



Condensed Interim
Financial Statements For the
NINE MONTHS ENDED
30 SEPTEMBER

2020



fauji foods



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CORPORATE INFORMATION

Board of Directors

Lt Gen Tariq Khan - Chairman
HI(M), (Retd)

Mr. Muhammad Haseeb Aslam - CEO

Mr. Sarfaraz Ahmed Rehman

Dr. Nadeem Inayat

Lt Col Abdul Khaliq Khan (Retd)

Mr. Imran Moid

Mr. Basharat Ahmad Bhatti

Ms. Aminah Zahid Zaheer

Mr. Ali Asrar Hossain Aga

Mr. Mohammad Munir Malik

Mr. Imran Husain

Mr. Javed Kureishi

Chief Financial Officer

Syed Abdul Majid Shah

Company Secretary

Lt Col Ishrat Ullah Khan Niazi (Retd)

Auditors

EY Ford Rhodes

Chartered Accountants





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Legal Advisers

Qazi Imran Zahid
(Advocate Supreme Court)

Audit Committee

Mr. Javed Kureishi - Chairman
Dr. Nadeem Inayat
Mr. Ali Asrar Hossain Aga
Lt Col Abdul Khaliq Khan (Retd)

HR & R Committee

Ms. Aminah Zahid Zaheer - Chairperson
Dr. Nadeem Inayat
Mr. Basharat Ahmad Bhatti
Mr. Muhammad Haseeb Aslam
Mr. Ali Asrar Hossain Aga

Registered Office

42 CCA, DHA Phase - VIII,
Ex-Park View, Lahore.
Tel: +92-42-37136315-17
E-mail: 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

Website

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

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 nine months ended September 30, 2020.

Business Review

During the period under review, business activity was partially impacted with the breakout of COVID-19 pandemic and related lockdowns. However, the Company made effective efforts to ensure all safety measures, while maintaining our supply chain and meeting consumer demand.

Despite a challenging business environment, the Company registered a topline growth of 39% and 32% respectively in third quarter and nine months period, compared to the same periods of last year.

The Company is steering its path to growth and margin recovery, based on fundamental improvements in our business model. Key elements of our strategy include strengthening of our innovation/renovation program, leveraging our iconic "NURPUR" brand and its portfolio and our tea creaming brand "DOSTEA", driving numeric distribution and increasing presence with important customers such as key retail accounts and out-of-home customers. Moreover, our strategy includes a big focus on improving cost efficiency across our value chain. Benchmarking, target setting and implementation of cost management initiatives are enabling improvement in variable as well as fixed costs.

Financial Performance

The Company returned to posting a gross profit of 2.38% in Q3 2020 against a gross loss of (9.83%) during Q3 2019/same period last year.

Below summary of financial performance during Q3 2020 (compared with same period last year) shows positive growth and recovery for the Company:

Particulars	July -Sep 2020 PKR Millions	July -Sep 2019 PKR Millions
Net sales	2,090	1506
Gross profit/(loss)	49	(148)
Operating profit/(loss)	(607)	(972)
Profit/(loss) after tax	(642)	(992)

These positive changes are attributable to product and channel mix improvement, cost optimization and strengthening of distribution network. Raw milk cost however, still remained somewhat challenging; however a strategy is in place to strengthen our milk collection going forward.

Increase in Authorized Capital and Conversion of Sponsor Loan to Share Capital

In the Annual General Meeting held on April 02 2020, Shareholders have approved, through a special resolution, an increase in Authorized Capital to 1,000 million Shares of Rs. 10 /- each from 700 million Shares of Rs. 10 /- each. Further approved is the conversion of FFBL subordinated loan to equity



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amounting to Rs. 2,630 million together with markup of Rs. 118.86 million as at December 31 2019 at par value of Rs. 10/- per share. The process of conversion and issuance of shares is completed during the period, thus further strengthening the Company equity.

Future Outlook

Growth and operational efficiency are being driven through focused multi-pronged strategy.

