



fauji foods



Condensed Interim  
Financial Information  
For The Half Year Ended  
30 JUNE

**2017**



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For the  
Half Year Ended  
30 JUNE  
**2017**



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### **Board of Directors**

**Lt Gen Khalid Nawaz Khan** - Chairman  
HI(M), Sitara-i-Esar, (Retd)

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

**Lt Gen Shafqaat Ahmed**  
HI(M), (Retd)

**Malik Adnan Hayat Noon**

**Mr. Qaiser Javed**

**Dr. Nadeem Inayat**

**Dr. Rashid Bajwa**

**Mr. Salman Hayat Noon**

**Brig Raashid Wali Janjua**, SI(M), (Retd)

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

**Mr. Iltifat Rasul Khan**

**Mr. Par Soderlund**

### **Chief Financial Officer**

**Syed Aamir Ahsan**

### **Company Secretary**

**Brig Rizwan Rafi**  
SI(M), T.Bt, (Retd)

### **Auditors**

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

**Corporate  
Information**



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### **Legal Advisers**

**Hamid Law Associates**

### **Audit Committee**

**Mr. Iltifat Rasul Khan**

**Mr. Qaiser Javed**

**Dr. Nadeem Inayat**

**Malik Adnan Hayat Noon**

### **HR & R Committee**

**Dr. Nadeem Inayat**

**Dr. Rashid Bajwa**

**Brig Raashid Wali Janjua, SI(M), (Retd)**

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

### **Technical Committee**

**Brig Raashid Wali Janjua, SI(M), (Retd)**

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

**Dr. Rashid Bajwa**

### **Business Review Committee**

**Dr. Rashid Bajwa**

**Dr. Nadeem Inayat**

**Mr. Salman Hayat Noon**

**Mr. Par Soderlund**

### **Bankers**

**Habib Bank Limited**

**United Bank Limited**

**National Bank of Pakistan**

**Bank Alfalah Limited**

**Faysal Bank Limited**

**The Bank of Punjab**

**NIB Bank Limited**

### **Registered Office**

3rd Floor, Bahria Complex, 103 A/B,  
Shahrah-e-Quaid-e-Azam, Lahore.

Tel: +92-42-99205933-34

E-mail: [info@faujifoods.com](mailto:info@faujifoods.com)

### **Shares Registrar**

M/s Corplink (Pvt.) Limited

Wings Arcade, 1-K, Commercial,

Model Town, Lahore.

Tel: +92-42-35916714, 35916719, 35839182

Fax: +92-42-35869037

E-mail: [shares@corplink.com.pk](mailto:shares@corplink.com.pk)

### **Website**

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

### **Plant**

Bhalwal, District Sargodha.

## Directors' Report to the Shareholders

The Board of Directors of Fauji Foods Limited is pleased to present the directors' report along with the condensed unaudited interim financial information of the Company for the half year ended June 30, 2017.

### **Principal Activities**

Fauji Foods Limited, a majority owned Company of Fauji Fertilizer Bin Qasim Limited (50.28% shareholding) and Fauji Foundation (12.75% shareholding) is engaged in processing and marketing of dairy products, juices and jams. The Company's flagship brand "Nurpur" is one of the oldest and highly recognized dairy brand in Pakistan.

### **Business Review**

During current half year, we achieved numerous important milestones that demonstrate our commitment towards excellence.

Successful commissioning of latest UHT Plant at Bhalwal has not only resulted in enhancement of production capacity but also the reliability and efficiency of the Company's production facility. Plant was shut down for two weeks in February 2017 for final connections and alignments related to BMR projects.

The Company launched its series of Juice products under the brand umbrella of "MUST" during end of the period under review along with the rebranding of flavored milk segment. These new products are receiving an enthusiastic response from all consumers segments. These product launches are accompanied by comprehensive marketing and advertisement campaigns.

Overall dairy sector sales growth remained in decline due to extended flush season, abundant availability of lower priced loose milk, negative perception created in the media about packaged milk and efforts by Punjab Food Authority on certain labeling requirements related to Tea Whiteners. Despite these tough conditions the Company has been able to continuously improve market share of its products.

### **Financial Performance**

During the period under review, the net sales of the Company stood at Rs 2,520 million compared with Rs1,080 million in the corresponding period last year showing a growth of 133%. Net Loss is Rs 1,226 million compared with loss of Rs 435 million in the corresponding period last year.

The net losses were due to higher fixed cost incurred in relation to investment in developing milk procurement and sales infrastructure for future increased volumes. The current sales volume, though higher in comparison to previous year, are not sufficient enough to absorb fixed cost completely. These fixed costs are expected to normalize once sales volumes will be increased in future.

Moreover, due to high availability and low prices of loose milk, Company was unable to pass through certain costs including impact of change in Tax regime.



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**Right Issue**

The Board of Directors in its meeting held on July 25, 2017 has approved issuance of right shares of 300% at Rs. 10 per share for funding business expansion and working capital requirements. Right issue will be in accordance with Section 83 of the Companies Act, 2017 read with rule 5 of the Companies (Issue of Capital) Rules, 1996; and pursuant to the resolutions of the Board of Directors.

**Future Outlook**

The industry is expected to recover from negative campaign and is expected to show growth in the remaining period of the year. Despite increasing competition in dairy business, the Company will continue to focus on improving shareholders' value through innovation, product and process optimization, effective cost controls and will continue to grow its market share In Sha Allah.

The Board takes this opportunity to thank our 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 KHALID NAWAZ KHAN**

HI(M), Sitara-i-Esar, (Retd)  
Chairman

Dated : July 25, 2017

## ڈائریکٹران رپورٹ برائے ممبران

فوجی فوڈز لمیٹڈ کے ڈائریکٹران 30 جون 2017 کو اختتام پزیر ہونے والے ششماہی عرصہ کے لیے غیر آڈٹ شدہ حسابات کے ہمراہ ڈائریکٹران کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

### اہم سرگرمیاں

فوجی فوڈز لمیٹڈ فوجی فریڈلائزڈ مین کا سم لیٹڈ (50.28% شیئر ہولڈنگ) اور فوجی فوڈز لمیٹڈ (12.75% شیئر ہولڈنگ) کے اکثریتی حصص کی ملکیت پختی دودھ اور اس سے بنی غذائی اشیاء، جوس اور جام تیار کرنے والی کھنی ہے۔ کھنی کا "نورپور" برانڈ پاکستان میں طویل عرصہ سے سب سے زیادہ جانا پہچانا نام ہے۔

