

A HERITAGE OF PURE DAIRY

Condensed Interim
Financial Statements for the

NINE MONTHS ENDED
30 SEPTEMBER

2022



fauji foods



NINE MONTHS ENDED
30 SEPTEMBER

2022



fauji foods

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NINE MONTHS ENDED
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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr. Sarfaraz Ahmed Rehman - Chairman

Mr. Arif ur Rehman

Dr. Nadeem Inayat

Syed Bakhtiyar Kazmi

Ms. Tania Shahid Aidrus

Mr. Ali Asrar Hossain Aga

Mr. Basharat Ahmad Bhatti

Mr. Imran Husain

Mr. Javed Kureishi



Audit Committee

Mr. Javed Kureishi - Chairman
Syed Bakhtiyar Kazmi
Mr. Basharat Ahmad Bhatti
Dr. Nadeem Inayat

HR & R Committee

Mr. Ali Asrar Hossain Aga - Chairman
Dr. Nadeem Inayat
Mr. Imran Husain
Mr. Arif ur Rehman

Operation and Business Committee

Mr. Ali Asrar Hossain Aga - Chairman
Dr. Nadeem Inayat
Mr. Imran Husain
Mr. Sarfaraz Ahmed Rehman

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

Registered Office

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

Chief Executive Officer

Mr. Usman Zaheer Ahmad

Chief Financial Officer

Mr. Waseem Haider

Company Secretary

Brig Hamid Mahmood Dar
SI(M), (Retd)

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisers

Mr. Khurram Raza
Advocate Supreme Court

Website

www.faujifoods.com

Plant

Bhalwal, District Sargodha.

Bankers

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Fauji Foods Limited (FFL) is pleased to present the directors' report along with the condensed unaudited interim financial information of the Company for 9 months ended September 30, 2022.

Business Review

Despite major economic upheaval, we are pleased to report that the Company registered a topline growth of 50% in the Q3, 2022 as compared to same period last year. This momentum is continuing as business grew by 64% in September 2022 over same month last year. There has been a conscious effort to grow UHT Milk Portfolio. The focus on RTM and visibility in trade continue to drive record volumes for Nurpur UHT Milk, registering 57% growth from same period last year.

The after effect of floods are visible on the dairy industry. There has been massive displacement of livestock, that coupled with a viral outbreak in the herd has led to productivity decline. This means that raw milk availability will remain a challenge putting continuous pressure on price.

The Company continues to consolidate gains and gain momentum. The key drivers of turnaround strategy are sustainable growth, margin accretive launches, optimizing the costs across entire value chain. The early wins in terms of volume (22% over Q2 2022) and value growth (37% over Q2 2022) with GP improvement (0.4% Q2 2022 vs 3.16% Q3 2022) have been instrumental in accelerating the plans.

Financial Restructure

In order to address the existing & future business requirements, the sponsors have embarked on a financial restructure of the Company. The objective is to lift debt burden from the company and provide additional funds for working capital and implementing the margin improvement projects at the factory.

As a first step to the proposed restructure, Fauji Foundation has agreed to provide an interest free loan of PKR 2.35 BN for a period of 2 years with an option to convert the loan to equity. We are pleased to report that the first tranche of PKR 2.0 BN has been transferred to the Company.

Financial Performance

The company showed a net sales growth of 21% as compared to same 9-month period last year. Net sales stood at Rs 8,071 million compared to same period last year sales of Rs 6,682 million.

Massive inflation in 2022 has put pressure on margins. Gross profit for the 9-month stood at Rs. 282 million, compared to Rs 813 million during the corresponding period of last year. To mitigate the cost escalation, FFL has taken price increases and initiated multiple cost efficiency and margin improvement initiatives.

The loss after tax for the period stood at Rs (1,944) million compared with a loss of Rs (1,191) million in the corresponding period of last year.

