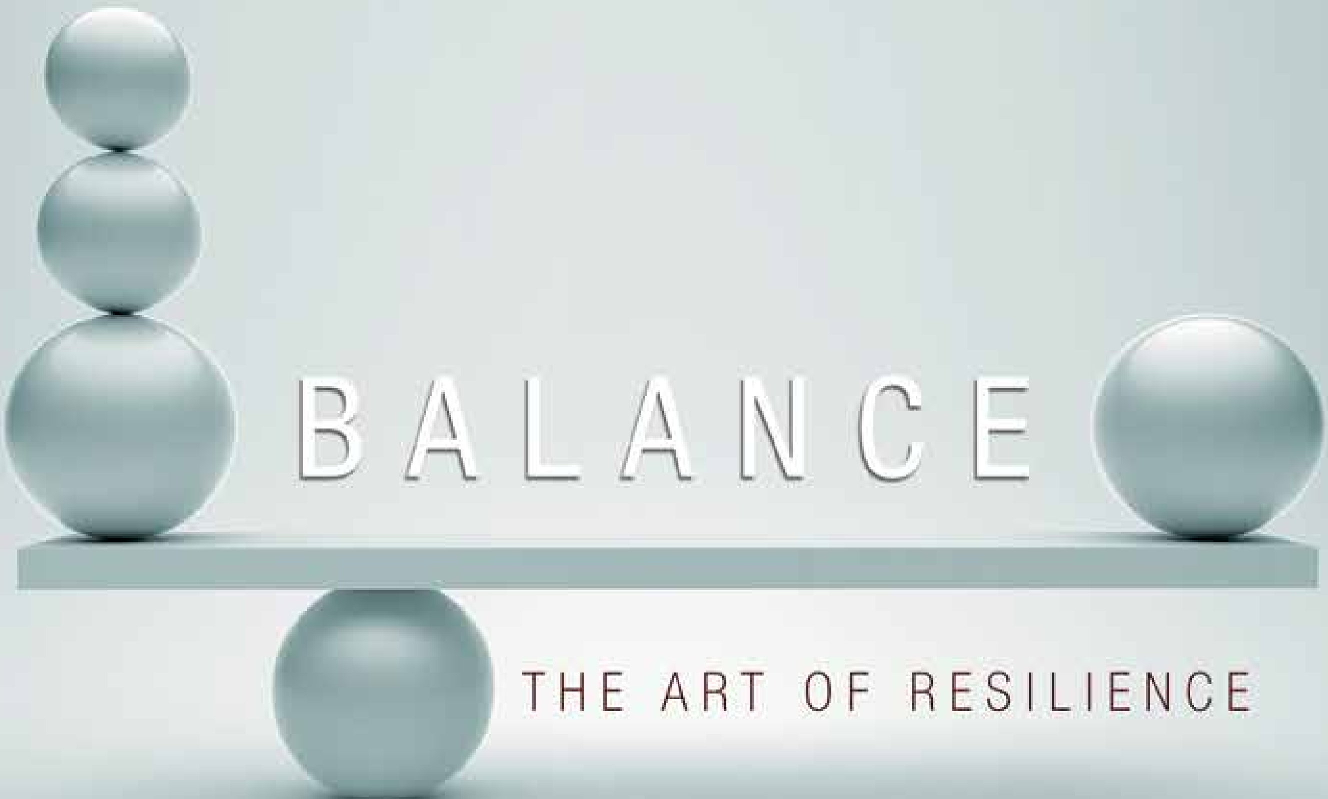
ANNUAL REPORT **2017**



BALANCE

THE ART OF RESILIENCE

FAUJI FERTILIZER COMPANY LIMITED

COVER STORY

True success is always achieved through balance, and in order to possess balance, one must be equipped with a strong set of values and the iron-clad will to persevere through all sorts of challenges. This year's cover reflects the deep-seated values that have guided us over the course of years past, and has led us to face challenges and achieve balance through a remarkable show of our resolute ideals. It is through this profound resilience that we work towards a future full of shining promise and outstanding achievements.

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

CODE OF CONDUCT

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

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

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

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

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

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

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

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

CORE VALUES

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

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

HONESTY

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

EXCELLENCE

in high-quality products and services to our customers

CONSISTENCY

in our words and deeds

COMPASSION

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

FAIRNESS

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

POLICY STATEMENT OF ETHICS & BUSINESS PRACTICES

- It is the policy of FFC to follow the highest business ethics and standards of conduct. It is the obligation of every one of us to act responsibly; that is, to be honest, trustworthy, conscientious and dedicated to the highest standards of ethical business practices

- The Company's reputation and its actions as a legal entity depend on the conduct of its Directors and employees. Each one of us must 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

OBJECTIVE 1 — Enhance agricultural productivity through balanced fertilizer application

Strategy	Educate farmers regarding balanced fertilizer usage through Farm Advisory Centres (FACs)
Priority	High
Status	Ongoing process – Targets for the year achieved
Opportunities / Threats	Pakistan's per acre agriculture output 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.

OBJECTIVE 2 — Maintain industry leadership

Strategy	Stay abreast of technological developments and continuously upgrade production facilities to maximize efficiency
Priority	High
Status	Ongoing process – State of the art production facilities
Opportunities / Threats	In view 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 sustained production.

OBJECTIVE 3 — Expand sales

Strategy	Sales expansion through geographical diversification and improved farmer awareness
Priority	High
Status	The Company achieved its highest ever urea sales of 2,697 thousand tonnes and highest ever aggregate fertilizer sales volume of 3,223 thousand tonnes, with a combined FFC / FFBL urea market share of 52% and DAP market share of 56% (source: NFDC). FFC also exported 222 thousand tonnes of urea during the year
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. Declining international prices and uncontrollable factors effecting domestic price could hamper Company's margins.

OBJECTIVE 4 — Create / enter new lines of business to augment profitability and achieve sustained economic growth

Strategy	Continuously seek profitable avenues to diversify within and outside the Fertilizer Industry
Priority	High
Status	An evolving process – The Company is in the final stages for participating in Thar-coal based power project in collaboration with local and international partners
Opportunities / Threats	Owing to substantial costs and high risks of diversification initiatives, FFC through its strong financial position and competent human resource, is in the right position to diversify its investment portfolio while mitigating associated risks.

OBJECTIVE 5 | Enhance operational efficiency to achieve synergies

Strategy	Align our business processes, reducing time and money losses
Priority	High
Status	Ongoing process – Plans for 2017 achieved
Opportunities / Threats	There is always room for improvement in efficiency. With focused management strategies, operational productivity can be enhanced.

OBJECTIVE 6 | Costs Economization

Strategy	Keeping our resource utilization at an optimum level through strict governance policies
Priority	High
Status	Ongoing process – The Management has implemented effective cost controls which enable savings in production and other operating / financing costs
Opportunities / Threats	Continuing our focus on optimizing resource allocation, 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 changes in taxation of imported fertilizer to Final Tax resulted in lower margins and higher costs.

SIGNIFICANT CHANGES IN OBJECTIVES & STRATEGIES

FFC's business objectives and strategies are well planned and there were no significant changes during the year which affected our course of action 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, operational efficiency & 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 & Net Profit Margin	
5.	Shareholder value	EPS, ROE, Asset Turnover and DPS	
6.	Sustainability	Current Ratio, Gearing and Interest Cover	

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SAY NO TO CORRUPTION

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GEOGRAPHICAL PRESENCE

FFC

SUBSIDIARY COMPANIES
- Fauji Fresh n Freeze
- FFC ENERGY

ASSOCIATED COMPANIES*
- FAUJI CEMENT
- askaribank LIMITED
- FFBL Fauji Fertilizer Bin Qasim Limited

JOINT VENTURE COMPANY
- PAKMAROC Pakistan Maroc Phosphore S.A.

PAKISTAN	
Rawalpindi / Islamabad	FFC Head Office
	FFCEL Head Office
	FFF Head Office
	FFBL Head Office
	AKBL Head Office
	FCCL Head Office
Lahore	FFC Marketing Office
	FFF Corporate Office
Sahiwal	FFF Plant Site
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

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

COMPANY PROFILE & GROUP STRUCTURE

Fauji Fertilizer Company Limited (FFC) was incorporated in 1978 as a joint venture between Fauji Foundation, a charitable trust in Pakistan and Haldor Topsoe A/S of Denmark to set up a urea production facility with capacity of 570 thousand tonnes per annum. Over the years, FFC has grown through reinvestment in fertilizer sector and at present, it is the largest urea manufacturer of the Country with an annual production capacity of over 2 million tonnes through its three plants. The Company has contributed more than US$ 13 billion to the National Exchequer through import substitution of over 56 million tonnes of urea since its inception.

Over the last four decades, FFC has instilled a culture of integrity, good governance, transparency and adherence to highest ethical standards, which are evidenced through our unmarred reputation in Pakistan as well as internationally, and is supported by various accolades in financial reporting, philanthropy, good governance and other operational areas. The Company is also a pioneer member of IFA's Protect & Sustain initiative and has secured the highest average score in Pakistan during 2017. Company has secured top position in the ICAP / ICMAP's best presented reports award for 11 years and is maintaining first position for the seventh consecutive year on the PSX Top 25 Companies list.

This is a testament to the skill, ingenuity and exemplary competence of the management in reflecting high standards of transparency, accountability and good governance.

With a Country centric approach to further relieve import pressures, the Company has setup Pakistan's first and only DAP and granular urea facility; Fauji Fertilizer Bin Qasim Limited (FFBL), with a shareholding of 49.88%. The products of both companies are marketed through FFC's well-diversified and Pakistan's largest dealer network which ensures timely supply to the farming community, besides imparting valuable knowledge on latest farming techniques. Our well-recognized 'Sona' brand meaning gold thus signifying the value of our product to the farming community of the Country, FFC combined with FFBL, commanded a market share of 52% in urea and 56% in DAP in 2017 (source: NFDC).

In order to secure supply of raw material for FFBL's DAP production, FFC holds 12.5% equity in Pakistan Maroc Phosphore S.A., Morocco, besides having a 6.79% stake in Fauji Cement Company Limited (FCCL).

Realizing the importance of green energy, the Company pioneered into wind power generation in Pakistan by incorporating a wholly owned subsidiary, FFC Energy Limited (FFCEL). Under its diversification strategy, FFC acquired 100% equity stake in the Country's first Individually Quick Frozen food project, which now operates as Fauji Fresh n Freeze Limited (FFF).

FFC has also successfully diversified its portfolio in financial sector through acquiring 43.15% shareholding of Askari Bank Limited in 2013.

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

COMPANY INFORMATION

BOARD OF DIRECTORS

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

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

Mr Qaiser Javed

Dr Nadeem Inayat

Engr Rukhsana Zuberi

Mr Farhad Shaikh Mohammad

Maj Gen Mumtaz Ahmad Bajwa
HI(M) (Retired)

Mr Per Kristian Bakkerud

Brig Raashid Wali Janjua
SI(M) (Retired)

Maj Gen Wasim Sadiq
HI(M) (Retired)

Mr Manzoor Ahmed

Mr Shoaib Mir

Mian Asad Hayaud Din

CHIEF FINANCIAL OFFICER

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

COMPANY SECRETARY

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

REGISTERED OFFICE

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Pakistan
Website: www.ffc.com.pk

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+92-51-8450001
Fax No. +92-51-8459925
E-mail: ffcrwp@ffc.com.pk

PLANTSITES

Goth Machhi, Sadiqabad
(Distt: Rahim Yar Khan), Pakistan
Tel No. +92-68-5954550-64
Fax No. +92-68-5954510-11

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

MARKETING DIVISION

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

KARACHI OFFICE

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

AUDITORS

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

SHARES REGISTRAR

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

BANKERS

Conventional Banks

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

Islamic Banks

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

BUSINESS MODEL

GROWTH DRIVERS

Sales Growth | Cost Optimization | Cash Utilization

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

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

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

OUR KEY ASSETS

People | Market Goodwill | Efficient Production | Distribution Network

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

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

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

LEVERAGING KEY ASSETS

Consumer Satisfaction | Execution Excellence | Future Planning

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

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

HOW WE EVOLVED

1978

Incorporation of the Company

1982

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

1991

Listed with Karachi and Lahore Stock Exchanges

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

2012

Inauguration of FFCEL

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

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

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

2010

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

2011

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

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

2017

Highest ever DAP offtake of 513 thousand tonnes

Highest ever all fertilizer offtake of 3,223 thousand tonnes

Maiden dividend declared by FFCEL of Rs 500 million

Incorporation of Joint Venture Company TAMPCO for our offshore fertilizer project

IFA Protect and Sustain highest average score in Pakistan

7th consecutive first position - PSX Top 25 Companies

2017 ACHIEVEMENTS

2,513 KT
Sona Urea Production

222 KT
Sona Urea Exports to neighbouring countries

3,223 KT
Highest ever all fertilizer offtake

OVER Rs 97 billion
Highest ever aggregate fertilizer sales revenue (including subsidy)

52% UREA
56% DAP
Combined FFC / FFBL market share (source NFDC)

OVER 45 Thousand
Farmers reached through our unique Agri. Services

RS 500 million
First ever dividend by FFCEL (wind power project)

83%
Profit payout to shareholders

8 KT
Urea closing inventory compared to 193KT last year

165
New scholarships awarded under Sona ward of farmers scholarship program

45%
Contribution in Pakistan's indigenous urea production

5,000
Trees planted during the year

2017: AT A GLANCE

January

180th BOD Meeting – Final dividend 2016 proposed @ 27.5%

April

182nd BOD Meeting – First interim dividend announced @ 15%

Commencement of urea exports to neighboring countries

July

183rd BOD Meeting – Second interim dividend announced @ 10%

August

Credit rating maintained at AA for long term and A1+ for short term

October

184th BOD Meeting – Third interim dividend announced @ 15%

Overall winner and 1st in Chemicals sector by ICAP / ICMAP BCR Awards

Aggregate urea exports – 222 KT

Record annual dividend income from AKBL - Rs 1.36 billion

November

Upgradation of SAP application to S/4 HANA

Successful Completion of 8th Turnaround of Plant-III Mirupur Mathelo

December

Highest ever urea production by Plant-I Goth Machhi of over 868 KT

Highest ever annual urea sales – 2,697 KT

Highest ever annual DAP sales – 513 KT

1st position on PSX Top 25 Companies award – 7th consecutive first placement

First ever dividend by FFCEL – Rs 500 million

Contribution to National Exchequer – over Rs 41 billion

PROFILE OF THE BOARD

Lt Gen Syed Tariq Nadeem Gilani

HI(M) (Retired)

Chairman and Non-Executive Director

Joined the Board on January 10, 2018

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

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

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

In recognition of his meritorious services he has been awarded Hilal-e- Imtiaz (Military).

Lt Gen Shafqaat Ahmed

HI(M) (Retired)

Chief Executive & Managing Director

Joined the Board on March 26, 2015

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

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

He is 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 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, 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 Degree in War Studies. He has attended "Finance for Non-Finance Managers" course from Chartered Institute of Management Accountants (CIMA) at London, UK in May 2015, "Mergers & Acquisitions" program at UCLA Anderson School of Management, USA in April 2016, "Achieving Organizational Board Effectiveness" program organized by Green Forest at Malaysia in August 2016 and "Effectively Implementing Risk Management Knowledge Management System" program at USA in May 2017.

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 Davos Switzerland, ECO Summit at Shanghai China. The General has participated in bilateral meetings alongwith 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, he is on 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-Exective 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:

- Daharki Power Holdings Limited, CEO
- Foundation University, Director Finance

Directorships:

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

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 Projects 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:

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

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

He is Chairman of Projects Diversification Committee and member of the Audit Committee 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 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. She is a member of the Senate Forum for Policy Research, a think tank comprising of sitting and former Parliamentarians established to assist and guide the members and Secretariat of the Senate of Pakistan.

She is also a member of the Senate of NED Engineering University. Major achievements during her illustrious career include the following:

- International recognition of Pakistan's engineering qualifications under the Washington Accord
- Implementation of Pakistan's first on Grid solar power system
- Introduction and facilitation of online testing and certification programs in Pakistan, enabling Country's youth to get international qualifications and career opportunities
- Establishment of five women polytechnic institutes

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, Committees of Senate on Defense, Petroleum and Finance.

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 (Private) Limited and Chairman of Young Entrepreneurs, The Federation of Pakistan Chambers of Commerce & Industry (FPCCI) besides holding the directorship in the following entities:

- Din Energy Limited
- Din Leather (Private) Limited
- Din Power Limited
- Din Textile Mills Limited
- Din Wind Limited

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. He is also a Certified Director by the Pakistan Institute of Corporate Governance and the International Finance Corporation.

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

PROFILE OF THE BOARD

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:

- Fauji Fresh n Freeze Limited
- Fauji Kabirwala Power Company Limited
- FFC Energy 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 as M.Sc in Chemical Engineering 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 and serves on the Board of Directors of Karnaphuli Fertilizer Company Limited (KAFCO), Bangladesh, Ferrostaal Topsoe Projects (FTP), Denmark / Germany and Danish-Chinese Business Forum.

Brig Raashid Wali Janjua

SI(M) (Retired)

Non-Exective 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:

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

He has a diversified civil engineering project management experience spanning over 32 years as Commander Corps 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 Earthquake stricken areas after 2005. In recognition of his invaluable services to the Pakistan Army, he was awarded the Sitara-e-Imtiaz (Military).

He holds a Civil Engineering Degree from Military College of Engineering and a 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.

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

Maj Gen Wasim Sadiq

HI(M) (Retired)

Non-Executive Director

Joined the Board on June 06, 2017

He is Director Banking, Industries and Trading (BI&T) of Fauji Foundation, Member Board of Governors of Foundation University, Islamabad and is also on the Board of following entities:

- Askari Cement Limited
- Daharki Power Holding Limited
- Fauji Cement Company Limited
- Fauji Electric Power Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Infraavest Foods Limited
- Foundation Power Company (Daharki) Limited

He was commissioned in the Pakistan Army in October 1979 in Baloch Regiment. He has a vast experience of command, staff and instructional appointments during a career spanning over 36 years. The General had the honour to command the only Strike Division of the Pakistan Army. He also commanded a Logistic Area and was the Vice Chief of Logistic Staff in General Headquarters.

He is a graduate of National Defence University, Islamabad and Turkish War Academy, Turkey and also holds a Master's degree in War Studies. In recognition of his meritorious services to the Pakistan Army, he was awarded the Hilal-e-Imtiaz (Military).

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

Mr. Manzoor Ahmed

Independent Director

Joined the Board on September 26, 2017

Besides being Acting Managing Director of National Investment Trust Limited (NIT), he is on the Board of following companies:

- Askari Bank Limited
- Bank Al Habib Limited
- General Tyre & Rubber Company of Pakistan Limited
- Hub Power Company Limited
- Mari Petroleum Company Limited
- Siemens Pakistan Engineering Company Limited
- Sui Northern Gas Pipelines Limited
- Soneri Bank Limited

Being the Chief Operating Officer of NIT for 7 years, Mr. Ahmed has been successfully managing the operations and investment portfolio worth over Rs 100 Billion. He has experience of over 28 years of the Mutual Fund Industry and has served on many key positions within NIT that include capital market operations, investments, research and liaising with the regulatory authorities.

He has a Master's degree in Business Administration and also holds Diploma Associate Institute of Bankers Pakistan. At present, he is a candidate for CFA Level III. Mr. Ahmed has attended various training courses organized by locally and internationally reputed institutions like London Business School, London (UK) and Financial Markets World, New York (USA). He represents NIT as Nominee Director on the Board of Directors of many leading national and multinational companies of Pakistan. Mr. Ahmed is also a Certified Director from Pakistan Institute of Corporate Governance.

Mr. Shoaib Mir

Independent Director

Joined the Board on November 09, 2017

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

- Hub Power Company Limited
- International Industries Limited
- Oil & Gas Development Corporation
- Orix Leasing Pakistan Limited
- Pakistan Cables Limited
- Pakistan Petroleum Limited
- Pakistan Reinsurance Company Limited
- Sui Northern Gas Pipeline Limited
- Sui Southern Gas Company Limited

Prior to present posting in SLIC he has held the position of Chief Secretary, Balochistan, Federal Secretary, Federal Education and Professional Training. He had also previously been Chairman of State Life besides remaining posted on leading Administrative & Financial positions in Federal, Provincial Governments and Public Sector Enterprises.

He joined Civil Services in 1986 and has a vast professional experience in Senior Management positions in diversified fields such as Public Sector Management, Administration, Financial, Health, Insurance and Planning etc.

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

He has attained a degree of MBBS along with a Diploma from the prestigious Kennedy School of Government, an affiliate of Harvard University Boston, Massachusetts and is also a qualified Director from the Pakistan Institute of Corporate Governance.

PROFILE OF THE BOARD

Mian Asad Hayaud Din

Non-Executive Director

Joined the Board on December 20, 2017

He is presently serving as Additional Secretary In charge, Ministry of Industries and Production.

He is an officer of Pakistan Administrative Service / erstwhile District Management Group. He held various positions in District Management Group. Served for more than 28 years on positions of responsibility in the Government of Pakistan and Provincial Governments as Additional Secretary Establishment Division, Additional Secretary Commerce Division, Deputy Secretary to Prime Minister office, Press Attaché Embassy of Pakistan USA, Commercial Counselor at Consulate General of Pakistan Chicago USA, Deputy Commissioner and Assistant Commissioner.

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

Appointed as Company Secretary on December 6, 2016

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

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

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

BOARD COMMITTEES

AUDIT COMMITTEE

Directors	25th Jan	20th April	27th July	16th Oct	20th Dec	Total Meetings Attended
Engr Rukhsana Zuberi Chairperson	√	√	√	√	√	5
Mr. Qaiser Javed Member	√	√	√	√	√	5
Dr. Nadeem Inayat Member	√	√	√	√	√	5
Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired) Member	√	√		N/A		2
Maj Gen Wasim Sadiq, HI(M) (Retired) Member	N/A		√	√	√	3

Maj Gen Wasim Sadiq, HI(M) (Retired), appointed as member in place of Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired) w.e.f June 06, 2017

SALIENT FEATURES AND TERMS OF REFERENCE

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

BOARD COMMITTEES

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Directors	25th Sep	12th Dec	Total Meetings Attended
Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired) Chairman	√	√	2
Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired) Member	N/A		
Mr. Farhad Shaikh Mohammad Member	-	√	1
Maj Gen Wasim Sadiq, HI(M) (Retired) Member	√	-	1

Maj Gen Wasim Sadiq, HI(M) (Retired), appointed as member in place of Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired) w.e.f June 06, 2017

SALIENT FEATURES AND TERMS OF REFERENCE

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

SYSTEM AND TECHNOLOGY COMMITTEE

Directors	7th Apr	25th Sep	15th Dec	Total Meetings Attended
Brig Raashid Wali Janjua, SI(M) (Retired) Chairman	√	√	√	3
Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired) Member	√	√	√	3
Mr. Shahid Ghaffar Member	√	-	N/A	1
Mr. Manzoor Ahmed Member	N/A		√	1

Mr. Manzoor Ahmed, appointed as member in place of Mr. Shahid Ghaffar w.e.f September 26, 2017

SALIENT FEATURES AND TERMS OF REFERENCE

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

PROJECTS DIVERSIFICATION COMMITTEE

Directors	24th Apr	25th Sep	Total Meetings Attended
Dr. Nadeem Inayat Chairman	√	√	2
Mr. Qaiser Javed Member	-	-	-
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 the 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. Naveed Ahmad Khan, GGM-M&O	Member
Mr. Rehan Ahmed, GGM-T&E	Member
Mr. David Keith Massey, GGM-MKT	Member
Brig Tariq Javaid, SI (M) (Retired), GM-HR	Member
Mr. Pervez Fateh, GM-M&O (G/M)	Member
Mr. Muhammad Aleem Khan, 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 Ahmed Khan, GGM-M&O	Member
Mr. Rehan Ahmed, GGM-T&E	Member
Mr. David Keith Massey, GGM-MKT	Member
Brig Ashfaq Ahmed, SI (M) (Retired), Company Secretary	Member / Secretary

CSR COMMITTEE

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

ORGANIZATIONAL CHART

BOARD OF DIRECTORS

AUDIT COMMITTEE

HUMAN RESOURCE & RENUMERATION COMMITTEE

SYSTEM & TECHNOLOGY COMMITTEE

PROJECTS DIVERSIFICATION COMMITTEE

CHIEF EXECUTIVE & MANAGING DIRECTOR

INTERNAL AUDIT
SM-IA

M&O (Plants)
GGM-M&O (Plants)

TECHNOLOGY & ENGINEERING
GGM-T&E

FINANCE
CFO

MARKETING
GGM-MKT

CORPORATE AFFAIRS
Company Secretary

HUMAN RESOURCE
GM-HR

PLANT GOTH MACHHI
GM-M&O

PLANT MIRPUR MATHELO
GM-M&O

INFORMATION TECHNOLOGY
SM-IS

REGIONAL OFFICES
RMs

ADMINISTRATION
SM-A

PROCUREMENT
SM-P

CORPORATE SOCIAL RESPONSIBILITY & CIVIL WORKS
SM-CSR & CW

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

PRODUCT PORTFOLIO

UREA FERTILIZERS

FFC & FFBL
(Sona)

AGRICULTURAL USE:

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

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

INDUSTRIAL USE:

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

DAP FERTILIZERS

FFC & FFBL
(FFC DAP / Sona DAP)

AGRICULTURE USE:

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

INDUSTRIAL USE:

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

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% sulfur, which is an important nutrient especially for oil seed crops because of its role in increasing the oil contents. It has also an additional advantage of ameliorating effect on salt-affected soils. Sulfur also helps in containing spread of fungal or other soil borne diseases. Potash is an important nutrient for activation of enzymes in the plant body, develops resistance against pests, diseases, stresses like water / frost injury and also helps in increasing sugar / starch contents in plants. It also improves quality and taste of vegetables / fruits. FFC SOP is one of the finest quality products with less than 1% Chloride content being imported from European origin and preferred for the high value Tobacco crop.

INDUSTRIAL USE:

Occasionally used in manufacturing of glass.

MOP FERTILIZERS

(FFC MOP)

AGRICULTURAL USE:

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

INDUSTRIAL USE:

Used in medicine, scientific applications, food processing etc.

BORON FERTILIZERS

(Sona Boron)

AGRICULTURAL USE:

Sona Boron is a micronutrient fertilizer in the form of Di-Sodium Tetra Borate Decahydrate in 3 kg packing. It is an essential micronutrient required for plant nutrition, which plays a vital role in a number of growth processes especially new cell development, pollination, fruit / seed setting, translocation of sugars, starches, nitrogen and phosphorous, nodule formation in legumes and regulation of carbohydrate metabolism. Boron deficiency appears in youngest leaves as wrinkled, often thicker and of a darkish blue green color. As deficiency progresses, the terminal growing point dies and flowers & fruits formation is restricted or inhibited; fruits remain very small and of poor quality. Keeping in view, increasing boron deficiency in Pakistan soils, FFC is providing superior quality Sona Boron containing 10.5% Boron (Borax). It is soluble in water and readily available to plants. It is used as soil application alone or by mixing with other fertilizers.

ZINC FERTILIZERS

(Sona Zinc)

AGRICULTURAL USE:

Sona Zinc is a micronutrient fertilizer in the form of Zinc Sulphate Monohydrate (33%) in 3kg packing. It is an essential micronutrient required for plant nutrition, which plays a vital role in a number of growth processes especially in chlorophyll synthesis, proteins, activation of enzymes and plays important part in hormonal activity particularly auxins. Zinc also improves uptake of nitrogen and phosphorous by the plants. Zinc deficiency is widespread throughout Pakistan and zinc deficiency in soil is translating as deficient element in human diet and livestock feed. In crops, its deficiency results in growth inhibition, leaf yellowing, less number of leaves and low crop yields. The zinc deficiency is causing different diseases in humans and livestock. Keeping in view the wide spread deficiency of zinc in Pakistan, FFC is providing high quality Sona Zinc. It is highly water soluble and can also be used as fertigation i.e. application with irrigation. It can be mixed with other fertilizers for broadcast in the field.

RENEWABLE ENERGY

FFC Energy Limited

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

PRODUCT PORTFOLIO

FINANCIAL SERVICES

Askari Bank Limited

Operating through a network of 517 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 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.

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.

AKBL also offers "Cardless Cash Withdrawal", a unique and value added feature of Mobile Banking. The facility aims at providing further convenience to its valued customers enabling them to withdraw cash without using their Debit Card.

PROCESSED FRUITS & VEGETABLES

Fauji Fresh n Freeze Limited

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

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

SWOT ANALYSIS

STRENGTHS

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

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
- Export of urea 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 / changes in tax regime for imported fertilizer

STAKEHOLDERS' ENGAGEMENT

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

REGULATORS

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 over Rs 41 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. The Company held its first Analyst Briefing during the year and apprised the attendees on operational and financial performance during 2016.

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 plantsites, FFC engages with general public at large through its CSR department. This engagement helps to identify needed interventions in the field of education, health and general economic uplift of the society. The Company has also aligned its interventions with the UN's Sustainable Development Goals.

The people of the Country provide the grounds for FFC to build its future on.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 40th Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at FFC Head Office, 156 The Mall, Rawalpindi on Tuesday, March 13, 2018 at 1100 hours to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of 39th Annual General Meeting held on March 15, 2017.

2. To consider, approve and adopt separate and consolidated audited financial statements of FFC together with Directors' Reports on separate and consolidated financial statements and Auditors' Reports thereon for the year ended December 31, 2017.

3. To appoint Auditors for the year 2018 and to fix their remuneration.

4. To consider and approve payment of Final Dividend for the year ended December 31, 2017 as recommended by the Board of Directors.

SPECIAL BUSINESS

5. To consider and if thought fit pass the following resolution as Special Resolution with or without modification to amend the Articles of Association of the Company to bring the Articles in conformity with the Companies Act, 2017:

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

- In Article 1, the words "Companies Ordinance, 1984" be replaced with the words "Companies Act, 2017".
- In Article 2, the definition clause of "The Ordinance" be substituted as follows:

  "The Act" means the Companies Act, 2017 as amended and now in force in Pakistan and any amendment or re-enactment thereof for the time being in force."
- In Article 2, the definition clause of "The Chairman" be substituted as follows:

  "The Chairman" means the Chairman of the Board appointed from time to time pursuant to Section 192 of the Act and these Articles."
- In Article 2, the definition clause of "The Directors" be substituted as follows:

  "The Directors" mean the Directors of the Company appointed from time to time pursuant to these Articles and the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2017, as amended, substituted or altered from time to time, and shall include alternate Directors."
- In Article 2, the definition clause of "Exchange" be substituted as follows:

  "Exchange" shall mean and include the Pakistan Stock Exchange Limited and / or any other Stock Exchange with whom the Company may be listed."
- In Article 2, the definition clause of "Authority" be substituted as follows:

  "Commission" means the Securities and Exchange Commission of Pakistan."
- In Article 2, the definition clause of "Special resolution" be substituted as follows:

  "Special resolution" shall have the meaning assigned thereto by Clause (66) of sub section (1) of Section 2 of the Act."
- In Article 2, the definition clause of "Member" be deleted.
- In Article 2, the definition of "The Memorandum" be substituted as follows:

  "The Memorandum" means the Memorandum of Association of the Company as originally framed or as altered from time to time in accordance with the provisions of the Act."
- In Article 2, the definition of "The Register" be substituted as follows:

  "The Register" means the Register of Members to be kept pursuant to Section 119 of the Act."
- In Article 2, the last paragraph be substituted as follows:

  "Words or expressions contained in the Articles shall unless inconsistent with the subject or context, have the same meanings as in the Act."
- In Article 3, the word "Ordinance" be substituted with the word "Act".

- In Article 6, the word "Ordinance", appearing twice therein, be substituted with the word "Act".
- Article 6A be substituted as follows:

  "The Board shall, as regard any allotment of shares, duly comply with such provisions of Sections 67 to 70 of the Act as may be applicable and also comply with all the Rules and Regulations of the Exchange as may be applicable unless any of the Rules and Regulations are inconsistent with the provisions of Act."
- Article 7 be substituted as follows:

  "Subject to Section 83 of the Act, where the Directors decide to increase share capital of the Company by issue of further share capital, such shares shall be offered:

  (a) to persons who, at the date of the offer, are members of the Company in proportion to the existing shares held by sending a letter of offer subject to the following conditions, namely

  (i) the shares so offered shall be strictly in proportion to the shares already held in respective kinds and classes;

  (ii) the letter of offer shall state the number of shares offered and limiting a time not being less than fifteen days and not exceeding thirty days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined;

  (iii) any member, not interested to subscribe, may exercise the right to renounce the shares offered to him in favour of any other person, before the date of expiry stated in the letter of offer; and

  (iv) if the whole or any part of the shares offered is declined or is not subscribed, the Directors may allot such shares in such manner as they may deem fit within a period of thirty days from the close of the offer or within such extended time not exceeding thirty day with the approval of the Commission, provided that the Company may reserve a certain percentage of further issue for its employees under Employees Stock Option Scheme to be approved by the Commission.

  (b) subject to approval of the Commission, to any person, on the basis of a special resolution either for cash or for a consideration other than cash, provided that the value of non-cash asset, service, intellectual property shall be determined by a valuer registered by the Commission."
- Article 9 be substituted as follows:

  "Subject to the provisions of the Act and the Articles and, where required, to approval by the Commission and valuation by a valuer registered by the Commission, the Board may allot and issue shares in the capital of the Company as payment or part payment for any property (including, without limitation, any intellectual property) sold or transferred, goods or machinery supplied, or for services rendered to the Company in the conduct of its business or affairs, and any shares which may be so allotted may be issued as fully paid up shares."
- Article 13 be substituted as follows:

  "The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures or procuring or agreeing to procure subscription whether absolutely or conditionally for any shares or debentures of the Company, so that the amount or rate of commission shall not exceed five percent (5%) (or such other percentage/rate as may be prescribed by the Commission) of the price at which the shares are issued or of the nominal value of the debentures in each case subscribed or to be subscribed. The Company may also pay brokerage not exceeding one percent (1%) (or such other rate as may be prescribed by the Commission) in respect of any subscription for shares or debentures. Provided that no brokerage to broker nor commission to Bankers shall be payable in respect of shares taken up by underwriters by virtue of underwriting commitment nor shall such brokerage or Banker's or underwriting commission be payable in respect of shares subscribed by National Investment Trust Limited through exercise of any option the said National Investment Trust Limited may have. Such brokerage and commission shall be payable in cash."

NOTICE OF ANNUAL GENERAL MEETING

- In Article 14, the words “Section 74 of the Ordinance” be substituted with the words “Section 71 of the Act”.
- Article 17 be substituted as follows:

  “The instrument of transfer of any share shall be in writing in the form appearing hereunder, or in any usual or common form which the Board may approve.

  “I ………………………………………………………...…….. of …………………………………………… being a …… ………………………………………………………………………………. National, (hereinafter called the “Transferor”) in consideration of the sum of Rs …………………………… (Rupees ……………………………………………….……..) paid to me by ....…………………. ……… s/o ……………………………………………….….……….. of …………………………………...…Nationalof………………………………………………………………………………. (hereinafter called the “Transferee”) do hereby transfer to the Transferee ……………………………… share (s)numbered …..………………………………………………. in the undertaking called FAUJI FERTILIZER COMPANY LIMITED, to hold the same unto the said Transferee, his (or her) executors, administrators and assigns, subject to the several conditions on which I held the same immediately before the execution hereof, and I, the Transferee, do hereby agree to take the said shares) subject to the conditions aforesaid.

  Signature of Transferor
  Full Name, Father’s / Husband’s Name
  CNIC Number (in case of foreigner, Passport Number)
  Nationality
  Occupation and usual Residential Address

  Signature of the Transferee
  Full Name, Father’s / Husband’s Name
  CNIC Number (in case of foreigner, Passport Number)
  Nationality
  Occupation and usual Residential Address
  Cell number
  Landline number, if any
  Email address

  Witness 1:
  Signature………………..date …………
  Name, CNIC Number and Full Address

  Witness 2:
  Signature………………..date …………
  Name, CNIC Number and Full Address

  Bank Account Details of Transferee for Payment of Cash Dividend

  It is requested that all my cash dividend amounts declared by the company, may be credited into the following bank account:

  Tile of Bank Account

  International Bank Account Number (IBAN)

  Bank’s Name

  Branch Name and Address

  It is stated that the above mentioned information is correct and that I will intimate the changes in the abovementioned information to the company and the concerned Share Registrar as soon as these occur.

  ……………………………….
  Signature of the Transferee(s)

- In Article 17A, the words “six weeks” be substituted with the words “fifteen days”.
- Article 18 be substituted as follows:

  “The Board shall have the power on due notice given in the manner prescribed in Section 125 of the Act to close the Register of Transfers for any period or periods of time not exceeding in the whole thirty (30) days in each year, provided that the Commission may, on the Company's application, extend such period for a further period of fifteen (15) days."

- In Article 18A, the words "three weeks" be substituted with the words "fourteen days".
- In Article 19, the words "Section 80 of the Ordinance" be substituted with the words "Section 79 of the Act".
- In Article 20, the word "shares", appearing in the first line, be substituted with the word "share".
- Article 26 be substituted as follows:

  "Subject to the provisos appearing after clause (d) of the subsection (1) of Section 85 of the Act, the Company may in General Meeting by Special Resolution of the shareholders alter the conditions of its Memorandum as follows:

  (a) consolidate and divide all and any of its share capital into shares of larger amount than its existing shares;

  (b) Subdivide shares or any of them into shares of smaller amounts than originally fixed by the Memorandum, subject nevertheless to the provisions of the Act in that behalf;

  (c) cancel shares which at the date of such General Meeting have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled."
- In Article 26B, the word "Ordinance" be substituted with the word "Act".
- Article 27 be substituted as follows:

  "The Board may from time to time obtain any finance (as defined in the Financial Institution (Recovery of Finances) Ordinance, 2001 or otherwise) or borrow any moneys as may be reasonably required for the purposes of the Company from the Members or from any other persons, firms, companies, corporations, institutions or banks or the Directors may themselves lend moneys or provide finance to the Company. The borrowing powers of the Company shall be in accordance with the provisions set out in Section 30 of the Act."
- Article 30 be substituted as follows:

  "Any bonds, debentures or other securities may be issued at a discount or premium or otherwise, and with any special privileges as to redemption, surrenders, drawings, convertibility into shares, attending and voting at General Meetings of Company, appointment of Directors, and otherwise, provided that such bonds, debentures or other securities with the right to vote or be converted into shares shall not be issued without the consent of the Company in General Meeting obtained by Special Resolution, pursuant to a recommendation by the Board of Directors, and subject to approval by the Commission."
- In Article 32, the word "Ordinance" be substituted with the word "Act".
- Article 33 be substituted as follows:

  "A General Meeting of the Company shall be held in the town where the Registered Office of the Company is situate in accordance with the provisions of Section 132 of the Act once in every calendar year within a period of one hundred and twenty (120) days following the close of its financial year at such time and place as may be determined by the Board, provided that the Commission may for any special reason extend time within which any Annual General Meeting not being the first meeting, shall be held by a period not exceeding 30 days. Such General Meetings shall be called "Annual General Meetings" and all other General Meetings of the Company shall be called "Extraordinary General Meetings. "
- In Article 34, the words "Section 159 of the Ordinance" be substituted with the words "Section 133 of the Act".
- In Article 35, the word "Ordinance", appearing twice therein, be substituted with the word "Act"
- Article 36 be substituted as follows:

  "Where it is proposed to pass a Special Resolution, at least twenty one (21) clear days' notice specifying the intention to propose the Resolution as a Special Resolution and specifying the date, place and hour of meeting, whether Annual or extraordinary, and the nature of the business, shall be given, provided that if all the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days' notice has been given."

NOTICE OF ANNUAL GENERAL MEETING

- Article 37 be substituted as follows:

  "The Board may at any time call an extraordinary general meeting of the Company to consider any matter which requires the approval of the Company in a general meeting. The Board shall forthwith proceed to call an extraordinary general meeting of the Company at the requisition made by the members in accordance with Section 133 of the Act."

- Article 39 be substituted as follows:

  "At least ten Members entitled and present in person or through video-link 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."

- Article 39A be substituted as follows:

  "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 seven (7) 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 Act as well as Chairman of the general meeting shall be present at the place of the general meeting."

- Article 43 be substituted as follows:

  "At any General Meeting an Ordinary Resolution put to the vote of the Meeting shall be decided by an affirmative vote of Members present in person or through video-link or through postal ballot or by proxy and holding or representing not less than fifty one percent (51%) of the issued capital of the Company for the time being. Said vote shall be made on a show of hands, unless a poll is (before or on the declaration of the results of the show of hands) demanded by at least five (5) Members present in person or by proxy, or by the Chairman of the Meeting, or by any Member or Members present in person or by proxy and having not less than one tenth of the total voting power in respect of the resolution, or by any Member or Members present in person or by proxy and holding shares in the Company conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up, which is not less than one tenth of the total sum paid up on all shares conferring that right and unless a poll is so demanded, a declaration by the Chairman that a Resolution has been carried or lost, and an entry to that effect in the books of the proceedings of the Company, shall be conclusive evidence of the fact without further proof of the number or proportion of the votes recorded in favour of or against such Resolution."

- In Article 44, the words "Section 168 of the Ordinance" be substituted with the words "Section 145 of the Act".
- In Article 51, the words "Section 162 of the Ordinance" be substituted with the words "Section 138 of the Act".
- In Article 57, the word "far" be substituted with the word "for".
- In Article 62A, the words "a Stock" be substituted with the word "the".
- In Article 71(1), the word "Ordinance", appearing twice therein, be substituted with the word "Act".
- In Article 71(2)(b), the words "Section 196(3) of the Ordinance" be substituted with the words "Section 183(3) and (4) of the Act".
- In Article 71(1)(c), the words "Section 86 of the Ordinance" be substituted with the words "Section 83 of the Act".
- In Article 71(2)(g), the words "Section 196(3)(b) of the Ordinance" be substituted with the words "Section 183(3)(c) of the Act".
- In Article 71(2)(l), the word "Ordinance" be substituted with the word "Act".
- In Article 71(2)(r), the words "Section 227 of the Ordinance" be substituted with the words "Section 218 of the Act".
- In Article 74, the word "twice" be substituted with the words "once in each quarter of".

- Article 75 be substituted as follows:

  "A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under the Articles or by or under any law vested in or exercisable by the Board generally. The quorum for a meeting of Directors shall not be less than 1/3rd of their number or four whichever is greater and questions arising at any meeting shall be decided by a majority of votes. The participation of the Directors by video conferencing or by other audio visual means shall also be counted for the purpose of quorum. If at any time, there are not enough Directors to form a quorum to fill a casual vacancy, all the remaining Directors shall be deemed to constitute a quorum for this limited purpose."

- Article 77 be substituted as follows:

  "The Board of the Company shall within fourteen (14) days from the date of election of Directors, appoint a chairman from among the non-executive Directors who shall hold office for a period of three (3) years unless he earlier resigns, becomes ineligible or disqualified under the Act or removed by the Directors. The Board shall define the role and responsibilities of the chairman who shall, if so specified by the Commission pursuant to Section 192 of the Act, not be the same individual as the chief executive. The chairman shall be responsible for leadership of the Board and ensure that the Board plays an effective role in fulfilling its responsibilities. Every financial statement circulated under Section 223 of the Act shall contain a review report by the chairman on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's objectives."

- In Article 82, the word "Ordinance" be substituted with the word "Act".

- Article 84 be substituted as follows:

  "The office of a Director shall ipso facto be vacated if:

  (a) he becomes ineligible to be appointed as a Director on any one or more of the grounds enumerated as follows, that is to say, he:-

  (i) is a minor,

  (ii) is of unsound mind;

  (iii) has applied to be adjudicated as an insolvent and his application is pending;

  (iv) is an undischarged insolvent;

  (v) has been convicted by a Court of Law for an offense involving moral turpitude;

  (vi) has been debarred from holding such office under any provision of the Act.

  (vii) has betrayed lack of fiduciary behavior and a declaration to this effect has been made by the Court under Section 212 of the Act at any time during the preceding five years;

  (viii) is not a Member: provided that this clause (viii) shall not apply in the case of:-

  (i) a person representing the Government or an institution or authority which is a Member,

  (ii) a whole time Director who is an employee of the Company;

  (iii) a chief executive; or

  (iv) a person representing a creditor or other special interests by virtue of contractual arrangements.

  (b) he absents himself from three consecutive meetings of the Directors or from all the meetings of the Directors for a continuous period of three months, whichever is the longer, without leave of absence from the Directors;

  (c) he or any firm of which he is a partner or any private company of which he is a director:

  (i) without the sanction of the Company in General Meeting accepts or holds any office of profit under the Company other than that of chief executive or a legal or technical adviser or a banker; or

  (ii) accepts a loan or guarantee from the Company in contravention of Section 182 (if applicable in terms of that Section).

  (d) he resigns his office by notice in writing to the Company. The appointment of an alternate Director will constitute leave of absence from the Board to the Director for whom such alternate is appointed during such Director's absence.

  (e) If he is removed before expiration of period of office under Section 163 of the Act or by a Special Resolution passed by the Company at a General Meeting. Provided he is not a nominee Director

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appointed under Section 165 of the Act. "

- Article 85 be substituted as follows:

  "Subject to the provisions of Section 183(2)(f), 205,207 and 209 of the Act, and Regulation 16 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (as amended or substituted from time to time), the Directors shall not be disqualified from contracting with the Company as vendor, purchaser or otherwise, but in respect of any such contract or arrangement entered into by or on behalf of the Company with any company or partnership of or in which any Director shall be a member or so interested, be liable to account to the Board for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established, and the nature of his interest must be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists, or in any other case at the meeting of the Directors after the acquisition of the interest. No Director shall vote as a Director in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote, his vote shall not be counted but he shall be entitled to be present at the meeting during the transaction of the business in relation to which he is precluded from voting, although he shall not be reckoned for the purpose of ascertaining whether there is a quorum of Directors present, provided that a Director with a material personal interest in a matter shall not be entitled to be present at the meeting while that matter is being considered. These provisions shall not apply to any contract by or on behalf of the Company to give to the Directors or any of them any security for advances or by way of indemnity against any loss which they or any of them may suffer by reason of becoming or being sureties for the Company. A general notice that any Director is a member of any specified company or is a member of any specified firm and is to be regarded as interested in any subsequent transaction with such firm or company shall be given for purposes of disclosure under this Article, and any such general notice shall expire at the end of the financial year in which it was given and may be renewed for a further period of one financial year by giving fresh notice in the last month of the financial year in which it would otherwise expire."

- In Article 94, the word "Ordinance" be substituted with the word "Act".

- Article 95 be substituted as follows:

  (1) Subject to Section 242 of the Act, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders.

  (2) The Company shall comply with the requirements of Section 244 of the Act regarding unclaimed dividends.

  (3) When a dividend has been declared it shall not be lawful for the Directors or Company to forfeit, withhold or defer its payment and the Chief Executive of the Company shall be responsible to make the payment in the manner provided in Section 243 within 15 working days of the declaration."

- Article 96 be substituted as follows:

  "Subject to the provisions of the Act, any General Meeting may, upon recommendation of the Board, by Ordinary Resolution resolve that any undistributed profits of the Company, (including profits carried and standing to the credit of any reserves or other special accounts or representing premiums received on the issue of shares and standing to the credit of the share premium account and capital reserves arising from realized or unrealized appreciation of the assets or goodwill of the Company or from any acquisition / sale of interests in other undertakings) not required for paying the dividends of any shares issued with preferential or other special or privileges in regard to dividend, be capitalized. Such capitalized undistributed profits and reserves shall be distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend, and in the same proportions, on the footing that they become entitled thereto as capital. All or any part of such capitalized fund may be applied on behalf of such shareholders for payment in full or in part either at par or at such premium as the Resolution may provide, for any unissued shares or debentures of the Company which shall be distributed accordingly, and such distributions or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum."

- Article 98(b) be substituted as follows:

  (a) The Company shall within two months of the close of the first half of its year of account, prepare and transmit to the members and the Exchange in which the shares of the Company are listed a profit and loss account for, and balance sheet as at the end of, that half year, whether audited or otherwise and;

  (b) Simultaneously with the transmission of the half yearly profit and loss account and balance sheet to the members and the Exchange, file with the registrar and the Commission such number of copies thereof, not being less than five, as may be prescribed.

  (c) The Company shall prepare the quarterly financial statements within the period of thirty (30) days of first and third quarter of its year of accounts and sixty (60) days of the close of its second quarter of its year of accounts."

- Article 99 be substituted as follows:

  "Within not less than eighteen (18) months of the incorporation of the Company, and subsequently once at least in every year, the Directors shall cause to be prepared and lay before the Company in General Meeting a balance sheet and profit and loss account, both made up in accordance with the Act and to a date not more than one hundred and twenty (120) days following the close of the financial year of the Company. Every such balance sheet shall be accompanied by an Auditor's Certificate and the Directors' report, in accordance with the provisions of the Act in that behalf. The balance sheet shall include inter alia, the following details of all its investment:

  (a) Particulars of investment.

  (b) Date of investment.

  (c) Purchase price.

  (d) Market value."

- In Article 100, after the words "(including a report of the auditors and every document required by law to be annexed thereto)", the words ", chairman's review report" be inserted.

- In Article 101, the words "Sections 232 to 247 of the Ordinance" be substituted with the words "Sections 220 to 227 of the Act".

- In Article 102, the words "Sections 252 to 260 of the Ordinance" be substituted with the words "Sections 246 to 249 of the Act".

- Article 103(1) be substituted as follows:

(1) A notice may be given by the Company to any Member or Director either personally or by sending it to him by First Class mail, postage prepaid, or by telegram, telex, cable or radiogram as specified below, at his registered address, or if he has no registered address in Pakistan, to the address supplied to the Company for the giving of notices to him, or through electronic means or in any other manner as may be specified by the Commission."

- In Article 103A, after the words "auditors' report" appearing in the second sentence, the words, chairman's review report" be inserted.

- In Article 108(1), the word "Ordinance" be substituted with the word "Act".

- In Article 109, the words "Section 488 of the Ordinance" be substituted with the words "Section 492 of the Act".

  FURTHER 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".

OTHER BUSINESS

6. 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 19, 2018

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

NOTES:

1. The share transfer books of the Company will remain closed from March 07, 2018 to March 13, 2018 (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 06, 2018 will be considered in time for the purpose of payment of final dividend to the transferees.

2. A member of the Company entitled to attend and vote at the Meeting may appoint a person/representative as proxy to attend and vote in place of the member. Proxies in order to be effective must be received at the Company's Registered Office, 156-The Mall, Rawalpindi, Pakistan not later than 48 hours before the time of holding the Meeting and no account shall be taken of any part of the day that is not a working day. A member shall not be entitled to appoint more than one proxy.

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

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

A. FOR ATTENDING THE MEETING:

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

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

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

B. FOR APPOINTING PROXIES:

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

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

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

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

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

4. CONSENT FOR VIDEO CONFERENCE FACILITY

As allowed by SECP vide Circular No. 10 of 2014 dated May 21, 2014 and Companies Act 2017, members can avail video conference facility for this Annual General Meeting, at Lahore and

Karachi provided the Company receives consent from the members holding in aggregate 10% or more shareholding, residing at above mentioned locations, atleast 7 days prior to date of the meeting.

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

In this regard please send a duly signed request as per following format at the registered address of the Company 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. WITHHOLDING TAX ON DIVIDENDS

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

(a) For filers of income tax returns:15%
(b) For non-filers of income tax returns: 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for approval of the cash dividend i.e. March 13, 2018; otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

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

Tax in case of Joint Shareholders

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

Joint shareholders should intimate the proportion of their respective joint holding to the share registrar latest by March 06, 2018, in the following form:

CDC Account number	Folio	Total Share	Principle shareholder		Joint shareholder	
			Name & CNIC	Shareholding proportion	Name & CNIC	Shareholding proportion

6. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company 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 in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/ CDC account services.

Electronic Mandate Form

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

NOTICE OF ANNUAL GENERAL MEETING

7. SECP through its SRO 470(1)/2016, dated May 31, 2016, has allowed companies to circulate the annual balance sheet, profit and loss account, auditors' report and Directors' report etc ("annual audited accounts") to its members through CD/DVD/USB at their registered addresses. In view of the above, the Company has sent its Annual Report 2017 to its shareholders in the form of CD. Any member requiring printed copy of Annual Report 2017 may send a request using a Standard Request Form placed on Company website.

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

   Members can request a hard copy which shall be provided free of cost within seven days from receipt of requisition.

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

9. Annual Audited Financial Statements of the Company for the financial year ended December 31, 2017 have also been provided on the Company's website i.e. www.ffc.com.pk.

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

Statement under Section 134(3) of the Companies Act, 2017 with respect to special business as contained in the notice of Annual General Meeting to be held on March 13, 2018.

Alteration in the articles of the Articles of Association of the Company is necessary in the light of the Companies Act, 2017. The proposed changes in the Articles of Association of the Company are being made to bring the articles in conformity with the Companies Act, 2017.

The Directors have no personal interest.

BOARDS' REVIEWS

DIRECTORS' REPORT

CHAIRMAN'S REVIEW

Dear Shareholders,

I feel privileged on being entrusted with the Chairmanship of FFC's Board of Directors post retirement of Lt Gen Khalid Nawaz Khan, HI(M) (Retired) whose guidance contributed immensely towards the achievements of the Company. I also pledge all my faculties towards sustained performance and further growth of the Company.

The glut faced by the global fertilizer sector has started to recede, with modest signs of growth expected at around 1.5% annually during the next five years, due to lower population growth besides weak international crop prices.

Pakistan's fertilizer industry faced one of the most challenging periods, with carryover of unprecedented inventory levels into the year 2017. Urea prices in the Country remained capped at Rs 1,400 per bag post announcement of Kissan Package by the Government of Pakistan in June 2016, despite continuous increase in production costs due to inflation.

However, the Company faced these challenges with resilience and improvisation, turning the year into one of record achievements including highest ever all product sales of over 3.22 million tonnes, record aggregate revenue including subsidy of Rs 97.31 billion besides continued recognition for transparency and good governance.

This year, FFC also contributed over US$ 48 million to the Country's foreign exchange reserves through the Company's initiative to export surplus urea. FFC further enabled savings of around US$ 534 million for the forex reserves through import substitution, besides providing a contribution of over Rs 41 billion to the National Exchequer in the form of taxes and levies.

Despite the adverse market conditions, the Company recorded a strong performance through concerted efforts including stringent cost controls, efficiency enhancements and improvisation in the product mix. I am also pleased to inform that our wind power project declared its maiden dividend of Rs 500 million during the year and resultantly, FFC posted net earnings of Rs 10.71 billion for the year, translating into an EPS of Rs 8.42 as opposed to Rs 9.26 last year.

Consistent with our commitment to provide steady returns to our shareholders, the Board is pleased to propose a final dividend of Rs 3.00 per share in addition to interim distributions of Rs 4.00 per share, aggregating to an annual profit payout of over 83%.

I am also pleased to report that the performance of the Board remained par excellence throughout the year and their contributions effectively steered the Company through one of the most difficult times, with not only having achieved the targets, but also creating new benchmarks, while maintaining its reputation for good governance, besides providing steady returns to its shareholders.

In line with the Board's strategy for diversification, the Company intends to participate in a Thar-coal based power plant in collaboration with local and international partners, which is also classified as an early harvest project under CPEC. FFC's offshore joint venture for development of a urea fertilizer complex in Tanzania is also progressing as per plan, with achievement of various milestones, and the Board is confident that these projects shall also add value to the shareholders wealth.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman
Rawalpindi
January 30, 2018

ڈائریکٹرز رپورٹ

چیئرمین کا جائزہ

معزز حصہ داران

یہ میرے لئے ایک اعزاز کی بات ہے کہ لیفٹیننٹ جنرل خالد نواز خان، ہلال امتیاز (ملٹری) (ریٹائرڈ)، جن کی رہنمائی نے کمپنی کی کامیابیوں میں اہم کردار ادا کیا، اُن کی ریٹائرمنٹ کے بعد FFC کے بورڈ کے چیئرمین کی ذمہ داریاں مجھے سونپی گئیں۔ میں اس موقع پر اس عزم کا بھی اظہار کرتا ہوں کہ میں اپنی تمام صلاحیتوں کو بروئے کار لاتے ہوئے کمپنی کی کارکردگی کے تسلسل کو برقرار رکھنے بلکہ مزید بہتر بنانے کے لیے اپنا کردار ادا کروں گا۔

عالمی کھاد کی صنعت میں زائد رسد کے اثرات میں کمی آنا شروع ہوگئی ہے۔ جبکہ آبادی میں نسبتاً کم اضافے اور فصلوں کی عالمی قیمت میں کمی کی وجہ سے آئندہ 5 سالوں میں کھاد کی صنعت میں سالانہ تقریباً 1.5 فیصد بڑھوتری کی اُمید ہے۔

سال 2017 کے آغاز میں فقید المثال یوریا اسٹاک کے باعث پاکستان کی کھاد کی صنعت کو انتہائی مشکل دور سے گزرنا پڑا۔ جون 2016 میں کسان پیکج کے حکومتی اعلان کے بعد سے، بڑھتی ہوئی مہنگائی کے باعث پیداواری لاگت میں مسلسل اضافے کے باوجود، ملک میں یوریا کی قیمتیں 1,400 روپے فی بوری پر محدود رکھی گئیں۔

تاہم، کمپنی نے ان مشکلات کا سامنا عالی ہمتی اور اصلاحات سے کرتے ہوئے 2017 کو ایک ریکارڈ ساز سال بنا دیا جس میں مجموعی طور پر 3.22 ملین ٹن کھاد کی فروخت اور 97.31 ارب روپے کی آمدنی حاصل کرنے کے ساتھ ساتھ معاملات میں شفافیت اور عُمدہ نظم وضبط کے لیے اپنی شہرت کو بھی برقرار رکھا۔

اس سال، ایف ایف سی نے اضافی یوریا کی برآمد کے ذریعے ملک کے زرمبادلہ کے ذخائر میں 48 ملین ڈالر کا اضافہ کیا اور اس کے ساتھ ساتھ کمپنی نے درآمدی متبادل کے ذریعے 2017 کے دوران زرمبادلہ کے ذخائر کو 534 ملین ڈالر کی مزید بچت پہنچائی۔ علاوہ ازیں محصولات کی مد میں ملکی خزانے کو تقریباً 41 ارب روپے بھی فراہم کیے۔

مارکیٹ کے ناموافق حالات کے باوجود، کمپنی نے منظّم کوششوں بشمول اخراجات میں کمی، استعداد میں اضافے اور مصنوعات کے امتزاج میں تنوع جیسے اقدامات کے ذریعے عُمدہ کارکردگی کا مظاہرہ کیا۔ مجھے یہ بتاتے ہوئے مسرت ہو رہی ہے کہ FFCEL ,Wind Power Project نے اس سال 500 ملین روپے کے پہلے منافع منقسمہ کا اعلان کیا ہے، نتیجتاً FFC نے 10.71 ارب روپے کی خالص آمدنی حاصل کی ہے۔ جو کہ فی حصص آمدن میں 8.42 روپے بنتی ہے جبکہ پچھلے سال فی حصص آمدن 9.26 روپے تھی۔

حصہ داران کو مستقل منافع فراہم کرنے کے اپنے عزم کے موافق، بورڈ سال 2017 کے لئے 3 روپے فی حصص حتمی منافع منقسمہ تجویز کرتا ہے، اس طرح مجموعی سالانہ ادائیگی، بشمول 4 روپے فی حصص عبوری منافع منقسمہ، 7 روپے فی حصص رہا جو کہ سالانہ منافع کا 83 فیصد بنتا ہے۔

مجھے اس بات کا اعلان کرتے ہوئے بھی خوشی محسوس ہو رہی ہے کہ پورے سال کے دوران بورڈ نے بہترین کارکردگی کا مظاہرہ کرتے ہوئے کمپنی کو مشکل حالات سے نکالا اور نا صرف اپنے اہداف حاصل کیے بلکہ نئے معیار بھی قائم کئے۔ اور ساتھ ہی ساتھ عمدہ نظم وضبط کے لیے اپنی شہرت کو بھی برقرار رکھا اور حصہ داروں کے لیے مستقل منافع کو بھی یقینی بنایا۔

بورڈ کی Diversification کی حکمت عملی کے تحت، کمپنی، مقامی اور بین الاقوامی شراکت داروں کے ساتھ مل کر، تھر کے کوئلے کے ذریعے بجلی بنانے کے منصوبے میں شرکت کا اراددہ رکھتی ہے، جو کہ سی پیک کے Early Harvest Projects کی فہرست میں بھی شامل کیا گیا ہے۔ FFC کا سمندر پار Joint Venture، جو کہ تنزانیہ میں یوریا کمپلیکس بنانے کا ہے، منصوبہ کے مطابق آگے بڑھ رہا ہے اور کئی سنگ میل حاصل کر چکا ہے۔ بورڈ کو یقین ہے کہ یہ منصوبے حصے داران کے سرمائے میں اضافے کا باعث بنیں گے۔

لیفٹیننٹ جنرل سید طارق ندیم گیلانی

ہلال امتیاز (ملٹری) (ریٹائرڈ)

چیئرمین

راولپنڈی

30 جنوری 2018

DIRECTORS' REPORT

CE & MD'S OVERVIEW

Dear Shareholders,

On behalf of the management of the Company and on my own behalf I welcome Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired) as the new Chairman of FFC Board of Directors. We would also like to place on record our appreciation to the outgoing chairman Lt Gen Khalid Nawaz Khan, HI(M) (Retired) for the leadership and valuable contribution extended towards the fortunes of the Company.