### کاروباری جائزہ

رواں نصف سال کے دوران ہم نے متعدد اہم سنگ میل عبور کیے ہیں جو ہمارے اعلیٰ ترین معیار کے حصول کے لیے کیے گئے اپنے عہد کو پورا کرنے کے منظر پر ہیں۔ جدید ترین (UHT) پلانٹ کی بحالوں میں کامیاب تحصیب کے نتیجے میں نہ صرف ہماری پیداواری گنجائش میں اضافہ ہوا ہے بلکہ ہماری کارکردگی اور پیداواری سہولیات میں بھی اضافہ ہوا ہے۔ پلانٹ کو فروری 2017 میں (BMR) منصوبے کے آخری مراحل کی تکمیل پر آلات کی تحصیبات کی فرض سے دو ہفتے کے لیے بند کر دیا گیا۔

کھنی نے زیر جائزہ ششماہی عرصہ کے آخر میں (MUST) برانڈ کی چھتری تلے جوس مصنوعات کا ایک سلسلہ متعارف کروایا اور اسکے ساتھ ساتھ Flavored Milk کے برانڈ کو دوبارہ متعارف کروایا گیا۔ صارفین کے ہر طبقے نے ان تمام نئی مصنوعات کا پر جوش خیر مقدم کیا ہے۔ یہ تمام نئی مصنوعات بھرپور مارکیٹنگ اور تشہیر کے ساتھ متعارف کروائی گئیں۔

دودھ کے کثرتی پیداواری عرصہ کے دوران ڈیری نیٹور کی تمام مصنوعات کی فروخت میں مجموعی طور پر کمی واقع ہوئی جس کی وجوہات میں کٹلے دودھ کی کم قیمت میں وافر مقدار میں دستیابی، بیک شدہ دودھ کے خلاف میڈیا کی جانب سے سختی تحریک اور پنجاب فوڈ اتھارٹی کی جانب سے ٹی وی ایڈز پر مخصوص قسم کے لیبل چسپان کرنے کی ہدایتیں شامل ہیں۔ ان تمام مشکل حالات کے باوجود کھنی نے اپنی مصنوعات کے مارکیٹ شیئر کو مسلسل بھڑکایا ہے۔

### مالی نتائج

ساہتہ سال کے ششماہی عرصہ کے دوران مصنوعات کی فروخت سے حاصل شدہ کل رقم 1,080 ملین روپے کے مقابلے میں کھنی نے اس سال زیر جائزہ ششماہی عرصہ کے دوران 133% اضافی شرح سے 2,520 ملین روپے کا حصول کیا۔ کھنی کو ساہتہ ششماہی عرصہ کے دوران ہونے والے 435 ملین روپے کے خالص نقصان کے مقابلے میں زیر جائزہ ششماہی عرصہ میں ہونے والا نقصان 1,226 ملین ہے۔



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مستقبل کی بڑھتی ہوئی ضروریات کے مطابق دودھ کی خریداری اور فروخت کے بنیادی ڈھانچے کے توسیعی نظام پر ہونے والے مستقل اخراجات میں اضافہ خالص نقصانات کی وجہ بنا۔ گوسا پتہ سال کے عرصہ کے مقابلے میں حالیہ سال کے عرصہ کے دوران فروخت شدہ مصنوعات کا حجم زیادہ ہے تاہم یہ مستقل اخراجات کو مکمل طور پر جذب کرنے کے لیے کافی ہے۔ توقع ہے کہ مستقبل میں فروخت سے حاصل شدہ رقم میں اضافے کے ساتھ ساتھ یہ مستقل اخراجات معمول پر آ جائیں گے۔ مزید برآں، کھلے دودھ کی کمزور قیمت اور کم قیمت میں دستیابی کی بنا پر کچھ مخصوص اخراجات کو بشمول ٹیکس نظام میں تبدیلیوں کے اثرات سمیت صارفین تک منتقل کرنے میں ناکام رہی۔

### رائٹ شیئر ز کا اجراء

ڈائریکٹران نے کئی کے کاروبار میں توسیع اور جاری اخراجات کی عداوت میں سرمایہ کی ضروریات کے پیش نظر 25 جولائی 2017 کو منعقد ہونے والی بورڈ میٹنگ میں 10 روپے فی حصہ کے حساب سے 300 فیصد رائٹ شیئر ز کے اجراء کی منظوری دی ہے۔ رائٹ شیئر ز کا اجراء برآمدہ 83 کینیڈا ایکٹ 2017 اوپنیز (ایٹو آف کیپٹل) کروڑ 1996 کے تابع اور بورڈ آف ڈائریکٹران کی مذکورہ بورڈ میٹنگ میں منظور شدہ قراردادوں کے مطابق ہوگا۔

### مستقبل کی پیش گوئی

توقع ہے کہ سال کے باقی عرصہ میں انڈسٹری منفی پر پیکندہ کے اثرات سے نکل کر ترقی کی جانب گامزن ہوگی۔ ڈیری انڈسٹری میں بڑھتی ہوئی مسابقت کے باوجود کئی حدت، مصنوعات کی تیاری کے مراحل میں اصلاحات اور قیمتوں پر مضبوط کنٹرول کے ذریعے اپنے حصص یافتگان کی قدر میں اضافے پر اپنی توجہ مرکوز رکھے گی اور انشا اللہ مارکیٹ شیئر میں اضافے کی شرح کو برقرار رکھے گی۔

بورڈ کئی پراعتماد اور مسلسل تعاون کے لیے تمام معزز ممبران اور مالیاتی اداروں کا شکریہ ادا ہے۔ اس کے علاوہ بورڈ کئی کے تمام ملازمین کی جانب سے لگن، توجہ اور محنت سے کی گئی ان تمام کادشوں کو تسلیم کرتا ہے۔

لیفٹیننٹ جنرل خالد نواز خان (ریٹائرڈ)

ہلال امتیاز (ملٹری) - ستارہ امتیاز

چیئرمین

مورخہ 25 جولائی 2017

## Auditor's Report to the Members on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Fauji Foods Limited** ("the Company") as at 30 June 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six month period then ended (hereinafter referred as the "interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of review

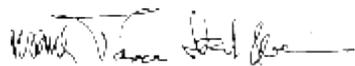
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Other matter

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended 30 June 2017, have not been reviewed and we do not express a conclusion on them.



