Contributing towards **National Food Security**

FAUJI FERTILIZER COMPANY LIMITED

COVER **STORY**

We, at Fauji Fertilizer, understand the importance of resilience, as a team we have had to steer through various struggles, and we're proud to say that we have emerged stronger than ever.

Despite persistent challenges, 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 an inspiring, distinguished and globally diversified enterprise with a hallmark of excellence, trust and innovation

MISSION

Taking a lead role in the agricultural & industrial development by delivering premium products and services while maintaining a high level of social and environmental responsibility for all the stakeholders, thus providing a dynamic and challenging environment for our employees

ABOUT THIS **REPORT**

The FFC Annual Report 2019 (the Report) integrates the following sections:

- Company Overview
- Chairman and Chief Executive's Reviews
- Directors' Report
- Audit Committee Report on CCG
- Statement of Compliance with CCG
- Sustainability Report
- Standalone Financial Statements
- Consolidated Financial Statements
- Shareholders' Information

The Report is structured to assist our readers in assessing our business by providing information about state of affairs, performance and the outlook of FFC. It fairly addresses the material matters pertaining to the long term sustainability of the Company and its integrated performance. This Report comprises of strategic and operational review by the Board of Directors which encompasses financial reviews and analyses, overview of governance, risk management and internal control frameworks. **'Navigating through this Report'** given on page 386 shall further facilitate the reader in comprehending this Report.

Our value creating business model supported by the outputs, outcomes and impacts of various forms of capitals associated with business activities, and how we look forward towards business opportunities, has also been explained.

The Board has endorsed and authorized the release of their report on January 30, 2020.

Scope and Boundary

Our Report covers the period from January 01, 2019 to December 31, 2019 and subsequent events upto the issuance of this report have also been explained in various sections of the Report.

Operational and financial analyses and reviews are carried out by extracting financial information from the Audited Financial Statements for the year ended December 31, 2019 with relevant comparative information. The Financial Statements consistently comply with the requirements of:

- International Financial Reporting Standards (IFRS)
- Companies Act, 2017 and other applicable regulations

Chairman's Review, Directors' Report, Audit Committee's Report, Report on Compliance of Code of Corporate Governance (CCG), Sustainability Report and other information contained in this Report has been structured in compliance with the requirements of Companies Act 2017, Code of Corporate Governance, Listing Regulations of the Pakistan Stock Exchange (PSX) and other local and international good governance practices as promoted by ICAP / ICMAP, PSX, MAP, SAFA etc. in addition to the integrated reporting framework of IIRC.

There have not been any significant changes to the scope, boundary and reporting basis since the last reporting date as of December 31, 2018.

Our Sustainability Report aims to provide our stakeholders a concise and transparent assessment of our value creation ability and contribution towards Sustainable Development Goals (SDGs).

This Report is also in compliance with the following requirements:

- International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework
- Global Reporting Initiative (GRI) Standards: Comprehensive Option
- Sustainability Accounting Standard Board (SASB) Chemical Industry Standard
- United Nations Global Compact (UNGC) "Ten Principles"

External Assurances / Reviews

Description of the Report	External Reviews / Assurances
Review Report on the Statement of Compliance with the Code of Corporate Governance	A.F.Ferguson & Co., Chartered Accountants
Independent Auditor's Report on the Audit of Financial Statements	A.F.Ferguson & Co., Chartered Accountants
Independent Auditor's Report on the Audit of Consolidated Financial Statements	A.F.Ferguson & Co., Chartered Accountants
Independent External Review of Sustainability Report	BSD Consulting (Brazil); and Nadeem Safdar & Co., Chartered Accountants
Entity Credit Rating	Pakistan Credit Rating Agency (PACRA)

Forward Looking Statement

This Report includes 'Forward Looking Statement' which addresses our expected future business and financial performance / condition, information about the status of projects disclosed in last year's forward looking statement, sources of information and assumption used for projections / forecasts and our future course of action to manage the risks and capitalize on opportunities (known and unknown). Such statements are valid only for the date of publication.

Materiality

The Company's process for determination of materiality has been explained on pages 92 and 143 of this Report.

CONTENTS

01

General information about the Company and its operations

COMPANY **OVERVIEW**

PRODUCT **PORTFOLIO**

Principal Activities of the Company

The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers (including FFBL products), 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 phosphate fertilizer containing 46% P_2O_5 and 18% N. Due to ideal Nitrogen to Phosphorus ratio i.e. 1:2.6 in DAP, it is suited 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 phosphate 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.

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).

PRODUCT **PORTFOLIO**

Processed Fruits & Vegetables

Fauji Fresh n Freeze Limited

In order to provide quality frozen fruits, vegetables and french-fries to the domestic market with objective of hygiene, convenience, year round availability, price consistency, value for money, consistent quality, the Company through its wholly owned subsidiary – Fauji Fresh n Freeze Limited (FFF) is managing and operating the state of art Individual Quick Freezing (IQF) processing facility in Sahiwal. It has the highest food safety standards in the industry and is certified in ISO 9001, 14001, 18001 & HACCP.

The most popular brand of the Company is Opa! frozen french-fries - a FFF product that promises to become a popular household brand in the domestic market. So far, the results have been encouraging, and FFF is optimistic that Opa! will give the Company a sustainable advantage. Opa! currently has a market share of 30% which is a fast growing segment. It is expected that Opa! will leverage the business of Individual Quick Freezing (IQF) fruits & vegetables portfolio also.

The product portfolio in IQF fruits & vegetables category includes peas, sweet corn, strawberry, broccoli, 4-way mix and mix sabzi. Development of IQF fruits & vegetables will take some time as the category in Pakistan is at its nascent stage.

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
Tharparkar	Thar Energy Limited Power Plant	Thar Block II, Thar Coalmine, Tharparkar
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 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 behavior

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

The resilience of our business model and determination of our workforce aided by a diversified investment portfolio and consistent contribution to the economy, has made FFC one of the most 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. Over the years, 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$ 14.33 billion to the National Exchequer through import substitution of almost 62 million tonnes of urea since its inception.

FFC

Associated Companies

Joint Venture Company

Subsidiary Companies

FFC ENERGY

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

Fauji Fresh n Freeze Limited

Fauji Fresh n Freeze Limited (FFF), operating Pakistan's only IQF food preservation technology located in Sahiwal, was acquired back in 2013 as part of FFC's diversification strategy.

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 48% in urea and 46% in DAP in 2019 (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 23.37 billion at the end of the year. The Bank operates throughout Pakistan with a branch network of 517 branches, including 94 Islamic banking branches, 44 sub branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

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.

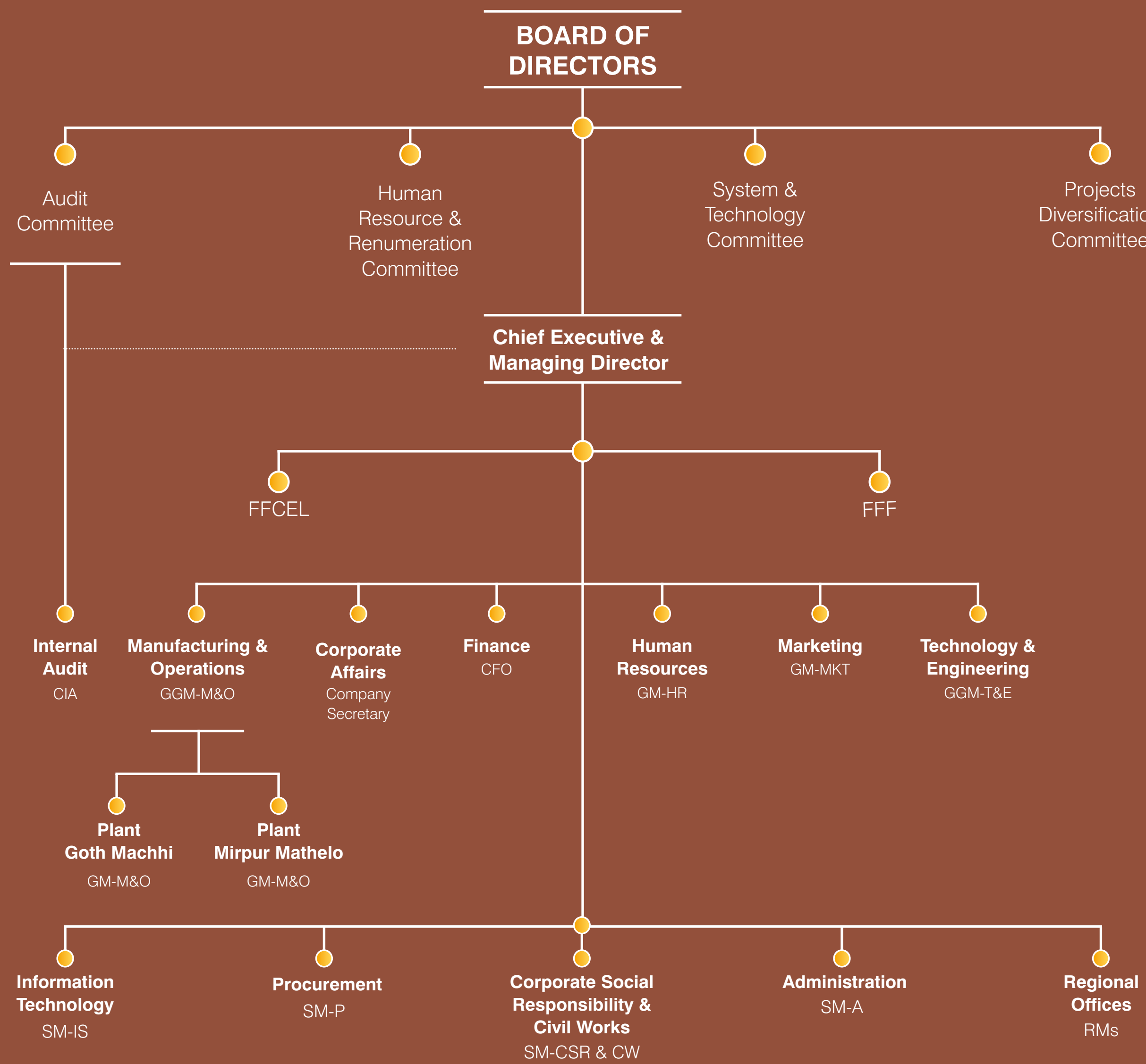
Fauji Cement Company Limited

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 3.56 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.

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 Limited
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 3,457 people in its operations including plants, marketing offices and head office. Location-wise break-up of number of employees has been disclosed on page 157 of the Report.

Disclosure of total number of 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 138 of the Report.

External environment

Significant factors effecting the external environment and our associated responses have been disclosed in detail on page 140 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 2019

2,467 KT
Sona urea sales

Rs 1.33 billion
Investment in Thar Energy Limited

2,492 KT
Sona Urea Production

122%
Operational efficiency

Rs 5.67 billion
Highest ever investment income

40%
Contribution in Pakistan's indigenous urea production

59,025
Farmers reached through our unique Agri. Services

80%
Profit payout to shareholders

Rs 42 billion
Contribution to National Exchequer

Combined FFC / FFBL market share (Source: NFDC)

46% DAP

48% Urea

253
Scholarships awarded under Sona ward of farmers scholarship program

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

	01 OBJECTIVE	02 OBJECTIVE	03 OBJECTIVE
	Improve agricultural productivity by providing balanced fertilizer application and use of enhanced efficiency products	**Enhance brand image to leverage future diversification projects**	**Increase FFC's presence across the borders**
Strategy	Educate farmers regarding balanced and slow release fertilizer usage through farm advisory and facilitation centers	Promotion and enhancement of FFC Sona Brand to signify business excellence	Ensure expansion of business across the border capitalizing on FFC's well recognized technical expertise and business experience earned over the last four decades to augment Company's profitability
Nature	Medium / Long term	Medium / Long term	Short / Medium term
Priority	High	High	High
Resources allocated	Financial capital, human capital, manufactured capital	Financial capital, manufactured capital, human capital	Financial capital, manufactured capital, human capital, social and relationship capital
KPI Monitored	Funds allocation to farm advisory function	Incremental income from equity investments	Incremental revenue and enhanced profitability
Status	Ongoing process – Targets for the year achieved	Ongoing process	An evolving process. Major targets for the year achieved.
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	FFC Brand image denotes a reputable business enterprise which provides confidence to local/international investors to join hands with FFC for future investments and collaborated growth.	The Company's technical expertise are widely recognized across the globe creating ample opportunities for the Company to extend its services beyond the national boundaries. However, with the ongoing technological advancement in this industry, the Company remains cognizant and plans to deal with this challenge through investment on its human resource to keep abreast with such advancements.

Significant changes in objectives & strategies

At FFC, business objectives & strategies are carefully planned and are realigned / updated on requirement basis to cope with the challenges of ever changing business environment.

	04 OBJECTIVE	05 OBJECTIVE	06 OBJECTIVE	07 OBJECTIVE
	Business diversification to augment Company revenues and achieving sustainable profitability margins	**Increase operational efficiency through improved synergies among functions**	**Costs Economization**	**Identifying and implementing strategy for alternative resources of energy for FFC core business sustainability**
	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	The company is evaluating various options related to alternate energy resources
	Medium / Long term	Short term	Short / Medium term	Medium / Long term
	High	High	High	High
	Human capital, intellectual capital, financial capital	All capitals	Human capital, intellectual capital, financial capital	Financial capital, human capital, intellectual 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	ROI, Payback of investment in these projects
	An evolving process – During the year, the Company invested Rs 1.33 billion in Thar Energy Limited. Financial close has been notified by the Government.	Ongoing process – Plans for 2019 achieved	Ongoing process – The management has implemented effective cost controls which enable savings in production and other operating / financing costs	Management is evaluating various viable options.
	The KPI will remain relevant in the future	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 along with adequate resources enable it to diversify its investment portfolio while prudently mitigating associated risks	There is always room for improving efficiency and synergies among the functions. With focused management strategies, operational efficiency 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	Continuous depletion of Pakistan's gas reserves will impact the Company's fertilizer production. To be sustainable in the long-term, the Company focuses on evaluating alternative energy options. These ventures require high capital costs but are necessary for sustaining production levels

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
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)
Mr Saad Amanullah Khan
Mr Rehan Laiq
Syed Iqtidar Saeed
Ms Maryam Aziz
Mr Farrukh Ahmad Hamidi
Maj Gen Naseer Ali Khan, HI(M) (Retired)
Mr Sher Alam Mahsud

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

Goth Machhi, Sadiqabad

(Distt: Rahim Yar Khan), Pakistan
Tel No. +92-68-5954550-64
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

A.F.Ferguson & Co
Chartered Accountants
PIA Building, 3rd Floor
49 Blue Area, P.O.Box 3021
Islamabad
Tel No. +92-51-2273457-60, 2604934-37
Fax No. +92-51-2277924, 2206473

Shares Registrar

CDC Share Registrar Services Limited
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 Bank (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

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

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

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

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

2010

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

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

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

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

2019

Highest ever investment income of Rs 5.67 billion

9th consecutive first position – PSX Top 25 Companies

12th overall top position in the Best Corporate Report Awards 2018 competition held by ICAP and ICMAP

First position in the Sustainability Report category of the Best Corporate Report Awards 2018 competition held by ICAP and ICMAP for the 4th time

Winner in the "Manufacturing sector" category of South Asian Federation of Accountants (SAFA) Best Annual Report Awards 2018

IFA Gold Medal awarded as Industry Stewardship Champions

Top position in IFA Safety Performance Benchmark Survey

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 product 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**

JAN	192nd BOD Meeting – Final dividend proposed @ 39%
FEB	Successful completion of Turnaround at Plant-I, Goth Machhi
MAR	3rd Analyst Briefing summarizing the Company Performance of 2018
APR	194th BOD Meeting – First interim dividend announced @ 25%
MAY	First position – PSX Top 25 Companies for 2017
JUL	195th BOD Meeting – Second interim dividend announced @ 28.5% Maintained long term credit rating of AA+ and short term credit rating of A1+
AUG	Top positions in ICAP / ICMAP BCSR Awards
OCT	196th BOD Meeting – Third interim dividend announced @ 22%
NOV	1st position in “Manufacturing sector” category by SAFA Best Annual Report Awards 2018
DEC	Highest ever Investment Income – Rs 5.67 billion Contribution to National Exchequer – Rs 42 billion First position – PSX Top 25 Companies for 2018

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 Infraavest Foods Limited
- Fauji Meat Limited
- Fauji Oil Terminal & Distribution Company Limited
- Fauji Trans Terminal Ltd
- FFBL Foods Limited
- FFBL Power Company Limited
- FFC Energy Limited
- Foundation Power Company Daharki Limited
- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II (Pvt) Limited
- Mari Petroleum Company Limited

Lieutenant General Syed Tariq Nadeem Gilani was commissioned in Pakistan Army on October 26, 1979 with the coveted President's Gold Medal. The General Officer 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-Imtiaz (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:

- 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 & 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 Master 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 (Business & Investment) Fauji Foundation he is on the Board of following entities:

- Askari Bank Limited
- Askari Cement Limited
- Fauji Akbar Portia Marine Terminals (Pvt.) Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Foods Limited
- Fauji Fresh n Freeze Limited
- Fauji Meat Limited
- Fauji Oil Terminal & Distribution Company Limited
- FFBL Foods Limited
- Foundation University
- Mari Petroleum Company Limited
- Pakistan Maroc Phosphor S.A.
- The Hub Power Company Limited

He holds a Doctorate in Economics and has over 35 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 Projects Diversification Committee and member of the Audit and System & Technology Committees of FFC.

Mr. Farhad Shaikh Mohammad

Independent Director

Joined the Board on September 16, 2012

Mr. Farhad Shaikh Mohammad is the Independent Director of Fauji Fertilizer Company Limited. He is a finance graduate and has attended various courses such as Corporate Governance Leadership, International Business Ventures and Corporate Finance Management. He has been invited as guest speaker at many universities and conferences. He is actively looking after Finance and Accounts of Din Group of Industries. He is also actively involved in philanthropy.

In addition to the above, he is also Director and CEO of following:

- Din Energy Limited
- Din Leather (Pvt.) Limited
- Din Power Limited
- Din Textile Mills Limited
- Din Wind Limited
- Din Corporation (Pvt.) Limited, CEO
- Din Developments (Pvt.) Limited, CEO
- Din Sphere (Pvt.) Limited, CEO

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 Certified Director by PICG / International Finance Corporation.

Mr. Per Kristian Bakkerud

Non-Executive Director

Joined the Board on June 16, 2015

He is currently the Managing Director of Haldor Topsoe's Chinese operations, in addition to being Executive Advisor to Haldor Topsoe A/S.

Prior to this Mr Bakkerud has had an illustrious career in Haldor Topsoe, working in different capacities namely; Executive Vice President for the Chemical Business Unit, Group Vice President for the Chemical Business Unit, Managing Director for the Chinese operations, Vice President for New Technologies in the Technology Division, Vice President for Technology and Engineering and Head of Syngas Process Engineering.

He has also 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 served in various positions for Det Norske Veritas, Norwegian Petroleum Consultants and Exxon Mobil until 1990 when he joined Haldor Topsoe A/S.

Mr. Bakkerud also serves on the Board of Directors of:

- Karnaphuli Fertilizer Company Ltd. (KAFCO)
- Bangladesh Danish-Chinese Business Forum

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 Board of Following entities:

- Fauji Kabirwala Power Company
- FFC Energy Limited
- Foundation Wind Energy-I 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.

PROFILE OF THE **BOARD**

Mr. Saad Amanullah Khan

Independent Director

Joined the Board on September 29, 2018

He has nearly three decades of experience working for Procter & Gamble and Gillette Pakistan in senior executive positions including as Chief Executive Officer of Gillette Pakistan. He has been very active in the corporate circles, got elected twice as President of American Business Council (ABC) the largest single country business chamber in Pakistan and twice to the Executive Council of Overseas Investors Chamber of Commerce and Industry (OICCI).

He is an independent director on the Boards of the following entities:

- Pakistan Stock Exchange
- NBP Funds
- Jaffer Brothers
- ZIL Corporation

Saad is the founding board member and Chairman of Pakistan Innovation Foundation (PIF), General Secretary of I Am Karachi Consortium (to reclaim Karachi using Art, Culture, Dialogue and Sports), South East Asia Leadership Academy (SEALA), as well as Patients' Aid Foundation, the private sector arm of the largest public hospital in South Asia, Jinnah Postgraduate Medical Center (JPMC). He also served four years as the President of Public Interest Law Authority of Pakistan (PILAP), a civil rights organization. Saad is also founder and joint owner of Big Thick Burgerz, a restaurant chain in Karachi.

He is a published author, published the book "It's Business, It's Personal" in 2016 about how to set your company's vision and delivering it through organizational excellence. Saad is an active writer in newspapers, articles focused on economic growth, democracy, entrepreneurship, social development and leadership. He is a graduate of the University of Michigan MBA and hold two engineering degrees.

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

Mr. Rehan Laiq

Non-Executive Director

Joined the Board on December 1, 2018

Besides being Director Finance Fauji Foundation he is on the Board of following entities:

- Askari Bank Limited
- Dharaki Power Holdings Limited
- Fauji Kabirwala Power Company Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Foods Limited
- Fauji Infravest Foods Limited
- FFBL Power Company Limited
- Foundation Power Company Dharaki Limited
- Mari Petroleum Company Limited

He is a qualified Chartered Accountant (FCA) and has over 23 years vast experience in developing business strategies, delivering results, developing organizational capability of infrastructure and acquisitions both within and outside the country.

He started his professional career with Price Waterhouse Coopers in 1989, and during his Professional Journey he held senior management positions in the field of Financial Management with various renowned organizations namely Mobilink (JAZZ) as financial controller (6 years), Schlumberger as CFO of their Seismic Interpretation Business (16 years) and OGDCL as Executive Director Finance (1 year). He carried vast international experience of Financial Management & Business turnaround at senior level in his career mainly with Schlumberger in multiple countries of Middle East, Asia, Russia and North America. Further, he also has 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 of an organization.

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

Syed Iqtidar Saeed

Non-Executive Director

Joined the Board on May 1, 2019

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

- Askari Cement Company Limited
- Fauji Akbar Portia Marine Terminal Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Foods Limited
- Fauji Trans Terminal Limited
- Foundation Power Company Daharki Limited
- Mari Petroleum Company Limited

Syed Iqtidar Saeed is an Engineering graduate having over 42 years of experience in Chemical Fertilizer Industry. His expertise also include project development and managing large scale projects from engineering till commissioning.

He commenced his career in 1974 from EXXON Chemicals Pakistan and later joined Fauji Fertilizer Company Limited (FFC) in September 1979 at its inception stage and served at all operational locations of the Company at senior management positions.

He was member of core team involved in setting up of Urea and DAP production facilities at Port Bin Qasim Karachi Project (FFBL) from 1993 to 2002.

As the Head of FFC's Technology and Engineering Division, he led the strategies for business diversification and globalization; including investment in FFC Energy Limited (FFCEL) and evaluation of investments in Renewable Energy projects, off-shore fertilizer project and investment in Thar coal projects. He held prestigious positions of FFC's Group General Manager and Chief Technical Officer.

He has attended numerous International and national conferences, courses and training.

He is Chairman of System & Technology Committee and member of Projects Diversification Committee of FFC.

Maryam Aziz

Independent Director

Joined the Board on July 5, 2019

Ms. Maryam Aziz is a highly experienced finance and audit professional. She is a Fellow Chartered Accountant from Institute of Chartered Accountants of Pakistan with over 20 years of professional experience in finance, audit and risk management. She holds professional certifications from Institute of Internal Auditors, USA, ACCA and CIMA, UK as well. She is a Certified Director under the Code of Corporate Governance and is a member of Pakistan Institute of Corporate Governance.

Ms. Aziz has been associated with ORIX Group, a Japanese multinational financial group, since 2002 in both local and international roles. She currently holds the position of Chief Financial Officer and Head of Enterprise Risk Management of ORIX Leasing Pakistan Limited (OLP – a listed company). Previously she served as Chief Internal Auditor of OLP for 6 years. In addition, she served as Internal Control Advisor to ORIX Group and used her expertise to conduct and supervise multiple internal audit assignments for ORIX group companies in the MENA region. Her international experience includes serving as Finance Director in the ORIX group company in Kazakhstan for over 5 years.

She has extensive experience of dealing with local lending institutions, multilateral agencies and foreign development financial institutions. She brings with her extensive experience of the financial services industry in the areas of governance, risk management, compliance, audit, financial reporting and analytical skills.

Ms. Aziz is also a member of the Board of Directors of ORIX Modaraba, a listed subsidiary of ORIX Leasing Pakistan Limited in Pakistan.

She is Chairperson of the Audit Committee and member of Human Resource & Remuneration and Projects Diversification Committees of FFC.

Farrukh Ahmad Hamidi

Independent Director

Joined the Board on July 24, 2019

He is presently serving as Executive Director as well as Additional Charge Chairman, State Life Insurance Corporation of Pakistan. Prior to present posting in State Life Insurance Corporation, he has held the position of Deputy Auditor General (South), a formation of Auditor General of Pakistan. He has remained posted on leading Financial & Administration positions in Federal, Provincial Government and Public Sector Enterprises.

He joined Civil Services in 1986 and has vast professional experience in senior management positions in diversified fields such as Public Sector Management, Administration, Education, Trade & Commerce and Audit etc.

In addition to FFC, he holds the Directorship in the following Companies:

- Alpha Insurance Company Limited
- Pakistan Cables Limited
- Pakistan Datacom Limited

Major Gen Naseer Ali Khan

HI(M) (Retired)

Non-Executive Director

Joined the Board on October 1, 2019

He was commissioned in The First (SP) Medium Regiment Artillery (FF) in 1983. He is a distinguished graduate of National Defence University Islamabad, US Army War College, French War College, Command and Staff College Quetta and School of Artillery Nowshera. He has three Masters and a M.Phil Degree to his credit.

During his military career, he held prestigious Command, Staff and Instructional assignment to include GSO-III and BM of Infantry Brigades, Command of SP Medium Artillery Regiment and DS at Command & Staff College Quetta and National Defence University Islamabad. He also served in Military Operations Directorate, GHQ on a key appointment. He commanded a Division Artillery and an Infantry Brigade in Operation Al-Mizan in South Waziristan and later, on promotion to the rank of Major General, served in HQ Southern Command as Chief of Staff. He commanded 8th Infantry Division and served in Strategic Plans Division as Director General Ops & Plans and Advisor (Ops Planning). He has been awarded with Hilal-e-Imtiaz (Military) by Government of Pakistan in 2015.

Mr. Khan is also member of Board of Directors of:

- Askari Cement Limited
- Dharki Power Holdings Limited
- Fauji Cement Company Limited
- Foundation Power Company Dharki Limited

He is member of Human Resource & Remuneration and System & Technology Committees of FFC.

PROFILE OF THE **BOARD**

Sher Alam Mahsud

Non-Executive Director

Joined the Board on December 18, 2019

He is presently serving as Additional Secretary, Ministry of Industries and Production, and also holds directorship of:

- Export Processing Zones Authority, Karachi
- National Fertilizer Corporation, Lahore
- National Industrial Parks, Karachi

He hails from Pakistan Administrative Services and has a cumulative experience of 25 years on positions of responsibilities in the Federal as well as in Provincial Governments. He has attended local and international professional training courses, workshops, seminars and conferences. During his service tenure the Officer has held the charge of Chief Executive Officer, National Fertilizer Corporation, Lahore and is presently holding the charge of Chief Executive Officer, Pakistan Steel Mills.

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	23rd Jan	19th Apr	23rd Jul	22nd Oct	19th Dec	Total
Ms Bushra Naz Malik Chairperson			N/A			2
Ms Maryam Aziz * Chairperson	N/A					3
Dr Nadeem Inayat Member	X	X				3
Mr Saad Amanullah Khan Member						5
Mr Rehan Laiq Member						5

* Ms Maryam Aziz appointed member in place of Ms Bushra Naz Malik w.e.f July 5, 2019

Salient Features and Terms of Reference

The Board of Directors shall provide adequate resources and authority to enable the committee to carry out its responsibilities effectively. The terms of reference of the committee shall include the following:

- Determination of appropriate measures to safeguard the Company's assets
- Review of annual and interim financial statements of the Company including Directors' Report, 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
    - oany changes in accounting policies and practices
    - o compliance with applicable accounting standards
    - o compliance with listing regulations as applicable, 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. The performance appraisal of Head of Internal Audit shall be done jointly by the Chairman of the Committee and the Chief Executive Officer
- Consideration of major findings of internal investigations of activities characterized as 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 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 Listed Companies CCG (where applicable) and identification of significant violations thereof
- Review of arrangement for staff and management to report to committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures

BOARD **COMMITTEES**

- 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 Committee and where it acts otherwise, it shall record the reasons thereof
- The Committee shall also review the Annual Business Plan, including cash flows prior to its approval by the Board of Directors
- The Committee shall also monitor briefings by management to the Board, of the Company's Key Performance Indicators (KPIs) in comparison with the Industry
- To review the effectiveness of risk management procedures and to present a report to the Board in this respect, the Committee shall:
    - o Monitor and review of all material controls (financial, operational, compliance)
    - o Ensure that risk mitigation measures are robust along with integrity of financial information; and
    - o Ensure appropriate extent of disclosure of Company's risk framework and internal control system in Directors' Report
- The Committee shall review the vision and / or mission statement monitoring the effectiveness of the Company's governance practices and overall corporate strategy for the Company before adoption by the Board
- Consideration of any other issue or matters or may be assigned by the Board of Directors

Human Resource and Remuneration Committee

Directors	16th Jul	11th Oct	12th Dec	Total
Mr. Saad Amanullah Khan Chairman				3
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) Member	X			2
Ms Bushra Naz Malik Member		N/A		–
Brig Hamad Qadir, SI(M) (Retired) Member	X	N/A		–
Ms Maryam Aziz * Member				3
Maj Gen Naseer Ali Khan, HI(M) (Retired) * Member	N/A	X		1

* Ms Maryam Aziz appointed member in place of Ms Bushra Naz Malik w.e.f July 5, 2019
Maj Gen Naseer Ali Khan, HI(M) (Retired) appointed in place of Brig Hamad Qadir, SI(M) (Retired) w.e.f October 1, 2019

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	8th Apr	16th Jul	20th Aug	12th Dec	Total
Brig Raashid Wali Janjua, SI(M) (Retired) Chairman	👤	N/A			1
Syed Iqtidar Saeed * Chairman	N/A	👤	👤	👤	3
Dr Nadeem Inayat Member	x	👤	👤	x	2
Brig Hamad Qadir, SI(M) (Retired) Member	👤	x	👤	N/A	2
Maj Gen Naseer Ali Khan, HI(M) (Retired) * Member	N/A			👤	1

* Syed Iqtidar Saeed appointed member in place of Brig Raashid Wali Janjua, SI(M) (Retired) w.e.f May 1, 2019
Maj Gen Naseer Ali Khan, HI(M) (Retired) appointed member in place of Brig Hamad Qadir, SI(M) (Retired) w.e.f October 1, 2019

Salient Features and Terms of Reference

- Review any major change in system and procedures suggested by the Management
- Review of the Company's Annual CAPEX Budget and recommend for Board's approval
- Review of the plant performance / KPI's (on bi-annual basis) actual vs budgeted
    - o Urea
        - □ Production
        - □ Downtime
        - □ Service Factor
        - □ Capacity Factor
        - □ Energy Index
- Review of the plant KPIs and its benchmarking with local and foreign industry (Yearly Basis) as per available reports issued by international consultants, if any
- Review of technical risks (relevant portion of the overall Risk Register) and its mitigation strategy
- 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
- Review the HSE performance on annual basis and assess needs to improve it
- Review of the R&D needs on annual basis and 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
- Periodic review of technical matters pertaining to ongoing CAPEX projects

BOARD **COMMITTEES**

Projects Diversification Committee

Directors	21st Mar	27th Jun	22nd Oct	Total
Dr. Nadeem Inayat Chairman				3
Brig Raashid Wali Janjua, SI(M) (Retired) Chairman		N/A		1
Ms Bushra Naz Malik Member		x	N/A	1
Rehan Laiq Member	x			2
Syed Iqtidar Saeed * Member	N/A			2
Ms Maryam Aziz * Member	N/A			1

* Syed Iqtidar Saeed appointed member in place of Brig Raashid Wali Janjua, SI(M) (Retired) w.e.f May 1, 2019
Ms Maryam Aziz appointed member in place of Ms Bushra Naz Malik w.e.f July 5, 2019

Salient Features and Terms of Reference

- Review Company's investment diversification strategy and provide guidance to the management on all matters related to business / risk diversification
- Formulate Strategic Investment Guidelines for the Company
- Review proposals on business diversification / investment projects
- Make recommendations to the Board of Directors regarding potential projects and new avenues for diversified investment of Company's capital and financial resources providing attractive returns
- Monitor progress of on-going diversification projects in line with Board approvals

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
Brig Tariq Javaid, SI(M) (Retired), GM-HR	Member
Mr Muhammad Aleem Khan, GM-M&O (GM)	Member
Mr Ather Javed, GM-Marketing	Member
Mr Rizwan Rasul, 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 Ather Javed, GM-Marketing	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 Ather Javed, GM-Marketing	Member
Brig Ashfaq Ahmed, SI(M) (Retired), SM-CA	Member
Brig Arshad Mahmood SI(M) (Retired), SM-CSR	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 including pressures on fertilizer pricing
- Depleting natural gas reserves
- Poor farm economics
- Continuous increase in raw material / fuel prices and GIDC
- Provision of gas to competitors at concessionary rates
- Imposition of additional taxes and levies / changes in tax regime for imported fertilizer
- Profit 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 42 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 third Analysts' Briefing during the year and apprised the attendees on operational and financial performance 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.

02

Review of the Company's performance by the Board of Directors

DIRECTORS' REPORT

Directors’ Report

CHAIRMAN’S **REVIEW**

Dear Shareholders,

Global fertilizer consumption is contracting at the backdrop of unfavorable climate changes, low international crop prices and tighter financial conditions. However, with the expected agricultural growth in new and emerging markets and world’s focus on sustainable development, the demand is expected to rebound in the coming years.

Agriculture sector in Pakistan, recorded a modest growth of 0.85% against growth of 3.8% last year. This underperformance was due to decline of over 4% in major crops owing to reduction in cultivable acreage, insufficient water availability and poor farm economics. The fertilizer industry has achieved highest ever domestic urea production of over 6.1 million tonnes owing to continued supply of gas including RLNG supply to plants which were shut down previously due to gas shortage. Despite sufficient indigenous urea production, the Government imported around 100 thousand tonnes of urea, which combined with weaker consumption pattern due to poor farm economics, resulted in an over supplied market.

However, the rumors of massive price increase effective January 2020 helped the fertilizer industry in offloading most of inventories before the year end.

Cost of raw material, distribution and financing cost increased significantly while considerable pricing pressure from the Government also continued during the year.

However, the Company faced these challenges with resilience and our concerted efforts helped the Company to achieve net profitability of Rs 17.11 billion with earnings per share of Rs 13.45 compared to Rs 11.35 of last year.

The Shareholders would be pleased to know that in view of encouraging results, the Board has recommended final dividend of Rs 3.25 per share in addition to interim distributions of Rs 7.55 per share, aggregating to an annual profit payout of 80%.

I would like to place on record the exemplary performance of the Board, where all the members navigated business with accountability and responsibility entrusted to them, by safeguarding the long-term value creation and best interests of our stakeholders.

Persistent Governmental intervention in pricing, with rapid changes in cost of gas, unfavorable legislative changes, unsettled Government receivables etc, shall continue to negatively affect the fertilizer industry with consequential implications for farming community and food security in the Country.

The Board acknowledges the unwavering commitment of management and employees which led the Company in achieving encouraging results and various good governance awards.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman

Rawalpindi
January 30, 2020

چیئرمین کا جائزہ

معزز حصص داران

غیر موافق موسمیاتی تبدیلیوں، بین الاقوامی منڈیوں میں فصلوں کی کم قیمتوں اور نقصاندہ حالات کے نتیجے میں کھاد کی عالمی سطح پر کھپت میں کمی ہو رہی ہے۔ تاہم ترقی اور ابھرتی ہوئی منڈیوں میں متوقع زرعی ترقی اور دنیا کی توجہ پائیدار زرعی ترقی پر مرکوز ہونے کے ساتھ، توقع ہے کہ آنے والے سالوں میں طلب میں بہتری آئے گی۔

پاکستان کے زرعی شعبے میں گزشتہ سال کے 3.8 فیصد ترقی کے مقابلے میں 0.85 فیصد کی ترقی ریکارڈ کی گئی۔ اس نتیجے سے کم کارکردگی کی وجہ بڑی فصلوں کی پیداوار میں 6 فیصد سے زائد کمی تھی جو کہ کاشت کے رقبے میں کمی، پانی کی ناکافی دستیابی اور کمزور زرعی معیشت کی بدولت ہوئی۔ کھاد کی صنعت نے مقابلتاً 6.1 ملین ٹن یوریا کی ریکارڈ پیداوار حاصل کی جو کہ پچھلے عرصے میں بند کارخانوں کو گیس بشمول RLNG کی مسلسل فراہمی کی بدولت ممکن ہوئی۔ ملک میں مقامی پیداوار کی کافی مقدار میں فراہمی کے باوجود حکومت نے 100 ہزار ٹن یوریا درآمد کیا جو کہ کمزور زرعی معیشت کی وجہ سے کھاد کے استعمال میں کمی کے ساتھ منڈی میں طلب سے زائد رسد کا باعث بنا۔ تاہم جنوری 2020 میں گیس کی قیمتوں میں بڑے پیمانے پر اضافے کی افواہوں کی بدولت کھاد کی صنعت ذخیرہ اندوزی سال کے اختتام سے پہلے پہنچنے کے قابل ہوگی۔

خام مال کی لاگت، ترسیلی اور مالی اخراجات میں نمایاں اضافہ ہوا، جبکہ حکومت کی جانب سے گیس کی قیمت پورے سال کے دوران برقرار رہی۔

تاہم کمپنی نے اپنی بہتر کارکردگی اور مستقل حکمت عملی کے ذریعے اور بچت کی کوششوں کی بدولت کمپنی نے پچھلے سال کے 11.35 روپے کے مقابلے میں 13.45 روپے فی حصہ آمدن کے ساتھ 17.11 ارب روپے کا خالص منافع حاصل کیا۔

حصص یافتگان کو یہ جان کر خوشی ہوگی کہ حوصلہ افزا نتائج کے پیش نظر بورڈ نے 3.25 روپے فی حصہ حتمی منافع منقسمہ کی سفارش کی ہے۔ جو کہ 7.55 روپے فی حصہ پہلے سے اعلان کردہ عبوری منافع منقسمہ کے علاوہ ہے۔ اس طرح مجموعی سالانہ ادائیگی منافع کا 80 فیصد رہی۔

میں بورڈ کی شاندار کارکردگی کو ریکارڈ پر لانا چاہتا ہوں۔ جہاں تمام ممبران نے انتہائی ذمہ داریوں کو نبھاتے ہوئے اپنی شراکت داری کے ذریعے تمام حصص داروں کے مفادات کا تحفظ کرتے ہوئے کمپنی کے کاروبار کو چلایا۔

گیس کی قیمتوں میں مستقل اضافہ، حکومتی مداخلت، ناموافق قانونی تبدیلیاں، حکومت کی غیر تصفیہ شدہ سبسڈی وغیرہ سے کھاد کی صنعت پر منفی اثر پڑتا ہے جس سے کاشتکار برادری اور ملک کی غذائی تحفظ پر مضر اثرات ہوں گے۔

بورڈ انتظامیہ اور کمپنی کے ملازمین کی غیر متزلزل عزم کو تسلیم کرتا ہے، جس کی وجہ سے کمپنی حوصلہ افزا نتائج اور ادوار حاصل کرتی ہے۔

چیئرمین
لیفٹیننٹ جنرل سید طارق ندیم گیلانی
ہلال امتیاز (ملٹری)، (ریٹائرڈ)
راولپنڈی
30 جنوری 2020

Directors' Report

CE & MD'S **OVERVIEW**

Dear Shareholders,

The normalization phase witnessed by fertilizer industry in the previous couple of years could not be sustained during 2019, owing to further deterioration in economic conditions, ever increasing cost of production, weakening of local currency and rising inflation.

A sizeable increase of around 46% has been witnessed in the aggregate cost of feed and fuel gas since September 2018. The Company had to absorb a substantial part of this increase during the third quarter of 2019 as part of its commitment with Government for settlement of GIDC liability by 50% with retrospective effect. The Government however could not fulfill its commitment negatively impacting the Company's profitability.

However, the Government has recently made prospective reduction in GIDC levy effective from the month of January 2020. Although the Company had been absorbing major part of this levy over the years, the Company reduced urea selling prices in response to Governmental action for the benefit of the farming community. This prospective reduction has no impact on GIDC being levied previously which remains sub-judice to court proceedings.

Significant increase in logistics cost was also witnessed during the year due to escalation in fuel rates besides implementation of axle load regulations, while the Company also continued to face pricing pressure from the Government.

However, I am pleased to report that with untiring efforts of management and the employees of Company, complimented with continued cost controls, efficiency enhancements and efficient treasury management, the Company was able to achieve its major targets in terms of gross profitability of Rs 30.74 billion, highest ever investment income of Rs 5.67 billion and net profitability of Rs 17.11 billion.

Adding to its accolades, FFC has been declared overall winner of the Best Corporate Report Award and also secured first position in the Sustainability Report competition held by joint committee of ICAP/ICMAP for the year 2018. The Company has also secured first position in the "Manufacturing Sector" of SAFA Best Annual Report Awards 2018 besides securing Merit Certificates in the categories of "Corporate Governance" and "Integrated Reporting" FFC also became the first Company ever to achieve nine consecutive first positions on PSX's Top 25 company placements for the year 2018.

The Company has also initiated a new program, "Food Security & Agriculture Centers of Excellence" - FACE, as a wholesome solution to promote Sustainable and Climate-Smart Agriculture practices across Pakistan. The program includes making available soft loans at low markup through partner organizations for procurement of agri-inputs and implements, besides enabling market access for the produce, quality education, healthcare, vocational and training programs etc. for the farming community.

The Company's wind power project, FFC Energy Limited has depicted profitability growth owing mainly to upward tariff revisions and improved investment income. However, FFCEL could not declare dividend owing to financial covenants which restrict dividend distribution under circular debt situation. Fauji Fresh n Freeze Limited, the Company's food project also recorded improvement in off-take and revenue. In view of projected growth in the operations of FFF, the Company plans to inject further equity of upto Rs 1.50 billion into the food business and the Board is confident that FFF shall soon start contributing to the income stream of FFC.

I am also pleased to inform that the Government of Pakistan has notified the achievement of Financial Closing by Thar Energy Limited (TEL) on 30th January, 2020. TEL, an associated company of FFC, is a CPEC project, currently under construction at Thar Coal Block II and the Board is confident that the project shall achieve commercial operations in the year 2021.

Going forward, any unfavorable outcome of sub-judice GIDC case, and long outstanding subsidy and GST receivables from Government pose liquidity challenges to the Company.

The Government has also recently issued an Ordinance whereby credit of input tax attributable to sales made to unregistered dealers has been disallowed with retrospective implementation, having serious implications on costs of the Company. Further, as the dealers' registration is expected to take considerable time, the fertilizer supply chain has unfortunately been disrupted which is feared to negatively impact the crop yield as well as food security in the Country.

Favorable fiscal and monetary policies are imperative for the overall economic improvement of the Country which needs to be prioritized. Confidence of the investment/industrial sectors in Governmental policies also needs to be enhanced through tangible steps towards facilitation of the economic environment and social security in the Country.

Lt Gen Tariq Khan
HI (M), (Retired)
Chief Executive & Managing Director

Rawalpindi
January 30, 2020

چیف ایگزیکٹو اور مینجنگ ڈائریکٹر کا تبصرہ

معزز حصص داران

پچھلے دو سال سے کھاد کی صنعت کی بحالی کا دور سال 2019 میں برقرار رہا، جس کی وجہ معاشی حالات میں مزید بہتری، زرعی پیداوار میں بہتری، لاگت، خوراک کی قلت میں کمی اور زرعی قرضوں کی فراہمی میں اضافہ تھی۔

ستمبر 2018 کے بعد سے Feed اور Fuel گیس کی مجموعی لاگت میں 46 فیصد کا اضافہ دیکھنے میں آیا۔ کمپنی کو 2019 کی تیسری سہ ماہی کے دوران اس اضافے کا کافی حصہ خود برداشت کرنا پڑا جس کی وجہ حکومت کے ساتھ GIDC کے آغاز سے اب تک ادا شدہ رقم میں 50 فیصد کی کے تصفیہ کی یقین دہانی تھی۔ تاہم حکومت اپنی یقین دہانی پر عمل درآمد نہ کر سکی جس سے کمپنی کے منافع پر منفی اثر پڑا۔

تاہم حکومت نے حال ہی میں GIDC محصول میں کمی کی ہے جو کہ جنوری 2020 سے موثر ہوگی۔ اگرچہ کمپنی کئی سالوں سے اس کا بیشتر حصہ خود برداشت کرتی رہی ہے تاہم کمپنی نے اس مثبت اقدام کے جواب میں کسان برادری کے فائدے کے لئے یوریا کی قیمت فروخت میں نمایاں کمی کی۔ اس حوالے سے پچھلے واجب الادا GIDC پر کوئی اثر نہیں ہے جو کہ عدالت میں زیر سماعت ہے۔

سال کے دوران Axle Load کے قوانین کے نفاذ کے علاوہ ڈیزل کے نرخوں میں اضافے کی وجہ سے نقل و حرکت کی لاگت میں نمایاں اضافہ دیکھا گیا جبکہ کمپنی کو بھی حکومت کی جانب سے قیمتوں کے دباؤ کا سامنا کرنا پڑا۔

تاہم مجھے بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ انتظامیہ اور کمپنی ملازمین کی انتھک کاوشوں، لاگت کے مسلسل کنٹرول، بہتر کارکردگی میں اضافے اور موثر اسٹریٹجی کے انتظام کی بدولت کمپنی اپنے اہداف کے حصول جس میں 30.74 ارب روپے کے منافع، 5.67 ارب روپے کا اب تک سب سے زیادہ سرمایہ کاری آمدنی اور 17.11 ارب روپے کا خالص منافع حاصل کرنے میں کامیاب رہی۔

کمپنی کے اعزازات میں اضافے کے طور پر FFC نے ICAP/ICMAP کی مشترکہ کمیٹی کی جانب سے منعقدہ بہترین کارپوریٹ رپورٹ مقابلے میں مجموعی طور پر اول قرار پایا جبکہ کمپنی کی Sustainability Report نے بھی پہلی پوزیشن حاصل کی۔ کمپنی نے SAFA کے Best Annual Report Awards 2018 میں بھی مینوفیکچرنگ سیکٹر میں پہلی پوزیشن حاصل کی جبکہ "کارپوریٹ گورننس" اور "Integrated Reporting" کے شعبوں میں میرٹ سرٹیفکیٹ بھی حاصل کیے۔ FFC مسلسل گیارہ سال تک PSX Top 25 کمپنیوں میں بہترین پوزیشن لینے والی واحد کمپنی بن گئی۔

کمپنی نے ایک جامع پروگرام "Food Security & Agriculture Centers of Excellence" - FACE شروع کیا ہے جو کہ پاکستان بھر میں ماحول دوست اور پائیدار زرعی طور طریقوں کے فروغ کے لئے اٹھایا گیا ایک عملی قدم ہے۔ اس پروگرام میں شریک اداروں کی وساطت سے کسان برادری کے لئے زرعی وسائل اور آلات کی خریداری کے لئے کم لاگت آسان قرضے، پیداواری منصوبوں تک رسائی، تعلیم و صحت اور ڈیجیٹل مارکیٹنگ وغیرہ شامل ہیں۔

کمپنی کے ذیلی پروجیکٹ ایف ایف سی انرجی لمیٹڈ کے منافع میں اضافہ ہوا جبکہ بجلی کی ادائیگیات میں تاخیر کے باوجود آمدنی میں بہتری ہوئی۔ تاہم FFCEL گردشی قرضوں کی وجہ سے اپنے حصہ داروں کے لئے منافع کا اعلان نہیں کر سکا۔ کمپنی کے ایک منصوبے Fauji Fresh n Freeze Limited نے بھی فروخت اور آمدنی میں بہتری ریکارڈ کی۔

مجھے بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ حکومت پاکستان نے تھر انرجی لمیٹڈ کے تجارتی کاموں کے حصول کا نوٹیفکیشن کر دیا ہے۔ TEL ایف ایف سی کی ایک مشترکہ کمپنی ہے جو کہ CPEC کا ایک پراجیکٹ ہے جس کا پاور پلانٹ زیر تعمیر ہے اور ہم سال 2021 میں پراجیکٹ کے کمرشل آپریشنز کے آغاز کے بارے میں پر امید ہیں۔

آگے بڑھتے ہوئے، زیر سماعت GIDC کیس کے غیر جانبدار فیصلے، حکومت سے طویل مدت سے واجب الوصول سبسڈی اور GST کی وصولی کمپنی کے لیکویڈیٹی نظام کے لئے نتیجہ خیز ہیں۔

حکومت نے حال ہی میں ایک آرڈیننس جاری کیا ہے جس کے تحت غیر رجسٹرڈ شدہ بیچنے والوں کو فروخت کی جانے والی کھاد پر ان پٹ ٹیکس کے کریڈٹ کو ختم کر دیا گیا ہے جس کے کمپنی کے اخراجات پر منفی اثرات ہو سکتے ہیں۔ مزید برآں چونکہ ڈالر کی قدر میں استحکام میں کافی وقت لگنے کی توقع ہے۔ ان وجوہات کی بنا پر کھاد کی قیمتوں میں اضافے کا سلسلہ جاری ہوا جس سے ملک میں فصلوں کی پیداوار کے ساتھ ساتھ غذائی تحفظ پر بھی منفی اثرات پڑنے کا خدشہ ہے۔

سازگار مالی اور مانیٹری پالیسیاں ملک کی مجموعی معاشی بہتری کے لئے لازمی ہیں جن کو ترجیح دینے کی ضرورت ہے۔ سرکاری پالیسیوں پر سرمایہ کاری کے مستحق شعبوں کے اعتماد کو ملک میں معاشی ماحول اور زرعی ترقی کی بحالی کے لئے ٹھوس اقدامات کے ذریعے بڑھانے کی ضرورت ہے۔

[illegible]
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو و منیجنگ ڈائریکٹر
راولپنڈی
30 جنوری 2020

FINANCIAL **CAPITAL**

FFC Performance

Profit or Loss Analysis

The outgoing year 2019 witnessed deteriorating economic conditions, rising inflation, significant currency devaluation and high interest rates resulting in sizeable increase in cost of doing business.

Contrary to the provisions of Fertilizer Policy 2001, the fertilizer sector continued to experience pricing intervention from the Government despite increase in operating and other costs.

The issues of mismatch in input / output GST rates and long outstanding subsidy receivables could not be resolved during the year despite our consistent follow up with the Government resulting in accumulating burden on Company liquidity position with significant increase in borrowing cost.

However, through rigorous management efforts towards cost cutting, improved efficiency, stringent cash flow controls and focused marketing strategies, the Company was able to achieve its major targets for 2019 in terms of manufacturing and distribution cost, in addition to earning highest ever revenue from Sona Urea of Rs 88.02 billion besides earning record investment income of Rs 5.67 billion.

The Company recorded net of tax profit of Rs 17.11 billion, 19% above net earnings of last year.

Company's manufacturing facilities achieved a combined capacity utilization of 122% translating into aggregate **Sona urea production** of 2,492 thousand tonnes, only 1% lower than 2018 mainly due to higher number of downtime days caused by extended maintenance of Plants during 2019.

Sona urea off-take was recorded at 2,467 thousand tonnes, only 2% lower than last year. **DAP** market however, remained depressed during the year due to low demand compared to previous years and off-take of 237 thousand tonnes was recorded during the year compared to 480 thousand tonnes marketed last year. The fertilizer industry has recorded ever highest urea production of over 6.1 million tons owing to supply of gas to plants operating on SNGPL networks, which previously remained shutdown due to gas shortage.

Owing to additional domestic production and imports by the Government, combined **FFC / FFBL urea market share** was recorded at 48%. Overall DAP market in the Country registered a decline of almost 10%. Aggregate **FFC / FFBL DAP market share** was recorded at 46%, compared to 52% in 2018 owing to lower import of DAP by FFC. (Source: NFDC)

Aggregate turnover for the year surpassed Rs 100 billion mark for the second consecutive year, and stood at Rs 105.78 billion, in line with last year.

Sona urea cost of sales were recorded at Rs 60.67 billion with an increase of 18% from last year mainly due to rising inflation, substantial currency devaluation besides significant increase in gas cost by around Rs 340 per bag since September 2018. **Cost of Sales of DAP** however decreased to Rs 13.27 billion and the aggregate cost of sales thus stood at Rs 75.05 billion compared to Rs 77.99 billion last year.

The Company had to absorb major part of the gas price increase effective July 2019, during most part of third quarter of this year, in exchange for a commitment by the Government for retrospective reduction in GIDC levy by 50%. The Government could not however fulfill this commitment resulting in loss of revenue for the Company.

Gross profit of the Company improved by 10% to Rs 30.74 billion compared to Rs 27.98 billion last year.

Significant increase in fuel prices and imposition of axle-load regulations resulted in increase in overall Urea transportation cost, however handling of lower DAP imports during the year resulted in lower aggregate **distribution cost** of Rs 8.29 billion against Rs 8.83 billion of last year.

Operating profit of Rs 22.45 billion was 17% higher than last year owing to lower distribution cost.

The sharp increase in the borrowing rates besides higher financing requirements during part of year 2019 resulted in higher **finance cost** of Rs 2.48 billion compared to Rs 1.64 billion in 2018.

The Company recorded **highest ever investment income** of Rs 5.67 billion, 115% higher than last year due to effective utilization of funds and prevailing high rate of return.

Dividend income from our associates at Rs 1.52 billion was 22% above last year due to better payout by FFC's strategic investments.

Tax charge of Rs 6.64 billion for the year has decreased by 8%, mainly due to discontinuation of super tax during the year as opposed to last year charge of Rs 877 million (which included provisioning for year 2017 and 2018). Consequently, the Company attained **net profitability** of Rs 17.11 billion, translating into **EPS** of Rs 13.45 which is 19% above last year.

Recently, the Government has promulgated an Ordinance whereby credit of input sales tax attributable to sales made to unregistered dealers has been disallowed with retrospective implementation.

This Ordinance has serious implications on the costs of doing business of the Company and has also put the fertilizer industry in a complicated situation since registration of such dealers is expected to take considerable time and even then registration of all fertilizer dealers cannot be ensured.

Most of the fertilizer dealers are registered for income tax purposes and sale to such dealers is reported by fertilizer manufacturers in sales tax returns on monthly basis besides collection of GST and income tax at source. Registration of dealers under the Sales Tax law would not result in incremental revenue to the Government.

In case of non-registration of dealers, the industry may have to announce different selling prices for registered and unregistered dealers to pass on the significant cost impact. This may create pricing disparity, adversely impacting the farming community.

Financial Position Analysis

Net worth of the Company increased by 7% to Rs 35.57 billion, translating into a break-up value of Rs 27.96 per share. Increased profitability during year 2019 resulted in revenue reserves of Rs 22.70 billion as compared to Rs 20.52 billion last year.

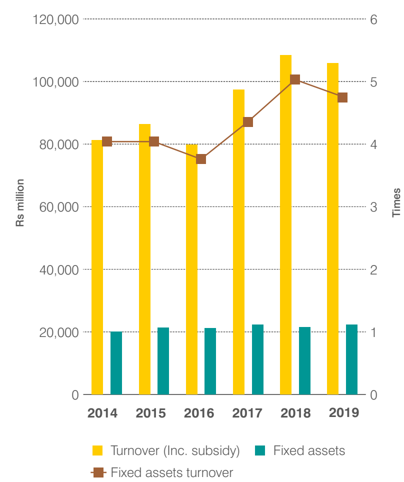
Long-term borrowings stood at Rs 6.47 billion, lower by 25% compared to last year mainly due to repayment of debt in line with borrowing agreements. **All debt obligations, becoming due for repayments during the year, were retired on timely basis, without any default by FFC on its payment obligations.**

Trade and other payables increased from Rs 60.60 billion in 2018 to Rs 76.01 billion this year primarily due to continued withholding of GIDC payments under the Court's rulings.

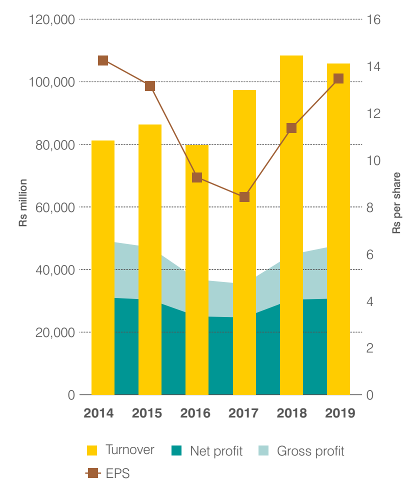
Short-term borrowings of Rs 21.80 billion reduced by Rs 6.72 billion compared to last year due to repayments during the year.

Current portion of long-term borrowings also reduced to Rs 4.71 billion in line with the reduction in long term borrowings.

Turnover, Fixed Assets & Fixed Assets Turnover

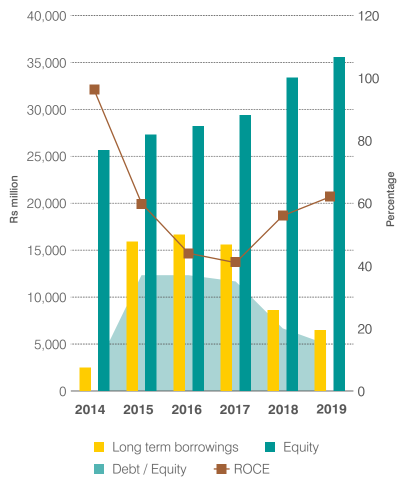


Profitability

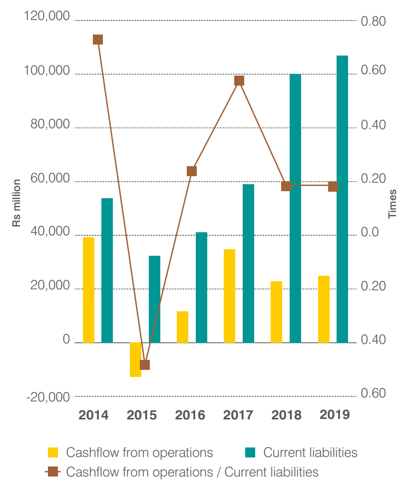


FINANCIAL **CAPITAL**

Equity & Debt



Cashflow from Operations / Current Liabilities



Contingencies include penalty of Rs 5.50 billion imposed by the Competition Commission of Pakistan (CCP) in 2013, for alleged unreasonable increase in urea prices, which was set aside by the Competition Appellate Tribunal, in appeal filed by FFC, who also remanded the case back to CCP to decide the case afresh under guidelines provided by the Tribunal. CCP did not challenge this order before the Supreme Court of Pakistan in appeal within the stipulated time, thus making the appeal time barred. However, CCP, under the said Tribunal guidelines, may resume proceedings but the Company remains confident of successfully defending these unreasonable claims in future as well.

Financial commitments of the Company at Rs 6.59 billion comprised mainly of purchase of fertilizers, goods / services, injection in equity investments and capital expenditure, as detailed in the relevant notes to the financial statements.

Property, plant and equipment increased by 3% to Rs 22.21 billion mainly on account of routine additions in plant and machinery.

Further equity injection of Rs 1.33 billion was made in Thar Energy Limited resulting in aggregate investment in the project of Rs 2.79 billion. Additionally, advance against issue of shares amounting Rs 417 million was also made to Thar Energy Limited during the year.

Purchase of Government securities led to increase in **long term investments** of Rs 4.38 billion compared to Rs 837 million last year. The aggregate long term investment including equity investments increased by 16% to Rs 31.09 billion.

The Company successfully offloaded its Urea stock and carried minimal inventory of 28 thousand tonnes at the end of 2019. Imported fertilizer stock stood at 99 thousand tonnes against 214 thousand tonnes last year. Aggregate **stock in trade** was thus recorded at Rs 6.80 billion, 47% lower than last year.

In order to promote sales under depressed market conditions during the last quarter of 2019, a higher quantum of sales was made on credit basis to offload inventories and avoid carrying costs, increasing the **trade debts** to Rs 13.46 billion.

Other receivables increased by Rs 1.93 billion to Rs 17.65 billion which included subsidy receivable from the Government of Rs 6.96 billion and an increased balance of unadjusted input sales tax of Rs 9.92 billion.

The Company carried **short term investment** of Rs 48.04 billion which reduced by Rs 6.55 billion compared with last year mainly due to utilization for repayment of short term borrowings.

The overall **asset base** of the Company recorded at Rs 153.39 billion, increased by around 5% compared to last year.

Cash Flow Analysis

Analysis of the Company's cash flows in terms of cash generation and utilization during the year is summarized as follows:

Operating Activities

The Company carried over DAP inventory of Rs 11.92 billion from 2018, while additional DAP valuing Rs 6.13 billion was also imported during the year. Major part of total available DAP was marketed during the year resulting in lower closing stock in trade by Rs 6.14 billion compared to last year. In addition, continued retention of GIDC, which is sub-judice to court proceedings resulted in cash retention during the year of Rs 18.98 billion in the business.

However, decrease in advances from customers by Rs 6.71 billion and increase in trade debts by Rs 9.78 billion owing to credit sales in last quarter of 2019, resulted in net higher cash generation from operations by Rs 5.41 billion compared to last year, with total cash generation of Rs 33.64 billion during the year against Rs 28.23 billion last year.

Net cash generated from operating activities after payment of finance cost and income tax amounted to Rs 24.94 billion, which was Rs 2.07 billion above last year.

Investing Activities

In order to ensure sustainable production, FFC continued its investment in plant and machinery with a capital expenditure amounting to Rs 3.14 billion in year 2019.

In line with the Company's plan, further investment of Rs 1.33 billion was made in Thar Energy Limited (TEL), increasing the aggregate investment in the project to Rs 2.79 billion. An advance against issue of shares of Rs 417 million was also made during the year.

Dividend receipt increased to Rs 1.97 billion, 52% higher than last year due to higher distribution by associated companies. Whereas, net placement of surplus funds with financial institutions reduced by Rs 2.28 billion during the year.

Consequently, net cash inflow from investing activities stood at Rs 378 million, compared to Rs 1.18 billion in 2018.

Financing Activities

Long term debt of Rs 7.24 billion was settled on a timely basis, while fresh financing of Rs 2.60 billion was availed during the year to meet the Company's financing requirements.

The Company also paid aggregate dividend amounting to Rs 14.66 billion to the shareholders during the year against Rs 9.91 billion in the previous year. Consequently, net cash used in financing activities was recorded at Rs 19.34 billion against Rs 16.49 billion in 2018.

Cash and Cash Equivalents

A substantial net increase in cash and cash equivalents of Rs 6.22 billion was witnessed during the year. Gain of Rs 236 million was recorded on re-measurement of foreign currency investments at the year end.

Cash and cash equivalents stood at a net positive balance of Rs 31.89 billion at the end of the year compared to Rs 25.67 billion at the close of last year.

Consolidated Operations and Segmental Review

Directors' Report on the consolidated financial statement is covered from page 267 onwards.

Adequacy of Internal Controls

The Board of Directors has established an effective system of internal financial and operational controls inculcating a business environment of ethical behavior and moral conduct.

The Audit Committee reviews the effectiveness of the Internal Control Framework and Financial Statements on quarterly basis, whereas the independent internal audit function provides assurance on the effectiveness and adequacy of the internal control and risk management framework.

Profit Distribution and Reserve Analysis

The Company's reserves at the beginning of the year stood at Rs 33.38 billion out of which Rs 4.96 billion were appropriated as final dividend for 2018 as approved by the shareholders, translating into an aggregate payout of 78% for 2018.

Distributions against net profitability of Rs 17.11 billion for 2019 stood at Rs 9.61 billion through three interim dividends, while no transfers were made to the general reserves, translating into aggregate reserves and un-appropriated profit of Rs 35.57 billion at the close of the year signifying an increase of 7%, as detailed in the 'Appropriations' table below.

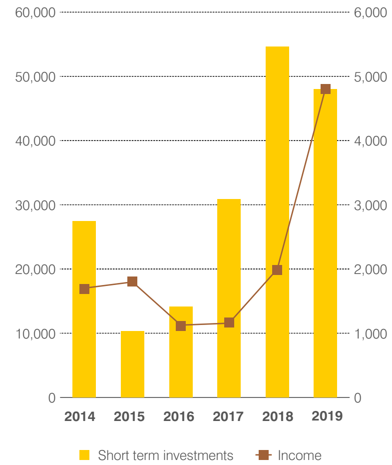
Appropriations	Rs in million	Rs per share
Opening Reserves	33,383	
Final Dividend 2018	(4,962)	3.90
Net Profit 2019	17,110	13.45
Other Comprehensive	(359)	
Available for Appropriations	45,172	
Appropriations		
First Interim Dividend 2019	(3,180)	2.50
Second Interim Dividend 2019	(3,626)	2.85
Third Interim Dividend 2019	(2,799)	2.20
Closing Reserves	35,567	

Subsequent Events

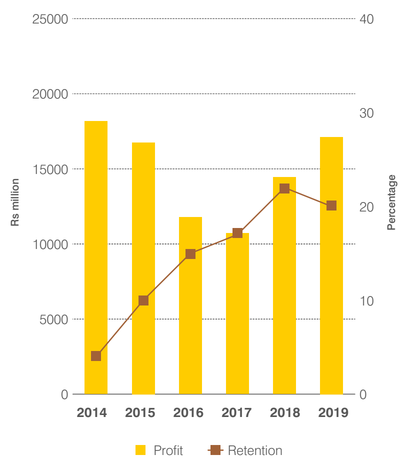
The Board of Directors of FFC in its meeting held on January 30, 2020 is pleased to recommend a final cash dividend of Rs 3.25 per share i.e. 32.5% for the year ended 2019, for shareholders' approval, taking the total payout for the year to Rs 10.80 per share i.e. a payout of 108%.

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



مجموعی طور پر طویل المدتی سرمایہ کاری میں گزشتہ برس کے مقابلے میں 16 فیصد اضافے کے ساتھ 31.09 ارب روپے ہو گئی۔

کمپنی نے اپنی پیداوار کو جاری رکھا اور سال 2019 کے آخر میں 28 ہزار ٹن یوریا اور 314 ہزار ٹن DAP کے ذخائر موجود تھے جبکہ گزشتہ برس کے مقابلے میں 99 ہزار ٹن اسی طرح Stock in Trade گزشتہ برس کے مقابلے میں 47 فیصد کمی کے ساتھ 6.80 ارب روپے ریکارڈ کیا گیا۔

سال 2019 کی آخری سہ ماہی میں سبسڈی کی وصولی میں تاخیر کی وجہ سے حکومت پاکستان کی جانب سے واجب الادا رقم کے لحاظ سے Carrying Cost سے بچنے کے لئے Trade Debts کا حجم 13.46 ارب روپے ہو گئے۔

دیگر قابل وصول رقوم (Other Receivables) 1.93 ارب روپے کے اضافے کے ساتھ 17.65 ارب روپے ہو گئیں جس میں حکومت سے قابل وصول 6.98 ارب روپے کی سبسڈی اور 9.92 ارب روپے کا Un-adjusted Input Sales Tax شامل ہے۔

کمپنی کی 48.04 ارب روپے کی قلیل المدتی سرمایہ کاری (Short Term Investments) گزشتہ برس کے مقابلے میں 6.55 ارب روپے کم ہوئی جس کا سبب قلیل المدتی قرضوں کی ادائیگی کے لیے استعمال ہے۔

کمپنی کی مجموعی اثاثہ جات (Overall Assets Base) گزشتہ برس کے مقابلے میں 5 فیصد اضافے کے ساتھ 153.39 ارب روپے ریکارڈ کیے گئے۔

کیش فلو کا تجزیہ

(Cash Flow Analysis)

دوران سال نقدی کی فراہمی اور استعمال کے حوالے سے کمپنی کے کیش فلو کا جائزہ ذیل میں مختصراً بیان کیا گیا ہے۔

پیداواری اور تجارتی سرگرمیاں (Operating Activities)

کمپنی کے پاس 2018 سے 11.92 ارب روپے کی DAP کی ذخیرہ شدہ انوینٹری موجود تھی جبکہ دوران سال 6.09 ارب روپے کی DAP درآمد کی گئی۔ مجموعی طور پر DAP کی زیادہ تر حصہ سال کے دوران فروخت کر دیا گیا جس کے نتیجے میں اختتامی ذخائر (Closing Stock) گزشتہ سال کے مقابلے میں 8.14 ارب روپے کم ہوئے۔ اس کے علاوہ GIDC کی مد میں ادائیگی کے تسلسل کی وجہ سے ہونے والی بچت کی وجہ سے آپریشنز سے 18.96 ارب روپے کی نقدی فراہم ہوئی۔

تاہم حکومت کی جانب سے سبسڈی کی مد میں 6.70 ارب روپے کی کمی اور سال 2019 کی آخری سہ ماہی میں ادھار پر فروخت کی وجہ سے تجارتی قرضوں (Trade Debts) میں 9.78 ارب روپے کے اضافے کے باعث آپریشنز سے حاصل ہونے والی خالص نقدی میں گزشتہ برس کے مقابلے میں 5.41 ارب روپے کا اضافہ ہوا۔ اس طرح مجموعی طور پر 33.64 ارب روپے کی نقدی حاصل کی گئی جو گزشتہ برس 28.23 ارب روپے تھی۔

آپریشنز سے حاصل ہونے والی خالص نقدی، مالیاتی لاگت اور ٹیکس کی ادائیگی کے بعد 24.94 ارب روپے رہی جو گزشتہ برس کے مقابلے میں 2.07 ارب روپے زائد ہے۔

سرمایہ کاری کی سرگرمیاں (Investing Activities)

مسلسل پیداوار کو یقینی بنانے کے لیے FFC نے سال 2019 کے دوران Capital Expenditure کی مد میں 3.14 ارب روپے خرچ کئے جو کہ پلانٹ اور مشینری میں اپنی سرمایہ کاری کو جاری رکھا۔

کمپنی کے منصوبے کے مطابق Thar Energy Limited میں 1.33 ارب روپے کی مزید سرمایہ کاری کی گئی اس طرح سال 2019 میں اس پراجیکٹ میں مجموعی سرمایہ کاری کا حجم 3.14 ارب روپے ہو گیا۔ دوران سال حصص جاری کرنے کے لیے 417 ملین روپے کا ایڈوانس بھی دیا گیا۔

ملحقہ کمپنیوں کی جانب سے اعلان شدہ منافع کی تقسیم کے باعث منافع منقسمہ سے آمدن گزشتہ برس کے مقابلے میں 52 فیصد اضافے کے ساتھ مجموعی طور پر 1.92 ارب روپے ہو گیا۔ علاوہ ازیں قلیل المدتی مالیاتی اداروں کے ساتھ سرمایہ کاری میں سال کے دوران 2.28 ارب روپے کی کمی واقع ہوئی۔

نتیجتاً سرمایہ کاری سرگرمیوں کی مد میں 378 ملین روپے کی خالص نقدی استعمال کی گئی جبکہ گزشتہ سال 2018 میں 1.18 ارب روپے تھی۔

مالیاتی سرگرمیاں (Financing Activities)

7.24 ارب روپے کے طویل المدتی قرضے ادا کئے گئے تاکہ کمپنی کی مالیاتی ضروریات کے پیش نظر سال کے دوران 2.60 ارب روپے کے نئے قرضے حاصل کئے گئے۔

کمپنی نے سرمایہ کاروں کو منافع منقسمہ کی مد میں گزشتہ برس کے 9.91 ارب روپے کے مقابلے میں دوران سال مجموعی طور پر 14.66 ارب روپے ادا کئے۔ اس طرح سال 2018 کے 16.49 ارب روپے کے مقابلے میں دوران سال 19.34 ارب روپے کی رقم مالیاتی سرگرمیوں پر خرچ ہوئی۔

نقد اور نقدی کے مساوی

(Cash and Cash Equivalents)

دوران سال نقد اور نقدی کے مساوی میں 5.22 ارب روپے کا خالص اضافہ دیکھنے میں آیا۔ غیر ملکی کرنسی میں کی گئی سرمایہ کاری پر قدر میں اضافے سے 236 ملین روپے کا منافع ریکارڈ کیا گیا۔

نقد اور نقدی کا سال کے اختتام پر 31.89 ارب روپے کا خالص منفی توازن رہا جو گزشتہ برس کے اختتام پر 25.67 ارب روپے تھا۔

مجموعی سرگرمیاں اور قطعاتی جائزہ

(Consolidated Operations and Segmental Review)

مجموعی مالیاتی سرگرمیوں پر ڈائریکٹرز رپورٹ صفحہ نمبر 268 سے آگے بیان کی گئی ہے۔

اندرونی مالیاتی ضوابط کی موزونیت

(Adequacy of Internal Financial Controls)

بورڈ آف ڈائریکٹرز نے اندرونی مالیاتی ضوابط کا ایک مستحکم نظام قائم کیا ہے جس کے نتیجے میں اطلاق سے قبل اور دوران کارکاروباری اصول کی تصدیق کی جاتی ہے۔

آڈٹ کمیٹی سہ ماہی بنیادوں پر کمپنی کے مالیاتی گوشواروں اور اندرونی ضوابط کے نظام کا جائزہ لے کر تجاویز پیش کرتی ہے۔ علاوہ ازیں آزادانہ داخلی احتساب شعبہ (Internal Audit Function) باقاعدگی کے ساتھ اندرونی ضوابط کی نگرانی کرتا ہے۔

منافع کی تقسیم اور ذخائر کا تجزیہ

(Profit Distribution & Reserve Analysis)

سال کے آغاز میں FFC کے ذخائر 33.38 ارب روپے تھے جس میں سے کمپنی نے حصص داروں کی منظوری کے مطابق 4.96 ارب روپے سال 2018 کے حتمی منافع منقسمہ کے لیے مختص کیے۔ اس طرح سال 2018 کے لیے مجموعی ادائیگی 78 فیصد ہو گئی۔

سال 2019 کے 17.11 ارب روپے منافع کے تناظر میں کمپنی نے تین عبوری منافع منقسمہ کے ذریعے 9.61 ارب روپے تقسیم کیے جبکہ General Reserves میں کوئی رقم منتقل نہیں کی گئی۔ اس طرح سال کے اختتام پر مجموعی ذخائر غیر منقسم منافع 7 فیصد اضافے کے ساتھ 35.57 ارب روپے تھے جن کی تفصیل 'Appropriations Table' میں پیش کی گئی ہے۔

تفصیل	ملین روپے	روپے فی حصص
ابتدائی ذخائر	33,383	
حتمی منافع منقسمہ 2018	(4,962)	3.90
خالص منافع 2019	17,110	13.45
دیگر Comprehensive آمدنی	(359)	
تقسیم کے لیے میسر منافع	45,172	
منافع کی تقسیم		
پہلا عبوری منافع منقسمہ 2019	3,180	2.50
دوسرا عبوری منافع منقسمہ 2019	3,626	2.85
تیسرا عبوری منافع منقسمہ 2019	2,799	2.20
اختتامی ذخائر	35,567	

مالیاتی سرمایہ

FFC کی کارکردگی

نفع نقصان کا تجزیہ

اختتام پذیر ہونے والے سال 2019 کے دوران خراب ہوتے ہوئے معاشی حالات، بڑھتے ہوئے افراط زر، کرنسی کی قدر میں نمایاں کمی اور بلند شرح سود کے باعث کاروبار کرنے کی لاگت میں نمایاں اضافہ ہوا۔

فرٹیلائزر پالیسی 2001 کے برعکس آپریشنل اور دیگر اخراجات میں اضافے کے باوجود، کھاد کی صنعت کو قیمتوں میں کنٹرول و مداخلت کا سامنا رہا۔

ان پٹ / آؤٹ پٹ GST کی شرح میں عدم مماثلت اور حکومت سے طویل عرصے سے واجب الوصول سبسڈی کے معاملات حکومت کو مسلسل یاد دہانیوں کے باوجود حل نہیں ہو سکے جس کے نتیجے میں نمایاں لاگت (Borrowing Cost) میں اضافے کے باعث کمپنی کی Liquidity پوزیشن پر دباؤ میں اضافہ ہوا۔

تاہم، انتظامیہ کی جانب سے اخراجات میں کمی، کاروبار کی بہتری اور مارکیٹنگ کی مربوط حکمت عملی کے ذریعے، کمپنی 2019 کے اہم اہداف بشمول پیداوار اور ترسیل کے اہداف حاصل کرنے میں کامیاب رہی، اس کے ساتھ ساتھ سرمایہ کاری کی اب تک حاصل ہونے والی سب سے زیادہ آمدن کے علاوہ سرمایہ کاری سے حاصل ہونے والی 5.67 ارب روپے کی اب تک کی سب سے زیادہ آمدنی بھی حاصل کی۔

کمپنی نے 17.11 ارب روپے کا بعد از ٹیکس منافع ریکارڈ کیا، جو گزشتہ برس کے خالص منافع سے 18 فیصد زائد ہے۔

کمپنی کے پیداواری پلانٹس نے 122 فیصد کی مجموعی پیداواری استعداد حاصل کی جو کہ مجموعی طور پر 2,480 ہزار ٹن کی مجموعی پیداوار رہی جو 2018 کے مقابلے میں صرف 1 فیصد کم رہی جس کی بنیادی وجہ 2019 کے دوران پلانٹس کی تکنیکی مرمت کے باعث پیداوار کے لیے بند رہنا تھی۔

