

Condensed
Interim Financial
Information
For The
Nine Months
Period Ended
30 September
2018



fauji foods

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CORPORATE INFORMATION

Board of Directors

Lt Gen Syed Tariq Nadeem Gilani
Chairman

HI(M), (Retd)

Lt Gen Javed Iqbal - CE & MD

HI(M), (Retd)

Lt Gen Tariq Khan

HI(M), (Retd)

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

Syed Aamir Ahsan

Chief Financial Officer

Syed Aamir Ahsan

Company Secretary

Brig Zahid Nawaz Mann

SI(M), (Retd)

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisers

Qazi Imran Zahid
(Advocate Supreme Court)

Audit Committee

Mr. Iltifat Rasul Khan

Mr. Qaiser Javed

Dr. Nadeem Inayat

Lt Col Abdul Khaliq Khan (Retd)

HR & R Committee

Mr. Par Soderlund

Dr. Nadeem Inayat

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

Lt Col Abdul Khaliq Khan (Retd)

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

Technical Committee

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

Lt Col Abdul Khaliq Khan (Retd)

Dr. Rashid Bajwa

Website

www.faujifoods.com

Plant

Bhalwal, District Sargodha.

Business Review Committee

Dr. Rashid Bajwa

Dr. Nadeem Inayat

Syed Aamir Ahsan

Mr. Par Soderlund

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

**For The
Nine Months
Period Ended
30 September
2018**

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 ended September 30, 2018.

Principal Activities

Fauji Foods Limited, a majority owned Company of Fauji Fertilizer Bin Qasim Limited (50.59 percent shareholding) and Fauji Foundation (12.75 percent shareholding) is engaged in processing, and marketing of dairy products, juices and jams. The Company's brand "Nurpur" is one of the oldest and highly recognized brand in Pakistan.

Business Review

During the period under review the Company managed to increase its revenues by 34 percent from corresponding period of the last year despite tough business environment. Overall dairy sector growth declined due to negative perception created in the media on packaged milk.

The Company also faced impact in UHT plain white milk segment due to the judgment of Honorable Supreme Court which enforced a ban on production and sales of Nurpur and all market stocks had to be lifted back. On subsequent retesting of the milk the Honorable Supreme Court lifted the ban. Impact of that order on UHT sales continued to be felt in the third quarter.

Financial Performance

During the period under review, the total net sales of the Company stood at Rs 5,970 million compared with Rs 4,441 million while gross profit stood at Rs 452 million compared with Rs 99 million during the corresponding period last year, registering a 356 percent improvement.

Loss from operations stood at Rs 1,686 million compared with loss of Rs 1,863 million in the corresponding period of last year registering a reduction of 10 percent. The loss after tax stood at Rs 2,374 million compared with Rs 1,937 million loss in the corresponding period of last year. This loss is mainly due to additional sales and marketing campaigns to counter the negative media coverage on Company's products after the decision of Honorable Supreme Court order on UHT milk, depreciation of Pak Rupee, higher finance costs owing to increase in policy rate by SBP and deferred tax expense related to changes in tax rates through Finance Act 2018.

In pursuance to increase further market share and presence of stiff market competition, the Company was not able to pass on the resulting impact.

Management continued its various initiatives to transform the Company towards a more sustainable business model, such as optimum production levels, strengthening of milk collection centers, revamping brands, augmenting the customer base, and increasing sales & distribution infrastructures.

Consolidation of classes of shares

In March 26, 2018, Shareholders approved merging of voting and non-voting shares of the Company into one class of shares and increased the authorized share capital to 700,000,000 ordinary shares of Rs 10 each.

Acquisition intent by Inner Mongolia Yili Industrial Group Company Limited

On July 31, 2018, a Chinese State owned Corporation related to dairy industry showed its interest in acquisition of 51% shareholding in Fauji Foods Limited. Due diligence is under process. Management will keep apprising all shareholders of developments in this matter through prompt Stock Exchange announcements.

Future Outlook

Market share of the Company's products has further increased and management expects that Company will In Sha ALLAH continue to grow its volume and market share.

The Board is thankful to the valuable shareholders 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.