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
(M. Rehan Chughtai)

Date: 25 July 2017  
Lahore



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## Condensed Interim Balance Sheet

		Unaudited 30 June 2017 Rupees	Audited 31 December 2016 Rupees
<b>EQUITY AND LIABILITIES</b>	<i>Note</i>		
<b><u>Share capital and reserves</u></b>			
Authorized capital 700,000,000 (31 December 2016: 700,000,000) ordinary shares of Rs 10 each		<b><u>7,000,000,000</u></b>	<b><u>7,000,000,000</u></b>
Issued, subscribed and paid up capital 132,101,798 (31 December 2016: 132,101,798)			
ordinary shares of Rs 10 each	5	<b>1,321,017,980</b>	1,321,017,980
Share premium	6	<b>1,966,772,143</b>	1,966,772,143
Accumulated loss		<b><u>(2,705,118,951)</u></b>	<b><u>(1,486,605,671)</u></b>
		<b>582,671,172</b>	1,801,184,452
Surplus on revaluation of property, plant and equipment - net of tax	7	<b>1,495,172,450</b>	440,355,621
<b><u>Non-current liabilities</u></b>			
Liabilities against assets subject to finance lease	8	<b>117,462,654</b>	129,919,028
Employee benefits		<b>44,000,683</b>	32,822,224
Long term finances	9	<b>930,000,000</b>	-
		<b><u>1,091,463,337</u></b>	<b><u>162,741,252</u></b>
<b><u>Current liabilities</u></b>			
Short term borrowings	10	<b>5,651,258,088</b>	3,899,251,334
Current portion of liabilities against assets subject to finance lease		<b>38,096,787</b>	36,097,751
Trade and other payables	11	<b>942,826,886</b>	1,291,303,709
Accrued finance cost	12	<b>72,609,782</b>	49,716,962
		<b>6,704,791,543</b>	5,276,369,756
		<b><u>9,874,098,502</u></b>	<b><u>7,680,651,081</u></b>
<b>Contingencies and commitments</b>	13		

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

## As at 30 June 2017

	<i>Note</i>	<b>Unaudited 30 June 2017 Rupees</b>	Audited 31 December 2016 Rupees
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>			
Property, plant and equipment	14	<b>6,890,117,534</b>	4,937,750,901
Intangible assets		<b>5,038,680</b>	4,441,250
Security deposits		<b>944,306</b>	944,306
Deferred taxation - net		<b>379,172,076</b>	628,541,639
		<b>7,275,272,596</b>	5,571,678,096
<b><u>Current assets</u></b>			
Stores, spares and loose tools		<b>133,997,710</b>	93,931,361
Stock-in-trade	15	<b>977,345,462</b>	684,805,793
Trade debts		<b>80,869,334</b>	77,969,418
Loans and advances	16	<b>112,840,089</b>	48,480,455
Deposits, prepayments and other receivables		<b>297,293,656</b>	141,347,588
Due from Associated Companies		<b>260,559</b>	39,247
Sales tax refundable - net		<b>493,120,667</b>	475,950,146
Income tax - net		<b>364,439,328</b>	252,909,058
Cash and bank balances	17	<b>138,659,101</b>	333,539,919
		<b>2,598,825,906</b>	2,108,972,985
		<b>9,874,098,502</b>	7,680,651,081



Chief Executive



Director



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## Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended 30 June 2017

	For the quarter ended		For the half year ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Rupees		Rupees	
Sales - net	1,250,958,675	618,786,300	2,520,039,306	1,080,039,303
Cost of sales	18 (1,225,914,067)	(570,736,778)	(2,489,503,975)	(987,454,686)
<b>Gross profit</b>	<b>25,044,608</b>	48,049,522	<b>30,535,331</b>	92,584,617
Marketing and distribution expense	19 (541,767,798)	(289,579,276)	(913,043,552)	(565,880,231)
Administrative expenses	(101,539,781)	(63,677,595)	(213,367,206)	(99,076,455)
Other income	20 9,853,231	7,001,870	16,328,702	11,136,538
Other expenses	(14,567,463)	(23,331,089)	(21,661,598)	(25,078,251)
<b>Loss from operations</b>	<b>(622,977,203)</b>	(321,536,568)	<b>(1,101,208,323)</b>	(586,313,782)
Finance cost	21 (102,000,079)	(37,544,120)	(178,299,262)	(62,004,497)
<b>Loss before taxation</b>	<b>(724,977,282)</b>	(359,080,688)	<b>(1,279,507,585)</b>	(648,318,279)
Taxation	22 (55,269,931)	112,944,175	(52,596,012)	213,178,654
<b>Loss for the period</b>	<b>(780,247,213)</b>	(246,136,513)	<b>(1,226,911,573)</b>	(435,139,625)
<b>Loss per share - basic and diluted</b>	<b>(5.91)</b>	(2.04)	<b>(9.29)</b>	(4.91)

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

Director

## Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended 30 June 2017

	For the quarter ended		For the half year ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	----- Rupees -----		----- Rupees -----	
<b>Loss for the period</b>	(780,247,213)	(246,136,513)	(1,226,911,573)	(435,139,625)
<b><u>Other comprehensive income for the period</u></b>				
<i>Items that will not be reclassified to profit and loss account:</i>				
Surplus on revaluation of property, plant and equipment - net of tax (i)	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>(780,247,213)</b>	<b>(246,136,513)</b>	<b>(1,226,911,573)</b>	<b>(435,139,625)</b>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

- (i) surplus on revaluation of property, plant and equipment - net of tax is presented under separate head below equity in accordance with the requirement of section 235 of the repealed Companies Ordinance, 1984.

Lahore



Chairman



Chief Executive



Director



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## Condensed Interim Statement of Changes In Equity (Un-audited)

### For the half year ended 30 June 2017

	Issued, subscribed and paid-up capital	Capital reserve			Revenue reserve	Total
		Advance against share capital	Share premium	Sub - total	Accumulated loss	
----- Rupees -----						
<b>As at 01 January 2016 (audited)</b>	<b>313,632,000</b>	-	-	-	<b>(538,082,120)</b>	<b>(224,450,120)</b>
<b><i>Total comprehensive income for the period</i></b>						
Loss after taxation	-	-	-	-	(435,139,625)	(435,139,625)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	<b>(435,139,625)</b>	<b>(435,139,625)</b>
<b><i>Surplus transferred to accumulated losses</i></b>						
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	-	-	9,331,437	9,331,437
<b><i>Transactions with owners of the Company</i></b>						
Advance received against shares	-	2,999,995,448	-	2,999,995,448	-	2,999,995,448
Ordinary shares issued during the period 100,738,598 shares of Rs. 10 each	1,007,385,980	(1,007,385,980)	-	(1,007,385,980)	-	-
Share premium	-	(1,992,609,468)	1,992,609,468	-	-	-
Expenses incurred on issuance of shares	-	-	(25,837,325)	(25,837,325)	-	(25,837,325)
	1,007,385,980	-	1,966,772,143	1,966,772,143	-	2,974,158,123
<b>Balance as at 30 June 2016 (un-audited)</b>	<b>1,321,017,980</b>	<b>-</b>	<b>1,966,772,143</b>	<b>1,966,772,143</b>	<b>(963,890,308)</b>	<b>2,323,899,815</b>
<b><i>Total comprehensive income for the period</i></b>						
Loss after taxation	-	-	-	-	(531,780,189)	(531,780,189)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	<b>(531,780,189)</b>	<b>(531,780,189)</b>
<b><i>Surplus transferred to accumulated losses</i></b>						
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	-	-	9,064,826	9,064,826
<b>Balance as at 31 December 2016 (audited)</b>	<b>1,321,017,980</b>	<b>-</b>	<b>1,966,772,143</b>	<b>1,966,772,143</b>	<b>(1,486,605,671)</b>	<b>1,801,184,452</b>
<b><i>Total comprehensive income for the period</i></b>						
Loss after taxation	-	-	-	-	(1,226,911,573)	(1,226,911,573)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	<b>(1,226,911,573)</b>	<b>(1,226,911,573)</b>
<b><i>Surplus transferred to accumulated losses</i></b>						
Surplus transferred on account of incremental depreciation charged during the period - net of tax	-	-	-	-	8,398,293	8,398,293
<b>Balance as at 30 June 2017 (un-audited)</b>	<b>1,321,017,980</b>	<b>-</b>	<b>1,966,772,143</b>	<b>1,966,772,143</b>	<b>(2,705,118,591)</b>	<b>582,671,172</b>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