سونا یوریا کی فروخت گزشتہ برس کے مقابلے میں صرف 2 فیصد کمی کے ساتھ 2,457 ہزار ٹن ریکارڈ کی گئی، جبکہ DAP کی مارکیٹ گزشتہ برس کے مقابلے میں طلب میں کمی کے باعث دوران سال دباؤ کا شکار رہی اور سال کے دوران 237 ہزار ٹن کی فروخت ریکارڈ کی گئی جو کہ پچھلے سال 480 ہزار ٹن تھی۔ کھاد کی صنعت نے 5.1 ملین ٹن کی ترسیل کی سب سے زیادہ یوریا سطح حاصل کی۔ اس کا سبب SNGPL کے نیٹ ورک پر چلنے والے پلانٹس کو گیس کی فراہمی تھی جو کہ ماضی میں گیس کی کمی کے باعث بند تھے۔

امکانی مقامی پیداوار اور حکومتی درآمدات کی وجہ سے FFC اور FFBL کا یوریا مارکیٹ میں مجموعی شیئر 46 فیصد ریکارڈ کیا گیا۔ جبکہ مجموعی طور پر DAP مارکیٹ میں شیئر 19 فیصد کی حد تک رہا۔ FFC اور FFBL کا DAP مارکیٹ میں مجموعی شیئر 46 فیصد ریکارڈ کیا گیا (2018 میں بشرح 52 فیصد تھی)۔ اس کی وجہ FFC کی جانب سے DAP کی کم درآمدات ہیں (ماخذ: NFDC)۔

اس سال کی مجموعی آمدنی مسلسل دوسرے سال 100 ارب روپے سے تجاوز کر کے 105.78 ارب روپے ہو گئی جو کہ پچھلے سال کے مطابق ہے۔

سونا یوریا کی لاگت فروخت گزشتہ برس کے مقابلے میں 18 فیصد اضافے کے ساتھ 80.67 ارب روپے ریکارڈ کی گئی، اس کی بنیادی وجہ مہنگائی میں اضافے، کرنسی کی قدر میں نمایاں کمی کے علاوہ دسمبر 2018 سے اب تک گیس کی قیمت میں 340 روپے فی ایم ایم بی ٹی یو کے حساب سے نمایاں اضافہ ہے۔ تاہم، DAP کی فروخت کی لاگت کم ہو کر 13.27 ارب روپے ہو گئی اور اسی طرح مجموعی لاگت فروخت 75.05 ارب روپے رہی جو گزشتہ برس 77.99 ارب روپے تھی۔

حکومت کی جانب سے ابتدائی طور پر GIDC میں 50 فیصد کمی کی یقین دہانی کے نتیجے میں کمپنی کو دوران سال کی تیسری سہ ماہی کے بیشتر حصے کے دوران گیس کی قیمت میں جولائی 2019 سے ہونے والے اضافے کا بوجھ خود برداشت کرنا پڑا۔ تاہم، حکومت اس عہد کی تکمیل نہ کر سکی جو کمپنی کے لیے آمدن میں خسارے کی صورت میں نتیج ہوا۔

کمپنی کا خام منافع 10 فیصد اضافے کے ساتھ 30.74 ارب روپے رہا، جو کہ پچھلے سال 27.98 ارب روپے تھا۔

ایندھن کی قیمتوں میں نمایاں اضافے اور Axle Load Regulation کے نفاذ کے باعث، کمپنی کے ترسیلی اخراجات میں اضافہ ہوا۔ تاہم، دوران سال DAP کی کم مقدار میں فروخت کے باعث مجموعی ترسیلی اخراجات (Distribution Cost) کم ہو کر 8.29 ارب روپے رہے جو کہ گزشتہ برس 8.83 ارب روپے تھے۔

22.45 ارب روپے کا Operating Profit گزشتہ سال کے مقابلے میں 17 فیصد زیادہ ہے اور اس کا سبب کم ترسیلی اخراجات ہیں۔

قرضوں پر شرح سود میں تیزی سے اضافے کے ساتھ ساتھ سال 2019 کے کچھ حصے میں سرمایہ کی زیادہ ضروریات کے پیش نظر، مالیاتی لاگت گزشتہ برس کے 1.64 ارب روپے کے مقابلے میں 2.48 ارب روپے رہی۔

کمپنی نے اب تک کی سب سے زیادہ 5.67 ارب روپے کی سرمایہ کاری کی آمدن (Investment Income) حاصل کی جو گزشتہ برس کے مقابلے میں 115 فیصد اضافہ ہے اور اس کا سبب نقد رقم کا موثر استعمال اور مارکیٹ کی بلند شرح سود ہے۔

ہماری منسلک کمپنیوں (Associated Companies) کی جانب سے منافع منقسمہ (Dividend Income) کی مد میں حاصل ہونے والے 1.52 ارب روپے گزشتہ برس کے مقابلے میں 22 فیصد زائد ہیں اور اس کا سبب FFC کی اسٹریٹجک سرمایہ کاریوں (Strategic Investments) کی جانب سے بہتر ادائیگیاں ہیں۔

اس سال کے لیے ٹیکس چارج 8 فیصد کمی کے ساتھ 6.84 ارب روپے رہا، جس کی بنیادی وجہ اس سال کے دوران سپر ٹیکس کا نفاذ نہ ہونا ہے جبکہ گزشتہ سال یہ چارج 877 ملین روپے تھا (جس میں سال 2017 اور 2018 کے لئے فراہمی شامل تھی)۔

نتیجتاً، کمپنی نے 17.11 ارب روپے کا خالص منافع حاصل کیا، جبکہ فی حصص آمدن 13.45 روپے رہی جو کہ گزشتہ برس کے مقابلے میں 19 فیصد زائد ہے۔

حال ہی میں حکومت نے ایک آرڈیننس جاری کیا ہے جس کے تحت غیر رجسٹرڈ افراد کو کی جانے والی فروخت سے متعلق ان پٹ ٹیکس کا کریڈٹ کا حق ختم قرار دے دیا گیا ہے اور اس کا اطلاق ماضی سے کیا گیا ہے۔

اس آرڈیننس کے کمپنی کی کاروباری لاگت پر سنگین مضمرات ہیں اور اس نے کھاد کی صنعت کو ایک پیچیدہ صورتحال میں مبتلا کر دیا ہے کیونکہ ایک کاشتکار کی رجسٹریشن میں کافی وقت لگنے کی توقع ہے اور اس کے بغیر ان کی رجسٹریشن کی تصدیق نہیں کی جا سکتی۔

کھاد کے ڈسٹری بیوٹرز ٹیکس کے مقاصد کے لئے رجسٹرڈ ہیں اور اسی طرح کھاد فروخت کرنے والے اداروں کی جانب سے زیادہ فیصد پر ٹیکس گوشوارے میں ظاہر کرنے کے ساتھ ساتھ سیلز ٹیکس اور فروخت کے مرحلے پر ٹیکس بھی وصول کیا جاتا ہے، لہٰذا کسی سیلز ٹیکس کے قانون کے تحت رجسٹریشن سے حکومت کو کوئی اضافی آمدن حاصل نہیں ہوگی۔

ایجنٹ کی رجسٹریشن درکار ہونے کی صورت میں ڈسٹری بیوٹرز اور غیر رجسٹرڈ ڈیلرز کیلئے مختلف قیمت فروخت کا اعلان کرنا ممکن ہے تاکہ اخراجات میں نمایاں اضافے کو صارفین تک منتقل کیا جائے۔ اس کے نتیجے میں قیمتوں میں تفاوت پیدا ہو سکتا ہے جو کہ کاشتکار برادری پر منفی اثرات مرتب کرے گا۔

کمپنی کی Net Worth 7 فیصد اضافے کے ساتھ 35.57 ارب روپے ہوگئی، جو کہ 27.96 روپے فی حصص (Break-up Value) بنتی ہے۔ سال 2019 کے دوران 22.70 ارب روپے کے Revenue Reserves کا باعث بنا جو کہ گزشتہ برس 20.52 ارب روپے تھے۔

طویل المیعاد قرضے 16.47 ارب روپے رہے جو کہ گزشتہ برس کے مقابلے میں 25 فیصد کم ہیں اور اس کا بنیادی سبب قرضوں کی معاہدوں کے مطابق ادائیگیاں ہیں۔ قرضوں کی تمام ادائیگیاں بروقت کی گئیں اور دوران سال FFC کی کسی بھی مالی ذمہ داری کی ادائیگی میں تاخیر نہیں کی گئی۔

تجارتی و دیگر واجبات (Trade & Other Payables) سال 2018 کے 60.60 ارب روپے سے بڑھ کر دوران سال 76.01 ارب روپے ہوگئے اور اس کا بنیادی سبب حکومتی حکم کے تحت GIDC کی عدم ادائیگی ہے۔

دوران سال ادائیگیوں کی وجہ سے قلیل المیعاد قرضے 6.72 ارب روپے کی کمی کے ساتھ 21.80 ارب روپے رہے۔

طویل المیعاد قرضوں کا قلیل المیعاد حصہ بھی طویل المیعاد قرضوں میں کمی کی مناسبت سے کم ہو کر 4.71 ارب روپے رہا۔

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

کمپنی کے 5.59 ارب روپے کے مالیاتی وعدے (Financial Commitment) بنیادی طور پر کمپنیوں کی خریداری، اشیاء، خدمات اور Capital Expenditure پر مشتمل ہیں جیسا کہ مالیاتی گوشواروں (Financial Statements) کے متعلقہ نوٹ میں تفصیل سے بیان کیا گیا ہے۔

Property, Plant & Equipment گزشتہ برس کے مقابلے میں 3 فیصد بڑھ کر 22.21 ارب روپے ہو گئے جو Plant & Machinery کی مد میں معمول کے اضافے کی وجہ سے ہیں۔

Thar Enery Limited میں 1.33 ارب روپے کی مزید سرمایہ کاری کی گئی۔ اس طرح اس پراجیکٹ میں مجموعی سرمایہ کاری 2.79 ارب روپے ہو گئی ہے۔ مزید برآں TEL کو حصص کے اجراء کے لیے 479 ملین روپے کی ایڈوانس ادائیگی کی گئی۔

Government Securities کی خریداری 4.38 ارب روپے کی طویل المیعاد سرمایہ کاریوں میں اضافے کا سبب بنی جو گزشتہ برس 837 ملین روپے

FINANCIAL **PERFORMANCE**

		2019	2018	2017	2016	2015	2014
Profitability Ratios							
Gross profit ratio	%	**29.06**	26.40	19.95	24.77	34.05	38.29
Gross profit ratio (Including subsidy)	%	**29.06**	28.03	25.38	31.34	35.18	38.29
Net profit to turnover	%	**16.17**	13.63	11.81	16.17	19.76	22.37
Net profit to turnover (Including subsidy)	%	**16.17**	13.32	11.01	14.75	19.42	22.37
EBITDA margin to turnover	%	**26.96**	24.06	22.44	30.07	32.97	35.61
EBITDA margin to turnover (Including subsidy)	%	**26.96**	23.52	20.92	27.44	32.40	35.61
Operating leverage ratio	Times	**(73.41)**	1.68	(0.33)	1.69	(0.93)	(1.10)
Return on equity (Profit after tax)	%	**48.11**	43.25	36.49	41.76	61.39	70.79
Return on equity (Profit before tax)	%	**66.78**	64.95	53.63	61.66	89.72	102.22
Return on capital employed	%	**62.39**	55.57	40.48	44.13	60.13	96.17
Pre tax margin	%	**22.45**	20.46	17.35	23.87	28.88	32.30
Pre tax margin (Including subsidy)	%	**22.45**	20.01	16.18	21.78	28.39	32.30
Return on assets	%	**11.15**	9.86	9.86	12.98	20.92	20.98
Growth in EBTDA	%	**9.16**	33.15	(8.18)	(26.37)	(5.64)	(9.64)
Earning before interest, depreciation and tax	Rs in million	**28,514**	25,490	20,359	21,915	27,972	28,929
Earnings growth	%	**18.50**	34.81	(9.09)	(29.73)	(7.73)	(9.75)
Growth in Operating revenue	%	**(0.17)**	16.81	24.48	(14.09)	4.42	9.07
Growth in Operating revenue (Including subsidy)	%	**(2.38)**	11.35	21.86	(7.49)	6.25	9.07
Capital Expenditure to total Assets	%	**2.05**	0.96	3.02	2.20	4.09	4.02
Liquidity Ratios							
Current ratio	Times	**0.91**	0.95	0.95	0.91	0.84	0.67
Quick / Acid test ratio	Times	**0.81**	0.79	0.88	0.72	0.58	0.59
Cash to current liabilities	Times	**0.30**	0.26	0.30	(0.15)	(0.18)	0.28
Cash flow from operations to turnover	Times	**0.24**	0.22	0.38	0.10	(0.27)	0.36
Cash flow from operations to turnover (Including subsidy)	Times	**0.24**	0.21	0.36	0.09	(0.27)	0.36
Long term liabilities / current liabilities	%	**10.18**	13.17	34.35	52.24	63.39	13.14
Activity / Turnover Ratios							
Inventory turnover ratio	Times	**7.61**	11.70	31.36	11.74	18.40	78.10
No. of days in inventory	Days	**48**	31	12	31	20	5
Debtors turnover ratio	Times	**12.34**	28.64	22.60	23.97	65.36	106.68
Debtors turnover ratio (Including subsidy)	Times	**6.81**	10.26	9.80	12.63	42.25	106.68
No. of days in receivables	Days	**30**	13	16	15	6	3
No. of days in receivables (Including subsidy)	Days	**54**	36	37	29	9	3
Creditors turnover ratio - with GIDC	Times	**1.42**	2.34	5.10	17.96	4.16	2.94
- without GIDC	Times	**51.93**	88.37	98.94	89.51	84.52	123.95
No. of days in payables - with GIDC	Days	**258**	156	72	20	88	124
- without GIDC	Days	**7**	4	4	4	4	3
Total assets turnover ratio	Times	**0.69**	0.72	0.84	0.80	1.06	0.94
Total assets turnover ratio (Including subsidy)	Times	**0.69**	0.74	0.90	0.88	1.08	0.94
Fixed assets turnover ratio	Times	**4.76**	4.92	4.07	3.43	3.97	4.04
Fixed assets turnover ratio (Including subsidy)	Times	**4.76**	5.03	4.36	3.76	4.04	4.04
Operating cycle - with GIDC	Days	**(227)**	(142)	(45)	25	(64)	(119)
- without GIDC	Days	**24**	10	23	41	20	2
Investment / Market Ratios							
Earnings per share (EPS) and Diluted EPS	Rs	**13.45**	11.35	8.42	9.26	13.18	14.28
Price earning ratio	Times	**7.77**	8.18	9.40	11.27	8.95	8.20
Dividend yield ratio	%	**10.94**	9.35	7.66	7.18	8.82	11.99
Dividend payout ratio							
- Cash (interim & proposed final)	%	**80.30**	77.98	83.14	85.31	90.00	95.57
- Cash & stock (interim & proposed final)	%	**80.30**	77.98	83.14	85.31	90.00	95.57
Dividend cover ratio	Times	**1.25**	1.28	1.20	1.17	1.11	1.05
Cash dividend per share (interim & proposed final)	Rs	**10.80**	8.85	7.00	7.90	11.86	13.65
Stock dividend per share (interim & proposed final)	%	**-**	-	-	-	-	-
Market value per share							
- Year end	Rs	**101.47**	92.85	79.11	104.37	117.98	117.11
- High during the year	Rs	**109.12**	103.68	118.96	121.45	158.87	125.92
- Low during the year	Rs	**84.88**	79.05	70.07	102.71	109.40	106.51
Breakup value (net assets per share) - restated							
- Without revaluation reserves	Rs	**27.96**	26.24	23.07	22.17	21.47	20.18
- With revaluation reserves*	Rs			N/A			
- Investment in Related Party at fair / market value	Rs	**44.17**	51.65	46.18	54.91	52.76	48.50
Retention (after interim & proposed cash)	%	**19.70**	22.02	16.86	14.69	10.00	4.43
Change in market value added	%	**14.87**	18.86	(31.82)	(14.84)	(0.43)	5.14
Price to book ratio	Times	**10.45**	9.29	7.91	10.44	11.80	11.71
Market price to breakup value	Times	**3.53**	3.61	3.96	4.96	6.26	5.64
Capital Structure Ratios							
Financial leverage ratio	Times	**0.93**	1.33	1.16	1.60	1.41	0.62
Weighted average cost of debt	%	**13.71**	8.18	6.61	6.53	7.53	10.48
Net Assets per share	Rs	**27.96**	26.24	23.07	22.17	21.47	20.18
Debt to equity ratio	Ratio	**15:85**	20:80	35:65	37:63	37:63	9:91
Interest cover ratio / Time Interest earned ratio	Times	**10.59**	14.25	7.44	8.23	17.61	31.91

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

Rs million	2019	2018	2017	2016	2015	2014
Summary - Statement of Financial Position						
Share capital	**12,722**	12,722	12,722	12,722	12,722	12,722
Reserves	**22,845**	20,661	16,630	15,489	14,589	12,948
Shareholders' funds (Equity)	**35,567**	33,383	29,352	28,211	27,311	25,670
Long term borrowings	**6,473**	8,584	15,572	16,653	15,893	2,500
Capital employed	**42,040**	41,967	44,924	44,864	43,204	28,170
Deferred liabilities	**4,412**	4,578	4,697	4,812	4,600	4,574
Property, plant & equipment	**22,212**	21,533	22,312	21,233	21,382	20,094
Long term assets	**56,089**	51,135	52,746	53,422	52,915	50,678
Net current assets (Working capital)	**(9,575)**	(4,590)	(3,125)	(3,746)	(5,111)	(17,934)
Liquid funds (net)	**38,420**	32,175	25,963	1,748	2,981	24,787
Summary - Statement of Profit or Loss						
Turnover	**105,783**	105,964	90,714	72,877	84,831	81,240
Turnover (including subsidy)	**105,783**	108,364	97,316	79,856	86,321	81,240
Cost of sales	**75,046**	77,986	72,621	54,827	55,949	50,137
Gross profit	**30,737**	27,978	18,093	18,050	28,882	31,103
Gross profit (including subsidy)	**30,737**	30,378	24,695	25,029	30,372	31,103
Distribution cost	**8,288**	8,833	8,574	7,154	6,814	6,431
Operating profit	**22,449**	19,145	9,519	10,896	22,068	24,672
Operating profit (including subsidy)	**22,449**	21,545	16,121	17,875	23,558	24,672
Finance cost	**2,477**	1,637	2,445	2,406	1,475	849
Other income	**7,190**	6,283	10,298	10,665	6,194	4,721
Other income (excluding subsidy)	**7,190**	3,883	3,696	3,686	4,704	4,721
Profit before tax	**23,753**	21,683	15,741	17,394	24,503	26,241
Provision for taxation	**6,643**	7,244	5,030	5,612	7,737	8,070
Profit for the year	**17,110**	14,439	10,711	11,782	16,766	18,171
EPS - Basic & Diluted - Rs	**13.45**	11.35	8.42	9.26	13.18	14.28
Summary - Statement of Cash Flows						
Net cash flow from Operating activities						
Net profit before taxation	**23,753**	21,683	15,741	17,394	24,503	26,241
Adjustments for non cash & other items	**1,814**	(1,254)	(5,484)	(5,941)	(2,462)	(1,832)
Changes in working capital	**7,917**	7,860	27,310	196	(35,042)	14,774
Changes in long term loans and advances, deposits, prepayments and deferred liabilities	**157**	(57)	52	39	315	9
	8,074	7,803	27,362	235	(34,727)	14,783
	33,641	28,232	37,619	11,688	(12,686)	39,192
Finance cost paid	**(2,101)**	(1,527)	(2,575)	(2,386)	(1,237)	(753)
Income tax paid	**(6,604)**	(6,041)	(5,247)	(5,724)	(9,103)	(9,349)
Subsidy received on sale of fertilizer	**-**	2,202	4,910	3,396	-	-
Net cash generated from / (used in) operating activities	**24,936**	22,866	34,707	6,974	(23,026)	29,090
Net cash flow from Investing activities						
Fixed capital expenditure	**(3,138)**	(1,400)	(3,285)	(2,000)	(3,279)	(3,479)
Interest received	**1,805**	1,050	750	1,107	1,758	1,283
(Increase) / Decrease in investments - net	**(719)**	211	(1,193)	(121)	54	(8,533)
Dividends received	**1,971**	1,299	1,924	2,265	2,720	2,578
Others	**459**	18	25	22	22	420
Net cash generated from / (used in) investing activities	**378**	1,178	(1,779)	1,273	1,275	(7,731)
Net cash flow from Financing activities						
Long term financing - draw-downs	**2,600**	-	7,000	7,350	18,621	-
- repayments	**(7,238)**	(6,582)	(7,684)	(4,665)	(2,499)	(1,460)
Repayment of lease liabilities	**(33)**	-	-	-	-	-
Dividends paid	**(14,665)**	(9,913)	(8,558)	(11,109)	(15,443)	(17,583)
Net cash (used in) / generated from financing activities	**(19,336)**	(16,495)	(9,242)	(8,424)	679	(19,043)
Net increase / (decrease) in cash and cash equivalents	**5,978**	7,549	23,686	(177)	(21,072)	2,316
Cash and cash equivalents at beginning of the year	**25,671**	17,723	(6,041)	(5,864)	15,281	13,013
Effect of exchange rate changes	**236**	399	78	-	(73)	(48)
Cash and cash equivalents at end of the year	**31,886**	25,671	17,723	(6,041)	(5,864)	15,281

Others

		2019	2018	2017	2016	2015	2014
Market capitalization	Rs in million	**132,911**	118,127	100,647	132,783	150,099	148,992
Numbers of shares issued	Million	**1,272**	1,272	1,272	1,272	1,272	1,272
Contribution to National Exchequer	Rs in million	**41,863**	36,779	41,240	45,004	53,593	51,213
Savings through Import Substitution	Million US $	**674**	650	534	474	654	833

FINANCIAL PERFORMANCE

Quantitative Data

		2019	2018	2017	2016	2015	2014
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	**830**	858	868	841	849	816
Plant II - Goth Machhi	KT	**821**	792	825	823	774	804
Plant III - Mirpur Mathelo	KT	**841**	872	820	859	846	783
Total production - Sona Urea	KT	**2,492**	2,522	2,513	2,523	2,469	2,403
Capacity Utlization							
Plant I - Goth Machhi	%	**119%**	123%	125%	121%	122%	117%
Plant II - Goth Machhi	%	**129%**	125%	130%	130%	122%	127%
Plant III - Mirpur Mathelo	%	**117%**	121%	114%	120%	118%	109%
Total capacity utlization	%	**122%**	123%	123%	123%	121%	117%
Sona Urea Sales	KT	**2,467**	2,527	2,697	2,428	2,408	2,371
Imported Fertilizer - Sales	KT	**253**	503	526	212	181	140

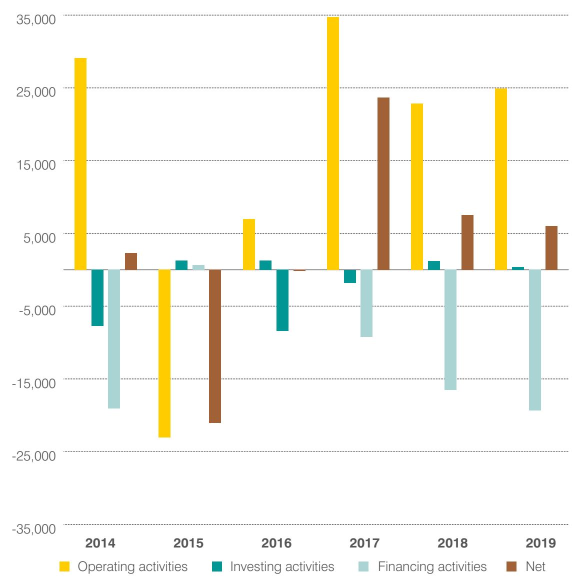
Direct Method Cash Flow

Rs million	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers - net	**89,298**	105,766
Cash paid to suppliers / service providers and employees - net	**(53,915)**	(75,995)
Payment to gratuity fund	**(218)**	(169)
Payment to pension fund	**(125)**	(155)
Payment to Workers' Welfare fund - net	**–**	(89)
Payment to Workers' Profit Participation fund - net	**(1,400)**	(1,125)
Finance cost paid	**(2,101)**	(1,527)
Income tax paid	**(6,604)**	(6,041)
Subsidy received on fertilizer	**–**	2,202
	24,935	22,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(3,138)**	(1,400)
Proceeds from sale of property, plant and equipment	**459**	17
Interest received	**1,806**	1,050
Investment in Fauji Fresh n Freeze Limited	**–**	(1,640)
Investment in Thar Energy Limited (TEL)	**(1,329)**	(1,460)
Adv. against issue of shares to TEL	**(417)**	–
Increase in other investment - net	**1,027**	3,311
Dividends received	**1,971**	1,299
Net cash generated from investing activities	**379**	1,177
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - draw-downs	**2,600**	–
- repayments	**(7,238)**	(6,582)
Repayment of lease liabilities	**(33)**	
Dividends paid	**(14,664)**	(9,913)
Net cash used in financing activities	**(19,335)**	(16,495)
Net increase in cash and cash equivalents	**5,979**	7,549
Cash and cash equivalents at beginning of the year	**25,671**	17,723
Effect of exchange rate changes	**236**	399
Cash and cash equivalents at end of the year	**31,886**	25,671

Free Cash Flows

Rs million	2019	2018	2017	2016	2015	2014
Profit before taxation	**23,753**	21,683	15,741	17,394	24,503	26,241
Adjustment non-cash items	**1,814**	(1,254)	(5,484)	(5,941)	(2,462)	(1,832)
Changes in working capital	**7,917**	7,860	27,310	196	(35,042)	14,774
	33,484	28,289	37,567	11,649	(13,001)	39,183
Less: Capital expenditure	**(3,138)**	(1,400)	(3,285)	(2,000)	(3,279)	(3,479)
Free cash flows	**30,346**	26,889	34,282	9,649	(16,280)	35,704

Cash Flow Analysis
(Rs million)



HORIZONTAL **ANALYSIS**

Statement of Profit or Loss

	2019 Rs M	19 Vs 18 %	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 %
Turnover	105,783	(0.2)	105,964	17	90,714	24	72,877	(14)	84,831	4	81,240	9
Cost of sales	75,046	(4)	77,986	7	72,621	32	54,827	(2)	55,949	12	50,137	26
Gross profit	30,737	10	27,978	55	18,093	0.2	18,050	(38)	28,882	(7)	31,103	(10)
Distribution cost	8,288	(6)	8,833	3	8,574	20	7,154	5	6,814	6	6,431	4
Operating profit	22,449	17	19,145	101	9,519	(13)	10,896	(51)	22,068	(11)	24,672	(13)
Finance cost	2,477	51	1,637	(33)	2,445	2	2,406	63	1,475	74	849	12
Other expenses	3,409	62	2,108	29	1,631	(7)	1,761	(23)	2,284	(1)	2,303	(10)
	16,563	8	15,400	183	5,443	(19)	6,729	(63)	18,309	(15)	21,520	(14)
Other income	7,190	14	6,283	(39)	10,298	(3)	10,665	72	6,194	31	4,721	8
Profit before taxation	23,753	10	21,683	38	15,741	(10)	17,394	(29)	24,503	(7)	26,241	(11)
Provision for taxation	6,643	(8)	7,244	44	5,030	(10)	5,612	(27)	7,737	(4)	8,070	(13)
Profit for the year	17,110	19	14,439	35	10,711	(9)	11,782	(30)	16,766	(8)	18,171	(10)
EPS (Rs)	13.45	19	11.35	35	8.42	(9)	9.26	(30)	13.18	(8)	14.28	(10)

VERTICAL **ANALYSIS**

Statement of Profit or Loss

	2019 Rs M	2019 %	2018 Rs M	2018 %	2017 Rs M	2017 %	2016 Rs M	2016 %	2015 Rs M	2015 %	2014 Rs M	2014 %
Turnover	105,783	100	105,964	100	90,714	100	72,877	100	84,831	100	81,240	100
Cost of sales	75,046	71	77,986	74	72,621	80	54,827	75	55,949	66	50,137	62
Gross profit	30,737	29	27,978	26	18,093	20	18,050	25	28,882	34	31,103	38
Distribution cost	8,288	8	8,833	8	8,574	9	7,154	10	6,814	8	6,431	8
Operating profit	22,449	21	19,145	18	9,519	10	10,896	15	22,068	26	24,672	30
Finance cost	2,477	2	1,637	2	2,445	3	2,406	3	1,475	2	849	1
Other expenses	3,409	3	2,108	2	1,631	2	1,761	2	2,284	3	2,303	3
	16,563	16	15,400	15	5,443	6	6,729	9	18,309	22	21,520	26
Other income	7,190	7	6,283	6	10,298	11	10,665	15	6,194	7	4,721	6
Profit before taxation	23,753	22	21,683	20	15,741	17	17,394	24	24,503	29	26,241	32
Provision for taxation	6,643	6	7,244	7	5,030	6	5,612	8	7,737	9	8,070	10
Profit for the year	17,110	16	14,439	14	10,711	12	11,782	16	16,766	20	18,171	22
EPS (Rs)	13.45		11.35		8.42		9.26		13.18		14.28	

HORIZONTAL ANALYSIS

Statement of Financial Position

	2019 Rs M	19 Vs 18 %	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 %
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	22,685	11	20,501	24	16,470	7	15,329	6	14,429	13	12,788	4
	35,567	7	33,383	14	29,352	4	28,211	3	27,311	6	25,670	2
NON - CURRENT LIABILITIES												
Long term borrowings	6,473	(25)	8,584	(45)	15,572	(6)	16,653	5	15,893	536	2,500	(42)
Lease liabilities	62	-	-	-	-	-	-	-	-	-	-	-
Deferred liabilities	4,412	(4)	4,578	(3)	4,697	(2)	4,812	5	4,600	1	4,574	12
	10,947	(17)	13,162	(35)	20,269	(6)	21,465	5	20,493	190	7,074	(15)
CURRENT LIABILITIES												
Trade and other payables	76,009	25	60,599	56	38,781	269	10,504	40	7,500	(80)	37,038	73
Interest and mark - up accrued	676	125	300	57	191	(40)	321	20	268	793	30	36
Short term borrowings	21,803	(24)	28,526	147	11,539	(48)	22,177	23	18,021	55	11,603	66
Unclaimed Dividend	542	(15)	639	46	437	7	408	(34)	614	(29)	866	94
Current portion of long term borrowings - secured	4,711	(35)	7,238	6	6,832	6	6,434	43	4,510	153	1,780	22
Current portion of lease liabilities	43	-	-	-	-	-	-	-	-	-	-	-
Taxation	3,092	17	2,642	115	1,230	(2)	1,249	(12)	1,413	(44)	2,501	(37)
	106,876	7	99,944	69	59,010	44	41,093	27	32,326	(40)	53,818	57
Total Equity and Liabilities	153,390	5	146,489	35	108,631	20	90,769	13	80,130	(7)	86,562	28
Assets												
NON - CURRENT ASSETS												
Property, plant & equipment	22,212	3	21,533	(3)	22,312	5	21,233	(1)	21,382	6	20,094	9
Intangible assets	1,577	-	1,575	(1)	1,585	-	1,585	1	1,577	(2)	1,611	(2)
Log term investments	31,088	16	26,899	(3)	27,869	(6)	29,656	2	29,129	4	28,134	36
Long term Loans & advances	1,200	8	1,114	15	966	3	934	15	814	(1)	823	11
Long term deposits & prepayments	12	(14)	14	-	14	-	14	8	13	(19)	16	433
	56,089	10	51,135	(3)	52,746	(1)	53,422	1	52,915	4	50,678	22
CURRENT ASSETS												
Stores, spares and loose tools	3,811	10	3,474	(1)	3,496	2	3,428	1	3,396	2	3,315	2
Stock in trade	6,795	(47)	12,932	3,174	395	(91)	4,237	(17)	5,100	419	982	225
Trade debts	13,460	266	3,678	(1)	3,722	(14)	4,306	143	1,774	116	822	17
Loans and advances	1,795	69	1,060	(35)	1,634	81	903	(12)	1,025	(3)	1,059	15
Deposits and prepayments	51	(38)	82	5	78	56	50	28	39	50	26	(30)
Other receivables	17,653	12	15,725	13	13,965	80	7,752	176	2,807	152	1,073	34
Short term investments	48,041	(12)	54,585	77	30,882	118	14,144	37	10,335	(62)	27,433	45
Cash and bank balances	5,695	49	3,818	123	1,712	(32)	2,526	(8)	2,739	133	1,174	(14)
	97,301	2	95,354	71	55,885	50	37,347	37	27,215	(24)	35,884	36
Total Assets	153,390	5	146,489	35	108,631	20	90,769	13	80,130	(7)	86,562	28

Directors' Report – Financial Capital

VERTICAL ANALYSIS

Statement of Financial Position

	2019		2018		2017		2016		2015		2014	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Equity and Liabilities												
EQUITY												
Share capital	12,722	8	12,722	9	12,722	12	12,722	14	12,722	16	12,722	15
Capital reserve	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	22,685	15	20,501	14	16,470	15	15,329	17	14,429	18	12,788	15
	35,567	23	33,383	23	29,352	27	28,211	31	27,311	34	25,670	30
NON - CURRENT LIABILITIES												
Long term borrowings	6,473	4	8,584	6	15,572	14	16,653	18	15,893	20	2,500	3
Lease liabilities	62	-	-	-	-	-	-	-	-	-	-	-
Deferred liabilities	4,412	3	4,578	3	4,697	4	4,812	5	4,600	6	4,574	5
	10,947	7	13,162	9	20,269	18	21,465	23	20,493	26	7,074	8
CURRENT LIABILITIES												
Trade and other payables	76,009	50	60,599	41	38,781	36	10,504	12	7,500	9	37,038	43
Interest and mark - up accrued	676	0.4	300	0.2	191	0.2	321	1	268	0.3	30	0.03
Short term borrowings	21,803	14	28,526	19	11,539	11	22,177	24	18,021	22	11,603	13
Unclaimed dividend	542	0.4	639	0.4	437	0.4	408	1	614	1	866	1
Current portion of long term borrowings - secured	4,711	3	7,238	5	6,832	6	6,434	7	4,510	6	1,780	2
Current portion of lease liabilities	43	-	-	-	-	-	-	-	-	-	-	-
Taxation	3,092	2	2,642	2	1,230	1	1,249	1	1,413	2	2,501	3
	106,876	70	99,944	68	59,010	55	41,093	46	32,326	40	53,818	62
Total Equity and Liabilities	153,390	100	146,489	100	108,631	100	90,769	100	80,130	100	86,562	100
Assets												
NON - CURRENT ASSETS												
Property, plant & equipment	22,212	14	21,533	15	22,312	21	21,233	23	21,382	27	20,094	23
Intangible assets	1,577	1	1,575	1	1,585	1	1,585	2	1,577	2	1,611	2
Log term investments	31,088	20	26,899	18	27,869	26	29,656	33	29,129	36	28,134	33
Long term loans & advances	1,200	1	1,114	1	966	1	934	1	814	1	823	1
Long term deposits & prepayments	12	0.01	14	-	14	-	14	-	13	-	16	-
	56,089	37	51,135	35	52,746	49	53,422	59	52,915	66	50,678	59
CURRENT ASSETS												
Stores, spares and loose tools	3,811	2	3,474	2	3,496	3	3,428	4	3,396	4	3,315	4
Stock in trade	6,795	4	12,932	9	395	-	4,237	4	5,100	6	982	1
Trade debts	13,460	9	3,678	3	3,722	3	4,306	4	1,774	2	822	1
Loans and advances	1,795	1	1,060	1	1,634	2	903	1	1,025	1	1,059	1
Deposits and prepayments	51	0.03	82	0.1	78	-	50	-	39	-	26	-
Other receivables	17,653	12	15,725	11	13,965	13	7,752	9	2,807	5	1,073	1
Short term investments	48,041	31	54,585	37	30,882	28	14,144	16	10,335	13	27,433	32
Cash and bank balances	5,695	4	3,818	3	1,712	2	2,526	3	2,739	3	1,174	1
	97,301	63	95,354	65	55,885	51	37,347	41	27,215	34	35,884	41
Total Assets	153,390	100	146,489	100	108,631	100	90,769	100	80,130	100	86,562	100

SIX YEAR **ANALYSIS**

of Financial Position & Performance

The GIDC levy was significantly increased by the Government effective January 2014, which could only partially be passed under the prevalent market conditions, resulting in decline in Gross profitability. The fertilizer industry witnessed depressed market conditions in subsequent years owing to pricing intervention by the Government alongwith factors beyond the Company's control until the second half of year 2017 when the market returned to normalization. FFC successfully sailed through these difficult times and financial results were back on the trajectory. However, ever increasing cost of urea manufacturing, consistent pricing pressures, rising inflation and inconsistent Governmental policies are major challenges being faced by the Company adversely impacting its financial performance.

Horizontal Analysis

Statement of Financial Position

Shareholders' Equity

The Company's share capital and capital reserves remained unchanged during the last six years. Revenue reserve increased at an annual average rate of 11% since 2014, primarily on account of profit retention which has been carried out for financing the capital expenditure and diversification projects over the years. Resultantly, shareholders' equity rose to Rs 35.57 billion registering an increase of 39% since 2014.

Non-current Liabilities

Non-current liabilities comprise of long term borrowings and deferred liabilities. Long term borrowings increased six folds from Rs 2.5 billion in 2014 to Rs 15.89 billion at the end of 2015, mainly to finance the outstanding GIDC obligation.

However, long term borrowings remained relatively low in subsequent years. During the year, long term debt of Rs 7.24 billion was settled on a timely basis, while fresh financing of Rs 2.60 billion was availed to meet the Company's financing requirements. Deferred liabilities registered annual average increase of 1% since 2014.

Current Liabilities

Trade and other payables reduced from Rs 37.04 billion in 2014 to Rs 7.50 billion in 2015, on account of settlement of GIDC obligation. Subsequently, withholding of GIDC under Court's rulings since October 2016 resulted in consistent increase in the balance of trade and other payables which stood at Rs 76.01 billion at the close of 2019.

Short term borrowings and current portion of long term borrowings exhibited increase in 2015 and 2016 to fund working capital requirements. At the end of 2019, current portion of long term borrowings reduced to Rs 4.71 billion in line with reduction in long term borrowings, whereas short-term borrowings of Rs 21.80 billion reduced by 24% compared to 2018 due to repayments during the year.

Non-current Assets

Non-current assets of the Company include property, plant & equipment, intangible assets and long term investments, and have increased from Rs 50.68 billion in 2014 to Rs 56.09 billion at the close of 2019. Installation of natural gas compressors under the Company's sustainability plan, besides routine capital expenditure has resulted in net increase of Rs 2.12 billion in property, plant & equipment since 2014.

As part of FFC's diversification strategy, the Company has invested at an aggregate amount of Rs 5.91 billion in the form of equity investments since 2014. During the year, the Company further injected Rs 1.75 billion in Thar Energy Limited which included Rs 417 million in the form of advance against issue of shares. Consequently, the long term investments stood at Rs 31.09 billion at the end of 2019.

Current Assets

Current assets mainly comprise of stores and spares, stock in trade, trade debts, short term investments and cash & bank balances. Stock in trade increased from Rs 982 million in 2014 to Rs 5.10 billion in 2015 due to higher production of fertilizer and suppressed market conditions, which normalized by the close of 2017, evidenced by minimal stock in trade at the year end. Stock in trade again surged in 2018 due to higher inventory of DAP carried by the Company which was partially offloaded during 2019. Aggregate stock in trade was thus recorded at Rs 6.80 billion at the year end, which was 48% lower compared to 2018.

In order to promote sales under depressed market conditions during the last quarter of 2019, a higher quantum of sales were made on credit basis to offload inventories and avoid carrying costs, increasing the trade debts to Rs 13.46 billion.

Unadjusted input sales tax and outstanding subsidy receivable from the Government resulted in a substantial increase in other receivables over the six years, amounting to Rs 17.65 billion at the close of 2019.

Short term investments reduced by Rs 17.10 billion in 2015 compared to 2014 due to liquidation of investments to finance payment of the outstanding GIDC obligation. In 2019, the Company's short term investments were recorded at Rs 48.04 billion registering an increase of more than 4 times compared to 2015, due to better cash availability and attractive returns.

The trends in the balance sheet are in line with general trends of the Company and fertilizer industry, apart from the variations described above.

Statement of Profit or Loss

Turnover and Cost of Sales

FFC surpassed Rs 100 billion benchmark for the second consecutive year in 2019, recording aggregate turnover of Rs 105.78 billion, depicting an increase of 30% since 2014.

Cost of sales witnessed minimal variations till 2016 however, in order to mitigate the decline in Urea revenue due to forced Government intervention the Company marketed highest ever DAP fertilizer in 2017, which coupled with inflationary factors resulted in 32% higher cost of sales compared to 2016. Gas cost registered 48% increase since September 2018 and the Company had to absorb sizeable portion of the increase leading to increase in urea cost of sale by 18%. Cost of Sales of DAP however decreased to Rs 14.37 billion due to lower DAP off-take and the aggregate cost of sales thus stood at Rs 75.05 billion compared to Rs 77.99 billion last year.

Gross Profit

The Company registered decline in gross profitability during 2016 and 2017 primarily on account of depressed market conditions and Governmental pricing pressures. Improvement in fertilizer prices in the year 2018, however resulted in improved gross profit margins for 2018 and 2019. Despite absorption of major part of gas price increase for most part of the third quarter of 2019, the gross profit of the Company improved by 10% to Rs 30.74 billion compared to Rs 27.98 billion in 2018.

Distribution Cost

Distribution cost increased at a compound annual growth rate of 4% since 2014, owing to handling of higher volumes of fertilizers besides rise in fuel prices and other inflationary factors over the years. Distribution cost as a percentage of sales however, was slightly lower than last six years' average of 9% despite increase in fuel prices, due to lower handling of imported fertilizer during the year.

Finance Cost

Finance cost witnessed an increase of around 74% in 2015, which stood at Rs 1.48 billion owing to payment of GIDC partly through external financing. The finance cost further increased to around Rs 2.41 billion in 2016 due to enhanced working capital financing because of depressed market conditions during the years 2016 and 2017. Improvement in market environment led to a significant reduction in borrowings which translated in lower finance costs in the year 2018. The sharp increase in the borrowing rates besides higher financing requirements during part of year 2019 resulted in higher finance cost of Rs 2.48 billion compared to Rs 1.64 billion in 2018. Resultantly, finance cost recorded annual growth rate of around 20% since 2014.

Other Income

Other income primarily comprises of dividend income and return on investments placed with financial institutions besides classification of subsidy as other income in compliance with applicable International Financial Reporting Standards (IFRS).

The Company has a diversified investment portfolio which includes banking, cement, energy and food sectors. Although dividend income of Rs 1.52 billion registered an increase of 22% compared to 2018, it depicted a decline against previous years owing to lower payout by associated companies.

Investment income has registered a gradual increase over the last six years. During the year, the Company recorded highest ever investment income of Rs 5.67 billion, 115% higher than 2018 due to effective utilization of funds and prevailing high rate of return.

Aggregate other income stood at Rs 7.19 billion and has increased by over 1.5 times compared to 2014, owing mainly to record investment income.

Taxation

The impact of reduction in corporate tax rate was largely offset by imposition of super tax from 2015 to 2018. Variation in tax charge during these years was broadly in line with the Company's profitability. In 2019, effective tax rate has reduced significantly from six years' average of 31% to 28%, mainly due to discontinuation of super tax during the year, besides taxation of dividend income at lower rate compared to previous years.

Net Profit

Net profit of the Company registered downward trajectory till 2017 owing to persistent Government intervention in product pricing under the subsidy scheme, levy of discriminatory GIDC, higher finance cost, lower dividend income and higher taxation charge. However, improvement has been witnessed in 2018 and 2019 primarily on account of improvement in fertilizer selling prices and record income from investment.

Vertical Analysis

Statement of Financial Position

Shareholders' Equity

Share capital as a percentage of equity has reduced from 50% in 2014 to 36% in 2019, whereas revenue reserves as a percentage of equity have increased from 50% in 2014 to 64% at the close of 2019 owing to profit retention in the business to finance diversification needs of the Company.

Non-current Liabilities

Substantial increase was witnessed in long term borrowings as a percentage of non-current liabilities from 2015 to 2017 mainly on account of increase in long term debt for retiring GIDC liability. Long

SIX YEAR **ANALYSIS**

of Financial Position & Performance

term borrowings reduced in 2018 and 2019 due to repayment of debt, in line with borrowing agreements.

Current Liabilities

Trade and other payables as a percentage of current liabilities reduced substantially in 2015 and 2016, as the Company ceased to withhold GIDC. However, subsequent to court's ruling the Company resumed withholding GIDC amount which resulted in continuous increase in trade and other payables as a percentage of current assets during 2017, 2018 and 2019.

Non-current Assets

At 40%, property, plant and equipment as a percentage of non-current assets, remained broadly in line with six years' average of 41% as the Company continued to invest in natural gas compressors under sustainability plan besides regular capital expenditure. Long term investments as a percentage of non-current assets also remained steady at a six years' average of 55% as the Company continued to diversify in the power and food sector.

Current Assets

Stock in trade as a percentage of current assets increased in 2015, 2016 and 2018, when the Company carried abnormal fertilizer inventory at the year-end due to adverse market conditions.

In order to promote sales under depressed market conditions, higher quantum of credit sales were made during the last quarter of the year. As a result, trade debts increased to 14% as a percentage of current assets at the close of 2019 against previous six years' average of 8%.

Other receivables as a percentage of current assets experienced a considerable increase in 2016 as the Company booked subsidy receivable and sales tax refundable from the Government. This trend continued in the following years, further increasing other receivables. Other receivable constitute 18% of current assets at the end of 2019.

Short term investments decreased in 2015 and 2016 owing to poor market economics, however the following years have witnessed an increase depicting improvement in liquidity position. Short term investments constitute 49% of current assets at the close of 2019.

Statement of Profit or Loss

Gross Profit

Turnover increased from Rs 81.24 billion in 2014 to Rs 105.78 billion at the end of 2019, whereas gross profit margin witnessed a steady decline since 2014 attributable majorly to the increase in operating costs which mainly included higher feed and fuel gas costs besides increased levy of GIDC, currency devaluation and inflationary factors. Abnormal decrease was witnessed during 2016 and 2017 due to classification of subsidy income in other income in compliance with International Financial Reporting Standards.

Taxation

Tax charge as a percentage of turnover declined from 9.93% in 2014 to 6.28% in 2019. The decline is broadly in line with the profitability margins of the Company and decrease in corporate tax rates from 33% in 2014 to 29% in 2019. The effect of gradual reduction in applicable corporate tax rates was however subdued by the levy of super tax and final / minimum tax regimes on imported fertilizer.

Net Profit

Restricted pass through ability of the Company owing to persistent Governmental pressures in addition to increase in operating cost led to consistent reduction in profitability since 2014. Net profit margin decreased from 22.37% in 2014 to 16.18% in 2019 due to the factors mentioned in the aforementioned paragraphs.

Cash Flows

Cash Flows From Operating Activities

Growth pattern depicting a steady growth till 2014 was drastically impacted due to retirement of GIDC obligation in 2015, resulting in cash used in operations of Rs 23.03 billion. However, better cash availability due to revival of regular fertilizer demand improved cash generation from operations from 2016 onwards.

Demonstrating liquidity growth, cash generation from operations in the year 2019 was recorded at Rs 24.94 billion demonstrating an increase of 77% compared to the average cash flows from 2014 to 2018 but remained below 2018 owing to higher trade debts at the year end.

Cash Flows From Investing Activities

Investing activities mainly comprise of fixed capital expenditure and equity investments in FFF and TEL whereas incremental dividend receipt from associated and subsidiary companies and interest receipt in the past years have partially offset the impact of cash outflow from investing activities.

Cash flows from investing activities have fluctuated between net inflows and outflows over the last six years and net outflows. Fixed capital expenditure during the last 6 years has been in line with the Company's commitment to maintain reliable and sustained operations of its production facilities.

Cumulative increase in investments in the past 6 years has been Rs 10.31 billion.

Cash Flows From Financing Activities

Dividend payments to shareholders and repayment of long term financing have been the primary reasons for consistent net cash utilization for financing activities over past the six years, except for 2015 where substantial long term financing to fund GIDC payments resulted in cash surplus from financing activities.

Ratio Analysis

Profitability Ratios

Operating revenue remained in line with last year after a continuous upward trend despite a decline in 2016 when Government pricing pressures had limited revenue growth. Gross profit margin stood at 29.06% despite rising inflation, substantial currency devaluation and significant increase in gas prices whereas the Company was able to continue with the improving trend in net profit margin to 16.17% on account of effective treasury management and efficient cost controls.

Liquidity Ratios

Current ratio of 0.91 times remained higher than the last six years average, but declined by 0.04 times compared to last year on account of increased withholding of GIDC payable. FFC's cash to current liabilities ratio improved to 0.30 times from 0.26 times recorded last year, and also stood higher compared to 0.14 average over six years.

Activity / Turnover Ratios

Higher credit sales have resulted in higher debtor turnover of 30 days in 2019 compared to six years' average of 14 days since 2014. Urea demand led to the Company being able to offload its fertilizer stock during 2019, however, high imported fertilizer inventory at the end of 2018 and 2019 resulted in reduced inventory turnover ratio of 7.6.

Creditor turnover days have increased to 258 days compared to six years' average of 120 days owing to withholding of GIDC under Court's rulings. The Company's operating cycle was thus recorded at negative 227 days compared to negative 95 days on six-year average. Lower fertilizers off-take resulted in reduction of fixed asset turnover ratio including subsidy to 4.76 times in 2019, lower by 0.16 times compared to 2018.

Investment / Market Ratios

Earnings per share stood at Rs 13.45 for the year ended 2019 registering a 19% increase over the last year on account of rising profitability. Despite mixed trends witnessed at the Stock Exchange, the Company's share was traded on PSX between a range of Rs 84.88 and Rs 109.12, closing at Rs 101.47 at the year-end, relatively higher by Rs 11.62 compared to last year.

The price to earnings ratio has averaged at 8.96 times over the last six years up to 2019, additionally; the breakup value per share of the Company was logged in at Rs 27.96 for 2019, and with the six years' historic average of Rs 23.52, both representing a stable trend.

Cash payout during 2019 was 80.30%, against a six years' average total payout of 85.38%, however stood 2.32% greater than cash payout of the year 2018.

Capital Structure Ratios

Financial leverage ratio of 0.93 times was lower by around 30% compared to 2018 depicting improved cash generation from within the business. Debt to equity ratio also improved slightly to 15:85 compared to 20:80 recorded in 2018. In view of significant increase in finance cost because of higher interest rates and financing requirements of the Company, interest cover ratio was logged in at 10.59 times, lower by 4.42 times from six years' historic average of 15.01 times.

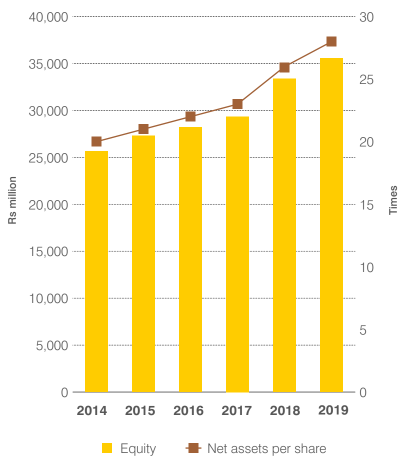
Explanation of Negative Changes In Performance over the Period

All negative changes in performance over the past six years; including the horizontal and vertical analysis of the statement of financial position, statement of profit or loss, statement of cash flows and ratios have been explained in the relevant sections of this report.

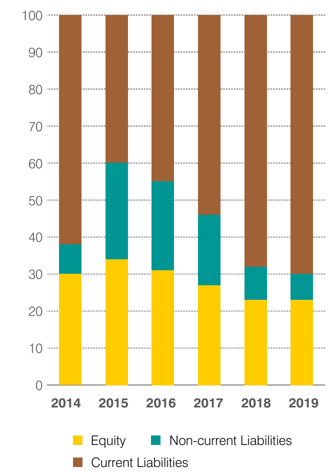
GRAPHICAL **PRESENTATION**

Statement of Financial Position

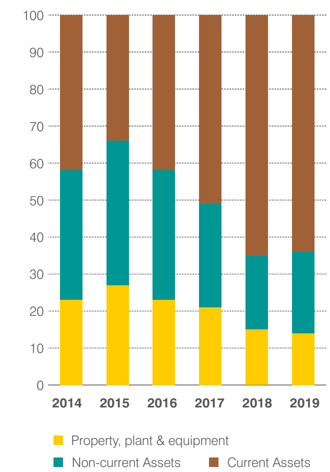
Equity & Net Assets per Share



Financial Position Analysis - Equity & Liabilities
(Percentage)

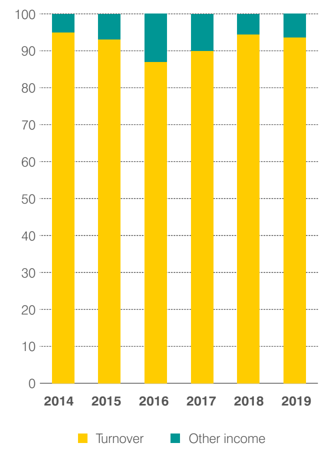


Financial Position Analysis - Assets
(Percentage)

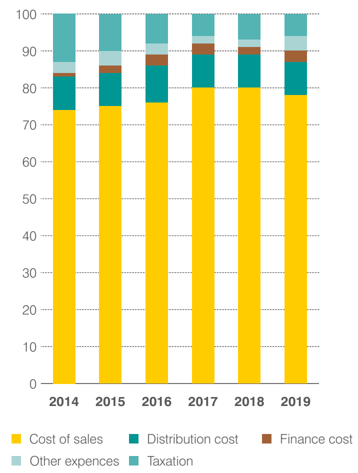


Statement of Profit or Loss

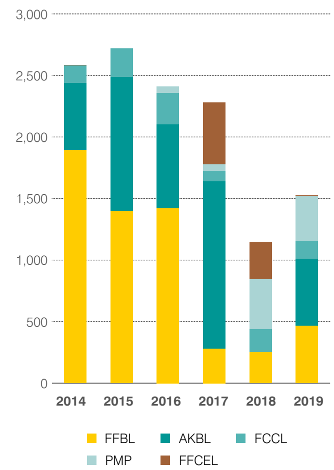
Profit or Loss Analysis - Income
(Percentage)



Profit or Loss Analysis - Expenses
(Percentage)



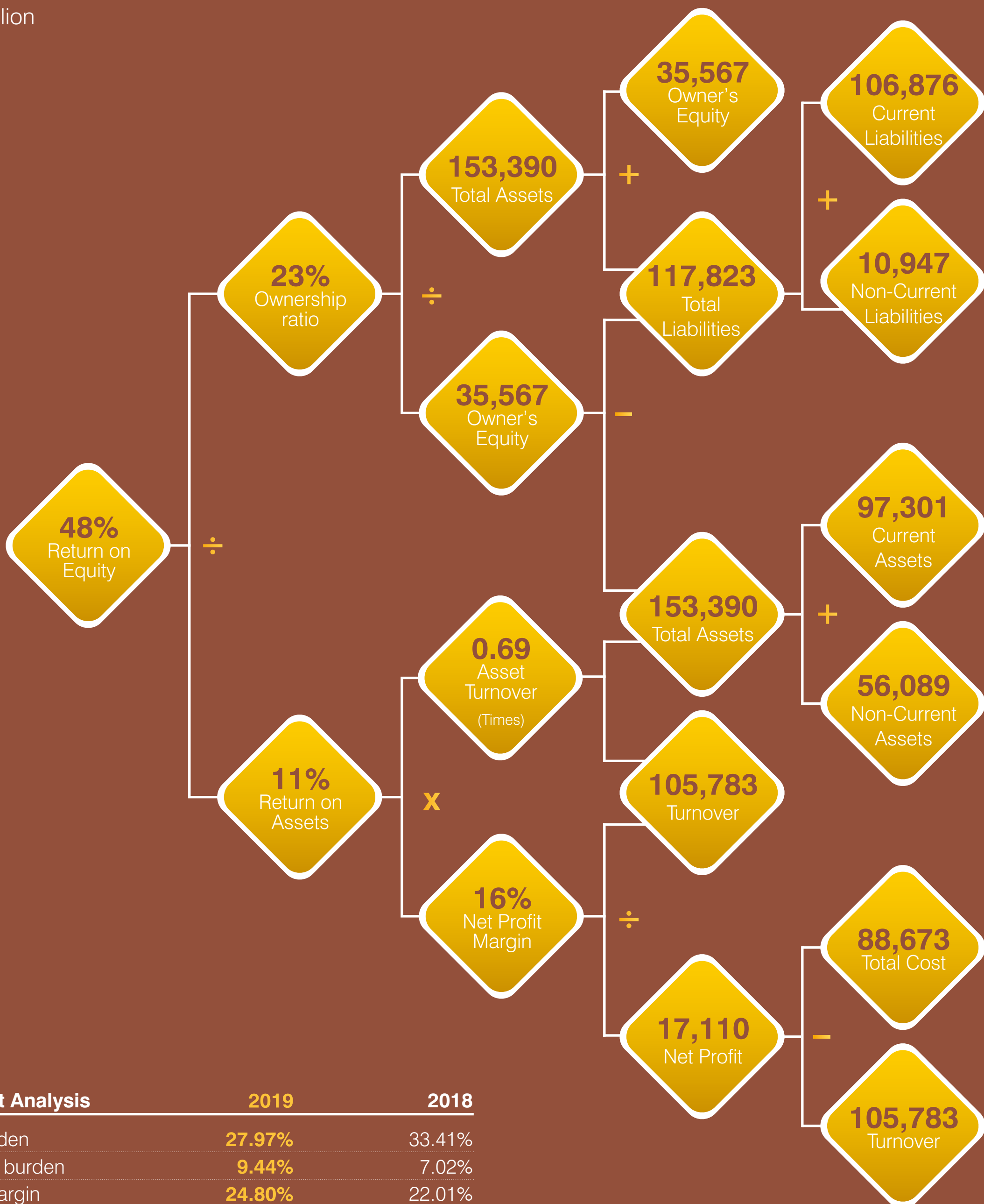
Dividend Income
(Rs million)



Directors' Report – Financial Capital

DUPONT **ANALYSIS**

Rs million



DuPont Analysis	2019	2018
Tax burden	**27.97%**	33.41%
Interest burden	**9.44%**	7.02%
EBIT margin	**24.80%**	22.01%
Asset turnover	**68.96%**	72.34%
Leverage	**76.81%**	77.21%
Return on Equity	**48.11%**	43.25%

Analysis

Non-current assets increased by 16% due to increase in long term investments at the close of the year, increasing the total assets to Rs 153.39 billion and owners' equity to Rs 35.57 billion. Consequently, ownership ratio was recorded at 23%, in line with last year.

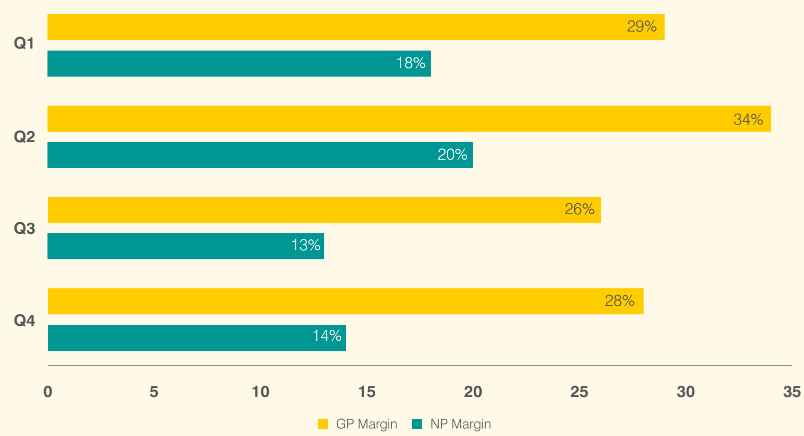
Turnover amounting Rs 105.78 billion for the year was in line with last year. However, significant cost control due to optimum inventory management in addition to high returns owing to improved liquidity position and effective treasury management resulted in net profitability margin of 16%, increasing return on asset to 11%.

The Company thus recorded return on equity of 48% compared to 43% in 2018.

QUARTERLY ANALYSIS – 2019

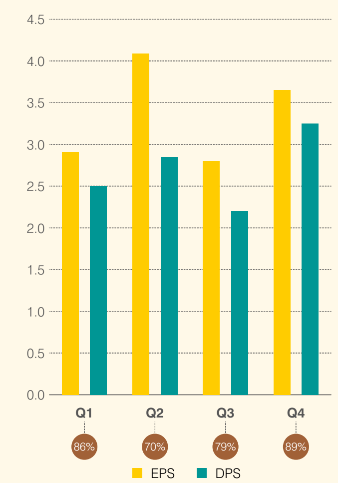
Rs million		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Turnover		20,311	26,180	26,532	32,760	105,783
Cost of sales		14,348	17,336	19,706	23,656	75,046
Gross profit		5,963	8,844	6,826	9,104	30,737
Distribution cost		2,007	1,737	2,092	2,452	8,288
Operating profit		3,956	7,107	4,734	6,652	22,449
Finance cost		469	629	557	822	2,477
Other expenses		484	1,322	525	1,078	3,409
		3,003	5,156	3,652	4,752	16,563
Other income		2,000	1,969	1,552	1,669	7,190
Profit before taxation		5,003	7,125	5,204	6,421	23,753
Provision for taxation		1,307	1,916	1,641	1,779	6,643
Profit for the year		3,696	5,209	3,563	4,642	17,110
EPS	Rs	2.91	4.09	2.80	3.65	13.45
Production	KT	575	640	646	631	2,492
Sales	KT	559	629	584	695	2,467

Quarterly GP & NP Margins
(Percentage)



80%
Dividend payout ratio

Quarterly EPS vs DPS
(Rs per share)



Analysis of Variation in Interim Results with Final Accounts

The Company's gross profit margin improved in second quarter to 34% from 29% of first quarter, owing to improvement is selling prices, however, as the Company absorbed increase in gas cost during major part of third quarter against unfulfilled commitment by the Government for corresponding reduction in GIDC, the gross profit margin declined to 29% at the end of 2019.

Average distribution cost for the first three quarters remained 13% below last year at Rs 1.95 billion, however, owing to import of DAP and increased fuel prices during the last quarter, total distribution was recorded at Rs 8.29 billion, 6% below last year.

Dividend income declined in later quarters owing to reduced payout from associated companies.

Higher credit sales in fourth quarter resulted in rise in finance cost owing to working capital requirements.

1st Quarter

Production	Sales	Inv. Income	Net Profit
575 KT	559 KT	Rs 0.92 b	Rs 3.70 b

Production

Our manufacturing facilities delivered Sona Urea output of 575 thousand tonnes with an operating efficiency of 112% during the first quarter of the year, only 3% lower than last year owing to slightly longer maintenance shutdown of plants during the period.

Sales, Turnover and Income

Sona Urea offtake during the first quarter stood at 559 thousand tonnes, 2% below the same period of last year, however, owing to improvement in selling prices of urea, the Company achieved Sona urea revenue of Rs 18.65 billion, 26% above last year. Aggregate revenue, however, was marginally lower compared to last year due to lower DAP sales during the quarter. The Company achieved record first quarterly investment income of Rs 920 million, 47% above last year, while dividend tripled as compared to last year to Rs 1.08 billion.

Operating costs

(Cost of Sales and Distribution Costs)

Cost of sales stood at Rs 14.35 billion, 13% lower than last year due to lower sales of DAP and urea, whereas increase in fuel cost and continued PKR devaluation increased distribution cost by Rs 82 million to Rs 2.01 billion during the first quarter.

Profit

Lower cost of sales resulted in gross profit of Rs 5.96 billion, 46% higher than last year, besides, improved investment and dividend income enabled the Company to achieve net profit of Rs 3.70 billion, 63% above last year.

In view of improved profitability, first interim dividend of 25% (Rs 2.50 per share) was declared by the Board for its shareholders with a payout ratio of 86%.

Net Assets

Encashment of short term investments to cater for the working capital needs reduced total assets to Rs 129.58 billion lower by 12% compared to December 2018. Net assets decreased by Rs 1.27 billion at Rs 32.11 billion compared to net assets balance on December 2018, owing to payment of final dividend for the year 2018 amounting Rs 4.96 billion.

2nd Quarter

Production	Sales	Inv. Income	Net Profit
640 KT	629 KT	Rs 1.59 b	Rs 5.21 b

Production

The Company achieved Sona urea production of 640 thousand tonnes during the second quarter, only 8 thousand tonnes below last year, however, owing to improved operating efficiency of 125%, urea production increased by 11% compared to the previous quarter.

Sales, Turnover and Income

The Company recorded urea sales of 629 thousand tonnes during the second quarter, 13% higher than the previous quarter, whereas aggregate urea sales for the first two quarters were 3% lower than last year. The Company achieved a new benchmark in terms of highest ever sales revenue for the second quarter at Rs 26.18 billion, 15% above last year and also 29% higher than the previous quarter, this translated into record aggregate sales revenue of Rs 46.49 billion for the two quarters. Owing to the improved liquidity position, the Company earned record second quarterly and half yearly investment income of Rs 1.59 billion and Rs 2.51 billion respectively.

Operating costs

(Cost of Sales and Distribution Costs)

Cost of sales for the quarter was in line with last year but increased by 21% compared to the previous quarter due to higher urea offtake. Distribution cost for the quarter decreased by 29% compared to last year due to handling of lower quantities of imported fertilizers during the quarter.

Profit

Improvement in selling prices resulted in higher net profit of Rs 5.21 billion, two times higher than the last year and also 41% above previous quarter. Net margin improved by 9% compared to last year and stood at 20% owing to higher investment income, and FFC earned an aggregate net profit of Rs 8.91 billion for the half year, 89% above last year. The Company declared second interim dividend of Rs 2.85 per share, with aggregate distribution of Rs 5.35 per share for the half year.

Net Assets

Asset base increased to Rs 141.09 billion marking an increase of 9% compared to the preceding quarter primarily on account increase in short term investments backed by improved liquidity position of the Company. Net assets of the Company at the end of second quarter improved by Rs 2.01 billion owing to profit retention by the Company.

QUARTERLY ANALYSIS – 2019

3rd Quarter

Production	Sales	Inv. Income	Net Profit
646 KT	584 KT	Rs 1.49 b	Rs 3.56 b

Production

FFC produced 646 thousand tonnes of urea during the third quarter of 2019 only 1 thousand tonnes below the highest ever third quarterly production of 2017.

Sales, Turnover and Income

Urea market hit a downwards trend and the Company recorded Sona urea sales of 584 thousand tonnes, 7% below last year and the previous quarter, however, owing to improved selling prices sales revenue was in line with the previous quarter and only 3% below last year due to 36% lower sales of DAP compared to the same quarter of last year. The Company achieved yet another benchmark of highest ever third quarterly investment income of Rs 1.49 billion translating into record aggregate investment income of Rs 3.99 billion, more than twice the amount earned last year.

Operating costs

(Cost of Sales and Distribution Costs)

Cost of sales increased by 14% compared to the previous quarter and stood at Rs 19.71 billion, mainly due to increase in gas prices by the government effective July 1, 2019. The Company had to absorb the increase in gas cost during major part of third quarter. Distribution cost was recorded at Rs 2.09 billion, 11% below last year due to nil imports of DAP as compared to 152 thousand tonnes imported during the last year, however, owing to 31% increase in transportation cost, distribution cost increased by 20% compared to the previous quarter.

Profit

Gross margin decreased by 6% compared to corresponding period of last year and was also 5% lower than the previous quarter due to increase in cost of sales. Net profit recorded at Rs 3.56 billion was 32% below the previous quarter, however due to increased selling prices and investment income, aggregate net profit for the first three quarters was 46% above last year and recorded at Rs 12.47 billion.

The Board declared third interim dividend of Rs 2.20 per share with cumulative distribution of Rs 7.55 per share for the nine months.

Net Assets

Improved liquidity position enabled the Company to reduce its short term borrowings, consequently decreasing total equity and liabilities by Rs 3.73 billion to Rs 137.36 billion at the end of third quarter of 2019. Net assets of the Company remained in line with previous quarter.

4th Quarter

Production	Sales	Inv. Income	Net Profit
631 KT	695 KT	Rs 1.67 b	Rs 4.64 b

Production

The Company produced 631 thousand tonnes of urea during the last quarter of 2019, 2% higher than the average production of the first three quarters, taking the total annual production for the year to 2,492 thousand tonnes, only 1% lower than 2018 mainly due to higher number of downtime days caused by extended maintenance of Plants during 2019.

Sales, Turnover and Income

In line with the historical trend, the Company achieved highest quarterly offtake for 2019 at 695 thousand tonnes, 19% above the last quarter and also 3% higher than the last year, total aggregate Sona urea sales for the year stood at 2,467 thousand tonnes, 2% below 2018. Sales revenue stood at Rs 32.76 billion, 23% above the previous quarter due to improvement in selling prices of Sona urea but 7% below corresponding period of last year due to lower sales of DAP.

The Company achieved another benchmark of highest ever annual Sona urea sales revenue of Rs 88.03 billion, 20% above last year, aggregate revenue for the year was lower by only Rs 181 million as compared to the record revenue earned last year due to depressed DAP market during the year 2019.

Owing to increase in interest rates and efficient treasury management, the Company recorded highest ever quarterly and yearly investment income of Rs 1.67 billion and Rs 5.67 billion respectively for 2019.

Operating costs

(Cost of Sales and Distribution Costs)

The Company recorded fourth quarterly cost of sales at Rs 23.67 billion, 20% higher than the previous quarter due to higher Sona urea sales. Despite higher production cost due to increased gas prices, the Company recorded aggregate cost of sales at Rs 75.05 billion which was 4% below 2018 owing to lower sales of DAP fertilizer. Increase in transportation cost of urea resulted in 16% higher distribution cost compared to the last quarter of 2018 and stood at Rs 2.45 billion. Distribution cost was also higher by 17% compared to the previous quarter due to handling of 109 thousand tonnes of DAP fertilizer.

Profit

Increased offtake translated into 33% higher gross profit as compared to the previous quarter and stood at Rs 9.10 billion, while, improved investment income and dividend income resulted in net profit of Rs 4.64 billion taking the total net profit for the year to Rs 17.11billion, 19% above last year.

In view of improved profitability the Company recommended final dividend of Rs 3.25 per share for approval by the shareholders, taking the total annual payout to Rs 10.80 per share.

Net Assets

Total assets increased by Rs 16.03 billion to Rs 153.39 billion due to increase in trade debts on account of higher credit sales towards the end of the year, besides purchase of Pakistan Investment Bonds.

Liquidity and Cash Flow Management

Strategy to Overcome Liquidity Problems

A robust treasury management system in FFC warrants an effective cash flow management, keeping in account the working capital and financing needs of the Company from time to time, and safeguard the Company against any cash flow risks.

Monitoring and management of cash flows is done through effective cash flow forecasting and periodic evaluation of planned revenues from operations and investment income. Maturity profiles of assets and liabilities are also maintained and evaluated to ensure that cash inflows and outflows are optimized as per expected working capital / business operation needs.

Liquidity Generation

Internal cash generation, ensured through revenues, dividend receipts and income from deposits adequately meet liquidity requirements of the Company. Receipts from sales revenue are handled through optimized control on customers' credit, in addition to securing advances from customers.

The Company carries out exhaustive cash flow forecasting before arranging external financing and minimal reliance is placed on cash generation through external sources to ensure lower financial cost. Preference is accorded to short-term debt over long term owing to lower financing costs. The Company holds a sizeable unutilized borrowing capacity to meet any future funding requirements including those of diversification projects.

Investments and Placement of Funds

Premium credit rated institutions are outlined for investment and placement of fund to minimize liquidity and credit risk. A fairly diversified portfolio of high yield investments is maintained to maximum returns, remaining within prudent levels of risks and exposure and profitable returns are ensured by investments in the money market / Government securities, term deposits with banks / financial institutions and any other investment schemes to enhance profitability and increase shareholders' return. A periodic evaluation of return on these investments is conducted to ensure that best possible options have been exercised.

The Company holds a sizeable unutilized borrowing capacity to meet any future funding requirements including those of diversification projects.

Repayment of Debts and Recovery of Losses

Strong debt raising capacity and timely settlement of all liabilities has been FFC's core strength and is evidenced by the Company's long term credit rating of AA+ and short term rating of A1+.

Total borrowings, including short term and current maturity of long term borrowings, declined by 26% compared to last year at Rs 32.99 billion, which included a decrease Rs 6.72 billion in short term financing. Banks have issued guarantees on behalf of the Company up to Rs 4.82 billion in addition to letter of credit facilities of up to Rs 17.93 billion which are available against lien on shipping / title documents and charge on FFC's assets.

All debt repayments maturing this year were paid on their due time and there have been no defaults in repayment of any debt obligations during the year.

Capital Structure

FFC revenue reserves increased by 11% to Rs 22.70 billion as compared to last year owing to higher profitability and relatively higher retention of profit. Equity comprised of share capital amounting to Rs 12.72 billion representing 1,272 million ordinary shares of Rs 10 each, with Fauji Foundation being 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 6.47 billion at close of the year, improving the debt / equity ratio to 15:85 from 20:80 in 2018, whereas financial leverage at year end was recorded at 0.93 times.

Future projections indicate adequacy of the capital structure for the foreseeable future.

Capital Market and Market Capitalization

The Company's shares are listed on the Pakistan Stock Exchange (PSX), which represents the Country's capital market. The capital market witnessed improvement during the year, recording a market capitalization of Rs 7,812 billion, up from Rs 7,693

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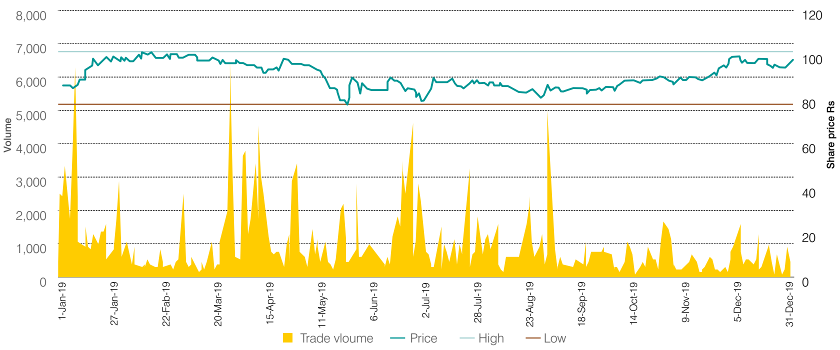
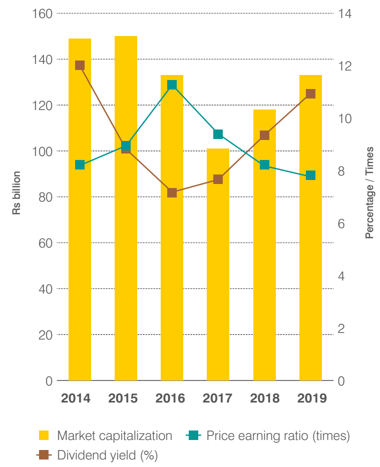
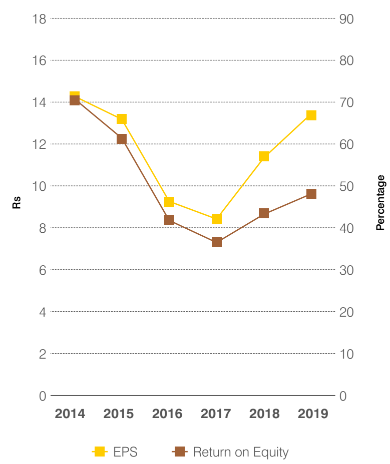
Share Price Sensitivity



Market Capitalization, Price Earning ratio & Dividend Yield



EPS and Return on Equity



billion in the preceding year. KSE-100 index also rose from 37,064 points to 40,735 points at the end of the year, registering an increase of 10% as compared to last year.

Fertilizer industry, excluding FFC, witnessed a decline of around 16% in market capitalization, whereas firm investor confidence in FFC resulted in 9% higher market capitalization. Market price of the share underwent significant fluctuations between the highest of Rs 109.12 per share to the lowest of Rs 84.88 per share, with an average trading price of Rs 98.70 per share and closing market price of Rs 101.47.

Fluctuations are principally caused by market psychology, speculative investors and material events occurring during the year.

FFC also maintained its first position on the PSX Top 25 Companies list by securing its 9th consecutive top placement.

Sensitivity Analysis

FFC's performance is affected by various critical as well as non-critical variables. Most of these factors are external in nature such as macro-economic indicators including fiscal and monetary measures, political stability and investors' sentiments etc, which are beyond the Company's control.

However, as part of its risk management, the Company regularly carries out sensitivity analysis to gauge the impact of these factors including their propensity to alter results.

Mitigation of key sensitivities and other risks has been discussed as part of Risk Mitigation Strategy, in other sections of this Report.

Market Price Sensitivity Analysis

FFC's share price is impacted by internal as well as external factors. The Company's operational and financial performance directly impacts FFC's share price.

External factors that impact the share price include but are not limited to economic and political environment of the Country, industry specific Governmental policies, investor sentiment, macro-economic indicators among others.

The Company regularly monitors these variables and evaluates their impact by carrying out sensitivity analysis besides preparation of financial forecasts.

Urea Production and Cost of Sales

Operational performance of the Company remained in line with the planned target for 2019.

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

Sensitivities	NPAT(Rs M)	EPS(Rs)
Selling Price (% +/- 1)	711	0.56
Sales Volume (% +/- 1)	366	0.29
Downtime (Days +/- 2)	143	0.11
Gas consumption / Price (% +/- 1)	221	0.17
Dividend Income (% +/- 5)	62	0.05
Income on Deposits (% +/- 5)	170	0.13
Finance Cost (% +/- 5)	83	0.07
Exchange valuation (% +/- 5)	71	0.06

Depleting gas reserves, injudicious GIDC levy, gas cost increase, and persisting pricing pressures also impact the Company's profitability.

The Company remains committed towards mitigation of these risks and sensitivities through efficiency enhancements and cost optimization by implementing effective austerity measures, besides exploring new avenues for raw material supply. Regular inspection and maintenance is carried out at all plants to ensure sustainable production and operational efficiency.

Sales Volume and Prices

Primary drivers of sales volume include plant production, fertilizer demand including farm economics, Government intervention including price regulation and import volumes, besides environmental conditions.