Lt Gen Syed Tariq Nadeem Gilani

HI (M), (Retd)
Chairman



Lt Gen Javed Iqbal

HI (M), (Retd)
CE&MD

Dated : October 24, 2018

ڈائریکٹر ان رپورٹ برائے ممبران

فوجی فوڈز لمیٹڈ کا بورڈ آف ڈائریکٹرز 30 ستمبر 2018 کو اختتام پزیر ہونے والے نو ماہی عرصہ کے لیے غیر آڈٹ شدہ مالیاتی حسابات پر ڈائریکٹر ان کی رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہا ہے۔

بنیادی سرگرمیاں

فوجی فوڈز لمیٹڈ، فوجی فرنیچر بن قاسم لمیٹڈ (50.59 فیصد شیئر ہولڈنگ) اور فوجی فاؤنڈیشن (12.75 فیصد شیئر ہولڈنگ) کے اکثریتی حصص کی ملکیت پڑتی دودھ اور اس سے بنی ہوئی غذائی اشیاء، جوس اور جام تیار کرنے والی کمپنی ہے۔ کمپنی کا ”نور پور“ برانڈ پاکستان میں طویل عرصہ سے سب سے زیادہ جانا پہچانا نام ہے۔

کاروباری جائزہ

سخت کاروباری حالات کے باوجود سابقہ سال کے تقابلی عرصہ کے مقابلے میں زیر جائزہ عرصہ کے دوران کمپنی 34 فیصد اضافی ریونیو حاصل کرنے میں کامیاب رہی۔ پیکڈ ملک کے معاملہ میں میڈیا کی جانب سے پھیلائے گئے منفی تاثر کی بنا پر ڈیری انڈسٹری کی نشوونما میں مجموعی طور پر کمی واقع ہوئی۔ عدالت عظمیٰ پاکستان کے ایک فیصلے کی بنا پر جس کی وجہ سے نور پور دودھ کی پیداوار اور فروخت پر پابندی لگا دی گئی اور کمپنی کا بازار سے اس کا تمام اسٹاک واپس اٹھانا پڑا۔ بعد ازاں دودھ کے دوبارہ جانچ کیے جانے پر عدالت عظمیٰ نے پابندی اٹھا دی۔ UHT دودھ پر اس حکم کے منفی اثرات تیسری سہ ماہی تک محسوس کیے جاتے رہے۔

مالیاتی کارکردگی

سابقہ سال کے تقابلی عرصہ کے دوران فروخت سے حاصل ہونے والے 4,441 ملین روپے کے مقابلے میں زیر جائزہ عرصہ کے دوران فروخت سے حاصل شدہ رقم 5,970 ملین روپے رہی جبکہ سابقہ تقابلی عرصہ کے دوران حاصل کردہ 99 ملین روپے کے مقابلے میں اس سال کے زیر جائزہ عرصہ کے دوران 356 فیصد اضافے کے ساتھ 452 ملین روپے کا خام منافع حاصل ہوا۔

سابقہ سال کے تقابلی عرصہ کے دوران ہونے والے 1,863 ملین روپے نقصان کے مقابلے میں اس سال کے زیر جائزہ عرصہ کے دوران ہونے والا نقصان دس فیصد کمی کے ساتھ 1,686 ملین روپے رہا۔ سابقہ سال کے تقابلی عرصہ کے دوران ہونے والے 1,937 ملین روپے بعد از ٹیکس نقصان کے مقابلے میں اس سال کے زیر جائزہ عرصہ کے دوران ہونے والا بعد از ٹیکس نقصان 2,374 ملین روپے رہا۔ اس نقصان کی بنیادی وجوہات میں UHT دودھ کے معاملے میں عدالت عظمیٰ پاکستان کا فیصلہ جس کی وجہ سے کمپنی مصنوعات کے بارے میں میڈیا کے پھیلائے گئے منفی تاثرات کو زائل کرنے کے لیے کمپنی کو سبزلز اور مارکیٹنگ کے شعبوں میں اضافی اخراجات کرنا پڑے، روپے کی قدر میں کمی، سٹیٹ بینک آف پاکستان کی جانب سے پالیسی ریٹ میں اضافے کی بنا پر اضافی مالیاتی لاگت اور فنانس ایکٹ 2018 کے ذریعے ٹیکس ریٹ میں تبدیلیوں کی بنا پر موخر شدہ ٹیکس اخراجات شامل ہیں۔

