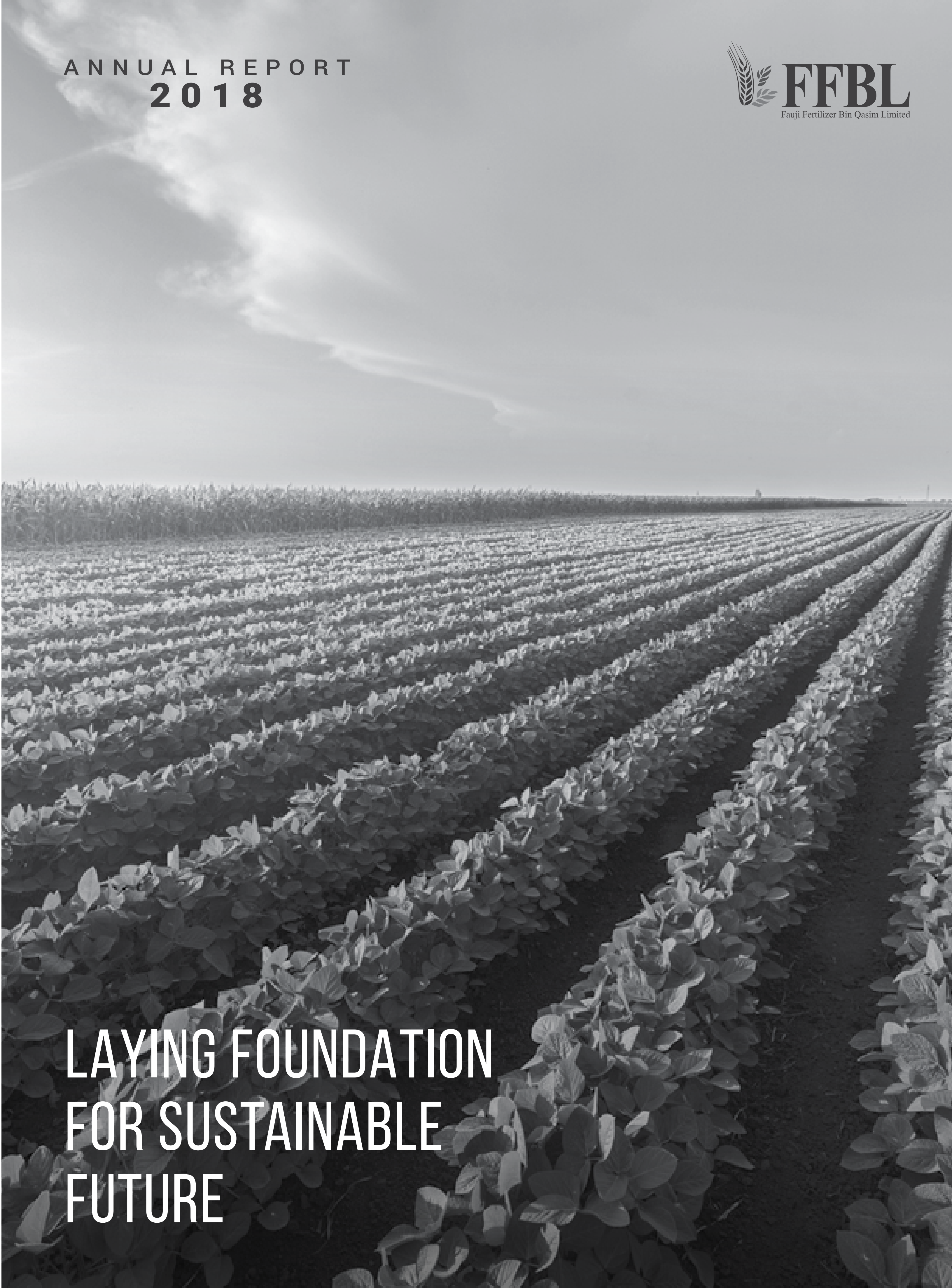
ANNUAL REPORT
2018

FFBL
Fauji Fertilizer Bin Qasim Limited



LAYING FOUNDATION FOR SUSTAINABLE FUTURE

CONTENTS

OUR JOURNEY

1993 | Incorporation of the company

1996

- Listed with Karachi, Lahore and Islamabad Stock Exchanges

2000

- Commencement of commercial production

2003

- Successful commissioning of Desulphurisation Project
- Agreement with Office Cherifien des Phosphates' (OCP), Morocco for supply of raw material Phosphoric Acid (P_2O_5)

2005

- Joint venture with 'Officie Cherifien des Phosphates' (OCP), Morocco to incorporate 'Pakistan Maroc Phosphore S.A' (PMP) costing 2,030 million Moroccan Dirhams with equity participation of 25%

2006

- Achieved ISO Certification in QMS (9001:2000), EMS (14001:2004) and OHSAS (18001:1999)

2007

- Successful completion of Ammonia BMR resulting in increased production of Ammonia by 23% from 1,270 MT to 1,570 MT and Urea by 15% from 1,670 MT to 1,920 MT per day

2008

- DAP Revamp resulting in increase production by 51% from 1,472 MT to 2,232 MT per day
- Start of PMP's commercial production and shipment to FFBL in April 2008 and May 2008 respectively
- Investment in Fauji Cement Company Limited

2010

- Investment in Wind Power Projects
- Successful implementation of SAP-ERP system, evolving excellence through technological integration

2011

- Rewarding year for FFBL, exhibiting highest standards of performance, surpassing all previous records
- PMP achieved a landmark by producing 382 thousand tonnes of P_2O_5, surpassing the name plate capacity of 375 thousand tonnes in any year

2013

- Incorporation of Fauji Meat Limited and Fauji Foods Limited
- Investment in Askari Bank Limited
- Highest ever DAP production of 744,436 MT

2014

- Incorporation of FFBL Power Company Limited
- Received two awards in Corporate Social Responsibility
- Bronze Medal in ERP from SAP, Germany
- Highest ever DAP production of 72,390 MT in a month

2015

- Highest ever yearly DAP production of 768,004 MT
- Highest ever daily DAP production of 2,461 MT on December 19, 2015
- Highest ever monthly sale of DAP 223,186 MT in October 2015
- Highest ever yearly production of 429,398 MT of phosphoric acid by PMP
- 4th in chemical sector for Best Corporate Report Award by ICAP & ICMAP
- Received two awards in Corporate Social Responsibilty
- SAP Silver Medal Customer COE of the Year Award 2015, Heidelberg, Germany
- Investment in Fauji Foods Limited (Formerly NPL)

2016

- Highest ever yearly DAP production of 791,256 MT
- Highest ever yearly DAP sales of 790,622 MT
- SAP Bronze Medal Customer COE of the Year Award 2016, Berlin Germany
- 4th in chemical sector for Best Corporate Report Award by ICAP & ICMAP
- 4th position for 2014 and 7th position for 2015 by PSX awarded in September 2016
- Received two awards in Corporate Social Responsibilty

2017

- Start of commercial production by FPCL
- Record yearly DAP production of 809 KMT
- Record monthly DAP production of 74.50 KMT
- Highest ever daily DAP production of 2,513 MT
- Highest ever Sona DAP sales of 831 KMT
- Annual Environment Plantation Award 2017 by NFEH
- Best Tree Plantation Award 2017 by NFEH

2018

- 25th year of incorporation - 1993-2018 (Silver Jubilee Year)
- 8th Annual Five Safety Award 2018 by NFEH & Fire Protector Association of Pakistan (FPAP)
- Achieved 17 Million Safe Man hours on 11 July, 2018
- 4th International Award in category of “Environment, Health & Safety Performance”
- Acheived highest daily DAP production of 2,523 MT on 7 August, 2018
- Highest ever monthly DAP production of 75,494 MT in August, 2018
- Highest ever monthly Ammonia production of 49,834 MT in August, 2018

VISION

To be the foremost premier organization focused on quality and growth, leading to enhanced stakeholders' value

MISSION

Fauji Fertilizer Bin Qasim Limited is committed to remain amongst the best companies by maintaining the spirit of excellence through sustainable growth while ensuring best practices

CORE VALUES

INTEGRITY
Strong moral compass

TEAMWORK
Growing together for success with Care and Respect for employees, community and country

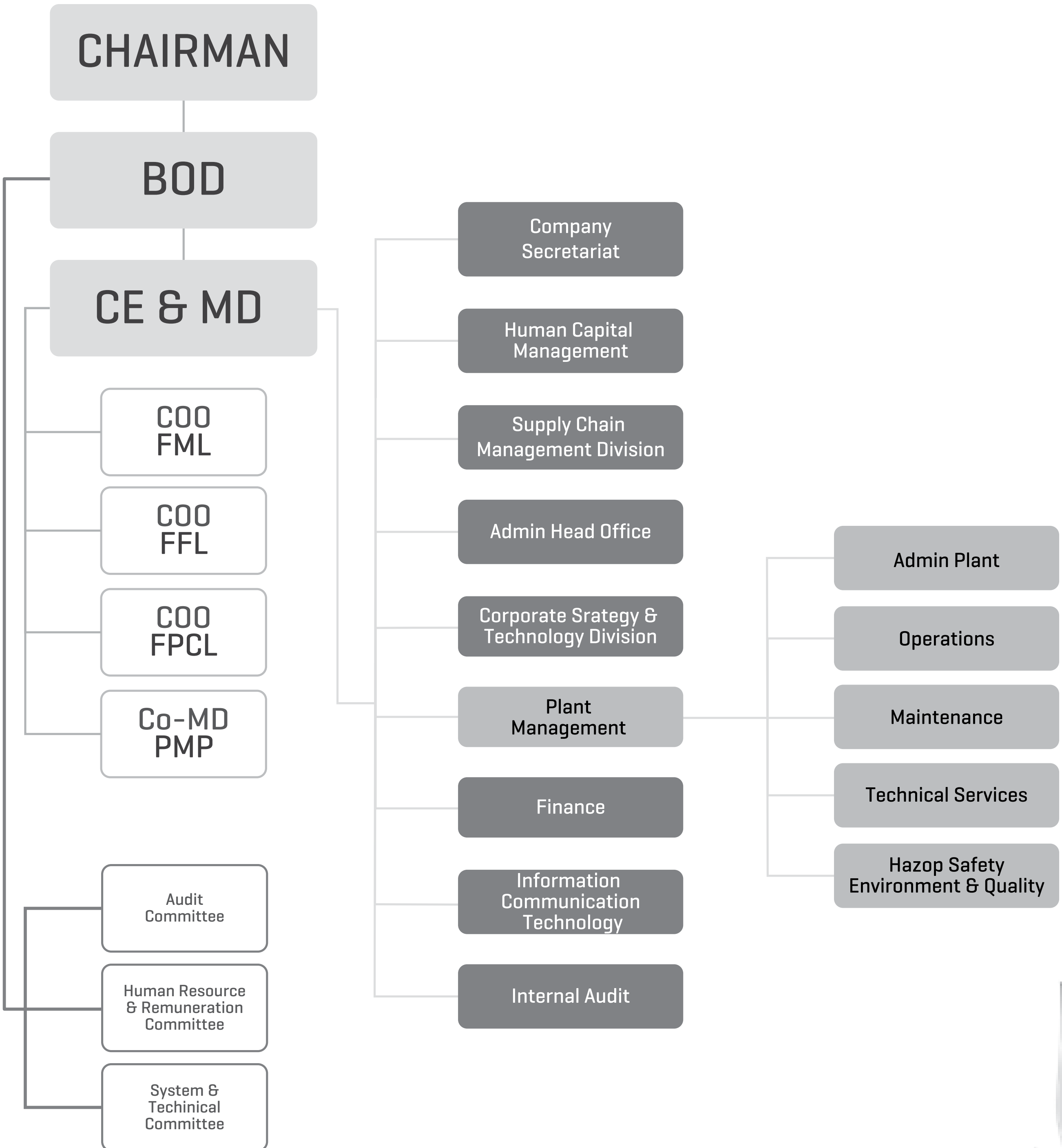
ACCOUNTABILITY
Commitment to deliver

EXCELLENCE
Strive for the best through Innovation and Creativity

GEOGRAPHICAL PRESENCE

LOCATION MAP	
Pakistan	
Rawalpindi/ Islamabad	FFBL Head Office FFBL Foods Head Office FML Head Office FPCL Head Office FWEL - I & II Head Office FCCL Head Office AKBL Head Office
Karachi	FFBL DAP & Urea Plants FML Plant FPCL Plant
Gharo Thatta	FWE - I & II Wind Farm
Pindi Bhattian	Prospective FFBL Foods Plant
Lahore	FFL Marketing Office FFL Head Office
Bhalwal	FFL Plant
Multan	FML Sub Office
Morocco	
Casablanca	PMP Head Office
Jorf Lasfar	PMP Plant

COMPANY STRUCTURE / ORGANOGRAM



COMPANY INFORMATION

Board of Directors

Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retd) - **CHAIRMAN**
Lt Gen Javed Iqbal, HI(M) (Retd) - **CE & MD**
Lt Gen Tariq Khan, HI(M) (Retd)
Dr. Nadeem Inayat
Maj Gen Kaleem Saber Taseer, HI(M) (Retd)
Maj Gen Tahir Ashraf Khan, HI(M) (Retd)
Maj Gen Wasim Sadiq, HI(M) (Retd)
Brig Raja Jahanzeb, SI(M) (Retd)
Mr. Naved A. Khan
Mr. Nasier A. Sheikh
Dr. Rashid Bajwa
Mr. Rehan Laiq

Company Secretary

Brig Syed Mujtaba Tirmizi, SI(M) (Retd)

Chief Financial Officer

Syed Aamir Ahsan

Registered Office: FFBL Tower, C1/C2, Sector B, Jinnah Boulevard, Phase II, DHA Islamabad
Tel : +92 51 8763325, Fax : +92 51 8763304-05
E-mail : secretary@ffbl.com

Plant Site: Plot No. EZ/I/P-1 Eastern Zone, Port Qasim, Karachi 75020
Tel : +92 21 34724500-29, Fax : +92 21 34750704
Email : information@ffbl.com
Web Presence: www.ffbl.com

Shares Registrar: M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.
Tel : +92 42 35839182, +92 42 35916719
Fax : +92 42 35869037

Auditors: EY Ford Rhodes Eagle Plaza, 75 West Fazal-e-Haq Road Blue Area, Islamabad.

Legal Advisors: Orr Dignam & Co Advocates, Marina Heights, 2nd Floor 109 East, Jinnah Avenue Blue Area, Islamabad.

FFBL PROFILE & GROUP STRUCTURE

Fauji Fertilizer Bin Qasim Limited (FFBL) is mainly involved in manufacturing and distribution of chemical fertilizers for the farmers and agriculture sector of Pakistan. FFBL is the only manufacturer of DAP and Granular Urea in Pakistan. Its fertilizer manufacturing complex is located at Port Qasim Karachi, whereas its registered office (Head Office) is in DHA Phase-2 Islamabad. Company is listed on Pakistan Stock Exchange (PSX) since May 14, 1996 and the trade symbol of the company is "FFBL".

Major shareholders of the company are Fauji Foundation (18.29%) a charitable trust incorporated under The Charitable Endowment Act 1890, and Fauji Fertilizer Company (FFC) holds (49.88%) shares of the company. This makes the company part of The Fauji Group which is one of the largest conglomerates of Pakistan and has stakes in fertilizer, cement, power, oil & gas sectors of Pakistan Fauji Group is also involved in foods , oil and grain terminal operations and financial services by owning Askari Bank Limited.

A Board of Directors BoD nominated by FF Group manages the company. BoD consist of three independent directors, seven Non-Executive Directors and the Managing Director of Fauji Foundation chairs it. Company was incorporated in 1993 and commenced its commercial operations in year 2000. It had an installed capacity 1,670 MT /day of Urea and 1,350 MT / day of DAP. Through consistent in-house expansion and upgradation, the company has successfully attained highest levels of 1,920 MT/day of Urea and 2,523 MT/day of DAP.

In 2005, Fauji Group started a Joint Venture with Office Cherifien des Phosphates Group (OCP) and formed a new entity with name of Pakistan Maroc Phosphore S. A (PMP). FFBL has 25% equity holding in PMP and has ensured its continuous supply of Phosphoric Acid P_2O_5 which is a raw material for production of DAP Fertilizer. Company as part of its diversification strategy acquired 21.57% of shares in Askari Bank and 50.59% shares in Fauji Foods Limited (FFL)-formerly Noon Pakistan Limited. FFBL also has diversified in energy sector and has 35 % stakes each in Foundation Wind Energy-I & Foundation Wind Energy-II (FWE-I & II). FFBL has majority stakes in its two unlisted subsidiaries, FFBL Power Company Limited (FPCL) and Fauji Meat Limited (FML), besides its 100% ownership in FFBL Foods Limited.

Fauji Fertilizer Bin Qasim Limited (FFBL)

Subsidiaries

Fauji Food Limited-FFL (Listed on PSX)
FFBL Power Company Limited-FPCL (Unlisted)
Fauji Meat Limited-FML (Unlisted)
FFBL Foods Limited (Unlisted)

Associated Companies

Foundation Wind Energy-I Limited
Foundation Wind Energy-II (Pvt) Limited
Pakistan Maroc Phosphore S. A Morocco
Askari Bank Limited
Fauji Cement Limited

CORPORATE OBJECTIVES

OBJECTIVE 1 - LONG TERM

Maintain operational efficiency, enhance production and maximise profits for stakeholders.

Strategy: Improve the effectiveness and efficiency of our business processes by reducing throughput, simplifying production processes and enhancing value.

Priority: High
Status: Ongoing process – continuous improvements and simplification in production processes.

Opportunities / threats
With balanced and focused management strategies, operational efficiency can be achieved.

OBJECTIVE 2 - MEDIUM/ LONG TERM

Research, develop and invest in new business ventures for sustained economic growth.

Strategy: Identify, evaluate, analyse and undertake diversification within and outside the fertilizer industry.

Priority: High
Status: FFBL has identified quite a few areas of potential business segments and has undertaken strategic investments in the areas of food, financial, power sector and wind energy projects.

Opportunities / threats
Foreign investment in Pakistan is boosting, thereby creating an opportunity for local industry to tap unexplored resources in the economy through joint ventures.

Current trend of growth could be at risk considering shortage of gas, water and power. Diversification in hither to unexplored / under explored fields and new emerging markets could help minimise this risk and ensure organizational growth.

OBJECTIVE 3 - SHORT TERM

Adopt cost saving measures and eliminating redundancies.

Strategy: Resource utilization at an optimum level through strict governance policies and improvement in internal control procedures.

Priority: High
Status: Through focused management strategies, adoption of cost cutting measures, better and planned work flow procedures, continuous employee involvement and encouragement has resulted in reduction in response time and money losses.

Opportunities / threats
A continuous monitoring and evolving process, plans for the year achieved.

OBJECTIVE 4 - SHORT/ MEDIUM TERM

Commitment to maintain highest standards of health, safety and environment.

Strategy: Health, safety and environment is held sacrosanct at all our plants, conforming to the international standards of environment protection and effluent disposal.

Priority: High
Status: Ongoing process – Continuous monitoring and improvements in health, safety and environment standards in order to obtain high standards of operational excellence.

Opportunities / threats
At FFBL, we are committed to maintain a safe and healthy working environment for all our employees.

Our approach to HSEQ (health, safety, environment and quality) is proactive and designed to maintain highest operating standards, oriented towards long term development and occupational safety besides strengthening our employees' physical, mental and social well being.

CORPORATE STRATEGY

- The dynamic corporate strategy of FFBL is to enhance customer satisfaction and earn their respect through continuously providing the highest quality of product by adding value in the long run. We are committed to create value for stakeholders through performance and growth by appropriately utilizing combination of resources and skills with respect to changing market conditions.
- Our strategy is based on profitable and sustainable growth, building on an unrivaled market position and a unique flexible business model. We continue to honour the confidence and trust of our customers, suppliers and the Government. We are committed to contribute heavily in the national economy through diversification and growth to build upon our strengths and competencies.
- FFBL is focused on fostering an inspiring and innovative performance culture based on our vision and mission, code of conduct, ethics, sustained progress and core values. We demonstrate our commitment to employees by promoting and rewarding their efforts based on performance, by creating an environment which builds motivation and reflects our values. We develop leaders at all levels who achieve business results, exhibit our values and lead us to grow and glory.

STRATEGIC GOALS

- Boost agricultural yield
- Lead fertilizer business
- Be an environment friendly and socially responsible Company
- Create new opportunities for business growth and diversification
- Manufacture prime quality products
- Maintain operational, technological and managerial excellence
- Maximise productivity and expand sales
- Eliminate duplication of resources to economise cost
- To carry out research and development based on the market feedback.

CODE OF CONDUCT

Corporate Image
Company's reputation and identity are among the Company's most valuable assets.

Health and Safety
We are all responsible for maintaining a safe workplace by following health and safety rules and practices.

Confidentiality
Every employee is obligated to protect the Company's confidential information, which is proprietary to the Company.

Stakeholders
Stakeholders are valuable equal partners for us with whom a long term, fair and trustworthy relationship is built.

Respect for People and Team Work
We are dedicated through dignity and respect, owe nothing less to each other. We know it well that none of us acting alone can achieve success.

Integrity and Honesty
We earn trust from everyone by maintaining the highest level of corporate integrity through open, honest and fair dealings, .

Dedication to Quality
Our quality policy is an integral part of our business philosophy and we are committed to provide total customer satisfaction.

Legal Compliance
The Company's activities and operations are carried out in strict compliance with all applicable laws and the highest ethical standards.

Unauthorized Use of Corporate Assets
Every employee is obligated to protect the assets of the Company.

Conflict of Interest
All employees must avoid any personal or business influences that affect their ability to act in the best interests of the Company.

Corporate Records
Documents and records of the Company are part of the Company's assets and employees are charged with maintaining their accuracy and safety.

DIRECTORS' PROFILE

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

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

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

Lieutenant General Gilani retired from Pakistan Army in October 2015 and has taken over as MD Fauji Foundation on 10 Jan 2018 and Chairman of the Boards of Directors of following companies:-

- Fauji Fertilizer Bin Qasim Limited
- Fauji Fertilizer Company Limited
- Mari Petroleum Company Limited
- Fauji Cement Company Limited
- Askari Cement Limited
- Askari Bank Limited
- Fauji Kabirwala Power Company Limited
- Fauji Oil Terminal & Distribution Company Limited
- Fauji Trans Terminal Limited
- Foundation Power Company Daharki Limited
- Daharki Power Holdings Limited
- FFC Energy Limited
- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II (Pvt) 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

Lt Gen Javed Iqbal
HI (M), (Retd)
CE & MD

Lt Gen Javed Iqbal (Retd), is the Chief Executive and Managing Director of Fauji Fertilizer Bin Qasim Limited, FFBL Foods Limited, FFBL Power Company Limited, Fauji Foods Limited and Fauji Meat Limited. He joined Pakistan Army on 24 October 1980.The General Officer has a varied experience of Command, Staff and Instructional appointments. He is a graduate of Command and Staff College Quetta, Defence Services Command and Staff College Dhaka (Bangladesh), the Erstwhile National Defence University (Pakistan) and Royal College of Defence Studies (United Kingdom). He also holds Master degrees in War Studies and International Studies from NDU Islamabad and Kings College London respectively. He has served as Military Advisor to Permanent Representative of Pakistan to United Nations Headquarters New York. The General has commanded two Infantry Battalions and two Infantry Brigades. He has commanded an Infantry Division employed in Law Enforcement Operations in Swat. While commanding the division in Swat, he was wounded in operations. He has commanded a deployed Corps of Pakistan Army. He also has the honour of being the president of NDU, an internationally renowned institution of Pakistan.

He has been a frequent guest speaker on numerous international seminars and conferences on counter insurgency, disaster response, humanitarian assistance and civil - military coordination aspects.

Besides being Director and Chairman of Management Committee of Pakistan Maroc Phosphore (PMP) Morocco, he is also on the Board of Foundation Wind Energy-I Limited, Foundation Wind Energy-II (Pvt) Limited, Askari Bank Limited and Chairman of Human Resource and Remuneration Committee of Askari Bank.

DIRECTORS' PROFILE

Lt Gen Tariq Khan
HI(M), (Retd)
Non-Executive Director

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

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

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

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

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

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

Dr. Nadeem Inayat
Non-Executive Director

He holds a Doctorate in Economics and has over 35 years of diversified domestic as well as international experience in the financial sector. He has vast experience in corporate governance, policy formulation and deployment, project appraisal, implementation, monitoring & evaluation, restructuring and collaboration with donor agencies. He is heading the investment portfolio of the Fauji Foundation as Director Investment.

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).

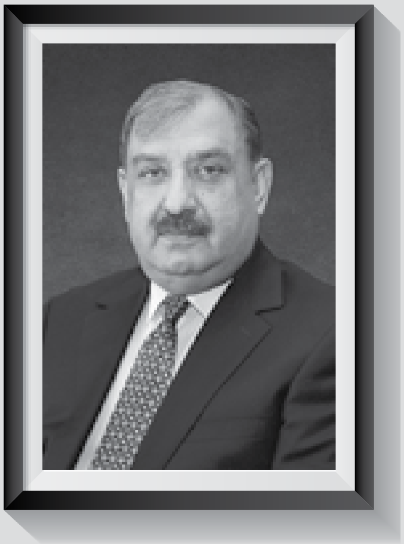
Directorship- In Public Listed Companies:

1. Fauji Fertilizer Company Limited.
2. Fauji Fertilizer Bin Qasim Limited.
3. Askari Bank Limited.
4. Fauji Cement Company Limited.
5. Mari Petroleum Company Limited.
6. Fauji Foods Limited.

Directorship - In Non Listed Companies

1. Pakistan Maroc Phosphore, S.A Morocco
2. Fauji Oil Terminal & Distribution Company Limited
3. Fauji Akbar Portia Marine Terminal Limited
4. Askari Cement Limited
5. Dharki Power Holding Limited
6. Foundation Wind Energy I Limited
7. Foundation Wind Energy II (Pvt) Limited
8. FFBL Power Company Limited
9. FFBL Foods Limited
10. Fauji Meat Limited
11. Fauji Fresh n Freeze Limited
12. Fauji Infraavest Foods Limited
13. Fauji Trans Terminal Limited
14. Foundation Solar Power (Pvt) Limited

DIRECTORS' PROFILE



Maj Gen Kaleem Saber Taseer
HI (M), (Retd)
Non-Executive Director

Major General Kaleem Saber Taseer (Retd), is Director Welfare (Education) of Fauji Foundation.

He is graduate of Command & Staff College Quetta, Canadian Forces Command and Staff College Toronto, Canada and National Defence University Islamabad. He also attended International Symposium in National Defence University Changping, Beijing, China.

He has held various Command and Staff appointments to include Director Military Operations, General Headquarters, Rawalpindi and command of Strategic Force South. In recognition of his meritorious services, he was awarded Hilal-e-Imtiaz (Military).

He is also member of Board of Directors of:-

1. Fauji Oil Terminal and Distribution Company Limited.
2. Fauji Meat Limited.

Maj Gen Tahir Ashraf Khan
HI (M), (Retd)
Non-Executive Director

Commissioned in 23rd Battalion of Baloch Regiment in April 1978. Has vast experience of Command, Staff and Instructional appointments. A graduate of Command & Staff College, Armed Forces War College (National Defence University) and US Army War College. Holds Masters Degree in Strategic Studies from USA and War Studies. Commanded his parental unit at Gyong Sector of Siachen Glacier, an Infantry Brigade deployed along the Line of Control, an Independent Infantry Brigade and an Infantry Division.

Other major appointments held include Instructor at the School of Military Intelligence, Brigade Major of an Infantry Brigade, United Nations Military Observer in Bosnia Herzegovina, Directing Staff at the Command & Staff College and Armed Forces War College. Has been Chief of Staff of a Corps deployed along the Line of Control and Director General Operations & Plans at the Joint Staff Headquarters. Retired as Director General Defence Export Promotion Organisation.

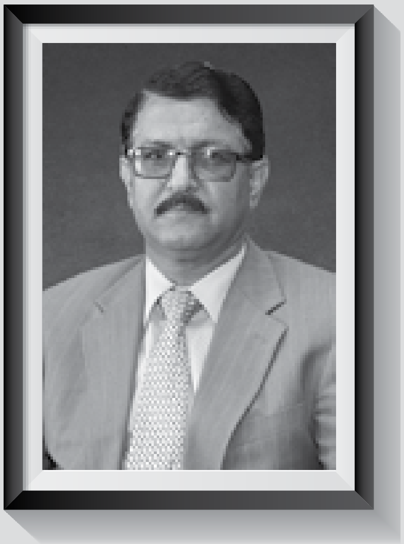
Presently is member of Central Board of Directors of Fauji Foundation and some other associated companies.

DIRECTORS' PROFILE

Maj Gen Wasim Sadiq
HI(M), (Retd)
Non-Executive Director

Major General Wasim Sadiq (Retd), was commissioned in Pakistan Army in October 1979 in Baloch Regiment. The General Officer has a vast experience of Command, staff and instructional appointments during a career spanning over 36 years. A graduate of National Defence University, Islamabad beside Turkish War Academy. He has the honour to command the only Strike Division of Pakistan Army. Has commanded a Logistic Area too and served as Vice Chief of Logistic Staff in General Headquarters. He has been serving on the Board of Directors of Fauji Fertilizer Bin Qasim Limited since June 2017.

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



Brig Raja Jahanzeb
SI (M), (Retd)
Non-Executive Director

Brig Raja Jahanzeb (Retd), is Director Human Resources & Administration of Fauji Foundation. He is graduate of National Defence University Islamabad & Command and Staff College Quetta. He served on varied command and staff appointments in Army and United Nations Headquarters New York. He is a member of Board of Directors of Fauji Foundation including Pakistan Maroc Phosphore SA, Fauji Fertilizer Bin Qasim Limited and FFBL Foods Limited.

DIRECTORS' PROFILE

Mr. Naved A. Khan
Independent Director

Naved A. Khan has over 30 years of work experience with 27 years of broad based banking experience. He recently set up a Foundation after his late wife by the name of Sharmeen Khan Memorial Foundation. Prior to this he served as the President & Chief Executive Officer of Faysal Bank Limited and ABN Amro Bank, Pakistan Limited. He also served in senior management positions in Bank of America, Pakistan.

He holds a Bachelor of Science Degree from Indiana University, USA and a Master of Business Administration degree from Butler University, USA.

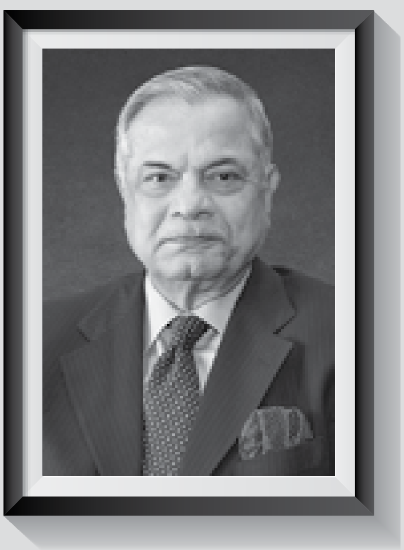
Naved A. Khan is a certified director from Pakistan Institute of Corporate Governance.

Currently serving as:

1. Chief Executive and Chairman of Sharmeen Khan Memorial Foundation
2. Member of the Board of Karachi Shipyard and Engineering Works
3. Member of the Board of Fauji Fertilizer Bin Qasim
4. Member of the Board of Dubai Islamic Bank
5. Member of the Board of Galiyat Development Authority, KPK
6. Member of the Board of NRSP Microfinance Bank Limited
7. Member of the Board of AGP Private Limited
8. Member of the Board of Bahria Foundation
9. Member of Board Gas & Oil Company Pakistan (GO)
10. Chairman of the Board of Directors of Pakistan Microfinance Investment Company Limited (PMIC)

Key Positions held:

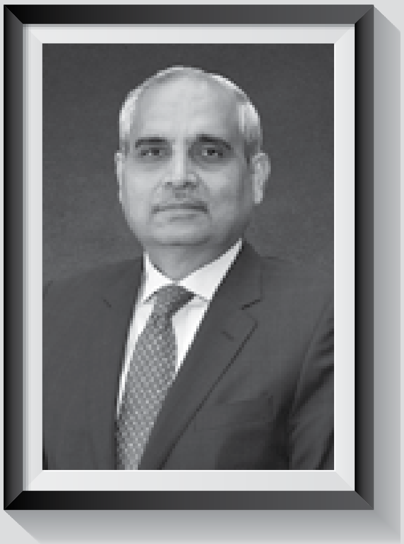
1. President & CEO of ABN Amro Bank from 2001 to 2008
2. President & CEO of Faysal Bank Limited from 2008 to 2014
3. President of Overseas Investors Chambers of Commerce and Industry (OICCI) for the year 2011
4. Chairman of Pakistan Banks Association for the year 2006 & 2007
5. Chairman of Pakistan Banks Association Sub Committee of Consumer Finance
6. Chairman of the Board of Directors, Faysal Asset Management Limited for the year 2014
7. Chairman of Academic Board, Institute of Bankers Pakistan from 2008 to 2014
8. President of Rotary Club of Karachi Metropolitan for the year 2008
9. Vice President of Institute of Bankers Pakistan from 2008 to 2014
10. Member of the Institute of Bankers' Council from 2007 to 2014



Mr. Nasier A. Sheikh
Independent Director

Nasier A. Sheikh is Law Graduate from Punjab University, Lahore and has over 40 year experience in Banking/Financial Sector in local as well as International Banks. He has held various high profile positions in the Banks in Sri-Lanka, UAE and Pakistan and rose to SEVP - No 2 position in Askari Bank Limited, before taking over another group Company of AWT, Askari Leasing Limited as CEO. During his five years tenure with the Company, he achieved a complete turnaround of the Company from a loss making entity to a highly profitable entity, taking it to be the 2nd largest leasing Company in Pakistan. He was also Director/ Chairman of Audit Committee of Askari Insurance Limited, another group Company of AWT. In February 2008, he was appointed as Administrator of Natover Leasing Limited by SECP, after superseding its Board of Directors, and restraining the CEO of the Company under Sec. 282 of Companies Ordinance 1984, to run the affairs of the company, a task he performed successfully till February 2010. In addition to being a Director on the FFBL Board, he is also the Chairman of Audit Committee.

DIRECTORS' PROFILE



Dr. Rashid Bajwa
Independent Director

Dr. Rashid Bajwa is the CEO of NRSP; Pakistan's largest not for profit organization working with 7.5 million small landholders and landless farmers to improve yields and quality of their products. Mr. Bajwa has also successfully transformed part of the NRSP MFI portfolio to a regulated entity known as NRSP MF Bank Limited. The Bank has international investors including IFC, KFW and ACUMEN Fund. He has been the Chairman Pakistan Micro Finance Network (PMN), the sole association of the MF industry for the last 9 years and is currently honorary Chair of PMN's policy committee. Dr. Bajwa has worked as Senior Advisor of Khushaali Bank Pakistan from 2000 to 2003. He is an Ex Member of Civil Service of Pakistan (DMG) 1986 – 93 and has worked at different levels of the Government viz Deputy Chief, Planning & Development, Northern Areas and Assistant Commissioner/Deputy Commissioner from 1988 to 1993. He joined FFBL as a Director with effect from 26th Aug 2010. He is also director of Fauji Foods Limited. He holds an MPH from the University of Leeds, UK.

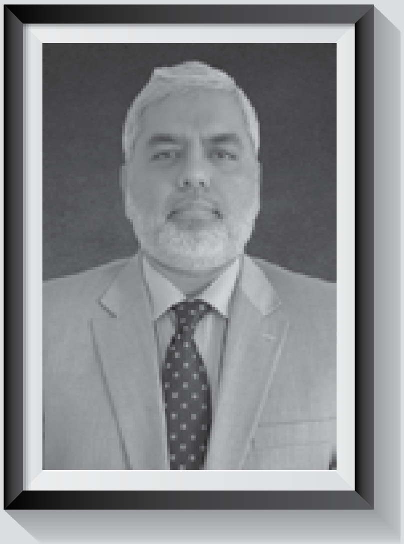
Mr. Rehan Laiq
Non-Executive Director

Mr. Rehan Laiq joined Fauji Foundation in October 2018 as Additional Director Finance. He is a qualified Chartered Accountant (FCA) with over 22 years of proven track record in developing business strategies, delivering results, developing organizational capability of infrastructure and acquisitions.

Mr. Rehan Laiq started his career with Price Waterhouse Coopers in 1989, and held senior management positions in the fields of Finance Management with M/S Mobilink, M/S Schlumberger and OGDCL as Executive Director (Finance). He carries vast international experience of Financial Management at a senior level in his career with Schlumberger in multiple countries of Middle East, Asia, Russia and North America.

He brings with him diverse experience of policy compliance, management reporting, external and internal transformation (e.g optimum utilization resources for the business) and analytical business support to ensure profit maximization.

DIRECTORS' PROFILE



Syed Aamir Ahsan
Chief Financial Officer / General Manager (Finance)

He is Chief Financial Officer in FFBL, FPCL, FML and FFBL Foods Limited. He is a graduate from the University of South Florida and Certified Public Accountant (CPA) from the University of Illinois, USA. He has a rich professional experience of over 32 years with 26 years in fertilizer business in Pakistan. After returning from USA, he joined Engro Chemical Pakistan Limited and served with them in various capacities from 1993 to 2002. He joined FFBL in 2002 and in his role as Chief Financial Officer, he successfully managed financial restructuring of FFBL with GoP in his early days with the Company and all financial feasibilities and project phase of Pakistan Maroc Phosphore, S.A (PMP). He has extensive experience of managing finances, budget, tax planning, investor relations, project development, project financing, mergers and acquisitions and audits. He also plays a leading role in information technology, operations and HR teams. He has been extensively involved in developing and execution of various diversification projects of FFBL in the areas of Coal Power Project, Halal Meat Abattoir and acquisition of M/s. Noon Pakistan Limited in the dairy sector. He is on the Board of following entities as non-executive director:-

- Fauji Meat Limited
- FFBL Power Company Limited
- FFBL Foods Limited

Brig Syed Mujtaba Tirmizi SI (M), (Retd)
Company Secretary

Brig Syed Mujtaba Tirmizi (Retd) had a distinguished career in Pakistan Army for the last 30 years in different capacities. He has vast experience in Training Management & Media Industries. He not only holds MS Degrees in Media Studies & TV Production but also Masters in Urdu Literature.

He has been awarded numerous Honors & Awards which includes, Sitara-e-Imtiaz Military in 2016, CJCSC / COAS commendation cards in 2008 and COAS commendation card in 1993, apart from UN Force Commander Commendation Card for displaying of Bravery and Sacrifice in 1992.

He has held portfolios as Head of FFBL Institute of Executive Leadership and Development (FIELD) and Corporate Development Division (CDD). He currently holds the positions of Company Secretary FFBL and GM Coordination of FFBL Group.

Brigadier's other major appointments were Director HR in HRD Directorate GHQ, Director ISPR and Director Media in 9th SAF Games.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held at 1100 hrs on March 29, 2019 at **Imperial Hall, Jacaranda Family Club, Sector E, Phase - II, DHA, Islamabad** to transact the following business:

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on 23 May 2018.
2. To receive, consider and approve the Audited Accounts of the Company (separate and consolidated) together with the Directors' and Auditors' reports thereon for the year ended 31 December 2018.
3. To appoint auditor of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration. The retiring auditors M/s EY Ford Rhodes, Chartered Accountants have offered themselves for re-appointment.
4. To approve payment of final dividend for the year ended 31 December 2018 as recommended by the Board of Directors.

SPECIAL BUSINESS

5. To pass the following resolutions as Special Resolutions with or without any amendments, modifications or alterations:

   "RESOLVED THAT the Company be and is hereby authorized to invest in, and provide sponsor support to, Fauji Foods Limited. ("FFL") in the total amount not exceeding Rs. 3,000,000,000/- (Rupees Three Billion Only) through either, or a combination of, a subordinated shareholder loan or collateral support for a period not exceeding one (1) year (including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien) as security for working capital facilities extended or to be extended by financial institutions to FFL, or in any other form. Without limiting the generality of the foregoing, the Company be and is hereby authorised to:

   i. Provide a subordinated shareholder loan to FFL, to be disbursed in one or more tranches over a period of one (1) year, with each such tranche to be repaid by FFL, subject to the terms of subordination and to approval of FFL's lenders as required, within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without any pre-payment penalty.

   ii. Charge interest or mark up on each such tranche of the subordinated shareholder loan from the date of disbursement to the date of repayment at a rate which shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis.

   iii. Provide collateral support including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien.

   iv. Charge and recover from FFL a fee (the "Collateral Fee") on quarterly basis, equal to a maximum of one point five percent (1.5%) per annum, for the period from the date on which such cash deposit is made, or any guarantee or letter of credit is furnished, until the date when the lien over the relevant deposit, or the relevant guarantee or letter of credit, is released, provided that if and to the extent that such deposit is forfeited as a result of enforcement of the lien, or the relevant guarantee or letter of credit is drawn on, then from that date onwards until the Company recovers from FFL the full principal amount of the cash deposit so forfeited, or of the guarantee or letter of credit so drawn on, and without prejudice to the Company's right to recover from FFL the said principal amount, the Collateral Fee shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis.

   FURTHER RESOLVED THAT the Company do all such acts, deeds and things as may be necessary and/or expedient for the aforesaid purposes or in furtherance thereof including, without limitation, to enter into and deliver and implement any and all contracts, instruments, powers of attorney, notices, certificates, documents (of whatever nature and description including, without limitation the sponsor

NOTICE OF ANNUAL GENERAL MEETING

support agreement to be entered between the Company and FFL and any counter-indemnity agreements (collectively, "Related Contracts") with the relevant financial institution(s), and with FFL, as may be necessary or expedient for the purpose.

FURTHER RESOLVED THAT the Managing Director, Company Secretary and Chief Financial Officer, or such one or more other persons as the Managing Director may from time to time specially designate for the purpose, be and are hereby authorized to singly or jointly to take any and all necessary steps and actions for implementing the above resolutions, including, without limitation, to seek any and all consents and approvals, to execute and (where required) file the Related Contracts and all other necessary documents, declarations, certificates and undertakings and to appear and make representations before any regulatory or other authority, as may be necessary or conducive for and in connection with any of the foregoing matters and to sign, issue and dispatch all such documents and notices and do such acts as may be necessary for carrying out the aforesaid purposes and giving full effect to the above resolutions, including entering the details of any investments made by the Company in FFL in the register of investment in associated companies maintained at the Company's registered office; provided that if the Company seal is affixed unto any such document or instrument, the same shall be executed on behalf of the Company by the Managing Director.

FURTHER RESOLVED THAT the Managing Director, Company Secretary and Chief Financial Officer of the Company be and are hereby authorized to delegate, in writing, by power of attorney or otherwise, all or any of the above powers in respect of the foregoing to any other officials of the Company as deemed appropriate.

OTHER BUSINESS:

6. Any other business with the permission of the Chairman.

By Order of the Board
Fauji Fertilizer Bin Qasim Limited

Brig Syed Mujtaba Tirmizi, SI(M), (Retd)
Company Secretary
Islamabad
March 04, 2019

Statement under Section 134 of the Companies Act, 2017

Investment in Fauji Foods Limited (FFL)

The purpose of the proposed investment is to meet the working capital and operational expenses requirements of FFL, whose financial position does not allow it to meet such requirements out of its own, limited cash resources.

To this end, the Company intends to provide sponsor support to FFL in the total amount not exceeding Rs. 3,000,000,000/- (Rupees Three Billion Only) through either, or a combination of, a subordinated shareholder loan or collateral support for a period not exceeding one (1) year (including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien) as security for working capital facilities extended or to be extended by financial institutions to FFL, or in any other form. Without limiting the generality of the foregoing, the Company intends to:

i. Provide a subordinated shareholder loan to FFL, to be disbursed in one or more tranches over a period of one (1) year, with each such tranche to be repaid by FFL, subject to the terms of subordination and to approval of FFL's lenders as required, within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without any pre-payment penalty.

ii. Charge interest or mark-up on each such tranche of the subordinated shareholder loan from the date of disbursement to the date of repayment at a rate which shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis.

iii. Provide collateral support including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien.

iv. Charge and recover from FFL a fee (the "Collateral Fee") on quarterly basis, equal to a maximum of one point five percent (1.5%) per annum, for the period from the date on which such cash deposit is made, or any guarantee or letter of credit is furnished, until the date when the lien over the relevant deposit, or the relevant guarantee or letter of credit, is released, provided that if and to the extent that such deposit is forfeited as a result of enforcement of the lien, or the relevant guarantee or letter of credit is drawn on, then from that date onwards until the Company recovers from FFL the full principal amount of the cash deposit so forfeited, or of the guarantee or letter of credit so drawn on, and without prejudice to the Company's right to recover from FFL the said principal amount, the Collateral Fee shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis.

It is expected that the investment and sponsor support will result in improvement in the financial condition of FFL. Being the majority shareholder of FFL, the improvement in the financial condition of FFL will have a positive impact on the Company.

The Directors of the Company have no interest other than that Fauji Foundation and the Company are, respectively, an associated undertaking and a holding company, of FFL.

Information pursuant to Regulation 3(a) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Name of associated company along with criteria based on which the associated relationship is established	Fauji Foods Limited (FFL) Fauji Fertilizer Bin Qasim Limited (the "Company") holds 50.59% of the issued and paid-up capital of FFL
Earnings per share for the last three years	Year / EPS: 2018: -5.39 2017: -9.22 2016: -5.94
Break-up value per share, based on latest audited financial statements	Rs. 4.05/- Per Share
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Long term Loans Rs. 4,595,298,654/- Property Plant & Equipment Rs. 7,953,143,603/- Short term borrowings Rs. 4,991,083,521/- Sales Rs. 8,094,123,091/- Cost of Sales Rs. 7,711,019,879/- Loss Rs. 2,849,238,602/-
In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, i) description of the project and its history since conceptualization ii) starting date and expected date of completion of work iii) time by which such project shall become commercially operational iv) expected time by which the project shall start paying return on investment v) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	Not Applicable.

NOTICE OF ANNUAL GENERAL MEETING

General Disclosures:	
Maximum amount of investment to be made	Maximum amount of investment is Rs. 3 billion
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	The purpose of the proposed investment is to meet the working capital and operational expenses requirements of FFL, whose financial position does not allow it to meet such requirements out of its own, limited cash resources. It is expected that the investment will result in improvement in the financial condition of FFL. Being the majority shareholder of FFL, the improvement in the financial condition of FFL will have a positive impact on the Company.
Sources of funds to be utilized for investment where the investment is intended to be made using borrowed funds, (i) justification for investment through borrowings; (ii) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (iii) cost benefit analysis	Companies' own resources/Internal Cash Generations
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	The Company and FFL will enter into a sponsor support and counter-indemnity, or subordinated shareholder loan agreement, which shall specify the nature, purpose and period (not exceeding one (1) year) of the subordinated loan or sponsor support to be furnished by the Company to FFL; the amount and due dates for repayment of the loan; the terms of subordination of the loan (which will be subordinated to FFL's indebtedness to secured lenders); a commitment and indemnity by FFL to the Company to repay the loan (subject to the terms of subordination) on the due dates; as well as the terms on which the Company will provide collateral support to FFL. The key commercial terms that will be covered in the agreement will be as follows: The Company will invest in, and provide sponsor support to, FFL in the total amount not exceeding Rs. 3,000,000,000/- (Rupees Three Billion Only) through either, or a combination of, a subordinated shareholder loan or collateral support for a period not exceeding one (1) year (including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien) as security for working capital facilities extended or to be extended by financial institutions to FFL, or in any other form. Without limiting the generality of the foregoing, the Company will:

NOTICE OF ANNUAL GENERAL MEETING

	i. Provide a subordinated shareholder loan to FFL, to be disbursed in one or more tranches over a period of one (1) year, with each such tranche to be repaid by FFL, subject to the terms of subordination and to approval of FFL's lenders as required, within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without any pre-payment penalty. ii. Charge interest on each such tranche of the subordinated shareholder loan from the date of disbursement to the date of repayment at a rate which shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis. iii. Provide collateral support including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien. iv. Charge and recover from FFL a fee (the "Collateral Fee") on quarterly basis, equal to a maximum of one point five percent (1.5%) per annum, for the period from the date on which such cash deposit is made, or any guarantee or letter of credit is furnished, until the date when the lien over the relevant deposit, or the relevant guarantee or letter of credit, is released, provided that if and to the extent that such deposit is forfeited as a result of enforcement of the lien, or the relevant guarantee or letter of credit is drawn on, then from that date onwards until the Company recovers from FFL the full principal amount of the cash deposit so forfeited, or of the guarantee or letter of credit so drawn on, and without prejudice to the Company's right to recover from FFL the said principal amount, the Collateral Fee shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis.
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Nothing other than as a shareholder
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs	Sales in accounting Year 2018 has increased 16% as compared to last year, The Company has concentrated on liquid products as compared to Non Liquid products which have worked with increased market share of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Any other important details necessary for the members to understand the transaction	The terms of subordination will be finalized with the lenders, which may affect the interest rate to be charged by FFBL to FFL and the repayment of the loan. However, it is expected that the rate of mark-up charged will not be less than the borrowing cost of FFBL. Repayment of both the principal and markup payable by FFL will be subordinated to principal/markup/interest and other payments due to FFL's secured lenders under the terms of FFL's senior debt, which has a term of up to 5 years. The subordinated shareholder loan shall constitute unsecured indebtedness of FFL, ranking in payment and upon liquidated subordinate to FFL's secured debt obligations but senior to any dividend or other distributions. FFBL and FFL will have to comply with theterms of subordination and other conditions prescribed by FFL's and FFBL's secured lenders as a condition of allowing FFL to avail the subordinated shareholder loan.

Information pursuant to Regulation 3(c) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Information Required	Information Provided
Category wise amount of investment	The Company will grant a subordinated shareholder loan and / or other sponsor support of Rs. 3 billion to FFL.
Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for *Shariah* compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	3 Months KIBOR +100 Basis Points
Rate of interest, mark up, profit, fees or commission etc. to be charged	Interest will be charged on each tranche of the subordinated loan at a rate which shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis. In respect of collateral and other sponsor support, FFBL will charge and recover from FFL the Collateral Fee, equal to a maximum of one point five percent (1.5%) per annum, for the period from the date on which such cash deposit is made, or any guarantee or letter of credit is furnished, until the date when the lien over the relevant deposit, or the relevant guarantee or letter of credit, is released, provided that if and to the extent that such deposit is forfeited as a result of enforcement of the lien, or the relevant guarantee or letter of credit is drawn on, then from that date onwards until the Company recovers from FFL the full principal amount of the cash deposit so forfeited, or of the guarantee or letter of credit so drawn on, and without prejudice to the Company's right to recover from FFL the

NOTICE OF ANNUAL GENERAL MEETING

	said principal amount, the Collateral Fee shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis.
Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	No security over assets of FFL will be obtained but the agreement will include a commitment and indemnity by FFL to the Company to pay the loan along with any interest that has accrued at the times and in the amount mentioned therein, subject to the terms of subordination. Further, in respect of collateral or other sponsor support provided by FFBL to FFL the Company will charge and recover from FFL the Collateral Fee in the manner set out above.
If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not applicable.
Repayment schedule and terms of loans or advances to be given to the investee company	Repayment of each such tranche of the subordinated loan, subject to the terms of subordination and approval of FFL's lenders as required, shall be within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without repayment penalty. Likewise, any collateral or other sponsor support provided by the Company shall be for a period of one (1) year only.

Information pursuant to Regulation 4 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

The following sponsors and directors of the Company are also members of FFL:

- Fauji Foundation
- Lt Gen Syed Tariq Nadeem Gilani (Retd)
- Lt Gen Javed Iqbal (Retd)
- Lt Gen Tariq Khan (Retd)
- Dr. Nadeem Inayat
- Mr Rehan Laiq

Declaration pursuant to Section 199(2) of the Companies Act, 2017 and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

The Directors certify to the members of the Company that they have carried out necessary due diligence for the proposed investment before recommending it for members' approval.

The duly signed recommendations of the due diligence report together with the latest audited financial statements of FFL shall be made available to the members for inspection in the AGM.

NOTICE OF ANNUAL GENERAL MEETING

CLOSURE OF SHARE TRANSFER BOOKS

Share transfer books of the Company will remain closed from March 20, 2019 to March 29, 2019 (both days inclusive) for the purpose of holding the Annual General Meeting.

NOTES

1. A member of the Company entitled to attend and vote at the General Meeting may appoint a person/ representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's registered office duly stamped and signed not later than 48 hours before the time of holding meeting. A member cannot appoint more than one proxy. Attested copy of shareholder's CNIC must be attached with the proxy form.

2. The CDC/sub account holders are required to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan contained in Circular No. 1 of 2000 dated January 26, 2000:-

   (a) For attending the meeting

   i. In case of individuals, the account holder or sub-account holder shall authenticate his/ her identity by showing his / her original national identity card or original passport at the time of attending the meeting.

   ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

   (b) For appointing proxies

   i. In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.

   ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers 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 the meeting.

   v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted to the Company along with proxy form.

3. Members are requested to promptly notify changes, if any, in their registered addresses.

4. Securities and Exchange Commission of Pakistan (SECP) has made it mandatory to disburse dividend amount through electronic mode. Therefore, shareholders, who have not provided details of their bank accounts, are requested to provide complete details of their valid IBAN bank accounts (containing 24 digits) enabling us to transfer the dividend amount directly into their bank accounts. CDC shareholders are required to have their IBAN bank account details updated with their respective participants whereas physical shareholders should send information to the Company or our Share Registrar. Shareholders are requested to quote company name and folio number in correspondence

5. As per clear direction of SECP, CNIC number is mandatory for transfer/issuance of dividend amount. The shareholders, who have yet not submitted copy of their CNIC, are once again requested to submit the copy of their valid CNIC (CDC account holders to respective member Stock Exchange and physical shareholders to our Shares Registrar).

6. For any query/problem/information, the investors may contact the company and/or the Share Registrar at the following phone numbers and email address:

   Fauji Fertilizer Bin Qasim Limited
   FFBL Tower, C1/C2, Sector-B, Jinnah Boulevard,
   Phase-II, DHA, Islamabad.
   Tel : +92 51 8763325,
   Fax : +92 51 8763304-05
   E-mail: shares@ffbl.com

   Shares Registrar:
   M/s Corplink (Pvt) Limited, Wings Arcade,
   1-K, Commercial, Model Town, Lahore,
   Tel : +92 42 35839182, 35916719,
   E-mail: corplink786@gmail.com

NOTICE OF ANNUAL GENERAL MEETING

7. E-Voting

   Members can exercise their right to demand a poll subject to meeting requirements of Sections 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

8. Consent for Video Conference Facility

   Members can also avail video conference facility in Karachi and Lahore. In this regard please fill the following and submit to registered address of the Company 10 days before holding the general meeting.

   If the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

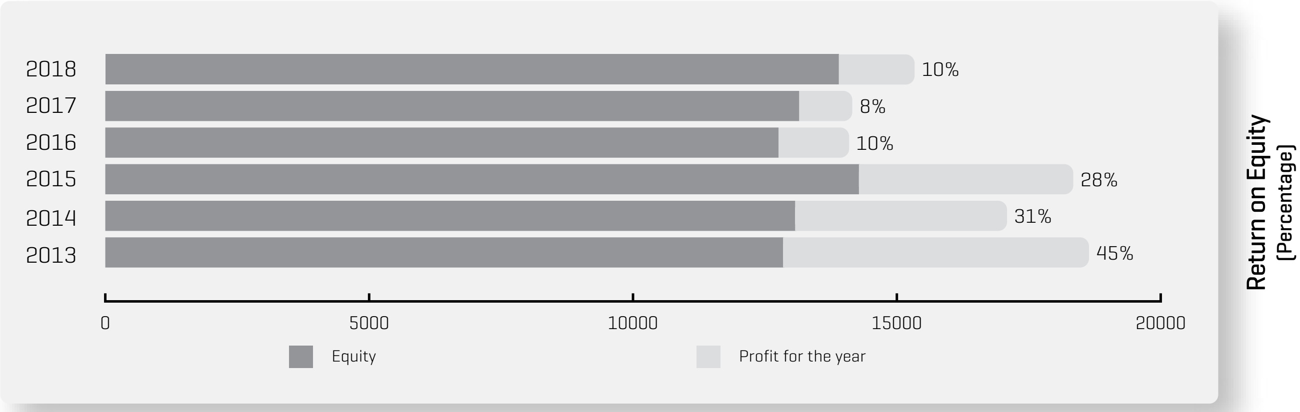
The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting alongwith complete information necessary to enable them to access such facility.

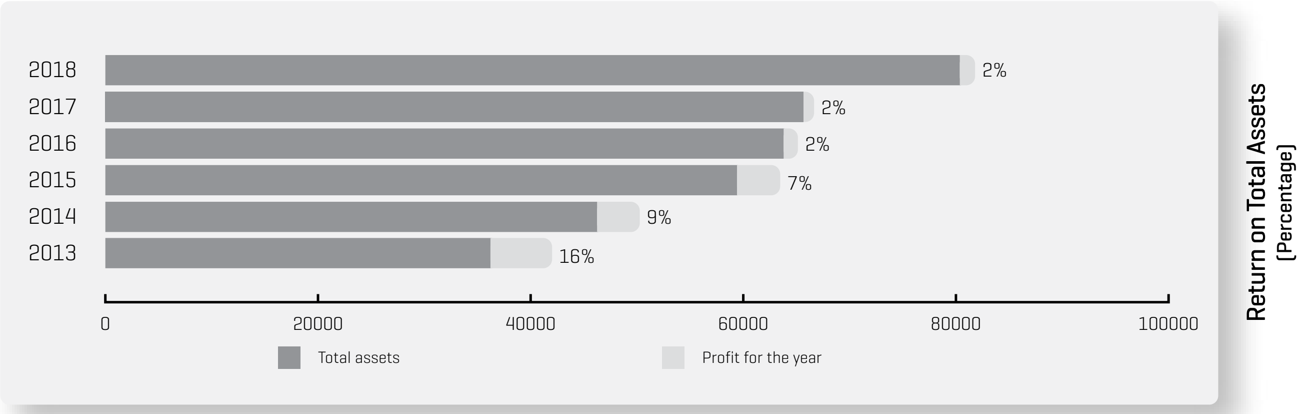
I/We,________________________________ of ___________________, being a member of Fauji Fertilizer Bin Qasim Limited, holder of ________________ Ordinary Share(s) as per Register Folio / CDC Account No ______________ hereby opt for video conference facility at ______________.

