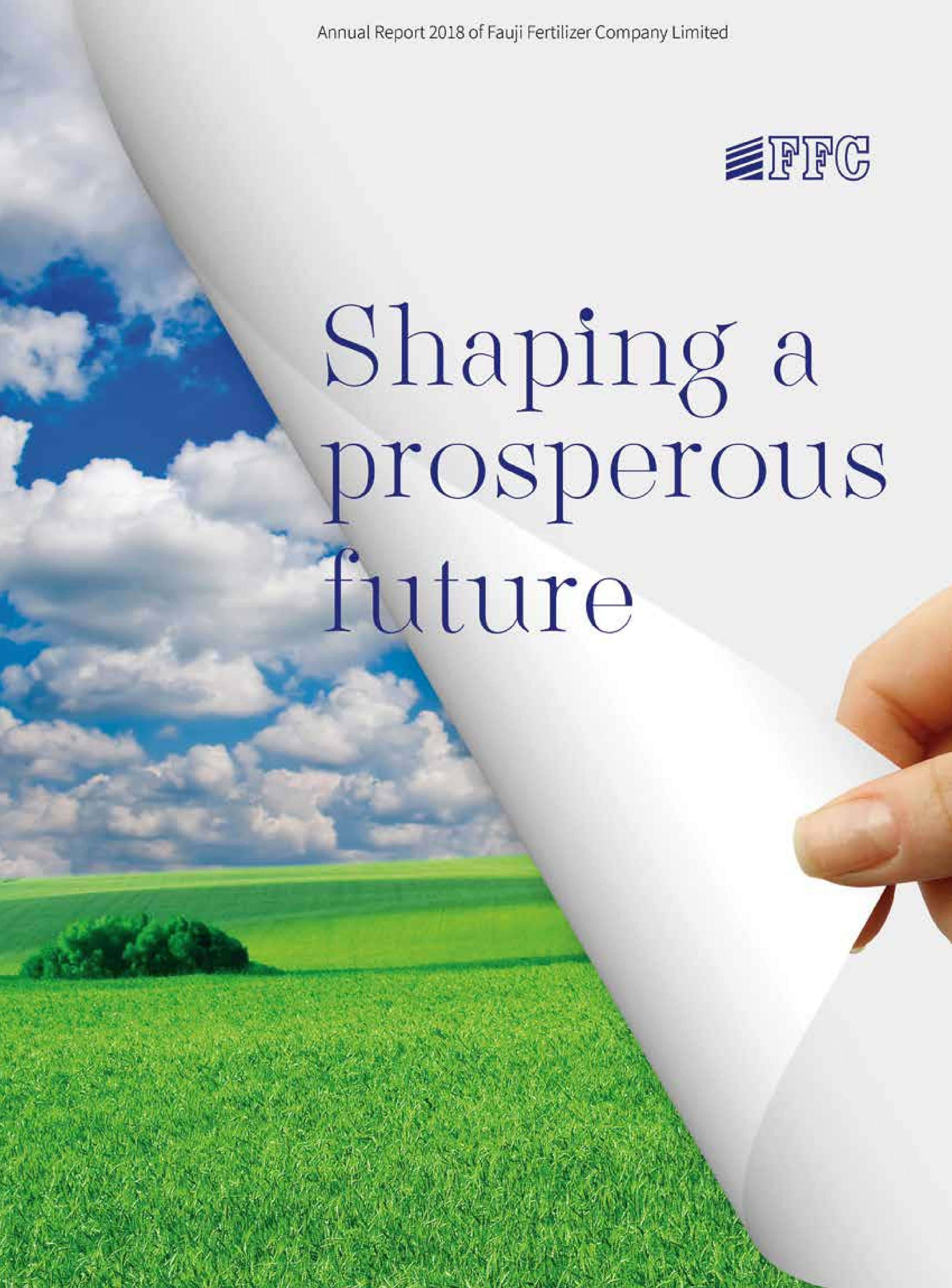
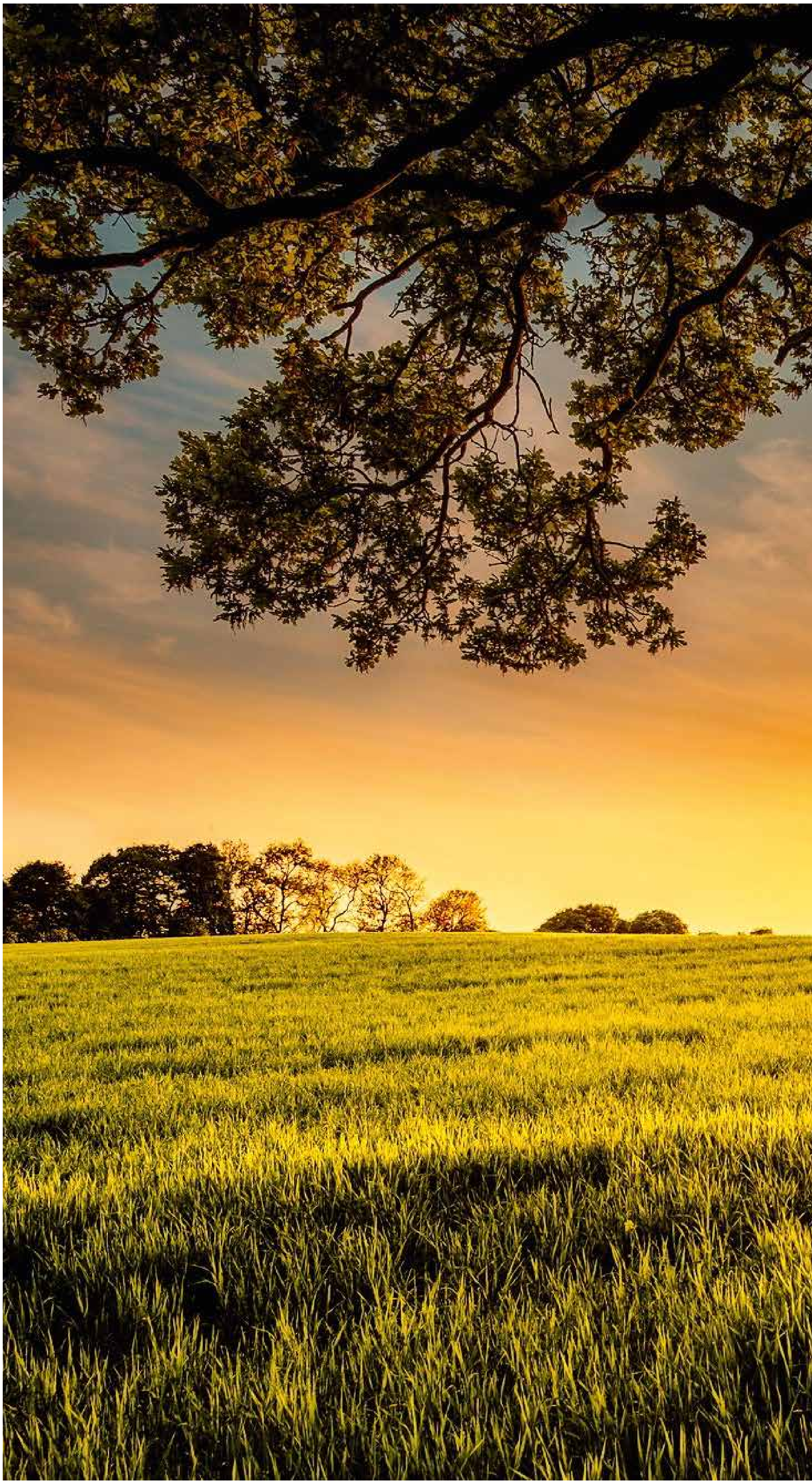
Annual Report 2018 of Fauji Fertilizer Company Limited

FFC

Shaping a prosperous future





Cover Story

We, at Fauji Fertilizer, understand the importance of resilience, as a team we have had to power through various struggles, and we're proud to say that we have emerged stronger than ever. With a brighter future ahead, we cherish our place in the world as a team that can play a significant part in providing better opportunities for growth. Our focus is on the future while we work hard to make the present more meaningful.

Vision

To be a leading national enterprise with global aspirations, effectively pursuing multiple growth opportunities, maximizing returns to the stakeholders, remaining socially and ethically responsible

Mission

To provide our customers with premium quality products in a safe, reliable, efficient and environmentally sound manner, deliver exceptional services and customer support, maximizing returns to the shareholders through core business and diversification, providing a dynamic and challenging environment for our employees

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Product Portfolio

Principal Activities of the Company

The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizers, chemicals, manufacturing and banking operations, energy generation and food processing.

Sona Urea P & Sona Urea G

Agricultural use:

Urea is a concentrated straight nitrogenous fertilizer that contains 46% nitrogen, which is a major plant nutrient. Nitrogen is a vital component of chlorophyll, which is necessary for the photosynthesis. It is applied to promote vegetative growth of crops and orchards in splits (basal & top-dressing).

In irrigated crops, mostly, urea is applied on the standing crop followed by irrigation to minimize its losses. In rain fed areas, it is often spread just before rain to minimize losses through volatilization process. “Sona Urea” produced by FFC is in prilled form and at FFBL in Granular form. Granular urea has the advantage of ease of application on standing crops because of large size granules. Its efficiency is relatively better in high water demanding crops like rice.

Industrial Use:

Raw material for manufacturing of plastics, adhesives and industrial feedstock.

Sona Urea (Neem Coated)

Agriculture Use:

Neem Coated Urea is a slow release concentrated straight nitrogenous fertilizer, which is coated with neem oil. It contains 46% nitrogen, which is a major plant nutrient and a vital component of chlorophyll required for photosynthesis. Coating urea with Neem oil has been proved to be an effective natural alternative to nitrogen inhibiting chemicals. Thus, it leads to gradual release of nitrogen, helping plants to uptake more nitrogen and resulting in higher yields. Neem oil also serves as natural insecticide. It is applied to promote vegetative growth of crops and orchards in splits (basal & top-dressing). Neem coated urea is also environment friendly.

FFC DAP & Sona DAP

Agricultural Use:

Di-ammonium Phosphate (DAP) belongs to a series of water-soluble ammonium phosphates that is produced through a reaction of ammonia and phosphoric acid. DAP is the most concentrated phosphatic fertilizer containing 46% P_2O_5 and 18% N. It is recommended for all crops as basal fertilizer to be applied at the time of sowing for better root proliferation and inducing energy reactions in the plants. The solubility of DAP is more than 90%, which is the highest among the phosphatic fertilizers available in the Country; due to which it can also be applied post planting through fertigation. Further, on account of its nitrogen content; upon completion of nitrification process, the ultimate reaction of DAP is acidic.

Industrial Use:

Fire retardant used in commercial firefighting products. Other uses are as metal finisher, yeast nutrient and sugar purifier.

FFC SOP

Agricultural Use:

SOP is an important source of Potash, a quality nutrient for production of crops, especially fruits and vegetables. FFC SOP contains 50% K_2O in addition to 18% sulfur, which is an important nutrient especially for oil seed crops because of its role in increasing the oil contents. It has also an additional advantage of ameliorating effect on salt-affected soils. Sulfur also helps in containing spread of fungal or other soil borne diseases. Potash is an important nutrient for activation of enzymes in the plant body, develops resistance against pests, diseases, stresses like water / frost injury and also helps in increasing sugar / starch contents in plants. It also improves quality and taste of vegetables / fruits.

FFC SOP is one of the finest quality products with less than 1.5% Chloride content being imported from European origin and preferred for the high value crops.

Industrial Use:

Occasionally used in manufacturing of glass.

FFC MOP

Agricultural Use:

Potassium chloride (commonly referred as Muriate of Potash or MOP) is the most common potassium source used in agriculture, accounting for over 90% of all potash fertilizers used worldwide. FFC MOP contains 60% K_2O and is used mainly for fertilizing sugarcane, maize, fruit trees, vegetables and other field crops except tobacco.

Industrial Use:

Used in medicine, scientific applications, food processing etc.

Sona Boron

Agricultural Use:

Sona Boron is a micronutrient fertilizer in the form of Di-Sodium Tetra Borate Decahydrate in 3 kg packing. It is an essential micronutrient required for plant nutrition, which plays a vital role in a number of growth processes especially new cell development, pollination, and fruit / seed setting. Keeping in view increasing boron deficiency in Pakistan soils, FFC is providing superior quality Sona Boron containing minimum 10.5% Boron. It is soluble in water and readily available to plants. It is used as soil application alone or by mixing with other fertilizers.

Sona Zinc

Agricultural Use:

Sona Zinc is a micronutrient fertilizer in the form of Zinc Sulphate Monohydrate (27%) in 3 kg packing. It is an essential micronutrient required for plant nutrition, which plays an important role in number of growth processes especially in chlorophyll synthesis, proteins and activation of enzymes. Zinc also improves uptake of nitrogen and phosphorous by the plants. The zinc deficiency is causing different diseases in humans and livestock. Keeping in view the wide spread deficiency of zinc in Pakistan, FFC is providing high quality Sona Zinc. It is water soluble and can also be used as fertigation i.e. application with irrigation. It can be mixed with other fertilizers for broadcast in the field.

Product Portfolio

Renewable Energy

FFC Energy Limited

Supply of green / renewable wind energy to the Country, through the Company's subsidiary - FFC Energy Limited. The company has been incorporated for operating a 49.5 MW wind power generation facility and the onward supply of electricity to Pakistan's national grid (NTDC) contributing towards alleviating the energy crisis of the Country.

Processed Fruits & Vegetables

Fauji Fresh N Freeze Limited

Acquired in October 2013, to develop Pakistan's agricultural potential into a world class business, Fauji Fresh n Freeze Limited (FFF) is a leading processor of fruits, vegetable and french fries, with state of the art processing facility in Sahiwal, including Individually Quick Frozen (IQF), Vapor Heat Treatment (VHT) and Hot Water Treatment (HWT). FFF is currently exporting fresh and frozen fruits and vegetable products to Far East, Middle East, Europe and Russia. It has the highest food safety standards in the industry and is certified in ISO 9001, 14001, 18001 & HACCP.

Opa! Frozen Fries - a FFF product that promises to become a popular household brand in Pakistan. Opa! enters a competitive landscape that is punctuated by imported labels distributed by a few local players. It is the first brand in this category to advertise and invest in brand building. So far, the results have been encouraging, and FFF is optimistic that Opa! will give the company a sustainable advantage, making way for Frozen Fruits & Vegetable portfolio also.

Geographical Presence

PAKISTAN		
Rawalpindi / Islamabad	FFC Head Office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
	FFBL Head Office	FFBL Tower, Plot No C1/C2, Sector B, Jinnah Boulevard, Phase II DHA, Islamabad
	AKBL Head Office	Third Floor, Plot No. 18, NPT Building, F-8 Markaz, Islamabad
	FCCL Head Office	Fauji Towers, Block 3, 68 Tipu Road, Rawalpindi, Punjab
	FFCEL Head Office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
	FFF Head Office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
Lahore	FFC Marketing Office	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
	FFF Corporate Office	5-B, Main Jail Road, Gulberg II, Lahore, Punjab
Sahiwal	FFF Site Office	16 KM Sahiwal Pakpattan Road, Sahiwal (District: Sahiwal), Punjab
Goth Machhi	FFC Urea Plant I & II	Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab
Mirpur Mathelo	FFC Urea Plant III	Mirpur Mathelo (District: Ghotki), Sindh
Karachi	Resident Manager office	B-35, KDA Scheme No. 1, Karachi, Sindh
	Thar Energy Limited	11th floor Ocean Tower, G-3, Block 9, Main Clifton Road, Karachi, Sindh
Jhimpir	FFCEL Wind Power Project	Deh Kohistan, Taluka Jhimpir (District: Thatta), Sindh
Bin Qasim	FFBL DAP & Urea Plant	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim, Karachi, Sindh
MOROCCO		
Casablanca	PMP Head Office	Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco
Jorf Lasfar	PMP Plantsite	BP 118 ElJadida, Jorf Lasfar, Morocco

Addresses of Company's marketing offices are given in Note 1.1 of the Financial Statements and the Consolidated Financial Statements.

Code of Conduct

1

We shall conduct our employment activities with the highest principles of honesty, integrity, truthfulness and honour. To this end, we are to avoid not only impropriety, but also the appearance of impropriety

2

We shall not make, recommend, or cause to be taken any action, contract, agreement, investment, expenditure or transaction known or believed to be in violation of any law, regulation or corporate policy

3

We shall not use our respective positions in employment to force, induce, coerce, harass, intimidate, or in any manner influence any person, including subordinates, to provide any favour, gift or benefit, whether financial or otherwise, to ourselves or others

4

In business dealings with suppliers, contractors, consultants, customers and Government entities, we shall not provide or offer to provide, any gratuity, favour or other benefit and all such activities shall be conducted strictly on an arm's length business basis

5

While representing the Company in dealings with third parties we shall not allow ourselves to be placed in a position in which an actual or apparent conflict of interest exists. All such activities shall be conducted strictly on an arm's length business basis

6

All of us shall exercise great care in situations in which a pre-existing personal relationship exists between an individual and any third party or Government employee or official of an agency with whom the Company has an existing or potential business relationship. Where there is any doubt as to the propriety of the relationship, the individual shall report the relationship to management so as to avoid even the appearance of impropriety

7

We shall not engage in outside business activities, either directly or indirectly, with a customer, vendor, supplier or agent of the Company, or engage in business activities which are inconsistent with, or contrary to, the business activities of the Company

8

We shall not use or disclose the Company's trade secrets, proprietary or confidential information, or any other confidential information gained in the performance of Company duties as a means of making private profit, gain or benefit

Core Values

At FFC we seek uncompromising integrity through each individual's effort towards quality products for our customers, maximizing returns to the shareholders and making sizable contributions to the National Exchequer

Our business success is dependent on trusting relationships. Our reputation is founded on the integrity of the Company's personnel and our commitment to the principles of:

HONESTY

in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets

EXCELLENCE

in high-quality products and services to our customers

CONSISTENCY

in our words and deeds

COMPASSION

in our relationships with our employees and the communities affected by our business

FAIRNESS

to our fellow employees, stakeholders, business partners, customers and suppliers through adherence to all applicable laws, regulations and policies and a high standard of moral behaviour

Policy Statement of Ethics & Business Practices

- It is the policy of FFC to follow the highest business ethics and standards of conduct. It is the obligation of every one of us to act responsibly; that is, to be honest, trustworthy, conscientious and dedicated to the highest standards of ethical business practices
- The Company's reputation and its actions as a legal entity depend on the conduct of its directors and employees. Each one of us must endeavor to act according to the highest ethical standards and to be aware of and abide by applicable laws
- We all must ensure that our personal conduct is above reproach and complies with the highest standards of conduct and business ethics, and have the obligation to ensure that the conduct of those who work around us complies with these standards. The Company's Code of Business Ethics and Code of Conduct will be enforced at all levels fairly and without prejudice
- This code to which the Company is committed in maintaining the highest standards of conduct and ethical behaviour is obligatory, both morally as well as legally and is equally applicable to all the directors and employees of the Company who all have been provided with a personal copy

Company Profile & Group Structure

Our commitment to enhance value for our stakeholders, driven through resilience of our business model and determination of our workforce in conjunction with our diversified portfolio and contribution to the economy has made us one of the robust and accomplished businesses in Pakistan.

Fauji Fertilizer Company Limited (FFC) is Pakistan's largest urea manufacturing company, incorporated in 1978 as a joint venture between Fauji Foundation, a charitable trust in Pakistan which owns 44.35% equity stake in the Company and Haldor Topsoe A/S of Denmark to set up a urea production facility with capacity of 570 thousand tonnes per annum. The Company has grown through reinvestment in fertilizer sector and at present its production capacity stands over 2 million tonnes through its three plants. The Company has contributed more than US$ 13.65 billion to the National Exchequer through import substitution of over 59 million tonnes of urea since its inception.

Associated Companies

Joint Venture Company

Subsidiary Companies

FFC Energy Limited

Realizing the importance of green energy, the Company pioneered into wind power generation in Pakistan by incorporating a wholly owned subsidiary, FFC Energy Limited (FFCEL) in 2009. FFCEL started commercial operations in May 2013 with a power generation capacity of 49.5 MW.

Fauji Fresh n Freeze Limited

Fauji Fresh n Freeze Limited (FFF), operating Pakistan's only IQF food preservation technology, was acquired in 2013 as part of FFC's risk diversification strategy. Apart from IQF products, FFF also sells Vapour Heat Treated (VHT) products, with plant located in Sahiwal.

Fauji Fertilizer Bin Qasim Limited

Fauji Fertilizer Bin Qasim Limited (FFBL) was incorporated as FFC Jordan Fertilizer Company in 1993 and subsequently restructured as FFBL in 2003. With a Country centric approach to further relieve import pressures, FFC invested in Pakistan's first and only DAP and granular urea facility; FFBL, with a shareholding of 49.88%. The products of both companies are marketed through FFC's well-diversified and Pakistan's largest dealer network which ensures timely supply to the farming community, besides imparting valuable knowledge on latest farming techniques. Our well-recognized 'Sona' brand meaning gold thus signifying the value of our product to the farming community of the Country. FFC combined with FFBL, commanded a market share of 53% in urea and 52% in DAP in 2018 (source: NFDC).

Askari Bank Limited

As part of investment diversification, FFC acquired 43.15% equity stake in Askari Bank Limited (AKBL) against an investment of Rs 10.46 billion in 2013. The Bank was incorporated in Pakistan on October 9, 1991, as a public limited company. It is principally engaged in the banking business, with a market capitalization of Rs 30 billion at the end of the year. The Bank operates throughout Pakistan with a branch network of 517 branches, including 94 Islamic banking branches, a Wholesale Bank Branch in the Kingdom of Bahrain and a representative office in People's Republic of China.

Fauji Cement Company Limited

Fauji Cement Company Limited (FCCL), a public limited company, was incorporated on November 23, 1992 and is listed on the Pakistan Stock Exchange (PSX). The company is primarily engaged in the manufacture and sale of different types of cement through its two production lines having an annual production capacity of 3.50 million tonnes. With an investment of Rs 1.5 billion, FFC holds 6.79% equity stake in the company.

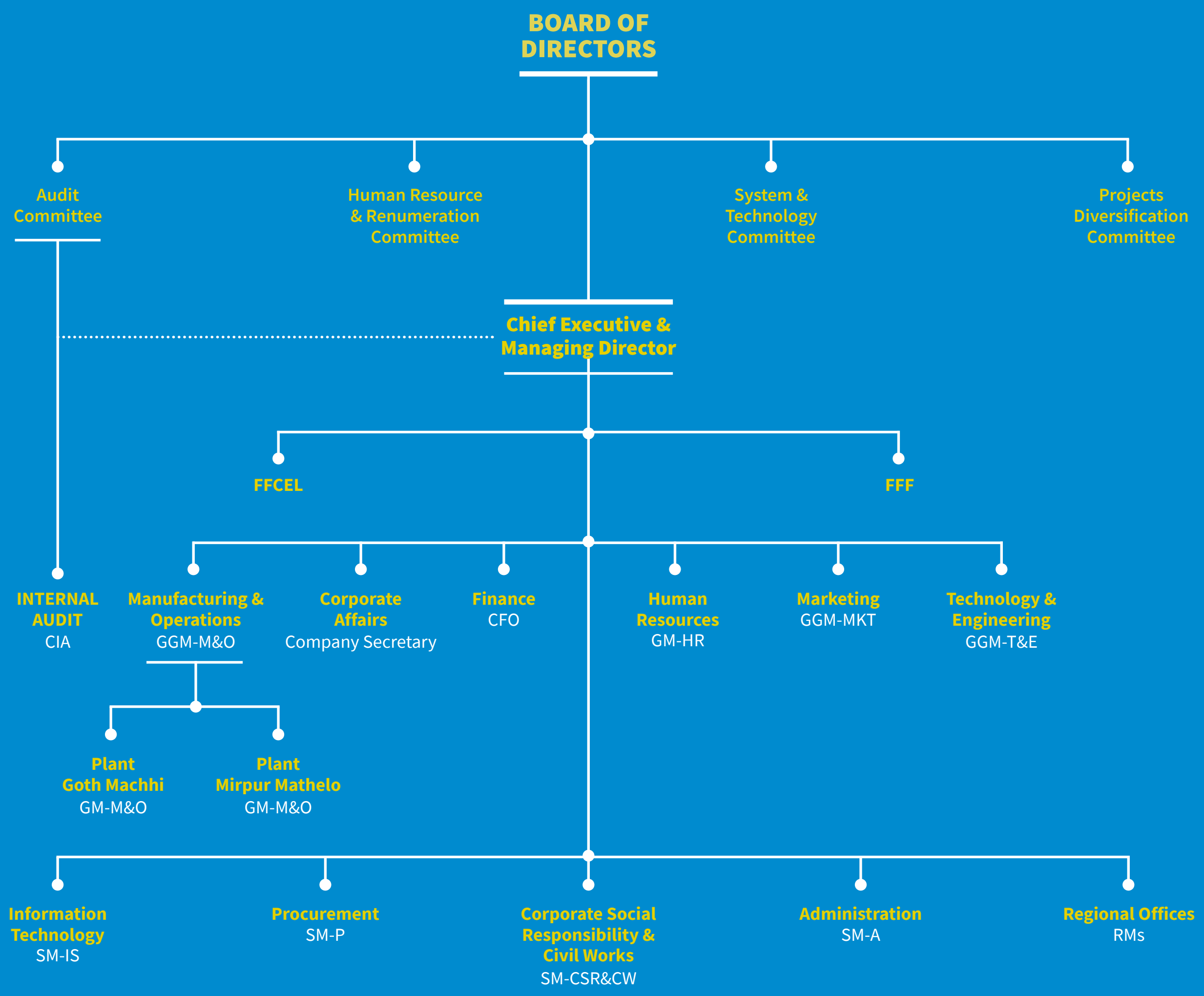
Thar Energy Limited

Thar Energy Limited (TEL), incorporated in 2016 is a 330 MW coal based power project being developed under the CPEC in collaboration with HUB Power Company Ltd (HUBCO: 60%) and China Machinery Engineering Corporation (CMEC: 10%), FFC currently holds 30% equity stake in the company.

Pakistan Maroc Phosphore S.A.

Pakistan Maroc Phosphore (PMP) is a private limited company incorporated in Morocco as a Joint Venture between FFC (shareholding of 12.5%), Fauji Foundation (12.5%), FFBL (25%) and Office Cherifien Des Phosphates (OCP) of Morocco (50%) in 2004. The company began its activities in 2008 and has a capacity to produce 375 thousand tonnes of industrial phosphoric acid per year. FFC invested in PMP to secure supply of raw material for FFBL's DAP production.

Organizational Chart



A	Administration
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
CSR&CW	Corporate Social Responsibility and Civil Works
FFCEL	FFC Energy Limited
FFF	Fauji Fresh n Freeze
GGM	Group General Manager
GM	General Manager

HR	Human Resources
IS	Information Systems
M&O	Manufacturing & Operations
MKT	Marketing
P	Procurement
RM	Resident Manager
SM	Senior Manager
T&E	Technology & Engineering

Number of employees

FFC has employed 3,357 people in its operations including plants, marketing offices and head office. Location-wise break-up of number of employees has been disclosed on page 252 of the Report. Disclosure of total and average number of employees, separately identifying the factory employees has been made in Note 41.4 of the Financial Statements.

Position within the value chain

Our value creation business model and process shows how we take in value, use our manufacturing facilities, people, systems and relationships to create additional value for our shareholders, employees, and other stakeholders. Detailed value chain has been disclosed on page 136 of the Report.

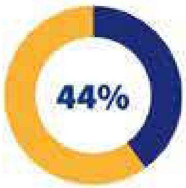
External environment

Significant factors effecting the external environment and our associated responses have been disclosed in detail on page 138 of the Report.

Significant changes from prior year

Any significant changes from last year, have been appropriately disclosed in the relevant sections of this Report.

Highlights 2018



Contribution in Pakistan's indigenous urea production

123%

Operational efficiency

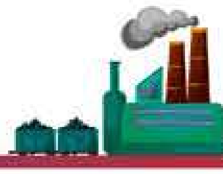
2,522 KT

Sona Urea Production
(2nd Highest Ever)

2,527 KT

Highest ever domestic Sona urea sales

Rs 1.46 billion



Investment in Thar Energy Limited

Combined FFC & FFBL market share

78%

Profit payout to shareholders

AA+

Improvement of Long Term Credit Rating by PACRA

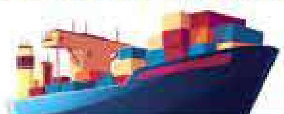
Rs 108 billion

Highest ever aggregate fertilizer sales revenue (including subsidy)

Rs 36.8 billion

Contribution to National exchequer

USD 650 million



Import substitution

77,741

Farmers reached through our unique Agri. Services

Strategy and Resource Allocation

Corporate strategy

Maintaining our competitive position in the core business, we employ our brand name, unique organizational culture, professional excellence and financial strength diversifying in local and multinational environments through acquisitions and new projects thus achieving synergy towards value creation for our stakeholders.

Management objectives

	OBJECTIVE 01	OBJECTIVE 02	OBJECTIVE 03
	Enhance agricultural productivity through balanced fertilizer application	**Maintain industry leadership**	**Expand sales**
Strategy	Educate farmers regarding balanced fertilizer usage through Farm Advisory Centres (FACs)	Stay abreast of technological developments and continuously upgrade production facilities to maximize efficiency	Sales expansion through geographical diversification and improved farmers' awareness
Nature	Medium / Long-term	Medium-term	Short / medium-term
Priority	High	High	High
Resources allocated	Financial capital, human capital, manufactured capital	Financial capital, manufactured capital	Financial capital, manufactured capital, human capital, social and relationship capital
KPI Monitored	Funds allocation to Farm Advisory Centres (FACs)	Market share and production efficiency ratio	Market share and production efficiency ratio
Status	Ongoing process – Targets for the year achieved	Ongoing process – State of the art production facilities	The Company achieved urea sales of 2,527 thousand tonnes and second highest ever aggregate fertilizer sales volume of 3,030 thousand tonnes, with a combined FFC / FFBL urea market share of 53% and DAP market share of 52% (source: NFDC).
Future relevance of KPI	Pakistan's per acre yield needs to be improved. The management analyses the impact of FFC initiatives on an annual basis	The KPI will remain relevant in the future	The KPI will remain relevant in the future
Opportunities / Threats	Improvement in per acre agricultural output of Pakistan is necessary for long-term food security of the Country. However, poor education and knowledge of farmers makes them unwilling to adopt modern farming techniques in achieving this objective	Continuous depletion of Pakistan's gas reserves is resulting in declining gas pressure, impacting the Company's fertilizer production. To be sustainable in the long-term, the Company focuses on investment in upgradation and maintenance activities, besides evaluating alternative fuel options. These ventures require high capital costs and increased production downtime but are necessary for sustaining production levels	There is still room for expansion of our domestic distribution network besides exploring export opportunities. However, any possible shortage of gas in the future is a cause for concern and would hamper progress in the long run if not proactively addressed by the Government. Increasing gas cost and pricing pressures can impede Company's margins

Significant changes in objectives & strategies

Business objectives & strategies of FFC are carefully planned. There were no significant changes during the year which affected our course of action for achievement of these objectives

OBJECTIVE 04	OBJECTIVE 05	OBJECTIVE 06
Create / enter new lines of business to augment profitability and achieve sustained economic growth	**Enhance operational efficiency to achieve synergies**	**Costs Economization**
Continuously seek profitable avenues to diversify within and outside the Fertilizer Industry	Align our business processes, reducing time and money losses	Keeping our resource utilization at an optimum level through strict governance policies
Medium / Long-term	Short-term	Short / medium term
High	High	High
Human capital, intellectual capital, financial capital	All capitals	Human capital, intellectual capital, financial capital
Profitability: EPS, ROE, Asset Turnover and DPS Sustainability: Current Ratio, Gearing and Interest Cover Diversification: Annual resource allocated for expansion of the projects already acquired in addition to identification and development of new investment projects	Market share and production efficiency ratio	Gross Profit Margin & Net Profit Margin
An evolving process – During the year, the Company invested Rs 1.46 billion in Thar Energy Limited. EPC contract has been awarded. Financial close is expected soon	Ongoing process – Plans for 2018 achieved	Ongoing process – The management has implemented effective cost controls which enable savings in production and other operating / financing costs
The KPI will remain relevant in the future	The KPI will remain relevant in the future	The KPI will remain relevant in the future
FFC's strong financial position and expertise alongwith adequate resources enable it to diversify its investment portfolio while prudently mitigating associated risks	There is always room for improving efficiency. With focused management strategies, operational productivity can be enhanced	We remain focused on optimizing resource allocation through application of effective policies. However, uncontrollable factors particularly increase in input costs by Government and any potential decline in international prices may impact the Company adversely

Company Information

Board of Directors

Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)
Chairman
Lt Gen Tariq Khan, HI(M) (Retired)
Chief Executive & Managing Director
Dr. Nadeem Inayat
Mr. Farhad Shaikh Mohammad
Mr. Per Kristian Bakkerud
Brig Raashid Wali Janjua, SI(M) (Retired)
Maj Gen Wasim Sadiq, HI(M) (Retired)
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)
Mr. Saad Amanullah Khan
Ms. Bushra Naz Malik
Mr. Azher Ali Choudhary
Mr. Rehan Laiq
Mr. Mohammad Younus Dagha

Chief Financial Officer

Mr. Mohammad Munir Malik
Tel No. +92-51-8456101
Fax No. +92-51-8459961
E-mail: munir_malik@ffc.com.pk

Company Secretary

Brig Ashfaq Ahmed, SI(M) (Retired)
Tel No. +92-51-8453101
Fax No. +92-51-8459931
E-mail: secretary@ffc.com.pk

Registered Office

156 The Mall, Rawalpindi Cantt, Pakistan
Website: www.ffc.com.pk
Tel No. +92-51-111-332-111, 8450001
Fax No. +92-51-8459925
E-mail: ffcrwp@ffc.com.pk

Plantsites

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Fax No. +92-68-5954510-11

Mirpur Mathelo
(Distt: Ghotki), Pakistan
Tel No. +92-723-661500-09
Fax No. +92-723-661462

Marketing Division

Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat,
Lahore, Pakistan
Tel No. +92-42-36369137-40
Fax No. +92-42-36366324

Karachi Office

B-35, KDA Scheme No. 1, Karachi, Pakistan
Tel No. +92-21-34390115-16
Fax No. +92-21-34390117 & 34390122

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
6th Floor, State Life Building
Jinnah Avenue
Islamabad, Pakistan
Tel No. +92-51-2823558
Fax No. +92-51-2822671

Shares Registrar

Central Depository Company of
Pakistan Limited
Share Registrar Department
CDC House, 99 - B, Block - B
S.M.C.H.S., Main Shahra-e-Faisal
Karachi – 74400
Tel No. +92-0800-23275
Fax No. +92-21-34326053

Bankers

Conventional Banks

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
SAMBA Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited
Zarai Taraqiati Bank Limited

Islamic Banks

Al Baraka Bank (Pakistan) Limited
Bank Islami Pakistan Limited
Bank Alfalah Limited (Islamic)
Dubai Islamic Bank Pakistan Limited
MCB Islamic Bank Limited
Meezan Bank Limited
The Bank of Khyber

How we evolved

1978
Incorporation of the Company

1982
Commissioning of Plant-I, Goth Machhi with annual capacity of 570 thousand tonnes of urea

1991
Listed with Karachi and Lahore Stock Exchanges

1992
Through De-Bottle Necking (DBN) program, the production capacity of Plant-I was increased to 695 thousand tonnes per year

Listed with Islamabad Stock Exchange

2010
Investment in FFC Energy Limited (FFCEL), Pakistan's first wind power generation project

2011
SAP-ERP implemented in the Company, improving business processes by reducing time lags and duplication of work

2012
Inauguration of FFC Energy Limited

Inauguration of new state of the art HO Building in Rawalpindi

2013
Acquisition of 100% equity stake in Fauji Fresh n Freeze Limited (FFF), a pioneer Individually Quick Frozen (IQF) fruits and vegetables project

Acquisition of 43.15% equity stake in Askari Bank Limited (AKBL) representing the Company's first ever venture into the financial sector

Commencement of commercial operations by FFCEL

2014
FFCEL achieved Tariff True-up and completed first year of commercial operations

Received first ever dividend of Rs 544 million from AKBL

2015
Award of setting up of a Fertilizer Project by the Government of Tanzania and execution of a Joint Venture Agreement by FFC, and its international consortium members, with the Tanzania Petroleum Development Corporation (TPDC)

Inauguration of FFF

1993

Initial investment in Fauji Fertilizer Bin Qasim Limited (FFBL), a DAP and urea manufacturing concern, which currently stands at Rs 4.66 billion representing 49.88% equity share

Commissioning of Plant-II, Goth Machhi with annual capacity of 635 thousand tonnes of urea

1997

With achievement of Quality Management System certification in Goth Machhi, FFC became the first fertilizer plant in Pakistan to achieve this distinction

2002

FFC acquired Ex-Pak Saudi Fertilizers Limited (PSFL) urea plant situated in Mirpur Mathelo (Plant-III) with annual capacity of 574 thousand tonnes of urea which was the largest industrial sector transaction in Pakistan at that time

2003

FFC obtained certification of Occupational Health & Safety Assessment Series, OHSAS-18001:1999

2004

With investment in Pakistan Maroc Phosphore S.A., Morocco (PMP) of Rs 706 million, FFC acquired an equity participation of 12.5% in PMP

2008

DBN of Plant-III was executed and commissioned successfully for enhancement of capacity to 125% of design i.e. 718 thousand tonnes per annum

Investment of Rs 1.5 billion in Fauji Cement Company Limited (FCCL), currently representing 6.79% equity participation

2016

Highest ever urea production of 2,523 thousand tonnes

Highest ever combined FFC / FFBL DAP sales of 993 thousand tonnes

Long term credit rating of AA and short term rating of A1+

Winning the overall top position in the Best Presented Annual Report competition conducted by the South Asian Federation of Accountants (SAFA) in SAARC region

Launch of “OPA!” French Fries brand by FFF

2017

Highest ever DAP offtake of 513 thousand tonnes

Highest ever all fertilizer sales of 3,223 thousand tonnes

Maiden dividend declared by FFCEL of Rs 500 million

Incorporation of Joint Venture Company TAMPCO for our offshore fertilizer project

IFA protect and sustain highest average score in Pakistan

7th consecutive first position - PSX Top 25 Companies

2018

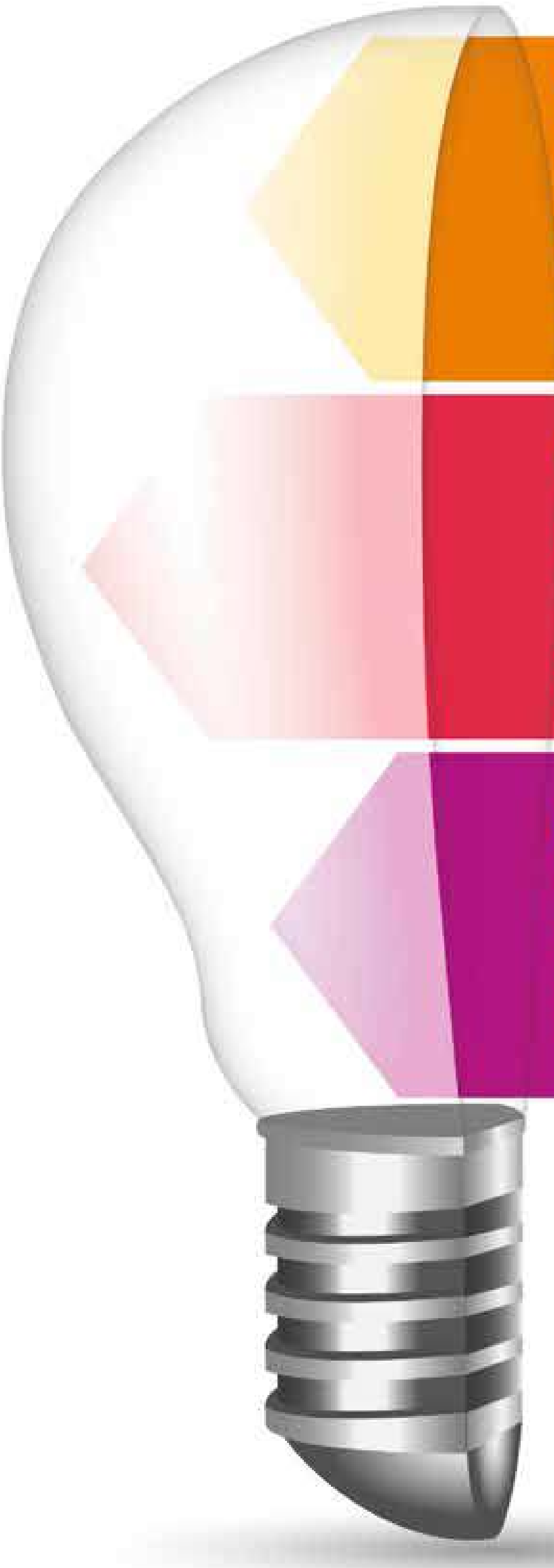
Highest ever all product Revenue of Rs 108 billion including subsidy

Highest ever domestic urea sale of 2,527 KT

Investment in Thar Energy Limited of 30% equity stake

First position in Chemical & Pharmaceuticals sector - Best Corporate Report Award 2017 held by ICAP and ICMAP

Business Model



Growth Drivers

Sales Growth | Cost Optimization | Cash Utilization

FFC's growth is primarily driven by expansion in sales revenue, powered by strong demand for our products and effective distribution network all over the Country.

Efficiency enhancement is our long term goal. We continuously seek opportunities to improve efficiency of our business processes to optimize costs, utilizing less to produce more.

Our sales are largely cash based, which gives us the margin to effectively utilize available cash resources to fulfill Company's working capital requirements, and hence minimize external funding requirements resulting in reduced finance costs.

Our Key Assets

People | Market Goodwill | Efficient Production | Distribution Network

Human capital is by far our most valuable asset, directly affecting performance while ensuring success each year.

Among our valuable assets is our brand name 'Sona', which is the soul behind our existence, growth and prosperity.

We are continuously investing in our production facilities to enhance operational efficiency and fuel the key growth drivers. Our extensive distribution network extends to all provinces of the Country, ensuring maximum market presence.

Leveraging Key Assets

Consumer Satisfaction | Execution Excellence | Future Planning

Our assets in turn are leveraged by our management excellence and our consumer-centric approach. Our strategies are focused around consumer satisfaction and quality perfection.

The pursuit of excellence in every sphere of operation is our aim which ensures continued success. Our farsighted management strategies are focused on development of our key assets which form the foundation for future growth.

Calendar of Major Events During the Year

Month	Event
January	186th BOD Meeting - Final dividend 2017 proposed @ 30.00%
March	Successful completion of Turnaround at Plant-II, Goth Machhi
April	188th BOD Meeting - First interim dividend announced @ 17.50% EOGM - Members' approval for acquisition of 30% equity in Thar Energy Limited
May	2nd Analyst Briefing summarizing the Company performance of 2017 and first quarter of 2018.
July	189th BOD Meeting - Second interim dividend announced @ 14.00% Improved long term credit rating to AA+ and maintained short term credit rating of A1+
August	1st position in Chemical and Pharmaceuticals sector by ICAP / ICMAP BCR Awards
September	EOGM - Election of Directors of the Company for a period of three years
October	190th BOD Meeting - Third interim dividend announced @ 18.00%
December	Highest ever domestic Sona urea sales @ 2,527 KT Highest ever aggregate fertilizer sales revenue (including subsidy) @ Rs 108 billion Highest ever urea production by Plant-III Mirpur Mathelo of 872 KT Contribution to National Exchequer - Rs 36.78 billion

Profile of the Board

Lt Gen Syed Tariq Nadeem Gilani

HI(M) (Retired)

Chairman and Non-Executive Director

Joined the Board on January 10, 2018

He is Managing Director of Fauji Foundation and also the Chairman of the Boards of following companies:

- Askari Bank Limited
- Askari Cement Limited
- Daharki Power Holdings Limited
- Fauji Akbar Portia Marine Terminals Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Foods Limited
- Fauji Fresh n Freeze Limited
- Fauji Kabirwala Power Company Limited
- Fauji lnfraavest Foods Limited
- Fauji Meat Limited
- Fauji Oil Terminal & Distribution Company Limited
- Fauji Trans Terminal Limited
- FFBL Foods Limited
- FFBL Power Company Limited
- FFC Energy Limited
- Foundation Power Company Daharki Limited
- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II (Private) Limited
- Mari Petroleum Company Limited

Lieutenant General Syed Tariq Nadeem Gilani, HI(M) (Retired) was commissioned in Pakistan Army on October 26, 1979 with the coveted President's Gold Medal. He has served on various command, staff and instructional assignments. He received an early exposure of secondment in Saudi Arabian Armed Forces from 1983 to 1985. He is a graduate of US Army Artillery School, Fort Sill Oklahoma, Command and Staff College Camberley (UK), Armed Forces War College (National Defence University) Islamabad and US Army War College, Carlisle Barracks, Pennsylvania. He holds Masters' degrees in War Studies from Quaid-e-Azam University, Islamabad and Strategic Studies from US Army War College, USA. His assignments include command of a brigade, division and a Corps. He has also held the prestigious appointments of Commandant Armed Forces War College, NDU, Islamabad and Chief of Logistics Staff at General Headquarters.

In recognition of his meritorious services, he was awarded Hilal-e-lmtiaz (Military).

Lt Gen Tariq Khan

HI(M) (Retired)

Chief Executive & Managing Director

Joined the Board on March 27, 2018

He is Chief Executive & Managing Director of Fauji Fertilizer Company Limited, FFC Energy Limited and Fauji Fresh n Freeze Limited and also holds directorship on the Boards of following companies:

- Askari Bank Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Foods Limited
- Fauji Meat Limited
- FFBL Foods Limited
- FFBL Power Company Limited
- Pakistan Maroc Phosphore S.A.
- Philip Morris (Pakistan) Limited
- Thar Energy Limited

He is Chairman of Sona Welfare Foundation (SWF) and Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC). He is also member of the Executive Committee and Board of Governors of Foundation University, Islamabad and Director on the Board of International Fertilizer Association (IFA) as well.

The General was commissioned in Pakistan Army in April 1977 with the coveted Sword of Honour. During his illustrious service in the Army, he had been employed on various prestigious command, staff and instructional assignments including command of a Strike Corps.

He is a graduate of Command and Staff College Quetta and National Defence University Islamabad. He also holds Masters' Degree in War Studies. He has served on the faculty of Command and Staff College Quetta and National Defence University Islamabad. Since his retirement, he is on the honorary faculty of renowned institutions including National Defence University as a senior mentor. The General possesses vast experience as adviser to the leading corporate entities.

He has been awarded Hilal-e-Imtiaz (Military) and is also the first Pakistan Army General who has been conferred upon the U.S 'Legion of Merit' by the U.S Government for his meritorious services as a senior representative at U.S CENTCOM in Tampa, Florida.

Dr. Nadeem Inayat

Non-Executive Director

Joined the Board on May 27, 2004

Besides being Director Investment Fauji Foundation he is also on the Boards of following entities:

- Askari Bank Limited
- Askari Cement Limited
- Dharki Power Holdings Limited
- Fauji Akbar Portia Marine Terminal Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Foods Limited
- Fauji Fresh n Freeze Limited
- Fauji Infraavest Foods Limited
- Fauji Meat Limited
- Fauji Oil Terminal & Distribution Company Limited
- Fauji Trans Terminal Limited
- FFBL Coal Power Company Limited
- FFBL Foods Limited
- Foundation Solar Power (Private) Limited
- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II (Private) Limited
- Mari Petroleum Company Limited
- Pakistan Maroc Phosphore, S.A.

He is also a Board member of different public sector universities and has conducted various academic courses on Economics, International Trade and Finance at reputable institutions of higher education in Pakistan. He is also a member of Pakistan Institute of Development Economics (PIDE).

He holds a Doctorate in Economics and has over 30 years of diversified domestic as well as international experience in the financial sector. He has vast experience in corporate governance, policy formulation and deployment, project appraisal, implementation, monitoring & evaluation, restructuring, and collaboration with donor agencies.

He is Chairman of Project Diversification Committee and member of the Audit and Human Resource & Remuneration Committees of FFC.

Mr. Farhad Shaikh Mohammad

Independent Director

Joined the Board on September 16, 2012

He also holds directorships of:

- Din Corporation (Private) Ltd
- Din Developments (Private) Limited
- Din Energy Limited
- Din Farm Products (Private) Limited
- Din Leather (Private) Limited
- Din Power Limited
- Din Textile Mills Limited
- Din Wind Limited

He did his graduation in Finance and Banking from American University in Dubai, followed by an executive development course on Corporate Financial Management from LUMS. He has participated in various courses relating to corporate governance, leadership and corporate finance management at Pakistan Institute of Corporate Governance (PICG) and is also a Certified Director by PICG / International Finance Corporation.

Mr. Per Kristian Bakkerud

Non-Executive Director

Joined the Board on June 16, 2015

He is the Executive Vice President of Chemical Business Unit at Haldor Topsoe A/S, Denmark since January 2016. Prior to this, he held the portfolio of Group Vice President for the Chemical Business Unit from November 2014.

In 2002, he was appointed Head of Syngas Process Engineering, in 2006 Vice President for Technology and Engineering and in 2009 Vice President for New Technologies in the Technology Division before taking up the position as Managing Director for Haldor Topsoe's Chinese operations in 2011.

Mr. Bakkerud has again been appointed as the Managing Director for Haldor Topsoe in China which is responsible for all Topsoe related activities in mainland China.

He has worked as process engineer and project manager for many of Topsoe's technologies around the world and has been posted in Argentina, Bangladesh, Japan and China.

He graduated from The Technical University of Norway as M.Sc. in Chemical Engineering in 1980 and has served in various positions for Det Norske Veritas, Norwegian Petroleum Consultants and Exxon Mobil until 1990 when he joined Haldor Topsoe A/S.

He is the President of Energy Frontiers International (EFI) and also serves on the Boards of Karnaphuli Fertilizer Company Limited (KAFCO), Bangladesh and Danish-Chinese Business Forum.

Brig Raashid Wali Janjua

SI(M) (Retired)

Non-Executive Director

Joined the Board on April 21, 2016

He is Director Planning and Development, Fauji Foundation and is also on the Boards of the following companies:

- Askari Cement Company Limited
- Fauji Akbar Portia Marine Terminal Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Power Company Limited
- Fauji Foods Limited
- Fauji Infraavest Foods Limited
- FFC Energy Limited
- Foundation Power Company Daharki Limited
- Foundation Wind Energy - I Limited
- Foundation Wind Energy - II (Private) Limited
- Mari Petroleum Company Limited

Brigadier Raashid Wali Janjua, SI (M) (Retired) holds a Civil Engineering Degree from Military College of Engineering and is also a graduate of Command and Staff College Quetta and National Defence University Islamabad. He also holds a Masters' in Security and Defence Management from Royal Military College Kingston, Canada. He has a diversified civil engineering project management experience spanned over 33 years as Commander Corps Engineers and Director Works and Chief Engineer Navy. In his capacity as Director Works and Chief Engineer Navy he has planned and executed major civil engineering projects at Karachi, Lahore, Islamabad, and coastal belt in close coordination with the Engineer-in Chief's Branch. He also has extensive experience of working with diverse national and international aid agencies on reconstruction and rehabilitation projects in Earthquake stricken area after 2005.

In recognition of his meritorious services, he was awarded Sitara-e-lmtiaz (Military).

He is Chairman of System & Technology Committee and member of the projects Diversification and Human Resource & Remuneration Committees of FFC.

Profile of the Board

Maj Gen Wasim Sadiq

HI(M) (Retired)

Non-Executive Director

Joined the Board on June 06, 2017

Besides being Director of Fauji Foundation, he is also on the Boards of the following companies:

- Fauji Cereals, CEO
- Fauji Infraavest Foods Limited, CEO
- Foundation Gas, CEO
- Askari Cement Company Limited
- Dharki Power Holdings Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Foundation Power Company Dharki Limited

Major General Wasim Sadiq, HI(M), (Retired) was commissioned in Pakistan Army in October 1979 in Baloch Regiment. He has a vast experience of Command, staff and instructional appointments during a career spanning over 36 years.

He is a graduate of National Defence University, Islamabad beside Turkish War Academy, Turkey. He has the honour to command the only Strike Division of Pakistan Army. Has commanded a Logistic Area too and served as Vice Chief of Logistic Staff in General Headquarters.

The General Officer holds a Masters' degree in War Studies. In recognition of his meritorious services he was awarded Hilal-e-Imtiaz (Military).

He is member of System & Technology Committee of FFC.

Maj Gen Javaid Iqbal Nasar

HI(M) (Retired)

Non-Executive Director

Joined the Board on February 01, 2018

He is presently working as Director Welfare (Health), Fauji Foundation and also on the Boards of following entities:

- Fauji Fresh n Freeze Limited
- Fauji Kabirwala Power Company Limited
- FFC Energy Limited
- Mari Petroleum Company Limited

He was commissioned in the Army in October 1979 and is a Graduate of Command and Staff College Quetta and National Defence University, Islamabad. He also holds a Master's Degree in War Studies from Quaid-e-Azam University.

He held various staff appointments include ADC with VCOAS, Platoon Commander Officer Training School Mangla, Battalion Commander Pakistan Military Academy, General Staff Officer at Corps Headquarters and Director Staff Duties in COAS Secretariat. He had commanded an Artillery Brigade in Field Command Northern Area along the Line of Control and Artillery Division.

He also served as Director General in Inter Service Intelligence Islamabad and Director General National Guards at General Headquarters.

In recognition of his outstanding services, he was awarded Hilal-e-Imtiaz (Military).

He is member of Human Resource & Remuneration Committee of FFC.

Mr. Saad Amanullah Khan

Independent Director

Joined the Board on September 29, 2018

He spent three decades with Procter & Gamble in senior management including seven years as Chief Executive Officer of Gillette Pakistan. Elected twice as President of American Business Council (ABC) and twice on the Board of Directors of Overseas Investors Chamber of Commerce and Industry (OICCI).

Took early retirement in 2014 to follow his passion in social impact and driving governance in organizations. Currently, Chairman of Pakistan Innovation Foundation, director / partner in CTM360 (Cyber Threat Management), Chairman Board of Advisors at Youth Impact and joint-owner of Big Thick Burgerz restaurants.

He is also on the Boards of the following entities:

- Pakistan Stock Exchange
- Zulfiqar Industries Limited

An active social worker, advisor to over a dozen NGO's and social enterprises. Founding Board member and past Chairman of South East Asia Leadership Academy (SEALA); Founding Board member and General Secretary of I Am Karachi Consortium; Board member and past President of Public Interest Law Association of Pakistan (PILAP); Patients' Aid Foundation (JPMC); EcoEnergy; AIESEC; Peace Through Prosperity (PTP); Society of Human Resource Management (SHRM) to name some of them.

Author of a business book "It's Business, It's Personal" published in 2014 in the US and has authored many research papers and actively writes in newspapers on economic growth, democracy, entrepreneurship, social development and leadership. Holds two engineering degrees (Systems Engineering and Computer Science Engineering) and an MBA from The University of Michigan, USA.

He is Chairman of Human Resource & Remuneration Committee and Member of the Audit Committee of FFC.

Ms. Bushra Naz Malik

Independent Director

Joined the Board on September 29, 2018

Ms. Bushra Naz Malik is a renowned business and governance expert who serves as a member and current Chair of the Independent Oversight Advisory Committee of the Governing Board of the International Labour Organization (ILO). She is also a member of Independent Audit and Oversight Committee of UNHCR. Previously she served as a member of System Management Board of CGIAR System Organization and its Audit and Risk Committee Chair.

In Pakistan she is also a member of Board and Audit Chair for the following entities:

- Pakistan Industrial Development Corporation
- Trading Corporation of Pakistan

She is also a Director of MHM Consulting, a boutique management advisory firm serving public and private sector.

Between 2010 and 2013, she was a Director and Chairperson of the Audit Committee at the Lahore Stock Exchange Limited in Pakistan. Ms. Malik served as the Group Finance Director and member of the Board of Directors of Kohinoor Maple Leaf Group, Lahore, a consortium of publicly listed firms headquartered in Lahore, Pakistan from 2007 to 2010 and Group CFO in Nafees Group of Companies having presence in Turkey, Europe and America with headquarters in Lahore Pakistan from 1995-2007. She also served as Regional Director in Institute of Chartered Accountants of Pakistan.

Ms. Malik is a Fellow Member of the Institute of Chartered Accountants of Pakistan and a CA/CPA from Chartered Professional Accountants, Ontario, Canada, and did her MBA at Kellogg Business School in the United States and the Schulich Business School, Canada. She has an LLB degree from the Punjab College, Lahore and Advanced Management Program certification from the Harvard Business School, USA. She is also a certified director under code of corporate governance, Pakistan and is a member of Pakistan Institute of Corporate Governance.

Ms. Malik is committed to the cause of women and provides consultancy services to a local NGO dubbed 'All Mothers Educated Now' based in Pakistan. In 2012, she served as a member of the Commonwealth Business Women, Pakistan Steering Group.

She is Chairperson of Audit Committee and member of System & Technology Committee of FFC.

Mr. Azher Ali Choudhry

Non-Executive Director

Joined the Board on October 18, 2018

Mr. Azher Ali Choudhry joined Civil Service in 1984. He is currently serving as Federal Secretary, Ministry of Industries & Production which is his fourth assignment at this level; prior to that he had been Secretary Capital Administration & Development Division, Textile Industry and Board of Investment. He has a vast and multifaceted experience of public service that includes higher positions in Ministry of Commerce and Economic Affairs Division, Financial Advisor to Capital Development Authority and Commercial Counselor of Pakistan in Italy.

After initial education in PAF College Sargodha he graduated from University of Agriculture Faisalabad and qualified National Security Course from National Defense University, Islamabad.

He has been on the Boards of Sui Southern Gas Company Limited, Horticulture Development & Export Company, Trading Corporation of Pakistan, State Life Insurance Corporation, National Insurance Company Limited and Faisalabad Garment City Company.

Currently, he is also on the Boards of the following entities:

- Sui Southern Gas Company Limited
- Engineering Development Board
- Pakistan Institute of Management
- Small Medium Enterprise Development Authority

Mr. Rehan Laiq

Non-Executive Director

Joined the Board on December 1, 2018

Besides being Director Finance, Fauji Foundation he is also on the Boards of the following entities:

- Askari Bank Limited
- Askari Cement Limited
- Dharaki Power Holdings Limited
- Fauji Kabirwala Power Company Limited
- Fauji Akbar Portia Marine Terminals Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Foods Limited
- Fauji Fresh n Freeze Limited
- Fauji Infraavest Foods Limited
- Fauji Meat Limited
- Fauji Oil Terminal and Distribution Company Limited
- FFBL Foods Limited
- FFBL Power Company Limited
- FFC Energy Limited
- Foundation Power Company Dharaki Limited
- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II (Private) Limited
- Mari Petroleum Company Limited

He is a qualified Chartered Accountant (FCA) with over 22 years of proven track record in developing business strategies, delivering results, developing organizational capability of infrastructure and acquisitions.

He carries vast international experience of Financial Management at a senior level in his career with Schlumberger in multiple countries of Middle East, Asia, Russia and North America.

He brings with him diverse experience of Policy Compliance, Management Reporting, External and Internal transformation (e.g optimum utilization resources for the business) and Analytical Business support to ensure profit maximization.

He is member of Audit and Projects Diversification Committees of FFC.

Profile of the Board

Mr. Mohammad Younus Dagha

Independent Director

Joined the Board on December 1, 2018

Mr. Mohammad Younus Dagha joined Civil Service in 1985. He holds post graduate degrees in Business Administration, Economics, Law and Commerce and possesses varied experience in the fields of Energy, Finance, Commerce, Trade Diplomacy and Public Administration. During his career spanning over 32 years, he has successfully handled many challenging assignments at provincial as well as federal level.

As Secretary Investment in Sindh, Mr. Dagha facilitated numerous Wind Energy projects in Jhampir-Gharo Wind Corridor which were executed efficiently. As Chief Secretary Gilgit Baltistan, he facilitated land acquisition and resettlement process for Diamer-Basha Dam.

During his tenure as Federal Secretary Water and Power, the Power sector witnessed a major turnaround in 2015. As Secretary Commerce, he chalked out a comprehensive reform agenda for Country's commerce as a result of which exports witnessed all time high growth in the Country's history.

He is presently also serving on the Boards of the following entities:

- Sui Northern Gas Pipelines Limited
- Security Papers Limited
- Pakistan Cables Limited
- International Industries Limited

Mr. Mohammad Munir Malik

Chief Financial Officer

Appointed as CFO on September 25, 2015

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

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

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

He has undergone various professional trainings from Kellogg School of Business, Harvard Business School, Foster School of Business, Chicago Booth School of Business, Ross School of Business and Center for Creative Leadership, USA and IMD, Switzerland.

He is a Fellow member of Institute of Chartered Accountants of Pakistan.

Brig Ashfaq Ahmed

SI(M) (Retired)

Company Secretary

Appointed as Company Secretary on December 6, 2016

He also holds the appointment of Company Secretary in FFC Energy Limited (FFCEL).

He was commissioned in Pakistan Army in March 1985. The Brigadier had a distinguished career of 31 years in Pakistan Army and has served on various command, staff and institutional appointments. He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad.

In recognition of his meritorious service, he has been awarded Sitara-e-Imtiaz (Military) and Imtiazi Sanad.

Board Committees

Audit Committee

Directors	24th Jan	18th April	23rd July	17th Oct	24th Dec	Total
Engr Rukhsana Zuberi *Chairperson*	√	√	√	N/A		3
Ms. Bushra Naz Malik* *Chairperson*	N/A			√	√	2
Mr. Qaiser Javed *Member*	√	X	√	√	N/A	3
Dr. Nadeem Inayat *Member*	√	√	X	√	√	4
Maj Gen Wasim Sadiq, HI(M) (Retired) *Member*	√	√	√	N/A		3
Mr. Saad Amanullah Khan* *Member*	N/A			√	√	2
Mr. Rehan Laiq* *Member*	N/A				√	1

*Ms. Bushra Naz Malik appointed member in place of Engr Rukhsana Zuberi w.e.f September 29, 2018
Mr. Saad Amanullah Khan appointed member in place of Maj Gen Wasim Sadiq, HI(M) (Retired) w.e.f September 29, 2018
Mr. Rehan Laiq appointed member in place of Mr. Qaiser Javed w.e.f December 1, 2018

Salient features and terms of reference

- Determination of appropriate measures to safeguard the Company's assets
- Review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
    - o Major judgmental areas
    - o Significant adjustments resulting from the audit
    - o Going concern assumption
    - o Any changes in accounting policies and practices
    - o Compliance with applicable accounting standards
    - o Compliance with Code of Corporate Governance Regulations 2017 and other statutory and regulatory requirements; and
    - o All related party transactions
- Review of preliminary announcements of results prior to external communication and publication
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary)
- Review of management letter issued by external auditors and management's response thereto
- Ensuring coordination between the Internal and External Auditors of the Company
- Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company
- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto
- Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective
- Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body
- Determination of compliance with relevant statutory requirements
- Monitoring compliance with the Code of Corporate Governance Regulations 2017 and identification of significant violations thereof
- Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and

Board Committees

recommend instituting remedial and mitigating measures

- Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof
- Consideration of any other issue or matter as may be assigned by the Board of Directors

Human Resource and Remuneration Committee

Directors	13th Jun	17th Dec	Total
Mr. Farhad Shaikh Mohammad Chairman	√	N/A	1
Mr. Saad Amanullah Khan* Chairman	N/A	√	1
Dr. Nadeem Inayat Member	X	X	–
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) Member	√	√	2
Brig Raashid Wali Janjua, SI(M) (Retired)* Member	N/A	√	1

*Mr. Saad Amanullah Khan appointed member in place of Mr. Farhad Shaikh Mohammad w.e.f September 29, 2018
Brig Raashid Wali Janjua, SI(M) (Retired) appointed member w.e.f September 29, 2018

Salient features and terms of reference

- Conduct periodic reviews of the Good Performance Awards, 10C Bonuses, Maintenance of Industrial Peace Incentives (MOIPI) as per the CBA agreements, Long Term Service Award Policy and Safety Awards for safe plant operations
- Periodic reviews of the amount and form of reimbursement for terminal benefits in case of retirement and death of any employee in relation to current norms
- Consider any changes to the Company's retirement benefit plans including gratuity, pension and post-retirement medical treatment, based on the actuarial reports, assumptions and funding recommendations
- Review organizational policies concerning housing / welfare schemes, scholarship and incentives for outstanding performance and paid study leave beyond one year
- Recommend financial package for CBA agreement to the Board of Directors
- Ensure, in consultation with the CE&MD that succession plans are in place and review such plans at regular intervals for those executives, whose appointment requires Board approval (under Code of Corporate Governance), namely, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit, including their terms of appointment and remuneration package in accordance with market positioning
- Review and recommend compensation / benefits for the CE&MD in consultation with the Company Secretary
- Conduct periodic reviews of the amount and form of Directors' compensation for Board and Committee services in relation to current norms. Recommend any adjustments for Board consideration and approval
- Undertaking annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the Directors' report disclosing name, qualifications and major terms of appointment
- To review the Policy Manual after every three years and make modification as and when needed

System and Technology Committee

Directors	13th Jun	17th Dec	Total
Brig Raashid Wali Janjua, SI(M) (Retired) Chairman	√	√	2
Mr. Manzoor Ahmed Member	X	N/A	1
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) Member	√	N/A	1
Maj Gen Wasim Sadiq, HI(M) (Retired)* Member	N/A	X	–
Ms. Bushra Naz Malik* Member	N/A	√	1

*Maj Gen Wasim Sadiq, HI(M) (Retired) appointed member in place of Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) w.e.f September 29, 2018
Ms. Bushra Naz Malik appointed in place of Mr. Manzoor Ahmed w.e.f September 29, 2018

Salient features and terms of reference

- Review any major change in system and procedures suggested by the Management
- Review the proposals suggested by the Management on the recent trends in use of Technology in production and marketing of fertilizers
- Review the recommendations of the Management:
  - o On options available for addressing major plant up-gradation and technology improvements with relevant cost benefit analysis
  - o On Information Technology
- Guidance in the development of concept paper for keeping abreast with the Continuous Improvement in Technological Advancements (CITA), its implementation in Manufacturing, Marketing and at Administrative levels with periodic review
- Promote awareness of all stakeholders on needs for investment in Chemical (specifically Fertilizer) Technology and related research work
- Promote awareness of all stakeholders on needs for investment in Technology and related research work
- Review IT proposals suggested by Management and send recommendations to the Board of Directors
- Consider such other matters as may be referred to it by the Board of Directors

Projects Diversification Committee

Directors	18th Jan	23rd Jul	16th Oct	Total
Dr. Nadeem Inayat Chairman	√	√	√	3
Mr. Qaiser Javed Member	√	X	X	1
Brig Raashid Wali Janjua, HI(M) (Retired) Member	√	√	√	3
Mr. Rehan Laiq* Member		N/A		N/A

*Mr. Rehan Laiq appointed member in place of Mr. Qaiser Javed w.e.f December 1, 2018

Salient features and terms of reference

This Committee meets on required / directed basis to evaluate and discuss feasibilities for potential projects and new avenues for diversified investment of Company resources. The Committee presents its findings for Board's review and seeks approval for acquisition or expansion involving attractive returns, satisfactory growth and success potential

Management Committees

Executive Committee

Composition	
Lt Gen Tariq Khan, HI(M) (Retired), CE&MD	Chairman
Mr. Mohammad Munir Malik, CFO	Member
Mr. Naveed Ahmad Khan, GGM-M&O	Member
Mr. Rehan Ahmed, GGM-T&E	Member
Mr. David Keith Massey, GGM-MKT	Member
Brig Tariq Javaid, SI (M) (Retired), GM-HR	Member
Mr. Pervez Fateh, GM-M&O (GM)	Member
Mr. Muhammad Aleem Khan, GM-M&O (MM)	Member
Brig Ashfaq Ahmed, SI (M) (Retired), SM-CA	Member / Secretary

Business Strategy Committee

Composition	
Lt Gen Tariq Khan, HI(M) (Retired), CE&MD	Chairman
Mr. Mohammad Munir Malik, CFO	Member
Mr. Naveed Ahmad Khan, GGM-M&O	Member
Mr. Rehan Ahmed, GGM-T&E	Member
Mr. David Keith Massey, GGM-MKT	Member
Brig Ashfaq Ahmed, SI (M) (Retired), SM-CA	Member / Secretary

CSR Committee

Composition	
Lt Gen Tariq Khan, HI(M) (Retired), CE&MD	Chairman
Mr. Mohammad Munir Malik, CFO	Member
Mr. Naveed Ahmad Khan, GGM-M&O	Member
Mr. David Keith Massey, GGM-MKT	Member
Brig Ashfaq Ahmed, SI (M) (Retired), SM-CA	Member
Brig Arshad Mahmood SI (M) (Retired), SM-CSR & CW	Member / Secretary

SWOT Analysis

Strengths

- Strong financial position
- State of the art production facilities
- Established brand name / loyalty
- Fertilizer products are high in demand by agriculture sector
- Well established distribution network
- Technical prowess
- Development of new and eco-friendly formulations
- Competent & committed human resources
- Well diversified investment portfolio
- High barriers to entry in the industry

Weakness

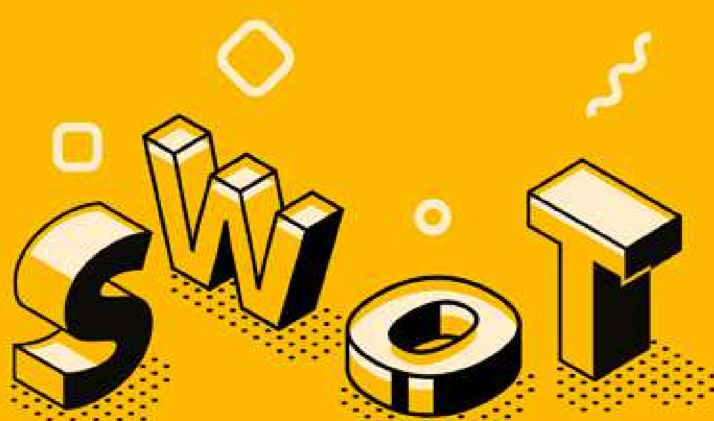
- Mature industry with clogged overall demand
- Established competitors' dealer network hampering market share enhancement
- Reliance on depleting natural resource
- Narrow product line
- Relatively homogeneous product, limiting pricing strategies

Opportunities

- Horizontal as well as vertical diversification
- Increase / value addition in product line covering macro and micro nutrients
- Implementation of energy efficient technologies to conserve gas
- Exploration of alternative sources of raw material

Threats

- Inconsistent Government policies for fertilizer industry
- Depleting natural gas reserves
- Poor farm economics
- Continuous increase in raw material / fuel prices
- Provision of gas to competitors at concessionary rates
- Imposition of additional taxes and levies / changes in tax regime for imported fertilizer
- Profits cuts due to continuous increase in operating cost



Stakeholders' Engagement

STAKEHOLDERS	**INSTITUTIONAL INVESTORS / SHAREHOLDERS**	**CUSTOMERS & SUPPLIERS**	**BANKS AND OTHER LENDERS**	**MEDIA**
				
MANAGEMENT OF STAKEHOLDERS' ENGAGEMENT	FFC acknowledges and honours the trust our investors pose in us by providing a steady return on their investment. We rigorously enforce a transparent relationship with all our stakeholders.	FFC has invested significantly over the years in customer relationship management going beyond extending credit facilities and trade discounts. Through Agri. Services, FFC has been continuously inducing changes in agricultural production and is highlighting the importance of rapid and efficient transfer of advance knowledge to farmers for their sustainable economic growth. Our continuous and sustainable growth is also attributable to engaging reputed and dependable suppliers as business partners for supply of raw material, industrial inputs, equipment and machinery.	Banks and other financial institutions are engaged by the Company on an on-going basis in relation to negotiation of rates, lending purposes, short term financing, deposits and investments. Banks are also consulted on issues linked with letters of credit and payments to suppliers, along with other disbursements of an operational nature.	Different communication mediums are used on need basis to apprise the general public about new developments, activities and philanthropic initiatives of FFC.
EFFECT AND VALUE TO FFC	The providers of capital allow FFC the means to achieve its vision.	Our success and performance depend upon the loyalty of our customers, their preference of the 'Sona' brand and our supply chain management.	Dealings with banks and lenders is key to FFC's performance in terms of the following: • Access to better interest rates and loan terms • Minimal fees • Higher level of customer service • Effective planning for the future	By informing the media of the developments and activities of FFC, effective awareness is created regarding the Company and the products and services offered, indirectly having a positive impact.

REGULATORS	ANALYSTS	EMPLOYEES	LOCAL COMMUNITY AND GENERAL PUBLIC
			
FFC prides itself in being a responsible corporate citizen and abides by the laws and regulations of Pakistan. FFC consciously ensures that all the legal requirements of other countries are also fulfilled while conducting business outside Pakistan. FFC has paid a total of Rs 36.78 billion in taxes and duties this year and continues to be one of the highest tax payers of Pakistan.	In order to attract potential investors, FFC regularly engages with analysts on details of projects already disclosed to the regulators, with due regard to regulatory restrictions imposed on inside information and / or trading, to avoid any negative impact on the Company's reputation or share price. The Company held its second Analysts' Briefing during the year and apprised the attendees on operational and financial performance during 2017 and first quarter of 2018.	FFC's commitment to its most valued resource, a dedicated and competent workforce, is at the core of its human resource strategy. FFC provides a nurturing and employee friendly environment while investing considerably in local and foreign employee trainings. Besides monetary compensations, FFC has also invested in health and fitness activities for its employees.	In addition to local communities near plant sites, FFC engages with general public at large through its CSR Department. This engagement helps to identify needed interventions in the field of education, health and general economic uplift of the society. The Company has also aligned its interventions with the UN's Sustainable Development Goals.
Laws and regulations, determination of prices and other factors controlled by the Government affect FFC and its performance.	Providing all the required information to analysts helps in clarifying any misconception / rumour in the market and creates a positive investor perception.	FFC's employees represent its biggest asset, implementing every strategic and operational decision and representing the Company in the industry and community.	The people of the Country provide the grounds for FFC to build its future on.

Notice of Annual General Meeting

Notice is hereby given that the 41st Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at FFC Head Office, 156 The Mall, Rawalpindi on Tuesday, March 26, 2019 at 1000 hours to transact the following business:

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on September 28, 2018.

2. To consider, approve and adopt separate and consolidated audited financial statements of FFC together with Directors' Reports on separate and consolidated financial statements and Auditors' Reports thereon for the year ended December 31, 2018.

3. To appoint Auditors for the year 2019 and to fix their remuneration.
(The retiring Auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants being eligible have offered themselves for re-appointment for the year 2019. Besides this, a notice has been received from a member in terms of Section 246(3) of the Companies Act 2017, recommending appointment of M/s A.F.Ferguson & Co, Chartered Accountants as Auditors of the Company, in place of retiring Auditors at the Annual General Meeting of the Company).

4. To consider and approve payment of Final Dividend for the year ended December 31, 2018 as recommended by the Board of Directors.

5. To transact any other business with the permission of the Chair.

By Order of the Board

Brig Ashfaq Ahmed SI (M) (Retired)
Company Secretary

Rawalpindi
March 04, 2019

E-Voting

Members can exercise their right to poll subject to meeting of requirement of Section 143-145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.

Video Conference Facility

Pursuant to Section 132(2) of the Companies Act 2017, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 7 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

Notes:

1. The share transfer books of the Company will remain closed from March 20, 2019 to March 26, 2019 (both days inclusive) and no request for transfer of shares will be accepted for registration. Transfers received at Company's Share Registrar namely Central Depository Company of Pakistan Limited, Shares Registrar Department, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400 by the close of business on March 19, 2019 will be considered in time for the purpose of payment of final dividend to the transferees.

2. A member of the Company entitled to attend and vote at the Meeting may appoint a person / representative as proxy to attend and vote in place of the member. Proxies in order to be effective must be received at the Company's Registered Office, 156-The Mall, Rawalpindi, Pakistan not later than

48 hours before the time of holding the Meeting and no account shall be taken of any part of the day that is not a working day. A member shall not be entitled to appoint more than one proxy.

3. Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original Computerized National Identity Card (CNIC) to prove identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

CDC Account Holders will also have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

A. For attending the Meeting:

i. In case of individuals, the account holder or sub-account holder and / or the person, whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.

ii. Members registered on CDC are also requested to bring their particulars, I.D. Numbers and account numbers in CDS.

iii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.

B. For appointing proxies:

i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.

ii. The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his / her original CNIC or original passport at the time of Meeting.

v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

4. Consent for video conference facility

As allowed by Section 132(2) of the Companies Act 2017 members can avail video conference facility for this Annual General Meeting, at Lahore and Karachi provided the Company receives consent from the members holding in aggregate 10% or more shareholding, residing at above mentioned locations, at least 7 days prior to date of the meeting.

Subject to the fulfillment of the above conditions, members shall be informed of the venue, 5 days before the date of the General Meeting along with complete information necessary to access the facility.

In this regard please send a duly signed request as per following format at the registered address of the Company 7 days before holding of General Meeting.

I/We,___________________
______________________ of
________________________, being a member of Fauji Fertilizer Company Limited, holder of ____________________ Ordinary Share(s) as per Register Folio / CDC Account No __________________ hereby opt for video conference facility at __________________.

____
Signature of member

5. Withholding Tax on dividends

Pursuant to the provisions of the Finance Act 2017 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as under:-

(a) For filers of income tax returns: 15%

(b) For non-filers of income tax returns: 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for approval of the cash dividend i.e. March 26, 2019; otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

Notice of Annual General Meeting

The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTNs) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar i.e. Central Depository Company of Pakistan Limited, Shares Registrar Department, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

Tax in case of Joint Shareholders

The FBR vide its clarification letter No. I(54) Exp/2014-132872-R of September 25, 2014 has clarified that holders of shares held in joint names or joint accounts will be treated individually as filers or non-filers and tax will be deducted according to the proportionate holding of each shareholder.

Joint shareholders should intimate the proportion of their respective joint holding to the share registrar latest by March 19, 2019, in the following form

CDC Account number	Folio #	Total Shares	Principle shareholder		Joint Shareholder	
			Name & CNIC	Shareholding proportion	Name & CNIC	Shareholding proportion

6. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. Central Depository Company of Pakistan Limited, Shares Registrar Department, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services.

Electronic mandate form

Folio Number	
Name of Shareholder	
Title of the Bank Account	
International Bank Account Number (IBAN)	
Name of Bank	
Name of Bank Branch and Address	
Cellular & Landline Number of Shareholder	
CNIC / NTN number (attach copy)	
Signature of Shareholder	

7. SECP through its SRO 470(1)/2016, dated May 31, 2016, has allowed companies to circulate the annual balance sheet, profit and loss account, auditors' report and Directors' report etc ("annual audited accounts") to its members through CD/DVD/USB at their registered addresses. In view of the above, the Company has sent its Annual Report 2018 to its shareholders in the form of CD. Any member requiring printed copy of Annual Report 2018 may send a request using a Standard Request Form placed on Company website.

8. Members are hereby informed that pursuant to SECP SRO 787(1)/2014 dated September 8, 2014, and under Section 223(6) of the Companies Act 2017, circulation of Audited Financial Statements and Notice of Annual General Meeting has been allowed in electronic format through email.

   In compliance with the above requirements, soft copies of the Annual Report 2018 are being emailed to the members having opted to receive such communication in electronic format. Other members who wish to receive the Annual Report 2018 in electronic form may file an application as per the format provided on the Company's website in compliance with the subject SRO. The members who have provided consent to receive Annual Report 2018 through email can subsequently request a hard copy which shall be provided free of cost within seven days.

   Members are also requested to intimate any change in their registered email addresses on a timely manner, to ensure effective communication by the Company.

9. Annual Audited Financial Statements of the Company for the financial year ended December 31, 2018 have also been provided on the Company's website i.e. www.ffc.com.pk

10. For any further assistance, the members may contact the Company or the Share Registrar at the following phone numbers, email addresses:

    FFC Shares Department
    Telephone: 92-51-8453235
    Email: shares@ffc.com.pk

    Central Depository Company of Pakistan Limited
    Shares Registrar Department,
    CDC House 99-B, Block 'B'
    S.M.C.H.S, Main Shahra-e-Faisal
    Karachi-74400
    Telephone: 0800-23275
    Email: info@cdcpak.com

4۔ ویڈیو کانفرنس کی سہولت کے لئے آراء کی طلبی:

کمپنیز ایکٹ 2017 کے سیکشن 132(2) کے مطابق ممبران مذکورہ سالانہ اجلاس عام کیلئے لاہور اور کراچی میں ویڈیو کانفرنس کی سہولت سے استفادہ کر سکتے ہیں۔ بشرطیکہ کمپنی کو جن ممبران جو مذکورہ بالا مقامات کے رہائشی ہوں کی طرف سے تجاویز موصول ہوں ان کے مجموعی حصص 10% یا زائد ہوں اور ان کی درخواست اجلاس سے کم از کم 07 دن پہلے موصول ہو جائے۔

مذکورہ بالا شرائط وضوابط کی تکمیل پر ممبران کو اجلاس عام سے 05 روز قبل اجلاس کے مقام پر مذکورہ سہولت سے متعلق تفصیلات سے آگاہ کر دیا جائے گا۔

اس سلسلے میں درج ذیل فارمیٹ کے تحت کمپنی کے رجسٹرڈ پتے پر اجلاس عام کے انعقاد سے 07 دن پہلے اپنی دستخط شدہ درخواستیں بھیج دیں۔

''میں ا ہم ۔۔۔۔۔۔۔۔۔۔ از ۔۔۔۔۔۔۔۔۔۔ بحیثیت ممبر فوجی فرٹیلائزر کمپنی لمیٹڈ مالک ۔۔۔۔۔۔۔۔۔۔ عمومی حصص بمطابق رجسٹرڈ فولیو / سی ڈی سی اکاؤنٹ نمبر ۔۔۔۔۔۔۔۔۔۔ ویڈیو کانفرنس کی سہولت بمقام ۔۔۔۔۔۔۔۔۔۔ اختیار کرنا چاہتا / چاہتی ہوں''

ممبر دستخط ۔۔۔۔۔

5۔ منافع منقسمہ پر ودہولڈنگ ٹیکس

فنانس ایکٹ 2017، جو 1 جولائی 2017 سے قابل عمل ہے انکم ٹیکس آرڈیننس کے تحت منافع منقسمہ پر لاگو ٹیکس کی شرح میں درج ذیل ترمیم کی گئی ہے۔

(i) انکم ٹیکس گوشوارے جمع کروانے والوں کے لئے 15 فیصد

(ii) انکم ٹیکس گوشوارے جمع نہ کروانے والوں کے لئے 20 فیصد

کمپنی کی جانب سے 20 فیصد کے بجائے 15 فیصد ٹیکس کی کٹوتی کیلئے ضروری ہے کہ وہ تمام شیئر ہولڈرز جن کے نام فعال ٹیکس دہندگان کی فہرست (ATL) ایف بی آر کی ویب سائٹ پر موجود نہیں ہے لیکن اگر وہ ٹیکس دہندگان ہوں تو وہ یہ یقین دہانی کرالیں کہ ان کا نام حصص کے منظوری کی تاریخ 13 مارچ 2018 سے قبل شامل کرلیا جائے بصورت دیگر ان کی منقسمہ پر 15% کے بجائے 20% ٹیکس کی کٹوتی کی جائے گی۔

CDC اکاؤنٹس کے حامل کارپوریٹ شیئر ہولڈرز کو اپنا نیشنل ٹیکس نمبر (NTNs-) اپنے متعلقہ شرکاء کے ہمراہ تجدید کرانی ہو گی جبکہ کارپوریٹ فزیکل شیئر ہولڈر اپنے NTN سرٹیفکیٹ کی ایک نقل کمپنی یا اس کے شیئر رجسٹرار ڈیپارٹمنٹ سی ڈی سی ہاؤس 99۔بی، بلاک 'بی' ایس۔ ایم۔ سی۔ ایچ۔ ایس، مین شاہراہ فیصل کراچی۔ 74400 کو بھیجنی ہوگی۔ شیئر ہولڈرز NTN یا NTN سرٹیفکیٹس بھیجتے ہوئے کمپنی نام اور اس کے متعلقہ فولیو نمبرز ضرور تحریر کریں۔

جوائنٹ شیئر ہولڈرز ہونے کی صورت میں ٹیکس:

ایف بی آر کے لیٹر نمبر R-132872-Exp/2014-1(54) مورخہ 25 ستمبر 2014 میں واضح کیا گیا ہے کہ جوائنٹ اکاؤنٹ یا جوائنٹ نام ہونے کی صورت میں بھی اُن کو انفرادی طور پر فائلر یا نان فائلر کے طور پر ہی ٹریٹ کیا جائے گا اُن کا ٹیکس ان کی شیئر ہولڈر کے طور پر ہی کاٹا جائے گا۔

جوائنٹ ہولڈرز شیئر رجسٹرار کو مورخہ 19 مارچ 2019 تک اپنے متعلقہ جوائنٹ ہولڈنگ سے متعلق مندرجہ ذیل فارم پر مطلع کریں۔

CDC Account number	Folio #	Total Shares	Principle shareholder		Joint Shareholder	
			Name & CNIC	Shareholding proportion	Name & CNIC	Shareholding proportion

6۔ کمپنیز ایکٹ، 2017 کے سیکشن 242 کے تحت لسٹڈ کمپنی کے لئے یہ لازمی ہے کہ وہ اپنے شیئر ہولڈرز کو کیش ڈیویڈنڈ الیکٹرونک ترسیل سے جمع کرائیں جو شیئر ہولڈرز کے مخصوص بینک اکاؤنٹ میں براہ راست جمع ہوں۔ فزیکل شیئرز ہونے کی صورت میں بینک اکاؤنٹ میں براہ راست ڈیویڈنڈ کی وصولی کیلئے شیئر ہولڈرز سے التماس ہے کہ وہ الیکٹرونک کریڈٹ مینڈیٹ فارم پر کریں جو کمپنی کی ویب سائٹ پر دستیاب ہے اور باقاعدہ دستخط کے ساتھ بمعہ سی این آئی سی کی نقل کمپنی رجسٹرار میسرز سنٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ شیئر رجسٹرار ڈیپارٹمنٹ، سی ڈی سی ہاؤس B-99، بلاک 'بی' ایس۔ ایم۔ سی۔ ایچ۔ ایس، مین شاہراہ فیصل کراچی ارسال کریں۔ سی ڈی سی میں شیئرز ہونے کی صورت میں الیکٹرونک کریڈٹ مینڈیٹ فارم شیئر ہولڈرز اپنے بروکر / شرکت کنندگان / سی ڈی سی اکاؤنٹ سروسز کو براہ راست جمع کرائیں۔

الیکٹرونک مینڈیٹ فارم

فولیو نمبر	
شیئر ہولڈر کا نام	
بینک اکاؤنٹ ٹائٹل	
بین الاقوامی بینک اکاؤنٹ	
بینک کا نام	
بینک برانچ کا نام اور پتہ	
شیئر ہولڈر کا موبائل اور لینڈ لائن نمبر	
سی این آئی سی / این ٹی این نمبر (کاپی منسلک کریں)	
شیئر ہولڈر کے دستخط	

7۔ ایس ای سی پی SRO 470(1)/2016، مورخہ 31 مئی 2016 کے تحت کمپنیوں کو سالانہ بیلنس شیٹ، پرافٹ اور لاس اکاؤنٹ، آڈیٹرز، رپورٹ اور ڈائریکٹرز رپورٹ وغیرہ (سالانہ آڈٹ اکاؤنٹس) اپنے ممبرز کو سی ڈی / ڈی وی ڈی / یو ایس بی کے ذریعے رجسٹرڈ ایڈریس کے ذریعے سرکولیٹ کرنے کی اجازت دیتا ہے۔ درج بالا کے مطابق، کمپنی کو اپنی سالانہ رپورٹ 2017 اپنے شیئر ہولڈرز کو سی ڈی کی شکل میں بھیجی ہے۔ اگر کسی ممبر کو سالانہ رپورٹ 2018 پرنٹ کاپی کی شکل میں درکار ہو تو اسٹینڈرڈ درخواست فارم کے ذریعے درخواست دے سکتے ہیں۔

8۔ ممبران کو مطلع کیا جاتا ہے کہ ایس ای سی پی کے ایس آر او نمبر 787(1)/2014 مورخہ 8 ستمبر 2014 اور کمپنیز ایکٹ 2017 کے سیکشن 223(6) کے تحت آڈٹ فنانشل اسٹیٹمنٹ اور جنرل میٹنگ کے سالانہ نوٹس کے سرکولیشن کی اجازت الیکٹرانک فارمیٹ میں بذریعہ ای میل بھیجنے کی اجازت ہے۔

درج بالا معیار پر پورا اترنے کیلئے ایسے ممبران جو الیکٹرانک فارمیٹ سالانہ رپورٹ 2018 کی سافٹ کاپیاں ممبران کو ای میل کے ذریعے بھیجی جا رہی ہیں۔ سالانہ رپورٹ 2018 کو الیکٹرانک فارمیٹ میں حاصل کرنے کے خواہشمند ممبران سالانہ رپورٹ کمپنی کی ویب سائٹ پر موجود با عنوان SRO ایک درخواست کے ذریعے حاصل کر سکتے ہیں۔ ایسے ممبران جن کو سالانہ رپورٹ 2018 ای میل کے ذریعے فراہم کی گئی ہے وہ سات دن کے اندر بغیر قیمت کے ہارڈ کاپی لے سکتے ہیں۔

ممبران سے گزارش ہے کہ ان کے رجسٹرڈ پتہ میں کسی قسم کی تبدیلی کی صورت میں بروقت مطلع کریں تاکہ کمپنی سے رابطہ متاثر نہ ہو۔

9۔ 31 دسمبر 2018 کو ختم ہونے والے مالی سال سے کمپنی کی آڈٹ شدہ سالانہ اکاؤنٹس کی تفصیل کمپنی کی ویب سائٹ www.ffc.com.pk پر دستیاب ہے۔

10۔ مزید معلومات کیلئے ممبران کمپنی یا شیئر رجسٹرار سے مندرجہ ذیل فون نمبرز، ای میل ایڈریس پر رابطہ کر سکتے ہیں۔

FFC شیئرز ڈیپارٹمنٹ

ٹیلی فون نمبر: +92-51-8453235

ای میل ایڈریس: shares@ffc.com.pk

سینٹرل ڈیپازیٹری کمپنی آف پاکستان لمیٹڈ

شیئرز رجسٹرار ڈیپارٹمنٹ، CDC ہاؤس B-99، بلاک "بی"
ایس۔ ایم۔ سی۔ ایچ۔ ایس، مین شاہراہ فیصل کراچی۔ 74400
فون نمبر: 0800-23275
ای میل: info@cdcpak.com

نوٹس برائے سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ فوجی فرٹیلائزر کمپنی کے شیئر ہولڈرز کا 41واں سالانہ اجلاس 26 مارچ 2019 بروز منگل دن 1000 بجے ایف ایف سی ہیڈ آفس 156 دی مال، راولپنڈی میں منعقد ہو گا، جس میں مندرجہ ذیل امور زیر غور لائے جائیں گے۔

عمومی معاملات:

1۔ 28 ستمبر 2018 کو ہونے والے غیر معمولی اجلاس عام کے منٹس کی توثیق۔

2۔ ایف ایف سی کی 31 دسمبر 2018 کو ختم ہونے سال کی علیحدہ آڈٹ شدہ اور کنسالیڈیٹڈ مالی سٹیٹمنٹس کو ڈائریکٹرز اور آڈیٹرز کی رپورٹ کے ہمراہ زیر بحث لانا، اس کی منظوری اور اڈاپشن۔

3۔ سال 2019 کیلئے آڈیٹرز کی تقرری اور ان کے مشاہرہ کا تعین۔

(ریٹائر ہونے والے آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس جو اس کے لیے اہل ہیں نے سال 2019 کے لیے اپنی دوبارہ تقرری کے لیے خواہش کا اظہار کیا ہے۔ اس کے علاوہ زیر تحت کمپنیز ایکٹ 2017 سیکشن 246(3) ایک ممبر کی جانب سے ایک نوٹس موصول ہوا ہے، جس میں کمپنی کے سالانہ اجلاس میں ریٹائر ہونے والے آڈیٹرز کے بجائے میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی بطور کمپنی آڈیٹر تعیناتی کی سفارش کی ہے)۔

4۔ 31 دسمبر 2018 کو ختم ہوئے سال کیلئے بورڈ آف ڈائریکٹرز کے مجوزہ حتمی منافع منقسمہ (Final Dividend) کی منظوری۔

5۔ اجلاس کے سربراہ کی اجازت سے کسی دیگر کارروائی پر غور و خوض

بحکم بورڈ

بریگیڈیئر اشفاق احمد
ستارہ امتیاز (ملٹری) (ریٹائرڈ)
کمپنی سیکرٹری

راولپنڈی
4 مارچ 2019

ای۔ووٹنگ

ای ووٹنگ: ممبرز کمپنیز ایکٹ 2017 کے سیکشن 145-143 اور کمپنیز ریگولیشن 2018 (پوسٹل بیلٹ) کی متعلقہ شرائط کو پورا کرنے کی صورت میں اپنے ووٹ دینے کا حق استعمال کر سکتے ہیں۔

ویڈیو کانفرنس کی سہولت:

کمپنیز ایکٹ 2017 کے سیکشن 132(2) کی روشنی میں اگر کمپنی کو کسی ایک جغرافیائی مقام پر مجموعی طور پر 10 فیصد یا زیادہ کے شیئر ہولڈر کی جانب سے اجلاس میں ویڈیو کانفرنس کے ذریعے شرکت کی درخواست اجلاس سے 7 دن قبل تک موصول ہو جاتی ہے تو کمپنی ویڈیو کانفرنس کا اہتمام کرے گی اگر اس شہر میں یہ سہولت موجود ہوئی۔

نوٹس:

1۔ کمپنی کی شیئرز ٹرانسفر بک 20 مارچ 2019 سے 26 مارچ 2019 (بشمول دونوں ایام) بند رہے گی اور شیئرز کی منتقلی کی کوئی درخواست رجسٹریشن کے لیے قبول نہیں کی جائے گی۔ 19 مارچ 2019 کو کاروبار بند ہونے تک کمپنی شیئرز رجسٹرار یعنی سنٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ شیئرز رجسٹرار ڈیپارٹمنٹ، سی ڈی سی ہاؤس B-99، بلاک 'بی' ایس۔ایم۔سی ایچ۔ایس مین شاہراہ فیصل کراچی 74400 پاکستان کے پتے پر موصول ہونے والے ٹرانسفرز کو حتمی منافع کی ادائیگی کے لیے بروقت تصور کیا جائے گا۔

2۔ میٹنگ میں شرکت اور ووٹنگ کا حق رکھنے والا کمپنی کا ممبر اپنی جگہ کسی فرد/نمائندے کو میٹنگ میں موجودگی اور ووٹ دینے کیلئے بطور پراکسی مقرر کر سکتا ہے۔ میٹنگ میں بطور پراکسی شمولیت کیلئے اور موثر نمائندگی کے لئے میٹنگ کے آغاز سے 48 گھنٹے پہلے پراکسی فارم کمپنی کے رجسٹرار دفتر واقع 156۔ دی مال، راولپنڈی پاکستان کو موصول ہو جانا چاہیے۔ چھٹی کا دن شمار نہیں کیا جائے گا۔ کوئی ممبر ایک سے زائد پراکسی مقرر نہیں کر سکتا۔

3۔ CDC کا انفرادی استحقاق رکھنے والا کوئی بھی ممبر جو اس میٹنگ میں ووٹ دینے کا حقدار ہو شناخت کیلئے اپنا اصل کمپیوٹرائزڈ شناختی کارڈ لازماً اپنے ہمراہ لائے اور پراکسی کی صورت میں شیئرز ہولڈرز کے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل پراکسی فارم کے ساتھ لازماً منسلک کریں۔ کارپوریٹ ممبرز کے نمائندے اس موقع پر مطلوبہ عمومی دستاویزات اپنے ہمراہ لائیں۔

CDC اکاؤنٹ ہولڈرز کو بھی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ سرکلر نمبر 1 مورخہ 26 جنوری 2000 میں دی گئی ہدایات کے تحت درج ذیل رہنما اصولوں کو پیش نظر رکھنا ہو گا۔

ا۔ اجلاس میں شرکت کیلئے:

(i) اجلاس میں شرکت کے موقع پر افراد، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا جن افراد کی سیکورٹیز گروپ اکاؤنٹ کی شکل میں ہوں اور ان کی رجسٹریشن سے متعلق تفصیلات شرائط و ضوابط کے تحت اپ لوڈ کی جا چکی ہوں کو اپنی شناخت کے لئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ پیش کرنا ہو گا۔

(ii) CDC کے رجسٹرڈ ممبرز سے بھی گزارش ہے کہ وہ اپنی دستاویزات، آئی ڈی نمبرز اور CDS میں اپنے اکاؤنٹ نمبرز اپنے ہمراہ لائیں۔

(iii) کارپوریٹ اداروں کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ اختیار نامہ مع مقررہ شخص کے نمونے کے دستخط بھی اجلاس کے موقع پر فراہم کرنے ہونگے (اگر یہ سب پہلے سے فراہم نہیں کیا گیا)۔

ب۔ پراکسی کا تقرر:

(i) اجلاس میں شرکت کے موقع پر افراد، اکاؤنٹ ہولڈر، سب اکاؤنٹ ہولڈر اور یا جن افراد کی سیکورٹیز گروپ اکاؤنٹ کی شکل میں ہوں اور ان کی رجسٹریشن سے متعلق تفصیلات شرائط و ضوابط کے تحت اپ لوڈ کی جا چکی ہوں کو درج بالا تفصیلات کے مطابق پراکسی فارم جمع کروانا ہو گا۔

(ii) پراکسی فارم کی تصدیق دو شخص کریں گے جس کا نام، پتہ اور CNIC نمبر پراکسی فارم پر درج ہو گا۔

(iii) اصل مالک اور پراکسی کے CNIC یا پاسپورٹ کی تصدیق شدہ نقول پراکسی فارم کے ساتھ منسلک کریں۔

(iv) پراکسی کو اجلاس کے موقع پر اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ پیش کرنا ہو گا۔

(v) کارپوریٹ اداروں کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ اختیار نامہ مع مقررہ شخص کے نمونے کے دستخط بھی اجلاس کے موقع پر پراکسی فارم کے ساتھ کمپنی کو فراہم کرنے ہونگے۔ (اگر یہ سب پہلے سے فراہم نہیں کیا گیا)۔

Boards' Reviews

Directors' Report

Chairman's Review

Dear Shareholders,

On behalf of the Board of Directors, I welcome Lt Gen Tariq Khan, HI (M) (Retired) as the new Chief Executive & Managing Director of the Company. I would also like to place on record the immense contribution of the outgoing Directors during their tenure.