Chairman

Chief Executive

Director

## Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended 30 June 2017

	Note	30 June 2017 Rupees	30 June 2016 Rupees
<b><u>Cash flows from operating activities</u></b>			
Loss before taxation		(1,279,507,585)	(648,318,279)
<i>Adjustments for non-cash items:</i>			
Depreciation on property, plant and equipment	14	214,423,187	60,658,548
Amortization of intangible assets		999,486	616,216
Gain on disposal of property, plant and equipment		(1,871,121)	(2,431,322)
Profit on bank deposits		(3,413,469)	(3,512,919)
Unrealized foreign exchange loss / (gain)		7,993,642	(2,240,963)
Provision for obsolete stores and spares		-	11,849,491
Provision for doubtful debts		-	9,000,000
Provision for employee retirement benefits		13,000,000	9,000,001
Finance cost		178,299,262	62,004,497
<b>Loss before working capital changes</b>		<b>(870,076,598)</b>	<b>(503,374,730)</b>
<b><u>Effect on cash flow due to working capital changes</u></b>			
<i>(Increase) / decrease in current assets:</i>			
Stores, spares and loose tools		(40,066,349)	(61,275,049)
Stock-in-trade	15	(292,539,668)	(575,640,489)
Trade debts		(2,899,916)	6,164,602
Loans and advances	16	(64,359,634)	(68,228,181)
Deposits, prepayments and other receivables		(155,946,068)	(130,476,090)
Due from Associated Companies		(221,312)	26,946
Sales tax refundable		(17,170,521)	(283,267,034)
<i>Increase / (decrease) in current liabilities:</i>			
Trade and other payables		(356,470,465)	643,340,811
		<b>(929,673,933)</b>	<b>(469,354,484)</b>
<b>Cash used in operations</b>		<b>(1,799,750,531)</b>	<b>(972,729,214)</b>
Income tax paid		(111,530,270)	(104,998,205)
Employee retirement benefits paid		(1,821,541)	(605,029)
Security deposits - net		-	210,000
<b>Net cash used in operating activities</b>		<b>(1,913,102,342)</b>	<b>(1,078,122,448)</b>



fauji foods

## Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended 30 June 2017

	30 June 2017 Rupees	30 June 2016 Rupees
<i>Note</i>		
<b><u>Cash flow from investing activities</u></b>		
Fixed capital expenditure	(806,995,913)	(1,970,766,390)
Sale proceeds from disposal of property, plant and equipment	5,660,995	76,129,062
Income on bank deposits received	3,413,469	2,028,288
<b>Net cash used in investing activities</b>	<b>(797,921,449)</b>	<b>(1,892,609,040)</b>
<b><u>Cash flow from financing activities</u></b>		
Share capital issued - net of cost	-	2,974,158,123
Long term loan received during the period	930,000,000	-
Liabilities against assets subject to finance lease - net	(10,457,338)	(19,215,219)
Short term borrowings - net	406,560,245	489,860,889
Finance cost paid	(155,406,443)	(48,219,738)
<b>Net cash generated from financing activities</b>	<b>1,170,696,464</b>	<b>3,396,584,055</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,540,327,327)</b>	<b>425,852,567</b>
<b>Cash and cash equivalents - at beginning of the period</b>	<b>(1,765,271,660)</b>	<b>(534,451,428)</b>
<b>Cash and cash equivalents - at end of the period</b>	<b>(3,305,598,987)</b>	<b>(108,598,861)</b>
<i>Cash and cash equivalents comprise of the following:</i>		
- Cash and bank balances	17 138,659,101	939,411,242
- Running finances	10 (3,444,258,088)	(1,048,010,103)
	<b>(3,305,598,987)</b>	<b>(108,598,861)</b>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

## Notes to the Condensed Interim Financial Information (Un-audited)

For the half year ended 30 June 2017

### 1 The Company and its operations

- 1.1 Fauji Foods Limited ("the Company") was incorporated in Pakistan on 26 September 1966 as a Public Company and its shares are quoted on Pakistan Stock Exchange. It is principally engaged in processing and sale of toned milk, milk powder, fruit juices, allied dairy and food products. The registered office of the Company is situated at FFBL Complex, 103 A/B, Shahrah-e-Quaid-e-Azam, Lahore and the manufacturing facility is located at Bhalwal, District Sargodha.

During the half year ended 30 June 2017, the Company has incurred a net loss of Rs 1,226.91 million, and, as of date, the Company's current liabilities exceeded its current assets by Rs. 4,105.96 million. The new 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, strengthening of milk collection and sales and distribution structures, ensuring quality at every stage from milk collection to production to distribution. Further, the new management has undertaken the following financial initiatives:

- obtained new long term finance facilities of Rs 1,750 million.
- obtained new working capital lines amounting to Rs 1,250 million and enhancement of old working capital lines from existing lenders to the tune of Rs 500 million.
- approved 300% right shares at Rs 10 per share in Board of Directors meeting dated 25 July 2017.

The management is also negotiating with different banks for obtaining additional short term and long term finances.

During the period, the Company has successfully installed and commissioned ecolean packing machines and water treatment plant. In addition to this, the management has started installation of HFO power plant to meet additional electricity requirement. The management anticipates that above steps will not only improve the liquidity of the Company but also contribute significantly towards the profitability of the Company in the foreseeable future. Accordingly this condensed interim financial information has been prepared on a going concern basis.

### 2 Basis of preparation and statement of compliance

This condensed interim financial information comprises the condensed interim balance sheet of the Company as at 30 June 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof.