The unfavourable market conditions which started during 2015, continued their course into the year 2017, with highest ever Sona urea inventory of 193 thousand tonnes at the start of the year, besides low fertilizer demand and suppressed selling prices. Reduction in urea subsidy by Rs 56 per bag and introduction of Final Tax Regime on imported fertilizers, further pressurized the Company margins, while receipt of fertilizer subsidy and adjustment / refund of Sales Tax continued to remain sluggish.

The Company, however, remained steadfast and consistent with our operational excellence, FFC achieved its second highest production ever of over 2.5 million tonnes, only 10 thousand tonnes below record output of last year.

Through realignment of our strategies which included export of urea to offload surplus stock and marketing of higher volume of imported fertilizers, the Company was able to create new benchmarks in terms of ever highest urea as well as imported fertilizers offtake.

I would like to put on record my deep appreciation for the entire FFC team for their untiring efforts besides focused implementation of effective cost controls, which enabled the Company to surpass its targets for the year, with net profitability of Rs 10.71 billion.

FFC's annual report for the year 2016 was once again adjudged as the best presented report by the ICAP / ICMAP, while FFC has also been ranked as the top company on the Pakistan Stock Exchange for the seventh consecutive year. The Company also continues to enjoy its long term credit rating of AA and short term rating of A1+ signifying its ability to timely fulfill financial obligations.

Our food project Fauji Fresh n Freeze Limited has recorded significant progress during the year, with OPA French Fries becoming a household name, whereas our wind power project FFC Energy Limited is expected to continue contributing towards Company earnings in the future.

With the offloading of excess urea stock, the market is expected to head towards normalization, enabling the Company to exercise control over associated marketing expenditure. However, persistent price capping by the Government despite reduction in urea subsidy, continues to restrict Company's pass through ability and profit margins. We, however, remain focused on exploring new opportunities for enhancement of revenues, optimization of costs and efficiencies, and undertaking of diversification projects to continue providing attractive returns to the shareholders.

Lt Gen Shafqaat Ahmed
HI (M), (Retired)
Chief Executive & Managing Director
Rawalpindi
January 30, 2018

ڈائریکٹرز رپورٹ

چیف ایگزیکٹو اور مینجنگ ڈائریکٹر کا تبصرہ

معزز حصہ داران

میں کمپنی کی انتظامیہ اور اپنی جانب سے لیفٹیننٹ جنرل سید طارق ندیم گیلانی ہلال امتیاز (ملٹری)، (ریٹائرڈ) کو کمپنی کا نیا چیئرمین مقرر ہونے پر خوش آمدید کہتا ہوں۔ ہم اپنے سابقہ چیئرمین لیفٹیننٹ جنرل خالد نواز خان ہلال امتیاز (ملٹری)، ستارہ ایثار (ریٹائرڈ) کی قیادت اور کمپنی کے لیے خدمات پر انہیں بھی خراج تحسین پیش کرتے ہیں۔

2015 میں شروع ہونے والے نامساعد حالات 2017 میں بھی جاری رہے چنانچہ 2017 کے آغاز میں 193 ہزار ٹن سونا یوریا کی انوینٹری بلند ترین سطح پر تھی۔ جبکہ کھاد کی طلب کم اور قیمتیں دباؤ کا شکار رہیں۔ یوریا سبسڈی میں 56 روپے فی بوری کی کمی اور درآمدی کھادوں پر Final Tax Regime کے نفاذ سے کمپنی کے شرح منافع میں مزید کمی واقع ہوئی۔ جبکہ کھاد کی سبسڈی کی وصولی اور سیلز ٹیکس کی ایڈجسٹمنٹ بھی سست روی کا شکار رہیں۔

تاہم ثابت قدمی اور اپنی استعدادی مہارت کو بروئے کار لاتے ہوئے، FFC نے اپنی تاریخ کی دوسری بلند ترین پیداوار 2.5 ملین ٹن سے زائد حاصل کی جو کہ گزشتہ برس کی ریکارڈ پیداوار سے صرف 10 ہزار ٹن کم تھی۔

اپنی حکمت عملی کی از سر نو تدوین کرتے ہوئے کمپنی نے، اضافی یوریا کی برآمد اور زیادہ مقدار میں کھادوں کی درآمد کر کے، یوریا اور درآمدی کھادوں کی فروخت کے نئے ریکارڈ قائم کیے۔

میں کمپنی کی پوری ٹیم کو مبارکباد پیش کرتا ہوں جن کی انتھک محنتوں اور اخراجات میں کمی کے لیے مؤثر اقدامات اٹھانے کے نتیجے میں کمپنی نے اپنے سالانہ اھداف کو عبور کرتے ہوئے 10.71 ارب روپے کا خالص منافع حاصل کیا۔

سال 2016 کے لیے FFC کی سالانہ رپورٹ کو ایک مرتبہ پھر ICAP / ICMAP کی جانب سے منعقدہ Best Presented Report ایوارڈ میں پہلی پوزیشن دی گئی۔ جبکہ پاکستان اسٹاک ایکسچینج پر کمپنی کو مسلسل ساتویں مرتبہ بہترین کمپنی قرار دیا گیا۔ اس کے ساتھ کمپنی نے طویل مدتی قرضوں کے لیے AA اور مختصر مدتی قرضوں کے لیے A1+ Credit Rating بھی حاصل کی۔ جو کہ کمپنی کی مالی ذمہ داریوں کو بروقت پورا کرنے کی صلاحیت کا ثبوت ہے۔

Fauji Fresh n Freeze نے دوران سال واضح پیش رفت کی ہے اور OPA FRIES اب ایک جانا پہچانا گھریلو نام بنتا جا رہا ہے۔ جبکہ مستقبل میں کمپنی کی آمدن میں اضافے کے لیے FFCEL، Wind Power Project کی جانب سے مستقل اعانت کی توقعات ہیں۔

اضافی یوریا اسٹاک کی فروخت کے بعد مارکیٹ کے حالات واپس معمول پر آ رہے ہیں جو کہ کمپنی کے مارکیٹنگ سے منسلک اخراجات میں کمی کا باعث ہوگا۔

تاہم، سبسڈی میں کمی کے باوجود قیمتوں پر حکومتی کنٹرول کی وجہ سے، کمپنی کے اخراجات میں اضافے کو آگے منتقل کرنے کی صلاحیت محدود ہے۔ لیکن ہم آمدنی بڑھانے کے نئے مواقع تلاش کرنے، اخراجات میں مزید کمی، بہترین کارکردگی اور متنوع منصوبوں میں سرمایہ کاری کرنے پر اپنی توجہ مرکوز کیے ہوئے ہیں تا کہ حصہ داروں کے لیے پرکشش منافع کو یقینی بنایا جا سکے۔

لیفٹیننٹ جنرل شفقات احمد
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو و مینجنگ ڈائریکٹر
راولپنڈی
30 جنوری 2018

DIRECTORS' REPORT

FINANCIAL REVIEW

MACRO-ECONOMIC OVERVIEW

Pakistan has seen noticeable economic turnaround over the last four years due to implementation of a comprehensive economic revival plan, growth supporting steps and the ongoing CPEC. Consequently, the Country's economy continued to maintain its growth momentum above 4% for the fourth year in a row with a GDP growth of 5.28%, the highest during the past ten years.

AGRICULTURE SECTOR

Pakistan's agricultural sector besides employing 42.3% of the Country's workforce, provides a strong link to other sectors of the economy, and contributed around 19.5% to the GDP compared to 20% in the previous year.

Agriculture sector's performance during the previous year remained under pressure, however, timely implementation of supportive Government policies and increased agriculture credit disbursements during the outgoing fiscal year, resulted in the sector's growth by 3.46%, close to the target of 3.50%.

FISCAL DEVELOPMENT

Pakistan's fiscal deficit was recorded at 3.9% compared to 3.5% last year, attributable to higher development expenditure along with various tax incentives to promote investment and economic activity besides higher security related expenditures.

INVESTMENTS

Investment indicators continued their growth trajectory on back of CPEC and total investment, including 'Fixed' and 'Private', were recorded at Rs 5,026 billion, 11.05% above last year and representing 15.78% of the GDP.

Net Foreign Direct Investment showed a growth of 12.75% and was recorded at US$ 1.73 billion. The major inflows came from China, Netherlands, France, Turkey and USA in power, construction, electronics, and oil & gas sectors.

MONEY AND CREDIT

During the outgoing fiscal year, the trade deficit widened to US$ 17.80 billion compared to US$ 0.9 billion owing to reversal of global oil prices and reduced inflows under the CSF program. Keeping in view the macroeconomic stability of the Country, the Government maintained the policy rate of 5.75%, which is the lowest since the last five decades.

INFLATION

Revival of international oil prices and rise in domestic demand due to favorable economic conditions resulted in an inflation of 4.1% compared to 2.8% of the preceding year. Core inflation, which excludes temporary price volatilities and is used by State Bank of Pakistan to formulate its monetary policy was recorded at 5.1% against 4.1% in the corresponding year.

CURRENCY DEVALUATION

Despite decline in Country's exports and widening trade deficit, high levels of liquid foreign reserves curtailed the currency's devaluation.

FFC PERFORMANCE

PROFIT AND LOSS ANALYSIS

The Company entered into 2017 with the highest ever urea inventory and carryover of unfavorable market conditions from 2016, including price controls by the Government, and delayed subsidy payments. Concerted management efforts to normalize market conditions resulted in successful negotiations with the Government to export surplus urea, which assisted in offloading surplus inventory.

The Company successfully exceeded all its major targets including revenue and profitability, however, reduction of Rs 56 per bag in urea subsidy and change in taxation of imported fertilizer to final tax regime besides continuing levy of Super tax for the third consecutive year resulted in higher taxation charge, which restricted net earnings to Rs 10.71 billion.

The Company's manufacturing facilities achieved a capacity utilization of around 123% with the second highest **Sona urea production** of 2,513 thousand tonnes, only 10 thousand tonnes lower than last year due to unplanned shutdown of Plant-I towards the end of the year.

Despite unfavorable market conditions, **Sona urea recorded the highest ever offtake** of 2,697 thousand tonnes, 11% higher than last year which includes exports of 222 thousand tonnes to neighboring countries. In line with FFC's product realignment strategy, **highest ever DAP offtake** of 513 thousand tonnes was achieved during the year, around 2.5 times above last year with improvement in FFC DAP market share to 21% compared to 9% of last year.

Combined FFC / FFBL urea market share was 52%, in line with last year, whereas combined DAP market share improved to 56%, compared to 44% achieved in 2016. (Source: NFDC)

A new benchmark in terms of **highest ever aggregate revenue** of Rs 90.71 billion was created during the year, 24% higher than last year which included **highest ever imported fertilizer revenue** of Rs 25.20 billion and proceeds of Rs 5.07 billion from exports of urea. Fertilizer subsidy for the year stood at Rs 6.60 billion, resulting into total revenues against fertilizer sales of Rs 97.31 billion, 22% higher than last year.

Cost of sales for the year also increased by 32% to Rs 72.62 billion due to highest ever all product offtake.

Despite urea price capping by the Government, **gross profit** for 2017 of Rs 18.09 billion was achieved, in line with last year, due to marketing of higher urea and imported fertilizer volumes.

Distribution cost of Rs 8.57 billion was 20% above last year mainly due to higher transportation costs associated with increased marketing of DAP.

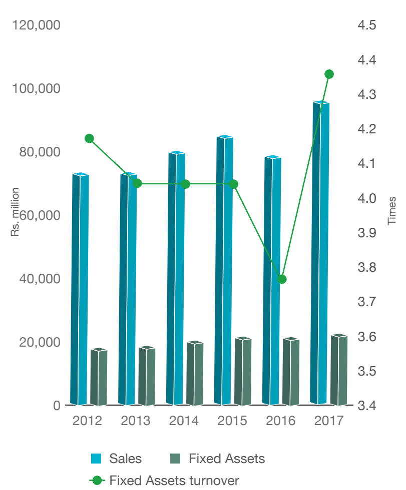
Despite delayed receipt of subsidy claims by the Government, accumulation of unadjusted input sales tax and higher borrowings obtained during low collections period of the year, **finance cost** of Rs 2.47 billion registered a marginal increase of 3% only, owing to effective funds management.

Investment income of Rs 1.44 billion registered a growth of 13% compared to last year due to better availability of funds and efficient treasury management, besides exchange gain of Rs 79 million on our foreign currency investments.

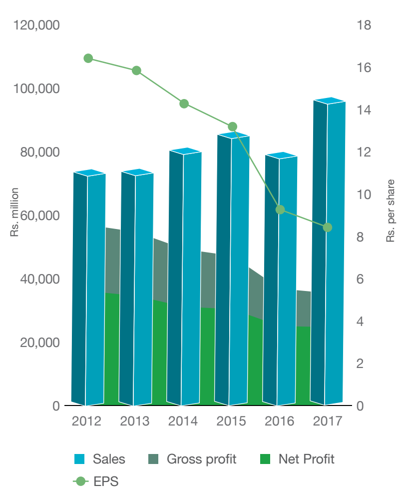
Dividend income of Rs 2.28 billion, includes the first ever dividend of Rs 500 million from our wind power project, however, it remained 5% below last year due to lower payout by FFBL and FCCL.

Subsidy income of Rs 6.60 billion was lower by 5% only compared to last year despite reduction of

SALES, FIXED ASSETS & FIXED ASSETS TURNOVER



PROFITABILITY



DIRECTORS' REPORT

FINANCIAL REVIEW

Rs 56 per bag in urea subsidy and discontinuation of subsidy on DAP effective July 1, 2017. Subsidy was classified as other income under the requirements of International Financial Reporting Standards (IFRSs).

Change in the taxation structure to Final Tax Regime for imported fertilizers besides persistent levy of Super tax (which was implemented in 2015 as one time measure only), negatively impacted Company's profitability with an aggregate **tax expense** of Rs 5.03 billion.

The aforementioned elements translated into net profit of Rs 10.71 billion with an earnings per share of Rs 8.42, 9% lower than last year.

FINANCIAL POSITION ANALYSIS

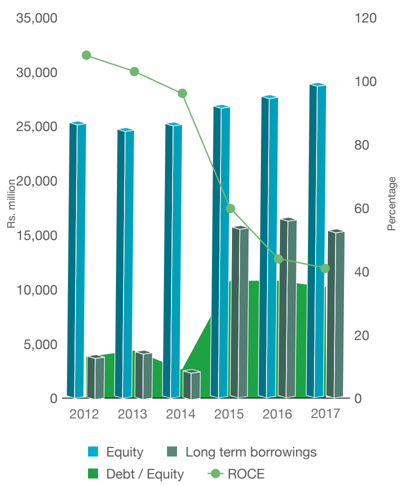
The Company's **net worth** increased by 4% to Rs 29.35 billion, with a breakup value of Rs 23.07 per share, whereas un-appropriated profit was recorded at Rs 7.37 billion.

Long term debt was recorded at Rs 15.57 billion, 6% lower than last year mainly due to classification of current maturity portion under current liabilities in compliance with applicable reporting framework.

Securing of advance customer orders towards the end of the year and withholding of GIDC payments, under the Court's rulings resulted in an increase of Rs 28.31 billion in **trade and other payables**, which stood at Rs 39.22 billion at the end of the year.

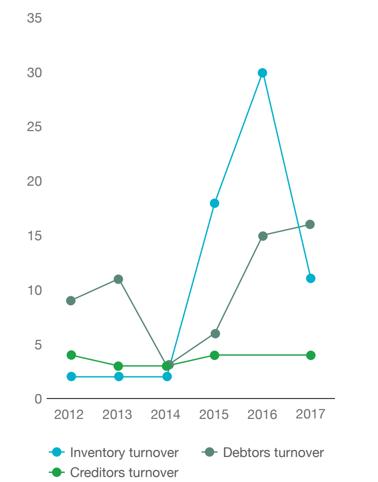
Short term borrowings reduced by Rs 10.64 billion to Rs 11.54 billion owing to normalization of fertilizer industry during the year and receipt of advance customer orders towards the end of the year.

EQUITY & DEBT



INVENTORY, DEBTORS AND CREDITORS TURNOVER

(Days)



Current portion of long term borrowings increased by 6% due to maturity of repayment installments of borrowings availed in earlier and current years.

Contingencies remained in line with last year and only comprise of penalty of Rs 5.5 billion imposed by the Competition Commission of Pakistan (CCP) in 2013 on grounds of alleged increase in urea prices, without keeping in view the factors including production shortfall due to gas curtailment, delayed imports and other market dynamics. The Company has filed an appeal before the Competition Appellate Tribunal and is confident of a favorable decision.

Financial commitments of the Company, at Rs 6.72 billion, mainly include purchase of fertilizers, capital expenditure, and goods / services as detailed in the Note 14 to the financial statements and remained broadly in line with the plan.

Acquisition of Natural Gas Compressors under the sustainability plan of the Company in addition to routine capital expenditure, led to an increase of 5% in **property, plant and equipment**, which was recorded at Rs 22.31 billion at the end of 2017.

Long term investments reduced by 6% which were recorded at Rs 27.87 billion due to classification of Pakistan Investment Bonds (PIBs) due for maturity in 2018, as short term investments.

Despite carrying the highest ever opening urea inventory of 193 thousand tonnes in 2017, the Company successfully offloaded its entire fertilizers stock and carried a minimal urea inventory of 8 thousand tonnes only. **Stock in trade** was valued at Rs 395 million, lower by Rs 3.84 billion compared to 2016.

Trade debts of Rs 3.72 billion were 14% lower compared to last year owing to timely recovery of balances during the year and improvement in cash sales ratio towards the end of the year.

Other receivables increased by Rs 6.21 billion to Rs 13.96 billion and primarily consisted of subsidy receivable from the Government and unadjusted input sales tax.

Short term investments increased to Rs 30.88 billion owing to better cash availability and effective placement of surplus funds received on account of advance orders towards the end of the year, to augment Company's profitability.

Overall **asset base** of the Company crossed the Rs 100 billion mark for the first time, and was recorded at Rs 108.63 billion, registering an increase of 20% over last year, mainly on account of higher short term investments, and increase in other receivables.

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 2017.

CASH FLOWS & FINANCING ARRANGEMENTS

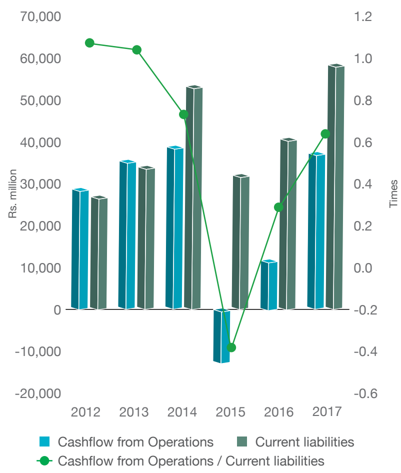
CASH FLOW ANALYSIS

The Company's treasury management ensures adequate availability of cash for defined and expected outflows. Cash activities undertaken during the year are summarized below:

OPERATING ACTIVITIES

Higher revenue and advance orders from customers, resulted in significant improvement in cash generation from operating activities, which after payment of finance cost, income tax and receipt of fertilizer subsidy, stood at Rs 34.76 billion, Rs 27.78 billion above last year.

CASHFLOW FROM OPERATIONS / CURRENT LIABILITIES



INVESTING ACTIVITIES

In order to ensure sustainable production and returns for the shareholders, FFC increased its investment in plant & machinery to Rs 3.28 billion, 64% higher than last year. Receipts on account of investment income were recorded at Rs 0.72 billion.

In line with the Company's plan, equity investment in our food project was increased by Rs 0.56 billion to Rs 3.20 billion during the year. Lower profit distribution by FFBL and FCCL resulted in reduced aggregate dividend receipts by 15% to Rs 1.92 billion, whereas, cash receipts on maturity of investments witnessed a decline of 34% to Rs 0.71 billion.

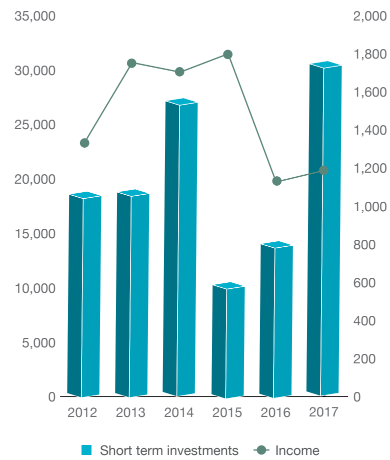
Consequently, net cash utilized in investing activities was Rs 0.46 billion, compared to net cash generation of Rs 1.27 billion last year.

FINANCING ACTIVITIES

The long term debt of Rs 7.68 billion was settled on timely basis, whereas fresh debt of Rs 7 billion was drawn during the year in order to avail benefit of attractive borrowing rates. Dividends to our shareholders were

SHORT TERM IVESTMENTS AND INCOME

(Rs. million)



recorded at Rs 8.56 billion during the year, translating into net cash utilization of Rs 9.24 billion, 10% higher than last year.

CASH AND CASH EQUIVALENTS AT YEAR END

During the year significant increase in cash and cash equivalents of Rs 25.05 billion was witnessed which resulted in net positive balance of Rs 18.96 billion at the end of the year as opposed to negative cash and cash equivalents balance of Rs 6.04 billion in 2016.

CONSOLIDATED OPERATIONS AND SEGMENTAL REVIEW

Directors' report on the consolidated financial statements is covered on Page 170 of the Annual Report 2017.

DIRECTORS' REPORT

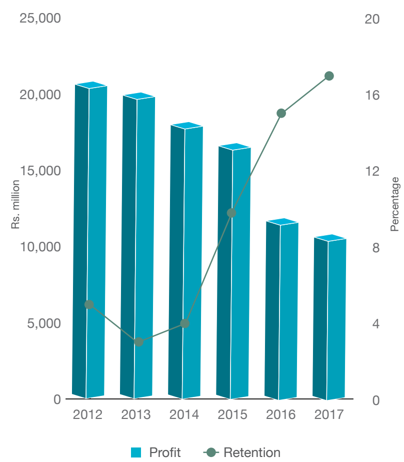
FINANCIAL REVIEW

PROFIT DISTRIBUTION & RESERVE ANALYSIS

FFC carried reserves of Rs 15.49 billion at the start of the year, of which, final dividend of Rs 3.50 billion was approved by the shareholders for 2016. During 2017, the Company earned net profit of Rs 10.71 billion and declared three interim dividends aggregating to Rs 5.09 billion translating to Rs 4.00 per share, with transfers of Rs 2 billion to general reserves. The aggregate reserves at the end of 2017 stood at Rs 16.63 billion as detailed in the 'Appropriations' table:

Appropriations	Rs in million	Rs per share
Opening Reserves	15,489	
Final Dividend 2016	(3,499)	2.75
Net Profit 2017	10,711	8.42
Other comprehensive income	(983)	
Available for Appropriation	21,718	
Appropriations		
First Interim Dividend 2017	(1,908)	1.50
Second Interim Dividend 2017	(1,272)	1.00
Third Interim Dividend 2017	(1,908)	1.50
Closing Reserves	16,630	

PROFIT VS RETENTION



ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Board of Directors has established an efficient system of internal financial controls, for ensuring efficient conduct of business, safeguarding of Company assets, in addition to inculcating a business environment of ethical behavior and moral conduct. The independent Internal Audit function of FFC regularly monitors implementation of financial controls, whereas the Audit Committee reviews the effectiveness of the internal control framework and financial statements on quarterly basis.

SUBSEQUENT EVENTS

The Board of Directors of FFC in its meeting held on January 30, 2018 is pleased to recommend a final cash dividend of Rs 3.00 per share i.e. 30% for the year ended 2017, for shareholders' approval taking the total payout for the year to Rs 7.00 per share i.e. a payout of 70%. There were no other material changes affecting the financial position of the Company till the date of this report.

ڈائریکٹرز رپورٹ

مالیاتی جائزہ

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

دورانِ سال نقد اور نقدی کے مساوی میں 25.05 ارب روپے کا واضح اضافہ دیکھنے میں آیا نتیجے کے طور پر سال کے آخر میں 18.96 ارب روپے کا مثبت بیلنس رہا جبکہ 2016 میں نقد اور نقدی کے مساوی کا بیلنس منفی 6.04 ارب روپے تھا۔

مجموعی سرگرمیاں اور قطعاتی جائزہ

مجموعی مالیاتی سرگرمیوں پر ڈائریکٹرز کا جائزہ اس رپورٹ کے صفحہ نمبر 171 پر دیا گیا ہے۔

منافع کی تقسیم اور ذخائر کا تجزیہ (Profit Distribution & Reserve Analysis)

سال کے شروع میں کمپنی کے ذخائر 15.49 ارب روپے تھے جس سے کمپنی نے حصہ داروں کے لئے سال 2016 میں حتمی منافع منقسمہ 3.50 ارب روپے کی منظوری دی گئی۔ سال 2017 کے دوران کمپنی نے 10.71 ارب روپے کا منافع کمایا اور تین عبوری منافع منقسمہ جو کہ مجموعی طور پر 5.09 ارب روپے بنے جو کہ 4.00 روپے فی حصص کی ترجمانی کرتے ہیں۔ جبکہ General Reserves میں 2 ارب روپے منتقل کئے 2017 کے اختتام پر مجموعی ذخائر 16.63 ارب روپے تھے جن کی تفصیل گوشوارے میں موجود ہے۔

اندرونی مالیاتی ضوابط کی موزونیت (Adequacy of Internal Financial Controls)

ایک فعال انداز کاروبار اور کمپنی کے اثاثہ جات کی حفاظت کو یقینی بنانے کے ساتھ ساتھ اعلیٰ اخلاقی اقدار کو فروغ دینے کے لیے، بورڈ آف ڈائریکٹرز نے اندرونی مالیاتی ضوابط کا ایک مستعد نظام وضع کیا ہے۔ FFC کا ایک آزاد محاسب شعبہ Internal Audit (Function) باقاعدگی کے ساتھ کمپنی کے مالیاتی ضوابط کی نگرانی کرتا ہے جبکہ آڈٹ کمیٹی سہ ماہی بنیادوں پر کمپنی کے مالیاتی گوشواروں اور اندرونی ضوابط کے نظام کے مؤثر ہونے کا تجزیہ کرتی ہے۔

واقعات مابعد (Subsequent Events)

بورڈ آف ڈائریکٹرز نے 30 جنوری 2018 کو منعقدہ اجلاس میں اپنے حصہ داروں کے لیے سال 2017 کے لیے 3 روپے فی حصص (30 فیصد) حتمی منافع منقسمہ کی سفارش کی ہے۔ اس طرح سال 2017 کے لیے مجموعی ادائیگی 7 روپے فی حصہ (70 فیصد) رہی۔ اس رپورٹ کے مکمل ہونے کی تاریخ تک مزید ایسی کوئی قابل قدر چیز نہ تھی جو کہ کمپنی کی مالی حیثیت پر اثر انداز ہو سکے۔

منافع کی تقسیم	ملین روپے	فی حصہ روپے
ابتدائی ریزرو	15,489	
حتمی منافع منقسمہ 2016	(3,499)	2.75
خالص منافع 2017	10,711	8.42
دیگر Comprehensive آمدن	(983)	
تقسیم کے لیے میسر منافع	**21,718**	
منافع کی تقسیم		
پہلا عبوری منافع منقسمہ 2017	(1,908)	1.50
دوسرا عبوری منافع منقسمہ 2017	(1,272)	1.00
تیسرا عبوری منافع منقسمہ 2017	(1,908)	1.50
اختتامی ریزرو	**16,630**	

طویل المدتی قرضوں کا قلیل المدتی حصہ (Current portion of long term borrowings) 6 فیصد بڑھ گیا ہے جس کا سبب گزشتہ اور حالیہ برسوں میں لیے گئے قرضہ جات کی اقساط کی Maturity ہے۔

Contingencies گزشتہ برس کی سطح پر ہی ہیں اور اس میں واحد چیز CCP کی طرف سے 2013 میں لگایا گیا 5.5 ارب روپے کا جرمانہ ہے۔ جو کہ قیمتوں میں اضافے کے مبینہ الزامات کی بنا پر لگایا گیا جبکہ گیس فراہمی میں کمی کے باعث پیداوار میں کمی، درآمدات میں تاخیر اور دیگر کاروباری حالات جیسے عوامل کو ملحوظ خاطر نہیں رکھا۔ اس حوالے سے کمپنی نے Competition Appellate Tribunal میں نظر ثانی کی درخواست دائر کر رکھی ہے اور خوش آئند فیصلے کے لیے پرامید ہے۔

کمپنی کے مالیاتی وعدوں (Financial Commitment) کی سطح 6.72 ارب روپے رہی۔ جو کہ بنیادی طور پر کھاد، اشیاء اور خدمات کی خریداری اور Capital Expenditure کے لیے ہیں جو کہ مالیاتی گوشواروں (Financial Statements) کے نوٹ نمبر 14 میں تفصیل سے بیان کیے گئے ہیں اور مجموعی طور پر منصوبہ کے مطابق ہیں۔

کمپنی کے Sustainability Plan کے تحت Natural Gas Compressors کی خریداری اور معمول کے Capital Expenditure کی وجہ سے Property, Plant & Equipment سال 2017 کے آخر میں 5 فیصد اضافے کے ساتھ 22.31 ارب روپے ریکارڈ کیے گئے۔

طویل المدتی سرمایہ کاریاں 6 فیصد کی کمی کے ساتھ 27.87 ارب روپے رہیں۔ اس کی وجہ Pakistan Investment Bonds (PIBs) کی 2018 میں Maturity کی وجہ سے قلیل المدتی سرمایہ کاری میں درجہ بندی ہے۔

سال 2017 کے آغاز میں تاریخ کی بلند ترین 193 ہزار ٹن یوریا اینوینٹری کے باوجود، کمپنی نے یوریا کی تمام پیداوار کامیابی سے فروخت کی اور سال کے آخر میں انوینٹری 8 ہزار ٹن کی کم ترین سطح پر رہی۔ Stock in Trade کی مالیت 395 ملین روپے رہی جو کہ 2016 کے مقابلے میں 3.84 ارب روپے کم تھی۔

تجارتی ادھار (Trade Debts) گزشتہ برس کے مقابلے میں 14 فیصد کی کمی کے ساتھ 3.72 ارب روپے رہے۔ اس کی وجہ دوران سال بروقت وصولیاں اور سال کے آخر میں نقد کاروبار کی شرح میں بہتری تھیں۔

دیگر واجب الوصول اثاثہ جات (Other Receivables) 6.21 ارب روپے کے اضافے کے ساتھ 13.96 ارب روپے رہے۔ اور اس کا بڑا حصہ حکومت سے واجب الوصول سبسڈی اور Un-adjustable Input Sales Tax پر مشتمل ہے۔

بہتر نقدی کی رسائی اور آخر سال میں پیشگی آرڈرز کی وجہ سے دستیاب زائد فنڈز کی کمپنی کے منافع کو بڑھانے کے لیے عمدہ سرمایہ کاری کی گئی جس کی بدولت قلیل المدتی سرمایہ کاریاں بڑھ کر 30.88 ارب روپے ہوگئیں۔

کمپنی کے مجموعی اثاثہ جات تاریخ میں پہلی مرتبہ 100 ارب روپے کی حد سے متجاوز ہو کر 108.63 ارب روپے رہے جو کہ گزشتہ برس کے مقابلے میں 20 فیصد زیادہ ہیں اور اس کی بڑی وجوہات زائد قلیل المدتی سرمایہ کاریاں اور دیگر واجب الوصول میں اضافہ ہیں۔

مالیاتی گوشواروں پر آڈیٹرز کی رپورٹ

کمپنی کے دوران سال کاروباری معاملات، سرمایہ کاری اور اخراجات کا آڈیٹر نے جائزہ لیا ہے۔ انہوں نے 2017 کے کمپنی کے علیحدہ (Separate) اور مجموعی (Consolidated) مالیاتی گوشواروں پر شفاف رائے (un-qualified opinion) کا اظہار کیا ہے۔

کیش فلو اور مالیاتی نظم ونسق

(Cash Flows & Financing Arrangements)

کیش فلو کا تجزیہ

(Cash Flow Analysis)

کمپنی کا شعبہ مالیات متوقع اور غیر متوقع اخراجات کے لیے نقدی کی فراہمی کو یقینی بناتا ہے۔ اس حوالے سے دورانِ سال کی گئی کوششوں کو ذیل میں تلخیص کے ساتھ بیان کیا گیا ہے:

پیداواری اور ترسیلی سرگرمیاں

(Operating Activities)

زائد آمدن اور پیشگی آرڈرز کے نتیجے میں ان سرگرمیوں کے لیے نقدی کی فراہمی میں واضح بہتری پیدا ہوئی جو مالیاتی لاگت (Finance Cost)، انکم ٹیکس اور سبسڈی کی وصولی کے بعد، 34.76 ارب روپے رہی جو کہ گزشتہ برس کے مقابلے میں 27.78 ارب روپے زیادہ ہے۔

سرمایہ کاری کی سرگرمیاں

(Investing Activities)

مسلسل پیداوار اور سرمایہ کاروں کے لیے مستقل آمدن کو یقینی بنانے کے لیے، کمپنی نے پلانٹ اور مشینری میں سرمایہ کاری کو 3.28 ارب روپے تک بڑھا دیا جو کہ سال گزشتہ کے مقابلے میں 64 فیصد زائد ہے۔ سرمایہ کاری پر وصولی 0.72 ارب روپے رہی۔

کمپنی کے منصوبے کے مطابق، Food Project میں دوران سال سرمایہ کاری (Equity Investment) 0.56 ارب روپے کے اضافے کے ساتھ 3.20 ارب روپے تک پہنچ گئی۔

FFBL اور FCCL کی جانب سے نسبتاً کم منافع کی تقسیم کے باعث، منافع منقسمہ کی وصولی 15 فیصد کمی کے ساتھ 1.92 ارب روپے رہی جبکہ سرمایہ کاریوں کی پختگی پر 0.71 ارب روپے کی وصولی گزشتہ برس کے مقابلے میں 34 فیصد کم رہی۔

نتیجتاً سرمایہ کاری کی سرگرمیوں پر 0.46 ارب روپے کی نقدی خرچ ہوئی جبکہ گزشتہ برس ان سرگرمیوں سے 1.27 ارب روپے کی نقدی حاصل ہوئی تھی۔

مالیاتی سرگرمیاں

(Financing Activities)

7.68 ارب روپے کے طویل المدت قرضے بروقت ادا کیے گئے جبکہ ادھار کے پرکشش نرخوں کا فائدہ اٹھانے کے لیے سال کے دوران 7 ارب روپے کے نئے قرضے بھی حاصل کیے گئے۔ سرمایہ کاروں کو منافع منقسمہ کی مد میں 8.56 ارب روپے ادا کیے گئے اس طرح 9.24 ارب روپے کی رقم دوران سال استعمال ہوئی جو کہ گزشتہ سال کے مقابلے میں 10 فیصد زائد ہے۔

ڈائریکٹرز رپورٹ

مالیاتی جائزہ

FFC کی کارکردگی

نفع ونقصان کا تجزیہ

کمپنی نے سال 2017 کا آغاز، تاریخ کی بلندترین انوینٹری، 2016 کے ناموافق حالات کے تسلسل بشمول حکومت کی قیمتوں پر کنٹرول اور سبسڈی کی وصولی میں تاخیر کے ساتھ کیا۔ مارکیٹ کے حالات میں بہتری لانے کے لئے انتظامیہ کی بھرپور کاوشوں کا نتیجہ حکومت سے اضافی یوریا کی برآمد کی اجازت کی صورت میں نکلا۔ جس کی وجہ سے اضافی اسٹاک کے خاتمے میں مدد ملی۔ کمپنی نے اپنے تمام اہم اہداف بشمول آمدن اور منافع کامیابی کے ساتھ حاصل کیے تاہم یوریا سبسڈی میں 56 روپے فی بوری کی کمی، درآمدی کھادوں پر Final Tax Regime کے نفاذ اور سپر ٹیکس کے مسلسل تیسرے سال نفاذ کے باعث، کمپنی کی خالص آمدن 10.71 ارب روپے تک محدود رہی۔

کمپنی کے پیداواری یونٹوں نے 123 فیصد کی شرح سے پیداوار دیتے ہوئے کمپنی کی تاریخ کی دوسری بلندترین پیداوار حاصل کرتے ہوئے 2,513 ہزار ٹن سونا یوریا بنایا جو کہ سال کے آخر میں Plant-I کے غیر متوقع Shutdown کی وجہ سے پچھلے سال کی پیداوار سے صرف 10 ہزار ٹن کم تھی۔

ناموافق کاروباری حالات کے باوجود، کمپنی نے ایک نیا ریکارڈ بناتے ہوئے 2,697 ہزار ٹن سونا یوریا فروخت کیا جو کہ گزشتہ برس سے 11 فیصد زائد ہے اور اس میں 222 ہزار ٹن کی ہمسایہ ممالک کو برآمد بھی شامل ہے۔ اپنی مصنوعاتی اختلاط کی حکمت عملیوں میں ردوبدل کرتے ہوئے کمپنی نے DAP کی 513 ہزار ٹن کی تاریخی مقدار فروخت کی جو کہ گزشتہ برس کے مقابلے میں 2.5 گنا زیادہ ہے نتیجتاً FFC کا مارکیٹ شیئر 2016 میں 9 فیصد کے مقابلے میں بہتر ہو کر 21 فیصد ہو گیا۔

FFC / FFBL کا یوریا مارکیٹ میں مجموعی شیئر گزشتہ برس کی طرح امسال بھی 52 فیصد رہا، جبکہ DAP مارکیٹ میں شیئر گزشتہ برس کے 44 فیصد کے مقابلے میں اس سال بڑھ کر 56 فیصد رہا۔
(ماخذ: NFDC)

سال کے دوران، کمپنی نے 90.71 ارب روپے کی مجموعی آمدن کے ساتھ نیا ریکارڈ قائم کیا جس میں درآمدی کھادوں سے حاصل ہونے والے 25.20 ارب روپے اور یوریا کی برآمد سے حاصل ہونے والے 5.07 ارب روپے بھی شامل ہیں۔ جبکہ کھادوں پر سبسڈی 6.60 ارب روپے رہی، اس طرح کھادوں کی فروخت سے مجموعی طور پر 97.31 ارب روپے کی آمدن ہوئی جو کہ سال گزشتہ کے مقابلے میں 22 فیصد زائد ہے۔

فروخت پر آنے والی لاگت (Cost of Sales) 32 فیصد اضافے کے ساتھ 72.62 ارب روپے رہی جس کا سبب تاریخ کی بلندترین کھاد کی مقدار فروخت ہے۔

یوریا کی قیمتوں میں اضافے پر حکومتی پابندی کے باوجود، زیادہ مقدار میں یوریا اور درآمدی کھادوں کی فروخت کی بدولت، خام منافع (Gross Profit) گزشتہ برس کی طرح 18.09 ارب روپے رہا۔

ترسیل پر آنے والے اخراجات (Distribution Cost) 8.57 ارب روپے رہے جو کہ سال 2016 کے مقابلے میں 20 فیصد زائد ہیں اور اس کا باعث DAP کی زیادہ مقدار میں فروخت پر آنے والے اخراجاتِ نقل وحمل ہیں۔

حکومت سے سبسڈی کی وصولی میں تاخیر، Unadjusted Input Sales Tax میں مسلسل اضافے اور مزید طویل المدتی قرضوں کے حصول کے باوجود، مالیاتی لاگت (Finance Cost) صرف 3 فیصد اضافے کے ساتھ 2.473 ارب روپے رہی، جس کی وجہ عمدہ مالیاتی نظم ونسق تھا۔

سرمایہ کاری سے حاصل ہونے والی 1.44 ارب روپے کی آمدن میں گزشتہ برس کے مقابلے میں 13 فیصد بڑھوتری ہوئی اور اس کا سبب بننے والے عوامل، بہتر فنڈز کی دستیابی، عمدہ مالیاتی نظم ونسق اور غیر ملکی کرنسی میں کی گئی سرمایہ کاری پر حاصل ہونے والے 79 ملین روپے کا نفع تھا۔

منافع منقسمہ (Dividend) سے حاصل ہونے والی آمدن 2.28 ارب روپے رہی، اس میں FFCEL سے پہلی مرتبہ حاصل ہونے والے 500 ملین روپے بھی شامل ہیں، تاہم FFBL اور FCCL سے کم آمدن کے باعث یہ رقم گزشتہ برس کے مقابلے میں 5 فیصد کم رہی۔

یوریا پر سبسڈی میں 56 روپے فی بوری کی کمی اور یکم جولائی 2017 سے DAP پر سبسڈی پر خاتمے کے باوجود، اس مد میں حاصل ہونے والی آمدن میں سال گزشتہ کے مقابلے میں صرف 5 فیصد کمی واقع ہوئی۔ سبسڈی کو International Financial Reporting Standards (IFRSs) کے تقاضوں کو ملحوظ رکھتے ہوئے دیگر آمدن (Other Income) کے تحت درج کیا گیا ہے۔

برآمدی کھادوں پر Final Tax Regime کے نفاذ کے ساتھ ساتھ سپر ٹیکس کے مسلسل نفاذ (جس کا اطلاق سال 2015 میں یک وقتی طور پر کیا گیا تھا) کے باعث محصولات کے مجموعی اخراجات 5.03 ارب روپے رہے جس نے کمپنی کی شرح منافع پر منفی اثرات مرتب کیے۔ مندرجہ بالا عوامل کی وجہ سے کمپنی کا 10.71 ارب روپے کا خالص منافع 8.42 روپے فی حصص رہا جو کہ پچھلے سال سے 9 فیصد کم ہے۔

مالیاتی تجزیہ

کمپنی کی Net Worth 4 فیصد اضافے کے ساتھ 29.35 ارب روپے رہی، جبکہ Brakeup value 23.07 روپے فی حصہ تھی۔ Un-appropriated Profit 7.37 ارب روپے ریکارڈ کیا گیا۔

طویل المدتی قرضے 15.57 ارب روپے رہے جو کہ گزشتہ برس کے مقابلے میں 6 فیصد کم ہیں اور اس کا سبب Current portion maturity کی متعلقہ رپورٹنگ فریم ورک پر عمل کرتے ہوئے Current liabilities کے تحت درجہ بندی ہے۔

آواخر سال میں گاہکوں کی طرف سے ایڈوانس آرڈرز اور GIDC ادائیگی کو عدالتی حکم کے تحت روک لینے کی وجہ سے، تجارتی واجبات 28.31 ارب روپے کے اضافے کے ساتھ سال کے آخر میں 39.22 ارب روپے رہے۔

کھاد کی صنعت کے معمول پر آنے اور سال کے آخر میں گاہکوں کی طرف سے ایڈوانس آرڈرز ملنے کی وجہ سے قلیل المدتی قرضے 10.64 ارب روپے کی کمی کے ساتھ 11.54 ارب روپے رہے۔

DIRECTORS' REPORT – FINANCIAL REVIEW

FINANCIAL PERFORMANCE

		2017	2016	2015	2014	2013	2012
PROFITABILITY RATIOS							
Gross profit ratio	%	19.95	24.77	34.05	38.29	46.36	48.47
Gross profit ratio (Including Subsidy)	%	25.38	31.34	35.18	38.29	46.36	48.47
Net profit to sales	%	11.81	16.17	19.76	22.37	27.03	28.07
Net profit to sales (Including Subsidy)	%	11.01	14.75	19.42	22.37	27.03	28.07
EBITDA margin to sales	%	22.47	30.07	32.97	35.61	42.74	44.98
EBITDA margin to sales (Including Subsidy)	%	20.95	27.44	32.40	35.61	42.74	44.98
Operating leverage ratio	Times	(0.33)	1.69	(0.93)	(1.10)	(28.57)	(0.17)
Return on equity (Profit after tax)	%	36.49	41.76	61.39	70.79	80.06	80.96
Return on equity (Profit before tax)	%	53.63	61.66	89.72	102.22	116.97	120.51
Return on capital employed	%	40.54	44.13	60.13	96.17	102.53	108.15
Pre tax margin	%	17.35	23.87	28.88	32.30	39.50	41.78
Pre tax margin (Including Subsidy)	%	16.18	21.78	28.39	32.30	39.50	41.78
Return on assets	%	9.86	12.99	20.92	20.98	29.69	34.38
Growth in EBTDA	%	(8.18)	(26.37)	(5.64)	(9.64)	(4.18)	(5.60)
Earning before interest, depreciation and tax	Rs in million	20,385	21,915	27,972	28,929	31,832	33,430
Earnings growth	%	(9.09)	(29.73)	(7.73)	(9.75)	(3.48)	(7.26)
Growth in Operating revenue	%	24.48	(14.09)	4.42	9.07	0.21	34.59
Growth in Operating revenue (Including Subsidy)	%	21.86	(7.49)	6.25	9.07	0.21	34.59
Capital Expenditure to total Assets	%	(3.02)	(2.20)	(4.09)	(4.02)	(3.38)	(3.74)
LIQUIDITY RATIOS							
Current ratio	Times	0.95	0.91	0.84	0.67	0.77	1.14
Quick / Acid test ratio	Times	0.88	0.72	0.58	0.59	0.66	1.01
Cash to current liabilities	Times	0.32	(0.15)	(0.18)	0.28	0.38	0.61
Cash flow from operations to sales	Times	0.38	0.10	(0.27)	0.36	0.34	0.25
Cash flow from operations to sales (Including Subsidy)	Times	0.36	0.09	(0.27)	0.36	0.34	0.25
Long term liabilities / current liabilities	%	34.35	52.24	63.39	13.14	24.35	28.71
ACTIVITY / TURNOVER RATIOS							
Inventory turnover ratio	Times	35	12	20	148	188	152
No. of days in inventory	Days	11	30	18	2	2	2
Debtors turnover ratio	Times	23	24	65	107	35	40
Debtors turnover ratio (Including Subsidy)	Times	10	13	42	107	35	40
No. of days in receivables	Days	16	15	6	3	11	9
No. of days in receivables (Including Subsidy)	Days	37	29	9	3	11	9
Creditors turnover ratio - GIDC	Times	5	18	4	3	9	97
- without GIDC	Times	99	90	85	124	144	97
No. of days in payables - GIDC	Days	72	20	88	124	42	4
- without GIDC	Days	4	4	4	3	3	4
Total assets turnover ratio	Times	0.84	0.80	1.06	0.94	1.10	1.23
Total assets turnover ratio (Including Subsidy)	Times	0.90	0.88	1.08	0.94	1.10	1.23
Fixed assets turnover ratio	Times	4.07	3.43	3.97	4.04	4.04	4.17
Fixed assets turnover ratio (Including Subsidy)	Times	4.36	3.76	4.04	4.04	4.04	4.17
Operating cycle - GIDC	Days	(45)	25	(64)	(119)	(29)	7
- without GIDC	Days	23	41	20	2	10	7
INVESTMENT / MARKET RATIOS							
Earnings per share (EPS) and Diluted EPS - restated	Rs	8.42	9.26	13.18	14.28	15.83	16.40
Price earning ratio	Times	9.40	11.27	8.95	8.20	7.07	7.14
Dividend yield ratio	%	7.66	7.18	8.82	11.99	13.77	12.29
Dividend payout ratio							
- Cash (interim & proposed final)	%	83	85	90	96	97	95
- Cash & stock (interim & proposed final)	%	83	85	90	96	97	95
Dividend cover ratio	Times	1.20	1.17	1.11	1.05	1.03	1.06
Cash dividend per share (interim & proposed final)	Rs	7.00	7.90	11.86	13.65	15.35	15.50
Stock dividend per share (interim & proposed final)	%	-	-	-	-	-	-
Market value per share							
- Year end	Rs	79.11	104.37	117.98	117.11	111.96	117.14
- High during the year	Rs	118.96	121.45	158.87	125.92	121.60	190.95
- Low during the year	Rs	70.07	102.71	109.40	106.51	100.00	105.75
Breakup value (net assets per share) - restated							
- Without revaluation reserves	Rs	23.07	22.17	21.47	20.18	19.77	20.25
- With revaluation reserves *	Rs	N/A					
Retention (after interim & proposed cash)	%	17	15	10	4	3	5
Change in market value added	%	(31.82)	(14.84)	(0.43)	5.14	(4.85)	18.35
Market price to breakup value	Times	3.96	4.96	6.26	5.64	5.64	6.23
CAPITAL STRUCTURE RATIOS							
Financial leverage ratio	Times	1.16	1.60	1.41	0.62	0.51	0.40
Weighted average cost of debt	%	6.61	6.53	7.53	10.48	10.08	12.47
Debt to equity ratio		35:65	37:63	37:63	9:91	15:85	13:87
Interest cover ratio	Times	7.37	8.23	17.61	31.91	39.91	32.08

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

Rs in million		2017	2016	2015	2014	2013	2012
SUMMARY OF BALANCE SHEET							
Share capital		12,722	12,722	12,722	12,722	12,722	12,722
Reserves		16,630	15,489	14,589	12,948	12,429	13,045
Shareholders' funds / Equity		29,352	28,211	27,311	25,670	25,151	25,767
Long term borrowings		15,572	16,653	15,893	2,500	4,280	3,870
Capital employed		44,924	44,864	43,204	28,170	29,431	29,637
Deferred liabilities		4,697	4,812	4,600	4,574	4,078	3,915
Property, plant & equipment		22,312	21,233	21,382	20,094	18,444	17,819
Long term assets		52,746	53,422	52,915	50,678	41,501	29,716
Net current assets / Working capital		(3,125)	(3,746)	(5,111)	(17,934)	(7,992)	3,836
Liquid funds (net)		25,963	1,748	2,981	24,787	13,539	17,763
SUMMARY OF PROFIT & LOSS							
Sales		90,714	72,877	84,831	81,240	74,481	74,323
Sales (including Subsidy)		97,316	79,856	86,321	81,240	74,481	74,323
Cost of sales		72,621	54,827	55,949	50,137	39,949	38,300
Gross profit		18,093	18,050	28,882	31,103	34,532	36,023
Gross profit (including Subsidy)		24,695	25,029	30,372	31,103	34,532	36,023
Distribution cost		8,574	7,154	6,814	6,431	6,167	5,554
Operating profit		9,519	10,896	22,068	24,672	28,365	30,469
Operating profit (including Subsidy)		16,121	17,875	23,558	24,672	28,365	30,469
Finance cost		2,471	2,406	1,475	849	756	999
Other income		10,324	10,665	6,194	4,721	4,368	4,268
Other expenses		1,631	1,761	2,285	2,303	2,558	2,685
Other income (excluding Subsidy)		3,722	3,686	4,704	4,721	4,368	4,268
Profit before tax		15,741	17,394	24,503	26,241	29,419	31,052
Provision for taxation		5,030	5,612	7,737	8,070	9,284	10,192
Profit after tax		10,711	11,782	16,766	18,171	20,135	20,860
EPS - Basic & Diluted (restated) - Rs		8.42	9.26	13.18	14.28	15.83	16.40
SUMMARY OF CASH FLOWS							
NET CASH FLOW FROM OPERATING ACTIVITIES							
Net profit before taxation		15,741	17,394	24,503	26,241	29,419	31,052
Adjustments for non cash & other items		(5,455)	(5,941)	(2,462)	(1,832)	(1,831)	(1,816)
Changes in working capital		27,310	196	(35,042)	14,774	8,182	(272)
Changes in long term loans and advances, deposits, prepayments and deferred liabilities		52	39	315	9	14	3
		27,362	235	(34,727)	14,783	8,196	(269)
		37,648	11,688	(12,686)	39,192	35,784	28,967
Finance cost paid		(2,553)	(2,386)	(1,237)	(753)	(759)	(1,054)
Income tax paid		(5,247)	(5,724)	(9,103)	(9,349)	(9,755)	(9,235)
Subsidy received on sale of fertilizer		4,911	3,396	-	-	-	-
Net cash generated from / (used in) operating activities		34,759	6,974	(23,026)	29,090	25,270	18,678
NET CASH FLOW FROM INVESTING ACTIVITIES							
Fixed capital expenditure		(3,285)	(2,000)	(3,279)	(3,479)	(2,295)	(2,270)
Interest received		721	1,107	1,758	1,283	1,242	1,276
(Increase) / Decrease in investments - net		151	(121)	54	(8,533)	(10,266)	2,869
Dividends received		1,924	2,265	2,720	2,578	2,586	2,815
Others		25	22	22	420	50	(3)
Net cash generated from / (used in) investing activities		(465)	1,273	1,275	(7,731)	(8,683)	4,687
NET CASH FLOW FROM FINANCING ACTIVITIES							
Long term financing - disbursements		7,000	7,350	18,621	-	1,950	3,000
- repayments		(7,684)	(4,665)	(2,499)	(1,460)	(1,513)	(2,015)
Dividends paid		(8,558)	(11,109)	(15,443)	(17,583)	(20,678)	(17,750)
Net cash generated from / (used in) financing activities		(9,242)	(8,424)	679	(19,043)	(20,241)	(16,765)
Net (decrease) / increase in cash and cash equivalents		25,052	(177)	(21,072)	2,316	(3,654)	6,600
Cash and cash equivalents at beginning of the year		(6,041)	(5,864)	15,281	13,013	16,571	9,963
Effect of exchange rate changes		(48)	-	(73)	(48)	96	8
Cash and cash equivalents at end of the year		18,963	(6,041)	(5,864)	15,281	13,013	16,571
OTHERS							
Market capitalization	Rs in Million	100,647	132,783	150,099	148,992	142,440	149,030
Numbers of shares issued	Million	1,272	1,272	1,272	1,272	1,272	1,272
Contribution to National Exchequer	Rs in million	41,242	45,004	59,781	45,027	43,534	43,189
Savings through Import Substitution	Million US$	534	474	654	833	969	1,061

DIRECTORS' REPORT – FINANCIAL REVIEW

FINANCIAL PERFORMANCE

QUANTITATIVE DATA

		2017	2016	2015	2014	2013	2012
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	868	841	849	816	775	799
Plant II - Goth Machhi	KT	825	823	774	804	803	772
Plant III - Mirpur Mathelo	KT	820	859	846	783	830	834
Total production - Sona Urea	KT	2,513	2,523	2,469	2,403	2,408	2,405
CAPACITY UTLIZATION							
Plant I - Goth Machhi	%	125%	121%	122%	117%	112%	115%
Plant II - Goth Machhi	%	130%	130%	122%	127%	126%	122%
Plant III - Mirpur Mathelo	%	114%	120%	118%	109%	116%	116%
Total capacity utlization	%	123%	123%	121%	117%	118%	117%
Sona Urea Sales	KT	2,697	2,428	2,408	2,371	2,409	2,399
Imported Fertilizer - Sales	KT	526	212	181	140	81	74

DIRECT METHOD CASH FLOW

Rs in million	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers - net	98,631	70,592
Cash paid to suppliers / service providers		
and employees - net	(60,060)	(57,064)
Payment to gratuity fund	(118)	(278)
Payment to pension fund	(89)	(97)
Payment to Workers' Welfare fund - net	(168)	(414)
Payment to Workers' Profit Participation fund - net	(550)	(1,050)
Finance cost paid	(2,553)	(2,386)
Income tax paid	(5,247)	(5,725)
Subsidy received on fertilizer	4,911	3,396
	34,757	6,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(3,285)	(2,000)
Proceeds from sale of property,		
plant and equipment	25	22
Interest received	721	1,107
Investment in Fauji Fresh n Freeze Limited	(560)	(1,200)
Decrease in other investment - net	711	1,079
Dividends received	1,924	2,265
Net cash used in from investing activities	(464)	1,273
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - disbursements	7,000	7,350
- repayments	(7,684)	(4,665)
Dividends paid	(8,557)	(11,109)
Net cash used in financing activities	(9,241)	(8,424)
Net decrease in cash and cash equivalents	25,052	(177)
Cash and cash equivalents at		
beginning of the year	(6,041)	(5,864)
Effect of exchange rate changes	(48)	-
Cash and cash equivalents at end of the year	18,963	(6,041)

CASH FLOW ANALYSIS
(Rs. million)

DIRECTORS' REPORT – FINANCIAL REVIEW

SIX YEAR ANALYSIS

OF FINANCIAL POSITION & PERFORMANCE

Price gains and favorable market conditions of 2011 were carried forward to 2012 and the Company earned its 2nd highest net profit in 2012. Therefore, variance analysis of subsequent years with 2012 is not applicable as it can project a picture of under performance. Apart from uncontrollable factors, including incremental Government levies, lower International prices, poor farm economics, price pressures from the Government, and change in taxation of imported fertilizer, our performance and profitability have been in line with our plans.

EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

Share capital of the Company increased to Rs 12.72 billion owing to issuance of 50% bonus shares in 2012. Reserves increased by Rs 3.59 billion net of bonus issue to Rs 16.63 billion owing to profit retention in view of upcoming diversification projects and capital expenditure. Consequently, Shareholders' equity of the Company increased by 14% from Rs 25.77 billion in 2012 to Rs 29.35 billion at the end of 2017.

NON-CURRENT LIABILITIES

Provision for compensated leave absences witnessed a steady increase over the past six years to Rs 1.47 billion, whereas deferred taxation stood at Rs 3.23 billion broadly in line with historic trends. Long term borrowings remained relatively low till 2014, however, in 2015 substantial debt was acquired to settle previously withheld GIDC and financing of working capital requirements. During 2017, decline of Rs 1.08 billion, net of additional borrowings, has been recorded, consequently at the year end long term borrowings stood at Rs 15.57 billion.

CURRENT LIABILITIES

Trade and other payables increased from Rs 16.13 billion in 2012 to Rs 37.90 billion in 2014 on account of GIDC retention under Court's rulings, which was subsequently settled in 2015. Securing of advance orders towards the end of the year and withholding of subsequent GIDC payments, under Court's rulings resulted in an increase in trade and other payables, which stood at Rs 39.22 billion at the close of 2017. Short term borrowings and current portion of long term borrowings exhibited substantial increase in 2015 and 2016 to fund working capital requirements due to unfavourable market conditions. Short term borrowings, however, reduced by Rs 10.64 billion compared to 2016 owing to normalization of fertilizer market and receipt of advance customer orders towards the end of the year.

ASSETS

NON-CURRENT ASSETS

Non-current assets of the Company mainly include property, plant & equipment and long term investments. Property, plant & equipment registered an increase of Rs 4.49 billion since 2012, primarily due to installation of natural gas compressors under the Company's sustainability plan, besides routine additions to plant and machinery, furniture, vehicles and etc. As part of FFC's strategy for diversification, the Company has diversified significantly since 2012 by acquiring an equity stake of 43.15% in AKBL and 100% in FFF. Consequently, long term investments including investment in PIBs stood at Rs 27.87 billion at the close of 2017, showing an increase of around 3 times since 2012.

