FAUJI FERTILIZER COMPANY LIMITED

Annual Report

2020

RESILIENCE
IN ADVERSITY

COVER STORY

The year 2020 was a difficult period due to the unfortunate outbreak of the COVID-19 pandemic across the globe. At Fauji Fertilizer, our goal through this strenuous period was continuing our journey of excellence, no matter the form of adversity that we are faced with.

FFC has demonstrated resilience in this period of uncertainty and despite the challenges, has continued the uninterrupted supply of our quality fertilizer to the farming communities all over the Country.

VISION

To be an inspiring, distinguished and globally diversified enterprise with a hallmark of excellence, trust and innovation

MISSION

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

ABOUT THIS REPORT

The FFC Annual Report 2020 (the Report) integrates the following sections:

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

The Report is structured to assist our readers in assessing our business by providing information about state of affairs, performance and the outlook of FFC. It fairly addresses the material matters pertaining to the long term sustainability of the Company and its integrated performance. This Report comprises of strategic and operational review by the Board of Directors which encompasses financial reviews and analyses, overview of governance, risk management and internal control frameworks. 'Navigating through this Report' given on page 4 shall further facilitate the reader in comprehending this Report.

Our value creating business model supported by the outputs, outcomes and impacts of various forms of capitals associated with business activities, and how we look forward towards business opportunities, has also been explained. The Board has endorsed and authorized the release of their report on January 28, 2021.

Scope and Boundary

Our Report covers the period from January 1, 2020 to December 31, 2020 and subsequent events up to the issuance of this report have also been explained in various sections of the Report.

Operational and financial analyses and reviews are carried out by extracting financial information from the Audited Financial Statements for the year ended December 31, 2020 with relevant comparative information. The Financial Statements consistently comply with the requirements of:

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

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

There have not been any significant changes to the scope, boundary and reporting basis since the last reporting date as of December 31, 2019.

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

This Report is also in compliance with the following requirements:

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

Forward Looking Statement

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

Materiality

The Company's process for determination of materiality has been explained on page 161 of this Report.

External Assurances / Reviews

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

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NAVIGATING THROUGH THIS REPORT

The key objective of this Report is to provide a comprehensive information about our Company, driven through a robust business model that illustrates our strategies to create value for the stakeholders in the long run while managing key risks and capitalizing on opportunities.

Navigating through this Report will assist the reader to understand and address ten key questions:

Core Questions	Where to Look for	Page No.
Performance and Position		
To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	Highlights 2020	20
	How we evolved	26
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	CE&MD's Overview	46
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Outlook		
What are the challenges and uncertainties that the Company is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?	Forward Looking Statement	134
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What are the Organization's efforts relating to the various aspects of sustainability and corporate social responsibility?	Social and Relationship Capital	128
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How does the Organization's business model fulfil its strategic purposes and create value over the short, medium and long term?	Value Creation Business Model	154

01

General information about the Company and its operations

COMPANY OVERVIEW

PRODUCT PORTFOLIO

Principal Activities of the Company

The principal activity of the Company is manufacturing, import and subsequently marketing of fertilizer products in addition to its investment in numerous other projects related to energy production, food processing, financial services and other chemical production.

Sona Urea P & Sona Urea G

Agricultural Use:

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

In irrigated areas, urea is applied (top-dressed) in the standing crop followed by irrigation to minimize gaseous losses as ammonia volatilization occurs. In rain fed areas, it is often spread just before rain or after rains to minimize gaseous as well as runoff losses. “Sona Urea” produced by FFC is in prills form and at FFBL is in granular form. Granular urea has the advantage of ease in application on standing crops due to bigger size granules.

Industrial Use:

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

Sona Urea (Neem Coated)

Agriculture Use:

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

FFC DAP & Sona DAP

Agricultural Use:

Di-ammonium Phosphate (DAP) belongs to a series of water-soluble ammonium phosphates that is produced through a reaction of ammonia and phosphoric acid. DAP is the most concentrated phosphatic fertilizer containing 46% P_2O_5 and 18% N. Physically DAP is in granular form. It is compound phosphate fertilizer. It is recommended for all crops as basal fertilizer for better root proliferation, inducing energy reactions in plants and increasing size of the grains or fruits. The solubility of DAP is more than 90%, which is the highest among the phosphatic fertilizers available in the Country; due to which it can also be applied post planting through fertigation. After soil application, DAP goes through chemical reactions with a net acidic effect, making it the most suitable phosphatic fertilizer for farmlands in Pakistan. Furthermore, as basal DAP application, accompanying nitrogen content also meets the early stage nitrogen requirements of crop plants.

Industrial Use:

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

FFC SOP

Agricultural Use:

SOP (Sulfate of Potash or Potassium Sulfate) is an important source of Potash, a quality nutrient for better crop yields particularly fruits and vegetables. FFC SOP contains 50% K_2O and 18% sulfur, which are important nutrients for plant growth and development. Potash has a vital role in enzyme activation, stress tolerance, resistance against pests & diseases, increasing sugar content and translocation of photosynthetic products from leaves to other parts of the plants. Potash is an important nutrient for activation of enzymes in the plant body, develops resistance against water stress / frost injury and also helps in increasing sugar / starch contents in plants. Sulfur is important for fatty acid synthesis and therefore is important for oilseed crops. Sulfur has an additional advantage of ameliorating effect on salt-affected soils. Sulfur also helps in preventing spread of fungal or other soil borne diseases. FFC SOP is one of the finest quality products with less than 1.5% chloride content being imported from European origin and preferred for high value crops.

Industrial Use:

Occasionally used in manufacturing of glass.

FFC MOP

Agricultural Use:

Potassium chloride (commonly referred as Muriate of Potash or MOP) is the most common potassium source used in agriculture, accounting for over 90% of all potash fertilizers used worldwide. MOP is the most concentrated form of granular potassium and typically the most cost effective source of potash. FFC MOP contains 60% K_2O and is used for fertilizing almost all crops like sugarcane, maize, rice, wheat, cotton, orchards, vegetables and other field crops. The even granule size of MOP allows uniform field application through broadcast spreading. This product can be mixed with other fertilizer products due to physical compatibility with other granular products.

Industrial Use:

Used in medicine, scientific applications, food processing etc.

Sona Boron

Agricultural Use:

Sona Boron is a micronutrient fertilizer as Borax (Di-Sodium Tetra Borate Deca-hydrate) in 3 kg packaging. It is an essential micronutrient required for plant nutrition, which plays a vital role in a number of growth processes especially cell division, cell elongation / development, pollination, and fruit/ seed setting. Keeping in view increasing boron deficiency in Pakistani soils, FFC is providing superior quality Sona Boron containing minimum 10.5% Boron. It is in crystalline form and easy to use. It is soluble in water and readily available to plants. Sona Boron can be applied with other fertilizers.

Sona Zinc

Agricultural Use:

Sona Zinc is a micronutrient fertilizer in the form of Zinc Sulphate Monohydrate (27%) in 3 kg packaging. It is an essential micronutrient required for plant nutrition, which plays an important role in number of growth processes like; synthesis of chlorophyll & proteins, enzyme activation, hormonal activity for growth regulation. Zinc also improves uptake of nitrogen and phosphorous by the plants. Zinc deficiency in soil and ultimately in diet is causing different diseases in humans and livestock. Keeping in view the wide spread deficiency of zinc in Pakistani soils (>85%), FFC is providing high quality Sona Zinc to farmers. It is in granular form and can be mixed with other fertilizers for broadcast application. Sona Zinc is water-soluble and can also be used as fertigation i.e. application with irrigation.

Renewable Energy

FFC Energy Limited

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

PRODUCT PORTFOLIO

Processed Fruits and Vegetables

Fauji Fresh n Freeze Limited

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

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

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

GEOGRAPHICAL PRESENCE

PAKISTAN		
Rawalpindi/ Islamabad	FFC Head Office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
	FFBL Head Office	FFBL Tower, Plot No. C1/C2, Sector B, Jinnah Boulevard, Phase II DHA, Islamabad
	AKBL Head Office	Third Floor, Plot No. 06, NPT Building, F-8 Markaz, Islamabad
	FCCL Head Office	Fauji Towers Block 3, 68 Tipu Road, Rawalpindi, Punjab
	FFCEL Head Office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
	FPP Head Office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
	OLMS Head Office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
Lahore	FFC Marketing Office	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
	FFF Corporate Office	6/6, Main Jail Road, Gulberg II, Lahore, Punjab
Sahiwal	FFF Site Office	11 KM Sahiwal Pakpattan Road Sahiwal (District Sahiwal), Punjab
Goth Machhi	FFC Urea Plants I & II	Goth Machhi, Sadiqabad (District Rahim Yar Khan), Punjab
Mirpur Mathelo	FFC Urea Plant III	Mirpur Mathelo (District Ghotki), Sindh
Karachi	Resident Manager Office	B-35, KDA Scheme No. 1, Karachi, Sindh
	TEL Head Office	11th floor Ocean Tower G-3, Block 9, Main Clifton Road, Karachi, Sindh
Jhimpir	FFCEL Wind Power Project	Deh Kohistan, Taluka Jhimpir (District Thatta), Sindh
Bin Qasim	FFBL DAP & Urea Plant	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim, Karachi, Sindh
Tharparkar	TEL Power Plant	Thar Block II, Thar Coalfields, Tharparkar, Sindh
MOROCCO		
Casablanca	PMP Head Office	Hay Erraha, 2, Rue Al Arabi, Casablanca, Morocco
Jorf Lasfar	PMP Plant/Site	BP 118 El Jadida, Jorf Lasfar, Morocco

CODE OF CONDUCT

01

Gender Equality

The Company shall strictly maintain and promote gender equality without discrimination on the basis of race, religion, ancestry, familial status, age, disability etc.

Equal opportunities to employees in professional growth will be afforded to all irrespective of any gender or racial / religious biases.

02

Compliance to Law / Policies

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

03

Exercise of Authority

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

We shall remain refuted to any actual or attempted abuse of a position of vulnerability, differential power, or trust, for any purposes.

07

Protection of Property

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

We shall protect Company's property, plant premises, supplies (all kind), production equipment and products.

08

Reporting of Illegal / Unethical Conduct

We shall implement a strict policy for "whistleblowing" and protection against retaliation.

Employees shall be encouraged to report any unethical behaviour, violation of laws, rules, regulations, company policies and procedures or code of conduct to the respective committee.

Informant shall be warranted no retaliation for reports made in good faith.

09

Reputation

We shall maintain reputation of the Company as a valuable asset and consciousness of our reputation shall prevail in our words and deeds.

04

Business Dealings

In business dealings with suppliers, contractors, consultants, customers and government entities, we shall not provide or offer to provide, any gratuity, favour or other benefit

All business dealings shall be conducted strictly at an arm's length basis.

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

We shall deal with our business partners, suppliers and customers honestly at the same time protecting the Company's confidential information, trade secrets and business interests.

05

Personal Relationship

All of us shall exercise utmost care in looking after business interests of the Company under situations in which a pre-existing personal relationship exists between an individual and any third party or Government employee or official of an agency with whom the Company has an existing or potential business relationship.

Where there is any doubt as to the propriety of the relationship, the individual shall report the relationship to management so as to avoid even the appearance of impropriety.

06

Health and Safety

We shall set a goal oriented Health, Safety, Environment and Quality (HSEQ) Management System; derived from Industry Best Practices and International Standard.

Every employee should:

- Observe all applicable health and safety rules and practices
- Promptly report any unhealthy or unsafe conditions or threatening or violent behaviour
- Follow all security measures and guidelines for a safe work environment
- Know what to do in an emergency and cooperate during the practice of emergency drills

10

Brand Image

Every employee shall maintain strong and consistent brand image of the company while dealing with all stakeholders.

11

Protection of Environment

We shall abide by all applicable environmental laws, rules and regulations including environmental quality standards.

We shall encourage all employees to recognize and promptly report any situation posing potential or actual environmental hazard.

12

Contribution to Society

We shall enhance and create value for the society social initiatives.

We shall create lasting change in communities through programs designed and implemented in the light of Sustainable Development Goals, which include Commitment to implement universal principles of human rights, labour standards, environmental protection, anti-corruption, key education, health, environmental, social and humanitarian issues, investments in communities and empowering farmer's community to ensure food security.

CORE VALUES

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

EXCELLENCE
in high-quality products and services to our customers

CONSISTENCY
in our words and deeds

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

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

REPUTATION
is built / perceived as a valuable asset and the consciousness of our reputation prevails in our words and deeds

TEAMWORK
to synergize for achieving strategic objectives

INNOVATION
to create value and sustain competitive advantage

POLICY STATEMENT ON ETHICS AND BUSINESS PRACTICES

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

COMPANY PROFILE AND GROUP STRUCTURE

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

Fauji Fertilizer Company Limited (FFC) is Pakistan's largest urea manufacturing company, incorporated in 1978 as a joint venture between Fauji Foundation, a charitable trust in Pakistan which owns 44.35% equity stake in the Company and Haldor Topsoe A/S of Denmark to set up a urea production facility with capacity of 570 thousand tonnes per annum. The Company has grown through reinvestment in fertilizer sector and at present its production capacity stands over 2 million tonnes through its three plants. The Company has contributed more than US$ 14.95 billion to the National Exchequer through import substitution of almost 65 million tonnes of urea since its inception.

FFC Energy Limited

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

Fauji Fresh n Freeze Limited

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

OLIVE Technical Services (Private) Limited

OLIVE Technical Services (Private) Limited has been incorporated as a wholly owned subsidiary of FFC to provide technical services pertaining primarily to engineering and information technology. OLIVE is expected to take FFC's existing services portfolio to new heights.

Fauji Fertilizer Bin Qasim Limited

Fauji Fertilizer Bin Qasim Limited (FFBL) was incorporated as FFC Jordan Fertilizer Company in 1993 and subsequently restructured as FFBL in 2003. With a Country centric approach to further relieve import pressures, FFC invested in Pakistan's first and only DAP and granular urea facility, FFBL, and currently has a shareholding of 49.88%.

The products of both companies are marketed through FFC's well diversified and Pakistan's largest dealer network which ensures timely supply to the farming community, besides imparting valuable knowledge on latest farming techniques.

Our well recognized 'Sona' brand meaning gold thus signifying the value of our product to the farming community of the Country. FFC combined with FFBL, commanded a market share of 55% in urea and 31% in DAP in 2020 (source NFDC).

Askari Bank Limited

As part of investment diversification, FFC acquired 43.15% equity stake in Askari Bank Limited (AKBL) against an investment of Rs 10.46 billion in 2013. The Bank was incorporated in Pakistan on October 9, 1991, as a public limited company.

It is principally engaged in the banking business, with a market capitalization of Rs 29.48 billion at the end of the year. The Bank operates throughout Pakistan with a branch network of 537 branches, including 95 Islamic banking branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

Fauji Cement Company Limited

Fauji Cement Company Limited (FCCL), a public limited company, was incorporated on November 23, 1992 and is listed on the Pakistan Stock Exchange (PSX). The company is primarily engaged in the manufacture and sale of different types of cement through its two production lines having an annual production capacity of 3.06 million tonnes. With an investment of Rs 1.50 billion, FFC holds 6.79% equity stake in the company.

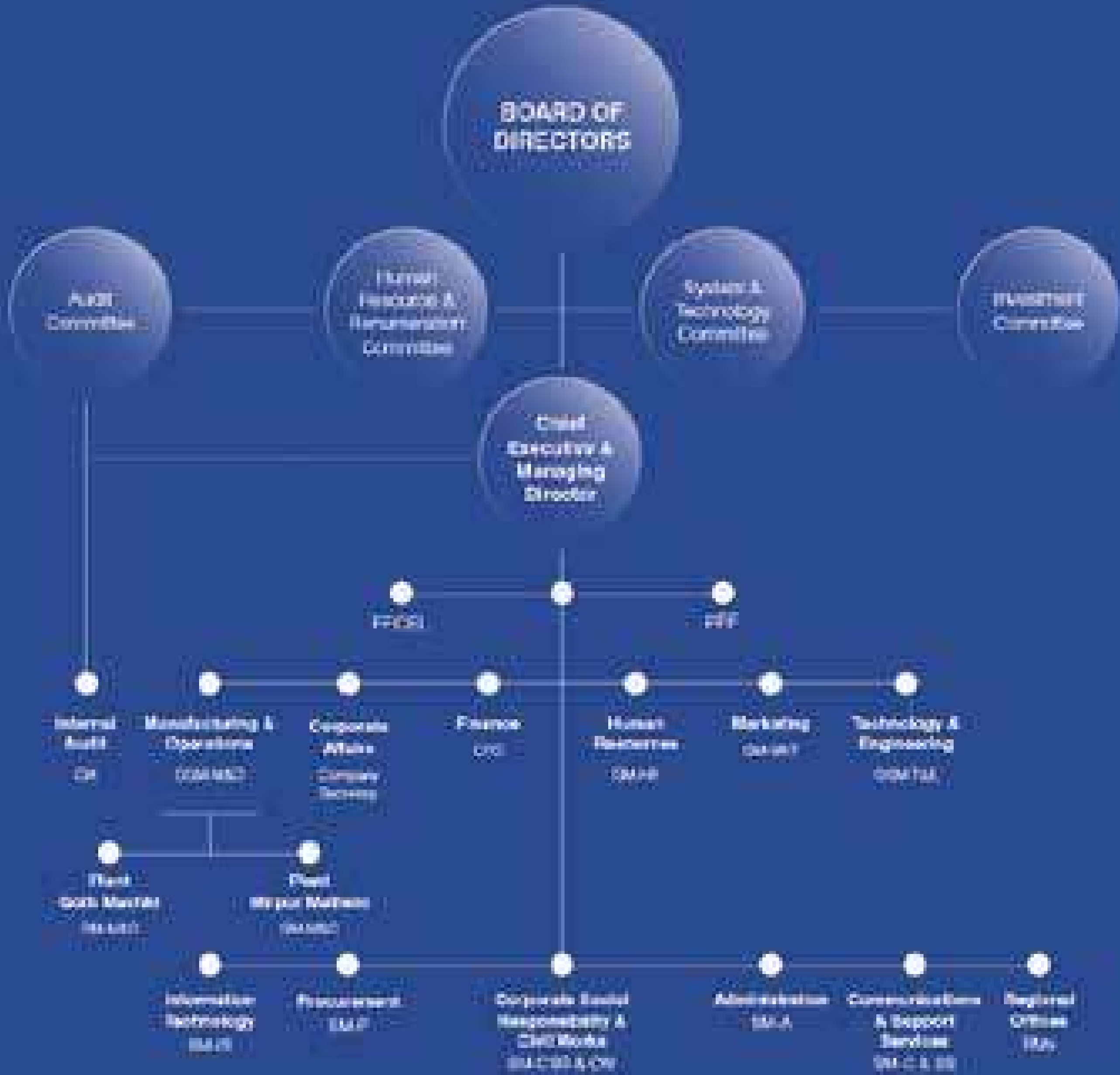
Thar Energy Limited

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

Pakistan Maroc Phosphore S.A.

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

ORGANIZATIONAL CHART



A	Administration
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
C&SS	Communication & Support Services
CSR&CW	Corporate Social Responsibility & Civil Works
FFCEL	FFC Energy Limited
FFF	Fauji Fresh n Freeze Limited
GGM	Group General Manager
GM	General Manager
HR	Human Resources
IS	Information Systems
M&O	Manufacturing & Operations
MKT	Marketing
P	Procurement
RM	Resident Manager
SM	Senior Manager
T&E	Technology & Engineering

Number of Employees

FFC has employed 3,512 people in its operations including plants, marketing offices and head office. Location-wise breakup of number of employees has been disclosed on page 175 of the Report.

Disclosure of total number of employees has been made in Note 42.4 of the Financial Statements.

Value Creation Business Model

Our value creation business model and process shows how we take in value, use our manufacturing facilities, people, systems and relationships to create additional value for our shareholders, employees, and other stakeholders. Detailed value chain has been disclosed on page 104 of the Report.

External environment

Significant factors affecting the external environment and our associated responses have been disclosed in detail on page 137 of the Report.

Significant Changes from prior year

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

CALENDAR OF MAJOR EVENTS

01
JANUARY
198th BOD Meeting – Final dividend proposed @ 32.50%

Further investment in FFF – Rs 1.50 billion

03
MARCH
1st corporate briefing of 2020

42nd Annual General Meeting

04
APRIL
199th BOD Meeting – First interim dividend announced @ 25.00%

07
JULY
200th BOD Meeting – Second interim dividend announced @ 27.50%

Maintained long term credit rating of AA+ and short term credit rating of A1+

10
OCTOBER
Top positions in ICAP / ICMAP Best Corporate & Sustainability Awards

202nd BOD Meeting – Third interim dividend announced @ 35.50%

2nd corporate briefing of 2020

11
NOVEMBER
Further investment in FFBL – Rs 7.50 billion

12
DECEMBER
Successful completion of Turnaround at Plant-III (Mirpur Mathelo)

Contribution to National Exchequer – Rs 27 billion

First position – PSX Top 25 Companies for 2018

Joint winner in "Manufacturing sector" category by SAFA Best Annual Report Awards 2019

HIGHLIGHTS 2020

2,512 KT
Sona urea sales

2,487 KT
Sona urea production

2 KT
Sona urea closing inventory

40%
Contribution to indigenous urea production

Rs **27** Billion
Contribution to National Exchequer

47,019
Farmers reached through our unique Agri. Services

Rs **2.50** Billion
Investment in FFBL

Rs **1.50** Billion
Investment in FFF

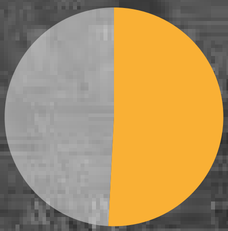
121 %
Operational efficiency

Rs **11.20** Per Share
Profit payout to shareholders

156
Scholarships awarded under Sona ward of farmers scholarship program

USD **621** Million
Import substitution

51 % (UREA)
Combined FFC / FFBL market share



51 % (DAP)
Combined FFC / FFBL market share

STRATEGY AND RESOURCE ALLOCATION

Corporate Strategy

Sustain fertilizer business with alternative feedstock, diversify both domestically & internationally, engage to maximize portfolio performance and introduce customer focused differentiated products by deploying innovative culture, while remaining a responsible corporate entity.

Strategic Objectives

	01 OBJECTIVE	02 OBJECTIVE	03 OBJECTIVE
	Sustain growth in fertilizer business	**Diversify locally and globally through leveraging synergies and fostering strategic partnerships**	**Strategize portfolio management to drive long-term growth and exceed shareholders' expectations**
Strategy	Identifying and implementing most suitable alternative resources of energy for FFC's core business sustainability and growth in fertilizer sector	Identify and evaluate best-suited opportunities in growth sectors through utilizing business expertise and strategic partnerships	Appraise performance of existing investments and position accordingly
Nature	Medium term and long term	Short term, medium term and long term	Short term and medium term
Priority	High	High	High
Resources allocated	Human capital, financial capital and manufactured capital	Human capital and financial capital	Financial capital
KPI Monitored	Production, Sales and Market Share	ROIC or ROE, Gearing Ratio and Interest Cover	ROIC and share of earnings from investments
Status	Various viable options for alternative feedstock are being evaluated	It is an on-going process; hence, business opportunities are under consideration	On-going process
Future relevance of KPI	The KPI will remain relevant in future	The KPI will remain relevant in future	The KPI will remain relevant in future
Opportunities / Threats	With the established fertilizer market in Pakistan and FFC's decades of business expertise, alternate feedstock shall sustain our market position. However, viability of alternate feedstock is very important for the future of fertilizer business which in-turn closely affects food security of Pakistan	FFC's strong financial position, expertise and adequate human capital enables it to diversify while prudently mitigating associated risks	Dynamic business environment warrants evaluation of existing position and new opportunities for capital shift to more profitable, strategic and growing sectors prudently

Significant changes in objectives & strategies

Based on dynamic business environment, strategic objectives and their implementation strategies are developed and executed professionally.

Our Vision, Mission and Business Strategy now emphasize towards investment portfolio, innovation and development of synergistic culture with strong organizational purpose, in addition to previous years focus areas.

	04 OBJECTIVE	05 OBJECTIVE	06 OBJECTIVE	07 OBJECTIVE
	Maintain outstanding brand image by providing premium quality innovative products and services	**Improve operational efficiency through cost economization and enhanced synergies among functions**	**Demonstrate sustainable social, environmental and corporate governance commitment**	**Nurture innovative thinking, teamwork and strong organizational purpose**
	Invest in R&D / innovations for introducing new products as per the evolving needs of the customers	Realign and implement policies and procedures for cost optimization and implement systems and processes to enhance synergy among functions	Focus UN Sustainable Development Goals and long term environmental concerns	Create a culture that nurtures innovation and entrepreneurial thinking, establish innovation platforms and enhance employee engagement
	Short term and medium term	Short term	Long term	Long term
	High	High	High	High
	Human capital and financial capital	Human capital and financial capital	Human capital, financial capital, social and relationship capital and natural capital	Human capital, social and relationship capital
	Customer Satisfaction Index and product quality	Net Profit Margin	Net Energy Efficiency	Employee Engagement
	Ongoing process	Ongoing process	Ongoing process	System is being reinforced to promote a culture of innovation
	The KPI will remain relevant in future	The KPI will remain relevant in future	The KPI will remain relevant in future	The KPI will remain relevant in future
	FFC's strong brand image enables marketing new products and services while maintaining existing position	Optimal operations facilitate further economization. Uncontrollable factors particularly increase in input costs and international price volatility may affect the Company's performance	FFC's commitment to sustainable environmental, social and corporate governance is the key to its established name in the agricultural and industrial sector, which provides confidence	Nurturing innovative thinking and teamwork catalyse human capital efforts towards value addition in business and develop entrepreneurial mindset

COMPANY INFORMATION

Board of Directors

Mr Waqar Ahmed Malik
Chairman

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

Dr Nadeem Inayat
Mr Farhad Shaikh Mohammad
Mr Saad Amanullah Khan
Ms Maryam Aziz
Maj Gen Naseer Ali Khan, HI(M) (Retd)
Mr Qamar Haris Manzoor
Capt Saeed Ahmad Nawaz (Retd)
Mr Peter Bruun Jensen
Dr Riaz Ahmed
Maj Gen Ahmad Mahmood Hayat, HI(M) (Retd)
Mr Syed Bakhtiyar Kazmi

Chief Financial Officer

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

Company Secretary

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

Registered Office

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

Plantsites

Goth Machhi, Sadiqabad

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

Mirpur Mathelo

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

Marketing Division

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

Karachi Office

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

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants
74-East, Blue Area,
Jinnah Avenue, Islamabad
Tel No. +92-51-2273457-9,
+92-51-2870045-85
Fax No. +92-51-2273457-9,
+92-51-2206473

Shares Registrar

CDC Share Registrar Services Limited
CDC House, 99 - B, Block - B
S.M.C.H.S., Main Shahra-e-Faisal
Karachi – 74400
Tel: +92-0800-23275
Fax: +92-21-34326053

BANKERS

Conventional Banks

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

Islamic Banks

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

HOW WE EVOLVED

1978

Incorporation of the Company

1982

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

1991

Listed with Karachi and Lahore Stock Exchanges

1992

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

Listed with Islamabad Stock Exchange

1993

Initial investment in Fauji Fertilizer Bin Qasim Limited (FFBL), a DAP and urea manufacturing concern, which currently stands at Rs 7.15 billion representing 49.88% equity share

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

2012

Inauguration of FFC Energy Limited

Inauguration of new state of the art HO Building in Rawalpindi

2013

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

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

Commencement of commercial operations by FFCEL

2014

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

Received first ever dividend of Rs 544 million from AKBL

2015

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

Inauguration of FFF

2016

Highest ever urea production of 2,523 thousand tonnes

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

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

Launch of "OPA!" French Fries brand by FFF

2002

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

2004

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

2008

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

Investment of Rs 1.50 billion in Fauji Cement Company Limited (FCCL), currently representing 6.79% equity participation

2010

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

2011

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

2017

Highest ever DAP offtake of 513 thousand tonnes

Highest ever all fertilizer sales of 3,223 thousand tonnes

Maiden dividend declared by FFCEL of Rs 500 million

Incorporation of Joint Venture Company TAMPCO for our offshore fertilizer project

2018

Highest ever all product Revenue of Rs 108 billion (including subsidy)

Highest ever domestic urea sale of 2,527 KT

Investment in Thar Energy Limited of 30% equity stake

2019

Highest ever investment income of Rs 5.67 billion

Top position in IFA Safety Performance Benchmark Survey

2020

Further investment of Rs 2.50 billion in FFBL maintaining 49.88% equity share

10th consecutive first position – PSX Top 25 Companies

13th overall top position in the Best Corporate Report Awards 2019 competition held by ICAP and ICMAP

5th time first position in the Sustainability Report category of the Best Corporate Report Awards 2019 competition held by ICAP and ICMAP

Joint Winner in the "Manufacturing sector" category of South Asian Federation of Accountants (SAFA) Best Annual Report Awards 2019

IFA Gold Medal awarded as Industry Stewardship Champions

COMPETITIVE LANDSCAPE AND MARKET POSITIONING

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

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

The competitive landscape and market positioning is explained below:

Competition in the Industry

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

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

During the year, FFC combined with FFBL commanded a market share of 51% in Urea and 51% in DAP (source: NFDC).

Power of Suppliers

FFC's continuous and sustainable growth is also attributable to engaging reputed and dependable suppliers as business partners for supply of raw material, industrial inputs, equipment and machinery in addition to supply of debt for meeting working capital and other financial requirements.

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

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

Potential of new Entrant into the Industry

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

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

Threat of Substitute Products

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

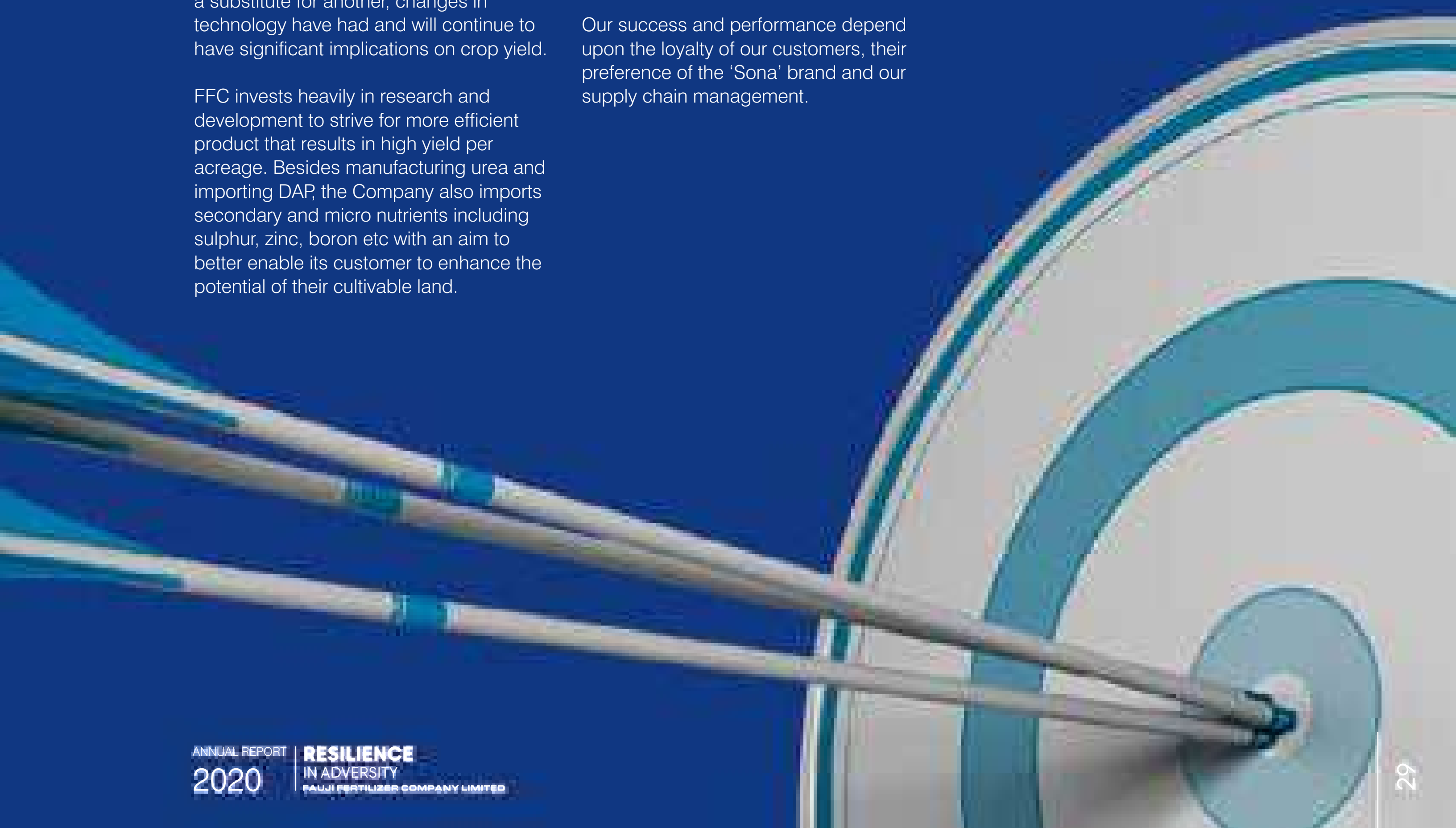
While one nutrient cannot be used as a substitute for another, changes in technology have had and will continue to have significant implications on crop yield.

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

Power of Customers

FFC has invested significantly over the years in customer relationship management going beyond extending credit facilities and trade discounts. Through Agri. Services, FFC has been continuously inducing changes in agricultural production and is highlighting the importance of rapid and efficient transfer of advance knowledge to farmers for their sustainable economic growth.

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



PROFILE OF THE BOARD

Waqar Ahmed Malik

Chairman

Joined the Board on April 9, 2020

Mr Waqar Ahmed Malik is the Managing Director and Chief Executive Officer of Fauji Foundation. He is also serving as Chairman on the Boards of following Fauji Group companies:

- Askari Bank Limited
- Askari Cement Limited
- Daharki Power Holdings Limited
- Fauji Akbar Portia Marine Terminal Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Fresh n Freeze Limited
- Fauji Infraavest Foods Limited
- Fauji Kabir Wala Power Company Limited
- Fauji Oil Terminal and Distribution Company Limited
- Fauji Trans Terminal Limited
- FFBL Power Company Limited
- FFC Energy Limited
- Foundation Power Company Dahrki Limited
- Foundation Solar Energy (Private) Limited
- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II Limited
- Mari Petroleum Company Limited

Mr. Malik is also Chairman of Pakistan Oxygen Limited (formally Linde Pakistan, a subsidiary of Linde AG) acquired by Adira Capital Holdings (Private) that he co-founded. Earlier, he also served on the boards of Engro Corporation Limited, Engro Polymer and Chemicals Limited, PPL, Standard Chartered Bank Pakistan Limited, TPL Insurance Limited and Lahore University of Management Science. He has also been part of Pakistan Institute of Corporate Governance as visiting faculty.

His career with The ICI Plc Group based in the UK spanned over 27 years and later with Akzo Nobel N.V. based in The Netherlands. He has worked in Europe and Americas in Corporate Finance and Strategy Departments. He has been playing an instrumental role in development of Pakistan's Regulatory System as well as for the advocacy to undertake economic reforms, as; Director for State Bank of Pakistan and Pakistan Business Council (PBC), and President for Overseas Chamber of Commerce & Industry (OICCI) and Management Association of Pakistan (MAP).

Mr Malik is a fellow of the Institute of Chartered Accountants in England and Wales and an alumnus of the Harvard Business School and INSEAD.

He participates actively in social and philanthropic activities through I-Care Foundation, as a Trustee, and contributes to improve the quality of life of underprivileged by enhancing the level of philanthropic support. He was awarded Prince of Wales Medal as a Trustee of the Prince of Wales Pakistan Recovery for the Flood Victims in 2010.

Lt Gen Tariq Khan

HI(M) (Retired)

Chief Executive & Managing Director

Joined the Board on March 27, 2018

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

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

The General is Chairman of Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC) and Sona Welfare Foundation (SWF). 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).

The General was commissioned in Pakistan Army in April 1977 with the coveted Sword of Honour. He remained employed on various command, staff and instructional assignments. He is a graduate of Command and Staff College Quetta, National Defence University Islamabad, and remained on the faculty at both institutions. He holds Master Degree in War Studies. Since his retirement, he is on the honorary faculty of National Defence University as a senior mentor. The General also possesses vast experience as adviser to leading corporate entities.

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

Dr. Nadeem Inayat

Non-Executive Director

Joined the Board on May 27, 2004

Besides being Senior Director (Strategy and Mergers & Acquisitions) Fauji Foundation, Mr Inayat is on the Board of following entities:

- Askari Bank Limited
- Askari Cement Limited
- Daharki Power Holdings Limited
- Fauji Akbar Portia Marine Terminals Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Foods Limited
- Fauji Fresh n Freeze Limited
- Fauji Infraavest Foods Limited
- Fauji Kabirwala Power Company Limited
- Fauji Meat Limited
- Fauji Oil Terminal & Distribution Company Limited
- Fauji Trans Terminal Limited
- FFBL Foods Limited
- FFBL Power Company Limited
- Foundation Power Company Dharaki Limited
- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II Limited
- The Hub Power Company Limited
- Mari Petroleum Company Limited
- Pakistan Maroc Phosphore S.A. (PMP)

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

Mr Inayat holds a Doctorate in Economics and has over 28 years of diversified experience in the corporate sector particularly in corporate governance, policy formulation, project appraisal, implementation, monitoring & evaluation, restructuring, and collaboration with donor agencies.

He is Chairman of Investment Committee and member of the Audit and System & Technology Committees of FFC.

Farhad Shaikh Mohammad

Independent Director

Joined the Board on September 16, 2012

Mr Farhad, an Independent Director of Fauji Fertilizer Company Limited is also on the Board of following companies:

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

In addition, he is also CEO of the following entities:

- Din Corporations (Private) Limited
- Din Developments (Private) Limited
- Din Sphere (Private) Limited

Mr Farhad is a finance graduate, actively looking after the Finance and Accounts of Din Group of Industries. He has attended various courses relating to Corporate Governance, Leadership, International Business Ventures and Corporate Finance Management at Pakistan Institute of Corporate Governance (PICG). He is a Certified Director by PICG / International Finance Corporation.

He is member of the Human Resource and Remuneration Committee of FFC.

Saad Amanullah Khan

Independent Director

Joined the Board on September 29, 2018

He spent three decades with Procter & Gamble in senior management including seven years as Chief Executive Officer of Gillette Pakistan. He has been elected twice as President of American Business Council (ABC) and is an active Executive Director of Overseas Investors Chamber of Commerce and Industry (OICCI).

Mr Saad took early retirement in 2014 to following his passion in social impact and driving governance in organizations. Currently, he is also director on the Boards of the following entities:

- CTM360 (Cyber Threat Management)
- Jaffar Brothers
- NBP Funds
- Pakistan Stock Exchange
- ZIL Limited

An active social worker, he is sitting on the Board of over a dozen NGO's and an advisor to another half a dozen social enterprises. He is also Chairman and founder of Pakistan Innovation Foundation (PIF); Founding board member and past Chairman of South East Asia Leadership Academy (SEALA); Founding board member and General Secretary of I Am Karachi Consortium; Board member and past President of Public Interest Law Association of Pakistan (PILAP).

He is author of a business book "It's Business, It's Personal" and has authored many research papers and actively writes in newspapers on economic growth, democracy, entrepreneurship, social development and leadership.

Mr Saad holds two engineering degrees (Systems Engineering and Computer Science Engineering) and an MBA from The University of Michigan, USA.

He is Chairman of the Audit Committee of FFC.

Maryam Aziz

Independent Director

Joined the Board on July 5, 2019

Ms Maryam Aziz is a highly experienced finance and audit professional, with over 20 years of professional experience in financial, audit and risk management. She has been associated with ORIX Group, a Japanese multinational financial group, since 2002 in both local and international roles. She currently holds the position of Chief Financial Officer and Head of Enterprise Risk Management of ORIX Leasing Pakistan Limited (OLP - a listed company). Previously she served as Chief Internal Auditor of OLP for 6 years, Internal Control Advisor to ORIX Group and used her expertise to conduct and supervise multiple internal audit assignments for ORIX group companies in the MENA region (Oman, Saudi Arabia and Dubai). Her international experience includes serving as Finance Director in the ORIX group company in Kazakhstan for over 5 years.

She is also a Board Member of ORIX Modaraba, a listed subsidiary of ORIX Leasing Pakistan Limited in Pakistan.

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

Ms Aziz is a Fellow Chartered Accountant from Institute of Chartered Accountants of Pakistan and holds professional certifications from Institute of Internal Auditors, US, ACCA and CIMA, UK as well. She is a certified director under the Code of Corporate Governance and is a member of Pakistan Institute of Corporate Governance.

She is Chairperson of Human Resource & Remuneration Committee and member of Audit and Investment Committees of FFC.

PROFILE OF THE BOARD

Major Gen Naseer Ali Khan
HI(M) (Retired)

Non-Executive Director

Joined the Board on October 1, 2019

The General was commissioned in The First (Self-Propelled) Medium Regiment Artillery (Frontier Force) in 1983. During his illustrious military career, he held various prestigious Command, Staff and Instructional assignments, to include GSO-III and BM of Infantry Brigades, Command of two Self-Propelled Artillery Regiments and Directing Staff at Command & Staff College Quetta and National Defence University Islamabad. He also served in Military Operations Directorate, GHQ on a key position and commanded a Division Artillery, an Infantry Brigade in Operation Al-Mizan in South Waziristan, HQ Southern Command as Chief of Staff, an Infantry Division and Joint Staff Headquarters as Director General and Advisor.

He has broad exposure to Strategic Stability & Security issues and experience of executing tasks related to Strategic Management, Corporate Governance, Productivity Enhancement, Academic Research & Policy Development, Operational and Logistic Planning, Analytical Optimization, Training & Capacity-Building and Monitoring & Evaluation.

He was awarded Hilal-e-Imtiaz (Military) by the Government of Pakistan in 2015.

The General is also member of Board of Directors of the following companies:

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

A distinguished graduate of National Defence University Islamabad, US Army War College, French War College, Command and Staff College Quetta and School of Artillery Nowshera. He has three Masters and an M. Phil Degree (Public Policy and Strategic Security Management) to his credit.

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

Qamar Haris Manzoor

Non-Executive Director

Joined the Board June 3, 2020

Mr Manzoor has done his Masters in Chemical Engineer from US and holds over 35 years of experience in plant and project management. He started his career with ICI managing its Soda Ash Plant operations, and worked on ICI's polyester plant in Pakistan in the Plant Operations, ICI's PTA Plant as Director Manufacturing, along with various aspects of plant i.e. from Commissioning, Operations Management, Process Engineering, Project Engineering and HSE. He has also been a technical advisor of Lotte for its growth strategies in Pakistan and contributed in setting up 48 MW Cogen Plant at Lotte's PTA Plant. He also held senior positions in Operation at Exxon Chemical Pakistan Ltd at their Fertilizer Plant. Later, he took over the role of Chief Executive Officer of El Paso Technology Pakistan Limited and Chief Operating Officer of Habibullah Coastal Power Company.

Mr Manzoor took the additional responsibility of Chief Executive Officer of Hawa Energy Limited, a 50 MW wind project and successfully concluded the key contracts for the project, maintained liaison with regulators and relevant ministries / government bodies to ensure timely approvals for the project to achieve Financial Close on time. Subsequently, he oversaw the project construction to ensure it's on cost and on time delivery. In his previous job, he worked as Chief Operating Officer of Naveena Group's Energy and Steel Projects. He played a leadership role to develop a green field project under the name of Naveena Steel Mills (Pvt) Ltd for a 300,000 TPA steel rebar plant at Port Qasim, Karachi. He also led the Lakeside Energy Pvt Ltd, a 50 MW wind project at Jhampir, Sindh, and was responsible to achieve financial close of the project along with securing the required regulatory approvals and conclusion of EPC contracts.

He took over as MD and CEO of Fauji Cement Company Limited and Askari Cement Limited as well as CEO of Foundation Solar Energy Limited w.e.f June 3, 2020.

He is Chairman of Systems & Technology Committee and member of Investment Committee of FFC.

Capt. Saeed Ahmad Nawaz
(Retired)

Non-Executive Director

Joined the Board on August 17, 2020

Capt. Nawaz is currently working as Additional Secretary, Industries and Production Division, Government of Pakistan since April 2020. He is Asian Productivity Organization, Alternate Country Director for Pakistan, and sits on the Boards of:

- Aik Hunar Aik Nagar
- Gawadar Port Authority
- Pakistan Stone Development Company
- Pakistan Industrial Development Corporation
- Industry Facilitation Centre — Chairman
- National Productivity Organization — Chairman
- Pakistan Industrial Assistance Centre — Chairman

He Joined Pakistan Administrative Service in October 1991 and served the Governments of KPK and Punjab at sub-division, district and provincial level as team leader and staff officer. He also worked as short term consultant for various Asian Development Bank assisted development programs in Pakistan. He also served in the National School of Public Policy (as Directing Staff), National Management College (as Director General) and National Institute of Management, Lahore (as Chief Instructor).

Capt. Nawaz graduated from Pakistan Military Academy in September 1985 and was commissioned in the First Azad Kashmir Regiment. He earned his MBA (Finance) from University of the Punjab, won prestigious Hubert H. Humphrey Fellowship 2002-03 and attended Boston University, USA. Subsequently, got Professional Development Program Award (2006-07) and completed his M.Sc. in Local Economic Development from LSE, UK. He widely travelled across the globe as Head of NMC Delegations during their Foreign Study Tours and works for a better world-equitably progressive and sustainable economic development.

Capt. Nawaz brings diversity of local, national and international experience to the table with specialization in public policy management (formulation and implementation), economic development, design and enforcement of regulatory frameworks. He specifically focuses stakeholders' perspective, their buy-in and world best practices in public policy management.

Peter Bruun Jensen

Non-Executive Director

Joined the Board on August 20, 2020

Mr Jensen is Technical Director in Haldor Topsoe A/S Global Service Chemicals, with responsibility of coordinating the industrial feedback from the fertilizer industry and development of the ammonia technology. He has qualifications within work of the board, project management, and safety hazard analysis of chemical and petrochemical plants. He has profound experience in engineering, commissioning and operation of ammonia, methanol, and hydrogen plants, and has accomplished several troubleshooting tasks around the world.

He graduated from the Technical University of Denmark as Master of Science in Chemical Engineering and has more than 33 years of experience in refinery and chemical engineering. He served as engineer in various position for Exxon / Statoil's refinery in Denmark before he joined Haldor Topsoe in 1989.

Mr Jensen commenced his carrier in Haldor Topsoe as process engineer in the project engineering and development department and was subsequently posted to Karnaphuly Fertilizer Plant in Bangladesh for commissioning and subsequently assigned as ammonia plant manager.

After returning from his assignment in Bangladesh, he became project manager and commissioning manager for various projects around the world.

Prior to his current position as Technical Director, he was technical service contract manager and liaison officer for Haldor Topsoe's regional office in South America and in addition senior technical advisor for Topsoe's Subcontinent Ammonia Investment Company.

Mr Jensen has published several technical papers for presentation at AIChE and CRU Conferences.

Dr. Riaz Ahmed

Non-Executive Director

Joined the Board August 28, 2020

Dr Ahmed is presently posted as Chairman, State Life Insurance Corporation of Pakistan.

He joined Civil Services in 1989 and has vast professional experience in Senior Management positions in diversified fields such as Public Health Engineering, Financial Management, Corporate Audit, Human Resource Management, Local Government, Procurement & Contract Administration, Development Administration and Insurance & Planning.

He holds Directorship in the following entities:

- Pak Datacom Limited
- Pakistan Reinsurance Company Limited
- Sui Southern Gas Company Limited
- Trading Corporation of Pakistan — Chairman

Dr Ahmed possesses a Master's Degree in Health Economics, Policy & Management from London School of Economics UK. M.Sc in Social Policy Planning in Developing Countries from LSE, UK. M.A (Economics & LL.B.) from Karachi University. MBBS from Liaquat Medical College, Jamshoro and EMBA from Preston University.

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

Maj Gen Ahmad Mahmood Hayat,

Hi(M) (Retired)

Non-Executive Director

Joined the Board September 10, 2020

The General was commissioned in a Cavalry Regiment of the Army on September 6, 1984 and commanded an Armour Regiment, Independent Armoured Brigade Group, Infantry Brigade and Infantry Division.

He held various staff appointments to include Adjutant / Instructor Pakistan Military Academy, Brigade Major of an infantry Brigade, General Staff Officer-2 and 1 at CGS Secretariat, General Staff Officer-1 at Military Operations Directorate, Chief of Staff of a Corps, Director General in Inter Service Intelligence and Director General Defence Export Promotion Organization.

In recognition of his meritorious service, he has been awarded Hilal-i-Imtiaz (Military).

He is also on the Board of the following companies:

- FFC Energy Limited
- Mari Petroleum Company Limited

At present, the General is working as Director Health Fauji Foundation with effect from September 7, 2020.

He is a graduate of Command and Staff College Quetta, Command and General Staff College Fort Leavenworth USA, National Defence University Islamabad and National Management College Lahore. Holds a Master's Degree in War Studies from Quaid-e-Azam University Islamabad and Master of Military Art and Science from Fort Leavenworth USA.

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

PROFILE OF THE BOARD

Syed Bakhtiyar Kazmi

Non-Executive Director

Joined the Board on November 18, 2020

Mr Kazmi is a fellow chartered accountant with over 35 years of experience in a diverse range of sectoral and functional strata within national and regional economies. The key areas of his specialization are fiscal policy and macroeconomic research, greenfield and brownfield projects, strategic collaborations, mergers and acquisitions, outliers in accounting and finance, strategic level audit and assurance and tax reforms and strategic level advisory.

Mr Kazmi served KPMG for 35 years; last 25 years as a partner. As a partner he interacted with the leadership in almost every industry, understanding their vision, their insights, and most importantly on their business strategies. His rigorous exposure to a diverse range of sectors and projects, enabled him to conceive and culminate strategic value additions for his clients, pertaining to public and private sector organizations. He successfully implemented a comprehensive service delivery framework that ensures quality assured service provision to KPMG's clients, and a cross-functional integration with the advisory and taxation services that allowed a robust and comprehensive service delivery package to the clients. As an auditor and an advisor, Mr Kazmi successfully delivered his promise of providing best-in-class and integrity driven services. With his career progression, he branched into macroeconomic research with a focus on contributing towards fiscal and regulatory policies of Pakistan. He almost single-handedly established advisory practice of KPMG in Islamabad about 2 decades ago which today arguably is the go to advisory in Islamabad. This initiative covered financial projections, feasibilities, information memorandums, internal audit assessments, HR assessments, manuals for processes and controls, valuations, and development advisory which included an assessment of the Punjab and Sindh governments.

Mr Kazmi has served on a number of diverse forums / Boards in the Private Sector, Public Sector & Civil Society Organization and regularly publishes in reputable dailies.

He is member of Audit and Investment Committees of FFC.

Mohammad Munir Malik

Chief Financial Officer

He is currently the Chief Financial Officer of Fauji Fertilizer Company Limited (FFC) and FFC Energy Limited. He joined FFC in 1990 and has served as Group General Manager – Marketing prior to his appointment as CFO in 2015. During his career in FFC, he has worked at various key positions in Finance and Marketing Groups and has been actively involved in the strategic / financial planning of the Company. He also played an instrumental role in the acquisition of ex-Pak Saudi Fertilizer Limited, now FFC Plant-III, including the arrangement of syndicated debt.

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

He is also a Director on the Boards of following companies:

- Askari General Insurance Company Limited
- FFBL Power Limited
- Fauji Fertilizer Bin Qasim Limited
- Fauji Fresh n Freeze Limited
- Fauji Foods Limited
- Fauji Meat Limited
- FFBL Foods Limited
- Thar Energy Limited

Mr Malik is a Fellow member of the Institute of Chartered Accountants of Pakistan (ICAP), and completed his training from PWC Pakistan. He is a Certified Director from ICAP and has undergone various professional trainings from Harvard Business School, Stanford University, Chicago Booth School of Business, Kellogg School of Business, Foster School of Business, Ross School of Business and Center for Creative Leadership, USA and IMD, Switzerland.

Brig Asrat Mahmood

SI(M) (Retired)

Company Secretary

He joined Fauji Fertilizer Company Limited as Company Secretary on April 13, 2020, and holds the appointment of Company Secretary in FFC Energy Limited, Fauji Fresh & Freeze Limited and OLIVE Technical Services (Private) Limited also.

He was commissioned in Pakistan Army in March 1987, had a distinguished career of 32 years and served on varied command, staff and instructional appointments. The Brigadier is a graduate of Command and Staff College, Quetta and National Defence University Islamabad, besides attending professional courses abroad. He holds M.Sc in Strategic Studies and Defence Management, Masters in Business Administration and Diploma in German Language to his credit.

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

He also holds certification of Director's Training Program from Pakistan Institute of Corporate Governance (PICG) along with numerous short courses on Management, HR, Disaster Management etc.

BOARD COMMITTEES

Audit Committee

Directors	Status	23rd Jan	20th Apr	21st Jul	20th Oct	11th Dec	Total
Mr Saad Amanullah Khan * Chairman	Independent	√					5
Dr Nadeem Inayat Member	Non-Executive	X	X	√	√	X	2
Mr Rehan Laiq Member	Non-Executive	√		√	N/A		3
Ms Maryam Aziz Member	Independent	√					5
Mr Imran Moid * Member	Non-Executive	N/A			√	N/A	1
Syed Bakhtiyar Kazmi * Member	Non-Executive	N/A				X	–

* Mr Saad Amanullah Khan appointed as Chairman in place of Ms Maryam Aziz w.e.f June 3, 2020
Mr Imran Moid as member appointed in place of Mr Rehan Laiq w.e.f September 10, 2020
Syed Bakhtiyar Kazmi as member appointed in place of Mr Imran Moid w.e.f November 18, 2020

FFC's Audit Committee comprises of four non-executive members, two of whom including the Chairman are independent non-executive directors. The members are a group of highly qualified individuals comprising two fellow members of ICAP, a Doctorate holder in Economics and a Masters' in Business Administration.

The Committee met five times during the year. Separate meetings were also held with the Company's external and internal auditors in compliance with regulatory requirements.

In order to ensure transparency and independence of the Internal Audit function, the Head of Internal Audit reports directly to the Audit Committee. FFC's annual internal audit plan is also approved by the Audit Committee and its progress reviewed on a quarterly basis.

Salient Features and Terms of Reference

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

- Determination of appropriate measures to safeguard the Company's assets;
- Review of annual and interim financial statements of the Company including Director's Report, prior to their approval by the Board of Directors, focusing on:
    - o major judgmental areas;
    - o significant adjustments resulting from the audit;
    - o going concern assumption;
    - o any changes in accounting policies and practices;
    - o compliance with applicable accounting standards;
    - o compliance with listing regulations as applicable, and other statutory and regulatory requirements; and
    - o all related party transactions
- Review of preliminary announcements of results prior to external communication and publication;
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- Review of management letter issued by external auditors and management's response thereto;
- Ensuring coordination between the internal and external auditors of the Company;
- Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company. The performance appraisal of head of internal audit shall be done jointly by the Chairman of the Committee and the Chief Executive Officer;
- Consideration of major findings of internal investigations of activities characterized as fraud, corruption and abuse of power and management's response thereto;
- Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

BOARD COMMITTEES

- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the chief executive and to consider remittance of any matter to the external auditors or to any other external body;
- Determination of compliance with relevant statutory requirements;
- Monitoring compliance with Listed Companies CCG (where applicable) and identification of significant violations thereof;
- Review of arrangement for staff and management to report to committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the committee and where it acts otherwise, it shall record the reasons thereof;
- The Committee shall also review the annual business plan, including cash flows prior to its approval by the Board of Directors;
- The Committee shall also monitor briefings by management to the Board, of the Company's Key Performance Indicators (KPIs) in comparison with the Industry;
- To review the effectiveness of risk management procedures and to present a report to the Board in this respect, the committee shall:
    - o Monitor and review of all material controls (financial, operational, compliance);
    - o Ensure that risk mitigation measures are robust along with integrity of financial information; and
    - o Ensure appropriate extent of disclosure of Company's risk framework and internal control system in Directors Report
- The Committee shall review the vision and / or mission statement monitoring the effectiveness of the Company's governance practices and overall corporate strategy for the Company before adoption by the Board;
- Consideration of any other issue or matters or may be assigned by the Board of Directors.

Human Resource & Remuneration Committee

Directors	Status	16th Mar	16th Jul	7th Dec	Total
Ms Maryam Aziz * Chairperson	Independent				3
Mr Saad Amanullah Khan Chairman	Independent		N/A		1
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) Member	Non-Executive	X	X	N/A	–
Maj Gen Naseer Ali Khan, HI(M) (Retired) * Member	Non-Executive	√	√	√	3
Mr Farhad Shaikh Mohammad * Member	Independent	N/A			2
Maj Gen Ahmad Mahmood Hayat, HI(M) (Retired) * Member	Non-Executive	N/A		X	–

* Ms Maryam Aziz appointed as Chairperson in place of Mr Saad Amanullah Khan w.e.f June 3, 2020
Mr Farhad Shaikh Mohammad appointed as member in place of Mr Saad Amanullah Khan w.e.f June 3, 2020
Maj Gen Ahmad Mahmood Hayat, HI(M) (Retired) appointed in place of Maj Gen Javaid Iqbal Nasar, HI(M) (Retired) w.e.f September 10, 2020

FFC's HR&R Committee consists of two non-executive and two independent non-executive members, none of whom are involved in the Company's management nor are connected with any business or other relationships that could interfere materially with, or appear to affect, their judgment.

The Chairperson of the Committee is an independent non-executive director, and the CE&MD does not hold membership of the Committee. The HR&R Committee met thrice during the year, which is beyond the minimum regulatory requirement of one meeting per annum.

Salient Features and Terms of Reference

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

System & Technology Committee

Directors	Status	13th Jan	22nd Apr	16th Jul	17th Sep	7th Dec	Total
Syed Iqtidar Saeed Chairman	Non-Executive	√	√	N/A			2
Mr Qamar Haris Manzoor * Chairman	Non-Executive	N/A					3
Dr Nadeem Inayat Member	Non-Executive	√	√	√	X	X	3
Maj Gen Naseer Ali Khan, HI(M) (Retired) Member	Non-Executive	√	√	√	√	√	5

* Mr Qamar Haris Manzoor appointed as Chairman in place of Syed Iqtidar Saeed w.e.f June 3, 2020

The Committee comprises of three member appointed by the Board from among the Board Members. The Committee is to meet at least twice a year at an appropriate time and otherwise required.

Salient Features and Terms of Reference

- Review any major change in system and procedures suggested by the management;
- Review of the Company's annual CAPEX Budget and recommend for Board's approval;
- Review of the plant performance / KPI's (on bi-annual basis) actual vs budgeted;
    - o Urea
        - □ Production
        - □ Downtime
        - □ Service Factor
        - □ Capacity Factor
        - □ Energy Index
- Review of the plant KPIs and its benchmarking with local and foreign industry (Yearly Basis) as per available reports issued by international consultants, if any;
- Review of technical risks (relevant portion of the overall Risk Register) and its mitigation strategy;
- Review the proposals suggested by the management on the recent trends in use of Technology in production and marketing of fertilizers;
- Review the recommendations of the management:
    - o On options available for addressing major plant up-gradation and technology improvements with relevant cost benefit analysis;
    - o On Information Technology
- Guidance in the development of concept paper for keeping abreast with the Continuous Improvement in

BOARD COMMITTEES

Technological Advancements (CITA), its implementation in manufacturing, marketing and at administrative levels with periodic review;

- Review the HSE performance on annual basis and assess needs to improve it;
- Review of the R&D needs on annual basis and promote awareness of all stakeholders on needs for investment in chemical (specifically fertilizer) technology and related research work;
- Promote awareness of all stakeholders on needs for investment in technology and related research work;
- Periodic review of technical matters pertaining to ongoing CAPEX projects

Investment Committee

Formerly Projects Diversification Committee

Directors	Status	19th Jan	22nd Apr	16th Jul	7th Oct	Total
Dr Nadeem Inayat Chairman	Non-Executive	√	√	√	√	4
Mr Rehan Laiq Member	Non-Executive	√	√	√	N/A	3
Syed Iqtidar Saeed Member	Non-Executive	X	√	N/A		1
Ms Maryam Aziz Member	Independent					4
Mr Qamar Haris Manzoor * Member	Non-Executive	N/A				2
Mr Imran Moid * Member	Non-Executive	N/A			√	1
Syed Bakhtiyar Kazmi * Member	Non-Executive	N/A				0

* Mr Qamar Haris Manzoor appointed as member in place of Syed Iqtidar Saeed w.e.f June 3, 2020
Mr Imran Moid as member appointed in place of Mr Rehan Laiq w.e.f September 10, 2020
Syed Bakhtiyar Kazmi as member appointed in place of Mr Imran Moid w.e.f November 18, 2020

The Committee comprises of four directors with at least one independent director. It is headed by the Chairman of the Committee who shall be appointed by the Board from among the Board Members. At least two members present constitute quorum of the committee meeting.

The Committee is to meet at least twice a year at an appropriate time and otherwise required.

Salient Features and Terms of Reference

- To review and recommend to the Board any proposal of new investment, acquisition, JV, divestment(s), expansion / BMR in line with Company`s strategy;
- To review and approve financial model of investments including source of funding;
- To monitor progress of on-going diversification / expansion projects and evaluate their performance vs envisaged during construction and acquisition;
- To review periodic reports on investment activities, investment portfolio performance and capital requirements and usage;
- To review the heat map prepared by the management of new investments with appropriate risk mitigation measures;
- To perform any other task/ responsibility assigned by the Board.

Joint Committee

A joint meeting of Investment Committee and Audit Committee was held on December 2, 2020, and was attended by the following Board members:

Directors	Status	2nd Dec	Total
Dr Nadeem Inayat	Non-Executive		1
Mr Saad Amanullah Khan	Independent		1
Ms Maryam Aziz	Independent		1
Mr Qamar Haris Manzoor	Non-Executive		1
Syed Bakhtiyar Kazmi	Non-Executive		1

MANAGEMENT COMMITTEES

Executive Committee

Composition	
Lt Gen Tariq Khan, HI(M) (Retired), CE&MD	Chairman
Mr Mohammad Munir Malik, CFO	Member
Mr Rehan Ahmed, GGM-T&E	Member
Mr Ather Javed, GGM-Marketing	Member
Mr Muhammad Aleem Khan, GGM - M&O	Member
Brig Tariq Javaid, SI(M) (Retired), GM-HR	Member
Mr Rizwan Rasul, GM-M&O, GM	Member
Mr Wajid Ishaq Bhatti, GM-M&O, MM	Member
Brig Asrat Mahmood, SI(M) (Retired), SM-CA	Member / Secretary

Business Strategy Committee

Composition	
Lt Gen Tariq Khan, HI(M) (Retired), CE&MD	Chairman
Mr Mohammad Munir Malik, CFO	Member
Mr Rehan Ahmed, GGM-T&E	Member
Mr Ather Javed, GGM-Marketing	Member
Mr Muhammad Aleem Khan, GGM - M&O	Member
Brig Asrat Mahmood, SI(M) (Retired), SM-CA	Member / Secretary

CSR Committee

Composition	
Lt Gen Tariq Khan, HI(M) (Retired), CE&MD	Chairman
Mr Mohammad Munir Malik, CFO	Member
Mr Ather Javed, GGM-Marketing	Member
Mr Muhammad Aleem Khan, GGM - M&O	Member
Brig Asrat Mahmood, SI(M) (Retired), SM-CA	Member
Brig Arshad Mahmood, SI(M) (Retired), SM-CSR	Member / Secretary

SWOT ANALYSIS

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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

02

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

DIRECTORS' REPORT

CHAIRMAN'S REVIEW

Dear Shareholders,

It is a privilege to be entrusted with Chairmanship of the Board of Fauji Fertilizer Company Limited, comprising of diverse and proficient group of highly accomplished professionals. Together we shall endeavour to guide the Company to achieve new heights.

The COVID-19 pandemic has been a source of stress and adversity, the world over. The International Monetary Fund has indicated over 4% contraction of global economy for the year 2020.

The challenging times of COVID-19 pandemic, aggravated by locust attacks and climatic disruption posed tremendous challenges to the agricultural sector. The Government however, realizing the importance of this sector for food security, increased its focus on the sector, which resulted in its growth of 2.67% as against 0.85% last year.

The fertilizer sector remained fully committed and was also able to operate uninterruptedly to maintain the fertilizer supply chain for sustained crop yields by the farming community.

The Supreme Court of Pakistan declared the Gas Infrastructure Development Cess (GIDC), 2015 a valid legislation. All gas consumers including the Company are required to pay the outstanding GIDC liability to the Government in 48 monthly instalments. GIDC was declared payable on the assumption that it has been collected in full from the customers. The Company, along with other industry members, also filed a suit with the Sindh High Court against collection of GIDC instalments before a factual determination of GIDC pass-on is carried out, and the Sindh High Court has granted a stay against such recovery.

The decision of the Supreme Court has also led to a temporary accounting gain of Rs 5.93 billion due to extinguishment and re-measurement of GIDC liability at fair value, under the provisions of International Financial Reporting Standards. The temporary gain shall reverse during the next four years over the GIDC repayment term.

The temporary gain, net of taxes stands at around Rs 3.92 billion and the aggregate profitability including earnings from operations, bank deposits and investments thus stood at Rs 20.82 billion. In view of the foregoing, the Board has decided to recommend a final dividend of Rs 3.40 per share based on the profitability from operations and income on investments, with aggregate distribution of Rs 11.20 per share.

The Company is also evaluating the acquisition of majority stake in the Foundation Wind Energy I and II. These are profitable projects and FFC being the pioneer of wind energy in Pakistan, has the necessary skills and expertise to create synergies by expanding in this sector. An Expression of Interest in this regard has been issued to Fauji Fertilier Bin Qasim Limited (FFBL) and Fauji Foundation, and the final acquisition will be subject to due diligence and negotiations.

In order to reduce debt levels and manage working capital requirements, FFBL made a right share offer of around 38% of its existing capital at Rs 14 per share. In order to maintain the holding in FFBL, the shareholders of FFC approved the subscription of around 178 million shares with a total cash outlay of Rs 2.50 billion.

The equity investment in Fauji Fresh n Freeze Limited (FFF) increased by Rs 1.50 billion, which was financed partly by injection of cash and the remainder through conversion of the loan extended to FFF, into equity.

The Board of Directors has made all these achievements possible due to its outstanding leadership despite the pandemic conditions, aptly supported by untiring commitment and efforts of the entire workforce. Together we worked earnestly in steering the Company towards the accomplishment of its objectives while ensuring value creation for the shareholders.

Going forward, the Company remains committed to deliver sustained results during the second wave of the COVID-19 pandemic.

Waqar Ahmed Malik
Chairman

Rawalpindi
January 28, 2021

ڈائریکٹرز رپورٹ

چیئرمین کا جائزہ

معزز حصص داران

یہ ایک باعثِ اعزاز امر ہے کہ فوجی فرٹیلائزر کمپنی لمیٹڈ کے بورڈ کی سربراہی مجھے سونپی گئی ہے، جو کہ انتہائی متنوع اور قابل پیشہ ورافراد پر مشتمل ہے۔ہم مل کر کمپنی کو نئی بلندیوں سے ہمکنار کرنے کی کوشش کریں گے۔

COVID-19 کا وبائی مرض پوری دنیا میں تناؤ اور پریشانی کا باعث رہا ہے۔ بین الاقوامی مالیاتی فنڈ نے سال 2020 میں عالمی معیشت میں 4 فیصد سے زائد تخفیف کا امکان ظاہر کیا ہے۔

ٹڈی دل کے حملوں اور ماحولیاتی تبدیلی کی وجہ سے COVID-19 وباء کی مشکلات مزید گھمبیر ہو کر زرعی شعبے کے لئے شدید چیلنجز کا باعث بنیں۔ تاہم، حکومت نے غذائی تحفظ کے لئے اس شعبے کی اہمیت کا ادراک کرتے ہوئے اس شعبے پر اپنی توجہ میں اضافہ کیا، جس کے نتیجے میں اس کی بڑھوتری کی شرح 2.67 فیصد رہی جو گذشتہ سال 0.85 فیصد تھی۔

کھاد کا شعبہ پوری طرح پُرعزم رہتے ہوئے بلا تعطل آپریشنز جاری رکھنے میں کامیاب رہا تا کہ کاشتکار برادری کو فصلوں کی پیداوار برقرار رکھنے کے لیے کھاد کی فراہمی جاری رکھی جا سکے۔

سپریم کورٹ آف پاکستان نے GIDC Act 2015 کو ایک جائز قانون قرار دیا ہے۔ تمام گیس صارفین بشمول کمپنی کو حکم دیا گیا ہے کہ واجب الادا GIDC حکومت کو 48 اقساط میں ادا کریں۔ GIDC کو اس مفروضے کی بنیاد پر واجب الادا قرار دیا گیا تھا کہ یہ محصول صارفین سے مکمل طور پر وصول کیا جا چکا ہے۔ کمپنی نے صنعت کے دیگر اراکین کی طرح سندھ ہائی کورٹ میں ایک Suit دائر کیا ہے تا کہ لاگو کردہ GIDC کے حقیقی تعین سے پہلے GIDC کی اقساط کی وصولی نہ کی جائے اور سندھ ہائی کورٹ نے اس وصولی کے خلاف ایک Stay Order جاری کر دیا ہے۔

سپریم کورٹ کا فیصلہ 5.93 ارب روپے کی عارضی اکاؤنٹنگ آمدن کا باعث بھی بنا ہے، جو کہ IFRS کی دفعات کے تحت GIDC واجبات کی Extinguishment اور Fair value پر تعین کے باعث حاصل ہوئی۔ یہ عارضی آمدن اگلے چار سالوں کے دوران GIDC کی مدتِ ادائیگی کے درمیان منہاء ہو جائے گی۔

اس عارضی آمدن کی بعد از ٹیکس رقم تقریبا 3.92 ارب روپے ہے اور اس طرح مجموعی منافع بشمول آپریشنز، بینک ڈپازٹس اور سرمایہ کاری سے حاصل ہونے والی آمدن، 20.82 ارب روپے ریکارڈ کیا گیا۔ مذکورہ بالا کے پیش نظر، بورڈ نے آپریشنز سے ہونے والے منافع اور سرمایہ کاری پر ہونے والی آمدنی کی بنیاد پر 3.40 روپے فی حصہ کے حتمی منافع منقسمہ کی سفارش کرنے کا فیصلہ کیا ہے اس طرح مجموعی ادائیگی 11.20 روپے فی حصہ ہو گئی ہے۔

کمپنی، فاؤنڈیشن ونڈ انرجی I اور II میں اکثریتی شیئرز کے حصول کا بھی جائزہ لے رہی ہے۔ یہ منافع بخش منصوبے ہیں اور FFC پاکستان میں ہوا سے بجلی بنانے کا سرخیل ہونے کے باعث، اس شعبے میں ہم آہنگی پیدا کر کے وسعت دینے کے لیے ضروری مہارت اور تجربہ رکھتا ہے۔ اس سلسلے میں فوجی فرٹیلائزر بن قاسم لمیٹڈ اور فوجی فاؤنڈیشن کو اظہار دلچسپی جاری کر دیا گیا ہے، حتمی حصول Due Diligence اور مذاکرات سے مشروط ہو گا۔

قرضوں کی سطح میں کمی اور Working Capital کی ضروریات کو پورا کرنے کے لیے، FFBL نے اپنے موجودہ Capital کے تقریباً 38 فیصد کے حساب سے 14 روپے فی حصہ Right Share کے لیے پیش کش کی ہے۔ FFBL میں اپنی ملکیتی سطح کو برقرار رکھنے کے لیے FFC کے حصہ داران نے 2.50 ارب روپے مالیت کے 178 ملین شیئرز خریدنے کی منظوری دے دی ہے۔

فوجی فریش این فریز لمیٹڈ میں ایکویٹی سرمایہ کاری میں 1.50 بلین روپے کا اضافہ ہوا، جس کا کچھ حصہ نقد فراہمی کی صورت میں اور باقی FFF کو دیے گئے قرض کو ایکویٹی میں تبدیل کر کے فنانس کیا گیا۔
وبائی صورتحال کے باوجود بورڈ آف ڈائریکٹرز نے اپنی شاندار قیادت کی بدولت ان ساری کامیابیوں کو ممکن بنایا ہے، جبکہ تمام ملازمین کے انتھک عزم اور کاوشوں نے بھی اس میں بھرپور حصہ ڈالا۔ ہم سب نے جانفشانی سے کام کرتے ہوئے کمپنی کو اس کے مقاصد کی جانب گامزن رکھا تا کہ حصہ داران کے سرمائے کی قدر میں اضافہ کیا جا سکے۔

آگے بڑھتے ہوئے، کمپنی COVID-19 کی وباء کی دوسری لہر کے دوران بھی عمدہ نتائج کی فراہمی کے لئے پرعزم ہے۔

وقار احمد ملک

چیئرمین

راولپنڈی

28 جنوری 2021

CE & MD'S OVERVIEW

Dear Shareholders,

At the outset, I welcome Mr Waqar Ahmed Malik as Chairman of the Board who brings with himself expertise of leading entities of national and international stature.

We also extend our gratitude to the outgoing chairman Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired) for his invaluable contribution extended towards the Board.

FFC was able to achieve uninterrupted business operations while ensuring best standards of health and safety for its employees. The Company attained its major targets while maintaining its position as a market leader by achieving a combined FFC / FFBL urea market share of 51%, a 3% increase from last year. The combined FFC / FFBL DAP market share stood at 51% compared to 46% of last year. Keeping up with the precedent of excellence, the Company beat its own world record of discharging and simultaneous bagging of imported bulk DAP fertilizer in 24 hours.

The Company produced 2,487 thousand tonnes of urea and was also able to achieve urea offtake of 2,512 thousand tonnes.

Consequent to the Company's persistent engagement with the Government, the GIDC on gas was initially reduced by the Government and subsequently suspended by the Supreme Court of Pakistan. FFC also reduced urea selling price for the benefit of the farming community, despite the fact that Company had been absorbing major part of this levy over the years.

Although the Company has made significant contribution to the farming community through substantial absorption of operating costs over the years, the Company continues to be unduly pressurized by the Government on fertilizer pricing, notwithstanding the impact of inflationary and other factors and also not taking into account that prices of other farm inputs continue to be increased by other sectors.

FFC has also approached the Government to apprise that the payment of entire GIDC liability in the specified time, would cause significant financial distress to the Company. FFC would thus be forced to pass on the impact of GIDC.

The Company also remains exposed to disallowance of business expenditure for Income Tax purposes on sales made above the specified threshold, to dealers who are not registered under the Sales Tax Act.

In view of the continued delay in settlement of subsidy receivable from the Government and in compliance with International Financial Reporting Standards (IFRSs), the Company has made a provision on account of expected credit loss of Rs 987 million in the subsidy receivable.

The Company continues to closely coordinate with the Government for early settlement of subsidy receivable and long overdue GST refunds, besides grant of exemption against business expenditure disallowances.

The shareholders would be pleased to know that the Company attained first position on the top 25 companies of the Pakistan Stock Exchange during 2019 and thus became the first company ever to achieve ten consecutive top positions on PSX.

FFC's Annual Report continues to secure recognition for exemplary reporting, transparency and good governance. The Company's Annual Report for year 2019 was once again declared the overall winner of the Best Corporate Report Award and the Sustainability Report Award by the joint committee of ICAP/ICMAP.

The Annual Report also achieved first position in the "Manufacturing Sector" of Best Annual Report 2019 award organized by South Asian Federation of Accountants, besides securing Merit Certificates in the categories of "Corporate Governance" and "Integrated Reporting".

FFC Energy Limited, the Company's wind power project, achieved another year of profitable operations with delivery of 102 GWh of electricity to the national grid.

The operations of Fauji Fresh n Freeze Limited (FFF) were impacted by the effects of COVID-19, and the Company has prudently made a provision for impairment of Rs 1 billion in its equity invested in FFF.

As another step towards diversification, the Company has embarked upon a new venture of provision of highly specialized and technical services to other organizations. The services shall be extended through the recently formed wholly owned subsidiary, OLIVE Technical Services (Pvt) Ltd. OLIVE shall enhance FFC's existing portfolio of services to a larger level for meaningful returns. Main areas include our forte like Maintenance, Inspection, Training and IT services etc, with a vision to expand its scope across the borders.

Governmental support remains critical for sustained output by the fertilizer sector, which in turn would help the Government to maintain the viability of agricultural sector besides ensuring food security in the Country.

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

Rawalpindi
January 28, 2021

ڈائریکٹرز رپورٹ

چیف ایگزیکٹو اور مینجنگ ڈائریکٹر کا تبصرہ

معزز حصص داران

ابتدا میں، میں جناب وقار احمد ملک کا بورڈ کے چیئرمین کی حیثیت سے تقرر پر خیر مقدم کرتا ہوں جو اپنے ساتھ قومی اور بین الاقوامی سطح کے ممتاز اداروں کی سربراہی کا تجربہ لے کر آئے ہیں۔

ہم سبکدوش ہونے والے چیئرمین لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ) کی بورڈ کے لئے گراں قدر خدمات کے لئے بھی اظہار تشکر کرتے ہیں۔

FFC اپنے ملازمین کے لئے صحت اور تحفظ کے بہترین معیار کو یقینی بناتے ہوئے بلا تعطل کاروباری سرگرمیاں جاری رکھنے میں کامیاب رہی۔ کمپنی نے اپنے اہم اہداف حاصل کر لئے جبکہ مارکیٹ لیڈر کی حیثیت سے اپنی پوزیشن برقرار رکھتے ہوئے FFC/FFBL کا مشترکہ 51 فیصد یوریا مارکیٹ شیئر حاصل کیا، جو گزشتہ سال کے مقابلے میں 3 فیصد زائد ہے۔ FFC/FFBL کا مشترکہ DAP مارکیٹ شیئر 51 فیصد رہا جو کہ گزشتہ سال 46 فیصد تھا۔ بہترین رہنے کی روایت کو برقرار رکھتے ہوئے، کمپنی نے چوبیس گھنٹوں کے دورانیے میں درآمد شدہ Bulk ڈی اے پی کھاد کو جہاز سے اتارنے اور ساتھ ہی ساتھ Bagging کرنے کا اپنا ہی عالمی ریکارڈ بہتر کیا۔

کمپنی نے 2,487 ہزار ٹن یوریا کی پیداوار حاصل کی اور 2,512 ہزار ٹن یوریا فروخت کرنے میں بھی کامیاب رہی۔

کمپنی کی جانب سے حکومت کے ساتھ مستقل روابط کے نتیجے میں، گیس پر GIDC کو ابتدائی طور پر حکومت نے کم کیا تھا اور بعد ازاں سپریم کورٹ آف پاکستان نے اسے معطل کر دیا تھا۔ کاشتکار برادری کے مفاد کے لیے FFC نے بھی یوریا کی قیمت فروخت کو کم کر دیا، اس حقیقت کے باوجود کہ کمپنی سالہا سال سے اس محصول کا بڑا حصہ برداشت کرتی رہی ہے۔

اگرچہ کمپنی نے سالہا سال سے آپریٹنگ اخراجات کا ایک خاصا بڑا حصہ خود برداشت کر کے کاشتکار برادری سے نمایاں تعاون کیا ہے، تاہم کمپنی پر حکومت کی جانب سے قیمتوں کے ضمن میں بلا جواز دباؤ ڈالا جا رہا ہے جبکہ افراط زر اور دیگر عوامل کے اثرات کو ملحوظ نہیں رکھا جا رہا اور نہ ہی دوسرے شعبوں کی جانب سے دیگر زرعی مداخل کی قیمتوں میں اضافے کو اس تناظر میں پرکھا جا رہا ہے۔

کمپنی نے حکومت سے رابطہ کر کے اس بات سے بھی آگاہ کیا ہے کہ اگر FFC کو GIDC کی پوری رقم مقررہ مدت کے اندر ادا کرنی پڑ جاتی ہے تو یہ کمپنی کے لیے بڑے مالیاتی بوجھ کا باعث بنے گی۔ چنانچہ کمپنی GIDC کے اثرات کو آگے منتقل کرنے پر مجبور ہو گی۔

کمپنی سیلز ٹیکس ایکٹ کے تحت رجسٹر نہ ہونے والے ڈیلرز کو مقررہ حد سے زائد فروخت پر کاروباری اخراجات کو انکم ٹیکس کے لیے ممنوع قرار دیے جانے کے باعث بھی مسلسل متاثر ہو رہی ہے۔

حکومت کی جانب سے واجب الوصول سبسڈی کی ادائیگی میں مسلسل تاخیر اور IFRS کی تعمیل کے پیش نظر، کمپنی نے واجب الوصول سبسڈی میں 987 ملین روپے کے Expected Credit Loss کی Provision رکھی ہے۔

کمپنی واجب الوصول سبسڈی کے حصول اور طویل عرصے سے واجب الادا GST Refund کی جلد ادائیگی کے ساتھ ساتھ کاروباری اخراجات کو ممنوع قرار دیے جانے کے خلاف چھوٹ حاصل کرنے کے لیے حکومت کے ساتھ قریبی روابط جاری رکھے ہوئے ہے۔

حصص یافتگان کو یہ جان کر خوشی ہو گی کہ کمپنی نے 2019 کے دوران پاکستان اسٹاک ایکسچینج کی ٹاپ 25 کمپنیوں میں پہلی پوزیشن حاصل کی اور اس طرح PSX میں لگا تار دس مرتبہ اول پوزیشن حاصل کرنے والی پہلی کمپنی بن گئی۔

FFC کی سالانہ رپورٹ مثالی رپورٹنگ، شفافیت اور عمدہ نظم و نسق کے لئے نمایاں پہچان جاری رکھے ہوئے ہے۔ کمپنی کی سالانہ رپورٹ برائے سال 2019ء کو ایک بار پھر ICMAP/ICAP کی مشترکہ کمیٹی نے Best Corporate Report Award اور Sustainability Report Award کے لیے فاتح قرار دیا ہے۔

سالانہ رپورٹ نے South Asian Federation of Accountants کے زیر اہتمام Best Annual Report 2019 کے مقابلے میں بھی "Manufacturing Sector" میں پہلی پوزیشن حاصل کی، اس کے علاوہ "Corporate Governance" اور "Integrated Reporting" کے زمرے میں بھی میرٹ سرٹیفکیٹ حاصل کیے۔

کمپنی کے ہوا سے بجلی بنانے والے منصوبے ایف ایف سی انرجی لمیٹڈ نے اس سال بھی منافع بخش کاروبار کیا جس نے 102 GWh بجلی قومی گرڈ کو فراہم کی۔

فوجی فریش این فریز لمیٹڈ کے کاروبار پر COVID-19 کے منفی اثرات مرتب ہوئے، اور کمپنی نے FFF میں اپنی موجودہ ایکویٹی میں 1 ارب روپے کی Impairment درج کر لی ہے۔

کاروباری تنوع کی جانب ایک اور قدم کے طور پر، کمپنی نے دوسرے اداروں کو انتہائی ماہرانہ اور تکنیکی خدمات کی فراہمی کا ایک نیا منصوبہ شروع کیا ہے۔ یہ خدمات حال ہی میں بنائے جانے والے مکمل طور پر ملکیتی ماتحت ادارے OLIVE Technical Services (Pvt) Ltd کے ذریعے پیش کی جائیں گی۔ کمپنی کی موجودہ سروسز کے دائرہ کار کو بھرپور اور منافع بخش پیمانے پر لے جانے میں OLIVE ایک کلیدی کردار ادا کرے گی۔ نمایاں خدمات میں مرمت و بحالی، نگرانی، ٹریننگ اور IT کی سروسز شامل ہیں۔ جبکہ مستقبل میں اس کے دائرہ کار کو سرحدوں کے پار بڑھانا ہمارا اصل ہدف ہے۔

زرعی شعبے کی جانب سے مسلسل پیداوار کے لئے حکومتی تعاون ناگزیر ہے، جو کہ نتیجتاً حکومت کو ملک میں غذائی تحفظ کو یقینی بنانے کے علاوہ زراعت کے شعبے کو فعال رکھنے میں مدد دے گا۔

لیفٹیننٹ جنرل طارق خان
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو و مینجنگ ڈائریکٹر
راولپنڈی
28 جنوری 2021

FINANCIAL CAPITAL

Macro-Economic Overview

Agriculture Sector

Agriculture is the largest sector of the National economy in terms of labour participation and as such livelihood of the majority of the population directly or indirectly depends on it. The agriculture sector accounts for 19.3% of Country's GDP, playing a vital role in providing livelihood to the farming community besides supporting other sectors and securing foreign exchange for the Country.

During the year, the performance of agriculture sector improved over the last year and it also performed better than other sectors. However, the challenges due to climate change, pest attacks, shortage of water etc., kept agriculture production far less than the potential. On the aggregate, the sector recorded growth of 2.67% considerably higher than 0.85% growth achieved last year.

Fiscal Development

Overall fiscal deficit reduced to 4% of GDP against 5.1% of GDP recorded last year, attributed mainly to higher provincial surplus and sharp rise in non-tax revenues.

Investments

Total investments as a percentage of GDP were recorded at 15.4%, down from 15.6% last year whereas total Foreign Direct Investments (FDI) rose to USD 2.1 billion during 2020, more than twice the size of USD 0.9 billion FDI during 2019.

Money and Credit

The State Bank of Pakistan has eased its monetary policy stance by reducing the discount rate from 13.25% in July 2019 to 7% in June 2020 due to sharp fall in global oil prices and to reverse the decline in demand pressures due to COVID-19.

Besides, SBP also introduced concessional refinance schemes to address both the demand and supply side conditions for businesses such as Temporary Economic Refinance Facility, Refinance Facility for Combating COVID-19 and Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns.

Inflation

Inflationary pressures started easing out post January 2020, still inflation was recorded at 11.2%, witnessing a rise of 4.7% compared to the preceding year mainly due to upward adjustment in gas and electricity prices, market-based exchange rate adjustments and increase in domestic prices due to high commodity prices in international market.

FFC Performance

The outbreak of COVID-19 pandemic has had unprecedented adverse impacts on the Global economy; and as the World braces for its second wave, the pandemic is expected to continue impacting the global economy on a higher scale.

In these testing times, FFC stood firm with the Government in its resolve to ensure sustainability of agriculture sector through uninterrupted production and supply of fertilizer throughout the Country.

Sparing no effort in safeguarding the health and safety of our employees while ensuring uninterrupted business operations and cost economization measures, the Company successfully achieved its key targets including production, sales, operating cost, finance cost, etc attaining a net profitability of Rs 20.82 billion as compared to Rs 17.11 billion earned last year. The net profitability however included a temporary accounting gain on extinguishment and re-measurement of GIDC liability on fair value basis under the requirements of International Financial Reporting Standards. This temporary gain shall reverse in next 4 years, over the repayment period of GIDC, as determined by the apex court.

FINANCIAL CAPITAL

Financial Position Analysis

	2020 Rs M	2019 Rs M
Equity and Liabilities		
Share capital	**12,722**	12,722
Capital reserves	**160**	160
Revenue reserves	**29,461**	22,698
Surplus / (deficit) on remeasurement to fair value - net	**192**	(13)
Equity and reserves	**42,535**	35,567
Long term borrowings - secured	**10,627**	6,473
Lease liabilities	**59**	62
Deferred Government grant	**25**	–
Gas Infrastructure Development Cess (GIDC) payable	**32,772**	–
Deferred liabilities	**5,259**	4,412
Non-current liabilities	**48,742**	10,947
Current portion of long term borrowings - secured	**4,335**	4,711
Current portion of lease liabilities	**23**	43
Current portion of deferred Government grant	**88**	–
Trade and other payables	**46,621**	76,009
Mark-up and profit accrued	**275**	676
Short term borrowings - secured	**25,258**	21,803
Unclaimed dividend	**468**	542
Taxation	**4,604**	3,092
Current liabilities	**81,672**	106,876
Total equity and liabilities	**172,949**	153,390
Contingencies and commitments		

Higher profitability and increased retention during the year resulted in an increase of 20% in the Company's net worth of Rs 42.54 billion and a break-up value of Rs 33.43 per share as opposed to Rs 27.96 per share last year.

Long term borrowings increased by Rs 4.15 billion and stood at Rs 10.63 billion at the end of year, in line with our targets for ongoing capital expenditure. **All debt obligations, becoming due for repayments during the year, were retired on timely basis without any default.**

Trade and other payables were recorded at Rs 46.62 billion. The decrease of 39% is attributable to the segregation of GIDC liability into current and non-current liability, which was previously reported as part of current liability. Current portion of GIDC liability amounts to Rs 23.95 billion.

Short term borrowings of Rs 25.26 billion increased by 16% compared to last year. Majority of these loans were obtained towards the end of the year, to meet working capital requirements whereas, **current portion of long term borrowings** of Rs 4.33 billion was lower by 8% compared to 2019.

Contingencies include a penalty of Rs 5.5 billion imposed by the Competition Commission of Pakistan (CCP), which has been set aside by the Competition Appellate Tribunal and remanded back to CCP to decide the case afresh under guidelines provided by the Tribunal. The Company remains confident of successfully defending these unreasonable claims in future as well.

Financial commitments of the Company at Rs 6.08 billion remained broadly in line with the Plan and comprised mainly of purchase of fertilizers, goods / services and capital expenditure, as detailed in the relevant notes to the financial statements.

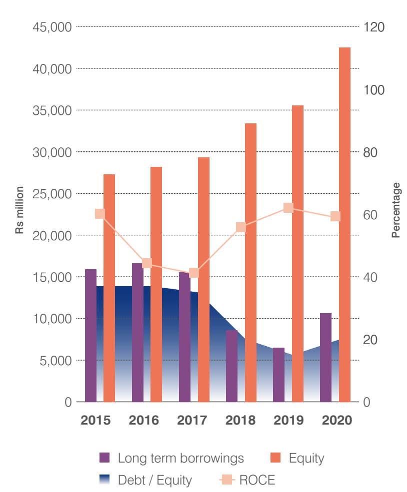
Profit Distribution and Reserve Analysis

FFC carried reserves of Rs 35.57 billion at the start of the year, out of which final dividend of Rs 4.13 billion was approved by the shareholders for 2019, translating into an aggregate payout of Rs 10.80 for the last year.

During 2020, the Company earned net profit and other comprehensive income of Rs 21.03 billion and declared three interim dividends aggregating to Rs 9.92 billion translating to Rs 7.80 per share, while no transfers were made to general reserves. The aggregate reserves at the end of 2020 therefore stood at Rs 42.54 billion. The same has been tabulated:

Appropriations	Rs in million	Rs per share
Opening Reserves	**35,567**	
Final Dividend – 2019	(4,135)	3.25
Net Profit – 2020	20,819	16.36
Other Comprehensive Income	208	
Available for Appropriations	**52,459**	
Appropriations		
First Interim Dividend – 2020	(3,180)	2.50
Second Interim Dividend – 2020	(3,499)	2.75
Third Interim Dividend – 2020	(3,244)	2.55
Closing Reserves	**42,536**	

Equity & Debt



Financial Position Analysis

	2020	2019
	Rs M	Rs M
Assets		
Property, plant and equipment	**22,841**	22,212
Intangible assets	**1,572**	1,577
Long term investments	**34,675**	31,088
Long term loans and advances - secured	**1,946**	1,200
Long term deposits and prepayments	**14**	12
Non-current assets	**61,048**	56,089
Stores, spares and loose tools	**4,434**	3,811
Stock in trade	**320**	6,795
Trade debts	**2,287**	13,460
Loans and advances	**789**	1,795
Deposits and prepayments	**51**	51
Other receivables	**20,965**	17,653
Short term investments	**81,902**	48,041
Cash and bank balances	**1,153**	5,695
Current assets	**111,901**	97,301
Total assets	**172,949**	153,390

Routine capital expenditure led to an increase of 3% in **property, plant and equipment,** which was recorded at Rs 22.84 billion at the close of the year.

The **equity investment** in Fauji Fresh n Freeze Limited increased by Rs 1.50 billion, which was financed partly by injection of cash and the remainder through conversion of the loan extended to FFF into equity.

The Company also subscribed to the rights issue made by FFBL and made a payment of around Rs 2.50 billion to acquire 178 million shares under the approval of shareholders. The aggregate **long term investments** of the Company including equity investments net of impairment, therefore increased by 12% to Rs 34.68 billion.

The Company successfully liquidated its indigenous urea production as well as imported fertilizer stock, carrying a minimal urea inventory of 2 thousand tonnes and imported fertilizer inventory of 178 tonnes only. Aggregate **stock in trade** was thus recorded at Rs 320 million compared to Rs 6.80 billion last year.

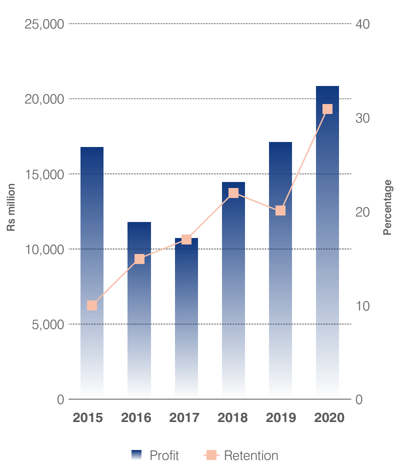
Trade debts of Rs 2.29 billion were 83% lower compared to last year owing to timely recovery of balances and reduction in credit sales during the year.

Other receivables stood at Rs 20.97 billion, higher by 19% compared to last year, and included subsidy receivable from the Government of Rs 6.96 billion and increased balance of GST refund tax of Rs 14.17 billion.

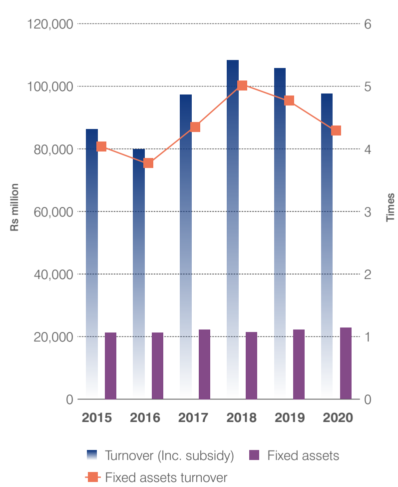
The Company carried **short term investments** of Rs 81.90 billion, which improved by 70% due to higher placements with financial institutions in view of attractive returns offered by them.

The overall **asset base** of the Company recorded at Rs 172.95 billion, increased by around 13% compared to last year.

Profit vs Retention

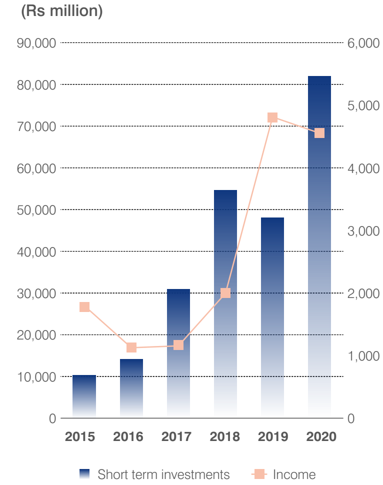


Turnover, Fixed Assets & Fixed Assets Turnover



Short Term Investments and Income

(Rs million)



FINANCIAL CAPITAL

Profit or Loss Analysis

	2020	2019
Sona Urea Production - KT	**2,487**	2,492
Sona Urea Sales - KT	**2,512**	2,467
DAP Sales - KT	**233**	237
	Rs M	**Rs M**
Turnover - net	**97,655**	105,783
Cost of sales	**(66,072)**	(75,046)
Gross profit	**31,583**	30,737
Distribution cost	**(7,848)**	(8,288)
	23,735	22,449
Finance cost	**(1,874)**	(2,477)
Other gains / (losses)	**3,940**	(1,100)
Other expenses	**(2,639)**	(2,309)
Other income	**6,429**	7,190
Profit before tax	**29,591**	23,753
Provision for taxation	**(8,772)**	(6,643)
Profit for the year	**20,819**	17,110
Earnings per share (Rupees)	**16.36**	13.45

Operating at a combined capacity utilization of 121%, the Company's manufacturing facilities achieved aggregate **Sona urea production** of 2,487 thousand tonnes, in line with 2,492 thousand tonnes produced last year.

In spite of COVID-19 hampering marketing activities, the Company recorded **Sona urea offtake** of 2,512 thousand tonnes, 2% higher than last year. **DAP sales** of 233 thousand tonnes however remained 2% below last year owing to limited product availability during the year 2020.

GIDC on gas was suspended by the Government during the year, and in order to benefit the farming community, the Company also reduced the selling prices of urea. **Sona urea turnover** thus stood at Rs 79.64 billion, 10% below last year, whereas **imported fertilizer revenue** amounted to Rs 18.02 billion, which remained broadly in line with last year. Total all product revenue aggregated to Rs 97.66 billion compared to Rs 105.78 billion last year.

Sona urea cost of sales at Rs 51.24 billion, was 16% lower than last year mainly due to reduction in GIDC rates besides savings in fixed cost. **Cost of sales of imported fertilizer** amounting to Rs 14.83 billion however increased by 3% over last year due to increase in international DAP prices besides devaluation of PKR. **Total cost of sales** was recorded at Rs 66.07 billion compared to Rs 75.05 billion last year.

Distribution cost of Rs 7.85 billion was 5% below last year mainly due to lower fuel prices and partial implementation of axle load regulations by the Government, besides effective cost controls implemented by the Company during the year.

Lower interest rates and reduced borrowing requirements during the year resulted in decreased **finance cost** of Rs 1.87 billion compared to Rs 2.48 billion in 2019. Finance cost includes a notional charge of Rs 80.06 million representing the difference between market rate and actual rate of SBP refinance loan, as per requirements of International Financial Reporting Standard for Government grants. A corresponding notional income of Rs 78.17 million has also been recorded in **investment income,** with net impact of Rs 1.89 million.

The Company has made a provision of Expected Credit Loss in subsidy receivable from the Government amounting to Rs 987 million, in view of considerable delay in settlement by the Government, and also in compliance with the requirements of IFRS.

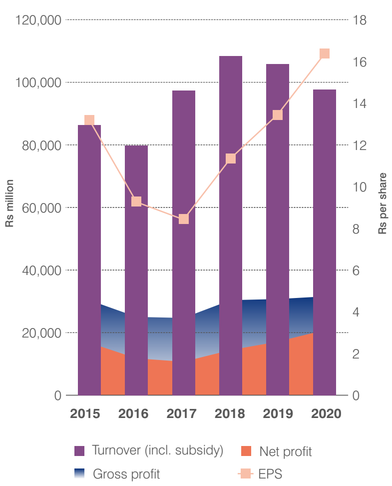
Impairment of Rs 1 billion has also been recorded in the Company's investment in Fauji Fresh n Freeze Limited (FFF) owing to the negative impacts of COVID -19 pandemic on operations of FFF during 2020.

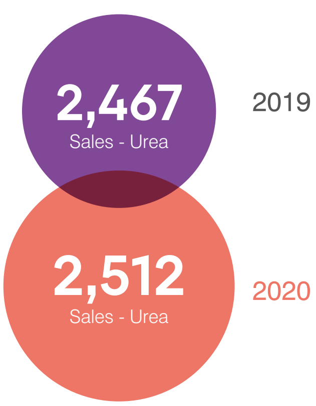
The Company's dynamic and flexible investment portfolio contributed **investment income** of Rs 5.05 billion, which was 11% below last year due to prevailing low rates of return. **Dividend income** of Rs 1.38 billion decreased by 10% compared to last year due to lower payout by associated companies.

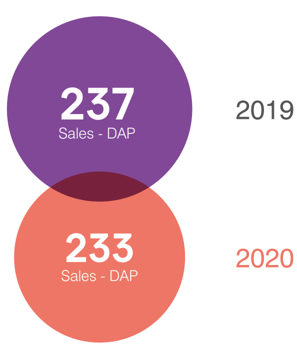
Tax charge of Rs 8.77 billion for the year increased by 32% compared to last year mainly due to higher profitability, in addition to a net increase in deferred tax on account of temporary gain realized on extinguishment of GIDC liability besides expected credit loss on subsidy receivable and impairment of investment in FFF. Management is confident that sufficient and adequate provision has been provided against tax assessed in the financial statements.

The aforementioned components translated into net profit of Rs 20.82 billion which includes a net of tax impact of Rs 3.92 billion related to extinguishment and re-measurement of GIDC liability. The Company recorded earning per share of Rs 16.36 during 2020 as compared to Rs 13.45 last year.

Profitability







Cash Flow Analysis

	2020 Rs M	2019 Rs M
Cash generated from operations	**48,131**	33,642
Finance cost paid	**(2,266)**	(2,101)
Income tax paid	**(6,320)**	(6,604)
	(8,586)	(8,705)
Cash flows from operating activities	**39,545**	24,937
Fixed capital expenditure	**(2,943)**	(3,138)
Proceeds from disposal of property, plant and equipment	**40**	459
Investment in Fauji Fresh n Freeze Limited	**(602)**	–
Investment in Thar Energy Limited	**–**	(1,329)
Advance against issue of shares to Thar Energy Limited	**–**	(417)
Advance against right issue of Fauji Fertilizer Bin Qasim Limited	**(2,494)**	–
Increase in other investment - net	**356**	1,026
Interest and profit received	**891**	1,806
Dividends received	**1,151**	1,971
Cash flows from investing activities	**(3,601)**	378
Long term financing		
Draw-downs	**8,410**	2,600
Repayments	**(4,631)**	(7,238)
Repayment of lease liabilities	**(31)**	(33)
Grant received during the year	**190**	-
Dividends paid	**(14,132)**	(14,664)
Cash flows from financing activities	**(10,194)**	(19,335)
Net increase in cash and cash equivalents	**25,750**	5,980
Cash and cash equivalents at beginning of the year	**31,886**	25,671
Effect of exchange rate changes	**73**	235
Cash and cash equivalents at end of the year	**57,709**	31,886
Cash and bank balances	**1,153**	5,695
Short term borrowings	**(25,258)**	(21,803)
Short term highly liquid investments	**81,814**	47,994
Cash and cash equivalent	**57,709**	31,886

Higher collection despite decline in turnover, mainly due to lower credit sales and higher recovery against trade debts resulted in significant improvement in cash generation from operations, which after payment of finance cost and income tax stood at Rs 39.55 billion, Rs 14.61 billion above last year.

With a view to maintain its state of the art production facilities, FFC continued investing in modernization and replacement of plant and equipment with investment of Rs 2.94 billion during the year, 6% lower than 2019.

