



fauji foods



**Condensed Interim
Financial Information
For The
Nine Months Period Ended
30 SEPTEMBER
2017**



TABLE OF CONTENTS

● Corporate Information	2-3
● Directors' Report to the Shareholders	4-5
● Directors' Report to the Shareholders in Urdu	6-7
● Condensed Interim Balance Sheet	8-9
● Condensed Interim Profit and Loss Account	10
● Condensed Interim Statement of Other Comprehensive Income	11
● Condensed Interim Statement of Changes in Equity	12
● Condensed Interim Cash Flow Statement	13
● Notes to the Condensed Interim Financial Information	14-17



fauji foods

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**

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

MCB Bank Limited

Askari Bank Limited

Allied Bank Limited

Bank Islami Pakistan

Bank Al Habib Limited

Dubai Islamic Bank Pakistan Limited

Dubai Islamic Bank Pakistan Limited

Soneri Bank Ltd.

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

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.



fauji foods

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 nine months period ended September 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 the current quarter Low Fat milk and various flavors of Lassi were launched targeting health conscious and niche consumer market. These launches are a continuation in a series of new products that are being launched this year which include MUST juices and flavored milk. Also during this quarter 125 ml pack of flavored milk was launched. These newly launched products were well received across all consumers segments.

Successful commissioning of latest UHT Plant at Bhalwal which has not only resulted in enhancement of production capacity but also the reliability and efficiency of the Company's production facility which was completed in the first quarter of this year.

Overall dairy sector growth declined due to 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. The net turnover during third quarter saw a growth of 53% compared to second quarter of 2017.

Financial Performance

During the nine months under review, the net sales of the Company stood at Rs 4,441 million compared with Rs 1,974 million in the corresponding period last year showing a growth of 125%. Net sales for the third quarter is Rs. 1,921 million compared with Rs 894 million in the corresponding period last year recording a growth of 114%.

Net Loss for nine months period is Rs 1,937 million compared with net loss of Rs 747 million in the corresponding period last year.

The increase in net losses is mainly due to inability of Company to increase prices of certain products despite increase in its processing cost, including impact of change in Tax regime, higher trade offer, discounts, marketing cost and high availability of low priced loose milk through informal sector.

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

Right Issue

The Board of Directors in its meeting held on July 25, 2017 has approved issuance of right shares at par value; for funding business expansion and working capital requirements. In Extra Ordinary General Meeting of Shareholders, held on September 18, 2017 necessary approval was given, enabling the Company to issue 300% right share to both classes of shareholders as per their respective class. In first week of October trading of right shares has started in Pakistan Stock Exchange.

Future Outlook

The industry is recovering from the negative media campaign against packaged Milk and Tea Whitener and is expected to grow in the period ahead. 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 ShaALLAH.

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



Lt Gen Javed Iqbal HI (M), Retd
Chief Executive & Managing Director

Dated: October 18, 2017



fauji foods

ڈائریکٹران رپورٹ برائے ممبران

فوجی فوڈز لمیٹڈ کے ڈائریکٹران 30 ستمبر 2017 کو اختتام پزیر ہونے والے نو ماہی 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 فریڈائزر بن قاسم لمیٹڈ (50.28% شیئر ہولڈنگ) اور فوجی فاؤنڈیشن (12.75% شیئر ہولڈنگ) کے اکثریتی حصص کی ملکیت پر مبنی دودھ اور اس سے بنی غذائی اشیاء، جوس اور جام تیار کرنے والی کمپنی ہے۔ کمپنی کا "نور پور" برانڈ پاکستان میں طویل عرصہ سے سب سے زیادہ جاننا پکانا نام ہے۔

کاروباری جائزہ

رواں سہ ماہی عرصہ میں اپنی صحت کا خیال رکھنے والے صارفین کے لیے کم چکنائی پر مشتمل دودھ اور متعدد ذائقوں میں لمبی متعارف کروائی گئی۔ یہ مصنوعات نئی متعارف کی گئی مصنوعات کی سیریز کا تسلسل ہے جو کہ اسی سال متعارف کروائی گئی تھیں جس میں MUST جوس اور ڈانکے دار دودھ شامل ہیں۔ اس کے علاوہ اس سہ ماہی عرصہ میں 125 ملی لیٹر بیکنگ میں ڈانکے دار دودھ متعارف کروایا گیا۔ ان تمام نئی متعارف کروائی گئی مصنوعات کو صارفین کے ہر طبقے میں بھرپور مقبولیت حاصل ہوئی۔