<u>Amount Pkr Mn</u>	<u>YTD 2022</u>	<u>YTD 2021</u>	<u>Variance%</u>
Revenue	8,071	6,682	21%
Gross Profit	282	813	(65)%
EBITDA	(702)	139	(605)%
Loss after Tax	(1,944)	(1,191)	(63)%

Future Outlook

Volume growth in margin accretive products, price increases and multiple efficiency initiatives give us confidence that the exit financials of the year 2022 will be on track to achieve sustainable margin structure.

We note with satisfaction that the Company has been successful in securing a major dried milk supply contract to the tune of PKR 1.4 BN, which will be completed before end of H1 of 2023. We expect this project to further complement the financial performance of the Company.

Despite the evolving & challenging economic scenario, both internationally & locally, the inelastic nature of dairy products remains the mainstay around which we build our strategies to not only mitigate market movements but also to effectively grow our business profitably.

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

For and on behalf of the Board



Syed Bakhtiyar Kazmi

Chairman



Usman Zaheer Ahmad

Chief Executive Officer

Dated: October 24, 2022

2022

ڈائریکٹرز کی حصص داران کو رپورٹ

فوجی فوڈز لمیٹڈ کے بورڈ آف ڈائریکٹرز 30 ستمبر 2022 کو ختم ہونے والی نو ماہی کے لیے منجمد غیر آڈٹ شدہ عبوری مالیاتی حسابات پر ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

کاروباری جائزہ

بڑے معاشی اتار چڑھاؤ کے باوجود، ہمیں یہ بتاتے ہوئے خوشی ہو رہی ہے کہ کمپنی نے گزشتہ سال کی اسی مدت کے مقابلے سال 2022 کی تیسری سہ ماہی میں 50% کی ٹاپ لائن نمودار کی ہے۔ یہ رفتار جاری ہے کیونکہ ستمبر 2022 میں کاروبار میں پچھلے سال اسی مہینے کے مقابلے میں 64% کا اضافہ ہوا تھا۔ UHT ملک پورٹ فولیو کو بڑھانے کے لیے شعوری کوشش کی گئی ہے۔ RTM اور تجارت پر مرکوز توجہ نور پور UHT ملک کے لیے ریکارڈ حجم کو بڑھانے کے لیے جاری ہے، جس میں گزشتہ سال کی اسی مدت کے مقابلے میں 57% کا اضافہ ہوا ہے۔

سیلاب کے بعد کے اثرات ڈیری انڈسٹری پر نظر آ رہے ہیں۔ مویشیوں کی بڑے پیمانے پر نقل مکانی ہوئی ہے، جو کہ ریوڈ میں وائرل پھیلنے کے ساتھ ساتھ پیداواری صلاحیت میں کمی کا باعث بنی ہے۔ اس کا مطلب ہے کہ خام دودھ کی دستیابی قیمت پر مسلسل دباؤ پڑنے کا ایک چیلنج رہے گا۔ کمپنی منافع کو مستحکم کرنا اور رفتار حاصل کرنا جاری رکھے ہوئے ہے۔ تبدیلی کی حکمت عملی کے کلیدی محرکات پائیدار ترقی، مارجن ایکریٹیو لائچر، پوری ویلیو چین میں لاگت کو بہتر بنانا ہیں۔ حجم کے لحاظ سے ابتدائی حیثیت (سال 2022 کی دوسری سہ ماہی سے 22%) اور قدر میں اضافہ (سال 2022 کی دوسری سہ ماہی کے مقابلے میں 37%) GP بہتری (سال 2022 کی دوسری سہ ماہی میں 0.4% کے مقابلے میں 3.16%) کی تیسری سہ ماہی میں نے منصوبوں کو تیز کرنے میں اہم کردار ادا کیا ہے۔