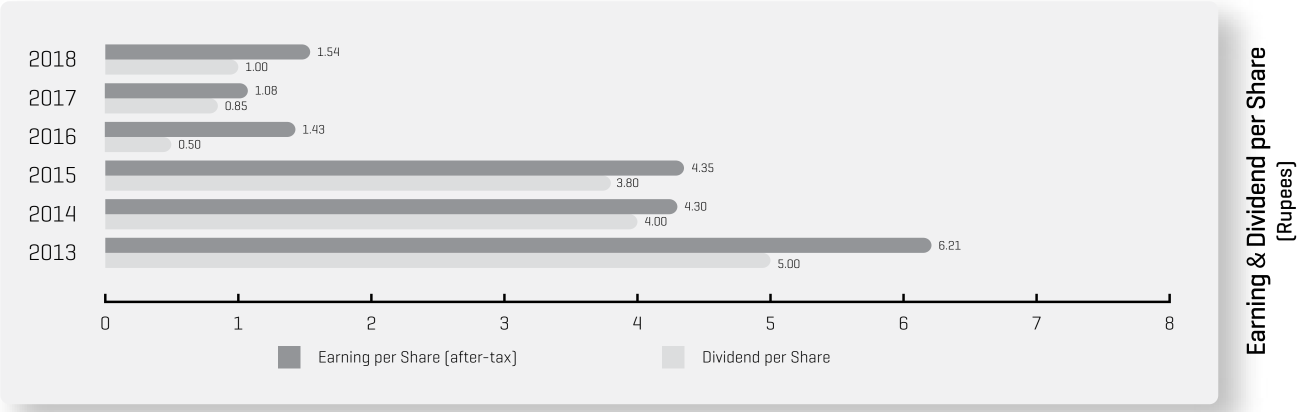
____

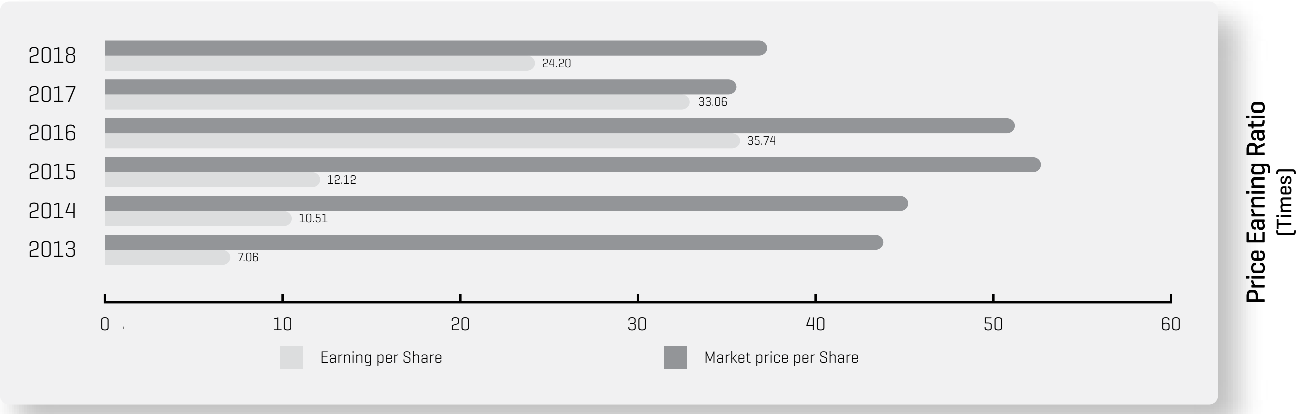
Signature of member

FINANCIAL HIGHLIGHTS









FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE		2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross profit ratio	(%)	**13.30**	11.43	2.71	13.83	22.43	26.65
EBITDA margin to sales	(%)	**9.21**	9.45	11.70	16.58	17.14	21.01
Operating leverage ratio		**0.17**	0.30	0.27	0.18	0.25	0.28
Net profit to sales	(%)	**2.34**	1.90	2.97	7.78	8.12	10.65
Return on equity	(%)	**10.34**	7.64	10.49	28.44	30.73	45.15
Return on capital employed	(%)	**4.64**	3.46	4.57	17.17	17.41	43.18
Liquidity Ratios							
Current ratio	(Times)	**0.88**	0.84	0.98	0.89	1.10	0.73
Quick / Acid test ratio	(Times)	**0.71**	0.71	0.82	0.67	0.90	0.56
Cash and cash equivalent to current liabilities	(Times)	**0.30**	0.48	0.48	0.41	0.72	0.40
Cash flow from operating activities to sales	(%)	**(0.11)**	0.23	(0.01)	(0.12)	17.20	18.25
Activity / Turnover Ratios							
Inventory turnover	(Times)	**14.20**	21.82	12.55	14.73	28.55	13.30
Inventory turnover	(Days)	**26**	17	29	25	13	27
Debtors turnover	(Times)	**18.30**	23.29	19.79	41.90	32.21	26.74
Debtors turnover	(Days)	**20**	16	18	9	11	14
Creditors turnover	(Times)	**2.57**	3.66	4.88	5.27	6.00	6.83
Creditors turnover	(Days)	**142**	100	75	69	61	53
Total assets turnover	(Times)	**0.77**	0.80	0.71	0.88	1.07	1.50
Fixed assets turnover	(Times)	**6.31**	5.06	3.98	4.30	4.05	4.17
Operating cycle	(Days)	**(96)**	(67)	(27)	(36)	(37)	(12)
Investment / Market Ratios							
Earnings per share (pre-tax)	(Rs)	**1.94**	1.54	1.71	5.76	6.19	9.14
Earnings per share (after-tax)	(Rs)	**1.54**	1.08	1.43	4.35	4.30	6.21
Price earning ratio	(Times)	**24.19**	33.06	35.74	12.12	10.51	7.06
Dividend yield ratio	(%)	**2.68**	2.39	0.98	7.21	8.85	11.41
Dividend payout ratio	(%)	**64.89**	79.06	34.90	87.39	93.03	83.19
Dividend cover ratio	(%)	**154.10**	126.49	286.54	114.42	107.49	124.14
Dividend per share - Interim	(Rs)	**-**	0.10	-	0.75	1.75	2.75
Dividend per share - Proposed Final	(Rs)	**1.00**	0.75	0.50	3.05	2.25	2.25
Market price per share							
- Year end	(Rs)	**37.27**	35.54	51.21	52.68	45.21	43.81
- High during the year	(Rs)	**45.65**	59.60	57.98	66.52	46.33	46.65
- Low during the year	(Rs)	**30.62**	31.55	45.51	43.79	37.20	36.70
Break up value	(Rs)	**14.88**	14.08	13.66	15.29	13.99	13.75
Price to book ratio	(%)	**0.27**	0.27	0.40	0.37	0.35	0.34

FINANCIAL PERFORMANCE		2018	2017	2016	2015	2014	2013
Capital Structure Ratios							
Financial leverage ratio		**2.53**	2.17	2.80	2.01	1.15	0.82
Weighted average cost of debt	(%)	**9.96**	6.61	6.43	6.88	10.45	10.20
Debt : Equity		**60:40**	59:41	60:40	41:59	43:57	04:96
Interest cover ratio	(Times)	**1.81**	1.74	1.74	3.88	5.40	6.64
Summary of Statement of Financial Position					(Rs in million)		
Shareholders' equity		**13,897**	13,151	12,757	14,281	13,072	12,843
Capital employed		**29,981**	28,484	29,299	23,656	23,072	13,427
Property, plant & equipment		**9,748**	10,405	11,298	12,126	12,203	13,060
Total non - current assets		**36,893**	34,892	31,480	30,099	24,412	22,060
Working capital		**(5,963)**	(5,884)	(696)	(3,709)	1,936	(5,175)
Non - current liabilities		**17,032**	15,858	18,027	12,109	13,277	4,042
Summary of Profit or Loss							
Sales - net		**61,511**	52,733	45,011	52,182	49,445	54,455
Gross profit		**8,183**	6,028	1,219	7,214	11,092	14,513
Profit before taxation		**1,809**	1,441	1,601	5,384	5,780	8,539
EBITDA		**5,666**	4,983	5,265	8,650	8,475	11,441
Profit for the year		**1,437**	1,004	1,338	4,062	4,016	5,798
Summary of Cash Flows							
Net cash flow from Operating activities		**(6,549)**	12,009	(460)	(6,072)	8,507	9,940
Net cash flow from Investing activities		**(3,832)**	(3,719)	(3,445)	1,854	(6,411)	(10,246)
Net cash flow from Financing activities		**1,400**	(8,873)	4,574	8,341	(1)	(1,369)
Changes in cash and cash equivalents		**(8,982)**	(582)	670	4,123	2,095	(1,675)
Cash and cash equivalents - year end		**366**	9,348	9,930	9,260	5,137	3,042
Quantitative Data					(Thousand Tonnes)		
Sona Urea (G) Production		**562**	543	434	302	213	224
Sona Urea (G) Sales		**562**	546	443	290	214	226
Sona DAP Production		**730**	809	791	768	702	744
Sona DAP Sales		**687**	831	791	748	709	773

Profitability ratios have steadly increased due to higher sales during the 2nd half of 2018. Gross profit ratio has increased in 2018 as compared to 2017 mainly due to increase in product prices during 2018.

Return on equity has also shown increase in comparison from 7.64% last year to 10.36% in Jan-Dec 2018 and exhibits the increase in returns to stakeholders.

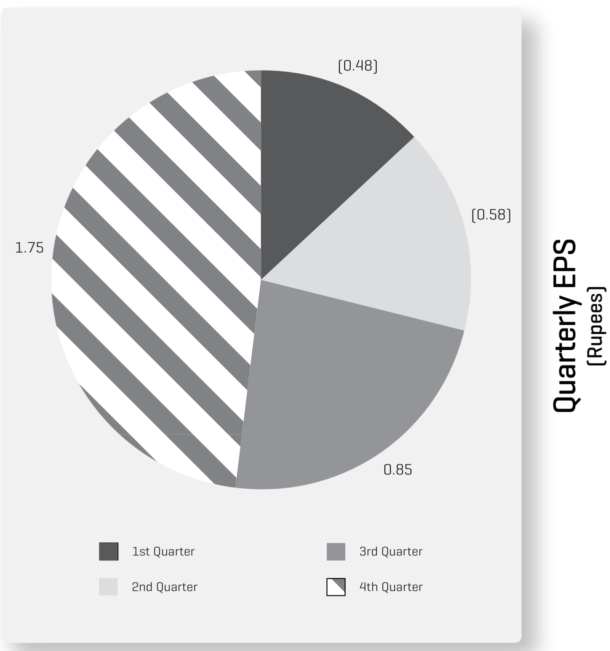
Earnings per share is generally considered to be the most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio. EPS of Rs. 1.54 for 2018 is higher than last year EPS of Rs. 1.08.

Current ratio for the year 2018 has marginally improved from 0.84 to 0.88 as compared from last year. This is a indication that the company is in a better positon to meet its current liabilities.

Debtor turnover days have increased to 20 from 16 as compared with last year due to more credit sales in the last quarter of 2018.

QUARTERLY ANALYSIS - 2018

	(Rupees in million)				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
Sales - net	10,283	8,646	18,645	23,936	**61,510**
Cost of sales	(9,537)	(7,975)	(15,297)	(20,518)	**(53,327)**
GROSS PROFIT	746	671	3,348	3,418	**8,183**
Selling and distribution expenses	(936)	(987)	(1,306)	(1,296)	**(4,525)**
Administrative expenses	(239)	(365)	(337)	(608)	**(1,549)**
Finance cost	(419)	(498)	(606)	(700)	**(2,223)**
Other operating expenses	(163)	(293)	(209)	(594)	**(1,259)**
Other income	360	860	243	1,719	**3,182**
(LOSS) / PROFIT BEFORE TAXATION	(651)	(612)	1,133	1,939	**1,809**
Taxation	201	68	(342)	(299)	**(372)**
(LOSS) / PROFIT AFTER TAXATION	(450)	(544)	791	1,640	**1,437**
(Loss) / Earnings per share - basic and diluted (Rupees)	(0.48)	(0.58)	0.84	1.76	**1.54**
Production (MT)					
- Urea	98,135	157,731	158,238	147,715	**561,819**
- DAP	166,820	164,230	213,355	185,731	**730,136**
Sales (MT)					
- Urea	87,526	167,954	155,299	151,026	**561,805**
- DAP	141,788	66,342	211,415	267,166	**686,711**

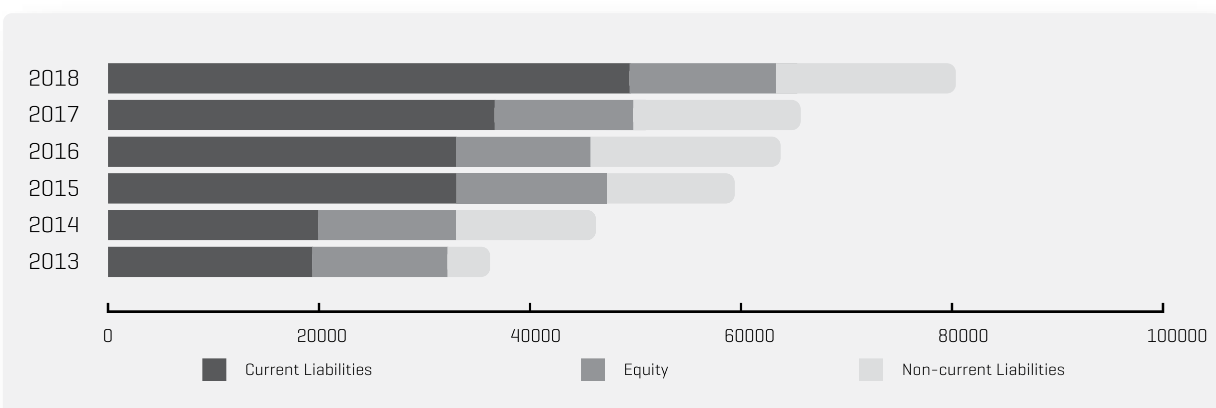


The first quarter of FFBL is always at lower side due to annual turnaround in the months of January & February. Higher sales volume of Urea, reciept of dividends from associated companies and increase in domestic selling prices owing to USD/PKR parity effected positively on company's financial performance during the year.

The demand of DAP is always high in third and fourth quarter due to sowing of Rabi crops. FFBL earnings in last two quarters of 2018 showed a increase in product prices and overall sales volume of Urea and DAP.

HORIZONTAL ANALYSIS - STATEMENT OF FINANCIAL POSITION

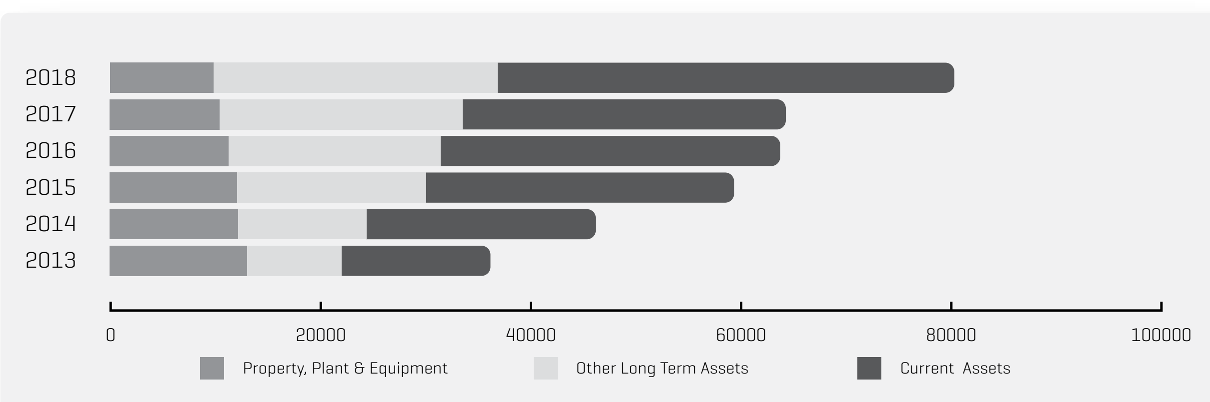
	2018 Rs	18 Vs. 17 %	2017 Rs	17 Vs. 16 %	2016 Rs	16 Vs. 15 %	2015 Rs	15 Vs. 14 %	2014 Rs	14 Vs. 13 %	2013 Rs
EQUITY AND LIABILITIES											
Equity											
Share capital	9,341	-	9,341	-	9,341	-	9,341	-	9,341	-	9,341
Capital reserve	228	-	228	0.15	228	-	228	-	228	-	228
Accumulated profit	4,329	20.85	3,581	12.35	3,188	(32.35)	4,712	34.55	3,502	6.96	3,274
	13,898	5.68	13,151	3.09	12,757	(10.67)	14281	9.26	13,071	1.78	12,843
Non - Current liabilities											
Long - term liabilities	16,083	4.89	15,333	(7.30)	16,542	76.44	9,375	(6.25)	10,000	1,612.33	584
Deferred liabilities	949	80.99	524	(64.70)	1,485	(45.68)	2,734	(16.57)	3,277	(5.23)	3,458
	17,032	7.41	15,858	(12.03)	18,027	48.87	12,109	(8.80)	13,277	228.48	4,042
Current liabilities											
Trade creditors, other payables & Current portion of long term loan	35,079	32.19	26,536	63.66	16,214	20.53	13,453	(8.08)	14,636	60.75	9,105
Accrued interest	442	155.89	173	(59.40)	426	52.00	280	20.17	233	(1.27)	236
Short - term borrowings	13,913	40.06	9,934	(36.82)	15,724	(12.59)	17,988	482.70	3,087	(61.34)	7,985
Current portion of deferred Government assistance	-	-	-	(100.00)	648	(49.98)	1,296	(33.37)	1,945	(3.19)	2,009
	49,434	34.91	36,644	11.00	33,011	(0.02)	33,017	65.91	19,901	2.93	19,335
	80,364	22.41	65,652	2.91	63,795	7.39	59,407	28.45	46,249	27.69	36,220
ASSETS											
Non - Current Assets											
Property, plant and equipment	9,748	(6.31)	10,405	(7.91)	11,298	(6.83)	12,126	(0.63)	12,203	(6.56)	13,060
Long - term loans	2,400	-	-	(100.00)	23	-	-	-	-	-	-
Deferred Tax asset - net	-	-	1,322	-	-	-	-	-	-	-	-
Long - term investments	24,565	6.50	23,065	14.86	20,081	12.21	17,895	47.51	12,131	35.97	8,922
Long - term deposits & advances	180	80.00	100	27.16	79	0.82	78	-	78	-	78
	36,893	5.73	34,892	10.84	31,480	4.59	30,099	23.30	24,412	10.66	22,060
Current assets											
Stores and spares	2,722	(0.86)	2,745	1.85	2,695	8.99	2,473	5.82	2,337	10.92	2,107
Stock in trade	5,655	204.94	1,854	(23.60)	2,427	(46.64)	4,549	192.16	1,557	37.91	1,129
Trade debts	5,719	469.33	1,005	(71.49)	3,524	243.76	1,025	(30.08)	1,466	(8.60)	1,604
Loans and advances	1,514	23.28	1,228	7.55	1,142	34.46	849	(5.56)	899	51.86	592
Deposits and prepayments	48	(21.79)	62	16.82	53	29.45	41	46.43	28	(6.67)	30
Other receivables	13,187	115.35	6,126	(8.62)	6,701	(1.78)	6,823	435.14	1,275	42.14	897
Short - term investments	10,936	(22.96)	14,194	42.67	9,949	115.91	4,608	(50.08)	9,230	73.40	5,323
Cash and bank balances	3,690	4.01	3,547	(39.09)	5,823	(34.86)	8,940	77.21	5,045	103.59	2,478
	43,471	41.33	30,760	(4.81)	32,314	10.26	29,308	34.21	21,837	54.22	14,160
	80,364	22.41	65,652	2.91	63,795	7.39	59,407	28.45	46,249	27.69	36,220



Statement of Financial Position Analysis - Equity and Liabilities
(Rupees in million)

VERTICAL ANALYSIS - STATEMENT OF FINANCIAL POSITION

	2018		2017		2016		2015		2014		2013	
	Rs	**%**	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
EQUITY AND LIABILITIES												
Equity												
Share capital	**9,341**	**11.62**	9,341	14.23	9,341	14.64	9,341	15.72	9,341	20.20	9,341	25.79
Capital reserve	**228**	**0.28**	228	0.35	228	0.36	228	0.38	228	0.49	228	0.63
Accumulated profit	**4,329**	**5.39**	3,581	5.46	3,188	5.00	4,712	7.93	3,502	7.57	3,274	9.04
	13,898	**17.29**	13,151	20.04	12,757	20.00	14,281	24.04	13,071	28.26	12,843	35.46
Non - Current liabilities												
Long - term liabilities	**16,083**	**20.01**	15,333	23.35	16,542	25.93	9,375	15.78	10,000	21.62	584	1.61
Deferred liabilities	**949**	**1.18**	524	0.80	1,485	2.33	2,734	4.60	3,277	7.09	3,458	9.55
	17,032	**21.19**	15,857	24.15	18,027	28.26	12,109	20.38	13,277	28.71	4,042	11.16
Current liabilities												
Trade creditors, other payables & Current portion of long term loan	**35,079**	**43.65**	26,536	40.42	16,213	25.42	13,453	22.65	14,636	31.65	9,105	25.14
Accrued interest	**442**	**0.55**	173	0.26	426	0.67	280	0.47	233	0.50	236	0.65
Short - term borrowings	**13,913**	**17.32**	9,934	15.13	15,724	24.63	17,988	30.28	3,087	6.67	7,985	22.05
Current portion of long term loan	**-**	**-**	-	-	648	1.02	1,296	2.18	1,945	4.21	2,009	5.55
	49,434	**61.51**	36,644	55.81	33,012	51.74	33,017	55.58	19,901	43.03	19,335	53.39
	80,364	**100 .00**	65,652	100.00	63,795	100.00	59,407	100.00	46,249	100.00	36,220	100.00
ASSETS												
Non - Current Assets												
Property, plant and equipment	**9,748**	**12.13**	10,405	15.85	11,298	17.71	12,126	20.41	12,203	26.39	13,060	36.06
Long - term Loans	**2,400**	**2.99**	-	-	23	0.04	-	-	-	-	-	-
Deferred Tax asset - net	**-**	**0.00**	1,322	2.01	-	-	-	-	-	-	-	-
Long - term investments	**24,565**	**30.57**	23,065	35.13	20,081	31.48	17,895	30.12	12,131	26.23	8,922	24.64
Long - term deposits & advances	**180**	**0.22**	100	0.15	79	0.12	78	0.13	78	0.17	78	0.22
	36,893	**45.91**	34,892	53.15	31,480	49.35	30,099	50.67	24,412	52.78	22,060	60.91
Current assets												
Stores and spares	**2,722**	**3.39**	2,745	4.18	2,695	4.22	2,473	4.16	2,337	5.05	2,107	5.82
Stock in trade	**5,655**	**7.04**	1,854	2.82	2,427	3.80	4,549	7.66	1,557	3.37	1,129	3.12
Trade debts	**5,719**	**7.12**	1,005	1.53	3,524	5.52	1,025	1.73	1,466	3.17	1,604	4.43
Loans and advances	**1,514**	**1.88**	1,228	1.87	1,142	1.75	849	1.43	899	1.94	592	1.63
Deposits and prepayments	**48**	**0.06**	62	0.09	53	0.08	41	0.07	28	0.06	30	0.08
Other receivables	**13,187**	**16.41**	6,126	9.33	6,701	10.50	6,823	11.49	1,275	2.76	897	2.48
Short - term investments	**10,936**	**13.61**	14,194	21.62	9,949	15.60	4,608	7.76	9,230	19.96	5,323	14.70
Cash and bank balances	**3,690**	**4.59**	3,547	5.40	5,823	9.15	8,940	15.05	5,045	10.91	2,478	6.84
	43,471	**54.09**	30,760	46.85	32,314	50.62	29,308	49.33	21,837	47.22	14,160	39.09
	80,364	**100.00**	65,652	100.00	63,795	100.00	59,407	100.00	46,249	100.00	36,220	100.00



Statement of Financial Position Analysis - Assets
[Rupees in million]

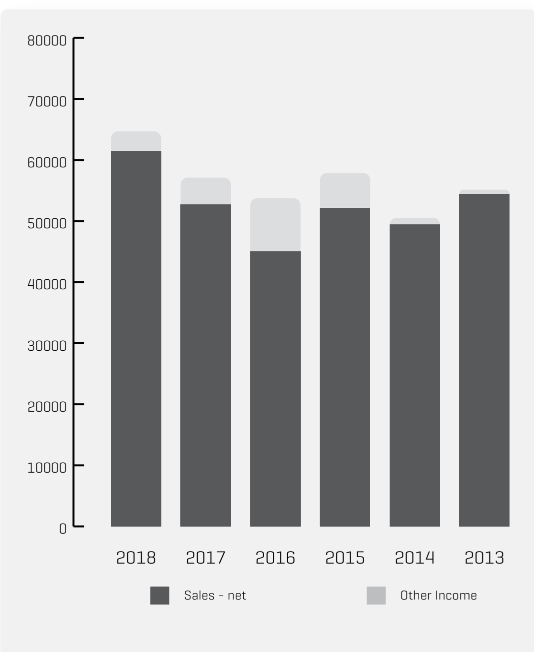
HORIZONTAL & VERTICAL ANALYSIS - PROFIT OR LOSS

Rupees in millions

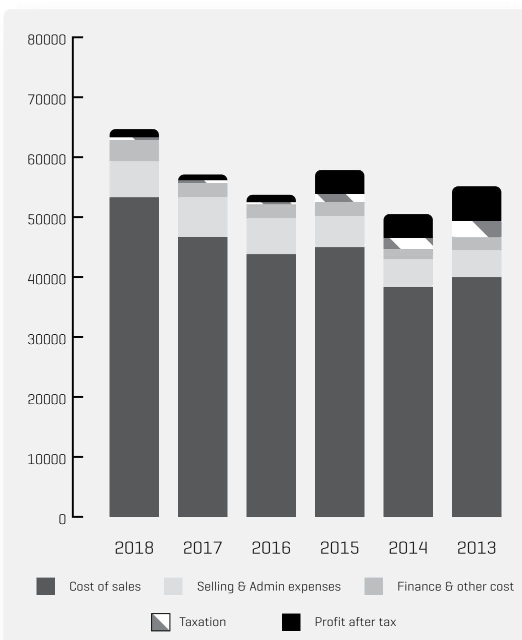
HORIZONTAL ANALYSIS	2018 Rs	18 Vs. 17 %	2017 Rs	17 Vs. 16 %	2016 Rs	16 Vs. 15 %	2015 Rs	15 Vs. 14 %	2014 Rs	14 Vs. 13 %	2013 Rs	13 Vs. 12 %
Sales - net	61,511	16.65	52,733	17.15	45,011	(13.74)	52,182	5.54	49,445	(9.20)	54,455	13.66
Cost of Sales	53,327	14.18	46,705	6.65	43,792	(2.61)	44,968	17.25	38,353	(3.98)	39,942	9.58
Gross profit	8,184	35.77	6,028	394.48	1,219	(83.10)	7,214	(34.96)	11,092	(23.57)	14,513	26.63
Selling & distribution expenses	4,525	(7.11)	4,872	11.45	4,371	14.46	3,819	15.24	3,314	(4.02)	3,453	29.52
Administrative expenses	1,549	(10.34)	1,727	5.27	1,641	14.99	1,427	8.30	1,318	25.73	1,048	6.94
	2,110	(469.11)	(571)	(88.08)	(4,793)	(343.55)	1,968	(69.54)	6,460	(35.48)	10,012	28.11
Finance cost	2,223	14.46	1,942	(9.93)	2,156	15.43	1,868	42.28	1,313	(13.34)	1,515	(16.85)
Other operating expenses	1,259	197.64	423	140.07	176	(55.84)	399	(7.17)	430	(32.69)	639	13.02
	(1,372)	(53.26)	(2,936)	(58.79)	(7,125)	2,283.10	(299)	(106.34)	4,717	(39.97)	7,858	44.78
Other income	3,182	(27.31)	4,377	(49.84)	8,726	53.55	5,683	434.73	1,063	56.09	681	(34.85)
Profit before taxation	1,810	25.56	1,441	(9.98)	1,601	(70.27)	5,384	(6.85)	5,780	(32.31)	8,539	31.92
Taxation	373	(14.75)	437	66.61	262	(80.16)	1,322	(25.05)	1,764	(35.65)	2,741	28.58
Profit for the year	1,437	43.11	1,004	(25.00)	1,338	(67.05)	4,062	1.14	4,016	(30.73)	5,798	33.56

Rupees in millions

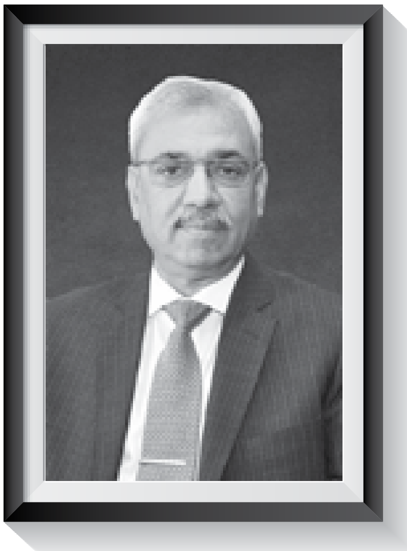
VERTICAL ANALYSIS	2018 Rs	2018 %	2017 Rs	2017 %	2016 Rs	2016 %	2015 Rs	2015 %	2014 Rs	2014 %	2013 Rs	2013 %
Sales - net	61,511	100.00	52,733	100.00	45,011	100.00	52,182	100.00	49,445	100.00	54,455	100.00
Cost of Sales	53,327	86.70	46,705	88.57	43,792	97.29	44,968	86.18	38,353	77.57	39,942	73.35
Gross profit	8,184	13.30	6,028	11.43	1,219	2.71	7,214	13.82	11,092	22.43	14,513	26.65
Selling & distribution expenses	4,525	7.35	4,872	9.24	4,371	9.71	3,819	7.32	3,314	6.70	3,453	6.34
Administrative expenses	1,549	2.52	1,727	3.28	1,641	3.65	1,427	2.73	1,318	2.66	1,048	1.92
	2,110	3.43	(571)	(1.08)	(4,793)	(10.65)	1,968	3.77	6,460	13.06	10,012	18.39
Finance cost	2,223	3.61	1,942	3.68	2,156	4.79	1,868	3.58	1,313	2.66	1,515	2.78
Other operating expenses	1,259	2.05	423	0.80	176	0.39	399	0.76	430	0.87	639	1.17
	(1,372)	(2.23)	(2,936)	(5.57)	(7,125)	(15.83)	(299)	(0.57)	4,717	9.54	7,858	14.43
Other income	3,182	5.17	4,377	8.30	8,726	19.39	5,683	10.89	1,063	2.15	681	1.25
Profit before taxation	1,810	2.94	1,441	2.73	1,601	3.56	5,384	10.32	5,780	11.69	8,539	15.68
Taxation	373	0.61	437	0.83	262	0.58	1,322	2.53	1,764	3.57	2,741	5.03
Profit for the year	1,437	2.33	1,004	1.90	1,338	2.97	4,062	7.78	4,016	8.12	5,798	10.65



Profit or Loss Analysis
Income
(Rupees in million)



Profit or Loss Analysis
Expenses
(Rupees in million)



CHAIRMAN`S REVIEW

On behalf of the Board of Directors, I am pleased to present the Company's annual report and performance for the year ended December 31, 2018.

The fertilizer industry continues to combat challenges one after another for the last many years. From shortage of basic raw material i.e. natural gas, capping of prices by the regulator, high production costs, receding margins and abrupt devaluation of local currency have continuously challenged the very existence of this critical industry which is the backbone of our agriculture sector. It has shown great resilience despite adverse economic challenges.

FFBL has come a long way in its brief history of twenty five years. Not only it has been able to sustain its core business as manufacturer of DAP and Granular Urea, it has also made commendable headways in diversifying its portfolio by investments in power, food and financial sectors. It continues to focus on its core business of fertilizer because of its strategic importance to our agri-based economy.

Our business philosophy rests on our vision of providing best quality fertilizer to the farmers and we are proud that our products, Di-ammonium Phosphate (DAP) and Granular Urea, are preferred over other products available in the market. Despite not so favourable business environment, we will continue to play our part in the economic uplift of economy of our country through our quality products and our contribution to the national exchequer.

Consistent with its past, the Company has been able to achieve good production and sales numbers in 2018 as well. Our team of professionals continue to operate our production facilities at the most efficient and optimum levels. However, higher production cost, unfavourable tax structure and reduced margins continue to hamper Company`s profitability rendering it unable to provide reasonable return to its stakeholders. The fertilizer industry needs Government support so as to be competitive and viable.

The Board of Directors deserve appreciation for steering the Company through thick and thin and providing apt guidance to the management in formulating strategies and policies and providing oversight in the execution process.

At FFBL, we foresee challenging times ahead, we stand prepared to continue our efforts to accomplish our goals with the help of our steadfast and able workforce. The Board and management of the Company is always cognizant of safeguarding the interests of all the stakeholders and for providing better return to its shareholders.

The management and employees of the Company have remained persistent despite all odds and deserve accolades for their continuous efforts and performance.

I take this opportunity to thank all individuals who have been part of our journey for yet another eventful year, especially my fellow Directors who have been a source of strength to me through their invaluable support and contribution.

I must also appreciate and acknowledge the contribution of GoP, SSGC, our valuable customers, suppliers and bankers for their support and am confident to go hand in hand with all in future as well for better performance and results. The Board owes sincere gratitude to its shareholders for their continuous confidence and trust in the Company.

For and on behalf of the Board

Tariq Nadeem

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

A WORD FROM THE CHIEF EXECUTIVE

It gives me pleasure in presenting before you the financial results of the Company for the year ended December 31, 2018.

Despite tough business and economic conditions prevalent in the country, the Company has been able to post net profit of Rs 1.44 billion with per share earnings of Rs 1.54. The fertilizer industry continues to battle around higher cost of doing business and lower returns. Though prices of end products increased lately, but could not beat related higher input costs and Government levies, which continue to hurt profitability and challenge sustainability. The Company has been able to put up impressive production and off take numbers in 2018.

The Company suffered overall loss in the period of first nine months of 2018 with first two quarters posting net loss and the third quarter ending with a minimal profit. Impressive sales during second half of the year helped achieve good revenue numbers, though the sales dried up towards end of fourth quarter. Insufficient product price along with carrying and financial cost affected overall profitability of the Company. Cash flows remained under pressure due to delayed payment of subsidy by the Government on one part and imbalance between GST input and output rates resulting in sizeable amount stuck with tax authorities in shape of 'sales tax refundable'.

Excessive import of DAP throughout the year and continuation of GIDC placed the Company at disadvantageous position thus diluting its profit margins. Company had to off-load its piled up inventory at relatively lower price to cater for its cash flow requirements.

These factors resulted in increase in financial charges, firstly due to higher utilization of working capital lines and secondly due to increase in discount rates.

Gas supply from SSGC remained 5% less than the budget mainly due to diversion towards Power Sector. Resultantly, Ammonia production was affected to some extent. The Company was able to produce 730 thousand tonnes of DAP fertilizer and 562 thousand tonnes of Urea during the year. Sona DAP sales during 2018 are 687 thousand tonnes making for 30.80% of market share. Sona Urea share in domestic market remained at 9.70% with 562 thousand tonnes sold in 2018. These sales are 17% lower and 3% higher respectively in comparison with Company`s previous years sale. Drop in DAP sales is due to high volume of imports throughout the year, which created glut in the market, leading to tough competition in local market. Increase in USD/PKR parity and inflation has increased cost of production. The Company, however, was able to maintain overall profitability for the year owing to efficient operations, cost cutting measures and dividends received from its investments.

Company`s diversification policy has benefitted it by enabling it to post overall profit numbers. It received first ever dividend of Rs. 1.13 billion from its subsidiary FFBL Power Company Limited (FPCL), in only its first full completed year of operations. Dividend of Rs. 0.81 billion has also been received from Company`s joint venture, Pakistan Maroc Phosphore (PMP) during the year. The Company expects even better returns from its investments in the years to come.

During the year, FFBL received Expression of Interest from "Inner Mongolia Yili Industrial Group Co. Limited" for acquiring 51% shares and/ or control of Fauji Foods Limited from FFBL and other shareholders.

I wish to thank our dedicated and professional employees who continue to contribute immensely towards sustainability and growth of the Company to make it a premier organization.

Last but not the least, I wish to acknowledge valuable contributions by our customers, GoP, shareholders and all strategic stakeholders who have played their part in enabling the Company to achieve the results. We look forward for their continued support for enabling us to achieve success in future.

Lt Gen Javed Iqbal HI(M), (Retd)
Chief Executive & Managing Director

DIRECTORS' REPORT

The Directors are pleased to present the 25th Annual Report along with audited Financial Statements of the Company and the Auditors' report thereon for the year ended December 31, 2018.

Pakistan Economy and its Outlook

Pakistan's economy continued to maintain its growth momentum which has been building up since 2014, with the country's GDP in 2017-18 recording highest growth of 5.8% in 13 years. However, an economic slowdown is expected for fiscal year 2018-19 with an expected GDP growth rate of 4.8%, citing macroeconomic instability and tighter fiscal and monetary policies as the core measures adopted by the new government. On the other hand, the stock market also dropped by 8.4% in Pak Rupee and 27% in dollar terms during the year ended December 31, 2018.

Fiscal performance

Fiscal deficit was recorded at 6.6 % during the financial year 2017-18 as compared to 5.8% of last year due to higher spending along with a steep decline in tax and non-tax revenues.

For the fiscal year 2017-18 Pakistan booked its highest trade deficit in history, that is ie US$ 37.7 billion with imports standing at a record US$ 60.9 billion. Resultantly, the current account deficit also widened to a record US$18.9 billion. However, current account deficit narrowed around to US$ 7.983 billion in the first six months of the current fiscal year as compared with US$ 8.353 billion in the corresponding period last year as a result of shrinking trade gap, together with strong remittance inflows, lent some support to ailing external account position.

Money market and inflation

State Bank of Pakistan gradually hiked key interest rate to 10% throughout the year ended December 31, 2018 from to 5.75 % of last year and sharply reduced growth forecasts. Signalling that the economy faces mounting headwinds from rising inflation and high current account and fiscal deficits.

Average headline inflation during the year rose to 6.17 % compared to 4.6 % in the corresponding period last year. This trend is even more pronounced for core inflation, which indicates growing inflationary pressures in the economy. The SBP indicates that consumer price inflation is forecast to average 6.5 % - 7.5 % in fiscal 2018-19, crossing the target rate of 6%.

Currency devaluation

Due to increasing trade deficit and to support the country's exports, the currency was devalued by 33% in stages during the year ended December 31, 2018 thereby resulting in rupee being traded at an all-time low of Rs139 to the dollar in the inter-bank market.

Agriculture sector

Agriculture is the lifeline of Pakistan's economy accounting for 18.8% of the GDP, employing 42.3% of the total labour force and providing raw material for several value-added sectors. Despite having an extended agricultural base, food security remains an ever-looming threat to Pakistan with a population of above 200 million.

Efforts were made by governments to provide better supply of quality seeds including hybrid and high yielding varieties along with timely availability of other agriculture inputs like fertilizers and pesticides. Furthermore, in FY 2017-18 there was 298% growth in credit to agriculture sector, which reached Rs 1,001 billion as compared to Rs 336 billion in FY 2012-13 along with a relief of Rs 341 billion provided to the farmers under Prime Minister's Kissan Package. All these measures helped in achieving highest growth of 3.8% in 13 years. Additionally, Government is also focusing on increasing agriculture output through better support price for farm produce and improved arrangements for marketing of the farm output. Resultantly, farm economics are expected to improve in coming years.

International fertilizer

International Urea prices remained volatile throughout the year. Prices dropped from US $ 261 / Metric ton (Mt) Ex-Arabian Gulf FOB to the level of US $ 238 / Mt in the month of May. Price recovery started in the month of Jun and touched a high of US $ 343 / Mt during the month of Oct. Main reason of recovery was limited availability of Chinese urea from export market, which was mostly being supplied to their domestic market. International urea price again dropped towards end of the year and Ex-Arabian Gulf FOB prices were in the range of US $ 275 - 280/ Mt.

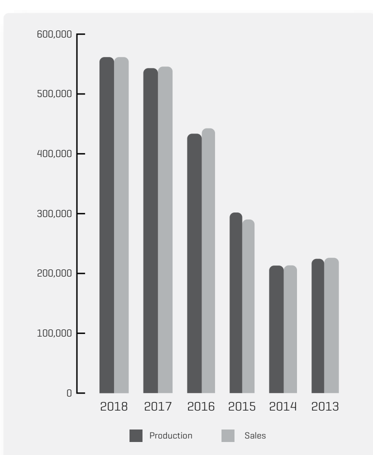
International DAP prices remained firm throughout the year with Ex-China FOB prices ranging between US $ 407 - 420 per Mt, main market driver was increase in demand from India and Pakistan.

Operational Highlights

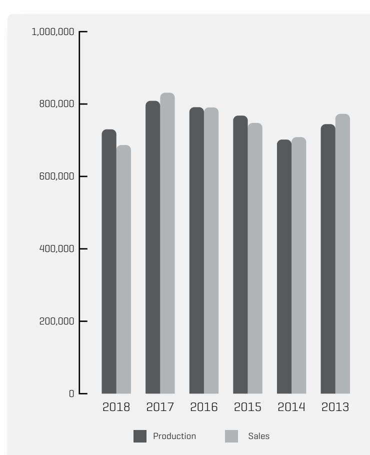
By the grace of Almighty, the overall performance of the plants remained satisfactory and safe during the year. Gas supply remained close to budget during the year. However, the outages of coal fired boilers at FPCL in Sep / Oct for repairs effected Ammonia and Urea production while DAP production was effected mainly due to short supplies of Phosphoric acid from Morocco.

Gas curtailment to FFBL was reduced to 5% from 11% in the corresponding year. The Company achieved urea production of 562 Kt as against 543 Kt of 2017.

DAP production at 730 Kt was lower by 9.7% compared with the last year due to short supplies of Phosphoric acid from Pakistan Maroc Phosphore, SA (PMP). It was initially due to



Urea Production and Sales
(Quantity MT)



DAP Production and Sales
(Quantity MT)

port closure owing to bad weather and subsequently due to technical issues at PMP plant resulting in prolonged shutdowns in Mar, Aug and Oct respectively

Overall plant performance with respect to specific consumptions remained satisfactory.

Turnaround 2018

Regular maintenance of plant and equipment is the key to efficient utilization of production resources. FFBL successfully completed annual turnaround during 1st quarter of 2018 with satisfactory inspection and maintenance of equipment and machines. Prior to turnaround, safety orientation and awareness trainings were imparted to employees and contractor personnel, who participated in the turnaround.

More than 2,049 jobs of different nature were successfully completed within 25 days against stipulated time of 28 days. Equipment replacement with improved material and major overhauling of machines and modification jobs were executed, which complimented smooth and efficient plant operations. Majority of the jobs were accomplished by utilizing in-house / local resources. A few foreign consultants also participated in the turnaround.

Updates on New Projects

In pursuit of continual improvement in all areas, The Company gives due preference to new projects. The status of major projects is as follows:

Construction of new Phosphoric acid storage tank at TFA completed as per target date of May 31, 2018 and within approved budget. With the completion of the project, storage capacity at TFA has increased from 40,000 MT to 50,000 MT.

Installation of New 5,000 MT Ammonia Storage Tank at plant site envisaged for sustained operation of Plant during inspection and repair of existing Ammonia Storage Tank. M/s SPG Steiner, Germany has completed Design & Engineering works. Construction activities are in progress by M/s Etimaad Engineering. Overall progress is satisfactory and efforts are being made to complete the project within approved timeline and cost.

storage capacity at TFA has increased from

40,000 MT to 50,000 MT

Gas Curtailment and Gas Infrastructure Development Cess (GIDC) - Future Prospects

The performance of fertilizer sector of the country remained satisfactory with regards to production statistics owing to mixed (Indigenous & LNG) gas supplies during 2018. Imported LNG supplies at subsidized tariff have resolved fertilizer shortage crisis in the country.

Keeping in view GoP initiatives for Gas infrastructure development like LNG import, TAPI gas pipeline and off shore exploration projects , gas crisis is likely to further ease up in near future.

TAPI project financial close is expected soon, whereas a new company was formed to execute this project. Pakistan will import 1.3 billion cubic feet of gas per day (BCFD) from Turkmenistan, and the project is expected to be completed by the end of 2021.

Off shore drilling & exploration project by Exon & ENI consortium may explore indigenous gas reserves, which shall contribute in decreasing the country's demand and supply gap.

FFBL's Ammonia and Urea plants remained shut down for 27 days and 35 days respectively during the year in the wake of non-availability of gas and Annual Turnarounds for maintenance. During 2018, gas received was 19,119 MMSCF against the allocated quota of 20,100 MMSCF from SSGCL resulting in overall curtailment of 5 %.

Pakistan has one of the highest gas tarif in the world for fertilizer production, which is uncharacteristic of an agriculture driven economy with a gas cost of US$ 4.1/MMBTU (including GIDC) for the fertilizer plants against a global average of around US$ 2.64/MMBTU.

The GIDC has resulted in additional financial burden on the manufacturers, as its financial impact could not be passed on due to price intervention by the GoP.

GIDC is effective from Jan 01, 2012 on different Sectors. Out of these, Cess levied on fertilizer sector is the maximum, which is Rs 300 per MMBTU at feed gas and Rs 150 per MMBTU at fuel gas. This has affected the profitability of the Company as FFBL could not completely pass on the impact to its customers. Currently, the Company is in negotiation with the GoP for reduction in GIDC rates.

Marketing Highlights

Domestic Fertilizer Market situation

Year 2018 started on a positive note with market tilted towards balanced supply situation. Water scarcity affected fertilizer consumption but rising fertilizer prices trend kept market and end users interested in forward buying.

Local DAP production during 2018 was 730 Kt, which is about 33% of annual offtake and the balance demand is filled through imports by the industry. Fertilizer industry ensured availability of product throughout the year and all over the country.

To fulfil local demand of urea during Rabi (Oct-Dec) 2018, on recommendation of fertilizer industry, GoP provided gas to plants on SNGPL network. GoP also imported 105 Kt urea. This additional quantity helped in bridging the supply demand gap during Rabi 2018 in the country.

Due to multiple factors such as high international fertilizer prices, increasing PKR to US$ parity, increase in gas prices and higher fuel prices etc (Feed and Fuel Gas prices for fertilizer industry were raised by GoP from Rs 123/mmbtu to 185/mmbtu and Rs 600/mmbtu to Rs 780/mmbtu respectively), fertilizer prices had to be increased during the year.

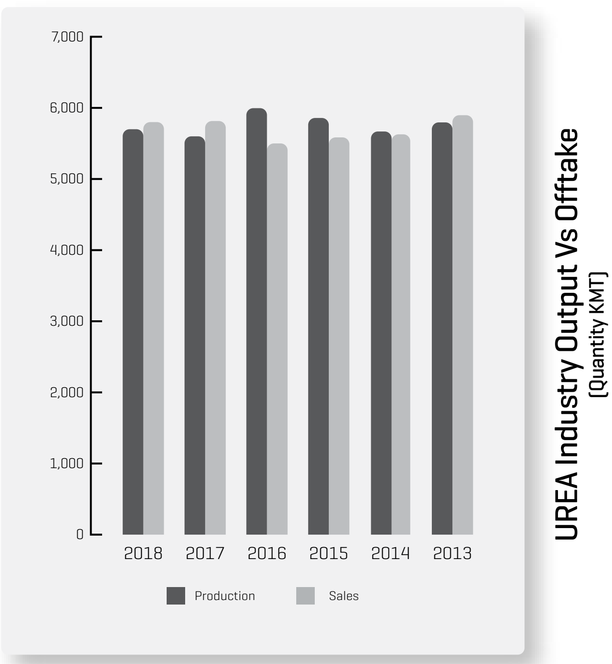
DIRECTORS' REPORT

Effective Jul 2018, subsidy on Urea (Rs 100/bag) was withdrawn by GoP, but to minimize the effect on prices, GST was also reduced from 5% to 2%. Similarly fixed GST of Rs 100 /bag on DAP was substituted with GST of 2%.

UREA

The year started with a steady urea market. FFBL not only liquidated its urea inventory at the end of 2017, but were also able to generate substantial advance orders which strengthened the market.

Industry opening inventory level of 2018 was 72% lower as compared to 1,025 Kt opening inventory of previous year. 76 Kt of Urea was exported during 1st quarter of 2018 by the industry, which was mostly shipped to Sri Lanka. Low opening inventory of year 2018 and closure of plants on SNGPL network affected the availability of urea.



During 2018, the industry production is around 5,700 Kt, 2% more than 5,605 Kt production during the last year. Domestic urea sales of 5,800 Kt are at par with the sales of 2017. GoP also imported 105 Kt urea during last quarter, bringing the closing inventory of 2018 at 160 Kt, 44% lower than the closing inventory of 2017.

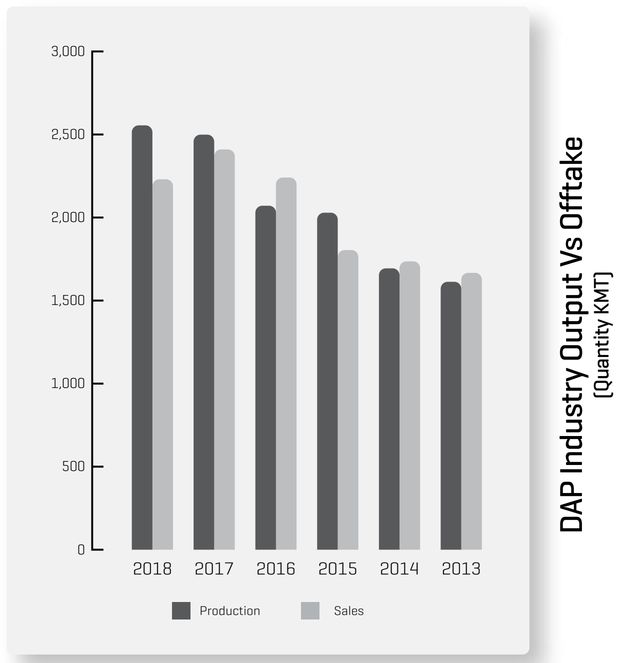
DAP

The year started with an inventory of 255 Kt, which was 143% more than 105 Kt inventory at the start of 2017.

Industry imports are estimated at 1,825 Kt, 8% more than the imports of 1,690 Kt during the year 2017. Industry imports are highest ever in any given year. FFBL's Sona DAP availability during the year was 730 Kt, 10% less than 809 Kt availability during 2017.

Upward price trend encouraged dealers to invest in phosphate products. However, water shortage and higher DAP prices affected the consumption at farmer level.

Industry DAP sales during 2018 are estimated at 2,230 Kt, 5% lower than the sales during last year. Industry is estimated to carry an inventory of 580 Kt into the year 2019, which is the highest ever in any given year.



FFBL Sales Performance

Sona Urea (G) availability during the year 2018 was 562 Kt, 3% more than 546 Kt availability during 2017. Sona Urea (G) sales during the year were 562 Kt, 3% more than 546 Kt sales during last year. Entire field warehouse inventories were liquidated, whereas, the industry carried 160 Kt of urea inventory.

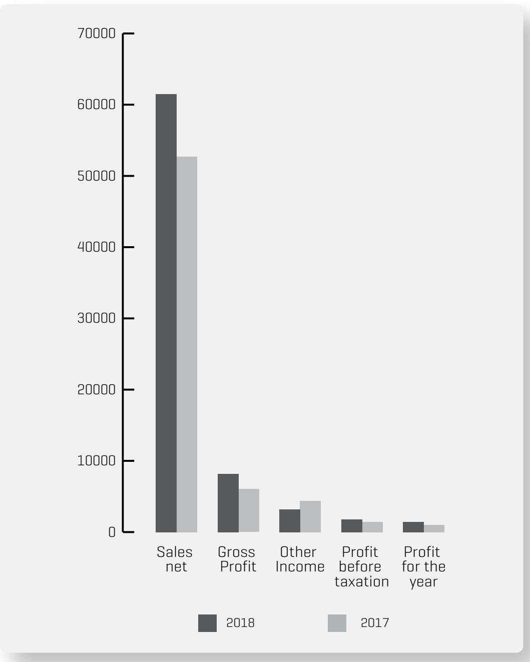
During 2018, Sona Urea (G) share in urea market was at 9.7%, slightly higher than the market share of 9.5% of 2017.

Sona DAP sales during 2018 were 687 Kt, 17% lower as compared to 831 Kt during 2017. FFBL carried an inventory of 46 Kt DAP in 2019. Low sales of Sona DAP were due to high imports throughout the year, which created glut in the market, leading to severe competition. During year 2018, Sona DAP market share is estimated at 30.8%.

Financial Highlights

The summary of key financial results showing the Company's performance:

	2018	2017
	(Rs in million)	
Sales – net	61,511	52,733
Gross Profit	8,183	6,028
Other Income	3,182	4,377
Profit before tax	1,809	1,441
Profit after tax	1,437	1,004
Earnings per share (Rs)	1.54	1.08



Profitability Analysis
(Rupees in millions)

Financial Review

FFBL's financial results for the year 2018 exhibit increase in profit compared to last year, despite significant increase in price of Gas and increase in cost of phosphoric acid due to higher PKR to US$ exchange rates, delay in subsidy and sales tax refund realisation from GoP and continuation of GIDC levy. These factors also led to significant utilization of working capital lines for most part of the year, which resulted in high financial charges.

The Company earned a gross profit of Rs 8,183 million in 2018 as compared to Rs 6,028 million in the corresponding year, this increase is primarily due to replacement of subsidy with reduction in GST to the tune of Rs 100 per bag w.e.f. Jul 01, 2018, which is now classified as sales instead of other income. Further, price during the year also contributed towards increase in gross profit. Despite reduced production of DAP, cost of sales increased by 14% due to increase in phosphoric acid prices coupled with USD/PKR parity, increase in Urea production volumes from last year and increase in fuel and power cost.

Delayed payment of subsidy by GoP further affected cash flows. Devaluation of Pak Rupee during the year resulted in significantly higher exchange loss of Rs 1,147 million as compared to a loss of Rs 176 million in the corresponding year.

Profit after tax for the year stood at Rs 1,437 million as against Rs 1,004 million for the corresponding year. Company's EPS was Rs 1.54 against Rs 1.08 of last year.

Gross profit
Rs 8,183 million - 2018

Profit after tax
Rs 1,437 million - 2018

DIRECTORS' REPORT

FFBL Performance at a Glance

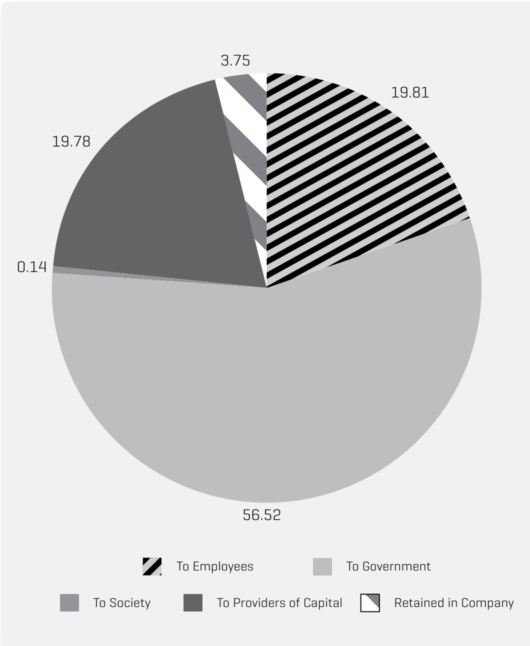
The summary of FFBL performance for the last 6 years is given below:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Annual	
	EPS	**DPS**	**EPS**	**DPS**	**EPS**	**DPS**	**EPS**	**DPS**	**EPS**	**DPS**
2018	(0.48)	-	(0.58)	-	0.84	-	1.76	1.00	1.54	1.00
2017	(0.14)	-	(0.27)	0.10	0.11	-	1.38	0.75	1.08	0.85
2016	(0.55)	-	(0.41)	-	(0.17)	-	2.56	0.50	1.43	0.50
2015	0.11	-	0.70	0.75	0.20	-	3.34	3.05	4.35	3.80
2014	0.05	-	0.81	1.00	1.04	0.75	2.40	2.25	4.30	4.00
2013	0.53	-	1.42	1.75	1.58	1.00	2.48	2.25	6.21	5.00

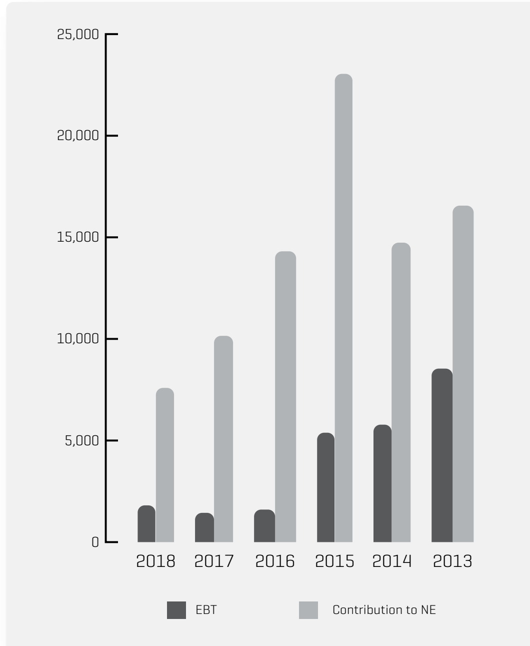
Contribution to National Exchequer and Value Addition

During the year, the Company has contributed an amount of Rs 7,589 million as against Rs 10,151 million in 2017, towards the National Exchequer on account of GoP levies, taxes and import duties etc. Value addition in terms of net foreign exchange savings worked out to US$ 295 million through import substitution by manufacturing 562 Kt of Urea and 730 Kt of DAP during 2018. Contribution to the economy included Rs 702 million in the form of Shareholders' returns through cash dividends, Rs 1,953 million on account of payments to providers of capital in the form of mark-up and interest, while employees' remuneration and benefits stood at Rs 2,660 million.

	2018		2017	
	Rs in million	**%**	**Rs in million**	**%**
WEALTH GENERATED				
Total revenue inclusive of sales tax, other income and subsidy	66,232	493.23	62,053	376.51
Purchases - material and services	52,804	(393.23)	45,571	(276.51)
	13,428	100.00	16,482	100.00
WEALTH DISTRIBUTION				
To Employees				
Salaries, wages and other benefits	2,660	19.81	3,328	20.19
To Government				
Income tax, sales tax, custom and excise duty	7,460	55.56	10,121	61.41
WPPF + WWF	129	0.96	30	0.18
To Society				
Donations and welfare activities	19	0.14	34	0.21
To Providers of Capital				
Dividend to shareholders	702	5.23	560	3.40
Finance cost of borrowed funds	1,953	14.55	2,194	13.31
Retained in the Company	505	3.75	215	1.30
	13,428	100.00	16,482	100.00



Wealth Distribution
(Percentage)



EBT & Contribution to National Exchequer
(Rupees in millions)

Liquidity and cash Flow Management

Strategy to overcome liquidity problems

The Company is committed to maintaining a strong financial profile, which gives us the freedom and flexibility to achieve our portfolio optimization goals. An effective cash flow management system is in place whereby cash inflows and outflows are projected on a regular basis and repayments of all long term and short term loans have been catered for. Working capital requirements are planned to be financed through internal cash generations and short term borrowings from external sources where necessary.

Capital Management

There was no modification in the Company's practice to capital management during the year and Company is not subject to any externally imposed capital requirements. In order to achieve our goals for the growth of the Company and to contribute to the overall economy of Pakistan, we shall continue to explore and tap opportunities and mitigate challenges wherever confronted. However, government policies, global & domestic economic forces and money market would play a vital role in our decisions and ability to meet the business objectives.

Risk and opportunity Management Statement by the Board of Directors

Board of Directors have carried out a robust assessment of the principal risks faced by the Company, including those that would threaten the business model, future performance, solvency or liquidity.

DIRECTORS' REPORT

Efforts by the Board for risk tolerance

The Board of Directors are responsible for the governance of risk and for determining the Company's level of risk tolerance. Accordingly, to further strengthen the function, and importance of risk management the Board of Directors have approved the new risk management policy during the year. The management of the Company is responsible for implementation of the risk management policy by establishing the risk management procedures.

Internal and external auditors also play their roles with respect to risk management. Risk management is the process of identifying, quantifying and managing the risks that an organization faces. These risks include strategic, operational and financial failures, market disruptions, environmental disasters and regulatory violations.

Significant risks, sources, likelihood, magnitude and mitigating factors

Although risks can never be fully mitigated, it is important that management understand, prioritize and manage the risks that they are willing to accept in the context of the overall corporate strategy.

Major Risks faced by FFBL along with their responses are given below:

	No.	Risk	Source	Likelihood	Magnitude	Mitigating Factors
Strategic	1	Gas Curtailment	External	Has happened before	Major	FFBL has established the FFBL Power Company Limited (coal based) which has started its operations. Further FFBL is in close coordination with Ministry of Petroleum and SSGCL for resolution of gas curtailment.
	2	Supply of Phosphoric Acid	External	Has happened before	Major	FFBL ensures uninterrupted supply of Phosphoric Acid from PMP, a Joint Venture with OCP Group Morocco
	3	Frequent Technological Advancements	External	Hasn't happened yet but could	Severe	FFBL uses proactive approach in introducing and implementing the latest technology from time to time. Our plants are high-tech with state of the art technology which is continuously upgraded.
Environmental	4	Environmental Risk	External	Hasn't happened yet but could	Severe	Since inception, FFBL's managment is extremely conscious of environmental safety and has never compromised on contributing to environment & safety standards in order to endure as an environment friendly organization.
Market Financial	5	Interest Rate Risk	External	Could happen and has happened before	Serious	FFBL manages its working capital requirements by maintaining a mix of Demand Finance, Running Finance Lines and long term loans, which are linked to KIBOR. KIBOR rates fluctuations are closely monitored to take advantage of the favourable rates.
	6	Liquidity Risk	Internal	Rare	Serious	Availability of funds is always ensured prior to any payment or contractual obligations. Adequate working capital lines are in place to avoid any cash crunch.
	7	Exchange risk	External	Likely	Serious	Foreign payments of FFBL are exposed to exchange rate risk. However, the Company monitors hedging options available from time to time.
	8	Market Risk	External	Hasn't happened yet but could	Serious	The Company stands exposed to all market risks in the normal course of its business operations including DAP imports. The import price of Phosphoric Acid, the primary raw material for DAP manufacturing, usually moves in sync with international price of DAP, though with a time-lag. This risk is managed by close monitoring of the market.

Assessment of Effectiveness of Risk Management

The Board's policy on risk management encompasses all significant business risks to the Company including financial, operational and compliance risks. The Board also receives assurance from the Audit Committee, on the basis of its information, in part, from regular internal and external audit reports on risk and internal controls. To ensure that internal auditors carry out their responsibilities, the audit committee approves and periodically reviews its program. The head of internal audit reports directly to the audit committee.

SWOT Analysis

S

Strengths

- The only granular Urea plant in Pakistan
- The only DAP manufacturer in Pakistan
- Offshore jointly controlled entity to secure supply of raw material (P205)
- Competent and committed human resource

W

Weakness

- Dependency on single source of gas supply
- Heavy logistics cost in the absence of railway network

Opportunities

- Growing fertilizer demand in the country
- Diversification of investment and products
- Opportunity to import and/or export fertilizer
- Brand goodwill
- Exploring opportunities related to CPEC

O

Threat

- Upward trend of gas price
- Likely curtailment of indigenous gas supply in future
- Implementation of a two-tier gas policy
- Decreasing international fertilizer prices, while increasing production cost domestically
- Fluctuation in international prices of Phosphoric Acid
- Law and Order situation
- General inflation
- Environmental threats (floods)

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DIRECTORS' REPORT

Risk and Opportunity Report

FFBL has always been conscientious about political, social and environmental aspects of business, while moving forward on an economic front and aiming for overall growth of the organization. Significant risks and opportunities being tackled by FFBL are described below:

Risks

1. Security and political situation in the country
2. Gas diminution due to diversion of gas to other sectors by GoP
3. Fluctuating exchange rates
4. Unexpected imposition of duties, taxes, etc. on the products and raw materials
5. Frequent changes in legal and regulatory environment
6. Unpredictable international market situation with reference to phosphate, sulphur and nitrogenous products
7. Liquidity problems due to GST and subsidy receivable from GoP

Opportunities

1. Increase in fertilizer usage for ensuring optimum yield
2. Growth opportunities through business expansion and diversification
3. Stimulate technological innovation, advance competitiveness and enhance value for shareholder and the community
4. CPEC related projects

Key Risks and opportunities effecting availability, quality and affordability of capital

Due to cyclical business nature, FFBL has managed to arrange short term facilities at competitive pricing from different financial institutions to support the production process of the Company. Short term lines are readily available for use and are timely renewed on annual basis. Due to lower risk on the lenders part short term facilities are cheaper as compared to the medium and long term facilities.

Repayment of loan

During the year, FFBL have successfully complied with the repayment obligations of all outstanding loan and liabilities.

Financial Reporting

The Chief Executive & Managing Director (CE&MD) and Chief Financial Officer (CFO) affirmed the Board that financial statements for the year under review present a true and fair view, in all material aspects of the Company's financial position and operational results and are in accordance with the relevant applicable reporting framework.

Safeguarding of Financial Transactions and Records

In an era of ever changing technological and business environment, organizations record their transactions to determine their performance and keep the records for future reference. This entails requirement for ensuring backup and security of data with modern IT enabled tools.

After implementation of SAP - ERP system, existing financial and supporting records have been archived using Database Management System (DMS) enabling timely and efficient retrieval. After completion of archiving, paper based documentations are properly secured for legal requirements.

A comprehensive password protected authorization matrix in SAP - ERP Systems is in place to ensure access to electronic documentation to only authorized personnel. A disaster recovery procedure is followed for maintaining off site backups. These measures reduce both risk and the impact of any unforeseen situation.

Dividend

Based on the performance of the Company, the Board is pleased to propose a final dividend of Rs 1 per share (10%) in respect of the financial year ended December 31, 2018. This final dividend will be subject to the approval of shareholders in their meeting scheduled on March 29, 2019.

Whistle Blowing Policy

FFBL has successfully placed a whistle blowing policy that deals with suspected wrong-doing in the workplace that causes material harm (internally: criminal offence, monetary loss, compromising health & safety of employees etc.) as well as organization's reputation (externally: money laundering or bribery, violation of laws, direct threat to public interest i.e. membership of banned outfits etc.).

The purpose of FFBL's whistle blowing policy is to achieve the highest possible standards of transparency, honesty, integrity, fairness and accountability by fearlessly participating in the process. This policy is designed to create a healthy culture that is in the greater interest of both the Company and its employees.

FFBL's whistle blowing policy provides an internal procedure to resolve work-related issues professionally. These issues may be related to situations where an employee feels that established organizational policies and practices have been violated or have not been consistently applied, or if there is another matter which is of serious concern to the employees.

