Shaping a sustainable future

FFC FAUJI FERTILIZER COMPANY LIMITED

COVER STORY

Our cover for this year reflects on our commitment to enhance value for all our stakeholders, driven through determination and resilience. In our pursuit to build a sustainable future, we have focused on providing holistic solutions in diversified sectors that we believe will lead to a stronger and brighter tomorrow for our Country.

2016 IN NUMBERS

2,523
Sona Urea Production (Kt)

2,428
Sona Urea Sales (Kt)

72,877
Revenue (Rs Million)

11,782
Profit After Tax (Rs Million)

9.26
Basic Earnings Per Share (Rs)

45
Contribution to National Exchequer (Rs Billion)

42
Return on Equity (%)

85
Dividend Payout (%)

7.90
Dividend Per Share (Rs)

28,211
Shareholders Equity (Rs Million)

22.17
Net Assets Per Share (Rs)

37
Gearing Ratio (%)

104.37
Market Value Per Share (Year End) (Rs)

0.91
Current Ratio (Times)

0.80
Asset Turnover (Times)

132,783
Market Capitalization (Rs Million)

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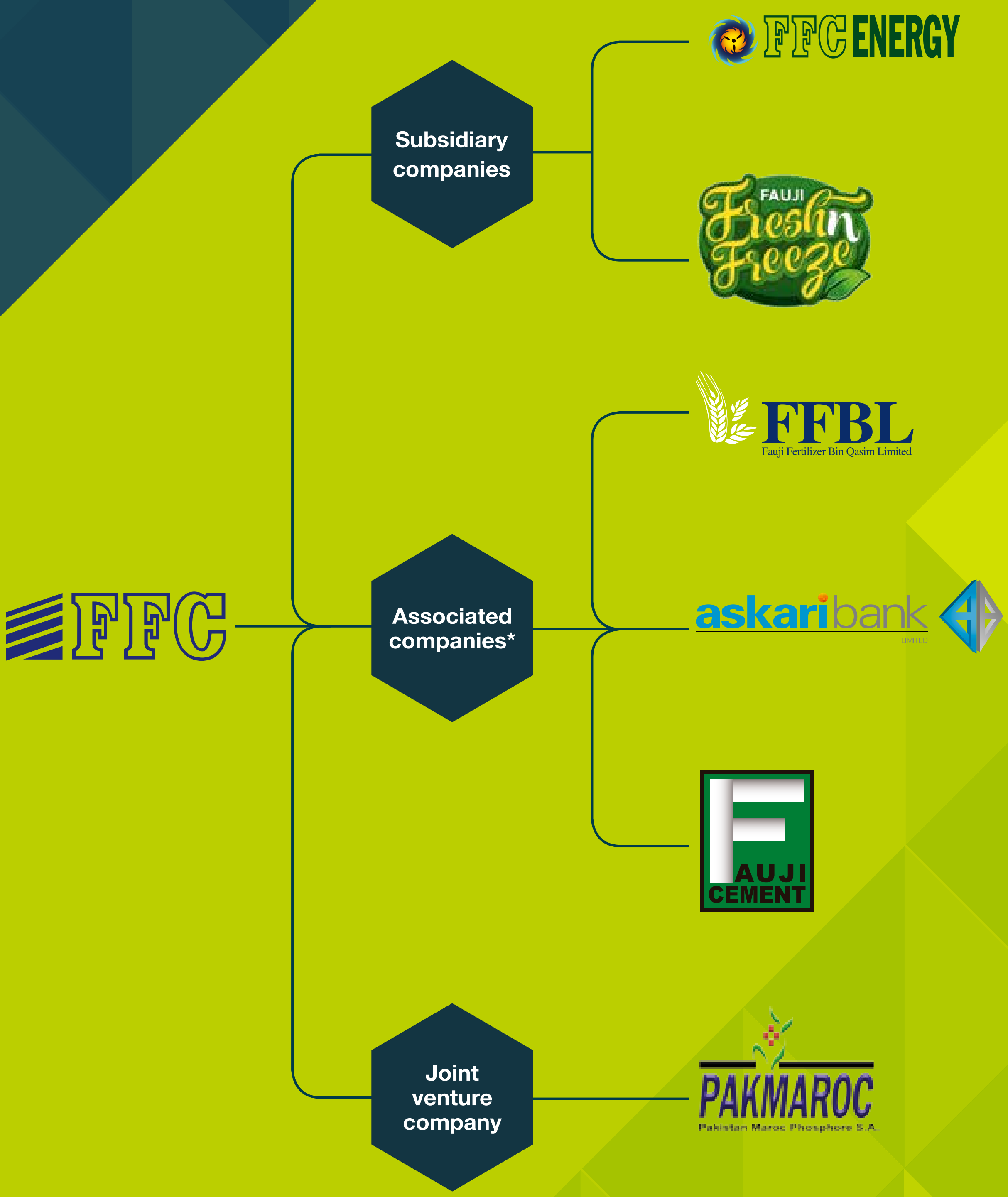
SAY NO TO CORRUPTION



** Associated Companies represent those companies in which FFC has an equity investment of less than 50%.*

COMPANY PROFILE AND GROUP STRUCTURE

Fauji Fertilizer Company Limited (FFC) was incorporated in 1978 as a joint venture between Fauji Foundation, a charitable trust incorporated under The Charitable Endowments Act, 1890 and Haldor Topsoe A/S of Denmark. The Company began its operations with an annual production capacity of 570,000 metric tonnes and is today the largest producer of urea in Pakistan with an aggregate urea production capacity of over 2 million tonnes per annum and has supplied 54 million tonnes to the farming community since its inception.

Keeping strong in our tradition of excellence in different spheres the Company achieved new heights in 2016 by being the first individual company of Pakistan to be adjudged the single Overall Winner of the Best Presented Annual Reports Award in the South Asian Association for Regional Cooperation (SAARC) region by South Asian Federation of Accountants (SAFA).

FFC in 2016 became the first Company to consecutively win six first position placements in PSX Top 25 Companies Award. These distinctions are in addition to various other recognitions that have been conferred upon the Company by the international community. Globally, the Company is a member of United National Global Compact, considered a renowned member of the International Fertilizer Industry Association (IFA), while locally the Company has been consistently ranked amongst the best companies of Pakistan for over two decades, with accolades in financial reporting, philanthropy and good governance amongst other areas. This is a testament to the skill, ingenuity and exemplary competence of the management in reflecting high standards of transparency, accountability and good governance.

In pursuit of our vision for growth the Company invested in setting-up Pakistan's first and only DAP and granular urea complex: Fauji Fertilizer Bin Qasim Limited (FFBL), in which the Company currently holds a stake of 49.88%. In order to achieve operational synergy, the products of both FFC and FFBL are promoted by FFC's Marketing Group via the Country's largest dealer network to ensure timely supply of fertilizers to the farming community of Pakistan of around 3.4 million tonnes of fertilizer per annum. 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, commands a market share of 52% in urea and 44% in DAP in 2016 (source NFDC).

The Company also holds 6.79% equity in Fauji Cement Company Limited (FCCL) and a 12.5% stake in Pakistan Maroc Phosphore S.A., Morocco which provides raw material for FFBL's DAP production.

As part of Company's strategy to diversify, the Company successfully pioneered wind farming in Pakistan by incorporating FFC Energy Limited (FFCEL) besides acquiring the Country's first Individually Quick Frozen food project, which now operates as Fauji Fresh n Freeze Limited (FFF); both companies are FFC's wholly owned subsidiaries. The Company also began marking its presence in the financial sector by acquiring 43.15% shareholding of Askari Bank Limited in 2013.

The resilience of our Business Model in conjunction with our diversified portfolio, contribution to the economy and illustrious history of safeguarding our stakeholders' interests, have made us one of the most accomplished businesses in Pakistan.

THE WAY SO FAR

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 Freeze (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.

2011

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

2010

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

2008

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

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

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.

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+

First company to win six consecutive first position in PSX Top 25 Companies Award

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

2002

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

2003

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

2004

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

1992

Through DBN program, the production capacity of Plant-I was increased to 695 thousand tonnes per year.

Listed with Islamabad Stock Exchange.

1993

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

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

1997

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

2016 HIGHLIGHTS

JAN

- 175th BOD meeting, final dividend declared @ 34.20%

APR

- 176th BOD meeting, first interim dividend declared @ 18.50%

JUN

- Credit rating of AA as long term and A1+ as short term

JUL

- 177th BOD meeting, second interim dividend declared @ 15.50%

AUG

- PSX Top Companies - 1st position for 6th consecutive year

SEP

- Additional equity investment in FFF - Rs. 1.2 billion

OCT

- ICAP / ICMAP BCR Award - Overall winner and 1st in Chemicals sector
- TPDC confirmed land of 160 hectares besides securing commitment for gas availability to the Tanzania project by the stakeholders.
- 178th BOD meeting, third interim dividend declared @ 17.50%

DEC

- SAFA Award - Overall winner and 1st in manufacturing sector
- Highest ever production by the Company and Plant III Mirpur Mathelo
- Highest ever combined FFC / FFBL DAP sales of 993 thousand tonnes
- Contribution to National Exchequer - Rs. 45 billion
- Announcement of 2nd dividend from PMP

VISION & MISSION STATEMENTS

VISION

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

MISSION

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

CODE OF CONDUCT

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

CORE VALUES

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

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

- **HONESTY** in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets.
- **EXCELLENCE** in high-quality products and services to our customers.
- **CONSISTENCY** in our words and deeds.
- **COMPASSION** in our relationships with our employees and the communities affected by our business.
- **FAIRNESS** to our fellow employees, stakeholders, business partners, customers and suppliers through adherence to all applicable laws, regulations and policies and a high standard of moral behaviour.

POLICY STATEMENT OF ETHICS & BUSINESS PRACTICES

- It is the policy of FFC to follow the highest business ethics and standards of conduct. It is the obligation of every one of us to act responsibly; that is, to be honest, trustworthy, conscientious and dedicated to the highest standards of ethical business practices.
- The Company's reputation and its actions as a legal entity depend on the conduct of its directors and employees. Each one of us must endeavour 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.

OVERALL STRATEGIC **OBJECTIVES**

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

Enhance agricultural productivity through balanced fertilizer application		
OBJECTIVE 1	Strategy	Educate farmers regarding balanced fertilizer usage through Farm Advisory Centres (FACs)
	Priority	High
	Status	Ongoing process – Targets for the year achieved
	Opportunities / Threats	Per acre production recorded in Pakistan is lower than that in developed parts of the world creating room for improvement. However, lack of farmers' education and willingness to adopt modern farming techniques is a hindrance in achieving this objective.
Maintain industry leadership		
OBJECTIVE 2	Strategy	Stay abreast of technological developments and continuously upgrade production facilities to maximize efficiency
	Priority	High
	Status	Ongoing process – Annual targets exceeded with highest ever production of 2,523 thousand tonnes
	Opportunities / Threats	In the wake of declining gas pressure due to depleting gas reserves, the Company is focused on its long-term sustainability through investment in upgradation and maintenance activities, besides evaluating alternative fuel options (LNG, SNG, etc). These ventures may result in high capital costs and increased production downtime but are necessary for a sustainable future.
Expand sales		
OBJECTIVE 3	Strategy	Sales expansion through geographical diversification and improved farmers' awareness
	Priority	High
	Status	Concerted marketing efforts resulted in over achievement of sales volume target and capturing combined FFC / FFBL urea market share of 52% and highest ever combined FFC / FFBL DAP sales of 993 thousand tonnes
	Opportunities / Threats	Untapped opportunities are still available to expand our distribution network within and outside the Country. Any possible shortage of gas in the future is however a cause for concern and would impede progress in the long run if not proactively addressed by the Government. Additionally, in case international prices fall below the rising domestic price due to imposition of GIDC and adverse market conditions, increased imports would hamper Company's growth.
Create / enter new lines of business to augment profitability and achieve sustained economic growth		
OBJECTIVE 4	Strategy	Continuously seeking profitable avenues to diversify within and outside the Fertilizer Industry
	Priority	High
	Status	An evolving process – Plans for 2016 achieved
	Opportunities / Threats	Owing to substantial costs and high risks of diversification initiatives, FFC through its firm financial standing and experienced management pool, is in the right position to diversify its investment portfolio while mitigating associated risks.
Enhance operational efficiency to achieve synergies		
OBJECTIVE 5	Strategy	Align our business processes, reducing time and money losses
	Priority	High
	Status	Ongoing process – Targets for the year exceeded with lowest energy consumption by Plant III
	Opportunities / Threats	We were able to achieve restoration of our originally allocated gas quota and with increased operational efficiencies, raised our Sona Urea production benchmark to its highest level to date during the year. However, there would always be room for improvement in efficiency which can be achieved by focused management strategies and operational productivity.

OBJECTIVE 6	Costs Economization	
	Strategy	Keeping our resource utilization at an optimum level through strict governance policies
	Priority	High
	Status	The Management implemented effective cost controls during the year which enabled savings in production costs while other operating / financing costs remained within planned levels for 2016
	Opportunities / Threats	Internal Costs Review Process initiated in 2015 continued during 2016 with a focus on optimizing resource allocation during the year, particularly through application of effective policies and leveraging the SAP-ERP system implemented in the Company. However, uncontrollable factors particularly pricing pressures by Government and imposition of additional taxes resulted in lower revenues and higher costs.

SIGNIFICANT CHANGES IN OBJECTIVES & STRATEGIES

FFC's business objectives and strategies are meticulously planned; there were no significant changes during the year which had an impact on our modus operandi for achievement of these objectives.

CRITICAL PERFORMANCE INDICATORS AND MEASURES

In order to measure the Company's performance against the stated objectives, our management regularly monitors certain Critical Performance Indicators (CPIs).

No	Objective	CPIs Monitored	Future Relevance
1	Enhance agricultural productivity through balanced fertilizer application	Funds allocation to Farm Advisory Centers (FACs)	The management believes in enhancement of Pakistan's per acre production. The impact of FFC initiatives is analysed on an annual basis
2	Maintain industry leadership, enhance operational efficiency and expand sales	Market share and production efficiency ratio	The CPIs shall remain relevant in the future
3	Diversification	Annual resource allocated for expansion of the projects already acquired in addition to identification and development of new investment projects	
4	Economize on costs – eliminating redundancies	Gross Profit Margin and Net Profit Margin	
5	Shareholder value	EPS, ROE, Asset Turnover and DPS	
6	Sustainability	Current Ratio, Gearing and Interest Cover	

GEOGRAPHICAL PRESENCE

PAKISTAN	
Rawalpindi / Islamabad	FFC Head Office
	FFCEL Head Office
	FFF Head Office
	FFBL Head Office
	FCCL Head Office
	AKBL Head Office
Lahore	FFC Marketing Office
	FFF Marketing Office
Sahiwal	FFF Plantsite
Goth Machhi	FFC Urea Plant I & II
Mirpur Mathelo	FFC Urea Plant III
Jhimpir	FFCEL Wind Farm
Bin Qasim	FFBL DAP & Urea Plant

MOROCCO	
Casablanca	PMP Head Office
Jorf Lasfar	PMP Plantsite

COMPANY INFORMATION

BOARD OF DIRECTORS

Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retired)
Chairman & Non-Executive Director

Lt Gen Shafqaat Ahmed, HI (M) (Retired)
Chief Executive & Managing Director

Mr. Qaiser Javed
Non-Executive Director

Dr. Nadeem Inayat
Non-Executive Director

Engr Rukhsana Zuberi
Independent Director

Mr. Farhad Shaikh Mohammad
Independent Director

Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)
Non-Executive Director

Mr. Shahid Ghaffar
Independent Director

Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired)
Non-Executive Director

Mr. Per Kristian Bakkerud
Non-Executive Director

Mr. Khizar Hayat Gondal
Non-Executive Director

Brig Raashid Wali Janjua, SI (M) (Retired)
Non-Executive Director

Mr. Shoaib Mir
Independent Director

CHIEF FINANCIAL OFFICER

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)
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Fax No: +92-51-8459925
E-mail: ffcrwp@ffc.com.pk
Website: www.ffc.com.pk
or scan QR code

PLANTSITES

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Fax No: +92-68-5786401

Mirpur Mathelo
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Tel No: +92-723-661500-09
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+92-21-34390122

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Chartered Accountants
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Tel No: +92-51-2823558
Fax No: +92-51-2822671

SHARES REGISTRAR

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Share Registrar Department
CDC House, 99 - B, Block - B
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Karachi – 74400
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Fax No: +92-21-34326053

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Fax No: +92-51-2277995

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
NIB Bank Limited
SAMBA Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited
Zarai Taraqiati Bank Limited

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

PROFILE OF THE BOARD

Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar, (Retired)
(Chairman & Non-Executive Director)

Joined the Board on January 2, 2015.

He is the Managing Director of Fauji Foundation, Fauji Oil Terminal & Distribution Company Limited and also the Chairman on the Board of the following:

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Mari Petroleum Company Limited
- Fauji Kabirwala Power Company Limited
- Foundation Power Company (Daharki) Limited
- Daharki Power Holding Company
- Fauji Akbar Portia Marine Terminals (Pvt.) Limited
- Foundation Wind Energy - I Limited
- Foundation Wind Energy II (Pvt.) Limited
- Askari Cement Limited
- Askari Bank Limited
- FFC Energy Limited
- Fauji Meat Limited
- Fauji Foods Limited (formerly Noon Pakistan Limited)
- Fauji Fresh n Freeze Limited
- FFBL Power Company Limited
- FFBL Foods Limited

He was commissioned in the Pakistan Army in April 1975 with the coveted Sword of Honour. He has a vast and varied experience in various command, staff and instructional assignments including command of an Infantry Division and a Corps. The General also remained Commandant of the prestigious Command and Staff College Quetta, in addition to having served on the faculties of School of Infantry, Command & Staff College and National Defence University. He is also the President of Foundation University, Islamabad.

He is a graduate of Armed Forces War College (National Defence University), Islamabad and Command and General Staff College, Fort Leavenworth, USA. He holds Master's Degrees in War Studies, Art and Science of Warfare and General Studies.

In recognition of his meritorious services, he has been awarded Hilal-e-Imtiaz (Military). He was also conferred upon the award of Sitara-i-Esar for his leadership role in disaster management during the devastating 2005 Earthquake in Azad Kashmir.

Lt Gen Shafqaat Ahmed
HI (M) (Retired)
(Chief Executive & Managing Director)

Joined Board on March 26, 2015.

He is also the Chief Executive & Managing Director of FFC Energy Limited and Fauji Fresh n Freeze Limited and also holds directorship on the Board of following:

- Fauji Fertilizer Bin Qasim Limited
- Pakistan Maroc Phosphore S.A.
- Askari Bank Limited
- Fauji Foods Limited (formerly Noon Pakistan Limited)
- Fauji Meat Limited
- FFBL Power Company Limited
- FFBL Foods Limited

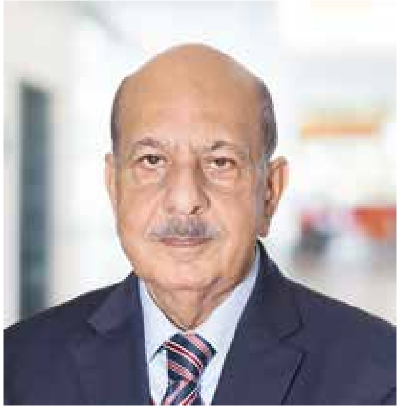
He is the Chairman of Sona Welfare Foundation (SWF) and Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC), Director on the Board of International Fertilizer Industry Association (IFA) and also a member of the Board of Governors of Foundation University, Islamabad.

The General was commissioned in Pakistan Army in October 1975. During his illustrious service of over three decades 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, Armed Forces War College (National Defence University) Islamabad, Ecole d'Etat Major Compiegne, France and Ecole Militaire Paris, France and speaks the French language fluently. He also holds Master's Degree in War Studies and has attended a financial management program at the Chartered Institute of Management Accountants (CIMA), UK in May 2015.

He had the honour of serving as Pakistan's Defence and Military Attaché to USA from 2002 to 2005 with concurrent accreditation to Canada and Argentina. He also served as Military Secretary to the President of Pakistan from 2005 to 2008. During this period he participated in a number of international forums notably, UN General Assembly Inaugural Session of 2006, NAM Summit in Cuba, OIC Summit in Saudi Arabia, World Economic Forum, Switzerland, and ECO Summit, China. The General has participated in bilateral meetings along with the President of Pakistan with a number of Heads of States.

He has served on the faculty of Command and Staff College Quetta and National Defence University Islamabad. Since his retirement from the Army, he is part of the honorary faculty of National Defence University as a senior mentor. He also participated in the US-Pakistan Senior Military Leadership Seminar. He has been awarded Hilal-e-Imtiaz (Military) and also conferred upon the award of 'Legion of Merit' by the US Government in promoting bilateral US Pakistan military relations.



Mr. Qaiser Javed
(Non-Executive Director)

Joined the Board on October 15, 1999.

He joined Fauji Foundation in 1976 and is currently working as Director Finance. He has the honour of being member on Board of Directors of 22 other organizations, holding the following major positions:

- Foundation University - Director Finance
- Dharaki Power Holdings Limited - CEO
- Foundation Wind Energy I Limited - CEO
- Foundation Wind Energy II (Pvt.) Limited - CEO
- Fauji Fertilizer Bin Qasim Limited - Director
- Mari Petroleum Company Limited - Director
- Fauji Cement Company Limited - Director
- Fauji Kabirwala Power Company Limited - Director
- Fauji Oil Terminal and Distribution Company Limited - Director
- Foundation Power Company Dharaki Limited - Director
- Fauji Akbar Portia Marine Terminal Limited - Director
- FFC Energy Limited - Director
- The Hub Power Company Limited - Director
- Laraib Energy Limited - Director
- Askari Bank Limited - Director
- Askari Cement Limited - Director
- Fauji Fresh n Freeze Limited - Director
- Fauji Foods Limited (formerly Noon Pakistan Limited) - Director
- Fauji Meat Limited - Director
- FFBL Power Company Limited - Director
- FFBL Foods Limited - Director
- Fauji Infraavest Foods Limited - Director

He is a Fellow Member of the Institute of Chartered Accountants of Pakistan and the Institute of Taxation Management of Pakistan.

He is a member of the Audit Committee and Project Diversification Committee of FFC.

Dr. Nadeem Inayat
(Non-Executive Director)

Joined the Board on May 27, 2004.

Besides being Director Investment at Fauji Foundation, he is on the Board of following entities:

- Foundation University
- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Fauji Akbar Portia Marine Terminals (Pvt.) Limited
- Fauji Oil Terminal & Distribution Company Limited
- Mari Petroleum Company Limited
- Askari Cement Limited
- Daharki Power Holdings Limited
- Pakistan Maroc Phosphor S.A.
- Foundation Wind Energy I Limited
- Foundation Wind Energy II (Pvt.) Limited
- Fauji Fresh n Freeze Limited
- Fauji Foods Limited (formerly Noon Pakistan Limited)
- Fauji Meat Limited
- Foundation University
- FFBL Power Company Limited
- Askari Bank Limited
- Fauji Infraavest Foods Limited
- FFBL Foods Limited

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

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

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

Engr Rukhsana Zuberi
(Independent Director)

Joined the Board on September 16, 2012.

She is the President of TEC Education Foundation and is associated with Microsoft, Pearson Vue, New Horizons and Certiport which are global training and testing organizations.

She enabled participation of Pakistani youth in Microsoft World Championship, California in 2014 offering great opportunities for country's youth to showcase their IT skills on the global forum.

Major achievements during her illustrious career include the following:

- Initiated Skills Development and Vocational Training for women
- International recognition of Pakistan's Engineering Qualifications
- Initiated Pakistan's first on Grid solar power system
- Introduced and facilitated online testing and certification programs in Pakistan, enabling Country's youth to get international qualifications and career opportunities

She is Pakistan's first lady mechanical engineer and in addition to being the Chairperson of Pakistan Engineering Council, Pakistan Institute of Costs & Contracts, Women in Energy, she is also a Fellow member of Institute of Engineers Pakistan. She held various prestigious positions during her political and professional career including membership of Senate of Pakistan, Provincial Assembly Sindh, Karachi University Syndicate, Board of Governors of NUST, Engineering Development Board, President's Task Force on Alternate Energy Options for Pakistan and Finance House Committee of Senate.

She is Chairperson of the Audit Committee of FFC.

Mr. Farhad Shaikh Mohammad
(Independent Director)

Joined the Board on September 16, 2012.

He is the Chief Executive Officer of Din Corporation (Pvt.) Limited besides holding the following major positions:

- Crescent Star Foods (Pvt.) Limited - Chairman
- Din Textile Mills Limited - Director
- Din Leather (Pvt.) Limited - Director
- Din Energy Limited - Director
- Din Power Limited - Director
- Din Wind Limited - Director

He is a finance graduate and has attended various courses on Corporate Governance, Leadership, International Business Ventures and Corporate Financial Management. He has been invited as guest speaker on numerous occasions by different universities and conferences. He is actively looking after Finance and Accounts of Din Group of Industries and is involved in various activities of philanthropy.

PROFILE OF THE BOARD

Maj Gen Muhammad Farooq Iqbal
HI (M) (Retired)
(Non-Executive Director)

Joined the Board on June 02, 2014.

He is Director Banking, Industries and Trading (BI&T), Fauji Foundation. He has diverse corporate governance exposure in fertilizer, energy, banking, cement and FMCG sectors. He is the Chief Executive Officer of Fauji Infraavest Foods Limited and is in charge of all wholly owned business projects of Fauji Foundation, besides holding directorship in the following companies:

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Foundation Power Company Daharki Limited
- Askari Cement Limited

He served on various military command and staff appointments and remained Director General of inventory control & management and procurement receiving the Hilal-i-Imtiaz (Military) for his invaluable services to the Pakistan Army.

He is a graduate of Command & Staff College, Quetta and National Defence University, Islamabad and also holds a Master's degree in International Defence & Strategic Studies from Quaid-e-Azam University, Islamabad. He has attended Defence Management Courses from Cranfield University School of Management UK. He also holds Financial Management Diploma from the Lahore University of Management Sciences (LUMS).

He is a Certified Quality Management from National University of Science and Technology (NUST) and also attended executive training from London School of Corporate Finance and is a fellow of the Chartered Institute of Logistics and Transportation (CILT) UK, since 2009.

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

Mr. Shahid Ghaffar
(Independent Director)

Joined the Board on October 20, 2014.

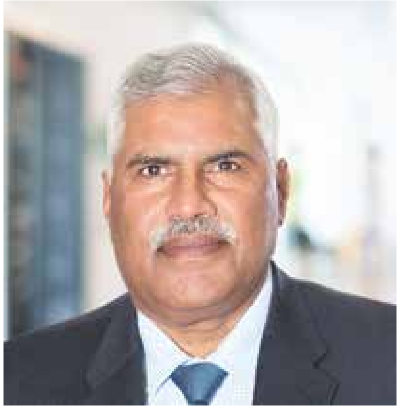
He is presently Managing Director, National Investment Trust Limited (NIT) where he has also served in different capacities in the Asset Management Division. He participated in the reconstruction of NIT during the crisis period (1996-1998).

He holds directorship in Mari Petroleum Company Limited and Bank Al Habib Limited.

He has held key positions in the areas of asset management, capital market regulation and governance. At Securities and Exchange Commission of Pakistan (SECP) he served as Executive Director / Commissioner and played a vital role towards implementation of wide ranging reforms in the capital market and capacity building of Securities Market Division at SECP. While working as Managing Director / CEO of Karachi Stock Exchange he introduced effective risk management measures and implemented automation of share trading.

He has worked as Head of Investor Relations and Corporate Representation as well as member of Management Forum at Habib Bank Limited (HBL) and Chief Executive Officer of HBL Asset Management Limited.

He holds a Master's Degree in Business Administration. He has attended several courses on securities regulations, securities markets development and portfolio management including the prestigious course conducted by Securities and Exchange Commission, in Washington DC, United States.



Maj Gen Mumtaz Ahmad Bajwa
HI (M) (Retired)
(Non-Executive Director)

Joined the Board on February 01, 2015.

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

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

He was commissioned in the Army in April 1977 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 and is qualified in Trans-National Security Matters from Hawaii, USA.

He held various General Staff appointments at Headquarter Infantry Brigade, Headquarters Infantry Division, Corps Headquarter and Military Operations Directorate. He also served as Director General in Inter Services Intelligence Secretariat and remained on the faculty of War College, National Defence University, Islamabad.

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

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

Mr. Per Kristian Bakkerud
(Non-Executive Director)

Joined the Board on June 16, 2015.

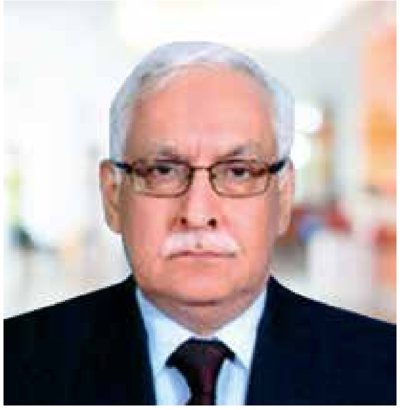
He is the Executive Vice President of Chemical Business Unit at Haldor Topsoe A/S, Denmark since January 2016. Prior to this, he held the portfolio of Group Vice President for the Chemical Business Unit from November 2014.

He has worked as process engineer and project manager for many of Topsoe's technologies around the world. He served as Head of Syngas Process Engineering, Vice President for Technology and Engineering and Vice President for New Technologies in the Technology Division before taking up the position as Managing Director for Haldor Topsoe's Chinese operations in 2011.

He graduated from The Technical University of Norway in 1980 and has served in various positions for Det Norske Veritas, Norwegian Petroleum Consultants and Exxon Mobil before joining Haldor Topsoe A/S.

He is the President of Energy Frontiers International, he serves on the Board of Directors of Natural Gas Conversion Board.

He also serves on the Board of Directors of Ferrostaal Topsoe Projects.



Mr. Khizar Hayat Gondal
(Non-Executive Director)

Joined the Board on April 11, 2016.

He is presently serving as Secretary, Ministry of Industries and Production, Government of Pakistan.

He joined the Government Service as Assistant Commissioner, UT Quetta Government of Balochistan in October 1984.

He has served on prestigious government appointments including Chief Secretary Punjab, Chief Secretary AJK, Federal Secretary Ports & Shipping, Additional Secretary Finance, Secretary LG&CD, Member BOR, Chief Instructor, NSPP, Secretary Auqaf, Additional Secretary, Agriculture, Additional Secretary Industries & Mineral Development, Deputy Commissioner, Additional Secretary Agriculture and Additional Secretary Health.

Brig Rashid Wali Janjua
SI (M) (Retired)
(Non-Executive Director)

Joined the Board on April 21, 2016

He is Director Planning and Development, Fauji Foundation and also holds directorship of the following associated companies in the Fauji Group:

- FFC Energy Limited
- FFBL Power Company Limited
- Fauji Cement Company Limited
- Fauji Akbar Portia Marine Terminals Limited
- Mari Petroleum Company Limited
- Foundation Power Company Daharki Limited
- Foundation Wind Energy - I Limited
- Foundation Wind Energy - II (Pvt) Limited
- Fauji Infraavest Foods Limited

He has a diversified civil engineering project management experience spanned over 25 years as Commander Corps of Engineers, Director Works, and Chief Engineer Navy. He has planned and executed major civil engineering projects at Karachi, Lahore, Islamabad, and coastal belt in close coordination with the Engineer-in Chief's Branch. He also has extensive experience of working with diverse national and international aid agencies on reconstruction and rehabilitation projects in the Earthquake stricken area after 2005.

He holds Civil Engineering Degree from Military College of Engineering and Master's degree in Security and Defence Management from Royal Military College Kingston, Canada. He is also a graduate of Command and Staff College, Quetta and National Defence University, Islamabad.

PROFILE OF THE BOARD

Mr. Shoaib Mir
(Independent Director)

Joined the Board on September 27, 2016

He is presently serving as Chairman, State Life Insurance Corporation of Pakistan. He also holds directorship of the following companies:

- Orix Leasing Pakistan Limited
- Sui Northern Gas Pipeline Limited
- Pakistan Cables Limited
- Security Papers Limited

He held the position of Additional Secretary Establishment Division, Islamabad, besides remaining posted on leading Administrative & Financial positions in Federal, Provincial Government and Public Sector Enterprises.

He joined Civil Services in 1990 and has vast professional experience in Senior Management Positions in diversified fields such as Public Sector Management, Administration, Judicial, Health, Insurance and Planning etc.

He has attended local and international professional training courses, workshops, seminars and conferences.

He has attained a Degree of MBBS and is also a Certified Director from Pakistan Institute of Corporate Governance (PICG).

Mr. Mohammad Munir Malik
(Chief Financial Officer)

Appointed as CFO on September 25, 2015.

He is also a director on the Board of Askari General Insurance Company Limited and Fauji Fresh N Freeze Limited, 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)

He joined Fauji Fertilizer Company Limited (FFC) as Company Secretary on December 06, 2016. He is also holding 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

COMPOSITION	MEETINGS HELD					TOTAL MEETINGS ATTENDED
	23RD JANUARY	18TH APRIL	21ST JULY	20TH OCTOBER	17TH DECEMBER	
Engr Rukhsana Zuberi Chairperson	√	√	√	√	√	5
Mr. Qaiser Javed Member	-	√	√	√	√	4
Dr. Nadeem Inayat Member	√	√	√	√	√	5
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired) Member	√	√	√	√	√	5

SALIENT FEATURES AND TERMS OF REFERENCE

The Audit Committee is, among other things, responsible for recommending to the Board of Directors the appointment of external auditors by Company's shareholders and considers any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors acts in accordance with the recommendations of the Audit Committee in the following matters:

a) Determination of appropriate measures to safeguard the Company's assets

b) Review of preliminary announcements of results prior to publication

c) Review of quarterly, half yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

- Major judgmental areas
- Significant adjustments resulting from the audit
- The going concern assumption
- Any change in accounting policies and practices
- Compliance with applicable accounting standards
- Compliance with listing regulations and other statutory and regulatory requirements

d) Facilitating the external audit and discussion with external auditors on 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)

e) Review of Management Letter issued by external auditors and Management's response thereto

f) Ensuring coordination between the internal and external auditors of the Company

g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company

h) Consideration of major findings of internal investigations and Management's response thereto

i) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective

j) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports

k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CE&MD and to consider referral of any matter to the external auditors or to any other external body

l) Determination of compliance with relevant statutory requirements

m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof

n) Review of related party transactions entered into during the year and recommending approval of the Board of Directors thereon

o) Consideration of any other issue or matter as may be assigned by the Board of Directors

BOARD COMMITTEES

HUMAN RESOURCE & REMUNERATION COMMITTEE

COMPOSITION	15TH DECEMBER	TOTAL MEETINGS ATTENDED
Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired) Chairman	√	1
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired) Member	√	1
Mr. Farhad Shaikh Mohammad Member	√	1

SALIENT FEATURES AND TERMS OF REFERENCE

The role of the Human Resource & Remuneration Committee is to assist the Board of Directors in its oversight of the evaluation and approval of the employee benefit plans, welfare projects and retirement emoluments. The Committee recommends any adjustments, which are fair and required to attract / retain high caliber staff, for consideration and approval. The Committee has the following responsibilities, powers, authorities and discretion:

a) Conduct periodic reviews of the Good Performance Awards,10C Bonuses, and Maintenance of Industrial Peace Incentives (MOIPI) as per the CBA agreements, Long Term Service Award Policy and Safety Awards for safe plant operations

b) 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

c) 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

d) Review organizational policies concerning housing / welfare schemes, scholarship and incentives for outstanding performance and paid study leave beyond one year

e) Recommend financial package for CBA agreement to the Board of Directors

f) 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

g) Review and recommend compensation / benefits for the CE&MD in consultation with the Company Secretary

h) 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

The Committee meets on as required basis or when directed by the Board of Directors. The Company Secretary sets the agenda, time, date and venue of the meeting in consultation with the Chairman of the Committee. The General Manager Human Resources acts as Secretary of the Committee and submits the minutes of the meeting duly signed by its Chairman to the Company Secretary. These minutes are then circulated to the Board of Directors.

SYSTEM AND TECHNOLOGY COMMITTEE

COMPOSITION	25TH APRIL	8TH DECEMBER	TOTAL MEETINGS ATTENDED
Brig Raashid Wali Janjua, SI (M) (Retired) Chairman	√	√	2
Dr. Nadeem Inayat Member	-	N/A Replaced as member w.e.f Apr 26, 2016	0
Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired) Member	√	√	2
Mr. Shahid Ghaffar Member	N/A	√ Appointed as member w.e.f Apr 26, 2016	1

SALIENT FEATURES AND TERMS OF REFERENCE

The role of System & Technology Committee is as follows:

a) Review any major change in system and procedures suggested by the Management

b) Review the proposals suggested by the Management on the recent trends in use of technology in production and marketing of fertilizers

c) Review the recommendations of the Management:

- On options available for addressing major plant upgradation and technology improvements with relevant cost benefit analysis
- On information technology

d) Guidance in the development of concept paper for keeping abreast with the continuous improvement in technological advancements, its implementation in manufacturing, marketing and at administrative levels with periodic review

e) Promote awareness of all stakeholders on needs for investment in chemical (specifically fertilizer) technology and related research work

f) Promote awareness of all stakeholders on needs for investment in technology and related research work

g) Review IT proposals suggested by Management and send recommendations to the Board of Directors

h) Consider such other matters as may be referred to it by the Board of Directors

PROJECTS DIVERSIFICATION COMMITTEE

COMPOSITION	16TH SEPTEMBER	26TH DECEMBER	TOTAL MEETINGS ATTENDED
Dr. Nadeem Inayat Chairman	√	√	2
Mr. Qaiser Javed Member	-	-	0
Brig Raashid Wali Janjua, SI (M) (Retired) Member	√	√	2

SALIENT FEATURES AND TERMS OF REFERENCE

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

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

COMPOSITION	
Lt Gen Shafqaat Ahmed, HI (M) (Retired), CE&MD	Chairman
Mr. Mohammad Munir Malik, CFO	Member
Mr. Muhammad Shuaib, CIA	Member
Brig Tariq Javaid, SI (M) (Retired), GM-HR	Member
Mr. Naveed Ahmad Khan, GM-M&O	Member
Mr. Pervez Fateh, GM-M&O (G/M)	Member
Mr. Rehan Ahmed, GM-T&E	Member
Mr. David Keith Massey, GM-MKT	Member
Mr. Muhammad Aleem Khan, A/GM-M&O (M/M)	Member
Brig Ashfaq Ahmed, SI (M) (Retired), Company Secretary	Member / Secretary

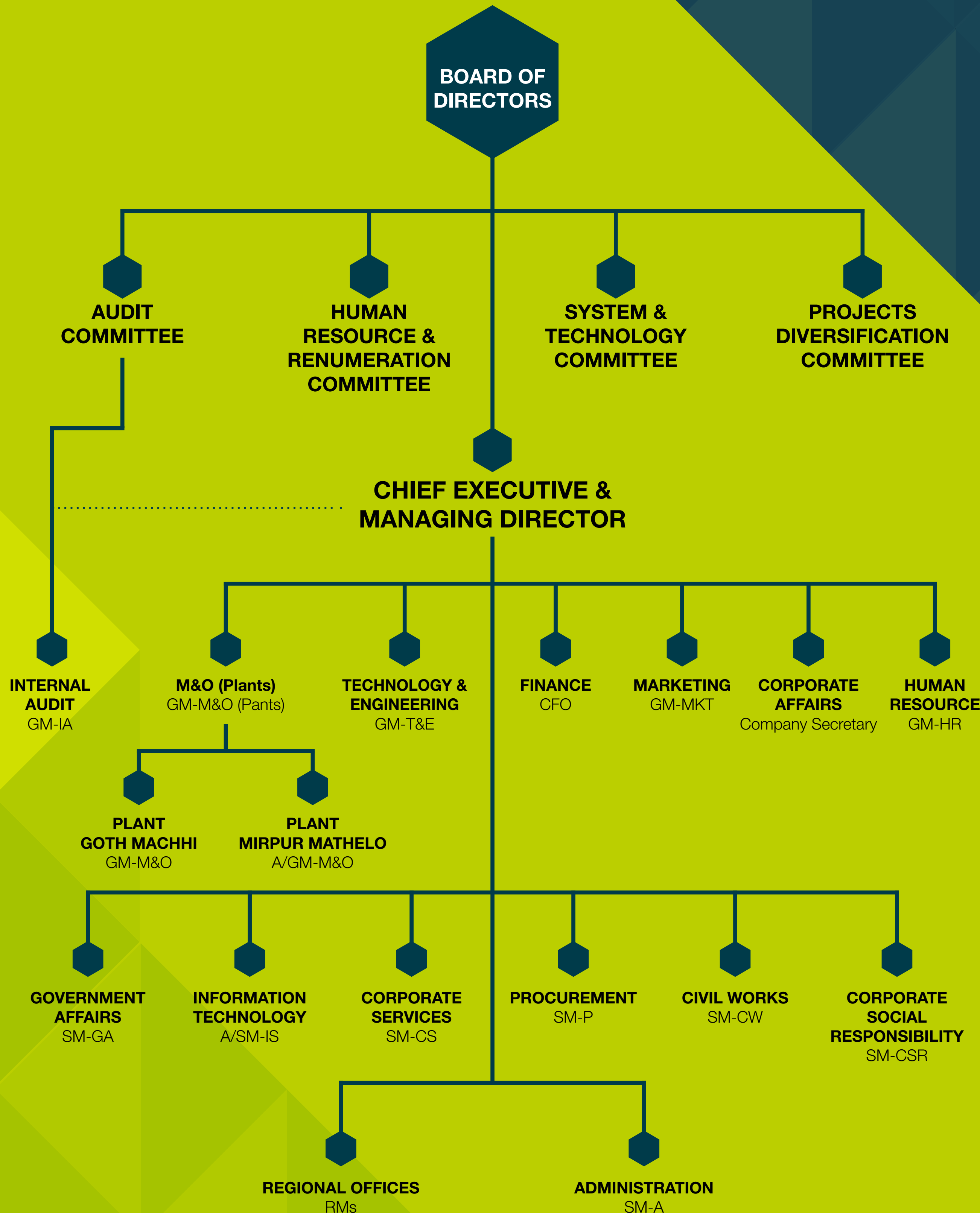
BUSINESS STRATEGY COMMITTEE

COMPOSITION	
Lt Gen Shafqaat Ahmed, HI (M) (Retired), CE&MD	Chairman
Mr. Mohammad Munir Malik, CFO	Member
Mr. Naveed Ahmad Khan, GM-M&O	Member
Mr. Rehan Ahmed, GM-T&E	Member
Mr. David Keith Massey, GM-MKT	Member
Brig Ashfaq Ahmed, SI (M) (Retired), Company Secretary	Member
Syed Aamir Abbas, M-BD	Member / Secretary

CSR COMMITTEE

COMPOSITION	
Lt Gen Shafqaat Ahmed, HI (M) (Retired), CE&MD	Chairman
Mr. Mohammad Munir Malik, CFO	Member
Mr. Muhammad Shuaib, CIA	Member
Mr. Naveed Ahmad Khan, GM-M&O	Member
Mr. David Keith Massey, GM-MKT	Member
Brig Ashfaq Ahmed, SI (M) (Retired), Company Secretary	Member
Brig Abid Mahmud, SI (M) (Retired), SM-CSR	Member / Secretary

ORGANIZATIONAL CHART



CFO	Chief Financial Officer
GM	General Manager
RM	Resident Manager
SM	Senior Manager
M&O	Manufacturing & Operations
T&E	Technology & Engineering
MKT	Marketing

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 OUR 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.

PRODUCT PORTFOLIO

UREA FERTILIZERS

FFC & FFBL (SONA)

AGRICULTURAL USE:

Urea is a concentrated straight nitrogenous fertilizer that contains 46% nitrogen. It is used in different crops and orchards in splits as basal & top-dressing to promote vegetative growth of the crops. In irrigated crops, urea can be 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 from 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 particularly broad leaf crops like cotton as its larger granules drop down from the leaves.

INDUSTRIAL USE:

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

DAP FERTILIZERS

FFC & FFBL (FFC DAP / SONA DAP)

AGRICULTURAL USE:

Di-Ammonium Phosphate (DAP) belongs to a series of water-soluble ammonium phosphate salts that is produced through a reaction of ammonia and phosphoric acid and is the most concentrated phosphatic fertilizer containing 46% P_2O_5 and 18% Nitrogen. It is recommended for all crops as basal fertilizer to be applied at the time of sowing for better root proliferation and inducing energy reactions in the plants. The solubility of DAP is more than 95%, which is the highest among the phosphatic fertilizers available in the Country.

INDUSTRIAL USE:

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

SOP FERTILIZERS

(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% sulphur, which helps in controlling spread of fungal and other soil borne diseases. FFC SOP is one of the finest quality product with 1% Chloride content and is imported from Europe.

INDUSTRIAL USE:

Occasionally used in manufacturing of glass.

MOP FERTILIZERS

(FFC MOP)

AGRICULTURAL USE:

Potassium chloride (commonly referred to as Muriate of Potash or MOP) is the most common potassium source used in agriculture, accounting for about 95% of all potash fertilizers used worldwide. FFC MOP contains 60% K_2O and is used mainly for fertilizing sugarcane, fruit trees, vegetables and other field crops. The chloride content of MOP is also beneficial where soil chloride is low.

INDUSTRIAL USE:

Used in medicine, scientific applications, food processing etc.

BORON FERTILIZERS

(SONA BORON)

Sona Boron is a micronutrient fertilizer in the form of Di-Sodium Tetra Borate Deca hydrate. It is an essential micronutrient required for plant nutrition, which plays a vital role in the growth processes especially new cell development, pollination, fruit / seed setting, and translocation of sugars. Boron deficiency appears in youngest leaves as wrinkled, often thicker and of a darkish blue green color. FFC is providing superior quality Sona Boron containing 10.5% Boron (Borax) which is soluble in water and readily available to plants. It can be used by mixing with other fertilizers for application in the field.

ZINC FERTILIZERS

(SONA ZINC)

Sona Zinc is a micronutrient fertilizer in the form of Zinc Sulphate Mono Hydrate (33%). Zinc deficiency in soil is widespread throughout Pakistan and is translating as a deficient element in human diet and livestock feed as well. FFC is providing high quality Sona Zinc containing 33% Zinc, which is highly water soluble and can also be used as fertigation i.e. application with irrigation.

PRODUCT PORTFOLIO

RENEWABLE ENERGY

FFC ENERGY LIMITED

FFCEL has been incorporated for operating Pakistan's first wind power generation facility, with a 49.5 MW generation capacity. The energy supplied to Pakistan's national grid (NTDC) is contributing towards alleviating the energy crisis of the Country.

FINANCIAL SERVICES

ASKARI BANK LIMITED

The Bank operates with 502 branches including a Wholesale Bank Branch in the Kingdom of Bahrain and its first representative office in China. AKBL offers a wide range of banking activities including commercial & corporate lending, trade businesses, Islamic, consumer, agriculture & investment banking, equity trading, and treasury operations.

The Bank also offers branchless banking service under the brand name 'Timepey'. A wide network of Timepey shops across Pakistan are fully equipped to handle day to day needs of the customers including money transfer, bill payment and mobile top-up etc.

During the year AKBL launched Cardless Cash Withdrawal, a unique and value added feature of Mobile Banking. The facility aims at providing further convenience to its valued customers' cash requirements without requiring a Debit Card, while conforming to the highest levels of security.

The Bank is also engaged in the business of mutual funds and share brokerage, investment advisory and related services through its subsidiary companies, Askari Investment Management Limited and Askari Securities Limited.

PROCESSED FRUITS & VEGETABLES

FAUJI FRESH N FREEZE LIMITED

Acquired in October 2013, to develop Pakistan's agricultural potential into a world class business, Fauji Fresh n Freeze Limited (FFF) is a leading processor of fruits, vegetable and french fries, with state of the art processing facility in Sahiwal, including Individually Quick Freeze (IQF), Vapor Heat Treatment (VHT) and Hot Water Treatment (HWT) for fruits and vegetables products. The products processed through IQF technology, are hygienically safer and have a much longer shelf-life while retaining their nutritional value ensuring year-round availability. FFF is also exporting fresh and frozen fruits and vegetable products to Far East, Middle East, Europe and Russia, and has received positive feedback. It has the highest food safety standards in the industry and is certified in ISO 9001, 14001, 18001 & HACCP.

FFF also launched its signature "OPA!" Frozen Fries in the domestic market which has also received positive customer feedback.

STAKEHOLDERS' ENGAGEMENT

STAKEHOLDERS	MANAGEMENT OF STAKEHOLDERS' ENGAGEMENT	EFFECT AND VALUE TO FFC
INSTITUTIONAL INVESTORS / SHAREHOLDERS	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.	The providers of capital allow FFC the means to achieve its vision.
CUSTOMERS & SUPPLIERS	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.	Our success and performance depend upon the loyalty of our customers, their preference of the 'Sona' brand and our supply chain management.
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.	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
MEDIA	Different communication mediums are used on need basis to apprise the general public about new developments, activities and philanthropic initiatives of FFC.	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	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 45 billion in taxes and duties this year and continues to be one of the highest tax payers of Pakistan.	Laws and regulations, determination of prices and other factors controlled by the Government affect FFC and its performance.
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.	Providing all the required information to analysts helps in clarifying any misconception / rumour in the market and creates a positive investor perception.
EMPLOYEES	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.	FFC's employees represent its biggest asset, implementing every strategic and operational decision and representing the Company in the industry and community.
LOCAL COMMUNITY AND GENERAL PUBLIC	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 people of the Country provide the grounds for FFC to build its future on.

NOTICE OF MEETING

Notice is hereby given that the 39th Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at FFC Head Office, 156 The Mall, Rawalpindi on Wednesday, March 15, 2017 at 1100 hours to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of 38th Annual General Meeting held on March 17, 2016.
2. To consider, approve and adopt separate and consolidated audited financial statements of FFC together with Directors' and Auditors' Reports thereon for the year ended December 31, 2016.
3. To appoint Auditors for the year 2017 and to fix their remuneration.
4. To consider and approve payment of Final Dividend for the year ended December 31, 2016 as recommended by the Board of Directors.

SPECIAL BUSINESS

5. To get approval/consent from shareholders, as per SRO No. 470(1)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan (SECP), for the transmission of the annual audited accounts through CD/DVD/USB instead of transmitting the said accounts in hard copies.
6. To consider and, if thought fit, pass the following resolutions as Special Resolution, with or without modification, to amend the Articles of Association of the Company in order to enable the, Video Conference facility, E-Voting mechanism as prescribed in the Companies (E-Voting) Regulations 2016 issued by the Securities & Exchange Commission of Pakistan (SECP) and proxy for e-voting:

SPECIAL RESOLUTION

Resolved that, subject to obtaining the requisite approvals, Articles of Association of the Company be and are hereby amended as following:-

(39) At least ten (10) Members entitled and present in person and representing not less than twenty five percent (25%) of the total voting power either on their own account or as proxies shall be the quorum for a General Meeting, and no business shall be transacted at any General Meeting unless the quorum requisite is present at the commencement of the business.

a. After Article 39, the following new Article 39A be inserted:

"The Company may provide video conference facility to its Members at places other than the town in which general meeting is taking place after considering the geographical dispersal of its Members, subject to the condition that Members collectively holding ten percent (10%) or more shareholding residing at a geographical location provide their consent to participate in the general meeting through video conference at least ten (10) days prior to the date of the general meeting. The Company shall arrange video conference facility in that city subject to availability of such facility in that city. The Company shall intimate to Members regarding venue of video conference facility at least five (5) days before the date of general meeting along with complete information necessary to enable them to access such facility. The quorum as required under the Ordinance as well as Chairman of the general meeting shall be present at the place of the general meeting".

b. After Article 54, the following new Article 54 A be inserted:

"A Member may opt for e-voting in a general meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016 (including any statutory modification thereof), as amended from time to time. In the case of e-voting, both Members and non-members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposited with the Company, at least ten (10) days before holding of the general meeting, at the Company's registered office address or through email. The Company will arrange for e-voting if the Company receives demand for poll from at least five (5) members or by any member having not less than one tenth of the voting power."

c. After Article 55, the following new Article 55 A be inserted:

"An instrument of proxy in relation to e-voting shall be in the following form:

I/We, _________ of ________________, being a member of Fauji Fertilizer Company Limited, holder of ___________ Share(s) as per Register Folio No. ______ hereby opt for e-voting through Intermediary and hereby consent to the appointment of Execution Officer ______ as proxy and will exercise e-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _____________________, please send login details, password and electronic signature through email.

Signature of member
(Signature should agree with the specimen signature registered with the Company)

Signed in the presence of:

Signature of Witness

Signature of Witness

The proxy e-voting form shall be required to be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

d. After Article 74, the following new Article 74A be inserted:

"The Directors of the Company may participate in the Board of Directors' meetings, whether in Pakistan or abroad, through tele/video conferencing. The draft minutes of the meeting shall be sent to those Director(s) who had participated in the proceedings of the meeting through tele/video conference, for his/their confirmation. Thereafter, the minutes shall be signed by the Chairman of the meeting."

e. After Article 103, the following new Article 103A be inserted:

"The Company may, after obtaining prior written consent from members, circulate notices of general meeting and the annual balance sheet and profit and loss account, auditors' report and directors' report (annual audited accounts) to its members through email. Further, subject to the consent of the Members obtained in general meeting, circulate the annual balance sheet and profit and loss account, auditors' report and directors' report (annual audited accounts) to its Members through CD/DVD/USB at their registered addresses. However, if a Member prefers to receive hard copies for all the future annual audited accounts then such preference of the Member shall be given to the Company in writing and thereafter the Company shall provide hard copies of all the future annual audited accounts to such Member."

"RESOLVED THAT the Company Secretary be and is hereby authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company and make necessary filings and complete legal formalities as may be required to implement the aforesaid resolution".

7. 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, 2017

NOTICE OF MEETING

E-VOTING

Pursuant to SECP S.R.O. No. 43(I)/2016 dated January 22, 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment of Execution Officer by the Intermediary as a Proxy.

VIDEO CONFERENCE FACILITY

Pursuant to SECP Circular No 10 dated May 21, 2014, 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 10 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 09, 2017 to March 15, 2017 (both days inclusive) and no request for transfer of shares will be accepted for registration. Transfers received at Company's Share Registrar namely Central Depository Company of Pakistan Limited, Shares Registrar Department, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400 by the close of business on March 08, 2017 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. 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 SECP vide Circular No. 10 of 2014 dated May 21, 2014, 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, atleast 10 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 10 days before holding of General Meeting.

I / We, _________________ of _____________ being a member Fauji Fertilizer Company Limited holder of _______ Ordinary Share(s) as per Registered Folio No. ______ hereby opt for video conference facility at __________.

5. Annual Audited Financial Statements of the Company for the financial year ended December 31, 2016 have been provided on the Company's website i.e. www.ffc.com.pk.

6. Members are hereby informed that pursuant to SECP SRO 787(1)/2014 dated September 8, 2014, 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 2016 are being emailed to the members having opted to receive such communication in electronic format. Other members who wish to receive the Annual Report 2016 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 2016 through email can subsequently request a hard copy which shall be provided free of cost within seven days; however, the Company shall continue to send hard copies to all other members as per practice in vogue.

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

7. Withholding Tax on dividends

Prevailing rates prescribed for deduction of withholding tax on the amount of dividend paid by the companies are as under:

(a) For filers of income tax returns: 12.50%

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

To enable the Company to make tax deduction on the amount of cash dividend @ 12.50% instead of 20%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for approval of the cash dividend i.e. March 15, 2017; otherwise tax on their cash dividend will be deducted @ 20% instead of 12.50%.