Innovation/renovation: Exciting new and improved "NURPUR" cheese has been recently launched. "Try, Taste, Love", our consumer call for action is being activated on digital platforms, at point of sale and at other relevant consumers touch-points. Further exciting "NURPUR" innovations are on their way.

Customers' and distribution: Sales/distribution expansion with focus on numeric and weighted distribution is being driven along with the right sales and channel capabilities. Moreover, key accounts and out-of-home channels are being developed. For example, the Company has entered into strategic supply agreements with renowned international foods chains; these customer collaborations will help to increase our sales and as well as enhance brand image.

Operational efficiency: Cost management initiatives are being implemented across our value chain. An efficiency oriented lean management approach and mind-set is being strengthened. The Company has already started reaping benefits in key areas such as production and supply chain. Moreover, this mind-set is enabling gradual optimization of fixed costs across the Company.

Liquidity: The Company is on the path of recovery from operating losses, as evident from the results of the reporting period. Further, to strengthen short and long term cash flows, the Company is in process of restructuring and re-profiling debt with Banks.

To achieve sustainable sector growth and attract domestic investment, it is of immense importance that future GOP revenue and monetary policies are consistent and supportive to this important sector.

The management team remains committed and resilient to respond to the challenges in the market by increasing capabilities and by bringing operational efficiency to make our business sustainable and profitable.

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

For and on behalf of the Board

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

Muhammad Haseeb Aslam
Chief Executive Officer

Dated: October 20, 2020

فوجی فوڈز لمیٹڈ کا بورڈ آف ڈائریکٹرز 30 ستمبر، 2020 کو مکمل ہونے والے نو ماہی عرصہ کے لیے غیر آڈٹ شدہ مجموعی مالیاتی حسابات پر ڈائریکٹران کی رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہا ہے۔

کاروباری جائزہ

زیر جائزہ عرصہ کے دوران کوویڈ 19 وبا اور اس سے متعلقہ لاک ڈاؤن کی وجہ سے کاروباری سرگرمیاں جزوی طور پر متاثر رہیں۔ تاہم کمپنی نے تمام جھانپنی اقدامات کو یقینی بناتے ہوئے اپنی سپلائی چین کو برقرار رکھتے ہوئے صارفین کی مصنوعات کی طلب کو پورا کرنے کے لیے موثر کوششیں کیں۔

کمپنی نے چیلنجنگ کاروباری حالات کے باوجود گزشتہ سال کے تقابلی عرصہ کے مقابلے میں آمدنی کی بالائی سطح میں تیسری سہ ماہی میں 39% اور نو مہینے کے عرصہ میں 32% اضافہ کیا۔

کمپنی ہمارے بنیادی کاروباری ماڈل میں بہتری کی بنیاد پر ترقی اور مارجن کی بازیابی کے لیے اپنی منزلیں طے کر رہی ہے۔ ہماری حکمت عملی کے کلیدی عناصر میں ہماری جدت/ترنیں و آرائش کے پروگرام کو مضبوط بنانا، ہمارے مشہور ”نور پوز“ برانڈ اور اس کے پورٹ فولیو اور ہمارے چائے کے کریسنگ برانڈ ”دوٹی“ کا فائدہ اٹھاتے ہوئے عددی تقسیم کو آگے بڑھانا اور کلیدی خوردہ کھاتوں اور گھر سے باہر کے صارفین جیسے اہم گاہکوں کے ساتھ بڑھتی ہوئی موجودگی شامل ہیں۔ مزید برآں ہماری حکمت عملی میں ہماری ویلیو چین میں قیمتوں کی لاگت کو بہتر بنانے پر بڑی توجہ مرکوز کرنا شامل ہے۔ شیج مارکنگ، ہدف کا تعین اور لاگت کے انتظامات کے اقدامات کا نفاذ مستحضر اور مقررہ لاگتوں میں بہتری لانے کے قابل بنا رہے ہیں۔