Pakistan's agricultural sector depicted a 13 years high growth rate of 3.8% in 2018 owing to higher crop yields, attractive output prices, availability of agriculture credit at low mark-up and improved fertilizers offtake.

The Country witnessed one of the worst devaluation of PKR during the year leading to inflationary pressure, whereas interest rates also registered significant increase. In addition, the gas prices were increased substantially while the urea subsidy scheme was discontinued during the year and the Company had to pass on the impact to sustain its profitability margins.

With the recovery of selling prices of urea and DAP during the year, after extremely depressed market conditions during 2016 and 2017 which included significant sales discounts, the Company created a new benchmark of highest ever aggregate sales revenue of Rs 108 billion (including subsidy). Economization in operating and finance costs and improvement in investment income contributed further to the profitability of the Company with net earnings of Rs 14.44 billion registering a growth of 35% over the year 2017.

I am extremely grateful to the untiring contributions of my fellow Board members which led to the revival of fertilizer industry and 35% growth in FFC's profitability, exceeding the Company targets. Under the leadership of the Board, FFC once again secured top awards in the ICAP / SAFA best presented annual report competitions signifying transparency and good governance by the Company. FFC has also improved its long term credit rating to AA+ while short term rating has been maintained at the highest level of A1+ signifying its very strong capacity to timely fulfill its financial obligations.

In view of these promising results and in continuation of the Company's commitment to offer attractive returns to the shareholders, the Board is pleased to announce final dividend of Rs 3.90 per share, leading to the aggregate annual pay out of around 78%, including interim distributions of Rs 4.95 per share.

The Company also contributed around Rs 36.78 billion to the national exchequer by way of taxes and levies besides enabling savings in foreign currency of around US$ 650 million through import substitution.

FFC acquired 30% stake in Thar Energy Limited (TEL) with equity injection of Rs 1.46 billion during the year to establish a 330 MW power plant. EPC contract and financing documents of the project have been signed and COD is expected to be achieved in 2021.

Going forward, persistent pricing pressure, devaluation of PKR, extension of ad-hoc levies, increase in gas cost etc. continue to pose risk to the Company's profitability. Favorable governmental policies are, therefore, imperative for sustained growth of the fertilizer industry and the agriculture sector to ensure food security in the Country. The Board also remains focused on increasing shareholders' value through efficiency enhancement and local / offshore diversification initiatives and enduring contribution towards development of the farming community.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman
Rawalpindi
January 31, 2019

چیئرمین کا جائزہ

معزز حصص داران

بورڈ آف ڈائریکٹرز کی جانب سے بطور نئے چیف ایگزیکٹو اور مینیجنگ ڈائریکٹر منتخب ہونے پر میں لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری) (ریٹائرڈ)، کا خیر مقدم کرتا ہوں۔ میں سبکدوش ہونے والے ڈائریکٹرز کی اپنی تعیناتی کے دوران شاندار خدمات کو بھی ریکارڈ پر لانا چاہونگا۔

پاکستان کے زرعی شعبے نے 2018 میں 13 سال کی بلند ترین شرح بڑھوتری 3.8 فیصد حاصل کی جس کی وجہ فصلوں کی اعلیٰ پیداوار، پُرکشش قیمت فروخت، زرعی قرضوں کی کم شرح سود پر دستیابی اور کھاد کی بہتر فروخت تھی۔

ملک میں اس سال کے دوران پاکستانی روپے کی قدر میں شدید کمی ہوئی جسکی وجہ سے افراط زر پر بھی منفی دباؤ پڑا جبکہ شرح سود میں بھی نمایاں اضافہ ہوا۔ مزید برآں گیس کی قیمتوں میں بہت زیادہ اضافہ کیا گیا جبکہ سال کے دوران سبسڈی سکیم بھی ختم کر دی گئی، جن کے منفی اثرات کمپنی کو اپنی شرح منافع برقرار رکھنے کی خاطر صارفین کو منتقل کرنے پڑے۔

سال 2016 اور 2017 میں مارکیٹ کے انتہائی نامناسب حالات کے بعد جس میں نمایاں ڈسکاؤنٹ دینے پڑے تھے، یوریا اور DAP کی قیمتوں میں بہتری دیکھنے میں آئی اور اسطرح کمپنی نے بلند ترین آمدن 108 ارب روپے (بشمول سبسڈی) کا نیا معیار قائم کیا۔ پیداواری اور مالیاتی لاگت میں نسبتاً کمی اور سرمایہ کاری کی آمدن میں بہتری سے کمپنی کے منافع میں مزید اضافہ ہوا۔ اور خالص منافع 14.44 ارب روپے رہا جو کہ سال 2017 سے 35 فیصد زائد رہا۔

میں اپنے ساتھی بورڈ اراکین کی انتھک اعانت کے لئے بہت زیادہ مشکور ہوں جس سے کھاد کی صنعت کی بحالی اور کمپنی کے منافع میں کمپنی کے ہدف سے بڑھکر 35 فیصد اضافہ ہوا۔ بورڈ کی قیادت میں کمپنی نے ICAP/SAFA کے بہترین سالانہ رپورٹس مقابلوں میں انعامات حاصل کئے جو کمپنی کی شفافیت اور Good Governance کا مظہر ہیں۔ FFC نے اپنی طویل المدتی کریڈٹ ریٹنگ کو بھی بہتر بنا کر AA+ پر لے آئی ہے جبکہ قلیل المدتی کریڈٹ ریٹنگ کو A1+ کی بلند ترین سطح پر برقرار رکھا گیا جو کہ کمپنی کی مالی واجبات کی بروقت ادائیگی کی نہایت مضبوط صلاحیت کو ظاہر کرتی ہے۔

حوصلہ افزاء نتائج کو دیکھتے ہوئے اور کمپنی کے اپنے حصص داران کو پرکشش منافع کے عزم کے تسلسل میں بورڈ 3.90 روپے فی حصہ حتمی منافع منقسمہ کا اعلان کرتا ہے جو کہ بشمول 4.95 روپے فی حصہ عبوری منافع منقسمہ کے، تقریباً 78 فیصد مجموعی سالانہ ادائیگی پر منتج ہوتی ہے۔

کمپنی نے محصولات کی مد میں تقریباً 36.8 ارب روپے کی اعانت قومی خزانے کو فراہم کی علاوہ ازیں درآمدی متبادل کی صورت میں 645 ملین ڈالر کا زرمبادلہ بھی بچایا۔

FFC نے سال کے دوران 330 میگاواٹ پاور پلانٹ قائم کرنے کے لئے تھر انرجی لمیٹڈ Thar Energy Limited (TEL) میں 1.46 ارب روپے کی سرمایہ کاری سے 30 فیصد حصص حاصل کئے۔ پروجیکٹ کے EPC معاہدے اور مالیاتی دستاویزات پر دستخط ہو چکے ہیں۔ اور کمرشل آپریشنز کا آغاز 2021 میں متوقع ہے۔

آگے بڑھتے ہوئے، قیمتوں کے تعین میں مسلسل دباؤ، روپے کی قدر میں کمی، ایڈہاک محصولات کا بڑھتا ہوا نفاذ، گیس کی قیمت میں اضافہ کمپنی کے منافع کے لئے خطرے کا باعث بن سکتے ہیں۔ سازگار حکومتی پالیسیاں کھاد کی صنعت اور زرعی شعبے کی دیرپا ترقی کے لئے نہائت اہم ہیں تا کہ ملک میں Food Security کو یقینی بنایا جا سکے۔ علاوہ ازیں بورڈ کی توجہ مقامی/ بین الاقوامی متنوع منصوبوں اور کارکردگی میں بہتری کے ذریعے حصص داران کی دولت میں اضافے پر اور کسان برادری کی ترقی کے لئے دیرپا اعانت پر بھی مذکور ہے۔

لیفٹیننٹ جنرل سید طارق ندیم گیلانی
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیئرمین
راولپنڈی
31 جنوری 2019

CE & MD's Overview

Dear Shareholders,

I feel privileged to have been vested with the leadership of Fauji Fertilizer Company Limited. Let me also place on record our appreciation for the invaluable services rendered by my predecessor Lt Gen Shafqaat Ahmed, HI(M) (Retired) towards the success of the Company.

I am pleased to inform that the Company's manufacturing facilities achieved second highest urea production ever of 2,522 thousand tonnes achieving 123% combined operating efficiency despite the old vintage of our plants. The Company maintains the highest standards of safety and environment at its plantsites and has secured international certifications in this regard, besides continuation of our significant contribution to the neighbouring communities through our CSR function in the areas of health, education and environmental protection etc.

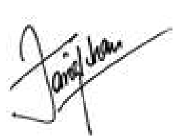
Normalization of urea market during latter half of 2017 resulted in restoration of the customary urea demand and the Company recorded second highest all product offtake of 3,030 thousand tonnes. Concerted marketing efforts also enabled the Company to improve combined FFC / FFBL urea market share to 53% as opposed to 52% of last year (Source NFDC).

Despite the consistent pricing pressures, continued levy of super tax and decline in dividend income, which are beyond the Company's control, FFC achieved net profitability of Rs 14.44 billion, with earnings per share of Rs 11.35 against Rs 8.42 per share last year primarily due to improvement in selling prices, continuation of stringent cost controls, efficiency enhancement and effective treasury management.

FFC Energy Limited (FFCEL) has maintained its trajectory of profitable operations and declared dividend for the second consecutive year. FFCEL has also successfully taken over Operations and Maintenance (O&M) of Wind Turbine Generators and Site Administration & Security from its O&M contractors. FFC food venture, Fauji Fresh n Freeze Limited (FFF) also registered noticeable growth in local as well as international markets. The project is still in development phase and requires continuous sponsor's support. In order to achieve fast track growth, services of industry experts have also been engaged to acquire market intelligence and develop strategies for market penetration.

The shareholders would also be pleased to know that penalty of Rs 5.5 billion imposed on FFC by Competition Commission of Pakistan (CCP) for alleged unreasonable increase in urea prices has been set aside by the Competition Appellate Tribunal with directions to the CCP to decide the case afresh under the guidelines provided by the Tribunal. No petition was filed by the CCP for review of the decision of the CCP tribunal within the stipulated time, and this option has, thus become time barred for the CCP. However, the CCP can file fresh case under the guidelines provided by the Tribunal, but the Company remains confident of successfully defending these unreasonable claims in future as well.

Disparity between input and output GST rates, the long outstanding sales tax refundable and subsidy receivable present considerable cash flow constraints for the Company which require urgent Governmental attention in addition to rationalization of the discriminatory GIDC levy to provide a level playing field within the fertilizer industry and also allowing the Company to offer its fertilizer products at more affordable rates to the farmers.



Lt Gen Tariq Khan
HI (M), (Retired)
Chief Executive & Managing Director
Rawalpindi
January 31, 2019

چیف ایگزیکٹو اور مینجنگ ڈائریکٹر کا تبصرہ

معزز حصہ داران

میرے لئے فوجی فرٹیلائزر کی قیادت کی ذمہ داری ایک اعزاز ہے۔ میں اپنے پیش رو لیفٹیننٹ جنرل شفقات احمد، ہلال امتیاز (ملٹری) (ریٹائرڈ) کی کمپنی کی کامیابی کے لئے گراں قدر خدمات کے لئے ان کو خراج تحسین پیش کرتا ہوں۔

مجھے یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ ہمارے مینوفیکچرنگ پلانٹس نے پرانے ہونے کے باوجود 123 فیصد کی مجموعی آپریٹنگ صلاحیت حاصل کرتے ہوئے 2,522 ہزار ٹن کی کمپنی کی تاریخ کے دوسرے سب سے زیادہ یوریا کی پیداوار حاصل کی ہے۔ کمپنی اپنے پلانٹ سائٹ پر Safety اور Environment کے اعلیٰ ترین معیار برقرار رکھتی ہے۔ اور اس سلسلے میں کئی سرٹیفیکشن حاصل کر رکھی ہیں۔ علاوہ ازیں اپنے پلانٹس کے قریب آبادیوں کے لئے صحت، تعلیم اور ماحولیاتی تحفظ کے شعبوں میں اپنی نمایاں اعانت کے تسلسل کو برقرار رکھا ہے۔

سال 2017 کے آخری چھ مہینوں میں یوریا مارکیٹ کی بحالی کے نتیجے میں یوریا کی روایتی طلب بحال ہوئی اور کمپنی نے تمام مصنوعات کی 3,030 ہزار ٹن فروخت کرتے ہوئے اپنی تاریخ کی دوسری بڑی Offtake کا ریکارڈ بنایا۔ مربوط مارکیٹنگ کی کاوشوں سے FFC / FFBL کا مشترکہ مارکیٹ شیئر بہتر ہو کر 53 فیصد ہوا جو کہ پچھلے سال 52 فیصد تھا۔

قیمتوں کے تعین پر دباؤ، سپر ٹیکس کے تسلسل، اور منافع منقسمہ کی وصولی میں کمی جو کمپنی کے دائرہ کار سے باہر عوامل ہیں، کمپنی نے 14.44 ارب روپے کی خالص آمدن حاصل کی۔ اور فی حصہ آمدن 11.35 روپے رہی۔ جو کہ پچھلے سال 8.42 روپے فی حصہ تھی۔ قیمتوں میں بہتری، اخراجات پر مسلسل سخت کنٹرول، کارکردگی میں بہتری اور موثر ٹریژری مینجمنٹ منافع میں بہتری کے بنیادی عوامل تھے۔

FFCEL نے اپنے منافع بخش آپریشن کے رجحان کو برقرار رکھا ہوا ہے اور مسلسل دوسرے سال بھی منافع منقسمہ کا اعلان کیا۔ FFCEL نے کامیابی کے ساتھ ونڈ ٹربائن جنریٹرز کے آپریشن و مرمت اور سائیٹ ایڈمنسٹریشن و سیکورٹی کے انتظامات O&M کنٹریکٹر سے خود لے کر سنبھال لئے ہیں۔ FFC کے غذائی منصوبے FFF کا مقامی اور بین الاقوامی منڈیوں میں موجودگی میں قابل ذکر اضافہ ہوا ہے۔ یہ پراجیکٹ ابھی ترقیاتی مراحل میں ہے اس لئے سپانسرز کی مسلسل سپورٹ کی ضرورت مند ہے۔ تیز رفتار ترقی کے حصول کے پیش نظر انڈسٹری ایکسپرٹس کی خدمات لی گئی ہیں تا کہ مارکیٹ Intelligence حاصل کی جائے اور مارکیٹ Penetration کی حکمت عملی وضع کی جاسکے۔

حصص داران کو یہ جان کر خوشی ہوگی کہ کہ یوریا کی قیمتوں میں مبینہ غیر معقول اضافے کے سبب Competition Commission of Pakistan (CCP) کی جانب سے 5.5 ارب روپے کا عائد کردہ جرمانہ ٹربیونل (Tribunal) نے منسوخ (Set aside) کر دیا ہے CCP کو مزید ہدایت کی گئی ہے کہ اس کیس کا فیصلہ ٹربیونل کی دی گئی ہدایات کے تحت کیا جائے۔ فیصلے کی نظر ثانی کے لئے مقررہ وقت کے اندر CCP کی جانب سے کوئی درخواست دائر نہیں کی گئی۔ اور اب یہ آپشن CCP کے لئے زائد المعیاد ہو چکا ہے۔ تاہم CCP ٹرابیونل کے جانب سے مہیا کردہ ہدایات کے مطابق ایک نیا کیس دائر کر سکتی ہے۔ لیکن کمپنی مستقبل میں بھی ان بے بنیاد الزامات کا دفاع کرنے کے لئے پر اعتماد ہے

ان پٹ اور آؤٹ پٹ سیلز ٹیکس کی شرحوں میں عدم مطابقت، طویل مدت سے قابل واپسی سیلز ٹیکس اور سبسڈی کلیمز کی عدم ادائیگی، کمپنی کے کیش فلوز کے لئے بڑے مسائل ہیں۔ جو حکومت کی فوری توجہ کی طالب ہیں۔ اس کے علاوہ GIDC کے امتیازی محصول کی شرح میں ردو بدل کی بھی ضرورت ہے تا کہ کھاد کی صنعت کو ایک مساوی میدانِ عمل مہیا ہو سکے اور کمپنی کسانوں کو مزید بہتر نرخوں پر کھاد فراہم کر سکے۔

لیفٹیننٹ جنرل طارق خان
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو و مینیجنگ ڈائریکٹر
راولپنڈی
31 جنوری، 2019

Financial Capital

FFC Performance

Profit or Loss Analysis

The Company achieved all its major targets for 2018 in terms of production, sales, revenues, finance cost and investment income, thus attaining a profitability of Rs 14.44 billion as compared to Rs 10.71 billion earned last year.

Dividend income, which is beyond the Company's control, registered a decline compared to 2017 and restricted the profitability growth to 35% against last year. The growth in profitability was further impacted by continued levy of Super Tax besides additional tax burden on imported fertilizers due to implementation of Minimum Tax regime.

The increased disparity between GST rates, with output GST brought down to 2% by Finance Act 2018 while keeping the input GST rates between 5% to 17%, negatively affected Company's cash flows. The increasing balance of unadjusted GST and long outstanding subsidy receivables led to further opportunity costs to FFC.

Sona urea production by the three plants recorded second highest output ever of 2,522 thousand tonnes, only one thousand tonne short of highest ever production of 2,523 thousand tonnes achieved in 2016.

Sona urea sales recorded at 2,527 thousand tonnes were 6% lower than last year owing to lower product availability, which comprised of current year's Sona urea production and a minimal inventory of 8 thousand tonnes carried over from last year.

The Company improved its **combined FFC / FFBL urea market share** to 53% as opposed to 52% last year owing to brand preference by the customers, whereas combined DAP market share stood at 52%, compared to 56% in 2017. **(Source: NFDC)**

FFC also achieved a new benchmark in terms of highest ever **sales revenue,** which exceeded Rs 100 billion mark for the very first time and stood at Rs 105.96 billion, 17% higher than last year.

The revival of urea selling prices after two years of depressed market conditions resulted in increased Sona urea revenue of Rs 73.86 billion.

Revenue from imported fertilizers stood at Rs 32.10 billion registering an increase of 27% over last year due to better selling prices.

Aggregate cost of sales of Sona urea and imported fertilizers, recorded at Rs 77.99 billion, was 7% above last year.

Urea cost of sales stood at Rs 51.47 billion and was almost in line with last year mainly due to lower sales volume and continued cost controls being implemented by the Company. However, urea production cost at Rs 51.39 billion increased by 7% primarily due to substantial hike in gas rates during the last quarter of 2018, general inflation and significant Rupee devaluation during the year.

Despite reduction in sale of imported fertilizers, major currency devaluation resulted in increased cost of imported fertilizers of Rs 26.51 billion, which was 26% higher than last year.

Gross profit of the Company improved by 55% to Rs 27.98 billion compared to Rs 18.09 billion last year.

The Company continued its cost controls during the year and as a result, the **distribution cost** of Rs 8.83 billion, increased by 3% only compared to last year mainly due to higher fertilizer imports of 717 thousand tonnes against 519 thousand tonnes imported last year.

Despite rise in interest rates, **finance cost** was curtailed at Rs 1.64 billion, a decrease of 33% as compared to last year mainly due to improved liquidity position and effective cash flow controls.

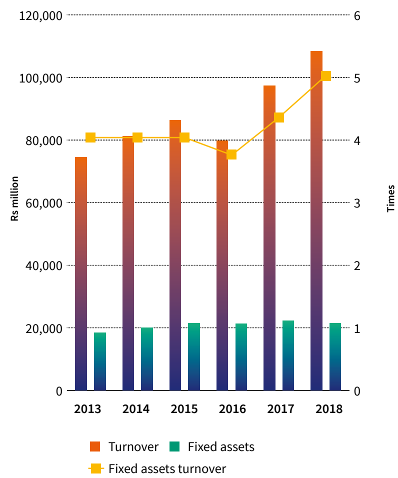
FFC maintains a dynamic and flexible portfolio of investments, which contributed **investment income** of Rs 2.64 billion, 86% higher than last year due to better availability of funds and efficient treasury management. The investment income includes exchange gain of Rs 399 million earned on the foreign currency deposits of the Company.

Dividend income of Rs 1.25 billion decreased by 45% compared to last year due to lower payout of dividends by associated companies.

Subsidy income of Rs 2.40 billion showed a decrease of Rs 4.20 billion from last year owing to discontinuation of subsidy on urea effective from July 1, 2018. Subsidy has been classified as other income under the requirements of International Financial Reporting Standards (IFRSs).

Tax charge of Rs 7.24 billion for the year has increased by 44% compared with last year mainly due to higher applicable profitability, change in the taxation structure to Minimum Tax regime for imported fertilizers besides continued levy of Super Tax that includes provision of Rs 877 million for 2017 and 2018 as required by Finance Act 2018.

Turnover, Fixed Assets & Fixed Assets Turnover



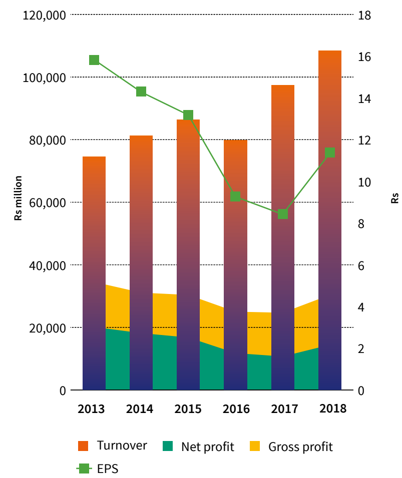
Consequently, the Company achieved **net profitability** of Rs 14.44 billion during 2018, translating into an earnings per share of Rs 11.35, higher by 35% as compared to Rs 8.42 per share earned last year.

Financial Position Analysis

Net worth of the Company stood at Rs 33.38 billion translating into a breakup value of Rs 26.24 per share. The net worth registered a growth of 14% over last year mainly due to 27% increase in revenue reserves, recorded at Rs 20.52 billion as compared to Rs 16.18 billion last year.

Long-term debt stood at Rs 8.58 billion, which decreased by Rs 6.99 billion mainly due to repayment of debt in line with borrowing agreements. **All debt obligations, becoming due for repayments during the year, were retired on timely basis**.

Profitability



Trade and other payables recorded at Rs 60.60 billion at the end of the year, increased by Rs 21.82 billion as compared to last year, mainly due to continued withholding of GIDC payments under the Court's rulings.

Short-term borrowings at Rs 28.53 billion, increased by Rs 16.99 billion which were availed to meet working capital requirements towards the end of the year.

Current portion of long-term borrowings increased by 6% due to maturity of long-term borrowings becoming due within next year.

Contingencies include penalty of Rs 5.5 billion imposed by the Competition Commission of Pakistan (CCP) in 2013, for alleged unreasonable increase in urea prices, had been set aside by the Competition Appellate Tribunal with directions to the CCP to decide the case under guidelines provided by the Tribunal. No petition was filed by the CCP for review of the decision within the stipulated time, and this option has thus become time barred for the CCP. However, the CCP can file fresh case under the guidelines provided by the Tribunal, but the Company remains confident

Financial Capital

of successfully defending these unreasonable claims in future as well.

Financial commitments of the Company remained in line with the plan and stood at an aggregate of Rs 8.37 billion at the close of 2018 in respect of equity investments, capital expenditure, goods & services and purchase of fertilizers as detailed in the Note 12 to the financial statements.

Property, plant and equipment stood at Rs 21.53 billion with a decrease of 3% compared to last year, due to lower capitalization during 2018.

The Company has invested Rs 1.46 billion in Thar Energy Limited and Rs 1.64 billion in Fauji Fresh n Freeze Limited during the year, however, classification of Rs 4.02 billion of Pakistan Investment Bonds (PIBs) to short term investments (current maturity) resulted in decline of **long term investments** to Rs 26.90 billion compared to Rs 27.87 billion last year.

Stock in trade stood at Rs 12.93 billion, comprising mainly of 213 thousand tonnes of DAP and a minimal inventory of 3 thousand tonnes of Sona urea as opposed to 8 thousand tonnes only at the close of last year.

Trade debts registered a decrease of 1% and were recorded at Rs 3.68 billion as compared to Rs 3.72 billion last year due to lower credit sales.

Other receivables, which included subsidy receivable from the Government of Rs 6.96 billion and unadjusted input sales tax of Rs 7.42 billion, increased by Rs 1.76 billion to Rs 15.72 billion.

Short term investments recorded at Rs 54.59 billion, improved by 77% which in view of attractive returns offered by the banks / financial institutions, were placed to enhance Company's profitability.

The total asset base of the Company thus increased by 35% to Rs 146.49 billion primarily driven by stock in trade and short term investments.

Cash Flow Analysis

Review of cash operating cycle of the Company in term of cash generation and utilization during the year is given as under:

Operating Activities

The increased disparity between input and output GST rates resulted in higher payment of GST during the period besides higher inventory of imported fertilizers towards the end of the year, and these factors resulted in lower cash generation from operating activities as compared to last year. Net cash generated from operations, after payment of finance cost of Rs 1.53 billion, income tax of Rs 6.04 billion and receipt of fertilizer subsidy of Rs 2.20 billion, stood at Rs 22.87 billion, a decrease of 34% as compared to Rs 34.71 billion last year.

Investing Activities

Capital expenditure of Rs 1.40 billion for the year was 57% lower than last year due to lower procurement of fixed assets during the year. The Company invested Rs 1.64 billion in Fauji Fresh n Freeze Limited (FFF), while an amount of Rs 1.46 billion was also invested in Thar Energy Limited (TEL) during 2018 compared to an aggregate investment of Rs 560 million in FFF last year. Receipts of dividend income from associated companies stood at Rs 1.30 billion, 32% lower than last year due to lower distribution by the associated companies.

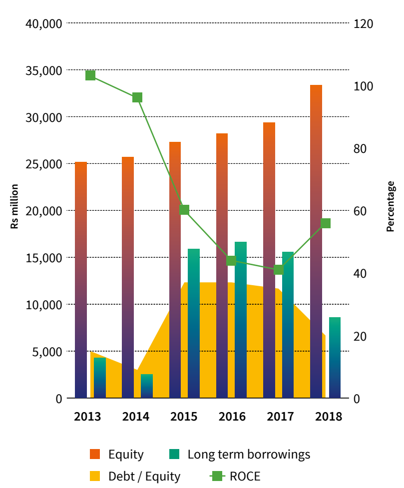
In order to maximize returns, net placement of surplus funds with financial institutions increased to Rs 18.97 billion compared to Rs 633 million last year.

Consequently, net cash utilized in investing activities stood at Rs 21.11 billion, compared to Rs 1.78 billion utilized last year.

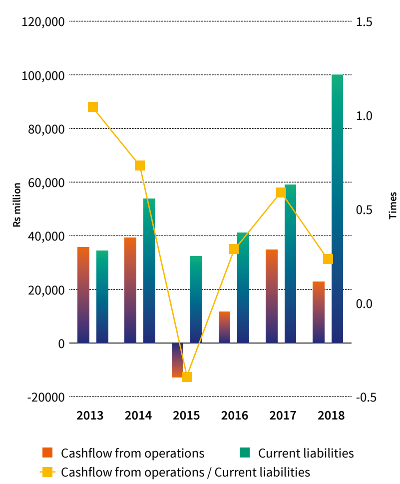
Financing Activities

Long term debt of Rs 6.58 billion was retired on timely basis and in view of improved liquidity position, no new long term loan was obtained during the year. Dividend of Rs 9.91 billion was paid to the shareholders during the year compared to Rs 8.56 billion

Equity & Debt



Cashflow from Operations / Current Liabilities



paid last year. Net cash utilization from financing activities stood at Rs 16.49 billion, which increased by Rs 7.25 billion as compared to last year.

Cash and Cash Equivalents at Year End

Significant decrease of Rs 14.34 billion in cash and cash equivalents as compared to last year was mainly due to placement of surplus funds in lucrative investment opportunities offered by financial institutions. The Company recorded Rs 3.39 billion in cash and cash equivalents at the end of the year against the opening balance of Rs 17.72 billion.

Consolidated operations and Segmental Review

Directors' report on the consolidated financial statement is covered from page 254 onwards.

Adequacy of Internal Financial Controls

The Board of Directors has established an efficient and effective system of internal financial controls, which has developed a culture of ethical behaviour and moral conduct within the Company.

Profit Distribution & Reserve Analysis

FFC carried reserves of Rs 16.63 billion at the beginning of the year, of which, Rs 3.82 billion was approved by the shareholders as final dividend for 2017. During 2018, the Company earned net profit of Rs 14.44 billion and declared three interim dividends aggregating Rs 6.30 billion, translating to Rs 4.95 per share, while no transfers were made to the general reserves. The aggregate reserves at the end of 2018 stood at Rs 20.66 billion as detailed in the 'Appropriations' table, below:

Appropriations	Rs in million	Rs per share
Opening Reserves	16,360	
Final Dividend 2017	(3,817)	3.00
Net Profit 2018	14,439	11.35
Other comprehensive income	(294)	
Available for Appropriation	26,958	
Appropriations		
First Interim Dividend 2018	(2,226)	1.75
Second Interim Dividend 2018	(1,781)	1.40
Third Interim Dividend 2018	(2,290)	1.80
Closing Reserves	20,661	

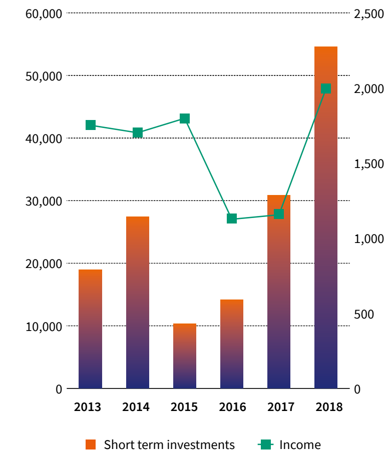
Subsequent Events

The Board of Directors of FFC in its meeting held on January 31, 2019 is pleased to recommend a final cash dividend of Rs 3.90 per share i.e. 39.00% for the year ended 2018, for shareholders' approval taking the total payout for the year to Rs 8.85 per share i.e. a payout of 88.50%.

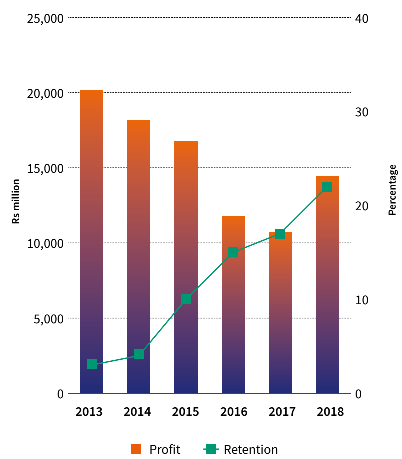
There were no other material changes affecting the financial position of the Company till the date of this report.

Short Term Investments and Income

(Rs million)



Profit Vs Retention



سال کے Depreciation Charge کے مقابلے میں نسبتاً کم Capitalization ہے۔

دوران سال کمپنی نے Thar Energy Limited میں 1.46 ارب روپے اور Fuji Fresh n Freeze میں 1.64 ارب روپے کی سرمایہ کاری کی، تاہم 4.02 ارب روپے کے Pakistan Investment Bonds (PIBs) کی بطور قلیل المدتی سرمایہ کاری درجہ بندی (Current Maturity) کے باعث طویل المدتی سرمایہ کاریاں گزشتہ سال 27.87 ارب روپے سے کم ہو کر 26.90 ارب روپے ریکارڈ کی گئیں۔

Stock in trade کی مالیت 12.93 ارب روپے رہی، اور اس کا بڑا سبب 213 ہزار ٹن کی DAP انوینٹری اور 3 ہزار ٹن کی یوریا کی معمولی انوینٹری ہے جبکہ گزشتہ برس کے اختتام پر صرف 8 ہزار ٹن یوریا کی انوینٹری تھی۔

تجارتی ادھار (Trade Debts) گزشتہ برس 3.72 ارب روپے کے مقابلے میں 1 فیصد کی کمی کے ساتھ 3.68 ارب روپے رہے۔ اس کی وجہ ادھار پر فروخت میں کمی تھی۔

دیگر واجب الوصول اثاثہ جات (Other Receivables)، جن میں 6.96 ارب روپے کی حکومت سے واجب الوصول سبسڈی اور 7.42 ارب روپے کا Unadjustable Input Sales Tax شامل ہے، 1.76 ارب روپے کے اضافے کے ساتھ 15.72 ارب روپے رہے۔

قلیل المدتی سرمایہ کاریاں (Short Term Investment) 77 فیصد اضافے کے ساتھ 54.59 ارب روپے ریکارڈ کی گئیں، جنہیں بینکوں اور مالیاتی اداروں کی جانب سے پیش کیے گئے پرکشش منافع کے تناظر میں جمع کرایا گیا تاکہ کمپنی کے نفع کو بڑھایا جا سکے۔

اس طرح کمپنی کے مجموعی اثاثہ جات 35 فیصد اضافہ کے ساتھ 146.49 ارب روپے کی سطح تک پہنچ گئے جس کے بڑے عوامل Stock in Trade اور Short Term Investments تھے۔

کیش فلو کا تجزیہ (Cash Flow Analysis)

دوران سال نقدی کی فراہمی اور استعمال کے حوالے سے کمپنی کے Cash Operating Cycle کا جائزہ ذیل میں بیان کیا گیا ہے:

پیداواری اور ترسیلی سرگرمیاں

(Operating Activities)

Input اور Output GST میں بڑھتے ہوئے عدم توازن کی وجہ سے GST کی ادائیگیوں میں اضافہ اور اس کے ساتھ ساتھ اواخر سال میں درآمدی کھادوں کی زیادہ مقدار کے باعث نقدی کی فراہمی میں گزشتہ برس کے مقابلے میں کمی واقع ہوئی۔ آپریشنز سے حاصل ہونے والی نقدی، 1.53 ارب روپے کی مالیاتی لاگت (Finance Cost)، 6.04 ارب روپے انکم ٹیکس اور 2.20 ارب روپے سبسڈی کی وصولی کے بعد، 22.87 ارب روپے رہی جو کہ گزشتہ برس کے 34.71 ارب روپے کے مقابلے میں 34 فیصد کم ہے۔

سرمایہ کاری کی سرگرمیاں (Investing Activities)

دوران سال جامد اثاثوں کی خرید میں کمی کے باعث اس مد میں اخراجات، گزشتہ برس کے مقابلے میں 57 فیصد کمی کے ساتھ، 1.40 ارب روپے ریکارڈ کیے گئے۔ کمپنی نے Fauji Fresh n Freeze میں 1.64 ارب روپے اور Thar Energy Limited میں بھی 1.46 ارب روپے کی مجموعی سرمایہ کاری کی۔ جبکہ گزشتہ برس صرف FFF میں 560 ملین روپے کی سرمایہ کاری کی گئی تھی۔ منسلکہ کمپنیوں (Asscociated Companies) کی جانب سے کم منافع کی تقسیم کے باعث، منافع منقسمہ کی وصولی 32 فیصد کمی کے ساتھ 1.30 ارب روپے رہی۔

منافع کو بڑھانے کی غرض سے، مالیاتی اداروں کے ساتھ کی گئی سرمایہ کاری بڑھ کر 18.97 ارب روپے ہوگئی جبکہ گزشتہ برس یہ رقم 633 ملین روپے تھی۔

نتیجتاً سرمایہ کاری کی سرگرمیوں پر 21.11 ارب روپے کی نقدی خرچ ہوئی جبکہ گزشتہ برس ان سرگرمیوں پر 1.78 ارب روپے خرچ ہوئے تھے۔

مالیاتی سرگرمیاں (Financing Activities)

6.58 ارب روپے کے طویل المدت قرضے بروقت ادا کیے گئے جبکہ بہتر مالی حالات کے تناظر میں کوئی نیا طویل المدت قرضہ نہیں لیا گیا۔ سرمایہ کاروں کو منافع منقسمہ کی مد میں 9.91 ارب روپے ادا کیے گئے جبکہ گزشتہ برس 8.56 ارب روپے کا منافع منقسمہ ادا کیا گیا تھا۔ اس طرح 16.49 ارب روپے کی رقم دوران سال استعمال ہوئی جو کہ گزشتہ سال کے مقابلے میں 7.25 ارب روپے زائد ہے۔

سال کے آخر میں نقد اور نقدی کے مساوی (Cash and Cash Equivalents at year end)

نقد اور نقدی کے مساوی میں 14.34 ارب روپے کی واضح کمی دیکھنے میں آئی جس کی بڑی وجہ، مالیاتی اداروں کی جانب سے فراہم کیے گئے پرکشش مواقع میں سرمایہ کاریاں تھیں۔ نقد اور نقدی کا بیلنس سال کے آخر میں 3.39 ارب روپے رہا جبکہ سال کے آغاز میں یہ بیلنس 17.72 ارب روپے تھا۔

اندرونی مالیاتی ضوابط کی موزونیت

(Adequacy of Internal Financial Controls)

بورڈ آف ڈائریکٹرز نے اندرونی مالیاتی ضوابط کا ایک مستعد اور موثر نظام وضع کیا ہے جس کے نتیجے میں اعلیٰ اخلاقی رویوں اور اقدار کا ایک کلچر فروغ پا گیا ہے۔

منافع کی تقسیم اور ذخائر کا تجزیہ

(Profit Distribution & Reserve Analysis)

سال کے شروع میں FFC کے ذخائر 16.63 ارب روپے تھے جس میں سے کمپنی نے حصہ داران کے لئے سال 2017 کے لیے 3.82 ارب روپے کے حتمی منافع منقسمہ کی منظوری دی۔ سال 2018 کے دوران کمپنی نے 14.44 ارب روپے کا منافع کمایا اور تین عبوری منافع منقسمہ، مجموعی طور پر 6.30 ارب روپے یعنی 4.95 روپے فی حصہ، کی منظوری دی۔ جبکہ General Reserves میں کوئی رقم منتقل نہیں کی گئی۔ سال 2018 کے اختتام پر مجموعی ذخائر 20.66 ارب روپے تھے جن کی تفصیل 'Appropirations Table' میں موجود ہے۔

واقعات مابعد (Subsequent Events)

بورڈ آف ڈائریکٹرز نے 31 جنوری 2019 کو منعقدہ اجلاس میں اپنے حصہ داروں کے لیے سال 2018 کے لیے 3.90 روپے فی حصہ (39 فیصد) حتمی منافع منقسمہ کی سفارش کی ہے۔ اس طرح سال 2018 کے لیے مجموعی ادائیگی 8.85 روپے فی حصہ (88.5 فیصد) رہی۔ اس رپورٹ کے مکمل ہونے کی تاریخ تک مزید ایسی کوئی قابل قدر چیز نہ تھی جو کہ کمپنی کی مالی حیثیت کو متاثر کر سکے۔

منافع کی تقسیم	ملین روپے	فی حصہ روپے
ابتدائی ریزرو	16,630	
حتمی منافع منقسمہ 2017	(3,817)	3.00
خالص منافع 2018	14,439	11.35
دیگر Comprehensive آمدن	(294)	
تقسیم کے لیے میسر منافع	**26,958**	
منافع کی تقسیم		
پہلا عبوری منافع منقسمہ 2018	(2,226)	1.75
دوسرا عبوری منافع منقسمہ 2018	(1,781)	1.40
تیسرا عبوری منافع منقسمہ 2018	(2,290)	1.80
اختتامی ریزرو	**20,661**	

مالیاتی سرمایہ

FFC کی کارکردگی

نفع ونقصان کا تجزیہ

کمپنی نے سال 2018 کے لیے پیداوار، فروخت، آمدن، مالیاتی لاگت اور سرمایہ کاری سے حاصل ہونے والی آمدن کی مد میں مقرر کیے گئے اپنے تمام اہم اہداف کو کامیابی سے حاصل کرتے ہوئے 14.44 ارب روپے کا خالص منافع کمایا جبکہ گزشتہ برس خالص منافع 10.71 ارب روپے تھا۔

منافع منقسمہ (Dividend Income)، جو کہ کمپنی کے دائرہ اختیار میں نہیں ہے، سے حاصل ہونے والی آمدن میں سال 2017 کے مقابلے میں کمی واقع ہوئی نتیجتاً کمپنی کی شرح منافع میں گزشتہ برس کے مقابلے میں اضافہ 35 فیصد فیصد تک محدود رہا۔ Super Tax کے مسلسل نفاذ کے ساتھ ساتھ درآمدی کھادوں پر Minimum Tax Regime کے نفاذ کی وجہ سے اضافی ٹیکس کے بوجھ کے باعث منافع میں بڑھوتری کی شرح مزید متاثر ہوئی۔

GST کے ریٹس میں بڑھتے ہوئے تفاوت کے باعث کمپنی کیش فلوز پر منفی اثرات مرتب ہوئے، Finance Act 2018 میں Output GST کی شرح مزید کم کر کے 2% کر دیا گیا ہے جبکہ Input GST کی شرح بدستور 5%-17% پر برقرار ہے۔ Unadjusted GST کے بڑھتے ہوئے بقایا جات اور طویل عرصے سے واجب الوصول سبسڈی، FFC کے لیے مزید Opportunity Cost کا موجب بنے۔

کمپنی کے تینوں پلانٹس نے مجموعی طور پر 2,522 ہزار ٹن کی تاریخ کی دوسری بلند ترین پیداوار حاصل کی، جو کہ سال 2016 میں حاصل کی گئی 2,523 ہزار ٹن کی ریکارڈ پیداوار سے صرف 1 ہزار ٹن کم تھی۔

سونا یوریا کی فروخت 2,527 ہزار ٹن رہی جو کہ گزشتہ برس کے مقابلے میں 6 فیصد کم ہے اور اس کا سبب یوریا کی کم مقدار کی دستیابی تھی، جو کہ موجودہ سال کی پیداوار اور گزشتہ برس کی ابتدائی کم 8 ہزار ٹن کی انوینٹری پر مشتمل تھی۔

کمپنی، یوریا مارکیٹ میں FFC / FFBL کے مشترکہ شیئرز کو بہتر بناتے ہوئے 53 فیصد کی سطح پر لے گئی جو کہ گزشتہ برس 52 فیصد تھا اس کا سبب گاہکوں کی جانب سے ہمارے برانڈ کے لیے پسندیدگی ہے۔ جبکہ DAP کا مارکیٹ شیئر 2017 کے 56 فیصد کے مقابلے میں رواں برس 52 فیصد رہا۔ (ماخذ: NFDC)

FFC نے تاریخ میں پہلی مرتبہ 100 ارب روپے سے زائد کی آمدن کا ایک نیا سنگ میل عبور کیا، جو کہ گزشتہ برس کے مقابلے میں 17 فیصد اضافے کے ساتھ 105.96 ارب روپے رہا۔

دو برس تک مشکل کاروباری حالات کے بعد یوریا کی قیمتوں میں بہتری کے باعث، سونا یوریا کی آمدن فروخت (Sales Revenue) بڑھ کر 73.86 ارب روپے رہی۔

بہتر قیمت فروخت ہی کے باعث درآمدی کھادوں سے حاصل ہونے والی آمدن فروخت بھی 27 فیصد اضافے کے ساتھ 32.10 ارب روپے رہی۔

سونا یوریا اور درآمدی کھادوں کی مجموعی لاگت فروخت (Cost of Sales) پچھلے سال سے 7 فیصد اضافے کے ساتھ 77.99 ارب روپے رہی۔

یوریا کی لاگت فروخت 51.47 ارب روپے ریکارڈ کی گئی جو کہ تقریباً گزشتہ برس کی سطح پر ہی ہے جس کی بڑی وجہ نسبتاً کم مقدار فروخت اور کمپنی کے اخراجات کنٹرول کرنے کے اقدامات کا تسلسل تھے۔ پیداواری لاگت (Cost of Production) البتہ 7 فیصد اضافے کے ساتھ 51.39 ارب روپے رہی جس کے بنیادی اسباب 2018 کی آخری سہ ماہی میں گیس کی قیمتوں میں بہت زیادہ اضافہ اور دوران سال مہنگائی اور روپے کی قدر میں نمایاں کمی تھے۔

درآمدی کھادوں کی مقدار فروخت میں کمی کے باوجود روپے کی قدر میں واقع ہونے والی شدید کمی کے باعث درآمدی کھادوں کی لاگت فروخت (Cost of Sales) گزشتہ برس کے مقابلے میں 26 فیصد اضافے کے ساتھ، 26.51 ارب روپے رہی۔

کمپنی کا خام منافع (Gross Profit) 55 فیصد اضافے کے ساتھ 27.98 ارب روپے رہا جو کہ مقابلتاً پچھلے سال 18.09 ارب روپے تھا۔

کمپنی نے اخراجات میں کمی کا سلسلہ رواں سال بھی جاری رکھا اور نتیجتاً 8.83 ارب روپے کے ترسیلی اخراجات (Distribution Cost) سال 2017 کے مقابلے میں صرف 3 فیصد زائد ہیں جس کی بڑی وجہ درآمدی کھادوں کی زیادہ مقدار میں درآمد یعنی 717 ہزار ٹن ہے جو کہ گزشتہ برس 519 ہزار ٹن تھی۔

شرح سود (Interest Rate) میں اضافے کے باوجود، مالیاتی لاگت (Finance Cost) گزشتہ برس کے مقابلے میں 33 فیصد کمی کے ساتھ 1.64 ارب روپے پر محدود رہی اور اس کا بڑا سبب مالی حالت میں بہتری اور عمدہ مالیاتی بندوبست تھا۔

FFC کی متنوع سرمایہ کاریوں کے باعث سرمایہ کاری سے حاصل ہونے والی 2.64 ارب روپے کی آمدن میں گزشتہ برس کے مقابلے میں 86 فیصد بڑھوتری ہوئی اور اس کا سبب بننے والے عوامل، بہتر فنڈز کی دستیابی اور عمدہ مالیاتی نظم ونسق تھے۔ سرمایہ کاری سے حاصل ہونے والی آمدن (Investment Income) میں غیر ملکی کرنسی میں کی گئی سرمایہ کاری سے حاصل ہونے والا 399 ملین روپے کا منافع بھی شامل ہے۔

منافع منقسمہ (Dividend Income) سے حاصل ہونے والی آمدن، گزشتہ برس کے مقابلے میں 45 فیصد کمی کے ساتھ 1.25 ارب روپے رہی، اس کا سبب منسلکہ کمپنیوں (Associated Companies) کی جانب سے منافع منقسمہ کی ادائیگی میں کمی تھی۔

یکم جولائی 2018 سے یوریا سبسڈی کے خاتمے کے باعث، یوریا پر سبسڈی سے حاصل ہونے والی 2.40 ارب روپے کی آمدن میں گزشتہ برس کے مقابلے میں 4.20 ارب روپے کی کمی دیکھنے میں آئی۔ سبسڈی کو International Financial Reporting Standards (IFRS) کے تقاضوں کو مد نظر رکھتے ہوئے دیگر آمدن (Other Income) میں درج کیا گیا ہے۔

سال 2018 کے لیے 7.24 ارب روپے کا ٹیکس چارج گزشتہ سال کے مقابلے میں 44 فیصد زائد رہا اور اس کا سبب بننے والے عوامل میں اضافہ قابل ٹیکس منافع، درآمدی کھادوں پر ٹیکس سٹرکچر کی Minimum Tax Regime میں تبدیلی کے ساتھ ساتھ Super Tax کا مسلسل نفاذ ہے، جس میں فنانس ایکٹ 2018 کے تحت سال 2017 اور 2018 کے لیے 877 ملین روپے کی رقم بھی شامل ہے۔

نتیجتاً کمپنی نے 14.44 ارب روپے کا خالص منافع حاصل کیا۔ جبکہ فی حصہ آمدن 35 فیصد اضافے کے ساتھ 11.35 روپے رہی جو کہ مقابلتاً گزشتہ برس 8.42 روپے تھی۔

مالیاتی تجزیہ

کمپنی کی Net Worth، 33.38 ارب روپے رہی، جبکہ Breakup Value، 26.24 روپے فی حصہ تھی۔ Net Worth میں گزشتہ برس کے مقابلے میں 14 فیصد اضافہ ہوا اور اس کی بڑی وجہ Revenue Reserves میں 27 فیصد اضافہ تھا، جو کہ گزشتہ برس 16.18 ارب روپے کے مقابلے میں اس سال 20.52 ارب روپے ریکارڈ کیے گئے۔

طویل المدتی قرضے 8.58 ارب روپے رہے جو کہ گزشتہ برس کے مقابلے میں 6.99 ارب روپے کم ہیں جس کا سبب قرضوں کی معاہدوں کے مطابق ادائیگی ہے۔ قرضوں کی تمام ادائیگیاں، جو دوران سال واجب الادا تھیں، بروقت مکمل کی گئیں۔

تجارتی و دیگر واجبات (Trade and Other Payables)، GIDC کی ادائیگی کو عدالتی حکم کے تحت روک لینے کی وجہ سے، گزشتہ برس کے مقابلے میں 21.82 ارب روپے کے اضافے کے ساتھ سال کے آخر میں 60.60 ارب روپے ریکارڈ کیے گئے۔

28.53 ارب روپے کے قلیل المدتی قرضوں میں 16.99 ارب روپے کا اضافہ ہوا، جو کہ اواخر سال میں Working capital کی ضروریات کو پورا کرنے کے لیے لئے گئے تھے۔

طویل المدتی قرضوں کے قلیل المدتی حصے (Current portion of long term borrowings) میں 6 فیصد اضافہ ہوا جس کا سبب طویل المدتی قرضہ جات کی آئندہ سال کے دوران Maturity ہے۔

Contingencies میں CCP کی طرف سے 2013 میں قیمتوں میں مبینہ اضافے کے الزامات کی بنا پر لگایا گیا 5.5 ارب روپے کا جرمانہ شامل ہے۔ اس حوالے سے کمپنی نے Competition Appellate Tribunal میں درخواست دائر کی تھی۔ ٹریبونل نے جرمانہ ختم کرتے ہوئے CCP کو حکم دیا تھا کہ کیس کا دوبارہ ٹریبونل کی ہدایات کی روشنی میں فیصلہ کیا جائے۔ CCP نے مقررہ مدت کے دوران میں کوئی اپیل دائر نہیں کی تھی چنانچہ CCP کا اپیل کا حق زائد المیعاد ہونے کے باعث ختم ہو چکا ہے۔ تاہم، CCP، ٹریبونل کی ہدایات کے تحت تازہ کیس دائر کر سکتا ہے، لیکن کمپنی مستقبل میں بھی ایسے کسی دعویٰ کے خلاف اپنے کامیاب دفاع کے لیے پر اعتماد ہے۔

کمپنی کے مالیاتی وعدوں (Financial Commitment s) کی سطح 8.37 ارب روپے رہی جو کہ مجموعی طور پر منصوبہ کے مطابق ہے اور بنیادی طور پر سرمایہ کاریوں، کھاد، اشیاء اور خدمات کی خریداری اور Capital Expenditure کے لیے ہیں۔ تفصیل مالیاتی گوشواروں (Financial Statements) کے نوٹ نمبر 12 میں بیان کی گئی ہے۔

Property, Plant & Equipment گزشتہ برس کے مقابلے میں 3 فیصد کمی کے ساتھ 21.53 ارب روپے ریکارڈ کیے گئے، اس کا سبب رواں

Financial Performance

		2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross profit ratio	%	26.40	19.95	24.77	34.05	38.29	46.36
Gross profit ratio (Including Subsidy)	%	28.03	25.38	31.34	35.18	38.29	46.36
Net profit to sales	%	13.63	11.81	16.17	19.76	22.37	27.03
Net profit to sales (Including Subsidy)	%	13.32	11.01	14.75	19.42	22.37	27.03
EBITDA margin to sales	%	24.06	22.44	30.07	32.97	35.61	42.74
EBITDA margin to sales (Including Subsidy)	%	23.52	20.92	27.44	32.40	35.61	42.74
Operating leverage ratio	Times	1.68	(0.33)	1.69	(0.93)	(1.10)	(28.57)
Return on equity (Profit after tax)	%	43.25	36.49	41.76	61.39	70.79	80.06
Return on equity (Profit before tax)	%	64.95	53.63	61.66	89.72	102.22	116.97
Return on capital employed	%	55.57	40.48	44.13	60.13	96.17	102.53
Pre tax margin	%	20.46	17.35	23.87	28.88	32.30	39.50
Pre tax margin (Including Subsidy)	%	20.01	16.18	21.78	28.39	32.30	39.50
Return on assets	%	9.86	9.86	12.98	20.92	20.98	29.69
Growth in EBTDA	%	33.15	(8.18)	(26.37)	(5.64)	(9.64)	(4.18)
Earning before interest, depreciation and tax	Rs in million	25,490	20,359	21,915	27,972	28,929	31,832
Earnings growth	%	34.81	(9.09)	(29.73)	(7.73)	(9.75)	(3.48)
Growth in Operating revenue	%	16.81	24.48	(14.09)	4.42	9.07	0.21
Growth in Operating revenue (Including Subsidy)	%	11.35	21.86	(7.49)	6.25	9.07	0.21
Capital Expenditure to total Assets	%	0.96	3.02	2.20	4.09	4.02	3.38
Liquidity Ratios							
Current ratio	Times	0.95	0.95	0.91	0.84	0.67	0.77
Quick / Acid test ratio	Times	0.79	0.88	0.72	0.58	0.59	0.66
Cash to current liabilities	Times	0.03	0.30	(0.15)	(0.18)	0.28	0.38
Cash flow from operations to sales	Times	0.22	0.38	0.10	(0.27)	0.36	0.34
Cash flow from operations to sales (Including Subsidy)	Times	0.21	0.36	0.09	(0.27)	0.36	0.34
Long term liabilities / current liabilities	%	13.17	34.35	52.24	63.39	13.14	24.35
Activity / Turnover Ratios							
Inventory turnover ratio	Times	11.7	31.4	11.7	18.4	78.1	107.4
No. of days in inventory	Days	31	12	31	20	5	3
Debtors turnover ratio	Times	28.6	22.6	24.0	65.4	106.7	34.6
Debtors turnover ratio (Including Subsidy)	Times	10	10	13	42	107	35
No. of days in receivables	Days	13	16	15	6	3	11
No. of days in receivables (Including Subsidy)	Days	36	37	29	9	3	11
Creditors turnover ratio - GIDC	Times	2	5	18	4	3	9
- without GIDC	Times	88	99	90	85	124	144
No. of days in payables - GIDC	Days	156	72	20	88	124	42
- without GIDC	Days	4	4	4	4	3	3
Total assets turnover ratio	Times	0.72	0.84	0.80	1.06	0.94	1.10
Total assets turnover ratio (Including Subsidy)	Times	0.74	0.90	0.88	1.08	0.94	1.10
Fixed assets turnover ratio	Times	4.92	4.07	3.43	3.97	4.04	4.04
Fixed assets turnover ratio (Including Subsidy)	Times	5.03	4.36	3.76	4.04	4.04	4.04
Operating cycle - GIDC	Days	(114)	(45)	25	(64)	(119)	(29)
- without GIDC	Days	38	23	41	20	2	10
Investment / Market Ratios							
Earnings per share (EPS) and Diluted EPS	Rs	11.35	8.42	9.26	13.18	14.28	15.83
Price earning ratio	Times	8.18	9.40	11.27	8.95	8.20	7.07
Dividend yield ratio	%	9.35	7.66	7.18	8.82	11.99	13.77
Dividend payout ratio							
- Cash (interim & proposed final)	%	77.98	83.14	85.31	90.00	95.57	96.99
- Cash & stock (interim & proposed final)	%	77.98	83.14	85.31	90.00	95.57	96.99
Dividend cover ratio	Times	1.28	1.20	1.17	1.11	1.05	1.03
Cash dividend per share (interim & proposed final)	Rs	8.85	7.00	7.90	11.86	13.65	15.35
Stock dividend per share (interim & proposed final)	%	-	-	-	-	-	-
Market value per share							
- Year end	Rs	92.85	79.11	104.37	117.98	117.11	111.96
- High during the year	Rs	103.68	118.96	121.45	158.87	125.92	121.60
- Low during the year	Rs	79.05	70.07	102.71	109.40	106.51	100.00
Breakup value (net assets per share)							
- Without revaluation reserves	Rs	26.24	23.07	22.17	21.47	20.18	19.77
- With revaluation reserves*	Rs	N/A					
- Investment in Related Party at fair / market value		51.65	46.18	54.91	52.76	48.50	43.29
Retention (after interim & proposed cash)	%	22.02	16.86	14.69	10.00	4.43	3.01
Change in market value added	%	18.86	(31.82)	(14.84)	(0.43)	5.14	(4.85)
Price to book ratio	Times	9.29	7.91	10.44	11.80	11.71	11.20
Market price to breakup value	Times	3.61	3.96	4.96	6.26	5.64	5.64
Capital Structure Ratios							
Financial leverage ratio	Times	1.33	1.16	1.60	1.41	0.62	0.51
Weighted average cost of debt	%	8.18	6.61	6.53	7.53	10.48	10.08
Debt to equity	Ratio	20:80	35:65	37:63	37:63	9:91	15:85
Interest cover ratio / Time interest earned ratio	Times	14.25	7.44	8.23	17.61	31.91	39.91

*Note: Breakup value with revaluation reserves does not apply as FFC has no revaluation reserves

Rs in million		2018	2017	2016	2015	2014	2013
Summary - Statement of Financial Position							
Share capital		12,722	12,722	12,722	12,722	12,722	12,722
Reserves		20,661	16,630	15,489	14,589	12,948	12,429
Shareholders' funds / Equity		33,383	29,352	28,211	27,311	25,670	25,151
Long term borrowings		8,584	15,572	16,653	15,893	2,500	4,280
Capital employed		41,967	44,924	44,864	43,204	28,170	29,431
Deferred liabilities		4,578	4,697	4,812	4,600	4,574	4,078
Property, plant & equipment		21,533	22,312	21,233	21,382	20,094	18,444
Long term assets		51,135	52,746	53,422	52,915	50,678	41,501
Net current assets / Working capital		(4,590)	(3,125)	(3,746)	(5,111)	(17,934)	(7,992)
Liquid funds (net)		32,175	25,963	1,748	2,981	24,787	13,539
Summary - Statement of Profit or Loss							
Turnover		105,964	90,714	72,877	84,831	81,240	74,481
Turnover (including subsidy)		108,364	97,316	79,856	86,321	81,240	74,481
Cost of sales		77,986	72,621	54,827	55,949	50,137	39,949
Gross profit		27,978	18,093	18,050	28,882	31,103	34,532
Gross profit (including subsidy)		30,378	24,695	25,029	30,372	31,103	34,532
Distribution cost		8,833	8,574	7,154	6,814	6,431	6,167
Operating profit		19,145	9,519	10,896	22,068	24,672	28,365
Operating profit (including subsidy)		21,545	16,121	17,875	23,558	24,672	28,365
Finance cost		1,637	2,445	2,406	1,475	849	756
Other income		6,283	10,298	10,665	6,194	4,721	4,368
Other income (excluding subsidy)		3,883	3,696	3,686	4,704	4,721	4,368
Profit before tax		21,683	15,741	17,394	24,503	26,241	29,419
Provision for taxation		7,244	5,030	5,612	7,737	8,070	9,284
Profit for the year		14,439	10,711	11,782	16,766	18,171	20,135
EPS - Basic & Diluted - Rs		11.35	8.42	9.26	13.18	14.28	15.83
Summary - Statement of Cash Flows							
Net Cash Flow from Operating Activities							
Net profit before taxation		21,683	15,741	17,394	24,503	26,241	29,419
Adjustments for non cash & other items		(1,254)	(5,484)	(5,941)	(2,462)	(1,832)	(1,831)
Changes in working capital		7,860	27,310	196	(35,042)	14,774	8,182
Changes in long term loans and advances, deposits, prepayments and deferred liabilities		(57)	52	39	315	9	14
		7,803	27,362	235	(34,727)	14,783	8,196
		28,232	37,619	11,688	(12,686)	39,192	35,784
Finance cost paid		(1,527)	(2,575)	(2,386)	(1,237)	(753)	(759)
Income tax paid		(6,041)	(5,247)	(5,724)	(9,103)	(9,349)	(9,755)
Subsidy received on sale of fertilizer		2,202	4,910	3,396	-	-	-
Net cash generated from / (used in) operating activities		22,866	34,707	6,974	(23,026)	29,090	25,270
Net Cash Flow from Investing Activities							
Fixed capital expenditure		(1,400)	(3,285)	(2,000)	(3,279)	(3,479)	(2,295)
Interest received		1,050	750	1,107	1,758	1,283	1,242
(Increase) / decrease in investments - net		(22,075)	(1,193)	(121)	54	(8,533)	(10,266)
Dividends received		1,299	1,924	2,265	2,720	2,578	2,586
Others		18	25	22	22	420	50
Net cash generated from / (used in) investing activities		(21,108)	(1,779)	1,273	1,275	(7,731)	(8,683)
Net Cash Flow from Financing Activities							
Long term financing - Draw-downs		-	7,000	7,350	18,621	-	1,950
- Repayments		(6,582)	(7,684)	(4,665)	(2,499)	(1,460)	(1,513)
Dividends paid		(9,912)	(8,558)	(11,109)	(15,443)	(17,583)	(20,678)
Net cash generated from / (used in) financing activities		(16,494)	(9,242)	(8,424)	679	(19,043)	(20,241)
Net (decrease) / increase in cash and cash equivalents		(14,736)	23,686	(177)	(21,072)	2,316	(3,654)
Cash and cash equivalents at beginning of the year		17,723	(6,041)	(5,864)	15,281	13,013	16,571
Effect of exchange rate changes		399	78	-	(73)	(48)	96
Cash and cash equivalents at end of the year		3,386	17,723	(6,041)	(5,864)	15,281	13,013
Others							
Market capitalization	Rs in million	118,127	100,647	132,783	150,099	148,992	142,440
Numbers of shares issued	Million	1,272	1,272	1,272	1,272	1,272	1,272
Contribution to National Exchequer	Rs in million	36,780	41,242	45,004	59,781	45,027	43,534
Savings through Import Substitution	Million US $	650	534	474	654	833	969

Financial Performance

Quantitative Data

		2018	2017	2016	2015	2014	2013
Designed Capacity							
Plant I - Goth Machhi	KT	**695**	695	695	695	695	695
Plant II - Goth Machhi	KT	**635**	635	635	635	635	635
Plant III - Mirpur Mathelo	KT	**718**	718	718	718	718	718
Total designed capacity	KT	**2,048**	2,048	2,048	2,048	2,048	2,048
Plant Wise Production - Sona Urea							
Plant I - Goth Machhi	KT	**858**	868	841	849	816	775
Plant II - Goth Machhi	KT	**792**	825	823	774	804	803
Plant III - Mirpur Mathelo	KT	**872**	820	859	846	783	830
Total production - Sona Urea	KT	**2,522**	2,513	2,523	2,469	2,403	2,408
Capacity Utilization							
Plant I - Goth Machhi	%	**123%**	125%	121%	122%	117%	112%
Plant II - Goth Machhi	%	**125%**	130%	130%	122%	127%	126%
Plant III - Mirpur Mathelo	%	**121%**	114%	120%	118%	109%	116%
Total capacity utilization	%	**123%**	123%	123%	121%	117%	118%
Sona Urea Sales	KT	**2,527**	2,697	2,428	2,408	2,371	2,409
Imported Fertilizer - Sales	KT	**503**	526	212	181	140	81

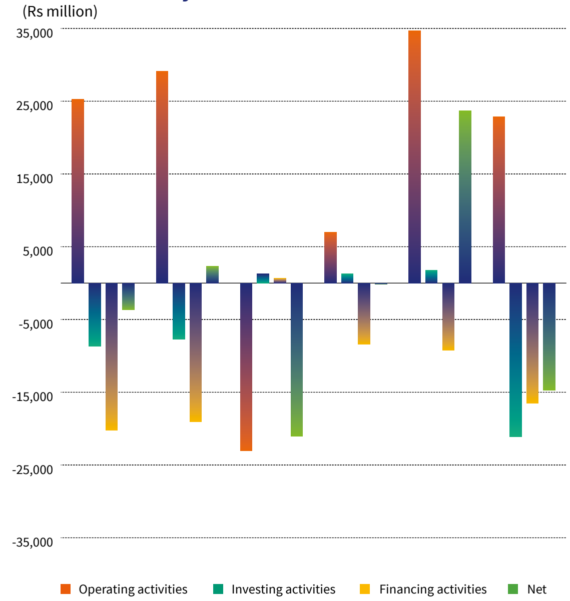
Direct Method Cash Flow

Rs in million	2018	2017
Cash Flows from Operating Activities		
Cash receipts from customers - net	**105,766**	98,631
Cash paid to suppliers / service providers and employees - net	**(75,995)**	(60,089)
Payment to gratuity fund	**(169)**	(118)
Payment to pension fund	**(155)**	(89)
Payment to Workers' Welfare fund - net	**(89)**	(168)
Payment to Workers' Profit Participation fund - net	**(1,125)**	(550)
Finance cost paid	**(1,527)**	(2,575)
Income tax paid	**(6,041)**	(5,247)
Subsidy received on fertilizer	**2,202**	4,911
	22,867	34,706
Cash Flows from Investing Activities		
Fixed capital expenditure	**(1,400)**	(3,285)
Proceeds from sale of property, plant and equipment	**17**	25
Interest received	**1,050**	750
Investment in Fauji Fresh n Freeze Limited	**(1,640)**	(560)
Investment in Thar Energy Limited	**(1,460)**	-
Increase in other investment - net	**(18,974)**	(633)
Dividends received	**1,299**	1,924
Net cash used in from investing activities	**(21,108)**	(1,779)
Cash Flows from Financing Activities		
Long term financing - Draw-downs	**-**	7,000
- Repayments	**(6,582)**	(7,684)
Dividends paid	**(9,913)**	(8,558)
Net cash used in financing activities	**(16,495)**	(9,242)
Net decrease in cash and cash equivalents	**(14,736)**	23,685
Cash and cash equivalents at beginning of the year	**17,723**	(6,041)
Effect of exchange rate changes	**399**	79
Cash and cash equivalents at end of the year	**3,386**	17,723

Free Cash Flows

Rs in million	2018	2017	2016	2015	2014	2013
Profit before taxation	**21,683**	15,741	17,394	24,503	26,241	29,419
Adjustment non-cash items	**(1,254)**	(5,484)	(5,941)	(2,462)	(1,832)	(1,831)
Changes in working capital	**7,860**	27,310	196	(35,042)	14,774	8,182
	28,289	37,567	11,649	(13,001)	39,183	35,770
Less: Capital expenditure	**(1,400)**	(3,285)	(2,000)	(3,279)	(3,479)	(2,295)
Free cash flows	**26,889**	34,282	9,649	(16,280)	35,704	33,475

Cash Flow Analysis
(Rs million)



Horizontal Analysis

Statement of Profit or Loss

	2018 Rs M	18 Vs 17 %	2017 Rs M	17 Vs 16 %	2016 Rs M	16 Vs 15 %	2015 Rs M	15 Vs 14 %	2014 Rs M	14 Vs 13 %	2013 Rs M	12 Vs 11 %
Turnover	105,964	16.81	90,714	24.48	72,877	(14.09)	84,831	4.42	81,240	9.07	74,481	0.21
Cost of sales	77,986	7.39	72,621	32.45	54,827	(2.01)	55,949	11.59	50,137	25.50	39,949	4.31
Gross profit	27,978	54.63	18,093	0.24	18,050	(37.50)	28,882	(7.14)	31,103	(9.93)	34,532	(4.14)
Distribution cost	8,833	3.02	8,574	19.85	7,154	4.99	6,814	5.96	6,431	4.28	6,167	11.04
	19,145	101.12	9,519	(12.64)	10,896	(50.63)	22,068	(10.55)	24,672	(13.02)	28,365	(6.91)
Finance cost	1,637	(33.05)	2,445	1.62	2,406	63.12	1,475	73.73	849	12.30	756	(24.32)
Other expenses	2,108	29.25	1,631	(7.38)	1,761	(22.90)	2,284	(0.83)	2,303	(9.97)	2,558	(4.77)
	15,400	182.93	5,443	(19.11)	6,729	(63.25)	18,309	(14.92)	21,520	(14.10)	25,051	(6.47)
Other income	6,283	(38.99)	10,298	(3.44)	10,665	72.18	6,194	31.20	4,721	8.08	4,368	2.34
Profit before taxation	21,683	37.75	15,741	(9.50)	17,394	(29.01)	24,503	(6.62)	26,241	(10.80)	29,419	(5.26)
Provision for taxation	7,244	44.02	5,030	(10.37)	5,612	(27.47)	7,737	(4.13)	8,070	(13.08)	9,284	(8.91)
Profit for the year	14,439	34.81	10,711	(9.09)	11,782	(29.73)	16,766	(7.73)	18,171	(9.75)	20,135	(3.48)
EPS	11.35	34.81	8.42	(9.09)	9.26	(29.73)	13.18	(7.73)	14.28	(9.75)	15.83	(3.48)

Vertical Analysis

Statement of Profit or Loss

	2018		2017		2016		2015		2014		2013	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Turnover	105,964	100.00	90,714	100.00	72,877	100.00	84,831	100.00	81,240	100.00	74,481	100.00
Cost of sales	77,986	73.60	72,621	80.05	54,827	75.23	55,949	65.95	50,137	61.71	39,949	53.64
Gross profit	27,978	26.40	18,093	19.95	18,050	24.77	28,882	34.05	31,103	38.29	34,532	46.36
Distribution cost	8,833	8.34	8,574	9.45	7,154	9.82	6,814	8.03	6,431	7.92	6,167	8.28
	19,145	18.07	9,519	10.49	10,896	14.95	22,068	26.01	24,672	30.37	28,365	38.08
Finance cost	1,637	1.54	2,445	2.70	2,406	3.30	1,475	1.74	849	1.05	756	1.02
Other expenses	2,108	1.99	1,631	1.80	1,761	2.42	2,284	2.69	2,303	2.83	2,558	3.43
	15,400	14.53	5,443	6.00	6,729	9.23	18,309	21.58	21,520	26.49	25,051	33.63
Other income	6,283	5.93	10,298	11.35	10,665	14.63	6,194	7.30	4,721	5.81	4,368	5.86
Profit before taxation	21,683	20.46	15,741	17.35	17,394	23.87	24,503	28.88	26,241	32.30	29,419	39.50
Provision for taxation	7,244	6.84	5,030	5.54	5,612	7.70	7,737	9.12	8,070	9.93	9,284	12.46
Profit for the year	14,439	13.63	10,711	11.81	11,782	16.17	16,766	19.76	18,171	22.37	20,135	27.03
EPS	11.35		8.42		9.26		13.18		14.29		15.83	

Horizontal Analysis

Statement of Financial Position

	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Equity and Liabilities												
Equity												
Share capital	12,722	-	12,722	-	12,722	-	12,722	-	12,722	-	12,722	-
Capital reserve	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	20,501	24.47	16,470	7.44	15,329	6.24	14,429	12.83	12,788	4.23	12,269	(4.78)
	33,383	13.73	29,352	4.04	28,211	3.30	27,311	6.39	25,670	2.06	25,151	(2.39)
Non - Current Liabilities												
Long term borrowings	8,584	(44.88)	15,572	(6.49)	16,653	4.78	15,893	535.72	2,500	(41.59)	4,280	10.59
Deferred taxation	4,578	(2.53)	4,697	(2.39)	4,812	4.61	4,600	0.57	4,574	12.16	4,078	4.16
	13,162	(35.06)	20,269	(5.57)	21,465	4.74	20,493	189.69	7,074	(15.36)	8,358	7.36
Current Liabilities												
Trade and other payables	60,599	56.26	38,781	269.20	10,504	40.05	7,500	(79.78)	37,038	73.02	21,407	35.46
Interest and mark - up accrued	300	57.07	191	(40.50)	321	19.78	268	793.33	30	36.36	22	(12.00)
Short term borrowings	28,526	147.21	11,539	(47.97)	22,177	23.06	18,021	55.31	11,603	65.76	7,000	40.28
Unclaimed Dividend	639	46.22	437	7.11	408	33.55	624	29.10	866	93.74	447	38.39
Current portion of long term borrowings	7,238	5.94	6,832	6.19	6,434	42.66	4,510	153.37	1,780	21.92	1,460	1.81
Taxation	2,642	114.80	1,230	(1.52)	1,249	(11.61)	1,413	(43.50)	2,501	(37.21)	3,983	(12.33)
	99,944	69.37	58,573	42.54	41,093	27.12	32,326	(39.98)	53,818	56.82	34,319	26.55
Total Equity and Liabilities	146,489	34.85	108,631	19.20	90,769	13.28	80,130	(7.47)	86,562	27.62	67,828	11.80
Assets												
Non - Current Assets												
Property, plant & equipment	21,533	(3.49)	22,312	5.08	21,233	(0.70)	21,382	6.41	20,094	8.95	18,444	3.51
Intangible assets	1,575	(0.63)	1,585	-	1,585	0.51	1,577	(2.11)	1,611	(2.48)	1,652	(1.61)
Log term investments	26,899	(3.48)	27,869	(6.03)	29,656	1.81	29,129	3.54	28,134	36.16	20,662	117.22
Long term Loans & advances	1,114	15.32	966	3.43	934	14.74	814	(1.09)	823	11.22	740	5.56
Long term deposits & prepayments	14	-	14	-	14	7.69	13	(18.75)	16	433.33	3	(40.00)
	51,135	(3.05)	52,746	(1.27)	53,422	0.96	52,915	4.41	50,678	22.11	41,501	39.66
Current Assets												
Stores, spares and loose tools	3,474	(0.63)	3,496	1.98	3,428	0.94	3,396	2.44	3,315	2.16	3,245	4.71
Stock in trade	12,932	3,173.92	395	(90.68)	4,237	(16.92)	5,100	419.35	982	225.17	302	(31.67)
Trade debts	3,678	(1.18)	3,722	(13.56)	4,306	142.73	1,774	115.82	822	17.26	701	(80.59)
Loans and advances	1,060	(35.13)	1,634	80.95	903	(11.90)	1,025	(3.21)	1,059	14.98	921	35.84
Deposits and prepayments	82	5.13	78	56.00	50	28.21	39	50.00	26	(29.73)	37	2.78
Other receivables	15,725	12.60	13,965	80.15	7,752	176.17	2,807	152.43	1,073	34.13	800	35.82
Short term investments	54,585	76.75	30,882	118.34	14,144	36.86	10,335	(62.33)	27,433	44.70	18,959	1.11
Cash and bank balances	3,818	123.01	1,712	(32.22)	2,526	(7.78)	2,739	133.30	1,174	(13.80)	1,362	(63.67)
	95,354	70.63	55,885	49.64	37,347	37.23	27,215	(24.24)	35,884	36.30	26,327	(14.95)
Total Assets	146,489	34.85	108,631	19.68	90,769	13.28	80,130	(7.47)	86,562	27.62	67,828	11.80

Directors' Report – Financial Capital

Vertical Analysis

Statement of Financial Position

	2018		2017		2016		2015		2014		2013	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Equity and Liabilities												
Equity												
Share capital	12,722	8.68	12,722	11.71	12,722	14.02	12,722	15.88	12,722	14.71	12,722	18.76
Capital reserve	160	0.11	160	0.15	160	0.18	160	0.20	160	0.18	160	0.24
Revenue reserves	20,501	13.99	16,470	15.16	15,329	16.89	14,429	18.01	12,788	14.77	12,269	18.09
	33,383	22.79	29,352	27.02	28,211	31.09	27,311	34.09	25,670	29.66	25,151	37.09
Non - Current Liabilities												
Long term borrowings	8,584	5.86	15,572	14.33	16,653	18.35	15,893	19.83	2,500	2.89	4,280	6.31
Deferred liabilities	4,578	3.13	4,697	4.33	4,812	5.30	4,600	5.74	4,574	5.28	4,078	6.01
	13,162	8.98	20,269	18.66	21,465	23.65	20,493	25.57	7,074	8.17	8,358	12.32
Current Liabilities												
Trade and other payables	60,599	41.37	38,781	35.70	10,504	11.57	7,500	9.36	37,038	42.79	21,407	31.56
Interest and mark - up accrued	300	0.20	191	0.18	321	0.35	268	0.33	30	0.03	22	0.03
Short term borrowings	28,526	19.47	11,539	10.62	22,177	24.43	18,021	22.49	11,603	13.40	7,000	10.32
Unclaimed dividend	639	0.44	437	0.40	408	0.44	614	0.77	866	1.00	447	0.66
Current portion of long term borrowings	7,238	4.94	6,832	6.29	6,434	7.09	4,510	5.63	1,780	2.06	1,460	2.15
Taxation	2,642	1.80	1,230	1.13	1,249	1.38	1,413	1.76	2,501	2.89	3,983	5.87
	99,944	68.23	59,010	54.32	41,093	45.26	32,326	40.34	53,818	62.17	34,319	50.59
Total Equity and Liabilities	146,489	100.00	108,631	100.00	90,769	100.00	80,130	100.00	86,562	100.00	67,828	100.00
Assets												
Non - Current Assets												
Property, plant & equipment	21,533	14.70	22,312	20.54	21,233	23.39	21,382	26.68	20,094	23.21	18,444	27.19
Intangible assets	1,575	1.08	1,585	1.46	1,585	1.75	1,577	1.97	1,611	1.86	1,652	2.44
Log term investments	26,899	18.36	27,869	25.65	29,656	32.67	29,129	36.35	28,134	32.50	20,662	30.46
Long term loans & advances	1,114	0.76	966	0.89	934	1.03	814	1.02	823	0.95	740	1.09
Long term deposits & prepayments	14	0.01	14	0.01	14	0.02	13	0.02	16	0.02	3	-
	51,135	34.91	52,746	48.55	53,422	58.86	52,915	66.04	50,678	58.54	41,501	61.180
Current Assets												
Stores, spares and loose tools	3,474	2.37	3,496	3.22	3,428	3.78	3,396	4.24	3,315	3.83	3,245	4.78
Stock in trade	12,932	8.83	395	0.36	4,237	4.67	5,100	6.36	982	1.13	302	0.45
Trade debts	3,678	2.51	3,722	3.43	4,306	4.74	1,774	2.21	822	0.95	701	1.03
Loans and advances	1,060	0.72	1,634	1.50	903	0.99	1,025	1.28	1,059	1.22	921	1.36
Deposits and prepayments	82	0.06	78	0.07	50	0.06	39	0.05	26	0.03	37	0.05
Other receivables	15,725	10.73	13,965	12.86	7,752	8.54	2,807	3.50	1,073	1.24	800	1.18
Short term investments	54,585	37.26	30,882	28.43	14,144	15.58	10,335	12.90	27,433	31.69	18,959	27.95
Cash and bank balances	3,818	2.61	1,712	1.58	2,526	2.78	2,739	3.42	1,174	1.37	1,362	2.02
	95,354	65.09	55,885	51.45	37,347	41.14	27,215	33.96	35,884	41.46	26,327	38.820
Total Assets	146,489	100.00	108,631	100.00	90,769	100.00	80,130	100.00	86,562	100.00	67,828	100.00

Directors' Report – Financial Capital

Six Year Analysis

of Financial Position & Performance

The Government increased rate of Gas Infrastructure Development Cess (GIDC) applicable on the Company's raw material (feed gas) by around 52% effective January 2014. The increased levy resulted in significantly higher manufacturing cost for FFC which could only partially be passed on to the customers under the prevailing market conditions. Profitability remained pressurized in subsequent years due to number of factors beyond our control including pricing intervention by the Government, low international urea prices, poor farm economics and changes in taxation regime resulting in higher taxation on profitability. Our expertise and business acumen honed over the last four decades enabled us not only to meet these adversities but helped in achieving annual operational and strategic targets.

Horizontal Analysis

Statement of Financial Position

Shareholders' Equity

FFC's share capital remained unchanged during the last six years at Rs 12.72 billion. Reserves witnessed gradual increase over the past six years on account of higher profit retention to finance the capital expenditure and diversification projects which are currently in various phases of completion. Resultantly, shareholders' equity stood at Rs 33.38 billion with an increase of 33% since 2013.

Non-Current Liabilities

Non-current liabilities comprising of long term borrowings and deferred liabilities increased by around 1.5 times to Rs 20.49 billion in 2015 primarily due to borrowings to fund payment of GIDC obligation. However, due to better liquidity position in subsequent years, no further long term borrowings were obtained and during 2018 FFC settled long term debt of Rs 6.6 billion on maturity dates. Consequently, non-current liabilities recorded an increase of 57% to Rs 13.16 billion since 2013.

Current Liabilities

Under the current liabilities, trade and other payables increased from Rs 21.85 billion in 2013 to Rs 37.90 billion in 2014 on account of GIDC retention under Court's rulings, which was settled in 2015 reducing the balance of trade and other payables to Rs 8.11 billion. Subsequently in October 2016, under the Court's rulings, GIDC payments were withheld which resulted in an increased balance of trade and other payables to Rs 60.60 billion at the close of 2018. Current maturity of long term borrowings also increased in 2018 owing to upcoming maturity of long term borrowings obtained in 2015 and 2016. Short term borrowings availed towards the year end resulted in increased liability of Rs 28.53 billion at December 31, 2018.

Non-Current Assets

Property, plant & equipment, intangible assets and long term investments constitute the Company's non-current assets. Investment in gas compression projects under the Company's sustainability plan besides routine capital expenditure has resulted in net increase of Rs 3.09 billion since 2013 to Rs 21.53 billion in property, plant and equipment. As a part of its strategy for diversification, FFC has acquired equity stakes of 43.15% in AKBL and 100% in FFF since 2013, while during the year the Company acquired 30% equity stake in Thar Energy Limited with an investment of Rs 1.46 billion besides supporting our food project with further equity injection of Rs 1.64 billion.

Current Assets

Stock in trade surged from Rs 302 million in 2013 to Rs 5.10 billion in 2015 due to higher production of fertilizers and suppressed market conditions. Consistent efforts by the Company resulted in alleviating the adverse market conditions and the industry started to normalize during the second half of 2017, with FFC successfully offloading its entire imported fertilizer stock and carried minimal stock in trade valued at Rs 395 million. Similarly, trade debts also reduced to Rs 3.72 billion, 14% lower than the 2016, owing to timely recovery of balances during the year and better cash sales ratio towards the end of the year. Stock in trade increased to Rs 12.93 billion in 2018 mainly due to higher inventory of DAP carried by the Company to meet anticipated demand for the year 2019.

Short term investments increased by Rs 8.47 billion in 2014 compared to 2013, however, due to financing requirement for payment of outstanding GIDC obligation, short term investments were liquidated in 2015 and recorded a decrease of 62% compared to 2014. However, in view of better cash availability and attractive returns on placements with financial institutions, short term investments increased to Rs 54.59 billion in 2018 around three times higher than 2013.

Subsequent to the announcement of fertilizer subsidy scheme from 2015 onwards, unadjusted input sales tax and outstanding subsidy receivable from the Government other receivables have substantially increased over the six years and stood at Rs 15.73 billion at the close of 2018.

The trends in the balance sheet are in line with general business practices and historic operational trends of the fertilizer industry / FFC apart from the variations described above.

Statement of Profit or Loss

Turnover and Cost of Sales

FFC established a new revenue benchmark exceeding the Rs 100 billion mark by recording aggregate revenue of Rs 105.96 billion (excluding subsidy) in 2018, depicting an increase of 43% since 2013.

Cost of sales recorded a substantial year-on-year increase in 2014 owing to levy of GIDC with no major variations till 2016. Owing to adverse urea marketing conditions and pricing intervention by the Government, the Company sold record quantity of DAP in 2017 which coupled with higher inflationary rates resulted in 32% higher cost of sales compared to 2016. Despite significant currency devaluation which impacts the cost of imports, inflationary factors, increase in gas prices, stringent cost controls implemented by the company has resulted in cost of sales of Rs 77.99 billion recording a cumulative annual growth rate of 15% only since 2013.

Gross Profit

Gross margin declined in 2016 and 2017 due to depressed market conditions and Governmental intervention in fertilizer pricing due to normalization of urea market and improved fertilizer prices in the latter half of 2017 gross margins improved in 2018 resulting in a Gross Profit of Rs 27.98 billion for the year.

Distribution Cost

Distribution cost has registered an average annualized increase of 7.5% since 2013 owing to higher volumes and impact of rising inflationary on prices. Major escalation witnessed in 2017 was due to increased volumes of imported DAP marketed by the Company.

Finance Cost

Finance cost of the Company witnessed an increase since 2015 because of financing GIDC payment and continuous funding of working capital requirements due to depressed market conditions in 2016 & 2017. However, finance cost reduced significantly during 2018 due to improved mainly due to higher sales volumes of Urea and DAP as well as improved selling prices of Urea and imported fertilizers.

Other Income

Investment income registered gradual increase over the six years and stood at Rs 2.64 billion during 2018 as compared to Rs 1.78 billion in 2013. Dividend income of Rs 1.25 billion for the year however, depicted a decline against previous years owing to lower pay out by associated companies. Subsidy scheme was announced on DAP in 2015 and subsequently on urea as well in 2016. The Government in 2017 withdrew subsidy on DAP and reduced subsidy on urea by Rs 56 / bag and from July 1, 2018 completely withdrew the subsidy scheme on urea.
Aggregate other income recorded at the highest level of Rs 10.67 in 2016 has reduced to Rs 6.28 in 2018 showing a growth of 44% compared to 2013, due to the aforementioned reasons.

Taxation

Variation in the taxation charge remained in line with profitability of the Company. The effect of gradual reduction in applicable corporate tax rates, however subdued by the levy of super tax and Final /Minimum tax regimes on imported fertilizer.

Net profit

Net profit stood at Rs 14.44 billion as compared to Rs 20.14 billion in 2013 and remained under pressure till 2017 owing to persistent government intervention in product pricing, levy of discriminatory GIDC, higher finance cost, lower dividend income and higher taxation charge on urea and imported fertilizer. Net profit improved by 35% from 2017 due to revival of fertilizer selling prices and reduced finance cost.

Vertical Analysis

Statement of Financial Position

Trade and Other Payable

Trade and other payable increased from Rs 21.85 billion in 2013 to Rs 60.60 billion in 2018 mainly due to retention of GIDC obligation under Court's ruling.

Property, Plant and Equipment

Property Plant and Equipment increased from Rs 18.44 billion in 2013 to Rs 21.53 billion in 2018 mainly due to investment in natural gas compressors under sustainability plan besides investment in regular capital expenditure.

Long-term investments

Long-term investments of the Company increased from Rs 20.66 billion in 2013 to Rs 26.90 billion in 2018 mainly due to investment of Rs 4.84 in FFF and Rs 1.46 billion in TEL as well as governmental securities.

Other receivables

Long outstanding subsidy receivable and unadjusted sales tax receivable from the Government resulted in increase in balance of Other receivables from Rs 790 million in 2013 to Rs 15.73 billion at the end of 2018.

Short Term Investment

Short-term investment increased from Rs18.96 billion in 2013 to Rs 54.59 billion in 2018 mainly due to improved liquidity position.

Statement of Profit or Loss

Gross Profit

Although the revenue increased from Rs 74.48 billion in 2013 to Rs 105.96 in 2018, the gross profit decreased from Rs 34.53 billion in 2013 to Rs 27.98 billion in 2018 because of increase in operating costs which mainly included higher feed and fuel gas costs besides increased levy of GIDC, currency devaluation and inflationary factors.

Taxation

Taxation charge stood at 6.84% of the revenue in 2018 as compared to 12.46 % in 2013. Variation in the taxation charge remained in line with profitability of the Company. The effect of gradual reduction in applicable corporate tax rates however, it was subdued by the levy of super tax and Final /Minimum tax regimes on imported fertilizer.

Net Profit

Net profit reduced from Rs 20.14 billion in 2013 to Rs 14.44 billion 2018 mainly because of increase in operating costs as explained above, which could not be passed on owing to persistent Governmental pressures in addition to decline in divined income, higher finance cost and higher tax charge on imported fertilizers.

Cash Flows

Cash Flows from Operating Activities

Settlement of outstanding balance of GIDC in 2015 pressurized cash generation

Directors' Report – Financial Capital

Six Year Analysis

of Financial Position & Performance

from operating activities. However, after revival of the customary urea demand the Company generated net cash from operations of Rs 34.71 billion in 2017. Cash flow from operations in the year 2018 were recorded at Rs 22.87 billion depicted an increase of 57% compared to the average cash flows from 2013 to 2017 but remained below 2017 owing to higher DAP inventory maintained at the year end.

Cash Flows from Investing Activities

Investing activities mainly comprise of equity investments in subsidiaries and associates in addition to capital expenditure and long / short term investments. Cash outflows on capital expenditure has been in line with the need to maintain reliable and sustained operations from its production facilities over the past 6 years. Cumulative equity investment in the last six years has been Rs 10.51 billion. Cash outflow on investments increased considerably during the year due to improved liquidity, while inflows from dividends declined due to lower dividend payout by our associated companies.

Cash Flows from Financing Activities

Financing cash flows mainly consisting of proceeds / repayment of long term loans in addition to our demonstrated commitment of sustained shareholders' returns in form of attractive dividend payout every year. Dividend payout is primarily responsible for net cash used in financing activities, except for 2015 when the Company obtained substantial debt to settle GIDC obligation. Net cash utilization of Rs 16.49 billion in the current year increased from Rs 9.24 billion recorded in 2017 because of loan repayments on due dates and dividend payout while no long term debt has been obtained during 2018.

Ratio Analysis

Profitability Ratios

Despite consistent increase in the Company's revenue, barring the year 2016 when revenue declined owing to Governmental pricing intervention. The constant increase in cost of sales including imposition of GIDC coupled with Company's restricted pass through ability has resulted in declining gross profit margins till the year 2017. Improvements in selling prices eased the pressures on gross margins (excluding subsidy), which were recorded at 26.40% in 2018 compared to 19.95% earned in 2017.

Net profit margins remained pressurized since 2015 owing to higher finance cost, lower dividend income and higher tax charge on imported fertilizers, however consistent cost controls, improved fertilizer market resulted in a net margin of 13.63% compared to 11.81% recorded in 2017.

Liquidity Ratios

The current ratio of 0.95 times improved over last six years average of 0.85 times owing to increase in short term investments. Quick ratio of 0.79 times, although higher than the six year average of 0.70 times, recorded a decline from 2017 by 0.09 times owing to higher closing inventory of DAP.

Cash to current liabilities of 0.03 times declined below the last six year average owing to retention of GIDC payments.

Activity / Turnover Ratios

Revival of customary urea demand has resulted in improvement of market dynamics, hence despite higher record revenue the Company has successfully curtailed credit sales, leading to increased debtors turnover from 23 times in 2017 to 29 times in the 2018. Creditor turnover days have increased to 156 days compared to six year average of 84 days owing to withholding of GIDC under Court's rulings. The Company's operating cycle was thus recorded at negative 114 days compared to negative 29 days in 2013.

Record domestic urea offtake resulted in improvement of fixed asset turnover ratio including subsidy to 5.03 times in 2018, higher by 0.67 times compared to 2017.

Investment / Market Ratios

The Company's share traded on Pakistan Stock exchange in the range of Rs 79.05 to Rs 103.68 with closing rate at balance sheet date of Rs 92.85 compared to Rs 79.11 at the close of 2017. The share price to earnings ratio remained at 8.18 times against six years' average of 8.85 times.

The breakup value of FFC share improved to Rs 26.24 per share against six years average of Rs 22.15 per share owing to better operational performance of the Company and profit retention.

The retention of profits to finance Company's diversification projects, dividend payout ratio for 2018 was recorded at above 78% against 83% last year, translating into a total cash dividend for per share of Rs 8.85 for 2018 against annual dividend of Rs 7.00 per share last year.

Capital Structure Ratios

Financial leverage ratio of 1.33 times was higher than 2017 by 0.17 times owing to higher short term borrowings towards the end of the year. Debt to equity ratio improved to 20:80 against 35:65 recorded in 2017 owing to repayment of long term debt. Low finance cost due to reduced borrowing improved interest cover ratio to 14.25 times compared to six years' average of 19.89 times.

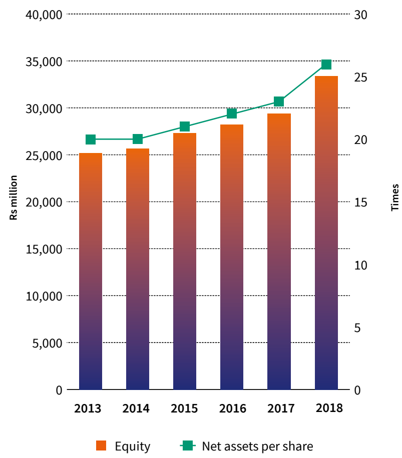
Explanation of Negative Changes in Performance Over The Period

Negative changes in performance against prior years; including the analysis of financial statements and the vertical and horizontal analysis of statement of financial position, statement of profit or loss and statement of cash flows have been appropriately explained in the relevant sections of this Report.

