ANNUAL REPORT 2019

fauji foods


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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

Syed Iqtidar Saeed

Mr. Muhammad Ali Gulfaraz

Lt Col Abdul Khaliq Khan *(Retd)*

Mr. Iltifat Rasul Khan

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

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

Mr. Rehan Laiq

Syed Iqtidar Saeed

Technical Committee

Syed Iqtidar Saeed

Lt Col Abdul Khaliq Khan *(Retd)*

Mr. Basharat Ahmad Bhatti

Business Review Committee

Mr. Muhammad Ali Gulfaraz

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

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

BOARD OF DIRECTORS

LEADING THROUGH EXAMPLE

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

Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retd) was commissioned in Pakistan Army on 26th Oct 1979 with the coveted President's Gold Medal. The General Officer has served on various command, staff and instructional assignments.

He received an early exposure of secondment in Saudi Arabian Armed Forces from 1983 to 1985. He is a graduate of US Army Artillery School, Fort Sill Oklahoma, Command and Staff College Camberley (UK), Armed Forces War College (National Defence University) Islamabad and US Army War College, Carlisle Barracks, Pennsylvania. He holds Masters degrees in War Studies from Quaid-e-Azam University, Islamabad and Strategic Studies from US Army War College, USA. His assignments include command of a brigade, division and a Corps. He has also held the prestigious appointments of Commandant Armed Forces War College, NDU, Islamabad and Chief of Logistics Staff at General Headquarters.

In recognition of his meritorious services, he was awarded Hilal-e-Imtiaz (Military).

Lieutenant General Gilani retired from Pakistan Army in October 2015 and has taken over as MD Fauji Foundation on 10th Jan 2018 and Chairman of the Boards of Directors of following companies:-

- Fauji Fertilizer Bin Qasim Limited
- Fauji Fertilizer Company Limited
- Mari Petroleum Company Limited
- Fauji Cement Company Limited
- Askari Cement Limited
- Askari Bank Limited
- Fauji Kabirwala Power Company Limited
- Fauji Oil Terminal & Distribution Company Limited
- Fauji Trans Terminal Ltd
- Foundation Power Company Daharki Limited
- Daharki Power Holdings Limited
- FFC Energy Limited
- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II (Pvt) Limited
- Fauji Akbar Portia Marine Terminals Limited
- Fauji Meat Limited
- Fauji Foods Limited
- FFBL Foods Limited
- FFBL Power Company Limited
- Fauji Fresh n Freeze Limited
- Fauji Infraavest Foods Limited

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

Lt Gen Javed Iqbal, HI(M), (Retd), is the Chief Executive and Managing Director of Fauji Fertilizer Bin Qasim Limited, FFBL Foods Limited, FFBL Power Company Limited, Fauji Foods Limited and Fauji Meat Limited.

Lt Gen Javed Iqbal, HI(M), (Retd) joined Pakistan Army on the 24th of October 1980. The General Officer has a varied experience of Command, Staff and Instructional appointments. The General Officer is graduate of Command and Staff College, Quetta, Defence Services Command and Staff College, Dhaka (Bangladesh), the erstwhile National Defence College (Pakistan) and Royal College of Defence Studies (United Kingdom). He also holds Masters degrees in War Studies and International Studies from NDU Islamabad and Kings College London respectively. He has served as Military Advisor Permanent Representative of Pakistan to United Nations Headquarters; New York. The General has commanded two Infantry Battalions and two Infantry Brigades. He has commanded an Infantry Division employed in Law Enforcement Operations in Swat. While commanding the division in Swat, he was wounded as his helicopter came under fire. He has the honour of commanding a deployed Corps of Pakistan Army. He also has the honour of being the president of NDU, an internationally renowned institution of Pakistan.

He has been a frequent guest speaker on numerous international seminars and conferences on counterinsurgency, disaster response, humanitarian assistance and civil-military coordination aspects.

Besides being Director and Chairman of Management Committee of Pakistan Maroc Phosphore (PMP); Morocco he is also on the Board of following entities:-

- Foundation Wind Energy-I
- Foundation Wind Energy-II
- Askari Bank Limited

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

He is Chief Executive & Managing Director of Fauji Fertilizer Company Limited, FFC Energy Limited, Fauji Fresh n Freeze Limited and Chairman of Sona Welfare Foundation. He also holds directorship on the Boards of following:

- Fauji Fertilizer Bin Qasim Limited
- Askari Bank Limited
- Fauji Foods Limited
- Philip Morris (Pakistan) Limited
- Fauji Meat Limited
- FFBL Foods Limited
- FFBL Power Company Limited
- Pakistan Maroc Phosphore S.A.

The General was commissioned in Pakistan Army in April 1977 with the coveted Sword of Honour. During his illustrious service in the Army, he had been employed on various prestigious command, staff and instructional assignments including command of a Strike Corps. He is a graduate of Command and Staff College Quetta and National Defence University Islamabad. He also holds Master Degree in War Studies. He has served on the faculty of Command and Staff College Quetta and National Defence University Islamabad. Since his retirement, he is on the honorary faculty of renowned institutions including National Defence University as a senior mentor. The General possesses vast experience as an adviser to the leading corporate entities. He has been awarded Hilal-e-Imtiaz (Military) and is also the first Pakistan Army General who has been conferred upon the U.S 'Legion of Merit' by the U.S Government for his meritorious services as a senior representative at U.S CENTCOM in Tampa, Florida.

Mr. Rehan Laiq
Director

Mr. Rehan Laiq joined Fauji Foundation in October 2018 as Additional Director Finance. He is a qualified Chartered Accountant (FCA) with over 22 years of proven track record in developing business strategies, delivering results, developing organizational capability of infrastructure and acquisitions.

Mr. Rehan Laiq started his career with Price Waterhouse Coopers in 1989, and held senior management positions in the fields of Finance Management with M/S Mobilink, M/S Schlumberger and OGDCL as Executive Director (Finance). He carries vast international experience of Financial Management at a senior level in his career with Schlumberger in multiple countries of Middle East, Asia, Russia and North America.

He brings with him diverse experience of policy Compliance, Management Reporting, External and Internal Transformation (e.g. optimum utilization resources for the business) and Analytical Business support to ensure profit maximization.

Dr. Nadeem Inayat
Director

Dr. Nadeem Inayat is an outstanding professional, having rich experience in managing, operating and advising investment portfolio to top tier Banks and organizations of the Country at senior level.

Presently he is holding the position of Corporate Advisor and Head of Investment Division in Fauji Foundation. He is a member of FFBL Board of Directors since July 2006. He is also a member of Board of Directors of all subsidiaries and associated companies of Fauji Foundation and Pakistan Maroc Phosphore S.A.

Syed Iqtidar Saeed
Director

Director Syed Iqtidar Saeed was appointed as Director Planning and Development - Fauji Foundation effective May 1, 2019 and is a member of Central Board of Directors of FF. He is member of Boards of following Associated Companies of Fauji Foundation as a non-executive Director. He is also the Chairman of Technical Committees and Member of Project Diversification Committees, Investment Committees and Audit Committees of these Companies :-

- Fauji Fertilizer Company Ltd (FFCL)
- Fauji Fertilizer Bin Qasim Ltd (FFBL)
- Mari Petroleum Company Ltd (MPCL)
- Fauji Cement Company Ltd (FCCL)
- Askari Cement Company Ltd (ACL)
- Foundation Power Company Daharki Ltd (FPCDL)
- Fauji Akbar Portia Marine Terminal Ltd (FAP)
- Fauji Trans Terminal Ltd (FTTL)
- Fauji Foods Ltd (FFL)
- Foundation Solar Electric Pvt Ltd (FSEL)
- Daharki Power Holding Ltd (DPHL)

Syed Iqtidar Saeed graduated in Engineering, with High Honors, from Engineering University-Peshawar in 1973. He has over 42 years of experience in Chemical Fertilizer Industry. Besides plant management, his expertise also includes Project Development and managing large size Projects from Engineering till commissioning stages. He has extensive experience of dealing with International OEM's, Contracts etc.

He commenced his career in 1974 from EXXON Chemicals Pakistan. He joined Fauji Fertilizer Company (FFCL) in Sep 1979 at its inception stage and has served at all operational locations of the Company at senior Management positions.

He was member of FFC's core team which worked on setting up of Production facilities of Urea and DAP fertilizer at Port Bin Qasim Karachi project (FFBL) from 1993 till 2002 and was involved from engineering till commercial production.

Lt Col Abdul Khaliq Khan
(Retd) Director

Lt Col Abdul Khaliq Khan (Retd) joined the company in 2009 and working as executive director and became member of the Board on 30th May, 2011. He also worked for 9 years in Pioneer Cement as GM administration.

Abdul Khaliq graduated from Pakistan Military Academy Kakul and holds Masters degree in International Relations. He was commissioned in Pakistan Army in 1975 and after serving for 25 years in Pakistan Army at various Command and Staff appointments got retired from Army in 2000. During military service, he had a vast and diversified experience in operational, administration, human resource management, assessment and evaluation system.

Abdul Khaliq has attended several courses, seminars, training programs and workshops on various subjects.

Mr. Iltifat Rasul Khan
Director

Mr. Iltifat Rasul Khan (IRK) is a UK qualified Chartered Accountant with over 49 years of work experience. He earned his Bachelor of Commerce with Honors from University of Punjab, Lahore (1962).

He did his Chartered Accountancy from the Institute of Chartered Accountants in England and Wales (ICAEW) in1968. He is a Fellow Member of both the ICAEW and the Institute of Chartered Accountants of Pakistan (1972). His professional experience includes nine years in the UK working with the firms of Chartered Accountants (B Holey & Co; and Peat, Marwick Mitchell & Co. presently KPMG); 30 years with Fauji Foundation Pakistan holding senior positions, including 8 years as Director Finance of the Group; and 10 years with Pakistan Poverty Alleviation Fund (PPAF) as Chief Financial Officer / Corporate Secretary. IRK has extensive experience of dealing with local and international banks; multilateral financing institutions, and export credit agencies. He has successfully negotiated numerous project financing arrangements. IRK is a former member of Board of Directors of the following companies:

- Fauji Fertilizer Company Limited
- Mari Gas Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Life Line Limited
- Fauji Oil Terminal and Distribution Company Limited
- Fauji Kabirwala Power Company Limited
- Fauji Software Company Limited

He is also a former Government Nominee Director on the Islamabad Stock Exchange Board. The first four companies are listed on the Stock Exchanges in Pakistan.

Mr. Basharat Ahmad
Director

Mr. Basharat Ahmad has 40 years diversified business experience, with the government and Country's foremost Multinational Conglomerate - Unilever Pakistan, engaged in manufacturing and marketing world class Fast Moving Consumer Products including Oils & Fats, Personal & House Cleaning Products, Beverages, Ice cream & Frozen desserts.
His practical experience includes Factory operations, Industrial Relations, Distribution & Logistics, Supply Chain Management, Sales & Sales Operations, Institutional Business, Trade Marketing, Customer Relations, Corporate Regulatory Affairs, Negotiations, Corporate Social Responsibility, Corporate Communication, Interface with the Federal and Provincial Governments on Tariff Rationalization, Rules & regulations and System & procedures.

Mr. Ahmad remained responsible for Training of Unilever Pakistan sales & general management for Six years. In the capacity of Corporate Facilitator, Total Quality Management, he trained the management as well as Non-Management.

In addition, Mr. Ahmad has 12 years teaching experience with various universities as visiting faculty. His specializations are: Retailing, Sales Management, Supply Chain Management, Entrepreneurship, Consumer Behavior, TQM, Brand Management, Marketing, Business Ethics, Industrial Marketing, Service Marketing, Integrated Marketing Communication, Advance Topic of Marketing, Customer Relations Management and Corporate Marketing for MS Management, EMBA and MBA classes. He authored a book on "Successful Retailing.

Ms. Aminah Zahid Zaheer
Director

Ms. Zaheer has 28 years of diverse working experience in large global conglomerates (Unilever, S C Johnson, Johnson & Johnson, L'Oreal SA and The Body Shop Inc). She holds over 18 years of Boardroom experience as a board member of various Private Limited companies.

She has had exposure to a cross section of industries within Pakistan as well as on the global platform (FMCGs, Pharmaceuticals, Home Cleaning, Health Care , Personal Care, Cosmetics & Beauty). She brings with her extensive cross cultural exposure, having worked in several geographies within Asia Pacific, including China, Australia and, most recently, in Singapore where she held the position of Regional Finance Director for The Body Shop International (Asia Pacific) PTE Ltd.

At present she is a Director at Zahid Zaheer & Associates, a Business Advisory and Management Consulting firm.

Ms Zaheer holds a Masters Degree in Business Administration from The Institute of Business Administration (IBA).In addition, she has successfully completed various professional training programs on Leadership, Governance and Risk Management from INSEAD in France, PICG in Pakistan and Johnson Learning Institute in the USA.

Mr. Muhammad Ali Gulfaraz
Director

Mr. Ali Gulfaraz is a senior international banking executive with over 25 years of experience with leading global banking giants. Prior to joining FF, he was MD & Head of Corporate & Investment Banking for UK, Ireland and all Nordic countries at Mizuho Bank's European Head Office in London. Mizuho is one of the world's top banks headquartered in Japan. In his role he interfaced with the senior executives of the leading European multinationals across all industries.

He has a BA in Economics and MSc in Managerial Economics from the University of California, Davis. He began his professional career at Apple Computer's global HQ in Cupertino, California working in consumer research.

After completing his MSc, Ali began his banking career with Bank of America in Islamabad in 1995 and was subsequently transferred to the EMEA HQ in London in 1998. He was recruited by Mizuho Bank in 2007 to lead an initiative to significantly expand the bank's profile and business in Europe in Corporate & Investment banking. He played a vital role in defining the new strategy for European Corporate Finance, building a new high calibre team and driving it to transformational success achieving over 600% growth in total income at significantly higher return on capital than before.

He has been a competitive athlete and holds athletics records at Cadet College Hasan Abdal dating back to 1986. He is a keen road cyclist and participated in famous international endurance events such as Prudential RideLondon 100miles and Majorca 312km.

Syed Abdul Majid Shah
Chief Financial Officer

Syed Abdul Majid Shah is serving as Chief Financial Officer of Fauji Foods Ltd. Owing to his impressive contribution to the company; he was promoted to the position of CFO in April 2019.

Mr. Abdul Majid is a Fellow Cost Management Accountant (FCMA) having valuable 18 years of experience of the corporate environment that makes up his impressive portfolio.He has expertise in the field of financial planning, management and reporting, internal audit, risk assessment and SAP implementation with diverse industry exposure of Auto & Allied, Fertilizer, OMC and FMCG.

He has contributed earnestly to the growth and development of the company. His confidence and maturity evolved over a decade long career is a testament of his impressive work. FFL values the contribution of Mr. Abdul Majid and hopes to achieve further heights with him.

Brig Zahid Nawaz Mann
SI(M), (Retd)
Company Secretary

Brig Zahid Nawaz Mann, SI (M), (Retd) is Company Secretary at Fauji Foods Limited (FFL) since July, 2018.

He is a graduate of Pakistan Military Academy and also holds MS in Defence Analysis (Irregular Warfare) from Naval Postgraduate School (NPS), USA. Brig Zahid is a professional having rich experience in command, staff & instruction during his military career spread over three decades.

His dedication & commitment to the work are distinctive features of his personality that make him endeared to his colleagues & departments alike. Before joining FFL he remained Head HCM FFBL, providing him rich corporate HR experience. Brig Zahid embraces every challenge with competence and ensures the company's direction to its destined vision through effective teamwork. FFL is pleased to have him on board & together hope to achieve more success together.

CHAIRMAN'S REVIEW

On behalf of the Board of Directors of Fauji Foods Limited (FFL), I am presenting the Annual Report of the company for the calendar year, 2019.

The year started off with its peculiar set of challenges, most of which surfaced due to lack of relief from the government to dairy industry vis a vis open source milk supply, inflationary pressures, forex flux and increased interest rates. The Chinese Inner Mongolia Yili Industrial Group Company Limited withdrew its offer for acquisition of up to 51% shares and/or control of the Company due to inability of both the parties to reach an agreement on the transaction within the prescribed time period was another good opportunity lost that could have helped the Company to overcome some of its challenges, apart from boosting FFL's business and image.

In 2019, with the diversification of domestic business competition and new foreign direct investment in Dairy Sector (Interloop Nishat-SUTA Turkish Co-UHT/pasteurizemilk/cheese,Prema-butter, Aacha diary-cheese) the packaged industry received a positive boost with the premise of growth at the base level.There is a positive indicator for the packaged milk industry after the approval of 'minimum pasteurization law' that will help increase the share of packaged milk sales in the country.

2019 also saw the successful installation and inauguration of state-of-the-art cheese production unit, an upgraded butter plant and plan to revive our powder plant as part of the Company's efforts to bring innovation and renovation to the existing product portfolio; all efforts aimed at bringing efficiency in our system to increase our profit margins. These developments in butter and cheese line extensions and investment in upstream and downstream value chain will help us achieve sustainable profitability from 2020 onwards. The Company is set on its path to delivering un-compromised quality standard products as per the Company's corporate vision "Transforming Lives through Nourishment" and achieving its business targets with a renewed commitment.

During the year 2019, the Board continued to focus on the key strategic issues and challenges faced by the Company. Annual Performance Evaluation of the Board, its committees along with individual Directors was carried out by an external consultant, "Pakistan Institute of Corporate Governance". It will surely benefit the Board to continually assess their performance based on the objectives and goals that they have set for themselves, resulting in a highly effective Board.

I am thankful to all my fellow Directors, the executive leadership and the entire FFL team for their valuable contribution and support in carrying out a detailed catharsis of FFL's business model/strategy to make it a viable and profitable entity among the dairy industry in Pakistan in the near future. I also take this opportunity to extend my special gratitude to our shareholders, who have continually displayed patience and supported the Company and hope that the new management team will deliver the targets set and come up to the expectations of all the stake holders.

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

A FEW WORDS FROM THE CHIEF EXECUTIVE

2019 remained a year full of challenges and some fulfilling achievements. The struggling dairy industry had its impact on FFL as well. Gauging the market trends, FFL shifted its focus in second half of 2019 from volume driven products to value added products, primarily butter and cheese products. It is the collective effort of the fresh FFL team, beginning second quarter 2019, that the organization started reaping the benefits of its mid-course strategic shift in business focus. This shift helped in achieving operational efficiency, cost optimization within all departments, brought a cultural shift in approach within the management and brought greater transparency and accountability in our business functions. During this limited time period, the Company achieved greater harmony/synchronization among all the departments due to which I am confident that company will fully realize its potential and come up to the expectations of all the stake holders henceforth. I have sensed a renewed vigour, energy and resolve among the FFL team to deliver the targets it has set to become a profitable Company within five years with a firm support from all the stake holders at this crucial phase of uptake in the business.

The company renewed its focus on butter and cheese products after a careful analysis of market trends under the given economic condition and policies of Pakistan. The timely upgrading of cheese and butter lines have not only improved quality of these products but has helped us increase our production capacity as well. With regards to cheese, FFL has succeeded in winning the confidence of many international and domestic accounts in Pakistan thus opening new and reliable avenues of business development for the Company. These are milestone developments, which will help revive the FFL business in the coming years, gaining confidence of our wide range of customers as well as boosting our traditional Nurpur brand. It is heartening to note that despite the adverse market sentiments, FFL was able to increase its sales by 8% in the third quarter of 2019 over first half.

FFL's business strategy in 2020 is to sustain its revived portfolio and focus on profitability through the sale of high-margin products i.e. cheese and butter. The aim is to further strengthen our value driving products through expansion in their product portfolios by means of product line extensions and innovations. When it comes to UHT milk, we plan on focusing on both numeric as well as weighted distribution.

Our past experience shows that we are capable of snatching shares from the competition & gaining momentum from a positive trajectory. We hope that with all the robust plans and strategies formulated by our team and business associates, we will be able to not only achieve our KPIs for the year 2020, but will also increase our market share and strengthen our position as a key player in Pakistan's dairy market.

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 53rd Annual General Meeting of the shareholders of Fauji Foods Limited will be held at 11:00 a.m. on Thursday, April 02, 2020 at Hotel Royal Swiss, Opposite Cargo Complex, Allama Iqbal International Airport, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of 52nd Annual General Meeting held on March 27, 2019.

2. To receive, consider and adopt the audited accounts for the year ended December 31, 2019 and the reports of the Directors and Auditors thereon.

3. To appoint auditors for ensuing period till next AGM and to fix their remuneration.

SPECIAL BUSINESS:

To consider and if deemed appropriate, to pass with or without modification, alteration or any amendment the following resolutions as Special Resolutions:

"**RESOLVED THAT**:

i. the authorized share capital of the Company be increased from Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs.10/- (Rupees ten) each to Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs.10/- (Rupees ten) each.

ii) the figures and words "Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs.10/- each" appearing in Clause V of the Memorandum of Association of the Company be substituted by the figures and words "Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs.10/- each."

FURTHER RESOLVED THAT subject to (i) amendments to the Sponsor Support Agreement dated 12 April 2019 between the Company and Fauji Fertilizer Bin Qasim Limited ("**FFBL**") (the "**Existing Sponsor Support Agreement**"); (ii) increase in the authorized share capital of the Company; (iii) approval of the Securities and Exchange Commission of Pakistan under Section 83(1)(b) of the Companies Act, 2017 (the "**2017 Act**") and compliance with all applicable legal requirements; and (iv) FFBL exercising its right to convert its loan to the Company into equity, the allotment and issuance of 274,886,371 Ordinary shares of the Company, representing 52.02 percent of the existing paid-up capital of the Company, at the rate of PKR 10/- per share, i.e., at par value, to FFBL, without a rights issue, corresponding to the value of the subordinated shareholder loan of PKR 2,630,000,000 (two billion six hundred and thirty million) together with mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen), as at December 31, 2019 (the "**Subordinated Shareholder Loan**"), which was granted by FFBL to the Company, be and is hereby approved (the "**Debt to Equity Conversion**"). The Subordinated Shareholder Loan was availed by the Company to meet its operational and cash flow requirements and has helped the Company to grow, for the benefit of all members. The Debt to Equity Conversion will ensure that FFBL's investment remains in the Company which will help improve the financial position of the Company.

FURTHER RESOLVED THAT the price per share (i.e., PKR 10/- per share) at which shares will be issued to FFBL, which is equal to the par value of the shares of the Company, is hereby approved and is justified on the basis that given the limited cash resources of the Company a decision has been taken by FFBL to retain its investment in the Company by converting its debt of PKR 2,630,000,000 (two billion six hundred and thirty million) plus mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen) as at December 31, 2019, into Ordinary shares of the corresponding value of FFL, to be issued at par value, i.e., PKR 10/- per share. The shares will be issued without a rights issue under Section 83(1)(b) of the Companies Act, 2017 because the purpose of the issue is to convert FFBL's Subordinated Shareholder Loan into equity and, therefore, these shares will not be offered to the other shareholders of the Company.

FURTHER RESOLVED THAT subject to (i) amendment to the existing Sponsor Support Agreement; (ii) increase in the authorized share capital of the Company; and (iii) FFBL exercising its right to convert its loan to the Company into equity, the Company is authorized to submit an application, under Section 83(1)(b) of the 2017 Act, to the Securities and Exchange Commission of Pakistan for the allotment of issuance of shares at par value to FFBL, without a rights issue, pursuant to the Debt to Equity Conversion.

FURTHER RESOLVED THAT the Chief Executive & Managing Director, Chief Financial Officer and the Company Secretary be and are hereby jointly and severally authorized to take any and all necessary steps and actions for implementing the above resolutions, including, without limitation, to seek any and all consents and approvals, to execute and (where required) file all necessary applications (including the application under Section 83(1)(b) of the 2017 Act), documents, statutory returns, declarations and undertakings and to appear and make representations before any regulatory or other authority, as may be necessary or conducive for and in connection with any of the foregoing matters and to sign, issue and dispatch all such documents and notices and do all such acts as may be necessary for carrying out the aforesaid purposes and giving full effect to the above resolutions.

OTHER BUSINESS:

4. To transact any other business with the permission of the Chair.

CLOSURE OF SHARE TRANSFER BOOKS:-

Share transfer books of the Company will remain closed from March 27, 2020 to April 02, 2020 (both days inclusive) for the purpose of holding the Annual General Meeting.

By Order of the Board

Brig Zahid Nawaz Mann (Retd)
Company Secretary

Lahore.
January 27, 2020

NOTES:-

1. A member of the Company entitled to attend and vote at the General Meeting may appoint a person/representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's registered office duly stamped and signed not later than 48 hours before the time of holding meeting. A member cannot appoint more than one proxy. Attested copy of shareholder's CNIC must be attached with the proxy form.

2. The CDC/sub account holders are required to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan:-

   (a) For attending the meeting

      i) In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his / her original national identity card or original passport at the time of attending the meeting.

      ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

   (b) For appointing proxies

      i. In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.

      ii) The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

      iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted to the Company along with proxy form.

3. Members, having physical shares, are advised to intimate any change in their registered address to the Share Registrar of the Company, i.e., M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.

4. Shareholders who wish to receive annual reports and notice of the General Meeting through e-mail are requested to provide, through a letter duly signed by them, their particulars, i.e. Name, Folio/ CDC A/C No., E-mail Address, Contact Number, CNIC Number (attach copy). Shareholders are also requested to notify immediately any change in their e-mail address to the Share Registrar of the Company i.e., M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.

Consent for Video Conference Facility

Members can also avail video conference facility in Karachi and Islamabad. In this regard please fill the following and submit to registerred address of the Company 10 days before holding the general meeting.

If the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting alongwith complete information necessary to enable them to access such facility.

I/We,____________________________________ of _____________________, being a member of Fauji Foods Limited, holder of _________________ Ordinary Share(s) as per Register Folio / CDC Account No ________________ hereby opt for video conference facility at ________________.

____
Signature of member

5. E-Voting

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

Statement Pursuant to Section 134(3) of the Companies Act, 2017

Pursuant to Section 134(3) of the Companies Act, 2017, this statement sets forth the material facts concerning the special business listed hereinabove, to be transacted at the Annual General Meeting of Fauji Foods Limited to be held on April 02, 2020.

Increase in Authorised Share Capital

i. The authorized share capital of the Company is being increased so that the Company can issue shares to its parent company, Fauji Fertilizer Bin Qasim Limited ("**FFBL**"), if FFBL exercises its right to convert its debt of PKR 2,630,000,000 (two billion six hundred and thirty million) plus mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen), as at December 31, 2019, into shares of the corresponding value.

ii. Authorised Share Capital of the Company is PKR 7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares having face value of Rs.10/- per share; and

iii. Authorised Share Capital of the Company is proposed to be increased PKR 10,000,000,000 (Rupees ten billion only) divided into 1,000,000,000 (one billion) Ordinary shares of Rs.10/- per share each.

Amendment to Clause V of the Memorandum of Association of the Company

Clause V of the Memorandum of Association of the Company is being amended in light of the proposed increase in the authorized share capital of the Company. Accordingly, the following amendment is being proposed to the Memorandum of Association of the Company:

The figures and words "Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs.10/- each" appearing in Clause V of the Memorandum of Association of the Company are to be substituted by the figures and words "Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs.10/- each."

Original Clause	**Amended Clause (amendments are in bold type and are underlined)**
The Authorised Capital of the Company is Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs. 10/- each, with attached thereto such preferential, deferred, qualified or special rights, privileges or conditions as provided in the Articles of Association of the Company, or in accordance with the Companies Act, 2017, and to vary, modify or abrogate such rights, privileges or conditions, in such manner as may be permitted by the Companies Act, 2017 and to increase and / or reduce the capital and to divide shares in the capital into several kinds and classes and to consolidate or subdivide the shares and to issue shares for higher or lower denominations.	The Authorised Capital of the Company is **Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion)** Ordinary Shares of Rs.10/- each, with attached thereto such preferential, deferred, qualified or special rights, privileges or conditions as provided in the Articles of Association of the Company, or in accordance with the Companies Act, 2017, and to vary, modify or abrogate such rights, privileges or conditions, in such manner as may be permitted by the Companies Act, 2017 and to increase and / or reduce the capital and to divide shares in the capital into several kinds and classes and to consolidate or subdivide the shares and to issue shares for higher or lower denominations.

The Board confirms that the proposed alterations to Clause V of the Memorandum of Association of the Company are in line with the applicable provisions of the law and regulatory framework.

