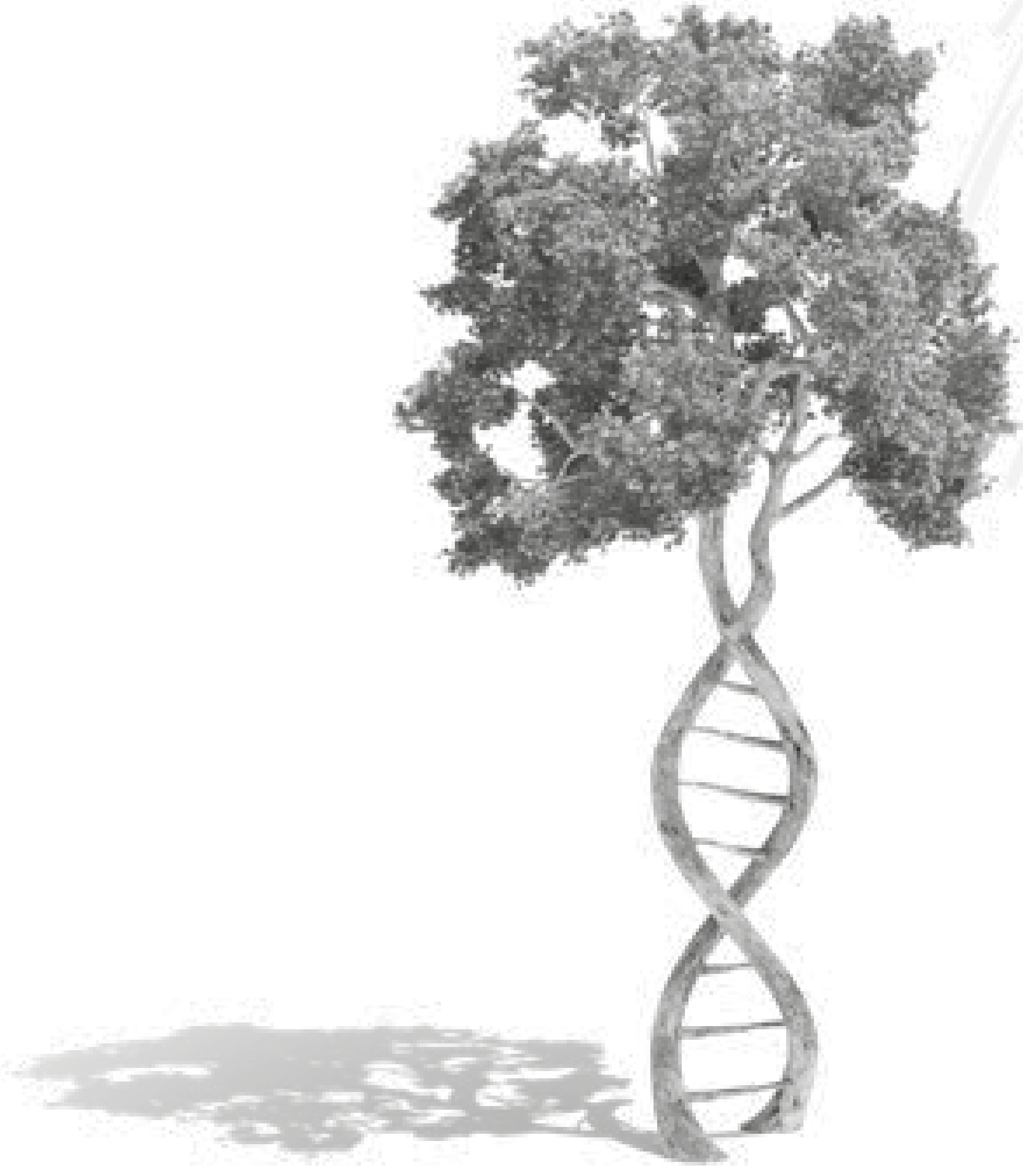
BRACING THE FUTURE



FFBL
Fauji Fertilizer Bin Qasim Limited

ANNUAL REPORT
2019

BRACING THE FUTURE

Future lies in sustainable development, steady progress, risk management and optimum utilisation of resources. FFBL's vision to enhance stakeholder's value, contribution towards society and focus on fundamental business activity has contributed towards organisation's dynamism and the resolve to brace the future with dignity.

Content

Our Journey

1993

- Incorporation of the Company

1996

- Listed with Karachi, Lahore and Islamabad Stock Exchanges

2000

- Commencement of commercial production

2003

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

2005

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

2006

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

2007

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

2008

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

2010

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

2011

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

2013

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

2014

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

2015 ▸ 2016 ▸ 2017

2015

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

2016

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

2017

- Start of commercial production by FPCL
- Record yearly DAP production of 808,808 MT
- Record monthly DAP production of 74,500 MT
- Highest ever daily DAP production of 2,513 MT
- Highest ever Sona DAP sales of 831,173 MT
- Annual Environment Plantation Award 2017 by NFEH
- Best Tree Plantation Award 2017 by NFEH

2018 ▸ 2019

2018

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

2019

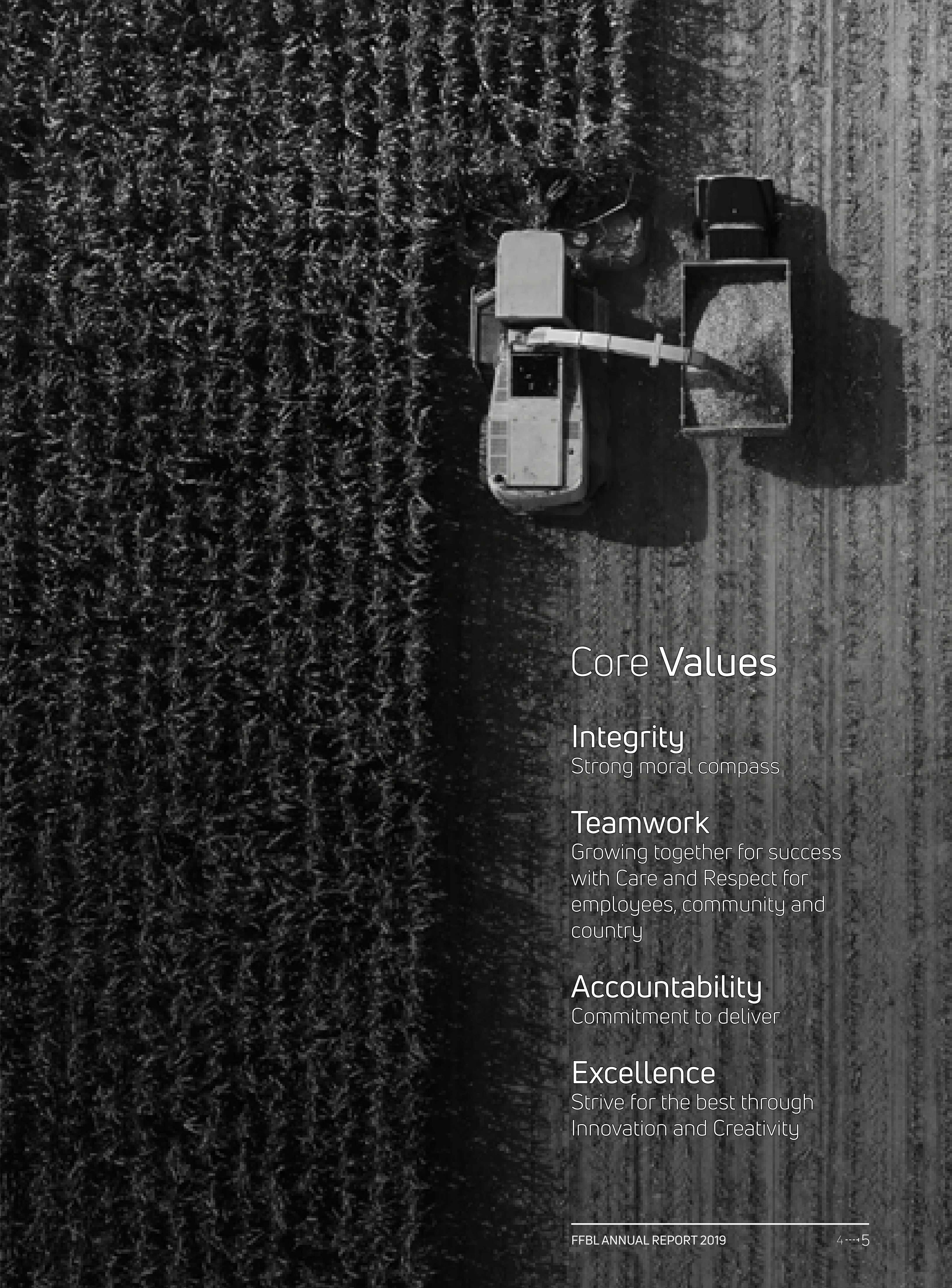
- Highest ever yearly DAP production of 830,696 MT
- Highest ever monthly DAP production of 76,595 MT in July 2019
- 5th International Award in category of "Environment, Health & Safety Performance"

Vision

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

Mission

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



Core Values

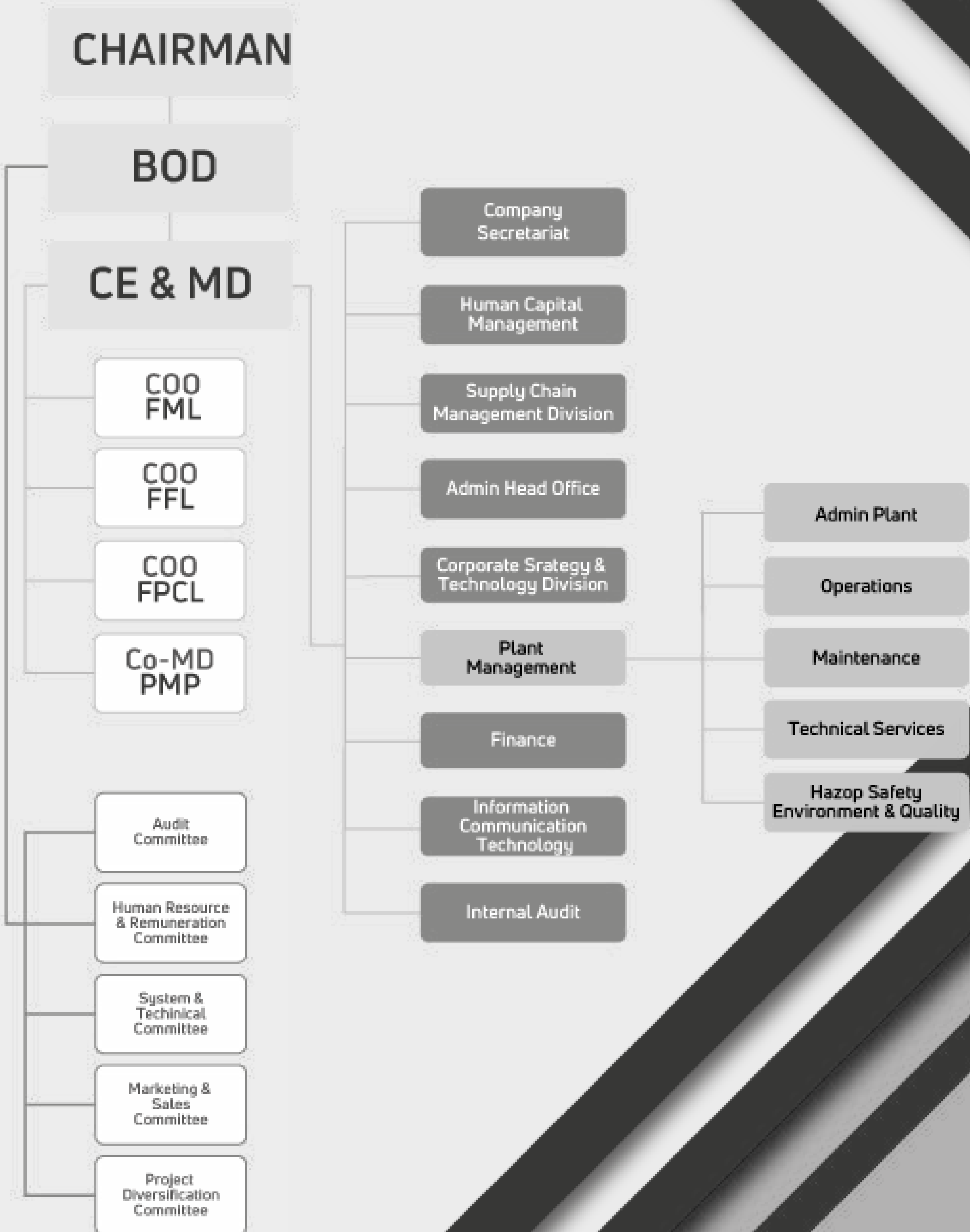
Integrity
Strong moral compass

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

Accountability
Commitment to deliver

Excellence
Strive for the best through Innovation and Creativity

Company Structure
/ Organogram



Geographical **Presence**

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

Company **Information**

Board of Directors

Lt Gen Syed Tariq Nadeem Gilani, HI(M), (Retd) - **CHAIRMAN**
Lt Gen Javed Iqbal, HI(M), (Retd) - **CE & MD**
Lt Gen Tariq Khan, HI(M), (Retd)
Dr. Nadeem Inayat
Maj Gen Tahir Ashraf Khan, HI(M), (Retd)
Mr. Rehan Laiq
Brig Hamad Qadir, SI(M), (Retd)
Syed Iqtidar Saeed
Syed Khalid Siraj Subhani
Mr. Moeez ur Rehman
Ms. Naz Khan
Ms. Pouruchisty Sidhwa

Company Secretary

Brig Syed Mujtaba Tirmizi, SI(M), (Retd) - (Retired on 31 Jan, 2020)

Brig Aamir Hussain Mirza, SI(M), (Retd) - (Appointed on 31 Jan 2020)

Chief Financial Officer

Mr. Muhammad Javed Akhtar

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

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

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

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

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

FFBL Profile & **Group Structure**

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

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

A Board of Directors (BoD) nominated by FF Group manages the Company. BoD consists of four Independent Directors, seven Non-Executive Directors including Chairman of the Board and CE&MD as Executive Director. The Company was incorporated in 1993 and commenced its commercial operations in year 2000. It had an installed capacity 1,670 MT/day of Urea and 1,350 MT/day of DAP. Through consistent in-house expansion and upgradation, the Company has successfully attained highest levels of 1,920 MT/day of Urea and 2,523 MT/day of DAP.

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

Fauji Fertilizer Bin Qasim Limited
(FFBL)

Subsidiaries

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

Associated Companies

Foundation Wind Energy-I Limited (FWEL-I)
Foundation Wind Energy-II Limited (FWEL-II)
Pakistan Maroc Phosphore S. A Morocco (PMP)
Askari Bank Limited (AKBL)
Fauji Cement Company Limited (FCCL)

Corporate **Objectives**

OBJECTIVE 1 — Long Term

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

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

Priority: High

Status: Ongoing process - continuous improvements and simplification in production processes.

Opportunities / threats

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

OBJECTIVE 2 — Medium/ Long Term

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

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

Priority: High

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

Opportunities / threats

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

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

OBJECTIVE 3 — Short Term

Adopt cost saving measures and eliminating redundancies.

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

Priority: High

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

Opportunities / threats

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

OBJECTIVE 4 — Short/ Medium Term

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

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

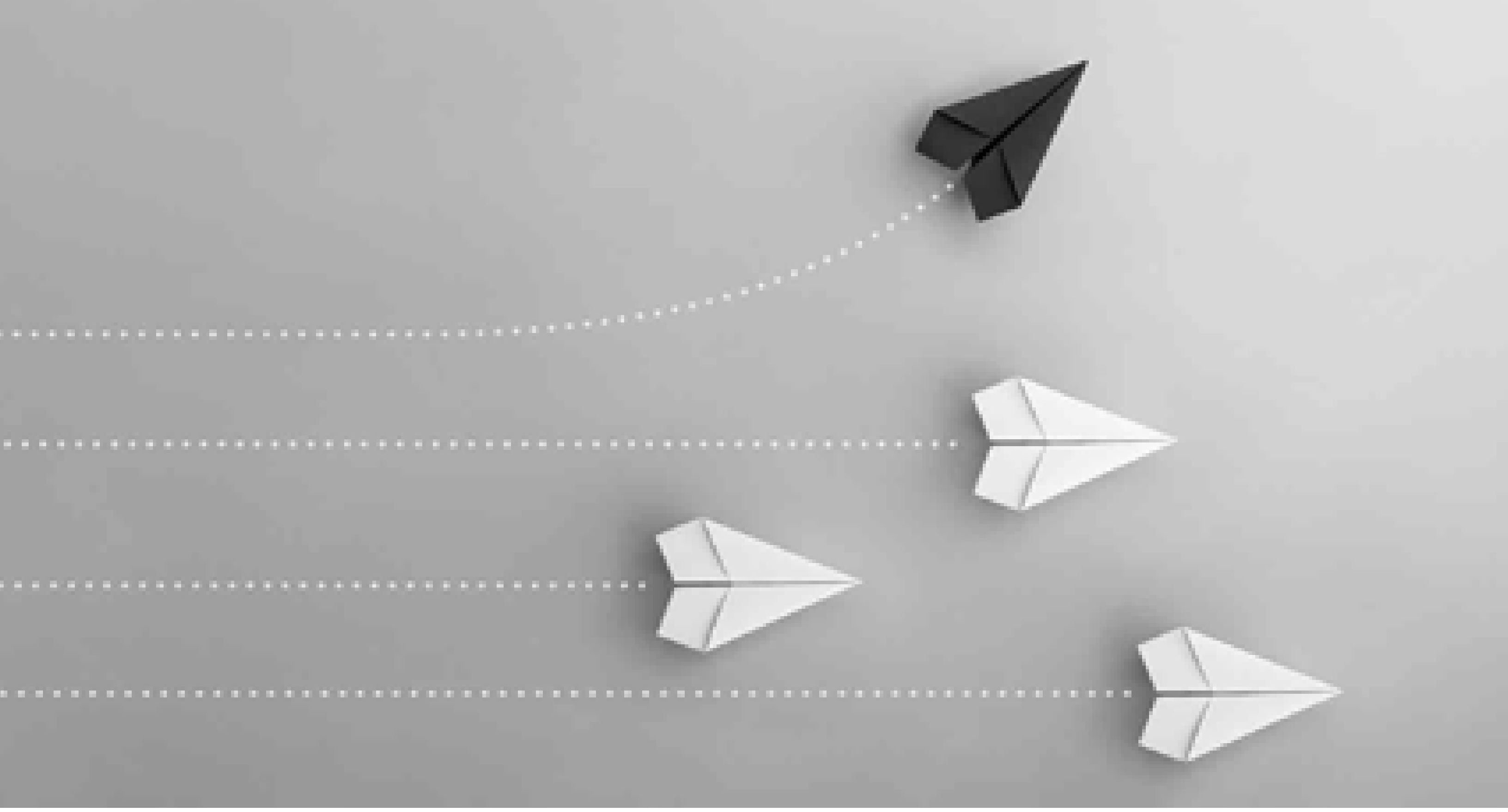
Priority: High

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

Opportunities / threats

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

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



Corporate **Strategy**

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

Strategic **Goals**

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

Code of **Conduct**

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

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

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

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

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

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

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

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

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

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

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

Directors’ Profile

Directors' **Profile**

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

Chairman

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

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

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

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

CE & MD

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

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

Besides being Director and Chairman of Management Committee of Pakistan Maroc Phosphore (PMP) Morocco, he is also on the Board of following entities:-

- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II Limited
- Askari Bank Limited

Lt Gen Tariq Khan, HI(M), (Retd)

Non - Executive Director

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

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

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

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

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

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

Dr. Nadeem Inayat

Non - Executive Director

Dr Nadeem Inayat holds Doctorate in Economics and has over 35 years of diversified domestic as well as international experience in the financial sector. He has vast experience in corporate governance, policy formulation, project appraisal, implementation, monitoring, evaluation and restructuring.

Besides being Director (Business &Investment) Fauji Foundation, he is on the Boards of following entities:

Public Listed Companies

- Fauji Fertilizer Company Limited.
- Fauji Fertilizer Bin Qasim Limited.
- Askari Bank Limited.
- Mari Petroleum Company Limited.
- Fauji Foods Limited (formally Noon Pakistan Limited).
- Hub Power Company Limited

Non-Listed Companies

- Pakistan Maroc Phosphore, S.A Morocco
- Fauji Oil Terminal & Distribution Company Limited.
- Fauji Akbar Portia Marine Terminal Limited.
- Askari Cement Limited
- Fauji Meat Limited.
- Fauji Fresh n Freeze Limited.
- Fauji Trans Terminal Limited.
- Foundation University

Directors' **Profile**

Maj Gen Tahir Ashraf Khan, HI(M), (Retd)

Non - Executive Director

Commissioned in 23rd Battalion of Baloch Regiment in Apr 1978. He has vast experience of Command, Staff and Instructional appointments. A graduate of Command & Staff College, Armed Forces War College and U.S Army War College. Holds Masters Degrees in Strategic Studies and War Studies. He has commanded his parental unit at Siachen Glacier, an Infantry Brigade deployed along the Line of Control, an Independent Infantry Brigade and an Infantry Division.

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

Presently, is member of Central Board of Directors at Fauji Foundation Head Office and on the Board of Directors of some associated companies i.e Fauji Fertilizer Bin Qasim Limited, Fauji Cement Company Limited, Askari Cement Limited, Fauji Kabirwala Power Company Limited, FFBL Power Company Limited, Fauji Meat Limited and Fauji Foods Limited.

Mr. Rehan Laiq

Non - Executive Director

Fauji Group CFO at Fauji Foundation (Since October 2018) – Leading Conglomerate of Pakistan

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

He started his professional career with Price Waterhouse Coopers in 1989, and during his professional journey he held senior management positions in the field of financial management with various renowned organizations namely Mobilink (JAZZ) as financial controller (6 years), Schlumberger as CFO of their Seismic Interpretation Business (16 years) and OGDCL as Executive Director Finance (1 year). He carried vast international experience of financial management & business turnaround at senior level in his career mainly with Schlumberger in multiple countries of Middle East, Asia, Russia and North America. He also has diverse experience of policy compliance, management reporting, external and internal transformation (e.g optimum utilization resources for the business) and analytical business support to ensure profit maximization of an organization.

Mr. Rehan represents Fauji Foundation on the Board of the following Group Companies and also President and Member of Audit & HR Committees:-

Public Listed Companies

- Fauji Fertilizer Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Mari Petroleum Company Limited
- Fauji Cement Company Limited
- Fauji Foods Limited
- Askari Bank Limited

Non-Listed Companies

- Dharaki Power Holdings Limited
- Foundation Power Company Dharaki Limited
- Fauji Kabirwala Power Company Limited
- FFBL Power Company Limited
- Fauji Meat Limited
- Fauji Infraavest Foods Limited
- Fauji Akbar Portia Marine Terminal Limited
- Foundation Solar Energy Limited

Brig Hamad Qadir, SI(M), (Retd)

Non - Executive Director

Brig Hamad Qadir, (Retd) is Director Human Resources & Administration of Fauji Foundation. He is a graduate of National Defence University Islamabad, Canadian Forces University, Toronto & Command and Staff College Quetta. During his military career, the officer served on various command, staff and instructional assignments. He is a member of Board of Directors Fauji Foundation including Pakistan Maroc Phosphore SA, Fauji Fertilizer Bin Qasim Limited, FFBL Foods Limited and Fauji Electric Power Company (FEPCO).

Syed Iqtidar Saeed

Non - Executive Director

Syed Iqtidar Saeed was appointed as Director Planning and Development Fauji Foundation, on May 1, 2019 and is a member of Central Board of Directors of FF. He is member of Boards of following Associated Companies of Fauji Foundation as a non-executive Director. He is also the Chairman of Technical Committees and Member of Project Diversification Committees, Investment Committees and Audit Committees of these Companies :-

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

Syed Iqtidar Saeed graduated in Engineering, with High Honors, from Engineering University Peshawar in 1973. He has over 42 years of experience in Chemical Fertilizer Industry. Besides plant management, his expertise also includes Project Development and managing large size projects from Engineering till commissioning stages. He has extensive experience of dealing with International OEM's, Contracts etc.

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

He was member of FFC core team which worked on setting up of Production facilities of Urea and DAP fertilizer at Port Bin Qasim Karachi project (FFBL) from 1993 till 2002 and was involved from engineering till commercial production.

In 2004 he was deployed at FFCL's third Fertilizer plant at Mirpur Mathelo, acquired from National Fertilizer Corporation. During the 3 year's assignment as GM Plant, he also led a BMR Project which successfully achieved 25% increase in the Plant capacity and stabilized operation.

In 2007, he was moved to FFC corporate office as Head of Engineering & Technology Division which included Business Development also. He led the strategies for business diversification and globalization. These included investments in Renewable Energy projects, off-shore fertilizer project and evaluation of investment in Thar coal projects, focused on conversion of coal into Gas and Power.

He played a pioneering role in FFC's 50 MW wind power project, Pakistan's first to achieve commercial production. He was appointed Director on the first Board of the new company FFCEL.

In 2013, he was appointed as Group General Manager and subsequently as Chief Technical Officer of the Company. He retired from Company in Nov 2016.

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

Syed Iqtidar Saeed has an excellent academic career and is a recipient of several National awards and medals. He was awarded Pride of Performance and President of Pakistan's Gold Medal in 1969 for outstanding academic achievement at Higher Secondary level. He attained first position consecutively each of the 4 years engineering degree course and was awarded Gold Medals.

Directors' **Profile**

Syed Khalid Siraj Subhani

Independent Director

Mr. Subhani began his career in the Manufacturing Division at Exxon Chemical Pakistan Limited in 1983 and has held a variety of leadership roles within Exxon/Engro, including long term assignment with Esso Chemical Canada in Alberta, Canada and at ICI site in Billingham UK. He has served as President & Chief Executive Officer of Engro Corporation Limited, Engro Fertilizers Limited and Engro Polymer and Chemicals Limited. Upon retirement as CEO of Engro Corporation, Mr Subhani also worked as CEO of ThalNova Power Thar Private Limited, a joint venture power company of House of Habib and Novatex Limited for about two years.