Despite being determined internally, sales prices are generally impacted by competitor prices, market conditions, international trends and Government intervention including subsidies etc.

Other factors that impact fertilizer prices include production / distribution cost, taxes and levies and other marketing factors.

Dividend Income

Dividend income from our strategic investments depends on the respective entity's financial performance and the announcement made by their respective Board of Directors and is, therefore, beyond the Company's control.

AKBL, FCCL, FFBL, FFCEL and PMP contribute to the Company's dividend stream. FFBL and FFC operate in a similar environment hence, factors impacting the Company may also impact FFBL's performance. Additionally, imported raw material is used in DAP production having its set of sensitivities. AKBL, FCCL, FFCEL, FFF and PMP operate in diverse business environments, which are subject to their respective sensitivities and are different from the Company.

Other Income

Other income comprises of income generated from placement with banks / other financial institutions, mutual funds etc and investment in Government securities. These are primarily dependent upon prevailing interest rates / KIBOR besides the Company's capability to efficiently generate and deploy excess funds in profitable ventures.

Finance Cost

Borrowing requirements and the resultant finance costs have significant impact on the Company's profitability. Although margins on loans are negotiated by the management, the interest rate / KIBOR fluctuations, being subject to market and economic conditions, are beyond the Company's control.

Prevailing hike in policy rates has a significant bearing on the finance cost. In case the Company is required to pay the pending sub-judice GIDC liability due to unfavorable outcome, it would result in substantial borrowings and related financing cost negatively impacting Company's profitability.

Foreign Exchange Risk

Financial assets and liabilities denominated in foreign currency and international business transactions expose the Company to foreign exchange risk on account of volatility in exchange rates. Exchange rate valuation, carried out at the reporting date, is therefore material in respect of profitability.

For the purpose of the sensitivity analysis, effect of a variation in a particular assumption on the profitability was calculated

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independently of any change in another assumption. Changes in one variable may contribute to a change in another variable, which may enhance or lessen the effect on the financial statements.

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

Prospects of the Entity

Pricing pressures from the Government continued during the year, resulting in absorption of inflationary factors and increase in gas prices during part of the year. Urea market witnessed an oversupplied situation, however, the Company has managed to offload its urea production with minimal carryover inventory through its extensive sales network. The DAP market also remained depressed throughout the year.

Despite the above challenges, the Company was able to surpass its major targets set for 2019. FFC also recorded new benchmark of highest ever investment income of Rs 5.67 billion during the year.

Investment 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 diminishing gas pressure and depleting gas reserves, the Company is actively evaluating and implementing various measures to sustain production levels.

Registering an improvement of 39% over last year, FFC Energy Limited recorded net earnings of Rs 1.53 billion. The management expects attractive returns from the project in future. Fauji Fresh n Freeze Limited has re-aligned its strategy concentrating on domestic market and focus on french-fries followed by IQF fruits & vegetables. It continued to register growth in the local market, with OPA! French Fries achieving targeted sales growth.

FFC remains steadfast in its commitment towards alleviating the energy crises of the Country. During the year, the Company invested further equity amounting Rs 1.33 billion in Thar Energy Limited.

Financial Measures

Targets for year 2019 were projected through estimation of various factors and variables. Most of these variables are outside the control of the Company while others can either be monitored or their impact can be alleviated to a possible extent.

The Company was able to achieve its set goals and targets by way of thorough evaluation and effective implementation throughout the year. This is evident from the fact that despite adverse market conditions during the second half of the year, desired production and sales levels were achieved, in line with the operating targets.

Selling prices of fertilizer remained suppressed during major portion of the third quarter despite increase in gas prices resulting in absorption of gas costs which dampened profitability. However, effective treasury management yielding high investment income and dividend streams from the Company's diversification initiatives enabled the Company to earn a net profit of Rs 17.11 billion despite adverse market conditions.

Going forward, favorable Governmental policies in terms of monetary and fiscal measures are imperative to allow the fertilizer industry to continue its revival after an extremely depressed and extensively regulated period. This shall also enable the Company to continue providing premium fertilizer to the local farming community besides savings in precious foreign exchange for the Country and extensive contribution to the national exchequer.

Non-Financial Measures

The Company has identified the following areas as key non-financial performance measures:

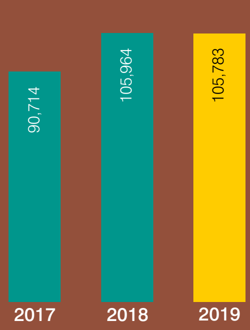
- Compliance with the regulatory framework
- Corporate image
- Stakeholders' engagement
- Brand preference
- Relationship with customers and business partners
- Employee satisfaction and wellbeing
- Maintenance of product quality for fulfillment of customer needs
- Responsibility towards the society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

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.

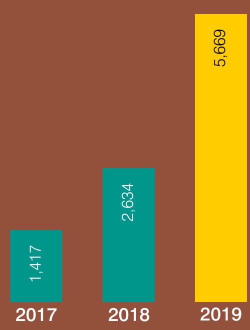
Key Performance Indicators

Turnover
(Rs million)



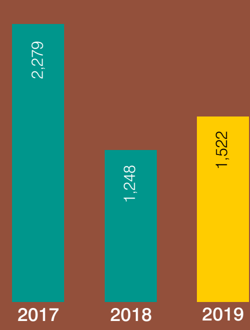
Rs 105,783 m

Investment Income
(Rs million)



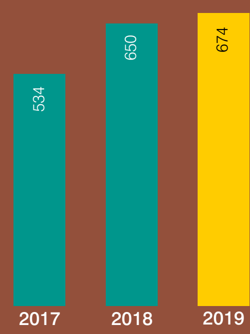
Rs 5,669 m

Dividend Income
(Rs million)



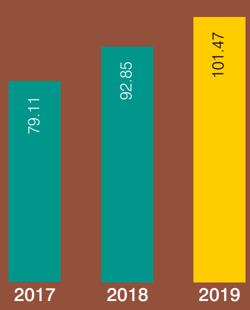
Rs 1,522 m

Import Substitution
(USD million)



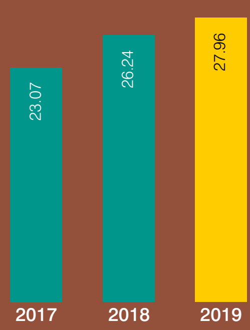
USD 674 m

Market Price per Share
(Rs)



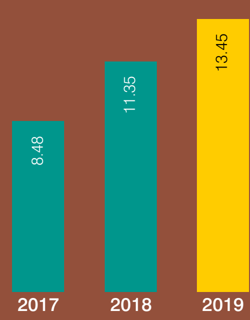
Rs 101.47

Break-up Value
(Rs)



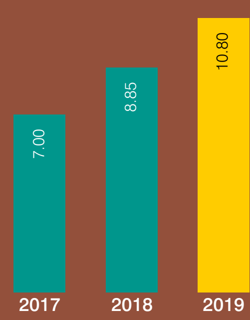
Rs 27.96

Earnings per Share
(Rs)



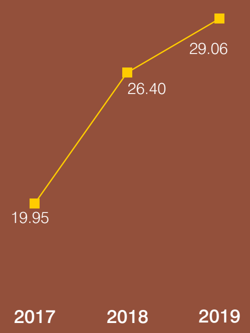
Rs 13.45

Dividend per Share
(Rs)



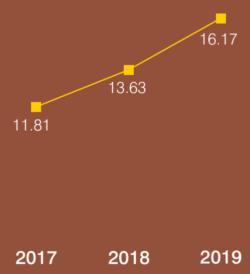
Rs 10.80

GP Margin
(%)



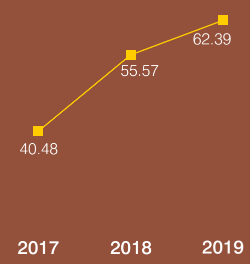
29.06%

NP Margin
(%)



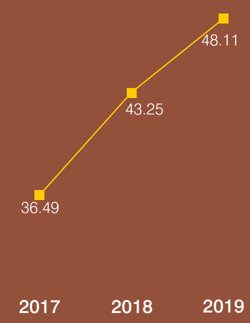
16.17%

Return on Capital Employed
(%)



62.39%

Return on Equity
(%)



48.11%

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Methods and Assumptions Used in Compiling The Indicators

The Company's performance is effectively reflected by Key Performance Indicators, which are regularly monitored and analyzed by the management to better gauge the Company's performance against predefined benchmarks. Discussion on some of the basic indicators of the Company's performance and profitability is as follows:

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 scrip.

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

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

Management's Responsibility Towards the Financial Statements

It is the management's responsibility to adopt sound accounting policies, establish and maintain a system of internal controls and prepare and present 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

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 3.26 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 understands the relationship between the ability to ensure sustainable wealth creation for shareholders and risks & opportunities emanating from the continuous changes in the Company's macroeconomic environment.

Accordingly, FFC performs an in-depth analysis of internal, external and industry-specific risks and opportunities in order to develop effective strategies, which is explained on pages 74-89.

Risk Management Policy

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

The Risk Management Policy 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 Principal Risks

An in-depth and critical analysis of the principal risks / threats faced by the Company business has been carried out by the Board of Directors. This includes those risks / threats that would threaten the business model, future performance, solvency or liquidity of the Company.

The responsibility for monitoring and control of business risks has been delegated 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 periodic basis.

Key Sources of Uncertainty

International Financial Reporting Standards require judgments, estimates and assumptions while preparing the financial statements which 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 both separate and consolidated financial statements of the Company.

Strategic, Commercial, Operational and Financial Risks

Operating in a business environment involves developing objectives, making decisions and undertaking transactions and hence inevitably bears some form of risk. The Company has effective systems in place for the timely identification, assessment and mitigation of various risks it is exposed to in the normal course of business.

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 Risk

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 the Company's market share owing to demand supply, product price regulation by Government or a new constitutional amendment posing threat to the Company's profitability and commercial viability are a few examples of these risks.

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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 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 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.

II. 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.

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 manage 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 ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company monitors rolling forecasts of the liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet the cash flow requirements and maintaining the debt financing plans.

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 up-gradation 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 analyze 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**

Inconsistent Government Policies / Regulations negatively affecting Fertilizer Industry

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Business diversification to augment Company revenues and achieving sustainable profitability margins

Opportunities: Maximize market share and augment presence

Mitigation Measures:

The Company engages with Government and other stakeholders to evolve best policies / regulations and their implementation and other issues impacting the industry and ultimately the farmers

Increasing raw material and other input / operating costs affecting pass through ability of the Company

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase operational efficiency through improved synergies among functions

Mitigation Measures:

Increase in levies, duties, and gas costs are beyond the control of the Company. FFC, however, is committed to improve operational efficiencies and implementation of effective cost controls to mitigate this risk to the maximum possible extent. The Company constantly engages with the Government at relevant forums to ensure availability of fertilizer at affordable prices

Investing in companies / projects that yield insufficient returns / reduced dividend receipts from equity investments, tying up shareholders' funds and impacting FFC cash flows / profitability

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: : Business diversification to augment Company revenues and achieving sustainable profitability margins

Opportunities: Horizontal as well as vertical diversification

Mitigation Measures:

Investing through an extensive due diligence process, screening of projects through management and Board committees. In case of under-performing investments, inculcating FFC's experience for revival / alternate business strategies to ensure corrective actions through respective Boards

Natural Gas supply disruption / reserves depletion

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Identifying and implementing strategy for alternative resources of energy for FFC's core business sustainability

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 other businesses. Continual investment in gas compression facilities to ensure sustained pressure

Decline in international fertilizer prices

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Costs economization

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. Engage with the Government to protect the indigenous industry

Fluctuations in foreign currency rates

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase operational efficiency through improved synergies among functions

Opportunities: Export / 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

For Legend, please refer Page No. 81

KEY RISKS AND **OPPORTUNITIES**

Information Technology Risks

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase operational efficiency through improved synergies among functions

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

Product pricing competition

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase FFC's presence across the borders / business diversification to augment Company revenues and achieving sustainable profitability margins

Mitigation Measures:

Efficient marketing strategies, better customer service, product quality and superior brand are FFC's key measures to counter the competitors' pricing strategies owing to their lower input / feed gas cost

Strong market competition / product obsolescence lowering demand for FFC's product

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase FFC's presence across the borders / business diversification to augment Company revenues and achieving sustainable profitability margins

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

Mitigation Measures:

FFC endeavors strong engagement with its customers through extensive marketing network to ensure their loyalty. Continuous efforts are made to sustain premium product quality. Effective research and development is conducted to keep abreast with changing market dynamics

Unfavorable farm economics negatively affecting liquidity of customers

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Improve agricultural productivity by promoting balanced fertilizer application and use of enhanced efficiency products

Mitigation Measures:
Ensuring provision of locally manufactured fertilizer at affordable rates in addition to offering sale on credit. The Company has also started establishing "FACE" centers across the country as comprehensive solution for farmers' capacity building and availability of micro-credits and quality inputs with ultimate objective of improved farm economics to farmers to improve their yield

Untimely influx of urea imported by the Government

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Business diversification to augment Company revenues and achieving sustainable profitability margins

Mitigation Measures:
FFC plays its role in assessment of fertilizer demand / supply gap in the country through Fertilizer Review Committee and liaison with Government through FMPAC as an effort to maintain equilibrium in demand / supply in the Country

Default by customers and financial institutions

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase operational efficiency through improved synergies among functions / cost economization

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

For Legend, please refer Page No. 81

KEY RISKS AND **OPPORTUNITIES**

Insufficient funds to pay liabilities due to liquidity problem

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: : Increase operational efficiency through improved synergies among functions

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

Loss of stakeholder confidence in the 'Sona' brand adversely impacting goodwill affecting operations

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Enhance brand image to leverage future diversification projects

Mitigation Measures:
The Company has built its brand recognition through years of quality fertilizer supply. FFC ensures proactive engagement with all stakeholders through a comprehensive stakeholders' engagement program (i.e. farm advisory, advertisements, documentaries, technical literature etc) leading towards a positive corporate image / goodwill.

Natural disasters / climatic uncertainties affecting business operations

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: : Increase operational efficiency through improved synergies among functions

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. The Company also has insurance coverage to safeguard against any monetary losses

Non-compliance of applicable laws and regulations

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Cost economization

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. External experts are engaged for consultation

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: Improve agricultural productivity by promoting balanced fertilizer application and use of enhanced efficiency products

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

Over-diversification of investments

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Business diversification to augment Company revenues and achieving sustainable profitability margins

Opportunities: Horizontal as well as vertical diversification

Mitigation Measures:
Investing through a comprehensive 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 on-board experts of the respective sectors

For Legend, please refer Page No. 81

KEY RISKS AND **OPPORTUNITIES**

Rise in KIBOR inflating the borrowing costs

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase operational efficiency through improved synergies among functions / cost economization

Opportunities: Explore investment avenues to capitalize 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

Risk of major accidents impacting employees, records, property and surrounding community

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase operational efficiency through improved synergies among functions

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. Company also has insurance coverage to safeguard against any relevant losses

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

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase FFC's presence across the borders / business diversification to augment Company revenues and achieving sustainable profitability margins

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

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

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase operational efficiency through improved synergies among functions

Mitigation Measures:

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

Volatile law and order situation

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Increase operational efficiency through improved synergies among functions

Mitigation Measures:

The Company has adequate security / public relational arrangements to cope with any law and order / reputational risk. FFC has an efficient security arrangement and alert mechanism for its employees

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 ایکڑ پیداوار کا باعث ہیں

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

مقاصد	کھادوں کے متوازن استعمال اور زیادہ استعداد والی مصنوعات کے ذریعے زرعی پیداوار میں اضافہ
مواقع	مصنوعات کی اقسام اور قدر میں اضافے بشمول Macro اور Micro Nutrients، Farm Advisory Services کے ذریعے کسانوں کے ساتھ مزید مستحکم رابطے جو ساکھ میں اضافے اور برانڈ کی پسندیدگی کا باعث ہیں
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

قابل اطلاق قوانین اور ضوابط کی عدم تعمیل

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

مقاصد	اوپر میں کی
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 اور ضوابط سے آگاہ رکھنے کے لیے تربیت بھی دی جاتی ہے۔ بیرونی ماہرین سے بھی مشاورت کے لیے رابطے رکھے جاتے ہیں۔

درجہ بندی

بلند | اوسط | کم

شدت

بلند | اوسط | کم

امکان

بلند | اوسط | کم

مدت

خارجی | داخلی

سرمایہ

مالیاتی | افرادی | عملی

تخلیق کردہ | قدرتی | تعلقات

سماجی

قسم

تجارتی | سیاسی | معاشی

مالیاتی | اسٹریٹیجک | عملیاتی

تعمیلی | ساکھ

نوعیت

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

نمایاں خطرات اور مواقع

گیس کی رسد میں رکاوٹ / ذخائر میں کمی

سرمایہ	درجہ بندی	رجحان	نوعیت	سبب	امکان	شدت

منسلک ہدف FFC کے بنیادی کاروبار کے استحکام کے لیے توانائی کے متبادل ذرائع کی نشاندہی اور نفاذ کی حکمت عملی

مواقع توانائی کی جدید ٹیکنالوجی کا استعمال تاکہ گیس کی مد میں بچت کی جا سکے

تخفیفی اقدامات عام مال اور توانائی کے متبادل ذرائع میں سرمایہ کاری کے ساتھ ساتھ دیگر شعبوں میں متنوع سرمایہ کاری کی حکمت عملی۔ گیس کے دباؤ کو بحال رکھنے کے لیے گیس کمپریشن کی سہولیات میں مسلسل سرمایہ کاری

سخت کاروباری مسابقت / مصنوعات کا متروک ہونا جو FFC کی مصنوعات کی طلب کو گھٹا دے

سرمایہ	درجہ بندی	رجحان	نوعیت	سبب	امکان	شدت

منسلک ہدف کاروباری تنوع تاکہ کمپنی کی آمدن میں اضافہ اور دیرپا شرح منافع حاصل کی جا سکے / FFC کی سرحدوں سے پار وسعت

مواقع مصنوعات کی اقسام اور تعداد میں اضافہ بشمول Macro اور Micro Nutrients کے ساتھ ساتھ مصنوعات کی تخصیص

تخفیفی اقدامات FFC کسٹمرز کے ساتھ اپنے وسیع مارکیٹنگ نیٹ ورک کے ذریعے پوری طرح رابطہ میں رہتی ہے تاکہ ان کی وفاداری کو یقینی بنایا جا سکے۔ اس کے علاوہ پراڈکٹ کے اعلیٰ معیار اور پیداواری سطح کو قائم رکھنے کے لیے مسلسل کاوشیں کی جاتی ہیں۔ تبدیل ہوتی ہوئی کاروباری حرکیات کو برقرار رکھنے کے لیے موثر تحقیق اور ترقی کی جاتی ہے۔

سونا برانڈ میں شراکت داروں کا اعتماد ختم ہونے کے باعث ساکھ اور آپریشنز کا متاثر ہونا

سرمایہ	درجہ بندی	رجحان	نوعیت	سبب	امکان	شدت

منسلک ہدف برانڈ کی ساکھ میں اضافہ تاکہ مستقبل کے متنوع منصوبوں کو عمل میں لایا جا سکے

تخفیفی اقدامات FFC نے برسوں سے اعلیٰ معیاری کھاد فراہم کر کے اپنی برانڈ کی ایک پہچان بنائی ہے۔ FFC ایک جامع پروگرام کے ذریعے اپنے شراکت داروں کے ساتھ فعال رابطے استوار رکھتی ہے جیسا کہ زرعی رہنمائی، اشتہارات، دستاویزی فلمیں اور گشتی علم وغیرہ، جو کہ ایک مضبوط شہرت / ساکھ کو اجاگر کرنے کا باعث بنتا ہے۔

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

سرمایہ	درجہ بندی	رخ	نوعیت	سبب	امکان	شدت

منسلک ہدف مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ

تخفیفی اقدامات انتہائی سخت اور اعلیٰ معیار کے عملی طریقہ کار، ملازمین کی تربیت، مکمل نظم و ضبط اور باقاعدہ حفاظتی آڈٹس کے علاوہ کمپنی ریکارڈز کا دیگر مقامات پر Backup رکھا جاتا ہے۔ ایسے کسی نقصان سے تحفظ کے لیے کمپنی نے انشورنس کوریج بھی لے رکھی ہے

امن وامان کی غیر مستحکم صورتحال

سرمایہ	درجہ بندی	رخ	نوعیت	سبب	امکان	شدت

منسلک ہدف مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ

تخفیفی اقدامات امن وامان کی خراب صورت حال اور کمپنی کی ساکھ سے متعلقہ خطرات سے نمٹنے کے لیے کمپنی نے حفاظتی اور تعلقات عامہ سے متعلقہ انتظامات اور آلات کا معقول انتظام کر رکھا ہے۔ FFC نے اپنے ملازمین کے تحفظ کے لیے ایک مستعد حفاظتی اور آگاہی اقدام وضع کر رکھا ہے۔

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

سرمایہ	درجہ بندی	رخ	نوعیت	سبب	امکان	شدت

منسلک ہدف کاروباری توسیع تاکہ کمپنی کی آمدن میں اضافہ اور بہتر شرح منافع حاصل کی جا سکے/FFC کی سرحدوں سے پار وسعت

مواقع توانائی کی جدید ٹیکنالوجی کا استعمال تاکہ فیول گیس کی مد میں بچت کر کے اسے بطور فیڈ گیس استعمال کیا جا سکے

تخفیفی اقدامات کمپنی کے تمام پیداواری یونٹوں پر جدید ترین آلات کی فراہمی اور Balancing, Modernization & Replacement کے ذریعے جدید ترین تخفیفی ایجادات کا استعمال یقینی بنایا جاتا ہے تاکہ اخراجات میں کمی کے ساتھ زیادہ سے زیادہ پیداوار حاصل ہو۔

اشاریہ کیلئے صفحہ 82 دیکھیں

نمایاں خطرات اور مواقع

سرمایہ کاری میں ضرورت سے زائد تنوع

سرمایہ	درجہ بندی	رخ	نوعیت	سبب	امکان	شدت

منسلک ہدف کاروباری تنوع تاکہ کمپنی کی آمدن میں اضافہ اور پُراثر منافع حاصل کیا 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، بہترین متوقع حالات کو مدِنظر رکھتے ہوئے سرمایہ کاریوں پر آمدن کا جائزہ لیا جاتا ہے۔ اور انتظامیہ کی مہارت کو پیشِ نظر رکھتے ہوئے ضرورت پڑنے پر متعلقہ شعبوں کے ماہرین کی خدمات بھی حاصل کی جاتی ہیں۔

قدرتی آفات / غیر یقینی موسمی حالات جو کہ کاروباری سرگرمیوں کو متاثر کریں

سرمایہ	درجہ بندی	رخ	نوعیت	سبب	امکان	شدت

منسلک ہدف مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ

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۔ کسی مالی نقصان سے بچاؤ کے لیے کمپنی نے انشورنس کوریج بھی لے رکھی ہے

IT سے منسلک خطرات

سرمایہ	درجہ بندی	رخ	نوعیت	سبب	امکان	شدت

منسلک ہدف مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ

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

کھاد کی عالمی قیمتوں میں کمی

شدت	امکان	سبب	نوعیت	حجم	درجہ بندی	سرمایہ

منسلکہ ہدف: لاگت میں کمی

مواقع: حکومت کے ساتھ روابط تاکہ پیداواری لاگت اور وقت کے لیے ایک منظم ترسیلی نظام کو بروئے کار لایا جا سکے۔

تخفیفی اقدامات: اخراجات پر قابو اور پیداوار میں اضافے کے ذریعے شرح منافع کو برقرار رکھنا۔ مقامی صنعت کے تحفظ کے لیے حکومت کے ساتھ رابطے کیے جاتے ہیں۔

کھاد کی قیمتوں میں مسابقت

شدت	امکان	سبب	نوعیت	حجم	درجہ بندی	سرمایہ

منسلکہ ہدف: کاروباری تنوع جو کہ کمپنی کی آمدن میں اضافہ اور بہتر شرح منافع حاصل کی جا سکے / FFC کی برانڈ سے پاسداری

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، کسانوں کو بہتر سہولیات کی فراہمی بمعہ مصنوعات اور اعلیٰ برانڈ کے ذریعے کیا جاتا ہے۔

اہم پوزیشنز پر تعینات تربیت یافتہ ملازمین کا نوکری چھوڑ جانا جس کے باعث آپریشنز غیر فعال ہو جائیں

شدت	امکان	سبب	نوعیت	حجم	درجہ بندی	سرمایہ

منسلکہ ہدف: مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ

تخفیفی اقدامات: ملازمین کی تربیت اور ترقی کے ساتھ ساتھ FFC نے ایک تفصیلی Succession پلان بنا رکھا ہے جس میں ملازمین کی مسلسل جانچ اور ترقی جاری رہتی ہے۔ کام کے ضوابط اور ہدایات باقاعدہ تحریری شکل میں موجود ہیں جو کسی بھی ملازم کی رہنمائی کے لیے کافی ہیں۔

اشاریہ کیلئے صفحہ 83 دیکھیں

نمایاں خطرات اور مواقع

زرمبادلہ کی شرح میں اتار چڑھاؤ

سرمایہ	درجہ بندی	حجم	نوعیت	سبب	امکان	شدت

منسلک ہدف	مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ
موقع	درآمدات / زرمبادلہ کا ادارہ / Hedging کے انتظامات
تخفیفی اقدامات	FFC کا زرمبادلہ 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 تخمینے 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۔

حکومتی پالیسیوں / قوانین میں عدم تسلسل کے کھاد کی صنعت پر منفی اثرات

سرمایہ	درجہ بندی	حجم	نوعیت	سبب	امکان	شدت

منسلک ہدف	کاروباری توسیع تاکہ کمپنی کی آمدن میں اضافہ اور دیرپا شرح منافع حاصل کی جا سکے
موقع	مارکیٹ شیئر میں اضافہ
تخفیفی اقدامات	کمپنی حکومت اور دیگر متعلقہ اداروں کے ساتھ رابطہ برقرار رکھتی ہے تاکہ بہتر پالیسیوں / قوانین کا اجراء اور اطلاق کیا جا سکے اور صنعت اور کاشتکاروں کو درپیش مسائل کا حل نکالا جا سکے

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

سرمایہ	درجہ بندی	حجم	نوعیت	سبب	امکان	شدت

منسلک ہدف	کاروباری توسیع تاکہ کمپنی کی آمدن میں اضافہ اور دیرپا شرح منافع حاصل کی جا سکے
موقع	Horizontal کے ساتھ ساتھ Vertical توسیع
تخفیفی اقدامات	کسی بھی سرمایہ کاری سے پہلے احتیاطی اقدامات کرتے ہوئے انتظامیہ اور بورڈ کی کمیٹیاں تمام منصوبوں کی چھان بین کرتی ہیں۔ سرمایہ کاری کی توقع سے کم نتائج کی صورت میں FFC اپنا بحالی اور متبادل لائحہ عمل بروئے کار لاتی ہے تاکہ متعلقہ بورڈ آف ڈائریکٹرز کے ذریعے درستگی کے عمل کو یقینی بنایا جا سکے۔

کاہکوں اور بینکوں کی نادہندگی

شدت	امکان	سبب	نوعیت	حتم	درجہ بندی	سرمایہ

منسلکہ ہدف مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ/لاگت میں کمی

تخفیفی اقدامات زیادہ تر فروخت نقد یا پیشگی ادائیگی کے بدلے کی جاتی ہے جو کہ اس خطرے کو خود بخود 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 ادھار کی لاگت کو بڑھا دے

شدت	امکان	سبب	نوعیت	حتم	درجہ بندی	سرمایہ

منسلکہ ہدف مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ/لاگت میں کمی

مواقع نئی سرمایہ کاریوں کی تلاش تاکہ بہتر شرح منافع سے فائدہ 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 تبدیلی کی صورت میں استعمال کیا جا سکتا ہے اور اس طرح کمپنی کو اس خطرے سے محفوظ رکھ سکتا ہے

Liquidity کے مسائل کی وجہ سے مالی ذمہ داریوں کی ادائیگی کے لیے ناکافی نقدی

شدت	امکان	سبب	نوعیت	حتم	درجہ بندی	سرمایہ

منسلکہ ہدف مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ

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۔

اشاریہ کیلئے صفحہ 83 دیکھیں

نمایاں خطرات اور مواقع

حکومت کی جانب سے درآمدی یوریا کی بے وقت رسد

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

منسلکہ ہدف کاروباری تنوع تاکہ کمپنی کی آمدن میں اضافہ اور دیرپا شرح منافع حاصل کی جاسکے

تخفیفی اقدامات FFC ملک میں کھاد کی طلب اور رسد کے فرق کو جانچنے کے لیے Fertilizer Review Committee کے ذریعے اور FMPAC کے واسطے سے حکومت سے رابطے میں رہ کر اپنا کردار ادا کرتی رہتی ہے تاکہ ملک میں کھاد کی طلب اور رسد میں توازن کو یقینی بنایا جاسکے۔

خام مال اور دیگر پیداواری اخراجات میں اضافہ جو اخراجات کو منتقل کرنے کی کمپنی کی اہلیت کو متاثر کریں

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

منسلکہ ہدف مختلف شعبوں کے درمیان بہتر ہم آہنگی کے ذریعے عملیاتی استعداد میں اضافہ

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۔ کمپنی مسلسل حکومت کیساتھ متعلقہ فورمز پر رابطے میں رہتی ہے تاکہ کھاد کی مناسب قیمتوں پر دستیابی کو یقینی بنایا جائے۔

نامساعد زرعی معیشت جو گاہکوں کی مالی حیثیت پر منفی اثرات مرتب کرے

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

منسلکہ ہدف کھادوں کے متوازن استعمال اور زیادہ استعداد والی مصنوعات کے ذریعے زرعی پیداوار میں اضافہ

تخفیفی اقدامات سستی مقامی کھادوں کی فراہمی کو یقینی بنانے کے ساتھ ساتھ ادھار پر فروخت کی پیشکش۔ کمپنی نے کسانوں کی صلاحیتوں میں اضافے، چھوٹے قرضوں کی دستیابی اور عمدہ کھادوں جیسے مسائل کے جامع حل کے لیے ملک بھر میں FACE سینٹرز کے قیام کا آغاز کر دیا ہے تاکہ کسانوں کے لیے زرعی معیشت کی بہتری اور پیداوار میں اضافے کے حتمی مقصد کو حاصل کیا جاسکے

FINANCIAL **CAPITAL**

Business Rationale of Major Capital Expenditure and Projects

FFC realizes the importance of capital expenditure for the fertilizer industry and in view of this has adopted in-depth evaluation procedures including dedicated Board committees, which assess all types of capital expenditure requirements before obtaining final endorsements from the Board.

During the year, capital expenditure was primarily directed to improve reliability and efficiency of its Urea plants. The Company made significant capital investments to not only enhance plant efficiency but also Balancing Modernization and Replacement (BMR) for sustained production of its products. Detailed financial evaluation procedures include payback period, NPV / IRR, cash flow requirements and other financial analysis techniques.

Capital expenditure during the year also included replacement and maintenance of major equipment at the Company's plants whilst installation of additional compressors is planned in future to cater for declining gas pressure. Significant devaluation of Pakistani rupee adversely impacted the capital expenditure during 2019 and is likely to continue over the next years.

Investment by FFC in Thar Energy Limited reached Rs 2.79 billion in keeping with Company's diversification strategy to sustain shareholders' return.

Credit Rating

The Company maintained its credit rating with long term rating of AA+ and short term rating of A1+, indicating high creditworthiness of the Company, evidencing its financial prowess to settle financial commitments on appropriate basis.

Corporate Awards

PSX Top Companies Awards

In recognition of the Company's excellent financial and managerial performance, the Pakistan Stock Exchange (PSX) declared FFC the **winner of PSX Top 25 Companies Award for ninth consecutive year** for 2018. The award has been conferred after evaluating Company performance against criteria established by PSX in terms of financial performance, dividend pay-out, performance of Company's shares and compliance with applicable laws & regulations. This is the Company's **twenty fourth consecutive placement in the Top Companies' list**.

Brig Ashfaq Ahmed SI (M) (Retired), Company Secretary receiving PSX Top 25 Companies Award from Mr Imran Khan - Prime Minister of Pakistan

SAFA Awards

FFC's Annual Report 2018 has also been declared **Winner in the "Manufacturing sector" category** of South Asian Federation of Accountants (SAFA) Best Annual Report Awards 2018. These awards are announced by SAFA Committee for Transparency, Accountability & Governance recognizing the quality of Corporate Reporting and Good Governance Practices adopted throughout the South Asian member countries. The Company also received Merit Certificates in "Corporate Governance" and "Integrated Reporting" categories.

Mr. Mohammad Munir Malik, Chief Financial Officer receiving Best Presented Annual Report Award 2018 by South Asian Federation of Accountants

Rawalpindi Chamber of Commerce & Industry Best Company of Year Award

FFC has also secured the highest category prestigious award, **'Best Company of the Year'** at 32nd RCCI International Achievement Awards 2019. This is the 7th consecutive time, RCCI has conferred the award to FFC.

Brig Ashfaq Ahmed SI (M) (Retired), Company Secretary receiving RCCI Best Company of the Year Award from Mr Mahathir bin Mohamad - Prime Minister of Malaysia

FINANCIAL **CAPITAL**

Mr. Zia-Ud-Din, Senior Manager Finance receiving Overall First Position Award in ICAP / ICMAP Best Presented Report Awards 2018

Best Presented Report Awards 2018

FFC continued to achieve new heights by securing its **12th overall top position in the Best Corporate Report Awards** competition for the year 2018 held by the joint committee of The Institute of Chartered Accountants of Pakistan (ICAP) and The Institute of Cost and Management Accountants of Pakistan (ICMAP), besides being awarded the **first place in the Chemical and Fertilizer Sector for the 15th time**.

Sustainability Report Award

Annual Sustainability Report of the Company for the year 2018, has been awarded the **first prize in the Sustainability Report Category** by the joint committee of ICAP / ICMAP for the fourth time. This signifies the Company's transparent operations and dissemination of social and environmental footprints to its stakeholders.

Management Association of Pakistan (MAP)

Management Association of Pakistan (MAP) has awarded FFC with the **Best Corporate Excellence Award,** for fifth consecutive year, in Fertilizer sector.

The Corporate Excellence Award is a recognition for demonstrating outstanding performance and exemplary management practices.

IFA Gold Medal

International Fertilizer Association (IFA) has awarded **Gold Medal as Industry Stewardship Champions 2019** to FFC, in recognition of achieving plant safety, production emissions, and energy efficiency benchmarks and having obtained protect and sustain certificates.

IFA Safety Performance Benchmark Survey

Plantsite Goth Macchi achieved top position in the 16th IFA Safety Performance Benchmark Survey. FFC-GM accomplished "Zero" Loss Time Injury Rate and Total Recordable Injury Rate against industry average rates of 3.09 and 6.54 respectively. This accomplishment reflects the strong commitment and dedication of FFC employees towards Occupational Health & Safety.

These awards are testament to FFC's commitment towards promotion of transparency, accountability, sustainability and good governance practices.

Auditors' Report on the Financial Statements

FFC's Separate and Consolidated Financial Statements have been audited by the Company's Independent External Auditors, who have issued unqualified audit opinion stating that the financial statements give a true and fair view of the state of affairs as at December 31, 2019.

Independent Auditors' Reports on the Audit of FFC's Separate and Consolidated Financial Statements can be referred on pages 201 and 295 of the Annual Report respectively.

Materiality Approach Adopted by the Management

Determining materiality levels is judgmental and vary from one organization to another. Matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. Materiality levels are reviewed periodically and are appropriately updated.

FFC has defined powers of the Board and management in accordance with the requirements of Companies Act 2017, guidelines and frameworks issued by professional bodies and best practices. These powers include approvals for capital expenditure, disposal of fixed assets, annual business plans, policy formulation, risk management, human resource management, donations, matters relating to health, safety and the environment, and other matters required by law, or internal policies.

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

Highlights of Corporate Social Responsibility

Rising to challenges by unearthing opportunities has been the hallmark of FFC since our inception in 1978. Envisioned and established to attain self-sufficiency in domestically produced international-standard fertilizer, FFC embarked on a never-ending commitment of being a patron to the needs and hardships of farmers and agriculture in Pakistan.

This commitment has culminated in the successful implementation of Country's one of the largest private sector program for the capacity-building, technical support and on-ground assistance of farmers by FFC, having served over 2.2 million farmers till date.

FFC primarily focuses on promotion of education, health, environmental conservation and community uplift of underprivileged and marginalized communities.

Food Security & Agriculture Centers of Excellence (FACE) Project

To play our role towards prosperity of the future generations, FFC has initiated the "FACE" project aimed at addressing the issue of Food Security besides promotion and implementation of Sustainable and Climate-Smart Agriculture practices as a mean to cope with the above challenges. The program will work through establishment of its centers across Pakistan offering wholesome solutions to farmers and local community, based on the following services:

Agriculture

Support to small and medium scale farmers over latest technologies, market economy, value chain and climate change

Health

Catering medical issues of farmers through provision of well equipped dispensaries, capacity building on health and hygiene and awareness campaign

SOCIAL AND RELATIONSHIP CAPITAL

Education

Bridging gaps and constraints to provide free and quality education to farmers' children

Financial Assistance

Extending financial support to farmers through:

- Low mark-up soft loans through partner organization
- Agri. finance facilities
- Awareness of Government's financial packages

Women Empowerment

Empowering women to contribute in sustaining livelihood of the household through vocational trainings, micro entrepreneurship and establishing market linkages for domestic produce

Human Resource Development

Capacity building of farmers on:

- Modern agriculture technologies
- Farm machinery management
- Climate change
- Disaster Risk Management
- Smart use of farm inputs

Veterinary Assistance

- Assistance of farmers in maximum utilization of animals
- Providing animal healthcare services
- Establishing linkages to market animal produce

Youth Development

Providing farmers' children with unique opportunities to acquire sustainable skill development knowledge and generate income based livelihoods

Education

Provision of quality education is the single most important factor for long term development of a Country. At FFC, we have dedicated a substantial portion of its CSR program towards promoting education, especially in underprivileged and remote areas of the Country.

Highlights

Highlights of some of our contributions in the field of education, during the year are as under:

- Patronage of adopted schools in the proximity of plant site Goth Machhi through Infrastructure Development, Faculty and Allied Services
- Extension of financial assistance to deserving students via Sona Wards of Farmers Scholarship through education stipend to cater to their financial needs
- Grant of 10 merit based scholarships to students from Tehsil Sadiqabad for higher education
- Donation of Rs 13.5 million to Sona Public School & College, FFC's flagship program for the promotion and provision of quality educational opportunities to all
- Sponsorship of 8 students of Cadet College Ghotki

Sports Promotion

Over the years, FFC has played a prominent role in the promotion of sports activities and development of new talent.

Highlights

During 2019, we continued to deliver on our commitment through the following initiatives:

- Sponsorship of Annual Golf Championship, Rahim Yar Khan
- Sponsorship of various local sporting events in Tehsil Sadiqabad
- Donation for National Solidarity Taekwondo Championship 2019
- Donation for 12th All Pakistan Sona Cup Football, Hockey and Volleyball Tournaments
- Donation for All Punjab Sona Kabaddi Tournament
- Donation for All Punjab Floodlit Sona Cup Invitational Girls Volleyball Championship 2019

Health

FFC believes that healthcare is the fundamental right of every person. We endeavor to ensure provision and improvement of essential medical facilities, especially in the vicinity of the Company's Head Office and Plantsites.

Healthcare Activities at Plantsites

We are committed to providing free of cost, quality healthcare to the underprivileged communities in the vicinity of FFC Plantsites, through Hazrat Bilal Trust Hospital, Goth Machhi and Sona Welfare Hospital, Mirpur Mathelo. During 2019, the Company contributed Rs 15 million to these facilities for treatment of approximately 150 thousand deserving patients. The Company also provided medical assistance through financial support and provision of medicines to various patients of Goth Machhi, Sadiqabad.

Highlights

Other interventions carried out by the Company in Healthcare include:

- Medical camp as part of Campaign against Hepatitis C
- Setup of dog bite treatment counter at Sona Welfare Hospital

- Donation to Pakistan Kidney Patients Association
- Donation to Amirunisa Rashida Khanum Foundation
- Breast cancer awareness by illuminating Sona Tower in support of 'Pink Ribbon Day'

Environmental Conservation

FFC remains committed towards energy efficiency and environmental conservation.

Highlights

We undertook the following initiatives during the year towards this end:

- Annual tree plantation drive
- Donation to environmental initiatives
- Drive against use of plastic bags

Community Uplift

FFC provides various support and advisory services to the farming community to increase awareness of latest technologies and augment per acre yields.

Collaboration with PMIC

The Company's collaboration with Pakistan Microfinance Investment Company (PMIC) on Agriculture Value Chain to bring financial empowerment and technical knowledge to farmers, successfully culminated during the year. FFC Agri Services served as the technical partner in this project, providing modern and efficient farming techniques besides conducting water, soil and micronutrient tests to the targeted farmers.

MOU with Akhuwat Islamic Microfinance

FFC, through its implementation partner Sona Welfare Foundation, made a donation of Rs 10 million to Akhuwat Islamic Microfinance, besides signing a Memorandum of Association which aims to empower marginalized community through financial inclusion by providing interest free loans in order to make them self-reliant by starting or expanding small scale businesses.

Sustainability

Corporate Conversation On Sustainable Development Goals

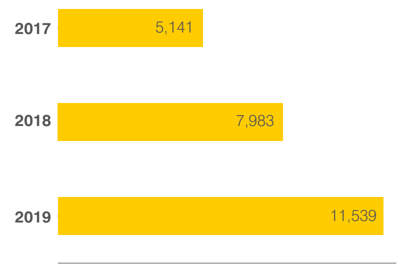
In collaboration with Ministry of Climate Change Government of Pakistan, United Nations Development Program, Planning Commission and Corporate Social Responsibility Centre Pakistan (CSRCP), FFC organized conversation on Sustainable Development Goals to discuss Climate Change SDG 13 and SDGs relevant to chemical sector.

The event was attended by a large number of corporate leaders from leading companies working on sustainability, representatives from Government, development organizations and civil society.

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

Economic Value Added

(Rs million)



Rs 11,539 m

Certifications Acquired and International Standards Adopted

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

- Sustainability Accounting Standard Board (SASB) Chemical Industry Standard
- 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

Directors' Report

STATEMENT OF VALUE ADDED - 2019

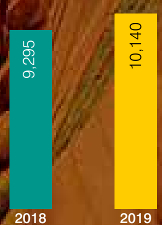
Wealth Generated

Revenue		Purchases		Wealth Generated
116,332 Rs million	–	45,005 Rs million	=	71,327 Rs million

Wealth Delivered

Wealth Generated
71,327
Rs million

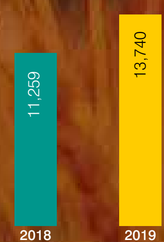
Employees as remuneration
(Rs million)



Rs 10,140 m

14.2%

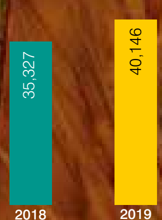
Shareholders as Dividend
(Rs million)



Rs 13,740 m

19.3%

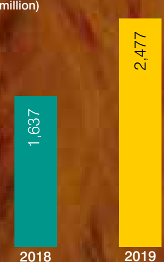
Government as Taxes
(Rs million)



Rs 40,146 m

56.3%

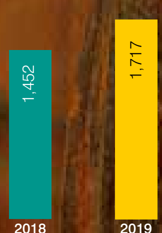
Providers of Finance
(Rs million)



Rs 2,477 m

4.2%

WPPF / WWF
(Rs million)



Rs 1,717 m

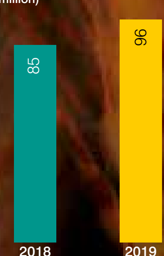
2.4%

4.2%

Retained within Business
(Rs million)

Rs 3,011 m

Society
(Rs million)



Rs 96 m

0.1%

Directors' Report

MANUFACTURED **CAPITAL**

We understand that the quality of manufactured capital has a direct impact on the Company's ability to achieve its strategic objectives. Therefore, a conscious thought process goes into all investments in manufactured capital, with the intention of creating and maintaining a unique technologically superior asset base.

Infrastructure at our plant-sites, Head Office and the extensive marketing and distribution network constitute FFC's manufactured capital.

Operational Performance

The Company achieved Sona Urea production of around 2.49 million tonnes. Production facilities operated at a combined capacity utilization of 122% by leveraging technical prowess and improved efficiencies of FFC. However, due to oversupplied market situation owing to imports by the Government and additional production by the industry due to supply of gas to plants which previously remained shut down, FFC's share to the Country's indigenous urea production was restricted to 40%.

The Company has devised a long term sustainability plan to cater for declining gas pressures due to diminishing gas reservoir, which includes installation of gas compressors to improve the diminishing pressure besides evaluating various alternate fuel options including LNG, coal etc, to ensure viable operations.

MANUFACTURED CAPITAL

Plant I & II – Goth Machhi

Operating at a combined capacity utilization of 124%, manufacturing facilities at Goth Machhi achieved output of 1,651 thousand tonnes, in line with preceding year, despite planned turnaround at Plant I. Both the Plants achieved the milestone of no fire no injury at the site during the year and recorded 14.08 million man-hours of safe operations during the year, signifying the Company's commitment to safety first.

Plant III – Mirpur Mathelo

In 2019, Plant III produced 841 thousand tonnes of Urea, only 4% lower than last year's benchmark output of 872 thousand tonnes. Mirpur Mathelo witnessed an 'injury free year' achieving milestone of 4.25 million man-hours without any lost time injury.

The three plants continued to set new efficiency benchmarks during the year, breaking multiple monthly production records, demonstrating the FFC's commitment to operational excellence.

The International Fertilizer Association (IFA) has recognized Fauji Fertilizer Limited Company as **Industry Stewardship Champion in 2019. The Company was in top 16 out of 400 Companies in the world**.

Major Projects

Plant I - Turnaround 2019

The 19th maintenance turnaround of Plant–I was undertaken in February 2019. As per tradition, FFC was able to complete the activity earlier than planned, without incurring any incident or injury.

Salient highlights of the turnaround are as follows:

- Replacement of catalyst in the Low Temperature Shift Converter (LTSC)
- Major overhaul of synthetic compressor turbine
- Overhaul and preventive maintenance of air compressor
- Preventive maintenance of ammonia refrigeration compressor
- Preventive maintenance of CO_2 compressor
- Relining and overflow pipeline replacement of urea reactor
- Repair and header replacement of cooling tower basin
- Replacement of electrical power control centers

Reliability Improvement

To ensure reliability and energy efficiency going ahead, replacement of ammonia reactor basket, ammonia converter catalyst, carbamate condenser and process gas pre-heater are planned in 2020.

Energy Conservation

In line with the Company's continuous commitment to energy conservation, a redundant high pressure ammonia pre-heater is being rehabilitated and installed at Plant-I. Significant fuel savings were achieved through catalyst replacement in the reformer and LTSC at Plant-I during Turnaround-2019.

Sustainability

Natural Gas Compression Project

Natural gas reservoir pressure at Mari gas field is persistently diminishing causing reduction in supply pressures to the Plants. As part of the Company's long term strategy, two new compressors have been installed at combined gas compression facility for Goth Machhi and Mirpur Mathelo plants located at Deh Shehbazpur.

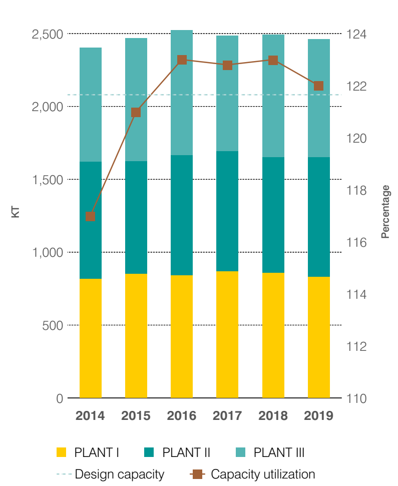
Raw Water

To cope with water scarcity, well-area at Ahmadpur Lamma (APL) is being expanded in phases. Six new tube-wells have been installed and underground piping is in progress.

Health, Safety and Environment

Ammonia scrubbing system has been installed at final vent of the vacuum section to minimize emissions as well as to recover ammonia losses at Plant-I.

Plant wise Production



Marketing Overview

Pakistan's agricultural sector, besides employing 43% of the Country's workforce, provides a strong link to other sectors of the economy and contributed around 19% to the Gross Domestic Product. Its performance therefore, has a direct impact on the overall economic condition of the Country.

Competitive Landscape and Market Positioning

FFC Marketing Group has a large distribution network serving farmers throughout the Country. The vast network of fertilizer dealers provides logistical and working capital efficiencies, while providing products to the farmer in a timely manner.

The numerous challenges that farmers face on a daily basis create opportunity for FFC to be a business partner, and to provide meaningful support / guidance through its Farm Advisory Services.

The competitive landscape and market positioning is explained below:

Competition In the Industry

The retail landscape of Pakistan's fertilizer sector comprises competitors of differing size and ownership structures. In the case of Urea, our primary competitors are other indigenous fertilizer manufacturing companies whereas in case of other fertilizers, the market comprises of large as well as smaller independent importers.

MANUFACTURED CAPITAL

Most of the fertilizer manufacturers have high fixed cost structures in land, capital equipment and significant personnel related costs. This gives existing competitors a strong economic incentive to strive for market share more aggressively than if they had low fixed costs. Each additional percent of the market allows them to spread their fixed costs and brings a better net margin.

During the year, FFC combined with FFBL commanded a market share of 48% in Urea and 46% in DAP (source: NFDC).

Potential of New Entrant Into the Industry

The entry of a new competitor is currently a smaller risk in the domestic fertilizer market due to highly capital-intensive industry, scarcity of raw material and market saturation rendering the market unattractive.

Any new entrant to the industry would require significant financial resources for infrastructure, machinery, R&D and advertising. Access to distribution channels would also be difficult because of close linkage of the incumbents. Further, current industry players have cost advantages that cannot be easily replicated by a potential entrant.

Power of Suppliers

FFC's 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 in addition to supply of debt for meeting working capital and other financial requirements.

During the year, the Company received uninterrupted feed and fuel gas supply from Mari Petroleum Company Limited on predetermined rates fixed by the Government. Other procurements, both local and international, were made in line with the Company's approved budget.

The Company's high credit worthiness is evidenced by its long term credit rating of AA+ and short term credit rating of A1+ which enables us access to better interest rates and loan terms.

Power of Customers

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 success and performance depend upon the loyalty of our customers, their preference of the 'Sona' brand and our supply chain management.

Threat of Substitute Products

With the ever increasing population, there simply will be more 'mouths' to feed per acre. Therefore, providing the right amount of primary as well as secondary nutrients, at the right time becomes more critical and a bigger challenge.

While one nutrient cannot be used as a substitute for another, changes in technology have had and will continue to have significant implications on crop yield.

FFC invests heavily in research and development to strive for more efficient product that results in high yield per acreage. Besides manufacturing Urea and importing DAP, the Company also imports secondary and micro nutrients including sulphur, zinc, boron etc with an aim to better enable its customer to enhance the potential of their cultivable land.

International Fertilizer Market

Contraction in global fertilizer consumption has been witnessed owing, primarily to low international prices for most crops; unfavorable weather in important agricultural and fertilizer-consuming areas and currency depreciation in some fertilizer-importing countries, besides increasing emphasis on the more efficient use of fertilizers in developed countries.

However, growth in global fertilizer demand is anticipated in coming years with expected agricultural growth in new and emerging markets.

International Urea prices remained unstable throughout the year recording low of USD 225 per tonne and high of USD 295 per tonne. International DAP prices continued to remain suppressed plummeting from USD 400 per tonne at the start of the year to USD 295 per tonne by December 2019.

Domestic Fertilizer Market

Fertilizer market remained in a flux throughout the year mainly due to GOP announcements related to changes in gas prices, GIDC, GST and continuous declining trend of DAP international prices. Oversupply situation existed in both Urea and DAP market.

Urea

The year started with industry opening inventory of 170 thousand tonnes, 40% lower compared to 2018. Urea industry created a new indigenous production benchmark of 6,160 thousand tonnes, recording an increase of 8% over 2018. The Government also imported 100 thousand tonnes during the year, bringing total availability to 6,430 thousand tonnes.

From the beginning of the year, uncertainty with respect to GIDC waiver kept the Urea market volatile. Highest ever Industry Urea production coupled with pending GIDC waiver case resulted in an oversupplied and highly challenging fertilizer market.

For a major part of second half 2019, the market remained circumspect due to possibility of price reduction in case the court gives verdict in favor of GIDC waiver. Consequently, the industry was expected to carry a substantial inventory at the year end. However, due to concerted efforts of our dynamic marketing team, FFC liquidated almost its entire Urea inventory, restricting closing stock to 28 thousand tonnes.

DAP

The year started with highest ever industry opening inventory of 570 thousand tonnes compared to 255 thousand tonnes of 2018. Low DAP demand due to unfavorable prices and poor farm economics during the year resulted in low imports of 1,215 thousand tonnes, 33% lower than last year.

FFBL, the sole producer of DAP in Pakistan, recorded a production of 830 thousand tonnes, 14% higher than last year, bringing total Industry DAP availability to 2,615 thousand tonnes.

Weak financial health of the farmers, higher DAP price levels as compared to previous years and inclement weather resulted in DAP industry off-take of 2,015 thousand tonnes, 10% lower compared to last year with a closing inventory of 580 thousand tonnes.

FFC Marketing

Since the Company's inception, FFC's Marketing Group has been at the forefront in creating value for its customers while sustaining successful operations, through provision of premium quality products backed by efficient and effective agriculture support services.

FFC takes pride in its widespread and well-mapped network of 3 zones, 13 regions and 63 sales districts with over 3,500 dealers and 183 warehouses across Pakistan.

With a view to fulfill diverse needs of farmers, the Company markets an extended product slate entailing both domestically produced and imported fertilizers. 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.

In addition to delivery of quality fertilizer, provision of value adding Agriculture Extension Services is also a hallmark of the Company carried out through 5 Farm Advisory Centers spread across the Country. Every year, around 50 thousand farmers are imparted capacity building trainings on various farm related operational issues / practices to improve the per acre yields.

FFC Market Share

Highest ever Industry Urea production and unprecedented levels of Industry DAP opening inventory coupled with pending GIDC waiver case and declining international DAP prices resulted in an oversupplied and highly challenging fertilizer market.

FFC's Marketing Group has remained vigilant to the ever changing marketing dynamics by ensuring provision of premium products and services to the Company's loyal customer base.

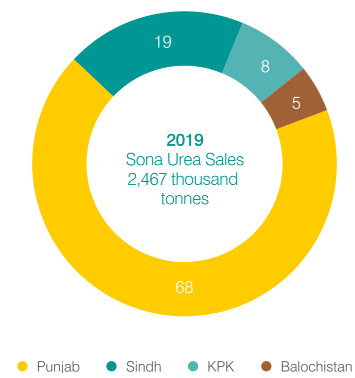
During the year, FFC marketed an aggregate of 2,975 thousand tonnes of Sona urea which included 508 thousand tonnes of Sona Granular produced by FFBL and the combined FFC / FFBL urea market share thus stood at 48%. (Source: NFDC)

Combined FFC / FFBL DAP market share stood at 46% with total DAP marketing of 925 thousand tonnes during 2019 which included 688 tonnes of Sona DAP marketed on behalf of FFBL. (Source: NFDC)

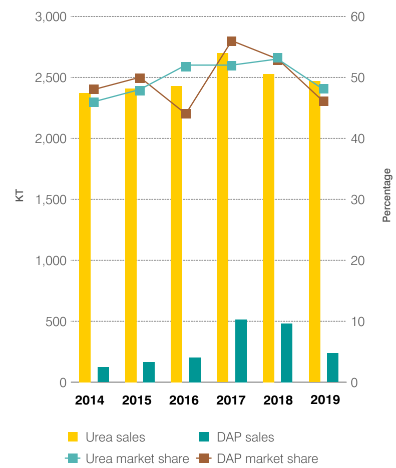
Effect of Seasonality on Business

Pakistan has two principal crop seasons, namely "Kharif" and "Rabi", which impact the fertilizer offtake throughout the Country. FFC manages seasonality through advance sales, proper inventory management and production / import planning, keeping our products available according to the customers' demand.

Province Wise Sales
(Percentage)



Urea and DAP Performance & Market Share



CORPORATE **GOVERNANCE**

FFC recognizes that corporate governance plays a pivotal role in building and maintaining investors' confidence, and a robust governance framework ensures that stakeholders' value is at the core of all decision making. The Company's integrity and credibility is demonstrated by adherence to global best practices, beyond the stipulated regulatory requirements.

Responsibilities towards the shareholders, protection of minority shareholders' rights and upholding FFC's reputation nationally and internationally are the fundamental obligations of the Board of Directors.

At FFC, formal Code of Conduct, Code of Business Ethics, Internal Control Framework, Risk Management Framework and Whistle Blowing Policy etc. have been implemented to ensure transparency, accountability and adherence to ethical practices.

Listed Companies (Code of Corporate Governance) Regulations, 2019

During the year, the Securities and Exchange Commission of Pakistan (SECP) issued the Listed Companies (Code of Corporate Governance) Regulations, 2019 superseding the previous regulations.

We have conducted an entity-wide review to ensure that the Company adheres to the requirements of new regulations, and there is no material departure from the best practices.

Compliance with the Best Corporate Practices

FFC has demonstrated continued commitment towards adherence to Global Best Practices and Standards of Governance for over four decades. 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 195, 198 and 200.

Chairman's Review on the Performance of the Board

The Chairman's Review, in conformity with the requirements of the Companies Act 2017, outlines the overall performance and effectiveness of the Board in achieving the Company's overall objectives. Further, detailed explanations are covered throughout the Annual Report 2019 in various sections.

Governance Practices Exceeding Legal Requirements

Voluntary adoption and implementation of best business practices, in addition to the stipulated regulatory requirements evidences our commitment towards adherence to highest levels of moral and ethical standards.

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

- Implementation of Directors' Training Program ahead of prescribed timeframe
- Adoption of Pakistan Stock Exchange criteria for selecting top companies
- Best reporting practices recommended by ICAP / ICMAP and SAFA
- Adoption of framework for UN Global Compact "Ten Principles"
- Adoption of International Integrated Reporting Council (IIRC) Integrated Reporting Framework
- Adoption of Global Reporting Initiative (GRI) Standards
- Disclosure of various financial analysis including ratios, reviews, risk matrices and graphs etc in the Annual Report
- Implementation of aggressive Health, Safety and Environment Strategies to ensure safety of employees and equipment

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 10.3 to the Financial Statements.

Ethics and Compliance

FFC's management upholds the highest standards of ethical behavior in all aspects of business conduct and decision making under the auspices of our Code of Conduct and a robust Ethics and Compliance Framework. Principles of framework along with the Code of Conduct are disseminated to all of our workforce in addition to being available on Company's website, in compliance with the Code of Corporate Governance.

Compliance with the framework and applicable regulations is regularly monitored to promote stakeholders' confidence in the Company's business practices, leading to sustained growth.

Any grievances are promptly addressed and corrective measures are ensured to mitigate occurrence in future. FFC also maintains and regularly updates an Insider Information register as per the applicable regulatory requirements.

CORPORATE **GOVERNANCE**

Conflict of Interest Among Board Members

The Board has implemented a comprehensive Code of Business Ethics, which has been formulated in line with applicable laws and global best practices.

In order to avoid any known or perceived conflict of interest, formal disclosure of vested interests is mandatory on all members. The Code defines what constitutes a conflict of interest and how such a conflict will be managed.

Policy for Disclosure of Conflict of Interest

In order to avoid conflicts of interest, disclosure of vested interests is obligatory for all directors. The Company Secretary finalizes the agenda points of the Board's proceedings after obtaining information regarding vested interests and extent thereof, whereas all observations / suggestions of Board members during their proceedings are accordingly recorded.

Whistle Blowing Policy

In line with our commitment towards transparency and ethical behavior in business conduct, the Company has implemented a comprehensive whistle blowing policy. This policy encompasses the requirements of Code of Corporate Governance in addition to being compliant with the global best practices.

It encourages all 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 in a transparent and efficient manner to maintain accountability and integrity in all areas of Company operations.

Employees are encouraged to report concerns directly to immediate supervisors or, where impractical, to senior level management, without fear of reprisal or repercussions. The policy also encourages stakeholders to raise queries, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

Mitigating protocols against abuse of the mechanism are also in place by defining consequences for the persons making false accusations resulting in unwarranted convictions.

Instances During the Year

There were no instances that 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

The Company believes that persistent success can only be ensured with the development of its connected communities and preserving the environment. To ensure sustainable and prosperous future we have aligned our mandate, vision and goal with the international best practices.

The Company is also a pioneer member of the UN Global Compact. Our Social and Environmental practices and interventions have been detailed in the section relating to **'Social and Relationship Capital'**.

Stakeholders' Engagement

A structured Stakeholders' Engagement plan has been implemented that recognizes importance of the stakeholders in sustaining and improving our business value. It facilitates the Company in enhancing overall growth, improving risk management, better corporate visibility and compliance with regulatory and lender requirements.

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

Modes of Engagements

The Company provides a broad range of information including FFC's strategy, financial performance and business operations through dissemination of material information to the stock exchanges on timely basis, annual and other periodic reports, analysts' briefings, meeting with stakeholders, besides maintaining an updated Investors' Relations section on Company website which can be accessed through the following web link:
https://www.ffc.com.pk/investors-relations/

FFC's website has an interactive email interface for direct contact with the concerned functions, besides providing names, email addresses and contact number of functional-heads.

In its endeavor to promote sustainable and climate smart agricultural practices across Pakistan, a new program "Food Security and Agriculture Center of Excellence" – FACE, has been initiated by the Company which involves in facilitation of low markup soft loans through partner organizations, works on easy market access for produce, quality education, healthcare, vocational and training programs etc. for farming community.

FFC engages with general public through intervention in the fields of education, health and general economic uplift of the society.

In order to attract potential investors, analysts are regularly engaged regarding details of projects that have been disclosed to the regulators beforehand.

Employee communication is undertaken through in-house newsletters, televised broadcasts, employee portals and electronic bulletin boards.

Details regarding modes of stakeholders' engagement has been further detailed in **Stakeholders' Engagement** section of this Report.

Frequency of Engagements

The Company's business and corporate requirements, as provided in the applicable regulatory framework, contractual obligations or on requirement basis, determine the frequency of engagements with different stakeholders.

Details regarding engagement with following stakeholders, along with explanation on how these relationships are likely to affect the performance and value of the Company, and how those relationships are managed is detailed on Page 36 of the Annual Report 2019:

- Institutional Investors / Shareholders
- Customers and Suppliers
- Banks and other Lenders
- Media
- Regulators
- Analysts
- Employees
- Local Community and General Public

Analysts' Briefing

In order to apprise the stakeholders regarding its operational and financial performance, FFC conducted analysts' briefing during the year which was keenly attended by PSX representatives, analysts from all over the Country and other stakeholders.

The CFO presented a review of the Company's performance during 2018. The presentation comprised of the following:

- Review of the business environment and FFC's performance
- FFC's achievements during the year
- Progress on ongoing diversification projects
- Future outlook and challenges

The presentation was followed-up by a detailed Questions & Answers session, exhibiting FFC's commitment to a transparent and continuously evolving stakeholders' engagement approach.

The briefing was also attended by Head of Manufacturing & Operations, Head of Technology & Engineering and Company Secretary.

Investors' Relations Section on FFC Website

The Company circulates information to its stakeholders through a variety of information exchange mediums, including its corporate website. In compliance with the requirements of applicable regulatory framework, the website is maintained in both English and Urdu languages.

The website is regularly updated to ensure all latest information including but not limited to business strategy, financial highlights, investors' information, dividend history and other requisite information besides the link to SECP's investor education portal, the 'Jamapunji'.

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

The following QR code may be scanned to access the Company's website for Annual Report and other information:

Investors' Grievance Policy / Redressal of Investors' Complaints

In accordance with the statutory guidelines, the Corporate Affairs department of the Company handles all queries including any grievances and information requests lodged by shareholders or potential investors, in light of the guidelines and process as laid down in our Investor's Communication / Relation and Grievance Policy.

Investor grievances are addressed centrally through an effective grievance management mechanism for handling of investor queries and complaints, consisting of the following key elements:

- 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

Policy for Safeguarding of Records

Policy for safety of records is part of the Company's comprehensively formulated Business Continuity Plan (BCP) which extends beyond the regulatory requirements and ensures preservation of all records of significant or permanent value for periods exceeding beyond the legally stipulated timeframe in an efficient, secure and easy to retrieve manner.

The record including but not limited to books of account, documentation pertaining to secretarial, legal, contractual, taxation and other matters, has been archived on need basis 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 enabling prompt retrieval of relevant documents in a secure environment based on appropriate access controls and authorization systems

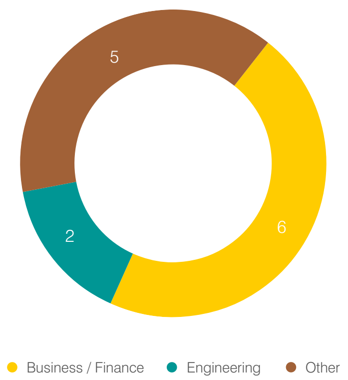
Composition of the Board of Directors

Companies Act 2017, Code of Corporate Governance and other best practices adopted under the Articles of Association of the Company govern the qualification and composition of the Company's Board of Directors.

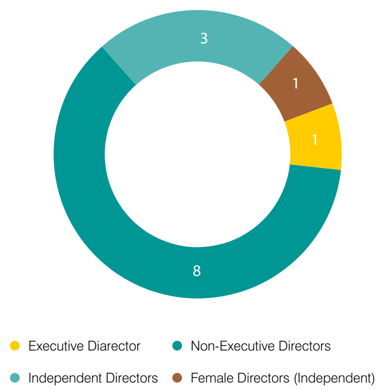
FFC strives to achieve highest levels of good governance, transparency and awareness of Board's responsibilities in achieving the Company's objectives, besides ensuring smooth business operations.

The Board of Directors comprises of highly qualified professionals from varied disciplines of Finance, Engineering and Business

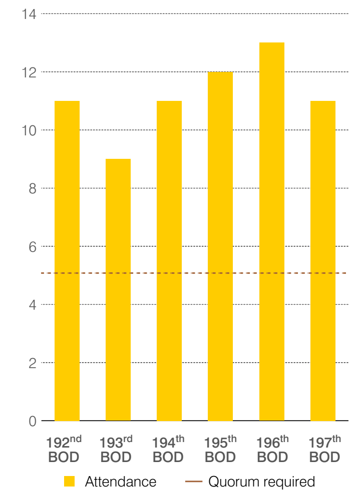
Directors' Qualification
(Number)



Composition of the Board
(Number)



Attendance at BOD Meetings
(Number)



Management, representative of Government and ex members of the Armed Forces. This ensures effective, efficient and independent decision making and lends a unique combination of knowledge, experience and expertise to run the affairs of the Company.

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 two third representation by non-executive directors. The non-executive directors include 4 independent directors including 2 representing the non-controlling / minority interests, with 5 non-executive directors possessing relevant industry experience.

FFC, as part of its policy of diversity and gender mix, maintains female representation on the Board of Directors. Currently, one member of the Board is representing female directorship.

As required by the Code of Corporate Governance 2019, Independent Directors have provided their declaration of independence as per the criteria defined in the Companies Act 2017 to the Chairman of the Board.

Detailed profiles of directors including the names, status (independent / non-executive / executive), industry experience and directorship of other companies, have been provided in the **'Profile of the Board'** section of this Report. The status of directorship (independent, executive, non-executive) has also been indicated in the Statement of Compliance with the Code of Corporate Governance, issued by the Company.

Meetings of the Board

In order to ensure effective monitoring of the Company's Performance, the Board is legally bound to meet at least once every quarter. Special meetings to discuss other important matters according to requirements are also held during the year.

The Board met 6 times during the year, to discuss routine and special matters besides providing guidance to the management on achieving Company's objectives. In compliance with applicable laws, all notices / agendas of the meetings were circulated in advance.

The minimum quorum requirement of attendance, as prescribed by the Companies Act 2017, was exceeded in all Board meetings held during the year. Chief Financial Officer and Company Secretary were also in attendance during these meetings.

Decisions made by the Board during these meetings were clearly stated in the minutes maintained by the Company Secretary, and were duly circulated to all the directors for endorsement and were approved in the subsequent Board meetings.

CORPORATE **GOVERNANCE**

Attendance at Board meetings

NAME OF DIRECTOR	Status	192nd BODM	193rd BODM	194th BODM	195th BODM	196th BODM	197th BODM
Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)	Non-Executive						
Lt Gen Tariq Khan, HI(M) (Retired)	Executive						
Dr Nadeem Inayat	Non-Executive						
Mr Farhad Shaikh Mohammad	Independent						X
Mr Per Kristian Bakkerud	Non-Executive	X	X		X		X
Brig Raashid Wali Janjua, SI(M) (Retired)	Non-Executive				N/A		
Maj Gen Wasim Sadiq, HI(M) (Retired)	Non-Executive		N/A				
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)	Non-Executive						
Ms Bushra Naz Malik	Independent				N/A		
Mr Saad Amanullah Khan	Independent			X			
Mr Azher Ali Choudhary	Non-Executive		X	N/A			
Mr Rehan Laiq	Non-Executive						
Mr Mohammad Younus Dagha	Independent	X	X	X	N/A		
Brig Hamad Qadir, SI(M) (Retired)	Non-Executive	N/A	X			N/A	
Mr Aamir Ashraf Khawaja	Non-Executive	X	X				N/A
Syed Iqtidar Saeed	Non-Executive	N/A					
Ms Maryam Aziz	Independent	N/A					
Mr Farrukh Ahmad Hamidi	Independent	N/A					
Maj Gen Naseer Ali Khan, HI (M) (Retired)	Non-Executive	N/A					
Mr Sher Alam Mahsud	Non-Executive	N/A					

Casual Vacancies Filled During the Year

Appointed	Resigned	Date of Appointment
Brig Hamad Qadir, SI(M) (Retired)	Maj Gen Wasim Sadiq, HI(M) (Retired)	March 14, 2019
Mr Aamir Ashraf Khawaja	Mr Azher Ali Choudhary	April 23, 2019
Syed Iqtidar Saeed	Brig Raashid Wali Janjua, SI(M) (Retired)	May 1, 2019
Ms Maryam Aziz	Ms Bushra Naz Malik	July 5, 2019
Mr Farrukh Ahmad Hamidi	Mr Mohammad Younus Dagha	July 24, 2019
Maj Gen Naseer Ali Khan, HI(M) (Retired)	Brig Hamad Qadir, SI(M) (Retired)	October 1, 2019
Mr Sher Alam Mahsud	Mr Aamir Ashraf Khawaja	December 18, 2019

Board Meetings Held Outside Pakistan

In order to economize on Company's resources, no Board meetings were held outside Pakistan despite the provisions by SECP and business requirements relating to the Company's prospective venture to setup an offshore fertilizer plant in collaboration with international partners.

Composition of the Audit Committee

FFC's Audit Committee comprises of four members having extensive experience in financial management, business and economics. In compliance with regulatory requirements, the Chairperson of the Committee is an independent non-executive director whereas the other three members include one independent and two non-executive directors.

The Committee comprises of two Fellow members of ICAP, a Doctorate holder in Economics and a Masters' in Business Administration. This diverse skill base lends significant financial, accounting and economic insight to the proceedings of the Committee.

Terms of Reference of the Audit Committee have been provided on

Page 29 of the Report and are in line with the requirements of Code of Corporate Governance 2019. The Committee met 5 times during the year. A meeting was held with external auditors in the absence of Chief Financial Officer and Head of Internal Audit, whereas another meeting was held with the Internal Auditors in the absence of Chief Financial Officer and external auditors.

The Audit Committee approves the annual internal audit plan to ensure effectiveness 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 which ensures independence of the internal audit function.

Composition of Human Resource And Remuneration (HR&R) Committee

FFC's HR&R Committee comprises of two independent non-executive members and two non-executive members. The Chairman of the Committee is an independent non-executive director whereas, Chief Executive of the Company does not hold membership of the Committee.

No member of the Committee is involved in the management of the Company or is connected with any business or other relationships that could interfere materially with, or appear to affect, their judgment.

The Committee meets at least once annually or at such other frequency as the Chairman may determine.

During 2019, the Committee held three meetings. Terms of Reference of the HR&R Committee are in line with Code of Corporate Governance 2019 and provided on Page 30 of the Report.

Roles and Responsibilities of the Board of Directors

All the members of FFC Board of Directors are aware of the level of trust reposed in them by the shareholders for ensuring operational efficiency of the business besides safeguarding their interests. The Board fulfills responsibilities conferred to it in the Company's governance framework which exceeds the requirements of the regulatory framework.

All powers granted to the Board, under the Companies Act 2017, are exercised with responsibility, diligence, and in compliance with the legal framework after due deliberations in its meetings. Some of the responsibilities include appointment of key management positions, approval of annual budgets including capital expenditures, investments in new ventures and approval of related party transactions. Approval of the Company's financial statements, 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 performed by the Board.

Effectiveness of the internal control framework and adherence to the Company policies is continuously monitored by the independent Internal Audit department. The Board has also tasked the Audit Committee to report compliance thereof at least once every quarter of the year.

The Board also maintains a complete record of the Company's significant policies along with their date of approval or amendment.

Matters Delegated to the Management

The CE&MD has been entrusted with the responsibility of conducting routine business operations of the Company in an efficient and ethical manner. In this regard, the Board has approved strategies and goals including annual targets of production, sales, turnover, cost, profitability, identifying new areas of investment for the Company and compliance with legal requirements.

Identification and administration of key risks and opportunities which could impact the Company in the ordinary course of business has also been delegated to the management.

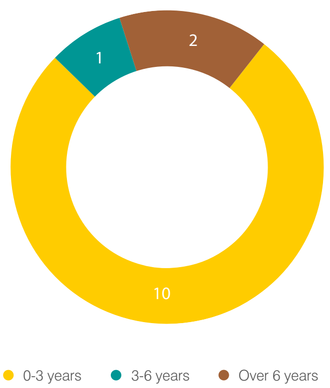
The management is also responsible to establish and maintain a system of internal controls, prepare / present financial statements in conformity with the approved accounting standards and the requirements of the Companies Act, 2017.

Changes to the Board

The current term of the directors shall stand completed in September 2021 when fresh elections will be held for appointment of directors through an

CORPORATE GOVERNANCE

Directors' Tenure
(Number)



extraordinary general meeting of the shareholders.

The Board would like to record its appreciation for the invaluable contributions rendered by the outgoing directors Maj Gen Wasim Sadiq, HI(M) (Retired), Mr. Azher Ali Choudhary, Brig Raashid Wali Janjua, SI(M) (Retired), Ms Bushra Naz Malik, Mr. Mohammad Younus Dagha, Brig Hamad Qadir, SI(M) (Retired) and Mr Aamir Ashraf Khawaja.

The Board also extends warm welcome to Syed Iqtidar Saeed, Ms Maryam Aziz, Mr Farrukh Ahmad Hamidi, Maj Gen Naseer Ali Khan, HI (M) (Retired) and Mr Sher Alam Mahsud as new fellow members.

The Board is confident that the team would operate cohesively for the benefit of the Company and that the new members shall lend a fresh perspective and spirit towards the progress of the Company.

Directors' Remuneration

In compliance with legal requirements, an independent, transparent and formal process has been established for ascertaining remuneration packages of the directors. No director is involved in the determination of his / her own remuneration package.

Appropriate remuneration levels are established to attract and retain experienced and well-qualified directors encouraging value creation within the Company while ensuring that the compensation packages are not at a level that could be perceived to compromise the independence of non-executive directors.

As per the requirements of the regulatory framework and internal procedures, these remuneration packages are subject to prior approval of shareholders.

Policy on Non-Executive and Independent Directors' Remuneration

All non-executive and independent directors of the Company are entitled to remuneration for attending Board and Committee meetings along with reimbursement of expenses incurred in connection with these meetings.

A director may be paid such extra remuneration as the Board may determine, for serving on any Committee or devoting special attention to the business of the Company or performance of services which, in the opinion of the Board, are outside the scope of statutory duties of a director.

Detail of the remuneration paid to executive and non-executive directors during the year is given in Note 35 of the attached financial statements.

Connection of External Search Consultancy for Selection of Independent Directors

Selection of independent directors is carried out from a list maintained by the Pakistan Institute of Corporate Governance (PICG) under the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

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's CE&MD who is an executive director of the Company is also non-executive director on the Boards of other Companies as disclosed on Page 24 of the Annual Report.

Fees paid by these companies are in compliance with their respective policies which have been approved by their Boards of Directors. FFC does not have any policy that requires retention of meeting fee earned by executive director against his services as non-executive director in other companies.

Evaluation of Board's Performance

In line with the requirements of the Code of Corporate Governance, Board's performance evaluation is carried out for three areas:

- Performance of individual members
- Performance of the Board
- Performance of the Board Committees

These are addressed through two tiered evaluations:

- Self-evaluation
- External evaluation

Self Evaluation

In conformity with the Code of Corporate Governance and in line with the Global Best Practices, PICG has developed questionnaires for self-evaluation of individual directors.

The Company Secretary exhibits strict level of confidentiality upon receipt of completed questionnaire along with directors' comments. A dedicated software then evaluates these forms to identify areas that require improvement and highlight differences of opinion.

External Evaluation

Evaluation carried out by external parties brings objectivity to the process and signifies Board's commitment towards excellence in corporate governance.

In this regard, PICG has been appointed to evaluate the performance of the members, Board and its Committees.

Based on the results from internal and external performance evaluations, detailed discussions are held, in the subsequent Board meeting, to address the highlighted areas and improve the performance of the Board.

Offices of the Chairman & CEO

In compliance with good governance practices and to promote a culture of transparency, positions of the Chairman of the Board of Directors and the office of the Chief Executive are held by separate individuals with clear segregation of roles and responsibilities.

Brief Roles & Responsibilities of Chairman & CEO

Roles and responsibilities of the Chairman and the CE&MD have been clearly defined by the Board of Directors.