CURRENT ASSETS

Current assets mainly comprise of stores and spares, stock in trade, trade debts, other receivables, short term investments and cash & bank balances. Till 2014, variation in current assets was primarily due to increase in short term investments which grew from Rs 18.75 billion in 2012 to Rs 27.43 billion in 2014. Whereas, in 2015 short term investments witnessed a decrease of 62% due to financing requirement for payment of outstanding GIDC obligation. In 2017, short term investments increased to Rs 30.88 billion owing to better cash availability.

Stock in trade surged from Rs 982 million in 2014 to Rs 5.10 billion in 2015 due to higher production of fertilizers and suppressed market conditions. Spill-over of these conditions in 2016 resulted in aggregate all fertilizer stock in trade balance of Rs 4.24 billion. In order to offload inventories, fertilizer sales were partially made on credit basis increasing trade debts to Rs 4.31 billion in 2016.

In 2017, the Company successfully offloaded its entire imported fertilizer stock and carried minimal stock in trade valued at Rs 395 million. Trade debts also reduced to Rs 3.72 billion owing to timely recovery of balances during the year and better cash sales ratio towards the end of the year. Whereas other receivables have substantially increased to Rs 13.97 billion due to unadjusted input sales tax and subsidy receivable from the Government.

DIRECTORS' REPORT – FINANCIAL REVIEW

SIX YEAR ANALYSIS

OF FINANCIAL POSITION & PERFORMANCE

PROFIT AND LOSS

REVENUE AND COST OF SALES

The Company has been consistently creating new revenue benchmarks since 2012, with the exception of 2016 where Government pricing pressures restricted revenue including subsidy to Rs 79.86 billion. However, in order to mitigate decline in urea revenue the Company marketed highest ever DAP fertilizer and created a new benchmark of aggregate revenue including subsidy of Rs 97.31 billion in 2017, 22% higher than 2016.

Cost of sales have increased at an annual average rate of around 12% since 2012 owing to imposition of GIDC, increase in gas cost, higher offtake of urea and imported fertilizers, besides general inflationary impact on production expenses.

GROSS PROFIT

Urea pricing pressures by the Government and reduction in urea subsidy by Rs 56 per bag during 2017 restricted growth in gross profit inclusive of subsidy to Rs 24.70 billion, which was broadly in line with last year. Gross profit including subsidy exhibited a negative compound annual growth rate of 8% over the past 6 years due to the aforementioned reasons.

DISTRIBUTION COST AND OPERATING PROFIT

Distribution cost increased at compound annual growth rate of 8% since 2012 owing to handling of record product volumes. However, the cost as a percentage of sales has remained broadly in line over the last six years. Operating profit including subsidy has reduced from Rs 30.47 billion in 2012 to Rs 16.12 billion in 2017 due to lower gross profit.

FINANCE COST

Finance cost exhibited nominal movement till 2014, however pursuant to financing of GIDC settlement in 2015 and consequent working capital requirements in view of depressed market conditions, finance cost increased from Rs 999 million in 2012 to Rs 2.41 billion in 2016. However, effective treasury management and better liquidity position towards the end of the year resulted in finance cost of Rs 2.47 billion, marginally higher by 3% compared to last year.

OTHER INCOME

Other income primarily comprises of dividend income and return on investments placed with financial institutions besides classification of subsidy as other income in compliance with applicable International Financial Reporting Standards (IFRS). Dividend income was recorded at Rs 2.28 billion including the first ever dividend by our wind power project FFCEL, however, it has declined by 19% compared to 2012 due to lower payout by FFBL owing to lower profitability. Aggregate other income stood at Rs 10.32 billion and has increased by over 2.4 times compared to 2012, owing to classification of subsidy on urea and DAP fertilizers.

TAXATION

Taxation charge has halved compared to 2012 due to low profitability of the Company. The effect of decrease in corporate tax rate from 35% to 30% has however been largely offset by imposition of Super Tax in 2015, 2016 and 2017.

CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

Consistent with the Company's sustained profitability, cash flows from operating activities witnessed a steady increase till 2014, however, retirement of GIDC obligation negatively affected cash generation in 2015. Better cash availability during the year improved cash generation from operating activities, which were recorded at Rs 34.76 billion compared to Rs 6.97 billion earned in 2016.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash outflows from investing activities comprise of investments in fixed capital expenditure and investments in subsidiaries & associates, besides being set-off by dividends on our equity investments. Cash flows fluctuated between net inflows and outflows over the last six years and net outflows of Rs 464 million were recorded in 2017 compared to net inflows of Rs 4.69 billion in 2012 owing to higher dividend receipts and lower equity investments.

CASH FLOWS FROM FINANCING ACTIVITIES

Regular dividend payments in view of the Company's commitment for sustained shareholders' return and repayment of long term borrowings are the primary reasons for net cash utilization in financing activities over the six years, except for 2015 when the Company acquired substantial debt to settle GIDC obligation.

Cash utilization of Rs 9.24 billion was recorded in 2017 compared to utilization of Rs 16.77 billion in 2012 owing to lower dividend payments in view of declining profitability.

RATIO ANALYSIS

PROFITABILITY RATIOS

Growth in operating revenue has seen an upward trend with the exception of 2016 when Government pricing pressures restricted revenue. Constantly increasing cost of sales including imposition of GIDC has pressurized gross profit margin including subsidy to 25% whereas effective cost controls enabled the Company to restrict decline in net profit margin including subsidy to 11%, despite lower dividend income and higher finance cost.

LIQUIDITY RATIOS

Liquidity ratios showed improvement against six years' average, including current ratio for the year which improved to 0.95 times compared to an average of 0.88 times mainly on account of increased short term investments owing to better cash availability towards the end of 2017. Cash to current liabilities remained positive till 2014, however due to settlement of GIDC in 2015, it was recorded at negative 0.18 times. Owing to the Company's better liquidity position in 2017, it has improved to positive 0.32 times, higher by 0.47 times compared to 2016.

ACTIVITY / TURNOVER RATIOS

The Company successfully offloaded its entire fertilizer stock during 2017 which resulted in reduced inventory turnover of 11 days in line with the last six years' average. Higher credit sales during the last 2 years resulted in debtor turnover of 16 days in 2017 compared to 9 days recorded in 2012. Creditor turnover days have increased to 72 days compared to six-year average of 58 days owing to withholding of GIDC under Court's rulings. The Company's operating cycle was thus recorded at negative 45 days compared to positive 7 days in 2012. Record fertilizers offtake resulted in improvement of fixed asset turnover ratio including subsidy to 4.36 times in 2017, higher by 0.60 times compared to 2016.

INVESTMENT / MARKET RATIOS

The Company's market share remained in the range of Rs 70 to Rs 119 closing at Rs 79.11 compared to Rs 104.37 at the close of last year which was in line with the decline witnessed by the fertilizer sector. Price earnings ratio of 9.40 times was higher by 8% compared to six years' average.

The breakup value moved positively to Rs 23.07 evidencing better operational performance of the Company. Dividend payout ratio for 2017 was recorded at above 83% against a six years' average of around 91% due to profit retention in view of diversification projects, translating into a total cash dividend for per share of Rs 7.00 for 2017.

CAPITAL STRUCTURE RATIOS

Financial leverage ratio of 1.16 times was higher than six years' average of 0.95 times but lower by around 28% compared to 2016 depicting improved cash generation from within the business. Debt to equity ratio also improved slightly to 35:65 compared to 37:63 recorded in 2016.

EPS AND RETURNON EQUITY

DIRECTORS' REPORT – FINANCIAL REVIEW

HORIZONTAL ANALYSIS

BALANCE SHEET

	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs. 13	2013	13 Vs. 12	2012	12 Vs. 11
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	-	12,722	-	12,722	-	12,722	-	12,722	-	12,722	50.00
Capital reserve	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	16,470	7.44	15,329	6.24	14,429	12.83	12,788	4.23	12,269	(4.78)	12,885	(8.22)
	29,352	4.04	28,211	3.30	27,311	6.39	25,670	2.06	25,151	(2.39)	25,767	13.61
NON - CURRENT LIABILITIES												
Long term borrowings	15,572	(6.49)	16,653	4.78	15,893	535.72	2,500	(41.59)	4,280	10.59	3,870	43.12
Deferred taxation	4,697	(2.39)	4,812	4.61	4,600	0.57	4,574	12.16	4,078	4.16	3,915	8.06
	20,269	(5.57)	21,465	4.74	20,493	189.69	7,074	(15.36)	8,358	7.36	7,785	23.04
CURRENT LIABILITIES												
Trade and other payables	39,218	259.40	10,912	34.48	8,114	(78.62)	37,904	73.44	21,854	35.52	16,126	30.79
Interest and mark - up accrued	191	(40.50)	321	19.78	268	793.33	30	36.36	22	(12.00)	25	(68.75)
Short term borrowings	11,539	(47.97)	22,177	23.06	18,021	55.31	11,603	65.76	7,000	40.28	4,990	(42.88)
Current portion of long term borrowings	6,832	6.19	6,434	42.66	4,510	153.37	1,780	21.92	1,460	1.81	1,434	(11.26)
Taxation	1,230	(1.52)	1,249	(11.61)	1,413	(43.50)	2,501	(37.21)	3,983	(12.33)	4,543	20.76
	59,010	43.60	41,093	27.12	32,326	(39.98)	53,818	56.82	34,319	26.55	27,118	2.24
TOTAL EQUITY AND LIABILITIES	108,631	19.68	90,769	13.28	80,130	(7.47)	86,562	27.62	67,828	11.80	60,670	9.25
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	22,312	5.08	21,233	(0.70)	21,382	6.41	20,094	8.95	18,444	3.51	17,819	4.50
Intangilbe assets	1,585	-	1,585	0.51	1,577	(2.11)	1,611	(2.48)	1,652	(1.61)	1,679	7.01
Log term investments	27,869	(6.03)	29,656	1.81	29,129	3.54	28,134	36.16	20,662	117.22	9,512	9.85
Long term Loans & advances	966	3.43	934	14.74	814	(1.09)	823	11.22	740	5.56	701	15.68
Long term deposits & prepayments	14	-	14	7.69	13	(18.75)	16	433.33	3	(40.00)	5	(50.00)
	52,746	(1.27)	53,422	0.96	52,915	4.41	50,678	22.11	41,501	39.66	29,716	6.53
CURRENT ASSETS												
Stores, spares and loose tools	3,496	1.98	3,428	0.94	3,396	2.44	3,315	2.16	3,245	4.71	3,099	26.64
Stock in trade	395	(90.68)	4,237	(16.92)	5,100	419.35	982	225.17	302	(31.67)	442	(30.61)
Trade debts	3,722	(13.56)	4,306	142.73	1,774	115.82	822	17.26	701	(80.59)	3,611	4,050.57
Loans and advances	1,634	80.95	904	(11.90)	1,025	(3.21)	1,059	14.98	921	35.84	678	56.94
Deposits and prepayments	78	56.00	50	28.21	39	50.00	26	(29.73)	37	2.78	36	(33.33)
Other receivables	13,965	80.15	7,752	176.17	2,807	152.43	1,073	34.13	800	35.82	589	(33.97)
Short term investments	30,883	118.34	14,144	36.86	10,335	(62.33)	27,433	44.70	18,959	1.11	18,750	(13.97)
Cash and bank balances	1,712	(32.22)	2,526	(7.78)	2,739	133.30	1,174	(13.80)	1,362	(63.67)	3,749	189.72
	55,885	49.64	37,347	37.23	27,215	(24.24)	35,884	36.30	26,327	(14.95)	30,954	12.00
TOTAL ASSETS	108,631	19.68	90,769	13.28	80,130	(7.47)	86,562	27.62	67,828	11.80	60,670	9.25

DIRECTORS' REPORT – FINANCIAL REVIEW

VERTICAL ANALYSIS

BALANCE SHEET

	2017		2016		2015		2014		2013		2012	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	11.71	12,722	14.02	12,722	15.88	12,722	14.71	12,722	18.76	12,722	20.98
Capital reserve	160	0.15	160	0.18	160	0.20	160	0.18	160	0.24	160	0.26
Revenue reserves	16,470	15.16	15,329	16.89	14,429	18.01	12,788	14.77	12,269	18.09	12,885	21.24
	29,352	27.02	28,211	31.09	27,311	34.09	25,670	29.66	25,151	37.09	25,767	42.48
NON - CURRENT LIABILITIES												
Long term borrowings	15,572	14.33	16,653	18.35	15,893	19.83	2,500	2.89	4,280	6.31	3,870	6.38
Deferred liabilities	4,697	4.33	4,812	5.30	4,600	5.74	4,574	5.28	4,078	6.01	3,915	6.45
	20,269	18.66	21,465	23.65	20,493	25.57	7,074	8.17	8,358	12.32	7,785	12.83
CURRENT LIABILITIES												
Trade and other payables	39,218	36.10	10,912	12.02	8,114	10.13	37,904	43.79	21,854	32.22	16,126	26.58
Interest and mark - up accrued	191	0.18	321	0.35	268	0.33	30	0.03	22	0.03	25	0.04
Short term borrowings	11,539	10.62	22,177	24.43	18,021	22.49	11,603	13.40	7,000	10.32	4,990	8.22
Current portion of long term borrowings	6,832	6.29	6,434	7.09	4,510	5.63	1,780	2.06	1,460	2.15	1,434	2.36
Taxation	1,230	1.13	1,249	1.38	1,413	1.76	2,501	2.89	3,983	5.87	4,543	7.49
	59,010	54.32	41,093	45.27	32,326	40.34	53,818	62.17	34,319	50.59	27,118	44.69
TOTAL EQUITY AND LIABILITIES	108,631	100.00	90,769	100.00	80,130	100.00	86,562	100.00	67,828	100.00	60,670	100.00
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	22,312	20.54	21,233	23.39	21,382	26.68	20,094	23.21	18,444	27.19	17,819	29.37
Intangible assets	1,585	1.46	1,585	1.75	1,577	1.97	1,611	1.86	1,652	2.44	1,679	2.77
Log term investments	27,869	25.65	29,656	32.67	29,129	36.35	28,134	32.50	20,662	30.46	9,512	15.68
Long term loans & advances	966	0.89	934	1.03	814	1.02	823	0.95	740	1.09	701	1.16
Long term deposits & prepayments	14	0.01	14	0.02	13	0.02	16	0.02	3	-	5	0.01
	52,746	48.55	53,422	58.86	52,915	66.04	50,678	58.54	41,501	61.180	29,716	48.99
CURRENT ASSETS												
Stores, spares and loose tools	3,496	3.22	3,428	3.78	3,396	4.24	3,315	3.83	3,245	4.78	3,099	5.11
Stock in trade	395	0.36	4,237	4.67	5,100	6.36	982	1.13	302	0.45	442	0.73
Trade debts	3,722	3.43	4,306	4.74	1,774	2.21	822	0.95	701	1.03	3,611	5.94
Loans and advances	1,634	1.50	904	0.99	1,025	1.28	1,059	1.22	921	1.36	678	1.12
Deposits and prepayments	78	0.07	50	0.05	39	0.05	26	0.03	37	0.05	36	0.06
Other receivables	13,965	12.86	7,752	8.54	2,807	3.50	1,073	1.24	800	1.18	589	0.97
Short term investments	30,883	28.43	14,144	15.58	10,335	12.90	27,433	31.69	18,959	27.95	18,750	30.90
Cash and bank balances	1,712	1.58	2,526	2.78	2,739	3.42	1,174	1.37	1,362	2.02	3,749	6.18
	55,885	51.45	37,347	41.13	27,215	33.96	35,884	41.46	26,327	38.820	30,954	51.01
TOTAL ASSETS	108,631	100.00	90,769	100.00	80,130	100.00	86,562	100.00	67,828	100.00	60,670	100.00

DIRECTORS' REPORT – FINANCIAL REVIEW

HORIZONTAL ANALYSIS

PROFIT AND LOSS ACCOUNT

	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs. 13	2013	13 Vs. 12	2011	11 Vs. 10
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Sales	90,714	24.48	72,877	(14.09)	84,831	4.42	81,240	9.07	74,481	0.21	74,323	34.59
Cost of sales	72,621	32.45	54,827	(2.01)	55,949	11.59	50,137	25.50	39,949	4.31	38,300	83.50
Gross profit	18,093	0.24	18,050	(37.50)	28,882	(7.14)	31,103	(9.93)	34,532	(4.14)	36,023	4.87
Distribution cost	8,574	19.85	7,154	4.99	6,814	5.96	6,431	4.28	6,167	11.04	5,554	27.04
	9,519	(12.64)	10,896	(50.63)	22,068	(10.55)	24,672	(13.02)	28,365	(6.91)	30,469	1.64
Finance cost	2,471	2.70	2,406	63.12	1,475	73.73	849	12.30	756	(24.32)	999	27.10
Other expenses	1,631	(7.38)	1,761	(22.90)	2,284	(0.83)	2,303	(9.97)	2,558	(4.77)	2,686	1.17
	5,417	(19.50)	6,729	(63.25)	18,309	(14.92)	21,520	(14.10)	25,051	(6.47)	26,784	0.93
Other income	10,324	(3.20)	10,665	72.18	6,194	31.20	4,721	8.08	4,368	2.34	4,268	(35.63)
Net profit before taxation	15,741	(9.50)	17,394	(29.01)	24,503	(6.62)	26,241	(10.80)	29,419	(5.26)	31,052	(6.37)
Provision for taxation	5,030	(10.37)	5,612	(27.47)	7,737	(4.13)	8,070	(13.08)	9,284	(8.91)	10,192	(4.52)
Net profit after taxation	10,711	(9.09)	11,782	(29.73)	16,766	(7.73)	18,171	(9.75)	20,135	(3.48)	20,860	(7.26)
EPS	8.42	(9.09)	9.26	(29.73)	13.18	(7.73)	14.28	(9.75)	15.83	(3.48)	16.40	(7.26)

VERTICAL ANALYSIS

PROFIT AND LOSS ACCOUNT

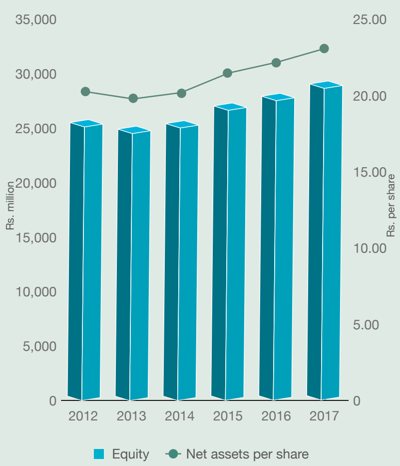
	2017		2016		2015		2014		2013		2012	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Sales	90,714	100.00	72,877	100.00	84,831	100.00	81,240	100.00	74,481	100.00	74,323	100.00
Cost of sales	72,621	80.05	54,827	75.23	55,949	65.95	50,137	61.71	39,949	53.64	38,300	51.53
Gross profit	18,093	19.95	18,050	24.77	28,882	34.05	31,103	38.29	34,532	46.36	36,023	48.47
Distribution cost	8,574	9.45	7,154	9.82	6,814	8.03	6,431	7.92	6,167	8.28	5,554	7.47
	9,519	10.49	10,896	14.95	22,068	26.01	24,672	30.37	28,365	38.08	30,469	41.00
Finance cost	2,471	2.72	2,406	3.30	1,475	1.74	849	1.05	756	1.02	999	1.34
Other expenses	1,631	1.80	1,761	2.42	2,284	2.69	2,303	2.83	2,558	3.43	2,686	3.61
	5,417	5.97	6,729	9.23	18,309	21.58	21,520	26.49	25,051	33.63	26,784	36.04
Other income	10,324	11.38	10,665	14.63	6,194	7.30	4,721	5.81	4,368	5.86	4,268	5.74
Net profit before taxation	15,741	17.35	17,394	23.87	24,503	28.88	26,241	32.30	29,419	39.50	31,052	41.78
Provision for taxation	5,030	5.54	5,612	7.70	7,737	9.12	8,070	9.93	9,284	12.46	10,192	13.71
Net profit after taxation	10,711	11.81	11,782	16.17	16,766	19.76	18,171	22.37	20,135	27.03	20,860	28.07
EPS	8.42		9.26		13.18		14.28		15.83		16.40	

DIRECTORS' REPORT – FINANCIAL REVIEW

GRAPHICAL PRESENTATION

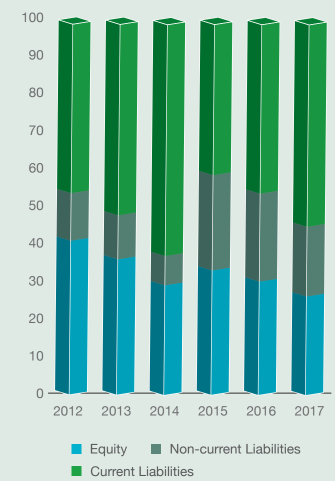
BALANCE SHEET

EQUITY & NET ASSETS PER SHARE



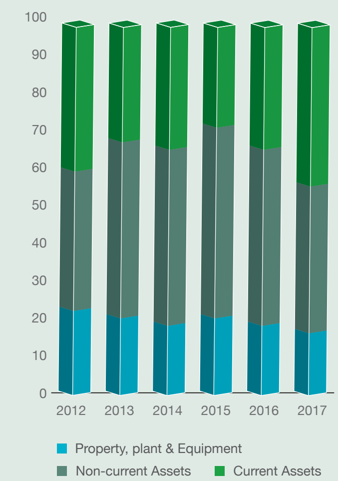
BALANCE SHEET ANALYSIS - EQUITY & LIABILITIES

(Percentage)



BALANCE SHEET ANALYSIS - ASSETS

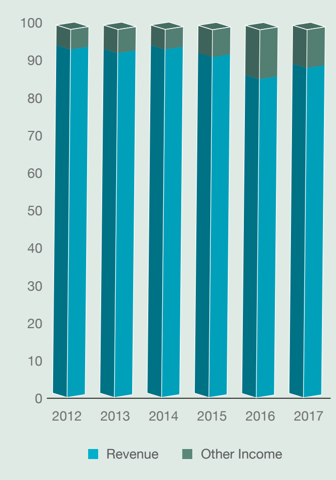
(Percentage)



PROFIT AND LOSS ACCOUNT

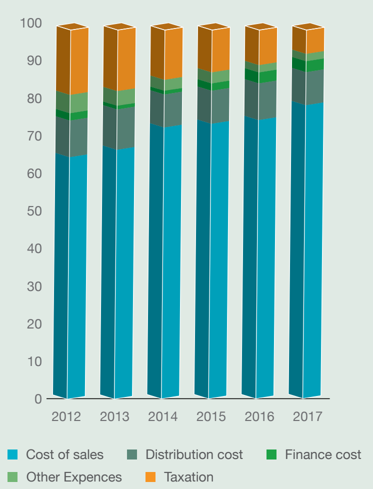
PROFIT AND LOSS ANALYSIS - INCOME

(Percentage)



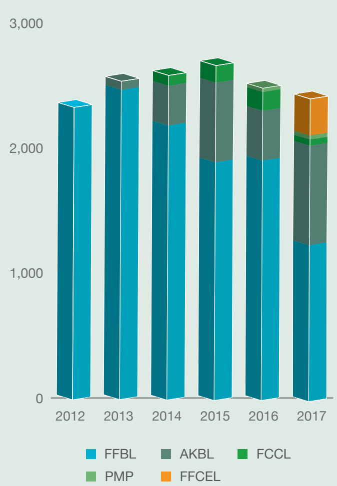
PROFIT & LOSS ANALYSIS - EXPENSIS

(Percentage)



DIVIDEND INCOME

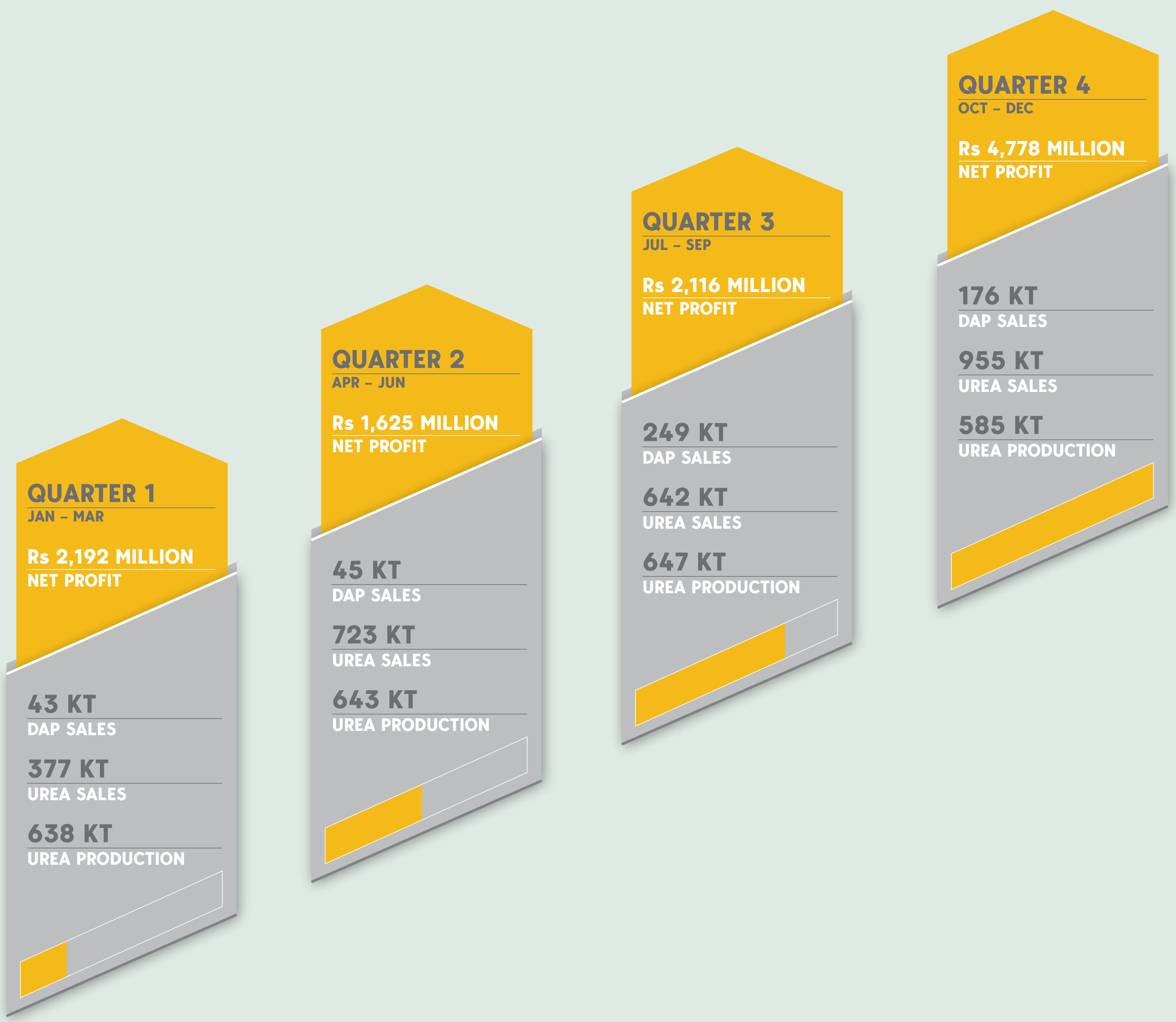
(Rs. million)



DIRECTORS' REPORT – FINANCIAL REVIEW

QUARTERLY ANALYSIS – 2017

Rs '000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Sales	11,190,349	18,970,955	27,588,722	32,964,088	90,714,114
Sales (including Subsidy)	12,599,219	21,422,652	28,705,463	34,588,677	97,316,011
Cost of sales	8,588,999	15,333,988	22,264,176	26,433,748	72,620,911
Gross profit	2,601,350	3,636,967	5,324,546	6,530,340	18,093,203
Gross profit (including Subsidy)	4,010,220	6,088,664	6,441,287	8,154,929	24,695,100
Distribution cost	1,675,645	2,394,821	2,464,227	2,039,388	8,574,081
	925,705	1,242,146	2,860,319	4,490,952	9,519,122
Finance cost	535,871	666,062	715,255	553,484	2,470,672
Other expenses	308,855	360,721	368,760	592,414	1,630,750
	80,979	215,363	1,776,304	3,345,054	5,417,700
Other income	2,779,152	2,787,632	1,549,098	3,207,733	10,323,615
Other income (excluding Subsidy)	1,370,282	335,935	432,357	1,583,144	3,721,718
Net profit before taxation	2,860,131	3,002,995	3,325,402	6,552,787	15,741,315
Provision for taxation	668,000	1,378,000	1,209,000	1,775,000	5,030,000
Net profit after taxation	2,192,131	1,624,995	2,116,402	4,777,787	10,711,315



QUARTER 1

PRODUCTION

Delivering on our commitment of operational excellence, the Company recorded highest ever first quarterly Sona urea production of 638 thousand tonnes, 4% higher than last year, with an efficiency factor of 125% against 120% achieved during the corresponding period of last year.

	Q 1	Q 2	Q 3	Q 4	Annual
EPS	1.72	1.28	1.66	3.76	8.42
DPS	1.50	1.00	1.50	3.00*	7.00

* Proposed

SALES, REVENUE AND INCOME

Urea offtake during the quarter improved by 5% to 377 thousand tonnes despite stagnant marketing conditions, whereas, DAP sales increased by 3 times compared to the sales volume achieved during the same period of 2016. Pricing pressures continued to impact revenues, however, realignment of our product portfolio resulted in DAP revenue of Rs 1.98 billion, including subsidy, translating into an aggregate first quarter revenue of Rs 12.60 billion, higher by 7% compared to last year. Other income was restricted to Rs 1.37 billion, due to reduced dividends from our equity investments and was 47% lower than the corresponding year.

OPERATING COSTS

(COST OF SALES AND DISTRIBUTION COSTS)

Despite higher offtake, cost of sales recorded at Rs 8.59 billion was in line with the corresponding period, due to reduced natural gas rates. Transportation and warehousing expenses associated with higher urea production and increased DAP imports resulted in escalation of distribution costs to Rs 1.68 billion, 10% higher than last year.

PROFIT

Higher offtake resulted in a gross margin of 32%, including subsidy, higher by 5% when compared to the same period of last year. However, lower dividend from our equity investments restricted net profit to Rs 2.19 billion representing a 20% decline from the same period last year. In line with our strategy to provide a consistent dividend stream to the shareholders, first interim dividend of Rs 1.50 per share was declared by the Board, representing a payout ratio of 87%.

NET ASSETS

Total assets of the Company recorded a decline of 4% to Rs 86.84 billion during the first quarter due to encashment of short term investments to meet working capital requirements. Lower profitability and payment of final dividend resulted in net assets of Rs 26.87 billion, lower by Rs 1.34 billion compared to the December 2016.

QUARTER 2

PRODUCTION

Improving on our production efficiencies, FFC achieved the highest ever second quarterly Sona urea production of 643 thousand tonnes, approximately 1% higher than the previous quarter and corresponding period of last year.

SALES, REVENUE AND INCOME

With an aim to maximize shareholders' return in view of anticipated reduction of subsidy, concerted marketing efforts resulted urea offtake 723 thousand tonnes, 92% higher than the previous quarter and 24% higher than the corresponding quarter of last year. Resultantly, the Company earned an aggregate revenue of Rs 21.42 billion, including subsidy and sale of imported fertilizers, marking an increase of 70% compared to the last quarter and 20% higher than last year. Other income of Rs 336 remained broadly in line with the corresponding period of last year.

OPERATING COSTS

(COST OF SALES AND DISTRIBUTION COSTS)

Increased sales volume of urea and imported fertilizers resulted in cost of sales of Rs 15.33 billion, 79% higher than the last quarter. Distribution cost of Rs 2.39 billion increased by 43% compared to the last quarter primarily due to transportation of imported fertilizers to the company's warehouses.

DIRECTORS' REPORT – FINANCIAL REVIEW

QUARTERLY ANALYSIS – 2017

PROFIT

Gross profitability witnessed an increase of 52% compared to the previous quarter, however, lower urea selling prices and higher distribution costs coupled with unexpected imposition of Super tax on previous year's earnings resulted in net profit of Rs 1.63 billion, 26% below the previous quarter. The Company earned an aggregate net profit of Rs 3.82 billion for the six months ended June 30, 2017 and declared second interim dividend of Rs 1.00 per share compared to Rs 1.55 declared in the previous year.

NET ASSETS

Asset base increased to Rs 107.86 billion marking an increase of 24% compared to the preceding quarter primarily on account increase in debtors to encourage offtake and higher inventory of DAP. Lower net assets of Rs 26.54 billion were due to lower profitability and payment of first interim dividend.

QUARTER 3

PRODUCTION

Urea production for the third quarter recorded yet another benchmark, attaining highest ever third quarter Sona urea production of 647 thousand tonnes, representing a capacity utilization of 126%, which was 1% higher than the previous quarter and 4% higher than the corresponding quarter of last year.

SALES, REVENUE AND INCOME

Higher offtake by the dealers during the previous quarter resulted market stagnancy, however, the Company recorded sales of 642 thousand tonnes (including exports). Record quarterly DAP sales of 249 thousand tonnes during the quarter helped arrest the decline in urea revenues which was caused by reduction in subsidy and the oversupply situation.

Total revenue recorded at Rs 28.71 billion was higher by 69% compared to average revenue for the previous two quarters and 45% higher than the corresponding quarter of last year. Dividend income from associated companies of Rs 187 million, further augmented company's earnings.

OPERATING COSTS

(COST OF SALES AND DISTRIBUTION COSTS)

In line with increased sales, cost of sales for the quarter were recorded at Rs 22.26 billion representing an increase of 45% compared to the previous quarter. Distribution cost of Rs 2.46 billion remained broadly in line with previous quarter, but was higher by 43% compared the corresponding quarter of last year due to transportation costs associated with higher fertilizer imports.

PROFIT

Despite higher offtake of urea and imported fertilizers, net profit for the quarter was restricted to Rs 2.12 billion due to reduction in subsidy coupled with change in taxation of imported fertilizer to Final Tax Regime, which resulted in higher tax charge for the quarter. Aggregate per share earnings of Rs 4.66 was recorded for the nine months ended September 30, 2017, 21% lower than the corresponding period of last year. The Company declared a dividend of Rs 1.50 per share, depicting a profit payout ratio of 90%.

NET ASSETS

Total assets increased by 3% to Rs 111.34 billion in comparison with the second quarter of 2017, primarily due to accumulation of subsidy receivable from the Government and higher short term investments. Higher profits resulted in increased net assets to Rs 27.34 billion, 3% more than the previous quarter.

QUARTER 4

PRODUCTION

The Company produced 585 thousand tonnes of urea during the last quarter of 2017, 9% below the average of the last three quarters, owing to planned turnaround activities at Plant-III.

Exhibiting consistent operational excellence, FFC achieved a capacity utilization of 123% with the second highest annual Sona urea production of 2,513 thousand tonnes, only 10 thousand tonnes lower than last year. The Company also imported 85 thousand tonnes of DAP during the quarter.

SALES, REVENUE AND INCOME

Sona urea recorded highest ever quarterly offtake of 955 thousand tonnes, 65% higher than the average of the last three quarters and 15% higher than the corresponding quarter of last year translating into record annual offtake of 2,697 thousand tonnes, 11% higher than 2016. The entire stock of DAP as well as imported fertilizer was marketed the quarter and the Company recorded highest ever all products offtake of 3,223 thousand tonnes.

A new benchmark of highest ever quarterly revenue of Rs 34.58 billion was created during the quarter, 14% higher than last year and 20% higher than the previous quarter. Record all products offtake resulted in a record annual revenue of Rs 97.31 billion, 22% higher than last year which included highest ever imported fertilizer revenue of Rs 25.73 billion, besides proceeds of Rs 5.07 billion from exports of urea.

FFCEL announced its first ever dividend of Rs 500 million during the quarter which resulted in aggregate dividend income of Rs 1.04 billion during the quarter, over 7 times higher compared to the corresponding quarter of last year.

OPERATING COSTS

(COST OF SALES AND DISTRIBUTION COSTS)

Highest all fertilizer offtake during the quarter, besides cost of maintenance turnaround resulted in cost of sales of Rs 26.44 billion, higher by 72% compared to the average of last three quarters and 24% from the same quarter last year. Aggregate cost of sales for the year stood at Rs 72.62 billion, 32% higher than last year. Distribution cost at Rs 2.04 billion was 12% lower than the corresponding quarter last year and 6% lower than the average of first three quarters of 2017.

PROFIT

Gross profit stood at Rs 8.15 billion, 48% higher than the average of last three quarters, owing to higher fertilizer offtake. Aggregate gross profit of Rs 24.70 billion was only marginally below last year despite reduction in urea subsidy of Rs 56 per bag. Dividend income augmented Company margins and net profit for the quarter stood at Rs 4.77 billion, over 2.4 times higher than the average of first three quarters. The Company achieved a net profit of Rs 10.71 billion for the year, 9% below last year.

NET ASSETS

Total assets of the Company were recorded at Rs 108.63 billion, 20% higher compared to last year, mainly on account of increase in short term investments and subsidy receivable from Government. Net assets registered an increase of 4% from last year primarily due to higher profit retention.

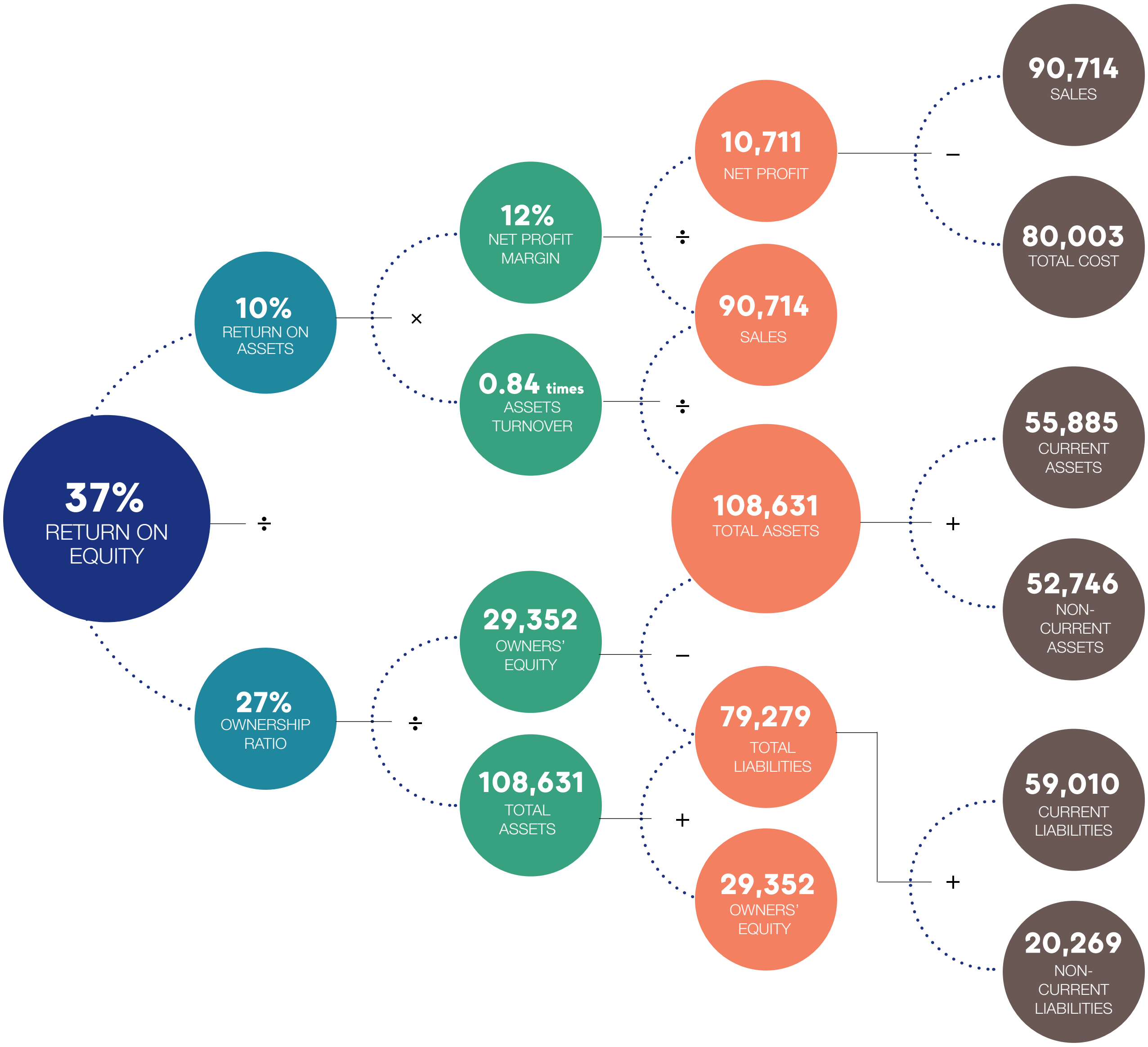
ANALYSIS OF VARIATION IN INTERIM RESULTS WITH FINAL ACCOUNTS

Gross profit margin reduced from 32% in the first quarter to 25% at the year-end due to higher cost of sales associated with increased volumes of imported DAP besides reduction in urea subsidy. Supported by strong dividend inflow from associated companies, FFC's net profit margin for the first quarter stood at 17%, which reduced to 11% at the end of the year owing to re-imposition of Super Tax and change in tax regime for imported fertilizers.

Despite carrying a urea inventory of 455 thousand tonnes at the end of the first quarter, the Company successfully marketed its entire fertilizers stock and carried a minimal urea inventory of 8 thousand tonnes at the end of the year.

Higher collections from sales and advance from customers, towards the year end, resulted in increased short term investments recorded at Rs 30.88 billion, 118% higher compared to last year.

DUPONT ANALYSIS



ANALYSIS

Current assets increased by 50% driven by increase in short term investments and subsidy receivable, increasing the total assets by 20% to Rs 108.63 billion, which resultantly decreased the ownership ratio to 27% and return on assets to 10%. Sales revenue increased by 24% on account of highest ever all fertilizer offtake during 2017. Discriminatory levy of GIDC, and urea price capping by the Government , besides persistent application of Super tax resulted in net margin of 12% compared to 16% earned last year, which resulted in return on equity to 37% in 2017.

	2017	2016
Tax burden	32%	32%
Interest burden	14%	12%
EBIT margin	20%	27%
Asset turnover	0.84	0.80
Leverage	73%	69%
Return on Equity	**37%**	**42%**

DIRECTORS' REPORT

FINANCIAL REVIEW

LIQUIDITY POSITION ANALYSIS

The Company's working capital, comprising of short term investments & cash and bank balances, increased by approximately Rs 16 billion to Rs 32.60 billion on account of improved cash collections and proactive treasury operations, however, withholding of GIDC under Court rulings increased trade and other payables to Rs 39.22 billion. FFC's strength to timely settle all liabilities is evidenced through its strong cash generating abilities and supported by its credit rating of A1+ for short term and AA for long term.

LIQUIDITY AND CASH FLOW MANAGEMENT

STRATEGY TO OVERCOME LIQUIDITY PROBLEMS

The Company has implemented a proactive cash management system to ensure smooth working capital management. Internal cash generation, secured through sales revenues, dividends from our diversified equity investments besides borrowings are used to meet liquidity requirements of the Company. However, minimal reliance is placed on external cash generation, which ensures a lower financial cost.

Treasury Management System ensures availability of an effective mechanism for investment of surplus funds on favourable rates, which contribute to the investment income of the Company, while also ensuring sufficient funds are available for operational requirements.

Controls on customer credit and securing of advance orders optimizes the revenue realization, whereas dividend streams from our strategic equity investments further augment cash flows.

TREASURY MANAGEMENT

Funds in excess of the operational requirements are invested on a timely basis through a robust Treasury Management System of the Company with a focus on maintaining an adaptable portfolio of investments by placing funds in the money market / Government securities, term deposits with banks / financial institutions and any other investment schemes, to enhance profitability and increase shareholders' return.

The Treasury Management System uses the following objectives and tools to manage risk:

- 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 operations as well as further placements to generate incremental revenues and cash flows
- Periodic evaluation of planned revenues from sales / investment income and comparison with the timing and quantum of working capital requirements
- Investment through short / long term placements, with high credit rated institutions to minimize credit risk
- Maintenance of a fairly diversified portfolio to earn maximum returns, remaining within prudent levels of risks and exposure

FINANCING ARRANGEMENTS

With a view to maximize shareholders' returns, the Company places high priority on internal generation of funds. External financing is obtained only after exhaustive cash flow forecasting, keeping in view the various outflow requirements of the Company. External financing is preferred on short term basis over long term on account of lower financing costs.

Efficient cash management and securing of advance orders towards the end of the year resulted in 25% reduction of total borrowings to Rs 33.94 billion compared to last year, which includes short term and current maturity. Financial institutions have also provided corporate guarantees of around Rs 102 million on behalf of the Company, whereas, the Company has letter of credit facilities of up to Rs 13.58 billion which are available against lien on shipping / title documents and charge on FFC's assets.

Timely retirement of debt and reduced short term borrowings have resulted in enhanced borrowing capacity of the Company.

CAPITAL STRUCTURE

Equity increased by 4% to Rs 29.35 billion, owing to enhanced revenue reserves of Rs 16.18 billion, higher by 9% compared to 2016. Fauji Foundation remains the major shareholder of the Company, controlling an equity stake of 44.35%.

Reduced short term borrowings close to the year end resulted in reduction of financial leverage to 1.16, whereas debt:equity ratio improved to 35:65 from 37:63 recorded last year.

DIRECTORS' REPORT

FINANCIAL REVIEW

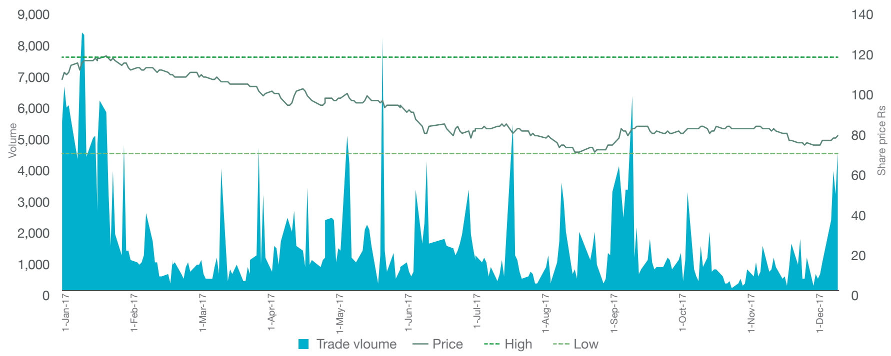
Improved financial leverage and debt equity ratio have further strengthened the capital structure of the Company.

REPAYMENT OF DEBTS AND RECOVERY OF LOSSES

The Company's strong credit worthiness is evidenced by our long term credit rating of AA and short term rating of A1+. Amounts due during the year pertaining to long term borrowings were appropriately settled, whereas short term debt in excess of the Company's requirement was also retired. FFC also repriced its long term borrowings on lower rates to augment profitability and shareholders' return.

Long term borrowings of Rs 7.68 billion were retired, whereas in view of capital expenditure requirements and lower financing rates, further borrowings of Rs 7 billion were obtained during the year. Long term borrowings at the end of the year stood at Rs 15.57 billion, around 6% below last year. The Company's cash flow forecast provides sufficient assurance of its ability to settle its short term and long term borrowings on a timely manner. The Company has sufficient unutilized debt raising capacity for future operational and diversification requirements besides managing recovery of losses, if any.

SHARE PRICE & VOLUME

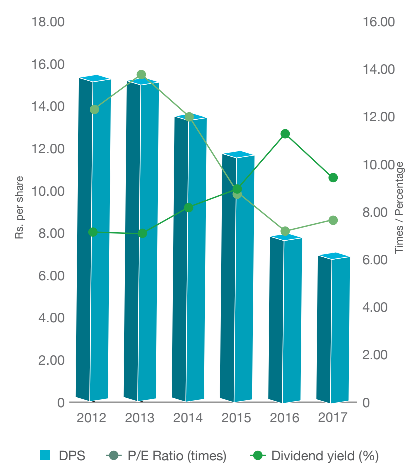


CAPITAL MARKET & MARKET CAPITALIZATION

The Company's shares are quoted on the Pakistan Stock Exchange (PSX) which is the Country's only stock exchange and the indicator of capital market performance. Owing to multiple factors PSX remained under pressure and total market capitalization declined by 12% since last year to Rs 8,513 billion, whereas the Index closed the year with a decline of 16% to 40,371 points compared to last year.

Share trading volume of fertilizer industry, excluding FFC, witnessed a decline of around 19%, whereas firm investor confidence in FFC resulted in 43% higher trading of the Company's shares. FFC's share price achieved a high of Rs 118.96 per share and a low of Rs 70.07 per share, whereas it stood at Rs 79.11 at the end of 2017.

DPS, P/E RATIO & DIVIDEND YIELD



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

The Company also maintained its first position on the PSX Top 25 Companies list by securing its 7th consecutive top placement.

SENSITIVITY ANALYSIS

FFC's operations are subject to various variables, both critical and non-critical, which may impact profitability margins. However, most of these variables are external and are beyond the control of the Company.

As part of its Risk Mitigation strategy, elaborated along with mitigation of key sensitivities and other risks under the **Risk Mitigation section** of this Annual Report 2017, impact of different variables on the profitability of the Company are regularly evaluated by carrying out scenario analysis besides preparation of financial projections. Factors affecting Company margins may also influence the share price of FFC.

SENSITIVITIES	NPAT (Rs M)	EPS (Rs)
Gas Consumption / Price (+/- 1%)	163	0.13
Sales Volume (+/- 1%)	327	0.26
Dividend Income (+/- 5%)	93	0.07
Selling Price (+/- 1%)	589	0.46
Downtime (+/- 2 Days)	76	0.06
Exchange Valuation (+/- 5%)	49	0.04
Income on Deposits (+/- 5%)	38	0.03
Finance Cost (+/- 5%)	81	0.06

KEY SENSITIVITIES

UREA PRODUCTION & COST OF SALES

The Company's operational performance remained in line with the planned target for 2017.

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

Discriminatory GIDC levy and depleting gas reserves continue to pose a significant risk to sustained production and profitability of the Company. However, in order to mitigate these risks, the Company has incorporated efficient cost controls besides enhancing its operational efficiencies and exploring new avenues to ensure not only sustained returns but also food security for the Country. Our highly qualified team of engineers regularly inspects the three plants and carry out maintenance activities to ensure sustainable production and operational efficiency.

SALES VOLUME & PRICES

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

Various marketing factors including levies and inflationary increase in costs influence management's decision on determining sale prices of the Company's products.

Government urea price intervention since last year has resulted in significant absorption of production costs, which has reduced Company margins.

DIVIDEND INCOME

The Company has strategic investments in fertilizer, banking, renewable energy and cement sectors, which are subject to their own financial and non-financial risks, hence, their performance and payout is not in direct control of the Company.

Since FFC and FFBL are subject to the same business conditions, factors affecting the Company may also impact FFBL's performance, however, AKBL, FCCL, FFCEL, FFF and PMP are subject to different sensitivities.

OTHER INCOME

Returns earned on placement of excess funds in Government securities, bank deposits and other financial institutions depend on the prevailing interest rates / KIBOR, besides the Company's ability to efficiently generate and deploy excess funds in high yield investments.

FINANCE COST

As and when required, the Company meets its cashflow requirements from borrowings, which in addition to base rate / KIBOR carries a spread. Variation in interest rates / KIBOR, being subject to economic and market conditions, are beyond the Company's control, however, spread is decided after negotiations with banks to keep finance costs at an acceptable level.

Variations in policy rates, not being in the Company's control, may have a bearing on financial expenditure.

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FOREIGN EXCHANGE RISK

Foreign currency denominated monetary assets and liabilities 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.

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

PROSPECTS OF THE ENTITY

Offloading of opening urea inventory and entire production resulted in record offtake of urea & DAP besides achieving the highest ever aggregate fertilizer revenue during the year, which coupled with optimization of cost controls, first ever payout by FFCEL and substantial contribution by AKBL to the dividend income of FFC, supports the achievement of the Company's goals of sustained earnings and returns to shareholders.

Depleting gas reserves pose significant threat to the Company, however, FFC's management is actively evaluating and implementing various innovative technologies to sustain production, including evaluation of installation of further gas compressors and construction of a new transmission line from Mari gas field.

AKBL is also progressing on its strategy to increase its footprint in Pakistan with a branch network of 515 branches.

Major milestone of the fertilizer expansion project in Tanzania was achieved by incorporating project Joint Venture Company "TAMPCO".

FFC is also in final stages for participating in Thar-coal based power project in collaboration with local and international partners.

FINANCIAL MEASURES

An estimation of various factors and variables was used to project targets for 2017. Most of these variables are outside the control of the Company while others can either be monitored or their impact can be alleviated to a possible extent.

Despite unfavourable market, concerted management efforts resulted in creation of two new benchmarks in terms of aggregate fertilizer offtake and revenues in excess of our targets for the year.

Company's cost of production is susceptible to external factors including variations in prices of raw materials, taxes and levies, currency strength, gas availability besides natural calamities and weather conditions.

Changes in the product mix, efficient cost controls including tight monitoring of budgetary provisions, and effective treasury management ensured achievement of FFC's financial targets and goals for the year with a net profit of Rs 10.71 billion, despite unfavorable market conditions in addition to levy of GIDC, continuing application of Super tax, and higher tax charge on imported fertilizers.

Looking ahead, supply of gas to our competitors at concessionary rates, Government pricing pressure, changes in tax regimes, injudicious GIDC charge, coupled with additional levies continue to pressurize profit margins of the Company. Further, fluctuating international urea prices also pose a threat to future margins. Improvement in the local fertilizer demand and normalizing of market conditions, however, provide positive outlook for the industry and the Company is fully geared to mitigate any risks for sustained financial performance and providing returns to its shareholders.

NON-FINANCIAL MEASURES

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

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

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

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

External risks to the Company's performance are beyond the management's control including Governmental price intervention, levies, and changes in taxation and other polices, which have a material bearing on the management's objectives. 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 2017.

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

Management's assessment of target achievement is further evidenced through regular returns from FFBL, AKBL, FCCL, PMP and first ever dividend payout of Rs 500 million by FFCEL besides satisfactory progress of other projects as per plan.

The Company's high dividend payout history, even during uncertain market environments, besides local and international recognitions for transparency, sustainability and good governance, is a testament to the Company's performance and achievement of management's objectives.

COST ACCOUNTING RECORD AND AUDIT

The specified Cost Accounting Statements, the Report and other information for the financial year ended December 31, 2016 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.

SECP has informed that after promulgation of Companies Act 2017, requirement to appoint Cost Auditor no longer applies till further notification by the regulatory authorities.

RISK AND OPPORTUNITY REPORT

As customary with businesses, fertilizer sector in Pakistan is also subject to specific risks besides being affected by the changes in macro-economic environment. The Company performs an in-depth analysis of internal and external risks, and industry risks in order to develop effective mitigating strategies.

KEY SOURCES OF UNCERTAINTY

International Financial Reporting Standards require management to make judgments, estimates and assumptions while preparing financial statements which affects 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. Details of significant accounting estimates and judgments including those related to retirement benefits, estimation of useful life of property, plant and equipment and intangible assets, recoverable amount of goodwill and investment in associated companies along with provision of taxation, have been disclosed in note 3 to the Company's financial statements and consolidated financial statements.

STRATEGIC, COMMERCIAL, OPERATIONAL AND FINANCIAL RISKS

In view of various risks and uncertainties prevalent for business organizations, the Company has proactively instilled a culture of risk management and placed effective systems for timely identification, assessment and mitigation of various risks it is exposed to in the normal course of business.

The strategic, commercial, operational and financial risks can 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.

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

STRATEGIC RISKS

Strategic risks, which are mostly external, emanate from the formation of Company's strategic objectives and business strategy decisions and may impact execution thereof. The Board of Directors actively oversees the management of these risk and creates mitigating strategies wherever required.

COMMERCIAL RISKS

These risks are associated with the commercial substance of an organization. Reduction in an entity's market share, product price regulation or other regulatory amendments posing threat to the organization's profitability and commercial viability are a few examples of these risks 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 its contractual obligations, and arises principally from trade debts, investments, loans and advances, deposits, other receivables, short term investments and bank balances.

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

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 has maintained its 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 proactively ensures availability of sufficient cash through availability of adequate lines of credit, to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot 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 the Company'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 competent human resources in each area of critical Company operations

- The System & Technology Committee evaluates the need for technological upgradation in various processes to reduce the risk of obsolescence and inefficiency in plant operations besides determining the capital expenditure requirements to sustain plant efficiencies while keeping control over unnecessary cash 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 recommendation to the Board

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 and are also monitored by authorized management personnel. 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 actions. Senior management assesses the risks and places appropriate controls to mitigate and respond to these risks

IV. PERFORMANCE MANAGEMENT

A cycle of 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 stringent cost controls 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 and output optimization.

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FINANCIAL REVIEW

Risk Level	Risk description	Mitigating strategy
Low	Over-diversification leading to inadequate management expertise for managing investments.	Investing through a thorough diligence process, screening of projects through management and Board committees, while critically viewing worst case scenarios of return on investment, taking account of management expertise and where required, bringing on-board experts of the respective sectors.
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 beyond the control of the Company. The Company, however, is committed to improving operational efficiencies and implementation of effective cost controls to mitigate this risk to the maximum possible extent.
Moderate	Strong market competition lowering demand for FFC's product.	FFC combined with FFBL currently holds 52% urea market share and 56% DAP market share besides having a loyal customer base owing to its reputed brand name. Further, continuous efforts are made to sustain premium product quality 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.
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 at affordable rates in addition to credit sales, besides exporting urea to neighboring countries during 2017.
Operational risk		
High	Gas reserves depletion.	Investing in alternate sources of raw material and power 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, which provide guidance on any process undertaken by a new employee.

Risk Level	Risk description	Mitigating strategy
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, vulnerability awareness campaigns, 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 any 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.
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+ denotes 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.

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Risk Level	Risk description	Mitigating strategy
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 product.
Political / Economic		
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.

