

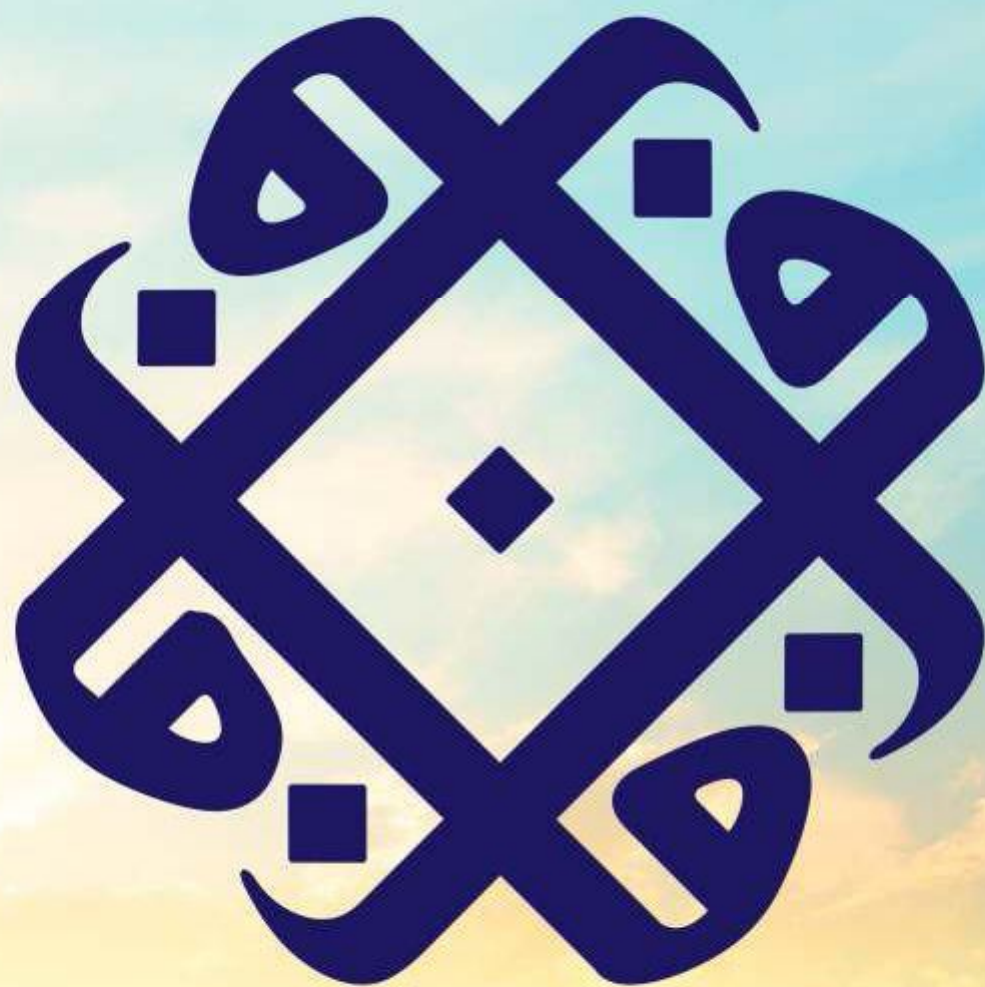
NURTURING THE FUTURE



fauji foods

ANNUAL  
REPORT  
2020





# ABOUT FAUJI FOODS LIMITED

## NURTURING THE FUTURE

At FFL, our priority is to serve the nation with nourishing and quality products. The Company has catered to the Pakistani market by providing high-quality and nutritious products that are used by households across the country.

With best practices, every product delivered is manufactured with quality ingredients and goes through stringent safety processes to fulfill the promise of providing nourishment to the nation.

Our range of products include a variety of dairy items that have become an integral part of every household. Our much-loved butter is the highest selling in its category, throughout Pakistan. Nurpur UHT Milk stands out prominently in its category while Nurpur Cheese has a good share of its respective market. Providing nutrition with fun flavours, our flavoured milk is a staple among young kids. Aiming towards growth by playing on our strengths, we continue to cater to the nation's nutritional needs.

Looking into the future with our mission of **Nurturing the Future**, we are constantly looking for ways to provide Pakistan with premium quality products that provide great taste, health and happiness.



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# VISION

**TRANSFORMING** LIVES  
THROUGH **NOURISHMENT**



fauji foods



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

**Mr. Muhammad Haseeb Aslam - CEO**  
**Mr. Sarfaraz Ahmed Rehman**  
**Dr. Nadeem Inayat**

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

**Syed Bakhtiyar Kazmi**

**Mr. Mohammad Munir Malik**

**Mr. Ali Asrar Hossain Aga**

**Mr. Basharat Ahmad Bhatti**

**Ms. Aminah Zahid Zaheer**

**Mr. Imran Husain**

**Mr. Javed Kureishi**

**Chief Financial Officer**  
**Mr. Ebad Khalid**

**Company Secretary**  
**Brig Hamid Mahmood Dar**  
**SI(M), (Retd)**

**Auditors**  
**EY Ford Rhodes**  
**Chartered Accountants**





**Legal Advisers**

Qazi Imran Zahid  
(Advocate Supreme Court)

**Audit Committee**

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

**HR & R Committee**

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

**Registered Office**

42 CCA, Ex-Park View,  
DHA Phase - VIII, Lahore.  
Tel: +92-42-37136310, 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 Tariq Khan, HI(M), (Retd)  
Chairman**

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 Masters 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.SCENTCOM in Tampa, Florida.



**Mr. Muhammad Haseeb Aslam  
CEO**

Haseeb Aslam is an internationally successful business leader with 25 years' experience across diverse international markets. He has led businesses and spearheaded global, regional and country roles in a variety of locations, including Pakistan, Switzerland, Middle East/Asia, Ukraine and Egypt.

Haseeb has a stellar track record in complex operational and strategic leadership roles, and has well rounded experience in diverse structures, models and business situations; ranging from multinational company-owned operations to regional and local joint ventures, acquisitions and integration.

An expert in Consumer Goods/FMCG; his expertise covers multiple food and beverage categories, including Health & Wellness, Dairy, Nutrition, Beverages, Water, Food & Culinary categories.

He has broad channel expertise in key business channels such as Retail (key accounts, modern trade, and traditional trade), Out of Home/HORECA and B2B channels, e-commerce and home/office delivery channels with related sales/delivery/logistics/warehousing experience.

Haseeb carries strong leadership/management competencies such as general management, P&L management, marketing, commercial/sales management, innovation/renovation, supply chain, organization development, technology deployment, sustainability, stakeholder & regulatory/public affairs management and crisis management.



**Mr. Sarfaraz Ahmed Rehman  
Director**

Sarfaraz, a chartered accountant by qualification, has contributed management expertise to several multinational companies such as Unilever, SB (GSK), Jardine Matheson / Olayan JV and PepsiCo during his varied career.

In 2005, Sarfaraz established Engro Foods and became its CEO. The company grew from a green-field to become the leading liquid dairy company in Pakistan. Engro Foods became the only Pakistani company to receive the 'G20 Top 15 Company' award. In 2012, he took a sabbatical from Engro Foods to establish the Karachi School for Business and Leadership. Sarfaraz rejoined Engro Foods as CEO in 2013, where he remained till 2015. Engro Foods sold 50% of its shares to Royal Friesland Campina for half a billion dollars in 2015. At the time this was the biggest private foreign investment in Pakistan's history.

Since Oct 2015, he has been involved in consultancy projects, among others with ICI, IBL, JSPE, Shan Foods, Al-Shaheer (Meat One), Soya Supreme, Burque Corp, CCL and ITL.

Sarfaraz was contracted to Grant Thornton for 2016-17 as an executive coach during a culture change project at UBL. He conducts a well-established coaching / mentoring role, with business executives and university graduates. Sarfaraz has coached for Careem, Gatron-Novatex, Engro, ICI, Descon, PPL, UBL and City School.

Sarfaraz was Chairman of the Broadcasters/ Advertisers Council 2015-18 (joint body controlling advertising in Pakistan). Further, he was the Chairman of the 1st Effie Awards in Pakistan, in 2019. He is also on the Board of MAP and Patient Aid Foundation.

Additionally, Sarfaraz speaks at various forums. He has given motivational talks at Lay's, Mondelez, Nutrico, RB, Engro, Octara, ICI, Shell and MAP. At universities, colleges, schools and on media occasions he holds climate change talks / sessions to create awareness.

Sarfaraz is deeply interested in playing his part in giving back to society and has worked on an online interactive education model for mass education to resolve the issue of illiteracy in Pakistan over the next decade. In the past he was associated with Shaukat Khanum Hospital as a Governor of the Board and with WWF as a Director. He is also associated with Hisaar Foundation and its work on water/ environmental issues in Pakistan.



**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 Bakhtiyar Kazmi**  
**Director**

Mr Kazmi is a fellow chartered accountant with over 35 years of experience in a diverse range of sectoral and functional strata within national and regional economies. The key areas of his specialization are fiscal policy and macroeconomic research, greenfield and brownfield projects, strategic collaborations, mergers and acquisitions, outliers in accounting and finance, strategic level audit and assurance and tax reforms and strategic level advisory.

Mr Kazmi served KPMG for 35 years; last 25 years as a partner. As a partner he interacted with the leadership in almost every industry, understanding their vision, their insights, and most importantly on their business strategies. His rigorous exposure to a diverse range of sectors and projects, enabled him to conceive and culminate strategic value additions for his clients, pertaining to public and private sector organizations. He successfully implemented a comprehensive service delivery framework that ensures quality assured service provision to KPMG's clients, and a cross-functional integration with the advisory and taxation services that allowed a robust and comprehensive service delivery package to the clients. As an auditor and an advisor, Mr Kazmi successfully delivered his promise of providing best-in-class and integrity driven services. With his career progression, he branched into macroeconomic research with a focus on contributing towards fiscal and regulatory policies of Pakistan. He almost single handedly established advisory practice of KPMG in Islamabad about 2 decades ago which today arguably is the go to advisory in Islamabad. This initiative covered financial projections, feasibilities, information memorandums, internal audit assessments, HR assessments, manuals for processes and controls, valuations, and development advisory which included an assessment of the Punjab and Sindh governments.

Mr. Bakhtiyar Kazmi has served on a number of diverse forums / boards in the Private Sector, Public Sector & Civil Society Organization. As a thinker, he actively spreads his thoughts and ideas through his articles on national economics, business and taxation matters and issues. His thoughts are regularly published in reputable dailies. Mr Kazmi is an avid golfer and currently hold the position of captain of Islamabad golf club.



**Mr. Mohammad Munir Malik**  
**Director**

Mr. Malik is a Director on the Boards of Askari General Insurance Company Limited, Fauji Fresh n Freeze Limited and Thar Energy Limited, and Chief Financial of FFC Energy Limited.

He joined FFC in 1990 and has served as Group General Manager – Marketing prior to his appointment as CFO in 2015. During his career in FFC, he has worked at various key positions in Finance and Marketing Groups and has been actively involved in the strategic / financial planning of the Company. He also played an instrumental role in arrangement of syndicated debt for buyout of ex-Pak Saudi Fertilizer Limited, now FFC Plant-III.

Prior to joining FFC, he worked with Dowell Schlumberger (Western) S.A., an international oil service company and Attock Cement Pakistan Limited at Senior finance positions.

He has undergone various professional trainings from Harvard Business School, Stanford University, Chicago Booth School of Business, Kellogg School of Business, Foster School of Business, Ross School of Business and Center for Creative Leadership, USA and IMD, Switzerland. He is a fellow member of Institute of Chartered Accountants of Pakistan.



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

Lt Col Abdul Khaliq Khan (Retd) joined the company in 2009, working as executive director and became member of the Board on 30 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 he got retired from the Army in 2000. During military service, he had a vast and diversified experience in operational, administration, human resource management, assessment and evaluation systems.

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



**Mr. Ali Asrar Hossain Aga**  
**Director**

Ali A. Aga has over 38 years of multi-industry experience in a wide range of management positions in General Management, Marketing, Human Resource Management, Corporate Affairs, Operations and Supply Chain Management in ICI Pakistan as well as German company Hoechst and other national Companies.

He is currently the Managing partner Middle East - South Asia & Chief Executive Pakistan for Ward Howell International, a global Leadership & Management consulting company. Prior to his involvement with Ward Howell in 2014, he was working with Pakistan's leading company ICI where he worked for almost 25 years in various senior positions. He was appointed the Chief Executive of ICI Pakistan & Chairman of ICI Pakistan Power Gen Limited during the transition period of ICI Pakistan's ownership from Akzo Nobel Netherlands to the YB Group in Pakistan in 2013. He also held the position of a Director on the Board of ICI Pakistan and worked as Vice President & Managing Director of ICI's flagship Soda Ash Business from 2008 to 2014. He has also served as General Manager Human Resource for the ICI Group in Pakistan from 2004 to 2008 and looked after HR for the ICI group in Pakistan and Middle East, and was also responsible for leadership development programs for the Regional & Industrial Business of ICI plc globally.

Ali Aga has also served as a Director on the Boards of Pakistan PTA Ltd, Akzo Nobel Pakistan Limited, ICI Power Gen Ltd, and Pakistan Society for Training & Development. He is a Certified Director and Accredited Trainer on Corporate Governance by IFC and Pakistan Institute of Corporate Governance (PICG), and a visiting Faculty for PICG's Director's training program.

He is an Independent Director and Chairman of the Audit Committee and member of HR & Remuneration Committee of the Board of Descon Oxychem Ltd., and has served as Independent Director on the Boards of Public Sector Companies STEDEC Technology Commercialization Corporation of Pakistan, Inland Water Transport Company of Pakistan and Engineering Development Board. He is also involved in volunteer work in the field of management development and has served as the Vice Chairman of the Lahore Chapter of Management Association of Pakistan and a Council member of the Lahore Chapter of Marketing Association of Pakistan.

Ali Aga holds an MBA degree from Drexel University U.S.A and a BSc. (Engg.) in Chemical Engineering from University of the Punjab. He has attended the Advanced Management Program at Harvard Business School and has been a guest speaker at various local and international conferences and seminars.



**Mr. Basharat Ahmad**  
**Director**

Mr. Basharat Ahmad has 40 years of 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 6 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, Advanced 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. Imran Husain**  
**Director**

A diversified individual having 40 years plus experience in Senior Leadership assignments of Chief Executive Officer/ Managing Director, with a proven track record of superior performance through teamwork, continued commitment & application of diversified skill set.

The Professional traits include: Strategic Vision, Business intelligence, Leadership, Team development, Change management and effective execution. He holds directorship in TPL REIT Management Company Limited, Augere Limited (Netherlands) BV, Sharp Communications (Pvt) Limited and GSDCP (Pvt) Limited. He is Global Advisor with Augere Limited (Netherlands) BV from 2012 - to date.

Professional Advisory: -

- Member Prime Minister's Task Force for Land Allocation - (2005 - 2006)
- Member Task Force Board of Investment Pakistan - (2003)
- Chairman Sindh Development Forum Organizing Committee - (2003)
- Chairman Sindh Small Industries Corporation Reorganization Task Force - (2002)
- Chairman Sindh Adabi Board, Task Force - (2002)
- Member Executive Committee Pakistan Sugar Mills Association - (1987 - 1989).



**Mr. Javed Kureishi**  
**Director**

Javed is a seasoned, international banker having spent 34 years with Citibank. He has held a number of senior, leadership roles across corporate banking, country management, risk and public sector coverage. He worked for Citibank in 6 different locations including Pakistan, Egypt, South Africa, Czech Republic, UAE and Singapore where he spent the last 9 years before returning to Pakistan in Oct 2019. His last assignment was Head of Public Sector Senior Coverage Group for Asia Pacific covering 14 countries. Javed has travelled extensively across the Asia Pacific and has a good working knowledge of the region.

Javed is presently working for the IFC as an external consultant responsible for Senior client coverage and business origination. He is also on 3 other company boards including the Pakistan Stock Exchange.

Javed has also been a keen cricketer. He captained Pakistan Under 19 in 1978-79 on its tour of Sri Lanka and India. He also played first class Cricket for PIA, and Sindh and represented Sussex under 25 and combined English Universities.

He has a BA Hons from Sussex University UK and is married with 2 children.



**Mr. Ebad Khalid**  
**Chief Financial Officer**

Ebad Khalid started his carrier with Price Waterhouse Coopers and is an associate member of the Institute of Chartered Accountants of Pakistan. He has a collective experience of 11 years in wholesale & retail industry where he is well recognized for developing business plans and strategies, organization capacity building and delivering results. He played a major role in mergers and has hands-on experience of migrating systems.

He is always ready to explore more and challenge the status-quo. An adventure seeker, he loves travelling on long routes.



**Brig. Hamid Mahmood Dar, SI(M), (Retd)**  
**Company Secretary**

Brig Hamid Mahmood Dar, SI(M), (Retd) is the Company Secretary at Fauji Foods Limited (FFL) since 14 Jan 2021.

He is a graduate of Command and Staff College, Quetta, PN War College, Lahore and National Defence University, Islamabad and holds Master's degree in war studies. Brig Hamid has varied command and staff experience that includes command of a unit along the LOC, command of a brigade in Waziristan, Chief of Staff of a Corps, member of faculty in National Defence University, Islamabad and Chairman Border Area Committee. Besides serving in the UN, he has also represented Pak in interactive tours and conferences in the US, Britain, France, Japan, Malaysia, Kazakhstan and UAE. Before joining FFL, he has worked in real estate, education and corporate sectors.

His amicable personality, professional acumen, communication skills and commitment make him a valuable member of the team. FFL is pleased to have him on board and hopes to achieve more success together.

## CHAIRMAN'S MESSAGE

On behalf of the Board of Directors of Fauji Foods Limited (FFL), I am pleased to present the Annual Report of the Company for the calendar year 2020.

The year 2020 brought unprecedented challenges in the form of Covid-19 pandemic. The sudden nature of lockdown and restraints affected the economy overall. In this situation, Fauji Foods ensured that its food supply chain and vital product supply to customers and consumers continued. In addition, we ensured that right health and safety precautions were in place throughout our operations.

2020 saw a step-change in strengthening of our leadership at FFL. In addition, capability and expertise building at various levels of the Company took place. This capability building, with right people at the right place is at the heart of our transformation and a key enabler of our fast-improving achievements.

Our growth momentum has been strong during 2020, being achieved through a multi-pronged strategy; the key strands include innovation and renovation, customers and distribution, operational efficiency and liquidity. The significant shift of results as compared to last year is reflected by growth in net revenue, positive gross profit and improved working capital with a mindset to generate positive cash inflows from business operations going forward.

One for all and all for one. Together, the teams on all tiers worked round the clock and continued to deliver remarkable results. This leads me to be deeply grateful for their dedication and commitment, especially amidst difficult and uncertain circumstances.

I would also like to extend my acknowledgment and gratefulness towards the Board for their positive contribution and continuous commitment. The Board has played its role in providing effective guidance ensuring that FFL maintains its transparent path and strong reputation for corporate governance. I take this opportunity to also express my appreciation and gratitude towards our shareholders.

We now have a strong platform from where we can enter positively into the year 2021; with the right focus and capability consolidating the gains and further grow our business momentum and trajectory. Here we are, committed to create value and transform for improvement within the Company as well as for our stakeholders. I look forward to reporting on our progress in 2021.



**Lt Gen Tariq Khan**

HI(M), (Retd)

Chairman





## GEO'S REVIEW



### Business Review

During the year 2020, business activity was impacted with the breakout of Covid-19 pandemic and related lockdowns. However, the Company made effective efforts to ensure all safety measures, while maintaining our food supply chain and meeting our customer and consumer demand. Despite a challenging business environment, the Company registered a topline growth of 28% for the year 2020.

The Company is successfully steering its path to growth and margin recovery, based on fundamental improvements in our business model. Key elements of our strategy include strengthening of our innovation/renovation program, leveraging our iconic "NURPUR" brand and its portfolio and our tea creaming brand "DOSTEA", driving numeric distribution and increasing presence with important customers such as key retail accounts and out-of-home

customers. Moreover, our strategy includes a big focus on improving cost efficiency across our value chain. Benchmarking, target setting and implementation of cost management initiatives are enabling improvement in variable as well as fixed costs.

### Financial Performance

The Company posted a gross profit of 0.84% in 2020, against a gross loss of (11.82%) during 2019. Below is a summary of the financial performance during 2020 (compared with 2019) which shows positive growth and recovery for the Company:

Particulars	2020 PKR Millions	2019 PKR Millions
Net sales	7,373	5,745
Gross profit/(loss)	62	(679)
Operating profit/(loss)	(1,147)	(2,434)
Profit/(loss) after tax	(3,058)	(5,789)

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

## Growth

Growth is being driven through a focused multi-pronged strategy

**Innovation/renovation:** Exciting new launches included new and improved “NURPUR” Cheese and “NURPUR” Unsalted Butter and all-time favorite “NURPUR” Butter in a new tub as well. “Try, Taste, Love”, our consumer call to action for Nurpur Cheese came to life on digital platforms, at point of sale and at other relevant consumers touch-points. Further exciting “NURPUR” innovations are on their way.

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

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

**Liquidity:** The Company is on the path of recovery from operating losses, as evident from our results. To strengthen short and long term cash flows, the Company took an important step through restructuring and re-profiling debt through the support of its banks.

To achieve sustainable sector growth, the Company actively and continuously works with the Pakistan Dairy Association and the relevant authorities.

The management team remains committed and resilient to respond to the challenges in the market (with increasing capabilities and renewed vigor), and to bring operational efficiency and make our business sustainable and profitable. The management is also grateful to all its employees for their commitment and valuable efforts. We are also thankful to valuable stakeholders and shareholders for their trust and continued support to the Company.



**Muhammad Haseeb Aslam**

Chief Executive Officer



fauji foods



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 54<sup>th</sup> Annual General Meeting of the shareholders of Fauji Foods Limited will be held on Thursday, March 25, 2021 at 11:00 A.M. at Royal Swiss Hotel, Opposite Cargo Complex, Allama Iqbal International Airport, Lahore to transact the following business: -

### ORDINARY BUSINESS:

1. To confirm the minutes of 53<sup>rd</sup> Annual General Meeting held on April 02, 2020.
2. To receive, consider and adopt the audited accounts for the year ended December 31, 2020 and the reports of the Directors and Auditors thereon.
3. To appoint auditors for ensuing period till next AGM and to fix their remuneration.

### 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 19, 2021 to March 25, 2021 (both days inclusive) for the purpose of holding the Annual General Meeting.