In order to ensure long term sustainable and consistent returns for the shareholders, additional equity stake of around Rs 3.10 billion was made in the Company's investments, including advance amounting Rs 2.50 billion against right share issue of FFBL. Dividend receipt reduced to Rs 1.15 billion, 42% lower than last year due to lower distribution by associated companies.

Consequently, net cash used in investing activities stood Rs 3.60 billion, compared to net cash generation of Rs 378 million in 2019.

Long term debt amounting Rs 4.63 billion was retired on timely basis, whereas fresh borrowings of Rs 8.41 billion were made during the year to meet the Company's financing requirements.

In order to ensure a regular income stream for its shareholders, FFC paid Rs 14.13 billion as dividends, translating into net cash utilization of Rs 10.19 billion compared to Rs 19.34 billion last year.

During the year, significant increase in cash and cash equivalent of Rs 25.75 billion was witnessed. Gain of Rs 73 million was recorded on re-measurement of foreign currency investments at the year end.

Cash and cash equivalent at the end of the year therefore stood at Rs 57.71 billion against the opening balance of Rs 31.89 billion.

Adequacy of Internal Controls

Inculcating a business environment of ethical behaviour and moral conduct, the Board of Directors has implemented an effective system of internal financial and operational controls throughout the Company.

Subsequent Events

The Board of Directors of FFC in its meeting held on January 28, 2021 is pleased to recommend a final cash dividend of Rs 3.40 per share i.e. 34% for the year ended December 31, 2020, for shareholders' approval, taking the total distribution for the year to Rs 11.20 per share i.e. a payout of 112%. There were no other material changes affecting the financial position of the Company till the date of this Report.

Consolidated Operations and Segmental Review

Directors' Report on the consolidated financial statement is covered from page 299 onwards.

[illegible] (Working Capital) [illegible]

Current portion of long term [illegible]

[illegible]

[illegible] (Cash Flow Analysis)

[illegible]

[illegible] (Operating Activities)

[illegible]

[illegible] (Investing Activities)

[illegible]

[illegible] (Financing Activities)

[illegible]

[illegible]

(Cash and Cash Equivalents)

[illegible]

[illegible] Adequacy of Internal Financial Controls

[illegible]

[illegible] (Profit Distribution & Reserve Analysis)

[illegible]

[illegible]	[illegible]	[illegible]
	33,387	[illegible]
5.25	(4,150)	[illegible] 2019
13.30	21,370	[illegible] 2019
		[illegible] Compensation
	335	[illegible]
	52,438	[illegible]

[illegible]

5.50	(13,160)	[illegible] 2020
5.75	(4,400)	[illegible] 2020
5.50	(4,344)	[illegible] 2020
	61,136	[illegible]

[illegible] (Subsequent Events)

[illegible]

[illegible] (Consolidated Operations and Segmental Review)

[illegible]

ڈائریکٹرز رپورٹ

مالیاتی سرمایہ

(Macro Economic Review)

(Fiscal Development)

(Investment)

(Money and credit)

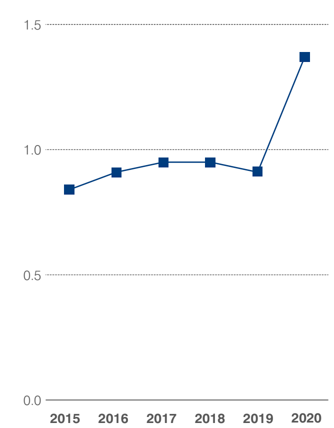
(Inflation)

SIX YEAR ANALYSIS

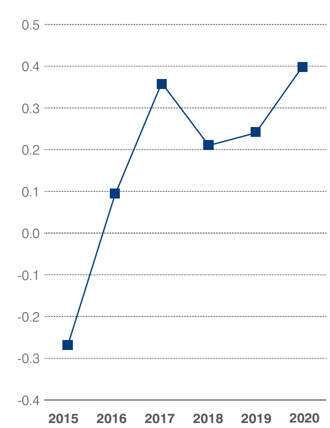
of Financial Ratios

		2020	2019	2018	2017	2016	2015
Profitability Ratios							
Gross profit ratio	%	**32.34**	29.06	26.40	19.95	24.77	34.05
Gross profit ratio (including subsidy)	%	**32.34**	29.06	28.03	25.38	31.34	35.18
Net profit ratio	%	**21.32**	16.17	13.63	11.81	16.17	19.76
Net profit ratio (including subsidy)	%	**21.32**	16.17	13.32	11.01	14.75	19.42
EBITDA margin to turnover	%	**34.58**	26.96	24.06	22.44	30.07	32.97
EBITDA margin to turnover (including subsidy)	%	**34.58**	26.96	23.52	20.92	27.44	32.40
Operating leverage ratio	Times	**(2.60)**	(73.41)	1.68	(0.33)	1.69	(0.93)
Return on equity (Profit after tax)	%	**48.94**	48.11	43.25	36.49	41.76	61.39
Return on equity (Profit before tax)	%	**69.57**	66.78	64.95	53.63	61.66	89.72
Return on capital employed	%	**59.19**	62.39	55.57	40.48	44.13	60.13
Pre tax margin	%	**30.30**	22.45	20.46	17.35	23.87	28.88
Pre tax margin (including subsidy)	%	**30.30**	22.45	20.01	16.18	21.78	28.39
Return on assets	%	**12.04**	11.15	9.86	9.86	12.98	20.92
Growth in EBTDA	%	**22.51**	9.16	33.15	(8.18)	(26.37)	(5.64)
Earning before interest, depreciation and tax	Rs in million	**33,773**	28,514	25,490	20,359	21,915	27,972
Earnings growth	%	**21.68**	18.50	34.81	(9.09)	(29.73)	(7.73)
Growth in turnover	%	**(7.68)**	(0.17)	16.81	24.48	(14.09)	4.42
Growth in turnover (including subsidy)	%	**(7.68)**	(2.38)	11.35	21.86	(7.49)	6.25
Capital expenditure to total Assets	%	**1.70**	2.05	0.96	3.02	2.20	4.09
Liquidity Ratios							
Current ratio	Times	**1.37**	0.91	0.95	0.95	0.91	0.84
Quick / Acid test ratio	Times	**1.31**	0.81	0.79	0.88	0.72	0.58
Cash to current liabilities	Times	**0.71**	0.30	0.26	0.30	(0.15)	(0.18)
Cash flow from operations to turnover	Times	**0.40**	0.24	0.22	0.38	0.10	(0.27)
Cash flow from operations to turnover (including subsidy)	Times	**0.40**	0.24	0.21	0.36	0.09	(0.27)
Long term liabilities / current liabilities	%	**59.68**	10.24	13.17	34.35	52.24	63.39
Activity / Turnover Ratios							
Inventory turnover ratio	Times	**18.6**	7.6	11.7	31.4	11.7	18.4
No. of days in inventory	Days	**20**	48	31	12	31	20
Debtors turnover ratio	Times	**12.40**	12.34	28.64	22.60	23.97	65.36
Debtors turnover ratio (including subsidy)	Times	**7.21**	6.99	10.26	9.80	12.63	42.25
No. of days in receivables	Days	**29**	30	13	16	15	6
No. of days in receivables (including subsidy)	Days	**51**	52	36	37	29	9
Creditors turnover ratio - with GIDC	Times	**1.46**	1.42	2.34	5.10	17.96	4.16
- without GIDC	Times	**24.64**	51.93	88.37	98.94	89.51	84.52
No. of days in payables - with GIDC	Days	**250**	258	156	72	20	88
- without GIDC	Days	**15**	7	4	4	4	4

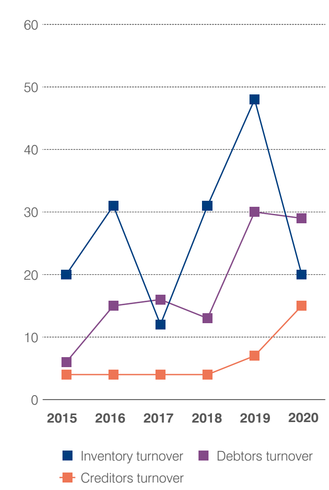
Current Ratio
(Times)



Cash Flow from Operations to Turnover
(Times)



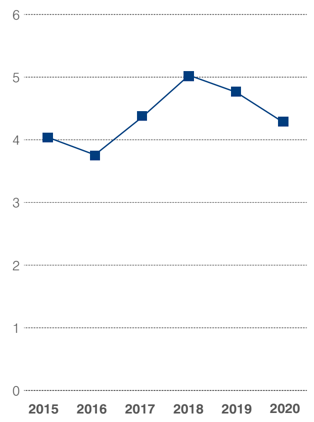
Inventory, Debtors and Creditors Turnover
(Days)



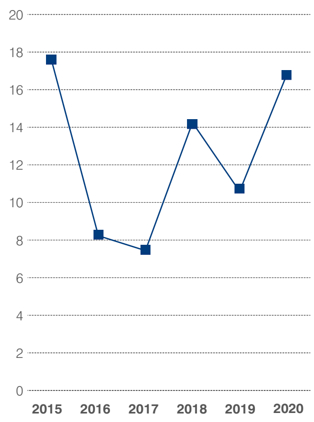
		2020	2019	2018	2017	2016	2015
Total assets turnover ratio	Times	**0.56**	0.69	0.72	0.84	0.80	1.06
Total assets turnover ratio (including subsidy)	Times	**0.56**	0.69	0.74	0.90	0.88	1.08
Fixed assets turnover ratio	Times	**4.28**	4.76	4.92	4.07	3.43	3.97
Fixed assets turnover ratio (including subsidy)	Times	**4.28**	4.76	5.03	4.36	3.76	4.04
Operating cycle - with GIDC	Days	**(221)**	(227)	(142)	(45)	25	(64)
- without GIDC	Days	**14**	24	10	23	41	20
Investment / Market Ratios							
Earnings per share (EPS) and Diluted EPS	Rs	**16.36**	13.45	11.35	8.42	9.26	13.18
Price earning ratio	Times	**6.63**	7.54	8.18	9.40	11.27	8.95
Dividend yield ratio	%	**10.62**	10.94	9.35	7.66	7.18	8.82
Dividend payout ratio							
- Cash (interim & proposed final)	%	**68.44**	80.30	77.98	83.14	85.31	90.00
- Cash & stock (interim & proposed final)	%	**68.44**	80.30	77.98	83.14	85.31	90.00
Dividend cover ratio	Times	**1.46**	1.25	1.28	1.20	1.17	1.11
Cash dividend per share (interim & proposed final)	Rs	**11.20**	10.80	8.85	7.00	7.90	11.86
Stock dividend per share (interim & proposed final)	%	**-**	-	-	-	-	-
Market value per share							
- Year end	Rs	**108.50**	101.47	92.85	79.11	104.37	117.98
- High during the year	Rs	**114.54**	109.12	103.68	118.96	121.45	158.87
- Low during the year	Rs	**82.71**	84.88	79.05	70.07	102.71	109.40
Breakup value (net assets per share)							
- Without revaluation reserves	Rs	**33.43**	27.96	26.24	23.07	22.17	21.47
- With revaluation reserves *	Rs			N/A			
- Investment in Related Party at fair / market value	Rs	**54.30**	44.17	51.65	46.18	54.91	52.76
Retention (after interim & proposed cash)	%	**31.56**	19.70	22.02	16.86	14.69	10.00
Change in market value added	%	**2.11**	10.36	18.86	(31.82)	(14.84)	(0.43)
Price to book ratio	Times	**10.85**	10.15	9.29	7.91	10.44	11.80
Market price to breakup value	Times	**3.15**	3.53	3.61	3.96	4.96	6.26
Capital Structure Ratios							
Financial leverage ratio	Times	**0.95**	0.93	1.33	1.16	1.60	1.41
Weighted average cost of debt	%	**6.44**	13.71	8.18	6.61	6.53	7.53
Net Assets per share	Rs	**33.43**	27.96	26.24	23.07	22.17	21.47
Debt to equity ratio	Ratio	**20:80**	15:85	20:80	35:65	37:63	37:63
Interest cover ratio / Time Interest earned ratio	Times	**16.79**	10.59	14.25	7.44	8.23	17.61

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

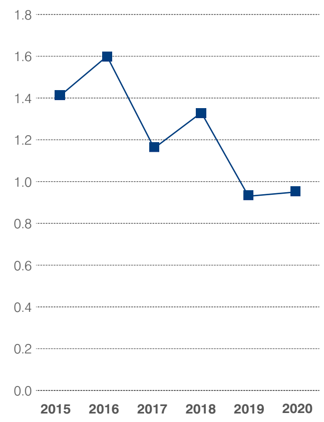
Fixed Asset Turnover Ratio
(Times)



Interest Cover Ratio
(Times)



Financial Leverage Ratio
(Times)



SIX YEAR ANALYSIS

of Financial Ratios

Fertilizer demand plummeted owing to delayed implementation of Kissan package 2015 and the fertilizer market remained depressed due to Governmental intervention in fertilizer pricing and inconsistent policies, until normalization in later half of the year 2017. Under the guidance of its Board, the Company successfully negotiated through difficult times and since then its financial performance was gradually improving to its historical levels. FFC passed on the impact of reduction in GIDC for the benefit of our farming community. Ever increasing costs and inconsistent fiscal policies shall remain major challenges for the Company in the foreseeable future.

Ratio Analysis

Profitability Ratios

Turnover declined compared to last year following a reduction in prices triggered due to reduction in GIDC rates by the Government. The upward trend in operating revenue growth starting in 2015, remained subdued owing implementation of fertilizer subsidy scheme whereby urea prices were kept frozen till year 2018. Gross profit margin stood at 32.34% despite rising inflation, due to reductions in GIDC rates and efficient cost controls. The Company was able to continue with the improving trend in net profit margin to 21.32% on account of recognition of notional gains on GIDC liability coupled with matters factors described above.

Liquidity Ratios

Current ratio of 1.37 times remained highest in the last six years average, mainly on back of high value of short term investments. Noteworthy improvement in cash to current liabilities ratio recorded at 0.71 times as compared to 0.30 times recorded last year, was also highest among the last six years.

Activity / Turnover Ratios

Debtor turnover at 29 days remained high for the second consecutive year because of high trade debts at start of year. However, as the Company was able to offload most of its fertilizer stock during the year, inventory turnover days reduced to 20 days compared to last six-year average of 27 days.

Creditor turnover days have declined to 250 days compared 258 days last year as the long-term portion of GIDC payable was classified to non-current liabilities. Despite the aforementioned, the ratio remained higher than six-year average of 141 days.

Consequently, the Company's operating cycle clocked at negative 221 days compared to negative 112 days on six year average. Reduction in revenues due to price reduction despite the Company being able to offload fertilizer stock resulted in reduction of fixed asset turnover ratio to 4.28 times in 2020, lower by 0.48 times compared to 2019.

Investment / Market Ratios

Earnings per share stood at Rs 16.36 for the year ended 2020, a 22% increase over the last year on account of rising profitability which included temporary other gains recognized during the year.

FFC's share traded on PSX between a range of Rs 82.71 and Rs 114.54 during the year whilst closing at Rs 108.50 at the year-end, slightly higher by Rs 7.03 compared to last year.

The breakup value per share of the Company was logged in at Rs 33.43 for 2020, considerably higher than the six years' historic average of Rs 25.72, both representing a stable trend. Further, the price to earnings ratio has averaged at 8.66 times over the last six years up to 2020.

Cash payout during 2020 was 68%, against a six years' average total payout of 81% and stood 12% lower than cash payout of the year 2019. The decrease was mainly due to retention of temporary gain booked on extinguishment of GIDC liability, in compliance with the requirements of IFRS.

Capital Structure Ratios

Financial leverage ratio of 0.95 times remained in line with last year whereas Debt to equity ratio increased to 20:80 compared to 15:85 in 2019, still significantly improved in comparison with debt to equity ratio recorded in 2015 thru 2017. Significant decrease in finance cost because of lower interest rates led to interest cover ratio being logged in at 16.79 times, higher by 4.30 times from six years' historic average of 12.49 times.

Rs million		2020	2019	2018	2017	2016	2015
Summary - Statement of Financial Position							
Share capital		**12,722**	12,722	12,722	12,722	12,722	12,722
Reserves		**29,814**	22,845	20,661	16,630	15,489	14,589
Shareholders' funds (Equity)		**42,536**	35,567	33,383	29,352	28,211	27,311
Long term borrowings - secured		**10,627**	6,473	8,584	15,572	16,653	15,893
Capital employed		**53,163**	42,040	41,967	44,924	44,864	43,204
Gas Infrastructure Development Cess (GIDC) payable - long term		**32,772**	-	-	-	-	-
Deferred liabilities		**5,259**	4,412	4,578	4,697	4,812	4,600
Property, plant & equipment		**22,841**	22,212	21,533	22,312	21,233	21,382
Non - current assets		**61,047**	56,089	51,135	52,746	53,422	52,915
Net current assets (Working capital)		**30,231**	(9,575)	(4,590)	(3,125)	(3,746)	(5,111)
Liquid funds (net)		**63,878**	38,420	32,175	25,963	1,748	2,981
Summary - Statement of Profit or Loss							
Turnover - net		**97,655**	105,783	105,964	90,714	72,877	84,831
Turnover - net (including subsidy)		**97,655**	105,783	108,364	97,316	79,856	86,321
Cost of sales		**(66,072)**	(75,046)	(77,986)	(72,621)	(54,827)	(55,949)
Gross profit		**31,583**	30,737	27,978	18,093	18,050	28,882
Gross profit (including subsidy)		**31,583**	30,737	30,378	24,695	25,029	30,372
Distribution cost		**(7,848)**	(8,288)	(8,833)	(8,574)	(7,154)	(6,814)
Operating profit		**23,735**	22,449	19,145	9,519	10,896	22,068
Operating profit (including subsidy)		**23,735**	22,449	21,545	16,121	17,875	23,558
Finance cost		**(1,874)**	(2,477)	(1,637)	(2,445)	(2,406)	(1,475)
Other gains / (losses)		**3,940**	(1,100)	-	-	-	-
Other expenses		**(2,639)**	(2,309)	(2,108)	(1,631)	(1,761)	(2,284)
Other income		**6,429**	7,190	6,283	10,298	10,665	6,194
Other income (excluding subsidy)		**6,429**	7,190	3,883	3,696	3,686	4,704
Profit before tax		**29,591**	23,753	21,683	15,741	17,394	24,503
Provision for taxation		**(8,772)**	(6,643)	(7,244)	(5,030)	(5,612)	(7,737)
Profit for the year		**20,819**	17,110	14,439	10,711	11,782	16,766
EPS - Basic & Diluted - Rs		**16.36**	13.45	11.35	8.42	9.26	13.18
Others							
Market capitalization	Rs million	**138,038**	129,094	118,127	100,647	132,783	150,099
Numbers of shares issued	Million	**1,272**	1,272	1,272	1,272	1,272	1,272
Contribution to National Exchequer	Rs million	**27,118**	41,863	36,779	41,240	45,004	53,593
Savings through Import Substitution	US $ million	**621**	674	650	534	474	654

Quantitative Data

		2020	2019	2018	2017	2016	2015
Designed Capacity							
Plant I - Goth Machhi	KT	**695**	695	695	695	695	695
Plant II - Goth Machhi	KT	**635**	635	635	635	635	635
Plant III - Mirpur Mathelo	KT	**718**	718	718	718	718	718
Total designed capacity	KT	**2,048**	2,048	2,048	2,048	2,048	2,048
Plant wise Production - Sona Urea							
Plant I - Goth Machhi	KT	**878**	830	858	868	841	849
Plant II - Goth Machhi	KT	**810**	821	792	825	823	774
Plant III - Mirpur Mathelo	KT	**799**	841	872	820	859	846
Total production - Sona Urea	KT	**2,487**	2,492	2,522	2,513	2,523	2,469
Capacity Utlization							
Plant I - Goth Machhi	%	**126%**	119%	123%	125%	121%	122%
Plant II - Goth Machhi	%	**128%**	129%	125%	130%	130%	122%
Plant III - Mirpur Mathelo	%	**111%**	117%	121%	114%	120%	118%
Total capacity utlization	%	**121%**	122%	123%	123%	123%	121%
Sona Urea - Sales	KT	**2,512**	2,467	2,527	2,697	2,428	2,408
Imported Fertilizer - Sales	KT	**253**	253	503	526	212	181

SIX YEAR ANALYSIS

of Cash Flows

Summary of Cash Flows

Rs million	2020	2019	2018	2017	2016	2015
Net cash flow from Operating activities						
Profit before taxation	**29,591**	23,753	21,683	15,741	17,394	24,503
Adjustments for non cash & other items	**(2,614)**	1,814	(1,254)	(5,484)	(5,941)	(2,462)
Changes in working capital	**22,078**	7,917	7,860	27,310	196	(35,042)
Changes in long term loans and advances, deposits, prepayments and deferred liabilities	**(925)**	157	(57)	52	39	315
	21,153	8,074	7,803	27,362	235	(34,727)
	48,130	33,641	28,232	37,619	11,688	(12,686)
Finance cost paid	**(2,266)**	(2,101)	(1,527)	(2,575)	(2,386)	(1,237)
Income tax paid	**(6,320)**	(6,604)	(6,041)	(5,247)	(5,724)	(9,103)
Subsidy received on sale of fertilizer	**-**	-	2,202	4,910	3,396	-
Net cash generated from / (used in) operating activities	**39,544**	24,936	22,866	34,707	6,974	(23,026)
Net cash flow from Investing activities						
Fixed capital expenditure	**(2,942)**	(3,138)	(1,400)	(3,285)	(2,000)	(3,279)
Interest received	**891**	1,805	1,050	750	1,107	1,758
(Increase) / decrease in investments - net	**(2,740)**	(719)	211	(1,193)	(121)	54
Dividends received	**1,151**	1,971	1,299	1,924	2,265	2,720
Others	**40**	459	18	25	22	22
Net cash generated from / (used in) investing activities	**(3,600)**	378	1,178	(1,779)	1,273	1,275
Net cash flow from Financing activities						
Long term financing - draw-downs	**8,409**	2,600	-	7,000	7,350	18,621
- repayments	**(4,631)**	(7,238)	(6,582)	(7,684)	(4,665)	(2,499)
Repayment of lease liability	**(31)**	(33)	-	-	-	-
Grant recieved during the year	**190**	-	-	-	-	-
Dividends paid	**(14,131)**	(14,665)	(9,912)	(8,558)	(11,109)	(15,443)
Net cash (used in) / generated from financing activities	**(10,194)**	(19,337)	(16,494)	(9,242)	(8,424)	679
Net increase / (decrease) in cash and cash equivalents	**25,750**	5,978	7,550	23,686	(177)	(21,072)
Cash and cash equivalents at beginning of the year	**31,886**	25,672	17,723	(6,041)	(5,864)	15,281
Effect of exchange rate changes	**73**	236	399	78	-	(73)
Cash and cash equivalents at end of the year	**57,709**	31,886	25,672	17,723	(6,041)	(5,864)

Direct Method Cash Flow

Rs million	2020	2019
Cash Flows from Operating Activities		
Cash receipts from customers - net	**114,549**	89,298
Cash paid to suppliers / service providers and employees - net	**(64,183)**	(53,914)
Payment to Gratuity Fund	**(254)**	(218)
Payment to Pension Fund	**(160)**	(125)
Payment to Workers' Welfare Fund - net	**(397)**	-
Payment to Workers' Profit Participation Fund - net	**(1,425)**	(1,400)
Finance cost paid	**(2,266)**	(2,101)
Income tax paid	**(6,320)**	(6,604)
Net cash generated from operating activities	**39,544**	24,936
Cash Flows from Investing Activities		
Fixed capital expenditure	**(2,942)**	(3,138)
Proceeds from sale of property, plant and equipment	**40**	459
Interest received	**891**	1,805
Investment in Fauji Fresh n Freeze Limited	**(602)**	-
Investment in Thar Energy Limited (TEL)	**-**	(1,329)
Advance against issue of shares to TEL	**-**	(417)
Advance against issue of right shares to FFBL	**(2,494)**	-
Increase in other investment - net	**356**	1,027
Dividends received	**1,151**	1,971
Net cash (used in)/generated from investing activities	**(3,600)**	378

Rs million	2020	2019
Cash Flows from Financing Activities		
Long term financing - draw-downs	**8,409**	2600
- repayments	**(4,631)**	(7,238)
Repayment of lease liabilities	**(31)**	(33)
Grant received during the year	**190**	-
Dividends paid	**(14,131)**	(14,665)
Net cash used in financing activities	**(10,194)**	(19,336)
Net decrease in cash and cash equivalents	**25,750**	5,978
Cash and cash equivalents at beginning of the year	**31,886**	25,672
Effect of exchange rate changes	**73**	236
Cash and cash equivalents at end of the year	**57,709**	31,886

Free Cash Flows

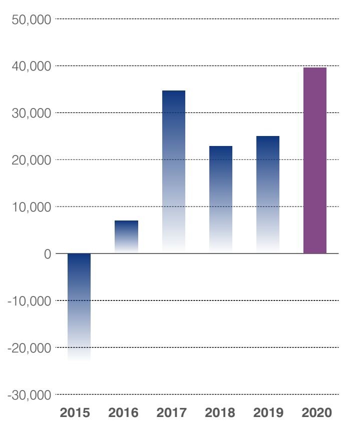
Rs million	2020	2019	2018	2017	2016	2015
Profit before taxation	**29,591**	23,753	21,683	15,741	17,394	24,503
Adjustment non-cash items	**(2,614)**	1,814	(1,254)	(5,484)	(5,941)	(2,462)
Changes in working capital	**22,078**	7,917	7,860	27,310	196	(35,042)
	49,055	33,484	28,289	37,567	11,649	(13,001)
Less: Capital expenditure	**(2,942)**	(3,138)	(1,400)	(3,285)	(2,000)	(3,279)
Free cash flows	**46,113**	30,346	26,889	34,282	9,649	(16,280)

Cash Flows Analysis

Cash Flows from Operating Activities

Impact of retirement of GIDC obligation in 2015 had resulted in cash used in operations of Rs 23.03 billion. However, better cash availability in following years showed growth and consequently at end of 2020, cash generated from operations reached its record highest at Rs 39.54 billion, a 124% growth over average cash flows of last six years. The significant increase is mainly attributable to higher increase in working capital changes.

Cash Flows from Operating Activities
(Rs million)

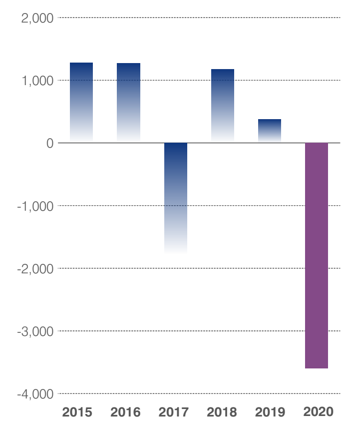


Cash Flows from Investing Activities

Investing activities mainly comprise of fixed capital expenditure and equity investments in subsidiaries and associates offset by incremental dividend receipt from associated and subsidiaries companies and interest receipts.

Cash flows from investing activities have depicted a mixed trend since 2015. , The fixed capital expenditure during the last 6 years has been in line with the Company's commitment to maintain sustained operations of its production facilities including investment in gas compression facilities. Inflows from investing activities were dependent upon the dividend distribution by subsidiaries / associates. Cumulative increase in investments in the past 6 years has been Rs 4.51 billion.

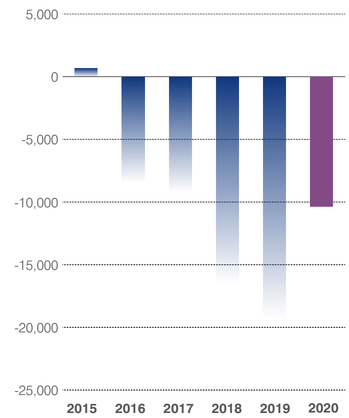
Cash Flows from Investing Activities
(Rs million)



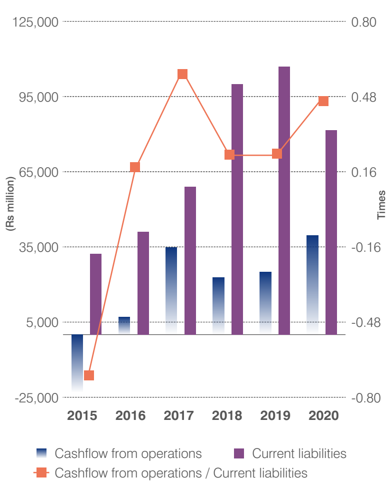
Cash Flows from Financing Activities

Net cash utilized in financing activities of Rs 10.19 billion has been in line with the average of last six years. Primary reason for consistency has been the dividend payments to shareholders and repayment of long term financing with the exception of the year 2015 where substantial long term financing to fund GIDC payments resulted in cash surplus from financing activities.

Cash Flows from Financing Activities
(Rs million)



Cashflow from Operations / Current Liabilities



HORIZONTAL ANALYSIS

of Statement of Profit or Loss

	2020 Rs M	20 Vs 19 %	2019 Rs M	19 Vs 18 %	2018 Rs M	18 Vs 17 %	2017 Rs M	17 Vs 16 %	2016 Rs M	16 Vs 15 %	2015 Rs M	15 Vs 14 %
Turnover - net	97,655	(8)	105,783	(0.2)	105,964	17	90,714	24	72,877	(14)	84,831	4
Cost of sales	(66,072)	(12)	(75,046)	(4)	(77,986)	7	(72,621)	32	(54,827)	(2)	(55,949)	12
Gross profit	31,583	3	30,737	10	27,978	55	18,093	0.2	18,050	(38)	28,882	(7)
Distribution cost	(7,848)	(5)	(8,288)	(6)	(8,833)	3	(8,574)	20	(7,154)	5	(6,814)	6
Operating profit	23,735	6	22,449	17	19,145	101	9,519	(13)	10,896	(51)	22,068	(11)
Finance cost	(1,874)	(24)	(2,477)	51	(1,637)	(33)	(2,445)	2	(2,406)	63	(1,475)	74
Other gains / (losses)	3,940	(458)	(1,100)	-	-	-	-	-	-	-	-	-
Other expenses	(2,639)	14	(2,309)	10	(2,108)	29	(1,631)	(7)	(1,761)	(23)	(2,284)	(1)
	23,162	40	16,563	8	15,400	183	5,443	(19)	6,729	(63)	18,309	(15)
Other income	6,429	(11)	7,190	14	6,283	(39)	10,298	(3)	10,665	72	6,194	31
Profit before taxation	29,591	25	23,753	10	21,683	38	15,741	(10)	17,394	(29)	24,503	(7)
Provision for taxation	(8,772)	32	(6,643)	(8)	(7,244)	44	(5,030)	(10)	(5,612)	(27)	(7,737)	(4)
Profit for the year	20,819	22	17,110	19	14,439	35	10,711	(9)	11,782	(30)	16,766	(8)
EPS (Rs)	16.36	22	13.45	19	11.35	35	8.42	(9)	9.26	(30)	13.18	(8)

Horizontal Analysis

Turnover and Cost of Sales

The decrease in selling prices of urea consequent to reduction in GIDC rates resulted in aggregate turnover of Rs 97.66 billion compared to Rs 105.78 billion last year. FFC was however able to achieve 15% growth in aggregate turnover over the last six years.

The total cost of sales was recorded at Rs 66.07 billion compared to Rs 75.05 billion, 12% lower than last year mainly due to a reduction in GIDC rates besides savings in fixed cost.

The cost of sales of imported fertilizer increased by 3% over last year due to an increase in international DAP prices besides the devaluation of PKR. Minimal variations in cost of sales were experienced till 2016 however, 2017 witnessed a 32% increase due to higher marketing of DAP fertilizer and inflationary factors.

Gross Profit

Improvement in fertilizer prices in the year 2018 resulted in improved gross profit margins from 2018 onwards. Despite a reduction in prices and cost of sales following GIDC suspension the gross profit of the Company improved by 3% to Rs 31.58 billion compared to Rs 30.74 billion last year.

Distribution Cost

Effective cost controls and lower fuel prices during the year reduced the distribution cost for the current year to Rs 7.85 billion compared to Rs 8.29 billion last year, however, the trend for the last six years has been maintained at a 4% annual average rate.

Finance Cost

Finance cost decreased to Rs 1.87 billion for the year 2020 compared to Rs 2.48 billion last year mainly on account of lower interest rates and reduced borrowing requirements during the year. A volatile trend has been witnessed in finance costs over the years. Years 2015 & 2016, witnessed a 74% and 63% increase respectively due to high borrowings for GIDC payments and other working capital requirements. Reduced borrowings due to improved market conditions contributed to lower finance costs in 2018 however, it bounced back in 2019 owing to higher borrowing requirements and interest rates. Overall, finance cost recorded an average annual growth rate of around 22% since 2015.

Other Gains / (Losses)

A one-off notional gain of Rs 5.93 billion was booked in the current year on account of extinguishment of GIDC liability in compliance requirements of International Financial Reporting Standards (IFRS). Further, Expected Credit Loss of Rs 987 million on subsidy receivable was recorded along with impairment loss of Rs 1 billion on investment in Fauji Fresh n Freeze Limited.

Net gain, therefore, stood at Rs 3.94 billion compared to other loss pertaining to impairment on investment in Fauji Fresh n Freeze Limited recorded in the year 2019.

Other Income

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

VERTICAL ANALYSIS

of Statement of Profit or Loss

	2020		2019		2018		2017		2016		2015	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Turnover - net	97,655	100	105,783	100	105,964	100	90,714	100	72,877	100	84,831	100
Cost of sales	(66,072)	68	(75,046)	71	(77,986)	74	(72,621)	80	(54,827)	75	(55,949)	66
Gross profit	31,583	32	30,737	29	27,978	26	18,093	20	18,050	25	28,882	34
Distribution cost	(7,848)	8	(8,288)	8	(8,833)	8	(8,574)	9	(7,154)	10	(6,814)	8
Operating profit	23,735	24	22,449	21	19,145	18	9,519	10	10,896	15	22,068	26
Finance cost	(1,874)	2	(2,477)	2	(1,637)	2	(2,445)	3	(2,406)	3	(1,475)	2
Other gains / (losses)	3,940	4	(1,100)	1	-	-	-	-	-	-	-	-
Other expenses	(2,639)	3	(2,309)	2	(2,108)	2	(1,631)	2	(1,761)	2	(2,284)	3
	23,162	24	16,563	16	15,400	15	5,443	6	6,729	9	18,309	22
Other income	6,429	7	7,190	7	6,283	6	10,298	11	10,665	15	6,194	7
Profit before taxation	29,591	30	23,753	22	21,683	20	15,741	17	17,394	24	24,503	29
Provision for taxation	(8,772)	9	(6,643)	6	(7,244)	7	(5,030)	6	(5,612)	8	(7,737)	9
Profit for the year	20,819	21	17,110	16	14,439	14	10,711	12	11,782	16	16,766	20
EPS (Rs)	16.36		13.45		11.35		8.42		9.26		13.18	

The Company's dynamic and flexible investment portfolio contributed an investment income of Rs 5.05 billion, compared to Rs 5.67 billion last year due to prevailing low rates of return. Dividend income of Rs 1.38 billion also decreased by 10% compared to last year due to lower payout by associated companies.

Aggregate other income stood at Rs 6.43 billion and has increased by around 4% compared to 2015, owing mainly to higher investment income.

Taxation

The higher tax charge of Rs 8.77 billion was mainly attributable to higher profitability and deferred tax impact on the temporary gain realized on the revaluation of GIDC liability. Variation over the years has been in line with profitability however, the effective rate at around 30% was lower than the six-year average effective rate of over 31%.

Net Profit

Net profit of the Company registered a significant 22% increase owing mainly to the recognition of notional income on extinguishment and re-measurement of GIDC liability. The declining trend up-till 2017 was curtailed in 2018 owing to market normalization, however, the Company's profitability from its operations is still below its historical pre 2015 levels owing to ever increasing cost of business and governmental interventions in pricing.

Vertical Analysis

Gross Profit

Turnover increased to Rs 97.66 billion at the end of 2020 compared to Rs 84.83 billion in 2015. Gross profit margin improved by 3% over last year due to reduction in GIDC rates besides savings in fixed cost. A declining trend in gross profit from 2015 to 2017 was attributable majorly to higher feed and fuel gas costs besides increased levy of GIDC, currency devaluation and other inflationary factors. Gross margins witnessed abnormal decrease during 2016 and 2017 as subsidy income was classified as other income in compliance with relevant IFRS.

Taxation

Tax charge as a percentage of turnover exhibited a declining trend reducing from 9% in 2015 to 6% in 2019. However, it rebounded to 9% in 2020 owing to impact of deferred tax on impairment and re-measurement of GIDC. The trend remains in line with profitability margins of the Company and decrease in corporate tax rates from 32% in 2015 to 29% in 2020. The effect of gradual reduction in applicable corporate tax rates was however subdued by the levy of super tax up-till year 2018 and final / minimum tax regimes on imported fertilizer over the years.

Net Profit

Consistent reduction in profitability since 2015 up-to 2017 was mainly due to persistent Governmental pressures restricting pass through ability of the Company in addition to increase in operating costs. Net profit margin has although increased from 20% in 2015 to 21% in 2020 due to the factors mentioned in the aforementioned paragraphs as well as booking of temporary notional gain on GIDC restructuring to comply with IFRS requirements.

HORIZONTAL ANALYSIS

of Statement of Financial Position

	2020 Rs M	20 Vs 19 %	2019 Rs M	19 Vs 18 %	2018 Rs M	18 Vs 17 %	2017 Rs M	17 Vs 16 %	2016 Rs M	16 Vs 15 %	2015 Rs M	15 Vs 14 %
Equity and Liabilities												
Equity												
Share capital	**12,722**	**-**	12,722	-	12,722	-	12,722	-	12,722	-	12,722	-
Capital reserve	**160**	**-**	160	-	160	-	160	-	160	-	160	-
Revenue reserves	**29,653**	**31**	22,685	11	20,501	24	16,470	7	15,329	6	14,429	13
	42,535	**20**	35,567	7	33,383	14	29,352	4	28,211	3	27,311	6
Non - Current Liabilities												
Long term borrowings - secured	**10,627**	**64**	6,473	(25)	8,584	(45)	15,572	(6)	16,653	5	15,893	536
Lease liabilities	**59**	**(5)**	62	-	-	-	-	-	-	-	-	-
Deferred Government grant	**25**	**-**	-	-	-	-	-	-	-	-	-	-
Gas Infrastructure Development												
Cess (GIDC) payable	**32,772**	**-**	-	-	-	-	-	-	-	-	-	-
Deferred liabilities	**5,259**	**19**	4,412	(4)	4,578	(3)	4,697	(2)	4,812	5	4,600	1
	48,742	**345**	10,947	(17)	13,162	(35)	20,269	(6)	21,465	5	20,493	190
Current Liabilities												
Current portion of long term												
borrowings - secured	**4,335**	**(8)**	4,711	(35)	7,238	6	6,832	6	6,434	43	4,510	153
Current portion of lease liabilities	**23**	**(47)**	43	-	-	-	-	-	-			
Current portion of deferred												
Government grant	**88**	**-**	-	-	-	-	-	-	-	-	-	-
Trade and other payables	**46,621**	**(39)**	76,009	25	60,599	56	38,781	269	10,504	40	7,500	(80)
Mark - up and profit accrued	**275**	**(59)**	676	125	300	57	191	(40)	321	20	268	793
Short term borrowings - secured	**25,258**	**16**	21,803	(24)	28,526	147	11,539	(48)	22,177	23	18,021	55
Unclaimed Dividend	**468**	**(14)**	542	(15)	639	46	437	7	408	(34)	614	(29)
Taxation	**4,604**	**49**	3,092	17	2,642	115	1,230	(2)	1,249	(12)	1,413	(44)
	81,672	**(24)**	106,876	7	99,944	69	59,010	44	41,093	27	32,326	(40)
Total Equity and Liabilities	**172,949**	**13**	153,390	5	146,489	35	108,631	20	90,769	13	80,130	(7)
Assets												
Non - Current Assets												
Property, plant & equipment	**22,841**	**3**	22,212	3	21,533	(3)	22,312	5	21,233	(1)	21,382	6
Intangilbe assets	**1,572**	**-**	1,577	-	1,575	(1)	1,585	-	1,585	1	1,577	(2)
Log term investments	**34,675**	**12**	31,088	16	26,899	(3)	27,869	(6)	29,656	2	29,129	4
Long term loans & advances - secured	**1,946**	**62**	1,200	8	1,114	15	966	3	934	15	814	(1)
Long term deposits & prepayments	**14**	**17**	12	(14)	14	-	14	-	14	8	13	(19)
	61,048	**9**	56,089	10	51,135	(3)	52,746	(1)	53,422	1	52,915	4
Current Assets												
Stores, spares and loose tools	**4,434**	**16**	3,811	10	3,474	(1)	3,496	2	3,428	1	3,396	2
Stock in trade	**320**	**(95)**	6,795	(47)	12,932	3,174	395	(91)	4,237	(17)	5,100	419
Trade debts	**2,287**	**(83)**	13,460	266	3,678	(1)	3,722	(14)	4,306	143	1,774	116
Loans and advances	**789**	**(56)**	1,795	69	1,060	(35)	1,634	81	903	(12)	1,025	(3)
Deposits and prepayments	**51**	**-**	51	(38)	82	5	78	56	50	28	39	50
Other receivables	**20,965**	**19**	17,653	12	15,725	13	13,965	80	7,752	176	2,807	152
Short term investments	**81,902**	**70**	48,041	(12)	54,585	77	30,882	118	14,144	37	10,335	(62)
Cash and bank balances	**1,153**	**(80)**	5,695	49	3,818	123	1,712	(32)	2,526	(8)	2,739	133
	111,901	**15**	97,301	2	95,354	71	55,885	50	37,347	37	27,215	(24)
Total Assets	**172,949**	**13**	153,390	5	146,489	35	108,631	20	90,769	13	80,130	(7)

Horizontal Analysis

Shareholders' Equity

The Company's share capital and capital reserves have remained unaltered during the last six years. The six-year annual average increase rate of Revenue Reserves was recorded at 15%, 4% higher than six years up-to 2019. An increase in unappropriated profit by 31% over last year is mainly attributable to the recognition of temporary gain on extinguishment / revaluation of GIDC liability during 2020. As a result, shareholders' equity at Rs 42.54 billion registered an increase of 56% compared to 2015.

Non-Current Liabilities

Non-current liabilities historically comprise of long term borrowings and deferred liabilities. During 2020 the long term portion of GIDC payable amounting to Rs 32.77 billion was also classified as non-current liabilities as per provision of IFRSs. Long term borrowings at Rs 10.63 billion, remained lower by Rs 5.27 billion compared to year 2015, when long term financing were secured for payment of previously retained GIDC balance besides working capital requirement. Deferred liabilities registered an annual average increase of 2% since 2015.

Current Liabilities

Trade and other payables reduced to Rs 46.62 billion in 2020 from Rs 76.01 billion last year owing to the reclassification of the long term portion of GIDC payable to non-current liabilities. After 2015, withholding of GIDC under the Court's rulings had resulted in a consistent increase in the balance of trade and other payables from Rs 7.50 billion in 2015 to Rs 76.01 billion at the start of this year.

Short term borrowings and the current portion of long term borrowings have increased by 28% on average annually since 2015 to fund working capital requirements. The current portion of long term borrowings was lower than last year mainly due to settlement of long term loans during the current year

Non-Current Assets

Non-current assets of the Company include property, plant & equipment, intangible assets, and long term investments, which witnessed an overall increase of Rs 8.13 billion from 2015. This increase is attributable to routine Capex requirements as well as natural gas compressors as part of ensuring the sustainability of company operation because of declining gas pressures.

Further, the Company has invested an aggregate net amount of Rs 8.51 billion in the form of equity investments over the period of the last six years. During the year, the Company injected equity amounting to Rs 1.50 billion in Fauji Fresh n Freeze Limited and advanced Rs 2.50 billion to Fauji Fertilizer Bin Qasim Limited for the issue of right shares. As a result, the long term investments amount to Rs 34.68 billion at the end of 2020.

Current Assets

Current assets mainly comprise of stores and spares, stock in trade, trade debts, short term investments, and cash & bank balances. Stock in trade reduced significantly to Rs 320 million, a 94% decline compared to 2015. High closing inventories were witnessed at end of the last six years except for 2017 mainly due to suppressed market conditions and higher production / import of fertilizer.

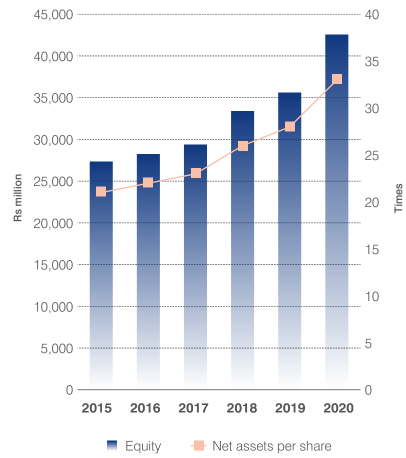
After a surge in the balance of trade debts to Rs 13.46 billion last year due to a higher quantum of sales made on a credit basis, the current year-end balance was recorded at Rs 2.29 billion, being the lowest level since 2016.

Considerable increase in other receivables owing mainly to unadjusted input sales tax and outstanding subsidy receivable from the Government over the six years resulted in a balance of Rs 20.97 billion at the close of 2020.

Short term investments increased exponentially to Rs 81.90 billion by around 8 times higher than 2015, due to better cash availability and attractive returns on investments placed with financial institutions.

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

Equity & Net Assets per Share



VERTICAL ANALYSIS

of Statement of Financial Position

	2020		2019		2018		2017		2016		2015	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Equity and Liabilities												
Equity												
Share capital	**12,722**	**7**	12,722	8	12,722	9	12,722	12	12,722	14	12,722	16
Capital reserve	**160**	**-**	160	-	160	-	160	-	160	-	160	-
Revenue reserves	**29,653**	**18**	22,685	15	20,501	14	16,470	15	15,329	17	14,429	18
	42,535	**25**	35,567	23	33,383	23	29,352	27	28,211	31	27,311	34
Non - Current Liabilities												
Long term borrowings - secured	**10,627**	**6**	6,473	4	8,584	6	15,572	14	16,653	18	15,893	20
Lease liabilities	**59**	**-**	62	-	-	-	-	-	-	-	-	-
Deferred Government grant	**25**	**-**	-	-	-	-	-	-	-	-	-	-
Gas Infrastructure Development Cess (GIDC) payable	**32,772**	**19**	-	-	-	-	-	-	-	-	-	-
Deferred liabilities	**5,259**	**3**	4,412	3	4,578	3	4,697	4	4,812	5	4,600	6
	48,742	**28**	10,947	7	13,162	9	20,269	18	21,465	23	20,493	26
Current Liabilities												
Current portion of long term borrowings - secured	**4,335**	**3**	4,711	3	7,238	5	6,832	6	6,434	7	4,510	6
Current portion of lease liabilities	**23**	**-**	43	-	-	-	-	-	-	-	-	-
Current portion of deferred Government grant	**88**	-	-	-	-	-	-	-	-	-	-	-
Trade and other payables	**46,621**	**27**	76,009	50	60,599	41	38,781	36	10,504	12	7,500	9
Mark - up and profit accrued	**275**	**0.2**	676	-	300	-	191	0.2	321	1	268	0.3
Short term borrowings - secured	**25,258**	**14**	21,803	14	28,526	19	11,539	11	22,177	24	18,021	22
Unclaimed dividend	**468**	**0.3**	542	-	639	-	437	0.4	408	1	614	1
Taxation	**4,604**	**2**	3,092	2	2,642	2	1,230	1	1,249	1	1,413	2
	81,672	**47**	106,876	70	99,944	68	59,010	55	41,093	46	32,326	40
Total Equity and Liabilities	**172,949**	**100**	153,390	100	146,489	100	108,631	100	90,769	100	80,130	100
Assets												
Non - Current Assets												
Property, plant & equipment	**22,841**	**13**	22,212	14	21,533	15	22,312	21	21,233	23	21,382	27
Intangible assets	**1,572**	**1**	1,577	1	1,575	1	1,585	1	1,585	2	1,577	2
Log term investments	**34,676**	**20**	31,088	20	26,899	18	27,869	26	29,656	33	29,129	36
Long term loans & advances - secured	**1,945**	**1**	1,200	1	1,114	1	966	1	934	1	814	1
Long term deposits & prepayments	**14**	**-**	12	-	14	-	14	-	14	-	13	-
	61,048	**35**	56,089	37	51,135	35	52,746	49	53,422	59	52,915	66
Current Assets												
Stores, spares and loose tools	**4,434**	**3**	3,811	2	3,474	2	3,496	3	3,428	4	3,396	4
Stock in trade	**320**	**0.2**	6,795	4	12,932	9	395	-	4,237	4	5,100	6
Trade debts	**2,287**	**1**	13,460	9	3,678	3	3,722	3	4,306	4	1,774	2
Loans and advances	**789**	**0.5**	1,795	1	1,060	1	1,634	2	903	1	1,025	1
Deposits and prepayments	**51**	**-**	51	-	82	-	78	-	50	-	39	-
Other receivables	**20,965**	**12**	17,653	12	15,725	11	13,965	13	7,752	9	2,807	5
Short term investments	**81,902**	**47**	48,041	31	54,585	37	30,882	28	14,144	16	10,335	13
Cash and bank balances	**1,153**	**1**	5,695	4	3,818	3	1,712	2	2,526	3	2,739	3
	111,901	**65**	97,301	63	95,354	65	55,885	51	37,347	41	27,215	34
Total Assets	**172,949**	**100**	153,390	100	146,489	100	108,631	100	90,769	100	80,130	100

Vertical Analysis

Shareholders' Equity

Revenue reserves as a percentage of equity have increased from 53% in 2015 to 70% at the close of 2020 owing to profit retention in the business to finance diversification needs of the Company. Conversely, share capital as a percentage of equity has reduced to 30% in 2020 from 47% in 2015.

Non-Current Liabilities

Following a trend of high borrowings up-to the year 2017, long term borrowing remained lower as a percentage of non-current liabilities however increased by Rs 4.15 billion compared to last year due to higher drawdowns. Significant portion of non-current liabilities during the year relates to the reclassification of long term portion of GIDC liability amounting to Rs 32.77 billion.

Current Liabilities

Resumption of withholding GIDC amount resulted in continuous increase in trade and other payables as a percentage of current liabilities from 2017 to 2019. However, in compliance with IFRS requirements, Rs 32.77 billion was reclassified to non-current liabilities therefore reducing the percentage of trade and other payables to current liabilities significantly to 57% compared to 71% last year.

Non-Current Assets

At 37%, property, plant and equipment as a percentage of non-current assets, was slightly lower than six years' average of 40%. The Company continues to invest in natural gas compressors under sustainability plan besides regular capital expenditure.

Long term investments as a percentage of non-current assets was higher by 2% compared to a six years' average of 55%, as during the year, the Company injected equity amounting to Rs 1.5 billion in Fauji Fresh n Freeze Limited and advanced Rs 2.50 billion to Fauji Fertilizer Bin Qasim Limited for the issue of right shares.

Current Assets

Stock in trade as a percentage of current assets was negligible at the current year-end however, it had remained high at the end of years of 2015, 2016 and 2018, when the Company had carried abnormal fertilizer inventory due to adverse market conditions.

Improvement in fertilizer offtake helped offload most of the inventory of both urea and purchased fertilizer. Consequently, trade debts decreased to 2% as a percentage of current assets at the close of 2020 against previous six years' average of 8%.

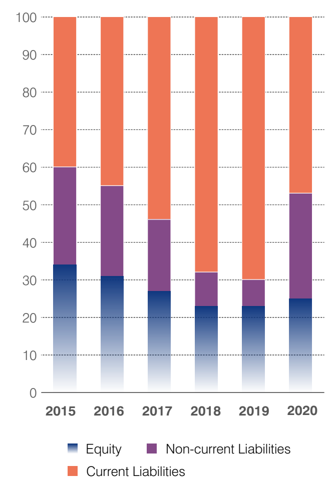
A significant increase in other receivables was experienced in the year 2016 relating to mainly subsidy receivable and sales tax refundable from the Government. The upward trend has continued since and at the end of 2020, other receivable constituted 19% of current assets.

Short term investments at 73% amounting to Rs 81.90 billion constitute as the key portion of current assets at close of 2020. Poor market economics in 2015 and 2016 had led to a drop in this trend, however, it has improved gradually thereafter.

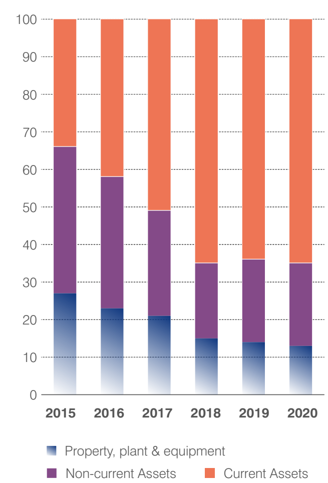
Explanation of Negative Changes in Performance

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

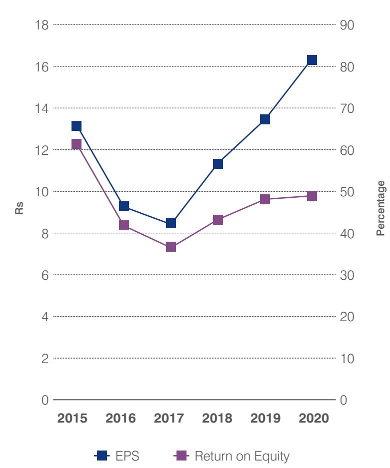
Financial Position Analysis - Equity & Liabilities
(Percentage)



Financial Position Analysis - Assets
(Percentage)



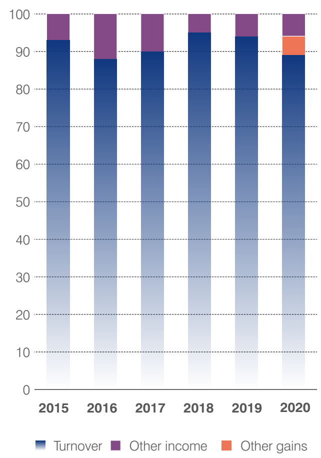
EPS and Return on Equity



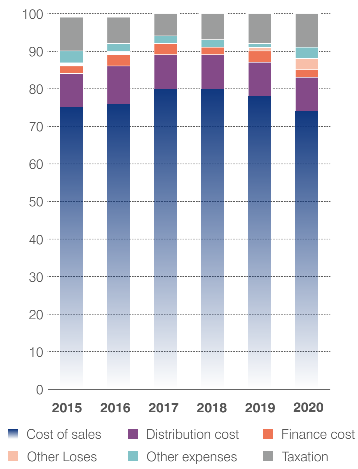
GRAPHICAL PRESENTATION

Statement Profit or Loss

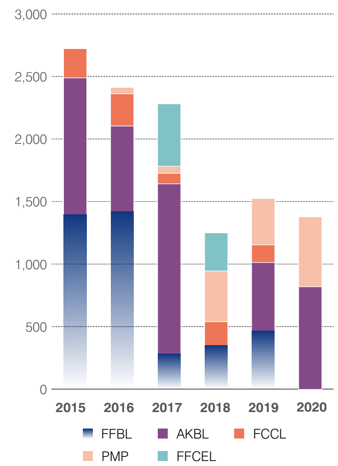
Profit or Loss Analysis - Income
(Percentage)



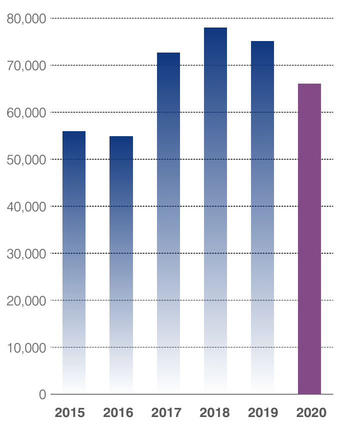
Profit or Loss Analysis - Expenses
(Percentage)



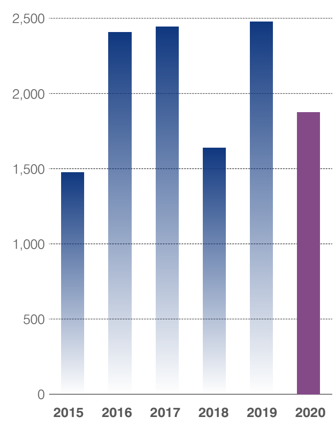
Dividend Income
(Rs million)



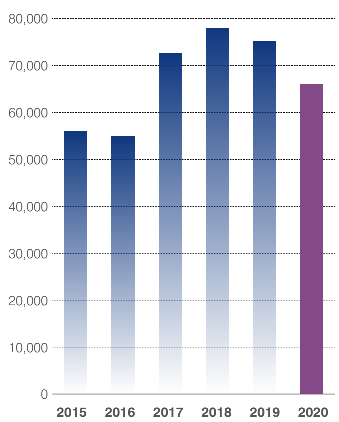
Cost of Sales
(Rs million)



Finance Cost
(Rs million)



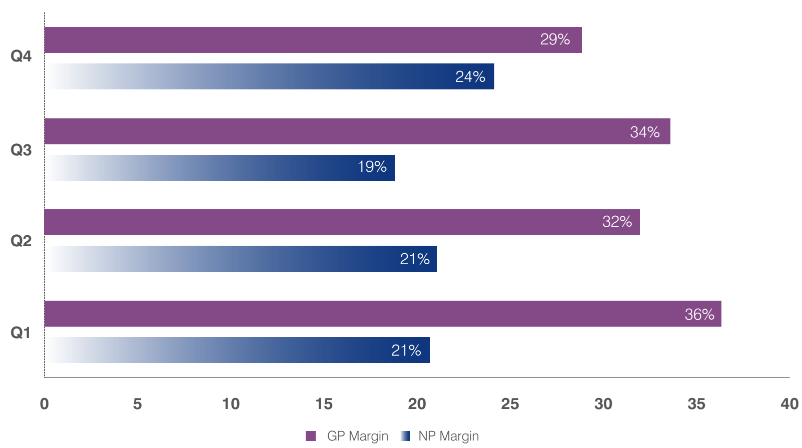
Distribution Cost
(Rs million)



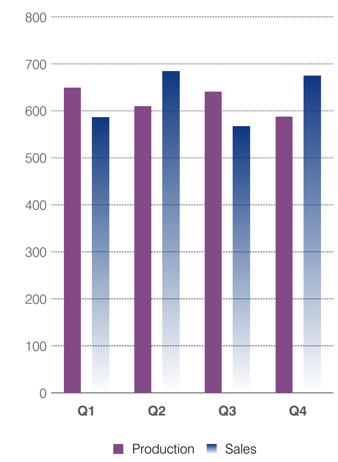
QUARTERLY ANALYSIS

Rs million	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Turnover - net	20,626	23,156	24,636	29,237	97,655
Cost of sales	(13,136)	(15,757)	(16,365)	(20,814)	(66,072)
Gross profit	7,490	7,399	8,271	8,423	31,583
Distribution Cost	(2,075)	(1,855)	(1,724)	(2,194)	(7,848)
Operating profit	5,415	5,544	6,547	6,229	23,735
Finance cost	(673)	(462)	(271)	(468)	(1,874)
Other gains / (losses)	-	-	-	3,940	3,940
Other expenses	(562)	(629)	(629)	(819)	(2,639)
Other income	1,720	2,287	951	1,471	6,429
Profit before taxation	5,900	6,740	6,598	10,353	29,591
Provision for taxation	(1,638)	(1,866)	(1,970)	(3,298)	(8,772)
Profit after taxation	4,262	4,874	4,628	7,055	20,819
Earnings per share	3.35	3.83	3.64	5.54	16.36

Quarterly GP & NP Margins
(Percentage)



Quarterly Production & Sales
(KT)



Analysis of Variation in Interim Results and Final Accounts

Gross profit margin reduced from 36% in the first quarter to 34% in the third quarter and 29% in the final quarter mainly due to higher proportion of DAP in the sales mix as compared to first two quarters.

Temporary gain as a result of re-measurement of GIDC liability consequent to the Supreme Court's decision, besides loss on impairment of subsidy receivable and impairment of investment in FFF impacted the net profitability by around Rs 2.6 billion in the last quarter. This resulted in last quarter's net profit margin of 24%.

At the year-end, the Company successfully liquidated its entire fertilizer stock and carried minimal urea inventory of 2 thousand tonnes. Higher collections from sales and advance from customers, towards the year end, resulted in increased short term investments recorded at Rs 81.90 billion, 70% higher compared to last year.

QUARTERLY ANALYSIS

Q1

Production

FFC achieved highest ever first quarter Sona urea production of 649 thousand tonnes with a combined operating efficiency of 127%. This was 13% higher than last year owing to maintenance turnaround conducted in 2019.

Sales

Sona urea offtake for the first quarter was recorded at 586 thousand tonnes, which was 5% higher than the corresponding quarter of last year, primarily due to reduction in selling prices of urea consequent to reduction in GIDC rates by the Government.

Turnover & Other Income

Sona urea turnover improved by 4% against last year to Rs 19.46 billion despite significant reduction in urea selling price. Aggregate turnover at Rs 20.63 billion was also 2% higher than the first quarter of 2019. The Company achieved record quarterly investment income of Rs 1.72 billion, 87% above last year, whereas no dividend was received during the quarter.

Q2

Production

Sona Urea output of 610 thousand tonnes during the second quarter of the year was 5% lower than corresponding quarter of 2019 and also 6% lower than the first quarter of the year mainly due to unplanned shutdown during the quarter.

Sales

The Company achieved highest ever second quarter Sona urea sales of 684 thousand tonnes, 17% higher than the previous quarter and also 9% above last year owing to lower urea prices compared to last year.

Turnover & Other Income

Turnover of Rs 23.16 billion, was 12% above the first quarter but 12% lower than the highest ever second quarter turnover recorded in 2019 due to reduction in urea prices and lower DAP offtake. Second quarter's investment income of Rs 1.16 billion resulted in record aggregate half yearly investment income of Rs 2.88 billion. Higher dividend declaration by equity investments during the quarter improved dividend income to Rs 1.13 billion, three folds higher to last year.

Q3

Production

The Company produced 641 thousand tonnes of Sona urea, only 1% lower than the corresponding quarter of last year as well as the highest ever third quarter production recorded in 2017.

Sales

Third quarter Sona urea offtake of 567 thousand tonnes was 3% lower than last year whereas Sona urea offtake for 9 months was 4% higher compared to 2019.

Turnover & Other Income

Sona urea turnover recorded a decline of 15% compared to the corresponding quarter of last year, which was partially compensated by high DAP turnover resulting in aggregate third quarter turnover of Rs 24.64 billion, 7% below last year. Investment income at Rs 931 million registered a 20% decline compared to last quarter and was also 38% lower than last year.

Q4

Production

Routine maintenance turnaround of Plant III restricted Sona urea production to 587 thousand tonnes during the last quarter of the year, 7% lower than corresponding quarter of 2019.

Sales

Sona urea sales of 675 thousand tonnes during the last quarter of the year was 19% higher than last quarter but 3% lower than fourth quarter of last year.

Turnover & Other Income

The Company achieved aggregate last quarter turnover of Rs 29.24 billion, which was 19% higher than the previous quarter but 11% lower than last year mainly due to lower availability of Urea and DAP compared to 2019. Investment income of Rs 1.25 billion, was 34% higher than last quarter however 25% below last quarter of 2019 due to low rates of return. Dividend income of Rs 224 million was recorded during the quarter.

Operating Costs

Cost of sales amounting Rs 13.14 billion for the first quarter was 8% lower than last year, despite higher sales, mainly due to reduction in GIDC rates. Whereas, distribution cost for the quarter recorded at Rs 2.08 billion registered an increase of Rs 68 million over 2019 owing to increase in transportation rates.

Profit

Lower cost of sales resulted in gross profit of Rs 7.49 billion, 26% higher than the corresponding quarter of last year. However, higher transportation cost and lower dividend income during the quarter restricted net profit to Rs 4.26 billion, 15% above last year. First interim dividend of Rs 2.50 per share was declared, with a payout ratio of 75%.

Net Assets

Encashment of short term investments to cater for the working capital needs coupled with realisation of trade debts reduced total assets to Rs 141.04 billion lower by 8% compared to December 2019. Net assets of the Company however, remained in line with the end of last year.

Operating Costs

Cost of sales for the second quarter stood at Rs 15.76 billion, 20% above the first quarter due to higher sales of urea and DAP, but 9% below corresponding quarter of 2019 due to lower raw material cost. Distribution cost at Rs 1.86 billion was 11% lower than the first quarter mainly due to reduction in fuel cost.

Profit

Gross profit for the quarter was restricted to Rs 7.40 billion, registering a decline of 16% compared to last year, despite highest ever second quarter sales mainly due to lower selling price. Net profit also reduced by 6% compared to same quarter last year. The Board declared second interim dividend of Rs 2.75 per share.

Net Assets

Improved liquidity position enabled the Company to reduce its short term borrowings by Rs 8.66 billion at the end of second quarter. However, higher profits and retention translated into net assets of Rs 37.68 billion, 5% higher than the previous quarter.

Operating Costs

Downward trend of cost of sales continued in the third quarter registering a 17% decline compared to last year, and stood at Rs 16.36 billion. Reduced transportation cost complemented by lower fixed cost resulted in distribution cost of Rs 1.72 billion, which was 18% below last year and also 7% lower than the second quarter.

Profit

Gross profit of Rs 8.27 billion marked an improvement of 21% over last year owing mainly to higher gas costs in the corresponding quarter to 2019. Lower operating and finance costs further boosted net profitability to Rs 4.63 billion, recording an increase of 30% compared to same quarter last year. Third interim dividend of Rs 2.55 per share was declared by the Board.

Net Assets

Investment of surplus funds with financial institutions resulted in an asset base of Rs 154.40 billion, 10% above the second quarter. Net assets at the end of third quarter improved by Rs 1.05 billion owing to profit retention by the Company.

Operating Costs

The last quarter's cost of sales recorded at Rs 20.81 billion witnessed an increase of 27% compared to the third quarter mainly due to higher fertilizer sales and Plant III maintenance turnaround during the quarter. Distribution cost was higher by 27% compared to the previous quarter due to handling of 98 thousand tonnes of imported DAP.

Profit

Improved offtake compared to the third quarter translated in 2% higher gross profit which stood at Rs 8.42 billion. It was however 7% lower than the last quarter of 2019 due to reduced fertilizer availability. Temporary net gain owing to re-measurement of GIDC, impairment of investment in FFF and loss allowance on subsidy receivable resulted in enhanced quarterly net profit of Rs 7.06 billion. The Board recommended final dividend of Rs 3.40 per share.

Net Assets

Total assets increased to Rs 172.95 billion due to further investment in financial institution towards the year end. Higher profits and retention translated into net assets of Rs 42.54 billion, 20% above 2019.

FINANCIAL CAPITAL

Liquidity and Cash Flow Management

Strategy to Overcome Liquidity Problems

The working capital and financing needs of the Company are managed through a robust treasury management system which ensures effective cash flow management while safeguarding against any related risks.

Cash flow management is achieved through effective forecasting and periodic evaluation of planned inflows in the form of turnover and investment income. Further, maturity profiles of assets and liabilities are regularly maintained and evaluated to ensure optimization of cash inflows and outflows as per expected business operation needs.

Liquidity Generation

The Company's liquidity requirements are met through internal cash generation from turnover, dividend receipts and income on deposits. Minimal reliance is placed on cash generation through external sources to ensure lower financial cost. Preference is accorded to short term debt over long term. The Company holds a sizeable unutilized borrowing capacity to meet any future funding requirements including those of diversification projects.

Investments and Placement of Funds

A fairly diversified high yield investment portfolio is maintained to maximize returns, remaining within prudent levels of risk and exposure. In order to minimize liquidity and credit risks, funds are placed only with high credit rated institutions.

The Company's investment portfolio therefore comprises of investments in the money market / Government securities, term deposits with banks / financial institutions and any other investment schemes to enhance profitability and increase shareholders' return. A periodic evaluation of return on these investments is conducted to ensure that best possible options have been exercised.

Repayment of Debt and Recovery of Losses

Credit rating agency, PACRA, has maintained the Company's long term credit rating of AA+ and short term rating of A1+ evidencing strong debt raising capacity and timely settlement of all liabilities.

Total borrowings, including short term and current maturity of long term borrowings, increased by 22% compared to last year at Rs 40.22 billion, which included an increase of Rs 3.46 billion in short term financing. Banks have issued corporate guarantees on behalf of the Company up to Rs 6.03 billion in addition to letter of credit facilities of up to Rs 18.60 billion which are available against lien on shipping / title documents and charge on FFC's assets.

Despite increase in total borrowings, the Company holds a sizeable unutilized borrowing capacity to meet any future funding requirements including those of diversification projects. **All debt repayments maturing this year were paid on their due time and there have been no defaults in repayment of any debt during the year.** The Company recorded ECL on subsidy, whereas there were no other losses of any kind during the year.

Significant Plans and Decisions

Over the years, FFC has established itself as market leader in the fertilizer industry contributing towards food security by providing high quality indigenous as well as imported fertilizers. During the year, the Company enriched its fertilizer portfolio by further investment of Rs 2.49 billion in Fauji Fertilizer Bin Qasim Limited.

The Company injected further equity of Rs 1.50 billion in FFF, which was financed partly by injection of cash and the remainder through conversion of the loan extended to FFF into equity. This resulted in net of impairment investment of Rs 4.24 billion in the project.

Further, in view of declining gas pressures, FFC continues to invest further in gas compression infrastructure, which includes uprate of existing compression facilities for sustained gas pressures.

While we intend to continue to invest back into the business, we know that sustaining higher growth will require building stronger capabilities, ones that are difficult to match competitively. To benefit from capabilities developed in the energy sector, with a focus on sustainable power, an Expression of Interest for the acquisition of majority shares in Foundation Wind Energy I Limited and & Foundation Wind Energy-II Limited was submitted following Board approval. The final acquisition will be subject to due diligence exercise and negotiations with majority shareholders.

FFC prides itself in being one of the highest providers to the National Exchequer. Over the years, we have been the single largest contributor towards GIDC despite having absorbed a very large portion thereof. SCP has recently validated the levy of GIDC and prospect payment of outstanding liability may create dire liquidity constraints to the Company.

Capital Structure

FFC's equity comprises of share capital amounting to Rs 12.72 billion representing ordinary shares of Rs 10 each, with Fauji Foundation being the major shareholder controlling an equity stake of 44.35%. Equity increased by 20% to Rs 42.54 billion mainly on account of higher profit retention during the year.

Higher long term borrowings resulted in a debt to equity ratio of 20:80 compared to 15:85 of 2019, whereas, financial leverage increased from 0.93 to 0.95 due to higher short term borrowings availed to meet working capital needs. Future projections indicate adequacy of the capital structure for the foreseeable future.

Capital Market and Market Capitalization

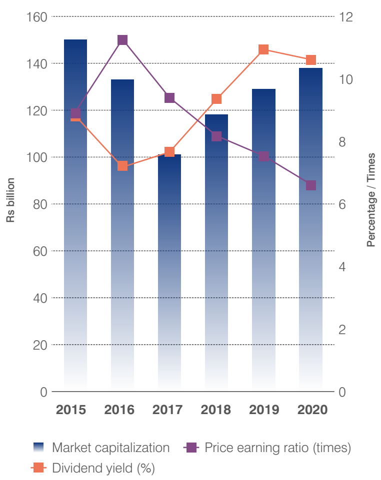
FFC is listed on the Pakistan Stock Exchange, which is the sole indicator of Country's capital market performance. During the year, capital listed on the

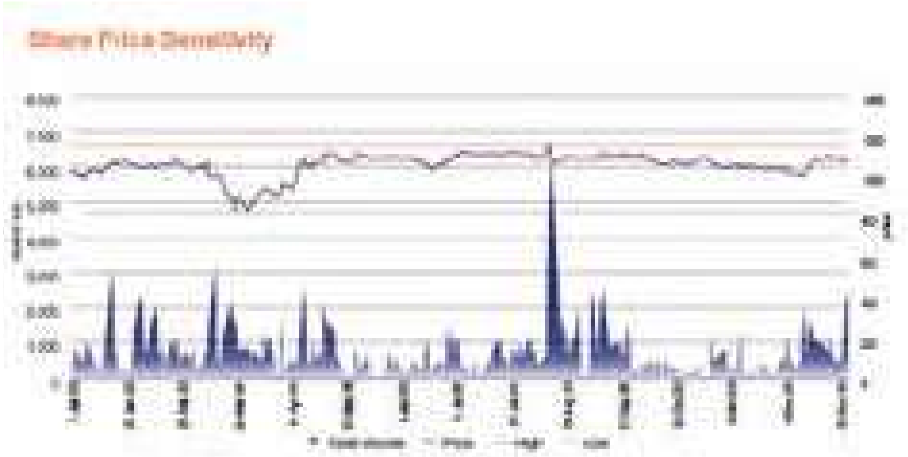
Exchange also rose to Rs 1,421 billion compared to Rs 1,387 billion last year. KSE-100 index also improved from 40,735 points to 43,755 points at the end of the year.

PSX registered a market capitalization of Rs 8,035 billion with an increase of 3% over 2019, whereas the Company's market capitalization stood at Rs 138 billion, depicting an increase of 7% as compared to last year.

Trading at an average of Rs 105.47 per share, market price experienced major fluctuations between the highest of Rs 114.54 per share to the lowest of Rs 82.71 per share. Evidencing the blue chip standing of our scrip, trading in FFC's equity during the year also improved to 273 million shares, a substantial hike of 32% as compared to last year.

Market Capitalization, Price Earning ratio & Dividend Yield





Sensitivity Analysis

Market Price Sensitivity Analysis

FFC's share price is affected by various internal and external factors. The Company's financial and operational performance directly impact its share price. Certain external factors that impact the share price include economic and political environment of the Country, Governmental policies, stakeholders' sentiments and macro-economic indicators etc.

Urea Production and Cost of Sales

The Company's fertilizer production is directly impacted by the Government policy vis a vis gas availability. It is also influenced by planned and unplanned Plant shutdowns and maintenance turnarounds.

Sales Volume and Price

Sales volume is driven by various factors including plant production, fertilizer demand including farm economics, Government interventions including price regulation and import volumes, besides environmental conditions.

Sale prices are determined internally but impacted by competitor prices, market conditions, international trends and Government intervention including subsidies etc.

Dividend Income

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

Sensitivities	**NPAT** (Rs M)	**EPS** (Rs)
Selling Price (% +/- 1)	643	0.51
Sales Volume (% +/- 1)	380	0.30
Downtime (Days +/- 2)	145	0.11
Gas consumption / Price (% +/- 1)	143	0.11
Dividend Income (% +/- 5)	56	0.04
Income on Deposits (% +/- 5)	152	0.12
Finance Cost (% +/- 5)	62	0.05
Exchange valuation (% +/- 5)	80	0.06

FINANCIAL CAPITAL

Other Income

Other income mainly comprises of returns on deposit in different banks and financial institutions, and investment in Government securities and mutual funds. It is dependent on prevalent interest rates besides the Company's ability to generate and place excess funds.

Finance Cost

Finance cost is impacted by the Company's borrowings requirements, and although the management proficiently negotiates loans, the interest rates are subject to market and conditions that are beyond the Company's control.

Foreign Exchange Risk

The Company's financial assets and liabilities denominated in foreign currency and foreign business transactions are exposed to foreign exchange risk due to exchange rate volatility.

For the purpose of the sensitivity analysis, effect of a variation in a particular assumption on the profitability was calculated independently of any change in another assumption. Changes in one variable may contribute to a change in another variable, which may enhance or lessen the effect on the financial statements.

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

Prospects of the Entity

Minimal carryover inventory from 2019, reduction in Urea selling price at the beginning of the year, and a proactive approach towards managing the COVID-19 pandemic enabled the Company to surpass its major targets, despite the pandemic's onslaught.

Depleting gas reserves pose significant threat to the Company, therefore FFC is proactively evaluating and implementing various innovative technologies to sustain core operations and profitability.

During the year, FFCEL recorded net earnings of Rs 2.00 billion, an improvement of 14% over last year. The management expects consistent returns from the project in future. Despite business closure and other negative impacts of COVID-19, FFF demonstrated improvement in its financial performance through increase in sales revenue, effective curtailment of expenditure besides reduction in finance cost.

Financial Measures

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

The Company's cost of production is susceptible to external factors such as price of raw material, Government intervention over fertilizer pricing, currency fluctuation, changes in taxes and levies, in addition to changes in weather and natural calamities.

Thorough evaluation and effective implementation was carried out during the year in order for the Company to achieve its set goals and targets. This is evident from the exceptional production and sales levels achieved during the year.

Further, effective cost controls including tight monitoring of budgetary provisions, and efficient treasury management enabled the Company to earn a net profit of Rs 20.82 billion despite the pandemic.

Looking ahead, the ongoing pandemic is expected to result in continued economic slowdown. Governmental policies enabling a positive environment for the agriculture and fertilizer sector in the forthcoming times is crucial for the farming community, sustained food supply and economic stability of the Country.

Non-Financial Measures

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

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

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

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

Methods and Assumptions Used in Compiling the Indicators

Key performance indicators effectively reflect the Company's performance. The management regularly analyses these indicators to better gauge the Company's performance against predefined benchmarks. Some of the basic indicators of the Company's performance and profitability have been mentioned below:

Turnover represents the total amount of revenue generated by the business during the mentioned periods. It aids in tracking sales levels trends in order to spot meaningful changes in activity levels.

Investment income includes income on deposits and return earned on investments made by the Company. Whereas, **dividend income** is income earned on the Company's equity investments.

Import substitution represents the foreign currency savings due to indigenous production of fertilizer by the Company.

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

Earnings per share measures the net earnings of the Company against the total outstanding shares, whereas **dividend per share** represents dividend declared by the Company for every outstanding ordinary share.

Profitability ratios analyse the Company's financial health.

Changes in Financial and Non-Financial Indicators

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

Management's Responsibility Towards the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards and the requirements of Companies Act, 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.

Market Share Information

FFC markets an extended product slate entailing both domestically produced and imported fertilizers to fulfil diverse needs of farmers. Since last four decades, the Company has been outperforming its competitors both in terms of sales and brand preference. This is evident from combined FFC / FFBL's sizeable market share over the years:

Statement of Unreserved Compliance of IFRS Issued by IASB

The Company's Financial Statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan, which comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017
- Provisions and directives issued under the Companies Act, 2017

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

Note 3.27 of the financial statements specifies the standards and interpretations which are yet to be effective in Pakistan. The Company believes that the impact of these standards and interpretations does not have any material impact on the financial statements.

Combined Market Share FFC / FFBL

	2020	2019	2018	2017	2016	2015
Urea	51%	48%	53%	52%	52%	48%
DAP	51%	46%	52%	56%	44%	50%

(Source: NFDC)

Key Performance Indicators

Turnover
(Rs million)

Rs 97,655 m

Why is this a KPI?

Turnover refers to the complete amount of products that have been sold, and their combined value. This gives a view into the progress of sales and the total value of inventory sold by the Company during the year.

2020 Performance

Reduction in prices of urea fertilizer led to turnover of Rs 97.66 billion, 8% lower than last year.

Investment Income
(Rs million)

Rs 5,054 m

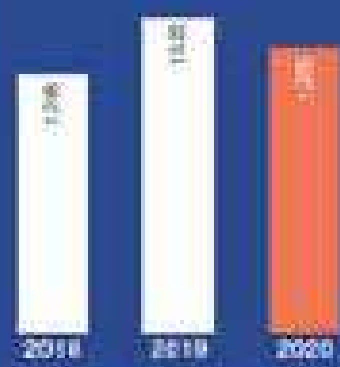
Why is this a KPI?

The Company derives investment income from deposit in different banks and financial institutions, investment in Government securities and mutual funds It is dependant on prevalent interest rates and effective fund utilization.

2020 Performance

Investment income of Rs 5.05 billion was 11% below last year due to prevailing low rates of return.

Dividend Income
(Rs million)



Rs 1,375 m

Why is this a KPI?

Dividend income is derived from a diversified investment portfolio which includes banking, cement, energy and food sectors.

2020 Performance

Lower payout by subsidiary / associated companies resulted in dividend income of Rs 1.38 billion.

Import Substitution
(USD million)

USD 621 m

Why is this a KPI?

Import subtitution gives a view of the value addition created in terms of foreign exchange savings for the Country through domestic production of urea fertilizer.

2020 Performance

Contribution to National Exchequer through import substitution clocked in at USD 621 million in 2020.

Market Price per Share
(Rs)

Rs 108.50

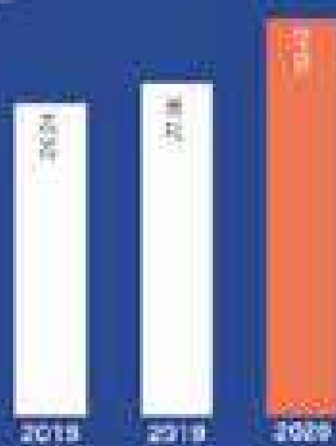
Why is this a KPI?

The market price of Comapany's share on the Pakistan Stock Exchange as at December 31, 2020.

2020 Performance

The Company's performance and overall upward trend in the market resulted in a higher close-out price of Rs 108.50.

Break-up Value
(Rs)



Rs 33.43

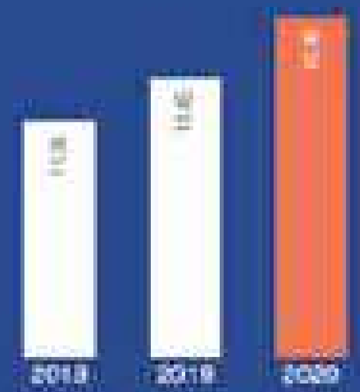
Why is this a KPI?

The value per share based only on the value of Company's assets.

2020 Performance

The Breakup value per share was recorded at Rs 33.43, 20% higher than last year.

Earnings per Share
(Rs)



Rs 16.36

Why is this a KPI?

Earnings per share (EPS) measures the portion of the Company's profit allocated to each outstanding share.

2020 Performance

The Company recorded earnings per share of Rs 16.36 during 2020 compared to Rs 13.45 last year.

Dividend per Share
(Rs)

Rs 11.20

Why is this a KPI?

Dividend per share (DPS) is the sum of dividends, including both interm and final, declared by the Company for every outstanding share.

2020 Performance

DPS rose to Rs 11.20 per shares owing to better profitability recorded during the year.

GP Margin
(%)

32.34%

Why is this a KPI?

GP Margin compares the gross margin of a company to its revenue. GP Margin shows how much profit the Company is making after paying off cost of sales.

2020 Performance

Gross profit margin stood at 32.34% despite rising inflation, due to reductions in GIDC rates and efficient cost controls.

NP Margin
(%)

21.32%

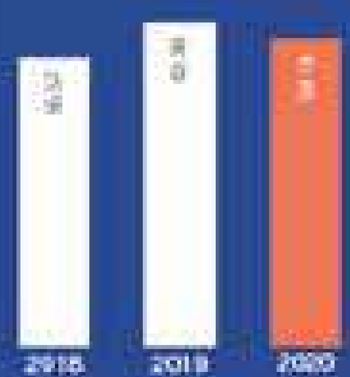
Why is this a KPI?

NP Margin is used to calculate the percentage of profit a company produces from its total revenue. It measures the amount of net profit the company obtained per rupee of revenue earned.

2020 Performance

The Company was able to continue with the improving trend in net profit margin to 21.32%.

Return on Capital Employed
(%)



59.19%

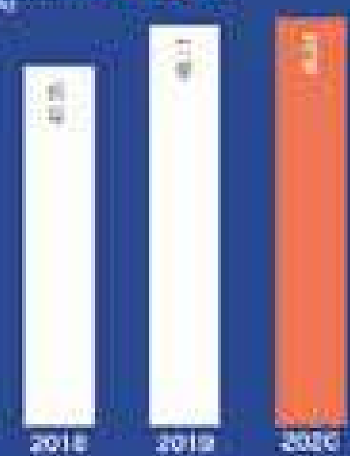
Why is this a KPI?

Returned on Capital Employed provides a measure of the efficient and effective use of capital in operations of the Company.

2020 Performance

Despite higher profits during the year, higher capital employed led to ROCE of 59.19% compared to 62.34% last year.

Return on Equity
(%)



48.94%

Why is this a KPI?

Return on Equity is a measure of the Company's annual return (profit after tax) divided by the value of its total shareholders' equity, expressed as a percentage.

2020 Performance

At 48.94%, ROE for the year remined in line with last year.

FINANCIAL CAPITAL

Business Rationale of Major Capital Expenditure and Projects

FFC, being a market leader in the fertilizer industry, gives due credence to the importance of maintaining existing equipment and property and at the same time having enough capital to invest in growth through diversification. All types of capital expenditure requirements go through in-depth evaluation procedures by committees of the Board before final approval of the Board.

During the year, capital expenditure was directed towards Balancing Modernization and Replacement (BMR) of urea plants whilst also focusing on the safety, sustainability, and efficiency of the production of premium quality fertilizer. In this respect, thorough financial evaluation procedures include payback period, NPV / IRR, cash flow requirements, and other financial analysis techniques are carried out.

Investment in Thar Energy Limited (TEL), a collaboration between FFC, Hub Power Company Limited, and China Machinery and Engineering Corporation stands at Rs 3.21 billion. This investment is aimed towards not only contributing to the national energy requirements but also to sustain shareholder returns through diversification.

Additionally, the Company also injected further equity of Rs 1.50 billion in FFF, which was financed partly by injection of cash and the remainder through conversion of the loan extended to FFF into equity, whereas advance amounting Rs 2.50 billion against right share issue of FFBL was also made during the year.

Contribution to National Exchequer

During the year, the Company's contribution to national exchequer comprising of taxes, levies and accrued GIDC was Rs 27 billion, against Rs 42 billion last year. The decline is primarily owing to substantial reduction in GIDC rates at the start of outgoing year. Moreover, value addition in terms of foreign exchange savings was USD 621 million through import substitution of 2,512 thousand tonnes Sona urea sold in 2020.

Dividend Declaration and Future Prospects

In view of encouraging results despite unprecedented conditions, the Board has recommended final dividend of Rs 3.40 per share in addition to interim distributions of Rs 7.80 per share, aggregating to an annual profit payout of 112%.

Going forward, the Board remains focused towards offering steady and sustained returns to the shareholders through continued cost controls, efficiency enhancement and diversified business ventures of the Company.

GIDC Status

Following the decision on GIDC by the Supreme Court of Pakistan (SCP), the Company, along with other industries, filed a review petition before SCP on the grounds that a factual determination may be carried out to determine how much of the GIDC burden has actually been passed on, amongst other grounds. The review petition was dismissed, however the outstanding GIDC liability, which was to be paid in 24 equal monthly instalments, was enhanced to 48.

The Company, along with other industry members, also filed a Suit with the Sindh High Court (SHC) against collection of GIDC instalments, before a factual determination of GIDC pass-on is carried out, and SHC has granted a stay against such recovery.

Credit Rating

FFC maintained its credit rating with long term rating of AA+ and short term rating of A1+, indicating high creditworthiness and the Company's ability to settle its financial commitments in a timely manner.

CEO Presentation Video

Video presentation by the Chief Executive & Managing Director, explaining the business overview, performance, strategy and outlook of the Company, is available on FFC's Corporate Website and can be accessed through the following web link:

https://www.ffc.com.pk/#CEMD

Auditor's Report on the Financial Statements

The Company's Independent External Auditors, A. F. Ferguson & Co., have audited FFC's Separate and Consolidated Financial Statements and issued unqualified audit opinion stating that the financial statements give a true and fair view of the state of affairs as at December 31, 2020.

The auditors will retire on the conclusion of the upcoming Annual General Meeting of the Company, and being eligible, have offered themselves for reappointment for the year ending December 31, 2021. The Board of Directors has recommended the reappointment of A. F. Ferguson & Co., Chartered Accountants as External Auditors of the Company for the upcoming financial year, on remuneration of Rs 2.625 million.

Independent Auditors' Reports on the Audit of FFC's Separate and Consolidated Financial Statements can be referred on pages 227 and 329 of the Annual Report respectively.

Cost Audit

The Securities and Exchange Commission of Pakistan (SECP) has recently promulgated the Companies (Maintenance and Audit of Cost Accounts) Regulations 2020, effective for financial year 2021 onwards. In this regard, the Company is required to appoint a "Cost Auditor' to conduct audit of 'Cost Accounting Records' of the Company on annual basis. The 'Cost Auditor' is required to be a firm other than the statutory auditors, holding satisfactory Quality Control Rating of the Institute of Chartered Accountants of Pakistan.

BDO Ebrahim & Co, Chartered Accountants have been appointed as Cost Auditors of the Company by the Board of Directors, for the financial year ending December 31, 2021, in compliance with the criteria specified by the SECP.

CORPORATE AWARDS

PSX Top 25 Companies

Pakistan Stock Exchange acknowledged outstanding performance of FFC by adjudging it the winner of PSX Top 25 Companies' Award for the [illegible] consecutive year since [illegible]. This was also the Company's [illegible] occurrence placement in the Top Companies list.

ICAP / ICMAP Best Corporate Report Award

FFC's Annual Report [illegible] secured its [illegible] overall top position besides being awarded the first place in the Chemical and Fertilizer Sector for the [illegible] time in the Best Corporate Report Awards competition conducted by the joint committee of ICAP and ICMAP.

SAFA Awards

The Annual Report for [illegible] was also adjudged the Winner in the Manufacturing Sector in the Best Presented Annual Report competition held by the South Asian Federation of Accountants (SAFA), in addition to being awarded Certificates of Merit for "Corporate Governance Disclosures" and "Integrated Reporting".

Sustainability Report Award

The Company's Sustainability Report for the year [illegible] has also been awarded the first prize in the Sustainability Report Category by the joint committee of ICAP / ICMAP for the [illegible] time. This signifies FFC's commitment towards sustainability, transparency and signifies its progressive social & environmental footprint.

Management Association of Pakistan

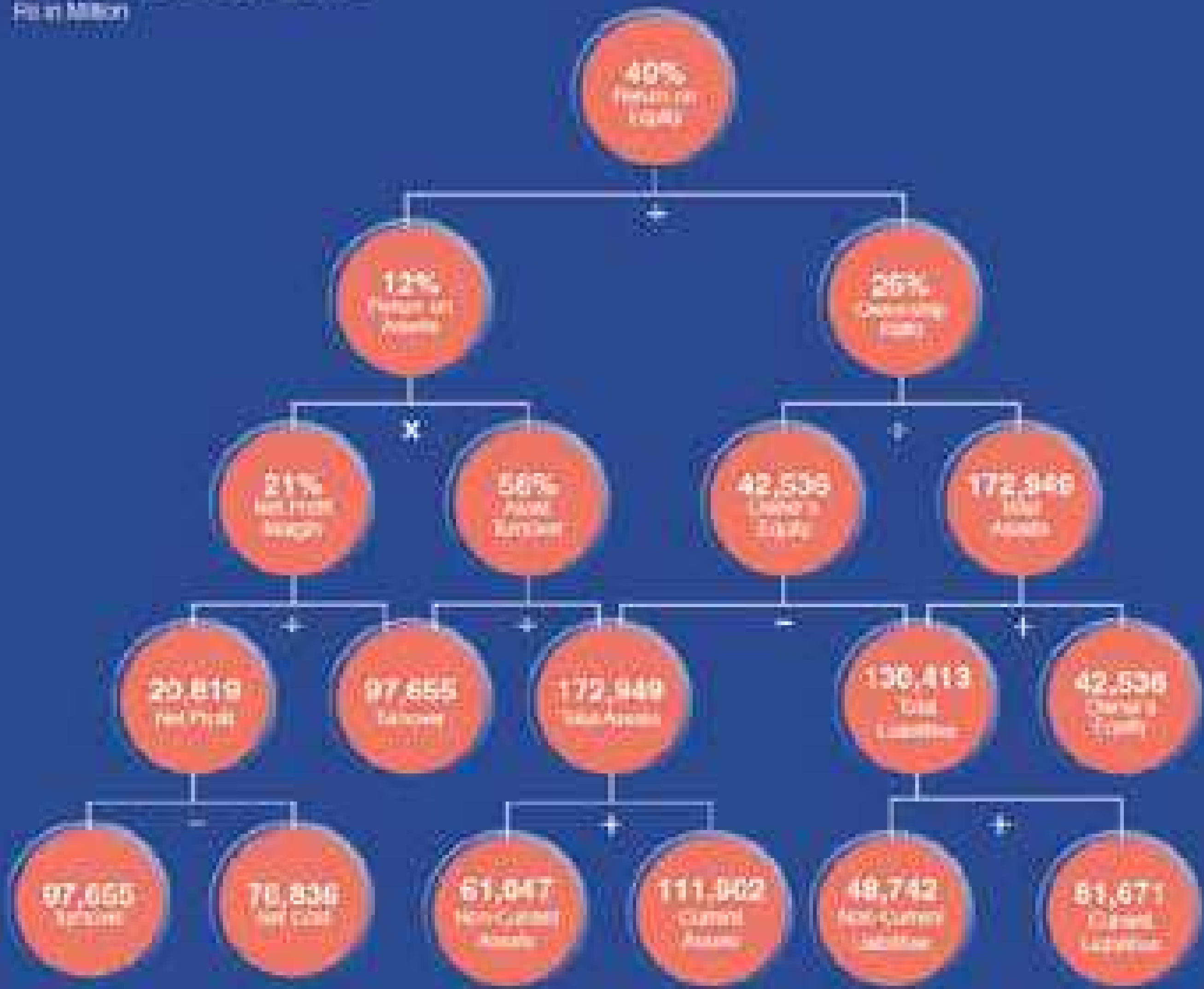
In recognition of exemplary management standards, the Company was conferred the Management Excellence Award by the Management Association of Pakistan (MAP) for the [illegible] consecutive year.

IFA Industry Stewardship Champions

In appreciation of FFC's commitment to Safety, Health and Environment, the Company has been declared as Industry Stewardship Champion by the International Fertilizer Association (IFA) for the [illegible] consecutive year.

DUPONT ANALYSIS

Rs in Million



DuPont Analysis	2020	2019
Tax burden	[illegible]	27.97%
Interest burden	[illegible]	3.14%
EBIT margin	[illegible]	24.90%
Asset turnover	[illegible]	60.56%
Leverage	[illegible]	25.81%
Return on Equity	[illegible]	48.11%

Analysis

Non-current assets increased by 9% due to increase in long term investments at the close of the year, increasing the total assets to Rs 172.95 billion and owners' equity to Rs 42.54 billion. Consequently, ownership ratio was recorded at 25%, compared to 29% of last year.

Turnover amounting Rs 97.66 billion for the year reduced by 8% compare to last year. However, recognition of temporary income on remeasurement of GIDC payable, in addition to significant cost control due to optimum inventory management, sustained returns owing to improved liquidity position and effective treasury management resulted in net profitability margin of 21%, slightly increasing return on asset to 12% from 11% in 2019.

The Company thus recorded return on equity of 49% compared to 48% in 2019.

RISK AND OPPORTUNITY REPORT

Risk Management Policy

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

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

Assessment of Principal Risks

The Board of Directors has conducted a critical analysis of all risks that could threaten the business model, future performance, solvency or liquidity of the Company. The responsibility for monitoring and control of these risks has been delegated to the management of the Company.

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

Key Sources of Uncertainty

In preparing the Company's financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies have been disclosed in Note 2.4 to both separate and consolidated financial statements of the Company.

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

Strategic, Commercial, Operational and Financial Risk

FFC has proactively integrated risk management in its culture and placed effective systems for timely identification, assessment and mitigation of various risks it is exposed to in the normal course of business.

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

Strategic Risk

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

Commercial Risk

These risks are associated with the commercial substance of an organization. Reduction in an entity's market share, product price regulation or other regulatory amendments posing threat to the organization's profitability and commercial viability are a few examples of these risks affecting the Company.

Operational Risk

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

Financial Risk

Financial risks are divided in the following categories:

- Credit risk
- Liquidity risk
- Market risk

These risks are explained in note 39.3 of the Company's separate and consolidated financial statements.

Plans and Strategies for Mitigating these Risks and Potential Opportunities

Risk Governance

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

Board and Committees

The Audit Committee monitors the Company's overall risk management process on half yearly basis, focusing primarily on financial and regulatory compliance risks. Though, any unexpected adverse change in risks is immediately brought to the attention of the stakeholders

The Human Resources & Remuneration Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk, in addition to succession planning with a view to ensure availability of competent human resources in each area of critical Company operations

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

The Investment Committee focuses on exploring new opportunities for expansion and diversification ensuring that thorough due diligence is carried out covering all aspects of the project including risks before according its recommendation to the Board

Policies and Procedures

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

Control Activities

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

Performance Management

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

Internal Audit

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

KEY RISKS AND OPPORTUNITIES

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

Rating	Type	Nature
Source	Likelihood	Magnitude

Associated objective: Sustained growth in fertilizer business

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

Mitigation Measures:
Maintaining margins through stringent cost controls and output optimization, besides exploring alternative sources of raw materials. Engage with the Government to protect the indigenous industry.

Inconsistent Government Policies / Regulations negatively affecting Fertilizer Industry	Capital

Rating	Type	Nature
Source	Likelihood	Magnitude

Associated objective: Sustained growth in fertilizer business

Opportunities: Maintain market share and augment presence

Mitigation Measures:
FFC regularly monitors the market and follows the market prices trying its best to avoid any unnecessary price hikes. Government intervention is beyond Company control, nevertheless, the Company engages with Government and other stakeholders to address all issues impacting the industry and ultimately the farmers.

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

Rating	Type	Nature
Source	Likelihood	Magnitude

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions

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

Associated objective: Sustained growth in fertilizer business

Opportunities: Implementation of energy efficient technologies to conserve gas

Mitigation Measures:
Investing in alternate sources of raw material and power in addition to diversification in other businesses. Continual investment in gas compression facilities to ensure sustained pressure.

Natural Gas disruption / depletion

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Sustained growth in fertilizer business

Mitigation Measures:
Robust inventory management system aided by a diversified vendor pool.

Disruption of product supply chain

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Improved operational efficiency through cost rationalization and enhanced synergies among functions

Opportunities: Export / foreign currency swaps / hedging arrangements

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

Fluctuations in foreign currency rates

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

For Legend, please refer Page No. 90

KEY RISKS AND OPPORTUNITIES

Information Technology Risks

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions

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

Product pricing competition

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Sustained growth in fertilizer business

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

Rise in KIBOR rates inflating the borrowing costs

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions

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

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

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

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

Associated objective: Sustained growth in fertilizer business

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

Mitigation Measures:
FFC combined with FFBL currently holds 47% urea market share and 51% DAP market share besides having a loyal customer base owing to its highly demanded/reputed brand name. Further, continuous efforts are made to sustain premium product quality. Effective research and development is conducted to keep abreast with changing market dynamics.

Unfavorable farm economics negatively affecting liquidity of customers

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

Associated objective: Sustained growth in fertilizer business

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

Untimely influx of urea imported by the Government

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

Associated objective: Sustained growth in fertilizer business

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

For Legend, please refer Page No. 82

KEY RISKS AND OPPORTUNITIES

Default by customers and financial institutions

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions.

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

Inadequate risk assessment and inefficient audit strategy

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions.

Mitigation Measures:
Audit plan prepared under the guidance of Board's Audit Committee, based on Cumulative Audit Knowledge and Experience.

Insufficient funds to pay liabilities due to liquidity problem

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions.

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

Associated objective: Diversify locally and globally through leveraging synergies and fostering strategic partnerships / strategic portfolio management to drive long term growth and exceed shareholders' expectations

Opportunities: Horizontal as well as vertical diversification

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

Investing in companies that yield insufficient returns, tying up shareholders' funds and impacting profitability		Capital
Rating	Type	Nature
Source	Likelihood	Magnitude

Associated objective: Maintain outstanding brand image by providing premium quality innovative products and services

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

Loss of stakeholder confidence in the 'Sona' brandname adversely impacting goodwill affecting operations		Capital
Rating	Type	Nature
Source	Likelihood	Magnitude

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions

Mitigation Measures:
FFC has established disaster recovery / business continuity plans that have been implemented at all locations and the staff is fully equipped to quickly recover from any natural disaster/pandemic. The Company also has insurance coverage to safeguard against any monetary losses.

Natural disasters / Climatic uncertainties		Capital
Rating	Type	Nature
Source	Likelihood	Magnitude

For Legend, please refer Page No. 90

KEY RISKS AND OPPORTUNITIES

Non-compliance of laws and regulations

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Demonstrate sustainable social, environmental and corporate governance commitment.

Mitigation Measures:
Rigorous checks on latest updates in regulatory framework are carried out to prevent any breach of law. Trainings are conducted to keep employees abreast of all latest developments in laws and regulations. External experts are engaged for consultations.

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

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Sustained growth in fertilizer business.

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

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

Over-diversification leading to inadequate management expertise for managing investments

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Strategic portfolio management to drive long term growth and exceed shareholders' expectations.

Opportunities: Horizontal as well as vertical diversification.

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

Associated objective: Sustained growth in fertilizer business

Mitigation Measures:
The Company has adequate security arrangements / media presence to cope with any law and order / reputational risk. FFC has an efficient security arrangement and alert mechanism to secure its employees.

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions.

Mitigation Measures:
Implementation of strict and standardized operating procedures, employee trainings, operational discipline and regular safety audits, besides having an offsite backup of Company's record and systems. Company also has insurance coverage to safeguard against any relevant losses.

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions.

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

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

For Legend, please refer Page No. 92

KEY RISKS AND OPPORTUNITIES

Associated objective: Improve operational efficiency through cost economization and enhanced synergies among functions.