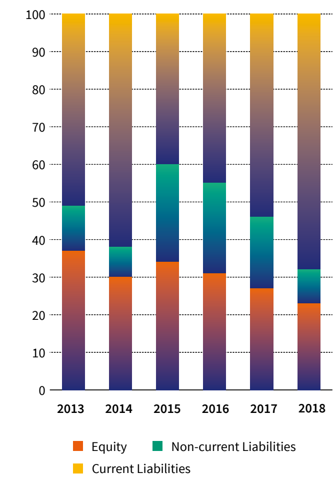
Graphical Presentation

Statement of Financial Position

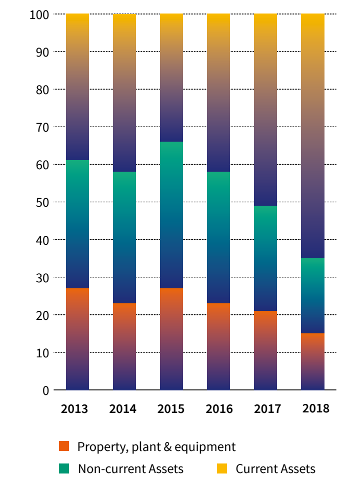
Equity & Net Assets per Share



Financial Position Analysis - Equity & Liabilities
(Percentage)

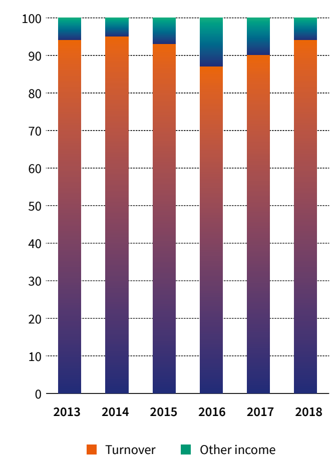


Financial Position Analysis - Assets
(Percentage)

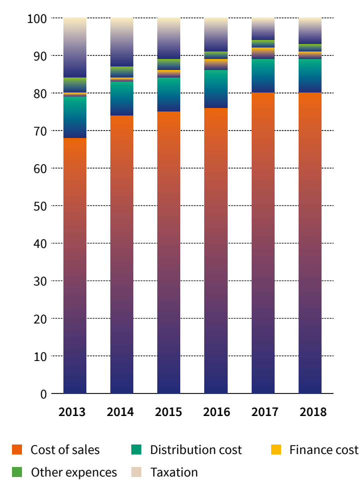


Statement of Profit or Loss

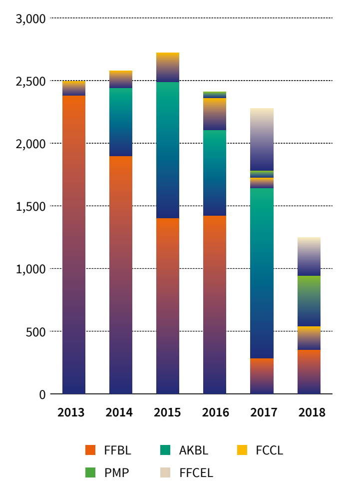
Profit or Loss Analysis - Income
(Percentage)



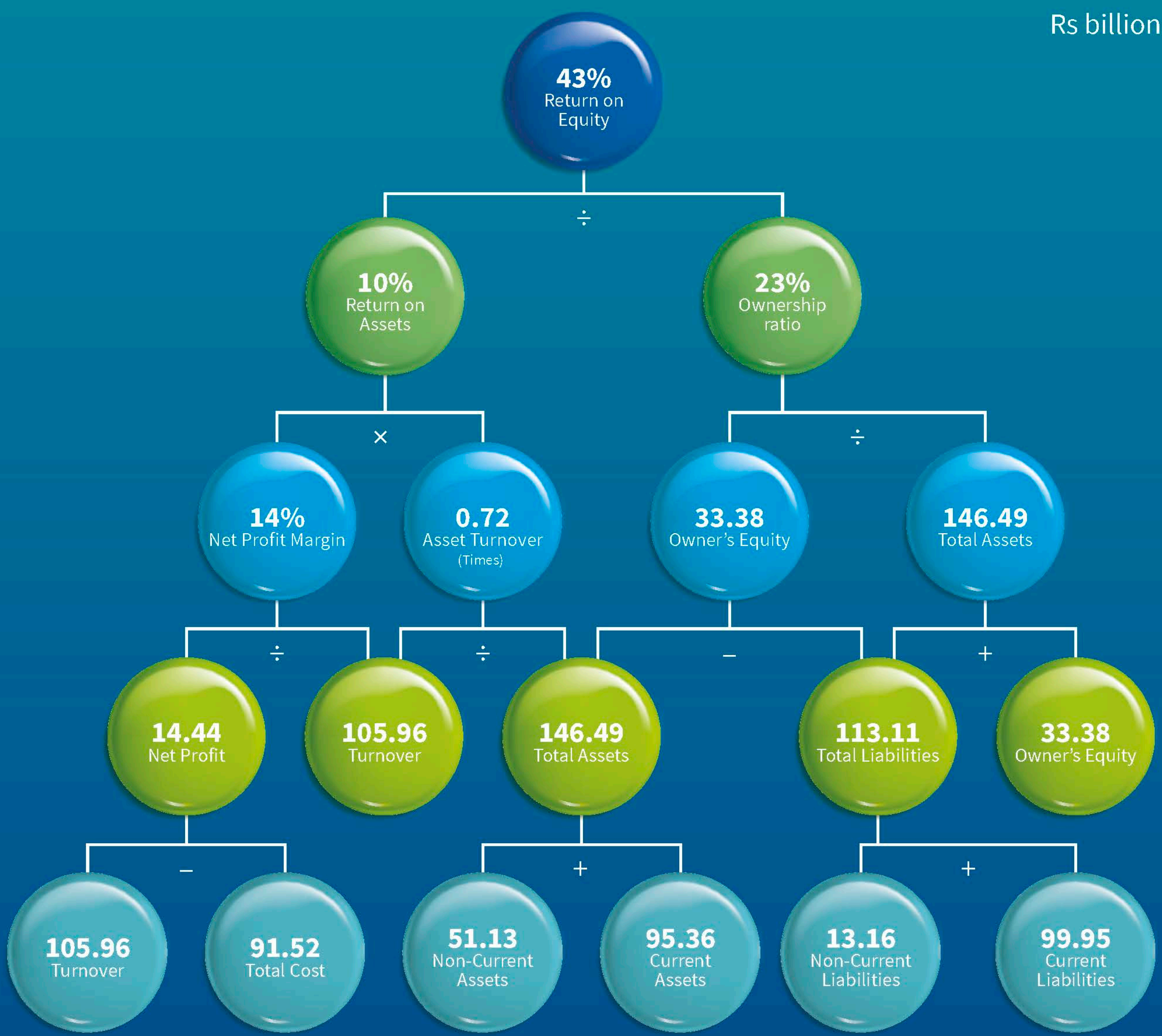
Profit or Loss Analysis - Expenses
(Percentage)



Dividend Income
(Rs million)



DuPont Analysis



DuPont Analysis	2018	2017
Tax burden	**33.41%**	31.95%
Interest burden	**7.02%**	13.57%
EBIT margin	**22.01%**	20.08%
Asset turnover	**72.34%**	83.51%
Leverage	**77.21%**	72.98%
Return on Equity	**43.25%**	36.49%

Analysis

Total assets increased by 35% driven by increase in stock in trade and short term investments, whereas owners' equity witnessed an increase of 14% resulting in an ownership ratio to 23% and return on asset of 10%.

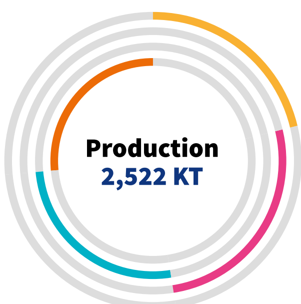
Sales revenue registered a growth of 17%, mainly due to revival of selling prices after two years of depressed market conditions. Improved liquidity position, continued withholding of GIDC and efficient treasury management resulted in higher returns on Company deposits as well as savings in finance cost improving net profitability despite increased gas cost and persistent levy of super tax, translating into net profit margin of 14% compared to 12% earned last year, which resulted in return on equity of 43%.

Quarterly Analysis – 2018

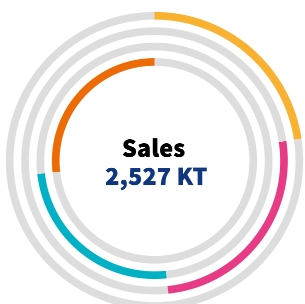
Rs '000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Turnover	20,557,809	22,708,267	27,411,252	35,287,143	**105,964,471**
Turnover (including subsidy)	21,669,903	23,996,531	27,411,252	35,287,143	**108,364,829**
Cost of sales	16,464,927	17,281,600	18,818,471	25,420,888	**77,985,886**
Gross profit	4,092,882	5,426,667	8,592,781	9,866,255	**27,978,585**
Gross profit (including subsidy)	5,204,976	6,714,931	8,592,781	9,866,255	**30,378,943**
Distribution cost	1,925,273	2,444,382	2,341,578	2,122,257	**8,833,490**
	2,167,609	2,982,285	6,251,203	7,743,998	**19,145,095**
Finance cost	377,108	387,554	418,665	453,649	**1,636,976**
Other expenses	382,131	455,388	570,726	700,340	**2,108,585**
	1,408,370	2,139,343	5,261,812	6,590,009	**15,399,534**
Other income	2,085,757	2,157,852	665,023	1,374,419	**6,283,051**
Other income (excluding subsidy)	973,663	869,588	665,023	1,374,419	**3,882,693**
Profit before taxation	3,494,127	4,297,195	5,926,835	7,964,428	**21,682,585**
Provision for taxation	1,229,000	1,847,000	2,117,000	2,051,000	**7,244,000**
Profit for the year	2,265,127	2,450,195	3,809,835	5,913,428	**14,438,585**

EPS **Rs 11.35**

Rs 1.78 **Rs 1.93** **Rs 2.99** **Rs 4.65**

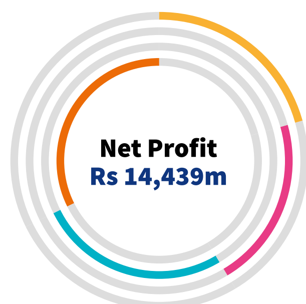


Q1	Q2	Q3	Q4
591 KT	**648** KT	**639** KT	**644** KT



Q1	Q2	Q3	Q4
573 KT	**653** KT	**629** KT	**672** KT

Q1	Q2	Q3	Q4
4,093 Rs M	**5,427** Rs M	**8,593** Rs M	**9,866** Rs M



Q1	Q2	Q3	Q4
2,265 Rs M	**2,450** Rs M	**3,810** Rs M	**5,913** Rs M

Analysis of Variation in Interim Results with Final Accounts

With the revival of customary demand, the Company earned a gross margin of 24% during the first quarter which continued to improve to 31% for the third quarter on back of improved selling prices, however, unexpected increase in gas rates during the last quarter for 2017 and limited pass through ability, restricted the Company's annual gross margin to 28%.

The quarterly profit before tax recorded consistent increase in each quarter of the year from 16% during the first quarter to 20% at the end of the year, however, imposition of Super tax for both years resulted in higher tax charge and restricted net margin of the Company to 13% at the end of the year.

Higher collection from sales and advance customer orders towards the end of the year increased short term investments to Rs 54.59 billion, 77% higher than 2017. The Company carried 213 thousand tonnes of DAP at the year end, primarily in view of anticipated demand for 2019.

Quarterly Analysis – 2018

1
QUARTER

Production

With view of maintaining the manufacturing plants' optimal efficiency, routine maintenance of Plant II was conducted during the first quarter of the year which restricted Sona urea production to 591 thousand tonnes, 7% lower than corresponding quarter of last year whereas overall operational efficiency remained at 116% against 126% achieved during the same period of 2017.

Sales, Revenue and Income

After almost 2 years of pressurized marketing conditions, the urea market normalized during second half of 2017 resulting in revival of customary urea demand. First quarter Sona urea offtake of 573 thousand tonnes was 52% higher, whereas DAP sales of 105 thousand tonnes improved by 2.4 times compared to the corresponding quarter 2017. Aggregated sales revenue (including subsidy) created a new first quarter benchmark of Rs 21.67 billion compared to Rs 12.60 billion earned last year. Dividend income which is beyond the Company's control, was recorded at Rs 349 million owing to lower payouts from associated companies and restricted other income to Rs 974 million 29% lower than last year.

Operating costs

(Cost of Sales and Distribution Costs)

In line with higher sales, cost of sales of Rs 16.47 billion was 92% higher than last year whereas higher imports of DAP increased distribution cost to Rs 1.93 billion, 15% above the corresponding period of last year.

Profit

Improvement in sales volume resulted in gross profit of Rs 5.21 billion, 30% higher than last year, however, warehousing cost of higher quantities of DAP imports and lower dividend income restricted net profit to Rs 2.27 billion, 3% higher than the corresponding period.

In order to provide steady stream of returns, first interim dividend of 17.50% (Rs 1.75 per share) was declared by the Board for its shareholders with a payout ratio of 98%.

Net Assets

Encashment of short term investments to cater for the working capital needs reduced total assets to Rs 96.08 billion lower by 12% compared to December 2017. Net assets decreased by Rs 1.63 billion at Rs 27.72 billion, lower by 6% compared to the end of 2017.

2
QUARTER

Production

On the back of improved operational efficiencies, the Company achieved its highest ever second quarter urea production of 647 thousand tonnes, 1% higher than corresponding period of 2017 and also 9% higher than the previous quarter.

Sales, Revenue and Income

Urea demand continued to show improvement and the Company recorded urea sales of 653 thousand tonnes, 14% higher than the previous quarter, whereas aggregate urea sales for the first two quarters were 12% higher than last year. Sales revenue (including subsidy) of around Rs 24 billion increased by 12% compared to the second quarter of 2017 and 11% higher than the previous quarter. Higher dividend declaration by associated companies during the quarter improved other income to Rs 870 million, 2.6 times more than last year but remained 11% below the previous quarter owing to lower returns on investments.

Operating costs

(Cost of Sales and Distribution Costs)

Cost of sales increased by 5% only to Rs 17.28 billion despite higher offtake compared to the previous quarter, whereas handling cost associated with higher imports of DAP resulted in distribution cost of Rs 2.44 billion, 27% above the last quarter.

Profit

Higher sales revenue translated in an improved, gross profit (including subsidy) of Rs 6.71 billion, 29% higher than the previous quarter and 10% above last year. Net margin improved to 10% with earnings of Rs 2.45 billion, and FFC earned an aggregate net profit of Rs 4.72 billion for the first half of 2018, which was 24% higher than last year. The Company declared second interim dividend of Rs 1.40 per share, with aggregate distribution of Rs 3.15 per share for the half year, 26% higher last year.

Net Assets

Investments in Thar Energy Limited and maintaining higher stocks of imported fertilizer in view of anticipated demand during the second half of the year, resulted in total assets of Rs 113.76 billion, 18% higher than the preceding quarter. Net assets of Rs 27.88 billion remained in line with the previous quarter despite payment of first interim dividend owing to higher profitability.

3 QUARTER

Production

Sona urea production of 639 thousand tonnes, was only 1% lower than the last quarter as well as the highest ever third quarter production recorded in 2017.

Sales, Revenue and Income

Urea sales for the quarter were recorded at 629 thousand tonnes, only 2% lower than comparative period of last year and 4% lower than last quarter due to increased prices in view of discontinuation of urea subsidy of Rs 100 per bag effective July 1, 2018. DAP sales for the quarter registered increase of 44% compared to the last quarter however remained 54% lower than the highest quarterly sales of last year due to higher prices in view of steep PKR devaluation. Improved selling prices during the quarter resulted in aggregate all fertilizer sales revenue (including subsidy) of Rs 27.41 billion, which was 14% higher than the previous quarter but remained 5% lower compared to same quarter of 2017 owing to lower offtake. Better cash availability resulted in improved other income of Rs 665 million, 54% higher compared to the third quarter of 2017 but remained 24% lower than the previous quarter owing to lower dividend income.

Operating costs
(Cost of Sales and Distribution Costs)

Lower fertilizer offtake compared to the previous year resulted in 15% lower cost of sales at Rs 18.82 billion. Distribution cost of Rs 2.34 billion also decreased by 5% as compared to the same period of last year and 4% against the previous quarter owing to lower product handling during the quarter.

Profit

Due to improved selling prices, quarterly gross margin recorded at 31%, was 5% higher than the average margin earned during the previous two quarters, translating into a net profit of Rs 3.81 billion, which was significantly higher by 80% over the corresponding period of last year and 55% above the previous quarter.

Remaining consistent with its commitment to provide sustained returns to the shareholders, the Board declared third interim dividend of Rs 1.80 per share with cumulative distribution of Rs 4.95 per share for the nine months.

Net Assets

Accumulating balance of subsidy receivable from the Government and unadjusted balance of sales tax resulted in total assets of Rs 116.52 billion, 2% higher than the total assets of Rs 113.76 billion recorded at June 30, 2018 mainly due to decline in external borrowings. Higher retention resulted in improved net assets of Rs 29.83 billion, 7% higher than the previous quarter.

4 QUARTER

Production

Sona urea production of 644 thousand tonnes for the last quarter of 2018 was 10% higher compared to the corresponding quarter of 2017 owing to maintenance turnaround conducted in 2017, and remained broadly in line with the previous quarter.

Building on our commitment for excellence, the Company recorded its second highest annual urea production of 2,522 thousand tonnes during the year. In view of increasing DAP costs due to currency devaluation and expected DAP demand for 2019, 128 thousand tonnes of DAP were also imported during the quarter.

Sales, Revenue and Income

Sona urea offtake was recorded at 672 thousand tonnes 9% higher than the average sales of last three quarters, while lower opening inventory restricted annual sales to 2,527 thousand tonnes, 6% lower than last year, these were the highest ever urea sales in domestic market by the Company. Despite lower offtake, improved selling prices resulted in highest ever quarterly revenue of Rs 35.29 billion, 2% higher than last year and 29% higher than the previous quarter, translating into highest ever annual aggregate sales revenue including subsidy of Rs 108.36 billion, 11% higher than 2017.

Improved investment income due to better cash availability and second consistent dividend declaration by FFCEL augmented the Company's annual other income to Rs 3.88 billion, 5% higher than last year.

Operating costs
(Cost of Sales and Distribution Costs)

Increase in gas prices by the Government resulted in higher production cost of sales for the quarter of Rs 25.42 billion, 35% higher than the previous quarter, however, it remained 4% lower compared to 2017 owing to reduced fertilizer offtake. Aggregate cost of sales for 2018 were recorded at Rs 77.99 billion, 7% higher than last year primarily due to increased raw material prices and impact of currency devaluation. Distribution cost for the quarter remained 9% lower than the last quarter due to lower product handling during the period, whereas annual distribution cost of Rs 8.83 million increased by 3% compared to last year owing to inflationary impact on costs.

Profit

Improved selling prices during the quarter resulted in quarterly gross profit of Rs 9.87 billion, 21% higher compared to the same quarter of 2017 and 15% above the previous quarter. Gross profit of Rs 30.38 billion was achieved at the end of the year registering an increase of 23% over last year. The decline in net profits witnessed during the previous years due to adverse marketing conditions, higher raw material prices, urea pricing pressures by the Government, reversed at the end of 2018 with earnings of Rs 14.44 billion registering a growth of 35% compared to last year.

Net Assets

Investment of surplus cash and higher DAP inventory resulted in an asset base of Rs 146.49 billion 35% above last year. Higher profits and retention translated into net assets of Rs 33.38 billion, 14% above 2017.

Financial Capital

Liquidity Position Analysis

The Company remained liquid during the year owing to higher collection from customers because of improved revenues besides proactive cash flow management and continued retention of GIDC payments.

Liquidity and Cash Flow Management

Strategy to Overcome Liquidity Problems

The cash flow requirements of the Company are managed, primarily, through internal cash generation sourced mainly from sales revenue in addition to dividend income from diversified equity portfolio, with external financing acting as a secondary mean of funding.
Sales revenue receipts are handled through optimized control of customer credit, in addition to securing advance customer orders.

Treasury Management System ensures profitable returns by placement of surplus funds in high yield investments to generate incremental income and cash flows for the Company. External means of financing are also availed where such financing provides cheaper alternates to encashment of profitable investments.

In order to safeguard against cash flow risks, the liquidity position of the Company is monitored vigilantly to ensure availability of adequate funds to meet operational requirements through effective cash flow forecasting, maintenance and management of maturity profiles of assets and liabilities thereby optimizing the working capital cycle.

Treasury Management

The Treasury Management System of the Company focuses on maintenance of a dynamic and flexible portfolio of investments to enhance profitability and increase shareholders' return, through placement of surplus funds in the money market / Government securities, term deposits with banks / financial institutions and any other investment schemes, by way of the following processes:

- Periodic evaluation of planned revenues from sales / investment income and comparison with the timing and quantum of working capital requirements
- Matching of maturity dates of investments with working capital / other funding requirements to ensure availability of sufficient liquidity for operations as well as further placements to generate incremental revenues and cash flows
- Identification of cash surpluses for investment in suitable opportunities offering optimal returns while providing preservation of invested capital
- Investment through short / long term placements, with high credit rated institutions to minimize credit risk
- Maintenance of a fairly diversified portfolio to earn maximum returns, remaining within prudent levels of risks and exposure

Financing Arrangements

Reliance on external financing is secondary to internally generated cash, which represents the Company's primary source of working capital thereby minimizing financing costs through effective liquidity management.

External financing is arranged, when required, only after exhaustive cash flow forecasting, in view of various outflow requirements of the Company. Preference is accorded to short-term debt over long term because of lower financing costs.

Total borrowings, including short term and current maturity of long term borrowings, increased by 31 % to Rs 44.35 billion, compared to last year mainly to meet working capital requirements towards the end of year.

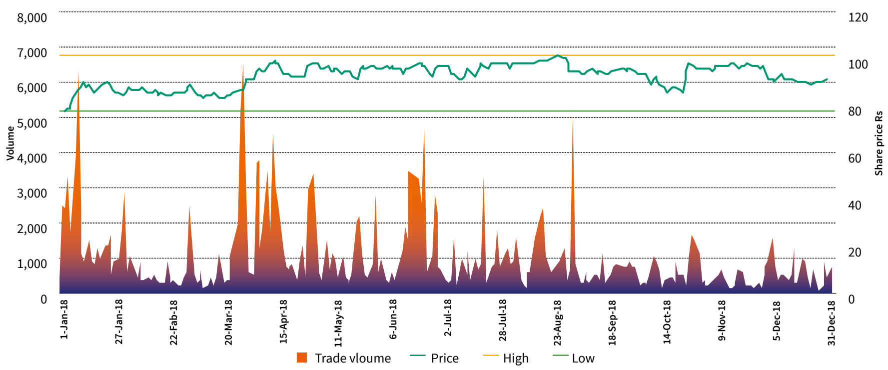
In view of strong financial position and Company's ability to generate internal funds, FFC has the capacity to meet funding requirements for its diversification needs.

Repayment of Debts and Recovery of Losses

Amounts due during the year relating to long term borrowings were settled on timely basis, whereas short term borrowings in excess of the Company's requirement were periodically retired, while cash flow forecasts provide sufficient confidence of the Company's ability to discharge the outstanding long and short term borrowings on timely basis as well.

The Company carried a long term financing balance of Rs 8.58 billion at the close of 2018 which reduced by around Rs 7.0 billion compared to last year as no additional funds were borrowed on long term basis during the year. All debt repayments maturing this year were paid on their due time and **there has been no defaults in repayment of any debt during the year**.

Share Price Sensitivity



Short term borrowings recorded at Rs 28.53 billion, represents an increase of Rs 16.99 billion from last year, whereas short term investments increased by Rs 23.70 billion to Rs 54.59 billion, resulting in net surplus liquidity of Rs 26.06 billion.

The Company's strong debt raising capacity and timely settlement of all liabilities is supported through its cash generating abilities, which has been FFC's core strength and is recognized by improved credit rating of AA+ for long term and maintaining highest rating of A1+ for short term by PACRA.

Capital Structure

Equity improved by 14% to Rs 33.38 billion as compared to last year mainly due to improvement in revenue reserves. Equity comprised of share capital amounting to Rs 12.72 billion representing 1,272 million ordinary shares of Rs 10 each. Fauji Foundation remains the major shareholder of the Company with an equity stake of 44.35%.

Long term debt of the Company stood at a reduced balance of Rs 8.58 billion at close of the year, improving the debt / equity ratio to 20:80 from 35:65 in 2017, whereas financial leverage at year end was recorded at 1.33 times. **Future projections indicate adequacy of the capital structure for the foreseeable future.**

Capital Market & Market Capitalization

The Company's market capitalization stood at Rs 118.13 billion, depicting an increase of 17% as compared to last year, whereas the KSE-100 index dropped from 40,470 points to 37,067 points at the end of the year, registering a decrease of 8% as compared to last year.

Market price of FFC share experienced fluctuations between the highest of Rs 103.68 per share to the lowest of Rs 79.05 per share, with an average market price of Rs 94.64 per share.

Variations in share prices are principally caused by market psychology, occurrence of material events and speculative transactions by investors during the year.

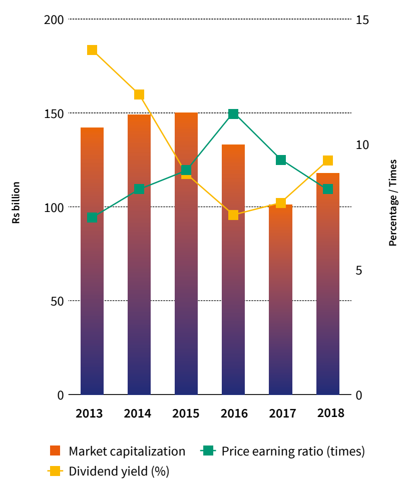
Sensitivity Analysis

Market Price Sensitivity Analysis

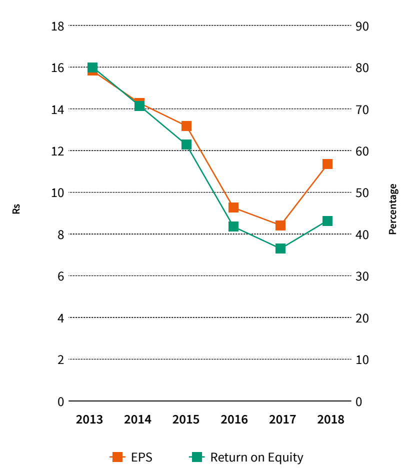
FFC's financial performance is affected by various critical and non-critical variables, most of which are beyond Company's control being external in nature. FFC share prices are also sensitive to Company's performance and the changes in risks faced by the Company. Other factors that can affect share price include political environment in the Country, Government policies affecting industry, pricing volatility, investors' sentiments and macro economic indicators etc.

These variables are monitored vigilantly and their impact is evaluated by carrying out sensitivity analysis besides preparation of financial forecasts as part of the Company's Risk Mitigation Strategy, discussed in other parts of this Report.

Market Capitalization, Price Earning ratio & Dividend Yield



EPS and Return on Equity



Financial Capital

Urea Production & Cost of Sales

Despite old vintage of plants, the Company achieved second highest production ever of 2,522 thousand tonnes compared to 2,513 thousand tonnes produced last year.

Company's production is mainly influenced by downtime due to planned and unplanned shutdowns, maintenance turnaround and change in Government policy on gas supply, which also has a bearing on Company margins.

Depleting gas reserves continue to pose a significant risk to sustained production, whereas, discriminatory GIDC levy, increasing gas costs and persistent pricing pressure by the Government pose further risks to the Company's profitability.

In order to mitigate these risks, FFC has instigated efficient cost controls besides enhancing its operational efficiencies and exploring new avenues for raw material supply.

Sales Volume & Prices

Sales volume is primarily driven by plant production, fertilizer demand, Government intervention including import volumes, besides environmental conditions. Although the sales prices are determined internally, they are generally impacted by competitor prices, market conditions, international trends and Government intervention including subsidies etc.

During the last two years, urea prices remained fixed under the subsidy scheme of Government of Pakistan. The subsidy scheme was withdrawn effective July 1, 2018, but the pricing pressure from Government continued causing the Company to pass on very small portion of inflationary factors besides the impact of discontinued subsidy.

SENSITIVITIES	NPAT (Rs M)	EPS (Rs)
Selling Price (% +/- 1)	662	0.52
Sales Volume (% +/- 1)	395	0.31
Downtime (Days +/- 2)	110	0.09
Gas consumption / Price (% +/- 1)	168	0.13
Dividend Income (% +/- 5)	51	0.04
Income on Deposits (% +/- 5)	81	0.06
Finance Cost (% +/- 5)	52	0.04
Exchange valuation (% +/- 5)	62	0.05

Fertilizer prices are also affected by production / distribution costs, taxes and levies and other marketing factors. The determination of selling prices in recent past has been outside the Company's control owing to increased intervention of the Government.

Dividend Income

Dividend income from our associated companies depends upon their performance and the announcement made by their respective Board of Directors and is, therefore, beyond the Company's control.

FFC derives dividend income from FFBL, FCCL, FFCEL, PMP and AKBL. No dividend income was received from AKBL during the year. FFBL operates under conditions similar to FFC and is, therefore, subject to similar sensitivities except for DAP production which is produced from imported raw material besides natural gas. Other companies operate in different sectors and are, therefore, subject to separate set of risks.

Other Income

Other income mainly comprises of returns on deposits with banks / other financial institutions, mutual funds etc and investments in Government securities, which are primarily dependent upon prevailing interest / KIBOR rates besides the Company's capability to efficiently generate and deploy excess funds in profitable ventures.

Finance Cost

In view of financing requirements and its impact on Company's profitability, margins on loans are negotiated carefully by the management, however, the interest / KIBOR rate fluctuations, being subject to market and economic conditions, are beyond the Company's control. The recent hike in policy rates may have a significant bearing on the finance cost. The Company carried sizable balance of unpaid GIDC at the end of the year which if required to be paid immediately, would result in substantial borrowings and related financing cost negatively impacting Company's profitability.

Foreign Exchange Risk

Company's assets and liabilities denominated in foreign currency and foreign business transactions are exposed to foreign exchange risk due to volatility in exchange rates. Valuation of above mentioned foreign denominated assets and liabilities, carried out at the balance sheet date, also affects Company's profitability.

During 2018, the Country witnessed one of the highest devaluation of Pakistani Rupee leading to inflationary pressures and higher operating cost. However, we were able to mitigate the impact of this exchange rate fluctuation to a very large extent by realizing substantial exchange gain on our foreign currency deposits with financial institutions.

Prospects of the Entity Including Targets for Financial and Non-Financial Measures

Prospects of the Entity

Improved market conditions after revival of urea selling prices together with trade of imported fertilizers in line with the Company's product realignment strategy resulted in highest ever all product revenue. Utilization of surplus funds through proactive treasury management and planned diversification projects provide sufficient support to the management's projections of sustained earnings and returns to shareholders.

In view of expected decline in gas pressures, FFC is evaluating alternative raw material sources to sustain core operations and profitability. Owing to high cost of natural gas, alternatives such as LNG, coal gasification is also under consideration.

Fauji Fresh n Freeze continued to register growth in both local as well as international markets with OPA French Fries exceeding the sales targets. The Project is still in development phase and FFF has also engaged industry experts to acquire market intelligence and develop strategies for market penetration as well as product range.

During the year, FFC Energy Limited recorded net earnings of Rs 1.10 billion, an improvement of 30% over last year and has declared its second dividend of Rs 1.25 per share valuing Rs 305 million. The management expects consistent returns from the project in future.

In line with the Company's diversification strategy, FFC has acquired 30% stake in Thar Energy Limited (TEL) to establish a 330 MW mine-mouth lignite-fired power plant with equity injection of Rs 1.46 billion during the year. EPC contract and financing documents of the project have been executed while Commercial Operational Date (COD) is planned in 2021.

Financial Measures

Targets for the year were set after estimation of various factors and variables, most of which are outside the control of the Company while others can either be monitored or their impact alleviated to a possible extent.

Prices of raw materials coupled with Government intervention over fertilizer pricing, significant PKR devaluation, change in taxes and levies, in addition to weather and natural calamities are all external factors affecting the Company's cost of production.

Thorough evaluation and effective implementation was carried out during the year in order for the Company to achieve its set goals and targets. This is evident from the fact that despite Government intervention in pricing and higher taxation on imported fertilizers, exceptional sales / revenues were achieved in excess of the operating targets in 2018.

Looking forward, significant increase in gas prices, substantial devaluation of PKR, besides persistent pricing pressure and regulatory measures on the fertilizer industry, continue to pose risks to the operations and profitability of the Company. Favorable Governmental policies including elimination of the significant disparity between input and output GST rates, besides settlement of long outstanding subsidy dues, are, therefore, vital towards the sustainability of the fertilizer industry as well as ensuring food security in the Country.

Non-Financial Measures

Following key non-financial measures are identified as critical for the Company:

- Transparency, accountability and good governance
- Compliance with the regulatory framework
- Relationship with customers and business partners
- Responsibility towards the society
- Energy conservation
- Employee satisfaction and wellbeing
- Maintenance of product quality for fulfillment of customer needs
- Corporate image
- Stakeholders' engagement
- Brand preference
- Environmental protection

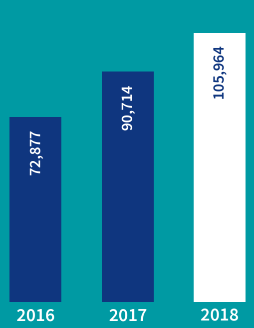
Responsibility for implementation of these measures is delegated to the management with regular monitoring and control by the Board.

Analysis on non-financial performance is disclosed in detail in the Sustainability section of this Report.

Financial Capital

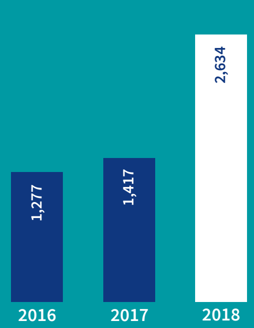
Key Performance Indicators

Turnover
(Rs million)



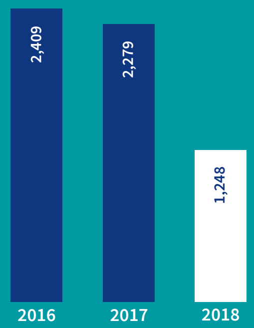
Rs 105,964 m

Investment Income
(Rs million)



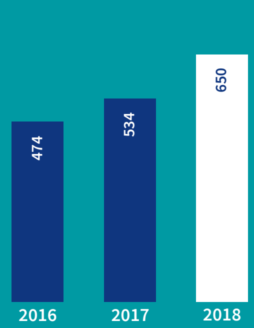
Rs 2,634 m

Dividend Income
(Rs million)



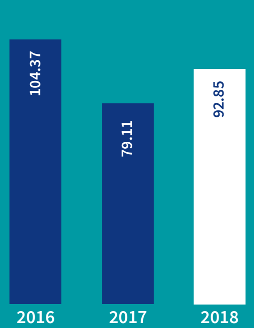
Rs 1,248 m

Import Substitution
(USD million)



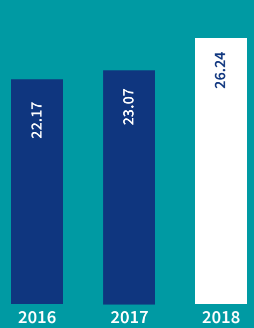
USD 650 m

Market price per share
(Rs)



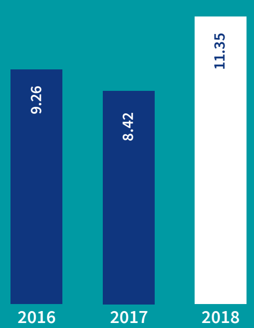
Rs 92.85

Break-up Value
(Rs)



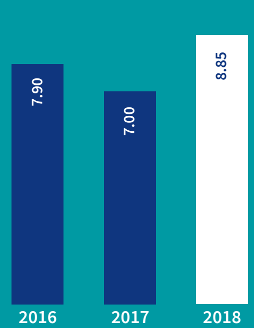
Rs 26.24

Earnings per Share
(Rs)



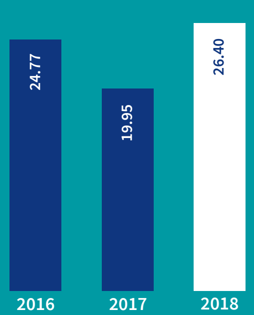
Rs 11.35

Dividend per Share
(Rs)



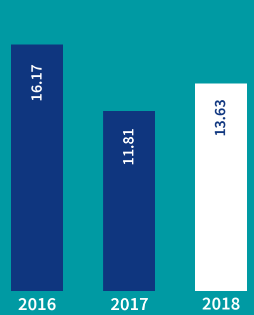
Rs 8.85

GP Margin
(%)



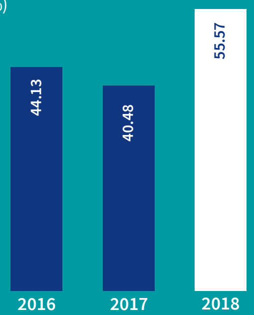
26.40%

NP Margin
(%)



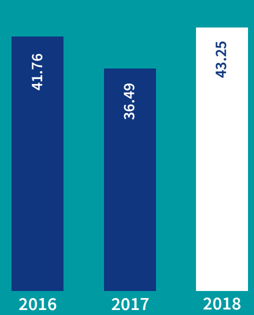
13.63%

Return on Capital Employed
(%)



55.57%

Return on Equity
(%)



43.25%

Methods and Assumptions Used in Compiling The Indicators

Key performance indicators effectively reflect the Company's performance. The management regularly analyzes these indicators to better gauge the Company' performance against pre-defined benchmarks. Some of the basic indicators of the Company's performance and profitability have been mentioned above.

Turnover represents the total amount of revenue generated by the business during the mentioned periods. It aids in tracking sales levels trends in order to spot meaningful changes in activity levels. Investment income includes subsidy income in addition to interest and dividend earned on investments made by the Company.

Market price per share is the measure of perception of the Company in the market. The difference between Book Value and Market Value shows investors' confidence on script.

Earnings per share measures the net earnings of the Company against the total outstanding shares, whereas dividend per share represents dividend declared by the Company for every outstanding ordinary share. The Company manages its dividend policy with the purpose of increasing shareholders' wealth. The dividend payment is an indicator of how well earnings support the dividends. Profitability ratios analyze the Company's financial health.

Changes in Financial and Non-Financial Indicators

There were no significant changes in the financial and non-financial indicators as compared to previous years. Changes in financial indicators compared to previous years have been explained in detail in the Financial Capital section of this Report.

Management's Responsibility Towards the Financial Statements

The management of the Company is responsible for adopting sound accounting policies, establishing and maintaining a system of internal controls and preparation and presentation of the financial statements in conformity with the approved accounting standards and the requirements of the Companies Act, 2017.

Statement Of Unreserved Compliance Of IFRS Issued By IASB

Company's financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017, shall prevail.

Note 3.21 of the financial statements specifies the standards and interpretations which are yet to be effective in Pakistan. The Company believes that the impact of these standards and interpretations does not have any material impact on the financial statements.

Risk and Opportunity Report

FFC's ability to create value for its shareholders is affected primarily by changes in the macro-economic environment in which it operates and associated risks and opportunities. Accordingly, the Company performs an in-depth analysis of internal, external and industry-specific risks and opportunities in order to develop effective strategies.

Risk Management Policy

The Board of Directors has overall responsibility for the establishment and oversight of an effective risk management framework in the Company. The Board is also responsible for developing and monitoring risk management policies to determine the Company's level of risk tolerance.

Risk Management Policy of the Company presents a mechanism for identification and management of risk including evaluating and devising a mechanism to minimize the negative impact of such risks on Company business. The Policy provides entity-wide risk management guidelines that cover key risk areas, including Strategic, Commercial, Reputational, Operational, Financial, Political and other risks.

Assessment of Principle Risks

The Board of Directors has carried out an in depth and critical analysis of the principal risks / threats faced

Financial Capital

by the Company business, including those that would threaten the business model, future performance, solvency or liquidity of the Company.

The Board has delegated the responsibility of monitoring and control of business risks to the management of the Company.

Business Strategy Committee (BSC), comprising of senior management of the Company and headed by the CE&MD, is responsible for the overall implementation and oversight of risk identification and management policy and procedures. All Functions / Departments of the Company are responsible for identification and evaluation of all types of risks relating to their areas, devising adequate mitigating strategies thereof and report any changes / additions therein to BSC on half-yearly basis.

Status of the risk identification and mitigation measures implemented by the Company is also updated to the Board on half-yearly basis.

Key Sources of Uncertainty

Preparation of financial statements in conformity with the International Financial reporting Standards involves judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and relevant assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates.
These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

Details of significant accounting estimates and judgments including those related to retirement benefits, estimation of useful life of property, plant and equipment and intangible assets, recoverable amount of goodwill and investment in associated companies along with provision of taxation, have been disclosed in Note 2.4 to the both separate and consolidated financial statements of the Company.

Strategic, Commercial, Operational and Financial Risks

FFC's proactive culture of risk management and its effective systems identify, assess and mitigate various risks and uncertainties that come across during ordinary course of business in a timely manner.

The strategic, commercial, operational and financial risks can arise from uncertainty in financial markets, system breakdowns, project delays, fluctuations in product markets including Government price pressures, competitive position, legal liabilities, credit risk, accidents, natural causes and disasters, or other events of uncertain or unpredictable nature.

These key sources of uncertainty in estimation carry a significant risk which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These risks are detailed in the following sections:

Strategic Risks

Strategic risks are mostly external, associated with operating in a particular industry and are beyond Company's control and are created by the Company's strategic objectives and business strategy decisions that could affect its long term positioning and performance. The Board of Directors actively oversees the management of these risks and devises mitigating strategies wherever required.

Commercial Risks

These risks emanate from the commercial substance of an organization. Decline in an entity's market share owing to demand supply, product price regulation by Government or a new constitutional amendment posing threat to the organization's profitability and commercial viability are a few examples of these risks.

Operational Risks

These are risks associated with internal factors, administrative and operational procedures like employee turnover, supply chain disruption, IT system shutdowns or control failures.

Financial Risks

Financial risks are divided in the following categories:

I. Credit Risk

Credit risk is the risk of financial loss to a Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, investments, loans and advances, deposits, other receivables, short term investments and bank balances.

The Company limits its exposure to credit risk by investing only in liquid securities and with counterparties that have high credit rating. Management actively monitors credit ratings and given that the Company has invested in securities with high ratings only, management does not expect any counterparty to fail in meeting its obligations.

II. Market Risk

Market risk is the risk that value of financial instruments may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board.

III. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has improved its long term rating of AA to AA+ and maintained highest short term rating of A1+ during the year, evidencing our strong liquidity position. The Company uses different methods to monitor cash flow requirements and optimize its cash return on investments. The Company proactively ensures availability of sufficient cash through arrangement of adequate lines of credit, to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be predicted in a reasonable manner, such as natural disasters.

Plans and Strategies for Mitigating these Risks and Potential Opportunities

RISK GOVERNANCE

The roles and responsibilities at various levels of our risk management program are outlined in our risk governance structure.

I. Board and Committees

The Board oversees the risk management process primarily through its committees:

- The Audit Committee monitors the Company's risk management process on half yearly basis, focusing primarily on financial and regulatory compliance risks
- The Human Resources & Remuneration Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk, in addition to succession planning with a view to ensure availability of competent human resources in each area of critical Company operations
- The System & Technology Committee evaluates the need for technological upgradation in various processes to reduce the risk of obsolescence and inefficiency in plant operations besides determining the capital expenditure requirements to sustain plant efficiencies while keeping control over unnecessary cash outflows
- The Projects Diversification Committee focuses on exploring new opportunities for expansion and risk diversification ensuring that thorough due diligence is carried out covering all aspects of the project before according its recommendation to the Board

II. Policies & Procedures

Policies and procedures represent a vital part of the Company's risk governance framework and ensure management of financial, operational and compliance risks. Board and its committees have adopted a set of policies and procedures based on best practices, promoting a culture of ethics and values with authority delegated to senior management for appropriate implementation.

III. Control Activities

Senior management assesses the risks and places appropriate controls to mitigate and respond to these risks through preventive, detective and corrective actions.

IV. Performance Management

In order to avoid risks associated with performance, a continuous cycle of monitoring is carried out to evaluate and analyse the effectiveness of implemented controls and to identify areas of weakness to devise strategic plans for improvement.

V. Internal Audit

Internal Audit function provides independent and objective evaluations and reports to the Audit Committee on the effectiveness of governance, risk management and control processes.

Key Risks and Opportunities

Supplies and untimely influx of urea imported by TCP

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Maintain industry leadership / expand sales

Mitigation Measures:
Though these variables are outside management's control, FFC plays its role in assessing supply gap in the country through Fertilizer Review Committee to ensure that only required product quantities are imported.

Increasing production and distribution costs affecting pass through ability of the Company

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance operational efficiency to achieve synergies

Mitigation Measures:
Increase in levies, duties, and gas costs are beyond the control of the Company. The Company, however, is committed to improving operational efficiencies and implementation of effective cost controls to mitigate this risk to the maximum possible extent.

Variations in commodity prices of agricultural products negatively affecting liquidity of customer

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance agricultural productivity through balanced fertilizer application

Mitigation Measures:
Ensuring provision of locally manufactured fertilizer at affordable rates in addition to offering sale on credit.

Default by customers and / or banks in payments to FFC

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance operational efficiency to achieve synergies / cost economisation

Mitigation Measures:
Majority of the sales are against payment in advance. Credit limits have been assigned to customers, backed by bank guarantees. Risk of default by banks has been mitigated by diversification of placements among high rated banks / financial institutions.

Rise in KIBOR rates inflating the borrowing costs

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance operational efficiency to achieve synergies / cost economisation

Opportunities: Explore investment avenues to capitalise on high rate of return

Mitigation Measures:
Prepayment options are incorporated in agreements, which can be exercised upon any adverse movement in the underlying interest rates, hedging the Company against this risk.

Insufficient cash available to pay liabilities resulting in a liquidity problem

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance operational efficiency to achieve synergies

Mitigation Measures:
Treasury management system at FFC is proactive and adequate funds / credit lines are kept available for any unforeseen situation. Our credit rating of AA+ and A1+ denotes high credit worthiness of the Company.

Key Risks and Opportunities

Fluctuations in foreign currency rates

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance operational efficiency to achieve synergies

Opportunities: Exports / foreign currency swaps / hedging arrangements

Mitigation Measures:
FFC's foreign currency exchange rate risk associated with foreign currency investments / bank balances bearing interest is mitigated to some extent by resultant change in interest rates. Cost increase due to rupee devaluation is passed on in price subject to market conditions / Government policies.

Increased Government intrusion over price regulations and offtake monitoring

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Expand sales

Opportunities: Maximise market share

Mitigation Measures:
FFC regularly monitors the markets and follows the market prices trying its best to avoid any unnecessary price hikes. Government involvement is beyond the Company's control.

Investing in companies that yield insufficient returns, tying up shareholders' funds and impacting profitability

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Create / enter new lines of business to augment profitability and achieve sustained economic growth

Opportunities: Horizontal as well as vertical diversification

Mitigation Measures:
Investing through a thorough due diligence process, screening of projects through management and Board committees, while critically viewing worst case scenarios of return on investment, taking account of management expertise and where required, bringing onboard experts of the respective sectors.

Decline in international price of urea, forcing a local price fall

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Costs economization / Expand sales

Opportunities: Liaison with the Government for import and marketing of urea through our well established marketing network

Mitigation Measures:

Maintaining margins through stringent cost controls and output optimization, besides exploring alternative sources of raw materials.

Pricing competition and undue pricing pressure

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance operational efficiency to achieve synergies / Expand sales

Mitigation Measures:

Lower fertilizer pricing by competitors due to availability of feed gas at significantly lower rates is countered through marketing strategies, better customer service, product quality and superior brand.

Turnover of trained employees at critical positions may render the operations incapacitated

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance operational efficiency to achieve synergies

Mitigation Measures:

FFC has a detailed succession plan and a culture of employee training and development. Continuous rotation within the departments is done besides maintaining work procedures / work instructions for guidance of new employees.

Key Risks and Opportunities

Over-diversification leading to inadequate management expertise for managing investments

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Create / enter new lines of business to augment profitability and achieve sustained economic growth

Opportunities: Horizontal as well as vertical diversification

Mitigation Measures:
Investing through a thorough due diligence process, screening of projects through management and Board committees, while critically viewing worst case scenarios of return on investment, taking account of management expertise and where required, bringing onboard experts of the respective sectors.

Natural disasters / Climatic uncertainties

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Maintain industry leadership

Mitigation Measures:
FFC has established disaster recovery / business continuity plans that have been implemented at all locations and the staff is fully equipped to quickly recover from any natural disaster.

IT security risk

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance operational efficiency to achieve synergies

Mitigation Measures:
State of the art IT controls and firewalls are in place to safeguard confidential / proprietary information. Regular system updates, IT audits, vulnerability awareness campaigns, and trainings are conducted to monitor and minimize the risk.

Risk of major accidents impacting employees, records and property

Capital | Rating | Type | Nature | Source | Likelihood | Magnitude

Associated objective: Maintain industry leadership

Mitigation Measures:
Implementation of strict and standardized operating procedures, employee trainings, operational discipline and regular safety audits, besides having an offsite backup of Company's record and systems.

Volatile law and order situation

Capital | Rating | Type | Nature | Source | Likelihood | Magnitude

Associated objective: Enhance operational efficiency to achieve synergies

Mitigation Measures:
This risk cannot be mitigated through internal strategies. However, the Company has adequate security arrangements in place to cope with such situation besides safety alert mechanism to alert its employees in such a situation.

Technological shift rendering FFC's production process obsolete or cost inefficient

Capital | Rating | Type | Nature | Source | Likelihood | Magnitude

Associated objective: Maintain industry leadership

Opportunities: Implementation of energy efficient technologies so that fuel gas saved can be used as feed gas.

Mitigation Measures:
Balancing, modernization and replacements with state of the art equipment ensuring our production facilities are utilizing latest technological developments for cost/output optimization.

Key Risks and Opportunities

Gas reserves depletion

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Create / enter new lines of business to augment profitability and achieve sustained economic growth

Opportunities: Implementation of energy efficient technologies to conserve gas

Mitigation Measures:
Investing in alternate sources of raw material and power in addition to diversification in non-related sectors.

Strong market competition lowering demand for FFC's product

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Maintain industry leadership

Opportunities: Increase / value addition in product line covering macro and micro nutrients besides product differentiation

Mitigation Measures:
FFC combined with FFBL currently holds 53% urea market share and 52% DAP market share besides having a loyal customer base owing to its reputed brand name. Further, continuous efforts are made to sustain premium product quality.

Loss of farmer confidence in the 'Sona' brand name adversely impacting sales

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Expand sales

Mitigation Measures:
FFC has built its brand recognition through years of quality fertilizer supply in addition to establishing direct relationship with the farming community. Extension of support through our Farm Advisory Centers (FACs) and sustained provision of premium quality product contributes to our goodwill.

Outdated farming techniques employed by farmers leading to poor crop health and declining per hectare output

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance agricultural productivity through balanced fertilizer application

Opportunities: Increase / value addition in product line covering macro and micro nutrients. Strengthening the relationship with farmers through Farm Advisory Services resulting in goodwill creation and brand loyalty.

Mitigation Measures:

Provision of farm advisory services and establishment of soil & water testing laboratories, micro-nutrient and plant tissue analysis laboratories.

Modifications in the legal framework by regulatory bodies

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Expand sales

Mitigation Measures:

Rigorous checks on latest updates in regulatory framework are carried out to prevent any breach of law. Trainings are conducted to keep employees abreast of all latest developments in laws and regulations

Legend

Rating

Low | Medium | High

Magnitude

Low | Medium | High

Likelihood

Low | Medium | High

Source

External | Internal

Capital

Financial | Human | Intellectual | Manufactured | Natural | Relationship | Social

Type

Commercial | Political | Economic | Financial | Strategic | Operational | Compliance | Reputational

Nature

Short Term | Short / Medium Term | Medium Term | Long Term

کسانوں کا زراعت کے فرسودہ طریقے اختیار کرنا جو کہ ناقص فصلوں اور کم فی ہیکٹر پیداوار کا باعث بنیں

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف کھادوں کے متوازن استعمال کے ذریعے زرعی پیداوار میں اضافہ

مواقع مصنوعات کی اقسام اور قدر میں اضافے بشمول Macro Nutrients اور Micro Farm Advisory Services کے ذریعے کسانوں کے ساتھ مزید مستحکم رابطے جو ساکھ میں اضافے اور برانڈ کی پسندیدگی کا باعث بنیں

تخفیفی اقدامات کسانوں کو فصلوں سے متعلق مشورے کی سہولیات، مٹی اور پانی کے ٹیسٹ کرنے کی لیبارٹریاں، Micro Nutrient اور Plant Tissues کے جائزہ لینے کی لیبارٹریاں

ریگولیٹری باڈیز کا قوانین میں تبدیلی کرنا

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف فروخت میں اضافہ

تخفیفی اقدامات متعلقہ قوانین کی خلاف ورزی سے بچنے کے لیے تمام قوانین میں ہونے والی تبدیلیوں پر کڑی نظر رکھی جاتی ہے۔ ملازمین کو متعلقہ قوانین سے آگاہ رکھنے کے لیے تربیت بھی دی جاتی ہے۔

درجہ بندی

کم | اوسط | بلند

شدت

کم | اوسط | بلند

امکان

کم | اوسط | بلند

مدت

خارجی | داخلی

سرمایہ

مالیاتی | افرادی | علمی | تخلیق کردہ | قدرتی | تعلقات | سماجی

قسم

تجارتی | سیاسی | معاشی | مالیاتی | اسٹریٹیجک | عملیاتی | تعمیلی | ساکھ

نوعیت

قلیل مدت | قلیل/اوسط مدت | اوسط مدت | طویل مدت

مالیاتی سرمایہ

گیس کے ذخائر میں کمی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف	نئے کاروباری مواقع کی تلاش تاکہ منافع میں اضافہ اور اقتصادی ترقی کے تسلسل کو برقرار رکھا جا سکے
مواقع	توانائی کی جدید ٹیکنالوجی کا استعمال تاکہ گیس کی مد میں بچت کی جا سکے
تخفیفی اقدامات	خام مال اور توانائی کے متبادل ذرائع میں سرمایہ کاری کے ساتھ ساتھ دیگر شعبوں میں متنوع سرمایہ کاری کی حکمت عملی

سخت کاروباری مسابقت جو کمپنی کی پیداوار کی مانگ کم کردے

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف	صنعتی لیڈرشپ برقرار رکھنا
مواقع	مصنوعات کی اقسام اور قدر میں اضافے بشمول Macro اور Micro Nutrients کے ساتھ ساتھ مصنوعات کی تخصیص
تخفیفی اقدامات	FFC اور FFBL کا یوریا اور DAP مارکیٹ میں حالیہ مجموعی شیئر بالترتیب 53 فیصد اور 52 فیصد ہے۔ اس کے ساتھ ساتھ اپنے معروف برانڈ کی وجہ سے مستقل گاہکوں کی ایک کثیر تعداد ہے۔ اس کے علاوہ پراڈکٹ کے اعلیٰ معیار اور پیداوار کی سطح کو قائم رکھنے کے لیے مسلسل کاوشیں کی جاتی ہیں۔

سونا برانڈ میں کسانوں کا اعتماد ختم ہونے کے باعث فروخت کا بری طرح متاثر ہونا

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف	فروخت میں اضافہ
تخفیفی اقدامات	FFC نے برسوں سے اعلیٰ معیار کی کھاد فراہم کر کے اپنی برانڈ کی ایک پہچان بنائی ہے اور کسانوں کے ساتھ براہ راست تعلقات بھی استوار کیے ہیں۔ Farm Advisory Centres کے ذریعے تعاون کے ساتھ ساتھ اعلیٰ کوالٹی کی کھادوں کی مسلسل ترسیل ہماری ساکھ کو برقرار رکھنے کا باعث ہیں۔

کوئی بہت بڑا حادثہ جو ملازمین، ریکارڈ یا املاک کو متاثر کرے

سرمایہ | درجہ بندی | قسم | نوعیت | سبب | امکان | شدت

منسلکہ ہدف	صنعت کی لیڈرشپ برقرار رکھنا
تخفیفی اقدامات	انتہائی سخت اور اعلیٰ معیار کے عملی طریقہ کار، ملازمین کی تربیت، عملی نظم وضبط اور باقاعدہ حفاظتی آڈٹس کے علاوہ کمپنی ریکارڈ کا دیگر مقامات پر Backup رکھا جاتا ہے۔

امن وامان کی غیر مستحکم صورتحال

سرمایہ | درجہ بندی | قسم | نوعیت | سبب | امکان | شدت

منسلکہ ہدف	استعداد میں اضافے کے ذریعے مطابقت کا حصول
تخفیفی اقدامات	یہ خطرہ اندرونی ضوابط کے ذریعے ختم نہیں کیا جاسکتا۔ تاہم، کمپنی نے ایسی کسی صورتحال سے نمٹنے کے لیے معقول دفاعی انتظامات کرنے کے ساتھ ساتھ اپنے ملازمین کو ایسی کسی صورتحال سے خبردار کرنے کا ایک خودکار نظام بھی وضع کر رکھا ہے۔

ٹیکنالوجی کے میدان میں تیزی سے ہوتی ہوئی ترقی جو FFC کے پیداواری Process کو متروک بنادے

سرمایہ | درجہ بندی | قسم | نوعیت | سبب | امکان | شدت

منسلکہ ہدف	انڈسٹری لیڈرشپ کو برقرار رکھنا
مواقع	توانائی کی جدید ٹیکنالوجی کا استعمال تاکہ فیول گیس کی مد میں بچت کر کے اسے بطور فیڈ گیس استعمال کیا جاسکے
تخفیفی اقدامات	کمپنی کے تمام پیداواری یونٹوں پر جدید ترین آلات کی فراہمی اور Balancing, Modernization & Replacement کے ذریعے جدید ترین تکنیکی ایجادات کا استعمال یقینی بنایا جاتا ہے تاکہ اخراجات میں کمی کے ساتھ مناسب پیداوار حاصل ہو۔

مالیاتی سرمایہ

زائد از ضرورت تنوع جو کہ ایسی سرمایہ کاری کے لیے درکار انتظامی مہارت کی عدم دستیابی کا باعث بنے

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف نئے کاروباری مواقع کی تلاش تاکہ منافع میں اضافہ اور اقتصادی ترقی کے تسلسل کو برقرار رکھا جا سکے

مواقع Horizontal کے ساتھ ساتھ Vertical تنوع

تخفیفی اقدامات کسی بھی سرمایہ کاری سے پہلے انتہائی احتیاط برتتے ہوئے انتظامیہ اور بورڈ کی کمیٹیاں تمام منصوبوں کی چھان بین کرتی ہیں، بدترین متوقع حالات کو مدنظر رکھتے ہوئے سرمایہ کاریوں پر آمدن کا جائزہ لیا جاتا ہے۔ اور انتظامیہ کی مہارت کو پیش نظر رکھتے ہوئے، ضرورت پڑنے پر، متعلقہ شعبوں کے ماہرین کی خدمات بھی حاصل کی جاتی ہیں۔

قدرتی آفات / غیر یقینی موسمی حالات

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف انڈسٹری کی لیڈرشپ برقرار رکھنا

تخفیفی اقدامات FFC نے اپنے تمام مقامات پر آفات سے نمٹنے اور ایسے حالات میں کاروبار کو جاری رکھنے کے منصوبے بنائے ہوئے ہیں اور ملازمین کسی بھی قدرتی آفت کے بعد فوری بحالی کے لیے بھرپور تربیت یافتہ ہیں۔

IT سکیورٹی خطرہ

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف استعداد میں اضافے کے ذریعے مطابقت کا حصول

تخفیفی اقدامات خفیہ/ملکیتی معلومات کی حفاظت کے لیے جدید ترین IT کنٹرولز اور Firewalls نصب کیے گئے ہیں۔ سسٹم Updates، IT آڈٹس، خطرات آگاہی مہمات اور ٹریننگ کا باقاعدگی سے انعقاد کیا جاتا ہے تاکہ قوانین کی خلاف ورزی، غلطیوں اور بے قاعدگیوں کی نگرانی کرتے ہوئے خطرات کو کم کیا جا سکے۔

یوریا کی عالمی قیمتوں میں کمی کی وجہ سے مقامی قیمتوں میں کمی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف	قیمتوں میں کمی اور فروخت میں اضافہ
مواقع	حکومت کے ساتھ روابط تاکہ یوریا کی درآمد اور فروخت کے لیے اپنے منظم ترسیلی نظام کو بروئے کار لایا جا سکے۔
تخفیفی اقدامات	اخراجات پر قابو اور پیداوار میں اضافے کے ذریعے شرح منافع کو برقرار رکھنے کے ساتھ ساتھ خام مال کے لیے متبادل ذرائع کی تلاش ہے۔

قیمتوں میں مسابقت اور قیمتوں پر غیر منصفانہ دباؤ

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف	استعداد میں اضافے کے ذریعے مطابقت کا حصول اور فروخت میں اضافہ
تخفیفی اقدامات	مسابقین کی جانب سے نمایاں طور پر سستی فیڈ گیس کی دستیابی کے باعث، کھاد کی کم قیمتوں کا مقابلہ مارکیٹنگ کی حکمت عملیوں، گاہکوں کو بہتر سہولیات کی فراہمی، عمدہ مصنوعات اور اعلیٰ برانڈ کے ذریعے کیا جاتا ہے۔

اہم پوزیشنز پر تعینات تربیت یافتہ ملازمین کا نوکری چھوڑ جانا جو کہ آپریشنز پر منفی اثرات مرتب کرے

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف	استعداد میں اضافے کے ذریعے مطابقت کا حصول
تخفیفی اقدامات	ملازمین کی تربیت اور ترقی کے ساتھ ساتھ FFC نے ایک تفصیلی Succession پلان بنا رکھا ہے جس میں ملازمین کی مسلسل تبادلہ اور ترقی جاری رہتی ہے۔ کام کے ضوابط اور ہدایات باقاعدہ تحریری شکل میں موجود ہیں جو کسی بھی نئے ملازم کی رہنمائی کے لیے کافی ہیں۔

مالیاتی سرمایہ

زر مبادلہ کی شرح میں اتار چڑھاؤ

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلک ہدف	استعداد میں اضافے کے ذریعے مطابقت کا حصول
تخفیفی اقدامات	FFC کا زر مبادلہ کی شرح میں ردوبدل کا خطرہ جو کہ غیر ملکی کرنسی میں کی گئی سرمایہ کاریوں اور بینکوں میں رکھی گئی رقوم پر ملنے والے سود سے منسلک ہے، سود کے دام میں متعلقہ تغیر سے بڑی حد تک ختم ہو جاتا ہے۔ روپے کی قدر میں کمی سے اخراجات میں اضافے کو مارکیٹ کے حالات اور حکومتی پالیسیوں کو مدنظر رکھتے ہوئے آگے منتقل کر دیا جاتا ہے۔

قیمتوں کے تعین میں بڑھتی ہوئی حکومتی مداخلت اور فروخت کی نگرانی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلک ہدف	فروخت میں اضافہ
مواقع	مارکیٹ شیئر میں زیادہ سے زیادہ اضافہ
تخفیفی اقدامات	FFC باقاعدگی سے مارکیٹ کی صورتحال پر نظر رکھتی ہے اور مارکیٹ میں رائج قیمتوں کے ساتھ مطابقت رکھتے ہوئے ہر ممکن کوشش کرتی ہے کہ قیمتوں میں بلاضرورت اضافے سے بچا جا سکے۔ حکومتی مداخلت کمپنی کے دائرہ اختیار سے باہر ہے۔

کم نفع بخش کمپنیوں میں سرمایہ کاری کرتے ہوئے حصہ داران کے سرمائے کو پھنسا دینا اور شرح منافع پر منفی اثرات ہونا

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلک ہدف	نئے کاروباری مواقع کی تلاش تاکہ منافع میں اضافہ اور اقتصادی ترقی کے تسلسل کو برقرار رکھا جا سکے
مواقع	Horizontal کے ساتھ ساتھ Vertical تنوع
تخفیفی اقدامات	کسی بھی سرمایہ کاری سے پہلے انتہائی احتیاط برتتے ہوئے انتظامیہ اور بورڈ کی کمیٹیاں تمام منصوبوں کی چھان بین کرتی ہیں، بدترین متوقع حالات کو مدنظر رکھتے ہوئے سرمایہ کاریوں پر آمدن کا جائزہ لیا جاتا ہے۔ اور انتظامیہ کی مہارت کو پیش نظر رکھتے ہوئے، ضرورت پڑنے پر، متعلقہ شعبوں کے ماہرین کی خدمات بھی حاصل کی جاتی ہیں۔

گاہکوں یا بینکوں کی FFC کو ادائیگیوں میں نادہندگی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف استعداد میں اضافے کے ذریعے مطابقت کا حصول اور اخراجات میں کمی

تخفیفی اقدامات زیادہ تر فروخت نقد یا پیشگی ادائیگی کے بدلے کی جاتی ہے جو کہ اس خطرے کو بخوبی کم کر دیتی ہے۔ ادھار پر فروخت کے سلسلے میں مختلف گاہکوں کے لیے ادھار کی حد مقرر کی گئی ہے اور اس قسم کی فروخت کو بینک گارنٹی کے ذریعے مزید محفوظ بنایا جاتا ہے۔ بینکوں کی نادہندگی کے خطرات سے نمٹنے کے لیے، کمپنی کے فنڈز صرف عمدہ درجہ بندی والے بینکوں اور مالیاتی اداروں میں رکھے جاتے ہیں۔

KIBOR کی شرح میں اضافہ جو کہ مالیاتی اخراجات کو بڑھا دے

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف استعداد میں اضافے کے ذریعے مطابقت کا حصول اور اخراجات میں کمی

مواقع نئی سرمایہ کاریوں کی تلاش تا کہ بہتر شرح منافع حاصل کیا جا سکے

تخفیفی اقدامات 'قبل از وقت ادائیگی کا اختیار' معاہدوں میں رکھا گیا ہے جو کہ سود کے بھاؤ میں کسی منفی تغیر کی صورت میں استعمال کیا جا سکتا ہے اور اس طرح کمپنی کو اس خطرے سے محفوظ رکھا جا سکے۔

مالی ذمہ داریوں کی ادائیگی کے لیے ناکافی نقدی جو کہ Liquidity کا مسئلہ پیدا کر دے

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف استعداد میں اضافے کے ذریعے مطابقت کا حصول

تخفیفی اقدامات FFC کا شعبہ مالیات انتہائی فعال ہے اور کسی بھی ناگہانی صورتحال سے نمٹنے کے لیے کافی مقدار میں فنڈز اور مختلف بینکوں سے Credit Lines بھی دستیاب ہیں۔ ہماری +AA اور +A1 کی درجہ بندی، مالی ذمہ داریوں کو بخوبی پورا کرنے کے لیے کمپنی کی عمدہ اہلیت کو ظاہر کرتی ہے۔

مالیاتی سرمایہ

نمایاں خطرات اور مواقع

TCP کی جانب سے درآمدی یوریا کی بے وقت رسد

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف صنعتی لیڈرشپ برقرار رکھنا اور فروخت میں اضافہ

تخفیفی اقدامات اگرچہ یہ متغیرات کمپنی کے دائرہ اختیار سے باہر ہیں تاہم FFC ملک میں رسد کے فرق کو جانچنے کے لیے Fertilizer Review Committee کے ذریعے اپنا کردار ادا کرتی رہتی ہے تاکہ ملک میں صرف مطلوبہ مقدار میں کھاد کی درآمد کو یقینی بنایا جا سکے

بڑھتے ہوئے پیداواری اور ترسیلی اخراجات جو ان اخراجات کی آگے منتقلی کو متاثر کریں

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف استعداد میں اضافے کے ذریعے مطابقت کا حصول

تخفیفی اقدامات محصولات اور گیس کی قیمتیں کمپنی کے دائرہ اختیار سے باہر ہیں۔ تاہم، پیداواری استعداد میں اضافے اور اخراجات میں کمی کے لیے مؤثر اقدامات کے ذریعے کمپنی اس خطرے کو انتہائی ممکن حد تک کم کرنے کے لیے پرعزم ہے۔

زرعی مصنوعات کی قیمتوں میں کمی بیشی جو کاشتکاروں کی مالی حیثیت پر منفی اثرات مرتب کرے

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف کھادوں کے متوازن استعمال کے ذریعے زرعی پیداوار میں اضافہ

تخفیفی اقدامات سستی مقامی کھادوں کی فراہمی کو یقینی بنانے کے علاوہ ادھار پر فروخت

Financial Capital

Business Rationale of Major Capital Expenditure and Projects

FFC has a systematic procedure for evaluating the requirements of capital expenditure including dedicated Board committees, which evaluate all types of capital expenditure before giving recommendations to the Board for its approval, under the applicable regulations.

The Capital expenditure is primarily focused on sustainability, safety, efficiency, and Balancing Modernization and replacement (BMR) for continued production of premium quality fertilizer while focusing on energy conservation environmental protection etc. Exhaustive financial evaluation is also carried out which includes payback period, NPV / IRR, cash flow requirements and other financial analysis techniques.

In order to cater for declining gas pressure, commissioning of two Natural gas compressors was completed during the year while installation of additional compressors is also planned in future in a phased out manner. Capital expenditure during the year also included replacement of major equipment besides expenditure on new initiatives for enhanced efficiency, detail of which has been covered in the "Manufactured Capital" section of the Annual Report 2018. The capital expenditure during 2018 was negatively impacted due to significant devaluation of Pakistani rupee and the trend is likely to continue in the next year as well.

In line with Company's diversification strategy to sustain shareholders' return, FFC, in collaboration with Hub Power Company Limited and China Machinery and Engineering Corporation, invested Rs 1.46 billion against 30% shareholding in Thar Energy Limited (TEL), a 330 MW power project.

Credit Rating

The Company improved its long term credit rating from AA to AA+, whereas maintained its short term rating at the highest level of A1+, indicating high creditworthiness and FFC's ability to settle its financial commitments in a timely manner.

Opportunities

Effective management and control systems are in place that integrate identification and management of risks related to long term sustainability and opportunities of further business integration, both vertical and horizontal and diversification to augment profitability.

Detail of Opportunities have been discussed in the 'SWOT Analysis' section on page 31 of the Annual Report 2018.

Corporate Awards

Best Corporate Report Awards 2017

The Company's Annual Report for the year 2017 was awarded First Position in "Chemicals & Pharmaceuticals" Sector in the Best Corporate Report Award competition jointly held by Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).

SAFA Awards

FFC Annual Report 2017 was also ranked amongst the best under "Corporate Governance Disclosures" category of the best corporate report competition organised by the South Asian Federation of Accountants (SAFA)

Sustainability Report Award

Annual Sustainability Report of the Company for the year 2017, also won a ranking award in the Best Sustainability Report competition held by the joint committee of ICAP / ICMAP.

Management Association of Pakistan (MAP)

FFC has further secured its fourth consecutive annual Corporate Excellence Award from the Management Association of Pakistan for the year 2017.

Rawalpindi Chamber of Commerce & Industry Eminence of Year Award

The Company has further been conferred with the Eminence of the Year Award by Rawalpindi Chamber of Commerce & Industry in recognition of contributions in terms of investment and payment of taxes among other factors.

Brig Ashfaq Ahmed SI (M) (Retired) Company Secretary Receiving Corporate Excellence Awards by Management Association Pakistan

Mr. M. Usman Umar Senior Manager Finance Receiving ICAP / ICMAP Best Corporate Report Award 2017

Brig Ashfaq Ahmed SI (M) (Retired) Company Secretary Receiving Eminence of the Year Award by Rawalpindi Chamber of Commerce & Industry

Financial Capital

Protect & Sustain Certification

FFC achieved the International Fertilizer Association's "Protect and Sustain Product Stewardship Certification" with a level of "Excellence"; demonstrating exemplary commitment towards management of safety, health and environmental issues related to our product's lifecycle by securing highest ever average score in Pakistan.

Auditors' Report on the Financial Statements

Business conducted, investments made and expenditure incurred during the year have been reviewed by the Auditors who have issued unqualified audit opinion on the Company's Separate and Consolidated Financial Statements for the year 2018.

Relationship Between the Company's Results and Management's Objectives

Management's objectives are sensitive to various factors classified into strategic, commercial, operational and financial risks, besides external factors, which are beyond the management's control including Governmental price intervention, changes in taxation, levies and other polices. These risks along with their levels of exposure and mitigating strategies and opportunities have been discussed in the **'Risk and Opportunity Report'** section of the Annual Report 2018.

The Company continued its steady growth momentum by building on core competencies including marketing of sustained quantities of imported fertilizer to maintain its product mix. FFC has also undertaken significant diversification projects in the financial services, energy, cement manufacturing and food business besides constantly evaluating possible profitable ventures to contribute towards sustainable growth of its shareholders' wealth.

The consistent stream of dividend income from associated and subsidiary companies supports the management's assessment of target achievement.

Company performance and achievement of management objectives over the years is manifested by the sustained returns to shareholders, recognitions for transparency, sustainability and good governance, in addition to realization of diversification projects.

Materiality Approach Adopted by the Management

Assessing the materiality levels is highly subjective and involves judgment, therefore, varies among different organizations. Materiality levels are reviewed periodically and are appropriately updated. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company.

Powers of the Board of Directors and the management of the Company have been defined with special reference to, and in compliance with the Companies Act 2017, the Code of Corporate Governance, the Articles of Association of the Company, guidelines and frameworks issued by professional bodies and best practices.

Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes keeping in view defined materiality levels.

Social and Relationship Capital

At FFC, we are proud of our enduring commitment towards our socially responsible and sustainable business practices to fulfill our duties towards the neighboring communities through CSR initiatives. The Company places high emphasis on trust and relationship with key stakeholders developed and maintained over the decades. Our CSR initiatives are traced back in the farmers' capacity building activities started in the early eighties and have now evolved into a comprehensive framework of interventions in diversified areas.

Social and Environmental Responsibility Policy

The Company has the privilege of being a pioneer member of the UN Global Compact in Pakistan, which is a principle-based framework for businesses in the areas of human rights, labour, environment and anti-corruption best practices. FFC has aligned its mandate, vision and goal with international best practices in order to ensure a sustainable and prosperous future. The Company's sustainability policy is mentioned in the Sustainability Report section of this report while the elements of the Company's social and environmental responsibility policy are stated in this section.

The Company's CSR policy, incorporating the salient features of the CSR Voluntary Guidelines 2013 issued by SECP, is based on alignment of its services, conduct and initiatives with the overall vision in order to enhance value creation in society and in the communities in which we operate. The core objective of our CSR initiative is to ensure that responsible and sustainable business practices are followed by the Company. CSR Committee has also been constituted to oversee achievement of this objective. Salient features of our CSR policy are:

- To commit to implement universal principles of human rights, labour standards, environmental protection, anti-corruption; and take action in support of broader United Nations Global Compact (UNGC) Goals and issues
- To address key education, health, environmental, social and humanitarian issues
- To focus on investments in communities around FFC Plant Sites
- To empower small farmers' community in Pakistan

FFC believes that the Company's success is best reflected in development of the community. Improvement in education, health and environment protection measures are the key focus areas of our CSR vision. Other priority areas of our interventions are:

- Community investment & welfare schemes
- Disaster relief and rehabilitation
- Environmental protection measures
- Energy conservation
- Consumer protection measures
- Industrial relations
- Employment of special persons
- Business ethics & anti-corruption measures
- Contribution to National Exchequer
- Occupational health & safety

Highlights of Sustainability

FFC is a signatory of the UN Global Compact which is the world's largest corporate sustainability initiative with 13,000 corporate and other participants. During 2018, the following notable sustainability initiatives / events were held:

- FFC CSR program was awarded the first prize in Large National Category of UN Global Compact 2017 Business Sustainability Awards in Karachi as recognition for its exemplary CSR program, compliance to the UNGC Ten Principles and on ground interventions supporting the global vision of "2030 Agenda for Sustainable Development Goals"
- The Company participated in UN Global Compact Leaders' Summit during the year
- FFC in collaboration with other organizations arranged Pakistan Leadership Conversation on SDGs to discuss alignment of business strategies with SDGs with themes on food and agriculture and using sustainability reporting data for Voluntary National Review (VNR)

Social and Relationship Capital

Company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability are covered in detail in the Sustainability section of this Report.

Highlights of Corporate Social Responsibility

CSR Program primarily focuses on promotion of education and economic interests of underprivileged and marginalized communities through attempts to reduce illiteracy and provision of opportunities for education. We also believe that "a healthy nation is a wealthy nation" and focus on investing in the healthcare sector through various initiatives.

Education

Some of the highlights of significant contributions made by FFC in the field of education are:

- Donation of Rs 16 million to Sona Public School & College, FFC's flagship program for the promotion and provision of quality educational opportunities to all
- Donation of Rs 1 million as part of collaboration with Foundation University
- Extension of financial assistance to deserving students via Sona Wards of Farmers Scholarship through education stipend to cater to their financial needs
- Patronage of adopted schools in the proximity of plant site Goth Machhi through Infrastructure Development, Faculty and Allied Services
- Sponsorship of 17 students of Cadet College Ghotki
- Provision of assistance to Government educational institutes
- Uplift of three government schools for girls through rehabilitation work

Health & Sports

Health

FFC provides free of cost medical care through Sona Welfare Hospital and Hazrat Bilal Trust Hospital that benefits more than 150,000 patients every year. In the year 2018, Rs 13.7 million and Rs 8 million were donated to these organizations respectively. The Company also provided medical assistance through financial support and provision of medicines to various patients of Goth Machhi.

We also collaborate regularly with the Pakistan Foundation for Fighting Blindness and the Pakistan Kidney Patients Association.

Sports

FFC continued its patronage of sports activities in the Country and played a proactive role in the promotion and development of new talent during the year through the following initiatives:

- Collaboration with Malik Saad Memorial Sports Trust for reviving national and international sports talent in KPK by establishing top line academies across the province which provide expert coaching to young talented players in various sports
- Sponsorship of Annual Golf Championship, Rahim Yar Khan via donation of Rs 1.2 million and provision of support to various other sporting events held throughout the year
- Provision of sports equipment to a Government Girls Higher Secondary School

Community Welfare

FFC brought meaningful improvement in communities through various community development initiatives during the year. Some of our contributions were:

- Installation of Water Supply Scheme for two villages i.e. Samman & Sauwal in Tehsil Pind Dadan Khan
- Establishment of Water Purification Plant for provision of clean drinking water for the residents of village Sauwal, Tehsil Pind Dadan Khan
- Construction of offices and teachers block at Raj Bukhsh Trust Model School Sauwal
- FFC also collaborated with Pakistan Microfinance Investment Company (PMIC) on Agricultural Value Chain Project with a view to facilitate and cater to the small farmers i.e. 5 acres landholding and less. The Company aims to reduce the crop cultivation cost while increasing crop yield by providing access to better quality of seed, farming techniques and fertilizers
- In order to promote creativity and innovation in local talent, various extracurricular activities including competitions for arts, debate, essay writing and general knowledge were sponsored in our adopted schools at Goth Machhi

Environment

In line with Sustainable Development Goals, FFC strictly monitors any potential harmful impacts of the Company's business on the environment and undertakes to protect the environment through various initiatives. During 2018, some of the measures we took to protect environment were:

- Plantation of 4,500 trees at Mirpur Mathelo, Goth Machhi and Expressway Murree in 2018
- Installation of RO filtration plant at Government Post Graduate College of Commerce Rahim Yar Khan for the provision of clean & hygienic water for the students
- Upgradation of Bilal colony Goth Machhi through donation of Rs 10 million for new sewerage line and brick soling. A new pumping station will also be established with sludge pump and collection pit

Company's performance, policies, initiatives and plans in place relating to the various aspects of corporate social responsibility are covered in detail in the Sustainability section of this Report.

Certifications Acquired and International Standards Adopted

Certifications acquired and International Standards adopted for Best Sustainability and CSR practices:

- ISO certifications relating to Environment and health and safety (ISO 9001:2008 Quality Management System, ISO 140001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health & Safety Assessment Series (OH&S Management System)
- Sustainability reporting standards
- Integrated reporting framework
- Chemical Sector SDG Roadmap developed by the World Business Council for Sustainable Development
- UNGC Ten Principles
- Integrating the SDGs into Corporate Reporting: A Practical Guide

Statement of Value Added - 2018

Wealth Generated

Revenue	Purchases	Wealth Generated
Rs 115,629 million	**Rs 53,688 million**	**Rs 61,941 million**
(inclusive of sales tax and other income)	(materials and services - net)	(total wealth generated for distribution)

Distribution		Organization
Employees as remuneration	**Rs 9,295 million – 15.1%** (Salaries, wages and other benefits including retirement benefits)	Human resource is the core of FFC's strength and contribution to our employees is essential in providing them with a sustainable quality of life
Government as Taxes / Levies	**Rs 35,327 million – 57.0%** (Income tax, sales tax, gas development surcharge excise duty and custom duty)* **Rs 1,452 million – 2.3%** (WPPF and WWF)	Contributing to the national exchequer under the applicable laws and regulations
Shareholders as Dividend	**Rs 11,259 million – 18.2%** (as Dividend)	Return provided to our esteemed shareholders for reposing their trust in the Company
Providers of Finance	**Rs 1,637 million – 2.6%** (as financial charges)	Costs paid to the lenders for providing funds to the Company, enabling it to carry out its operations smoothly
Retained within Business	**Rs 2,886 million – 4.7%**	Retention of profits for future diversification initiatives
Society	**Rs 85 million – 0.1%** (Donations and welfare activities)	FFC actively contributes towards the needs of the community and society around Pakistan

* Includes GIDC

Economic Value Added

Rs 7,983 million

Directors' Report

Manufactured Capital

The Company's manufactured capital primarily comprises of its infrastructure at plantsites, head office and its extensive marketing and distribution network. Concerted efforts are made to protect and develop this capital as its strength and sustainability directly impacts the Company's ability to create value.

Operational Performance

The operational performance of all the plants remained satisfactory during the year with the Company managing to exceed its urea production target by achieving production of over 2.5 million tonnes. Production facilities operated at a combined capacity utilization of 123% enabling FFC to contribute 44% towards Country's indigenous urea production.

The Company remained focused on capacity utilization by reducing wastage and improving operational efficiency in line with the strategic objectives. Installation of compressors to arrest decline in gas pressures is underway along with evaluation of alternatives for sustained operations.

During 2018, new efficiency benchmark of highest ever annual urea production by any FFC plant was set by Mirpur Mathelo with production of 872 thousand tonnes.

Major Projects at Plantsites

The following major projects were undertaken during the year:

Gas Compression Facility - Goth Machhi & Mirpur Mathelo

In order to ensure sustained gas pressure, two new compressors were installed at combined gas compression facility for Goth Machhi & Mirpur Mathelo plants located at Deh Shehbazpur as part of Company's sustainability plan.

Neem Oil Coated Urea Manufacturing System - Goth Machhi

In line with Company's objective to improve crop productivity of the

Country, trial production of Neem Oil Coated Urea was introduced at Goth Machhi Plant-I, which inhibits activity of nitrifying bacteria and thus slow and continuous availability of nitrogen is ensured for the improved growth and productivity of the crops.

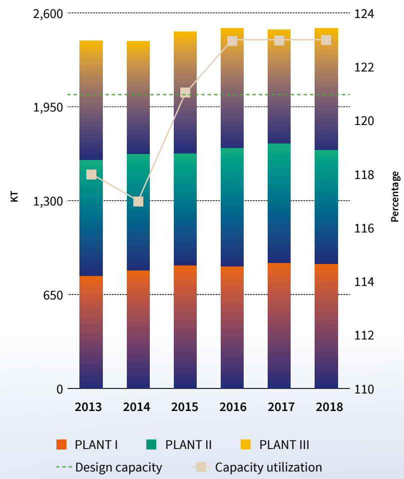
Successful Turnaround - Goth Machhi

Planned turnaround of Goth Machhi Plant-ll was successfully carried out without any safety incident or injury.

Following major activities were completed during the turnaround:

- Replacement of urea Stripper, Boiler Feed-Water Pre-Heater and Ammonia Pre-Heater
- Completion of onsite stator rewinding of Turbo Generator
- Replacement of Catalysts
- Relining of urea Reactor Shell
- Upgradation of Distributed Control System
- Replacement of Process Gas Pre-Heater Tubes
- Refractory Repairs in Primary Reformer, Cold Collector and Transfer Line

Plant wise Production



Manufactured Capital

Marketing Overview

Competitive Landscape and Market Positioning

In a dynamic and changing fertilizer market scenario, FFC endeavours to sell a combination of high quality indigenous as well as imported products by capitalizing on strengths of "Sona" brand and effective marketing network.

The Marketing Group continues to strive for undertaking efficient marketing operations, fetching premium prices, strengthening existing customer base and attracting new customers through creative use of emerging media, Agriculture Extension services, earning farmer's loyalty through focused CSR projects.

To provide better insight to the management about the quality and efficiency of our customer services and to identify potential areas of improvement, a 'Sales Performance' mobile application has been developed covering almost all aspects of daily sales reporting like offtake, pending orders, inventory status etc.

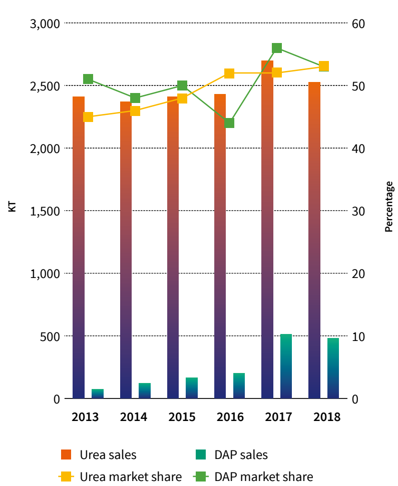
International Fertilizer Market

International urea prices remained volatile throughout the year with prices ranging from US $ 238 per tonne to US $ 343 per tonne. International DAP market, however, remained relatively static with FOB prices in the range of US $ 407 to US $ 420 per tonne.

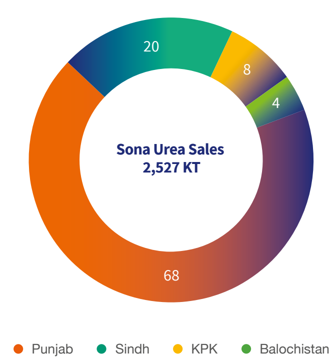
Domestic Fertilizer Market

The year 2018 started on a positive note with the market tilt towards balanced supply situation. Government subsidy of Rs 100 per bag of urea was withdrawn with effect from July 1, 2018. The devaluation of Pakistani currency, inflation and hike in feed / fuel gas prices resulted in increase in selling prices of urea and DAP during the year.

Urea and DAP Performance & Market Share



Province Wise Sales
(Percentage)



UREA

2018 started with a steady urea market with industry opening inventory level 72% lower as compared to last year. The indigenous urea production of 5,700 thousand tonnes during the year was 2% higher than last year with 105 thousand tonnes imported by the Government.

Total industry domestic urea sales of 5,800 thousand tonnes were almost at par with sales of 2017. The last year's balance export allocation of 76 thousand tonnes urea was also exported by the industry during first quarter of 2018.

DAP

Upward trend in domestic market encouraged investment in phosphate products and the Company continued higher marketing of DAP fertilizer during the year. FFBL, the sole producer of DAP in Pakistan, recorded a production of 730 thousand tonnes, 10% lower than last year.

The DAP industry offtake during 2018 was 2,230 thousand tonnes, 5% lower compared to last year on account of water shortage and higher DAP prices. Estimated closing inventory of industry is 580 thousand tonnes.

FFC Market Share

FFC's well-established marketing setup adds significant value to the agriculture sector of Pakistan. Easy access and timely availability of high quality Sona urea and other fertilizer products to the farmers across the Country is ensured through vast and well-spread dealer network supported by Company's strategically placed warehouses. The marketing setup is spread over 3 zones, 13 regions and 63 sales districts.

FFC marketed an aggregate of 3,089 thousand tonnes of Sona urea which included 562 thousand tonnes of Sona Granular produced by FFBL and the combined FFC / FFBL urea market share thus stood at 53% with an improvement of 1% over 2017. (Source NFDC)

Combined FFC / FFBL DAP market share stood at 52% compared to 56% last year with total DAP marketing of 1,167 thousand tonnes during 2018 which included 687 tonnes of Sona DAP marketed on behalf of FFBL. (Source NFDC)

FFC Marketing

The Company markets an extended product slate entailing both domestically produced and imported fertilizers to fulfill diverse needs of farmers. The product slate is designed keeping in view the soil requirements of the Country, which not only includes all major nutrients (Nitrogen, Phosphate, Potassium) but also micro nutrients. FFC has also started test marketing of Neem Coated Urea during 2018. Neem coated urea is considered to be more efficient and environment friendly as well.

Farmers' economic well-being has always been given prime importance by the Company. Every year, around 50 thousand farmers are imparted capacity building trainings by the Company's Agriculture Extension Services experts on various farm related operational issues / practices to improve the per acre yields.

In its endeavor to support farmers, FFC provides free of cost soil and water testing facilities to farmers through state of the art laboratories placed at different locations across the Country. Valuable feedback is provided to the community after analysis of around 15 thousand samples every year.

Effect of Seasonality on Business

There are two principal crop seasons in Pakistan namely "Kharif" and "Rabi" impacting the fertilizer offtake in the Country. The Company manages seasonality through advance sales, proper inventory management and production / import planning, keeping our products available according to the customers' demand.

Corporate Governance

Good governance is the basic requisite for a successful business and is essential for long term sustainable growth. The Board being cognizant to its responsibility has established a robust governance mechanism surpassing the legal and regulatory requirements which regularly evaluates the processes to ensure growth in stakeholders' value besides safeguarding the interests of minority shareholders.

High standards of professionalism, ethical practices, accountability and transparency, in line with the global best practices and statutory requirements are embedded in the Company's governance structure through implementation of sound internal controls, Code of Conduct, Whistle Blowing Policy and Code of Business Ethics of the Company.

Chairman's Review on the Performance of the Board

Review by the Chairman on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's objectives has been outlined in the **Chairman's Review**, while detailed explanations are covered throughout the **Annual Report 2018**.

Listed Companies (Code of Corporate Governance) Regulations, 2017

The revised Code of Corporate Governance Regulations 2017 for listed companies, notified by the SECP in November 2017, has become applicable effective from January 1, 2018. The Board is fully aware of the new requirements and compliance of relevant provisions has been undertaken on timely basis to ensure that there is no material departure from the best practices of Code of Corporate Governance.

Compliance with the Best Corporate Practices

Report of the Audit Committee on adherence to the Code of Corporate Governance, Statement of Compliance with the Code of Corporate Governance by the Chairman and the Chief Executive & Managing Director and Auditors Report thereon also form part of this report and are stated on page numbers 191, 194 and 196.

Governance Practices Exceeding Legal Requirements

FFC's commitment towards adherence to the highest levels of moral and ethical values is demonstrated by voluntary adoption of best business practices in addition to the stipulated regulatory requirements.

Some of the governance practices exceeding legal requirements that have been adopted by the Company include:

- Best reporting practices recommended by ICAP / ICMAP and SAFA
- Adoption of Pakistan Stock Exchange criteria for selecting top companies
- Adoption of framework for UN Global Compact
- Disclosure of various financial analysis including ratios, reviews, risk matrix and graphs etc

- Implementation of aggressive **Health, Safety and Environment strategies** to ensure safety of employees and equipment
- Implementation of Directors training program ahead of prescribed timeframe

Directors' Compliance Statement

The Board is pleased to state that:

- The financial statements prepared by the Company's management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- Proper books of account of the Company have been maintained
- There are no significant doubts regarding the Company's ability to continue as a going concern
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations
- Information regarding outstanding taxes and levies, as required by Listing Regulations, is disclosed in the notes to the financial statements

Statement of Value of Investments in respect of employees' retirement plans has been disclosed in Note 9.3 to the financial statements.

Ethics and Compliance

High standards of ethical behaviour are embedded in all aspects of business conduct and decision making, through implementation of a comprehensive ethics and compliance framework. Principles of framework together with the Code of Conduct have been circulated to all employees of the Company in addition to being available on the Company's website as required by the Code of Corporate Governance.

Proper systems and controls are in place for prompt identification and redressal of grievances arising due to any unethical practices. The framework is regularly updated in line with changes in applicable laws and regulations, ensuring sustained business growth and stakeholders' confidence in the Company.

Inside information register is also maintained by the Company in compliance with the regulatory requirements.

Conflict of Interest Among Board Members

The Code of Business Ethics implemented by the Board comprises not only of the principles provided under the regulatory requirements but also features global best practices.

The Code provides guidance on what constitutes a conflict of interest and how such a conflict will be managed. In order to avoid any actual or perceived conflict of interest, formal disclosure of vested interests is required by the Code.

Policy For Disclosure Of Conflict Of Interest

All Directors are obligated to avoid actual, potential and perceived conflicts of interest. Agenda points for the Board's proceedings are finalized after obtaining relevant information regarding vested interests and quantification thereof, whereas all observations / suggestions of Board members during their proceedings are accordingly recorded.

Whistle Blowing Policy

Demonstrating the commitment towards maintaining highest standards of accountability, transparency and integrity, FFC has established an effective Whistle Blowing Mechanism that encourages all employees, management, Board of Directors and other stakeholders to raise alerts against occupational fraud, non-compliance with applicable regulatory requirements, Company policies, Code of Conduct and Ethics, health, safety and environmental standards, and regulatory framework. The mechanism encompasses the requirements of Code of Corporate Governance in addition to being compliant with the best global practices.

The Company employees are required to report concerns directly to immediate supervisors. However, where reporting to supervisors is impracticable, concerns may be escalated to the senior management. The policy encourages stakeholders to raise question and concerns, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

Corporate Governance

The Policy encompasses possible fraud / corruption, and all stakeholders including contractors, suppliers, business partners and shareholders come within the ambit of the Whistle Blowing Policy who are encouraged to participate without fear of reprisal or repercussions, in confidentiality, under defined reporting channels. Due emphasis has also been placed on environmental risk and illegal use of sensitive Company data.

Instances During the Year

There were no instances qualified as material enough to be reportable to the Audit Committee regarding improprieties in financial, operating, legal or other matters of the Company. All minor events requiring management's attention were duly addressed during the year with appropriate actions taken for avoidance of such incidents in future.

Social and Environmental Responsibility Policy

FFC is cognizant of the assertion that success of the Company can best be reflected through development of the connected communities and environment. The Company has consistently demonstrated its commitment to the uplift and welfare of the connected community and environment.

Being a pioneer member of the UN Global Compact, the Company has aligned its mandate, vision and goal with the international best practice for ensuring a sustainable and prosperous future. Our Social and Environmental practices and interventions have been detailed in the section relating to **'Social and Relationship Capital'**.

Stakeholders' Engagement

FFC recognizes that the development of sustained stakeholders' relationships is of paramount importance for improved risk management, compliance with regulatory and lender requirements, better corporate visibility and overall growth of the Company.

'Stakeholders' Engagement' process ensures management communication with all stakeholders across the spectrum of its activities. Continuous feedback is also sought to bring the plan in line with global best practices.

Frequency of Engagements

The Company, as a policy, aims to provide disclosure of all material information besides providing a wide range of information about strategy and financial information through its Annual Report and website to all stakeholders. The Corporate Communication department actively links the Company with the public.

The frequency of engagements is based on the business and corporate requirements as provided in the applicable regulatory framework, contractual obligations or on requirement basis. Employee communication is undertaken through in-house newsletters, televised broadcasts, employee portals and electronic bulletin boards. Information regarding the mode of engagement with following stakeholders, along with their impact on the Company's operations is detailed on Page 32 of the Annual Report 2018:

- Institutional Investors / Shareholders
- Customers and Suppliers
- Banks and other lenders
- Media
- Regulators
- Analysts
- Employees
- Local community and general public

Analyst Briefing

FFC conducted analysts' briefing during the year to apprise the stakeholders about the Company's operational and financial performance during the year. Marked interest was shown by PSX representatives, analysts from all over the Country and other stakeholders.

CFO summarized the Company performance of 2017 and first quarter of 2018. The briefing was also attended by the Head of Manufacturing & Operation, Head of Technology & Engineering and Company Secretary. Progress on ongoing projects besides highlighting the challenges and risks faced by FFC was presented. A Question & Answer session was also held afterwards to provide further explanation depicting our commitment to a transparent and continuously evolving stakeholders' engagement approach.

Investors' Relations Section on FFC Website

FFC executes its shareholders' and investors' outreach program through a mix of mediums including its corporate website, maintained and regularly updated under applicable regulatory requirements to disseminate comprehensive and up-to-date Company information regarding financial highlights, investor information, share pattern / value, dividend history and other requisite information besides the link to SECP's investor education portal, the **'Jamapunji'**.

In compliance with applicable regulatory framework, material information is maintained in both English and Urdu languages, to better facilitate the stakeholders.

The 'Investors' Relations' section is also maintained on FFC website www.ffc.com.pk to promote investor relations and facilitate access to the Company for grievance / other query registration.

Investors' Grievance Policy/ Redressal of Investors' Complaints

The shareholders have been facilitated and encouraged to file their grievances with the Company in an effective manner. All queries including grievances and information requests lodged by shareholders and potential investors are handled on priority by the Corporate Affairs department through an effective grievance management mechanism. All matters are resolved in line with the legal requirements and in a timely manner.