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

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

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

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

FINANCIAL PERFORMANCE

		2016	2015	2014	2013	2012	2011
PROFITABILITY RATIOS							
Gross profit ratio	%	24.77	34.05	38.29	46.36	48.47	62.20
Gross profit ratio (Including Subsidy)	%	31.34	35.18	38.29	46.36	48.47	62.20
Net profit to sales	%	16.17	19.76	22.37	27.03	28.07	40.73
Net profit to sales (Including Subsidy)	%	14.75	19.42	22.37	27.03	28.07	40.73
EBITDA margin to sales	%	30.07	32.97	35.61	42.74	44.98	63.64
EBITDA margin to sales (Including Subsidy)	%	27.44	32.40	35.61	42.74	44.98	63.64
Operating leverage ratio	Times	1.69	(0.93)	(1.10)	(28.57)	(0.17)	4.12
Return on equity (Profit after tax)	%	41.76	61.39	70.79	80.06	80.96	99.17
Return on equity (Profit before tax)	%	61.66	89.72	102.22	116.97	120.51	146.23
Return on capital employed	%	44.13	60.13	96.17	102.53	108.15	133.75
Pre tax margin	%	23.87	28.88	32.30	39.50	41.78	60.06
Pre tax margin (Including Subsidy)	%	21.78	28.39	32.30	39.50	41.78	60.06
Return on assets	%	12.99	20.92	20.98	29.69	34.38	40.50
Growth in EBTDA	%	(26.37)	(5.64)	(9.64)	(4.18)	(5.60)	96.27
Earning before interest, depreciation and tax	Rs in million	21,915	27,972	28,929	31,832	33,430	35,141
Earnings growth	%	(29.73)	(7.73)	(9.75)	(3.48)	(7.26)	103.94
Growth in Operating revenue	%	(14.09)	4.42	9.07	0.21	34.59	23.06
Growth in Operating revenue (Including Subsidy)	%	(7.49)	6.25	9.07	0.21	34.59	23.06
Capital Expenditure to total Assets	%	(2.20)	(4.09)	(4.02)	(3.38)	(3.74)	(4.17)
LIQUIDITY RATIOS							
Current ratio	Times	0.91	0.84	0.67	0.77	1.14	1.04
Quick / Acid test ratio	Times	0.72	0.58	0.59	0.66	1.01	0.93
Cash to current liabilities	Times	(0.15)	(0.18)	0.28	0.38	0.61	0.38
Cash flow from operations to sales	Times	0.10	(0.27)	0.36	0.34	0.25	0.35
Cash flow from operations to sales (Including Subsidy)	Times	0.09	(0.27)	0.36	0.34	0.25	0.35
Long term liabilities / current liabilities	%	52.31	63.39	13.14	24.35	28.71	23.85
ACTIVITY / TURNOVER RATIOS							
Inventory turnover ratio	Times	12	20	148	188	152	162
No. of days in inventory	Days	30	18	2	2	2	2
Debtors turnover ratio	Times	24	65	107	35	40	248
Debtors turnover ratio (Including Subsidy)	Times	26	67	107	35	40	248
No. of days in receivables	Days	15	6	3	11	9	1
No. of days in receivables (Including Subsidy)	Days	14	5	3	11	9	1
Creditors turnover ratio - GIDC	Times	18	4	3	9	97	86
- without GIDC	Times	90	85	124	144	97	86
No. of days in payables - GIDC	Days	20	88	124	42	4	4
- without GIDC	Days	4	4	3	3	4	4
Total assets turnover ratio	Times	0.80	1.06	0.94	1.10	1.23	0.99
Total assets turnover ratio (Including Subsidy)	Times	0.88	1.08	0.94	1.10	1.23	0.99
Fixed assets turnover ratio	Times	3.43	3.97	4.04	4.04	4.17	3.24
Fixed assets turnover ratio (Including Subsidy)	Times	3.76	4.04	4.04	4.04	4.17	3.24
Operating cycle - GIDC	Days	25	(64)	(119)	(29)	7	(1)
- without GIDC	Days	41	20	2	10	7	(1)
INVESTMENT / MARKET RATIOS							
Earnings per share (EPS) and Diluted EPS - restated	Rs	9.26	13.18	14.28	15.83	16.40	17.68
Price earning ratio	Times	11.27	8.95	8.20	7.07	7.14	5.64
Dividend yield ratio	%	7.18	8.82	11.99	13.77	12.29	16.51
Dividend payout ratio							
- Cash (interim & proposed final)	%	85.31	90.00	95.57	96.99	94.53	75.42
- Cash & stock (interim & proposed final)	%	85.31	90.00	95.57	96.99	94.53	94.27
Dividend cover ratio	Times	1.17	1.11	1.05	1.03	1.06	1.06
Cash dividend per share (interim & proposed final)	Rs	7.90	11.86	13.65	15.35	15.50	20.00
Stock dividend per share (interim & proposed final)	%	-	-	-	-	-	50.00
Market value per share							
- Year end	Rs	104.37	117.98	117.11	111.96	117.14	149.54
- High during the year	Rs	121.45	158.87	125.92	121.60	190.95	198.35
- Low during the year	Rs	102.71	109.40	106.51	100.00	105.75	109.82
Breakup value (net assets per share) - restated							
- Without revaluation reserves	Rs	22.17	21.47	20.18	19.77	20.25	17.83
- With revaluation reserves *	Rs	N/A					
Retention (after interim & proposed cash)	%	14.69	10.00	4.43	3.01	5.47	5.73
Change in market value added	%	(14.84)	(0.43)	5.14	(4.85)	18.35	48.89
Market price to breakup value	Times	4.96	6.26	5.64	5.64	6.23	5.66
CAPITAL STRUCTURE RATIOS							
Financial leverage ratio	Times	1.60	1.41	0.62	0.51	0.40	0.58
Weighted average cost of debt	%	6.53	7.53	10.48	10.08	12.47	14.50
Debt to equity ratio		37:63	37:63	9:91	15:85	13:87	10:90
Interest cover ratio	Times	8.23	17.61	31.91	39.91	32.08	43.20

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

Rs in million		2016	2015	2014	2013	2012	2011
SUMMARY OF BALANCE SHEET							
Share capital		12,722	12,722	12,722	12,722	12,722	8,482
Reserves		15,489	14,589	12,948	12,429	13,045	14,199
Shareholders' funds / Equity		28,211	27,311	25,670	25,151	25,767	22,681
Long term borrowings		16,653	15,893	2,500	4,280	3,870	2,704
Capital employed		44,864	43,204	28,170	29,431	29,637	25,385
Deferred liabilities		4,812	4,600	4,574	4,078	3,915	3,623
Property, plant & equipment		21,233	21,382	20,094	18,444	17,819	17,051
Long term assets		53,422	52,915	50,678	41,501	29,716	27,895
Net current assets / Working capital		(3,746)	(5,111)	(17,934)	(7,992)	3,836	1,113
Liquid funds (net)		1,748	2,981	24,787	13,539	17,763	14,603
SUMMARY OF PROFIT & LOSS							
Sales		72,877	84,831	81,240	74,481	74,323	55,221
Sales (including Subsidy)		79,856	86,321	81,240	74,481	74,323	55,221
Cost of sales		54,827	55,949	50,137	39,949	38,300	20,872
Gross profit		18,050	28,882	31,103	34,532	36,023	34,349
Gross profit (including Subsidy)		25,029	30,372	31,103	34,532	36,023	34,349
Distribution cost		7,154	6,814	6,431	6,167	5,554	4,372
Operating profit		10,896	22,068	24,672	28,365	30,469	29,977
Operating profit (including Subsidy)		17,875	23,558	24,672	28,365	30,469	29,977
Finance cost		2,406	1,475	849	756	999	786
Other income		10,665	6,194	4,721	4,368	4,268	6,630
Other income (excluding Subsidy)		3,686	4,704	4,721	4,368	4,268	6,630
Profit before tax		17,394	24,503	26,241	29,419	31,052	33,166
Provision for taxation		5,612	7,737	8,070	9,284	10,192	10,674
Profit after tax		11,782	16,766	18,171	20,135	20,860	22,492
EPS - Basic & Diluted (restated) - Rs		9.26	13.18	14.28	15.83	16.40	17.68
SUMMARY OF CASH FLOWS							
NET CASH FLOW FROM OPERATING ACTIVITIES							
Net profit before taxation		17,394	24,503	26,241	29,419	31,052	33,166
Adjustments for non cash & other items		(5,941)	(2,462)	(1,832)	(1,831)	(1,816)	(4,094)
Changes in working capital		196	(35,042)	14,774	8,182	(272)	1,795
Changes in long term loans and advances, deposits, prepayments and deferred liabilities		39	315	9	14	3	(68)
		235	(34,727)	14,783	8,196	(269)	1,727
		11,688	(12,686)	39,192	35,784	28,967	30,799
Finance cost paid		(2,386)	(1,237)	(753)	(759)	(1,054)	(844)
Income tax paid		(5,724)	(9,103)	(9,349)	(9,755)	(9,235)	(10,398)
Subsidy received on sale of fertilizer		3,396	-	-	-	-	-
Net cash generated from / (used in) operating activities		6,974	(23,026)	29,090	25,270	18,678	19,557
NET CASH FLOW FROM INVESTING ACTIVITIES							
Fixed capital expenditure		(2,000)	(3,279)	(3,479)	(2,295)	(2,270)	(2,314)
Interest received		1,107	1,758	1,283	1,242	1,276	1,481
(Increase) / Decrease in investments - net		(121)	54	(8,533)	(10,266)	2,869	(4,031)
Dividends received		2,265	2,720	2,578	2,586	2,815	4,842
Others		22	22	420	50	(3)	14
Net cash generated from / (used in) investing activities		1,273	1,275	(7,731)	(8,683)	4,687	(8)
NET CASH FLOW FROM FINANCING ACTIVITIES							
Long term financing - disbursements		7,350	18,621	-	1,950	3,000	500
- repayments		(4,665)	(2,499)	(1,460)	(1,513)	(2,015)	(1,759)
Dividends paid		(11,109)	(15,443)	(17,583)	(20,678)	(17,750)	(14,774)
Net cash (used in) / generated from financing activities		(8,424)	679	(19,043)	(20,241)	(16,765)	(16,033)
Net (decrease) / increase in cash and cash equivalents		(177)	(21,072)	2,316	(3,654)	6,600	3,516
Cash and cash equivalents at beginning of the year		(5,864)	15,281	13,013	16,571	9,963	6,422
Effect of exchange rate changes		-	(73)	(48)	96	8	25
Cash and cash equivalents at end of the year		(6,041)	(5,864)	15,281	13,013	16,571	9,963
OTHERS							
Market capitalization	Rs in million	132,783	150,099	148,992	142,440	149,030	126,834
Numbers of shares issued	Million	1,272	1,272	1,272	1,272	1,272	848
Contribution to National Exchequer	Rs in million	45,004	59,781	45,027	43,534	43,189	28,081
Savings through Import Substitution	Million US $	474	654	833	969	1,061	1,126

FINANCIAL PERFORMANCE

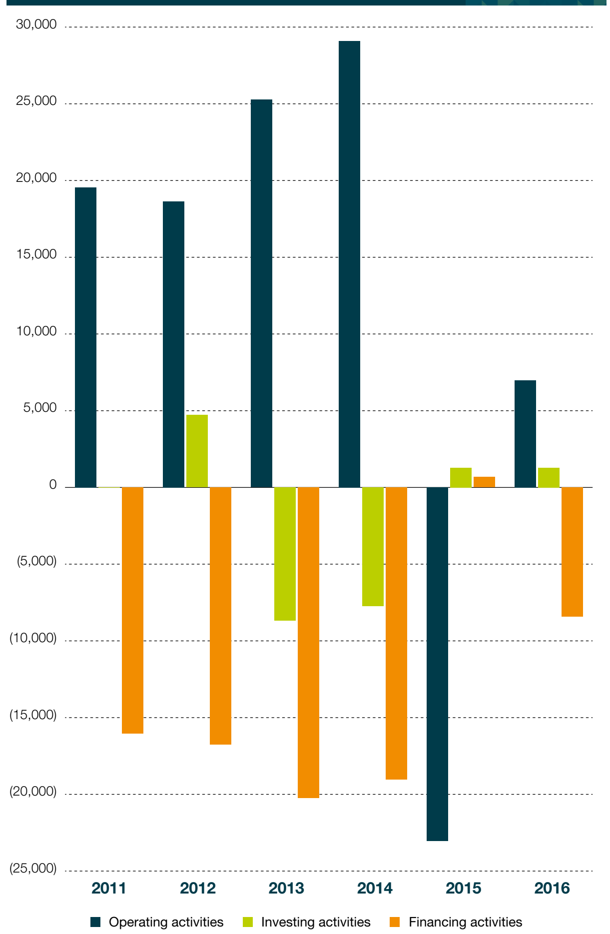
QUANTITATIVE DATA

		2016	2015	2014	2013	2012	2011
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	841	849	816	775	799	842
Plant II - Goth Machhi	KT	823	774	804	803	772	782
Plant III - Mirpur Mathelo	KT	859	846	783	830	834	772
Total production - Sona Urea	KT	2,523	2,469	2,403	2,408	2,405	2,396
CAPACITY UTLIZATION							
Plant I - Goth Machhi	%	121%	122%	117%	112%	115%	121%
Plant II - Goth Machhi	%	130%	122%	127%	126%	122%	123%
Plant III - Mirpur Mathelo	%	120%	118%	109%	116%	116%	108%
Total capacity utlization	%	123%	121%	117%	118%	117%	117%
Sona Urea Sales	KT	2,428	2,408	2,371	2,409	2,399	2,406
Imported Fertilizer - Sales	KT	212	181	140	81	74	10

DIRECT METHOD CASH FLOW

Rs in million	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers - net	70,592	77,588
Cash paid to suppliers / service providers and employees - net	(57,064)	(87,913)
Payment to gratuity fund	(278)	(75)
Payment to pension fund	(97)	(459)
Payment to Workers' Welfare fund - net	(414)	(467)
Payment to Workers' Profit Participation fund - net	(1,050)	(1,360)
Finance cost paid	(2,386)	(1,237)
Income tax paid	(5,725)	(9,103)
Subsidy received on fertilizer	3,396	-
Net cash generated from / (used in) operating activities	6,974	(23,026)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,000)	(3,279)
Proceeds from sale of property, plant and equipment	22	22
Interest received	1,107	1,758
Investment in Fauji Fresh n Freeze Limited	(1,200)	(400)
Decrease in investment - net	1,079	454
Dividends received	2,265	2,720
Net cash generated from investing activities	1,273	1,275
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - disbursements	7,350	18,621
- repayments	(4,665)	(2,499)
Dividends paid	(11,109)	(15,443)
Net cash (used in) / generated from financing activities	(8,424)	679
Net decrease in cash and cash equivalents	(177)	(21,072)
Cash and cash equivalents at beginning of the year	(5,864)	15,281
Effect of exchange rate changes	-	(73)
Cash and cash equivalents at end of the year	(6,041)	(5,864)

CASH FLOW ANALYSIS
(Rs in million)



SIX YEAR ANALYSIS OF FINANCIAL POSITION & PERFORMANCE

The Company recorded highest ever profitability as well as dividend payout during 2011, due to significant price gains coupled with other favorable market conditions. Several aspects of 2011's performance were carried to 2012 as well. Therefore, comparisons of subsequent years with 2011 & 2012, is not applicable for 2016 variance analysis as it can project a picture of underperformance. Apart from uncontrollable factors, including incremental Government levies, lower international prices, poor farm economics and price pressures from the Government, our operational performance and profitability have been in line with our targets.

EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

Issuance of 25% and 50% bonus shares during 2011 and 2012 resulted in a share capital of Rs 12.72 billion, showing an increase of Rs 4.24 billion since 2011. Reserves increased at an annual average rate of around 2% since 2011 primarily on account of profit retentions by the Company net of bonus shares issuances in 2011 and 2012. Resultantly, shareholders' equity comprising of share capital and reserves rose to Rs 28.21 billion at the end of the year, around 24% higher than Rs 22.68 billion recorded in 2011.

NON-CURRENT LIABILITIES

Deferred liabilities, comprising of deferred taxation and compensated leave absences at Rs.4.81 billion is in line with the historical trend of past six years, primarily due to accumulation of leave absences balance. Long term borrowings remained relatively consistent till 2014, however in 2015, payment of previously retained GIDC to the Government and working capital requirements financing by long term borrowings, aggregated to Rs 15.89 billion at the end of 2015. During 2016, an increase of Rs 760 million, net of repayments, was recorded to fund Capex and equity investment in subsidiary.

CURRENT LIABILITIES

Current liabilities increased from Rs 26.52 billion in 2011 to Rs 53.82 billion in 2014 on account of GIDC retention under the Court rulings, which was subsequently settled in 2015. Trade and other payables increased to Rs 10.85 billion at the close of 2016 primarily on account of GIDC retention under the Court rulings which is however, lower than net average growth rate of last 5 years. In addition, short term financing including current portion of long term borrowings increased by Rs 6 billion primarily to finance working capital requirements of the Company arising due to depressed market conditions during the year. Other components of current liabilities including accrued mark-up and taxation liability were in line with the past trends.

ASSETS

NON-CURRENT ASSETS

Non-current assets mainly include property, plant & equipment and long term investments of the Company. Net increase in property, plant & equipment by Rs 4.18 billion since 2011 is due to capitalization of new building, procurement of natural gas compressors and other routine Capex requirements. In order to grow and spread the business risk, FFC has diversified considerably since 2011 by incorporating FFCEL, acquisition of 43.1% stake in AKBL and expansion of FFF at an aggregate cost of Rs 15.54 billion. Consequently, the Company's long term investments stand at Rs 29.66 billion at the end of 2016, with an increase of over 3 times since 2011.

CURRENT ASSETS

Current assets mainly constitute of stores and spares, stock in trade, trade debts, other receivables, short term investments and cash & bank balances. Variation in current assets' balances during the five years since 2011 was mainly due to fluctuations in short term investments. In comparison with 2015, other receivables increased to Rs 7.69 billion compared to Rs 2.81 billion due to accumulation of subsidy and sales tax receivable from the Government. To generate lucrative returns, surplus funds were deposited in short term investments resulting in an increase of 37% in short term investments on a year-on-year basis.

PROFIT AND LOSS

REVENUE AND COST OF SALES

Although FFC created new revenue benchmarks each year since 2011, Government price pressures in 2016 resulted in an aggregate revenue including subsidy, of Rs 79.86 billion, 7% lower than 2015. Cost of sales recorded a compound annual growth rate of 21% since 2011, on account of higher gas prices, levy of GIDC and increase in other manufacturing expenses caused by inflationary factors.

GROSS PROFIT

Recorded at Rs 25.03 billion, gross profit including subsidy reduced by 18% compared to 2015 primarily due to increased cost absorption. Persistent

SIX YEAR ANALYSIS OF FINANCIAL POSITION & PERFORMANCE

increase in raw material cost and the Company's restricted pass-through ability translated into a negative compound annual growth rate of 6%.

DISTRIBUTION COST & OPERATING PROFIT

Distribution cost as a percentage of sales was slightly higher than last six years' average of 8%, mainly on account of increased handling cost due to over saturation of the market that persisted for most part of the year. Operating profit including subsidy has reduced from Rs 29.98 billion in 2011 to Rs 17.88 billion in 2016.

FINANCE COST

Finance costs showed a marginal increase up to 2014, however, consequent to settlement of GIDC partly through external financing in 2015, and working capital financing in 2016, finance cost increased to Rs 2.41 billion compared to Rs 786 million in 2011.

OTHER INCOME

FFC received dividend of Rs 4.75 billion from FFBL in 2011. The Company, however, continued its diversification initiatives which now include investment in Banking, Cement, Energy and Food sectors. Other income has been augmented by subsidy of Rs 6.98 billion, classified as other income under the requirements of International Financial Reporting Standards (IFRS), and aggregated to Rs 10.66 billion compared to Rs 6.63 billion recorded in 2011.

TAXATION

Taxation charge decreased by 47% from 2011 to 2016 which is primarily related to lower profits of the Company. However, decrease in corporation tax rates from 35% to 31% since 2011 was largely offset by imposition of incremental Super Tax in 2015 and 2016.

CASH FLOWS

CASH FLOW FROM OPERATING ACTIVITIES

A stable increase in net cash generation from operating activities since 2011 was significantly strained due to retirement of GIDC obligation in 2015 resulting in cash used in operations of Rs 12.69 billion. Demonstrating liquidity growth, FFC recorded an improvement of 192% in 2016, translating into cash generation from operations of Rs 11.69 billion.

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure along with equity investments in AKBL, FFCEL and FFF over the years, constitute the main factors for increase in cash outflow from investing activities which has partially been compensated by receipt of dividend from FFBL, AKBL, FCCL and PMP in the past years.

CASH FLOW FROM FINANCING ACTIVITIES

High dividend payments to shareholders and repayment of long term financing have been the main reasons for consistent net cash utilization for financing activities over the six years, except for 2015 where substantial long term financing was obtained to fund payment of GIDC obligation.

Cash and cash equivalents were recorded at negative Rs 6.04 billion at the close of 2016 compared to Rs 9.96 billion in 2011.

RATIO ANALYSIS

PROFITABILITY RATIOS

Escalation in cost of sales due to surge in raw material prices and imposition of GIDC, coupled with decline in sales price resulted in a reduced gross margin including subsidy of 31% and net profit margin of 15%. Return on capital employed was recorded at 44% compared to six years' average of 91% due to obtaining higher long term borrowings for settlement of GIDC obligation.

LIQUIDITY RATIOS

Current ratio of 0.91 times for 2016 showed an improvement of 0.07 times compared to 2015, mainly due to increase subsidy receivable from Government of Pakistan. Cash to current liabilities ratio improved to negative 0.15 times compared to negative 0.18 of last year.

ACTIVITY / TURNOVER RATIOS

Creditor turnover days with GIDC showed a marked improvement to 20 days from 88 days of last year. Poor farm economics pressurized urea offtake which coupled with higher production resulted in a higher inventory at the year-end, which increased inventory turnover days to 30 compared to 18 days recorded last year. Higher credit sales during 2016 resulted in an increase in debtor turnover days to 15 days compared to six year average of 8 days. Consequently, improving operating cycle to 25 days from negative 64 days in 2015.

INVESTMENT / MARKET RATIOS

Market value per share stood at Rs 104.37, lower by around 12% compared to last year which was in line with the decline witnessed by the fertilizer sector. Price earnings ratio of 11.27 increased by 40% when compared to last six years' average.

Breakup value of the Company improved to Rs 22.17 per share, around 9% higher compared to the last six years' average of Rs 20.28 per share, due to higher profit retention. Dividend payout ratio for 2016 was recorded at above 85% against a six years' average of around 93%, translating into a total cash dividend for per share of Rs 7.90.

CAPITAL STRUCTURE RATIOS

Financial leverage ratio increased to 1.60 times from 0.58 times recorded in 2011 due to substantial borrowings availed in the last six years. Debt to equity ratio remained in line with last year at 37:63. High finance cost due to increased borrowing reduced interest cover ratio to 8.23 times compared to six years' average of 28.82 times.

SWOT ANALYSIS

STRENGTHS

- Solid financial position
- State of the art production facilities
- Fertilizer products are high in demand by agriculture sector
- Development of new and eco-friendly formulations
- Competent & committed human resources
- Well diversified investment portfolio
- Brand preference
- Well established distribution network
- Technical competence
- High barriers to entry in the industry

WEAKNESSES

- 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
- Potential to export fertilizer

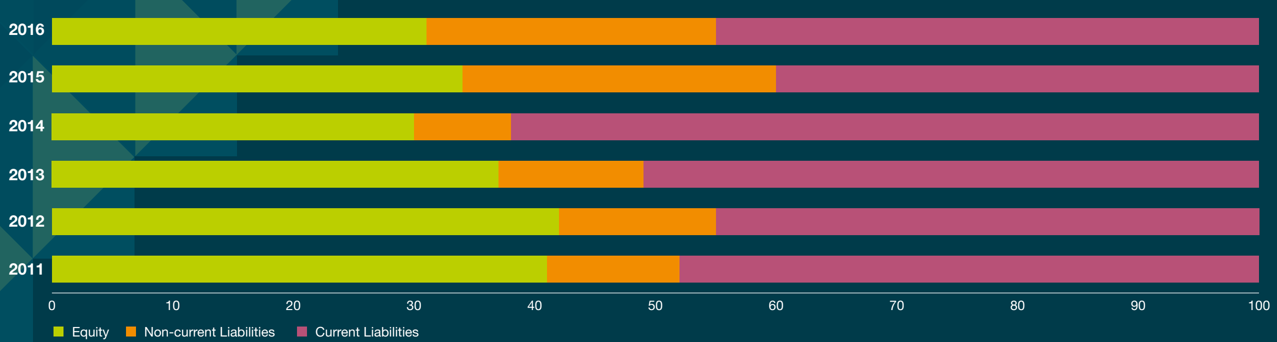
THREATS

- Declining international fertilizer prices
- 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

HORIZONTAL ANALYSIS
BALANCE SHEET

	2016 Rs M	16 Vs 15 %	2015 Rs M	15 Vs 14 %	2014 Rs M	14 Vs 13 %	2013 Rs M	13 Vs. 12 %	2012 Rs M	12 Vs. 11 %	2011 Rs M	11 Vs. 10 %
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	-	12,722	-	12,722	-	12,722	-	12,722	50.00	8,482	25.00
Capital reserve	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	15,329	6.24	14,429	12.83	12,788	4.23	12,269	(4.78)	12,885	(8.22)	14,039	65.13
	28,211	3.30	27,311	6.39	25,670	2.06	25,151	(2.39)	25,767	13.61	22,681	46.83
NON - CURRENT LIABILITIES												
Long term borrowings	16,653	4.78	15,893	535.72	2,500	(41.59)	4,280	10.59	3,870	43.12	2,704	(29.20)
Deferred taxation	4,812	4.61	4,600	0.57	4,574	12.16	4,078	4.16	3,915	8.06	3,623	(4.83)
	21,465	4.74	20,493	189.69	7,074	(15.36)	8,358	7.36	7,785	23.04	6,327	(17.03)
CURRENT LIABILITIES												
Trade and other payables	10,852	33.74	8,114	(78.62)	37,904	73.44	21,854	35.52	16,126	30.79	12,330	36.65
Interest and mark-up accrued	321	19.78	268	793.33	30	36.36	22	(12.00)	25	(68.75)	80	(42.03)
Short term borrowings	22,177	23.06	18,021	55.31	11,603	65.76	7,000	40.28	4,990	(42.88)	8,735	54.85
Current portion of long term borrowings	6,434	42.66	4,510	153.37	1,780	21.92	1,460	1.81	1,434	(11.26)	1,616	(8.13)
Taxation	1,249	(11.61)	1,413	(43.50)	2,501	(37.21)	3,983	(12.33)	4,543	20.76	3,762	9.81
	41,033	26.93	32,326	(39.98)	53,818	56.82	34,319	26.55	27,118	2.24	26,523	32.70
TOTAL EQUITY AND LIABILITIES	90,709	13.20	80,130	(7.47)	86,562	27.62	67,828	11.80	60,670	9.25	55,531	28.96
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	21,233	(0.70)	21,382	6.41	20,094	8.95	18,444	3.51	17,819	4.50	17,051	7.01
Intangible assets	1,585	0.51	1,577	(2.11)	1,611	(2.48)	1,652	(1.61)	1,679	7.01	1,569	-
Log term investments	29,656	1.81	29,129	3.54	28,134	36.16	20,662	117.22	9,512	9.85	8,659	10.03
Long term Loans & advances	934	14.74	814	(1.09)	823	11.22	740	5.56	701	15.68	606	33.19
Long term deposits & prepayments	14	7.69	13	(18.75)	16	433.33	3	(40.00)	5	(50.00)	9	-
	53,422	0.96	52,915	4.41	50,678	22.11	41,501	39.66	29,716	6.53	27,894	7.96
CURRENT ASSETS												
Stores, spares and loose tools	3,428	0.94	3,396	2.44	3,315	2.16	3,245	4.71	3,099	26.64	2,447	0.29
Stock in trade	4,237	(16.92)	5,100	419.35	982	225.17	302	(31.67)	442	(30.61)	637	200.47
Trade debts	4,306	142.73	1,774	115.82	822	17.26	701	(80.59)	3,611	4,050.57	87	(75.70)
Loans and advances	903	(11.90)	1,025	(3.21)	1,059	14.98	921	35.84	678	56.94	432	28.57
Deposits and prepayments	50	28.21	39	50.00	26	(29.73)	37	2.78	36	(33.33)	54	8.00
Other receivables	7,692	174.03	2,807	152.43	1,073	34.13	800	35.82	589	(33.97)	892	44.34
Short term investments	14,144	36.86	10,335	(62.33)	27,433	44.70	18,959	1.11	18,750	(13.97)	21,794	81.31
Cash and bank balances	2,526	(7.78)	2,739	133.30	1,174	(13.80)	1,362	(63.67)	3,749	189.72	1,294	8.83
	37,287	37.01	27,215	(24.24)	35,884	36.30	26,327	(14.95)	30,954	12.00	27,637	60.47
TOTAL ASSETS	90,709	13.20	80,130	(7.47)	86,562	27.62	67,828	11.80	60,670	9.25	55,531	28.96

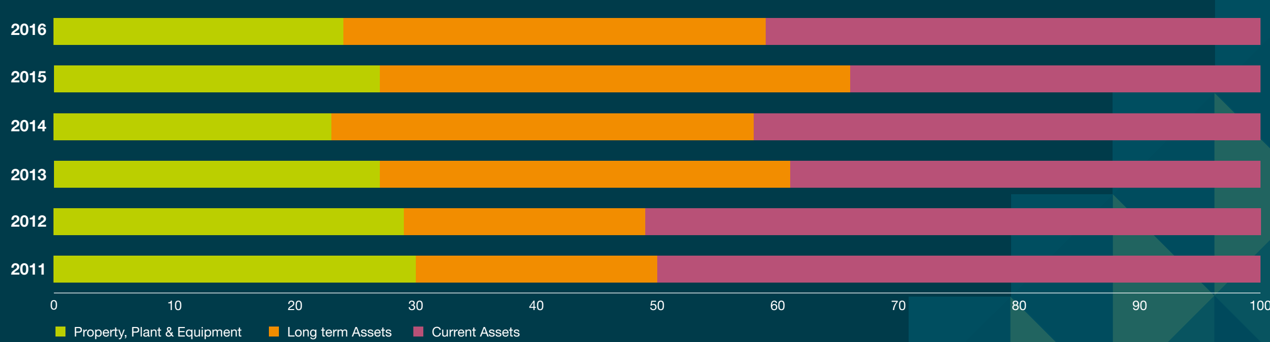
BALANCE SHEET ANALYSIS – EQUITY & LIABILITIES (%)



VERTICAL ANALYSIS
BALANCE SHEET

	2016		2015		2014		2013		2012		2011	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	14.03	12,722	15.88	12,722	14.71	12,722	18.76	12,722	20.98	8,482	15.27
Capital reserve	160	0.18	160	0.20	160	0.18	160	0.24	160	0.26	160	0.29
Revenue reserves	15,329	16.90	14,429	18.01	12,788	14.77	12,269	18.09	12,885	21.24	14,039	25.28
	28,211	31.11	27,311	34.09	25,670	29.66	25,151	37.09	25,767	42.48	22,681	40.84
NON - CURRENT LIABILITIES												
Long term borrowings	16,653	18.36	15,893	19.83	2,500	2.89	4,280	6.31	3,870	6.38	2,704	4.88
Deferred liabilities	4,812	5.30	4,600	5.74	4,574	5.28	4,078	6.01	3,915	6.45	3,623	6.52
	21,465	23.66	20,493	25.57	7,074	8.17	8,358	12.32	7,785	12.83	6,327	11.40
CURRENT LIABILITIES												
Trade and other payables	10,852	11.96	8,114	10.13	37,904	43.79	21,854	32.22	16,126	26.58	12,330	22.20
Interest and mark-up accrued	321	0.35	268	0.33	30	0.03	22	0.03	25	0.04	80	0.15
Short term borrowings	22,177	24.45	18,021	22.49	11,603	13.40	7,000	10.32	4,990	8.22	8,736	15.73
Current portion of long term borrowings	6,434	7.09	4,510	5.63	1,780	2.06	1,460	2.15	1,434	2.36	1,616	2.91
Taxation	1,249	1.38	1,413	1.76	2,501	2.89	3,983	5.87	4,543	7.49	3,762	6.77
	41,033	45.23	32,326	40.34	53,818	62.17	34,319	50.59	27,118	44.69	26,524	47.76
TOTAL EQUITY AND LIABILITIES	90,709	100.00	80,130	100.00	86,562	100.00	67,828	100.00	60,670	100.00	55,532	100.00
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	21,233	23.41	21,382	26.68	20,094	23.21	18,444	27.19	17,819	29.37	17,051	30.70
Intangible assets	1,585	1.75	1,577	1.97	1,611	1.86	1,652	2.44	1,679	2.77	1,569	2.83
Log term investments	29,656	32.69	29,129	36.35	28,134	32.50	20,662	30.46	9,512	15.68	8,659	15.59
Long term loans & advances	934	1.03	814	1.02	823	0.95	740	1.09	701	1.16	606	1.09
Long term deposits & prepayments	14	0.02	13	0.02	16	0.02	3	0.00	5	0.01	10	0.02
	53,422	58.90	52,915	66.04	50,678	58.54	41,501	61.18	29,716	48.99	27,895	50.23
CURRENT ASSETS												
Stores, spares and loose tools	3,428	3.78	3,396	4.24	3,315	3.83	3,245	4.78	3,099	5.11	2,447	4.41
Stock in trade	4,237	4.67	5,100	6.36	982	1.13	302	0.45	442	0.73	637	1.15
Trade debts	4,306	4.75	1,774	2.21	822	0.95	701	1.03	3,611	5.94	87	0.15
Loans and advances	903	1.00	1,025	1.28	1,059	1.22	921	1.36	678	1.12	432	0.78
Deposits and prepayments	50	0.05	39	0.05	26	0.03	37	0.05	36	0.06	54	0.10
Other receivables	7,692	8.48	2,807	3.50	1,073	1.24	800	1.18	589	0.97	892	1.61
Short term investments	14,144	15.59	10,335	12.90	27,433	31.69	18,959	27.95	18,750	30.90	21,794	39.25
Cash and bank balances	2,526	2.78	2,739	3.42	1,174	1.37	1,362	2.02	3,749	6.18	1,294	2.32
	37,287	41.10	27,215	33.96	35,884	41.46	26,327	38.82	30,954	51.01	27,637	49.77
TOTAL ASSETS	90,709	100.00	80,130	100.00	86,562	100.00	67,828	100.00	60,670	100.00	55,532	100.00

BALANCE SHEET ANALYSIS – ASSETS (%)



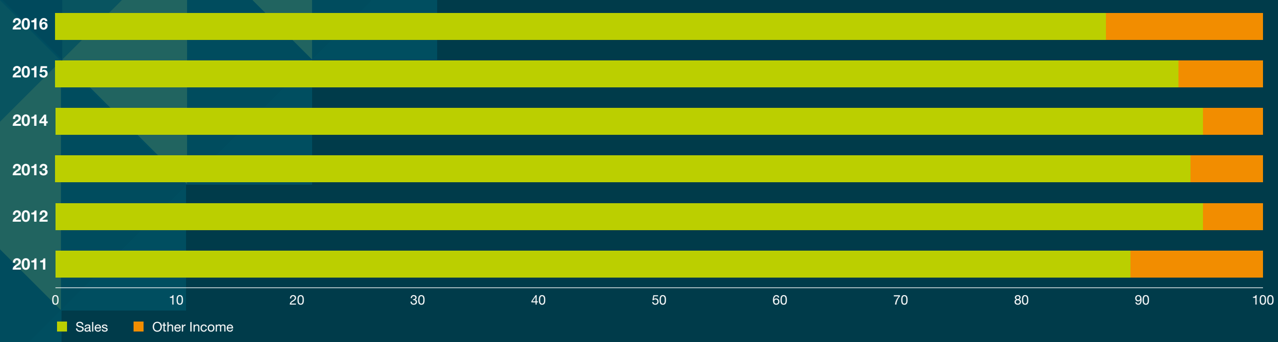
HORIZONTAL ANALYSIS
PROFIT AND LOSS ACCOUNT

	2016 Rs M	16 Vs 15 %	2015 Rs M	15 Vs 14 %	2014 Rs M	14 Vs 13 %	2013 Rs M	13 Vs. 12 %	2012 Rs M	12 Vs. 11 %	2011 Rs M	11 Vs. 10 %
Sales	72,877	(14.09)	84,831	4.42	81,240	9.07	74,481	0.21	74,323	34.59	55,221	23.06
Cost of sales	54,827	(2.01)	55,949	11.59	50,137	25.50	39,949	4.31	38,300	83.50	20,872	(17.53)
Gross profit	18,050	(37.50)	28,882	(7.14)	31,103	(9.93)	34,532	(4.14)	36,023	4.87	34,349	75.57
Distribution cost	7,154	4.99	6,814	5.96	6,431	4.28	6,167	11.04	5,554	27.04	4,372	10.85
	10,896	(50.63)	22,068	(10.55)	24,672	(13.02)	28,365	(6.91)	30,469	1.64	29,977	91.91
Finance cost	2,406	63.12	1,475	73.73	849	12.30	756	(24.32)	999	27.10	786	(27.69)
Other expenses	1,761	(22.90)	2,284	(0.83)	2,303	(9.97)	2,558	(4.77)	2,686	1.17	2,655	92.95
	6,729	(63.25)	18,309	(14.92)	21,520	(14.10)	25,051	(6.47)	26,784	0.93	26,536	101.69
Other income	10,665	72.18	6,194	31.20	4,721	8.08	4,368	2.34	4,268	(35.63)	6,630	110.28
Net profit before taxation	17,394	(29.01)	24,503	(6.62)	26,241	(10.80)	29,419	(5.26)	31,052	(6.37)	33,166	103.35
Provision for taxation	5,612	(27.47)	7,737	(4.13)	8,070	(13.08)	9,284	(8.91)	10,192	(4.52)	10,674	102.12
Net profit after taxation	11,782	(29.73)	16,766	(7.73)	18,171	(9.75)	20,135	(3.48)	20,860	(7.26)	22,492	103.94
EPS - restated (Rupees)	9.26	(29.73)	13.18	(7.73)	14.28	(9.75)	15.83	(3.48)	16.40	(7.26)	17.68	103.94

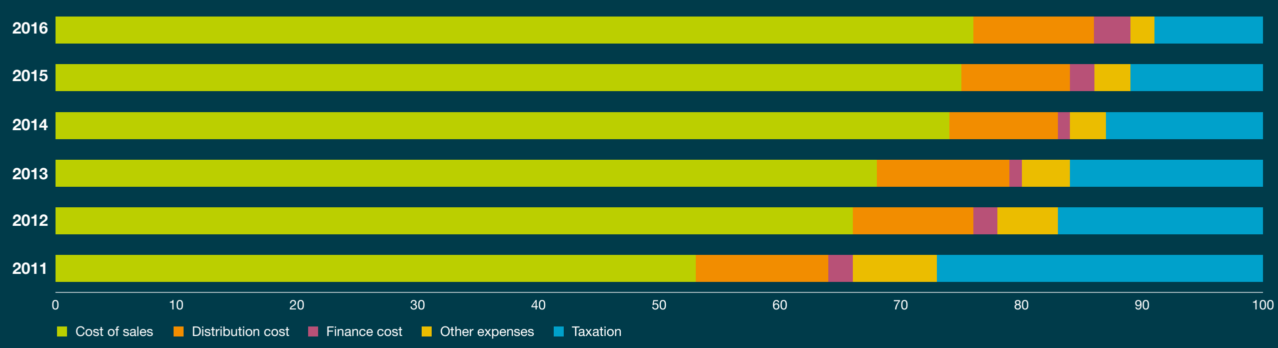
VERTICAL ANALYSIS
PROFIT AND LOSS ACCOUNT

	2016		2015		2014		2013		2012		2011	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Sales	72,877	100.00	84,831	100.00	81,240	100.00	74,481	100.00	74,323	100.00	55,221	100.00
Cost of sales	54,827	75.23	55,949	65.95	50,137	61.71	39,949	53.64	38,300	51.53	20,872	37.80
Gross profit	18,050	24.77	28,882	34.05	31,103	38.29	34,532	46.36	36,023	48.47	34,349	62.20
Distribution cost	7,154	9.82	6,814	8.03	6,431	7.92	6,167	8.28	5,554	7.47	4,372	7.92
	10,896	14.95	22,068	26.01	24,672	30.37	28,365	38.08	30,469	41.00	29,977	54.29
Finance cost	2,406	3.30	1,475	1.74	849	1.05	756	1.02	999	1.34	786	1.42
Other expenses	1,761	2.42	2,284	2.69	2,303	2.83	2,558	3.43	2,686	3.61	2,655	4.81
	6,729	9.23	18,309	21.58	21,520	26.49	25,051	33.63	26,784	36.04	26,536	48.05
Other income	10,665	14.63	6,194	7.30	4,721	5.81	4,368	5.86	4,268	5.74	6,630	12.01
Net profit before taxation	17,394	23.87	24,503	28.88	26,241	32.30	29,419	39.50	31,052	41.78	33,166	60.06
Provision for taxation	5,612	7.70	7,737	9.12	8,070	9.93	9,284	12.46	10,192	13.71	10,674	19.33
Net profit after taxation	11,782	16.17	16,766	19.76	18,171	22.37	20,135	27.03	20,860	28.07	22,492	40.73
EPS - restated (Rupees)	9.26		13.18		14.29		15.83		16.40		17.68	

PROFIT AND LOSS ANALYSIS – INCOME (%)



PROFIT AND LOSS ANALYSIS (EXPENSES) (%)



QUARTERLY ANALYSIS - 2016

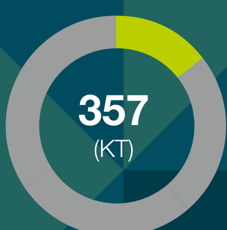
Rs '000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Sales	11,645,996	16,675,916	17,603,944	26,950,831	72,876,687
Sales (including Subsidy)	11,790,786	17,910,682	19,741,575	30,412,499	79,855,542
Cost of sales	8,593,699	11,400,921	13,513,933	21,318,488	54,827,041
Gross profit	**3,052,297**	**5,274,995**	**4,090,011**	**5,632,343**	**18,049,646**
Gross profit (including Subsidy)	3,197,087	6,509,761	6,227,642	9,094,011	25,028,501
Distribution cost	1,517,397	1,586,803	1,720,856	2,329,188	7,154,244
	1,534,900	3,688,192	2,369,155	3,303,155	10,895,402
Finance cost	561,255	617,121	605,788	621,425	2,405,589
Other expenses	372,946	441,330	412,962	533,425	1,760,662
	600,699	2,629,741	1,350,405	2,148,305	6,729,151
Other income	2,738,095	1,561,269	2,433,356	3,932,123	10,664,843
Other income (excluding Subsidy)	2,593,305	326,503	295,725	470,455	3,685,988
Net profit before taxation	**3,338,794**	**4,191,010**	**3,783,761**	**6,080,428**	**17,393,994**
Provision for taxation	611,000	2,026,000	1,171,000	1,804,000	5,612,000
Net profit after taxation	**2,727,794**	**2,165,010**	**2,612,761**	**4,276,428**	**11,781,994**

QUARTER 1
(Jan-Mar)

PRODUCTION

614
(KT)

SALES



GP MARGIN*

26%

NP MARGIN*

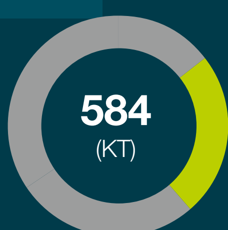
23%

QUARTER 2
(Apr-Jun)

PRODUCTION

638
(KT)

SALES



GP MARGIN*

32%

NP MARGIN*

13%

QUARTER 3
(Jul-Sep)

PRODUCTION

624
(KT)

SALES

GP MARGIN*

23%

NP MARGIN*

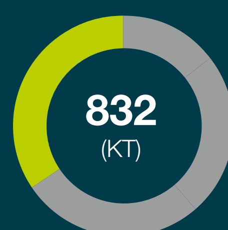
15%

QUARTER 4
(Oct-Dec)

PRODUCTION

647
(KT)

SALES



GP MARGIN*

21%

NP MARGIN*

16%

* Excluding Subsidy

QUARTER 1

PRODUCTION

Consequent to restoration of gas quota to the fertilizer industry, the Company achieved urea production of 614 thousand tonnes, remaining at par with the corresponding period of previous year, despite maintenance turnaround of Plant-I, materializing a capacity utilization of 120%.

SALES, REVENUE AND INCOME

Domestic urea market remained depressed due to poor farm economics and declining international urea prices, which restricted Company urea sales to 357 thousand tonnes, translating into an aggregate revenue including subsidy of Rs 11.79 billion during the quarter, lower by 42% compared to the first quarter of 2015. However, the Company recorded a new quarterly benchmark by earning the highest other income excluding subsidy at Rs 2.59 billion.

OPERATING COSTS

(COST OF SALES AND DISTRIBUTION COSTS)

Cost of sales were recorded at Rs 8.60 billion, lower by 29% when compared to the corresponding period of last year, primarily due to higher urea inventory levels. Whereas, distribution cost declined by 4% to Rs 1.52 billion compared to the corresponding period of last year, due lower fuel prices.

PROFIT

Depressed sales coupled with cost of planned maintenance turnaround resulted in a gross margin including subsidy of 27%, lower by 14% when compared to same period of last year. However, dividend receipts from our strategic investments, recorded in other income, restricted the decline in net profit to Rs 2.73 billion, lower by 54% compared to the corresponding period of last year.

NET ASSETS

During the first quarter the Company liquidated its short term investments for working capital requirements, consequently reducing total assets by 7% to Rs 74.69 billion when compared to December 2015. Net assets showed a decline of Rs 1.51 billion and were recorded at Rs 25.80 billion primarily due to distribution of final dividend and lower profitability for the quarter.

QUARTER 2

PRODUCTION

FFC achieved a quarterly production of urea at 638 thousand tonnes during the 2nd quarter of 2016, 4% higher than the previous quarter and 11% higher than the corresponding quarter of last year.

SALES, REVENUE AND INCOME

The industry entered into the 2nd quarter with the highest ever inventory of 1.2 million tonnes. In order to reduce prices for farmers, FFC entered into negotiations with the Government leading to reduction of feed gas prices and associated benefit was passed onto the farmers through reduction in selling prices of urea. Close to the quarter end, the Government announced the highly awaited subsidy scheme besides voluntary price reduction by the industry, fixing urea price for farmers at Rs 1,400 per bag and providing subsidy on urea and DAP of Rs 156 per bag Rs 300 per bag respectively.

The Company's offtake was recorded at 584 thousand tonnes for the quarter, exhibiting an increase of 64% compared to the previous quarter and fairly in line with the corresponding quarter of last year. Aggregate revenue including subsidy was recorded at Rs 17.91 billion, 52% higher than the previous quarter. Other income of Rs 327 million was 33% lower than the corresponding year due to reduction in short term investments and interest rates.

OPERATING COSTS

(COST OF SALES AND DISTRIBUTION COSTS)

Increase in cost of sales was in line with sales and stood at Rs 11.4 billion, 33% higher than previous quarter. Distribution costs marginally increased by 5% compared to the last quarter due to higher transportation costs of imported fertilizer.

PROFIT

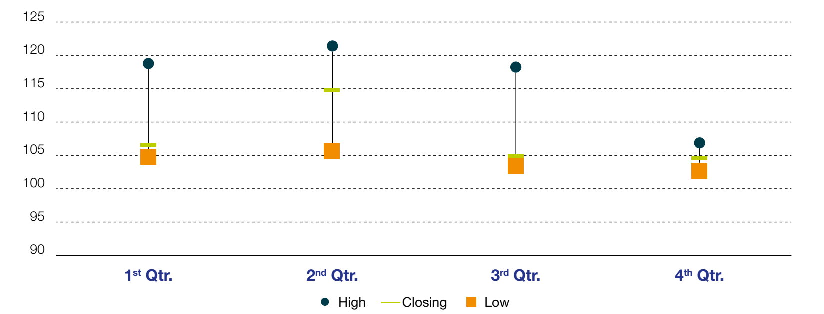
Despite higher sales as compared to the previous quarter, reduction in margins pursuant to subsidy scheme besides unanticipated imposition of Super tax on previous year's earnings and no dividend receipts from our equity investments, net profit for the quarter of Rs 2.16 billion was 21% lower than the previous quarter and 8% lower than the corresponding quarter of last year, whereas aggregate profit for the six months period ended June 30, 2016 was recorded at Rs 4.9 billion.

NET ASSETS

Asset base increased by 9% to Rs 81.27 billion in comparison to the preceding quarter primarily due to increase in trade debts to encourage sales, short term investments and subsidy receivable from the Government. Lower net profits and payment of first interim dividend, resulted in net assets of Rs 25.60 billion, broadly in line with the first quarter of 2016.

QUARTERLY ANALYSIS - 2016

SHARE PRICE SENSITIVITY - QUARTERLY 2016
(Rs per share)



QUARTER 3

PRODUCTION

The Company produced 624 thousand tonnes of urea, only 2% below the previous quarter, due to planned maintenance of Plant-II and Company's combined operational efficiency was recorded at 122% as compared to 125% in the previous quarter.

SALES, REVENUE AND INCOME

Fertilizer demand increased during the third quarter boosted by Government's subsidy scheme and the offtake increased to 655 thousand tonnes, 39% higher than the average of last two quarters and 38% higher compared to the same quarter last year. DAP sales of 15 thousand tonnes during the quarter were fairly in line with average sales of previous two quarters.

Total revenue including subsidy recorded at Rs 19.74 billion, was 31% higher than the corresponding quarter of 2015 and 10% higher than the previous quarter. In contrast to the corresponding quarter of the previous year, no dividend was received from our equity investments, restricting other income, excluding subsidy, to Rs 296 million compared to Rs 1.44 billion recorded last year.

OPERATING COSTS
(COST OF SALES AND DISTRIBUTION COSTS)

Higher sales led to an increase of 35% in cost of sales compared to the average of last two quarters which was recorded at Rs 13.51 billion. Distribution cost of Rs 1.72 billion was lower by 5% compared to the same quarter of last year but higher by 11% in comparison to the average of previous two quarters due to additional storage cost of higher inventory levels.

PROFIT

Despite lower sale prices of urea, the Company recorded third quarter profit at Rs 2.61 billion, higher by 7% compared to the average of previous two quarters, due to increased offtake with an aggregate profit for the nine months period ended September 30, 2016 of Rs 7.51 billion.

NET ASSETS

Despite offload of inventory and encashment of short term investments, total assets of the company remained in line with the previous quarter due to accumulation of subsidy receivable from the Government and increase in trade debts. Net Assets increased by 2% to Rs 26.12 billion mainly on account of lower pay-out of second quarter dividend of Rs 1.55 per share compared to Rs 1.75 per share last year.

QUARTER 4

PRODUCTION

FFC produced the highest quarterly production of 2016 at 647 thousand tonnes of urea during the fourth quarter of the year, higher by 4% compared to the third quarter. The Company created a new production benchmark of highest ever annual production of 2,523 thousand tonnes, 2% higher than last year with an operational efficiency of 123%.

DAP imports were recorded at 129 thousand tonnes during the quarter to cater for the phosphate fertilizer demand. The Company ended its year with a closing stock of 193 thousand tonnes of urea due to higher production, whereas all stocks of DAP were successfully offloaded.

SALES, REVENUE AND INCOME

In line with historical demand of Rabi season, increased demand for urea and DAP was witnessed during the last quarter of the year and the Company's urea offtake stood at 832 thousand tonnes of urea, 56% higher than the average of first three quarters of 2016. Aggregate sales revenue including subsidy, of Rs 30.41 billion for the quarter, was 54% higher than the previous quarter but 5% lower than corresponding quarter of last year.

Total urea sales for the year were recorded at 2,428 thousand tonnes, 1% higher than last year, with a market share of 52% compared to 48% of 2015, whereas the Company recorded the highest ever combined FFC / FFBL DAP sales of 993 thousand tonnes in 2016. Total annual revenue including sales of imported fertilizer and subsidy was recorded at Rs 79.86 billion, lower by only Rs 6.47 billion compared to last year due to reduced urea and DAP prices. Other income excluding subsidy of Rs 3.69 billion for the year was 22% lower compared to last year.

OPERATING COSTS
(COST OF SALES AND DISTRIBUTION COSTS)

In line with increased sales, cost of sales were recorded at Rs 21.32 billion for the quarter, showing an increase of 58% against the last quarter. On an annual basis, cost of sales remained lower by 2% at Rs 54.83 billion on account of reduction in feed gas prices and implementation of cost controls.

Distribution cost of Rs 2.33 billion was comparatively higher by 45% than the average of last three quarters on account of higher warehousing costs, however as a ratio of sales (excluding subsidy) the cost reduced to 8% as compared to 9% average of last three quarters. Total distribution cost for the year of Rs 7.15 billion was 5% higher than last year.

PROFIT

Increased offtake translated in to the highest quarterly net profit of Rs 4.28 billion for the year, higher by 64% compared to the previous quarter. Despite the negative impact of factors outside the Company's control including uncertain marketing conditions, price pressures by the Government and incremental levy of Super tax besides lower dividends from our associates, the Company restricted the decline in annual net profits to Rs 11.78 billion for 2016 through efficiency enhancements and efficient handling of high inventory levels, lower by 30% compared to the previous year.

NET ASSETS

FFC recorded an increase of 11% in total assets compared to the last quarter and 13% compared to last year, due to higher short term investments and accumulated subsidy and sales tax receivable from the Government. Net assets of Rs 28.21 billion were higher by around Rs 900 million compared to last year due to higher retention of profits during the year.

ANALYSIS OF VARIATION IN INTERIM RESULTS WITH FINAL ACCOUNTS

Despite a slow sales start in 2016, the Company earned a gross profit margin of 31% including subsidy for the year compared to 27% earned in the first quarter of 2016, attributable to the reduction in feed gas prices and cost controls implemented by the Company. Net profit margin, including subsidy, of 23% earned during the first quarter was reduced to 15% for the year 2016 on account of price intervention by the Government, and re-imposition of Super tax, which were beyond the control of management, besides higher finance cost due to borrowings obtained in the previous years and working capital financing in 2016.
Short term investments were liquidated to fund the working capital requirements of the Company and were recorded at Rs 2.41 billion as at 31 March, 2016. Higher collections towards the year end resulted in short term investments of Rs 14.14 billion. Other receivables stood at Rs 7.69 billion at the year end, recording a significant increase of Rs 5.18 billion compared to the first quarter of 2016 due to accumulation of subsidy and sales tax receivable from the Government.

DIRECTORS' REPORT

CHAIRMAN'S REVIEW

Global fertilizer demand is expected to increase by around 2% annually during the next five years, as opposed to the market glut faced during 2016 due to oversupply and unattractive commodity prices, resulting in intense marketing competition through lowering of prices to offload inventories, with urea prices falling to lowest levels since 2004.

Pakistan's agriculture sector recorded a negative growth of around 0.20%, lowest in the last 15 years, due to poor farm economics which negatively impacted fertilizer demand during the year. Rumours of subsidy on urea during the first half of 2016 further pressurised urea offtake, leading to highest ever urea inventory of 2.25 million tonnes in the Country during June 2016.

Steep decline in crop prices and low fertilizer offtake forced Government of Pakistan to formulate a feasible subsidy mechanism. Implementation of the Subsidy Scheme towards the end of June 2016, aimed at assisting the farming community through timely application of fertilizer for sustained crop yields, which also included voluntary price reduction by the Company despite suppressed profit margins due to absorption of inputs costs including discriminatory levy of GIDC.

Concerted marketing efforts by the Company and our well established dealer / warehouse network, resulted in timely distribution of urea to our customers all over the Country, thereby offloading our inventories in excess of our targets for the year 2016.

However, the adverse market conditions which included pricing pressure from the Government, negatively impacted profitability margins of the entire industry, whereas FFC, through the resilience of its strategies and effective cost controls, was able to restrict the decline in net profitability to Rs 11.78 billion during the year compared Rs 16.76 billion earned last year.