The Chairman is responsible for assessing and making recommendations regarding the effectiveness of the Board, the committees and individual directors, in fulfilling their responsibilities, besides avoidance of conflicts of interests. He represents the non-executive directors of the Board and is 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.

CEO 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 the 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

CORPORATE **GOVERNANCE**

CEO's Performance Review by the Board

The performance of the CEO is reviewed on annual basis as per assigned targets. This also includes assessment of his roles and responsibilities as prescribed under the regulatory framework.

The Company's highest ever Sona Urea revenue, record income from investment, sustained market share and healthy profitability despite adverse market conditions are testament to the CEO's exceptional performance during the year. The Company also achieved benchmark with respect to Urea revenue besides recording highest ever investment income under the CEO's able leadership.

The Board is also satisfied over the developing progress on the Company's diversification projects and continuous evaluation of new investment opportunities, besides the local and international recognition for transparency and good governance.

Formal Orientation at Induction

Detailed orientation is conducted upon induction of each new Board member, apprising them on business operations, environment and long term strategy of the Company. Extensive training programs are offered to the directors for enhancement of managerial and governance skills.

A 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 vision and strategy
- 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
    - Status of Company affairs
    - Strategic plans
    - Market analysis
    - Forecasts, budget and 5 year projections
    - Latest financial statements
    - Important minutes of past meetings
    - Major litigations, current and potential
    - Policy in relation to dividends, health & safety, environment, ethics, corporate social responsibility, anticorruption, whistle blowing and conflict of interest, among others

In order to enhance their managerial skills and staying abreast with the latest management practices and policies adopted by leading corporations across the globe, the Board members also attended International training courses.

Directors' Training Program

Board of Directors

Exceeding the requirements of the Code of Corporate Governance, directors have been appropriately certified under the Directors' Training Program from SECP approved institutions well ahead of the stipulated timeframe.

Due to changes in the Board's composition, two members of the Board are yet to obtain the requisite certification; scheduled during the current year to ensure certification of the entire Board.

Names of directors who have obtained certification from SECP approved institutions is 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
- Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)

- Mr Saad Amanullah Khan
- Mr Rehan Laiq
- Ms Maryam Aziz
- Mr Farrukh Ahmad Hamidi
- Maj Gen Naseer Ali Khan, HI(M) (Retired)

Heads of Departments & Female Executives

Appropriate measures have been taken to ensure timely compliance with the requirements of the revised Code of Corporate Governance regarding training of heads of departments and female executives, under the Directors' Training Program within the time period stipulated by the Code.

Trading in Shares by Directors and Executives

During the year, 25,100 shares of FFC were traded by the executives of the Company. No other trading was conducted by the directors, executives and their spouses and minor children. The stock exchange is being regularly updated on trading of Company's shares by management employees.

The thresholds for identification of "Executives" in addition to those already specified by the Code of Corporate Governance, is determined by the Board in compliance with the Code, which is reviewed on annual basis.

Quarterly and Annual Financial Statements

Periodic financial statements of the Company and consolidated financial statements of the Group are duly endorsed by CE&MD and Chief Financial Officer for circulation to the Directors.

The financial statements are then approved, published and circulated to shareholders within one month of the closing date in case of quarterly financial statements and within permitted limit of two months in case of half yearly financial statements. The half yearly financial statements of the Company were duly reviewed by the external auditors.

Both separate and consolidated financial statements are audited by the External Auditors and recommended by the Board for shareholders' approval within one month after the closing date and presented to the shareholders in the Annual General Meeting for approval.

Other non-financial information to be circulated to governing bodies and other stakeholders is also delivered in an accurate and timely manner in accordance with the applicable regulatory requirements.

External Auditors

A.F.Ferguson & Co., Chartered Accountants, were appointed as auditors in last Annual General Meeting as replacement of previous external auditors – KPMG Taseer Hadi & Co., Chartered Accountants.

A.F. Ferguson & Co, Chartered Accountants have completed the annual audit for the year ended December 31, 2019, 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, 2020.

The Board of Directors has recommended the reappointment of A.F. Ferguson & Co., Chartered Accountants as External Auditors of the Company for the upcoming financial year, on remuneration of Rs 2.5 million.

Pattern of Shareholding

Sponsors, directors and executives of the Company held the following number of shares at the end of the year:

Particulars	Numbers of Shares
Sponsors	564,204,254
Directors	2,000,700
Executives	604,513

Policy for Security Clearance of Foreign Directors

In compliance with the regulatory requirements, every foreign director serving on the Company's Board is required to furnish a declaration stating that necessary documents have been submitted with the Company Registration Office (CRO), Islamabad. In case their name is not cleared for security purposes by the relevant Ministry, the Company shall facilitate arrangement of such clearance. However, if clearance is

CORPORATE **GOVERNANCE**

not arranged, the Company shall take steps for replacement of such director as considered appropriate.

List of Companies in which Executive Director is Acting as a Non-Executive Director

In addition to being the Chief Executive & Managing Director of Fauji Fertilizer Company Limited, FFC Energy Limited and Fauji Fresh n Freeze Limited, 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.
- Philip Morris (Pakistan) Limited
- Thar Energy Limited

Related Parties

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.

Any transactions with related parties, where majority of directors of FFC are interested, are referred to the shareholders in a general meeting for ratification / approval.

Pursuant to the requirements of 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.

Names of all related parties 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 39.1 of the Financial Statements.

In compliance with the requirements of Fourth schedule of the Companies Act 2017, detailed disclosure regarding related party transactions has been presented in Note 39.3 of the Financial Statements.

Presence of the Chairperson Audit Committee at the AGM

Honoring the trust reposed in the Company by our shareholders, we strive to enforce a transparent relationship in all our dealings.

To address any concerns and queries raised by our esteemed shareholders, all members of the Board including the Chairperson Audit Committee, Chief Executive and other senior management personnel were present at the General Meeting held during the year.

Encouraging Minority Shareholders to Attend General Meetings

The notice of all general meetings is published in leading newspapers (in both Urdu and English languages) having circulation all over the Country, placed on the Company's website and emailed to all shareholders well before the occurrence of the meeting. All minority shareholders irrespective of their shareholding can appoint proxy, participate through video conference (VC) and vote through e-voting. They can suggest, propose, comment, record their reservations during the meeting, and enjoy full rights to propose and second any agenda item presented. Shareholders can also actively participate during general meetings in discussions on operations, objectives and future strategy of the company. They can always demand the draft minutes of meeting within stipulated time post the event and are privileged to object on any intended major investments, planned acquisitions, mergers and takeovers or any other corporate / capital restructuring.

The Company always facilitates and ensures shareholders presence while entertaining their requests if feasible and viable. It values and honors their inputs, records their concerns, prepositions, suggestions in minutes and keeps them abreast on the progress and subsequent actions.

INTELLECTUAL CAPITAL

Intellectual capital can broadly be defined as the collection of all informational resources a company has at its disposal that can be used to drive profits, gain new customers, create new products or otherwise improve the business.

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 has been at the forefront of adopting and leveraging the latest state of the art Information Technology infrastructure in line with best practices to streamline business processes and enhance operational efficiency by providing accurate and timely information for decision making.

As a continual improvement initiative to keep FFC's SAP landscape abreast with latest IT innovations, successful upgrade of SAP Core to HANA version 2.0 was carried out during the year.

IT Governance Policy

In view of rising significance of IT governance in the overall corporate governance, FFC has aligned itself to efficiently use Information Technology resources in achieving its operational and strategic objectives while increasing shareholders' value.

The Company also complies with aspects of Information Technology Infrastructure Library (ITIL) / Information Security Management System (ISMS) ISO 27001:2013 best practices.

FFC's IT Governance Policy encompasses:

- Ensuring compatibility, integration and avoidance of duplication of effort
- 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
- 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

INTELLECTUAL **CAPITAL**

Safety and Security of IT Record

The Company's Policy for safety of records falls in the ambit of a comprehensively formulated Business Continuity Plan (BCP), which ensures integrity and confidentiality of sensitive data through secure back-up and real time recovery of all data critical to compliance with legal environments or continuity of smooth operations.

FFC has successfully achieved Information Security Management System (ISMS) ISO 27001:2013 certification since 2016, signifying that the Company has maintained necessary information security controls for protection of sensitive data and its ability to handle information security threats.

The Information Security team also performed entity-wide penetration testing and audit activities to identify and fill any gaps in the system. Various Information Security awareness sessions were also conducted during the year, which aimed to educate end users about risks associated with computing resources and to secure working practices.

Review of Business Continuity Plan & Disaster Recovery Plan

Company's risks and their corresponding mitigating strategies are regularly monitored by the Board. An all-encompassing Business Continuity Plan (BCP) is constantly reviewed and tested, which includes an effective Disaster Recovery System (DRS) with backup servers and other necessary infrastructure to mitigate operational disruption in case of any disaster.

Business Continuity Planning

Recognizing the significance of sustained business operations in maintaining competitive advantage, FFC has implemented a comprehensive Business Continuity Plan (BCP) which ensures minimal operational disruption in case of catastrophe caused either by natural disaster, fire, civil strife, sabotage or an act of war.

All major stakeholders are involved in BCP for identification and formulation of risk mitigation strategies of critical business functions in case of disaster. Multiple mock exercises were conducted throughout the year to enhance readiness of employees to cope with a disaster.

Disaster Recovery Planning

Disaster Recovery Site (DRS) has been established as part of the Company's comprehensive BCP, which ensures that personnel and assets are protected and are able to function quickly in the event of a disaster. IT Division has recently upgraded the DRS infrastructure with state of the art Storage Area Network (SAN) switches and enterprise backup repository storage. The infrastructure upgrade has improved the storage reliability of critical data backups besides significantly reducing the recovery time required to successfully restore the failed business operations back to normal state.

Major Projects Carried out by Information Systems Department

FFC continues its focus on continuous exploration of best technologies and infrastructure to enable effective and timely decision making, achieve cost efficiencies, drive revenue growth and maintain competitive advantages. Some of the major projects carried out by the Information Systems department during the year, include the following:

- SAP implementation in FFC Education Societies at plant-sites
- SAP Business Planning and Consolidation module revamp
- Implementation of Treasury Management System
- In-house development and implementation of facial recognition system using Artificial Intelligence (AI)
- In-house development and implementation of vehicle fleet management system and using Internet of Things (IoT) technology
- IP Telephony Solution upgraded to improve reliability level in communication / collaboration

Directors' Report

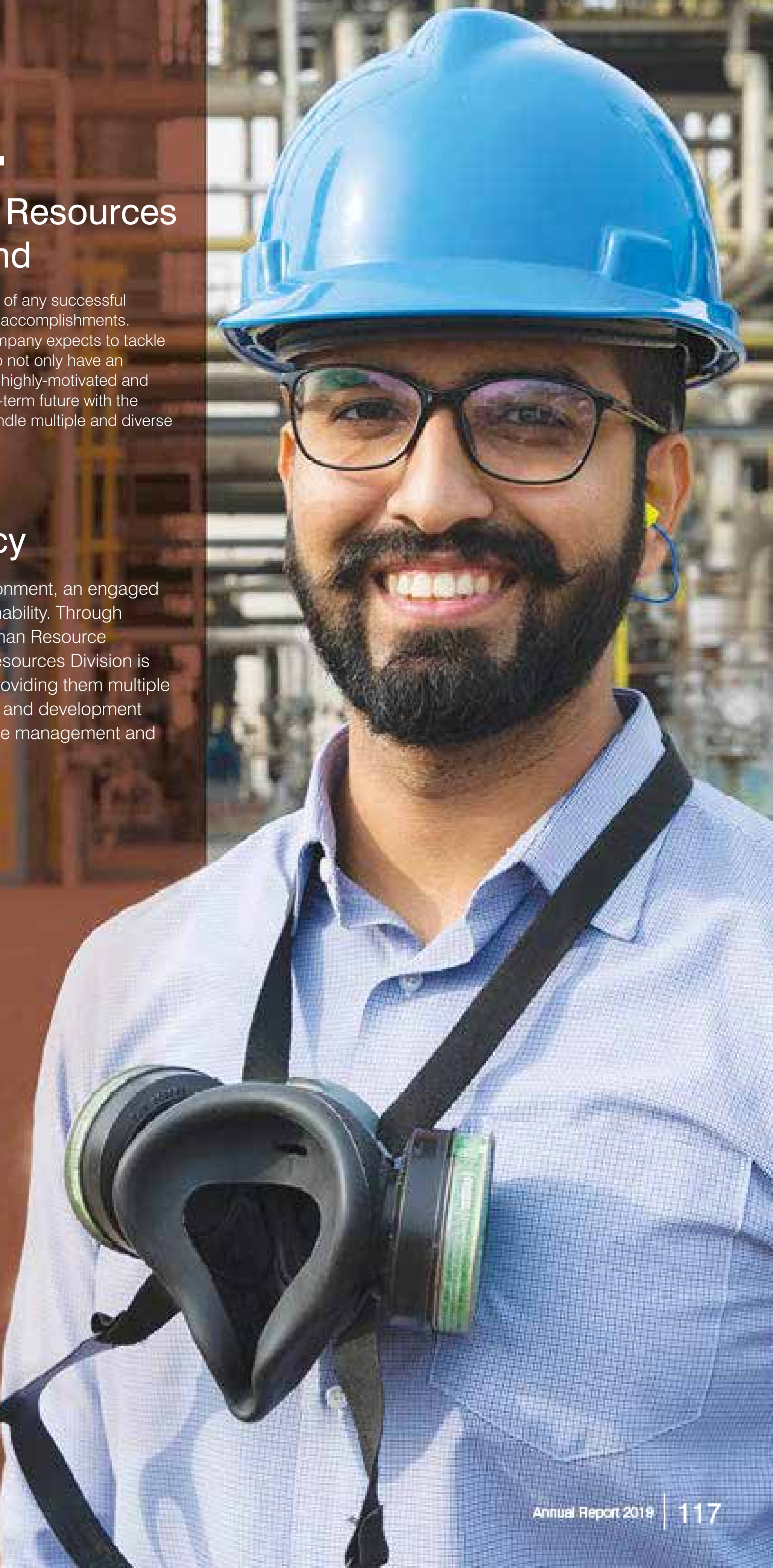
HUMAN CAPITAL

Managing Human Resources in 2020 and Beyond

Human capital is an essential component of any successful business to achieve greater success and accomplishments. Foreseeing future challenges that the Company expects to tackle in 2020 and beyond, it is very important to not only have an exceptional talent pool on-board but also highly-motivated and committed employees who see their long-term future with the Company and are always prepared to handle multiple and diverse issues.

Human Resource Management Policy

Under diverse and challenging environment, an engaged workforce is vital for business sustainability. Through comprehensive and progressive Human Resource Management Policies, the Human Resources Division is striving to empower employees by providing them multiple opportunities for professional growth and development coupled with transparent performance management and attractive compensation system.



HUMAN **CAPITAL**

Effective Workforce

FFC Human Resources is leaving no stone unturned to ensure an effective and optimized workforce that is responsible for critical business functions. The organizational structures are periodically revisited to regulate and rationalize redundancies based on workloads and expanding automation.

This drive for efficiency has been ensured to minimize human cost and place the right person for the right job. A strategic plan is in place to ensure internal growth to keep employees motivated as well as achieve target numbers of the optimal workforce.

Succession Planning

The Company also ensures that competent personnel are available in each department and ready to assume higher positions through a comprehensive succession planning policy, in terms of pre-defined criteria including an individual's potential, qualification, period of service and professional attitude amongst other factors. This succession plan is updated periodically in line with the Company's requirements and career development objectives.

Diversity in Hiring

Recognizing the value of diversity and equitable opportunity, the Human Resources Division encourages 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.

The Company prides itself in being an equal opportunity employer, promoting gender diversity and providing one of the most rewarding career opportunities in the Country thereby attracting high caliber professionals, and transforming them into future leaders.

Upholding our social responsibility and reinforcing our commitment to diversity, FFC gives due importance to the recruitment, development and retention of special persons in the Company.

Special requirements of these employees with respect to healthcare and ancillary needs are provided to ensure optimum performance by such individuals.

Details about number of employees and their composition are mentioned in Note 41.4 to the Financial Statements.

Talent Management

In order to ensure a highly motivated and commitment workforce, the Company enables an environment that offers opportunities for progressive career development. Consequently, significant investment is made in employee training and development.

During 2019, Rs 273 million 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.

Compensation and Benefits

Our employees and their contribution towards the Company's success makes us proud immensely. We are an industry leader in employee compensation and benefits. The total spend for the year, comprising of salaries, wages and other benefits amounted to Rs 9.57 billion, which is 9% higher than last year. Apart from monetary benefits, FFC continues to provide medical care to all its permanent employees and their eligible dependents, through its medical department comprising of qualified and experienced doctors.

FFC offers its employees a complete lifestyle with special attention to retirement plans after a fulfilling career with the organization. Multiple retirement benefit plans are in place to take care of retiring employees. As of December 31, 2019, fair value of plan assets of the Company's funded gratuity and pension schemes stood at Rs 2.19 billion and Rs 3.84 billion respectively, representing an aggregate increase of Rs 314 million compared to last year.

Industrial Relations

Our plant-sites continue to work in harmony with timely conclusion of Collective Bargain Agreements (CBA). With the aid of CBA agreements and well thought-out Human Resource policies, the Human Resources Division in collaboration with our Legal Department ensures that our labor remains content and any issues if they arise are managed amicably to maintain industrial peace through avoidance of disputes and operating disruptions.

Optimization Through Automation

With an eye on new technologies and latest best practices, we hope to enable the organization to provide a culture and environment which harvests innovation and generates new ideas to bring 21st century thinking to deal with 21st century problems.

Effective and timely delivery of HR Operations in a trans-provincial organization like FFC is only possible through a fully-integrated ERP solution. The SAP-HCM today is in its 6th year of operation and has become a backbone of the infrastructure to reduce time and errors.

In order to improve engagement and promote innovation across the Company, a "New Ideas Forum" is being used by employees for generation of new ideas and turning them into potential new business or for bringing improvements in existing business.

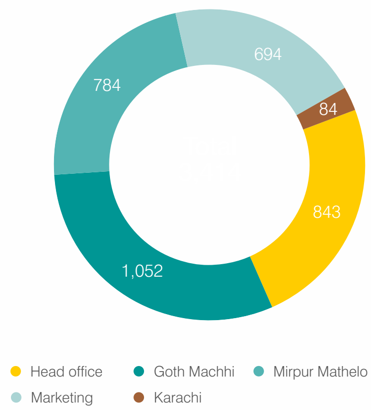
Health & Safety

FFC makes consistent efforts in Health & Safety of its stakeholders 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.

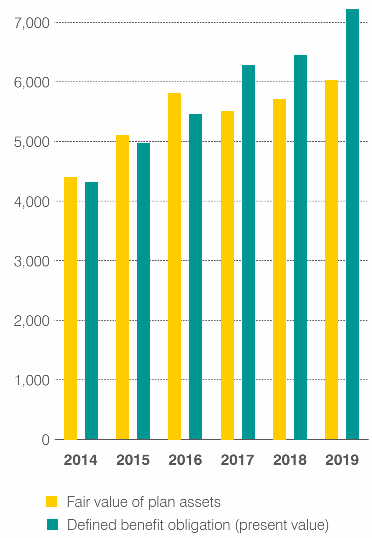
Delivering on our commitment to foster a culture of "No Fire, No Injury & No Harm at Workplace", plant-site Goth Machhi recorded 14.08 million man-hours of safe operation for its employees while 4.25 million man-hours of safe operation were achieved by plant-site Mirpur Mathelo, during the year. Occupational safety of contracted workforce is also ensured through contractor's Code of Conduct.

The Company conducted various awareness drives and trainings to improve safety consciousness. Events celebrating "World Environment Day" and "World Day for Safety & Health" were also held during the year.

Employee Distribution
(Number)



Retirement Benefits - Assets & Liabilities
(Rs million)



FORWARD LOOKING **STATEMENT**

Analysis of Last Year's Forward Looking Statement / Status of Projects

FFC continued to deliver quality products despite the old vintage of its plants which has been made possible through continued BMR and efficiency enhancements with the vision to make available the indigenous products at affordable rates for the farming community.

Unfortunately, the Company faced severe challenges in terms of rising inflation, increasing production cost, escalating fuel and financing cost etc. The Company also continued to face pricing pressure from the Government.

No resolution could be achieved for GIDC settlement which is currently sub-judice to court proceedings. We also continued to face liquidity challenges due to unsettled subsidy claims and ever increasing GST balance due to persistent mismatch between input and output rates.

However, we met these challenges with resilience, cost economization and continual improvement in our business model which included increased focus on our treasury operations that resulted in 19% profitability growth over the previous year.

The long term strategic investments have also been augmenting Company's profitability which is evident from consistent flow of dividends from these equity investments.

Our highest standards of governance and transparency enabled the Company to secure further recognition, both from within the Country and across the borders.

Source of Information and Assumptions Used For Projections / Forecasts

The projections are based on certain assumptions and analyses comprising of historical trends, current conditions and expected future developments as well as other factors believed to be relevant and appropriate in the circumstances. Corrective actions are incorporated while devising operational and financial plans in line with strategic directions of the Board.

External information factors include, macro and micro economic indicators, market trends, International fertilizer price forecasts, data from Governmental agencies including regulatory / taxation authorities, seasonal variations and competitors' actions constitute the basis of our projections.

Internal information is originated from critical functions of the Company including Marketing, Manufacturing & Operations, Technology & Engineering, Human Resource, Finance etc., which is then collaborated with the data compiled from the external sources for preparation of meaningful and practical forecasts, and adopted as formal plans after approval by the Board.

In case of venturing into new projects extensive due diligence process encompassing legal, financial and technical feasibility studies is carried out involving external experts on need basis.

Forward Looking Statement

A strong fertilizer industry is pivotal for sustainable agricultural sector warranting food security for the rising population. Provision of fertilizer at affordable rates, facilitates robust agricultural produce to cater for the growing food requirements.

In view of declining gas pressures, FFC continues to invest further in gas compression infrastructure, which includes uprate of existing compression facilities for sustained gas pressures. In addition, the Company also plans to make further equity investment in Fauji Fresh n Freeze in view of encouraging prospects demonstrated by the subsidiary company.

Poor farm economics, double digit inflation, significant currency devaluation, inconsistent fiscal measures and high interest rates need to be checked by the Government which otherwise pose significant risk towards profitability margins of the Company.

Favorable Governmental policies with realistic targets have become imperative for the overall economic environment besides ensuring food security in the Country.

Indigenous fertilizer production ensures imports substitution with the saving of billions of dollars to the national exchequer. The Board remains focused on making available quality products to ensure growth of the agricultural sector through sustainable farming solutions as part of its commitment to serve the Nation.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman

Lt Gen Tariq Khan
HI (M), (Retired)
Chief Executive & Managing Director

Rawalpindi
January 30, 2020

مستقبل کی توقعات

گزشتہ برس پیش کی گئی مستقبل کی توقعات کا تجزیہ / منصوبوں کی حالت

پلانٹس کے پرانے ہونے کے باوجود FFC نے معیاری اشیاء کی ترسیل جاری رکھی جو کاشتکاری برادری کے لئے ملکی مصنوعات کو مناسب نرخوں پر دستیاب کرنے کے مقصد کے پیشِ نظر BMR اور کارکردگی میں بہتری کے تسلسل کے ذریعے ممکن ہوا۔

بدقسمتی سے بڑھتی ہوئی افراطِ زر، پیداواری لاگت میں اضافہ، ایندھن اور مالی لاگت میں اضافے جیسے معاملات میں کمپنی کو سخت چیلنجز کا سامنا کرنا پڑا۔ کمپنی کو حکومت کی جانب سے مسلسل قیمتوں پر دباؤ کا سامنا بھی رہا۔

GIDC کے تصفیہ کے لئے کوئی حل پیش نہ کیا جا سکا جو کہ عدالت کے زیرِ سماعت ہے۔ تصفیہ طلب واجب الوصول سبسڈی اور ان پٹ اور آؤٹ پٹ کے نرخوں میں غیر مطابقت کی وجہ سے مسلسل بڑھتی ہوئی قابلِ واپسی GST کی وجہ سے ہمیں Liquidity کے چیلنجز کا سامنا رہا۔

تاہم ہم نے ان چیلنجز کا مقابلہ سخت جانی، کفایت شعاری اور اپنے کاروباری ماڈل میں مسلسل بہتری سے کیا جس میں ٹریڈنگ کی سرگرمیوں پر زیادہ توجہ دینا بھی شامل ہے اور جن کے نتیجے میں منافع پچھلے سال کے مقابلے میں 19 فیصد زیادہ رہا۔

طویل مدتی تزویراتی سرمایہ کاری بھی کمپنی کے منافع میں اضافہ کر رہی ہے جو ان ایکویٹی سرمایہ کاری سے مسلسل منافع منقسمہ (Dividend) کے حصول سے ظاہر ہوتا ہے۔

Governance اور شفافیت کے اعلیٰ ترین معیار نے کمپنی کو ملک کے اندر اور سرحدوں کے پار اپنی شناخت کو مزید مستحکم کیا۔

تخمینے اور پیشگوئی میں استعمال ہونے والی معلومات اور مفروضوں کے ذرائع

مخصوص مفروضات، ماضی کے رجحانات، موجودہ حالات اور متوقع مستقبل کی پیش رفت کے ساتھ دوسرے متعلقہ عوامل اور حالات پر مشتمل تجزیے ہمارے تخمینوں کی بنیاد بنتے ہیں۔ بورڈ کی ہدایت کے تحت Operational اور مالی منصوبے وضع کر کے اصلاحی اقدامات کئے جاتے ہیں۔

بیرونی معلومات کے عوامل میکرو اور مائیکرو اقتصادی اشارے، مارکیٹ کے رجحانات بین الاقوامی کھاد کی قیمت کی پیش بینی، سرکاری ایجنسیوں بشمول ریگولیٹری نیٹیفیکیشن اتھارٹیز کا ڈیٹا، موسمی تغیرات اور حریف (competitors) کے اقدامات وغیرہ کی بنیاد پر ہوتا ہے۔

اندرونی معلومات کمپنی کے اہم شعبوں سے 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 بیرونی ذرائع سے حاصل ہونے والے ڈیٹا کے ساتھ ملا کر ماضی 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 نتیجے پانے پر Due Dilligence کی جاتی ہے جس میں قانونی، مالیاتی اور تکنیکی جائزوں کا احاطہ کیا جاتا ہے۔ اور بوقتِ ضرورت بیرونی ماہرین کی شمولیت بھی ہوتی ہے

متوقع مستقبل

کھاد کی صنعت وطن پائیدار زرعی شعبے کے لئے بنیادی اہمیت کی حامل ہے تاکہ بڑھتی ہوئی آبادی کے غذائی تحفظ کو یقینی بنایا جائے۔ مناسب نرخوں پر کھاد کی فراہمی بہتر زرعی پیداوار میں معاون ہے تاکہ بڑھتی ہوئی خوراک کی ضرورت کو پورا کیا جائے

گیس کے کم ہوتے دباؤ کے پیشِ نظر FFC نے گیس کمپریشن کے ڈھانچے (Infrastructure) میں مزید سرمایہ کاری کو جاری رکھا ہے جس میں گیس کے مستقل دباؤ کے لئے موجودہ کمپریشن کی استعداد میں اضافہ شامل ہے۔ مزید براں سبسڈری کمپنی کے حوصلہ افزا مستقبل کے پیشِ نظر کمپنی فوجی فرٹیلائزر بن قاسم میں مزید سرمایہ کاری کا منصوبہ رکھتی ہے۔

ناقص زرعی معاشیات، افراطِ زر میں نمایاں اضافہ، کرنسی کی قدر میں خاص کمی، غیر مسلسل مالی اقدامات اور بلند شرح سود پر حکومت کو قابو پانے کی ضرورت ہے جو کہ بصورت دیگر کمپنی کے منافع کے لئے نمایاں خطرہ بن سکتی ہے۔

قابلِ حصول اہداف کے ساتھ سازگار حکومتی پالیسیاں ملک میں غذائی تحفظ کو یقینی بنانے کے علاوہ مجموعی معاشی ماحول کے لئے لازمی ہیں۔

ملکی کھاد کی پیداوار قومی خزانے کو اربوں ڈالرز کی بچت کے ساتھ درآمدی متبادل کو یقینی بناتی ہے۔ بورڈ کی توجہ قوم کی خدمت کے عزم کے طور پر پائیدار کاشتکاری کے ذریعے زرعی شعبے کی ترقی کو یقینی بنانے کے لئے معیاری مصنوعات کی دستیابی پر مرکوز ہے

لیفٹیننٹ جنرل سید طارق ندیم گیلانی
ہلال امتیاز (ملٹری)، (ریٹائرڈ)
چیئرمین

لیفٹیننٹ جنرل طارق خان
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو و مینیجنگ ڈائریکٹر

راولپنڈی
30 جنوری 2020

03

Assessment of the Company's value creation ability and contribution towards Sustainable Development Goals

SUSTAINABILITY **REPORT**

FFC A RESPONSIBLE COMPANY **WITH INSPIRING PRACTICES**

Our Purpose

To use our position and expertise to create value for our stakeholders

Leading In Sustainability

One of Pakistan's most transformed sustainable corporate entities	Pakistan's only and first company reporting on SASB Chemicals Industry Standard. See page 189	Pakistan's only and first company submitting Advanced Level COP to UNGC for last 7 years	Pakistan's first company working and reporting on SDGs and inspiring private sector through SDGs leadership conversations. See page 128

Creating A More Competitive and Agile Company

An Improving Macroeconomic Environment

Growth in emerging market and developing economies is expected to accelerate	Improvement in Pakistan's GDP Growth as a result of structural improvements

Strong Governance and Enterprise Risk Management Practices

Supported by experienced and diverse Board of Directors

31% Independent Directors

Growth and Diversification Strategies Supporting Shareholder Value Creation

Net profit ratio	Dividend payout ratio	Operational efficiency
16%	80%	122%

A Strong Balance Sheet

Supporting growth

Net Growth	Long-term debt	Property, plant and equipment
Rs 35.57 Billion	Rs 6.47 Billion	Rs 22.21 Billion

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.

FFC organized Corporate Conversation on Sustainable Development Goals

FFC AND SUSTAINABLE **DEVELOPMENT GOALS**

Sustainable Development Goals were 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 (SDGs) 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 a 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. From last year, we became more focused towards the SDGs which have been identified as priority SDGs for our sector. In addition to the priority SDGs, the information related to other SDGs which are impacted by our activities is also discussed and disclosed throughout in the 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 help increasing productive potential of land, resulting in food rich in nutrition values and promoting sustainable agriculture.

See page 150 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 161 and page 164 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 release of hazardous chemicals and materials well below the legal limits helps to reduce the impact on water

See page 167 and 175 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 by 2020 from 2014 level demonstrates our ambition to energy efficiency and reduction in associated GHG emissions.

See page 167 and 172 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 for 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 159 and 168 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 128, 165 and 168 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 165 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 processes and in the value chain, attaining greater environmental transparency and improving health and safety performance.

See page 164 and 172 to 175 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 resulting in severe weather patterns, floods and droughts, 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 172 to 175 for our activities supporting SDG 13.

CORPORATE
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 through the launch of the National SDG framework in 2018 envisaging a national vision, plan and strategy to optimize, prioritize and localize the full potential of SDGs in Pakistan. Pakistan has submitted its first voluntary review of the SDGS in 2019 sharing the details of implementation of the 2030 agenda of sustainable development. 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.

FFC took the lead in 2017 to create awareness on SDGs among private sector, encourage businesses to undertake strategies for supporting SDGs related to their business and report the impact of their activities to stakeholders. FFC organized two sessions in 2017 and 2018 at Karachi with the themes SDGs and business and reporting on SDGs to provide details of the impacts to be used in national voluntary review.

This year, the session was organized focusing on the chemical sector to understand the SDGs relevant to their business and how the chemical sector can make a meaningful contribution towards sustainable development. The session was also focused on Climate Change SDG 13, impacts of business and opportunities which can be availed not only reducing impacts but also resulting in new products and services. The event was organized in collaboration with the Planning Commission Ministry of Planning, Development and Reforms, Ministry of Climate Change, United Nations Development Program and Corporate Social Responsibility Centre Pakistan (CSRCP).

The Corporate Conversation on SDGs engaged representatives from government, corporate leaders, UNDP representatives and non-profits to discuss the impact of business activities on climate change and how the private sector can benefit from the opportunities in shape of new services and products not only supporting SDGs but also resulting in economic returns. The SDGs related to the chemical sector and the role that chemical sector can play through responsible production, use, and management of chemicals was also discussed. Creation of enabling environment by government, incentivizing the private sector aggressively supporting SDGs and need for a credible and comparable information for monitoring progress on SDGs and planning future course of action were emphasized during the panel discussion. The recommendations of the sessions were forwarded to ministry of climate change, planning commission, Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange for consideration in policy formulation.

Overview

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, Sustainability Accounting Standard Board (SASB) Chemical Industry Standard and United Nations Global Compact (UNGC) "Ten Principles" requirements to provide stakeholders a concise and transparent assessment of our value creation ability and our contribution towards the SDGs.

Scope and Boundary

Reporting Period

The report is produced and published annually. The 2019 report covers the period I January to 31 December 2019. The last year's report was published on January 31, 2019.

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 and electricity used at head office, marketing offices, warehouses and 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. Details about financial position and performance are available in annual accounts.

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, (IIRC) Framework, GRI Sustainability Reporting Standards and SASB Chemical Industry Standard 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 except that the energy consumption and emissions data related to head office, marketing offices and warehouses is included in the total energy and emissions figures. 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 the 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 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
Phone: +92-51- 111-332-111, 8452926
Email: sadaf_khan@ffc.com.pk

Overview

ABOUT OUR **REPORT**

Independent external review

The report was externally reviewed by BSD Consulting, an independent reviewer, in order to check compliance with IR framework, GRI Standards, SASB Chemical Industry Standard, ISAE 3000 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 178 of this report.

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.

Overview

PERFORMANCE HIGHLIGHTS 2019

48%
ROE

59,025
Farmers engaged

2,636
MT CO_2 increased Emissions

710,887
GJ decreased Energy consumption

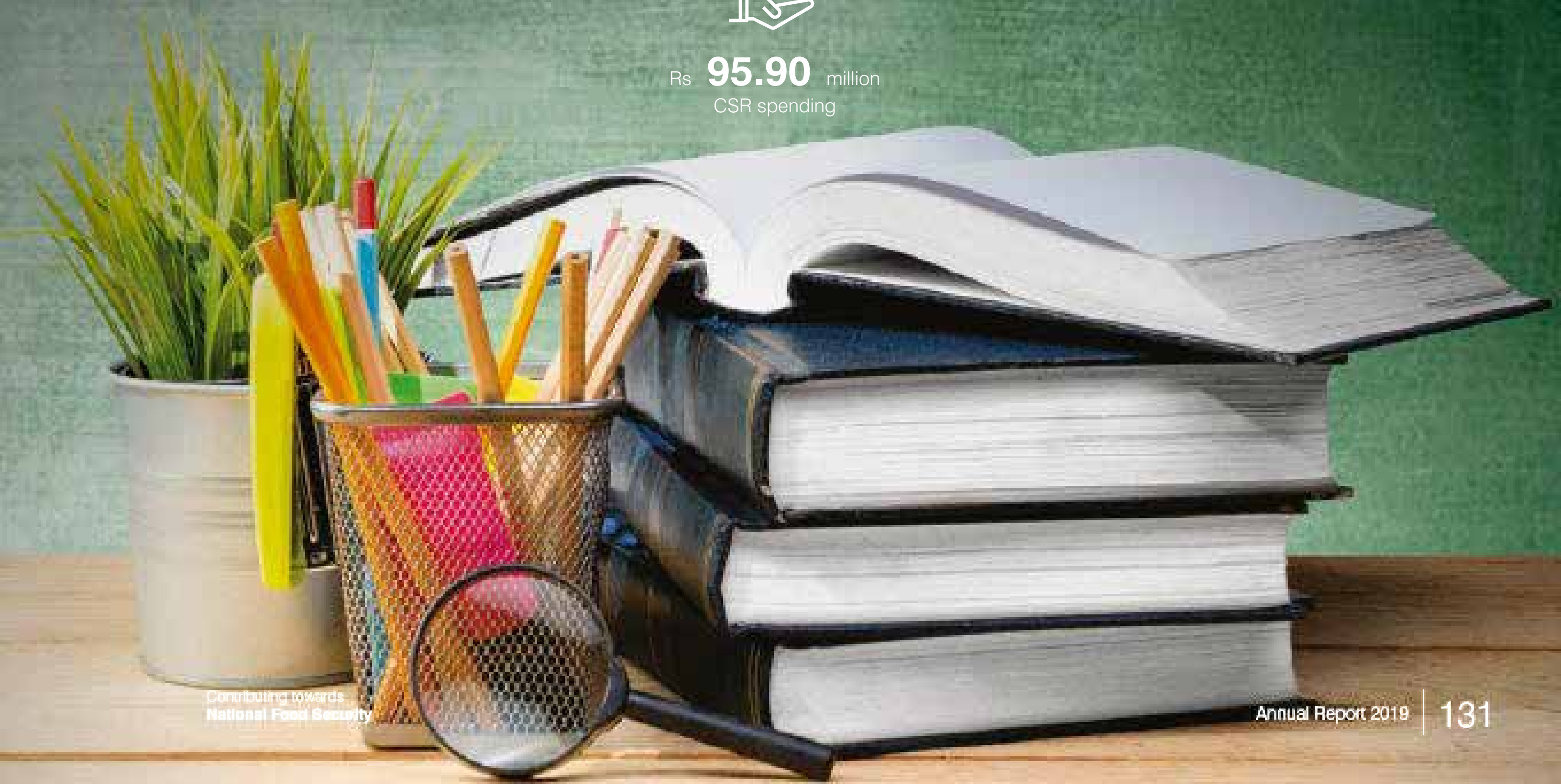
Rs **105.78** billion
Turnover

2,720 KT
Fertilizer sold

5%
decreased Water Use

Rs **9.57** billion
Employee Benefits

Rs **95.90** million
CSR spending



FFC AT A **GLANCE**

Supply chain

FFC procures raw materials, packaging material, capital equipment, services, and other materials and equipment 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.

1,807
Suppliers

Rs **45,005** Million
Payment to suppliers during 2019

Commitments, membership and awards

FFC not only abides by legal obligations but also endeavors to follow several externally developed voluntary initiatives in the areas of economic, environment and social management. No substantial funding is provided to these 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). Our Agri-service officers participate in conferences, seminars and events organized by the Soil Sciences Society of Pakistan and give our input in public policy development.

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)

For Awards refer to page no 91 of this report

Positioned for Value Creation

OUR GOVERNANCE

Our governance structure is central to our ability and guides 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 corporate governance. Extensive information regarding code of conduct and related matters can be found on page 10 of our 2019 Annual Report which is available at our website
www.ffc.com.pk/investors-relations/annual-reports/

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 a female.

The Chairman of the Board is non-executive. His only relationship with FFC is his role as Chairman of the Board. Neither he nor any person related to him is employed by FFC or a company that does business with FFC or is affiliated through a consultancy or similar agreement. 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 29 of our 2019 Annual Report. The Board meets at least once a quarter. The 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 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 24 of the 2019 Annual Report.

OUR GOVERNANCE

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.

Management's role in shaping sustainability policy

The Boards' 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. For detail on Risk Management please refer to page 70 of this Report.

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.

Monitoring sustainability efforts

Sustainability efforts require continuous monitoring and evaluation to make necessary adjustments. The Health Safety and Environment (HSE) system ensures production safety to limit the impact of manufacturing operations on 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 managers 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 implemented as per requirement.

We have defined targets for managing sustainability in our supply chain. 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 train the supply chain partners on new criteria for managing our impacts in the supply chain as well as to improve the entire value chain. Refer to page 137 and 164 for detailed information on targets and our sustainability management approach.

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 members of the committee. The Committee is designed to ensure that all relevant strategic sustainability initiatives and activities are in agreement with FFC's governance bodies.

The Committee evaluates challenges and trends, sets 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 the 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.

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 through the CE&MD. The Committees use the risk management system to record, analyze and present all relevant risks for consideration and action. The reporting is carried out throughout the year 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 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, on an annual basis, 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 review and 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.

OUR GOVERNANCE

Management pay

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 nonfinancial 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 appraisal 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 through Collective Bargaining Agents.

Shareholders' and employees' 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 action is taken as per need.

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 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 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 are 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"

Positioned for Value Creation

OUR **GOALS**

Our ability to create and deliver value is dependent upon availability of our capitals, 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 for us to continue delivering sustainable returns.

Our medium term target were redefined last year to help measure our progress and take necessary actions to become a sustainable organization delivering value with minimal impacts.

Sustainability area	New Targets	Target year
Material		
0.5% reduction in paper usage	In progress	2021
Energy		
2% reduction in energy consumption from 2014 level	Overall reduction of 1.3% has been achieved since 2014. Conservation efforts are continued.	2020
Emissions		
0.5% reduction in emissions intensity from 2018 level	Emission intensity has increased by ~1% owing to higher CO2 content in natural gas supplied. Reduction efforts are continued.	2021
Water		
Limit increase in water intake to 5% from 2018 level	4.5% Reduction in fresh water intake has been achieved in year 2019 compared to 2018 level.	2021
Health and safety		
Zero injury	Zero injury	2021
Supply chain management		
1. Incorporation of sustainability criteria in procurement manual 2. Training on sustainability criteria to local vendors representing 75% of local procurement	Achieved In progress	2020

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 35,567m
Long-term debt	Rs 6,473m

Manufactured

Tangible and intangible infrastructure

2 manufacturing facilities	3 offices
183 warehouses	5 FAC
Market channels	SAP

Human

Employees	3,457

- People centered culture
- Strong governance

Natural

Materials	Eco-system services
Water	Energy

Intellectual

Knowledge of our people

Brands	Processes

Corporate reputation

Social and Relationship

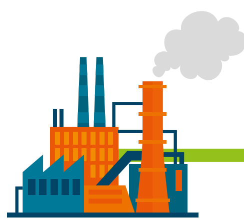
Relations with local community, customers, suppliers, and wider stakeholders

Sustainability leadership

Value Creation and addition

Continuous optimization of manufacturing facilities

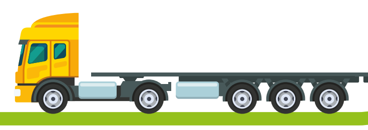
Broadening opportunities through quality products with wider distribution network



FFC Products

Manufacturing

We use these capitals as input to manufacture fertilizers



Transportation

We work with our dealers to reach customers.

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
6.54% to Rs 35,567m ▲

Long-term debt
24.59% to Rs 6,473m ▼

Property, plant & equipment
3.15% to Rs 22,212m ▲

Short term investments
11.99% to Rs 48,041m ▼

Turnover
0.17% to Rs 105,783m ▼

Cost of sales
3.77% to Rs 75,046m ▼

Finance cost
51.31% to Rs 2,477m ▲

Other income
14.45% to Rs 7,191m ▲

Taxation
8.30% to Rs 6,643m ▼

Net Profit
19% to Rs 17,110m ▲

We create and share value with our stakeholders, which ultimately creates value for us.

Shareholders

- Delivered strong and healthy 48% return on equity
- 80% payout ratio

Employees

- Paid Rs 9,574m as salaries and wages
- Provided 35,632 man hours training to enhance workforce skills
- A thriving culture for nourishing valuable human capital

Our work for creating value for employees at page158

Customers

- Advising farmers to increase productive potential and farm earnings.

Our work for customers at page 150

Community

- Spent Rs.100m on CSR to uplift the lives of community, and contributing to basic public good.

Our work in communities at page 165

Environment

- Protecting the environment through reduced impacts

Our work as socially responsible company at page 167

EXTERNAL **ENVIRONMENT**

Our value creation potential and activities are impacted by our continuously changing external environment. Our strategy ensures that we are best positioned in our external environment to manage the risks and optimize the opportunities associated with volatility on the political, economic, technological, environmental and social fronts.

Political and macroeconomic

Global economic outlook during 2019 remained precarious on account of rising trade and geopolitical tensions increasing uncertainty about the future of the global trading system and international cooperation affecting business confidence, investment decisions and global trade. A notable shift towards increased monetary policy management has cushioned the impact of these tensions on financial market sentiments and activity. Pakistan's economic growth slowed due to the stabilization measures undertaken by the government. The IMF program, depreciation of exchange rate, increase in energy and policy rate revision, which remained unchanged in 2019, were the main factors in increased inflation and decreased domestic demand.

During the year, agriculture sector remained subdued due to a considerable contraction in the crop sector on account of sowing period water shortages and hike in prices of basic inputs such as fertilizer, seeds and pesticides as a result of currency depreciation. The decreasing disposable income of farmers, locusts attack in Sindh and Punjab and increasing prices of inputs are the major hurdles in achieving the agriculture sector growth target of 3.5% for 2020. However, with supportive government policies and credit disbursement, a stable growth is expected for the next year.

Social

The sluggish growth coupled with increasing inflation, higher interest rates and reduced disposable income hampered the reduction in poverty level in Pakistan. Moreover, social, environmental and economic challenges in the shape of limited resources, especially water scarcity, climate change, urbanization, rising inequality and growing unemployment are major social problems posing risk and opportunities for businesses.

Increased poverty level has resulted in lack of access to health facilities, food, education, clean water and sanitation for the under-privileged population. These issues are creating challenges for the government to provide basic facilities to this segment of population and work for the betterment and uplifting lives through employment opportunities. However, Government's recent initiatives for youth entrepreneurship, skill development and affordable housing schemes are expected to utilize the unemployed youth through new jobs and entrepreneurship opportunities and will result in brining prosperity to the society. Businesses are also expected to explore opportunities underlying the problems for capitalizing and supporting the government for a prosperous and peaceful society.

Environmental

Climate change has become one of the biggest threats to the humanity causing devastating floods, droughts and affecting crops' growing patterns resulting in productivity loss and pushing up food inflation and hunger. Globally, the Task Force on Climate-related Financial Disclosures (TCFD) requires business and especially financial institutions, to come up with strategies to manage the climate change and report the recommended disclosures to enable stakeholders for informed decision making. Decreasing water levels in Pakistan and resulting water scarcity along with increasing smog in winter are becoming risks for businesses in the form of non-availability of fresh water, health and safety issues as well as increasing costs. Initiatives as well as strategies are required for the effective management of water usage, reducing CO_2 emission and proper handling of waste and effluents. The changing climate affecting crop patterns and decreasing gas reserves are the major risks to the fertilizer industry.

Regulatory

The ongoing international debate on non-financial reporting, reporting on risks resulting from climate change based on recommendation of Task Force on Climate- related Financial Disclosures (TCFD), investor specific reporting, discussion on private sector role in meeting the SDGs and the upcoming National Responsibility Framework in Pakistan, 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.

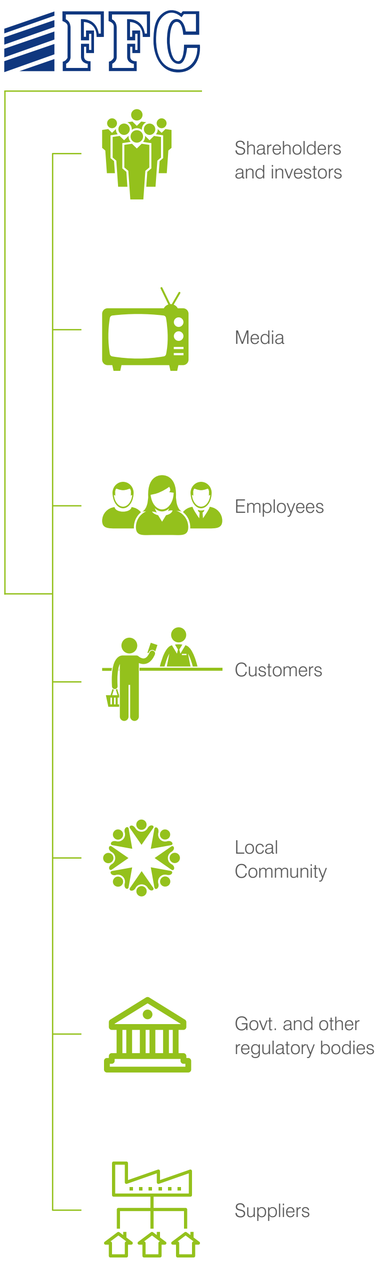
Technological

Farm mechanization in Pakistan's agriculture sector is much below the desired level owing to capacity constraints and lack of awareness among the farming community of the country. Technology has been helping the world's agriculture in areas of yield growth and related processes from sowing to harvesting the crops, including use of balanced fertilizer, irrigation techniques and pest control etc.

The Company is focused in helping the farming community to improve crops yield ensuring better returns and achieve the ultimate goal of national food security through its farmer advisory and newly established Farmers Agricultural Center of Excellence. Governmental focus is also required to address the gap between conventional farming and the technology driven agricultural practices, to not only strengthen the backbone of our economy but uplift the social standing of our rural populace.

STAKEHOLDERS' **ENGAGEMENT**

Value creation requires integration of expectations and interests of stakeholders in decision making. Our continuous commitment to engage with our stakeholders helps us to understand their concerns, devise appropriate strategies and deliver to the expectations of our stakeholders.



Stakeholder engagement approach

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

Our success depends upon understanding our stakeholders' 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 conducted on a biannual basis. The surveys comprise of questions to gauge 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 2019 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 2019	June2019
9.57	9.71

More than
99%
satisfaction level with respect to product delivery time.

More than
96%
satisfaction level with respect to quality, packaging and pricing.

More than
98%
farmers, who followed recommendations, witnessed an increase in yield.

STAKEHOLDERS ENGAGEMENT

Our value creation potential and activities are impacted by our continuously changing external environment. Our strategy ensures that we are best positioned in our external environment to manage the risks and optimize the opportunities associated with volatility on the political, economic, technological, environmental and social fronts.

Stakeholder engagement in 2019

Keeping in view the impact of product transportation on climate change and moving towards effective management of scope III emissions, this year a session with the transporters was organized in Lahore. The issue of GHG emissions resulting from transporting product from plants to distribution points was discussed in detail. The methodology for calculating the CO_2 emissions was shared with transporters which takes into account factors of vehicle type, loading capacity, engine efficiency and number of kilo meter travelled by vehicles. The transporters were urged to use fuel efficient vehicles, maintain their vehicles for increased fuel economy and hire fuel efficient and maintained vehicles from open market. FFC plans to formulate standards for vehicles to be used for product transportation in consultation with transporters and industry experts in order to reduce scope III emissions.

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), zonal meetings, annual recreation day, annual dinner and meetings with CBA. 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 the marketing department. 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.

Banks and other Lenders

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.

Media

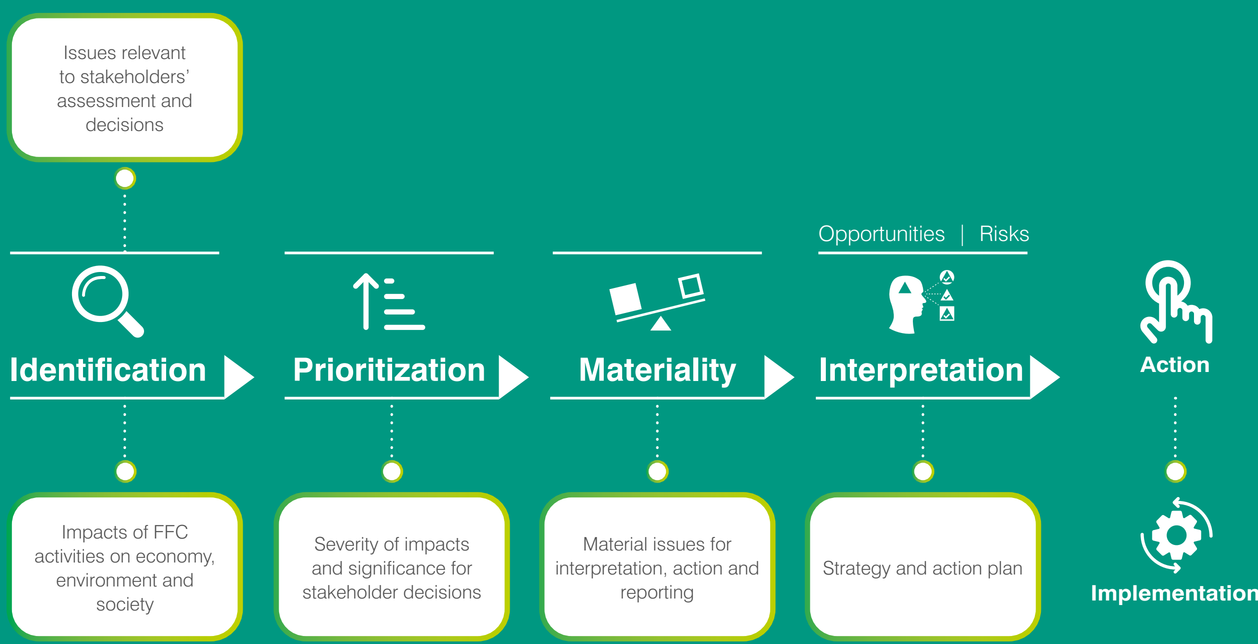
Different communication mediums are used on need basis to apprise the general public about new developments, activities and philanthropic initiatives of FFC.

Analysts

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 third Analysts' Briefing during the year and apprised the attendees on operational and financial performance during 2018.

MATERIALITY **ASSESSMENT**

Our value creation strategy is focused to benefit all of our stakeholders which requires us to timely identify, prioritize and define our approach to manage impact, risks and opportunities



Defining report content

The reporting principles of sustainability context, materiality, completeness and stakeholders' inclusiveness were used during identification, prioritization and validation of material topics.

Based on the results of 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 the 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 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

Highly	• Market presence • Procurement practices	• 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

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 occurring 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	Impact of emission of Green House Gases (GHG) on climate change	FFC, our suppliers
Water	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	Impact on competition and negation of competition and equal opportunity rights as defined in international charters and conventions	FFC, our suppliers
Respect for human rights	Impact on the basic rights of people defined in international charters and conventions and FFC's commitment to internal charters and initiatives	FFC, our suppliers
Farmer 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	Skills and knowledge, jobs in the supply chain and new businesses resulting in economic development of the area	FFC
Energy	Environmental impact of CO_2 emission during energy production	FFC, our suppliers
Health & safety	Impact on health of workforce affecting productivity and compliance with applicable regulations	FFC
Training	Impact 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 on environment and society 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 procurement	

FFC's has witnessed a positive progress on material sustainability issues over the period through 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.

Creating Value in a Sustainable Manner

STRATEGY AND RESOURCE ALLOCATION

Sustainable value creation can only be achieved through efficient use of our capitals, meeting our customers' expectations, promoting responsible consumption and treating environment and people fairly and with respect. This approach opens up opportunities and sets us apart from our competitors resulting in higher level of revenues, customer appreciation, acceptance and increased product demand.

Our strategy and management of the value creation process help us to maintain 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 generation of 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. Our strategy is also aligned with SDGs by allocating resources to manage our impacts on the SDGs where we have significant impacts, informed through our materiality determination process, as well as to the SDGs where we can make meaningful contribution through our product, our expert Agri services and our investments. Our projects of Food Security and Sustainable Agriculture at page 154 and our Rural Development Programs for development of Agri-value chain and financial inclusion at page 166 manifest our strategy to contribute SDGs through our products, expertise and investments.

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.

"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"

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 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.

Benefits

From the profits we earn, we pay competitive salaries and benefits to our workforce.

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 stakeholders and economy through producing and marketing quality fertilizers. Our products are additives for better crop yield and our purpose is to protect and enhance productive potential of farms and our end consumers' earnings. We have millions of customers in Pakistan ranging from small farmers to large farm holdings. 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 is 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 for our shareholders.

FFC makes sure 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 impact of products.

By Investing in Better Farm Productivity

Farmers are central 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 follow 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 21 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 and academies 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, we are carrying out R&D work not

110,500
Booklets/flyers distributed

26,000
Newsletters distributed

1,099
Calls received and advice provided

51,000
Growers were briefed in Urdu on crops' cultivation methods

Number of farmers reached by agri-services activities in 2019	
Farmer Meetings	373
Blitz Programs	42
Farm Visits	4,715
Training Programs	43
Crop Demonstrations	122
Field Days	103
Group discussions	583
Soil & Water Samples Tested	15,663
Total outreach	**59,025 Farmers**

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 https://www.stockholmresilience.org/research/planetary-boundaries/planetary-boundaries/about-the-research/the-nine-planetary-boundaries.html. 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.

05
Farmer advisory center

21
Agri. service office

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 Urdu language 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 participate in various Talk shows organized by Radio and TV stations to discuss production technology and balanced fertilizer use for major crops. A new documentary on maize crop is under development process and will be telecast during January 2020 before commencement of Maize sowing season. Our Agri. services team also participates 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?

BiZiFED 2 Project - Agriculture Linked Human Nutrition

More than 40% population of Pakistan is deficient in zinc mineral since cereals and other foods are being grown over zinc-deficient soils across the country. This is preventable at country scale either through coating of zinc over widely used urea fertilizer or through development of crop varieties that accumulate higher amount of zinc in eatable portions, e.g., grains. With financial support of Melinda & Bill Gates Foundation, zinc rich wheat variety (Zincol-2016) has been developed in Pakistan by its National Agriculture Research System and released in 2016. A cross-disciplinary consortium of UK based scientists in collaboration with Khyber Medical University and FFC are working to test whether zinc-deficient population could really get benefit through consumption of flour made from Zincol wheat. A spatial modelling study is underway during 2019-2020 to integrate soil and crop data, together with environmental covariates, to enable prediction and mapping of the variation in wheat grain zinc concentration due to soil properties, farmer management and wheat variety. The study will result in devising strategies to reduce malnutrition and increase food security directly contributing to SDG 2 "Zero Hunger" and SDG 3 "Good Health and Well Being".

Promotion of Bio-fortified Wheat Variety

Zinc is an important nutrient for human life. In Pakistan 185 million people are deficient in zinc. 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. Last year, five demonstrations of Zincol Biofortified Wheat variety were organized to promote this seed in the country and multiply the seed at farmers' level after harvest during April-May 2019. FFC is an official promotion partner of this program.

NPK Trials to Promote Balanced Use of Fertilizer

To optimize balanced use of fertilizers keeping in view farmers' budget allocation for the wheat crop and soil analysis results, FFC Agri. Services Department laid out wheat supervisory demonstrations at Twenty one (21) small to medium level surveyed farmers (up to max. 25 acres farmers) from 21 Agri. Territories. Balanced Fertilizer Recommendations were developed by adjusting fertilizers dose keeping in view farmers' fertilizer budget allocation for the current wheat crop. Wheat crop has been sown as per fertilizers recommendation at all locations to result in increased productivity and crop yield.

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 farmers' subsistence income contributing to SDG 1 "No Poverty"

We support efficient use of products to increase production and returns.

Global Soil Laboratory Network (GLOSOLAN) Affiliation for FFC Soil Testing Labs

During 2019, FFC got registration of GLOSOLAN for its Soil & Water Testing Labs (FFC Soil Testing Labs). The objective of GLOSOLAN is to facilitate networking and capacity development through cooperation and information sharing between soil laboratories with different levels of expertise. Analysis and evidence-based decisions are essential for achieving Sustainable Soil Management (SSM), which in turn is vital to the achievement of food security and nutrition, and to the Sustainable Development Goals. Our participation in this network will augment in bringing food security and nutrition which are of prime importance for achieving economic development.

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)

	2019	2018
Major crops (Wheat, Rice, Maize, Cotton, Sugarcane)	2.6 – 3.0	1.7 – 4.9
Minor crops (Sunflower, Tobacco, Potato, Citrus)	2.0 – 3.1	1.9 – 4.6

HOW DO WE CREATE AND SHARE VALUE AS A MANUFACTURER OF FERTILIZER?

Food Security & Sustainable Agriculture

Climate change has resulted in severe weather patterns adversely affecting agriculture sector productivity and causing issues of food availability, reduce access to food and food quality. In line with its mission to create shared value and to play its role for sustainable development, FFC has embarked upon a program addressing the issue of food security through promotion and implementation of Sustainable and Climate-Smart Agriculture practices. The program includes establishment of Food Security & Agriculture Centers of Excellence (FACE) across Pakistan to offer a wholesome solution to the farmers and local community in form of Sustainable Agriculture and Economic Empowerment Services.

A comprehensive, all-encompassing program for the Food Security Cycle is devised to address the issue of food security and sustainable agriculture. Through Agri-services departments, services to the farmers will be provided starting from land preparation, soil and water analysis, crop plan, low cost loans, hi-tech agriculture practices, continuous support and market linkage for fetching better price for their crops.

The social welfare elements of the program for the farmer, the household and populace at large include quality education, healthcare, vocational and training programs, women empowerment programs, livestock management and dairy processing. The food security services along with social welfare elements will add value to the wellbeing and prosperity of the farmers through provision of these services at the center. Sustainable agriculture and economic empowerment services directly contribute to SDG 1, 2, 3, 4, 5 and 13.

Agriculture

Support to small and medium scale farmers over latest technologies, market economy, value chain and climate change

Health

Catering medical issues of farmers through provision of well equipped dispensaries, capacity building on health and hygiene and awareness campaign

Education

Bridging gaps and constraints to provide free and quality education to farmer children

Financial Assistance

Extending financial support to farmers through

- Interest free loans
- Agri Finance Facility
- Awaareness to govt. Financial packages

Women Empowerment

Empowering Women to contribute in sustaining livelihood of the household through vocational training, micro entrepreneurship and establishing market linkages for domestic produce

Human Resource Development

Capacity building of farmers on

- Modern Agriculture Technologies
- Farm Machinery Management
- Climate Change
- Disaster Risk Management
- Smart use of farm inputs

Veterinary Assistance

- Assistance farmers in maximum utilization of animals.
- Providing animal healthcare services
- Establishing linkages to market animal produce

Youth Development

- Providing farmer children with unique opportunities to acquire sustainable skill development knowledge and generate income based livelihoods

The first Food Security & Agriculture Centers of Excellence (FACE) was operationalized in South Punjab (Rahim Yar Khan, Ahmedpur Lamma region) in June, 2019. In its short existence, the program has been recognized locally and internationally as a milestone initiative addressing a wide spectrum of needs pertaining to social, economic, agricultural and environment.

The FACE projected was presented at Crossroad Asia Pacific Summit, 2019 IFA as a model concept for Food Security and Managing Nitrogen Footprints

The HOP FACE was appointed as Representative from South Asia at IFA

Women Taskforce for program role in economic inclusion of women in agriculture

Partnerships with different organizations were established by FACE under our vision of promoting the FACE as a central hub for activities for all likeminded stakeholders.

- 24 trainings on agriculture, livestock, education, community awareness and entrepreneurship and business startup
- Vaccination distributed to 19 farms
- Non formal school established where 36 children were enrolled
- 2 Telehealth Camps organized where 950 patients' checkup were carried out
- 350 farmers enrolled in the program and 250 farmers participated in drone demonstration event
- Training in collaboration with agriculture department carried out where 108 farmers participated

HOW DO WE CREATE AND SHARE **VALUE AS AN EMPLOYER**

Our human capital is central to creating and delivering value on a consistent basis. We believe in fair management of this precious capital 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 the 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 them with the best facilities to exhibit their talent. 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 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 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. Attracting qualified employees and ongoing employee training and development, both, 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 ensuring continuous growth and retaining 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 3,414 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 6% while the turnover rate was 5%. The employment information has been compiled from management information system and no assumptions were made.

Total Number of Employees

3,457 2019

3,357 2018

3,364 2017

Employees by Employment Type Broken by Gender

Employment type	Male	Female
Full time	3,365	92
Part-time	-	-
Total	**3,365**	**92**

Employees by Employment Contract Broken by Gender

Employment contract	Male	Female
Permanent	3,133	82
Temporary	232	10
Total	**3,365**	**92**

Employees by Employment Contract Broken by Region

Location	Permanent	Temporary
Head Office-Rawalpindi	805	36
Goth Machhi Plant	930	121
Mirpur Mathelo Plant	717	67
Lahore	682	15
Karachi	81	3
Total	**3,215**	**242**

Hiring by Age Group

149	<30	48%
105	30-50	34%
56	>50	18%

Hiring by Gender

301	Male	97%
9	Female	3%

Hiring by Location

29	Head Office -RWP	9%
156	Goth Machhi Plant	50%
14	Mirpur Mathelo Plant	5%
104	Lahore	34%
7	Karachi	2%

Attrition by Age Group

159	<30	50%
30	30-50	9%
131	>50	41%

Attrition by Gender

310	Male	97%
10	Female	3%

Attrition by Location

47	Head Office -RWP	15%
202	Goth Machhi Plant	63%
25	Mirpur Mathelo Plant	8%
39	Lahore	12%
7	Karachi	2%

HOW DO WE CREATE AND SHARE VALUE AS AN EMPLOYER

1 NO POVERTY

By investing in our workforce

million
Rs 343
spent on defined benefit plan obligations

million
Rs 9,574
paid as workforce salaries and benefits

The value created by us is shared with our employees in the shape of employees' salaries and benefits. In 2019, we paid Rs 9,574 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 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 1.52:1 across all significant locations of operations.

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*

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 the 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 2019. The benefits are provided to full time employees including management and staff. These benefits are not offered to contractual employees.

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

By Providing Equal Opportunity

FFC does not discriminate basic salary or remuneration on the basis of gender. Benefits are provided by FFC according to the type of employment contract. Only female employees are given maternity leave. A total of 92 female employees were eligible for parental leave, out of which 11 female employees availed maternity leave in 2019. 11 female employees returned to work in 2019 after parental leave ended. The return to work and retention rate of employees after availing parental leave was 100%. 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 2019. We regularly monitor benefit plan obligations for relevance, compliance, costs and stability to ensure that the benefits are in line with the operating environment.

4 QUALITY EDUCATION

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

35,632
Total training hours

3,414
Total employees

10
Average training hours per employee

Average Training Hours Per Female Employee

34,800
Total training hours

3,322
Total female employees

10
Average training hours per female employee

Average Training Hours Per Female Employee

832
Total training hours

92
Total male employees

9
Average training hours per male employee

Average Training Hours Per Management Employee

20,112
Total training hours

849
Total management employees

24
Average training hours per management employee

Average Training Hours Per Staff Employee

15,520
Total training hours

2,526
Total staff employees

6
Average training hours per staff employee

8 DECENT WORK AND ECONOMIC GROWTH

By Providing A Decent, Productive Place to Work

We do our best to provide a decent and a 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

HOW DO WE CREATE AND SHARE VALUE AS AN EMPLOYER

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%

with applicable laws. All staff employees are covered by CBA, which covers 75.13% of total workforce strength. Fifteen days' notice period 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 locals. 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.

By Investing in Health & Safety of Workforce

We always endeavor to educate our employees on health and safety topics to ensure maximum level of health and safety of our work 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, implementation of 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. The incident reporting mechanism is defined in a 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 Process Safety Incidents or transport incident occurred. Moreover, 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

18.33
million

Man-hours of safe operations for plantsites Goth Machhi & Mirpur Mathelo

HOW DO WE CREATE AND SHARE **VALUE AS AN EMPLOYER**

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. 15.90 million Man-hours of safe operations for employees and 27.75 million Man-hours of safe operations for contractor employees were achieved as of December 31, 2019 at our plants.

Urea manufacturing is a clean, safe and closed 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. The Occupational Health Physician at the 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 training 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, trainings 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.

Number and Rate of Fatality as a Result of Work Related Injury

	FFC	Contractor
Mirpur Mathelo plant	Nil	Nil
Goth Machhi plant	Nil	Nil
Other locations	Not recorded	Not recorded

Number and Rate of High-Consequence Work-Related Injuries

	FFC	Contractor
Mirpur Mathelo plant	Nil	Nil
Goth Machhi plant	Nil	Nil
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	Nil	02
Other locations	Not recorded	Not recorded

Number of Fatalities as a Result of Work-Related ill Health

	FFC	Contractor
Mirpur Mathelo plant	Nil	Nil
Goth Machhi plant	Nil	Nil
Other locations	Not recorded	Not recorded

Number of Cases of Recordable Work-Related ill Health

	FFC	Contractor
Mirpur Mathelo plant	Nil	Nil
Goth Machhi plant	Nil	Nil
Other locations	Not recorded	Not recorded

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.

HOW DO WE CREATE AND **SHARE VALUE AS A TRUSTED BUSINESS PARTNER?**

By procuring locally

We believe that procuring locally not only benefits economically but also results in economic development of the country. Our suppliers are our partners in growth and support in creating and delivering value to our stakeholders. 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 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.

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.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

By working on sustainability in the supply chain

Our sustainability management approach extends beyond our traditional operational boundaries to include our supply chain for managing impacts. 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 last year. Based on the evaluation results, the criteria is updated to include more comprehensive criteria by including factors relating to labor management practices, human rights and society related practices in the procurement manual. We have also in place a target to educate our local suppliers representing 75% local procurement on the criteria through training/orientation sessions and 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.

51%	49%
Local Supplier	Foreign Supplier

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. 36 suppliers (100%), who applied and registered during the year, were screened against sustainability criteria. FFC does not collect data of environmental and social impacts in the supply chain due to non-availability of reliable information thus FFC is not aware of any negative impacts of supplier's operations during the year.

HOW DO WE CREATE AND SHARE VALUE IN LOCAL COMMUNITIES WE OPERATE?

1 NO POVERTY
2 ZERO HUNGER
10 REDUCED INEQUALITIES

By supporting local communities

Sustainable Development Goals guide 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 2019, we spent Rs. 100 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 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.

3 GOOD HEALTH AND WELL-BEING

Healthcare

Prosperous and stable economies depend on healthy societies. 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. 15 million to Hazrat Bilal Trust Hospital and Sona Welfare Hospital located at Goth Machhi and Mirpur Mathelo plants. These hospitals provide good healthcare facilities and treatment to approximately 150,000 patients annually of the surrounding community. FFC continued its partnership with Pink Ribbon for the first ever dedicated breast cancer hospital in Lahore which will cater to the rising ratio of the disease. FFC also illuminated Sona Tower in support of the Global Breast Cancer Awareness month. FFC donated Rs. 2 million to various NPOs working on health issues for deserving patients including Pakistan Kidney Patients Association and AMMEER-UN-NISA Foundation. During the year, FFC organized a medical camp at Sona Welfare hospital for screening for Hep C & B, vaccination and creating awareness among masses against this disease. 143 Hep B and 44 Hep B patients were identified for conducting of PCR test and provision of vaccine in the next phase. To cope up with emergency situation due to shortage of dog bite vaccine in the most affected district of Ghotki, Sona Welfare Hospital developed a dog bite treatment counter and has treated over 400 patients.

million
Rs 96
spent on CSR activities during 2019

Year	Donation in million
2019	96
2018	85
2017	89
2016	122
2014	168

4 QUALITY EDUCATION

Education

Education is an important component for healthier societies and a long-term investment for sustainable economic development. Our interventions in the field of education help in uplifting

HOW DO WE CREATE AND SHARE VALUE IN LOCAL COMMUNITIES WE OPERATE?

education level and the socio economic development of the surrounding communities and support SDG 4 Quality Education. FFC continues to fund various activities under its adopted schools programs which included 20 annual scholarships, distribution of books and stationery besides improvement in infrastructure and payment of salaries of government schools. Rs. 13.5 million was provided in shape of financial support to Sona Public School for building of new block and provision of quality education to 800 enrolled students out of which 40% are female students. The addition of new educational block will increase the total student capacity to 1100 students in the year 2020. Total 253 scholarships are being provided to the children of farmers under the 'Ward of Farmer Scholarship'. 10 merit based scholarships are awarded to students from Tehsil Sadiqabad and 08 fully funded scholarships to the natives of Mirpur Mathelo at Cadet College Ghotki. An amount of Rs. 3.3 million was disbursed to enrolled students.

Sports

We continued to provide sponsorships to promote new talent and encourage youth to participate and adopt healthy lifestyle. Keeping our tradition, we made donations for various sports activities and sponsored sports events at our plant sites and on all Pakistan basis.

17 PARTNERSHIPS FOR THE GOALS

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.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Community Uplift Programs

Our community uplift and rural development programs are devoted to overcome severe problems faced by the communities, create opportunities to reduce poverty and make contributions towards the economic development of our country.

Agri Value Chain Project - Uplift of Farmers across Pakistan

FFC, in collaboration with Pakistan Microfinance Investment Company (PMIC), launched an Agriculture Value Chain (AVC) for 10,000 small wheat and rice farmers which culminated in 2019, covering an area of estimated 30,000 acers in Nankana Sahib, Sheikhupura and Gujranwala region. Rs 500 million were disbursed as micro finance loans under this project which were utilized by small farmers to adopt modern farming techniques and fight exploitation. The model, bringing financial empowerment and technical knowledge, leads farmers to a crop cycle where input is reduced, adverse impact on environment like water wastage, soil degradation is reduced and in the resulting high yield and profits enables empowerment of farmers, farming community and ultimately a step towards food secure Pakistan.

Partnering with Akhuwat Foundation

FFC, through its implementing partner, Sona Welfare Foundation, signed MOU with Akhuwat Foundation to support and empower the marginalized community through financial inclusion. The five year project is targeted at developing Sona Model Village in Mirpur Mathelo focusing on social mobilization & development interventions by providing interest-free loans to marginalized community in order to make them self-reliant by starting or expanding small scale businesses.

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 42 billion. Value addition in terms of foreign exchange savings was US$ 674 million through import substitution of 2,467 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 the 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 Quality Management System, ISO 140001 Environmental Management System and OHSAS 18001 Occupational Health & Safety Assessment Series (OH&S Management System). FFC has also in place IFA Product Stewardship "Protect and Sustain" Certification covering its management system, product development and planning, sourcing and contractor management, manufacturing techniques, supply chain to customer as well as marketing, sales and application. These management systems enable us to identify the risks and potential opportunities, improve internal data management, build 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 2019. 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

HOW DO WE CREATE AND **SHARE VALUE AS A SOCIALLY RESPONSIBLE COMPANY?**

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, 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. 13.79 million in 2019, of which 87% was spent on waste disposal, emission treatment and remediation and approximately 13% on environmental management. Detail information on our environmental impacts is available at page 172.

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, religion, views, 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 2019, 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. Significant investment agreements include all investment agreements which require approval from Board of Directors and shareholders in Annual General Meetings. 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 2019, FFC carried out a review of 100% of operations for human rights impact assessments. During the year, no training on human rights policies and procedures was carried out for employees including security personnel.

By Providing Returns for Our Investors

Healthy and sustainable returns to our shareholders and providers of capital is one of the primary functions of our business and to 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 112 of the Annual Report 2019.

Economic value generated and distributed

Please refer page 96 of the Annual Report

By Involving Stakeholders in Our Decisions

Sustainability management requires stakeholders' input in determination of material topic, devising strategies and creating shared value. Stakeholders' 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 their 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 engagement with stakeholders are available on pages 141 & 142 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 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.

HOW DO WE CREATE AND **SHARE VALUE AS A SOCIALLY RESPONSIBLE COMPANY?**

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 current economic situation, climate change and decreasing gas reserves pose a tough outlook for the next year. To continue creating and delivering sustainable value, a holistic management of capitals is required. However, we are committed to adjusting our strategies to capitalize the opportunities and manage risks in the external environment. This also requires us to make adjustments for efficient utilization of our available stocks of capitals, reduce impairment and increase the capital stocks through our value creating activities. We have redefined our targets last year to further reduce environmental impact and manage sustainability impacts in the supply chain. We are also exploring the science based targets for reducing GHG emissions in line with climate science to make a more meaningful contribution towards SDGs. Science based targets are GHG reduction target which are in line with climate science to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

Economic stability is vital for delivering consistent and healthy returns to stakeholders and pursue sustainability. Higher inflation, decreasing gas pressures, meager agriculture growth this year, climate change are major challenges for our growth in the near future. However, with increased agricultural finance to farmers, increase in support prices of crops, agricultural friendly policies and consistent availability of gas to fertilizer industry and projected economic outlook, we are confident to achieve our targets. The exploration of alternative resources of raw material and measures to keep the sustained gas pressure are under consideration. Since 2018, we have been exploring partnerships with national and international partners to construct a 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 long-term existence is dependent on availability of natural capital in a form suitable for business and human life. It requires an efficient management of depleting resources, reducing emissions of greenhouse gases, adoption of clean energy and reduction and management of waste. We are focused on reducing our environmental impact through continuous upgrades at our plants and adoption of cleaner technologies. Our targets guide us for better environmental management and we are confident to achieve these goals through better management of our footprint.

Our human capital is vital for our success in the marketplace. Our human capital 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 are committed to nurturing 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.

Excellence in governance practices, complying with laws, regulations and internal codes and adopting leading management practices coupled with transparency through disclosures help in winning and maintaining stakeholders' trust and play an important role in the society. We are committed to continuing 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 and play a leading role to inspire peer companies for playing their role towards sustainable development.

Better crop yield is necessary for food security, managing hunger, increasing farmer incomes, uplifting of farming community and overall economic development. We are committed to keep playing our part through our farm advisory program to build farmers' capacity, introduce new farming methods and advising on balanced fertilizer use. Out plant site communities are our partners in our success and we commit to continue our interventions in defined fields in line with our CSR policy and support socio economic development around plant sites as well as for larger society.

Appendices

ENVIRONMENTAL **PERFORMANCE**

Material Consumption

Material	Unit	2019	2018	2017	2016	2015	2014
Natural gas	MMSCF	46,395	46,804	46,174	47,140	45,653	44,288
Lubricant	Liter	282,664	396,901	202,721	247,718	306,761	189,807
Chemicals	KG	7,985,684	9,113,204	7,144,239	7,760,589	8,705,435	6,800,104
Packing bags (150 gm each)	Bags	48,514,728	49,520,322	40,564,775	49,825,330	49,533,564	47,605,000
Packing bags (95 gm each)	Bags	1,264,350	1,352,491	1,178,325	1,105,500	837,847	909,500
Liners and thread	KG	1,817,423	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

	2019	2018	2017	2016	2015	2014
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.