Under the mechanism, the Company caters to requested information including specific queries relating to shareholders' investment, dividend distribution or circulation of regulatory publications by the Company, received directly or through any regulatory body. Key elements of the system include:

- Informing investors on various modes for filing queries
- Ensuring timely response to investor grievances
- Unbiased and impartial handling of grievances by the Company's relevant employees in good faith
- Any grievances requiring attention of the management or the Board of Directors, are presented to the appropriate higher levels by disclosing the entire facts of the case, for judicious settlement
- Appropriate remedial action is taken immediately to ensure avoidance in the future

Material information is also disseminated through newspapers, publication on Company's website, notices to the Stock Exchange and regulators etc.

In accordance with our resolve to maintain excellent investor relations, the Company launched an electronic dividend payment mechanism consisting of monitoring, dividend distribution, reconciliation and reporting system to improve the timeliness and accuracy of dividend payments to our esteemed shareholders. The Company has now been technologically enabled to electronically reconcile dividend calculations and speed up payment cycles by minimizing manual interventions.

Policy for Safeguarding of Records

The Company's comprehensive Business Continuity Plan (BCP) covers safety of records beyond the legal requirements to ensure sustained business operation in case of occurrence of any adverse event.

All material record is efficiently archived in digital form and uploaded on the Company's secure onsite and off-site servers, ensuring safety of record and easy retrieval thereof as well as protection of record for durations exceeding the legal requirements.

The record including books of account, documentation pertaining to secretarial, legal, contractual, taxation and other matters, has been archived in a well preserved manner as follows:

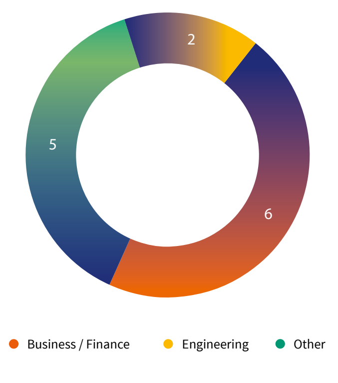
- Real-time back up of data at on and off-site locations
- Storage of data at secure location with state of the art protections against physical deterioration, fire, natural disasters etc.
- Management hierarchy based record retrieval authorization coupled with password security, including the Company's SAP-ERP system
- Whistle Blowing - Immediate reporting of breach of security or damage of record to the management
- Establishment of remote Disaster Recovery site to provide immediate backup of all primary data, in line with business continuity practices
- Delegation of responsibility for all Company departments regarding safeguarding of their respective record
- Electronic backup of printed data through an E-DOX computer system, enabling prompt retrieval of relevant documents in a secure environment based on appropriate access controls and authorization systems

Composition of the Board of Directors

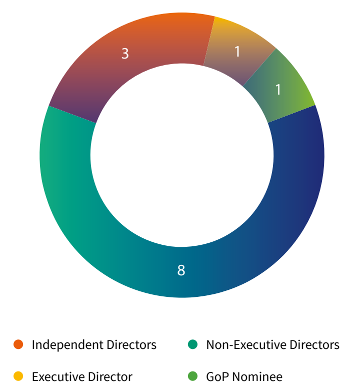
Composition of the Board of Directors of the Company is governed primarily by the requirements of the Companies Act 2017 and the Code of Corporate

Corporate Governance

Directors' Qualification
(Number)



Composition of the Board
(Number)



Governance and other best practices adopted under the articles of association of the Company. FFC has fully implemented these requirements, enabling the achievement of high levels of governance including accountability, transparency and awareness of Board's responsibilities in achieving the Company's objectives, besides ensuring smooth business operations.

To ensure effective, efficient and independent decision making, FFC's Board of Directors comprises of a skilfully diverse group of highly qualified professionals from varied disciplines, including the Armed Forces, Government, finance, engineering and business management.

The Board consists of 13 Directors, effectively representing the interest of shareholders including minority stockholders. There are 12 non-executive Directors and only 1 executive Director, surpassing the legal requirement of 25% representation by non-executive Directors. The non-executive Directors include 4 independent Directors and 2 Directors representing the non-controlling / minority interests, with 5 non-executive Directors possessing industrial and financial experience.

In line with the Board policy of diversity and gender mix, FFC continues to maintain **female representation on the Board of Directors with one member representing female directorship on the Board.**

All independent Directors have submitted alongwith their consent to act as Director, a declaration to the Company that they qualify the criteria of independence notified under the Companies Act, 2017.

Detailed profiles of the Board members including the names, status (independent, executive, non-executive), in addition to industry experience and directorship of other companies have been provided in the Directors' profile section on Page 22 of the Annual Report 2018.

The status of directorship (independent, executive, non-executive) is also indicated in the Statement of Compliance with the Code of Corporate Governance, issued by the Company.

In compliance with the requirements of the Code of Corporate Governance 2017, Independent Directors have provided their declaration of independence as per the criteria defined in the Companies Act 2017 to the Chairman of the Board.

Composition of the Audit Committee

The Audit Committee is composed of four members having extensive experience in the fields of financial management, business and economics. Two members including the chairperson are independent non-executive Directors, whereas the remaining two members are non-executive Directors.

The Committee comprises of a group of highly qualified individuals. Two members are Chartered Accountants, one member has a Masters' in Business Administration and another member has a Doctorate in Economics. This skill base lends significant financial, accounting and economic insight to the proceedings of the Committee.

Terms of Reference of the Audit Committee are in line with the Code of Corporate Governance 2017 and provided on Page 27 of the Annual Report 2018. The Committee met five times during the year. The Audit Committee held a meeting with the External Auditors without the presence of Chief Financial Officer and Head of Internal Audit, and also held a meeting with the Internal Auditors without the presence of Chief Financial Officer and External Auditors.

In compliance with the Company's risk governance framework, the Audit Committee approves the annual internal audit plan to ensure effectiveness and independence of Internal Audit function. Updates are provided to the Audit Committee on a quarterly basis. The Head of Internal Audit reports directly to the Committee and this system of transparency ensures an effective control environment.

Composition of Human Resource And Remuneration (HR&R) Committee

The Company's Human Resource and Remuneration Committee comprises of three non-executive Directors with the Chairman being an independent non-executive Director. The Chief Executive does not hold membership of the Committee.

None of the members of the Committee is involved in the management of the Company nor is connected with any business or other relationships that could interfere materially with, or appear to affect, their judgment.

Meetings of the Committee are held at least annually or at such other frequency as the Chairman may determine. During the year, the Committee held two meetings. Terms of Reference of the HR&R Committee are in line with Code of Corporate Governance 2017 and provided on Page 28 of the Annual Report 2018.

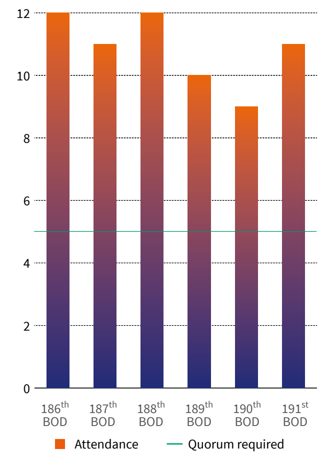
Meetings of the Board

As per regulatory requirements, the Board is required to meet at least once in each quarter of the year to monitor the Company's performance. Special meetings are also called on required basis, to discuss other important matters. During 2018, FFC's Board met six times to discuss routine and special matters besides providing guidance to the management on achieving Company's objectives. Notices / agendas of the meetings were circulated in advance, in a timely manner and in compliance of applicable laws.

All meetings of the Board held during the year exceeded the minimum quorum requirements of attendance as prescribed by the Companies Act 2017 and were also attended by the Chief Financial Officer and Company Secretary.

All proceedings of the meetings were meticulously recorded by the Company Secretary in the minutes of the meetings which encompass details regarding all decisions taken by the Board and explanations provided by the management. The minutes were timely circulated to all Directors for endorsement and were approved in the subsequent Board meetings.

Attendance at BOD Meetings
(Number)



NAME OF DIRECTOR	Status	Meetings Held	Meetings Attended
Lt Gen Khalid Nawaz Khan, HI(M), Sitara-e-Esar (Retired)	Non-Executive	–	–
Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)*	Non-Executive	6	6
Lt Gen Tariq Khan, HI(M) (Retired) *	Executive	5	5
Lt Gen Shafqaat Ahmed, HI(M) (Retired)	Executive	1	1
Mr. Qaiser Javed	Non-Executive	5	5
Dr. Nadeem Inayat	Non-Executive	6	6
Engr Rukhsana Zuberi **	Independent	4	4
Mr. Farhad Shaikh Mohammad	Independent	6	4
Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired)	Non-Executive	1	1
Mr. Per Kristian Bakkerud	Non-Executive	6	–
Brig Raashid Wali Janjua, SI(M) (Retired)	Non-Executive	6	6
Maj Gen Wasim Sadiq, HI(M) (Retired)	Non-Executive	6	5
Mr. Manzoor Ahmed **	Independent	4	3
Mr. Shoaib Mir	Independent	5	5
Mian Asad Hayaud Din	Non-Executive	3	3
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) *	Non-Executive	5	5
Mr. Maroof Afzal ***	Non-Executive	1	1
Mr. Khalid Masood Chaudhary *	Non-Executive	–	–
Mr. Azher Ali Choudhry *	Non-Executive	2	–
Ms. Bushra Naz Malik *	Independent	2	2
Mr. Saad Amanullah Khan *	Independent	2	1
Mr. Rehan Laiq *	Non-Executive	1	1
Mr. Mohammad Younus Dagha *	Independent	1	1

* Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired) appointed in place of Lt Gen Khalid Nawaz Khan, HI(M) (Retired) Sitara-e-Esar w.e.f January 10, 2018
Lt Gen Tariq Khan, HI(M) (Retired) appointed in place of Lt Gen Shafqaat Ahmed, HI(M) (Retired) w.e.f March 27, 2018
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) appointed in place of Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired) w.e.f February 01, 2018
Mr. Khalid Masood Chaudhary appointed as Director in place of Mr. Maroof Afzal w.e.f September 29, 2018
Mr. Saad Amanullah Khan appointed as Director w.e.f September 29, 2018
Ms. Bushra Naz Malik appointed as Director w.e.f September 29, 2018
Mr. Azher Ali Choudhry appointed as Director in place of Mr. Khalid Masood Chaudhary w.e.f October 18, 2018
Mr. Rehan Laiq appointed as Director in place of Mr. Qaiser Javed w.e.f. December 01, 2018
Mr. Mohammad Younus Dagha appointed as Director in place of Mr. Shoaib Mir w.e.f. December 18, 2018

** Engr Rukhsana Zuberi retired from Directorship w.e.f September 29, 2018
Manzoor Ahmed retired from Directorship w.e.f September 29, 2018

*** Mr. Maroof Afzal appointed in place of Mian Asad Hayaud Din w.e.f July 4, 2018 and retired from Directorship w.e.f September 29, 2018

Corporate Governance

Board Meetings Held Outside Pakistan

Despite Company's plan for investment / diversification in offshore projects, no Board meeting was held outside Pakistan during the year in view of stringent cost controls implemented by the Board.

Roles And Responsibilities of the Board of Directors

FFC's Board is fully aware of the level of trust reposed in it by the esteemed shareholders for safeguarding their interests. It is conscious of its immense responsibility for value creation through ensuring sustained business performance and value, transparency in business operations, besides ensuring best practices of good governance.

The Board exercises all powers granted to it by the Companies Act 2017 with responsibility, diligence, and in compliance with the legal framework after due deliberations in its meetings. These include but are not limited to, appointment of key management positions, approval of annual budgets including capital expenditures, investments in new ventures and approval of related party transactions. Financial statements of the Company, including interim and final dividends and review of internal / external audit observations regarding the overall control environment including effectiveness of the control procedures, are also approved by the Board.

An independent Internal Audit department ensures continuous compliance and monitoring of formal policies and effectiveness of the internal control framework, designed by the Board for the conduct of Company's business. The Audit Committee is tasked to report compliance thereof to the Board, at least once every quarter of the year.

A complete record of the Company's significant policies along with their respective dates of approval or amendment is also maintained by the Board.

Matters Delegated to the Management

CE&MD of the Company has been entrusted by the Board with the primary responsibility of conducting the routine business operations in an effective and ethical manner, in line with the Board's approved strategies and goals including annual targets of production, sales, revenues, cost, profitability, identifying new areas of investment for the Company and compliance with legal requirements.

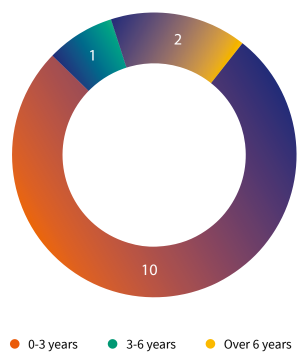
The management is responsible for the identification and administration of key risks and opportunities which could impact the Company in the ordinary course of business.

It is also the responsibility of the Company's management to establish and maintain a system of internal controls, prepare / present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Act, 2017.

Changes to the Board

The term of the Directors elected in September 2015 completed in September 2018 and fresh election

Directors' Tenure
(Number)



was conducted for appointment of new members to the Board of Directors through extraordinary general meeting of the shareholders.

The Board would like to record its appreciation for the invaluable contributions rendered by the outgoing Directors, Lt Gen Khalid Nawaz Khan, HI(M) Sitara-e-Esar, (Retired), Lt Gen Shafqaat Ahmed, HI(M) (Retired), Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired), Mr. Maroof Afzal, Mr. Khalid Masood Chaudhary, Mr. Qaiser Javed, Mr. Shoaib Mir, Engr Rukhsana Zuberi, Mian Asad Hayauddin and Mr. Manzoor Ahmed.

The Board extends a warm welcome to Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired), Lt Gen Tariq Khan, HI(M) (Retired), Maj Gen Javaid Iqbal Nasar, HI(M) (Retired), Mr. Maroof Afzal, Mr. Khalid Masood Chaudhary, Mr. Azher Ali Choudhry, Ms. Bushra Naz Malik, Mr. Saad Amanullah Khan, Mr. Rehan Laiq and Mr. Mohammad Younus Dagha as new fellow members.

The Board is confident that the new members will bring a fresh perspective and spirit towards the progress of the Company. The team shall operate cohesively and effectively towards the Company's objectives and enhancing shareholders' wealth.

Directors' Remuneration

In order to enhance value creation, FFC has implemented an independent, formal and transparent system for fixing executive Directors' remuneration to attract well qualified and experienced Directors. The system is in compliance with legal requirements and it is ensured that remuneration is not at a level that could be perceived to compromise the independence of non-executive Directors.

As per the requirements of regulatory framework and internal procedures, these remuneration packages are subject to prior approval of the Board and no Director is involved in deciding their own remuneration.

Policy on Non-Executive and Independent Directors' Remuneration

Every Director, including all non-executive and independent Directors, is entitled to remuneration for their services, as decided by the Board for attending Board and Committee meetings. They are also entitled to reimbursement of expenses including boarding / lodging and travel expenses incurred in connection to attendance of the Board / Board Committee meetings.

Any Director who serves on any Committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of statutory duties of a Director, may be paid such extra remuneration as the Board may determine.

Detail of the remuneration paid to executive and non-executive Directors during the year is given in Note 34 of the attached financial statements.

Connection of External Search Consultancy for Selection of Independent Directors

The election of the Directors was carried out during the year upon completion of the tenure of the retiring Directors. Selection of the independent Directors as replacement of the outgoing Director was carried out from a list of independent Directors maintained by the Pakistan Institute of Corporate Governance (PICG) under the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

The PICG has no other connections with the Company, except for providing access to the database on independent directors besides directors training and evaluation of Board and / or individual directors' performance.

Policy of Retention of Board Fee By the Executive Director in Other Companies

FFC CE&MD is also an Executive Director on the Company's Board of Directors by virtue of the Companies Act 2017. He also holds position as Non-Executive Director on the Boards of other Companies as disclosed on Page 22 of the Annual Report.

Fees paid by these companies are in compliance with policies of respective companies which have been approved by their Board of Directors.

Evaluation of Board's Performance

Code of Corporate Governance requires evaluation of Board's performance which is carried out at three levels:

- Performance of individual members
- Performance of the Board
- Performance of the Board Committees

Self Evaluation

Individual Director Evaluation questionnaire developed by the Pakistan Institute of Corporate Governance, in conformity with the Code of Corporate Governance and in line with best Global practices, is circulated to the Directors, for evaluation of their performance based on the following factors:

- Board composition
- Strategic planning
- Board & CEO effectiveness
- Board information
- Board Committees
- Board Procedures
- Board interaction
- Board & CEO Compensation
- Control environment

Strict level of confidentiality is practiced upon receiving of filled questionnaire and Directors' comments by the Company Secretary.

Completed forms are then evaluated through a dedicated software to identify areas requiring improvement and differences of opinion.

Corporate Governance

External Evaluation

An evaluation conducted by external parties brings objectivity to the process and is recognized as a sign of Board's commitment towards excellence in corporate governance.

In this regard, the Company has appointed Pakistan Institute of Corporate Governance to evaluate the performance of the Board and its Committees.

Results from internal as well as external performance evaluations are then discussed in detail in the subsequent Board meeting to address the highlighted areas and improve the Board's performance.

Offices of the Chairman & CEO

In compliance with global best practices of corporate governance, the positions of the Chairman of the Board of Directors and the office of the Chief Executive are held by separate incumbents with clear demarcation of roles and responsibilities.

Brief Roles & Responsibilities of Chairman & CEO

The Board of Directors has clearly and distinctly outlined the respective roles and responsibilities of the Chairman and the Chief Executive Officer of the Company.

The Chairman is a non-executive Director of the Board, entrusted with the overall supervision and direction of the Board's proceedings, and has the power to set the agenda, give directions and sign the minutes of the Board meetings. He is also responsible to ensure that the Board plays an effective role in fulfilling its responsibilities, besides assessing and making recommendations on the efficiency of the Committees and individual Directors in fulfilling their responsibilities and avoidance of conflicts of interests.

Chief Executive Officer is an executive Director who also acts as the head of the Company's Management. He is authorized for implementing the Board's policies within delegated limits besides other responsibilities which include:

- Compliance with regulations and best practices
- Ensuring effective functioning of the internal control system
- Identifying risks and designing mitigation strategies
- Safeguarding of Company assets
- Development of human capital and good investor relations
- Sustainable growth of shareholder value
- Identification of potential diversification / investment projects
- Implementation of projects approved by the Board
- Preservation and promotion of the Company's corporate image

CEO's Performance Review By The Board

CEO is appointed by the Board for a tenure of 3 years and his performance is evaluated on an annual basis with respect to the KPIs assigned to him and his roles and responsibilities as prescribed under the regulatory framework.

Improvement in profitability of 35% despite lower dividend income, continued adhoc taxation, besides significant devaluation of PKR is testament of the CEO's performance during the year. The Company achieved highest ever all product sales revenue under the CEO's astute leadership and the Board is also pleased with his performance, portraying Company's good governance and transparency which is also recognized and rewarded on both national and international forums.

Formal Orientation at Induction

A comprehensive orientation is conducted for each new member of the Board upon induction apprising them on the business operations, environment and long term strategy of the Company, in addition, extensive training programs are offered to the Directors for enhancement of managerial and governance skills.

The formal orientation and familiarization program mainly features the following:

- Role and responsibility of the director as per the Companies Act, 2017 , the Code of Corporate Governance and other regulatory requirements applicable in Pakistan
- Organizational / group structure, subsidiaries, associates and other related parties Company's visions and strategies
- Major external and internal risks, including legal and regulatory risks and constraints
- FFC's expectations from the Board, in terms of output, professional behavior, values and ethics
- Critical performance indicators
- Policy on Directors' fees and other expenses

- Important documents pertaining to the Company's legal status
- Company's core competencies, investments, diversification ventures, etc.
- Summary of the Company's major assets, liabilities, noteworthy contracts and major competitors
- Summary of major shareholders, suppliers, auditors and other stakeholders
    - o Status of Company affairs
    - o Strategic plans
    - o Market analysis
    - o Forecasts, budget and 5 year projections
    - o Latest financial statements
    - o Important minutes of past meetings
    - o Major litigations, current and potential
    - o Policy in relation to dividends, health & safety, environment, ethics, corporate social responsibility, anti-corruption, whistle blowing and conflict of interest, among others

Members of the Board also attended training courses to enhance their managerial skills and remain abreast with the latest and best management practices and policies adopted by leading corporations across the globe.

Directors' Training Program

Board of Directors

Under the requirements of Code of Corporate Governance, the Directors of the Company have been appropriately certified under the Directors' Training Program from SECP approved institutions well ahead of the timeframe set by the Code. Owing to changes in the Board's composition, only one member of the Board is yet to obtain the requisite certification which is scheduled during the current year to ensure certification of FFC's entire Board.

Names of Directors who have obtained certification from SECP approved institutions are provided below:

- Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)
- Lt Gen Tariq Khan, HI(M) (Retired)
- Dr. Nadeem Inayat
- Mr. Farhad Shaikh Mohammad
- Mr. Per Kristian Bakkerud
- Brig Raashid Wali Janjua, SI(M) (Retired)
- Maj Gen Wasim Sadiq, HI(M) (Retired)
- Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)
- Mr. Azher Ali Choudhry
- Mr. Saad Amanullah Khan
- Ms. Bushra Naz Malik
- Mr. Rehan Laiq

Heads of Departments & Female Executives

Pursuant to the requirement of the revised Code of Corporate Governance regarding training of at least one head of department and one female executive every year, under the Directors' Training Program, appropriate measures have been taken to ensure that the Company complies with the requirement within the time period stipulated by the Code.

Issues Raised at Last AGM

General clarifications were sought by the shareholders on Company's published Annual Report, however, no significant issue was raised during the 40th AGM of the Company held on March 13, 2018.

Trading in Shares by Directors and Executives

Executives of the Company traded in a total of 1,628,489 shares of FFC during the year. Besides this, no other trading was conducted by the Directors, executives and their spouses and minor children. Upon information received by the Company, PSX is being regularly updated on trading of Company's shares by Management Employees.

The Board determines thresholds for identification of "Executives" in addition to those already specified in the Code of Corporate Governance and reviews them annually in compliance with the Code.

Quarterly and Annual Financial Statements

In compliance with requirements of applicable regulatory framework, the CE&MD and CFO duly endorsed periodic financial statements of the Company and consolidated financial statements of the Group for circulation to the Directors.

These were approved by the Board and circulated to shareholders within one month of the reporting date in case of quarterly financial statements and within the permitted limit of two months in case of half yearly financial statements.

The annual financial statements along with consolidated financial statements of the Group have also been audited by the External Auditors and recommended by the Board for

Corporate Governance

shareholders' approval within one month after the closing date and will be presented to the shareholders in the upcoming Annual General Meeting for approval.

Other non-financial information to be circulated to governing bodies and other stakeholders was also delivered in an accurate and timely manner in accordance with the applicable regulatory requirements.

External Auditors

KPMG Taseer Hadi & Co., Chartered Accountants have completed the annual audit for the year ended December 31, 2018, and have issued an unqualified audit report. The auditors will retire on the conclusion of the upcoming Annual General Meeting of the Company, and being eligible, have offered themselves for reappointment for the year ending December 31, 2019.

Based on notice received from a shareholder, the Board has recommended appointment of A.F. Ferguson & Co. Chartered Accountants as external Auditors of the Company for the upcoming financial year, at a fee of Rs 1, 975 thousand.

Pattern of Shareholding

As at December 31, 2018, the Sponsors, Directors and Executives of the Company held the following number of shares:

Particulars	Numbers of Shares
Sponsors	564,204,254
Directors	2,001,100
Executives	633,401

A detailed pattern of shareholding is disclosed on page 346 of the Annual Report 2018.

Policy for Security Clearance of Foreign Directors

Every foreign Director on the Board of FFC is required to furnish a declaration that necessary documents have been submitted with the Company Registration Office (CRO), Islamabad and that in case his name is not cleared for security purposes by the Ministry of Interior, the Company shall facilitate arrangement of such clearance, and in case the clearance could not still be arranged, then the Company shall take steps for replacement of such Director as considered appropriate.

Diversity Policy

FFC is committed to encouraging diversity and ensuring equal opportunities for individuals based on merit. We believe in free and equitable treatment of employees by embracing and encouraging diversity in the form of age, gender, ethnicity, physical and mental ability, and other such characteristics that make our employees a unique blend of cultural diversity.

FFC believes in providing respectable career opportunities to special persons and has extended employment to such persons along with an inclusive, accessible and barrier free work environment. Almost 2% of our workforce consist of special persons employed in various positions throughout the Company with due consideration to their special needs.

FFC has been on the forefront of advocating alleviation of gender discrimination in the Country, a principle that is instilled in our human capital strategy. The Company provides one of the most rewarding career opportunities in the Country while providing a motivating working environment, thereby attracting competent professionals, and transforming them into future global leaders.

List of Companies in which Executive Director is acting as a Non-Executive Director

In addition to being the Chief Executive & Managing Director of the Company, Lt Gen Tariq Khan, HI(M) (Retired) holds Non-Executive Directorship on the Board of the following companies:

- Askari Bank Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Foods Limited
- Fauji Meat Limited
- FFBL Foods Limited
- FFBL Power Company Limited
- Pakistan Maroc Phosphore S.A.
- Phillip Morris (Pakistan) Limited
- Thar Energy Limited

Related Parties

The Company maintains a comprehensive and updated list of all related parties. Names of all such related parties along with whom the Company had entered into transactions during the year, along with the nature of their relationship and percentage holdings have been appropriately disclosed in Note 38.1 of the Financial Statements.

As per the requirements of Fourth schedule of the Companies Act 2017, detailed disclosure regarding related party transactions has been presented in Note 38.3 of the Financial Statements.

All transactions with related parties arising in the normal course of business are carried out on an unbiased, arm's length basis at normal commercial terms and conditions.

All transactions with related parties where majority of Directors of FFC are interested, are referred to the shareholders in a general meeting for ratification / approval.

In compliance with the Code of Corporate Governance and applicable laws, a comprehensive list of all related party transactions was placed before the Audit Committee for review at the end of each quarter. After review by the Committee, the transactions were considered and approved by the Board keeping in view the recommendations made by the Committee.

Understanding of the views of Major Shareholders by the Non-Executive Directors

Fauji Foundation (FF) holds major equity stake in the Company, comprising 44.35% ordinary shares at the end of the year. FF conducts a detailed orientation process for each new member of the Board upon induction, apprising them on the expectation of the majority shareholder and their responsibilities.

Presence of the Chairperson Audit Committee at the AGM

At FFC, we acknowledge and honor the trust reposed in us by the shareholders, and strive to enforce a transparent relationship with all stakeholders. Shareholders are invited to all General Meetings and are encouraged to share their concerns and queries.

Members of the Board, the Chief Executive and other senior management personnel were present at the General Meetings held during the year, to address all concerns and queries raised by the shareholders.

Chairperson of the Audit committee was also present at these meetings to answer any questions on the Audit Committee's activities and matters within the scope of the Committee's responsibilities.

Encouraging Minority Shareholders to Attend General Meetings

The Company disseminates the notice for its general and extraordinary meetings in English and Urdu newspapers having vast circulation across the Country, besides sending the notices through shareholders' email addresses to encourage maximum attendance at the meetings.

Stakeholders' Engagement

At FFC, we consider engagement with stakeholders of paramount importance and ensure the same through dissemination of material information to the stock exchanges on timely basis, analysts briefings, meeting with stakeholders, besides maintaining an updated Investors Relations section on Company website which can be accessed through the following web link: http://www.ffc.com.pk/investors-relations/.

An interactive email interface is provided on the Company website for direct contact with the concerned function, besides providing names, email addresses and contact number of Functional-heads.

Our prime stakeholders - the farmers are engaged through our Agri-extension services involving farmers meetings, farm visits, crop demonstration and group discussion for their capacity building and yield improvement.

The Company has also developed mobile application on fertilizer recommendation for farmers besides "Kashtkar desk" on Company website containing useful literature, reports and documentaries for the farmers in local languages. Facility of a toll free farmers help line has also been provided.

Intellectual Capital

Although intellectual capital does not have the kind of visibility that other capitals have in value creation due to its non-monetized nature, the Company strongly believes in allocating resources to its development as we believe that it contributes significantly towards enhancing operational efficiency and gaining competitive advantage in the modern technological era. Accordingly, FFC invests in state of the art information technology solutions for effective and efficient decision making. A comprehensive IT governance policy framework is in place to ensure optimum use of advanced technology to achieve overall strategic and operational objectives.

IT Governance Policy

Recognizing the criticality of Information Technology governance in achievement of its overall strategic and operational objectives, IT resources of the Company have been aligned to provide the management with an efficient operating and decision making platform that helps in economizing operations, consequently adding value to all stakeholders.

In view of technological advancements, FFC continuously explores the prospects of implementing the latest IT technologies and infrastructure to enable efficient and timely decision making in the changing business environment.

In line with global best practices, the Company also complies with aspects of Information Technology Infrastructure Library (ITIL) / COBIT5 best practices. FFC's IT Governance Policy encompasses:

- Influencing development and design of technology services, policies and solutions
- Engaging stakeholders to establish priorities for technology investment that are aligned with institutional goals and objectives
- Promoting governance, transparency, accountability and dialogue about technology that facilitates effective strategy adoption
- Ensuring compatibility, integration and avoidance of redundancy
- Securing the Company's data
- Maximizing return on technology investment with controlled spending, while providing FFC with a coherent and integrated IT architecture and management structure
- Improving user awareness on IT security to detect and prevent vulnerabilities
- Keeping the IT function proactive from an innovation perspective, providing ideas to the business

The Company is also exploring possibilities of using its vast intellectual capital resources to move beyond using IT as an internal facilitator and start adding additional value in terms of generation of financial capital too. In this respect, the Company won two local contracts for provision of certain IT services. Rigorous trainings were also received by certain personnel to make FFC one of the two active Pakistani learning partners of Microsoft, which will enable the Company to impart trainings to external customers in future.

Safety & Security of IT Record

The Company ensures the integrity and confidentiality of sensitive data through implementation of “Safety of Records” policy under which the data critical to compliance with legal environments or continuity of smooth operations is securely backed up and retrieved on a real time basis. Certifications are obtained to ensure that information security controls are functioning well. In this respect, the Company successfully achieved ISMS (ISO/IEC 27001:2013) Re-Certification for next three years which is testament to the effectiveness of the Company’s information security controls for protection of sensitive data and its ability to handle information security threats.

Review of Business Continuity Plan & Disaster Recovery Plan

The Board continuously monitors risks to the Company and the related mitigating strategies. A comprehensive Business Continuity Plan (BCP) is in place which is constantly reviewed and tested. A robust and tested Disaster Recovery System is also established as part of the BCP to mitigate operational disruption and loss of Company assets in case of any calamity or disaster.

Business Continuity Planning

Comprehensive BCP ensures minimal operational disruption in case of catastrophe caused either by natural disaster, fire, civil strife, sabotage or an act of war. Key stakeholders across the board are involved in BCP for identification and formulation of risk mitigation strategies of critical business functions in case of disaster. Several mock exercises were conducted during the year to enhance readiness of employees to cope with a disaster.

Disaster Recovery Planning

The Company has established an alternate Disaster Recovery Site (DRS) with backup servers and other necessary infrastructure to mitigate operational disruption in case of any disaster.

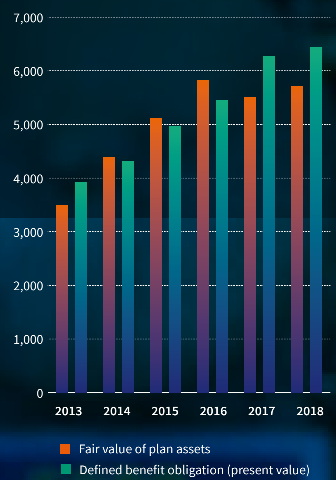
FFC Private Cloud virtual storage is integrated with Storage Area Network (SAN) which provides real time virtual machine failback, near zero downtime in case of server failures and advanced replication, enhancing overall security architecture of the Company.

During the year, SAP Disaster Recovery Drill was successfully conducted post-migration to SAP HANA & IT infrastructure upgrade. This required major re-work of whole DR setup to ensure smooth transition of SAP services in event of any disaster. The successful drive was an important corporate milestone in gauging the readiness of BCP/DR procedures at Company level.

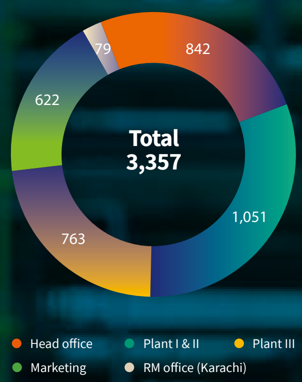
Human Capital

The key factor behind the Company's enduring success is having one of the best human capital at FFC. The Company recognizes that its ability to create value for its shareholders is primarily dependent upon having a competent, motivated and engaged workforce so it makes dedicated efforts to attract, nurture and retain the right talent. It strives to hire the best resources by offering market commensurate compensation packages and takes care of their health and well-being through medical benefits and paid annual leaves.

Retirement Benefits - Assets & Liabilities
(Rs million)



Employee Distribution
(Number)



Human Resource Management Policy & Succession Planning

FFC recognizes that a diverse, skilled and motivated human resource base is essential for the achievement of the Company's strategic objectives and continued success. By embracing diversity, we improve our understanding of changing market dynamics, gain access to a broader pool of talented people and benefit from the enhanced innovative and problem-solving abilities that are demonstrably associated with high cultural diversity.

Based on analysis of future requirements, the Company has designed and continually improves its recruitment mechanism to ensure availability of competent personnel for each department, in terms of an individual's potential, qualification, period of service and professional attitude amongst other factors besides career development of the recruited employees. Key element of FFC's personnel development strategy is to create an environment where all employees have the opportunity to develop their full potential.

The Company maintains a motivated workforce through consistent focus on grooming by way of training and development in addition to providing them with market commensurate compensation packages. This is in line with Company's progressive and forward looking Succession Planning Policy, which transforms existing talent into a competent workforce capable of occupying future strategic positions.

The Human Resource strategy is continually redeveloped and redefined by proactively anticipating, evaluating and evolving itself to meet the emerging needs and challenges faced by the Company, while promoting diversity including representation of genders and special persons, in an equitable and unbiased manner.

Human Resource Management Policy

The Human Resource Management Policy focuses on designing appropriate employee recruitment and development measures, which ensure availability of competent personnel for each function according to the emerging and ever changing needs and challenges faced by the Company. The cornerstone of the policy is provision of a nurturing environment which enables all employees to have the opportunity to develop their potential to the maximum extent.

Diversity in Hiring

FFC embraces diversity in order to improve understanding of changing market dynamics, gain access to a broader pool of talented people and benefit from the enhanced innovative and problem-solving abilities that are demonstrably associated with high cultural diversity. It also believes in playing its role in supporting marginalized sections of society. Accordingly, it has employed around 2% people with special needs in various positions throughout the Company giving due consideration to their special needs. Gender diversity is also promoted through hiring of females who now comprise around 3% of Company's total workforce.

Details about number of employees and their composition are mentioned in Note 41.4.

Talent Management

The Company is well-aware that in order to ensure that employees remain motivated and committed, they need to be offered good opportunities for progressive career development. Accordingly, it makes significant investment in employee training and development. During 2018, Rs 240 million of monetized capital was invested for this purpose which is expected to lead to an increase in the Company's monetized value creation ability in the long-term.

Employee Engagement

At FFC, we understand that employee engagement and satisfaction is imperative for a motivated workforce capable of achieving Company's strategic objectives. In order to improve engagement and promote innovation across the Company, a "New Ideas Forum" was launched during the year for generation of new ideas and turning them into potential new business or for bringing improvements in existing business. Access to the SAP portal is available to employees and is personally monitored by CE&MD with the objective to share insights and ideas across the Company.

Retirement Benefit Plans

The Company acknowledges importance of post retirement financial security / independence of its employees and accordingly offers retirement benefit plans including funded gratuity and pension schemes besides a contributory provident fund.

As at December 31, 2018, fair value of plan assets of the Company's funded gratuity and pension schemes stood at Rs 2.11 billion and Rs 3.61 billion respectively, representing an aggregate increase of Rs 201 million compared to last year. Details of retirement benefit funds have been disclosed in Note 9.3 to the financial statements.

Health & Safety

FFC is committed to fostering a culture of "No Fire, No Injury & No Harm at Workplace" and makes consistent efforts in this regard by allocating appropriate management resources. Comprehensive healthcare coverage is provided to employees and their dependents and concerted efforts are made to sensitize employees to comply with international best practices for occupational health and safety.

During the year, plantsite Goth Machhi recorded 11.63 million man-hours of safe operation for its employees while 2.43* million man-hours of safe operation were achieved by plantsite Mirpur Mathelo, signifying the Company's commitment to employee safety.

The Company regularly conducts awareness drives and trainings to improve safety consciousness. In this regard, an event to celebrate "World day for safety and health at work" was also held. A number of safety facilitators were also trained during the year.

Forward Looking Statement

Analysis of Last Year's Forward Looking Statement / Status of Projects

As stated last year, FFC went ahead with its plan for investment in Thar-coal energy project, by setting up Thar Energy Limited (TEL) in collaboration with HUBCO and CMEC with investment of Rs 1.46 billion, representing 30% equity during the year. The Company also completed installation of additional gas compressors for sustained gas pressure for its manufacturing facilities.

During 2018, the Company remained subjected to discriminatory levy of GIDC, persistent pricing pressure and higher taxation due to super tax and conversion of Final Tax on imported fertilizers to Minimum Tax regime.

Our earnings were supported by improved revenues achieved through continued marketing of higher quantities of imported fertilizers besides cost optimization in line with ongoing austerity drive. Profitability was also supported by the dividend receipts from equity investments which although were on the lower side but complemented Company's objective of providing sustained returns to the shareholders.

FFC's offshore urea fertilizer project in Tanzania progressed at moderate pace during the year 2018 owing to evolving regulatory frameworks for gas and fertilizer sectors in Tanzania.

FFC continues to play its role for national food security needs by maintaining its urea production levels besides making other imported fertilizers available across the Country at affordable rates.

Source of Information and Assumptions Used for Projections / Forecasts

Past trends, prevailing conditions and future expectations form the basis of our projections, and corrective actions are incorporated therein to devise operational and financial plans for the future, in line with the strategies of the Board.

Projections are developed based on macro and micro economic indicators, markets trends / research, international fertilizer price forecasts, data from governmental agencies including regulatory / taxation authorities, seasonal variations and competitors' actions etc. Internal capacities are reviewed based on available data and alignment is planned to achieve desired results. Information is also generated internally from critical functions of the Company including Marketing, Manufacturing & Operations, Technology & Engineering, Human Resources, Finance etc., and the information so collected is collaborated with the data compiled from the sources mentioned earlier for preparation of meaningful and practical forecasts which are adopted as formal plans for the Company after approval by the Board.

For new ventures extensive due diligence process is carried out encompassing the legal, financial and technical feasibility studies with the involvement of external experts where required.

Forward Looking Statement

On technological and environmental front, FFC continue to maintain its edge through well-maintained manufacturing facilities despite old vintage of its plants, along with highly trained human capital, developed with the vision to embrace changes to the advantage of Company in foreseeable future.

The Business Model at FFC is devised to ensure continued improvement through efficiency enhancement, stringent cost controls and resilience against adverse market conditions. The Company is also committed to cope with such challenges through concerted marketing efforts to capitalise and enhance customers' loyalty with the Sona brand.

The dedication of our talented workforce enabled the Company of 35% improvement in the net earnings for 2018 which also provides confidence for sustained results in the future while maintaining the highest levels of governance and integrity.

In order to sustain the recent growth of Agriculture sector of the Country, supply of fertilizers at affordable rates is pivotal which requires improvement in macroeconomic indicators besides favourable fiscal policies for fertilizer sector, including removal of disparity in input and output GST rates, early release of long outstanding subsidy claims and rationalization of discriminatory levy of GIDC.

Going forward, the growth in revenues would depend on favourable governmental policies enabling us to pass on the impact of inflation and other factors which, along with dividend receipts from equity investments are expected to result in continuation of the profitable trajectory of the Company, and also provide attractive returns to the shareholders.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman

Lt Gen Tariq Khan
HI (M), (Retired)
Chief Executive & Managing Director

Rawalpindi
January 31, 2019

مستقبل کی توقعات

مستقبل کی توقعات

(Forward Looking Statement)

گزشتہ برس پیش کی گئی مستقبل کی توقعات کا تجزیہ / منصوبوں کی حالت

جیسا کہ پچھلے سال بتایا گیا تھا FFC نے اپنے تھرکول انرجی پروجیکٹ کے منصوبے کو آگے بڑھاتے ہوئے HUBCO اور (CMEC) China Machinery Engineering Corporation کے ساتھ ملکر تھر انرجی لمیٹڈ (Thar Energy Limited (TEL کو تشکیل دے کر اس سال میں 1.46 ارب روپے کی سرمایہ کاری کی جو کہ TEL کی کل ایکویٹی کا 30 فیصد ہے۔ کمپنی نے اپنے پیداواری یونٹس کو گیس کی مسلسل فراہمی کو یقینی بنانے کے لئے اضافی گیس Compressors کی تنصیب بھی مکمل کی ہے۔

سال 2018 کے دوران کمپنی کو GIDC کے امتیازی محصول، قیمتوں کے تعین پر مسلسل دباؤ، سپر ٹیکس اور درآمدی کھاد پر حتمی ٹیکس کی کم از کم ٹیکس میں تبدیلی کی وجہ سے زائد ٹیکسز جیسے عوامل کا سامنا رہا۔

درآمدی کھاد کے زائد مقدار میں فروخت کے تسلسل کے ذریعے بہتر آمدن کے علاوہ سادگی اختیار کرنے کی حکمت عملی کے پیش نظر اخراجات میں کفایت شعاری نے ہمارے منافع کو تقویت دی۔ ایکویٹی سرمایہ کاری سے منافع منقسمہ کی وصولی نے بھی منافع بہتر بنانے میں مدد دی۔ جو کہ نسبتاً کم ہونے کے باوجود کمپنی کے حصص داران کو مسلسل منافع دینے کے مقصد کو پورا کرنے میں معاون ہوا۔

FFC کے تنزانیہ میں آف شور یوریا فرٹیلائزر پراجیکٹ نے 2018 میں معتدل پیش رفت کی۔ جسکی وجہ تنزانیہ میں گیس اور فرٹیلائزر سیکٹر کے لئے ارتقا پذیر ریگولیٹری فریم ورکس میں سست روی ہے۔

FFC قومی غذائی سیکورٹی کی ضرورت میں اپنا کردار موجودہ سطح پر یوریا پیداوار برقرار رکھنے کے ساتھ ساتھ ملک بھر میں درآمدی کھادوں کی دستیابی کو یقینی بنا کر ادا کر رہا ہے۔

تخمینے اور پیشگوئی میں استعمال ہونے والی معلومات اور مفروضوں کے ذرائع

ماضی کے رجحانات، موجودہ حالات اور مستقبل کی توقعات ہمارے تخمینوں کی بنیاد بنتے ہیں۔ بورڈ کی حکمت عملی کے مطابق مستقبل کے لئے پیداواری اور مالی منصوبوں کو وضع کرتے وقت ان تخمینوں کے اصلاحی اقدامات وضع کئے جاتے ہیں۔

تخمینے میکرو اور مائیکرو اقتصادی اشاروں، مارکیٹ کے رجحانات / ریسرچ اور بین الاقوامی کھاد کی قیمت کی پیش بینی، سرکاری ایجنسیوں بشمول ریگولیٹری / فیکیشن اتھارٹیز کا ڈیٹا، موسمی تغیرات اور competitors کے اقدامات وغیرہ کی بنیاد پر تیار کیے جاتے ہیں۔

دستیاب معلومات کی بنیاد پر اندرونی صلاحیتوں کا جائزہ لے کر درجگی کی منصوبہ بندی کر لی جاتی ہے تاکہ مطلوبہ نتائج حاصل ہوں۔ کمپنی کے اندر بھی اس کے اہم فنکشنز جن میں مارکیٹنگ، M&O، T&E، HR اور Finance وغیرہ شامل ہیں، سے معلومات حاصل کی جاتی ہیں۔ اس طرح سے موصول شدہ معلومات کو پہلے ذکر کئے گئے ذرائع سے حاصل ہونے والے ڈیٹا کے ساتھ ملا کر بامعنی اور عملی فورکاسٹ بنائے جاتے ہیں جو کہ بورڈ کی منظوری کے بعد کمپنی کے لئے باضابطہ پلان بن جاتے ہیں۔

نئے منصوبوں کے لئے وسیع Due Dilligence کی جاتی ہے جس میں قانونی، مالیاتی اور تکنیکی فیزیبلٹی سٹڈیز کا احاطہ کیا جاتا ہے۔ اور بوقت ضرورت بیرونی ماہرین کی شمولیت بھی ہوتی ہے۔

متوقع مستقبل

ٹیکنالوجیکل اور ماحولیاتی محاذوں پر FFC نے اپنے پلانٹس کے پرانے ہونے کے باوجود اپنے پیداواری یونٹس کو بہترین حالت میں برقرار رکھنے کے ساتھ اعلیٰ درجے کے تربیت یافتہ ہیومن کیپٹل کو اس تناظر میں تیار کیا ہے کہ مستقبل کے تغیرات کو کمپنی کے فائدے کے لئے استعمال کر سکے۔

FFC کا بزنس ماڈل کارکردگی بڑھانے، اخراجات پر سخت کنٹرول اور مارکیٹ کے ابتر حالات میں استقامت کے ذریعے مسلسل بہتری کو یقینی بنانے کے لئے بنایا گیا ہے۔ کمپنی بھی ایسے نامساعد حالات کا مقابلہ concerted marketing efforts کے ذریعے کرنے کے لئے پرعزم ہے۔ تاکہ سونا برانڈ کے ساتھ صارفین کی لائلٹی کا فائدہ اٹھایا جائے اور اسے مزید بڑھایا جائے۔

ہماری باصلاحیت افرادی قوت کی لگن اور محنت نے کمپنی کو منافع میں 35 فیصد اضافے کے قابل بنایا جو کہ گورننس اور دیانتداری کی اعلیٰ ترین معیارات کو برقرار رکھتے ہوئے کمپنی کے نتائج کے تسلسل کے لئے اعتماد کا سبب ہے۔

زرعی شعبہ کی حالیہ ترقی کو برقرار رکھنے کے لئے کھاد کی مناسب نرخوں پر فراہمی نہایت اہم ہے۔ جس کے لئے میکرو اکنامک اعشاریوں میں بہتری کے ساتھ ساتھ فرٹیلائزر سیکٹر کے لئے بہتر مالیاتی پالیسیوں، بشمول ان پٹ اور آؤٹ پٹ سیلز ٹیکس کی شرحوں میں تفریق کا خاتمہ، طویل عرصہ سے واجب الوصول سبسڈی کی جلد ادائیگی اور GIDC کی امتیازی محصول کا خاتمہ ضروری ہے تاکہ آپریشنل اخراجات کو کم کیا جا سکے۔

آگے بڑھتے ہوئے، آمدن میں اضافہ کا انحصار سازگار حکومتی پالیسوں پر ہوگا تاکہ ہم افراط زر اور دوسرے عوامل کے اثرات آگے منتقل کر سکیں۔ آمدن میں اضافے کے ساتھ ساتھ ایکویٹی سرمایہ کاری سے منافع منقسمہ کی وصولی سے کمپنی کے منافع کی رفتار برقرار رہنے اور حصص داران کے لئے پرکشش منافع فراہم کرنے کی توقع ہے۔

لیفٹیننٹ جنرل سید طارق ندیم گیلانی
ہلال امتیاز (ملٹری)، (ریٹائرڈ)
چیئرمین

لیفٹیننٹ جنرل طارق خان
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو و مینجنگ ڈائریکٹر

راولپنڈی
31 جنوری، 2019

Sustainability Report 2018

Using our position and expertise to create and share value

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United Nations' Sustainable Development Goals

In line with our commitment to sustainable development, we envisage there is a great potential for FFC to make valuable contributions towards Sustainable Development Goals (SDGs). FFC is actively exploring the opportunities to collaborate with partners and government to accelerate the movement to make lasting social and economic progress that protects planet and ensures prosperity.

All of the SDGs are related to business in some manner however following SDGs are viewed as critical in the chemical sector in particular based on the Chemical Sector SDG Roadmap developed by the World Business Council for Sustainable Development (WBCSD). **Where we believe our work contributes to achievement of these goals the icons below will appear in this report.**

GIVING BACK TO THE SOCIETY

FFC and Sustainable Development Goals

Sustainable Development Goals (SDGs) launched in September 2015 by the United Nations as a set of goals to overcome the biggest challenges faced by the mankind. Each of these 17 Sustainable Development Goals includes specific targets to be achieved by 2030. Governments are mainly responsible for implementation of the SDGs, however, this ambitious agenda cannot be realized without strong participation by the private sector. Business has critical role to play in meeting these ambitious SDGs; as an agent of economic growth; as a fundamental source of finance and as driver of technology and innovation to deliver new products and solutions.

Through responsible production, advocating responsible business practices in the supply chain, and introducing innovative products and solutions the chemical sector can support the SDGs by minimizing negative impacts, protecting the environment, promoting social development, and supporting economic growth.

FFC welcomes SDGs as a catalyst to achieving a more sustainable world. We envisage SDGs to guide and inspire our sustainability strategy and initiatives. We started to map our activities against SDGs through our 2016 Sustainability Report. This year we became more focused towards the SDGs which are identified as priority SDGs for our sector. In addition to the priority SDGs, the information for other SDGs which are impacted by our activities is also disclosed in our report.

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Ensuring a sustainable food supply to meet the nutritional needs of the growing population is critical. Advancement in science helps protecting plants from diseases, improving food distribution, extending food life, maintain food quality and safety. Good quality seeds and fertilizers along with advisory to farmers on new cultivation techniques helps increasing food production and increases the productive potential of land.

See page 148 for our activities supporting SDG 2.

Ensure healthy lives and promote well-being for all at all ages

Health and safety are among the highest priorities of chemical sector. We strive to minimize the negative health impacts at workplace, at our adjacent communities and in the supply chain. Our health and safety initiatives at workplace for safe production and in the supply chain for safe distribution are resulting in reduced environmental footprint and healthier workforce.

See page 157 and page 161 for our activities supporting SDG 3.

Ensure access to water and sanitation for all

Access to clean water and sanitation is a global issue that needs to be managed at local level. The chemical sector has an important role in preventing diseases through innovative purification techniques and materials for pipes that protect water from its source to the tap. Our water management at plants through increased recycling and reuse of water results in reduced withdrawal of fresh water and by decreasing effluents, minimizing the release of hazardous chemicals and materials well below the legal limits helps to reduce the impact on water

See page 163 and 172 for our activities supporting SDG 6.

Ensure access to affordable, reliable, sustainable and modern energy for all

Continuous improvement in energy efficiency at manufacturing facilities along with manufacturing of products that help to improve efficiency are incremental to meet this goal. We at FFC are continuously striving to improve energy efficiency by continuously upgrading our plants. Our target of reducing 2% energy consumption from 2015 level demonstrates our ambition to energy efficiency and reduction in associated GHG emissions.

See page 163, 169 and 170 for our activities supporting SDG 7.

Promote inclusive and sustainable economic growth, employment and decent work for all

We understand that safe production processes are crucial to economic growth and enhancing the quality of life for our communities. Innovations provide business opportunities for global growth. Moreover, ensuring safe and productive workplace, upholding labor standards and respecting human rights at our operations and in the supply chain augment our commitment to this goal.

See page 155, 156 and 164 for our activities supporting SDG 8.

Build resilient infrastructure, promote sustainable industrialization and foster innovation

Strengthening of production assets promotes resiliency. International frameworks that promote industrial cooperation for the chemical sector and the value chain help meet the resources and environmental concerns, managing waste disposal, meeting health and safety issues, support circular business model and develop new opportunities. Chemical sector products play an important role in enabling and building resilient infrastructure solutions by engaging with other sectors.

See page 124, 161 and 164 for our activities supporting SDG 9.

Make cities inclusive, safe, resilient and sustainable

Chemical sector products help improve infrastructure, transport and crops production. Increasing population is putting tremendous pressure to scale implementation of sustainable solutions to meet the needs of the local communities. FFC is participating in multi-stakeholder collaboration with the government to help meet the goal of sustainable and inclusive growth and improving lives of the communities.

See page 161 for our activities supporting SDG 11.

Ensure sustainable consumption and production patterns

Chemical products increase the quality and efficiency of the production processes across industries. The chemical sector is helping to transform production and reduce life cycle impacts of consumption. Through product life cycle assessment and certifications, FFC is committed to advancing sustainable management of materials in all of processes and in value chain, attaining greater environmental transparency and improving health and safety performance.

See page 160 and 169 to 174 for our activities supporting SDG 12.

Take urgent action to combat climate change and its impacts

Taking into account the severity of the issue of climate change and resulting impacts, companies are taking concentrated actions to address the issue through a number of initiatives including energy efficiency and reducing environmental footprint of the products. The climate change is affecting production patterns and land productivity resulting in impacts not only relevant to the chemical sector but also society at large. FFC is working together with supply chain partners to build resilience and adaptive capacity in response to the impact of climate change.

See page 169 to 174 for our activities supporting SDG 13.

Pakistan Leadership Conversation on SDGs

United Nations member states formally adopted the 17 Sustainable Development Goals (SDGs) during the SDGs Summit at the UN on 25-27th September 2015. Pakistan is actively working to align policies and develop strategies to meet the targets underlining the SDGs. Pakistan is one of the first countries in the world to have adopted the SDGs through a unanimous resolution of the parliament. The 17 SDGs aim to leverage the linkages between economic development and human well-being to improve the situation of People (human development), Planet (environment), Prosperity (economic development and poverty alleviation) and Peace (peaceful and tolerant societies) by 2030.

The Sustainable Development Goals (SDGs) embrace a universal approach to the sustainable development agenda and explicitly call on business to use creativity and innovation to address development challenges.

Taking into account the importance of SDGs and the role of corporate sector in the 2030 Agenda of Sustainable Development, in 2018 FFC organized the Pakistan Leadership Conversation on SDGs in Karachi. The themes of the 2018 conversation were alignment of business strategies with SDGs focusing on Food and Agriculture Sector and reporting business contribution towards SDGs focusing on using private sector data for Voluntary National Review (VNR), a case study from Columbia. The event was organized in collaboration with the Planning Commission Ministry of Planning, Development and Reforms, United Nations Development Program, Pakistan Stock Exchange and Corporate Social Responsibility Centre Pakistan (CSRCP).

The Pakistan Leadership Conversation on SDGs engaged government officials, corporate leaders, UNGC representatives and non-profits to discuss how the corporate sector can align its business to support sustainable development and tap into 2.3 trillion USD opportunities per year provided by SDGs in Food and Agriculture sector pointed out by the Better Business Better World report of the Business & Sustainable Development Commission and report business contributions to SDGs in order to monitor the progress, take appropriate strategic and operational decisions and help government to use the private sector data in VNR.

Eminent speakers and panelists discussed the benefits businesses can derive by supporting the global goals and tap into the multi-trillion USD opportunities in shape of revenues and cost saving offered by the SDGs. The need of reliable, comparable and transparent information representing impacts and contribution of business on SDGs was also emphasized.

We are committed to not only supporting SDGs but also keep playing a leading role in collaboration with our partners to inspire private sector to play an active role in meeting the agenda of sustainable development for a better and a prosperous world.

About our Report

This report is prepared in accordance with International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework, Global Reporting Initiative (GRI) GRI Standards: comprehensive option, and United Nations Global Compact (UNGC) “Ten Principles” requirements to provide stakeholders a concise and transparent assessment of our ability to use our position and expertise to create sustainable value.

Scope and boundary

Reporting Period

The report is produced and published annually. The 2018 report covers the period I January to 31 December 2018.

Operating businesses

The report covers the activities of FFC only and does not include information about subsidiary and associated companies. The economic and social data presented in the report includes data of FFC’s manufacturing plants, marketing offices and head office, while the environmental data relates to plant sites and does not include the environmental impact of other locations except for the environmental impacts of fuel used in company vehicles. The information about the impact of our activities – while creating value - beyond FFC operations is not discussed due to non-availability of reliable and verifiable data.

Financial and non-financial reporting

The report includes both financial and non-financial performance, risks and opportunities and outcomes attributable to our activities and key stakeholders having significant influence on our value creation ability.

Target readers

The report is primarily intended to address the needs of the investors to provide them a holistic view of our value creation potential taking into account financial and non-financial risks and opportunities. The information is also presented for other key stakeholders including our employees, suppliers, regulators and society.

Report content and methodology

Report content

The contents are based on the results of our engagement with stakeholders, (IR) framework and the GRI Sustainability Reporting Standards requirements. All material topics, which are of interest to different stakeholders and which reflect significant impact of our activities on economy, environment, and society are included in this report.

Report methodology

The compilation of data has been done on the basic scientific measurement and mathematical calculus methods on actual basis, but in some cases where actual data is unavailable due to some reasons, different logical methodologies are used for calculations. The usage of any such method is mentioned at respective places in the report. The data measurement techniques are the same as used for the previous year. There has been no change in the reporting period, scope and boundary of the report. There are no changes that can significantly affect the comparability of data from period to period. Previous years’ figures have been regrouped/ rearranged wherever found necessary to conform to this year’s classification.

The report is part of the annual reporting process subject to independent review and approval by CSR Committee, the highest decision making body headed by CE&MD. FFC makes every effort to ensure the accuracy of the sustainability information. From time to time, however, figures may be updated. The online pdf version of the sustainability report will be considered the most current version and takes precedence over any previously printed version. The online PDF as well as HTML version can be accessed at http://www.ffc.com.pk/sustainability/.

Feedback

We value your feedback. Please connect with the sustainability team for questions or suggestions.

Ms. Sadaf Khan
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Independent external review

The report was externally reviewed by BSD Consulting, an independent reviewer, in order to check compliance with IR framework, GRI Standards and AA 1000AS principles of inclusiveness, materiality and responsiveness. The senior executives were involved in the review process through involvement in selection of the reviewer, discussing and responding to reviewer's observations and providing management representation.

For further information on the scope of the services performed by our external reviewer refer to the Page 175 of this report.

Our Capitals

Our significance as a leading fertilizer company today and in the future and our ability to create value over different time horizons primarily depends on the forms of capital available to us (inputs), how we use these capitals (value creation activities), our impacts on these capitals and the ultimate value we deliver (outputs and outcomes).

Financial

Our shareholders' equity and funding from banks that are used to support our business and operational activities.

Intellectual

Our brand and reputation, research and development, Agri services innovation capacity and partnerships.

Manufactured

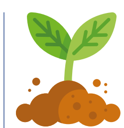
Our manufacturing plants, our business structure and operational processes that provide the basis and procedure of how we do business and create value.

Social and relationship

Our strong stakeholder relationships with communities, farmers and other key actors. We recognize the role fertilizers play in increasing production and ensuring food security.

Human

Our people, our culture and investment on development of skills and collective knowledge of our workforce.



Natural

Our impact on natural resources through intake of raw material, water, energy and discharge of emissions, waste water and effluents.

The icon will appear in the report where capitals are discussed.

Performance Highlights 2018

Rs 108 billion

Turnover (including subsidy)

43%

ROE

3,030 thousand tonnes

Fertilizer sold

1,180,583 GJ increased

Energy consumption

77,741

Farmers engaged

Rs 9,295 million

Employee Benefits

26,281 MT CO_2 increased

Emissions

Rs 85 million

CSR spending

1% decreased

Water use

FFC at a Glance

Fauji Fertilizer Company Limited is a public listed company with its business across Pakistan. Headquartered at Rawalpindi with marketing group office at Lahore, manufacturing plants at Goth Machhi, and Mirpur Mathelo, we are one of the leading fertilizer manufacturers in Pakistan. Our net revenues for the year 2018 were Rs 105.96 billion with net profit of Rs 14.44 billion. Total assets were Rs 146,489 million with owners' equity of Rs 33,383 million. During the year, there were no significant changes in size or capital structure of our operations.

Detailed information about the group structure, product portfolio and distribution network is given in the relevant sections of the Annual Report.

Supply chain

Raw materials, packaging material, capital equipment, services, and other materials are major inputs for our operations. Our supply chain consist of local suppliers and foreign suppliers, including large companies, small privately held companies, contractors and small businesses. The major raw material and other components are procured locally while the materials and components which are not available in Pakistan are purchased from abroad. We are not particularly dependent on any of our suppliers. Our supply chain is mixed including labor intensive and technology intensive. There were no major changes in the location, operations, and structure of the organization and its supply chain during the year.

Commitments, membership and awards

We not only abide by legal obligations but also endeavor to follow several externally developed voluntary initiatives in the areas of economic, environment and social management. No substantial funding is provided to the associations however, events like exhibitions/ seminars/workshops are sponsored. We remain engaged with these organizations on a continuous basis and actively take part in activities related to us. Our Agri. Services officers are members of the Soil Science Society of Pakistan and the annual subscription for each officer is borne by FFC.

Moreover, our R&D officials also hold honorary positions with international research organizations like University of Nottingham, British Geological Survey, and Society for Environmental Geochemistry and Health (European Chapter). We participate in conferences, seminars and events organized by the Soil Sciences Society of Pakistan and give our input in public policy development.

List of awards secured by FFC Reports is given on page 89 of this Report.

Membership

- United Nations Global Compact (UNGC) – Membership obtained on March 23, 2010
- Marketing Association of Pakistan (MAP)
- Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC)
- Fertilizer Industry Public Relations Committee (FIPRC)
- International Fertilizer Industry Association
- Arab Fertilizer Association
- Farmers Association of Pakistan
- World Wildlife Fund (WWF)

1,771
Suppliers

Rs 53,688m
Payment to suppliers during 2018

Our Governance

Our governance structure is central to our ability and positions us to create long-term value. The internally developed code of conduct, policy statement of ethics and business statement, code of corporate governance and best available practices are guiding pillars for us. Extensive information regarding code of conduct and related matters can be found on page 08 of this Annual Report.

Balanced management structure

The highest management body is the Board of Directors (Board) where directors are re-elected after every three years. The Board comprises of thirteen directors; one executive director and twelve non-executive directors. Out of twelve non-executive directors four are non-executive independent directors including two directors representing minority/non-controlling interest. The independent directors do not have any material pecuniary relationship with FFC. Twelve members of the Board are male, and one board member is female.

The Chairman of the Board is non-executive director. His only relationship with FFC is his role as Chairman of the Board. The Chairman and members of the Board Committees are selected from the board members. The Board has constituted Committees of Directors with adequate delegation of powers to effectively focus on the issues and ensure expedient resolution. These Committees meet as often as required to oversee the performance in respective areas. Each Committee has its own charter with goals and responsibilities.

The Committees of the Board are Audit Committee, System and Technology Committee, Project Diversification Committee, Human Resource & Remuneration Committee and Management Committees i.e., Executive Committee, Business Strategy Committee and CSR Committee. Extensive details on Board Committees can be found at page 27 of this Annual Report. The Board meets at least once a quarter. The CE & MD, CFO and other members of the Executive Committee and/or other employees or third parties regularly attend the meetings of the Board at the invitation of the Chairman for the purpose of reporting or imparting information. The Committees report on their activities and results to the Board. The Committees also prepare the business of the Board in their assigned areas. The Board has delegated the executive management of the company to the CE & MD for smooth operation of company's business.

Management personnel

In 2018, the Board consisted of twelve Pakistani citizens and one Danish citizen. The members of the Board were all at least 50 years old except one. FFC has not introduced any specific quotas for specific nationalities, ethnic minorities or special age groups for the Board. The members of the Board also hold significant positions in other companies, the details of which can be found in "Profile of the Board" section on page 22 of this Annual Report.

The members of the Board are elected through an election at the general meeting. The existing board members were re-elected in September 2018 at an extra-ordinary general meeting. The nominated directors are appointed by the sponsoring body and financial institutions. The applicable legal and regulatory framework which defines parameters regarding qualification and composition of the Board for smooth running of the business and promotion of good corporate culture is followed. FFC is an equal opportunity employer and members of the highest governing body are selected on merit. FFC has on its Board highly competent and committed personnel with vast experience, expertise, integrity, and with a strong sense of responsibility required for safeguarding stakeholders' interest. The Board is comprised of qualified directors with diverse backgrounds in the field of business, finance, engineering and other disciplines.

Code of business ethics and anti-corruption measures are in place to avoid conflict of interest among highest governance body members as well as among employees. The code clearly refrains from conflict of interest and in case a conflict of interest is not avoidable, it requires it to be reported to the highest governing body for resolution.

CSR committee

Key structural and control responsibilities related to sustainability are delegated to the CSR Committee which evaluates and guides all sustainability efforts as efficiently and effectively as possible at every level of the organization. The CE&MD chairs the Committee, while Finance, Internal Audit, Marketing, Production, and CSR heads are the committee members. Committee is designed to ensure that all relevant strategic sustainability initiatives and activities are agreed with FFC's governance bodies.

The Committee evaluates challenges and trends, sets the company's medium and long-term objectives and initiates sustainability initiatives accordingly. The Committee is entrusted with the responsibility of steering the direction of CSR activities from donations and welfare activities to mainstream sustainability initiatives and review and approval of annual sustainability report. The CSR Committee ensures that the company, being a member of the United Nations Global Compact, strictly adheres to its principles and makes a notable contribution to the Sustainable Development Goals.

Management's role in shaping sustainability policy

The Board's role in setting company's purpose, values and strategy is implemented through Board Committees which provide input in development, approval and updating of company's purpose, values, mission statement, strategic policies and goals in respective areas. The Executive Committee and CSR Committee provide guidelines for sustainable operation and effective control thereof, and have the powers to define guidelines. The frameworks and measures are monitored by FFC's Robust Risk Management System, a system to identify, evaluate and manage (relevant) risks to the company's operations. Risk management is designed to:

- Coordinate and develop entire organization's risk management activities and integrate risk management into the business process. A differentiation is made between strategy, operational, financial, commercial and other corporate areas;
- Clearly allocate risk management responsibilities;
- Inform, train and motivate employees to effectively implement the risk management system;
- Identify and analyze risks reliably, carefully draw up meaningful reports, and avoid risks;
- Ensure that all significant risks and avoidance/counteractive measures are indeed reported to the respective Board Committees via the relevant managerial levels, and serious risks are presented to the Board via CE&MD for appraisal.

The Board of Directors has delegated the responsibility to respective committees for ensuring that the Enterprise Risk Management (ERM) system is operational and working. The Committees therefore have managerial responsibility for the implementation and performance of the ERM system. The Committees also take into account stakeholders' concerns identified through stakeholders' engagement.

Our Governance

Monitoring sustainability efforts

Sustainability efforts require continuous monitoring and evaluation to make necessary adjustments. The Heath Safety and Environment (HSE) system ensures production safety to limit the impact of manufacturing operations on the health, safety and environment. One of the important corporate goals is to ensure human safety and protect the environment; therefore an extensive set of policies and measures are in place as part of HSE management. The processes, procedures and measures are continually monitored, both in-house and by external audits of the management systems.

We are aware that the sustainability management system is a component of strategy planning, objectives and processes. It includes an ongoing review of the activities undertaken to ensure that planned sustainability activities are effectively implemented and the impacts are being properly managed. The implementation is carried out through line manager and reviewed at departmental level. The final results are deliberated at CSR Committee meetings. The results of these activities are included in the risk control system, analyzed for urgency and relevance, and then implemented as per requirement.

We are also taking steps to include sustainability criteria in our business relationship with suppliers, contractors and service providers. The selection procedure that is part of procurement management now takes into account economic, environmental and social aspects. We are committed to working with our supply chain on sustainability to manage our impacts in the supply chain as well as to improve the entire value chain.

Reporting to management

The extensive information on potential risks and opportunities, environment and social impacts and factors affecting the ability to create value over time, is shared with the management. The Committees use the risk management system to record, analyze and present all relevant risks for consideration and action. The reporting is carried out periodically and discussed in the relevant Committees. The HSE related risks are communicated through the HSE department while other risks are reported separately through the Risk Management System of the company. The Audit Committee reviews major issues regarding the status of compliance with laws and regulations, and the code of conduct. The internal audit department reports to the Audit Committee with regard to the status of the compliance with laws, but also with regard to the code of conduct violations that occurred during the year, how they were investigated and, if necessary, how violators were disciplined and organizational measures were implemented to avoid similar violations in the future. Based on the inputs of different Board Committees, the Board formally reviews and discusses organizational impact, risks and opportunities in its quarterly meetings.

Evaluation of corporate performance

Human Resource and Remuneration Committee of the Board evaluates, the degree to which objectives of the company as a whole and particularly those of the Executive Committee have been met. Based on the evaluation of the performance against operational and sustainability related goals, recommendations are made for approval of the Board. This procedure ensures that bonus payments to employees, including executives, are also in line with FFC's overall performance and objectives. The members of the Board and especially the Executive Committee have expertise in managing economic, environmental and social issues. In order to ensure that they keep abreast of current trends and developments in the aforementioned areas, FFC ensures participation of its management and staff in relevant trainings and involvements in international and national conferences.

Management pay

To retain the best talent, our compensation policies are structured in line with current industry standards and business practices. The appraisal system practiced is comprehensive in nature and includes a performance review on financial and non-financial parameters.

The remuneration policy of directors aims at encouraging and rewarding good performance. The directors' performance is evaluated by setting specific, measurable, achievable and realistic goals for the year and evaluation of the performance of each member against these goals. The evaluation of the Board's performance is a self-assessment against defined goals, carried out quarterly and discussed in the Board meetings to take necessary actions to meet the defined objectives. There were no changes in membership or organizational practice as a result of performance evaluation. The remuneration of CE & MD is paid as recommended by the Human Resource and Remuneration Committee and approved by the Board. A fee is paid to the directors to meet the expenses incurred by them in attending the Board meetings, which is also approved by the Board and is in accordance with applicable guidelines. FFC does not pay remuneration to non-executive directors, except for the directors' fee. FFC does not disclose some of the information, being sensitive and proprietary in nature, i.e., ratio of annual compensation within the organization and the ratio of percentage increase in annual compensation within the organization.

The Human Resource and Remuneration Committee analyzes and discusses market developments and their possible impact on FFC for providing recommendations to the Board. FFC's decision-making processes are very open and also involve key stakeholders in important decisions. The stakeholders input, with respect to the remunerations, is collected through annual meetings as well as Collective Bargaining Agents.

Shareholder and employee recommendations

We value the concerns/ recommendations of our shareholders. The shareholders can give their feedback/recommendation in General Meetings of the company as well as by sending letters or emails to the corporate affairs department using the address available on the company's website. The concerned officials regularly evaluate the feedback and appropriate action is taken accordingly.

The employees may submit requests or recommendations at any time to the company, its management, or the appropriate bodies through their supervisors or managers. The Board has delegated the collection of recommendations to the Executive Committee. FFC values the concerns of its employees with the aim of providing a balanced working environment for achieving the company's objectives. Due consideration is given and suitable actions are taken on the suggestions/ ideas of the shareholders and employees. However, this is subject to the suggestion being found practicable, appropriate and in the interests of the company.

The HR department at the head office, marketing and plants provide support in connection with issues relating to the ethically correct and legally compliant conduct of employees as per the code of conduct and company policies. In this regard, regular checks and inquiries are carried out by the HR department depending on the number of queries received in relation to compliance topics as well as particular issues and measures. The company has a dedicated system on intranet to further facilitate the process. In addition to the reporting of breaches of the code of conduct, it provides employees with the opportunity to ask questions anonymously via an intranet portal. These questions will then answered by the concerned officers responsible within a reasonable period of time.

*"Our corporate governance principles define the managerial structure, organization and processes to provide **transparency and guaranteed sustainable long-term success.**"*

Our Goals

Our ability to create and deliver value is dependent upon depleting natural resources, climate change and a thriving society and economy. A cautious use of resources and efficient management of our activities which have adverse impact on our eco-system and society are critical factors.

Our medium term target were defined in 2016 to help measure our progress and take necessary actions to become a sustainable organization delivering value with minimal impacts. This year, we are introducing a new target for our supply chain management as well as updating existing targets.

Sustainability area	Target year	Progress	New Targets	Target year
Material				
10% reduction in paper usage	2018	Achieved	0.5% reduction in paper usage	2021
10% increase in usage of recycled material	2018	Awareness created for use of recycled material. No recycled material is used in production.	-	-
Energy				
2% reduction in energy consumption from 2014 level	2020	1.38% reduction achieved	-	2020
Emissions				
2% reduction in emissions from 2015 level	2018	1.52% reduction achieved. Missed due to measures taken to counter depleting gas pressures and gas compositional changes.	0.5% further reduction in emissions intensity from 2018 level	2021
Water				
2% reduction in water intake from 2015 level	2018	Missed. Water intake increased by 6% due to low water quality.	Limit increase in water intake to 5% from 2018 level	2021
2% reduction in waste water from 2015 level	2018	4% reduction achieved.		
Health and safety				
Zero injury	2018	Achieved	Zero injury	2021
Security practices				
100% security personnel trained on human right policies	2018	Achieved	-	-
Supply chain management				
-	-	-	1. Incorporation of sustainability criteria in procurement manual 2. Training on sustainability criteria to local vendors representing 75% of local procurement	2020


FFC FAUJI FERTILIZER COMPANY GM
***** SPREAD HAPPINESS *****
DAYS SINCE LOST WORK INJURY
1670
PRODUCTION STATISTICS
PLANT. I
PLANT. II
LOAD %
121
123
UREA YESTERDAY
2553
2375
YEAR TO DATE
0039339

Positioned for Value Creation

Our Value Creation Business Model

Our value creation business model is the hub of everything we do. It defines inputs we consume, activities we carry on, the relationships we depend on and the outputs and outcomes, we desire to achieve while creating sustainable value for our stakeholders in short, medium and long-term.

Capitals

Financial

Equity	Rs 33,383m
Long-term debt	Rs 8,584m

Manufactured

Tangible and intangible infrastructure

2 manufacturing facilities	3 offices
194 warehouses	5 FAC
Market channels	SAP

Human

Employees	3,364

- People centered culture
- Strong governance

Natural

Materials	Eco-system services
Water	Energy

Intellectual

Knowledge of our people

Brands	Processes

Corporate reputation

Social and Relationship

Relations with local community, customers, suppliers, and wider stakeholders

Sustainability leadership

Value Creation and addition

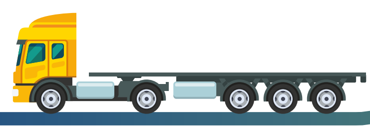
Continuous optimization of manufacturing facilities

Broadening opportunities through quality products with wider distribution network

FFC Products

Manufacturing

We use these capitals as input to manufacture fertilizers



Transportation

We transport our products through our haulage contractors.

Distribution

We work with our dealers to reach customers.

Working with customers to enhance product utilization and farm productivity

Community engagement

We work with our employees and local community. We strive to build trust in our company to enhance business and become trusted partner for stakeholders

Product use

We work with farmers to improve productivity.

Winning the trust of our stakeholders

Financial outcome FFC

Owner's equity	13.73% to 33,383m	▲
Long-term debt	44.88% to 8,584m	▼
Property, plant & equipment	3.49% to 21,533m	▼
Short term investments	76.75% to 54,585m	▲
Sales	16.81% to 105,964m	▲
Cost of sales	7.39% to 77,986m	▲
Finance cost	33.05% to 1,637m	▼
Other income	38.99% to 6,283m	▼
Taxation	44.02% to 7,244m	▲
Net Profit	34.81% to 14,439m	▲

We create and share value with our stakeholders, which ultimately creates value for us.

Shareholders

- Delivered strong and healthy 43% return on equity
- 78% payout ratio

Employees

- Paid Rs 9,295m as salaries and wages
- Provided 34,896 man hours training to enhance workforce skills
- A thriving culture for nourishing valuable human capital

Our work for creating value for employees at page 152.

Customers

- Advising farmers to increase productive potential and farm earnings.

Our work for customers at page 148.

Community

- Spent Rs 85m on CSR to uplift the lives of community, and contributing to basic public good.

Our work in communities at page 161.

Environment

- Protecting the environment through reduced impacts

Our work as socially responsible company at page 163.

External Environment

Persistently changing external environment has resulted in volatility on the political, economic, technological, environmental and social fronts. The volatility has material impact on our ability to create value. Our strategy ensures that we are best positioned in our external environment to manage the risks and optimize the opportunities associated with these four key areas.

Political and macroeconomic

Global economic growth outlook during the year remained stable, regardless of increasing trade related protectionist measures being practiced by US against China and ongoing uncertainty associated with the Brexit deal between UK and EU. However, in Pakistan the economy slowed down after five years' rise on account of elections, financial instability faced by the new government and slashing down of development budget. A slowdown is expected in the next year as the country grapples with economic imbalances, slow growth in remittances, depreciation of Pakistan rupee, increasing inflation, increasing interest rates and ongoing government negotiations with the IMF for financial support.

During the year, agriculture sector recorded a remarkable growth of 3.81 percent and surpassed its targeted growth and last year's growth. This stemmed from higher yields, attractive output prices and supportive government policies, better availability of certified seeds, pesticides, agriculture credit and intensive fertilizers offtake. The increasing farmers' income coupled with supportive government policies and increased credit disbursement for agriculture sector will result in stable growth for next year

Social

The stable growth over the years has resulted in increase in per capita income and reduced poverty level in Pakistan. However, social, environmental and economic challenges, such as limited resources, especially water scarcity, climate change, urbanization, rising inequality and growing unemployment are major social problems posing risk and opportunities for businesses. Lack of access to health facilities, food, education clean water and sanitation is resulting in under-privileged and deprived population.
It poses a challenge for Government to provide basic facilities for uplifting the lives of these communities and utilize the unemployed youth for economic development. The prevailing conditions place a responsibility on businesses to support government and reap the dividends by aligning business strategies to solve these problems.

Environmental

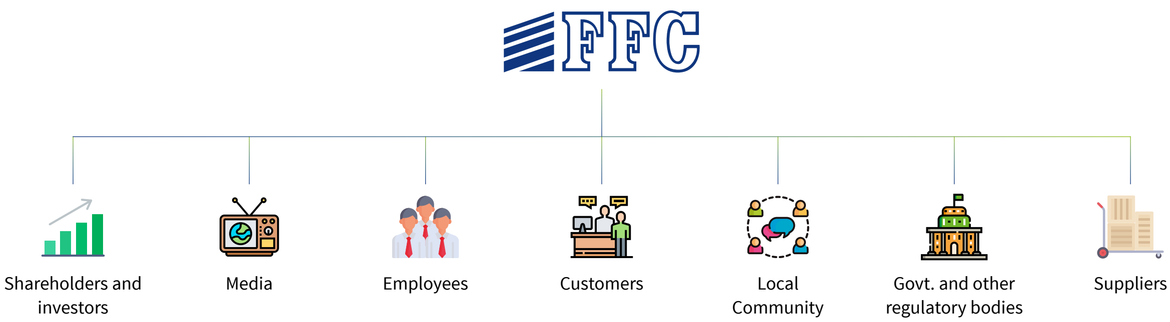
Reducing negative impacts of operations are vital for continuous operations. The deteriorating environment, and rising temperatures require immediate action, if we do not act now, we could compromise the ability of future generations to meet their needs. Globally as well as in Pakistan, climate change is causing devastating floods, droughts and affecting crops' growing patterns resulting in productivity loss and pushing up food inflation. The decreasing water level in most parts of Pakistan, resulting in water scarcity, is an important issue which requires instant steps. The increasing use of renewables and decrease in cost of clean technologies has helped in managing energy crises in Pakistan. However, a number of steps are required to decrease the negative impacts of industries to reduce water pollution, CO2 emission, and effective handling of waste. The changing climate affecting crop patterns and decreasing gas reserves are the major risks to the fertilizer industry.

Regulatory

The recently introduced Code of Corporate Governance for listed companies and company law, along with ongoing directives by the regulator, are increasing the compliance requirements for the corporate sector in Pakistan. The ongoing international debate on non-financial reporting, investor specific reporting and discussion on private sector role in meeting the SDGs, is expected to introduce new codes and regulations in Pakistan. The increased regulatory requirements in this regard will shape the agenda for the corporate sector and will increase the cost of compliance

Stakeholders Engagement

Value creation requires integration of expectations and interests of stakeholders in decision making. Our continuous commitment to engage our stakeholders helps us to understand their concerns, devise appropriate strategies and deliver to the expectations of our stakeholders.



Stakeholder engagement approach

Our stakeholder engagement approach focuses on identification of relevant and important stakeholders by taking into account those groups or individuals which can be significantly affected by our business activities, outputs or outcomes, or whose actions can be expected to significantly affect our ability to create value over time. These are profiled, mapped and prioritized for consultation based on factors of influence, responsibility, proximity, dependency, willingness to engage and representation. We consult with our stakeholders on continuous basis through relevant departments.

Customer satisfaction survey

Economic success depends upon knowing the stakeholder concerns and meeting their expectations. Customers are of prime importance to us. We provide support in the use of our products and gather feedback from farmers through our extended Agri-service department.

Customer satisfaction surveys are also conducted on a biannual basis. The surveys comprise of questions to measure the level of customer satisfaction on aspects of quality, operations and products offered, focusing on the entire product portfolio across the marketing area network of Pakistan. During the year, two customer satisfaction surveys were carried out in January and June 2018 respectively. The surveys were conducted by selecting dealers as sample size from the entire marketing area across Pakistan, covering all 13 FFC regions.

Customer overall satisfaction

January 2018	June2018
9.57	9.82

More than
94%
satisfaction level with respect to product delivery time.

More than
98%
satisfaction level with respect to quality, packaging and pricing.

More than
62%
farmers followed advice of Agri. Services for modern farming practices.

More than
95%
farmers, who followed recommendations, witnessed increase in yield.

Stakeholders Engagement

Stakeholder engagement in 2018

In line with our previous practice of report specific stakeholder engagement, we carried out a report specific engagement with investors, analysts, financial institutions and Pakistan Stock Exchange to get investors' perspective to validate the material issues and our value creation. The investor community along with analyst showed keen interest in the engagement and actively participated in the discussion on Sustainability Report 2017 and the additional disclosures for the report 2018.

Stakeholders meeting with investors, analysts, financial institutions and Pakistan Stock Exchange

Stakeholders, method and frequency of engagement and our response

Shareholders/ Investors

Shareholders are regularly engaged through Corporate Affairs department. The shareholders are focused on consistent economic returns and managing impact on environment and society. We are making continuous investments on plants, diversifying in different business segments, investing in cleaner technologies and extending the CSR program to ensure consistent returns with minimal negative impact.

Farmers/ customers

The customers are regularly engaged through Farm Advisory Services (FAS), customer satisfaction measurement surveys, Kashtkar desk. The important issues raised are new products and support to farmers through FAS. Our research and development at FAS are exploring new farming techniques for increasing productivity and build farmers' knowledge through SMS, publications and dedicated helpline.

Suppliers

Suppliers are engaged on regular/ occasional basis through surveys, request for proposal and supplier code of conduct. The important issues raised are trainings on supply chain sustainability requirements to be introduced by FFC. We are focused to provide support on new requirements for smooth implementation.

Employees

Employees are regularly engaged through Annual Marketing Conference (AMCON), Regional/zonal meetings, annual recreation day, annual dinner, meetings with CBA and various fun/ learning activities at plantsites. Employees are focused on training and education opportunities to increase skill set and health and safety of workforce and families at plant sites. We are focused to extend trainings as well as increase participation in existing training programs and make persistent investment for better health and safety of our workforce.

Distributors

Distributors/dealers are engaged regularly through Marketing Group. The dealers' capacity building on product developments is the prime concern which is handled through effective and efficient marketing communication and outreach to increase dealers' knowledge.

Local community

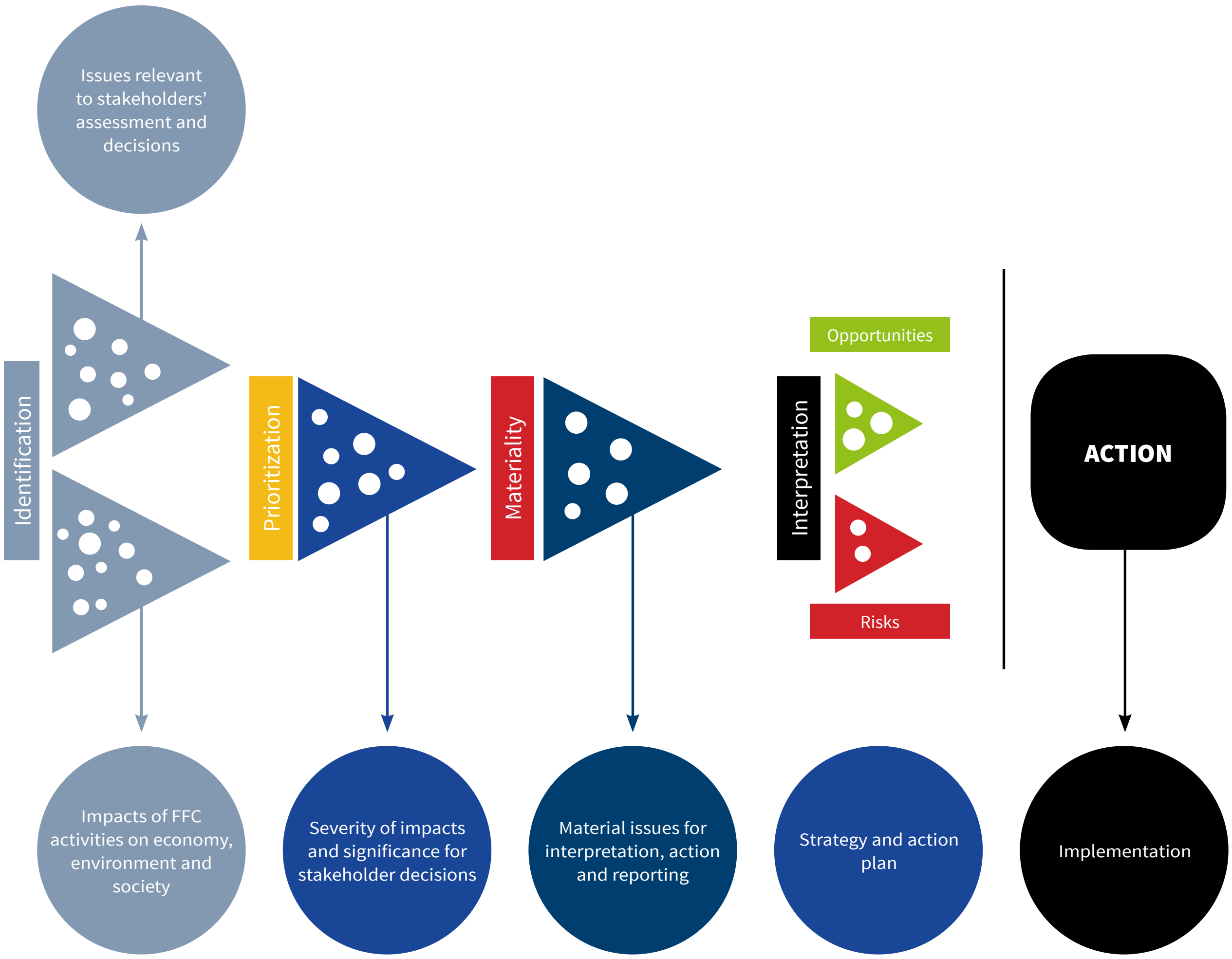
Local community is regularly engaged through plant site employees and community meetings. Local community interests are investment in education, skill development and health and infrastructure development. We are continuously making investments in education, skill development and health and infrastructure development at our communities through our CSR program

Government and regulatory bodies

Government and regulatory bodies are engaged on regular/case to case basis through meetings with government officials and representations in various events concerning company business. The prime concerns are compliance with applicable laws and partnerships for development. We always abide by the applicable regulations and are focused to explore possible ways for partnership for sustainable development.

Materiality assessment

Our value creation strategy is focused to benefit all of our stakeholders which requires us to timely identify, prioritize and formulate our response to manage impact, risks and opportunities.



Defining report content

The reporting principles of sustainability context, materiality, completeness and stakeholders' inclusiveness were used at varying degrees during identification, prioritization and validation of material topics for this Report.

Based on the results of the stakeholders' engagement, review of industry specific issues and internal analysis, a materiality analysis was carried out to identify/update the material sustainability issues. This analysis has allowed us to identify the most relevant topics which reflect our significant impact, greatly influence our value creation ability and the assessments and decisions of our stakeholders. Through the materiality analysis, we consider the severity and likelihood of such a potential risk and establish relative risk levels to guide our mitigation activities. Compliance with laws, international standards, internal regulations, and FFC's code of conduct is a basic requirement for all activities as part of the precautionary approach. The validation of material topics was carried out by CSR Committee which is responsible for sustainability related activities.

Materiality assessment

The material topics are the typical kind of activities which successful chemical companies develop, such as plant, process and product safety, environmental protection, health and safety and making investment for uplift of the plant site community. Although FFC is a leader in all these areas in its sector, it is still focused on moving ahead for playing its role in sustainable development.

INFLUENCE ON STAKEHOLDERS' ASSESSMENT AND DECISIONS	Moderately	Highly
Highly	• Market presence • Procurement practices • Grievances mechanisms	• Economic performance • Materials • Emissions • Water • Waste • Employment and labor relations • Anti-corruption • Respect for human rights • Farmer advisory • Local communities • Indirect economic impact
Moderately	• Biodiversity • Public policy	• Energy • Health and safety • Training • Security practices • Marketing and labeling • Compliance • Supply chain impacts

SIGNIFICANCE OF IMPACTS ON ECONOMY, ENVIRONMENT AND SOCIETY

The matrix divides up the areas to show topics having high impact and those having moderate impact of FFC's activities and topics highly relevant and moderately relevant to its stakeholders. The content and scope of this report is also derived from this matrix.

Boundary of material topics

The boundaries for material topics have been identified on the basis of their impacts whether lying within or outside the organization. The reporting principles for defining report content have been used while identifying the boundaries for material topics.

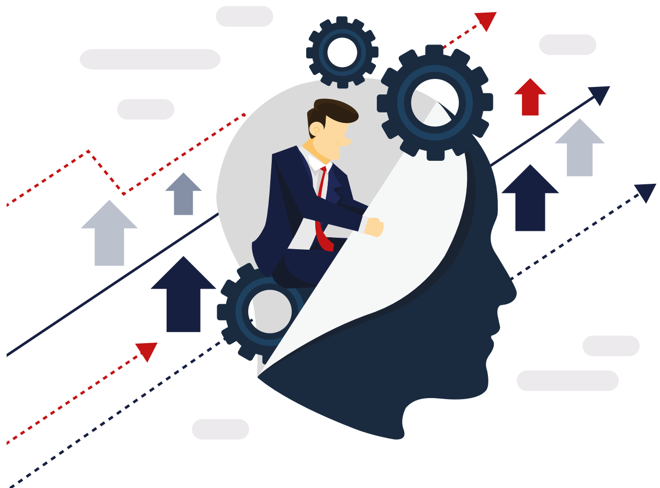
MATERIAL TOPIC	WHY IT IS MATERIAL?	BOUNDARY
Economic performance	Critical for economic contribution and ability to deliver value to stakeholders	FFC
Materials	Depleting raw material resources affecting finite resources	FFC
Emissions	Environmental impacts due to emission of Green House Gases (GHG)	FFC, our suppliers
Water	Environmental impacts due to depleting water reserves leading to water scarcity	FFC, our customers
Waste	Environmental impacts through incineration, dumping and discharge of hazardous and non-hazardous waste	FFC, our suppliers
Employment and labor relations	Diversified workforce for better productivity, compliance with laws and regulations and international charter and conventions	FFC
Anti-corruption	Impacts on competition and negation of competition and equal opportunity rights as defined in international charters and conventions	FFC, our suppliers
Respect for human rights	Impacts on the basic rights of people defined in international charters and conventions and FFC's commitment to internal charters and initiatives	FFC, our suppliers
Farm advisory	Increased farm productivity through farmer capacity building leading to economic development	FFC, our customers
Local communities	Impact of operational activities and developments around plant site for economic development	FFC
Indirect economic impacts	Impacts on the surrounding communities and socio-economic development	FFC
Energy	Environmental impacts due to use of non-renewable resources for energy production	FFC, our suppliers
Health & safety	Impacts on health of workforce affecting productivity and consumers concerns	FFC
Training	Impacts on workforce ability to effectively contribute to operational success leading to the effectiveness of the organization's ability to create value	FFC
Security practices	Compliance with basic human rights as defined in international charters and conventions	FFC
Marketing and labeling	Compliance with laws and regulations	FFC
Compliance	Compliance with laws and regulations	FFC
Supply chain impacts	Impacts due to activities of supply chain partners	FFC, our suppliers
Market presence	Economic contribution and job opportunities for local community	FFC
Procurement practices	Economic contribution and creation of business opportunities through local sourcing	FFC
Grievances mechanism	Identification of negative practices and provision of advice on ethical concerns	FFC

FFC has witnessed a positive progress on material sustainability issues over the period through more efficient water usage, improvement in energy consumption, better health and safety facilities and intervention in the fields of health, education and poverty alleviation in the local community. However, the environmental impact for the current year increased on account of increased production but we are strongly focused to reduce environmental impact in the future through a continual improvement policy, mitigate the financial impact of risks and create shared value through focusing on the opportunities.

Strategy and Resource Allocation

Sustainable value creation can only be achieved through efficient use of resources, developing products meeting customer expectations, promoting responsible consumption and treating environment and people fairly and with respect. This attitude opens up opportunities and sets us apart from our competitors resulting in higher level of revenues, customer appreciation, acceptance and increased demand.

"Our strategy is the corner stone of the value creation process and guides our people to deliver ***sustainable value over short, medium and long-term."***



Our strategy and management of the value creation process help us to achieve our reputation among investors, be they shareholders or providers of debt capital, customers and our business partners. Our investors appreciate the fact that their investment is designed to generate value over different time horizons. Although the initial investment on sustainable value creation is higher, careful planning and implementation leads to generate higher revenues which offset or exceed the initial investments in the medium to long-term. Our investment in sustainability aims to minimize the quantity of material we use and cut overall costs, make the company qualified to attract highly-skilled employees and investors, and to improve product quality and the Company's image amongst its customers. As such, sustainable value creation, in its broadest sense, has become a key criterion for good corporate governance. Our governance approach for sustainable value creation is covered in the governance section of this Report.

We envisage sustainable value creation as a process of change in which use of resources, goals of investment, direction of technological development, and institutional changes are not only in synchronization with each other but also increase current and future potential to create value.

We have developed programs, initiatives, and long-term measures in all key areas as a means of achieving the goals which we have set for ourselves whilst also increasing the benefit for all stakeholders. As a leading fertilizer manufacturing company, we do not limit our sustainability efforts in compliance with statutory regulations but have also committed to an ethical and sustainable conduct in all of our commercial activities. All our actions comply with the applicable laws, principles laid down in the UN Global Compact and our internal code of conduct. We strive for a business culture of continuous improvement, sustainable competitiveness and top performance in line with our ethical standards. In all of our activities, we put emphasis on environmental protection and safety. We are continually striving to improve in terms of economic, environmental and social sustainability to create value through efficient use of our capitals.

How We Create and Share Value?

Our value creation business model and process shows how we take in value, use our manufacturing facilities, people, systems and relationships to create additional value for our shareholders, employees, and other stakeholders.

FFC Value Chain

Investor

Capital

Our value chain begins with capital we require for business from shareholders and financial institutions.

We allocate capital to run our operations and invest in areas which offer best prospects for growth and long-term returns.

Supplier

Materials

We source raw materials and related supplies from our reliable supply chain partners.

We utilize the raw materials to manufacture quality products for our customers.

Employees

Talent

We employ talented and best of class workforce. We equip them with skills, training and equipment.

We utilize their skills, and expertise to manufacture, price and market products for customers.

Customers

Trust

Our customers buy our products and entrust money to us.

We utilize this money responsibly to manufacture products and make investments.

Quality Urea

Through our products, we help customers to increase crop yield, farm productivity and earnings to bring prosperity.

Productivity

Through our products, we help customers to increase crop yield, farm productivity and earnings to bring prosperity.

Benefits

Through our Agri. Services, we disseminate complete production technology of crops and promote balanced fertilizer with provision of free of cost soil and water analysis to increase productive potential and earning.

Profits

We earn profits, which we share with our investors in the form of dividends and financial charges.