In view of commendable performance despite market adversities and with a view to providing a steady stream of income for the shareholders, the Board is pleased to propose a final dividend of Rs 2.75 per share, aggregating to an annual payout of 85%, including interim distributions of Rs 5.15 per share.

The Company also continued to extend significant support to the Country's foreign exchange reserves with savings of around US $ 474 million during 2016 alone through import substitution, besides a substantial contribution to the National Exchequer of around Rs 45 billion during 2016 despite lower profitability, with aggregate contribution of over Rs 398 billion since inception of the Company.

Activities on our offshore fertilizer plant in Tanzania are also progressing at a good pace and we are committed on making this project a success. In addition, the Company is also actively evaluating opportunities available domestically under the CPEC projects.

The Board is focused on enriching the returns of our shareholders and the Company shall continue contributing towards the development of the farming community through sustained supply of premium quality fertilizers in addition to extension of our technical expertise for increased agricultural output.

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

Rawalpindi
January 31, 2017

ڈائریکٹرز رپورٹ

چیئرمین کا جائزہ

کھاد کی عالمی طلب میں اگلے پانچ سال کے دوران سالانہ تقریباً 2 فیصد اضافہ متوقع ہے۔ مصنوعات کی زائد رسد اور غیر موافق قیمتوں کی وجہ سے سال 2016 میں کھاد کے سٹاکس (Inventories) کی فروخت کیلئے کی گئی قیمتوں میں کمی، مارکیٹ میں شدید مسابقت کا باعث بنی۔ جس کی وجہ سے قیمتیں سال 2004 سے کم ترین سطح پر آ پہنچیں۔

پاکستان کے زرعی شعبہ نے سال کے دوران منفی 0.2 فیصد پیداوار حاصل کی جو کہ پچھلے 15 سالوں میں سب سے کم پیداوار ریکارڈ کی گئی جس کی وجہ سال 2016 میں کمزور زرعی معیشت رہی۔ جس نے کھاد کی طلب پر منفی اثرات پیدا کئے۔ 2016 کی پہلی ششماہی کے دوران کھاد پر سبسڈی کی افواہوں سے یوریا فروخت پر مزید دباؤ رہا۔ جس سے ملک بھر میں جون 2016 کے دوران سب سے زیادہ یوریا سٹاک (Inventory) 2.25 ملین ٹن رہا۔

فصلوں کی قیمتوں اور کھاد کی فروخت میں کمی نے حکومتِ پاکستان کو ایک قابلِ عمل سبسڈی کے طریقہ کار کو وضع کرنے پر مجبور کیا۔ جون 2016 کے اختتام پر سبسڈی سکیم پر عمل درآمد شروع ہوا جس کا مقصد کھاد کی بروقت ترسیل کے ذریعے فصل کی اچھی پیداوار سے کسان برادری کی مدد کرنا تھا۔ اس ضمن میں کمپنی نے منافع میں دباؤ کے باوجود جو کہ پیداواری لاگت بشمول امتیازی GIDC کے اطلاق کی وجہ سے تھا کھاد کی قیمتوں میں خود کمی کی۔

کمپنی کی مشترکہ مارکیٹنگ کی کاوشوں اور موثر ڈیلرز / گودام نیٹ ورک کی بدولت ہمارے صارفین کو ملک بھر میں یوریا کی بروقت ترسیل ممکن ہوئی۔ جس سے کھاد کے سٹاکس (Inventories) کی فروخت سال 2016 کے اہداف سے زیادہ رہی۔

تاہم مارکیٹ کے منفی حالات بشمول حکومت کی جانب سے قیمتوں پر دباؤ نے کھاد کی پوری صنعت کے منافع پر منفی اثرات مرتب کئے۔ جبکہ FFC کی اپنی مضبوط حکمت عملی اور خرچوں پر موثر کنٹرول کے ذریعے منافع میں کمی کو روکتے ہوئے مجموعی آمدن 11.78 ارب روپے رہی جبکہ پچھلے سال میں منافع 16.76 ارب روپے تھا۔

مارکیٹ کے مشکل حالات کے باوجود، قابل قدر کارکردگی اور حصہ داروں کی آمدن کو برقرار رکھنے کے پیش نظر بورڈ سال 2016 کے لئے آخری منافع منقسمہ (Dividend) 2.75 روپے (فی حصص 27.50 فیصد) کی تجویز کرتا ہے۔ جو کہ بشمول عبوری منافع منقسمہ، کل سالانہ ادائیگی 7.90 روپے فی حصص یعنی 85 فیصد بنتی ہے۔

کمپنی نے درآمدی متبادل (Import substitution) کے ذریعے 2016 کے دوران غیر ملکی زرمبادلہ کے ذخائر کو 474 ملین ڈالر کی بچت کے ساتھ بڑھانے میں اپنی اہم معاونت جاری رکھی جبکہ کمپنی نے سال کے دوران کم آمدن کے باوجود قومی خزانے میں تقریباً 45 ارب روپے Contribute کیے جو کہ کمپنی کے آغاز سے مجموعی طور پر 398 ارب روپے بنتے ہیں۔

تنزانیہ میں ہمارے غیر ملکی کھاد کے کارخانے پر سرگرمیاں ایک اچھی رفتار کے ساتھ جاری ہیں۔ اور ہم اس منصوبے کو کامیاب بنانے کے لئے پرعزم ہیں اس کے علاوہ کمپنی اندرون ملک سی پیک منصوبے کے تحت دوسرے مواقع کا بھی جائزہ لے رہی ہے۔

بورڈ اپنے ممبران (شیئر ہولڈرز) کی آمدن کو بہتر بنانے پر مرکوز ہے۔ زرعی پیداوار میں اضافے کیلئے ہماری تکنیکی مہارت میں توسیع اور معیاری کھادوں کی مسلسل فراہمی کے ذریعے کمپنی کسان برادری کی ترقی کے لئے اپنی خدمات جاری رکھے گی۔

لیفٹیننٹ جنرل خالد نواز خان
ہلال امتیاز (ملٹری)، ستارہ ایثار (ریٹائرڈ)
چیئرمین

راولپنڈی
31 جنوری 2017

DIRECTORS' REPORT

CE & MD'S REMARKS

I am pleased to inform exceptional performance of the Company during the year 2016 despite unprecedented adverse market conditions, with considerable achievements of our targets for the year, except for the factors beyond the Company's control.

As per our commitment of last year, we were able to achieve restoration of our originally allocated gas quota, resulting in a new urea production benchmark of 2,523 thousand tonnes during the year. Under extremely unfavourable market conditions including delayed implementation of subsidy mechanism and low international urea prices, the Company's urea offtake increased to 2,428 thousand tonnes, whereas a new record was achieved with combined Sona and Imported DAP sales of 993 thousand tonnes. However, our efficient marketing operations, resulted in aggregate FFC / FFBL urea market share of 52%, highest in the last 7 years, compared to 48% last year.

The Company was also able to achieve long term credit rating of AA and short term rating of A1+, denoting high credit worthiness and very low expectation of credit risk due to a strong capacity for timely retirement of financial obligations. FFC further became the first Company ever to achieve six consecutive first positions on PSX's Top 25 company placements.

We have further been able to achieve new heights as the top Company in terms of financial reporting in the entire SAARC region, with achievement of overall first position in the SAFA Awards for 2015, with various other merit awards for good governance and integrated reporting, besides maintaining our traditional overall first position in Pakistan under the ICAP / ICMAP Awards for Best Presented Accounts.

The Company's wind power project FFC Energy Limited continued its trajectory of profitable operations and is expected to commence its contribution towards Company revenues in the near future, under the provisions of its debt covenants. Post successful commencement of commercial operations during the year, Fauji Fresh n Freeze Limited has started to receive positive feedback for its food products from the domestic market, as well as international customers. Although, sales are slow in the beginning due to the latent demand of entirely new line of FFF products, we are confident that FFF shall achieve long term viability with continued support of project stakeholders.

Unfortunately, the uncontrollable factors particularly price intervention by the Government, levy of additional Super Tax, decline in dividend receipts and delayed subsidy remittances, negatively impacted Company revenues and increased our financing and taxation costs. Efficient handling of high inventory levels during the year and implementation of effective cost controls however resulted in net earnings of Rs 11.78 billion translating into earnings per share of Rs 9.26.

Looking ahead, high inventory levels and persistent pricing pressure continue to pose challenges for Company profitability. However, restoration of fertilizer subsidy by the Government, improvement in international fertilizer prices and resilient Company performance during 2016, besides our planned diversification initiatives provide confidence of sustained profitability for the shareholders of the Company.

Lt Gen Shafqaat Ahmed
HI (M), (Retired)
Chief Executive & Managing Director

Rawalpindi
January 31, 2017

ڈائریکٹرز رپورٹ

چیف ایگزیکٹو اور مینجنگ ڈائریکٹر کا تبصرہ

مجھے یہ بتاتے ہوئے خوشی محسوس ہورہی ہے کہ مارکیٹ کے غیر سازگار حالات کے باوجود کمپنی نے غیر معمولی کارکردگی دکھاتے ہوئے سال 2016 میں زیادہ تر اہداف حاصل کئے ماسوائے ان عناصر کے جو کمپنی کے دائرہ کار سے باہر تھے۔

گزشتہ سال کے ہمارے عزم کے مطابق ہم نے اپنے طے شدہ گیس کوٹہ کی بحالی کا حصول کیا۔ نتیجتاً دوران سال یوریا پیداوار کا نیا معیار (Benchmark) 2,523 ہزار ٹن بنا۔ مارکیٹ کے انتہائی غیر موافق حالات بشمول سبسڈی کے طریقہ کار کے نفاذ میں تاخیر اور گرتی بین الاقوامی قیمتوں کے باوجود یوریا کی فروخت بڑھ کر 2,428 ہزار ٹن رہی۔ جبکہ سونا اور درآمد شدہ DAP کی مشترکہ فروخت میں 993 ہزار ٹن کا نیا ریکارڈ حاصل کیا۔ تاہم ہماری موثر مارکیٹنگ کاوشوں کی بدولت FFC اور FFBL کا یوریا مارکیٹ شیئر 52 فیصد ہوگیا جو کہ پچھلے سال 48 فیصد تھا اور جو پچھلے سات سالوں میں سب سے زیادہ ہے۔

کمپنی نے اس کے علاوہ طویل مدت کے قرضوں (Long term credit) کے لئے "AA" اور مختصر مدت کے قرضوں کے لئے "A1+" Credit rating حاصل کی۔ یہ درجہ بندی مالی ذمہ داریوں کی بروقت ادائیگی کی مضبوط صلاحیت کا اظہار کرتی ہے۔ مزید یہ کہ FFC مسلسل چھ سال "PSX" ٹاپ 25 کمپنیز میں اول پوزیشن حاصل کرنے والی پہلی کمپنی بنی۔

کمپنی سال 2015 کے SAFA ایوارڈز میں سب سے اوپر پہلی پوزیشن کے علاوہ گڈ گورننس (Good Governance) اور مربوط رپورٹنگ (Integrated Reporting) کے دیگر میرٹ ایوارڈ کی بدولت SAARC کے ممالک میں Financial Reporting کے لحاظ سے بطور ٹاپ کمپنی قدم جمانے میں کامیاب ہوئی اس کے ساتھ ساتھ کمپنی نے ICAP/ICMAP کے تحت منعقد کردہ "Best Presented Accounts" ایوارڈ میں اپنی روایت کو قائم رکھتے ہوئے سب سے اوپر پہلی پوزیشن حاصل کی۔

کمپنی کا ونڈ پاور منصوبہ FFCEL منافع بخش آپریشن کی طرف گامزن ہے۔ اور امید کی جارہی ہے کہ مستقبل قریب میں FFCEL اپنے قرضہ جات سے منسلک شرائط کے حصول کے بعد FFC کی آمدن میں اضافہ کرنے کے قابل ہو جائے گی۔ دوران سال تجارتی آپریشن کے کامیاب آغاز کے بعد فوجی فریش این فریز لمیٹڈ (FFF) نے ملکی اور بین اقوامی صارفین سے اپنی مصنوعات کے بارے میں مثبت رائے حاصل کی ہے۔ اگرچہ FFF کی مصنوعات کی فروخت آغاز میں تھوڑی ہے تاہم ہمیں یقین ہے کہ FFF پروجیکٹ کے اسٹیک ہولڈرز کی مسلسل حمایت سے طویل المدتی کامیابی حاصل کرے گی۔

بدقسمتی سے ناقابل کنٹرول عناصر خاص طور پر حکومت کی جانب سے قیمتوں میں مداخلت، اضافی سپر ٹیکس کا نفاذ، منافع مقسمہ کی وصولی میں کمی اور سبسڈی کے حصول میں تاخیر سے کمپنی کی آمدن پر منفی اثرات مرتب ہوئے جس کی وجہ سے فنانسنگ اور ٹیکسیشن کے اخراجات میں اضافہ ہوا۔ کمپنی نے سال کے دوران زیادہ inventory کی بطریقہ احسن ہینڈلنگ بشمول خرچوں کے موثر کنٹرول سے 11.78 ارب روپے کی خالص آمدن حاصل کی جو کہ فی حصص آمدن 9.26 روپے بنتی ہے۔

مزید براں زیادہ کھاد انونیٹری کی مقدار، قیمتوں کے تعین میں مسلسل دباؤ کمپنی کے منافع کے لئے مزید چیلنج بنی رہے گی۔ تاہم حکومت کی جانب سے کھاد کی سبسڈی کی بحالی، بین الاقوامی کھاد کی قیمتوں میں بہتری، سال 2016 کے دوران کمپنی کی کارکردگی اور متنوع منصوبوں کے اقدامات کمپنی کے حصہ داروں کے لئے مسلسل منافع کے اعتماد کو بحال کرتے ہیں۔

لیفٹیننٹ جنرل شفقات احمد
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو اور مینجنگ ڈائریکٹر

راولپنڈی
31 جنوری 2017

FINANCIAL REVIEW

MACRO-ECONOMIC OVERVIEW

Despite slow global recovery, Pakistan's economy continued to maintain its growth momentum for the third year in a row with a GDP growth of 4.7%, the highest during the past eight years, supported by consistent growth in the commodity and services sectors.

AGRICULTURE SECTOR

Agriculture being the cornerstone of our economy and absorbing 43% of the Country's workforce, besides providing a strong backward link for other sectors of the economy, contributed around 20% to the GDP compared to 21% in the previous year.

During the outgoing fiscal year, unfavourable climate conditions coupled with low commodity prices hampered crop production growth. To protect farmers and the economy, the Government announced a relief package for agriculture sector which helped curtail the sector's decline to 0.2% only.

FISCAL DEVELOPMENT

Pakistan's fiscal deficit continued to improve and was recorded at 3.4% compared to 3.8% last year, attributable to increased revenues due to widening of tax spectrum.

INVESTMENTS

Investment indicators continued their growth trajectory on back of CPEC and reclassification of Pakistan in the Emerging Markets under the MSCI index. Total investment, including 'Fixed' and 'Private', increased by 6% to Rs 4,502 billion, representing 15.2% of the GDP. The Country also recorded its lowest Saving-Investment gap in the last 5 years showing higher investor and public confidence.

Net Foreign Direct Investment observed a modest growth of 5.4% and was recorded at over US $ 1 billion.

MONEY AND CREDIT

Although the Country's exports declined during the outgoing year, the trade deficit shrank to US $ 0.9 billion as compared to US $ 2.1 billion on account of higher inflows and lower international oil prices. Improved macroeconomic conditions coupled with Government's stance to fuel growth resulted in announcement of a 44 year low policy rate of 5.75% by the State Bank of Pakistan in May 2016.

INFLATION

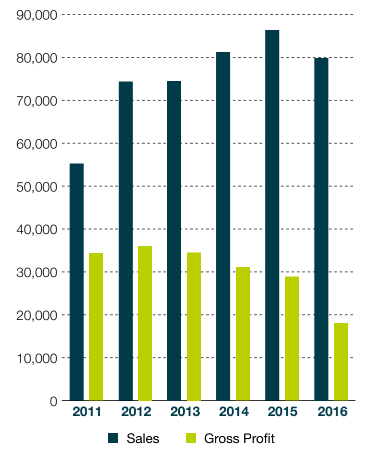
The Government passed on the benefits of lower oil prices to consumers which brought stability in prices of commodities in addition to managed depreciation of PKR, resulting in an inflation of 2.8% compared to 4.8% of the preceding year.

Core inflation, which excludes temporary price volatilities and is used by State Bank of Pakistan to formulate its monetary policy, reduced to 4.1% against the corresponding rate of 6.9% on the back of reduced borrowing and repayment of debt by the Government.

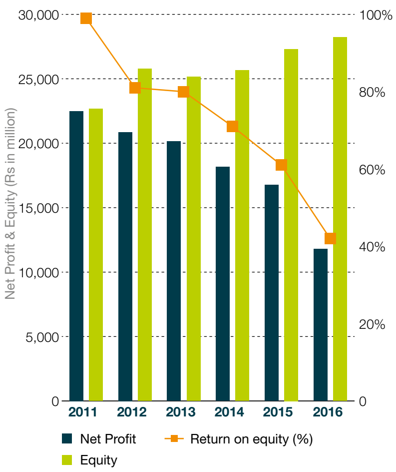
CURRENCY DEVALUATION

Despite decline in Country's exports, the currency's depreciation was contained at 2.9% during the year on back of record foreign exchange reserves of US $ 21.4 billion, anchored inflation and favourable economic policies.

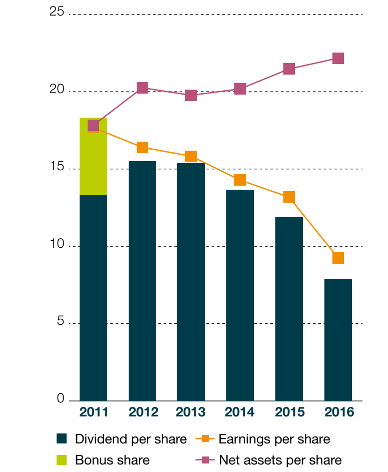
PROFITABILITY
(Rs in million)



NET PROFIT ANALYSIS



PER SHARE ANALYSIS – Restated
(Rs per share)



FFC PERFORMANCE

PROFIT AND LOSS ANALYSIS

2016 was a challenging year with carryover of uncertainties caused by rumours of fertilizer subsidy from last year, besides pricing pressure by the Government and delayed implementation of subsidy scheme, negatively impacting Company revenues and profit margins despite higher sales volumes compared to 2015. Although the Company achieved its major targets, these uncontrollable factors resulted in net profitability of Rs 11.78 billion, 30% below last year.

Sona urea production was registered at an all-time record of 2,523 thousand tonnes owing to restoration of FFC's gas quota, in addition to sustained operational efficiencies of our Plantsites.

Despite stagnant industry sales, **Sona urea offtake** increased by 1% to 2,428 thousand tonnes, whereas **imported FFC DAP sales** of 202 thousand tonnes were also achieved during the year, which were 22% higher than last year. Combined FFC / FFBL **urea market share** improved to 52%, whereas aggregate DAP market share was recorded at 44% against 50% during 2015, due to increased imports by the industry to meet the higher demand emanating from subsidy on DAP and lower international prices compared to 2015. (Source: NFDC).

Aggregate **urea sales revenue** including fertilizer subsidy were recorded at Rs 69.73 billion, 7% below last year owing to suppressed selling prices besides voluntary price reduction under the subsidy scheme, resulting in significant absorption of operating costs including GIDC. **Imported fertilizer revenue** was recorded at Rs 10.13 billion, 13% lower than last year mainly because of declining international DAP prices while **total sales revenues** net of subsidy stood at Rs 72.88 billion, with a decline of 14% compared to 2015.

Cost of sales at Rs 54.83 billion reduced by 2% compared to last year due to lower repair and maintenance costs, absorption of overheads by higher production, besides decrease in feed gas prices with effect from April 1, 2016.

Reduced sales revenue due to pricing pressure resulted in **gross profitability** of Rs 18.05 billion, lower by 38% compared to last year. However, gross margin declined by only 4% on the basis of aggregate revenue including subsidy, with gross earnings of Rs 25.03 billion during 2016.

Despite higher dispatches to warehouses due to depressed direct sales from Plantsites, **distribution cost** of Rs 7.15 billion recorded a slight increase of 5% only because of lower fuel prices in addition to effective controls on other operating costs.

Finance cost increased to Rs 2.41 billion mainly on account of long term debt acquired during the earlier year for settlement of GIDC obligation, besides working capital financing availed during 2016 due to delayed remittance of subsidy claims by the Government, as well as higher credit sales.

Encashment of investments to finance working capital requirements in view of higher inventory levels, besides lower interest rates, resulted

FINANCIAL REVIEW

in **investment income** of Rs 1.28 billion with a decline of 36% compared to last year.

Lower dividend receipts led to **dividend income** of Rs 2.41 billion, 11% lower than last year.

Other income included aggregate subsidy of Rs 6.98 billion on sale of urea and DAP fertilizers which although formed part of sales revenue but was classified as other income under the requirements of International Financial Reporting Standards (IFRS).

The **tax charge** of Rs 5.61 billion included the uncontrollable incremental cost of Super Tax which despite being a onetime measure for the year 2015, was re-imposed by the Government in 2016.

Consequently, the Company recorded earnings per share of Rs 9.26 with **net profitability** of Rs 11.78 billion.

FINANCIAL POSITION ANALYSIS

Higher profit retention resulted in 13% increase in **un-appropriated profit** of Rs 8.04 billion, with improvement in **net worth** to Rs 28.21 billion and a break-up value of Rs 22.17 per share as opposed to Rs 21.47 per share last year.

Long term debt recorded a marginal increase of 5% to Rs 16.65 billion during the year in line with our targets, for ongoing capital expenditure and further equity investment in FFF. All debt obligations during the year were retired on timely basis without any default.

Trade payables increased from Rs 8.11 billion in 2015 to Rs 10.85 billion this year primarily due to retention of GIDC payments under the Court's rulings.

Short term borrowings of Rs 22.18 billion increased by Rs 4.16 billion during 2016 to fund the working capital requirements of the Company during depressed offtake periods.

Current portion of long term borrowings increased by Rs 1.92 billion due to maturity of repayment installments of borrowings availed in earlier years.

Contingencies include a penalty of Rs 5.5 billion imposed by the Competition Commission of Pakistan (CCP) in 2013 on grounds of alleged increase in urea prices. The Company has filed an appeal before the Competition Appellate Tribunal and is confident of a favorable decision keeping in view the factors including production shortfall due to gas curtailment, delayed imports and other market dynamics.

Financial commitments of the Company at Rs 5.43 billion remained broadly in line with the plan and comprised mainly of purchase of fertilizers, goods / services and capital expenditure, as detailed in the relevant notes to the financial statements.

Property, plant and equipment remained at par with last year owing to offsetting of additions of around Rs 2 billion, by an almost equivalent charge for depreciation during the year.

Long term investments of Rs 29.66 billion recorded a net marginal increase of 2% to finance equity injection of Rs 1.2 billion in FFF, besides part encashment of PIBs and recording of a revaluation deficit on the remaining PIBs.

Unfavorable market conditions and higher production levels resulted in urea stock of 193 thousand tonnes, 94 thousand tonnes higher than last year, with aggregate all fertilizer **stock in trade** value of Rs 4.24 billion, which however, was 17% lower than last year mainly because of reduced imported fertilizer inventory of 7 thousand tonnes only compared to 55 thousand tonnes in 2015.

In order to offload inventories under depressed market conditions, fertilizer sales were partly made on credit basis as well increasing the **trade debts** volume to Rs 4.31 billion, which however was well within the planned credit sales level.

Outstanding subsidy claims from the Government of Rs 5.07 billion resulted in higher **other receivables** balance of Rs 7.69 billion.

Short term investments increased by Rs 3.81 billion to Rs 14.14 billion mainly due to higher collections from customers towards the close of the year and their onward investment to yield incremental returns for the shareholders

The **asset base** of the Company increased significantly by 13% to Rs 90.71 billion, primarily driven by subsidy receivable of Rs 5.07 billion, unadjusted sales tax, trade debts and short term investments.

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Business conducted, investments made and expenditure incurred during the year have been reviewed by the Auditors who have issued unqualified audit opinion on the Company's Separate and Consolidated Financial Statements for the year 2016.

CASH FLOWS & FINANCING ARRANGEMENTS

CASH FLOW ANALYSIS

Cash flow cycles of the Company are planned, monitored and executed through the following major activities:

OPERATING ACTIVITIES

Cash generation from operating activities significantly improved to Rs 11.69 billion compared to cash utilization of Rs 12.69 billion last year for retirement of GIDC obligation in 2015. Net cash generated from operating activities after payment of finance cost, income tax and receipt of fertilizer subsidy, amounted to Rs 6.97 billion, compared to net cash utilization of Rs 23.03 billion last year.

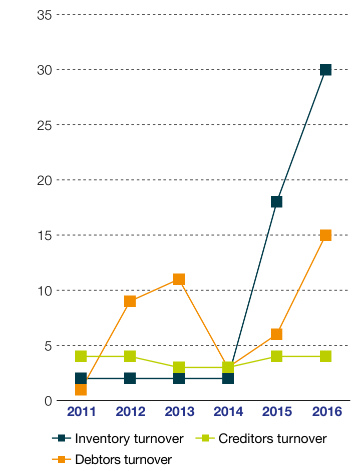
INVESTING ACTIVITIES

Capital expenditure of Rs 2 billion was carried out during the year representing a decline of 39% compared to last year, whereas reduced availability of surplus funds in addition to lower interest rates, resulted in 37% lower receipt of investment income of Rs 1.11 billion.

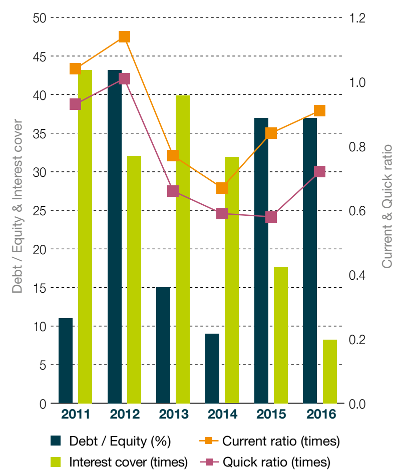
Additional equity investment of Rs 1.2 billion in FFF increased the aggregate investment in the project to Rs 2.64 billion. Dividend receipts declined during the year to Rs 2.26 billion, on account of profit retention by AKBL, whereas, financial instruments yielded returns of Rs 1.08 billion higher by 2.4 times compared to last year due to cash receipts on maturity of the investments.

Consequently, net cash generation of Rs 1.27 billion from investing activities remained in line with last year.

INVENTORY, DEBTORS & CREDITORS TURNOVER
(Days)



LEVERAGE AND LIQUIDITY RATIOS



FINANCING ACTIVITIES

With a view to utilize lower financing rates, the Company obtained net long term financing of Rs 2.69 billion (borrowing of Rs 7.35 billion net of repayments of Rs 4.66 billion), during the year. In order to ensure a regular income stream for its shareholders, FFC paid Rs 11.11 billion as dividends, translating into net cash

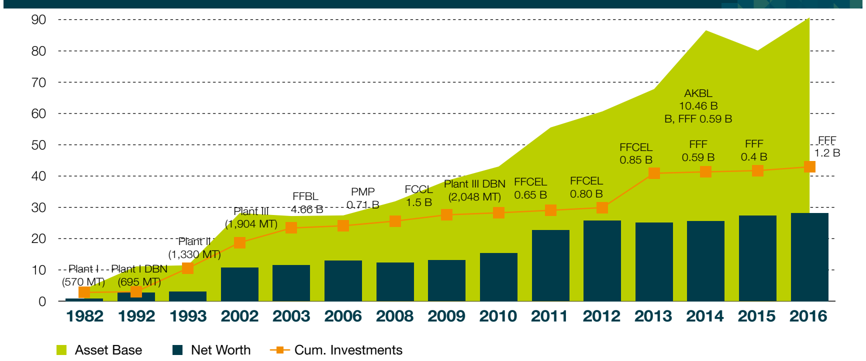
FINANCIAL REVIEW

utilization of Rs 8.42 billion compared to net cash generation of Rs 679 million in 2015.

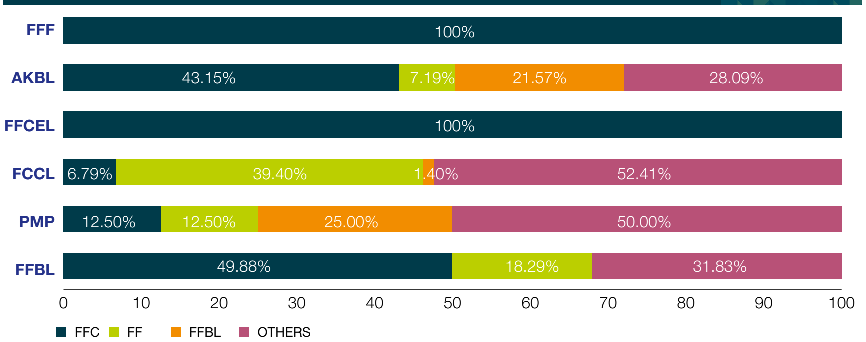
CASH AND CASH EQUIVALENTS AT YEAR END

Cash equivalents recorded net cash utilization of Rs 177 million compared to a substantial utilization of Rs 21.07 billion in 2015. Consequently, FFC recorded net negative cash equivalents of Rs 6.04 billion compared to negative Rs 5.86 billion last year.

GROWTH & ACQUISITIONS
(Rs. in billion)



FFC GROUP SHAREHOLDINGS



CONSOLIDATED OPERATIONS AND SEGMENTAL REVIEW

Fauji Fertilizer Company Limited (the Group) comprises of Fauji Fertilizer Company Limited (FFC / parent company) and its subsidiaries, FFC Energy Limited (FFCEL) and Fauji Fresh n Freeze Limited (FFF).

Group sales revenue for 2016 including subsidy was recorded at Rs 82.36 billion compared to Rs 88.83 billion in 2015, representing a decrease of around 7%, with consolidated net profit for the year was recorded at Rs 12.03 billion.

Brief analysis of each Group company's performance is presented below:

SUBSIDIARY COMPANIES

FFC ENERGY LIMITED (FFCEL)

FFCEL is FFC's and Pakistan's first wind power renewable energy project with a capacity of 49.5 MW. The company was incorporated as a wholly owned unlisted public limited company in 2009 and commenced commercial operations in May 2013.

The company recorded an average availability factor of 95%, billing 143 GWh, around 1% higher than last year. Although, sales revenue declined by 3% due to indexation in tariff, operational efficiencies and lower finance cost resulted in an increased net earnings of Rs 677 million, 14% higher than last year. Reduction in trade payables and higher cash investments resulted in an improved current ratio of 1.47 compared to 1.19 in 2015.

FAUJI FRESH N FREEZE LIMITED (FFF)

FFC's diversification into the food sector was undertaken by acquisition of FFF, an unlisted public limited company, in October 2013. FFF operates as the Company's wholly owned subsidiary, processing frozen and fresh fruits & vegetables at its Individually Quick Freeze (IQF) facility and Vapour Heat Treatment (VHT) complex located in Sahiwal.

The food project launched its product portfolio in the domestic and international markets with sales of 318 tonnes and has received positive customer feedback. First repayment installment of project debt amounting to Rs 530 million was remitted during the year, resulting in an outstanding aggregate debt balance of Rs 2.11 billion.

ASSOCIATED COMPANIES

FAUJI FERTILIZER BIN QASIM LIMITED (FFBL)

FFBL, the Country's only Di-Ammonium Phosphate (DAP) fertilizer manufacturing complex located in Bin Qasim, was incorporated in 1993 with subsequent restructuring in 2003. FFBL is a public limited company listed on the Pakistan Stock Exchange and operates a modern Granular Urea plant as well with a design capacity of 551 thousand tonnes of Urea and 650 thousand tonnes of DAP per annum. FFC is the majority shareholder with 49.88% equity in FFBL at a cost of Rs 4.66 billion.

The company recorded marked improvement in its production by creating a new benchmark of 791 thousand tonnes of DAP and 434 thousand tonnes of Urea (Granular) during the year, on account of better gas availability and operational efficiencies. However, market conditions remained depressed and FFBL recorded a net profit of Rs 1.34 billion, compared to Rs 4.06 billion earned in 2015.

FFC earned a total of Rs 1.42 billion as dividend income from FFBL signifying an increase of 2% from last year despite reduction in net profits of FFBL.

The Board of Directors of FFBL in their meeting held on January 30, 2017, announced a final cash dividend of Rs 0.50 per share translating into a payout of 35% for the year.

ASKARI BANK LIMITED (AKBL)

AKBL is a scheduled commercial bank principally engaged in business of banking and was incorporated in 1991 as a public limited company, currently listed on the Pakistan Stock Exchange. FFC's holding in AKBL amounts to Rs 10.46 billion representing a 43.15% equity stake. The Bank has substantially expanded its branch network in 2016 to 502 branches from 424 branches in 2015, including a Wholesale Bank Branch in the Kingdom of Bahrain and its first representative office in China.

The bank declared a net profit of Rs 4.19 billion for the nine months ended September 30, 2016, showing an increase of around 3% compared to 2015. Total asset base as at September 30, 2016 increased by Rs 46 billion to Rs 582 billion compared to Rs 536 billion as at December 31, 2015, while total deposits grew by 7% to Rs 463 billion. During the nine months, marked recoveries of Rs 509 million from non-performing assets were witnessed compared to a net charge of Rs 671 million for the corresponding year. Based on the Bank's strong performance, improved market penetration and effective management of spreads, the bank has been assigned a long term credit rating of AA+.

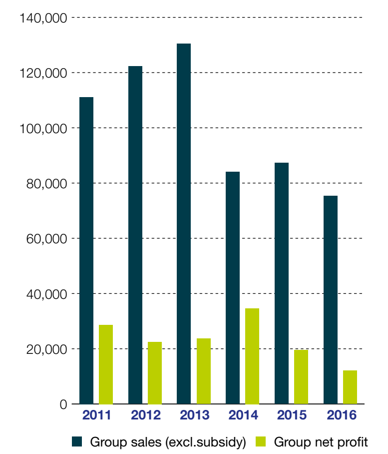
The Bank declared a dividend Rs 1.25 per share in 2016 compared to an interim and final dividends of Rs 2.00 per share declared in 2015.

FAUJI CEMENT COMPANY LIMITED (FCCL)

FCCL is a public listed company engaged in manufacturing and sale of ordinary portland cement through its two production lines with a combined installed capacity of 3,434 thousand tonnes. FFC has invested Rs 1.5 billion in the Company and holds an equity stake of 6.79%.

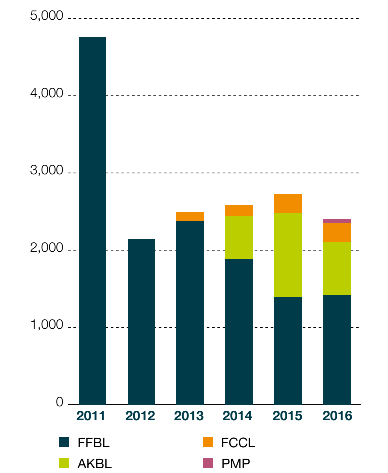
FCCL faced an unfortunate event in May 2016 when one of its

GROUP SALES AND NET PROFIT*
(Rs in million)



* Group sales decreased 2014 onwards as FFBL ceased to be the Company's subsidiary during the year and became an associated company of FFC

DIVIDEND FROM ASSOCIATES & JOINT VENTURE
(Rs in million)



FINANCIAL REVIEW

two silos collapsed resulting in a temporary shutdown of production. Rehabilitation of the line is underway and the company expects to resume clinker production during 2017. The accident necessitated purchase of clinker from other plants to maintain production levels which improved to 72%, however, additional cost has pressurized company's profitability resulting in reduction of quarterly profit by almost 45% to Rs 609 million during the first quarter ended September 30, 2016 of its financial year 2016-17.

Despite lower profitability, dividend from FCCL recorded an increase of 10% from last year and the Company received Rs 258 million in 2016.

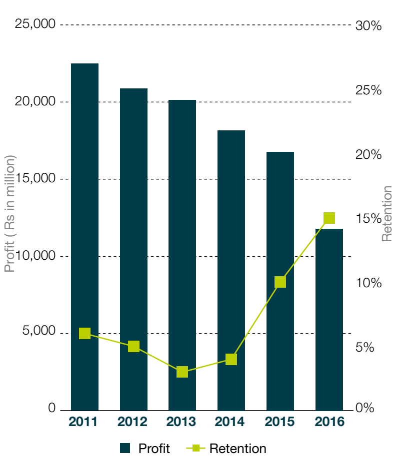
JOINT VENTURE

PAKISTAN MAROC PHOSPHORE S.A., (PMP) – MOROCCO

PMP was incorporated in Morocco in 2004 as a joint venture between FFC (shareholding of 12.5%), Fauji Foundation (12.5%), FFBL (25%) and the Moroccan state owned organization Officie Cherifien Des Phosphates (50%). The company is engaged in manufacturing and marketing of phosphoric acid, fertilizer and other related products.

PMP's plant has a capacity to manufacture 375 thousand tonnes of industrial phosphoric acid, which is primarily supplied to FFBL as a raw material for production of DAP fertilizer, and any excess acid is sold in the international market. The Company received its' second dividend from the project whereas our investment at Rs 706 million remains the same.

PROFIT vs RETENTION



PROFIT DISTRIBUTION & RESERVE ANALYSIS

FFC carried reserves of Rs 14.59 billion at the start of the year of which, final dividend of Rs 4.35 billion was approved by the shareholders for 2015. During 2016, the Company earned net profit of Rs 11.78 billion and declared three interim dividends aggregating to Rs 6.55 billion translating to Rs 5.15 per share, while no transfers were made to general reserves. The aggregate reserves at the end of 2016 stood at Rs 15.49 billion as detailed in the 'Appropriations' table below:

Appropriations	Rs in Million	Rs per Share
Opening Reserves	14,589	
Final Dividend 2015	(4,351)	3.42
Net Profit 2016	11,782	9.26
Other comprehensive income	21	
Available for Appropriation	**22,041**	
Appropriations		
First Interim Dividend 2016	(2,354)	1.85
Second Interim Dividend 2016	(1,972)	1.55
Third Interim Dividend 2016	(2,226)	1.75
Closing Reserves	**15,489**	

SUBSEQUENT EVENTS

The Board of Directors of FFC in its meeting held on January 31, 2017 is pleased to recommend a final cash dividend of Rs 2.75 per share i.e. 27.50% for the year ended 2016, for shareholders' approval taking the total payout for the year to Rs 7.90 per share i.e. a payout of 85%. The Board also proposed transfer of Rs 2 billion from unappropriated profit to the general reserve.

مالیاتی جائزہ

FFC نے اس سال PMP سے اب تک کا دوسرا منافع منقسمہ حاصل کیا جبکہ ہمارے اس پروجیکٹ پر سرمایہ کاری 706 ملین روپے ہے۔

منافع کی تقسیم اور ریزرو کا تجزیہ

سال کے شروع میں کمپنی کے ذخائر 14.59 ارب روپے تھے جس سے کمپنی نے حصہ داروں کے لئے سال 2015 میں حتمی منافع منقسمہ 4.35 ارب روپے کی منظوری دی گئی۔ سال 2016 کے دوران کمپنی نے 11.78 ارب روپے کا منافع کمایا اور تین منافع منقسمہ جو کہ مجموعی طور پر 6.55 ارب روپے بنے جو کہ 5.15 روپے فی حصص کی ترجمانی کرتے ہیں جبکہ جنرل ریزرو میں سال کے دوران کوئی تبدیلی نہیں کی گئی۔ 2016 کے اختتام پر مجموعی ذخائر 15.49 ارب روپے رہے جس کی تفصیل گوشوارے میں موجود ہے۔

منافع کی تقسیم	ملین روپے	فی شیئر روپے
اوپنگ ریزرو	14,589	
حتمی منافع منقسمہ 2015	(4,351)	3.42
خالص منافع بعد از ٹیکس	11,782	9.26
دیگر Comprehensive آمدن	21	
تقسیم کے لئے میسر منافع کی دستیابی	**22,041**	
منافع کی تقسیم		
پہلا سہ ماہی منافع منقسمہ 2016	(2,354)	1.85
دوسرا سہ ماہی منافع منقسمہ 2016	(1,972)	1.55
تیسرا سہ ماہی منافع منقسمہ 2016	(2,226)	1.75
کلوزنگ ریزرو	**15,489**	

بعد کے واقعات
(Subsequent Events)

بورڈ آف ڈائیکٹرز نے 31 جنوری 2017 کو منعقد کردہ اپنے اجلاس میں اپنے حصہ داروں کے لئے سال 2016 کے لئے حتمی منافع منقسمہ (Dividend) فی حصص 2.75 روپے (27.50 فیصد) کی سفارش کی ہے۔ جو کہ مجموعی سالانہ ادائیگی بشمول 7.90 روپے فی حصص کل ادائیگی 85 فیصد ہے۔ اس کے علاوہ بورڈ نے 2 ارب روپے منافع (unappropriated Profit) سے General Reserve میں منتقلی کی تجویز بھی دی ہے۔

مجموعی سرگرمیاں اور قطعاتی جائزہ

گروپ میں FFC اور اس کی سبسڈریاں FFCEL اور FFF شامل ہیں۔

گروپ کی فروخت سے آمدن (Group sales revenue) بشمول سبسڈری 2016 کے دوران 82.36 ارب روپے رہی جو کہ پچھلے سال 88.83 ارب روپے کی فروخت کے مقابلے میں سات فیصد کم ہے جبکہ مشترکہ خالص آمدن (consolidated net profit) 12.03 ارب روپے رہا۔ گروپ میں شامل کمپنیوں کی انفرادی کارکردگی مندرجہ ذیل ہے۔

ذیلی کمپنیاں (Subsidiarycompanies)

ایف ایف سی انرجی لمیٹڈ (FFCEL)

FFCEL، FFC کا پاکستان میں قابل تجدید توانائی کا پروجیکٹ ہے۔ جس کی پیداواری صلاحیت 49.5MW ہے FFCEL ایک Unlisted پبلک لمیٹڈ کمپنی ہے جس کے تمام حصص FFC کے پاس ہیں جو 2009 میں قائم کی گئی جس نے اپنی تجارتی پیداوار مئی 2013 میں شروع کی۔ کمپنی کے پلانٹ نے 95 فیصد 143GWH بجلی پیدا کی جو کہ پچھلے سال کی پیداوار سے ایک فیصد زیادہ ہے۔ اگرچہ مجموعی آمدن میں 3 فیصد کمی ہوئی تاہم بہتر پیداواری کارکردگی اور کم مالی لاگت سے کارکردگی کے ساتھ کُل منافع پچھلے سال سے 14 فیصد بڑھ کر 677 ملین روپے ہو گیا۔ اور واجبات میں کمی، زیادہ سرمایہ کاری سے Current ratio پچھلے سال کی 1.19 سے بڑھ کر 1.47 ہو گئی۔

فوجی فریش این فریز لمیٹڈ (FFF)

FFC کی فوڈ سیکٹر میں متنوع سرمایہ کاری کے مدنظر FFF کو 2013 میں خریدا۔ جو کہ ایک Unlisted پبلک لمیٹڈ کمپنی ہے۔ FFF کے تمام تر حصص FFC کے پاس ہیں۔ جو کہ ساہیوال میں واقع پلانٹ کے ذریعے تازہ پھل اور سبزیوں کو فوری طور پر Individually Quick Freezee (IQF) Freeze اور Vapour Heat Treatment (VHT) کے عمل سے پراسس کرنے کی سہولت میسر کرتا ہے۔

FFF نے اپنی مصنوعات کی product portfolio کا آغاز ملکی اور بین الاقوامی صارفین کی مثبت رائے کے ساتھ 318 ٹن کی فروخت کا آغاز کیا۔ سال کے دوران اس پروجیکٹ کے قرض کی پہلی قسط 530 ملین روپے کی ادائیگی کی گئی جس سے بقایا واجب الادا قرضہ 2.11 ارب روپے رہ گیا۔

مسلک کمپنیاں

(Associated companies)

فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL)

FFBL ملک میں DAP بنانے والی واحد کمپنی ہے۔ جو کہ پورٹ بن قاسم پر 1993 میں قائم کی گئی جس کی تنظیم نو (restructuring) 2003 میں کی گئی FFBL ایک پبلک لمیٹڈ کمپنی ہے جو کہ پاکستان اسٹاک ایکسچینج پر Listed ہے۔ جو دانے دار یوریا 551 ہزار ٹن اور 650 ہزار ٹن DAP سالانہ بنانے کی صلاحیت رکھتی ہے۔ FFC کے پاس FFBL کے اکثریتی حصص ہیں۔ FFBL میں FFC نے بحیثیت بڑے سرمایہ دار 49.88 فیصد حصص 4.66 ارب روپے کی لاگت سے سرمایہ کاری کی ہے۔

کمپنی نے سال کے دوران ریکارڈ ساز 791 ہزار ٹن DAP اور 434 ہزار ٹن یوریا پیدا کیا جو گیس کی بہتر سپلائی اور بہتر کارکردگی کی بدولت ممکن ہوا۔ تاہم ناموافق مارکیٹ حالات کی وجہ سے FFBL کا خالص منافع پچھلے سال کے 4.06 ارب روپے کے مقابلے میں 1.34 ارب روپے رہا۔

FFC کو FFBL سے منافع کی آمدن پچھلے سال سے 2 فیصد اضافے کے ساتھ 1.42 ارب روپے رہی۔ FFBL کے بورڈ آف ڈائریکٹرز نے 30 جنوری 2017 کو منعقدہ اجلاس میں 50 پیسے فی حصص منافع کا اعلان کیا۔

عسکری بینک لمیٹڈ (AKBL)

AKBL ایک شیڈول تجارتی بنک ہے جو کہ ایک پبلک لمیٹڈ کمپنی کے طور پر 1991 میں قائم ہوا اور پاکستان اسٹاک ایکسچینج پر Listed ہے۔ FFC کی AKBL میں 10.46 ارب روپے کی سرمایہ کاری ہے جو کل سرمایہ کاری کا 43.15 فیصد ہے۔ بینک نے اپنے کاروبار کو کافی حد تک پھیلایا ہے۔ اس کی برانچوں کی تعداد 2016 میں 2015 کی 424 برانچوں کے مقابلے میں 502 ہو گئی ہے۔ جس میں ایک بیرون ملک بحرین میں برانچ اور ایک نمائندہ دفتر چین میں ہے۔

بینک نے 2016 کے نو ماہی میں 4.19 ارب روپے خالص منافع کمایا جو پچھلے سال 2015 کے مقابلے میں 3 فیصد زیادہ ہے۔ ستمبر 2016 تک بینک کے مجموعی اثاثہ جات 46 ارب روپے کے اضافے کے ساتھ 582 ارب روپے ہو گئے۔ جو دسمبر 2015 میں 536 ارب روپے تھے۔ جبکہ ٹوٹل ڈیپازٹس 7 فیصد بڑھ کر 463 ارب روپے ہو گیا۔ نو ماہی کے دوران نان پرفارمنگ اثاثہ جات (Non-Perfoming Assets) 509 ملین روپے رہے جبکہ پچھلے سال یہ 671 ملین تھے۔ بینک کی مضبوط کارکردگی، بہتر مارکیٹ حالات اور انتظامی معاملات سے بینک کی لمبے عرصے کی مالیاتی درجہ بندی +AA ہو گئی ہے۔

بینک نے ریزرو بڑھانے کی وجہ سے سال 2016 کے دوران صرف ایک روپے پچیس پیسے فی حصص منافع کا اعلان کیا ہے جبکہ پچھلے سال کے دوران اعلان کردہ منافع 2 روپے فی حصص تھا۔

فوجی سیمنٹ کمپنی لمیٹڈ (FCCL)

FCCL ایک پبلک لمیٹڈ کمپنی ہے جو کہ سیمنٹ بنانے اور بیچنے کے کاروبار سے منسلک ہے FCCL کے دونوں پلانٹس کی مجموعی پیداوار 3,434 ہزار ٹن ہے FFC کی FCCL میں 1.5 ارب روپے کی سرمایہ کاری ہے اور FFC کا سرمایہ کاری میں حصہ 6.79 فیصد ہے۔ بدقسمتی سے مئی 2016 میں FCCL کا ایک Silo گر گیا جس سے پیداوار عارضی طور پر رک گئی۔ Silo کی بحالی جاری ہے۔ کمپنی کو امید ہے کہ سال 2017 کے دوران Clinker کی پیداوار دوبارہ شروع کی جائے گی۔ حادثے کی وجہ سے پیداوار جاری رکھنے کے لئے کمپنی کو دوسرے پلانٹس سے Clinker خریدنا پڑا جس سے پیداوار کی کارکردگی 72 فیصد رہی۔ تاہم پیداواری لاگت بڑھنے کے دباؤ سے منافع 45 فیصد کم ہو کر سال 2016 کی پہلی سہ ماہی میں 609 ملین روپے ہو گیا۔ کم منافع کے باوجود FCCL سے ملنے والا منافع 2016 کے دوران پچھلے سال کے مقابلے میں 10 فیصد بڑھ کر 258 ملین رہا۔

مشترکہ وینچر کی کمپنی

(Joint Venture company)

پاکستان مراکش فاسفور (PMP)

PMP کا مشترکہ منصوبہ سال 2004 میں 12.5 فیصد FFC، 12.5 فیصد Fauji Foundation، 25 فیصد FFBL اور مراکش کی کمپنی Office Cherifien Des Phosphates (50 فیصد) سے مل کر لگایا گیا۔ PMP فاسفورس ایسڈ کھاد اور اس سے متعلقہ اشیاء بنانے اور بیچنے کا کاروبار کرتی ہے۔

PMP، 375 ہزار ٹن صنعتی فاسفورس ایسڈ کی صلاحیت کا پلانٹ ہے جو FFBL کی DAP کی پیداوار کے لئے مہیا کیا جاتا ہے اور اس کی اضافی مقدار بین الاقوامی منڈیوں میں فروخت کر دی جاتی ہے۔

مالیاتی جائزہ

جرمانہ شامل ہے جوکہ 2011 میں یوریا کی قیمتوں میں غیر موزوں اضافے کے الزامات کی بنیاد پر لگایا گیا۔ جبکہ گیس کی فراہمی میں کمی کے باعث یوریا کی پیداوار میں ہونے والی کمی، درآمدات میں تاخیر اور دیگر کاروباری سرگرمیوں جیسے حقائق کو CCP نے نظر انداز کر دیا۔ کمپنی نے Competition Appellate Tribunal کو نظرثانی کی درخواست دائر کر دی ہے۔ اور ایک خوش آئند فیصلے کے لیے پرامید ہے،

کمپنی کے 5.43 ارب روپے کے مالیاتی وعدے (Financial Commitments) رہے۔ جوکہ بنیادی طور پر کھاد، اشیاء، خدمات کی خریداری اور Capital Expenditure منصوبہ جات کے لئے ہیں ان کی تفصیلات متعلقہ صفحات میں بیان کر دی گئیں ہیں۔

Property, Plant & Equipment تقریباً 2 ارب روپے کے اضافے کے ساتھ پچھلے سال کے برابر رہا۔ جس کی وجہ سال کے دوران 2 ارب روپے کے برابر Depreciation چارج تھا۔

طویل مدتی سرمایہ کاری (Long term investments) پچھلے سال سے صرف 2 فیصد اضافے کے ساتھ 29.66 ارب روپے ریکارڈ کی گئی۔ اس کی وجہ FFF میں 1.2 ارب روپے کی مزید سرمایہ کاری ہے۔ اور دوسری طرف PIBs کو کیش کروانے اور بقایاجات PIBs کی قیمت کی تقرری (Revaluation) میں خسارے کی وجہ ہے۔

ناموافق کاروباری حالات اور یوریا کی زیادہ پیداوار کی وجہ سے یوریا سٹاک 193 ہزار ٹن رہا۔ جوکہ پچھلے سال سے 94 ہزار ٹن زیادہ تھا۔ جبکہ مجموعی کھاد کا سٹاک 4.24 ارب روپے رہا۔ جوکہ پچھلے سال سے 17 فیصد کم تھا۔ جس کی وجہ درآمدی کھاد کا سٹاک 7 ہزار ٹن رہا جبکہ پچھلے سال کا سٹاک 55 ہزار ٹن تھا۔

ناہموار مارکیٹ میں سٹاک فروخت کرنے کے لئے کچھ فروخت ادھار کی شرائط پر کرنا پڑی جس سے کمپنی کے واجب الوصول رقم (Trade debts) بڑھ کر 4.31 ارب روپے تک ہوگئی تاہم یہ مقررہ حدود کے اندر ہے۔

5.07 ارب روپے گورنمنٹ سے سبسڈی کی مد میں واجب الوصول ہیں ۔ جس وجہ سے دیگر وصولیات (Other receivable) 7.69 ارب روپے پر پہنچ گئے ۔

قلیل مدتی سرمایہ کاری (Short term investments) 3.81 ارب روپے سے بڑھ کر 14.14 ارب روپے ہوگئی جو سال کے آخر میں صارفین سے زیادہ وصولیات کی سرمایہ کاری کی وجہ سے رونما ہوئی تاکہ حصہ داروں کے لئے مزید آمدنی کمائی جاسکے۔

کمپنی کے کُل اثاثے (Asset Base) 13 فیصد کے اضافے کے ساتھ 90.71 ارب روپے رہے جس کی بنیادی وجہ گورنمنٹ سے سبسڈی کی مد میں واجب الوصول 5.07 ارب روپے unadjusted sales tax، تجارتی قرضے اور قلیل مدتی سرمایہ کاری ہے۔

مالیاتی گوشواروں پر آڈیٹر کی رائے

کمپنی کے دوران سال کاروباری معاملات، سرمایہ کاری اور اخراجات کا آڈیٹر نے جائزہ لیا ہے۔ اور انہوں نے کمپنی کے علیحدہ (Separate) اور مجموعی (Consolidated) مالیاتی گوشواروں پر شفاف رائے (un-qualified audit opinion) کا اظہار کیا ہے۔

کیش فلو کا تجزیہ

کمپنی کی کیش فلو کی منصوبہ بندی، نگرانی اور عملدرآمد درج ذیل سرگرمیوں کے تحت کی جاتی ہے۔

پیدواری اور ترسیلی سرگرمیاں

(Operating activities)

آپریٹنگ سرگرمیوں سے رقم کا حصول نمایاں بہتری کے ساتھ پچھلے سال 2015 کے 12.69 ارب روپے بشمول GIDC کی ادائیگی کے ساتھ اس سال 11.69 ارب روپے رہا۔ آپریٹنگ سرگرمیاں سے حاصل رقم قرضہ جاتی اخراجات (Finance Cost)، انکم ٹیکس کی ادائیگی اور سبسڈی کی وصولی کے ساتھ 6.97 ارب روپے رہا۔ جوکہ پچھلے سال 23.03 ارب روپے تھا۔

سرمایہ کاری کی سرگرمیاں

(Investing activities)

طویل مدتی اخراجات (Capital Expenditure) پچھلے سال کے مقابلے میں 39 فیصد کمی کے ساتھ 2 ارب روپے رہا جبکہ فنڈز کی دستیابی میں کمی، فنڈز کی کم شرح منافع کے ساتھ سرمایہ کاری کی آمدنی (Investment Income) 37 فیصد کمی کے ساتھ 1.11 ارب روپے رہی۔

FFF میں 1.2 ارب روپے کی سرمایہ کاری (Equity investment) ہوئی جوکہ مجموعی طور پر بڑھ کر 2.64 ارب روپے ہوگئی۔ AKBL سے منافع منقسمہ (Dividend Income) کی وصولی پچھلے سال میں کمی کے ساتھ 2.26 ارب روپے رہی پچھلے سال کے مقابلے میں مالیاتی آلات (Financial Instruments) سے سرمایہ کاری کی پختگی پر رقم کی وصولی 2.4 گنا زیادہ 1.08 ارب روپے وصول ہوئی۔ نتیجے کے طور پر سرمایہ کاری کی سرگرمیوں سے گذشتہ سال کے قریب نیٹ کیش 1.27 ارب روپے وصول ہوئے۔