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

ڈائریکٹرز رپورٹ - مالیاتی سرمایہ

نمایاں خطرات اور مواقع

Process

Balancing Modernization

Replacement

ڈائریکٹرز رپورٹ - نمایاں [illegible]

نمایاں خطرات اور مواقع

[illegible]

سرمایہ

اہمیت | قسم | [illegible]

شدت | امکان | سبب

[illegible]

[illegible] Macro & Micro Nutrients [illegible]
[illegible] Farm Advisory Services [illegible]

[illegible] Plant Tissues [illegible] FACE [illegible]

[illegible]

سرمایہ

اہمیت | قسم | [illegible]

شدت | امکان | سبب

[illegible]

[illegible] Horizontal [illegible] Vertical [illegible]

[illegible]

سرمایہ

اہمیت | قسم | [illegible]

شدت | امکان | سبب

Horizontal Vertical

ڈائریکٹرز رپورٹ - مالیاتی سرمایہ

نمایاں خطرات اور مواقع

[illegible]

[illegible]		سرمایہ
درجہ بندی	اثر	اہمیت
سبب	امکان	شدت

[illegible]

[illegible] Audit Plan [illegible]

[illegible]		سرمایہ
درجہ بندی	اثر	اہمیت
سبب	امکان	شدت

[illegible]

[illegible] Credit Lines [illegible]

[illegible]		سرمایہ
درجہ بندی	اثر	اہمیت
سبب	امکان	شدت

Macro & Micro Nutrients

Fertilizer Review Committee

ڈائریکٹرز رپورٹ - مالیاتی سرمایہ

نمایاں خطرات اور مواقع

[illegible]

سرمایہ

اہمیت | قسم | حکمت عملی

شدت | امکان | سبب

[illegible]

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سرمایہ

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شدت | امکان | سبب

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KIBOR [illegible]

سرمایہ

اہمیت | قسم | حکمت عملی

شدت | امکان | سبب

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ڈائریکٹرز رپورٹ - مالیاتی سرمایہ

نمایاں خطرات اور مواقع

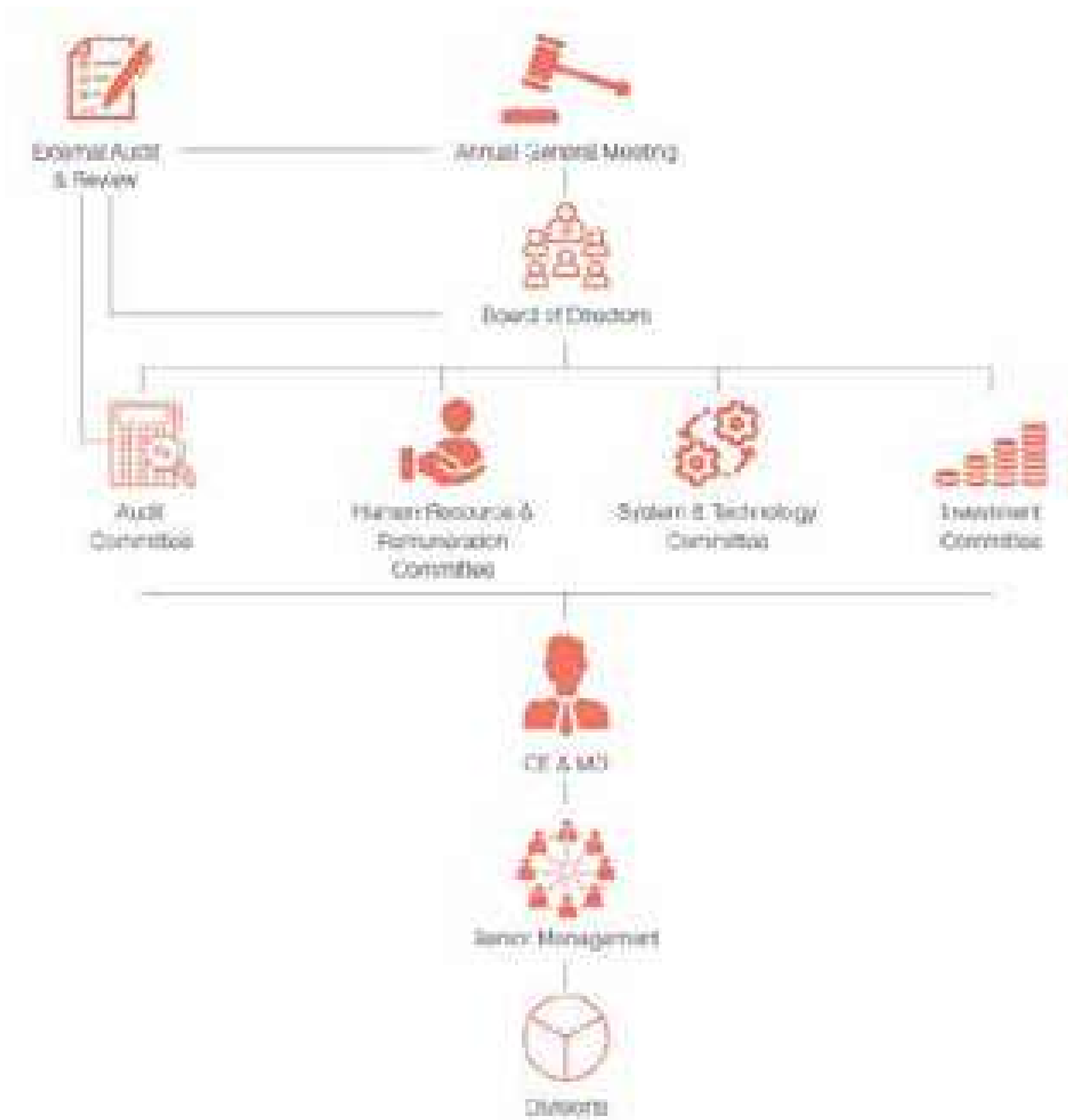
CORPORATE GOVERNANCE

FFC believes that good corporate governance is an essential foundation for long term sustainable corporate success and enhances the stakeholders' confidence. We have designed our corporate governance structure to ensure maximum compliance with legal and regulatory framework and meeting the information needs of our stakeholders.

The corporate governance framework applied by FFC are based on Pakistani law, in particular Companies Act 2017, Code of Corporate Governance and other statutory, regulatory and compliance requirements that are applicable to companies listed on the Pakistan Stock Exchange.

To ensure the compliance with all relevant laws and regulations, the Company has in place a code of conduct, whistle blowing policy and code of business ethics among others.

Corporate Governance Structure



Composition of the Board

The composition of the Company's Board of Directors is in line with the requirements governed by the Companies Act 2017, Code of Corporate Governance and other best practices adopted under the Articles of Association. It comprises of a skilfully diverse group of highly qualified professionals from disciplines of Finance, Engineering and Business Management, representative of Government and ex members of the Armed Forces.

The thirteen member Board effectively represents and safeguards the interest of all shareholders including minority shareholders. There are twelve non-executive directors and only one executive director, exceeding the legal requirement of two third representation by non-executive directors. The Company has three independent directors on its Board with two of them representing the minority interests. None of the Board members hold directorship of more than seven listed companies.

In line with the Board policy of diversity and gender mix, FFC continues to maintain female representation on the Board of Directors with one female member on the Board. Further, as required by the Code of Corporate Governance 2019, independent directors have provided their declaration of independence as per the criteria defined in the Companies Act 2017 to the Chairman of the Board.

Changes to the Board

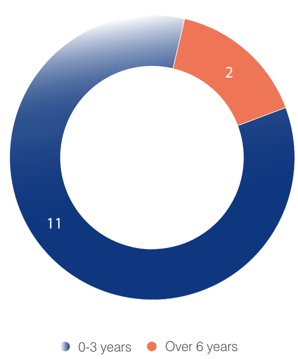
The term of current board members will stand completed in September 2021, when a fresh Board of Directors will be elected for a period of three years through an extra ordinary general meeting.

The Board would like to record its appreciation for the invaluable services rendered by the outgoing directors, Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired), Mr Per Kristian Bakkerud, Maj Gen Javaid Iqbal Nasar, HI(M) (Retired), Mr Rehan Laiq, Syed Iqtidar Saeed, Mr Farrukh Ahmad Hamidi, Mr Sher Alam Mahsud, Syed Muhammad Tariq Huda and Mr Imran Moid.

The Board also extends a warm welcome to Mr Waqar Ahmed Malik, Mr Qamar Haris Manzoor, Capt Saeed Ahmad Nawaz (Retired), Mr Peter Bruun Jensen, Mr Riaz Ahmed, Maj Gen Ahmad Mahmood Hayat, HI(M) (Retired) and Syed Bakhtiyar Kazmi as new fellow members.

We are confident that the team would continue to operate effectively towards the attainment of Company's objectives and enhancement of shareholders' wealth.

Directors' Tenure
(Number)



Meetings of the Board

As per regulatory requirements, the Board of Directors is legally bound to meet at least once in each quarter of the year. Additionally, special meetings to discuss important matters are also held on requirement basis.

During the year, FFC's Board of Directors held 6 meetings to discuss routine and special matters besides providing guidance to the management. In compliance with the applicable laws notices and agendas were circulated in advance. Despite the pandemic, the Company had implemented its Business Continuity Plans and remarkable arrangements were in place to ensure compliance with the minimum quorum requirement of attendance, as prescribed by the Companies Act 2017. The quorum was exceeded in all Board meetings held during the year through arrangements for virtual attendance of the meetings by directors. Chief Financial Officer and Company Secretary were also in attendance during these meetings.

All proceedings of the meetings were meticulously recorded by the Company Secretary, and timely circulated to all directors for endorsement and approved in subsequent Board meetings.

Roles and Responsibilities of the Board

FFC's Board of Directors is fully cognizant of its roles and responsibilities towards the Company's esteemed shareholders. Its primary aim is to enhance shareholders' value in a transparent and efficient manner. The Board exercises responsibilities conferred to it in the Company's governance framework which exceeds the requirements of the regulatory framework.

The Board exercises all its powers with responsibility, diligence, and in compliance with the legal framework after due deliberations. These include but are not limited to:

- appointment of key management positions;
- approval and periodic reviews of annual budget;
- monitoring and review of governance practices;

CORPORATE GOVERNANCE

Attendance at Board Meetings

DIRECTORS	Status	198th BODM 30th Jan	199th BODM 27th Apr	200th BODM 27th Jul	201st BODM 13th Oct	202nd BODM 28th Oct	203rd BODM 18th Dec
Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)	Non-Executive	√	N/A				
Mr Waqar Ahmed Malik	Non-Executive	N/A	√	√	X	√	√
Lt Gen Tariq Khan, HI(M) (Retired)	Executive	√	√	√	√	√	√
Dr Nadeem Inayat	Non-Executive	√	√	√	√	√	√
Mr Farhad Shaikh Mohammad	Independent	√		√		√	
Mr Per Kristian Bakkerud	Non-Executive	√			N/A		
Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)	Non-Executive	√		X	N/A		
Mr Saad Amanullah Khan	Independent	√					
Mr Rehan Laiq	Non-Executive	√		√	N/A		
Syed Iqtidar Saeed	Non-Executive	√	N/A				
Ms Maryam Aziz	Independent	√					
Mr Farrukh Ahmad Hamidi	Independent			N/A			
Maj Gen Naseer Ali Khan, HI(M) (Retired)	Non-Executive	√			√	√	
Mr Sher Alam Mahsud	Non-Executive	X		N/A			
Syed Muhammad Tariq Huda	Independent	N/A		X	N/A		
Mr Qamar Haris Manzoor	Non-Executive	N/A					
Capt Saeed Ahmad Nawaz (Retired)	Non-Executive	N/A			√	√	
Mr Peter Bruun Jensen	Non-Executive	N/A					
Dr Riaz Ahmed	Non-Executive	N/A			√		
Maj Gen Ahmad Mahmood Hayat, HI(M) (Retired)	Non-Executive	N/A			√	X	
Mr Imran Moid	Non-Executive	N/A			√	√	N/A
Syed Bakhtiyar Kazmi	Non-Executive	N/A					

Casual Vacancies Filled During the Year

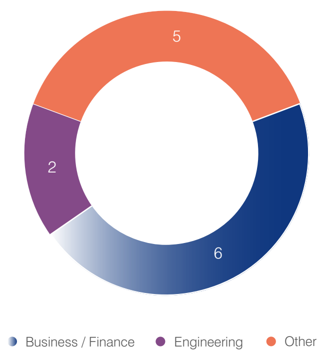
APPOINTED	DATE	RESIGNED	DATE
Mr Waqar Ahmed Malik	Apr 9, 2020	Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retired)	Mar 20, 2020
Syed Muhammad Tariq Huda	May 15, 2020	Mr Farrukh Ahmad Hamidi	May 15, 2020
Mr Qamar Haris Manzoor	Jun 3, 2020	Syed Iqtidar Saeed	Apr 23, 2020
Capt Saeed Ahmad Nawaz (Retired)	Aug 17, 2020	Mr Sher Alam Mahsud	Aug 1, 2020
Mr Peter Bruun Jensen	Aug 20, 2020	Mr Per Kristian Bakkerud	Aug 1, 2020
Dr Riaz Ahmed	Aug 28, 2020	Syed Muhammad Tariq Huda	Aug 28, 2020
Maj Gen Ahmad Mahmood Hayat, HI(M) (Retired)	Sep 10, 2020	Maj Gen Javaid Iqbal Nasar, HI(M) (Retired)	Aug 15, 2020
Mr Imran Moid	Sep 10, 2020	Mr Rehan Laiq	Sep 7, 2020
Syed Bakhtiyar Kazmi	Nov 18, 2020	Mr Imran Moid	Nov 11, 2020

- investments in new ventures;
- establishment of effective risk management framework;
- establishment of internal controls framework;
- approval of related party transactions; and
- approval of the Company's Financial Statements including interim and final dividend and review of internal / external audit observations regarding the overall control environment

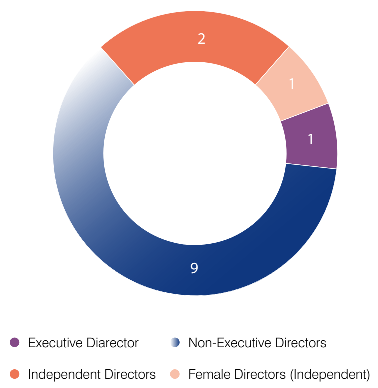
The Independent Internal Audit function continuously monitors formal policies and effectiveness of the internal controls framework designed by the Board. The Board has also tasked the Audit Committee to report compliance thereof at least once every quarter of the year.

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

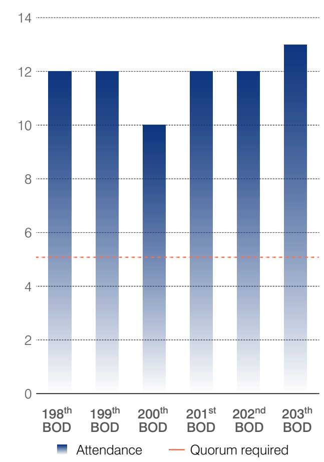
Directors' Qualification
(Number)



Composition of the Board
(Number)



Attendance at BOD Meetings
(Number)



Evaluation of the Board's Performance

Performance of the Board, its committees and its members is carried out through a two tiered approach:

Self Evaluation

Annual evaluation questionnaire, developed by the Pakistan Institute of Corporate Governance (PICG) in conformity with the Code of Corporate Governance and Global best practices, is circulated to the directors for performance evaluation.

Strict level of confidentiality is exercised by the Company Secretary upon receipt of completed questionnaires. These are then evaluated through a dedicated software designed to identify areas that require improvement and highlight differences of opinion.

External Evaluation

In order to bring objectivity to the process, third party assessments are separately carried out by PICG to evaluate the performance of the members, Board and its Committees.

Results from internal and external performance evaluations are then discussed in detail in the subsequent Board meeting to address the highlighted areas and improve the Board's performance.

Roles and Responsibilities of Chairman and CEO

To promote a culture of transparency and good governance, positions of the Chairman of the Board of Directors and the office of the Chief Executive Officer are held by separate incumbents with clear demarcation of roles and responsibilities.

Chairman represents the non-executive directors of the Board and is entrusted with the overall supervision and direction of the Board's proceedings, and has the power to set the agenda, give directions and sign the minutes of the Board meetings.

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

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

Significant Commitments of the Chairman

Mr Waqar Ahmed Malik, Chairman FFC Board of Directors, is the Managing Director of Fauji Foundation. In addition, he is the Chairman of the Boards of various Fauji Foundation Associated and Subsidiary Companies. A list of these companies is included in the Chairman's

CORPORATE GOVERNANCE

Profile in this Report. He is also Chairman of Pakistan Oxygen Limited (formally Linde Pakistan, a subsidiary of Linde AG) acquired by Adira Capital Holdings (Private) that he co-founded. Mr Waqar Ahmed Malik was elected Chairman of the Board in April 2020 and since then there has been no change in his significant commitments.

Formal Orientation at Induction

FFC conducts detailed orientation sessions for all new members at the time of their induction to the Board. These sessions apprise them on business operations, environment and long term strategy of the Company.

The formal orientation and familiarization sessions also acquaint the members with applicable laws and regulations, their duties and responsibilities to enable them to effectively govern the affairs of the Company for and on behalf of shareholders.

In order to enhance their managerial skills and to remain abreast with the practices and policies adopted by leading corporations across the Globe, members also attend various training courses.

Directors' Training Program

Board of Directors

In compliance with regulatory requirements, the Board members have been appropriately certified under the Directors' Training Program from SECP approved institutions.

However, due to changes in the Board composition, five members are yet to obtain the requisite certification. These directors are scheduled to acquire the certification within the current year as allowed by the Code, to ensure certification of the entire Board.

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

- Mr Waqar Ahmed Malik
- Lt Gen Tariq Khan, HI(M) (Retired)
- Dr Nadeem Inayat
- Mr Farhad Shaikh Mohammad
- Mr Saad Amanullah Khan
- Ms Maryam Aziz
- Maj Gen Naseer Ali Khan, HI(M) (Retired)
- Mr Qamar Haris Manzoor

Heads of Departments & Female Executives

Surpassing the requirement of the Code of Corporate Governance, various Heads of Departments have been attending the Directors' Training Programs since 2018. During the year, the following Heads of Departments were appropriately certified under the Directors' Training Program from SECP approved institutions:

- Brig Asrat Mahmood, SI(M) (Retired)
- Brig Talat Mehmood Janjua, SI(M) (Retired)

Due to the ongoing pandemic situation, no female executives were able to attend Directors' training. However, appropriate measures are in place to encourage their training in future.

Matters Delegated to the Management

The CE&MD is responsible for ensuring execution of the Company's routine business operations, in an efficient and ethical manner, in line with the Board's approved strategies and in compliance with legal requirements.

The management is responsible for the identification and administration of key risks and opportunities in the Company's ordinary course of business. It is also responsible to establish and maintain a system of internal controls, prepare / present financial statements in conformity with the approved accounting standards and the requirements of the Companies Act, 2017.

CEO's Performance Review by the Board

In line with applicable laws, the Company's CE&MD is appointed for a tenure of 3 years. His performance is reviewed on an annual basis as per assigned targets, which include roles and responsibilities under regulatory frameworks.

CE&MD's achievements during the year are evident from successful attainment of production, sales and profitability targets, while maintaining highest standards of employee health and safety, despite unprecedented adverse market conditions due to COVID-19. The Board is also satisfied with the progress of diversification projects and continuous evaluation of new investment opportunities.

Recognition of the Company's transparency and good governance at various National and International forums is also testament to the CE&MD's exceptional performance during the year.

Policy For Security Clearance of Foreign Directors

All directors of the Company holding foreign nationality are required to furnish a declaration that necessary documents have been submitted with the Company Registration Office (CRO), Islamabad and that in case their name is not cleared for security purposes by the Ministry of Interior, the Company shall facilitate arrangement of such clearance. However, if clearance is not arranged, then the Company shall take steps for replacement of such director as considered appropriate.

Chairman's Review on the Performance of the Board

Chairman's review of the Board's performance and its effectiveness in achieving the Company's objectives has been outlined in 'Chairman's Review' with detailed explanations covered in various sections throughout the Report.

Compliances with Best Corporate Practices

Report of the Audit Committee on adherence to the Code of Corporate Governance, Statement of Compliance with the Code of Corporate Governance by the Chairman and the Chief Executive & Managing Director and Auditors Report thereon form part of this Report and are stated on page numbers 219, 222 and 226.

Governance Practices Exceeding Legal Requirements

Our commitment towards adherence to highest moral and ethical standards is evident from voluntary adoption and implementation of governance practices exceeding legal requirements, some of which include:

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

Directors' Compliance Statement

The Board is pleased to state that:

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

Statement of Value of Investments in respect of employees' retirement plans has been disclosed in Note 11.2 to the Financial Statements.

Ethics and Compliance

The Company's comprehensive ethics and compliance framework ensures that high standards of ethical behaviour are embedded in all aspects of business conduct and decision making. Principles of the framework along with the Code of Conduct is disseminated to all employees besides being available on the Company's website.

The framework is regularly updated in line with changes in applicable laws and regulations. Grievances arising due to any unethical practices are promptly identified and redressed to mitigate occurrence in future. Further, an insider information register is also maintained and regularly updated as per the applicable regulatory requirements.

Board's Policy on Diversity

FFC is committed to free and equitable treatment of employees by embracing diversity in the form of age, gender,

CORPORATE GOVERNANCE

ethnicity, physical and mental ability, and other such characteristics that make our employees a unique blend of cultural diversity.

Our Human Capital strategy discourages any sort of discrimination at workplace and ensures equal opportunities for individuals based on merit. In order to encourage optimum performance, FFC also gives due importance to the special requirements of all employees with respect to healthcare and ancillary needs.

Related Parties

All transactions with related parties arising in the normal course of business are carried out on an unbiased, arm's length basis at normal commercial terms and conditions, under the Company's Related Party policy.

In compliance with the regulatory requirements, all related party transactions are placed before the Audit Committee for review and recommendation to the Board of Directors at the end of each quarter.

The same are then considered and approved by the Board keeping in view the Committee's recommendations. Any transactions where majority of the directors are interested, are referred to the shareholders in General Meeting for approval.

Details of all related party transactions including the name, basis of relationship, percentage holding, nature and amount have been appropriately disclosed in Note 40 of the Financial Statements.

Policy for Disclosure of Conflict of Interest

The Company's Code of Business Ethics obligates all directors to formally disclose any vested interests held by them in their individual capacity. The Company Secretary finalizes agenda points of Board meetings after obtaining information regarding vested interests and extent thereof.

No director of the Company takes part in the discussion or vote relating to contract or agreement where they are concerned or interested. Where majority of directors are interested, the matter is laid before the General meeting for approval.

Board Meetings Held Outside Pakistan

Despite provisions by SECP and Company's business requirements relating to prospective diversification in offshore projects, no Board meeting was held outside Pakistan during the year in view of effective cost control measures.

Directors' Remuneration

The Board has implemented a formal policy supported by transparent procedures for fixing directors' remuneration packages. No director is involved in the determination of their own remuneration package.

The remuneration levels are commensurate with the level of responsibility and expertise, to attract and retain experienced and well-qualified directors encouraging value creation for FFC; while ensuring that the compensation packages are not at a level that could be perceived to compromise the independence of non-executive directors.

Policy on Non-Executive and Independent Directors' Remuneration

As per the Company's Articles of Association, every non-executive director including independent directors is entitled to be paid remuneration for attending Board / Committee meetings. The director is also entitled to reimbursement of expenses incurred in consequence of his attendance at meetings. A director may also be paid such extra remuneration as the Board may determine, for any services that are outside the scope of their statutory duties.

Details of remuneration paid to executive and non-executive directors during the year are given in Note 36 of the attached financial statements.

Connection of External Search Consultancy for Selection of Independent Directors

The selection of independent directors as members of the Company's Board of Directors is carried out from a list maintained by the Pakistan Institute of Corporate Governance (PICG) under the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

PICG has no other connections with the Company, except for providing access to the database on independent directors besides directors' training and evaluation of Board and / or individual directors' performance.

Policy of Retention of Board fee by the Executive Director on other Companies

CE&MD is an executive director on FFC's Board and holds position as non-executive director on the Boards of various other companies. Fees paid by these companies are in line with their respective policies as approved by their Boards of Directors.

FFC does not have any policy that restricts an executive director from retaining meeting fee earned by them against services as non-executive director in other companies.

List of Companies in which the Executive Director is serving as Non-Executive Director

In addition to being the Chief Executive & Managing Director of FFC and its subsidiary companies, Lt Gen Tariq Khan, HI(M) (Retired) holds Non-Executive Directorship on the Board of the following companies:

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

Trading in Shares by Directors and Executives

The Company's executives traded a total of 125,700 FFC shares during the year. Besides this, no other trading was carried out by the sponsors, directors, executives, their spouses and minor children. Number of shares held at the year-end are summarized below:

Particulars	Numbers of Shares
Sponsors	564,204,254
Directors	2,008,600
Executives	489,213

Detailed 'Pattern of Shareholding' is disclosed on page 411 of the Report.

The threshold for identification of 'Executives' is determined by the Board in compliance with the Code, and reviewed annually. Pakistan Stock Exchange is regularly updated on trading of Company's shares by management employees.

Investors' Grievance Policy

FFC endeavors to protect and safeguard investors' rights and interests. Uniform level of information that is accurate and balanced for regular trading and investing is communicated through a quick and efficient mechanism. The Company is committed to ensure that notified grievances and queries are effectively addressed and resolved by the Corporate Affairs department.

The primary source of disclosure, promotion, lodging grievances and shareholder communications is Company Corporate Website (www.ffc.com.pk). The detailed policy (Investor's Communication / Relation & Grievance) is also available.

Policy of Safeguarding of Records

FFC has a documented Record Retention Policy which extends beyond the legal and regulatory requirements. The policy ensures preservation of all records having significant or permanent value in an efficient, secure and easy to retrieve manner.

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

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

CORPORATE GOVERNANCE

Whistle Blowing Policy

The Company's 'whistle blowing policy' encompasses the applicable regulatory requirements in addition to globally accepted best practices. It encourages all stakeholders to raise alerts in a transparent and efficient manner to maintain accountability and integrity in all areas of Company operations.

The policy also enables stakeholders to raise queries, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding. Mitigating protocols against abuse of the mechanism are also in place by defining consequences for the persons making false accusations resulting in unwarranted convictions.

Instances During the Year

During the year, there were no instances that qualified as material enough to be reported to the Audit Committee. All minor events requiring management's attention were duly addressed.

Quarterly and Annual Financial Statements

All statutory periodic financial statements of the Company and consolidated financial statements of the Group were duly endorsed by both CE&MD and CFO prior to circulating the same for consideration and approval of the Board of Directors. In compliance with the requirements of applicable regulatory framework, the annual and half yearly financial statements were also endorsed by the External Auditors prior to circulation.

These were then approved by the Board and circulated to shareholders within one month of the reporting date in case of quarterly financial statements and within the permitted limit of two months in case of half yearly financial statements.

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

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

Presence of the Chairman Audit Committee at the AGM

The Board is aware of the level of trust reposed in us by the Company's shareholders, and strive for a transparent relationship in all our dealings. In order to address any concerns and queries raised by the shareholders, Board members including the Chairperson Audit Committee, CE&MD and other senior management personnel were present at General Meetings held during the year.

Report of the Audit Committee

Report of the Audit Committee describes the work carried out by the Committee in discharging its responsibilities. The same can be referred on Page 219 of the Report.

STAKEHOLDERS' ENGAGEMENT

Analysts' Briefing

FFC conducted two analysts' briefings during the year, both of which were presented by the Company's CFO. The first briefing held in March 2020 covered the Company's operational and financial performance during 2019, whereas the second briefing conducted in October 2020 covered the performance during the nine months' period ended September 30, 2020. The briefings were keenly attended by PSX representatives as well as analysts from all over the Country.

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

Encouraging Minority Shareholders to Attend General Meetings

The notice of General Meetings is sent to all shareholders at least 21 days before the date fixed for meeting. It is published in leading newspapers (in both Urdu and English languages) having Country-wise circulation.

All shareholders irrespective of their shareholding can appoint proxy, participate through video conference (VC) and vote through e-voting. They can suggest, propose, comment, record their reservations during the meeting, and enjoy full rights to propose and second any agenda item presented.

They can demand the draft minutes of meeting within stipulated time post the event and are privileged to object on any intended major investments, planned acquisitions, mergers and takeovers or any other corporate / capital restructuring.

FFC values and honours the shareholders' inputs, records their concerns, prepositions, suggestions in minutes and keeps them abreast on the progress and subsequent actions.

Investor Relations Section on FFC Website

FFC's corporate website provides comprehensive information regarding the Company and its Group in addition to requirements of the applicable regulatory framework. The 'investor relations' section is regularly updated to provide all information pertaining to dividend history, financial highlights, financial results and other requisite information.

In compliance with the requirements of applicable regulatory framework and to better facilitate the stakeholders, the website is maintained in both English and Urdu languages. The Company's website may be accessed through the link www.ffc.com.pk

The online pdf version of the report will be considered the most current version and takes precedence over any previously printed version. The online PDF version can be accessed at http://www.ffc.com.pk/investors-relations/annual-reports/

Issues Raised at Last AGM

FFC held its 42nd AGM on March 16, 2020 and an EOGM on November 6, 2020. During these meetings, general queries and clarifications were sought by shareholders regarding the agenda points, which were resolved to their satisfaction. Apart from the said queries, no significant issue or concern was raised.

STAKEHOLDERS' ENGAGEMENT

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

	REGULATORS	ANALYSTS	EMPLOYEES	LOCAL COMMUNITY AND GENERAL PUBLIC
	FFC prides itself in being a responsible corporate citizen and abides by the laws and regulations of Pakistan. FFC consciously ensures that all the legal requirements of other countries are also fulfilled while conducting business outside Pakistan. FFC has paid a total of Rs 27 billion in taxes and duties this year and continues to be one of the highest tax payers of Pakistan.	In order to attract potential investors, FFC regularly engages with analysts on details of projects already disclosed to the regulators, with due regard to regulatory restrictions imposed on inside information and / or trading, to avoid any negative impact on the Company's reputation or share price. The Company held two Analysts' Briefings during the year and apprised the attendees on FFC's operational and financial performance.	FFC's commitment to its most valued resource, a dedicated and competent workforce, is at the core of its human resource strategy. FFC provides a nurturing and employee friendly environment while investing considerably in local and foreign employee trainings. Besides monetary compensations, FFC has also invested in health and fitness activities for its employees.	In addition to local communities near plant sites, FFC engages with general public at large through its CSR Department. This engagement helps to identify needed interventions in the field of education, health and general economic uplift of the society. The Company has also aligned its interventions with the UN's Sustainable Development Goals.
	Regular	Bi-Annually	Regular	Regular
	Meetings with officials, submissions of data for review and compliance	Analysts' Briefing	In-house newsletters, televised broadcasts, employee portals and electronic bulletin boards	Meetings and one-on-one engagements
	Laws and regulations, determination of prices and other factors controlled by the Government affect FFC and its performance.	Providing all the required information to analysts helps in clarifying any misconception / rumour in the market and creates a positive investor perception.	FFC's employees represent its biggest asset, implementing every strategic and operational decision and representing the Company in the industry and community.	The people of the Country provide the grounds for FFC to build its future on.

COVID-19 RESPONSE STRATEGY

As the world grapples with the extraordinary ramifications of the COVID-19 coronavirus pandemic, we are confronting a human emergency dissimilar to any we have ever encountered and our social fabric is under extreme pressure. The pandemic has posed a serious challenge around the globe, affecting humanity without distinction. Therefore, in these extremely trying and uncertain times, the positive impact created by FFC, is most critical.

FFC takes pride in placing its community, customers and Country at top priority and therefore strives to serve the same. Today, our purpose of contributing to a healthier future is more important than ever. We are working night and day to ensure that we continue to help in meeting the Country's nutritional needs.

Some of the efforts undertaken by the Company in this pursuit are summarized below:

Price Reduction to Support Farmers

In an effort to support the farming community and to further reduce farm input cost, FFC took the lead in reducing the per bag price of Sona Urea. Reduction in prices despite high cost of production reflects the Company's resolve to support the Country's agri. demand and ensure food security. FFC stands firm with the farmers in these hard times and promises to support them in building a prosperous future of Pakistan.

Establishment of Crisis Management Committee (CMC)

A central CMC has been established at the Corporate Office with separate CMCs for respective FFC locations. The committees hold regular periodic meetings and provide operating guidelines on different aspects of business including workplace management, operational & materials management, IT management, wellbeing of employees and families, community assistance etc.

A few of the measures taken by CMC are listed below:

Monitoring COVID-19 Statistics & SOP(s)

The committee is regularly reviewing FFC Head Office, Plantsites and Marketing offices' COVID-19 SOP(s) and statistics. Updated COVID-19 statistical reports are being circulated to the top management on regular basis.

Auditing of Administrative Policies

Regular in-house audits are being carried out for ensuring compliance of COVID-19 procedures. Observations and feedback is shared with the Heads of Departments for appropriate and timely action.



New Infrastructure & Protocol Updation for COVID-19 Prevention

Thermal Scanning Cameras

Temperature screening is a major recommendation of the FDA and CDC for preventing COVID-19 spread in offices. Thermal scanning cameras have been installed at office entrances for accurate data availability & redundancy.

HVAC Operations

HVAC operations were reviewed and practices were updated as per ASHRE recommendations on COVID-19 pandemic.

Changes in the Disinfectants

Different disinfectants were studied and the best available option (1% hydrogen peroxide) was selected for COVID-19 spread prevention inside office.

Regular Review

Regular review of OSHA, CDC and ASHRE recommendations are being ensured to keep FFC SOP(s) and practices up to date.

Workplace Management

HR Management and Contact Tracing

- Thorough contact tracing is carried out in case of suspected or confirmed COVID-19 cases
- Employee travel, both inland and foreign, is discouraged and 14 days quarantine period is mandatory for inevitable case scenario
- Day-care facilities have been discontinued and relevant female employees have been facilitated to work from home

Workforce Management

Manning levels at Corporate Head Office and Marketing offices have been reduced to a minimum with Enterprise Business Application provided over internet cloud to facilitate 'work from home'. Complete lockdown was enforced at both Plants at the onset of Pandemic. Outside movement from FFC premises was stopped for employees and their families, whereas entry of non-essential personnel was also banned to discourage any unnecessary interactions.

Social distancing protocols are being strictly adhered to throughout the Company to ensure minimum personal contact. All meetings are being carried out through video / tele conferencing. Regular disinfections are also carried out as per WHO guidelines. Adherence to SOPs by all departments is regularly monitored to ensure maximum compliance.

Operational Management

Manpower Management

For both Plantsites, two operational teams have been formulated with one working at minimum strength and the second working from home as back-up.

Materials Management

Since the Pandemic has effected supply chain throughout the world, the Company has maintained optimal

COVID-19 RESPONSE STRATEGY



inventory levels of critical spares, essential chemicals and consumables to ensure smooth operations.

External Workforce Management

The contractual workforce has been drastically curtailed and all essential contractual manpower has been accommodated within the township premises. Strict movement control and temperature testing is mandatory at all entry and exit points.

IT Management

Heightened Steps for Information Security

Use of information technology by a large segment of global population has enhanced threat to Information Security. The Company has effectively raised its guards to protect IT assets and infrastructure from all IT threats. Further, employees are also continuously educated through emails to improve their cyber security posture.

Collaboration Arrangements

Microsoft Teams has been deployed on all computing devices across the Company to facilitate collaboration amongst workforce. FFC workforce now hold their routine meetings on Video / Audio conference calls using MS Teams collaboration software.

Support and Assistance for IT Services

Secure remote access services through SSL VPN have been provided to System & Application administrators and Power Users. To guarantee continuous uptime of services, remote alerting systems have been configured for system and network administrators to manage alerts and incidents. End users are being provided IT support through remote applications and communication tools.

Wellbeing of Employees and Families

Risk Communication And Health Monitoring

Awareness campaigns regarding preventive controls, SOPs for case identification, isolation and treatment are regularly shared with employees and their families. In order to facilitate patients, all guest houses at Head Office and both Plantsites have been converted into dedicated quarantine facilities.

Online Teaching for Schools at Plantsites

To ensure uninterrupted education for students during the lockdown, the following facilities were provided to schools at Plantsites:

- Creation of MS Teams accounts for teachers and students
- Class-wise and subject-wise MS Teams channels
- Enhancement in internet bandwidth
- Arrangement of hotspot devices

Community Assistance

The following initiatives have been undertaken for community assistance:

- Assistance to the District Management by establishment and delivery of a 200-bed quarantine facility at the Sona Welfare Schools & Hospital Complex, Mirpur Mathelo
- Ration distribution to 4,200 families at areas in the vicinity of Goth Machhi, Mirpur Mathelo and AhmedPur Lamma
- Continuous liaison with the Government authorities to estimate the demand of fertilizer and to deal with the requirement and its sale

Initiatives by FFC's Subsidiary Companies

FFC Energy Limited

The outbreak of Pandemic seriously impacted a vast population of areas surrounding the FFCEL Plantsite, Jhimpir that belongs to poor labour class living on daily wages. FFCEL, as part of its CSR initiative and following footsteps of FFC, played its humble part in helping the nearby local community in this time of need by distributing ration bags.

Fauji Fresh n Freeze Limited

In an effort to reach those most in need, Fauji Fresh n Freeze Limited partnered up with two major food banks of Pakistan i.e. Robin Hood Army and Rizq and made a charitable donation of 54 tons of inventory stock valuing more than Rs 16 million and 200,000 meals. Both food banks worked with various NGOs and on-ground teams to distribute food in different communities, langarkhanas, orphanages and old-age homes, in an effort to feed as many needy people in as many different areas as possible.

MANUFACTURED CAPITAL

FFC recognizes that the strengthening of a unique technologically superior asset base promotes resilience and directly impacts the Company's ability to create value. The Company's Manufactured Capital comprises infrastructure at our plant-sites, Head Office and the extensive marketing and distribution network.

Operational Performance

Operating at a capacity utilization of 121%, the Company's manufacturing facilities managed to exceed its urea production target by achieving combined production of 2.49 million tonnes, enabling FFC to contribute 40% towards the Country's indigenous urea production despite challenging situation owing to the COVID-19 pandemic.

Demonstrating FFC's commitment to operational excellence, the three Plants continued to set new efficiency benchmarks throughout the year, breaking multiple production records.

In order to arrest the adverse impact of declining gas pressures, the Company has devised a long term sustainability plan which includes installation of gas compressors besides evaluating various alternate fuel options to ensure sustained operations.

Impact of COVID-19 Pandemic

In the prevalent Pandemic conditions, all Plant operations were managed successfully by employing special SOPs, extensive manpower screening and social distancing under the guidance of the Crises Management Committee.

Plant I & II – Goth Machhi

Operational performance of both the Plants at Goth Machhi remained excellent during 2020 and Sona urea production of 1,688 thousand tons was achieved at a combined operating efficiency of 127%. Both the Plants recorded 16.44 million man-hours of safe operation for its employees, signifying commitment to employees' safety.

Plant III – Mirpur Mathelo

Plant III continued its excellent performance producing 799 thousand tonnes of Sona urea during the year. 2020 marked another injury free year, as Mirpur Mathelo achieved milestone of 6.00 million man-hours of safe operations.

Major Projects at Plantsites

Plant Turnaround

Plant III underwent a major maintenance turnaround in November 2020, after three years of operations. FFC was able to complete the turnaround safely without any incident, keeping objective of 'No Injury, No Fire' intact. Major jobs executed during the turnaround are as follows:

- Replacement of ammonia converter cartridge and catalyst
- Replacement of process gas pre-heat coil
- Replacement of process air coil tube bends
- Major rehabilitation and relining of urea reactor
- Repair of urea stripper
- Replacement of carbamate condenser
- Replacement of High and Low Temperature Shift Converters catalyst
- Overhauling CO_2 gas compressor turbine and synthesis gas compressor turbine
- Replacement of primary reformer hairpin flanges
- Overhauling of primary reformer induced draft fan turbine
- Low pressure casing and gearbox overhauling of process air compressor
- Low pressure casing overhauling of ammonia compressor
- Replacement of super heater inlet tube bends of auxiliary boilers

Sustainability

A number of new projects are underway to sustain Company's profitability, improve its Plants' operational efficiency and maintain its position as the leading fertilizer manufacturer in the Country.

- Uprate of Natural Gas Booster Compressor
- Upgradation of desulphurization section at Plant II
- Installation of fluidized bed coater
- Rehabilitation of old wells at Ahmedpur Lamma

Reliability Improvement

To ensure reliability, the following initiatives are being undertaken:

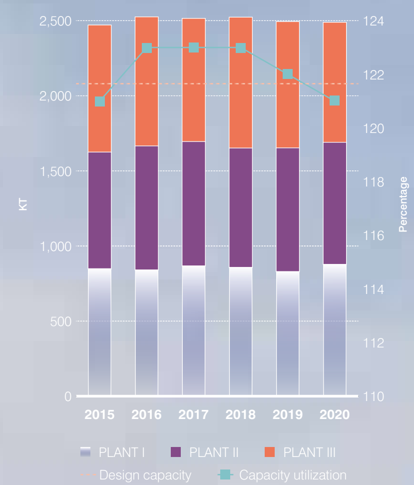
Plant I

- Replacement of Separator Overhead Absorber
- Installation / replacement of Lube Oil Cooler
- Installation of Final Gas Cooler
- Replacement of Tube Bundle of LP steam boiler

Plant II

- Replacement of Boiling Feed Water pre-heaters
- Replacement of Convection Section Module M5
- Replacement of MP decomposer
- Replacement of Solution Heat Exchanger

Plant wise Production



MANUFACTURED CAPITAL

Plant III

Replacement of Synthesis Gas Compressor's Final Gas Cooler

Energy Conservation

In continuous strive for energy conservation, the Company is carrying out the following activities:

- Installation of Ammonia Preheater at urea Plant I
- Use of process condensate in place of steam for controlling Air Preheat Coil's tube metal temperature at Plant II

Health, Safety & Environment

The Company's initiatives for improvement of health, safety and environment include the following:

- Replacement of Primary Reformer Burners at Plant II
- Installation of Dry De-dusting System at Plant III
- Commissioning of two Reverse Osmosis Unit for drinking water in Plant III township

Research and Development

FFC continued to invest in R&D to develop efficient and value-added fertilizers to cope with future challenges in a competitive market. After successful pot trials, field trials continued during the year to verify their efficacy.

Development and marketing of such products will not only help in improving crop yield but also enable the Company in meeting the following United Nations Sustainable Development Goals:

UNSDG 2 – end hunger, achieve food security, improved nutrition and promote sustainable agriculture

UNSDG 13 – take urgent action to combat climate change and its impacts

Technical Services

OLIVE Technical Services (Private) Limited, a new company, has been incorporated as a wholly owned subsidiary of FFC to provide technical services pertaining primarily to engineering and information technology. OLIVE is expected to take FFC's existing services portfolio to new heights.

Marketing Overview

The year 2020 by and large remained characterized with uncertainty and volatility for fertilizer markets both on international and domestic fronts, aggravated by current pandemic.

International Fertilizer Market

International fertilizer market remained characterized with uncertainty in most part of the year. Major events affecting demand and supply were ongoing geopolitical tensions turning into trade wars between major global economies, energy prices getting volatile even going negative for a brief period, effects of COVID-19 related lockdowns on production & supply chains and renewed realization among nations regarding food security. Grain demand and prices remained on the higher side, improving farm economics and contributing to increase in fertilizer demand in most of the consumption areas. Last quarter of the year witnessed more stability both in phosphatic and nitrogenous fertilizer prices.

Urea

International urea market remained volatile throughout 2020. Starting at USD 240 per tonne, the prices reached a minimum of USD 214 per tonne before recording highest level of USD 279 per tonne. The last quarter however mostly remained stable with urea prices recorded at USD 263 per tonne at the close of December 2020.

DAP

After a continuous decline of one and a half years, DAP prices in the global market were at minimum USD 303 per tonne at the start of year. The prices increased gradually in first two quarters reaching USD 324 per tonne at the half year mark. The third quarter then registered a steep increase as price indications reached USD 373 per tonne at the start of fourth quarter, which then remained mostly stable with some modest corrections closing 2020 at USD 376 per tonne.

Domestic Fertilizer Market

Domestic fertilizer market fluctuated during the year from bearish in the first half of the year to a bullish towards year end. The year was marked with unexpected phenomenon like GIDC settlement, announcement of subsidy and confusion over disbursement mechanism, dealers GST registration issue, changing Governmental regulations & undefined policies,

price fluctuations, devastating locust attack, climate change and variations in consumption pattern.

However, market stability was witnessed in later part of the year as factors of uncertainty subsided gradually and fertilizer offtake improved, helping industry to achieve sales at par with 2019.

Urea

In spite of low opening inventories, substantial urea stocks were carried forward by the channel on account of highest ever monthly industry sales recorded in December 2019 as dealers invested in anticipation of price hike.

During 2020, urea production was recorded at over 6.1 million tonnes as result of consistent supply of subsidized gas, from August to first week of December, to plants that were previously shut down. Consequently, the industry carried reasonable urea inventories of 285 thousand tonnes at the close of year.

On the demand front, 2020 proved to be a positive year for urea as offtake surpassed 6 million tonnes mark, in spite of high channel inventories at the beginning of the year. Consequent to downward price revision after GIDC adjustment by the Government of Pakistan, urea prices became much economical for the consumer, as a result of which industry sales volumes were 2% higher than last three years average sales and only 3% lower than 2019 sales.

DAP

After two consecutive long supply years, 2020 was comparatively a balanced supply year for DAP. FFBL, the sole DAP manufacturer recorded production of 740 thousand tonnes during 2020, covering 33% of total domestic demand.

On the back of high DAP opening inventories and unusual price movement, importers remained cautious with import line-up, keeping inventories at controlled levels. Therefore, industry DAP import volumes were 1,025 thousand tonnes against 1,200 thousand tonnes of 2019. While, DAP industry offtake clocked at 2,255 thousand tonnes, 11% higher than last year. Annual industry DAP closing inventory was therefore 40 thousand tonnes, 93% lower than 550 thousand tonnes recorded at the end of 2019.

Ascending price trend in international market and mirroring price movement in domestic fertilizer arena, contributed into firm DAP market in 2020. During first eight months of the year DAP prices were lower than corresponding prices in 2019. After August, a steep increase in prices was registered in accordance with increase in international market. Economical prices, improved farm economics and supply concerns helped in enhanced demand for DAP.

MANUFACTURED CAPITAL

FFC Marketing

Fertilizer industry experienced peculiar challenges throughout the year. Inventory levels were high, for DAP in companies' warehouses and for urea in channel storage, and prices were poised to decline at the commencement of year. Prices were settled in the first quarter however new challenges emerged in the shape of locust attack, COVID-19 related lockdown and premature announcement of subsidy by the Government without its implementation. In these circumstances FFC yet again proved its superior customer confidence and marketing excellence by remaining ahead of competition.

Urea

Huge urea inventories and subdued sales in first half of the year triggered panic among competitors who started extending discounts to push their product. Despite pressure to adopt similar tactic, FFC decided to provide support & confidence to the market by avoiding price-based competition; this posture helped bringing stability to urea market.

Urea Market Share

Registering an improvement of 3% over previous year, FFC urea sales during 2020 were 3,071 thousand tonnes including 559 thousand tonnes of Sona Granular produced by FFBL. FFC therefore captured combined FFC / FFBL urea market share of 51% compared to 48% last year, with a closing inventory share of less than 1%. (Source: NFDC)

DAP

FFC started off the year with highest ever DAP opening inventory of 271 thousand tonnes. During 2020, highest ever Sona DAP sales were achieved at 926 thousand tonnes whereas FFC DAP sales were recorded at 233 thousand tonnes.

DAP Market Share

Despite availability share of 50%, FFC achieved 51% combined FFC / FFBL DAP market share against 46% of 2019. Only a negligible inventory remained at the close of the year, constituting less than 1% of industry stocks. (Source: NFDC)

Effect of Seasonality on Business

FFC's business is subject to seasonal fluctuations due to the Country's two principal crop seasons, namely "Kharif" and "Rabi", which impact the fertilizer offtake throughout the Country. The Company manages seasonality through advance sales, proper inventory management and production / import planning, keeping our products available according to the customers' demand.

INTELLECTUAL CAPITAL

FFC strongly believes in allocating resources to develop and sustain Intellectual Capital as we believe that it contributes significantly towards enhancing operational efficiency and securing competitive advantage in the modern technological era.

Information System

Over the years, FFC has invested heavily in state of the art Information Technology infrastructure to enhance operational efficiency and enable effective and efficient decision making.

IT Governance Policy

Appreciating the relevance of IT governance in the overall corporate governance structure, FFC has in-place a well-conceived IT Governance Policy aligned with the Company's operational and strategic objectives delivering value to its shareholders. The policy is designed to provide the management with an efficient operating and decision making platform that helps in economizing operations, consequently adding value to all stakeholders.

In line with global best practices, the Company also complies with aspects of Information Technology Infrastructure Library (ITIL) / COBIT5 best practices.

FFC's IT Governance Policy encompasses:

- Engaging stakeholders to establish priorities for technology investment that are aligned with institutional goals and objectives
- Promoting governance, transparency, accountability and dialogue about technology that facilitates effective strategy adoption
- Securing the Company's data
- Keeping the IT function proactive from an innovation perspective, providing ideas to the business
- Influencing development and design of technology services, policies and solutions
- Maximizing return on technology investment with controlled spending, while providing FFC with a coherent and integrated IT architecture and management structure
- Ensuring compatibility, integration and avoidance of duplication of effort

INTELLECTUAL CAPITAL

- Improving user awareness on IT security to detect and prevent vulnerabilities

Review of Business Continuity Plan & Disaster Recovery Plan

The Board regularly monitors the Company's risks and their corresponding mitigating strategies. Business Continuity Plan including the Disaster Recovery Plan is reviewed periodically to minimize probability of operational disruption in case of any disaster.

Business Continuity Planning

Appreciating the significance of uninterrupted business operations for maintaining competitive advantage, FFC has implemented a well-defined Business Continuity Plan to ensure minimal disruption in case of any disaster / calamity or other adverse eventuality.

Stakeholders from critical functions throughout the Company have been involved in the system for identification and mitigation of critical activities and disruptions therein. Several mock exercises were conducted during the year to enhance readiness of employees to cope with any business continuance.

The Company has demonstrated efficiency and effectiveness of the Business Continuity Plan implemented by it during the pandemic through continuity of all business functions without any disruption, even for a single day.

Disaster Recovery Planning

As part of the Business Continuity Plan, an alternate Disaster Recovery site has been established to provide back-up servers and other necessary infrastructure. Policies and procedures have been designed to ensure uninterrupted movement of critical operations from primary site to the Disaster Recovery site and ensure recovery of data, communications and network operations in the event of an unexpected and unscheduled interruption.

VEEAM Backup & Replication Software

In order to further improve the Company's disaster recovery infrastructure, during the year, VEEAM back-up and replication software was:

- upgraded at the Head Office and Disaster Recovery site
- deployed at both Plantsites

This will improve data / applications availability, uptime through intelligent hardware optimization and provide enhanced support for Multi / Hybrid Cloud platforms. Data restoration tests were performed from data backups to ensure successful recoverability of IT services.

Deployment of Collaboration Tools During COVID-19

In order to facilitate employees to smoothly perform their tasks while working from home, following enterprise level collaboration tools were evaluated, deployed and monitored:

- Collaborative tools for Employees
- Collaborative tools for FFC Education Society schools
- Virtual Private Network (VPN) for IT Systems Administrators
- VPN for T&E Division's Engineering Software usage in WFH scenario
- File Server Integration with OneDrive for usage in WFH scenario
- Configuration of "Skype for Business" to integrate with IP Telephony for providing phone extension forwarding

All these tools were implemented with zero cost over existing infrastructure. In addition, webinars and training sessions for Information Systems and SAP ERP were successfully conducted online during the lockdown.

HUMAN CAPITAL

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

Adapting to the New Normal

The outbreak of coronavirus (COVID-19) pandemic had severely affected all economic activities around the globe including Pakistan during the year. All industrial operations within the Country were practically slowed down or halted. Though some long term HR projects aimed at improving HR operations and policies to enhance further efficiency were delayed, we regulated our HR operations efficiently through reduced manning levels at work premises to minimize unnecessary exposure while systems were put in place to facilitate employees to work from home.

Talent Management and Development

At FFC, we expect our leaders to serve as role models by developing and implementing business strategies in line with our corporate values. We expect them to have a positive impact on shaping day-to-day business, motivating employees and fostering their development. We proudly claim that despite the onslaught of pandemic, our leaders and their

HUMAN CAPITAL

teams made sustainable contributions to achieve FFC defined annual targets and goals. Every employee played their role effectively with highest commitment while team leads led from the front under this crisis situation to ensure timely management of all operational and administrative activities.

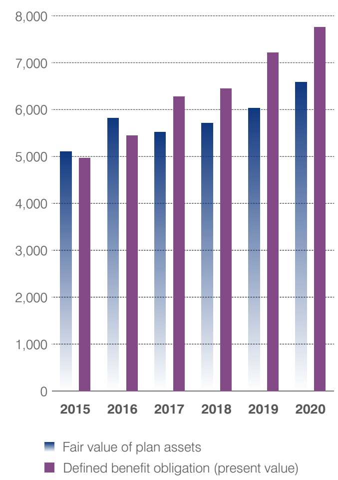
Training and Development

In order to groom our leaders and workforce to be able to sustain the business challenges, we offer them diverse learning and development opportunities during all stages of their career growth. Foreign trainings coupled with local customized trainings are conducted yearly to keep our workforce abreast with contemporary practices across the industry and emerging future trends. During the current year, we had to limit the foreign trainings due to pandemic restrictions, however, efforts were made to organize centralized local trainings at different locations. Some of the significant centralized trainings were planned on corporate / business strategy development, risk mitigation strategies and planning / processes for implementation of Sustainable Development Goals (SDGs).

Human Resource Management Policies

We continue to remain progressive and dynamic in our policies / practices to address Company's changing needs and remain aligned with contemporary market. The Human Resource Management policies focus on designing appropriate employee recruitment and development measures, which ensure availability of competent personnel for each function according to the emerging and ever changing needs and challenges faced by the Company.

Retirement Benefits - Assets & Liabilities
(Rs million)



During the year, we revisited our appraisal system to educate and guide supervisors on the methodology of objective report writing and improvement in its automated functionalities. Similarly, to bring more objectivity and transparency in our policies, Management Promotion Policy was revised with development of wholesome parameters to regulate growth of performing employees while working out solutions for employees having outlived their utility.

Balancing Personal and Professional Life

Our identity as an employer includes our belief in supporting our employees across all locations in balancing their personal and professional lives. We lay the foundation with a wide range of offerings to help our employees meet their individual needs and overcome challenges in different phases of life. We want to strengthen their identification with the Company and bolster our position as an attractive employer in the competition for qualified personnel. We extend wide range of facilities under one roof at almost all our locations especially Head Office and Plants. Our Plants look after their employees and their families with almost every facility ranging from catering, sports, housing, medical and schooling.

Employees' Engagement and Participation in FFC Success

At FFC, we understand that employee engagement and satisfaction is imperative for a motivated workforce capable of achieving Company's strategic objectives. We strive to attract committed and qualified workforce who delivers to the best of their potential and keep them motivated for their retention through attractive compensation package, development opportunities and a good working environment. By linking compensation to both Company and individual performance, employees can participate in the Company's success and be rewarded for their individual performance. Other than the routine compensation, Company offers very handsome post-retirement benefits to include pension, gratuity and comprehensive health coverage. We benchmark employee salary with the contemporary market on a regular basis through periodic surveys.

Needless to say that despite limitations of ongoing pandemic, our workforce handled major turnaround of Plant III within stipulated time while our sales force was also able to meet its targets.

Succession Planning

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

The Company also ensures that competent personnel are available in each department and ready to assume responsibility at higher positions through a comprehensive succession planning policy, in terms of pre-defined criteria including an individual's potential, qualification, period of service and professional attitude amongst other factors.

HEALTH AND SAFETY

Health and safety are among the Company's highest priorities. We strive to minimize the negative health impact at workplace, at our adjacent communities and in the supply chain.

Occupational Safety and Health

Protecting the safety, security and health of its employees is indispensable to FFC's business activities and the Company expends appropriate management resources to achieve a safe and pleasant working environment for all.

IFA Industry Stewardship Champion

International Fertilizer Association (IFA) has yet again recognized FFC as 'Industry Stewardship Champion' for the Company's achievements with respect to plant safety, production emissions and energy efficiency benchmarks.

IFA Protect And Sustain Certification

FFC has also achieved the IFA 'Protect and Sustain Product Stewardship Certification' demonstrating exemplary commitment towards management of safety, health and environmental issues related to our product's lifecycle by securing highest ever average score in Pakistan.

Membership Certificate of National Security Council, USA

FFC's Plant sites operate under strict health, safety and environmental controls with immaculate monitoring. The Company's HSE&Q department shared its statistics with National Safety Council (NSC), USA and received a Membership Certificate for the Year 2020-2021.

National Fire and Safety Awards

In recognition of its safety protocols and records, Plant site Goth Machhi has been awarded Fire Safety Award 2020 by the Fire Protection Association of Pakistan.

Safety Awareness Sessions for Students

Safety Awareness Training for more than 700 students of FFC Model School and FFC Grammar School was conducted during the year. This event encompassed various topics including COVID-19 precautions, fire safety, road safety, home safety and school safety.

Healthcare Initiatives

Details of healthcare initiatives in our adjacent communities are covered in 'social and relationship' capital.

SOCIAL AND RELATIONSHIP CAPITAL

FFC has always aspired to play a leading role in the agricultural development of Pakistan. We have also strived to maintain the highest level of social responsibility towards our stakeholders. This, in fact, is at the very core of our mission statement. All these years, we have been earnest in pursuing these objectives, through our farm advisory services, agricultural R&D initiatives, our widely available farm technical services, and various CSR initiatives for farmers.

Social and Environmental Responsibility Policy

FFC believes that the Company's success is best reflected in the development of our connected communities. We have consistently demonstrated steadfast commitment by acting responsibly towards the connected community and environment.

The Company is also a pioneer member of the UN Global Compact. Our Social and Environmental practices and interventions have been detailed with the following distinct features:

- Education
- Health
- Community development program
- Community welfare program
- Environmental conservation
- Patronage of sports
- Mass awareness program

Highlights of Corporate Social Responsibility

Eduction

FFC Education Support Program is planned and designed on the lines of Targets and Indicators of SDG–4, (Quality Education).

Remote Learning

Due to the ongoing wave of COVID–19, the Government closed all educational institutions as a precautionary measure adopted to control the spread of pandemic. Online education being the most suitable tool in the current circumstances, Sona Welfare School's training curriculums were redesigned and teaching faculties were equipped accordingly.

Besides, all adopted Government schools in Goth Machhi area were also supported by meeting their administrative and training needs to be in position to contribute positively towards the daily education and learning requirements of respective students.

Scholarship Program

Under its Scholarship program, FFC is looking after 157 students belonging to low land holding farmer community all over Pakistan. The Company has also granted many more need based scholarships to students from across the Country.

Health

FFC Health Program is designed to look after the marginalized and poor communities surrounding its Plant sites.

FFC Managed Hospitals

Hazrat Bilal Trust Hospital at Goth Machhi and Sona Welfare Hospital at Mirpur Mathelo are centers of excellence in this regard. Sona Welfare Hospital, a 60 bedded facility was converted into Quarantine Center and handed over to District Government Ghotki, which optimally assisted local government to ease pressure on the district administration resources.

Procurement of Dog Bite Vaccine

During the year dog bite cases surfaced as a big concern for the Government of Sindh. Neighbouring community of Plantsite Mirpur Mathelo was equally affected and the situation was aggravated due to the non-availability of vaccine. Major CSR initiatives of Plantsite Mirpur Mathelo were therefore re-aligned for the procurement of (dog bite) vaccine from National Institute of Health (NIH), thus helping in saving hundreds of lives.

Community Development Program

Collaboration with Akhuwat Islamic Microfinance

First Phase

FFC in collaboration with Akhuwat Islamic Microfinance has started a project in which underprivileged communities are being provided interest free small revolving loans for sustainable development of entrepreneurship. As of today 364 loans have been disbursed in Mirpur Mathelo and surrounding area. It's a matter of great pride and satisfaction that the system adopted is ensuring 99.97% return rate, with almost nil default ratio.

Second Phase

Second phase of this program is planned to be launched soon with complete focus on the development of surrounding villages into modern and developed towns by supporting, mobilizing and ensuring community participation. This target is set, planned and expected to be achieved by next coming 5-years. Meanwhile, efforts are in hand to introduce similar kind of program Plantsite Goth Machhi area for which budget has been approved.

Community Welfare Program

Ration Distribution

Besides affecting the National economy, the year 2020 also adversely effected lives of some of the most vulnerable communities across the Country i.e. labourers, waste pickers, single mothers, artisans etc.

A special program for assistance of affected communities was designed concentrating parameter laid down by SDG -1 (No Poverty), SDG - 2 (Zero Hunger), SDG -10 (Reduced Inequalities), in order to minimize the impact of the crisis on above mentioned segments of society.

Under this program ration and other utility items were distributed among the affected living around FFC Planstites. Hundreds of families were provided with ration material sufficient enough to sustain a family for a period of one month. Distribution of ration was carried out through strict adherence to SOPs including keeping social distancing and wearing appropriate protection gear as prescribed by World Health Organization (WHO).

Environmental Conservation

Being a responsible organization, FFC is undertaking different measures to mitigate environmental degradation not only astride its Plantsites but all over in Pakistan.

Tree Plantation Drives

During the year thousands of trees were planted in and around the Plantsite areas under three well planned tree plantation drives. This aspect is a continuous feature of our CSR Program and will contribute towards reducing environmental burden on our infrastructure and societies.

Patronage of Sports

Sport is also an important enabler of sustainable development. FFC recognizes the contribution of sports not only in promoting peace and tolerance but also in empowerment of women and young individuals, health, education and social inclusion objectives of SDGs. Accordingly, a hefty budget is allocated to support and encourage different sport activities especially around its Plantsites.

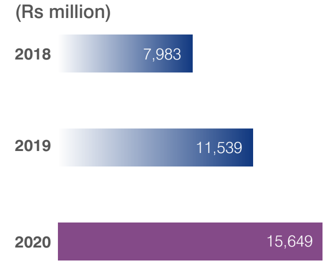
Mass Awareness Campaign

Social distancing, use of face masks and frequent hand sanitizing play a vital role in curtailing the further spread of disease.

During the year, a mass awareness campaign to provide hand sanitizers and face masks, and to educate the masses in ensuring COVID-19 preventive measures was designed and executed as part of SDG – 3 (Good Health & Well-bieng) and SDG – 17 (Partnerships for Goals).

Economic Value Added

(Rs million)



Rs 15,649 m

SOCIAL AND RELATIONSHIP CAPITAL

Highlights of Sustainability

FFC has been reporting on its contribution towards United Nations (UN) Sustainable Development Goals (SDGs) since their enactment and adoption by the company in 2015. In the recent past a clear priority has been worked out at National and Pakistan Stock Exchange (PSX) level whereby SDGs have been prioritized and selected keeping in view their importance and expected impacts at National and Industrial sectors.

PSX under the guidance of UNDP and Planning Commission of Pakistan has identified six SDGs for the industrial sector of Pakistan. As a first step companies are required to report on these SDGs to compete the PSX Top 25 Companies award. It will involve review of current policies, procedures against relevant SDGs to identify gaps followed by updation of policies and procedures in line with SDGs and make meaningful contributions.

Realizing the upcoming scenario, FFC being the leading corporate, conducted a four day in-house training exercise on Embedding SDGs involving representatives from throughout the entity with sole aim to prepare a core team who in future will be responsible to carry out review and updating of existing policies in the light of SDGs targets and indicators. By doing this, FFC will be the first company in Pakistan to have embedded SDGs in its policies. CSR department being the custodian of this aspect has already aligned its interventions with the targets / indicators of respective SDGs.

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

Certifications Acquired and International Standards Adopted

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

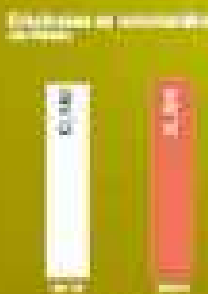
- Sustainability Accounting Standard Board (SASB) Chemical Industry Standard
- ISO certifications relating to Environment and health and safety (ISO 9001:2008 Quality Management System, ISO 140001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health & Safety Assessment Series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

STATEMENT OF VALUE ADDED

Wealth Generated

Revenue		Purchases		Wealth Generated
106,454 Rs million	–	45,938 Rs million	=	60,516 Rs million

Wealth Delivered



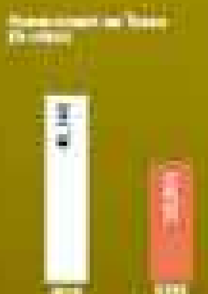
Rs 10,393 m 17.[illegible]%

23.5% Rs 14,240 m

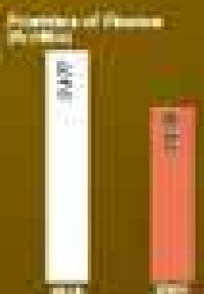
Wealth Delivered

60,516

Rs million



Rs 25,301 m 41.8%



3.1% Rs 1,874 m

Rs 1,817 m 3.0%

Rs 6,7[illegible] m

11.2%

0.3% Rs 1[illegible] m

FACE – FOOD SECURITY & AGRICULTURE CENTERS OF EXCELLENCE

As we turn the page and start a new decade, many new and more daunting challenges await us, climate change, fragile peace, and volatile economy just to name a few. Regardless of the efforts made by any single entity, a largely unprepared, and resource starved nation simply cannot weather this storm. Unless coordinated efforts are launched, the lives and livelihood of our farmers, and fellow Pakistanis could be at risk.

Our biggest challenge in this regard would be National Food Security. Ensuring that everyone, throughout the Country, has access to affordable food at all times is a much daunting task, particularly, in wake of our rapidly growing population, limited arable land/water resources, and a dire lack of modern technology and agricultural practices.

Recognizing the need, FFC has launched “Food Security and Agriculture Centre of Excellence (FACE)” designed as a one pit stop offering solutions for a wide array of farmers’ needs. FACE is geared to provide the following services to farmers:

1. Training and Capacity Building on efficient and climate smart agriculture practices
2. Introducing Technology Packs & Precision Farming
3. Providing Quality Seeds, Pesticides, Fertilizer etc.
4. Crop Planning with end-to-end solutions for maximizing yields and crop value
5. Promoting Entrepreneurship in Livestock Business
6. Low Cost Loans
7. Social Welfare & Women Empowerment Projects

The aim is to support small and medium scale farmer with latest technologies, improved agriculture value chain, and climate change. Another key area of operation is to support farmers on health issues through well-equipped dispensaries, and health and hygiene awareness campaigns.

Partnerships with different organizations have been established by FACE under the vision of

promoting the FACE as a central hub for activities for all likeminded stakeholders.

First FACE center was operationalized in South Punjab (Rahim Yar Khan) in June, 2019. In its short existence, the program has gained much recognition from various local and international agencies as well as the benefiting farmers themselves. So far, this FACE center has:

- Enrolled 750 local farmers with 10,000 acres land under FACE program
- Arranged 95 Training Sessions for capacity building of 3,500 farmers
- Setup of 13 model crop fields for Best Farming Practices. As much as 40% increase in crop yield is achieved already
- Acquired hexacopter (T-16) fleet of 13 multipurpose spraying and data analysis
- Registered 189 farmers (including 20% female farmers) for loans
- Health camps and free medicines for 1,000 patients
- Enrolment of 112 out of school children at FACE Non-Formal Schools
- Dry ration, food items and hygiene kits to 5,500 households during COVID-19 relief
- Tree Plantation drive amongst farmers in 10 districts

In future, FFC plans to further this initiative by launching more FACE centres, investing more resources, extending our outreach, and expanding the ambit of FACE services.

FORWARD LOOKING STATEMENT

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

In line with our commitment to deliver uninterrupted fertilizer supply at affordable rates to the farming community, during the year 2020 we achieved full year of continued plant operations despite the negative effects of COVID-19 pandemic.

The continuous efforts of the Company with the Government resulted in suspension of Gas Infrastructure Development Cess, the benefit of which was passed on to the farmers by the Company.

As envisioned last year, we have invested further in our gas compression infrastructure to counter declining gas pressures. We also went ahead with further equity investment in Fauji Fresh n Freeze Limited to support the working capital and other requirements of the project.

Subsidy receivable however remained outstanding whereas the GST refunds also continue to accumulate, negatively impacting the working capital of the Company.

FFC has also been recognized at various national and regional forums for adherence with best corporate governance, transparent accounting and financial reporting practices.

Source of Information and Assumptions Used for Projections / Forecasts

Strategies set by the Board, primarily define the course for operational and financial plans for the future which are based on prevalent conditions, historic trends, and prospective expectations. Incorporation of other factors relevant and appropriate along with any remedial actions further supports the set plans.

Key functions of the Company including Manufacturing & Operations, Marketing & Sales, Finance, Human Resource, Technology & Engineering, etc., generate required information which is collaborated with externally acquired information based on factors such as, macro and microeconomic indicators, market trends, International fertilizer price forecasts, data from Governmental agencies including regulatory / taxation authorities, seasonal variations, and competitors' actions.

Data acquired from the sources mentioned earlier is used for the preparation of meaningful and practical forecasts which are adopted as formal plans for the Company after the Board's approval. An extensive due diligence process, comprising of legal, financial and technical feasibility studies with the involvement of external experts, is carried out for any new ventures by the Company.

Future Outlook

The discharge of GIDC liability would significantly pressurize our cash flows over the next four years thereby impacting the investment income of the Company.

The Company is making efforts that factual determination of the GIDC be carried out, and in case of a favorable decision, the Company hopes for the reduction in overall GIDC liability.

Earnings of the Company for the next four years shall also be impacted by the reversal of the temporary accounting gain recorded on the outstanding GIDC liability during 2020.

In case of a successful acquisition of majority stake of wind energy projects (FWEL I & II) and timely completion of Thar Energy Limited project, Company's profitability is expected to be augmented by the dividend streams, which is expected from these profitable projects.

Response to Future Challenges and Uncertainties

We continue to explore opportunities for alternate sources of raw material for ensuring sustained operations.

The timing of settlement of subsidy receivables as well as outstanding GST refunds are also critical for the cash flows and the profitability.

FFC also remains exposed to the inadmissibility of business expenditure, which has a significant impact on Company's profitability. We are in liaison with Government for timely resolution of these matters.

The ongoing pandemic continues to pose threat to the overall economy as well as agricultural sector of the Country. Continued Governmental support is therefore crucial for sustenance of agricultural sector and food security in the Country.

Waqar Ahmed Mailk
Chairman

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

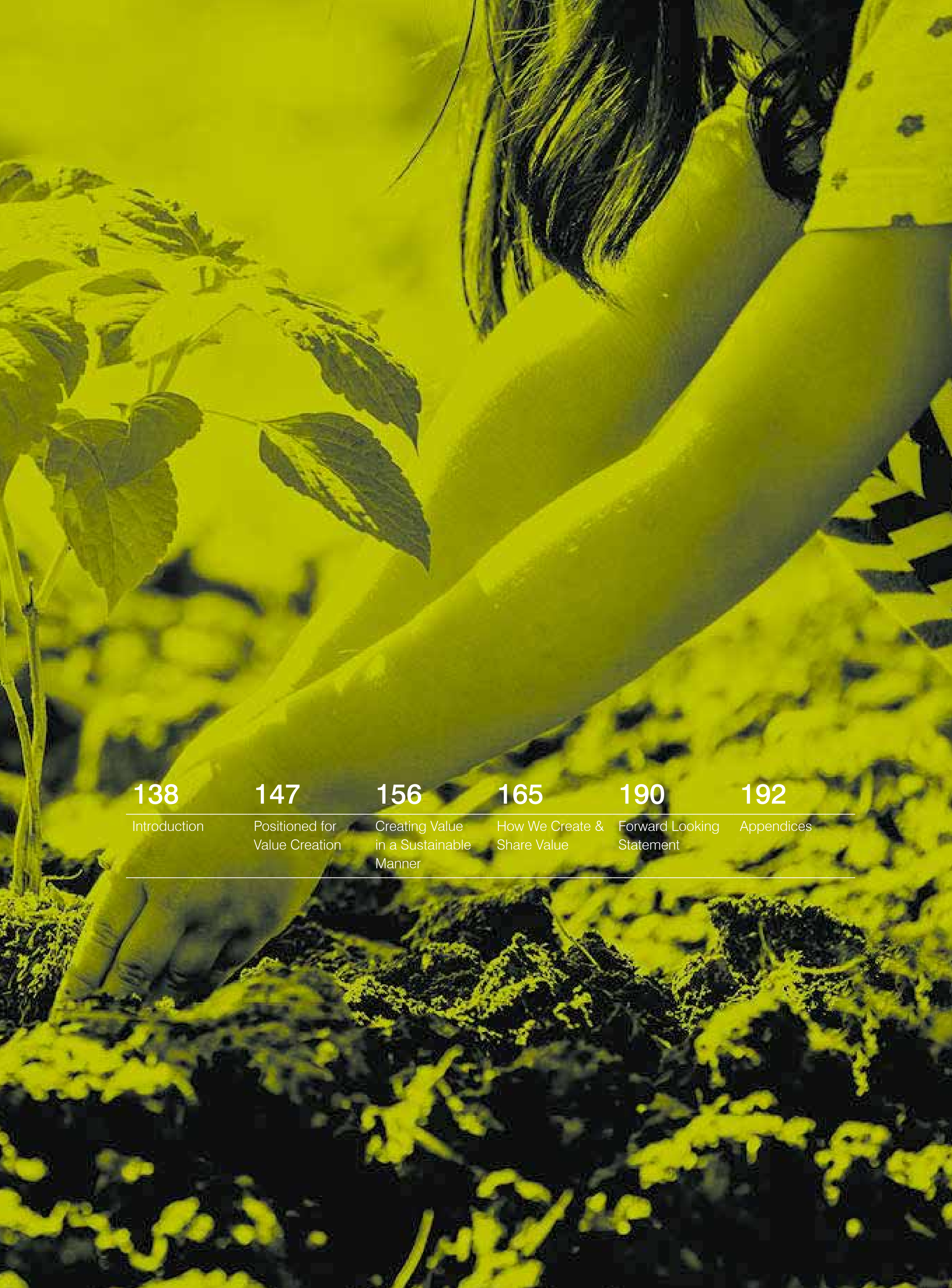
Rawalpindi
January 28, 2021

مستقبل کی توقعات

03

Assessment of the Company's value creation ability and contribution towards Sustainable Development Goals

SUSTAINABILITY REPORT



42 YEARS

of creating sustainable value for stakeholders and playing our part in national food security.

Rs 97.66 billion

Turnover

(2019 – Rs 105.78b)

19.25 MT

GHG emissions per unit of revenue (million PKR)

(2019 – 17.68 MT)

2,765 KT

Fertilizer sold

(2019 – 2,720 KT)

2,487 KT

Fertilizer produced

(2019 – 2,492 KT)

466,748 GJ

Increased energy consumption
(varies with plant maintenance cycle)

(2019 – Increased by 662,054 GJ)

47,019

Farmers engaged

(2019 – 59,025)

9,044 MT CO_2

Increased emission
(on account of change in NG composition)

(2019 – Increased by 2,636 MT)

97%

Customer Satisfaction Level

(2019 - 95.7%)

0.88%

Increased water use
(utilization is within the specified goal)

(2019 – Decreased by 5%)

Rs 164 million

CSR spending

(2019 - Rs 96m)

OUR PURPOSE

To use our **position** and **expertise** to create **value** for **farmers**, **investors**, **business partners** and **employees and play an effective role in national food security**.

CONTENTS

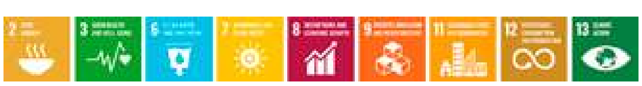
United Nations' Sustainable Development Goals

We believe that Sustainable Development Goals provide tremendous opportunities for FFC to strengthen its value creation potential while at the same time contributing towards SDGs related to its core business. FFC has been working with partners and government to inspire and accelerate the movement to embrace SDGs by corporate sector in Pakistan. FFC is also working with partners through different initiatives to make lasting social and economic progress that protects planet and ensures prosperity.

Refer to page 146 and page 185 for details of such collaborations.

All of the SDGs are related to business in some manner, however, following SDGs are viewed as critical for the chemical sector in particular based on the Chemical Sector SDG Roadmap developed by the World Business Council for Sustainable Development (WBCSD). This year, FFC took an initiative to identify and embed SDGs, relevant to core business or where we can make major impact, into corporate strategy and policies for better alignment of business actions and improved contribution towards SDGs.

Refer to page 144 for details about approach to embed SDGs.



ABOUT OUR REPORT

This report is prepared in accordance with the Integrated Reporting (IR) Framework of International Integrated Reporting Council (IIRC), the Global Reporting Initiative (GRI) Standards: comprehensive option, the Chemical Industry Standard of the Sustainability Accounting Standard Board (SASB) and the requirements of the United Nations Global Compact (UNGC) "Ten Principles" to provide stakeholders a concise and transparent assessment of our value creation ability and our contribution towards the SDGs.

Scope and boundary

Reporting Period

The report is prepared and published annually. The 2020 report covers the period 1 January to 31 December 2020. The last year's report was published on January 30, 2020.

Operating businesses

The report covers the activities of FFC and does not include information about subsidiary and associated companies. The economic and social data presented in the report includes data of FFC's manufacturing plants, marketing offices and head office, while the environmental data relates to plant sites and does not include the environmental impact of other locations except for the environmental impacts of fuel and electricity used at head office, marketing offices and warehouses. The information about the impact of our activities – while creating value - beyond FFC operations is not discussed due to non-availability of reliable and verifiable data.

Financial and non-financial reporting

The report includes both financial and non-financial performance, risks and opportunities and outcomes attributable to our activities and key stakeholders that have significant influence on our value creation ability. Extensive details about financial position and performance are available from page 50 to 81 of Annual Report.

Target readers

The report is primarily intended to address the needs of investors and to provide them a holistic view of our value creation potential taking into account financial and non-financial risks and opportunities. The information is also presented for other key stakeholders including our employees, suppliers, regulators and society.

Report content and methodology

Report content

The contents are based on the results of our engagement with stakeholders, IIRC Framework, GRI Sustainability Reporting Standards, SASB Chemical Industry Standard and UNGC "Ten Principles" requirements.

Report methodology

The compilation of data has been done on the basic scientific measurement and mathematical calculus methods on actual basis, but in some cases where actual data is unavailable due to some reasons, different logical methodologies are used for calculations. The usage of any such method is mentioned at the respective places in the report. The data measurement techniques are the same as used for the previous year. There are no changes in the reporting period, scope and boundary of the report. Moreover, there are no changes that can significantly affect the comparability of data from period to period. Previous years' figures have been regrouped/rearranged wherever found necessary to conform to this year's classification.

The report is part of the annual reporting process subject to independent review and approval by the CSR Committee - the highest decision making body headed by CE&MD. FFC makes every effort to ensure the accuracy of the sustainability information. From time to time, however, figures may be updated. The online pdf version of the report will be considered the most current version and takes precedence over any previously printed version. The online PDF as well as HTML version can be accessed at **http://www.ffc.com.pk/investors-relations/annual-reports/**

Feedback

We value your feedback. Please connect with the sustainability team for questions or suggestions.

Ms. Sadaf Khan
Phone: +92-51- 111-332-111, 8452926
Email: sadaf_khan@ffc.com.pk

Independent External Review

The report was externally reviewed by BSD Consulting, an independent reviewer, in order to check compliance with IR Framework, GRI Standards, SASB Chemical Industry Standard, ISAE 3000 and AA 1000AS Principles of Inclusively, Materiality, Responsiveness and Impact. The senior executives were involved in the review process through involvement in selection of the reviewer, discussing and responding to reviewer's observations and providing management representation.

Refer to page 200 of the report for information on the scope of the services performed by our external reviewer.

SUSTAINABLE DEVELOPMENT GOALS
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Key Concepts

Our value creation process

Value creation is the result of how we use our capitals to deliver sustainable financial performance over different time horizons and optimizing value for all stakeholders.

Refer to page 154 for description of our value creation process as part of our business model and page 168-189 for details of our different value creation roles for our stakeholders.

Materiality and material matters

We apply the principle of materiality to determine which information should be included in the report. This report focuses on issues, opportunities and challenges that have material impact on FFC, its ability to consistently create and share value to stakeholders and matters, which are of interest to different stakeholders and which reflect significant impact of FFC activities on economy, environment, and society. Our material matters, as described on page 162-163, influence our strategy and content of this report. The material matters are assessed persistently to ensure that our strategy remains relevant in an evolving operating environment.

Board's Responsibility

Board of Directors' Statement

The Board acknowledges its responsibility to ensure integrity of this report, which in the Board's opinion addresses all material issues and presents FFC's integrated performance in accordance with Regulatory Framework, Sustainability Reporting Standards and Integrated Reporting Framework.

Our Capitals

Our significance as a leading fertilizer company today and in the future and our ability to create value over different time horizons primarily depends on the capital available to us (inputs), how we utilize these capitals (value creation activities), our impacts on these capitals and the ultimate value we deliver (outputs and outcomes).

Financial

Our shareholders' equity and funding from banks that are used to support our business and operational activities

Intellectual

Our brand and reputation, research and development, Agri-services innovation capacity and partnerships.

Manufactured

Our manufacturing plants, our business structure and operational processes that provide the basis and procedure of how we do business and create value.

Social & Relationship

Our strong stakeholder relationships with communities, farmers and other key actors. We recognize the role fertilizer play in increasing soil fertility and ensuring food security.

Human

Our people, our culture and investment on development of skills and collective knowledge of our workforce.

Natural

Our dependency and impact on natural resources and ecosystems through use of raw material, water, energy and discharge of emissions, waste water and effluents.

FFC AND SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals were adopted by all United Nations Member States in 2015 as a shared blueprint for peace and prosperity for people and the planet, now and into the future. Governments are mainly responsible for implementation of the SDGs, however, without strong participation of the private sector it is difficult to achieve this ambitious agenda. Business has a critical role to play in meeting these ambitious SDGs; as an agent of economic growth; as a fundamental source of finance and as driver of technology and innovation to deliver new products and solutions.

Through responsible production, advocating responsible business practices in the supply chain, and introducing innovative products and solutions, the chemical sector can play a productive role to support the SDGs.

FFC welcomes SDGs as a catalyst to achieving a more sustainable world. We envisage SDGs to guide and inspire our sustainability strategy and initiatives. We started to map our activities against SDGs through our Sustainability Report 2016. From last year onwards, we became more focused towards the SDGs which have been identified as priority SDGs for broader chemical sector. In addition to the priority SDGs for chemical sector, the information related to other SDGs which are impacted by our activities is also discussed throughout in the report with the purpose to guarantee completeness.

Embedding SDGs into Corporate Strategy & Policies

To make focused contributions and align with the level of ambition required by SDGs, FFC made a strategic decision to revamp its approach from only referring its activities to the SDGs relevant for chemical sector, by practically embedding relevant SDGs, related targets and indicators into its corporate strategy and policies. Our activity to embed SDGs started with a four days training for all departmental representative on SDGs and the approach to embed SDGs into the strategy and policies. The training will be followed by identification of priority SDGs while taking into consideration our sector, our value chain, our ability to make and scale-up the impact, Pakistan Stock Exchange (PSX) Minimum SDGs Reporting Requirements and Government of Pakistan Priority SDGs. The next steps involve review of existing strategy and polices to highlight changes required, which will be followed by the revision of policies as well as the development of new policies and targets. This activity is planned to be completed next year with the objectives to strengthen risk management systems, monitoring sustainability performance and reporting our impacts and outcomes. We believe that practically embedding SDGs will not only help to position the company strategically in the marketplace but also result in making more meaningful contribution towards Sustainable Development.

Ensuring a sustainable food supply to meet the nutritional needs of growing population is critical.

Advancement in science helps protecting plants from diseases, improving food distribution, extending food life, maintain food quality and safety. Good quality seeds and fertilizer along with advisory to farmers on new cultivation techniques help increasing productive potential of land, resulting in food rich in nutrition values and promoting sustainable agriculture.

Refer to page 168-172 for ouractivities supporting SDG 2.

Health and safety are among the highest priorities of chemical sector.

We strive to minimize the negative health impacts at workplace, at our adjacent communities and in the supply chain. Our health and safety initiatives at workplace for safe production and in the supply chain for safe distribution are resulting in reduced environmental footprint and healthier workforce.

Refer to page 181-182 for our activities supporting SDG 3.

Access to clean water and sanitation is a global issue that needs to be managed at local level.

The chemical sector has an important role in preventing diseases through innovative purification techniques and materials for pipes that protect water from its source to the tap. Our water management at plants, through increased recycling and reuse of water, results in reduced withdrawal of fresh water and by decreasing effluents, minimizing release of hazardous chemicals and materials well below the legal limits helps to reduce the impact on water.

Refer to page 186 and 194-195 for our activities supporting SDG 6.

Continuous improvement in energy efficiency at manufacturing facilities along with manufacturing of products that help to improve efficiency are incremental to meet this goal.

We, at FFC, are continuously striving to improve energy efficiency by continuously upgrading our plants. Our target of reducing energy consumption demonstrates our ambition to energy efficiency and reduction in associated GHG emissions.

Refer to page 186 and 193-194 for our activities supporting SDG 7.

We understand that safe production processes are crucial for economic growth and enhancing the quality of life for our communities.

Innovations provide business opportunities for global growth. Moreover, ensuring safe and productive workplace, upholding labor standards and respecting human rights at our operations and in the supply chain augment our commitment to this goal.

Refer to page 146, 180 and 131 for our activities supporting SDG 9.

Strengthening of production assets promotes resiliency.

International frameworks that promote industrial cooperation for the chemical sector and the value chain help meet the resources and environmental concerns, managing waste disposal, meeting health and safety issues, support circular business model and develop new opportunities. Chemical sector products play an important role in enabling and building resilient infrastructure solutions by engaging with other sectors.

Refer to page 184-185 for our activities supporting SDG 8.

Chemical sector products help improve infrastructure, transport and crops production.

Increasing population is putting tremendous pressure to scale implementation of sustainable solutions to meet the needs of the local communities. FFC is participating in multi-stakeholder collaboration with the government to help meet the goal of sustainable and inclusive growth and improving lives of the communities.

Refer to page 184-185 for our activities supporting SDG 11.

Chemical products increase the quality and efficiency of the production processes across industries.

The chemical sector is helping to transform production and reduce life cycle impacts of consumption. Through product life cycle assessment and certifications, FFC is committed to advancing sustainable management of materials in all processes and in the value chain, attaining greater environmental transparency and improving health and safety performance.

Refer to page 183 and 193-199 for our activities supporting SDG 12.

Taking into account the severity of the issue of climate change and resulting impacts.

Companies are taking concentrated actions to address the issue through a number of initiatives including energy efficiency and reducing environmental footprint of the products. The climate change is resulting in severe weather patterns, floods and droughts, affecting production patterns and land productivity resulting in impacts not only relevant to the chemical sector but also society at large. FFC is working together with supply chain partners to build resilience and adaptive capacity in response to the impact of climate change.

Refer to page 193-199 for our activities supporting SDG 13.

CORPORATE CONVERSATION ON SDGs

The Parliament of Pakistan unanimously approved the SDGs as the national development agenda on 16th February 2016. The Government of Pakistan has launched the National SDG framework in 2018 envisaging a national vision, plan and strategy to optimize, prioritize and localize the full potential of SDGs in Pakistan. It has been extensively working to align government policies as well as developing strategies to meet the targets underlining the SDGs. The government efforts are mainly focused on the public sector and currently do not provide guidelines for private sector to embrace SDGs, make contribution towards goals and share the performance for Voluntary National Review (VNR).

In order to create awareness on SDGs, encourage private sector to embrace SDGs and report its contributions, FFC initiated an annual leadership conversation on SDGs in 2017. Three sessions were organized in 2017, 2018 and 2019 with the themes:

- Aligning Business Strategies with SDGs and Best Reporting Practices on SDGs;
- Aligning Business Strategies with SDGs focusing on Biggest Market Opportunities (Food and Agriculture) and Best Reporting Practices on SDGs - Using Private Sector Data for VNR;
- Climate Change SDG 13 and Chemical Sector and SDGs.

In 2020, the Pakistan Stock Exchange, in collaboration with the United Nations Development Programme launched the minimum SDGs Reporting Requirements for Listed Companies. Pakistan Stock Exchange (PSX) requires listed companies to report on minimum 6 SDGs and 32 indicators and included the reporting requirement for listed companies competing for Top 25 Companies Award at PSX. The Corporate Conversation on SDGs 2020 was focused on PSX Minimum SDGs Reporting Requirements and Embedding SDGs into Corporate Strategy and Policies. The minimum reporting requirements were discussed along with benefits for companies to report on SDGs. Moreover, the approach on embedding SDGs into corporate strategy and policies was discussed by showcasing FFC's approach towards embedding SDGs. The event was organized in collaboration with the Planning Commission of Pakistan, United Nations Development Program, Pakistan Stock Exchange and Corporate Social Responsibility Centre Pakistan (CSRCP).

The Corporate Conversation on SDGs engaged government dignitaries, corporate leaders and representatives from civil society. The benefits of aligning with SDGs, how private sector can explore the opportunities provided by SDGs to boost economic growth, solving complex challenges faced by the humanity as well as managing business risks were discussed. The government's role to provide an enabling environment for private sector to adapt and work on SDGs along with government strategy for private sector inclusion in the sustainable development agenda was emphasized during the panel discussion. The recommendations of the sessions were forwarded to Planning Commission, Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange for consideration in policy formulation.

We are committed to supporting SDGs and keep playing a leading role in collaboration with our partners to inspire and engage the private sector for embracing SDGs and playing an active part in meeting the agenda of sustainable development for a better and a prosperous world.

"SDGs conversation series have emerged as a national forum to inform policy formulation, steer corporate actions on SDGs and assisting private sector to embrace the best practices on embedding and reporting on SDGs."

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This section provides an overview of FFC, details about our governance, our goals and our value creation business model.

POSITIONED FOR VALUE CREATION

FFC AT A GLANCE

Fauji Fertilizer Company Limited is a public listed company with its business across Pakistan. Headquartered at Rawalpindi, with marketing group office at Lahore, manufacturing plants at Goth Machhi, and Mirpur Mathelo, we are one of the leading fertilizer manufacturers in Pakistan. There were no significant changes in size or capital structure of our operations during 2020.

Refer to page 16-17 for group structure and details of subsidiary, associated and joint venture companies.

Our Products

FFC manufactures and markets own as well as associated company's fertilizers in Pakistan. In addition to marketing of locally manufactured fertilizers, FFC also markets imported fertilizers under different brand names.

Products	Use
UREA FERTILIZER (SONA UREA) — Manufactured	Agriculture: Major plant nutrient Industrial: Raw material for manufacturing of plastics, adhesives and industrial feedstock
DAP FERTILIZER (FFC DAP/ SONA DAP) — Manufactured, Imported	Agriculture: Basal fertilizer at the time of sowing for better root proliferation and inducing energy reactions in the plants for better yields Industrial: Commercial firefighting products and metal finisher, yeast nutrient and sugar purifier
POTASH FERTILIZERS (FFC SOP & FFC MOP) — Imported	Agriculture: Quality nutrient for production of crops, especially fruits and vegetables Industrial: Manufacturing of glass
BORON FERTILIZERS (SONA BORON) — Imported	Agriculture: Micronutrient for plant nutrition
ZINC FERTILIZERS (SONA ZINC) — Imported	Agriculture: Micronutrient for plant nutrition

Manufactured Imported Agriculture Industrial

Markets

FFC markets and sells products throughout Pakistan covering all four provinces.

Our products are used in the agriculture and industrial sectors. The products are shipped to dealers, institutional customers and direct customers. FFC does not sell any product that is banned in Pakistan or which is a subject of stakeholder questions or public debate.

3 Zones **13** Regions **63** Sales Districts **194** Warehouses **3700** Dealers

Supply Chain

Resilient supply chain is critical for business success and continuity in disruptive situations. The COVID-19 affected our operations and supply chain in the light of government directives to close operation in February 2020. However, as soon as closure was lifted, operations and supply chain activities resumed with strict compliance of SOPs.

FFC procures raw materials, packaging material, capital equipment, services, and other materials and equipment. Our supply chain consists of local as well as foreign suppliers, including large companies, small privately held companies, contractors and small businesses. The major raw material and other components are procured locally while the materials and components which are not available in Pakistan are purchased from abroad. FFC is not particularly dependent on any of its suppliers except for the supplier for natural gas which is the basic raw material for fertilizer manufacturing. Our supply chain is of a mixed nature being labor intensive and technology intensive. There were no major changes in the location, operations, and structure of the organization and its supply chain during the year.

Refer to page 183 to read our approach to manage our supply chain impacts.

Payment to suppliers during 2020 **Rs 45,938 m**
(2019 Rs 45,005m)

1,856 suppliers

Commitments, Membership and Awards

Being a responsible corporate entity, FFC not only abides by legal obligations but also endeavors to follow several externally developed voluntary initiatives in the areas of economy, environment and social management. We do not provide substantial funding to the associations however, events like exhibitions/ seminars/workshops are sponsored. Moreover, our teams actively take part in activities relevant to our operations. Our Agri. Services officers are members of the Soil Science Society of Pakistan. They participate in conferences, seminars and events organized by the Soil Sciences Society of Pakistan and give their input in development of public policy.

Moreover, our R&D officials also hold honorary positions with international research organizations like University of Nottingham, British Geological Survey, and Society for Environmental Geochemistry and Health (European Chapter).

Awards

ICAP 2019 — Best presented report 2019 award by the joint committee of ICAP and ICMAP

ICMAP 2019 — Best sustainability report 2019 awarded by the joint committee of ICAP and ICMAP

PSX — First company to consecutively win ten first position placements in PSX Top 25 Companies Award

Memberships

- United Nations Global Compact (UNGC) – Membership obtained on March 23, 2010
- Marketing Association of Pakistan (MAP)
- Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC)
- Fertilizer Industry Public Relations Committee (FIPRC)
- International Fertilizer Industry Association
- Arab Fertilizer Association
- Farmers Association of Pakistan
- World Wildlife Fund (WWF)

OUR GOVERNANCE

Our value creation activities are steered by our strong governance structure. The code of corporate governance for listed companies, the internally developed code of conduct, the policy statement of ethics & business practices and best available practices are guiding pillars for our corporate governance structure.

Refer to page 12-15 for extensive information regarding code of conduct, values and policy statement of ethics & business practices.

Balanced management structure

The highest management body is the Board of Directors (Board) where directors are re-elected after every three years. The Board comprises of thirteen directors; one executive director and twelve non-executive directors. Out of the twelve non-executive directors, four are non-executive independent directors including two directors representing minority/non-controlling interest. The independent directors do not have any material pecuniary relationship with FFC. Twelve members of the Board are male with one board member being female.

The Chairman of the Board is non-executive. His only relationship with FFC is his role as Chairman of the Board. Neither he nor any person related to him is employed by FFC or a company that does business with FFC or is affiliated through a consultancy or similar agreement. The Chairman and members of the Board Committees are selected from the board members. The Board has constituted Committees of Directors with adequate delegation of powers to effectively focus on the issues and ensure expedient resolution. These Committees meet as often as required, to oversee the performance in respective areas. Each Committee has its own charter with goals and responsibilities.

The Committees of the Board are Audit Committee, System and Technology Committee, Project Diversification Committee, Human Resource & Remuneration Committee and Management Committees i.e., Executive Committee, Business Strategy Committee and CSR Committee.

Refer to page 35-39 for extensive details on Board Committees.

The Board meets at least once a quarter. The CE & MD, CFO and other members of the Executive Committee and/or other employees or third parties regularly attend the meetings of the Board at the invitation of the Chairman for the purpose of reporting or imparting information. The Committees report on their activities and results to the Board. The Committees also prepare the business of the Board in their assigned areas. The Board has delegated executive management of the company to the CE & MD for smooth operation of company's business.

Management Personnel

In 2020, the Board consisted of twelve Pakistani citizens and one Danish citizen. The members of the Board were all at least 50 years old except one. FFC has not introduced any specific quotas for specific nationalities, ethnic minorities or special age groups for the Board. The members of the Board also hold significant positions in other companies.

Refer to page 30-34 for "Profile of the Board".

The members of the Board are elected through an election at the general meeting. The existing board members were re-elected in September 2018 at an extra-ordinary general meeting. The nominated directors are appointed by the sponsoring body and financial institutions. FFC follows applicable legal and regulatory framework which defines parameters regarding qualification and composition of the Board for smooth running of the business and promotion of good corporate culture. FFC is an equal opportunity employer and members of the highest governing body are selected based on merit. FFC has, on its Board, highly competent and committed personnel with vast experience, expertise, integrity and with a strong sense of responsibility required for safeguarding stakeholders' interest. The Board is comprised of qualified directors with diverse backgrounds in the field of business, finance, engineering and other disciplines.

Code of business ethics and anti-corruption measures are in place to avoid conflict of interest among highest governance body members as well as among employees. The code clearly refrains from conflict of interest and in case a conflict of interest is not avoidable, it is required that it to be reported to the highest governing body for resolution.

Our corporate governance principles define the managerial structure, organization and processes to provide transparency and guaranteed sustainable long-term success.

Management's Role in Shaping Sustainability Policy

The Boards' role in setting company's purpose, values and strategy is implemented through Board Committees which provide input in development, approval and updating of company's purpose, values, mission statement, corporate strategy, strategic policies and goals in respective areas. The Executive Committee and CSR Committee provide guidelines for sustainable operation and effective control thereof and have the powers to define guidelines. To strengthen strategic positioning and enhancing value creation ability, FFC formally developed a corporate strategy in 2020 to serve as a guiding pillar for all of value creation activities. Moreover, during the year, FFC undertook activity to embed SDGs into business strategy and policies in order to re-evaluate the risks, identify opportunities, strengthen the competitive position and make meaningful contributions towards SDGs.

Refer to page 144 to read the details on embedding SDG.

The frameworks and measures are monitored by FFC's Robust Risk Management System, a system to identify, evaluate and manage (relevant) risks to the company's operations. Risk management is designed to:

- Coordinate and develop entire organization's risk management activities and integrate risk management into the business process. A differentiation is made between strategy, operational, financial, commercial and other corporate areas.
- Clearly allocate risk management responsibilities.
- Inform, train and motivate employees to effectively implement risk management system.
- Identify and analyze risks reliably, carefully draw up meaningful reports, and avoid risks.
- Ensure that all significant risks and avoidance/counteractive measures are indeed reported to the respective Board
- Committees via the relevant managerial levels, and serious risks are presented to the Board via CE&MD for appraisal.

The Board of Directors has delegated the responsibility to respective committees for ensuring that the Enterprise Risk Management (ERM) system is operational and working. The Committees, therefore, have managerial responsibility for the implementation and performance of the ERM system. The Committees also take into account stakeholders' concerns identified through stakeholders' engagement.

Monitoring Sustainability Efforts

Sustainability efforts require continuous monitoring and evaluation to make necessary adjustments and ensuring performance against targets. We are aware that the sustainability management system is a component of strategy, planning, objectives and processes. It includes an ongoing review of the activities undertaken to ensure that planned sustainability activities are effectively implemented and the impacts are being properly managed. The Health, Safety and Environment (HSE) system ensures production safety to limit the impact of manufacturing operations on health, safety and environment. One of the important corporate goals is to ensure human safety and protect the environment, therefore, an extensive set of policies and measures are in place as part of HSE management. The processes, procedures and measures are continually monitored, both in-house and by external audits of the management systems. The implementation of sustainability policies, to manage our impacts on people and society and compliance with applicable laws and international conventions, is carried out through line managers and reviewed at departmental level. The final results are deliberated at CSR Committee meetings. The results of these activities are included in the risk control system which are then analyzed for urgency and relevance and implemented as per requirement.

To strengthen sustainability practices in our supply chains, we defined targets which incorporate sustainability in our supplier selection criteria as well as training our supply chain partners on this criteria. We are committed to working with our supply chain partner to manage our impacts in the supply chain as well as improve the entire value chain.

CSR Committee

The CSR Committee has a mandate for key structural and control responsibilities related to sustainability. The CSR Committee evaluates and guides all sustainability efforts, as efficiently and effectively as possible at every level of the organization. The CE&MD chairs the Committee, while Finance, Internal Audit, Marketing, Production, and CSR heads are members of the committee. The Committee is designed to ensure that all relevant strategic sustainability initiatives and activities are in agreement with FFC's governance bodies.

The Committee evaluates challenges and trends, sets the company's medium and long-term objectives and recommends sustainability initiatives accordingly. The Committee is entrusted with the responsibility of steering the direction of CSR activities from donations and welfare activities to mainstream sustainability initiatives and review and approval of the annual sustainability report. The CSR Committee ensures that the company, being a member of the United Nations Global Compact, strictly adheres to its principles and makes a notable contribution towards achieving the Sustainable Development Goals.

Reporting to Management

The extensive information on potential risks and opportunities, environment and social impacts and factors affecting the ability to create value over time, is shared with the management through the CE&MD. The Committees use the risk management system to record, analyze and present all relevant risks for consideration and action. The reporting is carried out throughout the year and discussed in the relevant Committees. The HSE related risks are communicated through the HSE department while other risks are reported separately through the Risk Management System of the company. The Audit Committee reviews major issues regarding the status of compliance with laws and regulations, and the code of conduct. The internal audit department reports to the Audit Committee with regard to the status of compliance with laws, but also with regard to the code of conduct violations that occurred during the year, as to how they were investigated and, if necessary, how violators were disciplined and organizational measures were implemented to avoid similar violations in the future. Based on the inputs of different Board Committees, the Board formally reviews and discusses organizational impact, risks and opportunities in its quarterly meetings.

Evaluation of Corporate Performance

The Human Resource and Remuneration Committee of the Board, evaluates on an annual basis, the degree to which objectives of the company as a whole and particularly those of the Executive Committee have been met. Based on the evaluation of the performance against operational and sustainability related goals, recommendations are made for review and approval of the Board. This procedure ensures that bonus payments to employees, including executives, are also in line with FFC's overall performance and objectives. The members of the Board and especially the Executive Committee have expertise in managing economic, environmental and social issues. In order to ensure that they keep abreast of current trends and developments in the aforementioned areas, FFC ensures participation of its management and staff in relevant trainings and involvements in international and national conferences.

Management Pay

Our compensation policies are structured in line with current industry standards and business practices. The practiced appraisal system is comprehensive in nature and includes a performance review on financial and nonfinancial parameters.

The remuneration policy of directors aims at encouraging and rewarding good performance. The directors' performance is evaluated by setting specific, measurable, achievable and realistic goals for the year and appraisal of the performance of each member against these goals. The evaluation of the Board's performance is a self-assessment against defined goals, carried out quarterly and discussed in the Board meetings to take necessary actions to meet the defined objectives. There were no changes in membership or organizational practice as a result of performance evaluation. The remuneration of CE & MD is paid as recommended by the Human Resource and Remuneration Committee and approved by the Board and Shareholders. A fee is paid to the directors to meet the expenses incurred by them in attending the Board meetings, which is also approved by the Board and is in accordance with applicable guidelines. FFC does not pay remuneration to non-executive directors, except for the directors' fee. FFC does not disclose some of the information, being sensitive and proprietary in nature, i.e., ratio of annual compensation within the organization and the ratio of percentage increase in annual compensation within the organization.

The Human Resource and Remuneration Committee analyzes and discusses market developments and their possible impact on FFC for providing recommendations to the Board. FFC's decision-making processes are very open and also involve key stakeholders in important decisions. The stakeholders input, with respect to the remunerations, is collected through annual meetings as well as through Collective Bargaining Agents.