Society

We contribute to the society through our tax payments, payments for goods and services we buy and our support and investment in local community through our CSR programs.

How do we Create and Share Value as a Manufacturer of Fertilizer?

By Producing Quality Fertilizer

We create value for our customers and economy through producing and marketing quality fertilizers. Our products are additives for better crop productivity and our purpose is to protect and enhance productive potential of farms and our end consumers' earnings. We have thousands of customers in Pakistan ranging from small farmers to large farm holdings and farm houses. To meet the expectations of our customers and in line with our strategy, we are committed to producing only quality products which correspond to the international environment and safety standards. Constant monitoring and regular reviews are carried out on all business aspects and processes in order to ensure that they continue to conform to our commitment to produce quality products. Quality and performance monitoring is an integral part of our business processes and strategic planning. External certification of health and safety of production systems are performed regularly. The results are used in the evaluation of our approach and related adjustments in processes are carried out, where required. Product responsibility lies with the manufacturing department and the Chief Executive & Managing Director overviews all functions of the Company so as to deliver quality products to our customers and create value to our shareholders.

FFC ensures that employees, customers, general public and the environment can rely on the safety of its products throughout the entire product lifecycle. Regular trainings are conducted covering aspects related to health & safety of product and product quality. Standard weight of fertilizer bags is ensured and regular quality analysis of product samples is performed in respect of average prill size, biuret, moisture, crushing strength and total fitness. FFC made assessment of health and safety impacts of all products during the year in order to identify improvements and support its commitment of producing customer friendly products. During the year, our products were in compliance with regulations and voluntary codes concerning health and safety impacts of products.

By Investing in Better Farm Productivity

Growers are vital in our strategy to ensure a sustained long-term growth. We have built a loyal customer base through our continuous commitment and investment in farm advisory which promotes the brand in the marketplace and contributes to our overall success. We adopt an integrated approach of agronomic, extension and soil testing activities for accomplishing the objectives of Farm Advisory Services. Our agronomic activities include laying out crop demonstration plots and conducting fertilizer trials in farmers' fields while extension activities include agricultural seminars, farmer meetings, group discussions, field days, training programs and farm visits. Our soil testing service is a valuable tool to identify soil problems and to propagate appropriate and balanced use of fertilizers. In order to ensure incessant support to the farming community, we continuously invest in our Farm Advisory Services. We operate 5 Farm Advisory Centers (FAC) and 23 Agri. Services Offices (ASO). A Farm advisory Center comprises of a team of professionals fully equipped with modern and sophisticated computerized soil & water testing laboratory and a demonstration van with high tech audio visual equipment. It operates for 4-5 years in an area providing guidance in line with area crops and socio-economic position of the farmers. We maintain close liaison with research organizations to transfer the latest findings to the farming community through our farm advisory services. The experts and professionals from agricultural institutions and government departments are invited to deliberate upon problems of the farming community. We are collaborating with various national and international companies on R&D activities including University of Cologne, Germany, University of Nottingham, UK, Rothamsted Research UK, Solvay, Belgium and NARC, Islamabad. Our R&D activities are not limited to slow release fertilizers, biologically enhanced fertilizers, micro nutrients impregnated fertilizers and N-inhibitor fertilizers. FFC is operating Fertilizer Research Centre at Faisalabad as a testing and evaluation platform for newly developed products. Moreover,

05	**21**
Farmer advisory center	Agri. service office

108,762
Booklets/flyers distributed

26,000
Newsletters distributed

1,025
Calls received and advice provided

49,452
Growers were briefed in Urdu on crops' cultivation methods

Number of farmers reached by agri-services activities in 2018	
Farmer Meetings	404
Blitz Programs	40
Farm Visits	3,929
Training Programs	45
Crop Demonstrations	113
Field Days	94
Group discussions	614
Soil & Water Samples Tested	14,988
Total outreach	**77,741 farmers**

we are carrying out R&D work not limited to development of value added fertilizer products which would improve farm economics for the farmers, environment by controlling nitrogen release from granule in a manner that matches crop growth requirement thus directly addressing the issue of Planetary Boundaries. The planetary boundaries concept presents a set of nine planetary boundaries within which humanity can continue to develop and thrive for generations to come. Crossing these boundaries could generate abrupt or irreversible environmental changes. Respecting the boundaries reduces the risks to human society of crossing these thresholds.

Crop literature and crop documentaries

We develop and regularly update crop literature (in national and regional languages) covering complete production technology, fertilizer dosage, timing and method of application for all major crops, vegetables and fruits grown in the country. In this regard, 23 booklets/flyers especially, the "Fertilizer Guide Book" and "Fertilizer Recommendation Book" are valuable assets for disseminating information about fertilizers and their use for different crops. The booklets/flyers are printed in different languages to overcome language barriers and ensure mass outreach. Agriculture newsletters are published quarterly in Urdu Language to refresh farmers' knowledge regarding seasonal/on-going crop operations. During the year, brochures of various crops, orchards and vegetables were distributed among the farmers in various Agri. Services activities for their ready reference. Moreover, Short Messages Service (SMS) about different agriculture related issues and recommended practices were also sent to farmers on the mailing list. In order to further strengthen FFC's contact with the farming community, prompt interaction regarding their emergent field issues and suggesting resolution within the shortest possible time, the company has in place a dedicated helpline service (0800-00332).

We have developed crop production documentaries to educate farmers on different farming techniques. Our Agri. Services teams regularly participates in various Talk shows organized by Radio and TV stations to discuss production technology and balance fertilizer use for major crops. Our Agri. services teams also participate in various activities organized by different institutions for imparting knowledge on fertilizer usage, its impact in overcoming soil deficiencies and better health. We have a professional, trained and experienced team to render advisory services in different agro-ecological zones and we are committed to playing a leading role in the economic uplift of our key stakeholder.

How do we Create and Share Value as a Manufacturer of Fertilizer?

Development of Soil Fertility Atlas of Pakistan

FFC collaborated with FAO, USDA, in the development of the Soil Fertility Atlas of Pakistan (Balochistan & Khyber Pakhtunkhwa) through sharing soil analysis data of FFC Labs or the development of Atlas. Last year, FFC collaborated with FAO for the development of the Atlas for Sindh and Punjab. The Atlas is an important tool for better management of land, enhances productive potential, increases incomes of small scale farmers and reduces food insecurity and hunger directly contributing to SDG 2 "Zero Hunger".

Agriculture Value Chain Project

FFC continued collaboration with the Pakistan Micro Finance Investment Company (PMFIC) to implement an Agriculture Value Chain in districts of Sheikhupura, Gujranwala and Nankana Sahib for 5,000 rice and 5,000 wheat growers. The value chain project includes capacity building of the farmers, creation of backward and forward linkages and informational messaging service. FFC provided farmer trainings through farmer meetings, field trainings, group discussions, farm visits, soil sampling, and distribution of crop literature/ brochure. The project goals are to improve productive potential of land, increasing farmers' capacity, improved access to information and markets leading to increase in subsistence farmers' income contributing to SDG 1 "No Poverty"

Mobile App on Fertilizer Recommendations for Farmers

In order to facilitate the farming community in the use of balanced fertilizer, FFC initiated work on the development of a Mobile App on Fertilizer recommendations for farmers. This model would help to predict fertilizer recommendations for those farmers who could not avail soil analysis facility and will result in better production and earnings for the farming community.

Promotion of Bio-fortified Wheat Variety

In Pakistan 185 million people are deficient in zinc which is a vital nutrient for human life. In order to overcome Zinc deficiency, offer improved food security and higher income, a nutrient fortified wheat variety "Zincol" was introduced by the government in the year 2016. FFC coordinated and collaborated with HarvestPlus to propagate the nutrient (Zinc) fortified Wheat Variety Zincol in the country. This year, five demonstrations of Zincol Biofortified Wheat varieties were organized to promote this seed in the country. FFC has organized total 19 demonstration of Zincol till 2018.

We support efficient use of products to increase production and returns.

The impact of use of our products, activities of Agri. services and the resultant value addition are measured through economic analysis/Value Cost Ratio (VCR) for major and minor crops which elaborate production cost and net income of the produce at our crop demonstration plots which are laid in the entire marketing area.

Value Cost Ratio (VCR)

	2018	2017
Major crops (Wheat, Rice, Maize, Cotton, Sugarcane)	1.7 – 4.9	2.6 – 3.4
Minor crops (Sunflower, Tobacco, Potato, Citrus)	1.9 – 4.6	1.5 – 3.9

How do we create and share value as an employer

Creating and delivering value on a consistent basis is dependent upon our human capital. We value human capital as an important asset, by believing in fair treatment and ensuring compliance with laws, regulations and our own code of conduct. Our employees are the most important factor for our success not only in the current market environment but also in future, as their performance alone determines our economic strength and competitiveness. We have a well-defined Human Resource (HR) policy to manage HR priorities, succession planning, recognizing and rewarding the prestigious talent and leadership development. Our aim is to bring the most talented and imaginative people on board, nurture their talent and provide the best facilities to them. We have therefore drawn up numerous employee advancement and development programs with a wide range of services.

The most senior officer responsible for labor practices is the General Manager Human Resource. The HR heads at the marketing/manufacturing unit level report to GM-HR. All aspects of labor practices, i.e., training, non-discrimination, diversity and equal opportunity etc. are closely monitored at the marketing/manufacturing unit level as well as at the corporate level. The breach of the aspects is monitored by HR department and adherence to the laws and regulations is discussed frequently and reported quarterly to the HR Committee of the Board. Both attracting qualified employees and ongoing employee training and development are of great importance to FFC. We provide our employees with the skills and resources they need to work in an even more efficient and innovative way. We have already set exemplary standards in this area with numerous training programs and a best in class in house training center.

Active management of the human capital is critical to ensure continuous growth and retain value creation potential of our business. Our approach is continuously monitored through input from employees at AMCON as well by the Board's Human Resources and Remuneration Committee and input/complaints received through our grievances mechanisms. Based on the inputs and feedback, the management approach is reviewed and updated to ensure a productive environment for our people.

By Providing Employment

We have employed 3,357 people in our operations including plants, marketing offices and head office. The substantial portion of work is performed by workers who are employees. We do not offer part time employment nor any supervised workers work at FFC. FFC indirectly supports jobs through our suppliers, contractors and distributors. To attract the competent people and to ensure that they stay with us, we offer right benefits, rewarding work and career advancement prospects.

During the year, the hiring rate was 7% while the turnover rate was 9%. The employment information has been compiled from management information system and no assumptions were made.

Total Number of Employees

3,357	2018
3,364	2017
3,415	2016

Employees by employment type broken by gender

Employment type	Male	Female
Full time	3,266	91
Part-time	-	-
Total	**3,266**	**91**

Employees by employment contract broken by gender

Employment contract	Male	Female
Permanent	3,068	78
Temporary	198	13
Total	**3,266**	**91**

Employees by employment contract broken by region

Location	Permanent	Temporary
Head Office-Rawalpindi	810	32
Goth Machhi Plant	934	117
Mirpur Mathelo Plant	715	48
Lahore	612	10
Karachi	75	4
Total	**3,146**	**211**

Hiring by Age Group

154 66%
<30

50 22%
30-50

29 12%
>50

Hiring by Gender

227 98%
Male

6 2%
Female

Hiring by Location

37 15%
Head Office -RWP

149 65%
Goth Machhi Plant

10 5%
Mirpur Mathelo Plant

30 13%
Lahore

7 3%
Karachi

Attrition by Age Group

159 49%
<30

30 10%
30-50

131 41%
>50

Attrition by Gender

226 97%
Male

6 3%
Female

Attrition by Location

36 15%
Head Office -RWP

149 63%
Goth Machhi Plant

10 8%
Mirpur Mathelo Plant

30 12%
Lahore

7 2%
Karachi

How do we create and share value as an employer

By investing in our workforce

We share the value created with our employees in the shape of employees' salaries and benefits. In 2018, we paid Rs. 9,295 million as workforce salaries and benefits, which makes our workforce an important investment and valuable asset. We pay wages and salaries that are determined by local relevant competitive markets rather than by legally defined minimum wages. However, we exceed the minimum wages threshold at all of our operational sites. Where work is performed through contractors' workers, payment of minimum wages to the contractors' workers is ensured through direct transfer into the bank accounts of the workers which is duly verified by the bank. During the year, the ratio of standard entry level wages to local minimum wages was 1.27:1 across all significant locations of operations.

We maintain separate funded pension and gratuity schemes where all obligations of funds are financed by FFC. All eligible employees who complete the qualifying period of service and age are benefited by these schemes. The trustees administer these funds. The annual contributions to gratuity and management staff pension funds are based on actuarial valuation. The defined contributory provident fund is for all eligible employees for which FFC contributions are charged at the rate of 10% of basic salary. The employees also contribute 10% of basic salary to provident fund. The provident fund may be reimbursed after an employee leaves the organization or may be transferred, as per the convenience of an employee. We spent an amount of Rs. 754 million on defined benefit plan obligations in 2018. The benefits are provided to full time employees including management and staff. These benefits are not offered to contractual employees.

million
Rs 9,295
paid as workforce salaries and benefits

million
Rs 754
spent on defined benefit plan obligations

Benefits	Management	Staff
Life insurance	Yes	Yes
Health care*	100%	100%
Disability/Invalidity coverage	Yes	Yes
Parental leave	Only females	Only females
Retirement provision	Yes	Yes
Stock ownership	No	No

**Subject to company policy*

By providing equal opportunity

FFC does not discriminate basic salary or remuneration on the basis of gender. No intentional differentiation is made in benefits provided by FFC according to the type of employment contract. Only female employees are given maternity leave. A total of 91 female employees were eligible for parental leave, out of which fourteen female employees availed maternity leave in 2018. Thirteen female employees returned to work in 2018 after parental leave ended.

The return to work and retention rate of employees after availing parental leave was 92%. Moreover, the employees who took parental leave and returned to work remained employed for more than 12 months after their return to work We reward employees on the basis of performance and their role in the advancement of company objectives. The ratio of basic salary and remuneration of women to men is one to one at FFC. All FFC employees received performance appraisal in 2018. We regularly monitor benefit plan obligations for relevance, compliance, costs and stability to ensure that the benefits are in line with the operating environment.

By developing skills and talent

We provide training to employees at all levels within the organization to nurture their talent and knowledge base. We believe that motivating and training our employees will contribute significantly to their skill set and success of our company. We consider it important that employees have the opportunity to realize their potential and develop a successful career. Based on this thinking and principle of equal treatment and equal rights, we offer our employees internally and externally conducted specialist and interdisciplinary training and qualification measures.

At FFC, HR development framework focuses on training and education of employees, which consists of a three-step-process, first assessing employees' competencies, training them for their job and then encouraging the development of employees through education. This helps to identify skill gaps within the organization and looks to address those gaps ensuring the right people are in the right jobs for safeguarding long-term sustainability of the company.

Career development opportunities are provided to employees, which go beyond training. We have formal talent management programs which help us map employees' skills and match them to new opportunities. This also supports effective succession planning, particularly for senior and other strategic positions within the company. The employees enhance their skill set and get lifelong learning through a management skill development program throughout the career, provision of long-term leave for improving professional qualifications, offshore technical services and deputation to diversified businesses.

Average training hours per employee

34,896
Total training hours

3,356
Total employees

10
Average training hours per employee

Average training hours per male employee

33,968
Total training hours

3,256
Total male employees

10
Average training hours per male employee

Average training hours per female employee

928
Total training hours

91
Total female employees

10
Average training hours per female employee

Average training hours per management employee

26,656
Total training hours

830
Total management employees

32
Average training hours per management employee

Average training hours per staff employee

8,240
Total training hours

2,526
Total staff employees

3
Average training hours per staff employee

By providing a decent and productive place to work

We do our best to provide a decent and productive workplace to our workforce. Consistent health and safety programs and checkups are conducted for employees. These programs include initiatives to reduce injuries at workplace, plant site, and reduce stress. Regular engagement is carried out with collective bargaining agents, works councils and other employee bodies on employees concerns related to working conditions. We support rights of freedom of association and the entitled employees are free to join unions and to be represented by a representative of these unions internally and externally in accordance with applicable laws. All staff employees are covered by CBA, which covers 75.26% of total workforce strength. Fifteen days' notice period

How do we create and share value as an employer

is served on relocation within plants and three days of joining period is also given on relocation. This information is not specified in CBA agreements. FFC complies with all local statutory and operational requirements with regard to the provision of information to employee representatives and employees.

Diversity strengthens the company, brings in new perspectives, helps drive innovation and leads ultimately to better decision-making. Our employment policy strives for a diverse workforce and aims to find the candidates best suited for an open position. The recruitment of employees is based only on their qualification, skills, suitability for the open position and their individual potential for a successful future at FFC – in line with the corporate strategy and objectives. However, as a common practice, while hiring junior level staff/apprentices at plants relaxation is given to the local population to encourage the local community. Likewise, in the marketing group, preference to post locals, from among the selected ones, is also given due consideration to resolve communication issues/ language problems. No senior management employee at locations of significant operation is hired on the basis of location or domicile and no specific quotas for women, specific nationalities, ethnic minorities or special age groups exists for senior management and Executive Committee. All the candidates are evaluated and selected on the basis of the same list of criteria. However, to promote economic independence of people with disabilities, FFC extends employment opportunities to such persons along with special health care and ancillary facilities.

Employees by gender, minority group and age group

	Minority Group		Age Group		
	Muslim	Non-Muslim	<30	30-50	>50
Male	98.55%	1.45%	18.11%	52.26%	29.63%
Female	98.38%	1.62%	26.38%	62.64%	10.98%

Individuals in governance bodies by gender, minority and age group

	Gender		Minority Group		Age Group		
	Male	Female	Muslim	Non-Muslim	<30	30-50	>50
Board of Directors	92%	8%	92%	8%	0%	8%	92%

Employees by employment category, gender, minority group and age group

	Gender		Minority Group		Age Group		
	Male	Female	Muslim	Non-Muslim	<30	30-50	>50
Management	24.08%	48.36%	24.78%	22.23%	20.36%	29.22%	19.41%
Staff	75.92%	51.64%	75.22%	77.77%	79.64%	70.78%	80.59%

By investing in health & safety of workforce

FFC always endeavors to educate employees on health and safety topics to ensure maximum level of health and safety of its labor force. Health and safety aspects are monitored and reviewed on an ongoing basis. The operational aspect of health and safety practices in manufacturing units is governed by the GM M&O of the manufacturing units. HR head at plant site is responsible for fair labor practices, policies with respect to regulations and laws as well as other activities for the benefit of the employees. FFC has an occupational health and safety management system in place for risk assessment of operations and committed to preserving its employees' health by avoiding accidents as much as possible. The health and safety management system is implemented to meet the requirement of Environmental Protection Act, 1997, Industrial Relations Act, National Environmental Quality Standard (NEQS) and OHSA Guidelines for Noise/ Ammonia in air and OHSA guidelines for health and safety. All workers, activities and work places are covered by the management system. The contractor workers are required to follow the health and safety management system requirements while working in the plant premises. However, the contractors are responsible for the health and safety of their workers and all the contract workers are insured by the contractor. A Works Council Committee under the Industrial Relation Act exists in which workers' representation is 50%. The functions of the committee include promotion of security of employment for workers, monitoring health and safety conditions and job satisfaction levels. Meetings of the Works Council Committee are organized as per law. As per the Industrial Relation Act, this council operates at the facility level. In order to promote health and safety at plant site and in addition to the minimum legal requirement, the company has in place different forums and committees to discuss and take action on health and safety issues. All the workers get representation in these committees through their supervisors and line managers. Workers' participation is ensured through hearing conservation program, heat stress prevention, health & hygiene audits, ergonomics program, workplace lighting and hazardous chemicals exposure prevention.

We have a long standing safety culture at plant sites along with a detailed reporting of process and plant safety for prevention and mitigation of occupational health and safety impacts directly linked to our operations and business relationships. We identify work-related hazards and assess risks on a routine and non-routine basis and apply the hierarchy of controls, HIRADC, HAZOP, Job Safety Analysis, Safety Committee Meetings and HORC, in order to eliminate hazards and minimize risks. Continuous trainings, safety talks and awareness sessions are organized throughout the year to ensure the quality of process and competence of the persons involved. Work Permit tests and management safety audits also ensure competence of the individuals. Related KPIs for safety and occupational health are reviewed quarterly in SOC meetings. Safety observations and traffic violations are filled on STOP cards and traffic violation cards and recommendations are sent to concerned units anonymously. We have in place an extensive work permit procedure which forbids workers to work in a harmful environment. Incident reporting mechanism is defined in work procedure of HSE and is followed religiously. The process to identify and mitigate hazards is covered in HIRADC. It provides control measures to minimize risks involved and to determine improvements needed in the health and safety management system. We carefully track incidents, complaints received from stakeholders and take prompt action for resolution in justified cases. During the year, no complaints relating to labor practices were filed.

Continuous efforts to prevent accidents at work are an essential part of our production activities and require constant motivation of employees by line managers. As a result of a high commitment to health and safety, the incidents concerning health and safety issues have decreased over the years and our plants are producing records of safe Man-hours over the years. 4.02 million Man-hours of safe operations

4.02
million

Man-hours of safe operations for employees

6.6
million

Man-hours of safe operations for contractor employees

How do we create and share value as an employer

for employees and 6.6 million Man-hours of safe operations for contractor employees were achieved as of December 31, 2018 at our plants.

Urea manufacturing is a clean, safe and close process. Workers only come in contact with the finished product when it is ready for shipment and there is no major risk of occupational diseases nor did any such known disease occur related to the process. Our occupational health and industrial hygiene services aim to protect the health of our employees through early identification, evaluation and control of possible health risks associated with working environments. Occupational Health Physician at plant is responsible for overall development, implementation and monitoring of the occupational health program for FFC employees. The areas of fitness to work, occupational illness reporting and first aid management at workplace are strictly monitored. Moreover, the regular technical controls and measurements are carried out at workplace to ensure safe working conditions and regular health checks are conducted for production employees. Line managers are responsible for trainings employees in safety and identify the extent to which employees are familiar with the safety procedures at processes. FFC offers discounted health programs and attaches great importance to protecting employees from workplace accidents. Medical Centers at townships provide a wide range of health services and offer several health promotion services and programs including lectures and awareness campaigns for non-work related health issues.

Trainings are conducted on various safety topics which are a clear signal to improve workplace safety. Not only do employees learn how to behave more safely and prevent accidents through targeted training courses, but by also involving managers in the process, a strong emphasis is placed. During the year, training were provided to workers on CPR, first aid, rescue and firefighting in addition to work related hazard specific trainings which are included in HSE's schedule throughout the year.

The company accounts first aid injury in the injury rate. The fatality and injury rates for company and contractor are calculated by taking into consideration the number of recordable injuries multiplied by 200,000 and divided by Man-hours worked. In the calculation, 200,000 are the hours worked by 100 employees, averaging 40 hours per week over a 50 weeks span.

The hazards are determined through HIRADC and then their risks are reduced by control measures. HIRADC of the individual unit includes the past incidents related to a certain hazard and the resultant injuries if any. All units maintain and update their HIRADC at least annually. All hazards are addressed through control measures and HSE recommendations and the follow-up is done in SOC.

The formal agreements with CBA cover health and safety related provisions. The extent of coverage of health and safety topics in the agreements is almost 80%. Moreover, all the employees of the company come under the umbrella of an extensive medical policy which has been formulated in the light of the health and safety requirements of The Factories Act, 1934.

Number and rate of fatality as a result of work related injury

	FFC	Contractor
Mirpur Mathelo plant	-	-
Goth Machhi plant	-	-
Other locations	Not recorded	Not recorded

Number and rate of high-consequence work-related injuries

	FFC	Contractor
Mirpur Mathelo plant	-	-
Goth Machhi plant	-	-
Other locations	Not recorded	Not recorded

Number and rate of recordable work-related injuries

	FFC	Contractor
Mirpur Mathelo plant	0.11	0.26
Goth Machhi plant	-	02
Other locations	Not recorded	Not recorded

Number of fatalities as a result of work-related ill health

	FFC	Contractor
Mirpur Mathelo plant	-	-
Goth Machhi plant	-	-
Other locations	Not recorded	Not recorded

Number of cases of recordable work-related ill health

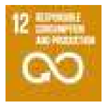
	FFC	Contractor
Mirpur Mathelo plant	-	-
Goth Machhi plant	-	-
Other locations	Not recorded	Not recorded

How do we create and share value as a trusted business partner?

By procuring locally

Suppliers are strategic allies who support our success and ensure consistent provision of products to customers. Our supplier relationships go beyond the purely commercial sphere and include a mutual understanding of what it takes to promote good practices and pursue responsible and sustainable development. The procurement function at head office, marketing and plant sites is responsible for management of procurement practices in line with the company policies. The procurement policies are evaluated regularly and updated on need basis. During the year, the evaluation of the procurement policy was carried out and new registration criteria covering environmental and social factors was uploaded,

We procure most of our requirements from the locations in which our respective operating facilities are located as far as qualitatively compatible, technically feasible, and economically justifiable. This way, FFC's activities support the economic development of the surrounding areas. FFC is not particularly dependent on any of its suppliers except the supplier for natural gas which is the basic raw material for fertilizer manufacturing. Our suppliers consist of local suppliers and foreign suppliers. The major raw material and other components which can be easily purchased from Pakistan are procured locally while the materials and components which are not available in Pakistan are purchased from abroad. 51% of our purchases are from local suppliers and 49% from foreign suppliers.



By working on sustainability in the supply chain

Today's complex business environment and impact beyond organizational boundaries require active supply chain management. Incorporation of sustainability criteria in selection and working with suppliers help limit exposure to unexpected events, negative environmental and social impacts and supply disruption, while building long-term core competence and effective management of supply chain. We have sustainability criteria to select and manage our suppliers, outsourcing partners, and service providers. The selection criteria takes into account conditions relating to sustainability factors such as, environmental management, working conditions, respect for human rights, safety standards and financial creditworthiness. The evaluation of the procurement selection criteria was carried out during the year. Based on the evaluation results, the upgrading of the criteria is under consideration to include more comprehensive criteria by including other factors relating to labor management practices, human rights and society related practices in the procurement manual. We plan to educate our supply chain partners on the criteria through inclusion of the relevant suppliers in FFC's supplier assessment process. In order to monitor how suppliers deploy FFC's sustainability criteria, FFC will require major suppliers to produce third party verification with respect to FFC's sustainability criteria and may also carry out on-site audits in the future, if deemed necessary. The suppliers' sustainability criteria will strengthen the efforts and will provide a reference framework for social and environmental protection in the supply chain. As part of its supplier relationship management and to strengthen its vision and approach of a sustainable supply chain, FFC regularly hosts trainings for its haulage contractors as well as dealers. Apart from creating awareness, these activities help FFC to engage with its supply chain for the deployment and realization of different activities. We are focused on working with suppliers and partners to improve the entire supply chain from a sustainability perspective.

The ultimate governance of strategy in relation to supplier management lies at the highest level of the management. The respective departments deal with suppliers. FFC evaluates the effectiveness of its management approach through feedback from various stakeholders and surveys. Our investment agreements include human rights clauses and undergo human rights screening. All major investments must be approved by the Board of Directors. The Board Committees recommend the investments proposal after detailed working and review which is based on financial, strategic and sustainability criteria, the last of which also includes human rights aspects. Moreover, regular procurement also takes into account the sustainability criteria to screen the new suppliers. 56 suppliers (100%), who applied and registered during the year, were screened against existing sustainability criteria. FFC does not collect data of environmental and social impacts in the supply chain thus is not aware of any negative impacts of supplier's operations during the year.

51%
Local Supplier

49%
Foreign Supplier

How do we create and share value in local communities we operate?

By supporting local communities

Sustainable Development Goals and the national priorities are the guiding principles for us while creating and sharing value with our local communities. We have a well-defined CSR policy in place which serves as a guiding document and encompasses commitments, targets and responsibilities for effective management of our activities. We support communities through taxes, local procurement, donations, and provision of facilities around the plant site. In 2018, we spent Rs. 85 million on CSR activities. Most of the spending was in the areas of education, health care, community support and uplift and event sponsorships.

The implementation and monitoring of the social activities are routed through Sr. Manager CSR who also reviews and analyzes the monthly progress. We use various tools to monitor and follow-up performance and commitments to society including independent monitors as well as in-house reviews. Progress is reported to the senior management on a continuous basis. Our work in communities is implemented through Sona Welfare Foundation (SWF), which is a fully dedicated entity to carry out interventions in the fields of healthcare, education, sports and rural development. Acting responsibly in all our activities, we are playing an active role towards sustainable development in areas of operations and support local economic development. The major indirect impacts are enhancing skills and knowledge, jobs in the supply chain and new businesses resulting in economic development of the area. We are raising living standards of population in areas of operations, both directly and indirectly, by creating added value. Our approach is driven by the needs of the targeted community, carried out through surveys, focal groups and meetings with the local community. Based on these guidelines, the interventions are devised to deliver maximum benefit and impact. We regularly engage with local communities to identify any negative effect of our operations on local communities and as result of these engagements, we identified that there were no significant negative effects on local communities during the year. We have carried out local community engagement, impact assessment and development programs at all (100%) operational locations. As a result of these engagements and assessments, the activities in defined areas are planned and implemented.

Healthcare

Healthy societies are vital for economic development and prosperity. In line with SDG 3, “Good Health and Well-being” and national priorities, we continued our emphasis on provision of health care facilities not only at our plants, adjacent localities but also nationally in collaboration with different entities. During the year, we contributed Rs. 21.7 million to Hazarat Bilal Trust Hospital and Sona Welfare Hospital located at Goth Machhi and Mirpur Mathelo plants. These hospitals provide good healthcare facilities and treatment of approximately 150,000 patients annually of the surrounding community. FFC partnered with Pink Ribbon for the first ever dedicated breast cancer hospital in Lahore which

million
Rs 85
spent on CSR activities during 2018

Year	Donation in million
2018	85
2017	89
2016	122
2015	168
2014	188

will cater to the rising ratio of the disease. FFC also illuminated Sona Tower in support of the Global Breast Cancer Awareness month marked October. FFC donated Rs. 2.206 million to various NPOs working on health issues for deserving patients including Pakistan Kidney Patients Association, Pakistan Foundation for Fighting Blindness and AMMEER-UN-NISA Foundation.

Education

Education is an important factor for better societies and a long-term investment for sustainable economic development. Our interventions in the field of education help in uplifting education level and the socio economic development of the surrounding communities. FFC contributed Rs. 5.5 million under its adopted schools programs which included 20 annual

How do we create and share value in local communities we operate?

scholarships, distribution of books and stationery besides improvement in infrastructure and payment of salaries of government schools. Rs. 16 million was provided in shape of financial support to Sona public school and 135 new scholarships were provided under the 'Ward of Farmer Scholarship'. FFC donated Rs 2.5 million for the uplifting of the Government Secondary School Ahmed Pur Lamma which is providing education to 300 students from the local community. The uplifting includes a Sona block comprising of 4 class rooms with a total covered area of 2040 square feet and associated facility. Moreover, FFC contributed an amount of Rs. 6.855 under various scholarships programs to the talented and deserving students of the under-privileged communities.

Sports

Through our sports sponsorships, we encourage healthier lifestyles and grassroots participation in sports activities which result in productive minds and societies. Keeping its tradition of promoting healthy sports activities, we made donations for various sports activities and sponsored sports events.

Building Partnerships

In line with SDG 17 Partnerships for Sustainable Development, FFC strongly believes in partnerships to promote the goal of sustainable development through shared resources and expertise. During the year, FFC collaborated with the Planning Commission, Government of Pakistan, United Nations Development Program, Pakistan Stock Exchange and Corporate Social Responsibility Centre Pakistan to create awareness on opportunities provided by SDGs and how the private sector can play its role in meeting SDGs.

Rural development programs

Our rural development programs are dedicated to overcome severe problems faced by the communities, create opportunities to reduce poverty and make contributions towards the economic development of our country. During 2018, FFC has undertaken different activities in Pind Dadan Khan covering provision of water to two villages i.e. Samman & Sauwal covering installation of water purification plant for provision of clean drinking water for the residents of village Sauwal, and construction of Offices and Teachers block at Raj Bukhsh Trust Model School Sauwal. FFC donated Rs. 10 million for up gradation scheme for Bilal Colony Goth Machhi covering a new sewerage line and brick soling along with new pumping station as well with sludge pump and collection pit. FFC donated Rs. 1.4 million for the annual charity funfair at Goth Machhi and Mirpur Mathelo Plants, the revenue collected from the event is spent on community welfare activities at plant sites. Moreover, donation of Rs. 0.65 million was made for family assistance program and livelihood support program at Goth Machhi.

By Contributing To National Exchequer

We recognize that we have a role to play in supporting public services through our tax payments and value addition in terms of foreign exchange savings. Besides corporate income tax, we pay taxes as an employer and sales tax on our products. We also act as a tax collector – through tax deduction on employees' salaries and on payments to suppliers and contractors. Our approach comprises of two principles. Firstly, we actively manage our compliance by working within the rules set by government. Secondly, we work on tax optimization. Once our business decisions are finalized, we work on optimization of our taxes. We take decisions for business reason not based on tax advantages only. However, we do take into consideration the tax incidence in decision making to avoid any disadvantage to our shareholders.

During the year, cash contribution to national exchequer comprising of taxes, levies and accrued GIDC was Rs. 36.78 billion. Value addition in terms of foreign exchange savings was US$650 million through import substitution of 2,527 thousand tonnes urea sold during the year.

How do we create and share value as a socially responsible Company?

We are aware of our ethical responsibility for environment friendly and fair business transactions. Our employees are educated and trained to take responsibility in line with their function, authority and qualifications to enrich our corporate responsibility of ethical business. The Rio Declaration requires that countries take a precautionary approach, according to their capabilities, in order to protect the environment. Thus, measures to prevent environmental degradation must not be postponed where there are threats of serious or irreversible environmental damage. Nevertheless, such measures should not pose an excessive financial burden as Principle 15 of the declaration combines environmental protection with a cost-benefit analysis. In order to protect the environment, we apply the precautionary approach in our operations. Our sustainability policy clearly defines objectives and states the importance of inclusive growth as one of the key areas for sustainable development.

By efficiently managing environmental footprint

We are committed to protecting nature and environment through continued investments in environment friendly technologies and production processes. We efficiently program our production processes to ensure a continuous improvement in energy and water efficiency and lower levels of (pollutant) emissions and waste. The biodegradable packing material for Urea along with renewable resource utilization, where applicable, is helping us to move forward towards establishment of a widely sustainable value chain.

FFC is continuously improving its processes and production procedures on an ongoing basis in line with its environment management approach which has helped to reduce the absolute as well as relative volume of used resources, waste, waste water and air emissions. FFC has an integrated Environmental, Health & Safety policy which is applicable to all manufacturing plants for maintaining high standards of Health, Safety & Environment (HSE). The objective is to preserve the environment from degradation and provide a safe and healthy workplace, while improving the quality of life of employees, contractors, visitors and plant site community. The GM M&O at each plant is responsible for performance, regulatory affairs and monitors the compliance across the manufacturing plants. FFC regularly conducts trainings for senior management of manufacturing units as well as employees working on line functions. FFC has specifically designed training modules for different internal trainings and employees are nominated for external trainings as well. HSE systems are regularly monitored for ensuring compliance with internal HSE policies and applicable laws and regulations. The manufacturing plants are certified for ISO 9001:2008 Quality Management System, ISO 140001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health & Safety Assessment Series (OH&S Management System). These management systems enable us to identify the risks and potential opportunities, improved internal data management, building the confidence of stakeholders and identify energy management spots. The SOC & EMR forums at facility level perform an internal check to find out the gaps on a regular basis. The environmental management approach is evaluated regularly based on the results of the internal checks and external certifications of the management systems. The required adjustments are made to reduce the environmental footprint of our operations. As a result of these efforts and stringent voluntary commitments, there was no violation of laws, regulations and voluntary codes of practice in connection with nature and environmental protection. Moreover, FFC did not have to pay any fines or non-monetary penalties for non-compliance with environmental laws and regulations in 2018. FFC has an environmental grievances mechanism in place where complaints regarding negative environmental impacts of operations can be filed. The resident manager at plant site deals with such complaints and necessary actions are taken as per need. During the year, no complaint was filed.

Effective management of environmental impacts of our operations helps to reduce our environmental footprint.

FFC has identified that climate change may have impact on its business in shape of physical as well as financial nature. The changing weather patterns may affect the product consumption patterns and farm productivity resulting in reduced purchasing power of end consumers. FFC is aware of this important issue and has set priorities by making sustainability an integral part of its corporate strategy regardless of economic or seasonal fluctuations and exceptions. However,

How do we create and share value as a socially responsible Company?

the expected financial impact of climate change related risks on operations are not monetized as the risks are not substantial at the moment and no systems to compile such data were available. FFC is planning to develop a system to calculate the financial implications of climate change related risks and opportunities on its operations. FFC regularly makes investments for environmental protection and management. The investments and expenses occurred on environmental protection and mitigation of the impacts, are recorded at respective units, where these occur. The figures are consolidated at the end of each year under two broader heads i.e., prevention and management costs. It is an integral part of general investment planning and subject neither to a cost-benefit analysis nor a specific return on investment period. The environmental investment totaled about Rs. 8.81 million in 2018, of which 75% was spent on waste disposal, emission treatment and remediation and approximately 25% on environmental management.

Detailed information on our environmental impacts is available at pages 169 & 170 of this Report.

By respecting human rights

Respecting international proclaimed human rights are cornerstone of our corporate values. We support and abide by international charters on human rights in our sphere of influence. We have in place a number of internal policies to safeguard basic human rights as defined in the legislation and international charters. Some of the policies in relation to human rights management are nondiscrimination policy, forced and compulsory labor policy, child labor policy and anti-sexual harassment policy. The code of conduct for employees provides basic guidance on human rights, non-discrimination and freedom of association. A varied workforce is of great value to us, consequently, we do not tolerate any discrimination based on the race, ethnicity, sex, religion, views, a disability, age or sexual identity of employees. We have a notification and reporting system in place for taking action on complaints with respect to human rights violations. The most senior officer responsible for managing human rights issues and implementation of various policies related to human rights is the General Manager (GM)-HR. Complaints are received via line managers or works councils within the relevant statutory framework. Beyond this, if the aforementioned procedure does not achieve the desired outcome, complaints can also be made through HR department. The legal department reviews the complaints filed for amicable solution and possible legal impacts. In 2018, no complaints were received.

FFC respects the freedom of association right of entitled employees. There were no cases in which freedom of association or the right-to-collective-bargaining were seriously endangered or breached. However, we are not aware of breach of right to collective bargaining at suppliers due to non-availability of reliable data. We reject any form of child labor, forced labor or slavery and strictly comply with local regulations concerning legal minimum age requirements for work permits. There were no cases of child labor or forced labor in the Company. However, we are not aware of cases of child labor or forced labor with our suppliers due to non-availability of reliable data. We are aware of the fact that the non-compliance with minimum human rights regulations by the supply chain partners may have material impacts and we support and encourage our supply chain partner to obey the human right laws and adopt best available practices in this area. Keeping in view, the level of compliance, we have not carried out any evaluation of our approach of managing and respecting human rights.

All significant investment agreements have been scanned for human rights issues while performing due diligence for that specific agreement. FFC is a member of UNGC and strictly adheres to the human rights charter and applicable laws. FFC carries out regular review of the operations for human right impacts and in the year 2018, FFC carried out a review of 100% of operations for human rights impact assessments. During the year, 08 hours of training were devoted for human rights policies and procedures involving 25% of workforce. All security personnel received training on human rights policies or procedures during the year. The training of security personnel provided by third parties will be carried out in the next phase.

By providing returns for our investors

Sustainable returns to our shareholders and providers of capital is one of the primary functions of our business and support our sustainability initiatives. We have well defined goals for revenue, costs, production, sales and profit along with policies, procedures, and resources supported by state-of-the-art business management systems for operational management and delivering exceptional results. The boundary for the financial impacts is within the company and FFC is directly responsible for economic impacts as a result of its financial performance. The Chief Executive & Managing Director is responsible for operational management and economic performance of the company, The Board has delegated the day to day management to the CE&MD. The Board reviews the performance on quarterly basis and evaluates the management approach for economic management against set targets. The changes, if required, are decided by the Board and implemented by the CE&MD. The results of the evaluation are shared through Directors' Report. The detailed information can be found at page 71-84 of the Annual Report 2018.

Despite the consistent pricing pressures, continued levy of super tax and decline in dividend income, which are beyond the Company's control, FFC achieved net profitability of Rs. 14.4 billion as compared to Rs 10.71 billion earned last year, with earning per share of Rs. 11.35 per share against Rs. 8.42 per share last year primarily due to improvement in selling prices, continuation of stringent cost controls, efficiency enhancement and effective treasury management. FFC also achieved a new benchmark in terms of highest ever sales revenue, which exceeded Rs 100 billion mark for the very first time and stood at Rs 105.96 billion, 17% higher than last year. Aggregate Cost of sales of Sona Urea and Imported fertilizers was recorded at Rs 77.99 billion which was 7% above last year & gross profit of the Company improved by 55% to Rs. 27.98 billion compared to Rs. 18.09 billion last year.

By involving stakeholders in our decisions

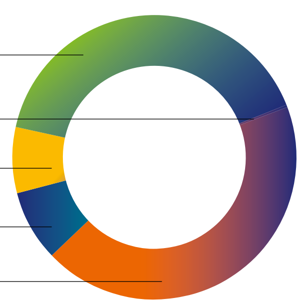
Stakeholders' input is vital for effective sustainability management and

Economic value generated and distributed

The value added through the activities of FFC and distributed to its various stakeholders in 2018 totaled Rs. 101,498 million.

	2018	2017	2016
	(Rs. in million)		
Direct economic value generated			
Revenues	115,629	106,139	91,202
Value generated	115,629	106,139	91,202
Direct economic value distributed			
Business partners	53,688	44,299	24,258
Employees	9,295	8,309	7,609
Capital providers	12,896	7,559	8,958
Government	36,779	41,242	45,004
Local community	85	89	122
Value distributed	112,743	101,498	85,951
Direct economic value retained			
Value retained	2,886	4,641	5,251

Sustainable value creation means sustainable operations independent of any subsidy or other public funding. In 2018, FFC did not receive any direct or indirect financial assistance from the government except the reduced gas tariff provided to fertilizer industry subsidy and tax credits as per applicable laws. For detailed financial results, refer to the annual financial statements section in AR 2018.



How do we create and share value as a socially responsible Company?

creating shared value. Their feedback and input help to improve our products and decision-making process. Our stakeholders include shareholders, customers, local community, regulator and our business partners. Our engagement with stakeholders varies depending upon the stakeholder groups and its relation with FFC and includes, face-to-face, group discussions, meetings, surveys and seminars.

Our engagement helps identify possible risks and new opportunities in areas like product quality, pricing, Agri. Services and, more broadly, in terms of our reputation as a responsible manufacturer and marketer of fertilizer products. More details on our involvement with stakeholders are available on page 142-143 of this report.

By avoiding corruption, breaches of code of conduct & laws

Smooth functioning of economic systems and availability of equal opportunities are crucial for social balance in the society. Corruption leads to distortions in the economic systems and creates social imbalance in the society. The impact occurs at FFC and our suppliers through our business relationship. We are strict on combating corruption in all of our business areas including in dealings with the suppliers. We have a strict code of conduct containing organizational policy on corruption and effective risk management system to identify corruption risks. Corruption risks are investigated through ongoing internal auditing activity.

Risk assessment for corruption risk covering all of our operations was carried out during the year according to our risk management system. No significant risk related to corruption or incidents of corruption were identified and reported. Therefore, no specific training on anticorruption policies and procedures was conducted during the year. The anti-corruption policies and procedures have been communicated to all directors and employees at all location of operations. The new hires receive orientation at the time of joining which includes a briefing about anti-corruption policies and procedures. Moreover, the anti-corruption policies and procedures are also communicated to all business partners at the time of engagement. We have an official slogan “Say no to corruption” in all our official correspondence reinforcing our commitment towards zero tolerance of corruption. During the year, there was no violation of laws, regulations and voluntary codes of practice in the economic or social areas and no fines or non-monetary penalties for failure to comply with legal regulations were paid. FFC attaches particular importance to fair interaction with competitors, suppliers and customers. FFC has developed formal procedure for dealing with complaints, if any, at each location of operation, where interest groups may contact the resident managers of the relevant location at any time to lodge complaints. Bodies also exist to deal with specific issues, e.g., works councils, which address workforce concerns. In the year in question, there was no complaint by interest groups or institutions at the relevant locations regarding issues of public or social concern.

By respecting our commitments

Complying with applicable laws, respecting and honoring commitments are corner stones of corporate governance. We adhere to laws, regulations and code of corporate governance as applicable in Pakistan. In addition, we have international commitments in the shape of memberships and compliance with international charters. We are member of UN Global Compact which is a strategic initiative for companies which voluntarily commit to ensure that their business activities and strategies are in line with ten universally recognized principles relating to human rights, labor standards, environmental protection and fight against corruption. Being a signatory, we have underscored our comprehensive commitment to sustainable development and responsible corporate governance. FFC commits that, within its sphere of influence, it will work for protection of human rights, create working conditions which at minimum meet the legal requirements, protect the environment and combat corruption. The membership enables the company to share information and ideas with other stakeholders on sustainability efforts. We are also member of Business for Peace (B4P) group of UNGC. The vision behind B4P is to build a sustained network among participating members to carry their CSR interventions into high risk areas and work in collaboration to build peace across the globe. We also support the sustainable development goals which stimulate businesses to actively contribute to the sustainable development.

By responsibly marketing products

We market our products through our distribution channels to make it as easy and convenient as possible for our customers to buy our products. We have in place standards for marketing our products to ensure that our products meet the customers' expectations. FFC constantly monitors and carries out regular reviews of all business aspects and processes in order to ensure that they continue to conform to our commitment to sustainability. We aim to produce only quality products that correspond to the international standards and are accompanied by the required labeling information. The product marketing lies with the marketing department and the Chief Executive & Managing Director is responsible for the impacts and marketing of products. SMS service, which gives information about pricing and shipments and online order placement and payment processes through ASKSONA Card, keep our dealers and customers up to date on product availability and pricing. We use security labels (Pehchan Sticker) and special colored stitching thread, which get changed after a specific time to control dumping, malpractices and pilferage of product. The Provincial Fertilizer Control Order requires printing of information about net weight of the bag, chemical name of the fertilizer inside the bag, chemical composition of the fertilizer, manufacturer and marketer and price. We have dedicated staff trained on labeling as per applicable laws and regulations. During the year, all products were in compliance with labeling requirements specified by the laws and regulations.

FFC adheres to laws, standards and voluntary codes related to advertising, promotion and sponsorship. The voluntary codes include but are not limited to fair competition, ethics, social norms, cultural values and honest disclosure of benefits/features of the product. The company reviews its compliance with the laws, standards and voluntary codes on a regular basis which are dependent on the nature of the activity. There were no incidents –either offenses or criminal investigations – on account of breaches against applicable law and voluntary codes of practice in relation to information about the labeling of products and services. Similarly, there were no infringements of laws/regulations in terms of the procurement, use or supply of products and services.

Forward Looking Statement

The prevailing tough economic conditions coupled with depleting gas reserves and changing climate require a holistic management of capitals to preserve value creation potential and offer good returns on a long-term basis. Taking into account, the risks and opportunities offered by the external environment, we are committed to adjusting our strategies for efficient use of our available stock of capitals, reduce impairment and increase the capital stocks through our value creating activities. We defined targets for important sustainability areas in 2016 to stretch ourselves for meeting these targets to deliver positive impact on environment and society. The targets except targets for reduction in emissions and fresh water intake were achieved which show our commitment to sustainability. This year, we have revised the target with new timelines and are committed to meeting these targets to reduce our impact on the environment.

Providing returns to the stakeholders and playing a role in the sustainable development requires economic stability. Increasing input costs, decreasing gas pressure, low agriculture products prices nationally and globally, changing weather patterns are the major challenges for our growth in the near future. However, with the upcoming agriculture friendly policies, consistent supply of gas to fertilizer units and increasing prices and demand of fertilizer globally, we are confident to achieve our future targets. We are also exploring options for alternative resources for raw material and installing additional gas compressors to keep sustained gas pressure for our plants. Continuing from 2018, we are partnering with national and international partners to construct coal-to-energy project from indigenous coal reserves of Thar Coal mines under CPEC project. We are dedicated to decrease our costs, become more efficient and continue our diversification strategy for delivering healthy and sustainable returns to our shareholders and other stakeholders.

Our management of natural capitals requires better management of scarce depleting resources, efficient energy management and reduce greenhouse gas emissions and waste. We are focused to reduce our environmental impact through continuous upgrades at our plants and adoption of cleaner technologies. This year, our environment targets have been revised to reposition ourselves for better environmental management and we are confident to achieve these goals through better management of our footprint.

Human capital is a major component in our value creation process. It integrates other capitals and enables us to deliver remarkable results through effective use of other capitals. We understand that a high quality, motivated and diversified workforce is critical for our operations. We nurture our human capital through training, productive and competitive work place, creating a culture of trust and belonging and rewarding with competitive benefits. We commit to abide by all human rights laws, regulations and voluntary commitments for better management of our human capital.

Creating and maintaining trust with stakeholders requires excellence in corporate governance. Complying with laws, regulations and internal codes and adopting leading management practices to play an important role in the society help to become more transparent and accountable towards our stakeholders. We commit to continue following best in class governance practices, act as role model for our sector and engage with our stakeholder on issues of interest to stakeholders and company.

Increased agriculture output is essential for food security, save millions of people from hunger and uplifting of millions of people connected with agriculture. To play our part, we are committed to keep expanding our farm advisory program outreach to build farmers' capacity, introduce new farming methods and advising on balanced fertilizer use. We are confident that our activities for the betterment of the farming community will result in reducing poverty levels and bring economic stability in the farming community. Our plant site communities are partner in our growth and we aim to continue to carry out intervention in defined fields in line with our policy and support socio economic development around plant sites as well as for larger society.

Environmental Performance

Material Consumption

Material	Unit	2018	2017	2016	2015	2014	2013
Natural gas	MMSCF	46,804	46,174	47,140	45,653	44,288	43,897
Lubricant	Liter	396,901	202,721	247,718	306,761	189,807	177,205
Chemicals	KG	9,113,204	7,144,239	7,760,589	8,705,435	6,800,104	9,224,965
Packing bags (150 gm each)	Bags	49,520,322	40,564,775	49,825,330	49,533,564	47,605,000	48,163,000
Packing bags (95 gm each)	Bags	1,352,491	1,178,325	1,105,500	837,847	909,500	773,000
Liners and thread	KG	1,914,047	1,480,076	1,844,867	1,827,689	-	-
The packing bags of 95 gm each were used on GM plant during the year.							

FFC does not use renewable material in the production processes.

Recycled Material Consumption

	2018	2017	2016	2015	2014	2013
Recycled material	0%	0%	0%	0%	0%	0%

FFC tries, wherever possible, to use recycled materials but due to the nature of the production process, recycled raw materials cannot be used. Moreover, the cleanliness requirements do not allow the use of such materials. However, during the year, urea dust of 7,545 MT was recovered and used in the process. Our products are dissolved during use and are not reclaimable. Moreover, the packaging material is biodegradable. We have not reclaimed product or packaging materials.

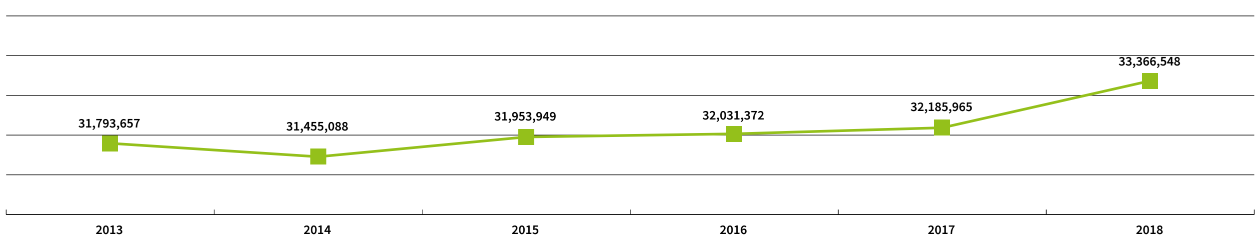
Energy Consumption Within Organization

FFC's plants primarily need energy in the form of steam, electricity and natural gas. FFC uses natural gas for heating, and generating electricity and steam in its own power plants. Main primary energy source is natural gas. FFC endeavors, however, to explore the possibilities of renewable energy generation and increase the share of energy obtained from renewable sources on an ongoing basis.

	2018	2017	2016	2015	2014	2013
Total Energy consumption in GJ	33,366,548	32,185,965	32,031,372	31,953,949	31,455,088	31,793,657

FFC uses self-generated electricity for heating and cooling purposes. No electricity, heating or cooling is purchased or sold from/ to external parties. The conversion factors were sourced from Energy Information Administration USA.

Energy Consumption in GJ



Appendices

Environmental Performance

Energy Consumption Outside Organization

FFC does not purchase electricity or steam from external sources. There is no indirect energy use resulting from purchase of electricity, heat or steam. However, other indirect energy use from operations are measured and recorded, where possible. We have identified that the indirect energy used by us is not significant in the overall context. For example, energy consumption caused by traveling of FFC employees is insignificant in relation to overall consumption. Moreover, with more than 3,300 staff, the cost of determining the indirect energy consumption by employees traveling to the company would not be appropriate given the level of insight this would provide. As such, an investigation of this kind will not be conducted.

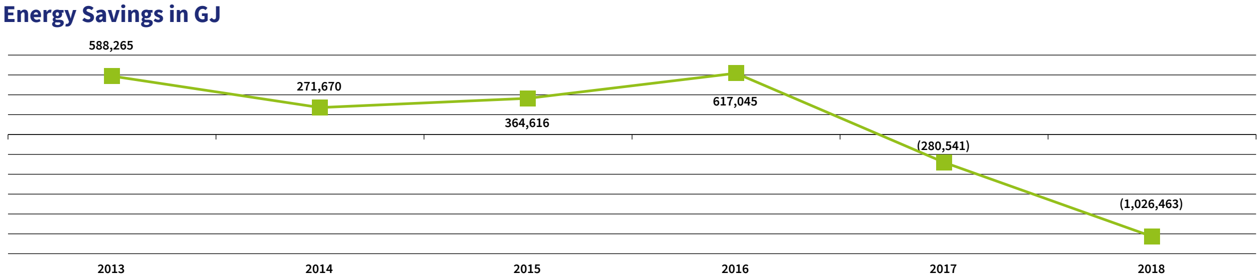
Energy Reductions

FFC product is dissolved in soil during usage and not energy intensive. However, the company has been striving to reduce the energy consumption requirement during the production process through implementation of programs and projects aimed at reducing energy consumption for a number of years. These measures are bearing fruit and FFC's production is becoming significantly more energy-efficient over the years. However, the energy consumption has increased by 0.42 GJ/MT in the year 2018 as compared to 0.26 GJ/MT increase in previous year due to higher energy consumption during the year.

	2018	2017	2016	2015	2014	2013
Energy savings in GJ	(1,026,643)	(280,541)	617,045	364,616	271,670	588,265
The company uses previous year as a base year to measure energy savings. -						

FFC runs three plants located at two manufacturing sites. The plants having different technologies, which have different energy intensity ratios. The overall energy intensity ratio was 13.22 GJ/MT urea as compared to the last year intensity ratio of 12.81 GJ/MT. This increase is on account of measures taken to counter depleting gas pressures. The energy intensity ratio includes only scope I energy consumption figures. Energy consumption data is recorded in relevant conventional unit, for instance MMSCF in the case of natural gas and kWh for electricity. These units are converted into the consolidation unit, gigajoules (GJ), to obtain the mean energy content. This is then used as a standard measure for representing energy consumption. The energy consumption and energy sources in this report have been determined from the data provided by the production sites. They, therefore, provide a consolidated and comprehensive picture of FFC's energy usage in manufacturing operations. The heating values were calculated on the basis of laboratory analysis and standard heating values for natural gas and diesel.

Energy Savings in GJ



Water Use

FFC mainly needs water for production of steam and cooling purposes. The water requirements are met for the most part by canal water. Before the water flows into the piping system of plant site, the canal water is cleaned according to its intended purpose using various filter systems. FFC's both plants draw canal water up to maximum 18 cusec during the year. The canal is managed by the Irrigation Department and this withdrawal is not significant keeping in view the annual flow of the canal. FFC has an agreement with the Irrigation Department and the meters installed by the department measure the water inflow. There are no protected species found in the canal and the canal water is mainly used for irrigation purposes. The tube wells are used occasionally when the canal water is not available. The company has a large area where tube wells are installed and the water withdrawal from tube wells does not significantly impair the water system. Water consumption at Plant site/Township is being critically monitored and is directly linked with plant sustainability. We frequently carry out studies to identify opportunities for reduced consumption and increased recycling to minimize requirement from freshwater sources. FFC has defined goals for efficient water usage to reduce the impact on the depleting fresh water sources in Pakistan and has been working with the supply chain partners to reduce water related impact in the supply chain. For further information on supply chain related activities, refer to page 160.

Water withdrawal by source in ML/year	2018	2017	2016	2015	2014	2013
Surface water	0%	0%	0%	0%	0%	0%
Freshwater (≤1,000 mg/L Total Dissolved Solids)	4,559	6,377	7,776	7,197	7,616	7,391
Other water (>1,000 mg/L Total Dissolved Solids)	-	-	-	-	-	-
Ground water						
Freshwater (≤1,000 mg/L Total Dissolved Solids)	10,888	9,248	6,909	7,005	6,715	5,846
Other water (>1,000 mg/L Total Dissolved Solids)	-	-	-	-	-	-
Total water withdrawal	15,447	15,625	14,685	14,202	14,331	13,237

There is no withdrawal of water from water stress area.

Water consumption	2018	2017	2016	2015	2014	2013
Total water Total water consumption ML/year	15,447	15,625	14,685	14,202	14,331	13,237

FFC uses the-state-of-the-art machinery to continuously circulate and capture the water after use in order to re-cool it for reusing. This environmentally friendly cooling method is used where technically possible. This has reduced the withdrawal of fresh water. Water is not stored at FFC plant and does not have major impact.

Environmental Performance

Waste Water/Water Discharge

FFC uses water for a variety of purposes in the production process. The water is partly polluted as a result therefore the production wastewater is treated to reduce the pollutants to acceptable limits, prescribed by NEQS, before using and discharging in to canal water. FFC uses oil skimming and neutralization method for waste water treatment. In the season, when canal is closed, the water is stored in evaporation ponds. In contrast, cooling water along with rain water can be fed into canal without cleaning as it does not come into contact with chemicals. The wastewater is also used for horticulture purposes at plant sites.

Water discharge by destination in ML/ year	2018	2017	2016	2015	2014	2013
Surface water	4,078	4,231	3,676	2,858	2,506	2,631
Freshwater (≤1,000 mg/L Total Dissolved Solids)	-	-	-	-	-	-
Other water (>1,000 mg/L Total Dissolved Solids)	4,078	4,231	3,676	2,858	2,506	2,631

The waste water figures are estimated figures. Flow rate is estimated from the operating pumping capacity of waste water disposal plant. Discharge water quality is being routinely monitored for pH/Conductivity/Ammonia/Urea/COD/BOD/SS. The discharged water contained Chemical Oxygen Demand (COD) value of 32 ppm and Biological Oxygen Demand (BOD5) value of 18 ppm. The wastewater discharged by FFC is largely cleaned and therefore does not burden the environment excessively.

Direct GHG Emissions

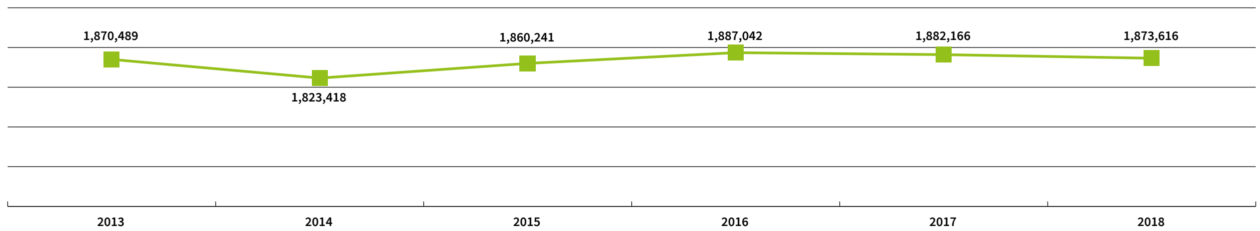
Emissions of greenhouse gases are side effects of the production process and have a major environmental impact which cannot be completely avoided despite all environmental protection efforts. The emissions are subject to the control limits laid down by the Environmental Protection Agency. FFC monitors compliance with these limits by taking environmental protection measures and is moving further to reduce the emissions up to maximum possible limit.

FFC determines the total emissions for each plant site at regular intervals and makes regular checks to control variations. The direct carbon dioxide (CO2) emissions are the result of the combustion processes for the generation of electricity, heat and steam. The emissions of greenhouse gases are directly proportional to the amount of carbon in the employed fuels. The emissions of the greenhouse gases, mainly CO2, is measured on continuous basis at each plant site and then integrated to reach a total figure. Emissions of other greenhouse gases like methane and nitrous oxide (N2O) are measured and integrated into the consolidated calculation of greenhouse gas emissions. The GHG figures do not include GHG emissions of subsidiary or associates companies. The global warming potential of the respective gaseous emissions were sourced from United Nations Framework Convention on Climate change (UNFCC).

Direct GHG emissions (MT)	2018	2017	2016	2015	2014	2013
CO2	1,873,616	1,882,166	1,887,042	1,860,241	1,823,418	1,870,489

FFC has no biogenic emission of CO2 at its operations. All the emissions are within the prescribed NEQS limits and regularly reported to the EPA under SMART reporting program.

GHG Emissions



Indirect GHG Emissions

FFC does not have any indirect greenhouse gases (scope II) emissions which are predominantly generated by external energy procurement, usually in the form of electricity and steam. FFC identified that the indirect greenhouse gases (Scope III) emissions caused by FFC are not significant in the overall context; CO2 emissions caused by the traveling of FFC employees are insignificant in relation to overall emissions. Moreover, with more than 3,300 staff, the cost of determining the CO2 emissions generated by employees traveling to the company would not be appropriate given the level of insight this would provide. As such, an investigation of this kind will not be conducted.

The company does not have systems in place for identification, accounting for and reporting of upstream or downstream emission. However, keeping in view the supply chain impact of emissions, the company is in process of developing and implementing the systems, where possible.

GHG Emissions Intensity & Reduction In GHG Emissions

GHG emissions intensity

0.74

MT CO_2/MT urea

Emissions of greenhouse gases are side effects of the production process and have a major environmental impact which cannot be completely avoided despite all environmental protection efforts. The emissions are subject to the control limits laid down by the Environmental Protection Agency. FFC monitors compliance with these limits by taking environmental protection measures and is moving further to reduce the emissions up to maximum possible limit.

FFC determines the total emissions for each plant site at regular intervals and makes regular checks to control variations. The direct carbon dioxide (CO2) emissions are the result of the combustion processes for the generation of electricity, heat and steam. The emissions of greenhouse gases are directly proportional to the amount of carbon in the employed fuels. The emissions of the greenhouse gases, mainly CO2, is measured on continuous basis at each plant site and then integrated to reach a total figure. Emissions of other greenhouse gases like methane and nitrous oxide (N2O) are measured and integrated into the consolidated calculation of greenhouse gas emissions. The GHG figures do not include GHG emissions of subsidiary or associates companies. The global warming potential of the respective gaseous emissions were sourced from United Nations Framework Convention on Climate change (UNFCC).

Emission of gases in MT

	2018	2017	2016	2015	2014	2013
Nitrogen Oxide	848	1,208	1,186	929	1,053	1,651
Ammonia NH3	-	-	-	-	-	-
Particulate matter	1,256	1,220	1,212	1,166	930	908

The significant emissions of other inorganic pollutants such as NOX and particulate matter have decreased during the reporting year while there were no emissions of NH3 during the reporting year. The company uses previous year's results for comparison as a general practice. The emissions are recorded on the basis of laboratory analysis and actual fuel flow.

Environmental Performance

Effluents and Waste

FFC focuses on prevention of waste as a priority over recovery or disposal. However, unavoidable production waste is recycled or disposed of properly. FFC procedures require that each type of waste is recorded and precisely analyzed and described. Waste is properly documented in internal records, including where the waste originated, which quantities have arisen during the year, the classification of the waste as hazardous/non-hazardous and the possible disposal method. Waste is accumulated and dumped at the plant site and when the waste quantity reaches at a significant level, it is disposed of according to best available option.

	Unit	2018	2017	2016	2015	2014	2013
Recycling	MT	-	-	-	-	-	-
Landfill	Liter	396,901	202,721	247,718	306,761	189,807	177,205
CaCO3 and waste lime stone	MT	5,555	6,392	2,344	5,603	4,621	4,150
Incineration (mass burn)	Bags	49,520,322	40,564,775	49,825,330	49,533,564	47,605,000	48,163,000
Papers, clothes, etc	MT	470	134.23	59.11	77.03	592	593
On-site storage	KG	1,914,047	1,480,076	1,844,867	1,827,689	-	-
Waste water	m3	1,881,926	2,045,204	1,516,550	1,526,000	1,409,260	350,000
Other							
Damaged urea bags, iron scrap etc.	MT	374	262.75	481	715	309	511
The urea dust solution is excluded from the recycling figure after deliberation that recovery is part of normal manufacturing process. However, the dust solution sold to external parties is reported under others.							

The first priority is to recycle or treat the waste and only unsuitable waste is disposed of in landfills, which is then sold to a carefully selected supplier. The company carried out incineration under controlled conditions and specifically required high temperatures for incineration. During the year, 920 Ton hazardous waste was sold to government approved contractor for onward disposal as per approved method. FFC does not transport waste to cross borders. FFC strives to prevent spills at its plant sites as spills not only lead to waste generation but incur further costs in the shape of cleaning measures. During the year, no spill occurred. FFC treats waste handling very carefully and no incidence has been recorded where the waste was not disposed of properly, leading to adverse impact on the biodiversity and habitats around plant sites.

Independent External Review

BSD Consulting performed an independent review of the Fauji Fertilizer Company Limited (FFC) Sustainability Report 2018, which was prepared in accordance with Global Reporting Initiative's (GRI) Standards´ Comprehensive option and was also guided by the Integrated Reporting (<IR>) framework. The objective of the critical review is to provide FFC's stakeholders with an independent opinion about the quality of the report and the adherence to the Accountability Principles of Inclusivity, Materiality and Responsiveness, as well as an evaluation against principles of the Integrated Reporting (<IR>) framework and the associated capital concepts.

Independence

We work independently and ensure that none of the BSD staff members maintained or maintains business ties with FFC.

Our Qualification

BSD is a consulting firm specialized in sustainability. The review process was conducted by professionals with long-standing experience in independent assurance and sustainability reporting considering the provisions of ISAE3000.

Responsibilities

FFC has prepared the Sustainability Report and is responsible for all its content. BSD was responsible for the independent review of the report.

Scope and limits

The scope of our work covers all information included in the FFC 2018 Sustainability Report, referring to the period from January 1st, 2018, through December 31st, 2018. The verification of financial figures and sustainability performance data was not object of BSD´s work and the review of the Annual Report, which integrates the Sustainability Report 2018, was not in the scope of the assessment.

Methodology

The methodology applied was a desk review of the final draft report, and the following approach and procedures were developed during the review process:

- Critical review of the FFC Sustainability Report 2018 and respective Content Index to check consistency and adherence to GRI´s Universal and Topic-Specific Standards.
- Evaluation of report's adherence to the in accordance: Comprehensive option
- Analysis against Integrated Reporting principles and the concept of the six capitals
- Elaboration of an adjustment report
- Final review of the report content
- Analysis of the report content against Accountability's Principles of Inclusivity, Materiality and Responsiveness
- Elaboration of the Independent Review Statement.

GRI Standards in accordance option

FFC declares the report to be in accordance with the GRI Standard: Comprehensive option. BSD evaluated the application of the GRI Standards Universal and Topic-Specific Standards. Based on the analysis, recommendations to complete the content or to adjust the disclosure level in the Content Index have been made. Furthermore, the company already used the revised Standards 303 (Water) and 403 (Health and Safety), released in 2018 and only mandatory in 2021. The company has integrated our recommendations and we can confirm that the report is attending the above mentioned in accordance option, while still offering some areas of continuous improvement.

Analysis against <IR> framework Principles and Capitals

BSD has evaluated the application of IIRC Guiding Principles, Content Elements and Capitals in FFC's report. For this report, the main considerations of this analysis were the following:

- The report is addressing in different sections the strategy and the future challenges, which include climate change and upcoming water stress. The Forward Looking Statement is addressing these future challenges and how the company is prepared to address these.
- Although the content has been linked with SDGs and commitments such as the Global Compact, there remains lack to connect the different topics and their interrelation with the performance results in the different capitals. One good example is the information that training of farmers has improved significantly the yields, but similar connections may be made in future reports.
- With regard to risks and opportunities, the report is mainly focused on environmental and H&S-risk and opportunities. We recommend expanding the analysis in the next reports, and also including new opportunities that the company can address as agent of food security and local development.
- The report describes in an overall manner how resource allocation takes place. There is still room to

Independent External Review

improve the report performance against this principle, for example in addressing how many resources the company is investing in improving its intellectual or manufacturing capital and how important these capitals are for the achievement of the company´s long term business strategy.

Main Conclusions on Adherence to Accountability Principles

Inclusivity – addresses the stakeholders' participation in the process of developing and implementing a transparent and strategic sustainability management process.

- The company describes the ways it is engaging stakeholders and raising their specific demands. It also states that stakeholder opinions are taken into account in the decision making process. In order to corroborate this statement, we recommend including practical examples of this process in future reports.
- Although the report is showing which engagement channels the company uses to include stakeholder perceptions, so far only one result, the client satisfaction, has been disclosed. It would be recommended to include also results of other consultations such as the supplier surveys that the company applies regularly.
- The report has included in systematic manner links to the SDGs and also shows clearly if the established targets have been achieved or not. It provides sufficient data to make affirmative conclusions on the performance of the company.

Materiality – issues required by stakeholders to make decisions on the organization's economic, social and environmental performance.

- The report provides a description of the materiality process as foreseen by GRI, and provides insight in how it has been conducted. We would expect as a further improvement that the process includes in a more stringent way the financial impacts of the material topics, in order to align the process with the IIRC-concept of materiality.
- The company advanced in its management processes to address the issue of Security Practices, by offering training to related staff and extending the practice to service providers as a next step. Also the issues of Emissions and Water are tackled in a pro-active way, by improving the GHG-inventory and efforts to reduce water and energy consumption while these continue being two of the major challenges for the industry.
- The report is still touching the issue of forced and child labor in the supply chain in evasive manner. Although it is clear that there is a great difficulty to have full control over this issue, and that the company had no such incidence, it is important to include possible protective or remediation policies in the management process.

Responsiveness – addresses the actions taken by the organization as a result of specific stakeholders' demands.

- The company has promoted active support of the UN Sustainable Development Goals by participating in the national platforms and linking own performance objectives directly with selected SDGs.
- The report is indicating external factors which challenged the economic performance of the company in the reporting period and will have further impacts on the business in the coming years. The analysis and conclusions that the company presents demonstrate that these factors have been taken into account and that the management is taking measures to increase the resiliency of the business and operations.
- Through its certified Quality, Environmental, and Health & Safety management systems, but also via stakeholder engagement channels, the company addresses complaints and grievances and treats pending issues. The low level of complaints shows that no major critical issues have been raised, but it would be recommendable to review if the efficiency of the grievance mechanisms is still guaranteed.

Final Considerations

Based on our assessment, we can confirm that the company has applied the GRI Standards and IIRC-Framework provisions. Compliance with GRI Standards has been disclosed in more detail in the attached GRI Content Index which provides an overview of which standards have been fully or partially responded. In terms of the principles of the IR-Framework, FFC has achieved a good stage of compliance by incorporating the concept of value creation, delivering a clear business model and an input/output-analysis based on multiple capitals. For the next report, we consider it important to strengthen the report in terms of connectivity of the information, in order to demonstrate how sustainability efforts can positively impact results regarding the financial capital of the company and add value beyond the social and natural capital.

São Paulo, January 16th, 2019

Beat Grüninger,
Managing Director, BSD Consulting (Brazil)

Islamabad, January 16th, 2019

Nadeem Safdar
Managing Partner, Nadeem Safdar & Co., Chartered Accountants, Pakistan
ICAP Membership No. 2396

GRI Content Index

The following table has been provided to help the reader in locating content within the document, and specifies each of the GRI Standards used and lists all disclosures included in the report. Each disclosure is followed by reference to the appropriate pages in the 2018 Sustainability Report or other publicly available sources.

Key

SR = 2018 Sustainability Report
AR = Annual Report 2018

Fully disclosed
Partially disclosed
Not disclosed

GRI Standard	Disclosure	Page Number	Omission and Reason
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Appendices

UNGC - COP

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SDGs	PAGE NO.	GRI STANDARDS DISCLOSURE	GRI STANDARDS DISCLOSURE
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14 LIFE BELOW WATER	Conserve and sustainably use the oceans, seas and marine resources	172-174	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-1, 306-3, 306-5
15 LIFE ON LAND	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	172-174	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-3, 306-5
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote just, peaceful and inclusive societies	9, 130-135, 148, 160, 164, 166-167	102-16, 102-17, 102-21, 102-22, 102-23, 102-24, 102-25, 102-29, 102-37, 205-1, 205-2, 205-3, 307-1, 414-1, 414-2, 406-1, 408-1, 410-1, 416-2, 417-2, 417-3, 419-1

Financial Statements
Fauji Fertilizer Company Limited

SAY NO TO CORRUPTION

Report of the Audit Committee
on Adherence to the Code of Corporate Governance

Composition of the Audit Committee

The Audit Committee of FFC comprises of four members. Two members including the Chairperson are independent non-executive directors, whereas the remaining two members are non-executive directors. Upon retirement of preceding Committee members, the Audit Committee has been reconstituted during the year. The incumbent members are qualified finance professionals and the Committee as a whole possess significant economic, financial and business acumen.

The names and profiles of the Audit Committee members are given on Page No. 22 and 27 of the Annual Report 2018.

Chief Financial Officer of the Company attends the meeting by invitation, while the Committee meetings are attended by the Internal and External Auditors on requirement basis.

The Financial Statements

The Committee has concluded its annual review of the conduct and operations of the Company during 2018, and reports that:

- The separate and consolidated financial statements of FFC for the year ended December 31, 2018 have been prepared on a going concern basis under requirements of Companies Act 2017, incorporating the requirements of the Code of Corporate Governance, International Financial Reporting Standards and other applicable regulations.
- There were no issues in the first time application of Companies Act 2017 which also did not have any material effect on the financial statements, and these financial statements present a true and fair view of the Company's state of affairs, results of operations, profits, cash flows and changes in equity of the Company and its subsidiaries for the year under review.
- In line with the Auditors (Reporting Obligations) Regulations, 2018 issued by SECP, contents of the Audit Report for year 2018 have changed significantly compared to previous year and the Auditors have issued unmodified audit reports in respect of the above financial statements for the year 2018.
- Appropriate accounting policies have been consistently applied except for the changes, if any, which have been appropriately disclosed in the financial statements.
- The Chairman of the Board, Chief Executive Officer, a director and the Chief Financial Officer have endorsed the separate and consolidated financial statements of the Company, while the Directors' Report is signed by the Chairman and the Chief Executive Officer. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations, applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017. The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholder needs.
- All related Party transactions have been reviewed by the Committee prior to approval by the Board.
- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the External Auditors of the Company.
- Understanding and compliance with Company codes and policies has been affirmed by the members of the Board, the Management and employees of the Company. Equitable treatment of shareholders has also been ensured.
- Trading and holdings of Company's shares by Directors & executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of

transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholding. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.

- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of the Company, along with maintenance of confidentiality of all business information.

Risk Management and Internal Control

- The Company has developed a sound mechanism for identification of risks and assigning appropriate criticality level and devising appropriate mitigation measures which are regularly monitored and implemented by the management across all major functions of the Company and presented to the Audit Committee for information and review.
- The Company has devised and implemented an effective internal control framework which also includes an independent internal audit function.
- The Internal Audit department is responsible for monitoring of compliance, inherent and other risks associated with the internal controls and other areas of operations of the Company.
- The Company's approach towards risk management has been disclosed in the risk assessment portion of the Directors' Report .The types and detail of risks alongwith mitigating measures are disclosed in relevant section of the Annual Report.

Internal Audit

- The Company's system of internal controls is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders' wealth at all levels within the Company.
- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.
- Audit Committee has provided proper arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters. Adequate remedial and mitigating measures are applied, where necessary.
- The Head of Internal Audit has direct access to the Chairperson of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

External Auditors

- The statutory Auditors of the Company, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit assignment of the "Company's Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2018 and shall retire on the conclusion of the 41st Annual General Meeting.

- The Audit Committee has discussed the audit process and the observation, if any, of the auditors regarding the preparation of the financial statements including compliance with the applicable regulations or any other issues.
- The Auditors attended all the Audit Committee meetings where their reports were discussed. The Auditors also attended General Meetings of the Company during the year and have confirmed attendance of the 41st Annual General Meeting scheduled for March 26, 2019. The Auditors have also indicated their willingness to continue as Auditors.
- The Auditors do not provide any services other than external audit of the Company. The audit firm has no financial or other relationship of any kind with the Company except that of External Auditors.
- Being eligible, KPMG have offered themselves to be reappointed as Auditors for the financial year 2019. However, based on a notice received from a shareholder, the appointment of A.F. Ferguson & Co, Chartered Accountants, has been recommended by the Committee as Auditors of the Company for the financial year 2019.

Annual Report 2018

- The Company has issued a very comprehensive Annual Report which besides presentation of the financial statements and the Directors' Reports of the Company, also discloses other information much in excess of the regulatory requirements to offer an in depth understanding about the management style, the policies set in place by the Company, its performance during the year, and future prospects to various stakeholder of the Company.
- The information has been disclosed in the form of ratios, trends, graphs, analysis, explanatory notes and statements etc., and the Audit Committee believes that the Annual Report 2018 gives a detailed view of how the Company evolved, its state of affairs and future prospects.

The Audit Committee

- The Audit Committee believes that it has carried out responsibilities to the full, in accordance with Terms of Reference approved by the Board which included principally the items mentioned above and the actions taken by the Audit Committee in respect of each of these responsibilities. Evaluation of the Board performance, which also included members of the Audit Committee was carried out separately and is detailed in the Annual Report.

Bushra Naz Malik
Chairperson – Audit Committee
Rawalpindi
January 31, 2019

Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2017

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 13 as per the following:

a.	Male:	12
b.	Female:	01

2. The composition of board is as follows:-

a.	Independent Directors	04
b.	Other Non-Executive Director	08
b.	Executive Directors	01

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board has arranged Directors' Training program for the following:

- Ms. Bushra Naz Malik
- Mr. Saad Amanullah Khan
- Mr. Mohammad Younus Dagha

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a. Audit Committee (Name of members and Chairman)

Ms. Bushra Naz Malik	Chairperson
Dr. Nadeem Inayat	Member
Mr. Saad Amanullah Khan	Member
Mr. Rehan Laiq	Member

b. HR and Remuneration Committee (Name of members and Chairman)

Mr. Saad Amanullah Khan	Chairman
Dr. Nadeem Inayat	Member
Maj Gen Javaid Iqbal Nasar (Retired)	Member
Brig Raashid Wali Janjua (Retired)	Member

c. **System & Technology Committee**

Brig Raashid Wali Janjua (Retired)	Chairman
Maj Gen Wasim Sadiq (Retired)	Member
Ms. Bushra Naz Malik	Member

d. **Projects Diversification Committee**

Dr. Nadeem Inayat	Chairman
Brig Raashid Wali Janjua (Retired)	Member
Mr. Rehan Laiq	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

a.	Audit Committee	Quarterly
b.	HR and Remuneration Committee	On required basis
c.	System & Technology Committee	On required basis
d.	Projects Diversification Committee	On required basis

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman

Lt Gen Tariq Khan
HI (M), (Retired)
Chief Executive and Managing Director

Rawalpindi
January 31, 2019

Review Report to The Members
on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Fauji Fertilizer Company Limited for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Atif Zamurrad Malik

Islamabad
31 January 2019

Independent Auditors' Report to the Members

of Fauji Fertilizer Company Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Fauji Fertilizer Company Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit or loss and other comprehensive income or loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** Refer notes 3.9 and 26 to the financial statements. The Company recognized revenue from the sale of fertilizers and chemicals amounting to Rs. 105.96 billion for the year ended 31 December 2018. We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.	**Our audit procedures, amongst others, included the following:** • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of sales transactions recorded during the year with sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of sales transactions recorded before and after the reporting date with the sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; and • Comparing non-routine journal entries posted to revenue accounts during the year, if any, with the relevant underlying documentation.

Independent Auditors' Report to the Members

of Fauji Fertilizer Company Limited

Report on the Audit of Financial Statements

Sr. No.	Key audit matters	How the matter was addressed in our audit
2	**Valuation of investments and advances to subsidiaries and associates** Refer notes 3.5, 15 and 21 to the financial statements. The Company has significant investments in subsidiaries, associated companies and joint venture. The cost of investments amounted to Rs. 26.06 billion at 31 December 2018. The Company also has extended advances amounting to Rs. 582.35 million to subsidiary companies. We recognised valuation of investment as key audit matter due to the magnitude of the carrying amounts of these investments and the fact that significant judgements were required by management to identify whether any impairment indicators existed for any of these assets and whether any impairment is required to be recognised against relevant investment.	**Our audit procedures to assess the valuation of investments included the following:** • Evaluating management's assessment including impairment indications evaluation as to whether indicators of impairment exist by corroborating with management and market information; and involving our in-house valuation specialist to assess the reasonableness of the assumptions and methodologies used by the Company for investments where indicators of impairment exist, in particular those relating to the forecast revenue growth and profit margins also considering that the key assessments are in line with our expectations and knowledge of the market.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial statements and our auditors' report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Atif Zamurrad Malik.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
1 February 2019

Statement of Financial Position

As at December 31, 2018

	Note	2018	2017
		Rs '000	Rs '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4	12,722,382	12,722,382
Capital reserves	5	160,000	160,000
Revenue reserves	6	20,522,513	16,176,474
(Deficit) / surplus on re-measurement of investments available for sale to fair value - net		(21,950)	293,523
		33,382,945	29,352,379
NON - CURRENT LIABILITIES			
Long term borrowings - secured	7	8,583,749	15,571,491
Deferred liabilities	8	4,578,148	4,697,189
		13,161,897	20,268,680
CURRENT LIABILITIES			
Trade and other payables	9	60,599,330	38,781,144
Mark-up and profit accrued	10	300,574	190,707
Short term borrowings - secured	11	28,526,484	11,539,083
Unclaimed dividend		638,783	437,291
Current portion of long term borrowings - secured	7	7,237,742	6,831,804
Taxation		2,641,779	1,229,780
		99,944,692	59,009,809
TOTAL EQUITY AND LIABILITIES		146,489,534	108,630,868
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 41 form an integral part of these financial statements.

	Note	2018	2017
		Rs '000	Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	13	21,533,696	22,312,363
Intangible assets	14	1,575,624	1,585,018
Long term investments	15	26,898,152	27,868,846
Long term loans and advances	16	1,113,854	965,959
Long term deposits and prepayments	17	13,604	13,896
		51,134,930	52,746,082
CURRENT ASSETS			
Stores, spares and loose tools	18	3,473,851	3,496,117
Stock in trade	19	12,931,714	395,113
Trade debts	20	3,678,698	3,721,587
Loans and advances	21	1,060,098	1,633,916
Deposits and prepayments	22	81,671	77,792
Other receivables	23	15,724,971	13,964,851
Short term investments	24	54,585,604	30,882,685
Cash and bank balances	25	3,817,997	1,712,725
		95,354,604	55,884,786
TOTAL ASSETS		146,489,534	108,630,868

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Statement of Profit or Loss

For the Year Ended December 31, 2018

	Note	2018	2017
		Rs '000	Rs '000
Turnover	26	105,964,471	90,714,114
Cost of sales	27	77,985,886	72,620,911
GROSS PROFIT		27,978,585	18,093,203
Distribution cost	28	8,833,490	8,574,081
		19,145,095	9,519,122
Finance cost	29	1,636,976	2,445,063
Other expenses	30	2,108,585	1,630,750
		15,399,534	5,443,309
Other income	31	6,283,051	10,298,006
PROFIT BEFORE TAX		21,682,585	15,741,315
Provision for taxation	32	7,244,000	5,030,000
PROFIT FOR THE YEAR		14,438,585	10,711,315
Earnings per share - basic and diluted (Rupees)	33	11.35	8.42

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Statement of Comprehensive Income

For the Year Ended December 31, 2018

	2018 Rs '000	2017 Rs '000
PROFIT FOR THE YEAR	14,438,585	10,711,315
OTHER COMPREHENSIVE INCOME		
Items that are reclassified subsequently to profit or loss		
Deficit on re-measurement of investments available for		
sale to fair value - net of tax	(315,473)	(193,427)
Items that will not be subsequently reclassified to profit or loss		
Gain / (loss) on re-measurement of staff retirement		
benefit plans - net of tax	21,749	(789,197)
OTHER COMPREHENSIVE INCOME - NET OF TAX	(293,724)	(982,624)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14,144,861	9,728,691

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Statement of Cash Flows

For the Year Ended December 31, 2018

	Note	2018	2017
		Rs '000	Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	28,231,872	37,619,409
Finance cost paid		(1,527,109)	(2,575,447)
Income tax paid		(6,041,203)	(5,247,419)
Subsidy received on sale of fertilizer		2,202,383	4,910,528
		(5,365,929)	(2,912,338)
Net cash from operating activities		22,865,943	34,707,071
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,400,093)	(3,284,612)
Proceeds from disposal of property, plant and equipment		17,209	24,575
Interest received		1,049,890	750,347
Investment in Fauji Fresh n Freeze Limited		(1,640,000)	(560,000)
Investment in Thar Energy Limited		(1,460,400)	–
Increase in other investment - net		(18,974,254)	(633,245)
Dividends received		1,299,470	1,923,711
Net cash used in investing activities		(21,108,178)	(1,779,224)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing			
Draw-downs		–	7,000,000
Repayments		(6,581,804)	(7,684,303)
Dividends paid		(9,912,803)	(8,557,834)
Net cash used in financing activities		(16,494,607)	(9,242,137)
Net (decrease) / increase in cash and cash equivalents		(14,736,842)	23,685,710
Cash and cash equivalents at beginning of the year		17,723,324	(6,041,304)
Effect of exchange rate changes		399,390	78,918
Cash and cash equivalents at end of the year		3,385,872	17,723,324
CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	3,817,997	1,712,725
Short term borrowings	11	(28,526,484)	(11,539,083)
Short term highly liquid investments		28,094,359	27,549,682
		3,385,872	17,723,324

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman	**Chief Executive**	**Director**	**Chief Financial Officer**

Statement of Changes in Equity

For the Year Ended December 31, 2018

	Share capital	Capital reserves	Revenue reserves		Surplus / (deficit) on re-measurement of available for sale investments to fair value - net	Total
			General reserve	Unappropriated profit		
	Rs '000					
Balance at January 1, 2017	12,722,382	160,000	6,802,360	8,039,603	486,950	28,211,295
Total comprehensive income for the year						
Profit for the year	–	–	–	10,711,315	–	10,711,315
Other comprehensive income - net of tax	–	–	–	(789,197)	(193,427)	(982,624)
	–	–	–	9,922,118	(193,427)	9,728,691
Transactions with owners of the Company						
Distributions:						
Final dividend 2016: Rs 2.75 per share	–	–	–	(3,498,655)	–	(3,498,655)
First interim dividend 2017: Rs 1.50 per share	–	–	–	(1,908,357)	–	(1,908,357)
Second interim dividend 2017: Rs 1.00 per share	–	–	–	(1,272,238)	–	(1,272,238)
Third interim dividend 2017: Rs 1.50 per share	–	–	–	(1,908,357)	–	(1,908,357)
	–	–	–	(8,587,607)	–	(8,587,607)
Other changes in equity						
Transfer in general reserves	–	–	2,000,000	(2,000,000)	–	–
Balance at December 31, 2017	12,722,382	160,000	8,802,360	7,374,114	293,523	29,352,379
Balance at January 1, 2018	12,722,382	160,000	8,802,360	7,374,114	293,523	29,352,379
Total comprehensive income for the year						
Profit for the year	–	–	–	14,438,585	–	14,438,585
Other comprehensive income - net of tax	–	–	–	21,749	(315,473)	(293,724)
	–	–	–	14,460,334	(315,473)	14,144,861
Transactions with owners of the Company						
Distributions:						
Final dividend 2017: Rs 3.00 per share	–	–	–	(3,816,715)	–	(3,816,715)
First interim dividend 2018: Rs 1.75 per share	–	–	–	(2,226,417)	–	(2,226,417)
Second interim dividend 2018: Rs 1.40 per share	–	–	–	(1,781,134)	–	(1,781,134)
Third interim dividend 2018: Rs 1.80 per share	–	–	–	(2,290,029)	–	(2,290,029)
	–	–	–	(10,114,295)	–	(10,114,295)
Balance at December 31, 2018	12,722,382	160,000	8,802,360	11,720,153	(21,950)	33,382,945

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Notes to the Financial Statements
For the Year Ended December 31, 2018

1. CORPORATE AND GENERAL INFORMATION

1.1 The Company and its operations

Fauji Fertilizer Company Limited (the Company) is a public company incorporated in Pakistan under the Companies Act, 1913, (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The Company is domiciled in Rawalpindi. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizer, chemical, cement, energy generation, food processing and banking operations.

The business units of the Company include the following:

Business unit	Geographical location
Registered office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
Production plants	
Goth Machhi	Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab
Mirpur Mathelo	Mirpur Mathelo (District: Ghotki), Sindh
Karachi office	B-35, KDA Scheme No. 1, Karachi, Sindh
Marketing division	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
Zonal marketing offices	
North zone	Lahore Trade Centre, 11 Sharah-e-Aiwan-e-Tijarat Lahore, Punjab
Central zone	Ali Maskan, District Jail Road, Multan, Punjab
South zone	B-35, KDA Scheme No. 1, Karsaz, Karachi, Sindh
Regional marketing offices	
Faisalabad Region	495-C, Amin Town, Quaid-e-Azam Road, Faisalabad, Punjab
Sahiwal Region	77-B, Canal Colony, Off Farid Town Road, Sahiwal, Punjab
Lahore Region	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
Sarghodha Region	House No. 1, Bilal Park, Muradabad Colony, University Road, Sargodha, Punjab
Peshawar Region	9-B, Rafiqui Lane, Peshawar Cantt, Khyber Pakhtunkhwa
Bahawalpur Region	House No. 39-A, Tipu Shaheed Road, Model Town A, Bahawalpur, Punjab
D. G. Khan Region	House No.3, Khyaban-e-Sarwar, Main Multan Road, Dera Ghazi Khan, Punjab
Multan Region	Ali-Maskan, District Jail Road, Multan, Punjab
R.Y. Khan Region	37-A, Ali Block, Abbasia Town, Rahim Yar Khan, Punjab
Vehari Region	House No. 48, Quaid e Azam Block, Ludden Road, Tariq Bin Ziyad Colony, Vehari, Punjab
Hyderabad Region	Bungalow No. 208, DHA, Phase-2, Hyderabad, Sindh
Sukkur Region	House No. 64-A, Sindhi Muslim Co-operative Housing Society, Airport Road, Sukkur, Sindh
Nawabshah Region	House No. A-11, Housing Society, Near Thalassemia Hospital, Nawabshah, Sindh

The Company has district marketing offices and warehouses located across Pakistan, the region-wise details of which are listed below:

	No. of district offices	No. of warehouses
Faisalabad Region	5	15
Sahiwal Region	4	11
Lahore Region	6	17
Sarghodha Region	5	11
Peshawar Region	5	11
Bahawalpur Region	4	12
D. G. Khan Region	4	12
Multan Region	4	12
R.Y. Khan Region	4	9
Vehari Region	4	12
Hyderabad Region	6	13
Sukkur Region	7	20
Nawabshah Region	5	13
	63	168

1.2 Summary of significant transactions and events

Following is the summary of significant transactions and events that have affected the Company's financial position and performance during the year:

Investment in Thar Energy Limited (TEL)

The Company signed Shareholders' Agreement with Hub Power Company Limited (HUBCO) and China Machinery Engineering Corporation (CMEC) for equity injection equivalent to 30% of share capital of TEL. Pursuant to the approval granted by the Board of Directors, the Company invested an amount of Rs 1,460,400 thousand in TEL, during the year.

Investment in Fauji Fresh n Freeze Limited (FFF)

Pursuant to the approval granted by the Board of Directors, the Company invested an amount of Rs 1,640,000 thousand in FFF, during the year.

Dividend declared

Dividend declared by the Company during the year, aggregated to Rs 10,114,295 thousand.

First time application of financial reporting requirements under Companies Act, 2017

Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been represented.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement and preparation

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and obligations for staff retirement benefits which are carried at present values of defined benefit obligation net of fair value of plan assets determined through acturial valuation.

These financial statements are the separate financial statements of the Company in which investments in subsidiary companies, associated companies and jointly controlled entities are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency.

2.4 Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

(i) Employee retirement benefits - note 3.1, note 8.2 and note 9.3
(ii) Estimate of useful life of property, plant and equipment - note 3.3 and note 13
(iii) Estimate of useful life of intangible assets - note 3.4 and note 14
(iv) Estimate of fair value of investments available for sale - note 3.5.3 and note 15
(v) Provisions and contingencies - note 3.12 and note 3.20
(vi) Impairment of non-financial assets - note 3.4.1
(vii) Estimate of recoverable amount of goodwill - note 3.19.1 and note 14
(viii) Estimate of recoverable amount of investment in associated companies - note 3.5.2 and note 15
(Ix) Provision for taxation - note 3.2 and note 32
(x) Provision for doubtful debts - note 3.15 and note 20
(xi) Provision for slow moving inventories note 3.6, note 3.7, note 18 and note 19

2.5 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the change as indicated below:

The Companies Act, 2017 specified certain disclosures to be included in the financial statements. The Company has presented the required disclosures in these financial statements and re-presented certain comparatives. However, there was no change in the reported amounts of profit and other comprehensive income and the amounts presented in the statement of financial position due to these re-presentations. (Refer note 40)

3.1 Employee retirement benefits

3.1.1 Defined benefit plans

Funded Gratuity and Pension Schemes

The Company operates defined benefit funded gratuity and pension schemes for all eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 9.3 to the financial statements.

Charge for the year is recognized in profit or loss. Actuarial gain or loss arising on actuarial valuation are recorded directly in the other comprehensive income.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

3.1.2 Defined contribution plan

Provident Fund

Defined contribution provident fund for all eligible employees for which the Company's contributions are charged to profit or loss at the rate of 10% of basic salary.

3.1.3 Compensated absences

The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.2 Taxation

Income tax expense comprises current and deferred tax.

Current tax

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Deferred tax

Deferred tax is recognized in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.3 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except freehold land and capital work in progress, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a straight-line basis and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of its disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

3.4 Impairment

3.4.1 Non-financial assets

The carrying amounts of non-financial assets other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.4.2 Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.5 Investments

3.5.1 Investment in subsidiary entities

Investment in subsidiary is initially recognized at cost. At subsequent reporting date, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amount of investment is adjusted accordingly. Impairment losses are recognized as an expense in profit or loss. Where impairment loss subsequently reverses, the carrying amount of investment is increased to its revised recoverable amount but limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the profit or loss.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries which are recognized in other income. Gains and losses on disposal of investment is included in other income. When the disposal of investment in subsidiary results in loss of control such that it becomes an associate, the retained investment is carried at cost.

3.5.2 Investment in associated and jointly controlled entities

Investments in associates and jointly controlled entities are initially recognized at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit or loss.

The profits and losses of associates and jointly controlled entities are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the associates and jointly controlled entities which are recognized in other income. Gains and losses on disposal of investment is included in other income.

3.5.3 Investments available for sale

These are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognized in other comprehensive income until disposal at which time these are recycled to profit or loss. Impairment loss on investments available for sale is recognized in the profit or loss.

3.5.4 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as fair value through profit or loss and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in profit or loss.