مالیاتی تنظیم نو

موجودہ اور مستقبل کی کاروباری ضروریات کو پورا کرنے کے لیے، اسپانسرز نے کمپنی کی مالیاتی تنظیم نو کا آغاز کیا ہے۔ اس کا مقصد کمپنی سے قرض کا بوجھ کم کرنا اور ورکنگ کپٹل کے لیے اضافی فنڈز فراہم کرنا اور فیکٹری میں مارجن میں بہتری کے منصوبوں کو لاگو کرنا ہے۔

مجوزہ تنظیم نو کے پہلے قدم کے طور پر، فوجی فاؤنڈیشن نے قرض کو ایکویٹی میں تبدیل کرنے کے آپشن کے ساتھ 2 سال کی مدت کے لیے 2.35 بلین روپے کا بلا سود قرض فراہم کرنے پر رضامندی ظاہر کی ہے۔ ہمیں یہ بتاتے ہوئے خوشی ہو رہی ہے کہ 2.0 بلین روپے کی پہلی قسط کمپنی کو منتقل کر دی گئی ہے۔

مالیاتی کارکردگی

کمپنی نے گزشتہ سال کی اسی مدت کے مقابلے خالص فروخت نمو 21 فیصد درج کی ہے۔ خالص فروخت گزشتہ سال اسی مدت میں فروخت کی 6,682 ملین روپے کے مقابلے زیر جائزہ مدت میں 8,071 ملین روپے رہی ہے۔



fauji foods

سال 2022 میں بہت زیادہ مہنگائی نے مارجن پر دباؤ ڈالا ہے۔ مجموعی منافع گزشتہ سال کی اسی مدت کے دوران 813 ملین روپے کے مقابلے میں نو ماہی کے لئے 282 ملین روپے رہا۔ لاگت میں اضافہ کو کم کرنے کے لئے، FFL نے قیمتوں کو بڑھانے اور لاگت کارکردگی اور مارجن کی بہتری کے متعدد اقدامات کا آغاز کیا ہے۔

سہ ماہی کے لیے بعد از ٹیکس نقصان (1,944) ملین روپے رہا جو کہ گزشتہ سال کی اسی مدت میں (1,191) ملین روپے کا نقصان تھا۔

قوم پاکستانی روپے پلین میں

فرق فیصد	YTD 2021	YTD 2022	
21%	6,682	8,071	آمدنی
(65)%	813	282	مجموع منافع
(605)%	139	(702)	EBITDA
(63)%	(1,191)	(1,944)	بعد از ٹیکس نقصان

مستقبل کا نقطہ نظر

مارجن ایکریٹو پراڈکٹس کے حجم میں اضافہ، قیمتوں میں اضافہ اور کارکردگی کے متعدد اقدامات ہمیں یہ یقین دلاتے ہیں کہ سال 2022 کے ایگزٹ فنانشلز پائیدار مارجن سٹرکچر حاصل کرنے کی راہ پر گامزن ہوں گے۔

ہم اطمینان کے ساتھ بیان کرتے ہیں کہ کمپنی 1.4 بلین روپے کے ایک بڑے خشک دودھ کی فراہمی کا معاہدہ حاصل کرنے میں کامیاب رہی ہے، جو 2023 کی پہلی ششماہی کے اختتام سے پہلے مکمل ہو جائے گا۔ ہم امید کرتے ہیں کہ یہ منصوبہ کمپنی کی مالی کارکردگی کو مزید بہتر بنائے گا۔

ترقی پذیر اور چیلنجنگ معاشی منظر نامے کے باوجود، دونوں بین الاقوامی اور مقامی، ڈیری مصنوعات کی غیر چکدار نوعیت بنیاد ہے جس کے ارد گرد ہم نہ صرف مارکیٹ کی نقل و حرکت کو کم کرنے بلکہ اپنے کاروبار کو موثر طریقے سے نفع بخش بنانے کے لیے اپنی حکمت عملی بناتے ہیں۔

بورڈ قابل قدر حصص داران کا ان کے اعتماد اور کمپنی کے ساتھ مسلسل تعاون کے لیے شکرگزار ہے۔