Shareholders' and Employees' Recommendations

We value the concerns/recommendations of our shareholders. The shareholders can give their feedback/recommendation in General Meetings of the company as well as by sending letters or emails to the corporate affairs department using the address available on the company's website. The concerned officials regularly evaluate the feedback and action is taken as per need.

The employees may submit requests or recommendations at any time to the company, its management, or the appropriate bodies through their supervisors or managers. The Board has delegated the collection of recommendations to the Executive Committee. FFC values the concerns of its employees with the aim of providing a balanced working environment for achieving company's objectives. Due consideration is given and suitable actions are taken on the suggestions/ideas of the shareholders and employees. However, this is subject to the suggestion being found practicable, appropriate and in the interests of the company.

The HR department at the head office and plants provide support in connection with issues relating to the ethically correct and legally compliant conduct of employees as per the code of conduct and company policies. In this regard, regular checks and inquiries are carried out by the HR department depending on the number of queries received in relation to compliance topics as well as particular issues and measures. The company has a dedicated system on intranet to further facilitate the process. In addition to the reporting of breaches of the code of conduct, it provides employees with the opportunity to ask questions anonymously via an intranet portal. These questions are answered within reasonable period of time by the concerned officers.

OUR GOALS

Our ability to create and share value is dependent upon availability of our capitals, climate change, a thriving society and economy. Our goals guide cautious use of resources and efficient management of our activities to manage and reduce adverse impact on eco-system and society while we continue delivering sustainable returns.

Our medium term targets, except energy and supply chain management, were redefined in 2018 with target year 2021. We plan to define new targets in 2021 in line with our work on embedding SDGs into our corporate strategy and policies.

Sustainability area & target	Performance	Target Year	New Target
Materials **0.5%** reduction in paper usage	In progress	2021	
Energy **2%** reduction in energy consumption from 2014 level	Overall reduction of 1% has been achieved since 2014. Conservation efforts are continued.	2020	Maintain energy consumption at 2020 level
Emissions **0.5%** reduction in emissions intensity from 2018 level	Emission intensity has increased by ~1% owing to higher CO_2 content in natural gas supplied. Reduction efforts are continued.	2021	
Water Limit increase in water intake to **5%** from 2018 level	4.5% Reduction in fresh water intake has been achieved in year 2019 compared to 2018 level.	2021	
Health and Safety **Zero injury**	Minor high-consequence and recordable work-related injuries occurred Refer to page 38	2021	
Supply Chain Management 1. Incorporation of sustainability criteria in procurement manual 2. Training on sustainability criteria to local vendors representing 75% of local procurement	Achieved Not achieved due to COVID-19 outbreak	2020	Training on sustainability criteria to local vendors representing 100% of local procurement

*2021 is the target year for energy and supply chain management targets which were defined this year.

OUR VALUE CREATION BUSINESS MODEL

Our value creation business model is the hub of everything we do. It defines risk and opportunities in our external environment, inputs we consume, activities we carry on, the relationships we depend on and the outputs and outcomes we desire to achieve while creating sustainable value for our stakeholders in short, medium and long-term.

Risk and opportunities in our operating environment

- Pakistan's macroeconomic environment
- Environmental risks and climate change
- Depleting raw materials
- Regulations on SDGs

Strong governance oversight

- FFC is committed to highest standards of governance, ethics and integrity.
- FFC embraces best in class governance systems and practices to ensure sustainable value creation and serve as market leader.
- FFC Board is diverse in skills and experience and 23% directors are independent non-executive directors.

Refer to page 150-152 to read more about governance.

- Low farm mechanization
- Increasing soil productivity through Agri-services
- Enhancing value creation ability by embedding SDGs

Refer to page 157 and 162-163 to read more about our risks and opportunities.

Capitals

Financial

Rs. 42,536m	Rs. 10,627m
Equity	Long-term debt

Manufactured

Tangible & intangible infrastructure

2 Manufacturing facilities	3 Offices
167 Warehouses	5 FAC
Market channels	SAP

Human

3,512 Employees | People centered culture | Strong governance

Natural

Materials	Water
Eco-system services	Energy

Intellectual

Knowledge of our people

Brands | **Processes** | **Corporate Reputation**

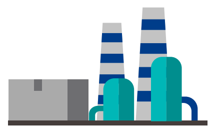
Social & Relationship

Relations with local community, customers, suppliers, and wider stakeholders | Sustainability leadership

Value Creation and Addition

Continuous optimization of manufacturing facilities

Broadening opportunities through quality products with wider distribution network



Manufacturing
We use these capitals as input to manufacture fertilizers.

FFC Products

Transportation
We transport our products through our haulage contractors.

Distribution
We work with our dealers to reach customers.

Revenue	−	Cost of sales	=	Gross Profit	−	Distribution cost	−	Finance cost
8% to PKR 97.66bn		12% to PKR 66.07bn		3% to PKR 31.58bn		5% to PKR 7.85bn		24% to PKR 1.87bn

Outcomes

Working with customers to enhance product utilization and farm productivity

Community Engagement
We work with our employees and local community. We strive to build trust in our company to enhance business and become trusted partner for stakeholders.

Product Use
We work with farmers to improve crop yields and farmers' incomes.

Winning the trust of our stakeholders

- Provide healthy financial returns.
- Provide products to enhance soil fertility.
- Provide advice to farmers through Agri Services centers.
- Research and development to produce environmental friendly products.
- Reward high performance and invest in attracting, developing and retaining our people.
- Invest in our operations including plants, marketing, infrastructure and adopt cleaner technologies.
- Embed SDGs into core business to offer products and pursue diversification aimed at solving complex problems and enhancing value creation ability.
- Pay duties and taxes
- Invest in our communities to support community uplift
- Advocate SDGs and become a role model for corporate sector

We create and share value with our stakeholders, which ultimately creates value for us.

Shareholders

- Delivered strong and healthy 49% return on equity
- 68% payout ratio

Employees

- Paid Rs. 9,773m as salaries and wages
- Provided 12,960 man hours training to enhance workforce skills .
- A thriving culture for nourishing valuable human capital.

Refer to page 174 to read our work for creating value for employees.

Customers

- Advised 47,019 farmers to increase productive potential and farm earnings.

Refer to page 168 to read our work for customers.

Community

- Spent Rs 164m on CSR to uplift the lives of community and contributing to basic public good.

Refer to page 184 to read our work in communities.

Regulators

- Compliance with all the regulatory requirements
- Rs. 27 billion direct and indirect tax

Environments

- Protecting the environment through reduced impacts

Refer to page 186 to read our work as a socially responsible company.

+ Other gains / (loss) 458% to PKR 3.94bn − Other expenses 14% to PKR 2.64bn + Other income 11% to PKR 6.43bn = Profit before tax 25% to PKR 29.59bn − Provision for tax 32% to PKR 8.77bn = Profit for the year 22% to PKR 20.82bn

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Describes the context in which we operate, our stakeholders' engagement practices, how we determine material topics and develop strategy and allocate resources.

CREATING VALUE IN SUSTAINABLE MANNER

EXTERNAL ENVIRONMENT

Our value creation potential and activities are impacted by our continuously changing external environment which also affects our material matters. Our strategy ensures that we are best positioned in our external environment to manage the risks and optimize the opportunities associated with volatility on the political, economic, technological, environmental and social fronts.

Political & Macroeconomic

Global economic outlook in 2020 remained subdued on account of the COVID-19 pandemic outbreak pushing world economy in recession. Lockdowns that affected small business and supply chains, put millions out of work, pushed millions to poverty and rise in inequality across globe, the pandemic has tested the ability of local, national and global systems to respond, mitigate disastrous impact and stimulate an inclusive recovery. Although global economic output is recovering from the collapse triggered by the COVID-19, it will remain below pre-pandemic trends for a prolonged period. Pakistan's economic growth was severely affected resulting in negative growth rate for the first time due to the COVID-19 outbreak in February which caused halt in economic activities and lockdowns to prevent virus spread. The measures taken by government to incentivize the construction sector to initiate economic recovery, coupled with multiple reductions in policy rate and payroll financing to prevent layoff in private sector, have resulted in resuming the pace of economic activities after COVID-19's first wave. However, the second wave of the COVID-19 cases is posing risk to the health systems as well as economic activities in the wake of abrupt rise in cases, non-availability of enough vaccine doses and strict SOP prescribed by government.

Despite overall negative growth, the agriculture sector showed a positive growth but was below the target due to contraction in cash crops, reduced water availability and increased input prices. Moreover, the locust attack in several districts caused losses to the farmers. The reduced level of disposable income of farmers, losses due to locust attacks, coupled with increased prices of inputs are major hurdles in achieving required growth in the sector. The agriculture sector significantly contributes towards GDP and employment. Government support to the sector in the form of supportive government policies, provision of adequate credit facilities and insurance schemes for small farmers can result in a stable growth and employment in Agri-value chains leading to reduction in unemployment caused by the COVID-19 pandemic.

Social

The COVID-19 pandemic has exposed the weaknesses of our health and social systems and the insubstantiality of our economies. Halt in economic activities on account of lockdowns and strict SOPs coupled with inflation, loss of jobs and reduced disposable income hindered the reduction in poverty level in Pakistan. The vulnerability of daily wagers and low income groups to hunger and poverty increased during the year. Increased poverty level has resulted in lack of access to health facilities, food, education, clean water and sanitation for the under-privileged population. The social, environmental and economic challenges in the shape of limited resources, especially water scarcity, climate change, urbanization, rising inequality and growing unemployment are major social problems posing risk and opportunities for businesses. These issues are creating challenges for the government to provide basic facilities to this segment of the population and work for the betterment and uplifting of lives through employment opportunities. However, government initiatives for youth entrepreneurship, skill development, affordable housing schemes and incentives to businesses especially construction sector are expected to utilize the unemployed youth, provide entrepreneurship opportunities and will result in bringing prosperity to the society. The recent initiative of the Government to extend EHSAAS Program's outreach to include more vulnerable groups during pandemic has resulted in overcoming hunger problems and mange social disrupt. Businesses are also expected to explore opportunities underlying the problems for capitalizing and supporting the government for a prosperous and a peaceful society.

Refer to page 172 and 184 to read our work in communities.

Environmental

The COVID-19 pandemic has wreaked destruction in countries across the globe, causing global health crises and slowing down of economies. It has also impacted the environment in an intriguing way by reducing CO2 emissions globally. However, the economic recovery aimed at protecting jobs and boosting growth need to be planned with longer-term strategic goals to mitigate climate change and support climate change adaptation and resilience. Climate change is one of the biggest threats to humankind causing the increase in number and intensity of storms, floods, droughts - affecting crops' growing patterns resulting in productivity loss and pushing up food inflation and hunger – coupled with other climate-related natural disasters pointing to a problem that has already arrived. Globally, the Task Force on Climate-related Financial Disclosures (TCFD) requires business and especially financial institutions, to come up with strategies to manage the climate change and report the recommended disclosures to enable stakeholders for informed decision making. Depleting gas reserves, reduced fresh water level coupled with high temperatures, fog and smog are posing risks to business in the form of scarcity of shared water resources, health and safety issues as well as increasing costs. Initiatives as well as strategies are required for the effective management of water usage, reducing CO_2 emission and proper handling of waste and effluents. However, on the other hand, climate change is also resulting in opportunities in the form of adoption of greener technologies, research and development, to offer products with minimal environmental impacts and promotion of crops compatible with changing weather patterns requiring minimum water.

Refer to page 186 and 193 to read our environmental management approach and impacts.

Technology

The agriculture sector in Pakistan is performing below expectations on account of traditional cultivation and harvesting methods. Use of technology in Pakistan's agriculture sector is much below the desired level owing to capacity constraints and a lack of awareness among the farming community.
Technology has been helping the world's agriculture in areas of yield, growth and related processes from sowing to harvesting the crops, including use of balanced fertilizer, irrigation techniques and pest control etc.
The low level of farm mechanization poses a challenge as well as opportunity for FFC to increase the per acre yield by promoting farm mechanization.
The Company is focused on helping the farming community to improve yield of crops ensuring better returns and achieving the ultimate goal of national food security through its farmer advisory and newly established Farmers Agricultural Center of Excellence.
Governmental focus is also required to address the gap between conventional farming and the technology driven agricultural practices, to strengthen the backbone of our economy and socio-economic uplift of rural population.

Refer to page 168 to read our work with farmers on farm mechanization.

Regulatory

The lunch of PSX's Minimum SDGs reporting requirements for listed companies along with ongoing international debate on non-financial reporting, reporting on risks resulting from climate change based on recommendation of Task Force on Climate-related Financial Disclosures (TCFD) and the forthcoming National Responsibility Framework in Pakistan are expected to introduce new codes and regulations in Pakistan. The increased regulatory requirements in this regard will shape the agenda for the corporate sector and will increase the cost of compliance. This also results in opportunities for companies to adopt best practices beforehand to tap the opportunities provided by SDGs as well as managing risks to gain competitive advantage in the marketplace.

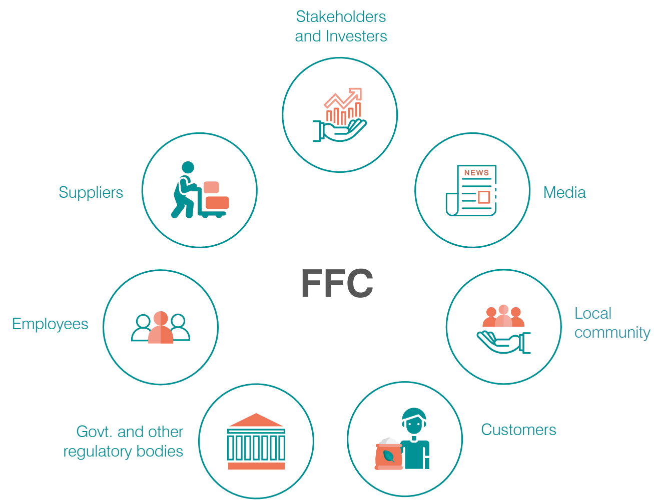
Refer to page 144 to read our work on embedding SDGs.

STAKEHOLDERS' ENGAGEMENT

We understand that our success depends on the degree to which we deliver value to our stakeholders. Our continuous commitment to engage with our stakeholders, helps us to understand their concerns, devise appropriate strategies and deliver to their expectations.

Stakeholders' Engagement Approach

Our stakeholders' engagement approach focuses on identification of relevant and important stakeholders by taking into account those groups or individuals which can be significantly affected by our business activities, outputs or outcomes, or whose actions can be expected to significantly affect our ability to create value over time. These are profiled, mapped and prioritized for consultation based on factors of influence, responsibility, proximity, dependency, willingness to engage and representation. We consult with our stakeholders on continuous basis through relevant departments.



Customer Satisfaction Survey

Customer overall satisfaction

January 2020	9.59
January 2019	9.57
June 2020	9.60
June 2019	9.71

Creating sustainable value over different time horizons requires understanding of the concerns and expectation of our stakeholder and devise strategies to meet their expectations. The Agri-service department provides continuous support to farmers on a balanced use of fertilizer, soil analysis and gathers feedback from farmers and dealers on defined parameters.

Customer satisfaction surveys are conducted on a biannual basis. The surveys contains questions to gauge the level of customer satisfaction on aspects of quality, operations and products offered by focusing on the entire product portfolio across the marketing area network of Pakistan. During the year, two customer satisfaction surveys were carried out in January and June 2020 respectively. The surveys were conducted by selecting dealers as a sample size from the entire marketing area across Pakistan, covering all 13 FFC regions.

satisfaction level with respect to warehouse operations, general environment and Health & Safety measures at warehouses.

More than 97% satisfaction level with FFC's Soil Analysis Facility.

More than 90% farmers, who followed recommendations, witnessed an increase in yield.

Stakeholders' engagement approach

Shareholders/Investors

Shareholders are regularly engaged through corporate affairs department. The shareholders are focused on consistent economic returns and managing impact on environment and society. We are making continuous investments on plants, diversifying in different business segments, investing in cleaner technologies and extending the CSR program to ensure consistent returns with minimal negative impact.

Employees

Employees are regularly engaged through Annual Marketing Conference (AMCON), zonal meetings, annual recreation day, annual dinner and meetings with CBA. Employees are concerned on training and education opportunities to increase skill set and health and safety of workforce and families at plant sites especially in the wake of COVID-19 pandemic. We are focused on extending trainings as well as increased participation in existing training programs, ensuring strict implementation of COVID-19 pandemic prevention SOPs and making persistent investment for better health and safety of our workforce.

Local Community

Local community is regularly engaged through plant site employees and community meetings. Local community interests are investment in education, skill development and health and infrastructure development. We are continuously making investments in education, skill development and health and infrastructure development at our communities through our CSR program.

Farmers / Customers

The customers are regularly engaged through Farm Advisory Services (FAS), customer satisfaction measurement surveys, dedicated help line and "Kashtkar" Desk. The important issues raised pertain to the new products and support to farmers through FAS. Our research and development with leading institutions coupled with our work at FAS explores new farming techniques for increasing productivity and building farmers' knowledge through SMS, publications and dedicated helpline.

Suppliers

Suppliers are engaged on regular/ occasional basis through surveys, request for proposal and supplier code of conduct. The important issues raised are trainings on supply chain sustainability requirements introduced by FFC. We are focused on providing support for smooth execution of our work to promote sustainability in the supply chain.

Distributors

Distributors/dealers are engaged regularly through the marketing department. The dealers' capacity building on product development is the prime concern, which is handled through effective and efficient marketing communication and outreach to increase dealers' knowledge.

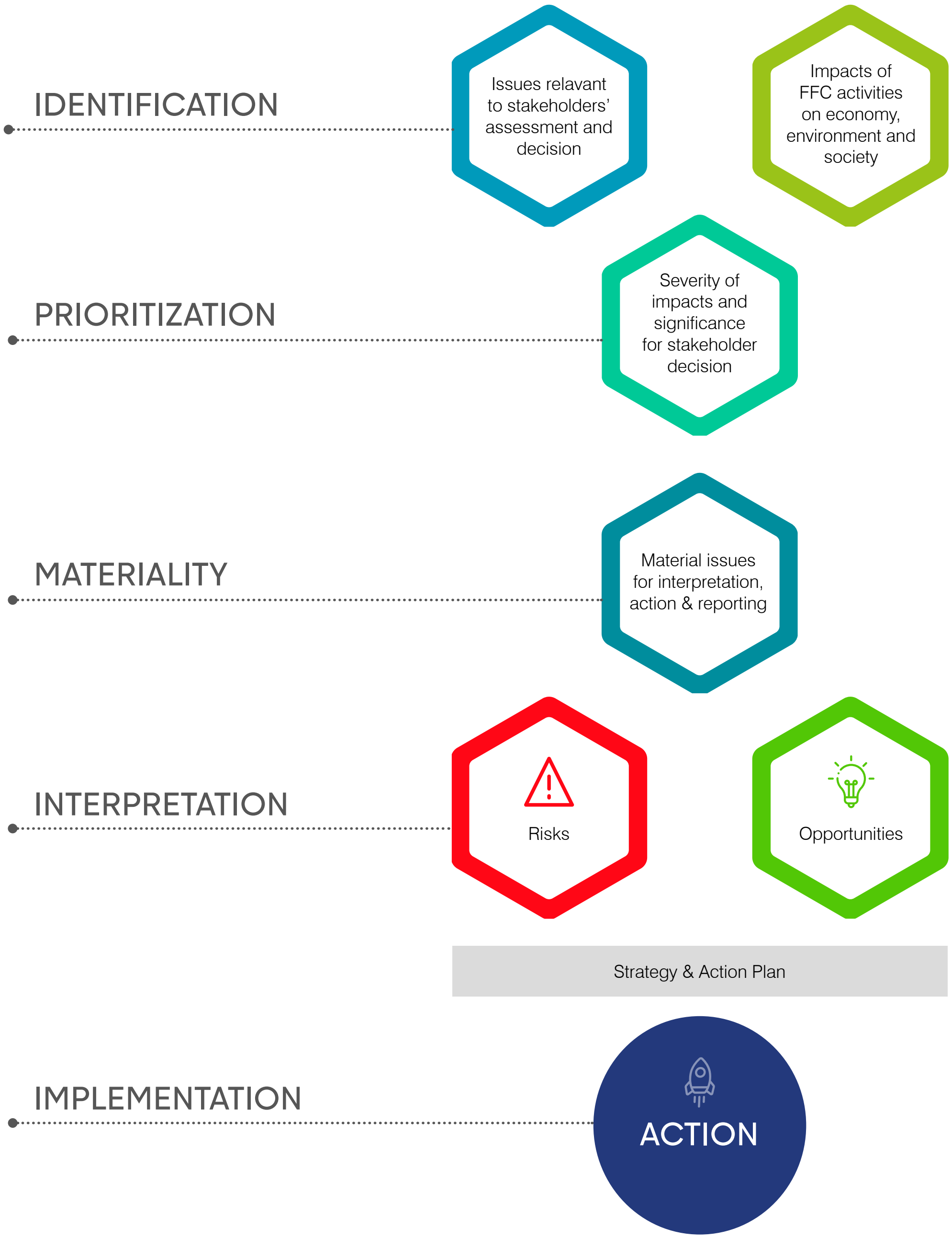
Government & Regulatory Bodies

Government and regulatory bodies are engaged on regular as well as on case to case basis through meetings with government officials and representations in various events concerning company business. The prime concerns are compliance with applicable laws and partnerships for development. We always abide by the applicable regulations and are focused on exploring possible ways for partnership for sustainable development.

Refer to page 162-163 to read how we used stakeholder concerns to determine material matters and pages 168-189 for details on how we responded to stakeholders' concerns, created and delivered value

MATERIALITY ASSESSMENT

Our value creation strategy is focused to benefit all of our stakeholders which requires us to timely identify and prioritize risks and opportunities and define our approach to manage our contributions and impacts.

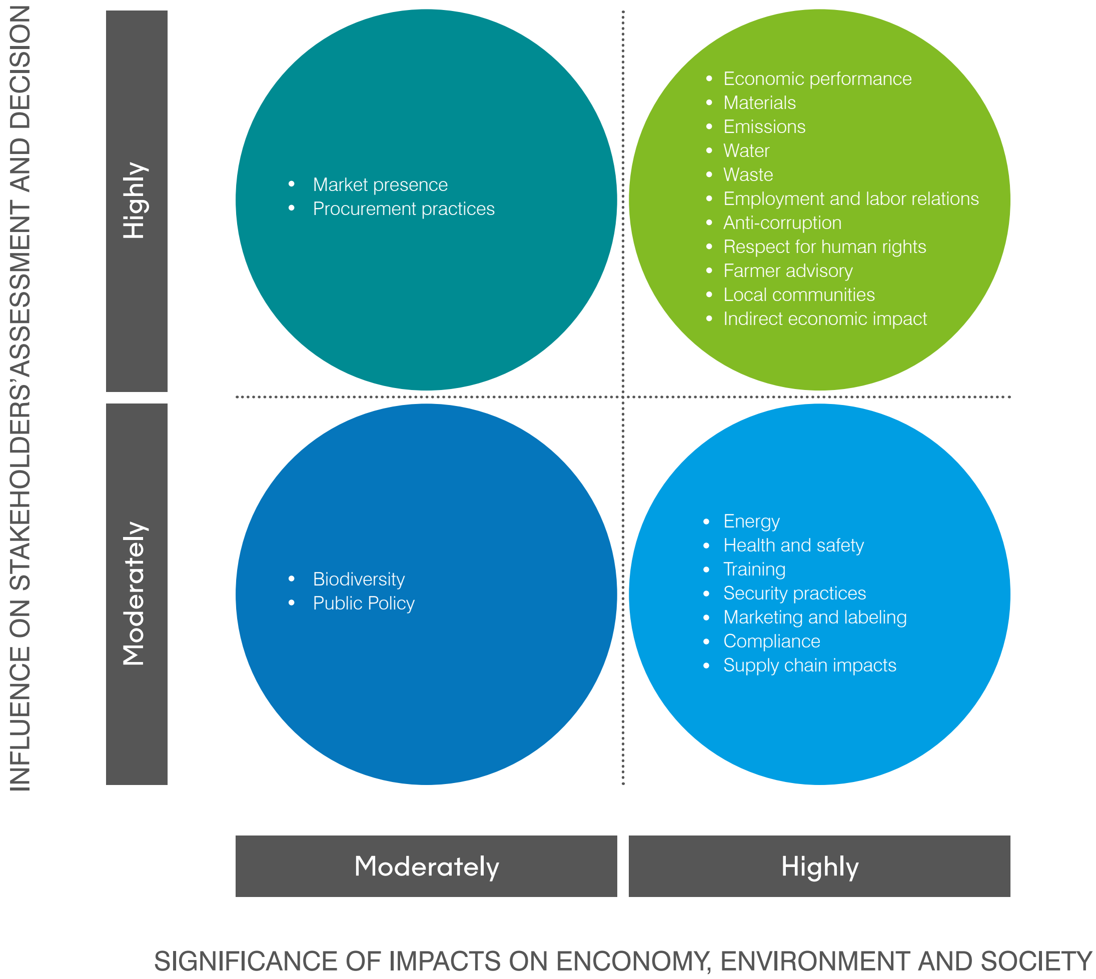


Defining report content

The reporting principles of sustainability context, materiality, completeness and stakeholders' inclusiveness were used during identification, prioritization and validation of material topics.

Based on the results of stakeholders' engagement and review of industry specific issues and internal analysis, a materiality analysis was carried out to identify/update the material sustainability issues. This analysis has allowed us to identify the most relevant topics which reflect our significant impact, greatly influence our value creation ability and the assessments and decisions of our stakeholders. Through the materiality analysis, we consider the severity and likelihood of such a potential risk and establish relative risk levels to guide our mitigation activities. Compliance with laws, international standards, internal regulations and FFC's code of conduct are basic requirements for all activities as part of the precautionary approach. The validation of material topics was carried out by the CSR Committee which is responsible for sustainability related activities. FFC plans to refresh materiality analysis in the year 2021 to update the list of material topics based on work of embedding SDGs into corporate strategy and policies. Accordingly, no specific engagement was carried out during the year 2020 as part of the report preparation process.

The material topics are the typical kind of activities which successful chemical companies develop, such as plant, process and product safety, environmental protection, health and safety and investment in education and uplift of the community. Although FFC is a leader in all these areas in its sector, it is still focused on moving ahead for playing its role in sustainable development.



The matrix is divided up in areas to show topics with high and moderate impact of FFC's activities and topics which are highly and moderately relevant to its stakeholders. The content and scope of this report is also derived from this matrix.

Refer to page 168-189 and 193 to read details on how we manage material topics and our performance.

BOUNDARY OF MATERIAL TOPICS

The boundaries for material topics have been identified on the basis of their impacts whether occurring within or outside the organization. The reporting principles for defining report content have been used while identifying the boundaries for material topics.

Material Topic	Why it is material?	Boundary
Economic performance	Critical for economic contribution and ability to deliver value to stakeholders	FFC, investors, government, local community
Materials	Depleting raw material resources affecting finite resources	FFC, suppliers
Emissions	Impact of emission of Green House Gases (GHG) on climate change	FFC, suppliers
Water	Depleting water reserves leading to water scarcity	FFC, customers, local community
Waste	Environmental impacts through incineration, dumping and discharge of hazardous and non-hazardous waste	FFC, suppliers
Employment and labor relations	Diversified workforce for better productivity, compliance with laws and regulations and international charter and conventions	FFC, suppliers
Anti-corruption	Impact on competition and negation of competition and equal opportunity rights as defined in international charters and conventions	FFC, investors, suppliers
Respect for human rights	Impact on the basic rights of people defined in international charters and conventions and FFC's commitment to internal charters and initiatives	FFC, suppliers, customers, local community
Farmer advisory	Increased farm productivity through farmer capacity building leading to economic development	FFC, customers, local community
Local communities	Impact of operational activities and developments around plant site for economic development	FFC, local community
Indirect economic impacts	Skills and knowledge, jobs in the supply chain and new businesses resulting in economic development of the area	FFC, local community
Energy	Environmental impact of CO_2 emission during energy production	FFC, our suppliers
Health and Safety	Impact on health of workforce affecting productivity and compliance with applicable regulations	FFC, suppliers, customers
Training	Impact on the ability of the workforce to effectively contribute to operational success leading to the effectiveness of the organization's ability to create value	FFC
Security practices	Compliance with basic human rights as defined in international charters and conventions	FFC
Marketing and Labeling	Compliance with laws and regulations	FFC
Compliance	Compliance with laws and regulations	FFC
Supply chain impacts	Impacts on environment and society due to activities of supply chain partners	FFC, suppliers, customers
Market presence	Economic contribution and job opportunities for local community	FFC, local community
Procurement practices	Economic contribution and creation of business opportunities through local procurement	FFC, suppliers

FFC has witnessed a positive progress on material sustainability issues over the period through efficient water usage, improvement in energy consumption, better health and safety facilities and intervention in the fields of health, education and poverty alleviation in the local community.

STRATEGY AND RESOURCE ALLOCATION

Sustainable value creation can only be achieved through an efficient use of our capitals, meeting our customers' expectations, promoting responsible production and product consumption and treating environment and people fairly and with respect. This approach opens up opportunities and sets us apart from our competitors resulting in a higher level of revenues, customer appreciation, acceptance and increased product demand.

Our strategy and management of the value creation process help us to maintain our reputation among investors, be they shareholders or providers of debt capital, customers and our business partners. Our investors appreciate the fact that their investment is designed to generate value over different time horizons. Although the initial investment on sustainable value creation is higher, careful planning and implementation leads to generation of higher revenues which offset or exceed the initial investments in the medium to long-term. Our investment in sustainability aims to minimize the quantity of material we use and cut overall costs, make the company qualified to attract highly-skilled employees and investors, improve product quality and the company's image amongst its customers while reducing negative impacts on environment and the society. As such, sustainable value creation strategy, in its broadest sense, has become a key criterion for good corporate governance.

Our strategy is the corner stone of the value creation process and guides our people to deliver sustainable value over short, medium and long-term.

Refer to page 150-152 to read our governance approach for sustainable value creation.

We envisage sustainable value creation as a process of change in which use of resources, goals of investment, direction of technological development and institutional changes are not only in synchronization with each other but also increase current and future potential to create value. Our strategy is also aligned aligned with SDGs by allocating resources to manage our impacts on the SDGs with our product improvement, our expert Agri-services and our investments. To further refine our strategy in the changing external environment, we initiated process of embedding relevant SDGs into our corporate strategy and policies.

Refer to page 144 to read our approach on embedding SDGs.

Refer to page 172 and page 185 to read our projects of Food Security and Sustainable Agriculture, Community Uplift and Financial Inclusion Programs which manifest our strategy to contribute SDGs through our products, expertise and investments.

We have developed programs, initiatives, and long-term measures in all key areas as a means of achieving the goals which we have set for ourselves whilst also increasing the benefit for all stakeholders. As a leading fertilizer manufacturing company, we do not limit our sustainability efforts in compliance with statutory regulations but have also committed to an ethical and sustainable conduct in all of our commercial activities. All our actions comply with the applicable laws, principles laid down in the UN Global Compact and our internal code of conduct. We strive for a business culture of continuous improvement, sustainable competitiveness and top performance in line with our ethical standards. In all of our activities, we put emphasis on environmental protection and safety. We are continually striving to improve in terms of economic, environmental and social sustainability to create value through efficient use of our capitals.

166

Describes how we create and share value with our stakeholders through our different roles as a manufacturer, employer, business partner, and a socially responsible company.

HOW WE CREATE AND SHARE VALUE?

HOW WE CREATE AND SHARE VALUE?

Our value creation strategy is focused to benefit all of our stakeholders which requires us to timely identify and prioritize risks and opportunities and define our approach to manage our contributions and impacts.

FFC Value Chain

Our value chain begins with capital we require for business from shareholders and financial institutions.

We allocate capital to run our operations and invest in areas which offer best prospects for growth and long-term returns.

We source raw materials and related supplies from our reliable supply chain partners.

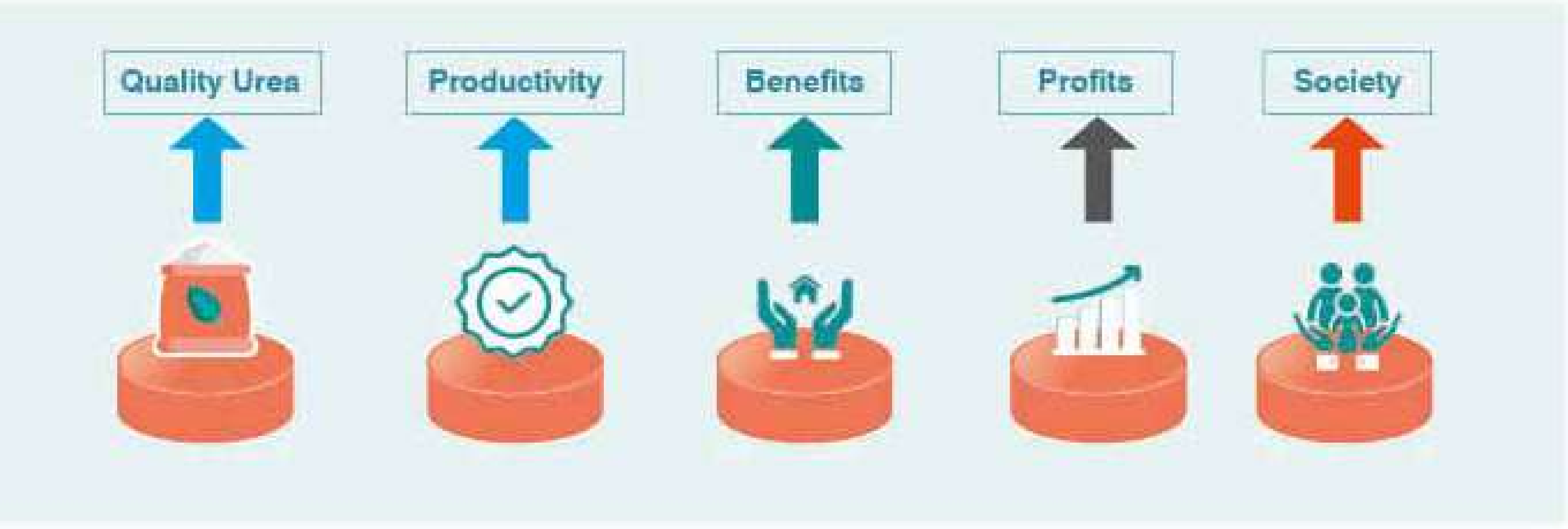
We utilize the raw materials to manufacture quality products for our customers.

We employ talented and best of class workforce. We equip them with skills, training and equipment.

We utilize their skills, and expertise to manufacture, price and market products for customers.

Our customers buy our products and entrust money to us.

We utilize this money responsibly to manufacture products and make investments.



Through our products, we help customers to increase crop yield, farm productivity and earnings to bring prosperity.

Through our Agri. Services, we disseminate complete production technology of crops and promote balanced fertilizer with provision of free of cost soil and water analysis to increase productive potential and earning.

From the profits we earn, we pay competitive salaries and benefits to our workforce.

We earn profits, which we share with our investors in the form of dividends and financial charges.

We contribute to the society through our tax payments, payments for goods and services we buy and our support and investment in local community through our CSR programs.

Refer to page 168-171 to read our activities to promote balanced fertilizer use and enhance productivity.

Refer to page 174-182 to read our role as a responsible employer.

Refer to page 50-80 to read Directors' Review of our financial performance.

Refer to page 184-185 to read our work in communities.

HOW DO WE CREATE AND SHARE VALUE AS A MANUFACTURER OF

Producing Quality Fertilizer

Our business activities of producing, marketing and distribution of quality fertilizers help us to create value for our stakeholders and economy. The products are additives for better crop yield. Although there are negative environmental impacts associated with production and use of the product, these are being managed carefully in the production and use phase. Our purpose is to protect and enhance productive potential of farms and our end consumers' earnings. We have millions of customers in Pakistan ranging from small farmers to large farm holdings. To meet the expectations of our customers and in line with our strategy, we are committed to producing only quality products which correspond to the international environment and safety standards. Constant monitoring and regular reviews are carried out on all business aspects and processes in order to ensure that they continue to conform to our commitment to produce environment friendly quality products. The monitoring of quality and performance is an integral part of our business processes and strategic planning. External certification of health and safety of production systems is performed regularly. The results are used in the evaluation of our approach and related adjustments in processes are carried out, where required. Product responsibility lies with the manufacturing department and the Chief Executive & Managing Director overviews all functions of the company so as to deliver quality products to our customers and create value for our shareholders.

FFC makes sure that employees, customers, general public and the environment can rely on the safety of its products throughout the entire product lifecycle. Regular trainings are conducted covering aspects related to health & safety of production processes and product quality. Standard weight of fertilizer bags is ensured and regular quality analysis of product samples is performed in respect of average prill size, biuret, moisture, crushing strength and total fitness. FFC made assessment of health and safety impacts of all products during the year in order to identify improvements and support its commitment of producing environment friendly quality products. During the year, our products were in compliance with regulations and voluntary codes concerning health and safety impact of products.

CASE IN POINT

Neem Coated Urea (NCU)

To address loss of fertilizers during application phase and reduce burden on finite resources and environment, FFC is carrying out research to develop Enhanced Efficiency Fertilizer (EEFs).

FFC developed "Neem Coated Urea (NCU)" which results in enhanced crop productivity with less fertilizer use. Fertilizer Research Centre (FRC) Faisalabad's research on NCU showed that the lower dose of the NCU is more effective than the higher in controlling the activity of microbes in soil and enhancing the nutrients use efficiency in corps. According to FRC research on different crops in various climatic zones of Pakistan, the NCU applied at 90% of the recommended of the plain urea provided better yield due to high nitrogen uptake from soil and its translocation in the plant's body. The high efficiency of the low dose of NCU has also been proved recently by NIAB through research study in rice crop.

Investing in Better Farm Productivity

Our long-term success and growth depends upon prosperity of farmers who are main users of our products. Over the years, we have built a loyal customer base through our continuous commitment and investment in farm advisory which promotes the brand in the marketplace and creates value for FFC and farmers. We follow an integrated approach of agronomic, extension and soil testing activities for accomplishing the objectives of Farm Advisory Services. Our agronomic activities include laying out crop demonstration plots and conducting fertilizer trials in farmers' fields while extension activities include agricultural seminars, farmer meetings, group discussions, field days, training programs and farm visits. Our soil testing service is a valuable tool to identify soil problems and to propagate appropriate and balanced use of fertilizers. In order to ensure incessant support to the farming community, we continuously invest in our Farm Advisory Services. We operate 5 Farm Advisory Centers (FAC) and 21 Agri. Services Offices (ASO). A Farm advisory Center comprises of a team of professionals fully equipped with modern and sophisticated computerized soil & water testing laboratory and a demonstration van with high tech audio visual equipment. It operates for 4-5 years in an area providing guidance in line with area crops and socio-economic position of the farmers. We maintain close liaison with research organizations to transfer the latest findings to the farming community through our farm advisory services. The experts and professionals from agricultural institutions and government departments are invited to deliberate upon problems of the farming community. We are collaborating with various national and international companies and academies on R&D activities including University of Cologne, Germany, University of Nottingham, UK, Rothamsted Research UK, Solvay, Belgium and NARC Islamabad. FFC is operating Fertilizer Research Centre at Faisalabad as a testing and evaluation platform for newly developed products. Our R&D activities are focused on development of value added fertilizer products i.e. slow release fertilizers, biologically enhanced fertilizers, micro nutrients impregnated fertilizers and N-inhibitor fertilizers to improve farm economics for the farmers. The R&D activities also take into account environmental impact of use of products and focused on controlling nitrogen release from granule in a manner that matches crop growth requirement thus directly addressing the issue of Planetary Boundaries https://www.stockholmresilience.org/research/planetary-boundaries/planetary-boundaries/about-the-research/the-nine-planetary-boundaries.html.

The planetary boundaries concept presents a set of nine planetary boundaries within which humanity can continue to develop and thrive for generations to come. Crossing these boundaries could generate abrupt or irreversible environmental changes. Respecting the boundaries reduces the risks to human society of crossing these thresholds.

5
Farmer Advisory Centers

21
Agri. Service Offices

During COVID-19 pandemic, Agri-services team successfully accomplished business objectives by converting COVID-19 challenges into opportunities. The Agri-services team generated new ideas and initiatives during pandemic and lockdown to complete all field activities by observing SOPs and enhancing farmer's connect through distant advisory means. The message of Corona SOPs remained agenda point during technical and advisory sessions of farmer groups to inculcate the sense of care among farmers for safeguarding themselves during the pandemic.

Number of farmers reached by Agri-Services activities

	2020	2019
Farmer Meetings	344	373
Crop Seminars	48	42
Farm Visits	4.876	4.715
Training Programs	44	43
Crop Demonstrations	122	122
Field Days	99	103
Group Discussions	756	583
Soil & Water Samples Tested	16,433	15,663
Total Outreach through above mentioned Agri-service activities	**47,019**	**59,025**

59,330
Booklets/flyers distributed

26,000
Newsletters distributed

61,911
Growers were briefed in Urdu on crops' cultivation methods

401
Farmers requested for soil analysis facility and advisory on crops through Kashtkar Desk on FFC website

719
Calls received and advice provided

Crop Literature & Crop Documentaries

Crop literature (in national language) covering complete production technology, fertilizer dosage, timing and method of application for all major crops, vegetables and fruits grown in the country are developed and updated on regular basis. The Agri-services department has developed 23 booklets/flyers especially, - the "Fertilizer Guide Book" and "Fertilizer Recommendation Book" - for disseminating information about fertilizers and their use for different crops. The booklets/flyers are printed in Urdu language to overcome language barriers and ensure mass outreach. Agriculture newsletters are published quarterly in Urdu language to refresh farmers' knowledge regarding seasonal/on-going crop operations. Brochures of various crops, orchards and vegetables are distributed among the farmers during various Agri-services activities. Moreover, Short Messages Service (SMS) about different agriculture related issues and recommended practices are also sent to farmers on the mailing list. A dedicated helpline service (0800-00332) is established to further strengthen FFC's contact with the farming community, prompt interaction regarding their emergent field issues and suggesting solutions within the shortest possible time.

Crop production documentaries have also been developed and updated to educate farmers on different farming techniques. Our Agri-services team regularly participates in various talk shows organized by Radio and TV stations to discuss production technology and balanced fertilizer use for major crops. Apart from updating sugarcane, cotton, rice & wheat documentaries, a new documentary on maize crop was developed and all documentaries were telecasted before crop season to apprise the farmers on the balanced use of fertilizer and farming techniques. Our Agri-services team also participates in various activities organized by different institutions for imparting knowledge on fertilizer usage, its impact in overcoming soil deficiencies and better health. We have a professional, trained and experienced team to render advisory services in different agro-ecological zones and are committed to playing a leading role in the economic uplift of our key stakeholder.

CASE IN POINT

Bizifed Project - Agriculture Linked Human Nutrition

Zinc deficiency is a major problem in ensuring Good Health and Well Being. In Pakistan more than 40% population is deficient in zinc mineral since cereals and other foods are being grown on zinc-deficient soils across the country. Zinc deficiency is preventable at country scale by use of zinc fertilizers, coating of zinc on widely used urea fertilizer or through development of crop varieties that accumulate higher amount of zinc in eatable portions, e.g., grains. With financial support of Melinda & Bill Gates Foundation, zinc rich wheat variety (Zincol-2016) has been developed and released in 2016 by Pakistan National Agriculture Research Centre. A cross-disciplinary consortium of UK based scientists in collaboration with Khyber Medical University and FFC are working to test whether zinc-deficient population could really get benefit through consumption of flour made from Zincol wheat.

A spatial modelling study was carried out during 2019-2020 to integrate soil and crop data, together with environmental covariates, to enable prediction and mapping of the variation in wheat grain zinc concentration due to soil properties, farmer management and wheat variety. FFC joined as partner in BiZiFED2 Project (Biofortified Zinc and Iron Flour to Eliminate Deficiency) funded by Global Challenges Research Funds UK to understand complex relationship between soil, crop, and human for transfer of essential minerals like zinc and iron. Other project partners include University of Nottingham, London School of Hygiene and Tropical Medicine, British Geological Survey, University of Central Lancashire, Abaseen Foundation PK/UK, and Khyber Medical University. FFC responsibilities included selection of farmers in wheat growing regions across 36 districts of Punjab.

FFC selected a total of 2,880 farmers on total 720 locations and Zincol wheat sowing was completed at all unique locations. Farmers were interviewed for their preferred wheat choice and farm practices that could affect their nutritional quality with special focus on zinc and iron. Wheat grain samples coupled with soil were collected for onward shipment. Besides sampling, the information of farmer, site and crop of each farmer was collected in the Kobocollect app using the tablet. The samples were processed at FRC Faisalabad before shipment to University of Nottingham, UK. All Necessary protective measures were adopted (with zero infection rate) in field and at FRC during completion of the sample collection activities. All protective measures were applied during training to field staff, sample collection and coordinating with farmers. The staff were also provided with PPE's and SOP for ensuing safety. Zero case of COVID-19 occurred as a result of strict preventive measures.

The research project findings are expected to be utilized by policy makers in making strategies to address human zinc and iron deficiencies in Pakistan directly contributing to **SDG2 "Zero Hunger"** by achieve food security and **SDG 3 "Good Health and Well Being"** through improved nutrition and promoting sustainable agriculture.

CASE IN POINT

NPK Trials to Promote Balanced Use of Fertilizer

To optimize balanced use of fertilizers keeping in view farmers' budget allocation for the wheat crop and soil analysis results, FFC Agri. Services Department laid out wheat supervisory demonstrations at Twenty one (21) small to medium level surveyed farmers from 21 Agri. Territories. Balanced fertilizer recommendations were developed by adjusting fertilizer dose keeping in view farmers' fertilizer budget allocation for the current wheat crop. The data of trails showed encouraging results balancing NPK usage within farmer's budget. New study on wheat and potato crops during Rabi 2020-21 is also under way to revalidate the previous data. Twenty-two (22) wheat plots and eight (8) potato plots have been sown for study on balancing NPK.

CASE IN POINT

Promotion of Bio-Fortified Wheat Variety

FFC is an Official promotional partner of HarvestPlus to propagate the nutrient (Zinc) fortified Wheat Variety Zincol in the country. The program objectives are to disseminate micronutrient rich varieties of staple food crops to reduce hidden hunger, offer improved food security and higher income. Agri. services under BiZiFED II project distributed 25 kg bio-fortified wheat seed variety (Zincol) for half acre among farming community on 720 locations across the Punjab province to create awareness on the subject and multiply the seed at farmers' level after harvest.

We support efficient use of products to increase production and returns

Support in production lifecycle through Agri. services activities

Global Soil Laboratory Network (GLOSOLAN) Affiliation for FFC Soil Testing Labs

FFC Soil & Water Testing Labs (FFC Soil Testing Labs) are registered with GLOSOLAN. The objective of GLOSOLAN is to facilitate networking and capacity development through cooperation and information sharing between soil laboratories with different levels of expertise. Analysis and evidence-based decisions are essential for achieving Sustainable Soil Management (SSM), which in turn is vital to the achievement of food security and nutrition, and to the Sustainable Development Goals. Our participation in this network will will help to promote food security and nutrition which are of prime importance for achieving economic development.

We measure the impact of use of our products, activities of Agri. services and the resultant value addition through economic analysis/Value Cost Ratio (VCR) for major and minor crops which elaborate production cost and net income of the produce at our crop demonstration plots which are laid in the entire marketing area.

Value Cost Ratio (VCR)	2020	2019	2018
Major crops (Wheat, Rice, Maize, Cotton, Sugarcane)	2.0 – 3.1	2.6 – 3.0	1.7 – 4.9
Minor crops (Sunflower, Tobacco, Potato, Citrus)	2.5 – 3.7	2.0 – 3.1	1.9 – 4.6

FOOD SECURITY AND SUSTAINABLE AGRICULTURE

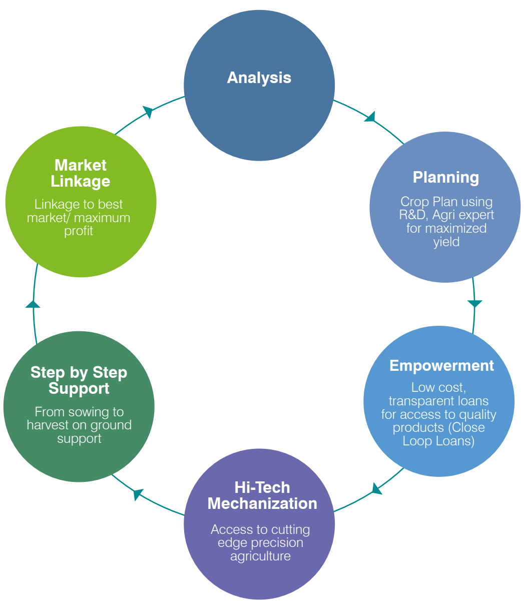
Climate change has resulted in severe weather patterns adversely affecting agriculture sector productivity and causing issues of food availability, reduce access to food and food quality. In line with its mission to create shared value and to play its role for sustainable development, FFC has embarked upon a program addressing the issue of food security through promotion and implementation of Sustainable and Climate-Smart Agriculture practices. The program includes establishment of Food Security & Agriculture Centers of Excellence (FACE) across Pakistan to offer a wholesome solution to the farmers and local community in form of Sustainable Agriculture and Economic Empowerment Services.

A comprehensive, all-encompassing program for the Food Security Cycle is devised to address the issue of food security and sustainable agriculture. Through Agri-services departments, services to the farmers will be provided starting from land preparation, soil and water analysis, crop plan, low cost loans, hi-tech agriculture practices, continuous support and market linkage for fetching better price for their crops.

The social welfare elements of the program for the farmer, the household and populace at large include quality education, healthcare, vocational and training programs, women empowerment programs, livestock management and dairy processing. The food security services along with social welfare elements will add value to the wellbeing and prosperity of the farmers through provision of these services at the center. Sustainable agriculture and economic empowerment services directly contribute to SDG 1, 2, 3, 4, 5 and 13.

Food Security Cycle

Land Preparation, Soil, Water, Micro Nutrition Testing



Agriculture

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

Health

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

Education

Bridging gaps and constraints to provide free and quality education to farmer children.

Financial Assistance

Extending financial support to farmers through:

- Internet free loans
- Agri finance facility
- Awareness to Govt.
- Financial packages

Women Empowerment

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

Human Resource Development

Capacity building of farmers on:

- Modern Agriculture
- Technologies
- Farm Machinery
- Management
- Climate change
- Disaster risk management
- Smart use of farm inputs

Veterinary Assistance

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

Youth Development

Providing farmer children with unique opportunities to acquire sustainable skill development knowledge and generate icome based livelihoods.

The first Food Security & Agriculture Centers of Excellence (FACE) was operationalized last year in South Punjab (Rahim Yar Khan, Ahmedpur Lamma) region. The construction of the first FACE solar powered building at Ahmedpur Lamma is in progress and will be completed in the first quarter of 2021. The program has been recognized locally and internationally as a milestone initiative addressing to a wide spectrum of needs pertaining to social, economic, agricultural and environmental issues.

Head FACE interviewed as a representative of women taskforce from South Asia at Global Fertilizer day celebrated by IFA

FACE Food security initiative was covered through an exclusive article in Pakistan and Gulf Economist.

Partnerships with different organizations were established by FACE under our vision of promoting the FACE as a central hub for activities for all likeminded stakeholders.

CASE IN POINT

Training since launch of FACE

- 41 training sessions (1056 participants) in collaboration with partner organization have been provided on advance farming practices and climate resilient agriculture to increase per acre yield, improvement in crop quality, balanced use of natural resources and N-management
- 95 training secessions (3500 participants) on community uplift, Agri and social harmony

CASE IN POINT

Loan for livestock, diary, poultry and kitchen gardening programs and empowering women

Livestock loans of 139.5 million to 93 applicants are sanctioned so far out of which 30 are women. The objectives are empowering women and ending food insecurity and provide sustainable food supply chain.

CASE IN POINT

Provision of low interest rate loans

Till date, an amount of 2.4 million has been disbursed against 96 cases of soft loans to registered farmers through closed loop model thus ensuring crop monitoring / supervision till disposal.

CASE IN POINT

Promoting health and education in Communities gardening programs and empowering women

Quality education to poor segments is being provided through establishment of non-formal schools, formulation of education plans for Government schools, mapping of non-school going children and general community awareness. Medical and health camps for the unprivileged communities, mother & child care, TB and population control were arranged at FACE center / medical camps.

CASE IN POINT

COVID-19 relief measures

5500 households were supported through food supplies and hygiene kits sponsored by FACE partners.

CASE IN POINT

Promotion of precision farming

Pakistan's first complete commercial solution is provided to 750 registered farmers for precision farming through state of the art fleet of 13 hexacopters covering 10,000 acres of agricultural land under close loop loan initiative. The precision farming benefits farmers by increasing yield and quality along with better health monitoring of crops beside time saving through the use of different applications like evenly spread pesticides spray.

HOW DO WE CREATE AND SHARE VALUE AS AN EMPLOYER?

Fast pace technological changes, depressed economic growth and work from home in the wake of COVID-19 have affected the dynamics of job market. Understanding and responding to these changes, characterized by a responsive way of working, enables FFC to continually adapt its approach toward tackling these issues. Our operating performance and value creation ability are greatly dependent upon the skills and continued efforts of our people.

We believe in fair management of human capital and ensuring compliance with laws, regulations and our own code of conduct. Our employees are the most important factor for our success not only in the current market environment but also in the future, as their performance alone determines our economic strength and competitiveness. We have a well-defined Human Resource (HR) policy to manage HR priorities, succession planning, recognizing and rewarding the prestigious talent and leadership development. Our aim is to bring the most talented and imaginative people on board, nurture their talent and provide them with the best facilities to exhibit their talent. We have, therefore, drawn up numerous employee advancement and development programs with a wide range of services.

The most senior officer responsible for labor practices is the General Manager Human Resource (HR). The HR heads at the manufacturing unit level report to GM-HR. All aspects of labor practices, i.e., training, non-discrimination, diversity and equal opportunity etc., are closely monitored at the manufacturing unit level as well as at the corporate level. The breach of the aspects is monitored by HR department and adherence to the laws and regulations is discussed frequently and reported quarterly to the HR Committee of the Board. Attracting qualified employees and ongoing employee training and development, both, are of great importance to FFC. We provide our employees with the skills and resources they need to work in an even more efficient and innovative way. We have already set exemplary standards in this area with numerous training programs and a best-in-class in-house training center.

Active management of the human capital is critical to ensuring continuous growth and retaining value creation potential of our business. Our approach is continuously monitored through input from employees at AMCON as well by the Board's Human Resources and Remuneration Committee and input/complaints received through our grievances mechanisms. Based on the inputs and feedback, the management approach is reviewed and updated to ensure a productive environment for our people.

Recruitment & Sourcing | Building Capability | Employee Engagement | Remuneration & Retention

Providing Employment

FFC has employed 3,512 people in our operations including plants, marketing offices and head office. The substantial portion of work is performed by workers who are employees. We do not offer part time employment nor any supervised workers work at FFC. FFC indirectly supports jobs through our suppliers, contractors and distributors. FFC offers the right mix of benefits, rewarding work and career advancement prospects to attract and retain competent people.

During the year, the hiring rate was 11% compared to 6% in 2019 while the turnover rate was 19% compared to 5% in 2019. The employment information has been compiled from management information system and no assumptions were made.

Employees by Employment Type Broken by Gender

	2020		2019		2018	
Full Time	3,415	97	3,365	92	3,266	91
Part-Time	-	-	-	-	-	-
Total	**3,415**	**97**	**3,365**	**92**	**3,266**	**91**

● Male ● Female

TOTAL NUMBER OF EMPLOYEES

2020
3,512 ▲

2019
3,457 ▲

2018
3,357 ▼

2017
3,364 ▲

Employees by Employment Contract Broken by Gender

	2020		2019		2018	
Permanent	3,080	86	3,133	82	3,068	78
Temporary	335	11	232	10	198	13
Total	**3,415**	**97**	**3,365**	**92**	**3,266**	**91**

● Male ● Female

Employees by Employment Contract Broken by Region

Location	2020		2019		2018	
Head Office-Rawalpindi	812	132	805	38	810	32
Goth Machhi Plant	936	94	930	120	934	117
Mirpur Mathelo Plant	710	58	717	67	715	48
Lahore	626	56	682	14	612	10
Karachi	82	6	81	3	75	4
Total	**3,166**	**346**	**3,215**	**242**	**3,146**	**211**

● Temporary ● Permanent

2020

Hiring by Age Group

32% 122 (<20)

48% 184 (30-50)

21% 81 (>50)

Hiring by Gender

98% 379

2% 8

● Male ● Female

Hiring by Location

35% 136 (Head Office)

16% 62 (Goth Machi Plant)

18% 68 (Mirpur Mathelo Plant)

29% 113 (Marketing Office)

2% 8 (Karachi RM Office)

Attrition by Age Group

19% 130 (<20)

16% 105 (30-50)

65% 442 (>50)

Attrition by Gender

99% 670

1% 7

● Male ● Female

Attrition by Location

34% 227 (Head Office)

18% 121 (Goth Machi Plant)

17% 115 (Mirpur Mathelo Plant)

29% 197 (Marketing Office)

3% 17 (Karachi RM Office)

2019

Hiring by Age Group

48%	149	(<30)
34%	105	(30-50)
20%	56	(>50)

Hiring by Gender

97%	301	Male
3%	9	Female

Hiring by Location

9%	29	(Head Office)
50%	156	(Goth Machi Plant)
5%	14	(Mirpur Mathelo Plant)
34%	104	(Marketing Office)
2%	9	(Karachi RM Office)

Attrition by Age Group

50%	159	(<30)
9%	30	(30-50)
41%	131	(>50)

Attrition by Gender

96%	165	Male
4%	7	Female

Attrition by Location

23%	39	(Head Office)
41%	71	(Goth Machi Plant)
14%	24	(Mirpur Mathelo Plant)
21%	36	(Marketing Office)
1%	2	(Karachi RM Office)

2018

Hiring by Age Group

66%	154	(<30)
22%	50	(30-50)
12%	29	(>50)

Hiring by Gender

97%	227	Male
3%	6	Female

Hiring by Location

16%	37	(Head Office)
64%	149	(Goth Machi Plant)
5%	10	(Mirpur Mathelo Plant)
13%	30	(Marketing Office)
4%	7	(Karachi RM Office)

Attrition by Age Group

49%	159	(<30)
10%	30	(30-50)
41%	131	(>50)

Attrition by Gender

97%	310	Male
3%	10	Female

Attrition by Location

15%	47	(Head Office)
63%	202	(Goth Machi Plant)
8%	25	(Mirpur Mathelo Plant)
12%	39	(Marketing Office)
2%	7	(Karachi RM Office)

INVESTING IN OUR WORKFORCE

Investing in our workforce is critical to ensure long-term success. In 2020, we paid Rs. 9,773 million as workforce salaries and benefits compared to Rs. 9,574 in 2019, which makes our workforce an important investment and valuable asset. We pay wages and salaries that are determined by local relevant competitive markets rather than by legally defined minimum wages. However, we exceed the minimum wages threshold at all of our operational sites. Where work is performed through contractors' workers, payment of minimum wages to the contractors' workers is ensured through direct transfer into the accounts of the workers which is duly verified by the bank. During the year, the ratio of standard entry level wages to local minimum wages was 1:1 across all significant locations of operations.

We maintain separate funded pension and gratuity schemes where all obligations of funds are financed by FFC. All eligible employees who complete the qualifying period of service and age are benefited by these schemes. The trustees administer these funds. The annual contributions to gratuity and management staff pension funds are based on actuarial valuation. The defined contributory provident fund is for all eligible employees for which FFC contributions are charged at the rate of 10% of basic salary. The employees also contribute 10% of basic salary to the provident fund. The provident fund may be reimbursed after an employee leaves the organization or may be transferred, as per the convenience of an employee. We spent an amount of Rs. 483 million on defined benefit plan obligations in 2020 compared to Rs. 343 million in 2019. The benefits are provided to full time employees including management and staff. These benefits are not offered to contractual employees.

Workforce salaries & benefits (PKR M)

2020	2019
Rs. 9,773	**Rs. 9,574**

Defined benefit plan obligations (PKR M)

2020	2019
Rs. 483	**Rs. 343**

Employee Benefits

Benefits	Management	Staff
Life insurance	Yes	Yes
Healthcare*	100%	100%
Disability/ Invalidity coverage	Yes	Yes
Parental leave	Only females	Only females
Retirement provision	Yes	Yes
Stock ownership	No	No

*Subject to company policy.

PROVIDING EQUAL OPPORTUNITY

FFC does not discriminate basic salary or remuneration on the basis of gender as benefits are provided according to the type of employment contract. Only female employees are eligible for maternity leave. A total of 54 female employees were eligible for parental leave, out of which 8 female employees availed maternity leave in 2020 compared to 11 female employees who availed maternity leave in 2019. 6 female employees returned to work in 2020 when their parental leave ended as compared to 11 female employees who returned to work in 2019. The return-to-work and retention rate of employees, after availing parental leave was, 100%. Moreover, the female employees who took parental leave and returned to work remained employed for more than 12 months after their return to work.

Employees are rewarded on the basis of performance and their role in the advancement of company objectives. The ratio of basic salary and remuneration of women to men is one to one at FFC. All FFC employees received performance appraisal in 2020. Benefit plan obligations are regularly monitored for relevance, compliance, costs and stability to ensure that the benefits are in line with the operating environment.

DEVELOPING SKILLS AND TALENT

To improve our competitiveness and value creation ability, skills retention and development are crucial. It is critical that we play an active role in supporting the existing workforce through reskilling and upskilling. FFC believes that people learn every day, through experiential, social or formal avenues.

We consider it important that employees have the opportunity to realize their potential and develop a successful career. Based on this thinking and principles of equal treatment and equal rights, internally and externally conducted specialist and interdisciplinary training and qualification measures, are offered to all employees to nurture their talent and knowledge base.

At FFC, HR development framework focuses on training and education of employees, which consists of a three-step-process by first assessing employees' competencies, training them for their job and then encouraging the development of employees through education. This helps to identify skill gaps within the organization and looks to address those gaps ensuring that the right people are in the right jobs for safeguarding long-term sustainability of the company.

Career development opportunities are provided to employees which go beyond training. A formal talent management program exists which help us map employees' skills and match them to new opportunities. This also supports effective succession planning, particularly for senior and other strategic positions within the company. The employees enhance their skill set and get lifelong learning through a management skill development program throughout the career, provision of long-term leave for improving professional qualifications, offshore technical services and deputation to diversified businesses.

Investment on Developing Skills and Talent (Million PKR)

2020	2019
54.7	80

2020

Average Training Hours Per Employee

12,960 Total Training Hours

3,512 Total Employees

3.7 Average Training Hours Per Employee

Average Training Hours Per Male Employee

12,672 Total Training Hours

3,415 Total Male Employees

3.7 Average Training Hours Per Male Employee

Average Training Hours Per Female Employee

288 Total Training Hours

97 Total Female Employees

3.0 Average Training Hours Per Female Employee

Average Training Hours Per Management Employee

6,240 Total Training Hours

874 Total Management Employees

7.1 Average Training Hours Per Management Employee

Average Training Hours Per Staff Employee

6,720 Total Training Hours

2,638 Total Staff Employees

2.5 Average Training Hours Per Staff Employee

2019

Average Training Hours Per Employee

35,632 Total Training Hours

3,414 Total Employees

10 Average Training Hours Per Employee

Average Training Hours Per Male Employee

34,800 Total Training Hours

3,322 Total Male Employees

10 Average Training Hours Per Male Employee

Average Training Hours Per Female Employee

832 Total Training Hours

92 Total Female Employees

9 Average Training Hours Per Female Employee

Average Training Hours Per Management Employee

20,112 Total Training Hours

849 Total Management Employees

24 Average Training Hours Per Management Employee

Average Training Hours Per Staff Employee

15,520 Total Training Hours

2,565 Total Staff Employees

6 Average Training Hours Per Staff Employee

PROVIDING A DECENT, PRODUCTIVE PLACE TO WORK

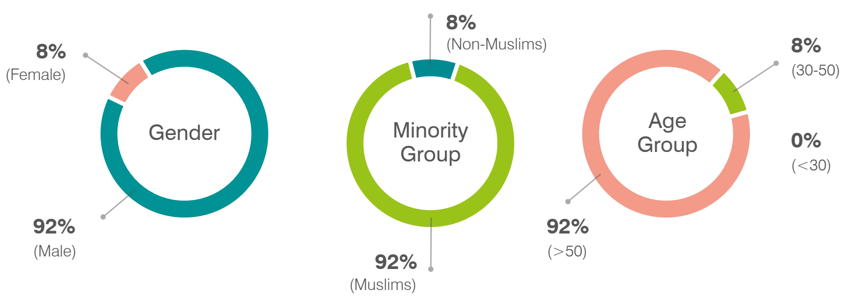
FFC provides a decent and a productive workplace to our workforce to showcase their talent. Consistent health and safety programs and checkups are conducted for employees. These programs include initiatives to reduce stress and injuries at workplace and plant sites. Regular engagement is carried out with collective bargaining agents, works councils and other employees' bodies on employees' concerns related to working conditions and improvements are made based on stakeholders' input. We support rights of freedom of association and all entitled employees are free to join unions and to be represented by a representative of these unions internally and externally in accordance with applicable laws. All staff employees excluding management employees are covered by collective bargaining agreements. The total employees covered under agreements constitute 77.25% of the total workforce. Fifteen days' notice period is served on relocation within plants and three days of joining period is also given on relocation. This information is not specified in CBA agreements. FFC complies with all local statutory and operational requirements with regard to the provision of information to employees' representatives and employees.

We believe diversity strengthens the company, brings in new perspectives, helps drive innovation and ultimately leads to better decision-making. Our employment policy strives for a diverse workforce and aims to find the candidates best suited for an open position. The recruitment of employees is based only on their qualification, skills, suitability for the open position and their individual potential for a successful future at FFC in line with the corporate strategy and objectives. However, as a common practice, while hiring junior level staff/ apprentices at plants, relaxation is given to the local population to encourage the locals. Likewise, in the marketing group, preference to post locals, from among the selected ones, is also given to resolve communication issues/language problems. No senior management employee at locations of significant operation is hired on the basis of location or domicile and no specific quotas for women, specific nationalities, ethnic minorities or special age groups exists for senior management and Executive Committee. All the candidates are evaluated and selected on the basis of the same list of criteria. However, to promote economic independence of people with disabilities, FFC extends employment opportunities to such persons along with special health care and ancillary facilities.

Employees by Gender, Minority Group & Age Group

	Minority Group		Age Group		
	Muslim	Non-Muslim	<30	30-50	>50
Male	98.65%	1.35%	15.23%	55.31%	29.46%
Female	93.81%	6.19%	19.59%	71.13%	9.28%

Individuals in Governance bodies by Gender, Minority & Age



Employees by Employment Category, Gender, Minority Group and Age Group

	Gender		Minority Group		Age Group		
	Male	Female	Muslim	Non-Muslim	<30	30-50	>50
Management	94.62%	5.38%	98.74%	1.26%	16.25%	59.27%	24.49%
Staff	98.10%	1.90%	98.45%	1.55%	15.05%	54.59%	30.36%

INVESTING IN HEALTH AND SAFETY OF WORKFORCE

FFC is committed to the wellbeing of employees by providing a safe working environment. We continue to focus on enhancing safety systems and adopt most recent industrial safety standards to eliminate or minimize the potential harm from the risks and hazards. We always endeavor to educate our employees on health and safety topics to ensure maximum level of health and safety of our work force. Health and safety aspects are monitored and reviewed on an ongoing basis. The operational aspect of health and safety practices in manufacturing units is governed by the GM M&O of the manufacturing units. HR head at plant site is responsible for fair labor practices, implementation of policies with respect to regulations and laws as well as other activities for the benefit of the employees. FFC has an occupational health and safety management system in place for risk assessment of operations and committed to preserving its employees' health by avoiding accidents as much as possible. The health and safety management system is implemented to meet the requirement of Environmental Protection Act, Industrial Relations Act, National Environmental Quality Standard (NEQS) and OHSA Guidelines for Noise/Ammonia in air and OHSA guidelines for health and safety. All workers, activities and work places are covered by the management system. The contractor workers are required to follow the health and safety management system requirements while working in the plant premises. However, the contractors are responsible for the health and safety of their workers and all the contract workers are insured by the contractor. A Works Council Committee under the Industrial Relation Act exists in which workers' representation is 50%. The functions of the committee include promotion of security of employment for workers, monitoring health and safety conditions and job satisfaction levels. Meetings of the Works Council Committee are organized as per law. As per the Industrial Relation Act, this council operates at the facility level. In order to promote health and safety at plant site and in addition to the minimum legal requirement, the company has in place different forums and committees to discuss and take action on health and safety issues. All the workers get representation in these committees through their supervisors and line managers. Workers' participation is ensured through hearing conservation program, heat stress prevention, health & hygiene audits, ergonomics program, workplace lighting and prevention from exposure to hazardous chemicals.

We have a long standing safety culture at plant sites along with a detailed reporting of process and plant safety for prevention and mitigation of occupational health and safety impacts. We identify work-related hazards and assess risks on a routine and non-routine basis and apply the hierarchy of controls, HIRADC, HAZOP, Job Safety Analysis, Safety Committee Meetings and HORC, in order to eliminate hazards and minimize risks. Continuous trainings, safety talks and awareness sessions are organized throughout the year to ensure the quality of process and competence of the persons involved. Work Permit tests and management safety audits also ensure competence of the individuals. Related KPIs for safety and occupational health are reviewed quarterly in SOC meetings. Safety observations and traffic violations are filled on STOP cards and traffic violation cards and recommendations are sent to concerned units anonymously. An extensive work permit procedure system is followed which forbids workers to work in a harmful environment. The incident reporting mechanism is defined in work procedures of HSE and is followed religiously. The process to identify and mitigate hazards is covered in HIRADC. It provides control measures to minimize risks involved and to determine improvements needed in the health and safety management system. We carefully track incidents, complaints received from stakeholders and take prompt action for resolution in justified cases. During the year, no process safety incidents or transport incident occurred. Moreover, no complaints relating to labor practices were filed.

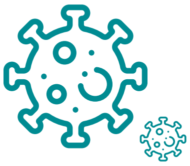
Continuous efforts to prevent accidents at work are an essential part of our production activities and require constant motivation of employees by line managers. As a result of a high commitment to health and safety, the incidents concerning health and safety issues have decreased and our plants are producing records of safe man-hours over the years. 22.52 million man-hours of safe operations for employees and 11.15 million man-hours of safe operations for contractor employees were achieved as of December 31, 2020 at our plants.

Urea manufacturing is a clean, safe and closed process. Workers only come in contact with the finished product when it is ready for shipment and there is no major risk of occupational diseases nor did any such known disease occur related to the process. Our occupational health and industrial hygiene services aim to protect the health of our employees through early identification, evaluation and control of possible health risks associated with working environments. The Occupational Health Physician at the plant is responsible for overall development, implementation and monitoring of the occupational health program for FFC employees. The areas of fitness to work, reporting of occupational illness and first aid management at workplace are strictly monitored. Moreover, the regular technical controls and measurements are carried out at workplace to ensure safe working conditions as well as regular health checks are conducted for production employees. Line managers are responsible for training employees on safety and identifying the extent to which employees are familiar with safety procedures at processes. FFC offers discounted health programs and attaches great importance to protecting employees from workplace accidents. Medical Centers at townships provide a wide range of health services and offer several health promotion services and programs including lectures and awareness campaigns for non-work related health issues.

22.52 million
Man-hours of safe operations for **employees**

11.15 million
Man-hours of safe operations for **contractor employees**

Trainings are conducted on various safety topics which are a clear signal to improve workplace safety. Not only do employees learn how to behave more safely and prevent accidents through targeted training courses, but by also involving managers in the process, a strong emphasis is placed. During the year, trainings were provided to workers on CPR, first aid, rescue and firefighting in addition to work related hazard specific trainings which are included in HSE's schedule throughout the year.



Response to the COVID-19 Pandemic

The COVID-19 pandemic caused havoc, affected millions of lives and stopped economic activities globally as health systems and governments were not ready for such a massive tragedy. FFC carefully responded through development and application of rigorous protocols to deal with the unconventional COVID-19 pandemic for an efficient corporate response to ensure sustainable business activities in the prevalent global crisis. The protocols were shared with the International Fertilizer Association for global assistance. The protocols were meticulously implemented at plant sites and offices to ensure health and safety of all stakeholders. FFC has medical centers at plants and offices which helped in preparation and guiding response - in the light of WHO instructions – through HSE for creating awareness, prevention and control of spread of pandemic among staff, community and other stakeholders. The production operations and offices were closed in March 2020 and resumed by mid-April on government instruction with strict compliance of SOPs and limited workforce. FFC is constantly providing guidance, support and facilities to employees through its medical centers in the wake of second wave of pandemic.

The rigorous protocols in place to curtail COVID-19 pandemic include but not limited to following.

- Prevention guidelines issued to all stakeholder
- Displaying banners to create awareness
- Risk assessment conducted for plants and offices
- Virtual Office meetings to avoid unnecessary exposure
- Employee rotation as per government notifications
- Telephonic consultations for medical services
- Provision of facemasks and wearing of face masks made compulsory

Number and rate of fatality as a result of work related injury

	2020		2019	
	FFC	Contractor	FFC	Contractor
Mirpur Mathelo plant	•	•	•	•
Goth Machhi plant	•	•	•	•
Other locations	Not recorded	Not recorded	Not recorded	Not recorded

Number and rate of high-consequence work-related injuries

	2020		2019	
	FFC	Contractor	FFC	Contractor
Mirpur Mathelo plant	•	•	•	•
Goth Machhi plant	•	02	•	•
Other locations	Not recorded	Not recorded	Not recorded	Not recorded

Number and rate of recordable work-related injuries

	2020		2019	
	FFC	Contractor	FFC	Contractor
Mirpur Mathelo plant	•	•	0.11	0.26
Goth Machhi plant	02	02	•	02
Other locations	Not recorded	Not recorded	Not recorded	Not recorded

The company accounts first aid injury in the injury rate. The fatality and injury rates for company and contractor are calculated by taking into consideration the number of recordable injuries multiplied by 200,000 and divided by man-hours worked. In the calculation, 200,000 are the hours worked by 100 employees, averaging 40 hours per week over a 50 weeks' span.

The hazards are determined through HIRADC and then their risks are reduced by control measures. HIRADC of the individual unit includes the past incidents related to a certain hazard and the resultant injuries, if any. All units maintain and update their HIRADC at least annually. All hazards are addressed through control measures and HSE recommendations and the follow-up is done in SOC.

The formal agreements with CBA cover health and safety related provisions. The extent of coverage of health and safety topics in the agreements is almost 80%. Moreover, all the employees of the company come under the umbrella of an extensive medical policy which has been formulated in the light of the health and safety requirements of The Factories Act, 1934.

Number of fatalities as a result of work-related ill health

	2020		2019	
	FFC	Contractor	FFC	Contractor
Mirpur Mathelo plant	•	•	•	•
Goth Machhi plant	•	•	•	•
Other locations	Not recorded	Not recorded	Not recorded	Not recorded

Number of cases of recordable work-related ill health

	2020		2019	
	FFC	Contractor	FFC	Contractor
Mirpur Mathelo plant	•	•	•	•
Goth Machhi plant	•	•	•	•
Other locations	Not recorded	Not recorded	Not recorded	Not recorded

HOW DO WE CREATE & SHARE VALUE AS A TRUSTED BUSINESS PARTNER?

Procuring Locally

Local procurement helps us to share value with our local partners in an effective manner and results in economic development of the country. Our supplier relationships go beyond the purely commercial sphere and include a mutual understanding of what it takes to promote good practices and pursue responsible and sustainable development. The procurement function at head office and plant sites is responsible for management of procurement practices in line with the company policies. The procurement policies are evaluated regularly and updated on need basis.
FFC procures most of the requirements from the locations where respective operating facilities are located as far as qualitatively compatible, technically feasible, and economically justifiable. This way, FFC's activities support the economic development of the surrounding areas. Our suppliers consist of local suppliers and foreign suppliers. The major raw material and other components which can be easily purchased from Pakistan are procured locally while the materials and components which are not available in Pakistan are purchased from abroad. During the year, 78% of our purchases are from local suppliers and 21% from foreign suppliers compared to 51% of our purchases are from local suppliers and 49% from foreign suppliers in 2019.

Procurement Spread

LOCAL

2020	2019
78%	51%

FOREIGN

2020	2019
21%	49%

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Working on Sustainability in the Supply Chain

Value is created and shared with our supply chain partners through promotion of sustainability criteria, providing support in understanding the requirements and managing the impacts on the people and the environment. To manage our impacts coupled with impacts of supply chain, our sustainability management approach extends beyond our traditional operational boundaries and includes our supply chain partners. Our approach to incorporate sustainability criteria in selection and working with suppliers is expected to help limit exposure to unexpected events, negative environmental and social impacts and supply disruption, while building long-term core competence and effective management of supply chain.

Sustainability criteria serves as guide while working with our suppliers, outsourcing partners, and service providers. The selection criteria take into account conditions relating to sustainability factors such as environmental management, working conditions, respect for human rights, safety standards and financial creditworthiness. The evaluation of the procurement selection criteria was carried out in 2018. Based on the evaluation results, the criteria were updated to include more comprehensive criteria by including factors related to labor management practices, human rights and society related practices in the procurement manual.

The spread of COVID-19 pandemic has affected our target to educate local suppliers representing 75% of the local procurement on the criteria through training/orientation sessions and inclusion of the relevant suppliers in FFC's supplier assessment process. However, we have coordinated with suppliers and got commitment from suppliers to upload policies - within 6 months of the commitment- required to manage their impacts on environment, society and people.

In order to monitor as to how suppliers deploy FFC's sustainability criteria, FFC will require major suppliers to produce third party verification with respect to FFC's sustainability criteria and may also carry out on-site audits in the future, if deemed necessary. The suppliers' sustainability criteria will strengthen the efforts and will provide a reference framework for social and environmental protection in the supply chain. As part of its supplier relationship management and to strengthen its vision and approach of a sustainable supply chain, FFC regularly hosts trainings for its haulage contractors as well as dealers. Apart from creating awareness, these activities help FFC to engage with its supply chain for the deployment and realization of different activities.

The ultimate governance of strategy, in relation to supplier management, lies at the highest level of the management. The procurement department at head office and plant sites deal with suppliers and the Senior Manager Procurement is responsible for smooth implementation of procurement processes as per procurement manual. FFC evaluates the effectiveness of its management approach through feedback from various stakeholders and surveys. Regular procurement takes into account the sustainability criteria to screen the new suppliers. 49 suppliers (100%), who applied and were registered during the year, were screened against sustainability criteria. FFC does not collect data of environmental and social impacts in the supply chain due to non-availability of reliable information thus FFC is not aware of any negative impacts of supplier's operations during the year. However, we are confident that implementation of sustainability criteria will help us to collect the information about supply chain impacts in the future.

HOW DO WE CREATE & SHARE VALUE IN LOCAL COMMUNITIES WE OPERATE?

Supporting Local Communities

We support local communities through payment of taxes, donations, investments in the field of education, health, sports and infrastructure developments as well as indirectly through our presence and procurement from local suppliers. Our interventions are guided by the Sustainable Development Goals to manage our impacts and contribute to the socio-economic development of communities. We have a well-defined CSR policy in place which serves as a guiding document and encompasses commitments, targets and responsibilities for effective management of our activities.

Acting responsibly in all our activities, we are playing an active role towards sustainable development and support local economic development. The major indirect impacts are enhancing skills and knowledge, jobs in the supply chain and new businesses resulting in economic development of the area. We are raising the living standards of the population in areas of our operations, both directly and indirectly, by creating added value. Our approach is driven by the needs of the targeted community, carried out through surveys, focal groups and meetings with the local community. Based on these guidelines, the interventions are devised to deliver maximum benefit and impact. We regularly engage with local communities to identify any negative effect of our operations on local communities and modify our policy accordingly. As a result of these engagements, we identified that there were no significant negative effects on local communities during the year. We have carried out local community engagement, impact assessment and development programs at all (100%) operational locations. As a result of these engagements and assessments, the activities in defined areas are planned and implemented.

The implementation and monitoring of social activities are routed through Sr. Manager CSR who also reviews and analyzes monthly progress. Our work in communities is implemented through Sona Welfare Foundation (SWF), which is a fully dedicated entity to carry out interventions in the fields of healthcare, education, sports and rural development.

To monitor and follow-up performance and commitments to society, various tools, including independent monitors as well as in-house reviews, are used. Progress is reported to the senior management on a continuous basis and management approach is adjusted accordingly.

Healthcare

In line with SDG 3, "Good Health and Well-being", national priorities and the health emergency resulted from COVID-19 pandemic, we continued our emphasis on provision of health care facilities not only at our plants, adjacent localities but also nationally in collaboration with different entities. Our health facilities Hazrat Bilal Trust Hospital at Goth Machhi and Sona Welfare Hospital at Mirpur Mathelo treatment to approximately 150,000 patients of the surrounding community on annual basis. In 2020, Sona Welfare Hospital a 60 bedded facility was converted into Quarantine Center and handed over to District Govt Ghotki, which optimally assisted local government to ease pressure on the district administration resources. During the year, dog bite cases surfaced alarmingly in Sindh. The area around Mirpur Mathelo plant site was badly affected due to non-availability of vaccine. In the absence of (dog bite) vaccine there were number of deaths in the area mostly of children below 10 year of age. To save lives of community, a major portion of plant site Mirpur Mathelo CSR budget was re-aligned for procurement of (dog bite) vaccine from National Institute of Health (Islamabad) NIH.

Education

FFC interventions in the field of education help in uplifting education level and the socio economic development of the surrounding communities and support SDG 4 Quality Education. Due to the ongoing wave of COVID – 19, all educational institutions remained closed most of the time on government directions as a precautionary measure adopted all over the world. Recognizing that online education is the most suitable tool in the current circumstances, Sona Welfare School's training curriculums were redesigned and teaching faculties were equipped accordingly. Besides all adopted Government schools in Goth Machhi area were also supported by meeting their administrative and training needs to be in position to contribute positively towards the daily education and learning requirements of respective students. FFC provides scholarships to low land holding farmers' children and deserving students. FFC is currently looking after 157 Students belonging to low land holding farmer community all over Pakistan along with 15 students through Al-Mujtaba Trust. Scholarships are also provided to deserving students of District Sadiqabad and other parts of Pakistan.

Sports

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Building Partnerships

FFC strongly believes in partnerships to promote the goal of sustainable development through shared resources, expertise and collaboration. During the year, FFC collaborated with the Planning Commission, Pakistan Stock Exchange, United Nations Development Program and Corporate Social Responsibility Centre Pakistan to create awareness on PSX Minimum SDGs Reporting Requirements for Listed Companies and Embedding SDGs into corporate strategy and policies.

Refer to page 144 to read about Corporate Conversation on SDGs.

Community Uplift Programs

Our community uplift and rural development programs are devoted to overcome severe problems faced by the communities, create opportunities to reduce poverty and make contribution towards the economic development of our country.

Community Support Programs

COVID-19 pandemic besides affecting Pakistan's economy adversely also affected lives of the most vulnerable communities across the country, such as laborers, waste pickers, single mothers and artisans. A special program for assistance of affected communities was designed to minimize the impact of the crisis on above mentioned segments of society. Under this program distribution of ration and other utility items was made to the affected communities living around FFC plant sites, Goth Machhi and Mirpur Mathelo. Ration distribution was carried out by keeping social distancing and wearing appropriate protection gear as prescribed by World Health Organization (WHO).

Community Uplift Program-Partnering with Akhuwat Foundation

FFC, through its implementing partner, Sona Welfare Foundation, signed MOU with Akhuwat Foundation to support and empower the marginalized community through financial inclusion. The five year project is targeted at developing Sona Model Village in Mirpur Mathelo focusing on social mobilization and development interventions by providing interest-free loans to marginalized community in order to make them self-reliant by starting or expanding small scale businesses. A total 524 loans have been disbursed in Mirpur Mathelo and surrounding area with 99.97% return rate. The expansion of the program is planned with focus on the development of surrounding villages into modern and developed towns by supporting, mobilizing and ensuring community participation.

Contributing to National Exchequer

FFC contributes to national exchequer through tax payment and value addition in terms of foreign exchange savings. We are aware that our contributions support public service and bring economic stability in the country. Besides corporate income tax, we pay taxes as an employer and sales tax on our products. We also act as a tax collector – through tax deduction on employees' salaries and on payments to suppliers and contractors. Our approach comprises of two principles. Firstly, we actively manage our compliance by working within the rules set by government. Secondly, we work on tax optimization. Once our business decisions are finalized, we work on optimization of our taxes. We take decisions based on business reasons and not get any tax advantages only. However, we do take into consideration the tax incidence in decision making to avoid any disadvantage to our shareholders.

During the year, cash contribution to national exchequer comprising of taxes, levies and accrued GIDC was Rs 27 billion compared to Rs 42 billion in 2019. Value addition in terms of foreign exchange savings was US$ 621 million through import substitution of 2,512 thousand tonnes of urea sold compared with US$ 674 million through import substitution of 2,467 thousand tonnes of urea sold in 2019.

HOW DO WE CREATE AND SHARE VALUE AS A SOCIALLY RESPONSIBLE COMPANY?

FFC is aware of its ethical responsibility for environment friendly and fair business transactions. Our employees are educated and trained to take responsibility in line with their function, authority and qualifications to enrich our corporate responsibility of ethical business. The Rio Declaration requires that countries take a precautionary approach, according to their capabilities, in order to protect the environment. Thus, measures to prevent environmental degradation must not be postponed where there are threats of serious or irreversible environmental damage. Nevertheless, such measures should not pose an excessive financial burden as Principle 15 of the declaration combines environmental protection with a cost-benefit analysis. In order to protect the environment, we apply the precautionary approach in our operations. Our sustainability policy clearly defines objectives and states the importance of inclusive growth as one of the key areas for sustainable development.

"Effective management of environmental impacts of our operations helps to reduce our environmental footprint."

Efficiently Managing Environmental Footprint

Protecting nature and environment through continued investments in environment friendly technologies and production processes is the top priority at FFC. Production processes are planned to ensure a continuous improvement in energy and water efficiency and lower levels of (pollutant) emissions and waste. Biodegradable packing material for Urea along with renewable resource utilization, where applicable, is helping us to move forward towards establishment of a widely sustainable value chain.

Our environment management approach has helped us to reduce the absolute as well as relative volume of used resources, waste, waste water and air emissions through continuously improving the processes and production procedures on an ongoing basis. FFC has an integrated Environmental, Health & Safety policy which is applicable to all manufacturing plants for maintaining high standards of Health, Safety & Environment (HSE). The objective is to preserve the environment from degradation and provide a safe and healthy workplace, while improving the quality of life of employees, contractors, visitors and the plant site community.

The GM M&O at each plant is responsible for performance, regulatory affairs and monitoring compliance across the manufacturing plants. FFC regularly conducts trainings for senior management of manufacturing units as well as employees working on line functions. FFC has specifically designed training modules for different internal trainings and employees are nominated for external trainings as well. HSE systems are regularly monitored for ensuring compliance with internal HSE policies and applicable laws and regulations. The manufacturing plants are certified for ISO 9001 Quality Management System, ISO 140001 Environmental Management System and OHSAS 18001 Occupational Health & Safety Assessment Series (OH&S Management System). FFC has also in place IFA Product Stewardship "Protect and Sustain" Certification covering its management system, product development and planning, sourcing and contractor management, manufacturing techniques, supply chain to customer as well as marketing, sales and application.

These management systems enable us to identify the risks and potential opportunities, improve internal data management, build the confidence of stakeholders and identify energy management spots. The SOC & EMR forums at facility level perform an internal check to find out the gaps on a regular basis. The environmental management approach is evaluated regularly based on the results of the internal checks and external certifications of the management systems. The required adjustments are made to reduce the environmental footprint of our operations. As a result of these efforts and stringent voluntary commitments, there was no violation of laws, regulations and voluntary codes of practice in connection with nature and environmental protection. Moreover, FFC did not have to pay any fines or non-monetary penalties for non-compliance with environmental laws and regulations in 2020. FFC has an environmental grievances mechanism in place where complaints regarding negative environmental impacts of operations can be filed. The resident manager at plant site deals with such complaints and necessary actions are taken as per need. During the year, no complaint was filed.

FFC has identified that climate change may have impact on its business in shape of physical as well as financial nature. The changing weather patterns may affect the product consumption patterns and farm productivity resulting in reduced purchasing power of end consumers. FFC is aware of this important issue and has set priorities by making sustainability an integral part of its corporate strategy regardless of economic or seasonal fluctuations and exceptions. FFC Agri. Services is working with farming community to advise best use of fertilizers in changing weather patterns for better yield.

Refer to page 168-171 to read our work with farming community to adjust farming techniques in the wake of climate change.

However, the expected financial impact of climate change related risks on operations are not monetized as the risks are not substantial at the moment and that there are no systems in place to compile such data. FFC is planning to develop a system to calculate the financial implications of climate change related risks and opportunities on its operations. FFC regularly makes investments for environmental protection and management. The investments and expenses occurred on environmental protection and mitigation of the impacts, are recorded at respective units, where these occur. The figures are consolidated at the end of each year under two broader heads i.e., prevention and management costs. It is an integral part of general investment planning and subject neither to a cost-benefit analysis nor a specific return on investment period. The environmental investment totaled about Rs. 17.89 million in 2020 compared to Rs 13.79 million in 2019.

Refer to page 193 to read our environmental impacts and performance.

CASE IN POINT

Investment in Environmental Friendly Technologies - CO_2 Removal Memberane Unit – Pilot Scale

Natural gas is used as feed and fuel at FFC fertilizer plants. With depleting gas reservoirs, FFC has been exploring alternative feed and fuel options to sustain its operations. One of the options under study is to mix low BTU, higher CO_2 content Mari Deep Gas to compensate for decrease in Natural Gas availability. Deep Gas has a much higher CO_2 content as compared to our current feedstock (~40% vs. current 8-11%). In order to make Deep Gas suitable for use at our manufacturing facilities, CO_2 removal system is required.

Membrane technology has gained commercial success for gas separation but need of frequent replacement of costly imported membrane units and high maintenance cost hinder its application in industrial operations. Local production of membrane units can make this technology feasible for industrial applications. FFC is collaborating with reasearcher for the local development and testing of economical CO_2 removal membrane. Lab scale test of the developed membrane was successful. However, to fully ascertain the performance of the membrane in field conditions and finalize configuration of the membrane units, field trials of the membrane are planned at plant site. The design / engineering has been finalized during the year paving the way for practical application.

CASE IN POINT

Process Optimization Leading to Process Efficiencies and Cost Reduction - Switching to New Engineering Softwares

Plant performance monitoring plays a key role in efficient plant operations, therefore accuracy of performance data evaluation is essential. Urea plant data was shifted from old conventional VAX software to new in-house developed reconciliation program having high accuracy and more capability to perform material balance of each plant stream. Further, utilities plant data was also shifted on state-of-the art Aspen Plus software. This switching resulted in more accurate results and meaningful analysis of the plant equipment.

Respecting Human Rights

Respecting international proclaimed human rights are cornerstone of our corporate values. FFC supports and abides by international charters on human rights in its sphere of influence. We have in place a number of internal policies to safeguard basic human rights as defined in the legislation and international charters. Some of the policies in relation to human rights management are non-discrimination policy, forced and compulsory labor policy, child labor policy and anti-sexual harassment policy. The code of conduct for employees provides basic guidance on human rights, non-discrimination and freedom of association. A varied workforce is of great value to us, consequently, we do not tolerate any discrimination based on the race, ethnicity, religion, views, disability, age or sexual identity of employees. We have a notification and reporting system in place for taking action on complaints with respect to human rights violations.

The most senior officer responsible for managing human rights issues and implementation of various policies related to human rights is the General Manager (GM)-HR. Complaints are received via line managers or works councils within the relevant statutory framework. Beyond this, if the aforementioned procedure does not achieve the desired outcome, complaints can also be made through HR department. The legal department reviews the complaints filed for amicable solution and possible legal impacts. In 2020, no complaints were received.

FFC respects the freedom of association as a right of entitled employees. There were no cases in which freedom of association or the right-to-collective-bargaining were seriously endangered or breached. However, we are not aware of breach of right of collective bargaining at suppliers due to non-availability of reliable data. We reject any form of child labor, forced labor or slavery and strictly comply with local regulations concerning legal minimum age requirements for work permits. There were no cases of child labor or forced labor in the Company. However, we are not aware of cases of child labor or forced labor with our suppliers due to non-availability of reliable data. We are aware of the fact that the non-compliance with minimum human rights regulations by the supply chain partners may have material impacts and we support and encourage our supply chain partner to obey the human right laws and adopt best available practices in this area. Keeping in view the level of compliance, we have not carried out any evaluation of our approach towards managing and respecting human rights.

Refer to page 183 to read our work in supply chain for sustainability in supply chain and reliability of data.

Investment agreements include human rights clauses and undergo human rights screening. All major investments must be approved by the Board of Directors. The Board Committees recommend the investments proposal after detailed working and review which is based on financial, strategic and sustainability criteria, the last of which also includes human rights aspects. During the year, all significant investment agreements have been scanned for human rights issues while performing due diligence for that specific agreement. Significant investment agreements include all investment agreements which require approval from Board of Directors and shareholders in Annual General Meetings. FFC is a member of UNGC and strictly adheres to the human rights charter and applicable laws. FFC carries out regular review of the operations for human right impacts and in the year 2020, FFC carried out a review of 100% of operations for human rights impact assessments. During the year, no training on human rights policies and procedures was carried out for employees including security personnel.

Providing Returns for our Investors

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Refer to page 44-81 to read director's report and overview of our financial performance.

Sustainable value creation means sustainable operations independent of any subsidy or other public funding. In 2020, FFC did not receive any direct or indirect financial assistance from the government except the reduced gas tariff provided to fertilizer industry subsidy and tax credits as per applicable laws.

Refer to page 216 onwards for detailed financial results.

Avoiding Corruption, Breaches of Code & Laws

Corruption obstructs investment, leads to distortions in the economic systems and creates social imbalance in the society. Prosperous societies depend upon equal opportunities as well as smooth functioning of governance and economic systems. FFC is strict in combating corruption in all business areas including dealings with supply chain partners. Our impact occurs at FFC and our supply chain partners through our business relationship. FFC has a strict code of conduct containing organizational policy on corruption supported by effective risk management system to identify corruption risks. Corruption risks are investigated through ongoing internal auditing activity.

Risk assessment for corruption risk covering all of our operations was carried out during the year according to our risk management system. No significant risk related to corruption or incidents of corruption were identified and reported. Therefore, no specific training on anticorruption policies and procedures was conducted during the year. The anti-corruption policies and procedures have been communicated to all directors and employees at all location of operations. The new hires receive orientation at the time of joining which includes a briefing about anti-corruption policies and procedures. Moreover, the anti-corruption policies and procedures are also communicated to all business partners at the time of engagement. We have an official slogan "Say no to corruption" in all our official correspondence reinforcing our commitment towards zero tolerance of corruption. During the year, there was no violation of laws, regulations and voluntary codes of practice in the economic or social areas and no fines or non-monetary penalties for failure to comply with legal regulations were paid.

FFC attaches particular importance to fair interaction with competitors, suppliers and customers. FFC has developed formal procedure for dealing with complaints, if any, at each location of operation, where interest groups may contact the resident managers of the relevant location at any time to lodge complaints. Bodies also exist to deal with specific issues, e.g., works councils, which address workforce concerns. In the year in question, there was no complaint by interest groups or institutions at the relevant locations regarding issues of public or social concern.

Respecting our Commitments

We create value for our wider stakeholder through compliance with applicable laws and respecting and honoring our commitments. Our work on implementing the best practices, international conventions and charters improves governance systems, results in higher economic returns, winning the trust of stakeholders and strengthening the brand.

FFC adheres to laws, regulations and code of corporate governance as applicable in Pakistan. In addition, FFC has international commitments in the shape of memberships and compliance with international charters. We are member of UN Global Compact which is a strategic initiative for companies which voluntarily commit to ensure that their business activities and strategies are in line with universally recognized "Ten Principles" relating to human rights, labor standards, environmental protection and fight against corruption. Being a signatory, FFC commits that, within its sphere of influence, it will work for protection of human rights, create working conditions which at minimum meet the legal requirements, protect the environment and combat corruption. The membership enables the company to share information and ideas with other stakeholders on sustainability efforts.

We are also member of Business for Peace (B4P) group of UNGC. The vision behind B4P is to build a sustained network among participating members to carry their CSR interventions into high risk areas and work in collaboration to build peace across the globe. We also support the sustainable development goals which stimulate businesses to actively contribute to the sustainable development.

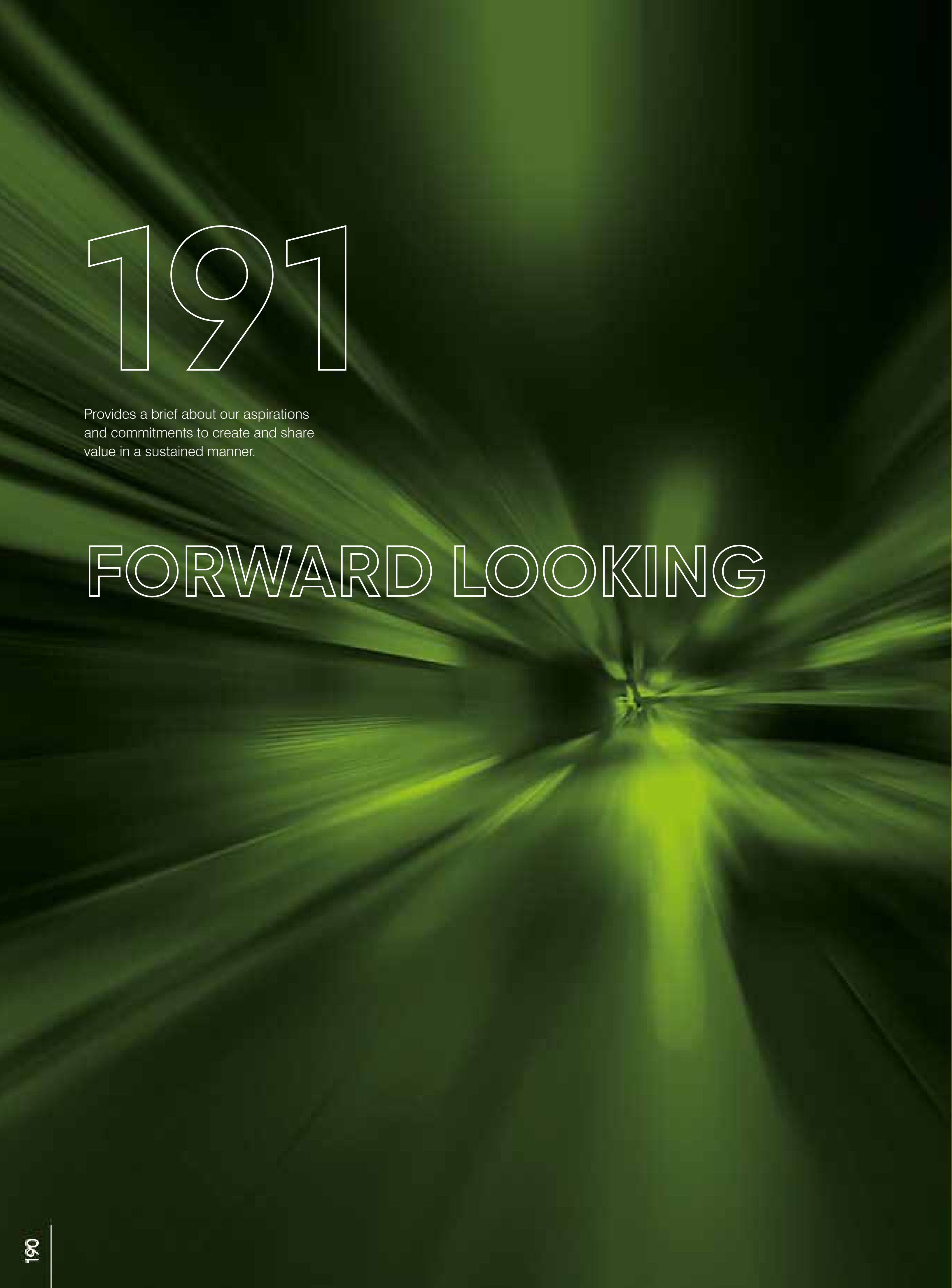
Refer to page 146 to read our work on promoting best practices and inspiring corporate Pakistan.

Responsibly Marketing Products

We market our products through our distribution channels to make it as easy and convenient as possible for our customers to buy our products. We have in place standards for marketing our products to ensure that our products meet customers' expectations. FFC constantly monitors and carries out regular reviews of all business aspects and processes in order to ensure that they continue to conform to our commitment to sustainability. We aim to produce and market only quality products that correspond to the international standards and are accompanied by the required labeling information.

The product marketing responsibility lies with the marketing department and the Chief Executive & Managing Director is responsible for the impacts and marketing of products. SMS service, which gives information about pricing and shipments and online order placement and payment processes through ASKSONA Card, keep our dealers and customers up to date on product availability and pricing. We use security labels (Pehchan Sticker) and special colored stitching thread, which get changed after a specific time to control dumping, malpractices and pilferage of product. The Provincial Fertilizer Control Order and Fertilizer Act requires printing of information about net weight of the bag, chemical name of the fertilizer inside the bag, chemical composition of the fertilizer, manufacturer and marketer and price. We have dedicated staff trained on labeling as per applicable laws and regulations. During the year, all products were in compliance with labeling requirements specified by the laws and regulations.

FFC adheres to laws, standards and voluntary codes related to advertising, promotion and sponsorship. The voluntary codes include but are not limited to fair competition, ethics, social norms, cultural values and honest disclosure of benefits/ features of the product. The company reviews its compliance with the laws, standards and voluntary codes on a regular basis which are dependent on the nature of the activity. There were no incidents –either offenses or criminal investigations – on account of breaches against applicable law and voluntary codes of practice in relation to information about the labeling of products and services. Similarly, there were no infringements of laws/regulations in terms of the procurement, use or supply of products and services.



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Provides a brief about our aspirations and commitments to create and share value in a sustained manner.