مالیاتی سرگرمیاں (Financing activities)

مروجہ کم شرح سود کے مدنظر کمپنی نے سال کے دوران 2.69 ارب روپے کی نیٹ طویل مدتی فنانسنگ حاصل کی (مجموعی 7.35 ارب روپے کے قرضوں میں سے 4.66 ارب روپے کی ادائیگی) اور شیئر ہولڈرز کی مستقل آمدن کو برقرار رکھنے کے پیش نظر 11.11 ارب روپے منافع منقسمہ (Dividend) ادا کیا۔ جوکہ پچھلے سال 679 ملین روپے کیش جنریشن کے مقابلے میں 8.42 ارب روپے کیش جنریشن کی ترجمانی کرتا ہے۔

سال کے آخر میں نقد اور نقدی کے مساوی

(Cash and cash equivalents at year end)

2015 میں 21.07 ارب روپے کے غیر معمولی خرچ (Utilization) کے مقابلے میں Cash equivalents کا نیٹ خرچ 2016 میں 177 ملین روپے رہا۔ نتیجے کے طور پر FFC نے Net cash equivalents پچھلے سال کے منفی 5.86 ارب روپے کے مقابلے میں منفی 6.04 ارب روپے ریکارڈ کرائے۔

مالیاتی جائزہ

ایف ایف سی کی کارکردگی

مالیاتی نتائج کا تجزیہ

2016 ایک مشکل سال تھا جس میں کھاد پر سبسڈی کی افواہوں، قیمتوں کے تعین میں حکومتی دباؤ اور سبسڈی کے نفاذ میں تاخیر کی وجوہات نے باوجود اس کے کہ 2016 میں کھاد کی فروخت سال 2015 سے زیادہ ریکارڈ کی گئی کمپنی کی آمدن اور منافع پر منفی اثرات مرتب کئے۔ اگرچہ کمپنی نے اپنے اہم مقاصد حاصل کر لئے۔ مگر نا قابل کنٹرول حالات کی بدولت خالص منافع 11.78 ارب روپے رہا۔ جو کہ پچھلے سال کے منافع سے 30 فیصد کم ہے

سونا یوریا کھاد کی ریکارڈ ساز پیداوار 2,523 ہزار ٹن رہی جو کہ گورنمنٹ کی طرف سے گیس کوٹہ کی بحالی اور FFC پلانٹس کی مجوزہ بہترین پیداواری کارکردگی کی بدولت ممکن ہوا۔

کھاد کی صنعت کے جمود کے باوجود سونا یوریا کی فروخت 1 فیصد اضافے کے ساتھ 2,428 ہزار ٹن رہی۔ جبکہ FFC کی درآمد کردہ DAP کی فروخت سال کے دوران 202 ہزار ٹن رہی جو کہ پچھلے سال کے مقابلے میں 22 فیصد زیادہ ہے۔ FFC اور FFBL کا یوریا مارکیٹ میں مجموعی حصہ 52 فیصد رہا جبکہ DAP مارکیٹ میں اجتماعی حصہ گذشتہ برس 50 فیصد کے مقابلے میں اس سال 44 فیصد رہا۔ جو کھاد پر سبسڈی اور سال 2015 کے مقابلے میں کم بین الاقوامی قیمتوں کی وجہ سے واقع ہوا۔ (ماخذ این ایف ڈی سی)

مجموعی طور پر یوریا کی فروخت بمعہ سبسڈی سے 69.73 ارب روپے کی آمدن ہوئی جو کہ دباؤ کا شکار قیمتوں میں اور سبسڈی سکیم کے تحت کی گئی رضا کارانہ کمی کی وجہ سے گذشتہ برس کی آمدن سے 7 فیصد کم رہی۔

درآمدی کھاد کی فروخت سے 10.13 ارب روپے کی آمدن ہوئی جو کہ گذشتہ سال کے مقابلہ میں 13 فیصد کم ہے۔ جس کی وجہ DAP کی بین الاقوامی قیمتوں میں کمی ہے۔ جبکہ کھاد کی مجموعی فروخت سے سبسڈی کے علاوہ آمدن 72.88 ارب روپے ہوئی جو کہ 2015 کے مقابلہ میں 14 فیصد کم ہے

Cost of Sales پر آنے والی لاگت 54.83 ارب روپے رہی جو کہ گذشتہ برس کے مقابلے میں 2 فیصد کم ہے۔ جس کی وجہ سالانہ دیکھ بھال (Repair & Maintenance) پر آنے والے کم اخراجات، زیادہ پیداوار کی بدولت اخراجات کا انجذاب اور یکم اپریل 2016 سے فیڈ گیس کی قیمت میں ہونے والی کمی ہے۔

قیمتوں میں دباؤ کی وجہ سے ہونے والی آمدن میں کمی کی بدولت گراس منافع (Gross Profit) پچھلے سال کے مقابلے میں 38 فیصد کمی کے ساتھ 18.05 ارب روپے رہا۔ تاہم سبسڈی کے ساتھ گراس مارجن (Gross Margin) میں صرف 4 فیصد کمی ہوئی اور سال 2016 کے دوران گراس منافع 25.03 ارب روپے رہا۔

اگرچہ کمپنی کے پلانٹس سے براہ راست فروخت میں کمی کے باعث گوداموں میں زیادہ مقدار میں یوریا بھیجا گیا لیکن ترسیلی اخراجات (Distribution Cost) صرف 5 فیصد کے اضافے کے ساتھ 7.15 ارب روپے ریکارڈ کئے گئے۔ اس کا سبب تیل کی قیمتوں میں کمی اور پیداواری و ترسیلی اخراجات پر موثر کنٹرول ہے۔

مالیاتی لاگت (Finance cost) 2.41 ارب روپے تھی جس کی بنیادی وجہ GIDC کی ادائیگی کے لئے پچھلے سال لئے گئے قرضوں کے علاوہ سال کے دوران ورکنگ کیپٹل (working capital) کی ضرورت پوری کرنے کے لئے قرضہ جات کا حصول تھا جو کہ حکومت سے سبسڈی کی وصولی میں تاخیر اور ادھار پر زیادہ فروخت کی وجہ سے واقع ہوا۔

زائد کھاد کے سٹاک کے پیش نظر ورکنگ کیپٹل کی ضرورت پوری کرنے کے لئے سرمایہ کاری کی وصولی کے علاوہ کم شرح آمدنی کی بدولت سرمایہ کاری کی آمدن (Investment Income) پچھلے سال کے مقابلے میں 36 فیصد کمی کے ساتھ 1.28 ارب روپے رہی۔

کم منافع منقسمہ موصول ہونے کی وجہ سے ڈیوڈنڈ کی آمدن پچھلے سال کے مقابلے میں 11 فیصد کمی کے ساتھ 2.41 ارب روپے رہی۔

سبسڈی کی آمدن 6.98 ارب روپے ہے جو کہ فروخت کی آمدن (sales revenue) کا حصہ ہونے کے باوجود IFRS کی پابندی کے پیش نظر کمپنی کی دیگر آمدنی (Other Income) میں شامل کی گئی۔

5.61 ارب روپے ٹیکس کی مجموعی رقم میں سپر ٹیکس بھی شامل ہیں۔ جو کہ سال 2015 کے لئے ایک بار لاگو ہونے والے اقدام کے باوجود 2016 میں دوبارہ مسلط کر دیا گیا۔ اس طرح کمپنی نے 11.78 ارب روپے کے خالص منافع کے ساتھ 9.26 روپے کی فی حصص آمدن ریکارڈ کی۔

مالیاتی تجزیہ

منافع برقرار رکھنے کی وجہ سے un-appropriated profit میں 13 فیصد اضافہ ہوا جو کہ 8.04 ارب روپے ہے جس سے کمپنی کی کل مالیت (Net Worth) 28.21 ارب روپے ہو گئی۔ جو کہ پچھلے سال کے مقابلے میں 21.47 روپے فی حصص کے مقابلے میں 22.17 روپے فی حصص بنتی ہے۔

طویل مدت کے قرضہ جات (Long term debt) 5 فیصد کے معمولی اضافے کے ساتھ 16.65 ارب روپے ہو گئے جس کی وجہ FFF میں مزید سرمایہ کاری اور دوران سال طویل مدتی اخراجات (Capital expenditure) ہیں۔

تجارتی واجبات (Trade payables) سال 2015 کے 8.11 ارب روپے کے مقابلے میں 10.85 ارب روپے رہے۔ جس کی بنیادی بڑی وجہ عدالتی احکامات کے تحت GIDC کی عبوری عدم ادائیگی ہے۔

2016 میں قلیل مدت کے قرضے (Short term borrowings) 4.16 ارب روپے بڑھ کر 22.18 ارب روپے ہو گئے۔ جس کی بنیادی وجہ کھاد کی تھوڑی فروخت کے دور میں ورکنگ کیپیٹل (working capital) کی ضروریات تھیں۔

طویل مدت کے قرضوں کا قلیل المدتی حصہ (Current portion of long term borrowings) 1.92 ارب روپے سے بڑھ گیا۔ جو کہ پچھلے سال کے حاصل کردہ قرضہ جات کی ادائیگی کی پختگی کی وجہ سے ہے۔

Contingencies میں Competition Commission of Pakistan (CCP) کی طرف سے 2013 میں لگایا گیا 5.5 ارب روپے کا

LIQUIDITY POSITION ANALYSIS – FFC

Efficient treasury operations and higher collection from customers towards the close of the year, resulted in increase in the working capital (short term investments & cash and bank balances) to Rs 16.67 billion, well in excess of trade and other payables of Rs 10.85 billion.

LIQUIDITY AND CASH FLOW MANAGEMENT

STRATEGY TO OVERCOME LIQUIDITY PROBLEMS

Effective forecasting enables the Company to efficiently safeguard against cash flow risks and plan a proactive and profitable working capital cycle. Liquidity requirements are met from sales revenues, dividend receipts, investment income and external financing where considered economical.

Sales revenue receipts are managed through optimized control on customer credit, in addition to securing advance customer orders, whereas the dividend streams flow to the Company from our strategic equity investments.

Sufficient fund balances generated from the above sources are maintained with financial institutions for operational requirements and the Treasury Management System ensures profitable returns on such balances besides placement of surplus funds in high yield investments to generate incremental income and cash flows for the Company. External means of financing are also availed where such financing provides cheaper alternates to encashment of profitable investments.

TREASURY MANAGEMENT

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

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

FINANCING ARRANGEMENTS

FFC ensures a robust financial position by sourcing funds through internal generation with minimal reliance on external sources, minimizing the financing costs towards higher returns for shareholders.

In order to maintain an effective debt:equity ratio and minimal financing costs, the Company sources external financing only after extensive cash flow forecasting for working capital, investment or capital expenditure requirements. External financing is preferred on short term basis over long term on account of lower financing costs.

During 2016, total borrowings, including short term and current maturity, increased by 18% compared to last year at Rs 45.26 billion, which included an increase of Rs 4.16 billion in short term finances and Istisna arrangements. Banks have issued corporate guarantees on behalf of the Company up to Rs 100 million in addition to letter of credit facilities of up to Rs 8.01 billion which are available against lien on shipping / title documents and charge on FFC's assets.

Despite increase in total borrowings, the Company holds a sizeable unutilized borrowing capacity to meet any future funding requirements including those of diversification projects.

CAPITAL STRUCTURE OF FFC

Revenue reserves increased by 7% in 2016 on account of higher profit retention thereby increasing equity by 3% to Rs 28.21 billion. Fauji Foundation remains the major shareholder of the Company, controlling an equity stake of 44.35%.

FINANCIAL REVIEW

Debt:equity ratio remained at par with last year as no significant changes were observed in long term borrowings of the Company, however, financial leverage increased from 1.41 to 1.60 due to higher short term borrowings availed to meet working capital needs. Despite increase in the financial leverage ratio, future projections indicate adequacy of the capital structure for the foreseeable future.

REPAYMENT OF DEBTS AND RECOVERY OF LOSSES

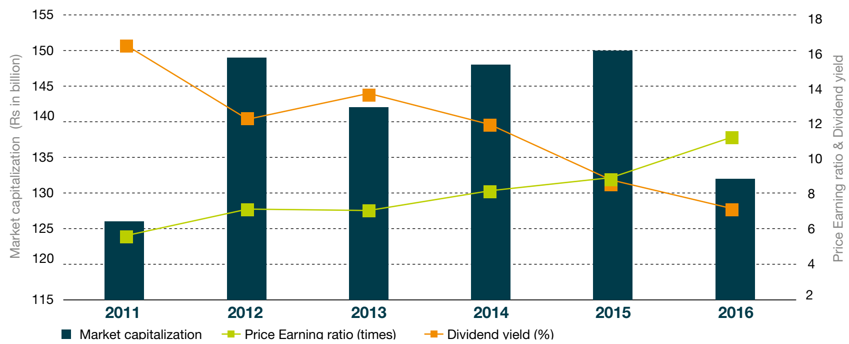
Current portion of long term debt acquired last year was duly retired on maturity dates while cash flow forecasts provide sufficient confidence of the ability to discharge the outstanding long and short term borrowings on timely basis as well

In view of lower financing rates, additional long term borrowing of Rs 7.35 billion was arranged during 2016 for Capex and equity investment requirements with long term debt increasing slightly by 5% to Rs 16.65 billion leaving sufficient availability of unutilized debt raising capacity for future requirements besides managing recovery of losses, if any.

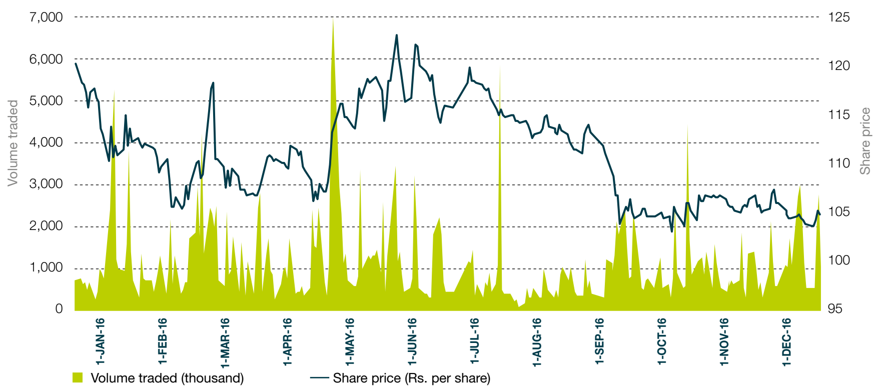
CAPITAL MARKET & MARKET CAPITALIZATION

Pakistan Stock Exchange (PSX) closed the year 2016 at a record high of 47,807 points, 46% higher than 2015 due to economic growth, Pakistan's reclassification in MSCI EM Index and progress on CPEC, keeping a bullish trend in the market.

MARKET CAPITALIZATION, P/E RATIO AND DIVIDEND YIELD



SHARE PRICE & VOLUME



The number of companies listed on the PSX increased to 558 during the year with a total market capitalization of Rs 9,629 billion at the end of the year, showing an increase of 39% over last year. Total capital listed on the Exchange rose by 2% to Rs 1,291 billion.

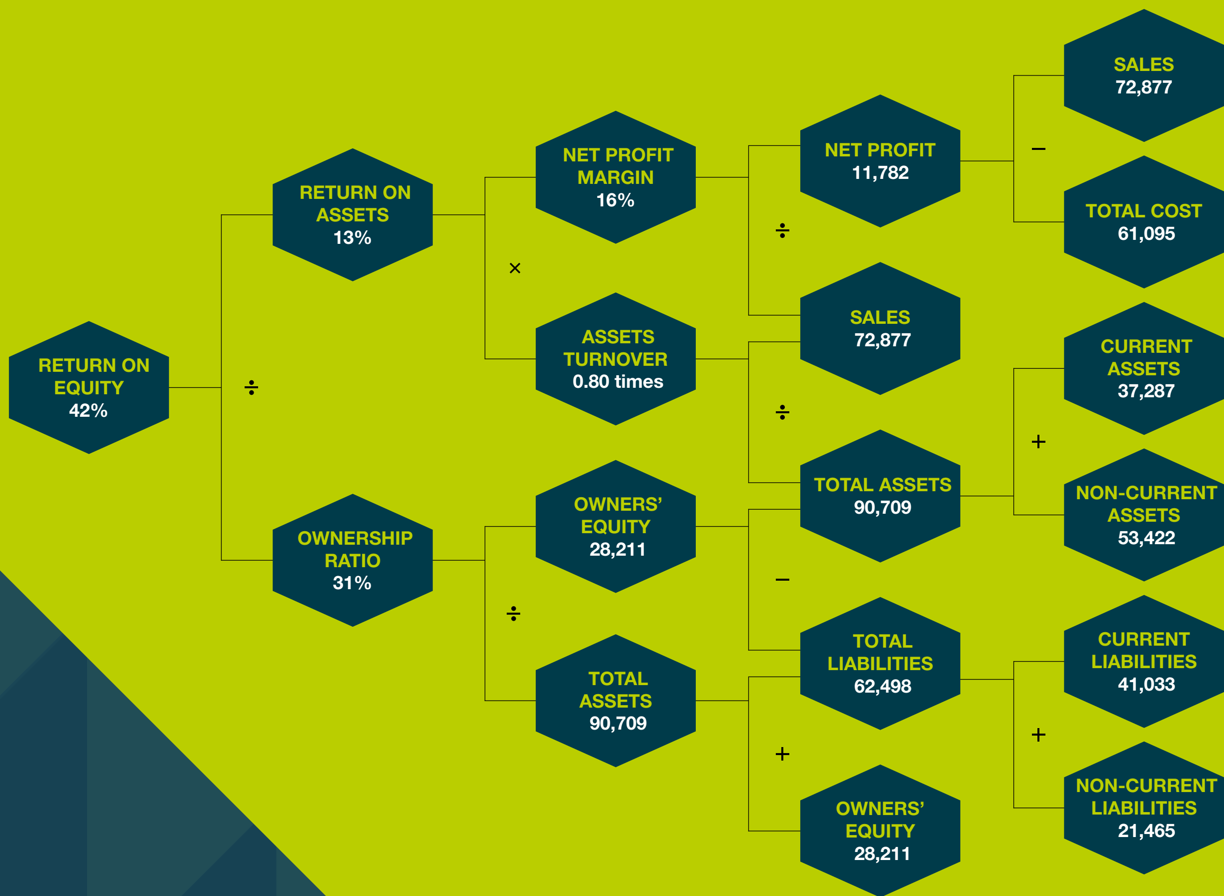
Lower profitability and high inventory levels of the fertilizer industry excluding FFC, resulted in a decline in market capitalization of 15%, whereas FFC witnessed a market capitalization decrease of around 12% and stood at Rs 133 billion evidencing strong investor confidence in the Company. As also witnessed by the fertilizer industry, share trading volume of the Company at 278 million shares was lower by 35%. Moderate share price volatility was witnessed during the year, with a difference of 15% between the highest and lowest share prices. Fluctuations are principally caused by market psychology, speculative investors and material events occurring during the year. FFC's share price closed the year at Rs 104.37 per share, around 12% below last year with an average trading price of Rs 110.05 per share during 2016.

In 2016, FFC became the first company ever to have secured six consecutive first positions since 2010, on the Top 25 Companies list of the PSX and despite a decline in FFC share trading during the year, we are confident of sustained top positions amongst the best companies of the Pakistan Stock Exchange.

DUPONT ANALYSIS

Total assets increased by 13% due to higher short term investments at the end of the year and subsidy receivable from Government, which consequently decreased the return on assets to 13% and ownership ratio to 31%. Sales decreased by 16% due to reduction in urea selling prices under the Government subsidy scheme, which coupled with higher finance costs due to financing availed in 2015 for payment of GIDC and to finance working capital requirements of the Company, and levy of Super tax resulted in net margin of 16% compared to 20% earned in 2015.This resulted in 42% return on equity compared to 61% earned in 2015.

Rs in million



DUPONT ANALYSIS

	2016	2015
Tax burden	32%	32%
Interest burden	12%	6%
EBIT margin	27%	31%
Asset turnover	0.80	1.06
Leverage	69%	66%
Return on Equity	**42%**	**61%**

FINANCIAL REVIEW

SALES VOLUME (+/- 1%)	
NPAT (Rs M)	EPS (Rs)
209	0.16

GAS CONSUMPTION / PRICE (+/- 1%)	
NPAT (Rs M)	EPS (Rs)
166	0.13

DIVIDEND INCOME (+/- 5%)	
NPAT (Rs M)	EPS (Rs)
105	0.08

SELLING PRICE (+/- 1%)	
NPAT (Rs M)	EPS (Rs)
461	0.36

DOWNTIME (+/- 2 Days)	
NPAT (Rs M)	EPS (Rs)
96	0.08

EXCHANGE VALUATION (+/- 5%)	
NPAT (Rs M)	EPS (Rs)
71	0.06

INCOME ON DEPOSITS (+/- 5%)	
NPAT (Rs M)	EPS (Rs)
36	0.03

FINANCE COST (+/- 5%)	
NPAT (Rs M)	EPS (Rs)
76	0.06

SENSITIVITY ANALYSIS

Various critical and non-critical variables have a tendency to impact profitability margins of the Company. However, most of these variables are external and beyond control of the management. Simulations are regularly carried out by FFC using SWOT analysis, trend reviews, what-if analysis and development of projections to evaluate sensitivity of profitability margins to these variables. Factors affecting Company margins may also have a bearing on the share price of FFC.

Mitigation of key sensitivities and other risks has been discussed in detail in the **Risk Mitigation section** of this Annual Report 2016.

KEY SENSITIVITIES

SALES VOLUME & PRICES

Sales volume is primarily driven by fertilizer demand, import volumes, international fertilizer prices, plant production, besides climatic conditions in the Country.

Management assesses various factors in determining selling prices of its products, which may be influenced by external factors such as, competition, marketing conditions, international prices and imports. During the year 2016, Government price intervention on urea fertilizer resulted in significant absorption of production costs.

UREA PRODUCTION & COST OF SALES

Operational performance of FFC's plants improved during 2016 due to restoration of gas quota.

However, the Company's production may be significantly impacted by unplanned shutdowns, maintenance turnarounds above planned levels, and shift in Government policy on gas supply, which in turn may affect profitability. Reduction in gas prices and implementation of effective cost controls resulted in reduced cost of production compared to last year.

Looking ahead, depleting gas reserves and injudicious GIDC levy pose a major risk to sustained production and profitability. FFC, however, remains committed towards efficiency enhancements in addition to cost optimization through effective austerity measures for mitigating these risks and sensitivities. In order to sustain operational efficiency, regular inspection and maintenance is carried out for all plants to reduce production downtime.

DIVIDEND INCOME

Returns from our diversified equity investments depend upon the respective entity's annual performance, which is beyond the Company's control. FFBL, AKBL, FCCL and PMP contribute to the dividend stream of the Company, whereas dividends from our other subsidiaries are expected to commence in near future.

FFBL & FFC operate in a similar environment hence, factors impacting the Company also impact FFBL's performance. 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

Income generated from investment of surplus funds with banks, Government securities and other financial institutions primarily depends on the prevailing interest / KIBOR rates, besides the Company's competence to efficiently generate and deploy excess funds in profitable ventures.

FINANCE COST

Long and short term borrowings and the resultant finance costs have a significant impact on the Company's profitability. Loans are obtained after negotiation with banks on applicable margin rates, however, the interest / KIBOR rate fluctuations, being subject to market and economic conditions, are beyond the Company's control. In view of the historically low levels of interest rates and considering substantial amount of short and long term debt balance, future increase in policy of 1% by the Central Bank would escalate finance cost for the Company.

FOREIGN EXCHANGE RISK

Monetary assets and liabilities denominated in foreign currency expose the Company to foreign exchange risk on account of fluctuations in exchange rates. Exchange valuation, carried out at the balance sheet 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 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.

RELATIONSHIP BETWEEN THE COMPANY'S RESULTS AND MANAGEMENT'S OBJECTIVES

Strategic, commercial, operational and financial risks, besides external factors which are beyond the management's control including Governmental levies and price intervention, have a significant bearing on management objectives, which may affect the Company's performance. These risks along with their levels of exposure and mitigating strategies and opportunities have been discussed in the '**Risk and Opportunity Report**' section of the Annual Report 2016.

With the exception of substantial price gains in 2011 impacting positively on net earnings of the Company and subsequent adverse impacts of Government price intervention, GIDC and incremental levies on profitability, the Company maintained its steady growth momentum by building on core competencies besides undertaking significant diversification projects in the financial services, energy, cement manufacturing and food business. The Company constantly evaluates possible profitable ventures for future diversification and expansion, which contribute to the sustainable growth of shareholders' returns.

FFC's history of providing sustained returns to shareholders, despite market adversities, besides local and international recognitions for transparency, sustainability and good governance is a testament to the Company's performance and achievement of management objectives.

The stream of dividend income from AKBL, FFBL, FCCL and second dividend from PMP, supports the management's assessments of target achievement.

PROSPECTS OF THE ENTITY INCLUDING TARGETS FOR FINANCIAL AND NON-FINANCIAL MEASURES

PROSPECTS OF THE ENTITY

Restoration of previously curtailed original gas quota, enhanced operating efficiencies, implementation of effective cost controls, dividend income from strategic investments and planned diversification projects provide sufficient support to the management's projections of sustained earnings and returns to shareholders.

Management is proactively evaluating and implementing various innovative technologies to sustain production, including installation of gas compressors and construction of a new transmission line from Mari field. Further, the Company is in advanced evaluation stages for installation of coal fired boilers to conserve gas utilized in power generation, which can then be used for increased production.

FFCEL has recorded the highest profit since inception and dividend stream from the subsidiary is expected to commence in the near future. Whereas FFF is on track to develop its footprint in the domestic and international market with launch of its product portfolio in 2016.

FINANCIAL REVIEW

Consistent dividend from AKBL since past three years, evidenced management's sound decisions-making on diversification initiatives. With AKBL actively expanding its branch network from 424 to 502 in 2016, AKBL's profitability is expected to grow in the future.

Our offshore fertilizer diversification in Tanzania is progressing at a good pace and land for the project has been confirmed along with securing commitment for supply of gas. Under our diversification strategy, the Company is in advanced negotiation stages for investment in Pakistan's energy sector.

FINANCIAL MEASURES

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

Fluctuations in currency, taxes and levies, prices of raw materials, gas diversions / curtailments in addition to weather and natural calamities, are all external factors affecting the Company's cost of production.

Thorough evaluation and effective implementation has been carried out during the year in order for the Company to achieve its set goals and targets. This is evident from the fact that despite an unsupportive market and reduction in selling prices during the year, exceptional production and sales levels were achieved, in line with the operating targets for the year.

During 2016, the Government's price intervention on urea, forced the Company to absorb portion of operational costs. The unexpected levy of super tax during the year pressurized our profitability, however, effective cost curtailment measures, dividend income from our strategic investments and effective treasury management resulted in a net profit of Rs 11.78 billion.

Looking ahead, supply of gas to our competitors at concessionary rates, Government pricing pressure, discriminatory GIDC charge, coupled with additional levies and taxes continue to pose profitability risks for the Company. Further, fluctuating international urea prices also pose a threat to future margins. The projected increase in global fertilizer demand provides confidence of sustained industry operations and profitability, the Company, however, remains focused and is fully equipped to mitigate any risks and ensure sustained earnings and returns to shareholders.

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 fulfilment of customer needs
- Responsibility towards the society
- Environmental protection
- Energy conservation
- Transparency, accountability and good governance

Responsibility for implementation has been delegated to the management, with continuous monitoring and control by the Board.

COST ACCOUNTING RECORD AND AUDIT

In compliance with the provisions of Companies (Audit of Cost Accounts) Rules, 1998, the Company has established a system for maintenance of Cost Accounting Records. The specified Cost Accounting Statements, the Report and other information for the financial year ended December 31, 2015 were submitted to the Securities and Exchange Commission of Pakistan (SECP) and the Registrar, along with the Cost Auditor's Report thereon, within the stipulated timeframe.

BDO Ebrahim & Company, Chartered Accountants have been re-appointed as Cost Auditors of the Company by the Board of Directors, for the financial year ended December 31, 2016, under approval and in compliance with the criteria specified by the SECP including relevant experience and availability of sufficient qualified staff.

CREDIT RATING

In its first ever credit rating evaluation, FFC was awarded long term rating of AA and short term rating of A1+, indicating high creditworthiness of the Company and signifying its financial strength to realize its financial commitments on timely basis.

CORPORATE AWARDS

PROTECT & SUSTAIN CERTIFICATION

The Company has been able to secure the excellence certification for “Protect & Sustain” from the International Fertilizer Industry Associations (IFA), in recognition of exemplary Safety, Health and Environmental (SHE) standards being maintained by FFC.

PSX TOP COMPANIES AWARDS

Pakistan Stock Exchange has acknowledged commendable performance of the Company by declaring it winner of PSX Top 25 Companies Award for the sixth consecutive year in 2016. 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 second consecutive placement in the top companies list.

BEST PRESENTED REPORT AWARDS 2015

The Company achieved new heights with securing the overall top position in the Best Presented Annual Report competition conducted by the South Asian Federation of Accountants (SAFA) besides retaining its top position in the manufacturing sector in addition to securing additional merit recognitions for good governance and integrated reporting.

The Company also maintained its overall top position in the Best Corporate Report Awards competition for the year 2015 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 Chemicals Sector.

SUSTAINABILITY REPORT AWARD

The Company’s Sustainability Report for the year 2015, prepared in compliance with the principles of Global Reporting Initiative, was awarded the first prize in the Sustainability Report Category by the joint committee of ICAP / ICMAP. This was the 3rd consecutive top placement evidencing high standards of transparency and social and environmental footprint.

RAWALPINDI CHAMBER OF COMMERCE & INDUSTRY (RCCI) PLATINUM AWARD

RCCI presented FFC with the Platinum Award 2015 for the third consecutive year, recognizing the Company’s contribution in terms of investment and payment of taxes amongst other factors

MANAGEMENT ASSOCIATION OF PAKISTAN (MAP)

In recognition of exemplary management standards, the Company was conferred the Management Excellence Award by the Management Association of Pakistan (MAP) in the competition held for the year 2015.

UNITED NATIONS GLOBAL COMPACT (UNGC) AWARD

UNGC (Pakistan Network) has declared FFC as the co-winner in the “Large National Category” of the Business Excellence Awards competition awards for the year 2015.

Lt Gen Shafqaat Ahmed HI (M), (Retired) – CE&MD receiving IFA Protect and Sustain Award

Mr Muhammad Abbas Riaz (SM-F) receiving ICAP / ICMAP Best Presented Annual Report Award 2015

Brig Sher Shah, SI (M) (Retired) receiving RCCI Platinum Award 2015

The award is in recognition to the pioneer role played by the Company through exemplary sustainable and responsible business practices in Pakistan.

FINANCIAL REVIEW

RISK AND OPPORTUNITY REPORT

The Company understands the relationship between risk and value which ensures sustainable wealth creation for our shareholders. FFC analyses internal, external, industry and economic risks in detail to develop targeted mitigating strategies.

KEY SOURCES OF UNCERTAINTY

Preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated 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.

The 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. Detail 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 3 to the Company's financial statements and consolidated financial statements.

STRATEGIC, COMMERCIAL, OPERATIONAL AND FINANCIAL RISKS

All business environments are subject to various risks and FFC has proactively integrated risk management in its culture thus creating effective systems for the timely identification, assessment and mitigation of various risks it is exposed to in the normal course of business. These risks along with our mitigation strategies are detailed in the following sections.

The strategic, commercial, operational and financial risks can emanate 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.

STRATEGIC RISKS

Strategic risks are mostly external which impact the execution of the company's strategic objectives and business strategy decisions. The Board of Directors actively oversees the management of these risk.

COMMERCIAL RISKS

These risks emanate from the commercial substance of an organization. Reduction in an entity's market share, product price regulation or a constitutional amendment posing threat to the organization's profitability and commercial viability are a few examples of this risk affecting the Company.

OPERATIONAL RISKS

Operational risks are such risks which may adversely impact the value of the company caused by internal factors, operational and administrative procedures, such as workforce turnover, supply chain disruption, IT system shutdowns or control failures.

FINANCIAL RISKS

Financial risks are divided in the following categories:

CREDIT RISK

Credit risk is the risk of financial loss to a company if a customer or counterparty to a financial instrument fails to meet their contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments 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 ratings. Management actively monitors credit ratings and given that the Company has invested in securities with high ratings only, management does not expect any counterparty to fail in meeting its obligations.

MARKET RISK

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

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company was awarded a long term rating of AA and short term rating of A1+ during the year, evidencing our strong liquidity position. The Company uses different methods to assist in monitoring cash flow requirements and optimizing its cash return on investments.

The Company ensures availability of sufficient cash, including lines of credit, to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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 FFC's risk management process quarterly, or more frequently if required, 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 talented human resources in each area of critical Company operations
- The System & Technology Committee evaluates the need for technological upgradation in various processes to reduce the risk of obsolescence and inefficiency in plant operations besides determining the capital expenditure requirements to sustain plant efficiencies while keeping control over unnecessary cash outflow
- 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 approval

II. POLICIES & PROCEDURES

Policies and procedures have been adopted by the Board and its committees and integrated into the Company's risk governance framework to ensure management of financial, operational and compliance risks. These are based on best practices, promoting a culture of ethics and values with authority delegated to senior management for appropriate implementation.

III. CONTROL ACTIVITIES

Controls include preventive, detective and corrective activities. Senior management assesses the risks and places appropriate controls to mitigate and respond these risks.

IV. PERFORMANCE MANAGEMENT

Continuous monitoring is carried out to evaluate the effectiveness of implemented controls and identify areas of weakness to devise strategic plans for improvement, which has enabled aversion of majority of performance risks.

V. INTERNAL AUDIT

Internal Audit function operates under the Board approved plan and provides independent and objective evaluations while reporting directly to the Audit Committee on the effectiveness of governance, risk management and control processes.

MITIGATING STRATEGIES

RISK LEVEL	RISK DESCRIPTION	MITIGATING STRATEGY
STRATEGIC RISK		
High	Decline in international price of urea, forcing a local price fall.	Maintaining margins through cost minimization and output optimization besides exploring alternative sources of raw materials.
High	Pricing competition and undue pricing pressure.	Lower fertilizer pricing by competitors due to availability of feed gas at significantly lower rates and undue pricing pressures by the Government, are outside the control of the Company.
Low	Technological shift rendering FFC's production process obsolete or cost inefficient.	Balancing, modernization and replacements with state of the art equipment is carried out at all the production facilities, ensuring our production plants are utilizing latest technological developments for cost minimization and output optimization.
Low	Over-diversification leading to inadequate management expertise for managing investments.	Investing through a thorough diligence process 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.
Low	Investing in companies that yield insufficient returns, tying up shareholders' funds and impacting profitability.	
COMMERCIAL RISK		
High	Increasing production and distribution costs affecting pass-through ability of the Company.	Increase in levies, duties and gas costs are out of the control of the Company. FFC however, is committed to improving operational efficiencies and implementation of effective cost controls to mitigate this risk to the maximum extent possible.
Moderate	Strong market competition lowering demand for FFC's product.	FFC combined with FFBL currently holds 52% urea market share and has a loyal customer base owing to its reputed brand name. Further, continuous efforts are made to sustain premium product quality and production levels, in order to maintain our market share.
Moderate	Supplies and untimely influx of urea imported by TCP.	These variables are outside management control.

RISK LEVEL	RISK DESCRIPTION	MITIGATING STRATEGY
Low	Outdated farming techniques employed by farmers leading to poor crop health and declining per hectare output.	Provision of farm advisory services and establishment of soil & water testing laboratories, micro-nutrient and plant tissue analysis laboratories.
Low	Variations in commodity prices of agricultural products negatively affecting liquidity of customers.	Ensuring provision of locally manufactured fertilizer on affordable rates in addition to credit sales, besides exploration of potential to export.
OPERATIONAL RISK		
High	Gas reserves depletion.	Investing in alternate sources of raw material and power including coal fired boilers, in addition to diversification in non-related sectors.
Low	Turnover of trained employees at critical positions may render the operations incapacitated.	FFC has a detailed succession plan and a culture of employee training and development, continuously promoting and rotating employees within the departments. Formal work procedures and work instructions are also in place to provide guidance regarding any process undertaken by a new employee.
Low	IT security risk.	State of the art IT controls and firewalls are in place to prevent unauthorized access to confidential / proprietary information. Regular system updates, IT audits and trainings are conducted to monitor and minimize the risk of breaches, errors or other irregularities.
Low	Climatic uncertainties including floods, water scarcity and drought.	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 a natural disaster.
Low	Risk of major accidents impacting employees, records and property.	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.
FINANCIAL RISK		
Moderate	Rise in KIBOR rates inflating the borrowing costs.	'Prepayment options' have been incorporated in agreements, which can be exercised upon any adverse movement in the underlying interest rates, hedging the Company against this risk.

FINANCIAL REVIEW

RISK LEVEL	RISK DESCRIPTION	MITIGATING STRATEGY
Low	Default by customers and banks in payments to FFC.	Majority of the sales are either against cash or advance, providing adequate cover against this risk. For credit sales, credit limits have been assigned to customers, backed by bank guarantees. Risk of default by banks has been mitigated by diversification of placements among 'A' ranked banks and financial institutions.
Low	Insufficient cash available to pay liabilities resulting in a liquidity problem.	Treasury management system at FFC is proactive and adequate funds are kept available for any unforeseen situation. Committed credit lines from banks are also available to bridge a liquidity gap, if any. Our credit rating of AA and A1+ denote high credit worthiness of the Company with a strong ability to satisfy all financial commitments.
Low	Fluctuations in foreign currency rates.	FFC's foreign currency exchange rate risk is limited to foreign currency investments and bank balances bearing interest. Any fluctuation in exchange rates would be mitigated to some extent by resultant change in interest rates.
COMPLIANCE RISK		
Low	Modifications in the legal framework by regulatory bodies.	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.
REPUTATIONAL RISK		
Low	Loss of farmer confidence in the 'Sona' brand name adversely impacting sales.	FFC has built its brand recognition through years of quality fertilizer supply in addition to establishing direct relationship with the farming community and shall continue to strengthen this reputation by undertaking enhanced initiatives for farmer awareness through model crop farms and extension of support through our Farm Advisory Centers (FACs) for appropriate / balanced fertilizer application besides sustained provision of premium quality products.
POLITICAL / ECONOMICAL RISKS		
Low	Volatile law and order situation affecting the Country's economy.	This risk cannot be mitigated through internal strategies.
Low	Increased Government intrusion over price regulations and offtake monitoring.	FFC regularly monitors the markets and follows the market prices trying its best to avoid any unnecessary price hikes. Government involvement is beyond the Company's control and has resulted in significant cost absorption by the Company.

OPPORTUNITIES

Opportunities have been discussed on page 39 of the Annual Report 2016 in the 'SWOT Analysis' section.

MATERIALITY APPROACH ADOPTED BY THE MANAGEMENT

Matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. Apart from materiality levels provided under the regulations, determination of levels is judgmental and may substantially vary between organizations.

Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes keeping in view defined materiality levels. Materiality levels are reviewed periodically and are appropriately updated.

The Board's 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.

Powers of the Board of Directors and the management of the Company have been defined with special reference to, and in compliance with the Companies Ordinance, 1984, the Code of Corporate Governance, the Articles of Association of the Company, guidelines and frameworks issued by professional bodies and best practices.

OPERATIONAL REVIEW

During 2016, the Company raised its production benchmark with an ever highest Sona urea production of 2,523 thousand tonnes, on account of restored gas supply and operational efficiencies. The urea output surpassed last year's production by 54 thousand tonnes while contributing around 42% to the total indigenous urea production during 2016 and an aggregate contribution of 54 million tonnes since inception of the Company.

In view of the declining gas pressures due to diminishing gas reservoir, the Company has devised a long term sustainability plan which includes installation of gas compressors to improve the diminishing pressure besides evaluating various alternate fuel options including LNG, coal, SNG, power wheeling etc, to ensure sustainable operations.

PLANT I & II

GOTH MACHHI

Plants I & II achieved combined output of 1,664 thousand tonnes, higher by around 3% compared to the preceding year, driven by increased urea output by Plant-II and sustained production by Plant I at 841 thousand tonnes despite planned maintenance turnaround of 16 days. The plantsite also attained an overall nameplate capacity utilization factor of 125%, highest in the last five years.

MAJOR PROJECTS

NATURAL GAS COMPRESSION PROJECT

As part of production sustainability, natural Gas compression project [Phase-III - Part-1] initiated last year was successfully commissioned in 2016 as per schedule. The project has ensured availability of required gas pressure for the Plant's operations to maintain existing production levels.

INSTALLATION OF RAW WATER PIPELINE

To ensure persistent water supply to the plantsite, replacement of existing pipeline, which has been in use since inception of the Company, is underway and expected to be completed by 2017.

PLANT – I MAINTENANCE TURNAROUND 2016

Subsequent to recording a production of 2.50 million tonnes since last turnaround in 2013, the 17th maintenance turnaround of Plant–I was undertaken in March 2016. As per tradition, FFC was able to complete the activity earlier than planned, without incurring any incident or injury.

Significant jobs handled during the turnaround to improve reliability, sustainability and energy efficiency are as follows:

- Replacement of catalyst in the primary and secondary reformers
- Re-lining of shell courses of urea reactor
- Replacement of governor for CO_2 compressor turbine
- Overhauling of generator rotor and stator re-wedging
- Replacement of rotor and bearing of CO_2 compressor

- Overhauling of load gear box of gas turbine
- Overhauling of Synthesis and process air compressors
- Overhauling of Ammonia Turbine
- Replacement of BFW Preheater (Exchanger 501A)

PLANT III

MIRPUR MATHELO

During 2016, Company's manufacturing facility at Mirpur Mathelo, set new benchmarks with highest ever daily, monthly and annual production records. The plant manufactured 859 thousand tonnes of urea, higher by over 1% compared to last year.

Maintenance of air compressor and rotor bearings was undertaken in 2016, which resulted in an operations shut down of 25 hours. Synthesis compressor thrust bearings and other inspections were carried out during the shutdown period to ensure optimal production efficiency of the Plant and avoid production interruptions in the future.

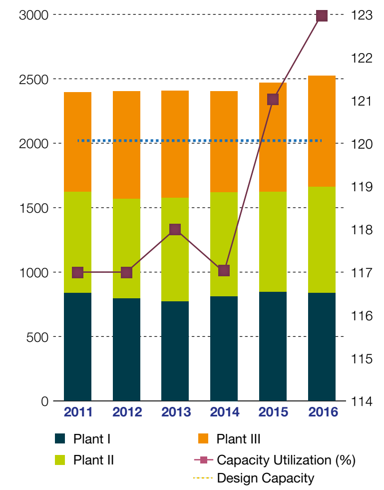
The Plant recorded 8.0 million man hours of safe operations at end of the year, signifying the Company's commitment to employee safety.

MAJOR PROJECTS

NEW GAS LINE FROM MARI GAS FIELD

The new gas line from Mari gas field to plantsite was successfully laid down in February 2016 well before the scheduled time and with considerable cost savings compared to the budgetary estimates. The

PLANT WISE PRODUCTION
(Thousand tonnes)



pipeline has helped recover pressure-drops and realized significant energy savings besides enhancing urea production.

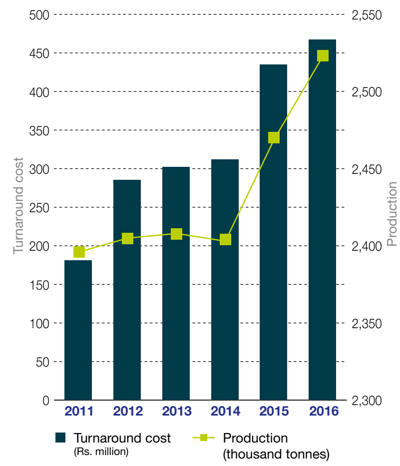
NEW NATURAL GAS COMPRESSOR & UP-RATING OF EXISTING COMPRESSOR

In view of declining gas pressure, procurement and installation of two new gas compressors is underway, which will sustain current production levels. Existing compressor of Plant-III was uprated in January 2016 and has resulted in substantial savings in compression expenditure for the Company.

STACK REPLACEMENT OF COOLING TOWER FANS

Maintenance of cooling tower cells was carried out to improve efficiency, while existing concrete stacks were replaced with improved fiberglass design for enhanced reliability of fan operations.

TURNAROUND COST
(Rs in million)



SUBSTITUTION OF BENFIELD SOLUTION ACTIVATOR

Existing activator being used at the plantsite for Benfield process is being replaced with a more effective alternative, which will reduce slippage of CO_2 gasses.

EXTENSION OF TECHNICAL SERVICES

Technical excellence of the Company in the areas of installation and commissioning of new plants, maintenance and inspection services has long been recognised in domestic and international markets. Our technical teams have frequently conducted such assignments with distinction. Besides, our well-equipped training center caters to the training needs of own staff and participants from domestic industry as well.

MARKETING OVERVIEW

INTERNATIONAL FERTILIZER MARKET

The international fertilizer market remained depressed in 2016 as fertilizer demand registered a lower growth of 3% compared to a higher increase of over 5% in global fertilizer supply. This oversupplied situation resulted in lower fertilizer prices caused by intensified supply competition to stimulate demand and offload inventories with international urea prices declining by over 22% to a 12 year low of US $ 185 per tonne during the year.

International DAP prices also followed the declining trend with prices plummeting from US $ 400 per tonne at beginning of the year, to a 7 year low of US $ 290 per tonne during 2016.

DOMESTIC FERTILIZER MARKET

Despite better capacity utilization in 2016 owing to better gas availability, industry offtake during the first half of the year remained severely pressurized due to poor farm economics, delay in implementation of subsidy mechanism and weak commodity prices. Government's announcement of subsidy of Rs 156 per bag on urea and Rs 300 per bag on DAP towards the end of June, provided a much needed stimulus for the industry with second half of the year showing a marked improvement in offtake.

UREA

Urea industry created a new production benchmark of 5,996 thousand tonnes, recording an increase of 13% over 2015, resulting in no urea import during the year. Offtake for major part of the first half of 2016 remained suppressed while the post subsidy period recorded an increase of around three and a

half times in offtake over the first half, with aggregate urea offtake of 5,500 thousand tonnes for the year 2016, in line with last year. However, the industry carried the highest ever inventory of 1,038 thousand tonnes into 2017, on account of higher production during the year.

DAP

Lower international prices and favourable domestic market resulted in slightly higher DAP imports of 1,280 thousand tonnes compared to last year, which in combination with the subsidy scheme, resulted in highest ever industry offtake of 2,241 thousand tonnes, showing an improvement of 22% over last year, with a closing inventory of 111 thousand tonnes, 60% lower than last year.

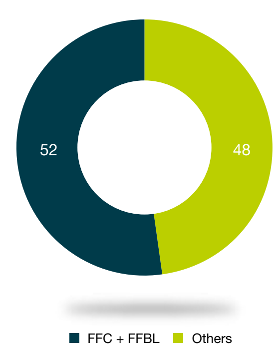
FFC MARKETING

Our vast dealer network, which is spread over 3 zones, 13 regions and 63 sales districts and is supported by 194 warehouses across Pakistan, ensures timely delivery of our products to the farming community. The Company strives to improve farming community's competencies by providing various training, support and advisory services to over 60 thousand farmers through its Agri. Services Department. The department works closely with farmers through its Farm Advisory Centers and imparts knowledge on latest technology, modern farming techniques, besides providing soil and water analysis. Our services not only contribute to uplifting of the farming community but also reflect positively on the economy through improved crop yields.

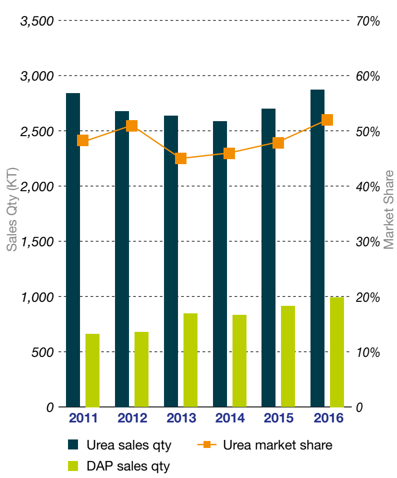
The Company also conducts a bi-annual "Customer Satisfaction Measurement Survey" to obtain feedback from its customers besides obtaining farmer feedback to improve its quality of service.

FFC recorded Sona urea (prilled) sales of 2,428 thousand tonnes, 1% higher than last year despite the severely adverse marketing conditions, weak farm economics and delayed announcement of Subsidy Package. FFBL's Sona urea (granular) recorded sales of 443 thousand tonnes,

UREA MARKET SHARE
(Percentage)



UREA & DAP COMBINED PERFORMANCE
(FFC / FFBL)



improving by 53% compared to last year due to better product availability, resulting in a combined urea market share of 52%, compared to 48% of 2015 and also the highest during the last 7 years. (Source: NFDC)

Imported FFC DAP sales stood at 202 thousand tonnes, showing a significant improvement of more than 22% over last year. Sales of Sona DAP on behalf of FFBL, were recorded at 791 thousand tonnes, 5% higher than last year, which translated into the highest ever combined DAP sales by FFC and FFBL of 993 thousand tonnes. However, due to 14% higher industry sales compared to 2015, combined DAP market share was recorded at 44% compared to 50% of last year. (Source: NFDC)

GEOGRAPHICAL PRESENCE

PROVINCE WISE SALES ANALYSIS

PUNJAB

Despite an unsupportive market, the Company increased its share in the largest fertilizer consuming province of Pakistan by 3% to 48%, positively reflecting on our brand preference by the farming community. Offtake in Punjab was recorded at 1,683 thousand tonnes of Sona urea (prilled) in 2016, higher by 1% compared to last year and represented 69% of the Company's total sales. FFC & FFBL's urea offtake aggregated to 1,972 thousand tonnes, higher by 6% compared to last year and represented 36% of total sales by the industry as compared to 33% last year.

DAP demand increased in the province during 2016 and FFC sold 149 thousand tonnes of imported DAP, whereas sales of Sona DAP were recorded at 607 thousand tonnes showing an improvement of 9% compared to 2015.

SINDH

Maintaining our focus to increase sales in the Sindh province, Sona urea (prilled) sales were recorded at 465 thousand tonnes, in line with the 5% increase in total urea sales witnessed by the province.

Combined market share in the province rose by 4% to 40% driven by 66% increase in Sona urea (granular) sales by FFBL, bringing aggregate urea offtake in Sindh to 610 thousand tonnes.

Imported DAP sales in Sindh recorded significant increase of 86% at 40 thousand tonnes while Sona DAP sales remained in line with last year at 126 thousand tonnes. Aggregate DAP sales of 166 thousand tonnes represented 34% share in Sindh and 17% of total company sales in the Country.

KHYBER PAKHTUNKHWA

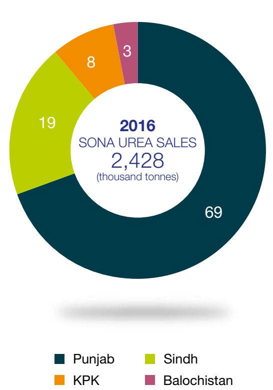
Combined urea sales of FFC / FFBL aggregating to 208 thousand tonnes were slightly lower by 2% compared to last year, whereas imported and Sona DAP sales registered an increase of 5% compared to 2015.

BALOCHISTAN

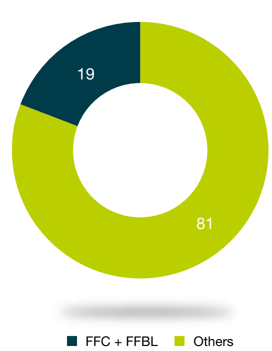
Sona urea (prilled) sales decreased by 21% to 80 thousand tonnes due to lower demand, whereas, combined urea sales of FFC and FFBL also decreased to 81 thousand tonnes compared to 105 thousand tonnes recorded last year.

Sona DAP sales in Balochistan were 19 thousand whereas combined sales of 22 thousand tonnes were recorded during the year.

PROVINCE WISE SALES
(Percentage)



UREA CLOSING INVENTORY SHARE
(Percentage)



HUMAN CAPITAL

The Company recognizes its Human Capital as a core part of its business sustainability and growth. The human capital function promotes a safe and conducive environment for the development of our employees, which creates commitment and increases productivity. FFC recognizes that in order to retain the Company's market leadership; hiring, retention and training of talented employees is an imperative and continuous process.

Since the last 3 decades, FFC has been on the forefront of advocating equal opportunities including alleviation of gender discrimination in the Country, a principle that is instilled in our human capital strategy. The Company provides one of the most rewarding career opportunities in the Country while providing a motivating working environment, thereby attracting competent professionals, and transforming them into future global leaders.

HEALTH CARE

The Company has provided health care facilities at its Head Office and Plantsites for employees and their dependents. These facilities are equipped with state of the art equipment and trained medical staff capable of handling any emergency situation.

ERP SOLUTIONS FOR HUMAN CAPITAL

The Company has an effective and dynamic HR function, equipped with state of the art ERP solution to address all employee related matters including training, performance evaluation, career development and succession planning in a transparent and non-discriminatory manner while promoting a culture of integrity and compliance with the Company's Code of Conduct.

RETIREMENT BENEFIT PLANS

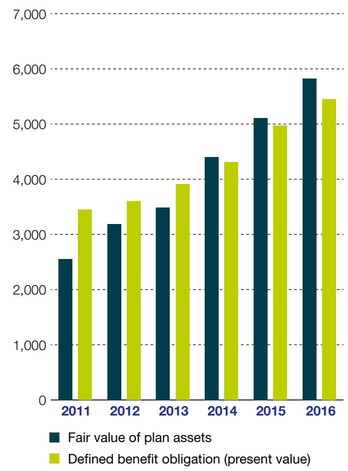
Catering to the post retirement wellbeing of the employees and providing them with continued financial independence, FFC has put in place a number of retirement benefit plans, including funded gratuity and pension schemes, a contributory provident fund, besides provision of compensated absences.

As at December 31, 2016, fair value of plan assets of the Company's funded gratuity and pension schemes stood at Rs 2.26 billion and Rs 3.56 billion respectively, representing an aggregate increase of Rs 0.71 billion compared to last year. Details of retirement benefit funds have been disclosed in note 11 to the financial statements.

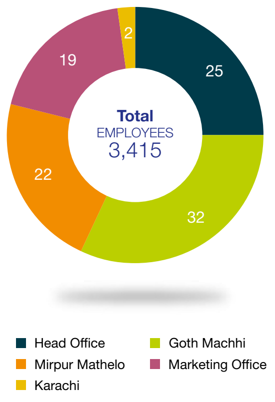
SUCCESSION PLANNING

Succession planning is elaborated on page 83 of the Annual Report 2016.

RETIREMENT BENEFIT – ASSET & LIABILITIES
(Rs. in million)



EMPLOYEES' DISTRIBUTION
(Percentage)



INFORMATION TECHNOLOGY

The Company has a clear strategy on incorporating Information Technology in all of its functions by using latest equipment and best practices, which streamlines business processes, increases efficiency and ensures accurate information processing. To maintain competitive advantage the Company leverages its IT competencies for timely decision making and gathering market intelligence, while exploring new innovations in the IT industry which can be implemented by FFC.

First surveillance audit of ISO 27001:2013 certification for FFC's information security management system, was conducted during 2016 with zero non-conformances. In house development of electronic record storage solutions has been developed in line with the Company's cost optimization strategy besides saving on storage space.

Our IT governance policy and technological infrastructure are aligned to promote transparency, accountability and feedback, in addition to safeguarding Company information / data bank and maximizing the return on investment in technology through efficient spending.