مالیاتی کارکردگی

کمپنی نے 2019 کی تیسری سہ ماہی کے دوران ہونے والے 9.83 فیصد کے خام نقصان کے مقابلے میں 2020 کی تیسری سہ ماہی عرصہ میں 2.38 فیصد کا خام منافع حاصل کیا۔

2020 کی تیسری سہ ماہی کے دوران مالیاتی کارکردگی کا ذیلی گوشوارہ (گزشتہ سال کے اسی عرصہ کے مقابلے میں) کمپنی کے لیے مثبت نمو اور بازیابی ظاہر کرتا ہے۔

تفصیلات	جولائی تا ستمبر 2020 ملین روپے	جولائی تا ستمبر 2019 ملین روپے
خالص فروخت	2090	1506
خام منافع (نقصان)	49	(148)
آپریٹنگ منافع (نقصان)	(607)	(972)
بعد از ٹیکس منافع (نقصان)	(642)	(992)

یہ مثبت تبدیلیاں پراڈکٹ اور چینل کس کی بہتری، لاگت کی اصلاح اور ڈسٹری بیوشن نیٹ ورک کو مضبوط بنانے کی وجہ سے ہیں۔ گو کہ خام دودھ کی قیمت ابھی تک چیلنجنگ رہی تاہم دودھ اکٹھا کرنے کے نظام کو مضبوط کرنے کی حکمت عملی موجود ہے۔



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مجاز سرمائے میں اضافہ اور اسپانسر کے قرضے کی شیئر کمپنیل میں تبدیلی

02 اپریل 2020 کو منعقد ہونے والے سالانہ اجلاس عام میں حصص یافتگان نے خصوصی قرارداد کے ذریعے کمپنی کے مجاز سرمایہ کو دس روپے مالیت فی حصہ کے 700 ملین حصص سے بڑھا کر دس روپے مالیت فی حصہ کے 1,000 ملین حصص کرنے کی منظوری دے دی ہے۔ مزید برآں 2,630 روپے مالیت کے subordinated loan کو، جو FFBL کی جانب سے کمپنی کو دیا گیا تھا، 31 دسمبر 2019 تک 118.86 ملین روپے کے مارک اپ سمیت دس روپے فی حصہ مالیت کے حصص میں تبدیل کرنے کی منظوری دی ہے۔ اس عرصہ میں تبدیلی کا عمل اور حصص کا اجراء مکمل ہو چکا ہے جس سے کمپنی ایکویٹی کو مزید تقویت ملی ہے۔

مستقبل کی پیش گوئی

مرکوز کثیر جہتی حکمت عملی کے ذریعے نموا اور آپریشنل کارکردگی کو آگے بڑھایا جا رہا ہے۔

جدت/آرائش کے ساتھ، پرجوش نیا اور بہتر ”نورپور“ پنیہ حال ہی میں متعارف کروایا گیا ہے۔ ہمارے صارفین کے لیے ڈیجیٹل پلیٹ فارمز پر فروخت کے مقامات اور گاہکوں سے رابطے کے دیگر متعلقہ مقامات پر ”آزمائیں، چکھیں اور پیار کریں“ کی کال چلائی جا رہی ہے۔ اس کے علاوہ ”نورپور“ کے لیے پرجوش جدت طرازیں بھی جاری ہیں۔

صارفین اور ڈسٹری بیوٹن: فروخت اور ڈسٹری بیوٹن میں توسیع کو عددی اور ذہنی ڈسٹری بیوٹن پر توجہ مرکوز کرنے کے ساتھ ساتھ صحیح سائز اور چینل کی صلاحیتوں کے ساتھ بھی کام جاری ہے۔ اس کے علاوہ کلیدی اکاؤنٹس اور گھر سے باہر چینل تیار کیے جا رہے ہیں۔ مثال کے طور پر کمپنی نے معروف بین الاقوامی نوڈ چیز کے ساتھ اسٹریٹنگ فراہمی کے معاہدے کیے ہیں۔ ان گاہکوں کے ساتھ اشتراک کار ہماری سائز میں اضافہ کرنے اور ہمارے برانڈ کے تاثر کو بہتر بنانے میں معاون ہوگا۔