**fauji foods**

This condensed interim financial information of the Company for the half year ended 30 June 2017 has been prepared in accordance with the requirements of International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2016. Comparative condensed interim balance sheet is stated from annual audited financial statements as of December 31, 2016, whereas comparatives for interim profit and loss account, interim statement of comprehensive income, interim statements of changes in equity and interim cash flow statements and related notes are extracted from condensed interim financial information of the Company for the six months' period ended 30 June 2016.

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

### **3 Use of estimates and judgments**

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

In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of annual audited financial statements for the year ended 31 December 2016.

### **4 Statement of consistency in accounting policies**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are significantly those which are applied in the preparation of annual audited financial statements for the year ended 31 December 2016.

There were certain other new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed.

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

- IFRS 2 - Share-based Payments	01 January 2018
- IAS 40 - Investment Property	01 January 2018
- IAS 28 - Investment in Associate and Joint Ventures	01 January 2018
- IFRIC 22 - Foreign Currency Transactions and advance Consideration	01 January 2018
- IFRIC 23 - Uncertainty over Income Tax Treatment	01 January 2018

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 has clarified that the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 applicable for financial year ending on or after 1 July 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 - Property, plant and equipment. This would have resulted in reclassification of surplus on revaluation of property, plant and equipment – net of tax to equity by restating the corresponding figures which would result in increase in equity by Rs. 457.61 million, Rs. 440.35 million and Rs. 1,495.17 million as at 31 December 2015, 31 December 2016 and 30 June 2017 respectively. Further, the other comprehensive income for the half year ended 30 June 2016 and 30 June 2017 would have increased by Rs 1.40 million and Rs. 1,063.21 million respectively.

## 5 Share capital

### 5.1 Issued, subscribed and paid up capital

Un-audited 30 June 2017	Audited 31 December 2016		Un-audited 30 June 2017	Audited 31 December 2016
----- Number of shares -----			Rupees	Rupees
105,889,595	105,889,595	Ordinary shares of Rs. 10 each fully paid in cash	1,058,895,950	1,058,895,950
1,127,200	1,127,200	Ordinary shares of Rs. 10 each issued as bonus shares	11,272,000	11,272,000
5,483,003	5,483,003	Ordinary shares of Rs. 10 each issued on conversion of loan	54,830,030	54,830,030
7,200,000	7,200,000	Non-voting ordinary shares of Rs. 10 each issued on conversion of 12% cumulative convertible preference shares	72,000,000	72,000,000
1,739,177	1,739,177	Non-voting ordinary shares of Rs. 10 each fully paid in cash	17,391,770	17,391,770
1,512,000	1,512,000	Non-voting ordinary shares of Rs. 10 each issued as bonus shares	15,120,000	15,120,000
9,150,823	9,150,823	Non-voting ordinary shares of Rs. 10 each issued on conversion of loans	91,508,230	91,508,230
<b>132,101,798</b>	<b>132,101,798</b>		<b>1,321,017,980</b>	<b>1,321,017,980</b>



**fauji foods**

**5.2 Ordinary shares of the Company held by associated undertakings and directors as at period end are as follows:**

<b>Un-audited 30 June 2017</b>	<b>Audited 31 December 2016</b>		<b>Un-audited 30 June 2017</b>	<b>Audited 31 December 2016</b>
<b>----- Percentage held -----</b>			<b>----- Number of shares -----</b>	
<b>49.12%</b>	49.12%	Fauji Fertilizers Bin Qasim Limited - <i>voting ordinary shares</i>	<b>55,255,584</b>	55,255,584
<b>56.94%</b>	56.94%	- <i>non-voting ordinary shares</i>	<b>11,161,523</b>	11,161,523
<b>12.75%</b>	12.75%	Fauji Foundation - <i>voting ordinary shares</i>	<b>14,343,724</b>	14,343,724
<b>12.75%</b>	12.75%	- <i>non-voting ordinary shares</i>	<b>2,499,255</b>	2,499,255
<b>16.27%</b>	16.27%	Directors, Chief Executive, officers and their spouse and minor children - <i>voting ordinary shares</i>	<b>18,309,173</b>	18,309,176
<b>6.63%</b>	6.63%	- <i>non-voting ordinary shares</i>	<b>1,300,000</b>	1,300,000
<b>3.01%</b>	3.01%	Employees' provident fund - <i>voting ordinary shares</i>	<b>3,388,520</b>	3,388,520
			<b><u>106,257,779</u></b>	<b><u>106,257,782</u></b>

**5.3 Event after the balance sheet date**

Board of directors in their meeting dated 25 July 2017 has approved 300% right shares at Rs. 10 per share.

**6 Share premium**

This reserve can only be utilized by the Company for the purpose specified in Section 83(2) of the repealed Companies Ordinance, 1984.

**7 Surplus on revaluation of property, plant and equipment - net of tax**

	<b>Note</b>	<b>Un-audited 30 June 2017 Rupees</b>	<b>Audited 31 December 2016 Rupees</b>
Revaluation surplus as at 01 January		<b>512,340,994</b>	539,002,243
Surplus arisen during the period	7.1	<b>1,365,180,697</b>	-
<i>Surplus transferred to accumulated losses on account of:</i>			
- incremental depreciation charged during the period / year			
- net of deferred tax		<b>(8,398,293)</b>	(18,396,263)
- related deferred tax liability		<b>(3,599,269)</b>	(8,264,986)
		<b>(11,997,562)</b>	(26,661,249)
Revaluation surplus as at 30 June / 31 December		<b>1,865,524,129</b>	512,340,994
Less: Related deferred tax liability on revaluation surplus at 01 January		<b>71,985,373</b>	81,386,917
Deferred tax on surplus arisen during the period / year		<b>301,965,575</b>	-
Deferred tax on incremental depreciation		<b>(3,599,269)</b>	(8,264,986)
Adjustment resulting from change of tax		<b>-</b>	(1,136,558)
		<b>370,351,679</b>	71,985,373
Revaluation surplus as at 30 June / 31 December - net of tax		<b><u>1,495,172,450</u></b>	<b><u>440,355,621</u></b>

**7.1** This represents surplus arisen on revaluation of freehold land, building on freehold land, plant and machinery, milk churns, electric and gas installations and other work equipment. The latest valuation is conducted as at 30 June 2017 by the valuation expert appointed by the Company. The valuation expert used a market based approach to arrive at the fair value of the Company's properties. This revaluation is carried out by K.G. Traders (Private) Limited (Independent valuer and consultant). Freehold land and building on freehold land are revalued on the basis of prevailing condition of property, location and present market value information from different real estate agents within the same vicinity. Plant and machinery, milk churns, electric and gas installations and other work equipment are revalued on the basis of present market value of the assets in similar condition and after considering the replacement value. The forced sale value of freehold land and building on freehold land as at 30 June 2017 is Rs. 613.27 million and Rs. 652.18 million respectively. Further, aggregate forced sale value of plant and machinery, milk churns, electric and gas installations and other work equipment as at 30 June 2017 is Rs. 3,512.95 million.