He served as the Chairman of the Board of directors of Engro Fertilizers Limited, Engro Eximp (Private) Limited, Engro Polymer & Chemicals Limited, Engro Powergen Limited, Engro Vopak Terminal Limited, Engro Elengy Terminal (Private) Limited, Engro Thar Power Company Ltd, and Avanceon Limited. Mr. Subhani also served as Director on the Board of Engro Corporation Limited, Engro Foods Limited, Sindh Engro Coal Mining Company Limited, Hub Power Company Limited and Laraib Energy Limited. He also served as Chairman and member of various Board committees of these organisations including Human Resource, Technical and Board Investment Committees

Mr. Subhani also served as elected Vice President of The Overseas Investors Chamber of Commerce and Industry and is a member of the business advisory council of the Society for Human Resource Management (SHRM) Forum Pakistan, Academic Council of Institute of Business Administration – Sukkur and Faculty Selection Board of Institute of Business Administration – Sukkur,

Mr. Subhani is a Chemical Engineer from NED University of Engineering and Technology, Pakistan and has done Advance Management Programme from Hass School of Business Management, University of Berkeley, USA and Project ManagementProgramme from MIT, Cambridge, USA

Mr. Moeez ur Rehman

Independent Director

Mr. Moeez ur Rehman is a Certified Director and a versatile finance executive with more than 19 years of varied experience in local, multinational and public sector organizations. He is also a Fellow Member of Institute of Chartered Accountants of Pakistan (ICAP) and specialist in treasury management, corporate reporting, risk profiling, compliance, strategic planning and mentoring & performance evaluation.

He is an avid reader and adventure seeker, who is always on a look out for an opportunity to travel & explore. Mr. Moeez ur Rehman is a motivated and result oriented professional who is adept at nurturing business relations and steering them to success. He is one of the founder members of 'SAKAFAT FOREVER' and it's Managing Partner.

Ms. Naz Khan

Independent Director

Ms. Naz Khan is currently the Managing Director of X-Petroleum Limited. Prior to this, she was the Chief Financial Officer of Engro Corporation Ltd. During this period she was part of the team at Corp that implemented a successful turn-around through several transactions including restructurings, listings and new projects. Within the congolmerate, she started her career as the Chief Financial Officer of Engro Fertilizers, the flagship company of Group.

Previously, Ms. Naz has been involved with the financial and capital markets for over 18 years on the asset management, investment banking and broking sides.

Ms. Naz has also served on the Boards of Mutual Fund Association of Pakistan (MUFAP), Young Presidents' Organization (YPO) and several company boards, which currently include Shell Pakistan, Pakistan Stock Exchange, UBL Fund Managers Limited and IGI Life Insurance.

Ms. Naz holds a B.A. in Economics from Mount Holyoke College, MA, USA and has attended leadership and management courses at INSEAD, Harvard University and Georgetown University.

Ms. Pouruchisty Sidhwa

Independent Director

Ms. Sidhwa is a Senior Human Resource Professional having over 2 decades of broad based experience in Leadership roles in Banking, Pharma, Manufacturing, Textiles and Food. She possesses business analytics, strong controls, good governance and excellent people management skills to contribute to organizational growth and development. She is currently the Chief Human Resources Officer, Telenor Microfinance Bank. She is Bachelor of Commerce from University of Karachi. She is a Board Member of the Pakistan Society for Human Resource Management, Pakistan Society for Training and Development and Pakistan Human Capital Forum.

Directors' **Profile**

Mr. Muhammad Javed Akhtar

Chief Financial Officer/General Manager Finance

Javed Akhtar started his career with Price Waterhouse Coopers and is a fellow member of the Institute of Chartered Accountants of Pakistan. He has diverse experience of over 21 years in the fields of audit, financial management, business planning and secretarial affairs, both in and outside Pakistan. He was Director Finance and Company Secretary of Pakistan Maroc Phosphore, S.A., a Joint Venture between Fauji Group and Office Chérifien des Phosphates (OCP) of Morocco, during 2014-17. He is also the CFO and Non-Executive Director of FFBL Foods Limited. Before joining FFBL in 2006, he has worked with Fauji Fertilizer Company, Pakistan State Oil, KPMG-Oman, and Attock Refinery.

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

Company Secretary

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

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

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

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

Notice of **Annual General Meeting**

Notice is hereby given that the 26th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held at 1100 hrs on 30 March 2020 at Imperial Hall, Jacaranda Family Club, Sector E, Phase-II, DHA, Islamabad to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of Extraordinary General Meeting held on 23 August 2019.
2. To receive, consider and approve the Audited Accounts of the Company (separate and consolidated) together with the Directors' and Auditors' reports thereon for the year ended 31 December 2019.
3. To appoint auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration. The retiring auditors M/s EY Ford Rhodes, Chartered Accountants have offered themselves for re-appointment.

SPECIAL BUSINESS

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

   "RESOLVED THAT the Company be and is hereby authorized to convert, as and when the Company deems fit, the subordinated shareholder loan of PKR 2.63 Billion which has been disbursed by the Company to its associated company Fauji Foods Limited ("FFL"), out of the total investment of PKR 3 Billion which was approved by the shareholders of the Company in the Annual General Meeting held on 29 March 2019, together with mark-up of PKR 118,863,713/- that has accrued on such principal amount, as at December 31, 2019, into fully paid-up ordinary shares (of Rs.10 per share i.e. at par value) of FFL of the corresponding value, to be issued by FFL to the Company (the "Debt to Equity Conversion").

   FURTHER RESOLVED THAT the Company be and is hereby authorized to make all such amendments to the Sponsor Support Agreement dated 12 April 2019 between the Company and FFL (the "Existing Sponsor Support Agreement") as are necessary to allow for the Debt to Equity Conversion and the Company is further authorised to execute, deliver and perform the amendment to the Existing Sponsor Support Agreement.

   FURTHER RESOLVED THAT the Company be and is hereby authorized to invest, provide and continue sponsor support in and to FFL the total amount not exceeding in the aggregate PKR 4,500,000,000/- (Rupees Four Billion and Five Hundred Million Only) through either, or a combination of, a subordinated shareholder loan (not exceeding the amount of PKR 2.5 Billion) or collateral support for a period not exceeding one (1) year (including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien) as security for working capital facilities extended or to be extended by financial institutions to FFL, or in any other form. Without limiting the generality of the foregoing, the Company be and is hereby authorised to:

   i. Provide a subordinated shareholder loan to FFL, not exceeding the amount of PKR 2.5 Billion, to be disbursed in one or more tranches over a period of one (1) year, with each such tranche to be repaid by FFL, subject to the terms of subordination and to approval of FFL's lenders as required, within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without any pre-payment penalty.

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

   iii. Convert, as and when the Company deems fit, the subordinated shareholder loan together with all interest or mark-up that has accrued thereon into fully paid-up ordinary shares (of Rs.10 per share i.e. at par value) of FFL of the corresponding value, to be issued by FFL to the Company.

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

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

FURTHER RESOLVED THAT the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary and/ or expedient for the aforesaid purposes or in furtherance thereof including, without limitation, to enter into and deliver and implement any and all contracts, instruments, powers of attorney, notices, certificates, documents [of whatever nature and description including, without limitation the sponsor support agreement to be entered between the Company and FFL, any and all amendments to the Existing Sponsor Support Agreement and any counter-indemnity agreements (collectively, "Related Contracts")] with the relevant financial institution(s), and with FFL, as may be necessary or expedient for the purpose.

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

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

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

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

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

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

iii. Convert, as and when the Company deems fit, the subordinated shareholder loan together with all interest or mark-up that has accrued thereon into fully paid-up ordinary shares (of Rs.10 per share i.e. at par value) of FML of the corresponding value, to be issued by FML to the Company.

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

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

FURTHER RESOLVED THAT the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary and/ or expedient for the aforesaid purposes or in furtherance thereof including, without limitation, to enter into and deliver and implement any and all contracts, instruments, powers of attorney, notices, certificates, documents [of whatever nature and description including, without limitation the sponsor support agreement to be entered between the Company and FML, any and all amendments to the Existing Sponsor Support Agreement and any counter-indemnity agreements (collectively, "Related Contracts")] with the relevant financial institution(s), and with FML, as may be necessary or expedient for the purpose.

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

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

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

"RESOLVED THAT the Company be and is hereby authorized to pay the amount of PKR 7,714,000/- (Rupees Seven Million, Seven Hundred and Fourteen Thousand) to Fauji Foundation, which amount represents the Company's share of the total commission payable and paid on the Standby Letter of Credit dated 2 January 2019 amounting to PKR 1.9 Billion, issued by JS Bank to the lenders of Foundation Wind Energy I Limited and Foundation Wind Energy II Limited.

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

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

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

OTHER BUSINESS:

7. To transact any other business with the permission of the Chair.

By Order of the Board
Fauji Fertilizer Bin Qasim Limited

Brig Aamir Hussain Mirza, (Retd)
Company Secretary
Islamabad
March 04, 2020

Statement of Material Facts under Section 134 of the Companies Act, 2017

Conversion of Company's debt of PKR 2.63 Billion into equity

In the Annual General Meeting of the Company held on 29 March 2019, the shareholders of the Company approved a total investment of PKR 3 Billion in FFL to provide sponsor support through either, or a combination of, a subordinated shareholder loan or collateral support. The parties also entered into a Sponsor Support Agreement dated 12 April 2019 to give effect to the approval granted by the shareholders.

Subsequently, out of the total approved investment of PKR 3 Billion, the Company granted a subordinated loan of PKR 2.63 Billion to FFL. Keeping in view the limited financial resources of FFL, the management of the Company has decided to retain its investment of PKR 2.63 Billion in FFL and the Company intends to do so by converting its investment of PKR 2.63 Billion together with mark-up of PKR 118,863,713/- that has accrued on such principal amount, as at December 31, 2019, into shares of the corresponding value of FFL. The original terms of the investment, approved by the shareholders, did not expressly authorise the Company to convert the subordinated shareholder loan in to equity, and hence the Company requires shareholder approval in accordance with Section 199(4) of the Companies Act, 2017 to change the terms of the original investment.

It is expected that the proposed conversion of the principal amount of PKR 2.63 Billion together with mark-up of PKR 118,863,713/- will help improve the financial condition of FFL. Being the majority shareholder of FFL, the improvement in the financial condition of FFL will have a positive impact on the Company.

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

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

Name of associated company along with criteria based on which the associated relationship is established	Fauji Foods Limited (FFL) Fauji Fertilizer Bin Qasim Limited (the "Company") holds 50.59% of the issued and paid-up capital of FFL.
Earnings per share for the last three years	Year: 2019 — EPS: -10.96 Year: 2018 — EPS: -5.39 Year: 2017 — EPS: -9.22
Break-up value per share, based on latest audited financial statements	PKR -6.96/- per share.
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Long term Loans PKR 4,316,666,667 Property Plant & Equipment PKR 8,106,036,190 Short term borrowings PKR 6,691,944,126 Sales PKR 5,744,872,328 Cost of Sales PKR 6,423,699,048 Loss PKR 5,788,937,474

In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, (i) description of the project and its history since conceptualization (ii) starting date and expected date of completion of work (iii) time by which such project shall become commercially operational (iv) expected time by which the project shall start paying return on investment (v) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	Not applicable.
General Disclosures:	
Maximum amount of investment to be made	The Company intends to change the terms of investment approved by the shareholders of the Company in the Annual General Meeting held on 29 March 2019 so as to allow the Company to convert its subordinated shareholder loan of PKR 2.63 Billion plus mark-up of PKR 118,863,713/- into shares of the corresponding value of FFL.
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	The purpose of the proposed amendment to the terms of the investment is to allow the Company to retain its investment of PKR 2.63 Billion in FFL by amending the terms of the original investment approved by the shareholders of FFBL so that the Company has the right to convert its investment of PKR 2.63 Billion together with mark-up of PKR 118,863,713/- into shares of the corresponding value of FFL. It is expected that the proposed conversion of debt into equity will help improve the financial condition of FFL. Being the majority shareholder of FFL, the improvement in the financial condition of FFL will have a positive impact on the Company.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, (i) justification for investment through borrowings; (ii) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (iii) cost benefit analysis	This is not a new investment but revision in terms of the original investment so as to allow conversion into equity of debt disbursed to the associated company under the terms of the original investment.

Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	The Company and FFL entered into a Sponsor Support Agreement dated 12 April 2019, which allows the Company to invest in, and provide sponsor support to, FFL in the total amount not exceeding PKR 3,000,000,000/- (Rupees Three Billion Only) through either, or a combination of, a subordinated shareholder loan or collateral support. The Agreement allowed the Company to provide a subordinated shareholder loan to FFL, to be disbursed in one or more tranches over a period of one (1) year, with each such tranche to be repaid by FFL, subject to the terms of subordination and to approval of FFL's lenders as required, within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without any pre-payment penalty. The Sponsor Support Agreement further allows the Company to charge interest or mark-up on each such tranche of the subordinated shareholder loan from the date of disbursement to the date of repayment at a rate which shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Mark-up to be charged on quarterly basis. The Company, subject to approval of its shareholders, now seeks to amend the terms of investment together with the Sponsor Support Agreement so that it enables the Company to convert the outstanding debt together with all mark-up that has accrued thereon into shares of the corresponding value of FFL.
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking` or the transaction under consideration	Nothing other than as a shareholder.
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs	The Company has determined recoverable amount of FFL, based on value-in-use calculation, which was lower than the carrying amount of investment in the Company's financial statement, accordingly an impairment of PKR 420 million has been recognized in the financial statements, due to challenging trading and economic conditions affecting food sector in Pakistan.
Any other important details necessary for the members to understand the transaction	No.

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

In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made:	
(i) maximum price at which securities will be acquired	Shares will be issued to FFBL at par value i.e. PKR 10/- per share.
(ii) in case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	Not applicable.
(iii) maximum number of securities to be acquired	274,886,371 shares.
(iv) number of securities and percentage thereof held before and after the proposed investment	Before Inv. 267,314,886 50.59% After Inv. 542,201,257 67.50%
(v) current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities	23-31 Dec 19 Avg 14.26 Oct-Dec 19 Avg 13.25
(vi) fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities	Not applicable.

Investment of PKR 4.5 Billion in Fauji Foods Limited (FFL)

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

To this end, the Company intends to provide and continue sponsor support to FFL in the total amount not exceeding PKR 4,500,000,000/- (Rupees Four Billion and Five Hundred Million Only) through either, or a combination of, a subordinated shareholder loan (not exceeding the amount of PKR 2.5 Billion) or collateral support for a period not exceeding one (1) year (including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien) as security for working capital facilities extended or to be extended by financial institutions to FFL, or in any other form. Without limiting the generality of the foregoing, the Company intends to:

i Provide a subordinated shareholder loan to FFL, in an amount not exceeding PKR 2.5 Billion, to be disbursed in one or more tranches over a period of one (1) year, with each such tranche to be repaid by FFL, subject to the terms of subordination and to approval of FFL's lenders as required, within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without any pre-payment penalty.

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

iii Convert the subordinated shareholder loan together with all interest or mark-up that has accrued thereon, as and when the Company deems fit, into fully paid-up ordinary shares (of PKR 10 per share i.e. at par value) of FFL of the corresponding value, to be issued by FFL to the Company.

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

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

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

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

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

Name of associated company along with criteria based on which the associated relationship is established	Fauji Foods Limited (FFL) Fauji Fertilizer Bin Qasim Limited (the "Company or FFBL") holds 50.59% of the issued and paid-up capital of FFL.
Earnings per share for the last three years	<table><tr><th>Year</th><th>EPS</th></tr><tr><td>2019</td><td>-10.96</td></tr><tr><td>2018</td><td>-5.39</td></tr><tr><td>2017</td><td>-9.22</td></tr></table>
Break-up value per share, based on latest audited financial statements	PKR -6.96/- per share.
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Long term Loans PKR 4,316,666,667 Property Plant & Equipment PKR 8,106,036,190 Short term borrowings PKR 6,691,944,126 Sales PKR 5,744,872,328 Cost of Sales PKR 6,423,699,048 Loss PKR 5,788,937,474

Notice of **Annual General Meeting**

In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, (i) description of the project and its history since conceptualization (ii) starting date and expected date of completion of work (iii) time by which such project shall become commercially operational (iv) expected time by which the project shall start paying return on investment (v) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	Not applicable.
General Disclosures:	
Maximum amount of investment to be made	Maximum amount of investment is PKR 4.5 Billion.
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	The purpose of the proposed investment is to meet the working capital and operational expenses requirements of FFL, whose financial position does not allow it to meet such requirements out of its own, limited cash resources. It is expected that the investment will result in improvement in the financial condition of FFL. Being the majority shareholder of FFL, the improvement in the financial condition of FFL will have a positive impact on the Company.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, (i) justification for investment through borrowings; (ii) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (iii) cost benefit analysis	Companies’ own resources/Internal cash generations.

Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	The Company and FFL will enter into a sponsor support and counter-indemnity, or subordinated shareholder loan agreement, which shall specify the nature, purpose and period (not exceeding one (1) year) of the subordinated loan or sponsor support to be furnished by the Company to FFL; the amount and due dates for repayment of the loan; the terms of subordination of the loan (which will be subordinated to FFL's indebtedness to secured lenders); a commitment and indemnity by FFL to the Company to repay the loan (subject to the terms of subordination) on the due dates; as well as the terms on which the Company will provide collateral support to FFL. FFBL will also have the option to convert the subordinated debt into shares of the corresponding value of FFL. The key commercial terms that will be covered in the agreement will be as follows: The Company will invest in, and provide sponsor support to, FFL in the total amount not exceeding PKR 4,500,000,000/- (Rupees Four Billion and Five Hundred Million Only) through either, or a combination of, a subordinated shareholder loan (not exceeding the amount of PKR 2.5 Billion) or collateral support for a period not exceeding one (1) year (including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien) as security for working capital facilities extended or to be extended by financial institutions to FFL, or in any other form. Without limiting the generality of the foregoing, the Company will: (i) Provide a subordinated shareholder loan, in an amount not exceeding PKR 2.5 Billion, to FFL, to be disbursed in one or more tranches over a period of one (1) year, with each such tranche to be repaid by FFL, subject to the terms of subordination and to approval of FFL's lenders as required, within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without any pre-payment penalty. (ii) Charge interest or mark up on each such tranche of the subordinated shareholder loan from the date of disbursement to the date of repayment at a rate which shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis.

	(iii) Convert, as and when the Company deems fit, the subordinated shareholder loan together with all interest or mark-up that has accrued thereon into fully paid-up ordinary shares (of PKR 10 per share i.e. at par value) of FFL of the corresponding value, to be issued by FFL to the Company. (iv) Provide collateral support including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien. (v) Charge and recover from FFL a fee (the "Collateral Fee") on quarterly basis, equal to a maximum of 1.5% per annum, for the period from the date on which such cash deposit is made, or any guarantee or letter of credit is furnished, until the date when the lien over the relevant deposit, or the relevant guarantee or letter of credit, is released, provided that if and to the extent that such deposit is forfeited as a result of enforcement of the lien, or the relevant guarantee or letter of credit is drawn on, then from that date onwards until the Company recovers from FFL the full principal amount of the cash deposit so forfeited, or of the guarantee or letter of credit so drawn on, and without prejudice to the Company's right to recover from FFL the said principal amount, the Collateral Fee shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case, such mark-up to be charged on quarterly basis.
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Nothing other than as a shareholder.
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs	The Company has determined recoverable amount of FFL, based on value-in-use calculation, which was lower than the carrying amount of investment in the Company's financial statement, accordingly an impairment of PKR 420 million has been recognized in the financial statements, due to challenging trading and economic conditions affecting food sector in Pakistan.
Any other important details necessary for the members to understand the transaction	The terms of subordination will be finalized with the lenders, which may affect the interest rate to be charged by FFBL to FFL and the repayment of the loan. However, it is expected that the rate of mark-up charged will not be less than the borrowing cost of FFBL. Repayment of both the principal and mark-up payable by FFL will be subordinated to principal/mark-up/interest and other payments due to FFL's secured lenders under the terms of FFL's senior debt.

	The subordinated shareholder loan shall constitute unsecured indebtedness of FFL, ranking in payment and upon liquidation subordinate to FFL's secured debt obligations but senior to any dividend or other distributions. FFBL and FFL will have to comply with the terms of subordination and other conditions prescribed by FFL's and FFBL's secured lenders as a condition of allowing FFL to avail of the subordinated shareholder loan.

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

Information Required	Information Provided
Category wise amount of investment	The Company will grant a subordinated shareholder loan and / or other sponsor support not exceeding PKR 4.5 Billion to FFL. Out of the total proposed investment of PKR 4.5 Billion, the amount of subordinated shareholder loan shall not exceed PKR 2.5 Billion.
Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	3 Months KIBOR+150 Basis Points.
Rate of interest, mark up, profit, fees or commission etc. to be charged	Interest will be charged on each tranche of the subordinated loan at a rate which shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case, such mark-up to be charged on quarterly basis. In respect of collateral and other sponsor support, FFBL will charge and recover from FFL the Collateral Fee, equal to a maximum of 1.5% per annum, for the period from the date on which such cash deposit is made, or any guarantee or letter of credit is furnished, until the date when the lien over the relevant deposit, or the relevant guarantee or letter of credit, is released, provided that if and to the extent that such deposit is forfeited as a result of enforcement of the lien, or the relevant guarantee or letter of credit is drawn on, then from that date onwards until the Company recovers from FFL the full principal amount of the cash deposit so forfeited, or of the guarantee or letter of credit so drawn on, and without prejudice to the Company's right to recover from FFL the said principal amount, the Collateral Fee shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case, such mark-up to be charged on quarterly basis.

Particulars of collateral or security to be obtained against loan to the borrowing company or undertaking, if any	No security over assets of FFL will be obtained but the agreement will include a commitment and indemnity by FFL to the Company to pay the loan along with any interest that has accrued at the times and in the amount mentioned therein, subject to the terms of subordination. Further, in respect of collateral or other sponsor support provided by FFBL to FFL the Company will charge and recover from FFL the Collateral Fee in the manner set out above.
If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	The investment will allow FFBL to convert the subordinated shareholder loan together with all interest or mark-up that has accrued thereon, as and when the Company deems fit, in to fully paid-up ordinary shares of FFL of the corresponding value. The shares will be issued at par value of PKR 10 per share.
Repayment schedule and terms of loans or advances to be given to the investee company	Repayment of each tranche of the subordinated loan, subject to the terms of subordination and approval of FFL's lenders as required, shall be within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without repayment penalty. Likewise, any collateral or other sponsor support provided by the Company shall be for a period of one (1) year only.

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

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

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

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

The Directors certify to the members of the Company that they have carried out necessary due diligence for the proposed investment and changes in the terms of existing investment before recommending the same for members' approval.

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

Statement of Material Facts under Section 134 of the Companies Act, 2017

Investment of PKR 3 Billion in Fauji Meat Limited (FML)

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

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

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

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

iii Convert the subordinated shareholder loan together with all interest or mark-up that has accrued thereon, as and when the Company deems fit, into fully paid-up ordinary shares (of PKR 10 per share i.e. at par value) of FML of the corresponding value, to be issued by FML to the Company.

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

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

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

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

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

Name of associated company along with criteria based on which the associated relationship is established	Fauji Meat Limited (FML) Fauji Fertilizer Bin Qasim Limited (the "Company or FFBL") holds 90.18% of the issued and paid-up capital of FML.
Earnings per share for the last three years	Year / EPS 2019: -2.48 2018: -2.93 2017: -4.52
Break-up value per share, based on latest audited financial statements	PKR 2.74/- per share.
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Long term Loans PKR 1,417 Million Property Plant & Equipment PKR 6,421 Million Short term borrowings PKR 3,638 Million Sales PKR 2,264 Million Cost of Sales PKR 2,732 Million Loss PKR 1,892 Million
In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, (i) description of the project and its history since conceptualization (ii) starting date and expected date of completion of work (iii) time by which such project shall become commercially operational (iv) expected time by which the project shall start paying return on investment (v) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	Not applicable.
General Disclosures:	
Maximum amount of investment to be made	Maximum amount of investment is PKR 3 Billion.
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	The purpose of the proposed investment is to meet the working capital and operational expenses requirements of FML, whose financial position does not allow it to meet such requirements out of its own, limited cash resources.

	It is expected that the investment will result in improvement in the financial condition of FML. Being the majority shareholder of FML, the improvement in the financial condition of FML will have a positive impact on the Company.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, (i) justification for investment through borrowings; (ii) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (iii) cost benefit analysis	Companies' own resources/Internal cash generations.
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	The Company and FML will enter into a sponsor support and counter-indemnity, or subordinated shareholder loan agreement, which shall specify the nature, purpose and period (not exceeding one (1) year) of the subordinated loan or sponsor support to be furnished by the Company to FML; the amount and due dates for repayment of the loan; the terms of subordination of the loan (which will be subordinated to FML's indebtedness to secured lenders); a commitment and indemnity by FML to the Company to repay the loan (subject to the terms of subordination) on the due dates; as well as the terms on which the Company will provide collateral support to FML. FFBL will also have the option to convert the subordinated debt into shares of the corresponding value of FML. The key commercial terms that will be covered in the agreement will be as follows: The Company will invest in, and provide sponsor support to, FML in the total amount not exceeding PKR 3,000,000,000/- (Rupees Three Billion Only) through either, or a combination of, a subordinated shareholder loan or collateral support for a period not exceeding one (1) year (including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien) as security for working capital facilities extended or to be extended by financial institutions to FML, or in any other form. Without limiting the generality of the foregoing, the Company will: (i) Provide a subordinated shareholder loan to FML, to be disbursed in one or more tranches over a period of one (1) year, with each such tranche to be repaid by FML, subject to the terms of subordination and to approval of FML's lenders as required, within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without any pre-payment penalty.