By Order of the Board



**Brig Hamid Mahmood Dar (Retd)**  
Company Secretary

Lahore.  
January 25, 2021

### NOTES:-

#### 1. **Participation in the AGM Proceedings:**

In the light of COVID-19 situation, the Securities & Exchange Commission of Pakistan (SECP) vide its circular # 4 of 2021 dated February 15, 2021 has permitted all listed companies to hold its General Meetings virtually via electronic means, video-link, webinar, zooming etc. as a regular feature from the date of this circular till further orders in addition to requirement of holding physical meeting. Apropos, video-link for participation virtually in the AGM shall be made available on Company's website i.e., [www.faujifoods.com](http://www.faujifoods.com).

2. Please observe COVID-19 SOPs in case of physical participation.
3. Any 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.
4. 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.
5. Members, having physical shares, are advised to intimate any change in their registered address and the shareholders who have not yet submitted photocopies of their Computerized National Identity Cards (CNIC) are requested to send the same at the earliest.
6. 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, I-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 registered 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

#### **7. 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.

## DIRECTORS' REPORT

On behalf of the Board of Directors of Fauji Foods limited, we are pleased to present the Director's Report along with the audited financial statements of the Company for the year ended December 31, 2020.

### Principal Activities

Fauji Foods Limited, a majority owned Company of Fauji Fertilizer Bin Qasim Limited (67.50% shareholding) and Fauji Foundation (8.39% shareholding) is engaged in processing and marketing of dairy products, juices and jams. The Company's brand including highly recognized NURPUR and DOSTEA brands. NURPUR is one of the leading dairy brands in Pakistan with a fast growing range and portfolio. DOSTEA is amongst the leading liquid tea creamer brands in the country.

### Overview

Company achieved a strong 28% growth in net sales, reaching annual net sales of PKR 7.4 billion compared with PKR 5.7 billion in 2019.

Growth momentum built up strongly during H2 and trajectory shows a very encouraging trend. In H2, Company achieved PKR 4.2 billion net sales compared with PKR 3.2 billion in H1. This trajectory provides a good foundation to build upon.

Company is now also building a good trajectory on contribution margin which is enabling a fundamental positive shift in improving the gross profit trend. A gross profit of PKR 172 million in H2 2020 compared with a gross loss of PKR (109) million in H1 2020 and a gross loss of PKR (678.83) million in 2019 shows how the P&L structure is positively shifting with improvement and reshaping of our business model.

Moreover, it is satisfactory to note that the above growth momentum has been achieved despite the extraordinary business challenges and lockdowns caused by the covid pandemic.

Growth, and profit recovery trend, are being achieved through fundamental business model improvements. These improvements are enabled by a culture of consumer and customer centricity, value chain improvements that are driving effectiveness and operational efficiency across the company, and a focused and key buildup of capabilities in the leadership team and across functions at various levels of the company.

### Building Iconic Brands Through Innovation/Renovation

Key elements of our strategy include strengthening of our innovation/renovation program, leveraging our iconic NURPUR brand and its portfolio and our tea creaming brand DOSTEA.

Exciting recent launches include new and improved NURPUR Cheese (Mozzarella, Cheddar slice, Cheddar block) and NURPUR Unsalted Butter.

More exciting launches are on their way. Consumer testing of our innovation pipeline (products, concepts) is showing promising opportunities.





### **Touching Consumers Hearts And Minds Through Digital, Sampling And Direct Consumer Activities**

NURPUR consumers love their favorite brand. To bring exciting news regarding our innovations, "Try, Taste, Love" and "Butter you love" for cheese and butter respectively (our consumer call for action) has been activated on digital platforms, at point of sale and at other relevant consumers touch-points.



### **Reaching And Satisfying Customers And Trade Collaborators**

Driving numeric distribution in general trade, and increasing presence with important customers such as key retail accounts and key out-of-home customers, is an important part of our expansion strategy. Good implementation is increasing reach, enhancing customer satisfaction, and bringing growth to our business.



### **Improving Operational Efficiency in Supply chain and Production**

Our strategy includes a big focus on improving cost efficiency across our value chain.

Benchmarking, target setting and implementation of cost management initiatives is enabling significant improvement in variable as well as fixed costs.

### **Strengthening Milk Collection, Agri Services And Key Raw Materials Procurement Expertise**

Development of capabilities and supplier/farmer development initiatives are enabling strengthening of sustainable and efficient supply of milk and other key materials.

### **Purpose Led Sustainable Development**

Our business and related value chain plays an important role in nutrition and health and helps to improve lives through community engagement and development. This includes providing healthy nutritious brands and products, ensuring food supply chain (especially during covid), and the important role of our milk collection and agri services teams where we buy milk from a large number of farmers and help farmers communities to improve productivity and yield thus impacting lives positively.

### **Working Capital Efficiency And Improving Financial Management**

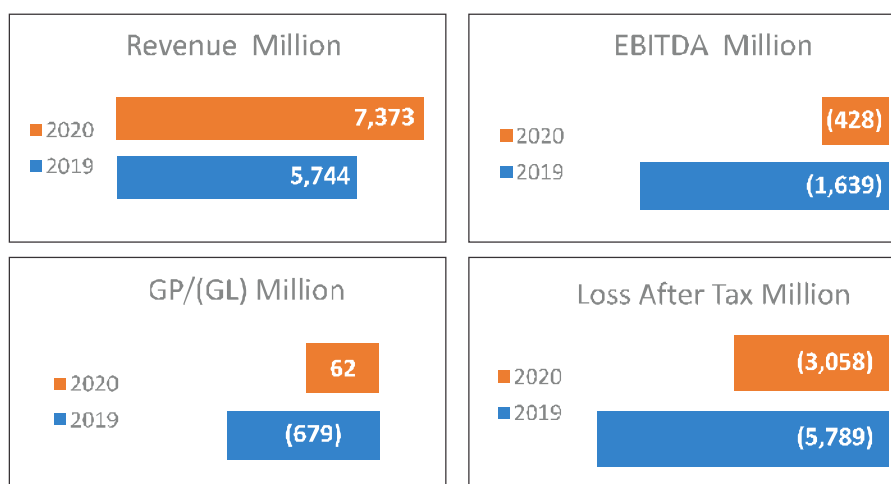
Improvement in cash conversion cycle is brought through efficient working capital management. This has further been supported by reduction of debt servicing expense achieved through restructuring of overall financial debt under a syndicate finance arrangement.

### **Financial Performance:**

The Company returned to posting a gross profit of PKR 62.26 million in 2020 compared with a gross loss of PKR (678.83) million in 2019. These positive changes are attributable to innovation/renovation, product and channel mix improvement, pricing, cost optimization and efficient expansion in sales/distribution. Raw milk cost however, remained somewhat challenging however our strategy to strengthen our milk collection is already starting to provide benefits. The loss after tax for the year 2020 has reduced by 47.17% and stood at PKR (3,058.11) million compared to PKR (5,788.94) in year 2019.

PKR million	2020	2019	Increase/(Decrease) %
Net sales	7,373.16	5,744.87	28.34%
Gross profit / (loss)	62.26	(678.83)	109.17%
(loss) before tax	(3,043.80)	(4,253.03)	(28.43)%
(loss) after tax	(3,058.11)	(5,788.94)	(47.17)%

### Financial Graphs



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

In the Annual General Meeting held on April 02 2020, Shareholders have approved, through a special resolution, an increase in Authorized Capital to 1,000 million Shares of Rs. 10/- each from 700 million Shares of Rs. 10/- each. Further approved is the conversion of FFBL subordinated loan to equity amounting to PKR 2,748 million (including PKR 2,630 million principal and markup of PKR 118.86 million outstanding as at December 31 2019) at par value of Rs. 10/- per share. The process of conversion and issuance of shares has strengthened the Company equity.

### Restructuring of Bank Debts and Additional Sponsor Support

The company achieved a financial close of the restructuring transaction involving overall financial debt of PKR 8,068 million under a syndicate finance arrangement. The transaction has provided liquidity relief through extension in the debt servicing period by five years, along with a markup and principal re-payment grace period of 1 & 2.5 years respectively.

Further the sponsor (FFBL) approved a support loan of PKR 6,000 million during the year that also helped in improving the working capital of company.

### Covid And Related Measures

Challenges related to the second wave of COVID are being thoroughly monitored and proactive precautions and mitigation measures are in place. To ensure health and safety, mandatory covid related SOPs for employees and service providers are ensured, including face masks and maintenance of prescribed social distance at all times. Moreover, all efforts are being made to ensure supply to trade and consumers continues smoothly.

### Future outlook

The Company is on the path of recovery from operating losses, as evident from the results for the year 2020. Growth and operational efficiency are being driven through focused multipronged strategy.



### **Innovation/renovation**

Exciting “NURPUR” innovations are planned for the future.

### **Customers' and distribution**

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

### **Operational efficiency**

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

### **Sustainable development for Dairy industry**

To achieve sustainable sector growth, it is of immense importance that future GOP revenue and monetary policies are consistent and supportive to this important sector. Company is engaged with multiple relevant and important stakeholders through Pakistan Dairy Association (PDA) emphasizing the importance of packaged milk and related products for providing healthy and hygienic products to the nation.

However, management foresees a mixed macroeconomic and business environment with inflationary challenges, pressure on consumer purchasing power, and second wave of covid. The management team remains committed and resilient to respond to the challenges in the market by increasing capabilities and by bringing further operational efficiency to make our business sustainable and profitable.

### **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. Risks are reviewed by the management through a robust business and risk management process. Appropriate strategies and contingency plans are regularly reviewed to minimize potential risk impacts. There are no significant risk 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, 2020 except for those disclosed in the financial statements.
- The value of investments of staff provident fund, based on un-audited accounts, was Rs. 168.16 million as at December 31, 2020.
- 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.

<b>Shares held by:</b>	<b>No. of Shares held</b>	<b>Percentage</b>
<b>I. Associated Companies, Undertakings and Related Parties:</b>		
1. Committee of Admin. Fauji Foundation	67,371,916	8.3870
2. Fauji Fertilizer Bin Qasim Limited	542,201,257	67.4973
<b>II. Mutual Funds:</b>		
1. CDC - Trustee AKD Opportunity Fund	2,470,000	0.3075
2. CDC - Trustee Alfalah GHP Alpha Fund	2,000	0.0002
3. CDC - Trustee First Capital Mutual Fund	35,000	0.0044
4. CDC - Trustee Lakson Equity Fund	1,403,000	0.1747
5. CDC - Trustee Lakson Tactical Fund	156,500	0.0194
<b>III. Directors, CEO and their Spouse and Minor Children:</b>		
1. Lt Gen Tariq Khan (Retd)	1	0.0000
2. Mr. Muhammad Haseeb Aslam	1	0.0000
3. Mr. Sarfaraz Ahmed Rehman	4	0.0000
4. Dr. Nadeem Inayat	16	0.0000
5. Lt Col Abdul Khaliq Khan (Retd)	48	0.0000
6. Syed Bakhtiyar Kazmi	1	0.0000
7. Mr. Basharat Ahmad Bhatti	1	0.0000
8. Ms. Aminah Zahid Zaheer	1	0.0000
9. Mr. Ali Asrar Hossain Aga	40,000	0.0050
10. Mr. Mohammad Munir Malik	1	0.0000
11. Mr. Imran Husain	1	0.0000
12. Mr. Javed Kureishi	1	0.0000
<b>IV. Executives:</b>	-	-
<b>V. Public Sector Companies &amp; Corporations:</b>	-	-



fauji foods

	<u>No. of Shares held</u>	<u>Percentage</u>
<b>VI. Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>	1,350,572	0.1681

**VII. Shareholders holding five percent or more voting interest in the listed company:**

1. Committee of Admin. Fauji Foundation	67,371,916	8.3870
2. Fauji Fertilizer Bin Qasim Limited	542,201,257	67.4973

- No trading 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, 2020.

**Board of Directors / Committees meetings during the year 2020:**

**Five meeting of the Board of Directors were held. Attendance by each director was as follow:**

<u>Name of Directors</u>	<u>No. of Meeting(s) Attended</u>
Lt Gen Syed Tariq Nadeem Gilani (Retd)	- resigned w.e.f March 20, 2020 1
Lt Gen Javed Iqbal (Retd)	- resigned w.e.f June 10, 2020 2
Lt Gen Tariq Khan (Retd)	- elected on November 26, 2018 5
Dr. Nadeem Inayat	- re-elected on November 26, 2018 4
Mr. Rehan Laiq	- resigned w.e.f September 07, 2020 3
Syed Iqtidar Saeed	- resigned w.e.f April 23, 2020 2
Mr. Muhammad Ali Gulfaraz	- resigned w.e.f May 18, 2020 2
Lt Col Abdul Khaliq Khan (Retd)	- re-elected on November 26, 2018 5
Mr. Iltifat Rasul Khan	- resigned w.e.f January 31, 2020 1
Mr. Basharat Ahmad Bhatti	- elected on November 26, 2018 5
Ms. Aminah Zahid Zaheer	- elected on November 26, 2018 4
Mr. Ali Asrar Hossain Aga	- appointed on April 21, 2020 2
Mr. Muhammad Haseeb Aslam	- appointed on April 06, 2020 4
Mr. Sarfaraz Ahmed Rehman	- appointed on June 10, 2020 3
Mr. Khurram Shahzad Khan	- resigned w.e.f August 03, 2020 1
Mr. Imran Husain	- appointed on June 25, 2020 3
Mr. Javed Kureishi	- appointed on June 25, 2020 3
Mr. Mohammad Munir Malik	- appointed on August 03, 2020 2
Mr. Imran Moid	- resigned w.e.f November 16, 2020 1
Syed Bakhtiyar Kazmi	- appointed on November 25, 2020 0

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

<u>Name of Directors</u>	<u>No. of Meeting(s) Attended</u>
Mr. Javed Kureishi	3
Dr. Nadeem Inayat	1
Mr. Ali Asrar Hossain Aga	3
Lt Col Abdul Khaliq Khan (Retd)	5
Mr. Iltifat Rasul Khan	1
Mr. Rehan Laiq	2

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

<b>Name of Directors</b>	<b>No. of Meeting (s) Attended</b>
Ms. Aminah Zahid Zaheer	8
Mr. Muhammad Haseeb Aslam	7
Dr. Nadeem Inayat	2
Mr. Basharat Ahmad Bhatti	6
Mr. Ali Asrar Hossain Aga	7
Syed Iqtidar Saeed	2
Mr. Rehan Laiq	2

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

<b>Name of Directors</b>	<b>No. of Meeting Attended</b>
Syed Iqtidar Saeed	2
Lt Col Abdul Khaliq Khan (Retd)	2
Mr. Basharat Ahmad Bhatti	2

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

<b>Name of Directors</b>	<b>No. of Meeting Attended</b>
Mr. Muhammad Ali Gulfaraz	2
Dr. Nadeem Inayat	0
Mr. Rehan Laiq	2
Ms. Aminah Zahid Zaheer	2
Mr. Basharat Ahmad Bhatti	2

**Auditors:**

The audit committee reviewed consent of retiring auditors EY Ford Rhodes Chartered Accountants being eligible for re-appointment to provide independent external audit services to the Company. The Audit Committee has recommended the appointment of retiring auditors EY Ford Rhodes Chartered Accountants 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, 2020 have been duly complied with. A statement to this effect is annexed with the report.

FFL follows a policy framework conducive to more environmentally friendly 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 54<sup>th</sup> Annual General Meeting will be held on March 25, 2021 at 1100 hours at Lahore to approve annual financial statements of the Company for the year ended December 31, 2020.

**Acknowledgement:**

The Board is thankful to the valuable shareholders and financial institutions for their trust 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 Tariq Khan**  
HI(M), (Retd)  
Chairman



**Muhammad Haseeb Aslam**  
Chief Executive Officer

Dated: January 25, 2021

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

Name of Company: Fauji Foods Limited

Year ended: December 31, 2020

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: 11
- b. Female: 01

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Javed Kureishi Mr. Basharat Ahmad Bhatti Ms. Aminah Zahid Zaheer Mr. Imran Husain
Executive Director	Mr. Muhammad Haseeb Aslam
Non-Executive Directors	Lt Gen Tariq Khan (Retd) Mr. Sarfaraz Ahmed Rehman Dr. Nadeem Inayat Syed Bakhtiyar Kazmi Lt Col Abdul Khaliq Khan (Retd) Mr. Ali Asrar Hossain Aga Mr. Mohammad Munir Malik
Female Director	Ms. Aminah Zahid Zaheer

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 Tariq Khan (Retd)	(Director/ Chairman)
Dr. Nadeem Inayat	(Director)
Lt Col Abdul Khaliq Khan (Retd)	(Director)
Ms. Aminah Zahid Zaheer	(Director)
Mr. Basharat Ahmad Bhatti	(Director)
Mr. Sarfaraz Ahmed Rehman	(Director)
Mr. Imran Husain	(Director)
Mr. Ali Asrar Hossain Aga	(Director)

10. During the year, Company Secretary and Chief Financial Officer have resigned from their positions, the vacant positions shall be filled in by the Board in due course. There is no change in the 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. Javed Kureishi	(Chairman)
Dr. Nadeem Inayat	(Member)
Mr. Ali Asrar Hossain Aga	(Member)
Lt Col Abdul Khaliq Khan (Retd)	(Member)

**HR & REMUNERATION COMMITTEE**

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

Whereas, Technical Committee and Business Review Committee were dissolved by the Board with effect from June 25, 2020.

13. The terms of reference of the Audit Committee and Human Resource Committee have been formed, documented and advised to the Committee for compliance.
14. The frequency of meetings of the committee were as per following:

	No.	Frequency
a) Audit Committee:	05	Quarterly
b) HR and Remuneration Committee:	09	Quarterly
c) Technical Committee:	02	Quarterly
d) Business Review Committee:	02	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 and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan 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.



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



**Muhammad Haseeb Aslam**  
Chief Executive Officer

Dated: January 25, 2021





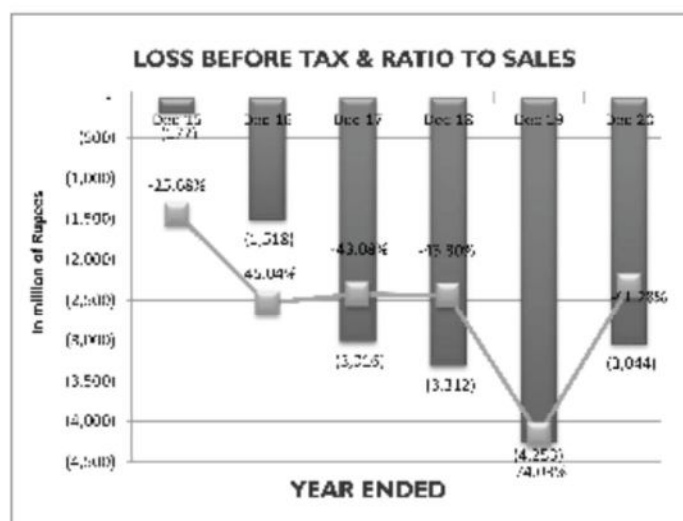
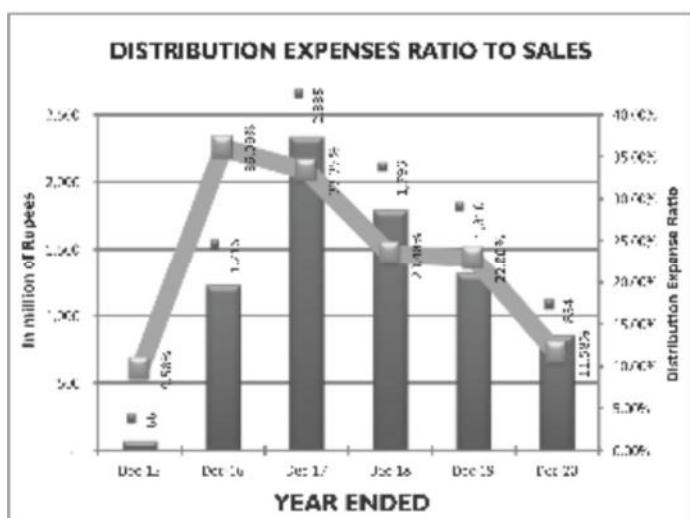
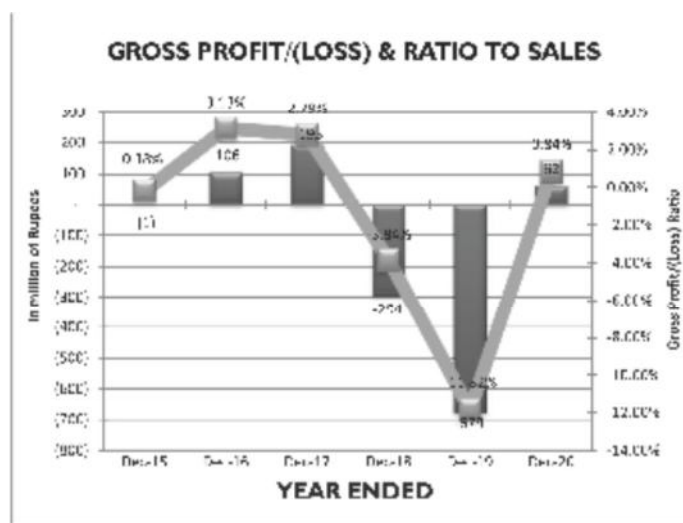
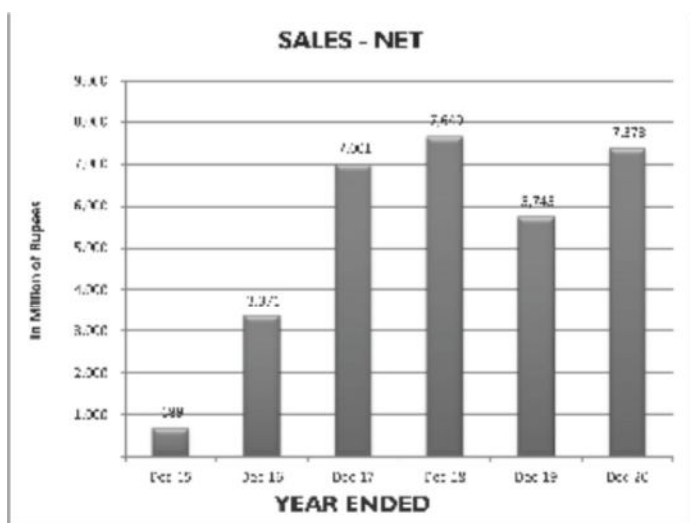
## FINANCIAL PERFORMANCE