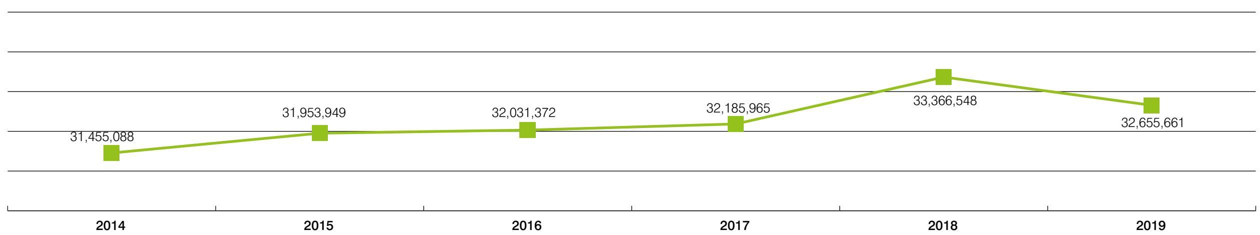
Energy Consumption Within Organization

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.

	2019	2018	2017	2016	2015	2014
Total Energy consumption in GJ	32,655,661	33,366,548	32,185,965	32,031,372	31,953,949	31,455,088

FFC uses self-generated electricity for heating and cooling purposes. Electricity and natural gas is purchased from public utilities at head office, marketing office and warehouses. The resultant energy consumption figures from use of electricity and national gas at head office, marketing office and warehouses have been included in total energy consumption figures this year. The conversion factors were sourced from Energy Information Administration USA.

Energy Consumption in GJ



Energy Consumption Outside Organization

The indirect energy use by FFC in shape of upstream and downstream activities is not significant in the overall context of total energy consumption by FFC. For example, energy consumption caused by travelling 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. However, other indirect energy use from operations are measured and recorded, where possible and measures are taken to reduce the impact of indirect energy use.

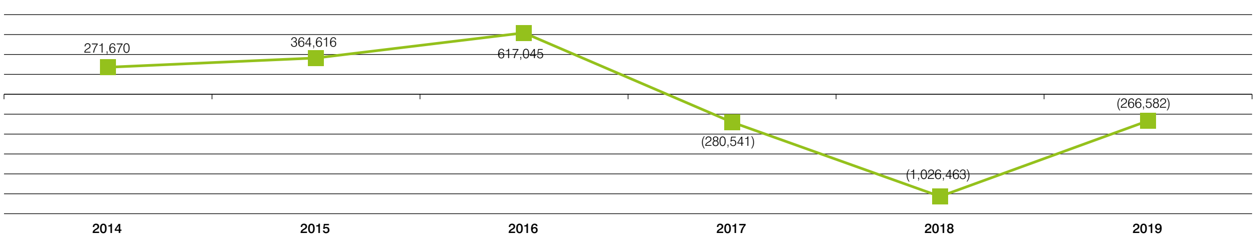
Energy Reductions

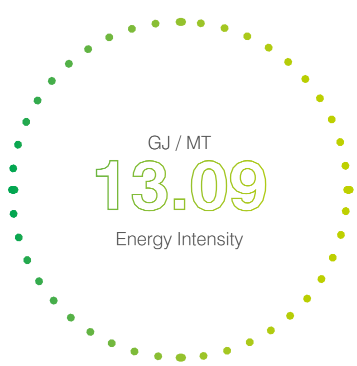
FFC product is dissolved in soil during usage and not energy intensive. However, the company has been striving to reduce the energy consumption requirement during the production process through implementation of programs and projects aimed at reducing energy consumption for a number of years. These measures are bearing fruit and FFC's production is becoming significantly more energy-efficient over the years. The energy consumption has decreased by 0.13 GJ/MT in the year 2019 as compared to 0.42 GJ/MT increase in previous year.

	2019	2018	2017	2016	2015	2014
Energy savings in GJ	(266,582)	(1,026,643)	(280,541)	617,045	364,616	271,670
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 13.09 GJ/MT urea as compared to the last year intensity ratio of 13.22 GJ/MT. This increase is on account of measures taken to counter depleting gas pressures. The energy intensity ratio includes only energy consumption within the organization. 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





ENVIRONMENTAL PERFORMANCE

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 a 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. During the year, no non-compliance with water withdrawal permit occurred. 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 166.

Water withdrawal by source in ML / year	2019	2018	2017	2016	2015	2014
Surface water	0%	0%	0%	0%	0%	0%
Freshwater (≤1,000 mg/L Total Dissolved Solids)	6,857	4,559	6,377	7,776	7,197	7,616
Other water (>1,000 mg/L Total Dissolved Solids)	-	-	-	-	-	-
Ground water						
Freshwater (≤1,000 mg/L Total Dissolved Solids)	7,744	10,888	9,248	6,909	7,005	6,715
Other water (>1,000 mg/L Total Dissolved Solids)	-	-	-	-	-	-
Total water withdrawal	14,601	15,447	15,625	14,685	14,202	14,331

There is no withdrawal of water from water stress area.

Water consumption	2019	2018	2017	2016	2015	2014
Total water Total water consumption ML / year	14,601	15,447	15,625	14,685	14,202	14,331

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.

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 the 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	2019	2018	2017	2016	2015	2014
Surface water	2,285	4,078	4,231	3,676	2,858	2,506
Freshwater (≤1,000 mg/L Total Dissolved Solids)	-	-	-	-	-	-
Other water (>1,000 mg/L Total Dissolved Solids)	2,285	4,078	4,231	3,676	2,858	2,506

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. Moreover, during the year, no non-compliance with water disposal regulations occurred.

Direct GHG Emissions

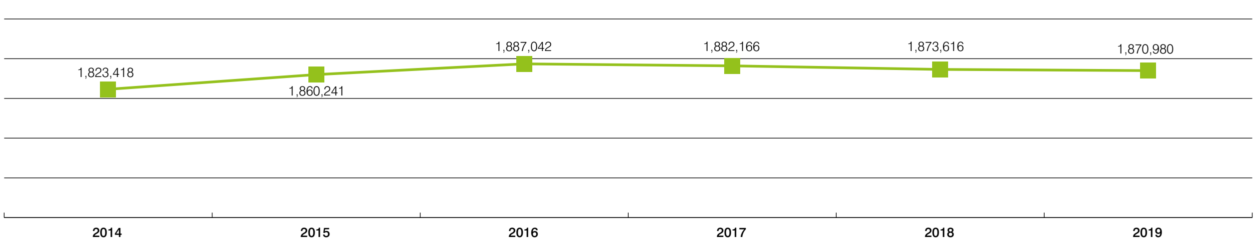
Emissions of greenhouse gases are side effects of the production process and have a major environmental impact which cannot be completely avoided despite all environmental protection efforts. The emissions are subject to the control limits laid down by the Environmental Protection Agency. FFC monitors 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 (CO_2) 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 CO_2, 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 (N_2O) 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. FFC GHG emissions are not subject to emissions-limiting regulation or program that is intended to directly limit or reduce emissions. The global warming potential of the respective gaseous emissions were sourced from United Nations Framework Convention on Climate change (UNFCC).

Direct GHG emissions (MT)	2019	2018	2017	2016	2015	2014
CO_2	1,870,980	1,873,616	1,882,166	1,887,042	1,860,241	1,823,418

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



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ENVIRONMENTAL **PERFORMANCE**

Indirect GHG Emissions

FFC does not have any significant indirect greenhouse gases (scope II) emissions which are predominantly generated by external energy procurement, usually in the form of electricity and steam. Moreover, FFC identified that the indirect greenhouse gases (Scope III) emissions caused by FFC are not significant in the overall context; CO_2 emissions caused by the travelling of FFC employees are insignificant in relation to overall emissions. Moreover, with more than 3,300 staff, the cost of determining the CO_2 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 the process of developing and implementing the systems, where possible. During the year, FFC estimated emissions resulting from transporting of products from plants to distribution points and a session with the transporters was held to discuss strategies to reduce the GHG impact of product transportation.

GHG Emissions Intensity & Reduction In GHG Emissions

The emissions per metric ton of the Urea produced for the year were 0.75 MT CO2/MT which are slightly at higher side compared with the previous year. The emissions per MT include only direct scope I emissions.

FFC reduces carbon dioxide emissions by continuously optimizing production processes to make them more environmentally friendly. FFC is reducing air emissions by using innovative technologies and modernization of its plants. The results of the reductions in emissions are small but in total lead to significantly lower emissions of pollutants. However, during the year, Scope-I CO_2 emissions increased by 33,789 MT as compared to previous year on account of higher CO_2 content in natural gas, which is used as base year as per company practices. The company products are environmental friendly products and are additive for increasing farm productivity. The only negative environmental impact is release of N_2O during mixing in the soil. However, we are carrying out R&D work on many improved fertilizer products to release nitrogen from the granule in a manner that matches crop growth requirement and reducing the negative environmental impacts. The only environmental impact of transporting products, material and members of the organization is emission of greenhouse gases. The company does not have a system in place to identify, measure and report the total environmental impact of these activities. However, the company is in process of developing a system for identification, measurement and reporting of such impacts in future. There were no emissions of ozone depleting substance during the year. The company is committed to non-use of ozone depleting substances as a part of its environmental management policy.

MT CO_2 / MT urea

0.74

GHG emissions intensity

Emission of gases in MT

	2019	2018	2017	2016	2015	2014
Nitrogen Oxide	951	848	1,208	1,186	929	1,053
Ammonia NH_3	-	-	-	-	-	-
Particulate matter	1,097	1,256	1,220	1,212	1,166	930

The significant emissions of other inorganic pollutants such as NO_x and particulate matter have decreased during the reporting year while there were no emissions of NH_3 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.

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 from 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	2019	2018	2017	2016	2015	2014
Recycling	MT	-	-	-	-	-	-
Landfill							
CaCO3 and waste lime stone	MT	4,869	5,555	6,392	2,344	5,603	4,621
Incineration (mass burn)							
Papers, clothes, etc	MT	422	470	134.23	59.11	77.03	592
On-site storage							
Waste water	m^3	1,881,926	1,881,926	2,045,204	1,516,550	1,526,000	1,409,260
Other							
Damaged urea bags, iron scrap etc.	MT	474.47	374	262	481	715	309
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, 343.5 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 2019. The report was prepared in accordance with Global Reporting Initiative's (GRI) Standards´ Comprehensive option and was also guided by the Integrated Reporting (<IR>) framework. Furthermore, the report applied the Sustainability Accounting Standard Board´s (SASB) Chemical Industry Standard. 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, Responsiveness and Impact, as well as an evaluation against principles and elements of the Integrated Reporting (<IR>) framework and the associated multi-capital concept.

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 advisory and assurance. The review process was conducted by professionals with experience in independent assurance and sustainability reporting and considered the requirements of the International Standard on Assurance Engagement (ISAE) 3000 (Assurance Engagements other than audits or reviews of historical financial statements), being co-reviewed by Nadeem Safdar and Co., Chartered Accountants.

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 2019 Sustainability Report, referring to the period from January 1st, 2019, through December 31st, 2019. 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 2019, was not in the scope of the assessment.

Methodology

The methodology applied was a desk review of the draft as well as the final report, and the following approach and procedures were developed during the review process:

- Critical review of the FFC Sustainability Report 2019 final draft version and the 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 the Integrated Reporting principles, content elements 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, Responsiveness and Impact
- 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. The company has integrated our recommendations and we can confirm that the report is attending the above mentioned in accordance option, with exception of requirements of disclosure item 404-2 which will be reported completely next year.

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:

- Overall, the report can be considered in line with the provisions of the IIRC Guiding Principles and Content Elements, offering the users insight in how the company creates and shares value through its business activities and delivering a business model that states Inputs, Outputs and Outcomes of these activities. However, some areas of improvement have been identified:

- o The report is providing an overview of the commitment of FFC to support the promotion of the SDGs in Pakistan. The report itself offers linkages of the company´s performance with selected SDGs which underline the strategy to lead the private sector movement on national basis. In order to further consolidate the linkages, we recommend the use of underlying metrics of SDGs to complement the qualitative approach so far adopted.
- o The use of the concept of six capitals corresponds to the requirements of the IIRC Framework for Integrated Reporting and is used in adequate manner along the report. Impacts on capitals of management practices are correctly disclosed and described. More connectivity between financial and non-financial data and more clearness on the interrelation between the capitals is recommended to consolidate the multi-capital approach.
- o With regards to the principle of reliability and completeness, the Sustainability Report 2019 still references to unreliable data in the value chain which prevent further reporting on material topics such as child and forced labor as well as emissions in the supply chain. We recommend disclosing a plan in the next report on how such data may be handled as lack of data offers major risks for the operation.

Main Conclusions on Adherence to Accountability Principles

BSD reviewed the report to analyze adherence to the AccountAbility's Principles of Inclusivity, Materiality, Responsiveness and Impact. For this report, the main considerations of this analysis were the following:

- As a GRI and IR based report, FFC´s Sustainability Report 2019 is considering all four principles in the report content and elaboration.
- The company describes in a generic way how stakeholders are engaged, what their demands are and how these issues have been addressed by the company. The report provides data from client surveys and reports on engagements with suppliers in the transport sector held in the reporting period.
- The report has included in systematic manner links to the SDGs and provides insight in how the company creates impacts regarding selected set of SDGs.
- The major material topics identified in the materiality process are addressed in different sections of the report, supported with relevant information on the management systems and data sets which provide an accurate and balanced view of this year´s performance of the company in relation to the topics.
- The report offers insight in important advancements in areas such as outreach to farmers via the inauguration of FACE-centers and reports on the enhancement of supplier requirements, which cover gaps identified by the reviewer in former years.
- While, in general, the principles are addressed in a satisfactory manner, we can appoint areas of improvement for the next reporting cycles, mainly related to the disclosure of quantitative data and solid targets:
  - o We support the intention of the company to submit emission goals to an evaluation process guided by Science Based target initiative, in order to verify effectiveness of the existing emission reduction and establish goals which are in line with the international targets.
  - o Planetary Boundaries are mentioned in the report, but more information is needed on how the impacts of the operation and product use relates to quantitative thresholds which need to be complied in order to maintain a sustainable operation.
  - o In the areas of HR and H&S more comparative data would be welcomed, in order to show long-term trends and provide comparability.
  - o The report acknowledges that the issue of forced and child labor in the supply chain is still lacking of reliable data, nevertheless a policy to address the issue needs to be developed and a clear timeline for its implementation is necessary.
  - o The impact mapping of the company includes as boundaries so far only FFC, its clients and suppliers. According to GRI and IR-guidance, these boundaries should also include other stakeholders such as investors, government and local community.

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. Based on the scope of our work and the assurance procedures we performed using the ISAE 3000 (Revised) assurance standard, we conclude that nothing has come to our attention that causes us to believe that the information in FFC's Sustainability Report 2019 is in all material aspects not fairly stated.

São Paulo, January 27th, 2020

Beat Grüninger,
Managing Director, BSD Consulting (Brazil)

Islamabad, January 27th, 2020

Nadeem Safdar
Managing Partner, Nadeem Safdar & Co., Chartered Accountants, Pakistan
ICAP Membership No. 2396

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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 2019 Sustainability Report or other publicly available sources..

Key

SR = 2019 Sustainability Report
AR = Annual Report 2019

Fully disclosed
Partially disclosed
Not disclosed

GRI Standard	Disclosure	Page Number (s)	Omission and Reason
GRI 101: FOUNDATION 2016	GRI 101 contains no disclosures.		
General Disclosures			
GRI 102: General Disclosures 2016	**Organizational Profile**		
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	102-16 Values, principles, standards, and norms of behavior	10,11	
	102-17 Mechanisms for advice and concerns about ethics	13, 6	
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	102-18 Governance structure	14, 133	
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	102-20 Executive-level responsibility for economic, environmental, and social topics	133 - 134	
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	102-36 Process for determining remuneration	136	
	102-37 Stakeholders' involvement in remuneration	136	
	102-38 Annual total compensation ratio		Sensitive and proprietary information
	102-39 Percentage increase in annual total compensation ratio		Sensitive and proprietary information
	Stakeholder Engagement		
	102-40 List of stakeholders' groups	142	
	102-41 Collective bargaining agreements	160	
	102-42 Identifying and selecting stakeholder	141	
	102-43 Approach to stakeholders' engagement	142	
	102-44 Key topics and concerns raised	142	
	Reporting Practice		
	102-45 Entities included in the consolidated financial statements	129	
	102-46 Defining report content and topic boundaries	129, 145	
	102-47 List of material topics	145	
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	102-50 Reporting period	129	
	102-51 Date of most recent report	129	
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	102-53 Contact point for questions regarding the report	129	
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	102-56 External assurance	178	

GRI Standard	Disclosure	Page Number (s)	Omission and Reason
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Economic Performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	145, 168 - 169	
	103-2 The management approach and its components	168 - 169	
	103-3 Evaluation of the management approach	168 - 169	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	96	
	201-2 Financial implications and other risks and opportunities due to climate change	168	
	201-3 Defined benefit plan obligations and other retirement plans	158	
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	103-2 The management approach and its components	156	
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GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	158	
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	301-2 Recycled input materials used	172	
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GRI 303: Water And Effluents 2018	303-1 Interactions with water as a shared resource	167-168, 174	
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	103-2 The management approach and its components	167-168	
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	305-2 Energy indirect (Scope 2) GHG emissions	176	
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	103-3 Evaluation of the management approach	156	
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	404-2 Programs for upgrading employee skills and transition assistance programs	159	
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	103-2 The management approach and its components	168	
	103-3 Evaluation of the management approach	168	

GRI Standard	Disclosure	Page Number (s)	Omission and Reason
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GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	168	
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	168	
	412-2 Employee training on human rights policies or procedures	168	
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	168	
Security Practices			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	145, 168	
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GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	168	
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GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	165- 166	
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	145, 170	
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	103-3 Evaluation of the management approach	170	
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	417-2 Incidents of non-compliance concerning product and service information and labeling	170	
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	145, 167, 170	
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UNGC - **COP**

Principle	Statement	Page Number (s)	Gri Standards Disclosure
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	165-166,168	410-1, 412-1, 412-2, 413-1, 413-2
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	164, 165-166	413-1, 414-1, 414-2
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	160, 168	102-41, 402-1, 407-1
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	168	409-1
Principle 5	Businesses should uphold the effective abolition of child labor.	168	408-1
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	156-157,158, 159,168	102-8, 202-1, 202-2, 401-1, 401-3, 404-1, 404-3, 405-2, 406-1,
Principle 7	Businesses should support a precautionary approach to environmental challenges.	168, 172, 174, 175, 176	201-2, 301-1, 302-1, 303-3, 305-1, 305-2, 305-3, 305-6, 305-7
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	164, 170, 172, 173, 174, 175, 176, 177	301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 302-5, 303-3, 303-4, 303-5, 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 306-5, 307-1, 308-1, 308-2
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	173, 176	302-4, 302-5, 305-5
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	136, 169	102-16, 102-17, 205-1, 205-2

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	RT-CH-110a.2. Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	137, 167
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Water Management	RT-CH-140a.1. (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	174
	RT-CH-140a.2. Number of incidents of non-compliance associated with water quality permits, standards, and regulations	175
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Hazardous Waste Management	RT-CH-150a.1. Amount of hazardous waste generated, percentage recycled	177
Community Relations	RT-CH-210a.1. Discussion of engagement processes to manage risks and opportunities associated with community interests	141-142, 165
Workforce Health & Safety	RT-CH-320a.1. (1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	163
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Management of the Legal & Regulatory Environment	RT-CH-530a.1. Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	170
Operational Safety, Emergency Preparedness & Response	RT-CH-540a.1. Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	161-162
	RT-CH-540a.2. Number of transport incidents	161

SUSTAINABLE DEVELOPMENT GOALS

SDGs		Page Number (s)	GRI Standards Disclosure
1 NO POVERTY	End poverty in all its forms everywhere	158, 165-166	202-1, 203-2, 413-2
2 ZERO HUNGER	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	165-166, 96	201-1, 203-1, 203-2, 413-2
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	163, 165-166, 175, 176, 177	203-2, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 403-8, 403-9
4 QUALITY EDUCATION	Ensure inclusive and quality education for all and promote lifelong learning	135, 159	102-27, 404-1
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	133, 157, 158, 159, 160, 164, 165-166, 168	102-22, 102-24, 201-1, 202-1, 203-1, 401-1, 401-3, 404-1, 404-3, 405-1, 405-2, 406-1, 414-1, 414-2
6 CLEAN WATER AND SANITATION	Ensure access to water and sanitation for all	174, 175, 177	303-3, 303-4, 303-5, 306-1, 306-2, 306-3, 306-5
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	165-166, 96 , 172, 173	201-1, 203-1, 302-1, 302-2, 302-3, 302-4, 302-5
8 DECENT WORK AND ECONOMIC GROWTH	Promote inclusive and sustainable economic growth, employment and decent work for all	156-157, 158, 159, 160, 163, 164, 165-166, 168, 172, 173, 174	102-8, 102-41, 201-1, 202-1, 202-2, 203-2, 301-1, 301-2, 301-3 302-1, 302-2, 302-3, 302-4, 302-5, 303-5, 401-1, 401-2, 401-3, 402-1, 403-8, 403-9, 403-10, 404-1, 404-2, 404-3, 405-1, 405-2, 407-1, 408-1, 409-1, 414-1, 414-2
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote sustainable industrialization and foster innovation	165-166, 96	201-1, 203-1
10 REDUCED INEQUALITIES	Make cities inclusive, safe, resilient and sustainable	158, 165-166	203-1

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SUSTAINABLE DEVELOPMENT GOALS

SDGs		Page Number (s)	GRI Standards Disclosure
11 SUSTAINABLE CITIES AND COMMUNITIES	Ensure sustainable consumption and production patterns	165-166	204-1, 301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 417-1
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Take urgent action to combat climate change and its impacts	164, 170, 172, 173, 175, 176, 177	201-2, 302-1, 302-2, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4
13 CLIMATE ACTION	Conserve and sustainably use the oceans, seas and marine resources	168, 172, 173, 175, 176	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-1, 306-3, 306-5
14 LIFE BELOW WATER	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	175, 176, 177	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-3, 306-5
15 LIFE ON LAND	Promote just, peaceful and inclusive societies	175, 176, 177	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
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote just, peaceful and inclusive societies	1, 133, 134, 136,150, 164, 168, 169, 170	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
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the global partnership for sustainable development	128	Not applicable

04

Financial Statements of the Company along with Reports by the Audit Committee and Independent External Auditors

FINANCIAL **STATEMENTS**

SAY NO TO CORRUPTION

REPORT OF THE **AUDIT COMMITTEE**

on Listed Companies (Code of Corporate Governance) Regulations, 2019

Composition Of The Audit Committee

Audit Committee of the FFC Board of Directors comprises of four directors. Two members of the Committee including the Chairperson are independent non-executive directors, whereas the other two members are non-executive directors.

Ms Maryam Aziz joined the Committee in July 2019 as Chairperson in place of the outgoing Chairperson Ms Bushra Naz Malik. All the Committee members are qualified finance professionals and the Committee as a whole possesses significant economic, financial and business acumen.

The names and profiles of the Audit Committee members are given from Page 24 to 29 of the Annual Report 2019.

Chief Financial Officer of the Company attends the meeting by invitation, Internal auditors are present in all the Committee meetings whereas External Auditors attend the meetings on requirement basis.

Financial Statements

The Committee has concluded its annual review of the Company's performance, financial position, and cash flows during 2019, and reports that:

- The separate and consolidated financial statements of FFC for the year ended December 31, 2019 have been prepared on a going concern basis under requirements of the Companies Act 2017, incorporating the requirements of the Code of Corporate Governance, International Financial Reporting Standards and other applicable regulations.
- These financial statements present a true and fair view of the Company state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.
- The auditors have issued unmodified audit reports in respect of the above financial statements in line with the Auditors (Reporting Obligations) Regulations, 2018 issued by SECP.
- 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, one director and the Chief Financial Officer have endorsed the separate and consolidated financial statements of the Company, while the Directors' Report is signed by Chairman and Chief Executive Officer. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and 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 the codes and policies of the Company 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 holding of Company's shares by Directors & executives or their spouses and dependent children 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. All such holdings have been disclosed in the Pattern of Shareholdings. 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 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 providing assurance on the effectiveness and adequacy of internal control and risk management framework in managing risks within acceptable levels throughout 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 along with mitigation 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 shareholders' wealth, through assurances provided by internal audit function.
- The Internal Audit function has carried out its assignments in accordance with annual audit plan approved by the Audit Committee . The Committee has reviewed material Internal Audit findings, taken appropriate action where necessary or brought 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.

External Auditors

- The statutory Auditors of the Company, A.F.Ferguson & 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, 2019 and shall retire on the conclusion of the 42nd Annual General Meeting of the Company.
- The Audit Committee has discussed the audit process and the observations, 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 42nd Annual General Meeting scheduled for March 16, 2020.
- A.F.Ferguson & Co., Chartered Accountants also provide taxation services to the Company. The firm has no financial or other relationship of any kind with the Company except that of External Auditor and Taxation Consultant.
- Being eligible, A.F.Ferguson & Co., Chartered Accountants have offered themselves to be reappointed as auditors for the financial year 2020.
- The Committee is satisfied with the performance of the External Auditors. The engagement partner on the audit was Mr Asim Masood Iqbal. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of A.F.Ferguson & Co., Chartered Accountants as External Auditors of the Company for the year ending December 31, 2020 at a fee of Rs 2.5 million.

Annual Report 2019

- 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 stakeholders 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 2019 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's performance, which also included members of the Audit Committee was carried out separately and is detailed in Annual Report.

Maryam Aziz

Maryam Aziz
Chairperson – Audit Committee
Rawalpindi
January 30, 2020

STATEMENT OF **COMPLIANCE**

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

Name of Company: **Fauji Fertilizer Company Limited**

Year ended: **December 31, 2019**

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 the Board is as follows:

i)	Independent Directors (excluding female director)	03
ii)	Other Non-Executive Director	08
iii)	Executive Directors	01
iv)	Female Directors (Independent)	01

3) The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;

4) The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5) The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that a complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;

6) All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by 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 has 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;

- Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)
- Lt Gen Tariq Khan, HI(M) (Retired)
- Dr Nadeem Inayat
- Mr Farhad Sheikh Mohammad
- Mr Per Kristian Bakkerud
- Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)
- Mr Saad Amanullah Khan
- Mr Rehan Laiq
- Ms Maryam Aziz
- Mr Farrukh Ahmad Hamidi
- Maj Gen Naseer Ali Khan, HI(M) (Retired)

10) The Board has approved appointment of Chief Financial Officer, 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) Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12) The Board has formed committees comprising of members given below:

i) Audit Committee

Ms Maryam Aziz – Chairperson (Independent Director)
Dr Nadeem Inayat – Member
Mr Saad Amanullah Khan – Member (Independent Director)
Mr Rehan Laiq – Member

ii) HR and Remuneration Committee

Mr Saad Amanullah Khan – Chairman (Independent Director)
Ms Maryam Aziz – Member (Independent Director)
Maj Gen Javaid Iqbal Nasar (Retired) – Member
Maj Gen Naseer Ali Khan (Retired) – Member

iii) System & Technology Committee

Syed Iqtidar Saeed – Chairman
Maj Gen Naseer Ali Khan (Retired) - Member
Mr Nadeem Inayat – Member

iv) Projects Diversification Committee

Dr Nadeem Inayat – Chairman
Ms Maryam Aziz – Member (Independent Director)
Mr Rehan Laiq – Member
Syed Iqtidar Saeed – 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:

i) Audit Committee – Quarterly

ii) HR and Remuneration Committee – On required basis

iii) System & Technology Committee – On required basis

iv) 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 Institute of Chartered Accountants of Pakistan 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 Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18) We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 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 30, 2020

INDEPENDENT AUDITOR'S **REVIEW REPORT**

To The Members of Fauji Fertilizer Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Fauji Fertilizer Company Limited for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions 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 out 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 December 31, 2019.

A.F. Ferguson & Co.
Chartered Accountants
Islamabad
January 30, 2020

INDEPENDENT **AUDITOR'S REPORT**

To The Members of Fauji Fertilizer Company Limited

Report on the Audit of the 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 December 31, 2019, and the statement of profit or loss, the statement of profit or loss and other 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, the statement of profit or loss, 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 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 December 31, 2019 and of the profit and other comprehensive income, 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 Auditor's 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:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** (Refer notes 3.19 and 27 to the financial statements) The Company is engaged in production and sale of fertilizers and chemicals. The Company recognized revenue from the sale of fertilizers and chemicals amounting to Rs 105,783 million for the year ended December 31, 2019. Being our first year of audit of financial statements of the Company we identified recognition of revenue as an area of higher risk as it includes large number of revenue transactions involving a large number of customers spread in various geographical locations. Further, revenue is one of the key performance indicator of the Company. Accordingly, it was considered as a key audit matter.	**Our procedures in relation to this matter included:** - 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; - Performed verification of sample of revenue transactions with underlying documentation including delivery documents and sales invoices; - Performed cut-off procedures on sample basis to ensure revenue has been recorded in the correct period; - Verified that sales prices are approved by appropriate authority; - Verified discounts with supporting documentation on test basis; - Checked that revenue has been recognized in accordance with Company's accounting policy and the applicable financial reporting framework.

INDEPENDENT **AUDITOR'S REPORT**

To The Members of Fauji Fertilizer Company Limited

Report on the Audit of the Financial Statements

S. No.	Key audit matters	How the matter was addressed in our audit
2	**Investment in and advances to a subsidiary – Fauji Fresh n Freeze Limited (FFF)** (Refer note 16, note 16.7 and note 22 to the financial statements) The Company has significant investment in its subsidiary company – FFF and has also made interest bearing advances to FFF. As at December 31, 2019, the cost of investment in above referred subsidiary amounted to Rs 4,835 million along with advances and accrued interest thereon of Rs. 901 million and 236 million, respectively. The Company carries out impairment assessment of the value of investment in subsidiary where there are indicators of impairment and has recorded an impairment loss of Rs 1,100 million in these financial statements. The Company has assessed the recoverable amount of above investment based on the higher of the value-in-use and fair value. This recoverable amount is based on a valuation analysis performed by the Company using a discounted cash flow model which involves estimation of future cash flows. This estimation requires significant judgement on both future cash flows and the discount rate applied to those future cash flows. We considered this as a key audit matter due to significant management judgement involved in the estimation of recoverable amount.	**Our audit procedures in relation to this matter included:** - Obtained understanding of management's process for identification of impairment indicators in, and testing impairment of investment in subsidiary – FFF; - Reviewed the mathematical accuracy of management's valuation model and agreed relevant data to the underlying Company's records; - Assessed the reasonableness of key assumptions used in the valuation model such as future sales volumes and prices, discount rate and long-term growth rates; - Performed sensitivity analysis with respect to changes in key assumptions used in the valuation model; and - Reviewed the disclosures made in the annexed financial statements with respect to the requirements of the applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's reports 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss, the statement of 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.

Other Matter

Prior Year Financial Statements Audited by Predecessor Auditor

The financial statements of the Company for the year ended December 31, 2018 were audited by another auditor, KPMG Taseer Hadi & Co. Chartered Accountants, who expressed an unmodified opinion on those statements on February 1, 2019.

The engagement partner on the audit resulting in this independent auditor's report is Asim Masood Iqbal.

A.F. Ferguson & Co.

Chartered Accountants

Islamabad

January 30, 2020

STATEMENT OF **FINANCIAL POSITION**

As at December 31, 2019

	Note	2019	2018
		Rs '000	Rs '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	12,722,382	12,722,382
Capital reserves	6	160,000	160,000
Revenue reserves	7	22,697,960	20,522,513
Deficit on re-measurement of			
investments to fair value - net		(13,641)	(21,950)
		35,566,701	33,382,945
NON - CURRENT LIABILITIES			
Long term borrowings - secured	8	6,472,500	8,583,749
Lease liabilities		62,360	–
Deferred liabilities	9	4,412,445	4,578,148
		10,947,305	13,161,897
CURRENT LIABILITIES			
Trade and other payables	10	76,009,303	60,599,330
Mark-up and profit accrued	11	676,361	300,574
Short term borrowings - secured	12	21,802,953	28,526,484
Unclaimed dividend		541,447	638,783
Current portion of long term borrowings - secured	8	4,711,250	7,237,742
Current portion of lease liabilities		42,581	–
Taxation		3,091,959	2,641,779
		106,875,854	99,944,692
TOTAL EQUITY AND LIABILITIES		153,389,860	146,489,534
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 41 form an integral part of these financial statements.

	Note	2019	2018
		Rs '000	Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	14	22,212,099	21,533,696
Intangible assets	15	1,576,796	1,575,624
Long term investments	16	31,087,989	26,898,152
Long term loans and advances - secured	17	1,200,037	1,113,854
Long term deposits and prepayments	18	12,378	13,604
		56,089,299	51,134,930
CURRENT ASSETS			
Stores, spares and loose tools	19	3,810,669	3,473,851
Stock in trade	20	6,795,374	12,931,714
Trade debts	21	13,460,069	3,678,698
Loans and advances	22	1,795,136	1,060,098
Deposits and prepayments	23	50,583	81,671
Other receivables	24	17,653,231	15,724,971
Short term investments	25	48,040,470	54,585,604
Cash and bank balances	26	5,695,029	3,817,997
		97,300,561	95,354,604
TOTAL ASSETS		153,389,860	146,489,534

Chairman | Chief Executive | Director | Chief Financial Officer

STATEMENT OF **PROFIT OR LOSS**

For the year ended December 31, 2019

	Note	2019	2018
		Rs '000	Rs '000
Turnover	27	105,783,413	105,964,471
Cost of sales	28	75,046,062	77,985,886
GROSS PROFIT		30,737,351	27,978,585
Distribution cost	29	8,288,413	8,833,490
		22,448,938	19,145,095
Finance cost	30	2,477,110	1,636,976
Other expenses	31	3,409,427	2,108,585
		16,562,401	15,399,534
Other income	32	7,191,089	6,283,051
PROFIT BEFORE TAX		23,753,490	21,682,585
Provision for taxation	33	6,643,000	7,244,000
PROFIT FOR THE YEAR		17,110,490	14,438,585
Earnings per share - basic and diluted (Rupees)	34	13.45	11.35

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	2019	2018
	Rs '000	**Rs '000**
PROFIT FOR THE YEAR	17,110,490	14,438,585
OTHER COMPREHENSIVE INCOME		
Items that are reclassified subsequently to profit or loss		
Surplus / (deficit) on re-measurement of investments		
to fair value - net of tax	8,309	(315,473)
Items that will not be subsequently reclassified to profit or loss		
(Loss) / gain on re-measurement of staff retirement		
benefit plans - net of tax	(367,915)	21,749
OTHER COMPREHENSIVE LOSS - NET OF TAX	(359,606)	(293,724)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16,750,884	14,144,861

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, 2019

	Note	2019	2018
		Rs '000	**Rs '000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	33,641,744	28,231,872
Finance cost paid		(2,101,323)	(1,527,109)
Income tax paid		(6,603,820)	(6,041,203)
Subsidy received on sale of fertilizer		–	2,202,383
		(8,705,143)	(5,365,929)
Net cash generated from operating activities		24,936,601	22,865,943
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,138,247)	(1,400,093)
Proceeds from disposal of property, plant and equipment		459,206	17,209
Interest received		1,805,620	1,049,890
Investment in Fauji Fresh n Freeze Limited		–	(1,640,000)
Investment in Thar Energy Limited		(1,329,318)	(1,460,400)
Advance against issue of shares to Thar Energy Limited		(416,533)	–
Increase in other investment - net		1,026,817	3,311,305
Dividends received		1,970,765	1,299,470
Net cash inflow from investing activities		378,310	1,177,381
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing			
Draw-downs		2,600,000	–
Repayments		(7,237,741)	(6,581,804)
Repayment of lease liabilities		(33,384)	–
Dividends paid		(14,664,464)	(9,912,803)
Net cash used in financing activities		(19,335,589)	(16,494,607)
Net increase in cash and cash equivalents		5,979,322	7,548,717
Cash and cash equivalents at beginning of the year		25,671,431	17,723,324
Effect of exchange rate changes		235,615	399,390
Cash and cash equivalents at end of the year		31,886,368	25,671,431
CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	5,695,029	3,817,997
Short term borrowings	12	(21,802,953)	(28,526,484)
Short term highly liquid investments		47,994,292	50,379,918
		31,886,368	25,671,431

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, 2019

	Share capital	Capital reserves	Revenue reserves		Surplus / (deficit) on re-measurement of investments to fair value - net	Total
			General reserve	Unappropriated profit		
	Rs '000					
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 January 1, 2019	12,722,382	160,000	8,802,360	11,720,153	(21,950)	33,382,945
Total comprehensive income for the year						
Profit for the year	–	–	–	17,110,490	–	17,110,490
Other comprehensive income - net of tax	–	–	–	(367,915)	8,309	(359,606)
	–	–	–	16,742,575	8,309	16,750,884
Transactions with owners of the Company						
Distributions:						
Final dividend 2018: Rs 3.90 per share	–	–	–	(4,961,729)	–	(4,961,729)
First interim dividend 2019: Rs 2.50 per share	–	–	–	(3,180,596)	–	(3,180,596)
Second interim dividend 2019: Rs 2.85 per share	–	–	–	(3,625,879)	–	(3,625,879)
Third interim dividend 2019: Rs 2.20 per share	–	–	–	(2,798,924)	–	(2,798,924)
	–	–	–	(14,567,128)	–	(14,567,128)
Balance at December 31, 2019	12,722,382	160,000	8,802,360	13,895,600	(13,641)	35,566,701

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, 2019

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	Graphical 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 Shahrah-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
Rahim Yar 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	19
Sarghodha Region	5	12
Peshawar Region	5	12
Bahawalpur Region	4	14
D. G. Khan Region	4	12
Multan Region	4	12
Rahim Yar Khan Region	4	9
Vehari Region	4	13
Hyderabad Region	6	15
Sukkur Region	7	23
Nawabshah Region	5	16
	63	183

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, associate 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 3.8, note 9.2 and note 10.3
(ii) Estimate of useful life of property, plant and equipment - note 3.10 and note 14
(iii) Estimate of useful life of intangible assets - note 3.11 and note 15
(iv) Estimate of fair value of investments through other comprehensive income - note 3.25 and note 16
(v) Provisions and contingencies - note 3.6 and note 3.7
(vi) Impairment of non-financial assets - note 3.13
(vii) Estimate of recoverable amount of goodwill - note 3.11 and note 15
(viii) Estimate of recoverable amount of investment in subsidiaries and associated companies - note 3.12 and note 16
(ix) Provision for taxation - note 3.9 and note 33
(x) Expected credit loss allowance - note 3.16 and note 21
(xi) Provision for slow moving spares - note 19

As per Securities and Exchange Commission of Pakistan (SECP) SRO 985 (1)/ 2019, dated September 2, 2019, for companies holding financial assets due from Government of Pakistan, the requirements contained in IFRS 9 with respect to expected credit losses method shall not be applicable till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39 – Financial Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period. The Company has assessed that the above SRO does not have any significant impact on the Company's financial statements.

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 changes as indicated in the note 4 to these financial statements.

3.1 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.

3.2 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.

3.3 Dividend distribution

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

3.4 Leases

3.4.1 Right of use asset

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.4.2 Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

a. fixed payments, including in-substance fixed payments;

b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c. amounts expected to be payable under a residual value guarantee; and

d. the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.5 Trade and other payables

Liabilities for trade and other payables are carried at amortised cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.6 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.

3.7 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.

3.8 Employee retirement benefits

3.8.1 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 10.3 to the financial statements.

Charge for the year is recognized in profit or loss. Actuarial gain or losses 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.

3.8.2 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.

3.8.3 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.

3.9 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.

3.10 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 14. 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.

3.11 Intangible assets

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.

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 Amortization is charged on a straight line basis over the estimated useful life and is included in the profit or loss.

3.12 Investment in subsidiaries, associated and jointly controlled entities

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 resulted in loss of control such that it becomes an associate, the retained investment is carried at cost.

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.

3.13 Impairment 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.

3.14 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.

3.15 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.

3.16 Trade debts

These are recognized and carried at the original invoice amounts, being the fair value, less loss allowance, if any. For measurement of loss allowance for trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses, previously loss allowance was measured under incurred loss model of IAS 39. IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred.

3.17 Deposits and other receivables

These are recognized at cost, which is the fair value of the consideration given. For measurement of loss allowance for advances, deposits and other receivables, the Company applies the IFRS 9 simplified approach to measure the expected credit losses, previously loss allowance was measured under incurred loss model of IAS 39.

3.18 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.

3.19 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 or as performance obligations are satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or at a point in time. Turnover is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. 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.

3.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed out in the year they occur.

3.21 Research and development costs

Research and development costs are charged to profit or loss as and when incurred.

3.22 Finance income and finance costs

Finance income comprises interest income on funds invested (financial assets), dividend income, gain on disposal of financial assets, commission income and changes in fair value of investments. 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.

3.23 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.

3.24 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.

3.25 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

(a) Financial assets

Classification

Effective January 1, 2019, the Company classifies its financial assets in the following measurement categories:

(i) Amortised cost, where the effective interest rate method will apply;

(ii) Fair value through profit or loss;

(iii) Fair value through other comprehensive income (FVTOCI).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Further, assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains/(losses). Interest income from these financial assets is included in other operating income using the effective interest rate method. Impairment expenses are presented as separate line item in the profit or loss.

Fair value through profit and loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Previously, the Company classified its financial assets as per IAS 39 in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets

Impairment of financial assets

Effective January 1, 2019, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company recognises life time ECL for trade debts and other receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and other receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Company recognizes an impairment gain or loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

As explained in note 4 to these financial statements, previously, impairment (loss allowance) was measured under incurred loss model of IAS 39.

Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

3.26 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 from the dates specified below:

– 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.

– 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.

– On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation/disclosures

Further, the following new standards and interpretations have been issued by the IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1 First-time adoption of International Financial Reporting Standards
IFRS 14 Regulatory Deferral Accounts
IFRS 17 Insurance Contracts

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases” on the Company’s financial statements that have been applied w.e.f January 1, 2019 as follows:

4.1 Financial Instruments

IFRS 9 ‘Financial instruments’ replaces IAS 39 “Financial Instruments: Recognition and measurement” and is effective for the year ended December 31, 2019.

IFRS 9 introduces new requirements for:

– the classification and measurement of financial assets and financial liabilities;

– impairment of financial assets; and

– hedge accounting.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of January 1, 2019 and comparatives are not restated. Details of these new requirements as well as their impact on the Company’s financial statements are described below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 requires the Company to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 has different requirements for debt and equity financial assets.

Debt instruments should be classified and measured at either:

– amortised cost, where the effective interest rate method will apply;

– fair value through other comprehensive income (FVTOCI), with subsequent recycling to the profit or loss upon disposal of the financial asset; or

– fair value through profit or loss (FVTPL).

Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

– fair value through other comprehensive income (FVTOCI), with no subsequent recycling to the profit or loss upon disposal of the financial asset; or

– fair value through profit or loss (FVTPL).

On the date of initial application, January 1, 2019, the financial instruments of the Company were as follows, with any reclassifications noted:

	Classification category		Measurement category		Carrying amount		
	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	Difference
					Rs '000	Rs '000	Rs '000
Current financial assets							
Trade debts	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	3,678,698	3,678,698	–
Loans and advances	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	977,826	977,826	–
Deposits	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	944	944	–
Other receivables	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	1,242,820	1,242,820	–
Short term investments	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	28,231,235	28,231,235	–
Short term investments	FVTOCI	AFS	FVTOCI	AFS	4,056,021	4,056,021	–
Short term investments	FVTPL	FVTPL	FVTPL	FVTPL	22,298,348	22,298,348	–
Cash and bank balances	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	3,817,997	3,817,997	–
Non-current financial assets							
Long term investments	FVTOCI	AFS	FVTOCI	AFS	837,237	837,237	–
Long term loans and advances	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	1,113,854	1,113,854	–
Long term deposits	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	12,378	12,378	–
Current financial liabilities							
Trade and other payables	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	50,928,630	50,928,630	–
Mark-up and profit accrued	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	300,574	300,574	–
Short term borrowings	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	28,526,484	28,526,484	–
Unclaimed dividend	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	638,783	638,783	–
Current portion of long-term borrowings	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	7,237,742	7,237,742	–
Non -current financial liabilities							
Long term borrowings	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	8,583,749	8,583,749	–
Provision for compensated leave absences	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	1,560,942	1,560,942	–

Impairment of financial assets

IFRS 9 introduces the ECL model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost, as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for all other financial assets i.e to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. The adoption of ECL model has no material impact on the financial assets of the Company to which ECL model is applicable.

4.2 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 “Revenue” and IAS 11 “Construction Contracts” and related interpretations. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1 Identify the contract(s) with a customer.
Step 2 Identify the performance obligations in the contract.
Step 3 Determine the transaction price.
Step 4 Allocate the transaction price to the performance obligations in the contract.
Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption, if any, is recognized in unappropriated profit as of January 1, 2019 and comparatives are not restated. The adoption of IFRS 15 did not have any material impact on the Company’s financial statements.

4.3 Leases

IFRS 16 “Leases” replaced IAS 17 “Leases”, the former lease accounting standard and became effective on January 1, 2019. Under the new lease standard, assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability. As a rule, lease expenses are no longer recorded in the statement of profit or loss from January 1, 2019. Instead, depreciation and interest expenses are recorded stemming from the newly recognized lease assets and lease liabilities. In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expenses from the newly recognized lease liability are presented in the cash flow from operating activities. The Company has adopted IFRS 16 using the modified retrospective approach w.e.f January 1, 2019. The impact of adoption of IFRS 16 is as follows:

	December 31, 2018 Rs ‘000	Impact of IFRS 16 Rs ‘000	January 1, 2019 Rs ‘000
ASSETS			
NON-CURRENT ASSETS			
Right to use assets	–	79,274	79,274
NON-CURRENT LIABILITIES			
Lease liabilities	–	50,628	50,628
CURRENT LIABILITIES			
Current portion of lease liabilities	–	28,646	28,646
	–	79,274	79,274

The Company, as a lessee, recognizes a right of use asset and a lease liability on the lease commencement date.

Upon initial recognition, the right of use asset is measured as the amount equal to initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter of estimated useful lives of the right of use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

TRANSITION

The Company adopted IFRS 16 on the date the standard became effective, January 1, 2019. The Company adopted the standard using the modified retrospective approach. This means that the cumulative impact of the adoption was recognized in equity as of January 1, 2019 and that comparatives were not restated.

The weighted-average incremental rate applied to lease liabilities recognized on January 1, 2019 was 7.40% per annum.

SIGNIFICANT JUDGEMENTS UPON ADOPTION OF IFRS 16

IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is reasonably certain not to exercise those termination options.

A portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between the Company and the lessor or cancelable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that such contracts are short-term in nature and payments made in respect of these leases are accordingly expensed in the statement of profit or loss.

Lease liabilities and Right of use assets recognized are as follows:

	Rs '000
Lease liabilities	
Operating lease commitments disclosed as at December 31, 2018	88,226
Discounting effect using incremental borrowing rate	(8,952)
Lease liabilities recognized on statement of financial position as at January 1, 2019	79,274
Lease liabilities presented as:	
Non-current financial liabilities	50,628
Current portion of non-current liabilities	28,646
	79,274
Right of use assets	
Present value of lease liability	79,274
Right of use assets recognized on statement of financial position as at January 1, 2019	79,274
Right of use assets presented as:	
Property, plant and equipment	79,274

5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2018: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2018: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2019	2018	2019	2018
	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

5.1 Fauji Foundation (FF) holds 44.35% (2018: 44.35%) ordinary shares of the Company at the year end.

5.2 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.

5.3 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 net profit after taxation 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	2019	2018
		Rs '000	Rs '000
6. CAPITAL RESERVES			
Share premium	6.1	40,000	40,000
Capital redemption reserve	6.2	120,000	120,000
		160,000	160,000

6.1 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.

6.2 Capital redemption reserve

This represents reserve set up on redemption of preference shares of Rs 120,000 thousand in 1996.

	2019	2018
	Rs '000	Rs '000
7. REVENUE RESERVES		
General reserve	8,802,360	8,802,360
Unappropriated profit	13,895,600	11,720,153
	22,697,960	20,522,513

	Note	2019	2018
		Rs '000	Rs '000
8. LONG TERM BORROWINGS - SECURED			
Borrowings from banking companies	8.1		
From conventional banks			
The Bank of Punjab (BOP-1)		50,000	150,000
The Bank of Punjab (BOP-2)		165,000	275,000
The Bank of Punjab (BOP-3)		1,100,000	–
Allied Bank Limited (ABL-1)		150,000	450,000
Allied Bank Limited (ABL-2)		562,500	937,500
Allied Bank Limited (ABL-3)		1,500,000	–
United Bank Limited (UBL-1)		125,000	375,000
United Bank Limited (UBL-2)		750,000	1,125,000
United Bank Limited (UBL-3)		1,250,000	1,750,000
Bank AL Habib Limited (BAH-1)		100,000	300,000
Bank AL Habib Limited (BAH-2)		150,000	250,000
Bank AL Habib Limited (BAH-3)		150,000	250,000
Habib Bank Limited (HBL-1)		250,000	750,000
Habib Bank Limited (HBL-2)		281,250	656,250
Habib Bank Limited (HBL-3)		750,000	1,000,000
Bank Alfalah Limited (BAFL)		250,000	375,000
MCB Bank Limited (MCB-1)		–	419,062
MCB Bank Limited (MCB-2)		250,000	750,000
MCB Bank Limited (MCB-3)		–	92,250
National Bank of Pakistan Limited (NBP-1)		–	520,000
National Bank of Pakistan Limited (NBP-2)		1,500,000	2,000,000
National Bank of Pakistan Limited (NBP-3)		1,500,000	2,000,000
	8.1.1	10,833,750	14,425,062
From Islamic banks			
Meezan Bank Limited (MBL-1)		–	571,429
Meezan Bank Limited (MBL-2)		125,000	375,000
MCB Islamic Bank Limited (MCBIB)		225,000	450,000
		350,000	1,396,429
		11,183,750	15,821,491
Less: Current portion shown under current liabilities			
From conventional banks		4,361,250	6,191,313
From Islamic banks		350,000	1,046,429
		4,711,250	7,237,742
		6,472,500	8,583,749

8.1 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 months KIBOR+0.35	1 half yearly	May 26, 2020
BOP-2	6 months KIBOR+0.40	3 half yearly	April 7, 2021
BOP-3	6 months KIBOR+0.15	10 half yearly	December 18, 2024
ABL-1	6 months KIBOR+0.25	1 half yearly	June 26, 2020
ABL-2	6 months KIBOR+0.25	3 half yearly	April 7, 2021
ABL-3	6 months KIBOR+0.15	8 half yearly	December 24, 2024
UBL-1	6 months KIBOR+0.35	1 half yearly	June 30, 2020
UBL-2	6 months KIBOR+0.40	4 half yearly	September 6, 2021
UBL-3	6 months KIBOR+0.20	5 half yearly	June 29, 2022
BAH-1	6 months KIBOR+0.20	1 half yearly	June 26, 2020
BAH-2	6 months KIBOR+0.20	3 half yearly	March 25, 2021
BAH-3	6 months KIBOR+0.20	3 half yearly	April 20, 2021
HBL-1	3 months KIBOR+0.40	2 Quarterly	June 2, 2020
HBL-2	3 months KIBOR+0.40	3 Quarterly	September 21, 2020
HBL-3	3 months KIBOR+0.15	12 Quarterly	December 19, 2022
BAFL	6 months KIBOR+0.40	4 half yearly	September 8, 2021
MCB-1	6 months KIBOR+0.10	Nil	Paid on June 3, 2019
MCB-2	6 months KIBOR+0.40	1 half yearly	June 29, 2020
MCB-3	6 months KIBOR+0.10	Nil	Paid on November 9, 2019
NBP-1	6 months KIBOR+0.15	Nil	Paid on October 18, 2019
NBP-2	6 months KIBOR+0.20	6 half yearly	June 30, 2022
NBP-3	6 months KIBOR+0.15	6 half yearly	December 29, 2022
From Islamic banks			
MBL-1	6 months KIBOR+0.05	Nil	Paid on July 15, 2019
MBL-2	6 months KIBOR+0.40	1 half yearly	May 29, 2020
MCBIB	6 months KIBOR+0.15	2 half yearly	December 10, 2020

8.1.1 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.

		Note	2019	2018
			Rs '000	Rs '000
9.	**DEFERRED LIABILITIES**			
	Deferred tax liability - net	9.1	2,609,599	3,017,206
	Provision for compensated leave absences			
	/ retirement benefits	9.2	1,802,846	1,560,942
			4,412,445	4,578,148
9.1	**Deferred taxation**			
	The balance of deferred tax is in respect			
	of the following temporary differences:			
	Accelerated depreciation / amortisation		3,095,000	3,183,000
	Provision for slow moving spares, loss allowance,			
	and investments		(476,000)	(153,000)
	Re-measurement of investments		(9,401)	(12,794)
			2,609,599	3,017,206
	The gross movement in the deferred tax liability			
	during the year is as follows:			
	Balance at the beginning		3,017,206	3,226,408
	Tax credit recognized in profit or loss		(411,000)	(74,000)
	Tax credit recognised in other comprehensive income		3,393	(135,202)
	Balance at the end		2,609,599	3,017,206

9.2 Actuarial valuation has not been carried out for compensated leave absences as the impact is considered to be immaterial.

		Note	2019	2018
			Rs '000	Rs '000
10.	**TRADE AND OTHER PAYABLES**			
	Creditors	10.1	63,079,107	42,958,288
	Accrued liabilities		5,694,004	4,895,918
	Consignment account with			
	Fauji Fertilizer Bin Qasim Limited - unsecured		3,242,126	2,650,542
	Deposits	10.2	167,738	166,971
	Retention money		166,744	153,500
	Advances from customers		722,162	7,425,826
	Workers' Welfare Fund		1,598,511	1,515,309
	Payable to gratuity fund	10.3	739,538	525,210
	Payable to pension fund	10.3	443,178	204,355
	Other liabilities		156,195	103,411
			76,009,303	60,599,330

10.1 Creditors include Rs 61,064,027 thousand (2018: Rs 42,083,302 thousand) on account of Gas Infrastructure Development Cess (GIDC). The matter is subjudice in the Supreme Court of Pakistan.

10.2 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	2019 Total Rs '000	2018 Total Rs '000
10.3	**RETIREMENT BENEFIT FUNDS**				
10.3.1	**The amounts recognized in the statement of financial position are as follows:**				
	Present value of defined benefit obligation	2,934,297	4,278,587	7,212,884	6,445,749
	Fair value of plan assets	(2,194,759)	(3,835,409)	(6,030,168)	(5,716,184)
	Liability	739,538	443,178	1,182,716	729,565
10.3.2	**Amount recognised in the profit or loss is as follows:**				
	Current service cost	149,253	99,115	248,368	265,702
	Net interest cost	69,173	25,444	94,617	57,719
		218,426	124,559	342,985	323,421
10.3.3	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	2,630,849	3,814,900	6,445,749	6,275,581
	Current service cost	149,253	99,115	248,368	265,702
	Interest cost	341,152	501,368	842,520	476,714
	Benefits paid	(315,853)	(227,618)	(543,471)	(399,382)
	Re-measurement of defined benefit obligation	128,896	90,822	219,718	(172,866)
	Present value of defined benefit obligation at end	2,934,297	4,278,587	7,212,884	6,445,749
10.3.4	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	2,105,639	3,610,545	5,716,184	5,515,384
	Expected return on plan assets	271,979	475,924	747,903	418,995
	Contributions	218,426	124,559	342,985	323,421
	Benefits paid	(315,853)	(227,618)	(543,471)	(399,382)
	Re-measurement of plan assets	(85,432)	(148,001)	(233,433)	(142,234)
	Fair value of plan assets at end	2,194,759	3,835,409	6,030,168	5,716,184
10.3.5	**Actual return on plan assets**	186,474	327,923	514,397	276,761
10.3.6	**Contributions expected to be paid to the plan during the next year**	253,724	159,720	413,444	342,985
10.3.7	**Plan assets comprise of:**				
	Investment in debt securities	117,360	270,699	388,059	122,067
	Investment in equity securities	847,364	1,035,969	1,883,333	2,063,064
	Deposits with banks	1,075,487	2,363,445	3,438,932	2,957,446
	Mutual Funds	154,548	165,296	319,844	573,607
		2,194,759	3,835,409	6,030,168	5,716,184

10.3.8 The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Funds, at the beginning of the year, for returns over the entire life of the related obligations.

	2019		2018	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	Rs '000	Rs '000	Rs '000	Rs '000
10.3.9 Movement in liability / (asset) recognised in statement of financial position:				
Opening liability	525,210	204,355	397,886	362,311
Cost for the year recognised in profit or loss	218,426	124,559	168,507	154,914
Employer's contribution during the year	(218,426)	(124,559)	(168,507)	(154,914)
Total amount of re-measurement recognised in Other Comprehensive Income (OCI) during the year	214,328	238,823	127,324	(157,956)
Closing liability	739,538	443,178	525,210	204,355
10.3.10 Re-measurements recognised in OCI during the year:				
Re-measurment loss / (gain) on obligation	128,896	90,822	73,859	(246,725)
Re-measurment loss on plan assets	85,432	148,001	53,465	88,769
Re-measuement loss / (gain) recognised in OCI	214,328	238,823	127,324	(157,956)

	2019		2018	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	%	%	%	%
10.3.11 Principal actuarial assumptions used in the actuarial valuations are as follows:				
Discount rate	12.00	12.00	13.25	13.25
Expected rate of salary growth - short term				
Management	12.00	12.00	10.00	10.00
Non-Management	12.00	–	13.25	–
Expected rate of salary growth - long term				
Management	12.00	12.00	13.25	13.25
Non-Management	12.00	-	13.25	–
Expected rate of return on plan assets	12.00	12.00	13.25	13.25
Expected rate of increase in post retirement pension				
Short term	–	6.25	–	6.00
Long term	–	6.25	–	7.50
Maximum pension limit increase rate	–	6.25	–	7.00
Minimum pension limit increase rate	–	5.75	–	7.00
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	–

10.3.12 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.

	2019 Defined benefit obligation		2018 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	Rs '000	Rs '000
Discount rate	(601,098)	712,024	(528,935)	625,129
Future salary growth	237,122	(218,694)	172,451	(158,435)
Future pension	333,600	(287,506)	262,732	(226,519)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

10.3.13 The weighted average number of years of defined benefit obligation is given below:

	2019		2018	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	Years	Years	Years	Years
Plan duration	6.88	9.63	6.45	9.53

10.3.14 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.

	2019		2018	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	Rs '000	Rs '000	Rs '000	Rs '000
10.3.15 Distribution of timing of benefit payments:				
1 year	285,562	264,402	265,087	163,086
2 years	508,817	387,003	404,444	309,297
3 years	310,782	336,215	411,529	377,355
4 years	327,409	339,947	315,255	342,712
5 years	357,360	387,389	321,995	349,483
6-10 years	2,618,969	2,524,565	2,520,049	2,518,008

10.3.16 Salaries, wages and benefits expense, stated in notes 28 and 29 include retirement benefits in respect of gratuity fund, provident fund, pension plan and compensated absences amounting to Rs 201,575 thousand, Rs 164,478 thousand, Rs 112,453 thousand and Rs 248,649 thousand respectively (2018: Rs 154,551 thousand, Rs 151,524 thousand, Rs 138,336 thousand and Rs 264,395 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.

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10.4 Defined contribution plan

Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017, and the rules formulated for the purpose, except for the prescribed limit for listed securities.

10.5 Other special post retirement benefit scheme

The Company also operates special post retirement benefit scheme for higher management officials. The Company contributed to the scheme on the advice of the scheme's actuary. At year end the present value of defined benefit obligation is Rs 258,400 thousand and impact on OCI represents current service cost and net interest cost of Rs 5,946 million and Rs 41,689 million respectively.

	2019	2018
	Rs '000	Rs '000
11. MARK-UP AND PROFIT ACCRUED		
On long term borrowings		
From conventional banks	209,132	185,469
From Islamic banks	3,789	12,512
	212,921	197,981
On short term borrowings		
From conventional banks	456,904	86,963
From Islamic bank	6,536	15,630
	463,440	102,593
	676,361	300,574

12. SHORT TERM BORROWINGS - SECURED

The Company has obtained short-term running finance facilities from various banks, under separate terms and agreements. The total amounts outstanding against each facility at the year end and the terms of each facility are given below:

	Note	Availed as on December 31, 2019	December 31, 2018
		Rs '000	Rs '000
Lending Institutions			
From conventional banks	12.1		
MCB Bank Limited		300,001	2,200,000
Allied Bank Limited (ABL-1)		1,346,927	39,652
Allied Bank Limited (ABL-2)		–	1,075,000
Allied Bank Limited (ABL-3)		–	725,000
United Bank Limited		963,872	5,838
Askari Bank Limited		4,426,551	8,999,377
Bank Alfalah Limited		992,143	928,566
Bank of Punjab		10	–
Habib Bank Limited		3,500,637	3,417,874
National Bank of Pakistan		1,200,000	1,107,151
Habib Metropolitan Bank Limited		9	957,999
JS Bank Limited		1,704,254	749,896
Standard Chartered Bank (Pakistan) Limited		4,679,204	4,998,820
Bank Al-Habib Limited		–	999,992
		19,113,608	26,205,165
From Islamic bank	12.2		
Meezan Bank Limited		2,689,345	2,321,319
		21,802,953	28,526,484

12.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 40,760,000 thousand (2018: Rs 38,960,000 thousand) which represent the aggregate of all facility agreements between the Company and respective banks. The per annum rates of mark-up are 1 month KIBOR + 0.10% to 0.35% and 3 month KIBOR + 0.05% to 0.25% (2018: 1 week KIBOR + 0.03%, 1 month KIBOR + 0.10% to 0.35% and 3 month KIBOR + 0.05% to 0.35%). The facilities are secured by pari passu / ranking hypothecation charges on assets of the Company besides lien over PKR Term Deposits and PIBs in certain cases. The facilities have various maturity dates upto December 15, 2020.

12.2 Shariah compliant short term borrowing is available from banking company under profit arrangement against facility amounting to Rs 2,900,000 thousand (2018: Rs 3,500,000 thousand) which represent the aggregate of all facility agreement between Company and respective bank. The per annum rates of profit ranges between 3 month KIBOR + 0.05% to 0.12% (2018: 3 month KIBOR + 0.07% to 0.10%). The facility is secured by ranking hypothecation charges on assets of the Company besides lien over debt investments. The maturity date is upto May 31, 2020.

		2019 Rs '000	2018 Rs '000
13.	**CONTINGENCIES AND COMMITMENTS**		
13.1	**Contingencies:**		
	i) Guarantees issued by banks on behalf of the Company	3,994,314	154,806
	ii) Claims against the Company and / or potential exposure not acknowledged as debt	50,696	50,696

iii) Penalty of Rs 5,500,000 thousand imposed by the Competition Commission of Pakistan (CCP) in 2013, for alleged unreasonable increase in urea prices, which was set aside by the Competition Appellate Tribunal, in appeal filed by FFCL, who also remanded the case back to CCP to decide the case afresh under guidelines provided by the Tribunal. CCP did not challenge this order before the Supreme Court of Pakistan in appeal within the stipulated time, thus making the appeal time barred. However CCP, under the said Tribunal guidelines, may resume proceedings but the Company remains confident of successfully defending these unreasonable claims in future as well.

		2019 Rs '000	2018 Rs '000
13.2	**Commitments in respect of:**		
	i) Capital expenditure	1,213,292	1,919,124
	ii) Purchase of fertilizer, stores, spares and other operational items	1,347,209	1,528,517
	iii) Investment in Fauji Fresh n Freeze Limited	1,500,000	500,000
	iv) Investment in Thar Energy Limited	2,235,724	3,685,374
	v) Contracted out services	289,135	392,100

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Lease hold land	Building and structures on freehold land	Building 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	Right of use asset	Capital work in progress (note 14.4)	Total
								Rs '000							
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 January 1, 2019															
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
Year ended December 31, 2019															
Opening 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
Right of use asset recognised on adoption															
of IFRS 16 as at January 1, 2019	-	-	-	-	-	-	-	-	-	-	-	-	79,274	-	79,274
Additions	-	-	186,874	13,197	-	934,324	60	94,030	32,391	52,964	186,021	1,397	59,051	1,765,644	3,325,953
Disposals															
Cost	(306,345)	-	-	-	-	-	-	(19,128)	(8,068)	(33,502)	(23,077)	-	-	-	(390,120)
Depreciation	-	-	-	-	-	-	-	19,005	8,059	33,502	23,077	-	-	-	83,643
	(306,345)	-	-	-	-	-	-	(123)	(9)	-	-	-	-	-	(306,477)
Transfers	-	-	-	-	-	(2,712)	-	2,197	515	-	-	-	-	(133,543)	(133,543)
Depreciation charge	-	-	(193,614)	(98,261)	-	(1,371,722)	(177,360)	(124,680)	(35,558)	(72,287)	(161,881)	(1,089)	(50,352)	-	(2,286,804)
Balance as at December 31, 2019	396,238	-	2,140,859	1,302,220	-	14,836,708	190,734	337,196	189,937	168,202	416,324	1,669	87,973	2,144,039	22,212,099
As at December 31, 2019															
Cost	396,238	178,750	5,060,814	2,008,937	26,517	37,847,464	2,361,160	1,322,796	484,397	749,576	2,647,452	28,287	138,325	2,144,039	55,394,752
Accumulated depreciation	-	(178,750)	(2,919,955)	(706,717)	(26,517)	(23,010,756)	(2,170,426)	(985,600)	(294,460)	(581,374)	(2,231,128)	(26,618)	(50,352)	-	(33,182,653)
Net Book Value	396,238	-	2,140,859	1,302,220	-	14,836,708	190,734	337,196	189,937	168,202	416,324	1,669	87,973	2,144,039	22,212,099
Rate of depreciation in %	-	6.25 to 9.25	5 to 10	5	5	5	20	15	10	20	15 - 33.33	30	20	-	

	Note	2019	2018
		Rs '000	Rs '000
14.1 Depreciation charge has been allocated as follows:			
Cost of sales	28	2,212,357	2,093,326
Distribution cost	29	67,472	66,520
Other expenses		1,972	1,986
Charged to FFBL under Inter Company Services Agreement		5,003	15,320
		2,286,804	2,177,152

14.2 The details of fxed assets sold during the year, having net book value in excess of Rs. 5,000 thousand each are as follows:

	Location of fixed assets sold	Description/ particulars of purchaser	Original cost	Book value	Sale proceeds
			Rs '000	Rs '000	Rs '000
Land	Plot No. 50&50A, Zafar Ali Road, Gulberg V, Lahore, Punjab	Beryllium (Pvt.) Limited	306,345	306,345	421,950

14.3 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	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
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

	2019	2018
	Rs '000	Rs '000
14.4 Capital Work in Progress		
Civil works	68,704	73,652
Plant and machinery (including in transit items)	2,075,335	438,286
	2,144,039	511,938

		Note	2019	2018
			Rs '000	Rs '000
15.	**INTANGIBLE ASSETS**			
	Computer software	15.1	7,562	6,390
	Goodwill	15.2	1,569,234	1,569,234
			1,576,796	1,575,624
15.1	**Computer software**			
	Balance at the beginning		6,390	15,784
	Additions during the year		4,888	1,171
	Amortisation charge for the year		(3,716)	(10,565)
	Balance at the end		7,562	6,390
	Amortisation rate		33 1/3%	33 1/3%
	Amortisation charge has been allocated as follows:			
	Cost of sales	28	2,712	7,683
	Distribution cost	29	1,004	2,882
			3,716	10,565

15.2 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 14.53%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2019	2018
			Rs '000	Rs '000
16.	**LONG TERM INVESTMENTS**			
	Investment held at cost			
	In associated companies (Quoted)			
	Fauji Cement Company Limited (FCCL)	16.1	1,500,000	1,500,000
	Fauji Fertilizer Bin Qasim Limited (FFBL)	16.2	4,658,919	4,658,919
	Askari Bank Limited (AKBL)	16.3	10,461,921	10,461,921
			16,620,840	16,620,840
	In associated company (Unquoted)			
	Thar Energy Limited (TEL)	16.4	2,789,718	1,460,400
	Advance against issue of shares		416,533	–
			3,206,251	1,460,400
	In joint venture (Unquoted)			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	16.5	705,925	705,925
	In subsidiary companies (Unquoted)			
	FFC Energy Limited (FFCEL)	16.6	2,438,250	2,438,250
	Fauji Fresh n Freeze Limited (FFF)			
	Investment at cost		4,835,500	4,835,500
	Less: Impairment loss		(1,100,000)	–
		16.7	3,735,500	4,835,500
			6,173,750	7,273,750
			26,706,766	26,060,915

	Note	2019	2018
		Rs '000	Rs '000
Investments - fair value through other comprehensive income / available for sale			
Term Deposit Receipts - from conventional bank		155,116	117,615
Pakistan Investment Bonds		4,272,285	4,775,643
		4,427,401	4,893,258
		31,134,167	30,954,173
Less: Current portion shown under Short Term Investments - fair value through other comprehensive income / available for sale			
Term Deposit Receipts - from conventional bank		46,178	37,477
Pakistan Investment Bonds		–	4,018,544
	25	46,178	4,056,021
		31,087,989	26,898,152

16.1 Investment in FCCL - at cost

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% (2018: 6.79%) of its share capital as at December 31, 2019.The Company is committed not to dispose off its investment in FCCL without prior consent of FCCL. Market value of the Company's investment as at December 31, 2019 was Rs 1,458,750 thousand (2018: Rs 1,962,188 thousand). FFCL is an associate due to common directorship.

16.2 Investment in FFBL - at cost

Investment in FFBL represents 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% (2018: 49.88%) of FFBL's share capital as at December 31, 2019. Market value of the Company's investment as at December 31, 2019 was Rs 9,094,212 thousand (2018: Rs 17,363,795 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.

16.3 Investment in AKBL - at cost

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2018: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2019 was Rs 10,081,459. thousand (2018: Rs 13,006,931 thousand). Pursuant to an agreement dated October 16, 2014, the Company has agreed to issue to Fauji Foundation (FF), irrecovable 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.

16.4 Investment in TEL - at cost

Investment in TEL represents 278,971 thousand (2018: 146,040) fully paid ordinary shares of Rs 10 each. The Company currently holds 30% shareholding interest in TEL. TEL is a public limited Company. TEL is the subsidiary of the HUB Power Company Limited. The principal activities of TEL are to develop, own, operate and maintain a 1 x 330 MW mine-month coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh.

16.5 Investment in PMP - at cost

The Company has 12.5% (2018: 12.5%) 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, Fauji Foundation (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 PMPs' 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
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
	Dividend 2018 Rs 144,061 thousand
	Interim Dividend 2019 Rs 371,638 thousand
Details of litigations	None
Details of default / breach relating to investment	None
Gain / loss on disposal of investment	Not applicable

16.6 Investment in FFCEL - at cost

FFCEL is presently a wholly owned subsidiary of FFC. Investment in FFCEL represents 243,825 thousand (2018: 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.

16.7 Investment in FFF - at cost

Investment in FFF represents 473,960 thousand (2018: 473,960 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.

The Company management has carried out an impairement analysis of this investment, based on future expected cashflows for the future years and terminal values. The future cash flows have been discounted at weighted average cost of capital of 14.53% per annum and terminal growth rate of 5%. Based on this analysis, management believes that this investment is carried at its recoverable amount in these financial statements.

16.8 Investments at fair value through other comprehensive income (FVTOCI)

Term Deposit Receipts (TDRs)

These represent placement in Term Deposit Receipts with financial institution having tenure from one to five years with returns ranging from 4.49% to 11.83% per annum (2018: 4.49% to 9.02% per annum).

Pakistan Investment Bonds (PIBs)

Pakistan Investment Bonds with 5 and 10 years tenure having aggregate face value of Rs 4,490 thousand are due to mature within a period of 10 years. Profit on fixed rate PIBs is payable on half yearly basis with coupon rates ranging from 8% to 12% per annum and floating rate PIB at weighted average 6 months T bill yield + 0.70%. The Pakistan Investment Bonds are placed with banks as collateral to secure borrowing facilities.

	Note	2019	2018
		Rs '000	Rs '000
17. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives			
Interest bearing		496,725	426,932
Non-interest bearing		392,412	336,262
		889,137	763,194
Other employees			
Interest bearing		437,084	416,844
Non-interest bearing		280,167	302,196
		717,251	719,040
		1,606,388	1,482,234
Less: Amount due within twelve months, shown			
under current loans and advances	22		
Interest bearing		178,937	163,602
Non-interest bearing		227,414	204,778
		406,351	368,380
		1,200,037	1,113,854

17.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2019 Total	2018 Total
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1	763,194	719,040	1,482,234	1,309,671
Adjustment	111,708	(111,708)	–	–
Disbursements	291,790	330,078	621,868	647,986
	1,166,692	937,410	2,104,102	1,957,657
Repayments	(277,555)	(220,159)	(497,714)	(475,423)
Balance at December 31	889,137	717,251	1,606,388	1,482,234

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 981,214 thousand (2018: Rs 805,865 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.

17.2 Loans and advances to employees exceeding Rs 1 million

	2019		2018	
Category	No. of employees	Amount	No. of employees	Amount
		Rs '000		Rs '000
Rs 1 million to Rs 2 million	248	358,528	261	382,556
Exceeding Rs 2 million upto Rs 3 million	86	213,982	57	137,702
Exceeding Rs 3 million upto Rs 5 million	66	250,101	64	244,580
Exceeding Rs 5 million upto Rs 10 million	63	452,513	60	443,706
Exceeding Rs 10 million upto Rs 25 million	10	106,841	4	42,647
	473	1,381,965	446	1,251,191

	Note	2019	2018
		Rs '000	Rs '000
18. LONG TERM DEPOSITS AND PREPAYMENTS			
Non-interest bearing deposits		12,378	12,378
Prepayments		–	1,226
		12,378	13,604
19. STORES, SPARES AND LOOSE TOOLS			
Stores		182,008	126,858
Spares		3,652,237	3,425,887
Provision for slow moving spares	19.1	(532,923)	(520,619)
		3,119,314	2,905,268
Loose tools		2	56
Items in transit		509,345	441,669
		3,810,669	3,473,851

		Note	2019	2018
			Rs '000	Rs '000
19.1	**Movement of provision for slow moving spares**			
	Balance at the beginning		520,619	473,116
	Provision during the year		12,304	47,503
	Balance at the end		532,923	520,619
20.	**STOCK IN TRADE**			
	Raw materials		150,222	244,356
	Work in process		121,802	138,583
	Finished goods			
	Manufactured urea		674,520	63,177
	Purchased fertilizer		5,848,830	12,232,451
			6,523,350	12,295,628
	Stock in transit		–	253,147
			6,795,374	12,931,714
21.	**TRADE DEBTS**			
	Considered good:			
	Secured	21.1	13,460,069	3,640,274
	Unsecured		–	38,424
	Considered doubtful		1,758	1,758
			13,461,827	3,680,456
	Loss allowance		(1,758)	(1,758)
			13,460,069	3,678,698

21.1 These debts are secured by way of bank guarantees.

		Note	2019	2018
			Rs '000	Rs '000
22.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	17	406,351	368,380
	Loans and advances to employees - unsecured			
	- considered good, non-interest bearing			
	Executives		58,887	16,960
	Others		29,414	10,136
	Advance to subsidiary company - interest bearing			
	FFC Energy Limited (FFCEL)	22.1	55,279	55,279
	Fauji Fresh n Freeze Limited (FFF)	22.2	901,134	527,071
	Advances to suppliers - considered good		344,071	82,272
			1,795,136	1,060,098

22.1 This represents aggregate unsecured advance to, FFC Energy Limited (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 88,766 thousand (2018: Rs 171,261 thousand).

22.2 This represents aggregate unsecured advance to, Fauji Fresh n Freeze Limited (FFF), 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 + 1.00%. The maximum outstanding amount at the end of any month during the year was Rs 1,000,000 thousand (2018: 1,000,000 thousand).

22.3 Loans and advances to employees exceeding Rs 1 million:

	2019		2018	
Category	No. of employees	Amount	No. of employees	Amount
		Rs '000		Rs '000
Rs 1 million to Rs 2 million	5	7,445	7	8,535
Exceeding Rs 2 million upto Rs 3 million	3	5,076	1	2,049
Exceeding Rs 3 million upto Rs 5 million	2	53,348	–	–
	10	65,869	8	10,584

	Note	2019	2018
		Rs '000	Rs '000
23. DEPOSITS AND PREPAYMENTS			
Non-interest bearing deposits		914	944
Prepayments		49,669	80,727
		50,583	81,671
24. OTHER RECEIVABLES			
Accrued income on investments and bank deposits:			
Pakistan Investment Bonds		148,894	248,211
Conventional banks		15,063	103,426
Islamic banks		10	2
Subsidiaries - conventional		359,264	226,576
Sales tax receivable		9,921,467	7,458,570
Advance tax	24.1	322,368	322,368
Subsidy receivable from Government agencies	24.2	6,961,878	6,961,878
Dividend receivable		–	448,842
Receivable from Workers' Profit Participation			
Fund - unsecured		127,883	82,897
Receivable from subsidiary companies	24.3		
FFC Energy Limited - unsecured		147,582	61,888
Fauji Fresh n Freeze Limited - unsecured		–	6,030
Receivable from Fauji Fertilizer Bin Qasim			
Limited - unsecured	24.3	322,097	358,024
Other receivables		119,129	238,663
Loss allowance		(792,404)	(792,404)
		17,653,231	15,724,971

24.1 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 finalisation of pending re-assessments by the taxation authorities.

24.2 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.

24.3 The maximum amount of receivable from FFCEL, FFF and FFBL during the year was Rs 147,582 thousand (2018: Rs 82,176 thousand), Rs 6,030 thousand (2018: Rs 10,024 thousand) and Rs 9,361 thousand (2018: Rs 358,024 thousand) respectively.