آپریشنل کارکردگی: ہماری ویلیو چین میں لاگت انتظام کے اقدامات کا نفاذ کیا جا رہا ہے۔ ایک اثر آفریں مختصر انتظامیہ کے نظریہ اور سوچ کو مضبوط کیا جا رہا ہے۔ کمپنی نے پہلے ہی پیداوار اور سپلائی چین جیسے کلیدی شعبوں میں اس کا فائدہ اٹھانا شروع کر دیا ہے۔ مزید برآں یہ سوچ پوری کمپنی میں مقررہ اخراجات کو بتدریج بہتر بنانے کے قابل بنا رہی ہے۔

لیکوئیڈٹی: جیسا کہ زیر جائزہ عرصہ کے نتائج سے ظاہر ہے، کمپنی آپریٹنگ نقصانات سے واپسی کے راستے پر گامزن ہے۔ اس کے علاوہ مختصر اور طویل مدتی کیش فلوز کو مضبوط بنانے کے لیے کمپنی بینکوں کے ساتھ قرض کی تنظیم نو اور ری پروفائلنگ کے مراحل میں ہے۔

شعبے میں پائیدار نمو کے حصول اور مقامی سرمایہ کاری حاصل کرنے کے لیے یہ بات بہت زیادہ اہمیت کی حامل ہے کہ مستقبل میں حکومت پاکستان کی آمدن اور مالیاتی حکمت عملیاں اس اہم شعبے کے لیے مستقل اور معاون ہوں۔

آپریشنل استعداد کار لانے اور کمپنی کے کاروبار کو منافع بخش بنانے کے لیے انتظامی ٹیم بڑھتی ہوئی صلاحیتوں اور آپریشنل مستعدی کے ساتھ مارکیٹ میں چیلنجوں کا جواب دینے کے لیے پرعزم اور مضبوط ہے۔

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

Janglwan

لیفٹیننٹ جنرل طارق خان
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیئر مین

مورخہ 20 اکتوبر 2020

Kasim

محمد حبیب اسلم
چیف ایگزیکٹو آفیسر

NINE MONTHS ENDED
30 SEPTEMBER

2020

Condensed Interim
Statement of Financial Position
As at 30 September 2020

EQUITY AND LIABILITIES	Note	(Un-audited) 30 September 2020 Rupees	(Audited) 31 December 2019 Rupees
<u>Share capital and reserves</u>			
Authorized capital 1,000,000,000 (31 December 2019: 700,000,000) ordinary shares of Rs. 10 each		10,000,000,000	7,000,000,000
Issued, subscribed and paid up capital	5	8,032,935,634	5,284,071,920
Share premium	6	1,922,317,157	1,925,340,907
Accumulated loss		(14,569,020,426)	(12,196,616,692)
Surplus on revaluation of property, plant and equipment - net of tax		1,260,199,750	1,309,417,781
		(3,353,567,885)	(3,677,786,084)
<u>Non-current liabilities</u>			
Long term finances		2,029,739,631	2,708,333,333
Lease liabilities		205,489,644	255,555,628
Deferred liabilities		107,414,161	76,634,948
		2,342,643,436	3,040,523,909
<u>Current liabilities</u>			
Short term borrowings		7,001,611,121	6,691,944,126
Loan from Parent Company - unsecured		1,696,372,136	2,630,000,000
Current portion of long term loans		2,112,843,369	1,608,333,334
Current portion of lease liabilities		72,282,432	137,275,543
Trade and other payables		1,020,836,419	1,080,023,129
Contract liabilities		87,624,580	86,718,942
Unclaimed dividend		965,752	965,752
Accrued finance cost		538,482,360	554,807,673
Provision for taxation		59,886,065	-
		12,590,904,234	12,790,068,499
Contingencies and commitments	7	11,579,979,785	12,152,806,324