سخت مسابقتی حالات میں بازار میں اپنا مقام برقرار رکھنے اور کاروباری حصہ مزید بڑھانے کی غرض سے آپ کی کمپنی اخراجات میں اضافے کو مختل کرنے سے قاصر رہی۔

کمپنی کو مزید مستحکم کاروباری نمونہ بنانے کے لیے انتظامیہ نے متعدد اقدامات جاری رکھے، جیسے کہ زیادہ سے زیادہ پیداوار کا حصول، ملک کو بکیشن سینٹرز کی بہتری، برانڈز میں بہتری کے لیے تبدیلیاں، گاہکوں کی تعداد میں اضافہ کے اقدامات اور سبزلز اور مارکیٹنگ کے بنیادی ڈھانچوں میں اضافہ کرنا شامل ہیں۔



fauji foods

حصص کی اقسام کا انضمام

26 مارچ 2018 کو منعقد ہونے والے سالانہ اجلاس عام میں ممبران نے بذریعہ قرارداد خصوصی عمومی ووٹنگ حصص اور نان ووٹنگ عمومی حصص کی اقسام کو ایک قسم کا بنانے کے لیے ان کے انضمام کی منظوری دی اور مجاز سرمایہ کو -10 روپے فی حصہ مالیت کے 700,000,000 عمومی حصص تک بڑھا دیا گیا۔

انزموگولیا پبلی انڈسٹریل گروپ کمپنی لمیٹڈ کی جانب سے تحصیل کاراردہ

31 جولائی 2018 کو ڈیری سیکٹر سے متعلقہ چین کی ایک ریاستی ملکیتی کارپوریشن نے فوجی فوڈز لمیٹڈ کے 51 فیصد حصص لینے کا ارادہ ظاہر کیا۔ تفصیلی جانچ پڑتال (due diligence) کا عمل جاری ہے۔ انتظامیہ اس معاملے میں ہونے والی تمام پیشرفت سے اسٹاک ایکسچینج پر فوری اعلانات کے ذریعے تمام حصص یافتگان کو آگاہ رکھے گی۔

مستقبل کی پیش گوئی

کمپنی کی مصنوعات کے بازاری حصے میں مزید اضافہ ہو چکا ہے اور انتظامیہ کو توقع ہے کہ کمپنی انشاء اللہ اپنے حجم اور بازاری حصے میں اضافے کو برقرار رکھے گی۔

بورڈ کمپنی پر اعتماد اور مسلسل تعاون کے لیے تمام قابلِ قدر حصص یافتگان شکرگزار ہے۔ بورڈ کمپنی کے تمام ملازمین کی جانب سے لگن، توجہ اور محنت سے کی گئی ان کی تمام کاوشوں کے لیے اپنی ستائش کو بھی ریکارڈ پر لانا پسند کرتا ہے۔

لیفٹیننٹ جنرل سید طارق ندیم گیلانی
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیئر مین

لیفٹیننٹ جنرل جاوید اقبال
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو/مینیجنگ ڈائریکٹر

مورخہ 24 اکتوبر 2018

**For The
Nine Months
Period Ended
30 September
2018**

Condensed Interim Statement of Financial Position As at 30 September 2018

	Unaudited 30 September 2018 Rupees	Audited 31 December 2017 Rupees (Restated)	Audited 31 December 2016 Rupees (Restated)
EQUITY AND LIABILITIES			
<u>Share capital and reserves</u>	<i>Note</i>		
Authorized capital			
700,000,000 (31 December 2017: 700,000,000)			
ordinary shares of Rs 10 each	7,000,000,000	7,000,000,000	7,000,000,000
Issued, subscribed and paid up capital	5,284,071,920	5,284,071,920	1,321,017,980
Share premium	1,925,340,907	1,925,340,907	1,966,772,143
Accumulated loss	(6,036,026,237)	(3,722,990,539)	(1,486,605,671)
Surplus on revaluation of property, plant and equipment - net of tax	1,444,810,310	1,458,968,052	440,355,621
	2,618,196,900	4,945,390,340	2,241,540,073