ڈائریکٹرز رپورٹ

مالیاتی جائزہ

خطرے کی سطح	خطرے کی وضاحت	نمٹنے کی تدبیر
نچلی	IT سکیورٹی خطرہ	خفیہ/ملکیتی معلومات تک کسی بھی غیر مجاز رسائی کو روکنے کے لیے جدید ترین IT کنٹرولز اور Firewalls نصب کیے گئے ہیں۔سسٹم Updates، IT آڈٹس، خطرات آگاہی مہمات اور ٹریننگ کا باقاعدگی سے انعقاد کیا جاتا ہے تاکہ قوانین کی خلاف ورزی، غلطیوں اور بے قاعدگیوں کی نگرانی کرتے ہوئے خطرات کو کم کیا جاسکے
نچلی	غیر یقینی موسمی حالات بشمول سیلاب، پانی کی کمی اور قحط	FFC نے اپنے تمام مقامات پر آفات سے نمٹنے اور ایسے حالات میں کاروبار کو جاری رکھنے کے منصوبے بنائے ہوئے ہیں اور ملازمین کسی بھی قدرتی آفت کے بعد فوری بحالی کے لیے بھرپور تربیت یافتہ ہیں
نچلی	کوئی بہت بڑا حادثہ جو ملازمین، ریکارڈ یا املاک کو متاثر کرے	انتہائی سخت اور اعلیٰ معیار کے عملی طریقہ کار، ملازمین کی تربیت، عملی نظم وضبط اور باقاعدہ حفاظتی آڈٹس کے علاوہ کمپنی ریکارڈ کا دیگر مقامات پر Backup رکھا جاتا ہے
مالیاتی خطرہ (Financial Risk)		
اوسط	KIBOR کی شرح میں اضافہ جو کہ قرض کے اخراجات کو بڑھادے	قبل از وقت ادائیگی کا اختیار' معاہدوں میں رکھا گیا ہے جو کہ سود کے بھاؤ میں کسی منفی تغیر کی صورت میں استعمال کیا جاسکتا ہے اور اس طرح کمپنی کو اس خطرے سے محفوظ رکھ سکتا ہے
نچلی	گاہکوں یا بینکوں کی FFC کو ادائیگیوں میں نادہندگی	زیادہ تر فروخت نقد یا پیشگی ادائیگی کے بدلے کی جاتی ہے جو کہ اس خطرے کو بخوبی کم کردیتی ہے۔ ادھار پر فروخت کے سلسلے میں مختلف گاہکوں کے لیے ادھار کی حد مقرر کی گئی ہے اور اس قسم کی فروخت کو بنک گارنٹی کے ذریعے مزید محفوظ بنایا جاتا ہے۔ بینکوں کی نادہندگی کے خطرات سے نمٹنے کے لیے، کمپنی کے فنڈز صرف 'A' درجہ بندی والے بینکوں اور مالیاتی اداروں میں رکھے جاتے ہیں
نچلی	مالی ذمہ داریوں کی ادائیگی کے لیے ناکافی نقدی جو کہ Liquidity کا مسئلہ پیدا کر دے	FFC کا شعبہ مالیات انتہائی فعال ہے اور کسی بھی ناگہانی صورتحال سے نمٹنے کے لیے کافی مقدار میں فنڈز رکھے جاتے ہیں۔مختلف بینکوں سے Credit Lines Committed بھی دستیاب ہیں جو ضرورت پڑنے پر کسی بھی مالیاتی خلاء کو پر کرنے کے لیے استعمال کی جاسکتی ہیں۔ ہماری AA اور A1+ کی درجہ بندی، مالی ذمہ داریوں کو بخوبی پورا کرنے کے لیے کمپنی کی عمدہ اہلیت کو ظاہر کرتی ہے
نچلی	غیر ملکی کرنسی کے دام میں اتار چڑھاؤ	FFC کا زر مبادلہ کی شرح میں ردوبدل کا خطرہ غیر ملکی کرنسی میں کی گئی سرمایہ کاریوں اور بینکوں میں رکھی گئی رقوم پر ملنے والے سود تک محدود ہے۔شرح تبادلہ میں منفی تغیر کسی حد تک متعلقہ سود کے دام میں مثبت تغیر سے ختم ہوجائے گا۔
تعمیلی خطرہ (Compliance Risk)		
نچلی	ریگولیٹری باڈیز کا قوانین میں تبدیلی کرنا	متعلقہ قوانین کی خلاف ورزی سے بچنے کے لئے تمام قوانین میں ہونے والی تبدیلیوں پر کڑی نظر رکھی جاتی ہے۔ملازمین کو متعلقہ قوانین سے آگاہ رکھنے کے لئے تربیت بھی دی جاتی ہے۔
اعتباری خطرہ (Reputaitional Risk)		
نچلی	سونا برانڈ میں کسانوں کا اعتماد ختم ہونے کے باعث فروخت کا بری طرح متاثر ہونا	FFC نے برسوں سے اعلیٰ معیار کی کھاد فراہم کرکے اپنی برانڈ کی ایک پہچان بنائی ہے اور کسانوں کے ساتھ براہ راست تعلقات بھی استوار کیے ہیں۔اور اس شہرت کو مزید بڑھانے کے لیے ماڈل کھیتوں اور Farm Advisory Centers کے ذریعے کھادوں کے درست اور متوازن استعمال کے متعلق کسانوں کی آگہی میں اضافے جیسے اقدامات اٹھانے کے ساتھ ساتھ اعلیٰ کوالٹی کی کھادوں کی مسلسل ترسیل بھی جاری رکھی جائے گی
سیاسی/معاشی (Political / Economic)		
نچلی	امن وامان کی غیر مستحکم صورتحال جو کہ ملکی معیشت کو متاثر کرے	یہ خطرہ اندرونی ضوابط کے ذریعے کم نہیں کیا جاسکتا
نچلی	قیمتوں کے تعین میں بڑھتی ہوئی حکومتی مداخلت اور فروخت کی نگرانی	FFC باقاعدگی سے مارکیٹ کی صورتحال پر نظر رکھتی ہے اور مارکیٹ میں رائج قیمتوں کے ساتھ مطابقت رکھتے ہوئے ہر ممکن کوشش کرتی ہے کہ قیمتوں میں بلاضرورت اضافے سے بچا جاسکے۔حکومتی مداخلت کمپنی کے دائرہ اختیار سے باہر ہے اور اس کی وجہ سے کمپنی کو بڑھتے ہوئے پیداواری اخراجات خود برداشت کرنا پڑے ہیں۔

ڈائریکٹرز رپورٹ

مالیاتی جائزہ

خطرات سے بچاؤ کی حکمت عملی

خطرے کی سطح	خطرے کی وضاحت	نمٹنے کی تدبیر
حکمت عملی کا خطرہ (Strategic Risk)		
بلند	یوریا کی عالمی قیمتوں میں کمی کی وجہ سے مقامی قیمتوں میں کمی	اخراجات پر قابو اور پیداوار میں اضافے کے ذریعے شرح منافع کو برقرار رکھنے کے ساتھ ساتھ خام مال کے لئے متبادل ذرائع کی تلاش
بلند	قیمتوں میں مسابقت اور قیمتوں پر غیر منصفانہ دباؤ	مسابقین کی جانب سے نمایاں طور پر سستی فیڈ گیس کی دستیابی کے باعث، کھاد کی قیمتوں کو کم رکھنا اور قیمتوں پر غیر منصفانہ حکومتی دباؤ کمپنی کے دائرہ اختیار سے باہر ہیں
نچلی	ٹیکنالوجی کے میدان میں تیزی سے ہوتی ہوئی ترقی جو FFC کے پیداواری Process کو متروک بنادے	کمپنی کے تمام پیداواری یونٹوں پر جدید ترین آلات کی فراہمی اور Balancing, Modernization & Replacement کے ذریعے جدید ترین تکنیکی ایجادات کا استعمال یقینی بنایا جاتا ہے، تاکہ اخراجات میں کمی کے ساتھ مناسب پیداوار حاصل ہو۔
نچلی	زائد از ضرورت تنوع جو کہ ایسی سرمایہ کاری کے لئے درکار انتظامی مہارت کی عدم دستیابی کا باعث بنے	کسی بھی سرمایہ کاری سے پہلے انتہائی احتیاط برتتے ہوئے انتظامیہ اور بورڈ کی کمیٹیاں تمام منصوبوں کی چھان بین کرتی ہیں، بدترین متوقع حالات کو مدنظر رکھتے ہوئے سرمایہ کاریوں پر آمدن کا جائزہ لیا جاتا ہے۔ اور انتظامیہ کی مہارت کو پیش نظر رکھتے ہوئے، ضرورت پڑنے پر، متعلقہ شعبوں کے ماہرین کی خدمات بھی حاصل کی جاتی ہیں۔
نچلی	کم نفع بخش کمپنیوں میں سرمایہ کاری کرتے ہوئے حصہ داران کے سرمائے کو پھنسا دینا اور شرح منافع پر منفی اثرات ہونا	
تجارتی خطرہ (CommerciaRisk)		
بلند	بڑھتے ہوئے پیداواری اور ترسیلی اخراجات جو اخراجات کی آگے منتقلی کو متاثر کریں	محصولات اور گیس کی قیمتیں کمپنی کے دائرہ اختیار سے باہر ہیں۔ تاہم، پیداواری استعداد میں اضافے اور اخراجات میں کمی کے لیے مؤثر اقدامات کے ذریعے کمپنی اس خطرے کو انتہائی ممکن حد تک کم کرنے کے لیے پرعزم ہے۔
اوسط	سخت کاروباری مسابقت جو کمپنی کی پیداوار کی مانگ کو کم کردے	FFC اور FFBL کا یوریا اور DAP مارکیٹ میں حالیہ مجموعی شیئر بالترتیب 52 فیصد اور 56 فیصد ہے۔ اس کے ساتھ ساتھ اپنے معروف برانڈ کی وجہ سے مستقل گاہکوں کی ایک کثیر تعداد ہے۔ اس کے علاوہ پراڈکٹ کے اعلیٰ معیار اور پیداوار کی سطح کو قائم رکھنے کے لیے مسلسل کاوشیں کی جاتی ہیں تاکہ مارکیٹ شیئر کو برقرار رکھا جا سکے۔
اوسط	TCP کی جانب سے درآمدی یوریا کی بے وقت رسد	یہ متغیرات کمپنی انتظامیہ کے دائرہ اختیار سے باہر ہیں
نچلی	کسانوں کا زراعت کے فرسودہ طریقے اختیار کرنا جو کہ ناقص فصلوں اور کم فی ہیکٹر پیداوار کا باعث بنیں	کسانوں کو کھیتوں سے متعلق مشورے کی سہولیات، مٹی اور پانی کے ٹیسٹ کرنے کی لیبارٹریاں، Micronutrient اور PlantTissues کے جائزہ لینے کی لیبارٹریاں
نچلی	زرعی مصنوعات کی قیمتوں میں کمی بیشی جو گاہکوں کی مالی حیثیت پر منفی اثرات مرتب کرے	سستی مقامی کھادوں کی فراہمی کو یقینی بنانے کے علاوہ ادھار پر فروخت اور اس کے ساتھ ساتھ 2017 میں ہمسایہ ممالک کو برآمدات
عملیاتی خطرہ (Operational Risk)		
بلند	گیس کے ذخائر میں کمی	خام مال اور توانائی کے متبادل ذرائع میں سرمایہ کاری کے ساتھ ساتھ دوسرے شعبوں میں متنوع سرمایہ کاری کی حکمت عملی
نچلی	اہم پوزیشنز پر تعینات تربیت یافتہ ملازمین کا نوکری چھوڑ جانا جو کہ آپریشنز پر منفی اثرات مرتب کرے	ملازمین کی تربیت اور ترقی کے ساتھ ساتھ FFC نے ایک تفصیلی Succession پلان بنا رکھا ہے۔ جس میں ملازمین کی مسلسل تبادلہ اور ترقی جاری رہتی ہے۔ کام کے ضوابط اور ہدایات باقاعدہ تحریری شکل میں موجود ہیں جو کسی بھی نئے ملازم کی رہنمائی کے لیے کافی ہیں

CORPORATE AWARDS

BEST PRESENTED REPORT AWARDS 2016

The Company's Annual Report secured its 11th overall top position in the Best Corporate Report Award competition for 2016 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. This was the Company's third consecutive overall Top position.

Mr. Ziauddin (M-F) receiving ICAP / ICMAP Best Presented Annual Report Award 2016

SUSTAINABILITY REPORT AWARD

Annual Sustainability Report of the Company for the year 2016, has been awarded the first prize in the Sustainability Report Category by the joint committee of ICAP / ICMAP for the fourth consecutive year. This signifies the Company's transparent operations and dissemination of social and environmental footprints to its stakeholders.

RAWALPINDI CHAMBER OF COMMERCE & INDUSTRY (RCCI) PLATINUM AWARD

FFC was also awarded the RCCI Platinum Award 2016 for the fourth consecutive time, in recognition of the Company's contribution in terms of investment, tax payments, amongst other factors.

PROTECT & SUSTAIN CERTIFICATION

The Company has been included in the International Fertilizer Industry Association's (IFA) "Protect & Sustain" Roll of Honor in the excellence category. Organizations are included after having being independently audited and demonstrating the levels of excellence in product stewardship required to receive such recognition.

PSX TOP COMPANIES AWARD

Owing to the determined efforts of our workforce, the Company once again secured the top position in the PSX Top 25 Companies for the year 2016. The Company has been selected based on a comprehensive criteria covering various aspects

DIRECTORS' REPORT
FINANCIAL REVIEW

of performance including financial performance, dividend distribution, trading pattern of Company's shares, capital efficiency, free-float and turnover of shares and participation in corporate social responsibility.

This is the Company's seventh consecutive top position and twenty third consecutive placement in the top companies list.

MANAGEMENT ASSOCIATION OF PAKISTAN (MAP)

This year is accredited with another achievement for FFC as the Company was once again conferred the Management Excellence Award by the Management Association of Pakistan (MAP) for the year 2016.

CREDIT RATING

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

OPPORTUNITIES

Opportunities have been discussed in the 'SWOT Analysis' section on page 29 of the Annual Report 2017.

Brig Ashfaq Ahmed, SI(M) (Retired) Company Secretary, receiving Management Excellence Award by the Management Association of Pakistan (MAP) for the year 2016.

MATERIALITY APPROACH ADOPTED BY THE MANAGEMENT

Material levels, other than those provided under regulations, are judgmental and may vary substantially from company to company. Matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company.

The Board's powers include approvals for capital expenditure, disposal of fixed assets, approval of 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. The powers of the Board of Directors and the management of the FFC have been defined with special reference to, and in compliance with, the Companies Act 2017, the Code of Corporate Governance, the Articles of Association of the Company, best practices, and guidelines and frameworks issued by professional bodies.

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

Good Governance lies at the core of our values and ethical standards. The Board is aware of its responsibilities towards the shareholders, protection of minority rights, value of inputs from our stakeholders, besides upholding the reputation of FFC in Pakistan and globally.

The Company firmly believes in the importance of good governance and best practices, and the mechanism for good governance encompasses the highest standards of professionalism, ethical practices, accountability and transparency, in line with the Companies Act 2017, listing regulations, corporate governance regulations, implemented through the **Code of Conduct, Whistle Blowing Policy,** and the **Code of Business Ethics** of the Company.

COMPANIES ACT 2017

During the year, the Government of Pakistan promulgated the new Companies Act 2017, repealing the previous Companies Ordinance, 1984.

The Board of Directors is fully aware of the Act's requirements and compliance to the relevant provisions have been undertaken on timely basis.

CHAIRMAN'S REVIEW ON THE PERFORMANCE OF THE BOARD

As per the requirements of the Companies Act 2017, Chairman's review of the Board's performance and effectiveness in achieving the Company's objectives has been

outlined in the **'Chairman's Review'**, while detailed explanations are covered throughout the Annual Report 2017.

LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

In 2017 the SECP issued Code of Corporate Governance Regulations 2017 for listed companies, revising the previous regulations. The revised Code is applicable since January 1, 2018 and requirements of the new Code have been reviewed and the Board is making necessary arrangements to ensure compliance on a timely basis.

COMPLIANCE WITH THE BEST CORPORATE PRACTICES

Over the last 4 decades, FFC has positioned itself to surpass the legal requirements and adhere to global Best Practices and Standards of governance. 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 116, 118 and 120.

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

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 therefrom 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

Code of Conduct has been disseminated to all employees of the Company in addition to being available on the Company's website, in compliance with the Code of Corporate Governance. The management upholds the highest levels of ethical behavior in its business practices, while complying with the Company's comprehensive ethics and compliance framework.

Grievances raised due to any unethical practices are expeditiously addressed and corrective measures are ensured to mitigate chances of repetition. The framework is regularly updated in view of applicable laws and regulations, ensuring sustained business growth and stakeholders' confidence in the Company.

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

CONFLICT OF INTEREST AMONG BOARD MEMBERS

Formulation of Code of Business Ethics in line with applicable laws and global best practices requires formal disclosure of any known or perceived vested conflict of interest by the members of the Board.

Agenda points for the Board's proceeding are finalized after obtaining any information regarding vested interests and quantification thereof, whereas all observations / suggestions of Board members' during their proceedings are accordingly recorded.

IT GOVERNANCE POLICY

With increasing volumes of digital exchange, Information Technology governance is regarded as a core part of FFC's overall governance program. Keeping in view the shareholders' interests, the Company's investment in IT is aligned to support its strategic objectives.

Efficient IT processes support management in business analysis, enabling them to remain flexible and take timely decisions in the changing business environment. The Company updates its IT systems in view of technological advancements to effectively mitigate associated risks.

The Company has started complying with aspects of Information Technology Infrastructure Library (ITIL) / COBIT5 best practices during the year.

FFC's IT Governance Policy encompasses:

- Promoting governance, transparency, accountability and dialogue about technology that facilitates effective strategy adoption
- Engaging stakeholders to establish priorities for technology investment that are aligned with institutional goals and objectives
- Securing data
- Improve user awareness on IT security to detect and prevent vulnerabilities
- Keeping the IT function proactive from an innovation perspective, providing ideas to the business
- Influencing development and design of technology services, policies and solutions
- 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

With a pragmatic approach towards holding highest standards of ethical business practices by all employees, a robust Whistle Blowing Mechanism is in place, which also encompasses the requirements of the revised Code of Corporate Governance 2017.

The mechanism is updated regularly to remain compliant with best global practices. Any instances of possibility of occupational fraud, non-compliance with Company policies, Code of Conduct and ethics, health, safety and environmental standards, and regulatory framework can be recorded through the mechanism by the management, employees, Board of Directors and other stakeholders. Employees are encouraged to report concerns directly to immediate supervisors or, where impractical, to senior level management. The policy encourages stakeholders to raise queries, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

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

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 environmental risk and illegal use of sensitive company data.

INSTANCES DURING THE YEAR

Management effectively handled all minor reporting during 2017, with clear instructions to employees for avoidance of such disruptions in the future. In view of effectively placed internal controls, no material instance was reportable to the Audit Committee regarding financial, operating, legal or other matters of the Company.

HUMAN RESOURCE MANAGEMENT POLICY & SUCCESSION PLANNING

Recognizing that competent human resource is vital for continued success of the Company, FFC's Human Resource Strategy has been proactively formulated to ensure availability of skilled workforce for all business departments enabling achievement of the Company's strategic objectives and mission, which is further supplemented by the Succession Planning Policy.

Career growth for employees is clearly mapped keeping in view individual's potential, qualification, period of service, professional attitude and department requirements, amongst other factors. Training and development is provided to employees equipping them with the proactive tools needed for performance of their duties keeping in view the Company's current and future requirements.

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

The Human Resource strategy is continually evolved by proactively anticipating and evaluating 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 communities and environment. We believe that success of the Company is best reflected in development of the community.

The Company is also a pioneer member of the UN Global Compact, and we have aligned our vision and goal with the international best practice for ensuring a prosperous future. During the year, FFC also participated in the United Nations General Assembly week, with representation at the prestigious Leaders Summit, Social Good Summit and various policy forums including the Private Sector Forum. 'Corporate Social Responsibility' section of the Annual Report 2017 outlines our Social and Environmental practices and interventions during the year, with the following distinct features:

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

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- Consumer protection measures
- Contribution to National Exchequer

STAKEHOLDERS' ENGAGEMENT

Recognizing the importance of the Company's stakeholders in sustaining and improving FFC's business value, a structured **Stakeholders' Engagement** plan has been implemented. Under the plan, information dissemination, communication, and engagement protocols are defined according to the level of stakeholders' interests in the business.

The plan is in line with our business strategy and ensures compliance with regulatory and lenders' requirements, improved risk management, enhanced Company reputation, and overall business growth, while improving stakeholders' relationship. Continuous feedback is also sought to bring the plan in line with global best practices.

The Company's eProcurement System launched last year has resulted in easier vendor registration, besides enhancing efficiency of the procurement process.

FREQUENCY OF ENGAGEMENTS

The recently upgraded FFC's website, which also features the Annual and other periodic reports of the Company, provides a broad range of information including FFC's strategy, financial performance and business operations. The Corporate Communication department timely disseminates information to the public regarding business updates, and our culture of transparency ensures full and fair disclosure of material information, as required under law.

Frequency of engagements is based on the corporate and business requirements as provided in the applicable regulatory framework, contractual obligations or as and when required. Employee communication is undertaken through in-house newsletters, televised broadcasts, employee portals and electronic bulletin boards. Page 30 of the Annual Report 2017 provides information on the mode of engagement in addition to their impact on Company's operations of the following stakeholders:

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

ANALYST BRIEFING

FFC held its first ever analyst briefing during the year where PSX representatives, analysts from all over the Country, and stakeholders attended the briefing. The attendees were apprised about the Company's operational and financial performance during 2016 and further explanations were provided in the Q&A session. The briefing further evidences our transparent and continuously evolving stakeholders' engagement approach.

INVESTORS' RELATIONS SECTION ON FFC WEBSITE

FFC's newly upgraded website provides comprehensive information regarding Company and its Group in addition to requirements of the applicable regulatory framework. The website also contains material information in Urdu language for easier understanding of the stakeholders.

Feedback on the website is regularly received and incorporated 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

Corporate Affairs Department effectively manages queries raised by shareholders or potential investors including grievances, if any, through a well-defined mechanism.

Under the mechanism, investor grievances, and information requests, as allowed under the applicable regulatory framework, including specific queries relating to their investment, dividend distribution or circulation of regulatory publications of the Company are handled for expedited resolution thereof. Key elements of the system include:

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

Companies Act 2017 requires payment of dividend by listed companies through electronic mode only. In this regard, notices have been given to the shareholders for provision of bank accounts enabling transfer of dividend funds in compliance with the Act.

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

POLICY FOR SAFEGUARDING OF RECORDS

The Company has proactively formulated its Business Continuity Planning (BCP) which also covers safety of records beyond the legal requirements to ensure sustained business operation in case of occurrence of any adverse event.

During the year, Company's material record was efficiently scanned and uploaded on the Company's secure servers, not only ensuring safety of record but also easy retrieval thereof as well as preserving record for durations exceeding the legal requirements.

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

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

COMPOSITION OF THE BOARD OF DIRECTORS

Apart from regulatory requirements, execution of the Company's current and future strategic objectives define the parameters for the qualification and composition of the Board of Directors. This enables FFC to achieve highest levels of good governance, transparency, awareness of Board's responsibilities in achieving Company's objectives, besides ensuring smooth business operations.

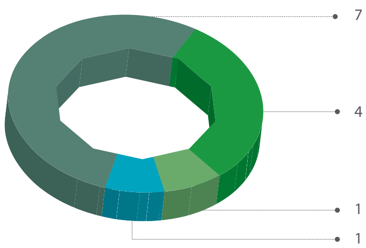
The Board of Directors is composed of a skillfully diverse group of highly qualified professionals from varied disciplines, including the Armed Forces, engineering, commerce, Government and financial sector

DIRECTORS' REPORT

CORPORATE GOVERNANCE

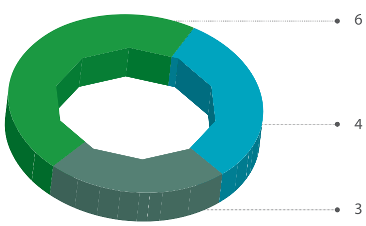
COMPOSITION OF NON-EXECUTIVE & EXECUTIVE DIRECTORS

(Numbers)



DIRECTORS' QUALIFICATION

(Numbers)



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.

Companies Act 2017 has made female representation mandatory on Board's of Public Interest Companies. FFC is already compliant of this provision by having a female representation on its Board for last many years.

The Board consists of 13 directors, including a female director, effectively representing the interest of shareholders including minority 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 directors representing the non-controlling / minority interests, with two independent and two other non-executive directors possessing relevant industry experience.

The Directors' profile section on Page 16 of the Annual Report 2017, provides detailed profile of the Board members including the names, status (independent, executive, non-executive), in addition to industry experience and directorship of other companies.

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.

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

COMPOSITION OF THE AUDIT COMMITTEE

The Company's Audit Committee is composed of four members, all of whom have extensive financial management, business and economics experience. The Chairperson is an independent non-executive director, whereas the remaining three members are non-executive directors. One member is a Chartered Accountant and another member has a Doctorate in Economics.

Terms of Reference of the Audit Committee have been updated in line with revised Code of Corporate Governance 2017 effective January 1, 2018 and provided on Page 21 of the Annual Report 2017. The Committee met 5 times during the year. The Audit Committee held a meeting with the external auditors without the presence of Chief Financial Officer and Head of Internal Audit, and also held a meeting with the internal auditors without the presence of Chief Financial Officer and external auditors.

The Company's annual internal audit plan, in compliance with FFC's risk governance framework, is approved by the Audit Committee besides being carried out independently and objectively by the Internal Audit department. Quarterly updates are provided by the Internal Audit department to the Audit Committee as well. Head of Internal Audit reports directly to the Audit Committee and this system of transparency ensures an effective control environment including governance and risk management.

COMPOSITION OF HUMAN RESOURCE AND REMUNERATION (HR&R) COMMITTEE

All three members of the Committee, including the chairman, are non-executive directors. Terms of Reference of the HR&R Committee have been updated in line with revised Code of Corporate Governance 2017 effective January 1, 2018 and provided on Page 22 of the Annual Report 2017.

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

MEETINGS OF THE BOARD

As prescribed by the regulatory framework, the Board is required to meet at least once every quarter to monitor achievements of the Company's objectives. FFC's Board met six times in 2017 to discuss routine and special matters besides providing guidance to the management on achieving Company's objectives in view of the challenging environment faced by the fertilizer industry. Notices / agendas of the meetings were circulated in advance, in a timely manner and in compliance of applicable laws.

The quorum of all the meetings also exceeded the minimum requirements as prescribed by the Companies Act 2017, with the Chief Financial Officer and Company Secretary also in attendance.

The Company Secretary meticulously notes the proceedings and maintains minutes of the meetings which encompass details regarding all decisions taken by the Board and explanations provided by the management. The minutes were circulated to the Directors within the prescribed time and were approved in the subsequent Board meetings.

BOARD MEETINGS HELD OUTSIDE PAKISTAN

In view of effective cost controls, the Company conducted all its Board meetings in Pakistan, despite provisions by SECP and milestone achievements of our offshore diversification in Tanzania.

NAME OF DIRECTOR	Meetings Held	Meetings Attended
Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retired)	6	6
Lt Gen Shafqaat Ahmed, HI (M) (Retired)	6	6
Mr. Qaiser Javed	6	5
Dr. Nadeem Inayat	6	6
Engr Rukhsana Zuberi	6	6
Mr. Farhad Shaikh Mohammad	6	6
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)	3	3
Mr. Shahid Ghaffar	4	4
Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired)	6	5
Mr. Per Kristian Bakkerud	6	1
Mr. Khizar Hayat Gondal	4	3
Brig Raashid Wali Janjua, SI (M) (Retired)	6	6
Mr. Shoaib Mir **	4	2
Mr. Naveed Kamran Baloch *	2	2
Maj Gen Wasim Sadiq, HI (M) (Retired) *	3	3
Mr. Manzoor Ahmed *	2	2
Mr. Maroof Afzal *	1	1
Mian Asad Hayaud Din *	1	1

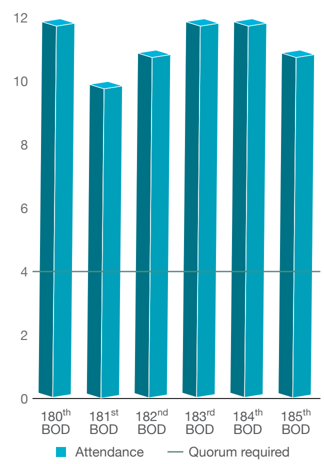
* Mr. Naveed Kamran Baloch appointed in place of Mr. Shoaib Mir w.e.f April 27, 2017
Maj Gen Wasim Sadiq HI (M) (Retired) appointed in place of Maj Gen Muhammad Farooq Iqbal HI (M) (Retired) w.e.f June 6, 2017
Mr. Manzoor Ahmed appointed in place of Mr. Shahid Ghaffar w.e.f September 26, 2017
Mr. Maroof Afzal appointed in place of Mr. Khizar Hayat Gondal w.e.f October 16, 2017
Mian Asad Hayaud Din appointed in place of Mr. Maroof Afzal w.e.f December 20, 2017

** Mr. Shoaib Mir retired from directorship w.e.f April 27, 2017 and re-appointed in place of Mr. Naveed Kamran Baloch w.e.f November 09, 2017

DIRECTORS' REPORT

CORPORATE GOVERNANCE

ATTENDANCE AT BOD MEETINGS
(Numbers)



ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board recognizes its accountability to the shareholders for ensuring sustained business performance and value, transparency in business operations, and good governance, which in turn results in higher value creation for the shareholders. The Board also adheres to its responsibilities, provided in the Company's governance framework which exceeds the requirements of the regulatory framework.

Powers granted to the Board by the Companies Act 2017 are exercised with responsibility, diligence, and in compliance with the legal framework after due deliberations in its meetings. These include, but are not limited to, appointment of key management positions, approval of 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 and effectiveness of the internal control framework, which have been devised by the Board for the conduct of Company's business. The Board has also tasked the Audit Committee to report compliance thereof at least once every quarter of the year.

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

CHANGES TO THE BOARD

The Board would like to record its appreciation for the invaluable contributions rendered by the outgoing directors, Lt Gen Khalid Nawaz Khan, HI(M) Sitar-e-Esar, (Retired), Maj Gen Muhammad Farooq Iqbal HI(M) (Retired), Mr. Shahid Ghaffar, Mr. Khizar Hayat Gondal, Mr. Shoaib Mir, Mr. Naveed Kamran Baloch and Mr. Maroof Afzal.

The Board extends a warm welcome to Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired), Maj Gen Wasim Sadiq HI(M) (Retired), Mr. Manzoor Ahmed, Mr. Maroof Afzal, Mr. Shoaib Mir and Mian Asad Hayaud Din as new fellow members.

The Board is committed that the team shall work cohesively and effectively towards achievement of the Company's objectives and enhancing shareholders' wealth, besides benefiting from the fresh perspective and ideas of the new members.

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.

DIRECTORS' REMUNERATION

The Company has an independent, transparent and formal process for ascertaining Directors' remuneration for attracting and retaining experienced and well-qualified directors encouraging value creation for FFC. The process is in compliance with legal requirements and remuneration levels are ensured that they are not at a level that could be perceived to compromise the independence of non-executive directors.

These remuneration packages are subject to prior approval of shareholders as per the requirements of the regulatory framework and internal procedures.

EVALUATION OF BOARD'S PERFORMANCE

The Company's annual evaluation proforma, prepared in conformity with the Code of Corporate Governance and in line with best Global practices, is circulated to the Directors, for evaluation of their performance as an entity based on the following factors:

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

Strict level of confidentiality is practiced upon receiving of filled proforma and Directors' comments by the Company Secretary.

Completed forms are then evaluated through a dedicated software to identify areas requiring improvement and differences of opinion. The results are subsequently discussed in detail in the subsequent Board meeting to address the highlighted areas and improve the Board's performance. Chairman also undertakes the performance review of the Board in compliance with the Companies Act 2017.

As per requirements of the revised Code of Corporate Governance 2017, FFC is preparing a mechanism for the annual evaluation of the members of the Board and of its Committees which shall be implemented in due course.

OFFICES OF THE CHAIRMAN & CEO

FFC's governance framework is built on core principles of transparency and ensuring highest levels of corporate governance, therefore 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

FFC's Board has explicitly defined and documented the roles and responsibilities of the Chairman and the CE&MD.

The Chairman represents the non-executive Directors and leads the Board to ensure that it plays an effective role in fulfilling its responsibilities, besides assessing and making recommendations on the efficiency of the committees and individual Directors in fulfilling their responsibilities and avoidance of conflicts of interests. 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 and authorized for implementing the Board's policies within delegated limits and also acts as the head of the Company's management in the capacity of Managing Director. His responsibilities 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 assigns targets to the CEO at the start of the year and reviews his performance on annual basis including his roles and responsibilities as prescribed under the regulatory framework.

CE&MD's achievements during the year are discernible by the highest ever fertilizer offtake, increased DAP market share, record revenues and sustained production levels. The CEO also implemented effective cost controls besides improved returns from our treasury operations all of which resulted in achievement of attractive profitability margins despite adverse market conditions including suppressed prices and withdrawal of subsidy on sale of DAP fertilizer by the Government. The Company's good governance and transparency was also recognized on national and international forums.

Progress on the Company's diversification projects has also been to the satisfaction of the Board, including incorporation of the Joint Venture Company TAMPCO for our offshore fertilizer plant and finalization of Thar-coal based energy project in collaboration with local and international partners, besides continuous evaluation of new investment opportunities to sustain shareholder's income.

Management's goals are also set out by the CE&MD with periodic updates being provided to the Board.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

FORMAL ORIENTATION AT INDUCTION

FFC has detailed an orientation plan for new Board members apprising them on the Company's long term strategy, business operations and environment, besides encouraging cohesion among the Board members.

The Company also provides a detailed orientation process and an extensive training schedule to new directors, enhancing their governance and managerial competencies.

A formal orientation and familiarization program mainly features the following:

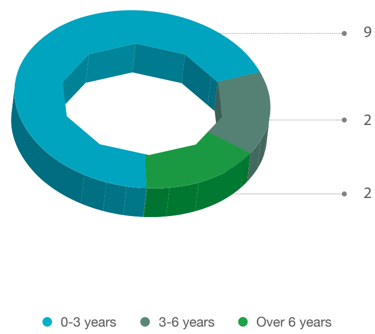
- Company's vision and strategies
- Organizational / group structure, subsidiaries, associates and other related parties
- Role and responsibility of the Director as per the Companies Act, 2017 including Code of Corporate Governance and any other regulatory laws applicable in Pakistan
- Major risks both 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

The Company collaborates with reputed international organizations to provide training courses 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

The Directors of the Company have been appropriately certified under the Directors' Training Program from SECP approved institutions exceeding the requirements of Code of Corporate Governance. In view of changes in the Board's composition, four members of the Board are yet to obtain the requisite certification which are scheduled during the current year to ensure certification of FFC's entire Board.

DIRECTORS' TENURE
(Years)



Names of Directors who have obtained certification from SECP approved institutions is provided below:

- Lt Gen Shafqaat Ahmed, HI (M) (Retired)
- Mr. Qaiser Javed
- Dr. Nadeem Inayat
- Engr Rukhsana Zuberi
- Mr. Farhad Shaikh Mohammad
- Mr. Per Kristian Bakkerud
- Brig Raashid Wali Janjua, SI (M) (Retired)
- Mr. Maznoor Ahmed
- Mr. Shoaib Mir

ISSUES RAISED AT LAST AGM

FFC held its 39th AGM on March 15, 2017, and although general clarifications were sought by the shareholders on Company's published financial statements, no significant issue was raised.

TRADING IN SHARES BY DIRECTORS AND EXECUTIVES

In addition to those already specified in the Code of Corporate Governance, the Board determines thresholds for identification of "Executives" and reviews them annually in compliance with the Code.

During 2017, 298,600 shares of the Company were traded by the executives while no other trading was conducted by the directors, executives, their spouses and minor children.

REVIEW OF RELATED PARTY TRANSACTIONS

As per the requirements of the regulatory framework, the Audit Committee reviews details of all related party transactions, before approval by the Board in view of recommendations made by the Audit Committee.

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

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. Half-Yearly financial statements of the Company were duly reviewed by the external auditors, and the Separate and Consolidated financial statements of the Group were approved by the Board and were published and circulated to shareholders within the permitted period of two months.
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.

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

Other non-financial information to be circulated to governing bodies and 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, 2017, 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, 2018.

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	Numbers of Shares held as at December 31, 2017
Sponsors	564,204,254
Directors	1,000,200
Executives	966,634

A detailed pattern of shareholding is disclosed on page 242 of the Annual Report 2017.

DIRECTORS' REPORT

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY

Corporate Social Responsibility (CSR) is a vital and withstanding element of the FFC Business Ideology. We take pride in being the pioneers of sustainable and responsible business practices in Pakistan as our first CSR initiative for capacity building of farmers launched in 1982 is still effective.

Moving through the decades, the Company has diversified and magnified its CSR portfolio, turning it into a crucial and centric part of our business strategy. FFC contributes generously towards CSR initiatives for different communities in addition to continued extension of technical services to the farming community.

Being member of UN Global Compact, FFC is committed to implement and embed universal principals of human rights, labour, environment and anti-corruption as core practices and interventions.

Our fields of intervention are extensive and diversified programs are conducted in liaison with our partners. Our areas of intervention include, but are not limited to the following:

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

MITIGATING THE ADVERSE IMPACT OF INDUSTRIAL EFFLUENTS AT FFC PLANTS

Being a socially responsible organization, FFC proactively monitors its activities and their impact on environment. By implementing the 'ISO 14001 Environment Management System' at Plantsites, Marketing Office as well as the Head Office, FFC has embedded priority of environmental conservation in its practices to mitigate any adverse impact caused by industrial effluents in accordance with international standards and best practices.

ALGAL BIOMASS CULTIVATION

Successful testing of algal biomass cultivation using effluents from industrial wastewater was carried out at FFC plantsite on a lab scale. If cultivated on a large scale, these can be used as a renewable source of energy. Further research is underway for possible harvest of high value co-products. A pilot project is also being planned to test the lab scale conclusion in ambient environment.

NATIONAL INDUSTRIAL DISASTER MOCK EXERCISE

First ever National Industrial Disaster Mock Exercise of Tier-1 & Tier-2 levels in Punjab was carried out at FFC Plantsite Goth Machhi during March 2017 in coordination with National Disaster Management Authority Pakistan (NDMA) to gauge the response of the industry and local government agencies against a large-scale industrial disaster.

Special training sessions for 214 participants including volunteers from local community, guides, fire-squad and FFC's employees were held. Observers from 26 institutions of Government and industries from all over Pakistan participated. The Chairman NDMA highly appreciated the Mock exercise with comprehensive scenarios, specifically utmost professionalism of the Company's employees in putting prompt and successful response and ability to coordinate with relevant stakeholders in surrounding community.

COMMUNITY AWARENESS AND EMERGENCY RESPONSE PROGRAM

FFC has developed and implemented an active "Community Awareness and Emergency Response" (CAER) program in line with best industrial practices. The program aims to create awareness among the community living adjacent to operational facilities. A training session was convened for 120 residents of Basti Ahmed Khan. Rescue 1122 was also invited to train community about First Aid and Rescue.

ENERGY CONSERVATION

Efficient management of scarce energy resources remains foremost priority for FFC. The Company continuously seeks to undertake significant measures to conserve energy besides carrying out energy efficiency and conservation awareness drives at Head Office and Plantsites.

ENERGY SAVING MEASURES AT FFC PLANTS

As part of sustainable business practices, various energy saving projects have been implemented which resulted in significant reduction in energy consumption without compromising operational excellence. Numerous techno-economic studies, targeting energy conservation, were also pursued during the year. A robust monitoring program, comprising nearly a hundred different tests is in place to measure efficiency of the plants for benchmarking against international standards.

AMMONIA SCRUBBER AT VACUUM SECTION

An ammonia scrubbing system is planned to be installed at the final vent of the vacuum section, which will improve ammonia recovery and increase energy savings at Goth Machhi.

INDUCED DRAFT FAN UP-RATE

The existing induced draft fan at Plant III has been up-rated through installation of a high efficiency fan to achieve energy savings.

ENERGY CONSERVATION DRIVE AT HEAD OFFICE

Energy conservation awareness drives have resulted in considerable savings in electricity consumption at the Head Office compared to last year.

PROCEDURES ADOPTED FOR QUALITY ASSURANCE OF PRODUCTS / SERVICES

FFC's ever increasing brand preference and sustained market leadership in the midst of unprecedented market adversities are testament to its commitment towards achieving and maintaining highest standards of product quality in addition to providing invaluable agricultural advisory services to the farmers.

In order to ensure provision of optimum value for money to our customers, FFC implemented quality assurance measures besides adopting Integrated Management System of Quality throughout the supply chain. Some of the measures are listed below:

- Following parameters, besides standard weight of fertilizer bags, are ensured through a regular quality analysis of product samples:
  - Average Prill Size, mm
  - Biuret, Wt %
  - Moisture, Wt %
  - Crushing Strength, Grams
  - Total Fines, Wt %
- Packaging of product is carried out in line with the best industry standards which ensure weight accuracy, product quality and nutrient retention
- Printing of prices on urea bags besides affixing of security labels "Pehchan Sticker" on FFC DAP and other imported fertilizers bags to ensure authentic and quality product delivery
- Periodic 'Customer Satisfaction Measurement Survey' and handling of queries through FFC Field Officers
- FFC's Research & Development department, in collaboration with national and international partners, is continuously working towards development of slow

DIRECTORS' REPORT

CORPORATE SOCIAL RESPONSIBILITY

release, enhanced efficiency fertilizers that will help maximize yield and reduce the emissions of greenhouse gases

CORPORATE SOCIAL RESPONSIBILITY

With our significant reach and influence, FFC aims to help improve sustainable agriculture practices that support economic and social development in rural areas. Our goal is to have a positive impact on the communities especially that surround our facilities through outreach, investment and employment opportunities.

SPORTS PROMOTION AND DEVELOPMENT

FFC has always played a proactive role in the development of sports through various sports based CSR initiatives by investment in development of infrastructure at the grass root levels and providing platform for promising athletes to highlight their talents.

REVIVAL OF HOCKEY IN PAKISTAN

In 2017, FFC took development of Pakistan's national sport; hockey under its patronage. The Company signed a Memorandum of Understanding with the Pakistan Hockey Federation for support, revival and promotion of hockey and emerging talent in the Country. A sum of Rs 2.4 million was committed for the cause during the year.

SPONSORSHIPS TO OTHER TOURNAMENTS

FFC has played a proactive role in promotion of sports activities and continued its patronage during the year through the sponsorship of following events:

- All Punjab Kabaddi Tournament & Coaching Camp
- All Punjab Cricket Tournament
- Difa-e-Pakistan Cricket Tournament
- Kissan Raj Cricket Tournament
- All Pakistan Annual Golf Tournament

EDUCATION

Investing in youth and education allows us to nurture the long-term security, stability, and growth of the Nation's future. We proudly work with the partners that are committed to investing in the education of the underprivileged and deprived children throughout the Country.

SONA PUBLIC SCHOOL AND COLLEGE

Sona Public School and College is a state of the art education institution providing quality education at subsidized fee to over 550 students. During the year, FFC donated Rs 19 million as financial assistance to the deserving students.

SONA WARD OF FARMER SCHOLARSHIP PROGRAM

With a vision to educate and empower farmers' children, FFC has been successfully running scholarship program for over a decade. In 2017, the Company provided 165 new scholarships increasing the total number of students under the program to 260. Stipends amounting to Rs 6 million were disbursed during the year.

ADOPTED AND ASSISTED SCHOOLS PROGRAM

The Company has contributed around Rs 12 million under its adopted and assisted schools program which included 30 annual scholarships, distribution of books and stationery, improvement of infrastructure besides financial support for teachers and allied staff.

SCHOLARSHIP PROGRAM FOR NUST

FFC signed a Memorandum of Understanding with National University of Science and Technology (NUST) for establishment of a permanent scholarship for deserving and talented students through NUST endowment fund. During the year, a donation amounting Rs 2 million was made to the fund.

SCHOLARSHIP PROGRAM FOR FOUNDATION UNIVERSITY

FFC sponsored tuition fee of 11 deserving students, from both MBBS and undergraduate programs, by donating Rs 2.60 million to Foundation University.

OTHER CSR INITIATIVES IN EDUCATION

In order to provide quality education to underprivileged following initiatives were also taken by the Company during 2017:

- Construction of administrative block, teachers' hostel and multipurpose hall amounting Rs 10 million for RBT School and College, Jhelum District
- Donation of a vehicle valuing Rs 3.88 million to SOS Children's Village to cater for various educational and associated activities
- Provision of complete water solution amounting Rs 0.31 million to a special school for children with hearing and speech disabilities
- Construction of classrooms at Government Girls High School in Saleh Muhammad Shah, Balochistan

- Sponsorship of 3rd International Conference on Engineering and Science held at Punjab University

ENVIRONMENTAL PROTECTION MEASURES / ENVIRONMENT RELATED INITIATIVES

FFC is continually striving for environmental preservation through adoption of modren technologies and efficient processes:

- Use of Oxo-biodegradable bags for all fertilizes in order to minimize the environmental impact of packing material
- Plantation of 5 thousand trees in Mirpur Mathelo in collaboration with Environmental Protection Agency (Sindh)
- Celebration of World Environment Day to highlight the significance of conservation of natural resources

PROTECT & SUSTAIN CERTIFICATION

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

REPLACEMENT OF ACTIVATOR WITH ENVIRONMENT FRIENDLY ALTERNATIVE

In order to reduce spillage of CO_2 gas in the environment, the activator for Benfield process at Plant–III has been replaced with a more advanced, stable and effective alternative.

SPONSORSHIP OF EXPEDITION TO RUSCH LAKE

FFC sponsored an expedition comprising of leading environmentalists and trekkers, to Rusch Lake near Nagar Valley. The expedition was aimed to promote nature conservation, unique biodiversity and ecology of Pakistan.

COMMUNITY INVESTMENT AND 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 demonstration
- Blitz program
- Trainings and seminars
- Simulation days

RESTORATION AND UPLIFTING OF HOLY PLACES

As part of its CSR initiative, FFC carried out comprehensive restoration and uplift of a community mosque in Nohanwali, Punjab and St. Paul's Church, Rawalpindi at an aggregate cost of Rs 4.36 million.

DIRECTORS' REPORT

CORPORATE SOCIAL RESPONSIBILITY

TECHNICAL TRAINING INSTITUTE, JHIMPIR

Building on its commitment to an economic and socially inclusive society, FFC has contributed in setting up a technical training institute in Jhimpir, Sindh to impart technical skills related to wind energy farming operations to the native population.

OTHER CSR INITIATIVES IN COMMUNITY INVESTMENT

Creating real social impact through strategic community investment requires a clear understanding of community needs, healthy partnerships and effective implementation:

- The Company donated cash and special packages of household utilities amounting to Rs 2 million to the destitute families of Goth Machhi and Mirpur Mathelo under its Family Assistance Program
- The Company established a state of the art vocational training center for the womenfolk of Goth Machhi at a cost of Rs 1 million
- FFC donated a sum of Rs 0.7 million to Smile Again Foundation, a Non-Governmental Organization helping female survivors of acid and kerosene burns not only with medical care and assistance but also by making them productive members of the society
- The Company donated Rs 0.5 million to Pakistan Sweet Homes, a welfare organization striving to provide quality living standards and education to orphans
- In collaboration with Rescue 1122, a training session was convened at Basti Ahmed Khan on Community Awareness and Emergency Response
- Dowry assistance was provided to contractual workforce for marriages of their daughters

CONSUMER PROTECTION MEASURES

FFC has set in place an effective system to safeguard customer / farmer interests through the following salient features:

- Printing of retail price on all fertilizer bags to safeguard farmers against exploitation
- Affixing of security labels (Pehchan Stickers) on fertilizer bags to ensure delivery of authentic and quality product
- Ensuring timely product delivery through our extensive nationwide dealer network
- Conduct of "Customer Satisfaction Measurement Surveys" on bi-annual basis to obtain feedback from our dealers and concentrate on areas of improvement
- Provision of timely guidance and efficient handling of complaints by well-trained field officers

INDUSTRIAL RELATIONS

Recognizing the significance of Human Capital in achieving sustainable business success, FFC ensures that a direct and frequent communication is established at the workplace between management and employees. In the spirit of continuous improvement, we encourage dialogue with employees that goes beyond the traditional aspects of collective bargaining and promotes an environment of trust and support that underpins performance improvement.

FFC is also committed to promote a better knowledge and understanding of applicable legal framework for effective implementation of regulations. The Company fully appreciates employee rights including those of the Collective Bargaining Agent besides providing special incentives to maintain industrial peace through avoidance of labour disputes and operating disruptions.

EMPLOYMENT OF SPECIAL PERSONS

FFC believes in providing respectable career opportunities to special persons and has extended employment to such persons along with an inclusive, accessible and barrier free work environment. Special requirements of these employees with respect to healthcare and other allied facilities are provided to ensure optimum performance by each individual.

BUSINESS ETHICS & ANTI-CORRUPTION MEASURES

FFC ensures compliance with all regulatory and governance requirements while conducting its business and has formulated various standards including the "Code of Business Ethics", "Code of Conduct", "Whistle Blowing Policy" and the policy on "Sexual Harassment". Procedures are in place to implement and monitor adherence to these policies for ensuring conducive business environment with ethical standards through 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

FFC has further reinforced its commitment towards zero tolerance for corruption by incorporating the slogan "Say No to Corruption" in all its correspondence, as also prescribed by the regulator.

DONOR OUTREACH

FFC believes in building long term partnerships as path for maximizing benefit through shared expertise and resources. Notable developments during the year include:

- MOU signed with Hashoo Foundation for Technical Training and Skills development
- MOU signed with Kaus-e-Kazah for Women Empowerment and Vocational Trainings
- Collaboration with RCCI for fund raising and welfare of the underprivileged

AGRI. VALUE CHAIN PROJECT

In collaboration with Pakistan Microfinance Company Limited, a program was launched to provide valuable trainings and services to educate the small farmer to ensure reduction in input costs with increased yield and income. FFC conducted following services for farmers:

- Trainings and capacity building programs
- Soil sampling facility
- Soil analysis and recommendation reports
- Demonstration plots on cotton crop
- Farmer meetings
- Crop and Health Insurance

NATIONAL CAUSE DONATIONS

Over the years, FFC has been at the forefront of many national causes, be it the relief and rehabilitation of Internally Displaced Persons or assistance in flood, drought or earthquake affected areas.

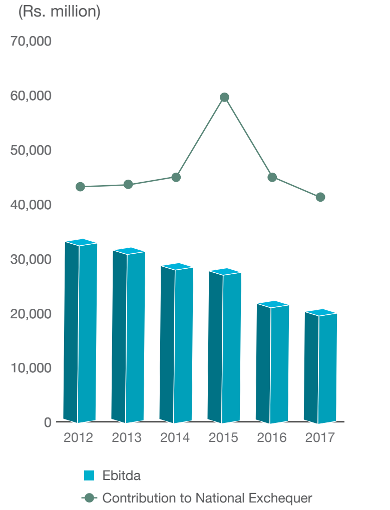
In 2017, honoring the sacrifices by the brave sons of our soil, FFC became sponsor partner for nation-wide programs organized to commemorate Youm-e-Shuhada.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the Company contributed over Rs 41 billion towards the National Exchequer by way of taxes, levies and accrued GIDC being 8% lower than last year due to lower profitability in 2017, bringing the cumulative contribution as at December 31, 2017 to around Rs 439 billion.

Value addition in terms of foreign exchange savings worked out to US$ 534 million through import substitution based on 2,475 thousand tonnes of urea sold in the Country during the year.

EBITDA & CONTRIBUTION TO NATIONAL EXCHEQUER
(Rs. million)



DIRECTORS' REPORT

CORPORATE SOCIAL RESPONSIBILITY

STATEMENT OF VALUE ADDED - 2017

WEALTH GENERATED

Revenue	Purchases	Wealth Generated
Rs 106,139 million	**Rs 44,299 million**	**Rs 61,840 million**
(inclusive of sales tax and other income)	(materials and services - net)	(total wealth generated for distribution)

DISTRIBUTION		ORGANIZATION
Employees as remuneration	**Rs 8,309 million – 13.4%** (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 Texas	**Rs 40,643 million – 65.7%** (Income tax, sales tax, excise duty and custom duty*) **Rs 599 million – 1%** (WPPF and WWF)	Contributing to the national exchequer under the applicable laws and regulations
Shareholders as Dividend	**Rs 5,088 million – 8.2%** (as Dividend)	Return provided to our esteemed shareholders for reposing their trust in the Company
Providers of Finance	**Rs 2,471 million – 4.0%** (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 4,641 million – 7.5%**	Retention of profits for future diversification initiatives
Society	**Rs 89 million – 0.2%** (Donations and welfare activities)	FFC actively contributes towards the needs of the community and society around Pakistan

Economic Value Added

Rs 5,141 million

* Includes GIDC

RURAL DEVELOPMENT PROGRAM

VILLAGE UPLIFT PROGRAM

In order to overcome water shortage and provide access of clean drinking water to the residents of Sauwal Village, Jhelum District, the Company is installing a 9 km long new water pipeline along the bank of River Jhelum besides setting up a water filtration plant.

STATEMENT OF CHARITY ACCOUNT

Rs in million	2017	2016
Community welfare	8	39
Education	45	40
General	2	11
Healthcare & Environment	32	26
Sports	2	6
Grand Total	**89**	**122**

SUSTAINABLE DEVELOPMENT GOALS

By aligning its interventions with the UN's Sustainable Development Goals, FFC has joined hands with the State, non-state organizations and civil society to work collectively towards a sustained and progressive future by 2030.

Engagement with UN Global Compact

UNGC Summit – 2017

FFC is a proud signatory to UNGC and one of its pioneer members from Pakistan. This year as well, the Company supported different humanitarian initiatives being carried out by UNGC Foundation around the globe.

The CE&MD and SM–CSR represented the Company during UN General Assembly week at different forums including the prestigious Leaders Forum and Private Sector Forum.

Promotion of SDG's and UNGC Principles

Corporate Leaders' Conversation Summit

FFC, in collaboration with UNGC Pakistan, PSX and CSR Centre Pakistan, organized the First Comprehensive high level, multiple stakeholder seminar on Sustainability Development Goals and Corporate Reporting (Sustainability) in Karachi.

The seminar was attended by leading names from business, non-profit organizations and civil society. Experts highlighted the challenges and opportunities faced by the Country in achieving the goals by 2030.

The participants applauded the Company's efforts towards building a culture of sustainable and responsible business practices in Pakistan.

DIRECTORS' REPORT

CORPORATE SOCIAL RESPONSIBILITY

SDG	TARGET	FFC INTERVENTION
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.
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.
3	Ensure healthy lives and promote well-being for all at all ages	The Company established state of the art healthcare facilities in proximity of its Plantsites serving the neighbouring communities. The facilities entertain around 80,000 patients annually. Besides, free medical camps are occasionally conducted in far flung areas.
4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	FFC's education support initiative primarily consists of financial assistance to educational institutions, scholarship programs and infrastructure improvement.
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 female students.
6	Ensure availability and sustainable management of water and sanitation for all	For healthy drinking water and sanitation arrangements, a project for provision of water through laying of pipeline in rural area was undertaken.
7	Ensure access to affordable, reliable, sustainable and modern energy for all	The Company pioneered in the field of renewable energy by commissioning the Country's first wind energy farm. Besides, three villages, community schools and colleges were also provided with solar energy solution demonstrating our commitment to green energy initiatives.
8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	As one of the premium employers of the Country, FFC is committed to provide equal opportunity to all employees irrespective of gender, disability or cultural diversities
9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	FFC believes in adopting and implementing the best technology to make its operations and environmental footprints at minimum.
10	Reduce inequality within and among countries	As a 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.
11	Make cities and human settlements inclusive, safe, resilient and sustainable	Various programs for the welfare of the communities in proximities of our manufacturing facilities are carried out as elaborated in the relevant sections of this Report.

SDG	TARGET	FFC INTERVENTION
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.
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 other conservation programs.
14	Conserve and sustainable use the oceans, seas and marine resources for sustainable development	Conservation programs in collaboration with WWF are geared in this direction.
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.
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.
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.

DIRECTORS' REPORT

HEALTH AND SAFETY

HEALTHCARE

FFC aims at playing a key role in improving the healthcare facilities through collaboration as well as independent initiatives. The Company's CSR Healthcare initiative believes in bridging the gap between the affluent and the under privileged by providing quality medical facilities to all.

HEALTHCARE ACTIVITIES AT GOTH MACHHI & MIRPUR MATHELO

Hazrat Bilal Trust Hospital, Goth Machhi and Sona Welfare Hospital, Mirpur Mathelo are committed to providing, free of cost, quality healthcare to the underprivileged communities in the vicinity of FFC Plantsites. During 2017, the Company contributed Rs 24 million to these facilities for treatment of approximately 150 thousand deserving patients. Under its Medical Assistance Program, FFC contributed Rs 0.5 million to support patients who were unable to finance their treatment. An equal sum was donated for operating a free dispensary situated at Goth Machhi.

COLLABORATION WITH AL-SHIFA TRUST EYE HOSPITAL

In continuation with FFC's comprehensive campaign for improvement in eye care initiated in 2013, FFC & Al-Shifa Trust again joined hands to provide quality and free of cost eye care treatment to the natives of remote and far flung areas of Jhelum District. The activity was completely funded by FFC, where experts from Al-Shifa Trust extended free of cost surgery, medicine and visual aids. This endeavor has benefitted over 20 thousand patients in the last 5 years.

DONATIONS TO VARIOUS HOSPITALS AND CAUSES

The Company donated Rs 3 million to a program working for Hepatitis C eradication. FFC also contributed Rs 1 million to Heartfile, a registered NGO working extensively to provide free of cost healthcare to deserving patients across Pakistan.

OCCUPATIONAL SAFETY & HEALTH

FFC regards protecting the safety, security and health of its employees as indispensable to its business activities and expends appropriate management resources to achieve a safe and pleasant working environment.

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, ISO 14001 and OHSAS 18001 at both Plantsites, Marketing Office and the Head Office.

In addition to strict compliance with legislative requirements, the Company also implements in-house Safety Health and Environmental standards aligned with International Best Practices, with the aim of improving levels of safety and health. FFC is endeavoring to raise awareness through training and education in the form of mock safety exercises in collaboration with NDMA, observance of World Day for Safety & Health, World No Tobacco Day and Cancer Awareness Day, besides conducting blood donation drives.

NOISE ABATEMENT AT STEAM TURBINES

In line with FFC's commitment to employee health and safety, in-house fabricated silencers have been installed at Plant III to reduce noise levels associated with steam venting, ammonia and air compressor steam turbine vents.

SAFE MAN-HOURS

Plantsite Goth Machhi recorded 9.25 million man-hours of safe operations during the year, signifying the Company's commitment to employee safety.

FIRE WATER NETWORK AT NG COMPRESSION STATION

A firewater network is being installed at the Natural Gas Compression station, Deh Shahbazpur for safe handling of fire hazard.

DIRECTORS' REPORT

INFORMATION TECHNOLOGY

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

SAP S/4 HANA

Our Information Security Management System (ISMS) maintains ISO 27001:2013 certification since 2016 with zero non-conformances. We take pride in our in-house development of electronic record storage and retrieval solution, migration to SAP-S/4 HANA and our new corporate website.

We have a comprehensive IT governance policy framework which ensures data integrity and promotes transparency and accountability across the board.

REVIEW BY THE BOARD OF DISASTER RECOVERY & BUSINESS CONTINUITY PLANNING

The Company has in place, a robust and tested Disaster Recovery System which is designed to mitigate operational disruption and loss of Company assets in case of any adversity.

NEW COMPANY WEBSITE

In the era of digital exchange, focused approach by the Company to disseminate information to the shareholders, stakeholders and the public at large through its website resulted in revamping of FFC's website. The upgraded website is better suited to stakeholders' and visitor needs and now offers more information in a user-friendly manner, while ensuring flexible viewing on a broad range of devices and software platforms.

SAFETY & SECURITY OF IT RECORD

The Company has implemented a "Safety of Records" policy under which the data critical for smooth operations is securely backed up and retrieved on a real time basis. This policy ensures integrity of data besides compliance with legal requirements in an environment friendly manner.

DISASTER RECOVERY PLANNING

As part of the Company's comprehensive BCP, it has established an alternate Disaster Recovery Site (DRS) with backup servers and other necessary infrastructure to mitigate operational disruption in case of any disaster.

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

BUSINESS CONTINUITY PLANNING

The Company has in place a comprehensive Business Continuity Plan (BCP) which is constantly reviewed and tested. BCP ensures minimal operational disruption in case of catastrophe caused either by natural disaster, fire, civil strife, sabotage or an act of war. Key stakeholders across the board are involved in BCP for identification and formulation of risk mitigation strategies of critical business functions in case of disaster. Several mock exercises were conducted during the year to enhance readiness of employees to cope with a disaster. BCP also serves the following purposes:

EMPLOYEES

Provides a sense of satisfaction to employees regarding Company's ability to provide a safe and secure operating environment.

INVESTORS

Enhances investor confidence in our ability to withstand any adversity with minimal or no operational disruption.

ORGANIZATION

Enhances our corporate image and brand reputation by highlighting our ability to recover in case of any adversity.

CUSTOMERS

BCP assures customers of the Company's ability to meet its commitments in case of any unforeseen disaster.

DIRECTORS' REPORT

HUMAN CAPITAL

The Company considers Human Capital to be pivotal for its success and recognizes the importance of investment in the growth of its employees through state of the art Human Capital Management system for workforce of more than 3,364 employees during 2017.

The Human Resource department empowers the employees with capability, flexibility, and responsibility needed to drive business success and reach their full potential.