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



Chairman



Chief Executive



Director



Chief Financial Officer

Condensed Interim
Statement of Financial Position
As at 30 September 2020



	Note	(Un-audited) 30 September 2020 Rupees	(Audited) 31 December 2019 Rupees
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	8	7,654,153,327	8,106,036,190
Intangible assets		25,048,368	39,393,564
Security deposits		6,606,122	6,606,122
		7,685,807,817	8,152,035,876
 <u>Current assets</u>			
Stores, spares and loose tools		197,728,877	237,545,924
Stock-in-trade		824,368,277	1,443,222,934
Trade debts		336,476,758	181,171,112
Loans and advances		114,327,995	64,645,851
Deposits, prepayments and other receivables		199,754,111	233,956,743
Due from associated companies		39,247	39,247
Sales tax refundable - net		594,182,945	563,303,259
Income tax - net		1,309,113,955	1,162,750,979
Cash and bank balances		318,179,803	114,134,399
		3,894,171,968	4,000,770,448
		11,579,979,785	12,152,806,324

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


Chairman


Chief Executive


Director


Chief Financial Officer

NINE MONTHS ENDED
30 SEPTEMBER

2020

Condensed Interim
Profit or Loss Account (Un-Audited)
For the Nine Months Ended
30 September 2020

	For the nine months ended		For the quarter ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	----- Rupees -----		----- Rupees -----	
Revenue from contracts with customers - Net	5,319,065,655	4,040,543,723	2,090,489,415	1,505,740,506
Cost of revenue	(5,378,551,388)	(4,603,990,495)	(2,040,640,106)	(1,653,698,047)
Gross (loss)/ profit	(59,485,733)	(563,446,772)	49,849,309	(147,957,541)
Marketing & distribution expenses	(648,022,616)	(1,067,087,247)	(212,089,926)	(293,407,102)
Administrative expenses	(276,524,887)	(332,540,190)	(94,010,544)	(108,825,095)
Loss from operations	(984,033,236)	(1,963,074,209)	(256,251,161)	(550,189,738)
Other income	79,781,329	75,256,829	48,344,739	52,330,037
Other expenses	(25,751,015)	(10,299,207)	(25,221,985)	(2,620,503)
Finance cost	(1,418,138,441)	(1,210,499,035)	(374,406,657)	(471,556,616)
Loss before taxation	(2,348,141,363)	(3,108,615,622)	(607,535,064)	(972,036,820)
Taxation	(73,480,402)	(226,260,502)	(34,852,001)	(19,658,028)
Loss for the period	(2,421,621,765)	(3,334,876,124)	(642,387,065)	(991,694,848)
Loss per share - basic and diluted	(3.01)	(4.15)	(0.80)	(1.23)

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


Chairman


Chief Executive


Director


Chief Financial Officer

Condensed Interim Statement of
Other Comprehensive Income
(Un-Audited)

For the Nine Months Ended
30 September 2020



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	For the nine months ended		For the quarter ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	----- Rupees -----		----- Rupees -----	
Loss for the period	(2,421,621,765)	(3,334,876,124)	(642,387,065)	(991,694,848)
Other comprehensive income for the period				
Items that will not be reclassified to profit and loss account:				
Total comprehensive loss for the period	(2,421,621,765)	(3,334,876,124)	(642,387,065)	(991,694,848)

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


Chairman


Chief Executive


Director


Chief Financial Officer

NINE MONTHS ENDED
30 SEPTEMBER

2020

Condensed Interim Statement of
Changes In Equity (Un-Audited)
For the Nine Months Ended
30 September 2020

Share capital	Capital Reserve		Revenue reserve	
	Share premium	Surplus on revaluation of property, plant and equipment-net of tax	Accumulated loss	Total

Balance as at
01 January 2019
(audited)