جدید ترین (UHT) پلانٹ کی بحلولال میں کامیاب تحصیل کے نتیجے میں، جو کہ اس سال کے پہلے سہ ماہی عرصہ میں مکمل ہوئی، نہ صرف ہماری پیداواری گنجائش میں اضافہ ہوا ہے بلکہ کمپنی کی پیداواری استعداد پر اعتماد اور سہولیات میں بھی اضافہ ہوا ہے۔

پیک شدہ دودھ کے خلاف میڈیا کی جانب سے منفی تحریک اور پنجاب فوڈ اتھارٹی کی جانب سے ٹی وائٹ پر مخصوص قسم کے لیبل چسپاں کرنے کی ہدایتوں کی بنا پر جموئی طور پر ڈیری سیکٹر کی ترقی میں کمی واقع ہوئی۔ ان تمام مشکل حالات کے باوجود کمپنی نے اپنی مصنوعات کے مارکیٹ شیئر کو مسلسل بہتر کیا ہے۔ دوسرے سہ ماہی عرصہ کے مقابلے میں تیسرے سہ ماہی عرصہ کے دوران مصنوعات کی بکری میں 53 فیصد اضافہ سامنے آیا۔

مالی نتائج

سابقہ نو ماہی عرصہ کے دوران کمپنی مصنوعات کی فروخت سے حاصل شدہ کل رقم 1,974 ملین روپے کے مقابلے میں کمپنی نے اس سال زیر جائزہ نو ماہی عرصہ کے دوران 125 فیصد اضافی شرح سے 4,441 ملین روپے کا حصول کیا۔ سابقہ تیسری سہ ماہی کی خالص فروخت سے حاصل شدہ کل رقم 894 ملین روپے کے مقابلے میں اس سال زیر جائزہ تیسری سہ ماہی کے عرصہ میں یہ رقم 114 فیصد اضافے کے ساتھ 1,921 ملین روپے ہے۔

کمپنی کو سابقہ نو ماہی عرصہ کے دوران ہونے والے 747 ملین روپے کے خالص نقصان کے مقابلے میں زیر جائزہ نو ماہی عرصہ میں ہونے والا نقصان 1,937 ملین روپے ہے۔

خالص نقصانات میں اضافے کی بنیادی وجوہات میں مصنوعات کی تیاری کی قیمتوں میں اضافے کے باوجود کمپنی کی جانب سے مخصوص مصنوعات کی قیمتوں میں اضافہ کرنے میں ناکامی، ٹیکس نظام میں تبدیلیوں کے اثرات، اضافی کاروباری پیچیدگی، رعایتیں، مارکیٹنگ اخراجات اور بازار میں کم قیمت پر کھلے دودھ کی وافر مقدار میں دستیابی شامل ہیں۔

مزید برآں 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 نقصان میں اضافہ کی وجہ بنا۔ گوسابقہ 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 ناکافی ہے۔ توقع ہے کہ پیداواری گنجائش میں اضافے کے مطابق فروخت سے حاصل شدہ رقوم میں اضافے کے ساتھ ساتھ یہ مستقل اخراجات معمول پر آ جائیں گے۔

رائٹ شیئرز کا اجراء

ڈائریکٹران نے کمپنی کے کاروبار میں توسیع اور جاری اخراجات کی مدت 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 شیئرز کے اجراء کی منظوری دی ہے۔ 18 ستمبر 2017 کو منعقد ہونے والے حصص یافتگان کے غیر معمولی اجلاس عام میں دونوں اقسام کے حصص کے لیے ان حصص کی اپنی اپنی کلاس میں 300% رائٹ شیئرز کے اجراء کی منظوری دی جا چکی ہے۔ اکتوبر کے پہلے ہفتے سے پاکستان اسٹاک ایکسچینج میں رائٹ شیئرز کی خرید و فروخت شروع ہو چکی ہے۔

مستقبل کی پیش گوئی

توقع ہے کہ پیک شدہ دودھ اور ٹی وائٹرز کے خلاف میڈیا کے منفی پریسکندہ کے اثرات سے نکل کر مستقبل میں انڈسٹری ترقی کی جانب گامزن ہوگی۔ ڈیری انڈسٹری میں بڑھتی ہوئی مسابقت کے باوجود کمپنی جدت، مصنوعات کی تیاری کے مراحل میں اصلاحات اور قیمتوں پر منوٹر کنٹرول کے ذریعے اپنے حصص یافتگان کی قدر میں اضافے پر اپنی توجہ مرکوز رکھے گی اور انشا اللہ مارکیٹ شیئرز میں اضافے کی شرح کو برقرار رکھے گی۔