No incidence of whistle blowing was reported to the audit committee during the year.

Investor Grievances Policy

Investor grievance means the complaints or resentments raised by investors against a listed Company. The purpose is to provide a process for the effective management and resolution of concerns, disagreements or complaints that may arise between the investor and the Company. Further, to facilitate an environment where all stakeholders can voice their concerns so that these can be dealt fairly and expeditiously using a transparent and consistent process. It also provides a method of properly addressing concerns raised by investors on any issue.

This policy applies to all categories of investors. The Company Secretariat addresses grievances that are in writing and signed by the person making the grievance. Complaints can be reported through e-mail and regular mail. A designated e-mail ID "secretary@ffbl.com" has been created and the same is displayed on our website. This e-mail ID is monitored by Secretariat of the Company on regular basis.

DIRECTORS' REPORT

Corporate Governance

At FFBL, Corporate Governance is a system of structuring, operating and controlling the Company, with a view to achieving long term strategic goals, aimed at fulfilling the needs of shareholders, creditors, employees, customers and suppliers. Compliance with applicable legal and regulatory requirements, in a manner that is environment friendly and supports local community needs.

Corporate Governance is of prime importance, made possible by an informed and active Board of Directors, through adoption of a set of processes, customs and policies, to help us direct and control our activities with a sense of accountability and integrity.

Statement on how the Board Operates

The Board's primary role is to protect and enhance long term shareholders' value. Simultaneously, it is responsible for the overall corporate governance of the Company, including approving and monitoring the capital expenditure, giving strategic direction, appointing, removing and creating succession policies for directors and senior management, defining and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. The Board has formally delegated responsibility for administration and operation of the Company to the CE&MD.

Following committees have also been constituted which work under the guidance of the Board of Directors:-

- Audit Committee
- Human Resource & Remuneration Committee
- System and Technical Committee

Best Corporate Practices

FFBL pursues perfection by encouraging adherence to the proficient corporate and ethical practices, as a model corporate citizen. The Board fully adheres to the international and local principles of best corporate governance. All periodic financial statements of the Company were circulated to the Directors duly endorsed by the CE&MD and CFO (when required) for approval before publication. Quarterly unaudited financial statements along with Directors' Reviews/ were published and circulated to the regulators within one month. Half-yearly financial statements reviewed by the external auditors were circulated within two months of the end of the stipulated period.

Date of authorization of Financial Statements by the Board

Duly audited annual financial statements along with consolidated financial statements were approved by the Board within one month after the closing date and shall be presented to the shareholders in the Annual General Meeting on March 29, 2019, for approval.

These financial statements are made available on the Company's website and all important information including distribution to shareholders, considered sensitive for share price fluctuation, were transmitted to stakeholders and regulators immediately.

Code of Conduct

FFBL adheres to the best practices and ethical standards in the conduct of business. Accordingly, Code of Conduct of the Company has been approved by the Board of Directors and has also been placed on the website of the Company.

Internal Control System

An internal control system is designed to provide reasonable assurance that the Company fulfils the compliance with policies, plans and laws, efficient use of resources, accomplishment of goals, besides availability and integrity of financial and management information. FFBL's internal control system is very comprehensive and is effectively implemented and monitored regularly.

The Company has increased its emphasis on control procedures of each business unit to confirm that corporate policies are executed and corrective actions when necessary, are implemented. Company organises morning briefs, both at head office and at plant site that are being applied by the top management to ensure that controls remain adequate and functions properly. In this realm, the Board of Directors has approved 'The Whistle-Blowing Policy' and 'Investor Grievances Policy'.

Auditors

Present auditors, Messrs EY Ford Rhodes, Chartered Accountants, have retired and offered themselves for re-appointment. The Board has recommended their re-appointment to the shareholders for the year ending December 31, 2019.

IT Governance and SAP-ERP System

Information Technology Governance Policy

FFBL has a well-established, state-of-the-art and efficient IT infrastructure that augments Company`s operations at all levels. The IT department is governed through an Information Technology Governance (ITG) Policy which lays down the scope, role and responsibilities for efficient management, maintenance and upgrade of IT infrastructure. The department provides variety of services to a wide range of users. International Standards lay a foundation for a compliant setup that meets business requirements at FFBL.

Implementation of the policy is the responsibility of Information & Communication Technology (ICT) Department. The ICT portfolio comprises of ICT Services ranging from internal consultancy, development and implementation of customized applications down to operating ICT systems that are located in Karachi and Islamabad data centres.

Regulatory Compliance

Compliance is assured through regulatory implementation and management of strategy, processes, technology and human force. The aim is to assure adherence to laws, regulations, guidelines and specifications relevant to the business. ISO Standards 27001 and 27005 are followed for security control implementation across IT systems at FFBL.

Following actions assure IT regulatory compliance through international standards:

- Risk Assessment:
  To determine risk and the impact associated with it as a result of unauthorized access, disruption, modification, use or destruction of information and information systems. These risks are mitigated in order to support FFBL operations and assets.
- Policies and Procedures:
  Policies and procedures are maintained in order to make

sure that information systems are able to detect, report and respond to IT related incidents and to ensure operational continuity.

- Information Technology and Information Security Awareness Trainings:
  Employees are trained with regards to the risks associated with their jobs and organizational IT policies and procedures.
- Testing and Evaluations:
  Effectiveness of policies, procedures, practices and controls are tested every second quarter of the year.

Innovation -The Basis for Future Competitiveness

New technologies like virtualization and cloud computing are seen as opportunities to consolidate ICT environment and at the same time gain the flexibility to adapt ICT capacities to new and changing requirements.

Embracing SAP Operational Excellence at FFBL and Risk Management

With the enablement of core business processes in SAP and Lotus, information has become of pivotal importance highlighting the increased dependency on information systems. FFBL is the first organization in Pakistan to be certified as a SAP Customer Centre of Expertise (CCOE).

The on-going technological innovations and the growing threat of cyber-attacks are latent potential risks for ICT systems. With a pro-active ICT security management targeting in particular mission-critical ICT systems, these residual risks are countered. Further, potential cyber-attacks are countered by implementing industry grade antivirus solution, Intrusion Prevention System and firewalls. Over and above a highly efficient data backup system ensures safeguarding of all relevant data.

Compliance with International Industry Best Practices

With the enablement of the latest SAP Solution Manager platform, FFBL is benefited from an integrated, process based, framework for managing services fully compliant with the industry's best practiced ITIL standards.

Achievements in 2018

Information & Communication Technology continues to impact every business initiative in a profound manner thereby providing new insights and opportunities. FFBL is constantly striving to explore and implement key emerging technologies that are relevant for current and future business requirements while keeping a delicate balance of cost efficiency too.

Following main accomplishments were achieved in 2018:

ICT Steering Committee

FFBL ICT Steering Committee has been established with the objective of deriving maximum value from all related ICT investments. The committee has been tasked to align ICT Services and Resources with the strategic direction of the organization. It will moreover determine and monitor ICT security policies on an ongoing basis to ensure overall compliance.

SAP ERP Subsidiary Implementation Project

A joint project has been initiated by FFBL Management in order to implement Enterprise Resource Planning Solution for FFBL Subsidiaries Fauji Foods Limited (FFL) & FFBL Power Company Limited (FPCL). The implementation scope included automation of all core business processes including Accounting, Supply Chain Management, Sales and Distribution, Plant Maintenance, Quality Management and Production. Within the designated time line of 09 Months a team of 50+ Business and IT Professionals have achieved the successful Go Live for both companies.

Going Digital

FFBL is moving comprehensively towards a less Paper Environment by automating business processes and converting paper documents into digital form. Going Digital will reduce cost, boost productivity, save space, make documentation and information sharing easier, keep business information more secure, and help the environment. A Digital Archive Management solution has been introduced as part of this effort to ensure all relevant documents are digitalized and archived.

ICT GAP Analysis

A GAP Analysis Study has been carried out by external consultant identifying and assessing usage of current ICT Solutions with the objective of maximizing investment benefit as well as defining future requirements and roadmap. This analysis shall help in optimal usage of ERP systems by reducing dependency on other alternate solutions like Lotus, QuickBooks, Microsoft Excel to enhance visibility and compliance, licensing issue /per year maintenance cost reduction, improve user experience by enhancing user interface, improve availability by transforming current active/passive environment to active/active environment.

Digital Dashboard System

In order to visualize Key Performance Indicators and other strategic data at a glance digital dashboards have been developed for executive management. The information management tool allows corporate visual tracking, analysis and displays metrics to monitor the health of business, department and specific processes.

Corporate Websites and Services

In view of the importance of having a website and social presence in the virtual world Corporate Websites for Subsidiaries have been re-designed and launched for FPCL as well as Fauji Meat Limited (FML). Additional web solutions have been developed for marketing initiative of Zabeeha brand (FML) as well as FFBL Human Capital Management Active Career Portal.

Biometric Time & Attendance System

FFBL has deployed fingerprint based Biometric Time & Attendance System for all Company locations. The solution eliminates manual time keeping by reading employee fingerprints ensuring thereby automated time recording, monitoring and management reporting. The Time & Attendance solution will further benefit the Company with increased security, safety at work sites.

Go-live of Service Desk and other Developments

In the continuation of establishing a digital environment, launch of Service Desk Application is yet another milestone in the year for ICT Department. FFBL is benefited from an integrated, process based, framework for managing services fully compliant with Incident Management practiced within ITIL standard. It focuses on providing first line support with the intention of facilitating our customer on first call and providing relief to our 2nd line to focus on brining excellence in services.

Corporate Social Responsibility

FFBL duly realizes its responsibility in empowering underprivileged communities, employee welfare, safe industrial operations and alignment of Company policies and practices with globally recognized principles. We are committed to conduct our business with a genuine

DIRECTORS' REPORT

concern for the world around us, in particular where our business has a potential direct impact. FFBL remains committed to an environmental policy of collaborating fully with regulatory authorities and local communities to minimize the effects of its activities on the surrounding areas associated with its operations.

Sustainable and responsible development has remained our primary concern since inception. FFBL has distinguished itself as a good neighbour, not only have we consistently delivered outstanding returns to our shareholders, we have worked hard to be a good employer, a catalyst for the social and economic development of the communities in which we operate and to minimize environmental impact.

In 2010, a formal, long-term CSR Program was launched in collaboration with a renowned NGO, Human Development Foundation (HDF). As per MoU the NGO had to implement planned activities in Union Council (UC) Ghaghar Phattak Bin Qasim Town, Karachi and FFBL to provide funds up to Rs 49.1 million for a period of 5 years.

After successful completion of first phase of CSR program (2010-2015) and in order to move forward a, third party evaluation was conducted, to evaluate and to perform a need analysis on education, health, sustainable environment, and social and economic development in the target area. The survey was conducted by MRB-OASIS and complied with the ICC/ESOMAR international code of marketing and social research practices. This evaluation was performed through a census of five focused villages. The survey report has shown immense positive impact on community with encouraging results.

Second phase MoU (2016-2020) was signed on 2016 for which Rs 63.36 million have been earmarked. HDF is engaged in community development activities with special emphasis on health and education.

The Company under the aegis of HDF started several CSR activities from Nov 2010 till Jun 2018 in the surrounding vicinity of Plantsite and supported the initiatives in health, education and social mobilization

Philanthropic Donations

FFBL's CSR strategy is an integral part of Company's culture and reflects its core values including contribution towards society for development of the country.

FFBL has regularly donated for the promotion of education, sports, basic health facilities for the under privileged and for national cause/welfare activities. CSR remains an ever evolving and continuous process at the heart of FFBL management, striving to accommodate the local needs on priority basis, involving the community and local government.

We are highly aware of participative relationship that we share with society, persistently investing in the interventions related to education, health, sports, sponsorships,. Contributions amounting to Rs 19 million were made during the year including the following:

- Youm-e-Shuhada
- District Tuberculosis Association Peshawar
- Health Education Livelihood Promoters
- Pak Special Persons Welfare Society
- Pakistan Foundation Fighting Blindness
- Developments in Literacy
- Beaux International
- Mashal School and Community Centre
- Pakistan Kidney Patients Association
- Amirunnisa – Rashida Khanum Charitable Medical Foundation
- Kashmir Education Foundation
- AFID
- AFIC
- ACF Animal Rescue
- Habib University
- Aspire Public School

- Atheletics Federation of Pakistan
- Project sponsorship for students - NUST Business School
- The Environment Monitor

Energy Conservation

Natural gas is the main feed and energy source of fertilizer production and power generation. Therefore, energy conservation is a key strategic driver for plant modernization and revamping projects, which translates into reduction in energy consumption and increase in the production capacities. As a Company in an energy intensive business, FFBL considers that reducing energy intensity of its product is in best interest of the Company and a corporate social responsibility. In pursuit of its interests and responsibility of preserving energy, FFBL has taken several steps towards energy conservation and energy efficiency improvement. These include:

- Ammonia BMR2
- DAP Revamp
- Commissioning of Hydrogen Recovery Unit
- Reverse Osmosis Unit

In view of Natural Gas crisis in the country, Company carried out in-house modifications and developed strategies / procedures so that plants could be operated at very low capacities. These changes also helped in significant reduction of gas losses by avoiding frequent start-ups and shut-downs of production facilities.

FFBL is committed to improve its energy performance, including energy efficiency, use and consumption through implementation of Energy Management System. FFBL had formed an energy management group in 2016 which monitors and reports the organization's energy consumption and identifies areas for improvement.

The Management of FFBL is cognizant of prominence for Energy Management initiatives and thus committed to go alongside. All initiatives have been classified into three categories viz. short term, medium term and long term. After completion of short terms projects, few of medium term projects have made tangible progress and are likely to yield results in 2019.

Embedding best-practices of energy management in its organization's day-to-day operations, FFBL also aims to gain multitude of other non-energy efficiency benefits such as productivity, quality and resource management.

Other major projects under study / implementations

Few other major projects which are under study / implementation are as under:

- Advance Process Control (APC) project at Ammonia Plant.
- Cleaning of Convection Section Coils of Primary Reformer.
- FFBL's newly constructed head office is designed to incorporate state of the art technology which ensures energy efficiency.
- To overcome the energy crises, FFBL has sponsored a Coal Power Plant within FFBL Fertilizer Complex by the name of FPCL with a net capacity of 103 MW, gross capacity being 118 MW. FPCL was commissioned in May 2017. Presently FFBL's steam and power requirement are being fulfilled by FPCL.

DIRECTORS' REPORT

Accordingly, around 18 MMSCFD fuel gas is being saved and used as feed gas for enhanced production of Urea. Furthermore, power is also being exported to K-Electric from FPCL.

FFBL Energy Management Policy

FFBL management believes that protecting the environment is not only an ethical and legal obligation but also a mechanism for success.

Environmental Protection Measures

FFBL recognizes its responsibility towards protecting, preserving and improving the environment since inception.

In order to streamline and strengthen its efforts towards the prevention of pollution in air, water and soil, FFBL achieved ISO certification of Environmental Management System in 2006. At present FFBL is certified according to latest version of EMS i.e. ISO 14001: 2015. FFBL is also the forerunner of fertilizer industry in the country which opted for environment friendly Phosphate based cooling water treatment program.

Since commissioning of plants, FFBL has come a long way in its efforts to conserve and preserve the environment, by maintaining the National Environment Quality Standards (NEQS), Sindh Environment Quality Standards (SEQS) and complying with other legal requirements. Addition of the latest equipment / instruments to enhance environmental monitoring is a regular feature at FFBL. In pursuit to maintain flora and fauna, we focus on tree plantation both in and outside the plant premises and run awareness program for our young engineers and operators.

Few salient highlights regarding environment protection measures by FFBL are as follows:

- Effective in-house monitoring and control of gaseous emissions and liquid effluents.
- Use of environment friendly oxo-biodegradable polyethylene liner for packaging of DAP and Urea products.
- Third party analysis, by SEPA approved labs, of gaseous emissions and liquid effluents.
- Investment in new technologies to improve environmental monitoring.
- Periodic collection and analysis of sub soil sample of water from and around evaporation pond to ascertain the percolation effect of metals on ground water.
- Adoption of latest techniques and inclusion of latest equipment in laboratory to facilitate the sampling, analysis and monitoring of environmental activities.
- Support to neighbouring industries for monitoring of gaseous emissions.
- Installation of Reverse Osmosis (RO) plant for water conservation.
- Use of cooling water blow down for horticulture.
- Sampling and analysis of exhaust from vehicles at Head Office and Plant Site (including cars, buses and heavy plant machinery like cranes and fork lifters).
- Analysis of exhaust from Diesel Generators at Head Office and Plant Site.
- Acquisition of licence for use and storage of hazardous chemicals and substances under Sindh Hazardous Substance Rules 2014.
- Reporting of results of gaseous emissions and liquid effluents to Sindh Environmental Protection Agency (SEPA) on "Self-Monitoring and Reporting Tool" (SMART) program under the guidelines of federal Environmental Protection Agency (EPA).
- FFBL is in the process of implementing 'Green Office Initiative' in consultation with World Wildlife Fund (WWF), both at Head office and Plant Site.
- Focus on plantation of trees inside and outside the plant.

Occupational Health and Safety

The safety of employees, maintenance / sustainability of pollution free environment in and around plants and to contribute in country's economy by excelling in all local and international standards of Quality, Health, Safety and

Environment are the cornerstones of FFBL's operating strategy. It has maintained a proud record of human safety, health and environmental standards. We are committed to maintain an incident free environment by giving safety the highest priority.

To achieve the goal of incident free atmosphere, a robust system of checks and balances is in vogue which includes series of activities including safety audits, weekly safety talks, emergency mock drills, safety slogans/ housekeeping competitions, HAZOP study of plant's operating units and safety trainings.

Plant completed 17.77 million safe man-hours and 122 months of safe operations on December 31, 2018 since last "Loss Time Injury" in February 2009. FFBL is also a member of National Safety Council, USA since 2001.

DuPont STOP™ Training

FFBL has successfully implemented DuPont Behaviour Based Safety Training and Observation Program (STOP) which resulted in positive reinforcement of employees behaviour. DuPont STOP® program also helped in improving our safety culture and HSE excellence. In order to further augment the commitment towards improvement in safety culture, implementation of

Process Safety Management (PSM) program is in progress.

Reverse Osmosis Unit with Ultra Filtration System

To minimize liquid effluents from plant, M/s Hydrotech (Italy) designed Reverse Osmosis Unit (ROU) with Ultra Filtration System. The ROU was successfully commissioned during 2015 for reduction in cooling tower blow down and demineralization trains regeneration effluent. This has resulted in reduction of blow down by 40 m^3/hr.

Oxo-biodegradable Polyethylene Liner

From July 2015, the Company has been using Oxo-biodegradable Polyethylene Liner for packaging of DAP and Urea products. This has reduced the quantum of waste generated after using fertilizer by the farming community. Use of oxo-biodegradable polyethylene liner is a major milestone achieved by FFBL towards protection of environment.

Shareholders' Information

To update shareholders about the operations, growth and state of affairs of the Company, the management promptly disseminates all material information including announcement of interim and final results to Pakistan Stock Exchange (PSX). Quarterly, half yearly and annual financial statements are accordingly circulated within stipulated timeframe to all concerned. Similarly, notices and announcements of dividend are transmitted to all stakeholders and regulators within the time, laid down in the Code of Corporate Governance, Companies Act 2017 and listing regulations of PSX. The same are also uploaded immediately on Company's website (www.ffbl.com).

Shares Market Information

Company shares are quoted on PSX. A total of 204,935 million Company shares were traded at Stock Exchange during the year and the free float stood at 31.45%. The market capitalization of the Company stock was recorded at Rs 34.81 billion at the close of 2018. FFBL shares were subject to a wide range of trading from a high of Rs 45.65 per share to a low of Rs 30.62 per share, closing the year at Rs 37.27 per share.

There were 13,616 shareholders of the Company's equity at the close of 2018. About 83.79% of total shares outstanding were closely held by the sponsors, investment companies, financial institutions and other corporate bodies. About 2.78 % shares were held by the foreign shareholders. Company executives also hold 24,553 shares.

DIRECTORS' REPORT

Issues Raised in the Last AGM, Decisions Taken and their Implementation

The clarifications made by the management to issues raised are as under:

Decline in Profitability of FFBL

Overall, FFBL performed exceptionally well but price capping by Government and its policies towards fertilizer manufacturers affected profitability of the Company. Numerous other factors like non-payment of subsidy by GoP, increase in gas and decrease in DAP prices have also adversely impacted profitability. The Company has also taken certain steps to reduce the internal cost. Further, the Company is in dialogue with the Government for the removal of price capping and also creating awareness on other industry issues.

Sale of Leasehold Land Under Agreement to FPCL

FPCL is a separate company having its own financial obligations with different vendors. As demanded by FPCL, independent evaluation of the land was carried out by a third party. Sale transaction of leasehold land under agreement to FPCL was carried out under compulsion and was recorded in the financial year 2016.

Blue Ocean Strategy

As regards blue ocean strategy, FFBL has already adopted the same and the Company has saved fuel gas by installing FPCL which has also resulted in additional fertilizer production during 2017 by 200 Kt.

Devaluation of Pak Rupees and Future Outlook of Company

Devaluation of Pak rupees with respect to fertilizer business has positive impact, as gas price is in local currency and DAP price is set out in accordance with international prices, therefore increase in dollar's value will eventually increase the profit margins.

DAP Expansion

As regarding expansion of DAP production, it involves availability of multiple raw materials like ammonia, gas and phosphoric acid etc. Presently Company's ammonia plant is running at full load and there is shortage of gas in the country hence availability of DAP through import is best solution in present scenario.

Gas Price and GIDC

Upon a clarification regarding fertilizer prices with respect to GIDC and change in gas price, CFO stated that GIDC case is in the court and decision is awaited. However, fertilizer price is directly proportionate to gas price.

Going Concern Value

Regarding going concern value, the Company is performing well and is capable to meet its commitments and obligations. Moreover, external auditors have also not highlighted any observation in the audit report.

Write-off of ASCCL

By depreciating the value of said investment over the years, the value of the Arabian Sea Country Club investment in books of accounts is zero, though the Company still holds ownership interest in the entity, however, we are not expecting any return from the said investment.

Steps to encourage the shareholders to attend the general meetings.

Notices of Annual General Meetings (AGM) and any Extra Ordinary General Meetings (EoGM) are sent to all Shareholders of the company well in advance i.e. more than 21 days before general meetings. Notices of these meetings are placed on company's website (www.ffbl.com) and published in leading Newspapers in two languages i.e. English as well as in Urdu for easy accessibility.

All such meetings are arranged at places, which are near to the FFBL Head Office and convenient for all shareholders to attend. Proper Question / Answer time is provided and shareholders are encouraged to present their viewpoint on important matters. During AGM / EoGM, previous year Annual Reports and current year quarterly reports are made available to shareholders for ready reference.

Analysts Briefings

FFBL has conducted two analyst briefing in Karachi (Feb 07, 2018 and Nov 06, 2018) to discuss its annual and 3rd Quarter 2018 results respectively.

The idea of briefings is to keep the investors, fund managers and research analysts informed about the Company's performance, industry analysis as well as future business outlook.

The briefing also covers performance and future development of FFBL subsidiaries, joint venture and other investment.

Awards and Recognitions

Corporate Social Responsibility (CSR) Awards

FFBL has received CSR awards for "Community Development and Services" and "Education and Scholarships" during the "International Corporate Social Responsibility Summit-2018" organized at Serena Hotel Islamabad on 18 Jan 2018, by NFEH (National Forum for Environment & Health). The Company has received CSR award for the seventh consecutive year.

Environment, health and safety Performance

FFBL has won the 4th international award in the category of "Environment, Health and safety performance".

The Award & Certificate were awarded in the international conference on Environment, Health & Safety, held on April 12th, 2018 at Marriott Hotel Karachi. The conference was organized by the Professional Networks and chaired by Dr. Sikandar Ali Shoro, special assistant to chief Minister (Sindh) on information, science and technology.

Safety Awards

- 15th Annual Environmental Excellence Award 2018.
- 8th Annual Fire Safety Award 2018 by NFEH and Fire Protection Association of Pakistan (FPAP).
- Award for 17 Million Man-hours by National Safety Council, US.

Highest taxpayer award

FFBL has been awarded highest taxpayer award on Apr 2018 by Punjab Revenue Authority (PRA) in a ceremony conducted by PRA in Rawalpindi Commissionerate office.

IFA Protect and Sustain Product Stewardship Certification

In pursuit of attaining the highest standards in quality, FFBL has obtained the certification with laurels on "IFA Protect and Sustain Product Stewardship Program". FFBL was graded excellent by International Fertilizer Association appointed certification body in 2017. As per requirement of the standards, mid certification cycle audit was conducted in Sep 2018. The certification body re-ratified the certification with laurels.

DIRECTORS' REPORT

Under the guideline of "IFA Protect and Sustain Product Stewardship Program" FFBL has issued the customer policy, which is given under.

ISO Certifications:

FFBL has obtained the re-certification for the 5th cycle (2018~2021) of the latest versions of three ISO standards i.e. Quality Management System (ISO 9001), Environment Management System (ISO 14001) and Occupational Health & Safety Management System (ISO 45001).

Human Capital Development

Policy

The year 2018 can be termed as the consolidation of HR system, processes and productivity. During the last years FFBL facilitated HR projects and necessary structures for its subsidiaries. Human Capital Management Department at FFBL then undertook assignments of Manpower Assessment post devolution of subsidiaries' HR functions, development of Key Performance Indicators (KPIs), development and publishing of 'FFBL Success Drivers', HR Technology Optimisation and market alignment of Compensation and Benefits.

Performance Management System

The gestation and launch of a vibrant and effective Performance Management System is being put in place, where employee and management expectations will be aligned through an effective Performance Metrics & KPIs.

Employer Brand

Our Company is one of the largest fertilizer processing businesses in Pakistan. We plan to be the Preferred Employer and Employer of Choice. Through Campus Drive, use of Social Media and implementing Industry-Academia linkage through strategic partnering with prestigious business & engineering schools of the country.

Hiring System

During 2018, we have partnered with highly reputed testing & evaluation institutions for a transparent and competency based hiring. We hope to harvest professionally competent employees ensuring merit and transparency.

Succession Planning

Our Succession Planning is aimed at building a pipeline for future leadership and creating backups for critical roles.

The salient features of this policy are:

- To identify Potential Talent for Succession thru cross-functional Talent Review Process.
- To develop and train Potential Successors for Critical Positions in the Organization.
- To select Employees for Successor's role or Fast Track Career on the basis of Performance & Potential.
- Through succession planning process it will be ensured that the Potential Employees are provided necessary training, exposure and career moves.

- Leadership Positions up to (N-3) - Manager for Support Business Group AND (N-4) – Unit Manager for Core Business Group, recommended to be Business Critical Positions besides positions that requires unique skill set.
- The purpose of identifying Business Critical Positions is to ensure retention of such roles.
- The top management will review this on an annual basis and update as appropriate

Employees Retirement Benefits

Value of investments of Provident and Gratuity Funds as on December 31, 2018 (un-audited) is as under:-

	2018	2017
	Rs (millions)	
Provident Fund	1,491	1,471
Employees Gratuity Fund	734	726

Stakeholders' Engagement

FFBL stakeholders include the investment community, employees, contractors, national/regional/local governments, regulators, communities associated with our operations, business and jointly controlled entities, non-governmental and development organizations, suppliers, customers and media. Engagement takes many forms, at the corporate level, our stakeholder engagement is focused on shareholders, capital market participants, government (usually at the national level) and civil society (principally national and international NGOs).

Pakistan Maroc Phosphore, SA (PMP)

PMP produced 339 Kt of P_2O_5 during the year and sold 361 Kt against production of 468 Kt and sale of 474 Kt respectively in the corresponding period. The production variance is due to 148 days of down time of Sulphuric Acid Plant due to 3 damage incidents at GTS turbo blower steam turbine rotor.

Following production milestones were achieved during the year:

- Sulphuric Acid highest daily production of 4,266 MT was achieved on Sep 09, 2018. Previous best was 4,144 MT on Apr 24, 2018 (Previous years, best was 4,047 MT on Feb 14, 2016).
- Sulphuric Acid highest Monthly production of 128,044 MT was achieved in Jul 2018. Previous best was 126,762 MT in May-2018. (Previous years, best was 123,713 in Mar, 2016.
- Phosphoric Acid (28%) highest daily production of 1,840 MT was achieved on Dec 28, 2018. Previous best was 1,810 MT on Jun 08, 2017.
- Phosphoric Acid (28%) highest Monthly Production of 45,302 MT was achieved in Jul 2018. Previous best was 44,825 MT in Oct, 2017.

First nine months of 2018 financial statements, drawn in accordance with Moroccan Standards of Financial Reporting, closed with a net profit of Moroccan Dirhams (MAD) 177 Million (US$ 19.97 Million) against MAD 91 Million (US$ 9.3 Million) for the same period of 2017. Gross profit percentage for first 9 months 2018 arrived at 17% as against 10% for the same period of last year. At the end of Sep 2018, accumulated profit was MAD 266 Million (US$ 28.28 Million).

An Interim Dividend for 2018 of MAD 80 Million (US$ 8.4 Million) was approved in Extra Ordinary General Meeting held on December 03, 2018 which was paid to the shareholders in the first week of Jan 2019. This was in addition to final dividend of MAD 160 Million (US$ 16.8 Million) for 2017 paid to the shareholders in August 2018.

DIRECTORS' REPORT

Long Term Value

Wind Power Projects

The Company invested Rs 2,461 million in two Wind Power Plants, Foundation Wind Energy- I Limited (FWE-I) and Foundation Wind Energy- II (Private) Limited (FWE-II) of 49.5 MW each. Total project cost of FWE-I was US$ 125 million and for FWE-II US$ 124 million. The projects have a debt to equity ratio of 75:25. FFBL holds 35% shares in each project.

FWE-I and FWE-II continue to efficiently supply electricity to the national grid. The companies are also leaders in the region for their Corporate Social Responsibility initiatives.

FFBL's consolidated other income includes share of profit of Rs 350 million from FWE-I and Rs 355 million from FWE-II. Both projects promise good returns in years to come.

Askari Bank Limited

As part of its investment diversification strategy, FFBL invested in Askari Bank Limited (AKBL) in 2013 and acquired 271,884 thousand shares representing 21.57% holding. Since acquisition by FF Group, AKBL has been delivering strong financial performance. This could be witnessed from the cash dividends that AKBL has declared ever since.

During strategy review, the Bank's entity ratings were maintained at 'AA+' by Pakistan Credit Rating Agency Limited driven by strong sponsors, continuous improvement in cost of funds and assets quality supplemented by comfortable liquidity position. The short term rating was also maintained at 'A1+'. Askari Bank's branch footprint comprises of 516 branches, including 91 Islamic Banking Branches, 43 sub-branches, a Wholesale Banking Branch in Bahrain and representative office in Beijing, China.

Looking ahead, the banking sector is expected to flourish since Pakistan's economic forecast projects a positive outlook gaining further momentum due to CPEC related activities and positive domestic policy measures. However certain concerns remain on the position of external account and financial inflows in the coming years.

Fauji Meat Limited

Fauji Meat Limited (FML), built with the aim and capacity to provide 100% certified halal meat, was incorporated in 2013 as a subsidiary of the Company with 83% shareholding and Fauji Foundation with 17% Shareholding.

It owns the largest and most technologically advanced meat processing plant in South East Asia, which is located near Port Qasim, Karachi with daily production capacity of 100 tons of meat (85 tons beef and 15 tons mutton), in both frozen and chilled category, adhering to international standards. FML has built an export ecosystem, which spans over 22 countries and is catering to domestic demand under the brand name Zabeeha. FML is committed to deliver the distinctly flavorsome halal meat of Pakistan to the world around. FML is a certified facility for ISO 9001:2015, HACCP, Halal PS 3733:2013, JAKIM Halal, Malaysia and FSMS-22000.

The main product offerings include chilled, frozen, bone-in and deboned/ boneless categories. FML is committed towards hygienic excellence and is doing justice to its vision by offering vacuum packed products. It is also playing its part in environmental safety by introducing rendering and waste water treatment plant (WWTP) facility within the complex.

Fauji Foods Limited (FFL)

Fauji Foods Limited, a majority owned company of FFBL (50.59% shareholding) and Fauji Foundation (12.75% shareholding) is engaged in the processing and

marketing of brands in the Dairy, Tea Creaming and Fruit Drink segments.

FFL's flagship brand, The House of Nurpur's product portfolio comprises of some of the most well-known dairy products in Pakistan including the iconic Nurpur Butter. FFL remained on course of its growth strategy and commitment towards excellence and continued to achieve numerous milestones, still the year under review remains a mix of good and not so good events for Dairy Industry that had an impact on FFL operational and financial performance.

The Operational results of FFL grew on improved milk processing, efficient capacity utilization, enhanced product distribution and brand presence. The addition of new Tea Whitener brands like TAZA along with re-branding and re-packaging of its premier pasteurized milk as DOODH, FFL continued to deliver its promise to the consumers of providing quality dairy products, and also help complimenting sales growth.

FFBL Power Company Limited

A separate entity by the name of FFBL Power Company Limited (FPCL) was incorporated to overcome the energy crises in future by installing coal power plant with gross power generation capacity of 118 MW within FFBL fertilizer complex as a substitute of natural gas fuel based system.

FPCL achieved commercial operations (COD) on May 19, 2017. The total cost of the project is around US$ 291 million with debt to equity ratio of 72:28. FFBL holds 75% shareholding in the project. The power generated is used for existing fertilizer complex as well as for export to K-Electric.

During the year, FPCL delivered Electricity of 151,537 MWh to FFBL and 408,902 MWh to K-Electric Limited. FPCL has also delivered 1,453,282 Metric Tons of Steam to FFBL.

Business Challenges and Future Outlook

FFBL faces tough challenges in the form of low international fertilizer prices and high domestic cost of production which places it at a disadvantage. However, it looks forward to a bright future with ever increasing demand for food and fertilizer and shall continue to contribute towards self-reliance of country's agriculture and help ensure food security.

The Company has managed to achieve a modest profit in the year 2018. Year 2019 would be another challenging year due to high cost of production. Despite all challenges FFBL is committed to perform and deliver best possible result under challenging business and political environment. We shall continue to meet our strategic objectives, long term goals and contribute towards economic revitalization.

Board's Evaluation and involvement of external consultant

Pursuant to Code of Corporate Governance Regulations, 2017, the Board recognises that it continually needs to monitor and improve its performance. This is achieved through the annual performance evaluation and ongoing Board development activities. The Board awarded performance evaluation for the year 2018 to one of the leading external consultant.

Role of Chairman

The Chairman leads the Board of Directors, represents the Company and acts as the overall custodian of the Company and the stakeholders. He is responsible for:-

- Ensuring the Board's effectiveness.
- He empowers the Board as a whole to play a full and constructive part in the development and determination of the Company's strategy and overall objectives.
- Ensure that the development of the businesses and protection of the reputation of the Company and its subsidiaries receives sufficient attention from the Board.

DIRECTORS' REPORT

CE&MD's Performance Review

The Chief Executive & Managing Director (CE&MD) is appointed by the Board of Directors for a period of three years. Each year, the Board establishes a list of goals, performance objectives and priorities that are the strategies deemed necessary in achieving overall milestones of the Company. The primary purpose of CE&MD's evaluation is to bring the CE&MD and Board together to discuss how their performance and priorities contribute towards the growth of the Company. CE&MD's performance is based on the following checklist:

- Ability to achieve mission and specific board objectives
- Achieving medium-long term goals and key strategies
- Development and management of resources, policies and systems
- Statutory reporting and compliance
- Ensure long term profit and commercial viability
- Active communication with all Board members
- Attendance in Board meetings and activities
- Effective management of key responsibilities
- Delegation and authority
- Putting in place adequate operational planning and financial control systems.

The Board presents itself as a monitor by giving free hand to CE&MD in managing and implementing the predetermined key indicators of success. On the basis of CE&MD's performance, the Board provides constructive and honest feedback in a supportive manner to protect and strengthen the integrity of the role of CE&MD.

Role of CE&MD

The CE&MD is responsible for execution of Company's long term strategy with a view to create shareholder value. The leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company's long and short term plans. The CE&MD acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management. He also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public.

Typically, the CE&MD acts as a director, decision maker, leader, manager and executor. The communicator role involves interaction with the outside world, as well as the organization's management and employees; the decision-making role involves high-level decisions in respect of execution of policy and strategy. As a leader of the Company, the CE&MD motivates employees and drives change within the organization.

Board of Directors

The Board exercises the powers conferred to it by Code of Corporate Governance, the Companies Act 2017and the Memorandum and Articles of Association of the Company, through Board Meetings, which are held in every quarter for reviewing and approving the Company's financial statements, coupled with review and adoption of Business Plan.

During the year, five meetings of Board of Directors were held with the attendance as under:-

Name of Directors	Attendance	Remarks
• Lt Gen Syed Tariq Nadeem Gilani (Retd)	5	
• Lt Gen Javed Iqbal (Retd)	5	
• Lt Gen Shafqaat Ahmed (Retd)	1	Retired on Mar 26, 2018
• Lt Gen Tariq Khan (Retd)	4	Appointed on Mar 28, 2018
• Mr Qaiser Javed	4	Retired on Nov 30, 2018
• Mr Rehan Laiq	1	Appointed on Dec 01, 2018
• Dr Nadeem Inayat	5	
• Maj Gen Wasim Sadiq (Retd)	5	
• Maj Gen Kaleem Saber Taseer (Retd)	5	
• Maj Gen Tahir Ashraf Khan (Retd)	5	
• Brig Raja Jahanzeb (Retd)	5	
• Mr Naved A. Khan	4	
• Mr Nasier A. Sheikh	5	
• Dr Rashid Bajwa	5	

Board Committees

Audit Committee

Terms of Reference

The Committee comprises of five members, including its Chairman, all of whom are non-executive directors, while one is independent director. As per revised Code of Corporate Governance Regulation 2017, Chairman of the Audit Committee should be an independent director. The Company already complied with the above new requirement as the Mr Nasier A. Sheikh the chairman of the Audit Committee is already an independent director.

The Committee meets at least once every quarter of the financial year. It reviews Company's interim and annual financial results, business plans and internal audit reports, prior to the approval by Board of Directors. It also recommends to the Board the appointment of external auditors and advises on the establishment and maintenance of the framework of internal control and appropriate ethical standards for the management of the Company. Terms of reference of the Audit Committee are in accordance with the Code of Corporate Governance Regulation 2017.

DIRECTORS' REPORT

During the year, five meetings of the Audit Committee were held, attendance by the members was as follows:-

Name of Directors	Attendance
Mr Nasier A. Sheikh (Chairman)	5
Mr Qaiser Javed	4
Mr Rehan Laiq	1
Dr Nadeem Inayat	5
Maj Gen Wasim Sadiq (Retd)	3
Maj Gen Kaleem Saber Taseer (Retd)	3

System and Technical Committee

Terms of Reference

This Committee comprises of four members including its Chairman. All members are non-executive directors, while two are independent director. It reviews all technical matters pertaining to the plant operations, including capital expenditure.

During the year, five meetings of the Technical Committee were held, attendance by the members was as follows:-

Name of Directors	Attendance
Maj Gen Kaleem Sabir Taseer (Retd) (Chairman)	5
Brig Raja Jahanzeb (Retd)	5
Dr Rashid Bajwa	5
Mr Nasier A. Sheikh	5

Human Resource and Remuneration Committee

Terms of Reference

Human Resource Committee was renamed as Human Resource and Remuneration (HR&R) Committee as per Code of Corporate Governance 2017. The Committee comprises of five members including its Chairman. All members are non-executive directors, while two are independent directors. It reviews all HR related matters of the Company.

Terms of reference of the Human Resource and Remuneration Committee are in accordance with the Code of Corporate Governance Regulation 2017.

During the year, two meetings of the Committee were held, attendance by the members was as follows:-

Name of Directors	Attendance
Dr Nadeem Inayat	2
Maj Gen Maj Gen Wasim Sadiq (Retd)	1
Maj Gen Tahir Ashraf Khan (Retd)	2
Mr Naved A. Khan	2
Dr Rashid Bajwa (Chairman)	2

Training of the Board

FFBL's Directors are well equipped with requisite knowledge of code of corporate governance and all applicable laws. They are aware of their duties and responsibilities in the best interest of stakeholders. The directors of the board have rich experience of business and financial management, reporting, ethical obligation and legal compliances. In line with the guidelines of Securities and Exchange Commission of Pakistan (SECP), all members have already achieved certification of directorship from recognised institutions as per criteria set out by SECP.

In addition to above, pursuant to the requirement of Code of Corporate Governance 2017, FFBL arranged in house training in Oct 2018 for its key management positions through SECP's approved institute i.e, ICMAP where 19 officials of FFBL and its subsidiaries / associated companies participated and obtained the certification. In addition to CE&MD, following top management of the Company is now also certified for the said course:-

- CFO
- Company Secretary
- Head Human Capital Management
- Head Supply Chain Management
- SO to CE&MD
- Manager (Corporate Affairs)

Orientation course of directors

Based on the requirements of Code of Corporate Governance, 2017, FFBL has also conducted an orientation course for its directors on Apr 2018 to acquaint them with Code of Corporate Governance, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of FFBL for and on behalf of shareholders.

Directors' Remuneration Policy

As per Board's approved Directors' Remuneration Policy, each Director, other than the regularly paid Chief Executive and full time working Director, is entitled to be paid as remuneration for his services, a fixed fee as decided by the Board for meeting attended by them. Moreover, out stationed Directors are also entitled to reimburse travelling and accommodation expenses on actual incurred in consequence of his attendance of Board / Committee meetings or whenever on Company's business. In case of international travel, the Directors are authorize for daily allowance instead of accommodation charges

Directors' Statement

Directors are pleased to state that:

- The financial statement, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Books of account of the Company have been maintained properly.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statement. Any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts regarding the Company's ability to continue as a going concern.
- 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; and
- Statement of value of investments in respect of employees' retirement plan has been given in note of the financial statements for employee gratuity fund and note for employees' provident fund.

Information of Subsidiaries Required to be Disclosed u/s 226(3) of The Companies Act, 2017

Fauji Meat Limited

Fauji Meat Limited was incorporated as a public limited company on Sep 05, 2013 with FFBL and Fauji Foundation owning 83% and 17% of the total shares respectively. COD was achieved on Apr 02, 2016.

Production & Sales Highlights

During the year ended December 31, 2018, FML achieved production of meat of 1,968 Tons from its Plant. FML exported 1,809 Tons of meat to foreign countries mainly UAE 933 Tons, Vietnam 714 Tons, OMAN 116 Tons. FML received approval for export to KSA in the last month of the year and has sent 6 Tons meat to KSA.

During the 2nd quarter FML launched its local brand under the name of Zabeeha in the domestic market. 07 Retail outlets have been opened so far in the cities of Karachi, Rawalpindi and Lahore in order to gain the advantage of better margins. The outlets have cumulatively achieved sales of 147 Tons during the year and the sales of all the outlets are on increasing trend.

During the 3rd quarter FML successfully carried out Qurbani Project on the occasion of Eid-ul-Azha resulting in sales of 116 tons of beef and 18 tons of mutton.

Financial Highlights

During the year ended on December 31, 2018, FML booked sales revenue of Rs 1,120 Million (2017: Rs 1,243 million). FML suffered gross loss of Rs 355 million (2017:

DIRECTORS' REPORT

Rs 529 million). FML suffered net loss after tax of Rs 1,318 million (LPS: 3.57) for the year ended December 31, 2018 (2017: Rs 1,355 Million, LPS: 4.52) mainly due to low volume operations causing less absorption of fixed costs. LPS of FML was 3.57

Outlook

FML received approval for KSA during last quarter of 2018 and has sent some shipments accordingly. KSA is a big market of Halal meat and FML is very hopeful to secure significant volumes in year 2019 in KSA.

Considering the importance of domestic market, FML is also offering franchises to interested parties throughout the country.

FML is hopeful that 2019 will be a far better year than 2018 in terms of production volumes which will improve not only efficiency but also result in higher fixed cost absorption.

Principle risks and uncertainties faced by FML

Following are the major risks and uncertainties faced by FML

Sourcing of animals with required specification at competitive prices is a challenge faced by the Company for which, the Company has established a comprehensive system to ensure reliable and cost effective animal supplies.

Sales revenue and profitability of FML is highly sensitive to prices of products in different countries. FML is in direct competition with Countries like India, Brazil, Australia etc.

Management is making all out efforts to secure new markets, major focus being removal of restrictions for direct export to China.

Board of Directors

Following are the Directors of FML who served on the Board during the financial year 2018:

- Lt Gen Khalid Nawaz Khan, HI(M), Sitara-i-Esar, (Retd) (Resigned on 9 Jan 2018)
- Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retd). (Appointed Director on 10 Jan 2018) (Chairman)
- Lt Gen Shafqaat Ahmed, HI(M), (Retd). (Resigned on 28 Mar 2018)
- Lt Gen Tariq Khan, HI(M), (Retd). (Appointed Director on 29 Mar 2018)
- Lt Gen Javed Iqbal, HI(M), (Retd)
- Mr Qaiser Javed. (Resigned on 30 Nov 2018)
- Mr Rehan Laiq. (Appointed Director on 1 December 2018)
- Dr Nadeem Inayat
- Maj Gen Kaleem Saber Taseer, HI(M), (Retd)
- Maj Gen Tahir Ashraf Khan, HI(M), (Retd)
- Syed Aamir Ahsan
- Brig Shahid Afzal, (Retd)

Fauji Foods Limited (FFL)

Fauji Foods Limited, a majority owned Company of FFBL (50.59% shareholding) and Fauji Foundation (12.75 % shareholding) is engaged in processing and marketing of dairy products, juices and jams. FFL's brand 'Nurpur' is one of the oldest and highly recognizable brand in Pakistan.

Operations During the Year

The Operational results of FFL grew on improved milk processing, efficient capacity utilization, enhanced product distribution and brand presence. The addition of new Tea Whitener brands like TAZA along with re-branding and re-packaging of its premier pasteurized milk as DOODH, FFL continued to deliver its promise to the consumers of providing quality dairy products, and also help complimenting sales growth.

On the external front, FFL also faced adverse impact in UHT milk segment due to Honorable Supreme Court order on packaged UHT milk at the start of the year. On subsequent retesting of the milk the Honorable Supreme Court reversed the said order, in favor of FFL. Impact of that order still felt on UHT sales over the remaining year. Overall dairy sector growth also declined due to negative perception created in the media about packaged milk and Tea Whiteners.

Despite these tough conditions FFL has continued to capture and improve its market share. The net turnover during the year 2018 recorded a growth of 16% compared with 2017.

Consolidation of classes of shares:

In the 51st Annual General Meeting held on Mar 26, 2018, Member's approved through special resolution merging of voting and non-voting shares of FFL into one class and increased authorized capital to 700,000,000 ordinary shares of Rs 10 each.

Financial Performance

FFL achieved turnover of Rs 8,094 million compared to Rs 7,001 million in the comparative year. Loss after taxation in the reported year is Rs 2,849 million as compared to Rs 2,288 million in the comparative year. The Loss per Share thereby is Rs 5.39 as compared with Rs 9.22 in the comparative year.

The increase in net losses are due to higher cost incurred in relation to input costs of raw materials owing to fluctuations in foreign currency exchange rates, and finance costs owing to increase in policy rate by the State Bank of Pakistan.

Moreover, inability of Industry and FFL to increase prices of certain products despite increase in its processing cost, including impact of change in Input costs and additional Regulatory Duty and high availability of low priced loose milk through informal sector also contributed to losses.

Management has undertaken various initiatives like efficient management of input costs, increasing production scales, securing new working capital lines, etc. We expect that these steps together with increased sales will contribute significantly towards the profitability of FFL in the future.

Acquisition intent by Inner Mongolia Yili Industrial Group Company Limited

On Jul 31, 2018, Inner Mongolia Yili Industrial (Yili), a Chinese state owned corporation showed its interest in acquisition of 51% stake in FFL. FFBL has commenced legal and due diligence formalities in this regard. Management will keep apprising all stakeholders of developments in this matter through prompt PSX announcements.

Future Outlook

Pakistan's economy continues to grow positively, led by growth in the manufacturing and services sectors and recovery in agricultural sector. Higher domestic demand and improvement in China Pakistan Economic Corridor backed infrastructural development is expected to provide further impetus to the growth momentum. In the coming period, expected rebounds in the commodity prices, weakening of the local currency, change in policy rate by the SBP may exert momentary pressure, however, the general outlook of Pakistan's economy remains positive.

Board confidence remains high in the growth potential of Pakistan's dairy market. Dairy industry is expected to recover from negative campaign and it is expected to show growth in the future and regain the market share lost to loose milk segment.

The Board is also confident about the future growth of FFL to deliver quality products while keeping a strong focus on innovation and operational excellence. Current capacity enhancement will enable it to contribute as key market player of the dairy industry. FFLwill continue to focus on improving shareholders' value through innovation, product and process optimization, effective cost controls and will continue to grow its market share In Sha ALLAH.

Principle risks and uncertainties faced by FFL

Risks faced by FFL are not significantly different from risks posed to other companies working in the dairy sector. The recent and sudden devaluation of currency along with changes in Regulatory and Revenue Regimes by the Government, has exposed FFL to Foreign Exchange Risk and Regulatory Risks. The Management and Board is well aware of the associated Risks and has taken steps to mitigate the same. Apart from the above said Risks, there are no significant risk and uncertainties posed to the business and operations of FFL, except as disclosed in the Contingencies and Commitment notes to the financial statements of FFL.

Board of Directors

Fresh election of the directors of FFL were conducted on Nov 26, 2018. Following are the Directors of the FFL, who served on the Board during the financial year 2018:

- Lt Gen Khalid Nawaz Khan, HI(M), Sitara-i-Esar, (Retd) (Resigned on 10 Jan 2018)

DIRECTORS' REPORT

- Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retd). (Appointed Director on 10 Jan 2018) (Chairman)
- Lt Gen Shafqaat Ahmed, HI(M), (Retd) (Resigned on 26 Mar 2018)
- Lt Gen Tariq Khan, HI(M), (Retd). (Appointed Director on 27 Mar 2018)
- Lt Gen Javed Iqbal, HI(M), (Retd)
- Mr Qaiser Javed (Tenure ended on 26 Nov 2018)
- Mr Rehan Laiq (Elected Director on 26 Nov 2018)
- Dr Nadeem Inayat
- Dr Rashid Bajwa (Tenure ended on 26 Nov 2018)
- Brig Raashid Wali Janjua (Retd)
- Malik Adnan Hayat Noon (resigned on 12 Apr 2018)
- Mr Salman Hayat Noon
- Lt Col Abdul Khaliq Khan (Retd)
- Mr Iltifat Rasul Khan
- Mr Par Soderlund
- Syed Aamir Ahsan (Tenure ended on 26 Nov 2018)
- Mr Basharat Ahmad Bhatti (elected in election of directors dated 26 Nov 2018)
- Ms Aminah Zahid Zaheer (elected in election of directors dated 26 Nov 2018)

FFBL Power Company Limited

The principal activity of FPCL is to operate a coal based power generation facility at Port Qasim Karachi with a net capacity of 103 MW (Gross Capacity of 118 MW). FPCL commenced its commercial operations (COD) on 19 May 2017.

Financial Results

During the year ended December 31, 2018 FPCL has recorded Revenue amounting to Rs 16,245 million against Cost of Sales of Rs10,701 million. Profit after Taxation amounting to Rs 3,053 million as compared to Profit of Rs 1,740 million earned during the last financial year resulting in Earnings per share (EPS) of Rs 3.55.

During the year FPCL has declared and paid dividend of Rs 1.75 per share amounting to Rs 1.503 billion.

Current assets mainly comprise of Stock-in-Trade amounting to Rs 1,406 million, trade debt amounting to Rs1,196 million includes receivable from FFBL (Rs 884 million), K–Electric (Rs 308 million), and Short Term Investments comprise of TDRs of Rs 313 million.

Current Liabilities mainly comprise of , Payable to coal supplier amounting to Rs 553 million, Worker's Profit Participation Fund (WPPF) payable amounting to Rs 129 million and Rs 1,719 million being the current portion of Long Term Finance Facilities.

Total seven principal repayments under the Long Term Finance Facilities amounting to Rs 2,705 million

have been paid up to December 31, 2018. Outstanding Long Term Finance Facilities as at December 31, 2018 are amounting to Rs 17,212 million.

Operational Results

During the year ended December 31, 2018 FPCL delivered Electricity of 151,537 MWh (98% of Budget) to FFBL and 408,901 MWh (105% of Budget) to K-Electric Limited. FPCL has also delivered 1,453,282 Metric Tons (93% of Budget) of Steam to FFBL.

During the year the FPCL implemented SAP ERP system which is functioning as per the requirement and providing support for better internal controls.

Principle risks and uncertainties facing FPCL

Following are the principle risks and uncertainties facing FPCL:-

Merit Order risk

The dispatch of electricity by FPCL to K-Electric is subject to Merit Order Criteria as per NEPRA's decision. There is a risk that FPCL may not fall under merit order for K-Electric and is therefore unable to dispatch electricity to K-Electric system resulting in non-recovery of Capacity payments

Uncertainty over fuel supply

In case of shortage / non-availability of coal, FPCL cannot declare its availability to the power purchasers i.e. K-Electric and FFBL which can lead to non-recovery of Capacity payments.

FPCL have placed sufficient controls to mitigate against the aforesaid risks.

Board of Directors

The Board exercises the power conferred to it by the Code of Corporate Governance, the Companies Act, 2017 and the Memorandum and Articles of Association of the Company, through Board meetings, which are held in every Quarter for reviewing and approving the adoption of company's Financial Statements and business plans.

Following is the list of the Directors of the Company who served on the Board during the financial year 2018:

- Lt Gen Khalid Nawaz Khan, HI(M), Sitara-i-Esar, (Retd) (Resigned on 9 Jan 2018)
- Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retd). (Appointed Director on 10 Jan 2018) (Chairman)
- Lt Gen Shafqaat Ahmed, HI(M), (Retd) (Resigned on 28 Mar 2018)
- Lt Gen Tariq Khan, HI(M), (Retd). (Appointed Director on 29 Mar 2018)
- Lt Gen Javed Iqbal, HI(M), (Retd)
- Mr Qaiser Javed (Resigned on 30 Nov 2018)
- Mr Rehan Laiq (Appointed Director on 1 Dec 2018)
- Maj Gen Tahir Ashraf Khan, HI(M), (Retd)
- Brig Raashid Wali Janjua (Retd)
- Dr Nadeem Inayat
- Syed Aamir Ahsan
- Mr Anwar Mahmood Shahid

DIRECTORS' REPORT

Adequacy of internal financial controls of subsidiaries

Respective boards of subsidiary companies have an effective systems of internal controls. The independent Internal Audit function, which reports directly to respective Audit Committees, monitors compliance with the internal controls besides providing suggestions on improvements. Audit Committees of the respective companies quarterly review the effectiveness and adequacy of the internal control frameworks and financial statements of the respective companies.

Acknowledgment

The Board of Directors would like to express its appreciation for the efforts and dedication of all employees of FFBL which enabled the management to run the Company efficiently during the year resulting in attainment of a good performance. The Board also wishes to recognize the extraordinary contribution of our customers, suppliers, bankers, SSGCL and Government of Pakistan in achieving Company's success and looks forward to their continued assistance in the future.

Last and most importantly, on behalf of the Board, I would like to express sincere thanks to our shareholders for their confidence and trust in the Company.

For and on behalf of the Board
Fauji Fertilizer Bin Qasim Limited

Lt Gen Syed Tariq Nadeem Gilani
HI(M), (Retd)

Chairman

Lt Gen Javed Iqbal
HI(M), (Retd)

Chief Executive & Managing Director

Place: Islamabad
Date: 30 January 2019

REPORT OF THE AUDIT COMMITTEE

ON ADHERENCE TO THE CODE OF CORPORATE GOVERNANCE

The Audit Committee of the Company has five Non-Executive Directors, out of which one is independent, who is also the Chairman of the Committee, and two members are financially literate.

The Head of Internal Audit attends all Audit Committee meetings. The Chief Financial Officer (CFO) attends Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once in a year without the presence of the CFO and head of internal audit. Meetings of the Audit Committee are held at least once every quarter. Five meetings of the Audit Committee were held during the year. Based on reviews and discussions in these meetings, the Audit Committee reports that:

1. The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the external auditors of the Company.

2. The Audit Committee reviewed the quarterly, half yearly and annual financial statements of the Company along with the significant issues and recommended them for approval of the Board of Directors. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.

3. The CE & MD and CFO have endorsed the financial statements of the Company and the consolidated financial statements. They acknowledged 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.

4. The Audit Committee has reviewed and approved all related party transactions.

5 The Audit Committee takes into account any feedback from the Board of Directors and incorporates for improvement.

6. The Audit Committee has reviewed the risk management and internal control function of the Company. During the year a new risk management policy was approved by the Board of Directors on recommendation of the Audit Committee.

7. The performance evaluation of the Audit committee is being carried out by an external consultant.

INTERNAL AUDIT AND RISK MANAGEMENT

1. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed Internal Audit department. The Audit Committee reviewed the resources and performance of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal Audit function. The head of Internal Audit Department has direct access to the Audit Committee.

2. Based on Risk Assessment, Internal Audit plan is prepared and submitted to the Audit Committee to mitigate the risks involved in the Company's operations. Further, on the basis of this plan, audits are conducted and reports are submitted. The Committee, on the basis of the said reports, reviews the adequacy of controls and compliance shortcomings, if any, in areas audited, and recommends corrective actions in the light of management responses. Regular follow ups of these reports are also undertaken. This ensures the continual evaluation of controls and improves compliance.

EXTERNAL AUDIT

1. The external auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co, Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed between them.

2. The Audit Committee has reviewed and discussed with the external auditors and management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same.

3. The Audit committee has assessed the effectiveness of the external audit process by evaluating their approach to audit, quality of the service provided, appropriateness of judgements and estimates and their independence and professional skepticism. During the year, the external auditors have provided certification on monitoring compliance with CDC regulations.

4. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder & Co, Chartered Accountants as External Auditors of the Company for the year ending December 31, 2019 as it is one of the Big Four audit firms of Pakistan and has thorough knowledge of the Company's business and industry and have completed their third term as external auditors of the Company.

Nasier A. Sheikh
Chairman - Audit Committee
Islamabad
January 30, 2019

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. FFBL Board consists of 12 x male Directors.
2. The composition of board is as follows:-

Category	**Names**
Independent Directors	Mr. Naved A. Khan Mr. Naved A. Khan Dr. Rashid Bajwa
Executive Director	Lt Gen Javed Iqbal, HI(M), (Retd)
Non-Executive Directors	Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retd) Lt Gen Tariq Khan, HI(M), (Retd) Dr. Nadeem Inayat Maj Gen Kaleem Saber Taseer, HI(M), (Retd) Maj Gen Tahir Ashraf Khan, HI(M), (Retd) Maj Gen Wasim Sadiq, HI(M), (Retd) Brig Raja Jahanzeb, SI (M), (Retd) Mr. Rehan Laiq

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision /mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training program for the following:-

   <u>Directors:-</u>
   - Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retd)
   - Lt Gen Javed Iqbal, HI(M), (Retd)
   - Lt Gen Tariq Khan, HI(M), (Retd)
   - Dr. Nadeem Inayat
   - Maj Gen Tahir Ashraf Khan, HI(M), (Retd)
   - Maj Gen Kaleem Saber Taseer, HI(M), (Retd)
   - Maj Gen Wasim Sadiq, HI(M), (Retd)
   - Mr. Naved A. Khan
   - Mr. Nasier A. Sheikh
   - Dr. Rashid Bajwa
   - Mr. Rehan Laiq

   <u>Executives:-</u>
   - Syed Aamir Ahsan, CFO
   - Brig Syed Mujtaba Tirmizi, SI(M), (Retd), Company Secretary
   - Brig Abdul Rehman, (Retd), Head HCM
   - Brig Asif Hussain Nizami, (Retd), Head SCM
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

   a. <u>Audit Committee</u>
   - Mr. Nasier A. Sheikh, Independent Director (Chairman Audit Committee)
   - Dr. Nadeem Inayat, Non-Executive Director
   - Maj Gen Kaleem Saber Taseer, HI(M), (Retd), Non-Executive Director
   - Maj Gen Wasim Sadiq, HI(M), (Retd), Non-Executive Director
   - Mr. Rehan Laiq, Non-Executive Director

   b. <u>HR & Remuneration Committee</u>
   - Mr. Rashid Bajwa Independent Director (Chairman HR&R Committee)
   - Dr. Nadeem Inayat, Non-Executive Director
   - Maj Gen Tahir Ashraf Khan, HI(M), (Retd), Non-Executive Director
   - Maj Gen Wasim Sadiq, HI(M), (Retd), Non-Executive Director
   - Mr. Naved A. Khan, Independent Director

c. **System and Technical Committee**
- Maj Gen Kaleem Saber Taseer (Retd), Non-Executive Director
- Brig Raja Jahanzeb (Retd), Non-Executive Director
- Mr. Rashid Bajwa, Independent Director
- Mr. Nasier A. Sheikh, Independent Director

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
    - Audit Committee
      - 5 i.e, After every quarter and in Dec 2018
    - HR and Remuneration Committee
      - Twice in year i.e, July and Dec 2018
    - System and Technical Committee
      - 5 i.e, After every quarter and in Dec 2018
15. The board has set up an effective internal audit function staffed with persons who are suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

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

Lt Gen Javed Iqbal,
HI(M), (Retd)
Chief Executive & Managing Director

Place: Islamabad
Date: 30 January 2019

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Fauji Fertilizer Bin Qasim Limited (the Company) for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Audit Engagement Partner
Farooq Hameed

Place: Islamabad
Date: 30 January, 2019

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE FAUJI FERTILIZER BIN QASIM LIMTED

Opinion

We have audited the annexed financial statements of Fauji Fertilizer Bin Qasim Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountant's *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matter(s):

Key audit matters	How the matter was addressed in our audit
1. Investment in Fauji Meat Limited	
The Company has setup Fauji Meat Limited (FML) for establishment of meat abattoir unit for Hilal Slaughtering for local and foreign sales, with equity investment of Rs. 3,750 million, including Rs. 1,500 million invested during the year. As at 31 December 2018 the Company held 83.33% of share capital of FML while the remaining shares are held by Fauji Foundation (FF). The Company has also provided sub-ordinated long-term loan of Rs. 2.4 billion, to FML, under a Rs. 3.5 billion loan facility, approved by the Company's shareholders. Since commencement of commercial operations during the first quarter of 2016, FML has consistently incurred losses. As at 31 December 2018, its accumulated losses amounted to Rs. 3,469 million. This and other factors indicated that the Company's investment in FML might be impaired. As a result, in accordance with the requirements of IAS 36, the Company performed an impairment assessment by comparing the carrying value of the Company's investment in FML, including the sub-ordinated loan and unutilized facility, to its recoverable amount to determine whether an impairment was required to be recognized.	The following procedures were performed: • Assessed the value in use model that whether it is in accordance with the requirements of IAS 36. • Assessed the cash flow forecast approved by the Board of FML taking into account our knowledge of the business and comparing the cash flow forecasts to externally available industry, economic and financial data. • Involved our Valuation Specialists to assess the appropriateness of the management's assumptions. Analyzed the Company's sensitivity analysis in main areas being the sales growth, operating margin, discount rate and long-term market growth-rate assumptions. • We obtained corroborating evidence regarding the cash flow forecasts by comparing the managements' forecast for current year with actual results. • We assessed the timing of re-payment of sub-ordinated loan incorporated into discounted cash flow models, in light of FML's agreement with external lenders.