**8 Liabilities against assets subject to finance lease**

This includes amount of Rs. 30.10 million (31 December 2016: Rs. 25.45 million) payable to Askari Bank Limited, an associated undertaking.

		<b>Un-audited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2017</b>	<b>2016</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>9 Long term finances</b>	<i>Note</i>		
<i>Secured - markup bearing finances from conventional banks:</i>			
- Allied Bank Limited	9.1	<b>800,000,000</b>	-
- National Bank of Pakistan	9.2	<b>130,000,000</b>	-
		<b><u>930,000,000</u></b>	<b><u>-</u></b>

**9.1** This represents utilized amount of long term finance facility of Rs. 1,000 million obtained during the period to meet working capital requirement of the Company and to partly refinance BMR. The outstanding principal is repayable in twelve equal quarterly installments starting from 01 June 2019. This facility carries markup at the rate of 3 months KIBOR plus 85 bps per annum, payable quarterly in arrears. This facility is secured by way of first parri passu charge of Rs 1,334 million on present and future current and fixed assets of the Company and equitable mortgage of property / land measuring 112.25 kanals situated at Mauza Purana Bhalwal, Tehsil Bhalwal, District Sargodha, together with land, building, structures of all sorts, amenities, easements, etc. constructed or to be constructed thereon, plant and machinery, air conditioning / air conditioning plant, equipments, fittings and fixtures, appurtenances whatsoever, installed or to be installed therein / thereon etc.

**9.2** This represents utilized amount of long term finance facility of Rs 750 million obtained during the period for adjustment / retirement of LCs. The outstanding principal is repayable in six semi-annual installments starting from 30 June 2019. This facility carries markup at the rate of 3 Months KIBOR + 60 bps per annum, payable quarterly in arrears. This facility is secured by way of first parri passu charge on current and fixed assets of the Company (excluding land & building).



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		<b>Un-audited 30 June 2017 Rupees</b>	Audited 31 December 2016 Rupees
<b>10 Short term borrowings</b>	<i>Note</i>		
Interest / mark-up based loans - secured	10.1	<b>3,444,258,088</b>	2,109,251,334
Islamic mode of financing - secured	10.2	<b>2,207,000,000</b>	1,790,000,000
		<b><u>5,651,258,088</u></b>	<b><u>3,899,251,334</u></b>

		<b>Un-audited 30 June 2017 Rupees</b>	Audited 31 December 2016 Rupees
<b>10.1 Interest / mark-up based loans - secured</b>	<i>Note</i>		
Short term running finance	10.1.1 & 10.1.3	<b>3,444,258,088</b>	2,098,811,579
Finance against trust receipt	10.1.2	-	10,439,755
		<b><u>3,444,258,088</u></b>	<b><u>2,109,251,334</u></b>

#### 10.1.1 Short term running finances - secured

This represents utilized amount of short term running finance facilities ("facilities") under markup arrangements available from various commercial banks aggregating to Rs 4,138 million (31 December 2016: Rs 2,461 million). These facilities carry markup ranging between 6.60% to 6.62% per annum (31 December 2016: 6.54% to 6.99 %) per annum, payable quarterly in arrears. These facilities are secured by way of charge on all current assets and certain fixed assets of the Company. The facilities are expiring on various dates by June 2018.

#### 10.1.2 Finance against trust receipts (FATR) - secured

This represents utilized amount of facility on account of finance against trust receipts under markup arrangements availed from Soneri Bank Limited aggregating to Rs 500 million (31 December 2016: Rs 500 million) (sublimit of running finance facility). This facility carries markup ranging from 6.62% to 6.76% per annum (31 December 2016: 6.55% to 6.85%), payable quarterly in arrears. This facility is secured against charge on current and fixed assets of the Company (excluding land and building) amounting to Rs 1,333.334 million. The facilities are expiring on various dates by March, 2018.

**10.1.3** This includes balance of Rs. 884.64 million (31 December 2016: Rs. 1,034.32 million) payable to Askari Bank Limited, an associated undertaking.

#### 10.2 Islamic mode of financing - secured

This represents utilized amount of short term finance facilities (Istisna and Wakala Istithmar) availed from various banks aggregating to Rs 2,341 million (31 December 2016: Rs 2,193 million). These facilities carry markup ranging from 6.55% to 6.66% per annum (31 December 2016: 6.65% to 7.12%) per annum. These facilities are secured against present and future current and fixed assets of the Company.

### 10.3 Unavailed credit facilities

Out of total facilities for opening of letters of credit of Rs. 1,302.74 (31 December 2016: Rs 1,387.95 million) and guarantees of Rs. 17.42 million (31 December 2016: Rs 18.42 million) as at 30 June 2017 unutilized amount as of that date was Rs 805.08 million (31 December 2016: Rs 173.53 million).

	<i>Note</i>	<b>Un-audited 30 June 2017</b>	Audited 31 December 2016
<b>11 Trade and other payables</b>		<b>Rupees</b>	<b>Rupees</b>
Creditors		<b>586,265,033</b>	1,008,155,495
Advance from customers		<b>83,811,298</b>	63,459,201
Accrued expenses		<b>177,554,250</b>	126,114,736
Retention money payable		<b>37,510,740</b>	44,043,704
Due to employees		<b>271,318</b>	270,090
Withholding income tax payable		<b>12,104,882</b>	25,731,344
Withholding sales tax payable		<b>37,794,161</b>	15,556,960
Unclaimed dividend		<b>973,104</b>	973,104
Due to associated undertaking - unsecured	<i>11.1</i>	<b>1,227,947</b>	1,227,947
Payable to provident fund		<b>3,861,878</b>	3,356,686
Workers' profit participation fund		<b>297,697</b>	347,385
Others		<b>1,154,578</b>	2,067,057
		<b><u>942,826,886</u></b>	<b><u>1,291,303,709</u></b>

		<b>Un-audited 30 June 2017</b>	Audited 31 December 2016
<b>11.1 Due to associated undertaking - unsecured</b>		<b>Rupees</b>	<b>Rupees</b>
Noon Sugar Mills Limited		<b>521,947</b>	521,947
FFBL Power Company Limited		<b>706,000</b>	706,000
		<b><u>1,227,947</u></b>	<b><u>1,227,947</u></b>

### 12 Accrued finance cost

This includes amount of Rs. 11.28 million (31 December 2016: Rs. 12.95 million) payable to Askari Bank Limited, an associated undertaking.