	(ii) Charge interest or mark up on each such tranche of the subordinated shareholder loan from the date of disbursement to the date of repayment at a rate which shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case. Markup to be charged on quarterly basis. (iii) Convert, as and when the Company deems fit, the subordinated shareholder loan together with all interest or mark-up that has accrued thereon into fully paid-up ordinary shares (of PKR 10 per share i.e. at par value) of FML of the corresponding value, to be issued by FML to the Company. (iv) Provide collateral support including, without limitation, by way of providing or arranging corporate guarantee, bank guarantee, standby letter of credit or cash deposit under lien. (v) Charge and recover from FML a fee (the "Collateral Fee") on quarterly basis, equal to a maximum of 1.5% per annum, for the period from the date on which such cash deposit is made, or any guarantee or letter of credit is furnished, until the date when the lien over the relevant deposit, or the relevant guarantee or letter of credit, is released, provided that if and to the extent that such deposit is forfeited as a result of enforcement of the lien, or the relevant guarantee or letter of credit is drawn on, then from that date onwards until the Company recovers from FML the full principal amount of the cash deposit so forfeited, or of the guarantee or letter of credit so drawn on, and without prejudice to the Company's right to recover from FML the said principal amount, the Collateral Fee shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case, such mark-up to be charged on quarterly basis.
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Nothing other than as a shareholder.
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs	The Company has determined recoverable amount of FML, based on value-in-use calculation, which was lower than the carrying amount of investment in the Company's financial statement, accordingly an impairment of PKR 1,110 million has been recognized in the financial statements, due to challenging trading and economic conditions affecting food sector in Pakistan and abroad.

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

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

Information Required	Information Provided
Category wise amount of investment	The Company will grant a subordinated shareholder loan and / or other sponsor support not exceeding PKR 3 Billion to FML.
Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	3 Months KIBOR+150 Basis Points.
Rate of interest, mark up, profit, fees or commission etc. to be charged	Interest will be charged on each tranche of the subordinated loan at a rate which shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case, such mark-up to be charged on quarterly basis. In respect of collateral and other sponsor support, FFBL will charge and recover from FML the Collateral Fee, equal to a maximum of 1.5% per annum, for the period from the date on which such cash deposit is made, or any guarantee or letter of credit is furnished, until the date when the lien over the relevant deposit, or the relevant guarantee or letter of credit, is released, provided that if and to the extent that such deposit is forfeited as a result of enforcement of the lien, or the relevant guarantee or letter of credit is drawn on, then from that date onwards until the Company recovers from FML the full principal amount of the cash deposit so forfeited, or of the guarantee or letter of credit so drawn on, and without prejudice to the Company's right to recover from FML the said principal amount, the Collateral Fee shall be equal to the higher of (a) the borrowing cost of the Company and (b) 3 Months KIBOR plus a spread of 150 bps in each case, such mark-up to be charged on quarterly basis.

Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	No security over assets of FML will be obtained but the agreement between the Company and FML will include a commitment and indemnity by FML to the Company to pay the loan along with any interest that has accrued at the times and in the amount mentioned therein, subject to the terms of subordination. Further, in respect of collateral or other sponsor support provided by FFBL to FML the Company will charge and recover from FML the Collateral Fee in the manner set out above.
If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	The investment will allow FFBL to convert the subordinated shareholder loan together with all interest or mark-up that has accrued thereon, as and when the Company deems fit, in to fully paid-up ordinary shares of FML of the corresponding value. The shares will be issued at par value of PKR.10 per share.
Repayment schedule and terms of loans or advances to be given to the investee company	Repayment of each tranche of the subordinated loan, subject to the terms of subordination and approval of FML's lenders as required, shall be within a period of one (1) year from the date of disbursement of the respective tranche, with the option to prepay all or part of such tranche at any time without repayment penalty. Likewise, any collateral or other sponsor support provided by the Company shall be for a period of one (1) year only.

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

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

- Fauji Foundation
- Lt Gen Syed Tariq Nadeem Gilani (Retd)
- Lt Gen Javed Iqbal (Retd)
- Lt Gen Tariq Khan (Retd)
- Maj Gen Abid Rafique (Retd)
- Mr Rehan Laiq

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

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

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

Statement of Material Facts under Section 134 of the Companies Act, 2017

Payment of Standby Letter of Credit (SBLC) Commission to Fauji Foundation

As per financing agreements of FWEL – I and FWEL - II, they had to maintain Debt Service Reserve Account Balance in cash form equivalent to one installment, which was later on waived by lenders subject to Stand by letter of credit (SBLC) from sponsors. Accordingly, FFBL is required to pay its share of SBLC charges. The reserve funds of FWEL –I and FWEL – II are therefore available for declaration of dividend to shareholders, including FFBL.

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

<table>
<tr><td>Name of associated company along with criteria based on which the associated relationship is established</td><td>Fauji Foundation (FFBL's Parent Organization)

Foundation Wind Energy I Limited and Foundation Wind Energy II Limited (FFBL's Associated Companies).</td></tr>
<tr><td>Earnings per share for the last three years</td><td><table><tr><th>Year</th><th>FWEL – I EPS</th><th>FWEL – II EPS</th></tr><tr><td>2019</td><td>3.45</td><td>3.46</td></tr><tr><td>2018</td><td>2.68</td><td>26.68</td></tr><tr><td>2017</td><td>3.28</td><td>23.57</td></tr></table></td></tr>
<tr><td>Break-up value per share, based on latest audited financial statements</td><td>FWEL – I = 20.17

FWEL – II = 19.95</td></tr>
<tr><td>Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements</td><td><table><tr><th></th><th>FWEL- I (PKR)</th><th>FWEL – II (PKR)</th></tr><tr><td>Long Term Loans</td><td>7,176,410,854</td><td>7,010,595,495</td></tr><tr><td>PP&E</td><td>12,083,160,149</td><td>11,828,130,091</td></tr><tr><td>Sales</td><td>2,910,316,989</td><td>2,894,106,879</td></tr><tr><td>Cost of sales</td><td>999,342,789</td><td>995,875,585</td></tr><tr><td>Profit</td><td>1,208,147,064</td><td>1,219,071,527</td></tr></table></td></tr>
</table>

Notice of **Annual General Meeting**

In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, (i) description of the project and its history since conceptualization (ii) starting date and expected date of completion of work (iii) time by which such project shall become commercially operational (iv) expected time by which the project shall start paying return on investment (v) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	Not applicable.
General Disclosures:	
Maximum amount of investment to be made	The Company will pay to Fauji Foundation an amount of PKR 7,714,000 (Rupees Seven Million, Seven Hundred and Fourteen Thousand).
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	As per financing agreements, FWEL had to maintain Debt Service Reserve Account Balance in cash form equivalent to one Installment, which was later on waived by lenders subject to Stand by letter of credit (SBLC) from sponsors. Accordingly, FFBL is required to pay its share of SBLC charges.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, (i) justification for investment through borrowings; (ii) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (iii) cost benefit analysis	FFBL's own sources / funds.
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Not applicable.
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Nothing other than as shareholder.
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs	Not applicable.
Any other important details necessary for the members to understand the transaction	No.

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

Fauji Foundation hold 18.29 % share of FFBL.

FFBL holds 35% shares in both FWEL – I and FWEL – II.

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

The directors have reviewed the matter and are of view that the FFBL is required to pay its share of SBLC charges. The reserve funds of FWEL –I and FWEL – II are therefore available for declaration of dividend to shareholders, including FFBL.

CLOSURE OF SHARE TRANSFER BOOKS

Share transfer books of the Company will remain closed from March 24, 2020 to March 30, 2020 (both days inclusive) for the purpose of holding the Annual General Meeting.

NOTES

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

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

    a. For attending the meeting

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

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

    b. For appointing proxies

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

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

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

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

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

3. Members are requested to promptly notify any change in their addresses.

4. Members, who have not yet submitted photocopies of their Computerized National Identity Cards (CNIC) are requested to send the same at the earliest (Physical shareholders should to Company or Its Shares Registrar and CDC shareholders to their respective Member Stock Exchange).

5. Shareholders who wish to receive annual reports and notice of the General Meeting through e-mail are requested to provide, through a letter duly signed by them, their particulars, i.e. Name, Folio/ CDC A/C No., E-mail Address, Contact Number, CNIC Number (attach copy). Shareholders are also requested to notify immediately any change in their e-mail address to the Share Registrar of the Company M/s Corplink(Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.

6. Shareholders, whose dividend / share certificate(s) are remain unclaimed/unpaid, are requested to claim the same at their earliest otherwise it will be treated under Section 244 of the Companies Act 2017.

7. Consent for Video Conference Facility

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

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

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

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

____

Signature of member

8. E-Voting

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

اطلاع برائے سالانہ اجلاس عام

i۔ افراد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اپنی شناخت کی تصدیق کے لیے اصل کمپیوٹرائزڈ قومی شناختی یا اصل پاسپورٹ اجلاس میں شریک ہونے کے وقت دکھائیں۔

ii۔ کارپوریٹ ادارہ کی صورت میں اجلاس کے وقت بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی، نامزد کیے گئے شخص کے دستخط کے ساتھ پیش کرنا ہوں گے۔

(ب) پراکسی کی تقرری کے لیے

i۔ افراد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر درج بالا ہدایات کے مطابق پراکسی فارم جمع کرائیں۔

ii۔ پراکسی فارم پر دو افراد کو گواہی دینا ہوگی جن کے نام پتہ اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبرز فارم پر درج ہونے چاہئیں۔

iii۔ شیئر ہولڈر اور پراکسی ہولڈر کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ساتھ منسلک کریں۔

iv۔ پراکسی اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ پیش کرے گا / گی۔

v۔ کارپوریٹ ادارہ کی صورت میں پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی نامزد کیے گئے شخص کے دستخط کے ہمراہ کمپنی میں جمع کروائیں۔

3۔ ممبران سے التماس ہے کہ اپنے پتہ میں کی جانے والی کسی تبدیلی بھی سے فوری طور پر مطلع کریں۔

4۔ ایسے ممبران جنھوں نے ابھی تک اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) جمع نہیں کرائے، ان سے گزارش ہے کہ اپنے مستند کمپیوٹرائزڈ قومی شناختی کارڈ کی نقل جلد از جلد کمپنی کے شیئرز رجسٹرار اور سی ڈی سی ہولڈرز اپنے متعلقہ ممبر اسٹاک ایکسچینج کے پاس جمع کرائیں۔

5۔ ایسے شیئر ہولڈرز جو سالانہ رپورٹس اور اجلاس عام کے نوٹس بذریعہ ای میل لینے کی خواہش رکھتے ہیں، ان سے گزارش ہے کہ اپنے کوائف یعنی نام، فولیو، سی ڈی سی اکاؤنٹ نمبر، ای میل ایڈریس، رابطہ نمبر، شناختی کارڈ نمبر کی نقل کے ساتھ دستخط شدہ درخواست فراہم کریں۔ شیئر ہولڈرز سے مزید یہ گزارش ہے کہ اپنے ای میل میں کی جانے والے تبدیلی سے فوری طور پر کمپنی کے شیئرز رجسٹرار میسرز کارساز (پرائیویٹ) لمیٹڈ، ونگز آرکیڈ، K-1، کمرشل، ماڈل ٹاؤن، لاہور کو مطلع کریں۔

6۔ ایسے شیئر ہولڈرز جن کے ڈیویڈنڈ / شیئر سرٹیفکیٹ کی ادائیگی نہیں ہوئی، ان سے گزارش ہے کہ وہ جلد از جلد اپنے کلیم جمع کرائیں بصورت دیگر کمپنیز ایکٹ 2017 کے سیکشن 244 کے تحت کارروائی کی جائے گی۔

7۔ ویڈیو کانفرنس کی سہولت کے لیے رضامندی

ممبران کراچی اور لاہور میں ویڈیو کانفرنس کی سہولت سے فائدہ اٹھا سکتے ہیں۔ اس ضمن میں درج ذیل فارم کو پُر کریں اور سالانہ اجلاس عام کے انعقاد کے کم از کم 10 دن پہلے کمپنی کے رجسٹرڈ آفس میں جمع کرائیں۔

اگر کمپنی کو ایسی جغرافیائی لوکیشن جہاں مجموعی طور پر 10 فیصد یا اس سے زائد شیئر ہولڈرز رہتے ہیں اور اجلاس کی تاریخ سے کم از کم 10 دن پہلے ویڈیو کانفرنس اجلاس میں شریک ہونے کے لیے رضامندی موصول ہوتی ہے تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت فراہم کرنے کا انتظام کرے گی۔

کمپنی اجلاس عام کی تاریخ سے کم از کم 5 دن پہلے ممبران کو ویڈیو کانفرنس کی سہولت کے مقام سے مطلع کرے گی اور اس سہولت تک رسائی کے لیے تمام ضروری معلومات بھی فراہم کرے گی۔

میں / ہم ______________ بابت ______________ فوجی فرٹیلائزر بن قاسم لمیٹڈ کے ممبر ہونے کی حیثیت سے ______________ شیئرز بمطابق رجسٹرڈ فولیو / سی ڈی سی اکاؤنٹ نمبر ______________ رکھتا ہوں / رکھتے ہیں، ویڈیو کانفرنس سہولت بمقام ______________ میں شرکت کرنے کا خواہشمند ہوں / ہیں۔

دستخط ممبر

8۔ ای۔ ووٹنگ

کمپنیز ایکٹ 2017 کے سیکشن 143۔145 کے تقاضوں اور کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کے تحت ممبران اپنے ووٹ کا حق استعمال کر سکتے ہیں۔

برابر ہے۔

مزید یہ منظور کیا گیا کہ کمپنی اس طرح کے تمام کام، اعمال اور اقدام کرے گی جو مذکورہ بالا کے لیے ضروری ہوں یا ان مجوزہ مقاصد کے حصول کو تیز تر کریں یا اس کے سمیت بغیر کسی حد تک، کوئی ایک اور تمام معاہدوں، دستاویزات، مختار نامے، نوٹسز، سرٹیفکیٹس، دستاویزات (خواہ ان کی کوئی بھی نوعیت اور تفصیل ہو) تیار کرے گی، تقسیم کرے گی اور ان پر عمل درآمد کرے گی جو اس مقصد کے حصول کے لیے ضروری ہو۔

مزید یہ منظور کیا گیا کہ مینیجنگ ڈائریکٹر، کمپنی سیکرٹری اور چیف فنانشل آفیسر میں سے کوئی سے دو کو مشترکہ طور پر اختیار حاصل ہے کہ وہ تمام مندرجہ بالا قراردادوں پر عمل درآمد کرنے کے لئے کوئی ایک یا تمام ضروری اقدامات کرنے، بشمول بغیر کسی حد تک، کوئی ایک یا تمام رضامندیاں اور منظوریاں حاصل کرنے، متعلقہ معاہدہ جات اور دیگر تمام ضروری دستاویزات، اعلانات، سرٹیفکیٹس اور اقرار نامے کرنے اور (جہاں ضروری ہو) فائل کرنے، اور کسی بھی ریگولیٹری یا دیگر اتھارٹی کے سامنے پیش ہونے، نمائندگی کرنے، جیسا بھی ضروری یا لازمی ہو کسی بھی معاملات کے سلسلے میں، اس طرح کے تمام دستاویزات اور نوٹسوں پر دستخط کرنے، جاری کرنے اور بھیجنے نیز اس طرح کے کاموں کو حسب ضرورت انجام دینے، مذکورہ بالا مقاصد کے حصول اور مندرجہ بالا قراردادوں کو موثر بنانے سمیت کمپنی کے رجسٹرڈ دفتر میں منسلکہ کمپنیوں میں سرمایہ کاری کے رجسٹر میں کوئی بھی سرمایہ کاری کی تفصیلات طے کرنے کا اختیار حاصل ہوگا؛ بشرطیکہ اگر ایسی کسی بھی دستاویز یا کاغذات پر کمپنی کی مہر ثبت ہو تو کمپنی کی جانب سے مینیجنگ ڈائریکٹر اس پر عملدرآمد کرائے گا۔

مزید یہ منظور کیا گیا کہ مینیجنگ ڈائریکٹر، کمپنی سیکرٹری اور کمپنی کے چیف فنانشل آفیسر کمپنی کے کسی بھی دوسرے اہل کار کو جسے وہ مناسب خیال کریں، تحریری طور پر، مختار نامہ کے ذریعے یا کسی دوسری صورت میں، تمام مذکورہ بالا اختیارات یا ان میں کوئی ایک تفویض کر سکتے ہیں۔

دیگر کاروباری اُمور:

7- دیگر کوئی بھی کاروباری معاملہ چیئرمین کی اجازت سے زیر بحث لایا جائے گا۔

بحکم بورڈ

فوجی فرٹیلائزر بن قاسم لمیٹڈ

بریگیڈیئر عامر حسین مرزا (ریٹائرڈ)

کمپنی سیکرٹری

اسلام آباد

4 مارچ 2020ء

حصص کی منتقلی کی کتب کی بندش

کمپنی کے حصص کی منتقلی کی کتب 24 مارچ 2020 سے 30 مارچ 2020 تک (بشمول دونوں ایام) بند رہیں گی۔

نوٹس

1۔ کمپنی کا کوئی بھی ممبر جو سالانہ اجلاس عام میں شریک ہونے اور ووٹ دینے کا حق رکھتا ہے، کسی شخص / نمائندہ کو اجلاس میں ممبر کی جگہ شریک ہونے اور ووٹ دینے کے لیے بطور پراکسی مقرر کرسکتا ہے۔ پراکسی موثر ہونے کے لیے لازم ہے کہ اجلاس منعقد ہونے کے وقت سے کم سے کم 48 گھنٹے قبل باضابطہ مہر شدہ اور دستخط شدہ کمپنی کے رجسٹرڈ آفس میں موصول ہو جائیں۔ کوئی ممبر ایک سے زیادہ پراکسی مقرر نہیں کرسکتا ہے۔ شیئر ہولڈرز کے مصدقہ قومی شناختی کارڈ کی نقل کا پراکسی فارم کے ساتھ منسلک ہونا ضروری ہے۔

2۔ سی ڈی سی / سب اکاؤنٹ ہولڈرز سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر نمبر 1 بابت 2000 مورخہ 26 جنوری 2000 میں وضع کردہ درج ذیل ہدایات کی پیروی کریں۔

(الف) اجلاس میں شرکت کے لیے

اطلاع برائے سالانہ اجلاس عام

موجود ہے کہ کوئی بھی قسط یا اس کا کوئی حصہ وقت سے پہلے بغیر جرمانے کے ادا کیا جا سکتا ہے۔

ii. قسط کے اجراء کی تاریخ سے واپسی کی تاریخ کی درمیانی مدت پر سود یا مارک اپ وصول کیا جائے گا۔ اس کی شرح ان دونوں میں سے جو زیادہ ہوگی اس کے مطابق رکھی جائے گی (a) کمپنی کی طرف سے اس رقم پر ادا کی گئی شرح سود اور (b) تین ماہ کا KIBOR جمع 150 بیسس پوائنٹس۔ سود سہ ماہی بنیاد پر وصول کیا جائے گا۔

iii. کمپنی کو اختیار ہوگا کہ وہ جب بھی موزوں سمجھے ماتحت حصص قرضے کے طور پر دی گئی رقم اور اس پر حاصل ہونے والے تمام سود یا مارک اپ کی رقم کو FML کے مکمل طور پر ادا شدہ عمومی شیئرز میں بدل دے (10 روپے فی شیئر یعنی Par value پر)، یہ شیئرز FML کمپنی کو جاری کرے گی۔

iv. ضمنی معاونت کی فراہمی بشمول، کسی شرط کے بغیر، کارپوریٹ گارنٹی، بینک گارنٹی، قرضے کے عارضی انتظام یا کیش ڈیپازٹ کی صورت میں رقوم کی فراہمی۔

v. FML سے سہ ماہی بنیاد پر ایک فیس ("کولیٹرل فیس") زیادہ سے زیادہ ایک اشاریہ پانچ فیصد (1.5 فیصد) سالانہ کے مساوی اس تاریخ سے عائد اور وصول کرے گی جس تاریخ کو نقد رقم جمع کی گئی ہو، یا کوئی گارنٹی یا لیٹر آف کریڈٹ پیش کیا گیا ہو، جب تک متعلقہ ڈیپازٹ، متعلقہ گارنٹی یا لیٹر آف کریڈٹ پر حق واپسی سے دستبردار نہ ہو جائے، بشرطیکہ حق واپسی کے نفاذ یا متعلقہ گارنٹی یا لیٹر آف کریڈٹ واپس لینے کے نتیجے میں ایسا ڈیپازٹ ضبط کر لیا گیا ہو، پھر جب تک کمپنی FML سے ضبط کیے گئے کیش ڈیپازٹ، یا گارنٹی یا لیٹر آف کریڈٹ کی اصل رقم وصول نہیں کر لیتی اس تاریخ تک کولیٹرل فیس وصول کی جائے گی، یہ خیال رکھا جائے کہ کمپنی کا FML سے بنیادی رقم وصول کرنے کا حق مجروح نہ ہو۔ کولیٹرل فیس ان دونوں میں سے جو زیادہ ہوگا اس کے مطابق وصول کی جائے گی، (a) کمپنی کی طرف سے قرضے کی اس رقم پر ادا کیا گیا سود اور (b) 3 ماہ کا KIBOR جمع ہر کیس کے لیے 150 بیسس پوائنٹ۔

مزید یہ منظور کیا گیا کہ کمپنی اس طرح کے تمام کام، اعمال اور اقدام کرے گی جو مذکورہ بالا کے لیے ضروری ہوں یا ان مجوزہ مقاصد کے حصول کو تیز تر کریں یا اس کے سمیت بغیر کسی حد تک، کوئی ایک اور تمام معاہدوں، دستاویزات، مختار نامے، نوٹسز، سرٹیفکیٹس، دستاویزات (خواہ ان کی کوئی بھی نوعیت اور تفصیل ہو) تیار کرے گی، تقسیم کرے گی اور ان پر عمل درآمد کرے گی بشمول متعلقہ مالیاتی ادارے کے ساتھ کمپنی اور FML اسپانسر معاونت کے معاہدے اور مجموعی طور پر معاوضہ کے معاہدے (مجموعی طور پر "متعلقہ معاہدے") FML کے ساتھ، اس مقصد کے حصول کے لئے حسب ضرورت کرے گی۔

مزید یہ منظور کیا گیا کہ مینجنگ ڈائریکٹر، کمپنی سیکرٹری اور چیف فنانشل آفیسر میں سے کوئی سے دو کو مشترکہ طور پر اختیار حاصل ہے کہ وہ تمام مندرجہ بالا قراردادوں پر عمل درآمد کرنے کے لئے کوئی ایک یا تمام ضروری اقدامات کرنے، بشمول بغیر کسی حد تک، کوئی ایک یا تمام رضامندیاں اور منظوریاں حاصل کرنے، متعلقہ معاہدہ جات اور دیگر تمام ضروری دستاویزات، اعلانات، سرٹیفکیٹس اور اقرار نامے کرنے اور (جہاں ضروری ہو) فائل کرنے، اور کسی بھی ریگولیٹری یا دیگر اتھارٹی کے سامنے پیش ہونے، نمائندگی کرنے، جیسا بھی ضروری یا لازمی ہو کسی بھی معاملات کے سلسلے میں، اس طرح کے تمام دستاویزات اور نوٹسوں پر دستخط کرنے، جاری کرنے اور بھیجنے نیز اس طرح کے کاموں کو حسب ضرورت انجام دینے، مذکورہ بالا مقاصد کے حصول اور مندرجہ بالا قراردادوں کو موثر بنانے سمیت کمپنی کے رجسٹرڈ دفتر میں منسلکہ کمپنیوں میں سرمایہ کاری کے رجسٹر میں FML میں کوئی بھی سرمایہ کاری کی تفصیلات طے کرنے کا اختیار حاصل ہوگا؛ بشرطیکہ اگر ایسی کسی بھی دستاویز یا کاغذات پر کمپنی کی مہر ثبت ہو تو کمپنی کی جانب سے مینجنگ ڈائریکٹر اس پر عملدرآمد کرائے گا۔

مزید یہ منظور کیا گیا کہ مینجنگ ڈائریکٹر، کمپنی سیکرٹری اور کمپنی کے چیف فنانشل آفیسر کمپنی کے کسی بھی دوسرے اہل کار کو جسے وہ مناسب خیال کریں، تحریری طور پر، مختار نامہ کے ذریعے یا کسی دوسری صورت میں، تمام مذکورہ بالا اختیارات یا ان میں کوئی ایک تفویض کر سکتے ہیں۔

6۔ مندرجہ ذیل قراردادوں کو کسی ترمیم، اضافے یا تبدیلی کے ساتھ یا اس کے بغیر خصوصی قراردادوں کے طور پر منظور کرنا:

یہ منظور کیا گیا کہ کمپنی کو اختیار ہوگا کہ وہ 7,714,000 (ستتر لاکھ چودہ ہزار) روپے کی رقم فوجی فاؤنڈیشن کو ادا کرے جو کہ JS Bank کی طرف سے 2 جنوری 2019ء کو فاؤنڈیشن ونڈ انرجی I لمیٹڈ (FWEL-I) اور فاؤنڈیشن ونڈ انرجی II لمیٹڈ (FWEL-II) کے قرض فراہم کنندگان کو جاری کردہ سٹینڈ بائی لیٹر آف کریڈٹ پر مجموعی طور پر قابل ادا اور ادا شدہ کمیشن میں کمپنی کا حصے کے

iii. کمپنی کو اختیار ہوگا کہ وہ جب بھی موزوں سمجھے "Subordinated Shareholder Loan" کے طور پر دی گئی رقم اور اس پر حاصل ہونے والے تمام سود یا مارک اپ کی رقم کو FFL کے مکمل طور پر ادا شدہ عمومی شیئرز میں بدل دے (10 روپے فی شیئر یعنی Par value پر)، یہ شیئرز FFL کمپنی کو جاری کرے گی۔

iv. کمپنی معاونت کی فراہمی بشمول، کسی شرط کے بغیر، کارپوریٹ گارنٹی، بینک گارنٹی، قرضے کے عارضی انتظام یا کیش ڈیپازٹ کی صورت میں رقوم کی فراہمی۔

v. FFL سے سہ ماہی بنیاد پر ایک فیس ("کولیٹرل فیس") زیادہ سے زیادہ ایک اعشاریہ پانچ فیصد (1.5 فیصد) سالانہ کے مساوی اس تاریخ سے عائد اور وصول کرے گی جس تاریخ کو نقد رقم جمع کی گئی ہو، یا کوئی گارنٹی یا لیٹر آف کریڈٹ پیش کیا گیا ہو، جب تک متعلقہ ڈپازٹ، متعلقہ گارنٹی یا لیٹر آف کریڈٹ پر حق واپسی سے دستبردار نہ ہو جائے، بشرطیکہ حق واپسی کے نفاذ یا متعلقہ گارنٹی یا لیٹر آف کریڈٹ واپس لینے کے نتیجے میں ایسا ڈیپازٹ ضبط نہ کرلیا گیا ہو، پھر جب تک کمپنی FFL سے ضبط کیے گئے کیش ڈیپازٹ، یا گارنٹی یا لیٹر آف کریڈٹ کی اصل رقم وصول نہیں کر لیتی اس تاریخ تک کولیٹرل فیس وصول کی جائے گی، یہ خیال رکھا جائے کہ کمپنی کا FFL سے بنیادی رقم وصول کرنے کا حق مجروح نہ ہو۔ کولیٹرل فیس ان دونوں میں سے جو زیادہ ہوگا اس کے مطابق وصول کی جائے گی، (a) کمپنی کی طرف سے قرضے کی اس رقم پر ادا کیا گیا سود اور (b) 3 ماہ کا KIBOR جمع ہر کیس کے لیے 150 بیسس پوائنٹ۔

مزید یہ منظور کیا گیا کہ کمپنی اس طرح کے تمام کام، اعمال اور اقدام کرے گی جو مذکورہ بالا کے لیے ضروری ہوں یا ان مجوزہ مقاصد کے حصول کو تیز تر کریں یا اس کے سمیت بغیر کسی حد تک، کوئی ایک اور تمام معاہدوں، دستاویزات، مختارنامے، نوٹسز، سرٹیفکیٹس، دستاویزات (خواہ ان کی کوئی بھی نوعیت اور تفصیل ہو) تیار کرے گی، تقسیم کرے گی اور ان پر عمل درآمد کرے گی بشمول متعلقہ مالیاتی ادارے کے ساتھ کمپنی اور FFL اسپانسر معاونت کے معاہدے اور مجموعی طور پر معاوضہ کے معاہدے (مجموعی طور پر "متعلقہ معاہدے") FFL کے ساتھ، اس مقصد کے حصول کے لئے حسب ضرورت کرے گی۔

مزید یہ منظور کیا گیا کہ مینیجنگ ڈائریکٹر، کمپنی سیکرٹری اور چیف فنانشل آفیسر میں سے کوئی سے دو کو مشترکہ طور پر اختیار حاصل ہے کہ وہ تمام مندرجہ بالا قراردادوں پر عمل درآمد کرنے کے لئے کوئی ایک یا تمام ضروری اقدامات کرنے، بشمول بغیر کسی حد تک، کوئی ایک یا تمام رضامندیاں اور منظوریاں حاصل کرنے، متعلقہ معاہدہ جات اور دیگر تمام ضروری دستاویزات، اعلانات، سرٹیفکیٹس اور اقرار نامے کرنے اور (جہاں ضروری ہو) فائل کرنے، اور کسی بھی ریگولیٹری یا دیگر اتھارٹی کے سامنے پیش ہونے، نمائندگی کرنے، جیسا بھی ضروری یا لازمی ہو کسی بھی معاملات کے سلسلے میں، اس طرح کے تمام دستاویزات اور نوٹسوں پر دستخط کرنے، جاری کرنے اور بھیجنے نیز اس طرح کے کاموں کو حسب ضرورت انجام دینے، مذکورہ بالا مقاصد کے حصول اور مندرجہ بالا قراردادوں کو موثر بنانے سمیت کمپنی کے رجسٹرڈ دفتر میں منسلکہ کمپنیوں میں سرمایہ کاری کے رجسٹر میں FFL میں کوئی بھی سرمایہ کاری کی تفصیلات طے کرنے کا اختیار حاصل ہوگا؛ بشرطیکہ اگر ایسی کسی بھی دستاویز یا کاغذات پر کمپنی کی مہر ثبت ہو تو کمپنی کی جانب سے مینیجنگ ڈائریکٹر اس پر عملدرآمد کرائے گا۔

مزید یہ منظور کیا گیا کہ مینیجنگ ڈائریکٹر، کمپنی سیکرٹری اور کمپنی کے چیف فنانشل آفیسر کمپنی کے کسی بھی دوسرے اہل کار کو جسے وہ مناسب خیال کریں، تحریری طور پر، مختار نامہ کے ذریعے یا کسی دوسری صورت میں، تمام مذکورہ بالا اختیارات یا ان میں کوئی ایک تفویض کر سکتے ہیں۔

5۔ مندرجہ ذیل قراردادوں کو کسی ترمیم، اضافے یا تبدیلی کے ساتھ یا اس کے بغیر خصوصی قراردادوں کے طور پر منظور کرنا:

"یہ منظور کیا گیا کہ کمپنی کو فوجی میٹ لمیٹڈ ("FML") میں سرمایہ کاری کرنے اور اسپانسر معاونت فراہم کرنے کا اختیار ہوگا جس کی مالیت 3,000,000,000/- روپے (صرف تین ارب روپے) سے زائد نہیں ہوگی، یہ رقم مجموعی طور پر، یا "Subordinated Shareholder Loan" یا ضمنی معاونت کے ذریعے زیادہ سے زیادہ ایک سال کی مدت کے لیے (بشمول، بغیر کسی شرائط کے کارپوریٹ گارنٹی، بینک گارنٹی، سٹینڈ بائی لیٹر آف کریڈٹ یا حق واپسی کے تحت نقد ڈیپازٹ کی فراہمی اور انتظام کے ذریعے) زیر گردش سرمایہ یا کسی دوسری شکل میں سیکورٹی کے طور پر مالیاتی اداروں کی جانب سے FML کو دی جائے گی۔ سابق الذکر کی عمومیت کو محدود کیے بغیر، کمپنی کو یہ اختیار حاصل ہوگا کہ:

i. FML کو "Subordinated Shareholder Loan" دیا جائے گا جو کہ ایک سال کے عرصے کے دوران ایک یا ایک سے زائد اقساط کی صورت میں فراہم کیا جائے گا۔ FML قرضے کی ہر قسط ماتحتی کی شرائط اور FML کے قرض فراہم کنندگان کی منظوری کے مطابق واپس کرے گی۔ ہر قسط اجراء کی تاریخ کے ایک سال کے اندر واپس کی جائے گی۔ یہ آپشن بھی

اطلاع برائے سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ فوجی فرٹیلائزر بن قاسم لمیٹڈ کے حصص داران کا سالانہ اجلاس عام مورخہ 30 مارچ 2020ء کو دن 11 بجے امپیریل ہال، جکارانڈا فیملی کلب، سیکٹر E، فیز-II، ڈی ایچ اے، اسلام آباد میں منعقد ہوگا جس میں درج ذیل اُمور طے کیے جائیں گے:

عمومی اُمور

1۔ غیر معمولی اجلاس عام منعقدہ 23 اگست 2019 کی کارروائی کی توثیق و تصدیق کرنا۔

2۔ 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے ڈائریکٹرز اور آڈیٹرز رپورٹس کے ساتھ کمپنی کے آڈٹ شدہ اکاؤنٹس (علیحدہ اور اکٹھے) کی وصولی، ان پر غور اور منظور کرنا۔

3۔ موجودہ اجلاس عام سے اگلے اجلاس عام تک کمپنی کے آڈیٹرز کی تعیناتی اور ان کے معاوضے کا تعین کرنا۔ ریٹائر ہونے والے آڈیٹرز میسرز ای وائے فورڈ رھوڈز، چارٹرڈ اکاؤنٹنٹس نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔

خصوصی اُمور

4۔ مندرجہ ذیل قراردادوں کو کسی ترمیم، اضافے یا تبدیلی کے ساتھ یا اس کے بغیر خصوصی قراردادوں کے طور پر منظور کرنا:

یہ منظور کیا گیا کہ کمپنی کو یہ اختیار ہوگا کہ وہ جب بھی موزوں سمجھے، اپنی منسلک کمپنی فوجی فوڈز لمیٹڈ (FFL) کو مجموعی سرمایہ کاری کی رقم 3 ارب روپے میں سے "Subordinated Shareholder Loan" کے طور پر دیے گئے 2.63 ارب روپے کی رقم اور اس پر 31 دسمبر 2019ء تک حاصل ہونے والے مارک اپ 118,863,713 روپے کی رقم کو FFL کے مکمل طور پر ادا شدہ عمومی شیئرز میں بدل دے (10 روپے فی شیئر یعنی Par value پر)، یہ شیئرز FFL کمپنی کو جاری کرے گی (قرضے کی ایکویٹی میں تبدیلی)۔ اس قرض کی منظوری کمپنی کے شیئر ہولڈرز نے 29 مارچ 2019ء کو ہونے والے سالانہ عمومی اجلاس میں دی تھی۔

مزید یہ منظور کیا گیا کہ کمپنی کو اختیار ہوگا کہ وہ کمپنی اور FFL کے مابین 12 اپریل 2019ء کو ہونے والے سپانسر سپورٹ اگریمنٹ (موجودہ سپانسر سپورٹ اگریمنٹ) میں ایسی تمام ترامیم کرنے کا اختیار ہوگا جو قرضے کو ایکویٹی میں بدلنے کے لیے ضروری ہوں اور کمپنی کو مزید اختیار ہوگا کہ وہ موجودہ سپانسر سپورٹ اگریمنٹ میں ہونے والی ترامیم پر عملدرآمد کرے اور ان کے مطابق کام کر سکے۔

مزید یہ منظور کیا گیا کہ کمپنی کو فوجی فوڈز لمیٹڈ ("FFL") میں سرمایہ کاری کرنے اور اسپانسر معاونت فراہم کرنے کا اختیار ہوگا جس کی مالیت 4,500,000,000/- روپے (صرف چار ارب اور پچاس کروڑ روپے) سے زائد نہیں ہوگی، یہ رقم مجموعی طور پر، یا "Subordinated Shareholder Loan" (یہ مالیت 2.5 ارب روپے سے زائد نہیں ہوگی) یا ضمنی معاونت کے ذریعے زیادہ سے زیادہ ایک سال کی مدت کے لیے (بشمول، بغیر کسی شرائط کے کارپوریٹ گارنٹی، بینک گارنٹی، سٹینڈ بائی لیٹر آف کریڈٹ یا حق واپسی کے تحت نقد ڈپازٹ کی فراہمی اور انتظام کے ذریعے) زیرِ گردش سرمایہ یا کسی دوسری شکل میں سیکورٹی کے طور پر مالیاتی اداروں کی جانب سے FFL کو دی جائے گی۔ سابق الذکر کی عمومیت کو محدود کیے بغیر، کمپنی کو یہ اختیار حاصل ہوگا کہ:

i. FFL کو ماتحت حصص کی صورت میں "Subordinated Shareholder Loan" دیا جائے گا، جو 2.5 ارب روپے سے زائد نہیں ہوگا، جو کہ ایک سال کے عرصے کے دوران ایک یا ایک سے زائد اقساط کی صورت میں فراہم کیا جائے گا۔ FFL قرضے کی ہر قسط ماتحتی کی شرائط اور قرض فراہم کنندگان کی منظوری کے مطابق واپس کرے گی۔ ہر قسط اجراء کی تاریخ کے ایک سال کے اندر واپس کی جائے گی۔ یہ آپشن بھی موجود ہے کہ کوئی بھی قسط یا اس کا کوئی حصہ وقت سے پہلے بغیر جرمانے کے ادا کیا جا سکتا ہے۔

ii. "Subordinated Shareholder Loan" کے اجراء کی تاریخ سے واپسی کی تاریخ کی درمیانی مدت پر سود یا مارک اپ وصول کیا جائے گا۔ اس کی شرح ان دونوں میں سے جو زیادہ ہوگی اس کے مطابق رکھی جائے گی (a) کمپنی کی طرف سے اس رقم پر ادا کی گئی شرح سود اور (b) تین ماہ کا KIBOR جمع 150 بیسس پوائنٹس۔ سود سہ ماہی بنیاد پر وصول کیا جائے گا۔

Financial **Highlights**

FINANCIAL PERFORMANCE		2019	2018	2017	2016	2015	2014
Profitability Ratios							
Gross profit ratio	(%)	**8.80**	13.30	11.43	2.71	13.83	22.43
EBITDA margin to sales	(%)	**4.48**	9.21	9.45	11.70	16.58	17.14
Operating leverage ratio		**0.09**	0.17	0.30	0.27	0.18	0.25
Net profit to sales	(%)	**(8.86)**	2.34	1.90	2.97	7.78	8.12
Return on equity	(%)	**(86.64)**	10.34	7.64	10.49	28.44	30.73
Return on capital employed	(%)	**(28.71)**	4.79	3.52	4.57	17.17	17.41
Liquidity Ratios							
Current ratio	(Times)	**0.74**	0.88	0.84	0.98	0.89	1.10
Quick / Acid test ratio	(Times)	**0.49**	0.71	0.71	0.82	0.67	0.90
Cash and cash equivalent to current liabilities	(Times)	**0.09**	0.30	0.48	0.48	0.41	0.72
Cash flow from operating activities to sales	(Times)	**(0.25)**	(0.11)	0.23	(0.01)	(0.12)	17.20
Activity / Turnover Ratios							
Inventory turnover	(Times)	**5.97**	14.20	21.82	12.55	14.73	28.55
Inventory turnover	(Days)	**61**	26	17	29	25	13
Debtors turnover	(Times)	**9.33**	18.30	23.29	19.79	41.90	32.21
Debtors turnover	(Days)	**39**	20	16	18	9	11
Creditors turnover	(Times)	**1.88**	2.57	3.66	4.88	5.27	6.00
Creditors turnover	(Days)	**194**	142	100	75	69	61
Total assets turnover	(Times)	**0.73**	0.77	0.80	0.71	0.88	1.07
Fixed assets turnover	(Times)	**6.41**	6.31	5.06	3.98	4.30	4.05
Operating cycle	(Days)	**(94)**	(96)	(67)	(27)	(36)	(37)
Investment / Market Ratios							
Earnings per share (pre-tax)	(Rs)	**(4.14)**	1.94	1.54	1.71	5.76	6.19
Earnings per share (after-tax)	(Rs)	**(6.34)**	1.54	1.08	1.43	4.35	4.30
Price earning ratio	(Times)	**(3.08)**	24.19	32.91	35.74	12.12	10.51
Dividend yield ratio	(%)	**0.00**	2.68	2.39	0.98	7.21	8.85
Dividend payout ratio	(%)	**0.00**	64.89	79.06	34.90	87.39	93.03
Dividend cover ratio	(%)	**-**	154.10	126.49	286.54	114.42	107.49
Dividend per share - Interim	(Rs)	**-**	-	0.10	-	0.75	1.75
Dividend per share - Proposed Final	(Rs)	**-**	1.00	0.75	0.50	3.05	2.25
Market price per share							
- Year end	(Rs)	**19.52**	37.27	35.54	51.21	52.68	45.21
- High during the year	(Rs)	**44.20**	45.65	59.60	57.98	66.52	46.33
- Low during the year	(Rs)	**14.35**	30.62	31.55	45.51	43.79	37.20
Break-up value	(Rs)	**7.32**	14.88	14.08	13.66	15.29	13.99
Price to book ratio	(%)	**0.29**	0.27	0.27	0.40	0.37	0.35
Capital Structure Ratios							
Financial leverage ratio		**6.82**	2.53	2.17	2.80	2.01	1.15
Weighted average cost of debt	(%)	**12.45**	7.48	6.61	6.43	6.88	10.45
Debt : Equity		**73:27**	60:40	59:41	60:40	41:59	43:57
Interest cover ratio	(Times)	**0.26**	1.81	1.74	1.74	3.88	5.40

FINANCIAL PERFORMANCE	2019	2018	2017	2016	2015	2014
			(Rupees in million)			
Summary of Statement of Financial Positon						
Shareholders' equity	**6,834**	13,897	13,151	12,757	14,281	13,072
Capital employed	**20,626**	29,981	28,484	29,299	23,656	23,072
Property, plant & equipment	**10,428**	9,748	10,405	11,298	12,126	12,203
Total non-current assets	**39,835**	36,893	34,892	31,480	30,099	24,412
Working capital	**(17,630)**	(5,963)	(5,884)	(696)	(3,709)	1,936
Non-current liabilities	**15,370**	17,032	15,858	18,027	12,109	13,277
Summary of Profit or Loss						
Sales - net	**66,839**	61,511	52,733	45,011	52,182	49,445
Gross profit	**5,885**	8,183	6,028	1,219	7,214	11,092
(Loss) / profit before taxation	**(3,869)**	1,809	1,441	1,601	5,384	5,780
EBITDA	**2,997**	5,666	4,983	5,265	8,650	8,475
(Loss) / profit for the year	**(5,921)**	1,437	1,004	1,338	4,062	4,016
Summary of Cash Flows						
Net cash flow from Operating activities	**(16,843)**	(6,549)	12,009	(460)	(6,072)	8,507
Net cash flow from Investing activities	**3,327**	(3,832)	(3,719)	(3,445)	1,854	(6,411)
Net cash flow from Financing activities	**4,167**	1,400	(8,873)	4,574	8,341	(1)
Changes in cash and cash equivalents	**(9,349)**	(8,982)	(582)	670	4,123	2,095
Cash and cash equivalents - year end	**(8,983)**	366	9,348	9,930	9,260	5,137
Quantitative Data				(Thousand Tonnes)		
Sona Urea (G) Production	**508**	562	543	434	302	213
Sona Urea (G) Sales	**508**	562	546	443	290	214
Sona DAP Production	**831**	730	809	791	768	702
Sona DAP Sales	**688**	687	831	791	748	709

Ratio Analysis

Profitability ratios have deterioted due to end products price could not match increased production cost, primarily due to increase in cost of phosphoric acid on account of devaluation of Pak Rupee, further increase in feed and fuel gas tariff and continuation of GIDC levy. Inflationary pressures increased price of local raw material reducing gross margins further.

Return on equity has also shown decrease in comparison from 10.34% last year to negative 86.64% in 2019 and exhibits mark decrease in returns to equity holders.

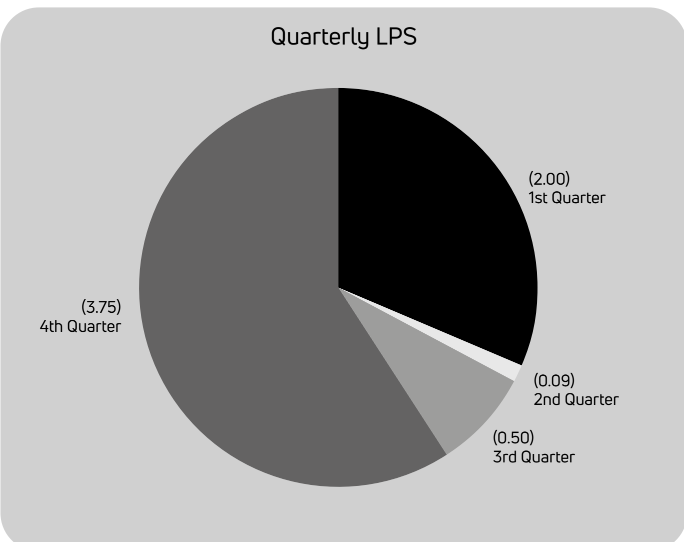
Earnings per share of Rs. 1.54 for 2018 has converted into loss per share of Rs. 6.34 due to losses sustained by the Company in 2019.

Current ratio for the year 2019 has decreased due to more utilization of working capital lines during the year.

Debtors turnover days have increased from 20 to 39 as compared to last year due to more credit sales in last quarter 2019.

Quarterly **Analysis - 2019**

	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
	Rupees in million				
Sales - net	3,499	17,998	22,146	23,196	66,839
Cost of sales	(4,182)	(16,021)	(19,870)	(20,882)	(60,955)
GROSS (LOSS) / PROFIT	(683)	1,977	2,276	2,314	5,884
Selling and distribution expenses	(679)	(1,211)	(1,806)	(1,648)	(5,344)
Administrative expenses	(292)	(330)	(385)	(415)	(1,422)
Finance cost	(912)	(1,213)	(1,433)	(1,641)	(5,199)
Other expenses	(51)	(970)	423	(1,560)	(2,158)
Other income	801	1,130	2,054	385	4,370
(LOSS) / PROFIT BEFORE TAXATION	(1,816)	(617)	1,129	(2,565)	(3,869)
Taxation	(51)	533	(1,596)	(938)	(2,052)
(LOSS) / PROFIT FOR THE YEAR	(1,867)	(84)	(467)	(3,503)	(5,921)
Loss per share - basic and diluted (Rupees)	(2.00)	(0.09)	(0.50)	(3.75)	(6.34)
Production (MT)					
- Urea	50,462	164,833	154,455	138,654	508,404
- DAP	166,632	219,427	224,011	220,626	830,696
Sales (MT)					
- Urea	24,005	190,048	112,450	181,591	508,094
- DAP	37,998	164,001	252,828	233,091	687,918

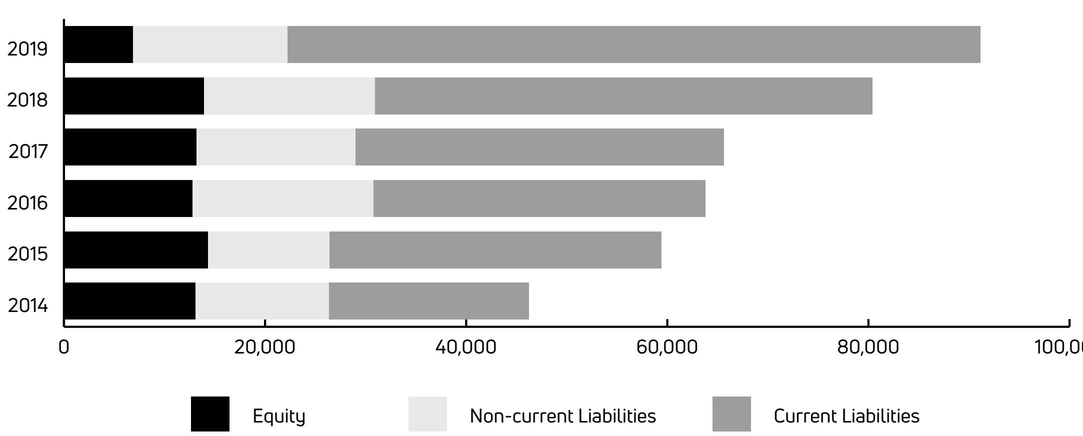


FFBL booked loss per share in every quarter of the year, The Second quarter was a bit better due to dividend income received on its investments. Higher loss per share in fourth quarter depict impairment loss booked on investments in FML & FFL.