Non-current liabilities

Long term finances	4,383,333,333	4,450,000,000	-
Liabilities against assets subject to finance lease	78,231,679	103,054,926	129,919,028
Employee benefits	78,633,253	55,612,612	32,822,224
	4,540,198,265	4,608,667,538	162,741,252

Current liabilities

Current portion of long term loans	66,666,667	-	-
Short term borrowings	4,327,483,089	1,449,501,368	3,899,251,334
Current portion of non-current liabilities	43,086,531	38,582,834	36,097,751
Trade and other payables	975,491,559	790,781,111	1,290,330,605
Unclaimed dividend	965,752	970,179	973,104
Accrued finance cost	164,045,213	73,373,064	49,716,962
	5,577,738,811	2,353,208,556	5,276,369,756

Contingencies and commitments

5

12,736,133,976	11,907,266,434	7,680,651,081
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The annexed notes form an integral part of this condensed interim financial information.


Chairman


Chief Executive


Director


Chief Financial Officer

Condensed Interim Statement of Financial Position

As at 30 September, 2018



fauji foods

		Unaudited 30 September 2018 Rupees	Audited 31 December 2017 Rupees (Restated)	Audited 31 December 2016 Rupees (Restated)
ASSETS	<i>Note</i>			
<u>Non-current assets</u>				
Property, plant and equipment	6	7,185,827,248	6,822,273,698	4,937,750,901
Intangible assets		38,760,380	17,378,388	4,441,250
Security deposits		944,306	944,306	944,306
Deferred taxation - net		881,825,647	1,061,247,592	628,541,639
		8,107,357,581	7,901,843,984	5,571,678,096

Current assets

Stores, spares and loose tools	157,025,166	107,134,205	93,931,361
Stock-in-trade	2,088,377,353	1,021,155,966	684,805,793
Trade debts	105,724,357	129,704,758	77,969,418
Loans and advances	114,892,276	75,943,368	48,480,455
Deposits, prepayments and other receivables	832,065,863	489,877,664	141,347,588
Due from Associated Companies	2,639,023	1,093,586	39,247
Sales tax refundable - net	450,710,689	484,343,381	475,950,146
Income tax - net	833,701,686	500,867,832	252,909,058
Cash and bank balances	43,639,982	1,195,301,690	333,539,919
	4,628,776,395	4,005,422,450	2,108,972,985

12,736,133,976	11,907,266,434	7,680,651,081
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The annexed notes form an integral part of this condensed interim financial information.



Chairman



Chief Executive



Director



Chief Financial Officer

**For The
Nine Months
Period Ended
30 September
2018**

Condensed Interim Profit and Loss Account (Un-Audited)

For the period ended 30 September 2018

	For the quarter ended		For the nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	----- Rupees -----		----- Rupees -----	
Sales - net	2,096,866,360	1,921,556,368	5,970,564,658	4,441,595,674
Cost of sales	(1,955,478,677)	(1,853,350,867)	(5,518,504,102)	(4,342,854,842)
Gross profit	141,387,683	68,205,501	452,060,556	98,740,832
Marketing and distribution expenses	(715,281,669)	(753,289,316)	(1,815,905,493)	(1,666,332,868)
Administrative expenses	(119,231,574)	(95,076,107)	(334,678,832)	(308,443,313)
Other income	2,415,160	4,003,193	12,391,586	20,331,895
Other expenses	-	(2,938,935)	-	(7,663,599)
Loss from operations	(690,710,400)	(779,095,665)	(1,686,132,183)	(1,863,367,053)
Finance cost	(180,884,956)	(131,898,046)	(461,639,312)	(327,134,243)
Loss before taxation	(871,595,356)	(910,993,711)	(2,147,771,495)	(2,190,501,296)
Taxation	(28,038,945)	201,214,762	(226,561,851)	253,810,774
Loss for the period	(899,634,301)	(709,778,949)	(2,374,333,346)	(1,936,690,522)
Loss per share - basic and diluted	(1.70)	<i>Restated</i> (3.63)	(4.49)	<i>Restated</i> (9.91)

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 period ended 30 September 2018



	For the quarter ended		For the nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	----- Rupees -----		----- Rupees -----	
	(Restated)		(Restated)	
Loss for the period	(899,634,301)	(709,778,949)	(2,374,333,346)	(1,936,690,522)

Other comprehensive income for the period

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

- Surplus on revaluation of property, plant and equipment arisen during the period

-	-	-	1,365,180,697
-	-	-	(295,317,922)
-	-	47,139,906	-
-	-	47,139,906	1,069,862,775

Total comprehensive (loss) / income for the period

(899,634,301)	(709,778,949)	(2,327,193,440)	(866,827,747)
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The annexed notes form an integral part of this condensed interim financial information.