Key audit matters	How the matter was addressed in our audit
Management used a discounted cash flow model to determine the value in use of FML. Following key assumptions were used as basis to determine the value in use: • Sales growth rate; • Operating margin; • Long-term market growth-rate; and • Discount rate Management concluded that the Company's equity investment in FML was not impaired and that there is no objective evidence that any credit loss in respect of the Company's sub-ordinated loan and the related unutilized loan facility has occurred as of 31 December 2018. Changes in above assumptions can lead to significant changes in the assessment of the recoverable amount. Accordingly, we consider this as a key audit matter due to the level of judgement required to estimate the value in use. Refer to notes 14.3 and 15.1 of the accompanying financial statements, for a discussion on the matter by management.	• Reviewed the financial statement disclosures for compliance with accordance with International Financial Reporting Standards.
2. The Companies Act, 2017 and its impact on the financial statements	
The Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 31 December 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes to the financial statements. Refer to note 3.1 of the accompanying financial statements, for management's discussion of specific additional disclosures and changes to the existing disclosures included in the financial statements.	The following procedures were performed: • We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act. • We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. • We evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Farooq Hameed.

EY Ford Rhodes
Chartered Accountants

Place: Islamabad
Date: 30 January, 2019

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	5	**9,341,100**	9,341,100
Capital reserve	6	**228,350**	228,350
Revenue reserve			
Accumulated profit		**4,328,006**	3,581,188
		13,897,456	13,150,638
NON-CURRENT LIABILITIES			
Long-term loans	7	**16,083,333**	15,333,333
Deferred liabilities	8	**948,917**	524,302
		17,032,250	15,857,635
CURRENT LIABILITIES			
Trade and other payables	9	**29,825,284**	23,198,269
Unpaid dividend		**10,784**	10,667
Unclaimed dividend		**117,530**	119,177
Accrued interest	10	**442,183**	172,805
Short-term borrowings	11	**13,913,497**	9,934,276
Current portion of long-term loans	7	**5,125,000**	3,208,333
		49,434,278	36,643,527
		80,363,984	65,651,800
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes, from 1 to 38, form an integral part of these financial statements.

	Note	2018	2017
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**13**	**9,747,537**	10,405,171
Long-term investments	**14**	**24,564,751**	23,064,751
Long-term loans	**15**	**2,400,000**	-
Long-term advances		**102,055**	21,609
Long-term deposits		**78,643**	78,643
Deferred tax asset - net	**8**	**-**	1,322,118
		36,892,986	34,892,292
CURRENT ASSETS			
Stores and spares	**16**	**2,721,558**	2,745,198
Stock-in-trade	**17**	**5,654,660**	1,854,349
Trade debts	**18**	**5,719,424**	1,004,582
Advances	**19**	**1,458,474**	1,142,822
Trade deposits and short-term prepayments	**20**	**48,492**	62,006
Interest accrued		**55,153**	51,118
Current portion of long-term loans	**15**	**-**	33,863
Other receivables	**21**	**5,696,734**	4,030,390
Income tax refundable - net		**2,953,868**	615,257
Sales tax refundable		**4,537,400**	1,478,447
Short-term investments	**22**	**10,935,646**	14,194,289
Cash and bank balances	**23**	**3,689,589**	3,547,187
		43,470,998	30,759,508
		80,363,984	65,651,800

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
Sales - net	**24**	**61,510,528**	52,732,954
Cost of sales	**25**	**(53,327,113)**	(46,705,351)
GROSS PROFIT		**8,183,415**	6,027,603
Selling and distribution expenses	**26**	**(4,525,306)**	(4,871,699)
Administrative expenses	**27**	**(1,548,730)**	(1,727,381)
		(6,074,036)	(6,599,080)
		2,109,379	(571,477)
Finance cost	**28**	**(2,222,874)**	(1,941,020)
Other operating expenses	**29**	**(1,259,030)**	(423,422)
		(1,372,525)	(2,935,919)
Other income	**30**	**3,181,634**	4,377,262
PROFIT BEFORE TAXATION		**1,809,109**	1,441,343
Taxation	**31**	**(372,577)**	(437,017)
PROFIT FOR THE YEAR		**1,436,532**	1,004,326
Earnings per share - basic and diluted (Rupees)	**32**	**1.54**	1.08

The annexed notes, from 1 to 38, form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
Profit for the year		**1,436,532**	1,004,326
Other comprehensive income			
Items not potentially reclassifiable to profit or loss			
Remeasurement of post employment benefits obligation	**9.3.5**	**10,869**	(50,280)
Total comprehensive income		**1,447,401**	954,046

The annexed notes, from 1 to 38, form an integral part of these financial statements.

CHAIRMAN | CHIEF EXECUTIVE | DIRECTOR | CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital	Capital reserve	Accumulated profit	Total
		(Rupees ' 000)		
Balance as at January 01, 2017	9,341,100	228,350	3,187,608	12,757,058
Total comprehensive income				
Profit for the year	-	-	1,004,326	1,004,326
Other comprehensive loss	-	-	(50,280)	(50,280)
Total comprehensive income for the year	-	-	954,046	954,046
Transactions with owners recorded directly in equity				
Distribution to owners				
1st final dividend 2016 (Re. 0.5 per ordinary share)	-	-	(467,055)	(467,055)
2nd final dividend 2016 (Re. 0.1 per ordinary share)	-	-	(93,411)	(93,411)
	-	-	(560,466)	(560,466)
Balance as at December 31, 2017	9,341,100	228,350	3,581,188	13,150,638
Balance as at January 01, 2018	**9,341,100**	**228,350**	**3,581,188**	**13,150,638**
Total comprehensive income				
Profit for the year	**-**	**-**	**1,436,532**	**1,436,532**
Other comprehensive income	**-**	**-**	**10,869**	**10,869**
Total comprehensive income for the year	**-**	**-**	**1,447,401**	**1,447,401**
Transactions with owners recorded directly in equity				
Distribution to owners				
Final dividend 2017 (Re. 0.75 per ordinary share)	**-**	**-**	**(700,583)**	**(700,583)**
Balance as at December 31, 2018	**9,341,100**	**228,350**	**4,328,006**	**13,897,456**

The annexed notes, from 1 to 38, form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operating activities	**33**	**(2,601,608)**	16,958,031
Finance costs paid		**(1,953,496)**	(2,193,808)
Taxes paid		**(1,746,203)**	(2,454,328)
Payment to gratuity fund	**9.3.5**	**(59,851)**	(191,478)
Compensated absences paid	**8.1**	**(59,458)**	(79,690)
Payment to Workers' (Profit) Participation Fund	**9.2**	**(128,328)**	(29,704)
Net cash (used in) / generated from operating activities		**(6,548,944)**	12,009,023
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(994,327)**	(738,467)
Long-term advances		**(80,446)**	(21,609)
Long-term investments		**(1,500,000)**	(2,983,978)
Proceeds from sale of property, plant and equipment		**24,137**	83,545
Dividend received from related parties		**1,689,310**	925,003
Long-term loan received		**33,863**	11,287
Long-term loan provided		**(2,400,000)**	-
Short-term investments		**(1,254,982)**	(1,381,510)
Cash dividend on mutual funds		**164,778**	5,111
Profit received on bank balances, term deposits, sub-ordinated loans and guarantee fee		**485,238**	381,944
Net cash used in investing activities		**(3,832,429)**	(3,718,674)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans - received		**8,125,000**	4,000,000
Long-term loans - repaid		**(5,458,333)**	(4,833,334)
Deferred Government assistance		**-**	(648,200)
Short-term borrowings - net		**(565,000)**	(6,831,285)
Dividend paid		**(702,113)**	(560,018)
Net cash generated from / (used in) financing activities		**1,399,554**	(8,872,837)
Net decrease in cash and cash equivalents		**(8,981,819)**	(582,488)
Cash and cash equivalents at the beginning of the year		**9,347,911**	9,930,399
Cash and cash equivalents at the end of the year	**23.3**	**366,092**	9,347,911

The annexed notes, from 1 to 38, form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1 STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 ("the Act") with effect from May 31, 2017). The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at FFBL Tower, C1/C2, Sector B, Jinnah Boulevard, DHA Phase II, Islamabad, Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers. The Company commenced its commercial production effective January 1, 2000.

These financial statements are the separate financial statements of the Company in which investment in subsidiary companies, associates and joint venture is accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are presented separately.

Geographical location and addresses of business units including plants of the Company are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Plot No. EZ/I/P-1 Eastern Zone, Port Qasim, Karachi	Manufacturing Plant

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

Following is the summary of significant transactions and events, during the year, that have affected the financial position and performance of the Company:

- Receipt of first dividend from FFBL Power Company Limited (FPCL) during the year;
- Subscription of right shares including renounced shares offered by Fauji Meat Limited;
- Provided an unsecured sub ordinated loan to Fauji Meat Limited;
- Company's performance was affected by the severe exchange fluctuations during the year;
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule to the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified; and
- Other significant transactions and events have been adequately described in these financial statements. For detailed performance review of the Company, refer to Directors' Report.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The financial statements for current year have for the first time been prepared under the provisions of and directives issued under the Companies Act, 2017, which have resulted in the following changes in the current year financial statements, as compared to prior year financial statements prepared under the provisions of and directives issued under the Companies Ordinance, 1984:

- Changes in nomenclature of the primary financial statements;
- The amount of unclaimed and unpaid dividend have been presented on the face of the statement of financial position, previously they were shown as a single line item within trade and other payables; and
- Changes in disclosure requirements of fourth schedule of the Companies Act, 2017, resulting in elimination of certain disclosures, majorly included in IFRSs, and inclusion of significant additional disclosures, refer to notes 1, 2, 3.1, 5.3, 6, 7.1, 9.4, 13.3, 13.4, 14.1, 14.5, 19.2, 21.1, 21.2, 21.3, 27.2, 31.2, 34, 36.1, and 38.2.

3.2 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 staff retirement gratuity and compensated absences which are carried at present value of defined benefit obligation net of fair value of any related plan asset.

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded to the nearest thousand, unless otherwise stated.

3.4 Significant accounting estimates and judgements

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in the ensuing paragraphs.

3.4.1 Staff retirement gratuity (note 9.3)

Defined benefit plan is provided for permanent employees of the Company. The plan is typically structured as a separate legal entity managed by trustees. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of mortality rate, withdrawal rate, increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

3.4.2 Property, plant and equipment (note 13)

The Company reviews the useful lives 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.

3.4.3 Provision for inventory obsolescence (notes 16 and 17)

The Company reviews the carrying amount of stock-in-trade, stores and spares on an annual basis, and as appropriate, inventory is written down to its net realizable value, or a provision is made for obsolescence if there is any change in the usage pattern and physical form of related inventory. 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.

3.4.4 Provision for doubtful receivables (notes 18 and 21)

The carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realizability of these receivables, an appropriate provision is made.

3.4.5 Taxation (note 8 and 31)

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 views taken by 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.

The Company recognizes deferred tax assets, to the extent it is probable that taxable profits and tax liability, as applicable, will be available against which the deductible temporary differences and tax credits can be utilised, based on its assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies while also keeping in view the provisions of Income Tax Ordinance 2001 related to adjustment/ carry forward of the underlying temporary differences and tax credits, in subsequent years.

3.4.6 Contingencies (note 12)

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgements, appropriate disclosure or provision is made.

3.4.7 Impairment of non-financial assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment loss, if any.

3.4.8 Impairment of long-term equity investments and loans (note 14 and 15)

The carrying amount of the Company's long-term equity investments are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any. At each reporting date, management also assesses whether there is any objective evidence that a credit loss in respect of long-term loan has occurred.

3.4.9 Disclosure related to IFRIC 4

As discussed in note 4.3 (b), the Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies. However, the SECP made it mandatory to disclose the impact on the financial statements of the application of IFRIC - 4, the consideration required to be made to FFBL Power Company Limited (FPCL) for the right to use the power and steam plants is to be accounted for as finance lease under IAS - 17 "Leases". Accordingly, to estimate the impact, the Company has to determine the interest rate inherent in the arrangement, present value of lease obligation, the useful lives of the plants and the impact of any shortfall in the capacity made available to the Company, during the period, by FPCL.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These polices have been applied consistently for all periods presented, unless otherwise stated.

4.1 Employees' benefits

The Company has established the following employees' benefit schemes for its employees:

Provident fund - Defined contribution scheme

The Company operates a defined contributory provident fund for all its permanent employees. The fund is administered by trustees. Monthly contributions are made to the fund both by the Company and employees at the rate of 10% of basic pay. The Company's contribution is charged to income for the year.

Gratuity fund - Defined benefit scheme

The Company operates a funded gratuity scheme for all employees who complete the qualifying period of service and age. The Fund is administered by trustees. Contributions to the fund are made on the basis of actuarial valuations, using the Projected Unit Credit Method, related details of which are given in note 9.3. Amounts determined by the actuary as charge for the year are included in the income for the year.

Remeasurement adjustments, including actuarial gains and losses arising from changes in demographic and financial assumptions and return on plan assets excluding amounts included in net interest on the net defined benefit liability, are charged or credited in other comprehensive income in the year in which they arise. Remeasurements are not reclassified to the statement of profit or loss in subsequent periods.

Compensated absences

The Company grants compensated absences to all its permanent employees in accordance with the rules of the Company. Under this unfunded scheme, regular employees are entitled maximum 30 days privilege leave for each completed year of service. Unutilized privilege leaves are accumulated up to a maximum of 120 days which are encashable at the time of separation from service on the basis of last drawn gross salary. Provisions are made in accordance with the actuarial recommendation. Actuarial valuation is carried out using the Projected Unit Credit Method in respect of provision for compensated absences. Actuarial gains and losses are recognized in income in the year in which they arise.

4.2 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income in which case it is recognized in statement of comprehensive income.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is accounted for using the liability method in respect of all 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 for all deductible temporary differences 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 for the following temporary differences: 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. 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.

4.3 Fixed assets

Property, plant and equipment

(a) Owned

Property, plant and equipment except for freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work in progress are stated at cost less allowance for impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 statement of profit or loss.

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. The costs of the day-to-day servicing of property, plant and equipment are recognized in statement of profit or loss as incurred.

Depreciation is calculated on the straight line method and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

(b) Assets subject to finance lease

All legal leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Assets subject to finance lease are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. Depreciation on assets subject to finance lease is provided on the shorter of the lease term or on the same basis as the Company's assets.

Through S.R.O No. 24(1)/2012, dated January 16, 2012, the SECP, however, has granted a waiver from the requirements of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies. Accordingly the Company does not apply lease accounting to any arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments. The SECP, however, has made it mandatory to disclose the financial effect of the waiver on each item in the financial statements that would have been reported in complying with the requirements of IFRIC - 4.

Arrangements conveying right to use an asset

In 2017, FFBL Power Company Limited (FPCL), a subsidiary company, achieved Commercial Operation Date (COD) on May 19, 2017. Under Power Purchase Agreement (PPA), dated April 15, 2016, FPCL has agreed to provide, on an exclusive basis, 48,000 kWh electricity, with an 85% dependable capacity, for 30 years to the Company, from its two Steam Turbine Generators (STG-1 and STG-2, with STG-3 remaining on standby) at 60Hz. As a consideration, the Company is liable to pay Capacity Price and Energy Price.

Under a separate Steam Purchase Agreement (SPA), dated April 15, 2016, FPCL has also agreed to provide, on an exclusive basis, 211.30 MTPH steam for 30 years, from two of its Steam Turbines. As a consideration, the Company is liable to pay Capacity Price and Steam Price.

PPA and SPA convey rights to the Company to use FPCL's specified Steam Turbine Generators and Steam Turbines, respectively. Under the waiver granted by SECP, however, the Company has elected to account for the transactions under PPA and SPA on executory contract basis, in accordance with the provisions of IAS 37 "Provisions, contingent liabilities and contingent assets".

Under IFRIC - 4, the consideration required to be made by lessee for the right to use the asset is to be accounted for as finance lease under IAS - 17 "Leases". Had the interpretation been applied, following adjustments to statement of profit or loss and statement of financial position would have been made:

	2018 (Rupees '000)
Decrease in cost of sales	**5,102,582**
Increase in depreciation	**(577,441)**
Increase in finance cost	**(4,818,653)**
Net increase in cost	**(293,512)**
Decrease in profit for the year	**(293,512)**
Decrease in accumulated profit	**(525,561)**
Increase in asset subject to finance lease	**16,361,628**
Increase in lease obligation	**17,007,737**
Decrease in trade creditors	**(120,548)**

4.4 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to profit or loss.

4.5 Investments

4.5.1 Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investments' recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in statement of profit or loss.

4.5.2 Investments in associates

Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies.

Investments in associates are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investments' recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in statement of profit or loss.

4.5.3 Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint ventures are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investments' recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of profit or loss.

4.5.4 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short-term profit taking, are classified as investments at 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 statement of profit or loss.

4.5.5 Loans and receivables

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are measured at amortized cost using the effective interest method, less any impairment losses.

4.5.6 Investments available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity as reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Unquoted equity investments are carried at cost less provision for impairment, if any.

The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

4.6 Impairment

Non-financial assets

The carrying amounts of non-financial assets other than stores and spares, stock-in-trade 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 assets' 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 statement of profit or loss.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of profit or loss.

4.7 Stores and spares

Stores and spares 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 spares on regular basis and provision is made for obsolescence.

Net realizable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

4.8 Stock-in-trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit which is valued at cost comprising invoice value and related expenses incurred thereon up to the reporting date less impairment, if any.

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 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.

4.9 Financial instruments

Recognition and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Company derecognizes the financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments.

Financial assets mainly comprise investments, loans, advances, deposits, trade debts, other receivables and cash and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are long-term loans, short-term borrowings and trade and other payables.

All financial assets and liabilities are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Trade and other payables

Liabilities for trade and other amounts payable are carried at amortized cost, which approximates the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Company.

Trade debts and other receivables

Trade debts and other receivables are due on normal trade terms. These are stated at amortized cost as reduced by appropriate provision for impairment, if any. Bad debts are written off when identified.

Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.10 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances, short-term highly liquid investments and short-term running finance.

4.11 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the statement of profit or loss over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 4.4.

4.12 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the 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.

4.13 Dividends

Dividends are recognized as a liability in the period in which they declared.

4.14 Foreign currency

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 at exchange rates prevailing at the reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Exchange differences are included in profit or loss for the year.

4.15 Revenue recognition

Revenue is recognized when significant risk and rewards have been passed to the buyers and amount of revenue can be reliably estimated.

Revenue from sale of fertilizer products is recognized when the fertilizer bags are dispatched and significant risks and rewards of ownership are transferred to the dealers. Revenue from sale of fertilizer products is measured at the fair value of consideration received or receivable, net of returns, commission and trade discounts to dealers.

Dividend income is recognized when the right to receive dividend is established.

Scrap sales and miscellaneous receipts are recognized when they are earned.

4.16 Basis of allocation of common expenses

Fauji Fertilizer Company Limited proportionately allocates common selling and distribution expenses, being the costs incurred and for services rendered on behalf of the Company, under an inter-company services agreement.

4.17 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 period. 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.

4.18 Finance income and finance costs

Finance income comprises interest income on funds invested and loans, dividend income, gain on disposal of available-for-sale financial assets and changes in the fair value of investments held for trading. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Gain on sale of investments is recognized on the completion of sales transaction.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

4.19 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Company:

Standard and IFRIC		Effective date (annual periods beginning on or after)
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	January 01, 2020
IAS 19	Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments)	January 01, 2019

IFRS 3	Business Combinations - Definition of a Business (amendments)	January 01, 2020
IFRS 9	Financial Instruments: Classification and Measurement	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized
IFRS 16	Leases	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatment	January 01, 2019

The Company expects that the adoption of the above standards, amendments and interpretations will have no material effect on the Company's financial statements, in the period of initial application except for IFRS 9, 15 and 16. The management is in the process of assessing the impact of changes laid down by the IFRS 9, IFRS 15 and IFRS 16 on its financial statements.

In addition to the above new standards, amendments to standards and interpretations, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2019. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard		**Effective date (annual periods beginning on or after)**
IFRS 1	First-time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 17	Insurance Contracts	January 01, 2021

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

4.20 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM AMENDMENTS IN STANDARDS DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for interpretation and amendments to following standards as described below:

IFRS 2	Share-based Payments – Classification and Measurement of Share Based Payments Transactions – (Amendments)
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above interpretation and amendments did not have any material effect on the financial statements.

In addition to the above amendments, improvements to the following accounting standard (under the annual improvements 2014 - 2016 cycle) has also been adopted:

IAS 28	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice

The adoption of the above improvement did not have any effect on the financial statements.

		2018	2017
		(Rupees '000)	
5	**SHARE CAPITAL**		
5.1	**AUTHORIZED SHARE CAPITAL**		
	1,100,000,000 (2017: 1,100,000,000) Ordinary shares of Rs. 10 each	**11,000,000**	11,000,000
5.2	**ISSUED, SUBSCRIBED AND PAID - UP CAPITAL**		
	934,110,000 (2017: 934,110,000) Ordinary shares of Rs. 10 each issued for cash	**9,341,100**	9,341,100

5.3 Fauji Fertilizer Company Limited (FFCL) and Fauji Foundation (FF) held 465,891,896 and 170,842,386 (2017: 465,891,896 and 170,842,386) Ordinary shares, respectively, of the Company at the year end.

Pursuant to an agreement dated October 16, 2016, FFCL has agreed to issue to FF, irrevocable proxies to allow FF to vote on behalf of FFCL in all general meetings. Further, FFCL has also given an undertaking that the representative of FF to be elected or co-opted or appointed on the Board of the Company, shall be nominated by FF.

		2018	2017
		(Rupees '000)	
6	**CAPITAL RESERVE**	**228,350**	228,350

This represents share premium of Rs. 5 per share received on the public issue of 45,670 thousand ordinary shares in 1996. This can only be utilized for the purposes mentioned in section 81 of the Companies Act, 2017.

		Note	2018	2017
			(Rupees '000)	
7	**LONG-TERM LOANS**			
	LOANS FROM BANKING COMPANIES - SECURED			
	Related party			
	Askari Bank Limited	7.1	**500,000**	-
	Others			
	Habib Bank Limited		**2,000,000**	2,000,000
	United Bank Limited		**2,000,000**	2,000,000
	National Bank of Pakistan		**2,000,000**	2,000,000
	MCB Bank Limited		**6,500,000**	4,750,000
	Allied Bank Limited		**4,875,000**	3,541,667
	Bank Alfalah Limited		**333,333**	666,666
	Bank Al-Habib Limited		**1,000,000**	1,583,333
	Meezan Bank Limited		**2,000,000**	2,000,000
			20,708,333	18,541,666
			21,208,333	18,541,666
	Less: Current portion shown under current liabilities		**(5,125,000)**	(3,208,333)
			16,083,333	15,333,333

7.1 The Company has obtained a secured long-term facility from Askari Bank Limited, a related party, for the purpose of Balance Sheet reprofiling.

7.2 Terms and Conditions of these loans are as follows:

Lenders	Markup Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
Askari Bank Limited	6 Month KIBOR + 0.50	6 Half Yearly	September, 2020	March, 2023
Habib Bank Limited	3 Month KIBOR + 0.55	12 Quarterly	March, 2019	December, 2021
United Bank Limited	6 Month KIBOR + 0.55	6 Half Yearly	March, 2019	September, 2021
National Bank of Pakistan	3 Month KIBOR + 0.50	12 Quarterly	March, 2020	December, 2022
MCB Bank Limited	3 Month KIBOR + 0.50	12 Quarterly	December, 2016	September, 2019
	3 Month KIBOR + 0.55	12 Quarterly	December, 2018	September, 2021
	3 Month KIBOR + 0.55	12 Quarterly	July, 2020	April, 2023
Allied Bank Limited	3 Month KIBOR + 0.50	12 Quarterly	December, 2016	September, 2019
	3 Month KIBOR + 0.50	12 Quarterly	December, 2018	September, 2021
	6 Month KIBOR + 0.60	6 Half Yearly	June, 2021	December, 2023
	3 Month KIBOR + 0.50	12 Quarterly	September 2020	September, 2023
Bank Alfalah Limited	6 Month KIBOR + 0.50	6 Half Yearly	March, 2017	September, 2019
Bank Al-Habib Limited	3 Month KIBOR + 0.50	12 Quarterly	February, 2019	November, 2021
Meezan Bank Limited	6 Month KIBOR + 0.30	Bullet Payment	-	April, 2020 *

These are secured against ranking charges over fixed and current assets of the Company and carry mark-up at rates ranging from 8.77% to 11.39% per annum (2017: 6.51% to 6.72% per annum).

* During the year, the Company repaid the facility and obtained a fresh facility, which is due to be settled in April, 2020.

		Note	2018 (Rupees '000)	2017 (Rupees '000)
8	**DEFERRED LIABILITIES**			
	Compensated leave absences	**8.1**	**554,969**	524,302
	Deferred tax	**8.2**	**393,948**	-
			948,917	524,302
8.1	**Compensated leave absences**			
	The movement in the present value of compensated leave absences is as follows:			
	Balance at beginning of the year		**524,302**	523,627
	Expense for the year	**8.1.1**	**90,125**	80,365
	Benefits paid during the year	**8.1.1**	**(59,458)**	(79,690)
			554,969	524,302

	2018	2017
The main assumptions used for actuarial valuation are as follows:		
Discount rate - per annum	**13.75%**	9.25%
Expected rate of increase in salaries - per annum	**11.75%**	9.25%
Leave accumulation factor (average) - days	**16.66**	12.13
Mortality table	**SLIC-2001-2005**	SLIC-2001-2005
Withdrawal factor	**Low**	Low

8.1.1 Net of amount charged and recovered from subsidiaries, amounting to Rs. 662 thousand (2017: Rs. 12,955 thousand).

		Note	2018 (Rupees '000)	2017 (Rupees '000)
8.2	**The balance of deferred tax is in respect of the following major (deductible)/ taxable temporary differences:**			
	Accelerated tax depreciation		**1,475,550**	1,898,337
	Provision for inventory obsolescence		**(44,671)**	(37,917)
	Provision against doubtful other receivables		**(53,177)**	(59,086)
	Minimum tax	8.2.1	**(983,754)**	-
	Accrued liabilities and payables	8.2.2	**-**	(3,123,452)
		8.2.3	**393,948**	(1,322,118)
	Less: Amount shown under non-current assets		**-**	1,322,118
			393,948	-

8.2.1 This represents excess of minimum tax, under section 113 of the Income Tax Ordinance, 2001, over tax payable under Normal Tax Regime (NTR), and is adjustable against tax payable under NTR over succeeding five years.

8.2.2 During the year, the deferred tax asset, recognized in prior years, in respect of provisions has been reversed, in the statement of profit or loss, to align with the treatment of these provisions in the Company's tax returns (refer to note 31).

		Note	2018 (Rupees '000)	2017 (Rupees '000)
8.2.3	**The movement of deferred tax during the current year is as follows:**			
	Balance at beginning of the year		**(1,322,118)**	961,455
	Charge / (reversal) for the year		**1,716,066**	(2,283,573)
			393,948	(1,322,118)
9	**TRADE AND OTHER PAYABLES**			
	Creditors	9.1	**25,375,179**	16,263,487
	Accrued liabilities		**2,791,720**	2,644,133
	Advances from customers		**747,691**	2,652,576
	Workers' (Profit) Participation Fund	9.2	**10,954**	43,328
	Payable to gratuity fund	9.3	**82,607**	77,489
	Workers' Welfare Fund		**561,622**	1,298,691
	Security deposits	9.4	**8,865**	8,223
	Other payables		**246,646**	210,342
			29,825,284	23,198,269

9.1 Creditors include payables to related parties amounting to Rs. 8,064,048 thousands (2017: 4,661,946 thousand) against purchase of raw material, steam and power. They also include Rs. 16,435,923 thousand (2017: 10,411,509 thousand) on account of Gas Infrastructure Development Cess (GIDC).

		Note	2018 (Rupees '000)	2017 (Rupees '000)
9.2	**Workers' (Profit) Participation Fund**			
	Balance at beginning of the year		**43,328**	(11,296)
	Provision for the year	29	**95,954**	84,328
			139,282	73,032
	Payment made during the year		**(128,328)**	(29,704)
			10,954	43,328

9.3 Gratuity Fund

The Company operates a defined benefit plan comprising a funded gratuity scheme for its permanent employees. The fund for gratuity is administered by trustees.

		Note	2018	2017
			(Rupees '000)	
9.3.1	**The amount recognized in the statement of financial position is as follow:**			
	Present value of defined benefit obligation		**859,021**	800,650
	Fair value of plan assets		**(776,414)**	(723,161)
	Deficit		**82,607**	77,489
9.3.2	**The movement in the present value of defined benefit obligation is as follows:**			
	Defined benefit obligation at beginning of the year		**800,650**	778,609
	Current service cost		**72,313**	82,768
	Interest cost		**70,273**	64,338
	Benefits paid during the year		**(81,889)**	(114,106)
	Actuarial gain		**(2,326)**	(10,959)
	Present value of defined benefit obligation at end of the year		**859,021**	800,650
9.3.3	**The movement in fair value of plan assets is as follows:**			
	Fair value of plan assets at beginning of the year		**723,161**	642,738
	Interest income		**65,912**	61,456
	Contributions		**60,687**	194,312
	Benefits paid during the year		**(81,889)**	(114,106)
	Return on plan assets excluding those included in interest income		**8,543**	(61,239)
	Fair value of plan assets at end of the year		**776,414**	723,161
9.3.4	**Plan assets comprise of:**			
	Investment in listed securities		**370,736**	134,435
	Investment in mutual funds		**136,960**	148,432
	Investment in term deposit receipts		**182,034**	219,750
	Cash and bank balances		**86,684**	220,544
			776,414	723,161
	Actual return on plan assets		**74,455**	217
	Contributions expected to be paid to the plan during the next financial year		**65,411**	72,664
9.3.5	**Movement in liability recognized in the statement of financial position:**			
	Opening liability		**77,489**	135,871
	Expense for the year	**9.3.5.1**	**75,838**	82,816
	Other comprehensive (income) / loss		**(10,869)**	50,280
	Contributions	**9.3.5.1**	**(59,851)**	(55,607)
	Special contributions - prior years		**-**	(135,871)
			82,607	77,489

9.3.5.1 Net of amount charged and recovered from subsidiaries, amounting to Rs. 836 thousand (2017: Rs. 2,834 thousand).

		2018	2017
		(Rupees '000)	
9.3.6	**Amount recognized in the profit or loss is as follows:**		
	Current service cost	**71,477**	79,934
	Net interest	**4,361**	2,882
		75,838	82,816
9.3.7	**The expense is recognized in the following line items in the profit or loss:**		
	Cost of sales	**57,349**	62,156
	Administrative expenses	**18,489**	20,660
		75,838	82,816

9.3.8 Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the last five years is as follows:

	2018	2017	2016	2015	2014
			(Rupees '000)		
Present value of defined benefit obligation	**859,021**	800,650	778,609	666,607	574,512
Fair value of plan assets	**(776,414)**	(723,161)	(642,738)	(382,041)	(376,284)
Deficit	**82,607**	77,489	135,871	284,566	198,228
Experience adjustments					
- Remeasurement gain / (loss) on obligation	**2,326**	10,959	(14,757)	(16,771)	(45,498)
- Remeasurement gain / (loss) on plan asset	**8,543**	(61,239)	1,536	(33,107)	(5,657)

9.3.9 Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2018 are as follows:

	2018	2017
Discount rate	**13.25%**	9.25%
Expected rate of salary growth	**11.25%**	9.25%
Mortality rate	**SLIC-2001-2005**	SLIC-2001-2005
Withdrawal factor	**Low**	Low
Average duration of defined benefit obligation	**9.86 years**	10.44 years

9.3.10 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises 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 the respective assumptions by one percent.

		Defined benefit obligation	
		1 percent increase	1 percent decrease
9.3.11	**Effect in millions of Rupees**		
	Discount rate	**(779)**	**948**
	Rate of salary growth	**952**	**(775)**

As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the defined benefit obligation by Rs. Nil.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2018 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

9.4 It includes security deposits received from Askari Bank Limited, a related party, amounting to Rs. 3,600 thousand (2017: 3,600 thousand). The security deposits are not for the purpose of goods / services to be delivered / provided and have not been utilized for the purpose of business.

		2018	2017
		(Rupees '000)	
10	**ACCRUED INTEREST**		
	Long-term loans	**261,642**	96,284
	Short-term borrowings - demand finance	**59,226**	17,278
	Short-term borrowings - running finance	**121,315**	59,243
		442,183	172,805
11	**SHORT-TERM BORROWINGS**		
	From banking companies and financial institutions - secured:		
	Demand Finance	**5,000,000**	5,565,000
	Running Finance	**8,913,497**	4,369,276
		13,913,497	9,934,276

The Company has arranged short-term facilities from various banks on a mark-up basis with limits aggregating to Rs. 21,320,000 thousand (2017: Rs. 22,920,000 thousand). These facilities carry mark-up ranging from 8.52% to 11.04% per annum (2017: 6.19% to 6.78% per annum) and are secured by a hypothecation charge on fixed and current assets of the Company.

		2018	2017
		(Rupees '000)	
12	**CONTINGENCIES AND COMMITMENTS**		
12.1	**Contingencies:**		
12.1.1	Guarantees issued by banks on behalf of the Company	**59,188**	37,021

12.1.2 The Company was liable to repay loans originally obtained from Export Credit Agencies (ECA), amounting to Rs. 9,723,015 thousand to the Government of Pakistan (GoP), in 15 annual equal installments, with a 1 year grace period, at zero percent, effective November 30, 2001. As per the restructuring agreement, the final installment was paid in June 2017.

These loans from ECA, which were assumed by the GoP, were initially secured with a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions. The guarantee was secured by a first equitable mortgage created on all immovable properties of the Company, and by way of hypothecation of movable properties of the Company. The charge ranked pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested the Company to obtain an indemnity from the GoP confirming that it is GoP's absolute obligation to indemnify and keep related banks and financial institutions harmless from any possible exposure on this account. Accordingly, on December 16, 2002, the GoP had conveyed its agreement by assuming the ECA loan liabilities by absolving related banks and financial institutions of their liabilities, for which they earlier issued guarantees to the ECA. As a result, three ECAs have released the guarantee of HBL and have returned the original documents.

Since one ECA is yet to release HBL from its responsibility as guarantor, therefore the charge related to the portion of the said guarantee on the assets of the Company, has not been vacated up to December 31, 2018. The Company is making efforts in getting this guarantee released.

		2018	2017
		(Rupees '000)	
12.2	**Commitments:**		
	i) Capital expenditures - contracted	**1,727,516**	1,526,145
	ii) Letters of credit for purchase of raw materials and stores and spares	**812,323**	895,587

13 PROPERTY, PLANT AND EQUIPMENT

	PROPERTY, PLANT AND EQUIPMENT												
	Leasehold land	Freehold land	Building on freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work-in-progress	Total
	(Rupees, 000)												
COST													
Balance as January 01, 2017	200,095	120,000	904,226	2,134,968	24,621,711	103,957	543,923	452,812	319,952	2,135	408,866	224,667	30,037,312
Additions during the year	-	-	79,323	3,581	-	1,219	66,377	59,162	24,373	-	10,156	494,276	738,467
Disposals	-	-	-	-	(858)	(1,079)	(157,048)	(1,453)	(121)	-	-	-	(160,559)
Transfers	-	-	14,333	21,833	375,366	-	-	16,112	-	188	-	(427,832)	-
Balance as December 31, 2017	200,095	120,000	997,882	2,160,382	24,996,219	104,097	453,252	526,633	344,204	2,323	419,022	291,111	30,615,220
Balance as at January 01, 2018	**200,095**	**120,000**	**997,882**	**2,160,382**	**24,996,219**	**104,097**	**453,252**	**526,633**	**344,204**	**2,323**	**419,022**	**291,111**	**30,615,220**
Additions during the year	**-**	**-**	**-**	**886**	**-**	**-**	**127,123**	**9,139**	**23,230**	**-**	**-**	**833,949**	**994,327**
Disposals	**-**	**-**	**-**	**-**	**(12,589)**	**-**	**(61,061)**	**(85)**	**(334)**	**-**	**-**	**-**	**(74,069)**
Transfers	**-**	**-**	**48,828**	**65,651**	**503,514**	**4,286**	**-**	**65,553**	**196**	**83**	**-**	**(688,111)**	**-**
Balance as at December 31, 2018	**200,095**	**120,000**	**1,046,710**	**2,226,919**	**25,487,144**	**108,383**	**519,314**	**601,240**	**367,296**	**2,406**	**419,022**	**436,949**	**31,535,478**
DEPRECIATION													
Balance as January 01, 2017	84,379	-	13,496	836,219	16,866,871	14,924	298,513	100,360	197,642	2,118	324,599	-	18,739,121
Charge for the year	3,678	-	29,195	64,369	1,233,427	10,349	98,783	66,346	55,125	19	39,121	-	1,600,412
Disposals	-	-	-	-	(769)	(252)	(127,651)	(758)	(54)	-	-	-	(129,484)
Balance as December 31, 2017	88,057	-	42,691	900,588	18,099,529	25,021	269,645	165,948	252,713	2,137	363,720	-	20,210,049
Balance as at January 01, 2018	**88,057**	**-**	**42,691**	**900,588**	**18,099,529**	**25,021**	**269,645**	**165,948**	**252,713**	**2,137**	**363,720**	**-**	**20,210,049**
Charge for the year	**3,678**	**-**	**30,075**	**65,070**	**1,256,349**	**10,497**	**93,536**	**77,041**	**57,137**	**62**	**40,280**	**-**	**1,633,725**
Disposals	**-**	**-**	**-**	**-**	**(6,137)**	**-**	**(49,425)**	**(31)**	**(240)**	**-**	**-**	**-**	**(55,833)**
Balance as at December 31, 2018	**91,735**	**-**	**72,766**	**965,658**	**19,349,741**	**35,518**	**313,756**	**242,958**	**309,610**	**2,199**	**404,000**	**-**	**21,787,941**
Written down value - 2017	112,038	120,000	955,191	1,259,794	6,896,690	79,076	183,607	360,685	91,491	186	55,302	291,111	10,405,171
Written down value - 2018	**108,360**	**120,000**	**973,944**	**1,261,261**	**6,137,403**	**72,865**	**205,558**	**358,282**	**57,686**	**207**	**15,022**	**436,949**	**9,747,537**
Rate of depreciation	**2% to 4%**	**-**	**3%**	**3%**	**5%**	**10%**	**20% to 33%**	**15%**	**33% to 50%**	**30%**	**17% to 50%**	-	-

		Note	2018	2017
			(Rupees '000)	
13.1	**Capital work-in-progress**			
	This is made up as follows:			
	Plant and machinery		**280,427**	193,453
	Catalyst		**84,681**	84,681
	Others		**71,841**	12,977
			436,949	291,111
13.2	**Depreciation charge has been allocated as follows:**			
	Cost of sales	**25**	**1,424,339**	1,385,641
	Administrative expenses	**27**	**209,386**	214,771
			1,633,725	1,600,412

13.3 Details of property, plant and equipment sold:

	Sold to	Cost	Book value	Sale proceeds	Gain / (loss)
		(Rupees '000)			
Vehicles - as per Company policy to employees					
Toyota Corolla GLI	Faisal Amir	**1,864**	**1,786**	**1,541**	**(245)**
Honda City Aspire	Maj Abid Mahmood (Retd)	**1,704**	**1,183**	**402**	**(781)**
Suzuki Cultus	Muhammad Imran Khan	**1,410**	**1,028**	**882**	**(146)**
Honda City	Hassan Mumtaz	**1,690**	**669**	**601**	**(68)**
Vehicles - at market rate to related parties					
Toyota Fortuner 2.7L	Fauji Foods Limited	**5,113**	**3,153**	**3,500**	**347**
Honda BRV	FFBL Power Company Limited	**1,919**	**1,799**	**1,920**	**121**
Honda City	FFBL Power Company Limited	**1,701**	**709**	**1,630**	**921**
Toyota Corolla Xli	FFBL Power Company Limited	**1,660**	**194**	**1,400**	**1,206**
Equipment - at market rate to related party					
Meat bone saw	Fauji Meat Limited	**85**	**54**	**91**	**37**
Vehicles - Insurance claim		**12,589**	**6,452**	**6,000**	**(452)**
Aggregate of items of property, plant and equipment with individual book value below Rs. 500,000		**44,334**	**1,209**	**6,170**	**4,961**
	2018	**74,069**	**18,236**	**24,137**	**5,901**
	2017	160,559	31,075	83,545	52,470

13.4 Particulars of immovable assets of the Company are as follows:

Location	Address	Covered area (acre)
Islamabad	C1/C2, Sector B, Jinnah Boulevard DHA Phase II	2
Karachi	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim	250
Karachi	Tank Farm Area, Port Qasim	8
Karachi	Near Rangers Check Post, Opposite Naval Marine Base, National Highway.	202.2

		Note	2018 (Rupees '000)	2017 (Rupees '000)
14	**LONG-TERM INVESTMENTS - AT COST**			
	Joint venture	**14.1**	**1,411,150**	1,411,150
	Associated companies	**14.2**	**7,991,556**	7,991,556
	Subsidiary companies	**14.3**	**15,162,045**	13,662,045
	Other long-term investment	**14.4**	**-**	-
			24,564,751	23,064,751

14.1 This represents a 25% interest in Pakistan Maroc Phosphore S.A. Morocco (PMP), a joint venture between the Company, Fauji Foundation, Fauji Fertilizer Company Limited and Office Cherifien Des Phosphates, Morocco. PMP is a private limited company having registered office located at Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco. The principal place of business is Jorf Lasfar, Morocco. Mr. Khalid Benzeroual is the Managing Director of PMP. The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad. The cost of investment in Moroccan Dirhams amounts to 200,000 thousands made in period from 2004 to 2006.

According to the shareholders' agreement, if any legal restrictions on repatriation of dividends by PMP, the dividend will be converted to an interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

There has been no default by PMP against its loans. Further, there has been no litigations against PMP. Auditors have provided an unqualified opinion on latest available financial statements.

PMP has declared dividend amounting to Rs. 812,823 thousand (2017: 107,023 thousand), during the year.

14.2 Associated companies

2018 Number of Shares	2017 Number of Shares	Quoted	Note	2018 (Rupees '000)	2017 (Rupees '000)
18,750,000	18,750,000	Fauji Cement Company Limited	**14.2.1**	**300,000**	300,000
271,884,009	271,884,009	Askari Bank Limited	**14.2.2**	**5,230,991**	5,230,991
		Unquoted			
122,587,323	122,587,323	Foundation Wind Energy-I Limited	**14.2.3**	**1,225,873**	1,225,873
12,346,169	12,346,169	Foundation Wind Energy-II (Private) Limited	**14.2.4**	**1,234,692**	1,234,692
425,567,501	425,567,501			**7,991,556**	7,991,556

14.2.1 The Company holds a 1.36% equity interest in Fauji Cement Company Limited (FCCL), however, it is concluded that the Company has significant influence due to its representation on the Board of Directors of FCCL. The market value of investment in FCCL as at December 31, 2018 was Rs. 392,438 thousand (2017: Rs. 468,938 thousand). The principal place of business of FCCL is Jhang Bahtar, Tehsil Fateh Jang, District Attock, Punjab.

14.2.2 This represents 21.57% share in the equity of Askari Bank Limited (AKBL) representing 271,884 thousand ordinary shares of Rs. 10 each acquired at an average price of Rs. 19.31 per share. The market value of the investment in AKBL as at December 31, 2018 was Rs. 6,503,465 thousand (2017: Rs. 5,250,080 thousand). The head office of AKBL is situated at AWT Plaza , P.O BOX 1084, Rawalpindi.

14.2.3 This represents an investment made in Foundation Wind Energy - I Limited (FWE-I), a company established for setting up and operating a 49.5 MW wind power plant. Pursuant to a Share Holders Agreement, dated March 08, 2011, the Company holds 35% shareholding. The break-up value of shares based on unaudited financial information for the period ended September 30, 2018 is Rs. 19.01 per share (2017: Rs. 16.15 per share). FWE-I achieved the Commercial Operation Date in April, 2015. The principal place of business of FWE-I is Gharo, District Thatta, Sindh.

14.2.4 This represents an investment made in Foundation Wind Energy - II (Private) Limited (FWE-II), a company established for setting up and operating a 49.5 MW wind power plant. Pursuant to a Share Holders Agreement, dated March 08, 2011, the Company holds 35% shareholding. The break-up value of shares based on unaudited financial information for the period ended September 30, 2018 is Rs. 193.38 per share (2017: Rs. 164.59 per share). FWE-II achieved a Commercial Operation Date in December, 2014. The principal place of business of FWE-II is Gharo, District Thatta, Sindh.

14.3 Subsidiary companies

2018	2017	Unquoted	Note	2018	2017
Number of Shares				(Rupees '000)	
375,000,000	225,000,000	Fauji Meat Limited	**14.3.1**	**3,750,000**	2,250,000
29,851,800	29,851,800	FFBL Foods Limited	**14.3.2**	**298,518**	298,518
644,062,500	644,062,500	FFBL Power Company Limited	**14.3.3**	**6,440,625**	6,440,625
		Fauji Foods Limited			
267,314,886	222,277,277	Voting shares		**4,672,902**	3,920,805
-	45,037,609	Non-voting shares		**-**	752,097
267,314,886	267,314,886		**14.3.4**	**4,672,902**	4,672,902
1,316,229,186	1,166,229,186			**15,162,045**	13,662,045

14.3.1 This represents the Company's investment in 83.33% (2017: 75%) equity shares of Fauji Meat Limited (FML). The Company acquired 225,000,000 ordinary shares of Rs. 10 each in FML for a total consideration of Rs. 2,250 million. The principal objectives of FML are to establish and operate a meat abattoir unit for Halal Slaughtering of animals to obtain meat for local and export sale. FML has commenced its commercial operations during the first quarter of 2017. The Company has pledged 51% of shares of FML against a long-term project finance facility. The principal place of business of FML is Deh Kohistan Chak No. 1 Tapo Gharo, Tehsil Mir Pur Sakhro, District Thatta.

During the year, pursuant to approval in Extra Ordinary General Meeting of the Company, held on May 23, 2018, the Company has subscribed to a right issue of FML, consisting of 150 million shares of Rs. 10 each, including 37.5 million shares renounced by the other shareholder.

As at the reporting date, the Company performed an impairment test of FML. The Company has determined recoverable amount of the FML, on a value-in-use calculation, which was higher than the carrying amount of the investment in the Company's financial statements, hence no impairment was recognized. Value-in-use was estimated using cash flow projections, covering a five-year period. The pre-tax risk adjusted discount rate applied to cash flow projections is 12.91%. The cash flow projections are sensitive to assumptions regarding the sales growth rate, operating margin, long-term market growth-rate and discount rate.

14.3.2 This represents the Company's investment in 100% equity shares of FFBL Foods Limited. The Company acquired 29,851,800 ordinary shares of Rs. 10 each in FFL for a total consideration of Rs. 298,518 thousand. The principal place of business of FFBL Foods Limited is FFBL Tower, C1/C2, Sector B, Jinnah Boulevard, DHA Phase II, Islamabad.

14.3.3 This represents the Company's investment in 75% equity shares of FFBL Power Company Limited (FPCL). The Company acquired 644,063 thousand ordinary shares of Rs. 10 each in FPCL for a total consideration of Rs. 6,440,625 thousand. The principal objective of FPCL is to set up and operate a 118 MW power project. FPCL has commenced commercial production on May 19, 2017, refer to note 4.3 (b) for the Company's arrangement with FPCL for purchase of power and steam. The principal place of business of FPCL is Eastern Industrial Zone of Port Qasim, Karachi.

14.3.4 During 2015, the Company jointly with Fauji Foundation, acquired a 51% shareholding of Fauji Foods Limited (Formerly Noon Pakistan Limited) (FFL), a listed company engaged in manufacture and sale of toned milk, milk powder, fruit juices, allied dairy and food products with shares listed on the Pakistan Stock Exchange Limited. As per the agreement signed on May 18, 2015, the Company and Fauji Foundation acquired voting shares of 38.25% (4,500 thousand) and 12.75% (1,500 thousand) respectively. Management of the Company had assessed that control of FFL was obtained by the Company from the date of acquisition, i.e. September 04, 2015.

During 2016 and 2017, the Company acquired additional voting and non-voting shares of FFL through exercise of rights issues (including shares renounced by other shareholders), and from the open market, having a total cost of Rs. 2,184,067 thousand and Rs. 2,008,978 thousand, respectively.

Pursuant to approval in Annual General Meeting of the Fauji Foods Limited (FFL) held on March 26, 2018, voting and Non-voting shares classes of FFL have been consolidated. There has been no change in the Company's effective holding after the consolidation of share classes. Accumulated shareholdings of the Company after consolidating the share classes is 50.59% (2017: 49.40% and 57.44% in respect of voting and non-voting shares, respectively), representing 267,315 thousands voting shares (2017: 222,277 thousands voting shares and 45,038 thousands Non-voting shares).

The market value of the investment in voting and non-voting shares of FFL as at December 31, 2018, was Rs. 8,094,295 thousand (2017: Rs. 3,658,684 thousand) and Rs. Nil (2017: Rs. 609,369 thousand), respectively.

During the year, FFBL received an Expression of Interest from Inner Mongolia Yili Industrial Group Co. Limited ("the Acquirer") to acquire 51% shares of Fauji Foods Limited and/or control, from the Company and other shareholders. The Acquirer is in the process of due diligence for this purpose. As of reporting date, the Company has not received any offer for its consideration and no decision in this regard has been taken.

14.4 The Company holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. The break-up value based on audited accounts for the year ended June 30, 2017 was negative Rs. 6.18 per ordinary share. This investment is fully impaired.

14.5 All of the above-mentioned investments have been made in accordance with the requirements of the Act.

		Note	2018	2017
			(Rupees '000)	
15	**LONG-TERM LOANS**			
	Related parties			
	Fauji Meat Limited - unsecured	**15.1**	**2,400,000**	-
	Foundation Wind Energy-I Limited	**15.2**	**-**	26,775
	Foundation Wind Energy-II (Private) Limited	**15.2**	**-**	7,088
			2,400,000	33,863
	Less: Current portion shown under current assets		**-**	33,863
			2,400,000	-

15.1 This represents sub-ordinated loan to Fauji Meat Limited, a subsidiary company, out of total approved limit of Rs. 3,500 million. The loan carries mark-up at the rate which is higher of the Company's borrowing cost or KIBOR for the relevant period plus 0.5%, per annum, on the terms set out in the agreement and in compliance with the requirements of section 199 of Companies Act, 2017. Each tranche is repayable not later than the 5th anniversary from the disbursement of the respective tranche. Maximum amount outstanding during the year was Rs. 2,400 million.

The Company has the right, as and when desired by the Board of Directors, to convert all or part of the outstanding loan (including markup accrued thereon) into the ordinary shares of FML by written notice to FML, subject to approval of Securities and Exchange Commission of Pakistan and fulfillment of other regulatory requirements.

Based on the results of impairment assessment of the Company's equity investment in FML, as disclosed in note 14.3.1, and timely receipt of interest payments, management has determined that no impairment loss on the long-term loan to FML has occurred, as of reporting date.

15.2 The loans carried mark-up at KIBOR plus 2% and the last installments were repaid in May 2018. The loans were secured by a guarantee from Fauji Foundation (FF).

		Note	2018	2017
			(Rupees '000)	
16	**STORES AND SPARES**			
	Stores		**451,557**	432,631
	Spares		**2,435,449**	2,438,956
	Provision for obsolescence	**16.1**	**(165,448)**	(126,389)
			2,721,558	2,745,198
16.1	**The movement in provision is as follows:**			
	Opening balance		**126,389**	86,889
	Provision recognized during the year	**25**	**66,051**	52,042
	Provision written-off against stores and spares		**(26,992)**	(12,542)
			165,448	126,389
17	**STOCK-IN-TRADE**			
	Packing materials		**92,523**	66,290
	Raw materials		**977,059**	333,469
	Raw materials in transit		**1,673,143**	1,167,775
	Work in process		**95,760**	103,813
	Finished goods	**17.1**	**2,816,175**	183,002
			5,654,660	1,854,349

17.1 As at December 31, 2018, finished goods stock amounting to Rs. 2,579,571 thousand (2017: Rs. Nil) are held with Fauji Fertilizer Company Limited.

		Note	2018	2017
			(Rupees '000)	
18	**TRADE DEBTS**			
	Secured - considered good		**5,719,424**	1,004,582
19	**ADVANCES**			
	Advances to:			
	Executives, secured, considered good		**19,946**	18,495
	Other employees, secured, considered good		**66,620**	55,974
		19.1 & 19.2	**86,566**	74,469
	Advances to suppliers and contractors			
	Considered good		**1,371,908**	1,068,353
			1,458,474	1,142,822
19.1	**Movement of carrying amount of advances to executives and other employees:**			
	Balance at beginning of the year		**74,469**	85,835
	Disbursements		**322,590**	442,791
	Repayments		**(310,493)**	(454,157)
			86,566	74,469

19.2 These represent interest free advances given to employees, including executives, of the Company, in accordance with the Company's policy. This include advances exceeding Rs. 1 million each to Mr. Mahmood Zafar and Mr. Usman Farooqi. These are repayable within one year.

		Note	2018	2017
			(Rupees '000)	
20	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Security deposits		**16,456**	24,932
	Prepayments		**32,036**	37,074
			48,492	62,006
21	**OTHER RECEIVABLES**			
	Due from Fauji Fertilizer Company Limited - unsecured, considered good	**21.1**	**2,292,909**	910,300
	Subsidy on DAP and Urea receivable from the Government of Pakistan	**30.2**	**3,160,992**	3,141,301
	Receivable from PMP	**21.2**	**302,355**	6,854
	Receivable from FPCL	**21.3**	**87,307**	160,166
	Others - Considered good		**50,123**	8,721
			5,893,686	4,227,342
	Less: Provision against doubtful other receivables	**21.4**	**(196,952)**	(196,952)
			5,696,734	4,030,390

21.1 This interest free balance represents amounts recovered by Fauji Fertilizer Company Limited, a related party, from customers on sale of the Company's products under an inter-company services agreement. Maximum amount outstanding during the year was Rs. 6,990 million. It is neither past due nor impaired.

21.2 This includes an amount of Rs. 288,122 thousand (2017: Rs. Nil), receivable from Pakistan Maroc Phosphore (PMP), a joint venture of the Company, against dividend. Maximum amount outstanding during the year was Rs. 516 million. It is neither past due nor impaired.

21.3 This represents receivable from FPCL, a subsidiary of the Company against the material / services provided during the year. Maximum amount outstanding during the year was Rs.1,209 million. It is neither past due nor impaired.

		Note	2018	2017
			(Rupees '000)	
21.4	**Movement in provision during the year is as follows:**			
	Balance at beginning of the year		**196,952**	-
	Provision during the year		**-**	196,952
			196,952	196,952
22	**SHORT-TERM INVESTMENTS**			
	Loans and receivables			
	Term deposits with banks and financial institutions	**22.1**	**5,590,000**	11,170,000
	Investments at fair value through profit or loss			
	Mutual funds	**22.2**	**5,345,646**	3,024,289
			10,935,646	14,194,289

22.1 These deposits carry interest at rates ranging from 10.75% to 12.25% (2017: 5.00% to 9.15%) per annum, maturing on various dates, latest by January 28, 2019. They include Rs. Nil (2017: 1,000,000 thousand) held under lien by a financial institution, for providing a guarantee to a commercial bank, on behalf of Fauji Meat Limited, against a running finance facility.

22.2 Mutual funds

		2018	
Nature of fund	**No. of units**	**Cost**	**Fair value**
		(Rupees '000)	
Income fund	**6,641,068**	**500,030**	**502,295**
Money market funds	**125,506,249**	**4,827,413**	**4,843,351**
		5,327,443	**5,345,646**

Nature of fund	No. of units	2017 Cost	2017 Fair value
		(Rupees '000)	
Income fund	109,100,721	2,285,869	2,317,712
Money market funds	50,465,214	703,375	706,577
		2,989,244	3,024,289

		Note	2018	2017
			(Rupees '000)	
23	**CASH AND BANK BALANCES**			
	Deposit accounts			
	in local currency	**23.1**	**3,414,290**	3,367,794
	in foreign currency		**2,041**	2,039
		23.2	**3,416,331**	3,369,833
	Current accounts		**272,278**	176,374
	Cash in hand		**980**	980
			3,689,589	3,547,187

23.1 This includes Rs. 759,248 thousand (2017: Rs. 1,479,248 thousand) held under lien by the commercial banks against various facilities, including Rs. Nil (2017: Rs. 612,500 thousand) and Rs. Nil (2017: Rs. 300,000 thousand) held under lien for providing guarantee on behalf of Foundation Wind Energy - I Limited and Fauji Meat Limited, respectively.

23.2 These deposit accounts carry interest at rates ranging from 3.51% to 12.5% (2017: 2.25% to 6.50%) per annum.

		Note	2018	2017
			(Rupees '000)	
23.3	**CASH AND CASH EQUIVALENTS**			
	Cash and cash equivalents included in the statement of cash flows comprise the following:			
	Cash and bank balances	**23**	**3,689,589**	3,547,187
	Short-term highly liquid investments	**22**	**5,590,000**	10,170,000
	Short-term running finance	**11**	**(8,913,497)**	(4,369,276)
			366,092	9,347,911
24	**SALES - NET**			
	Gross sales		**63,050,647**	57,675,519
	Less:			
	Sales tax		**1,502,961**	4,176,995
	Trade discount		**12,188**	738,032
	Commission to Fauji Fertilizer Company Limited	**24.1**	**24,970**	27,538
			1,540,119	4,942,565
			61,510,528	52,732,954

24.1 Commission is paid at the rate of Re. 1 per bag sold by Fauji Fertilizer Company Limited, based on an inter-company services agreement.

		Note	2018	2017
			(Rupees '000)	
25	**COST OF SALES**			
	Raw materials consumed		**39,448,936**	31,998,751
	Packing materials consumed		**774,321**	646,581
	Fuel and power	**25.1**	**10,396,856**	7,589,827
	Chemicals and supplies consumed		**200,895**	195,710
	Salaries, wages and benefits	**25.2**	**1,818,259**	2,261,517
	Rent, rates and taxes		**97,669**	70,989
	Insurance		**70,161**	62,056
	Travel and conveyance		**143,824**	128,728
	Provision for obsolete stores and spares	**16**	**66,051**	52,042
	Repairs and maintenance		**1,383,815**	1,209,139
	Communication, establishment and other expenses		**127,107**	173,203
	Depreciation	**13.2**	**1,424,339**	1,385,641
	Opening stock - work-in-process		**103,813**	80,055
	Closing stock - work-in-process		**(95,760)**	(103,813)
	Cost of goods manufactured		**55,960,286**	45,750,426
	Opening stock - finished goods		**183,002**	1,137,927
	Closing stock - finished goods		**(2,816,175)**	(183,002)
	Cost of sales		**53,327,113**	46,705,351

25.1 This includes cost recognized for use of power and steam, generated by FPCL, a subsidiary company, amounting to Rs. 5,379,730 thousands and Rs. 4,035,466 thousands (2017: Rs. 2,720,730 thousands and Rs. 2,353,785 thousands), respectively.

25.2 This includes a charge on account of employees' retirement benefits in respect of the gratuity, provident funds and for compensated absences, amounting to Rs. 57,349 thousand, Rs. 51,201 thousand and Rs. 63,881 thousand, respectively. (2017: 62,156 thousand, Rs. 47,143 thousand and Rs. 56,256 thousand respectively).

		Note	2018	2017
			(Rupees '000)	
26	**SELLING AND DISTRIBUTION EXPENSES**			
	Product transportation		**3,232,440**	3,378,965
	Provision for other receivable	**21**	**-**	196,952
	Salaries, wages and benefits		**17,694**	-
	Travel and conveyance		**1,568**	-
	Others		**787**	-
			3,252,489	3,575,917
	Expenses allocated by Fauji Fertilizer Company Limited			
	Salaries, wages and benefits		**842,575**	826,972
	Travel and conveyance		**72,924**	67,697
	Sales promotion and advertising		**67,815**	65,419
	Rent, rates and taxes		**73,906**	121,276
	Technical services		**3,501**	2,720
	Insurance expense		**30,942**	42,457
	Communication, establishment and other expenses		**80,388**	53,005
	Warehousing expenses		**85,446**	99,964
	Depreciation		**15,320**	16,272
		26.1	**1,272,817**	1,295,782
			4,525,306	4,871,699

26.1 This represents common expenses allocated by Fauji Fertilizer Company Limited on account of marketing of the Company's products based on an inter-company services agreement.

		Note	2018	2017
			(Rupees '000)	
27	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	**27.1**	**841,840**	1,066,268
	Travel and conveyance		**108,015**	77,932
	Utilities		**42,686**	32,185
	Printing and stationery		**4,482**	8,731
	Repairs and maintenance		**164,536**	118,421
	Communication, advertisement and other expenses		**50,992**	49,888
	Rent, rates and taxes		**17,456**	26,872
	Listing fee		**2,499**	1,761
	Donations	**27.2**	**18,578**	33,581
	Legal and professional		**33,117**	43,194
	Depreciation	**13.2**	**209,386**	214,771
	Miscellaneous		**55,143**	53,777
			1,548,730	1,727,381

27.1 This includes charges on account of employees' retirement benefits in respect of the gratuity and provident funds and for compensated absences, amounting to Rs. 18,489 thousand, Rs. 22,765 thousand and Rs. 26,244 thousand (2017: Rs. 20,660 thousand, Rs. 22,093 thousand and Rs. 24,109 thousand), respectively.

27.2 During the year, the Company has not paid donations to any organization, in which any director or his spouse has any interest.