Recognizing the significance of Human Capital Management in attracting and retaining talented and motivated workforce, the Company provides a dynamic and progressive environment conducive to productivity through transparent hiring, professional and personal development programs, and market commensurate compensation packages. This propagates a culture of honesty, integrity, truthfulness and honor among our employees, and brings purpose and value to their lives.

In line with our strategy of being an equal opportunity employer and encouraging gender diversity, employment of females has increased to around 3% during the year.

HEALTHCARE

We are committed to providing state of the art health care facilities to our employees and their dependents across the Company. Our health care facilities at Head Office and Plantsites are fully equipped and managed by qualified and experienced medical professionals capable of handling emergency situations. Further details provided in the health and safety section of this Annual Report 2017 on page 106 .

EMPLOYMENT OF SPECIAL PERSONS

FFC believes in affording respectable career opportunities to special persons and 2% of our workforce consist of special persons employed in various positions throughout the Company with due consideration to their special needs.

ERP SOLUTIONS FOR HUMAN CAPITAL

Human Capital Management is further strengthened through state of the art ERP solutions which aid the HR function to address all employee related matters including diverse development needs, 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

Giving due consideration to the financial independence of its employees post retirement, the Company has various retirement benefit plans including funded gratuity and pension schemes, a contributory provident fund, besides provision of compensated absences.

As at December 31, 2017, fair value of plan assets of the Company's funded gratuity and pension schemes stood at Rs 2.42 billion and Rs 3.85 billion respectively, representing an aggregate increase of Rs 0.82 billion compared to last year. Details of retirement benefit funds have been disclosed in note 11 to the financial statements.

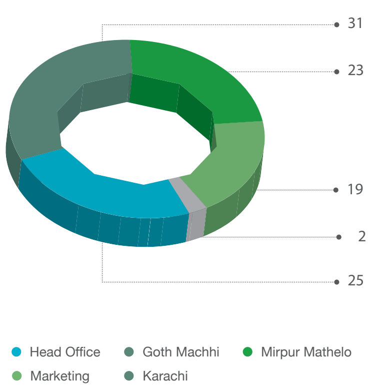
SUCCESSION PLANNING

Succession planning is elaborated on page 87 of this Annual Report 2017.

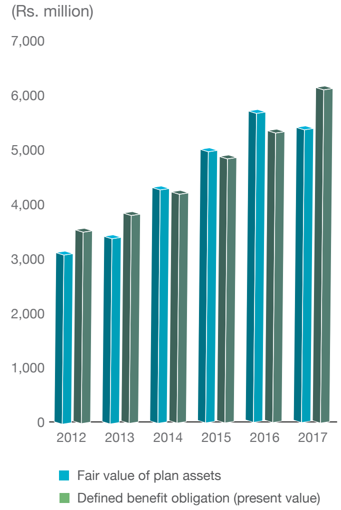
Benefits	Management	Staff
Life insurance	Yes	Yes
Healthcare*	100%	100%
Insurance against disability / invalidity	Yes	Yes
Maternity leave	Yes	Yes
Retirement benefits	Yes	Yes

* subject to Company policy

EMPLOYEES' DISTRIBUTION
(Percentage)



RETIREMENT BENFITS-ASSETS AND LIABILITIES
(Rs. million)



DIRECTORS' REPORT

OPERATIONAL REVIEW

The Company exceeded its urea production target for 2017 by achieving second highest production of around 2.5 million tonnes, which despite decreasing gas pressure is only 10 thousand tonnes lower than last year's record production. Production facilities operated at a combined capacity utilization of 123% by banking on the technical prowess and improved efficiencies of FFC. Despite lower production, FFC's share to the Country's indigenous urea production improved to 45%, higher by 3% compared to 2016.

Our team continued to improve efficiencies through harmonized efforts, reducing wastage with determination to continue its focus on capacity utilization.

Under Company's long term sustainability plan, installation of compressors to arrest decline in gas pressures besides ongoing evaluation of alternatives for sustained operations are underway to maintain its position as the leading fertilizer manufacturer in the Country.

PLANT-I & II

GOTH MACHHI

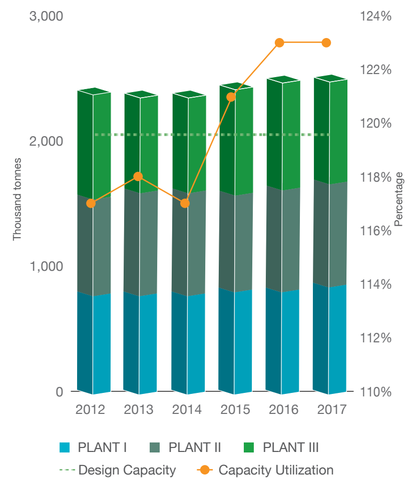
Manufacturing facilities at Goth Machhi recorded a combined urea production of 1,693 thousand tonnes, 2% above last year mainly due to benchmark production of 868 thousand tonnes by Plant I at extraordinary capacity utilization of 125%. Both the plants recorded 9.25 million man hours of safe operations at the end of year, signifying the Company's commitment to safety first.

MAJOR PROJECTS

NATURAL GAS COMPRESSION PROJECT

Another phase of ongoing Gas compression project was executed successfully by the end of year. The project will provide requisite availability of pressure to achieve sustainable production from all the production facilities of the Company.

PLANT WISE PRODUCTION



INSTALLATION OF RAW WATER PIPELINE

As apprised last year, raw water pipeline was replaced in April 2017 within the planned timeline. The new line has increased reliability of the water supply to production facilities and mitigated risks of leakages.

DIRECTORS' REPORT

OPERATIONAL REVIEW

DIGGING OF NEW WATER WELLS

Raw water requirement at Goth Machhi is fulfilled from the canal water and well water drawn from Ahmed Pur Lamma. Dependency on well water has increased significantly due to frequent outage of canal water and its quality issues; accordingly, digging of six new water wells was completed during the year.

REPLACEMENT OF CARBAMATE CONDENSER

Existing carbamate condenser used since commissioning of Plant-II completed its useful life and was replaced during the year to improve reliability. This has also resulted in increased efficiency of the plant besides improvement in urea HP loop operations.

PLANT-II DISTRIBUTION CONTROL SYSTEM REPLACEMENT

In order to replace obsolete Distribution Control System (DCS) of Plant-II, installation of new and technologically advanced DCS is in progress. All indicators, alarms and less critical control loops are being shifted to the new system during normal plant operations, while the remaining critical control loops are planned to be shifted during Turnaround of 2018.

PLANT-III

MIRPUR MATHELO

In 2017, Plant-III underwent planned maintenance turnaround of 16 days and produced 820 thousand tonnes of urea, 4% lower than last year's output with capacity utilization of 114%.

Plant-III continued to set new efficiency benchmarks by achieving highest ever ammonia daily production of 1,403 tonnes and monthly ammonia production of 43,171 tonnes during January 2017.

MAJOR PROJECTS

WELL AREA EXPANSION

In view of less availability of canal water and deterioration of water quality of existing resources for Plant-III at Mirpur Mathelo, addition of 6 new tube wells was completed under sustainability plan of the Company.

HEALTH ASSESSMENT OF ELECTRICAL EQUIPMENT

Under proactive maintenance approach, health inspection of major electrical equipment, including transformers and generators, was carried out during the year to identify rectification requirements and improve reliability.

MAINTENANCE TURNAROUND 2017

After three years of continuous operation, 8th post acquisition maintenance turnaround of Plant-III was completed in October / November 2017 well within scheduled time, without incurring any incident or injury.

Sustainability, improvement in reliability and energy efficiency was achieved besides completion of the following major tasks:

- Replacement of Induced Draft Fan of Ammonia Plant with improved design for better efficiency and operating capacity
- Replacement of Process Gas Preheater outlet header
- Change of Benfield Solution Activator from DEA to ACT-I for improved energy utilization / capacity
- Installation of new and improved design wash trays in Benfield Stripper
- Overhauling of Synthesis Gas Compressor
- Upgradation of Air Compressor intercooler and Knockout vessels
- Relining of one shell course of Urea Reactor along with general inspection
- Replacement of plant fuel gas header

EXTENSION OF TECHNICAL SERVICES

Providing technical services and imparting trainings to international and local partners testifies our technical excellence. FFC continued to provide technical assistance to worldwide fertilizer and petrochemical industries through its team of dedicated professionals besides imparting various trainings to large number of professionals from numerous local industries.

DIRECTORS' REPORT

MARKETING OVERVIEW

INTERNATIONAL FERTILIZER MARKET

Global fertilizer prices recovered during the year but prices of urea remained volatile and recorded a low of US$ 200 per tonne and high of US$ 295 per tonne during 2017. The global fertilizer capacity is envisaged to increase by 90 million tonnes till 2021, resulting in a supply driven market with a modest growth in fertilizer demand during the next five years.

Price stability continued for international DAP market, with average prices between US$ 340 to 370 per tonne, however, increased demand during the last quarter of the year resulted in escalation of prices to US$ 400 per tonne at the year end.

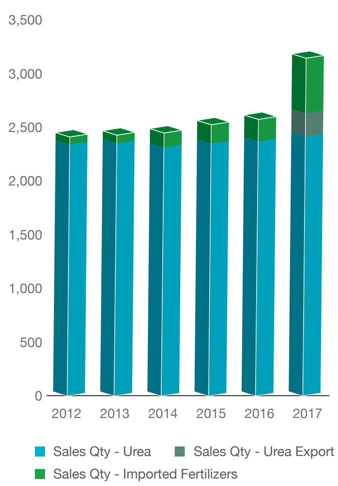
DOMESTIC FERTILIZER MARKET

Although better offtake was witnessed during the last quarter of 2016, however, carryover inventory from last year continued to pressurize the industry offtake during the first quarter of 2017. In order to offload inventories in view of an oversupplied market, reduction of prices by manufacturers improved sales in the second half of the year and the industry carried only 260 thousand tonnes of urea inventory at the end of 2017, 75% lower than last year. Government maintained urea price ceiling at Rs 1,400 per bag while reduced subsidy from Rs 156 per bag to Rs 100 per bag effective July 1, 2017, which further pressurized industry margins.

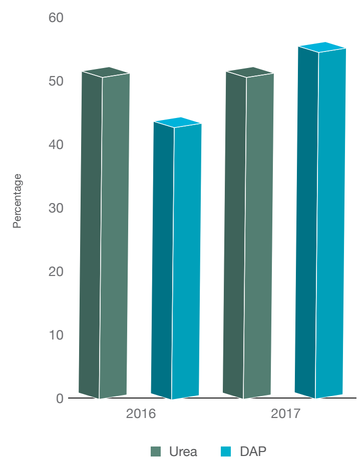
UREA

Although 2017 witnessed better gas availability, however, due to lower demand and high prices associated with imported LNG, few manufacturers opted to curtail their production to avoid losses. The indigenous urea production of 5,600 thousand tonnes during the year was around 7% lower than last year with zero imports in view of adequate inventory in the Country.

ALL FERTILIZER OFFTAKE
(Thousand tonnes)



AGGREGATE MARKET SHARE
(FFC / FFBL)



Offtake was slow during the first quarter of the year, however, volumes stabilized owing to discounts offered by manufacturers and higher demand due to improved crop prices during latter half of the year resulting in total industry domestic urea sales of 5,816 thousand tonnes. In view of surplus urea inventory levels, Government allowed export of 600 thousand tonnes after 13 years, which aided in reducing inventory pressures for the industry besides earning precious foreign exchange for the Country.

DAP

Higher DAP demand due to favourable prices for farmers under the Government's subsidy scheme coupled with lower sales tax during the second half of the year resulted in the highest ever DAP imports of 1,691 thousand tonnes, 32% higher than last year. Whereas, FFBL the sole producer of DAP in Pakistan, achieved a new production benchmark of 809 thousand tonnes, 2% higher than last year.

Improved agronomic factors resulted in the highest ever DAP industry offtake of 2,409 thousand tonnes 7% higher compared to last year with a closing inventory of 193 thousand tonnes.

FFC MARKETING

Since last four decades, FFC's Marketing Group has been outperforming its competitors both in terms of sales and brand preference, while imparting valuable knowledge on latest fertilizer techniques and technology through its state of the art Agri. Services Department.

Company created a new benchmark by marketing unprecedented volume of 3,223 thousand tonnes of fertilizers which included domestic production and imports all around the year besides exporting 222 thousand tonnes of urea within limited timeframe, despite lack of export related infrastructure.

The Company, via its Agri. services department, connects to over 45 thousand farmers besides ensuring country wide supply of fertilizers through its well established and vast dealer network, spread over 3 zones, 13 regions and 63 sales districts and

DIRECTORS' REPORT

MARKETING OVERVIEW

is maintaining 177 warehouses across Pakistan, ensuring efficient delivery of our fertilizer products leading to food security of the Country.

Company also maintains a Farmers' Helpline with the objective of addressing their queries relating to fertilizer usage, farm management and plant protection besides providing SMS facility with messages focusing on fertilizer recommendations and application. In order to improve quality of the Company's services, a bi-annual "Customer Satisfaction Measurement Survey" is also conducted to obtain feedback from its dealers and farmers.

In its endeavour to consistently support the farming community, our Farm Advisory Centers provide free of cost soil and water analysis by analysing more than 13 thousand samples annually and providing valuable feedback to the community.

Despite the highest ever opening inventory, the Company through its concerted marketing efforts and responsive strategies, successfully offloaded its entire Sona urea production and inventory of 2,697 thousand tonnes, 11% higher than last year sales. Sona urea (granular) marketed on behalf of FFBL, recorded sales of 546 thousand tonnes, 23% more than 2016 sales due to better availability owing to higher production.

Adapting to market needs, the Company imported and marketed highest ever DAP quantities of 513 thousand tonnes, around 2.5 times higher than last year. Offtake of FFBL Sona DAP also increased by around 5% over last year to 831 thousand tonnes.

Combined urea market share of FFC / FFBL remained at the last year's level of 52% due to availability constraints, whereas, domestic urea industry grew by 6% over 2016. FFC / FFBL combined DAP market share improved to 56%, compared to 44% achieved in 2016. (Source: NFDC)

GEOGRAPHICAL PRESENCE

PROVINCE WISE SALES ANALYSIS

PUNJAB

Company marketed 1,678 thousand tonnes of FFC Sona urea (prilled) in the province of Punjab which represents 68% of Company's total Sona urea sales during 2017. FFC & FFBL's urea offtake aggregated to 2,050 thousand tonnes, depicting an increase of 4% compared to last year which represents 35% of total sales by the industry as compared to 36% last year. DAP demand increased in the province during 2017 and FFC sold 389 thousand tonnes of imported DAP, whereas, sales of Sona DAP were recorded at 619 thousand tonnes. FFC / FFBL combined market share increase by 13% compared to 2016.

SINDH

By sustaining growth momentum in Sindh market, Sona urea (prilled) sales were recorded at 500 thousand tonnes with 8% increase and FFBL Sona urea (granular) sales stood at 162 thousand tonnes, increasing aggregate FFC / FFBL urea market share to 44%, higher by 3% compared to 2016. Imported DAP sales of 87 thousand tonnes in Sindh recorded significant increase of 118%, while Sona DAP sales of 144 thousand tonnes also increased by 14% compared to last year. Aggregate DAP sales of 231 thousand tonnes represented 45% share in Sindh and 17% of FFC / FFBL combined sales in the Country.

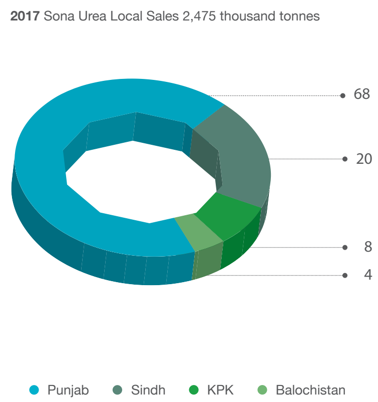
KHYBER PAKHTUNKHWA

Combined urea sales of 203 thousand tonnes in the province resulted in FFC / FFBL aggregate market share of 81% compared to 68% last year. Whereas, aggregate DAP market share in the province also improved by 20% to 77% with 69 thousand tonnes combined FFC / FFBL sales.

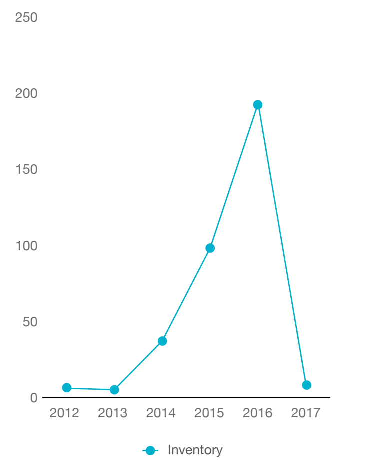
BALOCHISTAN

Sona urea (prilled) sales increased by 30% to 105 thousand tonnes due to improved demand. Combined market share, however, was marginally lower compared to 2016 due to limited product availability. Sona DAP sales in Balochistan stood at 25 thousand tonnes, whereas, combined sales of 36 thousand tonnes, with 39% market share, were recorded during the year.

PROVINCE WISE SALES
(Percentage)



INVENTORY
(Thousand tonnes)



DIRECTORS' REPORT

FORWARD LOOKING STATEMENT

ANALYSIS OF PRIOR PERIOD'S FORWARD LOOKING DISCLOSURES

The pricing pressures faced in 2016 continued during the year resulting in offloading of inventories at discounts as well as sale on credit terms. Reduction in urea subsidy by Rs 56 per bag, besides changes in tax regime during the year further pressurized Company margins.

As indicated last year, the proposal for export of urea was initiated by FFC during the year which resulted in sale of 222 thousand tonnes to neighboring countries and also enabled the Company to contribute over US$ 48 million to the Country's foreign exchange.

Effective cost controls implemented by the management and the Company's strategy to market higher quantities of imported fertilizer enabled FFC to exceed its targets, resulting in highest ever aggregate fertilizer offtake and revenues for the year.

As expected, FFCEL declared its first ever dividend during 2017, whereas contribution from AKBL also increased significantly compared to last year.

Joint Venture company TAMPCO was also incorporated during the year for establishment of our offshore fertilizer project in Tanzania and other activities of the project are progressing as per schedule. The Company is also collaborating with local and international partners for setting up a Thar-coal CPEC energy project.

FORWARD LOOKING STATEMENT

The Company has leveraged its technical prowess and competent human capital to position not only FFC but also its subsidiaries with competitive advantage in their respective operating environments.

Realizing the important impact of fertilizer on crops, the Company has positioned itself over the last 4 decades to not only swiftly distribute fertilizer products to the farmers, but also impart valuable knowledge on farming techniques to the Country's farmers, thus, contributing to ensuring food security in Pakistan.

However, discriminatory levy of GIDC, besides persistent application of Super tax, and urea price capping by the Government continue to pressurize Company margins. Higher tax charge due to implementation of final taxation on imported fertilizers combined with the consistent decline in gas pressure poses further risks to Company profitability.

In order to sustain production, the Company is evaluating installation of additional gas compressors besides exploring alternate sources of raw material. Marketing of higher quantities of imported fertilizer during 2017 provides confidence for sustained revenues in the future whereas cost optimization, strengthening of our human capital besides continuing receipt of dividend income from our equity investments are also projected to result in sustained performance of the Company.

Moving forward, although the agriculture growth of the Country is improving, however, favorable Governmental policies for the fertilizer industry are necessary to ensure a viable fertilizer sector and food security for the Country.

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

Lt Gen Shafqaat Ahmed
HI (M), (Retired)
Chief Executive & Managing Director
Rawalpindi
January 30, 2018

مستقبل کی توقعات

گزشتہ برس پیش کی گئی مستقبل کی توقعات کا تجزیہ

سال 2016 سے شروع ہونے والا قیمتوں پر دباؤ 2017 میں بھی جاری رہا نتیجتاً اسٹاک کو Discount اور ادھار پر فروخت کیا گیا۔ یوریا سبسڈی میں 56 روپے فی بوری کی کمی اور درآمدی کھادوں پر Tax Regime میں تبدیلی سے کمپنی کے شرح منافع میں مزید کمی واقع ہوئی۔

جیسا کہ گزشتہ برس بتایا گیا تھا، FFC نے یوریا کی برآمد کی تجویز پیش کی اور نتیجتاً ہمسایہ ممالک کو 222 ہزار ٹن کھاد فروخت کی اور اس طرح زرمبادلہ کے ذخائر میں 48 ملین ڈالر کا اضافہ کیا۔

کمپنی کی انتظامیہ کی طرف سے اخراجات پر کنٹرول کے فعال نظام اور درآمدی کھادوں کی زیادہ مقدار فروخت کرنے کی حکمت عملی نے کمپنی کے لیے اپنے اہداف کے حصول کو ممکن بنایا اور نتیجتاً تاریخ کی بلند ترین مقدار فروخت اور آمدن حاصل ہوئی۔

توقعات کے مطابق، FFCEL نے 2017 کے دوران اپنی تاریخ کے پہلے منافع منقسمہ کا اعلان کیا جبکہ AKBL کی جانب سے وصولی میں بھی گزشتہ سال کے مقابلے میں نمایاں اضافہ ہوا۔

تنزانیہ میں لگائے جانے والے کھاد کے منصوبے کے لیے TAMPCO کمپنی Joint Venture کو فعال کر دیا گیا اور اس منصوبے کی دیگر سرگرمیاں بھی شیڈول کے مطابق چل رہی ہیں۔ FFC ملکی اور بین الاقوامی شراکت داروں کے ساتھ بھی روابط استوار کر رہی ہے تاکہ CPEC کے تحت تھر کے کوئلے سے بجلی بنانے کا پراجیکٹ لگایا جا سکے۔

متوقع مستقبل

کمپنی نے اپنی تکنیکی مہارت اور فعال افرادی قوت کو اس انداز میں استوار کیا ہے کہ نہ صرف FFC بلکہ اس کی ذیلی کمپنیوں بھی اپنے متعلقہ شعبوں میں فوقیت حاصل ہو گئی ہے۔

فصلوں پر کھادوں کے اثرات کی اہمیت کا ادراک کرتے ہوئے کمپنی نے گزشتہ 4 عشروں میں اپنے آپ کو اس انداز میں کھڑا کیا ہے کہ نا صرف کسانوں تک کھادوں کو فوری طور پر پہنچایا جا سکے بلکہ کسانوں کو نت نئے اور بیش بہا زرعی اسلوب بھی سکھائے جائیں اور اس طرح ملک کے لیے خوراک کی رسد کو یقینی بنانے میں قابل قدر کردار ادا کیا جا سکے۔

تاہم GIDC کے امتیازی اطلاق، سیلز ٹیکس کے مسلسل نفاذ اور یوریا کی قیمتوں پر حکومتی پابندی کے باعث کمپنی کی شرح منافع مسلسل دباؤ کا شکار ہے۔ درآمدی کھادوں پر Final Taxation کے نفاذ کے باعث اضافی ٹیکس چارج اور گیس کے پریشر میں مسلسل کمی، مستقبل میں کمپنی کے منافع کے لیے خطرات بن سکتے ہیں۔

پیداوار کی سطح کو برقرار رکھنے کے لیے اضافی گیس کمپریسرز کی تنصیب کے ساتھ ساتھ خام مال کے حصول کے نئے ذرائع تلاش کرنے پر بھی کمپنی غور کر رہی ہے۔ 2017 میں درآمدی کھادوں کی زیادہ مقدار میں فروخت سے، مستقبل میں مستحکم آمدنی حاصل کرنے کے لیے کمپنی کے اعتماد میں اضافہ ہوا ہے۔ جبکہ اخراجات میں کمی اور ہنرمند افرادی قوت میں مضبوطی کے ساتھ ساتھ منافع منقسمہ کی مسلسل ترسیل کے ذریعے بھی کمپنی کے لیے پائیدار کارکردگی کی توقع کی جا رہی ہے اگرچہ مستقبل میں ملک کے زرعی شعبے میں ترقی متوقع ہے تاہم فرٹیلائزر سیکٹر اور مستقل غذائی ترسیل کو یقینی بنانے کے لیے کھاد کی صنعت کے لیے سازگار حکومتی پالیسیاں ناگزیر ہیں۔

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

لیفٹیننٹ جنرل شفقات احمد
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو و مینجنگ ڈائریکٹر
راولپنڈی
30 جنوری 2018

FINANCIALS 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 2017, 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, 2017, 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, 2017 and shall retire on the conclusion of the 40th 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 40th Annual General Meeting scheduled for March 13, 2018 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, 2018.

- 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 30, 2018

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.24 clause (b) of listing regulations of Pakistan Stock Exchange Limited 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
	Mr. Farhad Shaikh Mohammad
	Mr. Manzoor Ahmed
	Mr. Shoaib Mir
Executive Director	Lt Gen Shafqaat Ahmed, HI(M) (Retired)
Non-Executive Directors	Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)
	Mr. Qaiser Javed
	Dr. Nadeem Inayat
	Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retired)
	Mr. Per Kristian Bakkerud
	Brig Raashid Wali Janjua, SI(M) (Retired)
	Maj Gen Wasim Sadiq, HI(M) (Retired)
	Mian Asad Hayaud Din

(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. Mr Manzoor Ahmed, A/Managing Director National Investment Trust Limited (NIT) and Mr. Shoaib Mir, Chairman State Life Insurance Corporation of Pakistan (SLIC) are serving as director in more than seven listed Companies. SECP has granted relaxation vide letter Nos. CLD/CCD/602(09)/2016 dated September 20, 2017 and No. CLD/CCD/CG/Exemptions/2014/461 dated February 23, 2015 respectively.

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 2017 were filled up by the directors within 7 days:
   - Mr. Shoaib Mir vacated the position on April 27, 2017 and Mr. Naveed Kamran was appointed in his place.
   - Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired) vacated the position on June 06, 2017 and Maj Gen Wasim Sadiq, HI(M) (Retired) was appointed in his place.
   - Mr. Shahid Ghaffar vacated the position on September 26, 2017 and Mr. Manzoor Ahmed was appointed in his place.
   - Mr. Khizar Hayat Gondal vacated the position on October 16, 2017 and Mr. Maroof Afzal was appointed in his place.
   - Mr. Naveed Kamran Baloch vacated the position on November 09, 2017 and Mr. Shoaib Mir was appointed in his place.
   - Mr. Maroof Afzal vacated the position on December 20, 2017 and Mian Asad Hayaud Din was appointed in his place.

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 Resource 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. Further, the Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting framework as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.

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

Lt Gen Shafqaat Ahmed
HI (M), (Retired)
Chief Executive & Managing Director
Rawalpindi
January 30, 2018

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 2017 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 of 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 2017.

KPMG Taseer Hadi & Co.

Islamabad
January 30, 2018

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 2017 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 change 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 2017 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 30, 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
Atif Zamurrad Malik

BALANCE SHEET
AS AT DECEMBER 31, 2017

	Note	2017 Rs '000	2016 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	16,176,474	14,841,963
Surplus on re-measurement of investments available for sale to fair value - net		293,523	486,950
		29,352,379	28,211,295
NON - CURRENT LIABILITIES			
Long term borrowings	8	15,571,491	16,653,294
Deferred liabilities	9	4,697,189	4,811,884
		20,268,680	21,465,178
CURRENT LIABILITIES			
Trade and other payables	10	39,218,435	10,911,897
Mark-up and profit accrued	12	190,707	321,091
Short term borrowings	13	11,539,083	22,176,525
Current portion of long term borrowings	8	6,831,804	6,434,304
Taxation		1,229,780	1,248,814
		59,009,809	41,092,631
TOTAL EQUITY AND LIABILITIES		108,630,868	90,769,104
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 42 form an integral part of these financial statements.

	Note	2017 Rs '000	2016 Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	22,312,363	21,232,732
Intangible assets	16	1,585,018	1,585,211
Long term investments	17	27,868,846	29,656,283
Long term loans and advances	18	965,959	934,150
Long term deposits and prepayments	19	13,896	13,975
		52,746,082	53,422,351
CURRENT ASSETS			
Stores, spares and loose tools	20	3,496,117	3,428,235
Stock in trade	21	395,113	4,237,327
Trade debts	22	3,721,587	4,305,951
Loans and advances	23	1,633,916	903,440
Deposits and prepayments	24	77,792	50,241
Other receivables	25	13,964,851	7,751,842
Short term investments	26	30,882,685	14,143,829
Cash and bank balances	27	1,712,725	2,525,888
		55,884,786	37,346,753
TOTAL ASSETS		108,630,868	90,769,104

Chairman **Chief Executive** **Director** **Chief Financial Officer**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
Sales	28	90,714,114	72,876,687
Cost of sales	29	72,620,911	54,827,041
GROSS PROFIT		18,093,203	18,049,646
Distribution cost	30	8,574,081	7,154,244
		9,519,122	10,895,402
Finance cost	31	2,470,672	2,405,589
Other expenses	32	1,630,750	1,760,663
		5,417,700	6,729,150
Other income	33	10,323,615	10,664,843
NET PROFIT BEFORE TAXATION		15,741,315	17,393,993
Provision for taxation	34	5,030,000	5,612,000
NET PROFIT AFTER TAXATION		10,711,315	11,781,993
Earnings per share - basic and diluted (Rupees)	35	8.42	9.26

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman	Chief Executive	Director	Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Rs '000	2016 Rs '000
Net profit after taxation	10,711,315	11,781,993
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Deficit on re-measurement of investments available for sale to fair value - net of tax	(193,427)	(47,457)
Items that will not be subsequently reclassified to profit or loss		
(Loss) / gain on re-measurement of staff retirement benefit plans - net of tax	(789,197)	68,374
Other comprehensive income - net of tax	(982,624)	20,917
Total comprehensive income for the year	9,728,691	11,802,910

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman	**Chief Executive**	**Director**	**Chief Financial Officer**

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	37,648,989	11,688,412
Finance cost paid		(2,553,273)	(2,385,850)
Income tax paid		(5,247,419)	(5,724,569)
Subsidy received on sale of fertilizer		4,910,528	3,396,298
		(2,890,164)	(4,714,121)
Net cash generated from operating activities		34,758,825	6,974,291
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,284,612)	(2,000,434)
Proceeds from disposal of property, plant and equipment		24,575	22,041
Interest received		720,767	1,107,435
Investment in Fauji Fresh n Freeze Limited		(560,000)	(1,200,000)
Decrease in other investment - net		711,006	1,079,194
Dividends received		1,923,711	2,264,743
Net cash (used in) / generated from investing activities		(464,553)	1,272,979
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing			
Draw-downs		7,000,000	7,350,000
Repayments		(7,684,303)	(4,664,840)
Dividends paid		(8,557,834)	(11,109,510)
Net cash used in financing activities		(9,242,137)	(8,424,350)
Net increase / (decrease) in cash and cash equivalents		25,052,135	(177,080)
Cash and cash equivalents at beginning of the year		(6,041,304)	(5,864,224)
Effect of exchange rate changes		(47,783)	–
Cash and cash equivalents at end of the year		18,963,048	(6,041,304)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	1,712,725	2,525,888
Short term borrowings	13	(11,539,083)	(22,176,525)
Short term highly liquid investments		28,789,406	13,609,333
		18,963,048	(6,041,304)

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman | Chief Executive | Director | Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	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, 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
Balance at January 1, 2017	12,722,382	160,000	6,802,360	8,039,603	486,950	28,211,295
Total comprehensive income for the year						
Profit after taxation	–	–	–	10,711,315	–	10,711,315
Other comprehensive income - net of tax	–	–	–	(789,197)	(193,427)	(982,624)
	–	–	–	9,922,118	(193,427)	9,728,691
Distribution to owners - recorded directly in equity						
Final dividend 2016: Rs 2.75 per share	–	–	–	(3,498,655)	–	(3,498,655)
First interim dividend 2017: Rs 1.50 per share	–	–	–	(1,908,357)	–	(1,908,357)
Second interim dividend 2017: Rs 1.00 per share	–	–	–	(1,272,238)	–	(1,272,238)
Third interim dividend 2017: Rs 1.50 per share	–	–	–	(1,908,357)	–	(1,908,357)
	–	–	–	(8,587,607)	–	(8,587,607)
Other changes in equity						
Transfer in general reserves	–	–	2,000,000	(2,000,000)	–	–
Balance at December 31, 2017	12,722,382	160,000	8,802,360	7,374,114	293,523	29,352,379

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman	Chief Executive	Director	Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 Act, 2017) 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 fertilizers, 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (the repealed Ordinance), provisions of or the directives issued under the Companies Ordinance, 1984 (the repealed Ordinance). In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 (the repealed Ordinance), shall prevail.

During the year, the Companies Act, 2017 (the Act) was enacted on May 30, 2017, which replaced and repealed the Companies Ordinance, 1984. However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 23 of 2017 dated October 4, 2017 has advised the Companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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 changes as indicated below:

Amendments to IAS 7 'Statement of Cash Flow' became effective during the year. 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. Accordingly, those disclosures have been included in the note 37 to these financial statements. However, there was no change in the reported figures of profit and loss account 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 and loss account except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 and loss account 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 amount of investment is increased to its revised recoverable amount but limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the profit and loss account.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries which are recognized in other income. Gains and losses on disposal of investment is included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate, the retained investment is carried at cost.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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and loss account. 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 and loss account.

The profits and losses of associates and jointly controlled entities are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the associates and jointly controlled entities which are recognized in other income. Gains and losses on disposal of investment is included in other income.

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 and loss account. Impairment loss on investments available for sale is recognized in the profit and loss account.

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 and loss account.

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 profit and loss account 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.

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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 mark-up bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 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 and loss account, using effective interest method. Dividend income is recognized in profit and loss account 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 and loss account 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 and loss account 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, the difference is recognized directly in the profit and loss account.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense in profit and loss account and is not subsequently reversed.

With finite useful life

Intangibles are stated at the cash price equivalent of the consideration given less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Rates for amortization are disclosed in Note 16.1. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit and loss account.

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 January 1, 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 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 January 1, 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 amendments are not likely to have an impact on Company's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 1, 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

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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 amendments are 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 January 1, 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 application of interpretation is not likely to have an impact on Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. Management is in the process of assessing the impact of adoption of this standard on the financial statements.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard. Management is in the process of assessing the impact of adoption of this standard on the financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Company's financial statements.

- In addition, the Companies Act, 2017 was enacted on May 30, 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on January 1, 2018 requires certain additional disclosures. Management is in the process of assessing the impact of such changes on the financial statements.

5. **SHARE CAPITAL**

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2016: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2016: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2017 Numbers	2016 Numbers		2017 Rs '000	2016 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 (FF) held 44.35% (2016: 44.35%) ordinary shares of the Company at the year end.

	Note	2017 Rs '000	2016 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.

	2017 Rs '000	2016 Rs '000
7. REVENUE RESERVES		
General reserve	8,802,360	6,802,360
Unappropriated profit	7,374,114	8,039,603
	16,176,474	14,841,963

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	Note	2017 Rs '000	2016 Rs '000
8. LONG TERM BORROWINGS			
Borrowings from banking companies - secured	8.1		
From conventional banks			
The Bank of Punjab (BOP-1)		–	250,000
The Bank of Punjab (BOP-2)		250,000	350,000
The Bank of Punjab (BOP-3)		385,000	495,000
Allied Bank Limited (ABL-1)		750,000	1,050,000
Allied Bank Limited (ABL-2)		1,312,500	1,500,000
United Bank Limited (UBL-1)		375,000	750,000
United Bank Limited (UBL-2)		625,000	875,000
United Bank Limited (UBL-3)		–	1,000,000
United Bank Limited (UBL-4)		1,500,000	1,500,000
United Bank Limited (UBL-5)		2,000,000	–
Bank AL Habib Limited (BAH-1)		500,000	700,000
Bank AL Habib Limited (BAH-2)		–	500,000
Bank AL Habib Limited (BAH-3)		350,000	450,000
Bank AL Habib Limited (BAH-4)		350,000	450,000
Habib Bank Limited (HBL-1)		1,250,000	1,750,000
Habib Bank Limited (HBL-2)		1,031,250	1,406,250
Habib Bank Limited (HBL-3)		1,000,000	–
Bank Alfalah Limited (BAF-1)		–	500,000
Bank Alfalah Limited (BAF-2)		500,000	500,000
MCB Bank Limited (MCB-1)		1,257,188	2,095,312
MCB Bank Limited (MCB-2)		1,250,000	1,750,000
MCB Bank Limited (MCB-3)		184,500	276,750
National Bank of Pakistan Limited (NBP-1)		1,040,000	1,300,000
National Bank of Pakistan Limited (NBP-2)		2,000,000	–
National Bank of Pakistan Limited (NBP-3)		2,000,000	–
	8.1.1	19,910,438	19,448,312
From Islamic banks			
Dubai Islamic Bank Pakistan Limited (DIB)		50,000	150,000
Meezan Bank Limited (MBL-1)		1,142,857	1,714,286
Meezan Bank Limited (MBL-2)		625,000	875,000
MCB Islamic Bank Limited (MCBIB)		675,000	900,000
	8.1.2	2,492,857	3,639,286
		22,403,295	23,087,598
Less: Current portion shown under current liabilities			
From conventional banks		5,735,375	5,287,875
From Islamic banks		1,096,429	1,146,429
		6,831,804	6,434,304
		15,571,491	16,653,294

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	Nil	Paid on December 27, 2017
BOP-2	6 months KIBOR+0.35	05 half yearly	May 26, 2020
BOP-3	6 months KIBOR+0.40	07 half yearly	April 7, 2021
ABL-1	6 months KIBOR+0.25	05 half yearly	June 26, 2020
ABL-2	6 months KIBOR+0.25	07 half yearly	April 7, 2021
UBL-1	6 months KIBOR+0.35	02 half yearly	December 27, 2018
UBL-2	6 months KIBOR+0.35	05 half yearly	June 30, 2020
UBL-3	6 months KIBOR+0.50	Nil	Settled on December 27, 2017
UBL-4	6 months KIBOR+0.40	08 half yearly	September 6, 2021
UBL-5	6 months KIBOR+0.20	08 half yearly	June 29, 2022
BAH-1	6 months KIBOR+0.20	05 half yearly	June 26, 2020
BAH-2	6 months KIBOR+0.40	Nil	Paid on September 21, 2017
BAH-3	6 months KIBOR+0.20	07 half yearly	March 25, 2021
BAH-4	6 months KIBOR+0.20	07 half yearly	April 20, 2021
HBL-1	3 months KIBOR+0.40	10 quarterly	June 2, 2020
HBL-2	3 months KIBOR+0.40	11 quarterly	September 21, 2020
HBL-3	3 months KIBOR+0.15	16 quarterly	December 19, 2022
BAF-1	6 months KIBOR+0.50	Nil	Settled on November 13, 2017
BAF-2	6 months KIBOR+0.40	08 half yearly	September 8, 2021
MCB-1	6 months KIBOR+0.10	03 half yearly	June 3, 2019
MCB-2	6 months KIBOR+0.40	05 half yearly	June 29, 2020
MCB-3	6 months KIBOR+0.10	04 half yearly	November 9, 2019
NBP-1	6 months KIBOR+0.15	04 half yearly	October 20, 2019
NBP-2	6 months KIBOR+0.20	08 half yearly	June 30, 2022
NBP-3	6 months KIBOR+0.15	08 half yearly	December 29, 2022
From Islamic banks			
DIB-1	6 months KIBOR+0.35	01 half yearly	June 26, 2018
MBL-1	6 months KIBOR+0.05	04 half yearly	July 15, 2019
MBL-2	6 months KIBOR+0.40	05 half yearly	May 29, 2020
MCBIB	6 months KIBOR+0.15	06 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	2017 Rs '000	2016 Rs '000
9. DEFERRED LIABILITIES			
Deferred taxation	9.1	3,226,408	3,424,793
Provision for compensated leave absences / retirement benefits	9.2	1,470,781	1,387,091
		4,697,189	4,811,884

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

		2017	2016
		Rs '000	Rs '000
9.1	**Deferred taxation**		
	The balance of deferred tax is in respect of the following temporary differences:		
	Accelerated depreciation / amortisation	3,248,000	3,335,021
	Provision for slow moving spares, doubtful debts, other receivables and investments	(143,979)	(125,000)
	Re-measurement of investments available for sale	122,387	214,772
		3,226,408	3,424,793
	The gross movement in the deferred tax liability during the year is as follows:		
	Balance at the beginning	3,424,793	3,373,128
	Tax (credit) / charge recognized in profit and loss account	(106,000)	68,000
	Tax credit recognised in other comprehensive income	(92,385)	(16,335)
	Balance at the end	3,226,408	3,424,793

9.2 Actuarial valuation has not been carried out for Compensated Leave Absences as the impact is considered to be immaterial.

		Note	2017	2016
			Rs '000	Rs '000
10.	**TRADE AND OTHER PAYABLES**			
	Creditors	10.1	23,834,180	4,630,804
	Accrued liabilities		3,989,362	3,270,824
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		902,616	678,110
	Deposits		155,564	151,049
	Retention money		165,149	165,976
	Advances from customers		7,667,633	334,964
	Workers' Welfare Fund		1,200,499	1,114,399
	Payable to gratuity fund		397,886	–
	Payable to pension fund		362,311	–
	Unclaimed dividend		437,291	407,518
	Other liabilities		105,944	158,253
			39,218,435	10,911,897

10.1 Creditors include Rs 22,944,401 thousand (2016: Rs 4,052,725 thousand) on account of Gas Infrastructure Development Cess (GIDC).

		Funded gratuity Rs '000	Funded pension Rs '000	2017 Total Rs '000	2016 Total Rs '000
11.	**RETIREMENT BENEFIT FUNDS**				
i)	**The amounts recognized in the balance sheet are as follows:**				
	Present value of defined benefit obligation	2,422,198	3,853,383	6,275,581	5,452,583
	Fair value of plan assets	(2,024,312)	(3,491,072)	(5,515,384)	(5,819,811)
	Liability / (asset)	397,886	362,311	760,197	(367,228)
ii)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	124,207	111,359	235,566	253,686
	Net interest cost	(6,193)	(22,076)	(28,269)	(11,591)
		118,014	89,283	207,297	242,095
iii)	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	2,180,891	3,271,692	5,452,583	4,972,882
	Current service cost	124,207	111,359	235,566	253,686
	Interest cost	170,775	259,164	429,939	438,586
	Benefits paid	(239,322)	(169,177)	(408,499)	(313,374)
	Re-measurement of defined benefit obligation	185,647	380,345	565,992	100,803
	Present value of defined benefit obligation at end	2,422,198	3,853,383	6,275,581	5,452,583
iv)	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	2,261,341	3,558,470	5,819,811	5,107,328
	Expected return on plan assets	176,968	281,240	458,208	450,177
	Contributions	118,014	89,283	207,297	375,785
	Benefits paid	(239,322)	(169,177)	(408,499)	(313,374)
	Re-measurement of plan assets	(292,689)	(268,744)	(561,433)	199,895
	Fair value of plan assets at end	2,024,312	3,491,072	5,515,384	5,819,811
v)	**Actual return on plan assets**	(115,721)	12,496	(103,225)	650,073
vi)	**Contributions expected to be paid to the plan during the next year**	168,507	154,914	323,421	207,297
vii)	**Plan assets comprise of:**				
	Investment in debt securities	887,235	2,002,097	2,889,332	2,004,619
	Investment in equity securities	758,964	954,944	1,713,908	3,086,163
	Deposits with banks	160,898	181,870	342,768	419,337
	Mutual Funds	217,215	352,161	569,376	309,692
		2,024,312	3,491,072	5,515,384	5,819,811

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.

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FOR THE YEAR ENDED DECEMBER 31, 2017

		2017		2016	
		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 (asset) / liability	(80,450)	(286,778)	133,690	(268,136)
	Cost for the year recognised in profit and loss account	118,014	89,283	144,394	97,701
	Employer's contribution during the year	(118,014)	(89,283)	(278,084)	(97,701)
	Total amount of re-measurement recognised in Other Comprehensive Income (OCI) during the year	478,336	649,089	(80,450)	(18,642)
	Closing liability / (asset)	397,886	362,311	(80,450)	(286,778)
x)	**Re-measurements recognised in OCI during the year:**				
	Re-measurment loss on obligation	(185,647)	(380,345)	(23,056)	(77,747)
	Re-measurment (loss) / gain on plan assets	(292,689)	(268,744)	103,506	96,389
	Re-measuement (loss) / gain recognised in OCI	(478,336)	(649,089)	80,450	18,642

		2017		2016	
		Funded Gratuity %	Funded Pension %	Funded Gratuity %	Funded Pension %
xi)	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	7.75	7.75	8.00	8.00
	Expected rate of salary growth				
	Management	7.75	7.75	8.00	8.00
	Non-Management	7.75	–	7.00	–
	Expected rate of return on plan assets	7.75	7.75	8.00	8.00
	Expected rate of increase in post retirement pension	–	2.00	–	2.00
	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.

	2017 Defined benefit obligation		2016 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	(565,465)	679,877	(393,129)	467,165
Future salary growth	226,004	(219,725)	93,510	(94,473)
Future pension	302,629	(259,007)	250,754	(215,135)

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:

	2017		2016	
	Funded Gratuity Years	Funded Pension Years	Funded Gratuity Years	Funded Pension Years
Plan Duration	6.95	10.47	6.81	9.88

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:

	2017		2016	
	Funded Gratuity Rs '000	Funded Pension Rs '000	Funded Gratuity Rs '000	Funded Pension Rs '000
1 year	293,837	225,455	218,427	176,903
2 years	254,262	236,577	361,116	301,629
3 years	249,535	244,769	224,873	217,339
4 years	355,419	326,786	228,029	225,668
5 years	255,797	283,854	333,082	303,790
6-10 years	1,578,443	1,650,035	1,415,003	1,456,925

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 109,107 thousand, Rs 147,959 thousand, Rs 80,025 thousand and Rs 229,096 thousand respectively (2016: Rs 130,810 thousand, Rs 137,954 thousand, Rs 85,356 thousand and Rs 198,567 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.

	2017 Rs '000	2016 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)	7,644,631	7,104,345
Cost of investments made	7,403,192	6,546,414
Fair value of investments made	6,673,377	6,569,094
Percentage of investments made	87%	92%

	2017		2016	
	Rs '000	%	Rs '000	%
Breakup of investment - at cost				
Term deposits and funds with scheduled banks	3,358,545	45	3,968,257	61
Government securities	95,768	1	95,843	1
Listed securities, mutual funds and term finance certificates	3,948,879	54	2,482,314	38
	7,403,192	100	6,546,414	100

Investments out of provident funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for the purpose, except for the prescribed limit for listed securities.

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	Note	2017 Rs '000	2016 Rs '000
12. MARK-UP AND PROFIT ACCRUED			
On long term borrowings			
From conventional banks		117,766	181,477
From Islamic banks		13,908	19,766
		131,674	201,243
On short term borrowings			
From conventional banks		47,846	100,004
From Islamic banks		11,187	19,844
		59,033	119,848
		190,707	321,091

	Note	2017 Rs '000	2016 Rs '000
13. SHORT TERM BORROWINGS			
Short term borrowings - secured			
From conventional banks	13.1		
MCB Bank Limited (MCB-1)		788	4,569
MCB Bank Limited (MCB-2)		800,000	750,000
MCB Bank Limited (MCB-3)		–	1,300,000
MCB Bank Limited (MCB-4)		4,000,000	2,250,000
MCB Bank Limited (MCB-5)		1,400,000	3,285,000
Allied Bank Limited (ABL)		–	907,539
Bank Al-Habib Limited (BAHL)		–	899,845
United Bank Limited (UBL-1)		–	94,560
United Bank Limited (UBL-2)		–	800,000
Askari Bank Limited (AKBL)		694,857	730,698
Bank Alfalah Limited (BAF)		58,322	456,040
Habib Bank Limited (HBL-1)		51,110	1,600,000
Habib Bank Limited (HBL-2)		2,000,000	2,000,000
National Bank of Pakistan (NBP)		1,198,927	1,172,116
Habib Metropolitan Bank Limited (HMBL)		14,186	950,000
JS Bank Limited (JSBL)		–	950,001
Soneri Bank Limited (SBL)		800,000	400,000
Standard Chartered Bank (Pakistan) Limited (SCB)		1,727	818,997
Bank of Punjab (BOP)		19,166	–
From Islamic banks	13.2		
Meezan Bank Limited (MBL-1)		–	500,000
Meezan Bank Limited (MBL-2)		–	1,807,160
The Bank of Khyber (BOK)		500,000	500,000
		11,539,083	22,176,525

13.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 35.21 billion (2016: Rs 25.48 billion) which represent the aggregate of all facility agreements between the Company and respective banks. The facilities have various maturity dates upto August 31, 2018.

The facilities are secured by pari passu / ranking hypothecation charges on assets of the Company besides lien over US $ / Pak Rupees Term Deposit Receipts and Pakistan Investment Bonds in certain cases. The per annum rates of mark-up ranges between 1 month KIBOR + 0.15% to 0.35% and 3 month KIBOR + 0.03% to 0.50% (2016: 1 month KIBOR + 0.03% to 0.35% and 3 month KIBOR + nil to 0.50%).

13.2 Shariah compliant short term borrowings are available from various banking companies under profit arrangements against facilities amounting to Rs 3.50 billion (2016: Rs 2.85 billion) which represent the aggregate of all facility agreements between the Company and respective banks. The facilities have various maturity dates upto May 31, 2018.

The facilities are secured by ranking hypothecation charges on assets of the Company besides lien over PIBs in certain cases. The per annum rates of profit ranges between 3 month KIBOR + 0.07% to 0.10% (2016: 3 month KIBOR + nil to 0.14%).

			2017 Rs '000	2016 Rs '000
14.	**CONTINGENCIES AND COMMITMENTS**			
	a)	**Contingencies:**		
	i)	Guarantees issued by banks on behalf of the Company	16,668	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.

		2017 Rs '000	2016 Rs '000
b)	**Commitments in respect of:**		
i)	Capital expenditure	2,498,658	1,506,491
ii)	Purchase of fertilizer, stores, spares and other operational items	2,821,573	2,442,596
iii)	Investment in Fauji Fresh n Freeze Limited	1,000,000	1,000,000
iv)	Rentals under lease agreements:		
	Premises - not later than one year	174,844	192,800
	- later than one year and not later than:		
	two years	74,521	108,166
	three years	30,835	42,159
	four years	31,394	30,835
	five years	1,062	31,395
	Vehicles - not later than one year	29,660	29,691
	- later than one year and not later than:		
	two years	21,470	16,609
	three years	14,151	17,459
	four years	7,161	9,391
	five years	11,232	1,860

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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, 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)
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 January 1, 2017														
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
Year ended December 31, 2017														
Opening 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
Additions	–	–	152,044	–	–	1,073,417	178,561	67,689	186	59,675	144,466	1,122	2,107,600	3,784,760
Disposals														
Cost	–	–	–	–	–	(64,498)	–	(24,474)	(2,607)	(32,047)	(28,975)	(557)	–	(153,158)
Depreciation	–	–	–	–	–	50,562	–	24,348	2,538	32,047	28,975	557	–	139,027
	–	–	–	–	–	(13,936)	–	(126)	(69)	–	–	–	–	(14,131)
Transfers	–	–	(17,943)	–	–	–	–	6,746	11,197	–	–	–	(509,227)	(509,227)
Depreciation charge	–	(14,072)	(172,814)	(97,801)	–	(1,188,635)	(271,925)	(126,659)	(31,501)	(86,050)	(191,068)	(1,246)	–	(2,181,771)
Balance as at December 31, 2017	544,472	1,792	1,898,836	1,485,085	–	13,925,377	577,449	375,103	149,206	189,078	519,786	2,013	2,644,166	22,312,363
As at December 31, 2017														
Cost	544,472	178,750	4,450,746	1,995,740	26,517	34,313,231	2,336,143	1,134,392	392,020	683,688	2,445,338	26,459	2,644,166	51,171,662
Accumulated depreciation	–	(176,958)	(2,551,910)	(510,655)	(26,517)	(20,387,854)	(1,758,694)	(759,289)	(242,814)	(494,610)	(1,925,552)	(24,446)	–	(28,859,299)
Net Book Value	544,472	1,792	1,898,836	1,485,085	–	13,925,377	577,449	375,103	149,206	189,078	519,786	2,013	2,644,166	22,312,363
Rate of depreciation in %	–	6 1/4 to 9 1/4	5 to 10	5	5	5	20	15	10	20	15 - 33 1/3	30	–	

		Note	2017 Rs '000	2016 Rs '000
15.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	29	2,093,416	2,035,462
	Distribution cost	30	70,233	72,805
	Other expenses		1,850	1,511
	Charged to FFBL under Inter Company Services Agreement		16,272	16,989
			2,181,771	2,126,767

15.2 Details of property, plant and equipment disposed off:

	Original cost Rs '000	Book value Rs '000	Sale proceeds Rs '000
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand	153,158	14,131	24,575
2017	153,158	14,131	24,575
2016	287,497	7,571	22,041

		Note	2017 Rs '000	2016 Rs '000
15.3	**Capital Work in Progress**			
	Civil works		342,667	216,701
	Plant and machinery		2,301,499	829,092
			2,644,166	1,045,793
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	15,784	15,977
	Goodwill	16.2	1,569,234	1,569,234
			1,585,018	1,585,211
16.1	**Computer software**			
	Balance at the beginning		15,977	7,486
	Additions during the year		9,079	15,066
	Amortisation charge for the year		(9,272)	(6,575)
	Balance at the end		15,784	15,977
	Amortisation rate		33 1/3%	33 1/3%
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	7,401	5,220
	Distribution cost	30	1,871	1,355
			9,272	6,575

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FOR THE YEAR ENDED DECEMBER 31, 2017

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 12.26%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

	Note	2017 Rs ‘000	2016 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	3,195,500	2,635,500
Investments available for sale	17.7		
Term Deposit Receipts - from conventional bank		108,894	96,138
Pakistan Investment Bonds		6,912,055	7,701,536
		7,020,949	7,797,674
		29,981,464	30,198,189
Less: Current portion shown under short term investments			
Investments available for sale			
Term Deposit Receipts - from conventional bank		28,834	27,515
Pakistan Investment Bonds		2,083,784	514,391
	26	2,112,618	541,906
		27,868,846	29,656,283

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% (2016: 6.79%) of its share capital as at December 31, 2017.The Company is committed not to dispose off its investment in FCCL without prior consent of FCCL. Market value of the Company’s investment as at December 31, 2017 was Rs 2,344,688 thousand (2016: Rs 4,226,250 thousand). FFCL is an associate due to common directorship.

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% (2016: 49.88%) of FFBL's share capital as at December 31, 2017. Market value of the Company's investment as at December 31, 2017 was Rs 16,557,798 thousand (2016: Rs 23,858,329 thousand). Pursuant to an agreement dated 16 October 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% (2016: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2017 was Rs 10,500,160 thousand (2016: Rs 13,567,012 thousand). Pursuant to an agreement dated 16 October 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 12.50% (2016: 12.50%) equity participation in PMP, amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between the Company, Fauji Foundation (FF), FFBL and Office Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market Phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the Shareholders' agreement, if any legal restriction is laid on dividends by PMP, the investment will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

17.5 Investment in FFCEL - at cost

FFCEL is presently a wholly owned subsidiary of FFC. Investment in FFCEL represents 243,825 thousand (2016: 243,825 thousand) fully paid ordinary shares of Rs 10 each. FFCEL has been incorporated for the purpose of implementing a project comprising establishment and operation of wind power generation facility and supply of electricity. The Company currently holds 100% shareholding interest in FFCEL, out of which 70,000 shares amounting to Rs 700,000 are held in the name of seven nominee directors of the Company.

17.6 Investment in FFF - at cost

Investment in FFF represents 309,960 thousand (2016: 253,960 thousand) fully paid ordinary shares of Rs 10 each. The Company currently holds 100% shareholding interest in FFF, out of which 7,000 shares amounting to Rs 70,000 are held in the name of seven nominee directors of the Company.

17.7 Investments available for sale

Term Deposit Receipts (TDRs)

These represent placement in Term Deposit Receipts with financial institution having tenure ranging from one to five years with returns in the range of 4.49% to 8.71% per annum (2016: 4.49% to 10.51% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 5 and 10 years (2016: 3, 5 and 10 years) tenure having aggregate face value of Rs 6.49 billion (2016: Rs 6.99 billion) are due to mature within a period of 5 years . Profit is payable on half yearly basis with coupon rates ranging from 11.50% to 12.00% per annum (2016: 11.25% to 12.00% per annum). The PIBs are placed with banks as collateral to secure borrowing facilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
18. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives			
Interest bearing		622,255	600,972
Non-interest bearing		474,425	457,566
		1,096,680	1,058,538
Other employees			
Interest bearing		121,526	109,022
Non-interest bearing		91,465	102,174
		212,991	211,196
		1,309,671	1,269,734
Less: Amount due within twelve months, shown under current loans and advances	23		
Interest bearing		143,964	134,246
Non-interest bearing		199,748	201,338
		343,712	335,584
		965,959	934,150

18.1 Reconciliation of carrying amount of loans and advances:

	Executives Rs '000	Other employees Rs '000	2017 Total Rs '000	2016 Total Rs '000
Balance at January 1	1,058,538	211,196	1,269,734	1,112,910
Transfers	66,064	(66,064)	–	–
Disbursements	432,183	138,285	570,468	709,976
	1,556,785	283,417	1,840,202	1,822,886
Repayments	(460,105)	(70,426)	(530,531)	(553,152)
Balance at December 31	1,096,680	212,991	1,309,671	1,269,734

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 1,187,775 thousand (2016: Rs 1,102,793 thousand).

	Note	2017 Rs '000	2016 Rs '000
19. LONG TERM DEPOSITS AND PREPAYMENTS			
Non-interest bearing deposits		12,378	12,378
Prepayments		1,518	1,597
		13,896	13,975
20. STORES, SPARES AND LOOSE TOOLS			
Stores		125,803	207,254
Spares		3,442,632	3,300,821
Provision for slow moving spares	20.1	(473,116)	(407,167)
		2,969,516	2,893,654
Loose tools		80	117
Items in transit		400,718	327,210
		3,496,117	3,428,235

		Note	2017	2016
			Rs '000	Rs '000
20.1	**Movement of Provision for slow moving spares**			
	Balance at the beginning		407,167	361,432
	Provision during the year		65,949	45,735
	Balance at the end		473,116	407,167
21.	**STOCK IN TRADE**			
	Raw materials		112,015	91,878
	Work in process		139,292	96,785
	Finished goods			
	Manufactured urea		143,806	3,675,771
	Purchased fertilizer		–	372,893
			143,806	4,048,664
			395,113	4,237,327
22.	**TRADE DEBTS**			
	Considered good:			
	Secured	22.1	3,702,192	4,250,541
	Unsecured		19,395	55,410
	Considered doubtful		1,758	1,758
			3,723,345	4,307,709
	Provision for doubtful debts		(1,758)	(1,758)
			3,721,587	4,305,951

22.1 These debts are secured by way of bank guarantees.

		Note	2017	2016
			Rs '000	Rs '000
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	343,712	335,584
	Loans and advances to employees - unsecured			
	- considered good, non-interest bearing			
	Executives		9,621	31,668
	Others		7,730	10,967
	Advance to subsidiary companies - interest bearing			
	FFC Energy Limited (FFCEL)	23.1	190,713	336,386
	Fauji Fresh n Freeze Limited (FFF)	23.2	932,000	–
	Advances to suppliers - considered good		150,140	188,835
			1,633,916	903,440

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 mark-up at 1 month KIBOR + 0.60%. The maximum outstanding amount at the end of any month during the year was Rs 336,386 thousand (2016: Rs 336,386 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 mark-up at 1 month KIBOR + 1.00%. The maximum outstanding amount at the end of any month during the year was Rs 1,000,000 thousand (2016: 742,251 thousand).