	..... Annual .....					Six Month December 2015	
	December 2020	December 2019	December 2018	December 2017	December 2016		
<b>Production</b>							
<b>Liquid Production - litres</b>	61,144,281	60,873,948	90,295,898	<b>86,699,115</b>	<b>37,252,653</b>	<b>8,737,421</b>	
<b>Non - Liquid Products - Kgs</b>	1,940,207	1,651,307	1,778,587	<b>725,221</b>	<b>5,415,745</b>	<b>245,568</b>	
<b>Financial Performance - Profitability</b>							
Gross profit margin	%	0.84	(11.82)	(3.84)	2.79	3.13	(0.18)
EBITDA margin to sales	%	(5.81)	(32.70)	(24.08)	(29.67)	(34.82)	(14.04)
Pre-tax margin	%	(41.28)	(74.03)	(43.30)	(43.08)	(45.04)	(25.68)
Net profit margin	%	(41.48)	(100.77)	(37.25)	(32.68)	(28.69)	(15.39)
Return on equity	%	(76.66)	(157.40)	(132.99)	(46.27)	(43.14)	(45.49)
Return on capital employed	%	127.81	(908.41)	(42.47)	(28.46)	(50.07)	64.43
<b>Operating Performance / Liquidity</b>							
Total assets turnover	Times	0.56	0.47	0.56	0.59	0.44	0.36
Fixed assets turnover	Times	0.96	0.71	0.96	1.03	0.68	0.54
Trade Debtors	Rs. (000)	350,850	181,171	124,573	129,705	77,969	37,730
Debtors turnover	Times	28	38	60	67	58	18
Debtors turnover	Days	13	10	6	5	6	10
Inventory	Rs. (000)	543,983	1,443,223	1,380,401	1,021,156	684,806	174,626
Inventory turnover	Times	7	5	7	8	8	4
Inventory turnover	Days	50	80	55	46	48	44
Purchases	Rs. (000)	5,866,287	5,053,129	6,437,178	5,403,562	2,717,812	546,844
Accounts Payables	Rs. (000)	443,910	777,093	898,415	438,319	1,008,155	310,130
Creditors turnover	Times	10	6	10	7	4	2
Creditors turnover	Days	38	61	38	49	89	102
Operating cycle	Days	25	29	23	2	(34)	(47)
Return on assets	%	(26.06)	(47.63)	(21.02)	(19.22)	(12.59)	(5.56)
Current ratio		0.44	0.31	0.58	1.70	0.40	0.34
Quick / Acid test ratio		0.37	0.18	0.36	1.22	0.25	0.21
<b>Capital Market / Capital Structure Analysis</b>							
Market value per share							
- Year end	Rs.	17.37	14.47	30.28	16.46	88.67	242.21
- High during the year	Rs.	19.32	35.40	41.98	124.4	314.00	366.62
- Low during the year	Rs.	7.16	8.87	15.61	14.75	71.51	71.84
Breakup value - (Net assets / share)							
- excluding revaluation surplus	Rs. (000)	(5,232,733)	(4,987,204)	718,098	3,486,422	1,801,184	(224,450)
- including revaluation surplus	Rs. (000)	(3,989,009)	(3,677,786)	2,142,476	4,945,390	2,241,540	233,165
Earning per share (pre tax)	Rs.	(4.60)	(8.05)	(6.27)	(12.15)	(13.74)	(1.78)
Earning per share (after tax)	Rs.	(4.62)	(10.96)	(5.39)	(9.22)	(8.75)	(1.07)
Earnings growth	%	57.79%	-103.17%	41.50%	-5.33%	-718.22%	90.90%
Price earning ratio		(3.76)	(1.32)	(5.62)	(1.79)	(10.13)	(226.48)
Market price to breakup value		(2.67)	(1.53)	22.28	2.49	6.50	(33.84)
Debt : Equity		(3.64)	(3.82)	4.61	1.73	2.26	(5.34)
Interest cover		(0.65)	(1.43)	(3.79)	(6.45)	(9.06)	(3.34)

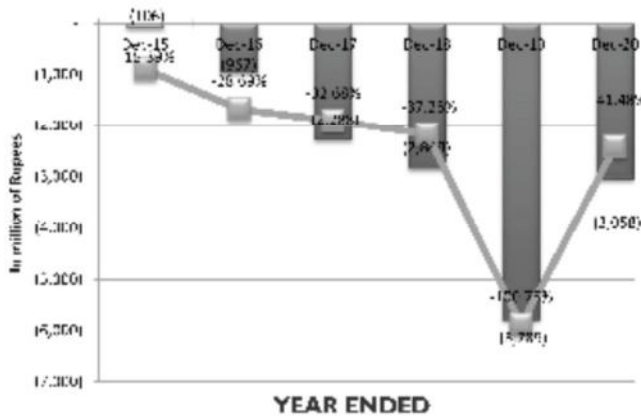
	Annual					Six Month December 2015	
	December 2020	December 2019	December 2018	December 2017	December 2016		
<b>Statement of affairs</b>							
Share capital	Rs. (000)	8,032,936	5,284,072	5,284,072	5,284,072	1,321,017	313,632
Reserves	Rs. (000)	(13,265,668)	(10,271,276)	(4,565,974)	(1,797,650)	480,166	(538,082)
Share holder's fund / Equity	Rs. (000)	(5,232,733)	(4,987,204)	718,098	3,486,422	1,801,184	(224,450)
Revaluation surplus	Rs. (000)	1,243,724	1,309,418	1,424,378	1,458,968	440,356	457,615
Long term borrowings	Rs. (000)	6,304,524	2,963,889	4,480,940	4,553,055	129,919	59,828
Capital employed	Rs. (000)	2,392,685	(637,262)	6,709,583	8,039,476	1,931,103	(164,622)
Deferred liabilities/(assets)	Rs. (000)	-	-	(1,571,537)	(1,061,248)	(628,542)	(76,385)
Property, plant & equipment	Rs. (000)	7,550,093	8,106,036	7,953,144	6,822,274	4,937,751	1,277,998
Long term assets	Rs. (000)	7,577,052	8,152,036	9,584,783	7,901,844	5,571,678	1,356,031
Net current assets / Working capital	Rs. (000)	(5,184,367)	(8,789,298)	(2,875,200)	1,652,214	(3,167,397)	(1,052,409)
Liquid funds - net	Rs. (000)	888,888	114,134	98,221	1,195,302	333,540	52,960
<b>Financial Performance</b>							
Sales - net	Rs. (000)	7,373,162	5,744,872	7,649,287	7,000,955	3,370,507	689,044
Gross profit	Rs. (000)	62,262	(678,827)	(293,641)	195,125	105,506	(1,259)
Operating Loss	Rs. (000)	(1,147,313)	(2,434,379)	(2,555,185)	(2,570,226)	(1,367,004)	(136,121)
Loss before tax	Rs. (000)	(3,043,795)	(4,253,029)	(3,312,388)	(3,016,286)	(1,517,940)	(176,931)
Loss after tax	Rs. (000)	(3,058,112)	(5,788,937)	(2,849,239)	(2,288,262)	(966,920)	(106,073)
EBITDA	Rs. (000)	(428,346)	(1,878,474)	(1,841,925)	(2,077,150)	(1,173,689)	(96,723)
<b>Summary of Cash Flows</b>							
Net cash flow from operating activities	Rs. (000)	(321,559)	(1,960,936)	(2,539,892)	(3,597,667)	(1,573,454)	(185,336)
Net cash flow from investing activities	Rs. (000)	(67,252)	(739,335)	(1,456,341)	(1,050,585)	(3,862,420)	(281,007)
Net cash flow from financing activities	Rs. (000)	4,659,344	2,215,323	(292,430)	6,159,323	4,205,063	292,139
Changes in cash & cash equivalents	Rs. (000)	4,270,533	(484,949)	(4,288,663)	1,511,072	(1,230,810)	(174,204)
Cash & cash equivalents - Year end	Rs. (000)	(757,279)	(5,027,812)	(4,542,863)	(254,200)	(1,765,272)	(534,461)



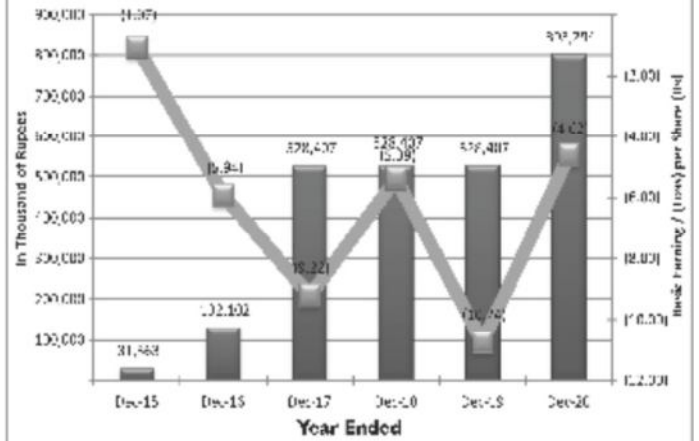
# PERFORMANCE OVERVIEW



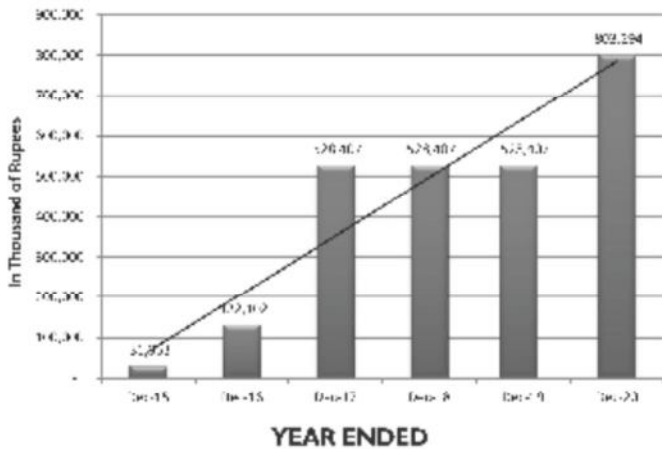
### LOSS AFTER TAX



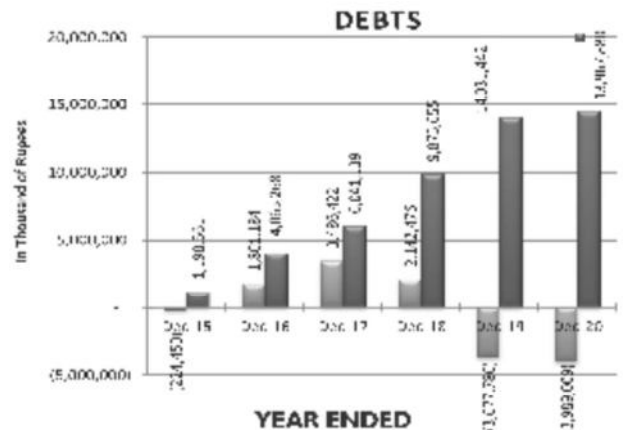
### ORDINARY SHARE CAPITAL & LOSS PER SHARE



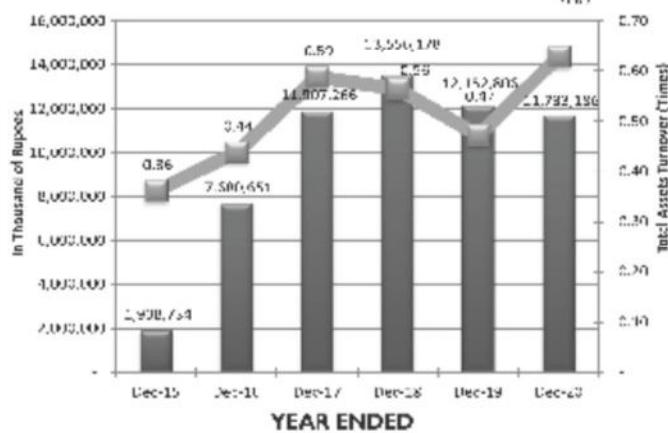
### PAID-UP SHARE CAPITAL



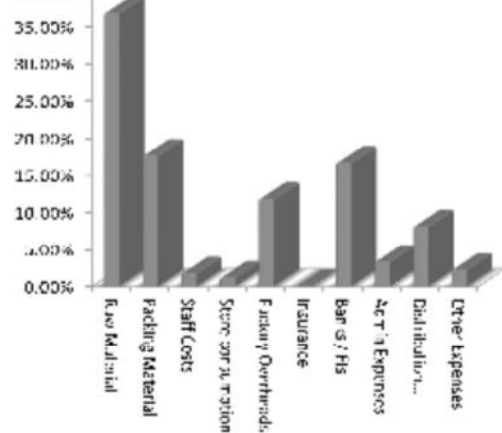
### SHAREHOLDERS' EQUITY AND TOTAL DEBTS



### TOTAL ASSETS & TURNOVER



### APPLICATION OF REVENUE





fauji foods

# FORM 34

THE COMPANIES ACT, 2017  
(Section 227(2)(f))  
PATTERN OF SHAREHOLDING

1.1 Name of the Company

FAUJI FOODS LIMITED

2.1 Pattern of holding of the shares held by the shareholders as at

31-12-2020

2.2 No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
861	1	100	42,827
1361	101	500	622,517
1621	501	1,000	1,581,591
3558	1,001	5,000	10,725,563
1333	5,001	10,000	11,030,624
472	10,001	15,000	6,148,075
327	15,001	20,000	6,205,266
243	20,001	25,000	5,719,785
147	25,001	30,000	4,217,996
83	30,001	35,000	2,775,992
81	35,001	40,000	3,136,831
54	40,001	45,000	2,344,348
118	45,001	50,000	5,859,216
34	50,001	55,000	1,812,933
32	55,001	60,000	1,890,724
25	60,001	65,000	1,597,748
24	65,001	70,000	1,646,503
31	70,001	75,000	2,301,400
27	75,001	80,000	2,124,075
9	80,001	85,000	759,000
20	85,001	90,000	1,778,042
4	90,001	95,000	376,500
73	95,001	100,000	7,293,500
12	100,001	105,000	1,231,650
9	105,001	110,000	986,500
3	110,001	115,000	339,500
6	115,001	120,000	705,168
7	120,001	125,000	869,500
4	125,001	130,000	517,500
9	130,001	135,000	1,199,000
10	135,001	140,000	1,390,500
2	140,001	145,000	286,500
20	145,001	150,000	2,990,918
3	150,001	155,000	459,740
4	155,001	160,000	632,000
1	160,001	165,000	164,500
6	165,001	170,000	1,018,500

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
2	170,001	175,000	350,000
2	175,001	180,000	360,000
1	180,001	185,000	185,000
3	185,001	190,000	568,000
3	190,001	195,000	577,572
21	195,001	200,000	4,198,800
4	200,001	205,000	813,500
6	205,001	210,000	1,252,500
1	210,001	215,000	215,000
6	215,001	220,000	1,317,500
1	220,001	225,000	220,500
1	225,001	230,000	226,000
3	235,001	240,000	719,000
2	240,001	245,000	488,000
5	245,001	250,000	1,250,000
2	250,001	255,000	503,500
1	255,001	260,000	260,000
2	260,001	265,000	530,000
2	265,001	270,000	537,056
2	270,001	275,000	550,000
1	275,001	280,000	280,000
5	295,001	300,000	1,498,500
3	305,001	310,000	923,500
2	310,001	315,000	625,500
1	315,001	320,000	317,500
1	320,001	325,000	321,500
1	335,001	340,000	338,000
1	340,001	345,000	345,000
3	345,001	350,000	1,050,000
1	355,001	360,000	356,500
1	380,001	385,000	383,000
6	395,001	400,000	2,400,000
1	400,001	405,000	400,500
1	405,001	410,000	410,000
1	415,001	420,000	417,000
1	425,001	430,000	430,000
1	440,001	445,000	444,000
1	455,001	460,000	458,684
1	465,001	470,000	468,000
1	470,001	475,000	475,000
5	495,001	500,000	2,500,000
2	515,001	520,000	1,039,000



No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	535,001	540,000	540,000
2	545,001	550,000	1,100,000
1	570,001	575,000	575,000
1	580,001	585,000	585,000
1	595,001	600,000	600,000
1	605,001	610,000	608,500
1	610,001	615,000	610,666
1	620,001	625,000	621,000
1	625,001	630,000	628,500
1	645,001	650,000	650,000
1	730,001	735,000	733,000
1	745,001	750,000	750,000
1	765,001	770,000	769,500
1	790,001	795,000	795,000
2	795,001	800,000	1,600,000
1	880,001	885,000	884,000
1	900,001	905,000	902,400
1	925,001	930,000	925,500
1	935,001	940,000	936,000
1	985,001	990,000	990,000
1	995,001	1,000,000	1,000,000
1	1,010,001	1,015,000	1,011,500
1	1,225,001	1,230,000	1,227,000
1	1,355,001	1,360,000	1,356,500
1	1,400,001	1,405,000	1,403,000
1	1,575,001	1,580,000	1,575,180
1	2,195,001	2,200,000	2,200,000
1	2,445,001	2,450,000	2,450,000
1	2,455,001	2,460,000	2,459,000
1	2,465,001	2,470,000	2,470,000
1	2,750,001	2,755,000	2,751,000
1	2,925,001	2,930,000	2,926,000
1	3,020,001	3,025,000	3,023,500
1	6,875,001	6,880,000	6,880,000
1	19,400,001	19,405,000	19,401,000
1	67,370,001	67,375,000	67,371,916
1	267,310,001	267,315,000	267,311,886
1	274,885,001	274,890,000	274,886,371
10785			803,293,563

2.3	Categories of shareholders	Share held	Percentage
2.3.1	Directors, Chief Executive Officers, and their spouse and minor children	40,076	0.0050%
2.3.2	Associated Companies, undertakings and related parties. (Parent Company)	609,573,173	75.8842%
2.3.3	NIT and ICP	8,300	0.0010%
2.3.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	936,000	0.1165%
2.3.5	Insurance Companies	42,072	0.0052%
2.3.6	Modarabas and Mutual Funds	4,439,000	0.5526%
2.3.7	Shareholders holding 10% or more	542,201,257	67.4973%
2.3.8	General Public		
	a. Local	163,455,580	20.3482%
	b. Foreign	923,900	0.1150%
2.3.9	Others (to be specified)		
	1- Joint Stock Companies	22,688,091	2.8244%
	2- Foreign Companies	100,000	0.0124%
	3- Other Companies	1,087,371	0.1354%

**3. Signature of Company Secretary**

**4. Name of Signatory**

Brig Hamid Mahmood Dar (Retd)

**5. Designation**

Company Secretary

**6. CNIC Number**

35201-7127628-1

**7. Date**

December 31, 2020





fauji foods

**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 (the Company) for the year ended 31 December, 2020 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 a part of our audit of the 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, its related party transactions. 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.

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, 2020.

*EY Ford Rhodes*

**EY Ford Rhodes**

Chartered Accountants

Lahore: February 18, 2021

## INDEPENDENT AUDITORS' 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 31 December 2020, 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 (hereinafter referred to as the 'financial statements') 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, 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 2020 and of the loss and other 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 Auditors' 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:

Key audit matter	How our audit addressed the key audit matter
<p><b>1. Going concern</b></p> <p>As disclosed in note 1.2 to the financial statements, the Company has suffered a loss of Rs. 3,058 million, for the year ended 31 December 2020 (2019: Rs. 5,789 million) and its accumulated loss as at the reporting date amounts to Rs. 15,188 million (2019: Rs. 12,197 million), resulting in a negative equity of Rs. 3,989 million (2019: Rs. 3,678 million). The current liabilities of the Company also exceeded its current assets by Rs. 5,184 million (2019: Rs. 8,789 million).</p> <p>The management of the Company made their assessment of going concern by preparing a cash flow forecast in which some key assumptions were applied.</p>	<p>We performed following key audit procedures, among other procedures, in respect of going concern:</p> <ul style="list-style-type: none"> <li>- Reviewed the going concern assessment approved by the Board of Directors particularly with respect to key assumptions used in the future financial projections.</li> <li>- Assessed the reasonableness of the inputs and assumptions used in the cash flow forecast against historical performance, economic and industry indicators, publicly available information and the Company's strategic plans.</li> </ul>



Key audit matter	How our audit addressed the key audit matter
<p>Following key assumptions have been used as basis to determine the respective value in use:</p> <ul style="list-style-type: none"> <li>- Sales growth rate;</li> <li>- Operating margin; and</li> <li>- Long-term market growth-rate</li> </ul> <p>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.</p> <p>Significant auditor attention was required in reviewing the management's assessment of going concern and hence considered a Key Audit Matter.</p> <p><b>2. Initial audit</b></p> <p>This is our first year of audit of the Company. Initial audit engagements involve a number of considerations not associated with recurring audits. Additional planning activities and considerations necessary to establish an appropriate audit strategy and audit plan include:</p> <ul style="list-style-type: none"> <li>- Gaining an initial understanding of the Company and its business including its control environment and information systems, sufficient to make audit risk assessments and develop the audit strategy and plan;</li> <li>- Obtaining sufficient appropriate audit evidence regarding the opening balances including the selection and application of accounting principles; and</li> <li>- Communicating with the previous auditors.</li> </ul> <p>Due to the additional considerations involved with initial audits, significant audit attention was required and hence, considered a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>- Analyzed the Company's sensitivity analysis in main areas being the sales growth, operating margin and long-term market growth-rate assumptions.</li> <li>- Obtained corroborating evidence regarding the cash flow forecasts by comparing the managements' forecasts for current year with actual results.</li> <li>- Assessed the adequacy of external sources of finance available to the Company as well as the parent company's support by inspecting the relevant agreements.</li> <li>- Assessed the adequacy of disclosures made in the financial statements in accordance with the requirements of the applicable accounting and reporting standards..</li> </ul> <p>Following additional audit procedures were applicable being the auditors of the Company for the first year:</p> <ul style="list-style-type: none"> <li>- We conducted meeting with the previous auditors and gained an understanding of the key audit risks and areas of focus identified by them;</li> <li>- We performed review of the working papers of predecessor auditors in order to gain reliance on opening balances</li> <li>- We obtained an understanding of the business and financial statements' risks relevant to our audit</li> <li>- We evaluated the client's internal control environment including entity level controls in order to establish our audit strategy.</li> </ul>

**Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' 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 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.

### **Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' 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 (XVIII of 1980).

#### **Other matter**

The financial statements of Fauji Foods Limited for the year ended 31 December 2019, were audited by another firm of chartered accountants who expressed an unmodified opinion on those statements on 31 January 2020.

The engagement partner on the audit resulting in this independent auditors' report is Farooq Hameed.