FORWARD LOOKING

FORWARD LOOKING STATEMENT

The COVID-19 pandemic coupled with tough economic conditions, climate change and declining natural gas reserves pose a tough outlook for the coming year. A holistic management of our capitals is critical to keep continuing creating and sharing value with our stakeholders. We are committed to consolidate our value creation ability by adjusting our strategies to capitalize the opportunities and manage risks posed in the external environment. Efficient utilization of our available stock of capitals, reducing impairment and enhancing capital stocks through our value creating activities will be critical for long-term success. Our work to embed SDGs into our corporate strategy and policies will result in more focused efforts to reduce our environmental impacts, explore growth opportunities and contribute towards sustainable development. We are also exploring the science based targets for reducing GHG emissions in line with climate science. Science based targets are GHG reduction target which are in line with climate science to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

Disruptive economic environment, spread of COVID-19 pandemic, decreasing natural gas reserves, miserable agriculture growth and climate change are major hurdles for our growth in near future. Dwindling crop yields, decreasing farm incomes and increasing rural poverty and food prices are posing risks and opportunities for our sector. However, with increased agriculture finance, promotion of crop insurance, agriculture friendly policies and consistent availability of gas to fertilizer industry, we are confident to achieve our future targets. FFC is not only exploring alternative resources of raw material for existing plants sustainability beside moving ahead with national and international partners to construct a coal to energy project utilizing indigenous coal reserves at Thar Coal mines under CPEC project. To continue delivering healthy and sustainable returns to our shareholders and other stakeholders, we are committed to cost management, become more efficient and continue our diversification strategy in future.

Natural capital is vital not only for existence of human life but also for existence and growth of businesses. Climate change, water scarcity and mounting waste at land and under water require efficient management of natural resources. Business actions are required to reduce emissions of greenhouse gases in line with climate change, adoption of clean energy and management of waste by promoting circularity. We are focused on reducing our environmental impact through continuous upgrades at our plants and adoption of cleaner technologies. Our sustainability targets guide us for better environmental management and we are confident to achieve these goals through better management of our footprint.

Our people are cornerstone of our continued success over period of 42 years. Our people help effective integration of other capitals to create value through our business model and value creation activities. We are aware that our success in the market is dependent on a high quality, motivated and diversified workforce. We are committed to nurturing our human capital through training, providing a productive and competitive work place, creating a culture of trust and belonging and rewarding with competitive benefits. Moreover, we commit to abide by all human rights laws, regulations and voluntary commitments for better management of our human capital.

Our excellent governance structure practiced though compliance and transparent reporting has helped us to win stakeholders' trust and augmented in advancing our role in the society. We are committed to continue embracing best-in-class governance practices, act as role model for corporate sector in Pakistan, engage with our stakeholder on issues of interest and play a leading role to inspire peer companies for playing their role towards sustainable development.

Hunger threatens peace and leads to disruption in society. Food security is critical to manage hunger, reduce poverty and bringing prosperity in society. Better farm yield is necessary for overcoming hunger, poverty, reduce inequalities, uplifting of farming community and overall economic development. We are committed to keep playing our part through our farm advisory program to build farmers' capacity, introduce new farming methods and advising on balanced fertilizer use. Our plant site communities are our partners in success and we commit to continue our interventions in defined fields in line with our CSR policy to support socio economic development around plant sites as well as for larger society.

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Contain additional information about environmental performance, independent review, GRI content index, UNGC index, SASB content index, SDGs, PSX SDGs index and glossary & acronyms.

APPENDICES

ENVIRONMENTAL PERFORMANCE

Material Consumption

Material	Unit	2020	2019	2018	2017	2016
Natural Gas	MMSCF	45,931	46,395	46,804	46,174	47,140
Lubricant	Liter	320,955	282,664	396,901	202,721	247,718
Chemicals	KG	7,756,057	7,985,684	9,113,204	7,144,239	7,760,589
Packing bags (150 gm each)	Bags	49,557,051	48,514,728	49,520,322	40,564,775	49,825,330
Packing bags (95 gm each)	Bags	1,259,156	1,264,350	1,352,491	1,178,325	1,105,500
Liners and thread	KG	1,833,895	1,817,423	1,914,047	1,480,076	1,844,867

The packing bags of 95 gm each were used on GM plant during the year.

FFC does not use renewable material in the production processes.

Recycled Material Consumption

FFC tries, wherever possible, to use recycled materials but due to the nature of the production process, recycled raw materials cannot be used. Moreover, the cleanliness requirements do not allow the use of such materials. However, during the year, urea dust of 3,107 MT was recovered and used in the process compared to 3,681 MT in 2019. Our products are dissolved during use and are not reclaimable. Moreover, the packaging material is biodegradable and not reclaimable.

Energy Consumption within Organization

FFC's plants primarily need energy in the form of steam, electricity and natural gas. FFC uses natural gas for heating, and generating electricity and steam in its own power plants. Main primary energy source is natural gas. FFC endeavors, however, to explore the possibilities of renewable energy generation and increase the share of energy obtained from renewable sources on an ongoing basis.

Material	2020	2019	2018	2017	2016
Total Energy consumption in GJ	32,718,640	32,655,661	33,366,548	32,185,965	32,031,372

FFC uses self-generated electricity for heating and cooling purposes. Electricity and natural gas is purchased from public utilities at head office, marketing office and warehouses. The resultant energy consumption figures from use of electricity and national gas at head office, marketing office and warehouses have been included in total energy consumption figures. The conversion factors were sourced from Energy Information Administration USA.

Energy Consumption Outside Organization

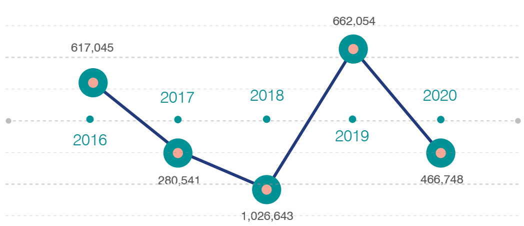
The indirect energy use by FFC in shape of upstream and downstream activities is not significant in the overall context of total energy consumption by FFC. For example, energy consumption caused by travelling of FFC employees is insignificant in relation to overall consumption. Moreover, with more than 3,400 staff, the cost of determining the indirect energy consumption by employees traveling to the company would not be appropriate given the level of insight this would provide. As such, an investigation of this kind will not be conducted. However, other indirect energy use from operations are measured and recorded, where possible and measures are taken to reduce the impact of indirect energy use.

Energy Reductions

FFC product is dissolved in soil during usage and not energy intensive. However, the company has been striving to reduce the energy consumption requirement during the production process through implementation of programs and projects aimed at reducing energy consumption for a number of years. These measures are bearing fruit and FFC's production is becoming significantly more energy-efficient over the years. The energy consumption has increased by 0.07 GJ/MT in the year 2020 as compared to 0.13 GJ/MT decrease in previous year.

	2020	2019	2018	2017	2016
Energy savings in GJ	(466,748)	662,054	(1,026,643)	(280,541)	(617,045)

The company uses previous year as a base year to measure energy savings. The positive figures indicate reduction in energy. The energy reduction figures for the year 2019 has been revised to correct calculation error.



FFC runs three plants located at two manufacturing sites. The plants having different technologies, which have different energy intensity ratios. The overall energy intensity ratio was 13.16 GJ/MT urea as compared to the last year intensity ratio of 13.09 GJ/MT. This increase is on account of measures taken to counter depleting gas pressures. The energy intensity ratio includes only energy consumption within the organization. Energy consumption data is recorded in relevant conventional unit, for instance MMSCF in the case of natural gas and kWh for electricity. These units are converted into the consolidation unit, gigajoules (GJ), to obtain the mean energy content. This is then used as a standard measure for representing energy consumption. The energy consumption and energy sources in this report have been determined from the data provided by the production sites. They, therefore, provide a consolidated and comprehensive picture of FFC's energy usage in manufacturing operations. The heating values were calculated on the basis of laboratory analysis and standard heating values for natural gas and diesel.

Water Use

FFC mainly needs water for production of steam and cooling purposes. The water requirements are met for the most part by canal water. Before the water flows into the piping system of plant site, the canal water is cleaned according to its intended purpose using various filter systems. FFC's both plants draw canal water up to a maximum 18 cusec during the year. The canal is managed by the Irrigation department and this withdrawal is not significant keeping in view the annual flow of the canal. FFC has an agreement with the Irrigation department and the meters installed by the department measure the water inflow. There are no protected species found in the canal and the canal water is mainly used for irrigation purposes. The tube wells are used occasionally when the canal water is not available. The company has a large area where tube wells are installed and the water withdrawal from tube wells does not significantly impair the water system. Water consumption at plant site/township is being critically monitored and is directly linked with plant sustainability. During the year, no non-compliance with water withdrawal permit occurred. We frequently carry out studies to identify opportunities for reduced consumption and increased recycling to minimize requirement from freshwater sources. FFC has defined goals for efficient water usage to reduce the impact on the depleting fresh water sources in Pakistan and has been working with the supply chain partners to reduce water related impact in the supply chain.

Water withdrawal by source in ML/year	2020	2019	2018	2017	2016
Surface Water					
Freshwater (≤1,000 mg/L Total Dissolved Solids)	6,349	6,857	4,559	6,377	7,776
Other water (>1,000 mg/L Total Dissolved Solids)	-	-	-	-	-
Ground Water					
Freshwater (≤1,000 mg/L Total Dissolved Solids)	8,381	7,744	10,888	9,248	6,909
Other water (>1,000 mg/L Total Dissolved Solids)	-	-	-	-	-
Total water withdrawal	14,730	14,601	15,447	15,625	14,685

There is no withdrawal of water from water stressed area.

Water consumption					
Total water consumption ML/year	14,730	14,601	15,447	15,625	14,685

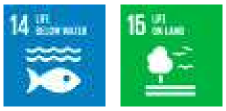
FFC uses the-state-of-the-art machinery to continuously circulate and capture the water after use in order to re-cool it for reusing. This environmentally friendly cooling method is used where technically possible. This has reduced the withdrawal of fresh water. Water is not stored at FFC plant and does not have major impact.

Wastewater/Water Discharge

FFC uses water for a variety of purposes in the production process. The water is partly polluted as a result therefore the production wastewater is treated to reduce the pollutants to acceptable limits, prescribed by NEQS, before using and discharging in to canal water. FFC uses oil skimming and neutralization method for waste water treatment. In the season, when the canal is closed, the water is stored in evaporation ponds. In contrast, cooling water along with rain water can be fed into canal without cleaning as it does not come into contact with chemicals. The wastewater is also used for horticulture purposes at plant sites.

Water discharge by destination in ML/ year	2020	2019	2018	2017	2016
Surface Water	2,251	2,285	4,078	4,231	3,676
Freshwater (≤1,000 mg/L Total Dissolved Solids)	-	-	-	-	-
Other water (>1,000 mg/L Total Dissolved Solids)	2,251	2,285	4,078	4,231	3,676

The waste water figures are estimated figures. Flow rate is estimated from the operating pumping capacity of waste water disposal plant. Discharge water quality is being routinely monitored for pH/Conductivity/Ammonia/Urea/COD/BOD/SS. The discharged water contained Chemical Oxygen Demand (COD) value of 32 ppm and Biological Oxygen Demand (BOD5) value of 18 ppm. The wastewater discharged by FFC is largely cleaned and therefore does not burden the environment excessively. Moreover, during the year, no non-compliance with water disposal regulations occurred.

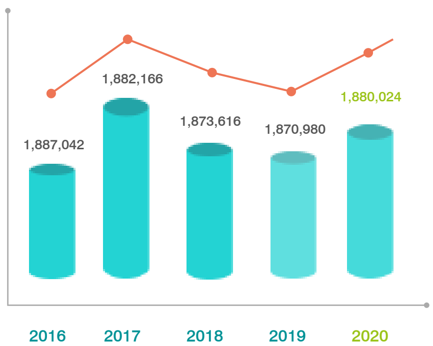


Direct GHG Emissions

Emissions of greenhouse gases are side effects of the production process and have a major environmental impact which cannot be completely avoided despite all environmental protection efforts. The emissions are subject to the control limits laid down by the Environmental Protection Agency. FFC monitors compliance with these limits by taking environmental protection measures and is moving further to reduce the emissions up to maximum possible limit.

FFC determines the total emissions for each plant site at regular intervals and makes regular checks to control variations. The direct carbon dioxide (CO2) emissions are the result of the combustion processes for the generation of electricity, heat and steam. The emissions of greenhouse gases are directly proportional to the amount of carbon in the employed fuels. The emissions of the greenhouse gases, mainly CO2, is measured on continuous basis at each plant site and then integrated to reach a total figure. Emissions of other greenhouse gases like methane and nitrous oxide (N2O) are measured and integrated into the consolidated calculation of greenhouse gas emissions. The GHG figures do not include GHG emissions of subsidiary or associates companies. FFC GHG emissions are not subject to emissions-limiting regulation or program that is intended to directly limit or reduce emissions. The global warming potential of the respective gaseous emissions were sourced from United Nations Framework Convention on Climate change (UNFCCC).

Direct GHG emissions (MT)	2020	2019	2018	2017	2016
GHG Emissions CO_2 equivalent	1,880,024	1,870,980	1,873,616	1,882,166	1,887,042



FFC has no biogenic emission of CO_2 at its operations. All the emissions are within the prescribed NEQS limits and regularly reported to the EPA under SMART reporting program.

Indirect GHG Emissions

FFC does not have any significant indirect greenhouse gases (scope II) emissions which are predominantly generated by external energy procurement, usually in the form of electricity and steam. Moreover, FFC identified that the indirect greenhouse gases (Scope III) emissions caused by FFC are not significant in the overall context; CO_2 emissions caused by the travelling of FFC employees are insignificant in relation to overall emissions. Moreover, with more than 3,400 staff, the cost of determining the CO_2 emissions generated by employees traveling to the company would not be appropriate given the level of insight this would provide. As such, an investigation of this kind will not be conducted.

The company does not have systems in place for identification, accounting for and reporting of upstream or downstream emission. However, keeping in view the supply chain impact of emissions, the company is in the process of developing and implementing the systems, where possible.

GHG Emissions Intensity & Reduction in GHG Emissions

The emissions per metric ton of the Urea produced for the year were 0.76 MT CO_2/MT which are slightly at higher side compared with 0.75 MT CO_2/MT in the previous year. The emissions per MT include only direct scope I emissions.

FFC reduces carbon dioxide emissions by continuously optimizing production processes to make them more environmentally friendly. FFC is reducing air emissions by using innovative technologies and modernization of its plants. The results of the reductions in emissions are small but in total lead to significantly lower emissions of pollutants. However, during the year, Scope-I CO_2 emissions increased by 41,901 MT as compared to previous year on account of higher CO_2 content in natural gas. Last year is used as base year as per company practices. The company products are environmental friendly products and are additive for increasing farm productivity. The only negative environmental impact is release of N_2O during mixing in the soil. However, we are carrying out R&D work on many improved fertilizer products to release nitrogen from the granule in a manner that matches crop growth requirement and reducing the negative environmental impacts. The only environmental impact of transporting products, material and members of the organization is emission of greenhouse gases. The company does not have a system in place to identify, measure and report the total environmental impact of these activities. However, the company is in process of developing a system for identification, measurement and reporting of such impacts in future. There were no emissions of ozone depleting substance during the year. The company is committed to non-use of ozone depleting substances as a part of its environmental management policy.

Emission of gases in MT	2020	2019	2018	2017	2016
Nitrogen Oxide	923	951	848	1,208	1,186
Ammonia NH_3	-	-	-	-	-
Particulate matter	1,091	1,097	1,256	1,220	1,212

The significant emissions of other inorganic pollutants such as NOX and particulate matter have decreased during the reporting year while there were no emissions of NH_3 during the reporting year. The company uses previous year's results for comparison as a general practice. The emissions are recorded on the basis of laboratory analysis and actual fuel flow.

GHG emissions intensity 0.76 MT CO_2/MT urea

Effluents and Waste

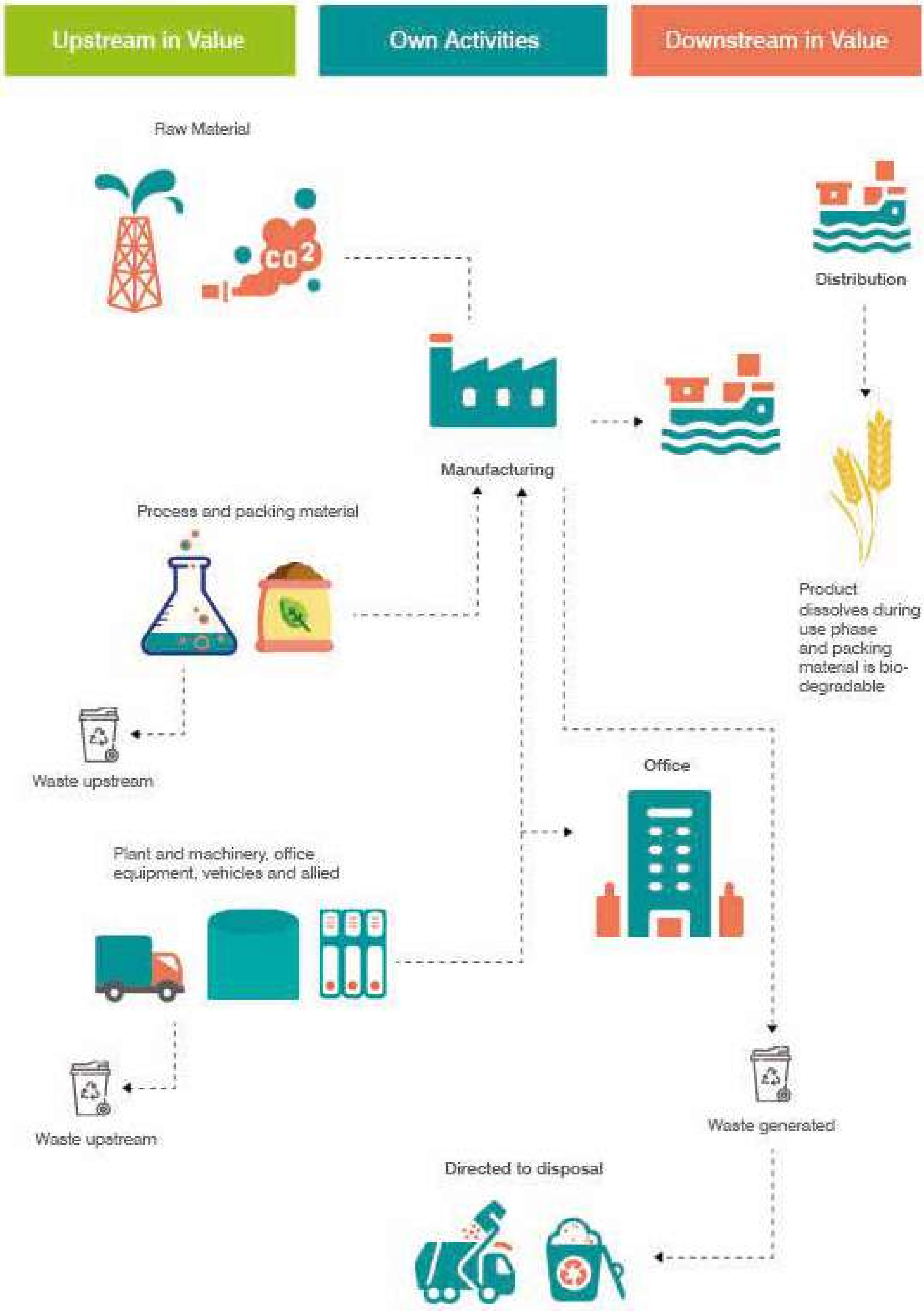
Urea manufacturing is a clean and environmentally friendly process. The raw materials are natural gas, water and air. Natural gas and water are received via pipeline while air is directly sucked from atmosphere using a compressor. The finished product is prilled urea which is packed in oxo-bio degradable liner placed inside a WPP bag. The product dissolves during use phase and result in no post usage waste. The packaging material is bio-degradable and also does not lead to generation of waste. The manufacturing process does not result in any byproduct.

However, waste is generated during the manufacturing process and other operational activities. The waste is primarily packing material of various items used in maintenance or other support services. Only resin, catalysts and used lube oil are generated from processes at plant sites while other waste includes clinical waste, insulation material, asbestos sheets, broken tube lights, toner cartridges, battery cells, used oil filters, lab bottles, empty chemical drums and plastic & rubber. All these waste have different properties ranging from non-hazardous to hazardous.

FFC makes efforts to procure green and environmental friendly products. FFC focuses on prevention of waste as a priority over recovery or disposal and promotes waste prevention in its supply chain. However, unavoidable production waste is recycled or disposed of properly. Moreover, assessment is carried out at relevant level before declaring an item as waste. Items are declared waste and diverted to disposal when there is no use within the operations. Waste is only estimated or determined at the time of disposal. No such mechanism is in place for identifying and redirecting items declared as waste to reuse, recycling and other recovery options. The company carried out incineration under controlled conditions requiring high temperatures for incineration.

FFC procedures require that each type of waste is recorded and precisely analyzed and described. Waste is properly documented in internal records, including from where the waste originated, which quantities have arisen during the year, the classification of the waste as hazardous/ non-hazardous and the possible disposal method. Waste is accumulated and dumped at the plant site and when the waste quantity reaches at a significant level, it is disposed of according to best available option.

The first priority is to recycle or treat the waste and only unsuitable waste is disposed of in landfills, which is then sold to a carefully selected supplier. All waste is disposed of through approved and authorized contractors of Sindh Environmental Protection Agency (SEPA) and Punjab Environmental Protection Agency. The suppliers' whose processes are reviewed and approved at regular frequency by the provincial environmental agencies. These contractors decide if the material is to be recycled or buried in landfill as per legislation.


Upstream in Value
Own Activities
Downstream in Value
Raw Material
Distribution
Manufacturing
Process and packing material
Product dissolves during use phase and packing material is bio-degradable
Waste upstream
Office
Plant and machinery, office equipment, vehicles and allied
Waste upstream
Waste generated
Directed to disposal

Waste by Composition, in metric tons (t)

	2020			2019			2018			2017			2016		
	Waste generated	Waste diverted from disposal	Waste directed to disposal	Waste generated	Waste diverted from disposal	Waste directed to disposal	Waste generated	Waste diverted from disposal	Waste directed to disposal	Waste generated	Waste diverted from disposal	Waste directed to disposal	Waste generated	Waste diverted from disposal	Waste directed to disposal
Waste composition															
Hazardous	13.95	●	13.95	343.50	●	343.50	920	●	920	1.30		1.30	10.50	●	10.50
Non-hazardous	6540.52	●	6540.52	5,765.47	●	5,765.47	6,399	●	6,399	6,788.23		6,788.23	2,884.11	●	2,884.11
Total waste	**6554.47**	●	**6554.47**	**6108.97**	●	**6108.97**	**7,319**	●	**7,319**	**6,789.53**		**6,789.53**	**2,894.61**	●	**2,894.61**

Waste Diverted to Disposal by Disposal Operation, in metric tons (t)

	2020			2019			2018			2017			2016		
	Onsite	Offsite	Total	Onsite	Offsite	Total	Onsite	Offsite	Total	Onsite	Offsite	Total	Onsite	Offsite	Total
Hazardous waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incineration (with energy recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incineration (without energy recovery)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other disposal operations	-	13.95	13.95	-	343.50	343.50	-	920	920	-	1.30	1.30	-	10.5	10.5
Total waste	-	13.95	13.95	-	343.50	343.50	-	920	920	-	1.30	1.30	-	10.5	10.5
Non-Hazardous waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incineration (with energy recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incineration (without energy recovery)	-	-	-	422	-	422	470	-	470	134.23	-	134.23	59.11	-	59.11
Landfill	-	6374	6374	-	4,869	4,869	-	5,555	5,555	-	6,392	6,392	-	2,344	2,344
Other disposal operations	-	166.52	166.52	-	474.47	474.47	-	374	374	-	262	262	-	481	481
Total waste	-	6540.52	**6540.52**	**5,765.47**	-	**5,765.47**	**6,399**	-	**6,399**	**6,788.23**	-	**6,788.23**	**2,884.11**	-	**2,884.11**

INDEPENDENT ASSURANCE STATEMENT

For the Fauji Fertilizer Company Limited Sustainability Report 2020

BSD Consulting performed an independent review of the Fauji Fertilizer Company Limited (FFC) Sustainability Report 2020 (the report). The report was prepared in accordance with Global Reporting Initiative's (GRI) Standards´ Comprehensive option and was also guided by the Integrated Reporting (<IR>) framework. Furthermore, the report applied the Sustainability Accounting Standard Board´s (SASB) Chemical Industry Standard. The objective of the critical review is to provide FFC's stakeholders with an independent opinion about the quality of the report and the adherence to the AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact, as well as an evaluation against principles and elements of the Integrated Reporting (<IR>) framework and the associated multi-capital concept.

Independence

We work independently and ensure that none of the BSD staff members maintained or maintains business ties with FFC.

Our Qualification

BSD is a consulting firm specialized in sustainability advisory and assurance. The review process was conducted by professionals with experience in independent assurance and sustainability reporting.

Responsibilities of FFC and BSD

The management of FFC has prepared the Sustainability Report and is responsible for all its content. BSD was responsible for the independent review of the report and expressed an independent conclusion on the Sustainability Report. We do not accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance placed on the report by any third party is entirely at its own risk.

Scope of Assurance

The scope of our work covers all information included in the FFC 2020 Sustainability Report, referring to the period from January 1st, 2020, through December 31st, 2020 and considered the requirements of the International Standard on Assurance Engagement (ISAE) 3000-Revised (Assurance Engagements other than audits or reviews of historical financial information), being co-reviewed by Nadeem Safdar and Co., Chartered Accountants.

BSD was asked to express an opinion in relation to the review scope, which includes the following aspects:

- Review of qualitative and quantitative information (sustainability performance) reported and referenced in the report.
- Evaluation of the disclosed information in the report to check adherence to the GRI's Universal and Topic Specific Standards.
- Evaluation against principles and elements of the Integrated Reporting (<IR>) framework and the associated multi-capital concept.
- Adherence to the principles of Inclusivity, Materiality and Responsiveness and Impact.
- Review of the Sustainable Development Goals (SDG) linkage with GRI Standards General and Topic Specific Disclosures reported in the SDG Index.
- Adherence of the review process to the International Standard on Assurance Engagement (ISAE) 3000 (Revised), "Assurance Engagements other than audits or reviews of historical financial statements" to provide limited assurance on performance data within the Sustainability Report.

Methodology

The methodology applied was a desk review of the draft as well as the final report, and the following approach and procedures were developed during the review process:

- Critical review of the FFC Sustainability Report 2020 final draft version and the respective Content Index to check consistency and adherence to GRI´s Universal and Topic-Specific Standards.

- Evaluation of report's adherence to the in accordance: Comprehensive option
- Analysis against the Integrated Reporting principles, content elements and the concept of the six capitals
- Elaboration of two adjustment reports
- Final review of the report content
- Analysis of the report content against AccountAbility's Principles of Inclusivity, Materiality, Responsiveness and Impact
- Elaboration of the Independent Review Statement.

The work was planned and carried out to provide limited, rather than reasonable assurance and we believe that the desk review of the FFC Sustainability Report completed by BSD provides an appropriate basis for our conclusions.

Opinion

GRI Standards in Accordance Option

FFC declares the report to be in accordance with the GRI Standard: Comprehensive option. BSD evaluated the application of the GRI Standards Universal and Topic-Specific Standards. Based on the analysis, recommendations to complete the content or to adjust the disclosure level in the Content Index have been made. The company has integrated our recommendations and we can confirm that the report is attending the above mentioned in accordance option.

Analysis Against <IR> Framework Principles and Capitals

BSD has evaluated the application of IIRC Guiding Principles, Content Elements and Capitals in FFC's report. For this report, the main considerations of this analysis were the following:

- The report can be considered in line with the provisions of the IIRC Guiding Principles and Content Elements, offering the users insight in how the company creates and shares value through its business activities and delivering a business model that states Inputs, Outputs and Outcomes of these activities. The business model is clear and completely represented, and for the next year's report we recommend to adapt it to the revised IIRC framework business model which connects Outcomes both to Business activities as well as to outputs.
- The use of the concept of six capitals corresponds in the business model corresponds to the requirements of the IIRC Framework for Integrated Reporting. Impacts on capitals of management practices are disclosed but there is an opportunity to explore in more depth the value created by the company using the inputs in the intellectual capital, such as research innovation of value created in the farmer excellence centers.
- The report provides insight in the impact that the COVID-19 pandemic caused for society and the business of FFC and describes how the company responded to the challenge and remained in a position to continue creating value for its stakeholders.
- With regards to the principles of reliability and completeness as well as consistency and comparability, the report shows progress, but further data can be provided on supply chain risks and impacts an on specific target setting. Adopting science-based targets as announced in the report will be an important step for the next report of the company.

Main Conclusions on Adherence to Accountability Principles

BSD reviewed the report to analyze adherence to the AccountAbility's Principles of Inclusivity, Materiality, Responsiveness and Impact. For this report, the main considerations of this analysis were the following:

- As a GRI and IR based report, FFC´s Sustainability Report 2019 is considering all four principles in the report content and elaboration.
- The report provides insight in how the company creates impacts regarding SDG 2, 3, 6-9 and 11-13. The sections related to these SDGs support the linkages with performance data that relates to the goals.

- Despite the limitations due to the pandemic, FFC could maintain and adapt the outreach activities for the farmers and provide support while protecting own staff with specific protocols against risks of contamination. Innovative forms of interaction helped to keep the number of interactions still on a high level.

- The company also responded to the challenges of COVID-19 with internal protocols to protect its operational staff, preventing any related impact, and furthermore the numbers on Health and Safety incidents showed improvement.

- While, in general, the principles are addressed in a satisfactory manner, we can appoint areas of improvement for the next reporting cycle:

    - The adoption of clearly defined goals for emissions verified by the Science Based Target initiative is foreseen and will support the commitment of the company to contribute more effectively to a global challenge. Even if the current values are within the legal limits, the emission intensity has slightly increased.

    - Total hours and in consequence average hours of training per employee have suffered reduction due to restrictions imposed by COVID-19. The company has restarted trainings as soon as the restrictions have been lifted and we expect that numbers can be reinstated at the normal level in the next report cycle.

    - The company describes how it engages with the different stakeholders and how information gathered by engagements has contributed to the materiality process, but no specific engagement has been implemented for this report. The company announced a new materiality determination for 2021. We recommend implementing a thorough stakeholder engagement for this process, mainly since 2020 has brought significant changes in the global and local sustainability context which can influence significantly the list of material topics.

    - The report brings further inside in the supply chain in the supply chain policies of the company and we recommend continuing the effort and provide supporting data on social and environmental performance of the key suppliers.

Limitation and Exclusions

The verification of financial figures and sustainability performance data was not object of BSD´s work and the review of the Annual Report, which integrates the Sustainability Report 2020, was not in the scope of the engagement.

Final Considerations

Compliance with GRI Standards has been disclosed in more detail in the attached GRI Content Index which provides an overview of which standards have been fully or partially responded. The disclosure items have been assessed by the reviewer and considered being accurately rated in the Content Index. Based on the scope of our work and the assurance procedures we performed using the ISAE 3000 (Revised) assurance standard, we conclude that nothing has come to our attention that causes us to believe that the information in FFC's Sustainability Report 2020 is not fairly stated in all material aspects.

São Paulo, February 14th, 2021

Beat Grüninger,
Partner, BSD Consulting - an ELEVATE company

Islamabad, February 14th, 2021

Nadeem Safdar
Managing Partner, Nadeem Safdar & Co., Chartered Accountants, Pakistan ICAP Membership No. 2396

GRI CONTENT INDEX

The following table has been provided to help the reader in locating content within the document, and specifies each of the GRI Standards used and lists all disclosures included in the report. Each disclosure is followed by reference to the appropriate pages in the 2020 Sustainability Report or other publicly available sources.

Key

Fully Disclosed

Partially Disclosed

Not Disclosed

GRI STANDARD	DISCLOSURE	PAGE NUMBER (S)	OMISSION AND REASON
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	102-2 Activities, brands, products, and services	148	
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	102-56 External assurance	200	
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UNGC - COP

United Nations Global Compact

PRINCIPLE	STATEMENT	PAGE NO.	GRI STANDARDS DISCLOSURE
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	184-185, 188,	410-1, 412-1, 412-2, 413-1, 413-2
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	183-185	413-1, 414-1, 414-2
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	180, 188	102-41, 402-1, 407-1
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	188	409-1
Principle 5	Businesses should uphold the effective abolition of child labor.	188	408-1
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	174-175, 177-180, 188	102-8, 202-1, 202-2, 401-1, 401-3, 404-1, 404-3, 405-2, 406-1,
Principle 7	Businesses should support a precautionary approach to environmental challenges.	186, 193-194, 196-197	201-2, 301-1, 302-1, 303-3, 305-1, 305-2, 305-3, 305-6, 305-7
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	183, 186, 193-199	301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 302-5, 303-3, 303-4, 303-5, 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 306-5, 307-1, 308-1, 308-2
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	194, 197	302-4, 302-5, 305-5
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	1, 12-15, 152, 188	102-16, 102-17, 205-1, 205-2

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	RT-CH-110a.2. Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	153, 186
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Energy Management	RT-CH-130a.1. (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy	193-194
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	RT-CH-140a.2. Number of incidents of non-compliance associated with water quality permits, standards, and regulations	186, 194-195
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Hazardous Waste Management	RT-CH-150a.1. Amount of hazardous waste generated, percentage recycled	197
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Workforce Health & Safety	RT-CH-320a.1. (1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	182
	RT-CH-320a.2. Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	181
Management of the Legal & Regulatory Environment affecting the industry	RT-CH-530a.1. Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors	189
Operational Safety, Emergency Preparedness & Response	RT-CH-540a.1. Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	181-182
	RT-CH-540a.2. Number of transport incidents	181-182

SUSTAINABLE DEVELOPMENT GOALS

SDGs		PAGE NO.	GRI STANDARDS DISCLOSURE
	End poverty in all its forms everywhere	177, 184-185	202-1, 203-2, 413-2
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	131, 184-185	201-1, 203-1, 203-2, 413-2
	Ensure healthy lives and promote well-being for all at all ages	181-182, 184-185, 196-199,	203-2, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 403-8, 403-9
	Ensure inclusive and quality education for all and promote lifelong learning	152, 179	102-27, 404-1
	Achieve gender equality and empower all women and girls	36, 131, 150, 175, 177-180, 183-185, 188	102-22, 102-24, 201-1, 202-1, 203-1, 401-1, 401-3, 404-1, 404-3, 405-1, 405-2, 406-1, 414-1, 414-2
	Ensure access to water and sanitation for all	194, 197-199	303-3, 303-4, 303-5, 306-1, 306-2, 306-3, 306-4, 306-5
	Ensure access to affordable, reliable, sustainable and modern energy for all	131, 184-185, 193-194	201-1, 203-1, 302-1, 302-2, 302-3, 302-4, 302-5
	Promote inclusive and sustainable economic growth, employment and decent work for all	174-175, 177-185, 188, 193-195	102-8, 102-41, 201-1, 202-1, 202-2, 203-2, 301-1, 301-2, 301-3 302-1, 302-2, 302-3, 302-4, 302-5, 303-5, 401-1, 401-2, 401-3, 402-1, 403-8, 403-9, 403-10, 404-1, 404-2, 404-3, 405-1, 405-2, 407-1, 408-1, 409-1, 414-1, 414-2
	Build resilient infrastructure, promote sustainable industrialization and foster innovation	131, 184-185	201-1, 203-1
	Reduce inequality within and among countries	178, 184-185	203-2, 405-2

11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities inclusive, safe, resilient and sustainable	184-185	203-1
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	183, 189, 193-194, 196-199	204-1, 301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 417-1
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	186, 193-194, 196-197	201-2, 302-1, 302-2, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4
14 LIFE BELOW WATER	Conserve and sustainably use the oceans, seas and marine resources	196-199	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-1, 306-3, 306-5
15 LIFE ON LAND	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	196-199	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-3, 306-5
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote just, peaceful and inclusive societies	1, 12-15, 150-152, 168, 183, 186, 188-189	102-16, 102-17, 102-21, 102-22, 102-23, 102-24, 102-25, 102-29, 102-37, 205-1, 205-2, 205-3, 307-1, 414-1, 414-2, 406-1, 408-1, 410-1, 416-2, 417-2, 417-3, 419-1
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the global partnership for sustainable development	146	Not applicable

PSX SDGs

Our performance on PSX defined minimum SDGs and indicators for listed companies covers all SDGs required by PSX. However, we have not in place targets against all PSX SDGs. The targets shall be defined in next year report once our work on embedding SDGs into our corporate strategy and polices is accomplished.

Refer to page 144 for our work on embedding SDGs.

Governance and Strategy

Our governance and strategy related to SDGs is discussed in “Our Governance and Strategy and Resource Allocation sections” of the report which contains how our governance systems support SDGs and how we consider SDGs while devising our strategies and allocating resources.

Refer to page 150 for our governance approach and page 164 for our strategy and resource allocation.

Management Approach

Our approach to manage our impacts on SDGs and make meaningful contributions is discussed in “How we Create and Share Value” section of the report which contains details of our policies, procedures, responsibilities, reviewing of management approach for effectiveness and making necessary adjustment where required.

Refer to page 168-189 for our management approach to manage our impacts on SDGs.

Performance

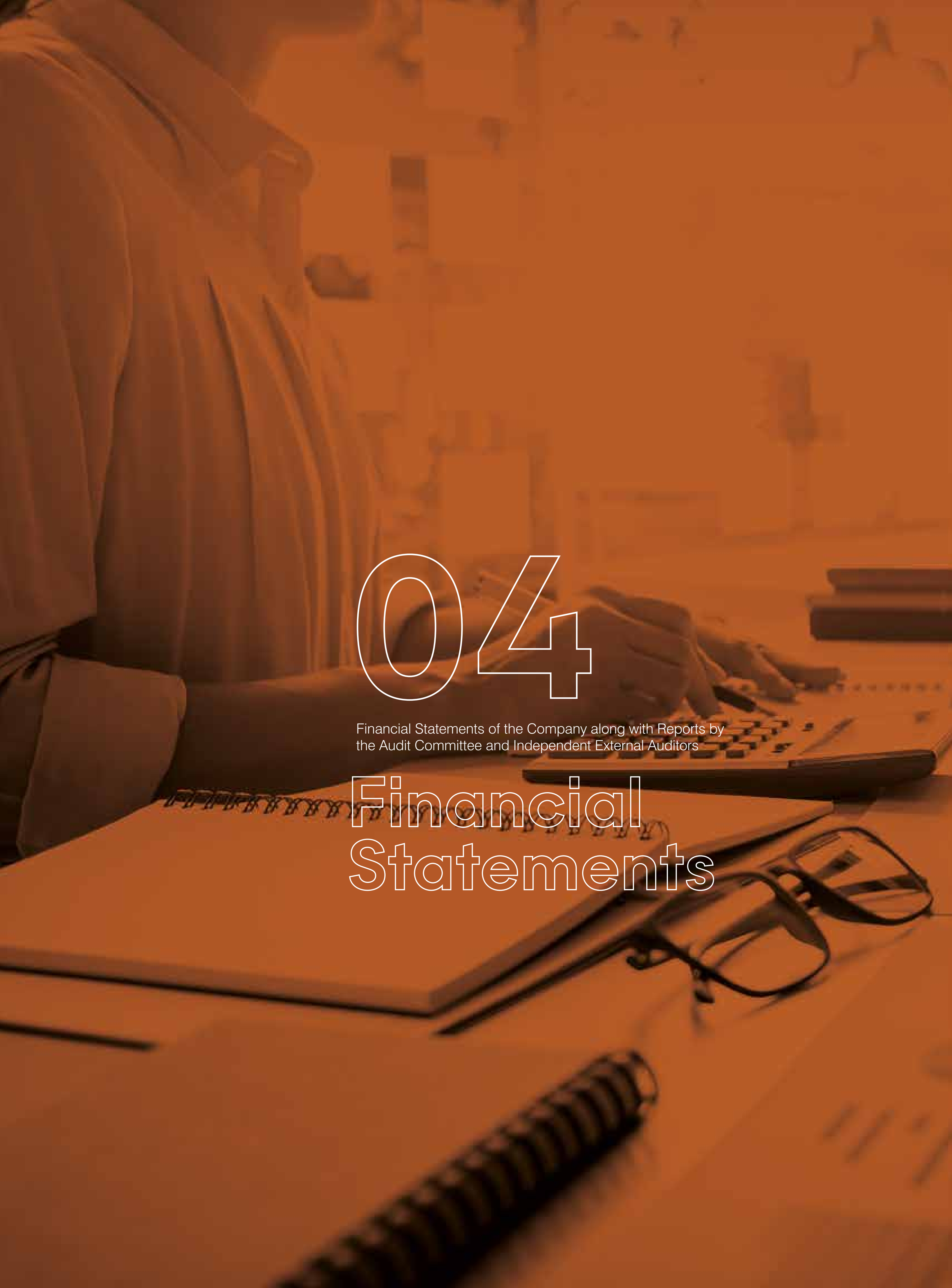
Our performance is discussed in different sections of the report and linked to different SDGs where we think we are making an impact either through managing our negative impacts or making contribution towards SDGs. However, for conciseness and relevance, we are presenting our performance against the minimum SDGs and indicators defined by PSX for listed companies. In case, detailed performance information is required for complete context, reference to the report section or page is mentioned at relevant places.

SDG and Target	Company Performance Target	Performance Indicator	Status (2020)	Status (2019)	Status (2018)	Business Action	Future Business Action
Target 5.1 End all forms of discrimination against women and girls everywhere	-	Existence of policies to promote, enforce and monitor equality and non-discrimination on the basis of gender	Policies exist to promote, enforce and monitor equality and non-discrimination on the basis of gender	Policies exist to promote, enforce and monitor equality and non-discrimination on the basis of gender	Policies exist to promote, enforce and monitor equality and non-discrimination on the basis of gender	Promote, enforce and monitor equality and non-discrimination	Promote, enforce and monitor equality and non-discrimination
			Refer to page 174, 178 and page 188 to read details about management approach and performance				
Target 5.2 Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation	-	Existence of sexual harassment, physical harassment, psychological harassment policies and grievances solving mechanism relevant to sexual, physical and psychological Violence	Sexual harassment, physical harassment, psychological harassment policies and grievances solving mechanism relevant to sexual, physical and psychological violence exist	Sexual harassment, physical harassment, psychological harassment policies and grievances solving mechanism relevant to sexual, physical and psychological violence exist	Sexual harassment, physical harassment, psychological harassment policies and grievances solving mechanism relevant to sexual, physical and psychological violence exist	Enforce policies and grievances solving mechanism relevant to prevent sexual, physical and psychological violence	Enforce policies and grievances solving mechanism relevant to prevent sexual, physical and psychological violence
		Proportion of female employees at your company aged 15 years and older subjected to physical, sexual or psychological violence	FFC does not employee young female workers aged 15 years. No complaint of physical, sexual or psychological violence filed.	FFC does not employee young female workers aged 15 years. No complaint of physical, sexual or psychological violence filed.	FFC does not employee young female workers aged 15 years. No complaint of physical, sexual or psychological violence filed.	Enforce policies and grievances solving mechanism relevant to prevent sexual, physical and psychological violence	Enforce policies and grievances solving mechanism relevant to prevent sexual, physical and psychological violence
			Refer to page 174, 178 and 188 to read details about management approach and performance				

SDG and Target	Company Performance Target	Performance Indicator	Status (2020)	Status (2019)	Status (2018)	Business Action	Future Business Action
Target 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	**Target 2021** Limit increase in water intake to 5% from 2018 level	Total water withdrawal by source	3.8% Reduction in fresh water intake has been achieved till 2020 compared to 2018 level.	4.5% reduction in fresh water intake has been achieved in year 2019 compared to 2018 level	N/A	Increased water efficiency and recycling	Promote water efficiency and water recycling to further reduce the impact by 0.5 % in coming years to meet the target
			Fresh water consumption per ton	Fresh water consumption per ton			Promotion of renewable energy to decrease environmental footprint
			6.22 liter per ton	5.86 liter per ton			
Target 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix	-	Renewable energy share in the total final energy consumption	-	-		FFC is exploring different renewable energy options to include renewable energy in total energy mix	Promotion of renewable energy to decrease environmental footprint
Target 7.b By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries and small island developing states		Value of investment to enhance energy efficiency at your company in PKR	PKR 919 million	PKR 6 million	-	Continuous investment in new technologies to enhance energy efficiency	Continuous investment in new technologies to enhance energy efficiency to cut costs and decrease environmental footprint
Target 8.3 Promote development oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization of growth micro/ small/medium size enterprises including access to financial services	-	Proportion of informal (contract, casual and daily wage) employment in non-agriculture areas at your company	FFC strictly complies with applicable laws governing employment practices and adheres to the international conventions. No informal employment practices exist at FFC. Refer to page 174 and 178 to read details about management approach and performance			Compliance with applicable laws and adherence to international charters	Compliance with applicable laws and adherence to international charters

SDG and Target	Company Performance Target	Performance Indicator	Status (2020)	Status (2019)	Status (2018)	Business Action	Future Business Action
Target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	-	Average hourly earnings of managerial and non-managerial employees, by gender M = Manager S = Staff	2020 Male / Female M: 950 / 950 S: 119 / 119	2019 Male / Female M: 897 / 897 S: 111 / 111	2018 Male / Female M: 853 / 853 S: 105 / 105	Compliance with applicable laws	Compliance with laws
		Average hourly earnings of your managerial and non-managerial employees with disabilities, by gender M = Manager S = Staff	2020 Male / Female Same as above	2019 Male / Female Same as above	2018 Male / Female Same as above	Compliance with applicable laws	Compliance with applicable laws
		Minimum wage of employees	2020 27,577	2019 27,577	2018 27,416	Compliance with applicable laws	Compliance with applicable laws
		Number of net new jobs created at your company, by gender and persons with disabilities	2020 We are an equal opportunity company. Jobs are created as per company requirements and not by gender and disability. All qualified people can apply for them and be selected regardless of gender or disability.	2019	2018	-	-
		Proportion of your employees with disabilities	Refer to page 174 - 176 to read details about hiring and attrition.				
Target 8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	-	Frequency rates of fatal and non-fatal occupational injuries at your company, by gender and migrant status	Refer to page 181-182 to read details about performance			Promote culture of safety to prevent fatal and non-fatal occupational injuries	Promote culture of safety to prevent fatal and non-fatal occupational injuries
		Compliance with labor rights based on national and provincial legislation	FFC is compliant with labor rights based on national and provincial legislation as well as international charters			Ensure compliance of applicable laws and charters	Ensure compliance of applicable laws and charters
Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities		CO_2 emissions per ton of urea	2020 0.76	2019 0.75	2018 0.74	Continuous investment in cleaner technologies to reduce environmental footprint	Continuous investment in cleaner technologies to reduce environmental footprint

SDG and Target	Company Performance Target	Performance Indicator	Status (2020)	Status (2019)	Status (2018)	Business Action	Future Business Action
Target 12.4 By 2020, achieve the environmentally sound management of chemicals and all waste throughout their lifecycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in-order to minimize their adverse impacts on human health and environment	-	Quantity of hazardous waste generated and treated Does FFC treats its hazardous waste in accordance with the international multilateral agreements signed by the Government of Pakistan?	Refer to page 197-198 to read details about our management approach and waste data.			Compliance with applicable laws for handling and treatment of hazardous waste	Compliance with applicable laws for handling and treatment of hazardous waste
Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	-	Quantity of waste material generated and recycled	Refer to page 198 to read details about waste data.			Promote waste prevention over recycling where possible. Explore recycling options	Promote waste prevention over recycling where possible. Explore recycling options
Target 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability reporting in their reporting cycle	-	1. Does FFC publish sustainability report? 2. Does FFC report on SDG?	FFC has been publihsing an annual sustainability report since 2011. FFC also report on its contributions and impacts on SDGs.			Adopt best sustainability practices and embed SDGs into operations for better managing impacts.	Adopt best sustainability practices and embed SDGs into operations for better managing impacts.



04

Financial Statements of the Company along with Reports by the Audit Committee and Independent External Auditors

Financial Statements

SAY NO TO CORRUPTION

REPORT OF THE AUDIT COMMITTEE

on Listed Companies (Code of Corporate Governance) Regulations, 2019

Composition of The Audit Committee

Audit Committee of the FFC Board of Directors comprises of four directors. Two members of the Committee including the Chairman are independent non-executive directors, whereas the other two members are non-executive directors.

During the year, Mr Saad Amanullah Khan was appointed as Chairman in place of Ms Maryam Aziz. All the Committee members are financially literate, who possess significant acumen related to finance, economics and business management.

The names and profiles of the Audit Committee members are given from Page 32 to 34 of the Report.

Chief Financial Officer of the Company attends the meeting of Audit Committee on invitation; Internal auditors are present in all the Committee meetings whereas External Auditors attend the meetings on requirement basis.

Financial Statements

The Committee has concluded its annual review of the Company's performance, financial position and cash flows during 2020, and reports that:

- The separate and consolidated financial statements of FFC for the year ended December 31, 2020 have been prepared on a going concern basis under requirements of the Companies Act 2017, incorporating the requirements of the Code of Corporate Governance, International Financial Reporting Standards and other applicable regulations.
- These financial statements present a true and fair view of the state of affairs of the Company, results of operations, profits, cash flows and changes in equity of the Company and its subsidiaries for the year under review.
- The auditors have issued unmodified audit reports in respect of the above financial statements in line with the Auditors (Reporting Obligations) Regulations, 2018 issued by SECP.
- Appropriate accounting policies have been consistently applied, which have been appropriately disclosed in the financial statements.
- The Chairman of the Board, Chief Executive Officer, one director and the Chief Financial Officer have endorsed the separate and consolidated financial statements of the Company, while the Directors' Report is signed by Chairman and Chief Executive Officer. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017. The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholder needs.
- All related Party transactions have been reviewed by the Committee prior to approval by the Board.
- The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the External Auditors of the Company.
- Understanding and compliance with the codes and policies of the Company has been affirmed by the members of the Board, the management and employees of the Company. Equitable treatment of shareholders has also been ensured.

- Trading and holding of Company's shares by Directors & executives or their spouses and dependent children were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction, which were notified by the Company Secretary to the Board. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

Risk Management and Internal Control

- The Company has developed a sound mechanism for identification of risks and assigning appropriate criticality level and devising appropriate mitigation measures which are regularly monitored and implemented by the management across all major functions of the Company and presented to the audit committee for information and review.
- The Company has devised and implemented an effective internal control framework which also includes an independent internal audit function.
- The Internal Audit function is responsible for providing assurance on the effectiveness and adequacy of internal control and risk management framework in managing risks within acceptable levels throughout the Company.
- The Company's approach towards risk management has been disclosed in the risk assessment portion of the Directors' Report .The types and detail of risks along with mitigation measures are disclosed in relevant section of the Annual Report.

Internal audit

- The Company's system of internal controls is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and shareholders' wealth, through assurances provided by internal audit function.
- The Internal Audit function has carried out its assignments in accordance with annual audit plan approved by the Audit Committee. The Committee has reviewed material Internal Audit findings, taken appropriate actions where necessary or brought the matters to the Board's attention where required.
- Audit Committee has provided proper arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters. Adequate remedial and mitigating measures are applied, where necessary.
- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives including a reliable financial reporting system.

External Auditors

- The statutory Auditors of the Company, A. F. Ferguson & Co., Chartered Accountants, have completed their audit assignment of the Company's Financial Statements, the Consolidated Financial Statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended December 31, 2020 and shall retire on the conclusion of the 43rd Annual General Meeting of the Company.
- The Audit Committee has discussed the audit process and the observations, if any, of the auditors regarding the preparation of the financial statements including compliance with the applicable regulations or any other issues.
- The Auditors either attended or were available for discussions, during the audit committee meetings where their reports were discussed. The Auditors confirmed their attendance of the 43rd Annual General Meeting scheduled for March 18, 2021.
- A. F. Ferguson & Co., Chartered Accountants also provide taxation services to the Company. The firm has no financial or other relationship of any kind with the Company except that of External Auditor and Taxation Consultant.
- Being eligible, A. F. Ferguson & Co., Chartered Accountants have offered themselves to be reappointed as auditors for the financial year 2021. They have requested a 5% increase in audit fee to Rs 2.625 million.
- The Committee is satisfied with the performance of the External Auditors. The engagement partner on the audit was Mr Asim Masood Iqbal. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of A. F. Ferguson & Co., Chartered Accountants as External Auditors of the Company for the year ending December 31, 2021 at an increased fee of Rs 2.625 million.

Annual Integrated Report 2020

- The Company has issued a comprehensive Annual Integrated Report 2020, which besides presentation of the financial statements and the Directors' Reports of the Company, also discloses information and explanation relating to the Capitals, much in excess of the regulatory requirements to offer an in depth understanding about the management style, Governance, the policies set in place by the Company, overview of its value creating business model, its performance during the year, and future prospects to various stakeholders of the Company.
- The information has been disclosed in the form of ratios, trends, graphs, analysis, explanatory notes and statements etc., and the Audit Committee believes that the Annual Integrated Report 2020 prepared on the basis of international integrated reporting framework, gives a detailed view of how the Company evolved, its state of affairs and future prospects.

The Audit Committee

- The Audit Committee believes that it has carried out responsibilities to the full, in accordance with Terms of Reference approved by the Board, which included principally the items mentioned above and the actions taken by the Audit Committee in respect of each of these responsibilities. Evaluation of the Board's performance, which also included members of the Audit Committee was carried out separately and is detailed in the Annual Integrated Report.

Saad Amanullah Khan
Chairman – Audit Committee
Rawalpindi
January 28, 2021

STATEMENT OF COMPLIANCE

with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: **Fauji Fertilizer Company Limited**

Year ended: **December 31, 2020**

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

1. The total number of Directors are 13 as per the following:

a.	Male:	12
b.	Female:	01

2. The composition of the Board is as follows:

i)	Independent Directors* (excluding female director)	Mr Farhad Shaikh Mohammad Mr Saad Amanullah Khan
ii)	Non-Executive Directors	Mr Waqar Ahmed Malik Dr Nadeem Inayat Maj Gen Naseer Ali Khan, HI(M) (Retired) Mr Qamar Haris Manzoor Capt. Saeed Ahmad Nawaz (Retired) Mr Peter Bruun Jensen Dr Riaz Ahmed Maj Gen Ahmad Mahmood Hayat, HI(M) (Retired) Syed Bakhtiyar Kazmi
iii)	Executive Director	Lt Gen Tariq Khan, HI(M) (Retired)
iv)	Female Directors (Independent Director)*	Ms Maryam Aziz

* Please refer to point 18 of the Statement regarding the minimum number of Independent Directors as required by regulation 6 of the Regulations.

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;

4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that a complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board;

8. The Board 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;

Directors:

- Mr Waqar Ahmed Malik
- Lt Gen Tariq Khan, HI(M) (Retired)
- Dr Nadeem Inayat
- Mr Farhad Shaikh Mohammad
- Mr Saad Amanullah Khan
- Ms Maryam Aziz
- Maj Gen Naseer Ali Khan, HI(M) (Retired)
- Mr Qamar Haris Manzoor

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a) Audit Committee

Mr Saad Amanullah Khan - Chairman
Dr Nadeem Inayat - Member
Ms Maryam Aziz - Member
Syed Bakhtiyar Kazmi - Member

b) HR and Remuneration Committee

Ms Maryam Aziz - Chairperson
Maj Gen Naseer Ali Khan (Retired) - Member
Mr Farhad Shaikh Mohammad - Member
Maj Gen Ahmad Mahmood Hayat (Retired) - Member

c) System & Technology Committee

Mr Qamar Haris Manzoor - Chairman
Dr Nadeem Inayat - Member
Maj Gen Naseer Ali Khan (Retired) - Member

d) Investment Committee

Dr Nadeem Inayat - Chairman
Mr Qamar Haris Manzoor - Member
Ms Maryam Aziz - Member
Syed Bakhtiyar Kazmi - Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly / half yearly / yearly) of the committees were as per following:

a) Audit Committee - Quarterly

b) HR and Remuneration Committee - On required basis*

c) System & Technology Committee - On required basis

d) Investment Committee - On required basis

*(3 meetings were held during the year)

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of the regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations, 2019 have been complied with. The requirement of regulation 6 was complied with till 15-05-2020 i.e. the resignation of concerned Director. The Company since 15-05-2020 has three (3) Independent Directors and intends to reach the minimum requirement of number of Independent Directors (i.e. at least two or one third whichever is higher) as mentioned in Regulation 6(2) of the Regulations i.e. upon reconstitution of the Board in September 2021.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

S. No	Requirement	Explanation	Reg. No.
i.	Constitution of Nomination Committee	The functions of nomination committee are currently performed by other committees in place and are included in their ToRs. Further, the Board intends to constitute Nomination Committee upon reconstitution of the Board.	29
ii.	Constitution of Risk Management Committee	The functions of risk management committee are currently performed by other committees in place and are included in their ToRs. Further, the Board intends to constitute risk management Committee upon reconstitution of the Board.	30

Waqar Ahmed Malik
Chairman

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

Rawalpindi
January 28, 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fauji Fertilizer Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Fauji Fertilizer Company Limited (the Company) for the year ended December 31, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2020.

Further, we highlight content of paragraph 18 of the Statement where the matter of minimum number of Independent Directors on the Board of Directors of the Company has been explained.

A.F. Ferguson & Co.
Chartered Accountants
Islamabad
January 28, 2021

INDEPENDENT AUDITOR'S REPORT

To The Members of Fauji Fertilizer Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Fauji Fertilizer Company Limited (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Gas Infrastructure Development Cess (GIDC) payable** (Refer note 9 to the financial statements) Pursuant to the decision of Supreme Court of Pakistan (SCP) dated August 13, 2020 and outcome of review petition on November 2, 2020 seeking review of its judgement of GIDC levy, the Company has recognized a new liability of Rs 56,716 million against its liability to GIDC, under the Gas Infrastructure Development Cess Act, 2015, along with gain on extinguishment of original GIDC liability of Rs 5,926 million.	**Our audit procedures in relation to this matter included, amongst others:** - Obtained and read the detailed judgement and the review petition dismissal order announced by the Supreme Court of Pakistan (SCP) and the stay order granted to the Company by the Sindh High Court; - Obtained and read the "Guidance on Accounting of GIDC" issued by ICAP and understood the management's process for selection of accounting policies and held discussions with the management regarding accounting treatment and the related impact thereof, subsequent to judgements of SCP; - Checked the requirements of GIDC Act, 2015;

S. No.	Key audit matters	How the matter was addressed in our audit
	The management has applied the requirements of "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) in January, 2021 for recognition, measurement and presentation of the GIDC liability in these financial statements. The modification in timing of settlement of GIDC liability reflect substantially different terms from the original liability. The new modified liability has been accounted for under the measurement principles of IFRS – 9 ''Financial Instruments" at fair value using effective interest rate method and present value techniques and the original liability has been extinguished. We considered this as a key audit matter, due to the significance of the amount and the judgments involved in selection of accounting policies and estimation of present value of the new liability as a result of SCP judgement.	- Checked the mathematical accuracy of the management's working of current / non - current classification of GIDC payable, its present value and assessed its accuracy and reasonableness of key estimates used; - Circularized and obtained external confirmation of the Company's legal counsel handling the matter, as of reporting date; and - Checked the appropriateness of disclosures made in the annexed financial statements in relation to the matter in accordance with the applicable accounting and reporting framework.
2	**Revenue recognition** (Refer notes 3.19 and 28 to the financial statements) The Company is engaged in production and sale of fertilizers and chemicals. The Company recognized revenue from the sale of fertilizers and chemicals amounting to Rs 97,654 million for the year ended December 31, 2020. We identified recognition of revenue as an area of higher risk as it includes large number of revenue transactions involving a large number of customers spread in various geographical locations. Further, revenue is one of the key performance indicator of the Company. Accordingly, it was considered as a key audit matter.	**Our procedures in relation to this matter included, amongst others:** - Obtained understanding of the process relating to recognition of revenue and checked the design, implementation and operating effectiveness of relevant internal controls over recording of revenue; - Performed verification of sample of revenue transactions with underlying documentation including delivery documents and sales invoices; - Performed cut-off procedures on sample basis to ensure revenue has been recorded in the correct period; - Verified that sales prices are approved by appropriate authority; - Verified discounts with supporting documentation on test basis; and - Checked that revenue has been recognized in accordance with Company's accounting policy and the applicable accounting and financial reporting framework.

S. No.	Key audit matters	How the matter was addressed in our audit
3	**Investment in a subsidiary – Fauji Fresh n Freeze Limited (FFF)** (Refer note 17 and note 17.7 to the financial statements) The Company has significant investment in its subsidiary company – FFF. As at December 31, 2020, the cost of investment in above referred subsidiary amounted to Rs 6,335 million and accrued interest on advance given to FFF amounted to Rs 127 million, respectively. During the year ended December 31, 2020, based on impairment assessment, the management has recorded further impairment loss of Rs 1,000 million for the year ended December 31, 2020. Accumulated impairment loss as at December 31, 2020 amounted to Rs 2,100 million. The management has assessed the recoverable amount of above investment based on the higher of the value-in-use and fair value. This recoverable amount is based on a valuation analysis performed by the management using a discounted cash flow model which involves estimation of future cash flows. This estimation requires significant judgement on future cash flows, the discount rate applied to those future cash flows and long-term growth rate etc. We considered this as a key audit matter due to significant management judgement involved in the estimation of recoverable amount and the significance of the amount of investment.	**Our audit procedures in relation to this matter included, amongst others:** - Obtained understanding of management's process for identification of impairment indicators in, and testing impairment of investment in subsidiary – FFF; - Checked the mathematical accuracy of management's valuation model and agreed relevant data to the underlying Company's records; - Assessed the reasonableness of key assumptions used in the valuation model such as future sales volumes and prices, discount rate and long-term growth rates, etc.; - Performed sensitivity analysis with respect to changes in key assumptions used in the valuation model; and - Checked the appropriateness of disclosures made in the annexed financial statements with respect to the requirements of the applicable accounting and reporting framework.

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 do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

To The Members of Fauji Fertilizer Company Limited

Report on the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Asim Masood Iqbal.

A.F. Ferguson & Co.
Chartered Accountants
Islamabad
January 28, 2021

STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Note	2020	2019
		Rs '000	Rs '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4	12,722,382	12,722,382
Capital reserves	5	160,000	160,000
Revenue reserves	6	29,461,383	22,697,960
Surplus / (deficit) on re-measurement of investments to fair value - net		191,906	(13,641)
		42,535,671	35,566,701
NON - CURRENT LIABILITIES			
Long term borrowings - secured	7	10,627,321	6,472,500
Lease liabilities		59,161	62,360
Deferred government grant	8	24,633	–
Gas Infrastructure Development Cess (GIDC) payable	9	32,771,664	–
Deferred liabilities	10	5,259,415	4,412,445
		48,742,194	10,947,305
CURRENT LIABILITIES			
Current portion of long term borrowings - secured	7	4,334,776	4,711,250
Current portion of lease liabilities		23,132	42,581
Current portion of deferred government grant		87,659	–
Trade and other payables	11	46,620,853	76,009,303
Mark-up and profit accrued	12	274,936	676,361
Short term borrowings - secured	13	25,257,980	21,802,953
Unclaimed dividend		467,812	541,447
Taxation		4,603,745	3,091,959
		81,670,893	106,875,854
TOTAL EQUITY AND LIABILITIES		172,948,758	153,389,860
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 44 form an integral part of these financial statements.

	Note	2020	2019
		Rs '000	Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	22,840,989	22,212,099
Intangible assets	16	1,571,935	1,576,796
Long term investments	17	34,674,616	31,087,989
Long term loans and advances - secured	18	1,945,533	1,200,037
Long term deposits and prepayments	19	14,088	12,378
		61,047,161	56,089,299
CURRENT ASSETS			
Stores, spares and loose tools	20	4,433,760	3,810,669
Stock in trade	21	319,989	6,795,374
Trade debts	22	2,287,336	13,460,069
Loans and advances	23	789,170	1,795,136
Deposits and prepayments	24	50,685	50,583
Other receivables	25	20,965,069	17,653,231
Short term investments	26	81,902,113	48,040,470
Cash and bank balances	27	1,153,475	5,695,029
		111,901,597	97,300,561
TOTAL ASSETS		172,948,758	153,389,860

Chairman **Chief Executive** **Director** **Chief Financial Officer**

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

	Note	2020	2019
		Rs '000	Rs '000
Turnover - net	28	97,654,753	105,783,413
Cost of sales	29	(66,071,461)	(75,046,062)
GROSS PROFIT		31,583,292	30,737,351
Distribution cost	30	(7,848,004)	(8,288,413)
		23,735,288	22,448,938
Finance cost	31	(1,873,508)	(2,477,110)
Other gains / (losses)			
- Gain on extinguishment of original GIDC liability	9	5,926,537	–
- Loss allowance on subsidy receivable from GoP	25	(987,000)	–
		4,939,537	–
- Impairment loss on investment			
in Fauji Fresh n Freeze Limited	17	(1,000,000)	(1,100,000)
		3,939,537	(1,100,000)
Other expenses	32	(2,639,202)	(2,309,427)
Other income	33	6,429,344	7,191,089
PROFIT BEFORE TAX		29,591,459	23,753,490
Provision for taxation	34	(8,772,000)	(6,643,000)
PROFIT FOR THE YEAR		20,819,459	17,110,490
Earnings per share - basic and diluted (Rupees)	35	16.36	13.45

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman	**Chief Executive**	**Director**	**Chief Financial Officer**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	2020	2019
	Rs '000	Rs '000
PROFIT FOR THE YEAR	20,819,459	17,110,490
OTHER COMPREHENSIVE INCOME		
Items that are reclassified subsequently to profit or loss		
Surplus on re-measurement of investments		
to fair value - net of tax	205,547	8,309
Items that will not be subsequently reclassified to profit or loss		
Gain / (loss) on re-measurement of staff retirement		
benefit plans - net of tax	2,197	(367,915)
OTHER COMPREHENSIVE INCOME / (LOSS) - NET OF TAX	207,744	(359,606)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	21,027,203	16,750,884

The annexed notes 1 to 44 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, 2020

	Note	2020	2019
		Rs '000	Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	48,130,592	33,641,744
Finance cost paid		(2,266,264)	(2,101,323)
Income tax paid		(6,320,111)	(6,603,820)
		(8,586,375)	(8,705,143)
Net cash generated from operating activities		39,544,217	24,936,601
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,942,574)	(3,138,247)
Proceeds from disposal of property, plant and equipment		39,895	459,206
Investment in Fauji Fresh n Freeze Limited		(601,866)	–
Investment in Thar Energy Limited		–	(1,329,318)
Advance against issue of shares to Thar Energy Limited		–	(416,533)
Advance against right issue of Fauji Fertilizer Bin Qasim Limited		(2,493,774)	–
Increase in other investment - net		355,639	1,026,817
Interest and profit received		891,347	1,805,620
Dividends received		1,151,177	1,970,765
Net cash (used in) / generated from investing activities		(3,600,156)	378,310
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing			
- Draw-downs		8,409,538	2,600,000
- Repayments		(4,631,191)	(7,237,741)
Repayment of lease liabilities		(31,317)	(33,384)
Grant received during the year		190,462	–
Dividends paid		(14,131,868)	(14,664,464)
Net cash used in financing activities		(10,194,376)	(19,335,589)
Net increase in cash and cash equivalents		25,749,685	5,979,322
Cash and cash equivalents at beginning of the year		31,886,368	25,671,431
Effect of exchange rate changes		73,187	235,615
Cash and cash equivalents at end of the year		57,709,240	31,886,368
CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	1,153,475	5,695,029
Short term borrowings	13	(25,257,980)	(21,802,953)
Short term highly liquid investments		81,813,745	47,994,292
		57,709,240	31,886,368

The annexed notes 1 to 44 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, 2020

	Share capital	Capital reserves	Revenue reserves		Surplus / (deficit) on re-measurement of investments to fair value - net	Total
			General reserve	Unappropriated profit		
	Rs '000					
Balance at January 1, 2019	12,722,382	160,000	8,802,360	11,720,153	(21,950)	33,382,945
Total comprehensive income for the year						
Profit for the year	–	–	–	17,110,490	–	17,110,490
Other comprehensive income - net of tax	–	–	–	(367,915)	8,309	(359,606)
	–	–	–	16,742,575	8,309	16,750,884
Transactions with owners of the Company						
Distributions:						
Final dividend 2018: Rs 3.90 per share	–	–	–	(4,961,729)	–	(4,961,729)
First interim dividend 2019: Rs 2.50 per share	–	–	–	(3,180,596)	–	(3,180,596)
Second interim dividend 2019: Rs 2.85 per share	–	–	–	(3,625,879)	–	(3,625,879)
Third interim dividend 2019: Rs 2.20 per share	–	–	–	(2,798,924)	–	(2,798,924)
	–	–	–	(14,567,128)	–	(14,567,128)
Balance at January 1, 2020	12,722,382	160,000	8,802,360	13,895,600	(13,641)	35,566,701
Total comprehensive income for the year						
Profit for the year	–	–	–	20,819,459	–	20,819,459
Other comprehensive income - net of tax	–	–	–	2,197	205,547	207,744
	–	–	–	20,821,656	205,547	21,027,203
Transactions with owners of the Company						
Distributions:						
Final dividend 2019: Rs 3.25 per share	–	–	–	(4,134,774)	–	(4,134,774)
First interim dividend 2020: Rs 2.50 per share	–	–	–	(3,180,596)	–	(3,180,596)
Second interim dividend 2020: Rs 2.75 per share	–	–	–	(3,498,655)	–	(3,498,655)
Third interim dividend 2020: Rs 2.55 per share	–	–	–	(3,244,208)	–	(3,244,208)
	–	–	–	(14,058,233)	–	(14,058,233)
Balance at December 31, 2020	12,722,382	160,000	8,802,360	20,659,023	191,906	42,535,671

The annexed notes 1 to 44 form an integral part of these financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

1. CORPORATE AND GENERAL INFORMATION

1.1 The Company and its operations

Fauji Fertilizer Company Limited (the Company) is a public company incorporated in Pakistan under the Companies Act, 1913, (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The Company is domiciled in Rawalpindi. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizer, chemical, cement, energy generation, food processing and banking operations.

The business units of the Company include the following:

Business unit	Graphical location
Registered office	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
Production plants	
Goth Machhi	Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab
Mirpur Mathelo	Mirpur Mathelo (District: Ghotki), Sindh
Karachi Office	B-35, KDA Scheme No. 1, Karachi, Sindh
Marketing division	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
Zonal marketing offices	
North zone	Lahore Trade Centre, 11 Sharah-e-Aiwan-e-Tijarat Lahore, Punjab
Central zone	Ali Maskan, District Jail Road, Multan, Punjab
South zone	B-35, KDA Scheme # 1, Karsaz, Karachi, Sindh
Regional marketing offices	
Faisalabad Region	495-C, Amin Town, Quaid-e-Azam Road, Faisalabad, Punjab
Sahiwal Region	77-B, Canal Colony, Off Farid Town Road, Sahiwal, Punjab
Lahore Region	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
Sarghodha Region	House No. 1, Bilal Park, Muradabad Colony, University Road, Sargodha, Punjab
Peshawar Region	9-B, Rafiqui Lane, Peshawar Cantt, Khyber Pakhtunkhwa
Bahawalpur Region	House No. 39-A Tipu Shaheed Road, Model Town A, Bahawalpur, Punjab
D. G. Khan Region	House No.3, Khyaban-e-Sarwar, Main Multan Road, Dera Ghazi Khan, Punjab
Multan Region	Ali-Maskan, District Jail Road, Multan, Punjab
Rahim Yar Khan Region	37-A, Ali Block, Abbasia Town, Rahim Yar Khan, Punjab
Vehari Region	House No.48 Quaid e Azam Block Ludden Road, Tariq Bin Ziyad Colony, Vehari, Punjab
Hyderabad Region	Bungalow No. 208, DHA, Phase-2, Hyderabad, Sindh
Sukkur Region	House No. 64-A Sindhi Muslim Co-operative Housing Society, Airport Road, Sukkur, Sindh
Nawabshah Region	House No. A-11, Housing Society, Near Thalassemia Hospital, Nawabshah, Sindh

The Company has district marketing offices and warehouses located across Pakistan, the region-wise details of which are listed below:

	No. of district offices	No. of warehouses
Faisalabad Region	5	14
Sahiwal Region	4	10
Lahore Region	6	16
Sarghodha Region	5	10
Peshawar Region	5	11
Bahawalpur Region	4	11
D. G. Khan Region	4	12
Multan Region	4	12
Rahim Yar Khan Region	4	9
Vehari Region	4	13
Hyderabad Region	6	14
Sukkur Region	7	21
Nawabshah Region	5	14
	63	167

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement and preparation

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and obligations for staff retirement benefits which are carried at present values of defined benefit obligation net of fair value of plan assets determined through actuarial valuation.

These financial statements are the separate financial statements of the Company in which investments in subsidiary companies, associate and jointly controlled entities are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency.

2.4 Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

(i) Employee retirement benefits - note 3.8, note 10.2 and note 11.2
(ii) Estimate of fair value of financial liabilities at initial recognition - note 3.26 and note 9
(iii) Estimate of useful life of property, plant and equipment - note 3.10 and note 15
(iv) Estimate of useful life of intangible assets - note 3.11 and note 16
(v) Estimate of fair value of investments through other comprehensive income - note 3.26 and note 17
(vi) Provisions and contingencies - note 3.6 and note 3.7
(vii) Impairment of non-financial assets - note 3.13
(viii) Estimate of recoverable amount of goodwill - note 3.11 and note 16
(ix) Estimate of recoverable amount of investment in subsidiaries and associated companies - note 3.12 and note 17
(x) Provision for taxation - note 3.9 and note 34
(xi) Expected credit loss allowance - note 3.16 ,note 22 and note 25
(xii) Provision for slow moving spares - note 20
(xiii) Right of use asset and corresponding lease liability - note 3.4 and note 15

2.5 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency transaction and translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the year end are translated in Pakistan Rupees at exchange rates ruling at the reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transaction. Exchange differences are included in profit or loss for the year.

3.2 Share capital and dividend

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved.

3.3 Dividend distribution

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

3.4 Leases

3.4.1 Right of use asset

The Company assesses whether a contract is or contains a lease at inception of the contract. If the Company assesses contract contains a lease and meets requirements of IFRS 16, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.4.2 Lease liability

If applicable, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

a. fixed payments, including in-substance fixed payments;

b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c. amounts expected to be payable under a residual value guarantee; and

d. the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments are recongnised in profit or loss in the period in which the condition that triggers those payments occurs.

The Company has opted not to recognize right of use assets for short-term leases i.e. leases with a term of twelve (12) months or less. The payments associated with such leases are recognized in profit or loss when incurred.

Variable lease payments are recongnised in profit or loss in the period in which the condition that triggers those payments occurs.

3.5 Trade and other payables

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

3.6 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.7 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.8 Employee retirement benefits

3.8.1 Defined benefit plans

Funded Gratuity and Pension Schemes

The Company operates defined benefit funded gratuity and pension schemes for all eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 11.2 to the financial statements.

Charge for the year is recognized in profit or loss. Actuarial gain or losses arising on actuarial valuation are recorded directly in the other comprehensive income.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

3.8.2 Defined contribution plan

Provident Fund

Defined contribution provident fund for all eligible employees for which the Company's contributions are charged to profit or loss at the rate of 10% of basic salary.

3.8.3 Compensated absences

The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.9 Taxation

Income tax expense comprises current and deferred tax.

Current tax

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Deferred tax

Deferred tax is recognized in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.10 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except freehold land and capital work in progress, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a straight-line basis and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 15. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of its disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

3.11 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries or businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense in profit or loss and is not subsequently reversed.

With finite useful life

Intangibles are stated at the cash price equivalent of the consideration given less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Rates for amortization are disclosed in note 16 in the financial statements. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit or loss.

3.12 Investment in subsidiaries, associated and jointly controlled entities

In subsidiary entities

Investment in subsidiary is initially recognized at cost. At subsequent reporting date, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amount of investment is adjusted accordingly. Impairment losses are recognized as an expense in profit or loss. Where impairment loss subsequently reverses, the carrying amount of investment is increased to its revised recoverable amount but limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the profit or loss.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries which are recognized in other income. Gains and losses on disposal of investment is included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate, the retained investment is carried at cost.

In associated and jointly controlled entities

Investments in associates and jointly controlled entities are initially recognized at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit or loss.

The profits and losses of associates and jointly controlled entities are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the associates and jointly controlled entities which are recognized in other income. Gains and losses on disposal of investment is included in other income.

3.13 Impairment non-financial assets

The carrying amounts of non-financial assets other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

3.14 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value.

For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

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

The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and as appropriate, these are written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

3.15 Stock in trade

Stocks are valued at the lower of cost and net realizable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost
Work in process and finished goods	at weighted average cost of purchase, raw materials and applicable manufacturing expenses

Cost of raw material, work in process and finished goods comprises of direct materials, labor and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

3.16 Trade debts

These are recognized and carried at the original invoice amounts, being the fair value, less loss allowance, if any. For measurement of loss allowance for trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses. IFRS 9 introduces the Expected Credit Loss (ECL) model which requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred.

3.17 Deposits and other receivables

These are recognized at cost, which is the fair value of the consideration given. For measurement of loss allowance for advances, deposits and other receivables, the Company applies the IFRS 9 simplified approach to measure the expected credit losses.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.19 Turnover

Turnover from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Turnover is recognized when or as performance obligations are satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or at a point in time. Turnover is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Government subsidy on sale of fertilizer is recognised when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognised in other income.

3.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed out in the year they occur.

3.21 Government grant

Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed.

Government grant includes any benefit earned on account of a government loan obtained at below-market rate of interest. The loan is recognised and measured in accordance with IFRS 9 "Financial Instruments". The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

Government grant that has been awarded for the purpose of giving immediate financial support to the Company is recognised in profit or loss of the period in which the entity qualifies to receive it.

3.22 Research and development costs

Research and development costs are charged to profit or loss as and when incurred.

3.23 Finance income and finance costs

Finance income comprises interest income on funds invested (financial assets), dividend income, gain on disposal of financial assets, commission income and changes in fair value of investments. Interest income is recognized as it accrues in profit or loss, using effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

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

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

3.24 Basis of allocation of common expenses

Distribution cost is allocated to Fauji Fertilizer Bin Qasim Limited (FFBL), in proportion to the sales volume handled on its behalf under the Inter Company Services Agreement.

3.25 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.26 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

(a) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

(i) Amortised cost, where the effective interest rate method will apply;

(ii) Fair value through profit or loss; (FVTPL)

(iii) Fair value through other comprehensive income (FVTOCI).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Further, assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains/(losses). Interest income from these financial assets is included in other operating income using the effective interest rate method. Impairment expenses are presented as separate line item in the profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company recognises life time ECL for trade debts and other receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and other receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Company recognizes an impairment gain or loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss.

Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

3.27 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning from the dates specified below:

– On August 27, 2020, the IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021.

– Amendment to IFRS 3 'Business Combinations' (effective for annual reporting periods beginning on or after January 1, 2022). The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements.

– Amendment to IAS 16 'Property, plant and equipment' (effective for annual reporting periods beginning on or after January 1, 2022). The amendments clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

– Amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts: Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after January 1, 2022). The amendments specify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

– On May 14, 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020' (Amendments to IAS 41, IFRS 1, IFRS 9, and IFRS 16)'. The amendments are effective for annual periods beginning on or after January 1, 2022.

– Amendment to IAS 1 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after January 1, 2023). The amendments provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation/ disclosures.

Further, the following new standards and interpretations have been issued by the IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS	1	First-time adoption of International Financial Reporting Standards
IFRS	17	Insurance Contracts

4. SHARE CAPITAL

Authorised share capital

This represents 1,500,000,000 (2019: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2019: Rs 15,000,000 thousand).

Issued, subscribed and paid up share capital

	2020	2019	2020	2019
	Numbers	Numbers	Rs '000	Rs '000
Fully paid in cash	256,495,902	256,495,902	2,564,959	2,564,959
Fully paid bonus shares	1,015,742,345	1,015,742,345	10,157,423	10,157,423
	1,272,238,247	1,272,238,247	12,722,382	12,722,382

4.1 Fauji Foundation (FF) holds 44.35% (2019: 44.35%) ordinary shares of the Company at the year end.

4.2 All ordinary shares rank equally with regard to the Company's residual assets. Holders of the shares are entitled to dividends from time to time and are entitled to one vote per share at the general meetings of the Company.

4.3 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as 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 Company is required to comply with certain debt covenants related to long term / short term borrowings.

		Note	2020	2019
			Rs '000	Rs '000
5.	**CAPITAL RESERVES**			
	Share premium	5.1	40,000	40,000
	Capital redemption reserve	5.2	120,000	120,000
			160,000	160,000

5.1 Share premium

This represents premium of Rs 5 per share received on public issue of 8,000,000 ordinary shares of Rs 10 each in 1991.

5.2 Capital redemption reserve

This represents reserve set up on redemption of preference shares of Rs 120,000 thousand in 1996.

		2020	2019
		Rs '000	Rs '000
6.	**REVENUE RESERVES**		
	General reserve	8,802,360	8,802,360
	Unappropriated profit	20,659,023	13,895,600
		29,461,383	22,697,960

	Note	2020	2019
		Rs '000	Rs '000
7. LONG TERM BORROWINGS - SECURED			
Borrowings from banking companies	7.1		
From conventional banks			
The Bank of Punjab (BOP - 1)		–	50,000
The Bank of Punjab (BOP - 2)		55,000	165,000
The Bank of Punjab (BOP - 3)		880,000	1,100,000
The Bank of Punjab (BOP - 4)		1,400,000	–
Allied Bank Limited (ABL - 1)		–	150,000
Allied Bank Limited (ABL - 2)		187,500	562,500
Allied Bank Limited (ABL - 3)		1,500,000	1,500,000
Allied Bank Limited (ABL - 4)		2,000,000	–
United Bank Limited (UBL - 1)		–	125,000
United Bank Limited (UBL - 2)		375,000	750,000
United Bank Limited (UBL - 3)		750,000	1,250,000
Bank AL Habib Limited (BAH - 1)		–	100,000
Bank AL Habib Limited (BAH - 2)		50,000	150,000
Bank AL Habib Limited (BAH - 3)		50,000	150,000
Habib Bank Limited (HBL - 1)		–	250,000
Habib Bank Limited (HBL - 2)		–	281,250
Habib Bank Limited (HBL - 3)		500,000	750,000
Bank Alfalah Limited (BAFL)		125,000	250,000
MCB Bank Limited		–	250,000
National Bank of Pakistan (NBP - 1)		1,000,000	1,500,000
National Bank of Pakistan (NBP - 2)		1,000,000	1,500,000
Industrial and Commercial Bank of China (ICBC)		1,200,000	–
HBL - State Bank of Pakistan (SBP) Refinance Scheme	7.2	946,152	–
BAFL - State Bank of Pakistan (SBP) Refinance Scheme	7.2	943,445	–
		12,962,097	10,833,750
From Islamic banks			
Meezan Bank Limited (MBL - 1)		–	125,000
Meezan Bank Limited (MBL - 2)		2,000,000	–
MCB Islamic Bank Limited (MCBIB)		–	225,000
		2,000,000	350,000
		14,962,097	11,183,750
Less: Current portion shown under current liabilities			
From conventional banks		4,084,776	4,361,250
From Islamic banks		250,000	350,000
		4,334,776	4,711,250
		10,627,321	6,472,500

7.1 Terms and conditions of these borrowings are as follows:

Lenders	Mark-up / profit rate p.a. (%)	No. of installments outstanding	Date of final repayment
From conventional banks			
BOP - 1	6 months KIBOR+0.35	Nil	Paid on May 26, 2020
BOP - 2	6 months KIBOR+0.40	1 half yearly	April 7, 2021
BOP - 3	6 months KIBOR+0.15	8 half yearly	December 18, 2024
BOP - 4	6 months KIBOR+0.15	8 half yearly	August 31, 2025
ABL - 1	6 months KIBOR+0.25	Nil	Paid on June 26, 2020
ABL - 2	6 months KIBOR+0.25	1 half yearly	April 7, 2021
ABL - 3	6 months KIBOR+0.15	8 half yearly	December 24, 2024
ABL - 4	6 months KIBOR+0.08	8 half yearly	December 30, 2025
UBL - 1	6 months KIBOR+0.35	Nil	Paid on June 30, 2020
UBL - 2	6 months KIBOR+0.40	2 half yearly	September 6, 2021
UBL - 3	6 months KIBOR+0.20	3 half yearly	June 29, 2022
BAH - 1	6 months KIBOR+0.20	Nil	Paid on June 26, 2020
BAH - 2	6 months KIBOR+0.20	1 half yearly	March 25, 2021
BAH - 3	6 months KIBOR+0.20	1 half yearly	April 20, 2021
HBL - 1	3 months KIBOR+0.40	Nil	Paid on June 2, 2020
HBL - 2	3 months KIBOR+0.40	Nil	Paid on September 21, 2020
HBL - 3	3 months KIBOR+0.15	8 quarterly	December 19, 2022
HBL - SBP			
Refinance scheme	SBP refinance rate+0.50	8 quarterly	October 1, 2022
BAFL - SBP			
Refinance scheme	SBP refinance rate+0.25	8 quarterly	October 1, 2022
BAFL	6 months KIBOR+0.40	2 half yearly	September 8, 2021
MCB	6 months KIBOR+0.40	Nil	Paid on June 26, 2020
NBP - 1	6 months KIBOR+0.20	4 half yearly	June 30, 2022
NBP - 2	6 months KIBOR+0.15	4 half yearly	December 29, 2022
ICBC	6 months KIBOR+0.08	4 half yearly	December 15, 2023
From Islamic banks			
MBL - 1	6 months KIBOR+0.40	Nil	Paid on May 29, 2020
MBL - 2	6 months KIBOR+0.10	8 half yearly	May 29, 2025
MCBIB	6 months KIBOR+0.15	Nil	Paid on December 10, 2020

7.1.1 These borrowings are secured by way of hypothecation of Company assets including plant, machinery, tools & spares and other moveable properties, ranking pari passu with each other with 25% margin.

7.2 These represent long-term financing obtained from conventional banks under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan. The effective interest rate is calculated at 7.33% and the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January, 2021 discounted at the effective rate of interest. The differential markup has been recognised as deferred government grant, as mentioned in note 8 to the financial statements, which will be amortised to interest income over the period of the facilities.

8. DEFERRED GOVERNMENT GRANT

This represent deferred government grant in respect of term finance facility obtained under SBP Salary Refinance Scheme as disclosed in note 7.2 to the financial statements. There are no unfulfilled conditions or other contingencies attaching to this grant.

	2020	2019
	Rs '000	Rs '000
Government grant recognised	190,462	–
Less: Amortisation of deferred government grant	(78,170)	–
	112,292	–
Less: Current portion of deferred government grant	(87,659)	–
Long-term portion of deferred government grant	24,633	–
9. GAS INFRASTRUCTURE DEVELOPMENT CESS (GIDC) PAYABLE		
Balance at the beginning	61,064,027	42,083,302
Movement during the year	1,579,395	18,980,725
	62,643,422	61,064,027
Gain on extinguishment of original GIDC liability - credit to profit or loss	(5,926,537)	–
	56,716,885	61,064,027
Less: Current portion of GIDC payable	(23,945,221)	(61,064,027)
Long-term portion of GIDC payable	32,771,664	–

9.1 Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared GIDC Act, 2015 a valid legislation. Under the judgement, all gas consumers including the Company were ordered to pay the outstanding GIDC liability as at July 31, 2020 to the Government in 24 equal monthly installments.

GIDC was declared payable on the presumption that burden of same has been passed to the customers. In this regard, the Company, along with other industries, filed a review petition before the SCP on the grounds that a factual determination may be carried out to determine how much of the GIDC burden has actually been passed on, amongst other grounds. Later on SCP while deciding the review petition on November 2, 2020, disposed off the review petition against the gas consumers including the Company and stated that the Government of Pakistan is agreeable to recover the arrears in 48 monthly installments instead of 24 monthly installments.

The Company also filed a Suit with the Sindh High Court in September 2020 against collection of GIDC installments, before a factual determination of GIDC pass on is carried out, and the Sindh High Court granted a stay in September 2020 against recovery of GIDC payable from the Company till the finalisation of matter by Sindh High Court. The matter is currently pending in the Sindh High Court.

Pursuant to the above decisions of the SCP and without prejudice to the suit filed in Sindh High Court, the Company, on prudent basis has re-measured its GIDC liability payable to Mari Petroleum Company Limited (on behalf of the Government of Pakistan) in 48 monthly installments commencing from August 2020. This modification in timing of settlement of GIDC liability reflects substantially different terms from the original liability recognized upto July 2020.

The management has applied the requirements of "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) in January 2021, for recognition, measurement and presentation of the GIDC liability in these financial statements and applied IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in developing and applying an accounting policy through drawing analogy from an IFRS dealing with similar and related matters. The new modified liability has been accounted for under the measurement principles of IFRS – 9 "Financial Instruments" and the original liability has been extinguished and new modified liability recognized at fair value using effective interest rate method. The new modified liability has been measured initially at present value of all future cash payments discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating i.e the Company's incremental borrowing rate. Gain on extinguishment of original GIDC liability has been credited to the profit or loss for the year. Subsequently, such new modified liability would be carried at amortized cost. Current and non-current portion of the new modified liability have been segregated in the statement of financial position as at December 31, 2020.

		Note	2020	2019
			Rs '000	Rs '000
10.	**DEFERRED LIABILITIES**			
	Deferred tax liability - net	10.1	3,634,555	2,609,599
	Provision for compensated leave absences / retirement benefits	10.2	1,624,860	1,802,846
			5,259,415	4,412,445
10.1	**Deferred tax liability - net**			
	The balance of deferred tax is in respect of the following temporary differences:			
	Accelerated depreciation / amortisation		3,262,000	3,095,000
	Provision for slow moving spares, loss allowance, and investments		(1,421,696)	(476,000)
	GIDC payable		1,718,696	–
	Re-measurement of investments		75,555	(9,401)
			3,634,555	2,609,599
	The gross movement in the deferred tax liability during the year is as follows:			
	Balance at the beginning		2,609,599	3,017,206
	Tax credit recognized in profit or loss		941,000	(411,000)
	Tax credit recognised in other comprehensive income		83,956	3,393
	Balance at the end		3,634,555	2,609,599

10.2 Actuarial valuation has not been carried out for compensated leave absences as the impact is considered to be immaterial.

	Note	2020	2019
		Rs '000	Rs '000
11. TRADE AND OTHER PAYABLES			
Creditors			
- GIDC payable - current portion	9	23,945,221	61,064,027
- Others		3,348,522	2,015,080
		27,293,743	63,079,107
Accrued liabilities		7,195,498	5,694,004
Consignment account with Fauji Fertilizer Bin Qasim Limited (related party) - unsecured		2,185,183	3,242,126
Deposits	11.1	191,556	167,738
Retention money		136,418	166,744
Advances from customers		6,443,961	722,162
Workers' Welfare Fund		1,633,539	1,598,511
Workers' Profit Participation Fund		158,998	–
Payable to Fauji Foundation (related party) - current account		52,500	–
Payable to gratuity fund - related party	11.2	734,965	739,538
Payable to pension fund - related party	11.2	439,697	443,178
Other liabilities		154,795	156,195
		46,620,853	76,009,303

11.1 These represent unutilizable amounts received as security deposits from dealers and suppliers of the Company, and are kept in separate bank accounts.

	Funded gratuity	Funded pension	2020 Total	2019 Total
	Rs '000	Rs '000	Rs '000	Rs '000
11.2 RETIREMENT BENEFIT FUNDS				
11.2.1 The amounts recognized in the statement of financial position are as follows:				
Present value of defined benefit obligation	3,124,870	4,634,342	7,759,212	7,212,884
Fair value of plan assets	(2,389,905)	(4,194,645)	(6,584,550)	(6,030,168)
Liability	734,965	439,697	1,174,662	1,182,716
11.2.2 Amount recognised in the profit or loss is as follows:				
Current service cost	165,205	109,468	274,673	248,368
Net interest cost	88,519	50,252	138,771	94,617
	253,724	159,720	413,444	342,985
11.2.3 The movements in the present value of defined benefit obligations are as follows:				
Present value of defined benefit obligation at beginning	2,934,297	4,278,587	7,212,884	6,445,749
Current service cost	165,205	109,468	274,673	248,368
Interest cost	345,099	504,398	849,497	842,520
Benefits paid	(248,002)	(231,651)	(479,653)	(543,471)
Re-measurement of defined benefit obligation	(71,729)	(26,460)	(98,189)	219,718
Present value of defined benefit obligation at end	3,124,870	4,634,342	7,759,212	7,212,884

		Funded gratuity Rs '000	Funded pension Rs '000	2020 Total Rs '000	2019 Total Rs '000
11.2.4	**The movement in fair value of plan assets are as follows:**				
	Fair value of plan assets at beginning	2,194,759	3,835,409	6,030,168	5,716,184
	Expected return on plan assets	256,580	454,146	710,726	747,903
	Contributions	253,724	229,720	483,444	342,985
	Benefits paid	(248,002)	(231,651)	(479,653)	(543,471)
	Re-measurement of plan assets	(67,156)	(92,979)	(160,135)	(233,433)
	Fair value of plan assets at end	2,389,905	4,194,645	6,584,550	6,030,168
11.2.5	**Actual return on plan assets**	189,424	361,167	550,591	514,470
11.2.6	**Contributions expected to be paid to the plan during the next year**	229,632	147,967	377,599	413,444
11.2.7	**Plan assets comprise of:**				
	Investment in debt securities	1,255,547	2,758,874	4,014,421	388,059
	Investment in equity securities	784,805	1,069,158	1,853,963	1,883,333
	Deposits with banks	62,655	164,796	227,451	3,438,932
	Mutual Funds	286,898	201,817	488,715	319,844
		2,389,905	4,194,645	6,584,550	6,030,168

11.2.8 The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Funds, at the beginning of the year, for returns over the entire life of the related obligations.

		2020		2019	
		Funded gratuity Rs '000	Funded pension Rs '000	Funded gratuity Rs '000	Funded pension Rs '000
11.2.9	**Movement in liability / (asset) recognised in statement of financial position:**				
	Opening liability	739,538	443,178	525,210	204,355
	Cost for the year recognised in profit or loss	253,724	159,720	218,426	124,559
	Employer's contribution during the year	(253,724)	(229,720)	(218,426)	(124,559)
	Total amount of re-measurement recognised in Other Comprehensive Income (OCI) during the year	(4,573)	66,519	214,328	238,823
	Closing liability	734,965	439,697	739,538	443,178
11.2.10	**Re-measurements recognised in OCI during the year:**				
	Re-measurement (gain) / loss on obligation	(71,729)	(26,460)	128,896	90,822
	Re-measurement loss on plan assets	67,156	92,979	85,432	148,001
	Re-measurement (gain) / loss recognised in OCI	(4,573)	66,519	214,328	238,823

	2020		2019	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	%	%	%	%
11.2.11 Principal actuarial assumptions used in the actuarial valuations are as follows:				
Discount rate	8.50	8.50	12.00	12.00
Expected rate of salary growth - short term				
Management	8.50	8.50	12.00	12.00
Non-Management	8.50	–	12.00	–
Expected rate of salary growth - long term				
Management	8.50	8.50	12.00	12.00
Non-Management	8.50	–	12.00	–
Expected rate of return on plan assets	8.50	8.50	12.00	12.00
Expected rate of increase in post retirement pension				
Short term	–	3.00	–	6.25
Long term	–	2.75	–	6.25
Maximum pension limit increase rate	–	3.00	–	6.25
Minimum pension limit increase rate	–	3.00	–	5.75
Demographic assumptions				
Mortality rates (for death in service)	SLIC	SLIC	SLIC	SLIC
	(2001-05)-1	(2001-05)-1	(2001-05)-1	(2001-05)-1
Rates of employee turnover				
Management	Moderate	Moderate	Moderate	Moderate
Non-Management	Light	–	Light	–

11.2.12 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	2020 Defined benefit obligation		2019 Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease	Effect of 1 percent increase	Effect of 1 percent decrease
	Rs '000	Rs '000	Rs '000	Rs '000
Discount rate	(655,470)	779,517	(601,098)	712,024
Future salary growth	260,358	(239,763)	237,122	(218,694)
Future pension	364,655	(313,488)	333,600	(287,506)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

11.2.13 The weighted average number of years of defined benefit obligation is given below:

	2020		2019	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	Years	Years	Years	Years
Plan duration	7.07	9.69	6.88	9.63

11.2.14 The Company contributes to the pension and gratuity funds on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any deficit. If there is a surplus, the Company takes a contribution holiday.

	2020		2019	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	Rs '000	Rs '000	Rs '000	Rs '000
11.2.15 Distribution of timing of benefit payments:				
1 year	393,166	364,374	285,562	264,402
2 years	407,327	364,092	508,817	387,003
3 years	280,543	313,411	310,782	336,215
4 years	334,469	360,784	327,409	339,947
5 years	432,532	389,538	357,360	387,389
6-10 years	2,173,724	2,213,240	2,618,969	2,524,565

11.2.16 Salaries, wages and benefits expense, stated in notes 29 and 30 include retirement benefits in respect of gratuity fund, provident fund, pension plan and compensated absences amounting to Rs 230,204 thousand, Rs 169,246 thousand, Rs 135,935 thousand and Rs 308,398 thousand respectively (2019: Rs 201,575 thousand, Rs 164,478 thousand, Rs 112,453 thousand and Rs 248,649 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited and FFC Energy Limited under Inter Company Services Agreements.

11.3 Defined contribution plan

Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for the purpose, except for the prescribed limit for listed securities.

	2020	2019
	Rs '000	Rs '000
12. MARK-UP AND PROFIT ACCRUED		
On long term borrowings		
From conventional banks	104,892	209,132
From Islamic banks	13,471	3,789
	118,363	212,921
On short term borrowings		
From conventional banks	110,313	456,904
From Islamic bank	46,260	6,536
	156,573	463,440
	274,936	676,361

13. SHORT TERM BORROWINGS - SECURED

The Company has obtained short-term running finance facilities from various banks, under separate terms and agreements. The total amounts outstanding against each facility at the year end and the terms of each facility are given below:

	Note	2020	2019
		Rs '000	Rs '000
Lending institutions			
From conventional banks	13.1		
MCB Bank Limited		2,400,000	300,001
Allied Bank Limited		1,980,790	1,346,927
United Bank Limited		5,006,002	963,872
Askari Bank Limited		2,303,598	4,426,551
Bank Alfalah Limited		980,467	992,143
Bank of Punjab		–	10
Habib Bank Limited		768,200	3,500,637
National Bank of Pakistan		1,194,773	1,200,000
Habib Metropolitan Bank Limited		989,996	9
JS Bank Limited		19,920	1,704,254
Standard Chartered Bank (Pakistan) Limited		4,921,188	4,679,204
		20,564,934	19,113,608
From Islamic bank	13.2		
Meezan Bank Limited		4,693,046	2,689,345
		25,257,980	21,802,953

13.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 47,760,000 thousand (2019: Rs 40,760,000 thousand) which represent the aggregate of all facility agreements between the Company and respective banks. The per annum rates of mark-up are 1 week KIBOR minus 0.05%, 1 month KIBOR minus 0.05% to 1 month KIBOR + 0.35% and 3 month KIBOR minus 0.10% to 3 month KIBOR + 0.20% (2019: 1 month KIBOR + 0.10% to 0.35% and 3 month KIBOR + 0.05% to 0.25%). The facilities are secured by pari passu / ranking hypothecation charges on assets of the Company besides lien over PKR Term Deposits and Pakistan Investment Bonds in certain cases. The facilities have various maturity dates up to August 31, 2021.

13.2 Shariah compliant short term borrowing is available from banking company under profit arrangement against facility amounting to Rs 5,000,000 thousand (2019: Rs 2,900,000 thousand) which represent the aggregate of all facility agreement between Company and respective bank. The per annum rates of profit ranges between 3 month KIBOR minus 0.05% to 0.05% (2019: 3 month KIBOR + 0.05% to 0.12%). The facility is secured by ranking hypothecation charges on assets of the Company besides lien over debt investments. The maturity date is up to May 31, 2021.

		2020	2019
		Rs '000	Rs '000
14.	**CONTINGENCIES AND COMMITMENTS**		
14.1	**Contingencies:**		
i)	Guarantees issued by banks on behalf of the Company	5,140,917	3,994,314
ii)	Claims against the Company and / or potential exposure not acknowledged as debt	50,696	50,696

iii) Penalty of Rs 5,500,000 thousand imposed by the Competition Commission of Pakistan (CCP) in 2013, for alleged unreasonable increase in urea prices, which was set aside by the Competition Appellate Tribunal, in appeal filed by the Company, who also remanded the case back to CCP to decide the case afresh under guidelines provided by the Tribunal. CCP did not challenge this order before the Supreme Court of Pakistan in appeal within the stipulated time, thus making the appeal time barred. However CCP, under the said Tribunal guidelines, may resume proceedings but the Company remains confident of successfully defending these unreasonable claims in future as well.