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### 13 Contingencies and commitments

#### 13.1 Contingencies

- (i) The Company has issued following guarantees:

Guarantees aggregating Rs 17.42 million (31 December 2016: Rs 18.42 million) have been issued by banks on behalf of the Company to Sui Northern Gas Pipeline Limited and Controller Naval Account.

- (ii) There has been no significant changes in contingencies as reported in the annual audited financial statements of the Company for the year ended 31 December 2016, except:

During the period, Assistant Commissioner Inland Revenue (ACIR) issued sales tax order, dated 26 May 2017 for payment of sales tax of Rs. 974 million for sales tax along with default surcharge and penalty of Rs. 225 million due to alleged non-payment of sales tax of Rs. 974 million on "Chai Mix, Dairy Rozana and Dostea (tea whitener)". The order is based on the grounds that zero rating / 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 has filed an appeal before Commissioner Inland Revenue (CIR) which is pending adjudication. The management, on the basis of opinion of tax advisor is hopeful of the favorable outcome of this case, accordingly no provision has been created in this condensed interim financial information.

#### 13.2 Commitments

The Company has the following commitments in respect of:

- (i) Capital expenditure, against irrevocable letters of credit outstanding at the year end of Rs. 179.34 million (31 December 2016: Rs. 625.15 million).
- (ii) Other than capital expenditure, outstanding at the period end of Rs. 683.75 million (31 December 2016: Rs. 575.1 million).

	<b>Un-audited 30 June 2017 Rupees</b>	<b>Audited 31 December 2016 Rupees</b>
<i>Note</i>		

### 14 Property, plant and equipment

Operating fixed assets	14.1	<b>6,464,533,647</b>	3,821,427,382
Capital work in process	14.2	<b>425,583,887</b>	1,116,323,519
		<b><u>6,890,117,534</u></b>	<b><u>4,937,750,901</u></b>

	<i>Note</i>	<b>Un-audited 30 June 2017 Rupees</b>	Audited 31 December 2016 Rupees
<b>14.1 Operating fixed assets</b>			
Net book value at beginning of the period / year		<b>3,821,427,382</b>	1,008,477,814
Additions during the period / year		<b>1,496,138,629</b>	3,082,665,736
Disposals during the period / year		<b>(3,789,874)</b>	(77,017,655)
Depreciation charged during the period / year		<b>(214,423,187)</b>	(192,698,513)
Revaluation surplus arisen during the period / year		<b>1,365,180,697</b>	-
Net book value at end of the period/ year		<b><u>6,464,533,647</u></b>	<u>3,821,427,382</u>
<b>14.2 Capital work in progress</b>			
Plant and machinery		<b>258,540,614</b>	671,408,371
Office equipment		-	2,983,337
Building		<b>55,243,568</b>	412,976,413
Advances - plant and machinery		<b>104,052,705</b>	621,583
Leased vehicles		<b>7,747,000</b>	28,333,815
		<b><u>425,583,887</u></b>	<u>1,116,323,519</u>
<b>15 Stock-in-trade</b>			
<i>Raw and packing material</i>			
- In hand		<b>552,064,738</b>	335,483,439
- In transit		<b>159,643,830</b>	101,275,581
Work-in-process	<i>15.1</i>	<b>64,064,000</b>	72,762,966
Finished goods	<i>15.1</i>	<b>201,572,894</b>	175,283,807
		<b><u>977,345,462</u></b>	<u>684,805,793</u>
<b>15.1</b>			
The amount charged to profit and loss account on account of write down of finished goods and work in process to net realizable value amounts to Rs 23.79 million (31 December 2016: Rs 86.77 million).			
<b>16 Loan and advances</b>	<i>Note</i>	<b>Un-audited 30 June 2017 Rupees</b>	Audited 31 December 2016 Rupees
<i>Unsecured - considered good</i>			
Due from employees		<b>4,371,310</b>	4,197,291
Advance payments to supplier		<b>108,468,779</b>	44,283,164
		<b><u>112,840,089</u></b>	<u>48,480,455</u>



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		<b>Un-audited 30 June 2017 Rupees</b>	<b>Audited 31 December 2016 Rupees</b>
<b>17 Cash and bank balances</b>	<i>Note</i>		
Cash-in-hand		<b>797,720</b>	729,162
<i>Cash at banks on:</i>			
- Current accounts		<b>31,677,574</b>	714,695
- Saving accounts	17.1	<b>105,962,316</b>	331,874,572
- Dividend accounts		<b>221,491</b>	221,490
	17.2	<b>137,861,381</b>	332,810,757
		<b>138,659,101</b>	333,539,919

**17.1** This carries profit at the rates ranging from 3.40% to 4% (31 December 2016: 3.75% to 4%) per annum.

**17.2** This includes balance of Rs. 88.33 million (31 December 2016: Rs. 252.27 million) with Askari Bank Limited, an associated undertaking.

		<b>Un-audited 30 June 2017 Rupees</b>	<b>Un-audited June 30, 2016 Rupees</b>
<b>18 Cost of Sales</b>	<i>Note</i>		
Raw materials consumed		<b>1,270,917,334</b>	728,422,782
Salaries, wages and other benefits		<b>121,949,181</b>	67,526,869
Power and fuel		<b>123,589,959</b>	49,613,505
Packing materials consumed		<b>673,771,842</b>	259,248,765
Stores and spares consumed		<b>65,663,589</b>	33,516,424
Repair and maintenance		<b>41,330,169</b>	5,452,471
Rent, rates and taxes		<b>8,378,266</b>	6,278,439
<i>Depreciation on property, plant and equipment</i>			
- Milk collection centres		<b>21,615,761</b>	6,144,906
- Production facility		<b>174,679,195</b>	46,603,472
Insurance		<b>5,198,800</b>	7,479,891
		<b>2,507,094,096</b>	1,210,287,524
<i>Adjustment of work-in-process</i>			
Opening stock		<b>72,762,966</b>	37,241,000
Closing stock	15	<b>(64,064,000)</b>	(57,257,937)
		<b>8,698,966</b>	(20,016,937)
Cost of goods manufactured		<b>2,515,793,062</b>	1,190,270,587
<i>Adjustment of finished goods</i>			
Opening stock		<b>175,283,807</b>	33,971,363
Closing stock	15	<b>(201,572,894)</b>	(236,787,264)
		<b>(26,289,087)</b>	(202,815,901)
		<b>2,489,503,975</b>	987,454,686

**19 Marketing and distribution expense**

This mainly includes advertisement expenses of Rs. 630.74 million (30 June 2016: Rs. 413.26 million) incurred during the period on promotion of the Company's products.