Horizontal Analysis - Statement of Financial Position

Rupees in millions

	2019	19 Vs. 18	2018	18 Vs. 17	2017	17 Vs. 16	2016	16 Vs. 15	2015	15 Vs. 14	2014
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs
EQUITY AND LIABILITIES											
Equity											
Share capital	9,341	-	9,341	-	9,341	0.00	9,341	-	9,341	-	9,341
Reserves	228	-	228	-	228	0.15	228	-	228	-	228
Accumulated (loss) / profit	(2,735)	(163.20)	4,329	20.85	3,581	12.35	3,188	(32.35)	4,712	34.55	3,502
	6,834	(50.83)	13,898	5.68	13,151	3.09	12,757	(10.67)	14281	9.26	13,071
Non-Current liabilities											
Long-term Loans	13,792	(14.25)	16,083	4.89	15,333	(7.30)	16,542	76.44	9,375	(6.25)	10,000
Deferred liabilities	1,579	66.36	949	80.99	524	(64.70)	1,485	(45.68)	2,734	(16.57)	3,277
	15,371	(9.76)	17,032	7.41	15,858	(12.03)	18,027	48.87	12,109	(8.80)	13,277
Current liabilities											
Trade creditors, other payables, & Current portion of long-term loan	39,773	13.38	35,079	32.19	26,536	63.66	16,214	20.53	13,453	(8.08)	14,636
Accrued interest	962	117.61	442	155.89	173	(59.40)	426	52.00	280	20.17	233
Short-term borrowings	28,227	102.88	13,913	40.06	9,934	(36.82)	15,724	(12.59)	17,988	482.70	3,087
Current portion of deferred Government assistance	-	-	-	-	-	(100.00)	648	(49.98)	1,296	(33.37)	1,945
	68,962	39.50	49,434	34.91	36,644	11.00	33,012	(0.02)	33,017	65.91	19,901
	91,167	13.44	80,364	22.41	65,652	2.91	63,795	7.39	59,407	28.45	46,249
ASSETS											
Non-Current Assets											
Property, plant and equipment	10,446	6.06	9,748	(6.31)	10,405	(7.91)	11,298	(6.83)	12,126	(0.63)	12,203
Long-term loans	3,130	30.42	2,400	-	-	(100.00)	23	-	-	-	-
Deferred tax asset - net	-	-	-	-	1,322	-	-	-	-	-	-
Long-term investments	26,180	6.58	24,565	6.50	23,065	14.86	20,081	12.21	17,895	47.51	12,131
Long-term deposits & advances	79	-	180	-	80	27.16	100	0.82	78	-	78
	39,835	7.97	36,893	5.73	34,892	10.84	31,480	4.59	30,099	23.30	24,412
Current assets											
Stores and spares	2,989	9.83	2,722	(0.86)	2,745	1.85	2,695	8.99	2,473	5.82	2,337
Stock-in-trade	14,756	160.95	5,655	204.94	1,854	(23.60)	2,427	(46.64)	4,549	192.16	1,557
Trade debts	8,607	50.49	5,719	469.33	1,005	(71.49)	3,524	243.76	1,025	(30.08)	1,466
Loans and advances	1,171	(22.64)	1,514	23.28	1,228	7.55	1,142	34.46	849	(5.56)	899
Deposits and prepayments	133	174.27	48	(21.79)	62	16.82	53	29.45	41	46.43	28
Other receivables	17,373	31.73	13,187	115.35	6,126	(8.62)	6,701	(1.78)	6,823	435.14	1,275
Short-term investments	1,009	(90.77)	10,936	(22.96)	14,194	42.67	9,949	115.91	4,608	(50.08)	9,230
Cash and bank balances	5,294	43.48	3,690	4.01	3,547	(39.09)	5,823	(34.86)	8,940	77.21	5,045
	51,332	18.08	43,471	41.33	30,760	(4.81)	32,314	10.26	29,308	34.21	21,837
	91,167	13.44	80,364	22.41	65,652	2.91	63,795	7.39	59,407	28.45	46,249

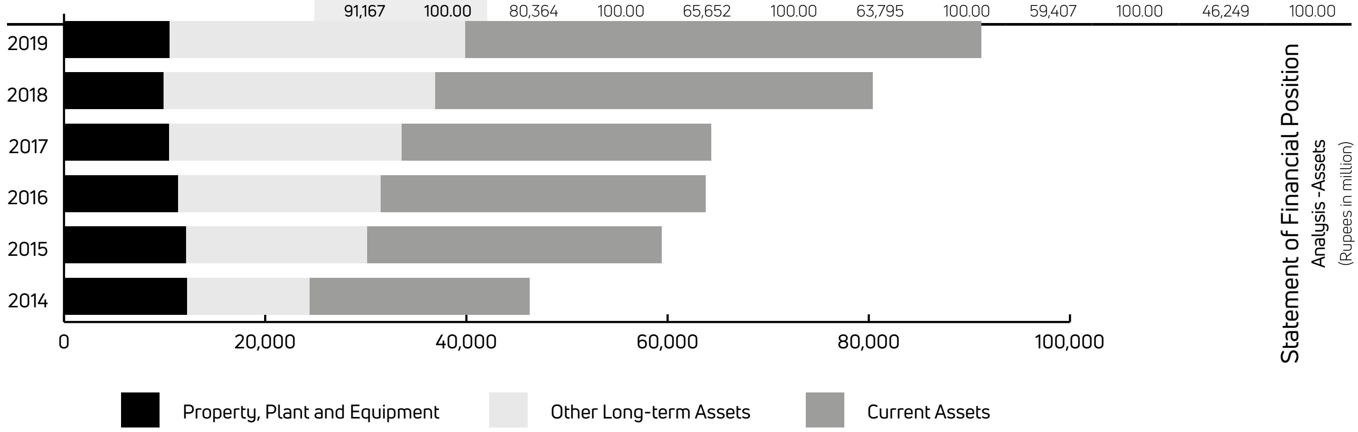


Statement of Financial Position
Analysis - Equity and Liabilities
(Rupees in million)

Vertical **Analysis** - Statement of Financial Position

Rupees in millions

	2019		2018		2017		2016		2015		2014	
	Rs	**%**	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
EQUITY AND LIABILITIES												
Equity												
Share capital	9,341	10.25	9,341	11.62	9,341	14.23	9,341	14.64	9,341	15.72	9,341	20.20
Reserves	228	0.25	228	0.28	228	0.35	228	0.36	228	0.38	228	0.49
Accumulated (loss) / profit	(2,735)	(3.00)	4,329	5.39	3,581	5.46	3,188	5.00	4,712	7.94	3,502	7.57
	6,834	7.50	13,898	17.29	13,151	20.04	12,757	20.00	14,281	24.04	13,071	28.26
Non-Current liabilities												
Long-term liabilities	13,792	15.13	16,083	20.01	15,333	23.35	16,542	25.93	9,375	15.78	10,000	21.62
Deferred liabilities	1,579	1.73	949	1.18	524	0.80	1,485	2.33	2,734	4.60	3,277	7.09
	15,371	16.86	17,032	21.19	15,857	24.15	18,027	28.26	12,109	20.38	13,277	28.71
Current liabilities												
Trade creditors, other payables & current portion of long-term loans	39,773	43.62	35,079	43.65	26,536	40.42	16,214	25.42	13,453	22.65	14,636	31.65
Accrued interest	962	1.06	442	0.55	173	0.26	426	0.67	280	0.47	233	0.50
Short-term borrowings	28,227	30.96	13,913	17.32	9,934	15.13	15,724	24.63	17,988	30.28	3,087	6.67
Current portion of deferred Government assistance	-	-	-	-	-	-	648	1.02	1,296	2.18	1,945	4.21
	68,962	75.64	49,434	61.52	36,644	55.81	33,012	51.74	33,017	55.58	19,901	43.03
	91,167	100.00	80,364	100.00	65,652	100.00	63,795	100.00	59,407	100.00	46,249	100.00
ASSETS												
Non-Current Assets												
Property, plant and equipment	10,446	11.46	9,748	12.13	10,405	15.88	11,298	17.71	12,126	20.42	12,203	26.39
Long-term Loans	3,130	3.43	2,400	2.99	-	-	23	0.04	-	-	-	-
Deferred tax asset - net	-	-	-	-	1,322	2.01	-	-	-	-	-	-
Long-term investments	26,180	28.72	24,565	30.57	23,065	35.13	20,081	31.48	17,895	30.12	12,131	26.23
Long-term deposits & advances	79	0.08	180	0.22	100	0.13	79	0.12	78	0.13	78	0.16
	39,835	43.69	36,893	45.91	34,892	53.15	31,480	49.35	30,099	50.67	24,412	52.78
Current assets												
Stores and spares	2,989	3.28	2,722	3.39	2,745	4.18	2,695	4.22	2,473	4.16	2,337	5.05
Stock-in-trade	14,756	16.19	5,655	7.04	1,854	2.82	2,427	3.80	4,549	7.66	1,557	3.37
Trade debts	8,607	9.44	5,719	7.12	1,005	1.53	3,524	5.52	1,025	1.73	1,466	3.17
Loans and advances	1,171	1.28	1,514	1.88	1,228	1.87	1,142	1.75	849	1.43	899	1.94
Deposits and prepayments	133	0.15	48	0.06	62	0.09	53	0.08	41	0.07	28	0.06
Other receivables	17,373	19.05	13,187	16.40	6,125	9.33	6,701	10.50	6,823	11.47	1,275	2.76
Short-term investments	1,009	1.11	10,936	13.61	14,194	21.63	9,949	15.60	4,608	7.76	9,230	19.96
Cash and bank balances	5,294	5.81	3,690	4.59	3,547	5.40	5,823	9.15	8,940	15.05	5,045	10.91
	51,332	56.31	43,471	54.09	30,760	46.85	32,314	50.62	29,308	49.33	21,837	47.22
	91,167	100.00	80,364	100.00	65,652	100.00	63,795	100.00	59,407	100.00	46,249	100.00



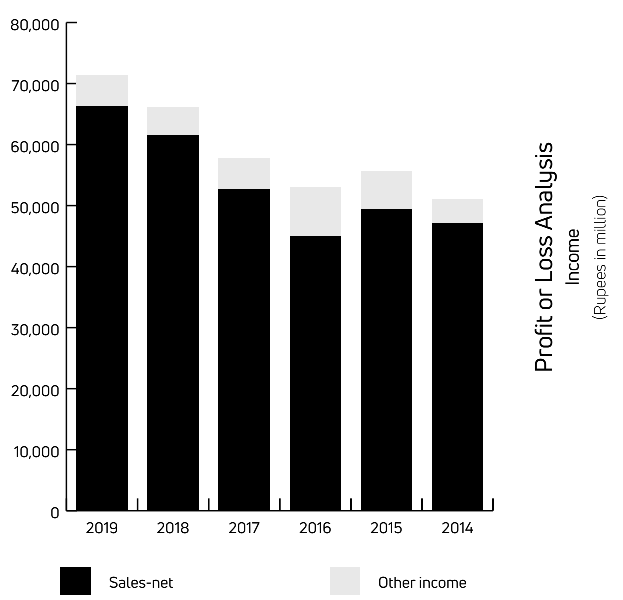
Horizontal & Vertical **Analysis** - Profit or Loss

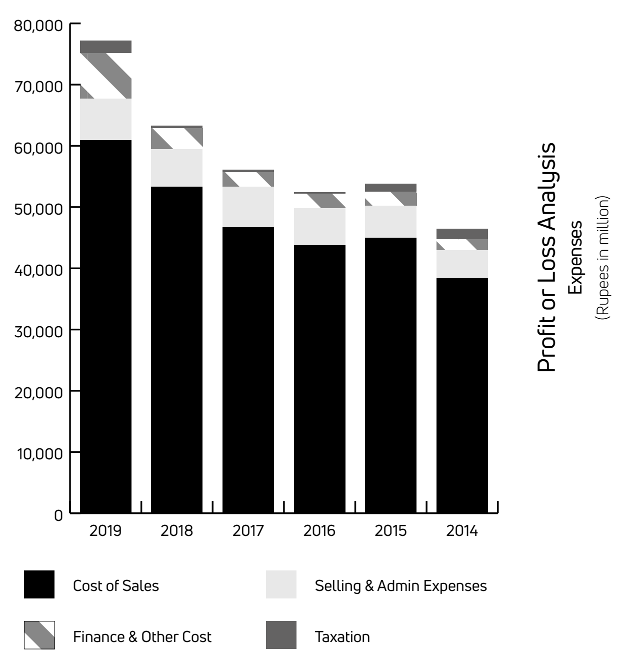
Rupees in millions

Horizontal Analysis	2019	19 Vs. 18	2018	18 Vs. 17	2017	17 Vs. 16	2016	16 Vs. 15	2015	15 Vs. 14	2014	14 Vs. 13
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Sales - net	66,839	8.66	61,511	16.65	52,733	17.15	45,011	(13.74)	52,182	5.54	49,445	(9.20)
Cost of Sales	60,955	14.30	53,327	14.18	46,705	6.65	43,792	(2.61)	44,968	17.25	38,353	(3.98)
Gross profit	5,884	(28.09)	8,184	35.77	6,028	394.48	1,219	(83.10)	7,214	(34.96)	11,092	(23.57)
Selling & distribution expenses	5,344	18.09	4,525	(7.11)	4,872	11.45	4,371	14.46	3,819	15.24	3,314	(4.02)
Administrative expenses	1,422	(8.19)	1,549	(10.34)	1,727	5.27	1,641	14.99	1,427	8.30	1,318	25.73
	(882)	(141.79)	2,110	(469.11)	(571)	(88.08)	(4,793)	(343.55)	1,968	(69.54)	6,460	(35.48)
Finance cost	5,199	133.89	2,223	14.46	1,942	(9.93)	2,156	15.43	1,868	42.28	1,313	(13.34)
Other expenses	2,158	71.40	1,259	197.64	423	140.07	176	(55.84)	399	(7.17)	430	(32.69)
	(8,239)	500.25	(1,372)	(53.26)	(2,936)	(58.79)	(7,125)	2,283.10	(299)	(106.34)	4,717	(39.97)
Other income	4,370	37.35	3,182	(27.31)	4,377	(49.84)	8,726	53.55	5,683	434.73	1,063	56.09
(Loss) / profit before taxation	(3,869)	(313.84)	1,810	25.56	1,441	(9.98)	1,601	(70.27)	5,384	(6.85)	5,780	(32.31)
Taxation	2,052	450.76	373	(14.75)	437	66.61	262	(80.16)	1,322	(25.05)	1,764	(35.65)
(Loss) / profit for the year	(5,921)	(512.14)	1,437	43.11	1,004	(25.00)	1,338	(67.05)	4,062	1.14	4,016	(30.73)

Rupees in millions

Vertical Analysis	2019		2018		2017		2016		2015		2014	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Sales - net	66,839	100.00	61,511	100.00	52,733	100.00	45,011	100.00	52,182	100.00	49,445	100.00
Cost of Sales	60,955	91.20	53,327	86.70	46,705	88.57	43,792	97.29	44,968	86.18	38,353	77.57
Gross profit	5,884	8.80	8,184	13.30	6,028	11.43	1,219	2.71	7,214	13.82	11,092	22.43
Selling & distribution expenses	5,344	8.00	4,525	7.35	4,872	9.24	4,371	9.71	3,819	7.32	3,314	6.70
Administrative expenses	1,422	2.12	1,549	2.52	1,727	3.28	1,641	3.65	1,427	2.73	1,318	2.66
	(882)	(1.32)	2,110	3.43	(571)	(1.08)	(4,793)	(10.65)	1,968	3.77	6,460	13.06
Finance cost	5,199	7.78	2,223	3.61	1,941	3.68	2,156	4.79	1,868	3.58	1,313	2.66
Other expenses	2,158	3.23	1,259	2.05	423	0.80	176	0.39	399	0.76	430	0.87
	(8,239)	(12.33)	(1,372)	(2.23)	(2,936)	(5.57)	(7,125)	(15.83)	(299)	(0.57)	4,717	9.54
Other income	4,370	6.54	3,182	5.17	4,377	8.30	8,726	19.39	5,683	10.89	1,063	2.15
(Loss) / profit before taxation	(3,869)	(5.79)	1,810	2.94	1,441	2.73	1,601	3.56	5,384	10.32	5,780	11.69
Taxation	2,052	3.07	373	0.61	437	0.83	262	0.58	1,322	2.53	1,764	3.57
(Loss) / profit for the year	(5,921)	(8.86)	1,437	2.33	1,004	1.90	1,338	2.97	4,062	7.78	4,016	8.12





Chairman's **Review**

On behalf of the Board of Directors, I present the Company's annual report and performance for the year ended December 31, 2019.

Decelerating economy continued to thwart efforts to bring it back on track. Structural measures were expected to affect the growth, however, the impact turned out to be far more than envisaged earlier. Large-scale manufacturing had to face major brunt of this slowdown, though, service industry also suffered in the course. Water shortage and increasing input cost brought down the yield of the agriculture sector. Decreased supply resulted in inflated prices of agricultural produce. Tax collection targets fell short of the estimates resulting in excessive borrowing and debt servicing cost. The policy changes have lately checked the downward progression and reduced the twin deficit to some extent. The rupee has been stable for a while now and stock market is beginning to re-emerge sighting redeemed investor confidence.

There seems to be no respite for the fertilizer industry despite being a vital part of our agriculture dependent economy. The industry is forced to operate on critically reduced margins. Hike in feed and fuel gas tariffs, un-resolved GIDC issue, high input cost, cheap imported fertilizer, weak currency, high policy rate, all in all have forced local producers at a grave disadvantage. Huge refunds are blocked with the Government of Pakistan (GoP) which is already running short of funds and relying heavily on borrowing.

FFBL has a distinctive place in fertilizer industry, having the only Di-Ammonium Phosphate (DAP) fertilizer plant in Pakistan. Its dynamics are quite different from rest of the plants as it depends heavily on imported raw material for its manufacturing facility. Drastic depreciation of Pak Rupee increased its input cost considerably during the year. Import of cheap DAP fertilizer led to over-supply situation throughout the year which severely dented the competitiveness of FFBL`s Sona DAP. Thus, reducing its margins significantly and affecting its off-take throughout the year. This is evident by carryover of highest ever inventory of 189 thousand tonnes at the year end.

Continuous supply of RLNG to two SNGPL network plants resulted in higher domestic production of Urea. GoP also imported Urea to suffice product availability during the year which resulted in over supply situation throughout the year. However, entire stock of FFBL Sona Urea was sold out in December in anticipation of further hike in gas tariffs.

Our production facilities continue to operate at optimum levels and gave good production numbers for the year. However, 2019 happens to be the most challenging year as far as financial results are concerned. The Company has suffered loss from its operations after many successful and profitable years. The overall deceleration of the economy and specific dynamics of fertilizer industry, as cited above, are major influences that have contributed to the results for the year. The fertilizer industry needs Government support viz-a-viz rationalization of gas prices, release of long-outstanding GST refund and bringing parity in GST input/output ratios, enabling it to be competitive and viable in future.

Despite current setbacks and challenging business environment, we shall continues to focus on our core business of fertilizer because of its strategic importance to our agri-based economy. It is our resolve that we shall come out of these tough times through our resilience and determination, which has been our hallmark. We shall strive to the best of our abilities to play our role in the economic uplift of our country through our quality products and contribution to the national exchequer.

The management and employees of the Company need our appreciation having remained steadfast and focused in overwhelming state of affairs through the year.

The Board and management of the Company will continue to safeguard the interests of all the stakeholders and expect their continued support and confidence in these testing times.

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

For and on behalf of the Board

Tariq Nadeem

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

چیئرمین کا جائزہ

میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی سالانہ رپورٹ اور 31 دسمبر 2019 کو ختم ہونے والے سال کی کارکردگی پیش کر رہا ہوں۔ معیشت کی سست روی کی وجہ سے اسے سنبھالنے کی کوششیں بار آور ثابت نہیں ہو سکیں۔ بنیادی اصلاحات نے معیشت پر توقع سے زیادہ منفی اثرات مرتب کیے۔ بڑی صنعتوں پر اس سست روی کا زیادہ اثر دیکھنے میں آیا جبکہ خدمات کی صنعت بھی اس سے متاثر ہوئی۔ پانی کی قلت اور بڑھتی ہوئی پیداواری لاگت سے زرعی پیداوار میں کمی واقع ہوئی۔ رسد میں کمی کے نتیجے میں زرعی اجناس کی قیمتوں میں اضافہ ہوا۔ ٹیکس وصولی کے اہداف تخمینے سے کم رہے جس کی وجہ سے قرضوں اور سود کی ادائیگیوں میں اضافہ ہوا۔ پالیسی میں تبدیلی کی بدولت سال کے اواخر میں گرتی ہوئی معیشت کو کچھ سنبھالا ملا اور دوہرے خسارے میں کچھ کمی واقع ہوئی۔ روپے کی قدر کچھ عرصے سے مستحکم ہے اور حصص کی مارکیٹ نے دوبارہ ابھرنا شروع کر دیا ہے جو کہ سرمایہ کاروں کے اعتماد کی بحالی کو ظاہر کر رہا ہے۔

فرٹیلائزر انڈسٹری ہماری زرعی معیشت کا ایک اہم جزو ہونے کے باوجود بدستور مشکلات کا شکار ہے۔ انڈسٹری بتدریج سکڑتے ہوئے منافع پر کام کرنے پر مجبور ہے۔ گیس (فیڈ اور ایندھن) کے بڑھتے ہوئے نرخوں، گیس انفراسٹرکچر ڈیویلپمنٹ سیس (GIDC) کے مسئلے کے عدم حل، بلند پیداواری لاگت، درآمد شدہ سستی کھاد، کمزور مقامی کرنسی اور بلند پالیسی ریٹ نے مجموعی طور پر مقامی صنعت کو شدید نقصان پہنچایا۔

ریفنڈ سے جڑی ہماری رقوم حکومت پاکستان سے کافی عرصے سے وصول طلب ہیں جو کہ خود بھی سرمائے کی کمی کا شکار ہے اور قرض پر انحصار کیے ہوئے ہے۔

FFBL کا فرٹیلائزر کی صنعت میں ایک منفرد مقام ہے کیونکہ اس کا ڈائی امونیم فاسفیٹ (ڈی اے پی) کا کارخانہ ملک کا واحد کارخانہ ہے۔ یہ کارخانہ اس لحاظ سے مختلف ہے کیونکہ اس کی پیداوار کا زیادہ تر انحصار درآمد شدہ خام مال پر ہے۔ روپے کی قدر میں نمایاں کمی سے اس کی پیداواری لاگت میں خاطر خواہ اضافہ ہوا۔ سستی ڈی اے پی کھاد کی درآمد سے پورے سال ضرورت سے زیادہ رسد کی صورتحال رہی جس سے FFBL کی سونا ڈی اے پی کھاد کی مسابقت کی صلاحیت کو شدید نقصان پہنچا۔ اس طرح پورے سال کے دوران اس کے منافع میں نمایاں کمی ہوئی اور فروخت بھی متاثر ہوئی۔ یہ اس حقیقت سے بھی واضح ہے کہ سال کے آخر میں ڈی اے پی کی 189 ہزار ٹن کی انوینٹری کسی بھی گذشتہ سال کی بلند ترین سطح سے بھی زیادہ ہے۔

SNGPL نیٹ ورک پر دو کارخانوں کو RLNG کی مسلسل فراہمی سے اندرون ملک یوریا کی زیادہ پیداوار حاصل ہوئی۔ سال کے دوران یوریا کی مناسب مقدار میں دستیابی کے لئے حکومت پاکستان نے یوریا درآمد کی جس کے نتیجے میں رسد کی زیادتی کی صورتحال پیدا ہوئی۔ تاہم دسمبر میں گیس کے نرخ مزید بڑھنے کی توقع کے پیش نظر FFBL کا سونا یوریا کا اسٹاک فروخت ہو گیا۔ ہماری پیداواری صلاحیتیں مسلسل بلند سطح پر کام کر رہی ہیں اور اچھی پیداوار دے رہی ہیں۔ جہاں تک مالیاتی نتائج کا تعلق ہے، 2019 ایک بہت مشکل سال رہا۔ کمپنی کو گذشتہ کئی کامیاب اور منافع بخش برسوں کے بعد نقصان برداشت کرنا پڑا۔

معیشت میں مجموعی سست روی اور فرٹیلائزر انڈسٹری کی مخصوص صورتحال وہ اہم عوامل ہیں جو موجودہ نتائج پر اثر انداز ہوئے۔ فرٹیلائزر انڈسٹری کو حکومت کی جانب سے گیس کے نرخوں میں توازن، طویل عرصے سے قابل ادا جی ایس ٹی ریفنڈ کی ادائیگی اور Input / Output جی ایس ٹی کے تناسب میں توازن کے سلسلے میں تعاون کی ضرورت ہے تاکہ مستقبل میں یہ سابقہ طور پر اپنا وجود برقرار رکھ سکے۔

موجودہ ناکامیوں اور مشکل کاروباری حالات کے باوجود ہم اپنے فرٹیلائزر کے بنیادی کاروبار پر توجہ مرکوز کیے ہوئے ہیں کیونکہ یہ ہماری زرعی معیشت کا ایک بنیادی جزو ہے۔ ہمارا یہ عزم ہے کہ ہم اپنے حوصلے اور بلند ہمتی کی بدولت ان مشکل حالات سے نکل آئیں گے کیونکہ یہ ہمارا شعار رہا ہے۔ ہم اپنی بہترین صلاحیتوں کو بروئے کار لاتے ہوئے اپنی معیاری مصنوعات کی بدولت ملک کی معاشی ترقی میں اپنا کردار ادا کرتے رہیں گے اور قومی خزانے میں اپنا حصہ ڈالتے رہیں گے۔

کمپنی کی انتظامیہ اور ملازمین ان مشکل حالات میں بھی ثابت قدمی اور مستقل مزاجی پر تعریف کے مستحق ہیں۔

کمپنی کا بورڈ اور انتظامیہ تمام شراکت داران کے مفادات کا تحفظ جاری رکھے گی اور ان ناساعد حالات میں ان کی مسلسل حمایت اور اعتماد کی طلبگار رہے گی۔

میں حکومت پاکستان، SSGCL، اپنے قابل قدر صارفین اور سپلائرز کے تعاون اور بینکرز کی حمایت کو تسلیم کرتے ہوئے ان کا شکر گزار ہوں اور پر اعتماد ہوں کہ مستقبل میں بھی بہتر کارکردگی اور نتائج کے حصول کیلئے ہم ان کے ساتھ ہاتھ میں ہاتھ ڈال کر چلیں گے۔

بورڈ کمپنی کے حصص داران کی طرف سے کمپنی پر مسلسل اعتماد پر ان کا تہہ دل سے شکر گزار ہے۔

منجانب بورڈ

لیفٹیننٹ جنرل سید طارق ندیم گیلانی

ہلالِ امتیاز (ملٹری)، (ریٹائرڈ)

چیئرمین

A Word From
The Chief Executive

I present, before our worthy shareholders, financial results of the Company for the year ended December 31, 2019.

The economic slowdown and structural adjustments have taken a heavy toll on the economy as a whole and large scale manufacturing in particular. The Company has posted net loss of Rs 5,921 million with per share loss of Rs 6.34 primarily on account of increase in input cost, major depreciation of the Pak Rupee, over supply situation of imported fertilizer and substantial increase in mark-up rates. Unless things improve, current economic situation could further affect profitability and challenge sustainability, eventually.

Despite unfavourable economic situation, that persisted throughout the year, the Company produced 831 thousand tonnes of DAP which happens to be the highest ever production during a year. However, it could not help achieve better sales number during the year. Adverse economic policies and uncontrollable external factors severely dented overall results for the year. Soaring exchange rate made input cost of imported raw material increase significantly while increase in feed and fuel gas tariff and general inflation impacted, negatively, the input cost of local material. The margins shrunk further due to lower end product prices.

Import and sale of cheaper DAP hampered FFBL DAP fertilizer off-take forcing the Company to carryover highest ever inventory of 189 thousand tonnes. Cash flows remained under pressure owing to non-payment of subsidy and GST refund by the Government of Pakistan (GoP). Higher utilization of working capital lines and credit sales, resulted in increase in financial charges considerably. The situation aggravated with continuous hike in discount rates. GIDC issue remained unresolved and kept the market confused regarding pricing of the product, worsening the problem further.

Gas supplies from SSGC reduced slightly in 2019. FFBL received 19,042 MMSCF of gas as against 19,119 MMSCF received in the corresponding year. The Company was able to produce 831 thousand tonnes of DAP fertilizer and 508 thousand tonnes of Urea during the year. Sona DAP sales during 2019 are 688 thousand tonnes making for 34 % of market share. Sona Urea share in domestic market remained at 8 % with 508 thousand tonnes sold in 2019. DAP sales are at the same level as per previous year, whereas, Urea sales are 10% lower in comparison with Company`s previous year`s sale.