Donation to following parties / organisations exceeded Rs. 500 thousand:

		Note	2018	2017
			(Rupees '000)	
	Pakistan Taekwondo Federation		**1,000**	-
	Aspire Public School		**500**	1,000
	Fauji Foundation		**11,264**	26,000
28	**FINANCE COSTS**			
	Mark-up on short-term borrowings		**274,761**	190,254
	Mark-up on demand finance		**386,524**	547,407
	Mark-up on long-term finance		**1,526,871**	1,188,657
	Guarantee fee		**27,558**	8,339
	Interest on WPPF		**235**	-
	Bank charges		**6,925**	6,363
			2,222,874	1,941,020
29	**OTHER OPERATING EXPENSES**			
	Workers' (Profit) Participation Fund	**9.2**	**95,954**	84,328
	Workers' Welfare Fund		**14,012**	160,889
	Exchange loss		**1,146,964**	176,111
	Auditor's remuneration			
	Fees - annual audit		**1,400**	1,400
	Fees - half yearly review		**250**	250
	Fees - review of Statement of Compliance with CCG		**50**	50
	Fees - reasonable assurance on free float		**95**	95
	Other certification and services		**125**	125
	Out of pocket expenses		**180**	174
			2,100	2,094
			1,259,030	423,422

		Note	2018	2017
			(Rupees '000)	
30	**OTHER INCOME**			
	Income from financial assets			
	Profit on bank balances and term deposits		**414,131**	372,381
	Cash dividend on mutual funds		**164,778**	5,111
	Fair value gain on mutual fund investments		**66,375**	123,101
	Mark-up on sub-ordinated loans		**64,634**	3,203
			709,918	503,796
	Income from assets other than financial assets			
	Scrap sales and miscellaneous receipts	**30.1**	**173,764**	125,204
	Subsidy from Government on DAP and Urea	**30.2**	**314,619**	2,892,184
	Dividends income		**1,977,432**	803,608
	Gain on sale of property, plant and equipment	**30.3**	**5,901**	52,470
			2,471,716	3,873,466
			3,181,634	4,377,262

30.1 This includes an amount of Rs. Nil (2017: Rs. 2,147 thousand) earned from training services provided to related parties.

30.2 This includes a subsidy @ PKR 100 per 50 kg bag, on sale of Urea fertilizer, pursuant to notification No.15 (4) CFC / 2015 dated August 07, 2017, issued by the Ministry of Finance, Government of Pakistan . Subsidy scheme has been discontinued w.e.f. 30 June 2018. The comparative includes a subsidy @ PKR 300 per 50 kg bag, on sale of Di-Ammonium Phosphate (DAP) fertilizer, and a subsidy @ PKR 156 per 50 kg bag of Urea fertilizer, pursuant to notification F. No. 1-11/2012/DFSC-II/Fertilizer dated June 25, 2016, issued by the Ministry of National Food Security and Research, Government of Pakistan.

30.3 This includes the gain on sale of fixed assets to related parties, amounting to Rs. 2,632 thousand (2017: Rs. 25,092 thousand). The net book value of the fixed assets was Rs. 5,909 thousand (2017: Rs. 8,331 thousand).

		2018	2017
		(Rupees '000)	
31	**TAXATION**		
	Current tax		
	For the year	**2,240,530**	2,720,590
	Prior years	**(3,584,019)**	-
		(1,343,489)	2,720,590
	Deferred tax		
	For the year	**(1,829,499)**	(2,283,573)
	Prior years	**3,545,565**	-
		1,716,066	(2,283,573)
		372,577	437,017

31.1 Reconciliation of tax charge for the year:

	2018		2017	
	(Rupees '000)	%	(Rupees '000)	%
Profit before tax	**1,809,109**	**-**	1,441,343	-
Tax on profit	**524,642**	**29.00**	432,403	30.00
Tax effect of lower rate on certain income / expenses	**(370,666)**	**(20.49)**	(139,255)	(9.66)
Tax effect of exempt income / permanent differences	**5,388**	**0.30**	-	-
Super tax and revision in tax liability	**412,685**	**22.81**	143,865	9.98
Tax effect of prior year adjustment	**(38,454)**	**(2.13)**	-	-
Tax effect of differences between applicable rate and enacted rate	**(161,556)**	**(8.93)**	-	-
Others	**538**	**0.03**	4	0.00
	372,577	**20.59**	437,017	30.32

By virtue of amendments introduced through the Finance Act 2018, the provisions of section 5A of the Income Tax Ordinance, 2001, have been amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 20% (2017: 40%) of its after tax profits within six months of the end of the said tax year, through cash, shall be liable to pay tax at the rate of 5% (2017: 7.5%) of its accounting profit before tax. The liability in respect of such income tax, if any, is recognized when the prescribed time period for distribution of dividend expires.

31.2 Adequate provision for tax has been provided in these financial statements for the current year in accordance with requirements laid under Income Tax Ordinance, 2001 (ITO 2001). The provision for current year tax represents tax on taxable income at the rate of 29% (2017: 30%).

The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provisions for the purpose of taxation is available which can be analyzed as follows:

	2017	2016	2015
		(Rupees '000)	
Income tax provision for the year	722,052	192,080	2,006,296
Income tax as per tax assessment	740,309	1,227,209	444,319

Income tax as per tax assessment represents liability assessed or deemed to be assessed by tax authorities. Further, for prior tax years the Tax Authorities and Company are contesting their respective view points at various for. After due consideration of related matters, adequate tax provisions is being maintained in respect of the matters pending at various assessment / applicable fora and same shall be subject to final adjustment upon culmination of related proceedings.

	2018	2017
32 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation (Rupees '000)	**1,436,532**	1,004,326
Weighted average number of ordinary shares in issue during the year (thousands)	**934,110**	934,110
Earnings per share - basic and diluted (Rupees)	**1.54**	1.08

There is no dilutive effect on the basic earnings per share of the Company for the year 2018.

		Note	2018	2017
			(Rupees '000)	
33	**CASH GENERATED FROM OPERATING ACTIVITIES**			
	Profit before taxation		**1,809,109**	1,441,343
	Adjustments for:			
	Provision for gratuity		**75,838**	82,816
	Exchange loss		**1,146,964**	176,111
	Provision against doubtful other receivables		**-**	196,952
	Provision for compensated absences		**90,125**	80,365
	Provision for Workers' Participation Fund	9.2	**95,954**	84,328
	Provision for Workers' Welfare Fund		**14,012**	160,889
	Depreciation	13.2	**1,633,725**	1,600,412
	Recognition of provision for obsolete stores and spares		**66,051**	52,042
	Finance cost		**2,222,874**	1,941,020
	Mark-up on sub-ordinated loans		**(64,634)**	(3,203)
	Guarantee fee		**(10,508)**	(14,339)
	Dividend income		**(1,977,432)**	(803,608)
	Profit on bank balances and term deposits		**(414,131)**	(372,381)
	Fair value gain on mutual fund investments		**(66,375)**	(123,101)
	Cash dividend on mutual funds		**(164,778)**	(5,111)
	Gain on sale of property, plant and equipment		**(5,901)**	(52,470)
			4,450,893	4,442,065
	Working capital changes:			
	(Increase) / decrease in current assets			
	Stores and spares		**(42,411)**	(101,989)
	Stock-in-trade		**(3,800,311)**	572,791
	Trade debts		**(4,714,842)**	2,518,977
	Advances		**(315,652)**	(72,062)
	Trade deposits and short-term prepayments		**13,514**	(8,930)
	Other receivables		**(1,378,222)**	358,413
	Sales tax refundable		**(3,058,953)**	(365,650)
	Increase in current liabilities			
	Trade and other payables		**6,244,376**	9,614,416
			(7,052,501)	12,515,966
			(2,601,608)	16,958,031

34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including benefits applicable to the Chief Executive and executives of the Company, are given below:

	2018		2017	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	**11,646**	**902,309**	12,221	860,350
Bonus	**3,220**	**196,353**	8,148	462,211
Contributory provident fund	**552**	**40,797**	547	39,380
Others	**4,874**	**234,657**	6,572	243,700
	20,292	**1,374,116**	27,488	1,605,641
No. of person (s)	**1**	**180**	1	184

The above are provided with medical facilities as well. The Chief Executive and certain executives are also provided with the Company's maintained vehicles and household equipment and other benefits in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment, while the contribution for executives in respect of gratuity is on the basis of an actuarial valuation.

Leave encashment was paid to executives amounting to Rs. 14,858 thousand (2017 : Rs. 26,851 thousand) on separation in accordance with the Company's policy.

Directors of the Company were paid meeting fees aggregating to Rs. 10,050 thousand (2017: Rs. 7,725 thousand). No other remuneration was paid to directors of the Company (2017: Nil). The number of directors of the Company was 12 (2017: 12).

As per revised requirement of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

35 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company 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 Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

35.1 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 trade debts, deposits, advances, loans, interest accrued, short-term investments, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	**2017**
	(Rupees '000)	
Long-term loans	**2,400,000**	33,863
Trade debts	**5,719,424**	1,004,582
Deposits	**95,099**	103,575
Advances	**86,566**	74,469
Interest accrued	**55,153**	51,118
Other receivables	**5,893,686**	4,227,342
Short-term investments	**10,935,646**	14,194,289
Bank balances	**3,688,609**	3,546,207
	28,874,183	23,235,445

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 has significant amount receivable from Fauji Fertilizer Company Limited which amounts to Rs. 2,292,909 thousand (2017: Rs. 910,300 thousand) and which is included in total carrying amount of other receivables as at reporting date. At the reporting date this receivable is neither overdue nor impaired. The Company has also advanced an unsecured long-term loan of Rs. 2,400,000 thousand, during the year, to Fauji Meat Limited (FML), a related party (refer to note 15.1). The remaining amount includes receivable from the Government of Pakistan amounting to Rs. 3,160,992 thousand (2017: Rs. 3,141,301 thousand) on account of subsidy income.

Trade debts 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 and advances to employees.

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

35.2 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.

	Rating	2018	2017
		(Rupees '000)	
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past	**unrated**	**5,719,424**	1,004,582
Deposits			
Counterparties without external credit ratings			
Others	**unrated**	**95,099**	103,575
Long-term loan			
Counterparties without external credit ratings			
Others	**unrated**	**2,400,000**	33,863
Advances			
Counterparties without external credit ratings			
Others	**unrated**	**86,566**	74,469
Interest accrued			
Counterparties with external credit ratings			
	AAA	**6,441**	14,123
	AA+	**106**	360
	AA-	**3,314**	9,188
	AA	**-**	137
	A+	**8,466**	19,380
	A-	**-**	384
	A	**12,655**	1,205
		30,982	44,777
Counterparties without external credit ratings			
Others	**unrated**	**24,171**	6,341
		55,153	51,118

	Rating	2018	2017
		(Rupees '000)	
Other receivables			
Counterparties with external credit ratings			
Receivable from related party	**AA+**	**2,292,909**	910,300
Counterparties without external credit ratings			
Receivable from Government of Pakistan	**unrated**	**3,160,992**	3,141,301
Receivable from others including related parties	**unrated**	**439,785**	175,741
		5,893,686	4,227,342
Short-term investments			
Counterparties with external credit ratings	**AAA**	**2,000,000**	3,500,000
	AA+	**1,871,265**	300,000
	AA	**3,062,086**	976,577
	A	**502,265**	1,789,290
	AA-	**2,000,030**	5,605,989
	A+	**1,500,000**	1,522,433
	A-	**-**	500,000
		10,935,646	14,194,289
Bank balances			
Counterparties with external credit ratings	**AAA**	**772,154**	1,152,611
	AA+	**560,279**	1,057,459
	AA	**379,383**	229,235
	AA-	**166,326**	623,169
	A+	**47,497**	3,654
	A	**1,030,074**	479,937
	A-	**732,896**	142
		3,688,609	3,546,207

Impairment losses

As at the reporting date trade debts of Rs. 31,598 thousand (2017: Rs.278,370 thousand) were overdue up to 30 days. Based on past experience, the management believes that no impairment allowance is necessary. During the year, the Company has recognized a provision of Rs. Nil (2017: Rs. 196,952 thousand), against other receivables considered doubtful.

In the previous years, the Company has recorded an impairment loss of Rs. 3,000 thousand in respect of its long-term investment as explained in note 14.4.

35.3 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 management uses different methods which assists it in monitoring cash flow requirements and optimizing the 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 maintains lines of credit as mentioned in note 11 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2018	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long-term loans including mark-up	**21,469,975**	**25,562,169**	**3,871,353**	**3,193,207**	**8,228,300**	**10,269,309**	**-**
Trade and other payables	**28,550,724**	**28,550,724**	**28,550,724**	**-**	**-**	**-**	**-**
Short-term borrowings including mark-up	**14,094,038**	**14,094,038**	**14,094,038**	**-**	**-**	**-**	**-**
	64,114,737	**68,206,931**	**46,516,115**	**3,193,207**	**8,228,300**	**10,269,309**	**-**

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
				(Rupees '000)			
Long-term loans including mark-up	18,637,950	21,156,034	1,955,299	2,283,095	8,309,848	8,607,792	-
Trade and other payables	19,256,029	19,256,029	19,256,029	-	-	-	-
Short-term borrowings including mark-up	10,010,797	10,010,797	10,010,797	-	-	-	-
	47,904,776	50,422,860	31,222,125	2,283,095	8,309,848	8,607,792	-

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-term borrowings and short-term borrowings have been determined on the basis of expected mark-up rates. The mark-up rates as at reporting date have been disclosed in note 7 and note 11 to these financial statements respectively.

35.4 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 and interest rate risk only.

35.4.1 Currency risk

Exposure to Currency Risk

The Company is exposed to currency risk on certain liabilities and bank balance which are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2018		2017	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balances	**2,041**	**18**	2,039	18
Creditors	**(5,979,529)**	**(42,987)**	(4,105,955)	(37,158)
Net exposure	**(5,977,488)**	**(42,969)**	(4,103,916)	(37,140)

The following significant exchange rate applied during the year:

	Average rates		Reporting date rate (Bid-Offer average)	
	2018	2017	2018	2017
US Dollars	**122.74**	105.61	**139.10**	110.50

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs. 597,749 thousand (2017: Rs. 410,392 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

35.4.2 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 from banks and short-term deposits with banks. At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments is:

	2018	2017
	(Rupees '000)	
Fixed rate instruments		
Financial assets	**5,590,000**	11,170,000
Financial liabilities	**5,000,000**	5,565,000
Variable rate instruments		
Financial assets	**5,816,331**	3,403,696
Financial liabilities	**30,121,830**	22,910,942

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to interest rate risk on its fixed rate instruments as all of these are of a short-term nature.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/ (decreased) profit by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2018		
Cash flow sensitivity-variable rate instruments	**(243,055)**	**243,055**
December 31, 2017		
Cash flow sensitivity-variable rate instruments	(195,072)	195,072

Market price risk

For investments at fair value through profit or loss, a 1 % increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 53,456 thousand (2017: Rs. 30,243 thousand).

35.5 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		2018		2017	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Long-term loans	**15**	**2,400,000**	**2,400,000**	33,863	33,863
Trade debts	**18**	**5,719,424**	**5,719,424**	1,004,582	1,004,582
Deposits		**95,099**	**95,099**	103,575	103,575
Advances		**86,566**	**86,566**	74,469	74,469
Interest accrued		**55,153**	**55,153**	51,118	51,118
Other receivables - net of provision	**21**	**5,696,734**	**5,696,734**	4,227,342	4,227,342
Short-term investments	**22**	**5,590,000**	**5,590,000**	11,170,000	11,170,000
Cash and bank balances	**23**	**3,689,589**	**3,689,589**	3,547,187	3,547,187
		23,332,565	**23,332,565**	20,212,136	20,212,136
Assets carried at fair value					
Short-term investments - Investments at fair value through profit or loss	**22**	**5,345,646**	**5,345,646**	3,024,289	3,024,289
Liabilities carried at amortized cost					
Long-term loans including accrued interest	**7 & 10**	**21,469,975**	**21,469,975**	18,637,950	18,637,950
Trade and other payables	**9**	**28,550,724**	**28,550,724**	19,256,029	19,256,029
Short-term borrowings including accrued interest	**10 & 11**	**14,094,038**	**14,094,038**	10,010,797	10,010,797
		64,114,737	**64,114,737**	47,904,776	47,904,776

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in the market rate and rate of the instruments and most of the fixed rate instruments are short-term in nature, therefore fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value and assets for which fair value are disclosed by level of fair value hierarchy for the year ended 31 December, 2018. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes has occurred.

	Level 1	Level 2	Level 3
		(Rupees '000)	
December 31, 2018			
Assets carried at fair value			
Short-term investments - investment in mutual funds	**5,345,646**	**-**	**-**
December 31, 2017			
Assets carried at fair value			
Short-term investments - investment in mutual funds	3,024,289	-	-

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

35.6 Fair value estimation

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Investment in fair value through profit or loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date and accordingly are at level 1 in fair value hierarchy.

Investment in subsidiaries and associates

The fair value of investment in quoted securities are determined by reference to their quoted closing bid price at the reporting date and accordingly are at level 1 in fair value hierarchy.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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.

35.7 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.

The total long-term loans to equity ratio as at 31 December, 2018 based on total long-term loans of Rs. 21,208,333 thousand and total equity of Rs. 13,897,456 thousand was 1.53:1 (2017: 1.41:1)

The Company finances its operations through equity, borrowings and management of working capital with view of maintaining an appropriate mix between various source of finance to minimize risk.

36 RELATED PARTY TRANSACTIONS

The Company has related parties which comprise of subsidiaries, a joint venture, entities under common directorship, directors, key management personnel, share holders and employees' funds. Fauji Fertilizer Company Limited (FFCL) has a 49.88% share holding in the Company (2017: 49.88%), while Fauji Foundation (FF) holds 18.29% shares (2017: 18.29%) in the Company. Transactions with related parties and the balances outstanding, other than those which have been disclosed elsewhere in these financial statements are given below. The carrying values of the investment in and loans to related parties are disclosed in notes 14 and 15, respectively, to the financial statements.

	2018	2017
	(Rupees '000)	
Transactions with Fauji Foundation (FF)		
Dividend paid	**128,132**	102,505
Contribution paid for Youm-e-Shuhadaa and Defence day	**2,000**	26,000
Contribution to Institute of Cardiology	**9,000**	-
Contribution to Diamer Bhasha and Mohmad Dams Fund	**264**	-
Reimbursement of expenses	**4,505**	9,232
Transactions with the subsidiary companies		
Investment in FFBL Power Company Limited	**-**	975,000
Investments in Fauji Foods Limited	**-**	2,008,978
Balance payable to FFBL Power Company Limited	**972,075**	555,991
Fixed assets transferred to Fauji Meat Limited	**91**	3,182
Balance receivable from Fauji Meat Limited	**-**	2,310
Balance receivable from FFBL Power Company Limited	**87,307**	160,166
Balance receivable from FFBL Foods Limited	**-**	283
Fixed assets transferred to Fauji Foods Limited	**3,500**	1,918
Material / services provided to FFBL Power Company Limited	**465,907**	645,039
Fixed assets transferred to FFBL Power Company Limited	**4,950**	28,895
Material / services provided to Fauji Foods Limited	**41,941**	75,966
Services provided to Fauji Meat Limited	**4,562**	26,448
Power and steam received from FFBL Power Company Limited	**9,456,962**	5,074,515
Expenses paid on behalf of FFBL Foods Limited	**-**	1,725
Interest and Guarantee fee from Fauji Meat Limited	**70,195**	2,310
Dividend received from FFBL Power Company Limited	**1,127,109**	-
Transactions with associated undertakings due to common directorship		
Services and material acquired	**1,278,319**	1,298,833
Services and material provided	**15,144**	9,071
Receipts under consignment & current account- (FFCL)	**48,009,758**	60,675,806
Commission charged to the Company	**24,970**	27,538
Balance receivable at the year end - unsecured (FFCL)	**2,292,909**	910,300
Dividend paid - net	**349,419**	279,535
Dividend received from associate	**37,500**	715,335
Profit on bank balances - AKBL	**113,626**	58,903
Long-term loans - AKBL	**500,000**	-
Mark-up on long-term loans - AKBL	**59,546**	-
Mark-up payable on long-term loans - AKBL	**11,751**	-
Income from in TDR's with AKBL	**-**	930
Balances at - AKBL	**398,998**	958,310
Transactions with Fauji Foundation Hospital	**233**	58
Interest and Guarantee fee from FWE-I & FWE-II	**4,947**	15,232
Transactions with Foundation Gas	**709**	986
Balance payable at the year end - Foundation Gas	**-**	-
Loan to associates-FWE-I and FWE-II	**-**	33,863
Transactions with joint venture		
Purchase of raw materials	**29,058,162**	22,534,840
Expenses incurred on behalf of joint venture	**11,348**	5,831
Dividend received	**524,701**	209,668
Balance payable at the year end - secured	**7,091,973**	4,105,955
Balance receivable at the year end - unsecured	**302,355**	6,854

	2018	2017
	(Rupees '000)	
Other related parties		
Contribution to provident fund	**74,125**	69,236
Payment to gratuity fund	**59,851**	191,478
Payment to Workers' (Profit) Participation Fund & Workers Welfare Fund	**128,328**	29,704
Balance payable - unsecured (WWF and WPPF)	**572,576**	1,342,019
Payable to gratuity fund	**82,607**	77,489
Remuneration of key management personnel	**277,910**	212,436

In addition to the above:

- a ranking charge amounting to US$ 91,456,667 and Rs. 4,000 million (2017: US$ 91,456,667 and Rs. 4,000 million) has been registered on the assets of the Company, in respect of project financing arranged by Foundation Wind Energy-I Limited (FWE-I).
- a ranking charge amounting to US$ 89,146,667 and Rs. 4,000 million (2017: US$ 89,146,667 and Rs. 4,000 million) has been registered on the assets of the Company, in respect of project financing arranged by Foundation Wind Energy-II (Private) Limited (FWE-II).
- the Company has issued standby letter of credit amounting to Rs. 934 million in favour of the FML under the Diminishing Musharaka Agreement.
- the Company has provided sponsor support, to lenders of project financing arranged by FPCL, to fund any shortfall, to the extent FPCL is unable to fulfill its financial obligations:

(i) up to Rs. 29,150 million (2017: Rs. 29,150 million) and all cost over runs, till technical completion date; and

(ii) up to Rs. 8,000 million after project completion date.

36.1 Detail of related parties

Name of related party	Basis of relationship	Percentage holding
Fauji Foundation (FF)	Common Directorship	-
Fauji Fertilizer Company Limited (FFCL)	Common Directorship	-
Pakistan Maroc Phosphore (PMP)	Joint Venture / Common Directorship	25.00%
Fauji Meat Limited (FML)	Subsidiary / Common Directorship	75.00%
Fauji Foods Limited (FFL)	Subsidiary / Common Directorship	50.59%
FFBL Power Company Limited (FPCL)	Subsidiary / Common Directorship	75.00%
FFBL Foods Limited	Subsidiary / Common Directorship	100.00%
Askari Bank Limited (AKBL)	Associate Company / Common Directorship	21.57%
Fauji Cement Company Limited (FCCL)	Associate Company / Common Directorship	1.36%
Foundation Wind Energy-I Limited	Associate Company / Common Directorship	35.00%
Foundation Wind Energy-II (Pvt) Limited	Associate Company / Common Directorship	35.00%
FFBL Gratuity Fund	Employee benefit fund	-
FFBL Provident fund	Employee benefit fund	-
FFBL Workers' (Profit) Participation Fund	Employee benefit fund	-

37 EMPLOYEES PROVIDENT FUND TRUST

All the investments out of the provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

38 GENERAL

		2018	2017
		(Tonnes)	
38.1	**Production capacity**		
	Design capacity		
	Urea	**551,100**	551,100
	DAP	**650,000**	650,000
	Actual production		
	Urea	**561,819**	543,155
	DAP	**730,136**	808,808

		2018	2017
		(Numbers)	
38.2	**Number of persons employed**		
	Total		
	Employees at year end	**1009**	1017
	Average employees during the year	**1018**	1132
	Plant		
	Employees at year end	**759**	740
	Average employees during the year	**757**	772

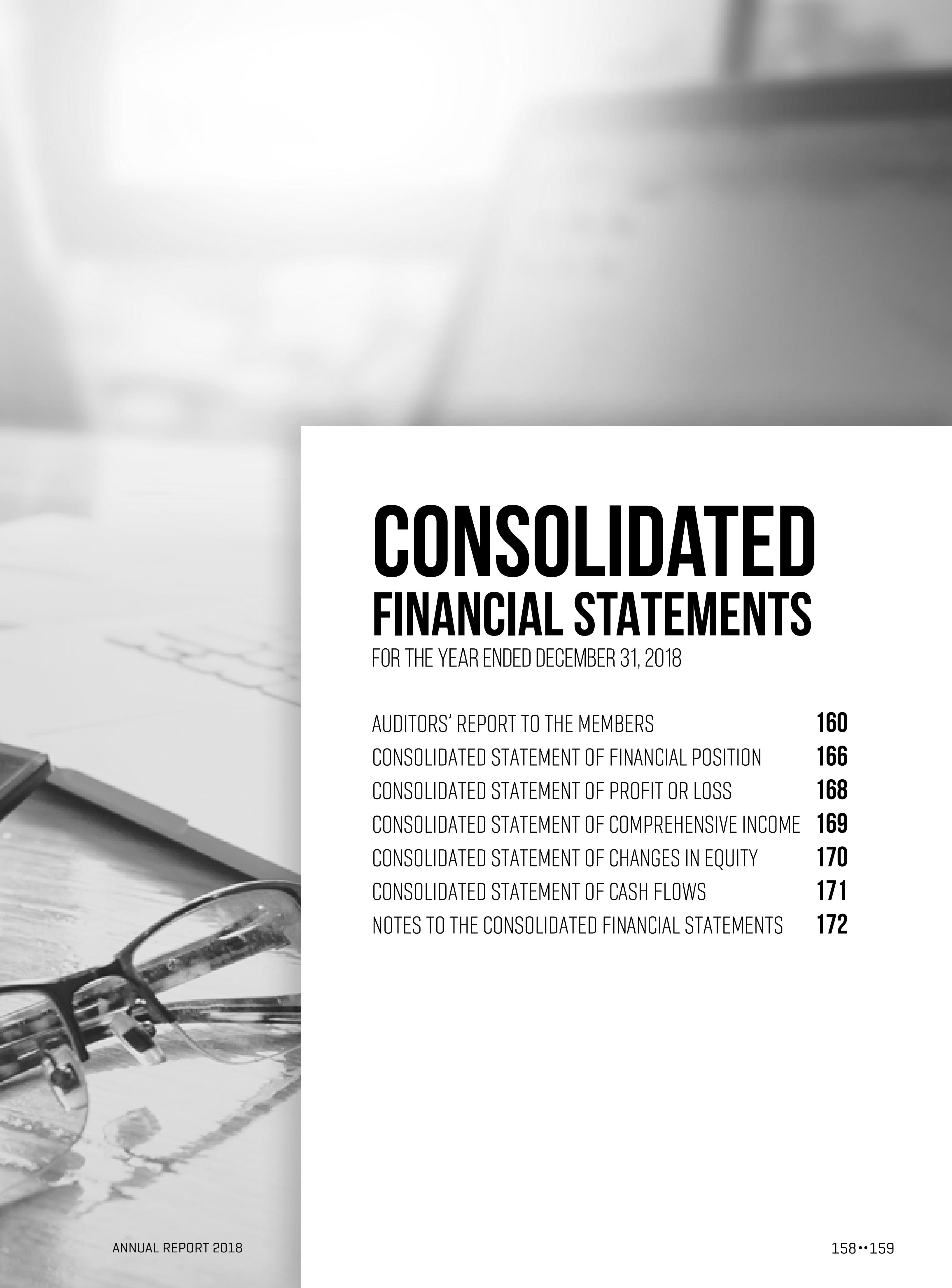
38.3 Corresponding figures have been re-arranged and re-classified, where necessary, for more appropriate presentation of transactions and events, for the purposes of comparison.

38.4 The Board of Directors of the Company has decided to provide sponsor support, up to a maximum amount of Rs. 3 billion, to Fauji Foods Limited (FFL), a subsidiary of the Company, via either, or a combination of, a sub-ordinated shareholder loan or collateral support for a period not exceeding one (1) year as security for working capital facilities extended or to be extended by financial institutions to FFL, or in any other form, subject to approval by members of the Company, in upcoming Annual General Meeting.

38.5 The Board of Directors in their meeting held on January 30, 2019 have proposed a final dividend of Re. 1 per ordinary share.

38.6 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on January 30, 2019.

CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER



CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

AUDITORS' REPORT TO THE MEMBERS

Opinion

We have audited the annexed consolidated financial statements of Fauji Fertilizer Bin Qasim Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Impairment of goodwill	
During 2015, Fauji Fertilizer Bin Qasim Limited (the Holding Company) recognized goodwill amounting to Rs. 377.78 million on its acquisition of control of Fauji Foods Limited (FFL) based on management's assessment of benefits of synergies, revenue growth, future market development and the assembled workforce of FFL. As at reporting date, in accordance with the requirements of International Accounting Standard (IAS) 36 "Impairment of Assets", the Group performed its annual impairment assessment of the FFL segment, the Cash Generating Unit (CGU) to which the Group has allocated goodwill. As FFL is listed on Pakistan Stock Exchange, the quoted price of its ordinary shares is available, which best determine the amount that could be obtained as on reporting date from the disposal of FFL segment in an arm's length transaction. Accordingly management has measured the recoverable amount of FFL segment by determining the fair value less costs to sell of the ordinary shares of FFL, in accordance with requirements of International Financial Reporting Standard 13 "Fair Value Measurement". The cost of disposal is considered by management to be immaterial.	The following procedures were performed: • Assessed the Group's determination of CGU based on our understanding of the nature of the Group and its operations, and assessed whether this was consistent with the internal reporting of the business. • We assessed and tested the design and operating effectiveness of the controls of the Group, over impairment testing and fair valuation process for ordinary shares, and the related approvals. • We understood the process of determination of fair value and cost to sell, in accordance with requirements of IAS 36 and IFRS 13, as applicable. • We recalculated the fair value of FFL, by obtaining quoted share price from the website of Pakistan Stock Exchange, and compared it with fair value determined by the Holding Company. • We assessed management's determination that the ordinary shares of FFL is frequently traded, as defined by the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017.

<table>
<tr><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>When an impairment review and calculation of fair value of ordinary shares (including those with management control) is carried out, there are significant judgements in relation to the assumptions made such as:

(a) Frequency of trading of ordinary shares on Pakistan Stock Exchange;
(b) Determination of any adjustment required to quoted spot price;
(c) Need for grossing up of goodwill; and
(d) Determination of cost to sell.

Management has concluded that FFL segment was not impaired as of 31 December 2018, as its net book value (including the grossed up goodwill) is less than the recoverable amount.

Changes in above assumptions can lead to significant changes in the assessment of the recoverable amount. Accordingly, we consider this as a key audit matter.

Refer to note 16.1 of the consolidated financial statements, for related disclosure.</td><td>• Assessed the adequacy of disclosure made in the consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.</td></tr>
<tr><td colspan="2">2. Recoverability of FFL's deferred tax asset – net</td></tr>
<tr><td>Refer notes 10.2.3 and 34 to the consolidated financial statements.

The Group has recognized deferred tax asset on unused tax losses and tax credits of FFL, amounting to Rs. 2,069,440 thousand and Rs. 157,940 thousand, respectively.

The recoverability of recognized deferred tax asset is dependent on the FFL's ability to generate future taxable profits sufficient to utilize deductible temporary differences and tax losses (before the latter expire).

We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.</td><td>Our audit procedures, amongst others, included the following:

• For our approach to Group Audit, including interactions with component team of FFL, please refer to point 4 below.

• Assessed the appropriateness of the accounting policy for recognition of deferred taxation and compliance of the policy with applicable accounting and reporting standards.

• Assessed and tested the design and operating effectiveness of FFL's internal controls over recognition of deferred taxation.

• Assessed the reasonableness of future taxable profits and recoverability of tax losses recognized by evaluating historical forecasting accuracy and comparing the assumptions, such as projected growth rates, future selling prices and production volumes, with those used for preparation of five year business plan, duly approved by the Board of Directors of FFL; including involving specialist to assist in evaluating the assumptions and judgements adopted by management in its business plan (as the basis for future taxable profits) to assess the reversals of recognized deferred tax asset.</td></tr>
</table>

<table>
<tr><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td></td><td>Assessed the adequacy of disclosure made in the consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.</td></tr>
<tr><td colspan="2">3. Impairment of plant and equipment, employed within the Meat segment of the Group</td></tr>
<tr><td>Included in property, plant and equipment of the Group are assets relating to Fauji Meat Limited (FML), which forms a distinct Cash Generation Unit (CGU), with a carrying value of Rs. 6,388 million as at 31 December 2018.

Since commencement of commercial operations in first quarter of 2016, FML has consistently incurred losses. As at 31 December 2018, its accumulated losses amounted to Rs. 3,469 million. This and other factors indicated that the carrying value of these assets may be higher than their realizable value.

As a result, in accordance with the requirements of IAS 36, the Group performed an impairment assessment by comparing the carrying value of the above mentioned CGU to its recoverable amount to determine whether an impairment was required to be recognized. Management used a discounted cash flow model to determine the value in use of FML.

Following key assumptions were used as basis to determine the value in use:
Sales growth rate;
Operating margin;
Long-term market growth-rate; and
Discount rate
Management concluded that the carrying value of CGU was not impaired as of 31 December 2018.

Changes in above assumptions can lead to significant changes in the assessment of the recoverable amount. Accordingly, we consider this as a key audit matter due to the level of judgement required to estimate the value in use.

Refer to note 15.5 of the consolidated financial statements, for a discussion on the matter by management.</td><td>The following procedures were performed:
Assessed the Group's determination of CGU based on our understanding of the nature of the Group and its operations, and assessed whether this was consistent with the internal reporting of the business.
Reviewed management's assessment of impairment and compared value in use determined by management with the carrying amount as at reporting date.
Assessed the cash flow forecast approved by the Board of FML taking into account our knowledge of the business and comparing the cash flow forecasts to externally available industry, economic and financial data.
Involved our valuation specialists to assess the appropriateness of the management's assumptions as well as reasonableness of the valuation model used by the management. Analyzed the Group's sensitivity analysis in main areas being the sales growth, operating margin, discount rate and long-term market growth-rate assumptions.
We obtained corroborating evidence regarding the cash flow forecasts by comparing the managements' forecast for current year with actual results.
Assessed the adequacy of disclosure made in the consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.</td></tr>
<tr><td colspan="2">4. Group Audit</td></tr>
<tr><td>The Group consist of the Holding Company and four (4) subsidiaries, organized into four (4) reportable segments.

In addition, the Group holds a substantial equity investment portfolio, consisting of 4 associates and 1 joint venture, valued at Rs. 17,508,318 thousand (2017: Rs. 15,699,061 thousand, growing by 12% in the current year), under equity method of accounting, as at 31 December 2018.</td><td>The following procedures were performed:
In our audit approach, we have focused on risks in relation to decentralized structure and we have been closely involved in the audits performed at significant components. Members of the group team performed the audit of FFBL and also reviewed reporting deliverables from the component audit teams.</td></tr>
</table>

Key audit matters	How the matter was addressed in our audit
The disparate nature of the Group's business require adequate monitoring activities from an internal control perspective. Also in our role as group auditor, it is essential that we obtain an appropriate level of understanding of the components and the component audit work, therefore, Group Audit has been considered as a Key Audit Matter as per the guidance of ISA 701.	▪ We also performed tests on consolidation adjustments and manual journal entries, both at group and component level to obtain an understanding of significant entries made. ▪ We reconfirmed our understanding of the design and implementation of controls relating to equity accounting, and then for each material component, we recalculated the amount of the Group's share of comprehensive income, in accordance with the requirements of International Financial Reporting Standards.
5. The Companies Act, 2017 and its impact of the consolidated financial statements	
The Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Group's annual financial statements for the year ended 31 December 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In case of the Group, specific additional disclosures and changes to the existing disclosures have been included in the consolidated financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes to the consolidated financial statements. Refer to note 3.1 of the accompanying consolidated financial statements, for management's discussion of specific additional disclosures and changes to the existing disclosures included in the consolidated financial statements.	The following procedures were performed: ▪ We assessed the procedures applied by the management for identification of the changes required in the consolidated financial statements due the application of the Act. ▪ We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. ▪ We evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the consolidated financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Farooq Hameed.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants

Place: Islamabad
Date: 30 January, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	**5**	**9,341,100**	9,341,100
Capital reserve	**6**	**228,350**	228,350
Statutory reserve		**1,050,097**	821,150
Revenue reserves			
Translation reserve		**1,688,216**	824,699
Revaluation reserve on available-for-sale investments, net of tax		**(481,495)**	33,856
Accumulated profit		**4,383,873**	3,959,623
		16,210,141	15,208,778
NON-CONTROLLING INTEREST	**7**	**3,826,318**	4,765,782
		20,036,459	19,974,560
NON-CURRENT LIABILITIES			
Long-term loans	**8**	**38,404,111**	41,052,214
Finance lease liability	**9**	**289,272**	103,054
Deferred liabilities	**10**	**2,223,113**	549,047
		40,916,496	41,704,315
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	**11**	**31,584,173**	26,183,312
Unpaid dividend		**10,784**	10,667
Unclaimed dividend		**118,496**	120,147
Accrued interest	**12**	**723,872**	335,601
Short-term borrowings	**13**	**22,501,589**	15,674,197
Current portion of long-term loans	**8**	**8,603,242**	6,298,979
Current portion of finance lease liability	**9**	**145,299**	38,583
		63,687,455	48,661,486
		124,640,410	110,340,361
CONTINGENCIES AND COMMITMENTS	**14**		

The annexed notes, from 1 to 42, form an integral part of these consolidated financial statements.

	Note	2018	2017
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**15**	**50,077,055**	50,267,619
Intangible assets	**16**	**382,990**	383,689
Long-term investments	**17**	**17,508,318**	15,699,061
Long-term advances		**102,055**	21,609
Long-term deposits		**79,587**	79,587
Deferred tax asset - net	**10**	**1,613,571**	1,749,630
		69,763,576	68,201,195
CURRENT ASSETS			
Stores and spares	**19**	**3,187,689**	2,924,557
Stock-in-trade	**20**	**8,547,165**	3,834,867
Trade debts	**21**	**6,510,563**	2,254,962
Advances	**22**	**2,000,829**	1,476,932
Current portion of long-term loans	**18**	**-**	33,863
Trade deposits and short-term prepayments	**23**	**235,661**	217,041
Interest accrued		**43,936**	55,465
Other receivables	**24**	**6,279,769**	4,550,546
Income tax refundable - net		**4,525,602**	1,703,255
Sales tax refundable		**5,613,037**	2,531,576
Short-term investments	**25**	**11,235,646**	17,094,289
Cash and bank balances	**26**	**6,696,937**	5,461,813
		54,876,834	42,139,166
		124,640,410	110,340,361

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
Sales - net	27	**77,555,064**	64,388,706
Cost of sales	28	**(63,335,899)**	(54,810,414)
GROSS PROFIT		**14,219,165**	9,578,292
Selling and distribution expenses	29	**(7,425,513)**	(7,518,851)
Administrative expenses	30	**(2,285,668)**	(2,320,252)
		(9,711,181)	(9,839,103)
		4,507,984	(260,811)
Finance costs	31	**(5,213,584)**	(3,880,318)
Other operating expenses	32	**(1,676,638)**	(633,469)
		(2,382,238)	(4,774,598)
Other income	33	**1,348,654**	3,615,120
Share of profit of joint venture and associates - net		**2,402,358**	2,343,875
PROFIT BEFORE TAXATION		**1,368,774**	1,184,397
Taxation	34	**(590,670)**	(259,159)
PROFIT FOR THE YEAR		**778,104**	925,238
Attributable to:			
-Equity holders of the holding Company		**1,567,570**	1,895,832
-Non-controlling interest		**(789,466)**	(970,594)
		778,104	925,238
Earnings per share - basic and diluted (Rupees)	35	**1.68**	2.03

The annexed notes, from 1 to 42, form an integral part of these consolidated financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
Profit for the year		**778,104**	925,238
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of a joint venture		**837,131**	140,348
Exchange difference on translation of an associate		**26,386**	1,218
		863,517	141,566
Surplus on revaluation of available for sale securities of an associate		**(606,296)**	(776,879)
Related deferred tax		**90,945**	105,692
Surplus on revaluation of available for sale securities - net of tax		**(515,351)**	(671,187)
		348,166	(529,621)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation	**11.3**	**11,916**	(51,680)
Share of other comprehensive loss of an associate		**-**	(12,116)
		11,916	(63,796)
Total comprehensive income		**1,138,186**	331,821
Attributable to:			
-Equity holders of the holding Company		**1,927,589**	1,302,612
-Non-controlling interest		**(789,403)**	(970,791)
		1,138,186	331,821

The annexed notes, from 1 to 42, form an integral part of these consolidated financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	Share capital	Capital reserve	Statutory reserve	Translation reserve	Revaluation reserve on available for sale investments	Accumulated profit	Non-controlling interest	Total
					(Rupees ' 000)			
Balance as at January 01, 2017	9,341,100	228,350	577,799	683,133	705,043	2,934,171	3,454,533	17,924,129
Total comprehensive income								
Profit for the year	-	-	-	-	-	1,895,832	(970,594)	925,238
Other comprehensive income for the year	-	-	-	141,566	(671,187)	(63,599)	(197)	(593,417)
Total comprehensive income for the year	-	-	-	141,566	(671,187)	1,832,233	(970,791)	331,821
Transfer to statutory reserve	-	-	243,351	-	-	(243,351)	-	-
Transactions with owners recorded directly in equity								
Distributions to owners								
1st final dividend 2016 (Re. 0.50 per ordinary share)	-	-	-	-	-	(467,055)	-	(467,055)
2nd final dividend 2016 (Re. 0.10 per ordinary share)	-	-	-	-	-	(93,411)	-	(93,411)
	-	-	-	-	-	(560,466)	-	(560,466)
Change in ownership interest								
Equity injected by non-controlling interest	-	-	-	-	-	-	2,279,076	2,279,076
Acquisition of non-controlling interest	-	-	-	-	-	(2,964)	2,964	-
Balance as at December 31, 2017	9,341,100	228,350	821,150	824,699	33,856	3,959,623	4,765,782	19,974,560
Balance as at January 01, 2018	**9,341,100**	**228,350**	**821,150**	**824,699**	**33,856**	**3,959,623**	**4,765,782**	**19,974,560**
Total comprehensive income								
Profit for the year	**-**	**-**	**-**	**-**	**-**	**1,567,570**	**(789,466)**	**778,104**
Other comprehensive income for the year	**-**	**-**	**-**	**863,517**	**(515,351)**	**11,853**	**63**	**360,082**
Total comprehensive income for the year	**-**	**-**	**-**	**863,517**	**(515,351)**	**1,579,423**	**(789,403)**	**1,138,186**
Transfer to statutory reserve	**-**	**-**	**228,947**	**-**	**-**	**(228,947)**	**-**	**-**
Transactions with owners recorded directly in equity								
Distributions to owners								
Final dividend 2017 (Re. 0.75 per ordinary share)	**-**	**-**	**-**	**-**	**-**	**(700,583)**	**-**	**(700,583)**
FPCL dividend 2018 (Rs. 1.75 per ordinary share)	**-**	**-**	**-**	**-**	**-**	**-**	**(375,704)**	**(375,704)**
	-	**-**	**-**	**-**	**-**	**(700,583)**	**(375,704)**	**(1,076,287)**
Change in ownership interest								
Acquisition of non-controlling interest (note 4.1.1)	**-**	**-**	**-**	**-**	**-**	**(225,643)**	**225,643**	**-**
Balance as at December 31, 2018	**9,341,100**	**228,350**	**1,050,097**	**1,688,216**	**(481,495)**	**4,383,873**	**3,826,318**	**20,036,459**

The annexed notes, from 1 to 42, form an integral part of these consolidated financial statements.

CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operating activities	**36**	**(766,789)**	17,451,471
Finance costs paid		**(4,745,175)**	(4,936,352)
Taxes paid		**(2,372,571)**	(3,066,313)
Payment to gratuity fund		**(83,432)**	(194,312)
Compensated absences paid		**(61,791)**	(84,643)
Payment to Workers' (Profit) Participation Fund		**(255,201)**	(29,704)
Net cash (used in) / generated from operating activities		**(8,284,959)**	9,140,147
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditures		**(3,285,485)**	(5,897,967)
Intangible asset		**(3,317)**	-
Long-term advances		**(80,446)**	(21,609)
Proceeds from sale of property, plant and equipment		**22,456**	58,843
Encashment of letter of guarantee		**334,554**	-
Dividend received		**562,200**	925,003
Short-term investments		**(1,254,982)**	(1,381,510)
Long-term loans paid		**33,863**	11,287
Cash dividend on mutual funds		**164,778**	5,111
Profit received on bank balances and term deposits		**610,773**	513,086
Net cash used in investing activities		**(2,895,606)**	(5,787,756)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans - received		**8,125,000**	8,743,160
Long-term loans - repaid		**(8,548,978)**	(6,530,692)
Injection of equity by non-controlling interest		**-**	2,279,076
Deferred Government assistance		**-**	(648,200)
Finance lease liability		**(89,904)**	(56,215)
Short-term borrowings - net		**(215,001)**	(8,631,725)
Dividend paid		**(1,077,821)**	(560,021)
Net cash used in financing activities		**(1,806,704)**	(5,404,617)
Net decrease in cash and cash equivalents		**(12,987,269)**	(2,052,226)
Cash and cash equivalents at the beginning of the year		**8,422,616**	10,474,842
Cash and cash equivalents at the end of the year	**26.3**	**(4,564,653)**	8,422,616

The annexed notes, from 1 to 42, form an integral part of these consolidated financial statements.

CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER

1 STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited group comprises of Fauji Fertilizer Bin Qasim Limited (FFBL / the Holding Company) and its subsidiaries, Fauji Meat Limited (FML), Fauji Foods Limited (FFL), FFBL Foods Limited and FFBL Power Company Limited (FPCL), collectively referred as "Group". The ultimate parent of FFBL is Fauji Foundation (FF).

FFBL is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 ("the Act") with effect from May 31, 2017). The shares of FFBL are quoted on the Pakistan Stock Exchange. The registered office of FFBL is situated at FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad, Pakistan. The principal objective of FFBL is manufacturing, purchasing and marketing of fertilizers. FFBL commenced its commercial production effective January 1, 2000.

Geographical location and addresses of major business units including plants of FFBL are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Plot No. EZ/I/P-1 Eastern Zone, Port Qasim, Karachi	Manufacturing Plant

Set out below is a list of subsidiaries of the Group:

Name	Principal place of Business	Ownership in 2018	Ownership in 2017
Fauji Meat Limited	Pakistan	83.33%	75.00%
FFBL Power Company Limited	Pakistan	75.00%	75.00%
Fauji Foods Limited	Pakistan	50.59%	49.40%
FFBL Foods Limited	Pakistan	100.00%	100.00%

Fauji Meat Limited (FML), is a public limited company incorporated on September 05, 2013 in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 with effect from May 31, 2017). The principal objective of FML is processing and marketing of meat products. FML commenced its operations with effect from April 02, 2016.

Geographical location and addresses of major business units including plants of FML are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Deh Kohistan Chak No.1 Tapo Gharo, Tehsil Mir Pur Sakhro, District Thatta	Plant Site

FFBL Power Company Limited (FPCL), is a public limited company incorporated on June 27, 2014 in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 with effect from May 31, 2017). FPCL has been established to build, own and operate a 118 MW coal based power generation facility at Port Qasim Karachi. FPCL achieved its financial close in December 2015 and Commercial Operation Date on May 19, 2017.

Geographical location and addresses of major business units including plants of FPCL are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Plot No. EZ/I/P-1 Eastern Zone, Port Qasim, Karachi	Power Generation Facility

Fauji Foods Limited (FFL) was incorporated in Pakistan on September 26, 1966 as a public company and its shares are quoted on Pakistan Stock Exchange. It is principally engaged in processing and sale of toned milk, milk powder, fruit juices, allied dairy and food products.

During the year, FFBL received an Expression of Interest from Inner Mongolia Yili Industrial Group Co. Limited ("the Acquirer") to acquire 51% shares of Fauji Foods Limited and / or control, from the Holding Company and other shareholders. The Acquirer is in the process of due diligence for this purpose. As of reporting date, the Holding Company has not received any offer for its consideration and no decision in this regard has been taken.

Geographical location and addresses of major business units including plants of FFL are as under:

Location	Purpose
Lahore	
FFBL Complex, 103 A/B, Shahrah-e-Quaid-e-Azam, Lahore	Head Office
Bhalwal	
District Sargodha	Processing Unit

FFBL Foods Limited, is a public limited company incorporated on July 04, 2013 in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 with effect from May 31, 2017). The Board of Directors of FFBL Foods Limited is exploring different business propositions for FFBL Foods Limited at present.

Geographical location and addresses of major business units of FFBL Foods Limited are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Pindi Bhattian	
Moza Thatta Raika and Moza Thatta Bahuman	Agriculture Land

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

Following is the summary of significant transactions and events, during the year, that have affected the financial position and performance of the Group:

- Payment of first dividend from FFBL Power Company Limited during the year;
- Group's performance was affected by the severe exchange fluctuations during the year;
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule to the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified;
- FFL has incurred capital expenditure amounting to Rs. 1,328.6 million in aggregate, for the expansion and modernization of its current manufacturing facility; and
- Other significant transactions and events have been adequately described in these consolidated financial statements. For detailed performance review of the Group, refer to Directors' Report.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The consolidated financial statements for current year have for the first time been prepared under the provisions of and directives issued under the Companies Act, 2017, which have resulted in the following changes in the current year financial statements, as compared to prior year financial statements prepared under the provisions of and directives issued under the Companies Ordinance, 1984:

- Changes in nomenclature of the primary financial statements;
- The amount of unpaid and unclaimed dividend have been presented on the face of the consolidated statement of financial position, previously they were shown as a single line item within trade and other payables; and

- Changes in disclosure requirements of fourth schedule of the Companies Act, 2017, resulting in elimination of certain disclosures, majorly included in IFRSs, and inclusion of significant additional disclosures, refer to notes 1, 2, 3.1, 5.3, 6, 8.1.1, 9.1, 11.4, 15.3, 15.4, 17.1, 17.5, 22.1, 24.1, 24.2, 24.3, 30.2, 34.2, 37, 39.1, and 42.2.

3.2 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 compensated absences, which are carried at the present value of the defined benefit obligations, net of fair value of related plan assets.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional currency. All financial information presented in Pak Rupee has been rounded to the nearest thousand, unless otherwise stated.

3.4 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are discussed in the ensuing paragraphs.

3.4.1 Staff retirement gratuity (notes 4.2 & 11.3)

Defined benefit plan is provided for permanent employees of the Holding Company, FPCL and FFL. The plan of the Holding Company and FPCL is structured as a separate legal entities managed by trustees. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

3.4.2 Property, plant and equipment (notes 4.4 & 15)

The Group reviews the useful lives 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 the impairment.

3.4.3 Provision for inventory obsolescence (notes 19 & 20)

The Group reviews the carrying amount of stock, stores and spares 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. 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.

3.4.4 Provision for doubtful receivables (notes 21 & 24)

The carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

3.4.5 Taxation (note 34)

The Group takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group's views differ from the views taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Group recognises deferred tax assets, to the extent it is probable that taxable profits and tax liability, as applicable, will be available against which the deductible temporary differences and tax credits can be utilised, based on its assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies while also keeping in view the provisions of Income Tax Ordinance 2001 related to adjustment / carry forward of the underlying temporary differences and tax credits, in subsequent years. This assessment is carried out at the level of each individual legal entity in the group.

3.4.6 Contingencies

The Group reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgements, appropriate disclosure or provision is made.

3.4.7 Impairment of non-financial assets

The carrying amount of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

3.4.8 Impairment of goodwill (note 16)

The carrying amount of the cash generating unit to which goodwill has been allocated is reviewed at each reporting date to determine whether there is any indication of impairment loss. If any indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

3.4.9 Disclosure related to IFRIC 4

As discussed in note 4.4.2, Securities and Exchange Commission of Pakistan (SECP) granted a waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies. However, SECP made it mandatory to disclose the impact on the consolidated financial statements of the application of IFRIC - 4, under which the consideration receivable from K-Electric, for the right to use FPCL's power plant is to be accounted for as a finance lease under IAS - 17 "Leases". Accordingly, to estimate the impact, the Group has to determine the interest rate inherent in the arrangement and the net investment in the lease. The impact is disclosed in note 4.4.2.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently for all periods presented, unless otherwise stated.

4.1 Consolidated financial statements

The consolidated financial statements include the financial statements of FFBL and its subsidiary companies as mentioned in note 1.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred is generally measured at fair value. Any goodwill that arises is tested annually for impairment. Any gain / (loss) on a bargain purchase is recognized in income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Impairment losses relating to goodwill cannot be reversed in future periods.

The consideration transferred does not include amounts related to the settlement of pre-fixing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration, that meets the definition of a financial instrument is classified as equity, then it is not measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognized in profit or loss.

Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Any further purchase, which does not result in a loss of control is accounted for as an equity transaction and no further goodwill is recognized.

Non Controlling Interests (NCI)

NCI in subsidiaries are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control (known as a joint arrangement), whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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 OCI of equity accounted investees, until the date on which significant influence or joint control ceases. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

FFBL has an associate, Askari Bank Limited (AKBL), which is a banking company engaged in commercial banking and related services. The applicability of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40 "Investment Property" has been deferred for banking companies by the State Bank of Pakistan. Accordingly equity accounting of AKBL is based on its unaudited financial information for the nine months period ended September 30, 2018, prepared under the accounting framework applicable to banking companies in Pakistan.

Transactions eliminated on consolidation

Intra-group balances and transactions, and material unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Contingent liabilities recognized in business combination

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

4.1.1 Acquisition of non-controlling interest

The Group's acquisition of additional non-controlling interest in FML, comprising of 37,500,000 shares, for a consideration of Rs. 375,000 thousand, resulted in a negative equity adjustment of Rs. 225,643 thousand.

4.2 Employees' retirement benefits

The Group has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

The Holding Company, FPCL, FML and FFL operate defined contributory provident funds for all its permanent employees. The fund is administered by trustees. Monthly contributions are made to the fund by the group and their employees at the rate of 10% of basic pay. Group's contribution is charged to income for the year.

Gratuity Fund - Defined Benefit Scheme

The Holding Company, FPCL and FFL operate a defined benefit, funded gratuity scheme for all employees who complete the qualifying period of service and age. The Funds are administered by trustees. Contributions to the funds are made on the basis of actuarial valuations, using the Projected Unit Credit Method, related details of which are given in note 11.3. Amounts determined by the actuary as charge for the year are included in the profit or loss for the year.

Remeasurement adjustments, including actuarial gains and losses arising from changes in demographic and financial assumptions and return on plan assets excluding amounts included in net interest on the net defined benefit liability, are charged or credited in other comprehensive income in the year in which they arise. Remeasurements are not reclassified to the statement of profit or loss in subsequent periods.

Compensated absences

The Holding Company, FPCL and FFL grant compensated absences to all its employees in accordance with the rules of the Holding Company, FPCL and FFL. Under this unfunded scheme, regular employees are entitled maximum 30 days privilege leaves for each completed year of service. Unutilized privilege leaves are accumulated up to a maximum of 120 days and 60 days, respectively, to the Holding Company, FPCL and FFLs' employees which are encashable at the time of separation from service on the basis of last drawn gross salary. Provisions are made in accordance with the actuarial recommendation. Actuarial valuation, in respect of the Holding Company and FFLs' compensated absences, is carried out using the Projected Unit Credit Method in respect of provision for compensated absences. Actuarial gains and losses are recognized in the income for the year in which they arise.

4.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income in which case it is recognized in other comprehensive income.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences such as 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 investments accounted in the consolidated financial statements by applying the equity method to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

4.4 Fixed assets

4.4.1 Property, plant and equipment and capital work in progress

(a) Owned

Property, plant and equipment except for freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work in progress are stated at cost less allowance for impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in consolidated statement of profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated on the straight line method and charged to income 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 month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

(b) Assets subject to finance lease

All legal leases, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Assets subject to finance lease are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. Depreciation on assets subject to finance lease is provided on the shorter of the lease term or on the same basis as the Group's assets.

4.4.2 Net investment in lease

Through S.R.O No. 24(1)/2012, dated January 16, 2012, the SECP has granted a waiver from the requirements of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies. Accordingly the Group does not apply lease accounting to any arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use, to a lessee, an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments. The SECP, however, has made it mandatory to disclose the financial effect of the waiver on each item in the consolidated financial statements that would have been reported in complying with the requirements of IFRIC - 4.

Arrangements conveying right to use an asset

During 2017, FFBL Power Company Limited (FPCL) achieved Commercial Operation Date (COD) on May 19, 2017. Under a Power Purchase Agreement (PPA), dated April 15, 2016, FPCL has agreed to provide, on an exclusive basis, 60,000 kWh electricity, with an 85% dependable capacity, for 30 years to K-Electric, from its Steam Turbine Generators at 50Hz. As a consideration, K-electric is liable to pay Capacity Price and Energy Price.

PPA conveys rights to K-Electric to use FPCL's specified Steam Turbine Generators. Under the waiver granted by SECP, however, the Group has elected to account for the transactions under PPA on an invoiced amount basis.

Under IFRIC - 4, the consideration due by a lessee for the right to use the asset is to be accounted for as a net investment in the lease, under IAS - 17 "Leases". Had the interpretation been applied, the following adjustments to the consolidated statement of profit or loss and the consolidated statement of financial position would have been made:

	2018	2017
	(Rupees '000)	
Increase in unappropriated profit at the beginning of the year	**548,207**	-
Increase in profit for the year	**35,261**	548,207
Increase in unappropriated profit at the end of the year	**583,468**	548,207

4.4.3 Intangibles

Intangibles are stated at the cash price equivalent of the consideration given, i.e., cash and cash equivalent paid less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Amortization is charged on a straight line basis over the estimated useful life and is included in the consolidated statement of profit or loss.

4.5 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to profit or loss.

4.6 Investments

4.6.1 Investments at fair value through profit or loss - held for trading

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 investments at fair value through profit or loss 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 statement of profit or loss.

4.6.2 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 measured at amortized cost using the effective interest rate method, less any impairment losses.

4.6.3 Investment available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity as reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to statement of profit or loss. Unquoted equity investments are carried at cost less provision for impairment, if any.

The Group recognizes the regular way purchase or sale of financial assets using settlement date accounting.

4.7 Impairment

Non-financial assets

The carrying amounts of non-financial assets other than stock-in-trade, stores and spares and deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of profit or loss.

4.8 Stores and spares

These are valued at lower of weighted average cost and net realizable value less impairment. For items which are slow moving and / or identified as surplus to the Group's requirement, an adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores and spares on regular basis and provision is made for obsolescence.

Net realizable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

4.9 Stock-in-trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit which is valued at cost comprising invoice value and related expenses incurred thereon up to the reporting date less impairment, if any.

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 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.

4.10 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Group de-recognizes the financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments.

Financial assets mainly comprise investments, loans, advances to employees, deposits, trade debts, long-term loan, interest accrued, short-term investments, other receivables and cash and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are long-term loans, finance lease liabilities, short-term borrowings and trade and other payables.

All financial assets and liabilities are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Trade and other payables

Liabilities for trade and other amounts payable are carried at amortized cost, which approximates the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Group.

Trade debts and other receivables

Trade debts and other receivables are due on normal trade terms. These are stated at amortized cost as reduced by appropriate provision for impairment, if any. Bad debts are written-off when identified.

Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.11 Cash and cash equivalents

For the purpose of consolidated statements of cash flows, cash and cash equivalents comprise cash and bank balances, short-term highly liquid investments and short-term running finance.

4.12 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the statement of profit or loss over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 4.5.

4.13 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the 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.

4.14 Dividends

Dividend is recognized as a liability in the period in which it is declared.

4.15 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes off only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

4.16 Revenue recognition

Revenue is recognized when the risks and rewards of ownership have been transferred to the buyers and the amount of revenue can be measured reliably.

Sale of goods

Sales revenue is recognized when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns, commission, trade discounts and sales tax.

Sale of power

Revenue from generation of electricity is recorded based upon the output delivered whereas on account of capacity is recognized when due, on the basis of rates determined in accordance with the mechanism laid down in Power Purchase Agreement and National Electric Power Regulatory Authority's notifications.

Scrap sales and miscellaneous receipts

Scrap sales and miscellaneous receipts are recognized when they are earned.

4.17 Basis of allocation of common expenses

Fauji Fertilizer Company Limited proportionately allocates common selling and distribution expenses, being the costs incurred and for services rendered on behalf of the Holding Company, under an inter-company services agreement.

4.18 Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gain on disposal of available-for-sale financial assets and changes in the fair value of investments held for trading. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognized in profit or loss on the date when Group’s right to receive the payment is established. Gain on sale of investments is recognized on the completion on sales transaction.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on net basis.

4.19 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 segments' operating results are reviewed regularly by the Chief Executive and Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief executive and managing director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group has the following four (4) business segments, 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 Segment	Operations
Fertilizer	Production and sale of UREA and DAP.
Power	Generation and supply of electricity.
Meat	Meat abattoir unit for halal slaughtering of animals to obtain meat for local and export sale.
Food	Processing and sale of toned milk, milk powder, fruit juices, allied dairy and food products.

4.20 AMMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Group:

Standard and IFRIC		Effective date (annual periods beginning on or after)
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	January 01, 2020
IAS 19	Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments)	January 01, 2019
IFRS 3	Business Combinations - Definition of a Business (amendments)	January 01, 2020
IFRS 9	Financial Instruments: Classification and Measurement	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized
IFRS 16	Leases	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatment	January 01, 2019

The Group expects that the adoption of the above standards, amendments and interpretations will have no material effect on the Group's financial statements, in the period of initial application except for IFRS 9, 15 and 16. The management is in the process of assessing the impact of changes laid down by the IFRS 9, IFRS 15 and IFRS 16 on its financial statements.

In addition to the above new standards, amendments to standards and interpretations, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2019. The Group expects that such improvements to the standards will not have any material impact on the Consolidated financial statements in the period of initial application.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard		**Effective date (annual periods beginning on or after)**
IFRS 1	First-time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 17	Insurance Contracts	January 01, 2021

The Group expects that the adoption of the above standards will have no material effect on the consolidated financial statements, in the period of initial application.

4.21 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM AMENDMENTS IN STANDARDS DURING THE YEAR

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except for interpretation and amendments to following standards as described below:

IFRS 2	Share-based Payments – Classification and Measurement of Share Based Payments Transactions – (Amendments)
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above interpretation and amendments did not have any material effect on the consolidated financial statements.

In addition to the above amendments, improvements to the following accounting standard (under the annual improvements 2014 - 2016 cycle) has also been adopted:

IAS 28	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice

The adoption of the above improvement did not have any effect on the consolidated financial statements.

		2018	2017
		(Rupees '000)	
5	**SHARE CAPITAL**		
5.1	**AUTHORIZED SHARE CAPITAL**		
	1,100,000,000 (2017: 1,100,000,000) Ordinary shares of Rs. 10 each	**11,000,000**	11,000,000
5.2	**ISSUED, SUBSCRIBED AND PAID - UP CAPITAL**		
	934,110,000 (2017: 934,110,000) Ordinary shares of Rs. 10 each issued for cash	**9,341,100**	9,341,100

5.3 Fauji Fertilizer Company Limited (FFCL) and Fauji Foundation (FF) held 465,891,896 and 170,842,386 (2017: 465,891,896 and 170,842,386) ordinary shares respectively of the Holding Company at the year end.

