September 2019

**1 The Company and its operations**

**1.1** Fauji Foods Limited ("the Company") was incorporated in Pakistan on 26 September 1966 as a Public Company and its shares are quoted on Pakistan Stock Exchange. It is principally engaged in processing and sale of toned milk, milk powder, fruit juices, allied dairy and food products. The registered office of the Company is situated at Fauji Foods Limited, 42 CCA, Ex Park View, DHA Phase-VIII, Lahore (formerly at FFBL Complex, 103 A/B, Shahrāh-e-Quaid-e-Azam, Lahore) and the manufacturing facility is located at Bhalwal, District Sargodha. The Company is a subsidiary of Fauji Fertilizer Bin Qasim Limited, the Parent Company.

**2 Basis of preparation and statement of compliance**

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

- International Accounting Standard (IAS) 34 - Interim Financial Reporting, 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial statements comprises the condensed interim statement of financial position of the Company as at 30 September 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows together with the notes forming part thereof.

This condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2018 and unaudited financial statements for the half year ended 30 June, 2019. Comparative condensed interim statement of financial position is stated from annual audited financial statements as of 31 December 2018, whereas comparatives for condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and related notes are extracted from condensed interim financial statements of the Company for the nine months' period ended 30 September 2018.

These condensed interim financial statements are unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the listing regulations of Pakistan Stock Exchange Limited.

These condensed interim financial statements are presented in Pakistan Rupees which is the Company's functional currency and all financial statements presented have been rounded off to the nearest rupees, except otherwise stated.

### 3 Use of estimates and judgments

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed interim financial statements, the significant judgments made by the management in applying accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of annual audited financial statements for the year ended 31 December 2018.

### 4 Statement of consistency in accounting policies

4.1 The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial statements are same as those applied in the preparation of annual audited financial statements for the year ended 31 December 2018 except for the adoption of new standards effective as off 01 January 2019 as stated below:

#### 4.1.1 Change in accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers', IFRS 9 'Financial Instruments' and IFRS 16 'Leases' from 01 January 2019 which is effective from the annual periods beginning on or after 01 July 2018, period ending on or after 30 June 2019 and periods beginning on or after 01 January 2019 respectively. Accordingly, as per IFRS 15 'Revenue from Contracts with Customers'; selling and distribution expense of Rs. 342.66 million (30 September 2018: Rs. 282.3 million) has been reclassified to sales. This reclassification has no impact on the reported Loss per Share (EPS) of the corresponding period.

4.1.2 Other than those disclosed above in note 4.1.1, there were certain other new amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

The following amendments and interpretations of approved accounting standards will be effective for accounting periods as detailed below:

#### Amendments and interpretations of approved accounting standards

- |   |                 |
|---|-----------------|
| - IFRIC 23 - Uncertainty over Income Tax Treatments   | 01 January 2019 |
| - Amendment to IAS 28 - Investments in associates and joint ventures - Long Term Interests in Associates and Joint Ventures | 01 January 2019 |



- Amendment to IAS 19 - Employee benefits - Plan Amendment, Curtailment or Settlement 01 January 2019
- Amendment to IFRS 3 - Business Combinations – Definition of a Business 01 January 2019
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors 01 January 2019
- Annual Improvements to IFRS Standards 2015–2017 Cycle 01 January 2019

## 5 Contingencies and commitments

### 5.1 Contingencies

There has been no significant changes in contingencies as reported in the annual audited financial statements of the Company for the year ended 31 December 2018.

### 5.2 Commitments

The Company has the following commitments in respect of:

- (i) Commitments, for capital expenditure, against irrevocable letters of credit outstanding at the period end were for Rs. 73.84 million (31 December 2018: Rs. 56.98 million).
- (ii) Commitments, for purchase of raw/ packing material, outstanding at the period end were for Rs. 364.15 million (31 December 2018: Rs. 312.14 million).