Conversion of Debt into Equity

i) The Board has proposed that upon Fauji Fertilizer Bin Qasim Limited ("**FFBL**") exercising its right to convert its subordinated shareholder loan to the Company into equity, 274,886,371 Ordinary Shares shall be issued to FFBL, without a rights issue, as per the details provided in the notice of the general meeting.

ii) Fauji Fertilizer Bin Qasim Limited (FFBL) is mainly involved in manufacturing and distribution of chemical fertilizers for the farmers and agriculture sector of Pakistan. FFBL is the only manufacturer of DAP and Granular Urea in Pakistan. Its fertilizer manufacturing complex is located at Bin Qasim Eastern Industrial Zone, Karachi, whereas its registered office (Head Office) is in DHA Phase-2 Islamabad. Company is listed on Pakistan Stock Exchange (PSX) since May 14, 1996 and the trade symbol of the company is "FFBL".

Major shareholders of the Company are Fauji Foundation (18.29%) a charitable trust incorporated under The Charitable Endowment Act 1890, and Fauji Fertilizer Company (FFC) holds (49.88%) shares of the company. This makes the company part of The Fauji Group which is one of the largest conglomerates of Pakistan and has stakes in fertilizer, cement, power, oil & gas sectors of Pakistan Fauji Group is also involved in foods , oil and grain terminal operations and financial services by owning Askari Bank Limited.

iii) Under the Sponsor Support Agreement dated 12 April 2019 between FFBL and the Company (the "**Existing Sponsor Support Agreement**"), FFBL agreed to provide sponsor support of up to PKR 3,000,000,000 (three billion) to the Company through either, or a combination of, a subordinated shareholder loan or collateral support.

Subsequently, out of the total approved investment of PKR 3,000,000,000 (three billion), FFBL granted a subordinated loan of PKR 2,630,000,000 (two billion six hundred and thirty million) to the Company. Keeping in view the limited financial resources of Company, the management of FFBL has taken the decision to retain its investment in the Company by converting the subordinated shareholder loan of PKR 2,630,000,000 (two billion six hundred and thirty million) together with mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen), as at December 31, 2019 (the "**Subordinated Shareholder Loan**") into Ordniary shares of the corresponding value of the Company (the "**Debt to Equity Conversion**"). The shares will, subject to the approval of the SECP, be issued without a rights issue under Section 83(1)(b) of the Companies Act, 2017 because the purpose of the issue is to convert FFBL's Subordinated Shareholder Loan into equity (so as to allow FFBL to retain its investment in the Company) and, therefore, these shares will not be offered to the other shareholders of the Company.

It is expected that the proposed conversion of debt of PKR 2,630,000,000 (two billion six hundred and thirty million) together with mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen) and will help improve the financial condition of the Company.

iv) As stated in paragraph (iii) above, the shares are being issued without a rights issue because FFBL intends to convert its outstanding debt to equity and, therefore, the shares issued by the Company cannot be offered to the other shareholders.

v) The shares will be issued to FFBL at par value of PKR 10/- per share. The justification for issuing shares at par value is that given the limited cash resources of the Company a decision has been taken by FFBL to retain its investment in the Company by converting its debt of PKR 2,630,000,000 (two billion six hundred and thirty million) plus mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen), as at December 31, 2019, into Ordinary Shares of the corresponding value of the Company, to be issued at par value, i.e., PKR 10/- per share. The shares will be issued without a rights issue under Section 83(1)(b) of the Companies Act, 2017 because the purpose of the issue is to convert FFBL's Subordinated Shareholder Loan into equity and, therefore, these shares will not be offered to the other shareholders of the Company. The break-up value of shares of the Company is PKR -6.96/ Share. The Company shall also provide details of the average market price during last three months and six months preceding the board announcement as well as the latest available market price.

Break up Value of Shares	Rs –6.96 / Share
Market Value of Shares	Three Month average M.V Rs 12.95/ Share Six Month average M.V Rs 11.92/-share

vi) The Subordinated Shareholder Loan was utilized by the Company to meet its operational and cash flow requirements.

vii) Existing number of shares held by FFBL in FFL and also percentage of FFBL's shareholding in FFL.

No. of Shares Held by FFBL	267,314,886
% of FFBL Shareholding	50.59%

viii) Total number of Shares and shareholding percentage of FFBL after the Debt to Equity Conversion.

No. of Shares Held by FFBL	542,201,257
% of FFBL Share holding	67.49%

ix) The Debt to Equity Conversion shall take place after FFBL expressly instructs the Company in writing.

x) The Company confirms that shares issued to FFBL as a result of the Debt to Equity Conversion shall rank pari passu in all respects with the existing shares of the Company.

xi) The Debt to Equity Conversion is subject to approval of the SECP.

DIRECTORS' REPORT TO THE SHAREHOLDERS

fauji foods

The Board of Directors of Fauji Foods Limited is pleased to present the Directors' Report along with the audited financial statements for the year ended December 31, 2019.

Principal activities:

Fauji Foods Limited, a majority owned Company of Fauji Fertilizer Bin Qasim Limited (50.59% shareholding) and Fauji Foundation (12.75% 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 recognizable brand in Pakistan.

Year in Review:

Dairy sector in Pakistan is still recovering from the high input costs caused by abolition of zero rating tax regime in year 2016 on dairy products coupled with gradual enhancement of custom duty on imported skim milk powder.

The year under review did not bring any respite to the dairy industry problems and its growth remained in check, mainly because of the following key external regulatory measures taken by the Government of Pakistan to redress the macroeconomic challenges:

- Increase in policy rate from single to double digit to check inflation;
- Unprecedented currency devaluation to make export attractive;
- Restriction or tightening of import regulations and payments to reduce current account deficit;
- Documentation of Economy at retail level to improve revenue collection;

Further, following Dairy sector specific revenue generating measures taken by the Government, made the dairy product more expensive:

- Imposition of reduced rate of 10% sales tax on Tea Whitener.
- Imposition of 5% additional Custom Duty on Skim Milk powder import.

Where all such measures were targeted to help stabilize the economy, instead they contributed in cost push inflation in the country, diluting the purchasing power of consumer and further escalating the input costs of the business as a whole.

Internationally, the prices of imported skim milk touched its new highs during the last quarter thus adding to the industry input costs. The impact was also seen on the local milk prices where an unprecedented price increase was witnessed in second half of the year.

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 from its price adjustment initiative that caused volume losses and incurred additional sales support to maintain its market position.

However with the imposition of sales tax on tea whitener in finance bill 2019-20, the Industry took price increase to the extent of sales tax adjustment in the latter half of the year.

Dairy industry is paying attention to hygienic and clean milk marketing. Dairy companies seek to ensure the production of hygienic milk by providing farmer education and grants for the establishment of organised dairy farms and cold chain systems. Government is trying to improve legislation and enhance enforcement measures for existing informal and formal sectors. More investment in low-cost technologies for the production of safe yet affordable products, such as pasteurized milk is required by the formal sector. Consumer preference for fresh milk, fragmented and subsistence dairy farming, and the exorbitant capital investments required for cooling infrastructure also hampering the growth of dairy companies.

Acquisition intent by Inner Mongolia Yili Industrial Group Company Limited

The Chinese Company withdrew its offer on April 29, 2019 due to inability of both the parties to reach an agreement on the transaction within the prescribed time period.

Financial performance:

The Company achieved turnover of Rs. 5,745 million compared to Rs. 7,649 million in the comparative year. Loss after taxation in the reported year is Rs. 5,789 million as compared to Rs. 2,849 million in the comparative year. The Loss per Share thereby is Rs. 10.96 as compared with Rs. 5.39 in the comparative year.

Lower than expected sales and capacity losses are attributable to the sluggish business activity due to market apprehension and resistance to government revenue generating measures at retail level, High input and financing costs and additional sales support to counter loss of market share due to price increase initiative in first half.

Future outlook:

Pakistan's economy is in stabilization phase with key economic indicators starting to show sign of improvement and the decision by State Bank of Pakistan not to change interest rates during the last two monetary policies supports easing out of inflationary pressure. The current macroeconomic challenges are tough likely to affect business profitability in the short term.

The Board is confident about the future growth of the Company to deliver quality products while keeping a strong focus on innovation and operational excellence. To sustain and grow during this period, Management has initiated cost controlling measures that has started to show results through significant reduction in distribution cost in later half of the year. The Company has also made an investment to enhance Cheese and butter processing capacities to accrue better profit margins that will help further establish the Company as a complete and a key market player of the dairy industry.

The Company is resilient to maintain its focus on improving shareholders' value through innovation, optimization in product portfolio and processes, effective cost controls and will continue to grow its market share In Sha ALLAH.

Principle risks and uncertainties facing company:

Risks faced by the Company are not significantly different from risks posed to other companies working in the dairy sector. The recent and sudden devaluation of currency along with changes in Regulatory and Revenue Regimes by the Government, has exposed the Company to Foreign Exchange Risk and Regulatory Risks. The Management and Board are well aware of the associated Risks and have taken steps to mitigate the same. Apart from the above Risks, there are no significant risks and uncertainties posed to the business and operations of the Company, except as disclosed in the Contingencies and Commitment notes to the financial statements.

Transaction with related parties:

The Company carries out transactions with related parties and amounts, due from and to, related parties as shown under respective heads are carried out at arms' length. Except as disclosed in financial statements, no other transactions were executed with related parties.

Corporate and financial reporting framework:

- The financial statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flow and changes in equity.

- Proper books of accounts of the Company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment except for those as disclosed in the financial statements.

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

- The system of internal controls is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon the Company's ability to continue as a 'going concern'.

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on December 31, 2019 except for those disclosed in the financial statements.

- The value of investments of staff provident fund, based on un-audited accounts, was Rs 199 million as at December 31, 2019.

- The Board has approved the remuneration policy of non-executive directors including independent directors.

- The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.

Shares held by:		No. of Shares held	Percentage
I.	**Associated Companies, Undertakings and Related Parties:**		
1.	Committee of Admin. Fauji Foundation	67,371,916	12.7500
2.	Trustees Fauji Fertilizer Bin Qasim Ltd. Emp. Gratuity Fund	10,400,500	1.9683
3.	Fauji Fertilizer Bin Qasim Limited	267,314,886	50.5888
4.	Trustee Fauji Fertilizer Bin Qasim Emp. Provident Fund	2,535,000	0.4797
5.	Trustees Fauji Fertilizer Bin Qasim Ltd. Provident Fund	11,771,000	2.2276
II.	**Mutual Funds:**		
1.	CDC – Trustee Alfalah GHP Alpha Fund	11,000	0.0021
2.	CDC – Trustee Askari Asset Allocation Fund	78,500	0.0149
3.	CDC – Trustee Faysal MTS Fund – MT	3,836,500	0.7260
4.	CDC – Trustee Faysal Saving Growth Fund – MT	50,500	0.0096
5.	CDC – Trustee NBP Balanced Fund	10,500	0.0020
6.	CDC – Trustee UBL Growth and Income Fund	767,500	0.1452
7.	CDC – Trustee UBL Income Opportunity Fund – MT	98,000	0.0185
8.	MCBFSL – Trustee Pak Oman Advantage Asset Allocation Fund (CDC)	18,000	0.0034
III.	**Directors, CEO and their Spouse and Minor Children:**		
1.	Lt Gen Syed Tariq Nadeem Gilani (Retd)	1	0.0000
2.	Lt Gen Javed Iqbal (Retd)	4	0.0000
3.	Lt Gen Tariq Khan (Retd)	1	0.0000
4.	Dr. Nadeem Inayat	16	0.0000
5.	Mr. Rehan Laiq	1	0.0000
6.	Syed Iqtidar Saeed	1	0.0000
7.	Lt Col Abdul Khaliq Khan (Retd)	48	0.0000
8.	Mr. Iltifat Rasul Khan	16	0.0000
9.	Mr. Basharat Ahmad Bhatti	1	0.0000
10.	Ms. Aminah Zahid Zaheer	1	0.0000
11.	Mr. Muhammad Ali Gulfaraz	1	0.0000
IV.	**Executives:**	-	-
V.	**Public Sector Companies & Corporations:**	-	-
VI.	**Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:**	1,522,572	0.2881
VII.	**Shareholders holding five percent or more voting interest in the listed company:**		
1.	Committee of Admin. Fauji Foundation	67,371,916	12.7500
2.	Fauji Fertilizer Bin Qasim Limited	267,314,886	50.5888

- Details of trade in the shares of the Company carried-out by the Directors, CEO, CFO, Company Secretary and their spouse and minor children during the year ended December 31, 2019 is as follows:

	No. of Shares	
Mr. Salman Hayat Noon (Director – resigned with effect from December 10, 2019)		
- Purchased through PSX	100,000	0.0189

Board of Directors / Committees meetings during the year 2019:

Six meetings of the Board of Directors were held. Attendance by each director was as follow:

Name of Directors		No. of Meeting(s) Attended
Lt Gen Syed Tariq Nadeem Gilani (Retd)	- elected on November 26, 2018	6
Lt Gen Javed Iqbal (Retd)	- elected on November 26, 2018	6
Lt Gen Tariq Khan (Retd)	- elected on November 26, 2018	5
Dr. Nadeem Inayat	- re-elected on November 26, 2018	6
Mr. Rehan Laiq	- elected on November 26, 2018	6
Mr. Salman Hayat Noon	- resigned w.e.f December 10, 2019	3
Brig Raashid Wali Janjua (Retd)	- resigned w.e.f May 01, 2019	2
Syed Iqtidar Saeed	- appointed w.e.f May 01, 2019	4
Lt Col Abdul Khaliq Khan (Retd)	- re-elected on November 26, 2018	5
Mr. Iltifat Rasul Khan	- re-elected on November 26, 2018	4
Mr. Par Soderlund	- resigned w.e.f December 19, 2019	6
Mr. Basharat Ahmad Bhatti	- elected on November 26, 2018	6
Ms. Aminah Zahid Zaheer	- elected on November 26, 2018	5
Mr. Muhammad Ali Gulfaraz	- appointed on December 27, 2019	0

Six meetings of the Audit Committee were held. Attendance by each director was as follow:

Name of Directors	No. of Meeting(s) Attended
Mr Iltifat Rasul Khan	5
Dr Nadeem Inayat	3
Mr Rehan Laiq	5
Lt Col Abdul Khaliq Khan (Retd)	6

Five meetings of the HR & R Committee were held. Attendance by each director was as follow:

Name of Directors	No. of Meeting(s) Attended
Ms. Aminah Zahid Zaheer	5
Dr. Nadeem Inayat	4
Brig Raashid Wali Janjua (Retd)	2
Syed Iqtidar Saeed	3
Mr. Rehan Laiq	5

Five meetings of the Technical Committee were held. Attendance by each director was as follow:

Name of Directors	No. of Meeting(s) Attended
Brig Raashid Wali Janjua (Retd)	2
Syed Iqtidar Saeed	3
Lt Col Abdul Khaliq Khan (Retd)	5
Mr. Basharat Ahmad Bhatti	5

Six meetings of the Business Review Committee were held. Attendance by each director was as follow:

Name of Directors	No. of Meeting(s) Attended
Mr. Par Soderlund	6
Dr. Nadeem Inayat	5
Mr. Rehan Laiq	6
Ms. Aminah Zahid Zaheer	6
Mr. Basharat Ahmad Bhatti	2

fauji foods

Auditors:

The Audit Committee reviewed consents of six audit firms, including retiring auditors, to provide independent external audit services to the Company. The comparative rates statement was presented to the Committee for consideration. The Audit Committee has recommended the appointment of EY Ford Rhodes, Chartered Accountants, being the lowest bidder, as statutory auditors of the Company for the ensuing year. The Board has endorsed the recommendation.

Compliance with the Code of Corporate Governance:

The requirements of the Listed Companies (Code of Corporate Governance) Regulations 2019, relevant for the year ended December 31, 2019, have been duly complied with. A statement to this effect is annexed with the report.

FFL follows a policy framework conducive to more environmentally benign practices and proper waste management practices have been adopted for solid and liquid waste, air emission, soil pollution and noise.

Company's objective towards corporate social responsibility is to prioritize social good alongside the traditional corporate goal of generating profits.

Directors are under fiduciary responsibility to operate business under a system of governance and controls, which reinforces stakeholders' trust and confidence in the Company.

The remuneration to the Non-executive Directors (including Independent Directors) is paid according to the remuneration policy approved by the Board.

Dividend:

The Board has not recommended any dividend due to loss to the Company during the year.

Annual General Meeting:

The 53rd Annual General Meeting will be held on April 02, 2020 at 1100 hours at Lahore to approve annual financial statements of the Company for the year ended December 31, 2019.

Acknowledgement:

The Board is thankful to the valuable shareholders and financial institutions for their trust, patience and continued support to the Company. The Board would also like to place on record its appreciation to all employees of the Company for their dedication, diligence and hard work.

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 and Managing Director

Dated: January 27, 2020

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

Name of Company: Fauji Foods Limited
Year ended: December 31, 2019

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 12 as per the following:

   a. Male: 10
   b. Female: 1
   c. Casual Vacancy 1

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr Iltifat Rasul Khan Mr Basharat Ahmad Bhatti Ms Aminah Zahid Zaheer
Executive Director	Lt Gen Javed Iqbal (Retd)
Non-Executive Directors	Lt Gen Syed Tariq Nadeem Gilani (Retd) Lt Gen Tariq Khan (Retd) Mr Rehan Laiq Dr Nadeem Inayat Syed Iqtidar Saeed Mr Muhammad Ali Gulfaraz Lt Col Abdul Khaliq Khan (Retd)
Female Director	Ms Aminah Zahid Zaheer

Moreover, one independent director Mr. Par Soderlund has resigned w.e.f 19 December 2019 and casual vacancy will be filled in due course.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured a complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations which has been approved by BOD.

9. The Board has arranged Directors' Training program for the following:

Lt Gen Syed Tariq Nadeem Gilani (Retd)	(Director/Chairman)
Lt Gen Javed Iqbal (Retd)	(Director/ CE & MD)
Lt Gen Tariq Khan (Retd)	(Director)
Dr Nadeem Inayat	(Director)
Mr Rehan Laiq	(Director)
Lt Col Abdul Khaliq Khan (Retd)	(Director)
Ms Aminah Zahid Zaheer	(Director)

10. During the year the Board has approved appointment of CFO including his remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations while there is no change in the Company Secretary and Head of Internal Audit.

11. CEO and CFO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

AUDIT COMMITTEE

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

HR & REMUNERATION COMMITTEE

Ms Aminah Zahid Zaheer	(Chairperson)
Dr Nadeem Inayat	(Member)
Syed Iqtidar Saeed	(Member)
Mr Rehan Laiq	(Member)

TECHNICAL COMMITTEE

Syed Iqtidar Saeed	(Chairman)
Lt Col Abdul Khaliq Khan (Retd)	(Member)
Mr Basharat Ahmad Bhatti	(Member)

BUSINESS REVIEW COMMITTEE

Mr Muhammad Ali Gulfaraz	(Chairman)
Dr Nadeem Inayat	(Member)
Mr Rehan Laiq	(Member)
Ms Aminah Zahid Zaheer	(Member)
Mr Basharat Ahmad Bhatti	(Member)

13. The terms of reference of the audit committee, human resource committee, technical committee and business review committee have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committees were as per following:

		No.	Frequency
(a)	Audit Committee:	6	Quarterly
(b)	HR and Remuneration Committee:	5	Quarterly
(c)	Technical Committee:	5	Quarterly
(d)	Business Review Committee:	6	Quarterly

15. The Board has set up an effective internal audit function staffed with persons who are suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

19. We confirm that all other requirements of the Regulations have been complied with.

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 and Managing Director

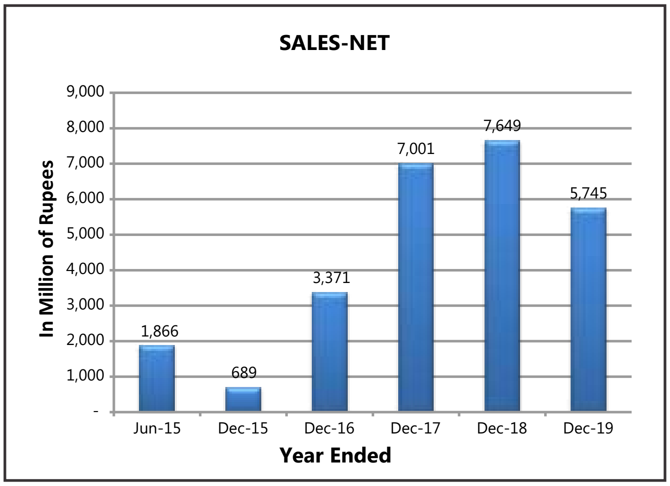
Dated: January 27, 2020

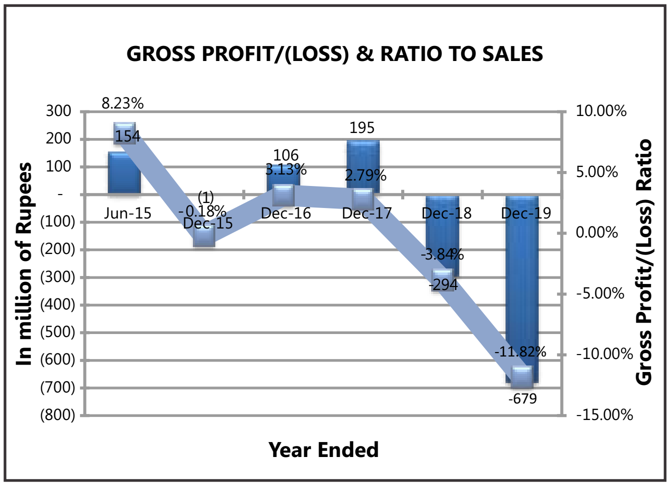
FINANCIAL PERFORMANCE

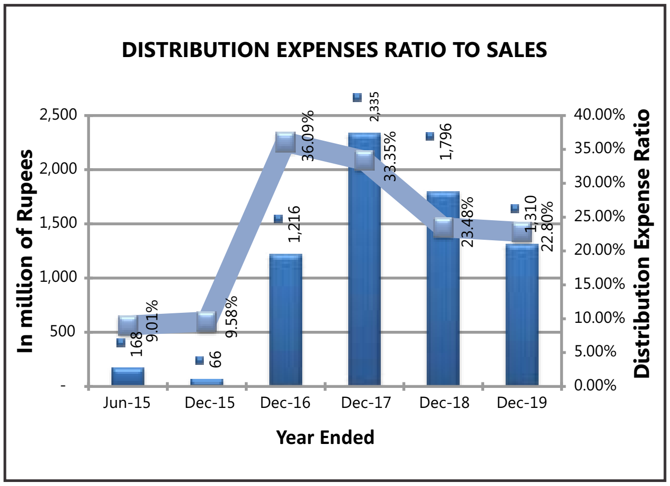
		Annual				Six Month	Annual
		December 2019	**December 2018**	**December 2017**	**December 2016**	**December 2015**	**June 2015**
Production							
Liquid Production - litres		60,873,948	90,295,898	**86,699,115**	**37,252,653**	**8,737,421**	**20,458,745**
Non - Liquid Products - Kgs		1,651,307	1,778,587	**725,221**	**5,415,745**	**245,568**	**992,377**
Financial Performance - Profitability							
Gross profit margin	%	(11.82)	(3.84)	2.79	3.13	(0.18)	8.23
EBITDA margin to sales	%	(32.70)	(24.08)	(29.67)	(34.82)	(14.04)	(14.67)
Pre tax margin	%	(74.03)	(43.30)	(43.08)	(45.04)	(25.68)	(22.54)
Net profit margin	%	(100.77)	(37.25)	(32.68)	(28.69)	(15.39)	(18.74)
Return on equity	%	157.40	(132.99)	(46.27)	(43.14)	(45.49)	(104.31)
Return on capital employed	%	908.41	(42.47)	(28.46)	(50.07)	64.43	279.42
Operating Performance / Liquidity							
Total assets turnover	Times	0.47	0.56	0.59	0.44	0.36	1.18
Fixed assets turnover	Times	0.71	0.96	1.03	0.68	0.54	17.98
Trade Debtors	Rs. (000)	181,171	124,573	129,705	77,969	37,730	38,626
Debtors turnover	Times	38	60	67	58	18	14
Debtors turnover	Days	10	6	5	6	10	25
Inventory	Rs. (000)	1,443,223	1,380,401	1,021,156	684,806	174,626	158,126
Inventory turnover	Times	5	7	8	8	4	16
Inventory turnover	Days	80	55	46	48	44	23
Purchases	Rs. (000)	5,053,129	6,437,178	5,403,562	2,717,812	546,844	1,403,509
Accounts Payables	Rs. (000)	777,093	898,415	438,319	1,008,155	310,130	293,433
Creditors turnover	Times	6	10	7	4	2	4
Creditors turnover	Days	61	38	49	89	102	95
Operating cycle	Days	29	23	2	(34)	(47)	(46)
Return on assets	%	(47.63)	(21.02)	(19.22)	(12.59)	(5.56)	(22.09)
Current ratio		0.31	0.58	1.70	0.40	0.34	0.44
Quick / Acid test ratio		0.18	0.36	1.22	0.25	0.21	0.35
Capital Market / Capital Structure Analysis							
Market value per share							
- Year end	Rs.	14.47	30.28	16.46	88.67	242.21	79.99
- High during the year	Rs.	35.40	41.98	124.4	314.00	366.62	87.99
- Low during the year	Rs.	8.87	15.61	14.75	71.51	71.84	27.19
Breakup value - (Net assets / share)	Rs.	(9.44)	1.36	6.60	13.63	(7.16)	(40.80)
- excluding revaluation surplus	Rs. (000)	(4,987,204)	718,098	3,486,422	1,801,184	(224,450)	(127,970)
- including revaluation surplus	Rs. (000)	(3,677,786)	2,142,476	4,945,390	2,241,540	233,165	335,309
Earning per share (pre tax)	Rs.	(8.05)	(6.27)	(12.15)	(13.74)	(1.78)	(14.13)
Earning per share (after tax)	Rs.	(10.96)	(5.39)	(9.22)	(8.75)	(1.07)	(11.75)
Earnings growth	%	-103.17%	41.50%	-5.33%	-718.22%	90.90%	-15.26%
Price earning ratio		(1.32)	(5.62)	(1.79)	(10.13)	(226.48)	(6.81)
Market price to breakup value		(1.53)	22.28	2.49	6.50	(33.84)	(1.96)
Debt : Equity		(3.82)	4.61	1.73	2.26	(5.34)	(6.26)
Interest cover		(1.43)	(3.79)	(6.45)	(9.06)	(3.34)	(4.03)