**EY Ford Rhodes**

Chartered Accountants

Lahore: February 18, 2021

**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2020

<b>EQUITY AND LIABILITIES</b>	Note	<b>2020</b> Rupees	<b>2019</b> Rupees
<b>Share capital and reserves</b>			
Authorized capital	5	<b>10,000,000,000</b>	7,000,000,000
Issued, subscribed and paid up capital	5	<b>8,032,935,630</b>	5,284,071,920
Share premium	6	<b>1,922,317,157</b>	1,925,340,907
Accumulated loss		<b>(15,187,985,634)</b>	(12,196,616,692)
Surplus on revaluation of property, plant and equipment - net of tax	7	<b>1,243,724,345</b> <b>(3,989,008,502)</b>	1,309,417,781 (3,677,786,084)
<b>Non-current liabilities</b>			
Long term finances - secured	8	<b>6,117,124,491</b>	2,708,333,333
Lease liabilities	9	<b>187,399,528</b>	255,555,628
Employee retirement benefits	10	<b>77,169,944</b> <b>6,381,693,963</b>	76,634,948 3,040,523,909
<b>Current liabilities</b>			
Current portion of long term liabilities	11	<b>117,787,993</b>	1,745,608,877
Short term borrowings - secured	12	<b>1,875,297,551</b>	6,691,944,126
Loan from Parent Company - unsecured	13	<b>5,925,000,000</b>	2,630,000,000
Trade and other payables	14	<b>873,500,682</b>	1,166,742,071
Unclaimed dividend		<b>965,752</b>	965,752
Accrued finance cost	15	<b>533,632,385</b>	554,807,673
Provision for taxation		<b>14,316,124</b> <b>9,340,500,487</b>	- 12,790,068,499
<b>Contingencies and commitments</b>	16	<b>11,733,185,948</b>	12,152,806,324

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



Chairman



Chief Executive



Director



Chief Financial Officer

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020



ASSETS	Note	<u>2020</u> Rupees	<u>2019</u> Rupees
<b>Non-current assets</b>			
Property, plant and equipment	17	7,550,092,840	8,106,036,190
Intangible assets	18	20,353,143	39,393,564
Security deposits		6,606,122	6,606,122
Deferred taxation - net	19	-	-
		<b>7,577,052,105</b>	<b>8,152,035,876</b>
<b>Current assets</b>			
Stores, spares and loose tools	20	191,143,537	237,545,924
Stock-in-trade	21	543,982,813	1,443,222,934
Trade debts - considered good	22	350,850,105	181,171,112
Loans and advances - considered good	23	151,199,690	64,645,851
Deposits, prepayments and other receivables	24	76,170,474	233,956,743
Due from associated companies	25	2,878,540	39,247
Sales tax refundable - net		636,649,383	563,303,259
Income tax recoverable		1,314,371,072	1,162,750,979
Cash and cash equivalents	26	888,888,229	114,134,399
		<b>4,156,133,843</b>	<b>4,000,770,448</b>
		<b>11,733,185,948</b>	<b>12,152,806,324</b>

  
Chairman

  
Chief Executive

  
Director

  
Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Rupees	2019 Rupees
Revenue from contracts with customers - net	27	7,373,162,067	5,744,872,328
Cost of revenue	28	(7,310,900,013)	(6,423,699,048)
<b>Gross profit / (loss)</b>		<b>62,262,054</b>	<b>(678,826,720)</b>
Marketing and distribution expenses	29	(854,143,010)	(1,309,604,707)
Administrative expenses	30	(355,432,212)	(438,268,935)
Loss allowance on trade debts	22.1	-	(7,678,704)
<b>Loss from operations</b>		<b>(1,147,313,168)</b>	<b>(2,434,379,066)</b>
Other income	31	98,704,064	98,311,925
Other expenses	32	(242,918,870)	(218,794,869)
Finance cost	33	(1,752,267,407)	(1,698,166,696)
<b>Loss before taxation</b>		<b>(3,043,795,381)</b>	<b>(4,253,028,706)</b>
Taxation	34		
Current		(14,316,124)	-
Deferred		-	(1,535,908,768)
<b>Loss after taxation</b>		<b>(3,058,111,505)</b>	<b>(5,788,937,474)</b>
<b>Loss per share - basic and diluted</b>	35	<b>(4.62)</b>	<b>Restated (10.74)</b>

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



Chairman



Chief Executive



Director



Chief Financial Officer





fauji foods

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>2020</u> Rupees	<u>2019</u> Rupees
<b>Loss after taxation for the year</b>	<b>(3,058,111,505)</b>	<b>(5,788,937,474)</b>
<b>Other comprehensive income / (loss)</b>		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	<b>1,049,127</b>	4,304,250
<b>Total comprehensive loss for the year</b>	<b><u>(3,057,062,378)</u></b>	<b><u>(5,784,633,224)</u></b>

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

Chairman

Chief Executive

Director

Chief Financial Officer

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue reserves	Total
		Share premium	Surplus on revaluation of property, plant and equipment- net of tax	Accumulated loss	
----- Rupees -----					
<b>As at 01 January 2019</b>	5,284,071,920	1,925,340,907	1,424,377,761	(6,491,314,836)	2,142,475,752
<b>Total comprehensive loss for the year</b>					
Loss after taxation	-	-	-	(5,788,937,474)	(5,788,937,474)
<b>Other comprehensive loss for the year</b>					
Remeasurement of defined benefit obligation	-	-	-	4,304,250	4,304,250
<b>Total comprehensive loss</b>	-	-	-	(5,784,633,224)	(5,784,633,224)
<b>Surplus transferred to accumulated losses</b>					
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)
<b>Balance as at 31 December 2019</b>	<b>5,284,071,920</b>	<b>1,925,340,907</b>	<b>1,309,417,781</b>	<b>(12,196,616,692)</b>	<b>(3,677,786,084)</b>
<b>Conversion of debt to equity</b>					
Parent loan	2,630,000,000	-	-	-	2,630,000,000
Accrued markup	118,863,710	-	-	-	118,863,710
Share issuance cost	-	(3,023,750)	-	-	(3,023,750)
	2,748,863,710	(3,023,750)	-	-	2,745,839,960
<b>Total comprehensive income for the year</b>					
Loss after taxation	-	-	-	(3,058,111,505)	(3,058,111,505)
<b>Other comprehensive loss for the year</b>					
Remeasurement of defined benefit obligation	-	-	-	1,049,127	1,049,127
<b>Total comprehensive loss</b>	-	-	-	(3,057,062,378)	(3,057,062,378)
<b>Surplus transferred to accumulated losses</b>					
Disposal of plant and machinery - net of tax	-	-	(69,395)	69,395	-
Incremental depreciation relating to surplus			(65,624,041)	65,624,041	-
<b>Balance as at 31 December 2020</b>	<b>8,032,935,630</b>	<b>1,922,317,157</b>	<b>1,243,724,345</b>	<b>(15,187,985,634)</b>	<b>(3,989,008,502)</b>

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

  
Chairman

  
Chief Executive

  
Director

  
Chief Financial Officer



fauji foods

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	Rupees	Rupees
<b>Cash flows from operating activities</b>			
Loss before taxation		(3,043,795,381)	(4,253,028,706)
Adjustments for non-cash items:			
Depreciation on property, plant and equipment	17.1.7	699,926,589	774,183,096
Amortization of intangible assets	29	19,040,421	21,483,463
Gain on disposal of property, plant and equipment	31	(32,240,063)	(32,666,185)
Loss allowance on trade debts	22.1	-	7,678,704
Provision for obsolete stores and spares	20	-	5,256,700
Provision/write off for obsolete stock	21	242,290,040	55,283,299
Profit on bank deposits	31	(44,490,685)	(56,198,286)
Unrealized foreign exchange loss	32	-	247,343
Provision for employee retirement benefits		14,015,232	20,988,466
Fair value adjustment of interest free security deposit	32	-	4,258,184
Finance cost	33	1,752,267,407	1,698,166,696
<b>Loss before working capital changes</b>		<b>(392,986,440)</b>	<b>(1,754,347,226)</b>
<b>Effect on cash flow due to working capital changes</b>			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		46,402,387	(100,670,164)
Stock-in-trade		656,950,081	(118,105,721)
Trade debts		(169,678,993)	(64,276,551)
Loans and advances		(86,553,839)	(3,118,758)
Deposits, prepayments and other receivables		157,786,269	499,830,850
Due from associated companies		(2,839,293)	269,648
Sales tax refundable		(73,346,124)	(122,506,145)
Trade and other payables		(293,241,389)	(88,770,134)
		<b>235,479,099</b>	<b>2,653,025</b>
<b>Cash used in operations</b>		<b>(157,507,341)</b>	<b>(1,751,694,201)</b>
Income tax paid		(151,620,093)	(173,104,721)
Employee benefits paid		(12,431,110)	(26,217,084)
Security deposits - net		-	(9,920,000)
<b>Net cash used in operating activities</b>		<b>(321,558,544)</b>	<b>(1,960,936,006)</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment		(163,765,492)	(879,577,317)
Sale proceeds from disposal of property, plant and equipment		52,022,316	84,043,558
Income on bank deposits received		44,490,686	56,198,286
<b>Net cash used in investing activities</b>		<b>(67,252,490)</b>	<b>(739,335,473)</b>
<b>Cash flow from financing activities</b>			
Long term finances - net		1,850,915,648	(133,333,333)
Short term borrowings - net		(1,320,867,588)	1,199,998,552
Lease rentals paid		(138,101,474)	(142,335,001)
Finance cost paid		(1,654,578,985)	(1,339,007,691)
Loan received from Parent Company		5,925,000,000	2,630,000,000
Share issuance cost		(3,023,750)	-
<b>Net cash generated from financing activities</b>	42	<b>4,659,343,851</b>	<b>2,215,322,527</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>4,270,532,817</b>	<b>(484,948,952)</b>
<b>Cash and cash equivalents - at beginning of the year</b>		<b>(5,027,811,699)</b>	<b>(4,542,862,747)</b>
<b>Cash and cash equivalents - at end of the year</b>	36	<b>(757,278,882)</b>	<b>(5,027,811,699)</b>

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

  
Chairman

  
Chief Executive

  
Director

  
Chief Financial Officer

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### I THE COMPANY AND ITS ACTIVITIES

#### I.1 Corporate and general information

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.

- I.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 (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 time to time raising of equity finance through right issue, arrangement of long term and working capital facilities to support working capital and capital expenditure requirements. The Parent Company has approved additional financial support of Rs. 6,000 million out of which Rs. 5,925 million has been disbursed during the year for meeting the working capital requirements and contractual obligations of the Company. Further the parent has provided standby letter of credit amounting to Rs. 1,000 million and revolving corporate guarantee as additional security against syndicate finance facility.

Due to continuous operational losses for the last few years, current liabilities exceed current assets by Rs. 5,184.37 million, equity eroded and stands at negative Rs. 3,989.01 million and with the operations being financed through sponsor support/equity injection/ bank borrowings, the total debt amounts to Rs. 13,967.88 million as on 31 December 2020.

However, in the year 2020, The Company has shown recovery compared to 2019 with a topline growth of 28.34% and reduction of loss after tax by 47.17%. The Board of the Directors ("BOD") of the Company have approved 10 year business plan that shows improvements in cash generation. The Company has also achieved financial restructuring of the overall financial debt of the company. As per the terms of restructuring, the company has secured a profit and principal grace period of one year and two and a half years respectively along with extension in the repayment period by 5 years.

The management and the Board considers that the measures as explained above would result in availability of adequate financial resources for the Company to sustain the continuity of its business operations for the foreseeable future and thus maintain its going concern status. Accordingly, these financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate its business, realize its assets, and discharge its liabilities, in the normal course of business.

#### I.3 Impact of COVID-19 on the unconsolidated financial statements

The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. Accordingly, on 20 March 2020, the Government of Pakistan announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Company's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Company's operations and liquidity positions and believes that its

current policies for managing credit, liquidity and market risk are adequate in response to current situation.

The management has assessed the impact of the COVID-19 on the financial statements and concluded that, as the Company is engaged in the manufacturing and sale of food items mainly including dairy and allied products which are essential items, there is no material financial impact of COVID-19 on the carrying amounts of assets, liabilities, income or expenses which required specific disclosures.

## **2 BASIS OF PREPARATION**

### **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; and
- Provisions of and directives issued 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 Basis of measurement**

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 17 at revalued amounts, recognition of lease liability and employee retirement benefits as referred to in note 9 and 10 at present value respectively.

### **2.3 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.

### **2.4 Standards, amendments and interpretations and forth coming requirements.**

#### **2.4.1 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.

#### **Changes in accounting policies and disclosures resulting from amendments in standards during the year.**

The accounting policies adopted in the preparation of these financial statements are consistent with those

IFRS 3	Business Combinations - Definition of a Business (amendments)	January 01, 2020
IFRS 7 & IFRS 9	Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)	January 01, 2020

IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	January 01, 2020
IFRS 16	Covid-19-Related Rent Concessions (Amendment to IFRS 16)	June 01, 2020
IFRS 14	Regulatory Deferral Accounts - Original issue	July 01, 2019

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the financial statement.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

#### 2.4.1.2 Amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Company:

Standard and IFRIC		Effective date (annual periods beginning on or after)
IFRS 7 & IFRS 9	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 01, 2021
IFRS 3	Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 01, 2022
IAS 16	Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling 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 recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.	January 01, 2022
IAS 1	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	January 01, 2023
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

The Company expects that the adoption of the above standards and amendments will have no material effect on the Company's financial statements.

In addition to the above new standards and amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after January 01, 2022:

IFRS 1	First-time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter - The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
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.
IFRS 16	Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.
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.

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	Effective date (annual periods beginning on or after)	
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2004
IFRS 17	Insurance Contracts	January 01, 2023

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

### 3 SIGNIFICANT 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

### **3.1 Depreciation method, rates and useful lives of 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. During the year the Company has revised its estimate of method of depreciation of building and plant and machinery. Effect of change in method of depreciation of building, plant and machinery is explained in note 17.1.6.

### **3.2 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.

### **3.3 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.

### **3.4 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.

### **3.5 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.



### **3.6 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.

### **3.7 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.

### **3.8 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.

### **3.9 Staff retirement benefits**

The Company operates an accumulated compensated absences and unfunded defined benefit gratuity plan as explained in note 4.3.2 and 4.3.3 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.

### **4.1 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.

## 4.2 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 in 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 its 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.

## 4.3 Employees' retirement benefits

### 4.3.1 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.

#### **4.3.2 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 are accumulated subject to a maximum of 120 days for ex-servicemen and 20 days for management & 28 days for non-management employees. The unutilized accumulated leaves can be encashed at the time the employee leaves Company service. The accumulated leave balance in excess of above mentioned limits 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 2020. 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.

#### **4.3.3 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 2020.

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.

#### **4.4 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.

#### **4.5 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.

#### 4.6 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.

#### 4.7 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.

#### 4.8 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.

#### 4.9 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 building and plant and machinery on straight line method and all other 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.

#### **4.10 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.

#### **4.11 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.

#### **4.12 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.

#### **4.13 Financial instruments**

##### **4.13.1 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.

##### **4.13.2 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.

#### **4.13.3 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.

#### **4.13.4 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.

#### **4.13.5 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.

#### **4.14 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.

#### **4.15 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.

#### **4.16 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.

#### **4.17 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.

#### **4.18 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.

#### **4.19 Dividends and appropriations to reserves**

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

#### **4.20 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.



## 5 Share capital

5.1 Authorized capital	2020	2019	2020	2019
	-- (Number of shares) --		Rupees	Rupees
Shares of Rs. 10 each	<b>1,000,000,000</b>	700,000,000	<b>10,000,000,000</b>	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	<b>503,934,166</b>	503,934,166	<b>5,039,341,660</b>	5,039,341,660
Ordinary shares of Rs 10 each issued as fully paid bonus shares	<b>2,639,200</b>	2,639,200	<b>26,392,000</b>	26,392,000
Ordinary shares of Rs 10 each issued as fully paid on conversion of loans (note 5.5)	<b>289,520,197</b>	14,633,826	<b>2,895,201,970</b>	146,338,260
Voting ordinary shares of Rs.10 each issued on conversion of 12% cumulative convertible preference shares	<b>7,200,000</b>	7,200,000	<b>72,000,000</b>	72,000,000
	<b>803,293,563</b>	528,407,192	<b>8,032,935,630</b>	5,284,071,920

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

Ordinary share capital	2020	2019	2020	2019
	--- Percentage held ---		--- Number of shares ---	
<i>Fauji Fertilizer Bin Qasim Limited</i>				
- voting ordinary shares	<b>67.50%</b>	50.59%	<b>542,201,257</b>	267,314,886
<i>Fauji Foundation</i>				
- voting ordinary shares	<b>8.39%</b>	12.75%	<b>67,371,916</b>	67,371,916
<i>Directors, Chief Executive, officers and their spouse and minor children</i>				
- voting ordinary shares	<b>0.00%</b>	0.00%	<b>40,000</b>	91
<i>FFBL Provident Fund</i>				
- voting ordinary shares	<b>0.00%</b>	2.71%	-	14,306,000
<i>FFBL Gratuity Fund</i>				
- voting ordinary shares		1.97%	-	10,400,500
			<b>609,613,173</b>	359,393,393

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.

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

## 6 Share premium

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

	2020 Rupees	2019 Rupees
<b>7 Surplus on revaluation of property, plant and equipment - net of tax</b>		
Revaluation surplus as at 01 January	<b>1,577,459,635</b>	1,689,193,958
Surplus transferred to accumulated losses on account of:		
- disposal of plant and machinery - net of deferred tax	<b>(69,395)</b>	(5,774,191)
- incremental depreciation charged during the year - net of deferred tax	<b>(65,624,041)</b>	(73,557,177)
Related deferred tax liability		
- disposal of plant and machinery	<b>(28,345)</b>	(2,358,473)
- incremental depreciation charged during the year	<b>(26,804,186)</b>	(30,044,482)
	<b>(92,525,967)</b>	(111,734,323)
Revaluation surplus as at 31 December	<b>1,484,933,668</b>	1,577,459,635
Less: Related deferred tax liability on revaluation surplus at 01 January	<b>268,041,854</b>	264,816,197
Reduction in deferred tax liability due to:		
- disposal of plant and machinery	<b>(28,345)</b>	(2,358,473)
- incremental depreciation charged during the year	<b>(26,804,186)</b>	(30,044,482)
- tax rate adjustment	-	35,628,612
	<b>(26,832,531)</b>	3,225,657
Deferred tax liability on revaluation surplus as at 31 December	<b>241,209,323</b>	268,041,854
Revaluation surplus as at 31 December - net of tax	<b>1,243,724,345</b>	1,309,417,781

**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.

8 Long term finances - secured	Note	2020 Rupees	2019 Rupees
<b>Long term finances - secured</b>			
Long term loans			
Syndicate Finance Facility	8.1	<b>6,066,666,667</b>	4,316,666,667
Salary Refinance Facility	8.5	<b>100,915,648</b>	-
		<b>6,167,582,315</b>	4,316,666,667
Current maturity presented under current liabilities	11	<b>(50,457,824)</b>	(1,608,333,334)
		<b>6,117,124,491</b>	2,708,333,333



**8.1** A syndicate finance facility is jointly led by Faysal Bank Limited, National Bank of Pakistan, MCB bank limited and Allied Bank limited and participated by Askari bank limited, Alfalah bank limited, Soneri Bank limited, Dubai Islamic Bank limited whereby the outstanding exposure of all the banks was restructured into long term and short term exposure on prorata basis. The restructuring was done under the State Bank of Pakistan's circular No. BPRD Circular Letter No. 13 of 2020 dated 26 March 2020.

**8.2** The bank wise exposure of participant and lead banks after restructuring and clubbed as on is as follows:

Note	Bank Name	Facility	2020 Rupees	2019 Rupees	Mark-up as per Agreement	Tenure and basis of principal repayment
8.2.1	Allied Bank Limited	Term Finance	646,544,141	666,666,667		The loan is repayable in 7 years with a grace period of 2.5 years. Repayment will be in form of stepped up quarterly installment starting from year 2023 and ending in year 2027
8.2.2	National Bank of Pakistan	Term Finance	941,976,909	750,000,000		
8.2.3	MCB Bank Limited	Demand Finance	1,084,158,027	1,000,000,000		
8.2.4	Faysal Bank Limited	Term Finance	1,733,459,001	1,900,000,000	3 Months KIBOR plus 1.5% per annum, payable quarterly.	
8.2.5	Askari Bank Limited	Term Finance	396,544,141	-		
8.2.6	Alfalah Bank Limited	Term Finance	247,840,088	-		
8.2.7	Soneri Bank Limited	Demand Finance	495,680,175	-		
8.2.8	JS Bank limited	Term Finance	247,840,088	-		
8.2.9	Dubai Islamic Bank Limited	Term Finance	272,624,097	-		

**8.3** The syndicate finance facility is secured by way of pari passu charge amounting to PKR 8,089 Million inclusive of 25% margin on fixed assets along with mortgage by constructive deposit of title deeds of property / land measuring 120 kanals and building thereon situated in Mauza Purana Bhalwal, Tehsil Bhalwal, District Sargodha in favour of security agent (i.e. Faysal bank limited). The syndicate finance facility is additionally secured through sponsor support in the form of Stand by letter of credit amounting to PKR 1,000 Million from Askari bank limited and a revolving corporate guarantee.

**8.4** All these facilities have been clubbed under Master Finance Agreement executed on 21 December 2020 which became effective from 01 August 2020.

**8.5** The Company availed a salary refinance facility under SBP circular number IH&SMEFD Circular No. 06 and 07 of 2020 dated 10 April 2020 from JS Bank Limited. As per the SBP circular and terms of the facility, the facility is repaid in 8 equal quarterly installments starting from January 2021. The facility is priced at 3% and secured against a charge on current and fixed assets at a margin of 25%.

	Note	2020 Rupees	2019 Rupees
<b>9 Lease liabilities</b>			
Leased vehicles - secured	9.1	15,703,678	67,942,457
Leased machinery - unsecured		132,399,740	207,531,397
Leased building - unsecured		106,626,279	117,357,317
		254,729,697	392,831,171
Current maturity presented under current liabilities	11	(67,330,169)	(137,275,543)
		187,399,528	255,555,628

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 7.56% to 14.39% (2019: 10.43% to 14.39%) 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.