بورڈ کمپنی پر اعتماد اور مسلسل تعاون کے لیے تمام معزز ممبران اور مالیاتی اداروں کا شکر گزار ہے۔ اس کے علاوہ بورڈ کمپنی کے تمام ملازمین کی جانب سے لگن، توجہ اور محنت سے کی گئی ان تمام کادشوں کو تسلیم کرتا ہے۔



لیفٹیننٹ جنرل جاوید اقبال
ہال امتیاز (ملری)، (ریٹائرڈ)
چیف ایگزیکٹو ایڈیٹور



لیفٹیننٹ جنرل خالد نواز خان
ہال امتیاز (ملری)، ستارہ ماہانہ (ریٹائرڈ)
چیئرمین



fauji foods

Condensed Interim Balance Sheet

As at 30 September 2017

	Unaudited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
EQUITY AND LIABILITIES	<i>Note</i>	
<u>Share capital and reserves</u>		
Authorized capital 700,000,000 (31 December 2016: 700,000,000) ordinary shares of Rs 10 each	7,000,000,000	7,000,000,000
Issued, subscribed and paid up capital 132,101,798 (31 December 2016: 132,101,798) ordinary shares of Rs 10 each	1,321,017,980	1,321,017,980
Share premium	1,966,772,143	1,966,772,143
Accumulated loss	(3,393,084,094)	(1,486,605,671)
	(105,293,971)	1,801,184,452
Surplus on revaluation of property, plant and equipment - net of tax	1,473,358,644	440,355,621
<u>Non-current liabilities</u>		
Liabilities against assets subject to finance lease	111,295,570	129,919,028
Employee benefits	49,854,375	32,822,224
Long term finances	930,000,000	-
	1,091,149,945	162,741,252
<u>Current liabilities</u>		
Short term borrowings	6,494,743,386	3,899,251,334
Current portion of liabilities against assets subject to finance lease	40,056,347	36,097,751
Trade and other payables	860,146,957	1,291,303,709
Accrued finance cost	106,922,674	49,716,962
	7,501,869,364	5,276,369,756
	9,961,083,982	7,680,651,081
Contingencies and commitments	5	

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

Chairman

Chief Executive

ASSETS	<i>Note</i>	Unaudited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
<u>Non-current assets</u>			
Property, plant and equipment	6	6,868,992,462	4,937,750,901
Intangible assets		4,848,937	4,441,250
Security deposits		944,306	944,306
Deferred taxation - net		580,386,838	628,541,639
		7,455,172,543	5,571,678,096
<u>Current assets</u>			
Stores, spares and loose tools		150,789,338	93,931,361
Stock-in-trade		957,006,179	684,805,793
Trade debts		101,774,569	77,969,418
Loans and advances		127,044,086	48,480,455
Deposits, prepayments and other receivables		189,421,569	141,347,588
Due from Associated Companies		763,573	39,247
Sales tax refundable - net		490,263,225	475,950,146
Income tax - net		404,257,074	252,909,058
Cash and bank balances		84,591,826	333,539,919
		2,505,911,439	2,108,972,985
		9,961,083,982	7,680,651,081


Director


Chief Financial Officer



fauji foods

Condensed Interim Profit and Loss Account (Un-Audited)

For the Nine Months Period Ended 30 September 2017

	For the quarter ended		For the nine months period ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Note	----- Rupees -----		----- Rupees -----	
Sales - net	1,921,556,368	894,443,344	4,441,595,674	1,974,482,647
Cost of sales	(1,853,350,867)	(864,611,196)	(4,342,854,842)	(1,852,065,882)
Gross profit	68,205,501	29,832,148	98,740,832	122,416,765
Marketing and distribution expense	(753,289,316)	(380,361,920)	(1,666,332,868)	(946,242,151)
Administrative expenses	(95,076,107)	(78,838,107)	(308,443,313)	(177,914,562)
Other income	4,003,193	5,009,228	20,331,895	16,145,766
Other expenses	(2,938,936)	(2,312,040)	(7,663,599)	(27,390,291)
Loss from operations	(779,095,665)	(426,670,691)	(1,863,367,053)	(1,012,984,473)
Finance cost	(131,898,046)	(24,776,109)	(327,134,243)	(86,780,606)
Loss before taxation	(910,993,711)	(451,446,800)	(2,190,501,296)	(1,099,765,079)
Taxation	201,214,762	139,677,395	253,810,774	352,856,049
Loss for the period	(709,778,949)	(311,769,405)	(1,936,690,522)	(746,909,030)
Loss per share - basic and diluted	(5.37)	(2.36)	(14.66)	(7.23)

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

Chairman

Chief Executive

Director

Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the Nine Months Period Ended 30 September 2017

	For the quarter ended		For the nine months period ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	----- Rupees -----		----- Rupees -----	
Loss for the period	(709,778,949)	(311,769,405)	(1,936,690,522)	(746,909,030)
<u>Other comprehensive income for the period</u>				
<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)	-	-	-	-
Total comprehensive income for the period	<u>(709,778,949)</u>	<u>(311,769,405)</u>	<u>(1,936,690,522)</u>	<u>(746,909,030)</u>

The annexed notes 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.