عثمان ظہیر احمد

چیف ایگزیکٹو آفیسر



سید بختیار کاظمی

چیئر مین

بتاریخ: 24 اکتوبر 2022ء

NINE MONTHS ENDED
30 SEPTEMBER

2022

Condensed Interim
Statement of Financial Position
As at 30 September 2022

EQUITY AND LIABILITIES	Note	(Un-audited) 30 September 2022	(Audited) 31 December 2021
		Rupees	Rupees
<u>Share capital and reserves</u>			
Authorized capital			
2,800,000,000 (31 December 2021: 1,800,000,000) ordinary shares of Rs 10 each	4	28,000,000,000	18,000,000,000
Issued, subscribed and paid up share capital		15,840,881,590	15,840,881,590
Capital reserves			
Share premium	5	1,835,148,154	1,854,498,097
Surplus on revaluation of property, plant and equipment - net of tax		2,155,335,110	2,225,644,056
Revenue reserve			
Accumulated loss		(18,269,095,299)	(16,395,504,505)
		1,562,269,555	3,525,519,238
<u>Non-current liabilities</u>			
Long term finances - secured	6	5,607,553,858	5,988,149,276
Lease liabilities		73,509,064	129,188,382
Deferred liabilities		30,353,748	75,255,499
		5,711,416,670	6,192,593,157
<u>Current liabilities</u>			
Short term borrowings - secured	7	1,703,825,137	1,933,798,755
Subordinated Loan - unsecured	9	2,000,000,000	-
Current portion of long term loans		393,209,875	50,457,825
Current portion of lease liabilities		70,075,068	61,803,007
Trade and other payables	8	1,628,751,557	995,323,636
Unclaimed dividend		965,752	965,752
Accrued finance cost	10	1,172,814,941	1,267,924,682
Provision for taxation		102,816,281	136,357,747
		7,072,458,611	4,446,631,404
Contingencies and commitments	11		
		14,346,144,836	14,164,743,799

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


Chairman


Chief Executive Officer


Director


Chief Financial Officer

Condensed Interim
Statement of Financial Position
As at 30 September 2022



	(Un-audited) 30 September 2022	(Audited) 31 December 2021
Note	Rupees	Rupees
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	12 8,176,569,579	8,505,263,061
Intangible assets	1,169,826	1,572,247
Security deposits	9,306,237	6,606,122
	8,187,045,642	8,513,441,430
<u>Current assets</u>		
Stores, spares and loose tools	206,378,502	183,210,631
Stock-in-trade	714,741,103	707,587,224
Trade debts	611,530,146	566,068,117
Loans and advances	147,688,044	138,378,789
Deposits, prepayments and other receivables	13 282,393,621	82,155,615
Sales tax refundable - net	814,486,721	740,111,000
Income tax recoverable	1,254,865,858	1,359,883,804
Cash and bank balances	14 2,127,015,199	1,873,907,189
	6,159,099,194	5,651,302,369
	14,346,144,836	14,164,743,799

Chairman

Chief Executive Officer

Director

Chief Financial Officer

NINE MONTHS ENDED
30 SEPTEMBER

2022

Condensed Interim Statement of
Profit or Loss (Un-Audited)
For the Nine Months ended 30 September 2022