REVIEW BY THE BOARD OF DISASTER RECOVERY & BUSINESS CONTINUITY PLANNING

The Company's effective Disaster Recovery System is adequately designed to respond in the event of disruptions / disasters for sustained business operations in addition to protection of Company's assets, employees, intellectual property and IT infrastructure without compromising customer satisfaction.

SAFETY & SECURITY OF IT RECORD

Record safety is ensured through implementation of FFC's 'Safety of Records' policy which ensures security of all electronic data / record by including access controls besides 'real-time' on-site and remote backup of all data.

DISASTER RECOVERY PLANNING

The Company has established an alternate Disaster Recovery Site (DRS) as part of its business continuity plan with availability of backup servers to ensure sustainable operations in case of any unforeseen adverse events or disasters.

A Storage Area Network (SAN) has been integrated with FFC Private Cloud virtual storage which provides real time virtual machine failback, near zero downtime in case of server failures and advanced replication, enhancing overall security architecture of the organization.

Detailed set of policies and procedures have been designed to provide smooth transition of operations from primary site to DRS with assigned responsibilities of critical roles which ensures recovery of data, communications and network operations in the event of an unexpected and unscheduled interruption.

BUSINESS CONTINUITY PLANNING

Sustainable operations during any disaster / calamity are critical in today's business environment, keeping this in view the Company has implemented a comprehensive Business Continuity Plan (BCP) which is constantly updated and tested by the business continuity function. The plan ensures effective response to any adverse eventuality with minimal disruption and maintaining competitive advantages.

Stakeholders from critical functions throughout the Company have been involved in the system for identification and mitigation of critical activities and disruptions therein. In addition, Business Continuity Planning (BCP) also serves the following purposes:

EMPLOYEES

Ensures employee satisfaction regarding the Company's ability to ensure their safety and security.

INVESTORS

Promotes investor confidence and trust in FFC's ability to adequately withstand any difficulty for sustained enterprise value.

ORGANIZATION

A successful Business Continuity Plan helps in sustaining the Company's corporate image, brand and reputation.

CUSTOMERS

Assures customers that effective measures are in place for the Company to continue fulfilling its commitments towards them in case of any unforeseen events.

CORPORATE GOVERNANCE

FFC acknowledges that long term sustainable success is driven from good governance to protect stakeholders' values. The Board of Directors has developed a robust governance mechanism surpassing the legal requirements and regularly evaluates the processes to ensure sustainable stakeholders' value.

Transparency, accountability and adherence to ethical practices lie at the core of FFC's practices and are implemented through the **Code of Conduct**, corporate governance regulations, **the Code of Business Ethics**, sound internal controls and the **Whistle Blowing Policy**.

COMPLIANCE WITH THE BEST CORPORATE PRACTICES

Report of the Board's Audit Committee on adherence to the Code of Corporate Governance, statement of compliance by the Chief Executive & Managing Director of the Company with the Code of Corporate Governance, besides review report by the Company's Auditors are attached with this Report on pages 102, 104 and 106.

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 11 to the financial statements.

ETHICS AND COMPLIANCE

Ethical behaviour is encouraged in all aspects of business conduct and decision making through conformance with a comprehensive ethics and compliance framework established by the Company. Principles of the framework together with the Code of Conduct have been disseminated to all employees and is available on the Company's website, in compliance with the Code of Corporate Governance. FFC also maintains and regularly updates an inside information registar, in compliance with applicable regulatory requirement. The Company regularly monitors compliance with the framework and applicable regulations to promote stakeholders confidence in the business practices of FFC leading to sustained business growth of the Company while aiding in identification and redressal of grievances arising as a result of any unethical practice.

CONFLICT OF INTEREST AMONG BOARD MEMBERS

In order to avoid any known or perceived conflict of interest, formal disclosure of vested interests is encouraged under the Code of Business Ethics implemented by the Board. The Code comprises of not only the principles provided under the regulatory requirements but encompasses global best practices as well.

Board members' suggestions / comments during their proceedings are accordingly recorded for evaluation, in addition to description and quantification of any conflict of interest prior to finalization of the agenda points.

IT GOVERNANCE POLICY

Recognizing IT governance as a critical part of overall corporate governance, the Company has aligned itself to efficiently use Information Technology resources in achieving its operational and strategic objectives while increasing shareholders' value.

The Company stays abreast with contemporary technologies by constantly updating its IT resources which enables delivery of prompt sound advice and assists management in the decision making process, while effectively mitigating associated risk.

Keeping a pragmatic approach to IT governance, FFC has initiated adoption of Information Technology Infrastructure Library (ITIL) / COBIT5 best practices. The Company is fully committed to ensuring implementation so that business and IT services run in line with global standards.

FFC's IT Governance Policy encompasses:

- 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
- Securing data
- Keeping the IT function proactive from an innovation perspective, providing ideas to the business
- Influencing development and design of technology services, policies and solutions
- Maximizing return on technology investment with controlled spending, while providing FFC with a coherent and integrated IT architecture and management structure
- Ensuring compatibility, integration and avoidance of redundancy

WHISTLE BLOWING POLICY

In view of the Company's commitment for transparency and ethical behaviour in business conduct, an effective Whistle Blowing Mechanism has been implemented. The Mechanism provides a platform for recording alerts raised by employees, management, Board of Directors and other stakeholders, against possibility of occupational fraud, non-compliance with Company policies, Code of Conduct and ethics and regulatory framework in a transparent and efficient manner to maintain accountability and integrity in all areas of Company operations.

The policy encourages employees to report concerns directly to immediate supervisors or senior level management, if the issue so warrants. Business stakeholders are also encouraged under the policy to raise questions and concerns, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

The Company has clarified that false or inappropriate accusations are specifically forbidden. Consequences have been clearly defined for the persons making false accusations resulting in wrongful convictions.

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

INSTANCES DURING THE YEAR

During the year all minor events requiring management's attention were properly addressed and messages were disseminated across the Company for avoidance of such incidents in future. No material instance was reportable to the Audit Committee regarding improprieties in financial, operating, legal or other matters of the Company.

HUMAN RESOURCE MANAGEMENT POLICY & SUCCESSION PLANNING

The Company has a demonstrated track record of employing talented human resources across all its

CORPORATE GOVERNANCE

functions, which ensures availability of competent personnel for each department, in terms of an individual's potential, qualification, period of service and professional attitude amongst other factors.

At FFC, we form and retain a motivated workforce fully equipped to steer the Company towards achieving its vision and mission through our consistent focus on grooming by way of training and development in addition to providing them with market commensurate compensation packages. This is in line with Company's progressive and forward looking Succession Planning Policy, which transforms existing talent into a competent workforce capable of occupying future strategic positions.

The Policy is constantly updated in line with the Company's requirements and career growth objectives.

The Human Resource strategy is continually redeveloped and redefined by proactively anticipating, evaluating and evolving itself to meet the emerging needs and challenges faced by the Company, while promoting diversity including representation of genders and special persons, in an equitable and unbiased manner.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

The Company has consistently demonstrated its steadfast commitment by acting responsibly towards its connected community and environment. We believe that success of the Company is best reflected in development of the community.

Being member of UN Global Compact, our mandate, vision and goal is aligned with international thrust towards a sustainable and prosperous tomorrow. Our Social and Environmental practices and interventions have been detailed in the section relating to '**Corporate Social Responsibility**', with the following distinct features:

- Community investment & welfare schemes
- Energy conservation
- Rural development programs
- Environmental protection measures
- Occupational health & safety
- Corporate Social Responsibility
- Business ethics & anti-corruption measures
- Consumer protection measures
- Industrial relations
- Employment of special persons
- National cause donations
- Contribution to National Exchequer

STAKEHOLDERS' ENGAGEMENT

FFC believes that Company value depends on the trust placed in us by our stakeholders and promotes dialogue with them. The Company's '**Stakeholders' Engagement**' process ensures management communication with all stakeholders across the spectrum of its activities. This promotes improved risk management, compliance with regulatory and lenders' requirements, enhanced corporate image and overall growth of the Company and places great emphasis on the development of sustained stakeholders' relationships.

During 2016, the Company launched its eProcurement System, whereby suppliers and contractors can register as part of Company supply chain with respect to goods and services, become aware of, and bid on upcoming tenders besides obtaining other useful information.

FREQUENCY OF ENGAGEMENTS

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

Frequency of engagements is based on the corporate and business requirements as laid down by the Code of Corporate Governance, contractual obligations or as and when required. Employee communication is undertaken through in-house newsletters, televised broadcasts, employee portals and electronic bulletin boards. Page 29 of the Annual Report 2016 details on the mode of engagement in addition to their impact on Company's operations of the following stakeholders:

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

INVESTORS' RELATIONS SECTION ON FFC WEBSITE

The Company disseminates information to its investors and shareholders through a mix of information exchange platforms, including its corporate website, maintained in both English and Urdu languages under the applicable regulatory framework. The website is updated regularly to provide detailed and latest Company information including but not limited to business strategy, financial highlights, investor information, dividend history and other requisite information besides the link to SECP's investor education portal, the '**Jamapunji**'.

In order 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

Queries including any grievances and information requests lodged by shareholders or potential investors are handled on priority by the Company in accordance with the statutory guidelines. The Company caters for the information requested by investors as allowed under the applicable regulatory framework in addition to specific queries relating to their investment, dividend distribution or circulation of regulatory publications of the Company.

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

- Apprising investors regarding various modes for filing queries
- Ensuring timely response to investor grievances
- Unbiased and impartial handling of grievances are 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
- Investigations are also carried out to inquire whether the cause of the grievance was a weakness in the system or negligence / willful act on part of any employee
- Appropriate remedial action is taken immediately to ensure avoidance in the future

POLICY FOR SAFEGUARDING OF RECORDS

Company policy for safety of records, extends beyond the regulatory requirements, and falls in the ambit of a comprehensively formulated Business Continuity Planning (BCP) which provides for preservation of Company records of significant or permanent value for periods exceeding the legally stipulated timeframe in an efficient, secure and easy to retrieve manner.

The records include books of account, documentation pertaining to secretarial, legal, contractual, taxation and other matters, have been archived on need basis in a well preserved manner as follows:

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

COMPOSITION OF THE BOARD OF DIRECTORS

The Company not only conforms to the regulatory requirements on the composition and qualification of the Board of Directors but also keeps its internal requirements in view, which ensures transparency, good governance and awareness of Board responsibilities for smooth functioning of business operations.

Directors' detailed profiles including the names, status (independent, executive, non-executive), in addition to industry experience and directorship of other companies, have been provided in the beginning of the Annual Report 2016. The status of directorship (independent, executive, non-executive) is indicated in the Statement of Compliance with the Code of Corporate Governance, issued by the Company.

The Board consists of 13 directors, effectively representing the interest of shareholders including minority

CORPORATE GOVERNANCE

stockholders. There are 12 non-executive directors and only 1 executive director, exceeding the legal requirement of 25% representation by non-executive directors. The non-executive directors include 4 independent directors and 2 representing the non-controlling / minority interests, with two independent and two other non-executive directors possessing relevant industry experience.

FFC's Board of Directors comprises of a skillfully diverse group of highly qualified professionals from varied disciplines, including the Armed Forces, engineering, commerce, Government and financial sector to ensure effective, efficient and independent decision making and lends a unique combination of knowledge, experience and expertise to run the affairs of the Company. Furthermore, gender diversity is also encouraged on the Board.

COMPOSITION OF THE AUDIT COMMITTEE

Four non-executive directors are members of the Audit Committee, whereas the Chairperson is an independent non-executive director.

The Committee comprises of a diverse skill base. One member of the Committee is a Chartered Accountant whereas another holds a Doctorate in Economics, lending significant financial, accounting as well as economic expertise to the proceedings of the Committee.

The Internal Audit Department, being a key component of the Company's internal control and risk governance framework, provides independent and objective evaluations on the effectiveness of the control environment including governance and risk management with the Head of internal audit reporting directly to the Audit Committee.

COMPOSITION OF HUMAN RESOURCE AND REMUNERATION COMMITTEE

The members of the Human Resource and Remuneration Committee are not involved in the management of the Company nor are connected with any business or other relationships that could interfere materially with, or appear to affect, their judgment.

All the three members are non-executive directors, and the CEO does not hold membership of this Committee.

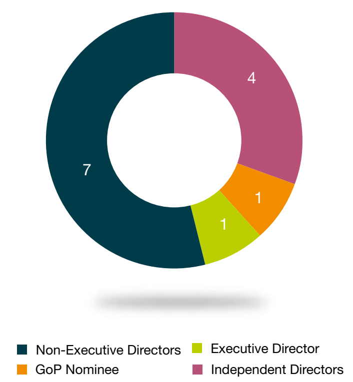
MEETINGS OF THE BOARD

Under the applicable regulatory framework, the Board is legally required to meet at least once in every quarter to ensure transparency, accountability and monitor Company's performance. Special meetings are also held during the year to discuss important matters as and when required. In 2016, the Board held 5 meetings, notices / agendas of which were circulated in advance, in a timely manner and in compliance of applicable laws.

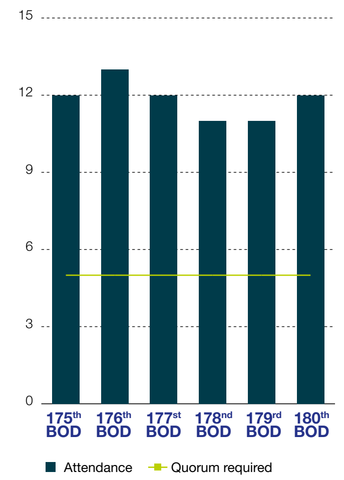
All meetings of the Board held during the year surpassed the minimum quorum requirements of attendance as prescribed by the applicable regulations and were also attended by the Chief Financial Officer and the Company Secretary.

All decisions made by the Board during the meetings were clearly documented in the minutes of the meetings maintained by the Company Secretary, and were duly circulated to all the directors for endorsement and were approved in the subsequent Board meetings.

COMPOSITION OF NON-EXECUTIVE & EXEUTIVE DIRECTORS (Numbers)



ATTENDANCE AT BOD MEETINGS (Numbers)



BOARD MEETINGS HELD OUTSIDE PAKISTAN

The Company conducted all its Board meetings in Pakistan under the implementation of cost economization drive despite provisions by SECP and progress on our offshore diversification in Tanzania.

NAME OF DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Lt Gen Khalid Nawaz Khan, HI (M) (Retired)	5	5
Lt Gen Shafqaat Ahmed, HI (M) (Retired)	5	5
Mr. Qaiser Javed	5	4
Dr. Nadeem Inayat	5	5
Engr Rukhsana Zuberi	5	5
Mr. Farhad Shaikh Mohammad	5	4
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)	5	5
Brig Dr. Gulfam Alam, SI (M) (Retired) *	1	1
Mr. Shahid Ghaffar	5	5
Ms. Nargis Ghaloo *	3	3
Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired)	5	5
Mr. Muhammad Arif Azim *	1	1
Mr. Per Kristian Bakkerud	5	2
Mr. Khizar Hayat Gondal *	4	3
Brig Raashid Wali Janjua, SI (M) (Retired) *	4	4
Mr. Shoaib Mir *	2	2

** Mr. Khizar Hayat Gondal appointed in place of Mr. Muhammad Arif Azim w.e.f April 11, 2016*
Brig Raashid Wali Janjua, SI (M) (Retired) appointed in place of Brig Dr. Gulfam Alam, SI (M) (Retired) w.e.f April 21, 2016
Mr. Shoaib Mir appointed in place of Ms. Nargis Ghaloo w.e.f September 27, 2016

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

FFC's Board has remained committed to its primary objective of sustained value creation for its esteemed shareholders in a transparent and efficient manner. Directors are aware of the immense level of trust assigned to them by the shareholders for ensuring operational efficiency of the business besides safeguarding their interests.

The Board is responsible for decision making, in compliance with the legal framework, which are taken after due deliberations in their meetings. These include but are not limited to, appointment of key management positions, approval of budgets for capital expenditures, investments in new ventures and approval of related party transactions. Financial statements of the Company, including interim and final dividends and review of internal / external audit observations regarding the overall control environment including effectiveness of the control procedures, are also approved by the Board.

An independent Internal Audit Department continuously oversees adherence to Company policies, which have been devised by the Board for the conduct of Company's business. The Board has tasked the Audit Committee to monitor compliance at least once every quarter of the year.

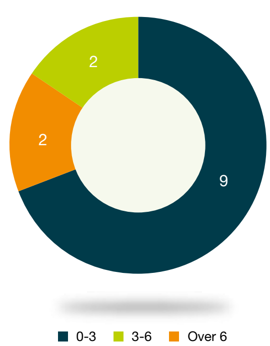
CHANGES TO THE BOARD

The current term of the directors shall stand completed in September 2018 when fresh elections will be held for appointment of directors through an extraordinary general meeting of the shareholders.

The Board would like to record its appreciation for the invaluable contributions rendered by the outgoing directors, Brig Dr. Gulfam Alam, SI (M) (Retired), Ms. Nargis Ghaloo and Mr. Muhammad Arif Azim.

The Board also welcomes Mr. Khizar Hayat Gondal, Brig Raashid Wali Janjua, SI (M) (Retired), Mr. Shoaib Mir 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

DIRECTORS' TENURE (years)



CORPORATE GOVERNANCE

perspective and spirit towards the progress of the Company.

DIRECTORS' REMUNERATION

The remuneration packages of the directors are formulated under a transparent and formal procedure, in compliance with legal requirements with no involvement of directors in the determination of their own remuneration.

Remuneration packages for the directors are established to attract and retain experienced and well-qualified directors encouraging value creation within the Company. These remuneration packages are subject to prior approval of shareholders as per the requirements of the regulatory framework and internal procedures while ensuring that they are not at a level that could be perceived to compromise the independence of non-executive directors.

EVALUATION OF BOARD'S PERFORMANCE

FFC annually circulates evaluation proforma, developed in conformity with the Code of Corporate Governance and in line with best Global practices, to the directors, for evaluation of their performance as an entity based on the following factors:

- Board composition, organization, scope etc.
- Board functions and responsibilities
- Monitoring of Company's performance

The duly filled proforma along with their comments are returned to the Company Secretary, while exercising high levels of confidentiality.

Completed forms are then evaluated through dedicated software to identify areas requiring improvement and differences of opinion. The results are subsequently discussed in detail in the next Board meeting to address the highlighted areas and improve the Board's performance.

OFFICES OF THE CHAIRMAN & CEO

To promote transparency and good governance practices, position 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 and distinctly defined by the Board and have been formally documented. The Chairman represents the non-executive directors of the Board and is entrusted with the supervision of the Board's proceedings.

The Chairman provides the overall strategy and vision for an effective Board, by assessing and making recommendations on the efficiency of the committees and individual directors in fulfilling their responsibilities, besides avoidance of conflicts of interests. He also has the power to set the agenda, give directions and sign the minutes of the Board meetings.

Chief Executive Officer is an executive director who also acts as the head of the Company's Management in the capacity of Managing Director. He is authorized for implementing the Board's policies within delegated limits besides the responsibilities which include:

- Sustainable growth of shareholder value
- Identifying risks and designing mitigation strategies
- Compliance with regulations and best practices
- Implementation of projects approved by the Board
- Identification of potential diversification / investment projects
- Development of human capital and good investor relations
- Ensuring effective functioning of the internal control system
- Safeguarding of Company assets
- Preservation and promotion of the Company's corporate image

CEO's PERFORMANCE REVIEW BY THE BOARD

The Board appoints the CEO for a term of 3 years, in compliance with applicable laws and his performance is reviewed annually based on the yearly business KPIs assigned to him, besides his responsibilities under the regulatory framework.

His achievements during the year 2016 are demonstrated by increased market share and healthy margins despite adverse market conditions, implementation of effective cost controls, besides launching of domestic and international product portfolio of Company's food project. The Board is also satisfied over the developing progress on the Company's diversification projects, continuous evaluation of new investment opportunities, and recognition of transparency and good governance at domestic and international levels. The CE&MD establishes annual goals for the management and apprises the progress thereof to the Board.

FORMAL ORIENTATION AT INDUCTION

New Board members are taken through a detailed orientation process upon induction along with an extensive training schedule to enhance their governance and managerial skills.

A formal orientation and familiarization program mainly features the following:

- Company's visions and strategies
- Organizational / group structure, subsidiaries, associates and other related parties
- Role and responsibility of the director as per the Companies Ordinance, 1984 including Code of Corporate Governance and any other regulatory laws applicable in Pakistan
- Major risks both external and internal, 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:
    - o Strategic plans
    - o Market analysis
    - o Forecasts, budget and 5 year projections
    - o Latest financial statements
    - o Important minutes of past meetings
    - o Major litigations, current and potential
    - o Policy in relation to dividends, health & safety, environment, ethics, corporate social responsibility, anti-corruption, whistle blowing and conflict of interest, among others

International training courses are provided to the Board members, where managerial skills and latest best management practices and policies adopted by leading corporations across the globe are imparted to them.

DIRECTORS' TRAINING PROGRAM

Surpassing the requirements of Code of Corporate Governance to obtain Directors' Certification by 2018, all directors on FFC Board were appropriately certified by April 2014 from SECP approved institutions. However, due to subsequent changes in the Board composition, three members of the Board are yet to obtain the requisite certification which are scheduled during the current year to ensure certification of the entire FFC's Board.

The following directors hold certification from SECP approved institutions:

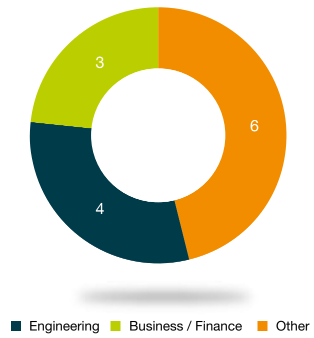
1 Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retired)

2 Lt Gen Shafqaat Ahmed, HI (M) (Retired)

3 Mr. Qaiser Javed

4 Dr. Nadeem Inayat

DIRECTORS' QUALIFICATION



5 Engr Rukhsana Zuberi

6 Mr. Farhad Shaikh Mohammad

7 Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)

8 Mr. Shahid Ghaffar

9 Mr. Per Kristian Bakkerud

10 Mr. Shoaib Mir

ISSUES RAISED AT LAST AGM

Although general clarifications were sought by the shareholders on Company's published financial statements during the 38th Annual General Meeting of the Company held on March 17, 2016, no significant issue was raised.

TRADING IN SHARES BY DIRECTORS AND EXECUTIVES

254,100 shares of FFC were traded by the executives during the year while 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.

CORPORATE GOVERNANCE

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.

REVIEW OF RELATED PARTY TRANSACTIONS

The Audit Committee reviews details of all related party transactions, before approval by the Board in view of recommendations made by the Audit Committee, under the applicable framework.

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

In compliance with requirements of applicable regulatory framework, the CE&MD and Chief Financial Officer duly endorsed periodic financial statements of the Company for circulation to the directors. Quarterly financial statements of the Company, along with consolidated financial statements of the Group, were approved, published and circulated to shareholders within one month of the closing date, while Half-Yearly financial statements of the Company duly reviewed by the external auditors, besides consolidated financial statements of the Group were published and circulated to shareholders within the permitted time of two months.

The annual financial statements along with consolidated financial statements of the Group have also been audited by the external auditors and approved by the Board within one month after the closing date and will be presented to the shareholders in the upcoming Annual General Meeting for approval.

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

AUDITORS

KPMG Taseer Hadi & Co., Chartered Accountants have completed the annual audit for the year ended December 31, 2016, 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, 2017.

The Audit Committee has recommended the reappointment of KPMG Taseer Hadi & Co., Chartered Accountants as External Auditors of the Company for the upcoming financial year, at a fee of Rs 1,650,000.

PATTERN OF SHAREHOLDING

During the year, the Sponsors, Directors and Executives of the Company held the following number of shares:

Particulars	Number of shares held as at December 31, 2016
Sponsors	564,204,254
Directors	1,000,200
Executives	7,600

A detailed pattern of shareholding is disclosed on page 212 of the Annual Report 2016.

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY

With sustained direct contribution to the society of over 1% of net earnings despite declining margins during 2016, besides continued extension of technical services to the farming community and undertaking environment friendly projects, FFC stands focused on our responsibility towards social, ethical and environmental aspects of the society,

Our project for capacity building of farmers launched in 1982 still remains in force while our membership of UN Global Compact allows us to discharge our commitment for improvement in the areas of human rights, labour, environment and anti-corruption through adoption of UNGC's "Principle-based framework".

Interests of all our diversified stakeholders and business partners including the farmers, the communities surrounding our areas of operations, welfare organizations, the Government bodies as well as the society at large have been inculcated in all spheres of our operations through the following broad interventions:

- Disaster relief and rehabilitation
- Environmental preservation
- Community support and uplift
- Development of health care facilities
- Energy conservation
- Provision of education
- Development of partnerships with reputable social organizations
- Promotion of sports in the Country

MITIGATING THE ADVERSE IMPACT OF INDUSTRIAL EFFLUENTS AT FFC PLANTS

Protection of the environment from industrial effluents is a major concern of the Company and we have therefore implemented the 'ISO 14001 Environment Management System' at Plantsites as well as the Head Office to mitigate the detrimental effects of industrial effluents in accordance with international standards. Projects undertaken last year continue to provide their positive impact on the environment. The Company also conducts employee and community trainings to create awareness about protection of the environment.

CORPORATE SOCIAL RESPONSIBILITY

FFC recognizes Corporate Social Responsibility as a vital element of the Company's operations. Moving through the decades the Company has diversified its CSR portfolio, transforming it into a crucial and centric part of business strategy. Our approach is driven by the needs of targeted communities, carried out through surveys, focal groups and other measures. Based on these guidelines, the interventions are devised to deliver maximum benefit & impact.

HEALTHCARE

Provision of good healthcare facilities ensure sustainable wellbeing of our employees as well as the general population which can contribute positively towards the Country's prosperity. In view thereof, FFC has prioritized healthcare in its CSR program and continues to collaborate with its partners in improving the quality of healthcare facilities through provision of new technologies and essential medical facilities throughout the Country.

HEALTHCARE ACTIVITIES AT GOTH MACHHI

Hazrat Bilal Trust is a dedicated resource providing healthcare facilities to the underprivileged community in Goth Machhi. During 2016, the Company contributed Rs 8 million to the cause besides appointment of a lady doctor to cater for the female patients.

SONA WELFARE HOSPITAL

Sona welfare hospital is providing quality medical treatment to the population in the proximity of Mirpur Mathelo plantsite. The hospital treated approximately 35,000 patients in 2016 with a funding support of Rs 16 million by the Company.

DONATIONS TO VARIOUS HOSPITALS AND CAUSES

The Company donated Rs 2.35 million towards construction of a new 50 bed hospital in Badolte Jhelum, which will serve the community by ensuring access to better healthcare facilities. FFC also contributed Rs 0.5 million to Shaukat Khanum Memorial Cancer Hospital, Peshawar besides donating an ambulance to Basic Health Unit (BHU) in Jhimpir.

SPORTS PROMOTION & DEVELOPMENT

The Company continues to discover and foster new sports talent while sponsoring various events across the Country including:

- Sponsorship of the 3rd Asian Kabaddi Cup 2016 hosted by Pakistan, where international

CORPORATE SOCIAL RESPONSIBILITY

teams from Afghanistan, India, Nepal and Sri Lanka participated

- Sponsorship of Hockey, Volley Ball, Golf and Taekwondo events in Rahim Yar Khan besides sponsoring Tour de Pakistan cycle race and deaf cricket championship

EDUCATION

Education is one of the most important investments for a Country's long term sustainable development with emphasis on education for all, particularly for the surrounding community, is at the heart of the Company's CSR program.

ADOPTED SCHOOLS PROGRAM

FFC contributed Rs 8.1 million under its adopted schools program which included 20 annual scholarships, distribution of books and stationery, improvement of infrastructure besides funding salaries of teachers in Government schools.

RECONSTRUCTION OF SCHOOL IN TANDA GHAMBIR

Floods and heavy rains had extensively damaged structure of Government Girls High School Tanda Ghambir. Upon the community request, FFC undertook reconstruction of the school and also provided financial support of Rs 3.7 million.

SPECIAL EDUCATION ACADEMY

Realizing the current gap in educational institutes for students with functional limitations, the Company collaborated with Special Education Academy and donated Rs 2.39 million for provision of educational and support equipment.

SONA PUBLIC SCHOOL AND COLLEGE

Sona public school and college is providing quality education to around 500 students, where 35% students are awarded full scholarships while the remaining avail subsidized fees. The Company donated Rs 19 million as financial assistance to the deserving students.

WARD OF FARMER SCHOLARSHIP

The Company provided 67 new scholarships during 2016, increasing the total number of students under the ward of farmer scholarship program to 164.

MICROSOFT OFFICE CHAMPIONSHIP

The Company sponsored 250 students for the national championships in 2016, more than double as compared to 100 students sponsored in 2015.

SCHOLARSHIP PROGRAM FOR FC COLLEGE

FFC sponsored tuition fee of 7 students by donating Rs 5 million to FC College Lahore over a period of 4 years.

ENERGY CONSERVATION

In order to reduce reliance on conventional fuels, the Company continuously seeks to undertake significant measures to conserve energy, besides, creating awareness at Head office & Plantsites on efficient energy usage through regular trainings.

ENERGY SAVING MEASURES AT FFC PLANTS

With a pragmatic approach, various energy saving projects have been implemented by the Company which resulted in significant reduction in energy consumption, without mitigating operational excellence.

ADDITIONAL CELL FOR PLANT-II COOLING TOWER

Existing cooling towers have been up-rated through installation of a new cell, relieving production bottlenecks during summer months besides reducing energy consumption levels.

LOWEST PLANT-III ENERGY CONSUMPTION

Under the energy efficiency strategy of the Company, Plant-III recorded lowest ever energy consumption since commencement of commercial operations by the Plant.

ENERGY CONSERVATION DRIVE AT HEAD OFFICE

Trainings on energy conservation have resulted in considerable savings in electricity consumption at the Head Office compared to last year.

ENVIRONMENTAL PROTECTION MEASURES / ENVIRONMENT RELATED INITIATIVES

FFC is supporting internal and external environment conservation programmes through adoption of green technologies and efficient processes:

- The Company has successfully converted its documentation / records in electronic form, which has reduced storage space, while employees' awareness towards the benefits of paperless environment is being enhanced for easy archival, retrieval besides resulting in cost savings
- The Company also carried out energy conservation drive at the Head Office, highlighting the importance of minimizing energy usage not only at work but at their homes as well, thus reducing the Company's carbon footprint
- Use of Oxo bio-degradable liner along with new bags for all FFC & FFBL fertilizer products

PROTECT & SUSTAIN CERTIFICATION

FFC received certificate with excellence for "Protect & Sustain" from the International Fertilizer Industry Associations (IFA), demonstrating the Company's commitment towards management of Safety, Health and Environmental (SHE) issues related to our product's lifecycle.

REPLACEMENT OF ACTIVATOR WITH ENVIRONMENTALLY FRIENDLY ALTERNATE

The existing activator for Benfield process is being replaced with a more effective alternative, which will reduce slippage of CO_2 gasses in the environment.

IMPROVEMENT OF STORM HANDLING AT GOTH MACHHI

A sump was constructed for accumulation of rain water along with installation of submersible pump required for transferring water to evaporation plants. This will curtail impact of heavy rains and reduce flooding.

CONSERVATION OF INDUS RIVER DOLPHIN – COLLABORATION WITH WORLD WIDE FUND FOR NATURE (WWF)

The Company carried out a project for conservation of the rare Indus river blind dolphin in collaboration with WWF-Pakistan by contributing Rs 2 million. The 2 year project was aimed at educating communities on the threats posed by human intervention in the dolphin habitat.

COMMUNITY INVESTMENT & WELFARE SCHEMES

FARM ADVISORY SERVICES

In order to enhance the farming community's output as part of its social responsibility, the Company provides various support and advisory services to the farmers to increase awareness of latest technologies and enhance per acre yields through its Farm Advisory Centers (FACs). FACs carry out sophisticated soil and water testing for farmers besides offering the following services:

- Crop demonstrations
- Blitz programs
- Trainings and seminars
- Simulation days

REHABILITATION OF WATER SUPPLY SCHEME AT JHIMPIR

In order to improve drinking water shortage at Jhimpir, the Company installed water pumping stations, transformers and laid new underground pipeline. The communities now have better access to drinking water which will improve the well-being of the populace.

CONSUMER PROTECTION MEASURES

FFC has implemented effective controls and systems to protect customers / farmers interests, besides ensuring sustained quality of our products. Our SMS service facility, launched last year, has been well appreciated by farmers and keeps them up to date on pricing and shipment details.

CORPORATE SOCIAL RESPONSIBILITY

Other measures relating to consumer protection include:

- Affixing of security labels "Pehchan Sticker" on all fertilizer products to ensure authentic and quality product
- Usage of special colored stitching thread, which is changed after a specific time in order to control dumping, malpractices and pilferage of the product
- Printing of retail price on fertilizer bags to safeguard farmers against price exploitation
- Ensuring timely product delivery through our extensive dealer and warehousing network
- Conduct of "Customer Satisfaction Measurement Surveys" on bi-annual basis to obtain feedback from our dealers and concentrate on areas of improvement
- The Company's field officers are also present to handle complaints and grievances of customers

Electronic payment mechanism through ASKSONA card launched last year was well received by the customers and 11% of all orders during the year were processed through this scheme.

PROCEDURES ADOPTED FOR QUALITY ASSURANCE OF PRODUCTS/ SERVICES

The Company's strong legacy for providing quality products to its customers and their preference of Sona brand is evident from our increased market share despite market adversities. FFC's commitment for supplying high quality products under the 'Sona' brand are evidenced in 'Sona' being the preferred brand by farmers for over 3 decades. Our unique agricultural advisory services help maintain market leadership for the Company.

Key quality assurance measures are implemented throughout the supply chain process of our products, ensuring optimum value for money. Some of the quality measures are described below:

- Standard weight of fertilizer bags is ensured and a regular quality analysis of product samples is performed in respect of the following parameters:
  - Biuret Wt %
  - Total Fines, Wt %
  - Average Prill Size, mm
  - Moisture, Wt %
  - Crushing Strength, Grams
- The Company in collaboration with national and international partners, is continuously working towards development of more efficient slow release fertilizers that will help maximize yield and reduce the carbon footprint

INDUSTRIAL RELATIONS

At FFC, we practice a transparent communication approach with our employees, which not only promotes a non-discriminatory working environment but encourages motivation as well. Our employees' engagement process encourages employees to observe and promote compliance with regulations. For continued smooth operations of the production facilities, the Company is cognizant of employee rights including those of the Collective Bargaining Agent (CBA) and provides special incentives for maintenance of industrial peace.

EMPLOYMENT OF SPECIAL PERSONS

With a view to encourage economic independence of special persons, FFC has also extended employment opportunities to such persons along with an encouraging environment, besides training and individualized career growth plans. Special requirements of these employees with respect to healthcare and ancillary needs are provided to ensure optimum performance by such individuals.

OCCUPATIONAL SAFETY & HEALTH

Healthy culture is promoted throughout the Company and regular awareness programs are conducted for employees, including eye camps, World No Tobacco day, cancer awareness and blood donation drive.

Our commitment to provide a safe and healthy working environment for employees is evidenced by the voluntarily attaining and maintaining certification of Quality, Environmental & Occupational Health and Safety Management Systems according to the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 at both Plantsites and the Head Office. Occupational safety of contracted workforce is also ensured through Code of Conduct for contractors.

REPLACEMENT OF DISINFECTANT IN THE HYPOCHLORITE SYSTEM

In line with FFC's commitment for employee safety, the disinfectant used at the cooling towers has been replaced with a safer alternative during the year at both plants of Goth Machhi without diminishing effectiveness of the system.

PLANT-III SAFE MAN HOURS

The plant recorded 8.0 million man hours of safe operations during the year, signifying the Company's commitment to employee safety.

INSTALLATION OF NEW FIRE SUPPRESSION SYSTEM

To remain compliant with the international fire protection standards, the Company has successfully upgraded the fire system of the control room of Plant-III to state-of-the art waterless fire suppression unit, to effectively monitor and handle any adverse incidents.

BUSINESS ETHICS & ANTI-CORRUPTION MEASURES

Sustainable business growth emanates from compliance with all regulatory and governance requirements and the Company has therefore formulated various standards including the "Code of Business Ethics", "Code of Conduct", "Whistle Blowing Policy" and the policy on "Sexual Harassment". The Company has implemented a clear protocol for monitoring adherence to these policies, which ensures veracity, transparency and integrity across all the business functions, through the following salient measures:

- Impartiality in business dealings and refrainment from any Company transaction involving personal interest
- Avoidance of conflict of interest by directors, or appropriate disclosure in case of inability to avoid conflict
- Compliance with applicable laws and regulations and refrainment from any illegal activity
- Respect of fellow members and discouragement of any kind of discrimination between employees
- Strict prohibition on use of one's position for undue coercion, harassment or intimidation
- Conduct of activities with honesty, integrity, truthfulness and honour
- Confidentiality of Company's sensitive information by directors and employees of the Company
- Raising of alarms by a Company employee or stakeholder, wherever any unfair / dishonest activities are suspected or noticed
- Prompt action by the management to check such unfair practices and ensuring that such activities are not repeated
- Refrainment from dealings conflicting with Company's interests and exercise of extreme care and disclosure of matter in case of unavoidable personal interest

SAY NO TO CORRUPTION

As also prescribed by the regulator, FFC has incorporated the slogan "Say No to Corruption" in all its correspondence reinforcing the Company's commitment towards zero tolerance for corruption.

NATIONAL CAUSE DONATIONS

DONATION TO PAKISTAN ARMED SERVICES BOARD

FFC donated Rs 5 million to the Pakistan Armed Services Board for completion of various projects to facilitate ex-servicemen.

SWAT FESTIVAL

The Company sponsored the Swat festival, which not only encouraged tourism in Pakistan, but contributed to promoting the Country's soft image.

LOANS TO COTTON FARMERS

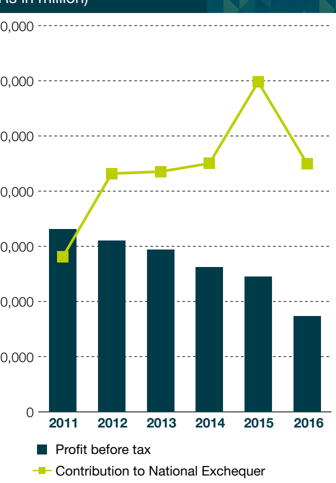
A collaboration scheme was undertaken with the Pakistan Poverty Alleviation Fund and National Rural Support Programme to extend financial support through provision of loans to 300 cotton farmers.

CONTRIBUTION TO NATIONAL EXCHEQUER

FFC contributed Rs 45 billion in 2016 to the National Exchequer which comprised of taxes, levies and accrued GIDC being 25% lower than last year due to lower profitability during the year 2016, with cumulative contribution of Rs 398 billion since Company's inception.

Total value addition to the economy including taxes and levies besides employee emoluments, dividends, financing costs, welfare activities etc, stood at around Rs 67 billion, whereas value addition in terms of foreign exchange savings worked out to US $ 474 million through import substitution based on sales of 2,428 thousand tonnes of urea during the year.

PROFIT BEFORE TAX & CONTRIBUTION TO NATIONAL EXCHEQUER
(Rs in million)



CORPORATE SOCIAL RESPONSIBILITY

STATEMENT OF VALUE ADDED - 2016

WEALTH GENERATED

Revenue
Rs 91,202 million
(inclusive of sales tax and other income)

Purchases
Rs 24,258 million
(materials and services - net)

Wealth Generated
Rs 66,944 million
(Total wealth generated for distribution)

DISTRIBUTION	ORGANIZATION
Employees as remuneration **Rs 7,609 million – 11.4%** (Salaries, wages and other benefits including retirement benefits)	Human resource is the core of FFC's strength and contribution to our employees is essential in providing them with a sustainable quality of life
Government as taxes **Rs 43,585 million – 65.1%** (Income tax, sales tax, excise duty and custom duty*) **Rs 1,419 million – 2.1%** (WPPF and WWF)	Contributing to the national exchequer under the applicable laws and regulations
Shareholders as dividend **Rs 6,552 million – 9.8%** (as Dividend)	Return provided to our esteemed shareholders for reposing their trust in the Company
Providers of finance **Rs 2,406 million – 3.6%** (as financial charges)	Costs paid to the lenders for providing funds to the Company, enabling it to carry out its operations smoothly
Retained within business **Rs 5,251 million – 7.8%**	Retention of profits for future diversification initiatives
Society **Rs 122 million – 0.2%** (Donations and welfare activities)	FFC actively contributes towards the needs of the community and society around Pakistan

Economic Value Added
Rs 7,746 million

* Includes GIDC

STATEMENT OF CHARITY ACCOUNT

Rs in million	2016	2015
Education	40	101
Healthcare & Environment	26	39
Sports Development	6	2
Community Welfare	39	19
National Cause	-	5
General Donations	11	2
	122	**168**

RURAL DEVELOPMENT PROGRAMS

REVERSE OSMOSIS (RO) PLANT AT DEH SHAHBAZPUR

FFC installed a new RO water purification plant, to meet daily potable water demand by the public at Deh Shahbazpur.

SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goals derived in 2015 as the successor to Millennium Development Goals reflect a pledge by the Company, the State, non-state organizations and civil society to work collectively towards a sustained and progressive future by 2030. FFC remaining on the forefront of sustainability development of the country has aligned its interventions with the UN's SDG:

SDG	TARGET	FFC INTERVENTION
SDG 1	End poverty in all its forms everywhere	The Company sponsors skill development and vocational training institutes leading to formation of skilled workforce capable of self-employment leading to economic independence.
SDG 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	FFC contributes towards the goal through its Farm Advisory Services meant for capacity building of farmers to achieve higher yields with optimum utilization of resources.
SDG 3	Ensure healthy lives and promote well-being for all at all ages	The Company established state of the art health care facilities in proximity of its Plantsites serving the neighbouring communities. The facilities entertains around 80,000 patients annually. Besides, free medical camps are occasionally conducted in far flung areas.
SDG 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	FFC education support initiative primarily consists of financial assistance to educational institutions, scholarship programs and infrastructure improvement.
SDG 5	Achieve gender equality and empower all women and girls	FFC encourages gender equality while inducting human resources. Besides, women empowerment is promoted by sponsoring vocational training centre as well as academic support to girl students.
SDG 6	Ensure availability and sustainable management of water and sanitation for all	For healthy drinking water and Sanitation arrangements, community programs at Jhimpir, Goth Machhi and surrounding areas have been carried out to ensure access to clean drinking water for the community.
SDG 7	Ensure access to affordable, reliable, sustainable and modern energy for all	The Company pioneered in the field of renewable energy by commissioning of the Country's first wind energy farm. Besides, three villages, community school and colleges were also provided with solar energy solution demonstrating our commitment to green energy initiatives.

CORPORATE
SOCIAL RESPONSIBILITY

SDG	TARGET	FFC INTERVENTION
SDG 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	As one of the premium employer of the Country, FFC is committed to provide equal opportunity to all employees irrespective of gender or cultural diversities.
SDG 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	FFC believes in adopting and implementing best technology to make its operations and environmental foot prints at minimum.
SDG 10	Reduce inequality within and among countries	As responsible corporate of the Country, the Company contributes towards poverty alleviation by generating direct and indirect employment opportunities besides striving for food security of the Country by serving the backbone of its economy.
SDG 11	Make cities and human settlements inclusive, safe, resilient and sustainable	Various programs for the welfare of the Communities in proximities of our Plantsites are carried out as elaborated in this report in relevant sections.
SDG 12	Ensure sustainable consumption and production patterns	The indicators pertaining to use of mineral resources as input for our production of urea is evidence of this strategy.
SDG 13	Take urgent action to combat climate change and its impacts	Apart from exemplary trends for internal production and efficient use of energy resources, FFC has promoted the cause of environment including plantation, optimum use of chemicals, pesticides, water, fertilizer, solar energy as well as supporting conservation programs such as protection to endangered blind dolphins at Indus River.
SDG 14	Conserve and sustainability use the oceans, seas and marine resources for sustainable development	Conservation program in collaboration with WWF are geared in this direction.
SDG 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainability manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Introduction of use of Oxo bio-degradable liner along with new bags besides creating awareness among the farmer through Farm Advisory services for optimum use of pesticides to minimize negative footprints on soil, water, plantations and environment.
SDG 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	FFC continuously supports Non Profit Organizations encompassing a wide range of social issues.
SDG 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development	Promotion of global causes including UNGC principles, MDG and SDG locally and internationally is an effort in this direction.

FORWARD LOOKING STATEMENT

ANALYSIS OF PRIOR PERIOD'S FORWARD LOOKING DISCLOSURES

Restoration of FFC's gas quota owing to persistent management efforts, resulted in highest ever urea production during 2016, whereas fertilizer sales also remained ahead of targets notwithstanding an unsupportive market.

Implementation of effective cost controls by the management enabled savings in production costs while other operating / financing costs, which although registered deviations from last year, but remained within planned levels for 2016. However, the factors beyond the Company's control including external price intervention, poor farm economics, unexpected levy of Super tax, besides decline in dividend receipts, negatively influenced Company revenues and profitability during the year.

Our food project completed its first year of commercial production and has received positive customer feedback from the domestic and international market. FFC's offshore diversification in Tanzania has made significant progress with securing of land besides receiving commitment for gas supply to the project.

FORWARD LOOKING STATEMENT

Continued pricing pressure would pose risks towards Company revenues whereas absorption of GIDC and low growth in the agriculture sector also continue to present challenges for Company profitability.

Disparity between the domestic and global gas prices for the fertilizer industry continues to result in higher operating costs of indigenously produced fertilizers. However, in view of projected increase in global fertilizer demand and rebounding international fertilizer prices, the Board is confident of achieving our targets for the future.

In view of the declining gas pressures due to diminishing gas reservoir of Mari Petroleum Company Limited, FFC is evaluating various alternate fuel options including LNG, coal etc for sustained operations of the Company. The Company is further evaluating the prospects of export of surplus urea inventories in liaison with the Government, which will not only help offload surplus quantities but also strengthen foreign exchange reserves of the Country.

Expansion strategy of Askari Bank Limited to increase its presence in Pakistan is expected to result in higher returns for the Company. Dividend stream from FFCEL is also likely to commence in the near future on the back of sustained profitability track, whereas product portfolio of FFF is projected to gradually expand its market recognition in the local as well as international markets under planned marketing campaigns.

Progress on our offshore fertilizer project is satisfactory and the Board is also analysing the opportunities available under the CPEC projects, for sustained shareholders' earnings.

Apart from the uncontrollable factors, our systematic approach to mitigating challenges, enhancement in cost-controls and efficiency improvements, besides returns from our strategic investments, will continue to safeguard the interest of all our stakeholders. The Company will continue to invest in research and development to provide farmers with innovative and quality products besides equipping them with modern farming techniques.

Looking ahead, uplift of the farming community is vital for improvement of the Country's agriculture based economy and Government's support through balanced imposition of levies and extension of subsidies is imperative to provide stimulus for the farmers as well as the fertilizer industry, besides ensuring food security in the Country. We are proud of our talented workforce whose untiring efforts enabled achievement of sustained returns during 2016 and whose commitment also strengthens the confidence for attainment of our long term objectives, while maintaining the highest levels of governance and integrity.

مستقبل کی توقعات

پچھلے سال پیش کی گئی مستقبل کی توقعات کا تجزیہ

مینجمنٹ کی مسلسل کاوشوں کی بدولت FFC کا گیس کوٹہ بحال ہونے سے سال 2016 کے دوران یوریا کی ریکارڈ ساز پیداوار حاصل ہوئی جبکہ مارکیٹ کے غیر موافق حالات کے باوجود کھاد کی فروخت اپنے اہداف سے زیادہ رہی۔

مینجمنٹ کی جانب سے اخراجات پر موثر کنٹرول کے نفاذ سے پیداواری لاگت میں بچت واقع ہوئی۔ جبکہ دیگر مالیاتی اور پیداواری و ترسیلی لاگت جس میں اگرچہ پچھلے سال کے مقابلے میں معمولی تبدیلی ریکارڈ کی گئی اس کے باوجود 2016 کے تخمینے کے اندر رہی۔ تاہم کمپنی کے دائرہ اختیار سے باہر کے عناصر بشمول قیمتوں کے تعین میں بیرونی مداخلت، کسان کے کمزور مالی حالات، سپر ٹیکس کا غیر متوقع نفاذ اور سبسڈی کی وصولی میں تاخیر نے سال کے دوران کمپنی کی آمدن اور منافع کو متاثر کیا۔

ہمارے غذائی منصوبے نے پہلا تجارتی پیدوار کا سال مکمل کیا۔ اور ملکی و بین الاقوامی منڈیوں سے مثبت رائے حاصل کی۔ FFC کے سمندر پار تنزانیہ میں فرٹیلائزر پروجیکٹ کے سلسلے میں گیس کی سپلائی اور زمین کے حصول پر بھی مناسب پیش رفت ہو چکی ہے۔

متوقع مستقبل

قیمتوں پر مسلسل دباؤ کی وجہ سے کمپنی کی آمدن کو خطرات لاحق رہے ہیں جبکہ GIDC کا انجذاب اور زرعی شعبہ کی کم پیداوار کمپنی کے منافع کے لئے چیلنج پیش کرتے ہیں۔

ملکی اور بین الاقوامی گیس کی قیمتوں میں فرق کی وجہ سے پیداواری اخراجات میں اضافہ جاری ہے تاہم بین الاقوامی مارکیٹ میں یوریا کی مانگ اور قیمتوں میں متوقع اضافے کے پیش نظر بورڈ مستقبل کے متعین کردہ اہداف حاصل کرنے پر پُر امید ہے۔

ماڑی پیٹرولیم کمپنی کے کم ہوتے گیس ذخائر کے تناظر میں اور گیس پریشر میں کمی کے پیش نظر کمپنی کی مستقل پیدوار کے لئے FFC متبادل ذرائع بشمول LNG اور کوئلہ وغیرہ کے استعمال کا جائزہ لے رہی ہے اس کے علاوہ کمپنی یوریا کی زائد مقدار کو ایکسپورٹ کرنے کے لئے حکومت کے ساتھ رابطے میں ہے۔ جو کہ نہ صرف اضافی یوریا کو فروخت کرنے میں مدد دے گا بلکہ ملکی زرمبادلہ کے ذخائر کو مضبوط کرنے کا باعث بنے گا۔

پاکستان میں اپنا کاروبار پھیلانے کے مدنظر عسکری بینک کے توسیعی منصوبہ جات سے کمپنی کو زیادہ منافع کی توقع ہے مستقبل قریب میں مسلسل منافع کی بدولت FFCEL سے بھی منافع منقسمہ ملنے کی اُمید ہے اور کاروباری تشہیر کے آئندہ منصوبوں کی بدولت FFF کی مصنوعات کا ملکی و بین الاقوامی مارکیٹس میں بتدریج اضافہ متوقع ہے۔ اور کمپنی ممبران کی کمائی کو برقرار رکھنے کے لئے CPEC منصوبوں کے تحت میسر مواقع کا بھی تجزیہ کر رہی ہے۔ ہمارا سمندر پار کھاد بنانے کا منصوبہ مطمئن رفتار سے آگے بڑھ رہا ہے۔

نا قابل کنٹرول عناصر کے علاوہ ہماری چیلنجز کو کم کرنے کی منظّم لائحہ عمل، اخراجات کو کم کرنے کی اہلیت، کام کی استعداد کار میں اضافہ اور اس کے علاوہ سرمایہ کاری ہمارے سٹیک ہولڈرز کے حقوق کا پورا تحفظ کرے گی۔ کمپنی کسانوں کو نت نئی اور عمدہ مصنوعات کی فراہمی اور اُن کو جدید زرعی تکنیک سے آراستہ کرنے کے لیے ریسرچ اینڈ ڈیویلپمنٹ میں سرمایہ کاری جاری رکھے گی۔

مزید براں، کسان برادری کی بہتری زراعت پر منحصر ملک کی معیشت کے لیے بنیادی کردار ادا کرتی ہے۔ اور گورنمنٹ کی مدد بذریعہ متوازن ٹیکسوں کا نفاذ اور سبسڈی میں توسیع، کسان اور کھاد کی صنعت کے ساتھ ساتھ ملک میں خوراک کی حفاظت کو یقینی بنانے کے لیے بطور محرک اہم ہے۔ ہمیں اپنے باصلاحیت ملازمین پر فخر ہے۔ جن کی انتھک محنت سے ہم نے 2016 میں حوصلہ افزاء منافع جات حاصل کئے اور جن کی محنت کشی و ایمانداری ہمارے طویل المعیاد مقاصد کو حاصل کرنے میں ہمارے اعتماد کو مضبوطی فراہم کرتی ہے۔

لیفٹیننٹ جنرل خالد نواز خان

ہلال امتیاز (ملٹری)، ستارہ ایثار (ریٹائرڈ)

چیئرمین

راولپنڈی

31 جنوری 2017

FINANCIAL STATEMENTS

Fauji Fertilizer Company Limited

REPORT OF **THE AUDIT COMMITTEE**
ON ADHERENCE TO THE CODE OF CORPORATE GOVERNANCE

The Committee comprises of members possessing considerable engineering and financial acumen. The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2016, and reports that:

- The Company has issued a “Statement of Compliance with the Code of Corporate Governance” which has also been reviewed and certified by the Auditors of the Company.

- Understanding and compliance with Company codes and policies has been affirmed by the members of the Board, the Management and employees of the Company individually. Equitable treatment of shareholders has also been ensured.

- Appropriate accounting policies have been consistently applied except for the changes, if any, which have been appropriately disclosed in the financial statements. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, for the financial year ended December 31, 2016, which present fairly the 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 Chief Executive and the Chief Financial Officer have endorsed the financial statements of the Company, consolidated financial statements and the Directors’ Report. 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 Ordinance, 1984. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and the external reporting is consistent with Management processes and adequate for shareholder needs.

- All Directors have access to the Company Secretary. All direct or indirect trading and holdings of Company’s shares by Directors & executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of 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.

INTERNAL AUDIT

- The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.

- The Company’s system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.

- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.

- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.

- The Head of Internal Audit has direct access to the Chairperson of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.

- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory Auditors of the Company, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2016 and shall retire on the conclusion of the 39th Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observations and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on financial statements under the listing regulations and shall accordingly be discussed in the next Audit Committee Meeting. Audit observations for interim review were also discussed with the Auditors.

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the General Meetings of the Company during the year and have confirmed attendance of the 39th Annual General Meeting scheduled for March 15, 2017 and have indicated their willingness to continue as Auditors.

- Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as External Auditors of the Company for the year ending December 31, 2017.

- The Firm has no financial or other relationship of any kind with the Company except that of External Auditors.

Engr Rukhsana Zuberi
Chairperson - Audit Committee
Rawalpindi
January 31, 2017

STATEMENT OF **COMPLIANCE**
WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35(XI) of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:-

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the Board includes:-

Category	Names
Independent Directors	Engr Rukhsana Zuberi
Independent Directors	Mr. Farhad Shaikh Mohammad
Independent Directors	Mr. Shahid Ghaffar
Independent Directors	Mr. Shoaib Mir
Executive Director	Lt Gen Shafqaat Ahmed, HI (M) (Retired)
Non-Executive Directors	Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retired)
Non-Executive Directors	Mr. Qaiser Javed
Non-Executive Directors	Dr. Nadeem Inayat
Non-Executive Directors	Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)
Non-Executive Directors	Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired)
Non-Executive Directors	Mr. Per Kristian Bakkerud
Non-Executive Directors	Brig Raashid Wali Janjua, SI (M) (Retired)
Non-Executive Directors	Mr. Khizar Hayat Gondal

(The independent directors meet the criteria of independence under clause 5.19.1.(b) of the CCG).