The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

3.5.5 Loans and receivables

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are initially measured at fair values plus directly attributable transaction costs. Subsequent to initial recognition, these are stated at their amortized cost using the effective interest method, less any impairment losses.

3.6 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value.

For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and as appropriate, these are written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

3.7 Stock in trade

Stocks are valued at the lower of cost and net realizable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost
Work in process and finished goods	at weighted average cost of purchase, raw materials and applicable manufacturing expenses

Cost of raw material, work in process and finished goods comprises of direct materials, labor and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Company reviews the carrying amount of stock in trade on a regular basis and as appropriate, these are written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

3.8 Foreign currency transaction and translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the year end are translated in Pakistan Rupees at exchange rates ruling at the reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transaction. Exchange differences are included in profit or loss for the year.

3.9 Turnover

Turnover from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Turnover is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of turnover can be measured reliably. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Government subsidy on sale of fertilizer is recognised when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognised in other income.

3.10 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to profit or loss.

3.11 Research and development costs

Research and development costs are charged to profit or loss as and when incurred.

3.12 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.13 Basis of allocation of common expenses

Distribution cost is allocated to Fauji Fertilizer Bin Qasim Limited (FFBL), in proportion to the sales volume handled on its behalf under the Inter Company Services Agreement.

3.14 Share capital and dividend

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved.

3.15 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets as available for sale, held for trading, loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Non-derivative financial liabilities

The Company initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise mark-up bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.16 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.17 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gain on disposal of available-for-sale financial assets, commission income and changes in fair value of investments held for trading. Interest income is recognized as it accrues in profit or loss, using effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings, changes in fair value of investment carried at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using effective interest method.

Foreign currency gains and losses are reported on a net basis.

3.18 Leases

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease.

3.19 Intangible assets

3.19.1 Goodwill

Goodwill arises on the acquisition of subsidiaries or businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense in profit or loss and is not subsequently reversed.

3.19.2 With finite useful life

Intangibles are stated at the cash price equivalent of the consideration given less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Rates for amortization are disclosed in Note 14.1. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit or loss.

3.20 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.21 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 1, 2019:

– IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

– IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

– IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

– IFRS 16 'Leases' (effective for annual period beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

– Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

– Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

– Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

– Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

– IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

– IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

– IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Company's financial statements.

4. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2017: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2017: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2018	2017	2018	2017
	Numbers	Numbers	Rs '000	Rs '000
Fully paid in cash	256,495,902	256,495,902	2,564,959	2,564,959
Fully paid bonus shares	1,015,742,345	1,015,742,345	10,157,423	10,157,423
	1,272,238,247	1,272,238,247	12,722,382	12,722,382

4.1 Fauji Foundation (Holding Company) holds 44.35% (2017: 44.35%) ordinary shares of the Company at the year end.

4.2 All ordinary shares rank equally with regard to the Company's residual assets. Holders of the shares are entitled to dividends from time to time and are entitled to one vote per share at the general meetings of the Company.

4.3 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as profit for the year divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

	Note	2018	2017
		Rs '000	Rs '000
5. CAPITAL RESERVES			
Share premium	5.1	40,000	40,000
Capital redemption reserve	5.2	120,000	120,000
		160,000	160,000

5.1 Share premium

This represents premium of Rs 5 per share received on public issue of 8,000,000 ordinary shares of Rs 10 each in 1991.

5.2 Capital redemption reserve

This represents reserve set up on redemption of preference shares of Rs 120,000 thousand in 1996.

	2018	2017
	Rs '000	Rs '000
6. REVENUE RESERVES		
General reserve	8,802,360	8,802,360
Unappropriated profit	11,720,153	7,374,114
	20,522,513	16,176,474

	Note	2018	2017
		Rs '000	Rs '000
7. LONG TERM BORROWINGS - SECURED			
Borrowings from banking companies - secured	7.1		
From conventional banks			
The Bank of Punjab (BOP-1)		150,000	250,000
The Bank of Punjab (BOP-2)		275,000	385,000
Allied Bank Limited (ABL-1)		450,000	750,000
Allied Bank Limited (ABL-2)		937,500	1,312,500
United Bank Limited (UBL-1)		–	375,000
United Bank Limited (UBL-2)		375,000	625,000
United Bank Limited (UBL-3)		1,125,000	1,500,000
United Bank Limited (UBL-4)		1,750,000	2,000,000
Bank AL Habib Limited (BAH-1)		300,000	500,000
Bank AL Habib Limited (BAH-2)		250,000	350,000
Bank AL Habib Limited (BAH-3)		250,000	350,000
Habib Bank Limited (HBL-1)		750,000	1,250,000
Habib Bank Limited (HBL-2)		656,250	1,031,250
Habib Bank Limited (HBL-3)		1,000,000	1,000,000
Bank Alfalah Limited (BAF)		375,000	500,000
MCB Bank Limited (MCB-1)		419,062	1,257,188
MCB Bank Limited (MCB-2)		750,000	1,250,000
MCB Bank Limited (MCB-3)		92,250	184,500
National Bank of Pakistan Limited (NBP-1)		520,000	1,040,000
National Bank of Pakistan Limited (NBP-2)		2,000,000	2,000,000
National Bank of Pakistan Limited (NBP-3)		2,000,000	2,000,000
	7.1.1	14,425,062	19,910,438
From Islamic banks			
Dubai Islamic Bank Pakistan Limited (DIB)		–	50,000
Meezan Bank Limited (MBL-1)		571,429	1,142,857
Meezan Bank Limited (MBL-2)		375,000	625,000
MCB Islamic Bank Limited (MCBIB)		450,000	675,000
	7.1.2	1,396,429	2,492,857
		15,821,491	22,403,295
Less: Current portion shown under current liabilities			
From conventional banks		6,191,313	5,735,375
From Islamic banks		1,046,429	1,096,429
		7,237,742	6,831,804
		8,583,749	15,571,491

7.1 Terms and conditions of these borrowings are as follows:

Lenders	Mark-up / profit rate p.a. (%)	No. of installments outstanding	Date of final repayment
From conventional banks			
BOP-1	6 month KIBOR+0.35	03 half yearly	May 26, 2020
BOP-2	6 month KIBOR+0.40	05 half yearly	April 7, 2021
ABL-1	6 month KIBOR+0.25	03 half yearly	June 26, 2020
ABL-2	6 month KIBOR+0.25	05 half yearly	April 7, 2021
UBL-1	6 month KIBOR+0.35	Nil	Paid on December 27, 2018
UBL-2	6 month KIBOR+0.35	03 half yearly	June 30, 2020
UBL-3	6 month KIBOR+0.40	06 half yearly	September 6, 2021
UBL-4	6 month KIBOR+0.20	07 half yearly	June 29, 2022
BAH-1	6 month KIBOR+0.20	03 half yearly	June 26, 2020
BAH-2	6 month KIBOR+0.20	05 half yearly	March 25, 2021
BAH-3	6 month KIBOR+0.20	05 half yearly	April 20, 2021
HBL-1	3 month KIBOR+0.40	06 quarterly	June 2, 2020
HBL-2	3 month KIBOR+0.40	07 quarterly	September 21, 2020
HBL-3	3 month KIBOR+0.15	16 quarterly	December 19, 2022
BAF-1	6 month KIBOR+0.40	06 half yearly	September 8, 2021
MCB-1	6 month KIBOR+0.10	01 half yearly	June 3, 2019
MCB-2	6 month KIBOR+0.40	03 half yearly	June 29, 2020
MCB-3	6 month KIBOR+0.10	02 half yearly	November 9, 2019
NBP-1	6 month KIBOR+0.15	02 half yearly	October 20, 2019
NBP-2	6 month KIBOR+0.20	08 half yearly	June 30, 2022
NBP-3	6 month KIBOR+0.15	08 half yearly	December 29, 2022
From Islamic banks			
DIB	6 month KIBOR+0.35	Nil	Paid on June 26, 2018
MBL-1	6 month KIBOR+0.05	02 half yearly	July 15, 2019
MBL-2	6 month KIBOR+0.40	03 half yearly	May 29, 2020
MCBIB	6 month KIBOR+0.15	04 half yearly	December 10, 2020

7.1.1 These borrowings are secured by way of hypothecation of Company assets including plant, machinery, tools & spares and other moveable properties, ranking pari passu with each other with 25% margin and lien over Pakistan Investment Bonds (PIBs) with 10% margin.

7.1.2 These borrowings are secured by way of hypothecation of Company assets including plant, machinery, tools & spares and other moveable properties, ranking pari passu with each other with 25% margin and lien over Pakistan Investment Bonds (PIBs) with Nil margin.

	Note	2018	2017
		Rs '000	Rs '000
8. DEFERRED LIABILITIES			
Deferred tax liability - net	8.1	3,017,206	3,226,408
Provision for compensated leave absences / retirement benefits	8.2	1,560,942	1,470,781
		4,578,148	4,697,189
8.1 Deferred taxation			
The balance of deferred tax is in respect of the following temporary differences:			
Accelerated depreciation / amortisation		3,183,000	3,248,000
Provision for slow moving spares, doubtful debts, other receivables and investments		(153,000)	(143,979)
Re-measurement of investments available for sale		(12,794)	122,387
		3,017,206	3,226,408
The gross movement in the deferred tax liability during the year is as follows:			
Balance at the beginning		3,226,408	3,424,793
Tax credit recognized in profit or loss		(74,000)	(106,000)
Tax credit recognized in other comprehensive income		(135,202)	(92,385)
Balance at the end		3,017,206	3,226,408

8.2 Actuarial valuation has not been carried out for compensated leave absences as the impact is considered to be immaterial.

	Note	2018	2017
		Rs '000	Rs '000
9. TRADE AND OTHER PAYABLES			
Creditors	9.1	42,958,288	23,834,180
Accrued liabilities		4,895,918	3,989,362
Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		2,650,542	902,616
Deposits	9.2	166,971	155,564
Retention money		153,500	165,149
Advances from customers		7,425,826	7,667,633
Workers' Welfare Fund		1,515,309	1,200,499
Payable to gratuity fund	9.3	525,210	397,886
Payable to pension fund	9.3	204,355	362,311
Other liabilities		103,411	105,944
		60,599,330	38,781,144

9.1 Creditors include Rs 42,083,302 thousand (2017: Rs 22,944,401 thousand) on account of Gas Infrastructure Development Cess (GIDC).

9.2 These represent unutilizable amounts received as security deposits from dealers and suppliers of the Company, and are kept in separate bank accounts.

		Funded gratuity Rs '000	Funded pension Rs '000	2018 Total Rs '000	2017 Total Rs '000
9.3	**RETIREMENT BENEFIT FUNDS**				
9.3.1	**The amounts recognized in the statement of financial position are as follows:**				
	Present value of defined benefit obligation	2,630,849	3,814,900	6,445,749	6,275,581
	Fair value of plan assets	(2,105,639)	(3,610,545)	(5,716,184)	(5,515,384)
	Liability	525,210	204,355	729,565	760,197
9.3.2	**Amount recognised in the profit or loss is as follows:**				
	Current service cost	137,838	127,864	265,702	235,566
	Net interest cost / (income)	30,669	27,050	57,719	(28,269)
		168,507	154,914	323,421	207,297
9.3.3	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	2,422,198	3,853,383	6,275,581	5,452,583
	Current service cost	137,838	127,864	265,702	235,566
	Interest cost	181,788	294,926	476,714	429,939
	Benefits paid	(184,834)	(214,548)	(399,382)	(408,499)
	Re-measurement of defined benefit obligation	73,859	(246,725)	(172,866)	565,992
	Present value of defined benefit obligation at end	2,630,849	3,814,900	6,445,749	6,275,581
9.3.4	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	2,024,312	3,491,072	5,515,384	5,819,811
	Expected return on plan assets	151,119	267,876	418,995	458,208
	Contributions	168,507	154,914	323,421	207,297
	Benefits paid	(184,834)	(214,548)	(399,382)	(408,499)
	Re-measurement of plan assets	(53,465)	(88,769)	(142,234)	(561,433)
	Fair value of plan assets at end	2,105,639	3,610,545	5,716,184	5,515,384
9.3.5	**Actual return on plan assets**	97,654	179,107	276,761	(103,225)
9.3.6	**Contributions expected to be paid to the plan during the next year**	218,426	124,559	342,985	323,421
9.3.7	**Plan assets comprise of:**				
	Investment in debt securities	47,083	74,984	122,067	2,889,332
	Investment in equity securities	935,129	1,127,935	2,063,064	1,713,908
	Deposits with banks	928,319	2,029,127	2,957,446	342,768
	Mutual Funds	195,108	378,499	573,607	569,376
		2,105,639	3,610,545	5,716,184	5,515,384

9.3.8 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Funds, at the beginning of the year, for returns over the entire life of the related obligations.

		2018		2017	
		Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
		Rs '000		Rs '000	
9.3.9	**Movement in liability / (asset) recognised in statement of financial position:**				
	Opening liability / (asset)	397,886	362,311	(80,450)	(286,778)
	Cost for the year recognised in profit or loss	168,507	154,914	118,014	89,283
	Employer's contribution during the year	(168,507)	(154,914)	(118,014)	(89,283)
	Total amount of re-measurement recognised in Other Comprehensive Income (OCI) during the year	127,324	(157,956)	478,336	649,089
	Closing liability	525,210	204,355	397,886	362,311
9.3.10	**Re-measurements recognised in OCI during the year:**				
	Re-measurment (loss) / gain on obligation	(73,859)	246,725	(185,647)	(380,345)
	Re-measurment loss on plan assets	(53,465)	(88,769)	(292,689)	(268,744)
	Re-measuement (loss) / gain recognised in OCI	(127,324)	157,956	(478,336)	(649,089)

		2018		2017	
		Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
		Percentage		Percentage	
9.3.11	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	13.25	13.25	7.75	7.75
	Expected rate of salary growth - short term				
	Management	10.00	10.00	–	7.75
	Non-Management	13.25	–	–	–
	Expected rate of salary growth - long term				
	Management	13.25	13.25	7.75	7.75
	Non-Management	13.25	–	7.75	–
	Expected rate of return on plan assets	13.25	13.25	7.75	7.75
	Expected rate of increase in post retirement pension				
	Short term	–	6.00	–	2.00
	Long term	–	7.50	–	2.00
	Maximum pension limit increase rate	–	7.00	–	5.00
	Minimum pension limit increase rate	–	7.00	–	4.75
	Demographic assumptions				
	Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1
	Rates of employee turnover				
	Management	Moderate	Moderate	Moderate	Moderate
	Non-Management	Light	–	Light	–

9.3.12 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	2018 Defined benefit obligation		2017 Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease	Effect of 1 percent increase	Effect of 1 percent decrease
	Rs '000		Rs '000	
Discount rate	(528,935)	625,129	(565,465)	679,877
Future salary growth	172,451	(158,435)	226,004	(219,725)
Future pension	262,732	(226,519)	302,629	(259,007)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

9.3.13 The weighted average number of years of defined benefit obligation is given below:

	2018		2017	
	Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
	Years		Years	
Plan Duration	6.45	9.53	6.95	10.47

9.3.14 The Company contributes to the pension and gratuity funds on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any deficit. If there is a surplus, the Company takes a contribution holiday.

9.3.15 Distribution of timing of benefit payments:

	2018		2017	
	Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
	Rs '000		Rs '000	
1 year	265,087	163,086	293,837	225,455
2 years	404,444	309,297	254,262	236,577
3 years	411,529	377,355	249,535	244,769
4 years	315,255	342,712	355,419	326,786
5 years	321,995	349,483	255,797	283,854
6-10 years	2,520,049	2,518,008	1,578,443	1,650,035

9.3.16 Salaries, wages and benefits expense, stated in notes 27 and 28 include retirement benefits in respect of gratuity fund, provident fund, pension plan and compensated absences amounting to Rs 154,551 thousand, Rs 151,524 thousand, Rs 138,336 thousand and Rs 264,395 thousand respectively (2017: Rs 109,107 thousand, Rs 147,959 thousand, Rs 80,025 thousand and Rs 229,096 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited and FFC Energy Limited under Inter Company Services Agreements.

9.4 Defined contribution plan

Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 (2017: Section 227 of the repealed Companies Ordinance, 1984), and the rules formulated for the purpose, except for the prescribed limit for listed securities.

		Note	2018	2017
			Rs '000	Rs '000
10.	**MARK-UP AND PROFIT ACCRUED**			
	On long term borrowings			
	From conventional banks		185,469	117,766
	From Islamic banks		12,512	13,908
			197,981	131,674
	On short term borrowings			
	From conventional banks		86,963	47,846
	From Islamic banks		15,630	11,187
			102,593	59,033
			300,574	190,707
11.	**SHORT TERM BORROWINGS - SECURED**			
	From conventional banks	11.1		
	MCB Bank Limited (MCB-1)		2,200,000	788
	MCB Bank Limited (MCB-2)		–	800,000
	MCB Bank Limited (MCB-3)		–	4,000,000
	MCB Bank Limited (MCB-4)		–	1,400,000
	Allied Bank Limited (ABL-1)		39,652	–
	Allied Bank Limited (ABL-2)		1,075,000	–
	Allied Bank Limited (ABL-3)		725,000	–
	Bank Al-Habib Limited (BAHL)		999,992	–
	United Bank Limited (UBL-1)		5,838	–
	Askari Bank Limited (AKBL)		8,999,377	694,857
	Bank Alfalah Limited (BAF)		928,566	58,322
	Habib Bank Limited (HBL-1)		3,417,874	51,110
	Habib Bank Limited (HBL-2)		–	2,000,000
	National Bank of Pakistan (NBP)		1,107,151	1,198,927
	Habib Metropolitan Bank Limited (HMBL)		957,999	14,186
	JS Bank Limited (JSBL)		749,896	–
	Soneri Bank Limited (SBL)		–	800,000
	Standard Chartered Bank (Pakistan) Limited (SCB)		4,998,820	1,727
	Bank of Punjab (BOP)		–	19,166
			26,205,165	11,039,083
	From Islamic banks	11.2		
	Meezan Bank Limited (MBL)		2,321,319	–
	The Bank of Khyber (BOK)		–	500,000
			2,321,319	500,000
			28,526,484	11,539,083

11.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 38,960,000 thousand (2017: Rs 35,210,000 thousand) which represent the aggregate of all facility agreements between the Company and respective banks. The facilities have various maturity dates upto August 31, 2019.

The facilities are secured by pari passu / ranking hypothecation charges on assets of the Company besides lien over US $ / PKR Term Deposits and PIBs in certain cases. The per annum rates of mark-up are 1 week KIBOR + 0.03%, 1 month KIBOR + 0.10% to 0.35% and 3 month KIBOR + 0.05% to 0.35% (2017: 1 month KIBOR + 0.15% to 0.35% and 3 month KIBOR + 0.03% to 0.50%).

11.2 Shariah compliant short term borrowings are available from various banking companies under profit arrangements against facilities amounting to Rs 3,500,000 thousand (2017: Rs 3,500,000 thousand) which represent the aggregate of all facility agreements between the Company and respective banks. The facilities have various maturity dates upto May 31, 2019.

The facilities are secured by ranking hypothecation charges on assets of the Company besides lien over PIBs in certain cases. The per annum rates of profit ranges between 3 month KIBOR + 0.07% to 0.10% (2017: 3 month KIBOR + 0.07% to 0.10%).

		2018	2017
		Rs '000	Rs '000
12.	**CONTINGENCIES AND COMMITMENTS**		
12.1	**Contingencies:**		
	i) Guarantees issued by banks on behalf of the Company	154,806	16,668
	ii) Claims against the Company and / or potential exposure		
	not acknowledged as debt	50,696	50,696

iii) Penalty of Rs 5.5 billion imposed by the Competition Commission of Pakistan (CCP) in 2013, for alleged unreasonable increase in urea prices, had been set aside by the Competition Appellate Tribunal with directions to the CCP to decide the case under guidelines provided by the Tribunal. No petition was filed by the CCP for review of the decision within the stipulated time, and this option has thus become time barred for the CCP. However, the CCP can file fresh case under the guidelines provided by the Tribunal, but the Company remains confident of successfully defending these unreasonable claims in future as well.

		2018	2017
		Rs '000	Rs '000
12.2	**Commitments in respect of:**		
	i) Capital expenditure	1,919,124	2,498,658
	ii) Purchase of fertilizer, stores, spares and other operational items	1,528,517	2,821,573
	iii) Investment in Fauji Fresh n Freeze Limited	500,000	640,000
	iv) Investment in Thar Energy Limited	3,685,374	–
	v) Contracted out services	392,100	221,390
	vi) Rentals under lease agreements:		
	Premises	254,827	312,656
	Vehicles	88,226	83,674

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings and structures on freehold land	Buildings and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 13.4)	Total
	Rs '000													
As at January 1, 2017														
Cost	544,472	178,750	4,316,648	1,995,740	26,517	33,304,312	2,157,582	1,084,431	383,244	656,060	2,329,847	25,893	1,045,793	48,049,289
Accumulated depreciation	–	(162,885)	(2,379,096)	(412,854)	(26,517)	(19,249,781)	(1,486,769)	(656,978)	(213,851)	(440,607)	(1,763,462)	(23,757)	–	(26,816,557)
Net Book Value	544,472	15,865	1,937,552	1,582,886	–	14,054,531	670,813	427,453	169,393	215,453	566,385	2,136	1,045,793	21,232,732
Year ended December 31, 2017														
Opening net book value	544,472	15,865	1,937,552	1,582,886	–	14,054,531	670,813	427,453	169,393	215,453	566,385	2,136	1,045,793	21,232,732
Additions	–	–	134,101	–	–	1,073,417	178,561	74,436	11,382	59,675	144,466	1,122	2,107,600	3,784,760
Disposals														
Cost	–	–	–	–	–	(64,498)	–	(24,474)	(2,607)	(32,047)	(28,975)	(557)	–	(153,158)
Depreciation	–	–	–	–	–	50,562	–	24,348	2,538	32,047	28,975	557	–	139,027
	–	–	–	–	–	(13,936)	–	(126)	(69)	–	–	–	–	(14,131)
Transfers	–	–	(17,943)	–	–	–	–	6,746	11,197	–	–	–	(509,227)	(509,227)
Depreciation charge	–	(14,072)	(172,814)	(97,801)	–	(1,188,635)	(271,925)	(126,659)	(31,501)	(86,050)	(191,068)	(1,246)	–	(2,181,771)
Balance as at December 31, 2017	544,472	1,793	1,880,896	1,485,085	–	13,925,377	577,449	381,850	160,402	189,078	519,783	2,012	2,644,166	22,312,363
As at January 1, 2018														
Cost	544,472	178,750	4,432,806	1,995,740	26,517	34,313,231	2,336,143	1,141,139	403,216	683,688	2,445,338	26,458	2,644,166	51,171,664
Accumulated depreciation	–	(176,957)	(2,551,910)	(510,655)	(26,517)	(20,387,854)	(1,758,694)	(759,289)	(242,814)	(494,610)	(1,925,555)	(24,446)	–	(28,859,301)
Net Book Value	544,472	1,793	1,880,896	1,485,085	–	13,925,377	577,449	381,850	160,402	189,078	519,783	2,012	2,644,166	22,312,363
Year ended December 31, 2018														
Opening net book value	544,472	1,793	1,880,896	1,485,085	–	13,925,377	577,449	381,850	160,402	189,078	519,783	2,012	2,644,166	22,312,363
Additions	158,111	–	441,736	–	–	2,602,621	24,957	120,372	63,593	74,026	45,302	432	296,578	3,827,728
Disposals														
Cost	–	–	(602)	–	–	–	–	(15,814)	(7,250)	(27,600)	(6,132)	–	–	(57,398)
Depreciation	–	–	322	–	–	–	–	15,756	7,244	27,507	6,132	–	–	56,961
	–	–	(280)	–	–	–	–	(58)	(6)	(93)	–	–	–	(437)
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	(2,428,806)	(2,428,806)
Depreciation charge	–	(1,793)	(174,753)	(97,801)	–	(1,251,180)	(234,372)	(136,392)	(31,391)	(75,486)	(172,901)	(1,083)	–	(2,177,152)
Balance as at December 31, 2018	702,583	–	2,147,599	1,387,284	–	15,276,818	368,034	365,772	192,598	187,525	392,184	1,361	511,938	21,533,696
As at December 31, 2018														
Cost	702,583	178,750	4,873,940	1,995,740	26,517	36,915,852	2,361,100	1,245,697	459,559	730,114	2,484,508	26,890	511,938	52,513,188
Accumulated depreciation	–	(178,750)	(2,726,341)	(608,456)	(26,517)	(21,639,034)	(1,993,066)	(879,925)	(266,961)	(542,589)	(2,092,324)	(25,529)	–	(30,979,492)
Net Book Value	702,583	–	2,147,599	1,387,284	–	15,276,818	368,034	365,772	192,598	187,525	392,184	1,361	511,938	21,533,696
Rate of depreciation in %	–	6.25 to 9.25	5 to 10	5	5	5	20	15	10	20	15 - 33.33	30	–	

Notes to the Financial Statements
For the Year Ended December 31, 2018

		Note	2018	2017
			Rs '000	Rs '000
13.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	27	2,093,326	2,093,416
	Distribution cost	28	66,520	70,233
	Other expenses		1,986	1,850
	Charged to FFBL under Inter Company Services Agreement		15,320	16,272
			2,177,152	2,181,771

13.2 No fixed assets having net book value in excess of Rs 500 thousand were disposed off during the year.

13.3 Details of immovable property (land and building) in the name of the Company:

Location	Usage	Area
Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab	Head office building	16 kanals and 7.5 marlas
Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab	Manufactring plant including allied facilities	1,285 acres, 5 kanals and 7 marlas
Mirpur Mathelo (District: Ghotki), Sindh	Manufactring plant including allied facilities	575 acres, 4 kanals and 16 marlas
Plot No. 50 & 50A, Zafar Ali Road, Gulberg V, Lahore, Punjab	Plot	8 kanals and 5 marlas
FFC Warehouse, G T Road Adda Yousafwala, (District: Sahiwal), Punjab	Warehouse	3 acres, 2 kanals and 11 marlas
FFC Warehouse, Opposite Chiniot Railway Station, Bypass Road, Chiniot (District Chiniot), Punjab	Warehouse	5 acres, 2 kanals and 3 marlas
FFC Warehouse Main Highway Road Dhabeji (District: Thatta), Sindh	Warehouse	16 marlas and 136 sq ft
18 Khaira Gali (District: Abbotabad), Khyber Pakhtunkhwa	Guesthouse	1 kanal and 3 marlas

Land measuring 2 kanals and 2 marlas in possession of the Company, acquired in 2014 at a cost of Rs 57,800 thousand is not in the name of the Company due to pending legal case.

		Note	2018	2017
			Rs '000	Rs '000
13.4	**Capital Work in Progress**			
	Civil works		73,652	342,667
	Plant and machinery		438,286	2,301,499
			511,938	2,644,166
14.	**INTANGIBLE ASSETS**			
	Computer software	14.1	6,390	15,784
	Goodwill	14.2	1,569,234	1,569,234
			1,575,624	1,585,018

	Note	2018	2017
		Rs '000	Rs '000
14.1 Computer software			
Balance at the beginning		15,784	15,977
Additions during the year		1,171	9,079
Amortization charge for the year		(10,565)	(9,272)
Balance at the end		6,390	15,784
Amortization rate		33.33%	33.33%
14.1.1 Amortization charge has been allocated as follows:			
Cost of sales	27	7,683	7,401
Distribution cost	28	2,882	1,871
		10,565	9,272

14.2 Goodwill

This represents excess of the amount paid over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 14.51%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

	Note	2018	2017
		Rs '000	Rs '000
15. LONG TERM INVESTMENTS			
Investments held at cost			
In associated companies (Quoted)			
Fauji Cement Company Limited (FCCL)	15.1	1,500,000	1,500,000
Fauji Fertilizer Bin Qasim Limited (FFBL)	15.2	4,658,919	4,658,919
Askari Bank Limited (AKBL)	15.3	10,461,921	10,461,921
		16,620,840	16,620,840
In associated company (Unquoted)			
Thar Energy Limited (TEL)	15.4	1,460,400	–
In joint venture (Unquoted)			
Pakistan Maroc Phosphore S.A., Morocco (PMP)	15.5	705,925	705,925
In subsidiary companies (Unquoted)			
FFC Energy Limited (FFCEL)	15.6	2,438,250	2,438,250
Fauji Fresh n Freeze Limited (FFF)	15.7	4,835,500	3,195,500
		7,273,750	5,633,750
		26,060,915	22,960,515
Investments available for sale			
Term Deposit Receipts - from conventional bank		117,615	108,894
Pakistan Investment Bonds		4,775,643	6,912,055
	15.9	4,893,258	7,020,949
		30,954,173	29,981,464
Less: Current portion shown under short term investments			
Investments available for sale			
Term Deposit Receipts - from conventional bank		37,477	28,834
Pakistan Investment Bonds		4,018,544	2,083,784
	24	4,056,021	2,112,618
		26,898,152	27,868,846

15.1 Investment in FCCL - at cost

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% (2017: 6.79%) of its share capital as at December 31, 2018. Market value of the Company's investment as at December 31, 2018 was Rs 1,962,188 thousand (2017: Rs 2,344,688 thousand). FCCL is an associate due to common directorship.

15.2 Investment in FFBL - at cost

Investment in FFBL represents 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% (2017: 49.88%) of FFBL's share capital as at December 31, 2018. Market value of the Company's investment as at December 31, 2018 was Rs 17,363,795 thousand (2017: Rs 16,557,798 thousand). Pursuant to an agreement dated October 16, 2014, the Company has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of FFBL, shall be nominated by FF.

15.3 Investment in AKBL - at cost

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2017: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2018 was Rs 13,006,931 thousand (2017: Rs 10,500,160 thousand). Pursuant to an agreement dated October 16, 2014, the Company has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of AKBL, shall be nominated by FF.

15.4 Investment in TEL - at cost

Investment in TEL represents 146,040 thousand (2017: Nil) fully paid ordinary shares of Rs 10 each. The Company currently holds 30% shareholding interest in TEL.

15.5 Investment in PMP - at cost

The Company has 12.50% (2017: 12.50%) equity participation in PMP, amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between the Company, FF, FFBL and Office Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market Phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the Shareholders' agreement, if any legal restriction is laid on dividends by PMP, the investment will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMP's lenders.

Following particulars relate to investment made in the foreign company:

Particulars	Pakistan Maroc Phoshore S.A., Morocco
Name and jurisdiction of associated company	Pakistan Maroc Phosphore S.A., Morocco
Name and address of beneficial owner	Fauji Fertilizer Company Limited located at 156 - The Mall, Rawalpindi Cantt, Pakistan
	Fauji Foundation located at 68 Tipu Road, Chaklala, Rawalpindi, Pakistan
	Fauji Fertilizer Bin Qasim Limited located at FFBL Tower, Plot No C1/C2, Sector B, Jinnah Boulevard, Phase II, DHA Islamabad, Pakistan
	Office Cherifien Des Phosphates located at Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco

Particulars	Pakistan Maroc Phoshore S.A., Morocco
Amount of investment	Rs 705,925 thousand (MAD 100,000 thousand)
Terms and conditions of investment	Equity investment
Amount of return received	Dividend 2009 Rs 42,563 thousand Dividend 2015 Rs 50,911 thousand Dividend 2016 Rs 55,720 thousand Dividend 2017 Rs 262,551 thousand Interim Dividend 2018 Rs 144,061 thousand
Details of litigations	None
Details of default / breach relating to investment	None
Gain / loss on disposal of investment	Not applicable

15.6 Investment in FFCEL - at cost

FFCEL is presently a wholly owned subsidiary of FFC. Investment in FFCEL represents 243,825 thousand (2017: 243,825 thousand) fully paid ordinary shares of Rs 10 each. FFCEL has been incorporated for the purpose of implementing a project comprising establishment and operation of wind power generation facility and supply of electricity. The Company currently holds 100% shareholding interest in FFCEL, out of which 70,000 shares amounting to Rs 700,000 are held in the name of seven nominee directors of the Company.

15.7 Investment in FFF - at cost

Investment in FFF represents 473,960 thousand (2017: 309,960 thousand) fully paid ordinary shares of Rs 10 each. The Company currently holds 100% shareholding interest in FFF, out of which 7,000 shares amounting to Rs 70,000 are held in the name of seven nominee directors of the Company.

15.8 The investments in associated companies and undertakings have been made in accordance with the requirements under the Companies Act, 2017 (2017: repealed Companies Ordinance, 1984).

15.9 Investments available for sale

Term Deposit Receipts (TDRs)

These represent placement in TDRs with financial institution having tenure from one to five years with returns ranging from 4.49% to 9.02% per annum (2017: 4.49% to 8.71% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 5 and 10 years tenure having aggregate face value of Rs 4,765 thousand are due to mature within a period of 4 years. Profit on fixed rate PIBs is payable on half yearly basis with coupon rates ranging from 11.50% to 12.00% per annum and floating rate PIB at weighted average 6 months treasury bill yield + 0.70%. The PIBs are placed with banks as collateral to secure borrowing facilities.

	Note	2018 Rs '000	2017 Rs '000
16. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:	16.1		
Executives			
Interest bearing		426,932	400,502
Non-interest bearing		336,262	290,533
		763,194	691,035
Other employees			
Interest bearing		416,844	334,823
Non-interest bearing		302,196	283,813
		719,040	618,636
		1,482,234	1,309,671
Less: Amount due within twelve months, shown under current loans and advances			
Interest bearing		163,602	143,964
Non-interest bearing		204,778	199,748
	21	368,380	343,712
		1,113,854	965,959

16.1 Reconciliation of carrying amount of loans and advances:

	Executives Rs '000	Other employees Rs '000	2018 Total Rs '000	2017 Total Rs '000
Balance at January 1	691,035	618,636	1,309,671	1,269,734
Adjustment	63,650	(63,650)	–	–
Disbursements	276,445	371,541	647,986	570,468
	1,031,130	926,527	1,957,657	1,840,202
Repayments	(267,936)	(207,487)	(475,423)	(530,531)
Balance at December 31	763,194	719,040	1,482,234	1,309,671

These subsidized and interest free loans and advances are granted to employees as per the Company's policy and are repayable within one to ten years. House building loans carry mark-up at 4% per annum and are secured against the underlying assets.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 805,865 thousand (2017: Rs 772,548 thousand).

Management considers that the impact of recognizing loans and advances at present value of future cash flows would be immaterial, in context of overall financial statements.

16.2 Loans and advances to employees exceeding Rs 1 million

	2018		2017	
	No. of employees	Amount Rs '000	No. of employees	Amount Rs '000
Rs 1 million to Rs 2 million	261	382,556	228	322,081
Exceeding Rs 2 million upto Rs 3 million	57	137,702	48	119,249
Exceeding Rs 3 million upto Rs 5 million	64	244,580	50	197,217
Exceeding Rs 5 million upto Rs 10 million	60	443,706	46	335,118
Exceeding Rs 10 million upto Rs 25 million	4	42,647	7	73,952
	446	1,251,191	379	1,047,617

		Note	2018	2017
			Rs '000	Rs '000
17.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Non-interest bearing deposits		12,378	12,378
	Prepayments		1,226	1,518
			13,604	13,896
18.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		126,858	125,803
	Spares		3,425,887	3,442,632
	Provision for slow moving spares	18.1	(520,619)	(473,116)
			2,905,268	2,969,516
	Loose tools		56	80
	Items in transit		441,669	400,718
			3,473,851	3,496,117
18.1	**Movement of provision for slow moving spares**			
	Balance at the beginning		473,116	407,167
	Provision during the year		47,503	65,949
	Balance at the end		520,619	473,116
19.	**STOCK IN TRADE**			
	Raw materials		244,356	112,015
	Work in process		138,583	139,292
	Finished goods			
	Manufactured urea		63,177	143,806
	Purchased fertilizer		12,232,451	–
			12,295,628	143,806
	Stock in transit		253,147	–
			12,931,714	395,113
20.	**TRADE DEBTS**			
	Considered good:			
	Secured	20.1	3,640,274	3,702,192
	Unsecured		38,424	19,395
	Considered doubtful		1,758	1,758
			3,680,456	3,723,345
	Provision for doubtful debts		(1,758)	(1,758)
			3,678,698	3,721,587

20.1 These debts are secured by way of bank guarantees.

Notes to the Financial Statements

For the Year Ended December 31, 2018

		Note	2018 Rs '000	2017 Rs '000
21.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	16	368,380	343,712
	Loans and advances to employees - unsecured			
	- considered good, non-interest bearing			
	Executives		16,960	6,256
	Others		10,136	11,095
	Advances to subsidiary companies - interest bearing			
	FFC Energy Limited (FFCEL)	21.1	55,279	190,713
	Fauji Fresh n Freeze Limited (FFF)	21.2	527,071	932,000
	Advances to suppliers - considered good		82,272	150,140
			1,060,098	1,633,916

21.1 This represents aggregate unsecured advance to, FFCEL, subsidiary company under a revolving credit facility upto an amount of Rs 1,500,000 thousand to meet debt servicing obligations and other working capital requirements. This carries mark-up at 1 month KIBOR + 0.60%. The maximum outstanding amount at the end of any month during the year was Rs 171,261 thousand (2017: Rs 336,386 thousand).

21.2 This represents aggregate unsecured advance to, FFF, subsidiary company under a revolving credit facility upto an amount of Rs 1,000,000 thousand to meet debt servicing obligations and other working capital requirements. This carries mark-up at 1 month KIBOR + 1.00%. The maximum outstanding amount at the end of any month during the year was Rs 1,000,000 thousand (2017: 1,000,000 thousand).

21.3 Loans and advances to employees exceeding Rs 1 million

	2018		2017	
	No. of employees	Amount Rs '000	No. of employees	Amount Rs '000
Rs 1 million to Rs 2 million	7	8,535	3	3,930
Exceeding Rs 2 million upto Rs 3 million	1	2,049	1	2,637
	8	10,584	4	6,567

		2018 Rs '000	2017 Rs '000
22.	**DEPOSITS AND PREPAYMENTS**		
	Non-interest bearing deposits	944	944
	Prepayments	80,727	76,848
		81,671	77,792

	Note	2018	2017
		Rs '000	Rs '000
23. OTHER RECEIVABLES			
Accrued income on investments and bank deposits:			
From Pakistan Investment Bonds		248,211	339,890
From conventional banks		103,426	63,621
From Islamic banks		2	1
From subsidiaries - conventional		226,576	157,090
Sales tax receivable		7,416,084	5,210,457
Sales tax receivable related to Pak Saudi Fertilizers Limited		42,486	42,486
Advance tax	23.1	322,368	322,368
Subsidy receivable from Government agencies	23.2	6,961,878	6,763,903
Dividend receivable		448,842	500,000
Receivable from Workers' Profit Participation Fund - unsecured	23.3	82,897	461,996
Receivable from subsidiary companies	23.4		
FFC Energy Limited - unsecured		61,888	32,916
Fauji Fresh n Freeze Limited - unsecured		6,030	240
Receivable from Fauji Fertilizer Bin Qasim Limited - unsecured	23.4	358,024	37,162
Other receivables		238,663	34,953
Provision for doubtful receivables		(792,404)	(2,232)
		15,724,971	13,964,851

23.1 This represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. The Company intends to adjust the remaining amount after finalization of pending re-assessments by the taxation authorities.

23.2 This represents subsidy receivable on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on October 25, 2015 @ Rs 500 per 50 kg bag and on June 25, 2016 @ Rs 300 per 50 kg bag respectively and subsidy receivable on sale of Urea under scheme announced on June 25, 2016 @ Rs 156 per 50 kg bag under notifications issued by Ministry of National Food Security & Research, Government of Pakistan. Finance Act, 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag for the financial year 2017-18.

23.3 This includes Rs Nil (2017: Rs 423,442 thousand) which represents amount paid to WPPF in prior years, in excess of the Company's obligation.

23.4 The maximum amount of receivable from FFCEL, FFF and FFBL during the year was Rs 82,176 thousand (2017: Rs 49,593 thousand), Rs 10,024 thousand (2017: Rs 5,691 thousand) and Rs 358,024 thousand (2017: Rs 42,085 thousand) respectively.

Notes to the Financial Statements

For the Year Ended December 31, 2018

	Note	2018	2017
		Rs '000	Rs '000
24. SHORT TERM INVESTMENTS			
Loans and receivables - conventional investments			
Term deposits with banks and financial institutions			
Local currency (Net of provision for doubtful recovery			
Rs 2,600 thousand (2017: Rs 3,900 thousand))		26,250,000	26,000,000
Foreign currency		1,981,235	1,530,343
	24.1	28,231,235	27,530,343
Investments at fair value through profit or loss			
Conventional investments		22,107,947	1,038,628
Shariah compliant investments		190,401	201,096
	24.2	22,298,348	1,239,724
Current maturity of long term investments			
Available for sale	15	4,056,021	2,112,618
		54,585,604	30,882,685

24.1 These represent investments having maturities ranging between 1 to 9 months and are being carried at cost as management expects there would be insignificant change in the rate of returns on comparable investments.

24.2 Fair values of these investments are determined using quoted repurchase price.

	Note	2018	2017
		Rs '000	Rs '000
25. CASH AND BANK BALANCES			
At banks			
Local Currency			
Current Account - Conventional banking		843,604	1,274,235
Current Account - Islamic banking		81,707	256,491
Deposit Account - Conventional banking	25.2	471,407	173,658
Deposit Account - Islamic banking	25.3	59	5,955
		1,396,777	1,710,339
Foreign Currency			
Deposit Account (US$ 65; 2017: US$ 5,687)		9	627
		1,396,786	1,710,966
Cash in transit	25.4	2,419,646	–
Cash in hand		1,565	1,759
		3,817,997	1,712,725

25.1 Balances with banks include Rs 166,971 thousand (2017: Rs 155,564 thousand) in respect of security deposits received.

25.2 Balances with banks carry mark-up ranging from 8.00% to 9.25% (2017: 3.75% to 5.70%) per annum.

25.3 Balances with banks carry profit ranging from 2.75% to 3.35% (2017: 1.75% to 4.50%) per annum.

25.4 These represent demand drafts held by the Company at year end.

		Note	2018	2017
			Rs '000	Rs '000
26.	**TURNOVER**			
	Manufactured urea - local		76,462,673	67,095,578
	Manufactured urea - export		–	5,066,304
	Purchased and packaged fertilizers		32,930,082	27,031,569
			109,392,755	99,193,451
	Sales tax		(3,381,261)	(5,101,021)
	Trade discount		(47,023)	(3,378,316)
			(3,428,284)	(8,479,337)
			105,964,471	90,714,114
27.	**COST OF SALES**			
	Raw materials consumed		26,841,717	25,163,932
	Fuel and power		9,615,648	9,499,798
	Chemicals and supplies		424,267	435,190
	Salaries, wages and benefits		6,846,803	6,544,846
	Training and employees' welfare		921,936	876,795
	Rent, rates and taxes		30,354	21,385
	Insurance		188,296	183,668
	Travel and conveyance	27.1	384,929	362,351
	Repairs and maintenance (includes stores and spares consumed of Rs 464,927 thousand; (2017: Rs 512,965 thousand))		1,530,383	1,423,013
	Depreciation	13.1	2,093,326	2,093,416
	Amortisation	14.1	7,683	7,401
	Communication and other expenses	27.2	2,506,551	1,410,535
			51,391,893	48,022,330
	Opening stock - work in process		139,292	96,785
	Closing stock - work in process		(138,583)	(139,292)
			709	(42,507)
	Cost of goods manufactured		51,392,602	47,979,823
	Opening stock - manufactured urea		143,806	3,675,771
	Closing stock - manufactured urea		(63,177)	(143,806)
			80,629	3,531,965
	Cost of sales - manufactured urea		51,473,231	51,511,788
	Opening stock - purchased fertilizers		–	372,893
	Purchase of fertilizers for resale		38,745,106	20,736,230
	Closing stock - purchased fertilizers		(12,232,451)	–
	Cost of sales - purchased fertilizers		26,512,655	21,109,123
			77,985,886	72,620,911

27.1 These include operating lease rentals amounting to Rs 34,159 thousand (2017: Rs 10,578 thousand).

27.2 This includes provision for slow moving spares amounting to Rs 47,503 thousand (2017: Rs 65,949 thousand).

Notes to the Financial Statements
For the Year Ended December 31, 2018

		Note	2018	2017
			Rs '000	Rs '000
28.	**DISTRIBUTION COST**			
	Product transportation		5,781,767	5,280,890
	Salaries, wages and benefits		1,932,825	1,763,893
	Training and employees' welfare		132,807	117,747
	Rent, rates and taxes		180,983	255,954
	Technical services to farmers		8,593	7,767
	Travel and conveyance	28.1	174,438	165,275
	Sale promotion and advertising		184,153	189,356
	Communication and other expenses		200,864	501,611
	Warehousing expenses		167,658	219,484
	Depreciation	13.1	66,520	70,233
	Amortisation	14.1	2,882	1,871
			8,833,490	8,574,081

28.1 These include operating lease rentals amounting to Rs 10,159 thousand (2017: Rs 6,226 thousand).

		2018	2017
		Rs '000	Rs '000
29.	**FINANCE COST**		
	Mark-up / profit on long term borrowings		
	Conventional banking	1,253,339	1,276,175
	Islamic banking	143,406	208,026
		1,396,745	1,484,201
	Mark-up / profit on short term borrowings		
	Conventional banking	182,817	818,184
	Islamic banking	32,875	87,924
		215,692	906,108
	Bank and other charges	24,539	54,754
		1,636,976	2,445,063
30.	**OTHER EXPENSES**		
	Research and development	659,835	862,416
	Workers' Profit Participation Fund	1,042,414	511,757
	Workers' Welfare Fund	403,627	253,868
	Auditors' remuneration		
	Audit fee	1,650	1,650
	Fee for half yearly review, audit of consolidated financial statements, review of Code of Corporate Governance and other certifications in the capacity of external auditors	899	899
	Out of pocket expenses	160	160
		2,709	2,709
		2,108,585	1,630,750

	Note	2018	2017
		Rs '000	Rs '000
31. OTHER INCOME			
Government subsidy	31.1	2,400,358	6,601,897
Income from financial assets			
Income on loans, deposits and investments in:			
Pakistan Investment Bonds		657,996	780,402
Conventional banks		717,777	347,968
Islamic banks		44	951
Gain / (loss) on re-measurement of investments classified as fair value through profit or loss on:			
Conventional mutual funds		439,061	47,387
Shariah compliant mutual funds		(10,694)	(36,135)
Dividend income on:			
Conventional mutual funds		193,235	–
Shariah compliant mutual funds		–	15,666
Exchange gain on foreign currency balances		399,390	78,918
		2,396,809	1,235,157
Income from subsidiary company			
Dividend from FFCEL		304,781	500,000
Income from associated companies			
Dividend from FFBL		349,419	279,535
Dividend from FCCL		187,500	84,375
Dividend from AKBL		–	1,359,420
Dividend from PMP		406,612	55,720
		943,531	1,779,050
Income from non financial assets			
Gain on disposal of property, plant and equipment		16,772	10,444
Commission on sale of FFBL products		24,970	27,538
		41,742	37,982
Other income			
Scrap sales		41,113	47,439
Others		154,717	96,481
		195,830	143,920
		6,283,051	10,298,006

31.1 This represents subsidy on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on October 25, 2015 @ Rs 500 per 50 kg bag and on June 25, 2016 @ Rs 300 per 50 kg bag respectively and subsidy on sale of Urea under scheme announced on June 25, 2016 @ Rs 156 per 50 kg bag under notifications issued by Ministry of National Food Security & Research, Government of Pakistan. Finance Act 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag for the financial year 2017-18.

		2018	2017
		Rs '000	Rs '000
32.	**PROVISION FOR TAXATION**		
	Current tax	6,866,000	4,672,454
	Prior year	452,000	463,546
	Deferred tax	(74,000)	(106,000)
		7,244,000	5,030,000
32.1	**Reconciliation between tax expense and accounting profit**		
	Profit before tax	21,682,585	15,741,315

	2018	2017
	%	%
Applicable tax rate	29.00	30.00
Tax effect of income that is exempt or taxable at reduced rates	(1.06)	(1.65)
Effect of change in tax laws	4.71	–
Prior year charge - super tax	2.08	3.39
Others	(1.32)	0.21
Average effective tax rate charged on income	33.41	31.95

32.2 Under Section 5A of the Income Tax Ordinance, 2001, every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute at least 20 percent of its after tax profits in the form of cash dividend within six months of the end of said tax year will be charged additional tax at the rate of five percent of its accounting profit before tax.

The Company has during the year distributed sufficient interim dividends for the year ended December 31, 2018, which complies with the above stated requirement. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended December 31, 2018.

32.3 Provision against tax in the financial statements for the years 2017, 2016 and 2015 amount to Rs 4,672,454 thousand, Rs 5,544,000 thousand and Rs 7,436,000 thousand as against the assessed tax of Rs 2,023,411 thousand, Rs 6,424,558 thousand and Rs 6,500,717 thousand respectively.

Management is confident that sufficient and adequate provision has been provided against tax assessed in the financial statements.

32.4 In terms of the provisions of Section 59B of the Income Tax Ordinance, 2001, the Company has adjusted its tax liability for the tax year 2018 by acquiring the loss of its subsidiary company, Fauji Fresh n Freeze Limited (FFF) and consequently has paid to FFF an aggregate sum of Rs 273,000 thousand equivalent to the tax value of the loss acquired.

		2018	2017
33.	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit for the year (Rupees '000)	14,438,585	10,711,315
	Weighted average number of shares in issue (Number '000)	1,272,238	1,272,238
	Basic and diluted earnings per share (Rupees)	11.35	8.42

There is no dilutive effect on the basic earnings per share of the Company.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Company are given below:

	2018		2017 *Restated*	
	Chief Executive	Executives	Chief Executive	Executives
	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	7,915	1,353,075	8,583	1,297,932
Contribution to provident fund	542	84,995	618	81,561
Bonus and other awards	2,783	–	3,703	561
Good performance award	–	1,458,366	–	1,394,652
Allowances and contribution to retirement benefit plans	9,030	1,186,791	11,113	1,068,165
Total	20,270	4,083,227	24,017	3,842,871
No. of person(s)	1	339	1	336

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 4,431 thousand (2017: Nil) and Rs 57,380 thousand (2017: Rs 46,454 thousand) were paid to chief executive and executives on separation, in accordance with the Company's policy.

Executive means an employee whose basic salary exceeds Rs 1,200 thousand (2017: Rs 1,200 thousand) during the year. Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

In addition, 18 (2017: 16) directors were paid aggregate fee of Rs 6,075 thousand (2017: Rs 4,625 thousand). Directors are not paid any remuneration except meeting fee.

35. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities	Equity	
	Long term Financing	Revenue Reserves	Total
	Rs '000	Rs '000	Rs '000
Balance at January 1, 2018	22,403,295	16,176,474	38,579,769
Changes from financing cash flows			
Repayments	(6,581,804)	–	(6,581,804)
Dividend paid	–	(9,912,803)	(9,912,803)
Total changes from financing cash flows	(6,581,804)	(9,912,803)	(16,494,607)
Other changes			
Liability related	–	–	–
Equity related			
Total comprehensive income for the year	–	14,460,334	14,460,334
Change in unclaimed dividend	–	(201,492)	(201,492)
Total liability and equity related other changes	–	14,258,842	14,258,842
Balance at December 31, 2018	15,821,491	20,522,513	36,344,004

	Liabilities	Equity	
	Long term Financing	Revenue Reserves	Total
	Rs '000	Rs '000	Rs '000
Balance at January 1, 2017	23,087,598	14,841,963	37,929,561
Changes from financing cash flows			
Draw-downs	7,000,000	–	7,000,000
Repayments	(7,684,303)	–	(7,684,303)
Dividend paid	–	(8,557,834)	(8,557,834)
Total changes from financing cash flows	(684,303)	(8,557,834)	(9,242,137)
Other changes			
Liability related	–	–	–
Equity related			
Total comprehensive income for the year	–	9,922,118	9,922,118
Change in unclaimed dividend	–	(29,773)	(29,773)
Total liability and equity related other changes	–	9,892,345	9,892,345
Balance at December 31, 2017	22,403,295	16,176,474	38,579,769

	2018	2017
	Rs '000	Rs '000
36. CASH GENERATED FROM OPERATIONS		
Profit before tax	21,682,585	15,741,315
Adjustments for:		
Depreciation	2,161,832	2,165,499
Amortization	10,565	9,272
Provision for slow moving spares	47,503	65,949
Provision for doubtful receivables	790,172	–
Finance cost	1,648,650	2,422,889
Income on loans, deposits and investments	(1,407,393)	(1,188,481)
Gain on re-measurement of investments classified at fair value through profit or loss	(428,367)	(11,252)
Dividend income	(1,248,312)	(2,279,050)
Exchange gain	(411,064)	(56,744)
Gain on disposal of property, plant and equipment	(16,772)	(10,444)
Government subsidy on sale of fertilizer	(2,400,358)	(6,601,897)
	(1,253,544)	(5,484,259)
	20,429,041	10,257,056
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(25,237)	(133,831)
Stock in trade	(12,536,601)	3,842,214
Trade debts	42,889	584,364
Loans and advances	573,818	(730,476)
Deposits and prepayments	(3,879)	(27,551)
Other receivables	(2,030,652)	(3,711,895)
Increase in current liabilities:		
Trade and other payables	21,839,935	27,487,568
	7,860,273	27,310,393
Changes in long term loans and advances	(147,895)	(31,809)
Changes in long term deposits and prepayments	292	79
Changes in deferred liabilities	90,161	83,690
	28,231,872	37,619,409

37. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

37.1 Fair value of Financial Instruments

The following table shows the carrying amounts of financial assets and financial liabilities by categories:

December 31, 2018

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets not measured at fair value									
Non - current assets									
Long term investments	-	80,138	-	-	80,138	-	-	-	-
Long term loans and advances	1,113,854	-	-	-	1,113,854	-	-	-	-
Long term deposits	12,378	-	-	-	12,378	-	-	-	-
Current assets									
Trade debts - net of provision	3,678,698	-	-	-	3,678,698	-	-	-	-
Loans and advances	977,826	-	-	-	977,826	-	-	-	-
Deposits	944	-	-	-	944	-	-	-	-
Other receivables	7,861,136	-	-	-	7,861,136	-	-	-	-
Short term investments	28,231,235	37,477	-	-	28,268,712	-	-	-	-
Cash and bank balances	3,817,997	-	-	-	3,817,997	-	-	-	-
	45,694,068	117,615	-	-	45,811,683	-	-	-	-
Financial assets measured at fair value									
Non - current assets									
Long term investments	-	757,099	-	-	757,099	-	757,099	-	757,099
Current assets									
Short term investments	-	4,018,544	22,298,348	-	26,316,892	22,298,348	4,018,544	-	26,316,892
	-	4,775,643	22,298,348	-	27,073,991	22,298,348	4,775,643	-	27,073,991
	45,694,068	4,893,258	22,298,348	-	72,885,674	22,298,348	4,775,643	-	27,073,991
Financial liabilities not measured at fair value									
Non - current liabilities									
Long term borrowings - secured	-	-	-	8,583,749	8,583,749	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	51,658,195	51,658,195	-	-	-	-
Mark-up and profit accrued	-	-	-	300,574	300,574	-	-	-	-
Short term borrowings -secured	-	-	-	28,526,484	28,526,484	-	-	-	-
Unclaimed dividend	-	-	-	638,783	638,783	-	-	-	-
Current portion of long term borrowings	-	-	-	7,237,742	7,237,742	-	-	-	-
	-	-	-	96,945,527	96,945,527	-	-	-	-

December 31, 2017

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets not measured at fair value									
Non - current assets									
Long term investments	-	80,060	-	-	80,060	-	-	-	-
Long term loans and advances	965,959	-	-	-	965,959	-	-	-	-
Long term deposits	12,378	-	-	-	12,378	-	-	-	-
Current assets									
Trade debts - net of provision	3,721,587	-	-	-	3,721,587	-	-	-	-
Loans and advances	1,483,776	-	-	-	1,483,776	-	-	-	-
Deposits	944	-	-	-	944	-	-	-	-
Other receivables	7,927,544	-	-	-	7,927,544	-	-	-	-
Short term investments	27,530,343	28,834	-	-	27,559,177	-	-	-	-
Cash and bank balances	1,712,725	-	-	-	1,712,725	-	-	-	-
	43,355,256	108,894	-	-	43,464,150	-	-	-	-
Financial assets measured at fair value									
Non - current assets									
Long term investments	-	4,828,271	-	-	4,828,271	-	4,828,271	-	4,828,271
Current assets									
Short term investments	-	2,083,784	1,239,724	-	3,323,508	1,239,724	2,083,784	-	3,323,508
	-	6,912,055	1,239,724	-	8,151,779	1,239,724	6,912,055	-	8,151,779
	43,355,256	7,020,949	1,239,724	-	51,615,929	1,239,724	6,912,055	-	8,151,779
Financial liabilities not measured at fair value									
Non - current liabilities									
Long term borrowings - secured	-	-	-	15,571,491	15,571,491	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	29,913,012	29,913,012	-	-	-	-
Mark-up and profit accrued	-	-	-	190,707	190,707	-	-	-	-
Short term borrowings - secured	-	-	-	11,539,083	11,539,083	-	-	-	-
Unclaimed dividend	-	-	-	437,291	437,291	-	-	-	-
Current portion of long term borrowings	-	-	-	6,831,804	6,831,804	-	-	-	-
	-	-	-	64,483,388	64,483,388	-	-	-	-

37.2 Credit quality of financial assets

The credit quality of Company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Note	Rating	2018	2017
			Rs '000	Rs '000
Trade Debts				
Counterparties without external credit ratings				
Existing customers with no default in the past			3,678,698	3,721,587
Loans and advances				
Counterparties without external credit ratings				
Loans and advances to employees			1,509,330	1,327,022
Loans to subsidiary companies			582,350	1,122,713
			2,091,680	2,449,735
Deposits				
Counterparties without external credit ratings				
Others			13,322	13,322
Other receivables				
Counterparties with external credit ratings		A1+ / A-1+	88,847	62,486
		A1 / A-1	4,422	1,136
		A3	10,159	–
Counterparties without external credit ratings				
Balances with related parties			1,184,257	1,189,404
Others			6,573,451	6,674,518
			7,861,136	7,927,544
Short term investments				
Counterparties with external credit ratings		A1+ / A-1+	27,268,713	27,334,572
		A1 / A-1	1,000,000	224,605
		AM1	6,788,121	1,135,643
		AM2++/AM2/AM2+	15,510,226	104,081
Counterparties without external credit ratings	37.2.1		4,018,544	2,083,784
			54,585,604	30,882,685

37.2.1 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

	Note	Rating	2018	2017
Bank balances				
Counterparties with external credit ratings		A1+ / A-1+ / P-1	1,396,723	1,710,836
		A1 / A-1	54	52
		A-2	7	78
		A-3	2	–
			1,396,786	1,710,966
Long term investments				
Counterparties with external credit ratings		AA+	80,138	80,060
Counterparties without external credit ratings	37.2.2		757,099	4,828,271
			837,237	4,908,331

37.2.2 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

37.3 Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.
The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	Rs '000	Rs '000
Long term investments	837,237	4,908,331
Loans and advances	2,091,680	2,449,735
Deposits	13,322	13,322
Trade debts - net of provision	3,678,698	3,721,587
Other receivables - net of provision	7,861,136	7,927,544
Short term investments - net of provision	54,585,604	30,882,685
Bank balances	1,396,786	1,710,966
	70,464,463	51,614,170

Geographically, there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date is with dealers within the Country.

The Company's most significant amount receivable is from two banks which amounts to Rs 8,000,000 thousand each and aggregate to Rs 16,000,000 thousand (2017: Rs 11,000,000 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 3,640,232 thousand (2017: Rs 3,366,037 thousand) are secured against letter of guarantee. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counterparties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts.

The Company limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit rating. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Impairment losses

The aging of trade debts at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	Rs '000		Rs '000	
Not yet due	3,603,141	–	2,112,767	–
Past due 1-30 days	71,640	–	1,243,587	–
Past due 31-60 days	3,875	–	251,383	–
Past due 61-90 days	42	–	84,713	–
Over 90 days	1,758	1,758	30,895	1,758
	3,680,456	1,758	3,723,345	1,758

The management believes that no impairment allowance is necessary in respect of trade debts since significant amount of past due debts are secured by way of bank guarantees.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintain lines of credit as mentioned in note 11 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2018

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				Rs '000			
Long term borrowings including mark-up	15,821,491	18,966,179	4,749,001	4,164,540	5,390,756	4,661,882	–
Trade and other payables	51,658,195	51,658,195	51,658,195	–	–	–	–
Unclaimed dividend	638,783	638,783	638,783	–	–	–	–
Short term borrowings including mark-up	28,629,077	29,042,428	24,481,732	4,560,696	–	–	–
	96,747,546	100,305,585	81,527,711	8,725,236	5,390,756	4,661,882	–

2017

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months Rs '000	One to two years	Two to five years	Five years onwards
Long term borrowings							
including mark-up	22,534,969	25,628,801	3,909,795	4,352,180	8,240,714	9,126,112	–
Trade and other payables	29,913,012	29,913,012	29,913,012	–	–	–	–
Unclaimed dividend	437,291	437,291	437,291	–	–	–	–
Short term borrowings							
including mark-up	11,598,116	12,094,059	6,134,122	5,959,937	–	–	–
	64,483,388	68,073,163	40,394,220	10,312,117	8,240,714	9,126,112	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates.

c) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Company is exposed to interest rate risk, currency risk and market price risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exist due to transactions in foreign currencies.

Exposure to Currency Risk

The Company is exposed to currency risk on bank balance and investments which are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2018		2017	
	Rs '000	US Dollar '000	Rs '000	US Dollar '000
Bank balance	9	0.06	627	6
Investments (Term deposit receipts)	1,981,235	14,295	1,530,343	13,874

The following significant exchange rates applied during the year:

	2018	2017	2018	2017
	Average rate		Reporting date rate	
US Dollars	122.09	105.36	138.60	110.30

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit by Rs 198,124 thousand (2017: Rs 153,097 thousand). A 10% weakening of the functional currency against foreign currencies at December 31 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

ii) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings, long term borrowings, long term investments, loans and advances, short term investments and deposits with banks. At the reporting date, the interest rate risk profile of the Company's interest bearing financial instruments is:

	2018	2017
	Carrying Amount	
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	36,940,925	36,262,258
Variable rate instruments		
Financial assets	582,350	1,122,713
Financial liabilities	44,347,975	33,942,378

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to variations in profit or loss on its fixed rate financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	100 basis points increase Rs '000	100 basis points decrease Rs '000
December 31, 2018		
Cash flow sensitivity - Variable rate instruments		
Financial assets	8,896	(8,896)
Financial liabilities	(228,166)	228,166
December 31, 2017		
Cash flow sensitivity - Variable rate instruments		
Financial assets	8,868	(8,868)
Financial liabilities	(374,773)	374,773

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis – price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 47,756 thousand after tax (2017: Rs 48,384 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as fair value through profit or loss, the impact on profit would have been an increase or decrease by Rs 189,536 thousand after tax (2017: Rs 9,094 thousand). The analysis is performed on the same basis for 2017 and assumes that all other variables remain the same.

37.4 Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

37.5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Investment at fair value through profit or loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Investment in associated and subsidiary companies

The fair value of investment in listed associate and subsidiary is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

38. RELATED PARTY TRANSACTIONS AND BALANCES

38.1 Following are the related parties with whom the Company had entered into transactions during the year:

Related party	Basis of relationship	Aggregate % age shareholding in the company
Fauji Foundation	Holding company	44.35%
Lt Gen Khalid Nawaz Khan, HI (M) (Retired)	Director	-
Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)	Director	-
Mr. Qaiser Javed	Director	-
Dr. Nadeem Inayat	Director	-
Engr Rukhsana Zuberi	Director	-
Mr. Farhad Shaikh Mohammad	Director	0.16%
Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired)	Director	-
Brig Raashid Wali Janjua, SI(M) (Retired)	Director	-
Maj Gen Wasim Sadiq, HI(M) (Retired)	Director	-
Mr. Manzoor Ahmed	Director	-
Mr. Shoaib Mir	Director	-
Mian Asad Hayaud Din	Director	-
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)	Director	-
Mr. Maroof Afzal	Director	-
Ms. Bushra Naz Malik	Director	0.00004%
Mr. Saad Amanullah Khan	Director	0.00004%
Mr. Rehan Laiq	Director	-
Mr. Mohammad Younus Dagha	Director	-

Related party	Basis of relationship	Aggregate % age shareholding by the company
FFC Energy Limited	Subsidiary company	100.00%
Fauji Fresh n Freeze Limited	Subsidiary company	100.00%
Fauji Fertilizer Bin Qasim Limited	Associated company	49.88%
Askari Bank Limited	Associated company	43.15%
Thar Energy Limited	Associated company	30.00%
Pakistan Maroc Phosphore S.A., Morocco	Common directorship	12.50%
Fauji Cement Company Limited	Common directorship	6.79%
Mari Petroleum Company Limited	Common directorship	-
Sona Welfare Foundation	Associated undertaking	-
Provident Fund Trust	Contributory provident fund	-
Gratuity Fund Trust	Defined benefit fund	-
Pension Fund Trust	Defined benefit fund	-

38.2 Following particulars relate to associated companies incorporated outside Pakistan with whom the Company had entered into transactions during the year:

Particulars	Pakistan Maroc Phoshore S.A., Morocco
Name of associated company	Pakistan Maroc Phosphore S.A.
Registered address	Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco
Country of incorporation	Morocco
Basis of association	Joint Venture of OCP Group and Fauji Group
Aggregate percentage of shareholding by the Company	12.5% Equity Investment by the Company
Name of Chief Executive Officer	Mr. Khalid Benzeroual - Managing Director
Operational status	Active
Auditors' opinion on latest available Financial Statements	Unqualified opinion (Year ended December 31, 2017)

38.3 Fauji Foundation holds 44.35% (2017: 44.35%) shares of the Company at the year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Transactions with related parties and the balances outstanding at the year-end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 16, 21 and 34 to the financial statements respectively.

	2018	2017
	Rs '000	Rs '000
Transactions with holding company		
Dividend paid	4,485,690	3,808,604
Others	16,401	27,291
Transactions with subsidiary companies		
Guarantee against loan of subsidiary company	566,500	1,650,800
Equity investment	1,640,000	560,000
Sale of fertilizer	–	285
Dividend receivable	304,781	500,000
Balance receivable	876,844	1,312,959
Transactions with associated undertakings / companies due to common directorship		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,172,118	1,158,217
Commission on sale of products	24,970	27,538
Payments under consignment account	53,792,729	60,711,446
Purchase of gas as feed and fuel stock	17,806,210	19,437,218
Equity investment	1,460,400	–
Services and materials provided	37,466	22,734
Services and materials received	14,769	9,071
Sale of fertilizers	4,366	641
Donations	84,691	89,414
Interest expense	35,770	26,970
Interest income	10,664	8,936
Dividend income	943,531	1,779,050
Dividend receivable	144,061	–
Short term investments	–	500,000
Long term investments	117,615	108,894
Short term borrowings	8,999,317	694,857
Bank balance	774,394	–
Running finance	–	133,819
Balance receivable	368,036	45,935
Balance payable	45,756,527	24,606,156
Contribution and balances with staff retirement funds		
Employees' Provident Fund Trust	430,041	416,567
Employees' Gratuity Fund Trust	168,507	118,014
Employees' Pension Fund Trust	154,914	89,283
Employees' Funds as Dividend on equity holding of 0.15% (2017: 0.15%)	53,547	8,288
Balance payable - Gratuity Fund Trust	525,210	397,886
Balance payable - Pension Fund Trust	204,355	362,311

39. NON ADJUSTING EVENTS AFTER REPORTING DATE

The Board of Directors in its meeting held on January 31, 2019 has proposed a final dividend of Rs 3.90 per share.

40. CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended December 31, 2018 is in accordance with requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been represented, wherever considered necessary, to comply with the requirements of the Companies Act, 2017. Following major representations have been made during the year:

Description	Represented		
	From	To	Rs '000
Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)	437,291

41. GENERAL

41.1 Production capacity - Urea

	Design capacity		Production	
	2018	2017	2018	2017
	Tonnes '000		Tonnes '000	
Goth Machhi - Plant I	695	695	858	868
Goth Machhi - Plant II	635	635	792	825
Mirpur Mathelo - Plant III	718	718	872	820
	2,048	2,048	2,522	2,513

41.2 Facilities of letters of credit and letters of guarantee

Facilities of letters of credit and letters of guarantee amounting to Rs 17,395,000 thousand and Rs 239,293 thousand (2017: Rs 13,580,000 thousand and Rs 101,655 thousand) respectively are available to the Company against lien on shipping / title documents, US $ Term Deposit Receipts and charge on assets of the Company.

41.3 Donations

Cost of sales and Distribution cost include donations amounting to Rs 60,176 thousand (2017: Rs 64,125 thousand) and Rs 24,515 thousand (2017: Rs 25,289 thousand) respectively. These are disbursed through Sona Welfare Foundation, Sona Tower, 156 - The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Tariq Khan, HI (M) (Retired) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

		Note	2018	2017
41.4	**Number of employees**			
	Total number of employees at end of the year	41.4.1	3,357	3,364
	Average number of employees for the year	41.4.2	3,369	3,384

41.4.1 This includes 1,814 (2017: 1,827) number of factory employees.

41.4.2 This includes 1,821 (2017: 1,827) number of factory employees.

41.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

41.6 Date of authorization

These Financial Statements have been authorized for issue by the Board of Directors of the Company on January 31, 2019.

Chairman	Chief Executive	Director	Chief Financial Officer

Consolidated Financial Statements

Fauji Fertilizer Company Limited

Chairman's Review
on the Consolidated Financial Statements

Dear Shareholders,

During the year 2018, the Group achieved a new benchmark of highest ever sales revenue (including subsidy) of Rs 111.83 billion, depicting an increase of 12% over the last year owing to strong performance of FFC, besides growth in revenues of the two subsidiaries including FFC Energy Limited (FFCEL) and Fauji Fresh n Freeze Limited (FFF).

FFC's wholly owned wind power project - FFCEL, recorded a 30% growth in net profit mainly due to increase in revenue by Rs 112.12 million besides 18% savings in finance cost. As a testament of the technical expertise of our workforce, FFCEL has taken over its operations and maintenance from O&M contractors on expiry of the contract, leading to significant cost savings. During 2018, FFCEL also declared dividend of Rs 305 million which is the second dividend declaration of FFCEL since its inception.

The food venture of the Group – FFF, reported increase in sales revenue by 107% primarily due to higher sales of OPA french fries.

Our associated company, FFBL improved its gross profit by around 36% to Rs 8.18 billion primarily due to improvement in fertilizer market. Consequently, net profit of FFBL increased by 43% to Rs 1.44 billion as compared to last year.

Although Askari Bank Limited witnessed around 15% increase in net mark-up / interest income by Rs 1.79 billion during the nine months ended September 30, 2018, a provision of Rs 524 million against loans and advances resulted in decline in net profit which stood at Rs 3.62 billion compared to Rs 4.22 billion last year.

The Group net profit significantly increased by 43% and stood at Rs 16.44 billion against Rs 11.50 billion recorded last year.

Despite the persistent pricing pressure, continuity of unfavorable taxation regime and discriminatory levy of GIDC, the Group has demonstrated a resilient performance with marked improvement in profitability during the year. The Group has diversified its investment portfolio in energy, financial and food sectors to ensure sustained returns for the shareholders. The Group has also invested in offshore joint venture to secure the raw material supply for its phosphate business.

FFC's Board of Directors has proposed final dividend of Rs 3.90 per share, which is in addition to interim distribution of Rs 4.95 per share.

The respective Boards of Directors of Group companies have focus on instigating a culture of transparency and good governance, resilience against challenging business environment and strategic placement of their investment portfolio to maximize wealth and long term attractive returns for the shareholders besides remaining socially responsible to ensure wellbeing of the neighboring communities.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman
Rawalpindi
January 31, 2019

اشتمال شدہ گوشواروں پر چیئر مین کا جائزہ

معزز حصص داران

سال 2018 کے دوران گروپ نے 112 ارب روپے کی سب سے زیادہ آمدن (بشمول سبسڈی) کا نیا معیار حاصل کیا۔ جو پچھلے سال کے مقابلے میں 12 فیصد اضافہ ظاہر کرتا ہے۔ اس کی وجہ FFC کی مضبوط کارکردگی اور ماتحت اداروں FFCEL اور FFF کی آمدن میں اضافہ ہے۔

کمپنی کے مکمل ملکیتی ونڈ پاور پروجیکٹ FFCEL نے خالص منافع میں 30 فیصد اضافہ ریکارڈ کیا۔ جس کی بڑی وجہ آمدن میں 112 ملین روپے اضافہ کے ساتھ ساتھ مالیاتی اخراجات میں 18 فیصد کی بچت تھی۔ ہمارے عملے کی تکنیکی مہارت کے ثبوت / سند کے طور پر FFCEL نے O&M کنٹریکٹر کی مدت معاہدہ ختم ہونے پر O&M آپریشنز خود سنبھال لئے ہیں۔ جو کہ نمایاں بچت کا باعث ہے۔ FFCEL نے سال 2018 کے دوران 305 ملین روپے منافع منقسمہ کا اعلان کیا ہے جو کہ اس کے آغاز کے بعد سے دوسرا منافع منقسمہ ہے۔

گروپ کے غذائی منصوبے فوجی فریش این فریز نے آمدن میں 107 فیصد تک اضافہ رپورٹ کیا جسکی بڑی وجہ OPA French Fries کی زیادہ فروخت ہے

ہماری منسلکہ کمپنی FFBL کا خام منافع تقریباً 36 فیصد بہتری کے ساتھ 8.18 ارب روپے رہا جس کی بنیادی وجہ فرٹیلائزر مارکیٹ میں بہتری ہے۔ نتیجتاً FFBL کا خالص منافع پچھلے سال سے 43 فیصد بڑھ کر 1.44 ارب روپے رہا۔

عسکری بینک لمیٹڈ کی 30 ستمبر 2018 کو ختم ہونے والی نو ماہی میں خالص انٹرسٹ / مارک اپ آمدن 15 فیصد اضافے سے 1.79 ارب روپے رہی تاہم قرضوں اور ایڈوانسز کے لئے 524 ملین روپے کی پروویژن فراہم کی گئی۔ نتیجتاً خالص منافع کم ہو کر 3.62 ارب روپے رہا جو کہ مقابلتاً پچھلے سال کی اسی مدت میں 4.22 ارب روپے تھا۔

گروپ کا خالص منافع 43 فیصد اضافے کے ساتھ 16.44 ارب روپے رہا جو کہ مقابلتاً پچھلے سال 11.50 ارب روپے رہا تھا۔

قیمتوں کے تعین میں دباؤ، ناموافق ٹیکس رجیم کے تسلسل اور GIDC کے امتیازی محصول کے باوجود گروپ نے سال کے دوران استقامت کا مظاہرہ کرتے ہوئے منافع میں نمایاں بہتری لائی۔ گروپ نے توانائی، مالیاتی اور غذائی شعبوں میں متنوع سرمایہ کاری کی ہے تا کہ گروپ حصص داران کے لئے آمدن کے تسلسل کو یقینی بنایا جا سکے۔ گروپ نے سمندر پار جائنٹ وینچر میں بھی سرمایہ کاری کی ہے تا کہ فاسفیٹ بزنس کے خام مال کی رسد کو محفوظ بنایا جائے۔

Parent کمپنی FFC کے بورڈ آف ڈائریکٹرز نے 3.90 روپے فی حصص منافع منقسمہ کی سفارش کی ہے جو کہ 4.95 روپے فی حصص کے پہلے سے اعلان کردہ عبوری منافع منقسمہ کے علاوہ ہے۔

گروپ کمپنیوں کے متعلقہ بورڈ آف ڈائریکٹرز کی توجہ شفافیت اور گڈ گورننس کے کلچر کو فروغ دیتے، مشکل کاروباری ماحول میں استقامت اور سٹریٹیجک سرمایہ کاری پر مرکوز ہے تا کہ حصص داروں کی دولت میں اضافہ ہو اور ان کو طویل المعیاد پر کشش منافع ہو علاوہ ازیں سماجی ذمہ داری کو مدنظر رکھتے ہوئے فیکٹری سے منسلک آبادیوں کی بہبود کو یقینی بنایا جا سکے۔

Tariq Nadeem

لیفٹیننٹ جنرل سید طارق ندیم گیلانی

ہلال امتیاز (ملٹری) (ریٹائرڈ)

چیئرمین

راولپنڈی

31 جنوری 2019

Investment Timeline

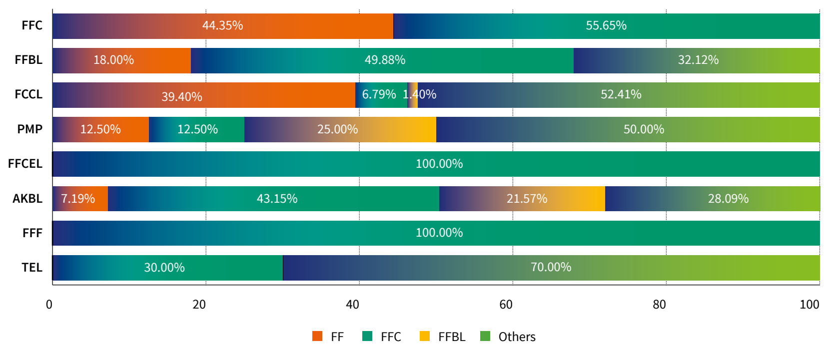
Financial Capital

FFC Group consists of Fauji Fertilizer Company Limited (FFC) and two wholly owned subsidiaries namely FFC Energy Limited (FFCEL) and Fauji Fresh n Freeze Limited (FFF). Other associated companies and joint venture include:

- Fauji Fertilizer Bin Qasim Limited (FFBL)
- Askari Bank Limited (AKBL)
- Fauji Cement Company Limited (FCCL)
- Pakistan Maroc Phosphore S.A., Morocco (PMP)
- Thar Energy Limited (TEL)

Group Structure / Shareholding

(Percentage)



Financial Performance of the Group

The Group recorded ever highest **sales revenue** (excluding subsidy) of Rs 109.43 billion with growth of 17% owing mainly to recovery in urea selling prices after depressed market conditions during the preceding years.

The Group has implemented stringent cost controls which restricted the increase in **cost of sales** to 8% against last year. Consequently, marked improvement of 53% was recorded in the **Gross Profit** which stood at Rs 29.15 billion compared to Rs 19.10 billion last year.

Administrative and distribution expenses of the Group increased marginally by 5% to Rs 9.51 billion during the year, mainly due to handling of higher quantities of imported fertilizer by FFC.

Despite increase in interest rates, **finance cost** was curtailed by 30% at Rs 2.24 billion as compared to last year mainly due to better liquidity position and effective cash flow controls.

Other expenses of the Group increased by 29% to Rs 2.11 billion, as the WPPF and WWF charges increased in line with improved profitability.

Investment income of the Group substantially increased to Rs 2.69 billion from Rs 1.46 billion last year owing to efficient treasury management coupled with better availability of funds.

Fertilizer subsidy, classified as other income under the requirements of International Financial Reporting Standards (IFRSs) was recorded at Rs 2.40 billion as compared to Rs 6.60 billion last year owing to discontinuation of the fertilizer subsidy scheme by the Government effective July 1, 2018.

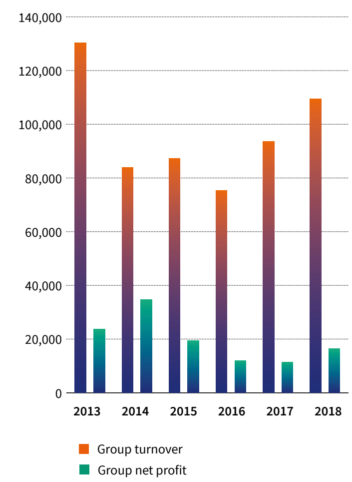
Share of Profit of associates and joint venture recorded at Rs 3.36 billion was lower by 5% compared to last year mainly due to decline in profitability of AKBL.

Tax charge of Rs 7.30 billion for the year increased by 38% owing to higher taxable profit as compared with last year and change in the taxation structure to Minimum Tax Regime for imported fertilizers besides continued levy of Super Tax.

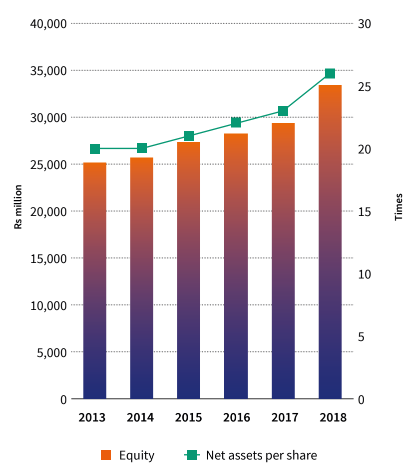
Resultantly, the Group achieved a significant increase of 43% in **net profit** which stood at Rs 16.44 billion during the year 2018 as compared to Rs 11.50 billion earned in 2017.

Group Turnover & Net Profit

(Rs million)



Equity & Net Assets per Share



Financial Capital

Associated Companies

Fauji Fertilizer Bin Qasim Limited (FFBL)

FFBL, a public listed company incorporated in Pakistan, is sole manufacturer of granular urea and Di-Ammonium Phosphate (DAP) in the Country. It was incorporated as FFC Jordan Fertilizer Company in 1993 and subsequently restructured as Fauji Fertilizer Bin Qasim Limited (FFBL) in 2003. Besides having its manufacturing facilities located at Bin Qasim, FFBL also has interests in Banking, Food and Energy sectors.

During the year, FFBL sold 687 thousand tonnes of Sona DAP and 562 thousand tonnes of Sona Urea (Granular) and recorded a sales revenue of Rs 61.51 billion registering growth of 17% over last year owing to improved selling prices. Net profit for the year stood at Rs 1.44 billion, translating into earnings per share of Rs 1.54 reflecting an improvement of 43% over last year.

FFC owns 49.88% of FFBL's equity represented by an investment of Rs 4.66 billion. During the year, FFC received aggregate dividend of Rs 349 million compared to Rs 280 million last year.

CONSOLIDATED OPERATIONS OF FFBL:

The consolidated financial statements of FFBL depicted a decline of 16% in its profitability from Rs 925 million in 2017 to Rs 778 million in 2018.

Askari Bank Limited (AKBL)

AKBL was incorporated in 1991 as a public limited company. It is principally engaged in the business of banking and operates throughout Pakistan with a branch network of 517 branches, including 94 Islamic banking branches, a Wholesale Bank Branch in the Kingdom of Bahrain and a representative office in People's Republic of China.

FFC's holding in AKBL amounts to Rs 10.46 billion representing an equity stake of 43.15%.

Net interest income for the nine months ended September 30, 2018 was recorded at Rs 13.81 billion, showing an improvement of 15% compared to last year. Net profit for the period was Rs 3.62 billion, translating into earnings of Rs 2.88 per share. Customer deposits recorded at Rs 568 billion, registered a growth of 8%, whereas gross advances were reported at Rs 344 billion depicting an increase of 21%. Consequently, the Bank's advances to deposits ratio also improved from 54.1% to 60.6% at September 30, 2018. The Bank maintained its long-term entity rating of AA+ and short term rating of A1+, reflecting high credit worthiness of the Bank.

No dividend was received from Askari Bank Limited during the year.

Fauji Cement Company Limited (FCCL)

FCCL is a public limited company incorporated in 1992 and is listed on the Pakistan Stock Exchange. Principal activity of the company is manufacturing and sale of different types of cement through its two production lines having an annual production capacity of 3.50 million tonnes. With an investment of Rs 1.50 billion, FFC holds 6.79% equity stake in the company.

During the first quarter of FCCL's fiscal year ended September 30, 2018, sales revenue was recorded at Rs 5.34 billion registering a growth of 11% over last year while net earnings were Rs 801 million as compared to Rs 444 million, attributable mainly to the revival of Line 2 Silo, which had collapsed last year.

The Company received aggregate dividend of Rs 187.50 million during 2018 from FCCL, higher by 122% compared to last year.

Pakistan Maroc Phosphore S.A., (PMP) – Morocco

PMP was incorporated in Morocco in 2004 as a joint venture between FFC (shareholding of 12.5%), Fauji Foundation (12.5%), FFBL (25%) and the Moroccan state owned organization Officie Cherifien Des Phosphates (50%). The company started its activities in 2008 and is engaged in manufacturing and marketing of phosphoric acid, fertilizer and other related products.

PMP's plant is located in Jorf Lasfar, Morocco, having a production capacity of 375 thousand tonnes of industrial phosphoric acid, which is primarily supplied to FFBL as raw material for production of DAP fertilizer and any excess acid is sold in the international market.

FFC has invested Rs 706 million in the company with a return of over Rs 558 million to date in the form of dividends including Rs 407 million recorded during 2018.

Thar Energy Limited (TEL)

TEL was incorporated as a public limited company in 2016 to develop, own, operate and maintain a 330MW mine-mouth coal fired power plant to be established in Block II, Thar Coal Mine, Sindh.

During the year, Shareholders' Agreement was signed by the local and International project partners including FFC, HUB Power Company Limited (HUBCO) and China Machinery Engineering Corporation (CMEC). FFC has injected Rs 1.46 billion during the year and holds 30% equity stake in the company.

Subsidiary Companies

FFC Energy Limited (FFCEL)

FFCEL is a wholly owned subsidiary of FFC and is the pioneer wind power company registered in Pakistan. It commenced its commercial operations from May 2013 with a power generation capacity of 49.5 MW.

In 2018, the company recorded an average availability factor of 98% in line with last year, supplying 123 GWh of electricity to the National grid. Turnover was recorded at Rs 2.53 billion, signifying an increase of 5% compared to last year. During the year, the company successfully took over the project's operations and maintenance from NORDEX and DESCON upon expiry of their contracts, which has resulted in reduced operating cost. Finance cost declined by 18%, mainly due to repayment of long term debt during the year, besides improved liquidity.

Consequently, net profitability of Rs 1.10 billion, showed a growth of 30% over last year, translating into earnings per share of Rs 4.52. The company also declared a dividend of Rs 305 million. The Auditors of FFCEL have issued an unmodified opinion in their separate audit report on FFCEL's financial statements for the year ended December 31, 2018.

Composition of the Board

Names of the Directors:

- Lt Gen Khalid Nawaz Khan, HI(M), Sitara-e-Esar *(Retired)*
- Lt Gen Syed Tariq Nadeem Gilani, HI(M) *(Retired)* *
- Lt Gen Shafqaat Ahmed, HI(M) *(Retired)*
- Lt Gen Tariq Khan, HI(M) *(Retired)* *
- Mr. Qaiser Javed
- Mr. Tariq Iqbal Khan
- Maj Gen Mumtaz Ahmad Bajwa, HI(M) *(Retired)*
- Brig Raashid Wali Janjua, SI(M) *(Retired)*
- Mr. Naveed Ahmed Khan
- Maj Gen Javaid Iqbal Nasar, HI(M) *(Retired)* *
- Mr. Rehan Laiq *

* Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired) appointed as Director in place of Lt Gen Khalid Nawaz Khan, HI(M) (Retired) w.e.f January 10, 2018

Lt Gen Tariq Khan, HI(M) (Retired) appointed as Director in place of Lt Gen Shafqaat Ahmed, HI(M) (Retired) w.e.f March 27, 2018

Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) appointed as Director in place of Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired) w.e.f February 1, 2018

Mr. Rehan Laiq appointed as Director in place of Mr. Qaiser Javed w.e.f. December 01, 2018

Financial Capital

Corporate Strategy

Maintaining our key position in the core business, we employ our unique organization culture, professional excellence and financial strength to maintain excellent business relationships with our stakeholders for development of renewable energy sector in Pakistan.

Management objectives

	OBJECTIVE 01	OBJECTIVE 02	OBJECTIVE 03
	Maximized Energy Production	**Cost Optimization**	**Self-reliance in Operations and Maintenance**
Strategy	Enhanced Wind Turbine Generation availability through improved performance measurement, implementation of maintenance plan and effective supply chain management	Keeping resource utilization at an optimum level through proper planning, improved technology, need base expenditure and cost monitoring at multiple levels	Development of FFCEL man power, through proper training, for complete O&M take over
Nature	Medium-term	Medium-term	Medium to long term
Priority	High	High	Medium
Resources allocated	Financial capital, Human capital	Financial capital, Human capital, Intellectual capital	Financial capital, Human Capital
KPI Monitored	Net Delivered Energy, Plant Availability, WTG Power Curve	Gross Profit Margin & Net Profit Margin	Plant Availability & WTG Power Curve, O&M cost component by NEPRA
Status	Ongoing process	Ongoing process	Partially complete
Future relevance of KPI	The KPI will remain relevant in future	The KPI will remain relevant in the future	The KPI will remain relevant in the future
Opportunities / Threats	Increased revenue, shareholder's satisfaction / aging plant, weather pattern changes	Increased profitability / Reduced working efficiency	Gain of O&M expertise of FFCEL team, Efficient manpower utilization, Foreign exchange saving / Higher administrative and technical work load

Key Risks and Opportunities

Additional demands of CPPA i.e. Production Forecasting with penalty

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Cost optimization

Mitigation Measures:

1. Acquire Services of Specialist consultant or forecasting firm.
2. Seek additional O&M price in line with tariff / EPA terms as Change in Law

Significant changes in objectives & strategies

There were no significant changes during the year which affected our course of action for achievement of these objectives.

OBJECTIVE 04	OBJECTIVE 05
Create / enter new lines of business to augment profitability	**Community development**
Development of team to provide services to external wind farm / solar power industry including technical trainings. Partnership with academia for R&D.	Assessment of neighbouring community needs through consultation and providing possible support in health, education and utility.
Long-term	Medium-term
Medium	High
Human capital, Intellectual capital, Financial Capital	Financial capital, human capital
Revenue generated from services	CSR budget, Feedback from community
Ongoing process.	Ongoing process
The KPI will remain relevant in the future	The KPI will remain relevant in the future
Business diversification / new business risks	CSR objectives meet / Increase in expectations and demands from community

Change in market regulations – introduction of competitive pricing for all IPPs

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Community development, self-reliance in O&M

Mitigation Measures:

Seek exemption under tariff / EPA terms

Financial Capital

FFCEL's sole customer may delay payments against invoices which may result in liquidity issues

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Cost optimization, self reliance in operation & maintenance, community development, enter new line of business to augment profitability

Mitigation Measures:
Variables effecting CPPA's policy for disbursing payments to IPPs is outside management's control. Receivables of CPPA are backed by the Government of Pakistan's sovereign guarantee.

Plant maintenance increase and / or unsafe acts – reduced availability & reliability

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Maximize energy production, cost optimization

Mitigation Measures:
1. Comply with OEM recommended scheduled maintenance plan with continuous monitoring and update; based on experience.
2. Keep recommended inventory of spares for unscheduled maintenance with appropriate changes in type and levels of parts based on experience. Manage vendor database and parts supply mechanism.
3. Development and updation of maintenance SOPs, safety procedures and regular refresher trainings of maintenance team.

Plant operations malfunctions – reduced availability

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Maximize energy production, cost optimization

Mitigation Measures:

1. Comply with updated OEM recommended operational manuals and operating procedures; based on experience.
2. Regular refresher trainings of operating team on operating manuals.

Lowering of Power Curve Performance – Reduced Production

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Maximize energy production

Mitigation Measures:
1. Monitoring and analysis of power curve data
2. Introduction of newly available technology / techniques for improvement in power curve performance.

Insufficient cash available to pay liabilities

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Cost optimization, self-reliance in operation & maintenance, community development

Mitigation Measures:
Treasury management system at FFCEL is proactive and adequate funds are kept available to cater for any unforeseen requirement.

Non adherence to Energy Purchase Agreement & Regulatory Framework set by the regulatory Authority

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Cost optimization

Mitigation Measures:
Rigorous checks are carried out to prevent any breach

Fluctuation in Foreign Currency Rates

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Cost optimization

Mitigation Measures:
FFCEL has limited foreign currency exposure by having no investment in foreign currency and foreign component of the tariff is indexed against US$. Any fluctuation in exchange rate is mitigated to a great extent by the resultant change in the tariff component.

Volatile law and order situation may affect the Government's policy towards disbursement to IPPs

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Create / enter new lines of business to augment profitability and achieve sustained economic growth.

Mitigation Measures:
This risk cannot be mitigated through internal strategies.

Financial Capital

Fauji Fresh n Freeze Limited (FFF)

FFF is a public unlisted Company, acquired by FFC as a wholly owned subsidiary in October 2013. It owns and operates Pakistan's first Individually Quick Freeze (IQF) food processing technology and Vapour Heat Treatment (VHT) plant for processing of fresh and frozen fruits and vegetables.

During the year, the company's turnover registered at Rs 941.67 million, grew by 107% compared to 2017, complemented by increase of 136% in local sales and 71% exports. Thin margins coupled with lower capacity utilization and higher overhead costs resulted in a pre-tax loss of Rs 1.18 billion, higher by 9% as compared to last year.
The Auditors of FFF have issued an unqualified / clean opinion in their separate audit report on FFF's financial statements for the year ended December 31, 2018.

COMPOSITION OF THE BOARD

Names of the Directors:

- Lt Gen Khalid Nawaz Khan, HI(M), Sitara-e-Esar *(Retired)*
- Lt Gen Syed Tariq Nadeem Gilani, HI(M) *(Retired)* *
- Lt Gen Shafqaat Ahmed, HI(M) *(Retired)*
- Lt Gen Tariq Khan, HI(M) *(Retired)* *
- Mr. Qaiser Javed
- Dr. Nadeem Inayat
- Maj Gen Mumtaz Ahmad Bajwa, HI(M) *(Retired)*

Management objectives

	OBJECTIVE 01	OBJECTIVE 02	OBJECTIVE 03
	Consolidate market leadership in par fried french-fries and IQF F&V and to retain this position	**To become top of mind brand**	**Technological excellence**
Strategy	Consolidate market share. Increase market penetration. Ensure availability of product at all potential outlets. Inundate all potential towns.	Appropriate and effective communication to the potential consumers through optimum marketing mix.	Stay abreast of technological developments and continuously upgrade production facilities to maximize efficiency.
Nature	Long-term	Medium-term	Medium-term
Priority	High	High	Medium
Resources allocated	Financial capital, human capital, manufactured capital	Financial capital, human capital, intellectual capital	Financial capital, human capital, manufactured capital, intellectual capital
KPI Monitored	Market share indexing	Market indexing, market research and insight, expert independent evaluation	
Status	Ongoing process	Ongoing process	Ongoing
Future relevance of KPI	The current KPI is relevant for future as well	The current KPI is relevant for future as well	
Opportunities / Threats	Market entry of competitors. With appropriate measures we can change this threat into opportunity by market development and growth through combined advertisement of all the competitors	In-case of lack of continued and appropriate communication the consumers switch to alternate products	Lagging in technology render the products of inferior and compromised quality and non-competitive on cost aspects thereby eroding market share

- Maj Gen Javaid Iqbal Nasar, HI(M) *(Retired)* *
- Mr. Afaq A. Tiwana
- Mr. Mohammad Munir Malik
- Mr. Rehan Laiq *

* Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired) appointed as Director in place of Lt Gen Khalid Nawaz Khan, HI(M) (Retd) w.e.f January 10, 2018
Lt Gen Tariq Khan, HI(M) (Retired) appointed as Director in place of Lt Gen Shafqaat Ahmed, HI(M) (Retired) w.e.f March 27, 2018 Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) appointed as Director in place of Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired) w.e.f February 1, 2018
Mr. Rehan Laiq appointed as Director in place of Mr. Qaiser Javed w.e.f. December 1, 2018

Corporate strategy

To consolidate market leadership in IQF Fruits & Vegetable category specially par fried french-fries and to retain this position. To become top-of-mind brand by winning consumer loyalty and mastering technological excellence. To offer best quality products and value for money to the consumers.

Significant changes in objectives & strategies

The company has re-aligned its strategy and focused on par fried French-fries followed by IQF fruits and vegetables.