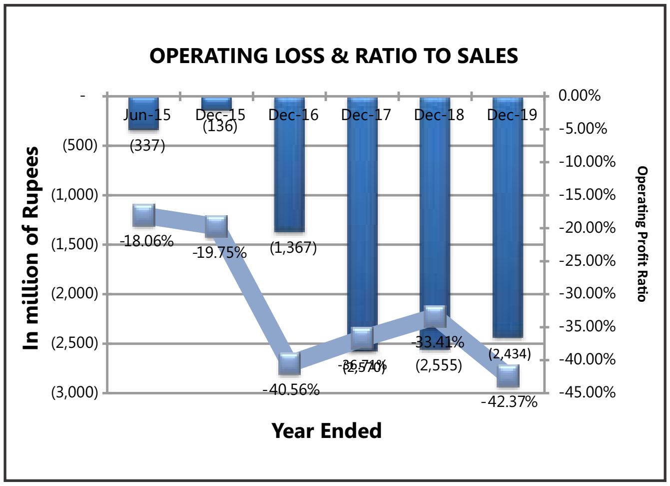
		Annual				Six Month	Annual
		December 2019	December 2018	December 2017	December 2016	December 2015	June 2015
Statement of affairs							
Share capital	Rs. (000)	5,284,072	5,284,072	5,284,072	1,321,017	313,632	31,363
Reserves	Rs. (000)	(10,271,276)	(4,565,974)	(1,797,650)	480,166	(538,082)	(159,333)
Share holder's fund / Equity	Rs. (000)	(4,987,204)	718,098	3,486,422	1,801,184	(224,450)	(127,970)
Revaluation surplus	Rs. (000)	1,309,418	1,424,378	1,458,968	440,356	457,615	463,279
Long term borrowings	Rs. (000)	2,963,889	4,480,940	4,553,055	129,919	59,828	2,796
Capital employed	Rs. (000)	(637,262)	6,709,583	8,039,476	1,931,103	(164,622)	(125,174)
Deferred liabilities/(assets)	Rs. (000)	-	(1,571,537)	(1,061,248)	(628,542)	(76,385)	(1,598)
Property, plant & equipment	Rs. (000)	8,106,036	7,953,144	6,822,274	4,937,751	1,277,998	1,037,778
Long term assets	Rs. (000)	8,152,036	9,584,783	7,901,844	5,571,678	1,356,031	1,041,410
Net current assets / Working capital	Rs. (000)	(8,789,298)	(2,875,200)	1,652,214	(3,167,397)	(1,052,409)	(703,304)
Liquid funds - net	Rs. (000)	114,134	98,221	1,195,302	333,540	52,960	141,057
Financial Performance							
Sales - net	Rs. (000)	5,744,872	7,649,287	7,000,955	3,370,507	689,044	1,866,019
Gross profit	Rs. (000)	(678,827)	(293,641)	195,125	105,506	(1,259)	153,529
Operating Loss	Rs. (000)	(2,434,379)	(2,555,185)	(2,570,226)	(1,367,004)	(136,121)	(336,916)
Loss before tax	Rs. (000)	(4,253,029)	(3,312,388)	(3,016,286)	(1,517,940)	(176,931)	(420,600)
Loss after tax	Rs. (000)	(5,788,937)	(2,849,239)	(2,288,262)	(966,920)	(106,073)	(349,763)
EBITDA	Rs. (000)	(1,878,474)	(1,841,925)	(2,077,150)	(1,173,689)	(96,723)	(273,733)
Summary of Cash Flows							
Net cash flow from operating activities	Rs. (000)	(1,960,936)	(2,539,892)	(3,597,667)	(1,573,454)	(185,336)	(201,730)
Net cash flow from investing activities	Rs. (000)	(739,335)	(1,456,341)	(1,050,585)	(3,862,420)	(281,007)	(9,486)
Net cash flow from financing activities	Rs. (000)	2,215,323	(292,430)	6,159,323	4,205,063	292,139	134,148
Changes in cash & cash equivalents	Rs. (000)	(484,949)	(4,288,663)	1,511,072	(1,230,810)	(174,204)	(77,067)
Cash & cash equivalents - Year end	Rs. (000)	(5,027,812)	(4,542,863)	(254,200)	(1,765,272)	(534,461)	141,057

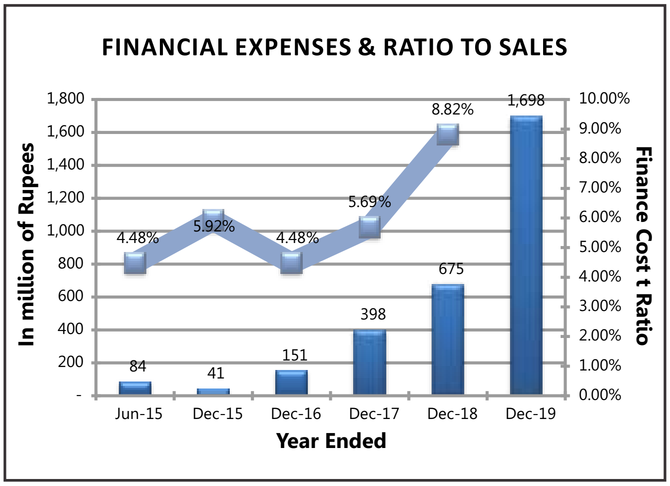
PERFORMANCE OVERVIEW

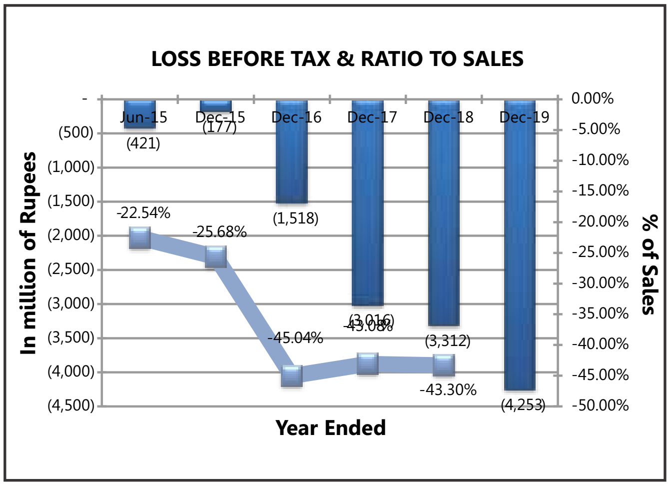


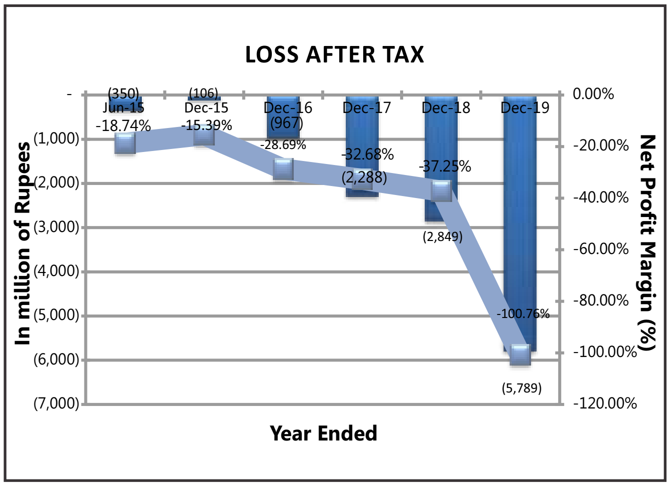


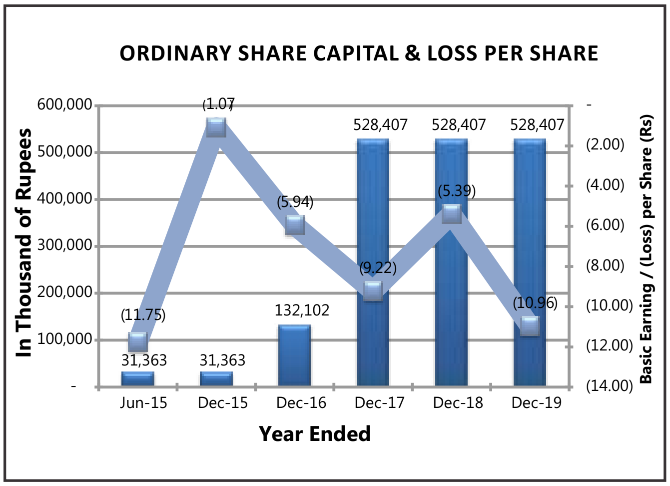


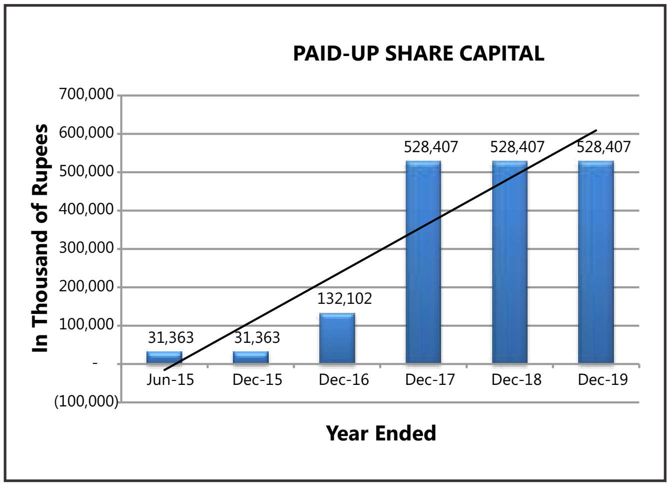


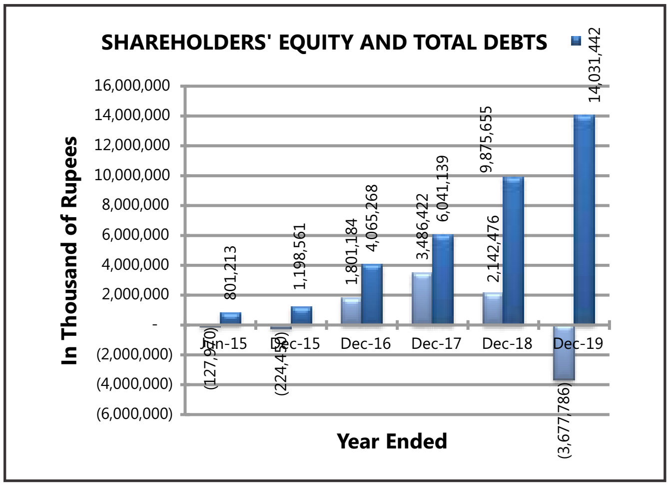


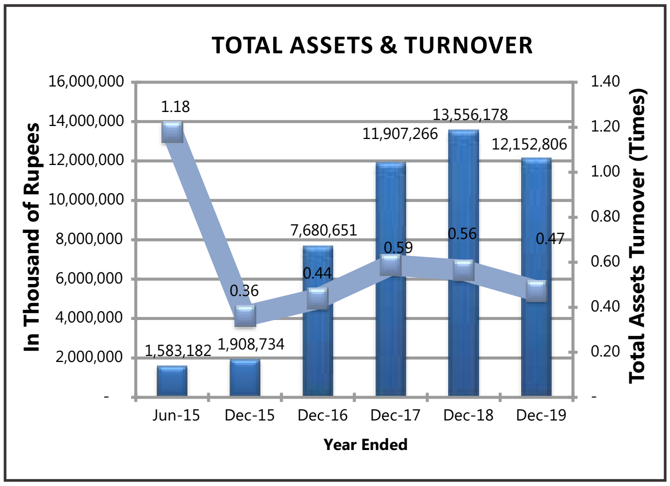


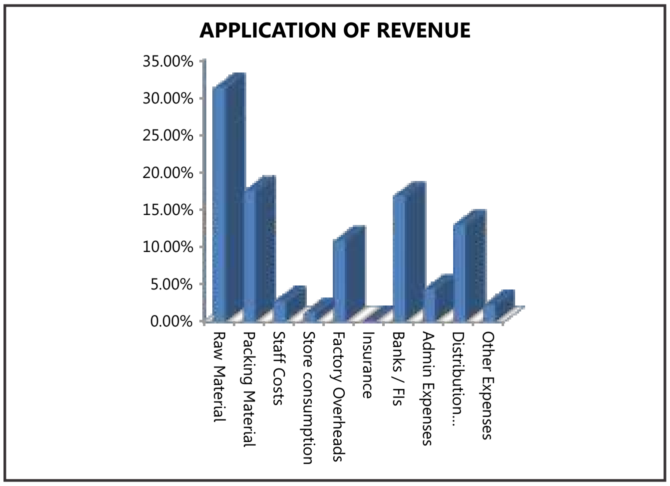

LOSS AFTER TAX
In million of Rupees
Net Profit Margin (%)
Year Ended
Jun-15
Dec-15
Dec-16
Dec-17
Dec-18
Dec-19
(350)
(106)
(967)
(2,288)
(2,849)
(5,789)
-18.74%
-15.39%
-28.69%
-32.68%
-37.25%
-100.76%
-
(1,000)
(2,000)
(3,000)
(4,000)
(5,000)
(6,000)
(7,000)
0.00%
-20.00%
-40.00%
-60.00%
-80.00%
-100.00%
-120.00%


ORDINARY SHARE CAPITAL & LOSS PER SHARE
In Thousand of Rupees
Basic Earning / (Loss) per Share (Rs)
Year Ended
Jun-15
Dec-15
Dec-16
Dec-17
Dec-18
Dec-19
31,363
31,363
132,102
528,407
528,407
528,407
(11.75)
(1.07
(5.94)
(9.22)
(5.39)
(10.96)
600,000
500,000
400,000
300,000
200,000
100,000
-
(2.00)
(4.00)
(6.00)
(8.00)
(10.00)
(12.00)
(14.00)


PAID-UP SHARE CAPITAL
In Thousand of Rupees
Year Ended
Jun-15
Dec-15
Dec-16
Dec-17
Dec-18
Dec-19
31,363
31,363
132,102
528,407
528,407
528,407
700,000
600,000
500,000
400,000
300,000
200,000
100,000
-
(100,000)


SHAREHOLDERS' EQUITY AND TOTAL DEBTS
In Thousand of Rupees
Year Ended
Jun-15
Dec-15
Dec-16
Dec-17
Dec-18
Dec-19
(127,970)
801,213
(224,430)
1,198,561
1,801,184
4,065,268
3,486,422
6,041,139
2,142,476
9,875,655
(3,677,786)
14,031,442
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
(2,000,000)
(4,000,000)
(6,000,000)


TOTAL ASSETS & TURNOVER
In Thousand of Rupees
Total Assets Turnover (Times)
Year Ended
Jun-15
Dec-15
Dec-16
Dec-17
Dec-18
Dec-19
1,583,182
1,908,734
7,680,651
11,907,266
13,556,178
12,152,806
1.18
0.36
0.44
0.59
0.56
0.47
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
1.40
1.20
1.00
0.80
0.60
0.40
0.20
-


APPLICATION OF REVENUE
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
Raw Material
Packing Material
Staff Costs
Store consumption
Factory Overheads
Insurance
Banks / FIs
Admin Expenses
Distribution...
Other Expenses

FORM 34

THE COMPANIES ACT, 2017
(Section 227(2)(f))
PATTERN OF SHAREHOLDING
Incorporation No. 0002355

fauji foods

1.1 Name of the Company **FAUJI FOODS LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at **31-12-2019**

2.2 No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
851	1	100	43,263
1339	101	500	610,286
1537	501	1,000	1,494,891
3366	1,001	5,000	10,059,931
1167	5,001	10,000	9,492,255
418	10,001	15,000	5,449,710
311	15,001	20,000	5,809,454
214	20,001	25,000	5,057,308
139	25,001	30,000	3,986,296
81	30,001	35,000	2,690,292
81	35,001	40,000	3,153,066
35	40,001	45,000	1,511,501
105	45,001	50,000	5,187,264
30	50,001	55,000	1,590,959
29	55,001	60,000	1,713,224
26	60,001	65,000	1,651,048
14	65,001	70,000	952,503
33	70,001	75,000	2,436,850
27	75,001	80,000	2,127,075
5	80,001	85,000	417,000
14	85,001	90,000	1,244,302
5	90,001	95,000	467,500
50	95,001	100,000	4,989,000
6	100,001	105,000	618,500
9	105,001	110,000	978,500
4	110,001	115,000	451,500
2	115,001	120,000	235,168
7	120,001	125,000	870,500
4	125,001	130,000	512,500
6	130,001	135,000	799,000
5	135,001	140,000	692,000
6	140,001	145,000	861,000
11	145,001	150,000	1,646,500
5	150,001	155,000	770,101
5	155,001	160,000	800,000
2	160,001	165,000	326,500
2	165,001	170,000	338,400

2.2 No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
3	170,001	175,000	524,000
3	175,001	180,000	535,500
1	180,001	185,000	184,740
1	185,001	190,000	185,500
1	190,001	195,000	192,072
15	195,001	200,000	2,996,800
4	200,001	205,000	816,500
3	205,001	210,000	628,000
2	215,001	220,000	440,000
4	220,001	225,000	895,500
1	230,001	235,000	232,000
5	235,001	240,000	1,186,500
10	245,001	250,000	2,499,500
1	250,001	255,000	252,500
3	255,001	260,000	774,500
1	260,001	265,000	265,000
2	265,001	270,000	537,056
1	270,001	275,000	275,000
1	280,001	285,000	284,500
1	290,001	295,000	294,500
7	295,001	300,000	2,096,000
1	300,001	305,000	303,500
3	305,001	310,000	920,666
2	310,001	315,000	628,000
1	315,001	320,000	320,000
1	320,001	325,000	320,500
2	340,001	345,000	686,500
3	345,001	350,000	1,050,000
1	365,001	370,000	367,500
1	380,001	385,000	384,000
1	390,001	395,000	393,500
4	395,001	400,000	1,599,000
1	420,001	425,000	420,500
1	430,001	435,000	435,000
1	440,001	445,000	444,000
2	455,001	460,000	917,684
1	465,001	470,000	469,000
1	485,001	490,000	488,500
2	505,001	510,000	1,020,000
1	515,001	520,000	519,000
1	520,001	525,000	524,000
1	525,001	530,000	527,500
1	535,001	540,000	540,000
1	550,001	555,000	552,468
1	555,001	560,000	555,500

fauji foods

2.2 No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
2	580,001	585,000	1,165,500
1	615,001	620,000	618,000
1	620,001	625,000	621,000
1	670,001	675,000	674,000
2	745,001	750,000	1,496,000
1	765,001	770,000	767,500
1	790,001	795,000	791,000
1	795,001	800,000	800,000
1	935,001	940,000	936,000
1	990,001	995,000	992,000
1	1,100,001	1,105,000	1,105,000
1	1,150,001	1,155,000	1,150,500
1	1,225,001	1,230,000	1,227,400
1	1,250,001	1,255,000	1,254,000
1	1,375,001	1,380,000	1,377,000
1	2,140,001	2,145,000	2,142,500
1	2,195,001	2,200,000	2,200,000
1	2,530,001	2,535,000	2,535,000
1	3,835,001	3,840,000	3,836,500
1	6,060,001	6,065,000	6,064,857
1	6,875,001	6,880,000	6,880,000
1	10,400,001	10,405,000	10,400,500
1	11,770,001	11,775,000	11,771,000
1	20,400,001	20,405,000	20,401,000
1	67,370,001	67,375,000	67,371,916
1	267,310,001	267,315,000	267,311,886
10,084			**528,407,192**

2.3 Categories of Shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	91	0.0000%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	359,393,302	68.0145%
2.3.3 NIT and ICP	10,249	0.0019%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	1,136,000	0.2150%

	Share held	Percentage
2.3.5 Insurance Companies	126,572	0.0240%
2.3.6 Modarabas and Mutual Funds	5,130,500	0.9709%
2.3.7 Shareholders holding 10% or more	334,686,802	63.3388%
2.3.8 General Public		
a. Local	136,188,778	25.7735%
b. Foreign	43,000	0.0081%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	24,032,187	4.5480%
2- Foreign Companies	1,327,400	0.2512%
3- Other Companies	1,019,113	0.1929%

3. Signature of Company Secretary	
4. Name of Signatory	Brig Zahid Nawaz Mann (Retd)
5. Designation	Company Secretary
6. CNIC Number	35402-1897498-9
7. Date	December 31, 2019

Independent Auditor's Review Report
To the members of Fauji Foods Limited
Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Fauji Foods Limited ("the Company") for the year ended 31 December 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, of its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2019.

Lahore

Date: January 31, 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT
To the Members of Fauji Foods Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Fauji Foods Limited** ("the Company"), which comprise the statement of financial position as at 31st December 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the loss, the comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1.	**Going concern** Refer note 1.2 to the financial statements. During the year ended 31 December 2019, the Company has incurred net loss after tax of Rs. 5,788.94 million and as of this date current liabilities have exceeded its current assets by Rs. 8,789.30 million and the accumulated losses stands at Rs. 12,196.62 million. The management of the Company made their assessment of going concern by preparing a cash flow forecast in which some key assumptions were applied.	Our audit procedures, amongst others, included the following: - assessing and challenging, through involving our own specialist, the key assumptions used by management in the cash flow forecast relating to projected growth rate, future selling prices and production volumes used and evaluating whether there were any indicators of management bias; - comparing the cash flow forecast prepared in the prior year with the current year's performance of the Company to assess the reasonableness of the prior year's cash flow forecast and making enquiries of management as to the reasons for any significant variations identified;

Sr. No.	Key audit matters	How the matter was addressed in our audit
	These key assumptions included forecasts of sales volumes, average selling prices, raw material costs and necessary capital expenditure for products and the availability of banking and other financing facilities including financial support from the Parent Company. We identified the going concern assessment as a key audit matter because there are events or conditions that may cast significant doubt on Company's ability to continue as a going concern. A significant degree of management judgement is involved in making this assessment and in forecasting the future cash flows of the Company which are inherently uncertain.	- assessing the availability of banking and other financing facilities including support from Parent Company during the forecast period by inspecting contracts or agreements signed with banks and other financial facilities up-to the date of approval of financial statements and assessing their adequacy to meet the Company's needs in the context of cash flow forecast; and - assessing the adequacy of disclosure made in the financial statements in accordance with the requirements of the applicable accounting and reporting standards.
2.	**Sales** Refer to note 4.17 and 27 to the financial statements. The Company recognized revenue of Rs. 5,744.87 million from sale of goods to customers during the year ended 31 December 2019. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to a risk that revenue is recognized with transferring of control.	Our audit procedures, amongst others, included the following: - obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls; - assessing the appropriateness of the Company's accounting policy for recording of sales and compliance of the policy with applicable accounting and reporting standards; - comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents; - comparing a sample of sale transactions recorded near the year end with the sales, orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period; - inspecting on a sample basis, credit notes issued near to and subsequent to year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and - scanning for any manual journal entries relating to sales recorded during the year end which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.

Sr. No.	Key audit matters	How the matter was addressed in our audit
3.	**Capitalization of property, plant and equipment** Refer notes 4.10 and 17 to the financial statements. The Company has made significant capital expenditure on expansion of manufacturing facilities. We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.	Our audit procedures, amongst others, included the following: - obtaining an understanding of and testing the design, implementation and operating effectiveness of management's key internal control over capital expenditure; - testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; - assessing the nature of costs incurred for the capital projects through testing, on a sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting and reporting standards; and - inspecting supporting documents for the date of capitalization when project assets were ready for its intended use to assess that depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.
4.	**Valuation of stock in trade** Refer notes 4.13 and 21 to the financial statements. As at 31 December 2019, the Company's gross carrying amount of stock-in trade amounts to Rs. 1,530.51 million against which net realizable value adjustment of Rs. 32 million has been recorded. We identified valuation of stock in trade as a key audit matter as it involves significant management judgment in determining the carrying value of stock in trade.	Our audit procedures, amongst others, included the following: - assessing the appropriateness of Company's accounting policy for valuation of stock in trade and compliance of the policy with applicable accounting and reporting standards; - obtaining an understanding of internal controls over valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness; - obtaining an understanding and assessing reasonableness of the management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales and their basis; and - comparing the NRV, on a sample basis, to the cost of stock in trade to assess whether any adjustments are required to the value of stock in trade in accordance with the accounting policy.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2019, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

  We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVlII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Bilal Ali.

Lahore

Date: January 31, 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

fauji foods

Financial Statements

2019

Statement of Financial Position

As at 31 December 2019

EQUITY AND LIABILITIES	Note	**2019 Rupees**	2018 Rupees
Share capital and reserves			
Authorized capital	5	**7,000,000,000**	7,000,000,000
Issued, subscribed and paid up capital	5	**5,284,071,920**	5,284,071,920
Share premium	6	**1,925,340,907**	1,925,340,907
Accumulated loss		**(12,196,616,692)**	(6,491,314,836)
Surplus on revaluation of property, plant and equipment - net of tax	7	**1,309,417,781**	1,424,377,761
		(3,677,786,084)	2,142,475,752
Non-current liabilities			
Long term finances - secured	8	**2,708,333,333**	4,191,666,667
Lease liabilities	9	**255,555,628**	289,272,895
Employee retirement benefits	10	**76,634,948**	86,167,817
		3,040,523,909	4,567,107,379
Current liabilities			
Current portion of long term liabilities	11	**1,745,608,877**	403,631,987
Short term borrowings - secured	12	**6,691,944,126**	4,991,083,521
Loan from Parent Company - unsecured	13	**2,630,000,000**	-
Trade and other payables	14	**1,166,742,071**	1,255,264,861
Unclaimed dividend		**965,752**	965,752
Accrued finance cost	15	**554,807,673**	195,648,668
		12,790,068,499	6,846,594,789
Contingencies and commitments	16		
		12,152,806,324	13,556,177,920

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore

Chairman	Chief Executive	Director	Chief Financial Officer

Statement of Financial Position

As at 31 December 2019

fauji foods

ASSETS	Note	2019 Rupees	2018 Rupees
Non-current assets			
Property, plant and equipment	17	**8,106,036,190**	7,953,143,603
Intangible assets	18	**39,393,564**	59,158,143
Security deposits		**6,606,122**	944,306
Deferred taxation - net	19	**-**	1,571,537,380
		8,152,035,876	9,584,783,432
Current assets			
Stores, spares and loose tools	20	**237,545,924**	142,132,460
Stock-in-trade	21	**1,443,222,934**	1,380,400,512
Trade debts - considered good	22	**181,171,112**	124,573,265
Loans and advances - considered good	23	**64,645,851**	61,527,093
Deposits, prepayments and other receivables	24	**233,956,743**	733,787,593
Due from associated companies	25	**39,247**	308,895
Sales tax refundable - net		**563,303,259**	440,797,114
Income tax - net		**1,162,750,979**	989,646,258
Cash and bank balances	26	**114,134,399**	98,221,298
		4,000,770,448	3,971,394,488
		12,152,806,324	13,556,177,920

Lahore

Chairman	Chief Executive	Director	Chief Financial Officer

Statement of Profit or Loss

For the year ended 31 December 2019

	Note	**2019** **Rupees**	2018 Rupees
Sales - net	27	**5,744,872,328**	7,649,286,569
Cost of sales	28	**(6,423,699,048)**	(7,942,927,853)
Gross loss		**(678,826,720)**	(293,641,284)
Marketing and distribution expenses	29	**(1,309,604,707)**	(1,795,894,148)
Administrative expenses	30	**(438,268,935)**	(465,649,383)
Loss allowance on trade debts	22.1	**(7,678,704)**	-
Loss from operations		**(2,434,379,066)**	(2,555,184,815)
Other income	31	**98,311,925**	17,812,359
Other expenses	32	**(218,794,869)**	(100,219,314)
Finance cost	33	**(1,698,166,696)**	(674,796,714)
Loss before taxation		**(4,253,028,706)**	(3,312,388,484)
Taxation	34	**(1,535,908,768)**	463,149,882
Loss after taxation		**(5,788,937,474)**	(2,849,238,602)
Loss per share - basic and diluted	35	**(10.96)**	(5.39)

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore	Chairman	Chief Executive	Director	Chief Financial Officer

Statement of Comprehensive Income

For the year ended 31 December 2019

fauji foods

	2019 Rupees	2018 Rupees
Loss after taxation for the year	**(5,788,937,474)**	(2,849,238,602)
Other comprehensive income / (loss)		
Items that will not be reclassified to profit or loss:		
- Remeasurement of defined benefit obligation	**4,304,250**	(815,892)
Total comprehensive loss for the year	**(5,784,633,224)**	(2,850,054,494)

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore	Chairman	Chief Executive	Director	Chief Financial Officer

Statement of Changes In Equity

For the year ended 31 December 2019

	Issued, subscribed and paid-up capital	Capital Reserve: Share premium	Capital Reserve: Surplus on revaluation of property, plant and equipment-net of tax	Revenue reserves: Accumulated loss	Total
	----------	----------	Rupees	----------	----------
As at 01 January 2018	**5,284,071,920**	**1,925,340,907**	**1,458,968,052**	**(3,722,990,539)**	**4,945,390,340**
<u>Total comprehensive loss for the year</u>					
Loss after taxation	-	-	-	(2,849,238,602)	(2,849,238,602)
<u>Other comprehensive loss for the year</u>					
Remeasurement of defined benefit obligation	-	-	-	(815,892)	(815,892)
Total comprehensive loss	-	-	-	**(2,850,054,494)**	**(2,850,054,494)**
<u>Surplus transferred to accumulated losses</u>					
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(81,730,197)	81,730,197	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	47,139,906	-	47,139,906
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**
<u>Total comprehensive loss for the year</u>					
Loss after taxation	-	-	-	(5,788,937,474)	(5,788,937,474)
<u>Other comprehensive loss for the year</u>					
Remeasurement of defined benefit obligation	-	-	-	4,304,250	4,304,250
Total comprehensive loss	-	-	-	**(5,784,633,224)**	**(5,784,633,224)**
<u>Surplus transferred to accumulated losses</u>					
Disposal of plant and machinery - net of tax	-	-	(5,774,191)	5,774,191	-
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(73,557,177)	73,557,177	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	(35,628,612)	-	(35,628,612)
Balance as at 31 December 2019	**5,284,071,920**	**1,925,340,907**	**1,309,417,781**	**(12,196,616,692)**	**(3,677,786,084)**

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore

Chairman | Chief Executive | Director | Chief Financial Officer

Statement of Cash Flows

For the year ended 31 December 2019

fauji foods

Cash flows from operating activities	Note	2019 Rupees	2018 Rupees
Loss before taxation		**(4,253,028,706)**	(3,312,388,484)
Adjustments for non-cash items:			
- Depreciation on property, plant and equipment	17.1.6	**774,183,096**	673,735,318
- Amortization of intangible assets	18.1.1	**21,483,463**	2,652,249
- Gain on disposal of property, plant and equipment	31	**(32,666,185)**	(1,544,277)
- Loss allowance on trade debts	22.1	**7,678,704**	-
- Provision for obsolete stores and spares	20	**5,256,700**	3,356,101
- Provision for obsolete stocks	21	**55,283,299**	7,831,398
- Profit on bank deposits	31	**(56,198,286)**	(8,314,319)
- Unrealized foreign exchange loss	32	**247,343**	9,108,549
- Provision for employee retirement benefits		**20,988,466**	32,072,757
- Fair value adjustment of interest free security deposit	32	**4,258,184**	-
- Finance cost	33	**1,698,166,696**	674,796,714
Loss before working capital changes		**(1,754,347,226)**	(1,918,693,994)
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets:			
- Stores, spares and loose tools		**(100,670,164)**	(38,354,356)
- Stock-in-trade		**(118,105,721)**	(367,075,944)
- Trade debts		**(64,276,551)**	5,131,493
- Loans and advances		**(3,118,758)**	14,416,275
- Deposits, prepayments and other receivables		**499,830,850**	(243,909,929)
- Due from associated companies		**269,648**	784,691
- Sales tax refundable		**(122,506,145)**	43,546,267
(Decrease) / increase in current liabilities:			
- Trade and other payables		**(88,770,134)**	455,375,201
		(2,653,025)	(130,086,302)
Cash used in operations		**(1,751,694,201)**	(2,048,780,296)
Income tax paid		**(173,104,721)**	(488,778,426)
Employee benefits paid		**(26,217,084)**	(2,333,444)
Security deposits - net		**(9,920,000)**	-
Net cash used in operating activities		**(1,960,936,006)**	(2,539,892,166)
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(879,577,317)**	(1,467,858,414)
Sale proceeds from disposal of property, plant and equipment		**84,043,558**	3,203,291
Income on bank deposits received		**56,198,286**	8,314,319
Net cash used in investing activities		**(739,335,473)**	(1,456,340,804)
Cash flow from financing activities			
Repayment of long term finances		**(133,333,333)**	-
Short term borrowings - net		**1,199,998,552**	349,999,476
Lease rentals paid		**(142,335,001)**	(89,904,038)
Finance cost paid		**(1,339,007,691)**	(552,521,110)
Loan received from Parent Company		**2,630,000,000**	-
Dividends paid		**-**	(4,427)
Net cash generated from / (used in) financing activities	42	**2,215,322,527**	(292,430,099)
Net decrease in cash and cash equivalents		**(484,948,952)**	(4,288,663,069)
Cash and cash equivalents - at beginning of the year		**(4,542,862,747)**	(254,199,678)
Cash and cash equivalents - at end of the year	36	**(5,027,811,699)**	(4,542,862,747)

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore

Chairman	Chief Executive	Director	Chief Financial Officer

Notes to the Financial Statements

For the year ended 31 December 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, Shahrah-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.