	For the nine months ended		For the quarter ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	----- Rupees -----		----- Rupees -----	
Revenue from contracts with customers - Net	8,071,196,397	6,682,324,203	3,274,595,818	2,189,756,693
Cost of revenue	(7,788,972,077)	(5,869,141,506)	(3,171,141,282)	(1,921,736,886)
Gross profit	282,224,320	813,182,697	103,454,536	268,019,807
Marketing & distribution expenses	(1,029,149,635)	(748,287,920)	(351,306,878)	(260,958,822)
Administrative expenses	(322,644,977)	(268,673,129)	(113,271,781)	(92,912,679)
Loss from operations	(1,069,570,292)	(203,778,352)	(361,124,123)	(85,851,694)
Other income	137,766,655	67,374,288	56,103,123	5,942,769
Finance cost	(909,279,822)	(956,834,380)	(343,916,767)	(324,192,624)
Loss before taxation	(1,841,083,459)	(1,093,238,444)	(648,937,767)	(404,101,549)
Taxation	(102,816,281)	(97,533,903)	(41,488,888)	(28,381,836)
Loss for the period	(1,943,899,740)	(1,190,772,347)	(690,426,655)	(432,483,385)
		Restated		Restated
Loss per share - basic and diluted	(1.23)	(1.53)	(0.44)	(0.56)

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


Chairman


Chief Executive Officer


Director


Chief Financial Officer

Condensed Interim Statement of
Comprehensive Income
(Un-Audited)

For the Nine Months ended 30 September 2022



	For the nine months ended		For the quarter ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	----- Rupees -----		----- Rupees -----	
Loss for the period	(1,943,899,740)	(1,190,772,347)	(690,426,655)	(432,483,385)

**Other comprehensive
income for the period**

Items that will not be
reclassified to
profit and loss account:

Total comprehensive loss for the period	<u>(1,943,899,740)</u>	<u>(1,190,772,347)</u>	<u>(690,426,655)</u>	<u>(432,483,385)</u>
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The annexed notes form an integral part of these condensed interim financial statements.

Chairman

Chief Executive Officer

Director

Chief Financial Officer

NINE MONTHS ENDED
30 SEPTEMBER

2022

Condensed Interim Statement of
Changes In Equity (Un-Audited)
For the Nine Months ended 30 September 2022

	Capital Reserve			Revenue reserve	
	Share capital	Share premium	Surplus on revaluation of property, plant and equipment - net of tax	Accumulated loss	Total
----- Rupees -----					
Balance as at 01 January 2021 (audited)	8,032,935,630	1,922,317,157	1,243,724,345	(15,187,985,634)	(3,989,008,502)
Total comprehensive loss for the period	-	-	-	(1,190,772,347)	(1,190,772,347)
Share Issuance Cost on Increase in authorized Capital		(13,201,630)			(13,201,630)
Surplus transferred to accumulated losses					
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(26,626,007)	26,626,007	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	-	-	-
	-	-	(26,626,007)	26,626,007	-
Balance as at 30 September 2021 (unaudited)	8,032,935,630	1,909,115,527	(26,626,007)	(1,164,146,340)	(5,192,982,479)
Balance as at 01 January 2022 (audited)	15,840,881,590	1,854,498,097	2,225,644,056	(16,395,504,505)	3,525,519,238
Total comprehensive loss for the period	-	-	-	(1,943,899,740)	(1,943,899,740)
Surplus transferred to accumulated losses					
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(70,308,946)	70,308,946	-
Effect of change in tax rate on account of surplus on property, plant and equipment	-	-	-	-	-
	-	-	(70,308,946)	70,308,946	-
Share Issuance Cost on Increase in authorized Capital	-	(19,349,943)	-	-	(19,349,943)
Balance as at 30 September 2022 (un-audited)	15,840,881,590	1,835,148,154	2,155,335,110	(18,269,095,299)	1,562,269,555

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


Chairman


Chief Executive Officer


Director


Chief Financial Officer

Condensed Interim Statement
Of Cash Flow (Un-Audited)
For the Nine Months ended 30 September 2022