OBJECTIVE 04	OBJECTIVE 05	OBJECTIVE 06
To offer best quality products to the consumers, consumer centricity	**End to end cost effective operations**	**Financial health and sustainable operations**
Empowered quality assurance function. Continuous efforts in improving product specifications. Agricultural research and development in appropriate varieties of potato giving longer profile fries with higher dry matter content.	Continuous effort on laying off extra fats from the operations. Market intelligence and continued focus on sourcing at optimal prices. Vigilance of all the business partners and distributors to ensure sustainable partnership. Controlling production losses and maximising cost plough-back thereby reducing product cost. Controlling peeling wastes by improved technological solutions.	Availability of resources at optimal prices is the back-bone for sustained growth and attaining continued market leadership.
	Medium-term	Short-term
High	High	High
Financial capital, human capital, manufactured capital, intellectual capital	Intellectual capital	Intellectual capital, financial capital
	Monthly cost accounts and management accounts	Monthly cost accounts, management accounts reporting, cash-flow planning and monitoring.
Ongoing	Ongoing	Ongoing
	The KPI is relevant for future as well.	The KPI is relevant for future as well.
Products of inferior and compromised quality are non-competitive and eroding market share	Lack of cost control erode margins and render the products un-competitive	May face liquidity risk due to growth phase. Financial indictors may not be very attractive. The company may face difficulty in borrowing funds from the financial institutions. The financial muscle and the market repute of the parent company will support the company in pulling through the challenging situation

Financial Capital

Key Risks and Opportunities

Entry of competitors

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Consolidate market leadership

Mitigation Measures:
Consolidate market share. Increase market penetration. Ensure availability of product at all potential outlets. Inundate all potential towns.

Out of sight out of mind

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: To become top of mind brand

Mitigation Measures:

Appropriate and effective communication to the potential consumers through optimum marketing mix.

Lagging in technological excellence render the product non-competitive in the competitive environment

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Technological excellence

Mitigation Measures:
The core technical team remain well aware of the technological advancements and the best practices of the global category leaders. The technology and best practices ensures highest quality product at competitive prices.

Low quality product will erode consumer loyalty

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: To offer best quality products to the consumers, consumer centricity

Mitigation Measures:
Empowered quality assurance function. Continuous efforts in improving product specs. Agricultural research and development in developing appropriate varieties of potato giving longer profile fries with higher dry matter content.

Lack of cost control will render the products unable to compete in the competitive environment

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: End to end cost effective operations

Mitigation Measures:
Continuous effort on laying off extra fats from the operations. Market intelligence and continued focus on sourcing at optimal prices. Vigilance of all the business partners and distributors to ensure sustainable partnership. Controlling production wastages and maximising cost plough-back thereby reducing product cost. Controlling peeling wastes by improved technological solutions.

Insufficient cash available to pay liabilities resulting in a liquidity problem

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Financial health and sustainable operations

Mitigation Measures:
The financial muscle and the market repute of the parent company will support the company in pulling through the challenging situation

Financial Capital

Adequacy of Internal Financial Controls

Respective Boards of the subsidiary companies have established efficient and effective systems of internal financial controls. Implementation of these controls is regularly monitored by an independent Internal Audit function, which reports directly to the respective Audit Committees. Audit Committees of the companies, quarterly review the effectiveness and adequacy of the internal control frameworks and financial statements of the respective companies.

Profit Distribution & Reserve Analysis

FFC Group carried consolidated reserves of Rs 38.40 billion at the start of the year, of which, final dividend of Rs 3.82 billion was approved by the shareholders for 2017. During 2018, the Group earned net profit of Rs 16.44 billion and declared three interim dividends aggregating to Rs 6.30 billion translating to Rs 4.95 per share. The aggregate reserves at the end of 2018 stood at Rs 43.94 billion as detailed in the ‘Appropriations’ table:

Appropriations	Rs in million	Rs per share
Opening Reserves	38,396	
Final Dividend 2017	(3,817)	3.00
Net Profit 2018	16,438	
Other comprehensive income	(778)	
Available for Appropriation	50,239	
Appropriations:		
First Interim Dividend 2018	(2,226)	1.75
Second Interim Dividend 2018	(1,781)	1.40
Third Interim Dividend 2018	(2,290)	1.80
Closing Reserves	43,942	

Subsequent Events

The Board of Directors of FFC in its meeting held on January 31, 2019 is pleased to recommend a final cash dividend of Rs 3.90 per share i.e. 39% for the year ended 2018, for shareholders’ approval taking the total payout for the year to Rs 8.85 per share i.e. a payout of 88.50%. There were no other material changes affecting the financial position of the Group till the date of this report.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman

Lt Gen Tariq Khan
HI (M), (Retired)
Chief Executive and Managing Director

Rawalpindi
January 31, 2019

مالیاتی سرمایہ

منافع کی تقسیم	ملین روپے	فی حصہ روپے
ابتدائی ریزرو	38,396	
حتمی منافع منقسمہ 2017	(3,817)	3.00
خالص منافع 2018	16,438	
دیگر Comprehensive آمدن	(778)	
تقسیم کے لیے میسر منافع	**50,239**	
منافع کی تقسیم		
پہلا عبوری منافع منقسمہ 2018	(2,226)	1.75
دوسرا عبوری منافع منقسمہ 2018	(1,781)	1.40
تیسرا عبوری منافع منقسمہ 2018	(2,290)	1.80
اختتامی ریزرو	**43,942**	

منافع کی تقسیم اور ذخائر کا تجزیہ

(Profit Distribution & Reserve Analysis)

سال کے شروع میں کمپنی کے مجموعی ذخائر 38.40 ارب روپے تھے جس سے کمپنی نے حصہ داروں کے لیے سال 2017 میں حتمی منافع منقسمہ 3.82 ارب روپے کی منظوری دی گئی۔ سال 2018 کے دوران گروپ نے 16.44 ارب روپے کا منافع کمایا اور تین منافع منقسمہ جو کہ مجموعی طور پر 6.30 ارب روپے بنے جو کہ 4.95 روپے فی حصہ کی ترجمانی کرتے ہیں۔ 2018 کے اختتام پر مجموعی ذخائر 43.94 ارب روپے تھے جو کہ 'Appropriations Table' میں تفصیل سے دیے گئے ہیں۔

اندرونی مالیاتی ضوابط کی موزونیت

تمام ذیلی کمپنیوں کا اندرونی مالیاتی ضوابط کا موثر نظام موجود ہے۔ آزاد محاسب شعبہ (Internal Audit Function) جو آڈٹ کمیٹی کو براہ راست جوابدہ ہے، اندرونی ضوابط کی نگرانی کو یقینی بناتا ہے اور بہتری پر تجاویز فراہم کرتا ہے۔ متعلقہ کمپنیوں کی آڈٹ کمیٹیاں مالیاتی گوشواروں اور اندرونی ضوابط کے موثر ہونے کا سہ ماہی جائزہ لیتی ہیں۔

واقعات مابعد (Subsequent Event)

Parent Company کے بورڈ آف ڈائریکٹرز نے 31 جنوری 2019 کو منعقد کردہ اپنے اجلاس میں اپنے حصہ داروں کے لیے سال 2018 کے حتمی منافع منقسمہ (Dividend) فی حصص 3.90 روپے (39 فیصد) کی سفارش کی ہے۔ اس طرح مجموعی سالانہ ادائیگی 8.85 روپے فی حصہ یعنی 88.50 فیصد ہو جائے گی۔ اس رپورٹ کے مکمل ہونے کی تاریخ تک مزید ایسی کوئی قابل قدر چیز نہ تھی جو کہ کمپنی کی مالی حیثیت پر اثر انداز ہو سکے۔

لیفٹیننٹ جنرل سید طارق ندیم گیلانی
ہلال امتیاز (ملٹری)، (ریٹائرڈ)
چیئرمین

لیفٹیننٹ جنرل طارق خان
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو مینجنگ ڈائریکٹر

راولپنڈی
31 جنوری، 2019

مسابقتی ماحول میں ٹیکنالوجی میں پیچھے رہنے سے ادنیٰ مصنوعات کی فراہمی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

مسلکہ ہدف تکنیکی برتری

تخفیفی اقدامات تکنیکی ٹیم ٹیکنالوجی کی جدت اور دنیا کی بہترین اداروں کے طریقہ کار سے اچھی طرح آگاہ رہتی ہے۔ ٹیکنالوجی اور بہترین طریقوں سے مصنوعات کے اعلیٰ معیار کو مسابقتی قیمتوں پر یقینی بنایا جاسکتا ہے

کم معیاری مصنوعات صارفین کے اعتماد کو ختم کردیتی ہیں

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

مسلکہ ہدف صارفین کو بہتر معیاری مصنوعات فراہم کرنے کے لئے ،صارف کی مرکزیت

تخفیفی اقدامات بااختیار کوالٹی کنٹرول۔ مصنوعات کی بہتری کی مسلسل کوشش۔ آلو کی مناسب اقسام اور زرعی تحقیق اور ترقی کی بدولت فرائز کو زیادہ عرصے تک خشک رکھا جاسکتاہ

لاگت کنٹرول میں کمی منافع کو کم کرتی ہے اور مقابل مصنوعات فراہم ہوتی ہے

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

مسلکہ ہدف لاگت کو کم کرنے کے لئے موثر اقدامات

تخفیفی اقدامات مسلسل کوششوں سے آپریشنل لاگت کو کم کرنا اور مارکیٹ کے حالات کا جائزہ لے کر بہتر قیمت وصول کرنا۔ کاروباری شراکت داروں اور ڈسٹری بیوٹر کے ساتھ پائیدار شراکت کی نگرانی۔ پیداواری ضیاع پر قابو پایا کہ مصنوعات کی پیداواری لاگت میں کمی۔ جدید ٹیکنالوجی کے ذریعے ضیاع پر قابو پایا جاسکتا ہے

مالی ذمہ داریوں کی ادائیگی کے لئے ناکافی نقدی جو کہ liquidity کے مسائل پیدا کردے

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

مسلکہ ہدف صحت مند سرمایہ اور پائیدار عملی اقدامات

تخفیفی اقدامات فعال شعبہ مالیات کافی مقدار میں فنڈز کی دستیابی کو یقینی بناتا ہے۔ Parent کمپنی کی مالی طاقت اور مارکیٹ کی ساکھ سخت حالات سے نمٹنے میں مدد کرے گی

مالیاتی سرمایہ

غیر ملکی کرنسی کی قیمتوں میں اتار چڑھاؤ

سرمایہ | درجہ بندی | قسم | نوعیت | سبب | امکان | شدت

منسلک ہدف	موزوں لاگت
تخفیفی اقدامات	غیر ملکی کرنسی میں عدم سرمایہ کاری کے باعث غیر ملکی کرنسی میں FFCEL کا exposure محدود ہے اور ٹیرف کے غیر ملکی اجزاء کو امریکی ڈالر کے ساتھ منسلک کیا جاتا ہے۔ کرنسی کے اتار چڑھاؤ کو نتیجتاً ٹیرف کے اجزاء کی تبدیلی بہت حد تک کم کرتی ہے

امن وامان کی غیر مستحکم صورت حال جو کہ ملکی معیشت کو متاثر کرے جس کی وجہ سے حکومت کی IPPs کو ادائیگیوں کی پالیسی میں تبدیلی واقع ہو

سرمایہ | درجہ بندی | قسم | نوعیت | سبب | امکان | شدت

منسلک ہدف	منافع کو بڑھانے اور مستقل اقتصادی ترقی کے حصول کے لئے نئے کاروبار کا اجراء / تخلیق
تخفیفی اقدامات	یہ خطرہ اندرونی ضوابط کے ذریعے کم کیا جا سکتا ہے۔

نمایاں خطرات اور مواقع - ایف ایف

حریفوں کا داخلہ

سرمایہ | درجہ بندی | قسم | نوعیت | سبب | امکان | شدت

منسلک ہدف	مارکیٹ قیادت کو مضبوط بنانا
تخفیفی اقدامات	مارکیٹ کے شیئرز کو یکجا کرنا، مارکیٹ penetration کو بڑھانا، تمام ممکنہ شہروں اور دوکانوں پر مصنوعات کی دستیابی کو یقینی بنانا

آنکھ او جھل پہاڑ او جھل

سرمایہ | درجہ بندی | قسم | نوعیت | سبب | امکان | شدت

منسلک ہدف	پسندیدہ ترین برانڈ بننا
تخفیفی اقدامات	ممکنہ صارفین سے مناسب اور موثر مواصلات اور مارکیٹنگ کے ذریعے رابطہ

پلانٹ میں خرابی - دستیابی میں کمی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف توانائی کی پیداوار میں اضافہ / موزوں لاگت

تخفیفی اقدامات 1 OEM کے مجوزہ Operational Manuals اور کام کے طریقہ کار کی تعمیل اور متعلقہ ٹریننگ

2 مرمت کرنے والی ٹیم کی باقاعدہ تربیتی ہدایات

پاور Curve کی کارکردگی میں کمی - پیداوار میں کمی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف توانائی کی پیداوار میں اضافہ

تخفیفی اقدامات 1 پاور curve ڈیٹا کی نگرانی اور تجزیہ

2 پاور curve کی کارکردگی میں بہتری کے لئے نئی ٹیکنالوجی / طریقوں کا تعارف

مالی ذمہ داریوں کی ادائیگی کے لئے وافر نقدی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف موزوں لاگت، O&M میں خود انحصاری، مقامی آبادی کی ترقی

تخفیفی اقدامات FFCEL کے فعال شعبہ مالیت کسی بھی سنگین صورتحال سے نمٹنے کے لئے وافر مقدار میں فنڈز کی دستیابی کو یقینی بناتا ہے۔

EPA اور ریگولیٹری اتھارٹی کے طے شدہ ضوابط سے انحراف

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف موزوں لاگت

تخفیفی اقدامات کسی بھی قسم کی قانون شکنی سے بچنے کے لئے مستقل بنیادوں پر سخت جائزہ لیا جاتا ہے

مالیاتی سرمایہ

نمایاں خطرات اور مواقع - ایف ایف سی ای ایل

CPPA کے اضافی مطالبات مثلاً جرمانے کے ساتھ پیداوار کی پیش گوئی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلک ہدف: موزوں لاگت

تخفیفی اقدامات:
1 ماہر کنسلٹنٹ یا مستقبل بینی کرنے والی کسی فرم کی خدمات کا حصول
2 ٹیرف (EPA) کی شرائط کی روشنی میں اضافی O&M قیمت کا مطالبہ

مارکیٹ کے قواعد میں تبدیلی - تمام IPPs کے لئے مسابقتی قیمتوں کا نفاذ

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلک ہدف: معاشرے کی ترقی، O&M میں خود انحصاری

تخفیفی اقدامات: استثناء کے حصول کی کوشش جیسا کہ EPA Tariff Agreement میں تبدیلی قانون کی شق موجود ہے

اگر FFCEL کا اکلوتا گاہک CPPA ادائیگی میں تاخیر کرے، جس کے نتیجے میں liquidity کے مسائل کھڑے ہو جائیں۔

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلک ہدف: قیمت کی اصلاح، O&M میں خود اعتمادی، معاشرے کی ترقی۔ منافع کو بڑھانے کے لئے نئے کاروبار کا اندراج

تخفیفی اقدامات: IPPs کو ادائیگیوں کی CPPA کی پالیسی میں تغیر کمپنی کے دائرہ اختیار سے باہر ہے۔ تاہم CPPA سے واجب الوصول رقوم کے لئے حکومت پاکستان کی غیر مشروط ضمانت موجود ہے۔

پلانٹ کی مرمت کے لئے درکار وقت میں اضافہ اور / غیر محفوظ اقدامات کے نتیجے میں دستیابی اور وثوق میں کمی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلک ہدف: توانائی کی پیداوار میں اضافہ / موزوں لاگت

تخفیفی اقدامات: کمپنی OEM کے مجوزہ مرمتی شیڈول کی سختی سے پابندی کے ساتھ ساتھ تجربے کی روشنی میں بھی مسلسل نگرانی جاری رکھتی ہے
مرمتی، SOP اور حفاظتی طریقہ کار کا نفاذ کیا گیا ہے جبکہ ٹریننگ پروگرامز بھی باقاعدگی سے منعقد کئے جاتے ہیں

FFC کی کمپنی میں کل سرمایہ کاری 706 ملین روپے ہے جس سے FFC کو اب تک 558 ملین روپے منافع منقسمہ کی شکل میں حاصل ہوئے ہیں، اس میں 2018 میں وصول ہونے والے 407 ملین روپے بھی شامل ہیں۔

تھر انرجی لمیٹڈ (TEL)

TEL کو 2016 میں ایک پبلک لمیٹڈ کمپنی کے طور پر قائم کیا گیا تھا اور اس کا مقصد 330MW کے Mine-Mouth Coal Fired Power Plant کی تعمیر، ملکیت، چلانا اور برقرار رکھنا ہے۔ یہ پلانٹ تھر کول مائن، سندھ کے بلاک II میں تعمیر کیا جائے گا۔

دوران سال، Shareholders' Agreement پر مقامی اور بین الاقوامی پروجیکٹ پارٹنرز نے دستخط کر دیے تھے ان پارٹنرز میں FFC, HUBCO اور China Machinery Engineering Corporation (CMEC) شامل ہیں۔ FFC نے دوران سال 1.46 ارب روپے کی سرمایہ کاری کی ہے اور کمپنی میں 30 فیصد حصے کی مالک ہے۔

ذیلی کمپنیاں (Subsidiary Companies)

گروپ کمپنیوں کی کارکردگی کا مختصر تجزیہ نیچے پیش کیا گیا ہے:

ایف ایف سی انرجی لمیٹڈ (FFCEL)

FFCEL، FFC کی ایک مکمل ملکیتی ذیلی کمپنی ہے جو کہ پاکستان کا ہوا سے بجلی بنانے والا پہلا ادارہ ہے۔ 49.5MW بجلی کی پیداواری استعداد کے ساتھ FFCEL نے مئی 2013 میں تجارتی سرگرمیوں کا آغاز کیا۔

سال 2018 میں کمپنی نے 98 فیصد کی پیداواری استعداد کے ساتھ بجلی بناتے ہوئے 123 GWh بجلی قومی گرڈ کو فراہم کی۔ آمدن 2.53 ارب روپے ریکارڈ کی گئی جو کہ گزشتہ برس کے مقابلے میں 5 فیصد زائد ہے۔

دوران سال، NORDEX اور DESCON کے معاہدوں کی مدت مکمل ہونے کے بعد، کمپنی نے Operations & Maintenance کے معاملات کامیابی کے ساتھ مکمل طور پر اپنے کنٹرول میں کر لیے ہیں جس کے باعث عملیاتی اخراجات (Operating Cost) میں کمی واقع ہوئی۔ مالیاتی لاگت میں 18 فیصد کی واقع ہوئی جس کا بڑا سبب طویل المدتی قرضوں کی دوران سال ادائیگی کے ساتھ ساتھ مالی حیثیت میں بہتری تھی۔

نتیجتاً، 1.10 ارب روپے کے خالص منافع میں گزشتہ برس کے مقابلے میں 30 فیصد اضافہ دیکھنے میں آیا جو کہ فی حصہ 4.52 روپے کی آمدن پر منتج ہوا۔ کمپنی نے دوران سال 305 ملین روپے کے منافع منقسمہ کا اعلان بھی کیا۔

آڈیٹرز نے 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے کمپنی کے مالیاتی گوشواروں (Financial Statements) پر اپنی رائے بغیر کسی تحفظات کے دے دی ہے۔

بورڈ کی ساخت

- لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ)*
- لیفٹیننٹ جنرل شفقات احمد، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری) (ریٹائرڈ)*
- جناب قیصر جاوید
- جناب طارق اقبال خان
- میجر جنرل ممتاز احمد باجوہ، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- بریگیڈیر راشد ولی جنجوعہ، ستارہ امتیاز (ملٹری) (ریٹائرڈ)
- جناب نوید احمد خان
- میجر جنرل جاوید اقبال نصر، ہلال امتیاز (ملٹری) (ریٹائرڈ)*
- جناب ریحان لئیق*

*لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ) کو لیفٹیننٹ جنرل خالد نواز خان، ہلال امتیاز (ملٹری) (ریٹائرڈ) کی جگہ مورخہ 10 جنوری 2018 کو ڈائریکٹر مقرر کیا گیا۔

*لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری) (ریٹائرڈ) کو لیفٹیننٹ جنرل شفقات احمد، ہلال امتیاز (ملٹری) (ریٹائرڈ) کی جگہ مورخہ 27 مارچ 2018 کو ڈائریکٹر مقرر کیا گیا۔

*میجر جنرل جاوید اقبال نصر، ہلال امتیاز (ملٹری) (ریٹائرڈ) کو میجر جنرل ممتاز احمد باجوہ، ہلال امتیاز (ملٹری) (ریٹائرڈ) کی جگہ مورخہ یکم فروری 2018 کو ڈائریکٹر مقرر کیا گیا۔

*جناب ریحان لئیق کو جناب قیصر جاوید کی جگہ مورخہ یکم دسمبر 2018 کو ڈائریکٹر مقرر کیا گیا۔

فوجی فریش این فریز لمیٹڈ (FFF)

FFF ایک غیر مندرج (Unlisted) پبلک کمپنی ہے، جسے FFC نے اکتوبر 2013 میں کلی ملکیتی ذیلی کمپنی کے طور پر خریدا تھا۔ اس کے پاس پاکستان کے پہلے Individually Quick Freeze اور Vapour Heat Treatment ٹیکنالوجی کے حامل پلانٹس ہیں جو کہ تازہ اور منجمد پھلوں اور سبزیوں کی پراسیسنگ کرتے ہیں۔

دوران سال کمپنی کی آمدن 941.67 ملین روپے ریکارڈ کی گئی جو کہ سال 2017 کے مقابلے میں 107 فیصد زائد ہے، اس کا سبب مقامی فروخت میں 136 فیصد اور برآمدات میں 71 فیصد اضافہ تھا۔ نہایت کم شرح منافع، استعداد سے کم استفادہ اور زائد Overhead اخراجات کی وجہ سے ماقبل ٹیکس نقصان (Pre Tax Loss) گزشتہ برس کے مقابلے میں 9 فیصد اضافے کے ساتھ 1.18 ارب روپے رہا۔

آڈیٹرز نے 31 دسمبر 2018 کو ختم ہونے والے سال کے لئے کمپنی کی Financial Statements پر اپنی رائے بغیر کسی تحفظات کے دے دی ہے۔

بورڈ کی ساخت

- لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ)*

لیفٹیننٹ جنرل شفقات احمد، ہلال امتیاز (ملٹری) (ریٹائرڈ)

لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری) (ریٹائرڈ)*

جناب قیصر جاوید

ڈاکٹر ندیم عنایت

میجر جنرل ممتاز احمد باجوہ، ہلال امتیاز (ملٹری) (ریٹائرڈ)

میجر جنرل جاوید اقبال نصر، ہلال امتیاز (ملٹری) (ریٹائرڈ)*

جناب آفاق اے نوانہ

جناب محمد منیر ملک

جناب ریحان لئیق*

*لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ) کو لیفٹیننٹ جنرل خالد نواز خان، ہلال امتیاز (ملٹری) (ریٹائرڈ) کی جگہ مورخہ 10 جنوری 2018 کو ڈائریکٹر مقرر کیا گیا۔

*لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری) (ریٹائرڈ) کو لیفٹیننٹ جنرل شفقات احمد، ہلال امتیاز (ملٹری) (ریٹائرڈ) کی جگہ مورخہ 27 مارچ 2018 کو ڈائریکٹر مقرر کیا گیا۔

*میجر جنرل جاوید اقبال نصر، ہلال امتیاز (ملٹری) (ریٹائرڈ) کو میجر جنرل ممتاز احمد باجوہ، ہلال امتیاز (ملٹری) (ریٹائرڈ) کی جگہ مورخہ یکم فروری 2018 کو ڈائریکٹر مقرر کیا گیا۔

*جناب ریحان لئیق کو جناب قیصر جاوید کی جگہ مورخہ یکم دسمبر 2018 کو ڈائریکٹر مقرر کیا گیا۔

مالیاتی سرمایہ

گروپ کی مالیاتی کارکردگی

FFC گروپ، فوجی فرٹیلائزر کمپنی (FFC) اور اس کی مکمل ملکیتی ذیلی کمپنیوں (Subsidiary Companies) یعنی ایف ایف سی انرجی لمیٹڈ (FFCEL) اور فوجی فریش این فریز لمیٹڈ (FFF) پر مشتمل ہے۔ دیگر منسلکہ کمپنیاں (Associated Companies) مندرجہ ذیل ہیں:

- فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL)
- عسکری بینک لمیٹڈ (AKBL)
- فوجی سیمنٹ کمپنی لمیٹڈ (FCCL)
- پاکستان مراک فاسفور ایس۔اے۔ مراکش (PMP)
- تھر انرجی لمیٹڈ (TEL)

نفع و نقصان کا تجزیہ

گروپ نے 17 فیصد اضافے کے ساتھ 109 ارب روپے کی تاریخی مجموعی آمدن (علاوہ سبسڈی) حاصل کی جس کا بڑا سبب یوریا اور DAP کی قیمتوں میں بہتری تھا جو کہ گزشتہ برسوں میں شدید دباؤ کا شکار رہیں۔

گروپ نے اخراجات پر قابو رکھنے کے سخت انتظامات کیے ہیں جن کے باعث فروخت پر آنے والی لاگت (Cost of Sales) میں گزشتہ برس کے مقابلہ میں صرف 8 فیصد اضافہ دیکھنے میں آیا۔ نتیجتاً خام منافع میں 53 فیصد کا واضح اضافہ ریکارڈ کیا گیا جو کہ گزشتہ برس کے 19.10 ارب روپے کے مقابلے میں اس سال 29.15 ارب روپے رہا۔

گروپ کے انتظامی اور ترسیلی اخراجات (Distribution & Admin Expenses) بھی گزشتہ برس کے مقابلے میں صرف 5 فیصد اضافے کے ساتھ 9.51 ارب روپے رہے کیونکہ گروپ نے زیادہ مقدار میں درآمدی کھاد کی ہینڈلنگ کی۔

شرح سود (Interest Rate) میں اضافے کے باوجود، مالیاتی لاگت (Finance Cost) گزشتہ برس کے مقابلے میں 30 فیصد کمی کے ساتھ 2.24 ارب روپے رہی اور اس کا بڑا سبب مالی حالت میں بہتری اور عمدہ مالیاتی انتظام تھا۔

بہتر منافع کے باعث WPPF اور WWF کے اخراجات میں اضافے کی وجہ سے گروپ کے دیگر اخراجات (Other Expenses) 29 فیصد اضافے کے ساتھ 2.11 ارب روپے رہے۔

گروپ کی سرمایہ کاری آمدن (Investment Income) گزشتہ برس کے 1.27 ارب روپے کے مقابلے میں واضح اضافے کے ساتھ 2.44 ارب روپے رہی۔ اس کا سبب زیادہ فنڈز کی دستیابی اور عمدہ مالیاتی نظم و نسق تھے۔

کھادوں پر سبسڈی سے حاصل ہونے والی رقم 2.40 ارب روپے رہی جبکہ گزشتہ برس یہ رقم 6.60 ارب روپے تھی اور اس کا سبب یکم جولائی 2018 سے حکومت کی جانب سے یوریا پر دی گئی سبسڈی کا خاتمہ ہے۔ سبسڈی کو International Financial Reporting Standards (IFRS) کے تقاضوں کو مدنظر رکھتے ہوئے دیگر آمدن (Other Income) کے تحت درج کیا گیا ہے۔

منسلکہ کمپنیوں اور Joint Ventures کا منافع میں حصہ 3.36 ارب روپے ریکارڈ کیا گیا جو کہ گزشتہ برس کے مقابلے میں 5 فیصد کم ہے اور اس کا بڑا سبب AKBL کے منافع میں کمی ہے۔

سال 2018 کے لیے 7.30 ارب روپے کا ٹیکس چارج گزشتہ سال کے مقابلے میں 38 فیصد زائد رہا اور اس کا سبب بننے والے عوامل میں زائد قابل ٹیکس منافع، درآمدی کھادوں پر ٹیکس سٹرکچر کی Minimum Tax Regime میں تبدیلی کے ساتھ ساتھ Super Tax کا مسلسل نفاذ ہے۔

نتیجتاً گروپ نے 43 فیصد کا نمایاں اضافہ حاصل کرتے ہوئے 16.44 ارب روپے کا خالص منافع کمایا جو کہ مقابلتاً سال 2017 میں 11.50 ارب روپے تھا۔

منسلکہ کمپنیاں (Associated Companies)

فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL)

FFBL پاکستان میں قائم کی گئی ایک مندرج پبلک کمپنی ہے جو کہ یوریا کھاد بنانے کے علاوہ DAP کھاد بنانے والا واحد کارخانہ ہے، ابتدائی طور پر اسے FFC Jordan Fertilizer Company کے طور پر 1993 میں قائم کیا گیا تھا اور بعد ازاں سن 1993 میں یہ فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL) میں تبدیل ہو گئی تھی۔ اس کا پیداواری کمپلیکس بن قاسم میں واقع ہے جو کہ یوریا (گرینولر) اور DAP کھادیں تیار کرتا ہے۔ اس کے ساتھ ساتھ کمپنی نے بینکاری، غذائی اور توانائی کے منصوبوں میں بھی سرمایہ کاری کر رکھی ہے۔

دوران سال، FFBL نے 687 ہزار ٹن سوناDAP اور 562 ہزار ٹن سونا یوریا (گرینولر) کی فروخت کرتے ہوئے 61.51 ارب روپے کی آمدن فروخت حاصل کی جو کہ گزشتہ برس کے مقابلے میں 17 فیصد زائد ہے اور اس کا سبب بہتر قیمت فروخت تھی۔ رواں سال کے لیے خالص منافع 1.44 ارب روپے تھا جو کہ فی حصہ 1.54 روپے بنتے ہیں اور گزشتہ برس کے مقابلے میں 43 فیصد کی بہتری ظاہر کرتے ہیں۔

4.66 ارب روپے کی سرمایہ کاری کے ساتھ FFC کا FFBL میں ملکیتی حصہ 49.88 فیصد ہے۔ دوران سال، FFC نے 349 ملین روپے کا منافع منقسمہ وصول کیا جو کہ گزشتہ سال 280 ملین روپے تھا۔

FFBL کے اشتمال شدہ آپریشن

FFBL کے اشتمال شدہ گوشوارے منافع میں 16 فیصد کی کمی ظاہر کرتے ہیں جو کہ 2017 میں 925 ملین روپے سے کم ہو کے 2018 میں 778 ملین روپے رہا۔

عسکری بینک لمیٹڈ (AKBL)

AKBL کو 1991 میں ایک پبلک لمیٹڈ کمپنی کے طور پر قائم کیا گیا۔ بینک بنیادی طور پر کمرشل بینکنگ کے کاروبار میں مصروف عمل ہے۔ اور پورے پاکستان میں 517 برانچوں کے نیٹ ورک، بشمول 94 اسلامی بینکنگ برانچز، کے ساتھ سرگرم عمل ہے۔ اس کے علاوہ ایک Wholesale بینک برانچ بحرین اور نمائندہ دفتر چین میں موجود ہیں۔

FFC کی AKBL میں سرمایہ کاری کی مالیت 10.46 ارب روپے ہے جو کہ 43.15 فیصد ملکیتی حصے کو ظاہر کرتی ہے۔

30 ستمبر 2018 کو ختم ہونے والے 9 ماہ کے دوران بینک نے 13.81 ارب روپے کا خالص سود کمایا جو کہ گزشتہ برس کے مقابلے میں 15 فیصد زائد ہے۔ خالص منافع کی سطح 3.62 ارب روپے رہی جو کہ 2.88 روپے فی حصہ بنتے ہیں۔ صارفین کے ڈیپازٹس 568 ارب روپے ریکارڈ کیے گئے جو کہ 8 فیصد اضافے کو ظاہر کرتے ہیں جبکہ Net Advances، 21 فیصد کے اضافے کے ساتھ 344 ارب روپے ریکارڈ کیے گئے۔ نتیجتاً، بینک کے Advances اور Deposits کے تناسب (ADR) میں بھی بہتری دکھائی دی جو 54.1 فیصد سے بڑھ کر 30 ستمبر 2018 کو 60.6 فیصد رہی۔ بینک نے طویل مدت کی مالیاتی درجہ بندی میں AA+ اور مختصر مدت کی درجہ بندی میں A1+ کو برقرار رکھا جو کہ بینک کی قرض چکانے کی عمدہ اہلیت کو ظاہر کرتے ہیں۔

رواں سال AKBL کی جانب سے کوئی منافع منقسمہ وصول نہیں ہوا۔

فوجی سیمنٹ کمپنی لمیٹڈ (FCCL)

FCCL ایک پبلک کمپنی ہے جو 1992 میں معرض وجود میں آئی اور اس کے حصص پاکستان اسٹاک ایکسچینج پر مندرج ہیں۔ کمپنی بنیادی طور پر مختلف انواع کے سیمنٹ بنانے اور بیچنے کے کاروبار سے منسلک ہے اسکی دونوں Production Lines کی مجموعی پیداواری صلاحیت 3.43 ملین ٹن ہے۔ 1.5 ارب روپے کی سرمایہ کاری کے ساتھ FFC، کمپنی میں 6.79 فیصد کی حصے دار ہے۔

FCCL کے مالی سال کی پہلی سہ ماہی، جو 30 ستمبر 2018 کو ختم ہوئی، کے دوران آمدن فروخت گزشتہ سال کے مقابلے میں 11 فیصد اضافے کے ساتھ 5.34 ارب روپے ریکارڈ کی گئی۔ جبکہ خالص منافع گزشتہ سال کے 444 ملین روپے کے مقابلے میں رواں سال 801 ملین روپے رہا۔ اس کا بڑا سبب Silo Line 2 کی بحالی تھا جو کہ گزشتہ برس منہدم ہو گیا تھا۔

دوران سال، کمپنی نے FCCL سے 187.50 ملین روپے کا منافع منقسمہ وصول کیا جو کہ گزشتہ سال کے مقابلے میں 122 فیصد زائد تھا۔

پاکستان مراک فاسفور (PMP)

PMP، FFC کے 12.5 فیصد، Fauji Foundation کے 12.5 فیصد، FFBL کے 25 فیصد اور مراکش کی حکومت کی ملکیتی کمپنی Office Cherifien Des Phosphates کے 50 فیصد حصے کے ساتھ مشترکہ منصوبہ کے طور پر 2004 میں مراکش میں قائم کی گئی تھی۔ کمپنی نے اپنے کاروبار کا آغاز 2008 میں کیا اور یہ فاسفورک ایسڈ، کھاد اور متعلقہ مصنوعات کی تیاری اور فروخت کے میدان میں ہے۔

PMP کا پلانٹ جورف لاسفر مراکش میں واقع ہے اور اس کی سالانہ پیداواری صلاحیت 375 ہزار ٹن صنعتی فاسفورک ایسڈ ہے۔ اور اس کی زیادہ تر پیداوار FFBL کو DAP کی پیداوار کے لئے بطور خام مال مہیا کی جاتی ہے جبکہ زائد پیداوار کو بین الاقوامی منڈی میں فروخت کیا جاتا ہے۔

Consolidated Financial Performance

		2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross profit ratio	%	26.64	20.41	25.22	34.97	39.44	46.80
Gross profit ratio (Including Subsidy)	%	28.21	25.66	31.56	36.06	39.44	46.80
Net profit to sales	%	15.02	12.28	15.94	22.25	20.69	23.73
Net profit to sales (Including Subsidy)	%	14.70	11.47	14.59	21.88	20.69	23.73
EBITDA margin to sales	%	23.46	20.82	27.95	31.37	34.02	40.41
EBITDA margin to sales (Including Subsidy)	%	22.95	19.45	25.58	30.85	34.02	40.41
Operating leverage ratio	Times	2.22	(0.38)	1.97	(1.30)	(0.85)	0.63
Return on equity (Profit after tax)	%	29.01	22.49	23.69	39.31	39.80	51.21
Return on equity (Profit before tax)	%	41.89	32.83	35.61	55.94	58.29	77.49
Return on capital employed	%	32.56	22.74	24.20	33.41	47.44	57.79
Earning before interest, depreciation and tax	Rs in million	25,670	19,483	21,066	27,401	28,585	30,706
Growth in Operating revenue	%	16.94	24.15	(13.70)	3.96	10.58	(37.85)
Growth in Operating revenue (Including Subsidy)	%	11.63	21.65	(7.29)	5.73	10.58	(37.85)
Pre tax margin	%	21.69	17.93	23.96	31.66	30.30	35.90
Pre tax margin (Including Subsidy)	%	21.22	16.75	21.93	31.13	30.30	35.90
Return on assets	%	9.18	8.17	9.63	17.09	15.04	16.18
Earnings growth	%	43.00	(4.34)	(38.17)	11.82	(3.59)	(19.95)
Liquidity Ratios							
Current ratio	Times	0.96	0.94	0.91	0.85	0.68	0.75
Quick / Acid test ratio	Times	0.79	0.87	0.73	0.60	0.60	0.63
Cash to current liabilities	Times	0.03	0.30	(0.14)	(0.13)	0.29	0.30
Long term liabilities / current liabilities	%	18.39	43.95	69.65	87.90	28.64	40.41
Activity / Turnover Ratios							
Inventory turnover ratio	Times	12	30	12	19	42	12
No. of days in inventory	Days	30	12	30	19	9	30
Debtors turnover ratio	Times	23	19	21	40	33	17
Debtors turnover ratio (Including Subsidy)	Times	10	9	12	30	33	17
No. of days in receivables	Days	16	19	17	9	11	21
No. of days in receivables (Including Subsidy)	Days	37	41	30	12	11	21
Creditors turnover ratio - GIDC	Times	2	5	17	4	3	4
- without GIDC	Times	75	81	67	70	17	6
No. of days in payables - GIDC	Days	153	71	21	87	140	97
- without GIDC	Days	5	5	5	5	21	58
Total assets turnover ratio	Times	0.61	0.66	0.60	0.77	0.73	0.68
Total assets turnover ratio (Including Subsidy)	Times	0.62	0.71	0.66	0.78	0.73	0.68
Fixed assets turnover ratio	Times	3.34	2.72	2.20	2.48	2.54	1.71
Fixed assets turnover ratio (Including Subsidy)	Times	3.41	2.92	2.40	2.52	2.54	1.71
Operating cycle - GIDC	Days	(107)	(40)	26	(59)	(120)	(46)
- without GIDC	Days	41	26	42	23	(1)	(7)
Investment / Market Ratios							
Breakup value (net assets per share) - restated							
- Without revaluation reserves	Rs	44.54	40.18	39.86	38.86	34.33	27.67
- With revaluation reserves	Rs	45.13	40.78	40.37	38.86	34.33	27.67
Capital Structure Ratios							
Financial leverage ratio	Times	0.90	0.82	1.07	0.98	0.60	0.94
Debt to equity ratio		29:71	29:71	32:68	33:67	21:79	29:71
Interest cover ratio	Times	11.58	6.26	6.38	12.13	12.85	20.86

	2018	2017	2016	2015	2014	2013

Summary - Statement of Financial Position

	2018	2017	2016	2015	2014	2013
Share capital	12,722	12,722	12,722	12,722	12,722	12,722
Reserves	43,942	38,396	37,995	36,711	30,948	15,718
Share in revaluation reserve of associates-net / NCI	754	760	649	-	-	6,757
Shareholders' funds / Equity	57,418	51,878	51,366	49,433	43,670	35,197
Long term borrowings	12,817	21,162	24,013	24,746	11,406	14,391
Capital employed	70,235	73,040	75,379	74,179	55,076	49,588
Deferred liabilities	6,072	5,974	6,097	5,307	4,574	7,539
Property, plant & equipment	32,775	34,352	34,295	35,228	33,105	44,315
Long term assets	80,897	82,965	85,271	84,709	77,707	70,632
Net current assets / Working capital	(4,581)	(3,943)	(3,787)	(5,218)	(18,054)	(13,504)
Liquid funds (net)	76,113	68,155	43,879	43,278	59,669	36,972

Summary - Statement of Profit or Loss

	2018	2017	2016	2015	2014	2013
Turnover	109,434	93,583	75,378	87,340	84,014	75,977
Turnover (including Subsidy)	111,834	100,185	82,357	88,830	84,014	75,977
Cost of sales	80,283	74,479	56,366	56,797	50,878	40,417
Gross profit	29,151	19,104	19,012	30,543	33,136	35,560
Gross profit (including Subsidy)	31,551	25,706	25,991	32,033	33,136	35,560
Distribution cost	9,509	9,093	7,524	6,966	6,617	6,238
Operating profit	19,642	10,011	11,488	23,577	26,519	29,322
Operating profit (including Subsidy)	22,042	16,613	18,467	25,067	26,519	29,322
Finance cost	2,244	3,192	3,360	2,485	2,149	1,373
Other income	5,090	8,059	8,356	3,496	1,914	1,892
Other income (excluding Subsidy)	2,690	1,457	1,377	2,006	1,914	1,892
Share of profit of associates and joint venture	3,357	3,535	3,340	5,352	1,476	(9)
Profit before tax	23,734	16,781	18,061	27,653	25,456	27,274
Provision for taxation	7,296	5,286	6,045	8,220	8,077	9,248
Profit for the year	16,438	11,495	12,016	19,433	17,379	18,026

Horizontal Analysis

Consolidated Statement of Financial Position

	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs. 14	2014	14 Vs. 13	2013	13 Vs. 12
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Equity and Liabilities												
Equity												
Share capital	12,722	-	12,722	-	12,722	-	12,722	-	12,722	-	12,722	-
Capital reserve	3,372	60.50	2,101	50.39	1,397	63.58	854	39.54	612	(54.02)	1,331	32.97
Revenue reserves	40,570	11.78	36,295	(0.83)	36,598	2.07	35,857	18.20	30,336	110.86	14,387	0.97
	56,664	10.85	51,118	0.79	50,717	2.60	49,433	13.20	43,670	53.55	28,440	1.67
Share in revaluation reserve of												
associates-net / NCI	754	(0.79)	760	17.10	649	-	-	-	-	-	6,757	-
Non - Current Liabilities												
Long term borrowings	12,817	(39.43)	21,162	(11.87)	24,013	(2.96)	24,746	116.96	11,406	(20.74)	14,391	5.47
Deferred taxation	6,072	1.64	5,974	(2.02)	6,097	14.89	5,307	16.03	4,574	(39.33)	7,539	(1.11)
Liability against assets subject												
to Finance Lease	9	12.50	8	-	8	60.00	5	66.67	3	200.00	1	
	18,898	(30.38)	27,144	(9.87)	30,118	0.20	30,058	88.06	15,983	(27.12)	21,931	3.12
Current Liabilities												
Trade and other payables	61,098	55.51	39,289	248.40	10,869	37.13	7,926	(78.98)	37,660	26.73	29,716	24.82
Interest and mark - up accrued	333	54.17	216	(38.46)	351	(13.97)	408	251.72	116	(60.14)	291	(5.83)
Short term borrowings	29,366	145.97	11,939	(46.66)	22,383	24.21	18,021	55.33	11,602	(22.58)	14,985	5.48
Unclaimed dividend	639	46.22	437	7.11	408	(33.55)	614	29.10	866	15.47	750	73.61
Current portion of long term borrowings	8,623	(0.12)	8,633	8.39	7,965	37.28	5,802	89.98	3,054	(19.88)	3,812	1.68
Current portion of land lease liability	3	-	3	-	-	-	-	-	-	-	1	-
Taxation	2,647	115.03	1,231	(1.83)	1,254	(11.57)	1,418	(43.33)	2,502	(46.89)	4,711	(6.02)
	102,709	66.34	61,748	42.84	43,230	26.44	34,189	(38.78)	55,800	2.83	54,266	13.80
Total Equity and Liabilities	179,025	27.18	140,770	12.87	124,714	9.71	113,680	(1.58)	115,453	3.64	111,394	8.06
Assets												
Non - Current Assets												
Property, plant & equipment	32,775	(4.59)	34,352	0.17	34,295	(2.65)	35,228	6.41	33,105	(25.30)	44,315	3.83
Intangilbe assets	1,942	(0.46)	1,951	0.10	1,949	0.46	1,940	(1.72)	1,974	(2.03)	2,015	19.37
Log term investments	45,035	(1.38)	45,665	(4.99)	48,064	2.92	46,702	11.76	41,787	77.98	23,479	252.96
Long term Loans & advances	1,114	15.32	966	3.43	934	14.74	814	(1.09)	823	11.22	740	5.71
Long term deposits & prepayments	31	-	31	6.90	29	16.00	25	38.89	18	(78.31)	83	(1.19)
	80,897	(2.49)	82,965	(2.70)	85,271	0.66	84,709	9.01	77,707	10.02	70,632	36.35
Current Assets												
Stores, spares and loose tools	3,489	(0.65)	3,512	2.06	3,441	1.33	3,396	2.44	3,315	(38.06)	5,352	4.74
Stock in trade	13,286	1,972.70	641	(85.15)	4,317	(15.82)	5,128	420.61	985	(31.17)	1,431	(73.09)
Trade debts	4,850	0.66	4,818	(5.01)	5,072	130.76	2,198	(1.04)	2,221	(22.64)	2,871	(52.79)
Loans and advances	542	(7.35)	585	(2.50)	600	13.64	528	(0.56)	531	(64.60)	1,500	33.21
Deposits and prepayments	83	(1.19)	84	44.83	58	45.00	40	42.86	28	(62.16)	74	23.33
Other receivables	15,433	12.36	13,735	77.09	7,756	151.49	3,084	160.91	1,182	11.93	1,056	48.52
Short term investments	55,773	76.18	31,657	104.25	15,499	38.53	11,188	(59.22)	27,433	12.97	24,284	19.62
Cash and bank balances	4,671	68.51	2,772	2.70	2,699	(20.83)	3,409	66.21	2,051	(51.10)	4,194	(66.64)
	98,128	69.76	57,805	46.55	39,443	36.15	28,971	(23.33)	37,746	(7.40)	40,762	(20.51)
TOTAL ASSETS	179,025	27.18	140,770	12.87	124,714	9.71	113,680	(1.58)	115,453	3.64	111,394	8.06

Vertical Analysis

Consolidated Statement of Financial Position

	2018		2017		2016		2015		2014		2013	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Equity and Liabilities												
EQUITY												
Share capital	12,722	7.11	12,722	9.04	12,722	10.20	12,722	11.19	12,722	11.03	12,722	11.42
Capital reserve	3,372	1.88	2,101	1.49	1,397	1.12	854	0.75	612	0.53	1,331	1.19
Revenue reserves	40,570	22.66	36,295	25.78	36,598	29.35	35,857	31.54	30,336	26.28	14,387	12.92
	56,664	31.65	51,118	36.31	50,717	40.67	49,433	43.48	43,670	37.84	28,440	25.53
Share in revaluation reserve of												
associates-net / NCI	754	0.42	760	0.54	649	0.52	-	-	-	-	6,757	5.42
Non - Current Liabilities												
Long term borrowings	12,817	7.16	21,162	15.03	24,013	19.25	24,746	21.77	11,406	9.88	14,391	12.92
Deferred liabilities	6,072	3.39	5,974	4.24	6,097	4.89	5,307	4.67	4,574	3.96	7,539	6.77
Liability against assets subject												
to Finance Lease	9	0.01	8	0.01	8	0.01	5	-	3	-	1	-
	18,898	10.56	27,144	19.28	30,118	24.15	30,058	26.44	15,983	13.84	21,931	19.69
Current Liabilities												
Trade and other payables	61,098	34.13	39,289	27.91	10,869	8.72	7,926	6.97	37,660	30.61	29,716	26.68
Interest and mark - up accrued	333	0.19	216	0.15	351	0.28	408	0.36	116	0.10	291	0.26
Short term borrowings	29,366	16.40	11,939	8.48	22,383	17.94	18,021	15.86	11,602	10.05	14,985	13.45
Unclaimed dividend	639	0.36	437	0.31	408	0.32	614	0.55	866	0.75	750	0.67
Current portion of long term borrowings	8,623	4.82	8,633	6.13	7,965	6.39	5,802	5.10	3,054	2.65	3,812	3.42
Current portion of land lease liability	3	-	3	-	-	-	-	-	-	-	1	-
Taxation	2,647	1.48	1,231	0.87	1,254	1.01	1,418	1.25	2,502	2.16	4,711	4.23
	102,709	57.37	61,748	43.86	43,230	34.66	34,189	30.08	55,800	48.32	54,266	48.71
TOTAL EQUITY AND LIABILITIES	179,025	100.00	140,770	100.00	124,714	100.00	113,680	100.00	115,453	100.00	111,394	100.00
ASSETS												
Non - Current Assets												
Property, plant & equipment	32,775	18.31	34,352	24.40	34,295	27.50	35,228	30.99	33,105	28.67	44,315	39.78
Intangible assets	1,942	1.08	1,951	1.39	1,949	1.56	1,940	1.71	1,974	1.71	2,015	1.81
Log term investments	45,035	25.96	45,665	32.44	48,064	38.54	46,702	41.08	41,787	36.19	23,479	21.08
Long term loans & advances	1,114	0.62	966	0.69	934	0.75	814	0.72	823	0.71	740	0.66
Long term deposits & prepayments	31	0.02	31	0.02	29	0.02	25	0.02	18	0.02	83	0.07
	80,897	45.19	82,965	58.94	85,271	68.37	84,709	74.52	77,707	67.30	70,632	63.400
Current Assets												
Stores, spares and loose tools	3,489	1.95	3,512	2.49	3,441	2.76	3,396	2.99	3,315	2.87	5,352	4.80
Stock in trade	13,286	7.42	641	0.46	4,317	3.46	5,128	4.51	985	0.85	1,431	1.28
Trade debts	4,850	2.71	4,818	3.42	5,072	4.07	2,198	1.93	2,221	1.92	2,871	2.58
Loans and advances	542	0.30	585	0.42	600	0.48	528	0.46	531	0.46	1,500	1.34
Deposits and prepayments	83	0.05	84	0.06	58	0.05	40	0.04	28	0.03	74	0.07
Other receivables	15,433	8.62	13,735	9.76	7,756	6.22	3,084	2.71	1,182	1.02	1,056	0.95
Short term investments	55,773	31.15	31,657	22.49	15,499	12.43	11,188	9.84	27,433	23.76	24,284	21.80
Cash and bank balances	4,671	2.61	2,772	1.97	2,699	2.16	3,409	3.00	2,051	1.79	4,194	3.78
	98,128	54.81	57,805	41.07	39,443	31.63	28,971	25.48	37,746	32.70	40,762	36.600
TOTAL ASSETS	179,025	100.00	140,770	100.00	124,714	100.00	113,680	100.00	115,453	100.00	111,394	100.00

Directors' Report – Financial Capital

Horizontal Analysis

Consolidated Statement of Profit or Loss

	2018 Rs M	18 Vs 17 %	2017 Rs M	17 Vs 16 %	2016 Rs M	16 Vs 15 %	2015 Rs M	15 Vs. 14 %	2014 Rs M	14 Vs. 13 %	2013 Rs M	13 Vs. 12 %
Turnover	109,434	16.94	93,583	24.15	75,378	(13.70)	87,340	3.96	84,014	10.58	75,977	(37.85)
Cost of sales	80,283	7.79	74,479	32.13	56,366	(0.76)	56,797	11.63	50,878	25.88	40,417	(45.93)
Gross profit	29,151	52.59	19,104	0.48	19,012	(37.75)	30,543	(7.83)	33,136	(6.82)	35,560	(25.14)
Distribution cost	9,509	4.57	9,093	20.85	7,524	8.01	6,966	5.27	6,617	6.08	6,238	(32.29)
	19,642	96.20	10,011	(12.86)	11,488	(51.27)	23,577	(11.09)	26,519	(9.56)	29,322	(23.42)
Finance cost	2,244	(29.70)	3,192	(5.00)	3,360	35.21	2,485	15.64	2,149	56.52	1,373	(49.00)
Other expenses	2,111	29.35	1,632	(7.43)	1,763	(22.91)	2,287	(0.74)	2,304	(9.93)	2,558	(21.32)
	15,287	194.72	5,187	(18.51)	6,365	(66.15)	18,805	(14.78)	22,066	(13.10)	25,391	(21.50)
Other income	5,090	(36.84)	8,059	(3.55)	8,356	139.02	3,496	82.65	1,914	1.16	1,892	(22.14)
Share of profit of associates and joint venture	3,357	(5.04)	3,535	5.84	3,340	(37.59)	5,352	262.60	1,476	(16,500.00)	(9)	(112.50)
Profit before taxation	23,734	41.43	16,781	(7.09)	18,061	(34.69)	27,653	8.63	25,456	(6.67)	27,274	(21.73)
Provision for taxation	7,296	38.02	5,286	(12.56)	6,045	(26.46)	8,220	1.77	8,077	(12.66)	9,248	(25.00)
Profit for the year	16,438	43.00	11,495	(4.34)	12,016	(38.17)	19,433	11.82	17,379	(3.59)	18,026	(19.95)

Directors' Report – Financial Capital

Vertical Analysis

Consolidated Statement of Profit or Loss

	2018		2017		2016		2015		2014		2013	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Turnover	109,434	100.00	93,583	100.00	75,378	100.00	87,340	100.00	84,014	100.00	75,977	100.00
Cost of sales	80,283	73.36	74,479	79.59	56,366	74.78	56,797	65.03	50,878	60.56	40,417	53.20
Gross profit	29,151	26.64	19,104	20.41	19,012	25.22	30,543	34.97	33,136	39.44	35,560	46.80
Distribution cost	9,509	8.69	9,093	9.72	7,524	9.98	6,966	7.98	6,617	7.88	6,238	8.21
	19,642	17.95	10,011	10.70	11,488	15.24	23,577	26.99	26,519	31.56	29,322	38.59
Finance cost	2,244	2.05	3,192	3.41	3,360	4.46	2,485	2.85	2,149	2.56	1,373	1.81
Other expenses	2,111	1.93	1,632	1.74	1,763	2.34	2,287	2.62	2,304	2.74	2,558	3.37
	15,287	13.97	5,187	5.54	6,365	8.44	18,805	21.53	22,066	26.26	25,391	33.42
Other income	5,090	4.65	8,059	8.61	8,356	11.09	3,496	4.00	1,914	2.28	1,892	2.49
Share of profit of associates and joint venture	3,357	3.07	3,535	3.78	3,340	4.43	5,352	6.13	1,476	1.76	(9)	(0.01)
Profit before taxation	23,734	21.69	16,781	17.93	18,061	23.96	27,653	31.66	25,456	30.30	27,274	35.90
Provision for taxation	7,296	6.67	5,286	5.65	6,045	8.02	8,220	9.41	8,077	9.61	9,248	12.17
Profit for the year	16,438	15.02	11,495	12.28	12,016	15.94	19,433	22.25	17,379	20.69	18,026	23.73

Independent Auditors' Report to the Members
of Fauji Fertilizer Company Limited

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Fauji Fertilizer Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** Refer notes 3.11 and 26 to the consolidated financial statements. The Group recognized revenue from the sale of fertilizers, chemicals, power and food amounting to Rs. 109.43 billion for the year ended 31 December 2018. We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.	**Our audit procedures, amongst others, included the following:** • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of sales transactions recorded during the year with sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of sales transactions recorded before and after the reporting date with the sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; and • Comparing non-routine journal entries posted to revenue accounts during the year, if any, with the relevant underlying documentation.

Independent Auditors' Report to the Members

of Fauji Fertilizer Company Limited

Report on the Audit of Consolidated Financial Statements

Sr. No.	Key audit matters	How the matter was addressed in our audit
2	**Valuation of investments** Refer note 15 to the consolidated financial statements. The Group has significant investments in associated companies and joint venture. The carrying value of investments amounted to Rs. 44.19 billion at 31 December 2018. We recognised valuation of investment as key audit matter due to the magnitude of the carrying amounts of these investments and the fact that significant judgements were required by management to identify whether any impairment indicators existed for any of these assets and whether any impairment is required to be recognised against relevant investment.	**Our audit procedures to assess the valuation of investments included the following:** • Evaluating management's assessment including impairment indications evaluation as to whether indicators of impairment exist by corroborating with management and market information; and involving our in-house valuation specialist to assess the reasonableness of the assumptions and methodologies used by the Group for investments where indicators of impairment exist, in particular those relating to the forecast revenue growth and profit margins also considering that the key assessments are in line with our expectations and knowledge of the market.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statement. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Atif Zamurrad Malik.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
1 February 2019

Consolidated Statement of Financial Position

As at December 31, 2018

	Note	2018	2017
		Rs '000	Rs '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4	12,722,382	12,722,382
Capital reserves	5	3,371,904	2,101,184
Revenue reserves	6	41,204,109	35,360,005
(Deficit) / surplus on re-measurement of investments available for sale to fair value - net		(634,072)	934,733
		56,664,323	51,118,304
Share in revaluation reserve of associates - net		753,521	759,892
NON - CURRENT LIABILITIES			
Long term borrowings - secured	7	12,817,467	21,162,157
Deferred liabilities	8	6,072,399	5,973,370
Land lease liability		8,857	8,440
		18,898,723	27,143,967
CURRENT LIABILITIES			
Trade and other payables	9	61,097,611	39,288,679
Mark-up and profit accrued	10	332,964	216,140
Short term borrowings - secured	11	29,366,484	11,939,083
Unclaimed dividend		638,783	437,291
Current portion of long term borrowings - secured	7	8,623,131	8,633,497
Current portion of land lease liability		2,566	2,566
Taxation		2,646,531	1,230,841
		102,708,070	61,748,097
TOTAL EQUITY AND LIABILITIES		179,024,637	140,770,260
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

	Note	2018	2017
		Rs '000	Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	13	32,774,970	34,351,610
Intangible assets	14	1,941,784	1,951,383
Long term investments	15	45,035,025	45,665,306
Long term loans and advances	16	1,113,854	965,959
Long term deposits and prepayments	17	31,095	31,173
		80,896,728	82,965,431
CURRENT ASSETS			
Stores, spares and loose tools	18	3,489,324	3,511,899
Stock in trade	19	13,286,402	640,655
Trade debts	20	4,850,235	4,817,924
Loans and advances	21	541,903	585,527
Deposits and prepayments	22	82,733	83,824
Other receivables	23	15,432,981	13,735,003
Short term investments	24	55,773,304	31,657,685
Cash and bank balances	25	4,671,027	2,772,312
		98,127,909	57,804,829
TOTAL ASSETS		179,024,637	140,770,260

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Consolidated Statement of Profit or Loss

For the Year Ended December 31, 2018

	Note	2018	2017
		Rs '000	Rs '000
Turnover	26	109,433,588	93,583,447
Cost of sales	27	80,282,515	74,478,825
GROSS PROFIT		29,151,073	19,104,622
Administrative and distribution expenses	28	9,508,770	9,093,469
		19,642,303	10,011,153
Finance cost	29	2,244,609	3,191,616
Other expenses	30	2,111,115	1,632,375
		15,286,579	5,187,162
Other income	31	5,090,494	8,059,392
Share of profit / loss of associates and joint venture		3,356,746	3,535,333
PROFIT BEFORE TAX		23,733,819	16,781,887
Provision for taxation	32	7,295,615	5,285,987
PROFIT FOR THE YEAR		16,438,204	11,495,900

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2018

	2018 Rs '000	2017 Rs '000
PROFIT FOR THE YEAR	16,438,204	11,495,900
OTHER COMPREHENSIVE INCOME		
Items that will not be subsequently reclassified to profit or loss		
Gain / (loss) on re-measurement of staff retirement benefit plans - net of tax	21,546	(789,145)
Equity accounted investees - share of OCI, net of tax	2,608	(47,861)
	24,154	(837,006)
Items that may be subsequently reclassified to profit or loss		
Deficit on re-measurement of investments available for sale to fair value - net of tax	(315,473)	(193,427)
Share of equity accounted investees - share of OCI, net of tax	(486,571)	(1,476,311)
	(802,044)	(1,669,738)
Comprehensive income taken to equity	15,660,314	8,989,156
Comprehensive income not recognized in equity		
Items that may be subsequently reclassified to profit or loss		
Share in revaluation reserve of associates - net	(6,371)	110,816
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,653,943	9,099,972

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2018

	Note	2018	2017
		Rs '000	Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	28,653,414	38,857,185
Finance cost paid		(2,127,785)	(3,326,551)
Income tax paid		(5,784,528)	(5,267,264)
Subsidy received on sale of fertilizer		2,202,383	4,910,528
		(5,709,930)	(3,683,287)
Net cash from operating activities		22,943,484	35,173,898
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,485,284)	(3,140,485)
Proceeds from sale of property, plant and equipment		17,799	25,540
Interest received		1,456,345	1,188,340
Investment in Thar Energy Limited		(1,460,400)	–
Increase in investments		(19,386,954)	(53,425)
Dividend received		799,470	1,923,711
Net cash used in investing activities		(20,059,024)	(56,319)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term borrowings			
Draw-downs		–	7,000,000
Repayments		(8,355,056)	(9,181,788)
Dividends paid		(9,912,803)	(8,557,834)
Net cash used in financing activities		(18,267,859)	(10,739,622)
Net (decrease) / increase in cash and cash equivalents		(15,383,399)	24,377,957
Cash and cash equivalents at beginning of the year		18,382,911	(6,073,964)
Effect of exchange rate changes		399,390	78,918
Cash and cash equivalents at end of the year		3,398,902	18,382,911
CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	4,671,027	2,772,312
Short term borrowings	11	(29,366,484)	(11,939,083)
Short term highly liquid investments		28,094,359	27,549,682
		3,398,902	18,382,911

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2018

	Share capital	Capital reserves				Revenue reserves		Surplus / (deficit) on re-measurement of available for sale investments to fair value - net	Total
		Share premium	Capital redemption reserve	Translation reserve	Statutory reserve	General reserve	Unappropriated profit		
	Rs '000								
Balance at January 1, 2017	12,722,382	40,000	120,000	251,153	985,519	6,802,360	27,069,130	2,726,211	50,716,755
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	11,495,900	-	11,495,900
Other comprehensive income - net of tax	-	-	-	121,740	-	-	(837,006)	(1,791,478)	(2,506,744)
	-	-	-	121,740	-	-	10,658,894	(1,791,478)	8,989,156
Transactions with owners of the Company									
Distributions:									
Final dividend 2016: Rs 2.75 per share	-	-	-	-	-	-	(3,498,655)	-	(3,498,655)
First interim dividend 2017: Rs 1.50 per share	-	-	-	-	-	-	(1,908,357)	-	(1,908,357)
Second interim dividend 2017: Rs 1.00 per share	-	-	-	-	-	-	(1,272,238)	-	(1,272,238)
Third interim dividend 2017: Rs 1.50 per share	-	-	-	-	-	-	(1,908,357)	-	(1,908,357)
	-	-	-	-	-	-	(8,587,607)	-	(8,587,607)
Other changes in equity									
Transfer to general reserve	-	-	-	-	-	2,000,000	(2,000,000)	-	-
Transfer to statutory reserve	-	-	-	-	582,772	-	(582,772)	-	-
	-	-	-	-	582,772	2,000,000	(2,582,772)	-	-
Balance at December 31, 2017	12,722,382	40,000	120,000	372,893	1,568,291	8,802,360	26,557,645	934,733	51,118,304
Balance at January 1, 2018	12,722,382	40,000	120,000	372,893	1,568,291	8,802,360	26,557,645	934,733	51,118,304
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	16,438,204	-	16,438,204
Other comprehensive income - net of tax	-	-	-	766,761	-	-	24,154	(1,568,805)	(777,890)
	-	-	-	766,761	-	-	16,462,358	(1,568,805)	15,660,314
Transactions with owners of the Company									
Distributions:									
Final dividend 2017: Rs 3.00 per share	-	-	-	-	-	-	(3,816,715)	-	(3,816,715)
First interim dividend 2018: Rs 1.75 per share	-	-	-	-	-	-	(2,226,417)	-	(2,226,417)
Second interim dividend 2018: Rs 1.40 per share	-	-	-	-	-	-	(1,781,134)	-	(1,781,134)
Third interim dividend 2018: Rs 1.80 per share	-	-	-	-	-	-	(2,290,029)	-	(2,290,029)
	-	-	-	-	-	-	(10,114,295)	-	(10,114,295)
Other changes in equity									
Transfer to statutory reserve	-	-	-	-	503,959	-	(503,959)	-	-
Balance at December 31, 2018	12,722,382	40,000	120,000	1,139,654	2,072,250	8,802,360	32,401,749	(634,072)	56,664,323

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018

1. CORPORATE AND GENERAL INFORMATION

1.1 The Group and its operations

Fauji Fertilizer Company Limited (the Group) comprises of Fauji Fertilizer Company Limited (FFC) and its subsidiaries, FFC Energy Limited (FFCEL) and Fauji Fresh n Freeze Limited (FFF) are incorporated in Pakistan as public limited companies. The shares of FFC are quoted on Pakistan Stock Exchange.

The principal activity of FFC is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical, other manufacturing and banking operations. FFCEL has setup a 49.5 MW wind energy power project. FFF is principally engaged in the business of processing fresh, frozen fruits, vegetables, fresh meat, frozen cooked and semi cooked food.

The business units of the Group include the following:

Business unit	Geographical location
Registered office (FFC, FFCEL and FFF)	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
Production plants - FFC	
Goth Machhi	Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab
Mirpur Mathelo	Mirpur Mathelo (District: Ghotki), Sindh
Production plant - FFCEL	Deh Kohistan, Taluka Jhampir (District: Thatta), Sindh
Production plant - FFF	16 km Sahiwal Pakpattan Road, Sahiwal (District: Sahiwal), Punjab
Karachi Office - FFC	B-35, KDA Scheme No. 1, Karachi, Sindh
Marketing division - FFC	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
Zonal marketing offices - FFC	
North zone	Lahore Trade Centre, 11 Sharah-e-Aiwan-e-Tijarat Lahore, Punjab
Central zone	Ali Maskan, District Jail Road, Multan, Punjab
South zone	B-35, KDA Scheme No. 1, Karsaz, Karachi, Sindh
Regional marketing offices - FFC	
Faisalabad Region	495-C, Amin Town, Quaid-e-Azam Road, Faisalabad, Punjab
Sahiwal Region	77-B, Canal Colony, Off Farid Town Road, Sahiwal, Punjab
Lahore Region	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
Sarghodha Region	House No. 1, Bilal Park, Muradabad Colony, University Road, Sargodha, Punjab
Peshawar Region	9-B, Rafiqui Lane, Peshawar Cantt, Khyber Pakhtunkhwa
Bahawalpur Region	House No. 39-A, Tipu Shaheed Road, Model Town A, Bahawalpur, Punjab
D. G. Khan Region	House No.3, Khyaban-e-Sarwar, Main Multan Road, Dera Ghazi Khan, Punjab
Multan Region	Ali-Maskan, District Jail Road, Multan, Punjab
R.Y. Khan Region	37-A, Ali Block, Abbasia Town, Rahim Yar Khan, Punjab
Vehari Region	House No. 48, Quaid e Azam Block, Ludden Road, Tariq Bin Ziyad Colony, Vehari, Punjab
Hyderabad Region	Bungalow No. 208, DHA, Phase-2, Hyderabad, Sindh
Sukkur Region	House No. 64-A, Sindhi Muslim Co-operative Housing Society, Airport Road, Sukkur, Sindh
Nawabshah Region	House No. A-11, Housing Society, Near Thalassemia Hospital, Nawabshah, Sindh

FFC has district marketing offices and warehouses located across Pakistan, the region-wise details of which are listed below:

	No. of district offices	No. of warehouses
Faisalabad Region	5	15
Sahiwal Region	4	11
Lahore Region	6	17
Sarghodha Region	5	11
Peshawar Region	5	11
Bahawalpur Region	4	12
D. G. Khan Region	4	12
Multan Region	4	12
R.Y. Khan Region	4	9
Vehari Region	4	12
Hyderabad Region	6	13
Sukkur Region	7	20
Nawabshah Region	5	13
	63	168

1.2 Summary of significant transactions and events

Following is the summary of significant transactions and events that have affected the Group's financial position and performance during the year:

Investment in Thar Energy Limited (TEL)

FFC signed Shareholders' Agreement with Hub Power Company Limited (HUBCO) and China Machinery Engineering Corporation (CMEC) for equity injection equivalent to 30% of share capital of TEL. Pursuant to the approval granted by the Board of Directors, FFC invested an amount of Rs 1,460,400 thousand in TEL, during the year.

Dividend declared

Dividend declared by FFC during the year, aggregated to Rs 10,114,295 thousand.

First time application of financial reporting requirements under Companies Act, 2017

Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been represented.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement and preparation

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and obligations for staff retirement benefits which are carried at present values of defined benefit obligation net of fair value of plan assets determined through acturial valuation.

2.3 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pak Rupees, which is the Group's functional currency.

2.4 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

(i) Employee retirement benefits - note 3.2, note 8.2 and note 9.3
(ii) Estimate of useful life of property, plant and equipment - note 3.4 and note 13
(iii) Estimate of useful life of intangible assets - note 3.5 and note 14
(iv) Estimate of fair value of investments available for sale - note 3.7.1 and note 15
(v) Provisions and contingencies - note 3.14 and note 3.20
(vi) Impairment of non-financial assets - note 3.5.1
(vii) Estimate of recoverable amount of goodwill - note 3.6.1 and note 14
(viii) Estimate of recoverable amount of investment in associated companies - note 3.1.4 and note 15
(ix) Provision for taxation - note 3.3 and note 32
(x) Provision for doubtful debts - note 3.17.2 and note 20
(xi) Provision for slow moving inventories - note 3.8, note 3.9, note 18 and note 19

2.5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the change as indicated below:

The Companies Act, 2017 specified certain disclosures to be included in the consolidated financial statements. The Group has presented the required disclosures in these consolidated financial statements and re-presented certain comparatives. However, there was no change in the reported amounts of consolidated profit or loss and consolidated comprehensive income and the amounts presented in the consolidated statement of financial position due to these re-presentations (refer to note 40).

3.1 Basis of consolidation

These consolidated financial statements include the financial statements of FFC and its subsidiary companies, FFCEL 100% owned (2017: 100% owned) and FFF 100% owned (2017: 100% owned).

3.1.1 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are derecognized from the date the control ceases. These consolidated financial statements include Fauji Fertilizer Company Limited (FFC) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition - related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such measurement are recognized in consolidated profit or loss.

Any contingent considerations to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in consolidated profit or loss or as a change to consolidated comprehensive income. Contingent consideration that is classified as an equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

3.1.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.1.3 Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is premeasured to its fair value, with the change in carrying amount recognized in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in consolidated comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This means that amounts previously recognized in consolidated comprehensive income are reclassified to consolidated profit or loss.

3.1.4 Investments in associated and jointly control entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, where by the Group has right to the net assets of the arrangement, rather than right to its assets and obligations for its liabilities, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the consolidated profit or loss and consolidated comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Employee retirement benefits

3.2.1 Defined benefit plans

Funded Gratuity and Pension Schemes

The Group operates defined benefit funded gratuity and pension schemes for all eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 9.3 to these consolidated financial statements.

Charge for the year is recognized in consolidated profit or loss. Actuarial gain or loss arising on actuarial valuation are recorded directly in the consolidated comprehensive income.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

3.2.2 Defined contribution plan

Provident Fund

Defined contribution provident fund for all eligible employees for which the Group's contributions are charged to consolidated profit or loss at the rate of 10% of basic salary.

3.2.3 Compensated absences

The Group has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the consolidated financial statements.

3.3 Taxation

Income tax expense comprises current and deferred tax.

Current tax

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognized in consolidated profit or loss except to the extent that it relates to items recognized directly in equity or in consolidated comprehensive income.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Group companies take into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group companies view differ from the income tax department at the assessment stage and where the Group companies consider that their view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.4 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss, except for freehold land and capital work in progress, which are stated at cost less impairment, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on the straight-line basis and charged to consolidated profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of its disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group companies and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in consolidated profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in consolidated profit or loss.

The Group companies review the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.5 Impairment

3.5.1 Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated profit or loss.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.5.2 Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in consolidated profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through consolidated profit or loss.

3.6 Intangible assets

3.6.1 Goodwill

Goodwill arises on the acquisition of subsidiaries or businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the consolidated profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

3.6.2 Computer software

These are stated at the cash price equivalent of the consideration given i.e., cash and cash equivalent paid less accumulated amortization and impairment loss, if any. These are amortized over the period of their useful lives. Amortization is charged on a straight line basis over the estimated useful life and is included in the consolidated profit or loss.

3.6.3 Others

Other intangibles are stated at the cash price equivalent of the consideration given, i.e., cash and cash equivalent paid less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Amortization is charged on a straight line basis over the estimated useful life and is included in the consolidated profit or loss.

3.7 Investments

3.7.1 Investments available for sale

These are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition they are measured at fair value and changes there in other then impairment loss and foreign currency difference on debt instrument, are recognized in consolidated comprehensive income and accumulated in fair value reserve. When these are derecognized the gain or loss accumulated is reclassified to consolidated profit or loss.

3.7.2 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the consolidated profit or loss.

The Group companies recognize the regular way purchase or sale of financial assets using settlement date accounting.

3.7.3 Loans and receivables

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are initially measured at fair values plus directly attributable transaction costs. Subsequent to initial recognition, these are stated at their amortized cost using the effective interest method, less any impairment losses.

3.8 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value.

For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

The Group companies review the carrying amount of stores, spares and loose tools on a regular basis and as appropriate, these are written down to their net realizable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

3.9 Stock in trade

Stocks are valued at the lower of cost and net realizable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost and directly attributable expenses
Work in process and finished goods	at weighted average cost of purchase, raw materials and related manufacturing expenses

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group companies review the carrying amount of stock in trade on a regular basis and as appropriate, it is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related stock in trade.

3.10 Foreign currency transaction and translation

Transactions in foreign currencies are recorded in the books at the rates of exchange ruling on the date of the transaction. Assets and liabilities in foreign currencies at the year end are translated into rupees at the rates prevailing on the reporting date. Exchange differences are included in the consolidated profit or loss for the year.

Investment in foreign joint venture

The results and financial position of joint venture that have a functional currency different from Pak Rupees are translated into Pak Rupees as follows:

– assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position.

- income and expense are translated at the average exchange rates for the period.
- share capital is translated at historical exchange rate.

All resulting exchange differences are recognized in consolidated comprehensive income within consolidated statement of comprehensive income. The Group companies have been recognizing such differences in translation reserve over the years. When a foreign investment is sold, in part or in full, the relevant amount in the translation reserve is transferred to consolidated profit or loss as part of the profit or loss on sale.

3.11 Turnover

Turnover from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Turnover is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of turnover can be measured reliably. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Government subsidy on sale of fertilizer is recognized when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognized in other income.

3.12 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to consolidated profit or loss.

3.13 Research and development costs

Research and development costs are charged to consolidated profit or loss as and when incurred.

3.14 Provisions

Provisions are recognized when the Group companies have present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.15 Share capital and dividend

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term running finances and other short term highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change in value.

3.17 Financial instruments

3.17.1 Non-derivative financial assets

Those other than available for sale and those held at fair value through consolidated profit or loss are initially recognized on the date that they are originated i.e. trade date which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group classifies non-derivative financial assets as available for sale, held for trading, loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

3.17.2 Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

3.17.3 Non-derivative financial liabilities

The Group initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise mark-up bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

3.17.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.18 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets and changes in the fair value of investments held for trading. Interest income is recognized as it accrues in consolidated profit or loss, using the effective interest method. Dividend income is recognized in consolidated profit or loss on the date that the Group company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, changes in the fair value of held for trading investments and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3.19 Leases

Operating leases

Rentals payable under operating leases are charged to consolidated profit or loss on a straight line basis over the term of the relevant lease.

3.20 Contingent liabilities

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.21 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are fertilizer, power and food.

3.22 Share in revaluation reserve of associates

This represents the Group's share in surplus on revaluation of non banking assets acquired in satisfaction of claims by the banking associate. The assets have been carried at revalued amounts pursuant to the requirements of "Regulations for Debt Property Swap" issued by the State Bank of Pakistan vide BPRD Circular No. 1 of 2016 dated January 01, 2016.

3.23 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 1, 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's consolidated financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analysing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of

Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

– Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's consolidated financial statements.

– Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in consolidated comprehensive income. The application of amendments is not likely to have an impact on Group's consolidated financial statements.

– IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard. Management is in the process of assessing the impact of adoption of this standard on the consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

– IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

– IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

– IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Group's consolidated financial statements.

4. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2017: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2017: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2018	2017	2018	2017
	Numbers	Numbers	Rs '000	Rs '000
Fully paid in cash	256,495,902	256,495,902	2,564,959	2,564,959
Fully paid bonus shares	1,015,742,345	1,015,742,345	10,157,423	10,157,423
	1,272,238,247	1,272,238,247	12,722,382	12,722,382

4.1 Fauji Foundation (Holding Company) holds 44.35% (2017: 44.35%) ordinary shares of FFC at the year end.

4.2 All ordinary shares rank equally with regard to the Group's residual assets. Holders of the shares are entitled to dividends from time to time and are entitled to one vote per share at the general meetings of the FFC.

4.3 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as profit for the year divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

	Note	2018	2017
		Rs '000	Rs '000
5. CAPITAL RESERVES			
Share premium	5.1	40,000	40,000
Capital redemption reserve	5.2	120,000	120,000
Translation reserve		1,139,654	372,893
Statutory reserve		2,072,250	1,568,291
		3,371,904	2,101,184

5.1 Share premium

This represents premium of Rs 5 per share received on public issue of FFC's 8,000,000 ordinary shares of Rs 10 each in 1991.

5.2 Capital redemption reserve

This represents reserve setup on redemption of preference shares by FFC of Rs 120,000 thousand in 1996.

	2018	2017
	Rs '000	Rs '000
6. REVENUE RESERVES		
General reserve	8,802,360	8,802,360
Unappropriated profit	32,401,749	26,557,645
	41,204,109	35,360,005

	Note	2018	2017
		Rs '000	Rs '000
7. LONG TERM BORROWINGS - SECURED			
Borrowings from banking companies - secured			
From conventional banks			
Fauji Fertilizer Company Limited	7.1		
The Bank of Punjab (BOP-1)		150,000	250,000
The Bank of Punjab (BOP-2)		275,000	385,000
Allied Bank Limited (ABL-1)		450,000	750,000
Allied Bank Limited (ABL-2)		937,500	1,312,500
United Bank Limited (UBL-1)		–	375,000
United Bank Limited (UBL-2)		375,000	625,000
United Bank Limited (UBL-3)		1,125,000	1,500,000
United Bank Limited (UBL-4)		1,750,000	2,000,000
Bank AL Habib Limited (BAH-1)		300,000	500,000
Bank AL Habib Limited (BAH-2)		250,000	350,000
Bank AL Habib Limited (BAH-3)		250,000	350,000
Habib Bank Limited (HBL-1)		750,000	1,250,000
Habib Bank Limited (HBL-2)		656,250	1,031,250
Habib Bank Limited (HBL-3)		1,000,000	1,000,000
Bank Alfalah Limited (BAF-1)		375,000	500,000
MCB Bank Limited (MCB-1)		419,062	1,257,188
MCB Bank Limited (MCB-2)		750,000	1,250,000
MCB Bank Limited (MCB-3)		92,250	184,500
National Bank of Pakistan Limited (NBP-1)		520,000	1,040,000
National Bank of Pakistan Limited (NBP-2)		2,000,000	2,000,000
National Bank of Pakistan Limited (NBP-3)		2,000,000	2,000,000
		14,425,062	19,910,438
FFC Energy Limited	7.2		
Long term financing from financial institutions		5,252,795	6,241,239
Less: Transaction cost			
Initial transaction cost		(269,797)	(269,797)
Accumulated amortisation		211,234	183,459
		5,194,232	6,154,901
Fauji Fresh n Freeze Limited			
MCB Bank Limited (MCB)	7.3	–	530,000
Allied Bank Limited (ABL)	7.4	424,875	708,125
Less: Transaction cost			
Initial transaction cost		(4,000)	(4,000)
Accumulated amortisation		4,000	3,333
		424,875	1,237,458
From Islamic banks			
Fauji Fertilizer Company Limited	7.5		
Dubai Islamic Bank Pakistan Limited (DIB)		–	50,000
Meezan Bank Limited (MBL-1)		571,429	1,142,857
Meezan Bank Limited (MBL-2)		375,000	625,000
MCB Islamic Bank Limited (MCBIB)		450,000	675,000
		1,396,429	2,492,857
		21,440,598	29,795,654
Less: Current portion shown under current liabilities			
From conventional banks		7,576,702	7,537,068
From Islamic banks		1,046,429	1,096,429
		8,623,131	8,633,497
		12,817,467	21,162,157

7.1 Terms and conditions of these borrowings are as follows:

Lenders	Mark-up p.a. (%)	No. of installments outstanding	Date of final repayment
BOP-1	6 month KIBOR+0.35	03 half yearly	May 26, 2020
BOP-2	6 month KIBOR+0.40	05 half yearly	April 7, 2021
ABL-1	6 month KIBOR+0.25	03 half yearly	June 26, 2020
ABL-2	6 month KIBOR+0.25	05 half yearly	April 7, 2021
UBL-1	6 month KIBOR+0.35	Nil	Paid on December 27, 2018
UBL-2	6 month KIBOR+0.35	03 half yearly	June 30, 2020
UBL-3	6 month KIBOR+0.40	06 half yearly	September 6, 2021
UBL-4	6 month KIBOR+0.20	07 half yearly	June 29, 2022
BAH-1	6 month KIBOR+0.20	03 half yearly	June 26, 2020
BAH-2	6 month KIBOR+0.20	05 half yearly	March 25, 2021
BAH-3	6 month KIBOR+0.20	05 half yearly	April 20, 2021
HBL-1	3 month KIBOR+0.40	06 quarterly	June 2, 2020
HBL-2	3 month KIBOR+0.40	07 quarterly	September 21, 2020
HBL-3	3 month KIBOR+0.15	16 quarterly	December 19, 2022
BAF-1	6 month KIBOR+0.40	06 half yearly	September 8, 2021
MCB-1	6 month KIBOR+0.10	01 half yearly	June 3, 2019
MCB-2	6 month KIBOR+0.40	03 half yearly	June 29, 2020
MCB-3	6 month KIBOR+0.10	02 half yearly	November 9, 2019
NBP-1	6 month KIBOR+0.15	02 half yearly	October 20, 2019
NBP-2	6 month KIBOR+0.20	08 half yearly	June 30, 2022
NBP-3	6 month KIBOR+0.15	08 half yearly	December 29, 2022

7.1.1 These borrowings are secured by way of hypothecation of FFC's assets including plant, machinery, tools & spares and other moveable properties, ranking pari passu with each other with 25% margin and lien over Pakistan Investment Bonds (PIBs) with 10% margin.

7.2 This represents long term loan from consortium of eight financial institutions. This loan carries mark up at 6 month KIBOR + 1.50% payable six monthly in arrears. This loan is repayable on semi-annual installments ending in December 2022. This loan is secured against:

- First ranking exclusive assignment / mortgage over receivables under Energy Purchase Agreement.
- Lien over and set-off rights on project accounts.
- First ranking charge over all moveable assets of the Company.
- Exclusive mortgage over lease rights in immovable property on which project situate.

The long term loan contains certain covenants under the Common Terms Agreement (CTA) dated February 11, 2011, including the maintenance of certain financial ratios, the breach of which will render the loan repayable on demand. Further, CTA contains covenants on the distribution of dividend from the project accounts.

First Amendment to the PF Facility Agreement ("the Amendment") was signed on November 30, 2017 between the Company and the Financial Institutions. Under the Amendment, the mark-up rate was reduced to six month KIBOR + 1.50% from 6 month KIBOR + 2.95% with effect from June 30, 2017.

7.3 This loan was markup based and was secured by an equitable mortgage over land and building of FFF comprising land measuring 568 kanals and 17 marlas, first pari passu hypothecation charge over all present and future fixed assets to the extent of Rs 2,130,000 thousand of the Company with 25% margin and corporate guarantee of FFC. It carries markup at the rate of 6 month KIBOR + 0.5% (2017 : 6 month KIBOR + 0.5%) payable semi-annually. This loan has been fully repaid during the year.

7.4 This loan is markup based and is secured by an equitable mortgage over land and building of FFF comprising land measuring 568 kanals and 17 marlas, first pari passu hypothecation charge over all present and future fixed assets of FFF to the extent of Rs 3,333,000 thousand with 25% margin and corporate guarantee of FFC. It is repayable in six semi annual installments started from September 2017 and carries markup at the rate of 6 month KIBOR + 0.5% (2017: 6 month KIBOR + 0.5%) payable semi-annually.

7.5

Lenders	Profit rate p.a. (%)	No. of installments outstanding	Date of final repayment
DIB	6 month KIBOR+0.35	Nil	Paid on June 26, 2018
MBL-1	6 month KIBOR+0.05	02 half yearly	July 15, 2019
MBL-2	6 month KIBOR+0.40	03 half yearly	May 29, 2020
MCBIB	6 month KIBOR+0.15	04 half yearly	December 10, 2020

7.5.1 These borrowings are secured by way of hypothecation of FFC's assets including plant, machinery, tools & spares and other moveable properties, ranking pari passu with each other with 25% margin and lien over Pakistan Investment Bonds (PIBs) with Nil margin.

		Note	2018	2017
			Rs '000	Rs '000
8.	**DEFERRED LIABILITIES**			
	Deferred taxation	8.1	4,511,457	4,502,589
	Provision for compensated leave absences / retirement benefits	8.2	1,560,942	1,470,781
			6,072,399	5,973,370
8.1	**Deferred taxation**			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation / amortization		3,183,000	3,248,000
	Provision for slow moving spares, doubtful debts, other receivables and investments		(153,000)	(143,979)
	Tax on equity accounted investment		1,494,251	1,276,181
	Re-measurement of investments available for sale		(12,794)	122,387
			4,511,457	4,502,589
	The gross movement in the deferred tax liability during the year is as follows:			
	Balance at the beginning		4,502,589	4,710,305
	Tax charge recognized in consolidated profit or loss		230,599	134,084
	Tax credit recognized in consolidated comprehensive income		(221,731)	(341,800)
	Balance at the end		4,511,457	4,502,589

8.2 Actuarial valuation has not been carried out for Compensated Leave Absences as the impact is considered to be immaterial.

		Note	2018	2017
			Rs '000	Rs '000
9.	**TRADE AND OTHER PAYABLES**			
	Creditors	9.1	43,173,802	24,003,117
	Accrued liabilities		5,017,310	4,174,070
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		2,650,542	902,616
	Sales tax payable - net		52,449	63,075
	Deposits	9.2	166,971	155,564
	Retention money		154,650	168,890
	Advances from customers		7,459,091	7,678,561
	Workers' Welfare Fund		1,515,309	1,200,499
	Payable to gratuity fund	9.3	525,210	397,886
	Payable to pension fund	9.3	204,355	362,311
	Payable to provident fund	9.4	–	18,187
	Other liabilities		177,922	163,903
			61,097,611	39,288,679

9.1 Creditors include Rs 42,083,302 thousand (2017: Rs 22,944,401 thousand) on account of Gas Infrastructure Development Cess (GIDC).

9.2 These represent unutilizable amounts received as security deposits from dealers and suppliers of the Group, and are kept in separate bank accounts.

		Funded gratuity Rs '000	Funded pension Rs '000	2018 Total Rs '000	2017 Total Rs '000
9.3	**RETIREMENT BENEFIT FUNDS**				
9.3.1	**The amounts recognized in the consolidated statement of financial position are as follows:**				
	Present value of defined benefit obligation	2,630,849	3,814,900	6,445,749	6,275,581
	Fair value of plan assets	(2,105,639)	(3,610,545)	(5,716,184)	(5,515,384)
	Liability	525,210	204,355	729,565	760,197
9.3.2	**Amount recognised in the profit or loss is as follows:**				
	Current service cost	137,838	127,864	265,702	235,566
	Net interest cost / (income)	30,669	27,050	57,719	(28,269)
		168,507	154,914	323,421	207,297
9.3.3	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	2,422,198	3,853,383	6,275,581	5,452,583
	Current service cost	137,838	127,864	265,702	235,566
	Interest cost	181,788	294,926	476,714	429,939
	Benefits paid	(184,834)	(214,548)	(399,382)	(408,499)
	Re-measurement of defined benefit obligation	73,859	(246,725)	(172,866)	565,992
	Present value of defined benefit obligation at end	2,630,849	3,814,900	6,445,749	6,275,581
9.3.4	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	2,024,312	3,491,072	5,515,384	5,819,811
	Expected return on plan assets	151,119	267,876	418,995	458,208
	Contributions	168,507	154,914	323,421	207,297
	Benefits paid	(184,834)	(214,548)	(399,382)	(408,499)
	Re-measurement of plan assets	(53,465)	(88,769)	(142,234)	(561,433)
	Fair value of plan assets at end	2,105,639	3,610,545	5,716,184	5,515,384
9.3.5	**Actual return on plan assets**	97,654	179,107	276,761	(103,225)
9.3.6	**Contributions expected to be paid to the plan during the next year**	218,426	124,559	342,985	323,421
9.3.7	**Plan assets comprise of:**				
	Investment in debt securities	47,083	74,984	122,067	2,889,332
	Investment in equity securities	935,129	1,127,935	2,063,064	1,713,908
	Deposits with banks	928,319	2,029,127	2,957,446	342,768
	Mutual Funds	195,108	378,499	573,607	569,376
		2,105,639	3,610,545	5,716,184	5,515,384

9.3.8 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Funds, at the beginning of the year, for returns over the entire life of the related obligations.

		2018		2017	
		Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
		Rs '000		Rs '000	
9.3.9	**Movement in liability / (asset) recognised in consolidated statement of financial position:**				
	Opening liability / (asset)	397,886	362,311	(80,450)	(286,778)
	Cost for the year recognised in consolidated profit or loss	168,507	154,914	118,014	89,283
	Employer's contribution during the year	(168,507)	(154,914)	(118,014)	(89,283)
	Total amount of re-measurement recognised in consolidated Comprehensive Income (OCI) during the year	127,324	(157,956)	478,336	649,089
	Closing liability	525,210	204,355	397,886	362,311
9.3.10	**Re-measurements recognised in consolidated OCI during the year:**				
	Re-measurment (loss) / gain on obligation	(73,859)	246,725	(185,647)	(380,345)
	Re-measurment loss on plan assets	(53,465)	(88,769)	(292,689)	(268,744)
	Re-measuement (loss) / gain recognised in consolidated OCI	(127,324)	157,956	(478,336)	(649,089)

		2018		2017	
		Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
		Percentage		Percentage	
9.3.11	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	13.25	13.25	7.75	7.75
	Expected rate of salary growth - short term				
	Management	10.00	10.00	–	7.75
	Non-Management	13.25	–	–	–
	Expected rate of salary growth - long term				
	Management	13.25	13.25	7.75	7.75
	Non-Management	13.25	–	7.75	–
	Expected rate of return on plan assets	13.25	13.25	7.75	7.75
	Expected rate of increase in post retirement pension				
	Short term	–	6.00	–	2.00
	Long term	–	7.50	–	2.00
	Maximum pension limit increase rate	–	7.00	–	5.00
	Minimum pension limit increase rate	–	7.00	–	4.75
	Demographic assumptions				
	Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1
	Rates of employee turnover				
	Management	Moderate	Moderate	Moderate	Moderate
	Non-Management	Light	–	Light	–

9.3.12 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	2018		2017	
	Defined benefit obligation		Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease	Effect of 1 percent increase	Effect of 1 percent decrease
	Rs '000		Rs '000	
Discount rate	(528,935)	625,129	(565,465)	679,877
Future salary growth	172,451	(158,435)	226,004	(219,725)
Future pension	262,732	(226,519)	302,629	(259,007)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

9.3.13 The weighted average number of years of defined benefit obligation is given below:

	2018		2017	
	Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
	Years		Years	
Plan Duration	6.45	9.53	6.95	10.47

9.3.14 The Group contributes to the pension and gratuity funds on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any deficit. If there is a surplus, the Group takes a contribution holiday.

9.3.15 Distribution of timing of benefit payments:

	2018		2017	
	Funded Gratuity	Funded Pension	Funded Gratuity	Funded Pension
	Rs '000		Rs '000	
1 year	265,087	163,086	293,837	225,455
2 years	404,444	309,297	254,262	236,577
3 years	411,529	377,355	249,535	244,769
4 years	315,255	342,712	355,419	326,786
5 years	321,995	349,483	255,797	283,854
6-10 years	2,520,049	2,518,008	1,578,443	1,650,035

9.3.16 Salaries, wages and benefits expense, stated in notes 27 and 28 include retirement benefits in respect of gratuity fund, provident fund, pension plan and compensated absences amounting to Rs 154,551 thousand, Rs 151,524 thousand, Rs 138,336 thousand and Rs 264,395 thousand respectively (2017: Rs 109,107 thousand, Rs 147,959 thousand, Rs 80,025 thousand and Rs 229,096 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited and FFC Energy Limited under Inter Company Services Agreements.

9.4 Defined contribution plan

Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 (2017: Section 227 of the repealed Companies Ordinance, 1984), and the rules formulated for the purpose, except for the prescribed limit for listed securities.

	Note	2018	2017
		Rs '000	Rs '000
10. MARK-UP AND PROFIT ACCRUED			
On long term borrowings			
From conventional banks		198,414	140,087
From Islamic banks		12,512	13,908
		210,926	153,995
On short term borrowings			
From conventional banks		106,408	50,958
From Islamic banks		15,630	11,187
		122,038	62,145
		332,964	216,140
11. SHORT TERM BORROWINGS - SECURED			
From conventional banks	11.1		
MCB Bank Limited (MCB-1)		2,200,000	788
MCB Bank Limited (MCB-2)		–	800,000
MCB Bank Limited (MCB-3)		–	4,000,000
MCB Bank Limited (MCB-4)		–	1,400,000
Allied Bank Limited (ABL-1)		39,652	–
Allied Bank Limited (ABL-2)		1,075,000	–
Allied Bank Limited (ABL-3)		725,000	–
Bank Al-Habib Limited (BAHL)		999,992	–
United Bank Limited (UBL-1)		5,838	–
Askari Bank Limited (AKBL)		8,999,377	694,857
Bank Alfalah Limited (BAF)		928,566	58,322
Habib Bank Limited (HBL-1)		3,417,874	51,110
Habib Bank Limited (HBL-2)		–	2,000,000
National Bank of Pakistan (NBP)		1,107,151	1,198,927
Habib Metropolitan Bank Limited (HMBL)		957,999	14,186
JS Bank Limited (JSBL-1)		749,896	–
JS Bank Limited (JSBL-2)		840,000	400,000
Soneri Bank Limited (SBL)		–	800,000
Standard Chartered Bank (Pakistan) Limited (SCB)		4,998,820	1,727
Bank of Punjab (BOP)		–	19,166
		27,045,165	11,439,083
From Islamic banks	11.2		
Meezan Bank Limited (MBL)		2,321,319	–
Bank of Khyber Limited (BOK)		–	500,000
		2,321,319	500,000
		29,366,484	11,939,083

11.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 38,960,000 thousand (2017: Rs 35,210,000 thousand) which represent the aggregate of all facility agreements between the FFC and respective banks. The facilities have various maturity dates upto August 31, 2019. The facilities are secured by pari passu / ranking hypothecation charges on assets of FFC besides lien over US $ / PKR Term Deposits and PIBs in certain cases. The per annum rates of mark-up are 1 week KIBOR + 0.03%, 1 month KIBOR + 0.10% to 0.35% and 3 month KIBOR + 0.05% to 0.35% (2017: 1 month KIBOR + 0.15% to 0.35% and 3 month KIBOR + 0.03% to 0.50%).

11.2 Shariah compliant short term borrowings are available from various banking companies under profit arrangements against facilities amounting to Rs 3,500,000 thousand (2017: Rs 3,500,000 thousand) which represent the aggregate of all facility agreements between FFC and respective banks. The facilities have various maturity dates upto May 31, 2019.

The facilities are secured by ranking hypothecation charges on assets of FFC besides lien over PIBs in certain cases. The per annum rates of profit ranges between 3 month KIBOR + 0.07% to 0.10% (2017: 3 month KIBOR + 0.07% to 0.10%).