		2017	2016
		Rs '000	Rs '000
24.	**DEPOSITS AND PREPAYMENTS**		
	Non-interest bearing deposits	944	944
	Prepayments	76,848	49,297
		77,792	50,241

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	Note	2017 Rs '000	2016 Rs '000
25. OTHER RECEIVABLES			
Accrued income on investments and bank deposits:			
From Pakistan Investment Bonds		339,890	365,413
From conventional banks		63,621	28,199
From Islamic banks		1	508
From subsidiaries - conventional		157,090	93,761
Sales tax receivable		5,210,457	1,092,335
Sales tax receivable related to Pak Saudi Fertilizers Limited		42,486	42,486
Advance tax	25.1	322,368	322,368
Dividend receivable		500,000	144,661
Subsidy receivable from Government agencies	25.2	6,763,903	5,072,534
Receivable from Workers' Profit Participation Fund - unsecured	25.3	461,996	108,194
Receivable from subsidiary companies	25.4		
FFC Energy Limited - unsecured		32,916	20,798
Fauji Fresh n Freeze Limited - unsecured		240	2,628
Receivable from Fauji Fertilizer Bin Qasim Limited - unsecured		37,162	39,203
Due from Gratuity Fund		–	80,450
Due from Pension Fund		–	286,778
Other receivables			
considered good		32,721	51,526
considered doubtful		2,232	2,232
Provision for doubtful receivables		(2,232)	(2,232)
		32,721	51,526
		13,964,851	7,751,842

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.

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. Finance Act 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag.

25.3 This includes Rs 423,442 thousand which represents amount paid to WPPF in prior years, in excess of the Company's obligation.

25.4 The maximum amount of receivable from FFF and FFCEL during the year was Rs 5,691 thousand (2016: Rs 13,738 thousand) and Rs 49,593 thousand (2016: Rs 54,594 thousand) respectively.

		Note	2017 Rs '000	2016 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 (2016: Rs 3,900 thousand)		26,000,000	11,050,942
	Foreign currency		1,530,343	1,420,224
			27,530,343	12,471,166
	Investments at fair value through profit or loss	26.2		
	Conventional investments		1,038,628	702,344
	Shariah compliant investments		201,096	428,413
			1,239,724	1,130,757
	Current maturity of long term investments			
	Available for sale	17	2,112,618	541,906
			30,882,685	14,143,829

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	2017 Rs '000	2016 Rs '000
27.	**CASH AND BANK BALANCES**			
	At banks			
	Local Currency			
	Current Account - Conventional banking		1,274,235	125,718
	Current Account - Islamic banking		256,491	–
	Deposit Account - Conventional banking	27.2	173,658	217,747
	Deposit Account - Islamic banking	27.3	5,955	28,816
			1,710,339	372,281
	Foreign Currency			
	Deposit Account (US$ 5,687; 2016: US$ 11,452)		627	1,198
			1,710,966	373,479
	Cash in transit	27.4	–	2,150,877
	Cash in hand		1,759	1,532
			1,712,725	2,525,888

27.1 Balances with banks include Rs 122,798 thousand (2016: Rs 110,147 thousand) in respect of security deposits received.

27.2 Balances with banks carry mark-up ranging from 3.75% to 5.70% (2016: 3.50% to 5.25%) per annum.

27.3 Balances with banks carry profit ranging from 1.75% to 4.50% (2016: 1.65% to 4.00%) per annum.

27.4 These represent demand drafts in transit at the year end.

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		Note	2017 Rs '000	2016 Rs '000
28.	**SALES**			
	Manufactured urea - local		67,095,578	71,319,262
	Manufactured urea - export		5,066,304	–
	Purchased and packaged fertilizers		27,031,569	10,663,480
			99,193,451	81,982,742
	Sales tax		(5,101,021)	(7,660,676)
	Trade discount		(3,378,316)	(1,445,379)
			(8,479,337)	(9,106,055)
			90,714,114	72,876,687
29.	**COST OF SALES**			
	Raw materials consumed		25,163,932	26,296,465
	Fuel and power		9,499,798	9,010,605
	Chemicals and supplies		435,190	384,272
	Salaries, wages and benefits		6,544,846	5,980,097
	Training and employees welfare		876,795	855,840
	Rent, rates and taxes		21,385	20,703
	Insurance		183,668	174,375
	Travel and conveyance	29.1	362,351	348,224
	Repairs and maintenance (includes stores and spares consumed of Rs 512,965 thousand; (2016: Rs 991,149 thousand)		1,423,013	1,518,462
	Depreciation	15.1	2,093,416	2,035,462
	Amortisation	16.1	7,401	5,220
	Communication and other expenses	29.2	1,410,535	1,462,947
			48,022,330	48,092,672
	Opening stock - work in process		96,785	106,097
	Closing stock - work in process		(139,292)	(96,785)
			(42,507)	9,312
	Cost of goods manufactured		47,979,823	48,101,984
	Opening stock - manufactured urea		3,675,771	2,172,446
	Closing stock - manufactured urea		(143,806)	(3,675,771)
			3,531,965	(1,503,325)
	Cost of sales - manufactured urea		51,511,788	46,598,659
	Opening stock - purchased fertilizers		372,893	2,756,038
	Purchase of fertilizers for resale		20,736,230	5,845,237
			21,109,123	8,601,275
	Closing stock - purchased fertilizers		–	(372,893)
	Cost of sales - purchased fertilizers		21,109,123	8,228,382
			72,620,911	54,827,041

29.1 These include operating lease rentals amounting to Rs 10,578 thousand (2016: Rs 13,156 thousand).

29.2 This includes provision for slow moving spares amounting to Rs 65,949 thousand (2016: Rs 45,735).

		Note	2017 Rs '000	2016 Rs '000
30.	**DISTRIBUTION COST**			
	Product transportation		5,280,890	4,075,062
	Salaries, wages and benefits		1,763,893	1,629,259
	Training and employees welfare		117,747	92,310
	Rent, rates and taxes		255,954	196,483
	Technical services to farmers		7,767	8,083
	Travel and conveyance	30.1	165,275	153,489
	Sale promotion and advertising		189,356	171,976
	Communication and other expenses		501,611	208,633
	Warehousing expenses		219,484	544,789
	Depreciation	15.1	70,233	72,805
	Amortisation	16.1	1,871	1,355
			8,574,081	7,154,244

30.1 These include operating lease rentals amounting to Rs 6,226 thousand (2016: Rs 6,985 thousand).

		2017 Rs '000	2016 Rs '000
31.	**FINANCE COST**		
	Mark-up / profit on long term borrowings		
	Conventional banking	1,276,175	1,243,714
	Islamic banking	208,026	273,158
		1,484,201	1,516,872
	Mark-up / profit on short term borrowings		
	Conventional banking	818,184	739,169
	Islamic banking	87,924	89,418
		906,108	828,587
	Bank and other charges	32,580	26,872
	Exchange loss	47,783	33,258
		2,470,672	2,405,589
32.	**OTHER EXPENSES**		
	Research and development	862,416	524,137
	Workers' Profit Participation Fund	511,757	931,384
	Workers' Welfare Fund	253,868	302,297
	Auditors' remuneration		
	Audit fee	1,650	1,650
	Fee for half yearly review, audit of consolidated financial statements & review of Code of Corporate Governance	899	990
	Out of pocket expenses	160	205
		2,709	2,845
		1,630,750	1,760,663

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		Note	2017 Rs '000	2016 Rs '000
33.	**OTHER INCOME**			
	Government subsidy	33.1	6,601,897	6,978,855
	Income from financial assets			
	Income on loans, deposits and investments in:			
	Pakistan Investment Bonds		780,402	841,077
	Conventional banks		377,548	225,515
	Islamic banks		951	476
	Gain / (loss) on re-measurement of investments classified as fair value through profit or loss on:			
	Conventional mutual funds		47,387	12,652
	Shariah compliant mutual funds		(36,135)	46,530
	Dividend income on Shariah compliant investments		15,666	–
	Exchange gain on foreign currency transactions		104,527	11,117
	Income from subsidiary companies			
	Dividend from FFCEL		500,000	–
	Income from associated companies			
	Dividend from FFBL		279,535	1,420,970
	Dividend from FCCL		84,375	257,813
	Dividend from AKBL		1,359,420	679,710
	Dividend from PMP		55,720	50,911
	Income from non financial assets			
	Gain on disposal of property, plant and equipment		10,444	14,470
	Commission on sale of FFBL products		27,538	24,665
	Other income			
	Scrap sales		47,439	11,292
	Others		66,901	88,790
			10,323,615	10,664,843

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. Finance Act 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag.

		2017 Rs '000	2016 Rs '000
34.	**PROVISION FOR TAXATION**		
	Current tax	4,672,454	4,854,000
	Prior year	463,546	690,000
	Deferred tax	(106,000)	68,000
		5,030,000	5,612,000
	Reconciliation between tax expense and accounting profit		
	Accounting profit before taxation	15,741,315	17,393,993

	2017 %	2016 %
Applicable tax rate	30.00	31.00
Tax effect of income that is exempt or taxable at reduced rates	(1.65)	(2.56)
Effect of super tax	3.39	3.97
Others	0.21	(0.15)
Average effective tax rate charged on income	31.95	32.26

	2017	2016
35. EARNINGS PER SHARE - basic and diluted		
Net profit after tax (Rupees '000)	10,711,315	11,781,993
Weighted average number of shares in issue (Number '000)	1,272,238	1,272,238
Basic and diluted earnings per share (Rupees)	8.42	9.26

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:

	2017		2016	
	Chief Executive Rs '000	Executives Rs '000	Chief Executive Rs '000	Executives Rs '000
Managerial remuneration	8,583	2,072,284	7,777	1,918,046
Contribution to provident fund	618	128,818	537	119,541
Bonus and other awards	3,703	2,296,353	5,220	2,140,286
Allowances and contribution to retirement benefit plans	11,113	1,788,867	7,165	1,684,648
Total	24,017	6,286,322	20,699	5,862,521
No. of person(s)	1	966	1	897

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 66,170 thousand (2016: 74,422 thousand) were paid to executives on separation, in accordance with the Company's policy.

In addition, 16 (2016: 15) directors were paid aggregate fee of Rs 4,625 thousand (2016: 4,750 thousand).

37. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities	Equity	
	Long term Financing Rs '000	Revenue Reserves Rs '000	Total Rs '000
Balance at January 1, 2017	23,087,598	14,841,963	37,929,561
Draw-downs	7,000,000	–	7,000,000
Repayments	(7,684,303)	–	(7,684,303)
Dividend paid	–	(8,557,834)	(8,557,834)
Total equity related changes	–	9,922,118	9,922,118
Total liability related changes	–	(29,773)	(29,773)
Balance at December 31, 2017	22,403,295	16,176,474	38,579,769

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	2017	2016
	Rs '000	Rs '000
38. CASH GENERATED FROM OPERATIONS		
Net profit before taxation	15,741,315	17,393,993
Adjustments for:		
Depreciation	2,165,499	2,108,267
Amortization	9,272	6,575
Provision for slow moving spares	65,949	45,735
Finance cost	2,470,672	2,405,589
Income on loans, deposits and investments	(1,158,901)	(1,067,068)
Gain on re-measurement of investments classified at fair value through profit or loss	(11,252)	(59,182)
Dividend income	(2,279,050)	(2,409,404)
Exchange (gain) / loss	(104,527)	22,141
Gain on disposal of property, plant and equipment	(10,444)	(14,470)
Government subsidy on sale of fertilizer	(6,601,897)	(6,978,855)
	(5,454,679)	(5,940,672)
	10,286,636	11,453,321
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(133,831)	(78,208)
Stock in trade	3,842,214	862,693
Trade debts	584,364	(2,532,253)
Loans and advances	(730,476)	121,154
Deposits and prepayments	(27,551)	(10,918)
Other receivables	(3,711,895)	(1,170,855)
Increase in current liabilities:		
Trade and other payables	27,487,568	3,004,409
	27,310,393	196,022
Changes in long term loans and advances	(31,809)	(119,852)
Changes in long term deposits and prepayments	79	(974)
Changes in deferred liabilities	83,690	159,895
	37,648,989	11,688,412

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 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 Company 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 Company 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 Company 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, 2017

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets not measured at fair value									
Maturity after one year									
Long term investments	-	4,908,331	-	-	4,908,331	-	4,908,331	-	4,908,331
Long term loans and advances	965,959	-	-	-	965,959	-	-	-	-
Long term deposits	12,378	-	-	-	12,378	-	-	-	-
Maturity up to one year									
Trade debts - net of provision	3,721,587	-	-	-	3,721,587	-	-	-	-
Loans and advances	1,483,776	-	-	-	1,483,776	-	-	-	-
Deposits	944	-	-	-	944	-	-	-	-
Other receivables	7,927,544	-	-	-	7,927,544	-	-	-	-
Short term investments	27,530,343	2,112,618	1,239,724	-	30,882,685	1,239,724	2,112,618	-	3,352,342
Cash and bank balances	1,712,725	-	-	-	1,712,725	-	-	-	-
	43,355,256	7,020,949	1,239,724	-	51,615,929	1,239,724	7,020,949	-	8,260,673
Financial liabilities not measured at fair value									
Maturity after one year									
Long term borrowings	-	-	-	15,571,491	15,571,491	-	-	-	-
Maturity up to one year									
Trade and other payables	-	-	-	30,350,303	30,350,303	-	-	-	-
Mark-up and profit accrued	-	-	-	190,707	190,707	-	-	-	-
Short term borrowings	-	-	-	11,539,083	11,539,083	-	-	-	-
Current portion of long term borrowings	-	-	-	6,831,804	6,831,804	-	-	-	-
	-	-	-	64,483,388	64,483,388	-	-	-	-

December 31, 2016

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets not measured at fair value									
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	6,186,459	-	-	-	6,186,459	-	-	-	-
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	-	-	-	-
	27,151,541	7,797,674	1,130,757	-	36,079,972	1,130,757	7,797,674	-	8,928,431
Financial liabilities not measured at fair value									
Maturity after one year									
Long term borrowings	-	-	-	16,653,294	16,653,294	-	-	-	-
Maturity up to one year									
Trade and other payables	-	-	-	9,462,534	9,462,534	-	-	-	-
Mark-up and profit 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	-	-	-	-
	-	-	-	55,047,748	55,047,748	-	-	-	-

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39.2 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	2017 Rs '000	2016 Rs '000
Trade Debts				
Counterparties without external credit ratings				
Existing customers with no default in the past			3,721,587	4,305,951
Loans and advances				
Counterparties without external credit ratings				
Loans and advances to employees			1,327,022	1,312,369
Loan to subsidiary company			1,122,713	336,386
			2,449,735	1,648,755
Deposits				
Counterparties without external credit ratings				
Others			13,322	13,322
Other receivables				
Counterparties with external credit ratings		A1+ / A-1+	62,486	26,277
		A1 / A-1	1,136	2,433
Counterparties without external credit ratings				
Balances with related parties			1,189,404	776,473
Others			6,674,518	5,381,276
			7,927,544	6,186,459
Short term investments				
Counterparties with external credit ratings		A1+ / A-1+	27,334,572	12,240,478
		A1 / A-1	224,605	258,203
		AM1	1,135,643	–
		AM2++	104,081	1,130,757
Counterparties without external credit ratings	39.2.1		2,083,784	514,391
			30,882,685	14,143,829

39.2.1 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

	Note	Rating	2017 Rs '000	2016 Rs '000
Bank balances				
Counterparties with external credit ratings		A1+ / A-1+ / P-1	1,710,836	373,422
		A1 / A-1	52	24
		A-2	78	33
			1,710,966	373,479
Long term investments				
Counterparties with external credit ratings		AA+	80,060	68,623
Counterparties without external credit ratings	39.2.2		4,828,271	7,187,145
			4,908,331	7,255,768

		2017 Rs '000	2016 Rs '000
39.2.2	**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	965,959	934,150

39.3 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:

	2017 Rs '000	2016 Rs '000
Long term investments	4,908,331	7,255,768
Loans and advances	2,449,735	1,648,755
Deposits	13,322	13,322
Trade debts - net of provision	3,721,587	4,305,951
Other receivables - net of provision	7,927,544	6,186,459
Short term investments - net of provision	30,882,685	14,143,829
Bank balances	1,710,966	373,479
	51,614,170	33,927,563

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 11,000,000 thousand (2016: Rs 3,500,000 thousand). This is included in total carrying amount of investments as at reporting date.

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Trade debts amounting to Rs 3,366,037 thousand (2016: Rs 4,250,694 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:

	2017		2016	
	Gross Rs '000	Impairment Rs '000	Gross Rs '000	Impairment Rs '000
Not yet due	2,112,767	–	3,431,278	–
Past due 1-30 days	1,243,587	–	601,956	–
Past due 31-60 days	251,383	–	208,637	–
Past due 61-90 days	84,713	–	64,080	–
Over 90 days	30,895	1,758	1,758	1,758
	3,723,345	1,758	4,307,709	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:

2017	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	22,534,969	25,628,801	3,909,795	4,352,180	8,240,714	9,126,112	–
Trade and other payables	30,350,303	30,350,303	30,350,303	–	–	–	–
Short term borrowings including mark-up	11,598,116	12,094,059	6,134,122	5,959,937	–	–	–
	64,483,388	68,073,163	40,394,220	10,312,117	8,240,714	9,126,112	–

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	23,288,841	26,607,994	3,683,235	4,260,398	7,829,196	10,835,165	–
Trade and other payables	9,462,534	9,462,534	9,462,534	–	–	–	–
Short term borrowings including mark-up	22,296,373	23,282,262	11,897,262	11,385,000	–	–	–
	55,047,748	59,352,790	25,043,031	15,645,398	7,829,196	10,835,165	–

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 the 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 market price risk.

i) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exist due to transactions in foreign currencies.

Exposure to Currency Risk

The Company is exposed to currency risk on bank balance and investments which are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2017		2016	
	Rs '000	US Dollar '000	Rs '000	US Dollar '000
Bank balance	627	6	1,198	11
Investments (Term Deposit Receipts)	1,530,343	13,874	1,420,224	13,578

The following significant exchange rates applied during the year:

	2017	2016	2017	2016
	Average rate		Balance sheet date rate	
US Dollars	105.36	103.77	110.30	104.60

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit by Rs 153,097 thousand (2016: Rs 142,142 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.

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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:

	2017	2016
	Carrying Amount	
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	36,262,258	22,793,196
Variable rate instruments		
Financial assets	1,122,713	336,386
Financial liabilities	33,942,378	45,264,123

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 2016.

	100 basis points increase Rs '000	100 basis points decrease Rs '000
December 31, 2017		
Cash flow sensitivity - Variable rate instruments		
Financial assets	8,868	(8,868)
Financial liabilities	(374,773)	374,773
December 31, 2016		
Cash flow sensitivity - Variable rate instruments		
Financial assets	6,348	(6,348)
Financial liabilities	(354,982)	354,982

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 48,384 thousand after tax (2016: Rs 53,141 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as fair value through profit or loss, the impact on profit would have been an increase or decrease by Rs 9,094 thousand after tax (2016: Rs 8,481 thousand). The analysis is performed on the same basis for 2016 and assumes that all other variables remain the same.

39.4 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 at fair value through profit and loss

The fair value of investments 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 investments is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at current PKRV rates applicable to similar instruments having similar maturities.

Investment in 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.

39.5 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

40. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2016: 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.

	2017 Rs '000	2016 Rs '000
Transactions with subsidiary companies		
Guarantee against loan of subsidiary company	5,450,000	5,450,000
Investment in FFF	560,000	1,200,000
Sale of fertilizer	285	–
Dividend income	500,000	–
Dividend receivable	500,000	–
Balance receivable	1,312,959	453,572
Transactions with associated undertakings / companies due to common directorship		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,002,018	1,034,963
Commission on sale of products	27,538	24,665
Payments under consignment account	60,711,446	48,232,608
Purchase of gas as feed and fuel stock	19,437,218	37,346,288
Services and materials received	9,071	11,636
Sale of fertilizer	641	2,627
Donations	89,414	119,130
Others	27,291	23,781
Dividend income	1,779,050	2,409,404
Dividend receivable	–	144,661
Dividend paid	3,808,604	4,835,516
Short term investments	500,000	300,000
Long term investments	108,894	96,138
Short term borrowings	694,857	730,698
Running finance	133,819	50,417
Balance receivable	45,352	47,171
Balance payable	24,596,243	5,565,853
Contribution and balances with staff retirement funds		
Employees' Provident Fund Trust	416,567	390,425
Employees' Gratuity Fund Trust	118,014	278,084
Employees' Pension Fund Trust	89,283	97,701
Employees' Funds as Dividend on equity holding of 0.15% (2016: 0.15%)	8,288	24,235
Balance (payable) / receivable - Gratuity Fund Trust	(397,886)	80,450
Balance (payable) / receivable - Pension Fund Trust	(362,311)	286,778

41. POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on January 30, 2018 has proposed a final dividend of Rs 3.00 per share.

		2017	2016
		Tonnes '000	Tonnes '000
42.	**GENERAL**		
42.1	**Production capacity**		
	Design capacity	2,048	2,048
	Production during the year	2,513	2,523

42.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 101,655 thousand and Rs 13,580,000 thousand (2016: Rs 100,000 thousand and Rs 8,010,000 thousand) respectively are available to the Company against lien on shipping / title documents, US$ Term Deposit Receipts and charge on assets of the Company.

42.3 Donations

Cost of Sales and Distribution Cost include donations amounting to Rs 64,125 thousand (2016: Rs 84,516 thousand) and Rs 25,289 thousand (2016: Rs 37,340 thousand) respectively. These include Rs 89,414 thousand (2016: Rs 119,130 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.

		2017	2016
		Numbers	Numbers
42.4	**Number of employees**		
	Total number of employees at end of the year	3,364	3,415
	Average number of employees for the year	3,384	3,444

42.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

42.6 Date of authorization

These Financial Statements have been authorized for issue by the Board of Directors of the Company on January 30, 2018.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

CONSOLIDATED FINANCIALS STATEMENTS

Fauji Fertilizer Company Limited

CHAIRMAN'S REVIEW
ON THE CONSOLIDATED FINANCIAL STATEMENTS

Dear Shareholders,

The Group companies under the guidance of their respective Boards achieved commendable performances during the year. The consolidated Group revenue excluding subsidy stood at Rs 93.58 billion representing an increase of 24% compared to last year primarily due to higher urea and DAP sales by FFC as well as enhanced output by FFF.

FFCEL, recorded its highest ever profit of Rs 845 million besides announcing its first ever dividend of Rs 500 million during year. FFC also posted a strong performance with earnings of Rs 10.71 billion despite extremely unfavourable market conditions, whereas FFF is going through the initial gestation period required to establish itself in the local and international markets.

Our associated company, FFBL also went through adverse market conditions faced by fertilizer industry which resulted in decline in FFBL's profitability, whereas our other associated entity AKBL registered improved profitability during the period. Net profitability of the Group thus stood at Rs 11.50 billion compared to Rs 12.02 billion in 2016.

The achievement of strong performance of the Group despite unfavourable market conditions is attributable to the strong leadership and vision of the respective Boards, who have also inculcated a culture of good governance and transparent business practices in the Group. The Board of Directors of the parent company FFC have also proposed Rs 3.00 per share as final dividend which is in addition to Rs 4.00 per share already declared as interim dividends

The Boards further remain committed to providing strategic direction to the companies for not only sustaining but improving business operations and profitability margins, thus ensuring consistent wealth creation of the Group's shareholders.

Lt Gen Syed Tariq Nadeem Gilani
HI (M), (Retired)
Chairman
Rawalpindi
January 30, 2018

اشتمال شدہ گوشواروں پر چیئر مین کا جائزہ

معزز حصہ داران

گروپ کمپنیز نے اپنے اپنے متعلقہ بورڈ کی رہنمائی کے تحت سال کے دوران قابل قدر کارکردگی کا مظاہرہ کیا۔ گروپ کی مجموعی آمدن علاوہ سبسڈی 93.58 ارب روپے رہی جو کہ گزشتہ برس کے مقابلے میں 24 فیصد زائد ہے اور اس کا بنیادی سبب FFC کی یوریا اور DAP کی ریکارڈ فروخت کے ساتھ ساتھ FFF کی پیداوار میں اضافہ ہے۔

اس سال FFCEL نے 845 ملین روپے کا ریکارڈ منافع حاصل کرتے ہوئے 500 ملین روپے کے اپنے پہلے منافع منقسمہ کا اعلان کیا۔ FFC نے انتہائی مشکل کاروباری حالات کے باوجود عمدہ کارکردگی کا مظاہرہ کرتے ہوئے 10.71 ارب روپے کی خالص آمدن حاصل کی۔ جبکہ FFF اپنے اس ابتدائی دور سے گزر رہا ہے جہاں اسے مقامی اور بین الاقوامی منڈیوں میں قدم جمانے کے لیے وقت درکار ہے۔

کھاد کی صنعت کو درپیش مشکل حالات کی وجہ سے ہماری منسلکہ کمپنی FFBL کے منافع میں بھی کمی واقع ہوئی۔ البتہ ہمارے دوسرے منسلکہ ادارے AKBL نے اسی مدت کے دوران بہتر منافع دیا۔ گروپ کا خالص منافع 11.50 ارب روپے رہا جو کہ سال 2016 میں 12.02 ارب روپے تھا۔

ناموافق کاروباری حالات کے باوجود، گروپ کی عمدہ کارکردگی متعلقہ بورڈز کی مضبوط قیادت اور فراست کی مرہون منت ہے جنہوں نے گروپ میں عمدہ نظم و نسق اور شفاف انداز تجارت کو رائج کیا ہے۔ Parent کمپنی FFC کے بورڈ آف ڈائیکٹر نے 3.00 روپے فی حصص حتمی منافع منقسمہ کی سفارش کی ہے جو کہ 4.00 روپے فی حصص کے پہلے سے اعلان کردہ عبوری منافع منقسمہ کے علاوہ ہے۔

بورڈ اپنی گروپ کمپنیز کو کلیدی رہنمائی فراہم کرنے کے لیے پرعزم ہے تاکہ نا صرف کاروبار کے معیار کو برقرار رکھا جا سکے بلکہ اسے مزید نفع بخش بنایا جا سکے اور اس طرح گروپ حصہ داران کے لیے سرمائے کی مستقل فراہمی کو یقینی بنایا جا سکے۔

Tariq Nadeem

لیفٹیننٹ جنرل سید طارق ندیم گیلانی

ہلال امتیاز (ملٹری) (ریٹائرڈ)

چیئر مین

راولپنڈی

30 جنوری 2018

2017 HIGHLIGHTS

FFCEL First dividend declared Rs **500** million

FFF 1st company from the subcontinent to export IQF Okra to Europe

FFBL Highest ever DAP production of 809 KT

FFC

Highest ever all fertilizer offtake of **3,223** KT

AKBL Highest ever dividend payout post acquisition

FCCL Line 2 operational with enhanced capacity of **7,600** TPD

PMP Highest ever dividend payout

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL REVIEW

The FFC Group comprises of Fauji Fertilizer Company Limited and its subsidiaries, FFC Energy Limited (FFCEL – wind power project) and Fauji Fresh n Freeze Limited (FFF – food project).

Financial Performance

During 2017, Group **sales revenue** excluding subsidy improved by Rs 18.21 billion to Rs 93.58 billion owing to increased revenue of FFC and FFF.

Cost of sales increased by Rs 18.11 billion to Rs 74.48 billion in line with higher sales volume, consequently gross profit was recorded at Rs 19.10 billion, in line with last year.

Administrative and Distribution costs increased to Rs 9.09 billion, compared to Rs 7.52 billion on account of higher transportation of imported fertilizer by FFC.

Finance cost of Rs 3.23 billion was 4% lower than 2016, due to timely settlement of loans by the Group and positive repricing of loans by FFC & FFCEL.

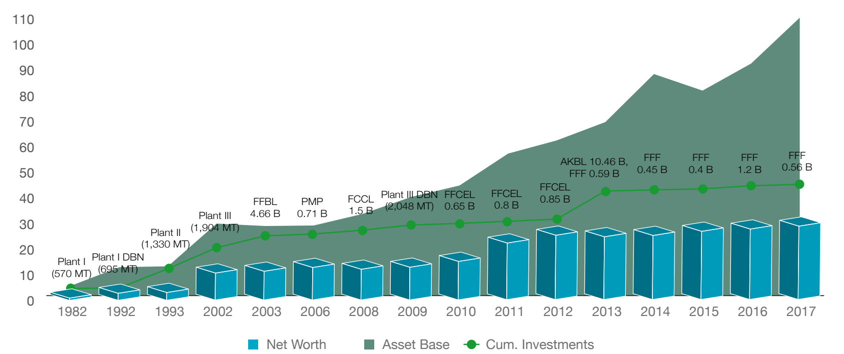
Other income including share of profit from associates and joint ventures reduced by Rs 63.93 million to Rs 11.63 billion owing to lower earnings of associated companies

Net profitability recorded at Rs 11.50 billion registered a decline of Rs 520 million compared to 2016, with earnings per share of Rs 9.04.

Detailed review of the parent company FFC has been provided separately along with standalone financial statements, whereas performance overview of each subsidiary and associated company is provided below:

GROWTH & ACQUISITIONS

(Rs. billion)



SUBSIDIARY COMPANIES

FFC ENERGY LIMITED (FFCEL)

As part FFC's green diversification strategy, the Company incorporated its and Pakistan's first wind power renewable energy project in 2009. FFCEL started commercial operations in May 2013 with a power generation capacity of 49.5 MW.

The company recorded an average availability factor of 98%, with generation of 133 GWh of energy, around 2% higher than last year. Although, sales revenue marginally declined by Rs 15 million, savings in O&M costs and positive repricing of long term loans resulted in lower cost of sales and finance cost respective. Net profitability stood at Rs 845 million, 25% higher than last year translating into earnings per share of Rs 3.46. The company also declared its first ever dividend of Rs 500 million during the year.

The Auditors have issued an unqualified / clean opinion on company's financial statements for the year ended December 31, 2017.

COMPOSITION OF THE BOARD

Name of Director

Lt Gen Khalid Nawaz Khan
HI (M) *(Retired)*

Lt Gen Shafqaat Ahmed
HI (M) *(Retired)*

Mr. Qaiser Javed

Mr. Tariq Iqbal Khan

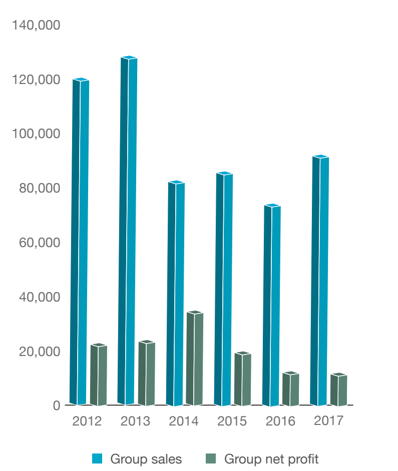
Maj Gen Mumtaz Ahmad Bajwa
HI (M) *(Retired)*

Brig Raashid Wali Janjua
SI (M) *(Retired)*

Mr. Naveed Ahmed Khan

GROUP SALES & NET PROFIT*

(Rs. million)



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

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL REVIEW

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Level	Risk description	Mitigating strategy
Strategic risk		
Moderate	Additional demands of customer i.e. CPPA	Acquire services of specialist consultant or forecasting firm besides seeking additional O&M price in line with tariff / Energy Purchase Agreement (EPA) terms
Low	Change in market regulations - competitive pricing introduction for all IPPs	Seek exemption as Change in Law provision exists in tariff agreement / EPA
Operational risk		
Moderate	FFCEL's sole customer CPPA may delay payment against invoices which may result in liquidity issues for FFCEL	Variables effecting CPPA's policy for disbursing payments to IPPS is outside management's control. However, receivables from CPPA are backed by the sovereign guarantee of the Government of Pakistan.
Moderate	Plant maintenance time increase and/ or un-safe acts resulting in reduced availability & reliability	The company strictly complies with OEM recommended scheduled maintenance plan, besides continuous monitoring based on experience.
Low	Plant Operation malfunctions - reduced availability	Compliance with / trainings on OEM recommended operational manuals and operating procedures.
Low	Insufficient cash availability to settle liabilities	Proactive Treasury management system ensures adequate funds are available for any unforeseen situation
Compliance risk		
Low	Non Adherence to Energy Purchase Agreement and Regulatory Framework set by the regulatory authority	Rigorous checks are carried out periodically to prevent any breach of law.
Political / economical risks		
Low	Volatile law and order situation affecting the Country's economy may affect the Government's policy towards disbursement to IPPs	This risk cannot be mitigated through internal strategies.

FAUJI FRESH N FREEZE LIMITED (FFF)

FFF, operating Pakistan's only IQF food preservation technology, was acquired in 2013 as part of FFC's risk diversification strategy. Apart from IQF products, FFF also sells Vapour Heat Treated (VHT) Mangoes, with both plants located in Sahiwal. During the year, the company has shown significant improvement in offtake by marketing 5,500 tonnes of fruits & vegetables compared to 318 tonnes sold in 2016, resulting in revenues of Rs 454 million, higher by Rs 383 million compared to last year. FFF became the first organization from the subcontinent to export 'IQF Okra' to Europe, in compliance with the Union's strict import criteria, besides its signature brand OPA! french fries being recognized as a household name and paving way for the fruits & vegetables product portfolio of the company. Mangoes & Kinnows were also exported to the Middle East & South Asian countries which not only received positive feedback but has also encouraged sales volume for 2018.

As food projects are capital intensive in nature with high fixed costs during the initial years to establish its brands, the company recorded a loss of Rs 1.08 billion during the year, translating into loss per share of Rs 4.12. However, the Board is confident regarding the future of the project and recovery of losses through securing customer orders, implementation of cost controls and strengthening of supply chain.

The Auditors have issued an unqualified / clean opinion on company's financial statements for the year ended December 31, 2017.

COMPOSITION OF THE BOARD

Name of Director

Lt Gen Khalid Nawaz Khan HI (M) *(Retired)*

Lt Gen Shafqaat Ahmed HI (M) *(Retired)*

Mr. Qaiser Javed

Dr. Nadeem Inayat

Maj Gen Mumtaz Ahmad Bajwa HI (M) *(Retired)*

Mr. Afaq A Tiwana

Mr. Mohammad Munir Malik

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Level	Risk description	Mitigating strategy
Strategic risk		
Moderate	Low capacity of the french fries line may result in losing the first mover advantage	Timely due diligence and proactive approach in capacity enhancement to satisfy market demand.
Commercial risk		
Moderate	Pricing pressures, especially in the international markets	Ensuring procurement of raw materials at optimum rates, which can absorb the pricing pressures and yield positive margins
Operational risk		
Low	Turnover of trained employees at critical positions may render the operations incapacitated	FFF has a detailed succession plan and a culture of employee training and development, continuously promoting and rotating employees within the departments.
Financial risk		
Moderate	Inability to generate sufficient margins to fund fixed cost	Stringent cost optimization measures are in place to control costs, whereas product pricing ensures acceptable gross margins are achieved.
Moderate	Insufficient cash available to pay liabilities resulting in a liquidity problem	Effective treasury management has been implemented to ensure funds availability. FFF also undertakes continuous review of actual performance in comparison with business plan to avoid deviations.
Compliance risk		
Low	Modifications in the legal framework by regulatory bodies	Close co-ordination with the advisors and consultants to ensure compliance with the applicable legal / regulatory framework
Political risk		
Low	Volatile law and order situation affecting the Country's economy	This risk is beyond the control of the management / company

FINANCIAL REVIEW

ASSOCIATED COMPANIES

FAUJI FERTILIZER BIN QASIM LIMITED (FFBL)

FFBL was incorporated as FFC Jordan Fertilizer Company in 1993 and subsequently restructured as FFBL in 2003. FFC has an equity control of 49.88% as the majority shareholder with an investment of Rs 4.66 billion in the company. It is Pakistan's only Di-Ammonium Phosphate (DAP) and granular urea fertilizer manufacturer with a design capacity of 650 thousand tonnes and 551 thousand tonnes respectively, with both facilities located in Bin Qasim, besides having interests in the chemicals, banking, food, and energy sectors. The shares of the company are listed on the Pakistan Stock Exchange.

The company recorded the highest ever DAP output of 809 thousand tonnes. However, unfavourable market conditions negatively impacted profitability margins and the company earned a net profit of Rs 1.00 billion, compared to Rs 1.34 billion recorded in 2016, translating into an EPS of Rs 1.08 per share. FFBL declared an aggregate dividend of Rs 0.75 per share during 2017.

ASKARI BANK LIMITED (AKBL)

As part of investment diversification, FFC acquired 43.15% equity stake in AKBL against an investment of Rs 10.46 billion in 2012. The Bank was incorporated in Pakistan on October 9, 1991, as a public limited company. It is principally engaged in the banking business, with a market capitalization of Rs 24 billion at the end of the year. The Bank operates throughout Pakistan with a branch network of 517 branches, including 94 Islamic banking branches, a Wholesale Bank Branch in the Kingdom of Bahrain and a representative office in People's Republic of China.

Improved operations during the first nine months of 2017 resulted in net-markup income of Rs 12.02 billion, around 10% above last year, whereas net profit was recorded at Rs 4.22 billion, translating into an EPS of Rs 3.35 compared to Rs 3.32 earned last year. The bank also reversed net provision of Rs 1.24 billion during the year. With an improvement of 5% compared to December 31, 2016, net advances as of September 30, 2017 stood at Rs 247 billion, customer deposits increased by 11% to Rs 527 billion since December 2016. The Bank maintained its long term entity rating of AA+ and short term rating at A1+, denoting high credit worthiness of the bank. The management is confident in expanding its business in view of ongoing development in the Country under the CPEC.

Improvement in the Banks's financial position post acquisition by FFC, is evidenced by its consistent dividend payout and lower provisions pertaining to non-performing loans. FFC has received dividends of Rs 3.67 billion since acquisition of the Bank, including dividends of Rs 2.50 per share received in 2017.

FAUJI CEMENT COMPANY LIMITED (FCCL)

FCCL, a public limited company, was incorporated on November 23, 1992 and is listed on the Pakistan Stock Exchange (PSX). The company is primarily engaged in the manufacture and sale of different types of cement through its two production lines having an annual production capacity of 3.43 million tons. With an investment of Rs 1.5 billion, FFC holds a 6.79% equity stake in the company.

During 2017, the company's efforts to rehabilitate its silo, which had collapsed last year materialized and it resumed clinker production in October 2017 with an enhanced capacity of 7,600 tonnes per day.

However, during the first quarter ended September 30, 2017 of its fiscal year 2017-18, net profits were recorded at Rs 444 million, 27% below than last year due to lower selling prices and higher international coal costs which negatively impacted company profitability. Aggregate dividend of Rs 84 million was received by FFC in 2017 from the associate company, lower by 67% compared to last year.

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

PMP is a private limited company incorporated in Morocco as a Joint Venture between FFC (shareholding of 12.5%), Fauji Foundation (12.5%), FFBL (12.5%) and OCP of Morocco (50%) in 2004. The company began its activities in 2008 and has a capacity to produce 375 thousand tonnes of industrial phosphoric acid per year.

The plant is located in Jorf Lasfar, Morocco, and majority of its production is sold to FFBL as raw material for production of DAP fertilizer with remaining acid sold locally as well as in international markets. FFC has invested Rs 706 million in the Company with a return of over Rs 150 million received to date in the form of three dividends including Rs 56 million during 2017.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Respective Boards of the subsidiary companies have an effective systems of internal financial controls. The independent Internal Audit function, which reports directly to the respective Audit Committees, monitors compliance with the internal controls besides providing suggestions on improvement. Audit Committees of the respective companies' quarterly review the effectiveness and adequacy of the internal control frameworks and financial statements of the respective companies.

PROFIT DISTRIBUTION & RESERVE ANALYSIS

FFC Group carried consolidated reserves of Rs 37.99 billion at the start of the year, of which, final dividend of Rs 3.50 billion was approved by the shareholders for 2016. During 2017, the Group earned net profit of Rs 11.50 billion and declared three interim dividends aggregating to Rs 5.09 billion translating to Rs 4.00 per share, with transfers of Rs 2 billion to general reserves. The aggregate reserves at the end of 2017 stood at Rs 38.40 billion as detailed in the 'Appropriations' table:

Appropriations	Rs in million	Rs per share
Opening Reserves	37,994	
Final Dividend 2016	(3,499)	2.75
Net Profit 2017	11,496	
Other comprehensive income	(2,507)	
Available for Appropriation	43,484	
Appropriations		
First Interim Dividend 2017	(1,908)	1.50
Second Interim Dividend 2017	(1,272)	1.00
Third Interim Dividend 2017	(1,908)	1.50
Closing Reserves	38,396	

SUBSEQUENT EVENTS

The Board of Directors of FFC in its meeting held on January 30, 2018 is pleased to recommend a final cash dividend of Rs 3.00 per share i.e. 30% for the year ended 2017, for shareholders' approval taking the total payout for the year to Rs 7.00 per share i.e. a payout of 70%. There were no other material changes affecting the financial position of the Group till the date of this report.

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

Lt Gen Shafqaat Ahmed
HI (M), (Retired)
Chief Executive & Managing Director
Rawalpindi
January 30, 2018

مشترکہ وینچر کی کمپنی (Joint Venture Company)

پاکستان مراک فاسفور (PMP)

PMP ایک پرائیویٹ لمیٹڈ کمپنی ہے جو کہ FFC کے 12.5 فیصد Fauji Foundation کے 12.5 فیصد، FFBL کے 25 فیصد اور OCP مراکش کے 50 فیصد حصے کے ساتھ مشترکہ منصوبہ کے طور پر 2004 میں مراکش میں قائم کی گئی تھی۔ کمپنی نے اپنے کاروبار کا آغاز 2008 میں کیا جسکی سالانہ پیداواری صلاحیت 375 ہزار ٹن صنعتی فاسفورس ایسڈ ہے۔ پلانٹ جورف لاسفر مراکش میں واقع ہے اور اس کی زیادہ تر پیداوار FFBL کو DAP کی پیداوار کے لئے بطور خام مال مہیا کی جاتی ہے جبکہ بقیہ پیداوار کو مقامی اور بین الاقوامی منڈیوں میں فروخت کیا جاتا ہے۔ FFC کی کمپنی میں کل سرمایا کاری 706 ملین روپے ہے جس سے FFC کو اب تک 150 ملین روپے کے تین منافع منقسمہ بشمول 57 ملین روپے 2017 کا منافع منقسمہ، کی شکل میں حاصل ہوئے۔

منافع کی تقسیم اور ذخائر کا تجزیہ (Profit Distribution & Reserve Analysis)

سال کے شروع میں کمپنی کے مجموعی ذخائر 37.99 ارب روپے تھے جس سے کمپنی نے حصہ داروں کے لئے سال 2016 میں حتمی منافع منقسمہ 3.50 ارب روپے کی منظوری دی گئی۔ سال 2017 کے دوران گروپ نے 11.50 ارب روپے کا منافع کمایا اور تین منافع منقسمہ جو کہ مجموعی طور پر 5.09 ارب روپے بنے جو کہ 4.00 روپے فی حصہ کی ترجمانی کرتے ہیں۔ جبکہ General Reserves میں 2 ارب روپے منتقل کئے 2017 کے اختتام پر مجموعی ذخائر 38.40 ارب روپے تھے جو کہ 'Appropriations Table' میں تفصیل سے دیئے گئے ہیں۔

اندرونی مالیاتی ضوابط کی موزونیت

تمام ذیلی کمپنیوں کا اندرونی مالیاتی ضوابط کا مؤثر نظام موجود ہے۔ آزاد محاسب شعبہ (Internal AuditFunction) جو آڈٹ کمیٹی کو براہ راست جوابدہ ہے، اندورنی ضوابط کی نگرانی کو یقینی بناتا ہے اور بہتری پر تجاویز فراہم کرتا ہے۔ متعلقہ کمپنیوں کی آڈٹ کمیٹیاں مالیاتی گوشواروں اور اندرونی ضوابط کے موئثر ہونے کا سہ ماہی جائزہ لیتی ہیں۔

واقعات مابعد (Subsequent Event)

Parent Company کے بورڈ آف ڈائریکٹرز نے 30 جنوری 2018 کو منعقد کردہ اپنے اجلاس میں اپنے حصہ داروں کے لئے سال 2017 کے حتمی منافع منقسمہ (Dividend) فی حصص 3.00 روپے (30 فیصد) کی سفارش کی ہے۔ اس طرح مجموعی سالانہ ادائیگی 7.00 روپے فی حصہ یعنی 70 فیصد ہو جائے گی۔ اس رپورٹ کے مکمل ہونے کی تاریخ تک مزید ایسی کوئی قابل قدر چیز نہ تھی جو کہ کمپنی کی مالی حیثیت پر اثر انداز ہو سکے۔

منافع کی تقسیم	ملین روپے	فی حصہ روپے
ابتدائی ریزرو	37,994	
حتمی منافع منقسمہ 2016	(3,499)	2.75
خالص منافع 2017	11,496	
دیگر Comprehensive آمدن	(2,507)	
تقسیم کے لیے میسر منافع	**43,484**	
منافع کی تقسیم		
پہلا عبوری منافع منقسمہ 2017	(1,908)	1.50
دوسرا عبوری منافع منقسمہ 2017	(1,272)	1.00
تیسرا عبوری منافع منقسمہ 2017	(1,908)	1.50
اختتامی ریزرو	**38,396**	

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

لیفٹیننٹ جنرل شفقات احمد
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو مینجنگ ڈائریکٹر
راولپنڈی
30 جنوری 2018

اشتمال شدہ گوشواروں پر ڈائریکٹرز رپورٹ

مالیاتی جائزہ

خطرے کی سطح	خطرے کی وضاحت	نمٹنے کی تدبیر
اوسط	مالی ذمہ داریوں کی ادائیگی کے لیے ناکافی نقدی جو کہ Liquidity کے مسائل پیدا کر دے	فعال شعبہ مالیات کافی مقدار میں فنڈز کی دستیابی کو یقینی بناتا ہے۔ FFF بزنس پلان اور اصل کارکردگی کا تقابلی جائزہ بھی مستقل بنیادوں پر لیتی ہے تاکہ کسی انحراف کو روکا جاسکے
تعمیلی خطرہ (Compliance Risk)		
نچلی	ریگولیٹری اتھارٹی کی طرف سے قوانین میں تبدیلی	کنسلٹنٹس اور ایڈوائزرز کے ساتھ مستقل مشاورت جاری رکھی جاتی ہے تاکہ لاگو قوانین کی پابندی کو یقینی بنایا جاسکے
سیاسی/معاشی (Political/Economic)		
نچلی	امن وامان کی غیر مستحکم صورتحال جو کہ ملکی معیشت کو متاثر کرے	یہ خطرہ کمپنی اور انتظامیہ کے دائرہ اختیار سے باہر ہے

منسلکہ کمپنیاں (Associated Companies)

فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL)

ایف ایف بی ایل سال 1993 میں FFC جارڈن فرٹیلائزر کمپنی کے نام سے معرض وجود میں آئی تھی جو کہ 2003 میں اصلاحات کے بعد FFBL میں تبدیل ہوگئی۔ FFC کو 4.66 ارب روپے کی سرمایہ کاری کے ساتھ بحیثیت اکثریتی سرمایہ کار 49.88 فیصد ایکویٹی کنٹرول حاصل ہے۔ یہ 650 ہزار ٹن DAP اور 551 ہزار ٹن Granular Urea کی پیداواری استعداد رکھنے والا پاکستان کا واحد ادارہ ہے، اس کے دونوں کارخانے بن قاسم میں واقع ہیں۔ اس کے ساتھ ساتھ کمپنی نے کیمیائی، بینکاری، غذائی اور توانائی کے منصوبوں میں بھی سرمایہ کاری کر رکھی ہے۔ کمپنی کے حصص پاکستان اسٹاک ایکسچینج پر مندرج ہیں۔

کمپنی نے 809 ہزار ٹن DAP پیداوار کا ریکارڈ قائم کیا۔ تاہم ناموافق کاروباری حالات نے کمپنی کے منافع پر منفی اثرات مرتب کئے جس کے باعث کمپنی نے سال 2016 کے 1.34 ارب روپے کے مقابلے میں 1.00 ارب روپے کا خالص منافع کمایا جو کہ 1.08 روپے فی حصص پر منتج ہوتا ہے۔ FFBL نے سال 2017 کے دوران 0.75 روپے فی حصص مجموعی منافع منقسمہ کا اعلان کیا۔

عسکری بینک لمیٹڈ (AKBL)

متنوع سرمایہ کاری کی حکمت عملی کے تحت FFC نے 2012 میں 10.46 ارب روپے کی سرمایہ کاری سے AKBL میں 43.15 فیصد حصص خریدے۔ یہ بینک 9 اکتوبر 1991 کو ایک پبلک لمیٹڈ کمپنی کے طور پر قائم ہوا۔ اور بنیادی طور پر کمرشل بینکنگ کے کاروبار میں مصروف عمل ہے۔ سال کے اختتام پر کمپنی کے حصص کی مجموعی مالیت 24 ارب روپے تھی۔ بینک پورے پاکستان میں 517 برانچوں کے نیٹ ورک بشمول 94 اسلامی بینکنگ برانچز کے ساتھ سرگرم عمل ہے۔ اس کے علاوہ ایک Wholesale بینک برانچ بحرین اور نمائندہ دفتر چین میں موجود ہیں۔

سال 2017 کے پہلے 9 ماہ کی بہتر کارکردگی کی وجہ سے خالص سود کی آمدنی پچھلے سال کی نسبت 10 فیصد کے اضافے سے 12.02 ارب روپے رہی۔ جبکہ خالص منافع 4.22 ارب روپے ریکارڈ کیا گیا جبکہ فی حصہ آمدن گزشتہ برس کے 3.32 روپے فی حصص کے مقابلے میں 3.35 روپے فی حصص رہی۔ دوران سال بینک نے 1.24 ارب روپے Net Provision بھی ریورس کی اور Net Advances 31 دسمبر 2016 کے مقابلے میں 5 فیصد کی بہتری کے ساتھ 30 ستمبر 2017 کو 247 ارب روپے تک پہنچ گئے جبکہ صارفین کے ڈیپازٹس 2016 کی نسبت 11 فیصد کے اضافے کے ساتھ 527 ارب روپے تک پہنچ گئے۔

بینک نے طویل مدت کی مالیاتی درجہ بندی میں +AA اور مختصر مدت کی درجہ بندی میں +A1 کو برقرار رکھا جو کہ بینک کی قرض چکانے کی عمدہ اہلیت کو ظاہر کرتے ہیں۔ CPEC کے تحت ملک میں جاری ترقی کے مدنظر انتظامیہ اپنے کاروبار کو بڑھانے کے لئے پرعزم ہے۔

FFC کے خریدنے کے بعد بینک کی مالی حالت میں بہتری آئی۔ جس کا ثبوت مسلسل منافع منقسمہ کی ادائیگی اور قرضوں کی متوقع عدم ادائیگی کے لئے Provisions کی کم ہوتی مقدار ہے۔ بینک کے حصول کے بعد FFC نے 3.67 ارب روپے کا منافع منقسمہ وصول کیا۔ جس میں سال 2017 کے دوران 2.50 روپے فی حصہ منافع منقسمہ شامل ہے۔

فوجی سیمنٹ کمپنی لمیٹڈ (FCCL)

FCCL ایک لمیٹڈ کمپنی ہے جو 23 نومبر 1992 کو معرض وجود میں آئی اور اس کے حصص بھی پاکستان اسٹاک ایکسچینج پر مندرج ہیں۔ کمپنی بنیادی طور پر سیمنٹ بنانے اور بیچنے کے کاروبار سے منسلک ہے اسکی دونوں Production Lines کی مجموعی پیداواری صلاحیت 3.43 ملین ٹن ہے۔ 1.5 ارب روپے کی سرمایہ کاری کے ساتھ FFC کمپنی میں 6.79 فیصد کی حصے دار ہے۔

سال 2017 میں کمپنی کے پچھلے سال کے تباہ شدہ Silo کی مرمت اور تعمیر نو کی کوششیں رنگ لائیں اور Clinker کی پیداوار 7600 ٹن یومیہ کی بہتر صلاحیت کے ساتھ دوبارہ شروع ہوگئی۔

تاہم 30 ستمبر 2017 کو ختم ہونے والے 18-2017 کی پہلی سہ ماہی میں خالص منافع 444 ملین رہا۔ جو کہ پچھلے سال کے اسی عرصہ سے 27 فیصد کم تھا۔ جس کی وجہ کم قیمت فروخت اور کوئلے کی زیادہ بین الاقوامی قیمتیں تھیں۔ سال 2017 کے دوران FFC کو FCCL سے ملنے والا مجموعی منافع 84 ملین روپے تھا جو کہ پچھلے سال کے مقابلے میں 67 فیصد کم تھا۔

خطرے کی سطح	خطرے کی وضاحت	نمٹنے کی تدبیر
نچلی	پلانٹ میں خرابی- دستیابی میں کمی	OEM کے مجوزہ Operational Manual اور کام کے طریقہ کار کی تعمیل اور متعلقہ ٹریننگ
نچلی	مالی ذمہ داریوں کی ادائیگی کے لیے ناکافی نقدی	فعال شعبہ مالیات کسی بھی ناگہانی صورتحال سے نمٹنے کے لیے کافی مقدار میں فنڈز کی دستیابی کو یقینی بناتا ہے
تعمیلی خطرہ (Compliance Risk)		
نچلی	EPA اور ریگولیٹری اتھارٹی کے طے شدہ ضوابط سے انحراف	کسی بھی قسم کی قانون شکنی سے بچنے کے لیے مستقل بنیادوں پر سخت جائزہ لیا جاتا ہے
سیاسی/معاشی (Political/Economic)		
نچلی	امن وامان کی غیر مستحکم صورتحال جو کہ ملکی معیشت کو متاثر کرے جس کی وجہ سے حکومت کی IPPs کو ادائیگیوں کی پالیسی میں تبدیلی واقع ہو	یہ خطرہ اندرونی ضوابط کے ذریعے کم نہیں کیا جاسکتا

فوجی فریش این فریز لمیٹڈ (FFF)

FFC کی Risk Diversification حکمتِ عملی کے طور پر FFF، جو کہ پاکستان کا واحد IQF ٹیکنالوجی کا حامل ادارہ ہے، کو 2013 میں خریدا گیا۔ IQF مصنوعات کے علاوہ کمپنی Vapour Heat Treated آم بھی فروخت کرتی ہے۔ یہ دونوں پلانٹ ساہیوال میں واقع ہیں۔

سال کے دوران کمپنی نے 5,500 ٹن پھل اور سبزیاں فروخت کر کے 2016 میں 318 ٹن فروخت کے مقابلے میں نمایاں بہتری دکھائی۔ جس کے نتیجے میں گزشتہ برس کے مقابلے میں 383 ملین روپے کے اضافے کے ساتھ 454 ملین روپے کی آمدن حاصل ہوئی۔

یورپی یونین کے سخت درآمدی معیار پر پورا اترتے ہوئے FFF یورپ میں IQF "Okra" برآمد کرنے والی برصغیر کی پہلی کمپنی بن گئی ہے۔ اس کے علاوہ کمپنی کا مخصوص برانڈ OPA French Fries جانا پہچانا گھریلو نام بنتا جا رہا ہے اور کمپنی کی پھل اور سبزیوں کی مصنوعات کے لئے راستہ ہموار ہو رہا ہے۔ مشرق وسطی اور جنوبی ایشیائی ممالک میں آم اور کینو کی برآمد نہ صرف مثبت تاثر کے ساتھ ہوئی ہے بلکہ 2018 میں فروخت کے حجم پر بھی مثبت اثرات متوقع ہیں۔

غذائی مصنوعات کے شعبے میں نہ صرف بہت زیادہ سرمائے کی ضرورت ہوتی ہے بلکہ ابتدائی سالوں میں برانڈ کی مارکیٹ میں جگہ بنانے پر بے تحاشا لاگت آتی ہے۔ اس لئے کمپنی کو اس سال 1.08 ارب روپے کا خسارہ ہوا جو کہ 4.12 روپے فی حصہ رہا۔ تاہم بورڈ کو یقین ہے کہ کہ صارفین کے آرڈرز، اخراجات پر قابو اور سپلائی چین کو بہتر بنا کر نقصانات کا ازالہ اور منصوبے کے بہتر مستقبل کی امید ہے۔

آڈیٹرز نے 31 دسمبر 2017 کو ختم ہونے والے سال کے لئے کمپنی کے مالیاتی گوشواروں پر اپنی رائے بغیر کسی تحفظات کے دے دی ہے۔

خطرات سے نمٹنے کی تدابیر (Mitigating Strategies)

خطرے کی سطح	خطرے کی وضاحت	نمٹنے کی تدبیر
حکمت عملی کا خطرہ (Strategic Risk)		
اوسط	فرنچ فرائیز کی کم پیداواری استعداد جو کہ First Mover Advantage کے خاتمے کا باعث بنے	بروقت Due Diligence اور استعداد میں اضافے کی فعال پالیسی تاکہ مارکیٹ کی طلب کو پورا کیا جاسکے
تجارتی خطرہ (Commercial Risk)		
اوسط	قیمتوں پر پریشر بالخصوص بین الاقوامی منڈیوں میں	خام مال کا کم ترین قیمتوں پر حصول جو کہ قیمتوں پر پریشر کو جذب کر سکے اور بہتر شرح منافع کا باعث بنے
عملیاتی خطرہ (Operational Risk)		
نچلی	اہم پوزیشنز پر تعینات تربیت یافتہ ملازمین کا نوکری چھوڑ جانا جو کہ آپریشنز پر منفی اثرات مرتب کرے	ملازمین کی تربیت اور ترقی کے ساتھ ساتھ کمپنی نے ایک تفصیلی Succession پلان بنا رکھا ہے جس میں ملازمین کی مسلسل تبدیلی اور ترقی جاری رہتی ہے۔
مالیاتی خطرہ (Financial Risk)		
اوسط	Fixed Cost کو پورا کرنے کے لیے درکار شرح منافع کے حصول میں ناکامی	اخراجات پر قابو رکھنے کے لیے سخت اقدامات کیے گئے ہیں جبکہ مصنوعات کی قیمتیں قابل قبول خام شرح منافع کو یقینی بناتی ہیں

اشتمال شدہ گوشواروں پر ڈائریکٹرز رپورٹ

مالیاتی جائزہ

FFC گروپ، فوجی فرٹیلائزر کمپنی اور اس کی ذیلی کمپنیوں، ایف ایف سی انرجی لمیٹڈ (FFCEL-WindPower Project) اور فوجی فریش این فریز لمیٹڈ (FFF - Food Project)، پر مشتمل ہے۔

مالیاتی کارکردگی

FFC اور FFF کی آمدن میں اضافے کی وجہ سے گروپ کی مجموعی آمدن علاوہ سبسڈی 18.21 ارب روپے کے اضافے کے ساتھ 93.58 ارب روپے ہوگئی۔

فروخت پر آنے والی لاگت (Cost of Sales) 18.11 ارب روپے کے اضافے کے ساتھ 74.48 ارب روپے رہی نتیجتاً خام منافع 19.10 ارب روپے کے ساتھ گزشتہ سال کی سطح پر رہا۔

انتظامی اور ترسیلی اخراجات (Admin & Distribution expenses) گزشتہ برس 7.52 ارب روپے کے مقابلے میں 9.09 ارب روپے تک پہنچ گئے۔ جس کی وجہ FFC کی درآمد شدہ کھادوں پر ہونے والے زائد اخراجات نقل وحمل ہیں۔

گروپ کی جانب سے قرضوں کی بروقت ادائیگی اور FFC اور FFCEL کے قرضوں کی قیمتوں میں مثبت از سر نو تعین کی وجہ سے مالیاتی لاگت 2016 کے مقابلے میں 4 فیصد کمی کے ساتھ 3.23 ارب روپے رہی۔

دیگر آمدن (Other Income) جس میں منسلکہ کمپنیوں اور مشترکہ منصوبوں سے حاصل ہونے والا منافع بھی شامل ہے، منسلکہ کمپنیوں سے حاصل ہونے والی کم آمدن کے باعث 63.93 ملین روپے کی کمی کے ساتھ 11.63 ارب روپے رہا۔

خالص منافع 11.50 ارب روپے رہا جو کہ سال 2016 کے مقابلے میں 520 ملین روپے کم رہا، جبکہ فی حصص آمدن 9.04 روپے رہی۔

ایف ایف سی کا تفصیلی جائزہ، Parent Company Standalone مالیاتی گوشواروں کے ہمراہ، الگ فراہم کیا گیا ہے جبکہ ذیلی اور منسلکہ کمپنیوں کی کارکردگی کا جائزہ نیچے دیا گیا ہے:

ذیلی کمپنیاں (Subsidiary Companies)

ایف ایف سی انرجی لمیٹڈ (FFCEL)

کمپنی نے اپنی ماحول دوست Diversification حکمت عملی کے پیش نظر 2009 میں اپنا اور پاکستان کا سب سے پہلا قابل تجدید توانائی کا منصوبہ شروع کیا۔ 49.5MW بجلی کی پیداواری استعداد کے ساتھ FFCEL نے مئی 2013 میں تجارتی سرگرمیوں کا آغاز کیا۔

گزشتہ سال کے مقابلے میں 2 فیصد اضافے کے ساتھ کمپنی کی بجلی کی پیداوار 133GWh رہی اور اوسط دستیابی عنصر 98 فیصد رہا۔ اگرچہ آمدن فروخت میں 15 ملین روپے کی کمی ہوئی، تاہم O&M اخراجات میں بچت اور طویل المدت قرضوں کی شرح سود میں کمی کے نتیجے میں پیداواری اور مالیاتی اخراجات میں کمی واقع ہوئی، خالص منافع گزشتہ برس کے مقابلے میں 25 فیصد اضافے کے ساتھ 845 ملین رہا اس طرح فی حصص آمدن 3.46 روپے رہی۔ کمپنی نے دوران سال 500 ملین روپے کے اپنے پہلے منافع منقسمہ کا اعلان بھی کیا۔

آڈیٹرز نے 31 دسمبر 2017 کو ختم ہونے والے سال کے لئے کمپنی کی Financial Statements پر اپنی رائے بغیر کسی تحفظات کے دے دی ہے۔

خطرات سے نمٹنے کی تدابیر (Mitigating Strategies)

خطرے کی سطح	خطرے کی وضاحت	نمٹنے کی تدبیر
حکمت عملی کا خطرہ (Strategic Risk)		
اوسط	گاہک یعنی CPPA کے اضافی مطالبات	ماہر کنسلٹنٹ یا مستقبل بینی کرنے والی کسی فرم کی خدمات حاصل کرنے کے ساتھ ساتھ ٹیرف (EPA) Energy Purchase Agreement کی شرائط کی روشنی میں اضافی O&M قیمت کا مطالبہ
نچلی	کاروباری ضوابط میں تبدیلی۔ IPPs کے لیے مسابقتی قیمتوں کا نفاذ	استثناء کے حصول کی کوشش جیسا کہ Tariff Ageement / EPA میں تبدیلی قانون کی شق موجود ہے
عملیاتی خطرہ (Operational Risk)		
اوسط	اگر FFCEL کا اکلوتا گاہک CPPA ادائیگی میں تاخیر کرے جس کے نتیجے میں Liquidity کے مسائل کھڑے ہوجائیں	IPPs کو ادائیگیوں کی CPPA کی پالیسی میں تغیر کمپنی کے دائرہ اختیار سے باہر ہے۔ تاہم CPPA سے واجب الوصول رقوم کے لیے حکومت پاکستان کی غیر مشروط ضمانت موجود ہے
اوسط	پلانٹ کی مرمت کے لیے درکار وقت میں اضافہ اور/یا غیر محفوظ اقدامات کے نتیجے میں دستیابی اور وثوق میں کمی	کمپنی OEM کے مجوزہ مرمتی شیڈول کی سختی سے پابندی کے ساتھ ساتھ تجربے کی روشنی میں بھی مسلسل نگرانی جاری رکھتی ہے۔ مرمتی SOPs اور حفاظتی طریقہ کار کا نفاذ کیا گیا ہے جبکہ ٹریننگ پروگرامز بھی باقاعدگی سے منعقد کیے جاتے ہیں

DIRECTORS' REPORT – FINANCIAL REVIEW
CONSOLIDATED FINANCIAL PERFORMANCE

		2017	2016	2015	2014	2013	2012
PROFITABILITY RATIOS							
Gross profit ratio	%	20.41	25.22	34.97	39.44	46.80	38.86
Gross profit ratio (Including Subsidy)	%	25.66	31.56	36.06	39.44	46.80	38.86
Net profit to sales	%	12.28	15.94	22.25	20.69	23.73	18.42
Net profit to sales (Including Subsidy)	%	11.47	14.59	21.88	20.69	23.73	18.42
EBITDA margin to sales	%	20.86	27.95	31.37	34.02	40.41	32.90
EBITDA margin to sales (Including Subsidy)	%	19.48	25.58	30.85	34.02	40.41	32.90
Operating leverage ratio	Times	(0.37)	1.97	(1.30)	(0.85)	0.63	(1.99)
Return on equity (Profit after tax)	%	22.49	23.69	39.31	39.80	51.21	65.98
Return on equity (Profit before tax)	%	32.83	35.61	55.94	58.29	77.49	102.10
Return on capital employed	%	22.79	24.20	33.41	47.44	57.79	78.43
Earning before interest, depreciation and tax	Rs in million	19,520	21,066	27,401	28,585	30,706	40,227
Growth in Operating revenue	%	24.15	(13.70)	3.96	10.58	(37.85)	10.03
Growth in Operating revenue (Including Subsidy)	%	21.65	(7.29)	5.73	10.58	(37.85)	10.03
Pre tax margin	%	17.93	23.96	31.66	30.30	35.90	28.51
Pre tax margin (Including Subsidy)	%	16.75	21.93	31.13	30.30	35.90	28.51
Return on assets	%	8.17	9.63	17.09	15.04	16.18	21.84
Earnings growth	%	(4.34)	(38.17)	11.82	(3.59)	(19.95)	(21.38)
LIQUIDITY RATIOS							
Current ratio	Times	0.94	0.91	0.85	0.68	0.75	1.08
Quick / Acid test ratio	Times	0.87	0.73	0.60	0.60	0.63	0.86
Cash to current liabilities	Times	0.32	(0.14)	(0.13)	0.29	0.30	0.45
Long term liabilities / current liabilities	%	43.95	69.65	87.90	28.64	40.41	44.60
ACTIVITY / TURNOVER RATIOS							
Inventory turnover ratio	Times	33	12	21	150	190	53
No. of days in inventory	Days	11	29	18	2	2	7
Debtors turnover ratio	Times	19	21	40	33	17	36
Debtors turnover ratio (Including Subsidy)	Times	9	12	30	33	17	36
No. of days in receivables	Days	19	18	9	11	22	10
No. of days in receivables (Including Subsidy)	Days	40	31	12	11	22	10
Creditors turnover ratio - GIDC	Times	5	17	4	3	4	10
- without GIDC	Times	81	67	70	17	6	10
No. of days in payables - GIDC	Days	71	21	87	140	97	37
- without GIDC	Days	5	5	5	21	58	37
Total assets turnover ratio	Times	0.66	0.60	0.77	0.73	0.68	1.19
Total assets turnover ratio (Including Subsidy)	Times	0.71	0.66	0.78	0.73	0.68	1.19
Fixed assets turnover ratio	Times	2.72	2.20	2.48	2.54	1.71	2.86
Fixed assets turnover ratio (Including Subsidy)	Times	2.92	2.40	2.52	2.54	1.71	2.86
Operating cycle - GIDC	Days	(41)	26	(60)	(127)	(73)	(20)
- without GIDC	Days	25	42	22	(8)	(34)	(20)
INVESTMENT / MARKET RATIOS							
Breakup value (net assets per share) - restated							
- Without revaluation reserves	Rs	40.18	39.86	38.86	34.33	27.67	26.83
- With revaluation reserves	Rs	40.78	40.37	38.86	34.33	27.67	26.83
CAPITAL STRUCTURE RATIOS							
Financial leverage ratio	Times	0.82	1.07	0.98	0.60	0.94	0.93
Debt to equity ratio		29:71	32:68	33:67	21:79	29:71	29:71
Interest cover ratio	Times	6.20	6.38	12.13	12.85	20.86	13.95

Note: FFBL was a subsidiary of FFC till 2013, however, consequent to divestment of 1% shareholding by FFC in 2014, FFBL has become an associated company of FFC

Rs in million	2017	2016	2015	2014	2013	2012
SUMMARY OF BALANCE SHEET						
Share capital	12,722	12,722	12,722	12,722	12,722	12,722
Reserves	38,396	37,995	36,711	30,948	15,718	15,250
Share in revaluation reserve of associates-net / NCI	760	649	-	-	6,757	6,158
Shareholders' funds / Equity	51,118	50,717	49,433	43,670	35,197	34,130
Long term borrowings	21,162	24,013	24,746	11,406	14,391	13,644
Capital employed	72,280	74,730	74,179	55,076	49,588	47,774
Deferred liabilities	5,974	6,097	5,307	4,574	7,539	7,624
Property, plant & equipment	34,352	34,295	35,228	33,105	44,315	42,679
Long term assets	82,965	85,271	84,709	77,707	70,632	51,803
Net current assets / Working capital	(3,943)	(3,787)	(5,218)	(18,054)	(13,504)	3,595
Liquid funds (net)	68,156	43,879	43,278	59,669	36,972	25,319
SUMMARY OF PROFIT & LOSS						
Sales	93,583	75,378	87,340	84,014	75,977	122,252
Sales (including Subsidy)	100,185	82,357	88,830	84,014	75,977	122,252
Cost of sales	74,479	56,366	56,797	50,878	40,417	74,750
Gross profit	19,104	19,012	30,543	33,136	35,560	47,502
Gross profit (including Subsidy)	25,706	25,991	32,033	33,136	35,560	47,502
Distribution cost	9,093	7,524	6,966	6,617	6,238	9,213
Operating profit	10,011	11,488	23,577	26,519	29,322	38,289
Operating profit (including Subsidy)	16,613	18,467	25,067	26,519	29,322	38,289
Finance cost	3,229	3,360	2,485	2,149	1,373	2,692
Other income	8,096	8,356	3,496	1,914	1,892	2,430
Other income (excluding Subsidy)	1,494	1,377	2,006	1,914	1,892	2,430
Share of profit of associates and joint venture	3,535	3,340	5,352	1,476	(9)	72
Profit before tax	16,781	18,061	27,653	25,456	27,274	34,848
Provision for taxation	5,286	6,045	8,220	8,077	9,248	12,330
Profit after tax	11,495	12,016	19,433	17,379	18,026	22,518

NCI: Non-Controlling Interest

DIRECTORS' REPORT – FINANCIAL REVIEW

HORIZONTAL ANALYSIS CONSOLIDATED BALANCE SHEET

	2017 Rs M	17 Vs 16 %	2016 Rs M	16 Vs 15 %	2015 Rs M	15 Vs 14 %	2014 Rs M	14 Vs. 13 %	2013 Rs M	13 Vs. 12 %	2012 Rs M	12 Vs. 11 %
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	-	12,722	-	12,722	-	12,722	-	12,722	-	12,722	50.00
Capital reserve	2,101	50.39	1,397	63.58	854	39.54	612	(54.02)	1,331	32.97	1,001	2.88
Revenue reserves	36,295	(0.83)	36,598	2.07	35,857	18.20	30,336	110.86	14,387	0.97	14,249	(10.30)
	51,118	0.79	50,717	2.60	49,433	13.20	43,670	53.55	28,440	1.67	27,972	10.38
Share in revaluation reserve of associates-net / NCI	760		649		-		-		6,757		6,158	
NON - CURRENT LIABILITIES												
Long term borrowings	21,162	(11.87)	24,013	(2.96)	24,746	116.96	11,406	(20.74)	14,391	5.47	13,644	35.34
Deferred taxation	5,974	(2.02)	6,097	14.89	5,307	16.03	4,574	(39.33)	7,539	(1.11)	7,624	4.51
Liability against assets subject to Finance Lease	8	-	8	60.00	5	66.67	3	200.00	1	-	-	-
	27,144	(9.87)	30,118	0.20	30,058	88.06	15,983	(27.12)	21,931	3.12	21,268	22.40
CURRENT LIABILITIES												
Trade and other payables	39,726	252.27	11,277	32.05	8,540	(77.86)	38,526	26.46	30,466	24.82	24,407	12.89
Interest and mark - up accrued	216	(38.46)	351	(13.97)	408	251.72	116	(60.14)	291	(5.83)	309	(37.70)
Short term borrowings	11,939	(46.66)	22,383	24.21	18,021	55.33	11,602	(22.58)	14,985	5.48	14,207	(12.36)
Current portion of long term borrowings	8,633	8.39	7,965	37.28	5,802	89.98	3,054	(19.88)	3,812	1.68	3,749	65.59
Current portion of land lease liability	3		-		-		-		1		-	-
Taxation	1,231	(1.83)	1,254	(11.57)	1,418	(43.33)	2,502	(46.89)	4,711	(6.02)	5,013	13.29
	61,748	42.84	43,230	26.44	34,189	(38.78)	55,800	2.83	54,266	13.80	47,685	5.93
TOTAL EQUITY AND LIABILITIES	140,770	12.87	124,714	9.71	113,680	(1.58)	115,453	3.64	111,394	8.06	103,083	9.21
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	34,352	0.17	34,295	(2.65)	35,228	6.41	33,105	(25.30)	44,315	3.83	42,679	14.85
Intangilbe assets	1,951	0.10	1,949	0.46	1,940	(1.72)	1,974	(2.03)	2,015	19.37	1,688	4.46
Log term investments	45,665	(4.99)	48,064	2.92	46,702	11.76	41,787	77.98	23,479	252.96	6,652	15.61
Long term Loans & advances	966	3.43	934	14.74	814	(1.09)	823	11.22	740	5.71	700	15.51
Long term deposits & prepayments	31	6.90	29	16.00	25	38.89	18	(78.31)	83	(1.19)	84	(12.23)
	82,965	(2.70)	85,271	0.66	84,709	9.01	77,707	10.02	70,632	36.35	51,803	14.54
CURRENT ASSETS												
Stores, spares and loose tools	3,512	2.06	3,441	1.33	3,396	2.44	3,315	(38.06)	5,352	4.74	5,110	17.39
Stock in trade	640	(85.17)	4,317	(15.82)	5,128	420.61	985	(31.17)	1,431	(73.09)	5,318	31.50
Trade debts	4,818	(5.01)	5,072	130.76	2,198	(1.04)	2,221	(22.64)	2,871	(52.79)	6,081	729.60
Loans and advances	585	(2.50)	600	13.64	528	(0.56)	531	(64.60)	1,500	33.21	1,126	29.13
Deposits and prepayments	84	44.83	58	45.00	40	42.86	28	(62.16)	74	23.33	60	(10.45)
Other receivables	13,735	77.09	7,757	151.49	3,084	160.91	1,182	11.93	1,056	48.52	711	(32.67)
Short term investments	31,658	104.26	15,499	38.53	11,188	(59.22)	27,433	12.97	24,284	19.62	20,301	(33.73)
Cash and bank balances	2,772	2.70	2,699	(20.83)	3,409	66.21	2,051	(51.10)	4,194	(66.64)	12,573	69.79
	57,805	46.55	39,443	36.15	28,971	(23.33)	37,746	(7.40)	40,762	(20.51)	51,280	4.31
TOTAL ASSETS	140,770	12.87	124,714	9.71	113,680	(1.58)	115,453	3.64	111,394	8.06	103,083	9.21

DIRECTORS' REPORT – FINANCIAL REVIEW

VERTICAL ANALYSIS CONSOLIDATED BALANCE SHEET

	2017		2016		2015		2014		2013		2012	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	9.04	12,722	10.20	12,722	11.19	12,722	11.03	12,722	11.42	12,722	12.35
Capital reserve	2,101	1.49	1,397	1.12	854	0.75	612	0.53	1,331	1.19	1,001	0.97
Revenue reserves	36,295	25.78	36,598	29.35	35,857	31.54	30,336	26.28	14,387	12.92	14,249	13.82
	51,118	36.31	50,717	40.67	49,433	43.48	43,670	37.84	28,440	25.53	27,972	27.14
Share in revaluation reserve of associates-net / NCI	760	0.54	649	0.52	-	-	-	-	6,757	5.42	6,158	4.94
NON - CURRENT LIABILITIES												
Long term borrowings	21,162	15.03	24,013	19.25	24,746	21.77	11,406	9.88	14,391	12.92	13,644	13.24
Deferred liabilities	5,974	4.25	6,097	4.89	5,307	4.67	4,574	3.96	7,539	6.77	7,624	7.40
Liability against assets subject to Finance Lease	8	0.02	8	0.01	5	-	3	-	1	-	-	-
	27,144	19.30	30,118	24.15	30,058	26.44	15,983	13.84	21,931	19.69	21,268	20.64
CURRENT LIABILITIES												
Trade and other payables	39,726	28.22	11,277	9.04	8,540	7.51	38,526	33.36	30,466	27.35	24,407	23.69
Interest and mark - up accrued	216	0.15	351	0.28	408	0.36	116	0.10	291	0.26	309	0.30
Short term borrowings	11,939	8.48	22,383	17.94	18,021	15.86	11,602	10.05	14,985	13.45	14,207	14.79
Current portion of long term borrowings	8,633	6.13	7,965	6.39	5,802	5.10	3,054	2.65	3,812	3.42	3,749	3.64
Current portion of land lease liability	3	-	-	-	-	-	-	-	1	-	-	-
Taxation	1,231	0.87	1,254	1.01	1,418	1.25	2,502	2.16	4,711	4.23	5,013	4.86
	61,748	43.85	43,230	34.66	34,189	30.08	55,800	48.32	54,266	48.71	47,685	47.28
TOTAL EQUITY AND LIABILITIES	140,770	100.00	124,714	100.00	113,680	100.00	115,453	100.00	111,394	100.00	103,083	100.00
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	34,352	24.40	34,295	27.50	35,228	30.99	33,105	28.67	44,315	39.78	42,679	41.40
Intangible assets	1,951	1.39	1,949	1.56	1,940	1.71	1,974	1.71	2,015	1.81	1,688	1.64
Log term investments	45,665	32.44	48,064	38.54	46,702	41.08	41,787	36.19	23,479	21.08	6,652	6.45
Long term loans & advances	966	0.69	934	0.75	814	0.72	823	0.71	740	0.66	700	0.68
Long term deposits & prepayments	31	0.02	29	0.02	25	0.02	18	0.02	83	0.07	84	0.08
	82,965	58.94	85,271	68.37	84,709	74.52	77,707	67.30	70,632	63.400	51,803	50.25
CURRENT ASSETS												
Stores, spares and loose tools	3,512	2.49	3,441	2.76	3,396	2.99	3,315	2.87	5,352	4.80	5,110	4.96
Stock in trade	640	0.45	4,317	3.46	5,128	4.51	985	0.85	1,431	1.28	5,318	5.16
Trade debts	4,818	3.42	5,072	4.07	2,198	1.93	2,221	1.92	2,871	2.58	6,081	5.90
Loans and advances	585	0.42	600	0.48	528	0.46	531	0.46	1,500	1.34	1,126	1.09
Deposits and prepayments	84	0.06	58	0.05	40	0.04	28	0.03	74	0.07	60	0.06
Other receivables	13,735	9.76	7,757	6.22	3,084	2.71	1,182	1.02	1,056	0.95	711	0.69
Short term investments	31,658	22.49	15,499	12.43	11,188	9.84	27,433	23.76	24,284	21.80	20,301	19.69
Cash and bank balances	2,772	1.97	2,699	2.16	3,409	3.00	2,051	1.79	4,194	3.78	12,573	12.20
	57,805	41.06	39,443	31.63	28,971	25.48	37,746	32.70	40,762	36.600	51,280	49.75
TOTAL ASSETS	140,770	100.00	124,714	100.00	113,680	100.00	115,453	100.00	111,394	100.00	103,083	100.00

DIRECTORS' REPORT – FINANCIAL REVIEW

HORIZONTAL ANALYSIS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs. 13	2013	13 Vs. 12	2011	11 Vs. 10
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Sales	93,583	24.15	75,378	(13.70)	87,340	3.96	84,014	10.58	75,977	(37.85)	122,252	10.03
Cost of sales	74,479	32.13	56,366	(0.76)	56,797	11.63	50,878	25.88	40,417	(45.93)	74,750	32.01
Gross profit	19,104	0.48	19,012	(37.75)	30,543	(7.83)	33,136	(6.82)	35,560	(25.14)	47,502	(12.82)
Distribution cost	9,093	20.85	7,524	8.01	6,966	5.27	6,617	6.08	6,238	(32.29)	9,213	19.15
	10,011	(12.86)	11,488	(51.27)	23,577	(11.09)	26,519	(9.56)	29,322	(23.42)	38,289	(18.11)
Finance cost	3,229	(3.90)	3,360	35.21	2,485	15.64	2,149	56.52	1,373	(49.00)	2,692	47.59
Other expenses	1,632	(7.43)	1,763	(22.91)	2,287	(0.74)	2,304	(9.93)	2,558	(21.32)	3,251	(15.14)
	5,150	(19.09)	6,365	(66.15)	18,805	(14.78)	22,066	(13.10)	25,391	(21.50)	32,346	(21.30)
Other income	8,096	(3.11)	8,356	139.02	3,496	82.65	1,914	1.16	1,892	(22.14)	2,430	(24.74)
Share of profit of associates and joint venture	3,535	5.84	3,340	(37.59)	5,352	262.60	1,476	(16,500.00)	(9)	(112.50)	72	(82.40)
Net profit before taxation	16,781	(7.09)	18,061	(34.69)	27,653	8.63	25,456	(6.67)	27,274	(21.73)	34,848	(22.11)
Provision for taxation	5,286	(12.56)	6,045	(26.46)	8,220	1.77	8,077	(12.66)	9,248	(25.00)	12,330	(23.40)
Net profit after taxation	11,495	(4.34)	12,016	(38.17)	19,433	11.82	17,379	(3.59)	18,026	(19.95)	22,518	(21.38)

VERTICAL ANALYSIS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2017		2016		2015		2014		2013		2012	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Sales	93,583	100.00	75,378	100.00	87,340	100.00	84,014	100.00	75,977	100.00	122,252	100.00
Cost of sales	74,479	79.59	56,366	74.78	56,797	65.03	50,878	60.56	40,417	53.20	74,750	61.14
Gross profit	19,104	20.41	19,012	25.22	30,543	34.97	33,136	39.44	35,560	46.80	47,502	38.86
Distribution cost	9,093	9.72	7,524	9.98	6,966	7.98	6,617	7.88	6,238	8.21	9,213	7.54
	10,011	10.70	11,488	15.24	23,577	26.99	26,519	31.56	29,322	38.59	38,289	31.32
Finance cost	3,229	3.45	3,360	4.46	2,485	2.85	2,149	2.56	1,373	1.81	2,692	2.20
Other expenses	1,632	1.74	1,763	2.34	2,287	2.62	2,304	2.74	2,558	3.37	3,251	2.66
	5,150	5.50	6,365	8.44	18,805	21.53	22,066	26.26	25,391	33.42	32,346	26.46
Other income	8,096	8.65	8,356	11.09	3,496	4.00	1,914	2.28	1,892	2.49	2,430	1.99
Share of profit of associates and joint venture	3,535	3.78	3,340	4.43	5,352	6.13	1,476	1.76	(9)	(0.01)	72	0.06
Net profit before taxation	16,781	17.93	18,061	23.96	27,653	31.66	25,456	30.30	27,274	35.90	34,848	28.51
Provision for taxation	5,286	5.65	6,045	8.02	8,220	9.41	8,077	9.61	9,248	12.17	12,330	10.09
Net profit after taxation	11,495	12.28	12,016	15.94	19,433	22.25	17,379	20.69	18,026	23.73	22,518	18.42

AUDITORS' REPORT TO THE MEMBERS
OF FAUJI FERTILIZER COMPANY LIMITED

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Fauji Fertilizer Company Limited (the Holding Company) and its subsidiary companies as at 31 December 2017 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 opinions 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 2017 and the results of their operations for the year then ended.

KPMG Taseer Hadi & Co.

Islamabad
January 30, 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
Atif Zamurrad Malik

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	12,722,382	12,722,382
Capital reserves	6	2,101,184	1,396,672
Revenue reserves	7	35,360,005	33,871,490
Surplus on re-measurement of investments available for sale to fair value - net		934,733	2,726,211
		51,118,304	50,716,755
Share in revaluation reserve of associates - net		759,892	649,076
NON - CURRENT LIABILITIES			
Long term borrowings	8	21,162,157	24,012,599
Deferred liabilities	9	5,973,370	6,097,396
Liability against assets subject to finance lease		8,440	8,025
		27,143,967	30,118,020
CURRENT LIABILITIES			
Trade and other payables	10	39,725,970	11,277,382
Mark-up and profit accrued	12	216,140	351,075
Short term borrowings	13	11,939,083	22,382,525
Current portion of long term borrowings	8	8,633,497	7,964,843
Current portion of land lease liability		2,566	–
Taxation		1,230,841	1,253,817
		61,748,097	43,229,642
TOTAL EQUITY AND LIABILITIES		140,770,260	124,713,493
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

	Note	2017 Rs '000	2016 Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	34,351,610	34,295,455
Intangible assets	16	1,951,383	1,948,538
Long term investments	17	45,665,306	48,063,891
Long term loans and advances	18	965,959	934,150
Long term deposits and prepayments	19	31,173	29,483
		82,965,431	85,271,517
CURRENT ASSETS			
Stores, spares and loose tools	20	3,511,899	3,441,103
Stock in trade	21	640,655	4,317,247
Trade debts	22	4,817,924	5,072,016
Loans and advances	23	585,527	599,610
Deposits and prepayments	24	83,824	58,116
Other receivables	25	13,735,003	7,756,007
Short term investments	26	31,657,685	15,498,649
Cash and bank balances	27	2,772,312	2,699,228
		57,804,829	39,441,976
TOTAL ASSETS		140,770,260	124,713,493

Chairman **Chief Executive** **Director** **Chief Financial Officer**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
Sales	28	93,583,447	75,377,857
Cost of sales	29	74,478,825	56,365,605
GROSS PROFIT		19,104,622	19,012,252
Administrative and distribution expenses	30	9,093,469	7,524,439
		10,011,153	11,487,813
Finance cost	31	3,228,723	3,360,425
Other expenses	32	1,632,375	1,762,518
		5,150,055	6,364,870
Other income	33	8,096,499	8,355,506
Share of profit of associates and joint venture		3,535,333	3,340,251
NET PROFIT BEFORE TAXATION		16,781,887	18,060,627
Provision for taxation	34	5,285,987	6,044,875
NET PROFIT AFTER TAXATION		11,495,900	12,015,752

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Rs '000	2016 Rs '000
Net profit after taxation	11,495,900	12,015,752
Other comprehensive income		
Items that will not be subsequently reclassified to profit or loss		
(Loss) / gain on re-measurement of staff retirement benefit plans - net of tax	(789,145)	68,374
Equity accounted investees - share of OCI, net of tax	(47,861)	(57,865)
	(837,006)	10,509
Items that may be subsequently reclassified to profit or loss		
Deficit on re-measurement of investments		
available for sale to fair value - net of tax	(193,427)	(47,457)
Share of equity accounted investees - share of OCI, net of tax	(1,476,311)	529,381
	(1,669,738)	481,924
Comprehensive income taken to equity	8,989,156	12,508,185
Comprehensive income not recognised in equity		
Items that may be subsequently reclassified to profit or loss		
Share in revaluation reserve of associates - net	110,816	649,076
Total comprehensive income for the year	9,099,972	13,157,261

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 Rs '000	2016 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	38,857,185	10,934,818
Finance cost paid		(3,315,875)	(3,444,290)
Income tax paid		(5,267,264)	(5,738,521)
Subsidy received on sale of fertilizer		4,910,528	4,994,839
		(3,672,611)	(4,187,972)
Net cash generated from operating activities		35,184,574	6,746,846
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,140,485)	(2,089,942)
Proceeds from sale of property, plant and equipment		25,540	22,041
Interest received		1,188,340	1,292,233
Increase / (decrease) in investments		1,302,324	(288,397)
Dividend received		1,923,711	2,264,743
Net cash generated from investing activities		1,299,430	1,200,678
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing			
Draw-downs		7,000,000	7,350,000
Repayments		(9,181,788)	(5,920,574)
Dividends paid		(8,557,834)	(11,109,510)
Net cash used in financing activities		(10,739,622)	(9,680,084)
Net increase / (decrease) in cash and cash equivalents		25,744,382	(1,732,560)
Cash and cash equivalents at beginning of the year		(6,073,964)	(4,341,404)
Effect of exchange rate changes		(47,783)	–
Cash and cash equivalents at end of the year		19,622,635	(6,073,964)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	2,772,312	2,699,228
Short term borrowings	13	(11,939,083)	(22,382,525)
Short term highly liquid investments		28,789,406	13,609,333
		19,622,635	(6,073,964)

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Share capital	Capital reserves				Revenue reserves		Surplus on re-measurement of available for sale investments to fair value	Total
		Share premium	Capital redemption reserve	Translation reserve	Statutory reserve	General reserve	Unappropriated profit		
	Rs '000								
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
Total comprehensive income for the year									
Profit after taxation	–	–	–	–	–	–	12,015,752	–	12,015,752
Other comprehensive income - net of tax	–	–	–	(13,577)	–	–	10,509	495,501	492,433
	–	–	–	(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)
Other changes in equity									
Acquisition of Non controlling interest by associate	–	–	–	–	–	–	(321,129)	–	(321,129)
Transfer to statutory reserve	–	–	–	–	556,738	–	(556,738)	–	–
	–	–	–	–	556,738	–	(877,867)	–	(321,129)
Balance 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
Balance at January 1, 2017	12,722,382	40,000	120,000	251,153	985,519	6,802,360	27,069,130	2,726,211	50,716,755
Total comprehensive income for the year									
Profit after taxation	–	–	–	–	–	–	11,495,900	–	11,495,900
Other comprehensive income - net of tax	–	–	–	121,740	–	–	(837,006)	(1,791,478)	(2,506,744)
	–	–	–	121,740	–	–	10,658,894	(1,791,478)	8,989,156
Distributions to owners - recorded directly in equity									
Final dividend 2016: Rs 2.75 per share	–	–	–	–	–	–	(3,498,655)	–	(3,498,655)
First interim dividend 2017: Rs 1.50 per share	–	–	–	–	–	–	(1,908,357)	–	(1,908,357)
Second interim dividend 2017: Rs 1.00 per share	–	–	–	–	–	–	(1,272,238)	–	(1,272,238)
Third interim dividend 2017: Rs 1.50 per share	–	–	–	–	–	–	(1,908,357)	–	(1,908,357)
	–	–	–	–	–	–	(8,587,607)	–	(8,587,607)
Other changes in equity									
Transfer to general reserve	–	–	–	–	–	2,000,000	(2,000,000)	–	–
Transfer to statutory reserve	–	–	–	–	582,772	–	(582,772)	–	–
	–	–	–	–	582,772	2,000,000	(2,582,772)	–	–
Balance at December 31, 2017	12,722,382	40,000	120,000	372,893	1,568,291	8,802,360	26,557,645	934,733	51,118,304

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chairman	**Chief Executive**	**Director**	**Chief Financial Officer**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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 (FFF) are incorporated in Pakistan as public limited companies. The shares of FFC are quoted on Pakistan Stock Exchange.

The principal activity of FFC is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical, other manufacturing and banking operations. FFCEL has setup a 49.5 MW wind energy power project. FFF will principally be engaged in the business of processing fresh, frozen fruits, 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 (the repealed Ordinance), provisions of and directives issued under the Companies Ordinance, 1984 (the repealed Ordinance). In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 (the repealed Ordinance) 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.

During the year, the Companies Act, 2017 (the Act) was enacted on May 30, 2017, which replaced and repealed the Companies Ordinance, 1984. However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 23 of 2017 dated October 4, 2017 has advised the Companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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 below:

Amendments to IAS 7 'Statement of Cash Flow' became effective during the year. 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. Accordingly, those disclosures have been included in the note 36 to these financial statements. However, there was no change in the reported figures of profit and loss account 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 (2016: 100% owned) and FFF 100% owned (2016: 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 and loss account.

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 and loss account 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 means 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's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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 gains or losses which are recorded directly in the other comprehensive income.

Calculations 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 and loss account 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.

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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 cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit, or CGU”).

The Group’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in 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 and loss account 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 profit and loss account.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

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 account.

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.

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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 expense are translated at the average exchange rates for the period.
- share capital is translated at historical exchange rate.

All resulting exchange differences are recognized in 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 and loss account.

4.15 Research and development costs

Research and development costs are charged to profit and loss account 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 adjusted 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 or 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 mark-up bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 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 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 and loss account, using the effective interest method. Dividend income is recognized in profit and loss account 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 and loss account using the 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 and loss account on a straight line basis over the term of the relevant lease.

4.22 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 profit and loss account. Comparative information is re-presented accordingly. Balance sheet and cash flows information related to discontinued operations are disclosed separately in the notes.

4.23 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 and food.

4.24 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 revlued 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.

4.25 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 January 1, 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1 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 January 1, 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 amendments are not likely to have an impact on Group's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 1, 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 amendments are 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 January 1, 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 application of interpretation is not likely to have an impact on Group's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's financial statements.

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- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. Management is in the process of assessing the impact of adoption of this standard on the financial statements.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard. Management is in the process of assessing the impact of adoption of this standard on the financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Group's financial statements.

- In addition, the Companies Act, 2017 was enacted on May 30, 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on January 1, 2018 requires certain additional disclosures. Management is in the process of assessing the impact of such changes on the financial statements.

5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2016: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2016: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2017 Numbers	2016 Numbers		2017 Rs '000	2016 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 (FF) held 44.35% (2016: 44.35%) ordinary shares of FFC at the year end.

	Note	2017 Rs '000	2016 Rs '000
6. CAPITAL RESERVES			
Share premium	6.1	40,000	40,000
Capital redemption reserve	6.2	120,000	120,000
Translation reserve		372,893	251,153
Capital reserve		1,568,291	985,519
		2,101,184	1,396,672

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.

	2017 Rs '000	2016 Rs '000
7. REVENUE RESERVES		
General reserve	8,802,360	6,802,360
Unappropriated profit	26,557,645	27,069,130
	35,360,005	33,871,490

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	Note	2017 Rs '000	2016 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
The Bank of Punjab (BOP-2)		250,000	350,000
The Bank of Punjab (BOP-3)		385,000	495,000
Allied Bank Limited (ABL-1)		750,000	1,050,000
Allied Bank Limited (ABL-2)		1,312,500	1,500,000
Allied Bank Limited (ABL-3)		375,000	750,000
United Bank Limited (UBL-1)		625,000	875,000
United Bank Limited (UBL-2)		–	1,000,000
United Bank Limited (UBL-3)		1,500,000	1,500,000
United Bank Limited (UBL-4)		2,000,000	–
United Bank Limited (UBL-5)		500,000	700,000
Bank AL Habib Limited (BAH-1)		–	500,000
Bank AL Habib Limited (BAH-2)		350,000	450,000
Bank AL Habib Limited (BAH-3)		350,000	450,000
Bank AL Habib Limited (BAH-4)		1,250,000	1,750,000
Habib Bank Limited (HBL-1)		1,031,250	1,406,250
Habib Bank Limited (HBL-2)		1,000,000	–
Bank Alfalah Limited (BAF-1)		–	500,000
Bank Alfalah Limited (BAF-2)		500,000	500,000
MCB Bank Limited (MCB-1)		1,257,188	2,095,312
MCB Bank Limited (MCB-2)		1,250,000	1,750,000
MCB Bank Limited (MCB-3)		184,500	276,750
National Bank of Pakistan Limited (NBP-1)		1,040,000	1,300,000
National Bank of Pakistan Limited (NBP-2)		2,000,000	–
National Bank of Pakistan Limited (NBP-3)		2,000,000	–
		19,910,438	19,448,312
FFC Energy Limited	8.2		
Long term financing from financial institutions		6,241,239	7,100,152
Less: Transaction cost			
Initial transaction cost		(269,797)	(269,797)
Accumulated amortisation		183,459	151,139
		6,154,901	6,981,494
Fauji Fresh n Freeze Limited			
MCB Bank Limited (MCB)	8.3	530,000	1,060,000
Allied Bank Limited (ABL)	8.4	708,125	849,750
Less: Transaction cost			
Initial transaction cost		(4,000)	(4,000)
Accumulated amortisation		3,333	2,600
		1,237,458	1,908,350
From Islamic banks			
Fauji Fertilizer Company Limited	8.5		
Dubai Islamic Bank Pakistan Limited (DIB-1)		50,000	150,000
Meezan Bank Limited (MBL-1)		1,142,857	1,714,286
Meezan Bank Limited (MBL-2)		625,000	875,000
MCB Islamic Bank Limited (MCBIB)		675,000	900,000
		2,492,857	3,639,286
		29,795,654	31,977,442
Less: Current portion shown under current liabilities			
From conventional banks		7,537,068	6,818,414
From Islamic banks		1,096,429	1,146,429
		8,633,497	7,964,843
		21,162,157	24,012,599

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
BOP-1	6 months KIBOR+0.50	Nil	Paid on December 27, 2017
BOP-2	6 months KIBOR+0.35	05 half yearly	May 26, 2020
BOP-3	6 months KIBOR+0.40	07 half yearly	April 7, 2021
ABL-1	6 months KIBOR+0.25	05 half yearly	June 26, 2020
ABL-2	6 months KIBOR+0.25	07 half yearly	April 7, 2021
UBL-1	6 months KIBOR+0.35	02 half yearly	December 27, 2018
UBL-2	6 months KIBOR+0.35	05 half yearly	June 30, 2020
UBL-3	6 months KIBOR+0.50	Nil	Settled on December 27, 2017
UBL-4	6 months KIBOR+0.40	08 half yearly	September 6, 2021
UBL-5	6 months KIBOR+0.20	08 half yearly	June 29, 2022
BAH-1	6 months KIBOR+0.20	05 half yearly	June 26, 2020
BAH-2	6 months KIBOR+0.40	Nil	Paid on September 21, 2017
BAH-3	6 months KIBOR+0.20	07 half yearly	March 25, 2021
BAH-4	6 months KIBOR+0.20	07 half yearly	April 20, 2021
HBL-1	3 months KIBOR+0.40	10 quarterly	June 2, 2020
HBL-2	3 months KIBOR+0.40	11 quarterly	September 21, 2020
HBL-3	3 months KIBOR+0.15	16 quarterly	December 19, 2022
BAF-1	6 months KIBOR+0.50	Nil	Settled on November 13, 2017
BAF-2	6 months KIBOR+0.40	08 half yearly	September 8, 2021
MCB-1	6 months KIBOR+0.10	03 half yearly	June 3, 2019
MCB-2	6 months KIBOR+0.40	05 half yearly	June 29, 2020
MCB-3	6 months KIBOR+0.10	04 half yearly	November 9, 2019
NBP-1	6 months KIBOR+0.15	04 half yearly	October 20, 2019
NBP-2	6 months KIBOR+0.20	08 half yearly	June 30, 2022
NBP-3	6 months KIBOR+0.15	08 half yearly	December 29, 2022

8.2 This represents long term loan from consortium of eight financial institutions. This loan carries mark up at 6 months KIBOR + 1.50% (2016: 6 months KIBOR + 2.95%) payable six monthly in arrears. This loan is repayable on semi-annual installments ending in December 2022. This loan is secured against:

- First ranking exclusive assignment / mortgage over receivables under Energy Purchase Agreement
- Lien over and set-off rights on project accounts
- First ranking charge over all moveable assets of FFCEL
- Exclusive mortgage over lease rights in immovable property on which project is situated

First Amendment to the PF Facility Agreement (“the Amendment”) was signed on November 30, 2017 between FFCEL and the Financial Institutions. Under the Amendment, the mark-up rate was reduced to 6 months KIBOR + 1.50% from 6 months KIBOR + 2.95% with effect from June 30, 2017.

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 2.13 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 + 0.50% (2016: 6 months KIBOR + 0.50%) 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 3.33 billion with 25% margin and Corporate Guarantee of FFC. It is repayable in six semi annual installments started from September 2017 and carries markup at the rate of 6 months KIBOR + 0.50% (2016: 6 months KIBOR + 0.50%) payable semi-annually.

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8.5

Lenders	Profit rate p.a. (%)	No. of installments outstanding	Date of final repayment
DIB	6 months KIBOR+0.35	01 half yearly	June 26, 2018
MBL-1	6 months KIBOR+0.05	04 half yearly	July 15, 2019
MBL-2	6 months KIBOR+0.40	05 half yearly	May 29, 2020
MCBIB	6 months KIBOR+0.15	06 half yearly	December 10, 2020

		Note	2017 Rs '000	2016 Rs '000
9.	**DEFERRED LIABILITIES**			
	Deferred taxation	9.1	4,502,589	4,710,305
	Provision for compensated leave absences / retirement benefits	9.2	1,470,781	1,387,091
			5,973,370	6,097,396
9.1	**Deferred taxation**			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation / amortization		3,248,000	3,335,000
	Provision for slow moving spares, doubtful debts, other receivables and investments		(143,979)	(125,000)
	Tax on equity accounted investment		1,276,181	1,285,512
	Re-measurement of investments available for sale		122,387	214,793
			4,502,589	4,710,305
	The gross movement in the deferred tax liability during the year is as follows:			
	Balance at the beginning		4,710,305	4,079,475
	Tax charge recognized in profit and loss account		134,084	487,079
	Tax charge recognised in other comprehensive income		(341,800)	143,751
	Balance at the end		4,502,589	4,710,305

9.2 Actuarial valuation has not been carried out for Compensated Leave Absences as the impact is considered to be immaterial.

		Note	2017 Rs '000	2016 Rs '000
10.	**TRADE AND OTHER PAYABLES**			
	Creditors	10.1	24,003,117	4,833,451
	Accrued liabilities		4,174,070	3,388,146
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		902,616	678,110
	Sales tax payable - net		63,075	–
	Deposits		155,564	151,049
	Retention money		168,890	169,732
	Advances from customers		7,678,561	337,829
	Workers' Welfare Fund		1,200,499	1,114,399
	Payable to gratuity fund		405,493	3,892
	Payable to pension fund		362,311	–
	Payable to provident fund		18,187	2,966
	Unclaimed dividend		437,291	407,518
	Other liabilities		156,296	190,290
			39,725,970	11,277,382

10.1 Creditors include Rs 22,944,401 thousand (2016: Rs 4,052,725 thousand) on account of Gas Infrastructure Development Cess (GIDC).

		Funded gratuity Rs '000	Funded pension Rs '000	2017 Total Rs '000	2016 Total Rs '000
11.	**RETIREMENT BENEFIT FUNDS**				
i)	**The amounts recognized in the balance sheet are as follows:**				
	Present value of defined benefit obligation	2,429,805	3,853,383	6,283,188	5,456,475
	Fair value of plan assets	(2,024,312)	(3,491,072)	(5,515,384)	(5,819,811)
	Liability / (asset)	405,493	362,311	767,804	(363,336)
ii)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	127,657	111,359	239,016	257,261
	Net interest cost	(5,876)	(22,076)	(27,952)	(11,326)
		121,781	89,283	211,064	245,935
iii)	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	2,184,783	3,271,692	5,456,475	4,972,882
	Current service cost	127,657	111,359	239,016	257,261
	Interest cost	171,092	259,164	430,256	438,851
	Benefits paid	(239,322)	(169,177)	(408,499)	(313,374)
	Re-measurement of defined benefit obligation	185,595	380,345	565,940	100,855
	Present value of defined benefit obligation at end	2,429,805	3,853,383	6,283,188	5,456,475
iv)	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	2,261,341	3,558,470	5,819,811	5,107,328
	Expected return on plan assets	176,968	281,240	458,208	450,177
	Contributions	118,014	89,283	207,297	375,785
	Benefits paid	(239,322)	(169,177)	(408,499)	(313,374)
	Re-measurement of plan assets	(292,689)	(268,744)	(561,433)	199,895
	Fair value of plan assets at end	2,024,312	3,491,072	5,515,384	5,819,811
v)	**Actual return on plan assets**	(115,721)	12,496	(103,225)	650,073
vi)	**Contributions expected to be paid to the plan during the next year**	168,507	154,914	323,421	207,297
vii)	**Plan assets comprise of:**				
	Investment in debt securities	887,235	2,002,097	2,889,332	2,004,619
	Investment in equity securities	758,964	954,944	1,713,908	3,086,163
	Deposits with banks	160,898	181,870	342,768	419,337
	Mutual Funds	217,215	352,161	569,376	309,692
		2,024,312	3,491,072	5,515,384	5,819,811

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.

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		2017		2016	
		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 (asset) / liability	(76,558)	(286,778)	133,690	(268,136)
	Cost for the year recognised in profit and loss account	121,781	89,283	148,234	97,701
	Employer's contribution during the year	(118,014)	(89,283)	(278,084)	(97,701)
	Total amount of re-measurement recognised in Other Comprehensive Income (OCI) during the year	478,284	649,089	(80,398)	(18,642)
	Closing liability / (asset)	405,493	362,311	(76,558)	(286,778)
x)	**Re-measurements recognised in OCI during the year:**				
	Re-measurment loss on obligation	(185,699)	(380,345)	(23,004)	(77,747)
	Re-measurment (loss) / gain on plan assets	(292,689)	(268,744)	103,506	96,389
	Re-measuement (loss) / gain recognised in OCI	(478,388)	(649,089)	80,502	18,642

		2017		2016	
		Funded Gratuity %	Funded Pension %	Funded Gratuity %	Funded Pension %
xi)	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	7.75	7.75	8.00	8.00
	Expected rate of salary growth				
	Management	7.75	7.75	8.00	8.00
	Non-Management	7.75	–	7.00	–
	Expected rate of return on plan assets	7.75	7.75	8.00	8.00
	Expected rate of increase in post retirement pension	–	2.00	–	2.00
	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.

	2017 Defined benefit obligation		2016 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	(565,465)	679,877	(393,129)	467,165
Future salary growth	226,004	(219,725)	93,510	(94,473)
Future pension	302,629	(259,007)	250,754	(215,135)

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:

	2017		2016	
	Funded Gratuity Years	Funded Pension Years	Funded Gratuity Years	Funded Pension Years
Plan Duration	6.95	10.47	6.81	9.88

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:

	2017		2016	
	Funded Gratuity Rs '000	Funded Pension Rs '000	Funded Gratuity Rs '000	Funded Pension Rs '000
1 year	293,837	225,455	218,427	176,903
2 years	254,262	236,577	361,116	301,629
3 years	249,535	244,769	224,873	217,339
4 years	355,419	326,786	228,029	225,668
5 years	255,797	283,854	333,082	303,790
6-10 years	1,578,443	1,650,035	1,415,003	1,456,925

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 112,055 thousand, Rs 151,243 thousand, Rs 80,025 thousand and Rs 229,096 thousand respectively (2016: Rs 132,417 thousand, Rs 138,467 thousand, Rs 85,356 thousand and Rs 198,567 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 with Fauji Fertilizer Company Limited.

	2017 Rs '000	2016 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)	7,644,631	7,104,345
Cost of investments made	7,403,192	6,546,414
Fair value of investments made	6,673,377	6,569,094
Percentage of investments made	87%	92%

	2017		2016	
	Rs '000	%	Rs '000	%
Breakup of investment - at cost				
Term deposits and funds with scheduled banks	3,358,545	45	3,968,257	61
Government securities	95,768	1	95,843	1
Listed securities, mutual funds and term finance certificates	3,948,879	54	2,482,314	38
	7,403,192	100	6,546,414	100

Investments out of provident funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for the purpose, except for the prescribed limit for listed securities.

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	Note	2017 Rs '000	2016 Rs '000
12. MARK-UP AND PROFIT ACCRUED			
On long term borrowings			
From conventional banks		140,087	215,364
From Islamic banks		13,908	19,766
		153,995	235,130
On short term borrowings			
From conventional banks		50,958	96,101
From Islamic banks		11,187	19,844
		62,145	115,945
		216,140	351,075
13. SHORT TERM BORROWINGS			
Short term borrowings - secured			
From conventional banks	13.1		
MCB Bank Limited (MCB-1)		788	4,569
MCB Bank Limited (MCB-2)		800,000	750,000
MCB Bank Limited (MCB-3)		–	1,300,000
MCB Bank Limited (MCB-4)		4,000,000	2,250,000
MCB Bank Limited (MCB-5)		1,400,000	3,285,000
Allied Bank Limited (ABL)		–	907,539
Bank Al-Habib Limited (BAHL)		–	899,845
United Bank Limited (UBL-1)		–	94,560
United Bank Limited (UBL-2)		–	800,000
Askari Bank Limited (AKBL)		694,857	730,698
Bank Alfalah Limited (BAF)		58,322	456,040
Habib Bank Limited (HBL-1)		51,110	1,600,000
Habib Bank Limited (HBL-2)		2,000,000	2,000,000
National Bank of Pakistan (NBP)		1,198,927	1,172,116
Habib Metropolitan Bank Limited (HMBL)		14,186	950,000
JS Bank Limited (JSBL-1)		–	950,001
JS Bank Limited (JSBL-2)		400,000	206,000
Soneri Bank Limited (SBL)		800,000	400,000
Standard Chartered Bank Limited (SCB)		1,727	818,997
Bank of Punjab (BOP)		19,166	–
From Islamic banks	13.2		
Meezan Bank Limited (MBL-1)		–	500,000
Meezan Bank Limited (MBL-2)		–	1,807,160
Bank of Khyber Limited (BOK)		500,000	500,000
		11,939,083	22,382,525

13.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 35.61 billion (2016: Rs 25.88 billion) which represent the aggregate of all facility agreements between the Group and respective banks. The facilities have various maturity dates upto August 31, 2018.

The facilities are secured by pari passu / ranking hypothecation charges on assets of the Group 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 + 0.15% to 0.35% and 3 month KIBOR + 0.03% to 1.00% (2016: 1 month KIBOR + 0.03% to 0.35% and 3 month KIBOR + nil% to 1.00%).

13.2 Shariah compliant short term borrowings are available from various banking companies under profit arrangements against facilities amounting to Rs 3.50 billion (2016: Rs 2.85 billion) which represent the aggregate of all facility agreements between FFC and respective banks. The facilities have various maturity dates upto May 31, 2018.

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 + 0.07% to 3 month KIBOR + 0.10% (2016: 3 month KIBOR + nil% to 3 month KIBOR + 0.14%).

			2017	2016
			Rs '000	Rs '000
14.	**CONTINGENCIES AND COMMITMENTS**			
	a)	**Contingencies:**		
	i)	Guarantees issued by banks on behalf of the Group	16,668	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	35,703,594	25,675,042
	iv)	Group's share of contingencies in Fauji Cement Company Limited as at September 30, 2017 (2016: December 31, 2016)	272,518	150,870
	v)	Group's share of contingencies in Askari Bank Limited as at September 30, 2017 (2016: December 31, 2016)	136,769,301	101,248,858

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.

		2017	2016
		Rs '000	Rs '000
b)	**Commitments in respect of:**		
i)	Capital expenditure	2,498,658	1,506,491
ii)	Purchase of fertilizer, stores, spares and other operational items	2,821,573	2,442,596
iii)	Group's share of commitments of PMP as at September 30, 2017 (2016: December 31, 2016)	17,133	7,718
iv)	Rentals under lease agreements:		
	Premises		
	- not later than one year	177,410	192,800
	- later than one year and not later than:		
	two years	77,087	116,720
	three years	33,401	50,712
	four years	33,960	39,388
	five years and later	42,227	50,640
	Vehicles		
	- not later than one year	29,660	29,691
	- later than one year and not later than:		
	two years	21,470	16,609
	three years	14,151	17,459
	four years	7,161	9,391
	five years	11,232	1,860

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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, 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 January 1, 2017															
Cost	617,497	178,750	5,589,181	2,106,864	26,517	47,209,658	2,157,582	1,132,721	393,404	722,035	2,338,545	25,894	1,112,053	198	63,610,899
Accumulated depreciation	-	(162,885)	(2,567,345)	(322,506)	(26,517)	(21,622,609)	(1,486,769)	(651,523)	(214,959)	(467,955)	(1,768,421)	(23,757)	-	(198)	(29,315,444)
Net Book Value	617,497	15,865	3,021,836	1,784,358	-	25,587,049	670,813	481,198	178,445	254,080	570,124	2,137	1,112,053	-	34,295,455
Year ended December 31, 2017															
Opening net book value	617,497	15,865	3,021,836	1,784,358	-	25,587,049	670,813	481,198	178,445	254,080	570,124	2,137	1,112,053	-	34,295,455
Additions	-	-	158,483	-	-	1,116,635	178,561	98,576	19,212	72,754	144,466	1,122	2,149,874	-	3,939,683
Disposals															
Cost	-	-	-	-	-	(64,498)	-	(25,488)	(2,607)	(33,346)	(28,975)	(557)	-	-	(155,471)
Depreciation	-	-	-	-	-	50,562	-	25,362	2,538	32,692	28,975	557	-	-	140,686
	-	-	-	-	-	(13,936)	-	(126)	(69)	(654)	-	-	-	-	(14,785)
Transfers	-	-	(17,943)	-	-	-	-	6,746	11,197	-	-	-	(540,019)	-	(540,019)
Adjustments															
Cost	-	-	-	-	-	(271,572)	-	-	-	-	-	-	-	-	(271,572)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(271,572)	-	-	-	-	-	-	-	-	(271,572)
Depreciation charge	-	(14,072)	(242,115)	(97,801)	-	(1,967,849)	(271,925)	(136,637)	(33,224)	(101,215)	(191,068)	(1,246)	-	-	(3,057,152)
Balance as at December 31, 2017	617,497	1,793	2,920,261	1,686,557	-	24,450,327	577,449	449,757	175,561	224,965	523,522	2,013	2,721,908	-	34,351,610
As at December 31, 2017															
Cost	617,497	178,750	5,729,721	2,106,864	26,517	47,990,223	2,336,143	1,212,555	421,206	761,443	2,454,036	26,459	2,721,908	198	66,583,520
Accumulated depreciation	-	(176,957)	(2,809,460)	(420,307)	(26,517)	(23,539,896)	(1,758,694)	(762,798)	(245,645)	(536,478)	(1,930,514)	(24,446)	-	(198)	(32,231,910)
Net Book Value	617,497	1,793	2,920,261	1,686,557	-	24,450,327	577,449	449,757	175,561	224,965	523,522	2,013	2,721,908	-	34,351,610
Rate of depreciation in %	-	61/4 to 91/4	5 to 10	5	5	5	20	15	10	20	15 - 33 1/3	30	-	-	

		Note	2017 Rs '000	2016 Rs '000
15.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	29	2,959,733	2,904,060
	Administrative and distribution expenses	30	79,297	77,567
	Other expenses		1,850	1,511
	Charged to FFBL under the Company Services Agreement		16,272	16,989
			3,057,152	3,000,127

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
Vehicles				
Muhammad Asif Rana	Auction	1,051	551	836
Liaqat Ali	Company Policy	248	103	103
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		154,172	14,131	24,601
2017		155,471	14,785	25,540
2016		287,497	7,571	22,041

		Note	2017 Rs '000	2016 Rs '000
15.3	**Capital Work in Progress**			
	Civil works		386,241	222,736
	Plant and machinery		2,335,667	889,317
			2,721,908	1,112,053
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	18,822	15,977
	Goodwill	16.2	1,932,561	1,932,561
			1,951,383	1,948,538
16.1	**Computer Software**			
	Balance at the beginning		15,977	7,486
	Additions during the year		12,393	15,066
	Amortisation charged for the year		(9,548)	(6,575)
	Balance at the end		18,822	15,977
	Amortisation rate		33 1/3%	33 1/3%
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	7,401	5,220
	Administrative and distribution expenses	30	2,147	1,355
			9,548	6,575

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		Note	2017 Rs '000	2016 Rs '000
16.2	**Goodwill**			
	Goodwill on acquisition of PSFL	16.3	1,569,234	1,569,234
	Goodwill on acquisition of FFF	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 12.26%. 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 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 5% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 12.26%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2017 Rs '000	2016 Rs '000
17.	**LONG TERM INVESTMENTS**			
	Equity accounted investments	17.1	40,756,975	40,808,123
	Other long term investments	17.2	4,908,331	7,255,768
			45,665,306	48,063,891
17.1	**Equity accounted investments**			
	Investment in associated companies - equity method			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	17.3		
	Balance at the beginning		19,735,481	20,787,172
	Share of profit for the year		945,641	451,880
	Share of OCI for the year		(269,977)	238,528
	Acquisition of Non controlling interest by associate		–	(321,129)
	Dividend received		(279,535)	(1,420,970)
			20,131,610	19,735,481
	Askari Bank Limited (AKBL)	17.4		
	Balance at the beginning		17,148,611	14,541,280
	Share of profit for the year		2,202,716	2,244,891
	Share of OCI for the year		(1,462,968)	1,042,150
	Dividend received		(1,359,420)	(679,710)
			16,528,939	17,148,611
	Fauji Cement Company Limited (FCCL)	17.5		
	Balance at the beginning		2,063,119	1,896,273
	Share of profit for the year		166,248	330,909
	Dividend received		(178,125)	(164,063)
			2,051,242	2,063,119
	Investment in joint venture - equity method			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	17.6		
	Balance at the beginning		1,860,912	1,548,341
	Share of profit for the year		220,728	312,571
	Gain on translation of net assets		70,174	–
	Dividend received		(106,630)	–
			2,045,184	1,860,912
			40,756,975	40,808,123

		Note	2017 Rs '000	2016 Rs '000
`17.2	**Other long term investments**			
	Investment available for sale			
	Term Deposit Receipts - from conventional banks		108,894	96,138
	Pakistan Investment Bonds		6,912,055	7,701,536
			7,020,949	7,797,674
	Less: Current portion shown under short term investments			
	Investments available for sale			
	Term Deposit Receipts		28,834	27,515
	Pakistan Investment Bonds		2,083,784	514,391
		26	2,112,618	541,906
			4,908,331	7,255,768

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% (2016: 49.88%) of FFBL's share capital as at December 31, 2017. Market value of the Company's investment as at December 31, 2017 was Rs 16,557,798 thousand (2016: Rs 23,858,329 thousand). Management of the Company believes that drop in market value of FFBL's shares is a temporary market phenomenon and there is no significant or prolonged decline in value of investment and hence no impairment is required in the value of investment. 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% (2016: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2017 was Rs 10,500,160 thousand (2016: Rs 13,567,012 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. 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 wieghted average cost of capital of 12.26%. 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% (2016: 6.79%) of its share capital as at December 31, 2017.The Company is committed not to dispose off its investment in FCCL without prior consent of FCCL. Market value of the Company's investment as at December 31, 2017 was Rs 2,344,688 thousand (2016: Rs 4,226,250 thousand). FFCL is an associate due to common directorship.

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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, 2017 and September 30, 2017, which have been used for accounting under equity method as these were the latest approved financial statements.

Reporting date of FFBL is December 31 and reporting date of AKBL and FCCL is September 30. Accordingly, results of operations of three quarters of financial year 2017 and last quarter of financial year 2016 have been considered for AKBL and results of first quarter operations of financial year 2018 and three quarters of financial year 2017 have been considered for other associates. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in associate.

	2017			
	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)	22,419,170	68,201,195	626,080,691	716,701,056
Current assets (including cash and cash equivalents)	6,534,110	42,488,079	–	49,022,189
Total assets	28,953,280	110,689,274	626,080,691	765,723,245
Non-current liabilities / Total liabilities (AKBL)	(5,079,604)	(41,704,315)	(595,266,728)	(642,050,647)
Current liabilities	(4,990,259)	(48,661,486)	–	(53,651,745)
Total liabilities	(10,069,863)	(90,365,801)	(595,266,728)	(695,702,392)
Net assets at fair value (100%)	18,883,417	20,323,473	30,813,963	70,020,853
Non-controlling interest of asscociate	–	(4,765,782)	–	(4,765,782)
Net assets attributable to Group (100%)	18,883,417	15,557,691	30,813,963	65,255,071
Groups share of net assets	1,282,184	7,760,176	13,296,225	22,338,585
Impact of fair value adjustment on retained interest in associates at loss of control	–	12,369,865	3,108,749	15,478,614
Goodwill	823,365	–	–	823,365
Other adjustments	(54,307)	1,569	123,965	71,227
Carrying amount of interest in associate	2,051,242	20,131,610	16,528,939	38,711,791
Revenue	20,825,729	64,388,706	36,080,824	121,295,259
Profit from continuing operations (100%)	2,448,424	1,895,832	5,104,787	9,449,043
Other comprehensive income (100%)	–	(541,253)	(3,390,424)	(3,931,677)
Total comprehensive income (100%)	2,448,424	1,354,579	1,714,363	5,517,366
Group's share of total comprehensive income	166,248	675,664	739,748	1,581,660

	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	18,848,729	52,182,072	43,310,741	114,341,542
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
Group's share of total comprehensive income	330,909	554,745	3,287,041	4,172,695

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates

	2017 Rs '000	2016 Rs '000
Carrying amount of interests in associates	38,711,791	38,947,211
Share of:		
Profit from continuing operations	3,314,605	3,040,065
Other Comprehensive Income	(1,732,945)	1,132,630

Joint venture

The following table summarizes the financial information of PMP as included in its own financial statements for the period ended September 30, 2017, 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.