		2020			2019		
		Up to one year	From one to five years	Total	Up to one year	From one to five years	Total
	Note	-----Rupees-----			-----Rupees-----		
<b>a) Leased vehicles - secured</b>							
<b>Particulars</b>							
Minimum lease payments		14,929,671	6,902,346	21,832,017	57,584,327	39,089,162	96,673,489
Less: Finance costs allocated to future periods		(399,430)	(30,859)	(430,289)	(6,996,329)	(1,550,853)	(8,547,182)
		<u>14,530,241</u>	<u>6,871,487</u>	<u>21,401,728</u>	<u>50,587,998</u>	<u>37,538,309</u>	<u>88,126,307</u>
Less: Security deposits adjustable on expiry of lease terms		-	(5,698,050)	(5,698,050)	(5,330,650)	(14,853,200)	(20,183,850)
Present value of minimum lease payments	9.1	<u>14,530,241</u>	<u>1,173,437</u>	<u>15,703,678</u>	<u>45,257,348</u>	<u>22,685,109</u>	<u>67,942,457</u>
<b>b) Leased machinery - unsecured</b>							
<b>Particulars</b>							
Minimum lease payments		44,032,116	124,757,662	168,789,778	96,719,511	168,789,779	265,509,290
Less: Finance costs allocated to future periods		(15,561,069)	(20,828,969)	(36,390,038)	(21,541,075)	(36,436,818)	(57,977,893)
		<u>28,471,047</u>	<u>103,928,693</u>	<u>132,399,740</u>	<u>75,178,436</u>	<u>132,352,961</u>	<u>207,531,397</u>
<b>c) Leased building - unsecured</b>							
<b>Particulars</b>							
Minimum lease payments		34,372,800	98,458,976	132,831,776	31,992,000	127,375,776	159,367,776
Less: Finance costs allocated to future periods		(10,043,919)	(16,161,578)	(26,205,497)	(15,152,240)	(26,858,219)	(42,010,459)
		<u>24,328,881</u>	<u>82,297,398</u>	<u>106,626,279</u>	<u>16,839,760</u>	<u>100,517,557</u>	<u>117,357,317</u>

9.1 This includes amount of Rs. 15.70 million (2019: Rs. 34.58 million) payable to Askari Bank Limited, a related party.

	Note	2020 Rupees	2019 Rupees
<b>10 Employee retirement benefits</b>			
Accumulated compensated absences	10.1	21,540,928	26,760,382
Defined benefit plan	10.2	55,629,016	49,874,566
		<u>77,169,944</u>	<u>76,634,948</u>
<b>10.1 Movement in accumulated compensated absences</b>			
Balance as at 01 January		26,760,382	31,608,489
Charge to statement of profit or loss	10.1.1	5,503,013	15,683,893
Benefits paid during the year		(10,722,467)	(20,532,000)
Balance as at 31 December		<u>21,540,928</u>	<u>26,760,382</u>



	<u>2020</u>	<u>2019</u>
	Rupees	Rupees
<b>10.1.1 Charge to the statement of profit or loss</b>		
Current service cost	1,821,249	10,404,879
Interest on defined benefit liability	1,409,572	1,413,940
Remeasurement loss	2,272,192	3,865,074
	<u>5,503,013</u>	<u>15,683,893</u>

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

	<u>2020</u>	<u>2019</u>
Discount rate	10.00%	12.50%
Expected per annum growth rate in salaries	10.00%	12.50%
Expected mortality rate	SLIC (2001-2005)	SLIC (2001-2005)

As at 31 December 2020, average accumulation of leaves is 10 days per annum (2019: 16 days per annum), subject to a maximum accumulation of 20 days for management employees, 28 days for non-management employees and 120 days for ex-servicemen (2019: 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 2020 would have been as follows:

**10.1.3.1 Present value of liability at the year end**

	<u>Due to increase in assumptions</u>			
	<u>2020</u>		<u>2019</u>	
	----- Rupees -----			
Discount rate 100 bps	21,725,661	28,414,437	23,468,198	30,693,457
Salary increase 100 bps	28,379,411	21,700,676	30,665,621	23,441,209

	Note	<u>2020</u>	<u>2019</u>
		Rupees	Rupees
<b>10.2 Present value of defined benefit obligation</b>			
Balance as at 01 January		49,874,566	54,559,328
Charge to statement of profit or loss	10.2.1	8,512,220	5,304,572
Benefits paid during the year		(1,708,643)	(5,685,084)
Charge to other comprehensive income	10.2.2	(1,049,127)	(4,304,250)
Balance as at 31 December		<u>55,629,016</u>	<u>49,874,566</u>

	2020	2019
	Rupees	Rupees
<b>10.2.1 Charge to the statement of profit or loss</b>		
Current service cost	16,211,737	15,372,476
Gain on settlements	(13,920,378)	(16,920,378)
Interest on defined benefit liability	6,220,861	6,852,474
	<b>8,512,220</b>	<b>5,304,572</b>
<b>10.2.2 Charge to other comprehensive income</b>		
Actuarial gain on present value		
- Experience adjustments	1,049,127	4,304,250

**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:

	2020	2019
Discount rate	10.00%	12.50%
Expected per annum growth rate in salaries	10.00%	12.50%
Expected mortality rate	SLIC (2001-2005)	SLIC (2001-2005)

As at 31 December 2020, the weighted average duration of the defined benefit obligation was 9 years (2019: 8 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			
	2020		2019	
	----- Rupees -----			
Discount rate 100 bps	50,113,363	68,859,788	43,692,623	57,360,104
Salary increase 100 bps	65,774,220	50,054,090	57,287,568	43,642,252

		2020	2019
		Rupees	Rupees
<b>11 Current portion of long term liabilities</b>	Note		
Long term finances - secured	8	-	1,608,333,334
Lease liabilities	9	67,330,169	137,275,543
Salary refinance-JS bank	8	50,457,824	-
		<b>117,787,993</b>	<b>1,745,608,877</b>
<b>12 Short term borrowings - secured</b>			
Short term running finance	12.1 & 12.4	1,646,167,111	5,141,946,098
Islamic mode of financing	12.2	229,130,440	1,549,998,028
		<b>1,875,297,551</b>	<b>6,691,944,126</b>





### 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 1,770.83 million (31 December 2019: Rs 5,681.50 million). These facilities are secured against charge over current assets amounting to PKR 2,500 million inclusive of 20% margin along with charge on fixed assets amounting to PKR 500 million. The facilities carry markup of 3-months KIBOR plus spread of 1.0% per annum (2019: 1 to 3 months KIBOR plus spread of 0.50% to 6.65%) payable quarterly in arrears. These facilities will be expiring in August 2021.

### 12.2 Islamic mode of financing

This represents utilized amount of short term finance facility (Wakala Istithmar/Istisna) availed from Dubai Islamic bank. (2019: Albaraka Bank limited and Dubai Islamic Bank limited amounting to Rs 1,550 million). The facility is secured against charge over all current assets amounting to PKR 2,500 Million inclusive of 25% margin along with charge on fixed assets (excluding land and building) amounting to PKR 500 Million. The facility carries mark-up of 3-months KIBOR plus spread of 1.0% per annum (2019: 6 months KIBOR plus spread of 0.75%) per annum. The facilities are expiring in August 2021.

### 12.3 Unavailed credit facilities

Out of total facilities for opening of letters of credit of Rs. 150 million (2019: Rs 834.58 million) as at 31 December 2020 unutilized amount as of that date was Rs. 150 million (2019: Rs 664.43 million).

### 12.4 Related party

This includes balance of Rs. 333.33 million (2019: Rs. 709.91 million) payable to Askari Bank Limited, an associated undertaking.

### 13 Loan from Parent Company - unsecured

	2020 Rupees	2019 Rupees
Mark-up based Subordinated loan - unsecured	<u>5,925,000,000</u>	<u>2,630,000,000</u>

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. 6,000 million to meet working capital requirement of the Company. This loan is for a period of one year and carries markup at 3 months kibor plus 1.5% per annum, payable quarterly in arrears.

### 14 Trade and other payables

	Note	Rupees	Rupees
Trade and other creditors		443,910,254	777,092,946
Contract liabilities	14.1	108,469,670	86,718,942
Accrued expenses		273,488,242	262,711,827
Retention money payable		2,971,672	4,012,223
Due to employees		5,074,879	1,017,538
Due to associated undertaking - unsecured	14.2	16,143,664	1,384,717
Withholding income tax payable		9,998,263	8,690,633
Withholding sales tax payable		7,591,762	16,835,983
Payable to provident fund	14.3	4,244,388	5,676,958
Workers' profit participation fund		429,988	429,988
Others		<u>1,177,900</u>	<u>2,170,316</u>
		<u>873,500,682</u>	<u>1,166,742,071</u>

**14.1** The contract liabilities outstanding at 31 December 2019 have been recognized as revenue during the year.

<b>14.2 Due to associated undertakings - unsecured</b>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
Noon Sugar Mills Limited	<b>7,014,925</b>	1,384,717
Fauji Security Services (Private) Limited	<b>272,400</b>	-
FFBL power company limited	<b>7,438,194</b>	-
Fauji Fertilizer Bin Qasim Limited	<b>1,418,133</b>	-
	<b><u>16,143,652</u></b>	<b><u>1,384,717</u></b>

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

### **14.3 Employees' provident fund**

The Company operates funded contributory provident fund scheme for all its permanent and eligible employees. The following information is based on the unaudited financial statements of the provident fund for the year ended 31 December 2020:

	<b>(Un-audited) 2020 Rupees</b>	<b>(Audited) 2019 Rupees</b>
Size of the fund	<b>182,196,455</b>	198,273,031
Cost of investments made	<b>168,158,377</b>	170,512,226
Percentage of investments made	<b>92%</b>	86%

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.

<b>15 Accrued finance cost</b>	<b>Note</b>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
Mark-up based borrowings from conventional banks			
- Long term borrowings - secured		<b>143,610,231</b>	157,926,586
- Short term borrowings - secured	15.1	<b>81,213,376</b>	208,477,050
- Loan from Parent Company - unsecured	13	<b>293,073,510</b>	118,863,714
- Lease liabilities		-	462,905
Islamic mode of financing			
- Short term borrowings - secured		<b>15,735,268</b>	69,077,418
		<b><u>533,632,385</u></b>	<b><u>554,807,673</u></b>

**15.1** This includes amount of Rs. 15.70 million (2019: 28.31) 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. 14.78 million (2019: Rs. 15.01 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 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 judicious order.

**16.1.5** For the year ended June 30, 2012 i-e tax year 2012 amendment order was framed determining tax at Rs. 74,128,663 as against Rs. 22,753,512 conceded in the return. The CIR (Appeals) in his order under section 129 dated December 31, 2018 has confirmed the action of the ACIR in respect of certain additions and set aside other matters with directions. The company is not in agreement with the result in appeal and has filled appeal before the ATIR which is pending adjudication.

**16.1.6** For the Tax year 2013, Amendment order under section 122(5A) has framed on May 16, 2019 wherein additions for alleged suppressed/Un-reconciled sales has been made at Rs. 43,770,576 and for in admissible exchange loss amounting to Rs. 4,252,697. Further, turnover tax credit has also been disallowed. Appeal has been filled before the CIR Appeals against the said additions and refusal to grant tax credit which is pending adjudication.

Proceedings U/s 149 for short deduction of tax are in progress.

**16.1.7** Company was selected for audit under section 214C for Tax year 2014 as per list published by FBR.

For the Tax year 2014, The Department order in this case has resulted in demand of Rs. 5,923,267 as against refund of Rs. 2,108,564 claimed in the return.

Further the company have obtained stay against recovery of above tax demand under section 140 of ITO 2001, and has also filled appeal before CIR appeals lahore, which is pending adjudication.

- 16.1.8** For the Tax year 2017, The company refund was reduced by Rs. 30 million by the DCIR against Rs. 194,192,875 claimed in the tax return by not allowing full credit of taxes paid.

Appeal has been filed with the CIR Appeals against the order. The CIR appeals has set aside the order and remanded the case back to the DCIR for re-examination of the evidence of taxes paid.

Proceedings for the WHT audit u/s 161 are in progress.

- 16.1.9** 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 dated November 14, 2016. Being aggrieved by the treatment meted out, the Company preferred an appeal before Appellate Tribunal Inland Revenue (ATIR). The ATIR decided the case in favor of the Company and waived off the whole tax demand against which the Department filed reference before the Honorable Lahore High Court which is pending adjudication.

- 16.1.10** 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. Being aggrieved by the treatment meted out, the Company preferred an appeal before Appellate Tribunal Inland Revenue (ATIR). The ATIR decided the case in favor of the Company and waived off the whole tax demand against which the Department filed reference before the Honorable Lahore High Court which is pending adjudication.

- 16.1.11** 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 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. The Company has also filed a cross reference in high court against the order of ATIR.

- 16.1.12** 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 Appraisalment (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 February 2019 and addressed to Deputy Commissioner Inland Revenue (Large Taxpayer Unit) for onwards pursual. Through the above order the classification of tea whitener continues to be under the same PCT code as was determined earlier by the Appraisalment Committee 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** The DCIR has concluded the assessment and proceeding through its order u/s 11(2) for the period from July 2019 to December 2019 has charged sales tax amounting RS 14,000,000. The company being aggrieved by the order

filed appeal before CIR appeals who, through order 08/2020 dated 29/10/2020 remanded the case back to ACIR for re- assessment . The department have filed appeal before ATIR which is pending adjudication.

- 16.1.14** The DCIR has concluded the assessment and proceeding through its order u/s 11 (2) for the period from July 2016 to December 2016 has charged sales tax amounting RS 6,090,000. The company aggrieved by the order filed appeal before CIR appeals who, through order 09/2020 dated 29/10/2020 remanded the case back to ACIR for re-assessment. The department have filed appeal before ATIR which is pending adjudication.
- 16.1.15** 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) and demand was reduced to 13m, aggrieved by the order, company filled an appeal before ATIR which is pending adjudication.
- 16.1.16** 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 filed an appeal with CIR appeals who decided the case in favor of the company through order 10/2020 dated 29/10/2020 and annulled the ACIR order. Department is in process of filing an appeal with ATIR.

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 Nil (2019: Rs. 18.82 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. Nil (2019: Rs. 3.82 million).
- 16.2.3** Commitments, for purchase of raw / packing material, outstanding at the year end were for Rs. Nil (2019: Rs. Nil).

		2020	2019
	Note	Rupees	Rupees
<b>17 Property, plant and equipment</b>			
Operating fixed assets	17.1	7,326,713,116	7,864,982,570
Capital work-in-progress	17.2	223,379,724	241,053,620
		<b>7,550,092,840</b>	<b>8,106,036,190</b>

17.1 Operating fixed assets

	2020									
	Cost / revalued amount 01 January 2020	Additions / (deletions)	Transfer from leased to owned assets	Cost / revalued amount 31 December 2020	Accumulated depreciation as at 01 January 2020	Depreciation / charge / (deletions) / for the year	Transfer from leased to owned assets	Accumulated depreciation as at 31 December 2020	Book value as at 31 December 2020	Rate of depreciation %
----- Rupees -----										
<b>Owned assets</b>										
Freehold land	726,543,375	-	-	726,543,375	-	-	-	-	726,543,375	-
Buildings on freehold land	1,164,464,965	6,463,466	-	1,170,928,431	259,053,734	87,924,097	-	341,977,831	828,950,600	6
Plant and machinery	7,503,502,571	154,613,599 (280,000)	-	7,657,836,170	2,079,980,411	507,459,043 (130,634)	-	2,586,289,717	5,071,546,453	6
Electric and gas installation	23,818,152	-	-	23,818,152	13,450,138	1,712,928	-	15,163,066	8,655,086	10
Other works equipment	139,439,514	9,225,786	-	148,665,300	16,297,495	9,818,411	-	26,115,906	122,549,394	10
Pallets	35,433,562	-	-	35,433,562	23,110,521	2,022,178	-	25,132,699	10,300,863	33.33
Office and IT Equipment	124,643,479	1,857,488	-	126,500,967	38,391,851	9,078,580	-	47,470,431	79,030,536	10 & 33.33
Furniture and fixture	48,222,668	318,140	-	48,540,808	16,297,322	2,903,661	-	19,200,983	29,339,825	10
Vehicles	52,279,539	-	72,457,000 (4,596,569)	120,139,970	28,802,827	3,165,358 (2,264,349)	57,110,739	86,814,575	33,325,395	20
	9,818,347,825	172,478,479 (4,876,569)	72,457,000 (2,481,586)	10,058,406,735	2,475,384,299	619,084,256 (2,394,983)	57,110,739	3,148,165,208	6,910,241,527	
<b>Right of use assets</b>										
Building	133,686,254	-	-	133,686,254	15,596,730	26,737,251	-	42,333,981	91,352,273	20
Plant and Machinery	357,369,494	5,045,066	-	362,414,560	41,610,413	28,693,088	-	70,303,501	292,111,059	6
Vehicles	215,453,912	2,896,740 (63,947,739)	(72,457,000)	81,945,913	127,283,473	25,411,994 (46,647,072)	(57,110,739)	48,937,656	33,008,257	33.33
	706,509,660	7,941,806 (63,947,739)	(72,457,000)	578,046,727	184,490,616	80,842,333 (46,647,072)	(57,110,739)	161,575,138	416,471,589	
31 December 2020	10,524,857,485	180,420,285 (68,824,308)	-	10,636,453,462	2,659,874,915	699,926,589 (49,042,055)	-	3,309,740,346	7,326,713,116	

**17.1.1 Operating fixed assets**

		2019						
		Rupees						
	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 %
<b>Owned assets</b>								
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 (31,049,771)	7,503,502,571	1,539,171,780	547,955,688 (7,147,057)	2,079,980,411	5,423,522,160	10
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 (7,466,778)	52,279,539	29,184,941	4,727,965 (5,110,079)	28,802,827	23,476,712	20
	8,219,530,761	1,637,333,613 (7,466,778)	9,818,347,825	1,809,760,911	677,880,524 (5,110,079)	2,475,384,299	7,342,963,526	
<b>Leased assets</b>								
Building - Plant and machinery	-	133,686,254	133,686,254	-	15,596,730	15,596,730	118,089,524	20
Vehicles	357,369,494	-	357,369,494	6,171,272	35,439,141	41,610,413	315,759,081	10
	248,545,543	34,362,004 (67,453,635)	215,453,912	124,352,448	45,266,701 (42,335,676)	127,283,473	88,170,439	33.33
	605,915,037	168,048,258	706,509,660	130,523,720	96,302,572	184,490,616	522,019,044	
	8,825,445,798	1,805,381,871 (74,920,413)	10,524,857,485	1,940,284,631	774,183,096 (47,445,755)	2,659,874,915	7,864,982,570	
31 December 2019								

17.1.2 Disposal of operating assets

Particulars of assets	Cost	NBV	Amount Received	Gain	Mode of Disposal	Relationship With Company	Particulars of purchaser
----- Rupees -----							
<b>Plant and machinery</b>							
Chiller	280,000	149,366	153,000	3,634	Insurance Claim	Third party sale	EFU General Insurance
<b>Vehicles</b>							
<b>Owned</b>							
Toyota Fortuner	3,500,000	2,248,556	4,767,000	2,518,444	Market Value	Third party sale	Zahid Javed Butt
<b>Leased</b>							
Mehran	683,000	194,816	581,000	386,184	Insurance Claim	Third party sale	E F U General Insurance
Toyoyota Corolla	1,660,500	397,751	1,559,091	1,161,340	Auction	Third party sale	Muhammad Akram
Toyoyota Corolla	1,660,500	397,751	1,554,545	1,156,794	Auction	Third party sale	Muhammad Akram
Toyoyota Corolla	1,660,500	332,100	332,100	-	Company Pol cy	Employee	Muhammad Raza
Toyotas Altis 1.6	1,990,500	398,100	398,100	-	Company Pol cy	Employee	Fraz ahmad Abbasi
Mehran	683,000	125,468	136,600	11,132	Company Pol cy	Employee	Karamat Ali
Mehran	683,000	166,985	559,091	392,106	Auction	Third party sale	Muhammad Akram
Mehran	683,000	166,985	536,000	369,015	Auction	Third party sale	Muhammad Bilal Khan
Mehran	683,000	166,985	518,000	351,015	Auction	Third party sale	Muhammad Bilal Khan
Mehran	683,000	166,985	559,091	392,106	Auction	Third party sale	Muhammad Akram
Mehran	683,000	136,600	136,600	-	Company Pol cy	Employee	Muhammad Kamran
Mehran	683,000	136,600	136,600	-	Company Pol cy	Employee	Malik Tayyab gulzar
Mehran	683,000	166,985	680,000	513,015	Auction	Third party sale	Abu Bakar Zahid
Mehran	683,000	166,985	529,000	362,015	Auction	Third party sale	Muhammad Bilal Khan
Cultus	1,039,000	245,556	551,702	306,146	Auction	Third party sale	Abubakar Zahid
Cultus	1,039,000	254,023	850,000	595,977	Auction	Third party sale	Rao Atif Mannan
Cultus	1,039,000	245,556	1,065,000	819,444	Auction	Third party sale	Muhammad Altaf
Toyoyota Corolla	1,660,500	332,100	332,100	-	Company Pol cy	Employee	Rizwan Ullah Khan
Toyoyota Corolla	1,660,500	332,100	332,100	-	Company Pol cy	Employee	Mansoor Ahmed Khan
Toyoyota Corolla	1,660,500	332,100	332,100	-	Company Pol cy	Employee	Athar Mohiuddin
Toyoyota Corolla	1,660,500	405,972	1,609,091	1,203,119	Auction	Third party sale	Muhammad Akram
Corrola Altis 1.6	1,990,500	398,100	398,100	-	Company Pol cy	Employee	Attiqur Ur Rehman
Corrola Altis 1.6	1,990,500	398,100	398,100	-	Company Pol cy	Employee	Hammad Khalid Toor
Toyota Corolla	1,662,000	332,400	332,400	-	Company Pol cy	Employee	Muhammad Arshad
Toyoyota Corolla Xli	1,660,500	430,635	1,795,455	1,364,820	Auction	Third party sale	Muhammad Akram
Toyoyota Corolla Xli	1,662,000	431,025	1,690,909	1,259,884	Auction	Third party sale	Kamran Ahmed Rana
Toyoyota Corolla Xli	1,643,000	419,757	1,765,000	1,345,243	Auction	Third party sale	Muhammad Shuja Khan Bhatti
Mehran	688,000	181,833	540,000	358,167	Auction	Third party sale	Muhammad Bilal Khan
Altis	2,015,500	532,680	2,195,455	1,662,775	Auction	Third party sale	Muhammad Shuja Khan Bhatti
Altis	2,015,500	514,924	2,245,000	1,730,076	Auction	Third party sale	Naveed Ahmad
Toyoyota Altis	1,990,500	518,064	601,404	83,340	Company Pol cy	Ex-Employee	Syeda Rubab Zahra Gardezi
Toyoyota Corrola	1,660,500	440,122	1,660,000	1,219,878	Auction	Third party sale	Muhammad Altaf
Toyoyota Altis	1,990,500	546,643	2,075,000	1,528,357	Auction	Third party sale	Syed Ala Imran
Toyoyota Xli	1,643,000	474,904	1,536,364	1,061,460	Auction	Third party sale	Syed Hanni hassan Haider zaidi
Mehran	688,000	198,864	680,000	481,136	Auction	Third party sale	Abu Bakar Zahid
Suzuki Cultus	1,099,000	307,074	1,040,000	732,926	Auction	Third party sale	Muhammad Nooh Ul Haq
Altis l	1,990,500	563,287	2,200,000	1,636,713	Auction	Third party sale	Imran Maqsood
Mehran	708,000	204,645	650,000	445,355	Auction	Third party sale	Abu Bakar Zahid
Mehran	708,000	204,645	645,455	440,810	Auction	Third party sale	Muhammad Akram
Mehran	708,000	204,645	504,000	299,355	Auction	Third party sale	Muhammad Altaf
Mehran	703,000	210,161	613,636	403,475	Auction	Third party sale	Muhammad Akram
Mehran	703,000	210,161	680,000	469,839	Auction	Third party sale	Abu Bakar Zahid
Mehran	708,000	223,340	562,000	338,660	Auction	Third party sale	Muhammad Bilal Khan
Mehran	708,000	223,340	581,818	358,478	Auction	Third party sale	Muhammad Akram
Mehran	708,000	223,340	627,273	403,933	Auction	Third party sale	Muhammad Akram
Mehran	869,375	482,533	720,000	237,467	Auction	Third party sale	Abu Bakar Zahid
Mehran	762,000	388,056	780,000	391,944	Auction	Third party sale	Abu Bakar Zahid
Mehran	732,000	262,074	750,000	487,926	Auction	Third party sale	Javeria Zahid
Mehran	732,000	271,111	760,000	488,889	Auction	Third party sale	Abu Bakar Zahid
Mehran	732,000	271,111	668,182	397,071	Auction	Third party sale	Abu Bakar Zahid
Mehran	840,000	451,111	980,000	528,889	Auction	Third party sale	Javeria Zahid
Mehran	840,000	466,667	850,000	383,333	Auction	Third party sale	Abu Bakar Zahid
Honda Civic	2,637,000	987,412	987,412	-	Company Pol cy	Ex-Employee	Rizwan Rafi
Various assets having net book value up to Rs							
500,000 each	1,295,433	143,064	1,301,442	1,158,378			
	<b>68,824,308</b>	<b>19,782,253</b>	<b>52,022,316</b>	<b>32,240,063</b>			



**17.1.3** The Company's land, buildings on freehold land, plant and machinery, electric and gas installations, milk churns and other work equipment are measured using revaluation model. 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:

	<b>2020</b>	2019
	<b>Rupees</b>	Rupees
Freehold land	<b>73,365,999</b>	73,365,999
Buildings on freehold land	<b>787,314,842</b>	828,752,465
Plant and machinery including milk churns	<b>4,349,650,545</b>	4,578,579,521
Electric and gas Installations	<b>7,530,006</b>	8,366,673
Other works equipment	<b>110,216,254</b>	122,462,504
	<b><u>5,328,077,646</u></b>	<b><u>5,611,527,162</u></b>

**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** 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.

**17.1.6** As of 01 October 2020, the Company has revised its estimate of the method of depreciation of building and plant and machinery from reducing balance method to straight line method respectively by depreciating its net book value over its remaining useful life. This change in estimate of method of depreciation of building and plant and machinery has been applied prospectively as required under IAS-8 'Accounting policies, changes in accounting estimates and errors. Had the change of depreciation method not been revised, the depreciation charge for the current year and for financial years 2020 to 2025 would have been higher by Rs. 62.79 million, Rs. 235.78 million, Rs. 175.75 million, Rs. 121.72 million, Rs. 73.09 million and Rs. 29.32 respectively.