		2020	2019
		Rs '000	Rs '000
14.2	**Commitments in respect of:**		
i)	Capital expenditure	1,613,024	1,213,292
ii)	Purchase of fertilizer, stores, spares and other operational items	2,060,554	1,347,209
iii)	Investment in Fauji Fresh n Freeze Limited	–	1,500,000
iv)	Investment in Thar Energy Limited	2,307,192	2,235,724
v)	Contracted out services	102,546	289,135

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Lease hold land	Building and structures on freehold land	Building and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Right of use asset	Capital work in progress (note 15.4)	Total
								Rs '000							
As at January 1, 2019															
Cost	702,583	178,750	4,873,940	1,995,740	26,517	36,915,852	2,361,100	1,245,697	459,559	730,114	2,484,508	26,890	-	511,938	52,513,188
Accumulated depreciation	-	(178,750)	(2,726,341)	(608,456)	(26,517)	(21,639,034)	(1,993,066)	(879,925)	(266,961)	(542,589)	(2,092,324)	(25,529)	-	-	(30,979,492)
Net Book Value	702,583	-	2,147,599	1,387,284	-	15,276,818	368,034	365,772	192,598	187,525	392,184	1,361	-	511,938	21,533,696
Year ended December 31, 2019															
Opening net book value	702,583	-	2,147,599	1,387,284	-	15,276,818	368,034	365,772	192,598	187,525	392,184	1,361	-	511,938	21,533,696
Right of use asset recognized on adoption of IFRS 16 as at January 1, 2019	-	-	-	-	-	-	-	-	-	-	-	-	79,274	-	79,274
Additions	-	-	186,874	13,197	-	934,324	60	94,030	32,391	52,964	186,021	1,397	59,051	1,765,644	3,325,953
Transfers/Adjustments	-	-	-	-	-	(2,712)	-	2,197	515	-	-	-	-	(133,543)	(133,543)
Disposals															
Cost	(306,345)	-	-	-	-	-	-	(19,128)	(8,068)	(33,502)	(23,077)	-	-	-	(390,120)
Depreciation	-	-	-	-	-	-	-	19,005	8,059	33,502	23,077	-	-	-	83,643
	(306,345)	-	-	-	-	-	-	(123)	(9)	-	-	-	-	-	(306,477)
Depreciation charge	-	-	(193,614)	(98,261)	-	(1,371,722)	(177,360)	(124,680)	(35,558)	(72,287)	(161,881)	(1,089)	(50,352)	-	(2,286,804)
Balance as at December 31, 2019	396,238	-	2,140,859	1,302,220	-	14,836,708	190,734	337,196	189,937	168,202	416,324	1,669	87,973	2,144,039	22,212,099
As at January 1, 2020															
Cost	396,238	178,750	5,060,814	2,008,937	26,517	37,847,464	2,361,160	1,322,796	484,397	749,576	2,647,452	28,287	138,325	2,144,039	55,394,752
Accumulated depreciation	-	(178,750)	(2,919,955)	(706,717)	(26,517)	(23,010,756)	(2,170,426)	(985,600)	(294,460)	(581,374)	(2,231,128)	(26,618)	(50,352)	-	(33,182,653)
Net Book Value	396,238	-	2,140,859	1,302,220	-	14,836,708	190,734	337,196	189,937	168,202	416,324	1,669	87,973	2,144,039	22,212,099
Year ended December 31, 2020															
Opening net book value	396,238	-	2,140,859	1,302,220	-	14,836,708	190,734	337,196	189,937	168,202	416,324	1,669	87,973	2,144,039	22,212,099
Additions	-	-	65,033	-	-	3,543,010	137,455	133,700	76,166	84,995	139,836	271	8,050	133,961	4,322,477
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-	91	-	-	(1,380,094)	(1,380,003)
Disposals															
Cost	(91)	-	-	-	-	-	-	(22,388)	(8,985)	(33,334)	(15,240)	-	-	-	(80,038)
Depreciation	-	-	-	-	-	-	-	22,388	8,096	33,334	15,240	-	-	-	79,058
	(91)	-	-	-	-	-	-	-	(889)	-	-	-	-	-	(980)
Depreciation charge	-	-	(199,038)	(98,461)	-	(1,485,294)	(116,270)	(93,303)	(37,377)	(67,949)	(180,947)	(914)	(33,051)	-	(2,312,604)
Balance as at December 31, 2020	396,147	-	2,006,854	1,203,759	-	16,894,424	211,919	377,593	227,837	185,248	375,304	1,026	62,972	897,906	22,840,989
As at December 31, 2020															
Cost	396,147	178,750	5,125,847	2,008,937	26,517	41,390,474	2,498,615	1,434,108	551,578	801,237	2,772,139	28,558	146,375	897,906	58,257,188
Accumulated depreciation	-	(178,750)	(3,118,993)	(805,178)	(26,517)	(24,496,050)	(2,286,696)	(1,056,515)	(323,741)	(615,989)	(2,396,835)	(27,532)	(83,403)	-	(35,416,199)
Net Book Value	396,147	-	2,006,854	1,203,759	-	16,894,424	211,919	377,593	227,837	185,248	375,304	1,026	62,972	897,906	22,840,989
Rate of depreciation in %	-	6.25 to 9.25	5 to 10	5	5	5	20	15	10	20	15 to 33.33	30	20	-	

		Note	2020 Rs '000	2019 Rs '000
15.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	29	2,243,501	2,212,357
	Distribution cost	30	59,731	67,472
	Other expenses		1,852	1,972
	Charged to FFBL under Inter Company Services Agreement		7,520	5,003
			2,312,604	2,286,804

15.2 No fixed assets having net book value in excess of Rs 500 thousand were sold during the year.

15.3 Details of immovable property (land and building) in the name of the Company:

Location	Usage	Area
Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab	Head office building	16 kanals and 7.5 marlas
Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab	Manufacturing plant including allied facilities	1,285 acres, 5 kanals and 7 marlas
Mirpur Mathelo (District: Ghotki), Sindh	Manufacturing plant including allied facilities	575 acres, 4 kanals and 16 marlas
FFC Warehouse, G T Road Adda Yousafwala, (District: Sahiwal), Punjab	Warehouse	3 acres, 2 kanals and 11 marlas
FFC Warehouse Opposite Chiniot Railway Station Bypass Road Chiniot (District Chiniot), Punjab	Warehouse	5 acres, 2 kanals and 3 marlas
FFC Warehouse Main Highway Road Dhabeji (District: Thatta), Sindh	Warehouse	16 marlas and 136 sqft
18 Khaira Gali (District: Abbotabad), Khyber Pakhtunkhwa	Guest house	1 kanal and 3 marlas

		2020 Rs '000	2019 Rs '000
15.4	**Capital Work in Progress**		
	Civil works	65,082	68,704
	Plant and machinery (including-in-transit items)	832,824	2,075,335
		897,906	2,144,039

		Note	2020	2019
			Rs '000	Rs '000
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	2,701	7,562
	Goodwill	16.2	1,569,234	1,569,234
			1,571,935	1,576,796
16.1	**Computer software**			
	Balance at the beginning		7,562	6,390
	Additions during the year		100	4,888
	Amortisation charge for the year		(4,961)	(3,716)
	Balance at the end		2,701	7,562
	Amortisation rate		33 1/3%	33 1/3%
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	3,709	2,712
	Distribution cost	30	1,252	1,004
			4,961	3,716

16.2 Goodwill

This represents excess of the amount paid over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 12.87% per annum. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2020	2019
			Rs '000	Rs '000
17.	**LONG TERM INVESTMENTS**			
	Investment held at cost			
	In associated companies (Quoted)			
	Fauji Cement Company Limited (FCCL)	17.1	1,500,000	1,500,000
	Fauji Fertilizer Bin Qasim Limited (FFBL)		4,658,919	4,658,919
	Advance against issue of right shares		2,493,774	–
		17.2	7,152,693	4,658,919
	Askari Bank Limited (AKBL)	17.3	10,461,921	10,461,921
			19,114,614	16,620,840
	In associated company (Unquoted)			
	Thar Energy Limited (TEL)	17.4	3,206,251	2,789,718
	Advance against issue of shares		–	416,533
			3,206,251	3,206,251
	In joint venture (Unquoted)			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	17.5	705,925	705,925

	Note	2020	2019
		Rs '000	Rs '000
In subsidiary companies			
FFC Energy Limited (FFCEL)	17.6	2,438,250	2,438,250
Fauji Fresh n Freeze Limited (FFF)			
Investment at cost		6,335,500	4,835,500
Less: Impairment loss	17.7	(2,100,000)	(1,100,000)
		4,235,500	3,735,500
		6,673,750	6,173,750
		29,700,540	26,706,766
Investments - fair value through other comprehensive income (FVTOCI)	17.8		
Term Deposit Receipts - from conventional bank		125,548	155,116
Bank Alfalah Term Finance Certificate		200,000	–
Pakistan Investment Bonds		4,736,896	4,272,285
		5,062,444	4,427,401
		34,762,984	31,134,167
Less: Current portion shown under			
- Short term Investments - fair value through other comprehensive income (FVTOCI)			
Term Deposit Receipts - from conventional bank		21,516	46,178
Pakistan Investment Bonds		66,852	–
	26	88,368	46,178
		34,674,616	31,087,989

17.1 Investment in FCCL - at cost

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% (2019: 6.79%) of its share capital as at December 31, 2020. Market value of the Company's investment as at December 31, 2020 was Rs 2,031,563 thousand (2019: Rs 1,458,750 thousand). FFCL is an associate due to common directorship.

17.2 Investment in FFBL - at cost

Investment in FFBL represents 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% (2019: 49.88%) of FFBL's share capital as at December 31, 2020. Market value of the Company's investment as at December 31, 2020 was Rs 11,796,385 thousand (2019: Rs 9,094,212 thousand). During the year, the Company has given advance to FFBL for issue of right shares amounting to Rs 2,493,774 thousand. Subsequent to the year end 178,127 thousand number of shares were issued to the Company against advance.

Pursuant to an agreement dated October 16, 2014, the Company has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of FFBL, shall be nominated by FF.

17.3 Investment in AKBL - at cost

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2019: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2020 was Rs 12,718,734 thousand (2019: Rs 10,081,459 thousand).

Pursuant to an agreement dated October 16, 2014, the Company has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of AKBL, shall be nominated by FF.

17.4 Investment in TEL - at cost

Investment in TEL represents 320,625 thousand (2019: 278,971 thousand) fully paid ordinary shares of Rs 10 each. The Company currently holds 30% shareholding interest in TEL. TEL is a public limited Company. TEL is the subsidiary of the HUB Power Company Limited. The principal activities of TEL are to develop, own, operate and maintain a 1 x 330 MW mine-mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh.

17.5 Investment in PMP - at cost

Investment in PMP represents 12.5% (2019: 12.5%) equity participation in PMP, amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between the Company, Fauji Foundation (FF), FFBL and Office Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market Phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the Shareholders' agreement, if any legal restriction is laid on dividends by PMP, the investment will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

Following particulars relate to investment made in the foreign company:

Particulars	Pakistan Maroc Phoshore S.A., Morocco
Name and jurisdiction of associated company	Pakistan Maroc Phosphore S.A., Morocco
Name and address of beneficial owner	Fauji Fertilizer Company Limited located at 156, The Mall Rawalpindi Cantt, Pakistan Fauji Foundation located at 68 Tipu Road, Chaklala, Rawalpindi Cantt, Pakistan Fauji Fertilizer Bin Qasim Limited located at FFBL Tower Plot No C1/C2, Sector B, Jinnah Boulevard Phase II DHA Islamabad, Pakistan Office Cherifien Des Phosphates located at Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco
Amount of investment	Rs 705,925 thousand (MAD 100,000 thousand)
Terms and conditions of investment	Equity investment
Amount of return received	Dividend 2009 Rs 42,563 thousand Dividend 2015 Rs 50,911 thousand Dividend 2016 Rs 55,720 thousand Dividend 2017 Rs 262,551 thousand Dividend 2018 Rs 144,061 thousand Dividend 2019 Rs 371,638 thousand Dividend 2020 Rs 335,525 thousand
Details of litigations	None
Details of default / breach relating to investment	None
Gain / loss on disposal of investment	Not applicable

17.6 Investment in FFCEL - at cost

Investment in FFCEL represents 243,825 thousand (2019: 243,825 thousand) fully paid ordinary shares of Rs 10 each. FFCEL has been incorporated for the purpose of implementing a project comprising establishment and operation of wind power generation facility and supply of electricity. The Company currently holds 100% shareholding interest in FFCEL, out of which 70,000 shares amounting to Rs 700,000 are held in the name of seven nominee directors of the Company.

17.7 Investment in FFF - at cost

Investment in FFF represents 623,960 thousand (2019: 473,960 thousand) fully paid ordinary shares of Rs 10 each. The Company currently holds 100% shareholding interest in FFF, out of which 7,000 shares amounting to Rs 70,000 are held in the name of seven nominee directors of the Company. During the year the Company converted its advance of Rs 898,134 thousand into fully paid ordinary shares. The Company paid further amount of Rs 601,866 thousand in cash as equity.

The Company management has carried out an impairment analysis of this investment, based on future expected cashflows for the future years and terminal values. The future cash flows have been discounted at weighted average cost of capital of 12.87% (2019: 14.53%) per annum and terminal growth rate of 4% (2019: 5%). Based on this analysis, management believes that after recording related impairment loss, this investment is carried at its recoverable amount in the financial statements.

17.8 Investments at fair value through other comprehensive income (FVTOCI)

Term Deposit Receipts (TDR)

These represent placement in Term Deposit Receipts with financial institution having tenure from one to five years with returns ranging from 4.49% to 12.58% per annum (2019: 4.49% to 11.83% per annum).

Bank Alfalah Term Finance Certificate

This represents investment in Bank Alfalah Term Finance Certificate having tenure of 3 years and a fixed return of 9.03% per annum.

Pakistan Investment Bonds (PIB)

Pakistan Investment Bonds with 3, 5 and 10 years tenure having aggregate face value of Rs 4,665 thousand are due to mature within a period of 9 years. Profit on fixed rate PIBs is payable on half yearly basis with coupon rates ranging from 8 % to 12 % per annum and floating rate PIB at weighted average 6 months T bill yield + 0.7%. The Pakistan Investment Bonds are placed with banks as collateral to secure borrowing facilities.

		Note	2020	2019
			Rs '000	Rs '000
18.	**LONG TERM LOANS AND ADVANCES - SECURED**			
	Loans and advances - considered good, to:			
	Executives			
	Interest bearing		549,522	496,725
	Non-interest bearing		439,454	392,412
			988,976	889,137
	Other employees			
	Interest bearing		472,891	437,084
	Non-interest bearing		285,412	280,167
			758,303	717,251
		18.1	1,747,279	1,606,388
	Advances to suppliers	18.3	648,203	–
	Less: Amount due within twelve months, shown			
	under current loans and advances	23		
	Interest bearing		191,832	178,937
	Non-interest bearing		258,117	227,414
			449,949	406,351
			1,945,533	1,200,037

18.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2020 Total	2019 Total
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1	889,137	717,251	1,606,388	1,482,234
Adjustments	81,498	(81,498)	–	
Disbursements	384,617	407,658	792,274	621,868
	1,355,252	1,043,411	2,398,663	2,104,102
Repayments	(366,276)	(285,108)	(651,384)	(497,714)
Balance at December 31	988,976	758,303	1,747,279	1,606,388

These subsidized and interest free loans and advances are granted to employees as per the Company's policy and are repayable within one to ten years. House building loans carry mark-up at 4% per annum and are secured against the underlying assets.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 1,074,240 thousand (2019: Rs 981,214 thousand).

Management considers that the impact of recognizing loans and advances at present value of future cash flows would be immaterial, in context of overall financial statements.

18.2 Loans and advances to employees exceeding Rs 1 million

Category	2020 No. of employees	2020 Amount Rs '000	2019 No. of employees	2019 Amount Rs '000
Rs 1 million to Rs 2 million	230	331,535	248	358,528
Exceeding Rs 2 million upto Rs 3 million	117	282,815	86	213,982
Exceeding Rs 3 million upto Rs 5 million	81	306,961	66	250,101
Exceeding Rs 5 million upto Rs 10 million	67	502,782	63	452,513
Exceeding Rs 10 million upto Rs 25 million	10	108,715	10	106,841
	505	1,532,808	473	1,381,965

18.3 These represent advances to suppliers for procurement of capital expenditure items.

	Note	2020 Rs '000	2019 Rs '000
19. LONG TERM DEPOSITS AND PREPAYMENTS			
Non-interest bearing deposits		12,378	12,378
Prepayments		1,710	–
		14,088	12,378
20. STORES, SPARES AND LOOSE TOOLS			
Stores		239,798	182,008
Spares		4,233,223	3,652,237
Provision for slow moving spares	20.1	(562,575)	(532,923)
		3,670,648	3,119,314
Loose tools		47	2
Items in transit		523,267	509,345
		4,433,760	3,810,669
20.1 Movement of Provision for slow moving spares			
Balance at the beginning		532,923	520,619
Provision during the year	29.1	73,632	12,304
Reversal during the year		(43,980)	–
Balance at the end		562,575	532,923
21. STOCK IN TRADE			
Raw materials		178,325	150,222
Work in process		82,842	121,802
Finished goods			
Manufactured urea		49,039	674,520
Purchased fertilizer		9,783	5,848,830
		58,822	6,523,350
		319,989	6,795,374
22. TRADE DEBTS			
Considered good - secured	22.1	2,287,336	13,460,069
Considered doubtful		1,758	1,758
		2,289,094	13,461,827
Loss allowance		(1,758)	(1,758)
		2,287,336	13,460,069

22.1 These debts are secured by way of bank guarantees.

		Note	2020	2019
			Rs '000	Rs '000
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	449,949	406,351
	Loans and advances to employees-unsecured			
	- considered good, non-interest bearing			
	Executives		101,863	58,887
	Others		40,161	29,414
	Advance to subsidiary company - interest bearing			
	FFC Energy Limited (FFCEL)	23.1	55,279	55,279
	Fauji Fresh n Freeze Limited (FFF)	23.2	–	901,134
	Advances to suppliers - considered good		141,918	344,071
			789,170	1,795,136

23.1 This represents aggregate unsecured advance to, FFC Energy Limited (FFCEL), subsidiary company under a revolving credit facility upto an amount of Rs 1,500,000 thousand to meet debt servicing obligations and other working capital requirements. This carries mark-up at 1 month KIBOR + 0.60%. The maximum outstanding amount at the end of any month during the year was Rs 55,279 thousand (2019: Rs 88,766 thousand).

23.2 This represents aggregate unsecured advance to, Fauji Fresh n Freeze Limited (FFF), subsidiary company under a revolving credit facility upto an amount of Rs 1,500,000 thousand to meet debt servicing obligations and other working capital requirements. This carries mark-up at 1 month KIBOR + 1.00%. The maximum outstanding amount at the end of any month during the year was Rs 901,134 (2019: 1,000,000 thousand). During the year this receivable balance has been adjusted against the issue of shares to the Company.

23.3 Loans and advances to employees exceeding Rs 1 million

	2020		2019	
Category	No. of employees	Amount	No. of employees	Amount
		Rs '000		Rs '000
Rs 1 million to Rs 2 million	8	12,195	5	7,445
Exceeding Rs 2 million upto Rs 3 million	1	2,063	3	5,076
Exceeding Rs 3 million upto Rs 5 million	-	-	2	53,348
Exceeding Rs 10 million upto Rs 25 million	4	79,413	-	-
	13	93,671	10	65,869

		2020	2019
		Rs '000	Rs '000
24.	**DEPOSITS AND PREPAYMENTS**		
	Non-interest bearing deposits	914	914
	Prepayments	49,771	49,669
		50,685	50,583

		Note	2020 Rs '000	2019 Rs '000
25.	**OTHER RECEIVABLES**			
	Accrued income on investments and bank deposits:			
	Pakistan Investment Bonds		146,320	148,894
	Conventional banks		4,910	15,063
	Islamic banks		38	10
	Subsidiaries - conventional		148,610	359,264
	Sales tax receivable		14,172,638	9,921,467
	Advance tax	25.1	322,368	322,368
	Subsidy receivable from Government agencies	25.2	6,961,878	6,961,878
	Dividend receivable		223,715	–
	Receivable from Workers' Profit Participation			
	Fund - unsecured		–	127,883
	Receivable from subsidiary companies	25.3		
	FFC Energy Limited - unsecured		169,514	147,582
	Fauji Fresh n Freeze Limited - unsecured		17	–
	Receivable from Fauji Fertilizer Bin Qasim			
	Limited - unsecured	25.3	360,188	357,729
	Other receivables		234,277	83,497
	Loss allowance	25.4	(1,779,404)	(792,404)
			20,965,069	17,653,231

25.1 This represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. The Company intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

25.2 This represents subsidy receivable on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on October 25, 2015 @ Rs 500 per 50 kg bag and on June 25, 2016 @ Rs 300 per 50 kg bag respectively and subsidy receivable on sale of Urea under scheme announced on June 25, 2016 @ Rs 156 per 50 kg bag under notifications issued by Ministry of National Food Security & Research, Government of Pakistan. Finance Act, 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag for the financial year 2017-18.

25.3 The maximum amount of receivable from FFCEL, FFF and FFBL during the year was Rs 221,862 thousand (2019: Rs 147,582 thousand), Rs 24 thousand (2019: Rs 6,030 thousand) and Rs 360,188 thousand (2019: Rs 9,361 thousand) respectively.

25.4 This includes loss allowance on subsidy receivable, in accordance with the requirements of IFRS. However, the management is confident of recovering the full amount of subsidy from the Government.

		Note	2020	2019
			Rs '000	Rs '000
26.	**SHORT TERM INVESTMENTS**			
	Amortised cost - conventional investments			
	Term deposits with banks and financial institutions	26.1		
	Local currency (net of provision for doubtful recovery			
	Rs 2,600 thousand (2019: Rs 2,600 thousand)		–	3,000,000
	Foreign currency		2,426,874	2,115,339
			2,426,874	5,115,339
	Investments at fair value through profit or loss			
	Conventional investments		74,767,100	37,375,252
	Shariah compliant investments		4,619,771	5,503,701
		26.2	79,386,871	42,878,953
	Current maturity of long term investments			
	Fair value through other comprehensive income	17	88,368	46,178
			81,902,113	48,040,470

26.1 These represent investments having maturities ranging between 1 to 3 months and are being carried at amortized cost.

26.2 Fair values of these investments are determined using quoted repurchase price.

		Note	2020	2019
			Rs '000	Rs '000
27.	**CASH AND BANK BALANCES**			
	At banks			
	Local Currency			
	Current account - Conventional banking		197,448	455,291
	Current account - Islamic banking		253,744	22,506
	Deposit account - Conventional banking	27.1	227,033	465,415
	Deposit account - Islamic banking	27.2	23,850	6,940
			702,075	950,152
	Foreign Currency			
	Deposit Account (2020 US$ 65; 2019 US$ 1,179 thousand)		10	182,634
		27.3	702,085	1,132,786
	Cash in transit	27.4	451,340	4,562,193
	Cash in hand		50	50
			1,153,475	5,695,029

27.1 Balances with banks carry mark-up ranging from 5.50% to 6.15% (2019: 11.25% to 12.40%) per annum.

27.2 Balances with banks carry profit ranging from 3.00% to 3.02% (2019: 3.00% to 7.19%) per annum.

27.3 Balances with banks include Rs 191,556 thousand (2019: Rs 167,738 thousand) in respect of security deposits received.

27.4 These represent demand drafts held by the Company at year end.

		Note	2020	2019
			Rs '000	Rs '000
28.	**TURNOVER - NET**			
	Manufactured urea		81,497,037	90,223,760
	Purchased and packaged fertilizers		18,527,643	18,325,228
			100,024,680	108,548,988
	Sales tax		(2,027,425)	(2,173,935)
	Trade discount		(342,502)	(591,640)
			(2,369,927)	(2,765,575)
			97,654,753	105,783,413
29.	**COST OF SALES**			
	Raw materials consumed		21,696,817	32,874,568
	Fuel and power		13,033,357	13,035,177
	Chemicals and supplies		615,288	487,768
	Salaries, wages and benefits		7,729,032	7,493,214
	Training and employees welfare		887,688	1,010,590
	Rent, rates and taxes		39,267	21,524
	Insurance		262,777	233,093
	Travel and conveyance		267,629	430,774
	Repairs and maintenance (includes stores and spares consumed of Rs 597,266 thousand; (2019: Rs 580,358 thousand)		1,884,549	1,804,468
	Depreciation	15.1	2,243,501	2,212,357
	Amortisation	16.1	3,709	2,712
	Communication and other expenses	29.1	1,910,730	1,661,588
			50,574,344	61,267,833
	Opening stock - work in process		121,802	138,583
	Closing stock - work in process		(82,842)	(121,802)
			38,960	16,781
	Cost of goods manufactured		50,613,304	61,284,614
	Opening stock - manufactured urea		674,520	63,177
	Closing stock - manufactured urea		(49,039)	(674,520)
			625,481	(611,343)
	Cost of sales - manufactured urea		51,238,785	60,673,271
	Opening stock - purchased fertilizers		5,848,830	12,232,451
	Purchase of fertilizers for resale		8,993,629	7,989,170
	Closing stock - purchased fertilizers		(9,783)	(5,848,830)
	Cost of sales - purchased fertilizers		14,832,676	14,372,791
			66,071,461	75,046,062

29.1 This includes provision for slow moving spares amounting to Rs 73,632 thousand (2019: Rs 12,304 thousand).

	Note	2020	2019
		Rs '000	Rs '000
30. DISTRIBUTION COST			
Product transportation		4,627,513	4,953,353
Salaries, wages and benefits		2,044,352	2,081,469
Training and employees welfare		145,262	141,505
Rent, rates and taxes		226,463	236,587
Technical services to farmers		18,463	9,257
Travel and conveyance		172,307	186,451
Sale promotion and advertising		130,629	167,012
Communication and other expenses		223,201	271,284
Warehousing expenses		198,831	173,019
Depreciation	15.1	59,731	67,472
Amortisation	16.1	1,252	1,004
		7,848,004	8,288,413
31. FINANCE COST			
Mark-up / profit on long term borrowings			
Conventional banking		1,105,967	1,415,251
Islamic banking		106,700	107,504
		1,212,667	1,522,755
Mark-up / profit on short term borrowings			
Conventional banking		489,251	902,800
Islamic banking		107,075	46,294
		596,326	949,094
Bank and other charges		64,515	5,261
		1,873,508	2,477,110
32. OTHER EXPENSES			
Research and development		601,026	588,405
Workers' Profit Participation Fund		1,580,206	1,272,428
Workers' Welfare Fund		432,552	422,608
Auditors' remuneration			
Audit fee		2,500	1,975
Fee for half yearly review, audit of consolidated financial statements, review of Code of Corporate Governance and other certifications in the capacity of external auditors		1,632	1,945
Taxation services		20,786	21,566
Out of pocket expenses		500	500
		25,418	25,986
		2,639,202	2,309,427

		2020	2019
		Rs '000	Rs '000
33.	**OTHER INCOME**		
	Income from financial assets		
	Income on loans, deposits and investments in:		
	Pakistan Investment Bonds	436,063	417,436
	Conventional banks	231,518	1,200,162
	Islamic banks	413	370
	Subsidiaries - conventional	–	132,668
	Gain on re-measurement of investments		
	classified as fair value through profit or loss on:		
	Conventional mutual funds	667,810	386,728
	Shariah compliant mutual funds	30,275	12,865
	Dividend income on:		
	Conventional mutual funds	2,925,625	2,575,974
	Shariah compliant mutual funds	262,364	86,368
	Exchange gain on foreign currency balances	73,187	235,615
		4,627,255	5,048,186
	Income from associated companies		
	Dividend from FCCL	–	140,625
	Dividend from FFBL	–	465,892
	Dividend from AKBL	815,652	543,768
	Dividend from PMP	559,240	371,638
		1,374,892	1,521,923
	Income from non financial assets		
	Gain on disposal of property, plant and equipment	38,915	152,729
	Commission on sale of FFBL products	29,712	23,920
		68,627	176,649
	Other income		
	Scrap sales	61,960	172,329
	Others	296,610	272,002
		358,570	444,331
		6,429,344	7,191,089
34.	**PROVISION FOR TAXATION**		
	Current tax	7,605,000	6,793,000
	Prior year	226,000	261,000
	Deferred tax	941,000	(411,000)
		8,772,000	6,643,000
34.1	**Reconciliation between tax expense and accounting profit**		
	Profit before tax	29,591,459	23,753,490

	2020	2019
	%	%
Applicable tax rate	29.00	29.00
Tax effect of income that is exempt or taxable at reduced rates	(2.13)	(2.60)
Effect of permanent differences	2.37	–
Prior year charge	0.76	1.10
Others	(0.36)	0.47
Average effective tax rate charged on income	29.64	27.97

34.1.1 Group relief

In terms of the provisions of Section 59B of the Income Tax Ordinance, 2001 ('the Ordinance'), the Company has adjusted the amount of tax payable for the tax year 2020 by acquiring the loss of its wholly owned subsidiary, Fauji Fresh n Freez Limited (FFF) and consequently an aggregate sum of Rs 275,473 thousand (2019: Rs 349,766 thousand) equivalent to the tax value of the loss acquired has been paid to FFF.

	2020	2019
35. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees '000)	20,819,459	17,110,490
Weighted average number of shares in issue (Number '000)	1,272,238	1,272,238
Basic and diluted earnings per share (Rupees)	16.36	13.45

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

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Company are given below:

	2020		2019	
	Chief Executive	Executives	Chief Executive	Executives
	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	8,590	1,658,905	7,783	1,487,443
Contribution to provident fund	618	104,218	538	93,407
Bonus and other awards	3,703	–	3,220	–
Good performance award	–	1,778,250	–	1,584,187
Allowances and contribution to retirement benefit plans	8,183	1,502,404	7,349	1,278,492
Total	21,094	5,043,777	18,890	4,443,529
No. of person(s)	1	409	1	368

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 28,600 thousand (2019: Rs 49,754 thousand) were paid to executives on separation, in accordance with the Company's policy.

Executive means an employee whose basic salary exceeds Rs 1,200 thousand (2019: Rs 1,200 thousand) during the year.

In addition, 19 (2019: 17) directors were paid aggregate fee of Rs 10,500 thousand (2019: Rs 6,325 thousand). Directors are not paid any remuneration except meeting fee.

37. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities			Equity	
	Long term borrowings	Lease liabilities	Government grant	Unappropriated profit	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2020	11,183,750	104,941	–	22,697,960	33,986,651
Changes from financing cash flows					
Draw-downs	8,409,538	–	–	–	8,409,538
Repayments	(4,631,191)	–	–	–	(4,631,191)
Repayment of lease liability	–	(30,698)	–	–	(30,698)
Dividend paid	–	–	–	(14,131,868)	(14,131,868)
Grant received	–	–	190,462	–	190,462
Total changes from financing cash flows	3,778,347	(30,698)	190,462	(14,131,868)	(10,193,757)
Other changes					
Liability related	–	8,050	–	–	8,050
Equity related					
Total comprehensive income for the year	–	–	–	20,821,656	20,821,656
Change in unclaimed dividend	–	–	–	73,635	73,635
Amortisation of government grant	–	–	(78,170)	–	(78,170)
Total liability and equity related other changes	–	–	(78,170)	20,895,291	20,817,121
Balance at December 31, 2020	14,962,097	82,293	112,292	29,461,383	44,618,065

	Liabilities			Equity	
	Long term borrowings	Lease liabilities	Government grant	Unappropriated profit	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2019	15,821,491	–	–	20,522,513	36,344,004
Changes from financing cash flows					
Draw-downs	2,600,000	–	–	–	2,600,000
Repayments	(7,237,741)	–	–	–	(7,237,741)
Repayment of lease liability	–	(33,384)	–	–	(33,384)
Dividend paid	–	–	–	(14,664,464)	(14,664,464)
Total changes from financing cash flows	(4,637,741)	(33,384)	–	(14,664,464)	(19,335,589)
Other changes					
Liability related	–	138,325	–	–	138,325
Equity related					
Total comprehensive income for the year	–	–	–	16,742,575	16,742,575
Change in unclaimed dividend	–	–	–	97,336	97,336
Total liability and equity related other changes	–	–	–	16,839,911	16,839,911
Balance at December 31, 2019	11,183,750	104,941	–	22,697,960	33,986,651

38. CASH GENERATED FROM OPERATIONS

	2020 Rs '000	2019 Rs '000
Profit before tax	29,591,459	23,753,490
Adjustments for:		
Gain on extinguishment of orignal GIDC liablity	(5,926,537)	–
Impairment loss on investment in FFF	1,000,000	1,100,000
Loss allowance on subsidy receivable	987,000	–
Depreciation	2,305,084	2,281,801
Amortization	4,961	3,716
Provision for slow moving spares	73,632	12,304
Finance cost	1,873,508	2,477,110
Income on loans, deposits and investments	(667,994)	(1,750,636)
Gain on re-measurement of investments classified at fair value through profit or loss	(698,085)	(399,593)
Dividend income	(1,374,892)	(1,521,923)
Amortization of Government grant	(78,170)	–
Exchange gain	(73,187)	(235,615)
Gain on disposal of property, plant and equipment	(38,915)	(152,729)
	(2,613,595)	1,814,435
	26,977,864	25,567,925
Changes in working capital		
(Increase) / decrease in current assets:		
Stores and spares	(696,723)	(349,122)
Stock in trade	6,475,385	6,136,340
Trade debts	11,172,733	(9,781,371)
Loans and advances	107,832	(735,038)
Deposits and prepayments	(102)	31,088
Other receivables	(4,290,956)	(2,427,083)
Increase in current liabilities:		
Trade and other payables	9,309,751	15,042,058
	22,077,920	7,916,872
Changes in long term loans and advances	(745,496)	(86,183)
Changes in long term deposits and prepayments	(1,710)	1,226
Changes in deferred liabilities	(177,986)	241,904
	48,130,592	33,641,744

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 Financial instruments by category

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rs '000	Rs '000	Rs '000	Rs '000
December 31, 2020				
Financial assets				
Maturity up to one year				
Trade debts - net of loss allowance	2,287,336	–	–	2,287,336
Loans and advances	647,252	–	–	647,252
Deposits	914	–	–	914
Other receivables	6,470,063	–	–	6,470,063
Short term investments	2,426,874	79,386,871	88,368	81,902,113
Cash and bank balances	1,153,475	–	–	1,153,475
Maturity after one year				
Long term investments	–	–	4,974,076	4,974,076
Long term loans and advances	1,297,330	–	–	1,297,330
Long term deposits	12,378	–	–	12,378
	14,295,622	79,386,871	5,062,444	98,744,937

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rs '000	Rs '000	Rs '000	Rs '000
December 31, 2019				
Financial assets				
Maturity up to one year				
Trade debts - net of loss allowance	13,460,069	–	–	13,460,069
Loans and advances	1,451,065	–	–	1,451,065
Deposits	914	–	–	914
Other receivables	7,281,511	–	–	7,281,511
Short term investments	5,115,339	42,878,953	46,178	48,040,470
Cash and bank balances	5,695,029	–	–	5,695,029
Maturity after one year				
Long term investments	108,938	–	4,381,223	4,490,161
Long term loans and advances	1,200,037	–	–	1,200,037
Long term deposits	12,378	–	–	12,378
	34,325,280	42,878,953	4,427,401	81,631,634

	Amortised cost
	Rs '000
December 31, 2020	
Financial liabilities	
Maturity up to one year	
Current portion of long term borrowings	4,334,776
Current portion of lease liabilities	23,132
Trade and other payables	12,123,153
Markup and profit accrued	274,936
Short term borrowings	25,257,980
Unclaimed dividend	467,812
Maturity after one year	
Long term borrowings	10,627,321
Lease liabilities	59,161
Provision for compensated leave absences	1,624,860
	54,793,131

	Amortised cost
	Rs '000
December 31, 2019	
Financial liabilities	
Maturity up to one year	
Current portion of long term borrowings	4,711,250
Current portion of lease liabilities	42,581
Trade and other payables	12,624,603
Markup and profit accrued	676,361
Short term borrowings	21,802,954
Unclaimed dividend	541,447
Maturity after one year	
Long term borrowings	6,472,500
Lease liabilities	62,360
Provision for compensated leave absences	1,802,246
	48,736,302

39.2 Credit quality of financial assets

The credit quality of Company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited (formerly JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Rating	2020 Rs '000	2019 Rs '000
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past		2,287,336	13,460,069
Loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		1,889,303	494,652
Loan to subsidiary company		55,279	956,413
		1,944,582	1,451,065
Deposits			
Counterparties without external credit ratings			
Others		914	914
Other receivables			
Counterparties with external credit ratings	A1+ / A-1+		
	A1 / A-3	151,268	163,967
Counterparties without external credit ratings			
Balances with related parties		678,329	828,943
Others		5,640,466	6,288,601
		6,470,063	7,281,511
Short term investments			
Counterparties with external credit ratings	A1+ / A-1+	2,448,390	5,161,517
	AM1	22,235,851	12,885,766
	AM2++/AM2/AM2+	57,151,021	29,993,187
Counterparties without external credit ratings		66,851	-
		81,902,113	48,040,470
Bank balances			
Counterparties with external credit ratings	A1+ / A-1+ / P-1	1,153,357	1,132,714
	A1 / A-1	57	55
	A-2	9	15
	A-3	2	2
		1,153,425	1,132,786
Long term investments			
Counterparties with external credit ratings	AA+	304,033	108,938
Counterparties without external credit ratings		4,670,043	4,272,285
		4,974,076	4,381,223

39.2.1 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

		2020 Rs '000	2019 Rs '000
Long term loans and advances			
Counterparties without external credit ratings		1,297,330	1,200,037
Long term deposits			
Counterparties without external credit ratings		12,378	12,378

39.3 Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

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

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

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020	2019
	Rs '000	Rs '000
Long term investments	4,974,076	4,381,223
Loans and advances	1,944,582	2,651,102
Deposits	12,378	12,378
Trade debts - net of provision	2,287,336	13,460,069
Other receivables	6,470,063	7,281,511
Short term investments - net of provision	81,902,113	48,040,470
Bank balances	1,153,475	5,694,974
	98,744,023	81,521,727

Geographically, there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the Country.

The Company's most significant amount receivable is from an Asset Management Company which amounts to Rs 12,382,405 thousand (2019: Rs 6,236,710 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 2,287,336 thousand (2019: Rs 13,460,069 thousand) are secured against letter of guarantee. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts.

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

Impairment losses

The aging of trade debts at the reporting date was:

	2020		2019	
	Gross	Impairment	Gross	Impairment
	Rs '000		Rs '000	
Not yet due	2,070,789	–	13,043,362	–
Past due 1-30 days	216,547	–	416,707	–
Past due 31-60 days	–	–	–	–
Past due 61-90 days	–	–	–	–
Over 90 days	1,758	1,758	1,758	1,758
	2,289,094	1,758	13,461,827	1,758

The management believes that no impairment allowance is necessary in respect of trade debts since significant amount of past due debts are secured by way of bank guarantees.

b) Liquidity risk

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

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

	Carrying amount	Within 1 year	1 to 5 years	More than 5 years
		Contractual Amount		
	Rs '000	Rs '000	Rs '000	Rs '000
December 31, 2020				
Long term borrowings and accrued interest	15,080,460	5,374,063	9,706,397	–
Trade and other payables	12,123,153	12,123,153	–	–
Unclaimed dividend	467,812	467,812	–	–
Short term borrowings and accrued interest	25,414,553	25,414,553	–	–
Provision for compensated leave absences	1,624,860	–	1,624,860	–
	54,710,838	43,379,581	11,331,257	–
December 31, 2019				
Long term borrowings and accrued interest	11,396,671	6,076,786	7,924,121	–
Trade and other payables	12,624,603	12,624,603	–	–
Unclaimed dividend	541,447	541,447	–	–
Short term borrowings and accrued interest	22,266,394	22,266,394	–	–
Provision for compensated leave absences	1,802,246	–	1,802,246	–
	48,631,361	41,509,230	9,726,367	–

The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates.

c) Market risk

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

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exist due to transactions in foreign currencies.

Exposure to Currency Risk

The Company is exposed to currency risk on bank balance and investments which are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2020		2019	
	Rs '000	USD '000	Rs '000	USD '000
Bank balance	10	–	182,634	1,179
Investments (Term deposit receipts)	2,426,874	15,187	2,115,339	13,661

The following significant exchange rates applied during the year:

	2020	2019	2020	2019
	Average rate		Reporting date rate	
	Rs	Rs	Rs	Rs
US Dollars	162.03	150.73	159.80	154.85

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit by Rs 242,688 thousand (2019: Rs 229,797 thousand). A 10% weakening of the functional currency against foreign currencies at December 31 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

ii) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings, long term borrowings, long term investments, loans and advances, short term investments and deposits with banks. At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments is:

	2020	2019
	Carrying amount	
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	5,062,444	4,427,402
Variable rate instruments		
Financial assets	55,279	956,413
Financial liabilities	40,330,481	32,986,703

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to variations in profit and loss on its fixed rate financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	100 basis points increase	100 basis points decrease
	Rs '000	Rs '000
December 31, 2020		
Cash flow sensitivity - Variable rate instruments		
Financial assets	1,300	(1,300)
Financial liabilities	(163,446)	163,446
December 31, 2019		
Cash flow sensitivity - Variable rate instruments		
Financial assets	10,016	(10,016)
Financial liabilities	(202,268)	202,268

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis – price risk

For quoted investments classified as FVTOCI, a 1 percent increase in market price at reporting date would have increased equity by Rs 47,369 thousand after tax (2019: Rs 42,690 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as fair value through profit or loss, the impact on profit would have been an increase or decrease by Rs 793,869 thousand after tax (2019: Rs 428,790 thousand). The analysis is performed on the same basis for 2019 and assumes that all other variables remain the same.

39.4 Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

39.5 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:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs '000		Rs '000	
Assets carried at amortised cost				
Long term loans and advances	1,297,330	1,297,330	1,200,037	1,200,037
Long term deposits	12,378	12,378	12,378	12,378
Trade debts	2,287,336	2,287,336	13,460,069	13,460,069
Loans and advances	647,252	647,252	1,451,065	1,451,065
Deposits	914	914	914	914
Other receivables	6,470,063	6,470,063	7,281,511	7,281,511
Short term investments	2,426,874	2,426,874	5,115,339	5,115,339
Cash and bank balances	1,153,475	1,153,475	5,695,029	5,695,029
	14,295,622	14,295,622	34,216,342	34,216,342
Assets carried at fair value				
Long term investments	5,062,444	5,062,444	4,272,285	4,272,285
Short term investments	79,475,239	79,475,239	42,925,131	42,925,131
	84,537,683	84,537,683	47,197,416	47,197,416

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs '000		Rs '000	
Liabilities carried at amortised cost				
Long term borrowings	10,627,321	10,627,321	6,472,500	6,472,500
Provision for compensated leave absences	1,624,860	1,624,860	1,802,246	1,802,246
Trade and other payables	12,123,153	12,123,153	12,624,603	12,624,603
Mark-up and profit accrued	274,936	274,936	676,361	676,361
Short term borrowings	25,257,980	25,257,980	21,802,954	21,802,954
Unclaimed dividend	467,812	467,812	541,447	541,447
Current portion of long term borrowings	4,334,776	4,334,776	4,711,250	4,711,250
Lease liabilities	82,293	82,293	104,941	104,941
	54,793,131	54,793,131	48,736,302	48,736,302

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	Rs '000	Rs '000	Rs '000
December 31, 2020			
Assets carried at fair value			
Long term investments - FVTOCI	–	5,062,444	–
Short term investments - FVTPL	79,475,239	–	–
	79,475,239	5,062,444	–
December 31, 2019			
Assets carried at fair value			
Long term investments - FVTOCI	–	4,272,285	–
Short term investments - FVTPL	42,925,131	–	–
	42,925,131	4,272,285	–

39.5.1 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment at fair value through profit or loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Investment at fair value through other comprehensive income

Investments at fair value through other comprehensive income are determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Investment in associate and subsidiary

The fair value of investment in listed associate and subsidiary is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value 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.

40. RELATED PARTY TRANSACTIONS

40.1 Following are the related parties with whom the Company had entered into transactions during the year:

Related party	Basis of relationship	Aggregate % age shareholding in the Company
Fauji Foundation	Holding company	44.35%
Mr. Waqar Ahmed Malik	Director	–
Lt Gen Tariq Khan, HI(M), (Retired)	Director	–
Dr. Nadeem Inayat	Director	–
Mr. Farhad Shaikh Mohammad	Director	0.16%
Mr. Saad Amanullah Khan	Director	0.00004%
Ms. Maryam Aziz	Director	0.00001%
Maj Gen Naseer Ali Khan, HI (M), (Retired)	Director	–
Mr. Qamar Haris Manzoor	Director	0.00063%
Capt. Saed Ahmad Nawaz, (Retired)	Director	–
Mr. Peter Bruun Jensen	Director	–
Mr. Riaz Ahmed	Director	–
Maj Gen Ahmad Mahmood Hayat, HI(M), (Retired)	Director	–
Syed Bakhtiyar Kazmi	Director	–

Related party	Basis of relationship	Aggregate % age shareholding by the Company
FFC Energy Limited	Subsidiary company	100.00%
Fauji Fresh n Freeze Limited	Subsidiary company	100.00%
Fauji Fertilizer Bin Qasim Limited	Associated company	49.88%
Askari Bank Limited	Associated company	43.15%
Thar Energy Limited	Associated company	30.00%
Pakistan Maroc Phosphore S.A., Morocco	Common directorship	12.50%
Fauji Cement Company Limited	Common directorship	6.79%
Mari Petroleum Company Limited	Common directorship	-
Sona Welfare Foundation	Associated undertaking	-
Provident Fund Trust	Contributory provident fund	-
Gratuity Fund Trust	Defined benefit fund	-
Pension Fund Trust	Defined benefit fund	-

40.2 Following particulars relate to associated companies incorporated outside Pakistan with whom the Company had entered into transactions during the year:

Particulars	Pakistan Maroc Phoshore S.A., Morocco
Name of associated company	Pakistan Maroc Phosphore S.A.
Basis of association	Joint Venture of OCP Group and Fauji Group
Aggregate %age of shareholding by the Company	12.5% Equity Investment by the Company

40.3 Fauji Foundation holds 44.35% (2019: 44.35%) shares of the Company at the year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Material transactions with related parties and the balances outstanding at the year-end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 18, 23 and 36 to the financial statements respectively.

	2020 Rs '000	2019 Rs '000
HOLDING COMPANY		
Transactions		
Dividend paid	6,234,826	6,460,477
Services received	115,000	–
Sale of fertilizers	1,190	3,713
Others	4,836	297
Balances		
Balance payable - unsecured	52,500	–

	2020 Rs '000	2019 Rs '000
SUBSIDIARY COMPANIES		
Transactions		
Guarantee against loan of subsidiary company	–	188,833
Equity investment	1,500,000	–
Interest Income	5,574	133,385
Rental income	8,817	8,817
Expense incurred on behalf of subsidiary companies	170,538	150,672
Receipt of interest accrued on loans	216,227	–
Receipt against expenses on behalf of subsidiary companies	148,590	71,008
Sale of fertilizer	–	11
Balances		
Balance receivable	373,420	1,463,259
ASSOCIATED UNDERTAKINGS / COMPANIES DUE TO COMMON DIRECTORSHIP		
Transactions		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,287,142	1,097,627
Commission on sale of products	29,712	23,920
Payments under consignment account	94,455,997	63,509,855
Purchase of gas as feed and fuel stock	32,959,985	27,052,617
Equity investment	2,493,774	1,329,318
Services and materials provided	24,676	10,423
Services and materials received	1,021	1,980
Donations	164,473	95,800
Interest expense	138,019	253,641
Interest income	60,881	13,068
Dividend income	1,374,892	1,521,923
Balances		
Dividend receivable	223,715	–
Long term investments	125,548	155,116
Short term borrowings	2,303,598	4,426,551
Running Finance	153,285	–
Bank balance	–	44,099
Balance receivable	362,345	372,458
Balance payable	66,368,028	65,751,432
STAFF RETIREMENT FUNDS		
Contribution		
Employees' Provident Fund Trust	475,558	457,481
Employees' Gratuity Fund Trust	253,724	218,426
Employees' Pension Fund Trust	159,720	124,559
Employees' Funds as Dividend on equity holding of 0.15% (2019: 0.15%)	24,319	22,470
Balances		
Balance payable - Gratuity Fund Trust	734,965	739,538
Balance payable - Pension Fund Trust	439,697	443,178

41. NON ADJUSTING EVENTS AFTER REPORTING DATE

The Board of Directors in its meeting held on January 28, 2021 has proposed a final dividend of Rs 3.40 per share.

42. GENERAL

42.1 Production capacity - Urea

	Design capacity		Production	
	2020	2019	2020	2019
	(Tonnes '000)		(Tonnes '000)	
Goth Machhi - Plant I	695	695	878	830
Goth Machhi - Plant II	635	635	810	821
Mirpur Mathelo - Plant III	718	718	799	841
	2,048	2,048	2,487	2,492

42.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of credit and letters of guarantee amounting to Rs 18,600,000 thousand and Rs 6,028,000 thousand (2019: Rs 17,930,000 thousand and Rs 4,822,895 thousand) respectively are available to the Company against lien on shipping / title documents, US $ Term Deposit Receipts and charge on assets of the Company. Facilities against letter of credit include Rs 4,780,558 thousand limit assigned for issuance of Standby Letters of Credit in relation to the Company's investment in Thar Energy Limited.

42.3 Donations

Cost of Sales and Distribution Cost include donations amounting to Rs 114,442 thousand (2019: Rs 55,986 thousand) and Rs 50,031 thousand (2019: Rs 39,814 thousand) respectively. These are disbursed through Sona Welfare Foundation, Sona Tower, 156, The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Tariq Khan, HI (M) (Retired) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

	2020	2019
42.4 Number of employees		
Total number of employees at end of the year	3,512	3,457
Average number of employees for the year	3,403	3,379

42.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

42.6 Corresponding figures

The Company has reclassified / rearranged corresponding figures to conform to current year presentation, wherever necessary. Impairment loss of investment in Fauji Fresh n Freeze Limited of Rs 1,100,000 thousand has been reclassified from "Statement of profit or loss - other expenses" to "statement of profit or loss - other gains / (losses)".

43. IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

Late in 2019 news emerged from China about the COVID-19 (Coronavirus). In the first few months of 2020 the virus had spread globally, and its negative impact had gained momentum. To date the operations of the Company have continued uninterrupted during this pandemic. The management considers that the pandemic does not have any material adverse impact on financial position, the results of operations and cash flows for the year ended December 31, 2020. Management will continue to monitor the potential impacts and will take all steps possible to mitigate any effects.

44. DATE OF AUTHORIZATION

These Financial Statements have been authorized for issue by the Board of Directors of the Company on January 28, 2021.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

05

Consolidated Financial Statements of the FFC Group along with Chairman's Review on the Group's performance

CONSOLIDATED FINANCIAL STATEMENTS

CHAIRMAN'S REVIEW
on the Consolidated Financial Statements

Dear Shareholders

The Group achieved commendable performance under the able guidance of respective Board of Directors of the Group companies.

During the year, the Group recorded aggregate turnover of Rs 102.74 billion, which was lower by 6% compared to 2019 mainly due to reduction in urea selling prices, which in turn was caused by reduction in GIDC rates by the Government.

FFC Energy Limited (FFCEL), the Company's wholly owned power project achieved another year of improved profitability with a net profit of Rs 2.00 billion, higher by 14% against the previous year.

Our subsidiary, Fauji Fresh n Freeze Limited (FFF), demonstrated a growth of 26% in turnover despite the ongoing pandemic. The subsidiary significantly curtailed its losses by over 70% through improved revenue and stringent cost controls. The Board is confident that FFF would be able to achieve profitable operations in the near future.

Askari Bank Limited recorded consolidated net mark-up / interest income of Rs 22.50 billion recording an impressive 39% growth over 2019. The bank also registered around 44% improvement in income from non-core business which stood at Rs 7.28 billion. Net profitability for the nine months period was therefore recorded at Rs 8.11 billion with an increase of 85% compared to last year.

Fauji Fertilizer Bin Qasim Limited improved its consolidated gross profit by around 53% to Rs 18.90 billion primarily due to improvement in fertilizer market conditions. Reduction in other operating costs resulted in increased operating profit of Rs 10.45 billion compared to Rs 2.86 billion last year. Finance cost also declined by 16% while share of profit of joint venture and associates registered an increase of 45%. Consequently, the company recorded a net profit of Rs 6.03 billion as compared to a net loss of Rs 8.37 billion of 2019.

The share of FFC's returns from associated companies and joint ventures during the year, including AKBL and FFBL translated into a gain of Rs 8.30 billion compared to a loss of Rs 379 million in 2019.

The net profitability of the Group thus increased significantly by 72% and stood at Rs 29.75 billion as compared to Rs 17.33 billion recorded last year. FFC's Board of Directors has recommended final dividend of Rs 3.40 per share, which is in addition to interim distribution of Rs 7.80 per share.

Despite the onslaught of the pandemic, the Group has demonstrated resilience exhibiting commendable results in these challenging times. This is a product of the exemplary contribution and commitment of the respective Board of Directors.

FFC's Board of Directors will continue to ensure sustained wealth and long term attractive returns for the shareholders besides remaining socially responsible to ensure wellbeing of the neighbouring communities.

Waqar Ahmed Malik
Chairman
Rawalpindi
January 28, 2021

اشتمال شدہ گوشواروں پر چیئرمین کا جائزہ

معزز حصص داران،

گروپ کمپنیز کے بورڈ آف ڈائریکٹرز کی مثالی رہنمائی کے تحت FFC گروپ نے قابل ستائش کارکردگی دکھائی۔

دوران سال گروپ نے 102.74 ارب روپے کی مجموعی آمدن ریکارڈ کی جو کہ گزشتہ برس کے مقابلے میں 6 فیصد کم ہے اور اس کی بنیادی وجہ حکومت کی جانب سے GIDC کے نرخوں میں کمی کے بدلے میں کی گئی یوریا کی قیمت فروخت میں کمی ہے۔

کمپنی کے بجلی بنانے والا کلی ملکیتی ادارے ایف ایف سی انرجی لمیٹڈ (FFCEL) نے 2.00 ارب روپے کے خالص منافع کے ساتھ کامیاب کاروبار کا ایک اور سال مکمل کیا یہ منافع گزشتہ برس کے مقابلے میں 14 فیصد زائد ہے۔

ہمارے ذیلی ادارے فوجی فریش این فریز لمیٹڈ (FFF) نے حالیہ وباء کے باوجود آمدن میں 26 فیصد کی بہتری دکھائی۔ ذیلی ادارے نے بہتر آمدن اور اخراجات پر سختی سے قابو کے ذریعے اپنے نقصانات میں 70 فیصد سے زائد نمایاں کمی دکھائی۔

عسکری بینک لمیٹڈ (AKBL) نے 22.50 ارب روپے کی مجموعی خالص مارک اپ/سود آمدن ریکارڈ کی جو کہ 2019 کے مقابلے میں 39 فیصد کی متاثر کن بہتری ہے۔ بینک نے نان کور بزنس سے آمدن میں بھی 44 فیصد کی بہتری دکھائی جو کہ 7.28 ارب روپے رہی۔ چنانچہ نو ماہ کے دوران خالص منافع پچھلے سال کے مقابلے میں 85 فیصد کے اضافے کے ساتھ 8.11 ارب روپے ریکارڈ کیا گیا۔

فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL) نے 18.90 ارب روپے کے مجموعی خام منافع میں 53 فیصد کی بہتری دکھائی جس کی بنیادی وجہ کھاد کے کاروباری حالات میں بہتری تھی۔ آپریٹنگ لاگت میں کمی 10.45 ارب روپے کے Operating Profit پر منتج ہوئی جو کہ گزشتہ برس 2.86 ارب روپے تھا۔ مالیاتی لاگت میں بھی 16 فیصد کی کمی ریکارڈ کی گئی جبکہ مشترکہ منصوبوں اور ذیلی کمپنیوں سے منافع کے حصے میں 45 فیصد اضافہ ہوا۔ نتیجتاً، کمپنی نے 6.03 ارب روپے کا خالص منافع ریکارڈ کیا جو کہ مقابلتاً سال 2019 کے دوران 8.37 ارب روپے کا خالص نقصان تھا۔

FFC کا منسلکہ کمپنیوں اور مشترکہ منصوبوں سے منافع، بشمول AKBL اور FFBL، 8.30 ارب روپے رہا جو کہ گزشتہ سال کے دوران 379 ملین روپے کا نقصان تھا۔

اس طرح گروپ کے خالص منافع میں 72 فیصد کا واضح اضافہ ہوا جو کہ 29.75 ارب روپے رہا جبکہ گزشتہ برس کا تقابلی منافع 17.33 ارب روپے تھا۔ FFC کے بورڈ نے 3.40 روپے فی حصہ منافع منقسمہ کی سفارش کی ہے جو کہ 7.80 روپے فی حصہ کے پہلے سے اعلان کردہ عبوری منافع منقسمہ کے علاوہ ہے۔

وباء کی تباہ کاریوں کے باوجود، گروپ نے ثابت قدمی کا مظاہرہ کرتے ہوئے ان گوے حالات میں قابل ستائش نتائج پیش کیے ہیں۔ یہ متعلقہ بورڈز آف ڈائریکٹرز کی مثالی کارکردگی اور عزم کا نتیجہ ہے۔

FFC کا بورڈ آف ڈائریکٹرسماجی ذمہ داری کو پورا کرنے اور قریبی آبادیوں کی فلاح کے ساتھ ساتھ حصہ داران کے لیے مستقل اثاثوں اور پرکشش آمدنی کو یقینی بنائے رکھے گا۔

وقار احمد ملک

وقار احمد ملک
چیئرمین
راولپنڈی
28 جنوری 2021

INVESTMENT TIMELINE

1993	FFBL	**49.88%** Fauji Fertilizer Bin Qasim Limited
2004	PAKMAROC	**12.50%** Pak Maroc Phosphore S.A., Morocco
2008	FAUJI CEMENT	**6.79%** Fauji Cement Company Limited
2010	FFC ENERGY	**100%** FFC Energy Limited
2013	Fauji Fresh n Freeze	**100%** Fresh n Freeze Limited
2013	askaribank	**43.15%** Askari Bank Limited
2018	HUBCO	**30%** Thar Energy Limited

Directors' Report on the Consolidated Financial Statements

FINANCIAL PERFORMANCE OF THE GROUP

FFC Group comprises of Fauji Fertilizer Company Limited and its subsidiary companies, FFC Energy Limited (FFCEL – wind power project) and Fauji Fresh n Freeze Limited (FFF – food project). The Group also includes five associated companies, namely:

- Askari Bank Limited
- Fauji Cement Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Pak Maroc Phosphore S.A., Morocco
- Thar Energy Limited

Subsequent to the year end the Company has incorporated OLIVE Technical Services (Private) Limited which shall be engaged in providing technical services to local and international customers.

Profit or Loss Analysis

The Group recorded aggregate turnover of Rs 102.74 billion, lower by 6% compared to 2019, mainly owing to reduction in urea selling prices as a result of corresponding reduction in GIDC rate during the year.

Cost of sales at Rs 68.30 billion, was 11% lower than last year mainly due to the above reduction in GIDC rates and implementation of stringent cost controls.

Gross profitability of the Group thus stood at Rs 34.44 billion, improving by 5% compared to Rs 32.78 billion last year.

Administrative and distribution expenses of the Group reduced by around 7% compared to last year mainly on account of lower transportation cost and savings in fixed costs by the Group during the year.

Optimized borrowings by the Group and lower interest rates during the year led to a significant decrease in finance cost to Rs 2.41 billion compared to Rs 3.31 billion in 2019.

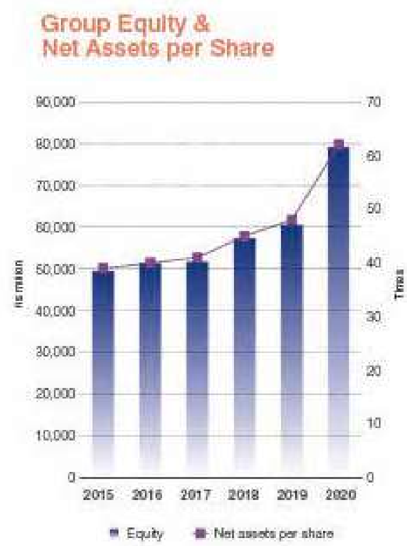
Supreme Court's decision regarding GIDC has led to a temporary accounting gain of Rs 5.93 billion, which occurred due to re-measurement of the GIDC liability on fair value basis, under the provisions of International Financial Reporting Standards. This gain shall reverse during the next four years over the GIDC repayment term.

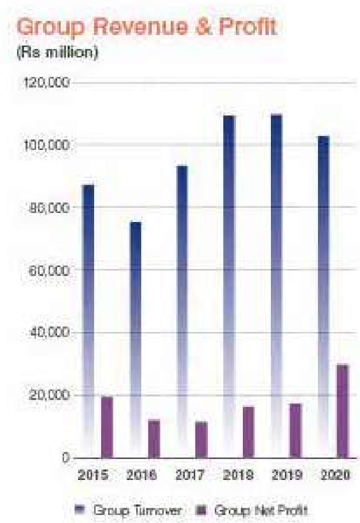
The Group has also made a provision of Expected Credit Loss in subsidy receivable amounting to Rs 987 million, in view of considerable delay in settlement by the Government, and also in compliance with the requirements of IFRS.

Other expenses of the Group increased by 11% to Rs 2.65 billion, as the WPPF and WWF charges increased in line with improved profitability.

The Group's investment portfolio contributed investment income of Rs 5.22 billion, 9% lower than last year due to prevailing low rates of return.

Share of profit of associates and joint venture was recorded at a gain of Rs 8.30 billion compared to a loss of Rs 379 million in 2019 mainly





due to increase in profitability of associated companies.

Tax charge of Rs 9.82 billion for the year increased by around 57% mainly due to higher profitability,

FINANCIAL PERFORMANCE OF THE GROUP

in addition to a net increase in deferred tax on account of temporary gain realized on re-measurement of GIDC liability besides loss on impairment of subsidy receivable.

Resultantly, the Group achieved an increase of 72% in net profitability which was recorded at Rs 29.75 billion with an earnings per share of Rs 23.38.

Subsidiary Companies

FFC Energy Limited

FFCEL is a wholly owned subsidiary company of FFC with total equity investment of Rs 2.44 billion, incorporated as an unlisted public limited company for the purpose of establishment and operation of wind power generation facility. FFCEL started commercial operations in May 2013 with a power generation capacity of 49.5 MW.

The company recorded an average availability factor of 97%, supplying a total of 102 GWh of electricity to the national grid. Bi-annual scheduled maintenance was successfully completed during the year, despite imposition of COVID-19 lockdown restrictions.

Turnover of Rs 3.38 billion was recorded, registering an increase of 5% over last year. Operating costs were mostly in line with 2019, whereas reduced loan obligation coupled with lower KIBOR led to savings of Rs 208 million in finance cost, 30% lower than last year. Consequently, the company reported net profit of Rs 2.00 billion depicting a growth of 14% over last year, translating into earnings of Rs 8.22 per share.

FFCEL is expecting accelerated receipt of receivables from the Power Purchaser after successful translation of MOU into binding agreements; whereby the parties have agreed on taking measures to reduce generation tariff and clearance of outstanding receivables.

Despite strong performance throughout the year, FFCEL could not declare dividend owing to financial covenants which restrict dividend distribution under circular debt situation.

FFCEL Technical Training Center (TTC) has been accredited with National Vocational and Technical Training Commission (NAVTTC). TTC provided internationally recognized Global Wind Organization Trainings to 82 participants from Industry in 2020.

The Auditors of FFCEL have issued an unmodified opinion in their separate audit report on FFCEL's financial statements for the year ended December 31, 2020.

Composition of the Board

Names of Directors:

- Mr Waqar Ahmed Malik
- Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retired)
- Lt Gen Tariq Khan, HI(M), (Retired)
- Maj Gen Ahmad Mahmood Hayat, HI(M), (Retired)
- Mr Qamar Haris Manzoor
- Mr Naveed Ahmed Khan
- Mr Jamil Akbar
- Mr Tassawor Ishaque
- Maj Gen Javaid Iqbal Nasar, HI(M), (Retired)
- Mr Khurram Shahzad Khan
- Mr Muhammad Amir Khan
- Brig Naveed Iqbal, (Retired)
- Brig Sabir Ali, SI(M), (Retired)
- Mr Muhammad Iqbal Mir

Casual Vacancies Filled during the Year

Appointed	Resigned	Date of Appointment
Mr Waqar Ahmed Malik	Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retired)	April 09, 2020
Brig Sabir Ali, SI(M), (Retired)	Mr Muhammad Iqbal Mir	March 16, 2020
Mr Qamar Haris Manzoor	Brig Sabir Ali, SI(M), (Retired)	June 03, 2020
Mr Khurram Shahzad Khan	Mr Muhammad Amir Khan	June 03, 2020
Mr Tassawor Ishaque	Brig Naveed Iqbal, (Retired)	June 03, 2020
Mr Jamil Akbar	Mr Khurram Shahzad Khan	September 10, 2020
Maj Gen Ahmad Mahmood Hayat, HI(M), (Retired)	Maj Gen Javaid Iqbal Nasar, HI(M), (Retired)	September 10, 2020

To bring Technical Training Center, Jhampir (TTC) at par with International Standards, the training facility has been equipped with **In-door Simulator for Wind Turbine Climbing & Rescue Mandatory Trainings** along with advanced training equipment. TTC got accredited under Global Wind Organization (GWO) standards for providing Basic Technical Training and Basic Safety Training programs in collaboration with M/s Mira, Turkey – becoming the 1st ever facility in Jhampir Pakistan for international trainings. Over 75 personnel from the Wind Industry have received trainings at the facility during 2020 paving way for TTC to become the hub of specialized Trainings in Renewable Energy Sector.

FINANCIAL PERFORMANCE

Management objectives

	01 OBJECTIVE	02 OBJECTIVE	03 OBJECTIVE
	Maximized Energy Production	**Cost Optimization**	**Self-reliance in Operations and Maintenance**
Strategy	• Effective Implementation of O&M plans • Effective supply chain management (SCM) • Reliability Improvement Measures • Performance monitoring	• Optimized resource utilization through proper planning • Improved technology • Need base expenditure • Cost monitoring at multiple levels	• Technical trainings • Certification from OEMs / Experts • Technical Audit of O&M Activities
Nature	Medium term	Medium term	Medium to long term
Priority	High	High	Medium
Resources allocated	Financial capital, Human capital	Financial capital, Human capital, intellectual capital	Financial capital, Human capital
KPI Monitored	Net Delivered Energy, Plant availability, WTG Power Curve	Gross Profit margin, Net Profit margin, O&M cost absorption	Plant availability, Training budget utilization, Contracted Out Services expenditure
Status	Ongoing process	Ongoing process	Partially complete
Future relevance of KPI	KPI will remain relevant in future	The KPI will remain relevant in the future	Relevant for future as well
Opportunities	• Increased revenue • Shareholder's satisfaction	Increased profitability	• Technical work load • Manpower attrition • Higher administrative work load
Threats	• Aging plant • Unscheduled maintenance • Unavailability of spare parts • Weather pattern changes	Reduced working efficiency	• O&M services to other wind farms • Efficient manpower utilization • Foreign exchange saving

Corporate Strategy

Maintaining our key position in the core business, we employ our unique organization culture, professional excellence and financial strength to maintain excellent business relationships with our stakeholders for development of renewable energy sector in Pakistan.

Key Risks and Opportunities

Associated objective: Social life, Environment sustenance and Community development, Self-reliance in O&M

Opportunities: Cost optimization, create / enter new line of business

Mitigation Measures:

1. The issue is being settled amicably after negotiations with the GoPs IPP Committee through joint efforts of all wind IPPs.
2. Relief is given to GoP by voluntarily reducing IRR from 17% to 13% for remaining period of project life in exchange of early disbursement of outstanding receivables.

04 OBJECTIVE	05 OBJECTIVE
Create / enter new lines of business to augment profitability	**Social Life, Environment Sustenance and Community development**
• O&M Services to wind industry • Renewables Energy Trainings	• Assessment of neighbouring community needs • Provision of support in health, education and utility to community • Improvement in social life at Plant site • Environmental Protection & sustenance
Long term	Medium term
Medium	High
Human capital, Intellectual capital, Financial capital	Financial capital, Human capital
Revenue generated from services	CSR budget, feedback from community, employee feedback, monitoring of environmental aspects
Ongoing process	Ongoing process
The KPI will remain relevant in the future	The KPI will remain relevant in the future
Business diversification	• Community harmony • Employee motivation • Clean & safe environment
New business risks	• Increase in employee expectations • Demands from community • Increase in capital cost

Significant changes in objectives & strategies

There were no significant changes during the year which affected our course of action for achievement of these objectives.

Associated objective: Social life, Environment sustenance and Community development, Self-reliance in O&M

Opportunities: New forecasting technology implementation Improved performance

Mitigation Measures:

1. Negotiation with CPPA to avoid penalty in consultation with legal counsel
2. Improving forecasting services accuracy

Demand of CPPA to impose penalty on forecasting error

Capital

Rating

Type

Nature

Source

Likelihood

Magnitude

For Legend, please refer Page No. 307

FINANCIAL PERFORMANCE

Key Risks and Opportunities

Demand to participate in competitive wholesale power market

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Self-reliance in Operation & Maintenance

Opportunities: Cost optimization, enter new line of business to augment profitability

Mitigation Measures:

Seek exemption under tariff / EPA terms

Supply Chain Disruption due to Natural Calamities – Delay in spare parts supply resulting in increased downtime of WTGs

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Maximize energy production

Mitigation Measures:

1. Increase critical spare parts inventory level
2. Close liaison with the vendors

Increased role in Plant maintenance and / or unsafe acts - reduced availability & reliability

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Maximize energy production, Cost optimization

Opportunities: Increased self-reliance in O&M

Mitigation Measures:

1. Comply with OEM recommended scheduled maintenance plan with continuous monitoring
2. Keep recommended inventory of spares for unscheduled maintenance with appropriate changes in type / levels of parts based on experience
3. Manage vendor database and parts supply mechanism along with engagement of O&M services experts as needed
4. Development and updating of maintenance SOPs, safety procedures and regular refresher trainings of team
5. Development of in-house capabilities to repair / refurbish
6. Third party technical audit(s)
7. Appropriate insurance coverage

Associated objective: Cost optimization, Self-reliance in Operation & Maintenance, Social life, Environment sustenance and Community development, Maximize energy production

Opportunities: New technology implementation, create / enter new line of business

Mitigation Measures:

1. Monitoring and analysis of power curve data (using WindPro Software)
2. Introduction of newly available technology / techniques for improvement in power curve performance

Lowering of Power Curve Performance – Reduced Production		Capital
Rating	Type	Nature
Source	Likelihood	Magnitude

Associated objective: Maximize energy production

Opportunities: Increased self-reliance in O&M

Mitigation Measures:

1. Comply with OEM recommended operational updated manuals, based on experience
2. Regular refresher training of operating team on operating manuals

Plant operations malfunctions – reduced availability		Capital
Rating	Type	Nature
Source	Likelihood	Magnitude

Associated objective: Maximize energy production, Create / enter new line of business, Increased self-reliance in O&M

Mitigation Measures:

Multi tasked team at FFCEL ensures backup for each manpower

Market has grown and experienced manpower of NDX / DPS and other IPPs is available

Expert Manpower can be sourced from China as well – established contact with experts of gearbox, converter etc

Introduction of lucrative manpower retention policies

Attrition of Expert / experienced manpower		Capital
Rating	Type	Nature
Source	Likelihood	Magnitude

For Legend, please refer Page No. 307

FINANCIAL PERFORMANCE

Key Risks and Opportunities

FFCEL's sole customer CPPA may delay payment against invoices which may result in liquidity issues

Capital		
Rating	Type	Nature
Source	Likelihood	Magnitude

Associated objective: Maximize energy production, Cost optimization

Mitigation Measures:

1. Variables effecting CPPA's policy for disbursing payments to IPPs is outside management's control
2. CPPA receivables are backed up by the GOP's sovereign guarantee
3. Regular follow up with CPPA officials for disbursement of funds

Insufficient cash available to pay liabilities

Capital		
Rating	Type	Nature
Source	Likelihood	Magnitude

Associated objective: Cost optimization

Mitigation Measures:

The Company has proactive treasury management system to ensure availability of adequate funds for any unforeseen requirement

Fluctuation in foreign currency rates

Capital		
Rating	Type	Nature
Source	Likelihood	Magnitude

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

Mitigation Measures:

1. FFCEL has limited forex exposure by having no investment in foreign currency and foreign component of the tariff is indexed against US$
2. Any change in exchange rate is mitigated to a great extent by the resultant change in the tariff component

Associated objective: Cost optimization

Mitigation Measures:

Rigorous checks are carried out to prevent any breach

Non adherence to Energy Purchase Agreement & Regulatory Framework set by the regulator

Capital

Rating

Type

Nature

Source

Likelihood

Magnitude

Associated objective: Social life, Environment sustenance and Community development, Enter new line of business to augment profitability and achieve sustained economic growth

Mitigation Measures:

This risk cannot be mitigated through internal strategies

Volatile law and order situation affecting the Country's economy may affect the Government's policy towards disbursement to IPPs

Capital

Rating

Type

Nature

Source

Likelihood

Magnitude

Legend

Rating

Low | Medium | High

Magnitude

Low | Medium | High

Likelihood

Low | Medium | High

Source

External | Internal

Capital

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

Type

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

Nature

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

FINANCIAL PERFORMANCE

Fauji Fresh n Freeze Limited (FFF)

FFF is an unlisted public limited company acquired by FFC in October 2013 as a wholly owned subsidiary company. FFC has aggregate equity investment of Rs 6.34 billion (2019: Rs 4.84 billion). It owns and operates Pakistan's first Individually Quick Frozen (IQF) food processing technology for processing of fresh and frozen fruits and vegetables.

The company's french fries brand "OPA!" is a popular household name and is currently enjoying a market share of around 30%. Frozen fruits & vegetables category has also picked up momentum and is expected to improve with increase in availability and customer awareness.

Despite challenges posed by the pandemic, turnover has increased by 26% compared to 2019. Administrative costs were significantly curtailed by 59% to Rs 85.31 million owing to implementation of stringent cost controls while finance cost reduced to Rs 53.41 million compared to Rs 267.31 milion last year owing to lower net borrowings and reduction in discount rates. Consequently, FFF was able to reduce its net loss to Rs 148.95 million, lower by 73% compared to last year.

The Auditors of FFF have issued an unmodified opinion in their separate audit report on FFF's financial statements for the year ended December 31, 2020.

Composition of the Board

Names of the Directors:

- Mr Waqar Ahmed Malik
- Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retired)
- Lt Gen Tariq Khan, HI(M), (Retired)
- Dr. Nadeem Inayat
- Mr Afaq A. Tiwana

Management objectives

	01 OBJECTIVE	02 OBJECTIVE	03 OBJECTIVE
	Retain market leadership in par fried french-fries and IQF F&V	**Technological excellence and backward Supply Chain integration of agriculture practices**	**To become top of mind brand**
Strategy	Retain market share. Increase market penetration. Ensure availability of products at all potential outlets. Inundate all potential towns.	Stay abreast of technological developments and continuously upgrade production facilities to maximize efficiency viz-a-viz focused development on agri practices for backward Supply Chain integration	Appropriate and effective communication to the potential consumers through optimum marketing mix
Nature	Long term	Long term	Medium term
Priority	High	High	High
Resources allocated	Financial capital, human capital, manufactured capital	Financial capital, human capital, manufactured capital, intellectual capital	Financial capital, human capital, intellectual capital
KPI Monitored	Market share indexing	Monitoring Overall Equipment Effectiveness (OEE) & development of potato for premium quality french-fries	Market indexing, market research and insight, expert independent evaluation
Status	Ongoing	Ongoing	Ongoing
Future relevance of KPI	The current KPI is relevant for future as well	The current KPI is relevant for future as well	The current KPI is relevant for future as well
Opportunities /Threats	Market entry of competitors. With appropriate measures we can change this threat into opportunity by market development and growth through combined advertisement of all the competitors .	Lagging in technology render the products of inferior and compromised quality and non-competitive on cost aspects thereby eroding market share. Premium quality french-fries can substitute imported competition.	In-case of lack of continued and appropriate communication the consumers switch to alternate products

- Mr Mohammad Munir Malik
- Mr Muhammad Ali Gulfaraz
- Maj Gen Wasim Sadiq, HI(M), (Retired)
- Mr Muhammad Amir
- Mr Naeem Iqbal Khokhar
- Mr Sarfaraz Ahmed Rehman
- Mr Ali Asrar Hossain Aga

Casual Vacancies Filled During the Year

Appointed	Resigned	Date of Appointment
Mr Muhammad Ali Gulfaraz	Dr Nadeem Inayat	January 09, 2020
Mr Naeem Iqbal Naeem Khokhar	Mr Afaq A. Tiwana	January 30, 2020
Mr Waqar Ahmed Malik	Lt Gen Syed Tariq Nadeem Gilani, HI (M), (Retired)	April 09, 2020
Dr Nadeem Inayat	Mr Muhammad Ali Gulfaraz	June 03, 2020
Mr Ali Asrar Hossain Aga	Maj Gen Wasim Sadiq, HI (M), (Retired)	June 03, 2020
Mr Sarfaraz Ahmed Rehman	Mr Muhammad Amir	June 03, 2020

Corporate Strategy

Consolidate market leadership in IQF fruits, vegetables and french-fries category and to retain this position. To become top of mind brand by winning consumer loyalty and mastering technological excellence. To offer best quality products and value for money to the consumers.

Significant Changes in Objectives and Strategies

FFF has re-aligned its strategy concentrating on domestic market and focus on french fries followed by IQF fruits & vegetables.

04 OBJECTIVE	05 OBJECTIVE	06 OBJECTIVE
To offer best quality products to the consumers, consumer centricity	**End to end cost effective operations**	**Financial health and sustainable operations**
Empowered quality assurance function. Continuous efforts in improving product specifications. Agricultural research and development in appropriate varieties of potato giving longer profile french-fries with higher dry matter content.	Continuous effort on laying off extra fats from the operations. Market intelligence and continued focus on sourcing at optimal prices. Vigilance of all the business partners and distributors to ensure sustainable partnership. Controlling production losses and maximizing cost plough-back thereby reducing product cost. Controlling peeling wastes by improved technological solutions.	Availability of resources at optimal prices is the back-bone for sustained growth and attaining continued market leadership
Medium term	Medium term	Short term
High	High	High
Financial capital, human capital, manufactured capital, intellectual capital	Intellectual capital	Intellectual capital, financial capital
Monitoring of quality throughout supply chain Annual Renewal of food safety and quality certifications	Monthly cost accounts and management accounts	Monthly cost accounts, management accounts reporting, cash flow planning and monitoring
Ongoing	Ongoing	Ongoing
The KPI is relevant for future as well	The KPI is relevant for future as well	The KPI is relevant for future as well
Product of inferior and compromised quality are non-competitive and eroding market share	Lack of cost control erode margins and render the products non-competitive	May face liquidity risk due to growth phase. Financial indicator may not be very attractive. The company may face difficulty in borrowing funds from the financial institutions. The financial muscle and the market repute of the parent company will support the company in pulling through the challenging situation.

FINANCIAL PERFORMANCE

Key Risks and Opportunities

Out of sight out of mind

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

Associated objective: To become top of mind brand

Mitigation Measures:
Appropriate and effective communication to the potential consumers through optimum marketing mix

Entry of competitors

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

Associated objective: Consolidate market leadership

Mitigation Measures:
Consolidate market share. Increase market penetration. Ensure availability of product at all potential outlets. Inundate all potential towns

Lack of cost control will render the products unable to compete in the competitive environment

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

Associated objective: End to end cost effective operations

Mitigation Measures:
Continuous effort on laying off extra fats from the operations. Market intelligence and continued focus on sourcing at optimal prices. Vigilance of all the business partners and distributors to ensure sustainable partnership. Controlling production wastages and maximizing cost plough-back thereby reducing product cost. Controlling peeling wastes by improved technological solutions

Associated objective: Financial health and sustainable operations

Mitigation Measures:

The financial muscle and the market repute of the parent company will support the company in pulling through the challenging situation

Insufficient cash available to pay liabilities resulting in a liquidity problem

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: Technological excellence

Mitigation Measures:

The core technical team remain well aware of the technological advancements and the best practices of the global category leaders. The technology and best practices ensure highest quality product at competitive prices

Lagging in technological excellence render the product non-competitive in the competitive environment

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

Associated objective: To offer best quality products to the consumers, consumer centricity

Mitigation Measures:

Empowered quality assurance function. Continuous efforts in improving product specs. Agricultural research and development in developing appropriate varieties of potato giving longer profile french-fries with higher dry matter content

Low quality product will erode consumer loyalty

Capital

Rating | Type | Nature

Source | Likelihood | Magnitude

FINANCIAL PERFORMANCE

Associated Companies

Askari Bank Limited (AKBL)

FFC's holding in AKBL amounts to Rs 10.46 billion representing a 43.15% equity stake. The bank was incorporated in 1991 as a public limited company and is listed on the Pakistan Stock Exchange.

With a network spanning 537 branches, including a Wholesale Bank Branch in the Kingdom of Bahrain, AKBL is a commercial bank principally engaged in the business of banking.

The bank's aggregate net revenues were recorded at Rs 29.65 billion for the nine months ended September 30, 2020, registering a 39% growth compared to the corresponding period last year. Net profit during the nine month period stood at Rs 8.16 billion, with an increase of 86% compared to 2019.

Customer deposits recorded at Rs 764 billion, registered a growth of 13%, whereas gross advances were reported at Rs 386 billion depicting an increase of 3%.

The bank's entity rating stands at AA+ reflecting sustainability of the bank's relative positioning and continuous improvement in capital adequacy driven by AKBL's strong sponsors and brand, continued growth trajectory, improvement in net spreads and increase in earning assets. The short term rating was maintained at A1+.

During the year, FFC received aggregate dividend of Rs 816 million compared to Rs 544 million last year.

Fauji Cement Company Limited (FCCL)

Incorporated in 1992, FCCL is a public company listed on the Pakistan Stock Exchange principally engaged in the manufacturing and sale of different types of cement with an installed capacity of 3.56 million tonnes. FFC has an investment of Rs 1.50 billion in FCCL, translating into an equity stake of 6.79%.

The company was able to achieve a capacity utilization of 97% in the quarter ended September 30, 2020. Sales revenue registered a growth of 30% whereas, both variable and fixed costs were kept under tight control. Consequently, FCCL earned net profit amounting to Rs 696 million compared to Rs 293 million in the corresponding quarter last year. No dividend was received from FCCL during the year.

Fauji Fertilizer Bin Qasim Limited (FFBL)

FFBL was incorporated as FFC Jordan Fertilizer Company in 1993 and subsequently restructured as FFBL in 2003. FFC made further investment of Rs 2.50 billion during the year. Aggregate investment stood at Rs 7.15 billion at the end of the year representing 49.88% of FFBL's equity.

It is Pakistan's only Di-Ammonium Phosphate (DAP) and granular urea fertilizer manufacturer with a design capacity of 650 thousand tonnes and 551 thousand tonnes respectively, with both facilities located in Bin Qasim, besides having interests in the chemicals, banking, food, and energy sectors. The shares of the company are listed on the Pakistan Stock Exchange.

During the year, FFBL recorded highest ever Sona DAP sales of 926 thousand tonnes, besides recording Sona urea (Granular) sales of 559 thousand tonnes registering sales revenue of Rs 83.23 billion, depicting a growth of 25% over last year. Net profit of the company stood at Rs 2.19 billion, translating into earnings per share of Rs 2.12 compared to loss of 5.72 per share in 2019. FFC did not receive any dividend from FFBL in 2020.

Pak Maroc Phosphore S.A., (PMP) – Morocco

PMP was incorporated in Morocco in 2004 with the principal activity to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and international markets.

It is a joint venture between FFC (shareholding of 12.5%), Fauji Foundation (12.5%), FFBL (25%) and the Moroccan state owned organization Officie Cherifien Des Phosphates (50%).

PMP has a production capacity of 375 thousand tonnes of industrial phosphoric acid, a substantial portion of which is supplied to FFBL as raw material for production of DAP fertilizer with any excess sold in the international market.

During the year, FFC recorded dividend income amounting to Rs 559 million, which resulted in aggregate returns of Rs 1.49 billion to date against an equity investment of Rs 706 million.

Thar Energy Limited (TEL)

TEL is an unlisted public limited company whose principal activities are to develop, own, operate and maintain a 330 MW coal based power project. The company was incorporated in 2016 and achieved its Financial Close during the year.

The project is being developed under CPEC, in collaboration with The Hub Power Company Limited and China Machinery Engineering Corporation. FFC's investment in TEL amounts to Rs 3.21 billion translating into an equity stake of 30%.

Adequacy of Internal Financial Controls

Boards of the respective subsidiary companies have established efficient and effective systems of internal financial controls. Implementation of these controls is regularly monitored by an independent Internal Audit function which reports directly to the respective Audit Committees. Audit Committees of the companies, review on quarterly basis, the effectiveness and adequacy of the internal control frameworks and financial statements of respective companies.

Profit Distribution & Reserve Analysis

The Group carried consolidated reserves of Rs 59.47 billion at the start of the year, of which, final dividend of Rs 4.14 billion was approved by the shareholders of FFC for 2019. During 2020, the Group earned net profit of Rs 29.75 billion while three interim dividends were declared by FFC aggregating to Rs 9.92 billion translating to Rs 7.80 per share. The aggregate reserves at the end of 2020 stood at Rs 77.74 billion as detailed in the 'Appropriations' table:

Appropriations	Rs in million	Rs per share
Opening Reserves	59,466	
Final Dividend – 2019	(4,135)	3.25
Net Profit – 2020	29,751	23.38
Other Comprehensive Income	2,581	
Available for Appropriations	**87,663**	
Appropriations		
First Interim Dividend – 2020	(3,181)	2.50
Second Interim Dividend – 2020	(3,499)	2.75
Third Interim Dividend – 2020	(3,244)	2.55
Closing Reserves	**77,739**	

Subsequent Events

The Board of Directors of FFC in its meeting held on January 28, 2021 recommended a final cash dividend of Rs 3.40 per share i.e. 34% for the year ended 2020, for shareholders' approval taking the total payout for the year to Rs 11.20 per share i.e. a payout of 112%. There were no other material changes affecting the financial position of the Group till the date of this Report.

Waqar Ahmed Mailk
Chairman

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

Rawalpindi
January 28, 2021

منافع کی تقسیم	ملین روپے	فی حصہ روپے
ابتدائی ذخائر	59 466	
حتمی منافع منقسمہ 2019	(4,135)	3.25
خالص منافع 2020	29,751	23.38
دیگر Comprehensive آمدن	2,581	
تقسیم کے لیے میسر منافع	**87,663**	
منافع کی تقسیم:		
پہلا عبوری منافع منقسمہ 2020	(3,181)	2.50
دوسرا عبوری منافع منقسمہ 2020	(3,499)	2.75
تیسرا عبوری منافع منقسمہ 2020	(3,244)	2.55
اختتامی ذخائر	**77,739**	

واقعات مابعد (Subsequent Events)

FFC کے بورڈ آف ڈائریکٹرز نے 28 جنوری 2021 کو منعقدہ اجلاس میں اپنے حصہ داران کے لیے 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے 3.40 روپے فی حصہ (34 فیصد) حتمی منافع منقسمہ کی سفارش کی ہے۔ اس طرح سال کے لیے مجموعی ادائیگی 11.20 روپے فی حصہ (112 فیصد) رہی۔ اس رپورٹ کے مکمل ہونے کی تاریخ تک مزید ایسی کوئی قابل قدر چیز نہ تھی جو کہ کمپنی کی مالی حیثیت پر اثر انداز ہو سکے۔

وقار احمد ملک
چیئرمین

لیفٹیننٹ جنرل طارق خان
چیف ایگزیکٹو مینیجنگ ڈائریکٹر
ہلال امتیاز (ملٹری) (ریٹائرڈ)

راولپنڈی
28 جنوری 2021

گروپ کی مالیاتی کارکردگی

منسلکہ کمپنیاں (Associated Companies)

عسکری بینک لمیٹڈ (AKBL)

FFC کی AKBL میں سرمایہ کاری کی مالیت 10.46 ارب روپے ہے جو کہ 43.15 فیصد ملکیتی حصے کو ظاہر کرتی ہے۔ بینک 1991 میں ایک پبلک لمیٹڈ کمپنی کے طور پر قائم ہوا اور پاکستان سٹاک ایکسچینج پر مندرج ہے۔

537 برانچوں کے نیٹ ورک بشمول مملکت بحرین میں ایک Wholesale بینک برانچ کے ساتھ AKBL ایک کمرشل بنک ہے جو کہ بنیادی طور پر بینکنگ کے کاروبار میں مصروف ہے۔

30 ستمبر 2020 کو ختم ہونے والے 9 ماہ کے دوران بنک نے 29.65 ارب روپے کی آمدن حاصل کی جو کہ گزشتہ برس کے اسی عرصے کے مقابلے میں 39 فیصد زائد ہے۔ نو ماہ کے دوران خالص منافع 8.16 ارب روپے رہا جو کہ 2019 کے مقابلے میں 86 فیصد زائد ہے۔

صارفین کے ڈپازٹس 764 ارب روپے ریکارڈ کیے گئے جو کہ 13 فیصد اضافے کو ظاہر کرتے ہیں جبکہ Gross Advances، 3 فیصد کے اضافے کے ساتھ 386 ارب روپے ریکارڈ کیے گئے۔

بینک کی ادارہ جاتی درجہ بندی +AA ہے جو کہ بینک کی مالی حیثیت میں مسلسل بہتری کو ظاہر کرتی ہے جس کا سبب AKBL کا مضبوط برانڈ، مسلسل تیز رفتار ترقی، Net Spreads میں بہتری اور آمدنی والے اثاثوں کے حجم میں اضافہ ہیں۔ مختصر مدت کے لیے +A1 درجہ بندی کو برقرار رکھا گیا۔

رواں سال FFC نے مجموعی طور پر 816 ملین روپے کا کل منافع منقسمہ وصول کیا جو کہ گزشتہ برس 544 ملین روپے تھا۔

فوجی سیمنٹ کمپنی لمیٹڈ (FCCL)

FCCL ایک پبلک کمپنی ہے جو 1992 میں معرض وجود میں آئی اور اس کے حصص پاکستان اسٹاک ایکسچینج پر مندرج ہیں۔ کمپنی بنیادی طور پر مختلف انواع کے سیمنٹ بنانے اور بیچنے کے کاروبار سے منسلک ہے اسکی دونوں Production Lines کی مجموعی پیداواری صلاحیت 3.56 ملین ٹن ہے۔ 1.5 ارب روپے کی سرمایہ کاری کے ساتھ، FFC کمپنی میں 6.79 فیصد کی حصے دار ہے۔

کمپنی نے 30 ستمبر 2020 کو ختم ہونے والی سہ ماہی کے دوران 97 فیصد کی پیداواری استعداد حاصل کی۔ آمدن فروخت میں 30 فیصد کی بہتری ریکارڈ کی گئی جبکہ Fixed اور Variable دونوں طرح کے اخراجات کو سختی سے کنٹرول کیا گیا۔ نتیجتاً، FCCL نے 696 ملین روپے کا خالص منافع حاصل کیا جو کہ گزشتہ سال کی اسی سہ ماہی کے دوران 293 ملین روپے تھا۔ دورانِ سال، FCCL کی جانب سے کوئی منافع منقسمہ وصول نہیں ہوا۔

فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL)

FFBL کو Jordan Fertilizer Company اور FFC کے طور پر 1993 میں قائم کیا گیا تھا اور بعد ازاں سن 2003 میں یہ فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL) میں تبدیل ہو گئی تھی۔ دوران سال، FFC نے 2.50 ارب روپے کی مزید ایکویٹی سرمایہ کاری کی۔ سال کے آخر پر مجموعی سرمایہ کاری کی مالیت 7.15 ارب روپے تھی جو کہ FFBL کی ایکویٹی میں 49.88 فیصد حصے کو ظاہر کرتی ہے۔

یہ 650 ہزار ٹن DAP اور 551 ہزار ٹن Granular یوریا کھاد بنانے والا پاکستان کا اکلوتا کارخانہ ہے۔ اس کے دونوں کارخانے بن قاسم میں واقع ہیں۔ اس کے ساتھ ساتھ کمپنی نے بینکاری، غذائی اور توانائی کے منصوبوں میں بھی سرمایہ کاری کر رکھی ہے۔ کمپنی کے شیئرز پاکستان سٹاک ایکسچینج پر مندرج ہیں۔

دوران سال FFBL نے تاریخ کی بلند ترین 926 ہزار ٹن DAP اور 559 ہزار ٹن سونا یوریا گرینولر کی فروخت ریکارڈ کرتے ہوئے 83.23 ارب روپے کی آمدن فروخت (Sales Revenue) حاصل کی جو کہ گزشتہ سال کے مقابلے میں 25 فیصد اضافے کو ظاہر کرتی ہے۔ کمپنی کا خالص منافع 2.19 ارب روپے رہا جو کہ 2.12 روپے فی حصہ پر منتج ہوتی ہے جو کہ مقابلتاً سال 2019 میں 5.72 روپے فی حصہ نقصان تھا۔ 2020 میں FFC نے FFBL کی جانب سے کوئی منافع منقسمہ وصول نہیں کیا۔

پاک مراک فاسفور (PMP)، مراکش

PMP کو 2004 میں مراکش میں بنیادی طور پر فاسفورک ایسڈ، کھاد اور دیگر متعلقہ مصنوعات کی مراکش اور بین الاقوامی مارکیٹ میں تیاری اور فروخت کے کاروبار کے لیے قائم کیا گیا تھا۔

یہ FFC کے 12.5 فیصد، Fauji Foundation کے 12.5 فیصد، FFBL کے 25 فیصد اور مراکش کی حکومت کی ملکیتی Office Cherifien Des Phosphates کے 50 فیصد حصے کے ساتھ ایک مشترکہ منصوبہ (Joint Venture) ہے۔

PMP کی سالانہ پیداواری صلاحیت 375 ہزار ٹن صنعتی فاسفورک ایسڈ ہے۔ اور اس کی زیادہ تر پیداوار FFBL کو DAP کی پیداوار کے لئے بطور خام مال مہیا کی جاتی ہے جبکہ زائد پیداوار کو بین الاقوامی منڈی میں فروخت کیا جاتا ہے۔

فاؤنڈیشن ونڈ انرجی (FWE)

FWE-I اور FWE-II میں 706 ملین روپے کی کل سرمایہ کاری کے بدلے FFC کی ابھی تک مجموعی آمدن 1.49 ارب روپے ہو چکی ہے جبکہ اس سال کے دوران 559 ملین روپے کا منافع منقسمہ ریکارڈ کیا گیا۔

تھرانرجی لمیٹڈ (TEL)

TEL ایک غیر مندرج پبلک لمیٹڈ کمپنی ہے اور اس کی بنیادی سرگرمی 330MW کے Mine-Mouth Coal Fired Power Plant کی تعمیر، ملکیت، چلانا اور برقرار رکھنا ہے۔ کمپنی 2016 میں قائم کی گئی تھی اور اس نے رواں سال کے دوران Financial Close حاصل کر لیا ہے۔

یہ پراجیکٹ CPEC کے تحت قائم کیا جا رہا ہے اور اس میں The Hub Power Company Limited اور China Machinery Engineering Corporation کی شراکت داری ہے۔ TEL میں FFC کی سرمایہ کاری کی مالیت 3.21 ارب روپے ہے جو کہ 30 فیصد ملکیتی حصے کو ظاہر کرتی ہے۔

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

بورڈ آف ڈائریکٹرز نے اندرونی مالیاتی اور عملیاتی ضوابط کا ایک مستعد نظام وضع کیا ہے جس کے نتیجے میں اخلاقی رویوں اور اقدار کا ایک مثبت کاروباری ماحول فروغ پاتا ہے۔

آڈٹ کمیٹی سہ ماہی بنیادوں پر کمپنی کے مالیاتی گوشواروں اور اندرونی ضوابط کے نظام کے مؤثر ہونے کا تجزیہ کرتی ہے جبکہ ایک آزاد داخلی محاسب شعبہ (Internal Audit Function) باقاعدگی کے ساتھ اندرونی ضوابط کی نگرانی کرتا ہے۔

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

سال کے شروع میں گروپ کے ذخائر 59.47 ارب روپے تھے جس میں سے FFC نے حصہ داروں کی منظوری کے مطابق 4.14 ارب روپے سال 2019 کے حتمی منافع منقسمہ کے لیے مختص کیے۔ سال 2020 کے دوران گروپ نے 29.75 ارب روپے کا خالص منافع حاصل کیا اور FFC نے مجموعی طور پر 9.92 ارب روپے مالیت کے تین عبوری منافع منقسمہ تقسیم کیے جو کہ 7.80 روپے فی حصہ بنتے ہیں۔ اس طرح سال 2020 کے اختتام پر مجموعی ذخائر 77.74 ارب روپے تھے، جیسا کہ نیچے Appropriation Table میں تفصیل سے بیان کیا گیا ہے:

مسلکہ ہدف: بہترین ٹیکنالوجی

تخفیفی اقدامات:

تکنیکی ٹیم ٹیکنالوجی کی جدت اور دنیا کے بہترین اداروں کے طریقہ کار سے اچھی طرح آگاہ رہتی ہے۔ ٹیکنالوجی اور بہترین طریقوں سے اعلیٰ معیار کی مصنوعات کو مسابقتی قیمتوں پر یقینی بنایا جاسکتا ہے

مسابقتی مارکیٹ میں تکنیکی مہارت میں پیچھے رہ جانے کے باعث مصنوعات کا متروک ہوجانا

سرمایہ

درجہ بندی | قسم | نوعیت

سبب | امکان | شدت

مسلکہ ہدف: عمدہ مالی حالت اور پائیدار عملیات

تخفیفی اقدامات:

Parent کمپنی کی مالی طاقت اور کاروباری ساکھ مشکل حالات سے نکالنے کے لیے کمپنی کی معاونت کرے گی

مالی ذمہ داریوں کی ادائیگی کے لیے ناکافی نقدی جو کہ Liquidity کے مسائل پیدا کردے

سرمایہ

درجہ بندی | قسم | نوعیت

سبب | امکان | شدت

مسلکہ ہدف: لاگت کو کم کرنے کے لیے مؤثر اقدامات

تخفیفی اقدامات:

مسلسل کوششوں سے آپریشنل لاگت کو کم کرنا اور مارکیٹ کے حالات کا جائزہ لے کر بہتر قیمت وصول کرنا۔ پائیدار شراکت داری کو یقینی بنانے کے لئے تمام کاروباری شراکت داروں اور تقسیم کاروں کا مؤثر کردار۔ پیداوار کے ضیاع پر قابو پاکر مصنوعات کی پیداواری لاگت میں کمی۔ جدید ٹیکنالوجی کے ذریعے ضیاع پر قابو پایا جاسکتا ہے

لاگت پر قابو میں کمی سے مصنوعات مسابقتی ماحول میں مقابلہ کرنے کے قابل نہیں رہتیں

سرمایہ

درجہ بندی | قسم | نوعیت

سبب | امکان | شدت

مسلکہ ہدف: صارفین کو بہترین معیار کی مصنوعات کی فراہمی، صارفین کی مرکزیت

تخفیفی اقدامات:

کوالٹی کنٹرول کا با اختیار شعبہ مصنوعات کی بہتری کی مسلسل کوشش، زرعی تحقیق اور ترقی تاکہ آلو کی ایسی اقسام تیار کی جاسکیں جو کہ زیادہ عرصہ تک خشک رہنے والے عمدہ فرینچ فرائز فراہم کرسکیں

غیر معیاری مصنوعات صارفین کے اعتماد کو ختم کردیتی ہیں

سرمایہ

درجہ بندی | قسم | نوعیت

سبب | امکان | شدت

اشاریہ کیلئے صفحہ 93 دیکھیں

اشتمال شدہ گوشواروں پر ڈائریکٹرز رپورٹ- مالیاتی سرمایہ

نمایاں خطرات اور مواقع

سرمایہ	امن وامان کی غیر مستحکم صورت حال جو کہ ملکی معیشت کو متاثر کرے جس کی وجہ سے حکومت کی IPPs کو ادائیگیوں کی پالیسی میں تبدیلی واقع ہو	
نوعیت	حجم	درجہ بندی
شدت	امکان	سبب

منسلکہ ہدف: سماجی زندگی، ماحولیاتی بقاء، معاشرے کی بہبود، مستقل اقتصادی ترقی کے حصول کے لئے نئے کاروبار کا اجراء/تخلیق

تخفیفی اقدامات:

یہ خطرہ اندرونی ضوابط کے ذریعے کم نہیں کیا جاسکتا

سرمایہ	آنکھ اور مچل پہاڑ اوجھل	
نوعیت	حجم	درجہ بندی
شدت	امکان	سبب

منسلکہ ہدف: پسندیدہ ترین برانڈ بننا

تخفیفی اقدامات:

مصنوعات کے بہترین امتزاج کے ذریعے ممکنہ صارفین سے مناسب اور مؤثر رابطہ

سرمایہ	نمایاں خطرات اور مواقع ۔ ایف ایف ایف حریفوں کا داخلہ	
نوعیت	حجم	درجہ بندی
شدت	امکان	سبب

منسلکہ ہدف: مارکیٹ میں قائدانہ حیثیت کو مضبوط بنانا

تخفیفی اقدامات:

مارکیٹ شیئر میں اضافہ، مارکیٹ میں رسوخ کو بڑھانا، تمام ممکنہ شہروں اور دوکانوں پر مصنوعات کی دستیابی کو یقینی بنانا

سرمایہ	مالی ذمہ داریوں کی ادائیگی کے لئے ناکافی نقدی	
نوعیت	قسم	درجہ بندی
شدت	امکان	سبب

منسلکہ ہدف: موزوں لاگت، O&M میں خود انحصاری، مقامی آبادی کی ترقی

تخفیفی اقدامات:

FFCEL کا فعال شعبہ مالیات کسی بھی ناگہانی صورتحال سے نمٹنے کے لئے وافر مقدار میں فنڈز کی دستیابی کو یقینی بناتا ہے

سرمایہ	غیر ملکی کرنسی کی قیمتوں میں اتار چڑھاؤ	
نوعیت	قسم	درجہ بندی
شدت	امکان	سبب

منسلکہ ہدف: منافع کو بڑھانے اور مستقل اقتصادی ترقی کے حصول کے لئے نئے کاروبار کا اجرا/تخلیق

تخفیفی اقدامات:

غیر ملکی کرنسی میں عدم سرمایہ کاری کے باعث غیر ملکی کرنسی میں FFCEL کا exposure محدود ہے اور ٹیرف کے غیر ملکی اجزاء کو امریکی ڈالر کے ساتھ منسلک کیا جاتا ہے۔ نتیجتاً کرنسی کے ریٹ میں کوئی تبدیلی ٹیرف کے متعلقہ حصے میں کی تبدیلی سے بہت حد تک ختم ہو جاتی ہے

سرمایہ	EPA اور ریگولیٹری اتھارٹی کے طے شدہ ضوابط سے انحراف	
نوعیت	قسم	درجہ بندی
شدت	امکان	سبب

منسلکہ ہدف: موزوں لاگت

تخفیفی اقدامات:

کسی بھی قسم کی قانون شکنی سے بچنے کے لئے مستقل بنیادوں پر سخت جائزہ لیا جاتا ہے

اشاریہ کیلئے صفحہ 93 دیکھیں

اشتمال شدہ گوشواروں پر ڈائریکٹرز رپورٹ- مالیاتی سرمایہ

نمایاں خطرات اور مواقع

پلانٹ میں خرابی۔ دستیابی میں کمی

سرمایہ

درجہ بندی

قسم

نوعیت

سبب

امکان

شدت

منسلک ہدف: توانائی کی پیداوار میں اضافہ/ موزوں لاگت

مواقع: O&M میں خودانحصاری میں اضافہ

تخفیفی اقدامات:

تجربے کی روشنی میں OEM کے مجوزہ Operational Manuals پر عملدرآمد، مرمت کرنے والی ٹیم کی مستقل عملی تربیت

تجربہ کار اور ماہر افرادی قوت کا چھوڑ جانا

سرمایہ

درجہ بندی

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منسلک ہدف: توانائی کی پیداوار میں اضافہ، نئے کاروباری مواقع کی تشکیل/ تلاش، O&M میں خودانحصاری میں اضافہ