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	2017 Rs '000	2016 Rs '000
Percentage ownership interest	12.5%	12.5%
Non-current assets	8,814,544	9,220,005
Current assets	14,757,155	11,615,646
Current liabilities	(7,210,227)	(5,917,479)
Net Assets (100%)	16,361,472	14,918,172
Group's share of net assets (12.5%)	2,045,184	1,864,772
Revenue	23,643,427	20,127,527
Depreciation and amortization	(19,336,826)	(1,141,012)
Interest expense	(2,139,802)	(89,676)
Income tax expense	13,436	(354,038)
Other expenses	(414,410)	(16,042,231)
Profit and total comprehensive Income (100%)	1,765,825	2,500,570
Profit and total comprehensive Income (12.5%)	220,728	312,571
Group's share of total comprehensive income	220,728	312,571

This represents FFCL's share of translation reserve of PMP. This has arisen due to movement In exchange rate parity between the Moroccan and Pakistani Rupee.

17.7 Investments available for sale

Certificates of Investment (COI) / Term Deposits Receipts (TDRs)

These represent placement in Term Deposit Receipts with financial institution having tenure ranging from one to five years with returns in the range of 4.49% to 8.71% per annum (2016: 4.49% to 10.51% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 5 and 10 years (2016: 3, 5 and 10 years) tenure having aggregate face value of Rs 6.49 billion (2016: Rs 6.99 billion) are due to mature within a period of 5 years . Profit is payable on half yearly basis with coupon rates ranging from 11.50% to 12.00% per annum (2016: 11.25% to 12.00% per annum). The PIBs are placed with banks as collateral to secure borrowing facilities.

	Note	2017 Rs '000	2016 Rs '000
18. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:	18.1		
Executives			
Interest bearing		622,255	600,972
Non-interest bearing		474,425	457,566
		1,096,680	1,058,538
Other employees			
Interest bearing		121,526	109,022
Non-interest bearing		91,465	102,174
		212,991	211,196
		1,309,671	1,269,734
Less: Amount due within twelve months, shown under current loans and advances			
Interest bearing		143,964	134,246
Non-interest bearing		199,748	201,338
	23	343,712	335,584
		965,959	934,150

18.1 Reconciliation of carrying amount of loans and advances:

	Executives Rs '000	Other employees Rs '000	2017 Total Rs '000	2016 Total Rs '000
Balance at January 1	1,058,538	211,196	1,269,734	1,112,910
Transfers	66,064	(66,064)	–	–
Disbursements	432,183	138,285	570,468	709,976
	1,556,785	283,417	1,840,202	1,822,886
Repayments	(460,105)	(70,426)	(530,531)	(553,152)
Balance at December 31	1,096,680	212,991	1,309,671	1,269,734

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 1,187,775 thousand (2016: Rs 1,102,793 thousand).

	Note	2017 Rs '000	2016 Rs '000
19. LONG TERM DEPOSITS AND PREPAYMENTS			
Non-interest bearing deposits		29,655	27,886
Prepayments		1,518	1,597
		31,173	29,483
20. STORES, SPARES AND LOOSE TOOLS			
Stores		127,981	209,189
Spares		3,456,236	3,311,754
Provision for slow moving spares	20.1	(473,116)	(407,167)
		2,983,120	2,904,587
Loose tools		80	117
Items in transit		400,718	327,210
		3,511,899	3,441,103

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		Note	2017 Rs '000	2016 Rs '000
20.1	**Movement of provision for slow moving spares**			
	Balance at the beginning		407,167	361,432
	Provision during the year		65,949	45,735
	Balance at the end		473,116	407,167
21.	**STOCK IN TRADE**			
	Raw materials		113,885	95,250
	Work in process		165,182	108,269
	Finished goods			
	Manufactured product		391,881	3,768,775
	Purchased product		–	372,893
			391,881	4,141,668
	Provision for slow moving stock		(30,293)	(27,940)
			361,588	4,113,728
			640,655	4,317,247
22.	**TRADE DEBTS**			
	Considered good:			
	Secured			
	against bank guarantees		3,888,118	4,274,136
	against guarantee issued by the			
	Government of Pakistan	22.1	910,411	742,470
	Unsecured		19,395	55,410
	Considered doubtful		1,758	1,758
			4,819,682	5,073,774
	Provision for doubtful debts		(1,758)	(1,758)
			4,817,924	5,072,016

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 + 4.50% per annum.

		Note	2017 Rs '000	2016 Rs '000
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	343,712	335,584
	Loans and advances to employees - unsecured			
	- considered good, non-interest bearing			
	Executives		33,541	43,068
	Others		10,370	11,429
	Advances to suppliers - considered good		197,904	209,529
			585,527	599,610
24.	**DEPOSITS AND PREPAYMENTS**			
	Non-interest bearing deposits		944	944
	Prepayments		82,880	57,172
			83,824	58,116

	Note	2017 Rs '000	2016 Rs '000
25. OTHER RECEIVABLES			
Accrued income on investments and bank deposits			
From Pakistan Investment Bonds		339,890	365,413
From conventional banks		64,074	32,888
From Islamic banks		1	508
Sales tax receivable - net		5,424,515	1,178,253
Sales tax receivable related to Pak Saudi Fertilizers Limited		42,486	42,486
Advance tax	25.1	363,558	358,293
Subsidy receivable from Government agencies	25.2	6,763,903	5,072,534
Receivable from Workers' Profit Participation Fund - unsecured	25.3	461,996	108,194
Receivable from Fauji Fertilizer Bin Qasim Limited - unsecured		37,162	39,203
Due from Gratuity Fund		–	80,450
Due from Pension Fund		–	286,778
Other receivables			
considered good		237,418	191,007
considered doubtful		2,232	2,232
Provision for doubtful receivables		(2,232)	(2,232)
		237,418	191,007
		13,735,003	7,756,007

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. Finance Act 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag.

25.3 This includes Rs 423,442 thousand which represents amount paid to WPPF in prior years, in excess of the FFC's obligation.

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		Note	2017 Rs '000	2016 Rs '000
26.	**SHORT TERM INVESTMENTS**			
	Loans and receivables - conventional instruments			
	Term deposits with banks and financial institutions	26.1		
	Local currency		26,775,000	12,405,762
	Foreign currency		1,530,343	1,420,224
			28,305,343	13,825,986
	Investments at fair value through profit or loss	26.2		
	Conventional investments		1,038,628	702,344
	Shariah compliant investments		201,096	428,413
			1,239,724	1,130,757
	Current maturity of long term investments			
	Available for sale	17.2	2,112,618	541,906
			31,657,685	15,498,649

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	2017 Rs '000	2016 Rs '000
27.	**CASH AND BANK BALANCES**			
	At banks			
	Local Currency			
	Current Account - Conventional banking		1,275,256	125,720
	Current Account - Islamic banking		256,491	–
	Deposit Account - Conventional banking	27.2	1,232,160	391,022
	Deposit Account - Islamic banking	27.3	5,955	28,816
			2,769,862	545,558
	Foreign Currency			
	Deposit Account		627	1,198
	Cash in transit	27.4	–	2,150,877
	Cash in hand		1,823	1,595
			2,772,312	2,699,228

27.1 Balances with banks include Rs 122,798 thousand (2016: Rs 110,147 thousand) in respect of security deposits received.

27.2 Balances with banks carry mark-up ranging from 3.75% to 5.70% (2016: 2.65% to 5.25%) per annum.

27.3 Balances with banks carry profit ranging from 1.75% to 4.50% (2016: 1.65% to 4.00%) per annum.

27.4 These represent demand drafts in transit at the year end.

		Note	2017 Rs '000	2016 Rs '000
28.	SALES			
	Fertilizers		90,714,114	72,876,687
	Power		2,415,322	2,430,273
	Food		454,011	70,897
			93,583,447	75,377,857
29.	COST OF SALES			
	Raw materials consumed		25,317,857	26,370,724
	Fuel and power		9,562,840	9,058,059
	Chemicals and supplies		435,190	384,272
	Salaries, wages and benefits		6,774,365	6,155,756
	Training and employees welfare		876,795	855,840
	Rent, rates and taxes		45,548	47,501
	Insurance		231,949	232,259
	Travel and conveyance	29.1	384,405	366,393
	Repairs and maintenance (includes stores and spares consumed of Rs 512,965 thousand; (2016: Rs 991,149 thousand)		1,692,279	1,788,357
	Depreciation	15.1	2,959,733	2,904,060
	Amortization	16.1	7,401	5,220
	Communication and other expenses	29.2	1,440,548	1,548,953
			49,728,910	49,717,394
	Opening stock - work in process		96,785	106,097
	Closing stock - work in process		(139,292)	(96,785)
			(42,507)	9,312
	Cost of goods manufactured		49,686,403	49,726,706
	Opening stock - manufactured		3,768,443	2,172,446
	Closing stock - manufactured		(391,881)	(3,768,443)
			3,376,562	(1,595,997)
	Cost of sales - manufactured		53,062,965	48,130,709
	Opening stock - purchased		375,050	2,756,038
	Purchase for resale		21,040,810	5,853,908
			21,415,860	8,609,946
	Closing stock - purchased		–	(375,050)
	Cost of sale - purchased		21,415,860	8,234,896
			74,478,825	56,365,605

29.1 These include operating lease rentals amounting to Rs 13,560 thousand (2016: Rs 15,722 thousand).

29.2 This includes provision for slow moving spares and slow moving stock amounting to Rs 65,949 thousand (2016: Rs 45,736 thousand) and Rs 2,353 thousand (2016: 27,940 thousand) respectively.

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		Note	2017 Rs '000	2016 Rs '000
30.	**ADMINISTRATIVE AND DISTRIBUTION EXPENSES**			
	Administrative expenses	30.1	227,614	164,432
	Product transportation		5,361,027	4,092,325
	Salaries, wages and benefits		1,810,690	1,650,914
	Training and employees welfare		117,747	92,310
	Rent, rates and taxes		255,954	196,483
	Technical services to farmers		7,767	8,083
	Travel and conveyance	30.2	165,275	153,489
	Sale promotion and advertising		337,515	171,976
	Communication and other expenses		512,675	374,030
	Warehousing expenses		219,484	544,789
	Depreciation	15.1	75,850	74,253
	Amortisation	16.1	1,871	1,355
			9,093,469	7,524,439
30.1	**Administrative expenses**			
	This represents administrative and general expenses of FFCEL and FFF:			
	Salaries, wages and benefits		128,996	95,141
	Travel and conveyance		30,351	18,342
	Utilities		3,062	266
	Printing and stationery		887	389
	Repairs and maintenance		5,467	6,107
	Communication, advertisement and other expenses		7,648	3,060
	Rent, rates and taxes		25,310	19,524
	Legal and professional		5,369	4,381
	Depreciation	15.1	3,447	3,314
	Amortisation	16.1	276	–
	Miscellaneous		16,801	13,908
			227,614	164,432

30.2 These include operating lease rentals amounting to Rs 6,226 thousand (2016: Rs 6,985 thousand).

		2017 Rs '000	2016 Rs '000
31.	**FINANCE COST**		
	Mark-up / profit on long term borrowings		
	Conventional banking	1,961,728	2,108,037
	Islamic banking	208,026	273,158
		2,169,754	2,381,195
	Mark-up / profit on short term borrowings		
	Conventional banking	841,283	786,399
	Islamic banking	87,924	89,418
		929,207	875,817
	Bank and other charges	81,979	70,155
	Exchange loss	47,783	33,258
		3,228,723	3,360,425

		2017 Rs '000	2016 Rs '000
32.	**OTHER EXPENSES**		
	Research and development	862,416	524,137
	Workers' Profit Participation Fund	511,757	931,384
	Workers' Welfare Fund	253,868	302,297
	Auditors' remuneration		
	Audit fee	2,325	2,450
	Fee for half yearly review, audit of consolidated financial statements and review of Code of Corporate Governance	1,304	1,415
	Taxation services	430	580
	Out of pocket expenses	275	255
		4,334	4,700
		1,632,375	1,762,518
33.	**OTHER INCOME**		
	Government subsidy	6,601,897	6,978,855
	Income from financial assets		
	Income on loans, deposits and investments in:		
	Pakistan Investment Bonds	780,402	841,077
	Conventional banks	412,144	312,497
	Islamic banks	951	476
	Gain / (loss) on re-measurement of investments classified as fair value through profit or loss on:		
	Conventional mutual funds	47,387	12,652
	Shariah compliant mutual funds	(36,135)	46,530
	Dividend income on Shariah compliant investments	15,666	–
	Exchange gain on foreign currency transactions	116,025	10,998
		1,336,440	1,224,230
	Income from non-financial assets		
	Gain on disposal of property, plant and equipment	10,755	14,470
	Commission on sale of FFBL products	27,538	24,665
		38,293	39,135
	Other income		
	Scrap sales	47,439	11,292
	Others	72,430	101,994
		119,869	113,286
		8,096,499	8,355,506

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. Finance Act 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag.

		2017 Rs '000	2016 Rs '000
34.	**PROVISION FOR TAXATION**		
	Current tax	4,688,357	4,867,796
	Prior tax	463,546	690,000
	Deferred tax	134,084	487,079
		5,285,987	6,044,875

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	2017 Rs '000	2016 Rs '000
35. RECONCILIATION OF TAX CHARGE FOR THE YEAR		
Profit before taxation from continuing operations and share in profit of equity accounted investments	16,781,887	18,060,627

	2017 %	2016 %
Reconciliation of tax charge for the year		
Applicable tax rate	30.00	31.00
Tax effect of income that is not taxable or taxable at reduced rates	(3.41)	(3.58)
Effect of super tax	2.76	4.03
Deferred tax asset not recognised	1.81	0.59
Others	0.34	(0.15)
Average effective tax rate charged on income	31.50	31.89

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:

	2017		2016	
	Chief Executive Rs '000	Executives Rs '000	Chief Executive Rs '000	Executives Rs '000
Managerial remuneration	8,583	2,246,952	7,777	2,049,065
Contribution to provident fund	618	130,136	537	121,076
Bonus and other awards	3,703	2,319,525	5,220	2,140,286
Allowances and contribution to retirement benefit plans	11,113	1,805,590	7,165	1,701,211
Total	24,017	6,502,203	20,699	6,011,638
No. of person(s)	1	1,045	1	949

The above were provided with medical facilities; the Chief Executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Group's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 66,170 thousand (2016: 74,422 thousand) were paid to executives respectively on separation, in accordance with the Group's policy.

In addition, 20 (2016: 19) directors were paid aggregate fee of Rs 5,525 thousand (2016: 5,705 thousand).

37. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities	Equity	
	Long term Financing Rs '000	Revenue Reserves Rs '000	Total Rs '000
Balance at January 1, 2017	31,977,442	33,871,490	65,848,932
Draw-downs	7,000,000	–	7,000,000
Repayments	(9,181,788)	–	(9,181,788)
Dividend paid	–	(8,557,834)	(8,557,834)
Total equity related changes	–	10,076,122	10,076,122
Total liability related changes	–	(29,773)	(29,773)
Balance at December 31, 2017	29,795,654	35,360,005	65,155,659

	2017	2016
	Rs '000	Rs '000
38. CASH GENERATED FROM OPERATIONS		
Net profit before taxation	16,781,887	18,060,627
Adjustments for:		
Depreciation	3,040,880	2,983,138
Amortization	9,548	6,575
Provision for slow moving spares	65,949	45,735
Provision for slow moving stock	2,353	27,940
Finance cost	3,228,723	3,360,425
Income on loans, deposits and investments	(1,193,497)	(1,154,050)
Share of profit of associate and joint venture	(3,535,333)	(3,340,251)
Gain on sale of property, plant and equipment	(10,755)	(14,470)
Exchange (gain) / loss	(116,025)	15,874
Gain on re-measurement of investments at fair value through profit or loss	(11,252)	(46,530)
Government subsidy on sale of fertilizer	(6,601,897)	(6,978,855)
	(5,121,306)	(5,094,469)
	11,660,581	12,966,158
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(136,745)	(91,076)
Stock in trade	3,674,239	782,404
Trade debts	254,092	(2,873,440)
Loans and advances	14,083	(71,703)
Deposits and prepayments	(25,708)	(17,996)
Other receivables	(4,266,147)	(2,741,057)
Decrease in current liabilities:		
Trade and other payables	27,629,618	2,943,321
	27,143,432	(2,069,547)
Changes in long term loans and advances	(31,809)	(119,852)
Changes in long term deposits and prepayments	(1,690)	(4,402)
Changes in deferred liabilities	83,690	159,895
Change in liability under finance lease	2,981	2,566
	38,857,185	10,934,818

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 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:

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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, 2017

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets not measured at fair value									
Maturity after one year									
Long term investments	-	4,908,331	-	-	4,908,331	-	4,908,331	-	4,908,331
Long term loans and advances	965,959	-	-	-	965,959	-	-	-	-
Long term deposits	29,655	-	-	-	29,655	-	-	-	-
Maturity up to one year									
Trade debts - net of provision	4,817,924	-	-	-	4,817,924	-	-	-	-
Loans and advances	387,623	-	-	-	387,623	-	-	-	-
Deposits	944	-	-	-	944	-	-	-	-
Other receivables	7,442,448	-	-	-	7,442,448	-	-	-	-
Short term investments	28,305,343	2,112,618	1,239,724	-	31,657,685	1,239,724	2,112,618	-	3,352,342
Cash and bank balances	2,772,312	-	-	-	2,772,312	-	-	-	-
	44,722,208	7,020,949	1,239,724	-	52,982,881	1,239,724	7,020,949	-	8,260,673
Financial liabilities not measured at fair value									
Maturity after one year									
Long term borrowings	-	-	-	21,162,157	21,162,157	-	-	-	-
Maturity up to one year									
Trade and other payables	-	-	-	30,783,835	30,783,835	-	-	-	-
Interest and mark-up accrued	-	-	-	216,140	216,140	-	-	-	-
Short term borrowings	-	-	-	11,939,083	11,939,083	-	-	-	-
Current portion of long term borrowings	-	-	-	8,633,497	8,633,497	-	-	-	-
	-	-	-	72,734,712	72,734,712	-	-	-	-

December 31, 2016

	Carrying Amount					Fair Value			
	Loans and receivables	Available for sale investments	Fair value through profit or loss	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
					Rs '000				
Financial assets not measured at fair value									
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	6,068,781	-	-	-	6,068,781	-	-	-	-
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	-	-	-	-
	29,019,072	7,797,674	1,130,757	-	37,947,503	1,130,757	7,797,674	-	8,928,431
Financial liabilities not measured at fair value									
Maturity after one year									
Long term borrowings	-	-	-	24,012,599	24,012,599	-	-	-	-
Maturity up to one year									
Trade and other payables	-	-	-	9,825,154	9,825,154	-	-	-	-
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	-	-	-	-
	-	-	-	64,536,196	64,536,196	-	-	-	-

39.2 Credit quality of financial assets

The credit quality of the Group financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Note	Rating	2017 Rs '000	2016 Rs '000
Trade Debts				
Counterparties without external credit ratings				
Existing customers with no default in the past			4,817,924	5,072,016
Loans and advances				
Counterparties without external credit ratings				
Loans and advances to employees			1,009,870	988,647
Deposits				
Counterparties without external credit ratings				
Others			30,599	25,760
Other receivables				
Counterparties with external credit ratings		A1+ / A-1+	62,856	30,975
		A1 / A-1	1,219	2,433
Counterparties without external credit ratings				
Balances with related parties			499,158	514,625
Others			6,879,215	5,520,748
			7,442,448	6,068,781
Short term investments				
Counterparties with external credit ratings		A1+ / A-1+	27,943,572	13,595,298
		A1 / A-1	390,605	258,203
		AM1	1,135,643	–
		AM2++	104,081	1,130,757
Counterparties without external credit ratings	39.2.1		2,083,784	514,391
			31,657,685	15,498,649
39.2.1 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	2,770,358	546,698
		A1 / A-1	53	25
		A-2	78	33
			2,770,489	546,756
Long term investments				
Counterparties with external credit ratings		AA +	80,060	68,623
Counterparties without external credit ratings	39.2.2		4,828,271	7,187,145
			4,908,331	7,255,768

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		2017	2016
		Rs '000	Rs '000
39.2.2	**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	965,959	934,150

39.3 Financial risk factors

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework. The Board is also responsible for developing and monitoring the Group risk management policies.

The Group risk management policies are established to identify and analyse the risks faced by the companies, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017	2016
	Rs '000	Rs '000
Long term investments	4,908,331	7,255,768
Loans and advances	1,353,582	1,324,231
Deposits	30,599	28,830
Trade debts - net of provision	4,817,924	5,072,016
Other receivables - net of provision	7,442,448	6,068,781
Short term investments	31,657,685	15,498,649
Bank balances	2,770,489	546,756
	52,981,058	35,795,031

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 11,000,000 thousand (2016: Rs 3,500,000 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts are secured against letter of guarantee. The Group has placed funds in financial institutions with high credit ratings. The Group assesses the credit quality of the counter parties as satisfactory. The Group does not hold any collateral as security against any of their financial assets other than trade debts.

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

Impairment losses

The aging of trade debts at the reporting date was:

	2017		2016	
	Gross Rs '000	Impairment Rs '000	Gross Rs '000	Impairment Rs '000
Not yet due	2,334,569	–	3,797,331	–
Past due 1-30 days	1,301,079	–	775,097	–
Past due 31-60 days	573,879	–	331,822	–
Past due 61-90 days	359,728	–	85,364	–
Over 90 days	250,427	1,758	84,160	1,758
	4,819,682	1,758	5,073,774	1,758

The management believes that no impairment allowance is necessary in respect of trade debts since significant amount of past due debts are secured by way of bank guarantees.

b) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses different methods which assist them in monitoring cash flow requirements and optimizing their cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains lines of credit as mentioned in note 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:

2017	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	29,949,649	26,946,049	4,351,135	4,782,119	8,686,683	9,126,112	–
Trade and other payables	30,783,835	30,350,303	30,350,303	–	–	–	–
Short term borrowings including mark-up	12,001,228	13,426,059	7,466,122	5,959,937	–	–	–
	72,734,712	70,722,411	42,167,560	10,742,056	8,686,683	9,126,112	–

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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	32,212,572	28,699,751	3,994,694	4,707,035	8,710,204	11,287,818	–
Trade and other payables	9,825,154	9,462,534	9,462,534	–	–	–	–
Short term borrowings including mark-up	22,498,470	23,488,262	12,103,262	11,385,000	–	–	–
	64,536,196	61,650,547	25,560,490	16,092,035	8,710,204	11,287,818	–

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 their 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 market price risk.

i) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exist due to transactions in foreign currency.

Exposure to Currency Risk

The Group is exposed to currency risk on creditors, bank balance and investment in term deposit receipts which are denominated in currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2017		2016	
	Rs '000	US Dollar '000	Rs '000	US Dollar '000
Bank balance	627	6	1,198	11
Investments (Term Deposit Receipts)	1,530,343	13,874	1,420,224	13,578

The following significant exchange rates applied during the year:

	2017	2016	2017	2016
	Average rate		Balance sheet date rate	
US Dollars	105.36	103.77	110.30	104.60

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit by Rs 153,097 thousand (2016: Rs 142,142 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 investments and deposits with banks. At the balance sheet date the interest rate risk profile of the Group interest bearing financial instruments is:

	2017	2016
	Carrying Amount	
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	38,096,781	24,321,293
Variable rate instruments		
Financial liabilities	41,734,737	54,359,967

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 2016.

	100 basis points increase Rs '000	100 basis points decrease Rs '000
December 31, 2017		
Cash flow sensitivity - Variable rate instruments		
Financial assets	8,868	(8,868)
Financial liabilities	(374,773)	374,773
December 31, 2016		
Cash flow sensitivity - Variable rate instruments		
Financial assets	6,348	(6,348)
Financial liabilities	(354,982)	354,982

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.

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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 48,384 thousand after tax (2016: Rs 53,141 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as fair value through profit or loss, the impact on profit would have been an increase or decrease by Rs 9,094 thousand after tax (2016: Rs 8,481 thousand). The analysis is performed on the same basis for 2016 and assumes that all other variables remain the same.

39.4 Determination of fair values

A number of Group accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment at fair value through profit and 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 investments is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at current PKRV rates applicable to similar instruments having similar maturities.

Investment in 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.

39.5 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 defines 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's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

40. 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.

2017	Fertilizers Rs '000	Power Rs '000	Food Rs '000	Total Rs '000
Segment revenues	90,714,114	2,415,322	454,011	93,583,447
Segment profit / (loss) before tax	15,741,315	860,558	(1,076,269)	15,525,604
Interest income	1,158,901	93,548	4,377	1,256,826
Finance cost	2,470,672	642,081	179,299	3,292,052
Depreciation	2,181,771	594,511	280,870	3,057,152
Share of profit / (loss) of equity - accounted investees	3,535,333	–	–	3,535,333
Segment assets (total)	84,220,721	12,096,205	3,696,359	100,013,285
Equity accounted investees	40,756,975	–	–	40,756,975
Segment liabilities (total)	78,741,872	7,187,161	2,963,031	88,892,064

2016	Fertilizers Rs '000	Power Rs '000	Food Rs '000	Total Rs '000
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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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Reconciliation of information on reportable segments to applicable financial reporting standards:

		2017	2016
		Rs '000	Rs '000
i	Revenue for reportable segments	93,583,447	75,377,857
	Consolidated Revenue	93,583,447	75,377,857
ii	Profit before tax for reportable segments	15,525,604	17,129,780
	Elimination of intra segment profit	(2,279,050)	(2,409,404)
	Consolidated profit before tax from continuing operations	13,246,554	14,720,376
iii	Total assets for reporting segments	100,013,285	83,845,350
	Equity accounted investments	40,756,975	40,808,123
	Consolidated total assets	140,770,260	124,653,473
iv	Total liabilities for reporting segments	87,615,883	72,001,969
	Deferred tax on equity accounted investments	1,276,181	1,285,673
	Consolidated total liabilities	88,892,064	73,287,642
v	**Other material items**		

	Reportable segments Rs '000	Adjustments Rs '000	Consolidated Rs '000
2017			
Interest income	1,256,826	–	1,256,826
Finance cost	3,292,052	–	3,292,052
Capital expenditure	3,939,683	–	3,939,683
Depreciation	3,057,152	–	3,057,152
Commitments	17,133	5,767,990	5,785,123
Contingencies	67,364	172,745,413	172,812,777
2016			
Interest income	1,154,050	–	1,154,050
Finance cost	3,360,425	–	3,360,425
Capital expenditure	2,074,876	–	2,074,876
Depreciation	3,000,127	–	3,000,127
Commitments	7,718	4,474,357	4,482,075
Contingencies	65,706	127,074,770	127,140,476

41. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2016: 44.35%) shares of FFC at the year-end. Therefore, all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Group. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Transactions with related parties and the balances outstanding at the year-end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 18, 23 and 36 to the consolidated financial statements respectively.

	2017 Rs '000	2016 Rs '000
Transactions with associated undertakings / companies due to common directorship		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,002,018	1,034,963
Commission on sale of products	27,538	24,665
Payment under consignment account	60,711,446	48,232,608
Purchase of gas as feed and fuel stock	19,437,218	37,346,288
Services and materials received	9,071	11,636
Sale of fertilizers	641	2,627
Donations	89,414	119,130
Others	27,291	177,463
Dividend income	1,779,050	2,409,404
Dividend receivable	–	144,661
Dividends paid	3,808,604	4,835,516
Short term investments	500,000	1,654,820
Long term investments	108,894	96,138
Short term borrowings	694,857	730,698
Long term borrowings	–	670,929
Bank balance	116,536	151,737
Running finance	133,819	50,417
Balance receivable	45,352	47,171
Balance payable	24,596,243	5,565,853
Contribution and balances with staff retirement funds		
Employees' Provident Fund Trust	416,567	390,425
Employees' Gratuity Fund Trust	118,014	278,084
Employees' Pension Fund Trust	89,283	97,701
Employees' Funds as Dividend on equity holding of 0.15% (2016: 0.15%)	8,288	24,235
Balance (payable) / receivable - Gratuity Fund Trust	(405,493)	80,450
Balance (payable) / receivable - Pension Fund Trust	(362,311)	286,778

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

42. POST BALANCE SHEET EVENT

The Board of Directors of FFC in its meeting held on January 30, 2018 has proposed a final dividend of Rs 3.00 per share.

	2017	2016
	Tonnes '000	Tonnes '000
43. GENERAL		
43.1 Production capacity		
FFC		
Design capacity	2,048	2,048
Production during the year	2,513	2,523

	2017	2016
	MWh	MWh
FFCEL		
Actual capacity	143,559	143,559
Actual energy delivered	132,865	130,827

FFF

The production capacity of the Company's plant cannot be determined, as it is a multi-product production facility of which the processing capacity substantially vary depending on the fruits / vegetables processed.

43.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 101,655 thousand and Rs 13,580,000 thousand (2016: Rs 100,000 thousand and Rs 8,010,000 thousand) respectively are available to the Group against lien on shipping / title documents, US$ Term Deposit Receipts and charge on assets of the Group.

43.3 Donations

Cost of Sales and Distribution Cost include donations amounting to Rs 64,125 thousand (2016: Rs 84,516 thousand) and Rs 25,289 thousand (2016: Rs 37,340 thousand) respectively. These include Rs 89,414 thousand (2016: Rs 119,130 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.

43.4 Exemption from applicability of IFRIC 4 - "Determining whether an arrangement contains a lease"

International Accounting Standards Board (IASB) has issued International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining whether an arrangement contains a lease", which became effective for financial periods beginning on or after January 1, 2006. Under IFRIC 4, the consideration required to be made by lessee for the right to use the asset is accounted for as finance lease under IAS 17 - "Leases". FFCEL'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 Group would have been as follows:

	2017
	Rs '000
Increase in unappropriated profit at beginning of the year	498,542
Increase in profit for the year	94,687
Increase in unappropriated profit as at end of the year	593,229

		2017	2016
		Numbers	Numbers
43.5	**Number of employees**		
	Total number of employees at end of the year	3,490	3,506
	Average number of employees for the year	3,491	3,542

43.6 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

43.7 These consolidated Financial Statements have been authorized for issue by the Board of Directors of FFC on January 30, 2018.

Chairman | Chief Executive | Director | Chief Financial Officer

PATTERN OF SHAREHOLDING - FFC
AS AT DECEMBER 31, 2017

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1634	1	100	98,000	0.0077
3184	101	500	1,143,539	0.0899
2443	501	1000	2,160,365	0.1698
5540	1001	5000	15,108,661	1.1876
1826	5001	10000	14,053,330	1.1046
789	10001	15000	10,052,147	0.7901
536	15001	20000	9,602,720	0.7548
363	20001	25000	8,348,824	0.6562
264	25001	30000	7,346,638	0.5775
163	30001	35000	5,331,489	0.4191
155	35001	40000	5,847,651	0.4596
99	40001	45000	4,235,115	0.3329
156	45001	50000	7,616,001	0.5986
101	50001	55000	5,321,114	0.4182
72	55001	60000	4,190,810	0.3294
47	60001	65000	2,948,136	0.2317
55	65001	70000	3,759,784	0.2955
63	70001	75000	4,612,872	0.3626
43	75001	80000	3,345,991	0.2630
31	80001	85000	2,584,271	0.2031
34	85001	90000	2,998,825	0.2357
29	90001	95000	2,683,273	0.2109
85	95001	100000	8,430,822	0.6627
22	100001	105000	2,245,594	0.1765
26	105001	110000	2,806,461	0.2206
15	110001	115000	1,696,472	0.1333
19	115001	120000	2,248,292	0.1767
29	120001	125000	3,573,371	0.2809
14	125001	130000	1,797,407	0.1413
11	130001	135000	1,465,010	0.1152
13	135001	140000	1,802,957	0.1417
8	140001	145000	1,142,785	0.0898
21	145001	150000	3,126,926	0.2458
10	150001	155000	1,521,952	0.1196
20	155001	160000	3,155,901	0.2481
13	160001	165000	2,122,539	0.1668
8	165001	170000	1,342,522	0.1055
6	170001	175000	1,035,495	0.0814

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
5	175001	180000	884,399	0.0695
4	180001	185000	736,466	0.0579
4	185001	190000	748,112	0.0588
5	190001	195000	958,397	0.0753
28	195001	200000	5,579,012	0.4385
8	200001	205000	1,613,313	0.1268
2	205001	210000	420,000	0.0330
3	210001	215000	636,551	0.0500
1	215001	220000	217,100	0.0171
6	220001	225000	1,338,200	0.1052
10	225001	230000	2,278,239	0.1791
7	230001	235000	1,620,546	0.1274
4	235001	240000	953,035	0.0749
2	240001	245000	484,085	0.0380
5	245001	250000	1,243,247	0.0977
3	250001	255000	754,553	0.0593
8	255001	260000	2,060,112	0.1619
10	260001	265000	2,637,031	0.2073
3	265001	270000	808,000	0.0635
3	270001	275000	818,048	0.0643
2	275001	280000	554,415	0.0436
1	285001	290000	288,000	0.0226
3	290001	295000	875,087	0.0688
14	295001	300000	4,191,815	0.3295
4	300001	305000	1,212,110	0.0953
4	305001	310000	1,234,500	0.0970
2	310001	315000	624,304	0.0491
2	315001	320000	638,924	0.0502
3	320001	325000	972,264	0.0764
3	325001	330000	983,723	0.0773
7	330001	335000	2,326,178	0.1828
1	335001	340000	337,700	0.0265
3	340001	345000	1,028,151	0.0808
3	345001	350000	1,047,191	0.0823
1	350001	355000	354,961	0.0279
2	355001	360000	713,294	0.0561
4	360001	365000	1,457,000	0.1145
2	365001	370000	732,335	0.0576

PATTERN OF SHAREHOLDING - FFC
AS AT DECEMBER 31, 2017

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
2	370001	375000	748,000	0.0588
4	375001	380000	1,515,000	0.1191
2	385001	390000	778,000	0.0612
1	390001	395000	392,445	0.0308
3	395001	400000	1,196,500	0.0940
1	400001	405000	402,000	0.0316
1	405001	410000	408,728	0.0321
1	410001	415000	415,000	0.0326
1	420001	425000	422,000	0.0332
1	425001	430000	426,900	0.0336
2	435001	440000	875,556	0.0688
2	440001	445000	884,300	0.0695
2	445001	450000	894,450	0.0703
2	455001	460000	914,303	0.0719
1	460001	465000	463,333	0.0364
3	470001	475000	1,420,450	0.1116
1	475001	480000	476,750	0.0375
1	480001	485000	480,700	0.0378
2	490001	495000	986,630	0.0776
1	510001	515000	513,470	0.0404
1	515001	520000	517,389	0.0407
1	520001	525000	521,175	0.0410
2	525001	530000	1,053,864	0.0828
2	535001	540000	1,077,500	0.0847
1	545001	550000	550,000	0.0432
1	550001	555000	552,000	0.0434
1	560001	565000	561,875	0.0442
1	570001	575000	574,595	0.0452
1	575001	580000	576,067	0.0453
5	580001	585000	2,913,000	0.2290
2	585001	590000	1,177,293	0.0925
1	590001	595000	592,100	0.0465
3	595001	600000	1,800,000	0.1415
2	605001	610000	1,220,000	0.0959
1	615001	620000	618,130	0.0486
1	620001	625000	625,000	0.0491
1	630001	635000	630,350	0.0495
2	635001	640000	1,277,300	0.1004

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	645001	650000	646,888	0.0508
2	650001	655000	1,301,352	0.1023
1	660001	665000	663,600	0.0522
2	665001	670000	1,336,000	0.1050
1	670001	675000	673,192	0.0529
2	680001	685000	1,365,632	0.1073
1	685001	690000	685,238	0.0539
1	710001	715000	713,839	0.0561
1	720001	725000	723,800	0.0569
3	725001	730000	2,188,092	0.1720
1	735001	740000	739,699	0.0581
1	755001	760000	757,812	0.0596
1	760001	765000	762,717	0.0600
1	770001	775000	775,000	0.0609
3	795001	800000	2,395,610	0.1883
2	800001	805000	1,601,646	0.1259
1	805001	810000	809,590	0.0636
1	835001	840000	835,600	0.0657
1	845001	850000	850,000	0.0668
1	870001	875000	871,000	0.0685
3	895001	900000	2,697,704	0.2120
1	900001	905000	904,335	0.0711
1	905001	910000	909,000	0.0714
1	915001	920000	918,750	0.0722
2	925001	930000	1,855,100	0.1458
2	940001	945000	1,884,959	0.1482
2	955001	960000	1,918,349	0.1508
1	965001	970000	966,385	0.0760
3	995001	1000000	3,000,000	0.2358
1	1000001	1005000	1,003,300	0.0789
1	1015001	1020000	1,019,337	0.0801
1	1025001	1030000	1,029,100	0.0809
1	1065001	1070000	1,067,174	0.0839
1	1090001	1095000	1,093,250	0.0859
1	1110001	1115000	1,111,039	0.0873
1	1125001	1130000	1,129,257	0.0888
2	1130001	1135000	2,269,600	0.1784
2	1145001	1150000	2,300,000	0.1808

PATTERN OF SHAREHOLDING - FFC
AS AT DECEMBER 31, 2017

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	1215001	1220000	1,216,228	0.0956
1	1265001	1270000	1,266,000	0.0995
1	1270001	1275000	1,270,800	0.0999
1	1275001	1280000	1,275,700	0.1003
1	1385001	1390000	1,387,327	0.1090
1	1395001	1400000	1,398,110	0.1099
1	1440001	1445000	1,443,000	0.1134
1	1445001	1450000	1,449,630	0.1139
1	1450001	1455000	1,452,800	0.1142
1	1490001	1495000	1,491,800	0.1173
1	1515001	1520000	1,519,407	0.1194
1	1540001	1545000	1,540,700	0.1211
2	1545001	1550000	3,093,994	0.2432
3	1555001	1560000	4,673,300	0.3673
1	1630001	1635000	1,634,700	0.1285
1	1660001	1665000	1,661,643	0.1306
1	1680001	1685000	1,681,614	0.1322
1	1710001	1715000	1,713,800	0.1347
1	1725001	1730000	1,727,742	0.1358
1	1750001	1755000	1,753,000	0.1378
1	1760001	1765000	1,764,030	0.1387
1	1780001	1785000	1,784,878	0.1403
4	1795001	1800000	7,200,000	0.5659
1	1805001	1810000	1,808,329	0.1421
1	1860001	1865000	1,861,500	0.1463
1	1945001	1950000	1,946,200	0.1530
2	1995001	2000000	4,000,000	0.3144
1	2055001	2060000	2,055,500	0.1616
1	2115001	2120000	2,120,000	0.1666
1	2165001	2170000	2,168,258	0.1704
2	2195001	2200000	4,400,000	0.3458
1	2250001	2255000	2,251,501	0.1770
1	2380001	2385000	2,383,000	0.1873
1	2440001	2445000	2,440,287	0.1918
1	2510001	2515000	2,510,100	0.1973
1	2660001	2665000	2,661,496	0.2092
1	2725001	2730000	2,727,716	0.2144
1	3010001	3015000	3,013,900	0.2369

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	3505001	3510000	3,510,000	0.2759
1	3775001	3780000	3,775,700	0.2968
1	3965001	3970000	3,968,300	0.3119
1	3995001	4000000	4,000,000	0.3144
1	4255001	4260000	4,255,859	0.3345
1	4460001	4465000	4,461,820	0.3507
1	4465001	4470000	4,466,749	0.3511
1	5015001	5020000	5,015,500	0.3942
1	5040001	5045000	5,040,099	0.3962
1	5090001	5095000	5,093,500	0.4004
1	5260001	5265000	5,261,000	0.4135
1	7320001	7325000	7,325,000	0.5758
1	7535001	7540000	7,536,226	0.5924
1	8945001	8950000	8,945,913	0.7032
1	9655001	9660000	9,658,874	0.7592
1	10000001	10005000	10,000,100	0.7860
1	10090001	10095000	10,094,000	0.7934
1	10555001	10560000	10,558,262	0.8299
1	10710001	10715000	10,711,240	0.8419
1	11050001	11055000	11,053,163	0.8688
1	12190001	12195000	12,193,749	0.9584
1	13870001	13875000	13,871,000	1.0903
1	15480001	15485000	15,481,600	1.2169
1	17745001	17750000	17,750,000	1.3952
1	25745001	25750000	25,746,055	2.0237
1	116020001	116025000	116,022,735	9.1196
1	129515001	129520000	129,516,412	10.1802
1	434685001	434690000	434,687,842	34.1672
18321			**1,272,238,247**	**100.0000**

PATTERN OF SHAREHOLDING - FFC
AS AT DECEMBER 31, 2017

Categories of Shareholders	Shareholders	Shares Held	Percentage
President of Pakistan			
PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN	1	8,945,913	0.70
Directors and their spouse(s) and minor children			
FARHAD SHAIKH MOHAMMAD	1	1,000,000	0.08
PER KRISTIAN BAKKERUD	1	100	0.00
RUKHSANA ZUBERI	1	100	0.00
Associated Companies, undertakings and related parties			
FAUJI FOUNDATION	1	129,516,412	10.18
COMMITTEE OF ADMIN. FAUJI FOUNDATION	1	434,687,842	34.17
Executives	12	966,634	0.08
Public Sector Companies and Corporations	14	134,191,418	10.55
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	57	104,634,987	8.22
Mutual Funds			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	156,550	0.01
CDC - TRUSTEE MCB DCF INCOME FUND	1	146,500	0.01
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	58,500	0.00
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	2,440,287	0.19
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1	7,000	0.00
CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND - MT	1	191,500	0.02
CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT	1	222,500	0.02
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	1	5,000	0.00
CDC - TRUSTEE ATLAS INCOME FUND - MT	1	16,500	0.00
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	15,000	0.00
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	25,746,055	2.02
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	928,100	0.07
MCBFSL - TRUSTEE NAFA INCOME FUND - MT	1	96,500	0.01
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	16,000	0.00
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	45,000	0.00
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	1	2,500	0.00
CDC - TRUSTEE PICIC INVESTMENT FUND	1	343,000	0.03
CDC - TRUSTEE PICIC GROWTH FUND	1	669,500	0.05
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	775,000	0.06
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	540,000	0.04

Categories of Shareholders	Shareholders	Shares Held	Percentage
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	700	0.00
CDC - TRUSTEE NAFA STOCK FUND	1	2,383,000	0.19
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	610,000	0.05
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	402,000	0.03
CDC - TRUSTEE ABL STOCK FUND	1	197,000	0.02
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	100,000	0.01
CDC - TRUSTEE PICIC STOCK FUND	1	50,000	0.00
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	39,500	0.00
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	52,000	0.00
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	150,000	0.01
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	1	80,000	0.01
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND - MT	1	1,000	0.00
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	1	130,000	0.01
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	10,000	0.00
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	10,000	0.00
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	231,000	0.02
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	1	1,000	0.00
MCBFSL TRUSTEE JS - INCOME FUND - MT	1	60,500	0.00
General Public			
a. Local	17735	291,289,422	22.90
b. Foreign	13	140,597	0.01
Foreign Companies	105	89,713,537	7.05
Others	341	40,222,593	3.16
Totals	**18321**	**1,272,238,247**	**100**

Shareholders holding 5% or more	Shares Held	Percentage
COMMITTEE OF ADMIN. FAUJI FOUNDATION	434,687,842	34.17
FAUJI FOUNDATION	129,516,412	10.18
STATE LIFE INSURANCE CORP. OF PAKISTAN	116,022,735	9.12

Financial Calendar

The Company follows the period of January 01 to December 31 as the financial year.

Financial results will be announced as per the following tentative schedule:

Annual General Meeting	March 13, 2018
1st Quarter ending March 31, 2018	Last Week of April, 2018
Half year ending June 30, 2018	Last Week of July, 2018
Extraordinary General Meeting	In the month of September, 2018
3rd Quarter ending September 30, 2018	Last Week of October, 2018
Year ending December 31, 2018	Last Week of January, 2019

حصص یافتگان کی اقسام	حصص یافتگان	تعداد حصص	فیصد
سی ڈی سی - ٹرسٹی پی کک اسٹاک فنڈ	1	50,000	0.00
سی ڈی سی - ٹرسٹی اینچ بی ایل آئی پی ایف ایکویٹی سب فنڈ	1	39,500	0.00
سی ڈی سی - ٹرسٹی اینچ بی ایل پی ایف ایکویٹی سب فنڈ	1	52,000	0.00
ایم سی بی ایف ایس ایل - ٹرسٹی اے بی ایل اسلامک اسٹاک فنڈ	1	150,000	0.01
سی ڈی سی - ٹرسٹی فرسٹ حبیب انکم فنڈ - ایم ٹی	1	80,000	0.01
ایم سی بی ایف ایس ایل - ٹرسٹی ایم سی بی پاکستان فیر یکیونٹ پے آوٹ فنڈ-ایم ٹی	1	1,000	0.00
ایم سی بی ایف ایس ایل - ٹرسٹی اے بی ایل اسلامک ڈیڈی کیٹیڈ اسٹاک فنڈ	1	130,000	0.01
سی ڈی سی - ٹرسٹی یونٹ ٹرسٹ آف پاکستان	1	10,000	0.00
سی ڈی سی - ٹرسٹی فرسٹ حبیب اسٹاک فنڈ	1	10,000	0.00
سی ڈی سی - ٹرسٹی نافہ ایسٹ ایلوکیشن فنڈ	1	231,000	0.02
ایم سی بی ایف ایس ایل - ٹرسٹی ایم سی بی پاکستان فریکیونٹ پے آوٹ فنڈ	1	1,000	0.00
ایم سی بی ایف ایس ایل - ٹرسٹی جے ایس -ا یکم فنڈ-ایم ٹی	1	60,500	0.00
جنرل پبلک			
مقامی	17735	291,289,422	22.90
غیر ملکی	13	140,597	0.01
غیر ملکی کمپنیاں	105	89,713,537	7.05
دیگر	341	40,222,593	3.16
کل	**18321**	**1,272,238,247**	**100**

5 فیصد یا اس سے زیادہ حصص یافتگان		تعداد حصص	فیصد
کمیٹی آف ایڈمن، فوجی فاؤنڈیشن		434,687,842	34.17
فوجی فاؤنڈیشن		129,516,412	10.18
سٹیٹ لائف انشورنس کارپوریشن آف پاکستان		116,022,735	9.12

مالیاتی کیلنڈر

کمپنی کے مالیاتی سال کی مدت یکم جنوری سے 31 دسمبر تک ہے۔

کمپنی کے مالیاتی نتائج کا اعلان مندرجہ ذیل عارضی جدول کے مطابق کیا جائے گا۔

سالانہ عام اجلاس	13 مارچ 2018
31 مارچ 2018 کو ختم ہونے والی پہلی سہ ماہی	آخری ہفتہ اپریل 2018
30 جون 2018 کو ختم ہونے والی دوسری سہ ماہی	آخری ہفتہ جولائی 2018
غیر معمولی اجلاس	ماہ ستمبر، 2018
30 ستمبر 2018 کو ختم ہونے والی تیسری سہ ماہی	آخری ہفتہ اکتوبر 2018
سالانہ نتائج 31 دسمبر 2018	آخری ہفتہ جنوری 2019

پیٹرن آف شیئر ہولڈنگ - FFC

۳۱ دسمبر ۲۰۱۷

حصص یافتگان کی اقسام	حصص یافتگان	تعداد حصص	فیصد
صدر پاکستان			
صدر اسلامی جمہوریہ پاکستان	1	8,945,913	0.70
ڈائریکٹرز اور ان کی شریک حیات اور چھوٹے بچے			
فرہاد شیخ محمد	1	1,000,000	0.08
پر کرسٹن بیکرڈ	1	100	0.00
رخسانہ زبیری	1	100	0.00
منسلک کمپنیاں، اقرار نامے اور متعلقہ پارٹیز			
فوجی فاؤنڈیشن	1	129,516,412	10.18
کمیٹی آف ایڈمن فوجی فاؤنڈیشن	1	434,687,842	34.17
ایگزیکٹوز	12	966,634	0.08
سرکاری شعبے کی کمپنیاں اور کارپوریشنز	14	134,191,418	10.55
بینک، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، غیر بنکاری کے مالی ادارے، بیمہ کمپنیاں، تکافل، مداربہ اور پنشن فنڈز	57	104,634,987	8.22
میوچل فنڈز			
سی ڈی سی - ٹرسٹی اے کے ڈی انڈیکس ٹریکر فنڈ	1	156,550	0.01
سی ڈی سی - ٹرسٹی ایم سی بی ڈی سی ایف انکم فنڈ	1	146,500	0.01
سی ڈی سی - ٹرسٹی ایچ بی ایل ملٹی ایسٹ فنڈ	1	58,500	0.00
سی ڈی سی - ٹرسٹی این آئی ٹی - ایکیویٹی مارکیٹ اوپرچیونیٹی فنڈ	1	2,440,287	0.19
سی ڈی سی - ٹرسٹی نافع سیونگ پلس فنڈ - ایم ٹی	1	7,000	0.00
سی ڈی سی - ٹرسٹی پاکستان انکم انہینسمینٹ فنڈ - ایم ٹی	1	191,500	0.02
سی ڈی سی - ٹرسٹی ایم سی بی ڈائینامیک کیش فنڈ - ایم ٹی	1	222,500	0.02
سی ڈی سی - ٹرسٹی الفلاح جی ایچ پی انکم فنڈ - ایم ٹی	1	5,000	0.00
سی ڈی سی - ٹرسٹی اٹلس انکم فنڈ - ایم ٹی	1	16,500	0.00
سی ڈی سی - ٹرسٹی فرسٹ کیپٹل میوچل فنڈ	1	15,000	0.00
سی ڈی سی - ٹرسٹی نیشنل انویسٹمنٹ (یونٹ) ٹرسٹ	1	25,746,055	2.02
سی ڈی سی - ٹرسٹی این آئی ٹی اسلامک ایکویٹی فنڈ	1	928,100	0.07
ایم سی بی ایف ایس ایل - ٹرسٹی نفع انکم فنڈ - ایم ٹی	1	96,500	0.01
سی ڈی سی - ٹرسٹی فیصل ایم ٹی ایس فنڈ - ایم ٹی	1	16,000	0.00
سی ڈی سی - ٹرسٹی فرسٹ داؤد میوچل فنڈ	1	45,000	0.00
سی ڈی سی - ٹرسٹی پاکستان انکم فنڈ - ایم ٹی	1	2,500	0.00
سی ڈی سی - ٹرسٹی پی کے انویسٹمنٹ فنڈ	1	343,000	0.03
سی ڈی سی - ٹرسٹی پی کے گروتھ فنڈ	1	669,500	0.05
سی ڈی سی - ٹرسٹی اٹلس اسٹاک مارکیٹ فنڈ	1	775,000	0.06
سی ڈی سی - ٹرسٹی الفلاح جی ایچ پی ویلیو فنڈ	1	540,000	0.04
سی ڈی سی - ٹرسٹی یو بی ایل اسٹاک ایڈوانٹیج فنڈ	1	700	0.00
سی ڈی سی - ٹرسٹی نافع اسٹاک فنڈ	1	2,383,000	0.19
سی ڈی سی - ٹرسٹی الفلاح جی ایچ پی اسٹاک فنڈ	1	610,000	0.05
سی ڈی سی - ٹرسٹی الفلاح جی ایچ پی الفاح فنڈ	1	402,000	0.03
سی ڈی سی - ٹرسٹی اے بی ایل اسٹاک فنڈ	1	197,000	0.02
سی ڈی سی - ٹرسٹی ایچ بی ایل اسلامک اسٹاک فنڈ	1	100,000	0.01

PATTERN OF SHAREHOLDING - FFCEL & FFF
AS AT DECEMBER 31, 2017

FFC ENERGY LIMITED

Categories of Shareholders	Shareholders	Shares Held	Percentage
Fauji Fertilizer Company Limited	1	243,755,000	99.97
Directors	7	70,000	0.03
Totals	**8**	**243,825,000**	**100**

فیصد	تعدادحصص	حصص یافتگان	حصص یافتگان کی اقسام
99.97	243,755,000	1	فوجی فرٹیلائزر کمپنی لمیٹڈ
0.03	70,000	7	ڈائریکٹرز
100	**243,825,000**		**کل**

FAUJI FRESH n FREEZE LIMITED

Categories of Shareholders	Shareholders	Shares Held	Percentage
Fauji Fertilizer Company Limited	1	309,953,000	99.99
Directors	7	7,000	0.01
Totals	**8**	**309,960,000**	**100**

فیصد	تعدادحصص	حصص یافتگان	حصص یافتگان کی اقسام
99.99	309,953,000	1	فوجی فرٹیلائزر کمپنی لمیٹڈ
0.01	7,000	7	ڈائریکٹرز
100	**309,960,000**		**کل**

DEFINITIONS & GLOSSARY OF TERMS

Definitions

Profitability Ratios

Profitability Ratios are used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Liquidity Ratios

Liquidity ratios determine the Company's ability to meet its short-term financial obligations.

Activity / Turnover Ratios

Activity / Turnover ratios evaluate the operational efficiency of the Company to convert inventory & receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales.

Investment / Market Ratios

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the company's ability to generate profits.

Capital Structure Ratios

Capital Structure ratios provide an indication of the long term solvency of the Company and its cost of debt, in relation to equity and profits.

Glossary of terms

Term	Description
Agri. Services	Agriculture Services provided by FFC's Marketing Team to farmers
AKBL	Askari Bank Limited
ATL	Active Taxpayers List
BCP	Business Continuity Planning
BI&T	Banking Industries and Trading
CAER	Community Awareness and Emergency Response
CBA	Collective Bargaining Agent
CCP	Competition Commission of Pakistan
CE&MD	Chief Executive & Managing Director
CFA	Certified Financial Analyst
CFO	Chief Financial Officer
CITA	Continuous Improvement in Technological Advancements
CNIC	Computerized National Identity Card
CPEC	China-Pakistan Economic Corridor
CSR	Corporate Social Responsibility
Current Ratio	A liquidity ratio that measures a company's ability to pay short-term and long-term obligations by considering the current total assets of a company (both liquid and illiquid) relative to that company's current total liabilities

DEFINITIONS & GLOSSARY OF TERMS

Term	Description
DAP	Di-Ammonium Phosphate
DCS	Distribution Control System
De-Bottle Necking (DBN)	Process of optimizing existing plant and equipment to enhance overall capacity by improving specific areas that limit production
DPS	Dividend Per Share
DRS	Disaster Recovery Site
E-DOX	Software for document imaging and workflow management
EPS	Earnings Per Share
FAC	Farm Advisory Centres
FCCL	Fauji Cement Company Limited; an associated company of FFC
FFBL	Fauji Fertilizer Bin Qasim Limited; an associated company of FFC
FFC	Fauji Fertilizer Company Limited
FFCEL	FFC Energy Limited; a wholly owned subsidiary of FFC
FFF	Fauji Fresh n Freeze Limited; a wholly owned subsidiary of FFC
FPCCI	Federation of Pakistan Chamber of Commerce and Industries
Gearing	The level of a company's debt related to its equity capital. It is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders.
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
HI (M)	Hilal-e-Imtiaz (Military)
HR&R	Human Resource and Remuneration
HWT	Hot Water Treatment
IBAN	International Bank Account Number
ICAP	Institute of Chartered Accountants of Pakistan
ICAP / ICMAP BCR Award	Institute of Chartered Accountants of Pakistan/Institute of Cost and Management Accountants of Pakistan Best Corporate Report Award
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFA	International Fertilizer Industry Association
IFRSs	International Financial Reporting Standards

Term	Description
Interest Cover	A financial ratio that measures a company's ability to make interest payments on its debt in a timely manner.
IQF	Individually Quick Frozen; A food preservation technology that freezes each individual piece of food thus retaining its nutritional value while keeping pieces from clumping together
ISMS	Information System Security Management
ITIL	Information Technology Infrastructure Library
KIBOR	Karachi Inter-Bank Offer Rate, periodically announced by the State Bank of Pakistan
LNG	Liquified Natural Gas
Management Letter	Letter written by auditors to directors of the company, communicating material issues, concerns and suggestions noted during the audit.
MAP	Management Association of Pakistan
MOIPI	Maintenance of Industrial Peace Initiatives
MOP	Muriate of Potash
NDMA	National Disaster Management Authority of Pakistan
Net worth	Net worth is the amount by which assets exceed liabilities (Equity)
NFDC	National Fertilizer Development Centre, Pakistan
NIT	National Investment Trust Limited
NTDC	National Transmission & Despatch Company, Pakistan
NTN	National Tax Number
NUST	National University of Science and Technology
OHSAS	Occupational Health and Safety Assessment Series, is an internationally applied British Standard for occupational health and safety management systems.
PIBs	Pakistan Investment Bonds
PIDE	Pakistan Institute of Development Economics
PMP	Pakistan Maroc Phosphore S.A, Morocco
PSFL	Ex-Pak Saudi Fertilizer Limited
PSX	Pakistan Stock Exchange
RCCI	Rawalpindi Chamber of Commerce and Industries
ROE	Return On Equity-It measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested
SAN	Storage Area Network

DEFINITIONS & GLOSSARY OF TERMS

Term	Description
SAP-ERP	An enterprise resource planning software developed by the German company SAP SE and used by FFC to manage business, operations and customer relations.
SECP	Securities & Exchange Commission of Pakistan
SI (M)	Sitara-e-Imtiaz (Military)
SNG	Synthetic Natural Gas
Super Tax	An originally one-time levy of tax imposed by Government in 2015, yet re-imposed in 2016 & 2017, on companies meeting certain income threshholds.
Tariff True-up	Adjustment by National Electric Power Regulatory Authority of reference tariff FFCEL can charge for delivery of electricity to NTDC after commencement of commercial operations
TCP	Trading Corporation of Pakistan
TPDC	Tanzania Petroleum Development Corporation
UK	United Kingdom
UNGC	United National Global Compact-The world's largest corporate sustainability initiative that asks companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals
USA	United States of America
VHT	Vapor Heat Treatment
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund

FORM OF PROXY
40th 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 40th Annual General Meeting of the Company to be held on Tuesday March 13, 2018 and /or any adjournment thereof.

As witness my/our hand/seal this __________ day of __________ March 2018.

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

40 واں سالانہ عمومی اجلاس

میں/ہم۔۔کا/کے بحثیت ممبر(ز) فوجی فرٹیلائزر کمپنی لمیٹڈ اور حامل عام حصص محترم/محترمہ۔۔۔۔۔۔۔۔۔ یا ان کے حاضر نہ ہوسکنے کی صورت میں۔۔۔۔۔۔۔۔۔۔کو اپنے/ہمارے ایماء پر کمپنی کے 13 مارچ 2018 منگل کو ہونے والے 40 واں سالانہ عمومی اجلاس میں شرکت کرنے ، حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا/کرتے ہیں۔

بطور گواہ آج بتاریخ۔۔۔دن۔۔۔مارچ 2018 میرے/ہمارے دستخط ہوئے

دستخط۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ کی موجودگی میں

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

پانچ روپے کے رسیدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس 156 دی مال راولپنڈی میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

3۔ **سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے کے لیے**

مزید برآں درج ذیل شرائط کو پورا کیا جائے گا۔

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں گی۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہوگی۔

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FAUJI FERTILIZER COMPANY LIMITED

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