1.2 Consequent to acquisition of the Company by Fauji Group in year 2015, the management has taken various operational measures towards transformation of the Company that includes curtailment of higher input costs, increasing production scales to optimum levels by BMR - balancing, modernization and replacement of production facility amounting to Rs. 7,260.44 million (during the last four years), strengthening of milk collection and sales and distribution structures. The management has also taken various financial initiatives towards improvement of liquidity that included raising of equity finance of Rs. 6,896 million to date through right issue to support working capital and capital expenditure requirements. The Company has also arranged long term finances of Rs. 4,450 million to finance capital expenditure. Further fresh working capital lines of Rs. 2,000 million, in addition to existing lines of Rs. 5,300 million, were arranged from new and existing lenders during the year to meet operational liquidity requirements. The Parent Company has provided financial support of Rs. 2,630 million during the year for meeting the working capital requirements and contractual obligations of the Company.

Despite of the above measures, during the year ended 31 December 2019, the Company has incurred a loss after tax of Rs. 5,788.94 million (2018: Rs. 2,849.24 million) and as of this date its current liabilities exceeds its current assets by Rs. 8,789.30 million (2018: Rs. 2,875.20 million), equity has eroded and stands at negative Rs. 3,677.79 million. Due to continuous operational losses for the last few years, the operations have been financed through sponsor support/equity injection and high level of borrowings and as at 31 December 2019, the total debt amounts to Rs. 13,638.61 million.

The Board of the Directors ("BOD") of the Company have approved the business plan for financial year 2020 that shows improvements in cash generation. The cash flow forecasts for financial year 2020 includes financial support of Rs. 2,500 million from the Parent Company primarily for meeting the contractual obligations of the Company. The BOD has approved conversion of financial support for financial year 2019 of Rs. 2,630 million along with accrued markup into equity after approval of the shareholders and other requisite regulatory approvals. The Company is also considering renegotiating the terms of the loans with the lenders. Further the Parent Company has committed to provide all necessary financial and technical support to the Company as and when needed.

The management believes that the measures as explained above will generate sufficient financial resources from operations and alongwith financial support from the Parent Company, the Company is expected to generate sufficient cashflows in the next year. Accordingly, these financial statements have been prepared on a going concern basis.

2 Basis of accounting

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

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

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

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

2.2 Standards, amendments and interpretations and forth coming requirements

2.2.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the financial statements of the Company.

2.2.1.2 New and revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Compranies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the financial stability board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdiction have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long term viability of some interest rate benchmarks.in these amendments, the term 'interest rate Benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate ,such as that resulting from the FSB'S recommendation set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks'(the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the company.

- FRS 14 Regulatory Deferral Accounts- (effective for annual periods beginning on or after 01 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulations. In order to apply the interim standard, an entity has to be rate regulated _i.e. the establishment of prices that can be changed to its customers for goods or services is subject to oversight and /or approved by an authorized body. The term 'regulatory deferral account balance ' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on company's financial statements.

The above amendments are effective from annual period beginning on or after 01 July 2019 and are not likely to have an impact on Company's financial statements.

2.3 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain items of property, plant and equipment as referred to in note 7 at revalued amounts, recognition of lease liability and employee retirement benefits as referred to in note 9 and 10 at present value respectively.

2.4 Functional and presentation currency

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

3 Use of estimates and judgements

The preparation of these financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

Property, plant and equipment

The management of the Company reassesses useful lives and residual value for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. Any change in the estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. Effect of change in useful life estimate of computer and IT equipments is explained in note 17.1.5.

Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. It may be necessary to revalue the item only every three to five years.

Stores and spare parts

The Company reviews the stores and spare parts for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of respective items of stores and spares with a corresponding effect on provision.

Stock in trade

The Company reviews the carrying amount of stock-in-trade for possible impairment on a regular basis. Carrying amount of stock-in-trade is adjusted where the net realizable value is below the cost. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated cost necessary to be incurred to make the sale.

fauji foods

Expected credit loss (ECL) / Loss allowance against trade debts, deposits, advances and other receivables

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company reviews the recoverability of its trade debts, deposits, advances and other receivables to assess amount of loss allowance required on an annual basis.

Impairment

The management of the Company reviews carrying amounts of its assets including cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

Provisions and Contingencies

The Company reviews the status of all pending litigations and claims against the Company (based on current legal and constructive obligations). Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the reporting date.

Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Staff retirement benefits

The Company operates an accumulated compensated absences and unfunded defined benefit gratuity plan as explained in note 4.4.2 and 4.4.3 to these financial statements. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary.

Cost primarily represents actuarial present value of the obligation for benefits earned on employee service during the year and employee service in previous years. Calculations are sensitive to changes in the underlying assumptions.

4 Summary of significant accounting policies

The significant accounting policies set out below have been consistently applied to all periods presented in these financial statements, except as disclosed in note 4.1.

4.1 Changes 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, periods ending on or after 30 June 2019 and periods beginning on or after 01 January 2019 respectively. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:

4.1.1 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgment. The Company is engaged in processing and sale of toned milk, milk powder, fruit juices, allied dairy and food products. The contracts with customers for the sale of goods generally includes single performance obligation. Management has concluded that revenue from sale of goods be recognized at the point in time when control of the asset is transferred to the customer. The above is generally consistent with the timing and amounts of revenue the Company recognized in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations at 01 January 2019, did not have a material impact on the amounts of revenue recognized in the financial statements except for reclassification of the variable trade discount which is now to be set off against the sales. The corresponding figures have been represented to reflect this change on adoption of IFRS 15. Accordingly, selling and distribution expense of Rs. 376.62 million (31 December 2018: Rs. 444.84 million) has been reclassified to sales. This reclassification has no impact on the reported Loss per Share (LPS) of the corresponding year.

Upon adoption of IFRS 15 amounts received for future sale of goods were reclassified to 'contract liabilities'. Previously, these amounts were classified as "advances from customers"

Impact on financial statements

As at 01 January 2019, contract liabilities were increased by Rs. 89.00 million and advance from customers decreased by the same amount.

4.1.2 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 ' Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The details of new significant accounting policies adopted and the nature and the effect of the changes to the previous accounting policies are set out below:

4.1.2.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for the financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through Other Comprehensive Income ("FVOCI") or through statement of profit or loss ("FVTPL"); and
- Those to be measured at amortized cost.

The classification depends upon entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through statement of profit or loss:

- It is held within the business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on derecognition is recognised in the statement of profit or loss.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Dividend income is recognized in the statement of profit or loss. However, the above had no effect on the financial statements as the Company has no investments at the reporting date. The Company's accounting policy relating to financial instruments is explained in note 4.14 of these financial statements.

4.1.2.2 Impact of change in classification and measurement of financial assets due to adoption of IFRS 9

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets at 01 January 2019:

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			Rupees	Rupees
Security deposits	Loans and receivable	Amortized cost	129,053,715	129,053,715
Trade debts - unsecured, considered	Loans and receivable	Amortized cost	124,573,265	124,573,265
Other receivables	Loans and receivable	Amortized cost	606,874,357	606,874,357
Cash and bank balances	Loans and receivable	Amortized cost	98,221,298	98,221,298

4.1.2.3 Impairment

The adoption of IFRS 9 has changed the Company's impairment model by replacing the IAS 39 'incurred loss model' with a forward looking 'expected credit loss' (ECL) model when assessing the impairment of financial assets in the scope of IFRS 9. Financial Instruments: Recognition and Measurement'. IFRS 9 requires the Company to recognize ECLs for trade debts earlier than IAS 39. Cash and bank balances, security deposits and other receivables are subject to ECLs model but there is no or immaterial impairment for the current year.

Under IFRS 9, the losses allowances are measured on either of the following bases:

- 12 months ECLs, these are the ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs, these are ECLs that result from all possible default events over the expected life of a financial instrument.

  The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Trade and other receivables are written off when there is no reasonable expectation of recovery.

  Loss allowance on bank balances and other receivables is measured at 12 months expected credit losses. Since they are short term in nature and there is no adverse change in credit rating of the banks where the balances are maintained, therefore no credit loss is expected on these balances.

Impact of ECL

Considering the quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward- looking information, no loss allowance has been recorded against trade debts upon transition to IFRS 9 as of 01 January 2019 and Rs. 7.68 million has been recorded during the year ended 31 December 2019.

4.1.3 IFRS 16 - Leases

The Company has initially applied IFRS 16 from 01 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 January 2019.

As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right of use assets and lease liabilities for material leases i.e. these leases are on balance sheet.

The Company presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

The Company has presented non-current and current portion of related lease liabilities in the statement of financial position considering their due dates for payment.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative value. The Company has elected not to recognize right of use assets and liabilities for some leases of low value assets (milk collection centers/sales offices). The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term. The Company's accounting policy relating to leases is explained in note 4.3 of these financial statements.

Transition

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

- did not recognize right-of-use assets and liabilities for leases of low value items;

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

- Used hindsight when determining the lease term.

  The Company leases a number of vehicles and machinery. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right of use asset and the lease liability at 01 January 2019 were determined at the carrying of the lease asset and lease liability under IAS 17 immediately before that date.

Impact of financial statements

The Company has applied IFRS 16 using the modified retrospective approach. However none of the leases prior to 01 January 2019 have been considered as significant for the purpose of application of IFRS 16 and accordingly the application of IFRS 16 has no impact on the opening retained earnings as at 01 January 2019. The comparative information presented for 2018 is not restated i.e. it is presented as previously reported under IAS 17 and related interpretations.

The Company has entered into a new lease agreement for office with effect from 01 June 2019. Accordingly, right of use asset of Rs. 133.69 million and lease liability of Rs. 131.37 million has been recognized as at 01 June 2019 at an incremental borrowing rate of 13.59% per annum.

Also in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Company recognized Rs. 15.6 million of depreciation charges and Rs. 8.31 million of interest costs from this lease.

4.2 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted, after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

4.3 Leases

At the inception of a contract, the Company assesses whether a contract is or contains lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct cost incurred less any lease incentive received. The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability, if any. The right of use assets is depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. Right of use asset is disclosed in the property, plant and equipment as referred to note 17.1 of the financial statements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has used it incremental borrowing rate as the discount rate for leases where rate is not readily available. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero. Refer note 9 to these financial statements for disclosure of lease liability.

Short term leases and leases of low value assets

The Company has elected not to recognize right of use assets and liabilities for some leases of low value assets (milk collection centers/sales offices). The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

4.4 Employees' retirement benefits

4.4.1 Defined contribution plan

Provident fund

The Company is operating an approved provident fund scheme for all its employees since 01 May 1986. Equal monthly contributions are made by the employer and the employee to the fund in accordance with the fund rules at the rate of 10% of basic salary.

4.4.2 Other long term benefits - accumulated compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company. The Company accounts for these benefits in the year in which the absences are earned. Retired army officers and other employees are entitled to earned leaves of 30 days and 20 days per annum respectively.

The unutilized leaves of ex-servicemen and other employees are accumulated subject to a maximum of 120 days and 60 days respectively. The unutilized accumulated leaves can be enchased at the time the employee leaves Company service. The accumulated leave balance in excess of 120 days and 60 days for ex-servicemen and other employees respectively is ignored while determining benefit obligations.

The Company uses the actuarial valuations carried out using the projected unit credit method for valuation of its accumulated compensating absences. The latest valuation was carried out on 31 December 2019. Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to the statement of profit or loss. The amount recognized in the statement of financial position represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the statement of profit or loss immediately in the period when these occur.

4.4.3 Defined benefit plan

The Company operates an unfunded defined benefit gratuity plan for all permanent employees, having a service period of more than three years for retired army officers and more than five years for other employees. The Company recognizes expense in accordance with IAS 19 "Employee Benefits".

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method. The latest valuation was carried out on 31 December 2019.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognized in the statement of profit or loss. Past service costs are immediately recognized in statement of profit or loss.

4.5 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Account balances are classified as current liabilities if payment is due within one year or less (or in the normal operating cycles of business if longer). If not, they are classified as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.6 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable, will result in an outflow of resources embodying economic benefits, to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.7 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.8 Borrowings

Loans and borrowings are classified as financial liabilities at amortized cost. Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the reporting date.

Finance cost are accounted for on an accrual basis and are included in accrued finance cost to the extent of the remaining amount unpaid.

4.9 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

4.10 Property, plant and equipment

Property, plant and equipment except for freehold land, buildings on freehold land, plant and machinery, electric and gas installations, milk churns and other work equipment are stated at cost less accumulated depreciation and identified impairment loss. Freehold land is stated at revalued amount carried out by independent valuers by reference to its current market price less any identified impairment loss. Buildings on freehold land, plant and machinery, electric and gas installations, milk churns and other work equipment are stated at revalued amount carried out by independent valuers by reference to current market price less accumulated depreciation and any identified impairment loss. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Surplus on revaluation is booked by restating gross carrying amounts of respective assets being revalued, proportionately to the change in their carrying amounts due to revaluation. The accumulated depreciation at the date of revaluation is also adjusted to equal difference between gross carrying amounts and the carrying amounts of the assets after taking into account accumulated impairment losses.

Increase in the carrying amount arising on revaluation of property, plant and equipment is recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss, and depreciation based on the asset's original cost is transferred to retained earnings. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred tax.

Depreciation on all property, plant and equipment, except freehold land, is charged to statement of profit or loss on the reducing balance method so as to write-off the depreciable amount of an asset over its remaining estimated useful life after taking into account the impact of their residual value, if considered significant. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Useful lives are determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed-off.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to statement of profit or loss during the year in which these are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

The Company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. It consists of all expenditures and advances connected with specific assets incurred and made during installations and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

4.11 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets with finite useful life are amortized using the straight-line method over the estimated useful life of three years. Amortization of intangible assets is commenced from the date an asset is capitalized.

4.12 Stores, spares and loose tools

Usable stores, spares and loose tools are valued principally at moving average cost, while items considered obsolete are impaired. Items in transit are stated at cost comprising invoice value plus other charges paid thereon up to the reporting date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores.

4.13 Stock-in-trade

Stock of raw and packing materials, work-in-process and finished goods, except for those in transit, are valued principally at the lower of average cost and net realizable value. Cost in relation to raw and packing materials is measured at moving average cost. Work-in-process and finished goods are measured at weighted average cost and cost comprises direct materials, labour and appropriate proportion of manufacturing overheads.

Stock in transit is stated at invoice value plus other charges incurred thereon up to the reporting date. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated cost necessary to be incurred to make the sale.

4.14 Financial instruments

4.14.1 Recognition and initial measurement

All financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

4.14.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI), fair value through statement of profit or loss (FVTPL) and in case of an equity instrument it is classified as FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Any gain or loss on derecognition is recognized in statement of profit or loss.

  Financial assets measured at amortized cost comprise of cash and bank balances, deposits, trade debts and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss. However, the Company has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and these investments are never reclassified to statement of profit or loss. However, the Company has no such instrument at the reporting date.

Fair value through statement of profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss. The Company has no such investments at the reporting date.

Financial assets – Business model assessment

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, while the interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

The Company's financial liabilities comprise trade and other payables, long and short term borrowings, loan from the Parent Company, accrued markup and dividend payable.

4.14.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of profit or loss.

4.14.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

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4.14.5 Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;

- debt investments measured at FVOCI; and

- contract assets.The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities, bank balances and other receivables for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non - Financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balances at banks and outstanding balance of short term running finances.

4.16 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the reporting date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to statement of profit or loss. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

4.17 Revenue recognition

Revenue represents the fair value of consideration received or receivable for sale of goods, net of sales tax, sales returns and related discounts and commissions. Revenue is recognized when or as performance obligation is satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or point in time.

Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.18 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

4.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment. All non-current assets of the Company are located in Pakistan and 100% of the revenue is derived from sale of dairy and allied products.

4.20 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recognized in the financial statements in the period in which these are approved.

4.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

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5 Share capital

	2019	2018	2019	2018
	- - (Number of shares) - -		Rupees	Rupees
5.1 Authorized capital				
Shares of Rs. 10 each	**700,000,000**	700,000,000	**7,000,000,000**	7,000,000,000
5.2 Issued, subscribed and paid up capital				
Ordinary share capital				
Ordinary shares of Rs.10 each fully paid in cash	**503,934,166**	503,934,166	**5,039,341,660**	5,039,341,660
Ordinary shares of Rs 10 each issued as fully paid bonus shares	**2,639,200**	2,639,200	**26,392,000**	26,392,000
Ordinary shares of Rs 10 each issued as fully paid on conversion of loans	**14,633,826**	14,633,826	**146,338,260**	146,338,260
Voting ordinary shares of Rs.10 each issued on conversion of 12% cumulative convertible preference shares	**7,200,000**	7,200,000	**72,000,000**	72,000,000
	528,407,192	528,407,192	**5,284,071,920**	5,284,071,920

5.3 Ordinary shares of the Company held by associated undertakings and directors at year end are as follows:

	2019	2018	2019	2018
Ordinary share capital	- - - - Percentage held - - - -		- - - - Number of shares - - - -	
Fauji Fertilizer Bin Qasim Limited				
- voting ordinary shares	**50.59%**	50.59%	**267,314,886**	267,314,886
Fauji Foundation				
- voting ordinary shares	**12.75%**	12.75%	**67,371,916**	67,371,916
Directors, Chief Executive, officers and their spouse and minor children				
- voting ordinary shares	**0.00%**	4.04%	**91**	21,368,165
Employees' provident fund				
- voting ordinary shares	**0.00%**	1.62%	**-**	8,560,700
FFBL provident fund				
- voting ordinary shares	**2.71%**	4.09%	**14,306,000**	21,606,000
FFBL' gratuity fund				
- voting ordinary shares	**1.97%**	1.22%	**10,400,500**	6,421,500
			359,393,393	392,643,167

5.4 The holders of voting ordinary shares are entitled to receive dividends as declared (if any), and are entitled to one vote per share at meetings of the Company.

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.

	2019 Rupees	2018 Rupees
7 Surplus on revaluation of property, plant and equipment - net of tax		
Revaluation surplus as at 01 January	**1,689,193,958**	1,804,306,912
Surplus transferred to accumulated losses on account of:		
- disposal of plant and machinery - net of deferred tax	**(5,774,191)**	-
- incremental depreciation charged during the year - net of deferred tax	**(73,557,177)**	(81,730,197)
Related deferred tax liability		
- disposal of plant and machinery	**(2,358,473)**	-
- incremental depreciation charged during the year	**(30,044,482)**	(33,382,757)
	(111,734,323)	(115,112,954)
Revaluation surplus as at 31 December	**1,577,459,635**	1,689,193,958
Less: Related deferred tax liability on revaluation surplus at 01 January	**264,816,197**	345,338,860
Reduction in deferred tax liability due to:		
- disposal of plant and machinery	**(2,358,473)**	-
- incremental depreciation charged during the year	**(30,044,482)**	(33,382,757)
- tax rate adjustment	**35,628,612**	(47,139,906)
	3,225,657	(80,522,663)
Deferred tax liability on revaluation surplus as at 31 December	**268,041,854**	264,816,197
Revaluation surplus as at 31 December - net of tax	**1,309,417,781**	1,424,377,761

7.1 The Company revalued its freehold land, buildings on freehold land, plant and machinery, electric and gas installations and other works equipment during the financial years 1999, 2011, 2015 and 2017. The latest revaluation was conducted by K.G Traders (independent valuers and consultants). Freehold land was revalued on the basis of current market value whereas other assets were revalued on the basis of depreciated market values. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery and other assets.

	Note	2019 Rupees	2018 Rupees
8 Long term finances - secured			
Long term loans	8.1	**4,316,666,667**	4,450,000,000
Current maturity presented under current liabilities	11	**(1,608,333,334)**	(258,333,333)
		2,708,333,333	4,191,666,667

8.1 Long term finances utilized under mark-up arrangements from banking companies are composed of:

Note	Bank Name	Facility	2019 Rupees	2018 Rupees	Mark-up as per Agreement	Tenure and basis of principal repayment
8.1.1	Allied Bank Limited	Term Finance	**666,666,667**	800,000,000	3 Months KIBOR plus 0.85% per annum, payable quarterly.	The loan is payable in 10 remaining quarterly equal installments ending on 02 May 2022.
8.1.2	National Bank of Pakistan	Term Finance	**750,000,000**	750,000,000	3 Months KIBOR plus 1.2% per annum, payable quarterly.	The loan is payable in 6 remaining semi-annually equal installments ending on 30 June 2022.
8.1.3	MCB Bank Limited	Demand Finance	**1,000,000,000**	1,000,000,000	3 Months KIBOR plus 0.85% per annum, payable quarterly.	12 quarterly installments starting from 01 February 2020 and ending on 01 November 2022.
8.1.4	Faysal Bank Limited	Term Finance	**1,900,000,000**	1,900,000,000	3 Months KIBOR plus 1.58% per annum, payable quarterly.	6 semi-annually installments starting from 29 June 2020 and ending on 20 December 2022.

8.1.1 This facility is secured by way of first parri passu charge of Rs 1,334 million on present and future current and fixed assets of the Company and equitable mortgage of property / land measuring 112.25 kanals and building thereon situated in Mauza Purana Bhalwal, Tehsil Bhalwal, District Sargodha, together with structures of all sorts, amenities, easements, etc. constructed or to be constructed thereon, plant and machinery, air conditioning / air conditioning plant, equipment, fittings and fixtures, appurtenances whatsoever, installed or to be installed therein / thereon etc.

8.1.2 This facility is secured by way of ranking charge of Rs. 1,000 million over current and fixed assets (excluding land and building) of the Company.

8.1.3 This facility is secured by way of first parri passu charge of Rs. 1,333.33 million over all present and future current and fixed assets (including land and building) of the Company.

8.1.4 This facility is secured by way of ranking charge of Rs. 2,534 million on all present and future current and fixed assets (excluding land and building) of the Company.

8.1.5 All these facilities have been obtained to finance the balancing, modernization and replacement (BMR) of the Company.

	Note	2019 Rupees	2018 Rupees
9 Lease liabilities			
(2018: Liabilities subject to finance lease)			
Leased vehicles - secured	9.1	**67,942,457**	131,937,261
Leased machinery - unsecured		**207,531,397**	302,634,288
Leased building - unsecured	4.1.3	**117,357,317**	-
		392,831,171	434,571,549
Current maturity presented under current liabilities	11	**(137,275,543)**	(145,298,654)
		255,555,628	289,272,895

The Company has entered into lease agreements with different commercial banks for vehicles, with a supplier for filling machines and with a landlord for building. The rentals under these agreements are repayable in 24 to 60 monthly and quarterly instalments. The minimum lease payments have been discounted at an implicit interest rate of 10.43% to 14.39% (2018: 5.54% to 13.44%) per annum to arrive at their present value. At the end of the respective lease term, the assets other than building, shall be transferred in the name of the Company. Taxes, repairs and insurance costs are to be borne by the Company. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

As explained in note 4.1.3, on account of leased building recognized during the year, the Company has paid minimum lease payment of Rs. 22.32 million inclusive of finance cost. The tenure of contract is five years and the lease liability is discounted at incremental borrowing rate of 13.59% per annum.

	Note	2019 Up to one year	2019 From one to five years	2019 Total	2018 Up to one year	2018 From one to five years	2018 Total
		---------------	**Rupees**	--------------	---------------	Rupees	--------------
a) Leased vehicles - secured							
Particulars							
Minimum lease payments		**57,584,327**	**39,089,162**	**96,673,489**	61,292,013	115,595,094	176,887,107
Less: Finance costs allocated to future periods		**(6,996,329)**	**(1,550,853)**	**(8,547,182)**	(11,096,252)	(7,711,894)	(18,808,146)
		50,587,998	**37,538,309**	**88,126,307**	50,195,761	107,883,200	158,078,961
Less: Security deposits adjustable on expiry of lease terms		**(5,330,650)**	**(14,853,200)**	**(20,183,850)**	(6,904,148)	(19,237,552)	(26,141,700)
Present value of minimum lease payments	9.1	**45,257,348**	**22,685,109**	**67,942,457**	43,291,613	88,645,648	131,937,261
b) Leased machinery - unsecured							
Particulars							
Minimum lease payments		**96,719,511**	**168,789,779**	**265,509,290**	134,614,763	265,509,289	400,124,052
Less: Finance costs allocated to future periods		**(21,541,075)**	**(36,436,818)**	**(57,977,893)**	(39,511,870)	(57,977,894)	(97,489,764)
		75,178,436	**132,352,961**	**207,531,397**	95,102,893	207,531,395	302,634,288
c) Leased building - unsecured							
Particulars							
Minimum lease payments		**31,992,000**	**127,375,776**	**159,367,776**	-	-	-
Less: Finance costs allocated to future periods		**(15,152,240)**	**(26,858,219)**	**(42,010,459)**	-	-	-
		16,839,760	**100,517,557**	**117,357,317**	-	-	-

9.1 This includes amount of Rs. 34.58 (2018: Rs. 54.93 million) payable to Askari Bank Limited, a related party.

	Note	**2019 Rupees**	2018 Rupees
10 Employee retirement benefits			
Accumulated compensated absences	10.1	**26,760,382**	31,608,489
Defined benefit plan	10.2	**49,874,566**	54,559,328
		76,634,948	86,167,817

10.1 Movement in accumulated compensated absences

	Note	2019	2018
Balance as at 01 January		**31,608,489**	23,243,262
Charge to statement of profit or loss	10.1.1	**15,683,893**	10,698,671
Benefits paid during the year		**(20,532,000)**	(2,333,444)
Balance as at 31 December		**26,760,382**	31,608,489

10.1.1 Charge to the statement of profit or loss

	2019	2018
Current service cost	**10,404,879**	9,453,429
Interest on defined benefit liability	**1,413,940**	883,062
Remeasurement loss	**3,865,074**	362,180
	15,683,893	10,698,671

10.1.2 The principal actuarial assumptions at the reporting date were as follows:

	2019	2018
Discount rate	**12.50%**	13.25%
Expected per annum growth rate in salaries	**12.50%**	13.25%
Expected mortality rate	**SLIC (2001-2005)**	SLIC (2001-2005)

As at 31 December 2019, average accumulation of leaves is 16 days per annum (2018: 16 days per annum), subject to a maximum accumulation of 60 days for civilians and 120 days for ex-servicemen (2018: 60 days for civilians and 120 days for ex-servicemen).