تخفیفی اقدامات:

FFCEL کی ہمہ جہتی تجربہ کار ٹیم ہر قسم کی افرادی قوت کے متبادل کو یقینی بناتی ہے۔ مارکیٹ وسیع ہو چکی ہے اور DPS/NDX اور دیگر IPPs کی تجربہ کار افرادی قوت دستیاب ہے۔ چین سے بھی تجربہ کار افرادی قوت حاصل کی جا سکتی ہے۔ Gearbox / converters کے ماہرین سے رابطے قائم کر لیے گئے ہیں۔ ملازمین کو روکنے کے لیے پر کشش پالیسی متعارف کرائی گئی ہیں

FFCEL کے اکلوتے گاہک CPPA کی طرف سے ادائیگی میں تاخیر کے نتیجے میں liquidity کے مسائل

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منسلک ہدف: توانائی کی پیداوار میں اضافہ، موزوں لاگت

تخفیفی اقدامات:

IPPs کو ادائیگیوں کی CPPA کی پالیسی میں تغیر کمپنی کے دائرہ اختیار سے باہر ہے۔ تاہم CPPA سے واجب الوصول رقوم کے لئے حکومت پاکستان کی غیر مشروط ضمانت موجود ہے۔ فنڈز کی وصولی کے لیے CPPA کے ذمہ داران کے ساتھ مستقل روابط رکھے جاتے ہیں

قدرتی آفات کے باعث Supply Chain میں رکاوٹ۔ سپیئر پارٹس کی دستیابی میں تاخیر کے باعث WTGs کی طویل بندش

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مسلکہ ہدف: توانائی کی پیداوار میں زیادہ سے زیادہ اضافہ

تخفیفی اقدامات:

ضروری سپیئر پارٹس کے سٹاک کی سطح میں اضافہ، Vendors کے ساتھ قریبی روابط

پلانٹ کی مرمت کے لئے درکار وقت میں اضافہ اور/ یا غیر محفوظ اقدامات کے نتیجے میں دستیابی اور وثوق میں کمی

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مسلکہ ہدف: توانائی کی پیداوار میں اضافہ/ موزوں لاگت

مواقع: O&M کی خود انحصاری میں اضافہ

تخفیفی اقدامات:

کمپنی OEM کے مجوزہ مرمتی شیڈول کی سختی سے پابندی کے ساتھ ساتھ تجربے کی روشنی میں بھی مسلسل نگرانی جاری رکھتی ہے۔ Vendors کا ڈیٹا بیس اور پارٹس کی سپلائی کا طریقہ کار وضع کرنے کے ساتھ ساتھ بوقت ضرورت O&M کے ماہرین کی خدمات کا حصول۔ مرمتی SOP اور حفاظتی طریقہ کار کا نفاذ کے علاوہ ٹریننگ پروگرام کا باقاعدگی سے انعقاد

پاور Curve کی کارکردگی میں کمی۔ پیداوار میں کمی

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مسلکہ ہدف: موزوں لاگت، O&M میں خود انحصاری، ماحولیاتی بچاؤ اور توانائی کی پیداوار میں اضافہ

مواقع: جدید ٹیکنالوجی کا استعمال، نئے کاروباری مواقع کی تشکیل/ تلاش

تخفیفی اقدامات:

WindPro سافٹ ویئر کے ذریعے پاور curve ڈیٹا کی نگرانی اور تجزیہ، پاور cruve کی کارکردگی کو بہتر بنانے کے لیے جدید ٹیکنالوجی اور طریقہ کار کا استعمال

اشاریہ کیلئے صفحہ 93 دیکھیں

نمایاں خطرات اور مواقع

حکومت کی مقرر کردہ IPP کمیٹی کی جانب سے یوایس ڈالر indexation کے خاتمے، ٹیرف میں کمی اور Take &Pay Mechanism وغیرہ جیسے مطالبات

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نوعیت

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شدت

امکان

سبب

منسلکہ ہدف: سماجی زندگی، ماحولیاتی بقاء، معاشرے کی بہبود اور O&M میں خود انحصاری

مواقع: لاگت میں کمی، نئے کاروباری مواقع کی تشکیل / تلاش

تخفیفی اقدامات:

تمام Wind IPPs کی مشترکہ کوششوں کے ذریعے حکومتی IPP Committee کے ساتھ مذاکرات کے بعد اس مسئلے کو خوش اسلوبی کے ساتھ حل کر لیا گیا ہے۔ واجبات کی جلد ادائیگی کے بدلے، پراجیکٹ کی بقیہ مدت کے لیے IRR کو رضا کارانہ طور پر 17 فیصد سے کم کر کے 13 فیصد کر کے / حکومت کو ریلیف دیا گیا ہے

CPPA کی جانب سے تخمینے کی غلطی پر جرمانے کا مطالبہ

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نوعیت

درجہ بندی

شدت

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سبب

منسلکہ ہدف: سماجی زندگی، ماحولیاتی بقاء، معاشرتی ترقی اور O&M میں خود انحصاری

مواقع: تخمینے لگانے کے لیے جدید ٹیکنالوجی کا استعمال، کارکردگی میں بہتری

تخفیفی اقدامات:

قانونی ماہرین کی مشاورت سے CPPA کے ساتھ مذاکرات تاکہ جرمانے سے بچا جا سکے

درست تخمینہ لگانے کی خدمات میں بہتری

توانائی کی ہول سیل مسابقتی مارکیٹ میں حصہ لینے کا مطالبہ

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منسلکہ ہدف: O&M میں خود انحصاری

مواقع: موزوں لاگت، منافع میں اضافے کے لیے نئے کاروباری مواقع

تخفیفی اقدامات:

EPA کی دفعات کے تحت استثناء کے حصول کی کوشش

بورڈ کی ساخت

ڈائریکٹرز کے نام:

- جناب وقار احمد ملک
- لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- میجر جنرل احمد محمود حیات، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- جناب قمر حارث منظور
- جناب نوید احمد خان
- جناب جمیل اکبر
- جناب تصور اسحاق
- میجر جنرل جاوید اقبال نصر، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- جناب خرم شہزاد خان
- جناب محمد عامر خان
- بریگیڈیر نوید اقبال (ریٹائرڈ)
- بریگیڈیر صابر علی، ستارہ امتیاز (ملٹری) (ریٹائرڈ)
- جناب محمد اقبال میر

دوران سال پُر کی گئی عارضی آسامیاں

تقرری	سبکدوشی	تقرری کی تاریخ
جناب وقار احمد ملک	لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ)	09 اپریل 2020
بریگیڈیر صابر علی، ستارہ امتیاز (ملٹری) (ریٹائرڈ)	جناب محمد اقبال میر	16 مارچ 2020
جناب قمر حارث منظور	بریگیڈیر صابر علی، ستارہ امتیاز (ملٹری) (ریٹائرڈ)	03 جون 2020
جناب خرم شہزاد خان	جناب محمد عامر خان	03 جون 2020
جناب تصور اسحاق	بریگیڈیر نوید اقبال (ریٹائرڈ)	03 جون 2020
جناب جمیل اکبر	جناب خرم شہزاد خان	10 ستمبر 2020
میجر جنرل احمد محمود حیات، ہلال امتیاز (ملٹری) (ریٹائرڈ)	میجر جنرل جاوید اقبال نصر، ہلال امتیاز (ملٹری) (ریٹائرڈ)	10 ستمبر 2020

فوجی فریش این فریز لمیٹڈ (FFF)

FFF ایک غیر مندرج (Unlisted) پبلک کمپنی ہے، جسے FFC نے اکتوبر 2013 میں کل ملکیتی ذیلی کمپنی کے طور پر خریدا تھا۔ FFC کی مجموعی سرمایہ کاری 6.34 ارب روپے ہے (2019: 4.84 ارب روپے)۔ اس کے پاس پاکستان کا پہلا Individually Quick Frozen ٹیکنالوجی کا حامل پلانٹ ہے جو کہ تازہ اور منجمد (Frozen) پھلوں اور سبزیوں کی پراسیسنگ کرتا ہے۔

کمپنی کا آلو کے چپس کا برانڈ "OPA" ایک جانا پہچانا گھریلو نام ہے اور اس کا مارکیٹ میں موجودہ حصہ 30 فیصد ہے۔ منجمد پھلوں اور سبزیوں کے شعبے میں بھی تیزی آگئی ہے اور توقع ہے کہ دستیابی اور صارفین کی آگاہی میں اضافہ کے ساتھ اس کی فروخت بھی بڑھ جائے گی۔

وباء کے پیدا کردہ چیلنجز کے باوجود، فروخت میں 2019 کے مقابلے میں 26 فیصد اضافہ ہوا ہے۔ انتظامی اخراجات 59 فیصد کی نمایاں کمی کے ساتھ 85.31 ملین روپے ہو گئے جس کا سبب اخراجات پر سخت کنٹرول تھا جبکہ مالیاتی لاگت کم ہو کر 53.41 ملین روپے ہوگئی جو کہ گزشتہ سال 267.31 ملین روپے تھی اس کا سبب قرضوں میں کمی کے ساتھ شرح سود میں تخفیف تھی۔ نتیجتاً، FFF اپنے خالص نقصان کو 148.95 ملین روپے تک کم کرنے میں کامیاب ہو گئی جو کہ گزشتہ سال کے مقابلے میں 73 فیصد کم ہے۔

آڈیٹرز نے 31 دسمبر 2020 کو ختم ہونے والے سال کے لئے کمپنی کی Financial Statements پر اپنی رائے بغیر کسی تحفظات کے دے دی ہے۔

بورڈ کی ساخت

ڈائریکٹرز کے نام:

- جناب وقار احمد ملک
- لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- ڈاکٹر ندیم عنایت
- جناب آفاق اے ٹوانا
- جناب محمد منیر ملک
- جناب محمد علی گلفراز
- میجر جنرل وسیم صادق، ہلال امتیاز (ملٹری) (ریٹائرڈ)
- جناب محمد عامر
- جناب نعیم اقبال کھوکھر
- جناب سرفراز احمد رحمن
- جناب علی اسرار حسین آغا

دوران سال پُر کی گئی عارضی آسامیاں

تقرری	سبکدوشی	تقرری کی تاریخ
جناب محمد علی گلفراز	ڈاکٹر ندیم عنایت	9 جنوری 2020
جناب نعیم اقبال کھوکھر	جناب آفاق اے ٹوانا	30 جنوری 2020
جناب وقار احمد ملک	لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری) (ریٹائرڈ)	09 اپریل 2020
ڈاکٹر ندیم عنایت	جناب محمد علی گلفراز	03 جون 2020
جناب علی اسرار حسین آغا	میجر جنرل وسیم صادق، ہلال امتیاز (ملٹری) (ریٹائرڈ)	03 جون 2020
جناب سرفراز احمد رحمن	جناب محمد عامر	03 جون 2020

اشتمال شدہ گوشواروں پر ڈائریکٹرز رپورٹ

گروپ کی مالیاتی کارکردگی

گروپ، فوجی فرٹیلائزر کمپنی (FFC) اور اس کی دو ذیلی کمپنیوں (Subsidiary Companies) یعنی ایف ایف سی انرجی لمیٹڈ (FFCEL) اور فوجی فریش این فریز لمیٹڈ (FFF) پر مشتمل ہے۔ گروپ میں 5 منسلکہ کمپنیاں (Associated Companies) بھی شامل ہیں، جن کے نام درج ذیل ہیں:

- عسکری بنک لمیٹڈ (AKBL)
- فوجی سیمنٹ کمپنی لمیٹڈ (FCCL)
- فوجی فرٹیلائزر بن قاسم لمیٹڈ (FFBL)
- پاکستان میراک فاسفورایس۔اے۔مراکش (PMP)
- تھر انرجی لمیٹڈ (TEL)

سال کے اختتام کے بعد، کمپنی نے OLIVE Technical Services (Private) Limited قائم کی ہے جو کہ مقامی اور بین الاقوامی گاہکوں کو تکنیکی خدمات فراہم کرے گی۔

نفع ونقصان کا تجزیہ

گروپ نے 102.74 ارب روپے کی مجموعی آمدن ریکارڈ کی، جو کہ گزشتہ سال کے مقابلے میں 6 فیصد کم ہے، اس کی بنیادی وجہ یوریا کی قیمت فروخت میں کمی ہے جو کہ سال کے دوران GIDC کے نرخوں میں کمی کے بدلے میں کی گئی تھی۔

لاگت فروخت (Cost of Sales) 68.30 ارب روپے رہی جو کہ گزشتہ سال کے مقابلے میں 11 فیصد کم ہے اور اس کی بنیادی وجہ GIDC کے نرخوں میں کمی اور اخراجات میں کمی کے لیے سخت کنٹرولز کا نفاذ ہے۔

گروپ کا خام منافع 34.44 ارب روپے رہا جو کہ گزشتہ سال کے 32.78 ارب روپے کے مقابلے میں 5 فیصد زائد ہے۔

گروپ کے انتظامی اور ترسیلی اخراجات (Administrative & Distribution Expenses) گزشتہ برس کے مقابلے میں نسبتاً کم ترسیلی اخراجات اور سال کے دوران گروپ کی جانب سے Fixed Costs میں بچت کے باعث 7 فیصد کم رہے۔

گروپ کی طرف سے صرف انتہائی ضروری قرضوں کے حصول اور شرح سود (Interest Rate) میں کمی کے باعث، مالیاتی لاگت (Finance Cost) کم ہو کر 2.41 ارب روپے ہوگئی جو کہ سال 2019 کے دوران 3.31 ارب روپے تھی۔

سپریم کورٹ کا فیصلہ 5.93 ارب روپے کے عارضی اکاؤنٹنگ فائدے کا باعث بھی بنا ہے، جو کہ IFRS کی دفعات کے تحت، GIDC واجبات کا Fair Value کی بنیاد پر ازسرنو تعین کرنے کے باعث ملا ہے۔ یہ عارضی فائدہ اگلے چار سالوں کے دوران GIDC کی مدت ادائیگی کے درمیان واپس ہو جائے گا۔

گروپ نے واجب الوصول سبسڈی میں 987 ملین روپے کے Expected Credit Loss کی وجہ سے ایک Provision رکھی ہے جو حکومت کی جانب سے سبسڈی کی ادائیگی میں خاصی تاخیر اور IFRS کی دفعات کی تعمیل کے پیش نظر ہے۔

بہتر شرح منافع کے باعث WPPF اور WWF کے اخراجات میں اضافے کی وجہ سے گروپ کے دیگر اخراجات (Other Expenses) 11 فیصد اضافے کے ساتھ 2.65 ارب روپے رہے۔

گروپ کی سرمایہ کاریوں سے 5.22 ارب روپے کی سرمایہ کاری آمدن (Investment Income) ہوئی جو کہ کم شرح سود کے باعث گزشتہ سال کے مقابلے میں 9 فیصد کم ہے۔

منسلکہ کمپنیوں اور مشترکہ منصوبوں سے منافع میں FFC کا حصہ بشمول AKBL اور FFBL، 8.30 ارب روپے کے فائدے پر منتج ہوا جو کہ سال 2019 کے دوران 379 ملین روپے کا نقصان تھا اور اس کا سبب منسلکہ کمپنیوں کے منافع میں اضافہ ہے۔

سال 2020 کے لیے 9.82 ارب روپے کے ٹیکس چارج میں 57 فیصد اضافہ ہوا اس کی بنیادی وجہ زیادہ منافع کے علاوہ GIDC واجبات کے ازسرنو تعین کی مد میں ہونے والے عارضی فائدے کے ساتھ ساتھ واجب الوصول سبسڈی کی Impairment میں ہونے والا نقصان کے باعث مؤخر ٹیکس (Deferred Tax) میں اضافہ شامل ہیں۔

نتیجتاً گروپ نے خالص منافع (Net Profit) میں 72 فیصد اضافہ حاصل کیا جو کہ 29.75 ارب روپے ریکارڈ کیا گیا جبکہ فی حصہ آمدن 23.38 روپے رہی۔

ذیلی کمپنیاں (Subsidiary Companies)

ایف ایف سی انرجی لمیٹڈ (FFCEL)

FFCEL، FFC کی ایک کلی ملکیتی ذیلی کمپنی ہے جس میں مجموعی ایکویٹی سرمایہ کاری 2.44 ارب روپے ہے، جسے ہوا سے بجلی بنانے کے مقصد کے تحت ایک غیر مندرج کمپنی کے طور قائم کیا گیا تھا۔ 49.5 MW بجلی کی پیداواری استعداد کے ساتھ FFCEL نے مئی 2013 میں تجارتی سرگرمیوں کا آغاز کیا۔

کمپنی نے 97 فیصد دستیابی ریکارڈ کرتے ہوئے 102GWh بجلی قومی گرڈ کو فراہم کی۔ دوران سال، ہر 2 برس بعد کی جانے والی مرمت کو، COVID-19 لاک ڈاؤن کی پابندیوں کے باوجود، کامیابی سے مکمل کیا گیا۔

آمدن فروخت 3.38 ارب روپے ریکارڈ کی گئی جو کہ گزشتہ برس کے مقابلے میں 5 فیصد زائد ہے۔ عملیاتی اخراجات (Operating Cost) زیادہ تر سال 2019 کی سطح پر ہی رہے، جبکہ قرضوں میں کمی اور KIBOR کی کم شرح مالیاتی لاگت میں 208 ملین روپے کی بچت کا باعث بنے جو کہ گزشتہ سال کے مقابلے میں 30 فیصد کم ہے۔ نتیجتاً، کمپنی نے 2.00 ارب روپے کا خالص منافع رپورٹ کیا، جو گزشتہ برس کے مقابلے میں 14 فیصد بہتری کو ظاہر کرتا ہے جو کہ فی حصہ 8.22 روپے کی آمدن پر منتج ہوا۔

FFCEL، MOU کی Binding Agreements میں تبدیلی کے بعد بجلی کے خریداروں کی طرف سے واجبات کی وصولی میں تیزی کی توقع کر رہی ہے، جن کے تحت فریقین نے بجلی کے نرخوں میں کمی اور واجبات کی جلد ادائیگی کے لیے اقدامات اٹھانے پر اتفاق کیا ہے۔

پورا سال عمدہ کارکردگی کے باوجود، FFCEL منافع منقسمہ کا اعلان نہیں کر سکتا جس کی وجہ مالیاتی معاہدے ہیں جو کہ گردشی قرضوں (Circular Debt) کی صورتحال میں منافع منقسمہ کی تقسیم پر پابندی عائد کرتے ہیں۔

FFCEL کے Technical Training Center(TTC) کو National Vocational and Technical Training Commission نے منظور کر لیا ہے۔ سال 2020 کے دوران TTC نے انڈسٹری کے 82 شرکاء کو عالمی سطح پر تسلیم شدہ Global Wind Organization Trainings بھی دی۔

آڈیٹرز نے 31 دسمبر 2020 کو ختم ہونے والے سال کے لئے کمپنی کی Financial Statements پر اپنی رائے بغیر کسی تحفظات کے دے دی ہے۔

CONSOLIDATED FINANCIAL PERFORMANCE

		2020	2019	2018	2017	2016	2015
Profitability Ratios							
Gross profit ratio	%	33.52	29.85	26.64	20.41	25.22	34.97
Gross profit ratio (including subsidy)	%	33.52	29.85	28.21	25.66	31.56	36.06
Net profit ratio	%	28.96	15.78	15.02	12.28	15.94	22.25
Net profit ratio (including subsidy)	%	28.96	15.78	14.70	11.47	14.59	21.88
EBITDA margin to turnover	%	35.89	27.73	23.46	20.82	27.95	31.37
EBITDA margin to turnover (including subsidy)	%	35.89	27.73	22.96	19.45	25.58	30.85
Operating leverage ratio	Times	(3.64)	58.86	2.22	(0.38)	1.97	(1.30)
Return on equity (Profit after tax)	%	38.27	29.15	29.01	22.49	23.69	39.31
Return on equity (Profit before tax)	%	50.90	39.67	41.89	32.83	35.61	55.94
Return on capital employed	%	37.45	39.64	32.56	22.74	24.20	33.41
Earning before interest, depreciation and tax	Rs in million	36,873	30,455	25,674	19,483	21,066	27,401
Growth in turnover	%	(6.44)	0.35	16.94	24.15	(13.70)	3.96
Growth in turnover (including subsidy)	%	(6.44)	(1.80)	11.63	21.65	(7.29)	5.73
Pre tax margin	%	38.51	21.48	21.69	17.93	23.96	31.66
Pre tax margin (including subsidy)	%	38.51	21.48	21.22	16.75	21.93	31.13
Return on assets	%	13.76	9.35	9.18	8.17	9.63	17.09
Earnings growth	%	71.63	5.45	43.00	(4.34)	(38.17)	11.82
Liquidity Ratios							
Current ratio	Times	1.40	0.92	0.96	0.94	0.91	0.85
Quick / Acid test ratio	Times	1.34	0.82	0.79	0.87	0.73	0.60
Cash to current liabilities	Times	0.69	0.30	0.26	0.30	(0.14)	(0.13)
Long term liabilities / current liabilities	%	64.24	14.13	18.39	43.95	69.65	87.90
Activity / Turnover Ratios							
Inventory turnover ratio	Times	18.24	7.59	11.53	30.04	11.94	18.58
No. of days in inventory	Days	20	48	32	12	31	20
Debtors turnover ratio	Times	9.57	10.74	22.64	18.92	20.74	39.53
Debtors turnover ratio (including subsidy)	Times	6.11	6.54	9.56	9.22	11.91	30.07
No. of days in receivables	Days	38	34	16	19	18	9
No. of days in receivables (including subsidy)	Days	60	56	38	40	31	12
Creditors turnover ratio - with GIDC	Times	1.51	1.45	2.39	5.17	17.20	4.18
- without GIDC	Times	24.74	48.53	74.68	80.96	67.34	70.29
No. of days in payables - with GIDC	Days	242	252	153	71	21	87
- without GIDC	Days	15	8	5	5	5	5
Total assets turnover ratio	Times	0.48	0.59	0.61	0.66	0.60	0.77
Total assets turnover ratio (including subsidy)	Times	0.48	0.59	0.62	0.71	0.66	0.78
Fixed assets turnover ratio	Times	3.15	3.35	3.34	2.72	2.20	2.48
Fixed assets turnover ratio (including subsidy)	Times	3.15	3.35	3.41	2.92	2.40	2.52
Operating cycle - with GIDC	Days	(184)	(170)	(105)	(40)	28	(58)
- without GIDC	Days	43	74	43	26	44	24
Investment / Market Ratios							
Earnings per share (EPS)	Rs	23.38	13.62	12.92	9.04	9.44	15.27
Breakup value (net assets per share)							
- Without revaluation reserves	Rs	61.10	46.74	44.54	40.18	39.86	38.86
- With revaluation reserves	Rs	62.20	47.68	45.13	40.78	40.37	38.86
Capital Structure Ratios							
Financial leverage ratio	Times	0.56	0.64	0.90	0.82	1.07	0.98
Debt to equity ratio	Ratio	29:71	14:86	18:82	29:71	32:68	33:67
Interest cover ratio	Times	17.40	8.12	11.58	6.26	6.38	12.13

Rs million	2020	2019	2018	2017	2016	2015
Summary - Statement of Financial Position						
Share capital	12,722	12,722	12,722	12,722	12,722	12,722
Reserves	65,017	46,744	43,942	38,396	37,995	36,711
Share in revaluation reserve of associates - net / NCI	1,393	1,199	754	760	649	-
Shareholders' funds (Equity)	79,132	60,665	57,418	51,878	51,366	49,433
Long term borrowings	12,199	9,355	12,817	21,162	24,013	24,746
Capital employed	91,331	70,020	70,235	73,040	75,379	74,179
Deferred liabilities	8,541	5,997	6,072	5,974	6,097	5,307
Property, plant & equipment	32,596	32,758	32,775	34,352	34,295	35,228
Non - current assets	99,019	85,190	80,897	82,965	85,271	84,709
Net current assets (Working capital)	33,730	(9,086)	(4,581)	(3,943)	(3,787)	(5,218)
Liquid funds (net)	121,861	81,988	76,113	68,155	43,879	43,278
Summary - Statement of Profit or Loss						
Turnover - net	102,744	109,817	109,434	93,583	75,378	87,340
Turnover - net (including subsidy)	102,744	109,817	111,834	100,185	82,357	88,830
Cost of sales	(68,304)	(77,039)	(80,283)	(74,479)	(56,366)	(56,797)
Gross profit	34,440	32,778	29,151	19,104	19,012	30,543
Gross profit (including subsidy)	34,440	32,778	31,551	25,706	25,991	32,033
Distribution cost	(8,265)	(8,867)	(9,509)	(9,093)	(7,524)	(6,966)
Operating profit	26,175	23,911	19,642	10,011	11,488	23,577
Operating profit (including subsidy)	26,175	23,911	22,042	16,613	18,467	25,067
Finance cost	(2,413)	(3,312)	(2,244)	(3,192)	(3,360)	(2,485)
Other gains / (losses)	4,939	-	-	-	-	-
Other expenses	(2,648)	(2,381)	(2,111)	(1,632)	(1,763)	(2,287)
Other income	5,217	5,751	5,090	8,059	8,356	3,496
Other income (excluding subsidy)	5,217	5,751	2,690	1,457	1,377	2,006
Share of profit of associates and joint venture	8,297	(379)	3,357	3,535	3,340	5,352
Profit before tax	39,567	23,590	23,734	16,781	18,061	27,653
Provision for taxation	(9,816)	(6,256)	(7,296)	(5,286)	(6,045)	(8,220)
Profit for the year	29,751	17,334	16,438	11,495	12,016	19,433
EPS (Rs)	23.38	13.62	12.92	9.04	9.44	15.27

HORIZONTAL ANALYSIS

Consolidated Statement of Financial Position

	2020 Rs M	20 Vs 19 %	2019 Rs M	19 Vs 18 %	2018 Rs M	18 Vs 17 %	2017 Rs M	17 Vs. 16 %	2016 Rs M	16 Vs. 15 %	2015 Rs M	15 Vs. 14 %
Equity and Liabilities												
Equity												
Share capital	12,722	-	12,722	-	12,722	-	12,722	-	12,722	-	12,722	-
Capital reserve	6,737	36	4,951	47	3,372	60	2,101	50	1,397	64	854	40
Revenue reserves	58,280	39	41,793	3	40,570	12	36,295	(1)	36,598	2	35,857	18
	77,739	31	59,466	5	56,664	11	51,118	1	50,717	3	49,433	13
Share in revaluation reserve of associates-net / NCI	1,393	16	1,199	59	754	(1)	760	17	649	-		
Non - Current Liabilities												
Long term borrowings - secured	12,199	30	9,355	(27)	12,817	(39)	21,162	(12)	24,013	(3)	24,746	117
Lease liabilities	78	(10)	87	867	9	13	8	-	8	60	5	67
Deferred Government grant	27	-										
Gas Infrastructure Development Cess (GIDC) payable	32,772	-										
Deferred taxation	8,541	42	5,997	(1)	6,072	2	5,974	(2)	6,097	15	5,307	16
	53,617	247	15,439	(18)	18,898	(30)	27,144	(10)	30,118	-	30,058	88
Current Liabilities												
Current portion of long term borrowings - secured	5,782	(5)	6,085	(29)	8,623	-	8,633	8	7,965	37	5,802	90
Current portion of land lease liability	26	(50)	52	1,633	3	-	3	-	-			
Current portion of deferred Government grant	93											
Trade and other payables	46,928	(39)	76,309	25	61,098	56	39,289	261	10,869	37	7,926	(79)
Mark - up and profit accrued	279	(61)	712	114	333	54	216	(38)	351	(14)	408	252
Short term borrowings - secured	25,277	12	22,493	(23)	29,366	146	11,939	(47)	22,383	24	18,021	55
Unclaimed dividend	468	(13)	541	(15)	639	46	437	7	408	(34)	614	(29)
Taxation	4,608	49	3,092	17	2,647	115	1,231	(2)	1,254	(12)	1,418	(43)
	83,461	(24)	109,284	6	102,709	66	61,748	43	43,230	26	34,189	(39)
Total Equity And Liabilities	216,210	17	185,388	4	179,025	27	140,770	13	124,714	10	113,680	(2)
Assets												
Non - Current Assets												
Property, plant & equipment	32,596	-	32,758	-	32,775	(5)	34,352	-	34,295	(3)	35,228	6
Intangible assets	1,938	-	1,945	-	1,942	-	1,951	-	1,949	-	1,940	(2)
Log term investments	62,512	27	49,259	9	45,035	(1)	45,665	(5)	48,064	3	46,702	12
Long term Loans & advances - secured	1,946	62	1,200	8	1,114	15	966	3	934	15	814	(1)
Long term deposits & prepayments	27	(4)	28	(10)	31	-	31	7	29	16	25	39
	99,019	16	85,190	5	80,897	(2)	82,965	(3)	85,271	1	84,709	9
Current Assets												
Stores, spares and loose tools	4,563	18	3,864	11	3,489	(1)	3,512	2	3,441	1	3,396	2
Stock in trade	473	(93)	7,015	(47)	13,286	1,973	641	(85)	4,317	(16)	5,128	421
Trade debts	5,869	(62)	15,606	222	4,850	1	4,818	(5)	5,072	131	2,198	(1)
Loans and advances	811	(6)	867	60	542	(7)	585	(3)	600	14	528	(1)
Deposits and prepayments	68	28	53	(36)	83	(1)	84	45	58	45	40	43
Other receivables	20,780	18	17,570	14	15,433	12	13,735	77	7,756	151	3,084	161
Short term investments	83,188	69	49,207	(12)	55,773	76	31,657	104	15,499	39	11,188	(59)
Cash and bank balances	1,438	(76)	6,015	29	4,671	69	2,772	3	2,699	(21)	3,409	66
	117,191	17	100,198	2	98,128	70	57,805	47	39,443	36	28,971	(23)
Total Assets	216,210	17	185,388	4	179,025	27	140,770	13	124,714	10	113,680	(2)

Directors' Report – Financial Capital

VERTICAL ANALYSIS

Consolidated Statement of Financial Position

	2020		2019		2018		2017		2016		2015	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Equity and Liabilities												
Equity												
Share capital	12,722	6	12,722	7	12,722	7	12,722	9	12,722	10	12,722	11
Capital reserve	6,737	3	4,951	3	3,372	2	2,101	1	1,397	1	854	1
Revenue reserves	58,280	27	41,793	23	40,570	23	36,295	26	36,598	29	35,857	32
	77,739	36	59,466	32	56,664	32	51,118	36	50,717	40	49,433	44
Share in revaluation reserve of												
associates-net / NCI	1,393	1	1,199	1	754	-	760	1	649	1	-	-
Non - Current Liabilities												
Long term borrowings - secured	12,199	5	9,355	5	12,817	7	21,162	15	24,013	19	24,746	22
Lease liabilities	78	-	87	-	9	-	8	-	8	-	5	-
Deferred Government grant	27	-	-	-								
Gas Infrastructure Development												
Cess (GIDC) payable	32,772	15	-	-								
Deferred liabilities	8,541	4	5,997	3	6,072	3	5,974	4	6,097	5	5,307	5
	53,617	24	15,439	8	18,898	11	27,144	19	30,118	24	30,058	27
Current Liabilities												
Trade and other payables	46,928	22	76,309	41	61,098	34	39,289	28	10,869	9	7,926	7
Current portion of long term												
borrowings - secured	5,782	3	6,085	3	8,623	5	8,633	6	7,965	6	5,802	5
Current portion of land lease liability	26	-	52	-	3	-	3	-	-	-	-	-
Current portion of deferred												
Government grant	93	-										
Mark - up and profit accrued	279	-	712	-	333	-	216	-	351	-	408	-
Short term borrowings - secured	25,277	12	22,493	12	29,366	16	11,939	8	22,383	18	18,021	16
Unclaimed dividend	468	-	541	-	639	-	437	-	408	1	614	-
Taxation	4,608	2	3,092	2	2,647	1	1,231	1	1,254	1	1,418	1
	83,461	39	109,284	59	102,709	57	61,748	44	43,230	35	34,189	29
Total Equity And Liabilities	216,210	100	185,388	100	179,025	100	140,770	100	124,714	100	113,680	100
Assets												
Non - Current Assets												
Property, plant & equipment	32,596	15	32,758	18	32,775	18	34,352	24	34,295	28	35,228	31
Intangible assets	1,938	1	1,945	1	1,942	1	1,951	1	1,949	2	1,940	2
Log term investments	62,512	29	49,259	27	45,035	25	45,665	32	48,064	39	46,702	41
Long term loans & advances - secured	1,946	1	1,200	1	1,114	1	966	1	934	1	814	-
Long term deposits & prepayments	27	-	28	-	31	-	31	1	29	-	25	-
	99,019	46	85,190	46	80,897	45	82,965	59	85,271	70	84,709	74
Current Assets												
Stores, spares and loose tools	4,563	2	3,864	2	3,489	2	3,512	2	3,441	3	3,396	3
Stock in trade	473	-	7,015	4	13,286	7	641	1	4,317	3	5,128	5
Trade debts	5,869	3	15,606	8	4,850	3	4,818	3	5,072	4	2,198	2
Loans and advances	811	-	867	-	542	-	585	1	600	-	528	-
Deposits and prepayments	68	-	53	-	83	-	84	-	58	-	40	-
Other receivables	20,780	10	17,570	9	15,433	9	13,735	10	7,756	6	3,084	3
Short term investments	83,188	38	49,207	27	55,773	31	31,657	22	15,499	12	11,188	10
Cash and bank balances	1,438	1	6,015	3	4,671	3	2,772	2	2,699	2	3,409	3
	117,191	54	100,198	54	98,128	55	57,805	41	39,443	30	28,971	26
Total Assets	216,210	100	185,388	100	179,025	100	140,770	100	124,714	100	113,680	100

HORIZONTAL ANALYSIS

Consolidated Statement of Profit or Loss

	2020	20 Vs 19	2019	19 Vs 18	2018	18 Vs 17	2017	17 Vs. 16	2016	16 Vs. 15	2015	15 Vs. 14
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Turnover - net	102,744	(6)	109,817	-	109,434	17	93,583	24	75,378	(14)	87,340	4
Cost of sales	(68,304)	(11)	(77,039)	(4)	(80,283)	8	(74,479)	32	(56,366)	(1)	(56,797)	12
Gross profit	34,440	5	32,778	12	29,151	53	19,104	-	19,012	(38)	30,543	(8)
Distribution cost	(8,265)	(7)	(8,867)	(7)	(9,509)	5	(9,093)	21	(7,524)	8	(6,966)	5
Operating profit	26,175	9	23,911	22	19,642	96	10,011	(13)	11,488	(51)	23,577	(11)
Finance cost	(2,413)	(27)	(3,312)	48	(2,244)	(30)	(3,192)	(5)	(3,360)	35	(2,485)	16
Other gains / (losses)	4,939	-										
Other expenses	(2,648)	11	(2,381)	13	(2,111)	29	(1,632)	(7)	(1,763)	(23)	(2,287)	(1)
	26,053	43	18,218	19	15,287	195	5,187	(19)	6,365	(66)	18,805	(15)
Other income	5,217	(9)	5,751	13	5,090	(37)	8,059	(4)	8,356	139	3,496	83
Share of profit of associates and joint venture	8,297	(2,289)	(379)	(111)	3,357	(5)	3,535	6	3,340	(38)	5,352	263
Profit before taxation	39,567	68	23,590	(1)	23,734	41	16,781	(7)	18,061	(35)	27,653	9
Provision for taxation	(9,816)	57	(6,256)	(14)	(7,296)	38	(5,286)	(13)	(6,045)	(26)	(8,220)	2
Profit for the year	29,751	72	17,334	5	16,438	43	11,495	(4)	12,016	(38)	19,433	12
EPS (Rs)	23.38	72	13.63	5	12.92	43	9.04	(4)	9.44	(38)	15.27	12

VERTICAL ANALYSIS

Consolidated Statement of Profit or Loss

	2020		2019		2018		2017		2016		2015	
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Turnover - net	102,744	100	109,817	100	109,434	100	93,583	100	75,378	100	87,340	100
Cost of sales	(68,304)	(66)	(77,039)	(70)	(80,283)	(73)	(74,479)	(80)	(56,366)	(75)	(56,797)	(65)
Gross profit	34,440	31	32,778	30	29,151	27	19,104	20	19,012	25	30,543	35
Distribution cost	(8,265)	(8)	(8,867)	(8)	(9,509)	(9)	(9,093)	(10)	(7,524)	(10)	(6,966)	(8)
Operating profit	26,175	24	23,911	22	19,642	18	10,011	11	11,488	15	23,577	27
Finance cost	(2,413)	(2)	(3,312)	(3)	(2,244)	(2)	(3,192)	(3)	(3,360)	(4)	(2,485)	(3)
Other gains / (losses)	4,939	5										
Other expenses	(2,648)	(3)	(2,381)	(2)	(2,111)	(2)	(1,632)	(2)	(1,763)	(2)	(2,287)	(3)
	26,053	25	18,218	17	15,287	14	5,187	6	6,365	8	18,805	22
Other income	5,217	5	5,751	5	5,090	5	8,059	9	8,356	11	3,496	4
Share of profit of associates and joint venture	8,297	8	(379)	-	3,357	3	3,535	4	3,340	4	5,352	6
Profit before taxation	39,567	39	23,590	21	23,734	22	16,781	18	18,061	24	27,653	32
Provision for taxation	(9,816)	(10)	(6,256)	(6)	(7,296)	(7)	(5,286)	(6)	(6,045)	(8)	(8,220)	(9)
Profit for the year	29,751	29	17,334	16	16,438	15	11,495	12	12,016	16	19,433	22
EPS (Rs)	23.38		13.63		12.92		9.04		9.45		15.28	

INDEPENDENT AUDITOR'S REPORT

To The Members of Fauji Fertilizer Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Fauji Fertilizer Company Limited (the Company), and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Gas Infrastructure Development Cess (GIDC) payable** (Refer note 9 to the consolidated financial statements) Pursuant to the decision of Supreme Court of Pakistan (SCP) dated August 13, 2020 and outcome of review petition on November 2, 2020 seeking review of its judgement of GIDC levy, the Company has recognized a new liability of Rs 56,716 million against its liability to GIDC, under the Gas Infrastructure Development Cess Act, 2015, along with gain on extinguishment of original GIDC liability of Rs 5,926 million.	**Our audit procedures in relation to this matter included, amongst others,:** - Obtained and read the detailed judgement and the review petition dismissal order announced by the Supreme Court of Pakistan (SCP) and the stay order granted to the Company by the Sindh High Court; - Obtained and read the "Guidance on Accounting of GIDC" issued by ICAP and understood the management's process for selection of accounting policies and held discussions with the management regarding accounting treatment and the related impact thereof, subsequent to judgements of SCP; - Checked the requirements of GIDC Act, 2015;

INDEPENDENT AUDITOR'S REPORT

To The Members of Fauji Fertilizer Company Limited

Report on the Audit of the Consolidated Financial Statements

S. No.	Key audit matters	How the matter was addressed in our audit
	The management has applied the requirements of "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) in January, 2021 for recognition, measurement and presentation of the GIDC liability in these consolidated financial statements. The modification in timing of settlement of GIDC liability reflect substantially different terms from the original liability. The new modified liability has been accounted for under the measurement principles of IFRS – 9 ''Financial Instruments" at fair value using effective interest rate method and present value techniques and the original liability has been extinguished. We considered this as a key audit matter, due to the significance of the amount and the judgments involved in selection of accounting policies and estimation of present value of the new liability as a result of SCP judgement.	- Checked the mathematical accuracy of the management's working of current / non - current classification of GIDC payable, its present value and assessed its accuracy and reasonableness of key estimates used; - Circularized and obtained external confirmation of the Company's legal counsel handling the matter, as of reporting date; and - Checked the appropriateness of disclosures made in the annexed consolidated financial statements in relation to the matter in accordance with the applicable accounting and reporting framework.
2	**Revenue recognition** (Refer notes 3.18 and 28 to the consolidated financial statements) The Group is engaged in manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemicals, food, energy, other manufacturing and banking operations. The Group recognized revenue from the sale of fertilizers, chemicals, power and food amounting to Rs 102,744 million for the year ended December 31, 2020. We identified recognition of revenue as an area of higher risk as it includes large number of revenue transactions involving a large number of customers spread in various geographical locations. Further, revenue is one of the key performance indicator of the Group. Accordingly, it was considered as a key audit matter.	**Our procedures in relation to this matter included, amongst others:** • Obtained understanding of the process relating to recognition of revenue and checked the design, implementation and operating effectiveness of relevant internal controls over recording of revenue; • Performed verification of sample of revenue transactions with underlying documentation including delivery documents and sales invoices; • Performed cut-off procedures on sample basis to ensure revenue has been recorded in the correct period; • Verified that sales prices are approved by appropriate authority; • Verified discounts with supporting documentation on test basis; and • Checked that revenue has been recognized in accordance with Group's accounting policy and the applicable accounting and financial reporting framework.

S. No.	Key audit matters	How the matter was addressed in our audit
3	**Investment in associated companies** (Refer note 17 to the consolidated financial statements) The Group has significant investments in its associated companies which are accounted for in these consolidated financial statements under the equity method of accounting. As at December 31, 2020, the carrying amount of investments in above referred associated companies amounted to Rs 54,120 million. The Group's management carries out impairment assessment of the value of investment where there are indicators of impairment. The Group's management has assessed the recoverable amount of such investments based on the higher of the value-in-use and fair value. This recoverable amount is based on a valuation analysis performed by the Group's management using a discounted cash flow model which involves estimation of future cash flows. This estimation requires significant judgement on future cash flows, the discount rate applied to those future cash flows and long-term growth rate etc. We considered this as a key audit matter due to significant management judgement involved in the estimation of recoverable amounts.	**Our audit procedures in relation to this matter included, amongst others:** • Obtained understanding of management's process for identification of impairment indicators in, and testing impairment of investment in associated companies; • Checked the mathematical accuracy of management's valuation model and agreed relevant data to the underlying records; • Assessed the reasonableness of key assumptions used in the valuation model such as future revenue and costs, discount rate and long-term growth rates etc.; • Performed sensitivity analysis with respect to changes in key assumptions used in the valuation model; and • Checked the appropriateness of disclosures made in the annexed consolidated financial statements with respect to the requirements of the applicable accounting and reporting framework.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, 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 the 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.

INDEPENDENT AUDITOR'S REPORT

To The Members of Fauji Fertilizer Company Limited

Report on the Audit of the Consolidated Financial Statements

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Asim Masood Iqbal.

A.F. Ferguson & Co.
Chartered Accountants
Islamabad
February 19, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Note	2020	2019
		Rs '000	Rs '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4	12,722,382	12,722,382
Capital reserves	5	6,736,633	4,950,718
Revenue reserves	6	57,616,596	43,049,451
Surplus / (deficit) on re-measurement of			
investments to fair value - net		663,884	(1,256,521)
		77,739,495	59,466,030
Share in revaluation reserve of associates - net		1,392,593	1,198,826
NON - CURRENT LIABILITIES			
Long term borrowings - secured	7	12,199,452	9,355,434
Lease liabilities		78,355	87,098
Deferred government grant	8	27,363	–
Gas Infrastructure Development Cess (GIDC) payable	9	32,771,664	–
Deferred liabilities	10	8,541,348	5,996,675
		53,618,182	15,439,207
CURRENT LIABILITIES			
Current portion of long term borrowings - secured	7	5,781,827	6,085,171
Current portion of lease liabilities		25,698	51,967
Current portion of deferred government grant	8	92,893	–
Trade and other payables	11	46,928,291	76,309,123
Mark-up and profit accrued	12	278,745	711,501
Short term borrowings - secured	13	25,277,286	22,492,953
Unclaimed dividend		467,812	541,447
Taxation		4,607,530	3,091,959
		83,460,082	109,284,121
TOTAL EQUITY AND LIABILITIES		216,210,352	185,388,184
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

	Note	2020	2019
		Rs '000	Rs '000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	32,595,937	32,758,158
Intangible assets	16	1,937,957	1,945,305
Long term investments	17	62,512,198	49,258,736
Long term loans and advances - secured	18	1,945,533	1,200,037
Long term deposits and prepayments	19	27,320	28,349
		99,018,945	85,190,585
CURRENT ASSETS			
Stores, spares and loose tools	20	4,562,872	3,864,402
Stock in trade	21	473,371	7,014,838
Trade debts	22	5,869,244	15,605,892
Loans and advances	23	810,995	866,734
Deposits and prepayments	24	68,265	52,893
Other receivables	25	20,780,294	17,570,178
Short term investments	26	83,188,113	49,207,470
Cash and bank balances	27	1,438,253	6,015,192
		117,191,407	100,197,599
TOTAL ASSETS		216,210,352	185,388,184

Chairman **Chief Executive** **Director** **Chief Financial Officer**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

	Note	2020	2019
		Rs '000	Rs '000
Turnover - net	28	102,744,223	109,817,389
Cost of sales	29	(68,303,906)	(77,039,227)
GROSS PROFIT		34,440,317	32,778,162
Administrative and distribution expenses	30	(8,265,375)	(8,867,378)
		26,174,942	23,910,784
Finance cost	31	(2,413,248)	(3,311,837)
Other gains / (losses)			
- Gain on extinguishment of original GIDC liability	9	5,926,537	–
- Loss allowance on subsidy receivable from GoP	25	(987,000)	–
		4,939,537	–
Other expenses	32	(2,647,528)	(2,380,931)
Other income	33	5,216,677	5,751,571
Share of profit / (loss) of associates and joint venture		8,296,691	(379,319)
PROFIT BEFORE TAX		39,567,071	23,590,268
Provision for taxation	34	(9,816,265)	(6,256,488)
PROFIT FOR THE YEAR		29,750,806	17,333,780
Earnings per share - basic and diluted (Rupees)	35	23.38	13.62

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Chairman	Chief Executive	Director	Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	2020 Rs '000	2019 Rs '000
PROFIT FOR THE YEAR	29,750,806	17,333,780
OTHER COMPREHENSIVE INCOME		
Items that are reclassified subsequently to profit or loss		
Surplus / (deficit) on re-measurement of investments to fair value		
- net of tax	205,547	8,309
Share of equity accounted investees - share of OCI - net of tax	2,341,912	388,526
	2,547,459	396,835
Items that will not be subsequently reclassified to profit or loss		
Gain / (loss) on re-measurement of staff retirement benefit		
plans - net of tax	990	(360,249)
Equity accounted investees - share of OCI, net of tax	32,443	(1,531)
	33,433	(361,780)
Comprehensive income taken to equity	32,331,698	17,368,835
Comprehensive income not recognised in equity		
Items that may be subsequently reclassified to profit or loss		
Share in revaluation reserve of associates - net	193,767	445,305
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	32,525,465	17,814,140

The annexed notes 1 to 45 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, 2020

	Note	2020	2019
		Rs '000	Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	46,853,150	35,384,533
Finance cost paid		(2,837,335)	(2,933,300)
Income tax paid		(6,115,190)	(6,278,958)
		(8,952,525)	(9,212,258)
Net cash generated from operating activities		37,900,625	26,172,275
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,041,144)	(3,371,022)
Proceeds from disposal of property, plant and equipment		46,744	549,716
Investment in Thar Energy Limited		–	(1,329,318)
Advance against issue of shares to Thar Energy Limited		–	(416,533)
Advance against right issue of Fauji Fertilizer Bin Qasim Limited		(2,493,774)	–
Increase in other investments - net		218,712	1,026,817
Interest and profit received		832,397	2,002,898
Dividend received		3,187,989	1,665,984
Net cash (used in) / generated from investing activities		(1,249,076)	128,542
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term borrowings			
- Draw-downs		8,524,330	2,600,000
- Repayments		(5,983,656)	(8,599,993)
Repayment of lease liabilities		(43,681)	(60,604)
Grant received during the year		201,960	–
Dividends paid		(14,131,868)	(14,664,464)
Net cash (used in) financing activities		(11,432,915)	(20,725,061)
Net increase in cash and cash equivalents		25,218,634	5,575,756
Cash and cash equivalents at beginning of the year		32,683,531	26,872,161
Effect of exchange rate changes		72,547	235,614
Cash and cash equivalents at end of the year		57,974,712	32,683,531
CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	1,438,253	6,015,192
Short term borrowings	13	(25,277,286)	(22,492,953)
Short term highly liquid investments		81,813,745	49,161,292
		57,974,712	32,683,531

The annexed notes 1 to 45 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, 2020

	Share capital	Capital reserves: Share premium	Capital reserves: Capital redemption reserve	Capital reserves: Translation reserve	Capital reserves: Statutory reserve	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Surplus/(deficit) on re-measurement of investments to fair value - net	Total
	Rs '000								
Balance at January 1, 2019	12,722,382	40,000	120,000	1,139,654	2,072,250	8,802,360	32,401,749	(634,072)	56,664,323
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	–	17,333,780	–	17,333,780
Other comprehensive income - net of tax	–	–	–	1,019,284	–	–	(361,780)	(622,449)	35,055
	–	–	–	1,019,284	–	–	16,972,000	(622,449)	17,368,835
Transactions with owners of the Company									
Distributions:									
Final dividend 2018: Rs 3.90 per share	–	–	–	–	–	–	(4,961,729)	–	(4,961,729)
First interim dividend 2019: Rs 2.50 per share	–	–	–	–	–	–	(3,180,596)	–	(3,180,596)
Second interim dividend 2019: Rs 2.85 per share	–	–	–	–	–	–	(3,625,879)	–	(3,625,879)
Third interim dividend 2019: Rs 2.20 per share	–	–	–	–	–	–	(2,798,924)	–	(2,798,924)
	–	–	–	–	–	–	(14,567,128)	–	(14,567,128)
Other changes in equity									
Transfer to statutory reserve	–	–	–	–	559,530	–	(559,530)	–	–
Balance at January 1, 2020	12,722,382	40,000	120,000	2,158,938	2,631,780	8,802,360	34,247,091	(1,256,521)	59,466,030
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	–	29,750,806	–	29,750,806
Other comprehensive income - net of tax	–	–	–	627,054	–	–	33,433	1,920,405	2,580,892
	–	–	–	627,054	–	–	29,784,239	1,920,405	32,331,698
Transactions with owners of the Company									
Distributions:									
Final dividend 2019: Rs 3.25 per share	–	–	–	–	–	–	(4,134,774)	–	(4,134,774)
First interim dividend 2020: Rs 2.50 per share	–	–	–	–	–	–	(3,180,596)	–	(3,180,596)
Second interim dividend 2020: Rs 2.75 per share	–	–	–	–	–	–	(3,498,655)	–	(3,498,655)
Third interim dividend 2020: Rs 2.55 per share	–	–	–	–	–	–	(3,244,208)	–	(3,244,208)
	–	–	–	–	–	–	(14,058,233)	–	(14,058,233)
Other changes in equity									
Transfer to statutory reserve	–	–	–	–	1,158,861	–	(1,158,861)	–	–
Balance at December 31, 2020	12,722,382	40,000	120,000	2,785,992	3,790,641	8,802,360	48,814,236	663,884	77,739,495

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Chairman **Chief Executive** **Director** **Chief Financial Officer**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. CORPORATE AND GENERAL INFORMATION

1.1 The Group and its operations

Fauji Fertilizer Company Limited (the Group) comprises of Fauji Fertilizer Company Limited (FFC) and its subsidiaries, FFC Energy Limited (FFCEL) and Fauji Fresh n Freeze Limited (FFF). These companies are incorporated in Pakistan as public limited companies. The shares of FFC are quoted on Pakistan Stock Exchange.

The principal activity of FFC is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical, other manufacturing and banking operations. FFCEL has setup a 49.5 MW wind energy power project. FFF is principally engaged in the business of processing fresh, frozen fruits, vegetables, fresh meat, frozen cooked and semi cooked food.

The business units of the Group include the following:

Business unit	Graphical location
Registered office (FFC, FFCEL and FFF)	Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab
Production plants - FFC	
Goth Machhi	Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab
Mirpur Mathelo	Mirpur Mathelo (District: Ghotki), Sindh
Production plant - FFCEL	Deh Kohistan, Taluka Jhampir (District: Thatta), Sindh
Production plant - FFF	16 km Sahiwal Pakpattan Road, Sahiwal (District: Sahiwal), Punjab
Karachi Office - FFC	B-35, KDA Scheme No. 1, Karachi, Sindh
Marketing division - FFC	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
Zonal marketing offices - FFC	
North zone	Lahore Trade Centre, 11 Sharah-e-Aiwan-e-Tijarat Lahore, Punjab
Central zone	Ali Maskan, District Jail Road, Multan, Punjab
South zone	B-35, KDA Scheme # 1, Karsaz, Karachi, Sindh
Regional marketing offices - FFC	
Faisalabad Region	495-C, Amin Town, Quaid-e-Azam Road, Faisalabad, Punjab
Sahiwal Region	77-B, Canal Colony, Off Farid Town Road, Sahiwal, Punjab
Lahore Region	Lahore Trade Centre, 11 Shahrah-e-Aiwan-e-Tijarat, Lahore, Punjab
Sarghodha Region	House No. 1, Bilal Park, Muradabad Colony, University Road, Sargodha, Punjab
Peshawar Region	9-B, Rafiqui Lane, Peshawar Cantt, Khyber Pakhtunkhwa
Bahawalpur Region	House No. 39-A Tipu Shaheed Road, Model Town A, Bahawalpur, Punjab
D. G. Khan Region	House No.3, Khyaban-e-Sarwar, Main Multan Road, Dera Ghazi Khan, Punjab

Business unit	Graphical location
Multan Region	Ali-Maskan, District Jail Road, Multan, Punjab
R.Y. Khan Region	37-A, Ali Block, Abbasia Town, Rahim Yar Khan, Punjab
Vehari Region	House No.48 Quaid e Azam Block Ludden Road, Tariq Bin Ziyad Colony, Vehari, Punjab
Hyderabad Region	Bungalow No. 208, DHA, Phase-2, Hyderabad, Sindh
Sukkur Region	House No. 64-A Sindhi Muslim Co-operative Housing Society, Airport Road, Sukkur, Sindh
Nawabshah Region	House No. A-11, Housing Society, Near Thalassemia Hospital, Nawabshah, Sindh

FFC has district marketing offices and warehouses located across Pakistan, the region-wise details of which are listed below:

	No. of district offices	No. of warehouses
Faisalabad Region	5	14
Sahiwal Region	4	10
Lahore Region	6	16
Sarghodha Region	5	10
Peshawar Region	5	11
Bahawalpur Region	4	11
D. G. Khan Region	4	12
Multan Region	4	12
R.Y. Khan Region	4	9
Vehari Region	4	13
Hyderabad Region	6	14
Sukkur Region	7	21
Nawabshah Region	5	14
	63	167

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

– International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

– Provisions of and directives issued under the Companies Act, 2017.

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

The applicable financial reporting framework for an equity-accounted investee also include Banking Companies Ordinance, 1962 and underlying Rules and Directives.

2.2 Basis of measurement and preparation

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and obligations for staff retirement benefits which are carried at present values of defined benefit obligation net of fair value of plan assets determined through actuarial valuation.

2.3 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pak Rupees, which is the Group's functional currency.

2.4 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

(i) Employee retirement benefits - note 3.9 and note 11.2
(ii) Estimate of fair value of financial liabilities at initial recognition - note 3.27 and note 9
(iii) Estimate of useful life of property, plant and equipment - note 3.11 and note 15
(iv) Estimate of useful life of intangible assets - note 3.12 and note 16
(v) Estimate of fair value of investments through other comprehensive income - note 3.27 and note 17
(vi) Provisions and contingencies - note 3.7 and note 3.8
(vii) Impairment of non-financial assets - note 3.12
(viii) Estimate of recoverable amount of goodwill - note 3.12 and note 16
(ix) Estimate of recoverable amount of investment in associated companies - note 3.1.4 and note 17
(x) Provision for taxation - note 3.10 and note 34
(xi) Expected credit loss allowance - note 3.14, note 22 and note 25
(xii) Provision for slow moving spares - note 3.13 and note 20
(xiii) Right of use asset and corresponding lease liability - note 3.5 and note 15

2.5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

These consolidated financial statements include the financial statements of FFC and its subsidiary companies, FFCEL 100% owned (2019: 100% owned) and FFF 100% owned (2019: 100% owned).

3.1.1 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are derecognized from the date the control ceases. These consolidated financial statements include Fauji Fertilizer Company Limited (FFC) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition - related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such measurement are recognized in profit or loss.

Any contingent considerations to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 either in profit or loss or as a change to comprehensive income. Contingent consideration that is classified an equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

3.1.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.1.3 Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This means that amounts previously recognized in comprehensive income are reclassified to statement of profit or loss.

3.1.4 Investments in associated and jointly control entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, where by the Group has right to the net assets of the arrangement, rather than right to its assets and obligations for its liabilities, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the statement of profit or loss and comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency transaction and translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the year end are translated in Pakistan Rupees at exchange rates ruling at the reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transaction. Exchange differences are included in profit or loss for the year.

Investment in foreign joint venture

The results and financial position of joint venture that have a functional currency different from Pak Rupees are translated into Pak Rupees as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position.

– income and expense are translated at the average exchange rates for the period.

– share capital is translated at historical exchange rate.

All resulting exchange differences are recognized in comprehensive income within statement of profit or loss and other comprehensive income. The Group has been recognizing such differences in translation reserve over the years. When a foreign investment is sold, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on sale.

3.3 Share capital and dividend

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the period in which it is approved.

3.4 Dividend distribution

Final dividend distributions to the Group's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Group's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

3.5 Leases

3.5.1 Right of use asset

The Group assesses whether a contract is or contains a lease at inception of the contract. If the Group assesses contract contains a lease and meets requirements of IFRS 16, the Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

3.5.2 Lease liability

If applicable, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

a. fixed payments, including in-substance fixed payments;

b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c. amounts expected to be payable under a residual value guarantee; and

d. the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group has opted not to recognize right of use assets for short-term leases i.e. leases with a term of twelve (12) months or less. The payments associated with such leases are recognized in profit or loss when incurred.

Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

3.6 Trade and other payables

Liabilities for trade and other payables are carried at amortised cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

3.7 Provisions

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.8 Contingent liabilities

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.9 Employee retirement benefits

3.9.1 Defined benefit plans

Funded Gratuity and Pension Schemes

The Group operates defined benefit funded gratuity and pension schemes for all eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 11.2 to the financial statements.

Charge for the year is recognized in profit or loss. Actuarial gain or losses arising on actuarial valuation are recorded directly in the profit or loss and other comprehensive income.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

3.9.2 Defined contribution plan

Provident fund

Defined contribution provident fund for all eligible employees for which the Group's contributions are charged to profit or loss at the rate of 10% of basic salary.

3.9.3 Compensated absences

The Group has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the consolidated financial statements.

3.10 Taxation

Income tax expense comprises current and deferred tax.

Current tax

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in profit or loss and other comprehensive income.

Deferred tax

Deferred tax is recognised in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Group companies take into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group companies view differ from the income tax department at the assessment stage and where the Group companies consider that their view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.11 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss, except for freehold land and capital work in progress, which are stated at cost less impairment, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on the straight-line basis and charged to consolidated profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 15 to the consolidated financial statements. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of it disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group companies and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

The Group companies review the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.12 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries or businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired the difference is recognized directly in the profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

With finite useful life

Intangibles are stated at the cash price equivalent of the consideration given less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Rates for amortization are disclosed in note 16.1 to the consolidated financial statements. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit or loss.

Impairment non-financial assets

The carrying amounts of non-financial assets other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

3.13 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value.

For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence.

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

The Group companies review the carrying amount of stores, spares and loose tools on a regular basis and as appropriate, these are written down to their net realizable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

3.14 Stock in trade

Stocks are valued at the lower of cost and net realizable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost
Work in process and finished goods	at weighted average cost of purchase, raw materials and applicable manufacturing expenses

Cost of raw material, work in process and finished goods comprises of direct materials, labor and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group review the carrying amount of stock in trade on a regular basis and as appropriate, it is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

3.15 Trade debts

These are recognized and carried at the original invoice amounts, being the fair value, less loss allowance, if any. For measurement of loss allowance for trade debts, the Group applies IFRS 9 simplified approach to measure the expected credit losses. IFRS 9 introduces the Expected Credit Loss (ECL) model, which requires the Group to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred.

3.16 Deposits and other receivables

These are recognized at cost, which is the fair value of the consideration given. For measurement of loss allowance for advances, deposits and other receivables, the Group applies the IFRS 9 simplified approach to measure the expected credit losses.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.18 Turnover

Turnover from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Turnover is recognized when or as performance obligations are satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or at a point in time. Turnover is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Government subsidy on sale of fertilizer is recognised when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognised in other income.

3.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed out in the year they occur.

3.20 Government grant

Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed.

Government grant includes any benefit earned on account of a government loan obtained at below-market rate of interest. The loan is recognised and measured in accordance with IFRS 9 "Financial Instruments". The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

Government grant that has been awarded for the purpose of giving immediate financial support to the Group is recognised in profit or loss of the period in which the entity qualifies to receive it.

3.21 Research and development costs

Research and development costs are charged to profit or loss as and when incurred.

3.22 Finance income and finance costs

Finance income comprises interest income on funds invested (financial assets), dividend income, gain on disposal of financial assets, commission income and changes in fair value of investments. Interest income is recognized as it accrues in profit or loss, using effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

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

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

3.23 Basis of allocation of common expenses

Distribution cost is allocated to Fauji Fertilizer Bin Qasim Limited (FFBL), in proportion to the sales volume handled on its behalf under the Inter Company Services Agreement.

3.24 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are fertilizer, power and food.

3.25 Share in revaluation reserve of associates

This represents the Group's share in surplus on revaluation of non banking assets acquired in satisfaction of claims by the banking associate. The assets have been carried at revalued amounts pursuant to the requirements of "Regulations for Debt Property Swap" issued by the State Bank of Pakistan vide BPRD Circular No 1 of 2016 dated January 01, 2016.

3.26 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of FFC by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.27 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

(i) Amortised cost, where the effective interest rate method will apply;

(ii) Fair value through profit or loss (FVTPL);

(iii) Fair value through other comprehensive income (FVTOCI).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Further, assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating gains/(losses). Interest income from these financial assets is included in other operating income using the effective interest rate method. Impairment expenses are presented as separate line item in the profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group recognises life time ECL for trade debts and other receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and other receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group recognizes an impairment gain or loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Financial liabilities

Classification, initial recognition and subsequent measurement

The Group classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in consolidated profit or loss.

Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

3.28 New accounting standards, amendments and IFRIC interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning from the dates specified below:

– On August 27, 2020, the IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021.

– Amendment to IFRS 3 'Business Combinations' (effective for annual reporting periods beginning on or after January 1, 2022). The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements.

– Amendment to IAS 16 'Property, plant and equipment' (effective for annual reporting periods beginning on or after January 1, 2022). The amendments clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

– Amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts: Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after January 1, 2022). The amendments specify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

– On May 14, 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020' (Amendments to IAS 41, IFRS 1, IFRS 9, and IFRS 16)'. The amendments are effective for annual periods beginning on or after January 1, 2022.

– Amendment to IAS 1 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after January 1, 2023). The amendments provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the consolidated financial statements other than in presentation/disclosures

Further, the following new standards and interpretations have been issued by the IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS	1	First-time adoption of International Financial Reporting Standards
IFRS	17	Insurance Contracts

4. SHARE CAPITAL

Authorised share capital

This represents 1,500,000,000 (2019: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2019: Rs 15,000,000 thousand).

Issued, subscribed and paid up share capital

	2020	2019	2020	2019
	Numbers	Numbers	Rs '000	Rs '000
Fully paid in cash	256,495,902	256,495,902	2,564,959	2,564,959
Fully paid bonus shares	1,015,742,345	1,015,742,345	10,157,423	10,157,423
	1,272,238,247	1,272,238,247	12,722,382	12,722,382

4.1 Fauji Foundation (Holding Company) holds 44.35% (2019: 44.35%) ordinary shares of FFC at the year end.

4.2 All ordinary shares rank equally with regard to the Group's residual assets. Holders of the shares are entitled to dividends from time to time and are entitled to one vote per share at the general meetings of the FFC.

4.3 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as 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 Group is required to comply with certain debt covenants related to long / short term borrowings.

	Note	2020	2019
		Rs '000	Rs '000
5. CAPITAL RESERVES			
Share premium	5.1	40,000	40,000
Capital redemption reserve	5.2	120,000	120,000
Translation reserve		2,785,992	2,158,938
Statutory reserve		3,790,641	2,631,780
		6,736,633	4,950,718

5.1 Share premium

This represents premium of Rs 5 per share received on public issue of FFC's 8,000,000 ordinary shares of Rs 10 each in 1991.

5.2 Capital redemption reserve

This represents reserve setup on redemption of preference shares by FFC of Rs 120,000 thousand in 1996.

	2020	2019
	Rs '000	Rs '000
6. REVENUE RESERVES		
General reserve	8,802,360	8,802,360
Unappropriated profit	48,814,236	34,247,091
	57,616,596	43,049,451

	Note	2020	2019
		Rs '000	Rs '000
7. LONG TERM BORROWINGS - SECURED			
Borrowings from banking companies - secured			
Fauji Fertilizer Company Limited (FFC)	7.1		
From conventional banks			
The Bank of Punjab (BOP - 1)		–	50,000
The Bank of Punjab (BOP - 2)		55,000	165,000
The Bank of Punjab (BOP - 3)		880,000	1,100,000
The Bank of Punjab (BOP - 4)		1,400,000	–
Allied Bank Limited (ABL - 1)		–	150,000
Allied Bank Limited (ABL - 2)		187,500	562,500
Allied Bank Limited (ABL - 3)		1,500,000	1,500,000
Allied Bank Limited (ABL - 4)		2,000,000	–
United Bank Limited (UBL - 1)		–	125,000
United Bank Limited (UBL - 2)		375,000	750,000
United Bank Limited (UBL - 3)		750,000	1,250,000
Bank AL Habib Limited (BAH - 1)		–	100,000
Bank AL Habib Limited (BAH - 2)		50,000	150,000
Bank AL Habib Limited (BAH - 3)		50,000	150,000
Habib Bank Limited (HBL - 1)		–	250,000
Habib Bank Limited (HBL - 2)		–	281,250
Habib Bank Limited (HBL - 3)		500,000	750,000
Bank Alfalah Limited (BAFL)		125,000	250,000
MCB Bank Limited (MCB - 2)		–	250,000
National Bank of Pakistan (NBP - 1)		1,000,000	1,500,000
National Bank of Pakistan (NBP - 2)		1,000,000	1,500,000
Industrial And Commercial Bank of China		1,200,000	–
HBL - State Bank of Pakistan (SBP) Refinance Scheme	7.2	946,152	–
BAFL - State Bank of Pakistan (SBP) Refinance Scheme	7.2	943,445	–
		12,962,097	10,833,750
From Islamic banks	7.1		
Meezan Bank Limited (MBL - 1)		–	125,000
Meezan Bank Limited (MBL - 2)		2,000,000	–
MCB Islamic Bank Limited (MCBIB)		–	225,000
		2,000,000	350,000
FFC Energy Limited (FFCEL)	7.3		
Long term financing from financial institutions		2,918,361	4,150,656
Less: Transaction cost			
Initial transaction cost		(269,797)	(269,797)
Accumulated amortisation		252,292	234,371
		2,900,856	4,115,230
Fauji Fresh n Freeze Limited (FFF)			
Bank Alfalah Limited (BAFL)	7.4	59,287	–
Allied Bank Limited (ABL)		–	141,625
Habib Bank Limited (HBL)	7.5	59,039	–
		118,326	141,625
		17,981,279	15,440,605
Less: Current portion shown under current liabilities			
From conventional banks		5,531,827	5,735,171
From Islamic banks		250,000	350,000
		5,781,827	6,085,171
		12,199,452	9,355,434

7.1 Terms and conditions of these borrowings are as follows:

Lenders	Mark-up / profit rate p.a. (%)	No. of installments outstanding	Date of final repayment
From conventional banks			
BOP - 1	6 months KIBOR+0.35	Nil	Paid on May 26, 2020
BOP - 2	6 months KIBOR+0.40	1 half yearly	April 7, 2021
BOP - 3	6 months KIBOR+0.15	8 half yearly	December 18, 2024
BOP - 4	6 months KIBOR+0.15	8 half yearly	August 31, 2025
ABL - 1	6 months KIBOR+0.25	Nil	Paid on June 26, 2020
ABL - 2	6 months KIBOR+0.25	1 half yearly	April 7, 2021
ABL - 3	6 months KIBOR+0.15	8 half yearly	December 24, 2024
ABL - 4	6 months KIBOR+0.08	8 half yearly	December 30, 2025
UBL - 1	6 months KIBOR+0.35	Nil	Paid on June 30, 2020
UBL - 2	6 months KIBOR+0.40	2 half yearly	September 6, 2021
UBL - 3	6 months KIBOR+0.20	3 half yearly	June 29, 2022
BAH - 1	6 months KIBOR+0.20	Nil	June 26, 2020
BAH - 2	6 months KIBOR+0.20	1 half yearly	March 25, 2021
BAH - 3	6 months KIBOR+0.20	1 half yearly	April 20, 2021
HBL - 1	3 months KIBOR+0.40	Nil	Paid on June 2, 2020
HBL - 2	3 months KIBOR+0.40	Nil	Paid on Sep 21, 2020
HBL - 3	3 months KIBOR+0.15	8 quarterly	December 19, 2022
HBL - SBP			
Refinance Scheme	SBP Refinance Rate+0.50	8 quarterly	October 1, 2022
BAF - SBP			
Refinance Scheme	SBP Refinance Rate+0.25	8 quarterly	October 1, 2022
BAFL	6 months KIBOR+0.40	2 half yearly	September 8, 2021
MCB	6 months KIBOR+0.40	Nil	Paid on June 26, 2020
NBP - 1	6 months KIBOR+0.20	4 half yearly	June 30, 2022
NBP - 2	6 months KIBOR+0.15	4 half yearly	December 29, 2022
ICBC	6 months KIBOR+0.08	4 half yearly	December 15, 2023
From islamic banks			
MBL - 1	6 months KIBOR+0.40	Nil	Paid on May 29, 2020
MBL - 2	6 months KIBOR+0.10	8 half yearly	May 29, 2025
MCBIB	6 months KIBOR+0.15	Nil	Paid on Dec 10, 2020

7.1.1 These borrowings are secured by way of hypothecation of FFC assets including plant, machinery, tools & spares and other moveable properties, ranking pari passu with each other with 25% margin.

7.2 These represent long-term financing obtained from conventional banks under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan. The effective interest rate is calculated at 7.33% and the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January, 2021 discounted at the effective rate of interest. The differential markup has been recognised as deferred government grant, as mentioned in note 8 to these consolidated financial statements, which will be amortised to interest income over the period of the facilities.

7.3 This represents long term loan from consortium of eight financial institutions. This loan carries mark up at six months KIBOR + 1.50% payable six monthly in arrears. This loan is repayable on semi-annual installments ending in December 2022. This loan is secured against:

- First ranking exclusive assignment / mortgage over receivables under Energy Purchase Agreement.
- Lien over and set-off rights on project accounts.
- First ranking charge over all moveable assets of FFCEL.
- Exclusive mortgage over lease rights in immovable property on which project situate.

The long term loan contains certain covenants under the Common Terms Agreement (CTA) dated February 11, 2011, including the maintenance of certain financial ratios, the breach of which will render the loan repayable on demand. Further, CTA contains covenants on the distribution of dividend from the project accounts.

First Amendment to the PF Facility Agreement ("the Amendment") was signed on November 30, 2017 between FFCEL and the Financial Institutions. Under the Amendment, the mark-up rate was reduced to six months KIBOR + 1.50% from six months KIBOR + 2.95 % with effect from June 30, 2017.

7.4 FFF obtained term finance facility under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Company obtained this facility for paying salaries for the months from July 2020 to September 2020. This facility is secured by way of first pari passu charge of Rs 84.53 million (inclusive of 25% margin) over all future and present fixed assets (excluding land and building).

7.5 FFF obtained term finance facility under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Company obtained this facility for paying salaries for the months from April 2020 to June 2020. This facility is secured by way of first pari passu charge of Rs 98 million (inclusive of 25% margin) over all future and present fixed assets (excluding land and building) and letter of comfort of the Parent Company covering total exposure towards the Company.

8. DEFERRED GOVERNMENT GRANT

This represent deferred government grant in respect of term finance facility obtained under SBP Salary Refinance Scheme as disclosed in note 7.2, 7.4 and 7.5 to these consolidated financial statements. There are no unfulfilled conditions or other contingencies attaching to this grant.

	2020	2019
	Rs '000	Rs '000
Government grant recognised	201,960	–
Less: Amortisation of deferred government grant	(81,704)	–
Balance at the end	120,256	–
Less: Current portion of deferred government grant	(92,893)	–
Long-term portion of deferred government grant	27,363	–

		2020 Rs '000	2019 Rs '000
9.	**GAS INFRASTRUCTURE DEVELOPMENT CESS (GIDC) PAYABLE**		
	Balance at the beginning	61,064,027	42,083,302
	Movement during the year	1,579,395	18,980,725
		62,643,422	61,064,027
	Gain on extinguishment of original GIDC liability - credit to profit or loss	(5,926,537)	–
		56,716,885	61,064,027
	Less: Current portion of GIDC payable	(23,945,221)	(61,064,027)
	Long-term portion of GIDC payable	32,771,664	–

9.1 Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared GIDC Act, 2015 a valid legislation. Under the judgement, all gas consumers including FFC were ordered to pay the outstanding GIDC liability as at July 31, 2020 to the Government in 24 equal monthly installments.

GIDC was declared payable on the presumption that burden of same has been passed to the customers. In this regard, FFC, along with other industries, filed a review petition before the SCP on the grounds that a factual determination may be carried out to determine how much of the GIDC burden has actually been passed on, amongst other grounds. Later on SCP while deciding the review petition on November 2, 2020, disposed off the review petition against the gas consumers including FFC and stated that the Government of Pakistan is agreeable to recover the arrears in 48 monthly installments instead of 24 monthly installments.

FFC also filed a Suit with the Sindh High Court in September 2020 against collection of GIDC installments, before a factual determination of GIDC pass on is carried out, and the Sindh High Court granted a stay in September 2020 against recovery of GIDC payable from FFC till the finalisation of matter by Sindh High Court. The matter is currently pending in the Sindh High Court.

Pursuant to the above decisions of the SCP and without prejudice to the suit filed in Sindh High Court, FFC, on prudent basis has re-measured its GIDC liability payable to Mari Petroleum Company Limited (on behalf of the Government of Pakistan) in 48 monthly installments commencing from August 2020. This modification in timing of settlement of GIDC liability reflects substantially different terms from the original liability recognized upto July 2020.

The management has applied the requirements of "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) in January 2021, for recognition, measurement and presentation of the GIDC liability in these consolidated financial statements and applied IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in developing and applying an accounting policy through drawing analogy from an IFRS dealing with similar and related matters. The new modified liability has been accounted for under the measurement principles of IFRS – 9 "Financial Instruments" and the original liability has been extinguished and new modified liability recognized at fair value using effective interest rate method. The new modified liability has been measured initially at present value of all future cash payments discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating i.e. FFC's incremental borrowing rate. Gain on extinguishment of original GIDC liability has been credited to the profit or loss for the year. Subsequently, such new modified liability would be carried at amortized cost. Current and non-current portion of the new modified liability have been segregated in the statement of financial position as at December 31, 2020.

		Note	2020	2019
			Rs '000	Rs '000
10.	**DEFERRED LIABILITIES**			
	Deferred tax liability - net	10.1	6,916,488	4,193,829
	Provision for compensated leave absences			
	/ retirement benefits	10.2	1,624,860	1,802,846
			8,541,348	5,996,675
10.1	**Deferred tax liability - net**			
	The balance of deferred tax is in respect of the			
	following major temporary differences:			
	Accelerated depreciation / amortization		3,262,000	3,095,000
	Provision for slow moving spares, loss allowance,			
	other receivables and investments		(1,421,696)	(476,000)
	GIDC payable		1,718,696	–
	Tax on equity accounted investment		3,281,933	1,584,230
	Re-measurement of investments		75,555	(9,401)
			6,916,488	4,193,829
	The gross movement in the deferred tax liability			
	during the year is as follows:			
	Balance at the beginning		4,193,829	4,511,457
	Tax credit recognized in profit or loss		2,185,504	(467,898)
	Tax credit recognised in other comprehensive income		537,155	150,270
	Balance at the end		6,916,488	4,193,829

10.2 Actuarial valuation has not been carried out for compensated leave absences as the impact is considered to be immaterial.

		Note	2020	2019
			Rs '000	Rs '000
11.	**TRADE AND OTHER PAYABLES**			
	Creditors			
	- GIDC payable - current portion	9	23,945,221	61,064,027
	- Others		3,438,406	2,084,024
			27,383,627	63,148,051
	Accrued liabilities		7,108,282	5,764,751
	Consignment account with			
	Fauji Fertilizer Bin Qasim Limited (related party) - unsecured		2,185,183	3,242,126
	Sales tax payable - net		63,385	63,899
	Deposits	11.1	191,556	167,738
	Retention money		137,568	167,894
	Advances from customers		6,443,961	722,162
	Workers' Welfare Fund		1,633,539	1,598,511
	Workers' Profit Participation Fund		179,025	–
	Payable to Fauji Foundation (related party) - current account		52,500	–
	Payable to gratuity fund - related party	11.2.1	734,965	739,538
	Payable to pension fund- related party	11.2.1	439,697	443,178
	Payable to provident fund - related party		–	14,004
	Other liabilities		375,003	237,271
			46,928,291	76,309,123

11.1 These represent unutilizable amounts received as security deposits from dealers and suppliers of the Group, and are kept in separate bank accounts.

		Funded gratuity Rs '000	Funded pension Rs '000	2020 Total Rs '000	2019 Total Rs '000
11.2	**RETIREMENT BENEFIT FUNDS**				
11.2.1	**The amounts recognized in the statement of financial position are as follows:**				
	Present value of defined benefit obligation	3,124,870	4,634,342	7,759,212	7,212,884
	Fair value of plan assets	(2,389,905)	(4,194,645)	(6,584,550)	(6,030,168)
	Liability	734,965	439,697	1,174,662	1,182,716
11.2.2	**Amount recognised in the profit or loss is as follows:**				
	Current service cost	165,205	109,468	274,673	248,368
	Net interest cost / (income)	88,519	50,252	138,771	94,617
		253,724	159,720	413,444	342,985
11.2.3	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	2,934,297	4,278,587	7,212,884	6,445,749
	Current service cost	165,205	109,468	274,673	248,368
	Interest cost	345,099	504,398	849,497	842,520
	Benefits paid	(248,002)	(231,651)	(479,653)	(543,471)
	Re-measurement of defined benefit obligation	(71,729)	(26,460)	(98,189)	219,718
	Present value of defined benefit obligation at end	3,124,870	4,634,342	7,759,212	7,212,884
11.2.4	**The movement in fair value of plan assets are as follows:**				
	Fair value of plan assets at beginning	2,194,759	3,835,409	6,030,168	5,716,184
	Expected return on plan assets	256,580	454,146	710,726	747,903
	Contributions	253,724	229,720	483,444	342,985
	Benefits paid	(248,002)	(231,651)	(479,653)	(543,471)
	Re-measurement of plan assets	(67,156)	(92,979)	(160,135)	(233,433)
	Fair value of plan assets at end	2,389,905	4,194,645	6,584,550	6,030,168
11.2.5	**Actual return on plan assets**	189,424	361,167	550,591	514,470
11.2.6	**Contributions expected to be paid to the plan during the next year**	229,632	147,967	377,599	413,444
11.2.7	**Plan assets comprise of:**				
	Investment in debt securities	1,255,547	2,758,874	4,014,421	388,059
	Investment in equity securities	784,805	1,069,158	1,853,963	1,883,333
	Deposits with banks	62,655	164,796	227,451	3,438,932
	Mutual Funds	286,898	201,817	488,715	319,844
		2,389,905	4,194,645	6,584,550	6,030,168

11.2.8 The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Funds, at the beginning of the year, for returns over the entire life of the related obligations.

		2020		2019	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
		Rs '000	Rs '000	Rs '000	Rs '000
11.2.9	**Movement in liability recognised in the statement of financial position:**				
	Opening liability	739,538	443,178	525,210	204,355
	Cost for the year recognised in profit or loss	253,724	159,720	218,426	124,559
	Employer's contribution during the year	(253,724)	(229,720)	(218,426)	(124,559)
	Total amount of re-measurement recognised in consolidated comprehensive income (OCI) during the year	(4,573)	66,519	214,328	238,823
	Closing liability	734,965	439,697	739,538	443,178
11.2.10	**Re-measurements recognised in consolidated OCI during the year:**				
	Re-measurement (gain) / loss on obligation	(71,729)	(26,460)	128,896	90,822
	Re-measurement loss on plan assets	67,156	92,979	85,432	148,001
	Re-measurement (gain) / loss recognised in consolidated OCI	(4,573)	66,519	214,328	238,823

		2020		2019	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
		%	%	%	%
11.2.11	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	8.50	8.50	12.00	12.00
	Expected rate of salary growth - short term				
	Management	8.50	8.50	12.00	12.00
	Non-Management	8.50	–	12.00	–
	Expected rate of salary growth - long term				
	Management	8.50	8.50	12.00	12.00
	Non-Management	8.50	–	12.00	–
	Expected rate of return on plan assets	8.50	8.50	12.00	12.00
	Expected rate of increase in post retirement pension				
	Short term	–	3.00	–	6.25
	Long term	–	2.75	–	6.25
	Maximum pension limit increase rate	–	3.00	–	6.25
	Minimum pension limit increase rate	–	3.00	–	5.75
	Demographic assumptions				
	Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1
	Rates of employee turnover				
	Management	Moderate	Moderate	Moderate	Moderate
	Non-Management	Light	–	Light	–

11.2.12 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

	2020 Defined benefit obligation		2019 Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease	Effect of 1 percent increase	Effect of 1 percent decrease
	Rs '000	Rs '000	Rs '000	Rs '000
Discount rate	(655,470)	779,517	(601,098)	712,024
Future salary growth	260,358	(239,763)	237,122	(218,694)
Future pension	364,655	(313,488)	333,600	(287,506)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

11.2.13 The weighted average number of years of defined benefit obligation is given below:

	2020		2019	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	Years	Years	Years	Years
Plan duration	7.07	9.69	6.88	9.63

11.2.14 The Group contributes to the pension and gratuity funds on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any deficit. If there is a surplus, the Group takes a contribution holiday.

	2020		2019	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	Rs '000	Rs '000	Rs '000	Rs '000
11.2.15 Distribution of timing of benefit payments:				
1 year	393,166	364,374	285,562	264,402
2 years	407,327	364,092	508,817	387,003
3 years	280,543	313,411	310,782	336,215
4 years	334,469	360,784	327,409	339,947
5 years	432,532	389,538	357,360	387,389
6-10 years	2,173,724	2,213,240	2,618,969	2,524,565

11.2.16 Salaries, wages and benefits expense, stated in notes 29 and 30 include retirement benefits in respect of gratuity fund, provident fund, pension plan and compensated absences amounting to Rs 230,204 thousand, Rs 169,246 thousand, Rs 135,935 thousand and Rs 308,398 thousand respectively (2019: Rs 201,575 thousand, Rs 164,478 thousand, Rs 112,453 thousand and Rs 248,649 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under Inter Company Services Agreements.

11.3 Defined contribution plan

Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017, and the rules formulated for the purpose, except for the prescribed limit for listed securities.

11.4 FFF operates defined benefit scheme for its employees. FFF contributed to the scheme on the advice of the scheme's actuary. At year end the present value of defined benefit obligation is Rs 21,360 thousand and impact on represents current service cost and net interest cost of Rs 4,469 thousand and Rs 1,680 thousand respectively.

	2020	2019
	Rs '000	Rs '000
12. MARK-UP AND PROFIT ACCRUED		
On long term borrowings		
From conventional banks	105,717	217,085
From Islamic banks	13,471	3,789
	119,188	220,874
On short term borrowings		
From conventional banks	113,297	484,091
From Islamic banks	46,260	6,536
	159,557	490,627
	278,745	711,501

13. SHORT TERM BORROWINGS - SECURED

The Group has obtained short term running finance facilities from various banks, under separate terms and agreements. The total amounts outstanding against each facility at the year end and the terms of each facility are given below:

	Note	2020	2019
		Rs '000	Rs '000
Lending institutions			
From conventional banks	13.1		
MCB Bank Limited		2,400,000	300,001
Allied Bank Limited		1,980,790	1,346,927
United Bank Limited		5,006,002	963,872
Askari Bank Limited		2,303,598	4,426,551
Bank Alfalah Limited		980,467	992,143
Bank of Punjab		–	10
Habib Bank Limited		768,200	3,500,637
National Bank of Pakistan		1,194,773	1,200,000
Habib Metropolitan Bank Limited		989,996	9
JS Bank Limited		19,920	4,679,204
JS Bank Limited		–	2,394,254
JS Bank Limited		19,306	–
Standard Chartered Bank (Pakistan) Limited		4,921,188	–
		20,584,240	19,803,608
From Islamic banks	13.2		
Meezan Bank Limited		4,693,046	2,689,345
		4,693,046	2,689,345
		25,277,286	22,492,953

13.1 Short term borrowings are available from various banking companies under mark-up arrangements against facilities amounting to Rs 47,760,000 thousand (2019: Rs 40,760,000 thousand) which represent the aggregate of all facility agreements between FFC and respective banks. The per annum rates of mark-up are 1 week KIBOR minus 0.05%, 1 month KIBOR minus 0.05% to 1 month KIBOR + 0.35% and 3 month KIBOR minus 0.10% to 3 month KIBOR + 0.20% (2019: 1 month KIBOR + 0.10% to 0.35% and 3 month KIBOR + 0.05% to 0.25%). The facilities are secured by pari passu / ranking hypothecation charges on assets of FFC besides lien over PKR Term Deposits and Pakistan Investment Bonds in certain cases. The facilities have various maturity dates upto August 31, 2021.

13.2 Shariah compliant short term borrowing is available from banking company under profit arrangement against facility amounting to Rs 5,000,000 thousand (2019: Rs 2,900,000 thousand) which represent the aggregate of all facility agreement between FFC and respective bank. The per annum rates of profit ranges between 3 month KIBOR minus 0.05% to 0.05% (2019: 3 month KIBOR + 0.05% to 0.12%). The facility is secured by ranking hypothecation charges on assets of FFC besides lien over debt investments. The maturity date is upto May 31, 2021.

		2020	2019
		Rs '000	Rs '000
14.	**CONTINGENCIES AND COMMITMENTS**		
14.1	**Contingencies:**		
	i) Guarantees issued by banks on behalf of the Group	5,140,917	3,994,413
	ii) Claims against FFC and / or potential exposure not acknowledged as debt	50,696	50,696
	iii) Group's share of contingencies in Fauji Fertilizer Bin Qasim Limited	23,691,595	20,889,757
	iv) Group's share of contingencies in Fauji Cement Company Limited as at September 30, 2020 (2019: September 30, 2019)	117,936	120,932
	v) Group's share of contingencies in Askari Bank Limited as at September 30, 2020 (2019: September 30, 2019)	94,191,496	83,015,441

vi) Penalty of Rs 5,500,000 thousand imposed by the Competition Commission of Pakistan (CCP) in 2013, for alleged unreasonable increase in urea prices, which was set aside by the Competition Appellate Tribunal, in appeal filed by FFC, who also remanded the case back to CCP to decide the case afresh under guidelines provided by the Tribunal. CCP did not challenge this order before the Supreme Court of Pakistan in appeal within the stipulated time, thus making the appeal time barred. However CCP, under the said Tribunal guidelines, may resume proceedings but FFC remains confident of successfully defending these unreasonable claims in future as well.

		2020	2019
		Rs '000	Rs '000
14.2	**Commitments in respect of:**		
	i) Capital expenditure	1,613,024	1,213,292
	ii) Purchase of fertilizer, stores, spares and other operational items	2,060,554	1,347,209
	iii) Group's share of commitments of PMP as at September 30, 2020 (2019: September 30, 2019)	6,232	32,885
	iv) Investment in Thar Energy Limited	2,307,192	2,235,724
	v) Contracted out services	102,546	289,135

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Lease hold land	Building and structures on freehold land	Building and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Right of use asset	Capital work in progress (note 15.4)	Total
								Rs '000							
As at January 1, 2019															
Cost	775,608	178,750	6,153,429	2,106,864	26,517	50,604,550	2,361,100	1,339,309	493,480	825,135	2,495,297	26,891	198	621,090	68,008,218
Accumulated depreciation	–	(178,750)	(3,053,418)	(518,108)	(26,517)	(25,570,168)	(1,993,066)	(892,100)	(273,090)	(601,808)	(2,100,496)	(25,529)	(198)	–	(35,233,248)
Net Book Value	775,608	–	3,100,011	1,588,756	–	25,034,382	368,034	447,209	220,390	223,327	394,801	1,362	–	621,090	32,774,970
Year ended December 31, 2019															
Opening net book value	775,608	–	3,100,011	1,588,756	–	25,034,382	368,034	447,209	220,390	223,327	394,801	1,362	–	621,090	32,774,970
Right of use asset recognised on adoption															
of IFRS 16 as at January 1, 2019													79,274		79,274
Transfers / Adjustments	–	–	–	–	–	(2,712)	–	2,197	515	–	–	–	–	(133,543)	(133,543)
Additions	–	–	186,874	95,219	–	953,976	60	97,059	38,561	63,497	217,555	1,397	108,972	1,841,403	3,604,573
Disposals															
Cost	(306,345)	–	–	–	–	(18,699)	–	(1,333)	(19,128)	(11,070)	(33,502)	(23,077)	–	(70,920)	(484,074)
Depreciation	–	–	–	–	–	5,567	–	1,269	19,005	10,537	33,502	23,077	–	–	92,957
	(306,345)	–	–	–	–	(13,132)	–	(64)	(123)	(533)	–	–	–	(70,920)	(391,117)
Depreciation charge	–	–	(251,840)	(109,897)	–	(2,149,771)	(177,360)	(125,819)	(39,898)	(84,796)	(172,233)	(1,089)	(63,296)	–	(3,175,999)
Balance as at December 31, 2019	469,263	–	3,035,045	1,574,078	–	23,822,743	190,734	420,582	219,445	201,495	440,123	1,670	124,950	2,258,030	32,758,158
As at January 1, 2020															
Cost	469,263	178,750	6,340,303	2,202,083	26,517	51,537,115	2,361,160	1,437,232	513,428	877,562	2,679,350	5,211	188,444	2,258,030	71,074,448
Accumulated depreciation	–	(178,750)	(3,305,258)	(628,005)	(26,517)	(27,714,372)	(2,170,426)	(1,016,650)	(293,983)	(676,067)	(2,239,227)	(3,541)	(63,494)	–	(38,316,290)
Net Book Value	469,263	–	3,035,045	1,574,078	–	23,822,743	190,734	420,582	219,445	201,495	440,123	1,670	124,950	2,258,030	32,758,158
Year ended December 31, 2020															
Opening net book value	469,263	–	3,035,045	1,574,078	–	23,822,743	190,734	420,582	219,445	201,495	440,123	1,670	124,950	2,258,030	32,758,158
Additions	–	–	184,241	–	–	3,567,146	137,455	152,191	80,132	92,000	141,857	271	8,050	166,181	4,529,524
Transfers / Adjustments	–	–	(43,073)	–	–	35,829	–	7,666	(420)	91	–	–	–	(1,488,573)	(1,488,480)
Disposals															
Cost	(91)	–	–	–	–	(7,664)	–	(22,401)	(9,156)	(36,223)	(15,606)	–	–	–	(91,141)
Depreciation	–	–	–	–	–	2,863	–	22,394	8,107	36,223	15,606	–	–	–	85,193
	(91)	–	–	–	–	(4,801)	–	(7)	(1,049)	–	–	–	–	–	(5,948)
Depreciation charge	–	–	(274,640)	(98,461)	–	(2,246,303)	(116,270)	(107,360)	(41,392)	(82,009)	(183,973)	(914)	(45,995)	–	(3,197,317)
Balance as at December 31, 2020	469,172	–	2,901,573	1,475,617	–	25,174,614	211,919	473,072	256,716	211,577	398,007	1,027	87,005	935,638	32,595,937
As at December 31, 2020															
Cost	469,172	178,750	6,481,471	2,202,083	26,517	55,132,426	2,498,615	1,574,688	583,984	933,430	2,805,601	5,482	196,494	935,638	74,024,351
Accumulated depreciation	–	(178,750)	(3,579,898)	(726,466)	(26,517)	(29,957,812)	(2,286,696)	(1,101,616)	(327,268)	(721,853)	(2,407,594)	(4,455)	(109,489)	–	(41,428,414)
Net Book Value	469,172	–	2,901,573	1,475,617	–	25,174,614	211,919	473,072	256,716	211,577	398,007	1,027	87,005	935,638	32,595,937
Rate of depreciation in %	–	6.25 to 9.25	5 to 10	5	5	5 to 5.5	20	15	10	20	15 to 33.33	30	20	–	

		Note	2020 Rs '000	2019 Rs '000
15.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	29	3,066,038	3,039,410
	Administrative and distribution expenses	30	121,907	129,614
	Other expenses		1,852	1,972
	Charged to FFBL under the Company Services Agreement		7,520	5,003
			3,197,317	3,175,999

15.2 No fixed assets having net book value in excess of Rs 500 thousand were sold during the year.

15.3 **Details of immovable property (land and building) in the name of the Group companies:**

Location	Usage	Area
FFC		
Sona Tower, 156 - The Mall, Rawalpindi Cantt, Punjab	Head office building	16 kanals and 7.5 marlas
Goth Machhi, Sadiqabad (District: Rahim Yar Khan), Punjab	Manufacturing plant including allied facilities	1,285 acres, 5 kanals and 7 marlas
Mirpur Mathelo (District: Ghotki), Sindh	Manufacturing plant including allied facilities	575 acres, 4 kanals and 16 marlas
FFC Warehouse, G T Road Adda Yousafwala, (District: Sahiwal), Punjab	Warehouse	3 acres, 2 kanals and 11 marlas
FFC Warehouse Opposite Chiniot Railway Station Bypass Road Chiniot (District Chiniot), Punjab	Warehouse	5 acres, 2 kanals and 3 marlas
FFC Warehouse Main Highway Road Dhabeji (District: Thatta), Sindh	Warehouse	16 marlas and 136 sqft
18 Khaira Gali (District: Abbottabad), Khyber Pakhtunkhwa	Guesthouse	1 kanal and 3 marlas
FFCEL		
Deh Kohistan, Taluka Jhampir (District: Thatta), Sindh	Production plant including allied facilities	1,283 acres
FFF		
16-Km Sahiwal Pakpattan Road, Sahiwal (District: Sahiwal), Punjab	Production plant including allied facilities	74 acres

		2020 Rs '000	2019 Rs '000
15.4	**Capital Work in Progress**		
	Civil works	84,358	162,264
	Plant and machinery (including in transit items)	851,280	2,095,766
		935,638	2,258,030

		Note	2020	2019
			Rs '000	Rs '000
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	5,396	12,744
	Goodwill	16.2	1,932,561	1,932,561
			1,937,957	1,945,305
16.1	**Computer Software**			
	Balance at the beginning		12,744	9,223
	Additions during the year		100	8,964
	Amortisation charged for the year	16.1.1	(7,448)	(5,443)
	Balance at the end		5,396	12,744
	Amortisation rate		33 1/3%	33 1/3%
16.1.1	**Amortisation charge has been allocated as follows:**			
	Cost of sales	29	3,709	2,712
	Administrative and distribution expenses	30	3,739	2,731
			7,448	5,443
16.2	**Goodwill**			
	Goodwill on acquisition of Pak Saudi Fertilizer Company Limited	16.2.1	1,569,234	1,569,234
	Goodwill on acquisition of Fauji Fresh n Freeze Limited	16.2.2	363,327	363,327
			1,932,561	1,932,561

16.2.1 This represents excess of the amount paid over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 12.87% per annum. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

16.2.2 This represents excess of the amount paid by FFC over fair value of net assets of Fauji Fresh n Freeze Limited on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections for a period of 5 years and terminal value determined based on terminal growth rate of 4% (2019: 5%). The cash flows are discounted using a discount rate of 12.87% (2019: 14.53%). Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2020	2019
			Rs '000	Rs '000
17.	**LONG TERM INVESTMENTS**			
	Equity accounted investments	17.1	57,538,122	44,877,513
	Other long term investments	17.2	4,974,076	4,381,223
			62,512,198	49,258,736

		Note	2020	2019
			Rs '000	Rs '000
17.1	**Equity accounted investments**			
	Investment in associated companies - equity method			
	Fauji Cement Company Limited (FCCL)	17.2.1		
	Balance at the beginning		2,137,474	2,120,849
	Share of profit for the year		23,316	157,250
	Dividend received		–	(140,625)
			2,160,790	2,137,474
	Fauji Fertilizer Bin Qasim Limited (FFBL)	17.2.2		
	Balance at the beginning		17,561,761	20,742,207
	Advance against issue of right shares		2,493,774	–
	Share of profit / (loss) for the year		3,219,922	(3,177,170)
	Share of OCI for the year		776,322	462,616
	Dividend received		–	(465,892)
			24,051,779	17,561,761
	Askari Bank Limited (AKBL)	17.2.3		
	Balance at the beginning		18,998,792	17,367,437
	Share of profit for the year		4,637,970	2,240,515
	Share of OCI for the year		1,899,908	(65,392)
	Dividend received		(815,652)	(543,768)
			24,721,018	18,998,792
	Thar Energy Limited (TEL)	17.2.4		
	Balance at the beginning		3,189,926	1,445,604
	Investment during the year		–	1,329,318
	Advance against issue of shares		–	416,533
	Share of (loss) for the year		(4,263)	(1,529)
	Share of OCI for the year		714	–
			3,186,377	3,189,926
	Investment in joint venture - equity method			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	17.2.5		
	Balance at the beginning		2,989,560	2,521,691
	Share of profit for the year		419,746	401,615
	Gain on translation of net assets		344,377	581,953
	Dividend received		(335,525)	(515,699)
			3,418,158	2,989,560
			57,538,122	44,877,513
17.2	**Other long term investments**			
	Investment at fair value through other comprehensive income	17.3		
	Term Deposit Receipts - from conventional banks		125,548	155,116
	Bank Alfalah Term Finance Certificate		200,000	–
	Pakistan Investment Bonds		4,736,896	4,272,285
			5,062,444	4,427,401
	Less: Current portion shown under short term investments at fair value through other comprehensive income			
	Term Deposit Receipts - from conventional banks		21,516	46,178
	Pakistan Investment Bonds		66,852	–
			88,368	46,178
			4,974,076	4,381,223

17.2.1 Investment in FCCL - at equity method

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% (2019: 6.79%) of its share capital as at December 31, 2020. Market value of FFC's investment as at December 31, 2020 was Rs 2,031,563 thousand (2019: Rs 1,458,750 thousand). FCCL is an associate due to common directorship.

17.2.2 Investment in FFBL - at equity method

Investment in FFBL represents 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% (2019: 49.88%) of FFBL's share capital as at December 31, 2020. Market value of FFC's investment as at December 31, 2020 was Rs 11,796,385 thousand (2019: Rs 9,094,212 thousand). During the year, FFC has given advance to FFBL for issue of right shares amounting to Rs 2,493,774 thousand. Subsequent to the year end 178,127 thousand number of shares were issued against advance. Pursuant to an agreement dated October 16, 2014, FFC has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of FFC in all general meetings. Further, FFC has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of FFBL, shall be nominated by FF. Management of FFC has carried out an impairment analysis for this investment, based on future expected cash flows for the future years and terminal values. The future cash flows have been discounted at weighted average cost of capital of 12.87% (2019: 14.53%) and terminal growth rate of 3% (2019: 3%). Based on this analysis management believes that this investment is carried at its recoverable amount in the consolidated financial statements.

17.2.3 Investment in AKBL - at equity method

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2019: 43.15%) of AKBL's share capital. Market value of FFC's investment as at December 31, 2020 was Rs 12,718,734 thousand (2019: Rs 10,081,459 thousand). Pursuant to an agreement dated October 16, 2014, FFC has agreed to issue to Fauji Foundation (FF), irrevocable proxies to allow FF to vote on behalf of FFC in all general meetings. Further, FFC has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of AKBL, shall be nominated by FF. Management of FFC has carried out an impairment analysis for this investment, based on future expected cash flows for the future years and terminal values. The future cash flows have been discounted at weighted average cost of capital of 12.87% (2019: 14.53%) and terminal growth rate of 3% (2019: 3%). Based on this analysis management believes that this investment is carried at its recoverable amount in the consolidated financial statements.

17.2.4 Investment in TEL - at equity method

Investment in TEL represents 320,625 thousand (2019: 278,971 thousand) fully paid ordinary shares of Rs 10 each. FFC currently holds 30% shareholding interest in TEL. TEL is a public limited Company. TEL is the subsidiary of the HUB Power Company Limited. The principal activities of TEL are to develop, own, operate and maintain a 1 x 330 MW mine-mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh.

17.2.5 Investment in PMP - at equity method

Investment in PMP represents 12.5% (2019: 12.5%) equity participation in PMP, amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between FFC, Fauji Foundation (FF), FFBL and Office Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market Phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the Shareholders' agreement, if any legal restriction is laid on dividends by PMP, the investment will be converted to interest bearing loan. FFC has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

17.3 Investments at fair value through other comprehensive income (FVTOCI)

Term Deposits Receipts (TDR)

These represent placement in Term Deposit Receipts with financial institution having tenure from one to five years with returns ranging from 4.49% to 12.58% per annum (2019: 4.49% to 11.83% per annum).

Bank Alfalah Term Finance Certificate

This represent investment in Bank Alfalah Term Finance Certificate having tenure of 3 years and a fixed return of 9.03% per annum.

Pakistan Investment Bonds (PIB)

Pakistan Investment Bonds with 3, 5 and 10 years tenure having aggregate face value of Rs 4,665 thousand are due to mature within a period of 9 years. Profit on fixed rate PIBs is payable on half yearly basis with coupon rates ranging from 8 % to 12 % per annum and floating rate PIB at weighted average 6 months T bill yield + 0.7%. The Pakistan Investment Bonds are placed with banks as collateral to secure borrowing facilities.

17.4 Summary financial information of equity accounted investees

Associates

The following table summarizes the financial information of associated companies as included in their own financial statements for the year ended December 31, 2020 and September 30, 2020, which have been used for accounting under equity method as these were the latest approved financial statements.