----- Rupees -----

5,284,071,920	1,925,340,907	1,424,377,761	(6,491,314,836)	2,142,475,752
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Total comprehensive loss for the period

-	-	-	(3,334,876,124)	(3,334,876,124)
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Surplus transferred to accumulated losses

Incremental depreciation relating to surplus on revaluation - net of tax

-	-	(55,167,834)	55,167,834	-
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Effect of change in tax rate on account of surplus on property, plant and equipment

-	-	(35,628,610)	-	(35,628,610)
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-	-	(90,796,444)	55,167,834	(35,628,610)
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Balance as at
30 September 2019
(unaudited)

5,284,071,920	1,925,340,907	1,333,581,317	(9,771,023,126)	(1,228,028,982)
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Balance as at
01 January 2020
(audited)

5,284,071,920	1,925,340,907	1,309,417,781	(12,196,616,692)	(3,677,786,084)
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Total comprehensive loss for the period

-	-	-	(2,421,621,765)	(2,421,621,765)
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Conversion of debt to equity

Parent loan

2,630,000,000	-	-	-	2,630,000,000
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Accrued Markup

118,863,714	-	-	-	118,863,714
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Share issuance cost

-	(3,023,750)	-	-	(3,023,750)
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2,748,863,714	(3,023,750)	-	-	2,745,839,964
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Surplus transferred to accumulated losses

Incremental depreciation relating to surplus on revaluation - net of tax

-	-	(49,218,031)	49,218,031	-
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Effect of change in tax rate on account of surplus on property, plant and equipment

-	-	-	-	-
---	---	---	---	---

-	-	(49,218,031)	49,218,031	-
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Balance as at
30 September 2020
(un-audited)

8,032,935,634	1,922,317,157	1,260,199,750	(14,569,020,426)	(3,353,567,885)
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The annexed notes form an integral part of these condensed interim financial statements.



Chairman



Chief Executive



Director



Chief Financial Officer

**Condensed Interim Statement
Of Cash Flow (Un-Audited)
For the Nine Months Ended
30 September 2020**



fauji foods

	For the nine months ended	
	30 September 2020 Rupees	30 September 2019 Rupees
Cash flows from operating activities		
Loss before taxation	(2,348,141,363)	(3,108,615,622)
Adjustments for non-cash items:		
Depreciation on property, plant and equipment	571,469,222	564,116,513
Amortization of intangible assets	14,345,196	11,417,356
Gain on disposal of property, plant and equipment	(32,589,471)	(29,085,397)
Provision for doubtful debts	-	7,678,704
Profit on bank deposits	(33,312,631)	(41,294,731)
Foreign exchange loss	-	81,542,435
Write off of stocks	25,221,985	-
Provision for employee retirement benefits	24,687,157	31,480,480
Finance cost	1,418,138,441	1,210,499,035
Loss before working capital changes	(360,181,464)	(1,272,261,227)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	39,817,047	(125,375,290)
Stock-in-trade	593,633,864	215,477,754
Trade debts	(155,305,888)	(100,687,209)
Loans and advances	(49,683,149)	(38,749,581)
Deposits, prepayments and other receivables	34,202,865	485,264,965
Due from Associated Companies	-	269,648
Sales tax refundable	(30,879,741)	4,704,099
Decrease/ (increase) in current liabilities:		
Trade and other payables	(58,281,350)	(440,648,435)
	373,503,648	255,951
Cash used in operations	13,322,184	(1,272,005,276)
Income tax paid	(146,363,021)	(125,391,723)
Employee retirement benefits paid	(7,501,948)	(18,385,609)
Net cash used in operating activities	(140,542,785)	(1,415,782,608)
Cash flow from investing activities		
Fixed capital expenditure	(134,883,576)	(629,202,621)
Income on bank deposits received	33,312,631	41,294,731
Sale proceeds from disposal of property, plant and equipment	47,886,766	80,331,558
Net cash used in investing activities	(53,684,179)	(507,576,332)
Cash flow from financing activities		
Short term borrowings - net	(19,730,948)	1,105,657,489
Term Loan - net	(174,083,667)	(66,666,667)
Finance cost paid	(1,434,463,613)	(1,062,061,579)
Parent Company loan converted to equity	2,748,863,714	-
share issuance cost	(3,023,750)	-
Lease rentals paid	(115,060,472)	(138,766,766)
Loan received from Parent Company	1,696,372,136	1,750,000,000
Net cash generated from financing activities	2,698,873,400	1,588,162,477
Net increase / (decrease) in cash and cash equivalents	2,504,646,436	(335,196,463)
Cash and cash equivalents - at beginning of the period	(7,658,114,779)	(4,542,862,747)
Cash and cash equivalents - at end of the period	(5,153,468,343)	(4,878,059,210)
Cash and cash equivalents comprise of the following:		
- Cash and bank balances	318,179,803	759,245,447
- Running finances	(5,471,648,146)	(5,637,304,657)
	(5,153,468,343)	(4,878,059,210)