	Note	2019 Rs '000	2018 Rs '000
25. SHORT TERM INVESTMENTS			
Amortised cost - conventional investments			
Term deposits with banks and financial institutions	25.1		
Local currency (Net of provision for doubtful recovery			
Rs 2,600 thousand (2018: Rs 2,600 thousand)		3,000,000	26,250,000
Foreign currency		2,115,339	1,981,235
		5,115,339	28,231,235
Investments at fair value through profit or loss			
Conventional investments		37,375,252	22,107,947
Shariah compliant investments		5,503,701	190,401
	25.2	42,878,953	22,298,348
Current maturity of long term investments			
Fair value through other comprehensive			
income / Available for sale	16	46,178	4,056,021
		48,040,470	54,585,604

25.1 These represent investments having maturities ranging between 1 to 9 months and are being carried at ammortised cost.

25.2 Fair values of these investments are determined using quoted repurchase price.

	Note	2019 Rs '000	2018 Rs '000
26. CASH AND BANK BALANCES			
At banks			
Local Currency			
Current Account - Conventional banking		455,291	843,604
Current Account - Islamic banking		22,506	81,707
Deposit Account - Conventional banking	26.1	465,415	471,407
Deposit Account - Islamic banking	26.2	6,940	59
		950,152	1,396,777
Foreign Currency			
Deposit Account (US$ 1,179,426 ; 2018: US$ 65)		182,634	9
	26.3	1,132,786	1,396,786
Cash in transit	26.4	4,562,193	2,419,646
Cash in hand		50	1,565
		5,695,029	3,817,997

26.1 Balances with banks carry markup ranging from 11.25% to 12.40% (2018:8.00% to 9.25%) per annum.

26.2 Balances with banks carry profit ranging from 3.00% to 7.19% (2018: 2.75% to 3.35%) per annum.

26.3 Balances with banks include Rs 167,738 thousand (2018: Rs 166,971 thousand) in respect of security deposits received.

26.4 These represent demand drafts held by the Company at year end.

		Note	2019	2018
			Rs '000	Rs '000
27.	**TURNOVER**			
	Manufactured urea - local		90,223,760	76,462,673
	Purchased and packaged fertilizers		18,325,228	32,930,082
			108,548,988	109,392,755
	Sales tax		(2,173,935)	(3,381,261)
	Trade discount		(591,640)	(47,023)
			(2,765,575)	(3,428,284)
			105,783,413	105,964,471
28.	**COST OF SALES**			
	Raw materials consumed		32,874,568	26,841,717
	Fuel and power		13,035,177	9,615,648
	Chemicals and supplies		487,768	424,267
	Salaries, wages and benefits		7,493,214	6,846,803
	Training and employees welfare		1,010,590	921,936
	Rent, rates and taxes		21,524	30,354
	Insurance		233,093	188,296
	Travel and conveyance		430,774	384,929
	Repairs and maintenance (includes stores and spares consumed of Rs 580,358 thousand; (2018: Rs 464,927 thousand)		1,804,468	1,530,383
	Depreciation	14.1	2,212,357	2,093,326
	Amortisation	15.1	2,712	7,683
	Communication and other expenses	28.1	1,661,588	2,506,551
			61,267,833	51,391,893
	Opening stock - work in process		138,583	139,292
	Closing stock - work in process		(121,802)	(138,583)
			16,781	709
	Cost of goods manufactured		61,284,614	51,392,602
	Opening stock - manufactured urea		63,177	143,806
	Closing stock - manufactured urea		(674,520)	(63,177)
			(611,343)	80,629
	Cost of sales - manufactured urea		60,673,271	51,473,231
	Opening stock - purchased fertilizers		12,232,451	–
	Purchase of fertilizers for resale		7,989,170	38,745,106
	Closing stock - purchased fertilizers		(5,848,830)	(12,232,451)
	Cost of sales - purchased fertilizers		14,372,791	26,512,655
			75,046,062	77,985,886

28.1 This includes provision for slow moving spares amounting to Rs 12,304 thousand (2018: Rs 47,503 thousand).

	Note	2019	2018
		Rs '000	Rs '000
29. DISTRIBUTION COST			
Product transportation		4,953,353	5,781,767
Salaries, wages and benefits		2,081,469	1,932,825
Training and employees welfare		141,505	132,807
Rent, rates and taxes		236,587	180,983
Technical services to farmers		9,257	8,593
Travel and conveyance		186,451	174,438
Sale promotion and advertising		167,012	184,153
Communication and other expenses		271,284	200,864
Warehousing expenses		173,019	167,658
Depreciation	14.1	67,472	66,520
Amortisation	15.1	1,004	2,882
		8,288,413	8,833,490
30. FINANCE COST			
Mark-up / profit on long term borrowings			
Conventional banking		1,415,251	1,253,339
Islamic banking		107,504	143,406
		1,522,755	1,396,745
Mark-up / profit on short term borrowings			
Conventional banking		902,800	182,817
Islamic banking		46,294	32,875
		949,094	215,692
Bank and other charges		5,261	24,539
		2,477,110	1,636,976
31. OTHER EXPENSES			
Research and development		588,405	659,835
Impairment - Fauji Fresh n Freeze Limited		1,100,000	–
Workers' Profit Participation Fund		1,272,428	1,042,414
Workers' Welfare Fund		422,608	403,627
Auditors' remuneration			
Audit fee		1,975	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		1,945	899
Taxation services		21,566	–
Out of pocket expenses		500	160
		25,986	2,709
		3,409,427	2,108,585

		Note	2019 Rs '000	2018 Rs '000
32.	**OTHER INCOME**			
	Government subsidy	32.1	–	2,400,358
	Income from financial assets			
	Income on loans, deposits and investments in:			
	Pakistan Investment Bonds		417,436	657,996
	Conventional banks		1,200,162	648,172
	Islamic banks		370	44
	Subsidiary companies - conventional		132,668	69,605
	Gain / (loss) on re-measurement of investments classified as fair value through profit or loss on:			
	Conventional mutual funds		386,728	439,061
	Shariah compliant mutual funds		12,865	(10,694)
	Dividend income on:			
	Conventional mutual funds		2,575,974	193,235
	Shariah compliant mutual funds		86,368	–
	Exchange gain on foreign currency balances		235,615	399,390
			5,048,186	2,396,809
	Income from subsidiary companies			
	Dividend from FFCEL		–	304,781
	Income from associated companies			
	Dividend from FFBL		465,892	349,419
	Dividend from FCCL		140,625	187,500
	Dividend from AKBL		543,768	–
	Dividend from PMP		371,638	406,612
			1,521,923	943,531
	Income from non financial assets			
	Gain on disposal of property, plant and equipment		152,729	16,772
	Commission on sale of FFBL products		23,920	24,970
			176,649	41,742
	Other income			
	Scrap sales		172,329	41,113
	Others		272,002	154,717
			444,331	195,830
			7,191,089	6,283,051

32.1 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.

	2019	2018
	Rs '000	Rs '000
33. PROVISION FOR TAXATION		
Current tax	6,793,000	6,866,000
Prior year	261,000	452,000
Deferred tax	(411,000)	(74,000)
	6,643,000	7,244,000
33.1 Reconciliation between tax expense and accounting profit		
Profit before tax	23,753,490	21,682,585

	2019	2018
	%	%
Applicable tax rate	29.00	29.00
Tax effect of income that is exempt or taxable at reduced rates	(2.60)	(1.06)
Effect of change in tax laws	–	4.71
Prior year charge	1.10	2.08
Others	0.47	(1.32)
Average effective tax rate charged on income	27.97	33.41

33.2 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 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, 2019, which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended December 31, 2019.

33.3 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 349,766 thousand (2018: Rs 273,000 thousand) equivalent to the tax value of the loss acquired.

	2019	2018
34. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees '000)	17,110,490	14,438,585
Weighted average number of shares in issue (Number '000)	1,272,238	1,272,238
Basic and diluted earnings per share (Rupees)	13.45	11.35

There is no dilutive effect on the basic earnings per share of the Company.

35. 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:

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	7,783	1,487,443	7,915	1,353,075
Contribution to provident fund	538	93,407	542	84,995
Bonus and other awards	3,220	–	2,783	–
Good performance award	–	1,584,187	–	1,458,366
Allowances and contribution to retirement benefit plans	7,349	1,278,492	9,030	1,186,791
Total	18,890	4,443,529	20,270	4,083,227
No. of person(s)	1	368	1	339

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 Nil thousand (2018: Rs 4,431) and Rs 49,754 thousand (2018: Rs 57,380 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 (2018: Rs 1,200 thousand) during the year.

In addition, 17 (2018: 18) directors were paid aggregate fee of Rs 6,325 thousand (2018: Rs 6,075 thousand). Directors are not paid any remuneration except meeting fee.

36. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		Equity	
	Long term borrowings	Lease liabilities	Unappropriated profit	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2019	15,821,491	–	20,522,513	36,344,004
Changes from financing cash flows				
Draw-downs	2,600,000	–	–	2,600,000
Repayments	(7,237,741)	–	–	(7,237,741)
Repayment of lease liability	–	(33,381)	–	(33,381)
Dividend paid	–	–	(14,664,464)	(14,664,464)
Total changes from financing cash flows	(4,637,741)	(33,381)	(14,664,464)	(19,335,586)
Other changes				
Liability related	–	–	–	–
Equity related				
Total comprehensive income for the year	–	–	16,750,884	16,750,884
Change in unclaimed dividend	–	–	97,336	97,336
Total liability and equity related other changes	–	–	16,848,220	16,848,220
Balance at December 31, 2019	11,183,750	(33,381)	22,706,269	33,856,638

	Liabilities		Equity	
	Long term borrowings	Lease liabilities	Unappropriated profit	Total
	Rs '000	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	–	–	14,144,861	14,144,861
Change in unclaimed dividend	–	–	(201,492)	(201,492)
Total liability and equity related other changes	–	–	13,943,369	13,943,369
Balance at December 31, 2018	15,821,491	–	20,207,040	36,028,531

	2019	2018
	Rs '000	Rs '000
37. CASH GENERATED FROM OPERATIONS		
Profit before tax	23,753,490	21,682,585
Adjustments for:		
Depreciation	2,281,801	2,161,832
Amortization	3,716	10,565
Impairment loss on investment in subsidiary	1,100,000	–
Provision for slow moving spares	12,304	47,503
Loss allowance	–	790,172
Finance cost	2,477,110	1,648,650
Income on loans, deposits and investments	(1,750,636)	(1,407,393)
Gain on re-measurement of investments classified at fair value through profit or loss	(399,593)	(428,367)
Dividend income	(1,521,923)	(1,248,312)
Exchange gain	(235,615)	(411,064)
Gain on disposal of property, plant and equipment	(152,729)	(16,772)
Government subsidy on sale of fertilizer	–	(2,400,358)
	1,814,435	(1,253,544)
	25,567,925	20,429,041
Changes in working capital		
(Increase) / decrease in current assets:		
Stores and spares	(349,122)	(25,237)
Stock in trade	6,136,340	(12,536,601)
Trade debts	(9,781,371)	42,889
Loans and advances	(735,038)	573,818
Deposits and prepayments	31,088	(3,879)
Other receivables	(2,427,083)	(2,030,652)
Increase in current liabilities:		
Trade and other payables	15,042,058	21,839,935
	7,916,872	7,860,273
Changes in long term loans and advances	(86,183)	(147,895)
Changes in long term deposits and prepayments	1,226	292
Changes in deferred liabilities	241,904	90,161
	33,641,744	28,231,872

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 Financial instruments by category

December 31, 2019

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Financial assets				
Maturity up to one year				
Trade debts - net of loss allowance	13,460,069	–	–	13,460,069
Loans and advances	1,451,065	–	–	1,451,065
Deposits	914	–	–	914
Other receivables	1,112,037	–	–	1,112,037
Short term investments	5,115,339	42,878,953	46,178	48,040,470
Cash and bank balances	5,695,029	–	–	5,695,029
Maturity after one year				
Long term investments	108,938	–	4,381,223	4,490,161
Long term loans and advances	1,200,037	–	–	1,200,037
Long term deposits	12,378	–	–	12,378
	28,155,806	42,878,953	4,427,401	75,462,160

	Fair value through profit or loss	Amortised cost	Total
	Rs '000	Rs '000	Rs '000
Financial liabilities			
Maturity up to one year			
Trade and other payables	-	72,505,914	72,505,914
Markup and profit accrued	-	676,361	676,361
Short term borrowings	-	21,802,954	21,802,954
Unclaimed dividend	-	541,447	541,447
Current portion of long term borrowings	-	4,711,250	4,711,250
Current portion of lease liabilities	-	42,581	42,581
Maturity after one year			
Long term borrowings	-	6,472,500	6,472,500
Lease liabilities	-	62,360	62,360
Provision for compensated leave absences	-	1,802,246	1,802,246
	-	108,617,613	108,617,613

December 31, 2018

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Financial assets				
Maturity up to one year				
Trade debts - net of loss allowance	3,678,698	–	–	3,678,698
Loans and advances	977,826	–	–	977,826
Deposits	944	–	–	944
Other receivables	1,242,820	–	–	1,242,820
Short term investments	28,231,235	22,298,348	4,018,544	54,548,127
Cash and bank balances	3,817,997	–	–	3,817,997
Maturity after one year				
Long term investments	80,138	–	837,237	917,375
Long term loans and advances	1,113,854	–	–	1,113,854
Long term deposits	12,378	–	–	12,378
	39,155,890	22,298,348	4,855,781	66,310,019

	Fair value through profit or loss	Amortised cost	Total
	Rs '000	Rs '000	Rs '000
Financial liabilities			
Maturity up to one year			
Trade and other payables	–	50,928,630	50,928,630
Markup and profit accrued	–	300,574	300,574
Short term borrowings	–	28,526,484	28,526,484
Unclaimed dividend	–	638,783	638,783
Current portion of long term borrowings	–	7,237,742	7,237,742
Maturity after one year			
Long term borrowings	–	8,583,749	8,583,749
Provision for compensated leave absences	–	1,560,942	1,560,942
	–	97,776,904	97,776,904

38.2 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 VIS Credit Rating Company Limited (formerly 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	2019	2018
			Rs '000	Rs '000
Trade Debts				
Counterparties without external credit ratings				
Existing customers with no default in the past			13,460,069	3,678,698
Loans and advances				
Counterparties without external credit ratings				
Loans and advances to employees			494,652	395,476
Loan to subsidiary company			956,413	582,350
			1,451,065	977,826
Deposits				
Counterparties without external credit ratings				
Others			914	944
Other receivables				
Counterparties with external credit ratings		A1+ / A-1+		
		A1 / A-3	163,967	351,639
Counterparties without external credit ratings				
Balances with related parties			828,943	652,518
Others			119,129	238,663
			1,112,039	1,242,820
Short term investments				
Counterparties with external credit ratings		A1+ / A-1+	5,161,517	27,268,713
		A1 / A-1	–	1,000,000
		AM1	12,885,766	6,788,121
		AM2++/AM2+/AM2	29,993,187	15,510,227
Counterparties without external credit ratings	38.2.1		–	4,018,543
			48,040,470	54,585,604
Bank balances				
Counterparties with external credit ratings		A1+ / A-1+ / P-1	1,132,714	1,396,723
		A1 / A-1	55	54
		A-2	15	7
		A-3	2	2
			1,132,786	1,396,786
Long term investments				
Counterparties with external credit ratings		AA+	108,938	80,138
Counterparties without external credit ratings	38.2.1		4,272,285	757,099
			4,381,223	837,237

38.2.1 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

	2019	2018
Long term loans and advances		
Counterparties without external credit ratings	1,200,037	1,113,854
Long term deposits		
Counterparties without external credit ratings	12,378	12,378

38.3 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:

	2019	2018
	Rs '000	Rs '000
Long term investments	4,381,223	4,056,021
Loans and advances	2,651,102	2,091,680
Deposits	12,378	12,378
Trade debts - net of provision	13,460,069	3,678,698
Other receivables	1,112,037	1,242,820
Short term investments - net of provision	48,040,470	54,585,604
Bank balances	5,694,974	3,816,432
	75,352,253	69,483,633

Geographically, there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the Country.

The Company's most significant amount receivable is from Asset Management Company which amounts to Rs 6,236,710 thousand (2018: Rs 16,000,000 thousand from two banks amounting to Rs 8,000,000 thousand each). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 13,460,069 thousand (2018: Rs 3,640,232 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 counter parties 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:

	2019		2018	
	Gross	Impairment	Gross	Impairment
	Rs '000		Rs '000	
Not yet due	13,043,362	–	3,603,141	–
Past due 1-30 days	416,707	–	71,640	–
Past due 31-60 days	–	–	3,875	–
Past due 61-90 days	–	–	42	–
Over 90 days	1,758	1,758	1,758	1,758
	13,461,827	1,758	3,680,456	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 manage 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 ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company monitors rolling forecasts of the liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet the cash flow requirements and maintaining the debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

	Carrying amount	Within 1 year	1 to 5 years	More than 5 years
		Contractual Amount		
	Rs '000	Rs '000	Rs '000	Rs '000
December 31, 2019				
Long term borrowings and accrued interest	11,396,671	6,076,786	7,924,121	–
Trade and other payables	72,505,914	72,505,914	–	–
Unclaimed dividend	541,447	541,447	–	–
Short term borrowings and accrued interest	22,266,394	22,266,394	–	–
Provision for compensated leave absences	1,802,246	–	1,802,246	–
	108,512,672	101,390,541	9,726,367	–
December 31, 2018				
Long term borrowings and accrued interest	16,019,472	8,913,541	10,052,638	–
Trade and other payables	50,928,630	50,928,630	–	–
Unclaimed dividend	638,783	638,783	–	–
Short term borrowings and accrued interest	28,629,077	28,629,077	–	–
Provision for compensated leave absences	1,560,942	–	1,560,942	–
	97,776,904	89,110,031	11,613,580	–

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:

	2019		2018	
	Rs '000	USD '000	Rs '000	USD '000
Bank balance	182,634	1,179	9	0.06
Investments (Term Deposit Receipts)	2,115,339	13,661	1,981,235	14,295

The following significant exchange rates applied during the year:

	2019	2018	2019	2018
	Average rate		Reporting date rate	
	Rs	Rs	Rs	Rs
US Dollars	150.73	122.09	154.85	138.60

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit by Rs 229,797 thousand (2018: Rs 198,124 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:

	2019	2018
	Carrying amount	
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	4,427,402	4,893,258
Variable rate instruments		
Financial assets	956,413	582,350
Financial liabilities	32,986,703	44,347,975

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to variations in profit and 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 2018.

	100 basis points increase	100 basis points increase
	Rs '000	Rs '000
December 31, 2019		
Cash flow sensitivity - Variable rate instruments		
Financial assets	10,016	(10,016)
Financial liabilities	(202,268)	202,268
December 31, 2018		
Cash flow sensitivity - Variable rate instruments		
Financial assets	8,896	(8,896)
Financial liabilities	(228,166)	228,166

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 FVTOCI, a 1 percent increase in market price at reporting date would have increased equity by Rs 42,690 thousand (2018: Rs 47,756 thousand); an equal change in the opposite direction would have decreased equity 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 428,790 thousand (2018: Rs 222,983 thousand). The analysis is performed on the same basis for 2018 and assumes that all other variables remain the same.

38.4 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.

38.5 Fair Values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs '000		Rs '000	
Assets carried at amortised cost				
Long term loans and advances	1,200,037	1,200,037	1,113,854	1,113,854
Long term deposits	12,378	12,378	12,378	12,378
Trade debts	13,460,069	13,460,069	3,678,698	3,678,698
Loans and advances	1,451,065	1,451,065	977,826	977,826
Deposits	914	914	944	944
Other receivables	1,112,037	1,112,037	1,242,820	1,242,820
Short term investments	5,115,339	5,115,339	28,231,235	28,231,235
Cash and bank balances	5,695,029	5,695,029	3,817,997	3,817,997
	28,046,868	28,046,868	39,075,752	39,075,752
Assets carried at fair value				
Long term investments	4,272,285	4,272,285	837,237	837,237
Short term investments	42,925,131	42,925,131	26,354,369	26,354,369
	47,197,416	47,197,416	27,191,606	27,191,606

	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
	Rs '000		Rs '000	
Liabilities carried at amortised cost				
Long term borrowings	6,472,500	6,472,500	8,583,749	8,583,749
Provision for compensated leave absences	1,802,246	1,802,246	1,560,942	1,560,942
Trade and other payables	72,505,914	72,505,914	50,928,630	50,928,630
Mark-up and profit accrued	676,361	676,361	300,574	300,574
Short term borrowings	21,802,954	21,802,954	28,526,484	28,526,484
Unclaimed dividend	541,447	541,447	638,783	638,783
Current portion of long-term borrowings	4,711,250	4,711,250	7,237,742	7,237,742
Lease liabilities	104,941	104,941	–	–
	108,617,613	108,617,613	97,776,904	97,776,904

The basis for determining fair values is as follows:

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.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within 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).

	Level 1	Level 2	Level 3
	Rs '000	Rs '000	Rs '000
December 31, 2019			
Assets carried at fair value			
Long term investments - FVTOCI	–	4,272,285	–
Short term investments - FVTPL	42,878,953	–	–
	42,878,953	4,272,285	–
December 31, 2018			
Assets carried at fair value			
Long term investments - AFS	–	4,775,643	–
Short term investments - FVTPL	22,298,348	–	–
	22,298,348	4,775,643	–

38.5.1 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 and loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Investment at fair value through other comprehensive income

Investments at fair value through other comprehensive income are 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 associate and subsidiary

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.

39. RELATED PARTY TRANSACTIONS

39.1 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 Syed Tariq Nadeem Gilani, HI(M) (Retired)	Director	–
Lt Gen Syed Tariq Khan, HI(M) (Retired)	Director	–
Dr. Nadeem Inayat	Director	–
Mr. Per Kristian Bakkerud	Director	0.00001%
Mr. Farhad Shaikh Mohammad	Director	0.16%
Mr. Syed Iqtidar Saeed	Director	–
Maj Gen Naseer Ali Khan HI (M) (Retired)	Director	–
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)	Director	–
Mr. Farrukh Ahmad Hamidi	Director	–
Ms. Maryam Aziz	Director	0.00001%
Mr. Saad Amanullah Khan	Director	0.00004%
Mr. Rehan Laiq	Director	–
Mr. Sher Alam Mehsud	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	–

39.2 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.
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

39.3 Fauji Foundation holds 44.35% (2018: 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. Material 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 17, 22 and 35 to the financial statements respectively.

	2019 Rs '000	2018 Rs '000
HOLDING COMPANY		
Transactions		
Dividend paid	6,460,477	4,485,690
Sale of fertilizers	3,713	4,366
Others	297	16,401
SUBSIDIARY COMPANIES		
Transactions		
Guarantee against loan of subsidiary company	188,833	566,500
Equity investment	–	1,640,000
Sale of fertilizer	11	–
Balances		
Balance receivable	1,463,259	876,844
Dividend receivable	–	304,781

	2019	2018
	Rs '000	Rs '000
ASSOCIATED UNDERTAKINGS / COMPANIES DUE TO COMMON DIRECTORSHIP		
Transactions		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,097,627	1,172,118
Commission on sale of products	23,920	24,970
Payments under consignment account	63,509,855	53,792,729
Purchase of gas as feed and fuel stock	18,934,167	17,806,210
Equity investment	1,329,318	1,460,400
Services and materials provided	10,423	37,466
Services and materials received	1,980	14,769
Donations	95,800	84,691
Interest expense	253,641	35,770
Interest income	13,068	10,664
Dividend income	1,521,923	943,531
Balances		
Dividend receivable	–	144,061
Long term investments	155,116	117,615
Short term borrowings	4,426,551	8,999,317
Bank balance	44,099	774,394
Balance receivable	372,458	368,036
Balance payable	65,751,432	45,756,527
STAFF RETIREMENT FUNDS		
Contributions		
Employees' Provident Fund Trust	457,481	430,041
Employees' Gratuity Fund Trust	218,426	168,507
Employees' Pension Fund Trust	124,559	154,914
Employees' Funds as Dividend on equity holding of 0.15% (2018: 0.15%)	22,470	53,547
Balances		
Balance payable - Gratuity Fund Trust	739,538	525,210
Balance payable - Pension Fund Trust	443,178	204,355

40. NON ADJUSTING EVENTS AFTER REPORTING DATE

The Board of Directors in its meeting held on January 30, 2020 has proposed a final dividend of Rs 3.25 per share.

41. GENERAL

41.1 Production capacity - Urea

	Design capacity		Production	
	2019	2018	2019	2018
	(Tonnes '000)		(Tonnes '000)	
Goth Machhi - Plant I	695	695	830	858
Goth Machhi - Plant II	635	635	821	792
Mirpur Mathelo - Plant III	718	718	841	872
	2,048	2,048	2,492	2,522

41.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of credit and letters of guarantee amounting to Rs 17,930,000 thousand and Rs 4,822,895 thousand (2018: Rs 17,395,000 thousand and Rs 239,293 thousand) respectively are available to the Company against lien on shipping / title documents, US $ Term Deposit Receipts and charge on assets of the Company.Facilities against letter of credit include Rs 4,712,874 thousand limit assigned for issuance of SBLCs in relation to the Company's investment in Thar Energy Limited.

41.3 Donations

Cost of Sales and Distribution Cost include donations amounting to Rs 55,986 thousand (2018: Rs 60,176 thousand) and Rs 39,814 thousand (2018: Rs 24,515 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.

	2019	2018
41.4 Number of employees		
Total number of employees at end of the year	3,457	3,357
Average number of employees for the year	3,379	3,369

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 30, 2020.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

SAY NO TO CORRUPTION

05

Consolidated Financial Statements of the FFC Group along with Chairman's Review on the Group's performance

CONSOLIDATED **FINANCIAL STATEMENTS**

CHAIRMAN'S **REVIEW**

on the Consolidated Financial Statements

Dear Shareholders,

During the year 2019, the Group achieved aggregate sales revenue of Rs 109.82 billion which remained in line with last year despite depressed DAP market conditions, owing to improved urea revenue as well as increase in revenues of subsidiary companies, FFC Energy Limited (FFCEL) and Fauji Fresh n Freeze Limited (FFF).

Our renewable energy project FFCEL recorded 18% growth in sale revenue which stood at Rs 2.99 billion owing to upward tariff revision.

FFCEL recorded net profitability of Rs 1.53 billion with a growth of 39% over last year owing to improved revenues, saving in O&M cost and increased investment income.

Our food project - FFF's French fries brand "OPA!" is now a regular household name with improved market share. Market of frozen fruits & vegetables is also developing but will take some time for customer awareness & substitution preference. Focused marketing efforts are underway to enhance customers' base. New large-scale customers' accounts including retail outlets & restaurants etc. were added during the year resulting in improved FFF revenues and the Board is confident of profitable prospects of the food project in the foreseeable future.

Askari Bank Limited (AKBL) has recorded over 18% growth in net mark-up / interest income by around Rs 2.42 billion during the nine months ended September 30, 2019. The Bank has also registered around 21% improvement in income from non-core business which stood at Rs 5.03 billion. Net profitability during the nine months period stood at Rs 4.38 billion with an increase of around 21% compared to last year.

Fauji Fertilizer Bin Qasim Limited (FFBL) reported consolidated revenues of Rs 81.52 billion with growth of around 5% over last year. However, the cost of sales of Rs 69.14 billion increased by around 9% due to inflationary factors as well as increase in gas price for production of fertilizer. Finance cost also escalated to Rs 9.91 billion compared to Rs 5.21 billion last year, resulting in net consolidated loss of Rs 8.37 billion for FFBL against net consolidated profit of Rs 778 million during 2018.

The share of FFC's returns from associated companies including FFBL reduced to a loss of Rs 379 million against gain of Rs 3.36 billion last year. The consolidated net profitability thus stood at Rs 17.33 billion compared to Rs 16.44 billion recorded in the previous year.

FFC's Board of Directors has proposed final dividend of Rs 3.25 per share, which is in addition to interim distribution of Rs 7.55 per share.

The Boards of Directors of the Group remain committed for devising and implementing multi-faceted strategies to ensure long term prosperity of the Group companies in a sustainable manner, besides facing the challenges in an ever changing business environment with resilience to ensure maximizing the wealth of the Group shareholders.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman
Rawalpindi
January 30, 2020

اشتمال شدہ گوشواروں پر چیئرمین کا جائزہ

معزز حصص داران

سال2019 کے دوران گروپ نے 109.82ارب روپے کی مجموعی فروخت آمدن حاصل کی جوگزشتہ سال DAP مارکیٹ کے مایوس کن حالات کے باوجود پچھلے سال کے تقریباً برابر رہی جس کی وجہ یوریا کی فروخت آمدن میں بہتری اور ساتھ ہی ماتحت کمپنیوں ایف ایف سی انرجی لمیٹڈ اور فوجی فریش این فریز لمیٹڈ کی آمدن میں اضافہ ہوا ہے۔

ہمارے قابل تجدید توانائی کے منصوبے ایف ایف سی انرجی لمیٹڈ نے فروخت آمدن میں18 فیصد اضافہ ریکارڈ کیا جوکہ Tariff میں نظر ثانی کی وجہ سے فروخت آمدن2.99ارب روپے پر رہی۔

پچھلے سال کے مقابلے میں39 فیصد اضافہ کرتے ہوئے O&M لاگت میں بچت اور بڑھتی ہوئی سرمایہ کار آمدن کی وجہ سے ایف ایف سی انرجی لمیٹڈ نے1.53 ارب روپے کا خالص منافع ریکارڈ کیا ہے۔

ہمارے غذائی منصوبے، فوجی فریش این فریز لمیٹڈ کا OPA Fries برانڈ بہتر مارکیٹ شیئر کے ساتھ ساتھ اب ایک جانا پہچانا گھریلو نام بنتا جا رہا ہے۔ منجمد پھل اور سبزیوں کی مارکیٹ ترقی کر رہی ہے لیکن صارفین کی آگاہی اور متبادل ترجیح میں کچھ وقت درکار ہے۔ صارفین کے اعتماد کو بڑھانے کے لئے مرتکز مارکیٹنگ کوششیں جاری ہیں۔ سال کے دوران بڑے پیمانے پر نئے صارفین کی شمولیت بشمول بڑے پرچون Outlet اور ریسٹورانٹ وغیرہ ہوئی جس سے FFF کی آمدنی میں بہتری آئی۔ بورڈ مستقبل میں اس غذائی منصوبے کے منافع بخش امکانات پر پرامید ہے۔

عسکری بینک لمیٹڈ (AKBL) نے30 ستمبر2019 کو ختم ہونے والی نوماہی میں18 فیصد سے زیادہ تقریباً2.42ارب روپے کا خالص مارک اپ / شرح سود آمدن ریکارڈ کیا۔ بینک نے نان کور بزنس سے آمدن میں21 فیصد بہتری لاتے ہوئے 5.03ارب روپے کی آمدن حاصل کی۔ نوماہ کے دوران خالص منافع پچھلے سال کے مقابلے میں21 فیصد کے اضافہ کے ساتھ4.38ارب روپے رہا۔

فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL) کی مشترکہ آمدن گزشتہ سال کے5 فیصد کے اضافے کے ساتھ 81.52 ارب روپے رہی۔ تاہم لاگتِ فروخت، افراطِ زر کے عوامل اور کھاد بنانے کیلئے گیس کی قیمتوں میں اضافہ کی وجہ سے 9 فیصد کے اضافے کے ساتھ 69.14ارب روپے رہی۔ مالیاتی لاگت میں بھی پچھلے سال کے5.21ارب روپے کے مقابلے میں 9.91ارب روپے اضافہ ہوا جس کے نتیجے میں2018 کے دوران 778ملین روپے کے خالص مشترکہ منافع کے برعکس FFBL کو 8.37ارب روپے کا مشترکہ خالص خسارہ ہوا۔

FFC کی منسلک کمپنیوں بشمول FFBL کی آمدنی کا حصہ پچھلے سال کے3.36ارب روپے کے نفع کے برعکس کم ہو کر379ملین روپے کے خسارے پر منتج ہوا۔ اس طرح مجموعی خالص منافع پچھلے سال کے16.44ارب روپے کے مقابلے میں17.33ارب روپے رہا۔

FFC کے بورڈ نے3.25روپے فی حصہ منافع منقسمہ کی سفارش کی ہے۔ جوکہ 7.55روپے فی حصص کے پہلے سے اعلان کردہ عبوری منافع منقسمہ کے علاوہ ہے۔

گروپ کے بورڈ آف ڈائریکٹرز گروپ کمپنیز کی طویل مدتی ترقی کو یقینی بنانے کے لئے پائیدار انداز میں کثیر جہتی حکمت عملی پر عمل درآمد کرانے کے لئے پرعزم ہے۔ اس کے ساتھ ساتھ بدستور بدلتے ہوئے کاروباری ماحول میں چیلنجز کا مقابلہ کرنے کے علاوہ گروپ شیئر ہولڈرز کی دولت کو بڑھانے کے لئے پر یقین ہیں۔

لیفٹیننٹ جنرل سید طارق ندیم گیلانی

ہلال امتیاز (ملٹری) (ریٹائرڈ)

چیئرمین

راولپنڈی

30 جنوری2020

INVESTMENT **TIMELINE**

FFBL
Fauji Fertilizer Bin Qasim Limited

1993
49.88%
Fauji Fertilizer Bin Qasim Limited

PAKMAROC
2004
12.50%
Pak Maroc Phosphore S.A., Morocco

FAUJI CEMENT
2008
6.79%
Fauji Cement Company Limited

FFC ENERGY
2010
100%
FFC Energy Limited

FAUJI Fresh n Freeze
2013
100%
Fresh n Freeze Limited

askaribank
2013
43.15%
Askari Bank Limited

HUBCO
2018
30%
Thar Energy Limited

FINANCIAL PERFORMANCE **OF THE GROUP**

FFC Group consists of the Company and its two wholly owned subsidiary companies in addition to five associated companies.

The wholly owned subsidiary companies include FFC Energy Limited (FFCEL) and Fauji Fresh n Freeze Limited (FFF), whereas the associated and joint venture companies of the Group comprise of:

1. Fauji Fertilizer Bin Qasim Limited (FFBL)
2. Pakistan Maroc Phosphore S.A., Morocco (PMP)
3. Fauji Cement Company Limited (FCCL)
4. Askari Bank Limited (AKBL)
5. Thar Energy Limited (TEL)

Profit or Loss Analysis

The Group recorded aggregate sales revenue of Rs 109.82 billion in line with last year.

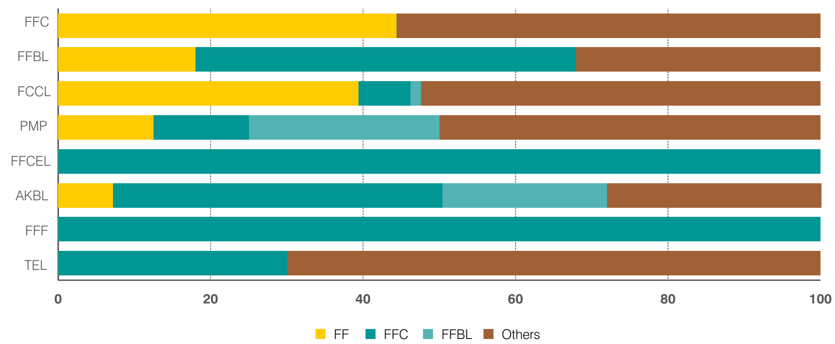
The Group has recorded saving of 4% in cost of sales despite inflationary pressure and increase in gas cost owing to implementation of cost controls and lower marketing of imported DAP during the year.

The gross profitability of the Group stood at Rs 32.78 billion, which improved by 12% compared to Rs 29.15 billion last year.

Administrative and distribution expenses of the Group have reduced by around 7% mainly due to lower imports of fertilizer at Rs 8.87 billion for the year.

Finance cost of the Group was recorded at Rs 3.31 billion, 48% higher as compared to Rs 2.24 billion last year owing to significant increase in interest rates besides

Group Structure / Shareholding
(Percentage)



higher working capital requirements during the year.

The Group has recorded improvement of 114% in the investment income of Rs 5.75 billion compared to Rs 2.70 billion in 2018 due to effective utilization of funds and prevailing high rate of return.

Return from associated companies and joint ventures stood at a loss of Rs 379 million against profit of Rs 3.36 billion last year mainly due to consolidated loss reported by FFBL during the year.

Tax charge of Rs 6.26 billion for the year has decreased by around 14% mainly due to discontinuation of super tax during the year as opposed to last year.

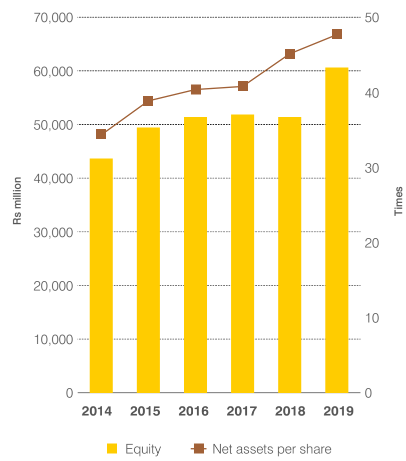
Resultantly, the Group achieved an increase of around 5% in net profit which stood at Rs 17.33 billion.

Associated Companies

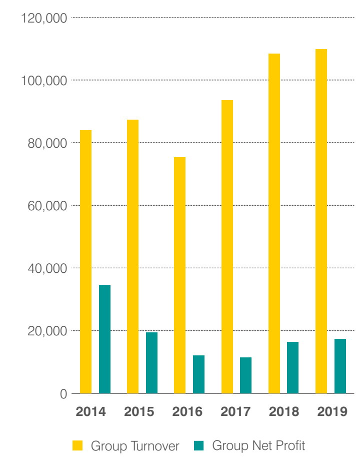
Fauji Fertilizer Bin Qasim Limited (FFBL)

FFBL, a public listed company incorporated in Pakistan, is engaged in the manufacturing of urea and is also the sole Di-Ammonium Phosphate (DAP) fertilizer manufacturer, incorporated as FFC Jordan Fertilizer Company

Group Equity & Net Assets per Share



Group Turnover & Profit
(Rs million)



in 1993 and subsequently restructured as Fauji Fertilizer Bin Qasim Limited (FFBL) in 2003. Its manufacturing complex is located in Bin Qasim, which manufactures Di-Ammonium Phosphate (DAP) and

FINANCIAL PERFORMANCE **OF THE GROUP**

Urea (Granular) fertilizer besides having interests in Banking, Food and Energy sectors.
Fauji Fertilizer Bin Qasim Limited (FFBL) reported consolidated revenues of Rs 81.52 billion with a growth of around 5% over last year. However, the cost of sales of Rs 69.14 billion increased by around 9% due to inflationary factors as well as increase in gas price for production of urea and DAP fertilizers.

Selling & distribution and administrative expenses decreased by around 2%, the operating profit thus stood at Rs 2.86 billion compared to Rs 4.51 billion last year.

Finance cost, however depicted a sharp increase to Rs 9.91 billion compared to Rs 5.21 billion last year and the company thus recorded a loss before taxation of Rs 3.79 billion compared to profit before taxation of Rs 1.37 billion last year.

The tax charge also increased from Rs 591 million in 2018 to Rs 4.58 billion in 2019 and consequently FFBL reported net consolidated loss of Rs 8.37 billion against net consolidated profit of Rs 778 million during 2018.

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 466 million compared to Rs 349 million last year.

Pak Maroc Phosphore S.A., (PMP) – Morocco

PMP was incorporated in 2004 as a private company in Morocco 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 began its activities in 2008 and is engaged in manufacturing and marketing of phosphoric acid, fertilizer and other related products.

The 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 recorded dividend income amounting Rs 372 million during the year, increasing the aggregate return to Rs 930 million against an equity investment of Rs 706 million.

Fauji Cement Company Limited (FCCL)

FCCL, a public limited company, was incorporated in 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 production lines having an annual production capacity of 3.56 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, the company recorded turnover of Rs 4.24 billion registering a decline of 21% over last year while net profit for the period stood at Rs 293 million translating into earnings per share of Rs 0.21.

Askari Bank Limited (AKBL)

FFC acquired 43.15% equity stake in AKBL against an investment of Rs 10.46 billion in 2012. The Bank was incorporated in 1991 as a public limited company and is principally engaged in banking business, operating through a branch network of 517 branches, including 94 Islamic banking branches, 44 sub branches and a wholesale bank branch in the Kingdom of Bahrain.

AKBL has recorded over 18% growth in net mark-up / interest income by around Rs 2.42 billion during the nine months ended September 30, 2019. The Bank has also registered around 21% improvement in income from non-core business which stood at Rs 5.03 billion. Net profitability during the nine months period stood at Rs 4.38 billion with an increase of around 21% compared to last year.

During the current period, the Bank's rating was maintained at AA+ for the long term and A1+ for the short term. The ratings reflect relative position of the Bank, driven by AKBL's strong brand, continued growth trajectory, improvement in net spreads and volumetric increase in earning assets.

Thar Energy Limited (TEL)

Thar Energy Limited, a public limited company, was incorporated in 2016 to develop, own, operate and maintain a 330 MW coal based power project. This project is being developed under CPEC, in collaboration with HUB Power Company Limited and China Machinery Engineering Corporation.

FFC holds 30% equity stake in the company. During the year, the Company injected a further equity stake of Rs 1.33 billion in TEL, increasing the aggregate investment to Rs 2.79 billion.

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 2019, the company recorded an average availability factor of 95%, supplying 114 GWh to the National Grid against benchmark of 144 GWh.

Signifying an increase of 18%, turnover for the year was recorded at Rs 2.99 billion. The Operations & Maintenance takeover was completed in 2019 which resulted in savings of Rs 45 million in operating cost.

The increase in KIBOR escalated the finance cost by Rs 176 million; however, the same factor enabled the company to improve its other income by Rs 81 million. Consequently, the Company recorded net profit of Rs 1.53 billion registering a growth of 39% compared to last year, translating into earnings of Rs 6.28 per share.

The Technical Training Center setup at FFCEL has achieved Accreditation / Certification from Global Wind Organization and apprenticeship training of first batch has successfully been completed during the year.

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, 2019.

Composition of the Board

Names of the Directors:

- Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)
  Chairman
- Lt Gen Tariq Khan, HI(M) (Retired)
  Chief Executive & Managing Director
- Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)
- Mr Muhammad Amir Khan
- Mr Naveed Ahmed Khan
- Brig Naveed Iqbal (Retired)
- Mr Muhammad Iqbal Mir
- Syed Iqtidar Saeed
- Brig Raashid Wali Janjua, SI(M) (Retired)
- Mr Tariq Iqbal Khan
- Mr Rehan Laiq

Casual Vacancies Filled during the Year

Appointed	Resigned	Date of Appointment
Mr Muhammad Amir Khan	Mr Tariq Iqbal Khan	March 14, 2019
Syed Iqtidar Saeed	Brig Raashid Wali Janjua, SI(M) (Retired)	May 01, 2019
Brig Naveed Iqbal (Retired)	Syed Iqtidar Saeed	October 01, 2019
Mr Muhammad Iqbal Mir	Mr Rehan Laiq	October 01, 2019

FINANCIAL CAPITAL

Management objectives

	01 OBJECTIVE	02 OBJECTIVE	03 OBJECTIVE
	Maximized Energy Production	**Cost Optimization**	**Self-reliance in Operations and Maintenance**
Strategy	Enhanced WTG 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	Regular trainings to keep update the technical team for smooth self O&M
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	KPI will remain relevant in future	KPI will remain relevant in the future	Relevant for future as well
Opportunities /Threats	Increased revenue, shareholder's satisfaction / aging plant, weather pattern changes	Increased profitability / Reduced working efficiency	O&M services to other wind farms, Efficient manpower utilization, Foreign exchange saving / Higher administrative and technical work load

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.

Significant changes in objectives & strategies

There were no significant changes during the year which affected our course of action for achievement of these objectives.

Key Risks and Opportunities

Demand of CPPA to impose penalty on forecasting error

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Cost Optimization

Mitigation Measures:

Negotiation with CPPA to avoid penalty (in consultation with legal counsel)

04 OBJECTIVE	05 OBJECTIVE
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 neighboring 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
KPI will remain relevant in the future	KPI will remain relevant in the future
Business diversification / new business risks	CSR objectives meet / Increase in expectations and demands from community

FFCEL's sole customer CPPA may delay payment 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
Regular follow up with CPPA officials for disbursement of funds

Long duration plant shutdown instructions – reduced NPMV

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:
Negotiation with NPCC / CPPA
Compliant with NEPRA
Dispute under EPA

FINANCIAL **CAPITAL**

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:
Comply with OEM recommended scheduled maintenance plan with continuous monitoring and update; based on experience
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 alongwith engagement of O&M services experts as and when needed
Development and updation of maintenance SOPs, safety procedures and regular refresher trainings of maintenance team
Third party technical audit(s)
Ensure appropriate insurance coverage

Demand to participate in competitive whole sale power market

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Community Development, Self-Reliance in O&M

Mitigation Measures:
Seek exemption under tariff / EPA terms

Fluctuation in foreign currency rates

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Cost Optimization

Mitigation Measures:
FFCEL has limited forex exposure by having no investment in foreign currency and foreign component of the tariff is indexed against US$
Any change in exchange rate is mitigated to a great extent by the resultant change in the tariff component

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

Lowering of power curve performance – reduced production

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Maximize Energy Production

Mitigation Measures:

Monitoring and analysis of power curve data

Introduction of newly available technology / techniques for improvement in power curve performance

Non adherence to energy purchase agreement & regulatory framework set by the regulator

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Cost optimization

Mitigation Measures:

Rigorous checks are carried out to prevent any breach

Plant operations malfunctions – reduced availability

Capital	Rating	Type	Nature	Source	Likelihood	Magnitude

Associated objective: Maximize Energy Production, Cost Optimization

Mitigation Measures:

Comply with OEM recommended operational updated manuals, based on experience

Regular refreshing training of operating team on operating manuals

Volatile law and order situation affecting the Country's economy 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 and was acquired by FFC as a wholly owned subsidiary in October 2013. It owns and operates Pakistan's pioneer Individual Quick Freeze (IQF) food processing plant for fruits, vegetables and french-fries.

During the year, FFF recorded turnover amounting Rs 1.04 billion with an increase of 11% compared to last year mainly due to increase in demand of IQF products led by OPA! French Fries besides enhancement of frozen food market.

Focused marketing efforts enabled the company to increase its customer base, where restaurants of international repute as well as top retail outlets of the country have been added in the customer portfolio. Based on encouraging results, FFF is aggressively pursuing further market penetration, but it is expected that it will take some time for customer awareness & substitution preference.

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, 2019.

Composition of the Board

Names of the 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
- Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)
- Mr Afaq A. Tiwana
- Mr Mohammad Munir Malik

Management objectives

	01 OBJECTIVE	02 OBJECTIVE	03 OBJECTIVE
	Retain market leadership in par fried french-fries and IQF F&V	**Technological excellence and backward Supply Chain integration of agriculture practices**	**To become top of mind brand**
Strategy	Retain market share. Increase market penetration. Ensure availability of products at all potential outlets. Inundate all potential towns	Stay abreast of technological developments and continuously upgrade production facilities to maximize efficiency viz-a-viz focused development on agri practices for backward Supply Chain integration	Appropriate and effective communication to the potential consumers through optimum marketing mix
Nature	Long-term	Long-term	Medium-term
Priority	High	High	High
Resources allocated	Financial capital, human capital, manufactured capital	Financial capital, human capital, manufactured capital, intellectual capital	Financial capital, human capital, intellectual capital
KPI Monitored	Market share indexing	Monitoring Overall Equipment Effectiveness (OEE) & development of potato for premium quality french-fries	Market indexing, market research and insight, expert independent evaluation
Status	Ongoing	Ongoing	Ongoing
Future relevance of KPI	The current KPI is relevant for future as well	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	Lagging in technology render the products of inferior and compromised quality and non-competitive on cost aspects thereby eroding market share. Premium quality french-fries can substitute imported competition	In-case of lack of continued and appropriate communication the consumers switch to alternate products

- Mr Rehan Laiq
- Maj Gen Wasim Sadiq, HI(M) (Retired)
- Mr Muhammad Amir Khan
- Mr Muhammad Ali Gulfaraz

Casual Vacancies Filled During the Year

Appointed	Resigned	Date of Appointment
Maj Gen Wasim Sadiq, HI(M) (Retired)	Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)	February 28, 2019
Mr Muhammad Amir Khan	Mr Rehan Laiq	October 1, 2019
Mr Muhammad Ali Gulfaraz	Dr Nadeem Inayat	January 9, 2020

Corporate Strategy

Consolidate market leadership in IQF fruits, vegetables and french-fries category 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 and Strategies

FFF has re-aligned its strategy concentrating on domestic market and focus on french-fries followed by IQF fruits & vegetables.

04 OBJECTIVE	05 OBJECTIVE	06 OBJECTIVE
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 french-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 maximizing 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	Medium-term	Short-term
High	High	High
Financial capital, human capital, manufactured capital, intellectual capital	Intellectual capital	Intellectual capital, financial capital
Monitoring of quality throughout supply chain Annual Renewal of food safety and quality certifications	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	The KPI is relevant for future as well
Product of inferior and compromised quality are non-competitive and eroding market share	Lack of cost control erode margins and render the products non-competitive	May face liquidity risk due to growth phase. Financial indicator 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

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.

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.

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 maximizing 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.

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 ensure 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 french-fries with higher dry matter content.

Adequacy of Internal Financial Controls

Boards of the respective 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, review on quarterly basis, the effectiveness and adequacy of the internal control frameworks and financial statements of respective companies.

Profit Distribution & Reserve Analysis

The Group carried consolidated reserves of Rs 56.66 billion at the start of the year, of which, final dividend of Rs 4.96 billion was approved by the shareholders for 2018. During 2019, the Group earned net profit of Rs 17.33 billion and declared three interim dividends aggregating to Rs 9.61 billion translating to Rs 7.55 per share. The aggregate reserves at the end of 2019 stood at Rs 59.47 billion as detailed in the 'Appropriations' table:

Appropriations	Rs in million	Rs per share
Opening Reserves	**56,664**	
Final Dividend 2018	(4,962)	3.90
Net Profit 2019	17,334	13.62
Other Comprehensive Income	35	
Available for appropriations	**69,071**	
Appropriations		
First Interim Dividend 2019	(3,180)	2.50
Second Interim Dividend 2019	(3,626)	2.85
Third Interim Dividend 2019	(2,799)	2.20
Closing Reserves	**59,466**	

Subsequent Events

The Board of Directors of FFC in its meeting held on January 30, 2020 is pleased to recommend a final cash dividend of Rs 3.25 per share i.e. 32.50% for the year ended 2019, for shareholders' approval taking the total payout for the year to Rs 10.80 per share i.e. a payout of 108%. 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 30, 2020

مالیاتی سرمایہ

اندرونی مالیاتی ضوابط کی موزونیت
(Adequacy of Internal Financial Controls)

ذیلی کمپنیوں کے متعلقہ بورڈز نے اندرونی مالیاتی ضوابط کا ایک مستعد اور مؤثر نظام وضع کیا ہے ۔ان مالیاتی ضوابط کی نگرانی ایک آزاد اندرونی محاسب شعبہ(Internal Audit Function) باقاعدگی کے ساتھ کرتا ہے جو کہ بلاواسطہ متعلقہ آڈٹ کمیٹی کو جوابدہ ہے۔کمپنیوں کی آڈٹ کمیٹیاں، سہ ماہی بنیادوں پر، متعلقہ کمپنیوں کے مالیاتی گوشواروں اور اندرونی ضوابط کے نظام کے مؤثر ہونے کا تجزیہ کرتی ہے۔

منافع کی تقسیم اور ذخائر کا تجزیہ
(Profit Distribution & Reserve Analysis)

سال کے شروع میں گروپ کے ذخائر 56.66 ارب روپے تھے جس میں سے حصہ داروں نے 4.96 ارب روپے سال 2018 کے حتمی منافع منقسمہ کے لیے منظور کیے۔سال 2019 کے دوران گروپ نے 17.33 ارب روپے کا خالص منافع کمایا اور مجموعی طور پر 9.61 ارب روپے کے تین عبوری منافع منقسمہ کا اعلان کیا جو کہ 7.55 روپے فی حصہ بنتے ہیں۔سال 2019 کے اختتام پر مجموعی ذخائر کی مالیت 59.47 ارب روپے تھی جیسا کہ تفصیل نیچے 'Appropriations Table' میں دی گئی ہے۔

منافع کی تقسیم	ملین روپے	فی حصہ روپے
ابتدائی ذخائر	56,664	
حتمی منافع منقسمہ 2018	(4,962)	3.90
خالص منافع 2019	17,334	13.62
دیگر Comprehensive آمدن	35	
تقسیم کے لیے میسر منافع	**69,071**	
منافع کی تقسیم		
پہلا عبوری منافع منقسمہ 2019	(3,180)	2.50
دوسرا عبوری منافع منقسمہ 2019	(3,626)	2.85
تیسرا عبوری منافع منقسمہ 2019	(2,799)	2.20
اختتامی ذخائر	**59,466**	

واقعات مابعد
(Subsequent Events)

بورڈ آف ڈائریکٹرز نے 30 جنوری 2020 کو منعقدہ اجلاس میں اپنے حصہ داروں کے لیے سال 2019 کے لیے 3.25 روپے فی حصہ حتمی منافع منقسمہ کی سفارش کی ہے۔اس طرح سال 2019 کے لیے مجموعی ادائیگی 10.80 روپے فی حصہ 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۔

لیفٹیننٹ جنرل سید طارق ندیم گیلانی
ہلال امتیاز (ملٹری)، (ریٹائرڈ)
چیئرمین

لیفٹیننٹ جنرل طارق خان
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو مینجنگ ڈائریکٹر

راولپنڈی
30 جنوری 2020

آنکھ اوجھل پہاڑ اوجھل

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف پسندیدہ ترین برانڈ بننا

تخفیفی اقدامات مصنوعات کے بہترین امتزاج کے ذریعے ممکنہ صارفین سے مناسب اور مؤثر رابطہ

مسابقتی مارکیٹ میں تکنیکی مہارت میں پیچھے رہ جانے کے باعث مصنوعات کا متروک ہوجانا

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف بہترین ٹیکنالوجی

تخفیفی اقدامات تکنیکی ٹیم ٹیکنالوجی کی جدت اور دنیا کے بہترین اداروں کے طریقہ کار سے اچھی طرح آگاہ رہتی ہے۔ ٹیکنالوجی اور بہترین طریقوں سے اعلیٰ معیار کی مصنوعات کو مسابقتی قیمتوں پر یقینی بنایا جاسکتا ہے

غیر معیاری مصنوعات صارفین کے اعتماد کو ختم کر دیتی ہیں

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف صارفین کو بہترین معیار کی مصنوعات کی فراہمی، صارفین کی مرکزیت

تخفیفی اقدامات کوالٹی کنٹرول کا بااختیار شعبہ، مصنوعات کی بہتری کی مسلسل کوشش، زرعی تحقیق اور ترقی تا کہ آلو کی ایسی اقسام تیار کی جاسکیں جو کہ زیادہ عرصہ تک خشک رہنے والے عمدہ فرنچ فرائز فراہم کر سکیں

لاگت پر قابو میں کمی سے مصنوعات مسابقتی ماحول میں مقابلہ کرنے کے قابل نہیں رہتیں

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف لاگت کو کم کرنے کے لیے مؤثر اقدامات

تخفیفی اقدامات مسلسل کوششوں سے آپریشنل لاگت کو کم کرنا اور مارکیٹ کے حالات کا جائزہ لے کر بہتر قیمت وصول کرنا۔ پائیدار شراکت داری کو یقینی بنانے کے لئے تمام کاروباری شراکت داروں اور تقسیم کاروں کا مؤثر کردار۔ پیداوار کے ضیاع پر قابو پا کر مصنوعات کی پیداواری لاگت میں کمی۔ جدید ٹیکنالوجی کے ذریعے ضیاع پر قابو پایا جاسکتا ہے۔

مالی ذمہ داریوں کی ادائیگی کے لیے ناکافی نقدی جو کہ Liquidity کے مسائل پیدا کردے

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف عمدہ مالی حالت اور پائیدار عملیات

تخفیفی اقدامات Parent کمپنی کی مالی طاقت اور کاروباری ساکھ مشکل حالات سے نکالنے کے لیے کمپنی کی معاونت کرے گی

نمایاں خطرات اور مواقع

غیر ملکی کرنسی کی قیمتوں میں اتار چڑھاؤ

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ 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 ریٹ میں کوئی تبدیلی ٹیرف کے ریٹ میں ہونے والی تبدیلی سے بہت حد تک ختم ہو جاتی ہے۔

امن و امان 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

منسلکہ ہدف منافع کو بڑھانے اور مستقل اقتصادی ترقی کے حصول کے لئے نئے کاروبار کا اجرا/ تخلیق

تخفیفی اقدامات یہ خطرہ اندرونی ضوابط کے ذریعے کم نہیں کیا جا سکتا

طویل عرصے کے لیے پلانٹ کو بند کرنے کی ہدایات - کم NPMV

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف منافع کو بڑھانے اور مستقل اقتصادی ترقی کے حصول کے لئے نئے کاروبار کا اجرا/ تخلیق

تخفیفی اقدامات CPPA / NPCC کے ساتھ مذاکرات

نمایاں خطرات اور مواقع - ایف ایف ایف

حریفوں کا داخلہ

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف مارکیٹ میں قائدانہ حیثیت کو مضبوط بنانا

تخفیفی اقدامات مارکیٹ شیئرز میں اضافہ، مارکیٹ میں رسوخ کو کو بڑھانا، تمام ممکنہ شہروں اور دکانوں پر مصنوعات کی دستیابی کو یقینی بنانا

پلانٹ میں خرابی۔وثوق میں کمی

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ 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 مسلسل نگرانی

آپریشنل ٹیم کی آپریٹنگ مینوئل کے متعلق باقاعدگی سے تربیت

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 پاور curve ڈیٹا کی نگرانی اور تجزیہ

پاور Curve کی کارکردگی کو بہتر بنانے کے لیے جدید ٹیکنالوجی/تکنیکس کا استعمال

مالی ذمہ داریوں کی ادائیگی کے لئے ناکافی 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 کا شعبہ مالیات انتہائی فعال ہے اور کسی بھی اچانک ضرورت کو پورا کرنے کے لئے وافر مقدار میں فنڈز برقرار رکھے جاتے ہیں

ریگولیٹر کی جانب سے توانائی کی خریداری کے معاہدوں اور ریگولیٹری قواعد کی عدم پابندی

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

نمایاں خطرات اور مواقع

نمایاں خطرات اور مواقع-ایف ایف سی ایل

پیداوار کی پیش گوئی میں غلطی پر CPPA کی طرف سے جرمانے کا مطالبہ

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف لاگت میں کمی

تخفیفی اقدامات جرمانے سے بچنے کے لیے CPPA کے ساتھ مذاکرات (کنسلٹنٹ اور قانونی ماہر کے ہمراہ)

توانائی کی مسابقتی مارکیٹ میں مقابلہ کرنے کا مطالبہ

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف معاشرتی ترقی، O&M میں خود انحصاری

تخفیفی اقدامات ٹیرف/ EPA کی شرائط کے تحت استثناء کا حصول

FFCEL کا اکلوتا گاہک CPPA ادائیگی میں تاخیر کرے جس کے نتیجے میں liquidity کے مسائل کھڑے ہوجائیں

سرمایہ	درجہ بندی	قسم	نوعیت	سبب	امکان	شدت

منسلکہ ہدف لاگت میں کمی، O&M میں خود انحصاری، معاشرتی ترقی۔ منافع کو بڑھانے کے لئے نئے کاروبار کا آغاز

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

منسلکہ 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

اچانک مرمت کے لیے فاضل پرزوں کی مجوزہ انوینٹری کو برقرار رکھنے کے ساتھ، تجربے کی روشنی میں، پرزوں کی قسم اور سطح میں مناسب تبدیلیاں۔ سپلائرز کی فہرست اور پرزوں کی فراہمی کا طریقہ کار وضع کرنے کے ساتھ ساتھ حسب ضرورت O&M کے ماہرین کی خدمات کے لیے روابط

مرمت کے SOPs کی تیاری اور تجدید، حفاظتی ضوابط اور مرمت کرنے والی ٹیم کی تربیت

کسی دیگر پارٹی سے تکنیکی آڈٹ۔ مناسب انشورنس کوریج کو یقینی بنانا

ہے۔FFC کا بورڈ سال 2021 میں پراجیکٹ کی تجارتی سرگرمیوں کے آغاز کے لیے پراعتماد ہے۔

FFC، کمپنی میں 30 فیصد حصے کی مالک ہے۔ دوران سال، کمپنی نے TEL کی ایکویٹی میں 1.33 ارب روپے کی مزید سرمایہ کاری کی ہے، اس طرح مجموعی سرمایہ کاری بڑھ کر 2.79 ارب روپے ہوگئی ہے۔

ذیلی کمپنیاں
(Subsidiary Companies)

ایف ایف سی انرجی لمیٹڈ (FFCEL)

FFCEL، FFC کی ایک کلی ملکیتی ذیلی کمپنی ہے جو کہ پاکستان کا ہوا سے بجلی بنانے والا پہلا ادارہ ہے۔ اس نے مئی 2013 میں 49.5MW بجلی کی پیداواری استعداد کے ساتھ تجارتی سرگرمیوں کا آغاز کیا۔

سال 2019 میں کمپنی نے 144 GWh کے ہدف کے مقابلے میں 95 فیصد کی پیداواری استعداد کے ساتھ بجلی بناتے ہوئے 114 GWh قومی گرڈ کو فراہم کی۔

18 فیصد اضافے کے ساتھ، سال کے لیے 2.99 ارب روپے کی آمدن ریکارڈ کی گئی۔ سال 2019 کے دوران Operations & Maintenance کی منتقلی کی تکمیل کے نتیجے میں عملیاتی اخراجات (Operating Cost) میں 45 ملین روپے کی بچت واقع ہوئی۔ KIBOR ریٹ میں اضافے نے، مالیاتی لاگت کو 176 ملین روپے سے بڑھا دیا، تاہم اسی عنصر کے باعث، کمپنی کی دیگر آمدن (Other Income) میں 81 ملین روپے کا اضافہ ہوا۔

نتیجتاً، کمپنی نے گزشتہ برس کے مقابلے میں 39 فیصد اضافے کے ساتھ 1.53 ارب روپے کا خالص منافع حاصل کیا جو کہ فی حصہ 6.28 روپے کی آمدن بنتی ہے۔

FFCEL میں قائم کیے گئے Technical Training Centre نے Global Wind Organization سے منظوری/سند حاصل کر لی ہے اور دوران سال اپرنٹس شپ ٹریننگ کے پہلے گروپ کی کامیابی سے تکمیل ہوگئی ہے۔

آڈیٹرز نے 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے کمپنی کے مالیاتی گوشواروں پر اپنی رائے بغیر کسی تحفظات کے دے دی ہے۔

بورڈ کی ساخت

ڈائریکٹرز کے نام:

- لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ) چیئرمین
- لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری) (ریٹائرڈ)
  چیف ایگزیکٹو و منیجنگ ڈائریکٹر
- میجر جنرل جاوید اقبال نصر، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- جناب محمد عامر خان
- جناب نوید احمد خان
- بریگیڈیر نوید اقبال (ریٹائرڈ)
- جناب محمد اقبال میر
- سید اقتدار سعید
- بریگیڈیر راشد ولی جنجوعہ، ستارہ امتیاز (ملٹری) (ریٹائرڈ)
- جناب طارق اقبال خان
- جناب ریحان لئیق

دوران سال پُر کی گئی عارضی آسامیاں

تقرری	سبکدوشی	تقرری کی تاریخ
جناب محمد عامر خان	جناب طارق اقبال خان	14 مارچ 2019
سید اقتدار سعید	بریگیڈیر راشد ولی جنجوعہ، ستارہ امتیاز (ملٹری) (ریٹائرڈ)	یکم مئی 2019
بریگیڈیر نوید اقبال (ریٹائرڈ)	سید اقتدار سعید	یکم اکتوبر 2019
جناب محمد اقبال میر	جناب ریحان لئیق	یکم اکتوبر 2019

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 کا پہلا Individual Quick Freeze ٹیکنالوجی کا حامل پلانٹ ہے جو کہ پھلوں، سبزیوں اور French Fries کی پراسیسنگ کرتا ہے۔

دوران سال کمپنی نے گزشتہ سال کے مقابلے میں 11 فیصد اضافے کے ساتھ 1.04 ارب روپے کی آمدن ریکارڈ کی۔ اس کا سبب IQF مصنوعات، جن میں سرفہرست OPA French Fries ہے، کی طلب میں اضافے کے ساتھ ساتھ منجمد غذاؤں کی مارکیٹ میں وسعت ہے۔

مارکیٹنگ کی مرکوز کوششوں کے باعث کمپنی اپنے گاہکوں کی تعداد میں اضافہ کرنے میں کامیاب ہوئی، جہاں عالمی معیار کے ریستورانوں کے ساتھ ساتھ ملک کے معروف ریٹیل سٹورز کو گاہکوں کی فہرست میں شامل کیا گیا ہے۔ حوصلہ افزا نتائج کی بنیاد پر، FFF مارکیٹ میں مزید جگہ بنانے کے لیے جارحانہ انداز سے کوشاں ہے، لیکن توقع یہ ہے کہ گاہکوں میں آگاہی اور ایک قابل ترجیح متبادل بننے کے لیے کچھ وقت درکار ہوگا۔

آڈیٹرز نے 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے کمپنی کے مالیاتی گوشواروں پر اپنی رائے بغیر کسی تحفظات کے دے دی ہے۔

بورڈ کی ساخت

ڈائریکٹرز کے نام:

- لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ) چیئرمین
- لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری) (ریٹائرڈ)
  چیف ایگزیکٹو و منیجنگ ڈائریکٹر
- جناب ڈاکٹر ندیم عنایت
- میجر جنرل جاوید اقبال نصر، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- جناب آفاق اے ٹوانہ
- جناب محمد منیر ملک
- جناب ریحان لئیق
- میجر جنرل وسیم صادق، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- جناب محمد عامر خان
- جناب محمد علی گلفراز

دوران سال پُر کی گئی عارضی

تقرری	سبکدوشی	تقرری کی تاریخ
میجر جنرل وسیم صادق، ہلال امتیاز (ملٹری) (ریٹائرڈ)	میجر جنرل جاوید اقبال نصر، ہلال امتیاز (ملٹری) (ریٹائرڈ)	28 فروری 2019
جناب محمد عامر خان	جناب ریحان لئیق	یکم اکتوبر 2019
جناب محمد علی گلفراز	جناب ڈاکٹر ندیم عنایت	۹ جنوری 2020

مالیاتی سرمایہ

گروپ کی مالیاتی کارکردگی

FFC گروپ، فوجی فرٹیلائزر کمپنی (FFC) اور اس کی دو کلی ملکیتی ذیلی کمپنیوں (Subsidiary Companies) کے ساتھ ساتھ پانچ منسلکہ کمپنیوں (Associated Companies) پر مشتمل ہے۔

کلی ملکیتی ذیلی کمپنیوں میں ایف ایف سی انرجی لمیٹڈ (Enery FFC Limited) اور فوجی فریش این فریز (Fauji Fresh n Freeze) شامل ہیں، جبکہ گروپ کی منسلکہ اور مشترکہ منصوبوں کی کمپنیاں ذیل پر مشتمل ہیں:

1. فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL)
2. پاکستان مراک فاسفور ایس۔اے۔ مراکش (PMP)
3. فوجی سیمنٹ کمپنی لمیٹڈ (FCCL)
4. عسکری بنک لمیٹڈ (AKBL)
5. تھر انرجی لمیٹڈ (TEL)

نفع ونقصان کا تجزیہ

گروپ نے گزشتہ برس کی طرح 109.82 ارب روپے کی مجموعی آمدن فروخت ریکارڈ کی۔

اخراجات پر قابو اور درآمدی DAP کی کم فروخت کے باعث، مہنگائی کے دباؤ اور گیس کی قیمتوں میں اضافے کے باجود، گروپ نے لاگت فروخت میں 4 فیصد کمی ریکارڈ کی ہے۔

گروپ کا خام منافع 32.78 ارب روپے رہا جس میں گزشتہ برس کے 29.15 ارب روپے کے مقابلے میں 12 فیصد بہتری ہوئی ہے۔

گروپ کے انتظامی اور ترسیلی اخراجات (Administrative & Distribution Expenses) میں تقریباً 7 فیصد کی کمی ہوئی ہے جس کا بنیادی سبب درآمدی کھادوں کی کم مقدار ہے جن کی سطح امسال 8.87 ارب روپے رہی۔

گروپ کی مالیاتی لاگت (Finance Cost) گزشتہ برس کے 2.24 ارب روپے کے مقابلے میں 48 فیصد اضافے کے ساتھ 3.31 ارب روپے ریکارڈ کی گئی جس کا سبب سود کے نرخوں میں واضح اضافہ اور دوران سال جاری سرمائے (Working Capital) کی زائد ضروریات تھیں۔

گروپ نے 5.75 ارب روپے کی سرمایہ کاری آمدن (Investment Income) میں گزشتہ برس کے 2.70 ارب روپے کے مقابلے میں 114 فیصد کی بہتری ریکارڈ کی ہے اس کا سبب فنڈز کا عمدہ نظم ونسق اور مروجہ بلند شرح سود ہیں۔

مشترکہ کمپنیوں اور مشترکہ منصوبوں (Joint Ventures) سے گزشتہ برس کے 3.36 ارب روپے کے مقابلے میں 379 ملین روپے کا خسارہ ہوا اور اس کا بنیادی سبب FFBL کو رواں سال ہونے والا مجموعی خسارہ ہے۔

سال کے لیے 6.26 ارب روپے کے ٹیکس چارج میں گزشتہ سال کے مقابلے میں 14 فیصد کمی ہوئی ہے اور کا سبب دوران سال سپر ٹیکس کا منقطع ہونا ہے۔

نتیجتاً گروپ نے خالص منافع میں تقریباً 5 فیصد کا اضافہ حاصل کیا جو کہ 17.33 ارب روپے رہا۔

منسلکہ کمپنیاں
(Associated Companies)

فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL)

FFBL، پاکستان میں قائم کی گئی ایک مندرج پبلک کمپنی، جو کہ یوریا کھاد بنانے کے علاوہ DAP کھاد بنانے والا واحد کارخانہ ہے، اسے 1993 کے طور پر FFCJordan Fertilizer Company میں قائم کیا گیا تھا اور بعدازاں سن 2003 میں یہ فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL) میں تبدیل ہوگئی تھی۔ اس کے پیداواری کمپلیکس بن قاسم میں واقع ہیں جو کہ یوریا (گرینولر) اور DAP کھادیں تیار کرتے ہیں۔ اس کے ساتھ ساتھ کمپنی نے بینکاری، غذائی اور توانائی کے منصوبوں میں بھی سرمایہ کاری کر رکھی ہے۔

FFBL نے گزشتہ برس کے مقابلے میں 5 فیصد اضافے کے ساتھ 81.52 ارب روپے کی آمدن ظاہر کی ہے۔ تاہم، افراط زر کے ساتھ ساتھ یوریا اور DAP کی پیداوار کے لیے گیس کی قیمتوں میں اضافے کے باعث، لاگت فروخت تقریباً 9 فیصد اضافے کے ساتھ 69.14 ارب روپے رہی۔

انتظامی اور ترسیلی اخراجات میں 2 فیصد کمی واقع ہوئی اس طرح Operating Profit گزشتہ برس کے 4.51 ارب روپے کے مقابلے میں 2.86 ارب روپے رہا۔

مالیاتی لاگت، تاہم تیزی سے اضافے کے ساتھ 9.91 ارب روپے رہی جو کہ مقابلتاً گزشتہ برس 5.21 ارب روپے تھی۔ اس طرح کمپنی نے 3.79 ارب روپے کا قبل از ٹیکس خسارہ ریکارڈ کیا جو کہ گزشتہ برس 1.37 ارب روپے کا قبل از ٹیکس منافع تھا۔

ٹیکس چارج بھی 2018 کے 591 ملین روپے کے مقابلے میں بڑھ کر 2019 کے دوران 4.58 ارب روپے رہا، نتیجتاً FFBL نے سال 2018 کے دوران 778 ملین روپے کے مجموعی خالص منافع کے برخلاف 8.37 ارب روپے کا مجموعی خالص خسارہ رپورٹ کیا۔

4.66 ارب روپے کی سرمایہ کاری کے ساتھ FFC کا FFBL میں ملکیتی حصہ 49.88 فیصد ہے۔ دوران سال، FFC نے 466 ملین روپے کا مجموعی منافع منقسمہ وصول کیا جو کہ گزشتہ سال 349 ملین روپے تھا۔

پاکستان مراک فاسفور ایس اے (PMP)

PMP کو 2004 میں مراکش میں FFC کے 12.5 فیصد، Fauji Foundation کے 12.5 فیصد، FFBL کے 25 فیصد اور مراکش کی حکومت کی ملکیتی Office Cherifien Des Phosphates کے 50 فیصد حصے کے ساتھ مشترکہ منصوبے کے طور پر قائم کیا گیا تھا۔ کمپنی نے اپنے کاروبار کا آغاز 2008 میں کیا اور یہ فاسفورک ایسڈ، کھاد اور دیگر مصنوعات کی تیاری اور فروخت کے کاروبار میں مصروف 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۔

FFC نے سال کے دوران منافع منقسمہ کی مد میں 372 ملین روپے کی آمدن ریکارڈ کی، اس طرح 706 ملین روپے کی سرمایہ کاری کے عوض مجموعی آمدن بڑھ کر 930 ملین روپے ہوگئی۔

فوجی سیمنٹ کمپنی لمیٹڈ (FCCL)

FCCL ایک پبلک لمیٹڈ 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 Production Lines کی مجموعی پیداواری صلاحیت 3.56 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 کے دوران 4.24 ارب روپے کی آمدن ریکارڈ کی گئی جو کہ گزشتہ سال کے مقابلے میں 21 فیصد کم ہے، جبکہ خالص منافع 293 ملین روپے ریکارڈ کیا گیا جو کہ 0.21 روپے فی حصہ بنتے ہیں۔

عسکری بینک لمیٹڈ (AKBL)

FFC نے سال 2012 میں 10.46 ارب روپے کی سرمایہ کاری کے عوض AKBL میں 43.15 فیصد ملکیتی حصہ حاصل کیا۔ یہ بینک 9 اکتوبر 1991 کو ایک پبلک لمیٹڈ کمپنی کے طور پر قائم ہوا۔ اور بنیادی طور پر کمرشل بینکنگ کے کاروبار میں مصروف عمل ہے۔ اور پورے پاکستان میں 517 برانچوں کے نیٹ ورک، بشمول 94 اسلامی بینکاری برانچوں اور 44 سب برانچوں کے ساتھ سرگرم عمل ہے۔ اس کے علاوہ ایک Wholesale بینک برانچ مملکت بحرین میں موجود ہیں۔

AKBL نے 30 ستمبر 2019 کو ختم ہونے والے 9 مہینوں کے دوران 2.42 ارب روپے کے خالص سود/آمدن سود میں 18 فیصد اضافہ ریکارڈ کیا۔ بینک نے غیر بنیادی کاروبار سے آمدن میں بھی 21 فیصد کی بہتری درج کی جو کہ 5.03 ارب روپے رہی۔ نومہینوں کے دوران خالص منافع 4.38 ارب روپے رہا جو کہ گزشتہ برس کے مقابلے میں 21 فیصد زائد ہے۔

حالیہ مدت کے دوران، بینک کی طویل مدت کے لیے +AA اور مختصر مدت کے لیے +A1 درجہ بندی کو برقرار رکھا گیا۔ یہ درجہ بندیاں بینک کی عمدہ حیثیت کو ظاہر کرتی ہیں جس کا سبب AKBL کا مضبوط برانڈ، مسلسل تیز رفتار ترقی، Net Spreads میں بہتری اور آمدنی والے اثاثوں کے حجم میں اضافہ ہیں۔

تھر انرجی لمیٹڈ (TEL)

TEL، ایک پبلک لمیٹڈ کمپنی، 330 میگاواٹ کے کوئلے سے بجلی بنانے والے پراجیکٹ کی تعمیر، ملکیت اور چلانے کے لیے قائم کی گئی تھی۔ یہ پراجیکٹ CPEC کے تحت، Hub Power Company اور China Machinery Engineering Corporation کے اشتراک سے لگایا جارہا ہے۔ حکومت پاکستان نے TEL کے Financial Close کا نوٹیفیکیشن 30 جنوری 2020 کو جاری کردیا