		2018	2017
		Rs '000	Rs '000
12.	**CONTINGENCIES AND COMMITMENTS**		
12.1	**Contingencies:**		
	i) Guarantees issued by banks on behalf of the Group	154,806	16,668
	ii) Claims against FFC and/or potential exposure not acknowledged as debt	50,696	50,696
	iii) Group's share of contingencies in Fauji Fertilizer Bin Qasim Limited	42,711,375	35,703,594
	iv) Group's share of contingencies in Fauji Cement Company Limited as at September 30, 2018 (2017: December 31, 2017)	100,597	272,518
	v) Group's share of contingencies in Askari Bank Limited as at September 30, 2018 (2017: December 31, 2017)	98,986,681	136,769,301

vi) Penalty of Rs 5.5 billion imposed by the Competition Commission of Pakistan (CCP) in 2013, for alleged unreasonable increase in urea prices, had been set aside by the Competition Appellate Tribunal with directions to the CCP to decide the case under guidelines provided by the Tribunal. No petition was filed by the CCP for review of the decision within the stipulated time, and this option has thus become time barred for the CCP. However, the CCP can file fresh case under the guidelines provided by the Tribunal, but FFC remains confident of successfully defending these unreasonable claims in future as well.

		2018	2017
		Rs '000	Rs '000
12.2	**Commitments in respect of:**		
	i) Capital expenditure	615,061	2,498,658
	ii) Purchase of fertilizer, stores, spares and other operational items	2,832,580	2,821,573
	iii) Group's share of commitments of PMP as at September 30, 2018 (2017: December 31, 2017)	5,992	17,133
	iv) Investment in Thar Energy Limited	3,685,374	–
	v) Contracted out services	392,100	221,390
	vi) Rentals under lease agreements:		
	Premises	303,690	364,085
	Vehicles	88,226	83,674

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Building and structures on freehold land	Building and structures on leashold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 13.4)	Lease vehicles	Total
	Rs '000														
As at January 1, 2017															
Cost	617,497	178,750	5,589,181	2,106,864	26,517	47,209,658	2,157,582	1,132,721	393,404	722,035	2,338,545	25,894	1,112,053	198	63,610,899
Accumulated depreciation	-	(162,885)	(2,567,345)	(322,506)	(26,517)	(21,622,609)	(1,486,769)	(651,523)	(214,959)	(467,955)	(1,768,421)	(23,757)	-	(198)	(29,315,444)
Net Book Value	617,497	15,865	3,021,836	1,784,358	-	25,587,049	670,813	481,198	178,445	254,080	570,124	2,137	1,112,053	-	34,295,455
Year ended December 31, 2017															
Opening net book value	617,497	15,865	3,021,836	1,784,358	-	25,587,049	670,813	481,198	178,445	254,080	570,124	2,137	1,112,053	-	34,295,455
Additions	-	-	140,540	-	-	1,116,635	178,561	105,322	30,409	72,754	144,466	1,122	2,149,874	-	3,939,683
Disposals															
Cost	-	-	-	-	-	(64,498)	-	(25,488)	(2,607)	(33,346)	(28,975)	(557)	-	-	(155,471)
Depreciation	-	-	-	-	-	50,562	-	25,362	2,538	32,692	28,975	557	-	-	140,686
	-	-	-	-	-	(13,936)	-	(126)	(69)	(654)	-	-	-	-	(14,785)
Transfers	-	-	(17,943)	-	-	-	-	6,746	11,197	-	-	-	(540,019)	-	(540,019)
Adjustments															
Cost	-	-	-	-	-	(271,572)	-	-	-	-	-	-	-	-	(271,572)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(271,572)	-	-	-	-	-	-	-	-	(271,572)
Depreciation charge	-	(14,072)	(242,115)	(97,801)	-	(1,967,849)	(271,925)	(136,637)	(33,224)	(101,215)	(191,068)	(1,246)	-	-	(3,057,152)
Balance as at December 31, 2017	617,497	1,793	2,902,318	1,686,557	-	24,450,327	577,449	456,503	186,758	224,965	523,522	2,013	2,721,908	-	34,351,610
As at January 1, 2018															
Cost	617,497	178,750	5,711,778	2,106,864	26,517	47,990,223	2,336,143	1,219,301	432,403	761,443	2,454,036	26,459	2,721,908	198	66,583,520
Accumulated depreciation	-	(176,957)	(2,809,460)	(420,307)	(26,517)	(23,539,896)	(1,758,694)	(762,798)	(245,645)	(536,478)	(1,930,514)	(24,446)	-	(198)	(32,231,910)
Net Book Value	617,497	1,793	2,902,318	1,686,557	-	24,450,327	577,449	456,503	186,758	224,965	523,522	2,013	2,721,908	-	34,351,610
Year ended December 31, 2018															
Opening net book value	617,497	1,793	2,902,318	1,686,557	-	24,450,327	577,449	456,503	186,758	224,965	523,522	2,013	2,721,908	-	34,351,610
Additions	158,111	-	442,253	-	-	2,614,327	24,957	135,822	68,327	91,682	48,120	432	368,660	-	3,952,691
Disposals															
Cost	-	-	(602)	-	-	-	-	(15,814)	(7,250)	(27,990)	(6,859)	-	-	-	(58,515)
Depreciation	-	-	322	-	-	-	-	15,756	7,244	27,598	6,716	-	-	-	57,636
	-	-	(280)	-	-	-	-	(58)	(6)	(392)	(143)	-	-	-	(879)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	(2,469,478)	-	(2,469,478)
Adjustments															
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(1,793)	(244,280)	(97,801)	-	(2,030,272)	(234,372)	(145,058)	(34,689)	(92,928)	(176,698)	(1,083)	-		(3,058,974)
Balance as at December 31, 2018	775,608	-	3,100,011	1,588,756	-	25,034,382	368,034	447,209	220,390	223,327	394,801	1,362	621,090	-	32,774,970
As at December 31, 2018															
Cost	775,608	178,750	6,153,429	2,106,864	26,517	50,604,550	2,361,100	1,339,309	493,480	825,135	2,495,297	26,891	621,090	198	68,008,218
Accumulated depreciation	-	(178,750)	(3,053,418)	(518,108)	(26,517)	(25,570,168)	(1,993,066)	(892,100)	(273,090)	(601,808)	(2,100,496)	(25,529)	-	(198)	(35,233,248)
Net Book Value	775,608	-	3,100,011	1,588,756	-	25,034,382	368,034	447,209	220,390	223,327	394,801	1,362	621,090	-	32,774,970
Rate of depreciation in %	-	6.25 to 9.25	5 to 10	5	5	5	20	15	10	20	15 - 33.33	30	-	-	

	Note	2018	2017
		Rs '000	Rs '000
13.1 Depreciation charge has been allocated as follows:			
Cost of sales	27	2,965,975	2,959,733
Administrative and distribution expenses	28	75,693	79,297
Other expenses		1,986	1,850
Charged to FFBL under Inter Company Services Agreement		15,320	16,272
		3,058,974	3,057,152

13.2 No fixed assets having net book value in excess of Rs 500 thousand were disposed off during the year.

13.3 Details of immovable property (land and building) in the name of the Group:

Location	Usage	Area
FFC		
Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab	Head office building	16 kanals and 7.5 marlas
Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab	Manufacturing plant including allied facilities	1,285 acres, 5 kanals and 7 marlas
Mirpur Mathelo (District: Ghotki), Sindh	Manufacturing plant including allied facilities	575 acres, 4 kanals and 16 marlas
Plot No. 50 & 50A, Zafar Ali Road, Gulberg V, Lahore, Punjab	Plot	8 kanals and 5 marlas
FFC Warehouse, G T Road Adda Yousafwala, (District: Sahiwal), Punjab	Warehouse	3 acres, 2 kanals and 11 marlas
FFC Warehouse, Opposite Chiniot Railway Station, Bypass Road, Chiniot (District Chiniot), Punjab	Warehouse	5 acres, 2 kanals and 3 marlas
FFC Warehouse Main Highway Road Dhabeji (District: Thatta), Sindh	Warehouse	16 marlas and 136 sq ft
18 Khaira Gali (District: Abbotabad), Khyber Pakhtunkhwa	Guesthouse	1 kanal and 3 marlas
FFCEL		
Deh Kohistan, Taluka Jhampir (District: Thatta), Sindh	Manufacturing plant including allied facilities	1283 acres
FFF		
16-Km Sahiwal Pakpattan Road, Sahiwal (District: Sahiwal), Punjab	Manufacturing plant including allied facilities	74 acres

Land measuring 2 kanals and 2 marlas in possession of FFC, acquired in 2014 at a cost of Rs 57,800 thousand is not in the name of FFC due to pending legal case.

	2018	2017
	Rs '000	Rs '000
13.4 Capital Work in Progress		
Civil works	156,552	386,241
Plant and machinery	464,538	2,335,667
	621,090	2,721,908

		Note	2018	2017
			Rs '000	Rs '000
14.	**INTANGIBLE ASSETS**			
	Computer software	14.1	9,223	18,822
	Goodwill	14.2	1,932,561	1,932,561
			1,941,784	1,951,383
14.1	**Computer Software**			
	Balance at the beginning		18,822	15,977
	Additions during the year		2,071	12,393
	Amortization charged for the year	14.1.1	(11,670)	(9,548)
	Balance at the end		9,223	18,822
	Amortization rate		33.33%	33.33%
14.1.1	**Amortization charge has been allocated as follows:**			
	Cost of sales	27	7,683	7,401
	Administrative and distribution expenses	28	3,987	2,147
			11,670	9,548
14.2	**Goodwill**			
	Goodwill on acquisition of Pak Saudi Fertilizer Company Limited	14.2.1	1,569,234	1,569,234
	Goodwill on acquisition of Fauji Fresh n Freeze Limited	14.2.2	363,327	363,327
			1,932,561	1,932,561

14.2.1 This represents excess of the amount paid by FFC over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 14.51%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

14.2.2 This represents excess of the amount paid by FFC over fair value of net assets of Fauji Fresh n Freeze Limited on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective cash generating unit on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 7% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 14.51%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2018	2017
			Rs '000	Rs '000
15.	**LONG TERM INVESTMENTS**			
	Equity accounted investments	15.1	44,197,788	40,756,975
	Other long term investments	15.2	837,237	4,908,331
			45,035,025	45,665,306

		Note	2018	2017
			Rs '000	Rs '000
15.1	**Equity accounted investments**			
	Investment in associated companies - equity method			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	15.1.1		
	Balance at the beginning		20,131,610	19,735,481
	Share of profit for the year		781,903	945,641
	Share of OCI for the year		178,113	(269,977)
	Dividend received		(349,419)	(279,535)
			20,742,207	20,131,610
	Askari Bank Limited (AKBL)	15.1.2		
	Balance at the beginning		16,528,939	17,148,611
	Share of profit for the year		2,012,040	2,202,716
	Share of OCI for the year		(1,173,542)	(1,462,968)
	Dividend received		–	(1,359,420)
			17,367,437	16,528,939
	Fauji Cement Company Limited (FCCL)	15.1.3		
	Balance at the beginning		2,051,242	2,063,119
	Share of profit for the year		257,107	166,248
	Dividend received		(187,500)	(178,125)
			2,120,849	2,051,242
	Thar Energy Limited (TEL)	15.1.4		
	Investment during the year		1,460,400	–
	Share of profit for the year		(14,796)	–
	Share of OCI for the year		–	–
	Dividend received		–	–
			1,445,604	–
	Investment in joint venture - equity method			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	15.1.5		
	Balance at the beginning		2,045,184	1,860,912
	Share of profit for the year		320,492	220,728
	Gain on translation of net assets		418,566	70,174
	Dividend received		(262,551)	(106,630)
			2,521,691	2,045,184
			44,197,788	40,756,975
15.2	**Other long term investments**			
	Investment available for sale	15.2.1		
	Term Deposit Receipts - from conventional banks		117,615	108,894
	Pakistan Investment Bonds		4,775,643	6,912,055
			4,893,258	7,020,949
	Less: Current portion shown under short term investments			
	Investments available for sale			
	Term Deposit Receipts		37,477	28,834
	Pakistan Investment Bonds		4,018,544	2,083,784
		24	4,056,021	2,112,618
			837,237	4,908,331

15.1.1 Investment in FFBL - at equity method

Investment in FFBL represents 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% (2017: 49.88%) of FFBL's share capital. Market value of the FFC's investment as at December 31, 2018 was Rs 17,363,795 thousand (2017: Rs 16,557,798 thousand). Pursuant to an agreement dated October 16, 2014, FFC has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of FFC in all general meetings. Further, FFC has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of FFBL, shall be nominated by FF.

15.1.2 Investment in AKBL - at equity method

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2017: 43.15%) of AKBL's share capital. Market value of FFC's investment as at December 31, 2018 was Rs 13,006,931 thousand (2017: Rs 10,500,160 thousand). Pursuant to an agreement dated October 16, 2014, FFC has agreed to issue to Fauji Foundation (FF), irrecovable proxies to allow FF to vote on behalf of FFC in all general meetings. Further, FFC has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of AKBL, shall be nominated by FF. Management of FFC has carried out an impairment analysis for this investment, based on future expected cash flows for the future years and terminal values. The future cash flows has been discounted at wieghted average cost of capital of 14.51%. Based on this analysis management believes that this investment is carried at its recoverable amount in these consolidated financial statements.

15.1.3 Investment in FCCL - at equity method

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% (2017: 6.79%) of its share capital. Market value of FFC's investment as at December 31, 2018 was Rs 1,962,188 thousand (2017: Rs 2,344,688 thousand). FCCL is an associate due to common directorship.

15.1.4 Investment in TEL - at equity method

Investment in TEL represents 146,040 thousand (2017: Nil) fully paid ordinary shares of Rs 10 each. FFC currently holds 30% shareholding interest in TEL.

15.1.5 Investment in PMP - at equity method

FFC has 12.50% (2017: 12.50%) equity participation in PMP, amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between FFC, FF, FFBL and Office Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market Phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the Shareholders' agreement, if any legal restriction is laid on dividends by PMP, the investment will be converted to interest bearing loan. FFC has also committed not to pledge shares of PMP without prior consent of PMP's lenders.

15.1.6 The investments in associated companies and undertakings have been made in accordance with the requirements under the Companies Act, 2017 (2017: repealed Companies Ordinance, 1984).

15.2.1 Investments available for sale

Term Deposits Receipts (TDRs)

These represent placement in TDRs with financial institution having tenure from one to five years with returns ranging from 4.49% to 9.02% per annum (2017: 4.49% to 8.71% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 5 and 10 years tenure having aggregate face value of Rs 4,765 thousand are due to mature within a period of 4 years. Profit on fixed rate PIBs is payable on half yearly basis with coupon rates ranging from 11.50% to 12.00% per annum and floating rate PIB at weighted average 6 months treasury bill yield + 0.70%. The PIBs are placed with banks as collateral to secure borrowing facilities.

15.3 Summary financial information of equity accounted investees

Associates

The following table summarizes the financial information of associated companies as included in their own financial statements for the period ended December 31, 2018 and September 30, 2018, which have been used for accounting under equity method as these were the latest approved financial statements.

Reporting date of FFBL is December 31 and reporting date of AKBL, FCCL and TEL is September 30. Accordingly, results of operations of three quarters of financial year 2018 and last quarter of financial year 2017 have been considered for AKBL and results of first quarter operations of financial year 2018 and three quarters of financial year 2017 have been considered for FCCL. Results for six months from April 2018 to September 2018 have been considered for TEL. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in associate.

	2018				
	FCCL Rs '000	FFBL Rs '000	AKBL Rs '000	TEL Rs '000	Total Rs '000
Percentage of shareholding	6.79%	49.88%	43.15%	30.00%	
Non-current assets / Total assets (AKBL)	22,564,922	69,763,576	676,910,761	6,744,423	775,983,682
Current assets (including cash and cash equivalents)	5,769,480	54,876,834	–	1,490,118	62,136,432
Total assets	28,334,402	124,640,410	676,910,761	8,234,541	838,120,114
Non-current liabilities / Total liabilities (AKBL)	(4,062,957)	(40,916,496)	(645,628,467)	–	(690,607,920)
Current liabilities	(4,361,109)	(63,687,457)	–	(3,752,318)	(71,800,884)
Total liabilities	(8,424,066)	(104,603,953)	(645,628,467)	(3,752,318)	(762,408,804)
Net assets at fair value (100%)	19,910,336	20,036,457	31,282,294	4,482,223	75,711,310
Non-controlling interest of associate	–	(3,826,317)	(42,988)	–	(3,869,305)
Net assets attributable to Group (100%)	19,910,336	16,210,140	31,239,306	4,482,223	71,842,005
Groups share of net assets	1,351,912	8,085,618	13,479,761	1,344,667	24,261,958
Impact of fair value adjustment on retained interest in associates at loss of control	–	12,369,865	3,108,749	–	15,478,614
Goodwill	823,365	–	–	99,273	922,638
Other adjustments	(54,428)	286,724	778,927	1,664	1,012,887
Carrying amount of interest in associate	2,120,849	20,742,207	17,367,437	1,445,604	41,676,097
Revenue	21,709,204	77,555,064	40,296,130	–	139,560,398
Profit from continuing operations (100%)	3,786,549	1,567,569	4,662,897	(49,319)	9,967,696
Other comprehensive income (100%)	–	357,083	(2,719,679)	–	(2,362,596)
Total comprehensive income (100%)	3,786,549	1,924,652	1,943,218	(49,319)	7,605,100
Group's share of total comprehensive income	257,107	960,016	838,498	(14,796)	2,040,825

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	2017				
	FCCL Rs '000	FFBL Rs '000	AKBL Rs '000	TEL Rs '000	Total Rs '000
Percentage of shareholding	6.79%	49.88%	43.15%	–	
Non current assets / Total assets (AKBL)	22,419,170	68,201,195	626,080,691	–	716,701,056
Current assets (including cash and cash equivalents)	6,534,110	42,488,079	–	–	49,022,189
Total assets	28,953,280	110,689,274	626,080,691	–	765,723,245
Non-current liabilities / Total liabilities (AKBL)	(5,079,604)	(41,704,315)	(595,266,728)	–	(642,050,647)
Current liabilities	(4,990,259)	(48,661,486)	–	–	(53,651,745)
Total liabilities	(10,069,863)	(90,365,801)	(595,266,728)	–	(695,702,392)
Net assets at fair value (100%)	18,883,417	20,323,473	30,813,963	–	70,020,853
Non-controlling interest of associate	–	(4,765,782)	–	–	(4,765,782)
Net assets attributable to Group (100%)	18,883,417	15,557,691	30,813,963	–	65,255,071
Groups share of net assets	1,282,184	7,760,176	13,296,225	–	22,338,585
Impact of fair value adjustment on retained interest in associates at loss of control	–	12,369,865	3,108,749	–	15,478,614
Goodwill	823,365	–	–	–	823,365
Other adjustments	(54,307)	1,569	123,965	–	71,227
Carrying amount of interest in associate	2,051,242	20,131,610	16,528,939	–	38,711,791
Revenue	20,825,729	64,388,706	36,080,824	–	121,295,259
Profit from continuing operations (100%)	2,448,424	1,895,832	5,104,787	–	9,449,043
Other comprehensive income (100%)	–	(541,253)	(3,390,424)	–	(3,931,677)
Total comprehensive income (100%)	2,448,424	1,354,579	1,714,363	–	5,517,366
Group's share of total comprehensive income	166,248	675,664	739,748	–	1,581,660

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates

	2018 Rs '000	2017 Rs '000
Carrying amount of interests in associates	41,676,097	38,711,791
Share of:		
Profit from continuing operations	3,036,254	3,314,605
Other Comprehensive Income	(995,428)	(1,732,945)

Joint venture

The following table summarizes the financial information of PMP as included in its own financial statements for the period ended September 30, 2018, which have been used for accounting under equity method as these were the latest approved financial statements. Further, results of operations of last quarter of 2017 have also been considered for equity accounting. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in PMP.

	2018	2017
	Rs '000	Rs '000
Percentage ownership interest	12.5%	12.5%
Non-current assets	9,911,958	8,814,544
Current assets	21,176,105	14,757,155
Non-current liabilities	(1,221)	–
Current liabilities	(10,913,490)	(7,210,227)
Net Assets (100%)	20,173,352	16,361,472
Group's share of net assets (12.5%)	2,521,691	2,045,184
Revenue	26,573,870	23,643,427
Depreciation and amortization	(1,301,556)	(19,336,826)
Interest expense	(242,081)	(2,139,802)
Income tax expense	(617,414)	13,436
Other expenses	(21,848,883)	(414,410)
Profit and total comprehensive Income (100%)	2,563,936	1,765,825
Profit and total comprehensive Income (12.5%)	320,492	220,728
Group's share of total comprehensive income	320,492	220,728

This represents FFC's share of translation reserve of PMP. This has arisen due to movement In exchange rate parity between the Moroccan and Pakistani Rupee.

Following particulars relate to investment made in the foreign company:

Particulars	**Pakistan Maroc Phoshore S.A., Morocco**
Name and jurisdiction of associated company	Pakistan Maroc Phosphore S.A., Morocco
Name and address of beneficial owner	Fauji Fertilizer Company Limited located at 156 - The Mall, Rawalpindi Cantt, Pakistan
	Fauji Foundation located at 68 Tipu Road, Chaklala, Rawalpindi Cantt, Pakistan
	Fauji Fertilizer Bin Qasim Limited located at FFBL Tower, Plot No C1/C2, Sector B, Jinnah Boulevard, Phase II, DHA Islamabad, Pakistan
	Office Cherifien Des Phosphates located at Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco
Amount of investment	Rs 705,925 thousand (MAD 100,000 thousand)
Terms and conditions of investment	Equity investment
Amount of return received	Dividend 2009 Rs 42,563 thousand
	Dividend 2015 Rs 50,911 thousand
	Dividend 2016 Rs 55,720 thousand
	Dividend 2017 Rs 262,551 thousand
	Interim Dividend 2018 Rs 144,061 thousand
Details of litigations	None
Details of default / breach relating to investment	None
Gain / loss on disposal of investment	Not applicable

	Note	2018 Rs '000	2017 Rs '000
16. LONG TERM LOANS AND ADVANCES			
Loans and advances - considered good, to:	16.1		
Executives			
Interest bearing		426,932	400,502
Non-interest bearing		336,262	290,533
		763,194	691,035
Other employees			
Interest bearing		416,844	334,823
Non-interest bearing		302,196	283,813
		719,040	618,636
		1,482,234	1,309,671
Less: Amount due within twelve months, shown under current loans and advances			
Interest bearing		163,602	143,964
Non-interest bearing		204,778	199,748
	21	368,380	343,712
		1,113,854	965,959

16.1 Reconciliation of carrying amount of loans and advances:

	Executives Rs '000	Other employees Rs '000	2018 Total Rs '000	2017 Total Rs '000
Balance at January 1	691,035	618,636	1,309,671	1,269,734
Transfers	63,650	(63,650)	–	–
Disbursements	276,445	371,541	647,986	570,468
	1,031,130	926,527	1,957,657	1,840,202
Repayments	(267,936)	(207,487)	(475,423)	(530,531)
Balance at December 31	763,194	719,040	1,482,234	1,309,671

These subsidized and interest free loans and advances are granted to employees as per FFC's policy and are repayable within one to ten years. House building loans carry mark-up at 4% per annum and are secured against the underlying assets.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 805,865 thousand (2017: Rs 772,548 thousand).

Management considers that the impact of recognizing loans and advances at present value of future cash flows would be immaterial, in context of overall consolidated financial statements.

16.2 Loans and advances to employees exceeding Rs 1 million

	2018		2017	
	No. of employees	Amount Rs '000	No. of employees	Amount Rs '000
Rs 1 million to Rs 2 million	261	382,556	228	322,081
Exceeding Rs 2 million upto Rs 3 million	57	137,702	48	119,249
Exceeding Rs 3 million upto Rs 5 million	64	244,580	50	197,217
Exceeding Rs 5 million upto Rs 10 million	60	443,706	46	335,118
Exceeding Rs 10 million upto Rs 25 million	4	42,647	7	73,952
	446	1,251,191	379	1,047,617

		Note	2018	2017
			Rs '000	Rs '000
17.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Non-interest bearing deposits		29,869	29,655
	Prepayments		1,226	1,518
			31,095	31,173
18.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		131,955	127,981
	Spares		3,436,263	3,456,236
	Provision for slow moving spares	18.1	(520,619)	(473,116)
			2,915,644	2,983,120
	Loose tools		56	80
	Items in transit		441,669	400,718
			3,489,324	3,511,899
18.1	**Movement of provision for slow moving spares**			
	Balance at the beginning		473,116	407,167
	Provision during the year		47,503	65,949
	Balance at the end		520,619	473,116
19.	**STOCK IN TRADE**			
	Raw materials		254,632	113,885
	Work in process		165,343	165,182
	Finished goods			
	Manufactured product		391,690	391,881
	Purchased product		12,232,451	–
			12,624,141	391,881
	Stock in transit		253,147	–
	Provision for slow moving stock		(6,265)	(30,293)
	Provision for net realizable value		(4,596)	–
			13,286,402	640,655
20.	**TRADE DEBTS**			
	Considered good:			
	Secured			
	against bank guarantees		3,640,274	3,702,192
	against guarantee issued by the			
	Government of Pakistan	20.1	1,001,300	910,411
	Unsecured - local		96,819	80,230
	Unsecured - exports	20.2	111,842	125,091
	Considered doubtful			
	Unsecured - local		1,758	1,758
	Unsecured - exports	20.2	37,555	–
			4,889,548	4,819,682
	Provision for doubtful debts		(39,313)	(1,758)
			4,850,235	4,817,924

20.1 These are secured by way of Guarantee issued by Government of Pakistan under the Implementation Agreement dated February 18, 2011. Further the amounts against energy invoices are subject to markup on delay payments under Energy Purchase Agreement dated April 5, 2011 at the rate of 3 month KIBOR + 4.50 % per annum.

20.2 Following are the details of debtors in relation to export sales:

Name of Foreign jurisdiction	Type of transaction	2018 Rs '000	2017 Rs '000
Asia	Contract	145,689	123,422
Europe	Contract	3,702	1,669
Australia	Contract	6	–
		149,397	125,091

	Note	2018 Rs '000	2017 Rs '000
21. LOANS AND ADVANCES			
Current portion of long term loans and advances	16	368,380	343,712
Loans and advances to employees - unsecured			
- considered good, non-interest bearing			
Executives		33,587	30,176
Others		20,052	13,735
Advances to suppliers - considered good		119,884	197,904
Advances to suppliers - considered doubtful		1,572	–
Provision for doubtful advances		(1,572)	–
		119,884	197,904
		541,903	585,527

21.1 Loans and advances to employees exceeding Rs 1 million

	2018 No. of employees	2018 Amount Rs '000	2017 No. of employees	2017 Amount Rs '000
Rs 1 million to Rs 2 million	7	8,535	3	3,930
Exceeding Rs 2 million upto Rs 3 million	1	2,049	1	2,637
	8	10,584	4	6,567

	2018 Rs '000	2017 Rs '000
22. DEPOSITS AND PREPAYMENTS		
Non-interest bearing deposits	944	944
Prepayments	81,789	82,880
	82,733	83,824

	Note	2018	2017
		Rs '000	Rs '000
23. OTHER RECEIVABLES			
Accrued income on investments and bank deposits			
From Pakistan Investment Bonds		248,211	339,890
From conventional banks		113,975	64,074
From Islamic banks		2	1
Sales tax receivable - net		7,649,706	5,424,515
Sales tax receivable related to Pak Saudi Fertilizers Limited		42,486	42,486
Advance tax	23.1	377,809	363,558
Subsidy receivable from Government agencies	23.2	6,961,878	6,763,903
Receivable from Workers' Profit Participation Fund - unsecured	23.3	82,897	461,996
Receivable from Fauji Fertilizer Bin Qasim Limited - unsecured	23.4	358,024	37,162
Other receivables		390,397	239,650
Provision for doubtful receivables		(792,404)	(2,232)
		15,432,981	13,735,003

23.1 This mainly represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. The Group intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

23.2 This represents subsidy receivable on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on October 25, 2015 @ Rs 500 per 50 kg bag and on June 25, 2016 @ Rs 300 per 50 kg bag respectively and subsidy receivable on sale of Urea under scheme announced on June 25, 2016 @ Rs 156 per 50 kg bag under notifications issued by Ministry of National Food Security & Research, Government of Pakistan. Finance Act, 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag for the financial year 2017-18.

23.3 This includes Rs Nil (2017: Rs 423,442 thousand) which represents amount paid to WPPF in prior years, in excess of the Group's obligation.

23.4 The maximum amount of receivable from FFBL during the year was Rs 358,024 thousand (2017: Rs 42,085 thousand).

		Note	2018 Rs '000	2017 Rs '000
24.	**SHORT TERM INVESTMENTS**			
	Loans and receivables - conventional instruments			
	Term deposits with banks and financial institutions			
	Local currency		27,437,700	26,775,000
	Foreign currency		1,981,235	1,530,343
		24.1	29,418,935	28,305,343
	Investments at fair value through profit or loss			
	Conventional investments		22,107,947	1,038,628
	Shariah compliant investments		190,401	201,096
		24.2	22,298,348	1,239,724
	Current maturity of long term investments			
	Available for sale	15.2	4,056,021	2,112,618
			55,773,304	31,657,685

24.1 These represent investments having maturities ranging between 1 to 9 months and are being carried at cost as management expects there would be insignificant change in the rate of returns on comparable investments.

24.2 Fair values of these investments are determined using quoted repurchase price.

		Note	2018 Rs '000	2017 Rs '000
25.	**CASH AND BANK BALANCES**			
	At banks			
	Local currency			
	Current account - Conventional banking		843,626	1,275,256
	Current account - Islamic banking		81,707	256,491
	Deposit account - Conventional banking	25.2	1,269,186	1,232,160
	Deposit account - Islamic banking	25.3	59	5,955
			2,194,578	2,769,862
	Foreign currency			
	Deposit account		9	627
	Cash in transit	25.4	2,474,839	–
	Cash in hand		1,601	1,823
			4,671,027	2,772,312

25.1 Balances with banks include Rs 166,971 thousand (2017: Rs 155,564 thousand) in respect of security deposits received.

25.2 Balances with banks carry mark-up ranging from 6.50% to 9.25% (2017: 3.75% to 5.70%) per annum.

25.3 Balances with banks carry profit ranging from 2.75% to 3.35% (2017: 1.75% to 4.50%) per annum.

25.4 These represent demand drafts held at year end.

		Note	2018	2017
			Rs '000	Rs '000
26.	**TURNOVER**			
	Local		80,128,316	70,211,916
	Export		362,345	5,280,624
	Purchased and packaged		32,930,082	27,031,569
			113,420,743	102,524,109
	Sales tax		(3,868,790)	(5,536,342)
	Trade discount and others		(118,365)	(3,404,320)
			(3,987,155)	(8,940,662)
			109,433,588	93,583,447
27.	**COST OF SALES**			
	Raw materials consumed		27,268,343	25,317,857
	Fuel and power		9,710,550	9,562,840
	Chemicals and supplies		424,267	435,190
	Salaries, wages and benefits		7,108,549	6,774,365
	Training and employees' welfare		921,936	876,795
	Rent, rates and taxes		90,768	45,548
	Insurance		236,295	231,949
	Travel and conveyance	27.1	413,498	384,405
	Repairs and maintenance (includes stores and spares consumed of Rs 464,927 thousand; (2017: Rs 512,965 thousand))		1,748,911	1,692,279
	Depreciation	13.1	2,965,975	2,959,733
	Amortization	14.1	7,683	7,401
	Communication and other expenses	27.2	2,624,098	1,466,438
			53,520,873	49,754,800
	Opening stock - work in process		165,182	96,785
	Closing stock - work in process		(165,343)	(165,182)
			(161)	(68,397)
	Cost of goods manufactured		53,520,712	49,686,403
	Opening stock - manufactured		391,881	3,768,443
	Closing stock - manufactured		(391,690)	(391,881)
			191	3,376,562
	Cost of sales - manufactured		53,520,903	53,062,965
	Opening stock - purchased		–	375,050
	Purchase for resale		38,994,063	21,040,810
	Closing stock - purchased		(12,232,451)	–
	Cost of sale - purchased		26,761,612	21,415,860
			80,282,515	74,478,825

27.1 These include operating lease rentals amounting to Rs 37,141 thousand (2017: Rs 13,560 thousand).

27.2 This includes provision for slow moving spares and slow moving stock amounting to Rs 47,503 thousand (2017: Rs 65,949 thousand) and Rs 10,309 thousand (2017: Rs 2,353 thousand) respectively.

		Note	2018	2017
			Rs '000	Rs '000
28.	**ADMINISTRATIVE AND DISTRIBUTION EXPENSES**			
	Administrative expenses	28.1	341,444	227,614
	Product transportation		5,781,767	5,361,027
	Salaries, wages and benefits		1,995,713	1,810,690
	Training and employees' welfare		132,807	117,747
	Rent, rates and taxes		199,875	255,954
	Technical services to farmers		8,593	7,767
	Travel and conveyance	28.2	180,748	165,275
	Sale promotion and advertising		386,496	337,515
	Communication and other expenses		238,505	512,675
	Warehousing expenses		167,658	219,484
	Depreciation	13.1	72,282	75,850
	Amortisation	14.1	2,882	1,871
			9,508,770	9,093,469
28.1	**Administrative expenses**			
	This represents administrative and general expenses of FFCEL and FFF:			
	Salaries, wages and benefits		125,961	128,996
	Travel and conveyance		25,881	30,351
	Utilities		2,291	3,062
	Printing and stationery		1,064	887
	Repairs and maintenance		1,494	5,467
	Communication, advertisement and other expenses	28.3	137,668	7,648
	Rent, rates and taxes		26,663	25,310
	Legal and professional		8,365	5,369
	Depreciation	13.1	3,411	3,447
	Amortisation	14.1	1,105	276
	Miscellaneous		7,541	16,801
			341,444	227,614

28.2 These include operating lease rentals amounting to Rs 10,159 thousand (2017: Rs 6,226 thousand).

28.3 These include provision for doubtful debts and advances amounting to Rs 39,127 thousand (2017: Rs Nil) and write-off of trade debts and advances amounting to Rs 93,428 thousand (2017: Rs Nil).

		2018	2017
		Rs '000	Rs '000
29.	**FINANCE COST**		
	Mark-up / profit on long term borrowings		
	Conventional banking	1,794,901	1,961,728
	Islamic banking	143,406	208,026
		1,938,307	2,169,754
	Mark-up / profit on short term borrowings		
	Conventional banking	246,660	841,283
	Islamic banking	32,875	87,924
		279,535	929,207
	Bank and other charges	26,767	92,655
		2,244,609	3,191,616

		Note	2018	2017
			Rs '000	Rs '000
30.	**OTHER EXPENSES**			
	Research and development		659,835	862,416
	Workers' Profit Participation Fund		1,042,414	511,757
	Workers' Welfare Fund		403,627	253,868
	Auditors' remuneration			
	Audit fee		2,325	2,325
	Fee for half yearly review, audit of consolidated financial statements and review of Code of Corporate Governance		1,824	1,304
	Taxation services		710	430
	Out of pocket expenses		380	275
			5,239	4,334
			2,111,115	1,632,375
31.	**OTHER INCOME**			
	Government subsidy	31.1	2,400,358	6,601,897
	Income from financial assets			
	Income on loans, deposits and investments in:			
	Pakistan Investment Bonds		657,996	780,402
	Conventional banks		756,528	382,564
	Islamic banks		44	951
	Gain / (loss) on re-measurement of investments classified as fair value through profit or loss on;			
	Conventional mutual funds		439,061	47,387
	Shariah compliant mutual funds		(10,694)	(36,135)
	Dividend income on:			
	Conventional mutual funds		193,235	–
	Shariah compliant mutual funds		–	15,666
	Exchange gain		399,390	78,918
			2,435,560	1,269,753
	Income from non-financial assets			
	Gain on disposal of property, plant and equipment		16,920	10,755
	Commission on sale of FFBL products		24,970	27,538
			41,890	38,293
	Other income			
	Scrap sales		41,113	47,439
	Others		171,573	102,010
			212,686	149,449
			5,090,494	8,059,392

31.1 This represents subsidy on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on October 25, 2015 @ Rs 500 per 50 kg bag and on June 25, 2016 @ Rs 300 per 50 kg bag respectively and subsidy on sale of Urea under scheme announced on June 25, 2016 @ Rs 156 per 50 kg bag under notifications issued by Ministry of National Food Security & Research, Government of Pakistan. Finance Act, 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag for the financial year 2017-18.

		2018	2017
		Rs '000	Rs '000
32.	**PROVISION FOR TAXATION**		
	Current tax	6,917,615	4,688,357
	Prior tax	452,000	463,546
	Deferred tax	(74,000)	134,084
		7,295,615	5,285,987
32.1	**Reconciliation between tax expense and accounting profit**		
	Profit before tax	23,733,819	16,781,887

	2018	2017
	%	%
Reconciliation of tax charge for the year		
Applicable tax rate	29.00	30.00
Tax effect of income that is not taxable or taxable at reduced rates	(2.89)	(3.41)
Effect of change in tax laws	4.30	–
Prior year charge - super tax	1.90	2.76
Deferred tax asset not recognised	0.93	1.81
Tax loss surrendered to the Parent Company	(1.15)	–
Others	(1.35)	0.34
Average effective tax rate charged on income	30.74	31.50

32.2 Under Section 5A of the Income Tax Ordinance, 2001, every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute at least 20 percent of its after tax profits in the form of cash dividend within six months of the end of said tax year will be charged additional tax at the rate of five percent of its accounting profit before tax.

FFC, during the year, distributed sufficient interim dividends for the year ended December 31, 2018, which complies with the above stated requirement. Accordingly, no provision for tax on undistributed reserves has been recognized in these consolidated financial statements for the year ended December 31, 2018.

32.3 STATUS OF INCOME TAX ASSESSMENTS

FFC

Provision against tax in the consolidated financial statements for the years 2017, 2016 and 2015 amounts to Rs 4,672,454 thousand, Rs 5,544,000 thousand and Rs 7,436,000 thousand as against the assessed tax of Rs 2,023,411 thousand, Rs 6,424,558 thousand and Rs 6,500,717 thousand respectively.

FFCEL

FFCEL's income derived from electric power generation is exempt from tax under clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Provision for alternative corporate tax liability has been created in respect of interest income since interest income is not likely to be fully adjusted against unabsorbed tax depreciation.

Provision against tax in the financial statements for the years 2017, 2016 and 2015 amount to Rs 15,903 thousand, Rs 13,509 thousand and Rs 10,682 thousand as against the assessed tax of Rs 15,903 thousand, Rs 13,509 thousand and Rs 10,682 thousand respectively.

FFF

Provision against tax in the consolidated financial statements for the years 2017, 2016 and 2015 amounts to Rs Nil, negative Rs 287 thousand and Rs 356 thousand as against the assessed tax of Rs Nil, Rs 590 thousand and Rs Nil respectively.

Managements are confident that sufficient and adequate provision has been provided against tax assessed in the consolidated financial statements.

In terms of the provisions of Section 59B of the Income Tax Ordinance, 2001, FFC has adjusted its tax liability for the tax year 2018 by acquiring the loss of FFF and consequently has paid to FFF an aggregate sum of Rs 273,000 thousand equivalent to the tax value of the loss acquired.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these consolidated financial statements in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Group are given below:

	2018		2017	
			Restated	
	Chief Executive	**Executives**	**Chief Executive**	**Executives**
	Rs '000	**Rs '000**	**Rs '000**	**Rs '000**
Managerial remuneration	7,915	1,504,646	8,583	1,413,431
Contribution to provident fund	542	86,045	618	82,537
Bonus and other awards	2,783	–	3,703	561
Good performance award	–	1,477,058	–	1,412,220
Allowances and contribution to retirement benefit plans	9,030	1,198,862	11,113	1,080,590
Total	20,270	4,266,611	24,017	3,989,339
No. of person(s)	1	364	1	360

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Group's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 4,431 thousand (2017: Rs Nil) and Rs 57,380 thousand (2017: Rs 46,454 thousand) were paid to chief executive and executives on separation, in accordance with the Group's policy.

Executive means an employee whose basic salary exceeds Rs 1,200 thousand (2017: Rs 1,200 thousand) during the year. Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

In addition, 20 (2017: 18) directors were paid aggregate fee of Rs 7,080 thousand (2017: 5,525 thousand).

34. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities	Equity	
	Long term Financing	Revenue Reserves	Total
	Rs '000	Rs '000	Rs '000
Balance at January 1, 2018	29,795,654	35,360,005	65,155,659
Changes from financing cash flows			
Repayments	(8,355,056)	–	(8,355,056)
Dividend paid	–	(9,912,803)	(9,912,803)
Total changes from financing cash flows	(8,355,056)	(9,912,803)	(18,267,859)
Other changes			
Liability related	–	–	–
Equity related			
Total comprehensive income for the year	–	16,462,358	16,462,358
Transferred to statutory reserve	–	(503,959)	(503,959)
Change in unclaimed dividend	–	(201,492)	(201,492)
Total liability and equity related other changes	–	15,756,907	15,756,907
Balance at December 31, 2018	21,440,598	41,204,109	62,644,707

	Liabilities	Equity	
	Long term Financing	Revenue Reserves	Total
	Rs '000	Rs '000	Rs '000
Balance at January 1, 2017	31,977,442	33,871,490	65,848,932
Changes from financing cash flows			
Draw-downs	7,000,000	–	7,000,000
Repayments	(9,181,788)	–	(9,181,788)
Dividend paid	–	(8,557,834)	(8,557,834)
	(2,181,788)	(8,557,834)	(10,739,622)
Other changes			
Liability related	–	–	–
Equity related			
Total comprehensive income for the year	–	10,658,894	10,658,894
Transferred to statutory reserve	–	(582,772)	(582,772)
Change in unclaimed dividend	–	(29,773)	(29,773)
Total liability and equity related other changes	–	10,046,349	10,046,349
Balance at December 31, 2017	29,795,654	35,360,005	65,155,659

	2018	2017
	Rs '000	Rs '000

35. CASH GENERATED FROM OPERATIONS

	2018 Rs '000	2017 Rs '000
Profit before tax	23,733,819	16,781,887
Adjustments for:		
Depreciation	3,043,654	3,040,880
Amortization	11,670	9,548
Provision for slow moving spares	47,503	65,949
(Write-off) / provision for slow moving stock - net	(24,028)	2,353
Provision for net realizable value	4,596	–
Provision for doubtful debts, advances and receivables	829,299	–
Write-off of trade debts and advances	93,428	–
Finance cost	2,285,308	3,180,940
Income on loans, deposits and investments	(1,414,568)	(1,193,497)
Share of profit / loss of associate and joint venture	(3,356,746)	(3,535,333)
Gain on sale of property, plant and equipment	(16,920)	(10,755)
Exchange gain	(440,089)	(68,242)
Gain on re-measurement of investments at fair value through profit or loss	(428,367)	(11,252)
Government subsidy on sale of fertilizer	(2,400,358)	(6,601,897)
	(1,765,618)	(5,121,306)
	21,968,201	11,660,581
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(24,928)	(136,745)
Stock in trade	(12,626,315)	3,674,239
Trade debts	(152,816)	254,092
Loans and advances	31,574	14,083
Deposits and prepayments	1,091	(25,708)
Other receivables	(2,295,086)	(4,266,147)
Decrease in current liabilities:		
Trade and other payables	21,808,932	27,629,618
	6,742,452	27,143,432
Changes in long term loans and advances	(147,895)	(31,809)
Changes in long term deposits and prepayments	78	(1,690)
Changes in deferred liabilities	90,161	83,690
Change in land lease liability	417	2,981
	28,653,414	38,857,185

36. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

36.1 Fair value of Financial Instruments

The following table shows the carrying amounts of financial assets and financial liabilities by categories:

December 31, 2018

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets not measured at fair value									
Non - current assets									
Long term investments	-	80,138	-	-	80,138	-	-	-	-
Long term loans and advances	1,113,854	-	-	-	1,113,854	-	-	-	-
Long term deposits	29,869	-	-	-	29,869	-	-	-	-
Current assets									
Trade debts	4,889,548	-	-	-	4,889,548	-	-	-	-
Loans and advances	422,019	-	-	-	422,019	-	-	-	-
Deposits	944	-	-	-	944	-	-	-	-
Other receivables	8,072,487	-	-	-	8,072,487	-	-	-	-
Short term investments	29,418,935	37,477	-	-	29,456,412	-	-	-	-
Cash and bank balances	4,671,027	-	-	-	4,671,027	-	-	-	-
	48,618,683	117,615	-	-	48,736,298	-	-	-	-
Financial assets measured at fair value									
Non - current assets									
Long term investments	-	757,099	-	-	757,099	-	757,099	-	757,099
Current assets									
Short term investments	-	4,018,544	22,298,348	-	26,316,892	22,298,348	4,018,544	-	26,316,892
	-	4,775,643	22,298,348	-	27,073,991	22,298,348	4,775,643	-	27,073,991
	48,618,683	4,893,258	22,298,348	-	75,810,289	22,298,348	4,775,643	-	27,073,991
Financial liabilities not measured at fair value									
Non - current liabilities									
Long term borrowings - secured	-	-	-	12,817,467	12,817,467	-	-	-	-
Land lease liability	-	-	-	8,857	8,857	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	52,070,762	52,070,762	-	-	-	-
Mark-up and profit accrued	-	-	-	332,964	332,964	-	-	-	-
Short term borrowings - secured	-	-	-	29,366,484	29,366,484	-	-	-	-
Unclaimed dividend	-	-	-	638,783	638,783	-	-	-	-
Current portion of long term borrowings	-	-	-	8,623,131	8,623,131	-	-	-	-
Current portion of land lease liability	-	-	-	2,566	2,566	-	-	-	-
	-	-	-	103,861,014	103,861,014	-	-	-	-

December 31, 2017

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets not measured at fair value									
Non - current assets									
Long term investments	-	80,060	-	-	80,060	-	-	-	-
Long term loans and advances	965,959	-	-	-	965,959	-	-	-	-
Long term deposits	29,655	-	-	-	29,655	-	-	-	-
Current assets									
Trade debts	4,819,682	-	-	-	4,819,682	-	-	-	-
Loans and advances	387,623	-	-	-	387,623	-	-	-	-
Deposits	944	-	-	-	944	-	-	-	-
Other receivables	7,444,680	-	-	-	7,444,680	-	-	-	-
Short term investments	28,305,343	28,834	-	-	28,334,177	-	-	-	-
Cash and bank balances	2,772,312	-	-	-	2,772,312	-	-	-	-
	44,726,198	108,894	-	-	44,835,092	-	-	-	-
Financial assets measured at fair value									
Non - current assets									
Long term investments	-	4,828,271	-	-	4,828,271	-	4,828,271	-	4,828,271
Current assets									
Short term investments	-	2,083,784	1,239,724	-	3,323,508	1,239,724	2,083,784	-	3,323,508
	-	6,912,055	1,239,724	-	8,151,779	1,239,724	6,912,055	-	8,151,779
	44,726,198	7,020,949	1,239,724	-	52,986,871	1,239,724	6,912,055	-	8,151,779
Financial liabilities not measured at fair value									
Non - current liabilities									
Long term borrowings - secured	-	-	-	21,162,157	21,162,157	-	-	-	-
Land lease liability	-	-	-	8,440	8,440	-	-	-	-
Current liabilities									
Trade and other payables	-	-	-	30,346,544	30,346,544	-	-	-	-
Mark-up and profit accrued	-	-	-	216,140	216,140	-	-	-	-
Short term borrowings - secured	-	-	-	11,939,083	11,939,083	-	-	-	-
Unclaimed dividend	-	-	-	437,291	437,291	-	-	-	-
Current portion of long term borrowings	-	-	-	8,633,497	8,633,497	-	-	-	-
Current portion of land lease liability	-	-	-	2,566	2,566	-	-	-	-
	-	-	-	72,745,718	72,745,718	-	-	-	-

36.2 Credit quality of financial assets

The credit quality of the Group financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Note	Rating	2018	2017
			Rs '000	Rs '000
Trade Debts				
Counterparties without external credit ratings				
Existing customers with no default in the past			4,889,548	4,819,682
Loans and advances				
Counterparties without external credit ratings				
Loans and advances to employees			1,535,873	1,353,582
Deposits				
Counterparties without external credit ratings				
Others			30,813	30,599
Other receivables				
Counterparties with external credit ratings		A1+ / A-1+	99,396	62,856
		A1 / A-1	4,422	1,219
		A3	10,159	–
Counterparties without external credit ratings				
Balances with related parties			440,921	499,158
Others			7,517,589	6,879,215
			8,072,487	7,442,448
Short term investments				
Counterparties with external credit ratings		A1+ / A-1+	28,456,413	27,943,572
		A1 / A-1	1,000,000	390,605
		AM1	6,788,121	1,135,643
		AM2++ / AM2 / AM2+	15,510,226	104,081
Counterparties without external credit ratings	36.2.1		4,018,544	2,083,784
			55,773,304	31,657,685

36.2.1 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

	Note	Rating	2018	2017
Bank balances				
Counterparties with external credit ratings		A1+ / A-1+ / P-1	2,194,523	2,770,358
		A1 / A-1	55	53
		A-2	7	78
		A-3	2	–
			2,194,587	2,770,489
Long term investments				
Counterparties with external credit ratings		AA+	80,138	80,060
Counterparties without external credit ratings	36.2.2		757,099	4,828,271
			837,237	4,908,331

36.2.2 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

36.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework. The Board is also responsible for developing and monitoring the Group risk management policies.

The Group risk management policies are established to identify and analyse the risks faced by the companies, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	Rs '000	Rs '000
Long term investments	837,237	4,908,331
Loans and advances	1,535,873	1,353,582
Deposits	30,813	30,599
Trade debts	4,889,548	4,819,682
Other receivables	8,072,487	7,444,680
Short term investments	55,773,304	31,657,685
Bank balances	2,194,587	2,770,489
	73,333,849	52,985,048

Geographically, there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date is with dealers within the Country.

The Group's most significant amount receivable is from two banks which amounts to Rs 8,000,000 thousand each and aggregate to Rs 16,000,000 thousand (2017: Rs 11,000,000 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts are secured against letter of guarantee. The Group has placed funds in financial institutions with high credit ratings. The Group assesses the credit quality of the counterparties as satisfactory. The Group does not hold any collateral as security against any of their financial assets other than trade debts.

The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit rating. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Impairment losses

The aging of trade debts at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	Rs '000		Rs '000	
Not yet due	3,781,851	–	2,334,569	–
Past due 1-30 days	159,948	–	1,301,079	–
Past due 31-60 days	3,875	–	573,879	–
Past due 61-90 days	290,954	–	359,728	–
Over 90 days	652,920	39,313	250,427	1,758
	4,889,548	39,313	4,819,682	1,758

The management believes that no impairment allowance is necessary in respect of trade debts since significant amount of past due debts are secured by way of bank guarantees.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses different methods which assist them in monitoring cash flow requirements and optimizing their cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains lines of credit as mentioned in note 11 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2018

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				Rs '000			
Long term borrowings							
including mark-up	21,651,524	24,693,587	5,451,529	5,038,763	6,623,052	7,580,243	–
Land lease liability	11,423	51,429	2,566	–	2,566	46,297	–
Trade and other payables	52,070,762	52,070,762	52,032,323	38,439	–	–	–
Unclaimed dividend	638,783	638,783	638,783	–	–	–	–
Short term borrowings							
including mark-up	29,488,522	30,716,831	24,783,034	5,933,797	–	–	–
	103,861,014	108,171,392	82,908,235	11,010,999	6,625,618	7,626,540	–

2017

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months Rs '000	One to two years	Two to five years	Five years onwards
Long term borrowings including mark-up	29,949,649	33,187,287	4,839,656	5,282,041	9,788,822	13,276,768	–
Land lease liability	11,006	51,429	2,566	–	2,566	46,297	–
Trade and other payables	30,346,544	30,346,544	30,346,544	–	–	–	–
Unclaimed dividend	437,291	437,291	437,291	–	–	–	–
Short term borrowings including mark-up	12,001,228	13,426,059	9,171,358	5,959,937	–	–	–
	72,745,718	77,448,610	44,797,415	11,241,978	9,791,388	13,323,065	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark-up rates. The mark-up rates have been disclosed in notes 7 and 11 to these consolidated financial statements.

c) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group incurs financial liabilities to manage their market risk. All such activities are carried out with the approval of the Board. The Group is exposed to interest currency risk, rate risk and market price risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exist due to transactions in foreign currency.

Exposure to Currency Risk

The Group is exposed to currency risk on creditors, bank balance and investment in term deposit receipts which are denominated in currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2018		2017	
	Rs '000	US Dollar '000	Rs '000	US Dollar '000
Bank balance	9	0.06	627	6
Investments (Term deposit receipts)	1,981,235	14,295	1,530,343	13,874

The following significant exchange rates applied during the year:

	2018	2017	2018	2017
	Average rate		Reporting date rate	
US Dollars	122.09	105.36	138.60	110.30

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit by Rs 198,124 thousand (2017: Rs 153,097 thousand). A 10% weakening of the functional currency against foreign currencies at December 31 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

ii) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings and long term borrowings, long term investments, loans and advances, short term deposits with banks. At the reporting date, the interest rate risk profile of the Group interest bearing financial instruments is:

	2018	2017
	Carrying Amount	
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	38,981,619	38,096,781
Variable rate instruments		
Financial liabilities	50,807,082	41,734,737

Fair value sensitivity analysis for fixed rate instruments

The Group is not exposed to variations in profit or loss on its fixed rate financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	100 basis points increase Rs '000	100 basis points decrease Rs '000
December 31, 2018		
Cash flow sensitivity - Variable rate instruments		
Financial assets	8,896	(8,896)
Financial liabilities	(228,166)	228,166
December 31, 2017		
Cash flow sensitivity - Variable rate instruments		
Financial assets	8,868	(8,868)
Financial liabilities	(374,773)	374,773

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis – price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 47,756 thousand after tax (2017: Rs 48,384 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as fair value through profit or loss, the impact on profit would have been an increase or decrease by Rs 189,536 thousand after tax (2017: Rs 9,094 thousand). The analysis is performed on the same basis for 2017 and assumes that all other variables remain the same.

36.4 Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

36.5 Determination of fair values

A number of Group accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Investment at fair value through profit or loss

The fair value of investment at fair value through profit or loss is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investments is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at current PKRV rates applicable to similar instruments having similar maturities.

Investment in associated and subsidiary companies

The fair value of investment in listed associate is determined by reference to their quoted closing bid price at the reporting date and accordingly are at level 1 in fair value hierarchy. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

37. OPERATING SEGMENTS

Basis of segmentation

The Group has the following three (3) strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Fertlizers	Buying, maufacturing and distributing fertilizer
Power	Producing and selling power
Food	Processing fresh and frozen fruits, vegetables, frozen cooked and semi cooked food

The Group Chief Executive Officer and Board of Directors review the internal management reports of each division quarterly.

Information about reportable segments

Information related to each reportable segment is set below. Segment profit / (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segment relative to other entities that operate in same industries.

2018	Fertilizers Rs '000	Power Rs '000	Food Rs '000	Total Rs '000
Segment revenues	105,964,471	2,527,442	941,675	109,433,588
Segment profit / (loss) before tax	21,682,585	1,118,755	(1,175,955)	21,625,385
Interest income	1,375,817	103,822	4,414	1,484,053
Finance cost	1,636,976	523,893	182,250	2,343,119
Depreciation	2,177,152	593,686	288,136	3,058,974
Share of profit / loss of equity - accounted investees	3,356,746	–	–	3,356,746
Segment assets (total)	119,466,259	11,637,464	3,723,126	134,826,849
Equity accounted investees	44,197,788	–	–	44,197,788
Segment liabilities (total)	113,419,374	5,932,197	2,255,222	121,606,793

2017	Fertilizers Rs '000	Power Rs '000	Food Rs '000	Total Rs '000
Segment revenues	90,714,114	2,415,322	454,011	93,583,447
Segment profit / (loss) before tax	15,741,315	860,558	(1,076,269)	15,525,604
Interest income	1,158,901	93,548	4,377	1,256,826
Finance cost	2,470,672	642,081	179,299	3,292,052
Depreciation	2,181,771	594,511	280,870	3,057,152
Share of profit / loss of equity - accounted investees	3,535,333	–	–	3,535,333
Segment assets (total)	84,220,721	12,096,205	3,696,359	100,013,285
Equity accounted investees	40,756,975	–	–	40,756,975
Segment liabilities (total)	78,741,872	7,187,161	2,963,031	88,892,064

Reconciliation of information on reportable segments to applicable financial reporting standards:

		2018 Rs '000	2017 Rs '000
i)	Revenue for reportable segments	109,433,588	93,583,447
	Consolidated Revenue	109,433,588	93,583,447
ii)	Profit before tax for reportable segments	21,625,385	15,525,604
	Elimination of intra segment profit	(1,346,822)	(2,279,050)
	Consolidated profit before tax from continuing operations	20,278,563	13,246,554
iii)	Total assets for reporting segments	134,826,849	100,013,285
	Equity accounted investments	44,197,788	40,756,975
	Consolidated total assets	179,024,637	140,770,260
iv)	Total liabilities for reporting segments	120,112,542	87,615,883
	Deferred tax on equity accounted investments	1,494,251	1,276,181
	Consolidated total liabilities	121,606,793	88,892,064

v) **Other material items**

	Reportable segments Rs '000	Adjustments Rs '000	Consolidated Rs '000
2018			
Interest income	1,484,053	–	1,484,053
Finance cost	2,343,119	–	2,343,119
Capital expenditure	3,952,691	–	3,952,691
Depreciation	3,058,974	–	3,058,974
Commitments	5,992	7,917,031	7,923,023
Contingencies	205,502	141,798,653	142,004,155
2017			
Interest income	1,256,826	–	1,256,826
Finance cost	3,292,052	–	3,292,052
Capital expenditure	3,939,683	–	3,939,683
Depreciation	3,057,152	–	3,057,152
Commitments	17,133	5,989,380	6,006,513
Contingencies	67,364	172,745,413	172,812,777

38. RELATED PARTY TRANSACTIONS AND BALANCES

38.1 Following are the related parties with whom the Group had entered into transactions during the year:

Related party	Basis of relationship	Aggregate % age shareholding in FFC
Fauji Foundation	Holding company	44.35%
Lt Gen Khalid Nawaz Khan, HI (M) (Retired)	Director	-
Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)	Director	-
Mr. Qaiser Javed	Director	-
Dr. Nadeem Inayat	Director	-
Engr Rukhsana Zuberi	Director	-
Mr. Farhad Shaikh Mohammad	Director	0.16%
Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired)	Director	-
Brig Raashid Wali Janjua, SI(M) (Retired)	Director	-
Maj Gen Wasim Sadiq, HI(M) (Retired)	Director	-
Mr. Manzoor Ahmed	Director	-
Mr. Shoaib Mir	Director	-
Mian Asad Hayaud Din	Director	-
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)	Director	-
Mr. Maroof Afzal	Director	-
Ms. Bushra Naz Malik	Director	0.00004%
Mr. Saad Amanullah Khan	Director	0.00004%
Mr. Rehan Laiq	Director	-
Mr. Mohammad Younus Dagha	Director	-
Mr. Tariq Iqbal Khan	Director	-
Mr. Afaq A Tiwana	Director	-

Related party	Basis of relationship	Aggregate % age shareholding by FFC
Fauji Fertilizer Bin Qasim Limited	Associated company	49.88%
Askari Bank Limited	Associated company	43.15%
Thar Energy Limited	Associated company	30.00%
Pakistan Maroc Phosphore S.A., Morocco	Common directorship	12.50%
Fauji Cement Company Limited	Common directorship	6.79%
Mari Petroleum Company Limited	Common directorship	-
Sona Welfare Foundation	Associated undertaking	-
Provident Fund Trust	Contributory provident fund	-
Gratuity Fund Trust	Defined benefit fund	-
Pension Fund Trust	Defined benefit fund	-

38.2 Following particulars relate to associated companies incorporated outside Pakistan with whom the Group had entered into transactions during the year:

Particulars	Pakistan Maroc Phoshore S.A., Morocco
Name of associated company	Pakistan Maroc Phosphore S.A.
Registered address	Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco
Country of incorporation	Morocco
Basis of association	Joint Venture of OCP Group and Fauji Group
Aggregate %age of shareholding by the Company	12.5% Equity Investment by the Company
Name of Chief Executive Officer	Mr. Khalid Benzeroual - Managing Director
Operational status	Active
Auditors' opinion on latest available Financial Statements	Unqualified opinion (Year ended December 31, 2017)

38.3 Fauji Foundation holds 44.35% (2017: 44.35%) shares of FFC at the year-end. Therefore, all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Group. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Transactions with related parties and the balances outstanding at the year-end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 16, 21 and 33 to these consolidated financial statements respectively.

	2018	2017
	Rs '000	Rs '000
Transactions with holding company		
Dividend paid	4,485,690	3,808,604
Others	16,401	27,291
Transactions and balances with associated companies / undertakings due to common directorship		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,172,118	1,158,217
Commission on sale of products	24,970	27,538
Payment under consignment account	53,792,729	60,711,446
Purchase of gas as feed and fuel stock	17,806,210	19,437,218
Equity investment	1,460,400	–
Services and materials provided	37,466	22,734
Services and materials received	14,769	9,071
Sale of fertilizers	4,366	641
Donations	84,691	89,414
Interest expense	55,374	59,975
Interest income	18,983	64,412
Dividend income	943,531	1,779,050
Dividend receivable	144,061	–
Short term investments	–	500,000
Long term investments	117,615	108,894
Short term borrowings	8,999,317	694,857
Long term borrowings	440,607	–
Bank balance	1,030,945	116,536
Running finance	48	133,819
Balance receivable	368,036	45,352
Balance payable	45,756,527	24,606,156
Contribution and balances with staff retirement funds		
Employees' Provident Fund Trust	439,942	416,567
Employees' Gratuity Fund Trust	168,507	118,014
Employees' Pension Fund Trust	154,914	89,283
Employees' Funds as Dividend on equity holding of 0.15% (2017: 0.15%)	53,547	8,288
Balance payable - Gratuity Fund Trust	525,210	405,493
Balance payable - Pension Fund Trust	204,355	362,311

39. NON ADJUSTING EVENTS AFTER REPORTING DATE

The Board of Directors of FFC in its meeting held on January 31, 2019 has proposed a final dividend of Rs 3.90 per share.

40. CORRESPONDING FIGURES

The preparation and presentation of these consolidated financial statements for the year ended December 31, 2018 is in accordance with requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of consolidated financial statements. Accordingly, the corresponding figures have been represented, wherever considered necessary, to comply with the requirements of the Companies Act, 2017. Following major representations have been made during the year:

Description	Represented		
	From	To	Rs '000
Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of consolidated financial position)	437,291

41. GENERAL

41.1 Production capacity - Urea

	Design capacity		Production	
	2018	2017	2018	2017
	Tonnes '000		Tonnes '000	
FFC				
Goth Machhi - Plant I	695	695	858	868
Goth Machhi - Plant II	635	635	792	825
Mirpur Mathelo - Plant III	718	718	872	820
	2,048	2,048	2,522	2,513

	Design capacity		Production	
	2018	2017	2018	2017
	MWh		MWh	
FFCEL				
Wind farms	143,559	143,559	122,654	132,865

The shortfall in energy delivered during the year was mainly attributable to low wind speed.

FFF

The production capacity of the Company's plant cannot be determined, as it is a multi-product production facility of which the processing capacity substantially vary depending on the fruits / vegetables processed.

41.2 Facilities of letters of credit and letters of guarantee

Facilities of letters of credit and letters of guarantee amounting to Rs 17,395,000 thousand and Rs 239,293 thousand (2017: Rs 13,580,000 thousand and Rs 101,655 thousand) respectively are available to the Group against lien on shipping / title documents, US $ Term Deposit Receipts and charge on assets of the Group.

41.3 Donations

Cost of sales and administrative and distribution expenses include donations amounting to Rs 60,176 thousand (2017: Rs 64,125 thousand) and Rs 24,515 thousand (2017: Rs 25,289 thousand) respectively. These are disbursed through Sona Welfare Foundation, Sona Tower, 156 - The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Tariq Khan, HI (M) (Retired) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

41.4 Exemption from applicability of IFRIC 4 - "Determining whether an arrangement contains a lease"

International Accounting Standards Board (IASB) has issued International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining whether an Arrangement contains a Lease", which became effective for financial periods beginning on or after January 1, 2006. On January 16, 2012, the Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of IFRIC 4 for companies in Pakistan. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC 4.

Under IFRIC 4, the consideration required to be made by lessee for the right to use the asset is accounted for as finance lease under IAS 17 - "Leases". FFCEL plant's control due to purchase of total output by NTDC appears to fall under the scope of IFRIC 4. Had this interpretation been applied the effects on the results and equity of the Company would have been as follows:

	2018	2017
	Rs '000	Rs '000
Increase in unappropriated profit at beginning of the year	816,269	602,606
Increase in profit for the year	81,809	213,663
Increase in unappropriated profit as at end of the year	898,078	816,269

	Note	2018	2017
41.5 Number of employees			
Total number of employees at end of the year	41.5.1	3,425	3,429
Average number of employees for the year	41.5.2	3,436	3,439

41.5.1 This includes 1,872 (2017: 1,873) number of factory employees.

41.5.2 This includes 1,880 (2017: 1,883) number of factory employees.

41.6 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

41.7 Date of authorization

These consolidated Financial Statements have been authorized for issue by the Board of Directors of FFC on January 31, 2019.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

Shareholders' Information
Fauji Fertilizer Company Limited

Pattern of Shareholding - FFC

As at December 31, 2018

Number Of Shareholders	Shareholding From	Shareholding To	Shares Held
1502	1	100	83,971
2757	101	500	980,763
2034	501	1000	1,788,644
4750	1001	5000	12,933,410
1540	5001	10000	11,844,992
693	10001	15000	8,817,444
479	15001	20000	8,564,879
326	20001	25000	7,524,266
236	25001	30000	6,557,164
149	30001	35000	4,879,554
150	35001	40000	5,670,857
85	40001	45000	3,630,941
134	45001	50000	6,536,759
100	50001	55000	5,271,343
65	55001	60000	3,769,218
59	60001	65000	3,719,929
43	65001	70000	2,911,579
56	70001	75000	4,115,763
43	75001	80000	3,338,255
31	80001	85000	2,572,534
28	85001	90000	2,466,559
26	90001	95000	2,416,340
75	95001	100000	7,425,044
21	100001	105000	2,148,272
25	105001	110000	2,696,826
17	110001	115000	1,923,684
18	115001	120000	2,135,965
27	120001	125000	3,320,844
9	125001	130000	1,152,679
10	130001	135000	1,333,668
16	135001	140000	2,214,835
11	140001	145000	1,575,985
23	145001	150000	3,419,563
7	150001	155000	1,060,152
20	155001	160000	3,161,635
12	160001	165000	1,953,389
12	165001	170000	2,019,022
4	170001	175000	692,095
5	175001	180000	889,360
6	180001	185000	1,103,456

Number Of Shareholders	Shareholding From	To	Shares Held
4	185001	190000	748,512
3	190001	195000	573,323
14	195001	200000	2,790,412
5	200001	205000	1,003,484
5	205001	210000	1,043,849
6	210001	215000	1,273,338
2	215001	220000	435,100
6	220001	225000	1,336,104
8	225001	230000	1,829,492
8	230001	235000	1,852,125
3	235001	240000	717,095
3	240001	245000	727,597
8	245001	250000	1,987,929
2	250001	255000	502,916
5	255001	260000	1,287,732
7	260001	265000	1,846,247
3	265001	270000	805,735
3	275001	280000	833,915
2	280001	285000	565,500
3	285001	290000	861,487
3	290001	295000	875,500
12	295001	300000	3,590,815
3	300001	305000	911,410
3	305001	310000	925,100
4	310001	315000	1,249,379
3	315001	320000	955,364
2	320001	325000	647,264
2	325001	330000	656,178
2	330001	335000	663,858
4	340001	345000	1,372,024
7	345001	350000	2,447,191
1	350001	355000	354,961
4	355001	360000	1,430,070
5	360001	365000	1,818,000
1	365001	370000	366,000
2	370001	375000	748,000
4	375001	380000	1,510,197
1	380001	385000	380,049
3	385001	390000	1,166,500
2	390001	395000	786,345

Pattern of Shareholding - FFC
As at December 31, 2018

Number Of Shareholders	Shareholding From	Shareholding To	Shares Held
3	395001	400000	1,196,500
1	400001	405000	401,875
1	405001	410000	408,728
1	410001	415000	413,000
2	415001	420000	835,500
2	420001	425000	844,349
1	425001	430000	427,200
2	435001	440000	877,000
3	445001	450000	1,343,283
1	455001	460000	458,803
3	460001	465000	1,386,500
1	465001	470000	467,000
2	470001	475000	948,250
1	475001	480000	476,750
2	480001	485000	962,700
3	490001	495000	1,475,619
3	495001	500000	1,492,257
1	500001	505000	505,000
1	510001	515000	513,470
3	525001	530000	1,585,900
1	530001	535000	531,000
1	540001	545000	543,000
3	545001	550000	1,646,000
3	550001	555000	1,654,000
1	565001	570000	567,500
2	575001	580000	1,153,367
1	580001	585000	583,000
1	585001	590000	589,593
1	590001	595000	591,110
2	595001	600000	1,196,000
1	605001	610000	605,780
1	615001	620000	618,130
1	620001	625000	625,000
1	625001	630000	627,190
1	630001	635000	630,350
2	635001	640000	1,280,000
4	645001	650000	2,593,873
1	660001	665000	662,095
2	665001	670000	1,335,000
1	670001	675000	673,192

Number Of Shareholders	Shareholding From	To	Shares Held
3	680001	685000	2,048,709
1	685001	690000	685,238
1	710001	715000	713,839
2	720001	725000	1,447,600
4	725001	730000	2,913,142
1	735001	740000	739,699
1	740001	745000	740,500
1	755001	760000	757,812
1	760001	765000	762,717
1	765001	770000	769,000
1	785001	790000	787,000
1	795001	800000	800,000
2	800001	805000	1,605,146
1	805001	810000	810,000
1	825001	830000	830,000
2	840001	845000	1,685,110
2	845001	850000	1,696,200
2	865001	870000	1,732,500
1	895001	900000	900,000
1	900001	905000	904,335
1	905001	910000	909,000
2	915001	920000	1,835,718
1	925001	930000	930,000
1	940001	945000	941,959
1	955001	960000	959,000
1	990001	995000	993,600
2	995001	1000000	2,000,000
2	1000001	1005000	2,005,354
1	1015001	1020000	1,019,337
1	1025001	1030000	1,026,500
1	1050001	1055000	1,054,500
2	1085001	1090000	2,177,100
1	1090001	1095000	1,093,250
1	1110001	1115000	1,111,039
1	1130001	1135000	1,134,600
1	1135001	1140000	1,138,000
1	1145001	1150000	1,150,000
1	1155001	1160000	1,155,300
1	1175001	1180000	1,177,000
1	1225001	1230000	1,226,000

Pattern of Shareholding - FFC

As at December 31, 2018

Number Of Shareholders	Shareholding From	Shareholding To	Shares Held
1	1270001	1275000	1,270,800
1	1275001	1280000	1,275,700
1	1290001	1295000	1,291,000
1	1315001	1320000	1,316,000
2	1370001	1375000	2,744,614
1	1380001	1385000	1,381,690
1	1445001	1450000	1,449,630
1	1455001	1460000	1,459,500
1	1465001	1470000	1,468,409
1	1510001	1515000	1,511,025
1	1515001	1520000	1,519,407
1	1540001	1545000	1,540,700
1	1545001	1550000	1,546,304
2	1555001	1560000	3,114,500
1	1660001	1665000	1,661,643
1	1665001	1670000	1,669,198
1	1670001	1675000	1,673,125
1	1695001	1700000	1,700,000
1	1710001	1715000	1,713,800
1	1715001	1720000	1,718,231
1	1780001	1785000	1,784,878
4	1795001	1800000	7,200,000
1	1815001	1820000	1,819,000
1	1895001	1900000	1,899,000
2	1995001	2000000	4,000,000
1	2055001	2060000	2,055,500
1	2115001	2120000	2,120,000
1	2135001	2140000	2,136,229
2	2195001	2200000	4,400,000
1	2255001	2260000	2,258,787
1	2305001	2310000	2,309,100
1	2310001	2315000	2,313,501
1	2445001	2450000	2,447,000
1	2635001	2640000	2,639,500
1	2660001	2665000	2,661,496
1	3060001	3065000	3,060,500
1	3505001	3510000	3,510,000
1	3555001	3560000	3,558,000
1	3775001	3780000	3,775,700
1	3925001	3930000	3,930,000

Number Of Shareholders	Shareholding From	To	Shares Held
1	3995001	4000000	4,000,000
1	4255001	4260000	4,256,000
1	4465001	4470000	4,466,749
1	4875001	4880000	4,880,000
1	4890001	4895000	4,894,000
1	4990001	4995000	4,991,500
1	5040001	5045000	5,040,099
1	5090001	5095000	5,093,500
1	5260001	5265000	5,261,000
1	5285001	5290000	5,287,500
1	6045001	6050000	6,047,320
1	6415001	6420000	6,418,000
1	7595001	7600000	7,600,000
1	8230001	8235000	8,231,026
1	8945001	8950000	8,945,913
1	9640001	9645000	9,641,000
1	9905001	9910000	9,908,874
1	10000001	10005000	10,000,100
1	10090001	10095000	10,094,000
1	10710001	10715000	10,711,240
1	11930001	11935000	11,932,163
1	12190001	12195000	12,193,749
1	15480001	15485000	15,481,600
1	17745001	17750000	17,750,000
1	25390001	25395000	25,394,055
1	116020001	116025000	116,022,735
1	129515001	129520000	129,516,412
1	434685001	434690000	434,687,842
15969			1,272,238,247

Pattern of Shareholding - FFC

As at December 31, 2018

Categories of Shareholders	Shareholders	Shares Held	Percentage
President of Pakistan			
PRESIDENT OF THE ISLAMIC REPUBLIC OF PAK	1	8,945,913	0.70
Directors and their spouse(s) and minor children			
FARHAD SHAIKH MOHAMMAD	1	2,000,000	0.16
SAAD AMANULLAH KHAN	1	500	0.00
PER KRISTIAN BAKKERUD	1	100	0.00
BUSHRA NAZ MALIK	1	500	0.00
Associated Companies, undertakings and related parties			
FAUJI FOUNDATION	1	129,516,412	10.18
COMMITTEE OF ADMIN. FAUJI FOUNDATION	1	434,687,842	34.17
Executives	10	633,401	0.05
Public Sector Companies and Corporations	13	134,675,418	10.59
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	60	93,401,302	7.34
Mutual Funds			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	162,050	0.01
CDC - TRUSTEE MCB DCF INCOME FUND	1	80,500	0.01
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	54,000	0.00
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	2,258,787	0.18
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1	22,000	0.00
CDC - TRUSTEE ATLAS INCOME FUND - MT	1	42,500	0.00
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	15,000	0.00
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	25,394,055	2.00
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	723,100	0.06
CDC - TRUSTEE NAFA INCOME FUND - MT	1	32,500	0.00
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	6,500	0.00
CDC - TRUSTEE PICIC INVESTMENT FUND	1	548,000	0.04
CDC - TRUSTEE PICIC GROWTH FUND	1	1,054,500	0.08
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	361,000	0.03
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	1,468,409	0.12
CDC - TRUSTEE NAFA STOCK FUND	1	5,287,500	0.42
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	830,000	0.07
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	543,000	0.04
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	490,500	0.04
CDC - TRUSTEE HBL EQUITY FUND	1	62,500	0.00
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	41,500	0.00
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	48,490	0.00
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	1	296,000	0.02
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	291,000	0.02
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	44,000	0.00
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	531,000	0.04
MC FSL TRUSTEE JS - INCOME FUND - MT	1	8,000	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	930,000	0.07
CDC - TRUSTEE HBL - STOCK FUND	1	865,500	0.07
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	1	122,000	0.01
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1	246,500	0.02

Categories of Shareholders	Shareholders	Shares Held	Percentage
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	1	34,500	0.00
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	740,500	0.06
CDC - TRUSTEE JS ISLAMIC FUND	1	377,000	0.03
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	3,060,500	0.24
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	319,000	0.03
CDC - TRUSTEE ABL STOCK FUND	1	1,026,500	0.08
CDC - TRUSTEE LAKSON EQUITY FUND	1	724,500	0.06
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	551,500	0.04
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	240,000	0.02
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	867,000	0.07
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	526,000	0.04
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	3,558,000	0.28
CDC - TRUSTEE LAKSON TACTICAL FUND	1	147,000	0.01
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	1	725,050	0.06
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	1	76,500	0.01
MCBFSL-TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	1	19,000	0.00
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	64,791	0.01
MC FSL TRUSTEE JS - INCOME FUND	1	2,000	0.00
MC FSL - TRUSTEE JS GROWTH FUND	1	420,000	0.03
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	62,500	0.00
CDC - TRUSTEE JS LARGE CAP. FUND	1	242,500	0.02
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	1	500	0.00
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	1	2,000	0.00
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	1	152,000	0.01
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	1	110,000	0.01
	-		
General Public			
a. Local	15337	277,163,453	21.79
b. Foreign	26	87,087	0.01
Foreign Companies	137	97,914,852	7.70
Others	323	36,302,235	2.85
Totals	15969	1,272,238,247	100.00

Share holders holding 5% or more	Shares Held	Percentage
COMMITTEE OF ADMIN. FAUJI FOUNDATION	434,687,842	34.17
FAUJI FOUNDATION	129,516,412	10.18
STATE LIFE INSURANCE CORP. OF PAKISTAN	116,022,735	9.12

Financial Calendar

The Company follows the period of January 01 to December 31 as the financial year.

Financial results will be announced as per the following tentative schedule:

Annual General Meeting	March 26, 2019
1st Quarter ending March 31, 2019	Last Week of April 2019
Half year ending June 30, 2019	Last Week of July 2019
3rd Quarter ending Spetember 30, 2019	Last Week of October 2019
Year ending December 31, 2019	Last Week of January 2020

حصص یافتگان کی اقسام	حصص یافتگان	تعداد حصص	فیصد
سی ڈی سی۔ٹرسٹی ایم سی بی پاکستان سٹاک مارکیٹ فنڈ	1	740,500	0.06
سی ڈی سی۔ٹرسٹی جے ایس اسلامک فنڈ	1	377,000	0.03
سی ڈی سی۔ٹرسٹی الامین شریعہ سٹاک فنڈ	1	3,060500	0.24
سی ڈی سی۔ٹرسٹی نفع ملٹی ایسٹ فنڈ	1	319,000	0.03
سی ڈی سی۔ٹرسٹی اے بی ایل سٹاک فنڈ	1	1,026,500	0.08
سی ڈی سی۔ٹرسٹی لیکسن ایکویٹی فنڈ	1	724,500	0.06
ایم سی بی ایف ایس ایل۔ٹرسٹی اے بی ایل اسلامک سٹاک فنڈ	1	551,500	0.04
سی ڈی سی۔ٹرسٹی یو بی ایل ایسٹ ایلوکیشن فنڈ	1	240,000	0.02
سی ڈی سی۔ٹرسٹی الامین اسلامک ایسٹ ایلوکیشن فنڈ	1	867,000	0.07
سی ڈی سی۔ٹرسٹی الامین اسلامک آر ای ٹی۔ایس اے وی۔فنڈ۔ایکویٹی سب فنڈ	1	526,000	0.04
سی ڈی سی۔ٹرسٹی الامین اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	1	3,558,000	0.28
سی ڈی سی۔ٹرسٹی لیکسن ٹیکٹیکل فنڈ	1	147,000	0.01
سی ڈی سی۔ٹرسٹی جے ایس اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	1	725,050	0.06
سی ڈی سی۔ٹرسٹی الفلاح کیپٹل پریزرویشن فنڈ II	1	76,500	0.01
ایم سی بی ایف ایل۔ٹرسٹی اے بی ایل اسلامک ایسٹ ایلوکیشن فنڈ	1	19,000	0.00
سی ڈی سی۔ٹرسٹی یو بی ایل ڈیڈیکیٹڈ ایکویٹی فنڈ	1	64,791	0.01
ایم سی ایف ایس ایل ٹرسٹی جے ایس۔انکم فنڈ	1	2,000	0.00
ایم سی ایف ایس ایل ٹرسٹی جے ایس۔گروتھ فنڈ	1	420,000	0.03
سی ڈی سی۔ٹرسٹی پاکستان کیپٹل مارکیٹ فنڈ	1	62,500	0.00
سی ڈی سی۔ٹرسٹی جے ایس لارج کیپ۔فنڈ	1	242,500	0.02
سی ڈی سی۔ٹرسٹی الفلاح جی ایچ پی انکم فنڈ۔ایم ٹی	1	500	0.00
سی ڈی سی۔ٹرسٹی نفع انکم اوپرچیونٹی فنڈ۔ایم ٹی	1	2,000	0.00
سی ڈی سی۔ٹرسٹی ایچ بی ایل اسلامک ایسٹ ایلوکیشن فنڈ	1	152,000	0.01
سی ڈی سی۔ٹرسٹی ایم سی بی ایف ایس ایل۔ٹرسٹی ایچ بی ایل اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	1	110,000	0.01
عوام الناس			
مقامی	15337	277,163,453	21.79
غیر ملکی	26	87,087	0.01
غیر ملکی کمپنیاں	137	97,914,852	7.70
دیگر	323	36,302,235	2.85
کل	15969	1,272,238,247	100.00

5 فیصد یا اس سے زیادہ کے حصص یافتگان		تعداد حصص	فیصد
کمیٹی آف ایڈمنسٹریشن فوجی فاؤنڈیشن		434,687,842	34.17
فوجی فاؤنڈیشن		129,516,412	10.18
سٹیٹ لائف انشورنس کارپوریشن آف پاکستان		116,022,735	9.12

مالیاتی کیلنڈر

کمپنی کے مالیاتی سال کی مدت یکم جنوری سے 31 دسمبر تک ہے۔

کمپنی کے مالیاتی نتائج کا اعلان مندرجہ ذیل عارضی جدول کے مطابق کیا جائے گا۔

سالانہ عام اجلاس	26 مارچ 2019
31 مارچ 2019 کو ختم ہونے والی پہلی سہ ماہی:	آخری ہفتہ اپریل 2019
30 جون 2019 کو ختم ہونے والی دوسری سہ ماہی:	آخری ہفتہ جولائی 2019
30 ستمبر 2019 کو ختم ہونے والی تیسری سہ ماہی:	آخری ہفتہ اکتوبر 2019
سالانہ نتائج 31 دسمبر 2019	آخری ہفتہ جنوری 2020

پیٹرن آف شیئر ہولڈنگ - FFC

۳۱ دسمبر ۲۰۱۸

حصص یافتگان کی اقسام	حصص یافتگان	تعداد حصص	فیصد
صدر پاکستان			
صدر اسلامی جمہوریہ پاکستان	1	8,945,913	0.70
ڈائریکٹرز اور ان کی شریک حیات اور چھوٹے بچے			
فرہاد شیخ محمد	1	2,000,000	0.16
سعد امان اللہ خان	1	500	0.00
پرکرسٹن بیکرڈ	1	100	0.00
بشریٰ ناز ملک	1	500	0.00
منسلک کمپنیاں، اقرار نامے اور متعلقہ کمپنیاں			
فوجی فاؤنڈیشن	1	129,516,412	10.18
کمیٹی آف ایڈمن فوجی فاؤنڈیشن	1	434,687,842	34.17
ایگزیکٹوز	10	633,401	0.05
سرکاری شعبے کی کمپنیاں اور کارپوریشنز	13	134,675,418	10.59
بینک، ڈیویلپمنٹ فنانس انسٹیٹیوشنز، غیر بینکاری کے مالی ادارے، بیمہ کمپنیاں، تکافل، مدارباور پنشن فنڈز	60	93,401,302	7.34
مشترکہ فنڈز			
سی ڈی سی۔ ٹرسٹی اے کے ڈی انڈیکس ٹریکر فنڈ	1	162,050	0.01
سی ڈی سی۔ ٹرسٹی ایم سی بی ڈی سی ایف انکم فنڈ	1	80,500	0.01
سی ڈی سی۔ ٹرسٹی ایچ بی ایل ملٹی۔ ایسٹ فنڈ	1	54,000	0.00
سی ڈی سی۔ ٹرسٹی این آئی ٹی۔ ایکوئٹی مارکیٹ اوپرچیونٹی فنڈ	1	2,258,787	0.18
سی ڈی سی۔ ٹرسٹی نفع سیونگز پلس فنڈ۔ ایم ٹی	1	22,000	0.00
سی ڈی سی۔ ٹرسٹی اٹلس انکم فنڈ ایم ٹی	1	42,500	0.00
سی ڈی سی۔ ٹرسٹی فرسٹ کیپٹل مشترکہ فنڈ	1	15,000	0.00
سی ڈی سی۔ ٹرسٹی نیشنل انوسٹمنٹ (یونٹ) ٹرسٹ	1	25,394,055	2.00
سی ڈی سی۔ ٹرسٹی این آئی ٹی اسلامک ایکوئٹی فنڈ	1	723,100	0.06
سی ڈی سی۔ ٹرسٹی نفع انکم فنڈ ایم ٹی	1	32,500	0.00
سی ڈی سی۔ ٹرسٹی فرسٹ داؤد میوچل فنڈ	1	6,500	0.00
سی ڈی سی۔ ٹرسٹی پی آئی سی آئی سی انوسٹمنٹ فنڈ	1	548,000	0.04
سی ڈی سی۔ ٹرسٹی پی آئی سی آئی سی گروتھ فنڈ	1	1,054,500	0.08
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی ویلیو فنڈ	1	361,000	0.03
سی ڈی سی۔ ٹرسٹی یو بی ایل سٹاک ایڈوانٹیج فنڈ	1	1,468,409	0.12
سی ڈی سی۔ ٹرسٹی نفع سٹاک فنڈ	1	5,287,500	0.42
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی سٹاک فنڈ	1	830,000	0.04
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی الفا فنڈ	1	543,000	0.04
سی ڈی سی۔ ٹرسٹی ایچ بی ایل اسلامک سٹاک فنڈ	1	490,500	0.04
سی ڈی سی۔ ٹرسٹی ایچ بی ایل ایکوئٹی فنڈ	1	62,500	0.00
سی ڈی سی۔ ٹرسٹی ایچ بی ایل آئی پی ایف ایکوئٹی سب فنڈ	1	41,500	0.00
سی ڈی سی۔ ٹرسٹی ایچ بی ایل پی ایف فنڈ ایکوئٹی سب فنڈ	1	48,490	0.00
ایم سی بی ایف ایس ایل ٹرسٹی اے بی ایل اسلامک ڈیڈیکیٹڈ سٹاک فنڈ	1	296,000	0.02
سی ڈی سی۔ ٹرسٹی یونٹ ٹرسٹ آف پاکستان	1	291,000	0.02
سی ڈی سی۔ ٹرسٹی فرسٹ حبیب سٹاک فنڈ	1	44,000	0.00
سی ڈی سی۔ ٹرسٹی نفع ایسٹ ایلوکیشن فنڈ	1	531,000	0.04
ایم سی ایف ایس ایل ٹرسٹی جے ایس۔ انکم فنڈ۔ ایم ٹی	1	8,000	0.00
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی اسلامک سٹاک فنڈ	1	930,000	0.07
سی ڈی سی۔ ٹرسٹی ایچ بی ایل سٹاک فنڈ	1	865,500	0.07
سی ڈی سی۔ ٹرسٹی ایچ بی ایل اسلامک ایکوئٹی فنڈ	1	122,000	0.01
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی اسلامک ڈیڈیکیٹڈ ایکوئٹی فنڈ	1	246,500	0.02
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی اسلامک ویلیو فنڈ	1	34,500	0.00

Pattern of Shareholding - FFCEL & FFF

As at December 31, 2018

FFC Energy Limited

Categories of Shareholders	Shareholders	Shares Held	Percentage
Fauji Fertilizer Company Limited	1	243,755,000	99.97
Directors	7	70,000	0.03
Totals	**8**	**243,825,000**	**100**

فیصد	تعداد حصص	حصص یافتگان	حصص یافتگان کی اقسام
99.97	243,755,000	1	فوجی فرٹیلائزر کمپنی لمیٹڈ
0.03	70,000	7	ڈائریکٹرز
100	**243,825,000**	**8**	**کل**

Fauji Fresh n Freeze Limited

Categories of Shareholders	Shareholders	Shares Held	Percentage
Fauji Fertilizer Company Limited	1	473,953,000	99.99
Directors	7	7,000	0.01
Totals	**8**	**473,960,000**	**100**

فیصد	تعداد حصص	حصص یافتگان	حصص یافتگان کی اقسام
99.99	473,953,000	1	فوجی فرٹیلائزر کمپنی لمیٹڈ
0.01	7,000	7	ڈائریکٹرز
100	**473,960,000**	**8**	**کل**

Definitions & Glossary of Terms

Definitions

Profitability Ratios
Profitability Ratios are used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Liquidity Ratios
Liquidity ratios determine the Company's ability to meet its short-term financial obligations.

Activity / Turnover Ratios
Activity / Turnover ratios evaluate the operational efficiency of the Company to convert inventory & receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales.

Investment / Market Ratios
Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the company's ability to generate profits.

Capital Structure Ratios
Capital Structure ratios provide an indication of the long term solvency of the Company and its cost of debt, in relation to equity and profits.

Glossary of terms

Term	Description
Agri. Services	Agriculture Services provided by FFC's Marketing Team to farmers
AKBL	Askari Bank Limited
AMCON	Annual Marketing Conference
ATL	Active Taxpayers List
BCP	Business Continuity Planning
BI&T	Banking Industries and Trading
CAER	Community Awareness and Emergency Response
CBA	Collective Bargaining Agent
CCP	Competition Commission of Pakistan
CE&MD	Chief Executive & Managing Director
CFA	Certified Financial Analyst
CFO	Chief Financial Officer
CITA	Continuous Improvement in Technological Advancements
CNIC	Computerized National Identity Card
COD	Commercial Operation Date
CPEC	China-Pakistan Economic Corridor
CSR	Corporate Social Responsibility

Definitions & Glossary of Terms

Term	Description
Current Ratio	A liquidity ratio that measures a company's ability to pay short-term and long-term obligations by considering the current total assets of a company (both liquid and illiquid) relative to that company's current total liabilities
DAP	Di-Ammonium Phosphate
DCS	Distribution Control System
De-Bottle Necking (DBN)	Process of optimizing existing plant and equipment to enhance overall capacity by improving specific areas that limit production
DPS	Dividend Per Share
DRS	Disaster Recovery Site
E-DOX	Software for document imaging and workflow management
EPC	Engineering, Procurement and Construction
EPS	Earnings Per Share
FAC	Farm Advisory Centres
FCCL	Fauji Cement Company Limited; an associated company of FFC
FFBL	Fauji Fertilizer Bin Qasim Limited; an associated company of FFC
FFC	Fauji Fertilizer Company Limited
FFCEL	FFC Energy Limited; a wholly owned subsidiary of FFC
FFF	Fauji Fresh n Freeze Limited; a wholly owned subsidiary of FFC
FPCCI	Federation of Pakistan Chamber of Commerce and Industries
Gearing	The level of a company's debt related to its equity capital. It is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders.
GHG	Green House Gases
GIDC	Gas Infrastructure Development Cess
GM	Goth Machhi
Going concern assumption	An accounting assumption that an entity will remain in business for the foreseeable future.
GRI	Global Reporting Initiative
HACCP	Hazard Analysis and Critical Control Points-an internationally recognized system for reducing the risk of safety hazards in food
HI (M)	Hilal-e-Imtiaz (Military)
HR&R	Human Resource and Remuneration
HSE	Health Safety and Environment
HWT	Hot Water Treatment
IBAN	International Bank Account Number

Term	Description
ICAP	Institute of Chartered Accountants of Pakistan
ICAP / ICMAP BCR Award	Institute of Chartered Accountants of Pakistan/Institute of Cost and Management Accountants of Pakistan Best Corporate Report Award
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFA	International Fertilizer Industry Association
IFRSs	International Financial Reporting Standards
Interest Cover	A financial ratio that measures a company's ability to make interest payments on its debt in a timely manner.
IQF	Individually Quick Frozen; A food preservation technology that freezes each individual piece of food thus retaining its nutritional value while keeping pieces from clumping together
ISMS	Information System Security Management
ITIL	Information Technology Infrastructure Library
KIBOR	Karachi Inter-Bank Offer Rate, periodically announced by the State Bank of Pakistan
LNG	Liquified Natural Gas
Management Letter	Letter written by auditors to directors of the company, communicating material issues, concerns and suggestions noted during the audit.
M&O	Manufacturing and Operations
MAP	Management Association of Pakistan
MMSCF	Million Standard Cubic Feet
MOIPI	Maintenance of Industrial Peace Initiatives
MOP	Muriate of Potash
MW	Mega Watt
NDMA	National Disaster Management Authority of Pakistan
NEQS	National Environmental Quality Standards
Net worth	Net worth is the amount by which assets exceed liabilities (Equity)
NFDC	National Fertilizer Development Centre, Pakistan
NGO	Non-Government Organization
NIT	National Investment Trust Limited
NTDC	National Transmission & Despatch Company, Pakistan
NTN	National Tax Number
NUST	National University of Science and Technology
OHSAS	Occupational Health and Safety Assessment Series, is an internationally applied British Standard for occupational health and safety management systems.

Definitions & Glossary of Terms

Term	Description
PIBs	Pakistan Investment Bonds
PIDE	Pakistan Institute of Development Economics
PMP	Pakistan Maroc Phosphore S.A, Morocco
PSFL	Ex-Pak Saudi Fertilizer Limited
PSX	Pakistan Stock Exchange
RCCI	Rawalpindi Chamber of Commerce and Industries
ROE	Return On Equity-It measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested
SAARC	South Asian Association for Regional Cooperation
SAFA	South Asian Federation of Accountants
SAN	Storage Area Network
SAP-ERP	An enterprise resource planning software developed by the German company SAP SE and used by FFC to manage business, operations and customer relations.
SECP	Securities & Exchange Commission of Pakistan
SI (M)	Sitara-e-Imtiaz (Military)
SNG	Synthetic Natural Gas
SOP	Sulphate of Potash
Super Tax	An originally one-time levy of tax imposed by Government in 2015, yet re-imposed in 2016 & 2017, on companies meeting certain income threshholds.
Tariff True-up	Adjustment by National Electric Power Regulatory Authority of reference tariff FFCEL can charge for delivery of electricity to NTDC after commencement of commercial operations
TCP	Trading Corporation of Pakistan
TPDC	Tanzania Petroleum Development Corporation
UK	United Kingdom
UNGC	United National Global Compact-The world's largest corporate sustainability initiative that asks companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals
USA	United States of America
VHT	Vapor Heat Treatment
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund

FORM OF PROXY
41st Annual General Meeting

I/We ____

of ____

being a member(s) of Fauji Fertilizer Company Limited hold ______________________

Ordinary Shares hereby appoint Mr / Mrs / Miss ______________________

of ______________ or failing him / her ______________________

of ______________ as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the

41st Annual General Meeting of the Company to be held on Tuesday March 26, 2019 and /or any adjournment thereof.

As witness my/our hand/seal this ________ day of ________ March 2019.

Signed by ____

in the presence of ____

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 156 The Mall, Rawalpindi not less than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. For CDC Account Holders/Corporate Entities

   In addition to the above the following requirements have to be met.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
(ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
(iii) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).

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Company Secretary
FAUJI FERTILIZER COMPANY LIMITED
156 The Mall, Rawalpindi Cantt
Website: www.ffc.com.pk
Tel No. +92-51-111-332-111, 8450001

فوجی فرٹیلائزر کمپنی لمیٹڈ

پراکسی فارم

41 واں سالانہ عمومی اجلاس

میں/ہم۔۔۔کا/کے بحیثیت ممبر(ز) فوجی فرٹیلائزر کمپنی لمیٹڈ اور حامل عام حصص محترم/محترمہ۔۔۔۔۔۔۔۔ یا ان کے حاضر نہ ہوسکنے کی صورت میں۔۔۔۔۔۔۔۔۔کو اپنے/ہمارے ایماء پر کمپنی کے 26 مارچ 2019 منگل کو ہونے والے 41 واں سالانہ عمومی اجلاس میں شرکت کرنے 'حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا/کرتے ہیں۔

بطور گواہ آج بتاریخ۔۔۔ دن۔۔۔ مارچ 2019 میرے/ہمارے دستخط ہوئے

دستخط۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ کی موجودگی میں

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

پانچ روپے کے رسیدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس 156 دی مال راولپنڈی میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

3۔ **سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے کے لیے**

مزید برآں درج ذیل شرائط کو پورا کیا جائے گا۔

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں گی۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہوگی۔

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