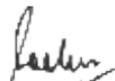
Chairman



Chief Executive



Director



Chief Financial Officer



fauji foods

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

For the Nine Months Period Ended 30 September 2017

Issued, subscribed and paid-up capital	Capital reserve			Revenue reserve	Total
	Advance against share capital	Share premium	Sub - total	Accumulated loss	

----- Rupees -----

As at 01 January 2016
(audited) 313,632,000 (538,082,120) (224,450,120)

**Total comprehensive
income for the period**

Loss after taxation	-	-	-	(746,909,030)	(746,909,030)
Other comprehensive income	-	-	-	-	-

**Surplus transferred to
accumulated losses**

Incremental depreciation relating to surplus on revaluation - net of tax	-	-	-	13,800,885	13,800,885
--	---	---	---	------------	------------

**Transactions with owners
of the Company**

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

Balance as at 30 September 2016 (un-audited) 1,321,017,980 1,966,772,143 1,966,772,143 (1,271,190,265) 2,016,599,858

**Total comprehensive
income for the period**

Loss after taxation	-	-	-	(220,010,784)	(220,010,784)
Other comprehensive income	-	-	-	-	-

**Surplus transferred to
accumulated losses**

Incremental depreciation relating to surplus on revaluation - net of tax	-	-	-	4,595,378	4,595,378
--	---	---	---	-----------	-----------

Balance as at 31 December 2016 (audited) 1,321,017,980 1,966,772,143 1,966,772,143 (1,486,605,671) 1,801,184,452

**Total comprehensive
income for the period**

Loss after taxation	-	-	-	(1,936,690,522)	(1,936,690,522)
Other comprehensive income	-	-	-	-	-

**Surplus transferred to
accumulated losses**

Surplus transferred on account of incremental depreciation charged during the period - net of tax	-	-	-	30,212,099	30,212,099
---	---	---	---	------------	------------

Balance as at 30 September 2017 (un-audited) 1,321,017,980 1,966,772,143 1,966,772,143 (3,393,084,094) (105,293,971)

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

Chairman

Chief Executive

Director

Chief Financial Officer

Condensed Interim Cash Flow Statement (Un-Audited)

For the Nine Months Period Ended 30 September 2017

	30 September 2017 Rupees	30 September 2016 Rupees
<u>Cash flows from operating activities</u>		
Loss before taxation	(2,190,501,296)	(1,099,765,079)
<i>Adjustments for non-cash items:</i>		
Depreciation on property, plant and equipment	6 350,653,033	98,202,262
Amortization of intangible assets	1,499,229	616,216
Gain on disposal of property, plant and equipment	(1,871,121)	(3,849,917)
Profit on bank deposits	(6,487,347)	(6,438,664)
Unrealized foreign exchange loss / (gain)	7,993,642	(1,331,792)
Provision for obsolete stores and spares	-	11,849,491
Provision for doubtful debts	-	9,000,000
Provision for employee retirement benefits	19,500,000	11,500,000
Finance cost	300,911,411	86,780,606
Loss before working capital changes	(1,518,302,450)	(893,436,877)
<u>Effect on cash flow due to working capital changes</u>		
<i>(Increase) / decrease in current assets:</i>		
Stores, spares and loose tools	(56,857,974)	(113,767,729)
Stock-in-trade	(272,200,386)	(551,502,214)
Trade debts	(23,805,151)	800,684
Loans and advances	(78,563,631)	(124,440,740)
Deposits, prepayments and other receivables	(48,073,981)	(167,562,857)
Due from Associated Companies	(724,326)	153,135
Sales tax refundable	(14,313,079)	(381,563,682)
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	(439,150,394)	780,390,298
	(933,688,922)	(557,493,105)
Cash used in operations	(2,451,991,372)	(1,450,929,982)
Income tax paid	(151,348,016)	(134,751,100)
Employee retirement benefits paid	(2,467,851)	(694,136)
Security deposits - net	-	213,000
Net cash used in operating activities	(2,605,807,239)	(1,586,162,218)
<u>Cash flow from investing activities</u>		
Fixed capital expenditure	(922,410,688)	(2,778,776,982)
Sale proceeds from disposal of property, plant and equipment	5,660,995	77,827,482
Income on bank deposits received	6,487,347	6,438,664
Net cash used in investing activities	(910,262,346)	(2,694,510,836)
<u>Cash flow from financing activities</u>		
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	(14,664,861)	(30,647,051)
Short term borrowings - net	656,560,245	676,433,460
Finance cost paid	(243,705,699)	(69,605,487)
Net cash generated from financing activities	1,328,189,685	3,550,339,045
Net (decrease) / increase in cash and cash equivalents	(2,187,879,900)	(730,334,009)
Cash and cash equivalents - at beginning of the period	(1,765,271,660)	(534,451,428)
Cash and cash equivalents - at end of the period	(3,953,151,560)	(1,264,785,437)
<i>Cash and cash equivalents comprise of the following:</i>		
- Cash and bank balances	84,591,826	417,950,612
- Running finances	(4,037,743,386)	(1,682,736,049)
	(3,953,151,560)	(1,264,785,437)