**17.1.7 The depreciation charge has been allocated as follows:**

		<b>2020</b>	2019
	Note	<b>Rupees</b>	Rupees
Cost of sales	28	<b>605,406,962</b>	665,787,355
Marketing and distribution expenses	29	<b>24,364,469</b>	44,292,803
Administrative expenses	30	<b>70,155,158</b>	64,102,938
		<b><u>699,926,589</u></b>	<b><u>774,183,096</u></b>

**17.2 Capital work-in-progress**

Plant and machinery	<b>223,379,724</b>	210,486,091
Building	-	349,204
Leased vehicles	-	2,835,000
Advances to suppliers - considered good	-	27,383,325
	<b><u>223,379,724</u></b>	<b><u>241,053,620</u></b>

**18 Intangible assets**

Intangible assets	18.1	<b>19,183,317</b>	38,223,738
Capital work-in-progress	18.3	<b>1,169,826</b>	1,169,826
		<b><u>20,353,143</u></b>	<b><u>39,393,564</u></b>

18.1 Intangible assets

	2020						Rate of amortization %
	Cost as at 01 January 2020	Additions	Cost as at 31 December 2020	Accumulated amortization 01 January 2020	Amortization charge for the year	Accumulated amortization 31 December 2020	
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	5,996,916	-	5,996,916	33.33
SAP - HCM Module	2,110,726	-	2,110,726	1,398,519	259,525	1,658,044	452,682
SAP - ERP	56,292,447	-	56,292,447	18,780,916	18,780,896	37,561,812	18,730,635
	66,815,981	-	66,815,981	28,592,243	19,040,421	47,632,664	19,183,317

----- Rupees -----

2019

	2019						Rate of amortization %
	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	
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
SAP - ERP	-	56,292,447	56,292,447	-	18,780,916	18,780,916	37,511,531
	10,523,534	56,292,447	66,815,981	7,108,780	21,483,463	28,592,243	38,223,738

----- Rupees -----

18.2 Amortization change has been allocated to administrative expenses (note 30).

18.3 This represents cost in relation of development for a module for capturing data in relation to purchase of milk which has not yet been integrated with the Company's ERP.

18.4 Intangibles of Rs. 8,412,018 (2019: Rs. 8,412,018) have been fully amortized



	Note	2020 Rupees	2019 Rupees
<b>19 Deferred taxation - net</b>			
The deferred tax comprises of the following:			
Deductible temporary differences:			
- unused tax losses	19.1	789,405,453	834,573,351
- unused tax credit		-	23,474,943
- minimum tax		14,316,124	-
- provisions		99,206,787	47,266,219
		<b>902,928,364</b>	<b>905,314,513</b>
Less: Taxable temporary differences:			
- accelerated tax depreciation allowances net of lease liability		661,690,694	637,272,659
- surplus on revaluation of property, plant and equipment		241,237,670	268,041,854
		<b>902,928,364</b>	<b>905,314,513</b>
Deferred taxation - net	19.2	-	-

**19.1** The aggregate unused tax losses and tax credits available to the Company for set off against future taxable profit as at 31 December 2020 amount to Rs. 18,080.92 million (2019: Rs. 14,145.99 million) and Rs. 14.32 million (Rs. 23.48 million) respectively. Of these, deferred tax assets on unused tax losses and minimum tax credits amounting to Rs. 2,722.09 (2019: Rs. 2,877.84 million) and Rs. 14.32 million (2019: 23.48 million) respectively have been recognized.

Expiry of tax losses for which no deferred tax asset has been recognized is as follows:

Tax year	2020 Rupees	2019 Rupees
2024	1,527,803,944	1,431,625,453
2025	2,671,290,831	2,671,290,831
2026	3,487,579,099	3,487,579,099
2027	3,408,831,285	-
No expiry (depreciation loss)	4,263,325,750	3,677,660,004

**19.2** Movement in deferred tax balances is as follows:

	2020			
	Opening	Reversal from / (charge to) Profit or loss	Equity	Closing
<b>Deferred taxation</b>	----- Rupees -----			
<b>Deductible / (taxable) temporary difference</b>				
Unused tax losses	834,573,351	45,167,898	-	789,405,453
Unused tax credit	23,474,943	23,474,943	-	-
Minimum Tax U/s 113	-	(14,316,124)	-	14,316,124
Provisions	47,266,219	(51,940,568)	-	99,206,787
Accelerated tax depreciation allowances	(637,272,659)	24,418,035	-	(661,690,694)
Surplus on revaluation of property, plant and equipment	(268,041,854)	(26,804,184)	-	(241,237,670)
	-	-	-	-

		2019			
		Reversal from / (charge to)			
		Opening	Profit or loss	Equity	Closing
----- Rupees -----					
Deductible / (taxable) temporary difference					
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)
		<u>1,571,537,380</u>	<u>(1,535,908,768)</u>	<u>(35,628,612)</u>	<u>-</u>
	Note			<b>2020</b>	<b>2019</b>
				<b>Rupees</b>	<b>Rupees</b>
<b>20 Stores, spares and loose tools</b>					
Stores				<b>10,570,843</b>	96,127,177
Spares				<b>189,185,495</b>	149,530,726
Loose tools				<b>-</b>	500,822
				<u><b>199,756,338</b></u>	<u>246,158,725</u>
Less: provision for obsolescence	20.1			<u><b>(8,612,801)</b></u>	<u>(8,612,801)</u>
				<u><b>191,143,537</b></u>	<u>237,545,924</u>
<b>20.1 Movement in provision for obsolescence</b>					
Balance as at 01 January				<b>8,612,801</b>	3,356,101
Provision for the year	32			<b>-</b>	5,256,700
Balance as at 31 December				<u><b>8,612,801</b></u>	<u>8,612,801</u>
<b>21 Stock-in-trade</b>					
Raw and packing material					
- In hand				<b>467,962,968</b>	1,063,586,228
- In transit				<b>14,841,894</b>	5,430,617
				<u><b>482,804,862</b></u>	<u>1,069,016,845</u>
Work-in-process				<b>173,006,590</b>	146,456,393
Finished goods				<b>156,040,982</b>	283,032,995
				<u><b>811,852,434</b></u>	<u>1,498,506,233</u>
Less: Stocks written off during the year	32			<u><b>(207,342,928)</b></u>	-
Less: Provision for obsolescence	21.1			<u><b>(60,526,693)</b></u>	<u>(55,283,299)</u>
	21.2			<u><b>543,982,813</b></u>	<u>1,443,222,934</u>
<b>21.1 Movement in provision for obsolescence</b>					
Balance as at 01 January				<b>55,283,299</b>	7,831,398
Provision for the year	32			<b>34,947,112</b>	55,283,299
Written off during the year				<u><b>(29,703,718)</b></u>	<u>(7,831,398)</u>
Balance as at 31 December				<u><b>60,526,693</b></u>	<u>55,283,299</u>



**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. 2.2 million (2019: Rs. 32 million).

<b>22 Trade debts</b>	Note	<b>2020 Rupees</b>	<b>2019 Rupees</b>
Unsecured			
- Considered good		<b>350,850,105</b>	181,171,112
- Considered doubtful		<b>22,455,914</b>	22,455,914
Loss allowance against trade debts	22.1	<b>(22,455,914)</b>	<b>(22,455,914)</b>
		<b>350,850,105</b>	181,171,112

**22.1 Loss allowance against trade debts**

Loss allowance as at 01 January	<b>22,455,914</b>	14,777,210
Loss allowance for the year	-	7,678,704
Loss allowance as at 31 December	<b>22,455,914</b>	<b>22,455,914</b>

**23 Loan and advances - unsecured**

Due from employees - Considered good		<b>8,543,591</b>	5,311,656
Advances to suppliers - Considered good	23.1	<b>142,656,099</b>	59,334,195
		<b>151,199,690</b>	64,645,851

**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.

<b>24 Deposits, prepayments and other receivables</b>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
Security deposits	<b>54,393,092</b>	35,708,602
Prepayments	<b>12,330,886</b>	11,626,205
Other receivables	<b>9,446,496</b>	186,621,936
	<b>76,170,474</b>	<b>233,956,743</b>

<b>25 Due from associated undertakings - unsecured</b>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
Noon International (Private) Limited	<b>39,247</b>	39,247
Fauji Cereals	<b>2,839,293</b>	-
	<b>2,878,540</b>	<b>39,247</b>

**25.1 Maximum outstanding balance with reference to month end balances:**

	In the month of	In the month of	2020 Rupees	2019 Rupees
Fauji Cereals	<b>December 2020</b>	-	<b>2,839,293</b>	-
Noon International (Private) Limited	<b>December 2020</b>	December 2019	<b>39,247</b>	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.

<b>26</b>	<b>Cash and cash equivalents</b>	Note	<b>2020 Rupees</b>	<b>2019 Rupees</b>
	Cash-in-hand		<b>95,940</b>	44,425
	Cash at banks on:			
	- Current accounts		<b>106,678,949</b>	110,343,730
	- Saving accounts	26.1	<b>741,891,849</b>	3,524,754
	- Dividend accounts		<b>221,491</b>	221,490
		26.2	<b>848,792,289</b>	114,089,974
	Term Deposit Receipt (TDR)	26.3	<b>40,000,000</b>	-
			<b>888,888,229</b>	<b>114,134,399</b>

**26.1** This carries profit at the rates ranging from 4% to 6% (2019: 5% to 9.5%) per annum.

**26.2** This includes amount of Rs. 804.70 million (2019: Rs. Nil) at Askari Bank Limited, a related party.

**26.3** This represents TDR having maturity of one month. It carries mark-up at the rate of 5% per annum.

<b>27</b>	<b>Revenue from contracts with customers - net</b>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
	Gross sales	<b>8,428,955,114</b>	6,537,109,723
	Less: Sales tax	<b>(519,418,737)</b>	(255,005,789)
	Trade discounts	<b>(536,374,310)</b>	(537,231,606)
		<b>(1,055,793,047)</b>	(792,237,395)
		<b>7,373,162,067</b>	<b>5,744,872,328</b>

**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.



	Note	2020 Rupees	2019 Rupees
<b>28 Cost of Sales</b>			
Raw materials consumed		<b>3,876,828,076</b>	3,161,370,540
Salaries, wages and other benefits	28.1	<b>191,317,516</b>	203,647,819
Freight and forwarding		<b>116,081,921</b>	136,250,294
Power and fuel		<b>229,183,058</b>	294,449,733
Packing materials consumed		<b>1,859,712,643</b>	1,765,314,405
Stores and spares consumed		<b>129,745,885</b>	126,444,080
Repair and maintenance		<b>183,644,708</b>	170,144,056
Depreciation on property, plant and equipment	17.1.7	<b>605,406,962</b>	665,787,355
Rent, rates and taxes		<b>2,531,983</b>	2,342,982
Travelling and conveyance		<b>5,224,782</b>	12,916,483
Printing and stationery		<b>222,614</b>	359,699
Legal and professional charges		<b>1,216,631</b>	13,325,471
Insurance		<b>8,918,691</b>	9,606,851
Others		<b>422,727</b>	3,011,211
		<b>7,210,458,197</b>	6,564,970,979
Adjustment of work-in-process			
Opening stock		<b>146,456,393</b>	37,295,000
Closing stock	21	<b>(173,006,590)</b>	(146,456,393)
		<b>(26,550,197)</b>	(109,161,393)
Cost of goods manufactured		<b>7,183,908,000</b>	6,455,809,586
Adjustment of finished goods			
Opening stock		<b>283,032,995</b>	250,922,457
Closing stock	21	<b>(156,040,982)</b>	(283,032,995)
		<b>126,992,013</b>	(32,110,538)
		<b>7,310,900,013</b>	6,423,699,048

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

	2020 Rupees	2019 Rupees
Provident fund	<b>9,409,798</b>	9,622,386
Long term accumulated compensated absences	<b>2,201,206</b>	6,278,359
Gratuity	<b>3,404,888</b>	2,121,829
	<b>15,015,892</b>	18,022,574

In addition, salaries, wages and other benefits relating to milk procurement department amounts to Rs. 94.22 million (2019: Rs. 104.69 million) and provident fund amounts to Rs. 1.05 million (2019: Rs. 2.07 million).

29 Marketing and distribution expenses	Note	2020 Rupees	2019 Rupees
Freight and forwarding		140,309,229	139,648,577
Salaries, wages and other benefits	29.1	170,493,913	246,520,824
Repair and maintenance		5,515,548	10,485,915
Rent, rates and taxes		7,715,417	7,755,702
Travelling and conveyance		8,504,855	22,526,478
Vehicles' running and maintenance		22,165,665	40,834,048
Advertisement and sales promotion		465,283,240	780,492,580
Insurance		2,073,912	2,852,948
Depreciation on property, plant and equipment	17.1.7	24,364,469	44,292,803
Communication, establishment and others		7,716,762	14,194,832
		<b>854,143,010</b>	<b>1,309,604,707</b>

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

	Note	2020 Rupees	2019 Rupees
Provident fund		7,158,978	8,582,209
Long term accumulated compensated absences		2,201,206	6,030,359
Gratuity		3,404,888	1,721,829
		<b>12,765,072</b>	<b>16,334,397</b>

### 30 Administrative expenses

Salaries, wages and other benefits	30.1	172,817,965	211,748,181
Travelling and conveyance		2,249,591	12,442,001
Directors' meeting fee	37	9,065,000	10,202,520
Rent, rates and taxes		1,979,417	27,045,042
Entertainment		1,997,568	2,877,284
Communication and establishment		18,952,043	8,727,582
Printing and stationery		2,103,267	3,110,105
Electricity, gas and water		7,625,226	12,856,999
Insurance		2,913,995	1,000,846
Repair and maintenance		2,487,958	18,334,428
Vehicles' running and maintenance		10,721,294	13,252,504
Subscription		736,999	2,271,998
Legal and professional charges		23,769,461	17,656,797
Learning and Development		-	793,450
Auditors remuneration	30.2	1,425,000	1,365,000
Cash security charges		4,983,720	5,626,608
Depreciation on property, plant and equipment	17.1.7	70,155,158	64,102,938
Amortization of intangible assets	18.1	19,040,421	18,910,846
Others		2,408,129	5,943,806
		<b>355,432,212</b>	<b>438,268,935</b>

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





		2020 Rupees	2019 Rupees
		4,942,355	5,909,720
		1,100,600	3,375,175
		<u>1,702,444</u>	<u>1,460,915</u>
		<u>7,745,399</u>	<u>10,745,810</u>
<b>30.2</b>	<b>Legal and professional charges</b>		
	The charges for professional services include the following in respect of auditors' services for:		
	- Statutory audit fee	1,100,000	1,100,000
	- Half yearly review	125,000	125,000
	- Certification charges	130,000	60,000
	- Out-of-pocket expenses	70,000	80,000
		<u>1,425,000</u>	<u>1,365,000</u>
<b>31</b>	<b>Other income</b>		
	Note		
	<b>Income from financial assets</b>		
	Profit on saving accounts / TDRs	44,490,685	56,198,286
	<b>Income from non-financial assets</b>		
	Sale of scrap	21,973,316	9,447,454
	Gain on disposal of property, plant and equipment	17.1.2 <u>32,240,063</u>	<u>32,666,185</u>
		<u>98,704,064</u>	<u>98,311,925</u>
<b>32</b>	<b>Other expenses</b>		
	Exchange loss	628,830	82,824,900
	Consultancy fee	-	68,119,660
	Provision for obsolete stocks and stores	21.1 34,947,112	60,539,999
	Stock written off	21 207,342,928	-
	Others	-	7,310,310
		<u>242,918,870</u>	<u>218,794,869</u>
<b>33</b>	<b>Finance cost</b>		
	Islamic mode of financing		
	- Short term borrowings	203,935,674	150,369,539
	Interest / mark-up on interest / mark-up based loans		
	- Long term finance	490,572,682	586,629,613
	- Short term borrowings	633,176,978	740,791,333
	- Loan from Parent Company	293,073,510	156,279,932
	- Lease liabilities	42,546,830	58,604,433
	Bank charges, fees and commission	88,961,733	5,491,846
		<u>1,752,267,407</u>	<u>1,698,166,696</u>

34 Taxation	Note	2020	2019
		Rupees	Rupees
Current:			
- For the year	34.1	14,316,124	-
		14,316,124	-
Deferred:			
- For the year		-	1,777,100,482
- Prior year		-	(241,191,714)
		-	1,535,908,768

34.1 In view of minimum taxation, the reconciliation of accounting profit with tax charge is not considered meaningful and hence not presented.

35 Loss per share		2020	2019
<b>Loss per share - basic and diluted</b>			
Loss for the year	Rupees	(3,058,111,505)	(5,788,937,474)
Weighted average number of ordinary shares in issue during the year	Number	661,358,296	Restated 538,975,336
Loss per share - basic and diluted	Rupees	(4.62)	Restated (10.74)

36 Cash and cash equivalents	Note	2020	2019
		Rupees	Rupees
Cash and bank balances	26	888,888,229	114,134,399
Running finance balances	12.1	(1,646,167,111)	(5,141,946,098)
		(757,278,882)	(5,027,811,699)

### 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	
	2020	2019	2020	2019	2020	2019
	-----Rupees-----					
Managerial remuneration	7,200,000	-	-	-	71,385,910	77,538,555
Meeting fee	-	-	9,065,000	10,182,000	-	-
Consultancy fee	-	-	-	2,624,436	-	-
Provident fund	720,000	-	-	-	6,739,941	7,343,975
House rent	3,240,000	-	-	-	61,007,317	69,784,700
Utilities	720,000	-	-	-	7,138,590	7,753,856
Relocation allowance	-	-	-	-	427,246	1,800,858
Others	1,200,000	-	-	-	5,179,060	4,772,717
	13,080,000	-	9,065,000	12,806,436	151,878,064	168,994,661
Number of persons	1	1	18	13	32	41

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

	Factory employees		Total employees	
	2020	2019	2020	2019
<b>38 Number of employees</b>	<b>(Number of persons)</b>		<b>(Number of persons)</b>	
Total number of employees as at 31 December	<b>559</b>	<b>670</b>	<b>730</b>	<b>842</b>
Average number of employees during the year	<b>624</b>	<b>993</b>	<b>804</b>	<b>1,179</b>

	Capacity		Production	
	2020	2019	2020	2019
<b>39 Capacity and production</b>				
Liquid products - liters	<b>221,920,000</b>	227,760,000	<b>61,144,281</b>	60,873,948
Non - Liquid products - Kgs	<b>6,743,375</b>	6,743,375	<b>1,940,207</b>	1,651,307

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	2020 Rupees	2019 Rupees
<b><u>Associated Undertakings</u></b>				
Fauji Fertilizer Bin Qasim Limited (FFBL)	Parent Company (Shareholding and common directorship)	Salaries of seconded employees charged to related party	-	14,572,337
		TA/DA, repair and maintenance and rent expense charged by related party	<b>720,146</b>	22,360,800
		Expense of IT facilities charged by related party	<b>6,000,000</b>	-
		Expense borne by the Company on behalf of related party	-	3,121,137
		Loan received	<b>5,925,000,000</b>	2,630,000,000
		Finance cost charged by related party	<b>293,073,510</b>	156,279,932
		Finance cost paid to related party	-	37,416,518
		Share issuance against debt and accrued markup	<b>2,748,863,714</b>	-
Fauji Foundation	Associated Undertaking (Shareholding and common directorship)	Management shared services charged by related party	<b>1,249,999</b>	-
		TA/DA and boarding expenses charged by related party	<b>84,530</b>	-
Askari Bank Limited	Associated Undertaking (Common directorship)	Finance cost charged by related party	<b>89,415,480</b>	88,157,616
		Interest income on saving accounts	<b>7,997,517</b>	23,796,966
		Utilities expense paid on behalf of the related party	-	1,741,498
Ward Howell International	Associated Undertaking (Common directorship)	Head Hunter fee of CEO appointment	<b>2,472,000</b>	-

Name of the Company	Relationship	Nature of transactions	2020 Rupees	2019 Rupees
FFBL Power Company Limited	Associated Undertaking (Common directorship)	Purchase of coal	32,472,749	-
Fauji Cereals	Associated Undertaking (Common directorship)	Purchase of Goods	1,934,400	-
		Salary of executive charged to the related party	2,224,800	-
		Traveling expense charged to the related party	167,506	-
		Head Hunter fee of appointment charged to related party	444,960	-
Fauji Security Services (Private) Limited	Associated Undertaking (Common directorship)	Expenses paid against security services	1,880,400	3,183,592
Noon Sugar Mills	Associated Undertaking (Common directorship)	Purchase of white sugar	52,662,600	21,224,500
Employee's Provident Fund Trust	Post employee benefit plan	Contribution for the year	50,361,862	53,657,404
Mr. Salman Hayat Noon	Non-Executive Director	Consultancy fee expense	-	2,624,436
Directors		Meeting fee	9,065,000	10,182,000
Key Management Personnel		Remuneration and benefits	77,288,737	65,628,610

**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 is not exposed to foreign exchange risk as at 31 December 2020 as it has no financial instruments denominated in foreign currency.