Chairman

Chief Executive

Director

Chief Financial Officer

**For The
Nine Months
Period Ended
30 September
2018**

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

For the period ended 30 September 2018

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue reserve	Total
		Share premium	Surplus on revaluation of property, plant and equipment- net of tax	Accumulated loss	
----- Rupees -----					
As at 01 January 2017 previously reported	1,321,017,980	1,966,772,143	-	(1,486,605,671)	1,801,184,452
Effect of restatement as explained in note 4.1	-	-	440,355,621	-	440,355,621
As at 01 January 2017 - restated	1,321,017,980	1,966,772,143	440,355,621	(1,486,605,671)	2,241,540,073
<u>Total comprehensive loss for the period</u>					
Loss after taxation	-	-	-	(1,936,690,522)	(1,936,690,522)
<u>Other comprehensive income for the period</u>					
Surplus on revaluation of property, plant and equipment arisen during the period	-	-	1,365,180,697	-	1,365,180,697
Related deferred tax on surplus arisen during the period	-	-	(295,317,922)	-	(295,317,922)
<u>Surplus transferred to accumulated losses</u>	-	-	1,069,862,775	(1,936,690,522)	(866,827,747)
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(8,398,293)	8,398,293	-
Balance as at 30 September 2017 - restated	1,321,017,980	1,966,772,143	1,501,820,103	(3,414,897,900)	1,374,712,326
<u>Total comprehensive loss for the period</u>					
Loss after taxation	-	-	-	(351,571,337)	(351,571,337)
Other comprehensive income	-	-	-	626,647	626,647
	-	-	-	(350,944,690)	(350,944,690)
<u>Surplus transferred to accumulated losses</u>					
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(42,852,051)	42,852,051	-
<u>Transactions with owners of the Company</u>					
Ordinary shares issued during the year 396,305,394 share of Rs. 10 each	3,963,053,940	-	-	-	3,963,053,940
Expense incurred on issuance of shares	-	(41,431,236)	-	-	(41,431,236)
	3,963,053,940	(41,431,236)	-	-	3,921,622,704
Balance as at 31 December 2017 - restated	5,284,071,920	1,925,340,907	1,458,968,052	(3,722,990,539)	4,945,390,340
<u>Total comprehensive loss for the period</u>					
Loss after taxation	-	-	-	(2,374,333,346)	(2,374,333,346)
<u>Other comprehensive income for the period</u>					
Effect of change in tax rate on surplus	-	-	47,139,906	-	47,139,906
	-	-	47,139,906	(2,374,333,346)	(2,327,193,440)
<u>Surplus transferred to accumulated losses</u>					
Incremental depreciation relating to surplus on revaluation - net of tax	-	-	(61,297,648)	61,297,648	-
Balance as at 30 September 2018 (un-audited)	5,284,071,920	1,925,340,907	1,444,810,310	(6,036,026,237)	2,618,196,900

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



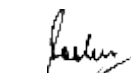
Chairman



Chief Executive



Director



Chief Financial Officer

Condensed Interim Cash Flow Statement (Un-Audited)