10.1.3 Sensitivity analysis

If the significant actuarial assumptions used to estimate the present value of liability at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the liability as at 31 December 2019 would have been as follows:

10.1.3.1 Present value of liability at the year end;

	Due to increase in assumptions			
	2019		2018	
	- - - - - - - - - - - Rupees - - - - - - - - - -			
Discount rate 100 bps	**23,468,198**	**30,693,457**	27,614,326	36,402,623
Salary increase 100 bps	**30,665,621**	**23,441,209**	36,356,702	27,581,879

10.2 Present value of defined benefit obligation	Note	2019 Rupees	2018 Rupees
Balance as at 01 January		**54,559,328**	32,369,350
Charge to statement of profit or loss	10.2.1	**5,304,572**	21,374,086
Benefits paid during the year		**(5,685,084)**	-
Charge to other comprehensive income	10.2.2	**(4,304,250)**	815,892
Balance as at 31 December		**49,874,566**	54,559,328

10.2.1 Charge to the statement of profit or loss		
Current service cost	**15,372,476**	18,784,538
Gain on settlements	**(16,920,378)**	
Interest on defined benefit liability	**6,852,474**	2,589,548
	5,304,572	21,374,086

10.2.2 Charge to other comprehensive income		
Actuarial (gain)/loss on present value		
- Experience adjustments	**(4,304,250)**	815,892

10.2.3 The estimated expense to be charged to the statement of profit or loss in next year on account of current service cost and interest cost amounting to Rs. 16.21 million and Rs. 5.61 million respectively.

10.2.4 The principal actuarial assumptions at the reporting date were as follows:

	2019	2018
Discount rate	**12.50%**	13.25%
Expected per annum growth rate in salaries	**12.50%**	13.25%
Expected mortality rate	**SLIC (2001-2005)**	SLIC (2001-2005)

As at 31 December 2019, the weighted average duration of the defined benefit obligation was 8 years (2018: 9 years).

10.2.5 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at 31 December would have been as follows:

10.2.5.1 Present value of defined benefit obligation at year end

	Due to increase in assumptions			
	2019		2018	
	- - - - - - - - - - - **Rupees** - - - - - - - - - -			
Discount rate 100 bps	**43,692,623**	**57,360,104**	47,869,516	62,365,742
Salary increase 100 bps	**57,287,568**	**43,642,252**	62,292,010	47,814,401

11 Current portion of long term liabilities	Note	**2019 Rupees**	2018 Rupees
Long term finances - secured	8	**1,608,333,334**	258,333,333
Lease liabilities	9	**137,275,543**	145,298,654
		1,745,608,877	403,631,987

12 Short term borrowings - secured			
Short term running finance	12.1 & 12.4	**5,141,946,098**	4,641,084,045
Islamic mode of financing	12.2	**1,549,998,028**	349,999,476
		6,691,944,126	4,991,083,521

12.1 Short term running finance

This represents utilized amount of short term running finance facilities ("facilities") under mark-up arrangements available from various commercial banks aggregating to Rs 5,681.50 million (31 December 2018: Rs 4,650.94 million). These facilities are secured against charge over all current assets and fixed assets (excluding land and building) of the Company and carry mark-up ranging from 1 to 3 months KIBOR plus spread of 0.50% to 6.65% per annum (2018: 1 to 3 months KIBOR plus spread of 0.30% to 1.15%) per annum, payable monthly, quarterly and semi-annually in arrears. These facilities are expiring on various dates (Latest by December 2019 and maximum by June 2020).

12.2 Islamic mode of financing

This represents utilized amount of short term finance facilities (Wakala Istithmar/Istisna) availed from Islamic banks aggregating to Rs 1,550 million (2018: Rs 550 million). These facilities are secured against charge over all current assets and fixed assets (excluding land and building) of the Company. These facilities carry mark-up ranging from 6 months KIBOR plus spread of 0.50% to 1.50% per annum (2018: 6 months KIBOR plus spread of 0.75%) per annum. The facilites are expiring in March 2020.

12.3 Unavailed credit facilities

Out of total facilities for opening of letters of credit and guarantees of Rs. 834.58 million (2018: Rs 1,386.24 million) as at 31 December 2019 unutilized amount as of that date was Rs. 664.43 million (2018: Rs 1,080.89 million).

12.4 Related party

This includes balance of Rs. 709.91 million (2018: Rs. 708.03 million) payable to Askari Bank Limited, an associated undertaking.

12.5 As per the financing arrangements, the Company is required to comply with certain financial covenants and other conditions imposed by the providers of finance.

	2019	2018
13 Loan from Parent Company - unsecured	**Rupees**	Rupees
Mark-up based Subordinated loan - unsecured	**2,630,000,000**	-

This represent utilized amount of loan availed from the Parent Company (Fauji Fertilizer Bin Qasim Limited) under markup arrangement on account of sponsor support of Rs. 3,000 million to meet working capital requirement of the Company. This loan is subordinated to the Company's secured debt obligations and is for a period of one year and carries markup at 3 months kibor plus 1.5% per annum, payable quarterly in arrears. The Board of Directors and shareholders of the Parent Company in their meeting held on 30 January 2019 and 29 March 2019 respectively approved the sponsor support in the total amount not exceeding Rs. 3,000 million in a form of subordinated shareholder loan or collateral support for a period not exceeding one year.

		2019	2018
	Note	**Rupees**	Rupees
14 Trade and other payables			
Trade and other creditors		**777,092,946**	898,415,328
Contract liabilities		**86,718,942**	-
Advances from customers		**-**	89,000,223
Accrued expenses		**262,711,827**	190,701,584
Retention money payable		**4,012,223**	44,155,043
Due to employees		**1,017,538**	394,208
Due to associated undertaking - unsecured	14.1	**1,384,717**	805,088
Withholding income tax payable		**8,690,633**	10,576,420
Withholding sales tax payable		**16,835,983**	13,479,315
Payable to provident fund	14.2	**5,676,958**	5,051,531
Workers' profit participation fund		**429,988**	429,988
Others		**2,170,316**	2,256,133
		1,166,742,071	1,255,264,861

		2019	2018
14.1	**Due to associated undertakings -** unsecured	**Rupees**	Rupees
	Noon Sugar Mills Limited	**1,384,717**	521,947
	Fauji Security Services (Private) Limited	**-**	283,141
		1,384,717	805,088

14.1.1 These are interest free in the normal course of business for purchase of goods or services.

14.2 Employees' provident fund

Investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated there under. The fund holds Nil (2018: 1.62%) of the Company's share capital as referred in note 5.3.

			2019	2018
15	**Accrued finance cost**	Note	**Rupees**	Rupees
	Mark-up based borrowings from conventional banks			
	- Long term borrowings - secured		**157,926,586**	104,072,985
	- Short term borrowings - secured	15.1	**208,477,050**	80,934,045
	- Loan from Parent Company - unsecured	13	**118,863,714**	-
	- Lease liabilities		**462,905**	462,905
	Islamic mode of financing			
	- Short term borrowings - secured		**69,077,418**	10,178,733
			554,807,673	195,648,668

15.1 This includes amount of Rs. 28.31 million (2018: Nil) payable to Askari Bank Limited, an associated undertaking.

16 Contingencies and commitments

16.1 Contingencies

16.1.1 The Company has issued following guarantees:

Guarantees aggregating Rs. 15.01 million (2018: Rs. 83.51 million) have been issued by banks on behalf of the Company to Sui Northern Gas Pipeline Limited, Pakistan State Oil and Controller Naval Account.

16.1.2 The Taxation Officer, after conducting audit under section 177 of the Income Tax Ordinance, 2001 (the Ordinance) for the tax year 2005, had passed an amended assessment order under section 122 of the Ordinance raising tax demands of Rs. 34.99 million alleging that the Company suppressed its sales. The Commissioner Inland Revenue-Appeals (CIR-A) annulled this assessment order whereas the Appellate Tribunal Inland Revenue (ATIR) had set aside the order of CIR-A and remanded the case back to CIR-A for denovo proceedings. The CIR-A, vide his order dated 03 September 2012, has allowed partial relief of Rs. 11.32 million to the Company. The remaining disputed amount after rectification order under section 221 of the Income Tax Ordinance 2001 dated 16 May 2013 out of Rs. 34.99 million now stands at Rs. 18.28 million. Both the Company and the Department have filed appeals before the ATIR against the order of CIR-A, which are pending adjudications.

16.1.3 The Company, during the financial year ended 30 June 2011, received a notice under section 177 of the Ordinance for the tax year 2009 for selection of its case for detailed scrutiny. The Company filed a writ petition before the Honourable Lahore High Court which was dismissed vide order dated 27 May 2015.

The Company filed an appeal before the Honourable Supreme Court of Pakistan which directed that the Company should seek remedy in this respect before the intra court appeal of the Honourable Lahore High Court. The matter is now pending in intra court appeal.

16.1.4 The Additional Commissioner Inland Revenue raised income tax demand under section 122(5A) of the Ordinance for the tax year 2010 amounting Rs. 5.63 million. The Company filed an appeal before Commissioner Inland Revenue - Appeals, which was decided in the favour of the Company, However the Department is contesting the order before the Appellate Tribunal Inland Revenue (ATIR).

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16.1.5 The Additional Commissioner Inland Revenue raised income tax demand under section 122(5A) of the Ordinance for the tax year 2011 amounting Rs 21.8 million. The Company, through its external legal counsel, filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) which was decided in favour of the Company with the exception of Rs. 2.97 million addition by CIR-A. The Company has subsequently filed an appeal before the ATIR against confirmation of the said addition and the Department is contesting the relief allowed by CIR-A. Further, second amendment order has also been framed under section 122(5A) determining additional tax demand at Rs. 14.57 million. The Company filed an appeal before CIR-A against the second amendment order. The CIR-A set aside the order with directions to revisit the evidence and explanation and pass a judcious order.

16.1.6 In the year 2015, the Company received a notice under section 177 of the Ordinance in respect of tax year 2012 for selection of its case for tax audit by the Commissioner Inland Revenue (CIR). The Company filed a writ petition before the Honourable Lahore High Court against the selection of case by CIR under the aforementioned section. During the financial year 2018, the writ petition was decided against the Company and consequently audit proceedings were initiated wherein a demand of Rs. 30 Million was raised by Additional Commissioner Inland Revenue under section 122(1) of the Income Tax Ordinance, 2001. The Company, through its external council, filed an appeal against the order before the Commissioner Inland Revenue - Appeals (CIR - A) which is pending adjudication.

16.1.7 During the year, the Additional Commissioner Inland Revenue amended the taxable loss under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2013 on account of un-reconciled sales, exchange loss and tax credit. The Company, through its external council, filed an appeal against the order before the Commissioner Inland Revenue - Appeals (CIR - A) which is pending adjudication.

16.1.8 During the year ended 31 December 2016, the Additional Commissioner Inland Revenue raised income tax demand under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2014 amounting to Rs 32.63 million by treating differences in sales tax returns as compared to audited accounts. The proceedings are in progress.

Further, the Company has been selected for audit in respect of tax year 2014 under section 214C of the Income Tax Ordinance, 2001. Proceedings in this respect are still to be initiated.

16.1.9 During the year ended 31 December 2019, the Assistant Commissioner Inland Revenue issued a show cause notice under section 161 of the Income Tax Ordinance, 2001 for the tax year 2017 against non-deduction of withholding tax on payments against milk procurement, contractual services and air ticketing amounting to Rs 60.62 million. The proceedings are in progress.

16.1.10 During the year ended 31 December 2016, Assistant Commissioner Inland Revenue (ACIR) raised sales tax demand of Rs. 4.84 million under section 11(2) and 11(3) of the Sales Tax Act 1990 against inadmissible refund claim and non-realization of sales tax on sale of scrap during the period from December 2012 to March 2013. The Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR - A) which was decided against the Company. The Company being aggrieved filed an appeal before Appellate Tribunal Inland Revenue (ATIR). The ATIR decided the case in favour of the Company and waived off the whole tax demand against which the Department filed reference before the Honourable Lahore High Court which is pending adjudication.

16.1.11 During the year ended 31 December 2017, Assistant Commissioner Inland Revenue (ACIR) raised sales tax demand of Rs. 102 million under section 10 and 11(2) of the Sales Tax Act 1990 against inadmissible input tax adjustment and non-deduction of withholding sales tax during the period from July 2015 to June 2016. The Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR - A) which was decided against the Company. The Company being aggrieved filed an appeal before Appellate Tribunal Inland Revenue (ATIR). The ATIR decided the case in favour of the Company and waived off the whole tax demand against which the Department filed reference before the Honourable Lahore High Court which is pending adjudication.

16.1.12 During the year ended 31 December 2017, Assistant Commissioner Inland Revenue (ACIR) issued sales tax order, dated 26 May 2017 for payment of Rs. 974 million for sales tax along with 100% default surcharge and penalty of Rs. 225 million due to alleged non-payment of sales tax on sales of "Chai Mix, Dairy Rozana and for the tax period July 2011 to December 2016. The order is based on the grounds that exemption is available to the Company only to the extent of dairy products and tea whitener is not milk / dairy product. The Company being aggrieved filed appeal initially before Commissioner Inland Revenue - Appeals (CIR-A) and then to the Appellate Tribunal Inland Revenue (ATIR) where the matter was heard and decided in favour of the Company on jurisdictional grounds. The Department and the Company have filed appeals before the Honourable High Court which are pending adjudication.

Further during the year ended 31 December 2018, the Assistant Commissioner Inland Revenue (ACIR) issued a show cause notice, dated 10 October 2018 for payment of Rs. 974 million for sales tax along with 100% default surcharge and penalty of Rs. 129 million due to alleged non-payment of sales tax on sales of "Dostea Chai Mix (tea whitener)" for the tax period January to December 2017. The order was based on the same grounds on which the order dated 26 May 2017 as explained above was issued . The Company filed a writ petition against this show cause notice before the High Court on jurisdictional and technical grounds which is pending adjudication.

Meanwhile, the matter was forwarded by the Regional Tax Officer Sargodha to Model Custom Collectorate of Appraisement (East), Customs House, Karachi for determination of appropriate classification of tea whitener. During the year, the matter has been resolved by the classification committee through its order C-72/KAPE/DC/PCT/2017 dated 11 Feburary 2019 and addressed to Deputy Commissioner Inland Revenue (Large Taxpayer Unit) for onwards pursual. Through the above order the classification of tea whitner continues to be under the same PCT code as was determined earlier by the Appraisment Committe through its order of 05 May 2011. Consequent to the decision of the classification committee, the management is hopeful that the above writ petitions will be decided in the favour of the Company.

16.1.13 During the year ended 31 December 2018, Assistant Commissioner Inland Revenue (ACIR) through its order dated 23 October 2018, raised a sales tax demand for the period from July 2016 to June 2017, under section 11(2) and 11(3) of Sales Tax Act, 1990, amounting to Rs. 145.57 million along with penalty of Rs. 7.28 million against inadmissible adjustment of input tax on goods not related to taxable supplies, non-realization of sales tax on disposal of fixed assets and non-withholding of sales tax from payment made against advertisement. The Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) which is remanded back to ACIR for re-evaluation.

16.1.14 During the year ended 31 December 2018, Assistant Commissioner Inland Revenue (ACIR) issued a show cause notice, dated 09 November 2018, against inadmissible adjustment of input tax on goods not related to taxable supplies and non-withholding of sales tax from payment made against advertisement amounting to Rs. 399.60 million. Against the show cause notice, the ACIR raised a sales tax demand of Rs. 135.34 million alongwith default surcharge and penalty. The Company is in process of filing an appeal against the order.

16.1.15 During the year, Additional Commissioner Inland Revenue (ACIR) raised sales tax demand for the period from January 2016 to December 2016 under section 11(2) of the Sales Tax Act, 1990 against non realization of sales tax amounting to Rs. 1.94 million on sale of scrap. The Company filed an appeal before Commissioner Inland Revenue (Appeals), which was decided in the favour of the Department. The Company being aggrieved filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication. The ATIR decided the case in favour of the Company and waived off the whole tax demand against which the Department filed reference before the Honourable Lahore High Court which is pending adjudication.

Based on the opinion of the legal and tax advisors handling the above litigations, the management believes that the Company has strong legal grounds against each case and that no financial liability is expected to accrue. Accordingly, no provision has been made in these financial statements.

16.2 Commitments

16.2.1 The Company has issued postdated cheques of Rs. 18.82 million (2018: Rs. 25.24 million) in favour of custom authorities for import of plant and machinery vide Serial No. 6, 8th Schedule of Sales Tax Act, 1990.

16.2.2 Commitments, for capital expenditure, against irrevocable letters of credit outstanding at the year end were for Rs. 3.82 million (2018: Rs. 56.98 million).

16.2.3 Commitments, for purchase of raw / packing material, outstanding at the year end were for Rs. 7.29 million (2018: Rs. 312.14 million).

17 Property, plant and equipment	Note	**2019 Rupees**	2018 Rupees
Operating fixed assets	17.1	**7,864,982,570**	6,885,161,167
Capital work-in-progress	17.2	**241,053,620**	1,067,982,436
		8,106,036,190	7,953,143,603

17.1 Operating fixed assets

	2019							
	Cost/ revalued amount 01 January 2019	Additions / (deletions)	Cost / revalued amount 31 December 2019	Accumulated depreciation as at 01 January 2019	Depreciation charge / (deletions) / for the year	Accumulated depreciation as at 31 December 2019	Book value as at 31 December 2019	Rate of depreciation %
Owned assets	Rupees							
Freehold land	726,543,375	-	726,543,375	-	-	-	**726,543,375**	-
Buildings on freehold land	944,956,342	219,508,623	1,164,464,965	165,415,906	93,637,828	259,053,734	**905,411,231**	10
Plant and machinery	6,281,839,956	1,252,712,386	7,503,502,571	1,539,171,780	547,955,688	2,079,980,411	**5,423,522,160**	10
		(31,049,771)			(7,147,057)			
Electric and gas installation	22,553,112	1,265,040	23,818,152	11,642,398	1,807,740	13,450,138	**10,368,014**	10
Other works equipment	24,700,909	114,738,605	139,439,514	7,168,736	9,128,759	16,297,495	**123,142,019**	10
Pallets	35,433,562	-	35,433,562	14,582,932	8,527,589	23,110,521	**12,323,041**	33.33
Office and IT Equipment	91,257,899	33,385,580	124,643,479	28,741,657	9,650,194	38,391,851	**86,251,628**	10 & 33.33
Furniture and fixture	36,863,827	11,358,841	48,222,668	13,852,561	2,444,761	16,297,322	**31,925,346**	10
Vehicles	55,381,779	4,364,538	52,279,539	29,184,941	4,727,965	28,802,827	**23,476,712**	20
		(7,466,778)			(5,110,079)			
	8,219,530,761	**1,637,333,613**	**9,818,347,825**	**1,809,760,911**	**677,880,524**	**2,475,384,299**	**7,342,963,526**	
		(38,516,549)			**(12,257,136)**			
Right of use assets								
Building - note 4.13	-	133,686,254	133,686,254	-	15,596,730	15,596,730	**118,089,524**	20
Plant and Machinery	357,369,494	-	357,369,494	6,171,272	35,439,141	41,610,413	**315,759,081**	10
Vehicles	248,545,543	34,362,004	215,453,912	124,352,448	45,266,701	127,283,473	**88,170,439**	33.33
		(67,453,635)			(42,335,676)			
	605,915,037	**168,048,258**	**706,509,660**	**130,523,720**	**96,302,572**	**184,490,616**	**522,019,044**	
		(67,453,635)			**(42,335,676)**			
31 December 2019	**8,825,445,798**	**1,805,381,871**	**10,524,857,485**	**1,940,284,631**	**774,183,096**	**2,659,874,915**	**7,864,982,570**	
		(105,970,184)			**(54,592,812)**			

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	2018							
	Cost/ revalued amount 01 January 2018	Additions / (deletions)	Cost/revalued amount 31 December 2018	Accumulated depreciation as at 01 January 2018	Depreciation charge / (deletions) / for the year	Accumulated depreciation as at 31 December 2018	Book value as at 31 December 2018	Rate of depreciation %
Owned assets	Rupees							
Freehold land	721,779,000	4,764,375	726,543,375	-	-	-	726,543,375	-
Buildings on freehold land	931,142,209	13,814,133	944,956,342	77,946,681	87,469,225	165,415,906	779,540,436	10
Plant and machinery	5,812,341,081	469,498,875	6,281,839,956	1,041,488,253	497,683,527	1,539,171,780	4,742,668,176	10
Electric and gas installation	22,553,112	-	22,553,112	10,430,096	1,212,302	11,642,398	10,910,714	10
Other works equipment	15,906,188	8,794,721	24,700,909	5,842,010	1,326,726	7,168,736	17,532,173	10
Pallets	21,610,012	13,823,550	35,433,562	6,809,662	7,773,270	14,582,932	20,850,630	33.33
Office and IT Equipment	81,243,122	10,014,777	91,257,899	22,148,984	6,592,673	28,741,657	62,516,242	10 & 33.33
Furniture and fixture	32,137,158	4,726,669	36,863,827	11,701,875	2,150,686	13,852,561	23,011,266	10
Vehicles	45,496,368	14,784,781	55,381,779	28,928,058	4,440,917	29,184,941	26,196,838	20
		(4,899,370)			(4,184,034)			
	7,684,208,250	540,221,881	8,219,530,761	1,205,295,619	608,649,326	1,809,760,911	6,409,769,850	
		(4,899,370)			(4,184,034)			
Leased assets								
Plant and machinery	-	357,369,494	357,369,494	-	6,171,272	6,171,272	351,198,222	10
Vehicles	224,864,210	25,468,333	248,545,543	66,281,050	58,914,720	124,352,448	124,193,095	33.33
		(1,787,000)			(843,322)			
	224,864,210	382,837,827	605,915,037	66,281,050	65,085,992	130,523,720	475,391,317	
		(1,787,000)			(843,322)			
31 December 2018	7,909,072,460	923,059,708	8,825,445,798	1,271,576,669	673,735,318	1,940,284,631	6,885,161,167	
		(6,686,370)			(5,027,356)			

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17.1.1 Disposal of operating assets

Particulars of assets	Cost	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Relationship with Company	Particulars of purchaser
	- - - - - - - - - - - - - - - Rupees	- - - - - - - - - - - - - - -					
Plant and Machinery							
Ecolean EL-1 Packing Machine	31,049,771	23,902,714	25,000,000	1,097,286	Negotiation	Third party sale	Ecolean Pakistan (Private) Limited
Vehicles							
Toyota Corolla Gli	1,492,472	927,451	1,335,000	407,549	Auction	Third party sale	Abdul Hameed
Honda City	1,000,000	541,095	1,275,000	733,905	- do -	Third party sale	Sarwat Altaf
Honda Civic	2,637,000	1,028,992	2,575,000	1,546,008	- do -	Third party sale	Abubakar Zahid
Honda Civic	2,637,000	1,144,277	2,875,000	1,730,723	- do -	Ex-employee	Brig. Salman Akbar
Honda Civic	2,637,000	1,367,334	2,705,000	1,337,666	- do -	Third party sale	Umar Rashid
Toyota Corolla Altis	1,997,500	808,319	1,745,000	936,681	- do -	Third party sale	Malik Naeem Sarwar
Toyota Corolla Altis	1,990,500	681,314	2,000,000	1,318,686	- do -	Third party sale	Umar Rashid
Toyota Corolla Altis	1,990,500	667,517	2,125,000	1,457,483	- do -	Third party sale	M Bilal Malik
Toyota Corolla Altis	1,990,500	695,111	2,135,000	1,439,889	- do -	Third party sale	Umar Rashid
Toyota Corolla Xli	1,662,000	603,434	1,590,000	986,566	- do -	Third party sale	Syed Riaz Ahmed
Toyota Corolla Xli	1,660,500	517,076	1,450,000	932,924	- do -	Third party sale	Mian Shehzad Aslam
Toyota Corolla Xli	1,660,500	568,361	1,600,000	1,031,639	- do -	Third party sale	Sarwat Altaf
Toyota Corolla Altis	1,990,500	811,611	812,560	949	Company Policy	Ex-employee	Farrukh Sheikh
Toyota Corolla Xli	1,662,000	660,493	664,800	4,307	- do -	Employee	Syed Abdul Majid Shah
Toyota Corolla Xli	1,662,000	661,012	664,800	3,788	- do -	Ex-employee	Iftikhar Ahmed
Toyota Corolla Altis	2,015,500	909,504	910,012	508	- do -	Ex-employee	Shaista Hassan
Toyota Corolla Altis	1,990,500	795,310	796,200	890	- do -	Ex-employee	Abdur Razzak
Toyota Corolla Altis	1,990,500	793,714	796,200	2,486	- do -	Ex-employee	Muhammad Imran Khattak
Toyota Corolla Xli	1,660,500	661,064	664,200	3,136	- do -	Employee	Muhammad Ali
Toyota Corolla Xli	1,660,500	825,546	862,550	37,004	- do -	Employee	Saqib Anwer
Toyota Corolla Xli	1,642,500	656,103	657,000	897	- do -	Employee	Imran Mirza
Honda Civic	2,606,520	1,274,459	2,500,000	1,225,541	Insurance Claim	Third party sale	EFU General Insurance
Suzuki Mehran VXR	840,000	714,000	714,000	-	Lucky Draw	Third party sale	Khushion ka khazana scheme
Various assets having net book value up to Rs 500,000 each	31,843,922	9,161,558	25,591,235	16,429,677			
2019	**105,970,184**	**51,377,372**	**84,043,557**	**32,666,185**			
2018	6,686,370	1,659,014	3,203,291	1,544,277			

17.1.2 Had these revaluations not been carried out, the carrying amount of freehold land, buildings on freehold land, plant and machinery, electric and gas installations and other work equipment would have been as follows:

	2019 Rupees	2018 Rupees
Freehold land	**73,365,999**	73,365,999
Buildings on freehold land	**828,752,465**	694,364,030
Plant and machinery including milk churns	**4,578,579,521**	3,794,806,728
Electric and gas Installations	**8,366,673**	8,687,002
Other works equipment	**122,462,504**	16,777,157
	5,611,527,162	4,588,000,916

17.1.3 The manufacturing facility of the Company is located at Sargodha Road, Bhalwal, District Sargodha. Total owned area is 120 kanals and 5 marlas and covered area of building is 172,550 square feet.

17.1.4 The latest revaluation was carried on at 30 June 2017 by K.G. Traders (Private) Limited. As per the revaluation report, forced sale value of freehold land and buildings on free hold land was Rs. 613.28 million and Rs. 652.18 million respectively and forced sales value of plant and machinery, milk churns, electric and gas installations and other works equipment was Rs. 3,512.95 million.