##### 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:

	2020	2019	2020	2019
	----- Effective rate -----		Rupees	Rupees
<b>Financial assets</b>				
<b>Fixed rate instruments</b>				
Saving accounts	4% to 6%	4% to 9.5%	741,891,849	3,524,754
Term Deposit Receipt	5%	-	40,000,000	-
<b>Financial liabilities</b>				
<b>Variable rate instruments</b>				
Lease liabilities	7.56% to 14.39%	10.24% to 14.39%	254,729,697	392,831,171
Long term finances	8.40% to 14.40%	9.85% to 11.44%	6,167,582,315	4,316,666,667
Short term borrowings	8.0% to 14.60%	11.05% to 20.51%	1,875,297,551	6,691,944,126
Loan from Parent Company	8.5% to 14.5%	12.61% to 15.42%	5,925,000,000	2,630,000,000
Total exposure			<u>14,222,609,563</u>	<u>14,031,441,964</u>

#### 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 2020, 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. 142.23 million (2019: Rs. 119.17 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 trade debts, other receivables, 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:

Financial assets at amortized cost	Rupees	Rupees
Security deposits	60,999,214	42,314,724
Trade debts	350,850,105	181,171,112
Due from employees	8,543,591	5,311,656
Due from related parties	2,878,540	39,247
Other receivables	9,446,496	186,621,936
Bank balances	848,792,289	114,089,974
Term Deposit Receipt	40,000,000	-
	<b>1,321,510,235</b>	<b>529,548,649</b>

##### 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:



Institutions	Rating		Rating Agency	2020	2019
	Short Term	Long term		Rupees	Rupees
<b>Bank balances</b>					
National Bank Of Pakistan	AAA	AI +	PACRA	4,408,950	40,129,326
United Bank Limited	AAA	AI +	JCR-VIS	294,720	294,720
Askari Bank Limited	AA+	AI +	PACRA	754,072,720	808,388
JS Bank	AA-	AI +	PACRA	-	84,047
Bank Alfalah Limited	AA+	AI +	PACRA	5,738	5,738
MCB Bank Limited	AAA	AI +	PACRA	82,412,515	67,616,337
Habib Bank Limited	AAA	AI +	JCR-VIS	1,769,759	1,630,563
Faysal Bank Limited	AA	AI +	PACRA	3,674,216	759,213
Bank Islami Pakistan	A+	AI	PACRA	284,999	284,999
Bank Al-Habib Limited	AA+	AI +	PACRA	8,067	1,252,958
Soneri Bank Limited	AA-	AI +	PACRA	-	103,461
Dubai Islamic Bank	AA	AI +	JCR-VIS	1,860,605	1,120,224
				<b>848,792,289</b>	<b>114,089,974</b>
<b>Security deposits</b>					
Askari Bank Limited	AA+	AI +	PACRA	10,500,000	10,500,000
Bank Islami Pakistan	A+	AI	PACRA	3,500,000	3,500,000
MCB Bank Limited	AAA	AI +	PACRA	-	1,000,000
Soneri Bank Limited	AA-	AI +	PACRA	-	-
				<b>14,000,000</b>	<b>15,000,000</b>

Counter parties without external credit ratings - Trade debts

These mainly include customers which are counter parties to trade debts. As explained in note 3.5, 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. 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 analysis of ages of trade debts and loss allowance using the aforementioned approach as at 31 December 2020 (on adoption of IFRS 9) was determined as follows:

The aging of trade debts at the reporting date was:	2020 Rupees	2019 Rupees
1 to 90 days	351,243,058	167,390,684
91 to 180 days	95,459	12,910,528
181 to 365 days	46,871	634,378
Above 365 days	21,920,631	22,691,436
Less: Loss allowance on trade debts	(22,455,914)	(22,455,914)
	<b>350,850,105</b>	<b>181,171,112</b>

#### 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 continuously 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.

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
<b>At 31 December 2020</b>				
----- Rupees -----				
<b>Non derivative financial liabilities</b>				
Lease liabilities	254,729,697	317,755,521	93,334,587	224,420,934
Long term finances	6,167,582,315	12,523,230,140	442,751,686	12,080,478,454
Trade and other payables	741,936,120	741,936,120	741,936,120	-
Accrued finance cost	533,632,385	533,632,385	533,632,385	-
Short term borrowings	1,875,297,551	1,875,297,551	1,875,297,551	-
Loan from Parent Company	5,925,000,000	5,925,000,000	5,925,000,000	-
	<b>15,498,178,068</b>	<b>21,916,851,717</b>	<b>9,611,952,329</b>	<b>12,304,899,388</b>
<b>At 31 December 2019</b>				
----- Rupees -----				
<b>Non derivative financial liabilities</b>				
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	-
	<b>15,634,639,204</b>	<b>16,458,670,455</b>	<b>13,092,998,583</b>	<b>3,365,671,872</b>



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:

		2020					
		Carrying amount		Fair value			
		Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
<b>On-Balance sheet financial instruments</b> Note		----- Rupees -----					
<b>31 December 2020</b>							
<b>Financial assets not measured at fair value</b>							
Security deposits		60,999,214	-	60,999,214	-	-	-
Trade debts - considered good	22	350,850,105	-	350,850,105	-	-	-
Due from employees	23	8,543,591	-	8,543,591	-	-	-
Due from related parties	25	2,878,540	-	2,878,540	-	-	-
Other receivables	24	9,446,496	-	9,446,496	-	-	-
Cash and bank balances	26	888,888,229	-	888,888,229	-	-	-
Term Deposit Receipt	26	40,000,000	-	-	-	-	-
		<u>1,321,606,175</u>	<u>-</u>	<u>1,321,606,175</u>	<u>-</u>	<u>-</u>	<u>-</u>

		2020					
		Carrying amount			Fair value		
	Note	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- Rupees -----							
<b>Financial liabilities not measured at fair value</b>							
Lease liabilities	9	-	254,729,697	254,729,697	-	-	-
Long term finances	8	-	6,167,582,315	6,167,582,315	-	-	-
Trade and other payables	14	-	741,936,120	741,936,120	-	-	-
Short term borrowing	12	-	1,875,297,551	1,875,297,551	-	-	-
Loan from Parent Company	13	-	5,925,000,000	5,925,000,000	-	-	-
Accrued finance cost	15	-	533,632,385	533,632,385	-	-	-
		-	15,498,178,068	15,498,178,068	-	-	-
----- Rupees -----							
		2019					
		Carrying amount			Fair value		
	Note	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- Rupees -----							
<b>On-Balance sheet financial instruments</b>							
31 December 2019							
<b>Financial assets not measured at fair value</b>							
Security deposits		42,314,724	-	42,314,724	-	-	-
Trade debts	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	-	-	-
<b>Financial liabilities not measured at fair value</b>							
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	-	-	-

#### 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 repriced 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. 15,188 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.**

	2020						2019									
	Liabilities			Equity			Liabilities			Equity						
	Long term finances	Short term borrowings	Loan from Parent Company	Accrued finance cost	Lease liabilities	Unclaimed dividend	Share capital / share premium	Total	Long term finances	Short term borrowings	Loan from Parent Company	Accrued finance cost	Lease liabilities	Unclaimed dividend	Share capital / share premium	Total
Balance as at 01 January 2020	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	4,450,000,000	4,991,083,521	-	195,648,668	434,571,549	965,752	7,209,412,827	17,281,682,317
<b>Cash flows</b>																
Short term borrowings repaid net of receipts	-	(1,320,867,588)	5,925,000,000	-	-	-	-	4,604,132,412	-	1,199,998,552	2,630,000,000	-	-	-	-	3,829,998,552
Repayment of long term finances	1,850,915,648	-	-	-	-	-	-	1,850,915,648	(133,333,333)	-	-	-	-	-	-	(133,333,333)
Repayment of lease rentals	-	-	-	-	(138,101,474)	-	-	(138,101,474)	-	-	-	-	(142,335,001)	-	-	(142,335,001)
Finance cost paid	-	-	-	(1,654,578,985)	-	-	-	(1,654,578,985)	-	-	-	(1,339,007,691)	-	-	-	(1,339,007,691)
Share issuance cost adjusted against share premium	-	-	-	-	-	-	(3,023,750)	(3,023,750)	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(133,333,333)	1,199,998,552	2,630,000,000	(1,339,007,691)	(142,335,001)	-	-	2,215,322,527
<b>Total changes from financing cash flows</b>	<b>1,850,915,648</b>	<b>(1,320,867,588)</b>	<b>5,925,000,000</b>	<b>(1,654,578,985)</b>	<b>(138,101,474)</b>	<b>-</b>	<b>(3,023,750)</b>	<b>4,659,343,851</b>	<b>(133,333,333)</b>	<b>1,199,998,552</b>	<b>2,630,000,000</b>	<b>(1,339,007,691)</b>	<b>(142,335,001)</b>	<b>-</b>	<b>-</b>	<b>500,862,053</b>
<b>Other changes including non-cash</b>																
Changes in running finance	-	(3,495,778,987)	-	1,752,267,407	-	-	-	(3,495,778,987)	-	-	-	-	-	-	-	-
Finance cost	-	-	(2,630,000,000)	(118,863,710)	(56,005,933)	-	2,748,863,710	1,752,267,407	-	-	-	-	-	-	-	-
Sponsor support converted to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets acquired on lease	-	-	(2,630,000,000)	-	(56,005,933)	-	2,748,863,710	(56,005,933)	-	-	-	-	-	-	-	-
<b>Total liability related other changes</b>	<b>-</b>	<b>(3,495,778,987)</b>	<b>(2,630,000,000)</b>	<b>1,633,403,697</b>	<b>(56,005,933)</b>	<b>-</b>	<b>2,748,863,710</b>	<b>(1,799,517,513)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56,005,933)</b>
<b>Closing as at 31 December 2020</b>	<b>6,167,582,315</b>	<b>1,875,297,551</b>	<b>5,925,000,000</b>	<b>533,632,385</b>	<b>198,723,764</b>	<b>965,752</b>	<b>9,955,252,787</b>	<b>24,656,454,554</b>	<b>4,316,666,667</b>	<b>6,691,944,126</b>	<b>2,630,000,000</b>	<b>554,807,673</b>	<b>392,831,171</b>	<b>965,752</b>	<b>7,209,412,827</b>	<b>21,796,628,216</b>
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	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
<b>Cash flows</b>																
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)	(133,333,333)	-	-	-	-	-	-	(133,333,333)
Repayment of lease rentals	-	-	-	-	(142,335,001)	-	-	(142,335,001)	-	-	-	-	-	-	-	(142,335,001)
Finance cost paid	-	-	-	(1,339,007,691)	-	-	-	(1,339,007,691)	-	-	-	-	-	-	-	(1,339,007,691)
Dividends paid	-	-	-	-	-	-	-	-	(133,333,333)	1,199,998,552	2,630,000,000	(1,339,007,691)	(142,335,001)	-	-	2,215,322,527
<b>Total changes from financing cash flows</b>	<b>(133,333,333)</b>	<b>1,199,998,552</b>	<b>2,630,000,000</b>	<b>(1,339,007,691)</b>	<b>(142,335,001)</b>	<b>-</b>	<b>-</b>	<b>3,829,998,552</b>	<b>(133,333,333)</b>	<b>1,199,998,552</b>	<b>2,630,000,000</b>	<b>(1,339,007,691)</b>	<b>(142,335,001)</b>	<b>-</b>	<b>-</b>	<b>500,862,053</b>
<b>Other changes including non-cash</b>																
Changes in running finance	-	500,862,053	-	1,698,166,696	-	-	-	500,862,053	-	-	-	-	-	-	-	-
Finance cost	-	-	-	1,698,166,696	-	-	-	1,698,166,696	-	-	-	-	-	-	-	-
Assets acquired on lease	-	-	-	-	100,594,623	-	-	100,594,623	-	-	-	-	-	-	-	-
<b>Total liability related other changes</b>	<b>-</b>	<b>500,862,053</b>	<b>-</b>	<b>1,698,166,696</b>	<b>100,594,623</b>	<b>-</b>	<b>-</b>	<b>2,299,623,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,299,623,372</b>
<b>Closing as at 31 December 2019</b>	<b>4,316,666,667</b>	<b>6,691,944,126</b>	<b>2,630,000,000</b>	<b>554,807,673</b>	<b>392,831,171</b>	<b>965,752</b>	<b>7,209,412,827</b>	<b>21,796,628,216</b>	<b>4,316,666,667</b>	<b>6,691,944,126</b>	<b>2,630,000,000</b>	<b>554,807,673</b>	<b>392,831,171</b>	<b>965,752</b>	<b>7,209,412,827</b>	<b>21,796,628,216</b>

**43 Date of authorization of issue**

These financial statements have been authorized for issue by the Board of Directors of the Company on January 25, 2021.

**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 except for the following:



Chairman



Chief Executive



Director



Chief Financial Officer



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# PRODUCT PORTFOLIO



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# NURPUR UHT MILK



NURPUR UHT Milk is produced from freshly collected high quality full-cream milk. It is ultra-high temperature treated and packed in both Tetra Pak and Ecolean Packs.





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# NURPUR SALTED BUTTER



NURPUR Salted Butter is produced from fresh dairy cream with great taste due to high-quality NURPUR butter churn. It is hygienically packed for better protection and convenience.





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# NURPUR UNSALTED BUTTER



NURPUR Unsalted Butter is produced from fresh dairy cream with great taste due to high-quality NURPUR butter churn. It is hygienically packed in butter paper and foil for better protection and convenience.





# NURPUR CHEESE



Nurpur Cheddar Cheese has creamy taste with rich aroma making it customers' first choice. NURPUR Mozzarella Cheese provides outstanding performance in various applications so customers can enjoy a delicious, authentic experience every time.







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# NURPUR FLAVOURED MILK



NURPUR Flavoured Milk is a sweetened dairy product made with fresh milk. The process involves ultra-high temperature treatment to protect the product.





# MUST FRUIT DRINKS



MUST Fruit Drink is produced by the blending of selected fruit pulps or juice concentrates with appropriate ratio of sugar and citric acid. It is pasteurized and aseptically packed under strict quality control standards.





fauji foods

# DOSTEA TEA WHITENER



DOSTEA Tea Whitener provides a rich and mouthful cup of tea. It is pasteurized, ultra-high temperature treated and packed in both Tetra Pak and Ecolean packs.

# FAUJI FOODS LIMITED

## FOOD SERVICES BUSINESS

FFL Food Services Business provides a wide range of food products to meet the growing demands of the food service industry including restaurants, hotels, fast food chains, bakeries, institutional caterers and more.

With emphasis on quality and customer service, FFL Food Services Business plays a pivotal role in the food supply chain, ensuring the prompt delivery of quality food products that satisfy the nutritional needs of our customers while enriching their lives with unique culinary tastes.

### PRODUCT PORTFOLIO INCLUDES:

#### BUTTER SALTED & UNSALTED



#### UHT MILK



#### TEA WHITENER





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## CHEESE CHEDDAR & MOZZARELLA



## CHOCOLATE DIP



## JAMS & MARMALADE



## FLAVOURED MILK



## FRUIT DRINK



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





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# 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 54<sup>th</sup> Annual General Meeting of the Company to be held at Royal Swiss Hotel, Opposite Cargo Complex, Allama Iqbal International Airport, Lahore on Thursday, March 25, 2021 at 11:00 a.m. and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ Day of \_\_\_\_\_ 2021.

\_\_\_\_\_  
Signature of Shareholder / Appointer

Revenue  
Stamp  
Rs. 15/-

### Witness 1

### Witness 2

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Address \_\_\_\_\_

CNIC #

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.

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.



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# فوجی فوڈز لیمیٹڈ پراکسی فارم

رجسٹرڈ فولیو نمبر/-----

سی ڈی سی اکاؤنٹ نمبر-----

میں/ہم-----

(نام)

-----  
(پتہ)

بحیثیت 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 ایما پر کمپنی کے بروز جمعرات مورخہ 25 مارچ 2021 کو بوقت 11:00 بجے صبح رائل سٹس ہوٹل، بالمقابل کارگو کمپلیکس، علامہ اقبال انٹرنیشنل ایئر پورٹ، لاہور میں ہونے والے چونواں 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----- 2021

پندرہ روپے کارسیدی  
ٹکٹ یہاں چسپاں  
کریں

-----  
شیر ہولڈر کے دستخط

گواہ 2

-----  
دستخط

-----  
نام

-----  
پتہ

-----  
قومی شناختی کارڈ نمبر

گواہ 1

-----  
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۔

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.



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## ڈیویڈنڈ

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

## سالانہ اجلاس عام

31 دسمبر 2020 کو مکمل ہونے والے سال کے لیے کمپنی کا چھوٹا سالانہ اجلاس عام مالیاتی بیانات کی منظوری کے لیے مورخہ 25 مارچ، 2021 بوقت 11:00 بجے صبح لاہور میں منعقد ہوگا۔

## اعتراف

بورڈ کمپنی پر اعتماد اور مسلسل تعاون کے لیے قابل قدر 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۔

*Janjina*

لیفٹیننٹ جنرل طارق خان  
ہلال امتیاز (ملٹری) (ریٹائرڈ)  
چیئرمین

*Hasnain*

محمد حیدب اسلم  
چیف ایگزیکٹو آفیسر

مورخہ 25 جنوری 2021

## کارپوریٹ اور مالیاتی فریم ورک

- ☆ کمپنی انتظامیہ کی جانب سے تیار کردہ مالیاتی بیانات اس کے امور کی شفافیت ظاہر کرتے ہیں، اس کے امور، کمپنی فلوا اور ایکویٹی میں تبدیلیوں کا نتیجہ پیش کرتے ہیں۔ کمپنی کے حسابات کی مناسب کتابیں تیار کی گئی ہیں۔
- ☆ مالی بیانات کی تیاری کے لیے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئیں اور حسابات کے تخمینے محتاط اور معقول فیصلوں پر مبنی ہیں ماسوا ان کے کہ جن کا انکشاف مالی بیانات میں کیا گیا ہے۔
- ☆ بین الاقوامی رپورٹنگ کے معیار پر، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالی بیانات کی تیاری میں عمل کیا گیا ہے۔
- ☆ اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور موثر انداز میں اس کا نفاذ اور نگرانی کی جارہی ہے۔
- ☆ کمپنی کی going concern کے طور پر چلتے رہنے کی صلاحیت پر کوئی تشویشناک شہادت نہیں ہے۔
- ☆ ٹیکسوں، ڈیوٹیوں، محصولات اور واجبات کے ضمن میں بذمہ کمپنی کوئی قانونی ادائیگیاں نہیں ہیں ماسوا جن کا انکشاف مالی بیانات میں کیا گیا ہو۔
- ☆ غیر آڈٹ شدہ کھاتوں پر مبنی اسٹاف پراؤنٹ فنڈ کی سرمایہ کاری کی مالیت 31 دسمبر 2020 تک 168.16 ملین روپے تھی۔
- ☆ بورڈ نے نان ایگزیکٹو ڈائریکٹرز سمیت آزاد ڈائریکٹرز کی معاوضہ پالیسی کی منظوری دے دی ہے۔
- ☆ پیٹرن آف شیئر ہولڈنگ اور اضافی معلومات سالانہ رپورٹ میں شامل ہیں۔

## آڈیٹرز

آڈٹ کمیٹی نے ریٹائر ہونے والے آڈیٹرز EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس کو کمپنی کو آزاد بیرونی آڈٹ خدمات فراہم کرنے کے لیے دوبارہ تقرری کے اہل ہونے کی رضامندی کا جائزہ لیا۔ آڈٹ کمیٹی نے ریٹائر ہونے والے آڈیٹرز EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس کو آئیندہ سال کے لیے کمپنی کا قانونی آڈیٹر مقرر کرنے کی سفارش کی ہے۔ بورڈ نے اس سفارش کی توثیق کی ہے۔

## کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل

31 دسمبر 2020 کو مکمل ہونے والے سال سے 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 دوست طریقوں کے لیے موزوں ہے اور ٹھوس اور مائع فضلہ، ہوا کے اخراج، مٹی کی آلودگی اور شور کے انتظام کے لیے مناسب طریقوں کو اپنایا گیا ہے۔

☆ کارپوریٹ معاشرتی ذمہ داری کی ادائیگی کی طرف کمپنی کا مقصد منافع پیدا کرنے کے روایتی کارپوریٹ مقصد کے ساتھ ساتھ معاشرتی بھلائی کو ترجیح دینا ہے۔

☆ ڈائریکٹروں پر گورننس اور کنٹرول کے نظام کے تحت کاروبار کو چلانے کی ذمہ داری عائد ہوتی ہے جو کمپنی پر اسٹیک ہولڈروں کے اعتماد کو تقویت دیتا ہے۔

☆ نان ایگزیکٹو ڈائریکٹرز (بشمول آزاد ڈائریکٹرز) کو معاوضہ بورڈ کے ذریعہ منظور شدہ معاوضہ پالیسی کے مطابق ادا کیا جاتا ہے۔