	For the nine months ended	
	30 September 2022	30 September 2021
	Rupees	Rupees
<u>Cash flows from operating activities</u>		
Loss before taxation	(1,841,083,459)	(1,093,238,444)
Adjustments for non-cash items:		
Depreciation on property, plant and equipment	367,516,770	328,639,371
Amortization of intangible assets	402,418	14,085,672
Gain on disposal of property, plant and equipment	(1,355,311)	(38,584,226)
Profit on bank deposits	(120,267,610)	(9,738,295)
Write off of stocks	15,622,666	-
Provision for employee retirement benefits	21,158,323	18,910,662
Finance cost	909,279,822	956,834,380
Loss before working capital changes	(648,726,381)	176,909,120
<u>Effect on cash flow due to working capital changes</u>		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(23,167,871)	(2,326,977)
Stock-in-trade	(22,776,545)	(282,865,121)
Trade debts	(45,462,029)	(276,031,895)
Loans and advances	(9,309,255)	47,954,690
Deposits, prepayments and other receivables	(202,938,121)	(22,263,863)
Sales tax refundable	(74,375,721)	24,853,383
Decrease/ (increase) in current liabilities:		
Trade and other payables	633,427,921	(72,686,469)
	255,398,379	(583,366,252)
Cash used in operations	(393,328,002)	(406,457,132)
Income tax paid	(31,339,943)	(44,511,928)
Employee retirement benefits paid	(66,059,499)	(16,798,944)
Net cash used in operating activities	(490,727,444)	(467,768,004)
<u>Cash flow from investing activities</u>		
Fixed capital expenditure	(41,622,554)	(33,197,195)
Income on bank deposits received	120,267,610	9,738,295
Sale proceeds from disposal of property, plant and equipment	4,154,577	114,290,194
Net cash used in investing activities	82,799,633	90,831,294
<u>Cash flow from financing activities</u>		
Short term borrowings - net	(228,993,610)	268,841
Term Loan - net	(37,843,368)	(116,361,315)
Finance cost paid	(1,004,389,682)	(141,199,385)
Subordinated Loan	2,000,000,000	-
Share issuance cost	(19,349,943)	(13,201,157)
Lease rentals paid	(47,407,257)	(48,195,016)
Net cash generated from financing activities	662,016,140	(318,688,032)
Net increase / (decrease) in cash and cash equivalents	254,088,329	(695,624,742)
Cash and cash equivalents - at beginning of the period	169,082,593	(757,278,882)
Cash and cash equivalents - at end of the period	423,170,922	(1,452,903,624)
Cash and cash equivalents comprise of the following:		
- Cash and bank balances	2,127,015,199	261,925,818
- Running finances	(1,703,844,277)	(1,714,829,442)
	423,170,922	(1,452,903,624)

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

Chairman	Chief Executive Officer	Director	Chief Financial Officer

**Notes to the Condensed Interim
Financial Statements (Un-Audited)
For the Nine Months ended
30 September 2022**

1 LEGAL STATUS AND OPERATIONS

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

BUSINESS UNIT

LOCATION

Production Plant

Bhalwal, District Sargodha

Registered Office and Head Office

42 CCA, Ex Park View, DHA Phase-VIII, Lahore

2 Basis of preparation

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2021. Comparative condensed interim statement of financial position is stated from annual audited financial statements as of 31 December 2021, whereas comparatives for condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from condensed interim financial statements of the Company for the nine months period ended 30 September 2021.

2.3 The condensed interim financial statements have been prepared under the historical cost convention except for recognition of certain employees' retirement benefits at present value. These condensed interim financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest Pak rupee unless otherwise stated.

2.4 Use of estimates and judgments

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

In preparing the condensed interim financial statements, the significant judgments made by the management in applying accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of annual audited financial statements for the year ended 31 December 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of condensed interim financial statements are consistent with those followed in the preparation of annual financial statements for the year ended 31 December 2021, except for as mentioned in note 3.2.

3.2 The Company adopted following new amendments and interpretations to the approved accounting standards which became effective during the period:

New Standards, Interpretations and Amendments

3.2.1 Onerous contracts - cost of fulfilling a contract - Amendment to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the interim condensed financial statements of the Company.