Pursuant to an agreement dated October 16, 2016, FFCL has agreed to issue to FF, irrevocable proxies to allow FF to vote on behalf of FFCL in all general meetings. Further, FFCL has also given an undertaking that the representative of FF to be elected or co-opted or appointed on the Board of the Holding Company, shall be nominated by FF.

		2018	2017
		(Rupees '000)	
6	**CAPITAL RESERVE**	**228,350**	228,350

This represents share premium of Rs. 5 per share received on the public issue of 45,670 thousand ordinary shares in 1996. This can only be utilized for the purposes mentioned in section 81 of the Companies Act, 2017.

7 NON-CONTROLLING INTEREST (NCI)

The following table summarizes the information relating to each of the Group's subsidiaries that have NCI, before any intra-group eliminations.

	2018 (Rupees '000)				
	FFBL Power Company Limited	Fauji Meat Limited*	Fauji Foods Limited	Adjustments	Total
NCI percentage	25%	16.67%	49.41%		
Non-current assets	27,068,211	6,389,569	8,909,862	-	42,367,642
Current assets	7,195,089	1,307,569	3,971,394	-	12,474,052
Non-current liabilities	(17,385,973)	(3,391,747)	(4,567,107)	-	(25,344,827)
Current liabilities	(5,112,409)	(3,274,886)	(6,870,509)	-	(15,257,804)
Net assets	11,764,918	1,030,505	1,443,640	-	14,239,063
Net assets attributable to NCI	2,941,230	171,785	713,303	-	3,826,318
Revenue	16,245,240	1,120,369	8,094,123	-	25,459,732
Profit / (loss) for the year	3,052,696	(1,317,738)	(2,604,175)	-	(869,217)
Other comprehensive income / (loss)	1,862	-	(816)	-	1,046
Total comprehensive income / (loss)	3,054,558	(1,317,738)	(2,604,991)	-	(868,171)
Profit / (loss) allocated to NCI	763,174	(265,917)	(1,286,723)	-	(789,466)
Other comprehensive income / (loss) allocated to NCI	466	-	(403)	-	63
Total comprehensive income / (loss) allocated to NCI	763,640	(265,917)	(1,287,126)	-	(789,403)
Cash flows from operating activities	2,090,886	(975,437)	(2,539,892)	-	(1,424,443)
Cash flows from investing activities	(120,861)	(22,306)	(1,456,341)	-	(1,599,508)
Cash flows from financing activities	(3,093,458)	2,400,000	(292,430)	-	(985,888)
Net (decrease) / increase in cash and cash equivalents	(1,123,433)	1,402,257	(4,288,663)	-	(4,009,839)

* 16.67% represents the effective interest of NCI in FML, as at reporting date.

	2017 (Rupees '000)				
	FFBL Power Company Limited	Fauji Meat Limited	Fauji Foods Limited*	Adjustments	Total
NCI percentage	25%	25%	49.41%		
Non-current assets	27,910,392	6,664,875	7,028,999	-	41,604,266
Current assets	6,698,435	1,385,028	4,005,422	-	12,088,885
Non-current liabilities	(18,874,959)	(2,418,167)	(4,608,668)	-	(25,901,794)
Current liabilities	(5,520,695)	(4,783,493)	(2,377,124)	-	(12,681,312)
Net assets	10,213,173	848,243	4,048,629	-	15,110,045
Net assets attributable to NCI	2,553,293	212,061	2,000,428	-	4,765,782
Revenue	7,956,722	1,242,892	7,000,955	-	16,200,569
Profit / (loss) for the year	1,739,958	(1,355,204)	(2,105,840)	-	(1,721,086)
Other comprehensive (loss) / income	(2,026)	-	627	-	(1,399)
Total comprehensive income / (loss)	1,737,932	(1,355,204)	(2,105,213)	-	(1,722,485)
Profit / (loss) allocated to NCI	434,990	(338,801)	(1,046,312)	(20,471)	(970,594)
Other comprehensive (loss) / income allocated to NCI	(507)	-	310	-	(197)
Total comprehensive income / (loss) allocated to NCI	434,483	(338,801)	(1,046,002)	(20,471)	(970,791)
Cash flows from operating activities	2,068,823	(1,337,192)	(3,597,636)	-	(2,866,005)
Cash flows from investing activities	(3,511,296)	(100,467)	(1,050,616)	-	(4,662,379)
Cash flows from financing activities	1,795,135	(583,333)	6,159,323	-	7,371,125
Net increase / (decrease) in cash and cash equivalents	352,662	(2,020,992)	1,511,071	-	(157,259)

* 49.41% represents the effective interest of NCI in FFL, as at reporting date.

7.1 During the year, FPCL declared an interim dividend at the rate of Rs. 1.75 per share. Accordingly, an amount of Rs. 375,704 thousand has been disbursed to Fauji Foundation, a related party.

		Note	2018	2017
			(Rupees '000)	
8	**LONG-TERM LOANS**			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	**8.1**	**21,208,333**	18,541,666
	Fauji Meat Limited (FML)	**8.2**	**2,416,667**	3,916,667
	FFBL Power Company Limited (FPCL)	**8.3**	**19,157,829**	20,748,474
	Fauji Foods Limited (FFL)	**8.4**	**4,450,000**	4,450,000
			47,232,829	47,656,807
	Less: Unamortized transaction cost			
	Opening balance		**305,614**	330,394
	Less: Amortization during the year	**31**	**(80,138)**	(24,780)
	Closing balance		**225,476**	305,614
			47,007,353	47,351,193
	Less: Current portion shown under current liabilities			
	Fauji Fertilizer Bin Qasim Limited (FFBL)		**(5,125,000)**	(3,208,333)
	Fauji Meat Limited (FML)		**(1,500,000)**	(1,500,000)
	FFBL Power Company Limited (FPCL)		**(1,719,909)**	(1,590,646)
	Fauji Foods Limited (FFL)		**(258,333)**	-
			(8,603,242)	(6,298,979)
			38,404,111	41,052,214
8.1	**Loans from banking companies - secured (FFBL)**			
	Related party			
	Askari Bank Limited	**8.1.1**	**500,000**	-
	Others			
	Habib Bank Limited		**2,000,000**	2,000,000
	United Bank Limited		**2,000,000**	2,000,000
	National Bank of Pakistan		**2,000,000**	2,000,000
	MCB Bank Limited		**6,500,000**	4,750,000
	Allied Bank Limited		**4,875,000**	3,541,667
	Bank Alfalah Limited		**333,333**	666,666
	Bank Al-Habib Limited		**1,000,000**	1,583,333
	Meezan Bank Limited		**2,000,000**	2,000,000
			20,708,333	18,541,666
			21,208,333	18,541,666
	Less: Current portion shown under current liabilities		**(5,125,000)**	(3,208,333)
			16,083,333	15,333,333

8.1.1 The Holding Company has obtained a secured long-term facility from Askari Bank Limited, a related party, for the purpose of Balance Sheet reprofiling.

8.1.2 Terms and conditions of these loans are as follows:

Lenders	Markup Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
Askari Bank Limited	6 Month KIBOR + 0.50	6 Half Yearly	September, 2020	March, 2023
Habib Bank Limited	3 Month KIBOR + 0.55	12 Quarterly	March, 2019	December, 2021
United Bank Limited	6 Month KIBOR + 0.55	6 Half Yearly	March, 2019	September, 2021
National Bank of Pakistan	3 Month KIBOR + 0.50	12 Quarterly	March, 2020	December, 2022
MCB Bank Limited	3 Month KIBOR + 0.50	12 Quarterly	December, 2016	September, 2019
	3 Month KIBOR + 0.55	12 Quarterly	December, 2018	September, 2021
	3 Month KIBOR + 0.55	12 Quarterly	July, 2020	April, 2023
Allied Bank Limited	3 Month KIBOR + 0.50	12 Quarterly	December, 2016	September, 2019
	3 Month KIBOR + 0.50	12 Quarterly	December, 2018	September, 2021
	6 Month KIBOR + 0.60	6 Half Yearly	June, 2021	December, 2023
	3 Month KIBOR + 0.50	12 Quarterly	September, 2020	September, 2023
Bank Alfalah Limited	6 Month KIBOR + 0.50	6 Half Yearly	March, 2017	September, 2019
Bank Al-Habib Limited	3 Month KIBOR + 0.50	12 Quarterly	February, 2019	November, 2021
Meezan Bank Limited	6 Month KIBOR + 0.30	Bullet Payment	-	April, 2020 *

These are secured against ranking charge over current and fixed assets of FFBL and carry mark-up ranging between 8.77% to 11.39% per annum (2017: 6.51% to 6.72% per annum).

* During the year, the Holding Company repaid the facility and obtained a fresh facility, which is due to be settled in April, 2020.

	2018	2017
	(Rupees '000)	
8.2 Loans from banking companies - secured (FML)		
MCB Bank Limited	**625,000**	1,041,667
Habib Bank Limited	**875,000**	1,458,333
Al-Baraka Bank (Pakistan) Limited	**333,334**	500,000
Dubai Islamic Bank (Pakistan) Limited - facility I	**250,000**	416,667
Dubai Islamic Bank (Pakistan) Limited - facility II	**333,333**	500,000
	2,416,667	3,916,667
Less: Current portion shown under current liabilities	**(1,500,000)**	(1,500,000)
	916,667	2,416,667

Terms and conditions of loan facilities are as follows:

Lenders	Mark-up Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
MCB Bank Limited	6 Month KIBOR+1.35%	6 Semi-annual	November, 2017	May, 2020
Habib Bank Limited	6 Month KIBOR+1.35%	6 Semi-annual	November, 2017	May, 2020
Al-Baraka Bank (Pakistan) Limited	6 Month KIBOR+1.35%	6 Semi-annual	June, 2018	December, 2020
Dubai Islamic Bank (Pakistan) Ltd-I	6 Month KIBOR+1.35%	6 Semi-annual	November, 2017	May, 2020
Dubai Islamic Bank (Pakistan) Ltd-II	6 Month KIBOR+1.35%	6 Semi-annual	June, 2018	December, 2020

These are secured through first charge over current and fixed assets and first equitable mortgage over property amounting to Rs. 6.0 billion. Further securities of the facility includes assignment of all receivable, assignment of the FML's right under insurance policies, pledge of 51% shares of the FML owned by the Holding Company and creation of lien over project accounts.

Significant covenants of the above facilities are as follows:

- Maintenance of debt equity ratio, loan coverage ratio, debt service coverage ratio and current ratio;
- Restriction on creation of further charge on FML's assets;
- Availability of stand by letter of credit from sponsor;
- Restriction on declaration of dividend; and
- Restriction on disposal of assets.

Further covenants under these facilities relate to the operations of FML.

FML has secured bank loans with a carrying amount of Rs. 2,417 million, as at the year end (2017: Rs. 3,917 million). These loans contain significant covenants and non-compliance of these covenants can result in the loans repayment on demand.

FML was in non-compliance of certain financial covenants as at the year end. However, the management obtained a waiver from the Investment Agent under the Agreement to Musharaka dated February 19, 2015. Accordingly, the loans were not payable on demand as at December 31, 2018.

		2018	2017
		(Rupees '000)	
8.3	**Loans from banking companies - secured (FPCL)**		
	Commercial facilities		
	National Bank of Pakistan	**3,472,288**	3,760,587
	United Bank Limited	**963,916**	1,043,948
	Bank Alfalah Limited	**2,190,718**	2,372,610
	Soneri Bank Limited	**876,287**	949,044
	The Bank of Punjab	**876,287**	949,044
	MCB Bank Limited	**1,314,431**	1,423,566
		9,693,927	10,498,799
	Islamic facilities		
	National Bank of Pakistan	**876,287**	949,044
	Habib Bank Limited	**3,067,005**	3,321,654
	United Bank Limited	**963,916**	1,043,948
	Dubai Islamic Bank (Pakistan) Limited	**1,314,431**	1,423,566
	Meezan Bank Limited	**1,314,431**	1,423,566
	Faysal Bank Limited	**1,051,545**	1,138,853
	Sindh Bank Limited	**876,287**	949,044
		9,463,902	10,249,675
	Total	**19,157,829**	20,748,474
	Less:		
	Current portion of long-term finance facilities	**(1,719,909)**	(1,590,646)
	Unamortized transaction cost	**(225,476)**	(305,614)
		17,212,444	18,852,214

8.3.1 FPCL has obtained long-term finance facilities which include commercial facilities of Rs. 11,062.5 million, and musharika facilities of Rs. 10,800 million with various banks / financial institutions, at an interest / variable rental rate of 3 months KIBOR plus 1.75% per annum. The mark-up is payable on a quarterly basis. Any delays in payments to banks by FPCL is subject to liquidated damages at the applicable interest rate plus 2% per annum. The loan is repayable in 40 quarterly installments, commencing from June 30, 2017.

8.3.2 Facilities mentioned above are secured by way of, inter alia:

(a) First ranking pari passu charge up to Rs. 29,150 million by way of hypothecation on all present and future moveable and immoveable fixed assets (other than land and building) of FPCL;

(b) Equitable mortgage over land and building will be created and perfected within 6 months of facility effective date;

(c) First pari passu hypothecation charge on all present and future current assets of FPCL (excluding all present and future fuel stock and inventories and any charge over any accounts of FPCL opened in relation to working capital or any accounts currently opened by FPCL with other banks for the purposes of the letter of credit issuance);

(d) An assignment of assigned project receivables from K-Electric and FFBL in favour of financiers;

(e) An assignment over the FPCL's present and future rights and benefits under all material projects agreements and any amendment thereto and any performance guarantees and warranties issued under these agreements;

(f) Lien on all project accounts opened with various banks;

(g) An assignment of all insurances as co-loss payee or assignee;

(h) Share representing 100% of the paid up share capital of FPCL have been pledged, by the Holding Company and FF, till achievement of commercial operation date and thereafter shares not exceeding 51% of the paid up capital shall be pledged.

(i) Undertaking by the Holding Company to fund the following:

i. Uncapped support to fund any payment shortfall i.e. amount less than the required finance payment balance up to technical completion date and thereafter up to financing service cap i.e. up to Rs. 8,000 million till project completion date;

ii. In case of event of default and termination before technical completion date uncapped support to fund the payment of the outstanding secured obligations as defined in common term agreement;

iii. Debt service support upto Rs. 300 million per annum (subject to revision due to changes in KIBOR) as a result of a shortfall in revenues owing to below par dispatch under the PPA with K-Electric.

8.3.3 Significant covenants of above facility are as follows:

- Maintenance of financing service coverage ratio (FSCR), current ratio, financing to equity ratio, financing life coverage ratio and forecast FSCR;
- Restriction on disposal of assets;
- Restriction on modification or amendment in any key project contract;
- Restriction on transfer or allotment of new shares;
- Restriction on incurring any new financial indebtedness;
- Restriction on declaration of dividend; and
- Restriction on creation of further charge on Company's assets.

Further covenants under this loan relate to the operations of FPCL.

		Note	2018	2017
			(Rupees '000)	
8.4	**Loans from banking companies - secured (FFL)**			
	Allied Bank Limited	**8.4.1**	**800,000**	800,000
	National Bank of Pakistan	**8.4.2**	**750,000**	750,000
	MCB Bank Limited	**8.4.3**	**1,000,000**	1,000,000
	Faysal Bank Limited	**8.4.4**	**1,900,000**	1,900,000
			4,450,000	4,450,000
	Less: Current portion shown under current liabilities		**(258,333)**	-
			4,191,667	4,450,000

Terms and conditions of these loans are as follows:

Lenders	Mark-up Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
Allied Bank Limited	3 Month Kibor+0.85%	12 Quarterly	August - 2019	May - 2022
National Bank Limited	3 Month Kibor+0.60%	6 Half Yearly	December - 2019	June - 2022
MCB Bank Limited	3 Month Kibor+0.85%	12 Quarterly	February - 2020	November - 2022
Faysal Bank Limited	3 Month Kibor+1.58%	6 Half Yearly	June - 2020	December- 2022

8.4.1 This facility is secured by way of a first pari passu charge of Rs.1,334 million, on present and future current and fixed assets of FFL and the equitable mortgage of property / land measuring 112.25 kanals and a building thereon, situated in Mauza Purana Bhalwal, Tehsil Bhalwal, District Sargodha, together with structures of all sorts, amenities, easements, etc. constructed or to be constructed thereon, plant and machinery, air conditioning / air conditioning plant, equipment, fittings and fixtures, appurtenances whatsoever, installed or to be installed therein / thereon etc.

8.4.2 This facility is secured by way of a first pari passu charge over fixed and current assets (excluding land and building) of FFL.

8.4.3 This facility is secured by way of a first pari passu charge of Rs. 1,333.33 million over all present and future current and fixed assets (including land and building) of FFL.

8.4.4 This facility is secured by way of a first pari passu charge of Rs. 2,534 million (25% margin) on all present and future current and fixed assets (excluding land and building) of FFL.

All these above facilities have been obtained to finance the balancing, modernization and replacement (BMR) of FFL.

9 FINANCE LEASE LIABILITY

The FFL has entered into lease agreements with different commercial banks for vehicles and with a supplier for filling machines. The rentals under these agreements are repayable in 24 to 60 monthly instalments. The minimum lease payments have been discounted at an implicit interest rate of 5.54% to 13.44% (2017: 6.05% to 9.46%) per annum to arrive at their present value. At the end of the respective lease term, the assets shall be transferred in the name of the FFL. Taxes, repairs and insurance costs are to be borne by the FFL. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments and the period in which they will become due are:

		2018		
		Upto one year	**From one to five years**	**Total**
			(Rupees '000)	
a)	**Leased Vehicles - secured**			
	Minimum lease payments	**61,292**	**115,595**	**176,887**
	Less: finance costs allocated to future periods	**(11,096)**	**(7,712)**	**(18,808)**
		50,196	**107,883**	**158,079**
	Less: security deposits adjustable on expiry of lease terms	**-**	**(26,142)**	**(26,142)**
		50,196	**81,741**	**131,937**
b)	**Leased machinery - unsecured**			
	Minimum lease payments	**134,615**	**265,509**	**400,124**
	Less: finance costs allocated to future periods	**(39,512)**	**(57,978)**	**(97,490)**
		95,103	**207,531**	**302,634**
	Present value of minimum lease payments	**145,299**	**289,272**	**434,571**

	2017		
	Upto one year	**From one to five years**	**Total**
		(Rupees '000)	
Leased Vehicles - secured			
Minimum lease payments	48,384	134,187	182,571
Less: finance costs allocated to future periods	(8,395)	(8,816)	(17,211)
	39,989	125,371	165,360
Less: security deposits adjustable on expiry of lease terms	(1,406)	(22,317)	(23,723)
Present value of minimum lease payments	38,583	103,054	141,637

9.1 This includes amount of Rs. 54.93 million (2017: Rs. 31.96 million) payable to AKBL, a related party.

		Note	2018	2017
			(Rupees '000)	
10	**DEFERRED LIABILITIES**			
	Compensated leave absences	10.1	658,590	549,047
	Deferred tax - net	10.2	1,564,523	-
			2,223,113	549,047
10.1	**Compensated leave absences**			
	The movement in the present value of compensated absences is as follows:			
	Opening balance		549,047	540,456
	Expense for the year		171,334	93,234
	Benefits paid during the year		(61,791)	(84,643)
	Closing balance		658,590	549,047

	2018	2017
The main assumptions used for actuarial valuation for FFBL are as follows:		
Discount rate - per annum	13.75%	9.25%
Expected rate of increase in salaries - per annum	11.75%	9.25%
Leave accumulation factor (average) - days	16.66	12.13
Mortality table	SLIC-2001-2005	SLIC-2001-2005
Withdrawal factor	Low	Low
The main assumptions used for actuarial valuation for FFL are as follows:		
Discount Rate	13.25%	8.00%
Expected rate of salary growth	13.25%	8.00%
Mortality rate	SLIC-2001-2005	SLIC-2001-2005
Leave accumulation factor (average) - days	16	13

		Note	2018	2017
			(Rupees '000)	
10.2	**The balance of deferred tax is in respect of the following major taxable / (deductible) temporary differences:**			
	Accelerated depreciation		2,523,579	2,518,921
	Share of profit of associates and joint venture		935,357	755,461
	Share of profit of subsidiary		178,730	91,444
	Provision for inventory obsolescence		(44,671)	(37,917)
	Provision for doubtful other receivables		(53,177)	(59,086)
	Deferred tax on revaluation of available-for-sale investments		(95,951)	(5,007)
	Accrued liabilities and payables	10.2.1	-	(3,123,451)
	Minimum tax	10.2.2	(983,754)	-
	Unabsorbed losses, tax credits and others	10.2.3	(2,509,161)	(1,889,995)
		10.2.4	(49,048)	(1,749,630)
	Add: Deferred tax asset - shown under non-current assets		1,613,571	1,749,630
			1,564,523	-

10.2.1 During the year, the deferred tax asset, recognized in prior years, in respect of provisions has been reversed, in the consolidated statement of profit or loss, to align with the treatment of these provisions in the Holding Company's tax returns (refer to note 34).

10.2.2 This represents excess of minimum tax of the Holding Company, under section 113 of the Income Tax Ordinance, 2001, over tax payable under Normal Tax Regime (NTR), and is adjustable against tax payable under NTR over succeeding five years.

10.2.3 This includes a deferred tax asset on unused tax losses, unused tax credits and other deductible temporary differences of FFL, amounting to Rs. 2,069,440 thousand (2017: Rs. 1,610,536 thousand), Rs. 157,940 thousand (2017: Rs. 258,341 thousand) and Rs. 28,298 thousand (2017: Rs. 21,118 thousand), respectively. Deferred tax asset has only been recognized on the losses amounting to Rs. 8,244 million as availability of sufficient taxable profits in future years to absorb these losses is expected and no deferred tax asset on remaining losses of Rs. 1,295.91 million has been recognized as sufficient tax profits may not been available to set these off before they expire in financial years 2019 and 2020.

		Note	2018	2017
			(Rupees '000)	
10.2.4	**The movement of deferred tax during the current year is as follows:**			
	Opening balance		**(1,749,630)**	859,407
	Deferred tax on revaluation of available-for-sale investments - Other Comprehensive Income		**(90,945)**	(105,692)
	Charge / (reversal) for the year		**1,791,527**	(2,503,345)
			(49,048)	(1,749,630)
11	**TRADE AND OTHER PAYABLES**			
	Creditors	**11.1**	**26,278,248**	17,522,447
	Accrued liabilities		**3,087,403**	2,982,206
	Advances from customers		**854,264**	2,740,091
	Workers' (Profit) Participation Fund - unsecured	**11.2**	**139,933**	138,048
	Payable to gratuity fund / scheme - unsecured	**11.3**	**150,183**	132,604
	Workers' Welfare Fund		**561,622**	1,298,691
	Security deposits	**11.4**	**8,865**	8,223
	Provident Fund		**5,478**	-
	Withholding tax payable		**57,758**	73,309
	Other payables		**440,419**	1,287,693
			31,584,173	26,183,312

11.1 Creditors include payables to related party amounting to Rs. 7,091,973 thousands (2017: Rs. 4,105,955 thousand) against purchase of raw material. They also include Rs. 16,435,923 thousand (2017: Rs. 10,411,509 thousand) on account of Gas Infrastructure Development Cess (GIDC).

		Note	2018	2017
			(Rupees '000)	
11.2	**Workers' (Profit) Participation Fund - unsecured**			
	Balance at beginning of the year		**138,048**	(10,948)
	Allocation for the year	**32**	**257,086**	178,700
			395,134	167,752
	Payment made during the year		**(255,201)**	(29,704)
			139,933	138,048
11.3	**Payable to gratuity fund / scheme - unsecured**			
	The amount recognized in the consolidated statement of financial position is as follow:			
	Present value of defined benefit obligation		**949,782**	855,765
	Fair value of plan assets		**(799,599)**	(723,161)
	Deficit		**150,183**	132,604
	The movement in the present value of defined benefit obligation is as follows:			
	Defined benefit obligation at beginning of the year		**855,765**	797,781
	Current service cost		**104,925**	115,576
	Interest cost		**74,963**	66,073
	Benefits paid during the year		**(81,964)**	(114,106)
	Actuarial gain on obligation		**(3,907)**	(9,559)
	Present value of defined benefit obligation at end of the year		**949,782**	855,765

	2018	2017
	(Rupees '000)	
The movement in fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	**723,161**	642,738
Interest income	**66,961**	61,456
Contributions	**83,432**	194,312
Benefits paid during the year	**(81,964)**	(114,106)
Return on plan assets excluding those included in interest income	**8,009**	(61,239)
Fair value of plan assets at end of the year	**799,599**	723,161
Plan assets comprise of:		
Investment in listed securities	**370,736**	134,435
Investment in mutual funds	**136,960**	148,432
Investment in term deposit receipts	**182,034**	219,750
Cash and bank balances	**109,869**	220,544
	799,599	723,161
Actual return on plan assets	**74,970**	217
Contributions expected to be paid to the plan during the next financial year	**65,411**	72,664

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Group, at the beginning of the year, for returns over the entire life of the related obligations.

	2018	2017
	(Rupees '000)	
Movement in liability recognized in the consolidated statement of financial position:		
Opening liability	**132,604**	155,043
Expense for the year	**112,927**	120,193
Other comprehensive income	**(11,916)**	51,680
Provision during the year - subsidiaries	**-**	-
Contributions	**(83,432)**	(55,607)
Special contributions - prior years	**-**	(138,705)
	150,183	132,604
Amount recognized in the consolidated statement of profit or loss is as follows:		
Current service cost	**104,925**	115,576
Net interest	**8,002**	4,617
	112,927	120,193
The expense is recognized in the following line items in the consolidated statement of profit or loss:		
Cost of sales	**80,010**	88,481
Administrative expenses	**24,367**	25,761
Distribution expenses	**8,550**	5,951
	112,927	120,193

Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the last five years is as follows:

	2018	2017	2016	2015 Restated	2014
			(Rupees '000)		
Present value of defined benefit obligation	**949,782**	855,765	797,781	666,607	574,512
Fair value of plan assets	**(799,599)**	(723,161)	(642,738)	(382,041)	(376,284)
Deficit	**150,183**	132,604	155,043	284,566	198,228
Experience adjustments					
- Remeasurement gain / (loss) on obligation	**3,907**	9,559	(14,757)	(16,771)	(45,498)
- Remeasurement gain / (loss) on plan asset	**8,009**	(61,239)	1,536	(33,107)	(5,657)

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2018 for FFBL are as follows:

	2018	2017
Discount rate	**13.25%**	9.25%
Expected rate of salary growth	**11.25%**	9.25%
Mortality rate	**SLIC-2001-2005**	SLIC-2001-2005
Withdrawal factor	**Low**	Low
Average duration of defined benefit obligation	**9.86 years**	10.44 years

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2018 for FFL are as follows:

	2018	2017
Discount Rate	**13.25%**	8.00%
Expected rate of salary growth	**13.25%**	8.00%
Mortality rate	**SLIC-2001-2005**	SLIC-2001-2005
Average duration of defined benefit obligation	**9 years**	8 years

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2018 for FFBL Power Company Limited are as follows:

	2018	2017
Discount rate	**12.50%**	9.25%
Expected rate of salary growth	**12.50%**	9.25%
Mortality rate	**SLIC-2001-2005**	SLIC-2001-2005
Withdrawal factor	**Age-Based**	Low
Average duration of defined benefit obligation	**12 years**	12.13 years

Sensitivity analysis - FFBL

The calculation of the defined benefit obligation is sensitive to the assumption set out above. The defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent in the following manner.

	Defined benefit obligation	
	1 percent increase	1 percent decrease
	(Rupees in millions)	
Discount rate	**(779)**	**948**
Salary increase rate	**952**	**(775)**

As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the defined benefit obligation by Rs. Nil.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2018 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

Sensitivity analysis - FFL

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at December 31, 2018 would have been as follows:

	Defined benefit obligation	
	1 percent increase	**1 percent decrease**
	(Rupees in millions)	
Discount rate	**(48)**	**62**
Salary increase rate	**62**	**(47)**

Sensitivity analysis - FPCL

The calculation of the defined benefit obligation is sensitive to the assumption set out above. The defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent in the following manner.

	Defined benefit obligation	
	1 percent increase	**1 percent decrease**
	(Rupees in millions)	
Discount rate	**(32)**	**42**
Salary increase rate	**42**	**(32)**

11.4 It includes security deposits received from Askari Bank Limited, a related party, amounting to Rs. 3,600 thousand (2017: Rs. 3,600 thousand). The security deposits are not for the purpose of goods / services to be delivered / provided and have not been utilized for the purpose of business.

		2018	**2017**
		(Rupees '000)	
12	**ACCRUED INTEREST**		
	Demand finance	**59,226**	19,542
	Short-term borrowings	**267,117**	150,688
	Long-term loans	**397,066**	164,839
	Lease financing	**463**	532
		723,872	335,601
13	**SHORT-TERM BORROWINGS - SECURED**		
	From banking companies and financial institutions		
	Demand finance	**5,349,999**	5,565,000
	Running finance	**17,151,590**	10,109,197
		22,501,589	15,674,197

This includes an amount of Rs. 708.02 million (2017: Rs. Nil) drawn from Askari Bank Limited, a related party. The Group has arranged short-term facilities from various banks on mark-up basis with limits aggregating to Rs. 30,211 million (2017: Rs. 35,652 million). These facilities carry mark-up ranging from 6.46% to 11.71% (2017: 5.52% to 7.16%) per annum and are secured by hypothecation of charge on fixed and current assets of the Group.

			2018	2017
			(Rupees '000)	
14	**CONTINGENCIES AND COMMITMENTS**			
14.1	**Contingencies:**			
14.1.1	i)	Guarantees issued by banks on behalf of the Group	**130,028**	55,441
	ii)	Group's share of contingent liabilities of Fauji Cement Company Limited as at September 30, 2018 (September 30, 2017)	**23,413**	49,830
	iii)	Group's share of contingent liabilities of Foundation Wind Energy-I Limited as at September 30, 2018 (September 30, 2017)	**63,601**	77,756
	iv)	Group's share of contingent liabilities of Foundation Wind Energy-II (Private) Limited as at September 30, 2018 (September 30, 2017)	**252,840**	269,388
	v)	Group's share of contingent liabilities of Askari Bank Limited as at September 30, 2018 (2017: September 30, 2017)	**84,106,897**	68,368,802

14.1.2 Fauji Fertilizer Bin Qasim Limited - contingencies

The Holding Company was liable to repay loans originally obtained from Export Credit Agencies (ECA), amounting to Rs. 9,723,015 thousand, to the Government of Pakistan (GoP), in 15 annual equal installments, with a 1 year grace period, at zero percent, effective November 30, 2001. As per the restructuring agreement, the final installment was paid in June 2017.

These loans from ECA, which were assumed by the GoP, were initially secured with a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions. The guarantee was secured by a first equitable mortgage created on all immovable properties of the Holding Company, and by way of hypothecation of movable properties of the Holding Company. The charge ranked pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested the Holding Company to obtain an indemnity from the GoP confirming that it is GoP’s absolute obligation to indemnify and keep related banks and financial institutions harmless from any possible exposure on this account. Accordingly, on December 16, 2002, the GoP had conveyed its agreement by assuming the ECA loan liabilities by absolving related banks and financial institutions of their liabilities, for which they earlier issued guarantees to the ECA. As a result, three ECAs have released the guarantee of HBL and have returned the original documents.

Since one ECA is yet to release HBL from its responsibility as guarantor, therefore the charge related to the portion of the said guarantee on the assets of the Holding Company, has not been vacated up to December 31, 2018. The Holding Company is making efforts in getting this guarantee released.

14.1.3 Fauji Foods Limited - contingencies

- The Taxation Officer, after conducting an audit under section 177 of the Income Tax Ordinance, 2001 ("the Ordinance") for Tax Year 2005, had passed an amended assessment order under section 122 of the Ordinance raising tax demands of Rs. 34,990 thousand alleging that FFL suppressed its sales. The Commissioner Inland Revenue-Appeals (CIR-A) annulled this assessment order whereas the Appellate Tribunal Inland Revenue (the Tribunal) had set aside the order of CIR-A and remanded the case back to CIR-A for denovo proceedings. The CIR-A, vide his order dated September 03, 2012, has allowed partial relief to FFL of Rs. 11,320 thousand to FFL. The remaining disputed amount after rectification order under section 221 of the Ordinance dated May 16, 2013 out of Rs. 34,990 thousand now stands at Rs. 18,280 thousand. Both FFL and the Department have filed appeals before the Tribunal against the order of CIR-A, which are pending adjudications.
- FFL, during the financial year ended June 30, 2011, received a notice under section 177 of the Ordinance for Tax Year 2009 for selection of its case for detailed scrutiny. FFL filed a writ petition before the Honorable Lahore High Court which was dismissed vide order dated May 27, 2015.

  FFL filed an appeal before the Honorable Supreme Court of Pakistan, which directed FFL to seek remedy in this respect through intra court appeal of the Honorable Lahore High Court. The matter is now pending in intra court appeal.

- The Additional Commissioner Inland Revenue raised income tax demand under section 122(5A) of the Ordinance for the tax year 2011 amounting Rs.21,800 thousand. FFL, through its external legal counsel, filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) which was decided in favour of FFL with the exception of Rs. 2,970 thousand addition by CIR-A. FFL has subsequently filed an appeal before the ATIR against confirmation of the said addition and the Department is contesting the relief allowed by CIR-A. Further, second amendment order has also been framed under section 122(5A) determining additional tax demand at Rs. 10,090 thousand. FFL has filed an appeal before CIR-A against the second amendment order.
- In the year 2015, FFL received a notice under section 177 of the Ordinance in respect of tax year 2012 for selection of its case for tax audit by the Commissioner Inland Revenue (CIR). FFL filed a writ petition before the Honorable Lahore High Court against the selection of case by CIR under the aforementioned section. During the year, the writ petition was decided against FFL and consequently audit proceedings were initiated wherein a demand of Rs. 30,000 thousand was raised by Additional Commissioner Inland Revenue under section 122(1) of the Ordinance. FFL, through its external council, filed an appeal against the order before the Commissioner Inland Revenue - Appeals (CIR - A) which is pending adjudication.
- The Additional Commissioner Inland Revenue raised an income tax demand under section 122(5A) of the Ordinance for the tax year 2010 amounting Rs. 5,630 thousand. FFL filed an appeal before the Commissioner Inland Revenue (Appeals), which was decided in favour of FFL; however the Department is contesting the order before the ATIR.
- During the year ended December 31, 2016, the Additional Commissioner Inland Revenue raised income tax demand under section 122(5A) of the Ordinance for the tax year 2014 amounting to Rs. 32,630 thousand by treating differences in sales tax returns as compared to audited accounts. The proceedings are in progress.

  Further FFL has been selected for audit for the tax year 2014 under section 214C of the Ordinance. Proceedings in this respect are still to be initiated.
- During the year, the Assistant Commissioner Inland Revenue issued a show cause notice under section 161 of the Ordinance for the tax year 2017 against non-deduction of withholding tax on payments against milk procurement, contractual services and air ticketing amounting to Rs. 60,620 thousand. The proceedings are in progress.
- During the year ended December 31, 2017, Assistant Commissioner Inland Revenue (ACIR) raised sales tax demand of Rs. 102,000 thousand under section 10 and 11(2) of the Sales Tax Act 1990 against inadmissible input tax adjustment and non-deduction of withholding sales tax during the period from July 2015 to June 2016. FFL filed an appeal before Commissioner Inland Revenue - Appeals (CIR - A) which was decided against FFL. FFL being aggrieved filed an appeal before Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication.
- During the year ended December 31, 2017, Assistant Commissioner Inland Revenue (ACIR) issued sales tax order, dated May 26, 2017 for payment of Rs. 974,000 thousand for sales tax along with 100% default surcharge and penalty of Rs. 225,000 thousand due to alleged non-payment of sales tax on sales of "Chai Mix, Dairy Rozana and Dostea (tea whitener)" for the tax period July 2011 to December 2016. The order is based on the grounds that exemption is available to FFL only to the extent of dairy products and tea whitener is not milk / dairy product. FFL being aggrieved filed appeal initially before Commissioner Inland Revenue - Appeals (CIR-A) and then to the Appellate Tribunal Inland Revenue (ATIR) where the matter was heard and decided in favour of FFL on jurisdictional grounds. The Department and FFL have filed appeals before the Honorable High Court which are pending adjudication.

  Further during the year, the Assistant Commissioner Inland Revenue (ACIR) issued a show cause notice, dated October 10, 2018 for payment of Rs. 974,000 thousand for sales tax along with 100% default surcharge and penalty of Rs. 129,000 thousand due to alleged non-payment of sales tax on sales of "Dostea Chai Mix (tea whitener)" for the tax period January to December 2017. The order is based on the same grounds on which the order dated May 26, 2017 as explained above was issued. FFL has filed a writ petition against this show cause notice before the High Court on jurisdictional and technical grounds which is pending adjudication.

Meanwhile, the matter was forwarded by the Regional Tax Officer Sargodha to Model Custom Collectorate of Appraisement (East), Customs House, Karachi for determination of appropriate classification of tea whitener. The hearings of the matter are underway but no final decision have been made till the reporting date. The FFL's management is of the opinion that tea whitener classification has already determined by the Appraisement Committee in the past and FFL was following the same PCT code as was determined for the purposes of sales tax.

- During the year, Assistant Commissioner Inland Revenue (ACIR) through its order dated October 23, 2018, raised a sales tax demand for the period from July 2016 to June 2017, under section 11(2) and 11(3) of Sales Tax Act, 1990, amounting to Rs. 145,570 thousand along with penalty of Rs. 7,280 thousand against inadmissible adjustment of input tax on goods not related to taxable supplies, non-realization of sales tax on disposal of fixed assets and non-withholding of sales tax from payment made against advertisement. FFL is in process of filing appeal before Commissioner Inland Revenue - Appeals (CIR-A).
- During the year, Assistant Commissioner Inland Revenue (ACIR) issued a show cause notice, dated November 09, 2018, against inadmissible adjustment of input tax on goods not related to taxable supplies and non-withholding of sales tax from payment made against advertisement amounting to Rs. 399,600 thousand. FFL is in process of filing a suitable response.
- During the year, Additional Commissioner Inland Revenue (ACIR) raised sales tax demand for the period June 2017 to August 2017 under section 11(2) of the Sales Tax Act, 1990 against non realization of sales tax amounting to Rs. 530 thousand on sale made to withholding agents. FFL filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) which is remanded back to ACIR for re-evaluation.
- During the year, Additional Commissioner Inland Revenue (ACIR) raised sales tax demand for the period from January 2016 to December 2016 under section 11(2) of the Sales Tax Act, 1990 against non realization of sales tax amounting to Rs. 1,850 thousand on sale scrap. FFL filed an appeal before Commissioner Inland Revenue (Appeals), which was decided in the favour of the Department. FFL being aggrieved filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication.

  Based on the opinion of FFL's legal and tax advisors handling the above litigations, FFL's management believes that FFL has strong legal grounds against each case and that no financial liability is expected to accrue. Accordingly, no provision has been made in these consolidated financial statements.

14.1.4 Fauji Meat Limited - contingencies

- In respect of tax year 2014, the Assistant Commissioner Inland Revenue (ACIR) issued order dated March 28, 2018 under Section 161/205 of the Ordinance and raised income tax demand of Rs. 7,484 thousand along with the default surcharge under Section 205 of the Ordinance. The Commissioner Inland Revenue (Appeals) vide appellate order dated May 29, 2018 has annulled the impugned order dated March 28, 2018 and deleted the income tax demand along with default surcharge of Rs. 7,484 thousand. FML has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid appellate order dated May 29, 2018 on certain legal grounds. The hearing of appeal is yet to be fixed.
- In respect of tax year 2015, the ACIR issued dated March 28, 2018 under section 161/205 of the Ordinance and raised income tax demand of Rs. 68,894 thousand along with the default surcharge under section 205 of the Ordinance. The CIR (Appeals) vide appellate dated May 29, 2018 has either deleted or remanded back the issues on which income tax demand of Rs. 67,225 thousand along with default discharge was raised. Further, the CIR (Appeals) has confirmed the ACIR's action on certain issues on which income tax demand along with default surcharge of Rs. 1,668 thousand was raised. The ACIR has also issued appeal effect order dated July 31, 2018 under section 124 in respect of the issues upheld by the CIR (Appeals) and raised demand of Rs. 1,668 thousand. FML has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid appellate order dated May 29, 2018. The ATIR has granted stay to FML for period of sixty days or till disposal of appeal whichever is earlier vide stay order dated December 21, 2018 against tax demand of Rs. 1,668 thousand.

- In respect of tax year 2016, the ACIR issued order dated March 28, 2018 under section 161/205 of the Ordinance and raised income tax demand of Rs. 120,626 thousand along with the default surcharge under section 205 of the Ordinance. The CIR (Appeals) vide appellate order dated May 29, 2018 has either deleted or remanded back the issues on which income tax demand of Rs. 96,451 thousand was raised. Further CIR (Appeals) has confirmed the ACIR's action on certain issues on which income tax demand along with default surcharge of Rs. 24,175 thousand was raised. FML has filed an appeal with the ATIR against the aforesaid appellate order dated May 29, 2018. The ATIR has granted stay to FML for period of sixty days or till disposal of appeal, whichever is earlier vide stay order dated December 21, 2018 against balance tax demand of Rs. 24,175 thousand.
- The Assistant Commissioner Sindh Revenue Board, Karachi vide Order dated February 03, 2018 has created a demand of Rs. 111,219 thousand along with penalty of Rs. 56,966 thousand on account of non-withholding and deposit of Sindh sales tax on consultancy and product transportation expenses for tax periods January 2015 to December 2016. FML filed an appeal with the Commissioner Appeals, Sindh Revenue Board, Karachi against the aforesaid order. Hearing of appeal is in progress. Further the Commissioner Appeals during the hearing held on December 12, 2018 has directed the Assistant Commissioner to restrain from any recovery proceedings till next date of hearing fixed for January 22, 2019.

The management is confident of favourable resolution in all of the cases.

		2018	2017
		(Rupees '000)	
14.2	**Commitments:**		
i)	Capital expenditures - contracted	**1,727,516**	1,526,145
ii)	Letters of credit for purchase of raw materials and stores and spares	**812,323**	895,587
iii)	Commitments of FWE -I & FWE-II as at September 30, 2018 (2017: September 30, 2017)	**363,971**	226,984
iv)	Commitments of Fauji Meat Limited	**22,699**	24,021
v)	Commitments of FFBL Power Company Limited	**1,073,466**	503,980
vi)	Commitments of Fauji Foods Limited	**369,120**	1,084,560
vii)	Group's share of commitments of Pakistan Maroc Phosphore as at September 30, 2018 (2017: September 30, 2017)	**11,983**	34,266
viii)	Group's share of commitments of Fauji Cement Company Limited as at September 30, 2018 (2017: September 30, 2017)	**9,098**	9,262

15 PROPERTY, PLANT AND EQUIPMENT

	PROPERTY, PLANT AND EQUIPMENT															
	Owned													Leased		
	Leasehold land	Freehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress (note 15.1)	Sub Total	Vehicles	Machinery	Total
	(Rupees '000)															
COST																
Balance as at January 01, 2017	372,002	860,780	2,919,352	2,134,968	31,178,084	143,043	614,008	514,631	376,948	2,135	408,866	25,986,727	65,511,544	189,365	-	65,700,909
Additions during the year	-	24,005	115,205	3,581	792,258	29,514	376,350	82,431	67,949	-	10,152	5,013,269	6,514,714	2,896	-	6,517,610
Disposals	-	-	-	-	(903)	(1,079)	(120,910)	(1,453)	(121)	-	-	-	(124,466)	-	-	(124,466)
Transfers	158,584	-	1,449,982	4,764,291	23,641,411	-	3,471	19,095	-	188	-	(30,065,962)	(28,940)	28,940	-	-
Balance as at December 31, 2017	530,586	884,785	4,484,539	6,902,840	55,610,850	171,478	872,919	614,704	444,776	2,323	419,018	934,034	71,872,852	221,201	-	72,094,053
Balance as at January 01, 2018	**530,586**	**884,785**	**4,484,539**	**6,902,840**	**55,610,850**	**171,478**	**872,919**	**614,704**	**444,776**	**2,323**	**419,018**	**934,034**	**71,872,852**	**221,201**	**-**	**72,094,053**
Additions during the year	**-**	**4,864**	**16,395**	**178,578**	**660,781**	**10,306**	**202,413**	**23,428**	**43,218**	**-**	**-**	**2,145,502**	**3,285,485**	**25,468**	**357,369**	**3,668,322**
Disposals	**-**	**-**	**-**	**-**	**(12,589)**	**-**	**(62,862)**	**(85)**	**(334)**	**-**	**-**	**-**	**(75,870)**	**(1,787)**	**-**	**(77,657)**
Adjustments	**-**	**-**	**-**	**-**	**(682,611)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(682,611)**	**-**	**-**	**(682,611)**
Transfers	**-**	**-**	**48,828**	**65,651**	**503,514**	**4,286**	**-**	**65,553**	**196**	**83**	**-**	**(688,111)**	**-**	**-**	**-**	**-**
Balance as at December 31, 2018	**530,586**	**889,649**	**4,549,762**	**7,147,069**	**56,079,945**	**186,070**	**1,012,470**	**703,600**	**487,856**	**2,406**	**419,018**	**2,391,425**	**74,399,856**	**244,882**	**357,369**	**75,002,107**
DEPRECIATION																
Balance as at January 01, 2017	108,427	-	69,680	836,219	17,147,799	17,627	307,484	105,067	222,489	2,118	324,600	-	19,141,510	24,333	-	19,165,843
Charge for the year	9,154	-	118,101	169,757	2,104,583	14,770	124,581	72,519	83,707	19	39,121	-	2,736,312	19,997	-	2,756,309
Disposals	-	-	-	-	(774)	(252)	(93,880)	(758)	(54)	-	-	-	(95,718)	-	-	(95,718)
Balance as at December 31, 2017	117,581	-	187,781	1,005,976	19,251,608	32,145	338,185	176,828	306,142	2,137	363,721	-	21,782,104	44,330	-	21,826,434
Balance as at January 01, 2018	**117,581**	**-**	**187,781**	**1,005,976**	**19,251,608**	**32,145**	**338,185**	**176,828**	**306,142**	**2,137**	**363,721**	**-**	**21,782,104**	**44,330**	**-**	**21,826,434**
Charge for the year	**9,156**	**-**	**153,397**	**227,947**	**2,383,258**	**16,489**	**139,950**	**84,323**	**88,348**	**62**	**40,280**	**-**	**3,143,210**	**24,610**	**2,327**	**3,170,147**
Adjustments	**-**	**-**	**-**	**-**	**(15,169)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15,169)**	**-**	**-**	**(15,169)**
Disposals	**-**	**-**	**-**	**-**	**(6,137)**	**-**	**(49,077)**	**(31)**	**(240)**	**-**	**-**	**-**	**(55,485)**	**(875)**	**-**	**(56,360)**
Balance as at December 31, 2018	**126,737**	**-**	**341,178**	**1,233,923**	**21,613,560**	**48,634**	**429,058**	**261,120**	**394,250**	**2,199**	**404,001**	**-**	**24,854,660**	**68,065**	**2,327**	**24,925,052**
Written down value - 2017	413,005	884,785	4,296,758	5,896,864	36,359,242	139,333	534,734	437,876	138,634	186	55,297	934,034	50,090,748	176,871	-	50,267,619
Written down value - 2018	**403,849**	**889,649**	**4,208,584**	**5,913,146**	**34,466,385**	**137,436**	**583,412**	**442,480**	**93,606**	**207**	**15,017**	**2,391,425**	**49,545,196**	**176,817**	**355,042**	**50,077,055**
Rate of depreciation	**2% - 4%**	**-**	**3%**	**3%**	**3.33% - 5%**	**10%**	**20% - 33%**	**15%**	**33% - 50%**	**30%**	**17% - 50%**	**-**	**-**	**33%**	**5%**	

		Note	2018	2017
			(Rupees '000)	
15.1	**Capital work-in-progress - CWIP**			
	Fauji Fertilizer Bin Qasim Limited	15.1.1	436,949	291,111
	FFBL Power Company Limited	15.1.2	409,103	23,510
	Fauji Meat Limited	15.1.3	421,648	421,513
	Fauji Foods Limited	15.1.4	1,123,725	197,900
			2,391,425	934,034
15.1.1	**CWIP - Fauji Fertilizer Bin Qasim Limited**			
	Plant and machinery		280,427	193,453
	Catalyst		84,681	84,681
	Others		71,841	12,977
			436,949	291,111
15.1.2	**CWIP- FFBL Power Company Limited**			
	Plant, machinery and civil works		383,275	23,510
	Intangible		25,828	-
			409,103	23,510
15.1.3	**CWIP - Fauji Meat Limited**			
	Building		179,870	179,875
	Plant and machinery		241,778	185,270
	Advances to suppliers and contractors		-	56,368
			421,648	421,513
15.1.4	**CWIP - Fauji Foods Limited**			
	Plant and machinery		857,915	83,640
	Building		158,506	87,535
	Leased vehicles		24,651	13,603
	Intangible		55,743	13,122
	Others		26,910	-
			1,123,725	197,900

Plant and machinery includes borrowing cost of Rs. 5.26 million (2017: Rs. 25.8 million) capitalized during the year, calculated at the mark-up rate of 7.04% (2017: 6.67%) per annum.

		Note	2018	2017
			(Rupees '000)	
15.2	**Depreciation and amortization charge has been allocated as follows:**			
	Cost of sales	28	2,910,977	2,499,490
	Selling and distribution expenses	29	13,595	11,460
	Administrative expenses	30	245,575	245,359
			3,170,147	2,756,309

		Sold to	Cost	Book value	Sale proceeds	Gain / (Loss)
				(Rupees '000)		
15.3	**Details of property, plant and equipment sold:**					
	Vehicles - as per Group policy - to employees					
	Toyota Corolla GLI	Faisal Amir	1,864	1,786	1,541	(245)
	Honda City Aspire	Maj Abid Mahmood (Retd)	1,704	1,183	402	(781)
	Suzuki Cultus	Muhammad Imran Khan	1,410	1,028	882	(146)
	Honda City	Hassan Mumtaz	1,690	669	601	(68)
	Suzuki Cultus	Ahmed Bilal	1,069	321	370	49
	Suzuki Cultus	Zarrar Bin Ahmed	1,073	590	608	18
	Suzuki Cultus	Muhammad Amjad	1,034	362	155	(207)
	Suzuki Cultus	Muhammad Attique Ur Rehman	750	600	158	(442)
	Suzuki Cultus	Kamran Rashid Mirza	725	713	155	(558)
	Suzuki Cultus	Mohsin Jami	750	738	377	(361)
	Toyota Corolla XLI	Wajahat Abbas	1,000	917	234	(683)
	Toyota Corolla XLI	Salman Hayat	1,400	1,283	244	(1,039)
	Suzuki Alto	Mazhar Ali	433	187	248	61
	Suzuki Cultus	Rana Ejaz	451	195	333	138
	Suzuki Cultus	Muhammad Tahir	601	260	448	188
	Honda City	Muhammad Rafeeq	616	267	363	96
	Honda Civic	Sadia Kanwal	1,099	458	821	363
	Suzuki Cultus	Tariq Islam	1,099	568	603	35
	Suzuki Mehran	Muazzam Ali Shah	688	344	387	43
	Insurance claim		13,782	7,565	7,265	(300)
	Aggregate of items of property, plant and equipment with individual book value below Rs. 500,000		44,419	1,263	6,261	4,998
		2018	77,657	21,297	22,456	1,159
		2017	124,466	28,748	58,843	30,095

15.4 Particulars of immovable asset of the Group are as follows:

Location	Company	Address	Covered area (acre)
Islamabad	FFBL	C1/C2, Sector B, Jinnah Boulevard DHA Phase II	2
Karachi	FFBL	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim	250
Karachi	FFBL	Tank Farm Area, Port Qasim	8
Karachi	FFBL	Near Rangers Check Post, Opposite Naval Marine Base, National Highway	202.2
Thatta	FML	Deh Kohistan Chak No. 1 Tapo Gharo, Tehsil Mir Pur Sakhro, District Thatta	46.35
Karachi	FPCL	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim	100
Bhalwal	FFL	Sarghoda Road, Bhalwal	15.05
Pindi Bhattian	FFBL Foods	Moza Thatta Raika and Moza Thatta Bahuman	167

15.5 As at the reporting date, the Group performed an impairment test of FML, the Cash Generating Unit. The Group has determined the recoverable amount of FML, using a value in use calculation, which was higher than the carrying amount of FML.

16 INTANGIBLE ASSETS

	Softwares	Goodwill (note 16.1)	Total
		(Rupees '000)	
COST			
Balance as at January 01, 2017	111,969	377,778	489,747
Additions during the year	7,022	-	7,022
Balance as at December 31, 2017	118,991	377,778	496,769
Balance as at January 01, 2018	**118,991**	**377,778**	**496,769**
Additions during the year	**3,317**	**-**	**3,317**
Balance as at December 31, 2018	**122,308**	**377,778**	**500,086**
AMORTIZATION			
Balance as at January 01, 2017	109,860	-	109,860
Charge for the year	3,220	-	3,220
Balance as at December 31, 2017	113,080	-	113,080
Balance as at January 01, 2018	**113,080**	**-**	**113,080**
Charge for the year	**4,016**	**-**	**4,016**
Balance as at December 31, 2018	**117,096**	**-**	**117,096**
Written down value - 2017	5,911	377,778	383,689
Written down value - 2018	**5,212**	**377,778**	**382,990**
Rate of amortization	**33%**		

16.1 On September 04, 2015, the Group acquired 38.25% of voting and non-voting shares of FFL and concluded that FFBL has obtained control over FFL, based on its ability to appoint a majority of its directors and senior management personnel. The Group paid a consideration of Rs. 479,857 thousand to obtain the control of FFL on the acquisition date, when the fair value of FFL's identified net assets amounted to Rs. 266,872 thousand including a non controlling interest of Rs. 164,793 thousand. Accordingly, the Group recognized goodwill of Rs. 377,778 thousand.

As at the reporting date, the Group performed an annual impairment test of FFL, the Cash Generating Unit (CGU), to which goodwill has been allocated as at December 31, 2018. The Group has determined the recoverable amount of FFL, using a fair value less cost to sell calculation, which was higher than the carrying amount of CGU. Hence, no impairment was recognized. The fair value less cost to sell was measured using a quoted price on Pakistan Stock Exchange, of FFL, which is Rs. 30.28 per share.

	Note	2018	2017
		(Rupees '000)	
17 LONG-TERM INVESTMENTS			
Interest in joint venture	**17.1**	**4,770,687**	4,105,395
Interests in associates	**17.2**	**12,737,631**	11,593,666
Other long-term investment	**17.4**	**-**	-
		17,508,318	15,699,061

17.1 Interest in joint venture

Pakistan Maroc Phosphore (PMP) is a joint arrangement in which the Group, along with its partners, has joint control and a 25% ownership interest. It is one of the Group's strategic suppliers and is principally engaged in the production of phosphoric acid in Morocco. PMP is not publicly listed. PMP is structured as a separate vehicle and the Group has a residual interest in the net assets of PMP. Accordingly, the Group has classified its interest in PMP as a joint venture.

The cost of the Group's investment is Moroccan Dirhams 200,000 thousand, which was made from 2004 to 2006 and represents 25% interest in PMP, a joint venture between the Group, Fauji Foundation, Fauji Fertilizer Company Limited 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. The principal place of business is Jorf Lasfar, Morocco. Mr. Khalid Benzeroual is the Managing Director of PMP. According to the shareholders' agreement, if any legal restrictions are laid on dividends by Pakistan Maroc Phosphore S.A., the Group's equity will be converted to an interest bearing loan. The Group has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

There has been no default by PMP against its loans. Further, there has been no litigations against PMP. Auditors have provided an unqualified opinion on latest available consolidated financial statements.

PMP has declared dividend amounting to Rs. 812,823 thousand (2017: Rs. 107,023 thousand), during the year.

The following table summarises the financial information of PMP as included in its own financial statements for the period ended September 30, 2018, which have been used for equity accounting as these were the latest approved financial statements. Further, results of operations of the last quarter of 2017 have also been considered for equity accounting. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in PMP.

		Note	2018	2017
			(Rupees '000)	
	Percentage ownership interest		**25%**	25%
	Non-current assets		**9,891,045**	8,874,651
	Current assets including cash and cash equivalents amounting to Rs. 243 million		**21,131,425**	14,757,155
	Non-current liabilities		**(1,218)**	-
	Current liabilities		**(10,890,463)**	(7,210,227)
	Net Assets (100%)		**20,130,789**	16,421,579
	Group's share of net assets (25%)		**5,032,697**	4,105,395
	Dividend declared after September 30, 2018		**(288,122)**	-
	Other adjustment		**26,112**	-
			(262,010)	-
	Carrying amount of interest in joint venture		**4,770,687**	4,105,395
	Revenue		**26,986,409**	22,838,787
	Depreciation and amortization		**(1,301,587)**	(1,114,977)
	Finance costs		**(242,087)**	(193,438)
	Income tax expense		**(617,429)**	(402,299)
	Other expenses		**(22,261,375)**	(19,362,249)
	Profit (100%)		**2,563,931**	1,765,824
	Group's share of profit (25%)		**640,983**	441,456
17.2	**Interests in associates**			
	Fauji Cement Company Limited	**17.2.1**	**420,371**	407,743
	Foundation Wind Energy-I Limited	**17.2.2**	**2,388,392**	2,038,217
	Foundation Wind Energy-II (Private) Limited	**17.2.2**	**2,430,853**	2,075,568
	Askari Bank Limited	**17.2.3**	**7,498,015**	7,072,138
			12,737,631	11,593,666

17.2.1 FFBL holds a 1.36% equity interest in Fauji Cement Company Limited (FCCL), which is less than 20%; however it is concluded that the Group has a significant influence due to its representation on the Board of Directors of FCCL. The market value of the investment in FCCL, as at December 31, 2018, was Rs. 392,438 thousand (2017: Rs. 468,938 thousand). The principal place of business of FCCL is Jhang Bahtar, Tehsil Fateh Jang, District Attock, Punjab.

17.2.2 FFBL holds a 35% shareholding in Foundation Wind Energy - I Limited (FWE-I) and Foundation Wind Energy - II (Private) Limited (FWE-II) each. The break-up value of shares based on unaudited interim financial information for the period ended September 30, 2018 is Rs. 19.01 per share (2017: Rs. 16.15 per share) and Rs. 193.38 per share (2017: Rs. 164.59 per share) respectively. Both FWE-I and FWE-II have achieved their Commercial Operation Date in April 2015 and December 2014, respectively. Both FWE-I and FWE-II have been established for operating 49.5 MW wind power plants each. The principal place of business of FWE-I & FWE II is Gharo, District Thatta, Sindh.

17.2.3 FFBL holds 21.57% equity of Askari Bank Limited (AKBL), representing 271,884 thousand ordinary shares of Rs. 10 each, acquired at an average price of Rs. 19.31 per share. The market value of the investment in AKBL as at December 31, 2018 was Rs. 6,503,465 thousand (2017: Rs. 5,250,080 thousand). AKBL is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The head office of AKBL is situated at AWT Plaza, P.O BOX 1084, Rawalpindi.

The management of the Company has carried out an impairment analysis of this investment, based on future expected cash flows for the next five years and thereafter cash flows on terminal values, with a 2% (2017: 2%) per annum growth. The future cash flows have been discounted at a risk adjusted rate of 18.56% (2017: 14.3%) to arrive at an intrinsic value of shares of AKBL. Based on the analysis, management believes that the carrying value of the investment in the associated company is less than its recoverable amount.

17.3 The following table summarises the financial information of associates as included in their own unaudited interim financial information for the period ended September 30, 2018, which have been used for accounting under the equity method as these were the latest approved financial statements.

The reporting date of AKBL is 31 December and the reporting date of other associates is 30 June. Accordingly, for the purpose of incorporation of results of AKBL, the operations of three quarters of the financial year 2018 and the last quarter of the financial year 2017, have been considered while the results of operations of the first quarter of financial year 2019, and three quarters of financial year 2018, have been considered for other associates. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in associates.

	2018 (Rupees '000)				
	FCCL	**FWE - I**	**FWE - II**	**AKBL**	**Total**
Percentage of shareholding	1.36%	35%	35%	21.57%	
Non-current assets	22,564,922	11,096,697	10,841,726	-	44,503,345
Current assets	5,769,480	2,861,863	3,131,561	-	11,762,904
Total assets	28,334,402	13,958,560	13,973,287	675,244,422	731,510,671
Non-current liabilities	(4,062,957)	(5,870,413)	(5,737,692)	-	(15,671,062)
Current liabilities	(4,361,109)	(1,431,306)	(1,413,641)	-	(7,206,056)
Total liabilities	(8,424,066)	(7,301,719)	(7,151,333)	(645,628,467)	(668,505,585)
Net assets (100%)	19,910,336	6,656,841	6,821,954	29,615,955	63,005,086
Group's share of net assets	270,781	2,329,894	2,387,684	6,388,161	11,376,520
Goodwill	154,817	57,818	42,489	1,099,231	1,354,355
Other adjustment	(5,227)	680	680	10,623	6,756
	149,590	58,498	43,169	1,109,854	1,361,111
Carrying amount of interest in associates	420,371	2,388,392	2,430,853	7,498,015	12,737,631
Revenue	21,709,204	2,592,093	2,560,838	22,886,589	49,748,724
Profit from continuing operations (100%)	3,685,882	1,000,500	1,015,101	4,662,897	10,364,380
Group's share of profit	50,128	350,175	355,285	1,005,787	1,761,375

	2017 (Rupees '000)				
	FCCL	FWE - I	FWE - II	AKBL	Total
Percentage of shareholding	1.36%	35%	35%	21.57%	
Non-current assets	22,419,170	10,900,278	10,648,691	-	43,968,139
Current assets	6,534,110	2,173,355	2,403,601	-	11,111,066
Total assets	28,953,280	13,073,633	13,052,292	627,348,530	682,427,735
Non-current liabilities	(5,079,604)	(6,136,255)	(5,964,083)	-	(17,179,942)
Current liabilities	(4,990,259)	(1,281,512)	(1,281,831)	-	(7,553,602)
Total liabilities	(10,069,863)	(7,417,767)	(7,245,914)	(598,454,915)	(623,188,459)
Net assets (100%)	18,883,417	5,655,866	5,806,378	28,893,615	59,239,276
Group's share of net assets	256,814	1,979,553	2,032,232	6,232,353	10,500,952
Goodwill	154,817	57,818	42,489	1,099,231	1,354,355
Other adjustment	(3,888)	846	847	(259,446)*	(261,641)
	150,929	58,664	43,336	839,785	1,092,714
Carrying amount of interest in associates	407,743	2,038,217	2,075,568	7,072,138	11,593,666
Revenue	20,825,729	2,748,160	2,271,013	23,509,398	49,354,300
Profit / (loss) from continuing operations (100%)	2,347,761	1,325,302	872,944	5,104,787	9,650,794
Group's share of profit	31,930	463,856	305,530	1,101,103	1,902,419

*This includes a dividend amounting to Rs. 271,884 thousand, declared by AKBL after September 30, 2017.