For the period ended 30 September 2018



fauji foods

		30 September 2018 Rupees	30 September 2017 Rupees
<u>Cash flows from operating activities</u>	<i>Note</i>		
Loss before taxation		(2,147,771,495)	(2,190,501,296)
<i>Adjustments for non-cash items:</i>			
Depreciation on property, plant and equipment	6	473,318,717	350,653,033
Amortization of intangible assets		2,275,126	1,499,229
Loss/(gain) on disposal of property, plant and equipment		44,395	(1,871,121)
Profit on bank deposits		(6,862,886)	(6,487,347)
Foreign exchange loss		40,966,076	7,993,642
Provision for employee retirement benefits		24,451,370	19,500,000
Finance cost		461,639,312	300,911,411
Loss before working capital changes		(1,151,939,385)	(1,518,302,450)
<u>Effect on cash flow due to working capital changes</u>			
<i>(Increase) / decrease in current assets:</i>			
Stores, spares and loose tools		(49,890,961)	(56,857,974)
Stock-in-trade		(1,067,221,387)	(272,200,386)
Trade debts		23,980,401	(23,805,151)
Loans and advances		(38,948,908)	(78,563,631)
Deposits, prepayments and other receivables		(342,188,199)	(48,073,981)
Due from Associated Companies		(1,545,437)	(724,326)
Sales tax refundable		33,632,692	(14,313,079)
<i>Increase/(Decrease) in current liabilities:</i>			
Trade and other payables		154,448,757	(439,150,394)
		(1,287,733,042)	(933,688,922)
Cash used in operations		(2,439,672,427)	(2,451,991,372)
Income tax paid		(332,833,854)	(151,348,016)
Employee retirement benefits paid		(1,430,729)	(2,467,851)
Net cash used in operating activities		(2,773,937,010)	(2,605,807,239)
<u>Cash flow from investing activities</u>			
Fixed capital expenditure		(861,176,574)	(922,410,688)
Income on bank deposits received		6,862,886	6,487,347
Sale proceeds from disposal of property, plant and equipment		602,794	5,660,995
Net cash used in investing activities		(853,710,894)	(910,262,346)
<u>Cash flow from financing activities</u>			
Short term borrowings - net		549,999,175	656,560,245
Finance cost paid		(370,967,163)	(243,705,699)
Dividend paid		(4,427)	-
Lease rentals paid		(20,319,550)	(14,664,861)
Long term loan received during the period		-	930,000,000
Net cash generated from financing activities		158,708,035	1,328,189,685
Net decrease in cash and cash equivalents		(3,468,939,869)	(2,187,879,900)
Cash and cash equivalents - at beginning of the period		(254,199,678)	(1,765,271,660)
Cash and cash equivalents - at end of the period		(3,723,139,547)	(3,953,151,560)
<i>Cash and cash equivalents comprise of the following:</i>			
- Cash and bank balances		43,639,982	84,591,826
- Running finances		(3,766,779,529)	(4,037,743,386)
		(3,723,139,547)	(3,953,151,560)

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

Chairman

Chief Executive

Director

Chief Financial Officer

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

For the period ended 30 September 2018

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 statement of financial position of the Company as at 30 September 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof.

This condensed interim financial information of the Company for the nine months ended 30 September 2018 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34 - "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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 2017. Comparative condensed interim statement of financial position is stated from annual audited financial statements as of 31 December 2017, whereas comparatives for interim profit and loss account, interim statement of comprehensive income, interim statement of changes in equity and interim cash flow statement and related notes are extracted from condensed interim financial information of the Company for the nine months' period ended 30 September 2017.

This condensed interim financial information is unaudited and being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 and the listing regulations of Pakistan Stock Exchange Limited.

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.

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3. Use of estimates and judgments

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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 2017.

4. Statement of consistency in accounting policies

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial information are same as those applied in the preparation of annual audited financial statements for the year ended 31 December 2017 except for the changes mentioned below:

4.1 Change in accounting policy

Effective 01 January 2018, the provisions of the Companies Act, 2017 relating to the preparation of the financial statements have become applicable. Accordingly, the treatment of surplus on revaluation of property, plant and equipment is now in line with the requirements of IAS 16 – Property, plant and equipment since the provisions of Section 235 of the repealed Companies Ordinance, 1984 have not been carried forward by the Companies Act, 2017. This change in accounting policy has resulted in reclassification of surplus on revaluation of land, building and plant and machinery - net of tax to equity by restating the corresponding figures which resulted in increase in equity by Rs. 1,458.97 million and Rs. 440.36 million as at 31 December 2017 and 31 December 2016 respectively.