During the year, the Company received dividend of Rs.1,610 million from its subsidiary FPCL, in only its second full completed year of operations. Dividend of Rs.747 million was received from Company`s joint venture, Pakistan Maroc Phosphore (PMP) during the year. Dividend of Rs.272 million from AKBL, Rs.175 million from FWE-I & II and Rs.28 million from FCCL were also received during the year. The Company expects significant returns from these investments in future as well. Tax charge of Rs 2,052 million include payment of turnover tax of Rs 1,003 million and Rs 421 million of tax withheld on dividend income and treasury operations, adding further to the loss for the year.

Despite current setbacks, I assure all stakeholders that the management of the Company would leave no stone unturned for better results in next year.

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

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

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

چیف ایگزیکٹیو کی جانب سے اظہار خیال

میں اپنے قابل احترام حصص داران کی خدمت میں کمپنی کے 31 دسمبر 2019 کو ختم ہونے والے سال کے مالیاتی نتائج پیش کر رہا ہوں۔ معاشی سست روی اور اس میں بنیادی تبدیلیوں سے معیشت پر مجموعی طور پر اور بڑی صنعتوں پر بالخصوص منفی اثر پڑا۔ کمپنی کو سال 2019 کے اختتام پر فی حصص 6.34 روپے کے ساتھ 5,921 ملین روپے کا نقصان ہوا جس کی بنیادی وجوہات میں روپے کی قدر میں نمایاں کمی، لاگتی اخراجات میں اضافہ، درآمد شدہ فرٹیلائزر کی ضرورت سے زیادہ فراہمی اور مارک اپ کی شرح میں خاطر خواہ اضافہ شامل ہیں۔ جب تک حالات میں بہتری نہیں آتی، موجودہ اقتصادی صورتحال کمپنی کی منافع کمانے کی صلاحیت کو مزید متاثر کر سکتی ہے، حتیٰ کہ اس کے استحکام پر بھی اثرانداز ہو سکتی ہے۔

مستقل ناسازگار اقتصادی صورتحال کے باوجود کمپنی نے 831 ہزار ٹن ڈی اے پی کی پیداوار حاصل کی جو کہ گزشتہ کسی ایک سال کے دوران حاصل ہونے والی پیداوار میں سب سے زیادہ پیداوار ہے۔ تاہم سال کے لئے یہ بہتر فروخت کے اعداد حاصل کرنے میں مددگار ثابت نہیں ہوئی۔ ناموافق اقتصادی پالیسیوں اور بیرونی عوامل کی وجہ سے مجموعی طور پر نتائج کو نقصان پہنچا۔ غیر ملکی کرنسی کی بڑھتی ہوئی شرح تبادلہ کی وجہ سے درآمدی خام مال کی لاگت میں نمایاں اضافہ ہوا جبکہ گیس (فیڈ اور ایندھن) کے نرخوں اور افراطِ زر میں اضافے سے مقامی خام مال کی لاگت پر منفی اثر پڑا۔ تیار مصنوعات کی قیمتوں میں کمی کی وجہ سے سالانہ نتائج مزید متاثر ہوئے۔

سستی ڈی اے پی کی درآمد اور فروخت سے FFBL کی ڈی اے پی فرٹیلائزر کی فروخت متاثر ہوئی جس کی وجہ سے کمپنی کو لامحالہ 189 ہزار ٹن کی انوینٹری اگلے سال میں لے جانا پڑی۔ حکومت پاکستان کی جانب سے سبسڈی اور جنرل سیلز ٹیکس ریفنڈ کی عدم ادائیگی کے باعث ترسیلات زر کی صورتحال دباؤ میں رہی۔ مصنوعات کی ادھار پر فروخت اور بینکوں کی ورکنگ کیپیٹل سہولت کے زیادہ استعمال کے نتیجے میں مالیاتی اخراجات میں نمایاں اضافہ ہوا۔ ڈسکاؤنٹ ریٹ میں مسلسل اضافے سے صورتحال مزید خراب ہوئی۔ گیس انفراسٹرکچر ڈیولپمنٹ سیس کا مسئلہ بدستور حل طلب رہا جس کی وجہ سے مصنوعات کی قیمتوں کے تعین میں گومگو کی کیفیت رہی اور مسائل میں مزید اضافہ ہوا۔

سال 2019 میں ایس ایس جی سی کی جانب سے گیس کی فراہمی میں معمولی کمی دیکھنے میں آئی۔ FFBL کو گزشتہ سال ملنے والی 19,119 ایم ایم سی ایف گیس کے مقابلے میں 19,042 ایم ایم سی ایف گیس حاصل ہوئی۔ سال کے دوران کمپنی نے 831 ہزار ٹن ڈی اے پی کھاد اور 508 ہزار ٹن یوریا کھاد کی پیداوار حاصل کی۔

سال کے دوران سونا ڈی اے پی کی فروخت 688 ہزار ٹن رہی جو منڈی کے کل حصے کا 34 فیصد ہے۔ اسی طرح ملکی منڈی میں سونا یوریا کا حصہ 508 ہزار ٹن کی فروخت کے ساتھ 8 فیصد رہا۔ ڈی اے پی کی فروخت پچھلے سال کی سطح پر قائم رہی جبکہ یوریا کی فروخت گذشتہ سال کی فروخت کے مقابلے میں 10 فیصد کم رہی۔

سال کے دوران FFBL کو اپنی ذیلی کمپنی FPCL سے دوسرے مکمل پیداواری سال کے اختتام پر 1,610 ملین روپے کا ڈیویڈینڈ موصول ہوا۔ اسی سال کے دوران کمپنی کو اپنے مشترکہ منصوبے پاکستان ماروک فاسفور (PMP) سے 747 ملین روپے کا ڈیویڈینڈ ملا۔ اسی طرح عسکری بینک سے 272 ملین روپے، فوجی ونڈ انرجی-I اور II سے 175 ملین روپے اور فوجی سیمنٹ سے 28 ملین روپے کا ڈیویڈینڈ حاصل ہوا۔ کمپنی کو توقع ہے کہ آئندہ سالوں میں بھی ان سرمایہ کاریوں سے اسے خاطر خواہ منافع حاصل ہوگا۔

2,052 ملین روپے کے ٹیکس چارج میں 1,003 ملین روپے ٹرن اوور ٹیکس اور 421 ملین روپے ڈیویڈینڈ اور مالیاتی آمدنی پر ٹیکس کی مد میں صرف ہوئے جس کی وجہ سے سال کے مجموعی نقصان میں مزید اضافہ ہوا۔

موجودہ ناموافق حالات کے باوجود میں تمام شراکت داران کو یقین دلاتا ہوں کہ کمپنی کی انتظامیہ آئندہ سال بہتر نتائج کے حصول کے سلسلے میں اپنی بھرپور کوشش کرے گی۔

میں کمپنی کے پرعزم اور پیشہ ور ملازمین کا شکریہ ادا کرنا چاہتا ہوں جو کمپنی کو ایک مستحکم اور بہترین ادارہ بنانے کے لیے ہمہ وقت کوشاں ہیں۔

آخر میں میں کمپنی کے صارفین، حکومت پاکستان، حصص داران اور تمام اہم شراکت داران کی قابل قدر خدمات کا اعتراف کرنا چاہتا ہوں جو ان مشکل حالات میں کمپنی کے ساتھ شانہ بشانہ کھڑے ہیں۔ ہم مستقبل میں کامیابیوں کے لیے ان کی معاونت کے خواہاں ہیں۔

لیفٹیننٹ جنرل جاوید اقبال
ہلال امتیاز (ملٹری)، (ریٹائرڈ)
چیف ایگزیکٹو اینڈ منیجنگ ڈائریکٹر

Directors' Report

Directors' **Report**

The Directors present the 26th Annual Report along with audited Financial Statements of the Company and the Auditors' report thereon for the year ended Dec 31, 2019.

Pakistan Economy and its Outlook

The economy experienced marked adjustments during 2019. The exchange rate was realigned with the market fundamentals, while the interest rates increased sharply. Public sector development expenditure was significantly curtailed and energy prices were raised. These measures were taken to manage the historical twin deficit crisis. The policy actions helped contain demand pressures and contributed to import compression, which led to a significant reduction in the current account deficit. However, in the process, large-scale manufacturing contracted and inflation rose above its target after four years.

High input costs combined with water shortages undermined agriculture sector's output and the drag in the commodity-producing segments spilled over to the services sector as well. Furthermore, a hike in input prices during 2019 led to lower fertilizer offtake (particularly DAP) and inadequate application of pesticides, further affecting the yields.

The real GDP growth fell to its lowest in the past nine years. Growth in real GDP decelerated to 3.3 percent in FY19, compared to 5.5 percent last year.

Moody's Investors Service ("Moody's") has affirmed the Government of Pakistan's local and foreign currency long-term issuer and unsecured debt ratings at B3 and changed the outlook to stable from negative. The change in outlook to stable, is driven by Moody's expectations that the balance of payments dynamics will continue to improve, supported by policy adjustments and currency flexibility. Such developments reduce external vulnerability risks, although foreign exchange reserve buffers remain low and will take time to rebuild.

Fiscal Performance

An unusual decline in revenue collection and steep rise in current expenditures caused a deterioration in all major fiscal indicators during FY19. The overall budget deficit during the year stood at a historic high of 8.9 percent of GDP, which was also in excess of the 4.9 percent target set in the Budget 2018-19. Compared to the revised estimates, FBR revenues fell short by Rs 321.5 billion, which turned out to be a major factor in the overall weak fiscal outcome and growing debt sustainability issues during the year. Even with a steep decline in development spending, total spending grew by 11.3 percent during FY19. The major push came from current expenditures, which grew by 21.3 percent on top of 12.6 percent growth last year. The growth in current expenditures accelerated mainly due to higher interest payments (up by 39.4 percent), primarily attributed to increase in domestic interest rates.

Domestic and External Debt

The pace of debt accumulation accelerated further in FY19. In absolute terms, Pakistan's total debt and liabilities (TDL) increased by Rs 10.3 trillion, which was more than twice the accumulation in FY18. Total external debt and liabilities (EDL) reached US$ 106.3 billion by end June 2019, an increase of US$ 11.1 billion compared to an increase of US$ 11.8 billion a year earlier. One-half of this increase in FY19 is owed to Balance of Payment (BoP) support from friendly countries (Saudi Arabia, UAE and Qatar). The stock of government domestic debt reached Rs 20.7 trillion at the end of FY19 compared to Rs 16.4 trillion a year earlier. In terms of growth, domestic debt increased by 26.3 percent, more than double the pace in FY18.

In this context, an additional setback that the government faced in FY19 was the steep rise in interest rates and depreciation of the Pak rupee, which escalated its debt-servicing burden, mark-up payments alone consumed upto 47 percent of the total tax revenues.

The 39-month extended fund facility agreement with the IMF will be helpful in plugging the financing gap. On the external front, narrowing of current account deficit during FY19 is quite encouraging, and with ongoing stabilization measures in place (including the flexible exchange rate regime), the BoP situation is expected to improve further. Focus should be to increase revenues along with reduction in current expenditures to control the pace of the debt accumulation. Moreover, rationalization of energy sector policies and improving the governance of Public Sector Enterprises (PSE's) should also top the reform agenda of the government to cut down PSE's debt.

Money Market and Inflation

While the ongoing structural measures will take some time to settle down before financial markets and businesses could stabilize and firmly reposition, the SBP continued to maintain tight monetary conditions to manage demand and anchor inflation expectations. The SBP's Monetary Policy Committee (MPC) increased the policy rate in all six decisions during the year, by a cumulative 575 basis points. The depreciation of the Pak Rupee also increased the cost of all imported inputs.

CPI inflation in Pakistan was recorded at 7.3 percent during FY19 compared to 3.9 percent last year. Although core inflation predominantly explained the continuously rising trend in inflation during the first 4 months of the year, it was the steep rise in food and energy inflation that deepened inflationary pressures in subsequent months. Inflationary pressures during the year can be traced to:

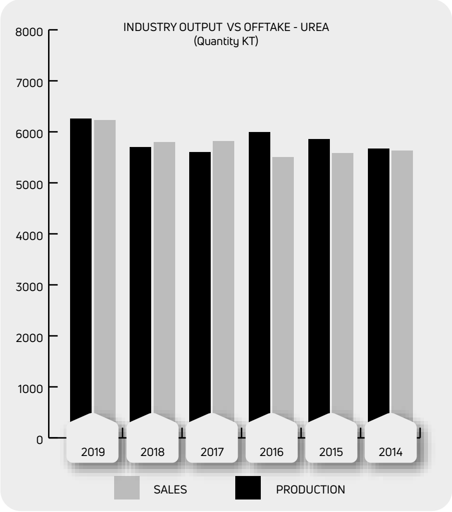
1. Surge in energy prices: Fiscal constraints and the impact of depreciation.
2. Surge in food inflation: Supply disruptions and weak price controls.

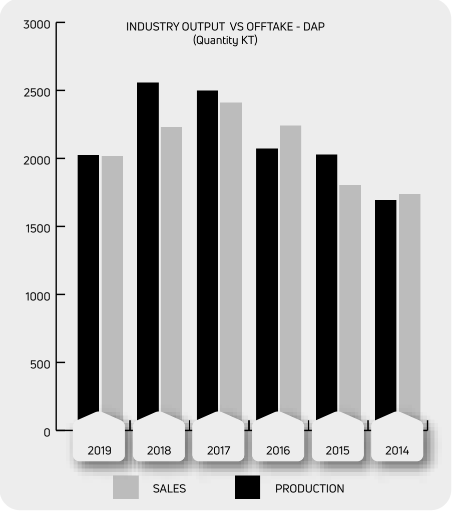
Currency Devaluation

Pak Rupee further devalued by 17 percent in 2019 as part of measures taken for adjustment of increasing trade deficit and to support country's exports. This was in addition to earlier devaluation of 33 percent during 2018. The rupee traded as low as Rs 163 by the end of Jun 2019. As a positive outcome of strict policy measures, trade deficit started to reduce, resulting in the rupee gradually gaining strength and closing at Rs 155 to the US dollar in the inter-bank market on December 31, 2019.

Agriculture Sector

The agriculture sector fared poorly on the whole, as water shortages and costlier inputs dented the production of important crops. The situation noticeably improved in the rabi season as healthy rains reduced stress on water availability, however, other constraints persisted along with the lower fertilizer offtake. All these factors led to a decline in wheat yield for the second successive year, although the contraction was of a lower magnitude compared to FY18. Overall, the crop sector's contribution remained negative. The agriculture sector's performance remained





below target as the sector registered a marginal growth of 0.8 percent in FY19 compared to a notable growth of 3.9 percent last year.

With the lower water availability and the hike in prices, fertilizer offtake contracted by a considerable 6.8 percent in FY19 as compared to a growth of 8.6 percent in FY18. Offtake of Urea and DAP dropped by 4.2 percent and 13.9 percent respectively in the FY19 cropping season. This is owed to the strong rise in prices as compared to the last two years. Urea offtake improved slightly in the rabi season however, DAP offtake further receded, leading to a double-digit fall in the total cropping season offtake.

Re-Emergence of PSX

Between August and December, 2019, the equities displayed a spectacular rally which saw the market gain an eye-popping 42 percent. The last quarter witnessed KSE-100 index record stellar gains of 8,656 points or 27 percent, which included the highest three-month rise achieved since 3QCY09.

Key reasons for the turnaround included stability of the exchange rate parity, inflow of $1,428 million in treasury bills, decline in Pakistan Investment Bonds yield by 286 basis points to 11 percent – a sharp drop from its high of 13.86 percent in July, increase in foreign exchange reserves by 50 percent to $10.9 billion and reduction of $3 billion in short-term liabilities of the State Bank. The International Monetary Fund also cleared the first review of Pakistan`s Extended Fund Facility.

Global Economy

Global growth in 2019 has been downgraded to 2.6 percent, 3 basis points below previous forecasts, reflecting weaker than expected international trade and investment at the start of the year. Growth is projected to gradually rise to 2.8 percent by 2021, predicated on continued benign global financing conditions, as well as a modest recovery in emerging market and developing economies (EMDEs). However, EMDE growth remains constrained by subdued investment, which is dampening prospects and impeding progress toward achieving development goals.

Activity in advanced economies is slowing, especially in the Euro Area, in part due to weakening exports and investment. In the United States, the effects of recent fiscal stimulus are waning. In China, growth appears to be stabilizing following weakness at the start of the year, but it faces heightened risks. Investment has lost momentum and trade growth has declined markedly. Recent re-escalation of trade tensions between major economies has been accompanied by a deceleration in global investment and a decline in confidence causing relatively subdued global activity.

International Fertilizer

International Urea prices continuously declined during first half of the year but became stagnant from third quarter onwards. Market witnessed slight firmness at the end of 2019. In case of DAP, a continuous decline trend was noticed throughout the year. DAP prices (FOB China) declined from US $ 400/ton at start of the year to below US $ 290/ton towards end of the year.

Operational Highlights

By the grace of Almighty, the overall performance of the plants remained satisfactory and safe during the year. Gas supply remained slightly lower than previous year level.

The Company achieved Urea production of 508 Kt as against 562 Kt of 2018, 10 percent less than the production achieved in 2018.

DAP production at 831 Kt in 2019 is the highest ever production achieved by the Company in a year to-date. The number is 14 percent higher as compared to 730 Kt achieved in 2018. DAP production suffered last year, due to short supplies of Phosphoric Acid from Pakistan Maroc Phosphore, SA (PMP). Initially, it was due to port closure owing to bad weather and subsequently due to technical issues at PMP plant, resulting in prolonged shutdowns in Mar, Aug and Oct respectively.

Overall plant performance with respect to specific consumptions remained satisfactory.

Turnaround 2019

Regular maintenance of plant and equipment is the key to efficient utilisation of production resources. FFBL successfully completed annual turnaround during 1st quarter of 2019 with satisfactory inspection and maintenance of equipment and machines. Prior to turnaround, safety orientation and awareness trainings were imparted to employees and contractor personnel, who participated in the turnaround.

More than 2,250 jobs of different nature were successfully completed within 28 days against stipulated time of 30 days. Equipment replacement with improved material and major overhauling of machines and modification jobs were executed, which complimented smooth and efficient plant operations. Majority of the jobs were accomplished by utilising in-house / local resources. A few foreign consultants also participated in the turnaround.

Update on Plant Improvements

In pursuit of continual improvement in all areas, the Company gives due preference to upgradation of its plant facilities. The status of major improvements is as follows:

Ammonia storage tank, having capacity of 5,000 MT, was commissioned in 1998 which needed replacement. Construction of new tank was started in 2017 with completion timeline of two years. Project was successfully completed within approved budget and timeline in August 2019.

Sulphuric acid tank was commissioned in 1998 and completed its useful life of 20 years. Maintenance team fabricated new tank with in-house expertise at minimum cost. Tank was successfully commissioned in Turaround 2019.

Gas Curtailment and Gas Infrastructure Development Cess (GIDC)

Pakistan is an energy starved country and its energy needs would further increase to fulfil its appetite for growth. Pakistan is heavily dependent on natural gas, which constitutes about 35% of primary energy mix. Country's indigenous gas sources are depleting at an average rate of 6% on annual basis, producing 4 BCFD and facing shortfall of 2 BCFD.

The performance of fertilizer sector of the country remained satisfactory with regards to production statistics owing to mixed (Indigenous & LNG) gas supplies during 2019. Imported LNG supplies at subsidized tariff have resolved fertilizer shortage crisis in the country.

Keeping in view, GoP initiatives for allocation of new exploration blocks to enhance domestic gas exploration and other infrastructure development projects like LNG import & TAPI gas pipeline shall ease up gas crisis in near future. Moreover, TAPI project financial close is expected soon which would deliver 1.3 BCFD gas to Pakistan upon completion.

During 2019, gas supplies to FFBL were 19,042 MMSCF, which were slightly less, as against 19,119 MMSCF received from SSGC in 2018. Urea plant remained shutdown for 21 days, during the year due to non-availability of gas. Annual turnaround resulted in downtime of 28 days for Ammonia and Urea plants and 21 days for DAP.

Pakistan has one of the highest gas tariffs in the world for fertilizer production, which is uncharacteristic of an agriculture driven economy with a gas cost of $ 4.6/MMBTU, including GIDC, against a global average of around $ 2.64/MMBTU.

GIDC has put additional financial burden on the manufacturers since January 1, 2012. Due to price intervention by GoP, significant portion of its financial impact could not be passed on to the end consumers. The fertilizer sector is bearing maximum amount of Cess among affected industries, which is Rs 300 per MMBTU on feed gas and Rs 150 per MMBTU on fuel gas.

Marketing Highlights

Domestic Fertilizer Market Situation

First quarter 2019 witnessed balanced to tight supply situation of Urea. However, higher domestic production due to continuous supply of RLNG to two SNGPL network plants coupled with GoP`s import of 100Kt, led to over-supply situation throughout the year. GIDC issue remained unresolved and kept the market confused regarding pricing of the product which further aggravated the problem.

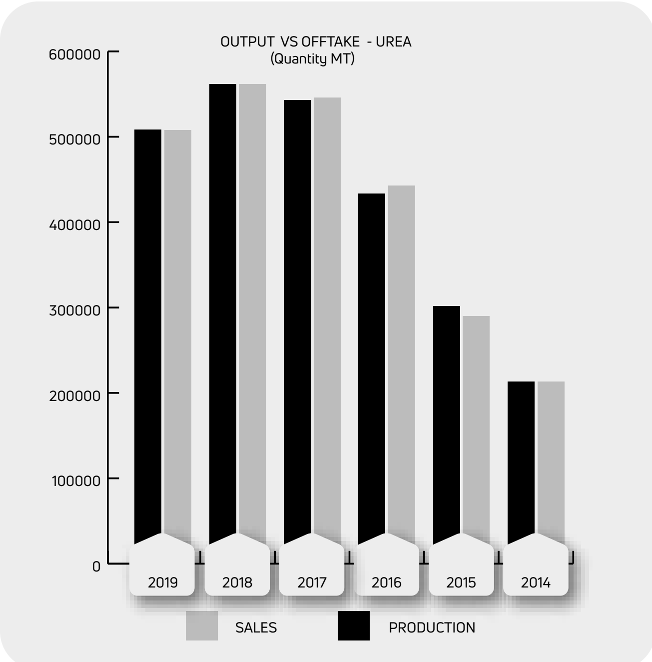
DAP market remained oversupplied throughout the year because of highest ever carry over inventory of 2018 coupled with heavier imports during the year. Climatic factors (heavy erratic rains & heat wave) during crop growth and sowing season impacted the overall growth of crops, i.e. cotton, maize and wheat. Crop target of cotton and maize fell short by around 30 and 25 percent respectively. In some areas, wheat sowing also got delayed. Low yields, quality of crops and price of produce adversely impacted farm economics.

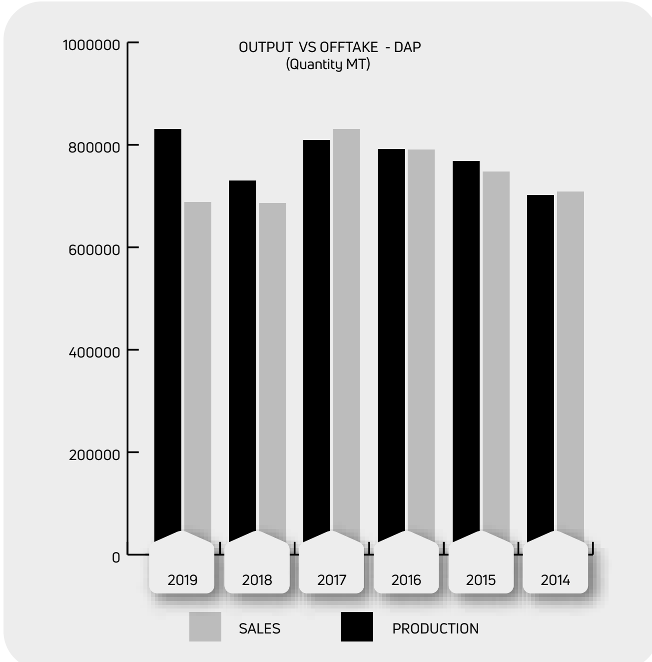
Urea

Year started with 170 Kt opening inventory. Domestic production was 6.2 million tonne whereas imports were 100 Kt, bringing the total availability to 6.4 million tonne. Domestic offtake is estimated to be around 6.2 million tonne, leaving closing inventory of approx. 200 Kt. Domestic urea offtake was 7 percent higher vs last year's figure of 5.8 million tonne. Urea price increase was Rs. 290/bag during the year, primarily on account of hike in feed and fuel gas tariff, inflation and financial cost.

DAP

Huge DAP inventory of 570 Kt was brought forward to 2019. Moreover around 1.2 million tonne was imported, coupled with domestic production of around 831 Kt, making total availability of 2.6 million tonne. Domestic offtake was 2 million tonne during the year, with closing inventory of around 580 Kt, highest ever in the history of fertilizer industry. DAP offtake during 2019 was 10 percent lower compared with 2.2 million tonne for the year 2018.





FFBL Sales Performance

Sales of 508 Kt Sona Urea (G) was recorded in 2019 as against 562Kt sales during previous year, showing a decrease of 10 percent over last year. Sona DAP sale during 2019 was almost at par with last year i.e. 688 Kt compared with 687 Kt sales during 2018. Huge inventory of around 189 Kt of Sona DAP is carried forward to 2020, primarily because of heavy imports throughout the year, which created glut in the market, leading to severe competition.

During 2019, Sona Urea (G) share in urea market was at 8 percent, lower than the market share of 10 percent in 2018. During year 2019, Sona DAP market share is estimated at 34 percent, higher than market share of 31 percent in 2018.