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Following casual vacancies occurring in the Board during the year 2016 were filled up by the directors within 7 days:

   - Mr. Khizar Hayat Gondal appointed in place of Mr. Muhammad Arif Azim w.e.f April 11, 2016
   - Brig Raashid Wali Janjua, SI (M) (Retired) appointed in place of Brig Dr. Gulfam Alam, SI (M) (Retired) w.e.f April 21, 2016
   - Mr. Shoaib Mir appointed in place of Ms. Nargis Ghaloo w.e.f September 27, 2016

5. 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.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive directors, have been taken by the Board / shareholders.

8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated within due time before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged regular training programs for its directors during the year.

10. The Board has approved appointment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of four members, three of whom are non-executive directors and the Chairperson of the committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resources and Remuneration Committee. It comprises three members, all of whom are non-executive directors including the Chairman of the Committee.

18. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the directors, employees and stock exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchange.

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that other material principles enshrined in the CCG have been complied with.

Lt Gen Shafqaat Ahmed, HI (M) (Retired)
Chief Executive & Managing Director
Rawalpindi
January 31, 2017

REVIEW REPORT **TO THE MEMBERS**
ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Fauji Fertilizer Company Limited ("the Company") for the year ended 31 December 2016 to comply with the requirements of Listing Regulation No 5.19.24 of the Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine 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 best practices contained in the Code as applicable to the Company for the year ended 31 December 2016.

KPMG Taseer Hadi & Co.

Islamabad
January 31, 2017

KPMG Taseer Hadi & CO.
Chartered Accountants
Atif Zamurrad Malik

AUDITORS' REPORT **TO THE MEMBERS**
OF FAUJI FERTILIZER COMPANY LIMITED

We have audited the annexed balance sheet of Fauji Fertilizer Company Limited ("the Company") as at 31 December 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as indicated in note 4 with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

Islamabad
January 31, 2017

KPMG Taseer Hadi & CO.
Chartered Accountants
Atif Zamurrad Malik

BALANCE SHEET
AS AT DECEMBER 31, 2016

	Note	2016 Rs '000	2015 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	14,841,963	13,894,676
Surplus on re-measurement of investments			
available for sale to fair value - net		486,950	534,407
		28,211,295	27,311,465
NON - CURRENT LIABILITIES			
Long term borrowings	8	16,653,294	15,892,599
Deferred liabilities	9	4,811,884	4,600,324
		21,465,178	20,492,923
CURRENT LIABILITIES			
Trade and other payables	10	10,851,877	8,113,918
Mark-up and profit accrued	12	321,091	268,094
Short term borrowings	13	22,176,525	18,020,602
Current portion of long term borrowings	8	6,434,304	4,509,839
Taxation		1,248,814	1,413,048
		41,032,611	32,325,501
TOTAL EQUITY AND LIABILITIES		90,709,084	80,129,889
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 41 form an integral part of these financial statements.

	Note	2016 Rs '000	2015 Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	21,232,732	21,381,702
Intangible assets	16	1,585,211	1,576,720
Long term investments	17	29,656,283	29,129,475
Long term loans and advances	18	934,150	814,298
Long term deposits and prepayments	19	13,975	13,001
		53,422,351	52,915,196
CURRENT ASSETS			
Stores, spares and loose tools	20	3,428,235	3,395,762
Stock in trade	21	4,237,327	5,100,020
Trade debts	22	4,305,951	1,773,698
Loans and advances	23	903,440	1,024,594
Deposits and prepayments	24	50,241	39,323
Other receivables	25	7,691,822	2,807,262
Short term investments	26	14,143,829	10,334,720
Cash and bank balances	27	2,525,888	2,739,314
		37,286,733	27,214,693
TOTAL ASSETS		90,709,084	80,129,889

Chairman **Chief Executive** **Director**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Sales	28	72,876,687	84,831,024
Cost of sales	29	54,827,041	55,949,370
GROSS PROFIT		18,049,646	28,881,654
Distribution cost	30	7,154,244	6,813,591
		10,895,402	22,068,063
Finance cost	31	2,405,589	1,474,801
Other expenses	32	1,760,663	2,284,624
		6,729,150	18,308,638
Other income	33	10,664,843	6,194,231
NET PROFIT BEFORE TAXATION		17,393,993	24,502,869
Provision for taxation	34	5,612,000	7,737,000
NET PROFIT AFTER TAXATION		11,781,993	16,765,869
Earnings per share - basic and diluted (Rupees)	35	9.26	13.18

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman

Chief Executive

Director

STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Rs '000	2015 Rs '000
Net profit after taxation	11,781,993	16,765,869
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
(Deficit) / surplus on re-measurement of investments available for sale to fair value - net of tax	(47,457)	230,843
Items that may not be subsequently reclassified to profit or loss		
Gain / (loss) on re-measurement of staff retirement benefit plans - net of tax	68,374	(164,255)
Other comprehensive income - net of tax	20,917	66,588
Total comprehensive income for the year	11,802,910	16,832,457

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman **Chief Executive** **Director**

CASH FLOW **STATEMENT**
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	37	11,688,412	(12,686,148)
Finance cost paid		(2,385,850)	(1,236,824)
Income tax paid		(5,724,569)	(9,102,805)
Subsidy received on sale of fertilizer		3,396,298	–
Net cash generated from / (used in) operating activities		6,974,291	(23,025,777)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,000,434)	(3,279,461)
Proceeds from disposal of property, plant and equipment		22,041	22,079
Interest received		1,107,435	1,757,798
Investment in Fauji Fresh n Freeze Limited		(1,200,000)	(400,000)
Decrease in other investment - net		1,079,194	454,093
Dividends received		2,264,743	2,719,587
Net cash generated from investing activities		1,272,979	1,274,096
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing			
- Draw-downs		7,350,000	18,621,000
- Repayments		(4,664,840)	(2,498,562)
Dividends paid		(11,109,510)	(15,443,056)
Net cash (used in) / generated from financing activities		(8,424,350)	679,382
Net decrease in cash and cash equivalents		(177,080)	(21,072,299)
Cash and cash equivalents at beginning of the year		(5,864,224)	15,281,142
Effect of exchange rate changes		–	(73,067)
Cash and cash equivalents at end of the year		(6,041,304)	(5,864,224)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	2,525,888	2,739,314
Short term borrowings	13	(22,176,525)	(18,020,602)
Short term highly liquid investments		13,609,333	9,417,064
		(6,041,304)	(5,864,224)

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman | **Chief Executive** | **Director**

STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED DECEMBER 31, 2016

	Share capital	Capital reserves	Revenue reserves		Surplus on re-measurement of available for sale investments to fair value	Total
			General reserve	Unappropriated profit		
	Rs '000					
Balance at January 1, 2015	12,722,382	160,000	6,802,360	5,681,225	303,564	25,669,531
Total comprehensive income for the year						
Profit after taxation	–	–	–	16,765,869	–	16,765,869
Other comprehensive income - net of tax	–	–	–	(164,255)	230,843	66,588
	–	–	–	16,601,614	230,843	16,832,457
Distribution to owners - recorded directly in equity						
Final dividend 2014: Rs 3.50 per share	–	–	–	(4,452,833)	–	(4,452,833)
First interim dividend 2015: Rs 3.94 per share	–	–	–	(5,012,618)	–	(5,012,618)
Second interim dividend 2015: Rs 1.75 per share	–	–	–	(2,226,417)	–	(2,226,417)
Third interim dividend 2015: Rs 2.75 per share	–	–	–	(3,498,655)	–	(3,498,655)
	–	–	–	(15,190,523)	–	(15,190,523)
Balance at December 31, 2015	12,722,382	160,000	6,802,360	7,092,316	534,407	27,311,465
Balance at January 1, 2016	12,722,382	160,000	6,802,360	7,092,316	534,407	27,311,465
Total comprehensive income for the year						
Profit after taxation	–	–	–	11,781,993	–	11,781,993
Other comprehensive income - net of tax	–	–	–	68,374	(47,457)	20,917
	–	–	–	11,850,367	(47,457)	11,802,910
Distribution to owners - recorded directly in equity						
Final dividend 2015: Rs 3.42 per share	–	–	–	(4,351,054)	–	(4,351,054)
First interim dividend 2016: Rs 1.85 per share	–	–	–	(2,353,640)	–	(2,353,640)
Second interim dividend 2016: Rs 1.55 per share	–	–	–	(1,971,969)	–	(1,971,969)
Third interim dividend 2016: Rs 1.75 per share	–	–	–	(2,226,417)	–	(2,226,417)
	–	–	–	(10,903,080)	–	(10,903,080)
Balance at December 31, 2016	12,722,382	160,000	6,802,360	8,039,603	486,950	28,211,295

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman **Chief Executive** **Director**

1. LEGAL STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Company Limited (the Company) is a public company incorporated in Pakistan under the Companies Act, 1913, (now the Companies Ordinance, 1984) and its shares are quoted on the Pakistan Stock Exchange. The registered office of the Company is situated at 156, The Mall, Rawalpindi, Pakistan. 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, other manufacturing, energy generation, food processing and banking operations.

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. STATEMENT OF COMPLIANCE

These 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of or the directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated 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 the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 in other cases. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy notes. 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) Retirement benefits - note 11
(ii) Estimate of useful life of property, plant and equipment - note 15
(iii) Estimate of useful life of intangible assets - note 16
(iv) Estimate of fair value of investments available for sale - note 17
(v) Estimate of obligation in respect of employee benefit plans - note 11
(vi) Provisions and contingencies
(vii) Impairment of non-financial assets
(viii) Estimate of recoverable amount of goodwill - note 16
(ix) Estimate of recoverable amount of investment in associated companies - note 17
(x) Provision for taxation - note 34

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change as indicated beolw;

Securities and Exchange Commission of Pakistan (SECP), during the year through its circular No. 14 of 2016 dated April 21, 2016, had prescribed the implementation of mandatory disclosure requirement for listed companies. This circular prescribes certain disclosures including bifurcation of certain balance sheet and profit and loss items between conventional and Islamic mode. However, subsequently SECP vide circular No. 29 of 2016 dated September 5, 2016, termed these disclosures as voluntary. Accordingly, the Company has opted to present these disclosures in these financial statements. However, there was no change in reported figures of profit and loss or balance sheet.

4.1 Basis of measurement

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 gratuity and pension which are carried at present values of defined benefit obligation net of fair value of plan assets.

4.2 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.

4.3 Staff Retirement benefits

(a) The Company has the following plans for its employees:

Funded Gratuity and Pension Scheme

Defined benefit funded gratuity and pension scheme 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 11 to the financial statements.

Charge for the year is recognized in profit and loss account. 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.

Contributory 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.

(b) 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.

4.4 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 accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the 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.

4.5 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 15. 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.

4.6 Impairment

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less 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 and loss account.

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.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

4.7 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognized as goodwill and thereafter tested for impairment annually. Subsequent to initial recognition goodwill is recognized at cost less impairment, if any. In respect of equity accounted investees, goodwill is included in the carrying amount of investment.

4.8 Investments

4.8.1 Investment in subsidiaries

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 amounts of investment are 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. Gain 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.

4.8.2 Investment in associates 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. Gain and losses on disposal of investment is included in other income.

4.8.3 Investment available for sale

These are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognized in other comprehensive income until disposal at which time these are recycled to profit or loss. Impairment loss on investments available for sale is recognized in the profit or loss.

4.8.4 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as fair value through profit or loss and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in profit or loss.

The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

4.8.5 Loans and receivables

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are initially measured at fair values plus directly attributable transaction costs. Subsequent to initial recognition, these are stated at their amortized cost using the effective interest method, less any impairment losses.

4.9 Stores, spares and loose tools

Stores, spare parts 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.

4.10 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, inventory is 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.

4.11 Foreign currency transaction and translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated in Pak Rupees at exchange rates prevailing at the balance sheet 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 and loss account for the year.

4.12 Revenue recognition

Revenue 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. Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Government subsidy on sale of fertilizer is recognised when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognised in other income.

4.13 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to profit and loss account.

4.14 Research and development costs

Research and development costs are charged to income as and when incurred.

4.15 Provisions

A provision is recognized in the balance sheet 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 balance sheet date and adjusted to reflect current best estimate.

4.16 Basis of allocation of common expenses

Selling and distribution expenses are allocated to Fauji Fertilizer Bin Qasim Limited (FFBL), in proportion to the sales volume handled on its behalf under the Inter Company Services Agreement.

4.17 Dividend and reserve appropriation

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.

4.18 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets as available for sale (note 4.8.3), held for trading (note 4.8.4), loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Non-derivative financial liabilities

The Company initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non derivative financial liabilities comprise markup bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.19 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 for the effects of all dilutive potential ordinary shares.

4.20 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gain on disposal of available-for-sale financial assets and changes in fair value of investments held for trading. Interest income is recognized as it accrues in profit or loss, using effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings, changes in fair value of investment carried at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using effective interest method.

Foreign currency gains and losses are reported on a net basis.

4.21 **Leases**

Operating Leases

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease.

4.22 **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, in the case of a bargain purchase, the difference is recognized directly in the income statement.

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 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. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit or loss.

4.23 **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.

4.24 **New accounting standards, amendments and IFRIC interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have a significant impact on Company's financial statements except for certain presentational amendments.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendment is not likely to have an impact on Company's financial statements.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment is not likely to have an impact on Company's financial statements.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendment is not likely to have an impact on Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendment is not likely to have an impact on Company's financial statements.

5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2015: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2015: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016 Numbers	2015 Numbers		2016 Rs '000	2015 Rs '000
256,495,902	256,495,902	Ordinary shares of Rs 10 each		
		issued for consideration in cash	2,564,959	2,564,959
1,015,742,345	1,015,742,345	Ordinary shares of Rs 10 each		
		issued as fully paid bonus shares	10,157,423	10,157,423
1,272,238,247	1,272,238,247		12,722,382	12,722,382

5.1 Fauji Foundation held 44.35% (2015: 44.35%) ordinary shares of the Company at the year end.

	Note	2016 Rs '000	2015 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 setup on redemption of preference shares of Rs 120,000 thousand in 1996.

	2016 Rs '000	2015 Rs '000
7. REVENUE RESERVES		
General reserve	6,802,360	6,802,360
Unappropriated profit	8,039,603	7,092,316
	14,841,963	13,894,676

	Note	2016 Rs '000	2015 Rs '000
8. LONG TERM BORROWINGS			
Borrowings from banking companies - secured	8.1		
From conventional banks			
The Bank of Punjab (BOP-1)		250,000	500,000
The Bank of Punjab (BOP-2)		350,000	450,000
The Bank of Punjab (BOP-3)		495,000	–
Allied Bank Limited (ABL-1)		–	625,000
Allied Bank Limited (ABL-2)		1,050,000	1,350,000
Allied Bank Limited (ABL-3)		1,500,000	–
United Bank Limited (UBL-1)		750,000	1,125,000
United Bank Limited (UBL-2)		875,000	1,000,000
United Bank Limited (UBL-3)		1,000,000	–
United Bank Limited (UBL-4)		1,500,000	–
Bank AL Habib Limited (BAH-1)		700,000	900,000
Bank AL Habib Limited (BAH-2)		500,000	1,000,000
Bank AL Habib Limited (BAH-3)		450,000	–
Bank AL Habib Limited (BAH-4)		450,000	–
Habib Bank Limited (HBL-1)		1,750,000	2,000,000
Habib Bank Limited (HBL-2)		1,406,250	1,500,000
Bank Alfalah Limited (BAF-1)		500,000	500,000
Bank Alfalah Limited (BAF-2)		500,000	–
MCB Bank Limited (MCB-1)		2,095,312	2,933,438
MCB Bank Limited (MCB-2)		1,750,000	2,000,000
MCB Bank Limited (MCB-3)		276,750	369,000
National Bank of Pakistan Limited (NBP)		1,300,000	–
	8.1.1	19,448,312	16,252,438
From Islamic banks			
Dubai Islamic Bank Pakistan Limited (DIB-1)		150,000	250,000
Meezan Bank Limited (MBL-1)		1,714,286	2,000,000
Meezan Bank Limited (MBL-2)		875,000	1,000,000
MCB Islamic Bank Limited (MCBIB)		900,000	900,000
	8.1.2	3,639,286	4,150,000
		23,087,598	20,402,438
Less: Current portion shown under current liabilities			
From conventional banks		5,287,875	3,999,125
From Islamic banks		1,146,429	510,714
		6,434,304	4,509,839
		16,653,294	15,892,599

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+0.50	02 half yearly	December 27, 2017
BOP-2	6 months KIBOR+0.35	07 half yearly	May 26, 2020
BOP-3	6 months KIBOR+0.40	09 half yearly	April 7, 2021
ABL-1	6 months KIBOR+0.50	–	Paid on December 22, 2016
ABL-2	6 months KIBOR+0.40	07 half yearly	June 26, 2020
ABL-3	6 months KIBOR+0.50	08 half yearly	April 7, 2021
UBL-1	6 months KIBOR+0.35	04 half yearly	December 27, 2018
UBL-2	6 months KIBOR+0.35	07 half yearly	June 30, 2020
UBL-3	6 months KIBOR+0.50	08 half yearly	June 13, 2021
UBL-4	6 months KIBOR+0.40	08 half yearly	September 6, 2021
BAH-1	6 months KIBOR+0.50	07 half yearly	June 26, 2020
BAH-2	6 months KIBOR+0.40	02 half yearly	September 21, 2017
BAH-3	6 months KIBOR+0.65	09 half yearly	March 25, 2021
BAH-4	6 months KIBOR+0.65	09 half yearly	April 20, 2021
HBL-1	3 months KIBOR+0.40	14 quarterly	June 2, 2020
HBL-2	3 months KIBOR+0.40	15 quarterly	September 21, 2020
BAF-1	6 months KIBOR+0.50	08 half yearly	September 29, 2020
BAF-2	6 months KIBOR+0.40	08 half yearly	September 8, 2021
MCB-1	6 months KIBOR+0.10	05 half yearly	June 3, 2019
MCB-2	6 months KIBOR+0.40	07 half yearly	June 29, 2020
MCB-3	6 months KIBOR+0.10	06 half yearly	November 9, 2019
NBP-1	6 months KIBOR+0.50	05 half yearly	October 20, 2019
From Islamic banks			
DIB-1	6 months KIBOR+0.35	03 half yearly	June 26, 2018
MBL-1	6 months KIBOR+0.05	06 half yearly	July 15, 2019
MBL-2	6 months KIBOR+0.40	07 half yearly	May 29, 2020
MCBIB-1	6 months KIBOR+0.50	08 half yearly	December 10, 2020

8.1.1 The borrowings are secured by way of hypothecation of Company assets including plant, machinery, tools & spares and other moveable properties including stocks & book debts, ranking pari passu with each other with 25% margin and lien over Pakistan Investment Bonds (PIBs) with 10% margin.

8.1.2 The borrowings are secured by way of hypothecation of Company assets including plant, machinery, tools & spares and other moveable properties, ranking pari passu with each other with 25% margin and lien over Pakistan Investment Bonds (PIBs) with Nil margin.

	Note	2016 Rs '000	2015 Rs '000
9. DEFERRED LIABILITIES			
Deferred taxation	9.1	3,424,793	3,373,128
Provision for compensated leave absences / retirement benefits	9.2	1,387,091	1,227,196
		4,811,884	4,600,324

		2016 Rs '000	2015 Rs '000
9.1	**Deferred taxation**		
	The balance of deferred tax is in respect of the following temporary differences:		
	Accelerated depreciation / amortisation	3,335,021	3,253,021
	Provision for slow moving spares, doubtful debts, other receivables and investments	(125,000)	(111,000)
	Re-measurement of investment available for sale	214,772	231,107
		3,424,793	3,373,128
	The gross movement in the deferred tax liability during the year is as follows:		
	Balance at the beginning	3,373,128	3,650,872
	Tax charge / (credit) recognized in profit and loss account	68,000	(484,000)
	Tax (credit) / charge recognised in other comprehensive income	(16,335)	206,256
	Balance at the end	3,424,793	3,373,128

9.2 Actuarial valuation has not been carried out for Compensated Leave Absences as the impact is considered to be immaterial.

		Note	2016 Rs '000	2015 Rs '000
10.	**TRADE AND OTHER PAYABLES**			
	Creditors	10.1	4,630,804	1,475,991
	Accrued liabilities		3,270,824	2,588,789
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		678,110	547,401
	Sales tax payable - net		–	949,766
	Deposits		151,049	252,533
	Retention money		165,976	143,480
	Advances from customers		334,964	87,541
	Workers' Welfare Fund		1,114,399	1,226,298
	Payable to gratuity fund		–	133,690
	Unclaimed dividend		407,518	613,948
	Payable to Fauji Fresh n Freeze Limited		–	30,317
	Other liabilities		98,233	64,164
			10,851,877	8,113,918

10.1 Creditors include Rs 4,052,725 thousand (2015: Rs 829,260 thousand) on account of Gas Infrastructure Development Cess (GIDC).

		Funded gratuity Rs '000	Funded pension Rs '000	2016 Total Rs '000	2015 Total Rs '000
11.	**RETIREMENT BENEFIT FUNDS**				
i)	**The amounts recognized in the balance sheet are as follows:**				
	Present value of defined benefit obligation	2,180,891	3,271,692	5,452,583	4,972,882
	Fair value of plan assets	(2,261,341)	(3,558,470)	(5,819,811)	(5,107,328)
	Asset	(80,450)	(286,778)	(367,228)	(134,446)
ii)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	132,870	120,816	253,686	227,994
	Net interest cost	11,524	(23,115)	(11,591)	24,283
		144,394	97,701	242,095	252,277
iii)	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	2,012,620	2,960,262	4,972,882	4,309,990
	Current service cost	132,870	120,816	253,686	227,994
	Interest cost	176,691	261,895	438,586	524,005
	Benefits paid	(164,346)	(149,028)	(313,374)	(375,762)
	Re-measurement of defined benefit obligation	23,056	77,747	100,803	286,655
	Present value of defined benefit obligation at end	2,180,891	3,271,692	5,452,583	4,972,882
iv)	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	1,878,930	3,228,398	5,107,328	4,397,099
	Expected return on plan assets	165,167	285,010	450,177	499,722
	Contributions	278,084	97,701	375,785	534,264
	Benefits paid	(164,346)	(149,028)	(313,374)	(375,762)
	Re-measurement of plan assets	103,506	96,389	199,895	52,005
	Fair value of plan assets at end	2,261,341	3,558,470	5,819,811	5,107,328
v)	**Actual return on plan assets**	268,673	381,400	650,073	551,727
vi)	**Contributions expected to be paid to the plan during the next year**	118,014	89,283	207,297	242,095
vii)	**Plan assets comprise of:**				
	Investment in debt securities	735,041	1,269,578	2,004,619	1,621,726
	Investment in equity securities	1,212,551	1,873,612	3,086,163	1,757,426
	Deposits with banks	101,747	317,590	419,337	1,495,880
	Mutual Funds	212,002	97,690	309,692	232,296
		2,261,341	3,558,470	5,819,811	5,107,328

viii) 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.

		2016		2015	
		Funded Gratuity Rs '000	Funded Pension Rs '000	Funded Gratuity Rs '000	Funded Pension Rs '000
ix)	**Movement in (asset) / liability recognised in balance sheet:**				
	Opening liability / (asset)	133,690	(268,136)	(28,090)	(59,019)
	Cost for the year recognised in profit or loss	144,394	97,701	102,983	149,294
	Employer's contribution during the year	(278,084)	(97,701)	(74,893)	(459,371)
	Total amount of re-measurement recognised in Other Comprehensive Income (OCI) during the year	(80,450)	(18,642)	133,690	100,960
	Closing (asset) / liability	(80,450)	(286,778)	133,690	(268,136)
x)	**Re-measurements recognised in OCI during the year:**				
	Re-measurment loss on obligation	(23,056)	(77,747)	(112,277)	(174,378)
	Re-measurment gain / (loss) on plan assets	103,506	96,389	(21,413)	73,418
	Re-measuement gain / (loss) recognised in OCI	80,450	18,642	(133,690)	(100,960)

		2016		2015	
		Funded Gratuity %	Funded Pension %	Funded Gratuity %	Funded Pension %
xi)	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	8.00	8.00	9.00	9.00
	Expected rate of salary growth				
	Management	8.00	8.00	9.00	9.00
	Non-Management	7.00	–	8.00	–
	Expected rate of return on plan assets	8.00	8.00	9.00	9.00
	Expected rate of increase in post retirement pension	–	2.00	–	3.00
	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	–

xii) **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.

	2016		2015	
	Defined benefit obligation		Defined benefit obligation	
	Effect of 1 percent increase Rs '000	Effect of 1 percent decrease Rs '000	Effect of 1 percent increase Rs '000	Effect of 1 percent decrease Rs '000
Discount rate	(393,129)	467,165	(424,055)	505,386
Future salary growth	93,510	(94,473)	168,114	(157,469)
Future pension	250,754	(215,135)	221,984	(190,601)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

xiii) The weighted average number of years of defined benefit obligation is given below:

	2016		2015	
	Funded Gratuity Years	Funded Pension Years	Funded Gratuity Years	Funded Pension Years
Plan Duration	6.81	9.88	6.91	7.32

xiv) 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.

xv) Distribution of timing of benefit payments:

	2016		2015	
	Funded Gratuity Rs '000	Funded Pension Rs '000	Funded Gratuity Rs '000	Funded Pension Rs '000
1 year	218,427	176,903	233,808	223,688
2 years	361,116	301,629	215,415	224,174
3 years	224,873	217,339	262,387	251,089
4 years	228,029	225,668	261,489	226,954
5 years	333,082	303,790	243,054	231,656
6-10 years	1,415,003	1,456,925	1,535,354	1,546,692

xvi) "Salaries, wages and benefits" expense, stated in notes 29 and 30 include retirement benefits in respect of gratuity, provident fund, pension plan and compensated absences amounting to Rs 130,810 thousand, Rs 137,954 thousand, Rs 85,356 thousand and Rs 198,567 thousand respectively (2015: Rs 96,182 thousand, Rs 137,702 thousand, Rs 134,122 thousand and Rs 274,098 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.

		2016 Rs '000	2015 Rs '000
11.1	**Defined contribution plan**		
	Details of the Employees' Provident Fund based on un-audited financial statements are as follows:		
	Size of the fund (total assets)	7,104,345	6,032,268
	Cost of investments made	6,546,414	5,805,137
	Fair value of investments made	6,569,094	5,340,949
	Percentage of investments made	92%	89%

	2016		2015	
	Rs '000	%	Rs '000	%
Breakup of investment - at cost				
Term deposits and funds with scheduled banks	3,968,257	61	1,856,256	32
Government securities	95,843	1	276,864	5
Listed securities, mutual funds and term finance certificates	2,482,314	38	3,672,017	63
	6,546,414	100	5,805,137	100

Investments out of provident funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose, except for the prescribed limit for listed securities.

	Note	2016 Rs '000	2015 Rs '000
12. MARK-UP AND PROFIT ACCRUED			
On long term borrowings			
From conventional banks		181,477	77,207
From Islamic banks		19,766	19,086
		201,243	96,293
On short term borrowings			
From conventional banks		100,004	124,423
From Islamic banks		19,844	47,378
		119,848	171,801
		321,091	268,094
13. SHORT TERM BORROWINGS			
Short term borrowings - secured			
From conventional banks	13.1		
MCB Bank Limited (MCB - 1)		4,569	1,333,292
MCB Bank Limited (MCB - 2)		750,000	750,000
MCB Bank Limited (MCB - 3)		1,300,000	2,500,000
MCB Bank Limited (MCB - 4)		2,250,000	–
MCB Bank Limited (MCB - 5)		3,285,000	–
Allied Bank Limited (ABL)		907,539	1,984,402
Bank Al-Habib Limited (BAHL)		899,845	995,035
United Bank Limited (UBL - 1)		94,560	441,111
United Bank Limited (UBL - 2)		800,000	1,676,800
Askari Bank Limited (AKBL)		730,698	989,970
Bank Alfalah Limited (BAF)		456,040	498,859
Habib Bank Limited (HBL - 1)		1,600,000	1,513,494
Habib Bank Limited (HBL - 2)		2,000,000	700,000
National Bank of Pakistan (NBP)		1,172,116	1,197,639
Habib Metropolitan Bank Limited (HMBL)		950,000	500,000
JS Bank Limited (JSBL)		950,001	500,000
Soneri Bank Limited (SBL)		400,000	1,000,000
Standard Chartered Bank (Pakistan) Limited (SCB)		818,997	–
From Islamic banks	13.2		
Meezan Bank Limited (MBL - 1)		500,000	1,090,000
Meezan Bank Limited (MBL - 2)		1,807,160	–
Bank Islami Pakistan Limited (BIPL)		–	350,000
The Bank of Khyber (BOK)		500,000	–
		22,176,525	18,020,602

13.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 25.48 billion (2015: Rs 17.35 billion) which represent the aggregate of all facility agreements between the Company and respective banks. The facilities have various maturity dates upto September 30, 2017.

The facilities are secured by pari passu / ranking hypothecation charges on assets of the Company besides lien over US $ / Pak Rupees Term Deposits and PIBs in certain cases. The per annum rates of mark-up range between 1 month KIBOR + 0.03% to 0.35% and 3 month KIBOR + 0% to 0.50% (2015: 1 month KIBOR + 0.05% to 0.35% and 3 month KIBOR + 0.10% to 0.50%).

13.2 Shariah compliant short term borrowings are available from various banking companies under profit arrangements against facilities amounting to Rs 2.85 billion (2015: Rs 1.44 billion) which represent the aggregate of all facility agreements between the Company and respective banks. The facilities have various maturity dates upto December 31, 2017.

The facilities are secured by ranking hypothecation charges on assets of the Company besides lien over PIBs in certain cases. The per annum rates of profit range between 3 month KIBOR + 0% to 3 month KIBOR + 0.14% (2015: 1 month KIBOR + 0.10%).

	2016 Rs '000	2015 Rs '000
14. CONTINGENCIES AND COMMITMENTS		
a) Contingencies:		
i) Guarantees issued by banks on behalf of the Company	15,010	15,010
ii) Claims against the Company and / or potential exposure not acknowledged as debt	50,696	50,696

iii) The Competition Commission of Pakistan has imposed a penalty of Rs 5.5 billion on the Company for alleged unreasonable increase in urea prices in 2011. However, the fact remains that price increase was essentially caused by extended gas curtailment and delayed urea imports by the Government of Pakistan resulting in product shortage leading to market imbalance and price hike. The Company has filed an appeal against the above penalty before the Competition Appellate Tribunal. Based on legal advice from the Company's legal advisor, the Company is confident that there are reasonable grounds for a favourable decision.

	2016 Rs '000	2015 Rs '000
b) Commitments in respect of:		
i) Capital expenditure	1,506,491	1,029,026
ii) Purchase of fertilizer, stores, spares and other operational items	2,442,596	540,496
iii) Investment in Fauji Fresh n Freeze Limited	1,000,000	–
iv) Rentals under lease agreements:		
Premises - not later than one year	192,800	104,958
- later than one year and not later than:		
two years	108,166	54,044
three years	42,159	27,262
four years	30,835	27,372
five years	31,395	27,350
Vehicles - not later than one year	29,691	33,656
- later than one year and not later than:		
two years	16,609	19,109
three years	17,459	17,156
four years	9,391	16,631
five years	1,860	5,863

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings and structures on freehold land	Buildings and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 15.3)	Total
	Rs '000													
As at January 1, 2015														
Cost	544,247	178,750	3,861,475	1,991,797	26,517	28,800,057	1,807,938	953,141	350,937	553,463	1,966,447	23,530	2,109,900	43,168,199
Accumulated depreciation	–	(134,742)	(2,042,640)	(241,744)	(26,517)	(17,360,701)	(863,620)	(461,290)	(155,792)	(313,817)	(1,452,821)	(20,617)	–	(23,074,301)
Net Book Value	544,247	44,008	1,818,835	1,750,053	–	11,439,356	944,318	491,851	195,145	239,646	513,626	2,913	2,109,900	20,093,898
Year ended December 31, 2015														
Opening net book value	544,247	44,008	1,818,835	1,750,053	–	11,439,356	944,318	491,851	195,145	239,646	513,626	2,913	2,109,900	20,093,898
Additions	225	–	218,707	–	–	2,248,372	95,849	82,332	20,339	87,997	220,527	1,851	1,640,145	4,616,344
Disposals														
Cost	–	–	–	–	–	(41,370)	–	(12,751)	(1,347)	(21,322)	(12,338)	–	–	(89,128)
Depreciation	–	–	–	–	–	27,171	–	12,589	1,324	21,300	12,276	–	–	74,660
	–	–	–	–	–	(14,199)	–	(162)	(23)	(22)	(62)	–	–	(14,468)
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	(1,343,999)	(1,343,999)
Depreciation Charge	–	(14,072)	(150,060)	(97,592)	–	(973,541)	(315,744)	(115,056)	(30,390)	(79,999)	(192,037)	(1,582)	–	(1,970,073)
Balance as at December 31, 2015	544,472	29,936	1,887,482	1,652,461	–	12,699,988	724,423	458,965	185,071	247,622	542,054	3,182	2,406,046	21,381,702
As at January 1, 2016														
Cost	544,472	178,750	4,080,182	1,991,797	26,517	31,007,059	1,903,787	1,022,722	369,929	620,138	2,174,636	25,381	2,406,046	46,351,416
Accumulated depreciation	–	(148,814)	(2,192,700)	(339,336)	(26,517)	(18,307,071)	(1,179,364)	(563,757)	(184,858)	(372,516)	(1,632,582)	(22,199)	–	(24,969,714)
Net Book Value	544,472	29,936	1,887,482	1,652,461	–	12,699,988	724,423	458,965	185,071	247,622	542,054	3,182	2,406,046	21,381,702
Year ended December 31, 2016														
Opening net book value	544,472	29,936	1,887,482	1,652,461	–	12,699,988	724,423	458,965	185,071	247,622	542,054	3,182	2,406,046	21,381,702
Additions	–	–	237,181	3,943	–	2,481,440	253,795	90,057	15,654	58,326	204,712	513	744,946	4,090,567
Disposals														
Cost	–	–	(718)	–	–	(184,187)	–	(28,348)	(2,339)	(22,404)	(49,501)	–	–	(287,497)
Depreciation	–	–	718	–	–	177,629	–	27,567	2,281	22,404	49,327	–	–	279,926
	–	–	–	–	–	(6,558)	–	(781)	(58)	–	(174)	–	–	(7,571)
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	(2,105,199)	(2,105,199)
Adjustments														
Depreciation Charge	–	(14,072)	(187,114)	(73,518)	–	(1,120,339)	(307,405)	(120,788)	(31,274)	(90,495)	(180,204)	(1,558)	–	(2,126,767)
Balance as at December 31, 2016	544,472	15,864	1,937,549	1,582,886	–	14,054,531	670,813	427,453	169,393	215,453	566,388	2,137	1,045,793	21,232,732
As at December 31, 2016														
Cost	544,472	178,750	4,316,645	1,995,740	26,517	33,304,312	2,157,582	1,084,431	383,244	656,060	2,329,847	25,894	1,045,793	48,049,287
Accumulated depreciation	–	(162,886)	(2,379,096)	(412,854)	(26,517)	(19,249,781)	(1,486,769)	(656,978)	(213,851)	(440,607)	(1,763,459)	(23,757)	–	(26,816,555)
Net Book Value	544,472	15,864	1,937,549	1,582,886	-	14,054,531	670,813	427,453	169,393	215,453	566,388	2,137	1,045,793	21,232,732
Rate of depreciation / amortisation in %	–	6 1/4 to 9 1/4	5 to 10	5	5	5	20	15	10	20	15 - 33 1/3	30	–	–

		Note	2016 Rs '000	2015 Rs '000
15.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	29	2,035,462	1,876,329
	Distribution cost	30	72,805	75,857
	Other expenses		1,511	1,175
	Charged to FFBL under Inter Company Services Agreement		16,989	16,712
			2,126,767	1,970,073

15.2 Details of property, plant and equipment disposed off:

Description	Mode of disposal	Original cost Rs '000	Book value Rs '000	Sale proceeds Rs '000
Furniture and fixtures, office equipment, maintenance and other equipment				
Ejaz Siddqui	Tender	7,156	2,089	440
Anwar Traders	Tender	15,084	4,469	430
EFU insurance	Insurance claim	123	95	119
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		265,134	918	21,052
2016		287,497	7,571	22,041
2015		89,128	14,468	22,079

		Note	2016 Rs '000	2015 Rs '000
15.3	**Capital Work in Progress**			
	Civil works		216,701	215,469
	Plant and machinery		829,092	2,190,577
			1,045,793	2,406,046
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	15,977	7,486
	Goodwill	16.2	1,569,234	1,569,234
			1,585,211	1,576,720
16.1	**Computer software**			
	Balance at the beginning		7,486	41,970
	Additions during the year		15,066	7,116
	Amortisation charge for the year		(6,575)	(41,600)
	Balance at the end		15,977	7,486
	Amortisation rate		33 1/3%	33 1/3%
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	5,220	30,071
	Distribution cost	30	1,355	11,529
			6,575	41,600

16.2 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 11.55%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

	Note	2016 Rs '000	2015 Rs '000
17. LONG TERM INVESTMENTS			
Investment in associated companies (Quoted) - at cost			
Fauji Cement Company Limited (FCCL)	17.1	1,500,000	1,500,000
Fauji Fertilizer Bin Qasim Limited (FFBL)	17.2	4,658,919	4,658,919
Askari Bank Limited (AKBL)	17.3	10,461,921	10,461,921
Investment in joint venture (Unquoted) - at cost			
Pakistan Maroc Phosphore S.A., Morocco (PMP)	17.4	705,925	705,925
Investment in subsidiary companies - at cost			
FFC Energy Limited (FFCEL)	17.5	2,438,250	2,438,250
Fauji Fresh n Freeze Limited (FFF)	17.6	2,635,500	1,435,500
Investments available for sale	17.7		
Term Deposit Receipts - from conventional bank		96,138	114,758
Pakistan Investment Bonds		7,701,536	8,230,410
Term Finance Certificates - under mark-up arrangement		–	99,917
		7,797,674	8,445,085
		30,198,189	29,645,600
Less: Current portion shown under short term investments			
Investments available for sale			
Term Deposit Receipts - from conventional bank		27,515	29,574
Pakistan Investment Bonds		514,391	486,551
		541,906	516,125
		29,656,283	29,129,475

17.1 Investment in FCCL - at cost

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% of its share capital as at December 31, 2016.The Company is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by Faysal Bank Limited, remains outstanding or without prior consent of FCCL. Market value of the Company's investment as at December 31, 2016 was Rs 4,226,250 thousand (2015: Rs 3,451,875 thousand).

17.2 Investment in FFBL - at cost

Investment in FFBL represents 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% of FFBL's share capital as at December 31, 2016. Market value of the Company's investment as at December 31, 2016 was Rs 23,858,329 thousand (2015: Rs 24,543,191 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.

17.3 Investment in AKBL - at cost

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2015: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2015 was Rs 13,567,012 thousand (2015: Rs 11,821,516 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.

17.4 Investment in joint venture - at cost

The Company has 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, 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.

17.5 Investment in FFCEL - at cost

FFCEL is presently a wholly owned subsidiary of FFC. Investment in FFCEL represents 243,825 thousand (2015: 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 thousand are held in the name of seven nominee directors of the Company.

17.6 Investment in FFF - at cost

Investment in FFF represents 253,960 thousand (2015: 93,960 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 thousand are held in the name of seven nominee directors of the Company.

17.7 Investments available for sale

Term Deposit Receipts (TDRs)

These represent placement in Term Deposits with financial institution having tenures ranging from one to five years with returns in the range of 4.49% to 10.51% per annum (2015: 5.12% to 12.32% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 3, 5 and 10 years tenure having aggregate face value of Rs 6.99 billion are due to mature within a period of 6 years. Profit is payable on half yearly basis with coupon rates ranging from 11.25% to 12.00% per annum. The PIBs are placed with banks as collateral to secure borrowing facilities.

	Note	2016 Rs '000	2015 Rs '000
18. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives			
Interest bearing		600,972	469,799
Non-interest bearing		457,566	454,390
		1,058,538	924,189
Other employees			
Interest bearing		109,022	89,643
Non-interest bearing		102,174	99,078
		211,196	188,721
		1,269,734	1,112,910
Less: Amount due within twelve months, shown under current loans and advances			
Interest bearing		134,246	118,395
Non-interest bearing		201,338	180,217
	23	335,584	298,612
		934,150	814,298

18.1 Reconciliation of carrying amount of loans and advances:

	Executives Rs '000	Other employees Rs '000	2016 Total Rs '000	2015 Total Rs '000
Balance at January 1	924,189	188,721	1,112,910	1,108,627
Transfers	34,141	(34,141)	–	–
Disbursements	531,921	178,055	709,976	430,041
	1,490,251	332,635	1,822,886	1,538,668
Repayments	431,713	121,439	553,152	425,758
Balance at December 31	1,058,538	211,196	1,269,734	1,112,910

These represent secured house building loans, house rent advances and advances pursuant to agreement with employees which are repayable within one to ten years. House building loans carry mark-up at 4% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 1,102,793 thousand (2015: Rs 980,616 thousand).

	Note	2016 Rs '000	2015 Rs '000
19. LONG TERM DEPOSITS AND PREPAYMENTS			
Non-interest bearing deposits		12,378	12,388
Prepayments		1,597	613
		13,975	13,001
20. STORES, SPARES AND LOOSE TOOLS			
Stores		207,254	195,710
Spares		3,300,821	3,190,262
Provision for slow moving spares	20.1	(407,167)	(361,432)
		2,893,654	2,828,830
Loose tools		117	144
Items in transit		327,210	371,078
		3,428,235	3,395,762

		2016	2015
		Rs '000	Rs '000
20.1	**Movement of Provision for slow moving spares**		
	Balance at the beginning	361,432	390,866
	Provision during the year	45,735	–
	Reversal during the year	–	(29,434)
	Balance at the end	407,167	361,432
21.	**STOCK IN TRADE**		
	Raw materials	91,878	65,439
	Work in process	96,785	106,097
	Finished goods - manufactured urea	3,675,771	2,172,446
	- purchased fertilizer	372,893	2,756,038
		4,237,327	5,100,020
22.	**TRADE DEBTS**		
	Considered good:		
	Secured	4,250,541	1,726,970
	Unsecured	55,410	46,728
	Considered doubtful	1,758	1,758
		4,307,709	1,775,456
	Provision for doubtful debts	(1,758)	(1,758)
		4,305,951	1,773,698

22.1 These debts are secured by way of bank guarantees.

		Note	2016	2015
			Rs '000	Rs '000
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	335,584	298,612
	Loans and advances to employees - unsecured			
	- considered good, non-interest bearing			
	Executives		31,668	37,703
	Others		10,967	8,669
	Advance to subsidiary company - interest bearing			
	FFC Energy Limited (FFCEL)	23.1	336,386	336,386
	Fauji Fresh n Freeze Limited (FFF)	23.2	–	183,000
	Advances to suppliers - considered good		188,835	160,224
			903,440	1,024,594

23.1 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 markup at 1 month KIBOR + 0.60%. The maximum outstanding amount at the end of any month during the year was Rs 336,386 thousand (2015: Rs 540,386 thousand).

23.2 This represents aggregate unsecured advance to, Fauji Fresh n Freeze Limited (FFF), subsidiary company under a revolving credit facility upto an amount of Rs 1,000,000 thousand to meet debt servicing obligations and other working capital requirements. This carries markup at 1 month KIBOR + 1.00%. The maximum outstanding amount at the end of any month during the year was Rs 742,251 thousand (2015: 453,000 thousand).

		2016	2015
		Rs '000	Rs '000
24.	**DEPOSITS AND PREPAYMENTS**		
	Non-interest bearing deposits	944	962
	Prepayments	49,297	38,361
		50,241	39,323

	Note	2016	2015
		Rs '000	Rs '000
25. OTHER RECEIVABLES			
Accrued income on investments and bank deposits			
From conventional banks		393,612	421,899
From Islamic banks		508	916
From subsidiaries - conventional		93,761	105,433
Sales tax receivable		1,092,335	–
Sales tax receivable related to PSFL		42,486	42,486
Advance tax	25.1	322,368	322,368
Receivable from Workers' Profit Participation			
Fund - unsecured	25.2	108,194	33,536
Receivable from subsidiary companies	25.3		
Fauji Fresh n Freeze Limited - unsecured		2,628	–
FFC Energy Limited - unsecured		20,798	8,064
Receivable from Fauji Fertilizer Bin Qasim			
Limited - unsecured		39,203	49,010
Due from Gratuity Fund		80,450	–
Due from Pension Fund		286,778	268,136
Subsidy receivable from Government agencies	25.4	5,072,534	1,489,977
Other receivables			
considered good		136,167	65,437
considered doubtful		2,232	2,232
Provision for doubtful receivables		(2,232)	(2,232)
		136,167	65,437
		7,691,822	2,807,262

25.1 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.

	Note	2016	2015
		Rs '000	Rs '000
25.2 Workers' Profit Participation Fund (WPPF)			
Balance at beginning		33,536	55,300
Allocation for the year		(931,384)	(1,316,042)
Receipt from fund	25.2.1	(43,958)	(65,722)
Payment to fund		1,050,000	1,360,000
		108,194	33,536

25.2.1 This represents amount paid to WPPF in prior years' in excess of the Company's obligation.

25.3 The maximum amount of receivable from FFF and FFCEL during the year was Rs 13,738 thousand (2015: Rs 27,506 thousand) and Rs 54,594 thousand (2015: Rs 22,419 thousand) respectively.

25.4 This represents subsidy receivable on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on 25 October 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.

	Note	2016 Rs '000	2015 Rs '000
26. SHORT TERM INVESTMENTS			
Loans and receivables - conventional investments			
Term deposits with banks and financial institutions	26.1		
Local currency (Net of provision for doubtful recovery			
Rs 3,900 thousand (2015: Rs 3,900 thousand)		11,050,942	8,239,000
Foreign currency		1,420,224	1,396,192
		12,471,166	9,635,192
Investments at fair value through profit or loss			
Shariah compliant investments	26.2		
Al Meezan Fund		428,413	183,403
Conventional investments			
MCB Arif Habib Fund		100,151	–
UBL Fund		199,691	–
NAFA Fund		402,502	–
		702,344	–
Current maturity of long term investments			
Available for sale	17	541,906	516,125
		14,143,829	10,334,720

26.1 These represent investments having maturities ranging between 1 to 3 months.

26.2 Fair values of these investments are determined using quoted repurchase price.

	Note	2016 Rs '000	2015 Rs '000
27. CASH AND BANK BALANCES			
At banks			
Local Currency			
Current Account - conventional banking		125,718	106,570
Deposit Account - conventional banking	27.2	217,747	794,496
Deposit Account - Islamic banking	27.3	28,816	20,691
		372,281	921,757
Foreign Currency			
Deposit Account (US$ 11,452; 2015: US$ 18,386)		1,198	1,965
		373,479	923,722
Cash in transit	27.4	2,150,877	1,813,556
Cash in hand		1,532	2,036
		2,525,888	2,739,314

27.1 Balances with banks include Rs 110,147 thousand (2015: Rs 738,350 thousand) in respect of security deposits received.

27.2 Balances with banks carry mark-up ranging from 3.50% to 5.25% (2015: 3.50% to 6.00%) per annum.

27.3 Balances with banks carry profit ranging from 1.65% to 4.00% (2015: 2.50% to 6.00%) per annum.

27.4 These represent demand drafts in transit at the year end.

28. SALES

Sales include Rs 8,808,016 thousand (2015: Rs 10,200,523 thousand) in respect of sale of purchased fertilizers, and are exclusive of sales tax and discount of Rs 7,660,676 thousand (2015: Rs 15,388,642 thousand) and Rs 1,445,379 thousand (2015: 1,500,355 thousand) respectively.

	Note	2016 Rs '000	2015 Rs '000
29. COST OF SALES			
Raw materials consumed		26,296,465	27,022,783
Fuel and power		9,010,605	8,075,315
Chemicals and supplies		384,272	352,678
Salaries, wages and benefits		5,980,097	5,854,032
Training and employees welfare		855,840	845,825
Rent, rates and taxes		20,703	19,432
Insurance		174,375	182,950
Travel and conveyance	29.1	348,224	399,650
Repairs and maintenance (includes stores and spares consumed of Rs 991,149 thousand; (2015: Rs 1,809,203 thousand)		1,518,462	1,958,786
Depreciation	15.1	2,035,462	1,876,329
Amortisation	16.1	5,220	30,071
Communication and other expenses	29.2	1,462,947	1,725,948
		48,092,672	48,343,799
Opening stock - work in process		106,097	64,860
Closing stock - work in process		(96,785)	(106,097)
		9,312	(41,237)
Cost of goods manufactured		48,101,984	48,302,562
Opening stock of manufactured urea		2,172,446	584,930
Closing stock of manufactured urea		(3,675,771)	(2,172,446)
		(1,503,325)	(1,587,516)
Cost of sales - own manufactured urea		46,598,659	46,715,046
Opening stock of purchased fertilizers		2,756,038	21,504
Purchase of fertilizers for resale		5,845,237	11,968,858
		8,601,275	11,990,362
Closing stock of purchased fertilizers		(372,893)	(2,756,038)
Cost of sales - purchased fertilizers		8,228,382	9,234,324
		54,827,041	55,949,370

29.1 These include operating lease rentals amounting to Rs 13,156 thousand (2015: Rs 24,663 thousand).

29.2 This includes provision for slow moving spares amounting to Rs 45,736 thousand (2015: Rs Nil).

	Note	2016 Rs '000	2015 Rs '000
30. DISTRIBUTION COST			
Product transportation		4,075,062	4,220,398
Salaries, wages and benefits		1,629,259	1,590,906
Training and employees welfare		92,310	106,880
Rent, rates and taxes		196,483	120,633
Technical services to farmers		8,083	15,144
Travel and conveyance	30.1	153,489	164,026
Sale promotion and advertising		171,976	142,276
Communication and other expenses		208,633	239,249
Warehousing expenses		544,789	126,693
Depreciation	15.1	72,805	75,857
Amortisation	16.1	1,355	11,529
		7,154,244	6,813,591

30.1 These include operating lease rentals amounting to Rs 6,985 thousand (2015: Rs 11,119 thousand).

	2016 Rs '000	2015 Rs '000
31. FINANCE COST		
Mark-up / profit on long term borrowings		
Conventional banking	1,243,714	797,399
Islamic banking	273,158	171,473
	1,516,872	968,872
Mark-up / profit on short term borrowings		
Conventional banking	739,169	354,559
Islamic banking	89,418	128,385
	828,587	482,944
Bank and other charges	26,872	22,985
Exchange loss	33,258	–
	2,405,589	1,474,801
32. OTHER EXPENSES		
Research and development	524,137	463,868
Workers' Profit Participation Fund (WPPF)	931,384	1,316,042
Workers' Welfare Fund	302,297	501,931
Auditors' remuneration		
Audit fee	1,650	1,650
Fee for half yearly review, audit of consolidated financial statements & review of Code of Corporate Governance	990	854
Out of pocket expenses	205	279
	2,845	2,783
	1,760,663	2,284,624

		Note	2016 Rs '000	2015 Rs '000
33.	**OTHER INCOME**			
	Income from sales under Government subsidy	33.1	6,978,855	1,489,977
	Income from financial assets			
	Income on loans, deposits and investments			
	Placements with conventional banks		1,066,592	1,539,087
	Placements with Islamic banks		476	227,528
	Gain on re-measurement of investments classified			
	as fair value through profit or loss on;			
	Conventional investments		12,652	1,877
	Shariah compliant investments		46,530	8,401
	Dividend income on Shariah compliant investments		–	9,364
	Exchange gain		11,117	2,564
	Income from associates			
	Dividend from FFBL		1,420,970	1,397,676
	Dividend from FCCL		257,813	234,375
	Dividend from AKBL		679,710	1,087,536
	Dividend from PMP		50,911	–
	Income from non financial assets			
	Gain on disposal of property, plant and equipment		14,470	7,611
	Commission on sale of FFBL products		24,665	20,761
	Other income			
	Scrap sales		11,292	25,756
	Others		88,790	141,718
			10,664,843	6,194,231

33.1 This represents subsidy on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on 25 October 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.

		2016 Rs '000	2015 Rs '000
34.	**PROVISION FOR TAXATION**		
	Current tax	4,854,000	7,436,000
	Prior year	690,000	785,000
	Deferred tax	68,000	(484,000)
		5,612,000	7,737,000
	Reconciliation between tax expense and accounting profit		
	Accounting profit before taxation	17,393,993	24,502,869

	2016 %	2015 %
Applicable tax rate	31.00	32.00
Tax effect of income that is exempt or taxable at reduced rates	(2.56)	(2.17)
Effect of change in tax rate	–	(2.11)
Effect of super tax	3.97	3.20
Others	(0.15)	0.66
Average effective tax rate charged on income	32.26	31.58

	2016	2015
35. EARNINGS PER SHARE - basic and diluted		
Net profit after tax (Rupees '000)	11,781,993	16,765,869
Weighted average number of shares in issue (Number '000)	1,272,238	1,272,238
Basic and diluted earnings per share (Rupees)	9.26	13.18

There is no dilutive effect on the basic earnings per share of the Company.

36. 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:

	2016		2015	
	Chief Executive Rs '000	Executives Rs '000	Chief Executive Rs '000	Executives Rs '000
Managerial remuneration	7,777	1,918,046	7,829	1,776,812
Contribution to provident fund	537	119,541	536	110,858
Bonus and other awards	5,220	2,140,286	1,313	1,979,844
Allowances and contribution to retirement benefit plans	7,165	1,684,648	11,547	1,549,224
Total	20,699	5,862,521	21,225	5,416,738
No. of person(s)	1	897	1	850

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 (2015: 4,422 thousand) and Rs 74,422 thousand (2015: 52,445 thousand) were paid to chief executive and executives respectively on separation, in accordance with the Company's policy.

In addition, 15 (2015: 14) directors were paid aggregate fee of Rs 4,750 thousand (2015: 5,450 thousand).