		2018 (Rupees '000)	2017 (Rupees '000)
17.4	**Investment - available for sale - unquoted**		
	Arabian Sea Country Club Limited (ASCCL) 300,000 ordinary shares of Rs. 10 each	**3,000**	3,000
	Less: Impairment in value of investment	**(3,000)**	(3,000)
		-	-

The Company holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. The break-up value based on audited accounts for the year ended June 30, 2017 was negative Rs. 6.18 per ordinary share. This investment is fully impaired.

17.5 All of the above-mentioned investments have been made in accordance with the requirements of the Act.

		2018 (Rupees '000)	2017 (Rupees '000)
18	**LONG-TERM LOANS**		
	Related parties		
	Foundation Wind Energy-I Limited	**-**	26,775
	Foundation Wind Energy-II (Private) Limited	**-**	7,088
		-	33,863
	Less: Current portion of long-term loans	**-**	33,863
		-	-

The loans carried mark-up at KIBOR plus 2% and the last installments were repaid in May 2018. The loans were secured by a guarantee from Fauji Foundation.

		Note	2018	2017
			(Rupees '000)	
19	**STORES AND SPARES**			
	Stores		**823,490**	548,709
	Spares		**2,533,003**	2,502,237
	Provision for obsolescence	**19.1**	**(168,804)**	(126,389)
			3,187,689	2,924,557
19.1	**The movement in provision is as follows:**			
	Opening balance		**126,389**	86,889
	Provision made during the year	**28**	**69,407**	52,042
	Written off during the year		**(26,992)**	(12,542)
			168,804	126,389
20	**STOCK-IN-TRADE**			
	Packing materials		**104,145**	77,982
	Raw materials		**3,240,432**	1,663,691
	Raw materials in transit		**1,908,823**	1,489,089
	Work in process		**133,055**	129,948
	Finished goods (net of provision of Rs. 7,831 thousand (2017: Rs. Nil)	**20.1**	**3,154,643**	467,002
	Others		**6,067**	7,155
			8,547,165	3,834,867

20.1 As at December 31, 2018, finished goods stock amounting to Rs. 2,579,571 thousand (2017: Rs. Nil) are held with Fauji Fertilizer Company Limited.

20.2 During the year, FFL and FML have charged Rs. 12,950 thousand and Rs. 20,270 thousand, respectively, to statement of profit or loss on account of write down of finished goods, work in progress, stock in transit and others.

		Note	2018	2017
			(Rupees '000)	
21	**TRADE DEBTS**			
	Secured - considered good		**5,719,424**	1,004,582
	Unsecured - considered good		**791,139**	1,250,380
	Considered doubtful		**507,435**	227,006
			7,017,998	2,481,968
	Less: provision for doubtful debts	**21.1**	**(507,435)**	(227,006)
			6,510,563	2,254,962
21.1	**Provision for doubtful debts**			
	Opening balance		**227,006**	11,000
	Provision for the year	**29**	**280,429**	216,006
			507,435	227,006
	FML has initiated legal proceedings against various parties with overdue balances.			
21.2	Area wise break of gross trade debts outstanding at year end in respect of export sales is as follows:			
	Middle East		**780,040**	432,244
	Asia Pacific		**22,590**	56,791
			802,630	489,035

		Note	2018	2017
			(Rupees '000)	
22	**ADVANCES**			
	Advances to:			
	Executives, unsecured considered good		**19,946**	18,495
	Other employees, unsecured considered good		**73,874**	62,701
		22.1	**93,820**	81,196
	Advances to suppliers and contractors			
	Considered good		**1,907,009**	1,395,736
			2,000,829	1,476,932

22.1 These represent interest free advances given to employees, including executives, of the Holding Company, in accordance with the Group's policy. This includes advances exceeding Rs. 1 million each to Mr. Mahmood Zafar and Mr. Usman Farooqi. These are repayable within one year. Further, it includes an amount of Rs. 532 thousand (2017: Rs. 650 thousand) provided to key management personnel of FML. Maximum aggregate amount outstanding to key management personnel at any time during the year was Rs. 532 thousand (2017: Rs. 771 thousand).

		Note	2018	2017
			(Rupees '000)	
23	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Security deposits		**166,817**	146,588
	Prepayments		**68,844**	70,453
			235,661	217,041
24	**OTHER RECEIVABLES**			
	Due from Fauji Fertilizer Company Limited - unsecured, considered good	24.1	**2,292,909**	910,300
	Subsidy receivable from Government of Pakistan	33.2	**3,160,992**	3,141,301
	Receivable from Pakistan Moroc Phosphore	24.2	**302,355**	6,854
	Others - considered good		**729,946**	687,949
	Due from associated companies	24.3	**309**	1,094
			6,486,511	4,747,498
	Less: Provision against doubtful other receivables	24.4	**(206,742)**	(196,952)
			6,279,769	4,550,546

24.1 This interest free balance represents amounts recovered by Fauji Fertilizer Company Limited, a related party, from customers on sale of the Holding Company's products under an inter-company services agreement. Maximum amount outstanding during the year was Rs. 6,990 million. It is neither past due nor impaired.

24.2 This includes an amount of Rs. 288,122 thousand (2017: Rs. Nil), receivable from Pakistan Maroc Phosphore (PMP), a joint venture of the Holding Company, against dividend. Maximum amount outstanding during the year was Rs. 516 million. It is neither past due nor impaired.

24.3 This includes amounts due from Askari Bank Limited and Noon International (Private) Limited, amounting to Rs. 270 thousand (2017: 1,055 thousand) and Rs. 39 thousand (2017: Rs. 39 thousand), respectively. Maximum amounts outstanding during the year was Rs. 2,827 thousand (2017: 1,055 thousand) and Rs. 39 thousand (2017: Rs. 39 thousand), respectively. These are interest free in the normal course of business on account of sale of goods or services. The amount due from Askari Bank Limited and Noon International (Private) Limited are due for less than 3 months and greater than 6 months, respectively.

		Note	2018	2017
			(Rupees '000)	
24.4	**Movement in provision during the year is as follows:**			
	Opening balance as at 01 January		**196,952**	-
	Provision during the year	**29**	**9,790**	196,952
	Closing balance as at 31 December		**206,742**	196,952
25	**SHORT-TERM INVESTMENTS**			
	Loans and receivables			
	Term deposits with banks and financial institutions	**25.1**	**5,890,000**	14,070,000
	Investments at fair value through profit or loss			
	Mutual funds	**25.2**	**5,345,646**	3,024,289
			11,235,646	17,094,289

25.1 These deposits carry interest at rates ranging from 10.5% to 12.25% (2017: 5.00% to 9.15%) per annum maturing on various dates, latest by January 28, 2019. They include Rs. Nil (2017: Rs. 1,000,000 thousand) held under lien by a financial institution, for providing a guarantee to a commercial bank, in respect of Fauji Meat Limited, against a running finance facility.

25.2 Mutual funds

Nature of fund	No. of units	Cost	Fair value
	2018		
		(Rupees '000)	
Income funds	**6,641,068**	**500,030**	**502,295**
Money market funds	**125,506,249**	**4,827,413**	**4,843,351**
		5,327,443	**5,345,646**

Nature of fund	No. of units	Cost	Fair value
	2017		
		(Rupees '000)	
Income funds	109,100,721	2,285,869	2,317,712
Money market funds	50,465,214	703,375	706,577
		2,989,244	3,024,289

		Note	2018	2017
			(Rupees '000)	
26	**CASH AND BANK BALANCES**			
	Deposit accounts			
	- in local currency	**26.1**	**6,355,058**	5,025,076
	- in foreign currency		**2,041**	2,038
		26.2	**6,357,099**	5,027,114
	Current accounts		**337,514**	432,174
	Cash in hand		**2,324**	2,525
			6,696,937	5,461,813

26.1 This includes Rs. 3,626,826 thousand (2017: Rs. 1,927,602 thousand) held under lien by the commercial banks against various facilities, including Rs. Nil (2017: Rs. 612,500), Rs. Nil (2017: Rs. 300,000 thousand) held under lien for providing guarantee on behalf of Foundation Wind Energy - I Limited and Fauji Meat Limited, respectively.

26.2 These deposit accounts carry interest at rates ranging from 2.85% to 12.50% (2017: 2.20% to 6.50%) per annum.

		Note	2018	2017
			(Rupees '000)	
26.3	**Cash and cash equivalents**			
	Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:			
	Cash and bank balances	26	**6,696,937**	5,461,813
	Short-term highly liquid investments	25	**5,890,000**	13,070,000
	Short-term running finance	13	**(17,151,590)**	(10,109,197)
			(4,564,653)	8,422,616
27	**SALES - NET**			
	Gross sales		**82,398,857**	70,930,679
	Less:			
	Sales tax		**4,365,346**	5,578,269
	Advance tax u/s 235		**306,437**	151,101
	Trade discounts and leakages allowed		**147,040**	785,065
	Commission to Fauji Fertilizer Company Limited	27.1	**24,970**	27,538
			4,843,793	6,541,973
		27.2	**77,555,064**	64,388,706

27.1 Commission is paid @ Re. 1 per bag sold by Fauji Fertilizer Company Limited, based on inter-company services agreement.

27.2 It includes export sales amounting to Rs. 827,440 thousand (2017: Rs. 1,242,892 thousand).

		Note	2018	2017
			(Rupees '000)	
28	**COST OF SALES**			
	Raw materials consumed		**51,916,534**	39,844,184
	Packing materials consumed		**3,567,692**	2,922,659
	Tagging cost		**2,073**	1,525
	Milk collection charges		**262,328**	158,683
	Fuel and power		**1,354,490**	2,847,829
	Ash dumping		**22,204**	-
	Chemicals and supplies consumed		**604,105**	361,251
	Salaries, wages and benefits	28.1	**3,005,276**	3,155,535
	Rent, rates and taxes		**98,979**	76,173
	Insurance		**164,900**	128,822
	Travel and conveyance		**209,012**	173,776
	Repairs and maintenance		**1,595,730**	1,341,899
	Provision for obsolete stores	19.1	**69,407**	52,042
	Communication, establishment and other expenses		**242,940**	257,935
	Depreciation	15.2	**2,910,977**	2,499,490
	Opening stock - work-in-process		**129,948**	152,818
	Closing stock - work-in-process		**(133,055)**	(129,948)
	Cost of goods manufactured		**66,023,540**	53,844,673
	Opening stock - finished goods		**467,002**	1,432,743
	Closing stock - finished goods		**(3,154,643)**	(467,002)
	Cost of sales		**63,335,899**	54,810,414

28.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 80,010 thousand, Rs. 90,421 thousand and Rs. 131,715 thousand (2017: Rs. 85,648 thousand, Rs. 58,194 thousand and Rs. 60,235 thousand), respectively.

		Note	2018	2017
			(Rupees '000)	
29	**SELLING AND DISTRIBUTION EXPENSES**			
	Product transportation		**3,692,056**	3,775,961
	Provision for doubtful trade debts	**21.1**	**280,429**	216,006
	Provision for doubtful other receivables	**24.4**	**9,790**	196,952
	Marketing expenses of group			
	Salaries, wages and benefits	**29.1**	**270,189**	246,514
	Rent, rates and taxes		**85,399**	70,525
	Technical services & insurance		**-**	3,099
	Travel and conveyance		**13,852**	13,504
	Sales promotion and advertising		**1,722,864**	1,637,979
	Communication, establishment and other expenses		**64,522**	51,069
	Depreciation	**15.2**	**13,595**	11,460
			2,170,421	2,034,150
	Expenses allocated by Fauji Fertilizer Company Limited			
	Salaries, wages and benefits		**842,575**	826,972
	Rent, rates and taxes		**73,906**	121,276
	Technical services		**3,501**	2,720
	Insurance expense		**30,942**	42,457
	Travel and conveyance		**72,924**	67,697
	Sales promotion and advertising		**67,815**	65,419
	Communication, establishment and other expenses		**80,388**	53,005
	Warehousing expenses		**85,446**	99,964
	Depreciation		**15,320**	16,272
		29.2	**1,272,817**	1,295,782
			7,425,513	7,518,851

29.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 8,550 thousand, Rs. 10,014 thousand and Rs. 4,202 thousand (2017: Rs. 8,784 thousand, Rs. 9,712 thousand and Rs. 3,979 thousand), respectively.

29.2 This represents common expenses allocated by Fauji Fertilizer Company Limited on account of marketing of FFBL's products based on an inter-company services agreement.

		Note	2018	2017
			(Rupees '000)	
30	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	**30.1**	**1,253,274**	1,425,221
	Travel and conveyance		**155,444**	115,387
	Utilities		**59,688**	48,730
	Printing and stationery		**16,112**	20,281
	Repairs and maintenance		**187,763**	141,116
	Communication, establishment and other expenses		**60,136**	62,258
	Rent, rates and taxes		**66,083**	68,679
	Insurance		**8,717**	5,328
	Donations	**30.2**	**18,578**	33,581
	Legal and professional services		**94,195**	69,808
	Depreciation	**15.2**	**245,575**	245,359
	Amortization	**16**	**4,016**	3,220
	Miscellaneous		**116,087**	81,284
			2,285,668	2,320,252

30.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 24,367 thousand, Rs.31,284 thousand and Rs. 35,417 thousand (2017: Rs. 25,761 thousand, Rs. 28,005 thousand and Rs. 29,020 thousand), respectively.

30.2 During the year, the Group has not paid donation to any organization in which any director of the Holding Company or his spouse has interest.

Donation to following parties / organizations exceeded Rs. 500 thousands:

	2018	2017
	(Rupees '000)	
Pakistan Taekwondo Federation	**1,000**	-
Aspire Public School	**500**	1,000
Fauji Foundation	**11,264**	26,000
Kidney Centre	**600**	-

31 FINANCE COSTS

		2018	2017
Mark-up on short-term borrowings		**578,211**	647,983
Mark-up on long-term finance		**4,093,243**	3,271,355
Mark-up on demand facility		**386,524**	547,407
Mark-up on lease finance		**10,347**	10,796
Amortization of transaction cost		**80,138**	24,780
Bank charges		**37,328**	15,478
Guarantee fee		**27,793**	8,339
Amount capitalized under CWIP by FPCL		**-**	(594,829)
Interest earned on borrowing by FPCL		**-**	(50,991)
		-	(645,820)
		5,213,584	3,880,318

32 OTHER OPERATING EXPENSES

	Note	2018	2017
Workers' (Profit) Participation Fund	**11.2**	**257,086**	178,700
Workers' Welfare Fund		**14,012**	160,889
Exchange loss - net		**1,389,538**	192,087
Auditor's remuneration - Holding Company			
Fees - annual audit		**1,400**	1,400
Fees - half yearly review		**250**	250
Fees - review of Statement of Compliance with CCG		**50**	50
Fees - reasonable assurance on Free float		**95**	95
Other certification and services		**125**	125
Out of pocket expenses		**180**	174
		2,100	2,094
Auditor's remuneration - Subsidiary Companies			
Fees - annual audit		**1,775**	1,640
Fees - half yearly review		**125**	125
Tax advisory services		**1,420**	-
Other certification and services		**425**	548
Out of pocket expenses		**345**	215
		4,090	2,528
Others		**9,812**	97,171
		1,676,638	633,469

			2018	2017
			(Rupees '000)	
33	**OTHER INCOME**			
	Income from financial assets			
	Profit on bank balances and term deposits		**594,297**	453,863
	Fair value gain on mutual fund investments		**66,375**	123,101
	Cash dividend on mutual funds		**164,778**	5,111
			825,450	582,075
	Income from assets other than financial assets			
	Scrap sales and miscellaneous receipts	**33.1**	**181,215**	95,676
	Liabilities written back		**-**	4,666
	Subsidy from Government on DAP and Urea	**33.2**	**314,619**	2,892,184
	Gain on sale of property, plant and equipment		**1,159**	30,095
	Miscellaneous income		**26,211**	10,424
			1,348,654	3,615,120

33.1 This includes an amount of Rs. Nil (2017: Rs. 2,147 thousand) earned from training services provided to related parties.

33.2 This includes a subsidy @ Rs. 100 per 50 kg bag, on sale of Urea fertilizer, pursuant to notification No.15 (4) CFC / 2015 dated August 07, 2017, issued by the Ministry of Finance, Government of Pakistan. Subsidy scheme has been discontinued w.e.f. June 30, 2018. The comparative includes a subsidy @ Rs. 300 per 50 kg bag, on sale of Di-Ammonium Phosphate (DAP) fertilizer, and a subsidy @ Rs. 156 per 50 kg bag of Urea fertilizer, pursuant to notification F. No. 1-11/2012/DFSC-II/Fertilizer dated June 25, 2016, issued by the Ministry of National Food Security and Research, Government of Pakistan.

		2018	2017
		(Rupees '000)	
34	**TAXATION**		
	Current tax		
	For the period	**2,383,162**	2,762,504
	Prior period	**(3,584,019)**	-
		(1,200,857)	2,762,504
	Deferred tax		
	For the period	**(2,085,901)**	(2,503,345)
	Prior period	**3,877,428**	-
		1,791,527	(2,503,345)
		590,670	259,159

		2018		2017	
		(Rupees '000)	%	(Rupees '000)	%
34.1	**Reconciliation of tax charge for the year:**				
	Profit before tax	**1,368,774**		1,184,397	
	Tax on profit	**396,944**	**29.00**	355,319	30.00
	Tax effect of lower rate on certain income / expenses	**(370,666)**	**(27.08)**	(139,255)	(11.76)
	Tax effect of exempt income / permanent differences	**(135,180)**	**(9.88)**	(229,765)	(19.40)
	Super tax and revision in tax liability	**412,685**	**30.15**	142,801	12.06
	Alternative Corporate Tax	**(45,355)**	**(3.31)**	-	-
	Tax effect of revision in rate of tax	**170,307**	**12.44**	16,410	1.39
	Tax effect of unused tax losses	**78,592**	**5.74**	298,793	25.23
	Tax effect of prior year tax losses	**(244,723)**	**(17.88)**	-	-
	Tax effect of profit of associates	**179,896**	**13.14**	(151,793)	(12.82)
	Tax effect of profit of subsidiary	**87,286**	**6.38**	91,444	7.72
	Tax effect of prior year adjustment	**(38,454)**	**(2.81)**	-	-
	Tax effect of tax credit	**100,401**	**7.34**	(138,341)	(11.68)
	Others	**(1,063)**	**(0.08)**	13,546	1.14
		590,670	**43.15**	259,159	21.88

By virtue of amendments introduced through the Finance Act 2018, the provisions of section 5A of the Income Tax Ordinance, 2001, have been amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 20% (2017: 40%) of its after tax profits within six months of the end of the said tax year, through cash, shall be liable to pay tax at the rate of 5% (2017: 7.5%) of its accounting profit before tax. The liability in respect of such income tax, if any, is recognized when the prescribed time period for distribution of dividend expires.

34.2 Adequate provision for tax has been made in these consolidated financial statements for the current year in accordance with requirements laid under Income Tax Ordinance, 2001 (ITO 2001). The provision for current year tax represents tax on taxable income at the rate of 29% (2017: 30%).

The Group computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provisions for the purpose of taxation is available which can be analyzed as follows:

	2017	2016	2015
		(Rupees '000)	
Income tax provision for the year	751,474	241,309	2,042,118
Income tax as per tax assessment	769,731	1,269,036	449,998

Income tax as per tax assessment represents liability assessed or deemed to be assessed by tax authorities. Further, for prior tax years the Tax Authorities and the Group are contesting their respective view points at various fora. After due consideration of related matters, adequate tax provisions is being maintained in respect of the matters pending at various assessment/applicable fora and same shall be subject to final adjustment upon culmination of related proceedings.

		2018	2017
35	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit attributable to equity holders of the Holding Company (Rupees'000)	**1,567,570**	1,895,832
	Weighted average number of ordinary shares in issue during the year (thousands)	**934,110**	934,110
	Earnings per share - basic and diluted (Rupees)	**1.68**	2.03

There is no dilutive effect on the basic earnings per share of the Group for the year 2018.

		Note	2018	2017
			(Rupees '000)	
36	**CASH GENERATED FROM OPERATING ACTIVITIES**			
	Profit before taxation		**1,368,774**	1,184,397
	Adjustments for:			
	Provision for gratuity		**112,927**	120,193
	Exchange loss - net		**1,389,538**	192,087
	Provision for compensated absences		**171,334**	93,234
	Provision for other receivables		**9,790**	196,952
	Amortization of transaction cost		**80,138**	24,780
	Liabilities written back		**-**	(4,666)
	Provision for Workers' (Profit) Participation Fund		**257,086**	178,700
	Provision for Workers' Welfare Fund		**14,012**	160,889
	Depreciation and amortization	15.2 & 16	**3,174,163**	2,759,529
	Adjustment to prior year depreciation		**(15,169)**	-
	Finance costs		**5,133,446**	3,855,538
	Fair value gain on mutual fund investments		**(66,375)**	(123,101)
	Share of profit of joint venture and associates		**(2,402,358)**	(2,343,875)
	Provision for doubtful trade debts		**280,429**	216,006
	Provision for stores and spares		**69,407**	52,042
	Provision for stock-in-trade		**7,831**	-
	Mark-up on sub-ordinated loans		**(507)**	(3,203)
	Guarantee fee		**(4,440)**	(14,339)
	Profit on bank balances and term deposits		**(594,297)**	(453,863)
	Cash dividend on mutual funds		**(164,778)**	(5,111)
	Gain on sale of property, plant and equipment		**(1,159)**	(30,095)
			8,819,792	6,056,094
	Working capital changes:			
	(Increase) / decrease in current assets			
	Stores and spares		**(332,539)**	(177,130)
	Stock-in-trade		**(4,720,129)**	(79,641)
	Trade debts		**(4,536,030)**	1,605,518
	Advances		**(523,897)**	93,839
	Trade deposits and short-term prepayments		**(18,620)**	(58,444)
	Other receivables		**(1,450,891)**	(40,995)
	Sales tax refundable		**(3,081,461)**	(67,003)
	Decrease in current liabilities			
	Trade and other payables		**5,076,986**	10,119,233
			(9,586,581)	11,395,377
			(766,789)	17,451,471

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these consolidated financial statements for remuneration including benefits applicable to the Chief Executive and executives of the Group are given below:

	2018			2017		
	Directors	**Chief Executive**	**Executives**	**Directors**	**Chief Executive**	**Executives**
			(Rupees '000)			
Managerial remuneration	**-**	**11,646**	**1,110,426**	-	12,221	1,035,663
Bonus	-	**3,220**	**232,059**	-	8,148	488,512
Contributory Provident Fund	-	**552**	**60,327**	-	547	52,384
Others	**5,249**	**4,874**	**429,888**	7,873	6,572	406,955
	5,249	**20,292**	**1,832,700**	7,873	27,488	1,983,514
No. of person(s)	**11**	**1**	**266**	11	1	256

The above are provided medical facilities. Chief Executive and certain executives are also provided with the Group's maintained vehicles and household equipment and other benefits in accordance with the Group's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contribution for executives in respect of gratuity is on the basis of actuarial valuation. Leave encashment was paid to executives amounting to Rs.14,858 thousand (2017: Rs. 26,851 thousand) on separation in accordance with the Group's policy.

In addition, the directors of the Group are paid meeting fees, aggregating Rs. 20,949 thousand (2017: Rs. 18,818 thousand).

As per revised requirement of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

38 FINANCIAL INSTRUMENTS

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’s risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

38.1 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 trade debts, deposits, advances, long-term loans, interest accrued, short-term investments, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	(Rupees '000)	
Long-term loans	**-**	33,863
Trade debts	**6,510,563**	2,254,962
Deposits	**246,404**	226,175
Advances	**93,820**	81,196
Interest accrued	**43,936**	55,465
Other receivables - net of provision	**6,279,769**	4,550,546
Short-term investments	**11,235,646**	17,094,289
Bank balances	**6,694,613**	5,459,288
	31,104,751	29,755,784

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 Holding Company has significant amount receivable from Fauji Fertilizer Company Limited which amounts to Rs. 2,292,909 thousand (2017: Rs. 910,300 thousand) and which is included in total carrying amount of other receivables as at reporting date. At the reporting date this receivable is neither overdue nor impaired. The remaining amount includes receivable from the Government of Pakistan amounting to Rs. 3,160,992 thousand (2017: Rs. 3,141,301 thousand) on account of subsidy income.

The Holding Company's 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 its financial assets other than trade debts and advances to employees.

The Group limits its exposure to credit risk by investing only in liquid securities and placing funds with banks that have high credit rating. Management actively monitors credit ratings and given that the Group only has placed funds in the banks with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

38.2 Credit quality of financial assets

The credit quality of Group's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and 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.

	Rating	2018	2017
		(Rupees '000)	
Long-term loans			
Counterparties without external credit ratings			
Related parties with no default in the past	Unrated	**-**	33,863
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past	Unrated	**6,201,957**	1,431,204
Counterparties with external credit rating			
K-Electric Limited	A1+	**308,606**	823,758
Deposits			
Counterparties without external credit ratings			
Others	Unrated	**246,404**	226,175
Advances			
Counterparties without external credit ratings			
Others	Unrated	**93,820**	81,196

	Rating	2018 (Rupees '000)	2017 (Rupees '000)
Interest accrued			
Counterparties with external credit ratings			
	AAA	**6,519**	19,889
	AA+	**106**	360
	AA-	**3,314**	9,188
	AA	**12,863**	137
	A+	**8,466**	19,380
	A-	**-**	1,275
	A	**12,655**	1,205
		43,923	51,434
Counterparties without external credit ratings			
Others	Unrated	**13**	4,031
		43,936	55,465
Other receivables			
Counterparties with external credit ratings			
Receivable from related parties	AA	**2,292,909**	910,300
Counterparties without external credit ratings			
Receivable from Government of Pakistan	Unrated	**3,160,992**	3,141,301
Receivable from others including related parties	Unrated	**825,868**	498,945
		6,279,769	4,550,546
Short-term investments			
Counterparties with external credit ratings	AAA	**2,000,000**	3,900,000
	AA+	**1,871,265**	300,000
	AA	**3,362,086**	1,226,577
	A	**502,265**	1,789,290
	AA-	**2,000,030**	6,855,989
	A+	**1,500,000**	1,522,433
	A-	**-**	1,500,000
		11,235,646	17,094,289
Bank balances			
Counterparties with external credit ratings	AAA	**2,846,091**	2,560,117
	AA+	**606,179**	1,409,587
	AA	**379,821**	285,363
	AA-	**173,546**	623,171
	A+	**47,817**	19,032
	A	**1,030,074**	479,937
	A-	**1,611,085**	5,172
	AA-	**-**	76,909
		6,694,613	5,459,288

Impairment losses

As at reporting date, the age analysis of trade debts is as follows:

Aging	2018 Gross (Rupees '000)	2018 Impairment (Rupees '000)	2017 Gross (Rupees '000)	2017 Impairment (Rupees '000)
1-30 days	**1,365,042**	**-**	1,314,034	-
31-60 days	**1,435,146**	**-**	238,585	-
61-90 days	**1,905,304**	**-**	138,766	-
91-365 days	**1,742,432**	**-**	149,977	76,999
Over 365 days	**570,074**	**507,435**	640,606	150,007
	7,017,998	**507,435**	2,481,968	227,006

Based on past experience, the Group has recognized a provision of Rs. 507,435 thousand (2017: Rs. 227,006 thousand) in respect of trade debts. During the year, the Group has recognized a provision of Rs. 9,790 thousand (2017: Rs. 196,952 thousand), against other receivables considered doubtful.

In the previous years, the Holding Company has recorded an impairment loss of Rs. 3,000 thousand in respect of its long-term investment as explained in note 17.4.

38.3 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 management uses different methods which assists it in monitoring cash flow requirements and optimizing the 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 consolidated financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2018	Carrying amount	Contractual cash flows	Less than one year	One to five years	Five years onwards
			(Rupees '000)		
Long-term loans	**47,404,419**	**52,741,452**	**11,317,265**	**35,149,293**	**6,274,894**
Lease liability	**435,034**	**550,869**	**195,907**	**354,962**	**-**
Trade and other payables	**29,814,935**	**29,814,935**	**29,814,935**	**-**	**-**
Short-term borrowings including mark-up	**22,827,932**	**22,827,932**	**22,827,932**	**-**	**-**
	100,482,320	**105,935,188**	**64,156,039**	**35,504,255**	**6,274,894**

2017	Carrying amount	Contractual cash flows	Less than one year	One to five years	Five years onwards
			(Rupees '000)		
Long-term loans	47,516,032	51,517,898	7,973,613	33,150,755	10,393,530
Lease liability	142,169	182,571	48,384	134,187	-
Trade and other payables	21,931,383	21,931,383	21,931,383	-	-
Short-term borrowings including mark-up	15,844,427	15,844,427	15,844,427	-	-
	85,434,011	89,476,279	45,797,807	33,284,942	10,393,530

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

38.3.1 The contractual cash flow relating to long-term borrowings and short-term borrowings have been determined on the basis of expected mark-up rates. The mark-up rates as at reporting date have been disclosed in note 8 and note 13 to these consolidated financial statements respectively.

38.4 Market risk

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

38.4.1 Currency risk

Exposure to currency risk

The Group is exposed to currency risk on certain liabilities, trade debts and bank balances which are denominated in currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2018		
	Rupees '000	**US Dollar'000**	**EURO '000**
Bank balances	**2,041**	**18**	**-**
Trade Debts	**802,746**	**5,771**	**-**
Creditors	**(6,796,749)**	**(48,287)**	**(503)**
Net exposure	**(5,991,962)**	**(42,498)**	**(503)**

	2017		
	Rupees '000	**US Dollar '000**	**EURO '000**
Bank balances	2,039	18	-
Trade Debts	489,051	4,426	-
Creditors	(5,482,176)	(48,799)	(681)
Net exposure	(4,991,086)	(44,355)	(681)

The following significant exchange rate applied during the year:

	Average rates		Spot rate (Bid-Offer average)	
	2018	**2017**	**2018**	**2017**
US Dollars	**122.74**	105.61	**139.10**	110.50
Euro	**145.53**	119.94	**159.10**	131.97

Sensitivity analysis

FFBL

A 10% strengthening of the functional currency against USD at 31 December would have increased profit by Rs. 597,749 thousand (2017: Rs. 410,392 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

FPCL

At December 31, 2018, if the currency had weakend or strengthened by 10% against the mentioned foreign currencies, with all other variables remaining constant, the profit before tax would have been Rs.78,910 thousand (2017: Rs. 126,928 thousand) lower / higher.

FFL

At December 31, 2018, if the currency had weakend or strengthened by 10% against the mentioned foreign currencies, with all other variables remaining constant, the loss before tax would have been Rs. 10,022 thousand (2017: Rs. 3,938 thousand) lower / higher.

FML

At December 31, 2018, if the currency had weakend or strengthened by 10% against the mentioned foreign currencies, with all other variables remaining constant, the loss after tax would have been Rs. 78,714 thousand (2017: Rs. 42,161 thousand) lower / higher.

38.4.2 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 from banks and short-term deposits with banks. At the reporting date the interest rate risk profile of the Group's interest bearing financial instruments is:

	2018	2017
	(Rupees '000)	
Fixed rate instruments		
Financial assets	**5,890,000**	14,070,000
Financial liabilities	**5,349,999**	5,565,000
Variable rate instruments		
Financial assets	**6,357,099**	5,027,114
Financial liabilities	**64,593,514**	57,602,027

Fair value sensitivity analysis for fixed rate instruments

The Group is not exposed to interest rate risk on its fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2018		
Cash flow sensitivity-Variable rate instruments	**(582,364)**	**582,364**
December 31, 2017		
Cash flow sensitivity-Variable rate instruments	(525,749)	525,749

Market price risk

For investments at fair value through profit or loss, a 1% increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 53,456 thousand (2017: Rs. 30,243 thousand).

38.5 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

		2018		2017	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Long-term loans		-	-	33,863	33,863
Trade debts	21	**6,510,563**	**6,510,563**	2,254,962	2,254,962
Deposits		**246,404**	**246,404**	226,175	226,175
Advances	22	**93,820**	**93,820**	81,196	81,196
Interest accrued		**43,936**	**43,936**	55,465	55,465
Other receivables	24	**6,279,769**	**6,279,769**	4,550,546	4,550,546
Short-term investments	25	**5,890,000**	**5,890,000**	14,070,000	14,070,000
Cash and bank balances	26	**6,696,937**	**6,696,937**	5,461,813	5,461,813
		25,761,429	**25,761,429**	26,734,020	26,734,020

		2018		2017	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		(Rupees '000)			
Assets carried at fair value					
Short-term investments - Investments at fair value through profit or loss	25	**5,345,646**	**5,345,646**	3,024,289	3,024,289
Liabilities carried at amortized cost					
Long-term loans including mark-up	8 & 12	**47,404,419**	**47,404,419**	47,516,032	47,516,032
Trade and other payables	11	**29,814,935**	**29,814,935**	21,931,383	21,931,383
Finance lease liability including mark-up		**435,034**	**435,034**	142,169	142,169
Short-term borrowings including mark-up		**22,827,932**	**22,827,932**	15,844,427	15,844,427
		100,482,320	**100,482,320**	85,434,011	85,434,011

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in the market rate and rate of the instruments and most of the fixed rate instruments are short-term in nature, therefore fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3
		(Rupees '000)	
December 31, 2018			
Assets carried at fair value			
Short-term investments - investment in mutual funds	**5,345,646**	**-**	**-**
December 31, 2017			
Assets carried at fair value			
Short-term investments - investment in mutual funds	3,024,289	-	-

The carrying value of financial assets and liabilities reflected in consolidated financial statements approximate to their respective fair values.

38.6 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit or loss - held for trading

The fair value of held for trading investments is determined by reference to their quoted closing repurchase price at the reporting date.

Investment in associate

The fair value of investment in quoted associate is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

38.7 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

The total long-term finance to equity ratio as at December 31, 2018 based on total long-term finance of Rs. 47,441,924 thousand and total equity of Rs. 20,032,459 thousand was 2.37:1 (2017: 2.38:1)

The Group finances its operations through equity, borrowings and management of working capital with view of maintaining an appropriate mix between various source of finance to minimize risk.

39 RELATED PARTY TRANSACTIONS

Fauji Fertilizer Company Limited (FFCL) has 49.88% share holding in FFBL (2017: 49.88%). While Fauji Foundation (FF) holds 18.29% shares (2017: 18.29%) in the Company. The Group has related parties which comprise of a joint venture, entities under common directorship, directors, key management personnel and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. The carrying value of investment in associates and joint venture are disclosed in note 17 to the consolidated financial statements.

	2018	2017
	(Rupees '000)	
Transactions with Fauji Foundation		
Dividend paid	**504,015**	102,505
Contribution paid for Youm-e-Shuhudaa & Defence Day	**2,000**	26,000
Donation paid (Institute of Cardioligy and Dams Fund)	**9,264**	-
Expenses in respect of Nukkerji land	**4,847**	9,821
Payable at the year end	**3,118**	2,513
Reimbursement of expenses	**4,505**	9,232
Transactions with associated undertakings due to common directorship		
Services and material acquired	**1,278,319**	1,298,833
Services and material provided	**15,144**	9,071
Receipts under consignment and current account - (FFCL)	**48,009,758**	60,675,806
Commission charged to FFCL	**24,970**	27,538
Dividend paid - net	**349,419**	279,535
Dividend received from associate	**37,500**	715,335
Balance receivable at the year end - unsecured (FFCL)	**2,292,909**	910,300
Income from TDR's with AKBL	**-**	930
Expenses paid on behalf of AKBL	**2,298**	1,054
Finance costs paid to AKBL	**27,733**	51,791
Profit on Bank balances (AKBL)	**119,793**	63,807
Balance at Bank (AKBL)	**431,728**	1,305,720
Short-term borrowings with AKBL	**708**	-
Interest and Guarantee fee from FWE- I and FWE-II	**4,947**	15,232
Transactions with Foundation Gas	**709**	986
Transaction with Fauji Foundation Hospital	**233**	58
Balance of loan to associates - FWE- I and FWE-II	**-**	33,863
Long-term loan (AKBL)	**500,000**	-

	2018	2017
	(Rupees '000)	
Transactions with joint venture		
Purchase of raw materials	**29,058,162**	22,534,840
Expenses incurred on behalf of joint venture	**11,348**	5,831
Balance payable at the year end - secured (included in note 11)	**7,091,973**	4,105,955
Balance receivable at the year end - unsecured (included in note 24)	**302,355**	6,854
Dividend received during the year	**524,701**	209,668
Other related parties		
Contribution to provident fund	**155,336**	110,134
Payment to gratuity fund	**83,432**	194,312
Payment to Workers' (Profit) Participation Fund and Worker's Welfare Fund	**255,201**	29,704
Payment to Fauji Security Services (Private) Limited	**2,898**	628,106
Balance payable at the year end - unsecured (WPPF and WWF)	**701,555**	1,346,739
Payable to gratuity fund	**150,183**	132,604
Remuneration of key management personnel	**411,037**	247,844

In addition to above:

Ranking charge amounting to US$ 91,456,667 and Rs. 4,000 million (2017: US$ 91,456,667 and Rs. 4,000 million) has been registered on assets of FFBL in respect of project financing arranged by Foundation Wind Energy-I Limited.

Ranking charge amounting to US$ 89,146,667 and Rs. 4,000 million (2017: US$ 89,146,667 and Rs. 4,000 million) has been registered on assets of FFBL in respect of project financing arranged by Foundation Wind Energy-II (Private) Limited.

39.1 Detail of related parties

Name of related party	Basis of relationship	Percentage holding
Fauji Foundation	Common Directorship	-
Fauji Fertilizer Company Limited	Common Directorship	-
Pakistan Maroc Phosphore	Joint Venture / Common directorship	25.00%
Fauji Cement Company Limited	Associate Company / Common directorship	1.36%
Askari Bank Limited	Associate Company / Common directorship	21.57%
Foundation Wind Energy-I Limited	Associate Company / Common directorship	35.00%
Foundation Wind Energy-II (Pvt) Limited	Associate Company / Common directorship	35.00%
FFBL Gratuity Fund	Employee benefit fund	-
FFBL Provident Fund	Employee benefit fund	-
FFBL Workers' (Profit) Participation Fund	Employee benefit fund	-
Fauji Security Services (Pvt) Limited	Associated Undertaking / Common directorship	-
FFL Provident Fund	Employee benefit fund	-

40 INFORMATION ABOUT REPORTABLE SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive and Managing Director. The Chief Executive and Managing Director considers the business from the products perspective. As at December 31, 2018 the Group is organized into four main operating segments based on its products:

- Fertilizer;
- Power;
- Meat; and
- Food

Information related to each reportable segment is set out 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 the same industries.

	2018					
	Fertilizers	Power	Meat	Food	Consolidation adjustments/ eliminations	Total
	(Rupees '000)					
Segment revenues	**61,510,528**	**16,245,240**	**1,120,369**	**8,094,123**	**(9,415,196)**	**77,555,064**
Segment profit / (loss) before tax	**1,809,109**	**3,299,279**	**(1,269,249)**	**(3,306,563)**	**836,198**	**1,368,774**
Other income	**3,181,634**	**250,884**	**20,712**	**23,827**	**(2,128,403)**	**1,348,654**
Finance costs	**2,222,874**	**1,855,724**	**530,385**	**674,797**	**(70,196)**	**5,213,584**
Depreciation	**1,633,725**	**974,920**	**302,216**	**673,735**	**(414,449)**	**3,170,147**
Share of profit / (loss) of equity - accounted investees	**-**	**-**	**-**	**-**	**2,402,358**	**2,402,358**
Segment assets (excluding long-term investments)	**55,799,233**	**34,263,300**	**7,697,138**	**13,166,900**	**(4,172,257)**	**106,754,314**
Equity accounted investees	**9,402,706**	**-**	**-**	**-**	**8,105,612**	**17,508,318**
	65,201,939	**34,263,300**	**7,697,138**	**13,166,900**	**3,933,355**	**124,262,632**
Capital expenditure	**994,327**	**799,845**	**28,765**	**1,462,548**	**-**	**3,285,485**
Segment liabilities (total)	**66,466,528**	**22,498,383**	**6,666,632**	**11,413,902**	**(2,441,494)**	**104,603,951**
Long-term loans	**21,208,333**	**18,932,353**	**4,816,667**	**4,450,000**	**(2,400,000)**	**47,007,353**
Short-term borrowings	**13,913,497**	**2,070,000**	**1,527,008**	**4,991,084**	**-**	**22,501,589**

	2017					
	Fertilizers	Power	Meat	Food	Consolidation adjustments/ eliminations	Total
	(Rupees '000)					
Segment revenues	52,732,954	7,956,722	1,242,892	7,000,955	(4,544,817)	64,388,706
Segment profit / (loss) before tax	1,441,343	1,781,872	(1,355,204)	(3,012,698)	2,329,084	1,184,397
Other income	4,377,262	73,504	8,118	34,649	(878,413)	3,615,120
Finance costs	1,941,020	1,077,788	463,165	398,345	-	3,880,318
Depreciation	1,600,412	667,509	274,536	540,950	(327,098)	2,756,309
Share of profit / (loss) of equity - accounted investees	-	-	-	-	2,343,875	2,343,875
Segment assets (excluding long-term investments)	42,587,049	34,608,827	8,049,903	11,314,325	(2,296,582)	94,263,522
Equity accounted investees	9,402,706	-	-	-	6,296,355	15,699,061
	51,989,755	34,608,827	8,049,903	11,314,325	3,999,773	109,962,583
Capital expenditure	738,467	3,512,306	105,198	1,064,111	477,885	5,897,967
Segment liabilities (total)	52,501,162	24,395,654	7,201,660	6,962,158	(694,833)	90,365,801
Long-term loans	18,541,666	20,442,860	3,916,667	4,450,000	-	47,351,193
Short-term borrowings	9,934,276	1,316,000	2,974,420	1,449,501	-	15,674,197

40.1 Reconciliation of information on reportable segments to applicable financial reporting standards

	2018	2017
	(Rupees '000)	
Revenue for reportable segments	**77,555,064**	64,388,706
Consolidated Revenue	**77,555,064**	64,388,706
Profit / (loss) before tax for reportable segments	**532,576**	(1,144,687)
Less:		
Dividend income from associates and joint venture	**(1,977,432)**	(803,608)
Other	**-**	(35,653)
Add:		
Share of profit of joint venture and associates - net	**2,402,358**	2,343,875
Reduction in depreciation charge	**412,509**	324,597
Inter-group elimination	**(1,237)**	499,873
Consolidated profit before tax from continuing operations	**1,368,774**	1,184,397
Segment assets (excluding long-term investments)	**110,926,571**	96,560,104
Less:		
Gain on sale of a land and others assets by Holding Company to subsidiaries	**(1,229,789)**	(1,277,241)
Inter-group eliminations	**(1,083,773)**	(718,748)
Additional deferred tax liability on undistributed profits of a subsidiary	**-**	(91,444)
Additional deferred tax liability on undistributed profits of associates and joint venture	**-**	(750,454)
Loan from FFBL to FML	**(2,400,000)**	-
Add:		
Inter-company adjustment - Pre-COD sale of fuel	**541,305**	541,305
Consolidated total assets	**106,754,314**	94,263,522
Total Liabilities for reporting segments	**107,045,445**	91,060,634
Add:		
Deferred tax on associate and joint venture	**839,406**	-
Deferred tax on subsidiary	**178,730**	-
Contingent liability	**23,915**	23,915
Others	**228**	-
Less:		
Inter-group eliminations	**(1,083,773)**	(718,748)
Loan from FFBL to FML	**(2,400,000)**	-
Consolidated total liabilities	**104,603,951**	90,365,801

Other material items	**2018 (Rupees '000)**			
	Other income	**Finance Costs**	**Capital expenditure**	**Depreciation**
Reportable segments total	**3,477,057**	**5,283,780**	**3,285,485**	**3,584,596**
Less:				
Dividend income from associates and joint venture	**(1,977,432)**	**-**	**-**	**-**
Inter-company adjustment	**(150,971)**	**(70,196)**	**-**	**-**
Reduction in depreciation	**-**	**-**	**-**	**(414,449)**
Consolidated Total	**1,348,654**	**5,213,584**	**3,285,485**	**3,170,147**

	2017 (Rupees '000)			
Other material items	Other income	Finance Costs	Capital expenditure	Depreciation
Reportable segments total	4,493,533	3,880,318	5,420,082	3,083,407
Less:				
Dividend income from associates and joint venture	(803,608)	-	-	-
Inter-company adjustment	(74,805)	-	477,885	-
Reduction in depreciation	-	-	-	(327,098)
Consolidated Total	3,615,120	3,880,318	5,897,967	2,756,309

40.2 There were no major customers of the Group which formed part of 10 per cent or more of the Group's revenue.

40.3 All of the Group's assets (except for its investment in a joint venture) are situated in Pakistan.

41 EMPLOYEES PROVIDENT FUND TRUST

All the investments out of the provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

42	GENERAL	Unit	2018	2017
42.1	**Fauji Fertilizer Bin Qasim Limited:**			
	Design capacity			
	Urea	Tonnes	**551,100**	551,100
	DAP	Tonnes	**650,000**	650,000
	Actual production			
	Urea	Tonnes	**561,819**	543,155
	DAP	Tonnes	**730,136**	808,808

		Unit	2018	2017
42.2	**FFBL Power Company Limited:**			
	Electricity			
	Installed capacity based on 8,760 hours (2017: 5,448 hours)	Megawatt	**543,558**	414,048
	Actual Energy Delivered	Megawatt	**560,438**	356,751
	Steam			
	Installed capacity based on 8,760 hours (2017: 5,448 hours)	Metric ton	**1,489,200**	1,089,600
	Actual energy delivered	Metric ton	**1,453,282**	952,690

The variation in production of electricity and steam depends upon availability of plant and demand from customer in addition to shutdown for annual turn around (maintenance).

		Unit	2018	2017
42.3	**Fauji Meat Limited:**			
	Design capacity*			
	Meat	Metric ton	**30,000**	30,000
	Actual production			
	Meat	Metric ton	**1,968**	4,854

Actual production is based on demand of meat products of FML during the year.

*At single shift of 08 hours per day and 25 operating days in a month.

		Unit	2018	2017
42.4	**Fauji Foods Limited :**			
	Design capacity			
	Liquid products	Litres	**227,760,000**	227,760,000
	Non-liquid products	Kgs	**6,935,000**	6,935,000
	Actual production			
	Liquid products	Litres	**90,295,898**	86,699,115
	Non-liquid products	Kgs	**1,778,587**	725,221

Actual production is based on demand of milk products of FFL during the year.

		2018	2017
		Numbers	
42.5	**Number of persons employed**		
	Total		
	Employees on year end	**2,954**	2,989
	Average employees during the year	**2,964**	3,025
	Plant		
	Employees on year end	**2,378**	2,093
	Average employees during the year	**2,378**	1,986

42.6 The Board of Directors in their meeting held on January 30, 2019 have proposed a final dividend of Re.1 per ordinary share. This appropriation has not been accounted for in these consolidated financial statements.

42.7 These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company in their meeting held on January 30, 2019.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2018

CATEGORIES OF SHAREHOLDERS		Shares held	Percentage
1-	Directors, Chief Executive Officer, and their spouse and minor children.	6,009	0.00
2-	Associated Companies, undertakings and related parties.		
	i- Fauji Fertilizer Company Ltd	465,891,896	49.88
	ii- Fauji Foundation	170,842,386	18.29
3-	NIT and ICP	1,368,124	0.15
4-	Banks, Development Financial Institutions, Non Banking Financial Institutions.	83,450,749	8.93
5-	Insurance Companies	6,536,254	0.70
6-	Modarabas and Mutual Funds	19,019,451	2.04
7-	Shareholders holding 10%		
	i- Fauji Fertilizer Company Ltd	465,891,896	49.88
	ii- Fauji Foundation	170,842,386	18.29
8-	General Public		
	i- Local	125,391,275	13.42
	ii- Foreign	41,500	0.00
9-	Others (Joint Stock Companies, Charitable Trusts, Non-resident Companies, Cooperative Societies, Varoius Funds etc)	61,562,356	6.59

پیٹرن آف شیئر ہولڈنگ - ایف ایف بی ایل

31 دسمبر 2018

فیصد	حصص کی تعداد	حصص یافتگان کی اقسام
0.00	6,009	1- ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی شریک حیات اور چھوٹے بچے
		2 - شریک کمپنیاں، اقرار نامے اور متعلقہ جماعتیں
49.88	465,891,896	i- فوجی فرٹیلائیزر کمپنی لمیٹڈ
18.29	170,842,386	ii- فوجی فاؤنڈیشن
0.15	1,368,124	3- این آئی ٹی اور آئی سی پی
8.93	83,450,749	4- بنک، ترقیاتی مالیاتی ادارے، غیر بنکاری مالیاتی ادارے
0.70	6,536,254	5- بیمہ کمپنیاں
2.04	19,019,451	6- مدارابہ کمپنیاں اور میوچل فیڈز
		7- دس فیصد حصص یافتگان
49.88	465,891,896	i- فوجی فرٹیلائیزر کمپنی لمیٹڈ
18.29	170,842,386	ii- فوجی فاؤنڈیشن
		8- عمومی عوام
13.42	125,391,275	i- ملکی (مقامی)
0.00	41,500	ii- غیر ملکی
6.59	61,562,356	9- دیگر (جوائنٹ سٹاک کمپناں، خیراتی ادارے، غیر ملکی کمپنیاں، کوآپریٹو سوسائٹیاں، مختلف فنڈز)

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2018

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
965	1	-	100	47,662
3,577	101	-	500	1,641,368
2437	501	-	1000	2,026,380
3509	1001	-	5000	9,888,039
1109	5001	-	10000	8,847,142
502	10001	-	15000	6,444,998
294	15001	-	20000	5,384,239
205	20001	-	25000	4,808,833
139	25001	-	30000	3,915,098
92	30001	-	35000	3,032,036
85	35001	-	40000	3,277,193
49	40001	-	45000	2,111,262
103	45001	-	50000	5,072,713
44	50001	-	55000	2,323,911
38	55001	-	60000	2,224,875
35	60001	-	65000	2,216,284
23	65001	-	70000	1,581,193
34	70001	-	75000	2,517,149
20	75001	-	80000	1,563,116
11	80001	-	85000	909,772
15	85001	-	90000	1,334,173
8	90001	-	95000	743,326
48	95001	-	100000	4,774,292
5	100001	-	105000	517,796
14	105001	-	110000	1,525,313
9	110001	-	115000	1,023,580
10	115001	-	120000	1,188,965
6	120001	-	125000	746,000
4	125001	-	130000	510,021
2	130001	-	135000	268,794
1	135001	-	140000	138,071
4	140001	-	145000	574,559
11	145001	-	150000	1,641,500
4	150001	-	155000	609,500
4	155001	-	160000	633,200
3	160001	-	165000	492,912
7	165001	-	170000	1,181,000
6	170001	-	175000	1,042,408
6	175001	-	180000	1,065,341
2	180001	-	185000	367,900

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2018

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
5	185001	-	190000	941,660
2	190001	-	195000	387,152
21	195001	-	200000	4,192,000
3	205001	-	210000	628,000
4	210001	-	215000	857,500
2	215001	-	220000	437,000
3	220001	-	225000	672,500
1	225001	-	230000	227,500
1	230001	-	235000	235,000
1	235001	-	240000	237,378
2	240001	-	245000	487,000
5	245001	-	250000	1,245,500
1	250001	-	255000	252,262
6	255001	-	260000	1,538,810
1	265001	-	270000	269,115
1	270001	-	275000	271,000
3	275001	-	280000	833,686
1	285001	-	290000	287,000
1	290001	-	295000	291,000
2	295001	-	300000	596,015
2	300001	-	305000	607,000
2	310001	-	315000	625,000
1	315001	-	320000	315,500
2	320001	-	325000	649,000
3	325001	-	330000	986,538
3	335001	-	340000	1,015,924
1	345001	-	350000	349,500
1	360001	-	365000	364,500
1	370001	-	375000	370,500
1	380001	-	385000	385,000
1	385001	-	390000	389,500
5	395001	-	400000	1,997,120
1	410001	-	415000	413,000
2	425001	-	430000	859,000
1	430001	-	435000	431,000
1	440001	-	445000	445,000
1	445001	-	450000	450,000
1	450001	-	455000	452,500
1	455001	-	460000	460,000
1	460001	-	465000	460,360

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2018

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
1	470001	-	475000	472,000
1	485001	-	490000	490,000
3	495001	-	500000	1,500,000
1	500001	-	505000	500,435
1	505001	-	510000	508,000
1	515001	-	520000	520,000
2	525001	-	530000	1,058,000
1	540001	-	545000	544,000
1	555001	-	560000	558,600
2	575001	-	580000	1,154,500
2	595001	-	600000	1,200,000
1	620001	-	625000	625,000
1	640001	-	645000	642,661
2	655001	-	660000	1,315,110
1	665001	-	670000	667,500
1	700001	-	705000	701,500
2	705001	-	710000	1,416,100
1	720001	-	725000	724,000
2	735001	-	740000	1,475,775
1	755001	-	760000	760,000
2	765001	-	770000	1,539,150
1	810001	-	815000	812,000
1	820001	-	825000	821,000
1	840001	-	845000	841,000
1	860001	-	865000	861,689
1	880001	-	885000	881,500
1	895001	-	900000	899,000
2	905001	-	910000	1,820,000
1	910001	-	915000	912,500
1	970001	-	975000	975,000
1	975001	-	980000	976,500
1	1015001	-	1020000	1,016,000
1	1045001	-	1050000	1,048,000
1	1050001	-	1055000	1,051,458
1	1080001	-	1085000	1,085,000
1	1095001	-	1100000	1,100,000
1	1130001	-	1135000	1,135,000
1	1190001	-	1195000	1,190,503
1	1210001	-	1215000	1,211,500
1	1395001	-	1400000	1,400,000

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2018

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
1	1520001	-	1525000	1,520,800
1	1670001	-	1675000	1,675,000
1	1735001	-	1740000	1,735,500
1	1765001	-	1770000	1,769,474
1	1820001	-	1825000	1,821,000
1	1840001	-	1845000	1,842,500
1	2280001	-	2285000	2,285,000
1	2445001	-	2450000	2,447,000
1	2620001	-	2625000	2,622,500
1	2715001	-	2720000	2,720,000
1	2720001	-	2725000	2,725,000
1	2865001	-	2870000	2,869,000
2	2895001	-	2900000	5,794,078
1	3095001	-	3100000	3,100,000
1	3375001	-	3380000	3,378,527
1	3450001	-	3455000	3,454,424
1	4290001	-	4295000	4,293,000
1	4795001	-	4800000	4,800,000
1	6000001	-	6005000	6,005,000
1	6945001	-	6950000	6,950,000
1	7315001	-	7320000	7,318,000
1	9340001	-	9345000	9,341,100
1	9995001	-	10000000	10,000,000
1	14015001	-	14020000	14,016,000
1	46695001	-	46700000	46,699,000
1	161500001	-	162000000	161,501,286
1	465890001	-	465895000	465,891,896
13616	**TOTAL**			**934,110,000**

Trading in shares of company by Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children

Name	Designation	Date	Purchase	Sale	Rate Rs/ share
Masoom Hussain Zaidi	Co-MD(PMP)	04-01-18	5,000	-	36.27
		30-08-18	-	5,000	41.43

PATTERN OF SHAREHOLDING - FFBL SUBSIDIARIES

AS AT DECEMBER 31, 2018

FAUJI MEAT LIMITED

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHARES HELD	PERCENTAGE
FAUJI FERTILIZER BIN QASIM LIMITED	1	374,999,986	83.33
FAUJI FOUNDATION	1	75,000,000	16.67
DIRECTORS	9	14	0.00
TOTAL	11	450,000,000	100.00

فیصد	حصص کی تعداد	حصص یافتگان کی تعداد	حصص یافتگان کی اقسام
83.33	374,999,986	1	فوجی فرٹیلائزر بن قاسم لمیٹڈ
16.67	75,000,000	1	فوجی فاؤنڈیشن
0.00	14	9	ڈائریکٹرز
100.00	450,000,000	11	ٹوٹل

FFBL POWER COMPANY LIMITED

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHARES HELD	PERCENTAGE
FAUJI FERTILIZER BIN QASIM LIMITED	1	644,062,491	75.00
FAUJI FOUNDATION	1	214,687,500	25.00
DIRECTORS	9	9	0.00
TOTAL	11	858,750,000	100.00

فیصد	حصص کی تعداد	حصص یافتگان کی تعداد	حصص یافتگان کی اقسام
75.00	644,062,491	1	فوجی فرٹیلائزر بن قاسم لمیٹڈ
25.00	214,687,500	1	فوجی فاؤنڈیشن
0.00	9	9	ڈائریکٹرز
100.00	858,750,000	11	ٹوٹل

FFBL FOODS LIMITED

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHARES HELD	PERCENTAGE
FAUJI FERTILIZER BIN QASIM LIMITED	1	29,851,838	100.00
DIRECTORS	7	7	0.00
TOTAL	8	29,851,845	100.00

فیصد	حصص کی تعداد	حصص یافتگان کی تعداد	حصص یافتگان کی اقسام
100.00	29,851,838	1	فوجی فرٹیلائزر بن قاسم لمیٹڈ
0.00	7	7	ڈائریکٹرز
100.00	29,851,845	8	ٹوٹل

PATTERN OF SHAREHOLDING - FAUJI FOOD LTD
AS AT DECEMBER 31, 2018

1.1 Name of the Company FAUJI FOODS LIMITED

2.1. Pattern of holding of the shares held by the shareholders as at **31-12-2018**

		------Shareholdings------		
2.2	**No. of Shareholders**	**From**	**To**	**Total Shares Held**
	831	1	100	41,132
	1143	101	500	510,972
	1031	501	1,000	995,564
	2192	1,001	5,000	6,317,098
	689	5,001	10,000	5,530,069
	248	10,001	15,000	3,161,736
	159	15,001	20,000	2,949,424
	89	20,001	25,000	2,077,053
	62	25,001	30,000	1,758,607
	45	30,001	35,000	1,496,820
	44	35,001	40,000	1,712,136
	25	40,001	45,000	1,084,944
	35	45,001	50,000	1,729,216
	15	50,001	55,000	787,619
	17	55,001	60,000	1,003,724
	13	60,001	65,000	829,748
	12	65,001	70,000	816,003
	16	70,001	75,000	1,190,500
	19	75,001	80,000	1,491,075
	4	80,001	85,000	331,000
	6	85,001	90,000	532,802
	1	90,001	95,000	92,500
	26	95,001	100,000	2,596,000
	9	100,001	105,000	926,534
	7	105,001	110,000	759,500
	5	110,001	115,000	570,500
	6	115,001	120,000	707,168
	3	120,001	125,000	368,000
	4	125,001	130,000	510,900
	4	130,001	135,000	533,900
	4	135,001	140,000	558,500
	3	140,001	145,000	430,000
	6	145,001	150,000	892,500
	7	150,001	155,000	1,075,240
	5	155,001	160,000	794,240
	4	160,001	165,000	651,500
	2	165,001	170,000	338,400
	1	170,001	175,000	175,000
	1	175,001	180,000	180,000

PATTERN OF SHAREHOLDING - FAUJI FOOD LTD

AS AT DECEMBER 31, 2018

		------Shareholdings------		
2.2	No. of Shareholders	From	To	Total Shares Held
	1	180,001	185,000	185,000
	1	185,001	190,000	187,000
	1	190,001	195,000	192,072
	9	195,001	200,000	1,799,800
	5	200,001	205,000	1,011,500
	1	205,001	210,000	210,000
	3	210,001	215,000	635,632
	1	215,001	220,000	220,000
	3	220,001	225,000	674,000
	3	230,001	235,000	694,500
	1	235,001	240,000	236,000
	2	240,001	245,000	488,000
	4	245,001	250,000	996,500
	2	250,001	255,000	505,500
	1	260,001	265,000	265,000
	2	265,001	270,000	536,000
	1	275,001	280,000	280,000
	1	285,001	290,000	289,500
	1	290,001	295,000	295,000
	2	295,001	300,000	600,000
	2	305,001	310,000	610,666
	1	310,001	315,000	314,000
	2	315,001	320,000	640,000
	2	345,001	350,000	700,000
	2	350,001	355,000	705,360
	1	375,001	380,000	377,000
	2	395,001	400,000	800,000
	1	420,001	425,000	425,000
	1	425,001	430,000	426,500
	2	435,001	440,000	876,500
	1	440,001	445,000	444,000
	1	445,001	450,000	450,000
	1	455,001	460,000	458,684
	3	460,001	465,000	1,384,500
	1	465,001	470,000	470,000
	1	495,001	500,000	496,000
	1	515,001	520,000	519,000
	1	605,001	610,000	610,000
	1	615,001	620,000	620,000
	1	705,001	710,000	706,900
	1	725,001	730,000	728,000

PATTERN OF SHAREHOLDING - FAUJI FOOD LTD
AS AT DECEMBER 31, 2018

		------Shareholdings------		
2.2	No. of Shareholders	From	To	Total Shares Held
	1	775,001	780,000	779,000
	1	795,001	800,000	800,000
	1	800,001	805,000	800,500
	1	880,001	885,000	883,000
	1	900,001	905,000	900,500
	1	935,001	940,000	936,000
	2	990,001	995,000	1,982,500
	2	995,001	1,000,000	2,000,000
	1	1,350,001	1,355,000	1,352,400
	1	1,730,001	1,735,000	1,730,500
	1	2,065,001	2,070,000	2,070,000
	1	2,300,001	2,305,000	2,301,000
	1	3,515,001	3,520,000	3,519,248
	1	3,520,001	3,525,000	3,524,900
	1	5,745,001	5,750,000	5,747,500
	1	6,420,001	6,425,000	6,421,500
	1	7,415,001	7,420,000	7,420,000
	1	8,555,001	8,560,000	8,558,580
	1	18,265,001	18,270,000	18,267,056
	1	21,605,001	21,610,000	21,606,000
	1	30,550,001	30,555,000	30,552,468
	1	67,370,001	67,375,000	67,371,916
	1	267,310,001	267,315,000	267,311,886
	6892			528,407,192

2.3	Categories of shareholders	Shares held	Percentage (%)
2.3.1	Directors, Chief Executive Officers, and their spouse and minor children	20,568,165	3.89
2.3.2	Associated Companies, undertakings and related parties. (Parent Company)	343,247,502	64.96
2.3.3	NIT and ICP	10,249	0.00
2.3.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	940,500	0.18
2.3.5	Insurance Companies	693,572	0.13
2.3.6	Modarabas and Mutual Funds	6,956,800	1.32
2.3.7	Shareholders holding 10% or more	334,686,802	63.34
2.3.8	General Public		
	1. Local	113,251,812	21.43
	2. Foreign	41,000	0.01
2.3.9	Others (to be specified)		
	1- Joint Stock Companies	12,905,816	2.44
	2- Foreign Companies	1,357,400	0.26
	3- Other Companies	28,434,376	5.38

پیٹرن آف شیئر ہولڈنگ - فوجی فوڈز لمیٹڈ

31 دسمبر 2018

حصص یافتگان کی اقسام	حصص کی تعداد	فیصد
1- ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی شریک حیات اور چھوٹے بچے	20,568,165	3.89
2- شریک کمپنیاں، اقرار نامے اور متعلقہ جماعتیں	343,247,502	64.96
3- این آئی ٹی اور آئی سی پی	10,249	0.00
4- بنک، ترقیاتی مالیاتی ادارے، غیر بنکاری مالیاتی ادارے	940,500	0.18
5- بیمہ کمپنیاں	693,572	0.13
6- مدارابہ کمپنیاں اور میوچل فنڈز	6,956,800	1.32
7- دس فیصد حصص یافتگان	334,686,802	63.34
8- عمومی عوام		
i- ملکی (مقامی)	113,251,812	21.43
ii- غیر ملکی	41,000	0.01
9- دیگر	61,562,356	6.59
i- جوائنٹ سٹاک کمپناں	12,905,816	2.44
ii- غیر ملکی کمپنیاں	1,357,400	0.26
iii- دیگر کمپنیاں	28,434,376	5.38

FINANCIAL CALENDAR 2019

The Company's financial year starts from January 01 and ends at December 31 each year. Tentative schedule for announcements of quarterly financial results in 2019 is as under:

Annual General Meeting	March 29, 2019
First Quarter ending March 31, 2019	Last week of April 2019
Second Quarter ending June 30, 2019	Last week of July 2019
Third Quarter ending September 30, 2019	Last week of October 2019
Year ending December 31, 2019	Last week of January 2020

FORM OF PROXY

25th ANNUAL GENERAL MEETING

The Company Secretary
Fauji Fertilizer Bin Qasim Limited
FFBL Tower, C1/C2, Sector-B,
Jinnah Boulevard, DHA-II,
Islamabad.