17.1.5 As of 01 January 2019, the Company has revised its estimate of the remaining useful life of computer and IT equipments from 10% to 33.33%. This change in estimate of useful life of computer and IT equipments has been applied prospectively as required under IAS-8 'Accounting policies, changes in accounting estimates and errors. The impact is immaterial to the financial statements. Had the useful life estimate not been revised, the depreciation charge for the current year and for financial years 2020 to 2023 would have been lower by Rs. 1.46 million, Rs. 0.83 million, Rs. 0.42 million, Rs. 0.16 million and Rs. 0.01 million respectively.

17.1.6 The depreciation charge has been allocated as follows:

	Note	**2019 Rupees**	2018 Rupees
Cost of sales	28	**665,787,355**	579,403,577
Marketing and distribution expenses	29	**44,292,803**	38,545,954
Administrative expenses	30	**64,102,938**	55,785,787
		774,183,096	673,735,318

17.1.7 Depreciation on account of right of use assets allocated to cost of sales, administrative and marketing and distribution amounts to Rs. 43.40 million, Rs. 22.84 million and Rs. 30.06 million respectively.

17.2 Capital work-in-progress	Note	**2019 Rupees**	2018 Rupees
Plant and machinery	17.2.1	**210,486,091**	814,413,641
Building		**349,204**	135,039,259
Leased vehicles		**2,835,000**	24,651,000
Office equipment		**-**	26,909,776
Advances to suppliers - considered good		**27,383,325**	66,968,760
		241,053,620	1,067,982,436

17.2.1 This includes borrowing cost of Nil (2018: Rs. 5.26 million).

18 Intangible assets		**2019 Rupees**	2018 Rupees
Intangible assets	18.1	**38,223,738**	3,414,754
Capital work-in-progress		**1,169,826**	55,743,389
		39,393,564	59,158,143

18.1 Intangible assets

2019

	Cost as at 01 January 2019	Additions	Cost as at 31 December 2019	Accumulated amortization 01 January 2019	Amortization charge for the year	Accumulated amortization 31 December 2019	Book value as at 31 December 2019	Rate of amortization %
	------ Rupees ------							
Secondary sale system	**1,983,860**	-	**1,983,860**	**1,983,860**	-	**1,983,860**	-	
Anti-virus	**432,032**	-	**432,032**	**432,032**	-	**432,032**	-	
Secondary sale system (Tally)	**5,996,916**	-	**5,996,916**	**3,997,944**	**1,998,972**	**5,996,916**	-	**33.33**
SAP - HCM Module	**2,110,726**	-	**2,110,726**	**694,944**	**703,575**	**1,398,519**	**712,207**	**33.33**
SAP - ERP	-	**56,292,447**	**56,292,447**	-	**18,780,916**	**18,780,916**	**37,511,531**	**33.33**
	10,523,534	**56,292,447**	**66,815,981**	**7,108,780**	**21,483,463**	**28,592,243**	**38,223,738**	

2018

	Cost as at 01 January 2018	Additions	Cost as at 31 December 2018	Accumulated amortization 01 January 2018	Amortization charge for the year	Accumulated amortization 31 December 2018	Book value as at 31 December 2018	Rate of amortization %
	------ Rupees ------							
Secondary sale system	1,983,860	-	1,983,860	1,983,860	-	1,983,860	-	
Anti-virus	432,032	-	432,032	432,032	-	432,032	-	
Secondary sale system (Tally)	5,996,916	-	5,996,916	1,998,972	1,998,972	3,997,944	1,998,972	33.33
SAP - HCM Module	300,000	1,810,726	2,110,726	41,667	653,277	694,944	1,415,782	33.33
	8,712,808	1,810,726	10,523,534	4,456,531	2,652,249	7,108,780	3,414,754	

	Note	**2019**	2018
18.1.1 The amortization charge has been allocated as follows:		**Rupees**	Rupees
Marketing and distribution expenses	29	**2,572,617**	1,998,972
Administrative expenses	30	**18,910,846**	653,277
		21,483,463	2,652,249

18.2 SAP (ERP) software has been capitalized effective on 01 January 2019.

19 Deferred taxation - net

	Note	2019	2018
The deferred tax asset comprises of the following			
Deductible temporary differences:			
- unused tax losses	19.1	**834,573,351**	2,069,440,000
- unused tax credit		**23,474,943**	159,425,493
- provisions		**47,266,219**	32,518,433
		905,314,513	2,261,383,926
Less: Taxable temporary differences:			
- accelerated tax depreciation allowances net of lease liability		**637,272,659**	425,030,348
- surplus on revaluation of property, plant and equipment		**268,041,854**	264,816,198
		905,314,513	689,846,546
Deferred taxation - net	19.2	**-**	1,571,537,380

19.1 Deferred tax asset on unused tax losses available for carry forward have been recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The Company has not recognized deferred tax asset of Rs. 3,490.21 million on tax losses of Rs. 12,035.22 million as sufficient taxable profits may not be available to set these off in the foreseeable future. Tax losses (business) aggregating to Rs. 11,282.75 million will expire by tax year 2021 to 2026 in accordance with the provisions of Income Tax Ordinance, 2001.

19.2 Movement in deferred tax balances is as follows:

Deferred taxation	2019			
		Reversal from / (charge to)		
	Opening	**Profit or loss**	**Equity**	**Closing**
Deductible / (taxable) temporary difference	(Rupees in thousand)			
Unused tax losses	2,069,440,000	(1,234,866,649)	-	**834,573,351**
Unused tax credit	159,425,493	(135,950,550)	-	**23,474,943**
Provisions	32,518,433	14,747,786	-	**47,266,219**
Accelerated tax depreciation allowances	(425,030,349)	(212,242,310)	-	**(637,272,659)**
Surplus on revaluation of property, plant and equipment	(264,816,197)	32,402,955	(35,628,612)	**(268,041,854)**
	1,571,537,380	**(1,535,908,768)**	**(35,628,612)**	**-**

	2018			
		Reversal from / (charge to)		
	Opening	Profit or loss	Equity	Closing
Deductible / (taxable) temporary difference	(Rupees in thousand)			
Unused tax losses	1,610,535,850	458,904,150	-	2,069,440,000
Unused tax credit	258,340,976	(98,915,483)	-	159,425,493
Provisions	21,116,947	11,401,486	-	32,518,433
Accelerated tax depreciation allowances	(483,407,322)	58,376,973	-	(425,030,349)
Surplus on revaluation of property, plant and equipment	(345,338,859)	33,382,756	47,139,906	(264,816,197)
	1,061,247,592	463,149,882	47,139,906	1,571,537,380

20 Stores, spares and loose tools	Note	**2019 Rupees**	2018 Rupees
Stores		**96,127,177**	47,934,809
Spares		**149,530,726**	97,192,654
Loose tools		**500,822**	361,098
		246,158,725	145,488,561
Less: provision for obsolescence	20.1	**(8,612,801)**	(3,356,101)
		237,545,924	142,132,460

20.1 Movement in provision for obsolescence

Balance as at 01 January		**3,356,101**	-
Provision for the year	32	**5,256,700**	3,356,101
Balance as at 31 December		**8,612,801**	3,356,101

21	Stock-in-trade	Note	2019 Rupees	2018 Rupees
	Raw and packing material			
	- In hand		**1,063,586,228**	857,374,937
	- In transit		**5,430,617**	235,680,171
			1,069,016,845	1,093,055,108
	Work-in-process	21.2	**146,456,393**	37,295,000
	Finished goods	21.2	**283,032,995**	257,881,802
			1,498,506,233	1,388,231,910
	Less: provision for obsolescence		**(55,283,299)**	(7,831,398)
			1,443,222,934	1,380,400,512

21.1 Movement in provision for obsolescence

	Note	2019	2018
Balance as at 01 January		**7,831,398**	-
Provision for the year	32	**55,283,299**	7,831,398
Written off during the year		**(7,831,398)**	
Balance as at 31 December		**55,283,299**	7,831,398

21.2 The amount charged to the statement of profit or loss on account of write down of finished goods and work-in-process to net realizable value amounts to Rs. 32 million (2018: Rs. 12.95 million).

22	Trade debts	Note	2019 Rupees	2018 Rupees
	Unsecured			
	- Considered good		**203,627,026**	139,350,475
	Loss allowance against trade debts	22.1	**(22,455,914)**	(14,777,210)
			181,171,112	124,573,265

22.1 Loss allowance against trade debts

	2019	2018
Loss allowance as at 01 January	**14,777,210**	14,777,210
Loss allowance for the year	**7,678,704**	-
Loss allowance as at 31 December	**22,455,914**	14,777,210

23	Loan and advances - unsecured	Note	2019	2018
	Due from employees - Considered good		**5,311,656**	5,454,374
	Advances to suppliers - Considered good	23.1	**59,334,195**	56,072,719
			64,645,851	61,527,093

23.1 These are interest free in the ordinary course of business.

23.2 No loan or advance has been given to Chief Executive or any other Director of the Company.

24	Deposits, prepayments and other receivables	2019 Rupees	2018 Rupees
	Security deposits	**35,708,602**	128,109,409
	Prepayments	**11,626,205**	4,567,096
	Other receivables	**186,621,936**	601,111,088
		233,956,743	733,787,593

25 Due from associated undertakings - unsecured

	2019	2018
Noon International (Private) Limited	**39,247**	39,247
Askari Bank Limited	**-**	269,648
	39,247	308,895

25.1 Maximum outstanding balance with reference to month end balances:

	In the month of	In the month of	2019 Rupees	2018 Rupees
Askari Bank Limited	**-**	Oct-18	**-**	269,648
Noon International (Private) Limited	**Dec-19**	Dec-18	**39,247**	39,247

25.2 Due from associate - Noon International (Private) Limited amounting to Rs. 39,247 is outstanding for more than six months.

25.3 These are interest free in the normal course of business on account of purchase of goods or services.

26 Cash and bank balances

	Note	2019 Rupees	2018 Rupees
Cash-in-hand		**44,425**	737,941
Cash at banks on:			
- Current accounts		**110,343,730**	6,196,620
- Saving accounts	26.1	**3,524,754**	91,065,247
- Dividend accounts		**221,490**	221,490
	26.2	**114,089,974**	97,483,357
		114,134,399	98,221,298

26.1 This carries profit at the rates ranging from 5% to 9.5% (2018: 3.75% to 5%) per annum.

26.2 This includes amount of Rs. Nil (2018: Rs. 32.73 million) at Askari Bank Limited, a related party.

27 Sales - net

	2019 Rupees	2018 Rupees
Gross sales	**6,537,109,723**	8,306,734,551
Less: Sales tax	**(255,005,789)**	(77,759,771)
Trade discounts	**(537,231,606)**	(579,688,211)
	(792,237,395)	(657,447,982)
	5,744,872,328	7,649,286,569

27.1 Revenue from contracts with customers relates to local (Pakistan) market and represents sale of dairy and allied products. Timing of revenue recognition is at point of time.

28 Cost of Sales

	Note	2019 Rupees	2018 Rupees
Raw materials consumed		**3,161,370,540**	3,517,565,454
Salaries, wages and other benefits	28.1	**271,650,963**	286,713,608
Freight and forwarding		**136,250,294**	164,376,647
Power and fuel		**294,449,733**	329,705,354
Packing materials consumed		**1,765,314,405**	2,780,979,646
Stores and spares consumed		**126,444,080**	138,633,147
Repair and maintenance		**102,140,912**	136,005,608
Depreciation on property, plant and equipment	17.1.6	**665,787,355**	579,403,577
Rent, rates and taxes		**2,342,982**	72,247,465
Travelling and conveyance		**12,916,483**	13,392,476
Printing and stationery		**359,699**	280,378
Legal and professional charges		**13,325,471**	9,811,622
Insurance		**9,606,851**	10,051,299
Others		**3,011,211**	717,505
		6,564,970,979	8,081,553,359
Adjustment of work-in-process			
Opening stock		**37,295,000**	26,134,645
Closing stock	21	**(146,456,393)**	(37,295,000)
		(109,161,393)	(11,160,355)
Cost of goods manufactured		**6,455,809,586**	8,070,393,004
Adjustment of finished goods			
Opening stock		**250,922,457**	123,457,306
Closing stock	21	**(283,032,995)**	(250,922,457)
		(32,110,538)	(127,465,151)
		6,423,699,048	7,942,927,853

28.1 Salaries, wages and other benefits include following in respect of employee benefits:

	2019 Rupees	2018 Rupees
Provident fund	**9,622,386**	5,041,537
Long term accumulated compensated absences	**6,278,359**	4,248,996
Gratuity	**2,121,829**	8,549,634
	18,022,574	17,840,167

In addition, salaries, wages and other benefits relating to milk procurement department amounts to Rs. 104.69 million (2018: Rs. 99.58 million) and provident fund amounts to Rs. 2.07 million (2018: Rs. 1.94 million).

29	Marketing and distribution expenses	Note	2019 Rupees	2018 Rupees
	Freight and forwarding		**139,648,577**	207,697,514
	Salaries, wages and other benefits	29.1	**243,948,207**	234,623,711
	Repair and maintenance		**10,485,915**	8,169,331
	Rent, rates and taxes		**7,755,702**	5,415,308
	Travelling and conveyance		**22,526,478**	29,264,474
	Vehicles' running and maintenance		**40,834,048**	45,826,084
	Advertisement and sales promotion		**780,492,580**	1,224,542,206
	Insurance		**2,852,948**	2,186,637
	Depreciation on property, plant and equipment	17.1.6	**44,292,803**	38,545,954
	Amortization of intangible assets	18.1.1	**2,572,617**	1,998,972
	Communication, establishment and others		**14,194,832**	10,827,656
			1,309,604,707	1,795,894,148

29.1 Salaries, wages and other benefits include following in respect of employee benefits:

Provident fund	**8,582,209**	9,842,962
Long term accumulated compensated absences	**6,030,359**	4,442,593
Gratuity	**1,721,829**	8,549,634
	16,334,397	22,835,189

30 Administrative expenses

	Note	2019	2018
Salaries, wages and other benefits	30.1	**211,748,181**	237,138,781
Travelling and conveyance		**12,442,001**	18,737,858
Directors' meeting fee	37	**10,202,520**	3,909,669
Rent, rates and taxes		**27,045,042**	49,739,607
Entertainment		**2,877,284**	2,969,989
Communication and establishment		**8,727,582**	8,059,529
Printing and stationery		**3,110,105**	6,820,205
Electricity, gas and water		**12,856,999**	10,862,828
Insurance		**1,000,846**	364,440
Repair and maintenance		**18,334,428**	11,688,184
Vehicles' running and maintenance		**13,252,504**	16,551,750
Subscription		**2,271,998**	3,128,477
Legal and professional charges		**17,656,797**	30,581,919
Learning and Development		**793,450**	17,497,568
Auditors' remuneration	30.2	**1,365,000**	1,335,000
Cash security charges		**5,626,608**	5,697,909
Depreciation on property, plant and equipment	17.1.6	**64,102,938**	55,785,787
Amortization of intangible assets	18.1.1	**18,910,846**	653,277
Others		**5,943,806**	12,592,480
		438,268,935	465,649,383

30.1 Salaries, wages and other benefits include following in respect of employee benefits:

	2019 Rupees	2018 Rupees
Provident fund	**5,909,720**	5,860,473
Long term accumulated compensated absences	**3,375,175**	2,247,885
Gratuity	**1,460,915**	4,274,818
	10,745,810	12,383,176

30.2 Legal and professional charges

The charges for professional services include the following in respect of auditors' services for:

	2019 Rupees	2018 Rupees
- Statutory audit fee	**1,100,000**	1,000,000
- Half yearly review	**125,000**	125,000
- Certification charges	**60,000**	60,000
- Out-of-pocket expenses	**80,000**	150,000
	1,365,000	1,335,000

		Note	2019 Rupees	2018 Rupees
31	**Other income**			
	Income from financial assets			
	Profit on saving accounts	26.1	**56,198,286**	8,314,319
	Income from non-financial assets			
	Sale of scrap		**9,447,454**	7,953,763
	Gain on disposal of property, plant and equipment	17.1.1	**32,666,185**	1,544,277
			98,311,925	17,812,359
32	**Other expenses**			
	Exchange loss		**82,824,900**	87,051,591
	Consultancy fee		**68,119,660**	-
	Provision for obsolete stocks and stores	20.1 & 21.1	**60,539,999**	3,356,101
	Research and development		**-**	9,811,622
	Others		**7,310,310**	-
			218,794,869	100,219,314
33	**Finance cost**			
	Islamic mode of financing			
	- Short term borrowings		**150,369,539**	27,038,289
	Interest / mark-up on interest / mark-up based loans			
	- Long term finance		**586,629,613**	354,212,096
	- Short term borrowings		**740,791,333**	258,941,891
	- Loan from Parent Company		**156,279,932**	-
	- Lease liabilities		**58,604,433**	10,347,191
	Bank charges and commission		**5,491,846**	24,257,247
			1,698,166,696	674,796,714

34 Taxation	Note	2019 Rupees	2018 Rupees
Current:			
- For the year	34.1	**-**	-
		-	-
Deferred:			
- For the year		**(1,777,100,482)**	795,012,918
- Prior year		**241,191,714**	(331,863,036)
		(1,535,908,768)	463,149,882

34.1 Current tax charge for the year determined under "Minimum Tax" regime u/s 113, of Income Tax Ordinance, 2001 has been restricted to zero because of the tax credit related to balancing, modernization and replacement of plant and machinery already installed, as available u/s 65B of the Income Tax Ordinance, 2001.

34.2 Tax charge reconciliation

Reconciliation between the average effective tax charge and the applicable tax	Note	2019 Rupees	2018 Rupees
Loss before tax		**(4,253,028,706)**	(3,312,388,484)
Applicable tax @ 29%		**(1,233,378,325)**	(960,592,660)
Effect of tax credit		**135,950,550**	98,915,483
Effect of change in tax rate		**(241,191,714)**	331,863,036
Effect of deferred tax asset not recognized on unused tax losses		**2,874,528,257**	66,664,259
		2,769,287,093	497,442,778
Effective tax charge/credit for the year		**(1,535,908,768)**	463,149,882

35 Loss per share

Loss per share - basic and diluted		2019	2018
Loss for the year	Rupees	**(5,788,937,474)**	(2,849,238,602)
Weighted average number of ordinary shares in issue during the year	Number	**528,407,192**	528,407,192
Loss per share - basic and diluted	Rupees	**(10.96)**	(5.39)

35.1 The effect of conversion of loan from parent Company into ordinary shares as explained in note 1.2 is ant-dilutive, accordingly the diluted loss per share, LPS is restricted to basic LPS.

36 Cash and cash equivalents

	Note	2019	2018
Cash and bank balances	26	**114,134,399**	98,221,298
Running finance balances	12	**(5,141,946,098)**	(4,641,084,045)
		(5,027,811,699)	(4,542,862,747)

37 Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to Chief Executive, directors and executives of the Company is as follows:

	Chief Executive		Non Executive Directors		Executives	
	2019	2018	**2019**	2018	**2019**	2018
	---Rupees---					
Managerial remuneration	**-**	-	**-**	-	**77,538,555**	90,526,119
Meeting fee	**-**	-	**10,182,000**	3,909,669	**-**	-
Consultancy fee	**-**	-	**2,624,436**	5,248,872	**-**	-
Provident fund	**-**	-	**-**	-	**7,343,975**	12,932,701
House rent	**-**	-	**-**	-	**69,784,700**	81,473,507
Utilities	**-**	-	**-**	-	**7,753,856**	9,052,612
Relocation allowance	**-**	-	**-**	-	**1,800,858**	440,591
Others	**-**	-	**-**	-	**4,772,717**	6,222,585
	-	-	**12,806,436**	9,158,541	**168,994,661**	200,648,115
Number of persons	**1**	1	**13**	11	**41**	46

37.1 The Company also provides some of its executives with company maintained cars and other benefits in accordance with the Company's policy.

38 Number of employees

	Total employees	
	2019	2018
	(Number of persons)	
Total number of employees as at 31 December	**842**	1,451
Average number of employees during the year	**1,179**	1,462

39 Capacity and production

	Capacity		Production	
	2019	2018	**2019**	2018
Liquid products - liters	**227,760,000**	**227,760,000**	**60,873,948**	90,295,898
Non - Liquid products - Kgs	**8,760,000**	**6,935,000**	**1,651,307**	1,778,587

The actual production is according to market demand.

40 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 financial statements. The Company in the normal course of business carries out transactions with related parties. Significant transactions with related parties are as follows:

Name of the Company	Relationship	Nature of transactions	2019 Rupees	2018 Rupees
Associated Undertakings				
Fauji Fertilizer Bin Qasim Limited (FFBL)	Parent Company	Salaries of seconded employees charged by related party	**-**	2,521,764
	(Shareholding and common directorship)	Salaries of seconded employees charged to related party	**14,572,337**	9,414,999
		Repair & maintenance and building rent expense charged by related party	**14,682,096**	49,752,977
		Expense borne by the Company on behalf of related party	**3,121,137**	918,531
		Purchase of fixed assets from related party	**-**	3,500,000
		Loan received	**2,630,000,000**	-
		Finance cost charged by related party	**156,279,932**	-
		Finance cost paid to related party	**37,416,518**	-

Name of the Company	Relationship	Nature of transactions	2019 Rupees	2018 Rupees
Askari Bank Limited	Associated Undertaking	Finance cost charged by related party	**88,157,616**	27,733,006
	(Common directorship)	Interest income on saving accounts	**23,796,966**	6,167,619
		Utilities expense paid on behalf of the related party	**1,741,498**	2,298,055
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	**3,183,592**	2,897,782
Noon Sugar Mills	Associated Undertaking (Common directorship)	Purchase of white sugar	**21,224,500**	-
Employee's Provident Fund Trust	Post employee benefit plan	Contribution for the year	**53,657,404**	60,963,473
Mr. Salman Hayat Noon*	Non-Executive Director	Consultancy fee expense	**2,624,436**	5,248,872
Directors		Meeting fee	**10,182,000**	3,909,669
Key Management Personnel		Remuneration and benefits	**65,628,610**	76,334,485

*With effect from 10 December 2019, Mr. Salman Hayat Noon resigned as director of the Company.

40.1 Associated companies / related parties percentage of shareholding has been disclosed in note 5.3.

41 Financial risk management

41.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, price risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company's exposure to financial risk, the way these risks affects the financial position and performance and the manner in which such risks are managed is as follows:

41.1.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

41.1.1.1 Foreign exchange risk

Foreign exchange risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers.

The Company is exposed to exchange risk arising from currency exposures mainly with respect to the Euro and US Dollar on import of raw material, packing material and stores and spares. Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to the foreign entities. The Company's exposure to

	2019	2018
Bills payable - Euro	**48,250**	504,335
Net exposure - Euro	**48,250**	504,335
Bills payable - US Dollar	**-**	145,200
Net Exposure - US Dollar	**-**	145,200

The following significant exchange rates were applied during the year:

	2019	2018
Rupees per Euro:		
- Average rate	**174.02**	142.57
- Reporting date rate	**174.05**	158.73
Rupees per USD:		
- Average rate	**150.21**	120.61
- Reporting date rate	**155.35**	138.89

Foreign currency sensitivity analysis

At 31 December 2019, if the Rupee had weakened / strengthened by 10% against the Euro and US Dollar with all other variables held constant, loss before tax for the year would have been higher / lower as under, mainly as a result of foreign exchange gains / losses on translation of foreign exchange denominated financial instrument. The following table demonstrates the sensitivity to a reasonably possible change in the Euro exchange rate:

	Change in Exchange rate	**Effect on loss before tax**
	%	**Rupees**
31 December 2019 - Euro	10%	**(839,791)**
	-10%	**839,791**
31 December 2019 - US Dollar	10%	**-**
	-10%	**-**
31 December 2018 - Euro	10%	(8,005,312)
	-10%	8,005,312
31 December 2018 - US Dollar	10%	(2,016,683)
	-10%	2,016,683

41.1.1.2 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

41.1.1.3 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and liabilities that mature or reprice in a given period.

The Company's interest rate risk arises from long term finances, lease finances and short term finances. Borrowings obtained at variable rates exposes the Company to cash flow interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2019	2018	**2019**	2018
	- - - - - Effective rate - - - - - -		**Rupees**	Rupees
Financial assets				
Fixed rate instruments				
Saving accounts	**4% to 9.5%**	3.75% to 5%	**3,524,754**	91,065,247
Financial liabilities				
Variable rate instruments				
Lease liabilities	**10.24% to 14.39%**	5.54% to 13.44%	**392,831,171**	434,571,549
Long term finances	**9.85% to 11.44%**	6.76% to 9.88%	**4,316,666,667**	4,450,000,000
Short term borrowings	**11.05% to 15.51%**	6.46% to 11.71%	**6,691,944,126**	4,991,083,521
Loan from Parent Company	**12.61% to 15.42%**	-	**2,630,000,000**	-
Total exposure			**14,031,441,964**	9,875,655,070

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At 31 December 2019, if interest rate on variable rate financial liabilities has been 1% higher / lower with all other variables held constant, loss before tax for the year would have been Rs. 119.17 million (2018: Rs. 98.76 million) higher / lower, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

41.1.2 Credit risk

Credit risk represents the risk of a financial loss if a customer or counter party to a financial instrument fails to discharge its contractual obligation. The Company's credit risk arises from security deposits, trade debts, other receivables, loans and advances, deposits and balances with banks. The Company has no significant concentration of credit risk as its exposure is spread over a large number of counter parties.

41.1.2.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
Financial assets at amortized cost	**Rupees**	Rupees
Security deposits	**42,314,724**	129,053,715
Trade debts	**181,171,112**	124,573,265
Due from employees	**5,311,656**	5,454,374
Due from related parties	**39,247**	308,895
Other receivables	**186,621,936**	601,111,088
Bank balances	**114,089,974**	97,483,357
	529,548,649	957,984,694

41.1.2.2 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers and utility Companies, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

Counter parties with external credit ratings - Bank balances

These include banking companies and financial institutions, which are counterparties to bank balances. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

	Rating				
Institutions	Short Term	Long term	Rating Agency	2019 Rupees	2018 Rupees
Bank balances					
National Bank Of Pakistan	AAA	A1+	PACRA	**40,129,326**	3,952,266
United Bank Limited	AAA	A1+	JCR-VIS	**294,720**	294,718
Askari Bank Limited	AA+	A1+	PACRA	**808,388**	32,730,812
JS Bank	AA-	A1+	PACRA	**84,047**	-
Bank Alfalah Limited	AA+	A1+	PACRA	**5,738**	5,738
MCB Bank Limited	AAA	A1+	PACRA	**67,616,337**	883,524
				108,938,556	37,867,058

	Rating				
Institutions	Short Term	Long term	Rating Agency	2019 Rupees	2018 Rupees
Habib Bank Limited	AAA	A1+	JCR-VIS	**1,630,563**	57,263,442
Faysal Bank Limited	AA	A1+	PACRA	**759,213**	164,591
Bank Islami Pakistan	A+	A1	PACRA	**284,999**	284,999
Bank Al-Habib Limited	AA+	A1+	PACRA	**1,252,958**	658,082
Soneri Bank Limited	AA-	A1+	PACRA	**103,461**	550
Dubai Islamic Bank	AA	A1+	JCR-VIS	**1,120,224**	1,244,635
				114,089,974	97,483,357
Security deposits					
Askari Bank Limited	AA+	A1+	PACRA	**10,500,000**	12,989,000
Bank Islami Pakistan	A+	A1	PACRA	**3,500,000**	3,500,000
MCB Bank Limited	AAA	A1+	PACRA	**1,000,000**	7,300,000
Soneri Bank Limited	AA-	A1+	PACRA	**-**	59,721,100
				15,000,000	83,510,100

Counter parties without external credit ratings - Trade debts

These mainly include customers which are counter parties to trade debts. As explained in note 4.1.2 and 4.14, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. On adoption of IFRS 9, management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Company has used three years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro-economic factors. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 31 December 2019 (on adoption of IFRS 9) was determined as follows:

The aging of trade debts at the reporting date was:	**2019 Rupees**	2018 Rupees
1 to 90 days	**179,397,974**	114,649,050
91 to 180 days	**903,238**	1,323,106
181 to 365 days	**634,378**	1,081,100
Above 365 days	**22,691,436**	22,297,219
Less: Loss allowance on trade debts	**(22,455,914)**	(14,777,210)
	181,171,112	124,573,265

Deposits and other receivables are mostly due from utility companies, a major supplier and against rental contracts. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets. There are reasonable grounds to believe that these amounts will be recovered in short course of time.