CONSOLIDATED FINANCIAL PERFORMANCE

		2019	2018	2017	2016	2015	2014
Profitability Ratios							
Gross profit ratio	%	29.85	26.64	20.41	25.22	34.97	39.44
Gross profit ratio (Including subsidy)	%	29.85	28.21	25.66	31.56	36.06	39.44
Net profit to turnover	%	15.78	15.02	12.28	15.94	22.25	20.69
Net profit to turnover (Including subsidy)	%	15.78	14.70	11.47	14.59	21.88	20.69
EBITDA margin to turnover	%	27.73	23.46	20.82	27.95	31.37	34.02
EBITDA margin to turnover (Including subsidy)	%	27.73	22.96	19.45	25.58	30.85	34.02
Operating leverage ratio	Times	58.86	2.22	(0.38)	1.97	(1.30)	(0.85)
Return on equity (Profit after tax)	%	29.15	29.01	22.49	23.69	39.31	39.80
Return on equity (Profit before tax)	%	39.67	41.89	32.83	35.61	55.94	58.29
Return on capital employed	%	39.64	32.56	22.74	24.20	33.41	47.44
Earning before interest, depreciation and tax	Rs in million	30,455	25,674	19,483	21,066	27,401	28,585
Growth in Operating revenue	%	0.35	16.94	24.15	(13.70)	3.96	10.58
Growth in Operating revenue (Including subsidy)	%	(1.80)	11.63	21.65	(7.29)	5.73	10.58
Pre tax margin	%	21.48	21.69	17.93	23.96	31.66	30.30
Pre tax margin (Including subsidy)	%	21.48	21.22	16.75	21.93	31.13	30.30
Return on assets	%	9.35	9.18	8.17	9.63	17.09	15.04
Earnings growth	%	5.45	43.00	(4.34)	(38.17)	11.82	(3.59)
Liquidity Ratios							
Current ratio	Times	0.92	0.96	0.94	0.91	0.85	0.68
Quick / Acid test ratio	Times	0.82	0.79	0.87	0.73	0.60	0.60
Cash to current liabilities	Times	0.30	0.26	0.30	(0.14)	(0.13)	0.29
Long term liabilities / current liabilities	%	14.05	18.39	43.95	69.65	87.90	28.64
Activity / Turnover Ratios							
Inventory turnover ratio	Times	7.59	11.53	30.04	11.94	18.58	42.12
No. of days in inventory	Days	48	32	12	31	20	9
Debtors turnover ratio	Times	10.74	22.64	18.92	20.74	39.53	33.00
Debtors turnover ratio (Including subsidy)	Times	6.39	9.56	9.22	11.91	30.07	33.00
No. of days in receivables	Days	34	16	19	18	9	11
No. of days in receivables (Including subsidy)	Days	57	38	40	31	12	11
Creditors turnover ratio - with GIDC	Times	1.45	2.39	5.17	17.20	4.18	2.60
- without GIDC	Times	48.53	74.68	80.96	67.34	70.29	17.34
No. of days in payables - with GIDC	Days	252	153	71	21	87	140
- without GIDC	Days	8	5	5	5	5	21
Total assets turnover ratio	Times	0.59	0.61	0.66	0.60	0.77	0.73
Total assets turnover ratio (Including Subsidy)	Times	0.59	0.62	0.71	0.66	0.78	0.73
Fixed assets turnover ratio	Times	3.35	3.34	2.72	2.20	2.48	2.54
Fixed assets turnover ratio (Including Subsidy)	Times	3.35	3.41	2.92	2.40	2.52	2.54
Operating cycle - with GIDC	Days	(170)	(105)	(40)	28	(58)	(120)
- without GIDC	Days	74.00	43.00	26.00	44.00	24.00	(1.00)
Investment / Market Ratios							
Earnings per share (EPS)	Rs	13.62	12.92	9.04	9.44	15.27	13.66
Breakup value (net assets per share)							
- Without revaluation reserves	Rs	46.74	44.54	40.18	39.86	38.86	34.33
- With revaluation reserves	Rs	47.68	45.13	40.78	40.37	38.86	34.33
Capital Structure Ratios							
Financial leverage ratio	Times	0.64	0.90	0.82	1.07	0.98	0.60
Debt to equity ratio	Ratio	29:71	29:71	29:71	32:68	33:67	21:79
Interest cover ratio	Times	8.12	11.58	6.26	6.38	12.13	12.85

Rs million	2019	2018	2017	2016	2015	2014
Summary - Statement of Financial Position						
Share capital	12,722	12,722	12,722	12,722	12,722	12,722
Reserves	46,744	43,942	38,396	37,995	36,711	30,948
Share in revaluation reserve of associates-net / NCI	1,199	754	760	649	-	-
Shareholders' funds / Equity	60,665	57,418	51,878	51,366	49,433	43,670
Long term borrowings	9,355	12,817	21,162	24,013	24,746	11,406
Capital employed	70,020	70,235	73,040	75,379	74,179	55,076
Deferred liabilities	5,997	6,072	5,974	6,097	5,307	4,574
Property, plant & equipment	32,758	32,775	34,352	34,295	35,228	33,105
Long term assets	85,190	80,897	82,965	85,271	84,709	77,707
Net current assets / Working capital	(9,086)	(4,581)	(3,943)	(3,787)	(5,218)	(18,054)
Liquid funds (net)	81,988	76,113	68,155	43,879	43,278	59,669
Summary - Statement of Profit or Loss						
Turnover	109,817	109,434	93,583	75,378	87,340	84,014
Turnover (including subsidy)	109,817	111,834	100,185	82,357	88,830	84,014
Cost of sales	77,039	80,283	74,479	56,366	56,797	50,878
Gross profit	32,778	29,151	19,104	19,012	30,543	33,136
Gross profit (including subsidy)	32,778	31,551	25,706	25,991	32,033	33,136
Distribution cost	8,867	9,509	9,093	7,524	6,966	6,617
Operating profit	23,911	19,642	10,011	11,488	23,577	26,519
Operating profit (including subsidy)	23,911	22,042	16,613	18,467	25,067	26,519
Finance cost	3,312	2,244	3,192	3,360	2,485	2,149
Other income	5,751	5,090	8,059	8,356	3,496	1,914
Other income (excluding subsidy)	5,751	2,690	1,457	1,377	2,006	1,914
Share of profit of associates and joint venture	(379)	3,357	3,535	3,340	5,352	1,476
Profit before tax	23,590	23,734	16,781	18,061	27,653	25,456
Provision for taxation	6,256	7,296	5,286	6,045	8,220	8,077
Profit for the year	17,334	16,438	11,495	12,016	19,433	17,379
EPS (Rs)	13.62	12.92	9.04	9.44	15.27	13.66

HORIZONTAL **ANALYSIS**

Consolidated Statement of Financial Position

	2019	19 Vs 18	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs. 15	2015	15 Vs. 14	2014	14 Vs. 13
	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	4,951	47	3,372	60	2,101	50	1,397	64	854	40	612	(54)
Revenue reserves	41,793	3	40,570	12	36,295	(1)	36,598	2	35,857	18	30,336	111
	59,466	5	56,664	11	51,118	1	50,717	3	49,433	13	43,670	54
Share in revaluation reserve of associates-net / NCI	1,199	59	754	(1)	760	17	649	-	-	-	-	-
Non - Current Liabilities												
Long term borrowings	9,355	(27)	12,817	(39)	21,162	(12)	24,013	(3)	24,746	117	11,406	(21)
Deferred taxation	5,997	(1)	6,072	2	5,974	(2)	6,097	15	5,307	16	4,574	(39)
Liability against assets subject to Finance Lease	87	867	9	13	8	-	8	60	5	67	3	200
	15,439	(18)	18,898	(30)	27,144	(10)	30,118	-	30,058	88	15,983	(27)
Current Liabilities												
Trade and other payables	76,309	25	61,098	56	39,289	261	10,869	37	7,926	(79)	37,660	27
Interest and mark - up accrued	712	114	333	54	216	(38)	351	(14)	408	252	116	(60)
Short term borrowings	22,493	(23)	29,366	146	11,939	(47)	22,383	24	18,021	55	11,602	(23)
Unclaimed dividend	541	(15)	639	46	437	7	408	(34)	614	(29)	866	16
Current portion of long term borrowings - secured	6,085	(29)	8,623	-	8,633	8	7,965	37	5,802	90	3,054	(20)
Current portion of land lease liability	52	1,633	3	-	3	-	-	-	-	-	-	-
Taxation	3,092	17	2,647	115	1,231	(2)	1,254	(12)	1,418	(43)	2,502	(47)
	109,284	6	102,709	66	61,748	43	43,230	26	34,189	(39)	55,800	3
Total Equity And Liabilities	185,388	4	179,025	27	140,770	13	124,714	10	113,680	(2)	115,453	4
Assets												
Non - Current Assets												
Property, plant & equipment	32,758	-	32,775	(5)	34,352	-	34,295	(3)	35,228	6	33,105	(25)
Intangible assets	1,945	-	1,942	-	1,951	-	1,949	-	1,940	(2)	1,974	(2)
Log term investments	49,259	9	45,035	(1)	45,665	(5)	48,064	3	46,702	12	41,787	78
Long term Loans & advances	1,200	8	1,114	15	966	3	934	15	814	(1)	823	11
Long term deposits & prepayments	28	(10)	31	-	31	7	29	16	25	39	18	(78)
	85,190	5	80,897	(2)	82,965	(3)	85,271	1	84,709	9	77,707	10
Current Assets												
Stores, spares and loose tools	3,864	11	3,489	(1)	3,512	2	3,441	1	3,396	2	3,315	(38)
Stock in trade	7,015	(47)	13,286	1,973	641	(85)	4,317	(16)	5,128	421	985	(31)
Trade debts	15,606	222	4,850	1	4,818	(5)	5,072	131	2,198	(1)	2,221	(23)
Loans and advances	867	60	542	(7)	585	(3)	600	14	528	(1)	531	(65)
Deposits and prepayments	53	(36)	83	(1)	84	45	58	45	40	43	28	(62)
Other receivables	17,570	14	15,433	12	13,735	77	7,756	151	3,084	161	1,182	12
Short term investments	49,207	(12)	55,773	76	31,657	104	15,499	39	11,188	(59)	27,433	13
Cash and bank balances	6,015	29	4,671	69	2,772	3	2,699	(21)	3,409	66	2,051	(51)
	100,198	2	98,128	70	57,805	47	39,443	36	28,971	(23)	37,746	(7)
Total Assets	185,388	4	179,025	27	140,770	13	124,714	10	113,680	(2)	115,453	4

VERTICAL ANALYSIS

Consolidated Statement of Financial Position

	2019		2018		2017		2016		2015		2014	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Equity and Liabilities												
Equity												
Share capital	12,722	7	12,722	7	12,722	9	12,722	10	12,722	11	12,722	11
Capital reserve	4,951	3	3,372	2	2,101	1	1,397	1	854	1	612	1
Revenue reserves	41,793	23	40,570	23	36,295	26	36,598	29	35,857	32	30,336	26
	59,466	32	56,664	32	51,118	36	50,717	40	49,433	44	43,670	38
Share in revaluation reserve of												
associates-net / NCI	1,199	1	754	-	760	1	649	1	-	-	-	-
Non - Current Liabilities												
Long term borrowings	9,355	5	12,817	7	21,162	15	24,013	19	24,746	22	11,406	10
Deferred liabilities	5,997	3	6,072	3	5,974	4	6,097	5	5,307	5	4,574	4
Liability against assets subject to												
Finance Lease	87	-	9	-	8	-	8	-	5	-	3	-
	15,439	8	18,898	11	27,144	19	30,118	24	30,058	27	15,983	14
Current Liabilities												
Trade and other payables	76,309	41	61,098	34	39,289	28	10,869	9	7,926	7	37,660	33
Interest and mark - up accrued	712	-	333	-	216	-	351	-	408	-	116	-
Short term borrowings	22,493	12	29,366	16	11,939	8	22,383	18	18,021	16	11,602	10
Unclaimed dividend	541	-	639	-	437	-	408	1	614	-	866	-
Current portion of long term												
borrowings - secured	6,085	3	8,623	5	8,633	6	7,965	6	5,802	5	3,054	3
Current portion of land lease liability	52	-	3	-	3	-	-	-	-	-	-	-
Taxation	3,092	2	2,647	1	1,231	1	1,254	1	1,418	1	2,502	2
	109,284	59	102,709	57	61,748	44	43,230	35	34,189	29	55,800	48
Total Equity and Liabilities	185,388	100	179,025	100	140,770	100	124,714	100	113,680	100	115,453	100
Assets												
Non - Current Assets												
Property, plant & equipment	32,758	18	32,775	18	34,352	24	34,295	28	35,228	31	33,105	29
Intangible assets	1,945	1	1,942	1	1,951	1	1,949	2	1,940	2	1,974	2
Log term investments	49,259	27	45,035	25	45,665	32	48,064	39	46,702	41	41,787	36
Long term loans & advances	1,200	1	1,114	1	966	1	934	1	814	-	823	-
Long term deposits & prepayments	28	-	31	-	31	1	29	-	25	-	18	-
	85,190	46	80,897	45	82,965	59	85,271	70	84,709	74	77,707	67
Current Assets												
Stores, spares and loose tools	3,864	2	3,489	2	3,512	2	3,441	3	3,396	3	3,315	3
Stock in trade	7,015	4	13,286	7	641	1	4,317	3	5,128	5	985	1
Trade debts	15,606	8	4,850	3	4,818	3	5,072	4	2,198	2	2,221	2
Loans and advances	867	-	542	-	585	1	600	-	528	-	531	-
Deposits and prepayments	53	-	83	-	84	-	58	-	40	-	28	-
Other receivables	17,570	9	15,433	9	13,735	10	7,756	6	3,084	3	1,182	1
Short term investments	49,207	27	55,773	31	31,657	22	15,499	12	11,188	10	27,433	24
Cash and bank balances	6,015	3	4,671	3	2,772	2	2,699	2	3,409	3	2,051	2
	100,198	54	98,128	55	57,805	41	39,443	30	28,971	26	37,746	33
Total Assets	185,388	100	179,025	100	140,770	100	124,714	100	113,680	100	115,453	100

HORIZONTAL ANALYSIS

Consolidated Statement of Profit or Loss

	2019	19 Vs 18	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs. 15	2015	15 Vs. 14	2014	14 Vs. 13
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Turnover	109,817	-	109,434	17	93,583	24	75,378	(14)	87,340	4	84,014	11
Cost of sales	77,039	(4)	80,283	8	74,479	32	56,366	(1)	56,797	12	50,878	26
Gross profit	32,778	12	29,151	53	19,104	-	19,012	(38)	30,543	(8)	33,136	(7)
Distribution cost	8,867	(7)	9,509	5	9,093	21	7,524	8	6,966	5	6,617	6
Operating Profit	23,911	22	19,642	96	10,011	(13)	11,488	(51)	23,577	(11)	26,519	(10)
Finance cost	3,312	48	2,244	(30)	3,192	(5)	3,360	35	2,485	16	2,149	57
Other expenses	2,381	13	2,111	29	1,632	(7)	1,763	(23)	2,287	(1)	2,304	(10)
	18,218	19	15,287	195	5,187	(19)	6,365	(66)	18,805	(15)	22,066	(13)
Other income	5,751	13	5,090	(37)	8,059	(4)	8,356	139	3,496	83	1,914	1
Share of profit of associates and joint venture	(379)	(111)	3,357	(5)	3,535	6	3,340	(38)	5,352	263	1,476	(16,500)
Profit before taxation	23,590	(1)	23,734	41	16,781	(7)	18,061	(35)	27,653	9	25,456	(7)
Provision for taxation	6,256	(14)	7,296	38	5,286	(13)	6,045	(26)	8,220	2	8,077	(13)
Profit for the year	17,334	5	16,438	43	11,495	(4)	12,016	(38)	19,433	12	17,379	(4)
EPS (Rs)	13.62	5	12.92	43	9.04	(4)	9.44	(38)	15.27	12	13.66	(4)

Directors's Report - Financial Capital

VERTICAL ANALYSIS

Consolidated Statement of Profit or Loss

	2019		2018		2017		2016		2015		2014	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Turnover	109,817	100	109,434	100	93,583	100	75,378	100	87,340	100	84,014	100
Cost of sales	77,039	70	80,283	73	74,479	80	56,366	75	56,797	65	50,878	61
Gross profit	32,778	30	29,151	27	19,104	20	19,012	25	30,543	35	33,136	39
Distribution cost	8,867	8	9,509	9	9,093	10	7,524	10	6,966	8	6,617	8
Operating Profit	23,911	22	19,642	18	10,011	11	11,488	15	23,577	27	26,519	32
Finance cost	3,312	3	2,244	2	3,192	3	3,360	4	2,485	3	2,149	3
Other expenses	2,381	2	2,111	2	1,632	2	1,763	2	2,287	3	2,304	3
	18,218	17	15,287	14	5,187	6	6,365	8	18,805	22	22,066	26
Other income	5,751	5	5,090	5	8,059	9	8,356	11	3,496	4	1,914	2
Share of profit of associates and joint venture	(379)	-	3,357	3	3,535	4	3,340	4	5,352	6	1,476	2
Profit before taxation	23,590	21	23,734	22	16,781	18	18,061	24	27,653	32	25,456	30
Provision for taxation	6,256	6	7,296	7	5,286	6	6,045	8	8,220	9	8,077	10
Profit for the year	17,334	16	16,438	15	11,495	12	12,016	16	19,433	22	17,379	21
EPS (Rs)	13.62		12.92		9.04		9.44		15.27		13.66	

INDEPENDENT **AUDITOR'S REPORT**

To The Members of Fauji Fertilizer Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Fauji Fertilizer Company Limited (the Company), and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, 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, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 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 Auditor's 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** (Refer notes 3.19 and 27 to the consolidated financial statements) The Group is engaged in manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemicals, food, energy, other manufacturing and banking operations. The Group recognized revenue from the sale of fertilizers, chemicals, power and food amounting to Rs 109,817 million for the year ended December 31, 2019. Being our first year of audit of the consolidated financial statements of the Group we identified recognition of revenue as an area of higher risk as it includes large number of revenue transactions involving a large number of customers spread in various geographical locations. Further, revenue is one of the key performance indicator of the Group. Accordingly, it was considered as a key audit matter.	**Our procedures in relation to this matter included:** - 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; - Performed verification of sample of revenue transactions with underlying documentation including delivery documents and sales invoices; - Performed cut-off procedures on sample basis to ensure revenue has been recorded in the correct period; - Verified that sales prices are approved by appropriate authority; - Verified discounts with supporting documentation on test basis; - Checked that revenue has been recognized in accordance with Group's accounting policy and the applicable financial reporting framework

INDEPENDENT **AUDITOR'S REPORT**

To The Members of Fauji Fertilizer Company Limited

Report on the Audit of the Consolidated Financial Statements

S. No.	Key audit matters	How the matter was addressed in our audit
2	**Investment in associated companies** (Refer note 16 to the consolidated financial statements) The Group has significant investments in its associated companies which are accounted for in these consolidated financial statements under the equity method of accounting. As at December 31, 2019, the carrying amount of investments in above referred associated companies amounted to Rs 41,132 million. The Group carries out impairment assessment of the value of investment where there are indicators of impairment. The Group has assessed the recoverable amount of such investments based on the higher of the value-in-use and fair value. This recoverable amount is based on a valuation analysis performed by the Group using a discounted cash flow model which involves estimation of future cash flows. This estimation requires significant judgement on both future cash flows and the discount rate applied to those future cash flows. We considered this as a key audit matter due to significant management judgement involved in the estimation of recoverable amounts.	**Our audit procedures in relation to this matter included:** - Obtained understanding of management's process for identification of impairment indicators in, and testing impairment of investment in associated companies; - Reviewed the mathematical accuracy of management's valuation model and agreed relevant data to the underlying records; - Assessed the reasonableness of key assumptions used in the valuation model such as future revenue and costs, discount rate and long-term growth rates; - Performed sensitivity analysis with respect to changes in key assumptions used in the valuation model; and. - Reviewed the disclosures made in the annexed consolidated financial statements with respect to the requirements of the applicable accounting and reporting standards

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, 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 Companies Act, 2017(XIX of 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.

The Board of directors are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 auditor's 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 auditor's 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 statements. 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Other Matter

Prior Year Financial Statements Audited by Predecessor Auditor

The consolidated financial statements of the Group for the year ended December 31, 2018 were audited by another auditor, KPMG Taseer Hadi & Co. Chartered Accountants, who expressed an unmodified opinion on those statements on February 1, 2019.

The engagement partner on the audit resulting in this independent auditor's report is Asim Masood Iqbal.

A.F. Ferguson & Co.

Chartered Accountants

Islamabad

February 13, 2020

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
As at December 31, 2019

	Note	2019	2018
		Rs '000	Rs '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	12,722,382	12,722,382
Capital reserves	6	4,950,718	3,371,904
Revenue reserves	7	43,049,451	41,204,109
Deficit on re-measurement of			
investments to fair value - net		(1,256,521)	(634,072)
		59,466,030	56,664,323
Share in revaluation reserve of associates - net		1,198,826	753,521
NON - CURRENT LIABILITIES			
Long term borrowings - secured	8	9,355,434	12,817,467
Lease liabilities		87,098	8,857
Deferred liabilities	9	5,996,675	6,072,399
		15,439,207	18,898,723
CURRENT LIABILITIES			
Trade and other payables	10	76,309,123	61,097,611
Mark-up and profit accrued	11	711,501	332,964
Short term borrowings - secured	12	22,492,953	29,366,484
Unclaimed dividend		541,447	638,783
Current portion of long term borrowings - secured	8	6,085,171	8,623,131
Current portion of lease liabilities		51,967	2,566
Taxation		3,091,959	2,646,531
		109,284,121	102,708,070
TOTAL EQUITY AND LIABILITIES		185,388,184	179,024,637
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

	Note	2019	2018
		Rs '000	Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	14	32,758,158	32,774,970
Intangible assets	15	1,945,305	1,941,784
Long term investments	16	49,258,736	45,035,025
Long term loans and advances - secured	17	1,200,037	1,113,854
Long term deposits and prepayments	18	28,349	31,095
		85,190,585	80,896,728
CURRENT ASSETS			
Stores, spares and loose tools	19	3,864,402	3,489,324
Stock in trade	20	7,014,838	13,286,402
Trade debts	21	15,605,892	4,850,235
Loans and advances	22	866,734	541,903
Deposits and prepayments	23	52,893	82,733
Other receivables	24	17,570,178	15,432,981
Short term investments	25	49,207,470	55,773,304
Cash and bank balances	26	6,015,192	4,671,027
		100,197,599	98,127,909
TOTAL ASSETS		185,388,184	179,024,637

Chairman **Chief Executive** **Director** **Chief Financial Officer**

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS
For the year ended December 31, 2019

	Note	2019	2018
		Rs '000	Rs '000
Turnover	27	109,817,389	109,433,588
Cost of sales	28	77,039,227	80,282,515
GROSS PROFIT		32,778,162	29,151,073
Administrative and distribution expenses	29	8,867,378	9,508,770
		23,910,784	19,642,303
Finance cost	30	3,311,837	2,244,609
Other expenses	31	2,380,931	2,111,115
		18,218,016	15,286,579
Other income	32	5,751,571	5,090,494
Share of (loss) / profit of associates and joint venture		(379,319)	3,356,746
PROFIT BEFORE TAX		23,590,268	23,733,819
Provision for taxation	33	6,256,488	7,295,615
PROFIT FOR THE YEAR		17,333,780	16,438,204
Earnings per share - basic and diluted (Rupees)	34	13.62	12.92

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	2019 Rs '000	2018 Rs '000
PROFIT FOR THE YEAR	17,333,780	16,438,204
OTHER COMPREHENSIVE INCOME		
Items that will not be subsequently reclassified to consolidated profit or loss		
(Loss) / gain on re-measurement of staff retirement benefit plans - net of tax	(360,249)	21,546
Equity accounted investees - share of OCI, net of tax	(1,531)	2,608
	(361,780)	24,154
Items that may be subsequently reclassified to consolidated profit or loss		
Surplus / (deficit) on re-measurement of investments to fair value - net of tax	8,309	(315,473)
Share of equity accounted investees - share of consolidated OCI, net of tax	388,526	(486,571)
	396,835	(802,044)
Comprehensive income taken to equity	17,368,835	15,660,314
Comprehensive income not recognised in consolidated equity		
Items that may be subsequently reclassified to consolidated profit or loss		
Share in revaluation reserve of associates - net of tax	445,305	(6,371)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	17,814,140	15,653,943

The annexed notes 1 to 42 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, 2019

	Note	2019	2018
		Rs '000	Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	35,384,533	28,653,414
Finance cost paid		(2,933,300)	(2,127,785)
Income tax paid		(6,278,958)	(5,784,528)
Subsidy received on sale of fertilizer		–	2,202,383
		(9,212,258)	(5,709,930)
Net cash generated from operating activities		26,172,275	22,943,484
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,371,022)	(1,485,284)
Proceeds from disposal of property, plant and equipment		549,716	17,799
Interest received		2,002,898	1,456,345
Investment in Thar Energy Limited		(1,329,318)	(1,460,400)
Advance against issue of share to Thar Energy Limited		(416,533)	–
Increase in other investment - net		1,026,817	4,086,305
Dividends received		1,665,984	799,470
Net cash inflow from investing activities		128,542	3,414,235
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing			
Draw-downs		2,600,000	–
Repayments		(8,599,993)	(8,355,056)
Repayment of lease liabilities		(60,604)	–
Dividends paid		(14,664,464)	(9,912,803)
Net cash used in financing activities		(20,725,061)	(18,267,859)
Net increase in cash and cash equivalents		5,575,756	8,089,860
Cash and cash equivalents at beginning of the year		26,872,161	18,382,911
Effect of exchange rate changes		235,614	399,390
Cash and cash equivalents at end of the year		32,683,531	26,872,161
CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	6,015,192	4,671,027
Short term borrowings	12	(22,492,953)	(29,366,484)
Short term highly liquid investments		49,161,292	51,567,618
		32,683,531	26,872,161

The annexed notes 1 to 42 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, 2019

	Share capital	Capital reserves				Revenue reserves		Surplus/(deficit) on re-measurement of 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, 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 January 1, 2019	12,722,382	40,000	120,000	1,139,654	2,072,250	8,802,360	32,401,749	(634,072)	56,664,323
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	–	17,333,780		17,333,780
Other comprehensive income - net of tax	–	–	–	1,019,284	–	–	(361,780)	(622,449)	35,055
	–	–	–	1,019,284	–	–	16,972,000	(622,449)	17,368,835
Transactions with owners of the Company									
Distributions:									
Final dividend 2018: Rs 3.90 per share	–	–	–	–	–	–	(4,961,729)	–	(4,961,729)
First interim dividend 2019: Rs 2.50 per share	–	–	–	–	–	–	(3,180,596)	–	(3,180,596)
Second interim dividend 2019: Rs 2.85 per share	–	–	–	–	–	–	(3,625,879)	–	(3,625,879)
Third interim dividend 2019: Rs 2.20 per share	–	–	–	–	–	–	(2,798,924)	–	(2,798,924)
	–	–	–	–	–	–	(14,567,128)	–	(14,567,128)
Other changes in equity									
Transfer to statutory reserve	–	–	–	–	559,530	–	(559,530)	–	–
Balance at December 31, 2019	12,722,382	40,000	120,000	2,158,938	2,631,780	8,802,360	34,247,091	(1,256,521)	59,466,030

The annexed notes 1 to 42 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, 2019

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	Graphical 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 Shahrah-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
Rahim Yar 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	19
Sarghodha Region	5	12
Peshawar Region	5	12
Bahawalpur Region	4	14
D. G. Khan Region	4	12
Multan Region	4	12
Rahim Yar Khan Region	4	9
Vehari Region	4	13
Hyderabad Region	6	15
Sukkur Region	7	23
Nawabshah Region	5	16
	63	183

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 actuarial 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 3.9, note 9.2 and note 10.3
(ii) Estimate of useful life of property, plant and equipment - note 3.11 and note 14
(iii) Estimate of useful life of intangible assets - note 3.12 and note 15
(iv) Estimate of fair value of investments through other comprehensive income - note 3.27 and note 16
(v) Provisions and contingencies - note 3.7 and note 3.8
(vi) Impairment of non-financial assets - note 3.13
(vii) Estimate of recoverable amount of goodwill - note 3.12 and note 15
(viii) Estimate of recoverable amount of investment in associated companies - note 3.13 and note 16
(ix) Provision for taxation - note 3.10 and note 33
(x) Expected credit loss allowance - note 3.16 and note 21
(xi) Provision for slow moving spares - note 19

As per Securities and Exchange Commission of Pakistan (SECP) SRO 985 (1)/ 2019, dated September 2, 2019, for companies holding financial assets due from Government of Pakistan, the requirements contained in IFRS 9 with respect to expected credit losses method shall not be applicable till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39 – Financial Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period. The Group has assessed that the above SRO does not have any significant impact on the Group's consolidated financial statements.

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 changes as indicated in the note 4 to these consolidated financial statements.

3.1 Basis of consolidation

These consolidated financial statements include the financial statements of FFC and its subsidiary companies, FFCEL 100% owned (2018: 100% owned) and FFF 100% owned (2018: 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 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.

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 has 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.

3.3 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.

3.4 Dividend distribution

Final dividend distributions to the Group's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Group's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

3.5 Leases

3.5.1 Right of use asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.5.2 Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

a. fixed payments, including in-substance fixed payments;

b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c. amounts expected to be payable under a residual value guarantee; and

d. the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.6 Trade and other payables

Liabilities for trade and other payables are carried at amortised cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

3.7 Provisions

A provision is recognized in the statement of financial position when the Group 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.

3.8 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.

3.9 Employee retirement benefits

3.9.1 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 10.3 to the consolidated financial statements.

Charge for the year is recognized in profit or loss. Actuarial gain or losses 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.

3.9.2 Defined contribution plan

Provident Fund

Defined contribution provident fund for all eligible employees for which the Group’s contributions are charged to profit or loss at the rate of 10% of basic salary.

3.9.3 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.

3.10 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 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 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 Group takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group's views differ from the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.11 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 14 to the consolidated financial statements. 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 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 Group 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.

3.12 Intangible assets

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.

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 to these consolidated financial statements. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit or loss.

3.13 Impairment 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 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 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.

3.14 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, 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 Group 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.

3.15 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 Group 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.

3.16 Trade debts

These are recognized and carried at the original invoice amounts, being the fair value, less loss allowance, if any. For measurement of loss allowance for trade debts, the Group applies IFRS 9 simplified approach to measure the expected credit losses, previously loss allowance was measured under incurred loss model of IAS 39. IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Group to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred.

3.17 Deposits and other receivables

These are recognized at cost, which is the fair value of the consideration given. For measurement of loss allowance for advances, deposits and other receivables, the Group applies the IFRS 9 simplified approach to measure the expected credit losses, previously loss allowance was measured under incurred loss model of IAS 39.

3.18 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.

3.19 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 or as performance obligations are satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or at a point in time. Turnover is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. 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.

3.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed out in the year they occur.

3.21 Research and development costs

Research and development costs are charged to profit or loss as and when incurred.

3.22 Finance income and finance costs

Finance income comprises interest income on funds invested (financial assets), dividend income, gain on disposal of financial assets, commission income and changes in fair value of investments. 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 Group'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.

3.23 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.

3.24 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.

3.25 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.

3.26 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of FFC 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.

3.27 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

Classification

Effective January 1, 2019, the Group classifies its financial assets in the following measurement categories:

(i) Amortised cost, where the effective interest rate method will apply;

(ii) Fair value through profit or loss;

(iii) Fair value through other comprehensive income (FVTOCI).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Further, assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains/(losses). Interest income from these financial assets is included in other operating income using the effective interest rate method. Impairment expenses are presented as separate line item in the profit or loss.

Fair value through profit and loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Previously, the Group classified its financial assets as per IAS 39 in the following categories:

financial assets at fair value through profit or loss,
loans and receivables,
held-to-maturity investments, and
available-for-sale financial assets

Impairment of financial assets

Effective January 1, 2019, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group recognises life time ECL for trade debts and other receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and other receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group recognizes an impairment gain or loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

As explained in note 4 to these consolidated financial statements, previously, impairment (loss allowance) was measured under incurred loss model of IAS 39.

Financial liabilities

Classification, initial recognition and subsequent measurement

The Group classifies its financial liabilities in the following categories:

at fair value through profit or loss; and
other financial liabilities

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

3.28 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 from the dates specified below:

– 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 consolidated financial statements in accordance with IFRS Standards.

– 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 consolidated financial statements.

– On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the consolidated financial statements other than in presentation/disclosures

Further, the following new standards and interpretations have been issued by the IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1 First-time adoption of International Financial Reporting Standards
IFRS 14 Regulatory Deferral Accounts
IFRS 17 Insurance Contracts

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" on the Group's consolidated financial statements that have been applied w.e.f January 1, 2019 as follows:

4.1 Financial Instruments

IFRS 9 'Financial instruments' replaces IAS 39 "Financial Instruments: Recognition and measurement" and is effective for the year ended December 31, 2019.

IFRS 9 introduces new requirements for:

– the classification and measurement of financial assets and financial liabilities;

– impairment of financial assets; and

– hedge accounting.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Group has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of January 1, 2019 and comparatives are not restated. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 requires the Group to assess the classification of financial assets in its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Group has for a specific class of financial assets.

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 has different requirements for debt and equity financial assets.

Debt instruments should be classified and measured at either:

– amortised cost, where the effective interest rate method will apply;

– fair value through other comprehensive income (FVTOCI), with subsequent recycling to the profit or loss upon disposal of the financial asset; or

– fair value through profit or loss (FVTPL).

Investment in equity instruments, other than those to which consolidation or equity accounting applies should be classified and measured at:

– fair value through other comprehensive income (FVTOCI), with no subsequent recycling to the profit or loss upon disposal of the financial asset; or

– fair value through profit or loss (FVTPL).

On the date of initial application, January 1, 2019, the financial instruments of the Group were as follows, with any reclassifications noted:

	Classification category		Measurement category		Carrying amount		
	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	Difference
					Rs '000	Rs '000	Rs '000
Current financial assets							
Trade debts	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	4,850,235	4,850,235	–
Loans and advances	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	422,019	422,019	–
Deposits	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	944	944	–
Other receivables	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	1,110,609	1,110,609	–
Short term investments	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	29,418,935	29,418,935	–
Short term investments	FVTOCI	AFS	FVTOCI	AFS	4,056,021	4,056,021	–
Short term investments	FVTPL	FVTPL	FVTPL	FVTPL	22,298,348	22,298,348	–
Cash and bank balances	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	4,671,027	4,671,027	–
Non-current financial assets							
Long term investments	FVTOCI	AFS	FVTOCI	AFS	837,237	837,237	–
Long term loans and advances	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	1,113,854	1,113,854	–
Long term deposits	Amortised Cost	Loans and receivables	Amortised Cost	Amortised Cost	29,869	29,869	–
Current financial liabilities							
Trade and other payables	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	51,341,197	51,341,197	–
Mark-up and profit accrued	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	332,964	332,964	–
Short term borrowings	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	29,366,484	29,366,484	–
Unclaimed dividend	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	638,783	638,783	–
Current portion of long-term borrowings	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	8,623,131	8,623,131	–
Non -current financial liabilities							
Long term borrowings	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	12,817,467	12,817,467	–
Provision for compensated leave absences	Other financial liabilities	Other financial liabilities	Amortised Cost	Amortised Cost	1,560,942	1,560,942	–

Impairment of financial assets

IFRS 9 introduces the ECL model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Group to recognize an allowance for doubtful debt on all financial assets carried at amortized cost, as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade debts, the Group applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for all other financial assets i.e to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. The adoption of ECL model has no material impact on the consolidated financial assets of the Group to which ECL model is applicable.

4.2 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1 Identify the contract(s) with a customer.
Step 2 Identify the performance obligations in the contract.
Step 3 Determine the transaction price.
Step 4 Allocate the transaction price to the performance obligations in the contract.
Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. The Group has adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption, if any, is recognized in unappropriated profit as of January 1, 2019 and comparatives are not restated. The adoption of IFRS 15 did not have any material impact on the Group's financial statements.

4.3 Leases

IFRS 16 "Leases" replaced IAS 17 "Leases", the former lease accounting standard and became effective on January 1, 2019. Under the new lease standard, assets leased by the Group are being recognized on the statement of financial position of the Group with a corresponding liability. As a rule, lease expenses are no longer recorded in the statement of profit or loss from January 1, 2019. Instead, depreciation and interest expenses are recorded stemming from the newly recognized lease assets and lease liabilities. In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expenses from the newly recognized lease liability are presented in the cash flow from operating activities. The Group has adopted IFRS 16 using the modified retrospective approach w.e.f January 1, 2019. The impact of adoption of IFRS 16 is as follows:

	December 31, 2018	Impact of IFRS 16	January 1, 2019
	Rs '000	Rs '000	Rs '000
ASSETS			
NON-CURRENT ASSETS			
Right to use assets	-	79,274	79,274
NON-CURRENT LIABILITIES			
Lease liabilities	-	50,628	50,628
CURRENT LIABILITIES			
Current portion of lease liabilities	-	28,646	28,646
	-	79,274	79,274

The Group, as a lessee, recognizes a right of use asset and a lease liability on the lease commencement date.

Upon initial recognition, the right of use asset is measured as the amount equal to initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter of estimated useful lives of the right of use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

TRANSITION

The Group adopted IFRS 16 on the date the standard became effective, January 1, 2019. The Group adopted the standard using the modified retrospective approach. This means that the cumulative impact of the adoption was recognized in equity as of January 1, 2019 and that comparatives were not restated.

The weighted-average incremental rate applied to lease liabilities recognized on January 1, 2019 was 7.40% per annum.

SIGNIFICANT JUDGEMENTS UPON ADOPTION OF IFRS 16

IFRS 16 requires the Group to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Group has extension options which the Group is reasonably certain to exercise and the periods for which the Group has termination options for which the Group is reasonably certain not to exercise those termination options.

A portion of the lease contracts included within Group's lease portfolio includes lease contracts which are extendable through mutual agreement between the Group and the lessor or cancelable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Group concluded that such contracts are short-term in nature and payments made in respect of these leases are accordingly expensed in the consolidated statement of profit or loss.

Lease liabilities and Right of use assets recognized are as follows:

	Rs '000
Lease liabilities	
Operating lease commitments disclosed as at December 31, 2018	88,226
Discounting effect using incremental borrowing rate	(8,952)
Lease liabilities recognized on statement of financial position as at January 1, 2019	79,274
Lease liabilities presented as:	
Non-current financial liabilities	50,628
Current portion of non-current liabilities	28,646
	79,274
Right of use assets	
Present value of lease liability	79,274
Right of use assets recognized on statement of financial position as at January 1, 2019	79,274
Right of use assets presented as:	
Property, plant and equipment	79,274

5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2018: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2018: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2019	2018	2019	2018
	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

5.1 Fauji Foundation (FF) holds 44.35% (2018: 44.35%) ordinary shares of the FFC at the year end.

5.2 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 FFC.

5.3 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 net profit after taxation 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	2019	2018
		Rs '000	Rs '000
6. CAPITAL RESERVES			
Share premium	6.1	40,000	40,000
Capital redemption reserve	6.2	120,000	120,000
Translation reserve		2,158,938	1,139,654
Statutory reserve		2,631,780	2,072,250
		4,950,718	3,371,904

6.1 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.

6.2 Capital redemption reserve

This represents reserve set up on redemption of preference shares by FFC of Rs 120,000 thousand in 1996.

	2019	2018
	Rs '000	Rs '000
7. REVENUE RESERVES		
General reserve	8,802,360	8,802,360
Unappropriated profit	34,247,091	32,401,749
	43,049,451	41,204,109

	Note	2019	2018
		Rs '000	Rs '000
8. LONG TERM BORROWINGS - SECURED			
Borrowings from banking companies	8.1		
From conventional banks			
Fauji Fertilizer Company Limited (FFC)			
The Bank of Punjab (BOP-1)		50,000	150,000
The Bank of Punjab (BOP-2)		165,000	275,000
The Bank of Punjab (BOP-3)		1,100,000	–
Allied Bank Limited (ABL-1)		150,000	450,000
Allied Bank Limited (ABL-2)		562,500	937,500
Allied Bank Limited (ABL-3)		1,500,000	–
United Bank Limited (UBL-1)		125,000	375,000
United Bank Limited (UBL-2)		750,000	1,125,000
United Bank Limited (UBL-3)		1,250,000	1,750,000
Bank AL Habib Limited (BAH-1)		100,000	300,000
Bank AL Habib Limited (BAH-2)		150,000	250,000
Bank AL Habib Limited (BAH-3)		150,000	250,000
Habib Bank Limited (HBL-1)		250,000	750,000
Habib Bank Limited (HBL-2)		281,250	656,250
Habib Bank Limited (HBL-3)		750,000	1,000,000
Bank Alfalah Limited (BAFL)		250,000	375,000
MCB Bank Limited (MCB-1)		–	419,062
MCB Bank Limited (MCB-2)		250,000	750,000
MCB Bank Limited (MCB-3)		–	92,250
National Bank of Pakistan Limited (NBP-1)		–	520,000
National Bank of Pakistan Limited (NBP-2)		1,500,000	2,000,000
National Bank of Pakistan Limited (NBP-3)		1,500,000	2,000,000
		10,833,750	14,425,062
FFC Energy Limited (FFCEL)	8.2		
Long term financing from financial institutions		4,150,656	5,252,795
Less: Transaction cost			
Initial transaction cost		(269,797)	(269,797)
Accumulated amortisation		234,371	211,234
		4,115,230	5,194,232
Fauji Fresh n Freeze Limited (FFF)	8.3		
Allied Bank Limited (ABL)		141,625	424,875
Less: Transaction cost			
Initial transaction cost		–	(4,000)
Accumulated amortisation		–	4,000
		141,625	424,875
From Islamic banks	8.4		
Fauji Fertilizer Company Limited (FFC)			
Meezan Bank Limited (MBL-1)		–	571,429
Meezan Bank Limited (MBL-2)		125,000	375,000
MCB Islamic Bank Limited (MCBIB)		225,000	450,000
		350,000	1,396,429
		15,440,605	21,440,598
Less: Current portion shown under current liabilities			
From conventional banks		5,735,171	7,576,702
From Islamic banks		350,000	1,046,429
		6,085,171	8,623,131
		9,355,434	12,817,467

8.1 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 months KIBOR+0.35	1 half yearly	May 26, 2020
BOP-2	6 months KIBOR+0.40	3 half yearly	April 7, 2021
BOP-3	6 months KIBOR+0.15	10 half yearly	December 18, 2024
ABL-1	6 months KIBOR+0.25	1 half yearly	June 26, 2020
ABL-2	6 months KIBOR+0.25	3 half yearly	April 7, 2021
ABL-3	6 months KIBOR+0.15	8 half yearly	December 24, 2024
UBL-1	6 months KIBOR+0.35	1 half yearly	June 30, 2020
UBL-2	6 months KIBOR+0.40	4 half yearly	September 6, 2021
UBL-3	6 months KIBOR+0.20	5 half yearly	June 29, 2022
BAH-1	6 months KIBOR+0.20	1 half yearly	June 26, 2020
BAH-2	6 months KIBOR+0.20	3 half yearly	March 25, 2021
BAH-3	6 months KIBOR+0.20	3 half yearly	April 20, 2021
HBL-1	3 months KIBOR+0.40	2 Quarterly	June 2, 2020
HBL-2	3 months KIBOR+0.40	3 Quarterly	September 21, 2020
HBL-3	3 months KIBOR+0.15	12 Quarterly	December 19, 2022
BAFL	6 months KIBOR+0.40	4 half yearly	September 8, 2021
MCB-1	6 months KIBOR+0.10	Nil	Paid on June 3, 2019
MCB-2	6 months KIBOR+0.40	1 half yearly	June 29, 2020
MCB-3	6 months KIBOR+0.10	Nil	Paid on November 9, 2019
NBP-1	6 months KIBOR+0.15	Nil	Paid on October 18, 2019
NBP-2	6 months KIBOR+0.20	6 half yearly	June 30, 2022
NBP-3	6 months KIBOR+0.15	6 half yearly	December 29, 2022

8.1.1 These borrowings are secured by way of hypothecation of FFC assets including plant, machinery, tools & spares and other moveable properties, ranking pari passu with each other with 25% margin.

8.2 This represents long term loan from consortium of eight financial institutions. This loan carries mark up at six months 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 months KIBOR + 1.50% from six months KIBOR + 2.95% with effect from June 30, 2017.

8.3 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 months KIBOR + 0.50% (2018: 6 months KIBOR + 0.50%) payable semi-annually.

8.4 These borrowings are secured by way of hypothecation of FFC 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.

Lenders	Profit rate p.a. (%)	No. of installments outstanding	Date of final repayment
From Islamic banks			
MBL-1	6 months KIBOR+0.05	Nil	Paid on July 15, 2019
MBL-2	6 months KIBOR+0.40	1 half yearly	May 29, 2020
MCBIB	6 months KIBOR+0.15	2 half yearly	December 10, 2020

		Note	2019	2018
			Rs '000	Rs '000
9.	**DEFERRED LIABILITIES**			
	Deferred tax liability - net	9.1	4,193,829	4,511,457
	Provision for compensated leave absences / retirement benefits	9.2	1,802,846	1,560,942
			5,996,675	6,072,399
9.1	**Deferred taxation**			
	The balance of deferred tax is in respect of the following temporary differences:			
	Accelerated depreciation / amortisation		3,095,000	3,183,000
	Provision for slow moving spares, loss allowance, and investments		(476,000)	(153,000)
	Tax on equity accounted investment		1,584,230	1,494,251
	Re-measurement of investments		(9,401)	(12,794)
			4,193,829	4,511,457

	2019 Rs '000	2018 Rs '000
The gross movement in the deferred tax liability during the year is as follows:		
Balance at the beginning	4,511,457	4,502,589
Tax charge recognized in consolidated profit or loss	(467,898)	230,599
Tax charge recognised in consolidated comprehensive income	150,270	(221,731)
Balance at the end	4,193,829	4,511,457

9.2 Actuarial valuation has not been carried out for compensated leave absences as the impact is considered to be immaterial.

		Note	2019 Rs '000	2018 Rs '000
10.	**TRADE AND OTHER PAYABLES**			
	Creditors	10.1	63,148,051	43,173,802
	Accrued liabilities		5,764,751	5,017,310
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		3,242,126	2,650,542
	Sales tax payable - net		63,899	52,449
	Deposits	10.2	167,738	166,971
	Retention money		167,894	154,650
	Advances from customers		722,162	7,459,091
	Workers' Welfare Fund		1,598,511	1,515,309
	Payable to gratuity fund	10.3	739,538	525,210
	Payable to pension fund	10.3	443,178	204,355
	Payable to provident fund		14,004	–
	Other liabilities		237,271	177,922
			76,309,123	61,097,611

10.1 Creditors include Rs 61,064,027 thousand (2018: Rs 42,083,302 thousand) on account of Gas Infrastructure Development Cess (GIDC). The matter is subjudice in the Supreme Court of Pakistan.

10.2 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	2019 Total Rs '000	2018 Total Rs '000
10.3	**RETIREMENT BENEFIT FUNDS**				
10.3.1	**The amounts recognized in the consolidated statement of financial position are as follows:**				
	Present value of defined benefit obligation	2,934,297	4,278,587	7,212,884	6,445,749
	Fair value of plan assets	(2,194,759)	(3,835,409)	(6,030,168)	(5,716,184)
	Liability	739,538	443,178	1,182,716	729,565
10.3.2	**Amount recognised in the consolidated profit or loss is as follows:**				
	Current service cost	149,253	99,115	248,368	265,702
	Net interest cost	69,173	25,444	94,617	57,719
		218,426	124,559	342,985	323,421
10.3.3	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	2,630,849	3,814,900	6,445,749	6,275,581
	Current service cost	149,253	99,115	248,368	265,702
	Interest cost	341,152	501,368	842,520	476,714
	Benefits paid	(315,853)	(227,618)	(543,471)	(399,382)
	Re-measurement of defined benefit obligation	128,896	90,822	219,718	(172,866)
	Present value of defined benefit obligation at end	2,934,297	4,278,587	7,212,884	6,445,749
10.3.4	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	2,105,639	3,610,545	5,716,184	5,515,384
	Expected return on plan assets	271,979	475,924	747,903	418,995
	Contributions	218,426	124,559	342,985	323,421
	Benefits paid	(315,853)	(227,618)	(543,471)	(399,382)
	Re-measurement of plan assets	(85,432)	(148,001)	(233,433)	(142,234)
	Fair value of plan assets at end	2,194,759	3,835,409	6,030,168	5,716,184
10.3.5	**Actual return on plan assets**	186,474	327,923	514,397	276,761
10.3.6	**Contributions expected to be paid to the plan during the next year**	253,724	159,720	413,444	342,985
10.3.7	**Plan assets comprise of:**				
	Investment in debt securities	117,360	270,699	388,059	122,067
	Investment in equity securities	847,364	1,035,969	1,883,333	2,063,064
	Deposits with banks	1,075,487	2,363,445	3,438,932	2,957,446
	Mutual Funds	154,548	165,296	319,844	573,607
		2,194,759	3,835,409	6,030,168	5,716,184

10.3.8 The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Funds, at the beginning of the year, for returns over the entire life of the related obligations.

	2019 Funded gratuity Rs '000	2019 Funded pension Rs '000	2018 Funded gratuity Rs '000	2018 Funded pension Rs '000
10.3.9 Movement in liability / (asset) recognised in consolidated statement of financial position:				
Opening liability	525,210	204,355	397,886	362,311
Cost for the year recognised in consolidated profit or loss	218,426	124,559	168,507	154,914
Employer's contribution during the year	(218,426)	(124,559)	(168,507)	(154,914)
Total amount of re-measurement recognised in consolidated Other Comprehensive Income (OCI) during the year	214,328	238,823	127,324	(157,956)
Closing liability	739,538	443,178	525,210	204,355
10.3.10 Re-measurements recognised in consolidated OCI during the year:				
Re-measurement loss / (gain) on obligation	128,896	90,822	73,859	(246,725)
Re-measurement loss on plan assets	85,432	148,001	53,465	88,769
Re-measurement loss / (gain) recognised in consolidated OCI	214,328	238,823	127,324	(157,956)

	2019 Funded gratuity %	2019 Funded pension %	2018 Funded gratuity %	2018 Funded pension %
10.3.11 Principal actuarial assumptions used in the actuarial valuations are as follows:				
Discount rate	12.00	12.00	13.25	13.25
Expected rate of salary growth - short term				
Management	12.00	12.00	10.00	10.00
Non-Management	12.00	–	13.25	–
Expected rate of salary growth - long term				
Management	12.00	12.00	13.25	13.25
Non-Management	12.00	–	13.25	–
Expected rate of return on plan assets	12.00	12.00	13.25	13.25
Expected rate of increase in post retirement pension				
Short term	–	6.25	–	6.00
Long term	–	6.25	–	7.50
Maximum pension limit increase rate	–	6.25	–	7.00
Minimum pension limit increase rate	–	5.75	–	7.00
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	–

10.3.12 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.

	2019 Defined benefit obligation		2018 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	Rs '000	Rs '000
Discount rate	(601,098)	712,024	(528,935)	625,129
Future salary growth	237,122	(218,694)	172,451	(158,435)
Future pension	333,600	(287,506)	262,732	(226,519)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

10.3.13 The weighted average number of years of defined benefit obligation is given below:

	2019		2018	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	Years	Years	Years	Years
Plan duration	6.88	9.63	6.45	9.53

10.3.14 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.

	2019		2018	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	Rs '000	Rs '000	Rs '000	Rs '000
10.3.15 Distribution of timing of benefit payments:				
1 year	285,562	264,402	265,087	163,086
2 years	508,817	387,003	404,444	309,297
3 years	310,782	336,215	411,529	377,355
4 years	327,409	339,947	315,255	342,712
5 years	357,360	387,389	321,995	349,483
6-10 years	2,618,969	2,524,565	2,520,049	2,518,008

10.3.16 Salaries, wages and benefits expense, stated in notes 28 and 29 include retirement benefits in respect of gratuity fund, provident fund, pension plan and compensated absences amounting to Rs 201,575 thousand, Rs 164,478 thousand, Rs 112,453 thousand and Rs 248,649 thousand respectively (2018: Rs 154,551 thousand, Rs 151,524 thousand, Rs 138,336 thousand and Rs 264,395 thousand respectively).

10.4 Defined contribution plan

Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017, and the rules formulated for the purpose, except for the prescribed limit for listed securities.

10.5 Other special post retirement benefit scheme

FFC also operates special post retirement benefit scheme for higher management officials. FFC contributed to the scheme on the advice of the scheme's actuary. At year end the present value of defined benefit obligation is Rs 258,400 thousand and impact on OCI represents current service cost and net interest cost of Rs 5,946 million and Rs 41,689 million respectively.

10.6 FFF operates defined benefit gratuity scheme for its employees. FFF contributed to the scheme on the advice of the scheme's actuary. At year end the present value of defined benefit obligation is Rs 14,004 thousand, impact on current service cost and net interest cost of Rs 5,061 thousand and Rs 1,546 thousand respectively.

	2019	2018
	Rs '000	Rs '000
11. MARK-UP AND PROFIT ACCRUED		
On long term borrowings		
From conventional banks	217,085	198,414
From Islamic banks	3,789	12,512
	220,874	210,926
On short term borrowings		
From conventional banks	484,091	106,408
From Islamic bank	6,536	15,630
	490,627	122,038
	711,501	332,964

12. SHORT TERM BORROWINGS - SECURED

The Group has obtained short-term running finance facilities from various banks, under separate terms and agreements. The total amounts outstanding against each facility at the year end and the terms of each facility are given below:

	Note	Availed as on December 31, 2019	Availed as on December 31, 2018
		Rs '000	Rs '000
Lending Institutions			
From conventional banks	12.1		
MCB Bank Limited		300,001	2,200,000
Allied Bank Limited (ABL-1)		1,346,927	39,652
Allied Bank Limited (ABL-2)		–	1,075,000
Allied Bank Limited (ABL-3)		–	725,000
United Bank Limited		963,872	5,838
Askari Bank Limited		4,426,551	8,999,377
Bank Alfalah Limited		992,143	928,566
Bank of Punjab		10	–
Habib Bank Limited		3,500,637	3,417,874
National Bank of Pakistan		1,200,000	1,107,151
Habib Metropolitan Bank Limited		9	957,999
JS Bank Limited (JSBL-1)		2,394,254	749,896
JS Bank Limited (JSBL-2)		–	840,000
Standard Chartered Bank (Pakistan) Limited		4,679,204	4,998,820
Bank Al-Habib Limited		–	999,992
		19,803,608	27,045,165
From Islamic bank	12.2		
Meezan Bank Limited		2,689,345	2,321,319
		22,492,953	29,366,484

12.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 40,760,000 thousand (2018: Rs 38,960,000 thousand) which represent the aggregate of all facility agreements between the FFC and respective banks. The per annum rates of mark-up are 1 month KIBOR + 0.10% to 0.35% and 3 month KIBOR + 0.05% to 0.25% (2018: 1 Week KIBOR + 0.03% ,1 month KIBOR + 0.10% to 0.35% and 3 month KIBOR + 0.05% to 0.35%). The facilities are secured by pari passu / ranking hypothecation charges on assets of the FFC besides lien over PKR Term Deposits and PIBs in certain cases. The facilities have various maturity dates upto December 15, 2020.

12.2 Shariah compliant short term borrowing is available from banking company under profit arrangement against facility amounting to Rs 2,900,000 thousand (2018: Rs 3,500,000 thousand). The per annum rates of profit ranges between 3 month KIBOR + 0.05% to 0.12% (2018: 3 month KIBOR + 0.07% to 0.10%). The facility is secured by ranking hypothecation charges on assets of the FFC besides lien over debt instruments. The maturity date is upto May 31, 2020.

		2019	2018
		Rs '000	**Rs '000**
13.	**CONTINGENCIES AND COMMITMENTS**		
13.1	**Contingencies:**		
	i) Guarantees issued by banks on behalf of the Company	3,994,314	154,806
	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	20,889,757	42,711,375
	iv) Group's share of contingencies in Fauji Cement Company Limited as at September 30, 2019 (2018: September 30, 2018)	120,932	100,597
	v) Group's share of contingencies in Askari Bank Limited as at as at September 30, 2019 (2018: September 30, 2018)	83,015,441	98,986,681

vi) Penalty of Rs 5,500,000 thousand imposed by the Competition Commission of Pakistan (CCP) in 2013, for alleged unreasonable increase in urea prices, which was set aside by the Competition Appellate Tribunal, in appeal filed by FFCL, who also remanded the case back to CCP to decide the case afresh under guidelines provided by the Tribunal. CCP did not challenge this order before the Supreme Court of Pakistan in appeal within the stipulated time, thus making the appeal time barred. However CCP, under the said Tribunal guidelines, may resume proceedings but the Company remains confident of successfully defending these unreasonable claims in future as well.

		2019	2018
		Rs '000	**Rs '000**
13.2	**Commitments in respect of:**		
	i) Capital expenditure	1,213,292	1,919,124
	ii) Purchase of fertilizer, stores, spares and other operational items	1,347,209	2,832,580
	iii) Group's share of commitments of PMP as at September 30, 2019 (2018: September 30, 2018)	32,855	5,992
	iv) Investment in Thar Energy Limited	2,235,724	3,685,374
	v) Contracted out services	289,135	392,100

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Lease hold land	Building and structures on freehold land	Building 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	Right of use asset	Capital work in progress (note 14.4)	Total
								Rs '000							
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	198	2,721,908	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															
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 January 1, 2019															
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	198	621,090	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
Year ended December 31, 2019															
Opening 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
Right of use asset recognised on adoption															
of IFRS 16 as at January 1, 2019	-	-	-	-	-	-	-	-	-	-	-	-	79,274	-	79,274
Additions	-	-	186,874	95,219	-	953,976	60	97,059	38,561	63,497	217,555	1,397	108,972	1,841,403	3,604,573
Disposals															
Cost	(306,345)	-	-	-	-	(18,699)	-	(1,333)	(19,128)	(11,070)	(33,502)	(23,077)	-	(70,920)	(484,074)
Depreciation	-	-	-	-	-	5,567	-	1,269	19,005	10,537	33,502	23,077	-	-	92,957
	(306,345)	-	-	-	-	(13,132)	-	(64)	(123)	(533)	-	-	-	(70,920)	(391,117)
Transfers	-	-	-	-	-	(2,712)	-	2,197	515	-	-	-		(133,543)	(133,543)
Adjustments															
Depreciation charge	-	-	(251,840)	(109,897)	-	(2,149,771)	(177,360)	(125,819)	(39,898)	(84,796)	(172,233)	(1,089)	(63,296)	-	(3,175,999)
Balance as at December 31, 2019	469,263	-	3,035,045	1,574,078	-	23,822,743	190,734	420,582	219,445	201,495	440,123	1,670	124,950	2,258,030	32,758,158
As at December 31, 2019															
Cost	469,263	178,750	6,340,303	2,202,083	26,517	51,537,115	2,361,160	1,437,232	513,428	877,562	2,679,350	5,211	188,444	2,258,030	71,074,448
Accumulated depreciation	-	(178,750)	(3,305,258)	(628,005)	(26,517)	(27,714,372)	(2,170,426)	(1,016,650)	(293,983)	(676,067)	(2,239,227)	(3,541)	(63,494)	-	(38,316,290)
Net Book Value	469,263	-	3,035,045	1,574,078	-	23,822,743	190,734	420,582	219,445	201,495	440,123	1,670	124,950	2,258,030	32,758,158
Rate of depreciation in %	-	6.25 to 9.25	5 to 10	5	5	5	20	15	10	20	15 - 33.33	30	20	-	

		Note	2019	2018
			Rs '000	Rs '000
14.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	28	3,039,410	2,965,975
	Distribution cost	29	129,614	75,693
	Other expenses		1,972	1,986
	Charged to FFBL under Inter Company Services Agreement		5,003	15,320
			3,175,999	3,058,974

14.2 The details of fixed assets sold during the year, having net book value in excess of Rs. 5,000 thousand each are as follows:

	Location of fixed assets sold	Description/ particulars of purchaser	Original cost	Book value	Sale proceeds
			Rs '000	Rs '000	Rs '000
Land	Plot No. 50&50A, Zafar Ali Road, Gulberg V, Lahore, Punjab	Beryllium (Pvt.) Limited	306,345	306,345	421,950

14.3 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
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	Production plant including allied facilities	1,283 acres
FFF		
16-Km Sahiwal Pakpattan Road, Sahiwal (District: Sahiwal), Punjab	Production plant including allied facilities	74 acres

		2019	2018
		Rs '000	Rs '000
14.4	**Capital Work in Progress**		
	Civil works	162,264	156,552
	Plant and machinery (including in transit items)	2,095,766	464,538
		2,258,030	621,090

		Note	2019	2018
			Rs '000	Rs '000
15.	**INTANGIBLE ASSETS**			
	Computer software	15.1	12,744	9,223
	Goodwill	15.2	1,932,561	1,932,561
			1,945,305	1,941,784
15.1	**Computer software**			
	Balance at the beginning		9,223	18,822
	Additions during the year		8,964	2,071
	Amortisation charge for the year		(5,443)	(11,670)
	Balance at the end		12,744	9,223
	Amortisation rate		33.33%	33.33%
	Amortisation charge has been allocated as follows:			
	Cost of sales	28	2,712	7,683
	Administrative and distribution expenses	29	2,731	3,987
			5,443	11,670
15.2	**Goodwill**			
	Goodwill on acquisition of Pak Saudi Fertilizer Company Limited	15.2.1	1,569,234	1,569,234
	Goodwill on acquisition of Fauji Fresh n Freeze Limited	15.2.2	363,327	363,327
			1,932,561	1,932,561

15.2.1 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 14.53%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

15.2.2 This represents excess of the amount paid by FFC over fair value of net assets of Fauji Fresh n Freeze Limited (FFF) 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 for a period of 5 years and terminal value determined based on terminal growth rate of 5%. The cash flows are discounted using a discount rate of 14.53%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2019	2018
			Rs '000	Rs '000
16.	**LONG TERM INVESTMENTS**			
	Equity accounted investments	16.1	44,877,513	44,197,788
	Other long term investments	16.2	4,381,223	837,237
			49,258,736	45,035,025

		Note	2019	2018
			Rs '000	Rs '000
16.1	**Equity accounted investments**			
	Investment in associated companies - equity method			
	Fauji Cement Company Limited (FCCL)	16.2.1		
	Balance at the beginning		2,120,849	2,051,242
	Share of profit for the year		157,250	257,107
	Dividend received		(140,625)	(187,500)
			2,137,474	2,120,849
	Fauji Fertilizer Bin Qasim Limited (FFBL)	16.2.2		
	Balance at the beginning		20,742,207	20,131,610
	Share of (loss)/profit for the year		(3,177,170)	781,903
	Share of OCI for the year		462,616	178,113
	Dividend received		(465,892)	(349,419)
			17,561,761	20,742,207
	Askari Bank Limited (AKBL)	16.2.3		
	Balance at the beginning		17,367,437	16,528,939
	Share of profit for the year		2,240,515	2,012,040
	Share of OCI for the year		(65,392)	(1,173,542)
	Dividend received		(543,768)	–
			18,998,792	17,367,437
	Thar Energy Limited (TEL)	16.2.4		
	Balance at the beginning		1,445,604	–
	Investment during the year		1,329,318	1,460,400
	Advance against issue of shares		416,533	–
	Share of loss for the year		(1,529)	(14,796)
	Share of OCI for the year		–	–
	Dividend received		–	–
			3,189,926	1,445,604
	Investment in joint venture - equity method			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	16.2.5		
	Balance at the beginning		2,521,691	2,045,184
	Share of profit for the year		401,615	320,492
	Gain on translation of net assets		581,953	418,566
	Dividend received		(515,699)	(262,551)
			2,989,560	2,521,691
			44,877,513	44,197,788
16.2	**Other long term investments**			
	Investment at fair value through other comprehensive income / Investment available for sale	16.3		
	Term Deposit Receipts - from conventional bank		155,116	117,615
	Pakistan Investment Bonds		4,272,285	4,775,643
			4,427,401	4,893,258
	Less: Current portion shown under Short Term Investments - fair value through other comprehensive income / available for sale			
	Term Deposit Receipts - from conventional bank		46,178	37,477
	Pakistan Investment Bonds		–	4,018,544
		25	46,178	4,056,021
			4,381,223	837,237

16.2.1 Investment in FCCL - at equity method

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% (2018: 6.79%) of its share capital. Market value of FFC's investment as at December 31, 2019 was Rs 1,458,750 thousand (2018: Rs 1,962,188 thousand). FFCL is an associate due to common directorship.

16.2.2 Investment in FFBL - at equity method

Investment in FFBL represents 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% (2018: 49.88%) of FFBL's share capital. Market value of the FFC's investment as at December 31, 2019 was Rs 9,094,212 thousand (2018: 17,363,795 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. 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 have been discounted at weighted average cost of capital of 14.53% and terminal growth rate of 3%. Based on this analysis management believes that this investment is carried at its recoverable amount in these consolidated financial statements.

16.2.3 Investment in AKBL - at equity method

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2018: 43.15%) of AKBL's share capital. Market value of FFC's investment as at December 31, 2019 was Rs 10,081,459 thousand (2018: Rs 13,006,931 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 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 have been discounted at weighted average cost of capital of 14.53% and terminal growth rate of 3%. Based on this analysis management believes that this investment is carried at its recoverable amount in these consolidated financial statements.

16.2.4 Investment in TEL - at equity method

Investment in TEL represents 278,971 thousand (2018: 146,040 thousand) fully paid ordinary shares of Rs 10 each. FFC currently holds 30% shareholding interest in TEL. TEL is a public limited Company. TEL is the subsidiary of the HUB Power Company Limited. The principal activities of TEL are to develop, own, operate and maintain a 1 x 330 MW mine-month coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh.

16.2.5 Investment in PMP - at equity method

FFC has 12.5% (2018: 12.5%) 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, Fauji Foundation (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 PMPs' lenders.

16.3 Investments at fair value through other comprehensive income (FVTOCI)

Term Deposits Receipts (TDRs)

These represent placement in Term Deposit Receipts with financial institution having tenure from one to five years with returns ranging from 4.49% to 11.83% per annum (2018: 4.49% to 9.02% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 5 and 10 years tenure having aggregate face value of Rs 4,490 thousand are due to mature within a period of 10 years. Profit on fixed rate PIBs is payable on half yearly basis with coupon rates ranging from 8% to 12.00% per annum and floating rate PIB at weighted average 6 months T bill yield + 0.70%. The PIBs are placed with banks as collateral to secure borrowing facilities.

16.4 Summary financial information of equity accounted investees

Associates

The following table summarises the financial information of associated companies as included in their own financial statements for the period ended December 31, 2019 and September 30, 2019, 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 2019 and last quarter of financial year 2018 have been considered for AKBL and results of first quarter operations of financial year 2019 and three quarters of financial year 2018 have been considered for FCCL. Results for twelve months from October 2018 to September 2019 have been considered for TEL. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in associate.

			2019		
	FCCL	FFBL	AKBL	TEL	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Percentage of shareholding	6.79%	49.88%	43.15%	30.00%	
Non-current assets / Total assets (AKBL)	22,987,482	71,722,175	824,360,799	22,284,627	941,355,083
Current assets (including cash and cash equivalents)	5,952,752	62,306,727	–	1,393,429	69,652,908
Total assets	28,940,234	134,028,902	824,360,799	23,678,056	1,011,007,991
Non-current liabilities / Total liabilities (AKBL)	(4,173,357)	(36,082,657)	(786,385,369)	–	(826,641,383)
Current liabilities	(4,610,356)	(87,217,104)	–	(14,508,497)	(106,335,957)
Total liabilities	(8,783,713)	(123,299,761)	(786,385,369)	(14,508,497)	(932,977,340)
Net assets at fair value (100%)	20,156,521	10,729,141	37,975,430	9,169,559	78,030,651
Non-controlling interest of associate	–	(1,582,983)	(45,222)	–	(1,628,205)
Net assets attributable to Group (100%)	20,156,521	9,146,158	37,930,208	9,169,559	76,402,446
Groups share of net assets	1,368,628	4,562,104	16,366,885	2,750,868	25,048,485
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	–	–	384,724	1,208,089
Other adjustments	(54,519)	629,792	(476,842)	54,334	152,765
Carrying amount of interest in associate	2,137,474	17,561,761	18,998,792	3,189,926	41,887,953
Revenue	19,698,826	81,520,667	63,415,067	–	164,634,560
Profit / (loss) from continuing operations (100%)	2,315,907	(6,369,628)	5,192,387	(5,097)	1,133,569
Other comprehensive income / (loss) (100%)	–	927,458	(151,546)	–	775,912
Total comprehensive income / (loss) (100%)	2,315,907	(5,442,170)	5,040,841	(5,097)	1,909,481
Group share of profit from continuing operations	157,250	(3,177,170)	2,240,515	(1,529)	(780,934)
Group share of other comprehensive income / (loss)	–	462,616	(65,392)	–	397,224
Group's share of total comprehensive income/(loss)	157,250	(2,714,554)	2,175,123	(1,529)	(383,710)

	FCCL	FFBL	2018 AKBL	TEL	Total
	Rs '000	Rs '000	Rs '000	Rs '000	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 / (loss) from continuing operations (100%)	3,786,549	1,567,569	4,662,897	(49,319)	9,967,696
Other comprehensive income / (loss) (100%)	–	357,083	(2,719,679)	–	(2,362,596)
Total comprehensive income / (loss) (100%)	3,786,549	1,924,652	1,943,218	(49,319)	7,605,100
Group share of profit from continuing operations	257,107	781,903	2,012,040	(14,796)	3,036,254
Group share of other comprehensive income	–	178,113	(1,173,541)	–	(995,428)
Group's share of total comprehensive income/(loss)	257,107	960,016	838,499	(14,796)	2,040,826

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates.

	2019	2018
	Rs '000	Rs '000
Carrying amount of interests in associates	41,887,953	41,676,097
Share of:		
- (Loss) / Profit from continuing operations	(780,934)	3,036,254
- Other Comprehensive Income / (Loss)	397,224	(995,428)

Joint venture

The following table summarizes the financial information of PMP as included in its own financial statements for the period ended September 30, 2019, 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 2018 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.

	2019 Rs '000	2018 Rs '000
Percentage ownership interest	12.5%	12.5%
Non-current assets	11,372,715	9,911,958
Current assets	22,987,207	21,176,105
Non-current liabilities	(5,034)	(1,221)
Current liabilities	(10,438,409)	(10,913,490)
Net Assets (100%)	23,916,479	20,173,352
Group's share of net assets (12.5%)	2,989,560	2,521,691
Revenue	32,922,418	26,573,870
Depreciation and amortization	(1,599,417)	(1,301,556)
Interest expense	48,325	(242,081)
Income tax expense	(653,237)	(617,414)
Other expenses	(27,505,170)	(21,848,883)
Profit for the year (100%)	3,212,919	2,563,936
Profit for the year (12.5%)	401,615	320,492
Group's share of total comprehensive income	401,615	320,492

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 Dividend 2018 Rs 144,061 thousand Interim Dividend 2019 Rs 371,638 thousand
Details of litigations	None
Details of default / breach relating to investment	None
Gain / loss on disposal of investment	Not applicable

	Note	2019	2018
		Rs '000	Rs '000
17. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives			
Interest bearing		496,725	426,932
Non-interest bearing		392,412	336,262
		889,137	763,194
Other employees			
Interest bearing		437,084	416,844
Non-interest bearing		280,167	302,196
		717,251	719,040
Less: Amount due within twelve months, shown		1,606,388	1,482,234
under current loans and advances	22		
Interest bearing		178,937	163,602
Non-interest bearing		227,414	204,778
		406,351	368,380
		1,200,037	1,113,854

17.1 Reconciliation of carrying amount of loans and advances:

			2019	2018
	Executives	Other employees	Total	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1	763,194	719,040	1,482,234	1,309,671
Adjustment	111,708	(111,708)	–	–
Disbursements	291,790	330,078	621,868	647,986
	1,166,692	937,410	2,104,102	1,957,657
Repayments	(277,555)	(220,159)	(497,714)	(475,423)
Balance at December 31	889,137	717,251	1,606,388	1,482,234

These subsidized and interest free loans and advances are granted to employees as per the Group'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 981,214 thousand (2018: Rs 805,865 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.

17.2 Loans and advances to employees exceeding Rs 1 million

	2019		2018	
Category	No. of employees	Amount	No. of employees	Amount
		Rs '000		Rs '000
Rs 1 million to Rs 2 million	248	358,528	261	382,556
Exceeding Rs 2 million upto Rs 3 million	56	213,982	57	137,702
Exceeding Rs 3 million upto Rs 5 million	66	250,101	64	244,580
Exceeding Rs 5 million upto Rs 10 million	63	452,513	60	443,706
Exceeding Rs 10 million upto Rs 25 million	10	106,841	4	42,647
	443	1,381,965	446	1,251,191

		Note	2019 Rs '000	2018 Rs '000
18.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Non-interest bearing deposits		28,349	29,869
	Prepayments		–	1,226
			28,349	31,095
19.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		182,008	131,955
	Spares		3,705,970	3,436,263
	Provision for slow moving spares	19.1	(532,923)	(520,619)
			3,173,047	2,915,644
	Loose tools		2	56
	Items in transit		509,345	441,669
			3,864,402	3,489,324
19.1	**Movement of provision for slow moving spares**			
	Balance at the beginning		520,619	473,116
	Provision during the year	28	12,304	47,503
	Balance at the end		532,923	520,619
20.	**STOCK IN TRADE**			
	Raw materials		152,277	254,632
	Work in process		142,402	165,343
	Finished goods			
	Manufactured urea		674,520	63,177
	Purchased fertilizer		5,848,830	12,232,451
	Others		196,809	328,513
			6,720,159	12,624,141
	Stock in transit		–	253,147
	Provision for slow moving stock		–	(6,265)
	Provision for net realizable value		–	(4,596)
			7,014,838	13,286,402
21.	**TRADE DEBTS**			
	Considered good:			
	Secured			
	against bank guarantees		15,514,066	3,640,274
	against guarantee issued by the Government of Pakistan		–	1,001,300
	Unsecured - local		93,278	96,819
	Unsecured - exports		–	111,842
	Considered doubtful			
	Unsecured - local	21.1	1,758	1,758
	Unsecured - exports		–	37,555
			15,609,102	4,889,548
	Loss allowance	21.2	(3,210)	(39,313)
			15,605,892	4,850,235

21.1 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.

		2019	2018
		Rs '000	Rs '000
21.2	**Movement of loss allowance**		
	Balance at the beginning	39,313	1,758
	Provision during the year	–	37,555
	Written off during the year	(36,103)	–
	Balance at the end	3,210	39,313

21.3 Following are the details of debtors in relation to export sales:

Name of Foreign Jurisdiction	Type of transaction	2019	2018
		Rs '000	Rs '000
Asia	Contract	–	123,422
Europe	Contract	–	1,669
Australia	Contract	–	–
		–	125,091

		Note	2019	2018
			Rs '000	Rs '000
22.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	17	406,351	368,380
	Loans and advances to employees-unsecured			
	- considered good, non-interest bearing			
	Executives		75,397	33,587
	Others		29,414	20,052
	Advances to suppliers - considered good		355,572	119,884
	Advances to suppliers - considered doubtful		1,572	1,572
	Loss allowance		(1,572)	(1,572)
			355,572	119,884
			866,734	541,903

22.1 **Loans and advances to employees exceeding Rs 1 million**

Category	2019 No. of employees	2019 Amount	2018 No. of employees	2018 Amount
		Rs '000		Rs '000
Rs 1 million to Rs 2 million	5	7,445	7	8,535
Exceeding Rs 2 million upto Rs 3 million	3	5,076	1	2,049
Exceeding Rs 3 million upto Rs 5 million	2	53,348	–	–
	10	65,869	8	10,584

		2019	2018
		Rs '000	Rs '000
23.	**DEPOSITS AND PREPAYMENTS**		
	Non-interest bearing deposits	914	944
	Prepayments	51,979	81,789
		52,893	82,733

		Note	2019	2018
			Rs '000	Rs '000
24.	**OTHER RECEIVABLES**			
	Accrued income on investments and bank deposits:			
	Pakistan Investment Bonds		148,894	248,211
	Conventional banks		25,050	113,975
	Islamic banks		10	2
	Sales tax receivable - net		10,085,239	7,692,192
	Advance tax	24.1	418,742	377,809
	Subsidy receivable from Government agencies	24.2	6,961,878	6,961,878
	Receivable from Workers' Profit Participation			
	Fund - unsecured		127,883	82,897
	Receivable from Fauji Fertilizer Bin Qasim			
	Limited - unsecured	24.3	174,515	358,024
	Other receivables		420,371	390,397
	Loss allowance		(792,404)	(792,404)
			17,570,178	15,432,981

24.1 This includes tax paid of Rs 322,368 thousand (2018: Rs 322,368) 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.

24.2 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.

24.3 This maximum amount of receivable from FFBL during the year was Rs 174,515 thousand (2018: Rs 358,024 thousand).

	Note	2019	2018
		Rs '000	Rs '000
25. SHORT TERM INVESTMENTS			
Amortised cost - conventional investments			
Term deposits with banks and financial institutions	25.1		
Local currency (Net of provision for doubtful recovery			
Rs 2,600 thousand (2018: Rs 2,600 thousand)		4,167,000	27,437,700
Foreign currency		2,115,339	1,981,235
		6,282,339	29,418,935
Investments at fair value through profit or loss			
Conventional investments		37,375,252	22,107,947
Shariah compliant investments		5,503,701	190,401
	25.2	42,878,953	22,298,348
Current maturity of long term investments			
Fair value through other comprehensive			
income / Available for sale	16.2	46,178	4,056,021
		49,207,470	55,773,304

25.1 These represent investments having maturities ranging between 1 to 9 months and are being carried at amortised cost.

25.2 Fair values of these investments are determined using quoted repurchase price.

	Note	2019	2018
		Rs '000	Rs '000
26. CASH AND BANK BALANCES			
At banks			
Local Currency			
Current Account - Conventional banking		441,098	843,626
Current Account - Islamic banking		22,506	81,707
Deposit Account - Conventional banking	26.1	798,701	1,269,186
Deposit Account - Islamic banking	26.2	6,940	59
		1,269,245	2,194,578
Foreign Currency			
Deposit Account (US$ 1,179,426; 2018: US$ 65)		182,634	9
	26.3	1,451,879	2,194,587
Cash in transit	26.4	4,563,199	2,474,839
Cash in hand		114	1,601
		6,015,192	4,671,027

26.1 Balances with banks carry markup ranging from 11.25% to 12.4% (2018: 8.00% to 9.25%) per annum.

26.2 Balances with banks carry profit ranging from 3.00% to 7.19% (2018: 2.75% to 3.35%) per annum.

26.3 Balances with banks include Rs 167,738 thousand (2018: Rs 166,971 thousand) in respect of security deposits received.