I/We, __________ of _________________, being a Member(s) of FAUJI FERTILIZER BIN QASIM LIMITED, holder of ___________ ordinary shares as per registered Folio No.__________________ hereby appoint Mr. / Mst ________________________ Folio No (if member) _____________of ________ or failing him/her Mr. / Mst ___________________________ Folio No (if member)___________________ of ______________as my/ our proxy in my/our absence to attend and vote for me/us, and on my/our behalf at the Annual General Meeting of the Company to be held on March 29, 2019 and at any adjournment thereof.

Signed under my/our hand this ______ day of _________ 2019.

____

Signature should agree with
the specimen signature
registered with the Company

Signed in the presence of:

____
Signature of Witness

____
Signature of Witness

Notes:

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or the under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or it notarially certified copy of that power of authority shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument purposes to vote, and in default the instrument of a proxy shall not be treated as valid.

اطلاع برائے سالانہ اجلاس عام

مطلع کیا جاتا ہے کہ فوجی فرٹیلائزر بن قاسم لمیٹڈ کے حصص داران کا ۲۵ واں سالانہ اجلاس عام مورخہ ۲۹ مارچ ۲۰۱۹ کو دن ۱۱۰۰ بجے امپیریل ہال، جکارنڈا فیملی کلب، سیکٹر ای، فیز-II، ڈی ایچ اے اسلام آباد میں منعقد ہوگا جس میں درج ذیل امور طے کیے جائیں گے۔

عمومی امور:

۱۔ غیر معمولی اجلاس عام منعقدہ ۲۳ مئی ۲۰۱۸ کی کارروائی کی توثیق کرنا۔

۲۔ ۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والے سال کیلئے ڈائریکٹرز اور آڈیٹرز رپورٹ کے ساتھ کمپنی کے آڈٹ شدہ اکاؤنٹس (علیحدہ اور اکٹھے) کی وصولی، ان پر غور اور منظور کرنا۔

۳۔ موجودہ سالانہ اجلاس عام سے اگلے سالانہ اجلاس عام تک کمپنی کے آڈیٹرز کی تعیناتی اور ان کے معاوضے کا تعین۔ ریٹائر ہونے والے آڈیٹرز میسرز اے ایف فرگوسن، چارٹرڈ اکاؤنٹنٹس نے خود کو دوبارہ انتخاب کیلئے پیش کیا ہے۔

۴۔ ۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والے سال کیلئے بورڈ آف ڈائریکٹرز کے سفارش کردہ فائنل ڈیویڈنڈ کی ادائیگی کی منظوری۔

خصوصی امور

۵۔ مندرجہ ذیل قراردادوں کو کسی ترمیم، اضافے یا تبدیلی کے ساتھ یا اس کے بغیر خصوصی قراردادوں کے طور پر منظور کرنا:

"**یہ منظور کیا گیا کہ** کمپنی کو فوجی فوڈز لمیٹڈ ("FFL") میں سرمایہ کاری کرنے اور اسپانسر معاونت فراہم کرنے کا اختیار ہوگا جس کی مالیت -/۳۰۰۰۰۰۰۰۰۰ روپے (صرف تین ارب روپے) سے زائد نہیں ہوگی، یہ رقم مجموعی طور پر، یا "سب آرڈینیٹڈ لون" یا ضمنی معاونت کے ذریعے زیادہ سے زیادہ ایک سال کی مدت کے لیے (بشمول، بغیر کسی شرائط کے کارپوریٹ گارنٹی، بینک گارنٹی، لیٹر آف کریڈٹ یا حق واپسی کے تحت نقد ڈیپازٹ کی فراہمی اور انتظام کے ذریعے) زیر گردش سرمایہ یا کسی دوسری شکل میں سیکیورٹی کے طور پر مالیاتی اداروں کی جانب سے FFL کو دی جائے گی۔ سابق الذکر کی عمومیت کو محدود کیے بغیر، کمپنی کو یہ اختیار حاصل ہوگا کہ:

i. یہ قرضہ FFL کو سب آرڈینیٹڈ لون کی صورت میں دیا جائے گا جو کہ ایک سال کے عرصے کے دوران ایک یا ایک سے زائد اقساط کی صورت میں فراہم کیا جائے گا۔ FFL قرضے کی ہر قسط معاونت کی شرائط اور قرض فراہم کنندگان کی منظوری کے مطابق واپس کرے گی۔ ہر قسط اجراء کی تاریخ کے ایک سال کے اندر واپس کی جائے گی۔ یہ سہولت بھی موجود ہے کہ کوئی بھی قسط یا اس کا کوئی حصہ وقت سے پہلے بغیر جرمانے کے ادا کیا جا سکتا ہے۔

ii. قسط کے اجراء کی تاریخ سے واپسی کی تاریخ کی درمیانی مدت پر منافع یا مارک اپ وصول کیا جائے گا۔ اس کی شرح ان دونوں میں سے جو زیادہ ہوگی اس کے مطابق رکھی جائے گی (الف) کمپنی کی طرف سے اس رقم پر ادا کی گئی شرح منافع اور (ب) تین ماہ کا KIBOR جمع ۱۵۰ بی پی ایس۔ منافع سہ ماہی بنیاد پر وصول کیا جائے گا۔

iii. ضمنی معاونت کی فراہمی بشمول، کسی شرط کے بغیر، کارپوریٹ گارنٹی، بینک گارنٹی، قرضے کے عارضی انتظام یا کیش ڈیپازٹ کی صورت میں رقوم کی فراہمی۔

iv. FFL سے سہ ماہی بنیاد پر ایک فیس ("ضمنی فیس") ہر سال زیادہ سے زیادہ ایک اعشاریہ پانچ فیصد (۱.۵ فیصد) کے مساوی اس تاریخ سے وصول کرے گی جس تاریخ کو نقد رقم جمع کی گئی ہو، یا کسی گارنٹی یا لیٹر آف کریڈٹ پیش کیا گیا ہو، جب تک متعلقہ ڈیپازٹ پر حق واپسی، یا متعلقہ گارنٹی یا لیٹر آف کریڈٹ جاری نہیں کیا جاتا، بشرطیکہ اگر حق واپسی کے نفاذ یا متعلقہ گارنٹی یا لیٹر آف کریڈٹ واپس لینے کے نتیجے میں ایسا ڈیپازٹ ضبط کر لیا جاتا ہے۔ پھر اس تاریخ کے بعد سے کمپنی FFL سے ایسے ضبط شدہ نقد ڈیپازٹ یا واپس لی جانے والی گارنٹی یا لیٹر آف کریڈٹ کی پوری اصل رقم وصول کرے گی اور FFL سے پوری اصل رقم وصول کرنے کے حق سے بلا تعصب ضمنی فیس (الف) کمپنی کی قرضے کی لاگت سے زیادہ اور (ب) ۳ ماہ کے KIBOR کے علاوہ ہر کیس میں ۱۵۰ بی پی ایس کے مساوی ہوگی۔ مارک اپ سہ ماہی بنیاد پر وصول کیا جائے گا۔

مزید یہ منظور کیا گیا کہ کمپنی اس طرح کے تمام کام، اعمال اور اقدام کرے گی جو مذکورہ بالا قرارداد کے لیے ضروری ہوں یا ان مجوزہ مقاصد کے حصول کو تیز تر کریں یا اس کے سمیت بغیر کسی حد تک، کوئی ایک اور تمام معاہدوں، دستاویزات، مختار نامے، نوٹسز، سرٹیفیکیٹس، دستاویزات (خواہ ان کی کوئی بھی نوعیت اور تفصیل ہو) تیار کرے گی، تقسیم کرے گی اور ان پر عمل درآمد کرے گی بشمول متعلقہ مالیاتی ادارے کے ساتھ کمپنی اور FFL اسپانسر معاونت کے معاہدے اور مجموعی طور پر معاوضہ کے معاہدے (مجموعی طور پر "متعلقہ معاہدے") FFL کے ساتھ، اس مقصد کے حصول کے لئے حسب ضرورت کرے گی۔

اطلاع برائے سالانہ اجلاس عام

مزید یہ منظور کیا گیا کہ مینجنگ ڈائریکٹر، کمپنی سیکرٹری اور چیف فنانشل آفیسر، یا ان جیسے ایک یا زائد افراد جسے مینجنگ ڈائریکٹر خاص طور پر اس مقصد کے لئے نامزد کرے، انھیں تمام مندرجہ بالا قراردادوں پر انفرادی یا اجتماعی طور پر عمل درآمد کرنے کے لئے کوئی ایک یا تمام ضروری اقدامات کرنے، بشمول بغیر کسی حد بندی کے، کوئی ایک یا تمام رضامندیاں اور منظوریاں حاصل کرنے، متعلقہ معاہدہ جات اور دیگر تمام ضروری دستاویزات، اعلانات، سرٹیفکیٹس اور اقرار نامے کرنے اور (جہاں ضروری ہو) فائل جمع کرانے، اور کسی بھی ریگولیٹری یا دیگر اتھارٹی کے سامنے پیش ہونے، نمائندگی کرنے، جیسا بھی ضروری یا لازمی ہو کسی بھی معاملات کے سلسلے میں، اس طرح کے تمام دستاویزات اور نوٹسوں پر دستخط کرنے، جاری کرنے اور بھیجنے نیز اس طرح کے کاموں کو حسب ضرورت انجام دینے، مذکورہ بالا مقاصد کے حصول اور مندرجہ بالا قراردادوں کو موثر بنانے سمیت کمپنی کے رجسٹرڈ دفتر میں منسلکہ کمپنیوں میں سرمایہ کاری کے رجسٹر میں FFL میں کوئی بھی سرمایہ کاری کی تفصیلات طے کرنے کا اختیار حاصل ہے؛ بشرطیکہ اگر ایسی کسی بھی دستاویز یا کاغذات پر کمپنی کی مہر ثبت ہو تو کمپنی کی جانب سے مینجنگ ڈائریکٹر اس پر عملدرآمد کرائے گا۔

مزید یہ منظور کیا گیا کہ مینجنگ ڈائریکٹر، کمپنی سیکرٹری اور کمپنی کے چیف فنانشل آفیسر کمپنی کے کسی بھی دوسرے اہل کار کو جسے وہ مناسب خیال کریں، تحریری طور پر، مختار نامہ کے ذریعے یا کسی دوسری صورت میں، تمام مذکورہ بالا اختیارات یا ان میں کوئی ایک تفویض کر سکتے ہیں۔

<u>دیگر کاروباری اُمور:</u>

۶۔ دیگر کوئی بھی کاروباری معاملہ چیئرمین کی اجازت سے زیر بحث لایا جائے گا۔

بحکم بورڈ

فوجی فرٹیلائزر بن قاسم لمیٹڈ

بریگیڈیئر سید مجتبیٰ ترمذی

ستارۂ امتیاز (ملٹری)، (ریٹائرڈ)

کمپنی سیکرٹری

اسلام آباد

۴ مارچ ۲۰۱۹

<u>کمپنیز ایکٹ ۲۰۱۷ کے سیکشن ۱۳۴ کے تحت وضاحتی بیان</u>

فوجی فوڈز لمیٹڈ (FFL) میں سرمایہ کاری

مجوزہ سرمایہ کاری کا مقصد FFL میں زیر گردشی اور روز مرہ کے اخراجات کی ضروریات کو پورا کرنا ہے، یہ اخراجات FFL کے لئے اپنے محدود وسائل سے پورا کرنا ممکن نہیں۔

کمپنی FFL کو زیادہ سے زیادہ ۳ ارب روپے فراہم کرے گی، یہ "سب آرڈینیٹڈ لون" یا اس کے کسی مجموعے کی صورت میں قرضے، یا ضمنی معاونت کی صورت میں زیادہ سے زیادہ ایک سال کے عرصے کے لیے فراہم کی جائے گی (بشمول، کسی شرط کے بغیر، کارپوریٹ گارنٹی، بینک گارنٹی، قرضے کے عارضی انتظام یا کیش ڈیپازٹ کی صورت میں)۔ یہ رقم مالیاتی اداروں کی طرف سے FFL کو زیر گردش سرمائے کی سہولیات کی فراہمی یا کسی اور صورت میں رقوم کی فراہمی کے لیے سکیورٹی کا کام کرے گی۔ اس کی مجموعی حیثیت کو محدود نہ کرتے ہوئے کمپنی مندرجہ ذیل کاموں کا ارادہ رکھتی ہے:

i. یہ قرضہ FFL کو (سب آرڈینیٹڈ لون) کی صورت میں دیا جائے گا جو کہ ایک سال کے عرصے کے دوران ایک یا ایک سے زائد اقساط کی صورت میں فراہم کیا جائے گا۔ FFL قرضے کی ہر قسط معاونت کی شرائط اور قرض فراہم کنندگان کی منظوری کے مطابق واپس کرے گی۔ ہر قسط اجراء کی تاریخ کے ایک سال کے اندر واپس کی جائے گی۔ یہ سہولت بھی موجود ہے کہ کوئی بھی قسط یا اس کا کوئی حصہ وقت سے پہلے بغیر جرمانے کے ادا کیا جا سکتا ہے۔

ڈائریکٹرز رپورٹ

اہم سرگرمیاں

اللہ تعالیٰ کے فضل سے سال کے دوران پلانٹس کی مجموعی کارکردگی اطمینان بخش رہی. سال کے دوران گیس کی فراہمی کی مقدار بجٹ کے قریب رہی. تاہم ستمبر / اکتوبر میں ایف پی سی ایل میں کوئلے سے چلنے والے بوائیلرز کی بوجہ مرمت بندش سے امونیا اور یوریا کی پیداوار متاثر ہوئی، جبکہ ڈی اے پی کی پیداوار بنیادی طور پر مراکش سے فاسفورک ایسڈ کی کم فراہمی کی وجہ سے متاثر ہوئی۔

اس سال گذشتہ سال کے مقابلے میں ایف ایف بی ایل کے لیے گیس کی کمی ۱۱ فیصد سے کم ہو کر ۵ فیصد رہی. کمپنی کی یوریا کی پیداوار سال ۲۰۱۷ میں ۵۴۳ ہزار میٹرک ٹن کے مقابلے میں اس سال ۵۶۲ ہزار میٹرک ٹن رہی۔

پاکستان مراوک فاسفور ، ایس اے (پی ایم پی) سے فاسفورک ایسڈ کی فراہمی میں کمی کی وجہ سے ڈی اے پی کی پیداوار ۷۳۰ ہزار میٹرک ٹن رہی جو گذشتہ سال کے مقابلے میں ۹.۷ فیصد کم ہے. ابتدائی طور پر خراب موسم کی وجہ سے بندرگاہ کی بندش اور بعد میں پی ایم پی کے پلانٹ پر تکنیکی مسائل کے نتیجے میں مارچ، اگست اور اکتوبر میں پلانٹ میں طویل بندش رہی۔ مخصوص کھپت کے حوالے سے پلانٹ کی مجموعی کارکردگی تسلی بخش رہی۔

پلانٹ اور آلات کی باقاعدگی سے دیکھ بھال پیداواری وسائل کے بہترین استعمال کے لئے کلیدی اہمیت کی حامل ہے. ایف ایف بی ایل نے ۲۰۱۸ کی پہلی سہ ماہی کے دوران سالانہ معائنے کے دوران آلات اور مشینوں کے تسلی بخش معائنے اور بحالی کا کام مکمل کیا. سالانہ معائنے سے پہلے ملازمین اور ٹھیکیدار کے عملے کو حفاظتی پہلوؤں اور آگاہی کی تربیت دی گئی، جنہوں نے اس سرگرمی میں حصہ لیا۔

۲۰۴۹ کام ۲۵ دنوں میں کامیابی سے مکمل کیے گئے جب کہ ان کاموں کے لیے اٹھائیس (۲۸) روز کی مدت مقرر کی گئی تھی. اس دوران آلات کی بہتر آلات سے تبدیلی اور مشینوں کی مرمت اور تبدیلی کے کام مکمل کیے گئے، جس کی تصدیق پلانٹ کے مربوط اور فعال آپریشن سے ہوتی ہے. زیادہ تر کام ملکی / مقامی وسائل کا استعمال کرتے ہوئے پورے کیے گیے. تاہم اس تبدیلی کے عمل میں کچھ غیر ملکی ماہرین بھی شامل ہوئے۔

مارکیٹنگ کے اہم نکات

ملکی کھاد کی منڈی کی صورتحال

سال ۲۰۱۸ کا مثبت آغاز ہوا جہاں منڈی میں کھاد کی فراہمی کی صورت حال متوازن رہی. پانی کی کمی کھاد کی کھپت پر اثر انداز ہوئی لیکن کھاد کی قیمتوں میں اضافے کے رجحان کے باعث مارکیٹ میں کاروبار جاری رہا اور ڈسٹری بیوٹرز کی مستقبل کے سودوں میں دلچسپی قائم رہی۔

سال ۲۰۱۸ کے دوران مقامی ڈی اے پی کی پیداوار ۷۳۰ ہزار میٹرک ٹن تھی جو ملکی کھپت کا تقریباً ۳۳ فی صد ہے، بقیہ طلب درآمدات سے پوری کی گئی. کھاد کی صنعت نے سال بھر پورے ملک میں مصنوعات کی دستیابی کو یقینی بنایا۔

ربیع (اکتوبر-دسمبر) ۲۰۱۸ کی فصل کے لیے یوریا کی مقامی طلب کو پورا کرنے کے لیے کھاد کی صنعت کی سفارشات پر حکومت پاکستان نے ایس این جی پی ایل کے نیٹ ورک پر موجود پلانٹس کو گیس فراہم کی۔ حکومت پاکستان نے ۱۰۵ ہزار میٹرک ٹن یوریا کھاد درآمد بھی کی۔ اس اضافی مقدار کے باعث ۲۰۱۸ میں ملک میں ربیع کی فصل کے لیے طلب اور رسد میں فرق ختم کرنے میں مدد ملی۔

بین الاقوامی کھاد کی قیمتوں میں اضافہ، پاکستانی روپے اور امریکی ڈالر کے درمیان بڑھتی ہوئی زرمبادلہ کی شرح، گیس اور ایندھن کی قیمتوں میں اضافے وغیرہ (کھاد کی صنعت کے لیے حکومت پاکستان نے اضافہ اور ایندھن گیس کی قیمتوں میں بالترتیب ۱۲۳ روپے فی ایم ایم بی ٹی یو تا ۱۸۵ روپے فی ایم ایم بی ٹی یو اور ۶۰۰ روپے فی ایم ایم بی ٹی یو تا ۷۸۰ روپے فی ایم ایم بی ٹی یو اضافہ کر دیا) جیسے مختلف عوامل کے باعث سال کے دوران کھاد کی قیمتوں میں اضافہ ہوا۔

حکومت پاکستان نے جولائی ۲۰۱۸ سے یوریا کھاد پر ۱۰۰ روپے فی بیگ سبسڈی واپس لے لی اور قیمتوں پر کم سے کم اثرات کی خاطر جی ایس ٹی ۵ فی صد سے کم کر کے ۲ فی صد کر دی۔ اسی طرح ڈی اے پی کے بیگ پر ۱۰۰ روپے فی بیگ جی ایس ٹی کو دو فی صد جی ایس ٹی سے تبدیل کر دیا۔

یوریا

سال کا آغاز ایک مستحکم یوریا مارکیٹ کے ساتھ ہوا. ایف ایف بی ایل نے ۲۰۱۷ کے اختتام پر نہ صرف اپنا یوریا کا ذخیرہ فروخت کر دیا تھا بلکہ پیشگی خاطر خواہ آرڈر بھی حاصل کیے تھے جس سے مارکیٹ مستحکم ہوئی۔

۲۰۱۸ کے آغاز پر صنعت کے ذخیرے کی سطح گزشتہ سال کے ۱۰۲۵ ہزار میٹرک ٹن کے مقابلے میں ۷۲ فیصد کم تھی. صنعت نے ۲۰۱۸ کی پہلی سہ ماہی کے دوران ۷۶ ہزار میٹرک ٹن یوریا کھاد برآمد بھی کی جس میں سے زیادہ تر سری لنکا بھیج دی گئی۔ سال ۲۰۱۸ کے آغاز پر کم ذخیرے کی موجودگی اور ایس این جی پی ایل نیٹ ورک پر موجود پلانٹس کی بندش سے یوریا کی فراہمی متاثر ہوئی۔

سال ۲۰۱۸ کے دوران صنعت کی پیداوار تقریباً ۵۷۰۰ ہزار میٹرک ٹن رہی جو گزشتہ سال کے دوران ۵۶۰۵ ہزار میٹرک ٹن کی کل پیداوار سے ۲ فی صد زیادہ ہے. حکومت پاکستان نے گذشتہ سہ ماہی کے دوران ۱۰۵ ہزار میٹرک ٹن یوریا کھاد درآمد کی، ۲۰۱۸ کے اختتام پر یوریا کھاد کا ذخیرہ ۱۶۰ ہزار میٹرک ٹن رہا جو سال ۲۰۱۷ کے اختتامی ذخیرے کے مقابلے میں ٤٤ فی صد کم ہے۔

ڈائریکٹرز رپورٹ

ڈی اے پی

سال کاآغاز ڈی اے پی کے ۲۵۵ ہزار میٹرک ٹن ذخیرے کے ساتھ ہوا جو ۲۰۱۷ کے آغاز کے وقت ۱۰۵ ہزار میٹرک ٹن کے ذخیرے کے مقابلے میں ۱۴۳ فی صد زیادہ تھا۔

صنعت کی درآمدات کا تخمینہ ۱۸۲۵ ہزار میٹرک ٹن رہا جو سال ۲۰۱۷ کے دوران ۱۶۹۰ ہزار میٹرک ٹن کی درآمدات کے مقابلے میں ۸ فی صد زیادہ تھا. یہ درآمدات کسی بھی سال کے حوالے سے سب سے زیادہ ہیں. سال کے دوران ایف ایف بی ایل کی سوناڈی اے پی کی دستیابی ۷۳۰ ہزار میٹرک ٹن تھی جو ۲۰۱۷ کے دوران ۸۰۹ ہزار میٹرک ٹن کی دستیابی سے ۱۰ فی صد کم تھی۔

قیمتوں میں اضافے کے رجحان کے باعث ڈیلروں کی فاسفیٹ کی مصنوعات کی سرمایہ کاری میں اضافہ ہوا. تاہم پانی کی قلت اور کسان کی سطح پر ڈی اے پی کی زیادہ قیمتوں کے باعث کھپت متاثر ہوئی۔

سال ۲۰۱۸ کے دوران صنعت کی ڈی اے پی کی فروخت ۲۲۳۰ ہزار میٹرک ٹن رہی جو گذشتہ سال کے مقابلے میں ۵ فی صد کم ہے. ایک اندازے کے مطابق ۲۰۱۹ کے آغاز پر صنعت کے پاس ۵۸۰ ہزار میٹرک ٹن کا ذخیرہ ہوگا جو کسی بھی سال میں سب سے زیادہ ہے۔

ایف ایف بی ایل فروخت کی کارکردگی

سال ۲۰۱۸ میں سونایوریا (جی) کی دستیابی ۵۶۲ ہزار میٹرک ٹن تھی جو ۲۰۱۷ کے دوران ۵۴۶ ہزار میٹرک ٹن کی دستیابی سے ۳ فی صد زیادہ ہے. سال کے دوران سونایوریا (جی) کی فروخت ۵۶۲ ہزار میٹرک ٹن تھی جو گزشتہ سال کے دوران ۵۴۶ ہزار میٹرک ٹن سے ۳ فی صد زیادہ ہے. فیلڈ میں تمام گوداموں میں موجود ذخیرے کو فروخت کر دیا گیا تھا، جبکہ صنعت کے پاس ۱۶۰ ہزار میٹرک ٹن یوریا کھاد کا ذخیرہ تھا۔

سال ۲۰۱۸ کے دوران سونایوریا (جی) کا یوریا مارکیٹ میں حصہ ۹.۷ فی صد تھا جو ۲۰۱۷ کے ۹.۵ فی صد کے حصے کے مقابلے میں تھوڑا زیادہ ہے۔

۲۰۱۸ میں سوناڈی پی کی فروخت ۶۸۷ ہزار میٹرک ٹن تھی جو ۲۰۱۷ کی ۸۳۱ ہزار میٹرک ٹن کی فروخت سے ۱۷ فی صد کم ہے. ایف ایف بی ایل کے پاس ۲۰۱۹ کے آغاز پر ۴۶ ہزار میٹرک ٹن ذخیرہ تھا. سوناڈی اے پی کی کم فروخت کی وجہ پورے سال ہونے والی درآمدات ہیں جن کی وجہ سے مارکیٹ میں بہتات پیدا ہوئی اور سخت مقابلے کا رجحان پیدا ہوا. سال ۲۰۱۸ کے دوران سوناڈی اے پی کے مارکیٹ شیئر کا اندازہ ۳۰.۸ فیصد ہے۔

اہم مالیاتی نکات

کمپنی کی کارکردگی۔اہم مالیاتی نتائج کا خلاصہ :

	۲۰۱۸	۲۰۱۷
	روپے(ملین میں)	
سیلز۔خالص	٦١،٥١١	٥٢،٧٣٣
مجموعی منافع	٨،١٨٣	٦،٠٢٨
دیگرآمدن	٣،١٨٢	٤،٣٧٧
منافع قبل از ٹیکس	١،٨٠٩	٤٤١،١
بعداز ٹیکس خالص منافع	١،٤٣٧	١،٠٠٤
فی حصص آمدن(روپوں میں)	١.٥٤	١.٠٨

مالیاتی جائزہ

سال۲۰۱۸ کے لیے ایف ایف بی ایل کے مالیاتی نتائج پچھلے سال کے مقابلے میں منافع میں اضافہ دکھارہے ہیں، باوجوداس کے کہ گیس کی قیمت اور پاکستانی روپے اور امریکی ڈالر کی بڑھتی ہوئی زرمبادلہ کی شرح کی وجہ سے فاسفورک ایسڈ کی قیمت میں نمایاں اضافہ ہوا، حکومت پاکستان کی طرف سے سبسڈی اور سیلز ٹیکس واپسی کی وصولی میں تاخیر اور جی آئی ڈی سی لیوی کا تسلسل رہا۔ان عوامل کے باعث بھی سال کے زیادہ تر حصے میں ورکنگ کیپیٹل کے وسائل کا نمایاں استعمال دیکھنے کو ملا، جس کے نتیجے میں زیادہ مالیاتی اخراجات ہوئے۔

سال۲۰۱۸ میں کمپنی نے گذشتہ سال کے ٦٠٢٨ ملین روپے کے مقابلے میں ٨١٨٣ ملین روپے کا مجموعی منافع حاصل کیا،یہ اضافہ بنیادی طور پر سبسڈی کی تبدیلی کے ساتھ جی ایس ٹی میں کمی کی وجہ سے ہے جو ١٠٠ روپے فی بیگ تھی اور یہ حکم یکم جولائی ۲۰۱۸ سے نافذالعمل ہوا، جس کی دیگر آمدن کے بجائے اب فروخت کے طور پر درجہ بندی کی جاتی ہے. اس کے علاوہ سال کے دوران قیمت میں اضافے نے بھی مجموعی منافع میں ہونے والے اضافے میں کردار ادا کیا ہے. ڈی اے پی کی کم پیداوار کے باوجود فاسفورک ایسڈ کی قیمتوں میں اضافے اور اس کے ساتھ پاکستانی روپے اور امریکی ڈالر کی زرمبادلہ کی شرح میں اضافے، گذشتہ سال کے مقابلے میں یوریا کے پیداواری حجم میں اضافے اور ایندھن اور بجلی کی لاگت میں اضافے کے باعث ڈی اے پی کی قیمت فروخت میں ١٤ فی صد اضافہ ہوا۔ حکومت پاکستان کی طرف سے سبسڈی کی ادائیگی کی تاخیر نے بھی رقم کے بہاؤ کو مزید متاثر کیا۔اس سال پاکستانی روپے کی قدر میں کمی کے نتیجے میں زرمبادلہ کی شرح میں نمایاں اضافہ سے ١١٤٧ ملین روپے کا نقصان ہوا جب کہ گذشتہ سال یہ نقصان ١٧٦ ملین روپے تھا۔

اس سال کے لئے ٹیکس کی ادائیگی کے بعد منافع ١٤٣٧ ملین روپے رہا جب کہ گذشتہ سال یہ منافع ١٠٠٤ ملین روپے تھا. کمپنی کی گذشتہ سال کی فی شیئر ١.٠٨ روپے آمدن کے مقابلے میں اس سال فی شیئر آمدن ١.٥٤ روپے رہی۔

ڈائریکٹرز رپورٹ

اہم خدشات، وسائل، امکانات، نوعیت/شہرت اور تخفیفی عوامل

اگرچہ خدشات کے اثرات کو مکمل طور پر زائل نہیں کیا جا سکتا، یہ بات اہم ہے کہ انتظامیہ مجموعی طور پر کاروباری حکمت عملی کے تناظر میں ان کا احساس کرنے کے لئے تیار ہو، خطرات کو سمجھے، ترجیحات طے کرے اور ان کا انتظام کرے۔

ایف ایف بی ایل کو درپیش بڑے خطرات ردعمل کے ساتھ درج ذیل ہیں:

	نمبر	خدشہ	وسیلہ	امکان	نوعیت / شہرت	تخفیفی عوامل
مالیاتی/ سٹریٹیجک	۱-	گیس میں تخفیف	بیرونی	پہلے بھی ہو چکا ہے	بڑا	ایف ایف بی ایل نے ایف ایف بی ایل پاور کمپنی لمیٹڈ (کوئلہ پر چلنے والی)) قائم کی ہے جس نے اپنا آپریشن شروع کر دیا ہے۔ مزید یہ کہ ایف ایف بی ایل گیس کی کمی کے حل کے لئے وزارت پیٹرولیم اور ایس ایس جی سی کے ساتھ قریبی رابطے میں ہے۔
	۲-	فاسفورک ایسڈ کی فراہمی	بیرونی	پہلے بھی ہو چکا ہے	بڑا	ایف ایف بی ایل پی ایم پی سے فاسفورک ایسڈ کی بلا تعطل فراہمی کو یقینی بناتی ہے، جو او سی پی گروپ مراکش کے ساتھ ایک مشترکہ منصوبہ ہے۔
	۳-	ٹیکنالوجیکل پیش رفتوں کی زیادتی	بیرونی	ابھی تک نہیں ہوا ہے لیکن ہو سکتا ہے	شدید	ایف ایف بی ایل وقتاً فوقتاً جدید ٹیکنالوجی متعارف کرانے اور اسے نافذ کرنے میں فعال لائحہ عمل کا استعمال کرتی ہے. ہمارے پلانٹس جدید ترین ٹیکنالوجی کے حامل ہیں جن کو تسلسل کے ساتھ بہتر بنایا جاتا ہے۔
ماحولیاتی	۴-	ماحولیاتی خطرہ	بیرونی	ابھی تک نہیں ہوا ہے لیکن ہو سکتا ہے	شدید	آغاز کے بعد سے ایف ایف بی ایل میں انتظامیہ ماحولیاتی تحفظ کے حوالے سے انتہائی حساس ہے اور ایک ماحول دوست ادارے کو برقرار رکھنے کے لیے ماحولیات اور تحفظ کے معیار پر کبھی سمجھوتہ نہیں کیا گیا۔
فنانشل مارکیٹ	۵-	شرح سود کا خدشہ	بیرونی	ہو سکتا ہے، پہلے بھی ہوا ہے	سنگین	ایف ایف بی ایل نے اپنے ورکنگ کیپیٹل کے انتظام کے لیے ڈیمانڈ فنانس، جاری فنانس کے ذرائع اور طویل مدتی قرضوں کے مکس کو برقرار رکھ کر اپنی سرمایہ کاری کی

						ضروریات کا انتظام کیا ہے جو کائبر سے منسلک ہیں۔ کائبر کی شرحوں کے اتار چڑھاو کی قریبی نگرانی کی جاتی ہے تاکہ مناسب شرحوں کا فائدہ اٹھایا جاسکے۔
	٦-	رقم کی فراہمی کا خدشہ	اندرونی	کم امکان ہے	سنگین	کسی بھی ادائیگی یا معاہدے سے متعلق ذمہ داریوں سے پہلے فنڈز کی دستیابی کو یقینی بنایا جاتا ہے. کسی بھی نقد رقم کے بحران سے بچنے کے لئے ورکنگ کیپیٹل کے مناسب ذرائع موجود ہیں۔
	٧-	زر مبادلہ کی شرح کا خطرہ	بیرونی	ممکن ہے	سنگین	ایف ایف بی ایل کی غیر ملکی ادائیگیوں کو زر مبادلہ کی شرح کے خطرے کا سامنا ہے، تاہم کمپنی وقتاً فوقتاً دستیاب حد بندی کے آپشن پر بھی نظر رکھتی ہے۔
	٨-	مارکیٹ میں خدشہ	بیرونی	ابھی تک نہیں ہوا ہے لیکن ہو سکتا ہے	سنگین	کمپنی کو ڈی اے پی کی درآمد سمیت اپنے معمول کے کاروباری آپریشن کے سلسلے میں مارکیٹ میں موجود خدشات کا سامنا ہوتا ہے. ڈی اے پی کی تیاری کے لیے بنیادی خام مال فاسفورک ایسڈ کی درآمد کی قیمت عام طور پر ڈی اے پی کی بین الاقوامی قیمتوں کے ساتھ مطابقت سے چلتی ہے۔اس خدشے سے بچنے کے لیے مارکیٹ کی قریبی نگرانی کی جاتی ہے۔

انٹرنل کنٹرول سسٹم

مالیاتی اور انتظامی معلومات کی فراہمی اور تحفظ کے علاوہ ایک داخلی کنٹرول سسٹم مناسب یقین دہانی کرانے کے لئے ڈیزائن کیا گیا ہے تاکہ کمپنی کی پالیسیوں، منصوبوں، قوانین اور وسائل کے موثر استعمال سے مقاصد کی تکمیل کی جائے. ایف ایف بی ایل کا داخلی کنٹرول کا نظام بہت جامع ہے اور اسے مؤثر طور پر لاگو کیا جاتا ہے اور باقاعدگی سے نگرانی کی جاتی ہے

کمپنی نے ہر کاروباری یونٹ کے کنٹرول کے طریقوں کو مربوط بنایا ہے تاکہ اس بات کی تصدیق کی جائے کہ کاروباری پالیسیوں پر عملدرآمد کیا جارہا ہے اور جب ضروری ہو تو اصلاحاتی اقدامات کئے جائیں. کمپنی صبح کے وقت اپنے ہیڈ آفس اور پلانٹ کے مقام پر بریفنگ کا انتظام کرتی ہے جو اعلی انتظامیہ کی طرف سے اس بات کو یقینی بنانے کے لئے ہے کہ کنٹرول موزوں اور مناسب طریقے سے کام کر رہے ہیں. اس دائرہ کار میں بورڈ آف ڈائریکٹرز نے 'وسل بلوئنگ پالیسی' اور 'سرمایہ کار کی شکایات کی پالیسی' کی منظوری دے رکھی ہے۔

ڈائریکٹرز رپورٹ

بورڈآف ڈائریکٹرز

بورڈآف ڈائریکٹرز کارپوریٹ گورننس کے ضابطے، کمپنیزایکٹ ۲۰۱۷ اور کمپنی کے میمورینڈم اورآرٹیکلزآف ایسوسی ایشن کی طرف سے دیئے گئے اختیارات کے مطابق بورڈ کی میٹنگ کے ذریعے اختیارات کا استعمال کرتا ہے، جو ہر سہ ماہی میں منعقد کی جاتی ہیں تاکہ کمپنی کے مالیاتی حالات اور کاروباری منصوبوں کا جائزہ لیا جائے اوران کی منظوری دی جائے۔

سال کے دوران بورڈآف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے،ان کی حاضری درج ذیل ہے :

	حاضری	ریمارکس
۔لیفٹیننٹ جنرل سید طارق ندیم گیلانی (ریٹائرڈ)	۵	
۔لیفٹیننٹ جنرل جاوید اقبال (ریٹائرڈ)	۵	
۔لیفٹیننٹ جنرل شفقات احمد (ریٹائرڈ)	۱	۲۶ مارچ ۲۰۱۸ کوریٹائرڈ
۔لیفٹیننٹ جنرل طارق خان (ریٹائرڈ)	٤	۲۸ مارچ ۲۰۱۸ تقرر ہوا
۔مسٹر قیصر جاوید	٤	۳۰ نومبر ۲۰۱۸ کوریٹائرڈ
۔مسٹر ریحان لئیق	۱	۱ دسمبر ۲۰۱۸ کو تقرر ہوا
۔ڈاکٹر ندیم عنایت	۵	
۔میجر جنرل وسیم صادق (ریٹائرڈ)	۵	
۔میجر جنرل کلیم صابر تاثیر (ریٹائرڈ)	۵	
۔میجر جنرل طاہر اشرف خان (ریٹائرڈ)	۵	
۔بریگیڈیئر راجہ جہانزیب (ریٹائرڈ)	۵	
۔مسٹر نویداے خان	٤	
۔مسٹر نصیراے شیخ	۵	
۔ ڈاکٹر راشد باجوہ	۵	

ذیلی اداروں کی معلومات کمپنیز ایکٹ ۲۰۱۷ کے سیکشن ۲۲۶ (۳) کے تحت فراہم کی جاتی ہے

فوجی میٹ لمیٹڈ (ایف ایم ایل)

فوجی میٹ لمیٹڈ کو ۰۵ ستمبر ۲۰۱۳ کو ایک پبلک لمیٹڈ کمپنی کے طور پر شامل کیا گیا تھا جس میں ایف ایف بی ایل اور فوجی فاؤنڈیشن کے بالترتیب مجموعی طور ۸۳ فی صد اور ۱۷ فی صد حصص ہیں۔ سی او ڈی کا حصول ۰۲ اپریل ۲۰۱۶ کو ہوا تھا۔

پیداوار اور فروخت کے اہم نقاط

۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والے سال کے دوران ایف ایم ایل نے اس پلانٹ سے ۱۹۶۸ ٹن گوشت حاصل کیا۔ ایف ایم ایل نے ۱۸۰۹ ٹن کا گوشت دوسرے ملکوں کو برآمد کیا، زیادہ تر متحدہ عرب امارات ۹۳۳ ٹن، ویت نام ۷۱۴ ٹن اور اومان ۱۱۶ ٹن۔ ایف ایم ایل کو سال کے آخری ماہ میں سعودی عرب کو گوشت برآمد کرنے کی اجازت ملی جس کے بعد ٦ ٹن گوشت سعودی عرب کو بھی بھیجا گیا۔
دوسری سہ ماہی کے دوران ایف ایم ایل نے ملکی مارکیٹ میں زبیحہ کے نام سے اپنا مقامی برانڈ شروع کیا۔ اب تک کراچی، راولپنڈی اور لاہور کے شہروں میں پرچون کے سات مراکز کھولے گئے ہیں تاکہ بہتر منافع کا فائدہ اٹھایا جاسکے۔ سال کے دوران یہ مراکز مجموعی طور پر ۱٤۷ ٹن گوشت فروخت کرنے میں کامیاب رہے اور تمام مراکز پر فروخت کے رجحان میں اضافہ دیکھا جارہا ہے۔

ایف ایم ایل نے تیسری سہ ماہی کے دوران عیدالاضحی کے موقع پر کامیابی سے قربانی پراجیکٹ شروع کیا اور ۱۱٦ ٹن بیف اور ۱۸ ٹن مٹن فروخت کرنے میں کامیاب رہی۔

اہم مالیاتی جھلکیاں

۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والے سال کے دوران ایف ایم ایل کو فروخت سے ۱٫۱۲۰ ملین روپے کی آمدن ہوئی (دسمبر ۲۰۱۷: ۱،۲٤۳ ملین روپے)۔ ایف ایم ایل کو ۳۵۵ ملین روپے کا مجموعی خسارہ ہوا (۲۰۱۷: ۵۲۹ ملین روپے)۔ ایف ایم ایل نے ۳۱ دسمبر ۲۰۱۸ کو ٹیکس کی ادائیگی کے بعد ۱،۳۱۸ ملین روپے خسارہ ہوا (نقصان فی حصص: ۳.۵۷) (۲۰۱۷: ۱،۳۵۵ ملین روپے، خسارہ: ٤.۵۲) جس کی بنیادی وجہ کم حجم کی سرگرمیاں اور مقررہ نرخوں کی کم قبولیت ہے۔ ایف ایم ایل کا فی حصص خسارہ ۳.۵۷ روپے تھا۔

مستقبل نامہ

ایف ایم ایل کو ۲۰۱۸ کی آخری سہ ماہی کے دوران سعودی عرب کو گوشت برآمد کرنے کی منظوری ملی جس کے مطابق گوشت روانہ کردیا گیا۔ سعودی عرب حلال گوشت کی ایک بڑی مارکیٹ ہے اور ایف ایم ایل پر امید ہے کی سال ۲۰۱۹ میں وہ سعودی عرب سے اچھے حجم کے آرڈر حاصل کرنے میں کامیاب رہے گی۔

ڈائریکٹرز رپورٹ

ایف ایم ایل ملکی منڈی کی اہمیت کا اندازہ کرتے ہوئے ملک بھر میں دلچسپی رکھنے والے فریقین کو فرنچائزز پیش کش کر رہی ہے۔

ایف ایم ایل پر امید ہے کہ ۲۰۱۹ پیداواری حجم کے لحاظ سے ۲۰۱۸ سے کہیں زیادہ بہتر سال ہو گا جس میں نہ صرف کارکردگی کو بہتر بنائے بلکہ مقررہ نرخوں کی قبولیت میں بھی اضافہ ہو گا۔

ایف ایم ایل کو درپیش بڑے خدشات اور غیر یقینی صورتحال:

مسابقتی قیمتوں پر جانوروں کا حصول ایک چیلنج ہے جس کے لیے کمپنی نے ایک جامع نظام قائم کیا ہے تاکہ جانوروں کی قابل اعتماد اور مؤثر قیمت پر فراہمی کو یقینی بنایا جائے۔

ایف ایم ایل کی آمدن اور منافع پر مختلف ملکوں کی مصنوعات کی قیمتوں کے انتہائی حساس اثرات ہوتے ہیں۔ ایف ایم ایل کا بھارت، برازیل، آسٹریلیا جیسے ملکوں کے ساتھ براہ راست مقابلہ ہے۔

انتظامیہ نئی مارکیٹوں کے حصول کے لئے تمام کوششیں کر رہی ہے، تاہم زیادہ توجہ چین کو براہ راست برآمد پر پابندیوں کو ہٹانے پر مرکوز ہے۔

بورڈ آف ڈائریکٹرز

مالی سال ۲۰۱۸ کے دوران ایف ایم ایل کے بورڈ پر کام کرنے والے ڈائریکٹرز درج ذیل ہیں۔

۔لیفٹیننٹ جنرل خالد نواز خان، ایچ آئی (ایم)، ستارہ ایثار (ریٹائرڈ) (۹ جنوری ۲۰۱۸ کو استعفی دیا)

۔لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ریٹائرڈ۔ (۱۰ جنوری ۲۰۱۸ کو تقرر کیا گیا) (چیئرمین)

۔لیفٹیننٹ جنرل شفقات احمد، ایچ آئی (ایم)، (ریٹائرڈ) (۲۸ مارچ ۲۰۱۸ کو استعفی دیا)

۔لیفٹیننٹ جنرل طارق خان، ریٹائرڈ (۲۹ مارچ ۲۰۱۸ کو تقرر ہوا)

۔لیفٹیننٹ جنرل جاوید اقبال، ایچ آئی (ایم)، (ریٹائرڈ)

۔مسٹر قیصر جاوید (۳۰ نومبر ۲۰۱۸ کو استعفی دیا)

۔مسٹر ریحان لئیق (یکم دسمبر ۲۰۱۸ کو تقرر ہوا)

۔ڈاکٹر ندیم عنایت

۔میجر جنرل کلیم صابر تاثیر (ریٹائرڈ)

۔میجر جنرل طاہر اشرف خان(ریٹائرڈ)

۔سید عامر احسن

۔بریگیڈیئر شاہد افضل(ریٹائرڈ)

فوجی فوڈز لمیٹڈ (ایف ایف ایل)

فوجی فوڈز لمیٹڈ کے اکثریتی حصص (۵۰.۵۹ فیصد) کی ملکیت ایف ایف بی ایل کے پاس ہے جب کہ فوجی فاؤنڈیشن (۱۲.۷۵ فیصد حصص) کی حامل ہے۔ یہ کمپنی ڈیری کی مصنوعات، جوس اور جام کی پراسیسنگ اور مارکیٹنگ میں سرگرم عمل ہے. ایف ایف ایل کا 'نورپور' پاکستان میں سب سے پرانا اور تسلیم شدہ برانڈ ہے۔

سال کے دوران سرگرمیاں

ایف ایف ایل کے آپریشنز کے نتائج میں دودھ کی پراسیسنگ، صلاحیت کے مؤثر استعمال، مصنوعات کی تقسیم اور برانڈ کی مارکیٹ میں موجودگی سے بہتری آئی ہے. چائے وائٹنر کے نئے برانڈ 'تازہ' کے اضافے کے ساتھ ایف ایف ایل نے اپنے اعلیٰ ترین جراثیم سے پاک دودھ کی 'دودھ' برانڈ کے طور پر تشکیل نو اور نئی پیکنگ کے علاوہ معیاری ڈیری مصنوعات فراہم کر کے صارفین کے ساتھ اپنے وعدے کی تکمیل ہے اور سیلز کے اضافے میں بھی کردار ادا کیا ہے۔

بیرونی محاذ پر ایف ایف ایل کو سال کے آغاز پر ہی ڈبے کے دودھ (یو ایچ ٹی) کی کچھ کمپنیوں کے بارے میں معزز عدالت عظمٰی کے حکم کے ناموافق اثرات کا بھی سامنا کرنا پڑا۔ معزز عدالت عظمٰی نے بعد میں دودھ کے دوبارہ ٹیسٹ کرنے پر ایف ایف ایل کے خلاف فیصلے کو واپس لے لیا۔ تاہم یو ایچ ٹی سیلز پر اس فیصلے کے اثرات بقیہ سال بھی محسوس ہوتے رہے۔ میڈیا میں ڈبے والے دودھ اور چائے وائٹنر کے بارے میں منفی تصور قائم ہونے کی وجہ سے مجموعی طور پر ڈیری مصنوعات کے شعبے کی ترقی میں بھی کمی ہوئی۔

ان سخت حالات کے باوجود ایف ایف ایل نے مارکیٹ میں اپنے شیئر کے حصول اور اسے بہتر بنانے کے لئے کوششیں جاری رکھیں. سال ۲۰۱۸ کے دوران ۲۰۱۷ کے مقابلے میں مجموعی آمدن کی شرح میں ۱۶ فی صد اضافہ ریکارڈ کیا گیا۔

حصص کی اقسام کو یکجا کرنا:

۲۶ مارچ ۲۰۱۸ کو ہونے والے ۵۱ ویں سالانہ جنرل اجلاس میں اراکین نے ایک خصوصی قرارداد کے ذریعے ووٹنگ اور غیر ووٹنگ حصص کو ضم کرنے کی منظوری دی اور ۱۰ روپے فی عام حصص کے حساب سے زیادہ سے زیادہ اتھورائز کیپیٹل ۷۰۰,۰۰۰,۰۰۰ حصص مقرر کرنے کی منظوری دی۔

ڈائریکٹرز رپورٹ

مالیاتی کارکردگی

ایف ایف ایل کو گذشتہ سال کی ۷،۰۰۱ ملین روپے کی مجموعی آمدن کے مقابلے میں اس سال ۸،۰۹٤ ملین روپے کی مجموعی آمدن حاصل ہوئی. اس سال ٹیکس کی ادائیگی کے بعد نقصان ۲،۸٤۹ ملین روپے رہا جب کہ گذشتہ سال ٹیکس کی ادائیگی کے بعد نقصان ۲،۲۸۸ ملین روپے تھا. اس طرح اس سال فی شیئر نقصان ۳۹۔۵ روپے ہے جب کہ گذشتہ سال فی شیئر نقصان ۹.۲۲ روپے تھا۔

خالص نقصانات میں اضافہ کی وجہ غیر ملکی کرنسی کی شرح مبادلہ میں اتار چڑھاؤ کے باعث خام مال کی قیمتوں میں اضافہ اور اسٹیٹ بینک آف پاکستان کی طرف سے سود کی شرح میں اضافہ ہے۔

اس کے علاوہ صنعت اور ایف ایف ایل کی طرف سے خام مال کے اخراجات میں اضافہ کے اثرات اور اضافی ریگولیٹری ڈیوٹی سمیت پراسیسنگ کے اخراجات میں اضافے کے باوجود اپنی بعض مصنوعات کی قیمتوں میں اضافہ نہ کر سکنے اور غیر رسمی شعبے کے ذریعہ کم قیمت کھلے دودھ کی بڑے پیمانے پر دستیابی سے بھی نقصان میں اضافہ ہوا۔

انتظامیہ نے خام مال کے اخراجات کے مؤثر انتظام، پیداواری فروخت میں اضافے اور نئے ورکنگ کیپیٹل کے حصول جیسے کئی اقدامات اٹھائے ہیں۔ ہم امید رکھتے ہیں کہ فروخت میں اضافے کے ساتھ یہ اقدامات مستقبل میں ایف ایف ایل کے منافع میں نمایاں کردار ادا کریں گے۔

انر منگولیا یلی انڈسٹریل گروپ کمپنی لمیٹڈ کی طرف سے حصول کی خواہش

۳۱ جولائی ۲۰۱۸ کو انر منگولیا یلی انڈسٹریل (یلی)، جو چین کی ریاست کی زیر ملکیت ایک کارپوریشن ہے نے ایف ایف ایل میں ۵۱ فیصد حصص کے حصول میں اپنی دلچسپی ظاہر کی. ایف ایف بی ایل نے اس سلسلے میں قانونی اور جامع جائزہ لینے کے عمل کا آغاز کیا ہے. انتظامیہ اس حوالے سے پاکستان سٹاک ایکسچینج کے فوری اطلاعی نظام کے ذریعے تمام فریقین کو پیش رفت سے آگاہ رکھے گی۔

مستقبل کا منظر نامہ

توقع ہے کہ پاکستان کی معیشت مینوفیکچرنگ اور خدمات کے شعبوں میں ترقی اور زرعی شعبے کی بحالی کی زیر اثر مثبت انداز میں ترقی جاری رکھے گی. زیادہ ملکی طلب اور چین پاکستان اقتصادی راہداری کی تعمیر سے بنیادی ڈھانچے کی ترقی سے ترقی کی رفتار میں مزید بہتری آنے کی توقع ہے. آنے والے وقت میں اشیاء کی قیمتوں کی متوقع بحالی، مقامی کرنسی کی قدر میں کمی، اسٹیٹ بینک کی سود کی شرح میں تبدیلی سے مالیاتی دباؤ پیدا ہو سکتا ہے، تاہم پاکستانی معیشت کی صورت حال مثبت دکھائی دیتی ہے۔

پاکستان کی ڈیری مارکیٹ کی ترقی کی صلاحیت کے حوالے سے بورڈ بہت پر اعتماد ہے. توقع ہے کہ دودھ کی صنعت منفی صورت حال سے نکل جائے گی اور مستقبل میں ترقی کی توقع ہے اور کھلے دودھ کے مقابلے میں مارکیٹ میں اپنا کھویا ہوا حصہ واپس لینے میں کامیاب رہے گی۔

بورڈ ایف ایف ایل کی مستقبل میں ترقی اور معیاری مصنوعات کی فراہمی کے بارے میں بھی پر اعتماد ہے اور جدت اور کام کی شاندار مہارت پر سخت توجہ دی جائے گی. صلاحیت بڑھانے سے کمپنی کو ڈیری صنعت کی مارکیٹ میں کلیدی کردار ادا کرنے میں مدد ملے گی. ایف ایف ایل جدت طرازی، مصنوعات اور پراسیسنگ میں وسائل کے بہترین استعمال اور اخراجات پر مؤثر کنٹرول سے اپنے شراکت داروں کے حصص کی قدر میں اضافہ کرتی رہے گی، انشااللہ۔

ایف ایف ایل کو درپیش خدشات اور غیر یقینی صورت حال

ایف ایف ایل کو درپیش خدشات ڈیری کے شعبے میں کام کرنے والی دیگر کمپنیوں سے زیادہ مختلف نہیں ہیں. کرنسی کی قدر میں حالیہ اور اچانک کمی کے ساتھ حکومت کی جانب سے ریگولیٹری اور ریونیو کے نظام میں تبدیلیوں سے ایف ایف ایل کو غیر ملکی کرنسی کی قدر میں اضافے اور ریگولیٹری خدشات کا سامنا ہے. انتظامیہ اور بورڈ ان منسلکہ خدشات سے اچھی طرح سے آگاہ ہیں اور انہوں نے ان میں کمی کے لئے اقدامات کیے ہیں. مندرجہ بالا خدشات کے علاوہ ایف ایف ایل کے کاروبار اور آپریشنز کو بڑے خدشات اور غیر یقینی صورت حال کا کوئی خدشہ نہیں ہے، ماسوائے جن کا ذکر ایف ایف ایل کی مالیاتی گوشواروں کی ہنگامی صورت حال اور ذمہ داری کے نوٹس میں ذکر کیا گیا ہے۔

بورڈ آف ڈائریکٹرز

ایف ایف ایل کے ڈائریکٹرز کے نئے انتخابات ٢٦ نومبر ٢٠١٨ کو ہوئے. ایف ایف ایل کے مندرجہ ذیل ڈائریکٹر ہیں جو مالی سال کے دوران بورڈ پر کام کرتے رہے ہیں۔

۔لیفٹیننٹ جنرل خالد نواز خان، ایچ آئی (ایم)، ستارہ ایثار (ریٹائرڈ) (١٠ جنوری ٢٠١٨ کو استعفیٰ دیا)

۔لیفٹیننٹ جنرل سید طارق ندیم گیلانی (ریٹائرڈ) (١٠ جنوری ٢٠١٨ کو تقرر ہوا) (چیئرمین)

۔لیفٹیننٹ جنرل شفقات احمد، ایچ آئی (ایم)، (ریٹائرڈ) (٢٦ مارچ ٢٠١٨ کو استعفیٰ دیا)

۔لیفٹیننٹ جنرل طارق خان، (ریٹائرڈ) (٢٧ مارچ ٢٠١٨ کو تقرر ہوا)

۔لیفٹیننٹ جنرل جاوید اقبال، ایچ آئی (ایم)، (ریٹائرڈ)

۔مسٹر قیصر جاوید (٢٦ نومبر ٢٠١٨ کو مدت ختم ہو گئی)

۔ڈاکٹر ندیم عنایت

ڈائریکٹرز رپورٹ

۔مسٹر ریحان لئیق (۲٦ نومبر ۲۰۱۸ کو منتخب ہوئے)

۔ڈاکٹر راشد باجوہ (۲٦ نومبر ۲۰۱۸ کو مدت ختم ہو گئی)

۔بریگیڈیئر راشد ولی جنجوعہ (ریٹائرڈ)

۔ملک عدنان حیات نون (۱۲ اپریل ۲۰۱۸ کو استعفیٰ دیا)

۔مسٹر سلمان حیات نون

۔لیفٹیننٹ کرنل عبدالخالق خان (ریٹائرڈ)

۔مسٹر التفات رسول خان

۔مسٹر پارسدر لنڈ

۔سید عامر احسن (۲٦ نومبر ۲۰۱۸ کو مدت ختم ہو گئی)

۔مسٹر بشارت احمد بھٹی (۲٦ نومبر ۲۰۱۸ کے انتخاب میں منتخب ہوئے)

۔محترمہ امینہ زاہد زہیر (۲٦ نومبر ۲۰۱۸ کے انتخاب میں منتخب ہوئیں)

ایف ایف بی ایل پاور کمپنی لمیٹڈ (ایف پی سی ایل)

ایف پی سی ایل کا بنیادی کام پورٹ قاسم کراچی میں ۱۰۳ میگاواٹ (مجموعی صلاحیت ۱۱۸ میگاواٹ) بجلی کا کوئلہ سے بنانے والے بجلی گھر کو چلانا ہے۔ ایف پی سی ایل نے اپنی تجارتی سرگرمیوں کا آغاز ۱۹ مئی ۲۰۱۷ کو کیا۔

مالیاتی نتائج

۳۱ دسمبر ۲۰۱۸ کو ختم ہونے والے سال کے دوران ایف پی سی ایل نے سیلز کی ۱۰،۷۰۱ ملین روپے لاگت کے مقابلے ۱٦،۲٤٥ ملین روپے کی آمدن حاصل کی۔ ٹیکس کی ادائیگی کے بعد منافع ۳،۰۵۳ ملین روپے رہا جب کہ گذشتہ مالی سال کے دوران ٹیکس کی ادائیگی کے بعد منافع ۱،۷٤۰ ملین روپے تھا اور فی حصص آمدن ۳.۵۵ روپے رہی ہے۔

اس سال ایف پی سی ایل نے فی حصص ۱.۷۵ روپے کے حساب سے ۱.۵۰۳ بلین روپے کے ڈیوڈنڈ کا اعلان اور ادائیگی کی ہے۔

کمپنی کے موجودہ اثاثہ جات میں بنیادی طور پر تجارت میں اسٹاک جن کی مالیت ۱٤۰٦ ملین روپے ہے، ۱۱۹٦ ملین روپے کا تجارتی قرضہ بشمول ایف ایف بی ایل سے قابل وصولی (۸۸٤ ملین روپے)، کے الیکٹرک (۳۰۸ ملین روپے) اور ٹی ڈی آر زپر مشتمل مختصر مدتی سرمایہ کاری ۳۱۳ ملین روپے ہے۔

کمپنی کی موجودہ مالیاتی ذمہ داریوں میں بنیادی طور پر شامل ہیں، کوئلے کے سپلائرز کو ٥٥٣ ملین روپے کی ادائیگی، کارکنوں کے منافع کے شراکتی فنڈ میں ١٢٩ ملین روپے کی ادائیگی اور طویل مدتی مالیاتی سہولت کی موجودہ قسط یعنی ١٧١٩ ملین روپے کی ادائیگی۔

طویل مدتی مالیاتی سہولیات کے حوالے سے ٣١ دسمبر ٢٠١٨ تک مجموعی طور ٢،٧٠٥ ملین روپے کی سات ادائیگیاں کی گئی ہیں۔ ٣١ دسمبر ٢٠١٨ تک طویل مدتی مالیاتی سہولیات کے بقایاجات کی مقدار ٢١،٢١٧ ملین روپے ہے۔

آپریشنل نتائج

٣١ دسمبر ٢٠١٨ کو ایف پی سی ایل نے ایف ایف بی ایل کو ٥٣٧،١٥١ میگاواٹ (بجٹ کا ٩٨ فی صد) بجلی فراہم کی اور کے الیکٹرک لمیٹڈ کو ٩٠١،٤٠٨ میگاواٹ (بجٹ کا ١٠٥ فی صد) بجلی فراہم کی۔ ایف پی سی ایل نے ایف ایف بی ایل کو ٣٢٨٢،١٤٥ میٹرک ٹن (بجٹ کا ٩٣ فی صد) بھاپ بھی فراہم کی ہے۔

سال کے دوران ایف پی سی ایل نے ای آر پی نظام ایس اے پی کو لاگو کیا ہے جو ضرورت کے مطابق بہتر داخلی کنٹرول میں مددگار ہے۔

ایف پی سی ایل کو درپیش خدشات اور غیر یقینی صورت حال

ایف پی سی ایل کو درپیش اہم خطرات اور غیر یقینی صورت حال درج ذیل ہیں:

میرٹ آرڈر کا خطرہ

کے الیکٹرک کو ایف پی سی ایل کی طرف سے بجلی کی فراہمی نیپرا کے فیصلے کے مطابق میرٹ آرڈر کے زمرے میں آتی ہے۔ یہ خطرہ موجود ہے کہ ایف پی سی ایل کے الیکٹرک کے لیے میرٹ پر پورا نہ اترے اور اس لیے وہ کے الیکٹرک کے سسٹم کو بجلی فراہم نہ کر سکے۔

ایندھن کی فراہمی میں بے یقینی

کوئلے کی قلت / عدم دستیابی کی صورت میں ایف پی سی ایل بجلی کے خریداروں یعنی کے۔الیکٹرک اور ایف ایف بی ایل کو صلاحیت کی مخصوص ادائیگیوں کی بلنگ نہیں کر سکتی۔

ایف پی سی ایل نے مندرجہ بالا خدشات میں کمی کے لئے کافی کنٹرول فراہم کیے ہیں۔