41.1.2.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

41.1.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, that are settled by delivering cash or other financial asset as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. As explained in note 1.2, the Company has continously been supported by sponsors and providers for finance for efficient working capital management and for meeting its contractual obligations. The Company's finance department aims at maintaining flexibility in funding by keeping regular committed credit lines available.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2019	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**
Non derivative financial liabilities		**- - - - - - Rupees - - - - - -**		
Lease liabilities	**392,831,171**	**501,366,705**	**186,295,838**	**315,070,867**
Long term finances	**4,316,666,667**	**5,032,162,384**	**1,981,561,379**	**3,050,601,005**
Trade and other payables	**1,048,389,567**	**1,048,389,567**	**1,048,389,567**	**-**
Accrued finance cost	**554,807,673**	**554,807,673**	**554,807,673**	**-**
Short term borrowings	**6,691,944,126**	**6,691,944,126**	**6,691,944,126**	**-**
Loan from Parent Company	**2,630,000,000**	**2,630,000,000**	**2,630,000,000**	**-**
	15,634,639,204	**16,458,670,455**	**13,092,998,583**	**3,365,671,872**

At 31 December 2018	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
Non derivative financial liabilities		- - - - - - Rupees - - - - - -		
Lease liabilities	434,571,549	550,869,459	195,906,776	354,962,683
Long term finances	4,450,000,000	5,438,427,333	688,964,274	4,749,463,059
Trade and other payables	1,136,809,987	1,136,809,987	1,136,809,987	-
Accrued finance cost	195,648,668	195,648,668	195,648,668	-
Short term borrowings	4,991,083,521	4,991,083,521	4,991,083,521	-
	11,208,113,725	12,312,838,968	7,208,413,226	5,104,425,742

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

41.2 Fair value of financial instruments

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

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).

- Unobservable inputs for the asset or liability (level 3).

41.2.1 Fair value measurement of financial instruments

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy:

		2019					
		Carrying amount			Fair value		
		Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
	Note	Rupees					
On-Balance sheet financial instruments							
31 December 2019							
Financial assets not measured at fair value							
Security deposits		**42,314,724**	-	**42,314,724**	-	-	-
Trade debts - considered good	22	**181,171,112**	-	**181,171,112**	-	-	-
Due from employees	23	**5,311,656**	-	**5,311,656**			
Due from related parties	25	**39,247**	-	**39,247**	-	-	-
Other receivables	24	**186,621,936**	-	**186,621,936**	-	-	-
Cash and bank balances	26	**114,134,399**	-	**114,134,399**	-	-	-
		529,593,074	-	**529,593,074**	-	-	-

	Note	2019					
		Carrying amount			**Fair value**		
		Financial assets at amortised cost	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**
		Rupees					
Financial liabilities not measured at fair value							
Lease liabilities	9	-	**392,831,171**	**392,831,171**	-	-	-
Long term finances	8		**4,316,666,667**	**4,316,666,667**	-	-	-
Trade and other payables	14	-	**1,048,389,567**	**1,048,389,567**	-	-	-
Short term borrowing	12	-	**6,691,944,126**	**6,691,944,126**	-	-	-
Loan from Parent Company	13	-	**2,630,000,000**	**2,630,000,000**			
Accrued finance cost	15	-	**554,807,673**	**554,807,673**	-	-	-
		-	**15,634,639,204**	**15,634,639,204**	-	-	-

	Note	2018					
		Carrying amount			Fair value		
		Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
		Rupees					
On-Balance sheet financial instruments							
31 December 2018							
Financial assets not measured at fair value							
Security deposits		129,053,715	-	129,053,715	-	-	-
Trade debts	22	124,573,265	-	124,573,265	-	-	-
Due from employees	23	5,454,374	-	5,454,374	-	-	-
Due from related parties	25	308,895	-	308,895	-	-	-
Other receivables	24	601,111,088	-	601,111,088	-	-	-
Bank balances	26	98,221,298	-	98,221,298	-	-	-
		958,722,635	-	958,722,635	-	-	-
Financial liabilities not measured at fair value							
Lease liabilities	9	-	434,571,549	434,571,549	-	-	-
Long term finances	8	-	4,450,000,000	4,450,000,000	-	-	-
Trade and other payables	14	-	1,136,809,987	1,136,809,987	-	-	-
Short term borrowing	12	-	4,991,083,521	4,991,083,521	-	-	-
Accrued finance cost	15	-	195,648,668	195,648,668	-	-	-
		-	11,208,113,725	11,208,113,725	-	-	-

41.2.2 Fair value versus carrying amounts

The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

41.3 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. As at the reporting date, the Company has accumulated losses of Rs. 12,196.62 million. These indicators and other matters as explained in note 1.2 to the financial statements may cause changes in the Company's approach to capital management.

42 Reconciliation of movements of liabilities to cash flows arising from financing activities.

	2019							
	Liabilities					Equity		
	Long term finances	Short term borrowings	Loan from Parent Company	Accrued finance cost	Lease liabilities	Unclaimed dividend	Share capital / share premium	Total
	Rupees							
Balance as at 01 January 2019	4,450,000,000	4,991,083,521	-	195,648,668	434,571,549	965,752	7,209,412,827	17,281,682,317
Cash flows								
Short term borrowings repaid net of receipts	-	1,199,998,552	2,630,000,000	-	-	-	-	3,829,998,552
Repayment of long term finances	(133,333,333)	-	-	-	-	-	-	(133,333,333)
Repayment of lease rentals	-	-	-	-	(142,335,001)	-	-	(142,335,001)
Finance cost paid	-	-	-	(1,339,007,691)	-	-	-	(1,339,007,691)
Dividends paid	-	-	-	-	-	-	-	-
Total changes from financing cash flows	**(133,333,333)**	**1,199,998,552**	**2,630,000,000**	**(1,339,007,691)**	**(142,335,001)**	**-**	**-**	**2,215,322,527**
Other changes including non-cash								
Changes in running finance		500,862,053	-					500,862,053
Finance cost	-	-	-	1,698,166,696	-	-	-	1,698,166,696
Assets acquired on lease	-	-	-	-	100,594,623	-		100,594,623
Total liability related other changes	**-**	**500,862,053**	**-**	**1,698,166,696**	**100,594,623**	**-**	**-**	**2,299,623,372**
Closing as at 31 December 2019	**4,316,666,667**	**6,691,944,126**	**2,630,000,000**	**554,807,673**	**392,831,171**	**965,752**	**7,209,412,827**	**21,796,628,216**

	2018							
	Liabilities					Equity		
Balance as at 01 January 2018	Long term finances	Short term borrowings	Loan from Parent Company	Accrued finance cost	Lease liabilities	Unclaimed dividend	Share capital / share premium	Total
Cash flows	Rupees							
Short term borrowings repaid net of receipts								
Repayment of lease rentals								
Finance cost paid								
Dividends paid	4,450,000,000	1,449,501,368	-	73,373,064	141,637,760	970,179	7,209,412,827	13,324,895,198
Total changes from financing cash flows								
Other changes including non-cash	-	349,999,476	-	-	-	-	-	349,999,476
Changes in running finance	-	-	-	-	(89,904,038)	-	-	(89,904,038)
Finance cost	-	-	-	(552,521,110)	-	-	-	(552,521,110)
Assets acquired on lease	-	-	-	-	-	(4,427)	-	(4,427)
Total liability related other changes	-	349,999,471	-	(552,521,110)	(89,904,038)	(4,427)	-	(292,430,099)
Closing as at 31 December 2018								
	-	3,191,582,677	-	-	-	-	-	3,191,582,677
	-	-	-	674,796,714	-	-	-	674,796,714
	-	-	-	-	382,837,827	-	-	382,837,827
	-	3,191,582,677	-	674,796,714	382,837,827	-	-	4,249,217,218
	4,450,000,000	4,991,083,521	-	195,648,668	434,571,549	965,752	7,209,412,827	17,281,682,317

43 Date of authorization of issue

These financial statements have been authorized for issue by the Board of Directors of the Company on 27 January, 2020.

44 Events after the reporting date

There are no subsequent events occurring after reporting date.

45 Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison and better presentation as per reporting framework. However, no significant reclassification has been made.

Lahore	Chairman	Chief Executive	Director	Chief Financial Officer


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SECP
*Mobile apps are also available for download for android and ios devices

FAUJI FOODS LIMITED

FORM OF PROXY

Registered Folio No./
CDC Account No. ____________

I/We ____
(NAME)

of ____
(Address)

being a member of FAUJI FOODS LIMITED , hereby appoint

____
(NAME)

of ____
(Address)

or failing him ____
(NAME)

of ____
(Address)

(also being a member of the Company) as my/ our proxy to attend, act and vote for me/ us and on my/ our behalf, at the 53rd Annual General Meeting of the Company to be held at Hotel Royal Swiss, Opposite Cargo Complex, Allama Iqbal International Airport, Lahore on Thursday, April 02, 2020 at 11:00 a.m. and at any adjournment thereof.

As witness my hand this. ____________________ Day of ____________________ 2020.

____
Signature of Shareholder / Appointer

Revenue Stamp Rs. 5/-

Witness 1

Signature ____________________

Name ____________________

Address ____________________

____

CNIC # | | | | | | | | | | | | | | |

Witness 2

Signature ____________________

Name ____________________

Address ____________________

____

CNIC # | | | | | | | | | | | | | | |

Note: Proxies, in order to be effective must reach the Company's Registered office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC.

SECP's Circular No. 1 dated January 26th, 2000 is on the reverse side of the form.

fauji foods

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
State Life Building 7, Blue Area, Islamabad

January 26, 2000

Circular No. 1 of 2000

Sub: GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

The shares of a number of listed companies are now being maintained as "book entry Security" on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instruction to be issued in this regard, the following guideline for the convenience of the listed companies and the beneficial owners are laid down:

A. Attending of meeting in person by account holders and / or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:

(1) The Company shall obtain list of beneficial owners from the CDC as per Regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

(3) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies

(1) In case of individual, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the Company.

(2) The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(3) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(4) The proxy shall produce his original CNIC or original passport at the time of the meeting.

(5) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted alongwith proxy form to the Company.

فوجی فوڈز لیمیٹڈ

پراکسی فارم

رجسٹرڈ فولیو نمبر/------------------------------

سی ڈی سی اکاؤنٹ نمبر ------------------------

میں/ہم--

(نام)

(پتہ)

بحثییت ممبر/ممبران فوجی فوڈز لیمیٹڈ، یہاں پر تقرر کرتا ہوں/کرتے ہیں۔

(نام)

(پتہ)

یا اسکی غیر حاضری کی صورت میں--

(نام)

(پتہ)

(کمپنی کا/کی رکن ہونے کے ناطے) ہمارے ایماء پر کمپنی کے بروز جمعرات مورخہ 02 اپریل 2020 کو بوقت 11:00 بجے صبح رائل سوئس ہوٹل، بالمقابل کارگو کمپلیکس، علامہ اقبال انٹرنیشنل ایئرپورٹ، لاہور۔ میں ہونے والے ترپنویں سالانہ اجلاس عام میں شرکت کرنے، حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ مقرر کرتا ہوں/کرتے ہیں۔

بطور گواہ آج بتاریخ---2020

پانچ روپے کا رسیدی ٹکٹ یہاں چسپاں کریں

شیئر ہولڈر کے دستخط-----------------------------------

گواہ 1

دستخط----------------------------

نام----------------------------

پتہ----------------------------

قومی شناختی کارڈ نمبر-------------------

گواہ 2

دستخط------------------------

نام------------------------

پتہ ------------------------

قومی شناختی کارڈ نمبر----------------

نوٹ: پراکسی اسی صورت میں قابل قبول ہوگی کہ اس پر دستخط، رسیدی ٹکٹ، گواہان کے دستخط ہوئے ہوں اور اس کو اجلاس سے کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ پتہ پر بھیج دیا جائے۔ سی ڈی سی کے ممبران کو اپنی پراکسی تصدیق شدہ قومی شناختی کارڈ کے ہمراہ بھیجنا ہوگی۔

SECP کا سرکلر نمبر 1 مورخہ 26 جنوری 2000 اس فارم کی پشت پر چھپا ہوا ہے۔

fauji foods

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
State Life Building 7, Blue Area, Islamabad

January 26, 2000

Circular No. 1 of 2000

Sub: GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

The shares of a number of listed companies are now being maintained as "book entry Security" on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instruction to be issued in this regard, the following guideline for the convenience of the listed companies and the beneficial owners are laid down:

A. Attending of meeting in person by account holders and / or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:

(1) The Company shall obtain list of beneficial owners from the CDC as per Regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

(3) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies

(1) In case of individual, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the Company.

(2) The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(3) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(4) The proxy shall produce his original CNIC or original passport at the time of the meeting.

(5) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted alongwith proxy form to the Company.

کوڈ آف کارپوریٹ گورننس کی تعمیل

31 دسمبر 2019 کو اختتام پزیر ہونے والے عرصہ کے لیے متعلقہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 میں بیان کردہ ضوابط کی تعمیل کی گئی ہے۔اس بابت ایک کیفیت نامہ رپورٹ ہذا سے منسلک ہے۔

FFL ایک ایسے پالیسی فریم ورک کی پیروی کرتا ہے جو ماحول کے لحاظ سے زیادہ بہتر طریقوں کے لیے موزوں ہے اور ٹھوس اور مائع فضلہ، ہوا کے اخراج، مٹی کی آلودگی اور شور جیسے فضلے کو ٹھکانے لگانے کے مناسب انتظام کو اپنایا گیا ہے۔

مشترکہ مفادات پر مبنی سماجی ذمہ داریوں کی جانب کمپنی کا مقصد منافع کمانے کے روائیتی ہدف کے ساتھ ساتھ سماجی بہبود کو ترجیح دینا بھی ہے۔

ڈائریکٹران پر امانتی ذمہ داریوں کے نظام کے تحت کاروبار چلانے کی ذمہ داری عائد ہوتی ہے جس سے کمپنی کے تمام وابستگان کے اعتبار اور اعتماد کو تقویت ملتی رہے۔

نان ایگزیکٹو ڈائریکٹران کو (جن میں آزاد ڈائریکٹران بھی شامل ہیں) معاوضہ بورڈ کے ذریعے منظور شدہ معاوضہ پالیسی کے مطابق ادا کیا جاتا ہے۔

ڈیویڈنڈ

دورانِ سال کمپنی کو ہونے والے نقصان کے پیشِ نظر بورڈ نے کسی ڈیویڈنڈ کی سفارش نہیں کی ہے۔

سالانہ اجلاسِ عام

31 دسمبر 2019 کو اختتام پزیر ہونے والے سال کے لیے کمپنی کا تریپنواں سالانہ اجلاس عام مورخہ 02 اپریل، 2020 صبح گیارہ بجے لاہور میں منعقد ہوگا۔

اعتراف

بورڈ کمپنی پر اعتماد، برداشت اور مسلسل تعاون کے لیے تمام حصص یافتگان اور مالیاتی اداروں کا شکر گزار ہے۔ بورڈ کمپنی کے تمام ملازمین کی جانب سے لگن، توجہ اور محنت سے کی گئی ان کی تمام کاوشوں کے لیے اپنی ستائش کو بھی ریکارڈ پر لانا پسند کرتا ہے۔

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

لیفٹیننٹ جنرل جاوید اقبال
ہلالِ امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو/ منیجنگ ڈائریکٹر

مورخہ 27 جنوری 2020

کمپنی جدت طرازی، پراڈکٹ پورٹ فولیو، عمل میں اصلاح اور لاگت کے موثر کنٹرول کے ذریعے حصص یافتگان کی قدر میں بہتری لانے پر توجہ مرکوز رکھے گی اور انشااللہ اپنے بازاری حصہ میں اضافہ کرتی رہے گی۔

کمپنی کو درپیش اصولی خطرات اور غیر یقینی صورتحال

کمپنی کو درپیش خطرات ڈیری کے شعبے میں کام کرنے والی دیگر کمپنیوں کو لاحق خطرات سے خصوصی طور پر مختلف نہیں ہیں۔حکومت کی جانب سے ریگولیٹری اور محصولات کے نظام میں تبدیلی کے ساتھ کرنسی کی قدر میں حالیہ اور اچانک ہونے والی کمی نے کمپنی کو غیر ملکی زرِمبادلہ کے خطرے اور ریگولیٹری خطرات سے دوچار کر دیا ہے۔انتظامیہ اور بورڈ ان سے وابستہ خطرات سے بخوبی آگاہ ہیں اور ان کو کم کرنے کے لیے اقدامات کیے ہیں۔مذکورہ بالا خطرات کے علاوہ کمپنی کے کاروبار اور سرگرمیوں کے لیے کوئی خاص خطرات اور غیر یقینی صورتحال نہیں ہے ماسوا اس کے جن کا انکشاف مالیاتی کیفیت ناموں میں ہنگامی حالات اور کومٹمنٹ نوٹس میں کیا گیا ہے۔

متعلقہ فریقین کے ساتھ لین دین

کمپنی متعلقہ فریقین کے ساتھ لین دین کرتی ہے اور رقومات کا لین دین، جیسا کہ مالیاتی کیفیت ناموں میں ظاہر کیا گیا ہے، arms' length کی بنیاد پر ہوتا ہے۔مالیاتی کیفیت ناموں میں ظاہر کیے جانے کے علاوہ، متعلقہ فریقین کے ساتھ کوئی لین دین نہیں ہوا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- ☆ کمپنی انتظامیہ کی جانب سے تیار کردہ مالیاتی کیفیت نامے، اس کی حالت، اس کی کارکردگی کے نتائج، کیش فلو اور ایکوئٹی میں تبدیلیوں کو واضح طور پر ظاہر کرتے ہیں۔
- ☆ کمپنی کے حسابات کی کتابیں مناسب طور پر تیار کی گئی ہیں۔
- ☆ مالیاتی کیفیت ناموں کی تیاری کے لیے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئیں اور اکاؤنٹنگ کے تخمینے معقول اور محتاط فیصلوں پر مبنی ہیں ماسوا ان کے جن کا انکشاف مالیاتی کیفیت ناموں میں کیا گیا ہے۔
- ☆ بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر، جو کہ پاکستان میں قابلِ اطلاق ہیں، مالیاتی کیفیت ناموں کی تیاری میں عمل کیا گیا ہے۔
- ☆ اندرونی کنٹرول کا نظام مستحکم ہے اور اس کا نفاذ اور نگرانی موثر طور پر کیے گئے ہیں۔
- ☆ کمپنی کے کاروبار کو جاری رکھنے کی صلاحیت پر کوئی خاص شبہات نہیں ہیں۔
- ☆ ماسوا ان کے جن کا انکشاف مالیاتی کیفیت ناموں میں کیا گیا ہے، ٹیکسوں، ڈیوٹیوں محصولات اور چارجز کی مدات میں کوئی قانونی ادائیگیاں نہیں ہیں جو کہ 31 دسمبر 2019 کو واجب الادا ہوں۔
- ☆ 31 دسمبر 2019 کو غیر آڈٹ شدہ کھاتوں پر مبنی اسٹاف پروویڈینٹ فنڈ کی مالیت 199 ملین روپے تھی۔
- ☆ بورڈ نے آزاد ڈائریکٹران سمیت نان ایگزیکٹو ڈائریکٹران کے معاوضے کی پالیسی کی منظوری دے دی ہے۔
- ☆ پیٹرن آف شیئر ہولڈنگ اور اضافی معلومات سالانہ رپورٹ میں شامل ہیں۔

آڈیٹرز

آڈٹ کمیٹی نے کمپنی کو آزاد بیرونی آڈٹ کی خدمات کی فراہمی کے لیے، ریٹائر ہونے والے آڈیٹران سمیت، چھ آڈٹ فرموں کی جانب سے موصول شدہ رضامندیوں کا جائزہ لیا۔تقابلی نرخوں کا گوشوارہ کمیٹی کو غور کے لیے پیش کیا گیا۔آڈٹ کمیٹی نے آئیندہ سال کے لیے کمپنی کے قانونی آڈیٹران کے طور پر EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس کو، سب سے کم بولی دینے والے کی حیثیت سے، تقرری کی سفارش کی ہے۔بورڈ نے اس سفارش کی تائید کی ہے۔

بیرونی معاشی عوامل سے مجبور ہو کر کمپنی نے جنوری میں ٹی وائٹنر کی قیمت میں ایڈجسٹمنٹ کا آغاز کیا تاکہ بڑھتے ہوئے پیداواری اخراجات کو جذب کیا جا سکے۔ لیکن مجموعی طور پر صنعت قیمت میں ایڈجسٹمنٹ سے لاتعلق رہی اور کمپنی کے پاس کوئی چارہ نہیں بچا کہ وہ قیمت میں ایڈجسٹمنٹ کے اقدام سے پیچھے ہٹ جائے جس کی وجہ سے کاروباری حجم کو نقصان پہنچا اور بازار میں اپنی پوزیشن کو برقرار رکھنے کے لیے سیلز سپورٹ کی مد میں اضافی اخراجات کرنا پڑے۔

تاہم فائنانس بل 20-2019 میں ٹی وائٹنر پر سیلز ٹیکس کے نفاذ کے بعد صنعت نے سال کے آخری نصف حصے میں سیلز ٹیکس ایڈجسٹمنٹ کی حد تک قیمت میں اضافہ کیا۔

ڈیری کی صنعت حفظانِ صحت اور صاف دودھ کی مارکیٹنگ پر توجہ دے رہی ہے۔ ڈیری کمپنیاں منظّم ڈیری فارموں اور کولڈ چین سسٹم کے قیام کے لیے کسانوں کو تعلیم اور امداد فراہم کر کے صحت بخش دودھ کی پیداوار کو یقینی بنانا چاہتی ہیں۔ حکومت موجود بے ضابطہ اور باضابطہ شعبوں کے لیے قانون سازی کو بہتر بنانے اور نفاذ کے اقدامات میں اضافہ کی کوشش کر رہی ہے۔ باضابطہ شعبے کے ذریعے پیسچرائزڈ دودھ جیسی محفوظ اور سستی مصنوعات کی پیداوار کے لیے کم لاگت ٹیکنالوجیز میں زیادہ سرمایہ کاری کی ضرورت ہے۔ تازہ دودھ کے لیے گاہک کی ترجیح، بکھری ہوئی اور محض روزی روزگار کے لیے کی جانے والی ڈیری فارمنگ اور کولنگ انفراسٹرکچر کے لیے درکار کافی زیادہ سرمایہ کاری بھی ڈیری کمپنیوں کی ترقی میں رکاوٹ ہے۔

انر مونگولیا یلی انڈسٹریل گروپ کمپنی لمیٹڈ کی جانب سے تحصیل کا ارادہ

چینی کمپنی نے طے شدہ مدت کے اندر دونوں فریقوں کے لین دین سے متعلق کسی سمجھوتے تک نہ پہنچنے کی وجہ سے 29 اپریل 2019 کو اپنی پیشکش واپس لے لی۔

مالیاتی کارکردگی

کمپنی نے سابقہ سال کے تقابلی عرصہ میں حاصل کردہ 7,649 ملین روپے کے مقابلے میں اس سال 5,745 ملین روپے کا کاروبار کیا۔ سابقہ سال کے دوران ہونے والے 2,849 ملین روپے نقصان کے مقابلے میں اس سال بعد از ٹیکس نقصان 5,789 ملین روپے رہا۔ سابقہ سال میں ہونے والے 5.39 روپے فی حصہ نقصان کے مقابلے میں اس سال فی حصہ نقصان 10.96 روپے رہا۔

حکومت کی جانب سے خوردہ سطح پر محاصل حاصل کرنے کے اقدامات، زیادہ پیداواری اور مالیاتی اخراجات اور سال کے پہلے نصف حصے میں قیمت میں اضافے کے اقدام سے بازاری حصے کو پہنچنے والے نقصان سے بچنے کے لیے اضافی سیلز سپورٹ پر اخراجات، متوقع سیلز میں کمی اور گنجائشی نقصانات سست کاروباری سرگرمیوں کی وجہ رہے۔

مستقبل کی پیش گوئی

پاکستان کی معیشت استحکام کے مرحلے میں ہے جبکہ اہم معاشی اشاریوں نے بہتری کی علامت ظاہر کرنا شروع کر دی ہے اور سٹیٹ بنک آف پاکستان کی جانب سے گزشتہ دو مالیاتی پالیسیوں کے دوران سود کی شرح میں تبدیلی نہ کرنے کا فیصلہ افراطِ زر کے دباؤ کو کم کرنے میں معاون رہا ہے۔ موجودہ معاشی چیلنج اگرچہ مختصر مدت میں کاروباری منافعوں پر امکانی طور پر اثر انداز ہوں گے۔

بورڈ جدت اور آپریشنل عمدگی پر بھرپور توجہ مرکوز رکھتے ہوئے معیاری مصنوعات کی فراہمی کے لیے مستقبل میں کمپنی کی ترقی کے بارے میں پر اعتماد ہے۔ اس عرصے میں انتظامیہ نے برقرار رہنے اور ترقی کرنے کے لیے لاگت پر قابو پانے کے لیے اقدامات کا آغاز کیا ہے جس نے سال کے آخر میں لاگت میں نمایاں کمی کے ذریعے نتائج ظاہر کرنا شروع کر دیے ہیں۔ کمپنی نے پنیر اور مکھن کی پراسیسنگ کی صلاحیتوں کو بڑھانے کے لیے ایک سرمایہ کاری بھی کی ہے تاکہ بہتر منافع حاصل کیا جا سکے جو کمپنی کو ڈیری انڈسٹری کے ایک مکمل اور اہم مارکیٹ پلیئر کے طور پر قائم کرنے میں معاون ہو گی۔

fauji foods

ڈائریکٹران رپورٹ برائے ممبران

فوجی فوڈز لیمیٹڈ کا بورڈ آف ڈائریکٹرز 31 دسمبر 2019 کو اختتام پزیر ہونے والے سال کے لیے آڈٹ شدہ مالیاتی حسابات پر ڈائریکٹران کی رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہا ہے۔

بنیادی سرگرمیاں

فوجی فوڈز لیمیٹڈ فوجی فرٹیلائزر بن قاسم لیمیٹڈ (50.59 فیصد شیئر ہولڈنگ) اور فوجی فاؤنڈیشن (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۔

زیرِ جائزہ سال

پاکستان میں ڈیری کا شعبہ سال 2016 میں ڈیری مصنوعات پر زیرو ریٹنگ ٹیکس نظام کے خاتمے کی وجہ سے ہونے والی زیادہ پیداواری لاگت اور اس کے ساتھ درآمد شدہ خشک دودھ پر اضافی کسٹم ڈیوٹی کی وجہ سے ابھی تک بحالی کے مراحل سے گزر رہا ہے۔

زیرِ جائزہ سال ڈیری صنعت کی مشکلات میں کوئی کمی نہیں لا سکا اور اس کی نمو میں جمود ہے،اس کی بنیادی وجہ یہ ہے کہ حکومت پاکستان نے معاشی چیلنجوں کے ازالہ کے لیے مندرجہ ذیل کلیدی بیرونی ریگولیٹری اقدامات اٹھائے ہیں:

- ☆ مہنگائی کی روک تھام کے لیے پالیسی کی شرح میں اکیلے ہندسے سے دو ہندسوں میں اضافہ؛
- ☆ برآمد کو پرکشش بنانے کے لیے کرنسی کی قدر میں غیر معمولی کمی؛
- ☆ درآمدی ضوابط اور پابندیوں میں سختی سے اکاؤنٹ خسارے کو کم کیا جانا؛
- ☆ محصولات کی وصولی کو بہتر بنانے کے لیے خوردہ سطح پر معیشت کو دستاویزی بنانا۔

مزید براں، ڈیری سیکٹر میں محصولات کی تحصیل کے لیے، حکومت کی جانب سے اٹھائے جانے والے مندرجہ ذیل مخصوص اقدامات نے ڈیری مصنوعات کو مزید مہنگا کر دیا:

- ☆ ٹی وائٹنر پر 10% سیلز ٹیکس کی کم شرح کا نفاذ
- ☆ سکم ملک پاؤڈر کی درآمد پر 5% اضافی کسٹم ڈیوٹی کا نفاذ