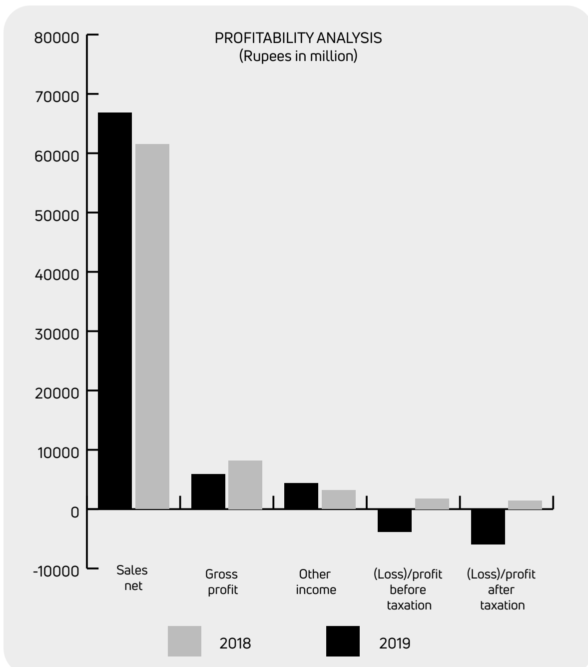
Financial Highlights

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

	2019	2018
	Rs (million)	
Sales – net	66,839	61,511
Gross Profit	5,885	8,183
Other Income	4,370	3,182
(Loss)/Profit before tax	(3,869)	1,809
Net (Loss)/profit after tax	(5,921)	1,437
(Loss)/Earnings per share (Rs)	(6.34)	1.54

Financial Review

The Company earned gross profit of Rs 5,885 million in 2019 as compared to Rs 8,183 million in the corresponding year. End products price could not match increased production cost, primarily due to increase



in cost of phosphoric acid on account of devaluation of Pak Rupee, further increase in feed and fuel gas tariff and continuation of GIDC levy. Inflationary pressures increased price of local raw material reducing gross margins further.

Excessive import of DAP fertilizer further dented Company`s sales, which resulted in carryover of huge inventory of 189 Kt to 2020. Implementation of axle weight regime during the second quarter drastically reduced the consignment weight on trucks, resultantly the freight cost increased by 40 percent approximately.

Delay in realisation of subsidy and sales tax refund from GoP alongwith unsold inventory, carried through the year, led to significant utilization of expensive working capital lines for most part of the year. This resulted in significantly higher finance cost to the Company. Devaluation of Pak Rupee resulted in exchange loss of Rs 635 million for the year.

Impairment loss of Rs 1,100 million and Rs 420 million has also been provided for against Company`s investment in Fauji Meat Ltd (FML) and Fauji Foods Ltd (FFL) respectively, which have been adversely affected by slowdown of the economy. This added further to the overall loss for the year.

Dividend from investments in FPCL, AKBL, PMP, FWE I & II and FCCL alongwith income from treasury operations increased to Rs 4,370 million as against Rs 3,182 million earned last year. Tax charge of Rs 2,052 million include turnover tax of Rs 1,003 million paid by the Company on its sales during the year and Rs 421 million withheld on dividend and treasury operations. The Company suffered net loss of Rs 5,921 million in 2019 against a profit of Rs 1,437 million earned in the corresponding year.

Loss Per Share for 2019 is Rs 6.34 as against Earning Per Share of Rs 1.54 recorded last year.

FFBL Performance at a Glance

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

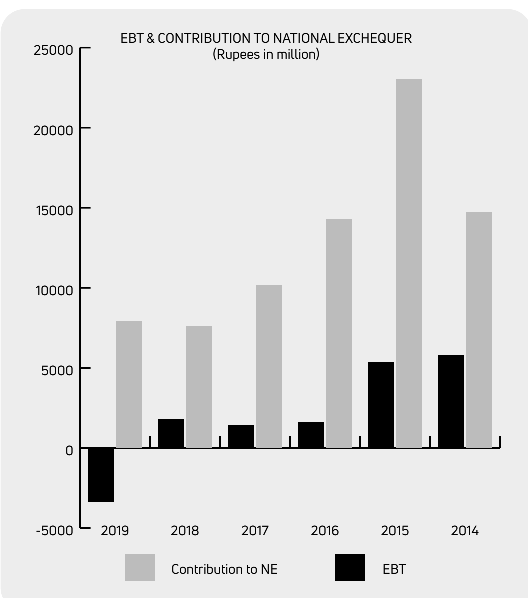
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Annual	
	EPS/(LPS)	DPS	EPS/(LPS)	DPS	EPS/(LPS)	DPS	EPS/(LPS)	DPS	EPS/(LPS)	DPS
2019	(2.00)	-	(0.09)	-	(0.50)	-	(3.75)	-	(6.34)	-
2018	(0.48)	-	(0.58)	-	0.84	-	1.76	1.00	1.54	1.00
2017	(0.14)	-	(0.27)	0.10	0.11	-	1.38	0.75	1.08	0.85
2016	(0.55)	-	(0.41)	-	(0.17)	-	2.56	0.50	1.43	0.50
2015	0.11	-	0.70	0.75	0.20	-	3.34	3.05	4.35	3.80
2014	0.05	-	0.81	1.00	1.04	0.75	2.40	2.25	4.30	4.00

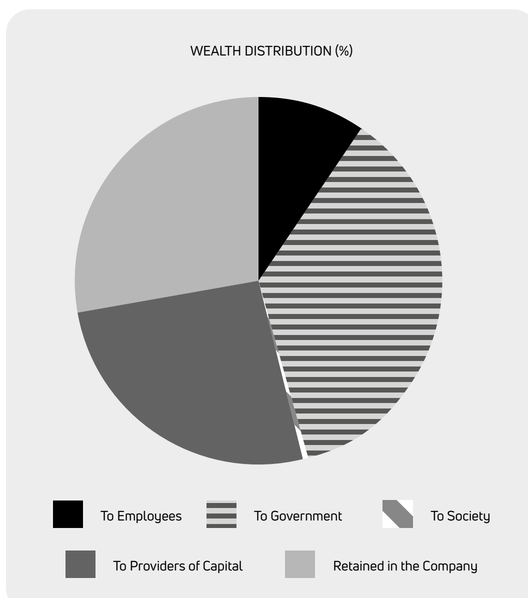
Directors' **Report**

Contribution to National Exchequer and Value Addition

During the year, the Company has contributed an amount of Rs 7,901 million as against Rs 7,589 million in 2018, towards the National Exchequer on account of GoP levies, taxes and import duties etc. Value addition in terms of net foreign exchange savings worked out to US$ 180 million through import substitution by manufacturing 508 Kt of Urea and 831 Kt of DAP during 2019. Contribution to the economy included Rs 934 million in the form of Shareholders' returns through cash dividends, Rs 4,679 million on account of payments to providers of capital in the form of mark-up and interest, while employees' remuneration and benefits stood at Rs 2,516 million.

	2019	**%**	2018	%
	Rs in million		**Rs in million**	
WEALTH GENERATED				
Total revenue inclusive of sales tax, other income and subsidy	73,176	759.43	66,232	493.23
Purchases - material and services	63,540	(659.43)	52,804	(393.23)
	9,636	100.00	13,428	100.00
WEALTH DISTRIBUTION				
To Employees				
Salaries, wages and other benefits	2,030	21.07	2,660	19.81
To Government				
Income tax, sales tax, custom and excise duty	7,901	82.00	7,460	55.56
WPPF + WWF	-	-	129	0.96
To Society				
Donations and welfare activities	14	0.14	19	0.14
To Providers of Capital				
Dividend to shareholders	934	9.69	702	5.23
Finance cost of borrowed funds	4,679	48.56	1,953	14.55
Retained in the Company	(5,922)	(61.46)	505	3.75
	9,636	100.00	13,428	100.00





Liquidity and Cash Flow Management

An effective cash flow management system is in place whereby cash inflows and outflows are projected on a regular basis and repayments of all long and short term loans have been catered for. Working capital requirements are planned to be financed through internal cash generations and short term borrowings from external sources, where necessary.

Capital Management

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

Risk and Opportunity Management

Statement by the Board of Directors

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

Efforts by the Board for Risk Tolerance

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

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

Directors' **Report**

Significant Risks, Sources, Likelihood, Magnitude and Mitigating Factors

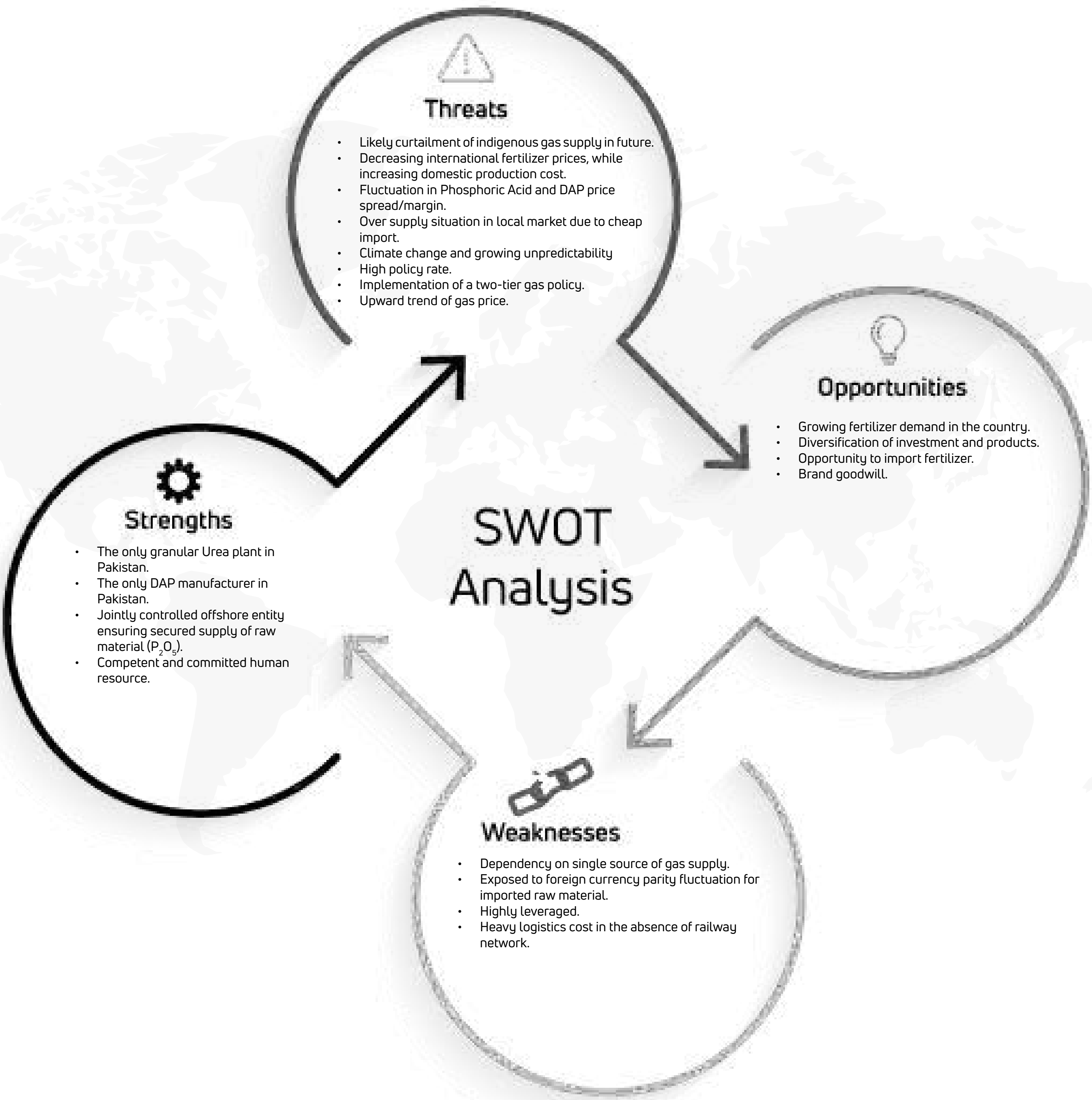
Although risks can never be fully mitigated, it is important that management understand, prioritize and manage the risks that they are willing to accept in the context of the overall corporate strategy.

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

	No.	Risk	Source	Likelihood	Magnitude	Mitigating Factors
Strategic	1	Gas Curtailment	External	Has happened before	Major	FFBL has established FFBL Power Company Limited (coal based) to utilise fuel gas as feed and fulfilling its energy requirement from FPCL. Further, FFBL is always in close coordination with Ministry of Petroleum and SSGCL to minimise fuel and feed gas curtailment.
	2	Supply of Phosphoric Acid	External	Has happened before	Major	FFBL has ensured uninterrupted supply of Phosphoric Acid from PMP, a Joint Venture with OCP Group Morocco
	3	Frequent Technological Advancements	External	Hasn't happened yet, but could	Major	FFBL uses proactive approach in introducing and implementing the latest technology from time to time. Our plants are high-tech with state-of-the-art technology which is continuously upgraded.
Environmental	4	Environmental Risk	External	Hasn't happened yet, but could	Severe	Since inception, management at FFBL is extremely conscious of environmental safety and has never compromised on environment & safety standards in order to endure as an environment friendly organization.
Financial	5	Interest Rate Risk	External	Could happen and has happened before	Major	FFBL manages its working capital requirements by maintaining a mix of Demand Finance, Running Finance Lines and Long Term Loans, which are linked to KIBOR. KIBOR rates fluctuations are closely monitored to minimise upside impact of interest rates.
	6	Liquidity Risk	Internal	Could happen and has happened before	Major	All efforts are made to arrange funds/OD lines to cater for payments. Additional funding lines are negotiated to manage Business Plan shortfalls.
	7	Exchange Risk	External	Likely	Serious	Foreign payments of FFBL stand exposed to currency fluctuations. We remain updated on SBP regulatory options available for hedging of payments and act accordingly.
Market	8	Market Risk	External	Could happen and has happened before	Major	The Company stands exposed to all market risks in the normal course of its business operations including DAP imports. The import price of Phosphoric Acid, the primary raw material for DAP manufacturing, may not move in sync with international price of DAP, and may cost high due to our country specific dynamics. This risk is managed by close monitoring of the market.

Assessment of Effectiveness of Risk Management

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



Risk and Opportunity Report

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

Risks

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

Opportunities

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

Key Risks and Opportunities Effecting Availability, Quality and Affordability of Capital

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

Repayment of Loan

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

Financial Reporting

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

Safeguarding of Financial Transactions and Records

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

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

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

Whistle Blowing Policy

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

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

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

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

Investor Grievances Policy

Investor grievance means the complaints or resentments raised by investors against a listed Company.

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

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

Corporate Governance

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

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

Statement on "How the Board Operates"

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

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

- Audit Committee.
- Human Resource & Remuneration Committee.
- System and Technical Committee.
- Marketing and Sales Committee.
- Project Development Committee.

Best Corporate Practices

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

Date of Authorization of Financial Statements by the Board

Duly audited annual financial statements along with consolidated financial statements were approved by the Board within one month after the closing date and shall be presented to the shareholders in the Annual General Meeting on March 30, 2020, for approval.

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

Code of Conduct

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

Internal Control System

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

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

Auditors

Present auditors, Messrs EY Ford Rhodes, Chartered Accountants, have retired and offered themselves for re-appointment. The Board has recommended their reappointment to the shareholders for the year ending December 31, 2020.

IT Governance and SAP-ERP System

Information Technology Governance Policy

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

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

Regulatory Compliance

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

Following actions assure IT regulatory compliance through international standards:

- Risk Assessment: To determine risk and the impact associated with unauthorized access, disruption, modification, use or destruction of information and information systems. These risks are mitigated in order to support FFBL operations and assets.
- Policies and Procedures: Policies and procedures are implemented in order to make sure that information systems are able to detect, report and respond to IT related incidents and to confirm operational continuity.
- Information Technology and Information Security Awareness Trainings: Employees are trained with regards to the risks associated with their jobs and organizational IT policies and procedures.
- Testing and Evaluations: Effectiveness of policies, procedures, practices and controls are tested every second quarter of the year.

Innovation -The Basis for Future Competitiveness

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

Embracing SAP Operational Excellence at FFBL and Risk Management

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

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

Compliance with International Industry Best Practices

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

Achievements in 2019

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

Following main accomplishments were made in 2019:

Less Paper Initiative

This initiative was launched to reduce the use of paper in FFBL and affiliates. Accordingly following measures were taken:-

a. To enhance the usability of SAP Enterprise Resource Planning (ERP) software, a continuous improvement in project was completed in February 2019. All the improvements were done using in-house resources and Power Users Layer was also revived.

b. Central Printing was implemented at department levels to economize the printing resources.

c. More than 20 applications were developed using in-house resources to provide alternative automated functionality.

Cyber Security in FFBL and Affiliates

a. Internal Assessment of Cyber Security in FFBL and Affiliates
An internal study on "Cyber Security in FFBL and Affiliates" was carried out in May 2019. Current security measures and gaps in existing approach were highlighted. In order to plug in the gaps, multiple policies were formulated/ implemented and additional technical controls were put in place.

b. External Assessment of Cyber Security in FFBL
An external study was also carried out through a leading cyber security expert, M/s Trillium Information Security System, in order to assess the efficacy of security measures. A satisfactory report was compiled by the expert.

Business Continuity Plan (BCP)

In order to improve resilience against unforeseen disruptive events a comprehensive Business Continuity Plan has been developed which will result in overall risk reduction and proactively minimize potential losses by reducing time and efforts when recovering impacted ICT operations. The BCP applies to Plant Site Bin Qasim, Karachi and Head Office, Islamabad.

Business Systems

The SAP Continuous Improvement Program (CIP) has been completed, providing significant benefits with regard to overall SAP utilization, new & enriched reporting, enhancement of functionalities in multiple business

processes, leading to improvement, in particular to Supply Chain Management, Finance and Human Capital Management Modules.

Business requirements are continuously gathered in order to facilitate employees in daily business operations. As a result, more than 20 new workflow enabled applications have been developed in-house for various business functions, including solutions for Time Attendance, Warehouse Management, Workshop and Human Capital Management.

The deployment & roll out of SAP Fiori Applications to subsidiary companies continues in order to enable mobility for employees with a modern user experience.

As a pilot project of FFBL, the cloud based HCM solution SAP Success Factors has been implemented for one subsidiary company. In the first phase the module Goals & Performance Management have been deployed. The system aims to align employee goals to overall business targets, conduct accurate and bias-free employee evaluations, recognize top talent and continuously improve workforce performance. Succes Factors has been technically integrated with SAP ERP HCM Module by using SAP Cloud Platform Integration Solution.

Assessment of ICT Governance

A study was conducted to assess the maturity of ICT Governance and services in FFBL. The study was conducted by IT Expert Mr. Azhar Zia-ur-Rehman. Major outcomes included Corporate Data Classification in order to determine the relative sensitivity and criticality of information assets providing the basis for usage of various access control measures as per ISO-27001 standard. Moreover, the Information Security Function as per ISO-27001 standard has been established. Its mission is to design, implement and maintain an information security program that protects the companies systems, services and data against unauthorized use, disclosure, modification, damage and loss. The security function processes ISO 27001 standard into work ethics and assures compliance with risk management, identity management, network security, infrastructure security and software design security.

Enhanced Service Level

Infrastructure and Support Services have been significantly improved through Internet bandwidth enhancement and cost optimization, implementation of secured, cost-effective Centrally Managed Print Services, Server Virtualization & Consolidation, Network Revamp and Data Center bandwidth upgrade. Further Plant site infrastructure accessibility has been improved by expanding Wireless Network and implementation of Surveillance System at product shipment area to allow monitoring of wastages and safety of employees.

Revamping of Corporate Websites of FFBL and FFL

Website which was made live in February 2016, had issues like slow performance, outdated and unsupported themes and plugins, inconsistent and scattered arrangement of information, raster images used for logos, obsolete data etc.

Successful revamping of these websites resulted in faster performance, better graphic processing with vector graphics for logos, optimized images and webpage styling, separate pages for respective departments, less prone to security risks and increased content manageability.

Corporate Social Responsibility

FFBL duly realizes its responsibility in empowering underprivileged communities, employee welfare, safe industrial operations and alignment of Company policies and practices with globally recognized principles. We are committed to conducting our business with a genuine concern for the world around us, in particular where our business has a potential direct impact. FFBL remains committed to an environmental policy of collaborating fully with regulatory authorities and local communities to minimize the effects of its activities on the surrounding areas associated with its operations.

Sustainable and responsible development has remained our primary concern since inception. FFBL has distinguished itself as a good neighbour. We have worked hard to be a good employer, a catalyst for the social and economic development of the communities in which we operate, while concerted efforts to minimize environmental impact remains a top priority.

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

Philanthropic Donations

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

FFBL has regularly donated for the promotion of education, sports, basic health facilities for the under privileged and for national cause/ welfare activities. CSR remains an ever evolving and continuous process at the heart of FFBL management,

striving to accommodate the local needs on priority basis, involving the community and local government.

We are aware of participative relationship that we share with society, persistently investing in the interventions related to education, health, sports and sponsorships. Contributions amounting to Rs 14 million were made during the year including the following:

- Youm-e-Shuhada.
- Ghulam Ishaq Khan University of Engineering.
- National University of Science and Technology.
- Pakistan Taekwondo Federation.
- Al-Mujtaba Education Trust.
- Habib University.
- Noor Thalassemia Foundation.
- Al-Mustafa University.
- Tarraqi-o-Kamal Foundation.
- Foundation for Progress.
- Amirunnisa – Rashida Khanum Charitable Medical Foundation.
- Aspire Public School.
- Karakoram International University.
- Foundation University

Energy Management and Conservation

An energy management system provides a framework for industrial facilities to manage on-going energy use as well as identify opportunities to adopt energy-saving technologies. In addition, the outcome of a successful Energy Management System is not just a reduction in energy use and cost, but also a multitude of other non-energy efficiency benefits – such as productivity, quality and resource management.

As a company in an energy intensive business, FFBL considers that reducing energy intensity of its product is in best interest of the Company and a corporate social responsibility. In pursuit of its interests and corporate social responsibility of preserving energy, FFBL has taken several steps towards Energy Conservation and Energy efficiency improvement. These include ammonia plant BMR, DAP Revamp, commissioning of Hydrogen Recovery and Reverse Osmosis unit.

FFBL formed an energy management group in 2016 and formulated the Company Energy Management Policy. The energy management group monitors, reports the organization's energy consumption and identifies areas for improvement.

To stay cost competitive in the local fertilizer business, FFBL is in the process of developing a comprehensive roadmap to achieve excellence in Energy Management & Conservation. The Management of FFBL is cognizant of prominence for Energy Management initiatives and thus committed to go alongside. All initiatives have been broken into three categories viz. short, medium and long-terms. After completion of short term projects, a few of medium term projects have made tangible progress and are likely to yield good results in 2020.

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

FFBL Energy Management Policy

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

"Fauji Fertilizer Bin Qasim Limited is committed to improve its energy performance and optimize energy cost by implementing best practices for energy management within all facilities including its subsidiaries."

Environmental Protection Measures

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

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

Few salient highlights regarding environment protection measures are as follows:

- To strengthen the competency of FFBL Laboratory, we are planning for ISO 17025 accreditation of LAB Unit.
- Effective in-house monitoring and control of gaseous emissions and liquid effluents.
- Use of environment friendly oxo-biodegradable polyethylene liner for packaging of DAP and Urea products.
- Third party analysis of gaseous emissions and liquid effluents by SEPA approved Lab.
- Periodic collection and analysis of sub soil sample of water from and around evaporation pond to ascertain the percolation effect of metals on ground water.
- Support to neighbouring industries for monitoring of gaseous emissions.
- Installation of Reverse Osmosis (RO) plant for water conservation and reduction in use of hazardous chemicals (Sulphuric Acid & Caustic Soda) for Demin water production.
- Use of cooling water blow down for horticulture and as makeup water in FPCL Cooling Tower.
- Sampling and analysis of exhaust from vehicles at Head Office & Plant site, including cars, buses and heavy plant machinery like cranes & fork lifters.
- Analysis of exhaust from Diesel Generators at Head Office & Plant Site.
- Acquisition of license for use and storage of hazardous chemicals and substances under Sindh Hazardous Substance Rule 2014.
- Reporting of results of gaseous emissions and liquid effluents to Sindh Environmental Protection Agency (SEPA) on "Self-Monitoring and Reporting Tool" (SMART) program under the guidelines of Federal Environmental Protection Agency (EPA).
- Focus on plantation of trees inside and outside the plant premises.

Occupational Health and Safety

The safety of employees, maintenance / sustainability of pollution free environment in and around plants and to contribute in country's economy by excelling in all local and international standards of Quality, Health, Safety and Environment are the cornerstones of FFBL's operating strategy. The Company has maintained a proud record of human safety, health and environmental standards. We are committed to maintain an incident free environment by giving safety the highest priority.

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

Plant completed 19.4 million safe man-hours and 134 months of safe operations on December 31, 2019 since last "Loss Time Injury" in February 2009. FFBL is also a member of National Safety Council, USA since 2001.

DuPont STOP™ Training

FFBL has successfully implemented DuPont Behaviour Based Safety Training and Observation Program (STOP) which resulted in positive reinforcement of Employee`s behaviour. DuPont STOP® program also helped in improving our safety culture and HSE excellence.

Reverse Osmosis Unit with Ultra Filtration System

To minimize liquid effluents from plant, M/s Hydrotech Italy designed Reverse Osmosis Unit (ROU) with Ultra Filtration System for FFBL. The ROU was successfully commissioned in 2015 for reduction in cooling tower blow down and demineralization trains regeneration effluent. This has resulted in reduction of blow down by 40 m3/hr.

Oxo-biodegradable Polyethylene Liner

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

HAZOP and LOPA Training

The HAZOP methodology is a well-established technique used throughout industry for hazard identification and risk assessment. Whereas, Layers of Protection Analysis (LOPA) methodology is designed to understand Safety Integrity Level (SIL) assessment requirements, understanding concepts of independent protection layers, probability of failures & cause likelihood. This combines both qualitative and quantitative elements of hazard evaluation and risk assessment to analyze and judge the adequacy of existing or proposed safeguards against process deviations and accident scenarios.

Considering above, "HAZOP and LOPA Leadership Course" was organized for FFBL employees at the Plant site during 2019. Aim of the course was to improve HAZOP effectiveness and eliminating HAZOP defects and to enable the participants to become an effective HAZOP practitioner and ensuring adequacy of safeguards through LOPA.

Incident Investigation Root Cause Analysis (RCA) Training

It aims at providing competence in the application of modern accident/ incident investigation tools to assist organizations to learn and prevent the recurrence of accidents. Moreover, the objective is to evaluate the extent & basic cause of defects, which contribute to the event. A good analytical accident investigation is extremely important to achieve continuous improvement in an organization's HSE performance.