Reporting date of FFBL is December 31 and reporting date of AKBL, FCCL and TEL is September 30. Accordingly, results of operations of three quarters of financial year 2020 and last quarter of financial year 2019 have been considered for AKBL and results of first quarter operations of financial year 2020 and three quarters of financial year 2019 have been considered for FCCL. Results for twelve months from October 2019 to September 2020 have been considered for TEL. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in associate

			2020		
	FCCL	FFBL	AKBL	TEL	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Percentage of shareholding	6.79%	49.88%	43.15%	30.00%	
Non-current assets / Total assets (AKBL)	21,886,860	74,317,202	970,609,065	32,811,477	1,099,624,604
Current assets (including cash and cash equivalents)	7,796,633	60,804,886	–	1,012,398	69,613,917
Total assets	29,683,493	135,122,088	970,609,065	33,823,875	1,169,238,521
Non-current liabilities / Total liabilities (AKBL)	(4,422,933)	(52,859,937)	(919,338,906)	(3,192,754)	(979,814,530)
Current liabilities	(4,760,656)	(59,814,080)	–	(19,948,239)	(84,522,975)
Total liabilities	(9,183,589)	(112,674,017)	(919,338,906)	(23,140,993)	(1,064,337,505)
Net assets at fair value (100%)	20,499,904	22,448,071	51,270,159	10,682,882	104,901,016
Non-controlling interest of associate	–	(2,361,285)	–	–	(2,361,285)
Net assets attributable to Group (100%)	20,499,904	20,086,786	51,270,159	10,682,882	102,539,731
Groups share of net assets	1,391,943	10,019,289	22,123,074	3,204,865	36,739,171
Impact of fair value adjustment on retained interest in associates at loss of control	–	12,369,865	3,108,749	–	15,478,614
Goodwill	823,365	–	–	–	823,365
Other adjustments	(54,518)	1,662,625	(510,805)	(18,488)	1,078,814
Carrying amount of interest in associate	2,160,790	24,051,779	24,721,018	3,186,377	54,119,964
Revenue	18,489,685	98,060,962	80,984,613	–	197,535,260
Profit from continuing operations (100%)	343,383	6,455,337	10,748,481	(14,209)	17,532,992
Other comprehensive income (100%)	–	1,556,379	4,403,033	2,380	5,961,792
Total comprehensive income (100%)	343,383	8,011,716	15,151,514	(11,829)	23,494,784
Group share of profit / (loss) from continuing operations	23,316	3,219,922	4,637,970	(4,263)	7,876,945
Group share of other comprehensive income	–	776,322	1,899,908	714	2,676,944
Group's share of total comprehensive income/(loss)	23,316	3,996,244	6,537,878	(3,549)	10,553,889

	2019 FCCL Rs '000	FFBL Rs '000	AKBL Rs '000	TEL Rs '000	Total Rs '000
Percentage of shareholding	6.79%	49.88%	43.15%	30.00%	
Non current assets / Total assets (AKBL)	22,987,482	71,722,175	824,360,799	22,284,627	941,355,083
Current assets (including cash and cash equivalents)	5,952,752	62,306,727	–	1,393,429	69,652,908
Total assets	28,940,234	134,028,902	824,360,799	23,678,056	1,011,007,991
Non-current liabilities / Total liabilities (AKBL)	(4,173,357)	(36,082,657)	(786,385,369)	–	(826,641,383)
Current liabilities	(4,610,356)	(87,217,104)	–	(14,508,497)	(106,335,957)
Total liabilities	(8,783,713)	(123,299,761)	(786,385,369)	(14,508,497)	(932,977,340)
Net assets at fair value (100%)	20,156,521	10,729,141	37,975,430	9,169,559	78,030,651
Non-controlling interest of associate	–	(1,582,983)	(45,222)	–	(1,628,205)
Net assets attributable to Group (100%)	20,156,521	9,146,158	37,930,208	9,169,559	76,402,446
Groups share of net assets	1,368,628	4,562,104	16,366,885	2,750,868	25,048,485
Impact of fair value adjustment on retained interest in associates at loss of control	–	12,369,865	3,108,749	–	15,478,614
Goodwill	823,365	–	–	–	823,365
Other adjustments	(54,519)	629,792	(476,842)	439,058	537,489
Carrying amount of interest in associate	2,137,474	17,561,761	18,998,792	3,189,926	41,887,953
Revenue	19,698,826	81,520,667	63,415,067	–	164,634,560
Profit / (loss) from continuing operations	2,315,907	(6,369,628)	5,192,387	(5,097)	1,133,569
Other comprehensive income (100%)	–	927,458	(151,546)	–	775,912
Total comprehensive income (100%)	2,315,907	(5,442,170)	5,040,841	(5,097)	1,909,481
Group share of profit/(loss) from continuing operations	157,250	(3,177,170)	2,240,515	(1,529)	(780,934)
Group share of other comprehensive income/(loss)	–	462,616	(65,392)	–	397,224
Group's share of total comprehensive income/(loss)	157,250	(2,714,554)	2,175,123	(1,529)	(383,710)

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates.

	2020 Rs '000	2019 Rs '000
Carrying amount of interests in associates	54,119,964	41,887,953
Share of:		
- Profit / (loss) from continuing operations	7,876,945	(780,934)
- Other Comprehensive Income	2,676,944	397,224

Joint venture

The following table summarizes the financial information of PMP as included in its own financial statements for the period ended September 30, 2020, which have been used for accounting under equity method as these were the latest approved financial statements. Further, results of operations of last quarter of 2019 have also been considered for equity accounting. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in PMP.

	2020 Rs '000	2019 Rs '000
Percentage ownership interest	12.5%	12.5%
Non-current assets	11,255,250	11,372,715
Current assets	29,153,973	22,987,207
Non-current liabilities	(113,601)	(5,034)
Current liabilities	(12,950,358)	(10,438,409)
Net Assets (100%)	27,345,264	23,916,479
Group's share of net assets (12.5%)	3,418,158	2,989,560
Revenue	39,214,100	32,922,418
Depreciation and amortization	(1,687,457)	(1,599,417)
Interest expense	(142,785)	48,325
Income tax expense	(1,311,360)	(653,237)
Other expenses	(32,714,534)	(27,505,170)
Profit and total comprehensive Income (100%)	3,357,964	3,212,919
Profit and total comprehensive Income (12.5%)	419,746	401,615
Group's share of total comprehensive income	419,746	401,615

This represents FFC's share of translation reserve of PMP. This has arisen due to movement in exchange rate parity between the Moroccan and Pakistani Rupee.

Following particulars relate to investment made in the foreign company:

Particulars	**Pakistan Maroc Phoshore S.A., Morocco**
Name and jurisdiction of associated company	Pakistan Maroc Phosphore S.A., Morocco
Name and address of beneficial owner	Fauji Fertilizer Company Limited located at 156, The Mall Rawalpindi Cantt, Pakistan Fauji Foundation located at 68 Tipu Road, Chaklala, Rawalpindi Cantt, Pakistan Fauji Fertilizer Bin Qasim Limited located at FFBL Tower Plot No C1/C2, Sector B, Jinnah Boulevard Phase II DHA Islamabad, Pakistan Office Cherifien Des Phosphates located at Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco
Amount of investment	Rs 705,925 thousand (MAD 100,000 thousand)
Terms and conditions of investment	Equity investment
Amount of return received	Dividend 2009 Rs 42,563 thousand Dividend 2015 Rs 50,911 thousand Dividend 2016 Rs 55,720 thousand Dividend 2017 Rs 262,551 thousand Dividend 2018 Rs 144,061 thousand Dividend 2019 Rs 371,638 thousand Dividend 2020 Rs 335,525 thousand
Details of litigations	None
Details of default / breach relating to investment	None
Gain / loss on disposal of investment	Not applicable

		Note	2020	2019
			Rs '000	Rs '000
18.	**LONG TERM LOANS AND ADVANCES - SECURED**			
	Loans and advances - considered good, to:	18.1		
	Executives			
	Interest bearing		549,522	496,725
	Non-interest bearing		439,454	392,412
			988,976	889,137
	Other employees			
	Interest bearing		472,891	437,084
	Non-interest bearing		285,412	280,167
			758,303	717,251
			1,747,279	1,606,388
	Advances to suppliers	18.3	648,203	–
	Less: Amount due within twelve months, shown under current loans and advances			
	Interest bearing		191,832	178,937
	Non-interest bearing		258,117	227,414
			449,949	406,351
			1,945,533	1,200,037

18.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2020 Total	2019 Total
	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1	889,137	717,251	1,606,388	1,482,234
Adjustment	81,498	(81,498)	–	–
Disbursements	384,617	407,658	792,274	621,868
	1,355,252	1,043,411	2,398,663	2,104,102
Repayments	(366,276)	(285,108)	(651,384)	(497,714)
Balance at December 31	988,976	758,303	1,747,279	1,606,388

These subsidized and interest free loans and advances are granted to employees as per Group's policy and are repayable within one to ten years. House building loans carry mark-up at 4% per annum and are secured against the underlying assets.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 1,074,240 thousand (2019: Rs 981,214 thousand).

Management considers that the impact of recognizing loans and advances at present value of future cash flows would be immaterial, in context of overall consolidated financial statements.

18.2 Loans and advances to employees exceeding Rs 1 million

	2020		2019	
Category	No. of employees	Amount	No. of employees	Amount
		Rs '000		Rs '000
Rs 1 million to Rs 2 million	230	331,535	248	358,528
Exceeding Rs 2 million upto Rs 3 million	117	282,815	56	213,982
Exceeding Rs 3 million upto Rs 5 million	81	306,961	66	250,101
Exceeding Rs 5 million upto Rs 10 million	67	502,782	63	452,513
Exceeding Rs 10 million upto Rs 25 million	10	108,715	10	106,841
	505	1,532,808	443	1,381,965

18.3 These represent advances to suppliers for procurement of capital expenditure items.

		Note	2020	2019
			Rs '000	Rs '000
19.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Non-interest bearing deposits		25,610	28,349
	Prepayments		1,710	–
			27,320	28,349
20.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		239,798	182,008
	Spares		4,362,335	3,705,970
	Provision for slow moving spares	20.1	(562,575)	(532,923)
			3,799,760	3,173,047
	Loose tools		47	2
	Items in transit		523,267	509,345
			4,562,872	3,864,402
20.1	**Movement of provision for slow moving spares**			
	Balance at the beginning		532,923	520,619
	Provision during the year		73,632	12,304
	Reversal during the year		(43,980)	–
	Balance at the end		562,575	532,923
21.	**STOCK IN TRADE**			
	Raw materials		186,377	152,277
	Work in process		101,533	142,402
	Finished goods			
	Manufactured urea		176,057	674,520
	Purchased fertilizer		9,783	5,848,830
	Others		–	196,809
			185,840	6,720,159
	Provision for slow moving stock		(379)	–
			473,371	7,014,838
22.	**TRADE DEBTS**			
	Considered good:			
	Secured			
	against bank guarantees	22.1	2,287,336	15,514,066
	against guarantee issued by the Government of Pakistan	22.2	3,513,621	–
	Unsecured - local		72,226	93,278
	Considered doubtful:			
	Unsecured - local		3,209	1,758
			5,876,392	15,609,102
	Loss allowance	22.3	(7,148)	(3,210)
			5,869,244	15,605,892

22.1 These debts are secured by way of bank guarantees.

22.2 These trade debts are receivable from National Transmission & Dispatch Company Limited (NTDC) / Central Power Purchase Agency (CPPA) and are secured by a guarantee from Government of Pakistan (GoP) under the Implementation Agreement dated February 18, 2011. Further, any delay on payments under EPA dated April 5, 2011 carries mark-up at the rate of three month KIBOR plus 4.5% per annum. The effective rate of delayed payment markup charged during the year on outstanding amounts ranges from 12.75 % to 18.41% (2019: 13.48% to 17.42%) per annum.

		Note	2020	2019
			Rs '000	Rs '000
22.3	**Movement of loss allowance**			
	Balance at the beginning		3,210	39,313
	Provision during the year		3,938	–
	Written off during the year		–	(36,103)
	Balance at the end		7,148	3,210
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	449,949	406,351
	Loans and advances to employees - unsecured			
	- considered good, non-interest bearing			
	Executives		118,937	75,397
	Others		40,161	29,414
	Advances to suppliers - considered good		201,948	355,572
	Advances to suppliers - considered doubtful		19,856	1,572
	Loss allowance	23.1	(19,856)	(1,572)
			201,948	355,572
			810,995	866,734
23.1	**Movement of loss allowance**			
	Balance at the beginning		1,572	1,572
	Provision during the year		18,784	–
	Written off during the year		(500)	–
	Balance at the end		19,856	1,572

23.2 Loans and advances to employees exceeding Rs 1 million

Category	2020 No. of employees	2020 Amount	2019 No. of employees	2019 Amount
		Rs '000		Rs '000
Rs 1 million to Rs 2 million	8	12,195	5	7,445
Exceeding Rs 2 million upto Rs 3 million	1	2,063	3	5,076
Exceeding Rs 3 million upto Rs 5 million	–	–	2	53,348
Exceeding Rs 10 million upto Rs 25 million	4	79,413	–	–
	13	93,671	10	65,869

		2020	2019
		Rs '000	Rs '000
24.	**DEPOSITS AND PREPAYMENTS**		
	Non-interest bearing deposits	3,753	914
	Prepayments	64,512	51,979
		68,265	52,893

	Note	2020	2019
		Rs '000	Rs '000
25. OTHER RECEIVABLES			
Accrued income on investments and bank deposits			
Pakistan Investment Bonds		146,574	148,894
Conventional banks		4,910	25,050
Islamic banks		38	10
Sales tax receivable - net		14,196,402	10,085,239
Advance tax	25.1	412,483	418,742
Subsidy receivable from Government agencies	25.2	6,961,878	6,961,878
Receivable from Workers' Profit Participation			
Fund - unsecured		–	127,883
Receivable from Fauji Fertilizer Bin Qasim			
Limited - unsecured	25.3	360,188	357,729
Other receivables		477,225	237,157
Loss allowance	25.4	(1,779,404)	(792,404)
		20,780,294	17,570,178

25.1 This includes tax paid of Rs 322,368 thousand (2019: Rs 322,368 thousand) by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. The Group intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

25.2 This represents subsidy receivable on sale of Di-Ammonium Phosphate (DAP) fertilizer under schemes announced on October 25, 2015 @ Rs 500 per 50 kg bag and on June 25, 2016 @ Rs 300 per 50 kg bag respectively and subsidy receivable on sale of Urea under scheme announced on June 25, 2016 @ Rs 156 per 50 kg bag under notifications issued by Ministry of National Food Security & Research, Government of Pakistan. Finance Act, 2017 revoked subsidy on sale of DAP and also reduced Urea subsidy to Rs 100 per 50 kg bag for the financial year 2017-18.

25.3 The maximum amount of receivable from FFBL during the year was Rs 360,188 thousand (2019: Rs 174,515 thousand) respectively.

25.4 This includes loss allowance on subsidy receivable, in accordance with the requirements of IFRS. However, the management is confident of recovering the full amount of subsidy from the Government.

	Note	2020	2019
		Rs '000	Rs '000
26. SHORT TERM INVESTMENTS			
Amortized cost - conventional instruments			
Term deposits with banks and financial institutions	26.1		
Local currency (net of provision for doubtful recovery			
of Rs 2,600 thousand (2019: Rs 2,600 thousand)		1,286,000	4,167,000
Foreign currency		2,426,874	2,115,339
		3,712,874	6,282,339
Investments at fair value through profit or loss			
Conventional investments		74,767,100	37,375,252
Shariah compliant investments		4,619,771	5,503,701
	26.2	79,386,871	42,878,953
Current maturity of long term investments			
Fair value through other comprehensive income	17	88,368	46,178
		83,188,113	49,207,470

26.1 These represent investments having maturities ranging between 1 to 3 months and are being carried at amortized cost.

26.2 Fair values of these investments are determined using quoted repurchase price.

	Note	2020	2019
		Rs '000	Rs '000
27. CASH AND BANK BALANCES			
At banks			
Local currency			
Current account - Conventional banking		185,401	441,098
Current account - Islamic banking		253,744	22,506
Deposit account - Conventional banking	27.1	523,785	798,701
Deposit account - Islamic banking	27.2	23,850	6,940
		986,780	1,269,245
Foreign currency			
Deposit account (2020 US$ 65; 2019 US$ 1,179 thousand)		10	182,634
	27.3	986,790	1,451,879
Cash in transit	27.4	451,340	4,563,199
Cash in hand		123	114
		1,438,253	6,015,192

27.1 Balances with banks carry mark-up ranging from 5.50% to 6.15% (2019: 11.25% to 12.40%) per annum.

27.2 Balances with banks carry profit ranging from 3.00% to 3.02% (2019: 3.00% to 7.19%) per annum.

27.3 Balances with banks include Rs 191,556 thousand (2019: Rs 167,738 thousand) in respect of security deposits received.

27.4 These represent demand drafts held by the Group at year end.

		Note	2020	2019
			Rs '000	Rs '000
28.	**TURNOVER - NET**			
	Local		87,173,243	94,870,077
	Export		–	69,588
	Purchased and packaged fertilizers		18,527,643	18,325,228
			105,700,886	113,264,893
	Sales tax		(2,534,492)	(2,686,406)
	Trade discount and others		(422,171)	(761,098)
			(2,956,663)	(3,447,504)
			102,744,223	109,817,389
29.	**COST OF SALES**			
	Raw materials consumed		22,234,232	33,207,143
	Fuel and power		13,131,896	13,117,694
	Chemicals and supplies		615,288	487,768
	Salaries, wages and benefits		8,062,363	7,777,859
	Training and employees welfare		887,688	1,010,590
	Rent, rates and taxes		68,570	81,673
	Insurance		323,043	283,855
	Travel and conveyance		289,937	455,780
	Repairs and maintenance (includes stores and spares consumed of Rs 597,266 thousand; (2019: Rs 580,358 thousand)		1,989,187	1,901,868
	Depreciation	15.1	3,066,038	3,039,410
	Amortization	16.1.1	3,709	2,712
	Communication and other expenses	29.1	2,063,138	1,745,198
			52,735,089	63,111,550
	Opening stock - work in process		142,402	165,343
	Closing stock - work in process		(101,533)	(142,402)
			40,869	22,941
	Cost of goods manufactured		52,775,958	63,134,491
	Opening stock - manufactured		871,329	391,690
	Closing stock - manufactured		(176,057)	(871,329)
			695,272	(479,639)
	Cost of sales - manufactured		53,471,230	62,654,852
	Opening stock - purchased		5,848,830	12,232,451
	Purchase for resale		8,993,629	8,000,754
	Closing stock - purchased		(9,783)	(5,848,830)
	Cost of sale - purchased		14,832,676	14,384,375
			68,303,906	77,039,227

29.1 This includes provision for slow moving spares amounting to Rs 73,632 thousand (2019: Rs 12,304 thousand).

		Note	2020	2019
			Rs '000	Rs '000
30.	**ADMINISTRATIVE AND DISTRIBUTION EXPENSES**			
	Administrative expenses	30.1	116,124	237,172
	Product transportation		4,684,718	5,019,669
	Salaries, wages and benefits		2,044,352	2,081,469
	Training and employees welfare		145,262	141,505
	Rent, rates and taxes		265,867	293,059
	Technical services to farmers		18,463	9,257
	Travel and conveyance		181,522	191,751
	Sale promotion and advertising		272,722	329,184
	Communication and other expenses		228,947	275,346
	Warehousing expenses		198,831	173,019
	Depreciation	15.1	107,315	114,943
	Amortisation	16.1.1	1,252	1,004
			8,265,375	8,867,378
30.1	**Administrative expenses**			
	This represents administrative and general expenses of FFCEL and FFF:			
	Salaries, wages and benefits		54,541	62,784
	Travel and conveyance		4,836	13,971
	Utilities		2,677	2,790
	Printing and stationery		1,353	1,185
	Repairs and maintenance		2,148	1,202
	Communication, advertisement and other expenses		11,790	2,357
	Rent, rates and taxes		9,812	10,433
	Legal and professional		5,829	6,015
	Depreciation	15.1	14,592	14,670
	Amortisation	16.1.1	2,487	1,727
	Miscellaneous		6,059	120,038
			116,124	237,172
31.	**FINANCE COST**			
	Mark-up / profit on long term borrowings			
	Conventional banking		1,575,263	1,981,672
	Islamic banking		106,700	107,504
			1,681,963	2,089,176
	Mark-up / profit on short term borrowings			
	Conventional banking		537,157	1,143,047
	Islamic banking		107,075	46,294
			644,232	1,189,341
	Bank and other charges		87,053	33,320
			2,413,248	3,311,837

		2020	2019
		Rs '000	Rs '000
32.	**OTHER EXPENSES**		
	Research and development	601,026	647,277
	Workers' Profit Participation Fund	1,587,680	1,282,442
	Workers' Welfare Fund	432,552	422,608
	Auditors' remuneration		
	Audit fee	2,500	1,975
	Fee for half yearly review, audit of consolidated financial statements and review of Code of Corporate Governance	1,882	2,195
	Fee of subsidiary auditors	470	1,093
	Taxation services	20,786	22,716
	Out of pocket expenses	632	625
		26,270	28,604
		2,647,528	2,380,931
33.	**OTHER INCOME**		
	Income from financial assets		
	Income on loans, deposits and investments in:		
	Pakistan Investment Bonds	436,063	417,436
	Conventional banks	373,489	1,396,858
	Islamic banks	413	370
	Gain on re-measurement of investments classified as fair value through profit or loss on;		
	Conventional mutual funds	667,810	386,728
	Shariah compliant mutual funds	30,275	12,865
	Dividend income on:		
	Conventional mutual funds	2,925,625	2,575,974
	Shariah compliant mutual funds	262,364	86,368
	Exchange gain on foreign currency balances	72,547	235,614
		4,768,586	5,112,213
	Income from non-financial assets		
	Gain on disposal of property, plant and equipment	40,796	158,599
	Commission on sale of FFBL products	29,712	23,920
		70,508	182,519
	Other income		
	Scrap sales	68,444	172,329
	Others	309,139	284,510
		377,583	456,839
		5,216,677	5,751,571

		2020	2019
		Rs '000	Rs '000
34.	**PROVISION FOR TAXATION**		
	Current tax	7,404,677	6,463,386
	Prior tax	226,084	261,000
	Deferred tax	2,185,504	(467,898)
		9,816,265	6,256,488
34.1	**Reconciliation between tax expense and accounting profit**		
	Profit before tax	39,567,071	23,590,268

		2020	2019
		%	%
	Applicable tax rate	29.00	29.00
	Tax effect of income that is exempt or taxable at reduced rates	(5.90)	(1.80)
	Effect of permanent differences	2.07	–
	Effect of change in tax laws	–	0.77
	Prior year charge	0.61	0.81
	Tax loss surrendered to the Parent Company	(0.70)	(1.47)
	Others	(0.27)	(0.79)
	Average effective tax rate charged on income	24.81	26.52

34.2 In terms of the provisions of Section 59B of the Income Tax Ordinance, 2001 ('the Ordinance'), FFC has adjusted the amount of tax payable for the tax year 2020 by acquiring the loss of wholly owned subsidiary, Fauji Fresh n Freeze Limited (FFF) for the third and last year. Consequently an aggregate sum of Rs 275,473 thousand (2019: Rs 349,766 thousand) equivalent to the tax value of the loss acquired.

		2020	2019
35.	**EARNING PER SHARE - BASIC AND DILUTED**		
	Profit for the year (Rupees '000)	29,750,806	17,333,780
	Weighted average number of shares in issue (Number '000)	1,272,238	1,272,238
	Basic and diluted earnings per share (Rupees)	23.38	13.62

There is no dilutive effect on the basic earnings per share of the Group.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these consolidated financial statements in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Group are given below:

	2020		2019	
	Chief Executive	Executives	Chief Executive	Executives
	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	8,590	1,742,395	7,783	1,562,414
Contribution to provident fund	618	105,881	538	94,683
Bonus and other awards	3,703	–	3,220	–
Good performance award	–	1,805,742	–	1,605,312
Allowances and contribution to retirement benefit plans	8,183	1,522,641	7,349	1,293,253
Total	21,094	5,176,659	18,890	4,555,662
No. of person(s)	1	425	1	385

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 28,600 thousand (2019: Rs 49,754 thousand) were paid to chief executive and executives on separation, in accordance with the Company's policy.

Executive means an employee whose basic salary exceeds Rs 1,200 thousand (2019: Rs 1,200 thousand) during the year.

In addition, 19 (2019: 17) directors were paid aggregate fee of Rs 11,495 thousand (2019: Rs 6,325 thousand). Directors are not paid any remuneration except meeting fee.

37. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities			Equity	
	Long term borrowings	Lease liabilities	Government grant	Unappropriated profit	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2020	15,440,605	139,065	–	43,049,451	58,629,121
Changes from financing cash flows					
Draw-downs	8,524,330	–	–	–	8,524,330
Repayments	(5,983,656)	–	–	–	(5,983,656)
Repayment of lease liabilities	–	(43,681)	–	–	(43,681)
Dividend paid	–	–	–	(14,131,868)	(14,131,868)
Grant received	–	–	201,960	–	201,960
Total changes from financing cash flows	2,540,674	(43,681)	201,960	(14,131,868)	(11,432,915)
Other changes					
Liability related	–	8,669	–	–	8,669
Equity related					
Total comprehensive income for the year	–	–	–	29,784,239	29,784,239
Transferred to statutory reserve	–	–	–	(1,158,861)	(1,158,861)
Changes in unclaimed dividend	–	–	–	73,635	73,635
Amortisation of government grant	–	–	(81,704)	–	(81,704)
Total liability and equity related other changes	–	–	(81,704)	28,699,013	28,617,309
Balance at December 31, 2020	17,981,279	104,053	120,256	57,616,596	75,822,184

	Liabilities			Equity	
	Long term borrowings	Lease liabilities	Government grant	Unappropriated profit	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance at January 1, 2019	21,440,598	11,423	–	41,204,109	62,656,130
Changes from financing cash flows					
Draw-downs	2,600,000	–	–	–	2,600,000
Repayments	(8,599,993)	–	–	–	(8,599,993)
Repayment of lease liabilities	–	(60,604)	–	–	(60,604)
Dividend paid	–	–	–	(14,664,464)	(14,664,464)
Total changes from financing cash flows	(5,999,993)	(60,604)	–	(14,664,464)	(20,725,061)
Other changes					
Liability related	–	188,246	–	–	188,246
Equity related					
Total comprehensive income for the year	–	–	–	16,972,000	16,972,000
Transferred to statutory reserve	–	–	–	(559,530)	(559,530)
Change in unclaimed dividend	–	–	–	97,336	97,336
Total liability and equity related other changes	–	–	–	16,509,806	16,509,806
Balance at December 31, 2019	15,440,605	139,065	–	43,049,451	58,629,121

	2020	2019
	Rs '000	Rs '000
38. CASH GENERATED FROM OPERATIONS		
Profit before tax	39,567,071	23,590,268
Adjustments for:		
Gain on extinguishment of original GIDC liability	(5,926,537)	–
Loss allowance on subsidy receivable from GoP	987,000	–
Depreciation	3,189,797	3,170,996
Amortization	7,448	5,443
Provision for slow moving spares	73,632	12,304
Provision for slow moving stock	379	–
Loss allowance	22,222	–
Finance cost	2,413,248	3,311,837
Income on loans, deposits and investments	(809,965)	(1,814,664)
Gain on re-measurement of investments at fair value through profit or loss	(698,085)	(399,593)
Dividend income	(3,187,989)	–
Amortization of deferred Government grant	(81,704)	–
Exchange gain	(72,547)	(235,614)
Gain on sale of property, plant and equipment	(40,796)	(158,599)
Share of (profit) / loss of associate and joint venture	(8,296,691)	379,319
	(12,420,588)	4,271,429
	27,146,483	27,861,697
Changes in working capital		
(Increase) / decrease in current assets:		
Stores and spares	(772,102)	(387,382)
Stock in trade	6,541,088	6,271,564
Trade debts	9,732,710	(10,755,657)
Loans and advances	37,455	(324,831)
Deposits and prepayments	(15,372)	29,840
Other receivables	(4,212,028)	(2,320,428)
Decrease in current liabilities:		
Trade and other payables	9,317,369	14,851,263
	20,629,120	7,364,369
Changes in long term loans and advances	(745,496)	(86,183)
Changes in long term deposits and prepayments	1,029	2,746
Changes in deferred liabilities	(177,986)	241,904
	46,853,150	35,384,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 Financial instruments by category

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rs '000	Rs '000	Rs '000	Rs '000
December 31, 2020				
Financial assets				
Maturity up to one year				
Trade debts - net of loss allowance	5,869,244	–	–	5,869,244
Loans and advances	609,047	–	–	609,047
Deposits	3,753	–	–	3,753
Other receivables	6,171,409	–	–	6,171,409
Short term investments	3,712,874	79,386,871	88,368	83,188,113
Cash and bank balances	1,438,253	–	–	1,438,253
Maturity after one year				
Long term investments	–	–	4,974,076	4,974,076
Long term loans and advances	1,297,330	–	–	1,297,330
Long term deposits	25,610	–	–	25,610
	19,127,520	79,386,871	5,062,444	103,576,835

	Amortised Cost	Total
	Rs '000	Rs '000
Financial liabilities		
Maturity up to one year		
Current portion of long term borrowings	5,781,827	5,781,827
Current portion of lease liabilities	25,698	25,698
Trade and other payables	13,488,498	13,488,498
Markup and profit accrued	278,745	278,745
Short term borrowings	25,277,286	25,277,286
Unclaimed dividend	467,812	467,812
Maturity after one year		
Long term borrowings	12,199,452	12,199,452
Lease liabilities	78,355	78,355
Provision for compensated leave absences	1,624,860	1,624,860
	59,222,533	59,222,533

	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Rs '000	Rs '000	Rs '000	Rs '000
December 31, 2019				
Financial assets				
Maturity up to one year				
Trade debts - net of loss allowance	15,605,892	–	–	15,605,892
Loans and advances	511,162	–	–	511,162
Deposits	914	–	–	914
Other receivables	6,938,314	–	–	6,938,314
Short term investments	6,282,339	42,878,953	46,178	49,207,470
Cash and bank balances	6,015,192	–	–	6,015,192
Maturity after one year				
Long term investments	–	–	4,381,223	4,381,223
Long term loans and advances	1,200,037	–	–	1,200,037
Long term deposits	28,349	–	–	28,349
	36,582,199	42,878,953	4,427,401	83,888,553

	Amortised Cost	Total
	Rs '000	Rs '000
Financial liabilities		
Maturity up to one year		
Current portion of long term borrowings	6,085,171	6,085,171
Current portion of lease liabilities	51,967	51,967
Trade and other payables	11,677,808	11,677,808
Markup and profit accrued	711,501	711,501
Short term borrowings	22,492,953	22,492,953
Unclaimed dividend	541,447	541,447
Maturity after one year		
Long term borrowings	9,355,434	9,355,434
Lease liabilities	87,098	87,098
Provision for compensated leave absences	1,802,846	1,802,846
	52,806,225	52,806,225

39.2 Credit quality of financial assets

The credit quality of the Group financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited (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.

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	Rating	2020 Rs '000	2019 Rs '000
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past		5,869,244	15,605,892
Loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		609,047	511,162
Deposits			
Counterparties without external credit ratings			
Others		3,753	914
Other receivables			
Counterparties with external credit ratings	A1+ / A-1+	151,522	173,954
	A1 / A-1	–	4,422
	A3	–	10,159
Counterparties without external credit ratings			
Balances with related parties		360,188	174,515
Others		5,659,699	6,575,264
		6,171,409	6,938,314
Short term investments			
Counterparties with external credit ratings	A1+ / A-1+	3,734,390	6,328,517
	AM1	22,235,851	12,885,766
	AM2++/AM2/AM2+	57,151,021	29,993,187
Counterparties without external credit ratings		66,851	–
		83,188,113	49,207,470
Bank balances			
Counterparties with external credit ratings	A1+ / A-1+/P-1	986,722	1,451,807
	A1 / A-1	57	55
	A-2	9	15
	A-3	2	2
		986,790	1,451,879
Long term investments			
Counterparties with external credit ratings	AA+	304,032	108,938
Counterparties without external credit ratings		4,670,044	4,272,285
		4,974,076	4,381,223

39.2.1 Counterparties without external credit ratings

This represents PIBs issued by the Government of Pakistan

		2020	2019
Long term loans and advances			
Counterparties without external credit ratings		1,297,330	1,200,037
Long term deposits			
Counterparties without external credit ratings		25,610	28,349

39.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group'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 companies, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020	2019
	Rs '000	Rs '000
Long term investments	4,974,076	4,381,223
Loans and advances	1,906,377	1,711,199
Deposits	25,610	28,349
Trade debts - net of provision	5,869,244	15,605,892
Other receivables	6,171,409	6,938,314
Short term investments - net of provision	83,188,113	49,207,470
Bank balances	986,790	1,451,879
	103,121,619	79,324,326

Geographically, there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the Country.

The Group's most significant amount receivable is from an Asset Management Company which amounts to Rs 12,382,405 thousand (2019: Rs 6,236,710 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 2,287,336 thousand (2019: Rs 13,460,069 thousand) are secured against letter of guarantee. The Group has placed funds in financial institutions with high credit ratings. The Group assesses the credit quality of the counter parties as satisfactory. The Group does not hold any collateral as security against any of their financial assets other than trade debts.

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

Impairment losses

The aging of trade debts at the reporting date was:

	2020		2019	
	Gross	Impairment	Gross	Impairment
	Rs '000	Rs '000	Rs '000	Rs '000
Not yet due	2,456,779	–	13,251,476	–
Past due 1-30 days	355,608	–	464,552	–
Past due 31-60 days	551,289	–	1,806,964	–
Past due 61-90 days	551,289	–	52	–
Over 90 days	1,961,427	7,148	84,606	3,210
	5,876,392	7,148	15,607,650	3,210

The management believes that no impairment allowance is necessary in respect of trade debts since significant amount of past due debts are secured by way of bank guarantees.

b) Liquidity risk

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

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

	Carrying amount	Within 1 year	1 to 5 years	More than 5 years
		Contractual Amount		
	Rs '000	Rs '000	Rs '000	Rs '000
December 31, 2020				
Long term borrowings and accrued interest	18,100,467	5,901,015	12,199,452	–
Trade and other payables	13,488,498	13,488,498	–	–
Unclaimed dividend	467,812	467,812	–	–
Short term borrowings and accrued interest	25,436,843	25,436,843	–	–
Provision for compensated leave absences	1,624,860	–	1,624,860	–
Lease liabilities	104,053	25,698	78,355	–
	59,222,533	45,319,866	13,902,667	–
December 31, 2019				
Long term borrowings and accrued interest	15,661,479	6,076,786	7,924,121	–
Trade and other payables	11,677,808	11,677,808	–	–
Unclaimed dividend	541,447	541,447	–	–
Short term borrowings and accrued interest	22,983,580	22,983,580	–	–
Provision for compensated leave absences	1,802,846	–	1,802,846	–
Lease liabilities	139,065	51,967	87,098	–
	52,806,225	41,331,588	9,814,065	–

The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates.

c) Market risk

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

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exist due to transactions in foreign currency.

Exposure to Currency Risk

The Group is exposed to currency risk on bank balance and investments which are denominated in currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2020		2019	
	Rs '000	USD '000	Rs '000	USD '000
Bank balance	10	–	182,634	1,179
Investments (Term Deposit Receipts)	2,426,874	15,187	2,115,339	13,661

The following significant exchange rates applied during the year:

	2020 Average rate	2019 Average rate	2020 Reporting date rate	2019 Reporting date rate
	Rs '000	Rs '000	Rs '000	Rs '000
US Dollars	162.03	150.73	159.80	154.85

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit by Rs 242,688 thousand (2019: Rs 229,797 thousand). A 10% weakening of the functional currency against foreign currencies at December 31 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

ii) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings and long term borrowings, long term investments, loans and advances, short term investments and deposits with banks. At the reporting date the interest rate risk profile of the Group interest bearing financial instruments is:

	2020 Carrying amount	2019 Carrying amount
	Rs '000	Rs '000
Fixed rate instruments		
Financial assets	9,762,108	16,724,818
Variable rate instruments		
Financial liabilities	43,258,565	37,933,558

Fair value sensitivity analysis for fixed rate instruments

The Group is not exposed to variations in profit or loss on its fixed rate financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	100 basis points increase	100 basis points decrease
	Rs '000	Rs '000
December 31, 2020		
Cash flow sensitivity - Variable rate instruments		
Financial assets	1,300	(1,300)
Financial liabilities	(163,446)	163,446
December 31, 2019		
Cash flow sensitivity - Variable rate instruments		
Financial assets	10,016	(10,016)
Financial liabilities	(202,268)	202,268

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis – price risk

For quoted investments classified as FVTOCI, a 1 percent increase in market price at reporting date would have increased equity by Rs 47,369 thousand after tax (2019: Rs 42,690 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as fair value through profit or loss, the impact on profit would have been an increase or decrease by Rs 793,869 thousand after tax (2019: Rs 428,790 thousand). The analysis assumes that all other variables remain the same.

39.4 Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

39.5 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:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs '000	Rs '000	Rs '000	Rs '000
Assets carried at amortised cost				
Long term loans and advances	1,297,330	1,297,330	1,200,037	1,200,037
Long term deposits	25,610	25,610	28,349	28,349
Trade debts	5,869,244	5,869,244	15,605,892	15,605,892
Loans and advances	609,047	609,047	511,162	511,162
Deposits	3,753	3,753	914	914
Other receivables	6,171,409	6,171,409	6,938,314	6,938,314
Short term investments	3,712,874	3,712,874	6,282,339	6,282,339
Cash and bank balances	1,438,253	1,438,253	6,015,192	6,015,192
	19,127,520	19,127,520	36,582,199	36,582,199
Assets carried at fair value				
Long term investments	4,974,076	4,974,076	4,381,223	4,381,223
Short term investments	79,475,239	79,475,239	42,925,131	42,925,131
	84,449,315	84,449,315	47,306,354	47,306,354

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs '000	Rs '000	Rs '000	Rs '000
Liabilities carried at amortised cost				
Long term borrowings	12,199,452	12,199,452	9,355,434	9,355,434
Provision for compensated leave absences	1,624,860	1,624,860	1,802,846	1,802,846
Trade and other payables	13,488,498	13,488,498	11,677,808	11,677,808
Mark-up and profit accrued	278,745	278,745	711,501	711,501
Short term borrowings	25,277,286	25,277,286	22,492,953	22,492,953
Unclaimed dividend	467,812	467,812	541,447	541,447
Current portion of long term borrowings	5,781,827	5,781,827	6,085,171	6,085,171
Lease liabilities	104,053	104,053	139,065	139,065
	59,222,533	59,222,533	52,806,225	52,806,225

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	Rs '000	Rs '000	Rs '000
December 31, 2020			
Assets carried at fair value			
Long term investments - FVTOCI	–	5,062,444	–
Short term investments - FVTPL	79,386,871	–	–
	79,386,871	5,062,444	–
December 31, 2019			
Assets carried at fair value			
Long term investments - FVTOCI	–	4,272,285	–
Short term investments - FVTPL	42,878,953	–	
	42,878,953	4,272,285	–

39.5.1 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment at fair value through profit or loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Investment at fair value through other comprehensive income

Investments at fair value through other comprehensive income are determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Investment in associate

The fair value of investment in listed associate is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value 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.

40. OPERATING SEGMENTS

BASIS OF SEGMENTATION

The Group has the following three (3) strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Fertilizers	Buying, manufacturing and distributing fertilizer
Power	Producing and selling power
Food	Processing fresh and frozen fruits, vegetables, frozen cooked and semi cooked food

The Chief Executive and Board of Directors review the internal management reports of each division quarterly.

Information about reportable segments

Information related to each reportable segment is set below. Segment profit / (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segment relative to other entities that operate in same industries.

	Fertilizers	Power	Food	Consolidated adjustments/ eliminations	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
2020					
Segment revenues	97,654,753	3,384,201	1,307,269	398,000	102,744,223
Segment profit / (loss) before tax	29,591,459	2,059,013	(403,615)	8,320,214	39,567,071
Interest income	667,994	143,603	3,942	(5,574)	809,965
Finance cost	1,873,508	491,905	53,409	(5,574)	2,413,248
Depreciation	2,312,604	585,982	298,731	–	3,197,317
Share of profit of equity accounted investees	–	–	–	8,296,691	8,296,691
Segment assets (total)	172,948,758	12,964,298	2,693,523	(29,934,349)	158,672,230
Equity accounted investees	–	–	–	57,538,122	57,538,122
	172,948,758	12,964,298	2,693,523	27,603,773	216,210,352
Segment liabilities (total)	130,413,087	3,312,619	444,299	2,908,259	137,078,264

	Fertilizers	Power	Food	Consolidated adjustments/ eliminations	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
2019					
Segment revenues	105,783,413	3,335,061	1,040,672	(341,757)	109,817,389
Segment profit / (loss) before tax	23,753,490	1,534,327	(887,741)	(809,808)	23,590,268
Interest income	1,750,636	186,334	10,380	(132,686)	1,814,664
Finance cost	2,477,110	700,104	267,311	(132,688)	3,311,837
Depreciation	2,286,804	569,094	293,100	27,001	3,175,999
Share of loss of equity - accounted investees	–	–	–	(379,319)	(379,319)
Segment assets (total)	153,389,860	11,865,051	3,062,459	(27,806,699)	140,510,671
Equity accounted investees	–	–	–	44,877,513	44,877,513
	153,389,860	11,865,051	3,062,459	17,070,814	185,388,184
Segment liabilities (total)	117,823,159	4,615,957	2,163,081	121,131	124,723,328

Reconciliation of information on reportable segments to applicable financial reporting standards

		2020	2019
		Rs '000	Rs '000
i)	**Revenue for reportable segments**	102,346,223	110,159,146
	Adjustment / elimination	398,000	(341,757)
	Consolidated Revenue	102,744,223	109,817,389
ii)	**Profit before tax for reportable segments**	31,246,857	24,400,076
	Elimination of intra segment profit	(1,374,892)	(871,923)
	Other adjustments	9,695,106	62,115
	Consolidated profit before tax from continuing operations	39,567,071	23,590,268
iii)	**Total assets for reporting segments**	158,672,230	140,510,671
	Equity accounted investments	57,538,122	44,877,513
	Consolidated total assets	216,210,352	185,388,184
iv)	**Total liabilities for reporting segments**	134,170,005	124,602,197
	Deferred tax on equity accounted investments	2,908,259	121,131
	Consolidated total liabilities	137,078,264	124,723,328

41. RELATED PARTY TRANSACTIONS AND BALANCES

41.1 Following are the related parties with whom the Group had entered into transactions during the year:

Related party	Basis of relationship	Aggregate % age shareholding in FFC
Fauji Foundation	Holding company	44.35%
Mr. Waqar Ahmed Malik	Director	–
Lt Gen Tariq Khan, HI(M), (Retired)	Director	–
Dr. Nadeem Inayat	Director	–
Mr. Farhad Shaikh Mohammad	Director	0.16%
Mr. Saad Amanullah Khan	Director	0.00004%
Ms. Maryam Aziz	Director	0.00001%
Maj Gen Naseer Ali Khan HI (M), (Retired)	Director	–
Mr. Qamar Haris Manzoor	Director	0.00063%
Capt. Saed Ahmad Nawaz, (Retired)	Director	–
Mr. Peter Bruun Jensen	Director	–
Mr. Riaz Ahmed	Director	–
Maj Gen Ahmad Mahmood Hayat, HI(M), (Retired)	Director	–
Syed Bakhtiyar Kazmi	Director	–

Related party	Basis of relationship	Aggregate % age shareholding by FFC
FFC Energy Limited	Subsidiary company	100%
Fauji Fresh n Freeze Limited	Subsidiary company	100%
Fauji Fertilizer Bin Qasim Limited	Associated company	49.88%
Askari Bank Limited	Associated company	43.15%
Thar Energy Limited	Associated company	30.00%
Pakistan Maroc Phosphore S.A., Morocco	Common directorship	12.50%
Fauji Cement Company Limited	Common directorship	6.79%
Mari Petroleum Company Limited	Common directorship	–
Sona Welfare Foundation	Associated undertaking	–
Provident Fund Trust	Contributory provident fund	–
Gratuity Fund Trust	Defined benefit fund	–
Pension Fund Trust	Defined benefit fund	–

41.2 Following particulars relate to associated companies incorporated outside Pakistan with whom the Group had entered into transactions during the year:

Particulars	Pakistan Maroc Phoshore S.A., Morocco
Name of associated company	Pakistan Maroc Phosphore S.A.
Registered address	Hay Erraha. 2, Rue Al Abtal, Casablanca, Morocco
Country of incorporation	Morocco
Basis of association	Joint Venture of OCP Group and Fauji Group
Aggregate %age of shareholding by the Company	12.5% Equity Investment by the Company

41.3 Fauji Foundation holds 44.35% (2019: 44.35%) shares of FFC at the year-end. Therefore, all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Group. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Transactions with related parties and the balances outstanding at the year-end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 18, 23 and 36 to these consolidated financial statements respectively.

	2020 Rs '000	2019 Rs '000
HOLDING COMPANY		
Transactions with holding company		
Dividend paid	6,234,826	6,460,477
Services received	115,000	–
Sale of fertilizers	1,190	3,720
Others	4,836	297
Balances		
Balance payable - unsecured	52,500	–
ASSOCIATED COMPANIES / UNDERTAKINGS DUE TO COMMON DIRECTORSHIP		
Transactions		
Expenses charged on account of marketing of fertilizer on behalf of associated company	1,287,142	1,097,627
Commission on sale of products	29,712	23,920
Payment under consignment account	94,455,997	63,509,855
Purchase of gas as feed and fuel stock	32,959,985	27,052,617
Equity investment	2,493,774	1,329,318
Services and materials provided	24,676	10,423
Services and materials received	1,089	1,980
Donations	164,545	97,411
Interest expense	176,930	309,599
Interest income	73,341	32,596
Dividend income	1,374,892	1,521,923
Balances		
Dividend receivable	223,715	–
Long term investments	125,548	155,116
Short term borrowings	2,303,598	4,426,551
Long term borrowings	244,793	348,159
Running finance	153,285	–
Bank balance	141,265	310,144
Balance receivable	362,345	372,458
Balance payable	66,368,028	65,751,432

	2020 Rs '000	2019 Rs '000
STAFF RETIREMENT FUNDS		
Contributions		
Employees' Provident Fund Trust	482,633	464,815
Employees' Gratuity Fund Trust	253,724	218,426
Employees' Pension Fund Trust	159,720	124,559
Employees' Funds as Dividend on equity holding of 0.15% (2019: 0.15%)	24,319	22,470
Balances		
Balance payable - Gratuity Fund Trust	734,965	739,538
Balance payable - Pension Fund Trust	439,697	443,178

42. NON ADJUSTING EVENTS AFTER REPORTING DATE

42.1 The Board of Directors in its meeting held on January 28, 2021 has proposed a final dividend of Rs 3.40 per share.

43. GENERAL

43.1 Production capacity

	Design capacity (Tonnes '000)		Production (Tonnes '000)	
	2020	2019	2020	2019
FFC				
Goth Machhi - Plant I	695	695	878	830
Goth Machhi - Plant II	635	635	810	821
Mirpur Mathelo - Plant III	718	718	799	841
	2,048	2,048	2,487	2,492

	Design capacity (MWh)		Production (MWh)	
	2020	2019	2020	2019
FFCEL				
Wind farms	143,559	143,559	101,606	114,125

The shortfall in energy delivered during the year was mainly attributable to low wind speed.

FFF

The production capacity of the Company's plant cannot be determined, as it is a multi-product production facility of which the processing capacity substantially vary depending on the fruits / vegetables processed.

43.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of credit and letters of guarantee amounting to Rs.18,600,000 thousand and Rs 6,028,000 thousand (2019: Rs 17,930,000 thousand and Rs 4,822,895 thousand) respectively are available to the Company against lien on shipping / title documents, US $ Term Deposit Receipts and charge on assets of the Company. Facilities against letter of credit include Rs 4,780,558 thousand limit assigned for issuance of SBLCs in relation to the Company's investment in Thar Energy Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

43.3 Donations

Cost of Sales and Distribution Cost include donations amounting to Rs 114,442 thousand (2019: Rs 57,597 thousand) and Rs 50,031 thousand (2019: Rs 39,814 thousand) respectively. These are disbursed through Sona Welfare Foundation, Sona Tower, 156, The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Tariq Khan, HI (M) (Retired) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

43.4 Exemption from applicability of IFRS 16 - "Leases"

The Securities and Exchange Commission of Pakistan (SECP) through S.R.O 986(I)/2019 dated September 2, 2019 has granted exemption from requirements of IFRS 16 to all companies that have executed their power purchase agreements before January 1, 2019 to the extent of Power Purchase Agreements executed before January 1, 2019. Accordingly, IFRS 16 is not applicable to the extent of the EPA of FFCEL, the power purchase agreement.

43.5 The Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 985 (I)/2019 dated September 2, 2019 has notified that in respect of companies holding financial assets due from the Government of Pakistan (GoP), the requirements contained in IFRS 9 with respect to application of expected credit loss (ECL) model shall not be applicable till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period. Accordingly the requirements of stated SRO have been applied in the preparation of these consolidated financial statements, to the extent of FFCEL.

	2020	2019
43.6 Number of employees		
Total number of employees at end of the year	3,628	3,581
Average number of employees for the year	3,522	3,506

43.7 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

44. IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

Late in 2019 news emerged from China about the COVID-19 (Coronavirus). In the first few months of 2020 the virus had spread globally, and its negative impact had gained momentum. To date the operations of the Group have continued uninterrupted during this pandemic. The management considers that the pandemic does not have any material adverse impact on consolidated financial position, the results of operations and cash flows for the year ended December 31, 2020. Management will continue to monitor the potential impacts and will take all steps possible to mitigate any effects.

45. DATE OF AUTHORIZATION

These consolidated Financial Statements have been authorized for issue by the Board of Directors of FFC on January 28, 2021.

Chairman | **Chief Executive** | **Director** | **Chief Financial Officer**

SAY NO TO CORRUPTION

06

Notice of Annual General Meeting along with other information for shareholders

SHAREHOLDERS' INFORMATION

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 43rd Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at FFC Head Office, 156 The Mall, Rawalpindi on Thursday, March 18, 2021 at 1000 hours to transact the following business:

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on November 06, 2020.

2. To consider, approve and adopt separate and consolidated audited financial statements of FFC together with Directors' Reports on separate and consolidated financial statements and Auditors' Reports thereon for the year ended December 31, 2020.

3. To appoint Auditors for the year 2021 and fix their remuneration.

4. To consider and approve payment of Final Dividend for the year ended December 31, 2020 as recommended by the Board of Directors.

Special Business

5. To consider and approve a raise in Directors' remuneration and, for the purpose, to pass the following resolution as Ordinary Resolution with or without any amendments, modifications or alterations:

   RESOLVED THAT the following increase in the remuneration of the Chairman and the Directors (i.e., non-executive and independent Directors) of the Company, for attending Board and Committee meetings, be and is hereby approved:

Meeting	Existing Remuneration	Remuneration After Increase
Board Meeting	Rs. 100,000	Chairman Rs. 300,000 Directors Rs. 200,000
Committee Meeting	Rs. 75,000	Rs. 200,000

Ordinary Business

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

By Order of the Board

Brig Asrat Mahmood, SI(M) (Retd)
Company Secretary

Rawalpindi
February 24, 2021

E-Voting

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

Video Conference Facility

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

Notes:

1. The share transfer books of the Company will remain closed from March 12, 2021 to March 18, 2021 (both days inclusive) and no request for transfer of shares will be accepted for registration. Transfers received at Company's Share Registrar namely CDC Share Registrar Services Limited, CDC House 99-B, Block 'B', S.M.C.H.S Main Shahra-e-Faisal, Karachi-74400 by the close of business on March 11, 2021 will be considered in time for the purpose of payment of final dividend to the transferees.

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

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

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

A. For Attending the Meeting

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

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

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

iv. The Securities & Exchange Commission of Pakistan (SECP) through its Circular No. EMD/ MISC/82/2012-77 dated February 15, 2021, has directed the listed companies to arrange participation of shareholders in annual general meetings through videos link, webinar, zooming etc., in addition to allowing physical attendance by the members. This direction has been issued to safeguard the shareholders against the continuing threat posed by the COVID-19 pandemic and to protect their wellbeing.

v. The shareholder of the Company desirous of attending the meeting through video link etc may inform the Company and provide their details including name, CNIC scan (both sides), folio number, cell phone number and email address before close of business on March 15, 2021.

vi. The video link of meeting shall be sent to the members on their registered email addresses.

B. For Appointing Proxies

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

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

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

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

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

4. **Consent for Video Conference Facility**

   As allowed by Section 132(2) of the Companies Act 2017 members can avail video conference facility for this Annual General Meeting, at Lahore and Karachi provided the Company receives consent from the members holding in aggregate 10% or more shareholding,

NOTICE OF ANNUAL GENERAL MEETING

residing at above mentioned locations, at least 7 days prior to date of the meeting.

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

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

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

____
Signature of member

5. Withholding Tax on Dividends

Pursuant to the provisions of the Finance Act 2019 effective July 1, 2019, provisions of Tenth schedule are applicable on withholding tax from dividends and the rates of deduction of income tax from dividend payments shall be as under:-

(a) For persons appearing on active taxpayer's list: 15%

(b) For persons not appearing on active taxpayer's list: 30%

However, effectively July 1, 2020 the provisions of withholding additional tax from person not appearing on active taxpayers list are not applicable to the extent of dividend payment to non-resident persons (Finance Act 2020).

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not appearing on the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for approval of the cash dividend i.e. March 11, 2021; otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

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

Tax in Case of Joint Shareholders

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

Joint shareholders should intimate the proportion of their respective joint holding to the share registrar latest by March 11, 2021, in the following form:-

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

6. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. CDC Share Registrar Services Limited, CDC House 99-B, Block 'B', S.M.C.H.S Main Shahra-e-Faisal, Karachi-74400 in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/ participant/CDC account services.

Electronic Mandate Form

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

7. SECP through its SRO 470(1)/2016, dated May 31, 2016, has allowed companies to circulate the annual balance sheet, profit and loss account, Auditors' Report and Directors' Report etc ("annual audited accounts") to its members through CD/DVD/USB at their registered addresses. In view of the above, the Company has sent its Annual Report 2020 to its shareholders in the form of CD. Any member requiring printed copy of Annual Report 2020 may send a request using a Standard Request Form placed on Company website.

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

In compliance with the above requirements, soft copies of the Annual Report 2020 are being emailed to the members having opted to receive such communication in electronic format. Other members who wish to receive the Annual Report 2020 in electronic form may file an application as per the format provided on the Company's website in compliance with the subject SRO. The members who have provided consent to receive Annual Report 2020 through email can subsequently request a hard copy which shall be provided free of cost within seven days.

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

9. Annual Audited Financial Statements of the Company for the financial year ended December 31, 2020 have also been provided on the Company's website i.e. www.ffc.com.pk

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

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

CDC Share Registrar Services Limited
CDC House 99-B, Block 'B',
S.M.C.H.S Main Shahra-e-Faisal,
Karachi-74400
Telephone: 0800-23275
Email: info@cdcpak.com

Statement of Material Facts under Section 134 of the Companies Act, 2017

Increase in Remuneration of Directors

Subject to approval of the shareholders of the Company, the Board has recommended to increase the remuneration of its Directors in light of the following:

(i) the importance of sufficient and appropriate remuneration of independent / non-executive directors and its link to the performance of the Company;

(ii) the need to attract, retain and motivate independent / non-executives of the quality required to run the Company successfully;

(iii) the need to ensure that Directors are compensated in accordance with their skill set and experience and for the time they contribute to the Board;

(iv) to bring the remuneration of the Directors of the Company at par with the remuneration paid to directors of other companies operating in the same industry;

(v) to ensure that the Chairperson of the Board receives remuneration commensurate to his workload and enhanced responsibility.

For the above reasons, the remuneration of Directors of the Company for attending Board and Committee Meetings is proposed to be increased as follows:-

Meeting	Existing Remuneration	Proposed Remuneration After Increase
Board Meeting	Rs. 100,000	Chairman Rs. 300,000 Directors Rs. 200,000
Committee Meeting	Rs. 75,000	Rs. 200,000

7۔ ایس ای سی پی SRO 470(1)/2016 مورخہ 31 مئی 2016 کے تحت کمپنیوں کو سالانہ بیلنس شیٹ، پرافٹ اور لاس اکاؤنٹ، آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ وغیرہ (سالانہ آڈٹ اکاؤنٹس) اپنے ممبرز کو سی ڈی / ڈی وی ڈی / یو ایس بی کے ذریعے رجسٹرڈ پتہ پر سرکولیٹ کرنے کی اجازت دیتا ہے۔ درج بالا کے مطابق، کمپنی نے اپنی سالانہ رپورٹ 2020 اپنے شیئر ہولڈرز کو سی ڈی کی شکل بھیجی ہے۔ اگر کسی ممبر کو سالانہ رپورٹ 2020 پرنٹڈ کاپی کی شکل میں درکار ہو تو کمپنی ویب سائٹ پر دستیاب اسٹینڈرڈ درخواست فارم کے ذریعے درخواست دے سکتے ہیں۔

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

درج بالا معیار پر پورا اترنے کیلئے ایسے ممبران جو الیکٹرنک فارمیٹ سالانہ رپورٹ 2020 کی سافٹ کاپیاں ممبران کو ای میل کے ذریعے بھیجی جا رہی ہیں۔ سالانہ رپورٹ 2020 کو الیکٹرانک فارمیٹ میں حاصل کرنے کے خوہشمند ممبران سالانہ رپوٹ کمپنی کی ویب سائٹ پر موجود باعنوان SRO ایک درخواست کے ذریعے حاصل کر سکتے ہیں۔ ایسے ممبران جن کو سالانہ رپورٹ 2020 ای میل کے ذریعے فراہم کی گئی ہے وہ ہارڈ کاپی کے لیے درخواست دے سکتے ہیں جو سات دن کے اندر بغیر قیمت کے فراہم کی جائے گی۔

ممبران سے گزارش ہے کہ ان کے رجسٹرڈ ای میل ایڈریس میں کسی قسم کی تبدیلی کی صورت میں بروقت مطلع کریں تا کہ کمپنی سے کمیونیکشن متاثر نہ ہو۔

9۔ 31 دسمبر 2020 کو ختم ہونے والے مالی سال سے کمپنی کی آڈٹ شدہ سالانہ اکاؤنٹس کی تفصیل کمپنی کی ویب سائٹ www.ffc.com.pk پر دستیاب ہے۔

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

ایف ایف سی شیئرز ڈیپارٹمنٹ

ٹیلی فون نمبر: 92-51-8453235

ای میل ایڈریس shares@ffc.com.pk

سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ

سی ڈی سی ہاؤس B-99، بلاک "بی"

ایس۔ایم۔سی۔ایچ۔ایس مین شاہراہ فیصل، کراچی-74400

فون نمبر: 0800-23275

ای میل: info@cdcpak.com

کمپنیز ایکٹ 2017 سیکشن 134 کے تحت حقائق کا بیان

ڈائریکٹرز کے معاوضے میں اضافہ

کمپنی کے شیئر ہولڈرز کی منظوری سے مشروط بورڈ نے درج ذیل کے تحت ڈائریکٹرز کے معاوضوں میں اضافے کا فیصلہ کیا ہے۔

(i) آزاد / نان ایگزیکٹو ڈائریکٹرز کیلئے مناسب اور کافی معاوضے کی اہمیت اور کمپنی کے بہتر کارکردگی کیلئے اس کی افادیت۔

(ii) کمپنی کی بہتر کارکردگی کیلئے آزاد / نان ایگزیکٹو ڈائریکٹرز کی خدمات حاصل کرنا اور انکی حوصلہ افزائی۔

(iii) ڈائریکٹرز کی صلاحیتوں، تجربے اور وقت کے مطابق ان کو مناسب معاوضے کی ادائیگی کو یقینی بنانا۔

(iv) کمپنی کے ڈائریکٹرز کے معاوضوں کو اس شعبے سے وابستہ دیگر کمپنیوں میں ڈائریکٹرز کو دیے جانے والے معاوضوں کی سطح پر لانا۔

(v) اس امر کو یقینی بنانا کہ بورڈ کے چیئرپرسن کو ان کے کام اور ذمہ داریوں کے مطابق معاوضہ ادا کیا جائے۔

درج بالا وجوہات کی بنا پر کمپنی کے بورڈ آف ڈائریکٹرز کو بورڈ اور کمیٹی میٹنگ میں شرکت کیلئے ان کے معاوضے میں درج ذیل کے مطابق اضافہ تجویز کیا ہے۔

میٹنگ	موجودہ معاوضہ	اضافے کے بعد معاوضہ
بورڈ میٹنگ	100,000/- روپے	چیئرمین 300,000/- روپے ڈائریکٹرز 200,000/- روپے
کمیٹی میٹنگ	75,000/- روپے	200,000/- روپے

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

ا۔ اجلاس میں شرکت کیلئے

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

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

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

(iv) سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے اپنے سرکلر نمبر EMD/MISC/82/2012-77 بتاریخ 15 فروری 2021 لسٹڈ کمپنیز کو ہدایت دی ہے کہ وہ شیئر ہولڈرز کی سالانہ عمومی میٹنگ میں ممبر کی ذاتی موجودگی کے علاوہ ویڈیو لنک، ویبنار، زوم لنک وغیرہ کا انتظام کریں۔ یہ ہدایت شیئر ہولڈرز کی کورونا وبا کے جاری خطرات سے بچاؤ اور انکی صحت کے مدنظر دی گئی ہے۔

(v) کمپنی کے شیئر ہولڈرز جو ویڈیو لنک وغیرہ کے ذریعے میٹنگ میں شرکت کرنا چاہتے ہوں کمپنی کو اپنی تفصیلات بشمول نام، قومی شناختی کارڈ نمبر کی سکین کاپی (دونوں سائیڈ)، فولیو نمبر، سیل فون نمبر اور ای میل ایڈریس 15 مارچ 2021 دفتری اوقات کے خاتمہ سے قبل email: shares@ffc.com.pk پر بھیج دیں۔

(vi) میٹنگ کا ویڈیو لنک ممبرز کو ان کے رجسٹرڈ ای میل ایڈریس پر بھیجا جائے گا۔

ب۔ پراکسی کا تقرر

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

(ii) پراکسی فارم کی تصدیق وہ شخص کرے گا جس کا نام، پتہ اور CNIC نمبر پراکسی فارم پر درج ہوگا۔

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

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

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

4۔ ویڈیو کانفرنس کی سہولت کے لئے آراء کی طلبی

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

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

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

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

ممبر دستخط ....

5۔ منافع منقسم پر ود ہولڈنگ ٹیکس

فنانس ایکٹ 2019، جو 1 جولائی 2019 سے قابل عمل ہے کا دسواں شیڈول منافع منقسم پر ود ہولڈنگ ٹیکس کی مد میں لاگو ہوگا اور منافع منقسم کی ادائیگی پر درج ذیل کے مطابق انکم ٹیکس کی کٹوتی کی جائے گی۔

(i) ایکٹو ٹیکس پیئر لسٹ پر موجود افراد کے لئے 15 فیصد

(ii) ایکٹو ٹیکس پیئر لسٹ پر موجود نہ ہونے والوں کے لئے 30 فیصد

تاہم، 01 جولائی 2020 سے اطلاق شدہ ایکٹو ٹیکس پیئر لسٹ پر موجود نہ ہونے والوں کے لیے اضافی ود ہولڈنگ ٹیکس نان ریزیڈنٹ افراد کو منافع منقسم کی ادائیگی پر لاگو نہیں ہوگا۔ (فنانس ایکٹ 2020)۔

کمپنی کی جانب سے 30 فیصد کے بجائے 15 فیصد ٹیکس کی کٹوتی کیلئے ضروری ہے کہ وہ تمام شیئر ہولڈرز جن کے نام ایکٹو ٹیکس پیئر لسٹ (ATL) ایف بی آر کی ویب سائٹ پر موجود نہیں ہے لیکن اگر وہ ٹیکس دہندگان ہوں تو وہ یہ یقین دہانی کر لیں کہ ان کا نام حصص کے منظوری کی تاریخ 11 مارچ 2021 سے قبل شامل کر لیا جائے بصورت دیگر ان کے نقد منافع منقسم پر 15% کے بجائے 30% ٹیکس کی کٹوتی کی جائے گی۔

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

جوائنٹ شیئر ہولڈرز ہونے کی صورت میں ٹیکس

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

جوائنٹ ہولڈرز شیئر رجسٹرار کو مورخہ 11 مارچ 2021 تک اپنے متعلقہ جوائنٹ ہولڈنگ سے متعلق مندرجہ ذیل فارم پر مطلع کریں۔

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

6۔ کمپنیز ایکٹ، 2017 کے سیکشن 242 کے تحت لسٹڈ کمپنی کے لئے یہ لازمی ہے کہ وہ اپنے شیئر ہولڈرز کو نقد منافع منقسم الیکٹرونک ترسیل سے جمع کرائیں جو شیئر ہولڈرز کے مخصوص بینک اکاؤنٹ میں براہ راست جمع ہوں۔ فزیکل شیئر ہونے کی صورت میں بینک اکاؤنٹ میں براہ راست منافع منقسم کی وصولی کیلئے شیئر ہولڈرز سے التماس ہے کہ وہ الیکٹرونک کریڈٹ مینڈیٹ فارم پر کریں جو کمپنی کی ویب سائٹ پر دستیاب ہے اور باقاعدہ دستخط کے ساتھ بمعہ سی این آئی سی کی نقل کمپنی رجسٹرار میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس B-99، بلاک بی ایس۔ایم۔سی۔ایچ۔ایس مین شاہراہ فیصل کراچی 74400 ارسال کریں۔ سی ڈی سی میں شیئرز ہونے کی صورت میں الیکٹرونک کریڈٹ مینڈیٹ فارم شیئر ہولڈرز / بروکر / شرکت کنندگان / سی ڈی سی اکاؤنٹ سروسز کو براہ راست جمع کرائیں۔

الیکٹرونک مینڈیٹ فارم

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

نوٹس برائے 43واں سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ فوجی فرٹیلائزر کمپنی لمیٹڈ کے شیئر ہولڈرز کا43واں سالانہ اجلاس عام18مارچ 2021 دن1000بجے ایف ایف سی ہیڈ آفس156دی مال، راولپنڈی میں منعقد ہوگا، جس میں مندرجہ ذیل امور زیر غور لائے جائیں گے۔

عمومی معاملات

1۔ 06نومبر 2020 کو ہونے والے غیر معمولی اجلاس عام کے منٹس کی توثیق۔

2۔ ایف ایف سی کی 31دسمبر 2020 کو ختم ہونے سال کی علیحدہ آڈٹ شدہ اور کنسالیڈیٹڈ مالی سٹیٹمنٹس کو ڈائریکٹرز اور آڈیٹرز کی رپورٹ کے ہمراہ زیر بحث لانا، اس کی منظوری اور اپنانا۔

3۔ سال 2021 کیلئے آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین۔

4۔ 31دسمبر 2020 کو ختم ہونے سال کیلئے بورڈ آف ڈائریکٹرز کے مجوزہ حتمی منافع (Final Dividend) کی منظوری۔

خصوصی معاملات

5۔ ڈائریکٹرز کے معاوضوں میں اضافے پر غور اور منظوری اور اس مقصد کیلئے درج ذیل عمومی قرارداد کی مع ترمیم یا بغیر ترمیم کے منظوری۔

بورڈ اور کمیٹی میٹنگ میں شرکت کیلئے کمپنی کے چیئرمین اور ڈائریکٹرز (یعنی نان ایگزیکٹو اور آزاد ڈائریکٹرز) کے معاوضوں میں درج ذیل اضافہ منظور کیا جاتا ہے۔

میٹنگ	موجودہ معاوضہ	اضافے کے بعد معاوضہ
بورڈ میٹنگ	-/100,000روپے	چیئرمین-/300,000روپے ڈائریکٹرز-/200,000روپے
کمیٹی میٹنگ	-/75,000روپے	-/200,000روپے

عمومی معاملات

6۔ اجلاس کے سربراہ کی اجازت سے کسی دیگر کارروائی پر غور وخوض۔

بحکم بورڈ

بریگیڈئر عصرت محمود ستارہ امتیاز (ملٹری) (ریٹائرڈ)
کمپنی سیکریٹری

راولپنڈی
24فروری، 2021

ای۔ووٹنگ

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

ویڈیو کانفرنس کی سہولت

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

نوٹس:

1۔ کمپنی کی شیئر ٹرانسفر بک 12مارچ 2021 سے 18مارچ 2021 (بشمول دونوں ایام) بند رہے گی اور شیئرز کی منتقلی کی کوئی درخواست رجسٹریشن کے لیے قبول نہیں کی جائے گی۔ 11مارچ 2021 کو کاروبار بند ہونے تک کمپنی شیئر رجسٹرار یعنی سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس B-99، بلاک بی ایس۔ ایم۔ سی ایچ۔ ایس مین شاہراہ فیصل کراچی 74400 پاکستان کے پتے پر موصول ہونے والے ٹرانسفرز کو حتمی منافع کی ادائیگی کے لیے بروقت تصور کیا جائے گا۔

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

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

PATTERN OF SHAREHOLDING - FFC

As at December 31, 2020

Number Of Shareholders	Shareholding From		To	Shares Held
1541	1	to	100	84,133
2528	101	to	500	875,799
1819	501	to	1000	1,585,155
4242	1001	to	5000	11,586,826
1429	5001	to	10000	11,062,254
644	10001	to	15000	8,208,966
437	15001	to	20000	7,854,994
296	20001	to	25000	6,803,658
225	25001	to	30000	6,275,311
139	30001	to	35000	4,533,513
137	35001	to	40000	5,203,752
89	40001	to	45000	3,794,187
136	45001	to	50000	6,616,243
95	50001	to	55000	4,993,454
70	55001	to	60000	4,062,313
65	60001	to	65000	4,099,393
46	65001	to	70000	3,134,762
52	70001	to	75000	3,827,593
36	75001	to	80000	2,791,577
29	80001	to	85000	2,393,569
31	85001	to	90000	2,739,419
26	90001	to	95000	2,405,287
74	95001	to	100000	7,344,600
30	100001	to	105000	3,057,789
23	105001	to	110000	2,491,134
20	110001	to	115000	2,269,446
15	115001	to	120000	1,780,142
20	120001	to	125000	2,469,589
14	125001	to	130000	1,787,158
14	130001	to	135000	1,871,863
13	135001	to	140000	1,792,702
8	140001	to	145000	1,141,427
22	145001	to	150000	3,273,775
5	150001	to	155000	760,987
19	155001	to	160000	3,004,576
15	160001	to	165000	2,442,925
14	165001	to	170000	2,351,237
7	170001	to	175000	1,208,799
9	175001	to	180000	1,600,422
6	180001	to	185000	1,100,230

PATTERN OF SHAREHOLDING - FFC

As at December 31, 2020

Number Of Shareholders	Shareholding From		To	Shares Held
4	185001	to	190000	751,362
2	190001	to	195000	383,000
20	195001	to	200000	3,987,075
9	200001	to	205000	1,816,379
5	205001	to	210000	1,046,349
7	210001	to	215000	1,487,945
3	215001	to	220000	655,000
5	220001	to	225000	1,113,239
5	225001	to	230000	1,140,416
9	230001	to	235000	2,093,973
5	235001	to	240000	1,193,339
8	245001	to	250000	1,988,713
4	250001	to	255000	1,011,191
6	255001	to	260000	1,544,807
4	260001	to	265000	1,054,147
6	265001	to	270000	1,609,620
2	270001	to	275000	542,100
2	275001	to	280000	553,915
5	285001	to	290000	1,439,030
3	290001	to	295000	873,145
6	295001	to	300000	1,789,875
3	300001	to	305000	908,985
1	305001	to	310000	305,400
4	310001	to	315000	1,252,347
2	315001	to	320000	635,500
2	320001	to	325000	647,264
6	325001	to	330000	1,969,795
4	330001	to	335000	1,331,858
1	335001	to	340000	335,700
2	340001	to	345000	685,724
9	345001	to	350000	3,141,191
2	350001	to	355000	707,961
3	355001	to	360000	1,075,725
2	360001	to	365000	729,000
2	365001	to	370000	735,388
3	370001	to	375000	1,116,440
2	375001	to	380000	753,150
2	380001	to	385000	766,000
3	385001	to	390000	1,166,364
1	390001	to	395000	391,000

Number Of Shareholders	Shareholding From		To	Shares Held
1	395001	to	400000	400,000
1	400001	to	405000	405,000
1	405001	to	410000	407,000
1	410001	to	415000	414,708
2	415001	to	420000	834,000
2	425001	to	430000	858,233
1	440001	to	445000	442,389
3	445001	to	450000	1,347,480
1	450001	to	455000	453,600
1	455001	to	460000	456,500
1	465001	to	470000	465,249
3	470001	to	475000	1,422,229
2	475001	to	480000	952,187
1	480001	to	485000	480,700
1	485001	to	490000	490,000
2	490001	to	495000	985,155
3	495001	to	500000	1,499,103
1	510001	to	515000	513,470
1	515001	to	520000	516,032
1	520001	to	525000	521,000
1	525001	to	530000	530,000
1	535001	to	540000	536,500
1	540001	to	545000	543,995
5	545001	to	550000	2,738,500
1	555001	to	560000	555,097
1	570001	to	575000	570,500
3	585001	to	590000	1,766,618
3	595001	to	600000	1,800,000
2	600001	to	605000	1,202,583
1	605001	to	610000	605,780
1	620001	to	625000	623,925
3	635001	to	640000	1,915,130
1	640001	to	645000	642,850
2	645001	to	650000	1,293,288
1	650001	to	655000	651,456
2	655001	to	660000	1,310,853
5	670001	to	675000	3,360,224
2	680001	to	685000	1,363,505
1	685001	to	690000	685,238
1	690001	to	695000	691,959

PATTERN OF SHAREHOLDING - FFC

As at December 31, 2020

Number Of Shareholders	Shareholding From		To	Shares Held
2	695001	to	700000	1,398,987
1	700001	to	705000	705,000
1	705001	to	710000	706,704
2	710001	to	715000	1,426,139
1	715001	to	720000	718,803
1	725001	to	730000	728,092
1	750001	to	755000	753,000
1	760001	to	765000	762,717
2	765001	to	770000	1,537,109
1	785001	to	790000	790,000
1	815001	to	820000	818,500
1	820001	to	825000	820,646
1	835001	to	840000	836,500
1	855001	to	860000	860,000
2	865001	to	870000	1,734,600
1	895001	to	900000	900,000
2	900001	to	905000	1,808,947
1	905001	to	910000	909,000
1	915001	to	920000	918,750
1	925001	to	930000	926,850
1	945001	to	950000	950,000
3	975001	to	980000	2,932,436
2	995001	to	1000000	2,000,000
1	1015001	to	1020000	1,019,337
1	1025001	to	1030000	1,027,438
1	1055001	to	1060000	1,055,936
3	1060001	to	1065000	3,186,321
1	1070001	to	1075000	1,072,800
1	1080001	to	1085000	1,080,900
2	1085001	to	1090000	2,177,035
1	1095001	to	1100000	1,100,000
1	1100001	to	1105000	1,101,000
1	1110001	to	1115000	1,111,039
1	1135001	to	1140000	1,138,822
1	1145001	to	1150000	1,150,000
1	1155001	to	1160000	1,155,300
1	1180001	to	1185000	1,183,705
2	1210001	to	1215000	2,425,244
1	1215001	to	1220000	1,215,200
2	1245001	to	1250000	2,495,040

Number Of Shareholders	Shareholding From		To	Shares Held
1	1290001	to	1295000	1,292,667
2	1325001	to	1330000	2,653,955
1	1340001	to	1345000	1,340,780
1	1350001	to	1355000	1,350,666
1	1360001	to	1365000	1,364,188
1	1365001	to	1370000	1,366,690
1	1375001	to	1380000	1,375,700
1	1385001	to	1390000	1,388,600
1	1445001	to	1450000	1,449,630
1	1450001	to	1455000	1,454,646
1	1490001	to	1495000	1,494,000
1	1515001	to	1520000	1,519,407
1	1520001	to	1525000	1,524,529
1	1545001	to	1550000	1,545,995
1	1555001	to	1560000	1,557,000
1	1565001	to	1570000	1,569,500
1	1580001	to	1585000	1,582,301
1	1590001	to	1595000	1,591,245
1	1595001	to	1600000	1,600,000
1	1660001	to	1665000	1,661,643
1	1690001	to	1695000	1,692,687
1	1710001	to	1715000	1,713,800
1	1780001	to	1785000	1,784,878
1	1790001	to	1795000	1,790,776
5	1795001	to	1800000	9,000,000
1	1925001	to	1930000	1,928,500
1	1935001	to	1940000	1,939,287
1	1990001	to	1995000	1,993,500
1	1995001	to	2000000	2,000,000
1	2085001	to	2090000	2,086,970
1	2115001	to	2120000	2,120,000
2	2195001	to	2200000	4,400,000
1	2315001	to	2320000	2,315,750
1	2655001	to	2660000	2,655,575
1	2660001	to	2665000	2,661,496
1	2900001	to	2905000	2,900,840
1	3205001	to	3210000	3,208,148
1	3320001	to	3325000	3,324,222
1	3505001	to	3510000	3,510,000
1	3585001	to	3590000	3,586,055

PATTERN OF SHAREHOLDING - FFC

As at December 31, 2020

Number Of Shareholders	Shareholding From		To	Shares Held
1	3775001	to	3780000	3,775,700
1	3995001	to	4000000	4,000,000
1	4105001	to	4110000	4,105,052
1	4140001	to	4145000	4,143,658
1	4255001	to	4260000	4,256,000
1	4295001	to	4300000	4,300,000
1	4465001	to	4470000	4,466,749
1	4875001	to	4880000	4,880,000
1	5040001	to	5045000	5,040,099
1	5090001	to	5095000	5,093,500
1	5260001	to	5265000	5,261,000
1	5455001	to	5460000	5,460,000
1	5525001	to	5530000	5,526,146
1	8000001	to	8005000	8,003,811
1	8560001	to	8565000	8,562,963
1	8860001	to	8865000	8,862,301
1	8945001	to	8950000	8,945,913
1	9365001	to	9370000	9,369,384
1	9430001	to	9435000	9,430,663
1	9995001	to	10000000	9,998,900
1	10500001	to	10505000	10,500,100
1	10840001	to	10845000	10,844,000
1	12545001	to	12550000	12,550,000
1	13545001	to	13550000	13,548,249
1	15480001	to	15485000	15,481,600
1	16200001	to	16205000	16,201,654
1	19985001	to	19990000	19,987,231
1	116840001	to	116845000	116,843,390
1	129515001	to	129520000	129,516,412
1	434685001	to	434690000	434,687,842
14811				1,272,238,247

Categories of Shareholders	Shareholders	Shares Held	Percentage
President of Pakistan			
PRESIDENT OF THE ISLAMIC REPUBIC OF PAK	1	8,945,913	0.70
Directors and their spouse(s) and minor children			
SAAD AMANULLAH KHAN	1	500	0.00
FARHAD SHAIKH MOHAMMAD	1	2,000,000	0.16
QAMAR HARIS MANZOOR	1	8,000	0.00
MARYAM AZIZ	1	100	0.00
Associated Companies, undertakings and related parties			
FAUJI FOUNDATION	1	129,516,412	10.18
COMMITTEE OF ADMIN. FAUJI FOUNDATION	1	434,687,842	34.17
Executives	11	489,213	0.04
Public Sector Companies and Corporations	14	151,331,785	11.89
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	83	92,898,061	7.30
Mutual Funds			
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	2,900,840	0.23
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	66,023	0.01
CDC - TRUSTEE PICIC INVESTMENT FUND	1	61,000	0.00
CDC - TRUSTEE PICIC GROWTH FUND	1	79,000	0.01
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	1,072,800	0.08
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	99,400	0.01
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	166,350	0.01
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	3,586,055	0.28
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	4,143,658	0.33
CDC - TRUSTEE NBP STOCK FUND	1	4,105,052	0.32
CDC - TRUSTEE NBP BALANCED FUND	1	328,000	0.03
CDC - TRUSTEE APF-EQUITY SUB FUND	1	53,800	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	212,500	0.02
CDC - TRUSTEE HBL - STOCK FUND	1	101,000	0.01
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	12,500	0.00
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	327,054	0.03
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	317,000	0.02
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	147,008	0.01
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,939,287	0.15
CDC - TRUSTEE ABL STOCK FUND	1	1,292,667	0.10
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	12,000	0.00
CDC - TRUSTEE LAKSON EQUITY FUND	1	602,073	0.05
CDC - TRUSTEE NBP SARMAYA IZAFA FUND	1	267,000	0.02
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	1	50,000	0.00
CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT	1	62,300	0.00
CDC - TRUSTEE HBL ISLAMIC STOCK FUND	1	68,000	0.01
CDC - TRUSTEE HBL EQUITY FUND	1	135,628	0.01
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	15,000	0.00
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	20,000	0.00
CDC - TRUSTEE LAKSON INCOME FUND - MT	1	70,000	0.01
CDC - TRUSTEE ATLAS INCOME FUND - MT	1	10,276	0.00
CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND	1	40,000	0.00

PATTERN OF SHAREHOLDING - FFC

As at December 31, 2020

Categories of Shareholders	Shareholders	Shares Held	Percentage
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	655,053	0.05
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	234,482	0.02
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	10,000	0.00
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	543,995	0.04
CDC - TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	670,932	0.05
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	19,987,231	1.57
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	1	30,500	0.00
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	75,600	0.01
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	14,500	0.00
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	1	10,000	0.00
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	7,600	0.00
CDC - TRUSTEE LAKSON TACTICAL FUND	1	73,309	0.01
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	1	31,200	0.00
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	1	562	0.00
MCBFSL - TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	1	117,955	0.01
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1	32,500	0.00
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	1	18,000	0.00
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	7,191	0.00
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	1	5,700	0.00
CDC - TRUSTEE NIT ASSET ALLOCATION FUND	1	50,000	0.00
CDC - TRUSTEE NIT PAKISTAN GATEWAY EXCHANGE TRADED FUND	1	39,672	0.00
CDC - TRUSTEE UBL PAKISTAN ENTERPRISE EXCHANGE TRADED FUND	1	49,536	0.00
CDC - TRUSTEE NBP PAKISTAN GROWTH EXCHANGE TRADED FUND	1	31,024	0.00
General Public			
a. Local	14,089	280,871,270	22.08
b. Foreign	42	2,260,932	0.18
Foreign Companies	135	91,119,156	7.16
Others	375	33,049,250	2.60
Totals	14,811	1,272,238,247	100.00

Share holders holding 5% or more	Shares Held	Percentage
FAUJI FOUNDATION	129,516,412	10.18
COMMITTEE OF ADMIN. FAUJI FOUNDATION	434,687,842	34.17

Financial Calendar

The Company follows the period of January 01 to December 31 as the financial year.

Financial results will be announced as per the following tentative schedule:

Annual General Meeting	March 18, 2021
1st Quarter ending March 31, 2021	Last Week of April 2021
Half year ending June 30, 2021	Last Week of July 2021
3rd Quarter ending September 30, 2021	Last Week of October 2021
Year ending December 31, 2021	Last Week of January 2022

حصص یافتگان کی اقسام	حصص یافتگان	تعداد حصص	فیصد
سی ڈی سی۔ٹرسٹی یو بی ایل انکم اوپر چیونیٹی فنڈ	1	40,000	0.00
یم سی بی ایف ایس ایل۔ٹرسٹی اے بی ایل اسلامک سٹاک فنڈ	1	655,053	0.05
سی ڈی سی۔ٹرسٹی یو بی ایل ایسٹ ایلوکیشن فنڈ	1	234,482	0.02
سی ڈی سی۔ٹرسٹی فرسٹ کیپیٹل میوچل فنڈ	1	10,000	0.00
سی ڈی سی۔ٹرسٹی الامین اسلامک ایسٹ ایلوکیشن فنڈ	1	543,995	0.04
سی ڈی سی۔ٹرسٹی الامین اسلامک آر ای ٹی۔ایس اے وی۔فنڈ۔ایکویٹی سب فنڈ	1	670,932	0.05
سی ڈی سی۔ٹرسٹی نیشنل انوسٹمنٹ (یونٹ) ٹرسٹ	1	19,987,231	1.57
سی ڈی سی۔ٹرسٹی ایچ بی ایل سلامک ایکویٹی فنڈ	1	30,500	0.00
سی ڈی سی۔ٹرسٹی این آئی ٹی اسلامک ایکویٹی فنڈ	1	75,600	0.01
سی ڈی سی۔ٹرسٹی الامین اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	1	14,500	0.00
سی ڈی سی۔ٹرسٹی ایچ بی ایل اسلامک ایسٹ ایلوکیشن فنڈ	1	10,000	0.00
سی ڈی سی۔ٹرسٹی فیصل ایم ٹی ایس فنڈ۔ایم ٹی	1	7,600	0.00
سی ڈی سی۔ٹرسٹی لیکسن ٹیکٹیکل فنڈ	1	73,309	0.01
سی ڈی سی۔ٹرسٹی لیکسن اسلامک ٹیکٹیکل فنڈ	1	31,200	0.00
سی ڈی سی۔ٹرسٹی پاکستان انکم فنڈ۔ایم ٹی	1	562	0.00
ایم سی بی ایف ایس ایل۔ٹرسٹی اے بی ایل اسلامک ڈیڈیکیٹڈ سٹاک فنڈ	1	117,955	0.01
سی ڈی سی۔ٹرسٹی الفلاح جی ایچ پی اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	1	32,500	0.00
سی ڈی سی۔ٹرسٹی فرسٹ حبیب ایسٹ ایلوکیشن فنڈ	1	18,000	0.00
سی ڈی سی۔ٹرسٹی یو بی ایل ڈیڈیکیٹڈ ایکویٹی فنڈ	1	7,191	0.00
ایم سی بی ایف ایس ایل۔ٹرسٹی ایچ بی ایل اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	1	5,700	0.00
سی ڈی سی۔ٹرسٹی این آئی ٹی ایسٹ ایلوکیشن فنڈ	1	50,000	0.00
سی ڈی سی۔ٹرسٹی این آئی ٹی پاکستان گھوے ایکسچینج ٹریڈڈ فنڈ	1	39,672	0.00
سی ڈی سی۔ٹرسٹی یو بی ایل پاکستان انٹر پرائز ایکسچینج ٹریڈڈ فنڈ	1	49,536	0.00
سی ڈی سی۔ٹرسٹی این بی پی پاکستان گروتھ ایکسچینج ٹریڈڈ فنڈ	1	31,024	0.00
عوام الناس			
مقامی	14,089	280,871,270	22.08
غیر ملکی	42	2,260,932	0.18
غیر ملکی کمپنیاں	135	91,119,156	7.16
دیگر	375	33,049,250	2.60
ٹوٹل	14,811	1,272,238,247	100.00

10٪ فیصد یا اس سے زیادہ کے حصص یافتگان		تعداد حصص	فیصد
فوجی فاؤنڈیشن		129,516,412	10.18
کمیٹی آف اڈمن۔فوجی فاؤنڈیشن		434,687,842	34.17

مالیاتی کیلنڈر

کمپنی کے مالیاتی سال کی مدت یکم جنوری سے 31 دسمبر تک ہے۔

کمپنی کے مالیاتی نتائج کا اعلان مندرجہ ذیل عارضی جدول کے مطابق کیا جائے گا۔

سالانہ عام اجلاس	18 مارچ 2021
31 مارچ 2021 کو ختم ہونے والی پہلی سہ ماہی:	آخری ہفتہ اپریل 2021
30 جون 2021 کو ختم ہونے والی دوسری سہ ماہی:	آخری ہفتہ جولائی 2021
30 ستمبر 2021 کو ختم ہونے والی تیسری سہ ماہی:	آخری ہفتہ اکتوبر 2021
سالانہ نتائج 31 دسمبر 2021	آخری ہفتہ جنوری 2022

پیٹرن آف شیئر ہولڈنگ-FFC

۳۱ دسمبر ۲۰۲۰

حصص یافتگان کی اقسام	حصص یافتگان	تعداد حصص	فیصد
صدر پاکستان			
صدر اسلامی جمہوریہ پاکستان	1	8,945,913	0.70
ڈائریکٹرز اور ان کی شریک حیات اور چھوٹے بچے			
سعد امان اللہ خان	1	500	0.00
فرہاد شیخ محمد	1	2,000,000	0.16
قمر حارث منظور	1	8,000	0.00
مریم عزیز	1	100	0.00
منسلک کمپنیاں، اقرار نامے اور متعلقہ کمپنیاں			
فوجی فاؤنڈیشن	1	129,516,412	10.18
کمیٹی آف ایڈمن فوجی فاؤنڈیشن	1	434,687,842	34.17
ایگزیکٹیوز	11	489,213	0.04
سرکاری شعبے کی کمپنیاں اور کارپوریشنز	14	151,331,785	11.89
بینک، ڈیولپمنٹ فنانس انسٹیٹیوشنز، غیر بینکاری کے مالی ادارے، بیمہ کمپنیاں، تکافل، مداربہ اور پنشن فنڈز	83	92,898,061	7.30
مشترکہ فنڈز			
سی ڈی سی۔ ٹرسٹی ایم سی بی پاکستان سٹاک مارکیٹ فنڈ	1	2,900,840	0.23
سی ڈی سی۔ ٹرسٹی پاکستان کیپٹل مارکیٹ فنڈ	1	66,023	0.01
سی ڈی سی۔ ٹرسٹی پی آئی سی آئی سی انوسٹمنٹ فنڈ	1	61,000	0.00
سی ڈی سی۔ ٹرسٹی پی آئی سی آئی سی گروتھ فنڈ	1	79,000	0.01
سی ڈی سی۔ ٹرسٹی اٹلس سٹاک مارکیٹ فنڈ	1	1,072,800	0.08
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی ویلیو فنڈ	1	99,400	0.01
سی ڈی سی۔ ٹرسٹی اے کے ڈی انڈیکس ٹریکر فنڈ	1	166,350	0.01
سی ڈی سی۔ ٹرسٹی یو بی ایل سٹاک ایڈوانٹیج فنڈ	1	3,586,055	0.28
سی ڈی سی۔ ٹرسٹی الامین شریعہ سٹاک فنڈ	1	4,143,658	0.33
سی ڈی سی۔ ٹرسٹی این بی پی سٹاک فنڈ	1	4,105,052	0.32
سی ڈی سی۔ ٹرسٹی این بی پی بیلینسڈ فنڈ	1	328,000	0.03
سی ڈی سی۔ ٹرسٹی اے پی ایف ایکویٹی سب فنڈ	1	53,800	0.00
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی اسلامک سٹاک فنڈ	1	212,500	0.02
سی ڈی سی۔ ٹرسٹی ایچ بی ایل سٹاک فنڈ	1	101,000	0.01
سی ڈی سی۔ ٹرسٹی ایچ بی ایل۔ ملٹی ایسٹ فنڈ	1	12,500	0.00
سی ڈی سی۔ ٹرسٹی ایم سی بی پاکستان ایسٹ ایلوکیشن فنڈ	1	327,054	0.03
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی سٹاک فنڈ	1	317,000	0.02
سی ڈی سی۔ ٹرسٹی الفلاح جی ایچ پی الفا فنڈ	1	147,008	0.01
سی ڈی سی۔ ٹرسٹی این آئی ٹی۔ ایکویٹی مارکیٹ اوپرچونیٹی فنڈ	1	1,939,287	0.15
سی ڈی سی۔ ٹرسٹی اے بی ایل سٹاک فنڈ	1	1,292,667	0.10
سی ڈی سی۔ ٹرسٹی فرسٹ حبیب سٹاک فنڈ	1	12,000	0.00
سی ڈی سی۔ ٹرسٹی لیکسن ایکویٹی فنڈ	1	602,073	0.05
سی ڈی سی۔ ٹرسٹی این بی پی سرمایہ اضافہ فنڈ	1	267,000	0.02
سی ڈی سی۔ ٹرسٹی اے کے ڈی ایگریسو انکم فنڈ۔ ایم ٹی	1	50,000	0.00
سی ڈی سی۔ ٹرسٹی ایم سی بی ڈائنیمک کیش فنڈ۔ ایم ٹی	1	62,300	0.00
سی ڈی سی۔ ٹرسٹی ایچ بی ایل اسلامک سٹاک فنڈ	1	68,000	0.00
سی ڈی سی۔ ٹرسٹی ایچ بی ایل ایکویٹی فنڈ	1	135,628	0.01
سی ڈی سی۔ ٹرسٹی ایچ بی ایل آئی پی ایف ایکویٹی سب فنڈ	1	15,000	0.00
سی ڈی سی۔ ٹرسٹی ایچ بی ایل پی ایف ایکویٹی سب فنڈ	1	20,000	0.00
سی ڈی سی۔ ٹرسٹی لیکسن انکم فنڈ۔ ایم ٹی	1	70,000	0.01
سی ڈی سی۔ ٹرسٹی اٹلس انکم فنڈ۔ ایم ٹی	1	10,276	0.00

PATTERN OF SHAREHOLDING - FFCEL & FFF

As at December 31, 2020

FFC Energy Limited

Categories of Shareholders	Shareholders	Shares Held	Percentage
Fauji Fertilizer Company Limited	1	243,755,000	99.97
Directors	7	70,000	0.03
Totals	**8**	**243,825,000**	**100**

فیصد	تعداد حصص	حصص یافتگان	حصص یافتگان کی اقسام
99.97	243,755,000	1	فوجی فرٹیلائزر کمپنی لمیٹڈ
0.03	70,000	7	ڈائریکٹرز
100	**243,825,000**	**8**	کل

Fauji Fresh n Freeze Limited

Categories of Shareholders	Shareholders	Shares Held	Percentage
Fauji Fertilizer Company Limited	1	623,953,000	99.99
Directors	7	7,000	0.01
Totals	**8**	**623,960,000**	**100**

فیصد	تعداد حصص	حصص یافتگان	حصص یافتگان کی اقسام
99.99	623,953,000	1	فوجی فرٹیلائزر کمپنی لمیٹڈ
0.01	7,000	7	ڈائریکٹرز
100	**623,960,000**	**8**	کل

DEFINITIONS & GLOSSARY OF TERMS

Definitions

Profitability Ratios
Profitability Ratios are used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Liquidity Ratios
Liquidity ratios determine the Company's ability to meet its short-term financial obligations.

Activity / Turnover Ratios
Activity / Turnover ratios evaluate the operational efficiency of the Company to convert inventory & receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales.

Investment / Market Ratios
Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the company's ability to generate profits.

Capital Structure Ratios
Capital Structure ratios provide an indication of the long term solvency of the Company and its cost of debt, in relation to equity and profits.

Glossary of terms

Term	Description
Agri. Services	Agriculture Services provided by FFC's Marketing Team to farmers
AKBL	Askari Bank Limited
AMCON	Annual Marketing Conference
ATL	Active Taxpayers List
BCP	Business Continuity Planning
BI&T	Banking Industries and Trading
CAER	Community Awareness and Emergency Response
CBA	Collective Bargaining Agent
CCG	Code of Corporate Governance
CCP	Competition Commission of Pakistan
CE&MD	Chief Executive & Managing Director
CFA	Certified Financial Analyst
CFO	Chief Financial Officer
CITA	Continuous Improvement in Technological Advancements
CNIC	Computerized National Identity Card
COD	Commercial Operation Date

Term	Description
CPEC	China-Pakistan Economic Corridor
CSR	Corporate Social Responsibility
Current Ratio	A liquidity ratio that measures a company's ability to pay short-term and long-term obligations by considering the current total assets of a company (both liquid and illiquid) relative to that company's current total liabilities
DAP	Di-Ammonium Phosphate
DCS	Distribution Control System
De-Bottle Necking (DBN)	Process of optimizing existing plant and equipment to enhance overall capacity by improving specific areas that limit production
DPS	Dividend Per Share
DRS	Disaster Recovery Site
E-DOX	Software for document imaging and workflow management
EEF	Enhanced Efficiency Fertilizers
EPC	Engineering, Procurement and Construction
EPS	Earnings Per Share
FAC	Farm Advisory Centres
FACE	Food & Agriculture Center of Excellence
FCCL	Fauji Cement Company Limited; an associated company of FFC
FFBL	Fauji Fertilizer Bin Qasim Limited; an associated company of FFC
FFC	Fauji Fertilizer Company Limited
FFCEL	FFC Energy Limited; a wholly owned subsidiary of FFC
FFF	Fauji Fresh n Freeze Limited; a wholly owned subsidiary of FFC
FMPAC	Fertilizer Manufacturers of Pakistan Advisory Concil
FPCCI	Federation of Pakistan Chamber of Commerce and Industries
Gearing	The level of a company's debt related to its equity capital. It is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders versus shareholders.
GHG	Green House Gases
GIDC	Gas Infrastructure Development Cess
GM	Goth Machhi
Going concern assumption	An accounting assumption that an entity will remain in business for the foreseeable future.

DEFINITIONS & GLOSSARY OF TERMS

Term	Description
GRI	Global Reporting Initiative
HACCP	Hazard Analysis and Critical Control Points-an internationally recognized system for reducing the risk of safety hazards in food
HI (M)	Hilal-e-Imtiaz (Military)
HAZOP	Hazard and Operability
HIRADC	Hazard Identification Risk Assessment and Determining Control
HORC	Hazard Observation and Review Committee
HR&R	Human Resource and Remuneration
HSE	Health Safety and Environment
IBAN	International Bank Account Number
ICAP	Institute of Chartered Accountants of Pakistan
ICAP / ICMAP BCR Award	Institute of Chartered Accountants of Pakistan/Institute of Cost and Management Accountants of Pakistan Best Corporate Report Award
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFA	International Fertilizer Industry Association
IFRSs	International Financial Reporting Standards
Interest Cover	A financial ratio that measures a company's ability to make interest payments on its debt in a timely manner.
IQF	Individually Quick Frozen; A food preservation technology that freezes each individual piece of food thus retaining its nutritional value while keeping pieces from clumping together
ISMS	Information System Security Management
ITIL	Information Technology Infrastructure Library
KIBOR	Karachi Inter-Bank Offer Rate, periodically announced by the State Bank of Pakistan
LNG	Liquified Natural Gas
Management Letter	Letter written by auditors to directors of the company, communicating material issues, concerns and suggestions noted during the audit.
M&O	Manufacturing and Operations
MAP	Management Association of Pakistan

Term	Description
MMSCF	Million Standard Cubic Feet
MOIPI	Maintenance of Industrial Peace Initiatives
MOP	Muriate of Potash
MW	Mega Watt
NDMA	National Disaster Management Authority of Pakistan
NEQS	National Environmental Quality Standards
Net worth	Net worth is the amount by which assets exceed liabilities (Equity)
NFDC	National Fertilizer Development Centre, Pakistan
NGO	Non-Government Organization
NIT	National Investment Trust Limited
NTDC	National Transmission & Despatch Company, Pakistan
NTN	National Tax Number
NUST	National University of Science and Technology
OHSAS	Occupational Health and Safety Assessment Series, is an internationally applied British Standard for occupational health and safety management systems.
PIBs	Pakistan Investment Bonds
PIDE	Pakistan Institute of Development Economics
PMP	Pakistan Maroc Phosphore S.A, Morocco
PSFL	Ex-Pak Saudi Fertilizer Limited
PSX	Pakistan Stock Exchange
RCCI	Rawalpindi Chamber of Commerce and Industries
ROE	Return On Equity-It measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested
ROIC	Return on Invested Capital
SAARC	South Asian Association for Regional Cooperation
SAFA	South Asian Federation of Accountants
SAN	Storage Area Network
SAP-ERP	An enterprise resource planning software developed by the German company SAP SE and used by FFC to manage business, operations and customer relations.
SECP	Securities & Exchange Commission of Pakistan

DEFINITIONS & GLOSSARY OF TERMS

Term	Description
SI (M)	Sitara-e-Imtiaz (Military)
SNG	Synthetic Natural Gas
SOC	Safe Operation
SOP	Sulphate of Potash
Super Tax	An originally one-time levy of tax imposed by Government in 2015, yet re-imposed in 2016 & 2017, on companies meeting certain income threshholds.
Tariff True-up	Adjustment by National Electric Power Regulatory Authority of reference tariff FFCEL can charge for delivery of electricity to NTDC after commencement of commercial operations
TCP	Trading Corporation of Pakistan
TEL	Thar Energy Limited
TPDC	Tanzania Petroleum Development Corporation
UK	United Kingdom
UNGC	United National Global Compact-The world's largest corporate sustainability initiative that asks companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals
USA	United States of America
VHT	Vapor Heat Treatment
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund

FORM OF PROXY

43rd Annual General Meeting

I/We ______________________________

of ______________________________

being a member(s) of Fauji Fertilizer Company Limited hold______________________________

Ordinary Shares hereby appoint Mr / Mrs / Miss ______________________________

of ______________ or failing him / her______________________________

of ______________ as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at

the 43rd Annual General Meeting of the Company to be held on Thursday March 18, 2021 and /or any adjournment thereof.

As witness my/our hand/seal this __________ day of __________ March 2021.

Signed by ______________________________

in the presence of ______________________________

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 156 The Mall, Rawalpindi not less than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. For CDC Account Holders/Corporate Entities

   In addition to the above the following requirements have to be met.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
(ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
(iii) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).

AFFIX
CORRECT
POSTAGE

Company Secretary
FAUJI FERTILIZER COMPANY LIMITED
156 The Mall, Rawalpindi Cantt
Website: www.ffc.com.pk
Tel No. +92-51-111-332-111, 8450001

فوجی فرٹیلائزر کمپنی لمیٹڈ

پراکسی فارم

43 واں سالانہ عمومی اجلاس

میں/ہم۔۔۔کا/کے بحیثیت ممبر(ز) فوجی فرٹیلائزر کمپنی لمیٹڈ اور حامل عام حصص محترم/محترمہ۔۔۔۔۔۔۔۔۔ یا ان کے حاضر نہ ہو سکنے کی صورت میں۔۔۔۔۔۔۔۔۔کو اپنے/ہمارے ایماء پر کمپنی کے 18 مارچ 2021 جمعرات کو ہونے والے 43 واں سالانہ عمومی اجلاس میں شرکت کرنے، حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا/کرتے ہیں۔

بطور گواہ آج بتاریخ۔۔۔دن۔۔۔مارچ 2021 میرے/ہمارے دستخط ہوئے

دستخط۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ کی موجودگی میں

پانچ روپے کے رسیدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس 156 دی مال راولپنڈی میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیے جائیں گے۔

3۔ **سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے کے لیے مزید برآں درج ذیل شرائط کو پورا کیا جائے گا۔**

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں گی۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہوگی۔

AFFIX
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