The annexed notes form an integral part of these condensed interim 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 2020

1 LEGAL STATUS AND OPERATIONS

Fauji Foods Limited (the Company) was incorporated in Pakistan on 26 September 1966 as a Public Company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are listed on Pakistan Stock Exchange. The Company is a subsidiary of Fauji Fertilizer Bin Qasim Limited (the Parent Company). The Company is principally engaged in processing and sale of toned milk, milk powder, fruit juices, allied dairy and food products. Following are the business units of the Company along with their respective locations:

BUSINESS UNIT	LOCATION
Production Plant	Bhalwal, District Sargodha
Registered Office and Head Office	42 CCA, Ex Park View, DHA Phase-VIII, Lahore.

2 Basis of preparation and statement of compliance

2.1 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.

2.2 This condensed interim financial statements comprises the condensed interim statement of financial position of the Company as at 30 September 2020 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.

2.3 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 2019 and unaudited financial statements for the half year ended 30 June, 2020. Comparative condensed interim statement of financial position is stated from annual audited financial statements as of 31 December 2019, 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 2019.



- 2.4** 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.
- 2.5** The condensed interim financial statements have been prepared under the historical cost convention except for recognition of certain employees' retirement benefits at present value. These condensed interim financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest Pak rupee unless otherwise stated.
- 2.6** Provisions in respect of Employee retirement benefits and Taxation are estimated based on management judgment and prevailing laws, these are subject to final adjustments in the annual audited financial statements.

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 2019.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 New standards, interpretations and amendments adopted by the Company

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 2019. Certain standards, amendments and interpretations to approved accounting standards are effective for the annual period beginning on or after 01 January 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Company.

4.2 New / Revised Standards, Interpretations and Amendments

IAS 1 Presentation of Financial Statements: Definition of Material — (Amendments)

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material— (Amendments)
- IAS 28 Long-term Interests in Associates and Joint Ventures — (Amendments)
- IAS 19 Plant Amendment, Curtailment or Settlement — (Amendments)
- IFRS 3 Business Combinations: Definition of Business — (Amendments)
- IFRS 9 Financial Instruments: Interest Rate Benchmark Reform — (Amendments)
- IFRS 7 Financial Instruments Disclosures: Interest Rate Benchmark Reform— (Amendments)
- IAS 39 Financial Instruments: Recognition and Measurement: Interest Rate Benchmark Reform — (Amendments)
- IFRS 16 Leases: COVID-19-Related Rent Concessions — (Amendments)

5 Share Capital

During the period ended, Company has allotted 274,886,371 shares to parent Company on July 15, 2020 at par value against loan principal amounting to Rs. 2,630 million along with accrued markup amounting to Rs. 118.86 million respectively after obtaining regulatory approval.

6 Share Premium

This reserve can only be utilized by the Company for the purpose specified in Section 81(2) of the Companies Act, 2017. During the period ended, Company utilized reserve against share issuance cost resulting from conversion of debt from parent Company to equity.