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



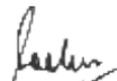
Chairman



Chief Executive



Director



Chief Financial Officer



fauji foods

Notes to the Condensed Interim Financial Information (Un-Audited)

For the Nine Months Period Ended 30 September 2017

1. The Company and its operations

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.

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 September 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.

This condensed interim financial information of the Company for the nine months ended 30 September 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 nine months' period ended 30 September 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.

5. Contingencies and commitments

5.1 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.

5.2 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. 186.41 million (31 December 2016: Rs. 625.15 million).
- (ii) Other than capital expenditure, outstanding at the period end of Rs. 1,222.99 million (31 December 2016: Rs. 575.1 million).

	<i>Note</i>	Un-audited 30 September 2017 Rupees	Audited 31 December 2016 Rupees
6. Property, plant and equipment			
Operating fixed assets	6.1	6,536,513,480	3,821,427,382
Capital work in process	6.2	332,478,982	1,116,323,519
		<u>6,868,992,462</u>	<u>4,937,750,901</u>
6.1 Operating fixed assets			
Net book value at beginning of the period / year		3,821,427,382	1,008,477,814
Additions during the period / year		1,704,348,308	3,082,665,736
Disposals during the period / year		(3,789,874)	(77,017,655)
Depreciation charged during the period / year		(350,653,033)	(192,698,513)
Revaluation surplus arisen during the period / year		1,365,180,697	-
Net book value at end of the period / year		<u>6,536,513,480</u>	<u>3,821,427,382</u>
6.2 Capital work in progress			
Plant and machinery		179,643,643	671,408,371
Office equipment		-	2,983,337
Building		139,232,339	412,976,413
Advances - plant and machinery		-	621,583
Leased vehicles		13,603,000	28,333,815
		<u>332,478,982</u>	<u>1,116,323,519</u>

7. Related party transactions and balance

Related parties comprise of associated undertakings, directors, entities with common directorship, post employment plans and key management personnel. Amounts due from and to related parties are shown under respective heads and remuneration of Chief Executive and Directors as key management personnel is disclosed in note . Significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	Un-Audited 30, September 2017 Rupees	Un-Audited 30, September 2016 Rupees
i. Associated Undertakings			
Noon Sugar Mills Limited	Expense paid to others on behalf of the related party	-	23,314
	Expense paid by related party on behalf of the Company	-	11,356
Fauji Fertilizer Bin Qasim Limited	Salaries of seconded employees charged by related party	27,344,435	23,718,164
	Repair & maintenance and building rent expense charged by related party	25,664,818	10,427,614
Askari Bank Limited	Finance cost charged by related party	41,234,120	13,774,107
	Interest Income on Saving accounts	2,007,622	-
	Utilities Expense paid on behalf of the related party	984,998	-
Employee's Provident Fund Trust	Contribution for the year / period	15,696,397	10,026,979
ii. Associated persons			
Mr. Salman Hayat Noon (Non-Executive Director)	Purchase of land	-	16,500,000
	Consultancy fee expense	5,178,654	5,923,773
Mr. Malik Adnan Hayat Noon (Non-Executive Director)	Purchase of land	-	16,500,000
Directors	Meeting Fee	919,500	636,400
Key Management Personnel	Remuneration and benefits	45,586,346	15,880,863

8. 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.

9. Date of authorization

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on October 18, 2017.



Chairman



Chief Executive



Director



Chief Financial Officer



fauji foods

Head Office

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

+92-42-99205933-34 | +92-42-99205943

www.faujifoods.com