		<b>(Un-audited)</b> <b>30 September</b> <b>2019</b> <b>Rupees</b>	(Audited) 31 December 2018 Rupees
<b>6 Property, plant and equipment</b>	Note		
Operating fixed assets	6.1	<b>7,639,645,536</b>	6,885,161,167
Capital work in process	6.2	<b>459,305,384</b>	1,067,982,436
		<b><u>8,098,950,920</u></b>	<b><u>7,953,143,603</u></b>

### 6.1 Operating fixed assets

Net book value at beginning of the period / year		<b>6,885,161,167</b>	6,637,495,791
Additions during the period / year		<b>1,236,160,789</b>	923,059,708
Right of use asset	6.1.1	<b>133,686,254</b>	-

	<b>(Un-audited)</b> <b>30 September</b> <b>2019</b> <b>Rupees</b>	(Audited) 31 December 2018 Rupees
Disposals during the period / year	<b>(51,246,161)</b>	(6,686,370)
Depreciation charged during the period / year	<b>(564,116,513)</b>	(668,707,962)
Net book value at end of the period/ year	<u><b>7,639,645,536</b></u>	<u>6,885,161,167</u>

6.1.1 During the period ended 30 September 2019, the Company has entered into a new lease agreement for use of office premises for a period of 5 years. The Company will make fixed payments (with 10% annual increment every year) on use of asset during the contract period.

	<b>(Un-audited)</b> <b>30 September</b> <b>2019</b> <b>Rupees</b>	(Audited) 31 December 2018 Rupees
<b>6.2 Capital work in progress</b>		
Plant and machinery	<b>443,984,482</b>	857,915,549
Building	<b>2,581,902</b>	158,506,111
Leased vehicles	<b>12,739,000</b>	24,651,000
Office equipment	<b>-</b>	26,909,776
	<u><b>459,305,384</b></u>	<u>1,067,982,436</u>

## 7 Related party transactions and balances

Related parties comprise of Parent Company, associated companies, directors, entities with common directorship, post employment plans and key management personnel. Balances are disclosed elsewhere in these interim financial statements. The Company in the normal course of business carries out transactions with related parties. Significant transactions with related parties are as follows:



**fauji foods**

Name of the Company	Relationship	Nature of transactions	(Un-audited) Sep 2019 Rupees	(Un-audited) Sep 2018 Rupees
<b>Associated Undertakings</b>				
Fauji Fertilizer Bin Qasim Limited (FFBL)	Parent - 50.59% (Shareholding and common directorship)	Salaries of seconded employees charged by related party	-	5,059,947
		Loan received	1,750,000,000	-
		Finance cost charged	59,815,054	-
		Repair & maintenance and building rent expense charged by related party	16,745,816	37,385,013
		Salaries of seconded employees charged to the related party	14,572,337	1,882,328
		Expense paid by the Company on behalf of related party	-	918,531
		Purchase of fixed assets from related party	-	3,500,000
Askari Bank Limited	Associated Undertaking (Common directorship)	Finance cost charged by related party	60,472,520	13,913,569
		Interest income on saving accounts	20,697,258	5,258,186
		Utilities expense paid on behalf of the related party	1,209,919	1,545,437
Fauji Meat Limited	Associated Undertaking (Common directorship)	Expense borne by the Company on behalf of related party	-	459,266
Fauji Security Services (Private) Limited	Associated Undertaking (Common directorship)	Expenses paid against security services	2,345,192	2,113,661
Employee's Provident Fund Trust	Post employee benefit plan - 0.56%	Contribution for the year	37,465,328	42,192,299
Mr. Salman Hayat Noon	Non-Executive Director	Consultancy fee expense	2,262,444	5,248,872
Directors		Meeting fee	6,542,000	1,997,869
Key Management Personnel		Remuneration and benefits	52,913,227	52,052,483

## 8 Date of authorization

These condensed interim financial statements has been approved by the Board of Directors of the Company and authorized for issue on October 24, 2019.

## 9 General

Corresponding figures have been re-arranged and re-classified, where necessary, for the purpose of comparison and better presentation as per reporting framework.

Chairman

Chief Executive

Director

Chief Financial Officer

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fauji foods



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