	2016	2015
	Rs '000	Rs '000
37. CASH GENERATED FROM OPERATIONS		
Net profit before taxation	17,393,993	24,502,869
Adjustments for:		
Depreciation and amortisation	2,114,842	1,993,786
Provision / (reversal) for slow moving spares	45,735	(29,434)
Finance cost	2,405,589	1,474,801
Income on loans, deposits and investments	(1,067,068)	(1,766,615)
Gain on re-measurement of investments classified at fair value through profit or loss	(59,182)	(10,278)
Dividend income	(2,409,404)	(2,719,587)
Exchange loss - net	22,141	70,503
Gain on disposal of property, plant and equipment	(14,470)	(7,611)
Government subsidy on sale of fertilizer	(6,978,855)	(1,489,977)
	(5,940,672)	(2,484,412)
	11,453,321	22,018,457
Changes in working capital		
(Increase) / decrease in current assets:		
Stores and spares	(78,208)	(51,505)
Stock in trade	862,693	(4,118,270)
Trade debts	(2,532,253)	(951,238)
Loans and advances	121,154	34,160
Deposits and prepayments	(10,918)	(12,947)
Other receivables	(1,110,835)	(288,792)
Increase / (decrease) in current liabilities:		
Trade and other payables	2,944,389	(29,631,566)
	196,022	(35,020,158)
Changes in long term loans and advances	(119,852)	8,890
Changes in long term deposits and prepayments	(974)	2,623
Changes in deferred liabilities	159,895	304,040
	11,688,412	(12,686,148)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 Fair value of Financial Instruments

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Group is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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)

Financial instruments by category

December 31, 2016

	Carrying Amount					Fair Value			
	Loans and receivables	Available sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets									
Maturity after one year									
Long term investments	-	7,255,768	-	-	7,255,768	-	7,255,768	-	7,255,768
Long term loans and advances	934,150	-	-	-	934,150	-	-	-	-
Long term deposits	12,378	-	-	-	12,378	-	-	-	-
Maturity up to one year									
Trade debts - net of provision	4,305,951	-	-	-	4,305,951	-	-	-	-
Loans and advances	714,605	-	-	-	714,605	-	-	-	-
Deposits	944	-	-	-	944	-	-	-	-
Other receivables	7,218,774	-	-	-	7,218,774	-	-	-	-
Short term investments	12,471,166	541,906	1,130,757	-	14,143,829	1,130,757	541,906	-	1,672,663
Cash and bank balances	2,525,888	-	-	-	2,525,888	-	-	-	-
	28,183,856	7,797,674	1,130,757	-	37,112,287	1,130,757	7,797,674	-	8,928,431
Financial liabilities									
Maturity after one year									
Long term borrowings	-	-	-	16,653,294	16,653,294	-	-	-	-
Maturity up to one year									
Trade and other payables	-	-	-	9,402,514	9,402,514	-	-	-	-
Interest and mark-up accrued	-	-	-	321,091	321,091	-	-	-	-
Short term borrowings	-	-	-	22,176,525	22,176,525	-	-	-	-
Current portion of long term borrowings	-	-	-	6,434,304	6,434,304	-	-	-	-
	-	-	-	54,987,728	54,987,728	-	-	-	-

December 31, 2015

	Carrying Amount					Fair Value			
	Loans and receivables	Available sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets									
Maturity after one year									
Long term investments	-	7,928,960	-	-	7,928,960	99,917	7,829,043	-	7,928,960
Long term loans and advances	814,298	-	-	-	814,298	-	-	-	-
Long term deposits	12,388	-	-	-	12,388	-	-	-	-
Maturity up to one year									
Trade debts - net of provision	1,773,698	-	-	-	1,773,698	-	-	-	-
Loans and advances	864,370	-	-	-	864,370	-	-	-	-
Deposits	962	-	-	-	962	-	-	-	-
Other receivables	2,408,872	-	-	-	2,408,872	-	-	-	-
Short term investments	9,635,192	516,125	183,403	-	10,334,720	183,403	516,125	-	699,528
Cash and bank balances	2,739,314	-	-	-	2,739,314	-	-	-	-
	18,249,094	8,445,085	183,403	-	26,877,582	283,320	8,345,168	-	8,628,488
Financial liabilities									
Maturity after one year									
Long term borrowings	-	-	-	15,892,599	15,892,599	-	-	-	-
Maturity up to one year									
Trade and other payables	-	-	-	5,716,623	5,716,623	-	-	-	-
Interest and mark-up accrued	-	-	-	268,094	268,094	-	-	-	-
Short term borrowings	-	-	-	18,020,602	18,020,602	-	-	-	-
Current portion of long term borrowings	-	-	-	4,509,839	4,509,839	-	-	-	-
	-	-	-	44,407,757	44,407,757	-	-	-	-

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 JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Note	Rating	2016	2015
			Rs '000	Rs '000
Trade Debts				
Counterparties without external credit ratings				
Existing customers with no default in the past			4,305,951	1,773,698
Loans and advances				
Counterparties without external credit ratings				
Loans and advances to employees			1,312,369	1,159,282
Loan to subsidiary company			336,386	519,386
			1,648,755	1,678,668
Deposits				
Counterparties without external credit ratings				
Others			13,322	13,350
Other receivables				
Counterparties with external credit ratings		A1+ / A-1+	30,266	29,334
		A1 / A-1	2,433	8,674
		A-2	–	205
Counterparties without external credit ratings				
Balances with related parties			631,812	464,179
Others			499,712	450,039
			1,164,223	952,431
Short term investments				
Counterparties with external credit ratings		A1+ / A-1+	12,240,478	6,943,946
		A1 / A-1	258,203	2,070,820
		A-2	–	650,000
		AM2++	1,130,757	183,403
Counterparties without external credit ratings	38.2.1		514,391	486,551
			14,143,829	10,334,720

38.2.1 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

	Note	Rating	2016	2015
Bank balances				
Counterparties with external credit ratings		A1+ / A-1+ / P-1	373,422	922,022
		A1 / A-1	24	1,700
		A-2	33	–
			373,479	923,722
Long term investments				
Counterparties with external credit ratings		AA	–	185,100
		AA+	68,623	–
Counterparties without external credit ratings	38.2.2		7,187,145	7,743,859
			7,255,768	7,928,959

	2016 Rs '000	2015 Rs '000
38.2.2 Counterparties without external credit ratings		
This represents PIBs issued by the Government of Pakistan		
Long term loans and advances		
Counterparties without external credit ratings		
Loans and advances to employees	934,150	814,298

38.3 Financial risk factors

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 adhoc 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, short term investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 Rs '000	2015 Rs '000
Long term investments	7,255,768	7,928,960
Loans and advances	1,648,755	1,678,668
Deposits	13,322	13,350
Trade debts - net of provision	4,305,951	1,773,698
Other receivables - net of provision	7,218,774	2,408,872
Short term investments - net of provision	14,143,829	10,334,720
Bank balances	373,479	923,722
	34,959,878	25,061,990

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 a bank which amounts to Rs 3,500,000 thousand (2015: Rs 2,000,000 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 4,250,694 thousand (2015: Rs 1,727,405 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:

	2016		2015	
	Gross Rs '000	Impairment Rs '000	Gross Rs '000	Impairment Rs '000
Not yet due	3,431,278	–	1,587,907	–
Past due 1-30 days	601,956	–	131,128	–
Past due 31-60 days	208,637	–	54,663	–
Past due 61-90 days	64,080	–	–	–
Over 90 days	1,758	1,758	1,758	1,758
	4,307,709	1,758	1,775,456	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 managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintain lines of credit as mentioned in note 13 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2016	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				Rs '000			
Long term borrowings	23,288,841	26,607,994	3,683,235	4,260,398	7,829,196	10,835,165	–
Trade and other payables	9,402,514	9,402,514	9,402,514	–	–	–	–
Short term borrowings including mark-up	22,296,373	23,282,262	11,897,262	11,385,000	–	–	–
	54,987,728	59,292,770	24,983,011	15,645,398	7,829,196	10,835,165	–

2015	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				Rs '000			
Long term borrowings	20,498,731	24,076,517	2,391,694	3,553,731	12,135,759	5,995,333	–
Trade and other payables	5,716,623	5,716,623	5,716,623	–	–	–	–
Short term borrowings including mark-up	18,192,403	18,342,155	9,171,078	9,171,078	–	–	–
	44,407,757	48,135,295	17,279,395	12,724,809	12,135,759	5,995,333	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark-up rates. The mark-up rates have been disclosed in notes 8 and 13 to these consolidated financial statements.

c) **Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The 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 currency risk, interest rate risk and 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:

	2016		2015	
	Rs '000	US Dollar '000	Rs '000	US Dollar '000
Bank balance	1,198	11	1,933	18
Investments (Term Deposit Receipts)	1,420,224	13,578	1,396,193	13,348

The following significant exchange rate applied during the year:

	2016	2015	2016	2015
	Average rate		Balance sheet date rate	
US Dollars	103.77	101.90	104.60	104.60

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit by Rs 142,142 thousand (2015: Rs 139,812 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 balance sheet date the interest rate risk profile of the Company's interest bearing financial instruments is:

	2016	2015
	Carrying Amount	
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	22,793,196	20,717,638
Variable rate instruments		
Financial assets	336,386	619,303
Financial liabilities	45,264,123	38,423,040

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 or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	100 basis points increase Rs '000	100 basis points decrease Rs '000
December 31, 2016		
Cash flow sensitivity - Variable rate instruments		
Financial assets	6,348	(6,348)
Financial liabilities	(354,982)	354,982
December 31, 2015		
Cash flow sensitivity - Variable rate instruments		
Financial assets	7,988	(7,988)
Financial liabilities	(194,885)	194,885

iii) **Price risk**

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis - price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 53,141 thousand after tax (2015: Rs 58,612 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 or loss would have been an increase or decrease by Rs 8,481 thousand after tax (2015: Rs 1,376 thousand). The analysis is performed on the same basis for 2015 and assumes that all other variables remain the same.

38.4 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 in fair value through profit or loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at current PKRV rates applicable to similar instruments having similar maturities.

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 and accordingly are at level 1 in fair value hierarchy. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

38.5 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.

39. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2015: 44.35%) shares of the Company at the year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 18, 23 and 36 to the financial statements respectively.

	2016 Rs '000	2015 Rs '000
Transactions with subsidiary companies		
Guarantee against loan of subsidiary company	5,450,000	5,450,000
Investment in subsidiary - FFF	1,200,000	400,000
Balance receivable - unsecured	453,572	648,229
Balance payable - unsecured	–	45,663
Transactions with associated undertaking / companies due to common directorship		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,034,963	916,738
Commission on sale of subsidiary company's products	24,665	20,761
Payments under consignment account	48,232,608	59,455,977
Purchase of gas as feed and fuel stock	37,346,288	33,698,069
Services and materials received	11,636	1,864
Sale of fertilizer	2,627	4,846
Donations	119,130	50,341
Others	23,781	32,083
Dividend income	2,409,404	2,719,587
Dividend receivable	144,661	–
Dividend paid	4,835,516	6,736,998
Short term investments	300,000	789,000
Long term investments	96,138	114,758
Short term borrowing	730,698	–
Bank balance	–	4,802
Running finance	50,417	–
Balance receivable	47,171	58,648
Balance payable	5,565,853	2,586,607
Other related parties		
Payments to:		
Employees' Provident Fund Trust	390,425	376,056
Employees' Gratuity Fund Trust	278,084	74,893
Employees' Pension Fund Trust	97,701	459,371
Employees' Funds as Dividend on equity holding of 0.15% (2015: 1.09%)	24,235	63,462
Others:		
Balance receivable / (payable) Gratuity Fund Trust	80,450	(133,690)
Balance receivable from Pension Fund Trust	286,778	268,136

40. POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on January 31, 2017 has proposed a final dividend of Rs 2.75 per share and transfer of Rs 2 billion from unappropriated profit to the general reserve.

	2016 Tonnes '000	2015 Tonnes '000
41. GENERAL		
41.1 Production capacity		
Design capacity	2,048	2,048
Production during the year	2,523	2,469

41.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 100,000 thousand and Rs 8,010,000 thousand (2015: Rs 100,000 thousand and Rs 9,560,000 thousand) respectively are available to the Company against lien on shipping / title documents and charge on assets of the Company.

41.3 Donations

Cost of Sales and Distribution Cost include donations amounting to Rs 84,516 thousand (2015: Rs 110,878 thousand) and Rs 37,340 thousand (2015: Rs 56,876 thousand) respectively. These include Rs 119,130 thousand (2015: Rs 50,341 thousand), disbursed through Sona Welfare Foundation, Sona Tower, 156, The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Shafqaat Ahmed, HI (M) (Retired) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

	2016 Numbers	2015 Numbers
41.4 Number of employees		
Total number of employees at end of the year	3,415	3,497
Average number of employees for the year	3,444	3,339

41.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

41.6 Date of authorization

These Financial Statements have been authorized for issue by the Board of Directors of the Company on January 31, 2017.

Chairman | Chief Executive | Director

CONSOLIDATED FINANCIAL STATEMENTS

Fauji Fertilizer Company Limited

AUDITORS' REPORT **TO THE MEMBERS**
OF FAUJI FERTILIZER COMPANY LIMITED

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Fauji Fertilizer Company Limited (the Holding Company) and its subsidiary companies as at 31 December 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company and its subsidiary companies. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Fauji Fertilizer Company Limited and its subsidiary companies as at 31 December 2016 and the results of their operations for the year then ended.

KPMG Taseer Hadi & Co.

Islamabad
January 31, 2017

KPMG Taseer Hadi & CO.
Chartered Accountants
Atif Zamurrad Malik

CONSOLIDATED **BALANCE SHEET**
AS AT DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	12,722,382	12,722,382
Capital reserves	6	1,396,672	853,511
Revenue reserves	7	33,871,490	33,626,176
Surplus on re-measurement of investments available for sale to fair value - net		2,726,211	2,230,710
		50,716,755	49,432,779
Share in revaluation reserve of associates - net		649,076	–
NON - CURRENT LIABILITIES			
Long term borrowings	8	24,012,599	24,746,264
Deferred liabilities	9	6,097,396	5,306,671
Liability against assets subject to finance lease		8,025	5,459
		30,118,020	30,058,394
CURRENT LIABILITIES			
Trade and other payables	10	11,217,362	8,540,491
Mark-up and profit accrued	12	351,075	408,068
Short term borrowings	13	22,382,525	18,020,602
Current portion of long term borrowings	8	7,964,843	5,801,752
Taxation		1,253,817	1,418,207
		43,169,622	34,189,120
TOTAL EQUITY AND LIABILITIES		124,653,473	113,680,293
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

	Note	2016	2015
		Rs '000	Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	34,295,455	35,228,277
Intangible assets	16	1,948,538	1,940,047
Long term investments	17	48,063,891	46,702,026
Long term loans and advances	18	934,150	814,298
Long term deposits and prepayments	19	29,483	25,081
		85,271,517	84,709,729
CURRENT ASSETS			
Stores, spares and loose tools	20	3,441,103	3,395,762
Stock in trade	21	4,317,247	5,127,591
Trade debts	22	5,072,016	2,198,576
Loans and advances	23	599,610	527,907
Deposits and prepayments	24	58,116	40,120
Other receivables	25	7,695,987	3,083,753
Short term investments	26	15,498,649	11,187,720
Cash and bank balances	27	2,699,228	3,409,135
		39,381,956	28,970,564
TOTAL ASSETS		124,653,473	113,680,293

Chairman **Chief Executive** **Director**

CONSOLIDATED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
Sales	28	75,377,857	87,340,258
Cost of sales	29	56,365,605	56,796,687
GROSS PROFIT		19,012,252	30,543,571
Administrative and distribution expenses	30	7,524,439	6,965,873
		11,487,813	23,577,698
Finance cost	31	3,360,425	2,485,182
Other expenses	32	1,762,518	2,287,030
		6,364,870	18,805,486
Other income	33	8,355,506	3,496,020
Share of profit of associates and joint venture		2,921,172	5,351,860
NET PROFIT BEFORE TAXATION		17,641,548	27,653,366
Provision for taxation		5,625,796	8,220,070
NET PROFIT AFTER TAXATION		12,015,752	19,433,296
Earnings per share - basic and diluted (Rupees)	35	9.44	15.27

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director**

CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 Rs '000	2015 Rs '000
Net profit after taxation	12,015,752	19,433,296
Other comprehensive income		
Items that may not be subsequently reclassified to profit or loss		
Gain / (loss) on re-measurement of staff retirement benefit plans - net of tax	68,374	(164,255)
Equity accounted investees - share of OCI, net of tax	(57,865)	(242,951)
	10,509	(407,206)
Items that may be subsequently reclassified to profit or loss		
(Deficit) / surplus on re-measurement of investments		
available for sale to fair value - net of tax	(47,457)	230,843
Share of equity accounted investees - share of OCI, net of tax	529,381	1,696,303
	481,924	1,927,146
Comprehensive income taken to equity	12,508,185	20,953,236
Comprehensive income not recognised in equity		
Items that may be subsequently reclassified to profit or loss		
Share in revaluation reserve of associates-net	649,076	–
Total comprehensive income for the year	13,157,261	20,953,236

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director**

CONSOLIDATED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	2016 Rs '000	2015 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	37	10,934,818	(10,034,055)
Finance cost paid		(3,444,290)	(2,193,005)
Income tax paid		(5,738,521)	(8,874,770)
Subsidy received on sale of fertilizer		4,994,839	–
		(4,187,972)	(11,067,775)
Net cash generated from / (used in) operating activities		6,746,846	(21,101,830)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,089,942)	(4,736,464)
Proceeds from sale of property, plant and equipment		22,041	22,079
Decrease in investments		(288,397)	1,775,852
Interest received		1,292,233	280,214
Dividend received		2,264,743	2,728,951
Net cash generated from investing activities		1,200,678	70,632
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing			
- Draw-downs		7,350,000	19,840,750
- Repayments		(5,920,574)	(3,792,809)
Dividends paid		(11,109,510)	(15,443,056)
Net cash (used in) / generated from financing activities		(9,680,084)	604,885
Net decrease in cash and cash equivalents		(1,732,560)	(20,426,313)
Cash and cash equivalents at beginning of the period		(4,341,404)	16,157,977
Effect of exchange rate changes		–	(73,067)
Cash and cash equivalents at end of the period		(6,073,964)	(4,341,403)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	2,699,228	3,409,135
Short term borrowings	13	(22,382,525)	(18,020,602)
Short term highly liquid investments		13,609,333	10,270,064
		(6,073,964)	(4,341,403)

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director**

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	Share capital	Capital reserves				Revenue reserves		Surplus on re-measurement of available for sale investment to fair value	Total
		Share premium	Capital redemption reserve	Translation reserve	Statutory reserve	General reserve	Unappropriated profit		
	Rs '000								
Balance at January 1, 2015	12,722,382	40,000	120,000	451,592	–	6,802,360	23,230,168	303,564	43,670,066
Transfer to statutory reserve	–	–	–	–	428,781	–	(428,781)	–	–
Total comprehensive income for the period									
Profit for the period after taxation	–	–	–	–	–	–	19,433,296	–	19,433,296
Other comprehensive income - net of tax	–	–	–	(186,862)	–	–	(220,344)	1,927,146	1,519,940
Total comprehensive income for the period - net of tax	–	–	–	(186,862)	-	-	19,212,952	1,927,146	20,953,236
Distributions to owners - recorded directly in equity									
Final dividend 2014: Rs 3.50 per share	–	–	–	–	–	–	(4,452,833)	–	(4,452,833)
First interim dividend 2015: Rs 3.94 per share	–	–	–	–	–	–	(5,012,618)	–	(5,012,618)
Second interim dividend 2015: Rs 1.75 per share	–	–	–	–	–	–	(2,226,417)	–	(2,226,417)
Third interim dividend 2015: Rs 2.75 per share	–	–	–	–	–	–	(3,498,655)	–	(3,498,655)
	–	–	–	–	–	–	(15,190,523)	–	(15,190,523)
Balance as at December 31, 2015	12,722,382	40,000	120,000	264,730	428,781	6,802,360	26,823,816	2,230,710	49,432,779
Balance at January 1, 2016	12,722,382	40,000	120,000	264,730	428,781	6,802,360	26,823,816	2,230,710	49,432,779
Transfer to statutory reserve	–	–	–	–	556,738	–	(556,738)	–	–
Total comprehensive income for the period									
Profit for the period after taxation	–	–	–	–	–	–	12,015,752	–	12,015,752
Other comprehensive income - net of tax	–	–	–	(13,577)	–	–	10,509	495,501	492,433
Total comprehensive income for the period - net of tax	–	–	–	(13,577)	–	–	12,026,261	495,501	12,508,185
Distributions to owners - recorded directly in equity									
Final dividend 2015: Rs 3.42 per share	–	–	–	–	–	–	(4,351,054)	–	(4,351,054)
First interim dividend 2016: Rs 1.85 per share	–	–	–	–	–	–	(2,353,640)	–	(2,353,640)
Second interim dividend 2016: Rs 1.55 per share	–	–	–	–	–	–	(1,971,969)	–	(1,971,969)
Third interim dividend 2016: Rs 1.75 per share	–	–	–	–	–	–	(2,226,417)	–	(2,226,417)
	–	–	–	–	–	–	(10,903,080)	–	(10,903,080)
Others									
Acquisition of Non controlling interest by associate	–	–	–	–	–	–	(321,129)	–	(321,129)
Balance as at December 31, 2016	12,722,382	40,000	120,000	251,153	985,519	6,802,360	27,069,130	2,726,211	50,716,755

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chairman

Chief Executive

Director

NOTES TO AND FORMING PART
OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Company Limited (the Group) comprises of Fauji Fertilizer Company Limited (FFC / parent company) and its subsidiaries, FFC Energy Limited (FFCEL) and Fauji Fresh n Freeze Limited (FFFL) are incorporated in Pakistan as public limited companies. The shares of FFC are quoted on Paksitan 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. FFFL will principally be engaged in the business of processing fresh, frozen fruit, vegetables, fresh meat, frozen cooked and semi cooked food.

2. STATEMENT OF COMPLIANCE

These consolidated 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The applicable framework for banks also includes the Banking Companies Ordinance 1962 and the provisions of and directives issued by the State Bank of Pakistan.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated 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 the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

(i) Retirement benefits - note 11
(ii) Estimate of useful life of property, plant and equipment - note 15
(iii) Estimate of useful life of intangible assets - note 16
(iv) Estimate of fair value of investments available for sale - note 17
(v) Estimate of obligation in respect of employee benefit plans - note 11
(vi) Provisions and contingencies
(vii) Impairment of non-financial assets
(viii) Estimate of recoverable amount of goodwill - note 16
(ix) Estimate of recoverable amount of investment in associated companies - note 17
(x) Provision for taxation - note 34

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the change as indicated beolw and in note 4.25:

Securities and Exchange Commission of Pakistan (SECP), during the year through its circular No. 14 of 2016 dated April 21, 2016, had prescribed the implementation of mandatory disclosure requirement for listed companies. This circular prescribes certain disclosures including bifurcation of certain balance sheet and profit and loss items between conventional and Islamic mode. However, subsequently SECP vide circular No. 29 of 2016 dated September 5, 2016, termed these disclosures as voluntary. Accordingly, the Group has opted to present these disclosures in these financial statements. However, there was no change in reported figures of profit and loss or balance sheet.

4.1 Basis of measurement

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 staff retirement gratuity and pension which are carried at present value of defined benefit obligation net of fair value of plan assets.

4.2 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.

4.3 Basis of consolidation

These consolidated financial statements include the financial statements of FFC and its subsidiary companies, FFCEL 100% owned (2015: 100% owned) and FFFL 100% owned (2015: 100%).

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/Parent Company) 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 acquire 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 gain or losses arising from such measurement are recognized in 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 profit or loss or as a change to other comprehensive income. Contingent consideration that is classified 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.

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.

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 profit and loss account. 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 other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This mean that amounts previously recognized in other comprehensive income are reclassified to profit and loss account.

Investments in associates 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 profit or loss and other 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 companies' 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.

4.4 Staff retirement benefits

(a) FFC operates the following retirement benefit schemes:

Funded gratuity Fund

Defined benefit funded gratuity for all eligible employees who complete qualifying period of service and age.

Contributory Provident Fund

Defined contributory provident fund for all eligible employees for which contributions are charged to profit and loss account.

Funded Pension Fund

FFC has defined benefit funded pension for 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 11 to the consolidated financial statements. Charge for the year is recognized in profit and loss account, where as actuarial gain or losses which are recorded directly in the other comprehensive income.

Calculation of gratuity and pension require assumptions to be made of future outcomes which mainly includes 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.

(b) Compensated absences

FFC 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.

4.5 Taxation

Income tax expense comprises current and deferred tax.

Current tax

Provision for current taxation is based on taxable income at the applicable rate 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 accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Group companies take into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group companies view differ from the income tax department at the assessment stage and where the Group companies consider that their view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.6 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss, except for freehold land and capital work in progress, which are stated at cost less impairment, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on the straight-line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 15. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of it disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group companies and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in 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 and loss account.

The Group companies review the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4.7 Impairment

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less 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 and loss account.

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.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

4.8 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, in the case of a bargain purchase, the difference is recognized directly in the income statement.

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 and is not subsequently reversed.

Computer software

These are stated at the cash price equivalent of the consideration given i.e., cash and cash equivalent paid less accumulated amortization and impairment loss, if any. These are amortized over the period of their useful lives. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit and loss account.

Others

Other intangibles are stated at the cash price equivalent of the consideration given, i.e., cash and cash equivalent paid less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit and loss account.

4.9 Investments

4.9.1 Investments available for sale

These are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition they are measured at fair value and changes there in other then impairment loss and foreign currency difference on debt instrument, are recognized in other comprehensive income and accumulated in fair value reserve. When these are derecognized the gain or loss accumulated is reclassified to profit and loss.

4.9.2 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account.

The Group companies recognize the regular way purchase or sale of financial assets using settlement date accounting.

4.9.3 Loans and receivables

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are initially measured at fair values plus directly attributable transaction costs. Subsequent to initial recognition, these are stated at their amortized cost using the effective interest method, less any impairment losses.

4.10 Stores, spares and loose tools

Stores, spare parts 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.

4.11 Stock in trade

Stocks are valued at the lower of cost and net realizable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost and directly attributable expenses
Work in process and finished goods	at weighted average cost of purchase, raw materials and related manufacturing expenses

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group companies review the carrying amount of stock in trade and stores, spares and loose tools (note 4.10) on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory.

4.12 Foreign currency transaction and translation

Transactions in foreign currencies are recorded in the books at the rates of exchange ruling on the date of the transaction. Assets and liabilities in foreign currencies at the year end are translated into rupees at the rates prevailing on the balance sheet date. Exchange differences are included in the income 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 balance sheet presented are translated at the closing rate at the date of the balance sheet.
- income and expenses 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 other comprehensive income within statement of comprehensive income. The Group companies have been recognizing such differences in translation reserve over the years. When a foreign investment is sold, in part or in full, the relevant amount in the translation reserve is transferred to profit and loss account as part of the profit or loss on sale.

4.13 Revenue recognition

Revenue 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. Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Government subsidy on sale of fertilizer is recognized when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognized in other income.

4.14 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to profit or loss.

4.15 Research and development costs

Research and development costs are charged to income as and when incurred.

4.16 Provisions

Provisions are recognized when the Group companies have a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each balance sheet date and adjust to reflect current best estimate.

4.17 Dividend and reserve appropriation

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.

4.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term running finances and other short term highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change in value.

4.19 Financial instruments

Non-derivative financial assets

Those other than available for sale and those held at fair value through profit and loss are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Group classifies non-derivative financial assets as available for sale, held for trading, loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Non-derivative financial liabilities

The Group initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non derivative financial liabilities comprise markup bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.20 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 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 for the effects of all dilutive potential ordinary shares.

4.21 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets and changes in the fair value of investments held for trading. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group companies right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, changes in the fair value of held for trading investments and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

4.22 Leases

Operating Leases

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease.

4.23 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.

Upon occurrence of discontinued operations, results for the period related to discontinued operations are presented separately in the consolidated income statement. Comparative information is re-presented accordingly. Balance sheet and cash flows information related to discontinued operations are disclosed separately in the notes.

4.24 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 CE&MD 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 CE&MD 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 project and food.

4.25 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.

4.26 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Group's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have a significant impact on Group's financial statements except for certain presentational amendments.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Group's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendment is not likely to have an impact on Group's financial statements.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment is not likely to have an impact on Group's financial statements.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendment is not likely to have an impact on Group's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendment is not likely to have an impact on Group's financial statements.

5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2015: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2015: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016 Numbers	2015 Numbers		2016 Rs '000	2015 Rs '000
256,495,902	256,495,902	Ordinary shares of Rs 10 each		
		issued for consideration in cash	2,564,959	2,564,959
1,015,742,345	1,015,742,345	Ordinary shares of Rs 10 each		
		issued as fully paid bonus shares	10,157,423	10,157,423
1,272,238,247	1,272,238,247		12,722,382	12,722,382

5.1 Fauji Foundation held 44.35% (2015: 44.35%) ordinary shares of FFC at the year end.

	Note	2016 Rs '000	2015 Rs '000
6. CAPITAL RESERVES			
Share premium	6.1	40,000	40,000
Capital redemption reserve	6.2	120,000	120,000
Translation reserve		251,153	264,730
Capital reserve		985,519	428,781
		1,396,672	853,511

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 setup on redemption of preference shares by FFC of Rs 120,000 thousand in 1996.

	2016 Rs '000	2015 Rs '000
7. REVENUE RESERVES		
General reserve	6,802,360	6,802,360
Unappropriated profit	27,069,130	26,823,816
	33,871,490	33,626,176

	Note	2016 Rs '000	2015 Rs '000
8. LONG TERM BORROWINGS			
Borrowings from banking companies - secured			
From conventional banks			
Fauji Fertilizer Company Limited	8.1		
The Bank of Punjab (BOP-1)		250,000	500,000
The Bank of Punjab (BOP-2)		350,000	450,000
The Bank of Punjab (BOP-3)		495,000	–
Allied Bank Limited (ABL-1)		–	625,000
Allied Bank Limited (ABL-2)		1,050,000	1,350,000
Allied Bank Limited (ABL-3)		1,500,000	–
United Bank Limited (UBL-1)		750,000	1,125,000
United Bank Limited (UBL-2)		875,000	1,000,000
United Bank Limited (UBL-3)		1,000,000	–
United Bank Limited (UBL-4)		1,500,000	–
Bank AL Habib Limited (BAH-1)		700,000	900,000
Bank AL Habib Limited (BAH-2)		500,000	1,000,000
Bank AL Habib Limited (BAH-3)		450,000	–
Bank AL Habib Limited (BAH-4)		450,000	–
Habib Bank Limited (HBL-1)		1,750,000	2,000,000
Habib Bank Limited (HBL-2)		1,406,250	1,500,000
Bank Alfalah Limited (BAF-1)		500,000	500,000
Bank Alfalah Limited (BAF-2)		500,000	–
MCB Bank Limited (MCB-1)		2,095,312	2,933,438
MCB Bank Limited (MCB-2)		1,750,000	2,000,000
MCB Bank Limited (MCB-3)		276,750	369,000
National Bank of Pakistan Limited (NBP)		1,300,000	–
		19,448,312	16,252,438
FFC Energy Limited	8.2		
Long term financing from financial institutions		7,100,152	7,862,065
Less: Transaction cost			
Initial transaction cost		(269,797)	(269,797)
Accumulated amortisation		151,139	115,806
		6,981,494	7,708,074
Fauji Fresh n Freeze Limited			
MCB Bank Limited (MCB)	8.3	1,060,000	1,590,000
Allied Bank Limited (ABL)	8.4	849,750	849,750
Less: Transaction cost			
Initial transaction cost		(4,000)	(4,000)
Accumulated amortisation		2,600	1,754
		1,908,350	2,437,504
From Islamic banks			
Fauji Fertilizer Company Limited	8.5		
Dubai Islamic Bank Pakistan Limited (DIB-1)		150,000	250,000
Meezan Bank Limited (MBL-1)		1,714,286	2,000,000
Meezan Bank Limited (MBL-2)		875,000	1,000,000
MCB Islamic Bank Limited (MCBIB)		900,000	900,000
		3,639,286	4,150,000
		31,977,442	30,548,016
Less: Current portion shown under current liabilities			
From conventional banks		6,818,414	5,291,038
From Islamic banks		1,146,429	510,714
		7,964,843	5,801,752
		24,012,599	24,746,264

8.1 **Terms and conditions of these borrowings are as follows:**

Lenders	Mark-up rate p.a. (%)	No. of installments outstanding	Date of final repayment
From conventional banks			
BOP-1	6 months KIBOR+0.50	02 half yearly	December 27, 2017
BOP-2	6 months KIBOR+0.35	07 half yearly	May 26, 2020
BOP-3	6 months KIBOR+0.40	09 half yearly	April 7, 2021
ABL-1	6 months KIBOR+0.50	–	Paid on December 22, 2016
ABL-2	6 months KIBOR+0.40	07 half yearly	June 26, 2020
ABL-3	6 months KIBOR+0.50	08 half yearly	April 7, 2021
UBL-1	6 months KIBOR+0.35	04 half yearly	December 27, 2018
UBL-2	6 months KIBOR+0.35	07 half yearly	June 30, 2020
UBL-3	6 months KIBOR+0.50	08 half yearly	June 13, 2021
UBL-4	6 months KIBOR+0.40	08 half yearly	September 6, 2021
BAH-1	6 months KIBOR+0.50	07 half yearly	June 26, 2020
BAH-2	6 months KIBOR+0.40	02 half yearly	September 21, 2017
BAH-3	6 months KIBOR+0.65	09 half yearly	March 25, 2021
BAH-4	6 months KIBOR+0.65	09 half yearly	April 20, 2021
HBL-1	3 months KIBOR+0.40	14 quarterly	June 2, 2020
HBL-2	3 months KIBOR+0.40	15 quarterly	September 21, 2020
BAF-1	6 months KIBOR+0.50	08 half yearly	September 29, 2020
BAF-2	6 months KIBOR+0.40	08 half yearly	September 8, 2021
MCB-1	6 months KIBOR+0.10	05 half yearly	June 3, 2019
MCB-2	6 months KIBOR+0.40	07 half yearly	June 29, 2020
MCB-3	6 months KIBOR+0.10	06 half yearly	November 9, 2019
NBP-1	6 months KIBOR+0.50	05 half yearly	October 20, 2019

8.2 This represents long term loan from consortium of ten financial institutions. This loan carries mark-up at six months KIBOR + 2.95% payable six monthly in arrears. This loan is repayable on semi annual installments ending on 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, hypothecation charge over all moveable Assets
- Exclusive mortgage over lease rights in immovable property on which project situate

8.3 This loan is mark-up 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 to the extent of Rs 2.133 billion of FFF with 25% margin and Corporate Guarantee of FFC. It is repayable in six semi-annual installments which started from April 2016 and carries mark-up at the rate of 6 months KIBOR + 0.5% (December 31, 2015: 6 months KIBOR + 0.5%) payable semi-annually.

8.4 This loan is mark-up 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 billion with 25% margin and Corporate Guarantee of FFC. It is repayable in six semi annual installments starting from September 2017 and carries mark-up at the rate of 6 months KIBOR + 0.5% (December 31, 2015 : 6 months KIBOR + 0.5%) payable semi-annually.

8.5

Lenders	Profit rate p.a. (%)	No. of installments outstanding	Date of final repayment
From Islamic banks			
DIB-1	6 months KIBOR+0.35	03 half yearly	June 26, 2018
MBL-1	6 months KIBOR+0.05	06 half yearly	July 15, 2019
MBL-2	6 months KIBOR+0.40	07 half yearly	May 29, 2020
MCBIB-1	6 months KIBOR+0.50	08 half yearly	December 10, 2020

		Note	2016 Rs '000	2015 Rs '000
9.	DEFERRED LIABILITIES			
	Deferred taxation	9.1	4,710,305	4,079,475
	Provision for compensated leave absences / retirement benefits	9.2	1,387,091	1,227,196
			6,097,396	5,306,671
9.1	**Deferred taxation**			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation / amortization		3,335,000	3,253,021
	Provision for slow moving spares, doubtful debts, other receivables and investments		(125,000)	(111,000)
	Tax on equity accounted investment		1,285,512	706,347
	Re-measurement of investment available for sale		214,793	231,107
			4,710,305	4,079,475
	The gross movement in the deferred tax liability during the year is as follows:			
	Balance at the beginning		4,079,475	3,650,872
	Tax charge / (credit) recognized in profit and loss account		487,079	(11,969)
	Tax charge recognised in other comprehensive income		125,245	440,572
	Balance at the end		4,691,799	4,079,475

9.2 Actuarial valuation has not been carried out for Compensated Leave Absences as the impact is considered to be immaterial.

		Note	2016 Rs '000	2015 Rs '000
10.	TRADE AND OTHER PAYABLES			
	Creditors	10.1	4,833,451	1,722,705
	Accrued liabilities		3,388,146	2,662,142
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		678,110	547,401
	Sales tax payable - net		–	1,057,137
	Deposits		151,049	252,533
	Retention money		169,732	143,480
	Advances from customers		337,829	87,541
	Workers' Welfare Fund		1,114,399	1,226,298
	Payable to Gratuity Fund		3,892	133,690
	Unclaimed dividend		407,518	613,948
	Other liabilities		133,236	93,616
			11,217,362	8,540,491

10.1 Creditors include Rs 4,052,725 thousand (2015: Rs 829,260 thousand) on account of Gas Infrastructure Development Cess (GIDC).

		Funded gratuity Rs '000	Funded pension Rs '000	2016 Total Rs '000	2015 Total Rs '000
11.	**RETIREMENT BENEFIT FUNDS**				
i)	**The amounts recognized in the balance sheet are as follows:**				
	Present value of defined benefit obligation	2,180,891	3,271,692	5,452,583	4,972,882
	Fair value of plan assets	(2,261,341)	(3,558,470)	(5,819,811)	(5,107,328)
	Asset	(80,450)	(286,778)	(367,228)	(134,446)
ii)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	132,870	120,816	253,686	227,994
	Net interest cost	11,524	(23,115)	(11,591)	24,283
		144,394	97,701	242,095	252,277
iii)	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	2,012,620	2,960,262	4,972,882	4,309,990
	Current service cost	132,870	120,816	253,686	227,994
	Interest cost	176,691	261,895	438,586	524,005
	Benefits paid	(164,346)	(149,028)	(313,374)	(375,762)
	Re-measurement of defined benefit obligation	23,056	77,747	100,803	286,655
	Present value of defined benefit obligation at end	2,180,891	3,271,692	5,452,583	4,972,882
iv)	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	1,878,930	3,228,398	5,107,328	4,397,099
	Expected return on plan assets	165,167	285,010	450,177	499,722
	Contributions	278,084	97,701	375,785	534,264
	Benefits paid	(164,346)	(149,028)	(313,374)	(375,762)
	Re-measurement of plan assets	103,506	96,389	199,895	52,005
	Fair value of plan assets at end	2,261,341	3,558,470	5,819,811	5,107,328
v)	**Actual return on plan assets**	268,673	381,400	650,073	551,727
vi)	**Contributions expected to be paid to the plan during the next year**	118,014	89,283	207,297	242,095
vii)	**Plan assets comprise of:**				
	Investment in debt securities	735,041	1,269,578	2,004,619	1,621,726
	Investment in equity securities	1,212,551	1,873,612	3,086,163	1,757,426
	Deposits with banks	101,747	317,590	419,337	1,495,880
	Mutual Funds	212,002	97,690	309,692	232,296
		2,261,341	3,558,470	5,819,811	5,107,328

viii) The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Funds, at the beginning of the year, for returns over the entire life of the related obligations.

		2016		2015	
		Funded Gratuity Rs '000	Funded Pension Rs '000	Funded Gratuity Rs '000	Funded Pension Rs '000
ix)	**Movement in (asset) / liability recognised in balance sheet:**				
	Opening liability / (asset)	133,690	(268,136)	(28,090)	(59,019)
	Cost for the year recognised in profit or loss	144,394	97,701	102,983	149,294
	Employer's contribution during the year	(278,084)	(97,701)	(74,893)	(459,371)
	Total amount of re-measurement recognised in Other Comprehensive Income (OCI) during the year	(80,450)	(18,642)	133,690	100,960
	Closing (asset) / liability	(80,450)	(286,778)	133,690	(268,136)
x)	**Re-measurements recognised in OCI during the year:**				
	Re-measurment loss on obligation	(23,056)	(77,747)	(112,277)	(174,378)
	Re-measurment gain / (loss) on plan assets	103,506	96,389	(21,413)	73,418
	Re-measuement gain / (loss) recognised in OCI	80,450	18,642	(133,690)	(100,960)

		2016		2015	
		Funded Gratuity %	Funded Pension %	Funded Gratuity %	Funded Pension %
xi)	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	8.00	8.00	9.00	9.00
	Expected rate of salary growth				
	Management	8.00	8.00	9.00	9.00
	Non-Management	7.00	–	8.00	–
	Expected rate of return on plan assets	8.00	8.00	9.00	9.00
	Expected rate of increase in post retirement pension	–	2.00	–	3.00
	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	–

xii) **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.

	2016 Defined benefit obligation		2015 Defined benefit obligation	
	Effect of 1 percent increase Rs '000	Effect of 1 percent decrease Rs '000	Effect of 1 percent increase Rs '000	Effect of 1 percent decrease Rs '000
Discount rate	(393,129)	467,165	(424,055)	505,386
Future salary growth	93,510	(94,473)	168,114	(157,469)
Future pension	250,754	(215,135)	221,984	(190,601)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

xiii) **The weighted average number of years of defined benefit obligation is given below:**

	2016		2015	
	Funded Gratuity Years	Funded Pension Years	Funded Gratuity Years	Funded Pension Years
Plan Duration	6.81	9.88	6.91	7.32

xiv) 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.

xv) **Distribution of timing of benefit payments:**

	2016		2015	
	Funded Gratuity Rs '000	Funded Pension Rs '000	Funded Gratuity Rs '000	Funded Pension Rs '000
1 year	218,427	176,903	233,808	223,688
2 years	361,116	301,629	215,415	224,174
3 years	224,873	217,339	262,387	251,089
4 years	228,029	225,668	261,489	226,954
5 years	333,082	303,790	243,054	231,656
6-10 years	1,415,003	1,456,925	1,535,354	1,546,692

xvi) "Salaries, wages and benefits" expense, stated in notes 29 and 30 include retirement benefits in respect of gratuity, provident fund, pension plan and compensated absences amounting to Rs 130,810 thousand, Rs 137,954 thousand, Rs 85,356 thousand and Rs 198,567 thousand respectively (2015: Rs 96,182 thousand, Rs 137,702 thousand, Rs 134,122 thousand and Rs 274,098 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.

		2016 Rs '000	2015 Rs '000
11.1	**Defined contribution plan**		
	Details of the Employees' Provident Fund based on un-audited financial statements are as follows:		
	Size of the fund (total assets)	7,104,345	6,032,268
	Cost of investments made	6,546,414	5,805,137
	Fair value of investments made	6,569,094	5,340,949
	Percentage of investments made	92%	89%

	2016		2015	
	Rs '000	%	Rs '000	%
Breakup of investment - at cost				
Term deposits and funds with scheduled banks	3,968,257	61	1,856,256	32
Government securities	95,843	1	276,864	5
Listed securities, mutual funds and term finance certificates	2,482,314	38	3,672,017	63
	6,546,414	100	5,805,137	100

Investments out of provident funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose, except for the prescribed limit for listed securities.

	Note	2016	2015
		Rs '000	Rs '000
12. MARK-UP AND PROFIT ACCRUED			
On long term borrowings			
From conventional banks		215,364	211,328
From Islamic banks		19,766	22,899
		235,130	234,227
On short term borrowings			
From conventional banks		96,101	126,463
From Islamic banks		19,844	47,378
		115,945	173,841
		351,075	408,068
13. SHORT TERM BORROWINGS			
Short term borrowings - secured			
From conventional banks	13.1		
MCB Bank Limited (MCB - 1)		4,569	1,333,292
MCB Bank Limited (MCB - 2)		750,000	750,000
MCB Bank Limited (MCB - 3)		1,300,000	2,500,000
MCB Bank Limited (MCB - 4)		2,250,000	–
MCB Bank Limited (MCB - 5)		3,285,000	–
Allied Bank Limited (ABL)		907,539	1,984,402
Bank Al-Habib Limited (BAHL)		899,845	995,035
United Bank Limited (UBL - 1)		94,560	441,111
United Bank Limited (UBL - 2)		800,000	1,676,800
Askari Bank Limited (AKBL)		730,698	989,970
Bank Alfalah Limited (BAF)		456,040	498,859
Habib Bank Limited (HBL - 1)		1,600,000	1,513,494
Habib Bank Limited (HBL - 2)		2,000,000	700,000
National Bank of Pakistan (NBP)		1,172,116	1,197,639
Habib Metropolitan Bank Limited (HMBL)		950,000	500,000
JS Bank Limited (JSBL)		1,156,001	500,000
Soneri Bank Limited (SBL)		400,000	1,000,000
Standard Chartered Bank (Pakistan) Limited (SCB)		818,997	–
From Islamic banks	13.2		
Meezan Bank Limited (MBL - 1)		500,000	1,090,000
Meezan Bank Limited (MBL - 2)		1,807,160	–
Bank Islami Pakistan Limited (BIPL)		–	350,000
Bank of Khyber Limited (BOK)		500,000	–
		22,382,525	18,020,602

13.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 25.48 billion (2015: Rs 17.35 billion) which represent the aggregate of all facility agreements between FFC and respective banks. The facilities have various maturity dates upto September 30, 2017.

The facilities are secured by pari passu / ranking hypothecation charges on assets of FFC besides lien over US $ / Pak Rupees Term Deposits and PIBs in certain cases. The per annum rates of mark-up range between 1 month KIBOR + 0.03% to 0.35% and 3 month KIBOR + 0% to 0.50% (2015: 1 month KIBOR + 0.05% to 0.35% and 3 month KIBOR + 0.10% to 0.50%).

13.2 Shariah compliant short term borrowings are available from various banking companies under profit arrangements against facilities amounting to Rs 2.85 billion (2015: Rs 1.44 billion) which represent the aggregate of all facility agreements between FFC and respective banks. The facilities have various maturity dates upto December 31, 2017.

The facilities are secured by ranking hypothecation charges on assets of FFC besides lien over PIBs in certain cases. The per annum rates of profit range between 3 month KIBOR + 0% to 3 month KIBOR + 0.14% (2015: 1 month KIBOR + 0.10%).

		2016 Rs '000	2015 Rs '000
14.	**CONTINGENCIES AND COMMITMENTS**		
a)	**Contingencies:**		
i)	Guarantees issued by banks on behalf of the Group companies.	15,010	15,010
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.	25,675,042	19,492,012
iv)	Group's share of contingencies in Fauji Cement Company Limited as at September 30, 2016 (2015: December 31, 2015).	105,168	12,715
v)	Group's share of contingencies in Askari Bank Limited as at September 30, 2016 (2015: December 31, 2015).	103,139,647	76,426,113

vi) The Competition Commission of Pakistan has imposed a penalty of Rs 5.5 billion on FFC for alleged unreasonable increase in urea prices during the year 2011. However, the fact remains that price increase was essentially caused by extended gas curtailment and delayed urea imports by the Government of Pakistan resulting in product shortage leading to market imbalance and price hike. FFC has filed an appeal against the above penalty before the Competition Appellate Tribunal. Based on legal advice from FFC's legal advisor, the FFC is confident that there are reasonable grounds for a favorable decision.

		2016 Rs '000	2015 Rs '000
b)	**Commitments in respect of:**		
i)	Capital expenditure.	1,506,491	1,067,085
ii)	Purchase of fertilizer, stores, spares and other operational items.	2,442,596	540,496
iii)	Group's share of commitments of PMP as at September 30, 2016 (2015: December 31, 2015)	13,446	2,798
iv)	Rentals under lease agreements:		
	Premises		
	- not later than one year	192,800	104,958
	- later than one year and not later than:		
	two years	116,720	54,044
	three years	50,712	52,922
	four years	39,388	27,372
	five years and later	50,640	27,350
	Vehicles		
	- not later than one year	29,691	33,656
	- later than one year and not later than:		
	two years	16,609	19,109
	three years	17,459	17,156
	four years	9,391	16,631
	five years	1,860	5,863

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Building and structures on freehold land	Building and structures on leashold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 15.3)	Lease vehicles	Total
	Rs '000														
As at January 1, 2015															
Cost	617,272	178,750	3,969,934	2,102,921	26,517	40,727,674	1,807,938	968,776	353,255	584,511	1,970,015	23,530	3,850,887	1,381	57,183,361
Accumulated depreciation	-	(134,741)	(2,162,088)	(140,407)	(26,517)	(18,352,118)	(863,620)	(449,032)	(155,701)	(319,435)	(1,453,842)	(20,617)	-	(623)	(24,078,741)
Net Book Value	617,272	44,009	1,807,846	1,962,514	-	22,375,556	944,318	519,744	197,554	265,076	516,173	2,913	3,850,887	758	33,104,620
Year ended December 31, 2015															
Opening net book value	617,272	44,009	1,807,846	1,962,514	-	22,375,556	944,318	519,744	197,554	265,076	516,173	2,913	3,850,887	758	33,104,620
Additions	225	-	1,374,775	-	-	4,125,340	95,849	101,643	24,802	109,212	224,666	1,851	3,047,910	-	9,106,273
Disposals															
Cost	-	-	-	-	-	(41,370)	-	(12,751)	(1,347)	(21,322)	(12,338)	-	-	-	(89,128)
Depreciation	-	-	-	-	-	27,171	-	12,589	1,324	21,300	12,276	-	-	-	74,660
	-	-	-	-	-	(14,199)	-	(162)	(23)	(22)	(62)	-	-	-	(14,468)
Transfers	-	-	-	-	-	(61)	-	(133)	133	1,183	-	-	(4,376,925)	(1,183)	(4,376,986)
Adjustments															
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	38	(38)	(539)	-	-	-	539	-
	-	-	-	-	-	-	-	38	(38)	(539)	-	-	-	539	-
Depreciation Charge	-	(14,072)	(150,060)	(108,581)	-	(1,569,934)	(315,744)	(117,647)	(30,789)	(89,076)	(193,563)	(1,582)	-	(114)	(2,591,162)
Balance as at December 31, 2015	617,497	29,937	3,032,561	1,853,933	-	24,916,702	724,423	503,483	191,639	285,834	547,214	3,182	2,521,872	-	35,228,277
As at January 1, 2016															
Cost	617,497	178,750	5,344,709	2,102,921	26,517	44,811,583	1,903,787	1,057,535	376,843	673,584	2,182,343	25,381	2,521,872	198	61,823,520
Accumulated depreciation	-	(148,813)	(2,312,148)	(248,988)	(26,517)	(19,894,881)	(1,179,364)	(554,052)	(185,204)	(387,750)	(1,635,129)	(22,199)	-	(198)	(26,595,243)
Net Book Value	617,497	29,937	3,032,561	1,853,933	-	24,916,702	724,423	503,483	191,639	285,834	547,214	3,182	2,521,872	-	35,228,277
Year ended December 31, 2016															
Opening net book value	617,497	29,937	3,032,561	1,853,933	-	24,916,702	724,423	503,483	191,639	285,834	547,214	3,182	2,521,872	-	35,228,277
Additions	-	-	245,190	3,943	-	2,601,329	253,795	103,534	18,900	70,855	205,703	513	820,651	-	4,324,413
Disposals															
Cost	-	-	(718)	-	-	(184,187)	-	(28,348)	(2,339)	(22,404)	(49,501)	-	-	-	(287,497)
Depreciation	-	-	718	-	-	177,629	-	27,567	2,281	22,404	49,327	-	-	-	279,926
	-	-	-	-	-	(6,558)	-	(781)	(58)	-	(174)	-	-	-	(7,571)
Transfers	-	-	-	-	-	(19,067)	-	-	-	-	-	-	(2,230,470)	-	(2,249,537)
Adjustments															
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Charge	-	(14,072)	(255,915)	(73,518)	-	(1,905,357)	(307,405)	(125,038)	(32,036)	(102,609)	(182,619)	(1,558)	-	-	(3,000,127)
Balance as at December 31, 2016	617,497	15,865	3,021,836	1,784,358	-	25,587,049	670,813	481,198	178,445	254,080	570,124	2,137	1,112,053	-	34,295,455
As at December 31, 2016															
Cost	617,497	178,750	5,589,181	2,106,864	26,517	47,209,658	2,157,582	1,132,721	393,404	722,035	2,338,545	25,894	1,112,053	198	63,610,899
Accumulated depreciation	-	(162,885)	(2,567,345)	(322,506)	(26,517)	(21,622,609)	(1,486,769)	(651,523)	(214,959)	(467,955)	(1,768,421)	(23,757)	-	(198)	(29,315,444)
Net Book Value	617,497	15,865	3,021,836	1,784,358	-	25,587,049	670,813	481,198	178,445	254,080	570,124	2,137	1,112,053	-	34,295,455
Rate of depreciation / amortization in %	-	61/4 to 91/4	5 to 10	5	5	5	20	15	10	20	15 - 33 1/3	30	-	-	-

	Note	2016 Rs '000	2015 Rs '000
15.1 Depreciation charge has been allocated as follows:			
Cost of sales	29	2,904,060	2,486,387
Administrative and distribution expenses	30	77,567	86,888
Other expenses		1,511	1,175
Charged to FFBL under the Company Services Agreement		16,989	16,712
		3,000,127	2,591,162

15.2 Details of property, plant and equipment disposed off:

Description	Mode of disposal	Original cost Rs '000	Book value Rs '000	Sale proceeds Rs '000
Furniture and fixtures, office equipment, maintenance and other equipment				
Ejaz Siddqui	Tender	7,156	2,089	440
Anwar Traders	Tender	15,084	4,469	430
EFU insurance	Insurance claim	123	95	119
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		265,134	918	21,052
2016		287,497	7,571	22,041
2015		89,128	14,468	22,079

	Note	2016 Rs '000	2015 Rs '000
15.3 Capital Work in Progress			
Civil works		222,736	331,295
Plant and machinery		889,317	2,190,577
		1,112,053	2,521,872
16. INTANGIBLE ASSETS			
Computer software	16.1	15,977	7,486
Goodwill	16.2	1,932,561	1,932,561
		1,948,538	1,940,047
16.1 Computer software			
Balance at the beginning		7,486	41,970
Additions during the year		15,066	7,116
Amortisation charge for the year		(6,575)	(41,600)
Balance at the end		15,977	7,486
Amortisation rate		33 1/3%	33 1/3%
Amortisation charge has been allocated as follows:			
Cost of sales	29	5,220	30,071
Distribution cost	30	1,355	11,529
		6,575	41,600

		Note	2016 Rs '000	2015 Rs '000
16.2	**Goodwill**			
	Goodwill on acquisition of PSFL	16.3	1,569,234	1,569,234
	Goodwill on acquisition of FFFL	16.4	363,327	363,327
			1,932,561	1,932,561

16.3 This represents excess of the amount paid by FFC over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 11.55%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

16.4 This represents excess of the amount paid by FFC over fair value of net assets of Fauji Fresh n Freeze Limited on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective cash generating unit on which it arose, based on net selling price value in accordance with IAS-36 "Impairment of Assets". Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2016 Rs '000	2015 Rs '000
17.	**LONG TERM INVESTMENTS**			
	Equity accounted investments	17.1	40,808,123	38,773,066
	Other long term investments	17.2	7,255,768	7,928,960
			48,063,891	46,702,026
17.1	**Equity accounted investments**			
	Investment in associated companies - under equity method			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	17.3		
	Balance at the beginning		20,787,172	19,479,310
	Share of profit for the year		451,880	2,586,218
	Share of OCI for the year		238,528	119,320
	Acquisition of non-controlling interest by associate		(321,129)	–
	Dividend received		(1,420,970)	(1,397,676)
			19,735,481	20,787,172
	Askari Bank Limited (AKBL)	17.4		
	Balance at the beginning		14,541,280	11,859,580
	Share of profit for the year		2,244,891	2,103,455
	Share of OCI for the year		1,042,150	1,665,781
	Dividend received		(679,710)	(1,087,536)
			17,148,611	14,541,280
	Fauji Cement Company Limited (FCCL)	17.5		
	Balance at the beginning		1,896,273	1,824,000
	Share of profit for the year		330,909	306,648
	Dividend received		(164,063)	(234,375)
			2,063,119	1,896,273
	Investment in joint venture - under equity method			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	17.6		
	Balance at the beginning		1,548,341	1,290,236
	Share of profit for the year		312,571	355,539
	Loss on translation of net assets		–	(97,434)
			1,860,912	1,548,341
			40,808,123	38,773,066

		Note	2016 Rs '000	2015 Rs '000
17.2	**Other long term investments**			
	Investment available for sale			
	Term Deposit Receipts - from conventional banks		96,138	114,758
	Pakistan Investment Bonds		7,701,536	8,230,410
	Term Finance Certificates		–	99,917
			7,797,674	8,445,085
	Less: Current portion shown under short term investments			
	Investments available for sale			
	Term Deposit Receipts		27,515	29,574
	Pakistan Investment Bonds		514,391	486,551
		26	541,906	516,125
			7,255,768	7,928,960

17.3 Investment in FFBL - at equity method

Investment in FFBL represents 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% of FFBL's share capital as at December 31, 2016. Market value of the Company's investment as at December 31, 2016 was Rs 23,858,329 thousand (2015: Rs 24,543,191 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.

17.4 Investment in AKBL - at equity method

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2015: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2015 was Rs 13,567,012 thousand (2015: Rs 11,821,516 thousand). Pursuant to an agreement dated October 16, 2014, the Company has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of AKBL, shall be nominated by FF. Management of the Company has carried out an impairment analysis for this investment, based on future expected cash flows for the future years and terminal values. The future cash flows has been discounted at weighted average cost of capital of 11.55%. Based on this analysis management believes that this investment is carried at its recoverable amount in these consolidated financial statements.