7 Contingencies and commitments

7.1 Contingencies

The Company has issued following guarantees:

Guarantees aggregating to Rs.14.78 million (31 December 2019: Rs.15.01 million) have been issued by banks of the Company to Sui Northern Gas Pipeline Ltd, Pakistan State Oil and Controller Naval Account.

Other than one stated above 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 2019.

7.2 Commitments

The Company has the following commitments in respect of:

Post dated Cheques have been issued to Collector of Customs as an indemnity to adequately discharge the liabilities for taxes and duties



leviable on import of plant and machinery vide Serial No. 6, 8th Schedule of Sales Tax Act, 1990. As at 30 September 2020 the value of these cheques amounted to Rs. Nil (31 December 2019: Rs. 18.82 million).

Commitments, for capital expenditure, against irrevocable letters of credit outstanding at the period end were for Rs. 0.73 million (31 December 2019: Rs. 3.82 million).

Commitments, for purchase of raw/ packing material, outstanding at the period end were Nil (31 December 2019: Rs. 7.29 million).

	Note	(Un-audited) 30 September 2020 Rupees	(Audited) 31 December 2019 Rupees
8 Property, plant and equipment			
Operating fixed assets		7,431,755,727	7,864,982,570
Capital work in process	8.2	222,397,600	241,053,620
		<u>7,654,153,327</u>	<u>8,106,036,190</u>
8.1 Operating fixed assets			
Net book value at beginning of the period / year		7,864,982,570	6,885,161,167
Additions / transfers from capital work in progress			
during the period / year		153,539,674	1,805,381,872
Disposals during the period / year		(15,297,295)	(51,377,373)
Depreciation charged during the period / year		(571,469,222)	(774,183,096)
Net book value at end of the period/ year		<u>7,431,755,727</u>	<u>7,864,982,570</u>
8.2 Capital work in progress			
Plant and machinery		222,397,600	210,486,091
Building		-	349,204
Leased vehicles		-	2,835,000
Advances to suppliers - considered good		-	27,383,325
		<u>222,397,600</u>	<u>241,053,620</u>

Name of the Company	Relationship	Nature of transactions	(Un-audited) Sep 2020 Rupees	(Un-audited) Sep 2019 Rupees
<u>Associated Undertakings</u>				
Fauji Fertilizer Bin Qasim Limited (FFBL)	Parent (Shareholding and common directorship)	Loan received	1,696,372,136	1,750,000,000
		Finance cost charged	233,563,087	59,815,054
		TA/DA, building rent and other expense charged by related party	692,966	16,745,816
		Salaries of seconded employees charged to the related party	-	14,572,337
		Expense of IT facilities charged by related party	4,500,000	-
Askari Bank Limited	Associated Undertaking (Common directorship)	Finance cost charged by related party	76,672,244	60,472,520
		Interest income on saving accounts	3,079,188	20,697,258
		Utilities expense paid on behalf of the related party	-	1,209,919
Fauji Security Services (Private) Limited	Associated Undertaking (Common directorship)	Expenses paid against security services	1,532,400	2,345,192
Noon Sugar Mills Limited	Associated Undertaking (Common directorship)	Purchase of sugar	36,116,400	12,323,664
FFBL Power Company Limited	Associated Undertaking (Common directorship)	Purchase of Coal	15,834,720	-
Fauji Cereals	Associated Undertaking (Common directorship)	Purchase of Goods	2,268,475	-
Employee's Provident Fund Trust	Post employee benefit plan	Contribution for the year	35,365,493	37,465,328
Mr. Salman Hayat Noon	Non-Executive Director	Consultancy fee expense	-	2,262,444
Directors		Meeting fee	6,075,000	6,542,000
Key Management Personnel		Remuneration and benefits	58,266,501	52,913,227



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10 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 20, 2020.

11 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

SINCE
FROM THE HOUSE OF NURPUR
1966

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fauji foods

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