3.2.2 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

3.2.3 IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

3.2.4 IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the interim condensed financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

4 Authorized Capital

During the period, Company increased its authorized capital from Rs. 18,000,000,000 divided into 1,800,000,000 ordinary shares to Rs. 28,000,000,000 divided into 2,800,000,000 ordinary shares of Rs. 10 each in the Extraordinary General Meeting of shareholders held on August 30, 2022.

5 Share Premium

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

6 Long term finances - secured

These includes term loan payable to Askari Bank Limited, an associated undertaking, amounting to Rs. 396.54 million (December 2021: 396.54 million).

7 Short term borrowings - secured

These includes balance of Rs. 271.80 million (December 2021: Rs. 273.08 million) payable to Askari Bank Limited, an associated undertaking.



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		(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
	Note		
8 Trade and other payables			
This includes amount due to the following related parties:			
Fauji Foundation		2,325,874	1,086,921
FFBL Power Company Limited		-	11,451,017
Fauji Fertilizer Bin Qasim Limited		1,500,000	-
		<u>3,825,874</u>	<u>12,537,938</u>
9 Subordinated Loan - Unsecured	9.1	<u>2,000,000,000</u>	-
		<u>2,000,000,000</u>	-

9.1 During the period, Company obtained interest free subordinated loan from fauji foundation, a related party, on August 29, 2022 for two years with the option to convert loan into equity. The Board of the Company in their meeting held on September 20, 2022 approved issue of shares by way of other than right that includes conversion of subordinated loan into ordinary shares of Company. Therefore, subordinated loan has been classified as short term liability.

10 Accrued finance cost

This includes amount of Rs. 33.30 million (2021: 36.91 million) payable to Askari Bank Limited, an associated undertaking.

11 Contingencies and commitments

11.1 Contingencies

There have been no significant changes in contingencies as reported in the annual audited financial statements of the Company for the year ended 31 December 2021 except following:

- 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 Dostea (tea whitener)" 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 during the year the matter was heard and decided in favor of the Company on jurisdictional grounds. The Department being aggrieved filed reference No. 31172/2022 dated 23 June 2022 before the Honorable Lahore High Court which is pending adjudication.

- Inland Revenue Service ("IRS") made a representation to the Member Customs (Operations) wherein the IRS challenged the existing/earlier classification of tea whiteners. The Federal Board of Revenue ("FBR") vide letter dated 13-11-2020 sought views of the classification committee for the correct classification of tea whiteners. Which was rendered vide the ruling dated 10-12-2021 ("Classification Ruling"). Manufacturers of tea whiteners had specifically objected to the jurisdiction and competence of the classification committee to reclassify tea whiteners while previous rulings on the matters dated 05-05-2011 and 11-02-2019 were in field. However, this objection was not accepted and the classification committee proceeded to reclassify tea whiteners through the Classification Ruling. "Classification Committee" changed HS code of "Tea Whitener" in month of march 2022 by public notice due to which taxability of Tea whitener changed, against which company filed W.P80484/2021 in LHC which is pending before LHC. The financial impact of sales tax from March to September 2022 is Rs. 306 million.

11.2 Commitments

The Company has the following commitments:

- Commitments, for capital expenditure, against irrevocable letters of credit outstanding at the period end were Rs. 14.6 million (31 December 2021: Nil).
- Commitments, for purchase of raw/ packing material, outstanding at the period end were Rs. 440 million (31 December 2021: Rs. 7.51 million).
- Guarantees aggregating to Rs.161.36 million (31 December 2021: Rs.17.61 million) have been issued by banks of the Company to Sui Northern Gas Pipeline Ltd, Pakistan State Oil, Controller Naval Account and Remount veterinary and farms corps (RV&FC).