4.2 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 beginning after 01 January 2018 as detailed below:

	<i>Effective from</i>
- IFRS 15 - Revenue from Contract with Customer	01 July 2018
- IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
- IFRS 16 - Leases	01 January 2019
- Amendment to IFRS 9 - Prepayment Features with Negative Compensation	01 July 2018
- Amendment to IAS 28 - Long Term Interests in Associates and Joint Ventures	01 January 2019
- Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	01 January 2019

5 Contingencies and commitments

5.1 Contingencies

(i) The Company has issued following guarantees:

Guarantees aggregating Rs 80.01 million (31 December 2017: Rs 70.84 million) have been issued by banks on behalf of the Company to Sui Northern Gas Pipeline Limited, Pakistan State Oil and Controller Naval Account.

- (ii) There has been no significant changes in contingencies as reported in the Condensed Interim Financial Information of the Company for the half year ended 30 June 2018, except:
- (iii) The Company received a notice under section 177 of the Ordinance for the Tax Year 2012 for selection of its case for tax audit by the Commissioner Inland Revenue, Regional Tax Office, Sagodha (CIR). Subsequently department concluded the proceeding and issued the order raising a tax demand of Rs. 30 Million against the company. Company is in the process of filing appeal.

5.2 Commitments

The Company has the following commitments in respect of:

- (i) Capital expenditure against irrevocable letters of credit outstanding at the period end amounting to Rs. 292.78 million (31 December 2017: Rs. 201.46 million) and for implementation of ERP (SAP software) by Siemens Pakistan Engineering Company Limited amounting to Rs. 76.20 million.
- (ii) Other than capital expenditure, outstanding at the period end of Rs. 610.89 million (31 December 2017: Rs. 883.10 million).

		Un-audited	Audited
		30 September	31 December
		2018	2017
	<i>Note</i>	Rupees	Rupees
6. Property, plant and equipment			
Operating fixed assets	6.1	6,608,334,696	6,637,495,791
Capital work in process	6.2	577,492,552	184,777,907
		<u>7,185,827,248</u>	<u>6,822,273,698</u>

6.1 Operating fixed assets

Net book value at beginning of the period / year	6,637,495,791	3,821,427,382
Additions during the period / year	444,804,811	1,993,467,137
Disposals during the period / year	(647,189)	(8,503,975)
Depreciation charged during the period / year	(473,318,717)	(534,075,450)
Revaluation surplus arisen during the period / year	-	1,365,180,697
Net book value at end of the period/ year	<u>6,608,334,696</u>	<u>6,637,495,791</u>

6.2 Capital work in progress

Plant and machinery	465,599,289	83,640,338
Building	96,004,263	87,534,569
Leased vehicles	15,889,000	13,603,000
	<u>577,492,552</u>	<u>184,777,907</u>

7 Related party transactions and balances

Related parties comprise of associated undertakings, directors, entities with common directorship, post employment plans and key management personnel. Significant transactions with related parties are as follows:

Name of the Company	Relationship	Nature of transactions	Un-audited 30 September 2018	Un-audited 30 September 2017
			Rupees	Rupees
Fauji Fertilizer Bin Qasim Limited	Subsidiary (Shareholding and common directorship)	Salaries of seconded employees charged by the related party	5,059,947	-
		Repairs and maintenance and building rent expense	37,385,013	25,664,818
		Expense paid by related party on behalf of the Company	918,531	-
		Salaries of seconded employees charged to the related party	1,882,328	27,344,435
		Purchase of fixed asset	3,500,000	-
Askari Bank Limited	Associated Undertaking (Common directorship)	Finance cost charged	13,913,569	41,234,120
		Interest income on saving accounts	5,258,186	2,007,622
		Utilities expense paid on behalf of the related party	1,545,437	984,998
Fauji Meat Limited	Associated Undertaking (Common directorship)	Expense paid by related party on behalf of the Company	459,266	-
Fauji Security Services Private Limited	Associated Undertaking (Common directorship)	Expenses paid against security services	2,113,661	-
Employee's Provident Fund Trust	Post employee benefit plan	Contribution for the period	42,192,299	15,696,397
Mr. Salman Hayat Noon	Non-Executive Director	Consultancy fee expense	5,248,872	5,178,654
Directors		Meeting fee	1,997,869	919,500
Key Management Personnel		Remuneration and benefits	52,052,483	45,586,346

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 year ended 31 December 2017.

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 24, 2018.

10 General

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



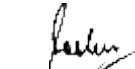
Chairman



Chief Executive



Director



Chief Financial Officer



fauji foods

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