جہاں یہ تمام اقدامات اس لیے کیے گئے تھے کہ وہ معیشت کو مستحکم کر سکیں، اس کے بجائے انہوں نے ملک میں لاگت میں اضافہ کرنے والے افراطِ زر کو بڑھاوا دینے میں حصہ لیا، صارف کی قوتِ خرید کو کم کیا اور مجموعی طور پر کاروبار کی پیداواری لاگت میں مزید اضافہ کیا۔

بین الاقوامی سطح پر درآمد شدہ سکم دودھ کی قیمتوں نے پچھلی سہ ماہی کے دوران نئی بلندیوں کو چھو لیا ہے اس طرح صنعت کے پیداواری اخراجات میں بھی اضافہ ہوا۔ دودھ کی مقامی قیمتوں پر بھی اس کا اثر دیکھا گیا جہاں سال کے دوسرے نصف حصے میں غیر مثالی اضافہ دیکھا گیا۔

vii - FFL میں FFBL کے پاس رکھے ہوئے حصص کی موجودہ تعداد اور FFL میں FFBL کے حصص کا فیصدی حصہ:

FFBL کے ملکیتی حصص کی موجودہ تعداد	267,314,886
FFBL کے حصص کا فیصدی حصہ	50.59 فیصد

viii - قرض سے ایکویٹی میں تبدیلی کے بعد FFBL کے حصص کی کل تعداد اور حصص کی فیصدی حصہ:

FFBL کے ملکیتی حصص کی تعداد	542,201,257
FFBL کے حصص کا فیصدی حصہ	67.49 فیصد

ix - قرض سے ایکویٹی کی تبدیلی FFBL کی جانب سے کمپنی کو قطعی طور پر تحریری ہدایت جاری کرنے کے بعد عمل میں لائی جائے گی۔

x - کمپنی تصدیق کرتی ہے کہ قرض کی ایکویٹی میں تبدیلی کے نتیجے میں FFBL کو جاری کردہ حصص کمپنی کے موجودہ حصص کے ساتھ ہر لحاظ سے برابر حیثیت رکھتے ہیں۔

xi - اس قرض کی ایکویٹی میں تبدیلی SECP کی منظوری سے مشروط ہے۔

fauji foods

کمپنی کے محدود ذرائع کے پیشِ نظر، FFBL کی انتظامیہ نے 2,630,000,000 پاکستانی روپے (دو بلین چھ سو تیس ملین) کے subordinated shareholder loan کو معہ 31 دسمبر 2019 کو 118,863,714 پاکستانی روپے (ایک سو اٹھارہ ملین آٹھ سو تریسٹھ ہزار سات سو چودہ) کے مارک اپ، (the "Subordinated Shareholder Loan") اسی قدر کے حصص میں تبدیل (the "Debt to Equity Conversion") کرنے کے ذریعے کمپنی میں اپنی سرمایہ کاری کو برقرار رکھنے کا فیصلہ کیا ہے۔

چونکہ حصص کے اس اجراء کا مقصد FFBL کی جانب سے دیے گئے Subordinated Shareholder Loan کو ایکویٹی میں تبدیل کرنا ہے (تاکہ FFBL کمپنی میں اپنی سرمایہ کاری کو برقرار رکھ سکے) اس لیے یہ حصص، SECP کی منظوری کے تابع، کمپنیز ایکٹ، 2017 کی دفعہ 83(1)(b) کے تحت رائٹ شیئرز کے اجراء کے بغیر جاری کیے جائیں گے لہذا ان حصص کی پیشکش کمپنی کے دیگر حصص یافتگان کو نہیں کی جائے گی۔

اس بات کی توقع کی جاتی ہے کہ 2,630,000,000 پاکستانی روپے (دو بلین چھ سو تیس ملین) کے قرض معہ 118,863,714 پاکستانی روپے (ایک سو اٹھارہ ملین آٹھ سو تریسٹھ ہزار سات سو چودہ) مارک اپ کی مجوزہ تبدیلی کمپنی کے مالی حالات کو بہتر کرنے میں مدد فراہم کرے گی۔

iv - جیسا کہ مذکورہ بالا پیرا (iii) میں بیان ہوا، چونکہ FFBL اپنے بقایا قرض کو ایکویٹی میں تبدیل کرنا چاہتا ہے اس لیے یہ حصص رائٹ اجراء کے بغیر جاری کیے جا رہے ہیں لہذا کمپنی کی جانب سے جاری کردہ ان حصص کی پیشکش کمپنی کے دیگر حصص یافتگان کو نہیں کی جاسکتی۔

v - یہ حصص FFBL کو دس روپے فی حصہ کی مساوی قیمت (par value) پر جاری کیے جائیں گے۔ مساوی قیمت پر حصص جاری کرنے کا جواز یہ ہے کہ کمپنی کے محدود نقد وسائل کے پیشِ نظر FFBL کی جانب سے 2,630,000,000 پاکستانی روپے (دو بلین چھ سو تیس ملین) کے قرض کو معہ 31 دسمبر 2019 کو 118,863,714 پاکستانی روپے (ایک سو اٹھارہ ملین آٹھ سو تریسٹھ ہزار سات سو چودہ) کے مارک اپ، جو کہ اسی مساوی قدر کے مطابق جاری کیے جائیں گے یعنی، دس روپے فی حصہ مالیت کے حصص میں تبدیل کرنے کے ذریعے کمپنی میں اپنی سرمایہ کاری کو برقرار رکھنے کا فیصلہ کیا ہے۔

چونکہ حصص کے اس اجراء کا مقصد FFBL کی جانب سے دیے گئے Subordinated Shareholder Loan کو ایکویٹی میں تبدیل کرنا ہے اس لیے یہ حصص، SECP کی منظوری کے تابع، کمپنیز ایکٹ، 2017 کی دفعہ 83(1)(b) کے تحت استحقاقی حصص کے اجراء کے بغیر جاری کیے جائیں گے لہذا ان حصص کی پیشکش کمپنی کے دیگر حصص یافتگان کو نہیں کی جائے گی۔ کمپنی کے حصص کی بریک اپ ویلیو 6.96- پاکستانی روپے فی حصہ ہے۔ کمپنی بورڈ کے اعلان سے قبل گزشتہ تین ماہ اور چھ ماہ کے دوران مارکیٹ کی اوسط قیمت کے ساتھ ساتھ تازہ ترین دستیاب مارکیٹ کی قیمت کی بھی تفصیلات فراہم کرے گی۔

حصص کی بریک اپ قدر	6.96- پاکستانی روپے فی حصہ
حصص کی بازاری قیمت	تین مہینے کی اوسط بازاری قیمت: 12.95 روپے فی حصہ
	چھ مہینے کی اوسط بازاری قیمت: 11.92 روپے فی حصہ

vi - کمپنی نے یہ Subordinated Shareholder Loan اپنی عملی اور کیش فلو کی ضروریات پوری کرنے کے لیے استعمال کیا۔

ترمیم شدہ شق V (ترامیم کو گاڑھا اور زیرِ لکیر دکھایا گیا ہے)	بنیادی شق V
The Authorised Capital of the Company is Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs.10/- each, with attached thereto such preferential, deferred, qualified or special rights, privileges or conditions as provided in the Articles of Association of the Company, or in accordance with the Companies Act, 2017, and to vary, modify or abrogate such rights, privileges or conditions, in such manner as may be permitted by the Companies Act, 2017 and to increase and / or reduce the capital and to divide shares in the capital into several kinds and classes and to consolidate or subdivide the shares and to issue shares for higher or lower denominations.	The Authorised Capital of the Company is Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs.10/- each, with attached thereto such preferential, deferred, qualified or special rights, privileges or conditions as provided in the Articles of Association of the Company, or in accordance with the Companies Act, 2017, and to vary, modify or abrogate such rights, privileges or conditions, in such manner as may be permitted by the Companies Act, 2017 and to increase and / or reduce the capital and to divide shares in the capital into several kinds and classes and to consolidate or subdivide the shares and to issue shares for higher or lower denominations.

بورڈ اس بات کی تصدیق کرتا ہے کہ کمپنی کے میمورینڈم آف ایسوسی ایشن میں مجوزہ ترامیم قانون اور ریگولیٹری فریم ورک کی قابلِ اطلاق دفعات کے مطابق ہیں۔

قرض کو ایکویٹی میں تبدیل کرنا

i - بورڈ نے تجویز پیش کی ہے کہ فوجی فرٹیلائزر بن قاسم (FFBL) کی جانب سے کمپنی کو دیے گئے اپنے subordinated shareholder loan کو ایکویٹی میں تبدیل کرنے کے اپنے حق کو استعمال کرنے پر، استحقاقی حصص اجراء کیے بغیر، اجلاسِ عام کے نوٹس میں فراہم کردہ تفصیلات کے مطابق، FFBL کو 274,886,371 حصص جاری کیے جائیں گے۔

ii - فوجی فرٹیلائزر بن قاسم (FFBL) بنیادی طور پر پاکستان کے کسانوں اور زراعت کے شعبے کے لیے کیمیائی کھاد کی تیاری اور تقسیم میں شامل ہے۔ FFBL پاکستان میں DAP اور گرینولر یوریا کی واحد صنعت کار ہے۔ اس کا کھاد مینوفیکچرنگ کمپلیکس بن قاسم ایسٹرن انڈسٹریل زون، کراچی میں واقع ہے جبکہ اس کا رجسٹرڈ آفس (ہیڈ آفس) DHA فیز 2، اسلام آباد میں واقع ہے۔ کمپنی 14 مئی 1996 سے پاکستان اسٹاک ایکسچینج میں درج ہے اور کمپنی کی تجارتی علامت "FFBL" ہے۔

اس کمپنی کے بڑے حصص یافتگان فوجی فاؤنڈیشن جو کہ Charitable Endowment Act, 1890 کے تحت قائم کردہ فلاحی ٹرسٹ ہے (18.29%) اور فوجی فرٹیلائزر کمپنی (FFC) کے پاس کمپنی کے (49.88%) حصص ہیں۔ یہ اس کمپنی کو اس فوجی گروپ کا حصہ بناتا ہے جو پاکستان کے سب سے بڑے کاروباری اجتماعات میں سے ایک ہے اور پاکستان کے کھاد، سیمنٹ، بجلی، تیل اور گیس کے شعبوں میں اس کا حصہ ہے۔ فوجی گروپ خوراک، تیل اور اناج ٹرمینل کے امور اور عسکری بینک لیمیٹڈ کی ملکیت کے ذریعے مالی خدمات میں بھی شریک ہے۔

iii - کمپنی اور FFBL کے مابین سپانسر سپورٹ ایگریمنٹ مورخہ 12 اپریل 2019 (the "Existing Sponsor Support Agreement") کے تحت FFBL نے کمپنی کو، ایک مجموعے کے طور پر، ایک subordinated shareholder loan یا کفالتِ مزید کے ذریعے 3,000,000,000 پاکستانی روپے (مبلغ تین بلین) تک اسپانسر سپورٹ فراہم کرنے پر اتفاق کیا۔

اس کے بعد، 3,000,000,000 پاکستانی روپے (مبلغ تین بلین) کی کل منظور شدہ سرمایہ کاری میں سے، FFBL نے کمپنی کو 2,630,000,000 پاکستانی روپے (مبلغ دو بلین چھ سو تیس ملین) کا subordinated loan مہیا کیا۔

کمپنی اجلاسِ عام کی تاریخ سے کم ازکم 5 یوم قبل ممبران کو وڈیو کانفرنس سہولت کے مقام اور ایسی سہولت تک رسائی کے لیے ضروری مکمل معلومات فراہم کرے گی۔

میں/ہم ________________ بابت ________________ فوجی فوڈز لیمیٹڈ کے ممبر ہونے کی حیثیت سے ________________ حصص بمطابق رجسٹرڈ فولیونمبر/CDC اکاؤنٹ نمبر ________________ زیرِ قبضہ رکھتا ہوں/رکھتے ہیں، بذریعہ وڈیو کانفرنس سہولت بمقام ________________ کا/کے خواہشمند ہیں۔

____

دستخط ممبر

5 - **ای ووٹنگ**

ممبران کمپنیز ایکٹ 2017 کے سیکشن 145-143 کی ضروریات کو پورا کرتے ہوئے اور کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کی قابلِ اطلاق شقوں کے تحت رائے شماری کا مطالبہ کرنے کے لیے اپنے حق کا استعمال کر سکتے ہیں۔

کمپنیز ایکٹ 2017 کی دفعہ (3) 134 کے تحت بیان

کمپنیز ایکٹ 2017 کی دفعہ (3)134 کے تحت اس بیان میں مذکورہ بالا خصوصی امور سے متعلق اہم حقائق کو پیش کیا گیا ہے جو کہ فوجی فوڈز لیمیٹڈ کے 2 اپریل 2020 کو ہونے والے سالانہ اجلاسِ عام میں انجام دیے جائیں گے۔

مجاز حصص کے سرمایہ میں اضافہ

i - کمپنی کے مجاز حصص کے سرمایہ میں اضافہ کیا جارہا ہے تاکہ کمپنی اپنی بنیادی کمپنی، فوجی فرٹیلائزر بن قاسم لیمیٹڈ (FFBL) کو حصص کا اجراء کر سکے، اگر FFBL اپنے 2,630,000,000 پاکستانی روپے (دو بلین چھ سو تیس ملین) کے قرض معہ 31 دسمبر 2019 کو 118,863,714 پاکستانی روپے (ایک سو اٹھارہ ملین آٹھ سو تریسٹھ ہزار سات سو چودہ) کے مارک اپ کو اسی قدر کے حصص میں تبدیل کرنے کے حق کو استعمال کرتی ہے۔

ii - کمپنی کا مجاز سرمایہ 7,000,000,000 پاکستانی روپے (سات بلین روپے) ہے جسے دس روپے فی حصہ مالیت کے 700,000,000 (سات سو ملین) عمومی حصص میں تقسیم کیا گیا ہے؛ اور

iii - کمپنی کے مجاز حصص سرمایہ کو 10,000,000,000 پاکستانی روپے (دس بلین روپے) تک بڑھانے کی تجویز ہے جسے دس روپے فی حصہ مالیت کے 1,000,000,000 (ایک بلین) عمومی حصص میں تقسیم کیا گیا ہے۔

میمورینڈم آف ایسوسی ایشن کی شق پانچ کے متن میں ترمیم

کمپنی کے مجاز حصص سرمایہ میں مجوزہ ترمیم کی روشنی میں کمپنی کے میمورینڈم آف ایسوسی ایشن کی شق پانچ کے متن میں ترمیم کی جارہی ہے۔ اسی کے مطابق کمپنی کے میمورینڈم آف ایسوسی ایشن میں حسبِ ذیل ترمیم کی تجویز دی جارہی ہے:

کمپنی کے میمورینڈم آف ایسوسی ایشن میں ظاہر ہونے والے اعداد اور الفاظ "Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs. 10/- each" کو "Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs. 10/- each." کے اعداد اور الفاظ سے تبدیل کر دیا جائے۔

نوٹس :

1 - کوئی بھی ممبر جو اجلاس ہذا میں شرکت کرنے اور ووٹ دینے کا مجاز ہے وہ اپنی جگہ کسی اور ممبر کو اجلاس میں شرکت کرنے کے لیے اپنا پراکسی مقرر کرنے کا حقدار ہے۔ پراکسیوں کے لیے ضروری ہے کہ وہ اجلاس کے انعقاد کے لیے مقرر کردہ وقت سے کم از کم اڑتالیس گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں موصول ہو جائیں۔ کوئی ممبر ایک سے زائد پراکسی مقرر نہیں کرسکتا۔ پراکسی فارم کے ہمراہ شیئر ہولڈر کے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل لگائی جائے۔

2 - CDC کے اکاؤنٹ ہولڈروں کو ہدایت کی جاتی ہے کہ وہ سیکیوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ سرکلر نمبر 1 of 2000 مورخہ 26 جنوری 2000 میں وضع کردہ مندرجہ ذیل ہدایات پر عمل کریں:

a. اجلاس میں شرکت کے لیے:

i - افراد کی صورت میں اجلاس میں شرکت کے وقت اپنی شناخت کی تصدیق کی غرض سے اپنا اصل قومی شناختی کارڈ/ پاسپورٹ معہ CDC اکاؤنٹ نمبر ساتھ لائیں۔

ii - کارپوریٹ باڈیز کے نمائیندے اجلاس میں شرکت کے لیے بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ معہ نامزد افراد کے نمونہ دستخط اپنے ہمراہ لائیں۔

b. پراکسیوں کے تقرر کے لیے:

i - افراد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر مندرجہ بالا ہدایات کے مطابق پراکسی فارم مہیا کریں۔

ii - پراکسی فارم دو گواہان سے تصدیق شدہ ہو گا جن کے نام، پتے اور CNIC نمبر فارم پر درج کیے جائیں گے۔

iii - پراکسی فارم دینے والے ممبر اور پراکسی ہولڈر کے CNIC یا پاسپورٹ کی نقول پراکسی فارم کے ساتھ مہیا کی جائیں گی۔

iv - میٹنگ میں شرکت کے وقت پراکسی ہولڈر اپنا اصل قومی شناختی کارڈ یا پاسپورٹ برائے شناخت پیش کرے گا۔

v - کارپوریٹ باڈیز بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ اور پراکسی کے نمونہ دستخط پراکسی فارم کے ہمراہ مہیا کریں۔

3 - ممبران سے التماس ہے کہ اگر ان کے ڈاک کے پتوں میں کوئی تبدیلی ہو تو اس سے فوراً کمپنی رجسٹرار یعنی کارپ لنک (پرائیویٹ) لیمیٹڈ کو ان کے پتے واقع ونگز آرکیڈ، 1-K، کمرشل، ماڈل ٹاؤن لاہور پر مطلع کریں۔

4 - وہ حصص یافتگان جو سالانہ رپورٹیں اور جنرل میٹنگوں کے نوٹس بذریعہ ای میل وصول کرنا چاہتے ہوں ان سے درخواست ہے کہ وہ ایک خط کے ذریعہ، جس پر ان کے دستخط موجود ہوں، اپنے کوائف، یعنی نام، فولیو نمبر یا CDC اکاؤنٹ نمبر، ای میل ایڈریس، رابطہ نمبر، CNIC نمبر (کاپی منسلک کریں) مہیا کریں۔ حصص یافتگان سے یہ بھی درخواست ہے کہ اگر ان کے ای میل کے پتوں میں کوئی تبدیلی ہو تو اس سے فوراً کمپنی رجسٹرار یعنی کارپ لنک (پرائیویٹ) لیمیٹڈ کو ان کے پتے واقع ونگز آرکیڈ، 1-K، کمرشل، ماڈل ٹاؤن لاہور پر مطلع کریں۔

اجازت برائے وڈیو کانفرنس سہولت

ممبران کراچی اور اسلام آباد میں وڈیو کانفرنس سہولت سے بھی استفادہ کر سکتے ہیں۔ اس سلسلہ میں درج ذیل کو پن پر کریں اور اجلاسِ عام کے منعقد ہونے سے کم از کم 10 روز قبل کمپنی کے رجسٹرڈ آفس واقع 42 CCA, DHA Phase-VIII, Ex Park View، لاہور میں جمع کرائیں۔

اگر کمپنی کو ایسے جغرافیائی مقام، جہاں مجموعی طور پر 10 فیصد یا زائد حصص کے حامل ممبران رہتے ہوں، سے اجلاس کی تاریخ سے کم از کم دس (10) یوم قبل بذریعہ وڈیو کانفرنس اجلاس میں شریک ہونے کے لیے رضامندی موصول ہوتی ہے تو کمپنی اس شہر میں وڈیو کانفرنس کی سہولت کا اہتمام کرے گی بشرطیکہ اس شہر میں یہ سہولت دستیاب ہو۔

اس Subordinated Shareholder Loan کو کمپنی نے اپنی آپریشنل اور کیش فلو کی ضروریات کو پورا کرنے کے لیے استعمال کیا تھا جس نے تمام ممبران کے فائدے کے لیے کمپنی کی ترقی میں معاونت کی۔ قرضے کی ایکویٹی میں تبدیلی اس بات کو یقینی بنائے گی کہ FFBL کی کمپنی میں سرمایہ کاری برقرار رہتی ہے جو کمپنی کی مالی حالت بہتر بنانے میں مدد کرے گی۔

مزید قرار پایا کہ فی حصہ قیمت (یعنی دس پاکستانی روپے فی حصہ) جس پر FFBL کو حصص جاری کیے جائیں گے جو کہ کمپنی حصص کے مساوی قیمت ہے، منظور کی جاتی ہے، جس کا جواز اس بنیاد پر ہے کہ کمپنی کے محدود وسائل کے پیشِ نظر FFBL کی جانب سے کمپنی کو دیے گئے 2,630,000,000 پاکستانی روپے (دو بلین چھ سو تیس ملین) کے قرض معہ 31 دسمبر 2019 تک 118,863,714 پاکستانی روپے (ایک سو اٹھارہ ملین آٹھ سو تریسٹھ ہزار سات سو چودہ) کے مارک اپ کو، FFL کے اسی قیمت کے عمومی حصص میں، یعنی فی حصہ دس روپے پاکستانی، تبدیل کر کے کمپنی میں اپنی سرمایہ کاری کو برقرار رکھنے کا ایک فیصلہ کیا گیا ہے۔ یہ حصص کمپنیز ایکٹ، 2017 کی دفعہ (b)(1)83 کے تحت استحقاقی حصص کا اجراء کیے بغیر جاری کیے جائیں گے کیونکہ اس اجراء کا مقصد FFBL کے Subordinated Shareholder Loan کو ایکویٹی میں تبدیل کرنا ہے لہذا کمپنی کے دیگر حصص یافتگان کو ان حصص کی پیشکش نہیں کی جائے گی۔

مزید قرار پایا بشرطیکہ (i) موجودہ سپانسر سپورٹ ایگریمنٹ میں تبدیلی؛ (ii) کمپنی کے مجاز حصص کے سرمائے میں اضافہ؛ (iii) FFBL کی جانب سے کمپنی کو دیے گئے قرض کو ایکویٹی میں تبدیل کرنے کے اپنے حق کو استعمال کرتے ہوئے، کمپنی کو اختیار دیا جاتا ہے کہ وہ کمپنیز ایکٹ، 2017 کی دفعہ (b)(1)83 کے تحت سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو، قرضے کو ایکویٹی میں تبدیل کرنے کے تحت، استحقاقی حصص کے اجراء کے بغیر، حصص کے اجراء کی الاٹمنٹ کے لیے درخواست دائر کرے؛

مزید قرار پایا کہ چیف ایگزیکٹو اور مینیجنگ ڈائریکٹر، چیف فائنانشل آفیسر اور کمپنی سیکریٹری کو مشترکہ طور پر اور انفرادی طور پر اختیار دیا جاتا ہے کہ وہ مذکورہ قراردادوں پر عملدرآمد کے لیے کوئی بھی اور تمام ضروری اقدامات اور اعمال کریں، بشمول، بغیر کسی حد کے، کسی بھی یا تمام رضامندیوں اور منظوریوں کے حصول کے لیے، عملدرآمد اور (جہاں ضروری ہو) تمام ضروری درخواستیں دائر کریں (بشمول ایکٹ، 2017 کی دفعہ (b)(1)83 کے تحت)، دستاویزات، قانونی ریٹرنز، اعلامیے اور اقرارنامے ریگولیٹری یا دیگر اتھارٹی کے سامنے پیش کرنے اور نمائندگیوں کے لیے، جہاں ضروری ہو یا مذکورہ بالا معاملات میں سازگار ہو، اور دستخط کرنے، جاری کرنے اور ایسی تمام دستاویزات اور نوٹس ترسیل کرنے اور وہ تمام اقدامات کرنے جو کہ مذکورہ بالا مقاصد کو حاصل کرنے اور مذکورہ بالا قراردادوں کو مکمل اثر دینے کے لیے ضروری ہوں۔

دیگر امور

4 - صدر اجلاس کی اجازت سے اجلاس میں پیش کیے جانے والے دیگر امور انجام دینا۔

منتقلی حصص کی کتابوں کی بندش

کمپنی حصص کی منتقلی کی کتابیں مورخہ 27 مارچ، 2020 تا 02 اپریل، 2020 (بشمول دونوں ایام) بغرض انعقاد سالانہ اجلاس عام بند رہیں گی۔

بحکم بورڈ

بریگیڈیر زاہد نواز مان (ریٹائرڈ)
کمپنی سیکریٹری

لاہور۔
مورخہ: 27 جنوری، 2020

فوجی فوڈز لیمیٹڈ

اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا اطلاع دی جاتی ہے کہ فوجی فوڈز لیمیٹڈ کے ممبران کا تریپنواں سالانہ اجلاس عام بروز جمعرات مورخہ 02 اپریل، 2020 صبح گیارہ بجے مندرجہ ذیل امور کی انجام دہی کے لیے بمقام رائل سوئس ہوٹل، بالمقابل کارگو کمپلیکس، علامہ اقبال انٹرنیشنل ایئرپورٹ، لاہور منعقد ہوگا:

عمومی امور

1 - ممبران کے باونویں سالانہ اجلاسِ عام منعقدہ 27 مارچ 2019 کی کارروائی کی توثیق کرنا۔

2 - 31 دسمبر، 2019 کو اختتام پزیر ہونے والے سال کے لیے کمپنی کے آڈٹ شدہ حسابات اوران پر آڈیٹران اور ڈائریکٹروں کی رپورٹوں پر غور کرنا اور انہیں منظور کرنا

3 - اگلے سالانہ اجلاسِ عام تک کے عرصہ کے لیے کمپنی کے آڈیٹران کا تقرر اوران کے مشاہرہ کا تعین کرنا۔

خصوصی امور

مندرجہ ذیل قرارداد خاص پر غور کرنا، اور اگر مناسب سمجھا گیا، کسی ترمیم، تبدیلی، اصلاح یا اس کے بغیر منظوری کے لیے پیش کرنا:

قرار پایا کہ :

(i) کمپنی کے مجاز حصص کے سرمایہ کو 7,000,000,000 پاکستانی روپے (سات بلین روپے) جسے دس روپے فی حصہ مالیت کے 700,000,000 (سات سوملین) حصص میں تقسیم کیا گیا ہے بڑھا کر 10,000,000,000 پاکستانی روپے (دس بلین روپے) جسے دس روپے فی حصہ مالیت کے 1,000,000,000 (ایک بلین) حصص میں تقسیم کیا گیا ہے، کر دیا جائے۔

(ii) کمپنی کے میمورینڈم آف ایسوسی ایشن میں ظاہر ہونے والے اعداد اور الفاظ "Rs. 7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs.10/- each" کو "Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs.10/- each." کے اعداد اور الفاظ سے تبدیل کر دیا جائے۔

مزید قرار پایا کہ (i) فوجی فرٹیلائزر بن قاسم (FFBL) اور فوجی فوڈز لیمیٹڈ کے مابین ہونے والے سپانسر سپورٹ ایگریمنٹ مورخہ 12 اپریل، 2019 میں ہونے والی تبدیلیوں کے تابع (the "Existing Sponsor Support Agreement")؛ (ii) کمپنی کے مجاز حصص کے سرمائے میں اضافہ؛ (iii) کمپنیز ایکٹ، 2017 کی دفعہ (b)(1)83 کے تحت SECP کی منظوری اور تمام قابلِ اطلاق قانونی تقاضوں کی تعمیل کے تابع؛ اور (iv) FFBL کو، جو کہ کمپنی کے موجودہ اداشدہ سرمائے کے 52.02 فیصد کی نمائندگی کر رہا ہے، کمپنی کو دیے گئے اپنے قرض کو ایکویٹی میں تبدیل کرنے کے لیے اپنے حق کو استعمال کر رہا ہے، دس روپے فی حصہ مالیت، یعنی مساوی قیمت پر، استحقاقی حصص کا اجراء کیے بغیر، 2,630,000,000 پاکستانی روپے (دو بلین چھ سو تیس ملین) کی مالیت کے subordinated shareholder loan معہ 31 دسمبر 2019 تک 118,863,714 پاکستانی روپے (ایک سو اٹھارہ ملین آٹھ سو تریسٹھ ہزار سات سو چودہ) کے مارک اپ (the "Subordinated Shareholder Loan") جو کہ FFBL کی جانب سے کمپنی کو دیا گیا تھا، 274,886,371 عمومی حصص کی الاٹمنٹ اور اجراء منظور کیا جاتا ہے۔ (the "Debt to Equity Conversion")۔

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