26.4 These represent demand drafts held by the Group at year end.

		Note	2019 Rs '000	2018 Rs '000
27.	**TURNOVER**			
	Local		94,870,077	80,128,316
	Export		69,588	362,345
	Purchased and packaged fertilizers		18,325,228	32,930,082
			113,264,893	113,420,743
	Sales tax		(2,686,406)	(3,868,790)
	Trade discount and others		(761,098)	(118,365)
			(3,447,504)	(3,987,155)
			109,817,389	109,433,588
28.	**COST OF SALES**			
	Raw materials consumed		33,207,143	27,268,343
	Fuel and power		13,117,694	9,710,550
	Chemicals and supplies		487,768	424,267
	Salaries, wages and benefits		7,777,859	7,108,549
	Training and employees welfare		1,010,590	921,936
	Rent, rates and taxes		81,673	90,768
	Insurance		283,855	236,295
	Travel and conveyance		455,780	413,498
	Repairs and maintenance (includes stores and spares consumed of Rs 580,358 thousand; (2018: Rs 464,927 thousand)		1,901,868	1,748,911
	Depreciation	14.1	3,039,410	2,965,975
	Amortisation	15.1	2,712	7,683
	Communication and other expenses	28.1	1,745,198	2,624,098
			63,111,550	53,520,873
	Opening stock - work in process		165,343	165,182
	Closing stock - work in process		(142,402)	(165,343)
			22,941	(161)
	Cost of goods manufactured		63,134,491	53,520,712
	Opening stock - manufactured		391,690	391,881
	Closing stock - manufactured		(871,329)	(391,690)
			(479,639)	191
	Cost of sales - manufactured		62,654,852	53,520,903
	Opening stock - purchased		12,232,451	–
	Purchase for resale		8,000,754	38,994,063
	Closing stock - purchased		(5,848,830)	(12,232,451)
	Cost of sales - purchased		14,384,375	26,761,612
			77,039,227	80,282,515

28.1 This includes provision for slow moving spares amounting to Rs 12,304 thousand (2018: Rs 47,503 thousand).

		Note	2019	2018
			Rs '000	Rs '000
29.	**ADMINISTRATIVE AND DISTRIBUTION EXPENSES**			
	Administrative expenses	29.1	237,172	341,444
	Product transportation		5,019,669	5,781,767
	Salaries, wages and benefits		2,081,469	1,995,713
	Training and employees welfare		141,505	132,807
	Rent, rates and taxes		293,059	199,875
	Technical services to farmers		9,257	8,593
	Travel and conveyance		191,751	180,748
	Sale promotion and advertising		329,184	386,496
	Communication and other expenses		275,346	238,505
	Warehousing expenses		173,019	167,658
	Depreciation	14.1	114,943	72,282
	Amortisation	15.1	1,004	2,882
			8,867,378	9,508,770
29.1	**Administrative expenses**			
	This represents administrative and general expenses of FFCEL and FFF:			
	Salaries, wages and benefits		62,784	125,961
	Travel and conveyance		13,971	25,881
	Utilities		2,790	2,291
	Printing and stationery		1,185	1,064
	Repairs and maintenance		1,202	1,494
	Communication, advertisement and other expenses		2,357	137,668
	Rent, rates and taxes		10,433	26,663
	Legal and professional		6,015	8,365
	Depreciation		14,670	3,411
	Amortisation		1,727	1,105
	Miscellaneous		120,038	7,541
			237,172	341,444
30.	**FINANCE COST**			
	Mark-up / profit on long term borrowings			
	Conventional banking		1,981,672	1,794,901
	Islamic banking		107,504	143,406
			2,089,176	1,938,307
	Mark-up / profit on short term borrowings			
	Conventional banking		1,143,047	246,660
	Islamic banking		46,294	32,875
			1,189,341	279,535
	Bank and other charges		33,320	26,767
			3,311,837	2,244,609

		Note	2019	2018
			Rs '000	Rs '000
31.	**OTHER EXPENSES**			
	Research and development		647,277	659,835
	Workers' Profit Participation Fund		1,282,442	1,042,414
	Workers' Welfare Fund		422,608	403,627
	Auditors' remuneration			
	Audit fee - separate financial statements		1,975	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		2,195	1,824
	Fee of subsidiary auditors		1,093	675
	Taxation services		22,716	710
	Out of pocket expenses		625	380
			28,604	5,239
			2,380,931	2,111,115
32.	**OTHER INCOME**			
	Government subsidy	32.1	–	2,400,358
	Income from financial assets			
	Income on loans, deposits and investments in:			
	Pakistan Investment Bonds		417,436	657,996
	Conventional banks		1,396,858	756,528
	Islamic banks		370	44
	Gain / (loss) on re-measurement of investments classified as fair value through profit or loss on:			
	Conventional mutual funds		386,728	439,061
	Shariah compliant mutual funds		12,865	(10,694)
	Dividend income on:			
	Conventional mutual funds		2,575,974	193,235
	Shariah compliant mutual funds		86,368	–
	Exchange gain on foreign currency balances		235,614	399,390
			5,112,213	2,435,560
	Income from non financial assets			
	Gain on disposal of property, plant and equipment		158,599	16,920
	Commission on sale of FFBL products		23,920	24,970
			182,519	41,890
	Other income			
	Scrap sales		172,329	41,113
	Others		284,510	171,573
			456,839	212,686
			5,751,571	5,090,494

32.1 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.

		2019	2018
		Rs '000	Rs '000
33.	**PROVISION FOR TAXATION**		
	Current tax	6,463,386	6,917,615
	Prior year	261,000	452,000
	Deferred tax	(467,898)	(74,000)
		6,256,488	7,295,615
33.1	**Reconciliation between tax expense and accounting profit**		
	Profit before tax	23,590,268	23,733,819

	2019	2018
	%	%
Applicable tax rate	29.00	29.00
Tax effect of income that is exempt or taxable at reduced rates	(1.80)	(2.89)
Effect of change in tax laws	0.77	4.30
Prior year charge	0.81	1.90
Tax loss surrendered to the Parent Company	(1.47)	–
Others	(0.79)	(1.57)
Average effective tax rate charged on income	26.52	30.74

33.2 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 tax at the rate of five percent of its accounting profit before tax.

FFC has during the year distributed sufficient interim dividends for the year ended December 31, 2019, which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended December 31, 2019.

33.3 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 349,766 thousand (2018: Rs 273,000 thousand) equivalent to the tax value of the loss acquired.

		2019	2018
34.	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit for the year (Rupees '000)	17,333,780	16,438,204
	Weighted average number of shares in issue (Number '000)	1,272,238	1,272,238
	Basic and diluted earnings per share (Rupees)	13.62	12.92

There is no dilutive effect on the basic earnings per share of the Group.

35. 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:

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	7,783	1,562,414	7,915	1,504,646
Contribution to provident fund	538	94,683	542	86,045
Bonus and other awards	3,220	–	2,783	–
Good performance award	–	1,605,312	–	1,477,058
Allowances and contribution to retirement benefit plans	7,349	1,293,253	9,030	1,198,862
Total	18,890	4,555,662	20,270	4,266,611
No. of person(s)	1	385	1	364

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 Nil thousand (2018: Rs 4,431) and Rs 49,754 thousand (2018: Rs 57,380 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 (2018: Rs 1,200 thousand) during the year.

In addition, 17 (2018: 20) directors were paid aggregate fee of Rs 6,325 thousand (2018: Rs 7,080 thousand). Directors are not paid any remuneration except meeting fee.

36. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		Equity	
	Long term borrowings	Lease liabilities	Unappropriated profit	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2019	21,440,598	–	41,204,109	62,644,707
Changes from financing cash flows				
Draw-downs	2,600,000	–	–	2,600,000
Repayments	(8,599,993)	–	–	(8,599,993)
Repayment of lease liabilities	–	(60,604)	–	(60,604)
Dividend paid	–	–	(14,664,464)	(14,664,464)
Total changes from financing cash flows	(5,999,993)	(60,604)	(14,664,464)	(20,725,061)
Other changes				
Liability related	–	–	–	–
Equity related				
Total comprehensive income for the year	–	–	17,201,367	17,201,367
Transferred to statutory reserve	–	–	(559,530)	(559,530)
Change in unclaimed dividend	–	–	97,336	97,336
Total liability and equity related other changes	–	–	16,739,173	16,739,173
Balance at December 31, 2019	15,440,605	(60,604)	43,278,818	58,658,819

	Liabilities		Equity	
	Long term borrowings	Lease liabilities	Unappropriated profit	Total
	Rs '000	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
Transfer to statutory reserves	–	–	(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

	2019	2018
	Rs '000	Rs '000
37. CASH GENERATED FROM OPERATIONS		
Profit before tax	23,590,268	23,733,819
Adjustments for:		
Depreciation	3,170,996	3,043,654
Amortization	5,443	11,670
Provision for slow moving spares	12,304	47,503
Loss allowance	–	829,299
Finance cost	3,311,837	2,285,308
Income on loans, deposits and investments	(1,814,664)	(1,414,568)
Share of loss / (profit) of associate and joint venture	379,319	(3,356,746)
Gain on sale of property, plant and equipment	(158,599)	(16,920)
Exchange gain on foreign currency balances	(235,614)	(440,089)
Gain on re-measurement of investments at fair value through profit or loss	(399,593)	(428,367)
Government subsidy on sale of fertilizer	–	(2,400,358)
	4,271,429	(1,839,614)
	27,861,697	21,894,205
Changes in working capital		
(Increase) / decrease in current assets:		
Stores and spares	(387,382)	(24,928)
Stock in trade	6,271,564	(12,645,747)
Trade debts	(10,755,657)	(152,816)
Loans and advances	(324,831)	125,002
Deposits and prepayments	29,840	1,091
Other receivables	(2,320,428)	(2,295,086)
Decrease in current liabilities:		
Trade and other payables	14,851,263	21,808,932
	7,364,369	6,816,448
Changes in long term loans and advances	(86,183)	(147,895)
Changes in long term deposits and prepayments	2,746	78
Changes in deferred liabilities	241,904	90,161
Change in lease liabilities	–	417
	35,384,533	28,653,414

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 Financial instruments by category

December 31, 2019

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Financial assets				
Maturity up to one year				
Trade debts - net of loss allowance	15,605,892	–	–	15,605,892
Loans and advances	511,162	–	–	511,162
Deposits	914	–	–	914
Other receivables	768,840	–	–	768,840
Short term investments	6,282,339	42,878,953	46,178	49,207,470
Cash and bank balances	6,015,192	–	–	6,015,192
Maturity after one year				
Long term investments	–	–	4,381,223	4,381,223
Long term loans and advances	1,200,037	–	–	1,200,037
Long term deposits	28,349	–	–	28,349
	30,412,725	42,878,953	4,427,401	77,719,079

	Fair value through profit or loss	Amortised cost	Total
	Rs '000	Rs '000	Rs '000
Financial liabilities			
Maturity up to one year			
Trade and other payables	–	72,727,831	72,727,831
Markup and profit accrued	–	711,501	711,501
Short term borrowings	–	22,492,953	22,492,953
Unclaimed dividend	–	541,447	541,447
Current portion of long term borrowings	–	6,085,171	6,085,171
Current portion of lease liabilities	–	51,967	51,967
Maturity after one year			
Long term borrowings	–	9,355,434	9,355,434
Lease liabilities	–	87,098	87,098
Provision for compensated leave absences	–	1,802,846	1,802,846
	–	113,856,248	113,856,248

December 31, 2018

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Financial assets				
Maturity up to one year				
Trade debts - net of loss allowance	4,850,235	–	–	4,850,235
Loans and advances	422,019	–	–	422,019
Deposits	944	–	–	944
Other receivables	1,110,609	–	–	1,110,609
Short term investments	29,418,935	22,298,348	4,056,021	55,773,304
Cash and bank balances	4,671,027	–	–	4,671,027
Maturity after one year				
Long term investments	–	–	837,237	837,237
Long term loans and advances	1,113,854	–	–	1,113,854
Long term deposits	29,869	–	–	29,869
	41,617,492	22,298,348	4,893,258	68,809,098

	Fair value through profit or loss	Amortised cost	Total
	Rs '000	Rs '000	Rs '000
Financial liabilities			
Maturity up to one year			
Trade and other payables	–	51,341,197	51,341,197
Markup and profit accrued	–	332,964	332,964
Short term borrowings	–	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 lease liabilities	–	2,566	2,566
Maturity after one year			
Long term borrowings	–	12,817,467	12,817,467
Lease liabilities	–	8,857	8,857
Provision for compensated leave absences	–	1,560,942	1,560,942
	–	104,692,391	104,692,391

38.2 Credit quality of financial assets

The credit quality of Group'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 VIS Credit Rating Company Limited (formerly 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	2019	2018
			Rs '000	Rs '000
Trade Debts				
Counterparties without external credit ratings				
Existing customers with no default in the past			15,605,892	4,850,235
Loans and advances				
Counterparties without external credit ratings				
Loans and advances to employees			511,162	422,019
Deposits				
Counterparties without external credit ratings				
Others			914	944
Other receivables				
Counterparties with external credit ratings		A1+ / A-1+	173,954	99,399
		A1 / A-1	4,422	4,422
		A3	10,159	10,159
Counterparties without external credit ratings				
Balances with related parties			174,515	440,921
Others			405,790	555,708
			768,840	1,110,609
Short term investments				
Counterparties with external credit ratings		A1+ / A-1+	6,328,517	27,268,713
		A1 / A-1	–	1,000,000
		AM1	12,885,766	6,788,121
		AM2++/AM2/AM2+	29,993,187	15,510,227
Counterparties without external credit ratings	38.2.1		–	5,206,243
			49,207,470	55,773,304
Bank balances				
Counterparties with external credit ratings		A1+ / A-1+ / P-1	1,451,807	2,194,524
		A1 / A-1	55	54
		A-2	15	7
		A-3	2	2
			1,451,879	2,194,587
Long term investments				
Counterparties with external credit ratings		AA+	108,938	80,138
Counterparties without external credit ratings	38.2.1		4,272,285	757,099
			4,381,223	837,237

38.2.1 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

			2019	2018
Long term loans and advances				
Counterparties without external credit ratings			1,200,037	1,113,854
Long term deposits				
Counterparties without external credit ratings			28,349	28,869

38.3 Financial risk management

The Group 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 Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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's 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's 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 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:

	2019	2018
	Rs '000	**Rs '000**
Long term investments	4,381,223	837,237
Loans and advances	1,711,199	1,535,873
Deposits	28,349	29,869
Trade debts - net of provision	15,605,892	4,850,235
Other receivables	768,840	1,110,609
Short term investments	49,207,470	55,773,304
Bank balances	1,451,879	2,194,587
	73,154,852	66,331,714

Geographically, there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the Country.

The Group's most significant amount receivable is from Asset Management Company which amounts to Rs 6,236,719 thousand (2018: 16,000,000 thousand from two banks). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 13,460,069 thousand (2018: 3,678,698 thousand) 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 counter parties as satisfactory. The Group does not hold any collateral as security against any of its 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:

	2019		2018	
	Gross	Impairment	Gross	Impairment
	Rs '000	Rs '000	Rs '000	Rs '000
Not yet due	13,251,476	–	3,781,851	–
Past due 1-30 days	464,552	–	159,948	–
Past due 31-60 days	1,806,964	–	3,875	–
Past due 61-90 days	52	–	290,954	–
Over 90 days	84,606	1,758	652,920	39,313
	15,607,650	1,758	4,889,548	39,313

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 manage 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 ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group monitors rolling forecasts of the liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet the cash flow requirements and maintaining the debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

	Carrying amount	Within 1 year	1 to 5 years	More than 5 years
			Contractual Amount	
	Rs '000	Rs '000	Rs '000	Rs '000
December 31, 2019				
Long term borrowings and accrued interest	15,661,479	6,076,786	7,924,121	–
Trade and other payables	72,727,831	72,727,831	–	–
Unclaimed dividend	541,447	541,447	–	–
Short term borrowings and accrued interest	22,983,580	22,983,580	–	–
Provision for compensated leave absences	1,802,846	–	1,802,846	–
Lease liabilities	139,065	9,386	62,505	–
	113,856,248	102,339,030	9,789,472	–
December 31, 2018				
Long term borrowings and accrued interest	21,651,524	10,490,292	14,203,295	–
Trade and other payables	51,341,197	51,341,197	–	–
Unclaimed dividend	638,783	638,783	–	–
Short term borrowings and accrued interest	29,488,522	29,488,522	–	–
Provision for compensated leave absences	1,560,942	–	1,560,942	–
Lease liabilities	11,423	5,132	46,297	–
	104,692,391	91,963,926	15,810,534	–

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 Group is exposed to currency risk on bank balance and investments which are denominated in currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2019		2018	
	Rs '000	USD '000	Rs '000	USD '000
Bank balance	182,634	1,179	9	0.06
Investments (Term Deposit Receipts)	2,115,339	13,661	1,981,235	14,295

The following significant exchange rates applied during the year:

	2019	2018	2019	2018
	Average rate		Reporting date rate	
	Rs '000	Rs '000	Rs '000	Rs '000
US Dollars	150.73	122.09	154.85	138.60

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit by Rs 229,797 thousand (2018: 198,124). 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 Group's interest bearing financial instruments is:

	2019	2018
	Carrying amount	
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	16,724,818	38,981,619
Variable rate instruments		
Financial liabilities	37,933,558	50,807,082

Fair value sensitivity analysis for fixed rate instruments

The Group is not exposed to variations in profit and 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 2019.

	100 basis points increase	100 basis points increase
	Rs '000	Rs '000
December 31, 2019		
Cash flow sensitivity - Variable rate instruments		
Financial assets	10,016	(10,016)
Financial liabilities	(202,268)	202,268
December 31, 2018		
Cash flow sensitivity - Variable rate instruments		
Financial assets	8,896	(8,896)
Financial liabilities	(228,166)	228,166

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 FVTOCI, a 1 percent increase in market price at reporting date would have increased equity by Rs 42,690 thousand after tax (2018: Rs 47,756 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 428,790 thousand after tax (2018: Rs 189,536 thousand). The analysis is performed on the same basis for 2019 and assumes that all other variables remain the same.

38.4 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.

38.5 Fair Values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs '000	Rs '000	Rs '000	Rs '000
Assets carried at amortised cost				
Long term loans and advances	1,200,037	1,200,037	1,113,854	1,113,854
Long term deposits	28,349	28,349	29,869	29,869
Trade debts	15,605,892	15,605,892	4,850,235	4,850,235
Loans and advances	511,162	511,162	422,019	422,019
Deposits	914	914	944	944
Other receivables	768,840	768,840	1,110,609	1,110,609
Short term investments	6,282,339	6,282,339	29,418,935	29,418,935
Cash and bank balances	6,015,192	6,015,192	4,671,027	4,671,027
	30,412,725	30,412,725	41,617,492	41,617,492
Assets carried at fair value				
Long term investments	4,381,223	4,381,223	837,237	837,237
Short term investments	42,925,131	42,925,131	26,354,369	26,354,369
	47,306,354	47,306,354	27,191,606	27,191,606

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs '000	Rs '000	Rs '000	Rs '000
Liabilities carried at amortised cost				
Long term borrowings	9,355,434	9,355,434	12,817,467	12,817,467
Provision for compensated leave absences	1,802,846	1,802,846	1,560,942	1,560,942
Trade and other payables	72,727,831	72,727,831	51,341,197	51,341,197
Mark-up and profit accrued	711,501	711,501	332,964	332,964
Short term borrowings	22,492,953	22,492,953	29,366,484	29,366,484
Unclaimed dividend	541,447	541,447	638,783	638,783
Current portion of long-term borrowings	6,085,171	6,085,171	8,623,131	8,623,131
Lease liabilities	139,065	139,065	11,423	11,423
	113,856,248	113,856,248	104,692,391	104,692,391

The basis for determining fair values is as follows:

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.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within 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).

	Level 1	Level 2	Level 3
	Rs '000	Rs '000	Rs '000
December 31, 2019			
Assets carried at fair value			
Long term investments - FVTOCI	–	4,427,401	–
Short term investments - FVTPL	42,878,953	–	
	42,878,953	4,427,401	–
December 31, 2018			
Assets carried at fair value			
Long term investments - AFS	–	4,813,120	–
Short term investments - FVTPL	22,298,348	–	–
	22,298,348	4,813,120	–

38.5.1 Determination of fair values

A number of the Group'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 and loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Investment at fair value through other comprehensive income

Investments at fair value through other comprehensive income are 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 associate

The fair value of investment in listed associate 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.

39. 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
Fertilizers	Buying, manufacturing and distributing fertilizer
Power	Producing and selling power
Food	Processing fresh and frozen fruits, vegetables, frozen cooked and semi cooked food

The Chief Executive 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.

	Fertilizers	Power	Food	Consolidated adjustments/ eliminations	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
2019					
Segment revenues	105,783,413	3,335,061	1,040,672	(341,757)	109,817,389
Segment profit / (loss) before tax	23,753,490	1,534,327	(887,741)	(809,808)	23,590,268
Interest income	1,750,636	186,334	10,380	(132,686)	1,814,664
Finance cost	2,477,110	700,104	267,311	(132,688)	3,311,837
Depreciation	2,286,804	569,094	293,100	27,001	3,175,999
Share of loss of equity accounted investees	–	–	–	(379,319)	(379,319)
Segment assets	153,389,860	11,865,051	3,062,459	(27,806,699)	140,510,671
Equity accounted investees	–	–	–	44,877,513	44,877,513
	153,389,860	11,865,051	3,062,459	17,070,814	185,388,184
Segment liabilities	117,823,159	4,615,957	2,163,081	121,131	124,723,328
2018					
Segment revenues	105,964,471	2,930,450	941,675	(403,008)	109,433,588
Segment profit / (loss) before tax	21,682,585	1,118,755	(1,175,955)	2,108,433	23,733,818
Interest income	1,375,817	103,822	4,414	(69,485)	1,414,568
Finance cost	1,636,976	523,893	182,250	(98,510)	2,244,609
Depreciation	2,177,152	593,686	288,136	–	3,058,974
Share of profit of equity accounted investees	–	–	–	3,356,746	3,356,746
Segment assets	179,024,637	11,637,464	3,723,126	(59,558,378)	134,826,849
Equity accounted investees	–	–	–	44,197,788	44,197,788
	179,024,637	11,637,464	3,723,126	(15,360,590)	179,024,637
Segment liabilities	113,419,374	5,932,197	2,255,222	–	121,606,793

Reconciliation of information on reportable segments to applicable financial reporting standards.

		2019 Rs '000	2018 Rs '000
i)	**Revenue for reportable segments**	110,159,146	109,836,596
	Adjustment / elimination	(341,757)	(403,008)
	Consolidated Revenue	109,817,389	109,433,588
ii)	**Profit before tax for reportable segments**	24,400,076	21,625,385
	Elimination of intra segment profit	(809,808)	2,108,433
	Consolidated profit before tax from continuing operations	23,590,268	23,733,818
iii)	**Total assets for reporting segments**	140,510,671	134,826,849
	Equity accounted investments	44,877,513	44,197,788
	Consolidated total assets	185,388,184	179,024,637
iv)	**Total liabilities for reporting segments**	124,602,197	121,606,793
	Adjustment / elimination	121,131	–
	Consolidated total liabilities	124,723,328	121,606,793

40. RELATED PARTY TRANSACTIONS

40.1 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 Syed Tariq Nadeem Gilani, HI(M) (Retired)	Director	–
Lt Gen Syed Tariq Khan, HI(M) (Retired)	Director	–
Dr. Nadeem Inayat	Director	–
Mr. Per Kristian Bakkerud	Director	0.00001%
Mr. Farhad Shaikh Mohammad	Director	0.16%
Mr. Syed Iqtidar Saeed	Director	–
Maj Gen Naseer Ali Khan HI (M) (Retired)	Director	–
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)	Director	–
Mr. Farrukh Ahmad Hamidi	Director	–
Ms. Maryam Aziz	Director	0.00001%
Mr. Saad Amanullah Khan	Director	0.00004%
Mr. Rehan Laiq	Director	–
Mr. Sher Alam Mehsud	Director	–

Related party	Basis of relationship	Aggregate % age shareholding by FFC
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	–

40.2 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.
Basis of association	Joint Venture of OCP Group and Fauji Group
Aggregate %age of shareholding by the Company	12.5% Equity Investment by FFC

40.3 Fauji Foundation holds 44.35% (2018: 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. Material 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 17, 22 and 35 to the consolidated financial statements respectively.

	2019	2018
	Rs '000	Rs '000
HOLDING COMPANY		
Transactions		
Dividend paid	6,460,477	4,485,690
Sale of fertilizers	3,720	4,366
Others	297	16,401
ASSOCIATED UNDERTAKINGS / COMPANIES DUE TO COMMON DIRECTORSHIP		
Transactions		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,097,627	1,172,118
Commission on sale of products	23,920	24,970
Payment under consignment account	63,509,855	53,792,729
Purchase of gas as feed and fuel stock	18,934,167	17,806,210
Investment in TEL	1,329,318	1,460,400
Services and materials provided	10,423	37,466
Services and materials received	1,980	14,769
Donations	97,411	84,691
Interest expense	309,599	55,374
Interest income	32,596	18,983
Dividend income	1,521,923	943,531
Balances		
Dividend receivable	–	144,061
Long term investments	155,116	117,615
Short term borrowings	4,426,551	8,999,317
Long term borrowings	348,159	440,607
Bank balance	310,144	1,030,945
Running finance	–	48
Balance receivable	372,458	368,036
Balance payable	65,751,432	45,756,527

	2019	2018
	Rs '000	Rs '000
STAFF RETIREMENT FUNDS		
Contributions		
Employees' Provident Fund Trust	464,815	439,942
Employees' Gratuity Fund Trust	218,426	168,507
Employees' Pension Fund Trust	124,559	154,914
Employees' Funds as Dividend on equity holding of 0.15% (2018: 0.15%)	22,470	53,547
Balances		
Balance payable - Gratuity Fund Trust	739,538	525,210
Balance payable - Pension Fund Trust	443,178	204,355

41. NON ADJUSTING EVENTS AFTER REPORTING DATE

The Board of Directors in its meeting held on January 30, 2020 has proposed a final dividend of Rs 3.25 per share.

42. GENERAL

42.1 Production capacity - Urea

	Design capacity		Production	
	2019	2018	2019	2018
	(Tonnes '000)		(Tonnes '000)	
FFC				
Goth Machhi - Plant I	695	695	830	858
Goth Machhi - Plant II	635	635	821	792
Mirpur Mathelo - Plant III	718	718	841	872
	2,048	2,048	2,492	2,522

	Design capacity		Production	
	2019	2018	2019	2018
	(MWh)		(MWh)	
FFCEL				
Wind farms	143,559	143,559	114,125	122,654

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.

42.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of credit and letters of guarantee amounting to Rs 17,930,000 thousand and Rs 4,822,895 thousand (2018: Rs 17,395,000 thousand and Rs 239,293 thousand) respectively are available to the Company against lien on shipping / title documents, US $ Term Deposit Receipts and charge on assets of the Company. Facilities against letter of credit include Rs 4,712,874 thousand limit assigned for issuance of SBLCs in relation to the Company's investment in Thar Energy Limited.

42.3 Donations

Cost of Sales and Distribution Cost include donations amounting to Rs 57,597 thousand (2018: Rs 60,176 thousand) and Rs 39,814 thousand (2018: Rs 24,515 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.

42.4 Exemption from applicability of IFRS 16 - "Leases"

The control of FFCEL's wind farm due to purchase of total output by National Transmission & Despatch Company ("NTDC") and other arrangement under the Energy Purchase Agreement ("EPA") was classified as a lease under IFRIC 4 "Determining whether an Arrangement Contains a Lease" which due to exemption available to the FFCEL were not accounted for as a lease in prior years. During the period, IFRS 16 became applicable to the FFCEL and the FFCEL's arrangement with NTDC falls under the definition of a lease under IFRS 16, however, the SECP vide S.R.O 986(I)/2019 dated September 02, 2019 has also extended the earlier exemption from IFRIC 4 to all companies from the requirements of IFRS 16, which have entered into power purchase arrangements before January 01, 2019. The FFCEL signed its EPA with NTDC on April 05, 2011, accordingly, requirement of lease accounting relating to the FFCEL's arrangement with NTDC were not applicable to the Company.

Under IFRS 16, the consideration required to be made by lessees (NTDC) for the right to use the asset is to be accounted for as finance lease. If IFRS 16 would have been applied, the effect on the consolidated financial statements would be as follows:

	2019	2018
	Rs '000	**Rs '000**
Increase in unappropriated profit at beginning of the year	1,122,054	953,752
Increase in profit for the year	(376,427)	168,302
Increase in unappropriated profit as at end of the year	745,627	1,122,054

	2019	2018
42.5 Number of employees		
Total number of employees at end of the year	3,581	3,425
Average number of employees for the year	3,506	3,436

42.6 Rounding off

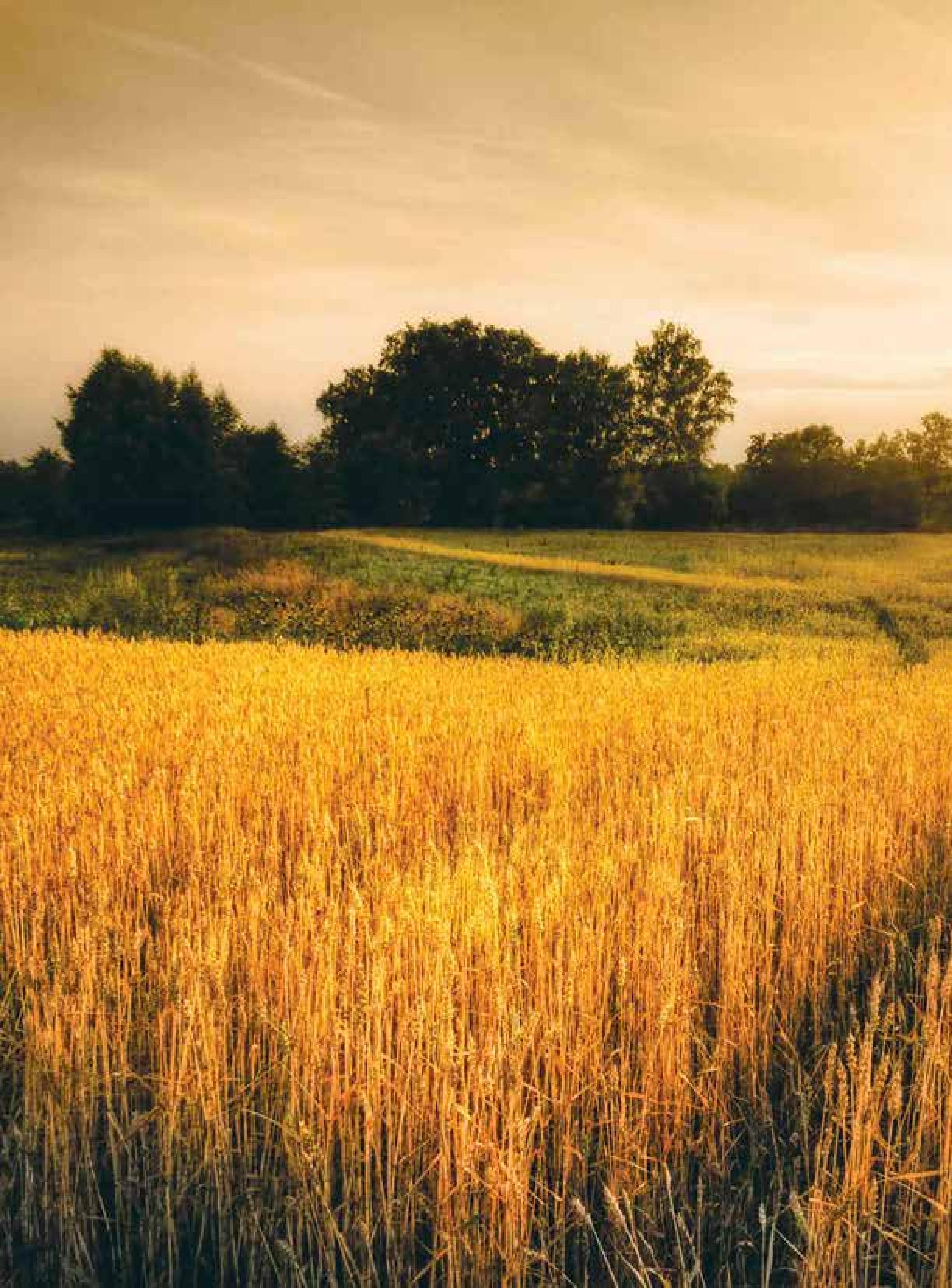
Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

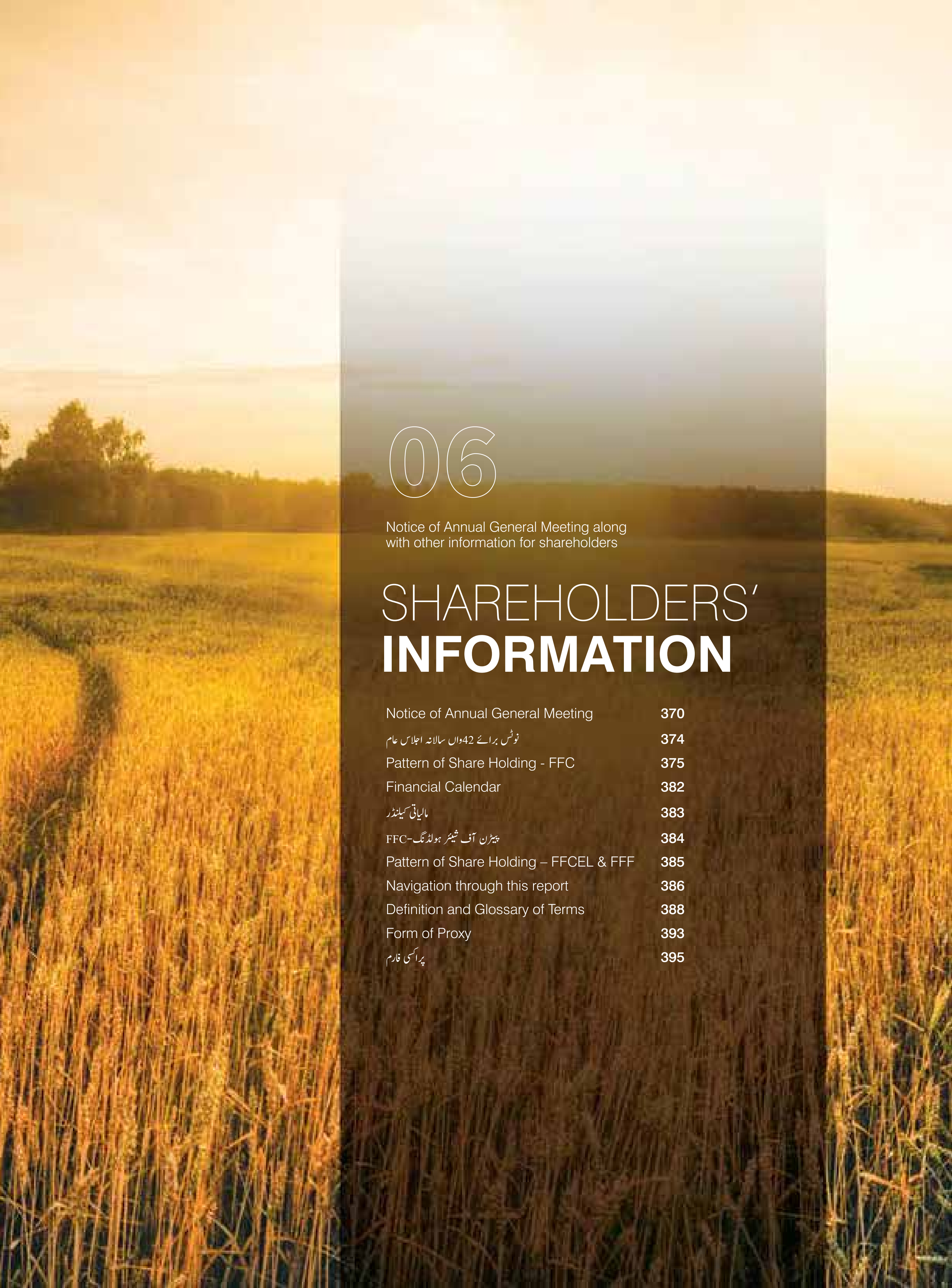
42.7 Date of authorization

These Consolidated Financial Statements have been authorized for issue by the Board of Directors of the FFC on January 30, 2020.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

SAY NO TO CORRUPTION





06

Notice of Annual General Meeting along with other information for shareholders

SHAREHOLDERS' **INFORMATION**

NOTICE OF ANNUAL
GENERAL MEETING

Notice is hereby given that the 42nd Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at FFC Head Office, 156 The Mall, Rawalpindi on Monday, March 16, 2020 at 1000 hours to transact the following business:

Ordinary Business

1. To confirm the minutes of Annual General Meeting held on March 26, 2019.

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, 2019.

3. To appoint Auditors for the year 2020 and to fix their remuneration.

4. To consider and approve payment of Final Dividend for the year ended December 31, 2019 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
February 21, 2020

E-Voting

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 10, 2020 to March 16, 2020 (both days inclusive) and no request for transfer of shares will be accepted for registration. Transfers received at Company's Share Registrar namely CDC Share Registrar Services Limited, CDC House 99-B, Block 'B', S.M.C.H.S Main Shahra-e-Faisal, Karachi-74400 by the close of business on March 09, 2020 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 2019 effective July 1, 2019, 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: 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, 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 09, 2020; otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

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. CDC Share Registrar Services Limited, 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 25-September-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.

NOTICE OF ANNUAL **GENERAL MEETING**

Joint shareholders should intimate the proportion of their respective joint holding to the share registrar latest by March 09, 2020, 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. CDC Share Registrar Services Limited, CDC House 99-B, Block 'B', S.M.C.H.S Main Shahra-e-Faisal, Karachi-74400 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 2019 to its shareholders in the form of CD. Any member requiring printed copy of Annual Report 2019 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 2019 are being emailed to the members having opted to receive such communication in electronic format. Other members who wish to receive the Annual Report 2019 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 2019 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, 2019 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

    CDC Share Registrar Services Limited
    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:

کمپنی ایکٹ 2017 سیکشن (2)132 کے مطابق مذکورہ سالانہ اجلاس عام کیلئے ممبران لاہور اور کراچی میں ویڈیو کانفرنس کی سہولت سے استفادہ کر سکتے ہیں۔ بشرطیکہ کمپنی کو جن ممبران کی طرف سے مذکورہ بالا مقامات سے تجاویز موصول ہوں ان کے مجموعی حصص %10 یا زائد ہوں اور ان کی درخواست اجلاس سے کم از کم 7 دن پہلے موصول ہو جائے۔

مذکورہ بالا شرائط و ضوابط کی تکمیل پر ممبران کو اجلاس عام سے 05 روز قبل اجلاس کے مقام پر مذکورہ سہولت سے متعلق تفصیلات سے آگاہ کر دیا جائیگا۔ اس سلسلے میں درج ذیل فارمیٹ کے تحت کمپنی کے رجسٹرڈ پتے پر اجلاس عام کے انعقاد سے 7 دن پہلے اپنی دستخط شدہ درخواستیں بھیج دیں۔

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

دستخط ممبر ۔۔۔۔۔

5۔ منقسم ود ہولڈنگ ٹیکس:

مورخہ یکم جولائی 2019 سے لاگو / موثر فنانس ایکٹ 2019 کی دفعات کے تحت منافع کی ادائیگیوں پر انکم ٹیکس آرڈیننس 2001 کے تحت انکم ٹیکس کی کٹوتی کی شرح بطور ذیل تبدیل کر دی گئی ہے۔

(ا) انکم ٹیکس گوشوارے جمع کروانے والوں کیلئے 15 فیصد

(ب) انکم ٹیکس گوشوارے جمع نہ کروانے والوں کیلئے 30 فیصد

کمپنی کی جانب سے 30 فیصد کے بجائے 15 فیصد ٹیکس کی کٹوتی کیلئے ضروری ہے کہ وہ تمام شیئر ہولڈرز جن کا نام ایکٹو ٹیکس دہندگان کی فہرست (FBR-ATL کی ویب سائٹ پر دستیاب) پر موجود نہیں ہے لیکن اگر وہ ٹیکس دہندگان ہوں تو وہ یہ یقین دہانی کر لیں کہ ان کا نام حصص کے منظوری کی تاریخ یعنی 9 مارچ 2020ء سے قبل شامل کر لیا جائے بصورت دیگر ان کی نقد منقسم پر 15 فیصد کی بجائے 30 فیصد ٹیکس کی کٹوتی کی جائے گی۔

کارپوریٹ شیئر ہولڈرز کو اپنا نیشنل ٹیکس نمبر (NTN) اپنے متعلقہ Participant کو فراہم کرنا ہوگا جبکہ کارپوریٹ فزیکل شیئر ہولڈرز کو اپنے NTN سرٹیفکیٹ کی ایک نقل کمپنی یا اس کے شیئر رجسٹرار سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس 99 بی ایس۔ ایم۔ سی۔ ایچ۔ ایس مین شاہراہ فیصل کراچی-74400۔

شیئر ہولڈرز NTN یا NTN سرٹیفکیٹس (کسی بھی صورت میں) بھیجتے ہوئے شیئر ہولڈرز کو کمپنی کا نام اور ان کے متعلقہ فولیو نمبرز ضرور بھیجیں۔

مشترکہ شیئر ہولڈرز کی صورت میں ٹیکس

ایف بی آر نے اپنے وضاحتی مراسلے نمبر I(54) Exp/2014-132872-R مورخہ 25 ستمبر 2014 کے ذریعے وضاحت کی ہے کہ مشترکہ ناموں اور مشترکہ اکاؤنٹس رکھنے والے شیئر ہولڈرز کے ساتھ یا انفرادی طور پر بطور فائلر یا نان فائلر کیا جائے گا اور ٹیکس کی کٹوتی ہر ایک شیئر ہولڈر کے حصہ کے تناسب سے کی جائے گی۔

مشترکہ شیئر ہولڈرز رجسٹرار کو اپنے متعلقہ مشترکہ حصہ داری کے تناسب سے مورخہ 9 مارچ 2020ء تک مندرجہ بالا شکل میں مطلع کریں۔

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

6۔ کمپنیز ایکٹ 2017 کی شق 242 کے تحت لازمی ہے کہ لسٹڈ کمپنی اپنے مستحق شیئر ہولڈرز کو ان کے نامزد کردہ بینک اکاؤنٹس میں صرف الیکٹرانک ذرائع سے نقد منافع کی ادائیگی براہ راست کرے۔ فزیکل شیئر کی صورت میں منافع کو اپنے بینک اکاؤنٹس میں براہ راست وصول کرنے کیلئے شیئر ہولڈر کمپنی کی ویب سائٹ پر دستیاب الیکٹرانک کریڈٹ مینڈیٹ فارم پُر اور دستخط کر کے CNIC کی ایک نقل کے ہمراہ کمپنی رجسٹرار میسرز سی ڈی سی شیئر رجسٹرار ڈیپارٹمنٹ CDC ہاؤس 99-B بلاک "بی" ایس۔ ایم۔ سی۔ ایچ۔ ایس۔ مین شاہراہ فیصل، 74400 کراچی ارسال کریں۔

الیکٹرونک مینڈیٹ فارم

فولیو نمبر	
شیئر ہولڈر کا نام	
بینک اکاؤنٹس کا ٹائٹل	
انٹرنیشنل بینک اکاؤنٹ نمبر (IBAN)	
بینک کا نام	
بینک برانچ کا نام اور پتہ	
شیئر ہولڈر کا سیلولر اور لینڈ لائن نمبر	
سی این آئی سی / این ٹی این نمبر (کاپی منسلک کریں)	
شیئر ہولڈر کے دستخط	

7۔ ایس ای سی پی SRO470(1)2016 مورخہ 31 مئی 2016 کے تحت کمپنیز کو سالانہ بیلنس شیٹ فائدے اور نقصان کے اکاؤنٹ، آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ وغیرہ (سالانہ آڈٹ شدہ اکاؤنٹس) اپنے ممبران کو ان کے رجسٹرڈ پر بذریعہ پتہ سی ڈی / ڈی وی ڈی / یو ایس بی ارسال کرنے کی اجازت دے دی ہے۔ مندرجہ بالا کے مدنظر کمپنی نے اپنے شیئر ہولڈر کو 2019 کی سالانہ رپورٹ CD کی شکل میں ارسال کر دی ہے۔ 2019 کی سالانہ رپورٹ کی پرنٹڈ کاپی حاصل کرنے کیلئے ممبران کمپنی کی ویب سائٹ دستیاب سٹینڈرڈ درخواست فارم ارسال کرتے ہوئے درخواست دیں

8۔ ممبران کو اس سلسلے میں مطلع کیا جاتا ہے کہ ایس ای سی پی کے SRO787(1)2014 مورخہ 08 ستمبر 2014 اور کمپنیز ایکٹ 2017 کی شق (6)223 کے مطابق آڈٹ شدہ فنانشل سٹیٹمنٹس اور سالانہ اجلاس عام کے نوٹس کے الیکٹرانک صورت میں بذریعہ ای میل سرکولیشن کی منظوری دی جا چکی ہے۔ مذکورہ بالا ضرورت کے پیش نظر جن ممبران نے اس نوعیت کی اطلاعات اور ابلاغیات الیکٹرانک ذرائع سے دینے کی خواہش ظاہر کی تھی انہیں سالانہ رپورٹ 2019 کی سافٹ کاپیاں روانہ کی جا رہی ہیں۔ SRO کے سلسلے میں دیگر ممبران جو سالانہ رپورٹ الیکٹرانک شکل میں حاصل کرنا چاہتے ہیں وہ کمپنی کی ویب سائٹ پر دستیاب طریقہ کار (فارمیٹ) کے تحت اپنی درخواستیں روانہ کر دیں۔ جن ممبران نے سالانہ رپورٹ 2019 بذریعہ ای میل پانے کی خواہش کا اظہار کیا ہے وہ ہارڈ کاپی وصول کرنے کی درخواست بھی کر سکتے ہیں جو انہیں 7 روز کے اندر مفت موصول ہو جائے گی۔

کمپنی کی جانب سے اطلاعات کی بروقت اور موثر ترسیل کیلئے ممبران سے گذارش ہے کہ وہ اپنے رجسٹرار ای میل ایڈریس میں کسی قسم کی تبدیلی سے بھی آگاہ کریں۔

9۔ 31 دسمبر 2019ء کو ختم ہوئے مالی سال کی سالانہ آڈٹ شدہ مالی سٹیٹمنٹس کمپنی کی ویب سائٹ www.ffc.com.pk پر جاری کر دی گئی ہے۔

10۔ مزید کسی بھی معاونت کیلئے ممبران کمپنی یا شیئر رجسٹرار سے مندرجہ ذیل فون نمبرز، ای میل ایڈریس پر رابطہ کریں

ایف ایف سی شیئرز ڈیپارٹمنٹ

ٹیلی فون نمبر: 92-51-8453235

ای میل ایڈریس shares@ffc.com.pk

سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ

سی ڈی سی ہاؤس 99-B، بلاک "بی"

ایس۔ ایم۔ سی۔ ایچ۔ ایس مین شاہراہ فیصل، کراچی-74400

فون نمبر: 0800-23275

ای میل: info@cdcpak.com

نوٹس برائے 42واں سالانہ اجلاس عام

بذریعہ ھذا مطلع کیا جاتا ھے کہ فوجی فرٹیلائزر کمپنی لمیٹڈ کے شئیر ہولڈرز کا42واں سالانہ اجلاس عام مورخہ16مارچ،2020 بروز پیر صبح 10:00 بجے ایف ایف سی ہیڈ آفس 156دی مال ، روالپنڈی میں منعقد ہو گا۔ جس میں درج ذیل امور زیر غور لائے جائیں گے :

عمومی معاملات:

1- اجلاس عام منعقد 26مارچ،2019 کی کارروائی کی تصدیق

2- ایف ایف سی کے سالانہ آڈٹ شدہ اکاؤنٹس اور ایف ایف سی اور اس کی سب سڈیز کا علیحدہ اور مشترکہ آڈٹ شدہ اکاؤنٹس اور ان پر 31دسمبر 2019 کو ختم ہونے والے سال کی آڈیٹرز رپورٹس پر غور اور منظوری

3- سال 2020 کیلئے آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین

4- بورڈ کی سفارشات کے مطابق 31دسمبر 2019 کو ختم ہوئے سال کیلئے فائنل ڈیویڈنڈ کی منظوری

5- سربراہ کی اجازت سے دیگر کاروباری امور کو زیر غور لانا۔

بحکم بورڈ

بریگیڈیئر اشفاق احمد، ایس آئی (ایم) ریٹائرڈ
کمپنی سیکریٹری

روالپنڈی
21فروری،2020

ای۔ ووٹنگ

ممبران کمپنیز ایکٹ 2017 سیکشن 143-145 کی ضروریات کو پورا کرنے اور کمپنیوں کے (پوسٹل بیلٹ) ریگولیشنز 2018 کے قابل اطلاق شق کے مطابق ای ووٹنگ سے اپنا حق استعمال کر سکتے ہیں۔

ویڈیو کانفرنس کی سہولت

کمپنیز ایکٹ 2017 کے سیکشن (2)132 کے مطابق، اگر کمپنی کے جیوگرافیکل لوکیشن پر رہنے والے اراکین کی رضامندی سے مجموعی حصص 10 فیصد یا زائد ہوں اور میٹنگ میں بذریعہ ویڈیو کانفرنس شرکت کرنے کیلئے میٹنگ کی تاریخ سے 7دن پہلے مطلع کرنا چاہیے یعنی مذکورہ شہر میں مطلوبہ سہولت دستیاب ہونے کی صورت میں ویڈیو کانفرنس کی سہولت فراہم کریں گی۔

نوٹس:

1۔ کمپنی کی شیئر ٹرانسفر بکس 10مارچ 2020 تا 16مارچ 2020 (بشمول دونوں دن) بند رہیں گی اور شیئر کی منتقلی کی کوئی درخواست رجسٹریشن قبول نہیں کی جائے گی۔ درخواستیں کمپنی کے شیئر رجسٹرار CDC شیئر رجسٹرار سروسز لمیٹیڈ سی ڈی سی ہاؤس 99-بی، بلاک 'بی'
ایس۔ایم۔سی۔ایچ۔ایس مین شاہراہ فیصل کراچی-74400 پاکستان کے پتے پر 9مارچ 2020 کو کاروبار بند ہونے تک پہنچ جانی چاہیے تاکہ ٹرانسفریز کو فائنل ڈیویڈنڈ کی ادائیگی کی جائے۔

2۔ میٹنگ میں شرکت اور ووٹنگ کا حق رکھنے والا کمپنی کا ممبر اپنی جگہ کسی فرد یا نمائندے کو میٹنگ میں موجودگی اور ووٹ دینے کیلئے بطور پراکسی مقرر کر سکتا ہے۔ میٹنگ میں بطور پراکسی شمولیت کیلئے اور موثر نمائندگی کیلئے میٹنگ کے آغاز سے 48 گھنٹے پہلے پراکسی فارم کمپنی کے رجسٹرڈ دفتر واقع 156۔دی مال روالپنڈی پاکستان کو موصول ہو جانا چاہیے۔ کوئی ممبر ایک سے زائد پراکسی مقرر نہیں کر سکتا۔

3۔ CDC کا تقرری استحقاق رکھنے والا کوئی بھی ممبر جو اس میں ووٹ دینے کا حقدار ہو شناخت کیلئے اپنا اصل کمپیوٹرائزڈ شناختی کارڈ لازماً اپنے ہمراہ لائے۔ اور پراکسی کی صورت میں شیئر 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 درج ذیل ہدایات کے تحت مذکورہ بالا رہنما اصولوں کو پیش نظر رکھنا ہوگا۔

ا۔ اجلاس میں شرکت کیلئے:

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

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

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

ب۔ پراکسی کا تقرر:

(i) اجلاس میں شرکت کے موقع پر افراد، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر یا جن افراد کی سیکیورٹیز گروپ کی شکل میں ہوں ان کے رجسٹریشن سے متعلق تفصیلات شرائط وضوابط کے تحت اپ لوڈ ہو چکی ہوں، کو اپنی شناخت کیلئے پراکسی فارم جمع کروانا ہوگا۔

(ii) پراکسی فارم کی تصدیق وہ شخص کرے گا جس کا نام اور CNIC پراکسی فارم پر درج ہوگا۔

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

(iv) پراکسی کو اجلاس کے موقع پر اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ فراہم کرنا ہوگا۔

(v) کارپوریٹ اداروں کی صورت میں بورڈ آف ڈائریکٹرز کی ریزلیوشن / مختارنامہ بمعہ مقررہ شخص کے نمونے کے دستخط بھی اجلاس کے موقع پر پراکسی فارم کے ساتھ فراہم کرنے ہونگے (اگر یہ سب پہلے فراہم نہیں کیا گیا)۔

PATTERN OF **SHAREHOLDING - FFC**

As at December 31, 2019

Number Of Shareholders	Shareholding From		Shareholding To	Shares Held
1466	1	to	100	80,788
2570	101	to	500	911,303
1869	501	to	1000	1,639,818
4393	1001	to	5000	12,011,158
1457	5001	to	10000	11,235,628
663	10001	to	15000	8,420,580
456	15001	to	20000	8,159,771
313	20001	to	25000	7,223,982
235	25001	to	30000	6,509,752
146	30001	to	35000	4,761,317
145	35001	to	40000	5,494,966
95	40001	to	45000	4,060,603
138	45001	to	50000	6,705,661
98	50001	to	55000	5,166,900
66	55001	to	60000	3,841,654
58	60001	to	65000	3,643,031
49	65001	to	70000	3,335,168
46	70001	to	75000	3,376,085
37	75001	to	80000	2,859,748
27	80001	to	85000	2,247,735
31	85001	to	90000	2,725,919
29	90001	to	95000	2,686,906
61	95001	to	100000	6,047,522
30	100001	to	105000	3,063,994
22	105001	to	110000	2,380,388
17	110001	to	115000	1,926,042
17	115001	to	120000	2,007,744
23	120001	to	125000	2,832,250
11	125001	to	130000	1,410,579
12	130001	to	135000	1,603,168
15	135001	to	140000	2,072,024
7	140001	to	145000	1,002,533
22	145001	to	150000	3,274,788
10	150001	to	155000	1,527,606
19	155001	to	160000	2,998,159
11	160001	to	165000	1,799,929
11	165001	to	170000	1,851,972
4	170001	to	175000	690,395
8	175001	to	180000	1,423,260
5	180001	to	185000	914,056
8	185001	to	190000	1,494,912

PATTERN OF **SHAREHOLDING - FFC**

As at December 31, 2019

Number Of Shareholders	Shareholding From		To	Shares Held
4	190001	to	195000	766,182
17	195001	to	200000	3,387,696
5	200001	to	205000	1,003,784
8	205001	to	210000	1,674,752
10	210001	to	215000	2,116,251
2	215001	to	220000	436,424
6	220001	to	225000	1,333,754
8	225001	to	230000	1,832,236
8	230001	to	235000	1,865,631
2	235001	to	240000	477,095
2	240001	to	245000	482,397
7	245001	to	250000	1,743,520
4	250001	to	255000	1,009,014
5	255001	to	260000	1,285,732
6	260001	to	265000	1,582,044
4	265001	to	270000	1,074,727
1	270001	to	275000	275,000
3	275001	to	280000	830,115
3	280001	to	285000	846,787
1	285001	to	290000	288,000
3	290001	to	295000	872,646
4	295001	to	300000	1,189,875
2	300001	to	305000	607,110
3	305001	to	310000	923,900
8	310001	to	315000	2,506,680
1	315001	to	320000	316,000
5	320001	to	325000	1,615,314
2	325001	to	330000	654,741
3	330001	to	335000	996,858
1	335001	to	340000	336,500
2	340001	to	345000	685,724
6	345001	to	350000	2,095,191
2	350001	to	355000	709,461
7	355001	to	360000	2,501,589
2	360001	to	365000	729,000
2	365001	to	370000	733,845
2	370001	to	375000	750,000
1	380001	to	385000	380,049
3	385001	to	390000	1,166,500
2	390001	to	395000	784,333
2	395001	to	400000	800,000

Number Of Shareholders	Shareholding From		To	Shares Held
1	400001	to	405000	401,875
1	405001	to	410000	405,500
1	410001	to	415000	415,000
4	415001	to	420000	1,668,228
1	420001	to	425000	423,000
2	425001	to	430000	853,000
1	440001	to	445000	442,389
5	445001	to	450000	2,243,950
3	450001	to	455000	1,363,100
2	455001	to	460000	918,603
2	460001	to	465000	927,487
2	470001	to	475000	948,250
1	475001	to	480000	476,750
1	480001	to	485000	480,700
1	490001	to	495000	492,730
2	495001	to	500000	998,000
1	500001	to	505000	500,735
4	505001	to	510000	2,030,500
1	510001	to	515000	513,470
1	515001	to	520000	517,200
2	520001	to	525000	1,041,500
2	525001	to	530000	1,057,500
2	535001	to	540000	1,074,500
1	545001	to	550000	550,000
1	555001	to	560000	555,500
1	560001	to	565000	560,610
2	570001	to	575000	1,142,454
2	575001	to	580000	1,157,300
1	580001	to	585000	582,000
3	585001	to	590000	1,765,092
3	595001	to	600000	1,795,400
1	600001	to	605000	602,000
1	605001	to	610000	605,780
1	620001	to	625000	625,000
2	625001	to	630000	1,257,000
4	635001	to	640000	2,554,130
1	640001	to	645000	642,850
2	645001	to	650000	1,296,888
1	665001	to	670000	666,500
2	670001	to	675000	1,348,192
2	680001	to	685000	1,364,209

PATTERN OF **SHAREHOLDING - FFC**

As at December 31, 2019

Number Of Shareholders	Shareholding From		To	Shares Held
1	685001	to	690000	685,238
1	690001	to	695000	691,959
1	700001	to	705000	705,000
1	705001	to	710000	707,200
1	710001	to	715000	713,839
1	715001	to	720000	716,549
2	720001	to	725000	1,444,685
2	725001	to	730000	1,458,092
1	750001	to	755000	753,000
1	755001	to	760000	757,812
1	760001	to	765000	762,717
1	785001	to	790000	789,500
1	795001	to	800000	800,000
1	800001	to	805000	800,646
1	815001	to	820000	818,500
2	825001	to	830000	1,657,000
1	835001	to	840000	839,699
1	840001	to	845000	844,625
2	845001	to	850000	1,700,000
2	875001	to	880000	1,760,000
1	890001	to	895000	892,500
2	895001	to	900000	1,800,000
3	900001	to	905000	2,707,512
2	905001	to	910000	1,818,500
1	915001	to	920000	918,750
1	950001	to	955000	954,000
1	975001	to	980000	980,000
1	980001	to	985000	982,877
1	995001	to	1000000	1,000,000
1	1000001	to	1005000	1,001,000
1	1005001	to	1010000	1,006,000
1	1015001	to	1020000	1,019,337
1	1020001	to	1025000	1,021,000
1	1025001	to	1030000	1,028,000
1	1080001	to	1085000	1,082,000
2	1085001	to	1090000	2,174,000
1	1095001	to	1100000	1,100,000
2	1110001	to	1115000	2,222,393
1	1130001	to	1135000	1,134,600
1	1145001	to	1150000	1,150,000
1	1155001	to	1160000	1,155,300

Number Of Shareholders	Shareholding From		To	Shares Held
1	1165001	to	1170000	1,165,600
1	1170001	to	1175000	1,172,000
1	1190001	to	1195000	1,192,500
1	1205001	to	1210000	1,208,500
1	1215001	to	1220000	1,215,200
1	1250001	to	1255000	1,253,500
1	1270001	to	1275000	1,270,800
1	1275001	to	1280000	1,275,700
1	1280001	to	1285000	1,281,304
1	1335001	to	1340000	1,338,600
1	1365001	to	1370000	1,366,690
1	1445001	to	1450000	1,449,630
1	1475001	to	1480000	1,475,500
1	1485001	to	1490000	1,487,000
1	1495001	to	1500000	1,500,000
1	1510001	to	1515000	1,511,025
1	1515001	to	1520000	1,519,407
1	1525001	to	1530000	1,528,563
1	1540001	to	1545000	1,540,700
2	1555001	to	1560000	3,114,500
1	1565001	to	1570000	1,569,000
2	1570001	to	1575000	3,147,000
1	1590001	to	1595000	1,595,000
1	1660001	to	1665000	1,661,643
1	1710001	to	1715000	1,713,800
2	1725001	to	1730000	3,454,500
1	1780001	to	1785000	1,784,878
4	1795001	to	1800000	7,200,000
1	1830001	to	1835000	1,835,000
1	1925001	to	1930000	1,928,500
1	1995001	to	2000000	2,000,000
1	2115001	to	2120000	2,120,000
1	2120001	to	2125000	2,124,500
2	2185001	to	2190000	4,375,059
2	2195001	to	2200000	4,400,000
1	2260001	to	2265000	2,261,909
1	2295001	to	2300000	2,297,729
1	2310001	to	2315000	2,313,501
1	2420001	to	2425000	2,421,000
1	2445001	to	2450000	2,447,000
1	2660001	to	2665000	2,661,496

PATTERN OF **SHAREHOLDING - FFC**

As at December 31, 2019

Number Of Shareholders	Shareholding From		To	Shares Held
1	2935001	to	2940000	2,940,000
1	3015001	to	3020000	3,018,500
1	3420001	to	3425000	3,424,500
1	3505001	to	3510000	3,510,000
1	3690001	to	3695000	3,694,000
1	3775001	to	3780000	3,775,700
1	3815001	to	3820000	3,818,000
1	3865001	to	3870000	3,867,500
1	3885001	to	3890000	3,888,500
1	3995001	to	4000000	4,000,000
1	4255001	to	4260000	4,256,000
1	4465001	to	4470000	4,466,749
1	4825001	to	4830000	4,825,500
1	4875001	to	4880000	4,880,000
1	5040001	to	5045000	5,040,099
1	5090001	to	5095000	5,093,500
1	5250001	to	5255000	5,254,000
1	5260001	to	5265000	5,261,000
1	5885001	to	5890000	5,887,140
1	6195001	to	6200000	6,200,000
1	6630001	to	6635000	6,630,300
1	7920001	to	7925000	7,925,000
1	8945001	to	8950000	8,945,913
1	9910001	to	9915000	9,913,629
1	10090001	to	10095000	10,094,000
1	10220001	to	10225000	10,220,374
1	10500001	to	10505000	10,500,100
1	11050001	to	11055000	11,053,163
1	12190001	to	12195000	12,193,749
1	15480001	to	15485000	15,481,600
1	17745001	to	17750000	17,750,000
1	21115001	to	21120000	21,119,555
1	116020001	to	116025000	116,022,735
1	129515001	to	129520000	129,516,412
1	434685001	to	434690000	434,687,842
15079				1,272,238,247

Categories of Shareholders	Shareholders	Shares Held	Percentage
President of Pakistan			
PRESIDENT OF THE ISLAMIC REPUBIC OF PAK	1	8,945,913	0.70
Directors and their spouse(s) and minor children			
PER KRISTIAN BAKKERUD	1	100	0.00
SAAD AMANULLAH KHAN	1	500	0.00
FARHAD SHAIKH MOHAMMAD	1	2,000,000	0.16
MARYAM AZIZ	1	100	0.00
Associated Companies, undertakings and related parties			
FAUJI FOUNDATION	2	564,204,254	44.35
Executives	10	604,513	0.05
Public Sector Companies and Corporations	13	135,607,918	10.66
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	68	84,409,235	6.63
Mutual Funds			
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	5,254,000	0.41
MCBFSL - TRUSTEE JS VALUE FUND	1	187,000	0.01
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	7,000	0.00
CDC - TRUSTEE PICIC INVESTMENT FUND	1	355,500	0.03
CDC - TRUSTEE JS LARGE CAP. FUND	1	156,000	0.01
CDC - TRUSTEE PICIC GROWTH FUND	1	455,000	0.04
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	2,421,000	0.19
CDC - TRUSTEE JS ISLAMIC FUND	1	266,300	0.02
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	210,500	0.02
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	33,500	0.00
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	169,950	0.01
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	2,261,909	0.18
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	2,940,000	0.23
CDC - TRUSTEE NBP STOCK FUND	1	3,867,500	0.30
CDC - TRUSTEE NBP BALANCED FUND	1	527,500	0.04
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	16,500	0.00
CDC - TRUSTEE APF-EQUITY SUB FUND	1	151,200	0.01
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	60,000	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	520,500	0.04
CDC - TRUSTEE HBL - STOCK FUND	1	463,500	0.04
MC FSL - TRUSTEE JS GROWTH FUND	1	517,200	0.04
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	37,500	0.00
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	582,000	0.05
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	498,000	0.04
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	356,000	0.03
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	2,189,287	0.17
CDC - TRUSTEE ABL STOCK FUND	1	1,085,500	0.09
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	21,500	0.00
CDC - TRUSTEE LAKSON EQUITY FUND	1	1,728,500	0.14
CDC - TRUSTEE NBP SARMAYA IZAFA FUND	1	449,500	0.04
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	201,400	0.02
CDC - TRUSTEE HBL EQUITY FUND	1	63,300	0.00
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	44,500	0.00

PATTERN OF **SHAREHOLDING - FFC**

As at December 31, 2019

Categories of Shareholders	**Shareholders**	**Shares Held**	**Percentage**
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	45,500	0.00
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	13,500	0.00
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	508,000	0.04
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	137,000	0.01
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	10,000	0.00
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	509,000	0.04
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	1,000	0.00
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	450,000	0.04
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	21,119,555	1.66
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	1	147,600	0.01
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	17,000	0.00
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	180,600	0.01
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	1,082,000	0.09
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	1	40,000	0.00
CDC - TRUSTEE LAKSON TACTICAL FUND	1	253,098	0.02
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	1	48,000	0.00
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	1	207,000	0.02
CDC - TRUSTEE UBL CAPITAL PROTECTED FUND-III	1	3,000	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1	41,000	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	1	14,500	0.00
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	1	707,200	0.06
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	1	18,000	0.00
MCBFSL-TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	1	18,000	0.00
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	92,791	0.01
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	1	68,000	0.01
General Public			
a. Local	14,354	268,855,067	21.13
b. Foreign	26	956,612	0.08
Foreign Companies	149	109,167,501	8.58
Others	394	43,656,644	3.43
Totals	15,079	1,272,238,247	100.00

Share holders holding 5% or more	**Shares Held**	**Percentage**
FAUJI FOUNDATION	564,204,254	44.35
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 16, 2020
1st Quarter ending March 31, 2020	Last Week of April 2020
Half year ending June 30, 2020	Last Week of July 2020
3rd Quarter ending September 30, 2020	Last Week of October 2020
Year ending December 31, 2020	Last Week of January 2021

حصص یافتگان کی اقسام	حصص یافتگان	تعداد حصص	فیصد
ایم سی بی ایف ایس ایل۔ٹرسٹی پاک اومان ایڈوانٹج ایسیٹ ایلوکیشن فنڈ	1	13,500	0.00
ایم سی بی ایف ایس ایل۔ٹرسٹی اے بی ایل اسلامک سٹاک فنڈ	1	508,000	0.04
سی ڈی سی۔ٹرسٹی یو بی ایل ایسٹ ایلوکیشن فنڈ	1	137,000	0.01
سی ڈی سی۔ٹرسٹی فرسٹ کیپیٹل میوچل فنڈ	1	10,000	0.00
سی ڈی سی۔ٹرسٹی الامین اسلامک ایسٹ ایلوکیشن فنڈ	1	509,000	0.04
سی ڈی سی۔ٹرسٹی فیصل سیونگ گروتھ فنڈ۔ایم ٹی	1	1000	0.00
سی ڈی سی۔ٹرسٹی الامین اسلامک آر ای ٹی۔ایس اے وی۔فنڈ۔ایکویٹی سب فنڈ	1	450,000	0.04
سی ڈی سی۔ٹرسٹی نیشنل انوسمنٹ (یونٹ) ٹرسٹ	1	21,119,555	1.66
سی ڈی سی۔ٹرسٹی ایچ بی ایل سلامک ایکویٹی فنڈ	1	147,600	0.01
سی ڈی سی۔ٹرسٹی اے بی ایل پنشن فنڈ۔ایکویٹی سب فنڈ	1	17,000	0.00
سی ڈی سی۔ٹرسٹی این آئی ٹی اسلامک ایکویٹی فنڈ	1	180,600	0.01
سی ڈی سی۔ٹرسٹی الامین اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	1	1,082,000	0.09
سی ڈی سی۔ٹرسٹی ایچ بی ایل اسلامک ایسٹ ایلوکیشن فنڈ	1	40,000	0.00
سی ڈی سی۔ٹرسٹی لیکسن ٹیکٹیکل فنڈ	1	253,098	0.02
سی ڈی سی۔ٹرسٹی لیکسن اسلامک ٹیکٹیکل فنڈ	1	48,000	0.00
ایم سی بی ایف ایس ایل ٹرسٹی اے بی ایل اسلامک ڈیڈیکیٹڈ سٹاک فنڈ	1	207,000	0.02
سی ڈی سی۔ٹرسٹی یو بی ایل کیپیٹل پروٹیکٹیڈ فنڈ۔III	1	3,000	0.00
سی ڈی سی۔ٹرسٹی الفلاح جی ایچ پی اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	1	41,000	0.00
سی ڈی سی۔ٹرسٹی الفلاح جی ایچ پی اسلامک ویلیو فنڈ	1	14,500	0.00
سی ڈی سی۔ٹرسٹی جے ایس اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ (جے ایس آئی ڈی ای ایف)	1	707,200	0.06
سی ڈی سی۔ٹرسٹی الفلاح کیپیٹل پریزرویشن فنڈ II	1	18,000	0.00
ایم سی بی ایف ایس ایل۔ٹرسٹی اے بی ایل اسلامک ایسٹ ایلوکیشن فنڈ	1	18,000	0.00
سی ڈی سی۔ٹرسٹی یو بی ایل ڈیڈیکیٹڈ ایکویٹی فنڈ	1	92,791	0.01
ایم سی بی ایف ایس ایل۔ٹرسٹی ایچ بی ایل اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	1	68,000	0.01
عوام الناس			
مقامی	14,354	268,855,067	21.13
غیر ملکی	26	956,612	0.08
غیر ملکی کمپنیاں	149	109,167,501	8.58
دیگر	394	43,656,644	3.43
کل	15,079	1,272,238,247	100.00

5 فیصد یا اس سے زیادہ کے حصص یافتگان		تعداد حصص	فیصد
فوجی فاؤنڈیشن		564,204,254	44.35
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	16 مارچ 2020
31 مارچ 2020 کو ختم ہونے والی پہلی سہ ماہی:	آخری ہفتہ اپریل 2020
30 جون 2020 کو ختم ہونے والی دوسری سہ ماہی:	آخری ہفتہ جولائی 2020
30 ستمبر 2020 کو ختم ہونے والی تیسری سہ ماہی:	آخری ہفتہ اکتوبر 2020
سالانہ نتائج 31 دسمبر 2020	آخری ہفتہ جنوری 2021

پیٹرن آف شیئر ہولڈنگ-FFC

۳۱ دسمبر ۲۰۱۹

حصص یافتگان کی اقسام	حصص یافتگان	تعداد حصص	فیصد
صدر پاکستان			
صدر اسلامی جمہوریہ پاکستان	1	8,945,913	0.70
ڈائریکٹرز اوران کی شریک حیات اور چھوٹے بچے			
پر کرسٹن بیکرڈ	1	100	0.00
سعد امان اللہ خان	1	500	0.00
فرہاد شیخ محمد	1	2,000,000	0.16
مریم عزیز	1	100	0.00
منسلک کمپنیاں، اقرار نامے اور متعلقہ کمپنیاں			
فوجی فاؤنڈیشن	2	564,204,254	44.35
ایگزیکٹیوز	10	604,513	0.05
سرکاری شعبے کی کمپنیاں اور کارپوریشنز	13	135,607,918	10.66
بینک، ڈیویلپمنٹ فنانس انسٹیٹیوشنز، غیر بینکاری کے مالی ادارے، بیمہ کمپنیاں، تکافل، مداربہ اور پنشن فنڈز	68	84,409,235	6.63
مشترکہ فنڈز			
سی ڈی سی۔ٹرسٹی ایم سی بی پاکستان سٹاک مارکیٹ فنڈ	1	5,254,000	0.41
ایم سی بی ایف ایس ایل۔ٹرسٹی جے ایس ویلیو فنڈ	1	187,000	0.01
سی ڈی سی۔ٹرسٹی پاکستان کیپیٹل مارکیٹ فنڈ	1	7,000	0.00
سی ڈی سی۔پی آئی سی آئی سی انویسٹمنٹ فنڈ	1	355,500	0.03
سی ڈی سی۔ٹرسٹی جے ایس لارج کیپ۔فنڈ	1	156,000	0.01
سی ڈی سی۔ٹرسٹی پی آئی سی آئی سی گروتھ فنڈ	1	455,000	0.04
سی ڈی سی ٹرسٹی اٹلس سٹاک مارکیٹ فنڈ	1	2,421,000	0.19
سی ڈی سی۔ٹرسٹی جے ایس اسلامک فنڈ	1	266,300	0.02
سی ڈی سی۔ٹرسٹی الفلاح جی ایچ پی ویلیو فنڈ	1	210,500	0.02
سی ڈی سی۔ٹرسٹی یونٹ ٹرسٹ آف پاکستان	1	33,500	0.00
سی ڈی سی۔ٹرسٹی اے کے ڈی انڈیکس ٹریکر فنڈ	1	169,950	0.01
سی ڈی سی۔ٹرسٹی یو بی ایل سٹاک ایڈوانٹیج فنڈ	1	2,261,909	0.18
سی ڈی سی۔ٹرسٹی الامین شریعہ سٹاک فنڈ	1	2,940,000	0.23
سی ڈی سی۔ٹرسٹی این بی پی سٹاک فنڈ	1	3,867,500	0.30
سی ڈی سی۔ٹرسٹی این بی پی بیلنس فنڈ	1	527,500	0.04
سی ڈی سی۔ ٹرسٹی عسکری ایسیٹ ایلوکیشن فنڈ	1	16,500	0.00
سی ڈی سی۔ٹرسٹی اے پی ایف ایکویٹی سب فنڈ	1	151,200	0.01
سی ڈی سی۔ٹرسٹی جے ایس پینشن سیونگ فنڈ ایکویٹی اکاؤنٹ	1	60,000	0.00
سی ڈی سی۔ٹرسٹی الفلاح جی ایچ پی اسلامک سٹاک فنڈ	1	520,500	0.04
سی ڈی سی۔ٹرسٹی ایچ بی ایل سٹاک فند	1	463,500	0.04
ایم سی ایف ایس ایل ٹرسٹی جے ایس۔گروتھ فنڈ	1	517,200	0.04
سی ڈی سی۔ٹرسٹی ایچ بی ایل ملٹی۔ایسٹ فنڈ	1	37,500	0.00
سی ڈی سی۔ٹرسٹی ایم سی بی پاکستان ایسیٹ ایلوکیشن فنڈ	1	582,000	0.05
سی ڈی سی۔ٹرسٹی الفلاح جی ایچ پی سٹاک فنڈ	1	498,000	0.04
سی ڈی سی۔ٹرسٹی الفلاح جی ایچ پی الفا فنڈ	1	356,000	0.03
سی ڈی سی۔ٹرسٹی این آئی ٹی۔ایکویٹی مارکیٹ اوپرچونیٹی فنڈ	1	2,189,287	0.17
سی ڈی سی۔ٹرسٹی اے بی ایل سٹاک فنڈ	1	1,085,500	0.09
سی ڈی سی۔ٹرسٹی فرسٹ حبیب سٹاک فنڈ	1	21,500	0.00
سی ڈی سی۔ٹرسٹی لیکسن ایکویٹی فنڈ	1	1,728,500	0.14
سی ڈی سی۔ٹرسٹی این بی پی سرمایہ اضافہ فنڈ	1	449,500	0.04
سی ڈی سی۔ٹرسٹی ایچ بی ایل سلامک سٹاک فنڈ	1	201,400	0.02
سی ڈی سی۔ٹرسٹی ایچ بی ایل ایکویٹی فنڈ	1	63,300	0.00
سی ڈی سی۔ٹرسٹی ایچ بی ایل آئی پی ایف ایکویٹی سب فنڈ	1	44,500	0.00
سی ڈی سی۔ٹرسٹی ایچ بی ایل پی ایف ایکویٹی سب فنڈ	1	45,500	0.00

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

NAVIGATING **THROUGH THIS REPORT**

The key objective of this Report is to provide a comprehensive information about our Company, driven through a robust business model that illustrates our Strategies to create value for the stakeholders in the long run while managing key risks and capitalizing on opportunities.

Navigating through this Report will assist the reader to understand and address nine key questions:

Core Questions	Where to Look for	Page No.
To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	How we Evolved	20-21
	Highlights 2019	15, 131
	Financial Performance	50-52
	Financial Capital	44-92
Outlook		
What are the challenges and uncertainties that the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?	Forward Looking Statement	120
Stakeholders Relationship and Engagement		
What is the state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests?	Stakeholders' Engagement	36-37, 141-142
	Statement of Value Added	96
Sustainability and Corporate Social Responsibility		
What are the Organization's efforts relating to the various aspects of sustainability and corporate social responsibility?	Social and Relationship Capital	93-95
	Sustainability Report	124-171
Business Model		
How does the Organization's business model fulfill its strategic purposes and create value over the short, medium and long term?	Business Model and Value Creation	22, 96, 138-139, 148-170

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

Term	Description
CSR	Corporate Social Responsibility
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
FACE	Food & Agriculture Center of Excellence
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
FMPAC	Fertilizer Manufacturers of Pakistan Advisory Concil
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

DEFINITIONS & GLOSSARY OF TERMS

Term	Description
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)
HAZOP	Hazard and Operability
HIRADC	Hazard Identification Risk Assessment and Determining Control
HORC	Hazard Observation and Review Committee
HR&R	Human Resource and Remuneration
HSE	Health Safety and Environment
HWT	Hot Water Treatment
IBAN	International Bank Account Number
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

Term	Description
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.
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
SOC	Safe Operation

DEFINITIONS & GLOSSARY OF TERMS

Term	Description
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
TEL	Thar Energy Limited
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**

42nd 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 42nd Annual General Meeting of the Company to be held on Monday March 16, 2020 and /or any adjournment thereof.

As witness my/our hand/seal this __________ day of __________ March 2020.

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).

AFFIX
CORRECT
POSTAGE

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

42 واں سالانہ عمومی اجلاس

میں/ہم۔۔۔کا/کے بحثیت 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 16 مارچ 2020 پیر کو ہونے والے 42 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 2020 میرے/ہمارے دستخط ہوئے

دستخط۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ کی موجودگی میں

پانچ روپے کے رسیدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

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 دیے 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۔

AFFIX
CORRECT
POSTAGE

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Annual Report of **Fauji Fertilizer Company Limited** for the year ended December 31, 2019