**20 Other income**

This includes an amount of Rs. 3.41 million (30 June 2016: Rs. 3.15 million) earned on account of interest/ markup based deposits.

	<i>Note</i>	Un-audited 30 June 2017 Rupees	Un-audited 30 June 2016 Rupees
<b>21 Finance cost</b>			
<i>Islamic mode of financing</i>			
- Istisna		<b>69,975,154</b>	16,055,167
<i>Interest and markup on:</i>			
- Long term finance		<b>9,189,997</b>	-
- Short term borrowings		<b>91,937,248</b>	41,479,023
- Finance lease		<b>5,525,757</b>	3,936,754
Bank charges and commission		<b>1,671,106</b>	533,553
		<b><u>178,299,262</u></b>	<b><u>62,004,497</u></b>

**22 Taxation**

*Current:*

- For the year	22.1	-	-
- Prior years		-	-
		-	-
Deferred tax for the year		<b><u>(52,596,012)</u></b>	213,178,654
		<b><u>(52,596,012)</u></b>	<b><u>213,178,654</u></b>

**22.1** In view of available tax losses under normal tax regime, the provision for current tax represents tax under "Minimum Tax" scheme under section 113, of Income Tax Ordinance, 2001. Current tax charge for the year has been restricted to zero due to availability of tax credit related to balancing, modernization and replacement of plant and machinery already installed under section 65B of the Income Tax Ordinance, 2001.



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**23 Related party transactions and balances**

Related parties comprise of associated undertakings, directors, entities with common directorship, post employment plans and key management personnel. Balances are disclosed elsewhere in this condensed interim financial information . Significant transactions with related parties are as follows:

<b>Relationship with the company</b>	<b>Nature of transactions</b>	<b>Un-audited 30 June 2017 Rupees</b>	<b>Un-audited 30 June 2016 Rupees</b>
<b>i. Associated Undertakings</b>			
Noon Sugar Mills Limited	Expense paid to others	-	23,314
	Expense paid on behalf of the Company	-	11,356
Fauji Fertilizer Bin Qasim Limited	Salaries of seconded employees charged to the Company	<b>23,380,969</b>	12,163,205
	Repairs and maintenance and building rent expense	<b>18,245,218</b>	4,732,836
	Sale of fixed assets	<b>3,509,775</b>	-
Askari Bank Limited	Finance cost charged	<b>27,992,255</b>	10,123,921
	Interest income on saving accounts	<b>1,366,488</b>	-
	Utilities expense paid	<b>221,312</b>	-
Employee's Provident Fund Trust	Contribution for the period	<b>11,607,529</b>	5,332,314
<b>ii. Associated persons</b>			
Mr. Salman Hayat Noon (Non-Executive Director)	Purchase of land	-	16,500,000
	Consultancy fee expense	<b>3,936,654</b>	3,286,809
Mr. Malik Adnan Hayat Noon (Non-Executive Director)	Purchase of land	-	16,500,000
Directors	Meeting fee	<b>811,500</b>	530,900
Key Management Personnel	Remuneration and benefits	<b>34,238,209</b>	8,058,856

## 24 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:

30 June 2017 (Un-audited)					
Carrying amount			Fair value		
Loans and receivables	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3

----- Rupees -----

### On-Balance sheet financial instruments

**30 June 2017**

#### Financial assets not measured at fair value

Security deposits	37,505,681	-	37,505,681	-	-	-
Trade debts	80,869,334	-	80,869,334	-	-	-
Due from employees	4,371,310	-	4,371,310	-	-	-
Due from Associated Companies	260,559	-	260,559	-	-	-
Other receivables	253,296,882	-	253,296,882	-	-	-
Bank balances	137,861,381	-	137,861,381	-	-	-
24.2	<u>514,165,147</u>	<u>-</u>	<u>514,165,147</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Financial liabilities not measured at fair value

Long term finances	-	930,000,000	930,000,000	-	-	-
Liabilities against assets subject to finance lease	-	155,559,441	155,559,441	-	-	-
Trade and other payables	-	808,818,848	808,818,848	-	-	-
Short term borrowing	-	5,651,258,088	5,651,258,088	-	-	-
Accrued finance cost	-	72,609,782	72,609,782	-	-	-
24.2	<u>-</u>	<u>7,618,246,159</u>	<u>7,618,246,159</u>	<u>-</u>	<u>-</u>	<u>-</u>



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## 24.1 Fair value measurement of financial instruments

31 December 2016 (Audited)					
Carrying amount			Fair value		
Loans and receivables	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3

Note ----- Rupees -----

### On-Balance sheet financial instruments

#### 31 December 2016

#### Financial assets not measured at fair value

Security deposits	33,925,460	-	33,925,460	-	-	-
Trade debts	77,969,418	-	77,969,418	-	-	-
Due from employees	4,197,291	-	4,197,291	-	-	-
Due from Associated Companies	39,247	-	39,247	-	-	-
Other receivables	103,357,506	-	103,357,506	-	-	-
Bank balances	332,810,757	-	332,810,757	-	-	-
24.2	<u>552,299,679</u>	<u>-</u>	<u>552,299,679</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Financial liabilities not measured at fair value

Liabilities against assets subject to finance lease	-	166,016,779	166,016,779	-	-	-
Trade and other payables	-	1,182,597,290	1,182,597,290	-	-	-
Short term borrowing	-	3,899,251,334	3,899,251,334	-	-	-
Accrued finance cost	-	49,716,962	49,716,962	-	-	-
24.2	<u>-</u>	<u>5,297,582,365</u>	<u>5,297,582,365</u>	<u>-</u>	<u>-</u>	<u>-</u>

**24.2** 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.

**24.3 Fair value of property, plant and equipment**

Freehold land, buildings on freehold land, plant and machinery, milk churns, electric and gas installations and other work equipment have been carried at revalued amounts determined by professional valuer (level 3) based on their assessment of market value as disclosed in note 7. The latest valuation is conducted by the valuation expert appointed by the Company. The valuation expert used a market based approach to arrive at the fair value of the Company's properties. This revaluation is carried out by K.G. Traders (Private) Limited (Independent valuer and consultant). Freehold land and building on freehold land are revalued on the basis of prevailing condition of property, location and present market value information from different real estate agents within the same vicinity. Plant and machinery, milk churns, electric and gas installations and other work equipment are revalued on the basis of present market value of the assets in similar condition and after considering the replacement value. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in this condensed interim financial information.

**25 Financial risk management**

The Company's financial risk management objective and policies are consistent with that disclosed in the annual audited financial statements of the Company for the period ended 31 December 2016.

**26 Date of authorization**

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on July 25, 2017.

Lahore



Chairman



Chief Executive



Director



**fauji foods**

**Head Office**

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