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## جدت / تزئین و آرائش

پرجوش ”نورپوز“ اختراعات کی مستقبل میں منصوبہ بندی کی گئی ہے۔

## صارفین اور ڈسٹری بیوشن

عددی اور وزنی ڈسٹری بیوشن پر توجہ مرکوز کرنے کے ساتھ ساتھ فروخت / ڈسٹری بیوشن میں توسیع کا کام صحیح فروخت اور چینل کی صلاحیتوں کے ساتھ کیا جا رہا ہے۔ مزید یہ کہ کلیدی کھاتے اور گھر سے باہر کے چینل تیار کیے جا رہے ہیں۔ مثال کے طور پر کمپنی نے معروف بین الاقوامی نوڈل چیز کے ساتھ اسٹریٹجک فراہمی کے معاہدے کیے ہیں۔ ان گاہکوں کے ساتھ یہ اشتراک ہماری فروخت میں اضافے اور ہمارے برانڈ امیج کو بڑھانے میں مددگار ثابت ہوں گے۔

## آپریشنل کارکردگی

ہماری ویلیو چین میں لاگت کے انتظام کے اقدامات کو نافذ کیا جا رہا ہے۔ موثریت پر مبنی چھوٹی انتظامیہ کے نکتہ نظر اور ذہن سازی کو مضبوط کیا جا رہا ہے۔ کمپنی نے پہلے ہی پیداوار اور فراہمی کے سلسلہ جسے اہم شعبوں میں فائدہ اٹھانا شروع کر دیا ہے۔ مزید یہ کہ یہ ذہن سازی پوری کمپنی میں مقررہ اخراجات میں بتدریج اصلاح کے قابل بنا رہی ہے۔

## ڈیری انڈسٹری کے لیے پائیدار ترقی

پائیدار شعبے کی نمو کو حاصل کرنے کے لیے یہ بات بہت زیادہ اہمیت کی حامل ہے کہ مستقبل میں حکومت پاکستان کی آمدنی اور مالیاتی پالیسیاں مستقل اور اس اہم شعبے کے لیے مددگار ہوں۔ کمپنی پاکستان ڈیری ایسوسی ایشن (PDA) کے ذریعے متعلقہ اور اہم اسٹیک ہولڈرز کے ساتھ مل کر ملک میں صحت مند اور صحت افزا مصنوعات کی فراہمی کے لیے پیک شدہ دودھ اور اس سے متعلقہ مصنوعات کی اہمیت پر زور دے رہی ہے۔

تاہم انتظامیہ مہنگائی کے چیلنجوں، صارفین کی قوت خریداری پر دباؤ اور کووڈ کی دوسری لہر کے ساتھ ایک مخلوط معاشی اور کاروباری ماحول کی پیش گوئی کرتی ہے۔ انتظامی ٹیم صلاحیتوں کو بڑھا کر اپنے کاروبار کو پائیدار اور منافع بخش بنانے کے لیے مزید آپریشنل استعداد کار کے ساتھ مارکیٹ کے چیلنجوں کا جواب دینے کے لیے پرعزم اور لچکدار ہے۔

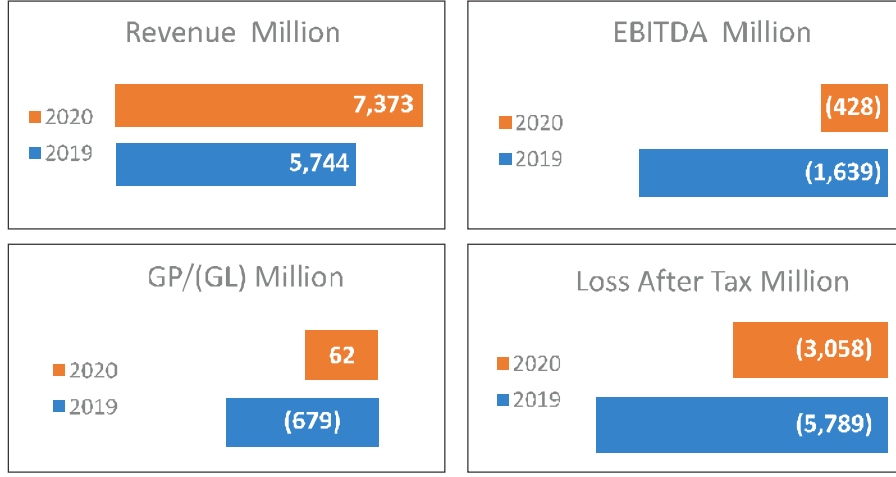
## اصولی خطرات اور غیر یقینی صورتحال کا سامنا کرنے والی کمپنی

کمپنی کو درپیش خطرات ڈیری کے شعبے میں کام کرنے والی دیگر کمپنیوں کو لاحق خطرات سے خاصے مختلف نہیں ہیں۔ مضبوط کاروبار اور رسک مینجمنٹ کے عمل کے ذریعے خطرات کا جائزہ لیا جاتا ہے۔ ممکنہ خطرات کے اثرات کو کم کرنے کے لیے مناسب حکمت عملیوں اور ہنگامی منصوبوں کا باقاعدگی سے جائزہ لیا جاتا ہے۔ کمپنی کے کاروبار اور کارروائیوں میں کوئی خاص خطرہ اور غیر یقینی صورتحال نہیں ہے، ماسوائے ان کے کہ جن کا انکشاف احتمالی اور ذمہ داریوں کے ضمن میں مالی بیانات کے نوٹس میں کیا گیا ہے۔

## متعلقہ فریقین کے ساتھ لین دین

کمپنی متعلقہ فریقین کے ساتھ لین دین کرتی ہے اور جو رقومات ان فریقین سے لینی یا دینی ہوں، جیسا کہ ان سے متعلقہ مدات کے تحت دکھایا جاتا ہے، وہ at arm length کے مطابق ہوتی ہیں۔ ماسوائے ان کے علاوہ جو مالی بیانات میں منکشف ہیں، متعلقہ فریقین سے کوئی لین دین نہیں ہوا۔

## Financial Graphs



## مجاز سرمائے میں اضافہ اور اسپانسر کے قرضے کی شیئر کیپٹل میں تبدیلی

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

## بینکوں کے قرضوں کی تنظیم نو اور اسپانسر کی جانب سے اضافی امداد

کمپنی نے سنڈیکیٹ فائنانس انتظامات کے تحت 8,068 ملین روپے کے مجموعی مالی قرض پر مشتمل تنظیم نو کے لیے مالی اعانت کا حصول کر لیا ہے۔ اس کارروائی نے قرض کی ادائیگی میں پانچ سال کی توسیع کے ذریعے رواں مالیاتی معاملات میں آسانی پیدا کی ہے۔ اس کے ساتھ ساتھ مارک اپ اور اصل ادائیگی میں بالترتیب ایک اور ڈھائی سال کی اضافی مدت بھی شامل ہے۔ مزید یہ کہ اسپانسر (FFBL) نے سال کے دوران 6,000 ملین روپے کے معاون قرض کی منظوری دی جس سے کمپنی کے ورکنگ سرمائے کو بہتر بنانے میں بھی مدد ملی۔

## کووڈ اور متعلقہ اقدامات

کووڈ کی دوسری لہر سے متعلقہ چیلنجوں کی پوری طرح سے نگرانی کی جا رہی ہے اور فعال احتیاطی تدابیر اور تخفیفی اقدامات اٹھائے جا رہے ہیں۔ صحت اور حفاظت کو یقینی بنانے کے لیے، ملازمین اور خدمات فراہم کرنے والوں کے لیے، بشمول چہرے کے ماسک اور سماجی فاصلوں کی پابندی، متعلقہ لازمی ضابطوں پر ہر وقت عملدرآمد کو یقینی بنایا جاتا ہے۔ مزید یہ کہ کاروبار اور صارفین کو مسلسل فراہمی یقینی بنانے کے لیے تمام تر کوششیں کی جا رہی ہیں۔

## مستقبل کی پیش گوئی

جیسا کہ سال 2020 کے نتائج سے ظاہر ہے، کمپنی آپریٹنگ نقصانات سے بازیابی کی راہ پر گامزن ہے۔ نمو اور کثیر جہتی حکمت عملی کے ذریعے ترقی اور آپریشنل کارکردگی کا مظاہرہ کیا جا رہا ہے۔





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## سپلائی چین اور پیداوار میں کارکردگی کی اہلیت کو بہتر بنانا

ہماری حکمت عملی میں ہماری ویلیو چین میں لاگت کی کارکردگی کو بہتر بنانے پر ایک بڑی توجہ شامل ہے۔

بیج مارکنگ، ہدف کا تعین اور لاگت کے انتظامی اقدامات کا نفاذ متغیر اخراجات کے ساتھ ساتھ مقررہ لاگت میں بھی نمایاں بہتری لانے میں مدد فراہم کر رہا ہے۔

## دودھ اکٹھا کرنے، زرعی خدمات اور بنیادی خام مال کی خریداری کی صلاحیت کو بہتر بنانا

صلاحیتوں میں بہتری اور سپلائر/کسان کی ترقی کے اقدامات دودھ اور دیگر بنیادی مواد کی پائیدار اور موثر فراہمی کو تقویت فراہم کر رہے ہیں۔

## راہنما مقاصد کے ساتھ پائیدار ترقی

ہمارا کاروبار اور متعلقہ ویلیو چین غذائیت اور صحت میں اہم کردار ادا کرتا ہے اور معاشرتی شمولیت اور ترقی کے ذریعے زندگی کو بہتر بنانے میں مدد دیتا ہے۔ اس میں صحت مند غذائیت بخش برانڈز اور مصنوعات کی فراہمی، نوڈ سپلائی چین (خاص طور پر کوڈ کے دوران) کو یقینی بنانا اور ہماری دودھ اکٹھا کرنے اور زرعی خدمات کی ٹیموں کا اہم کردار ہے جہاں ہم کسانوں کی ایک بڑی تعداد سے دودھ خریدتے ہیں اور کسان برادریوں کی پیداواری صلاحیت اور پیداوار کو بہتر بنانے میں مدد فراہم کرتے ہیں اس طرح زندگی پر مثبت اثرات مرتب ہوتے ہیں۔

## ورکنگ کیپٹل کی استعداد اور مالیاتی انتظام کو بہتر بنانا

موثر ورکنگ کیپٹل مینجمنٹ کے ذریعے نقد مبادلوں کے سلسلے میں بہتری لائی گئی ہے۔ سنڈیکیٹ فنانس انقظامات کے تحت مجموعی مالیاتی قرض کی تنظیم نو کے ذریعے حاصل کردہ قرضوں کی فراہمی کے اخراجات میں کمی سے اس امر کی مزید تائید ہوئی ہے۔

## مالیاتی کارکردگی

کمپنی 2019 کے دوران ہونے والے (678.83) ملین روپے کے خام نقصان کے مقابلے میں 2020 میں 62.26 ملین روپے کے خام منافع کے اندارج پر لوٹ آئی۔ یہ مثبت تبدیلیاں جدت / تزئین و آرائش، مصنوعات اور چینل کس میں بہتری، لاگت کی اصلاح اور سلیز اور ڈسٹری بیوشن میں موثر توسیع کی بدولت ہیں۔ خام دودھ کی قیمت، تاہم کسی حد تک چیلنجنگ رہی تاہم دودھ اکٹھا کرنے کو مستحکم کرنے کی ہماری حکمت عملی پہلے ہی فوائد کی فراہمی شروع کر رہی ہے۔ سال 2020 کے لیے بعد از ٹیکس نقصان میں (47.17) فیصد کمی واقع ہوئی ہے اور سال 2019 میں (5,788.94) ملین روپے کے مقابلے میں سال 2020 میں بعد از ٹیکس نقصان (3,058.11) ملین روپے رہ گیا ہے۔

پاکستانی روپے (ملین)	2020	2019	اضافہ/ (کمی) فیصد
خالص فروخت	7,373.16	5,744.87	28.34%
خام نفع / (نقصان)	62.26	(678.83)	109.17%
(نقصان) قبل از ٹیکس	(3,043.80)	(4,253.03)	(28.43)%
(نقصان) بعد از ٹیکس	(3,058.11)	(5,788.94)	(47.17)%



مزید پر جوش اقدامات اپنے راستے میں ہیں۔ صارفین کی جانب سے جانچ کردہ ہماری جدت طرازی کی پائپ لائن (مصنوعات، تصورات) ہمارے لیے پرامید مواقع ظاہر کر رہی ہے۔

## ڈیجیٹل نمونے لینے اور براہ راست صارفین کی سرگرمیوں کے ذریعے صارفین کے دل و دماغ کو چھونا

نور پور صارفین اپنے پسندیدہ برانڈ سے پیار کرتے ہیں۔ ہماری اختراعات سے متعلق دلچسپ خبریں لانے کے لیے ”آزمائیں، چکھیں اور پیار کریں“ اور ”دیکھن جس سے آپ پیار کرتے ہیں“ بالترتیب پیار اور دیکھن کے لیے (صارفین کے لیے ہمارا اشتہار) ڈیجیٹل پلیٹ فارم پر، فروخت کے مقام پر اور دیگر صارفین کے مقامات پر چلایا جا رہا ہے۔



## رسائی اور صارفین اور تجارتی معاونین کو مطمئن کرنا

عمومی تجارت میں عددی تقسیم کو چلانے اور کلیدی خوردہ کھاتوں جیسے اہم صارفین اور گھر سے باہر کے کلیدی صارفین کی بڑھتی ہوئی موجودگی ہماری توسیعی حکمت عملی کا ایک اہم حصہ ہے۔ اس کا بہتر نفاذ ہماری رسائی میں اضافہ کر رہا ہے، گاہکوں کے اطمینان کو بڑھا رہا ہے اور ہمارے کاروبار میں اضافہ کر رہا ہے۔





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## ڈائریکٹرز رپورٹ

فوجی فوڈز لمیٹڈ کا بورڈ آف ڈائریکٹرز 31 دسمبر 2020 کو مکمل ہونے والے سال کے لیے آڈٹ شدہ مالیاتی حسابات پر ڈائریکٹرز رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہا ہے۔

### بنیادی سرگرمیاں

فوجی فوڈز لمیٹڈ فوجی فریڈا نزر بن قاسم لمیٹڈ (67.50 فیصد شیئر ہولڈنگ) اور فوجی فاؤنڈیشن (39.8 فیصد شیئر ہولڈنگ) کے اکثریتی حصص کی ملکیت پر مبنی ڈیری مصنوعات، جوس اور جام تیار کرنے اور فروخت کرنے والی کمپنی ہے۔ کمپنی کے معروف برانڈز میں نور پور اور دوشی شامل ہیں۔ نور پور پاکستان میں تیزی سے بڑھتی ہوئی ریٹج اور پورٹ فولیو کے ساتھ ایک نمایاں برانڈ ہے۔ دوٹی ملک میں چائے کے لیے مائع کریم کے مشہور برانڈز میں شامل ہے۔

### جائزہ

کمپنی نے خالص فروخت میں 28 فیصد کا مضبوط اضافہ حاصل کیا جس میں سالانہ خالص فروخت 7.4 ارب روپے تک پہنچی جبکہ 2019 میں یہ 5.7 ارب روپے تھی۔

سال کے دوسرے ششماہی عرصے میں مضبوطی کے ساتھ تیار ہونے والی نمو کی رفتار ایک بہت ہی حوصلہ افزا رجحان ظاہر کرتی ہے۔ دوسرے ششماہی عرصے میں کمپنی نے پہلے ششماہی عرصہ کے دوران کی جانے والی 3.2 ارب روپے کی خالص فروخت کے مقابلے میں دوسری ششماہی میں 4.2 ارب روپے کی خالص فروخت کا حصول کیا۔ یہ رفتار تعمیر کے لیے ایک مضبوط بنیاد فراہم کرتی ہے۔

کمپنی اب سنٹری بیوشن مارجن پر بھی ایک اچھی راہ پر گامزن ہے جو مجموعی منافع کے رجحان کو بہتر بنانے میں ایک بنیادی مثبت تبدیلی کے قابل بنا رہا ہے۔ 2020 کی پہلی ششماہی میں (109) ملین روپے کے خام نقصان اور 2019 میں ہونے والے (678.83) ملین روپے کے خام نقصان کے مقابلے میں 2020 کی دوسری ششماہی میں 172 ملین روپے کا خام منافع ظاہر کرتا ہے کہ کس طرح نفع نقصان کا ڈھانچہ مثبت طور پر ہمارے کاروباری ماڈل میں بہتری کی جانب تبدیل ہو رہا ہے۔

مزید یہ کہ یہ امر قابل اطمینان ہے کہ مذکورہ نمو کی رفتار غیر معمولی کاروباری چیلنجوں اور کووڈ کی وبائی بیماری کی وجہ سے لاک ڈاؤن کے باوجود حاصل کی گئی ہے۔

نمو اور منافع کی بحالی کار، رجحان بنیادی کاروباری ماڈل میں بہتری کے ذریعے حاصل کیا جا رہا ہے۔ یہ بہتری صارفین اور صارفین کی مرکزیت کی ثقافت، ویلیو چین میں بہتری کی بدولت ہے جو پوری کمپنی کی کارکردگی اور آپریشنل کارکردگی کو موثر طور پر بہتری کی جانب لارہی ہے اور قائدانہ ٹیم میں کمپنی کی مختلف سطحوں کے امور میں ایک مرکز اور کلیدی صلاحیتوں کے ذریعے قابل عمل ہے۔

### جدت طرازی اور تزئین و آرائش کے ذریعے معروف برانڈز کی تعمیر

ہماری حکمت عملی کے کلیدی عناصر میں ہماری جدت طرازی اور تزئین و آرائش کے پروگرام کو مضبوط بنانا، ہمارے مشہور نور پور برانڈ اور اس کے پورٹ فولیو اور ہمارے چائے کی کریمی برانڈ دوشی کو قوی بنانا شامل ہے۔

ہمارے پرجوش آغاز میں نیا اور بہتر نور پور پنیر (موزریلا، چیڈرسل، چیڈر بلاک) اور نور پور غیر نمکین کھن شامل ہیں۔

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 نمائندے 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 ہوگا 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 - مینٹگ 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۔

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

6 - وہ حصص یافتگان جو سالانہ رپوٹیں 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، فوئیو نمبر یا CDC اکاؤنٹ، 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 رجسٹر اری یعنی کارپ لنک (پرائیویٹ) لمیٹڈ 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 سے بھی استفادہ کر سکتے ہیں۔ اس سلسلہ میں درج ذیل کو پین پر کریں اور اجلاس عام کے منعقد ہونے سے کم از کم 10 روز قبل کمپنی کے رجسٹرڈ آفس واقع CCA, DHA Phase-VIII, Ex Park View, 42، لاہور میں جمع کروائیں۔

اگر کمپنی کو ایسے جغرافیائی مقام، جہاں مجموعی طور پر 10 فیصد حصص کے حامل ممبران رہتے ہوں، سے اجلاس 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۔

کمپنی اجلاس عام کی تاریخ سے کم از کم 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 نوڈز لمیٹڈ کے ممبر ہونے کی حیثیت سے ----- حصص  
برمطابق رجسٹرڈ فوئیو نمبر/ CDC اکاؤنٹ نمبر ----- زیر قبضہ رکھتا ہوں/ رکھتے ہیں، بذریعہ وڈیو کانفرنس سہولت بہ مقام ----- کا/ کے  
خواہشمند ہیں۔

دستخط ممبر

7 - ای وونٹگ

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



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# فوجی فوڈز لمیٹڈ

## اطلاع برائے سالانہ اجلاس عام


بذریعہ ہذا اطلاع دی جاتی ہے کہ فوجی فوڈز لمیٹڈ کے ممبران کا چوں اوس سالانہ اجلاس عام بروز جمعرات مورخہ 25 مارچ، 2021 صبح گیارہ بجے مندرجہ ذیل امور کی انجام دہی کے لیے بمقام رائل سوئس ہوٹل، بالمقابل کارگو پبلیکس، علامہ اقبال انٹرنیشنل ایئر پورٹ، لاہور منعقد ہوگا:

- 1 - ممبران کے تریبونیوں سالانہ اجلاس عام منعقدہ 02 اپریل 2020 کی کارروائی کی توثیق کرنا۔
- 2 - 31 دسمبر، 2020 کو اختتام پزیر ہونے والے سال کے لیے کمپنی کے آڈٹ شدہ حسابات اور ان پر آڈیٹران اور ڈائریکٹروں کی رپورٹوں پر غور کرنا اور انہیں منظور کرنا
- 3 - اگلے سالانہ اجلاس عام تک کے عرصہ کے لیے کمپنی کے آڈیٹران کا تقرر اور ان کے مشاہرہ کا تعین کرنا۔
- 4 - 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 19 مارچ 2021 تا 25 مارچ 2021 (بشمول دونوں ایام) بغرض انعقاد سالانہ اجلاس عام بند رہیں گی۔

بحکم بورڈ



برگیڈیر حامد محمود ڈار (ریٹائرڈ)

کمپنی سیکریٹری

لاہور۔

مورخہ: 25 جنوری، 2021

نوٹس:

- 1 - اجلاس عام کی کارروائی میں شرکت: کوویڈ 19 کی صورتحال کے پیش نظر، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے مورخہ 15 فروری 2021 کو اپنے سرکلر نمبر 4 کے تحت تمام کمپنیوں کو ہدایت جاری کی ہے کہ وہ اپنے تمام عمومی اجلاسوں میں الیکٹرانک ذرائع یعنی ویڈیولنک، ویبنا اور زومنگ وغیرہ کی ہولت کو اپر بیان کردہ سرکلر کی تاریخ سے لے کر اگلے احکامات تک عمل درآمد کو یقینی کروائے۔ براہ کرم آگاہ رہیے کہ عمومی اجلاسوں میں ممبران کی شرکت کو یقینی بنانے کے لیے الیکٹرانک ذرائع سے شرکت کرنا بذات خود شرکت کرنے کے علاوہ ہے۔ مزید یہ کہ اجلاس عام میں الیکٹرونک ذرائع سے شرکت کرنے کے لیے ویڈیولنک کمپنی کی ویب سائٹ یعنی [www.faujifoods.com](http://www.faujifoods.com) پر بروقت مہیا کر دیا جائے گا۔
- 2 - ممبران سے التماس ہے کہ بذات خود شرکت کی صورت میں کوویڈ 19 ایس او پیز کا خاص خیال رکھیں۔
- 3 - 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 پراسی مقرر کرنے کا حقدار ہے۔ پراسیوں کے لیے ضروری ہے کہ وہ اجلاس کے انعقاد کے لیے مقرر کردہ وقت سے کم از کم اٹالیس گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں موصول ہو جائیں۔ کوئی ممبر ایک سے زائد پراسی مقرر نہیں کر سکتا۔ پراسی فارم کے ہمراہ شیئر ہولڈر کے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل لگائی جائے۔
- 4 - CDC کے اکاؤنٹ ہولڈروں کو ہدایت کی جاتی ہے کہ وہ سیکورٹیز 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:



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