		(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
12 Property, plant and equipment	Note		
Operating fixed assets	12.1		
- Owned assets		7,764,211,083	7,893,946,841
- Right of Use Assets		189,191,885	388,181,496
		7,953,402,968	8,282,128,337
Capital work in process	12.2	223,166,611	223,134,724
		8,176,569,579	8,505,263,061

12.1 Operating fixed assets

Net book value at beginning of the period / year	8,282,128,337	7,326,713,116
Revaluation of assets during the period / year	-	1,423,600,647
Additions / transfers from capital work in progress during the period / year	41,590,667	34,843,711
Disposals during the period / year	(2,799,266)	(84,593,602)
Depreciation charged during the period / year	(367,516,770)	(418,435,535)
Net book value at end of the period/ year	7,953,402,968	8,282,128,337



fauji foods

	(Un-audited) 30 September 2022 Rupees	(Audited) 31 December 2021 Rupees
12.2 Capital work in progress		
Plant and machinery	223,166,611	223,134,724
	223,166,611	223,134,724

13 Deposits, prepayments and other receivables

This includes amount of Rs. 5.83 million (2021: 5.83 million) receivable from Fauji Cereals, an associated undertaking.

This includes amount of Rs. 29.74 million (2021: Nil) receivable against mark up accrued on Term deposit receipts from Askari Bank Limited, an associated undertaking.

14 Cash and bank balances

- This includes amount of Rs. 170.50 million (2021: Rs. 1,453.99 million) at Askari Bank Limited, an associated undertaking. -This includes Term deposit receipts with Askari Bank Limited, an associated undertaking, amounting to Rs. 1,670 million (December 2021: Nil) carry interest at rates 15.8% per annum having maturing of one year.

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

Name of the Company	Relationship	Nature of transactions	(Un-audited) Sep 2022 Rupees	(Un-audited) Sep 2021 Rupees
Associated Undertakings				
Fauji Fertilizer Bin Qasim Limited (FFBL)	Parent - 71.63%	Finance cost charged	-	407,432,122
	(Shareholding and common directorship)	TA/DA, building rent and other expense charged by related party	11,274	104,641
		Expense of IT facilities charged by related party	8,968,680	4,500,000
		Share issuance against debt and accrued markup	8,200	-
Fauji Foundation	Associated Undertaking - 4.25% (Shareholding and common directorship)	Management shared services charged by related party	2,351,205	3,659,467
		Subordinated loan received	2,000,000,000	-
		TA/DA and boarding expenses charged by related party	1,019,520	1,446,725
Askari Bank Limited	Associated Undertaking (Common directorship)	Finance cost charged by related party	70,454,711	16,579,905
		Interest income on saving accounts	19,350,631	6,893,360
		Interest income on TDR	90,810,138	-

Name of the Company	Relationship	Nature of transactions	(Un-audited) Sep 2022 Rupees	(Un-audited) Sep 2021 Rupees
Fauji Security Services (Private) Limited	Associated Undertaking (Common directorship)	Expenses paid against security services	-	232,000
FFBL Power Company Limited	Associated Undertaking (Common directorship)	Purchase of Coal	5,294,322	61,086,088
Fauji Cereals	Associated Undertaking (Common directorship)	Purchase of Goods	-	-
		Salary of Personnel charged to the related party	-	4,938,165
		TA/DA and rent of shared space and other expenses charged to the related party	-	442,458
Employee's Provident Fund Trust	Post employee benefit plan	Contribution for the year	44,964,965	38,415,756
Directors		Meeting fee	11,725,000	9,715,000
Key Management Personnel		Remuneration and benefits	109,980,505	76,879,857

16 Events after the reporting date

The Company in its Extraordinary General meeting held on October 18, 2022 passed resolution for the allotment and issuance of 1,170,874,980 number of shares at Pkr 10/share i.e., at par, by way of other than right offer, subject to the approval of 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.

17 Date of authorization

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 24, 2022.

18 General

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

			
Chairman	Chief Executive Officer	Director	Chief Financial Officer



fauji foods

Head Office
42 CCA, Ex Park View,
DHA Phase - VIII, Lahore.
Tel: +92-42-37136310,
37136315-17

www.faujifoods.com

   /HouseOfNurpur