17.5 Investment in FCCL - at equity method

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% of its share capital as at December 31, 2016.The Company is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by Faysal Bank Limited, remains outstanding or without prior consent of FCCL. Market value of the Company's investment as at December 31, 2016 was Rs 4,226,250 thousand (2015: Rs 3,451,875 thousand). FFCL is an associate due to common directorship.

17.6 Summary financial information of equity accounted investees

Associates

The following table summarises the financial information of associates as included in their own financial statements for the period ended December 31, 2016 and September 30, 2016, 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 AKBL and FCCL is September 30. Accordingly, results of operations of three quarters of financial year 2016 and last quarter of financial year 2015 have been considered for AKBL and results of operations of first quarter of financial year 2017 and three quarters of financial year 2016 have been considered for other associates. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in associate.

	2016			
	FCCL Rs '000	FFBL Rs '000	AKBL Rs '000	Total Rs '000
Percentage of shareholding	6.79%	49.88%	43.15%	
Non-current assets / Total assets (AKBL)	21,560,852	62,771,261	582,116,734	666,448,847
Current assets (including cash and cash equivalents)	8,004,513	40,708,336	–	48,712,849
Total assets	29,565,365	103,479,597	582,116,734	715,161,696
Non-current liabilities / Total liabilities (AKBL)	(5,832,210)	(42,755,380)	(549,864,601)	(598,452,191)
Current liabilities	(4,687,906)	(42,503,280)	–	(47,191,186)
Total liabilities	(10,520,116)	(85,258,660)	(549,864,601)	(645,643,377)
Net assets at fair value (100%)	19,045,249	18,220,937	32,252,133	69,518,319
Non-controlling interest of asscociate	–	(3,454,533)	–	(3,454,533)
Net assets attributable to Group (100%)	19,045,249	14,766,404	32,252,133	66,063,786
Groups share of net assets	1,293,172	7,365,482	13,916,795	22,575,449
Impact of fair value adjustment on retained interest in associates at loss of control	–	12,369,865	3,108,749	15,478,614
Goodwill	823,365	–	–	823,365
Other adjustments	(53,418)	134	123,067	69,783
Carrying amount of interest in associate	2,063,119	19,735,481	17,148,611	38,947,211
Revenue	20,054,910	49,222,204	35,381,777	104,658,891
Profit from continuing operations (100%)	4,873,477	930,763	5,202,529	11,006,769
Other comprehensive income (100%)	–	181,396	2,415,179	2,596,575
Total comprehensive income (100%)	4,873,477	1,112,159	7,617,708	13,603,344
Groups share of total comprehensive income	330,909	554,745	3,287,041	4,172,695

	2015			
	FCCL Rs '000	FFBL Rs '000	AKBL Rs '000	Total Rs '000
Percentage of shareholding	6.79%	49.88%	43.15%	
Non-current assets / Total assets (AKBL)	23,773,322	42,421,797	516,574,531	582,769,650
Current assets (including cash and cash equivalents)	7,440,266	33,815,791	–	41,256,057
Total assets	31,213,588	76,237,588	516,574,531	624,025,707
Non-current liabilities / Total liabilities (AKBL)	(7,899,135)	(16,080,138)	(490,364,606)	(514,343,879)
Current liabilities	(6,772,877)	(40,716,715)	–	(47,489,592)
Total liabilities	(14,672,012)	(56,796,853)	(490,364,606)	(561,833,471)
Net assets at fair value (100%)	16,541,576	19,440,735	26,209,925	62,192,236
Non-controlling interest of asscociate	–	(2,565,620)	–	(2,565,620)
Net assets attributable to Group (100%)	16,541,576	16,875,115	26,209,925	59,626,616
Groups share of net assets	1,123,173	8,417,307	11,309,583	20,850,063
Impact of fair value adjustment on retained interest in associates at loss of control	–	12,369,865	3,108,749	15,478,614
Goodwill	823,365	–	–	823,365
Other adjustments	(50,265)	–	122,948	72,683
Carrying amount of interest in associate	1,896,273	20,787,172	14,541,280	37,224,725
Revenue	18,848,729	52,182,072	43,310,741	114,341,542
Profit from continuing operations (100%)	4,516,176	5,184,879	4,874,752	14,575,807
Other comprehensive income (100%)	–	239,215	3,860,442	4,099,657
Total comprehensive income (100%)	4,516,176	5,424,094	8,735,194	18,675,464
Groups share of total comprehensive income	306,648	2,705,538	3,769,236	6,781,422

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates

	2016 Rs '000	2015 Rs '000
Carrying amount of interests in associates	38,947,211	37,212,341
Share of:		
Profit from continuing operations	3,040,065	4,996,321
Other Comprehensive Income	1,132,630	1,785,101

Joint venture

The following table summarizes the financial information of PMP as included in its own financial statements for the period ended September 30, 2016, 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 2016 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.

	2016 Rs '000	2015 Rs '000
Percentage ownership interest	12.5%	12.5%
Non-current assets	9,220,005	10,241,536
Current assets	11,615,646	11,764,928
Non-current liabilities	–	(532,440)
Current liabilities	(5,917,479)	(9,096,436)
Net Assets (100%)	14,918,172	12,377,588
Group's share of net assets (12.5%)	1,864,772	1,547,199
Revenue	20,127,527	31,594,674
Depreciation and amortization	(1,141,012)	(1,171,989)
Interest expense	(89,676)	(299,930)
Income tax expense	(354,038)	(160,438)
Other expenses	(16,042,231)	(27,118,009)
Profit and total comprehensive Income (100%)	2,500,570	2,844,308
Profit and total comprehensive Income (12.5%)	312,571	355,539
Group's share of total comprehensive income	312,571	355,539

This represents FFCL's share of translation reserve of PMP. This has arisen due to movement In exchange rate parity between the Moroccan Dirham and Pakistani Rupee.

17.7 Investments available for sale

Certificates of Investment (COI) / Term deposits receipts (TDRs)

These represent placement in Term Deposits with financial institution having tenures ranging from one to five years with returns in the range of 4.49% to 10.51% per annum (2015: 5.12% to 12.32% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 3, 5 and 10 years tenure having aggregate face value of Rs 6.99 billion are due to mature within a period of 6 years. Profit is payable on half yearly basis with coupon rates ranging from 11.25% to 12.00% per annum. The PIBs are placed with banks as collateral to secure borrowing facilities.

	Note	2016	2015
		Rs '000	Rs '000
18. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:	18.1		
Executives			
Interest bearing		600,972	469,799
Non-interest bearing		457,566	454,390
		1,058,538	924,189
Other employees			
Interest bearing		109,022	89,643
Non-interest bearing		102,174	99,078
		211,196	188,721
		1,269,734	1,112,910
Less: Amount due within twelve months, shown under current loans and advances			
Interest bearing		134,246	118,395
Non-interest bearing		201,338	180,217
	23	335,584	298,612
		934,150	814,298

18.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2016 Total	2015 Total
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1	924,189	188,721	1,112,910	1,108,627
Transfers	34,141	(34,141)	–	–
Disbursements	531,921	178,055	709,976	430,041
	1,490,251	332,635	1,822,886	1,538,668
Repayments	431,713	121,439	553,152	425,758
Balance at December 31	1,058,538	211,196	1,269,734	1,112,910

These represent secured house building loans, house rent advances and advances pursuant to agreement with employees which are repayable within one to ten years. House building loans carry mark-up at 4% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 1,102,793 thousand (2015: Rs 980,616 thousand).

	Note	2016	2015
		Rs '000	Rs '000
19. LONG TERM DEPOSITS AND PREPAYMENTS			
Non-interest bearing deposits		27,886	24,468
Prepayments		1,597	613
		29,483	25,081
20. STORES, SPARES AND LOOSE TOOLS			
Stores		209,189	195,710
Spares		3,311,754	3,190,262
Provision for slow moving spares	20.1	(407,167)	(361,432)
		2,904,587	2,828,830
Loose tools		117	144
Items in transit		327,210	371,078
		3,441,103	3,395,762

		Note	2016 Rs '000	2015 Rs '000
20.1	**Movement of provision for slow moving spares**			
	Balance at the beginning		361,432	390,866
	Provision during the year		45,735	–
	Reversal during the year		–	(29,434)
	Balance at the end		407,167	361,432
21.	**STOCK IN TRADE**			
	Raw materials		95,250	65,439
	Work in process		108,269	106,097
	Finished goods - manufactured		3,740,835	2,172,446
	- purchased		372,893	2,783,609
			4,317,247	5,127,591
22.	**TRADE DEBTS**			
	Considered good:			
	Secured			
	- against bank guarantees		4,274,136	1,731,522
	- against guarantee issued by the			
	Government of Pakistan	22.1	742,470	420,326
	Unsecured		55,410	46,728
	Considered doubtful		1,758	1,758
			5,073,774	2,200,334
	Provision for doubtful debts		(1,758)	(1,758)
			5,072,016	2,198,576

22.1 These are secured by way of Guarantee issued by the Government of Pakistan under the Implementation Agreement dated February 18, 2011. Further these are subject to mark-up on delay payments under Energy Purchase Agreement dated April 5, 2011 at the rate of 3 month KIBOR + 4.5% per annum.

		Note	2016 Rs '000	2015 Rs '000
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	335,584	298,612
	Loans and advances to employees - unsecured			
	- considered good, non-interest bearing			
	Executives		43,068	37,703
	Others		11,429	10,309
	Advances to suppliers - considered good		209,529	181,283
			599,610	527,907
24.	**DEPOSITS AND PREPAYMENTS**			
	Non-interest bearing deposits		944	1,292
	Prepayments		57,172	38,828
			58,116	40,120

	Note	2016 Rs '000	2015 Rs '000
25. OTHER RECEIVABLES			
Accrued income on investments and bank deposits			
From conventional banks		398,301	536,076
From Islamic banks		508	916
Sales tax receivable - net		1,178,253	–
Sales tax receivable related to Pak Saudi Fertilizers Limited		42,486	42,486
Advance tax	25.1	358,293	351,708
Subsidy receivable from Government agencies	25.2	5,072,534	1,489,977
Receivable from Workers' Profit Participation Fund - unsecured	25.3	108,194	33,536
Receivable from Fauji Fertilizer Bin Qasim Limited - unsecured		39,203	49,010
Due from Gratuity Fund		80,450	–
Due from Pension Fund		286,778	268,136
Other receivables			
considered good		130,987	311,908
considered doubtful		2,232	2,232
Provision for doubtful receivables		(2,232)	(2,232)
		130,987	311,908
		7,695,987	3,083,753

25.1 This mainly represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. FFC intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

25.2 This represents subsidy receivable on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on 25 October 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.

	Note	2016 Rs '000	2015 Rs '000
25.3 Workers' Profit Participation Fund (WPPF)			
Balance at beginning		33,536	55,300
Allocation for the year		(931,384)	(1,316,042)
Receipt from fund	25.3.1	(43,958)	(65,722)
Payment to fund		1,050,000	1,360,000
		108,194	33,536

25.3.1 This represents amount paid to WPPF in prior years in excess of obligation.

	Note	2016 Rs '000	2015 Rs '000
26. SHORT TERM INVESTMENTS			
Loans & receivables - conventional instruments			
Term deposits with banks and financial institutions	26.1		
Local currency		12,405,762	9,092,000
Foreign currency		1,420,224	1,396,192
		13,825,986	10,488,192
Investments at fair value through profit or loss			
Shariah compliant investments	26.2		
Al Meezan Fund		428,413	183,403
Conventional investments			
MCB Arif Habib Fund		100,151	–
UBL Fund		199,691	–
NAFA Fund		402,502	–
		702,344	–
Current maturity of long term investments			
Available for sale	17.2	541,906	516,125
		15,498,649	11,187,720

26.1 These represent investments having maturities ranging between 1 to 3 months.

26.2 Fair values of these investments are determined using quoted repurchase price.

	Note	2016 Rs '000	2015 Rs '000
27. CASH AND BANK BALANCES			
At banks			
Local Currency			
Current Account - conventional banking		125,720	106,633
Deposit Account - conventional banking	27.2	391,022	1,369,642
Deposit Account - Islamic banking	27.3	28,816	20,691
		545,558	1,496,966
Foreign Currency			
Deposit Account		1,198	1,965
Cash in transit	27.4	2,150,877	1,908,152
Cash in hand		1,595	2,052
		2,699,228	3,409,135

27.1 Balances with banks include Rs 110,147 thousand (2015: Rs 738,350 thousand) in respect of security deposits received.

27.2 Balances with banks carry mark-up ranging from 3.50% to 5.25% (2015: 3.50% to 7.25%) per annum.

27.3 Balances with banks carry profit ranging from 1.65% to 4.00% (2015: 2.50% to 6.00%) per annum.

27.4 These represent demand drafts in transit at the year end.

		Note	2016 Rs '000	2015 Rs '000
28.	**SALES**			
	Fertilizers		72,876,687	84,831,024
	Power		2,430,273	2,509,234
	Food		70,897	–
			75,377,857	87,340,258
29.	**COST OF SALES**			
	Raw materials consumed		26,370,724	27,022,783
	Fuel and power		9,058,059	8,075,315
	Chemicals and supplies		384,272	352,678
	Salaries, wages and benefits		6,155,756	5,887,436
	Training and employees welfare		855,840	845,825
	Rent, rates and taxes		47,501	19,432
	Insurance		232,259	251,374
	Travel and conveyance	29.1	366,393	402,443
	Repairs and maintenance (includes stores and spares consumed of Rs 991,149 thousand; (2015: Rs 1,809,203 thousand)		1,788,357	2,062,458
	Depreciation	15.1	2,904,060	2,486,387
	Amortization	16.1	5,220	30,071
	Communication and other expenses	29.2	1,521,013	1,754,914
			49,689,454	49,191,116
	Opening stock - work in process		106,097	64,860
	Closing stock - work in process		(96,785)	(106,097)
			9,312	(41,237)
	Cost of goods manufactured		49,698,766	49,149,879
	Opening stock - manufactured		2,172,446	584,930
	Closing stock - manufactured		(3,740,503)	(2,172,446)
			(1,568,057)	(1,587,516)
	Cost of sales - manufactured		48,130,709	47,562,363
	Opening stock - purchased		2,756,038	21,504
	Purchase for resale		5,853,908	11,968,858
			8,609,946	11,990,362
	Closing stock - purchased		(375,050)	(2,756,038)
	Cost of sale - purchased		8,234,896	9,234,324
			56,365,605	56,796,687

29.1 These include operating lease rentals amounting to Rs 15,722 thousand (2015: Rs 24,663 thousand).

29.2 This includes provision for slow moving spares amounting to Rs 45,736 thousand (2015: Rs Nil).

		Note	2016 Rs '000	2015 Rs '000
30.	**ADMINISTRATIVE AND DISTRIBUTION EXPENSES**			
	Administrative expenses	30.1	164,432	141,251
	Product transportation		4,092,325	4,220,398
	Salaries, wages and benefits		1,650,914	1,590,906
	Training and employees welfare		92,310	106,880
	Rent, rates and taxes		196,483	120,633
	Technical services to farmers		8,083	15,144
	Travel and conveyance	30.2	153,489	164,026
	Sale promotion and advertising		171,976	142,276
	Communication and other expenses		374,030	239,249
	Warehousing expenses		544,789	126,693
	Depreciation	15.1	74,253	86,888
	Amortisation	16	1,355	11,529
			7,524,439	6,965,873
30.1	**Administrative expenses**			
	This represents administrative and general expenses of FFCEL and FFFL:			
	Salaries, wages and benefits		95,141	59,482
	Travel and conveyance		18,342	2,588
	Utilities		266	2,483
	Printing and stationery		389	1,470
	Repairs and maintenance		6,107	203
	Communication, advertisement and other expenses		3,060	1,090
	Rent, rates and taxes		19,524	14,429
	Legal and professional		4,381	29,203
	Depreciation	15.1	3,314	–
	Miscellaneous		13,908	30,303
			164,432	141,251

30.2 These include operating lease rentals amounting to Rs 6,985 thousand (2015: Rs 11,119 thousand).

		2016 Rs '000	2015 Rs '000
31.	**FINANCE COST**		
	Mark-up / profit on long term borrowings		
	Conventional banking	2,108,037	1,820,081
	Islamic banking	273,158	171,473
		2,381,195	1,991,554
	Mark-up / profit on short term borrowings		
	Conventional banking	786,399	342,258
	Islamic banking	89,418	128,385
		875,817	470,643
	Exchange loss	26,872	–
	Bank and other charges	76,541	22,985
		3,360,425	2,485,182

	2016 Rs '000	2015 Rs '000
32. OTHER EXPENSES		
Research and development	524,137	463,868
Workers' Profit Participation Fund	931,384	1,316,042
Workers' Welfare Fund	302,297	501,931
Auditors' remuneration		
Audit fee	2,450	2,325
Fee for half yearly review, audit of consolidated financial statements and review of Code of Corporate Governance	1,415	1,159
Taxation services	580	1,366
Out of pocket expenses	255	339
	4,700	5,189
	1,762,518	2,287,030
33. OTHER INCOME		
Income from sales under Government subsidy	6,978,855	1,489,977
Income from financial assets		
Income on loans, deposits and investments		
Placements with conventional banks	1,153,574	1,550,538
Placements with Islamic banks	476	227,528
Gain on re-measurement of investments placed		
Conventional investments	12,652	1,877
Shariah compliant investments	46,530	8,401
Dividend income on Shariah compliant investments	–	9,364
Exchange gain on foreign currency	10,998	2,853
	1,224,230	1,800,561
Income from non-financial assets		
Gain on disposal of property, plant and equipment	14,470	7,611
Commission on sale of FFBL products	24,665	20,761
	39,135	28,372
Other income		
Scrap sales	11,292	25,756
Others	101,994	151,354
	113,286	177,110
	8,355,506	3,496,020

33.1 This represents subsidy on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on 25 October 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.

	2016 Rs '000	2015 Rs '000
34. PROVISION FOR TAXATION		
Current tax	5,557,796	8,232,038
Deferred tax	68,000	(11,968)
	5,625,796	8,220,070
Reconciliation of tax charge for the year		
Profit before taxation from continuing operations and share in profit of equity accounted investments	17,641,548	27,653,366

	2016	2015
	%	%
Reconciliation of tax charge for the year		
Applicable tax rate	31.00	32.00
Tax effect of income that is not taxable or taxable at reduced rates	(3.58)	(2.65)
Effect of change in tax rate	–	(1.87)
Effect of super tax	4.03	2.83
Deferred tax asset not recognised	0.59	–
Others	(0.15)	(0.58)
Average effective tax rate charged on income	31.89	29.73

		2016	2015
35.	**EARNINGS PER SHARE - basic and diluted**		
	Net profit after tax (Rupees '000)	12,015,752	19,433,296
	Weighted average number of shares in issue - (Number '000)	1,272,238	1,272,238
	Basic and diluted earnings per share (Rupees)	9.44	15.27

There is no dilutive effect on the basic earnings per share of the Group.

36. 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 Group are given below:

	2016		2015	
	Chief Executive	Executives	Chief Executive	Executives
	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	7,777	2,049,065	7,829	1,797,973
Contribution to provident fund	537	121,076	536	112,177
Bonus and other awards	5,220	2,140,286	1,313	1,984,940
Allowances and contribution to retirement benefit plans	7,165	1,701,211	10,589	1,359,406
Total	20,699	6,011,638	20,267	5,254,496
No. of person(s)	1	949	1	861

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 (2015: 4,422 thousand) and Rs 74,422 thousand (2015: 52,445 thousand) were paid to chief executive and executives respectively on separation, in accordance with the Company's policy.

In addition, 15 (2015: 14) directors were paid aggregate fee of Rs 4,750 thousand (2015: 5,450 thousand).

	2016	2015
	Rs '000	Rs '000

37. CASH GENERATED FROM OPERATIONS

	2016 Rs '000	2015 Rs '000
Net profit before taxation	17,641,548	27,653,366
Adjustments for:		
Depreciation	2,983,138	2,574,450
Amortization	6,575	41,600
Provision / (reversal) for slow moving spares	45,735	(29,434)
Finance cost	3,360,425	2,485,182
Income on loans, deposits and investments	(1,154,050)	(1,778,066)
Share of profit of associate and joint venture	(2,921,172)	(5,351,860)
Gain on sale of property, plant and equipment	(14,470)	(7,611)
Exchange loss - net	15,874	70,214
Gain on re-measurement of investments at fair value through profit or loss	(46,530)	(10,278)
Dividend income	–	(9,364)
Government subsidy on sale of fertilizer	(6,978,855)	(1,489,977)
	(4,703,330)	(3,505,144)
	12,938,218	24,148,222
Changes in working capital		
Decrease / (increase) in current assets:		
Stores and spares	(91,076)	(51,505)
Stock in trade	810,344	(4,142,244)
Trade debts	(2,873,440)	22,687
Loans and advances	(71,703)	3,472
Deposits and prepayments	(17,996)	(12,531)
Other receivables	(2,681,037)	(481,182)
Decrease in current liabilities:		
Trade and other payables	2,883,301	(29,828,551)
	(2,041,607)	(34,489,854)
Changes in long term loans and advances	(119,852)	8,890
Changes in long term deposits and prepayments	(4,402)	(7,277)
Changes in deferred liabilities	159,895	304,040
Change in liability under finance lease	2,566	1,924
	10,934,818	(10,034,055)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 Fair value of Financial Instruments

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Group is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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)

Financial instruments by category

December 31, 2016

	Carrying Amount					Fair Value			
	Loans and receivables	Available sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets									
Maturity after one year									
Long term investments	-	7,255,768	-	-	7,255,768	-	7,255,768	-	7,255,768
Long term loans and advances	934,150	-	-	-	934,150	-	-	-	-
Long term deposits	27,886	-	-	-	27,886	-	-	-	-
Maturity up to one year									
Trade debts - net of provision	5,072,016	-	-	-	5,072,016	-	-	-	-
Loans and advances	390,081	-	-	-	390,081	-	-	-	-
Deposits	944	-	-	-	944	-	-	-	-
Other receivables	6,116,955	-	-	-	6,116,955	-	-	-	-
Short term investments	13,825,986	541,906	1,130,757	-	15,498,649	1,130,757	541,906	-	1,672,663
Cash and bank balances	2,699,228	-	-	-	2,699,228	-	-	-	-
	29,067,246	7,797,674	1,130,757	-	37,995,677	1,130,757	7,797,674	-	8,928,431
Financial liabilities									
Maturity after one year									
Long term borrowings	-	-	-	24,012,599	24,012,599	-	-	-	-
Maturity up to one year									
Trade and other payables	-	-	-	9,761,242	9,761,242	-	-	-	-
Interest and mark-up accrued	-	-	-	351,075	351,075	-	-	-	-
Short term borrowings	-	-	-	22,382,525	22,382,525	-	-	-	-
Current portion of long term borrowings	-	-	-	7,964,843	7,964,843	-	-	-	-
	-	-	-	64,472,284	64,472,284	-	-	-	-

December 31, 2015

	Carrying Amount					Fair Value			
	Loans and receivables	Available sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets									
Maturity after one year									
Long term investments	-	7,928,960	-	-	7,928,960	99,917	7,829,043	-	7,928,960
Long term loans and advances	814,298	-	-	-	814,298	-	-	-	-
Long term deposits	24,468	-	-	-	24,468	-	-	-	-
Maturity up to one year									
Trade debts - net of provision	2,198,576	-	-	-	2,198,576	-	-	-	-
Loans and advances	346,624	-	-	-	346,624	-	-	-	-
Deposits	1,292	-	-	-	1,292	-	-	-	-
Other receivables	2,656,023	-	-	-	2,656,023	-	-	-	-
Short term investments	10,488,192	516,125	183,403	-	11,187,720	-	-	-	-
Cash and bank balances	3,409,135	-	-	-	3,409,135	-	-	-	-
	19,938,608	8,445,085	183,403	-	28,567,096	99,917	7,829,043	-	7,928,960
Financial liabilities									
Maturity after one year									
Long term borrowings	-	-	-	24,746,264	24,746,264	-	-	-	-
Maturity up to one year									
Trade and other payables	-	-	-	6,169,515	6,169,515	-	-	-	-
Interest and mark-up accrued	-	-	-	408,068	408,068	-	-	-	-
Short term borrowings	-	-	-	18,020,602	18,020,602	-	-	-	-
Current portion of long term borrowings	-	-	-	5,801,752	5,801,752	-	-	-	-
	-	-	-	55,146,201	55,146,201	-	-	-	-

38.2 Credit quality of financial assets

The credit quality of group companies financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Note	Rating	2016 Rs '000	2015 Rs '000
Trade Debts				
Counterparties without external credit ratings				
Existing customers with no default in the past			5,072,016	2,198,576
Loans and advances				
Counterparties without external credit ratings				
Loans and advances to employees			988,647	1,160,922
Deposits				
Counterparties without external credit ratings				
Others			28,830	25,760
Other receivables				
Counterparties with external credit ratings		A1+ / A-1+	30,266	29,334
		A1 / A-1	2,433	8,674
		A-2	–	205
Counterparties without external credit ratings				
Balances with related parties			434,175	350,682
Others			499,712	450,039
			966,586	838,934
Short term investments				
Counterparties with external credit ratings		A1+ / A-1+	13,595,297	7,796,946
		A1 / A-1	258,203	2,070,820
		A-2	–	650,000
		AM2++	1,130,758	183,403
Counterparties without external credit ratings	38.2.1		514,391	486,551
			15,498,649	11,187,720
38.2.1 Counterparties without external credit ratings				
This represents PIBs issued by the Government of Pakistan				
Bank balances				
Counterparties with external credit ratings		A1+ / A-1+ / P-1	544,303	1,493,301
		A1 / A-1	24	1,700
		A-2	33	–
			544,360	1,495,001
Long term investments				
Counterparties with external credit ratings		AA	–	185,100
		AA +	68,623	–
Counterparties without external credit ratings	38.2.2		7,187,145	7,743,859
			7,255,768	7,928,959

		2016 Rs '000	2015 Rs '000
38.2.2	**Counterparties without external credit ratings**		
	This represents PIBs issued by the Government of Pakistan		
	Long term loans and advances		
	Counterparties without external credit ratings		
	Loans and advances to employees	934,150	814,298

38.3 Financial risk factors

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 companies risk management framework. The Board is also responsible for developing and monitoring the Group companies risk management policies.

The Group companies risk management policies are established to identify and analyse the risks faced by the companies, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group companies activities. The Group companies, through their training and management standards and procedures, aim 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 companies risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group companies. 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 companies if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 Rs '000	2015 Rs '000
Long term investments	7,255,768	7,928,960
Loans and advances	1,324,231	1,160,922
Deposits	28,830	25,760
Trade debts - net of provision	5,072,016	2,198,576
Other receivables - net of provision	6,116,955	2,656,023
Short term investments	15,498,649	11,187,720
Bank balances	546,756	1,498,931
	35,843,205	26,656,892

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 a bank which amounts to Rs 3,500,000 thousand (2015: Rs 2,000,000 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts are secured against letter of guarantee. The Group companies have placed funds in financial institutions with high credit ratings. The Group companies assess the credit quality of the counter parties as satisfactory. The Group companies do not hold any collateral as security against any of their financial assets other than trade debts.

The Group companies limit their 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 companies only have 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:

	2016		2015	
	Gross Rs '000	Impairment Rs '000	Gross Rs '000	Impairment Rs '000
Not yet due	4,173,748	–	1,587,907	–
Past due 1-30 days	601,956	–	546,533	–
Past due 31-60 days	232,232	–	64,136	–
Past due 61-90 days	64,080	–	–	–
Over 90 days	1,758	1,758	1,758	1,758
	5,073,774	1,758	2,200,334	1,758

The management believes that no impairment allowance is necessary in respect of trade debts since significant amount of past due debts are secured by way of bank guarantees.

b) **Liquidity risk**

Liquidity risk is the risk that the Group companies will not be able to meet their financial obligations as they fall due. The Group companies approach to managing liquidity is to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group companies reputation. The Group companies use different methods which assists them in monitoring cash flow requirements and optimizing their cash return on investments. Typically the Group companies ensure that they have sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group companies maintain lines of credit as mentioned in note 13 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2016	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months Rs '000	One to two years	Two to five years	Five years onwards
Long term borrowings	32,212,572	35,531,726	5,914,168	6,491,331	10,060,129	13,066,098	–
Trade and other payables	9,761,242	9,927,091	9,927,091	–	–	–	–
Short term borrowings including mark-up	22,498,470	23,282,262	11,897,262	11,385,000	–	–	–
	64,472,284	68,741,079	27,738,521	17,876,331	10,060,129	13,066,098	–

2015	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				Rs '000			
Long term borrowings	30,654,054	36,335,044	3,180,760	4,329,549	14,027,733	14,797,001	–
Trade and other payables	6,035,825	6,035,825	6,035,825	–	–	–	–
Short term borrowings including mark-up	18,192,403	18,342,155	18,342,155	–	–	–	–
	54,882,282	60,713,024	27,558,740	4,329,549	14,027,733	14,797,001	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates have been disclosed in notes 8 and 13 to these consolidated financial statements.

c) **Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Group is exposed to currency risk, interest rate risk and 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 companies are exposed to currency risk on creditors, bank balance and investment in term deposit receipts which are denominated in currency other than the functional currency of the Group companies. The Group companies exposure to foreign currency risk is as follows:

	2016		2015	
	Rs '000	US Dollar '000	Rs '000	US Dollar '000
Bank balance	1,198	11	1,965	19
Investments (Term Deposit Receipts)	1,420,224	13,578	1,396,193	13,348

The following significant exchange rate applied during the year:

	2016	2015	2016	2015
	Average rate		Balance sheet date rate	
US Dollars	103.77	101.90	104.60	104.60

Sensitivity analysis

A 10% strengthening of the functional currency against USD at December 31 would have decreased profit and loss by Rs 142,142 thousand (2015: Rs 139,812 thousand). A 10% weakening of the functional currency against foreign currencies at December 31 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

ii) **Interest rate risk**

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings and long term borrowings, long term investments, loans and advances, short term deposits with banks. At the balance sheet date the interest rate risk profile of the Group companies interest bearing financial instruments is:

	2016	2015
	Carrying Amount	
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	24,321,293	22,240,443
Variable rate instruments		
Financial liabilities	54,359,967	48,568,618

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 or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	100 basis points increase Rs '000	100 basis points decrease Rs '000
December 31, 2016		
Cash flow sensitivity - Variable rate instruments		
Financial assets	6,348	(6,348)
Financial liabilities	(354,982)	354,982
December 31, 2015		
Cash flow sensitivity - Variable rate instruments		
Financial assets	7,988	(7,988)
Financial liabilities	(194,885)	194,885

iii) **Price risk**

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis - price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 53,141 thousand after tax (2015: Rs 58,612 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as at fair value through profit or loss, the impact on profit or loss would have been an increase or decrease by Rs 8,481 thousand after tax (2015: Rs 1,376 thousand). The analysis is performed on the same basis for 2015 and assumes that all other variables remain the same.

38.4 Determination of fair values

A number of Group companies accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment at fair value through profit or loss

The fair value of investment at fair value through profit and loss is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at current PKRV rates applicable to similar instruments having similar maturities.

Investment in associate and subsidiary

The fair value of investment in listed associate is determined by reference to their quoted closing bid price at the reporting date and accordingly are at level 1 in fair value hierarchy. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

38.5 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 Group companies define as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholder. There were no changes to the Group companies approach to capital management during the year and the Group companies are not subject to externally imposed capital requirements.

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
Fertlizers	Buying, maufacturing and distributing fertilizer
Power	Producing and selling power
Food	Processing fresh and frozen fruits, vegetables, frozen cooked and semi cooked food

The group chief executive officer and Board of Directors review the internal management reports of each division quarterly.

Information about reportable segments

Information related to each reportable segment is set below. Segment profit / (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segment relative to other entities that operate in same industries.

	Fertilizers Rs '000	Power Rs '000	Food Rs '000	Total Rs '000
2016				
Segment revenues	72,876,687	2,430,273	70,897	75,377,857
Segment profit / (loss) before tax	17,393,993	690,482	(954,695)	17,129,780
Interest income	1,067,068	79,465	7,517	1,154,050
Finance cost	2,405,589	778,825	176,011	3,360,425
Depreciation	2,126,767	608,682	264,678	3,000,127
Share of profit / (loss) of equity -				
accounted investees	2,921,172	–	–	2,921,172
Segment assets (total)	67,979,320	12,266,626	3,599,404	83,845,350
Equity accounted investees	40,808,123	–	–	40,808,123
Segment liabilities (total)	63,689,119	7,251,292	2,347,231	73,287,642

	Fertilizers Rs '000	Power Rs '000	Food Rs '000	Total Rs '000
2015				
Segment revenues	84,831,024	2,509,234	–	87,340,258
Segment profit / (loss) before tax	24,502,869	601,975	(83,751)	25,021,093
Interest income	1,710,227	62,833	5,006	1,778,066
Finance cost	1,474,801	1,066,834	172	2,541,807
Depreciation	1,970,073	610,669	10,420	2,591,162
Share of profit / (loss) of equity -				
accounted investees	5,351,860	–	–	5,351,860
Segment assets (total)	58,735,034	12,348,100	3,824,093	74,907,227
Equity accounted investees	38,773,066	–	–	38,773,066
Segment liabilities (total)	52,780,202	8,124,399	2,636,566	63,541,167

Reconciliation of information on reportable segments to applicable financial reporting standards

		2016	2015
		Rs '000	Rs '000
i	**Revenue for reportable segments**	75,377,857	87,340,258
	Consolidated Revenue	75,377,857	87,340,258
ii	**Profit before tax for reportable segments**	17,129,780	25,021,093
	Elimination of intra segment profit	(2,409,404)	(2,719,587)
	Consolidated profit before tax from continuing operations	14,720,376	22,301,506
iii	**Total assets for reporting segments**	83,845,350	74,907,227
	Equity accounted investments	40,808,123	38,773,066
	Consolidated total assets	124,653,473	113,680,293
iv	**Total liabilities for reporting segments**	72,001,969	63,541,167
	Deferred tax on equity accounted investments	1,285,673	706,347
	Consolidated total liabilities	73,287,642	64,247,514
v	**Other material items**		

	Reportable segments Rs '000	Adjustments Rs '000	Consolidated Rs '000
2016			
Interest income	1,154,050	–	1,154,050
Finance cost	3,360,425	–	3,360,425
Capital expenditure (CWIP)	2,074,876	–	2,074,876
Depreciation	3,360,425	–	3,360,425
Commitments	13,446	4,474,357	4,487,803
Contingencies	65,706	128,919,857	128,985,563
2015			
Interest income	1,778,066	–	1,778,066
Finance cost	2,541,807	(56,625)	2,485,182
Capital expenditure (CWIP)	3,047,910	–	3,047,910
Depreciation	2,591,162	–	2,591,162
Commitments	33,149	1,985,887	2,019,036
Contingencies	65,706	97,409,821	97,475,527

40. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2015: 44.35%) shares of the Company at the year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 18, 23 and 36 to the consolidated financial statements respectively.

	2016 Rs '000	2015 Rs '000
Transactions with associated undertaking / companies due to common directorship		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,034,963	916,738
Commission on sale of products	24,665	20,761
Payment under consignment account	48,232,608	59,455,977
Purchase of gas as feed and fuel stock	37,346,288	33,698,069
Services and materials received	11,636	1,864
Sale of fertilizers	2,627	4,846
Donation	119,130	50,341
Others	177,463	191,749
Dividend income	2,409,404	2,719,587
Dividend receivable	144,661	–
Dividends paid	4,835,516	6,736,998
Short term investment	1,654,820	789,000
Long term investment	96,138	114,758
Short term borrowing	730,698	989,970
Long term borrowing	670,929	742,925
Bank balance	151,737	538,541
Running finance	50,417	–
Balance receivable	47,171	597,189
Balance payable	5,565,853	3,329,533
Other related parties		
Payments to:		
Employees' Provident Fund Trust	390,425	376,056
Employees' Gratuity Fund Trust	278,084	74,893
Employees' Pension Fund Trust	97,701	459,371
Employees' Funds as Dividend on equity holding of 0.15% (2015: 1.09%)	24,235	63,462
Others:		
Balance receivable / (payable) Gratuity Fund Trust	80,450	(133,690)
Balance receivable from Pension Fund Trust	286,778	268,136

41. POST BALANCE SHEET EVENT

The Board of Directors of FFC in its meeting held on January 31, 2017 has proposed a final dividend of Rs 2.75 per share and transfer of Rs 2 billion from unappropriated profit to the general reserve.

	2016	2015
	Tonnes '000	Tonnes '000
42. GENERAL		
42.1 Production capacity		
FFC		
Design capacity	2,048	2,048
Production during the year	2,523	2,470

	2016	2015
	MWh	MWh
FFCEL		
Actual capacity	143,559	143,559
Actual energy delivered	130,827	131,991

FFFL

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 guarantee and letters of credit amounting to Rs 100,000 thousand and Rs 8,010,000 thousand (2015: Rs 100,000 thousand and Rs 9,560,000 thousand) respectively are available to the Company against lien on shipping/title documents and charge on assets of the Company.

42.3 Donations

Cost of Sales and Distribution Cost include donations amounting to Rs 84,516 thousand (2015: Rs 110,878 thousand) and Rs 37,340 thousand (2015: Rs 56,876 thousand) respectively. These include Rs 119,130 thousand (2015: Rs 50,341 thousand), disbursed through Sona Welfare Foundation, Sona Tower, 156, The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Shafqaat Ahmed, 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 IFRIC 4 - "Determining whether an arrangement contains a lease"

International Accounting Standards Board (IASB) has issued International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining whether an Arrangement contains a Lease", which became effective for financial periods beginning on or after 01 January 2006. Under IFRIC 4, the consideration required to be made by lessee for the right to use the asset is accounted for as finance lease under IAS 17 - "Leases". The Company's plant's control due to purchase of total output by NTDC appears to fall under the scope of IFRIC 4.

On January 16, 2012, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of IFRIC 4 for companies in Pakistan. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC 4. Had this interpretation been applied the effects on the results and equity of the Company would have been as follows:

	2016
	Rs '000
Increase in unappropriated profit at beginning of the year	295,302
Increase in profit for the year	247,325
Increase in unappropriated profit as at end of the year	542,627

		2016	2015
		Numbers	Numbers
42.5	**Number of employees**		
	Total number of employees at end of the year	3,506	3,605
	Average number of employees for the year	3,542	3,451

42.6 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

42.7 These consolidated Financial Statements have been authorized for issue by the Board of Directors of FFC on January 31, 2017.

Chairman | **Chief Executive** | **Director**

PATTERN OF **SHAREHOLDING**
AS AT DECEMBER 31, 2016

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1634	1	100	99,211	0.0078
2907	101	500	1,009,002	0.0793
2294	501	1000	2,004,579	0.1576
5256	1001	5000	14,213,452	1.1172
1751	5001	10000	13,461,023	1.0581
776	10001	15000	9,805,559	0.7707
508	15001	20000	9,112,786	0.7163
331	20001	25000	7,591,521	0.5967
286	25001	30000	7,949,572	0.6248
172	30001	35000	5,628,054	0.4424
155	35001	40000	5,850,362	0.4598
106	40001	45000	4,541,276	0.3570
169	45001	50000	8,248,651	0.6484
92	50001	55000	4,848,760	0.3811
69	55001	60000	4,000,705	0.3145
51	60001	65000	3,185,682	0.2504
54	65001	70000	3,669,316	0.2884
63	70001	75000	4,643,038	0.3650
33	75001	80000	2,578,758	0.2027
36	80001	85000	2,994,831	0.2354
24	85001	90000	2,120,373	0.1667
31	90001	95000	2,873,351	0.2259
82	95001	100000	8,134,961	0.6394
27	100001	105000	2,763,580	0.2172
17	105001	110000	1,827,005	0.1436
15	110001	115000	1,691,984	0.1330
12	115001	120000	1,420,548	0.1117
22	120001	125000	2,706,503	0.2127
12	125001	130000	1,545,040	0.1214
14	130001	135000	1,865,486	0.1466
13	135001	140000	1,804,332	0.1418
7	140001	145000	996,257	0.0783
22	145001	150000	3,276,196	0.2575
10	150001	155000	1,523,422	0.1197
17	155001	160000	2,688,527	0.2113
13	160001	165000	2,125,880	0.1671
5	165001	170000	842,222	0.0662
6	170001	175000	1,038,792	0.0817

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
4	175001	180000	709,360	0.0558
2	180001	185000	368,966	0.0290
5	185001	190000	936,593	0.0736
3	190001	195000	575,336	0.0452
27	195001	200000	5,377,696	0.4227
3	200001	205000	601,537	0.0473
4	205001	210000	839,487	0.0660
6	210001	215000	1,275,526	0.1003
6	215001	220000	1,309,049	0.1029
2	220001	225000	446,000	0.0351
3	225001	230000	685,417	0.0539
7	230001	235000	1,624,901	0.1277
6	235001	240000	1,427,383	0.1122
4	240001	245000	968,410	0.0761
8	245001	250000	1,988,007	0.1563
3	250001	255000	757,916	0.0596
6	255001	260000	1,546,587	0.1216
6	260001	265000	1,577,773	0.1240
1	265001	270000	268,000	0.0211
1	270001	275000	275,000	0.0216
3	280001	285000	850,866	0.0669
3	285001	290000	862,558	0.0678
4	290001	295000	1,170,212	0.0920
18	295001	300000	5,391,840	0.4238
6	300001	305000	1,820,215	0.1431
2	305001	310000	619,375	0.0487
1	310001	315000	312,324	0.0245
2	315001	320000	639,864	0.0503
3	320001	325000	972,264	0.0764
3	325001	330000	982,123	0.0772
3	330001	335000	997,208	0.0784
6	345001	350000	2,091,018	0.1644
3	350001	355000	1,058,306	0.0832
3	355001	360000	1,075,449	0.0845
5	360001	365000	1,819,179	0.1430
2	365001	370000	733,735	0.0577
2	370001	375000	748,400	0.0588
3	375001	380000	1,135,000	0.0892

PATTERN OF **SHAREHOLDING**
AS AT DECEMBER 31, 2016

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
2	380001	385000	765,424	0.0602
3	385001	390000	1,166,000	0.0916
2	390001	395000	784,445	0.0617
3	395001	400000	1,196,500	0.0940
1	400001	405000	401,000	0.0315
1	405001	410000	408,728	0.0321
2	410001	415000	824,237	0.0648
1	420001	425000	422,000	0.0332
1	430001	435000	434,700	0.0342
3	445001	450000	1,341,850	0.1055
1	455001	460000	458,803	0.0361
2	470001	475000	947,050	0.0744
3	475001	480000	1,430,533	0.1124
1	480001	485000	480,700	0.0378
1	485001	490000	487,389	0.0383
2	490001	495000	986,630	0.0776
4	495001	500000	1,999,400	0.1572
1	500001	505000	504,875	0.0397
1	510001	515000	513,470	0.0404
1	545001	550000	550,000	0.0432
1	555001	560000	556,915	0.0438
1	570001	575000	572,745	0.0450
2	575001	580000	1,156,067	0.0909
3	585001	590000	1,766,193	0.1388
1	590001	595000	591,400	0.0465
2	595001	600000	1,200,000	0.0943
1	615001	620000	618,130	0.0486
3	635001	640000	1,914,167	0.1505
1	640001	645000	644,200	0.0506
1	645001	650000	646,888	0.0508
1	655001	660000	656,500	0.0516
1	660001	665000	662,200	0.0520
1	670001	675000	673,192	0.0529
2	680001	685000	1,363,505	0.1072
1	685001	690000	688,238	0.0541
1	695001	700000	700,000	0.0550
4	705001	710000	2,830,000	0.2224
1	710001	715000	713,839	0.0561

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	720001	725000	725,000	0.0570
3	725001	730000	2,183,456	0.1716
2	755001	760000	1,515,664	0.1191
1	760001	765000	762,717	0.0600
1	775001	780000	779,590	0.0613
2	790001	795000	1,586,658	0.1247
3	795001	800000	2,400,000	0.1886
1	800001	805000	800,646	0.0629
1	815001	820000	816,879	0.0642
1	825001	830000	829,100	0.0652
1	845001	850000	850,000	0.0668
1	880001	885000	885,000	0.0696
4	895001	900000	3,597,446	0.2828
1	900001	905000	904,335	0.0711
1	915001	920000	918,750	0.0722
1	940001	945000	945,000	0.0743
1	945001	950000	948,100	0.0745
1	970001	975000	974,910	0.0766
2	975001	980000	1,956,058	0.1537
1	980001	985000	982,800	0.0772
5	995001	1000000	5,000,000	0.3930
1	1015001	1020000	1,019,337	0.0801
1	1090001	1095000	1,093,250	0.0859
1	1110001	1115000	1,111,039	0.0873
1	1150001	1155000	1,151,885	0.0905
1	1155001	1160000	1,158,232	0.0910
2	1195001	1200000	2,397,600	0.1885
1	1225001	1230000	1,229,000	0.0966
1	1265001	1270000	1,267,896	0.0997
1	1270001	1275000	1,270,800	0.0999
1	1275001	1280000	1,275,700	0.1003
1	1280001	1285000	1,283,368	0.1009
1	1300001	1305000	1,303,300	0.1024
1	1390001	1395000	1,392,015	0.1094
1	1395001	1400000	1,398,110	0.1099
1	1440001	1445000	1,441,000	0.1133
1	1445001	1450000	1,449,630	0.1139
1	1465001	1470000	1,467,174	0.1153

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2016

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	1500001	1505000	1,500,700	0.1180
1	1505001	1510000	1,508,500	0.1186
1	1515001	1520000	1,519,407	0.1194
1	1525001	1530000	1,526,688	0.1200
1	1545001	1550000	1,546,304	0.1215
1	1550001	1555000	1,551,500	0.1220
2	1555001	1560000	3,114,500	0.2448
1	1585001	1590000	1,589,395	0.1249
1	1605001	1610000	1,608,314	0.1264
1	1655001	1660000	1,660,000	0.1305
1	1660001	1665000	1,661,643	0.1306
1	1675001	1680000	1,678,190	0.1319
1	1710001	1715000	1,713,800	0.1347
1	1760001	1765000	1,764,030	0.1387
1	1780001	1785000	1,784,878	0.1403
1	1790001	1795000	1,792,000	0.1409
4	1795001	1800000	7,200,000	0.5659
1	1820001	1825000	1,824,696	0.1434
1	1870001	1875000	1,875,000	0.1474
1	1920001	1925000	1,925,000	0.1513
1	1970001	1975000	1,974,929	0.1552
1	1995001	2000000	2,000,000	0.1572
1	2165001	2170000	2,168,258	0.1704
3	2195001	2200000	6,600,000	0.5188
1	2250001	2255000	2,251,501	0.1770
3	2395001	2400000	7,200,000	0.5659
1	2490001	2495000	2,494,500	0.1961
1	2545001	2550000	2,549,287	0.2004
1	2570001	2575000	2,571,200	0.2021
1	2660001	2665000	2,661,496	0.2092
1	2835001	2840000	2,839,800	0.2232
1	2935001	2940000	2,937,608	0.2309
1	2985001	2990000	2,985,616	0.2347
1	3130001	3135000	3,131,750	0.2462
1	3505001	3510000	3,510,000	0.2759
1	3510001	3515000	3,512,453	0.2761
1	3625001	3630000	3,627,000	0.2851
1	3700001	3705000	3,701,600	0.2910

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	3995001	4000000	4,000,000	0.3144
1	4255001	4260000	4,255,859	0.3345
1	4425001	4430000	4,430,000	0.3482
1	4465001	4470000	4,466,749	0.3511
1	4755001	4760000	4,757,400	0.3739
1	5040001	5045000	5,040,099	0.3962
1	5640001	5645000	5,644,000	0.4436
1	5795001	5800000	5,795,779	0.4556
1	6265001	6270000	6,268,126	0.4927
1	6405001	6410000	6,410,000	0.5038
1	8230001	8235000	8,232,312	0.6471
1	8495001	8500000	8,497,174	0.6679
1	8635001	8640000	8,639,463	0.6791
1	8945001	8950000	8,945,913	0.7032
1	10150001	10155000	10,155,000	0.7982
1	10710001	10715000	10,711,240	0.8419
1	11530001	11535000	11,534,400	0.9066
1	11920001	11925000	11,924,862	0.9373
1	12190001	12195000	12,193,749	0.9584
1	15480001	15485000	15,481,600	1.2169
1	17745001	17750000	17,750,000	1.3952
1	27165001	27170000	27,167,155	2.1354
1	116020001	116025000	116,022,735	9.1196
1	129515001	129520000	129,516,412	10.1802
1	434685001	434690000	434,687,842	34.1672
17459	Company Total		1,272,238,247	100.0000

PATTERN OF **SHAREHOLDING**
AS AT DECEMBER 31, 2016

Serial No.	Categories of Shareholders	No of Shareholders	No of Shares held	Percentage %
1	FAUJI FOUNDATION	2	564,204,254	44.35
2	Public Sector Companies and Corporations	18	131,586,018	10.34
3	Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	57	101,190,733	7.95
4	Mutual Funds	24	31,880,292	2.51
5	General Public	16961	308,481,778	24.24
6	Foreign Companies	88	94,749,547	7.45
7	Others	309	40,145,625	3.16
	Totals	17459	1,272,238,247	100.00

	No of Shares
NIT & ICP	
National Investment Trust	27,645,655
Investment Corporation of Pakistan	250
Executives	7,600
Directors	1,000,200
Public Sector Companies and Corporations	131,586,018
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	101,190,733
Shareholders Holding Five percent or more voting interest	
Fauji Foundation	564,204,254
State Life Insurance Corporation of Pakistan	116,022,735

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 15, 2017
1st Quarter ending March 31, 2017	Last Week of April, 2017
2nd Quarter ending June 30, 2017	Last Week of July, 2017
3rd Quarter ending September 30, 2017	Last Week of October, 2017
Year ending December 31, 2017	Last Week of January, 2018

پیٹرن آف شیئر ہولڈنگ

31 دسمبر 2016

نمبر شمار	کیٹگری آف شیئر ہولڈرز	تعداد حصص داران	تعداد حصص	فیصد
1	فوجی فاؤنڈیشن	2	564,204,254	44.35
2	پبلک سیکٹر کمپنیز اور کارپوریشنز	18	131,586,018	10.34
3	بینک، ڈویلپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس کمپنیز، انشورنس کمپنیز، تکافل، مداربہ اور پینشن فنڈز	57	101,190,733	7.95
4	میوچل فنڈ	24	31,880,292	2.51
5	جنرل پبلک	16961	308,481,778	24.24
6	فارن کمپنیز	88	94,749,547	7.45
7	باقی	309	40,145,625	3.16
	کل تعداد	17459	1,272,238,247	100

	تعداد حصص
این آئی ٹی اور آئی سی پی	
نیشنل انویسٹمنٹ ٹرسٹ	27,645,655
انویسٹمنٹ کارپوریشن آف پاکستان	250
ایگزیکٹو	7,600
ڈائریکٹرز	1,000,200
پبلک سیکٹر کمپنیز اور کارپوریشنز	131,586,018
بینک، ڈویلپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس کمپنیز، انشورنس کمپنیز، تکافل، مداربہ اور پینشن فنڈز	101,190,733
پانچ فیصد یا اُس سے زیادہ کے حصص داران	
فوجی فاؤنڈیشن	564,204,254
سٹیٹ لائف انشورنس کارپوریشن آف پاکستان	116,022,735

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	15 مارچ 2017
31 مارچ 2017 کو ختم ہونے والی پہلا سہ ماہی	آخری ہفتہ اپریل 2017
30 جون 2017 کو ختم ہونے والی دوسری سہ ماہی	آخری ہفتہ جولائی 2017
30 ستمبر 2017 کو ختم ہونے والی تیسری سہ ماہی	آخری ہفتہ اکتوبر 2017
سالانہ نتائج 31 دسمبر 2017	آخری ہفتہ جنوری 2018

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
CBA	Collective Bargaining Agent
CE&MD	Chief Executive & Managing Director
CFO	Chief Financial Officer
CPEC	China-Pakistan Economic Corridor
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
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
E-DOX	Software for document imaging and workflow management
EPS	Earnings Per Share
FAC	Farm Advisory Centres
FCCL	Fauji Cement Company Limited; an associated company of FFC
FFBL	Fauji Fertilizer Bin Qasim Limited; an associated company of FFC
FFC	Fauji Fertilizer Company Limited
FFCEL	FFC Energy Limited; a wholly owned subsidiary of FFC
FFF	Fauji Fresh n Freeze Limited; a wholly owned subsidiary of FFC
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.

Term	Description
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.
HACCP	Hazard Analysis and Critical Control Points-an internationally recognized system for reducing the risk of safety hazards in food
ICAP / ICMAP BCR Award	Institute of Chartered Accountants of Pakistan/Institute of Cost and Management Accountants of Pakistan Best Corporate Report Award
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
Interest Cover	A financial ratio that measures a company's ability to make interest payments on its debt in a timely manner.
Istisna	In Islamic mode of financing, istisna is generally a long-term contract whereby a party undertakes to manufacture, build or construct assets, with an obligation from the manufacturer or producer to deliver them to the customer upon completion.
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.
MSCI EM Index	Morgan Stanley Capital International Emerging Markets Index
Net worth	Net worth is the amount by which assets exceed liabilities (Equity)
NFDC	National Fertilizer Development Centre, Pakistan
NTDC	National Transmission & Despatch Company, Pakistan
OHSAS	Occupational Health and Safety Assessment Series, is an internationally applied British Standard for occupational health and safety management systems.
PIBs	Pakistan Investment Bonds
PMP	Pakistan Maroc Phosphore S.A, Morocco
PSX	Pakistan Stock Exchange
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
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
SNG	Synthetic Natural Gas
Super Tax	An originally one-time levy of tax imposed by Government in 2015, yet re-imposed in 2016, on companies meeting certain income threshholds.
Tariff True-up	Adjustment by National Electric Power Regulatory Authority of reference tariff FFCEL can charge for delivery of electricity to NTDC after commencement of commercial operations
TCP	Trading Corporation of Pakistan
TPDC	Tanzania Petroleum Development Corporation
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
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund

FORM OF PROXY
39th 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 39th Annual General Meeting of the Company to be held on Wednesday March 15, 2017 and /or any adjournment thereof.

As witness my/our hand/seal this __________ day of __________ March 2017.

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

39واں سالانہ عمومی اجلاس

میں/ہم۔۔۔کا/کے بحیثیت ممبر(ز) فوجی فرٹیلائزر کمپنی لمیٹڈ اور حامل عام حصص محترم/محترمہ۔۔۔۔۔۔۔۔ یا ان کے حاضر نہ ہوسکنے کی صورت میں۔۔۔۔۔۔۔۔۔کو اپنے/ہمارے ایماء پر کمپنی کے 15مارچ 2017 بدھ کو ہونے والے 39واں 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۔۔۔۔۔۔۔۔۔۔۔مارچ 2017 میرے/ہمارے دستخط ہوئے

دستخط۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

پانچ روپے کے رسیدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس 156 دی مال راولپنڈی میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

3۔ **سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے کے لیے مزید برآں درج ذیل شرائط کو پورا کیا جائے گا۔**

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں گی۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہوگی۔

AFFIX
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Company Secretary
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156 The Mall, Rawalpindi Cantt
Website: www.ffc.com.pk
Tel No. +92-51-111-332-111, 8450001

NOTES

NOTES

INVESTORS’ EDUCATION

In pursuance of SRO 924(1)/2015 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been reproduced to educate investors:

ffc.com.pk

SAY NO TO CORRUPTION

FAUJI FERTILIZER COMPANY LIMITED
Head Office: 156-The Mall, Rawalpindi Cantt. Pakistan. UAN 92-51-111 332 111