Considering the foregoing, "Incident Investigation Root Cause Analysis Course" was organized for FFBL employees at Plant site during 2019. It is aimed at becoming familiar with modern techniques of Root Cause Analysis, leading incident investigations, making recommendations to avoid reoccurrence, reviewing and approving incident reports.

Shareholders' Information

To update shareholders about the operations, growth and state of affairs of the Company, the management promptly disseminates all material information including announcement of interim and final results to Pakistan Stock Exchange (PSX). Quarterly, half yearly and annual financial statements are accordingly circulated within stipulated timeframe to all concerned. Similarly, notices and announcements of dividend are transmitted to all stakeholders and regulators within the time, laid down in the Code of Corporate Governance Regulations 2019, Companies Act 2017 and listing regulations of PSX. The same are also uploaded immediately on Company's website (www.ffbl.com).

Shares Market Information

Company shares are quoted on PSX. A total of 369.197 million Company shares were traded at Stock Exchange during the year and the free float stood at 31.44%. The market capitalization of the Company stock was recorded at Rs 18.23 billion at the close of 2019. FFBL shares were subject to a wide range of trading from a high of Rs 44.20 per share to a low of Rs 14.35 per share, closing the year at Rs 19.52 per share.

There were 15,161 shareholders of the Company's equity at the close of 2019. About 82.32% of total shares outstanding were closely held by the sponsors, investment companies, financial institutions and other corporate bodies. About 1.18 % shares were held by foreign shareholders. Company executives also hold 124,303 shares.

Directors' Report

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

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

Development on GIDC Issue with Government

Shareholders were informed that the matter is under discussion with Government by the fertilizer industry who have proposed write off of 50% rate in future and some retrospective adjustments in payable amount as well. The matter has already been discussed in the cabinet and they have directed Ministry of Law to formulate the draft law. Fauji Group may opt for the option based on the outcome from Ministry of Law. The Company accrued total amount of Rs. 34 billion against GIDC since inception, out of which Rs 18 billion has been paid as at Dec 31, 2018.

Exchange Loss on DAP Raw Material

Management apprised that raw material for DAP business is being imported in foreign currency, however, by and large in long term, it has minimal impact, as historically prices of imported DAP get adjusted at the same level.

Future Sales and Price of DAP

Shareholders were informed that price of DAP is linked to international price of phosphoric acid and imported DAP. Sales depend on farm economics. Despite Pak Rupee devaluation, expected decline in DAP price in international market is likely to keep prices in affordable range during the year.

Development on Acquisition of Fauji Foods Limited by Chinese Company

CE&MD also informed that Fauji Group is engaged with M/s Yili Group on the acquisition of Fauji Foods Limited which requires detail discussion / due diligence before final decision is taken by both parties

Steps to Encourage the Shareholders to Attend the General Meetings

Notices of Annual General Meetings (AGM) and any Extra Ordinary General Meetings (EoGM) are sent to all Shareholders of the Company well in advance i.e. more than 21 days before general meetings. Notices of these meetings are also published in two leading Newspapers in English as well as in Urdu.

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

Corporate Briefing

FFBL has conducted a Corporate Briefing Session (CBS) for shareholders and analysts at its Head Office in Islamabad on November 4, 2019 to discuss it's Third Quarter 2019 results.

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

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

Awards and Recognitions

Health, Safety & Environment Performance Award 2019

FFBL has been awarded the "Health, Safety & Environment Performance Award 2019", in recognition of Company`s commitment and implementation level achieved towards HSE. This is the 2nd consecutive award won by FFBL in this category.

The Award & the Certificate were awarded during the "5th International Environment, Health & Safety Conference", organized by The Professional Network, supported by United Nations Environment Programme (UNEP), at Marriott Hotel, Karachi on 25 April 2019.

IFA Protect and Sustain Product Stewardship Certification

In pursuit of attaining the highest standards in quality, FFBL has obtained the certification with laurels on "IFA

Protect and Sustain Product Stewardship Program". FFBL was graded excellent by International Fertilizer Association appointed certification body in 2017. The certification is valid till January 2020.

ISO Certifications:

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

WWF Green Office Program - Green Office Diploma

Fauji Fertilizer Bin Qasim Limited, Plant site, has been awarded WWF Diploma for compliance with "Green Office Program" in recognition of implementing Environment Management System. The Diploma was awarded on 7 November 2019, after a detailed audit of FFBL Plantsite by WWF Pakistan team.

Human Capital Development Policy

Organization Review

An extensive exercise has been conducted this year to review FFBL's structure in terms of manpower, keeping in view the business challenges, manpower cost and best market practices.

Performance Management

PMS has been revamped to align goals and objectives at all levels. KPI's developed were fully aligned with the Company's mission & vision and monitored throughout the year to help FFBL attain its strategic objectives.

Competency Evaluation

To evaluate and develop future leaders from the existing pool of employees and to improve quality of lateral hiring, third party behavioral and leadership evaluation system has been utilized to get independent assessment in addition to existing evaluation system for such competencies.

Technology Optimization

Measures have been taken to make FFBL paper free in line with the austerity drive. Systems and procedures have been automated and digitized to increase efficiency and reduce Turnaround Time of processes.

Employees Retirement Benefits

Value of investments of Provident and Gratuity Fund as on December 31, 2019 (un-audited) is as under:-

	2019	2018
	Rs (millions)	
Provident Fund	1,200	1,491
Employees Gratuity Fund	617	734

Stakeholders' Engagement

FFBL stakeholders include the investment community, employees, contractors, national/regional/local governments, regulators, communities associated with our operations, business and jointly controlled entities, non-governmental and development organizations, suppliers, customers and media. Engagement takes

many forms. At the corporate level, our stakeholder's engagement is focused on shareholders, capital market participants, government (usually at the national level) and civil society (principally national and international NGOs).

Long Term Value

Pakistan Maroc Phosphore, SA (PMP)

PMP produced 422 Kt of P_2O_5 during the year and sold 404 Kt as against production of 339 Kt and sale of 361 Kt respectively in the corresponding period.

First nine months of 2019 financial statements, drawn in accordance with Moroccan Standards of Financial Reporting, closed with a net profit of Moroccan Dirhams (MAD) 227 million (US$ 23.60 million) against MAD 177 million (US$ 18.97 million) for the same period of 2018. At the end of September 2019, accumulated profit was MAD 247 million (US$ 25.36 million).

Production increased during the year due to better plant operations. This resulted in higher sales volume and increased profit in 2019 as compared to previous year. Reduction in fixed cost also contributed to profit.

An Interim Dividend for 2018 of MAD 80 million (US$ 8.4 million) was approved in Extra Ordinary General Meeting held on December 03, 2018 which was paid to the shareholders in the first week of January 2019. Final dividend of 180 million MAD (US$ 18.81 million) for the Year 2018 was approved in Ordinary General Meeting held on June 25, 2019, which was paid to the shareholders on August 01, 2019.

Wind Power Projects

The Company invested Rs 2,461 million in two Wind Power Plants, Foundation Wind Energy- I Limited (FWE-I) and Foundation Wind Energy- II Limited (FWE-II) of 49.5 MW each. Total project cost of FWE-I was US$ 125 million

and for FWE-II US$ 124 million. The projects have a debt to equity ratio of 75:25. FFBL holds 35 percent shares in each project.

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

FFBL's consolidated other income includes share of profit of Rs 563 million from FWE-I and Rs 566 million from FWE-II. A dividend of Rs. 52 million and Rs. 123 million from FWE-I and FWE-II respectively were received during the year. Both projects promise good returns in years to come.

Askari Bank Limited

As part of its investment diversification strategy, FFBL invested in Askari Bank Limited (AKBL) in 2013 and acquired 21.57 percent holding. AKBL has been delivering strong financial performance. This could be witnessed from the cash dividends that AKBL has declared ever since.

Pakistan Credit Rating Agency Limited (PACRA) has assigned 'AA+' long term entity rating to the Bank which is driven by strong sponsors, continuous improvement in cost of funds and assets quality supplemented by comfortable liquidity position. The short term rating is also maintained at 'A1+'. Askari Bank's branch footprint comprises 535 branches, including 91 Islamic Banking Branches, 50 sub-branches, a Wholesale Banking Branch in Bahrain and a representative office in Beijing, China.

Looking ahead, AKBL plans to focus on building a low cost deposit base, investing in efficient risk weighted asset, optimally managing the loan book with prudent risk management given the risk of credit headwinds due to significant rise in interest rates. It is Bank's priority to invest in technology to build its digital capabilities to re-define customer experience and to improve digital penetration in its product and service offerings for its existing and prospective customers.

FFBL Power Company Limited

FFBL Power Company Limited (FPCL) was incorporated to overcome the country`s energy crisis by installing coal power plant with gross power generation capacity of 118 MW within FFBL fertilizer complex as a substitute of natural gas fuel based system.

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

During the year ended December 31, 2019 FPCL delivered electricity of 151,172 MWh (2018: 151,537 MWh) to FFBL and 426,385 MWh (2018: 408,901 MWh) to K-Electric Ltd. FPCL has also delivered 1,532,131 Metric Tons (2018: 1,453,282 MT) of Steam to FFBL.

Fauji Meat Limited

Fauji Meat Limited (FML), built with the aim and capacity to provide 100 percent certified halal meat, was incorporated in 2013 as a subsidiary of the Company. FFBL holds 90.18 percent shares of FML while 9.82 percent shares are held by Fauji Foundation.

It owns the largest and most technologically advanced meat processing plant in South East Asia, which is located near Port Qasim, Karachi with daily production capacity of 100 tons of meat (85 tons beef and 15 tons mutton), in both frozen and chilled category, adhering to international standards. FML has built an export ecosystem, which span over 22 countries and is catering to domestic demand under the brand name Zabeeha having opened 16 retail outlets in Karachi, Lahore and Islamabad. FML is committed to deliver the distinctly flavorsome halal meat of Pakistan to the world. FML is a certified facility for ISO 9001:2015, HACCP, Halal PS 3733:2013, JAKIM Halal, Malaysia and FSMS-22000.

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

Fauji Foods Limited (FFL)

Fauji Foods Limited, a majority owned company of FFBL (50.59 percent shareholding) and Fauji Foundation (12.75 percent shareholding) is engaged in the processing, marketing and sale of brands in the Dairy, Tea Creaming and Fruit Drink segments. The Company's brand 'Nurpur' is one of the oldest and highly recognized brand in Pakistan.

FFL's flagship brand, The House of Nurpur's product portfolio comprises of some of the most well-known dairy products in Pakistan, including the iconic Nurpur Butter. The year under review remains a mix bag of events for Dairy Industry that had an impact on FFL operational and financial performance.

The operational results of FFL grew on improved milk processing, efficient capacity utilization, enhanced product distribution and brand presence. The addition of a detailed product portfolio in cheese category and its sale through International Chain Accounts, FFL continued to deliver its promise to the consumers by providing quality dairy products, while complimenting sales growth.

FFBL - Going Forward

The Company looks forward to better financial and operational results for 2020. The Board, the management and employees of the Company are prepared and steadfast to face challenges ahead and put in their best effort to lift the Company to safer shores and prosper going forward. Much of it will largely depend upon timely availability of feed gas, power and steam, local and global price trends of Urea and DAP, ability of the Company to transfer additional cost to end user, dividends from investments and subsidiaries, cash calls from subsidiaries and related interest cost, and above all fiscal and monetary policies of GoP.

FFBL also expects a favourable decision of long outstanding issue of GIDC and its application retrospectively. The Company hopes permanent redressal of the issue in coming days.

Board's Evaluation and Involvement of External Consultant

Pursuant to Code of Corporate Governance Regulations, 2019, the Board recognizes that it continually needs to monitor and improve its performance. This is achieved through the annual performance evaluation and ongoing Board development activities. For Annual Evaluation 2019, HR&R Committee of Board has hired services of Pakistan Institute of Corporate Governance (PICG) which has prepared comprehensive questionnaire for the evaluation of Board, its Committees and individual directors. Overall conclusion of this year's review as analyzed by PICG based on available feedback has been found satisfactory.

Strength and weaknesses of evaluation will be shared with the Board for further improvements / effective operations.

Role of Chairman

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

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

CE&MD's Performance Review

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

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

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

Role of CE&MD

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

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

Board of Directors

The Board exercises the powers conferred to it by the Code of Corporate Governance Regulations 2019, the Companies Act 2017 and the Memorandum and Articles of Association of the Company, through Board Meetings, which are held in every quarter for reviewing and approving the Company's financial statements, coupled with review and adoption of Business Plan.

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

	Attendance	Remarks
Lt Gen Syed Tariq Nadeem Gilani (Retd)	6	
Lt Gen Javed Iqbal (Retd)	6	
Lt Gen Tariq Khan (Retd)	5	
Mr Rehan Laiq	6	
Dr Nadeem Inayat	6	
Maj Gen Wasim Sadiq (Retd)	1	Retired on 27 Feb 2019
Brig Raashid Wali Janjua (Retd)	1	Joined on 11 Mar 2019 and Retired on 1 May 2019
Syed Iqtidar Saeed	4	Joined on 1 May 2019
Maj Gen Kaleem Saber Taseer (Retd)	3	Retired on 25 August 2019
Maj Gen Tahir Ashraf Khan (Retd)	6	
Brig Hamad Qadir (Retd)	6	
Mr Naved A. Khan	3	Retired on 25 Aug 2019
Mr Nasier A. Sheikh	3	Retired on 25 Aug 2019
Dr Rashid Bajwa	2	Retired on 25 Aug 2019
Syed Khalid Siraj Subhani	3	Joined on 26 Aug 2019
Ms Naz Khan	3	Joined on 26 Aug 2019
Mr Moeez ur Rehman	3	Joined on 26 Aug 2019
Ms Pouruchisty Sidhwa	3	Joined on 26 Aug 2019

Board Committees

Audit Committee

Terms of Reference

The Committee comprises of four members, including its Chairman, all of whom are non-executive directors, while two are independent directors. As per revised Code of Corporate Governance Regulations 2019, Chairman of the Audit Committee should be an independent director. The Company already complied with the above new requirement as Mr Moeez ur Rehman, the Chairman of the Audit Committee, is an independent director.

The Committee meets at least once every quarter of the financial year. It reviews Company's interim and annual financial results, business plans and internal audit reports, prior to the approval by Board of Directors. It also recommends to the Board the appointment of external auditors and advises on the establishment and maintenance of the framework of internal control and appropriate ethical standards for the management of the Company. Terms of reference of the Audit Committee are in accordance with the Code of Corporate Governance Regulation 2019.

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

	Attendance
Mr Nasier A. Sheikh	2
Mr Rehan Laiq	5
Dr Nadeem Inayat	5
Maj Gen Kaleem Saber Taseer (Retd)	1
Mr Naved A. Khan	2
Mr Moeez ur Rehman (Chairman)	2
Ms Naz Khan	2

System and Technical Committee

Terms of Reference

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

During the year, five meetings of the System and Technical Committee were held. Attendance by the members was as follows:-

	Attendance
Maj Gen Kaleem Sabir Taseer (Retd)	3
Dr Rashid Bajwa	2
Mr Nasier A. Sheikh	1
Brig Hamad Qadir (Retd)	4
Brig Raashid Wali Janjua (Retd)	1
Syed Iqtidar Saeed (Chairman)	3
Syed Khalid Siraj Subhani	2
Dr Nadeem Inayat	0

Human Resource and Remuneration Committee

Terms of Reference

Human Resource and Remuneration (HR&R) Committee comprises of four members including its Chairman. All members are non-executive directors, while two are independent directors. It reviews all HR related matters of the Company.

Terms of reference of the Human Resource and Remuneration Committee are in accordance with the Code of Corporate Governance Regulation 2019.

During the year, four meetings of the Committee were held. Attendance by the members was as follows:-

	Attendance
Maj Gen Tahir Ashraf Khan (Retd)	4
Mr Naved A. Khan	2
Dr Rashid Bajwa	2
Brig Hamad Qadir (Retd)	4
Ms Pouruchisty Sidhwa (Chairperson)	2
Syed Khalid Siraj Subhani	2

Marketing and Sales Committee

Terms of Reference

The Board has constituted Marketing and Sales Committee to review the marketing and sales affairs of FFBL's products and make recommendations to the Board. The committee consists of three non-executive Directors including Chairman of the meeting.

During the year three meetings of the committee were held. Attendance by the members was as follows:-

	Attendance
Dr Nadeem Inayat (Chairman)	3
Mr Rehan Laiq	3
Brig Raashid Wali Janjua (Retd)	1
Syed Iqtidar Saeed	2

Audit Committee Plus

Terms of Reference

During the year, Board also constituted a committee, "Audit Committee Plus" to make recommendations on financial strategy of the Company. The committee comprises five members which consist of two independent directors and three non-executive directors.

Two meetings of the committee were held during the year as per following details:-

	Attendance
Lt Gen Tariq Khan (Retd) (Chairman)	1
Mr Moeez ur Rehman	2
Dr Nadeem Inayat	2
Mr Rehan Laiq	2
Ms Naz Khan	2

Training of the Board

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

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

- Company Secretary.
- Head Human Capital Management.
- Head Supply Chain Management.

- SO to CE&MD.
- Manager (Corporate Affairs).

Orientation Session for Directors

FFBL conducted an orientation session for its new directors in October 2019 to equip them with the affairs of FFBL for and on behalf of shareholders.

Directors' Remuneration Policy

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

Directors' Statement

Directors are pleased to state that:

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

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

FFBL Power Company Limited

The principal activity of FPCL is to operate a coal based power generation facility at Port Qasim Karachi with a net capacity of 103 MW (Gross Capacity of 118 MW). The total cost of the project is around US$ 291 million with debt to equity ratio of 72:28. FPCL commenced its commercial operations (COD) on 19 May 2017.

Financial Results

During the year ended December 31, 2019, FPCL has recorded revenue amounting to Rs 17,100 million against Cost of Sales of Rs 10,142 million. Profit after Taxation amounting to Rs 3,891 million as compared to Profit of Rs 3,055 million earned during the last financial year, resulted in Earnings per share (EPS) of Rs 4.53.

During the year, FPCL has declared and paid dividend of Rs 2.50 per share amounting to Rs 2.147 billion.

Current assets mainly comprise of Stock-in-Trade amounting to Rs 896 million, trade debt amounting to Rs 2,155 million, including receivables from FFBL (Rs 875 million), K–Electric (Rs 1,240 million) and Short Term Investments which comprise of TDRs of Rs 410 million.

Current Liabilities mainly comprise of, payable to coal supplier amounting to Rs 565 million, Worker's Profit Participation Fund (WPPF) payable amounting to Rs 19.4 million and Rs 1,860 million being the current portion of Long Term Finance Facilities.

Total eleven principal repayments under the Long Term Finance Facilities amounting to Rs 4,425 million have been paid up to December 31, 2019. Outstanding Long Term Finance Facilities as at December 31, 2019 are amounting to Rs 15,399 million.

Directors' **Report**

Operational Results

During the year ended December 31, 2019 FPCL delivered Electricity of 151,172 MWh (2018: 151,537 MWh) to FFBL and 426,385 MWh (2018: 408,901 MWh) to K-Electric Ltd. FPCL has also delivered 1,532,131 Metric Tons (2018: 1,453,282 MT) of Steam to FFBL.

Principle Risks and Uncertainties Facing FPCL

Following are the principle risks and uncertainties facing FPCL:

Merit Order Risk

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

At present, FPCL is high in Merit Order list of K-Electric network and accordingly there is no immediate or short-term risk.

Uncertainty over Fuel Supply

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

FPCL has placed sufficient controls to mitigate the aforesaid risks.

Board of Directors

The Board exercises the power conferred to it by the Code of Corporate Governance Regulations 2019, the Companies Act, 2017 and the Memorandum and Articles of Association of the Company, through Board meetings, which are held in every Quarter for reviewing and approving the adoption of Company's Financial Statements and business plans.

Following is the list of the Directors of the Company who served on the Board during the financial year 2019:

- Lt Gen Syed Tariq Nadeem Gilani (Retd), (Chairman)
- Lt Gen Javed Iqbal (Retd)
- Lt Gen Tariq Khan (Retd)
- Maj Gen Tahir Ashraf Khan (Retd)
- Maj Gen Kaleem Saber Taseer (Retd) (Resigned on 19 Sep 2019)
- Dr Nadeem Inayat (Resigned on 9 May 2019)
- Brig Asif Ali (Retd) (Appointed on 10 May 2019)
- Brig Hamad Qadir (Retd) (Appointed on 20 Sep 2019)
- Brig Raashid Wali Janjua (Retd) (Resigned on 30 April 2019)
- Mr Rehan Laiq
- Col Dr Muhammad Rashid Husasin (Retd) (Appointed on 20 Sep 2019)
- Syed Iqtidar Saeed (Resigned on 19 Sep 2019)
- Mr Anwar Mahmood Shahid (Resigned on 31 March 2019)
- Syed Aamir Ahsan (Resigned on 13 Jan 2020)

Fauji Meat Limited

Fauji Meat Limited (FML) was incorporated as a public limited company on Sep 5, 2013 with FFBL and Fauji Foundation owning 90.18 percent and 9.82 percent of the total shares, respectively. COD was achieved on April 2, 2016.

Production & Sales Highlights

During the year ended December 31, 2019, FML achieved production of meat of 3,764 Tons from its Plant. The Company exported 2,787 Tons of meat to foreign countries mainly UAE 1,705 Tons, Malaysia 583 Tons, KSA 271 Tons, Vietnam 141 Tons, Qatar 83 Tons and Oman 7 Tons.

Last year, FML launched its local brand under the name of Zabeeha in the domestic market. Within a year, 16 retail outlets have been opened in the cities of Karachi (9 outlets), Rawalpindi (2 outlets) and Lahore (5 outlets) in order to gain the advantage of better margins. The outlets have cumulatively achieved sales of 502 Tons during the year as against 147 Tons from 7 outlets during 2018. The sales of all the outlets are on increasing trend.

During the 3rd quarter FML successfully carried out Qurbani Project on the occasion of Eid-ul-Azha resulting in sales of 82 Tons of beef and 15 Tons of mutton.

Financial Highlights

During the year ended on December 31, 2019, the Company recorded sales revenue of Rs 2,264 million

(2018 : Rs 1,120 million). FML suffered gross loss of Rs 468 million (2018 : Rs 355 million) and net loss after tax of Rs 1,892 million (LPS : Rs 2.48) for the year ended December 31, 2019 (2018 : Rs 1,318 million, LPS : Rs 2.93). Main reasons for the loss include increase in mark-up cost due to increase in mark-up rate on borrowings and provision against trade debts.

Outlook

FML aims to expand domestic market through franchise/ own outlets. FML has set its goal to deliver quality products in untapped target markets of Asia, Central Asian States, Russian States and China, in addition to the existing market.

The Company is hopeful that 2020 will be a much better year than 2019 in terms of production volumes, in which we will not only improve our efficiency but also achieve results in higher fixed cost absorption.

Principle Risks and Uncertainties Facing FML

Following are the major risks and uncertainties faced by FML:

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

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

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

Board of Directors

Following are the Directors of FML who served on the Board during the financial year 2019:

• Lt Gen Syed Tariq Nadeem Gilani (Retd) (Chairman)	
• Lt Gen Javed Iqbal (Retd)	
• Lt Gen Tariq Khan (Retd)	
• Dr Nadeem Inayat	
• Maj Gen Tahir Ashraf Khan (Retd)	
• Maj Gen Wasim Sadiq (Retd)	Appointed on 20 Aug 2019
• Mr Muhammad Amir Khan	Appointed on 1 Oct 2019
• Sheikh Adil Hussain	Appointed on 20 Aug 2019
• Maj Gen Kaleem Saber Taseer (Retd)	Resigned on 4 Apr 2019
• Mr Rehan Laiq	Resigned on 1 Oct 2019
• Syed Aamir Ahsan	Resigned on 21 Nov 2019
• Brig Shahid Afzal (Retd)	Resigned on 4 Apr 2019

Directors' Report

Fauji Foods Limited (FFL)

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

Operations During the Year

The year under review did not bring any respite to the dairy industry problems and its growth remained in check, mainly because of the following regulatory measures taken by the Government of Pakistan to redress the macroeconomic challenges:

- Increase in policy rate from single to double digit to check inflation.
- Unprecedented currency devaluation to make export attractive.
- Restriction or tightening of import regulations and payments, to reduce current account deficit.
- Documentation of economy at retail level to improve revenue collection.

Further, following Dairy sector specific revenue generating measures taken by the Government, made the dairy product more expensive:

- Imposition of reduced rate of 10 percent sales tax on Tea Whitener.
- Imposition of 5 percent additional Custom Duty on Skimmed Milk powder import.

All such measures were targeted to help stabilize the economy, instead, they contributed in cost push inflation in the country, diluting the purchasing power of consumer and further escalating the input costs of the business as a whole.

Internationally, the prices of imported skimmed milk touched new highs during the last quarter thus adding to the industry input costs. The impact was also seen on the local milk prices where an unprecedented price increase was witnessed in second half of the year.

Forced by the external economic factors, the Company in January initiated a price adjustment in tea whitener category to absorb some of the escalated input costs. But with industry as a whole remaining indifferent to the price adjustment, Company was left with no option but to retreat from its price adjustment initiative that caused volume losses and incurred additional sales support to maintain its market position.

However, with the imposition of sales tax on tea whitener in finance bill 2019-20, the Industry took price increase to the extent of sales tax adjustment in the latter half of the year.

Withdrawal of Acquisition Intent by Inner Mongolia Yili Industrial Group, China

The Chinese Company withdrew its offer on April 29, 2019 due to inability of both the parties to reach an agreement on the transaction within the prescribed time period.

Financial Performance

The Company achieved turnover of Rs. 5,745 million compared to Rs. Rs. 7,649 million in the comparative year. Loss after taxation in the reported year is Rs. 5,789 million as compared to Rs. 2,849 million in the comparative year. The Loss per share thereby is Rs. 10.96 as compared to Rs. 5.39 in the comparative year.

Lower than expected sales and capacity losses are attributable to the sluggish business activity, due to market apprehension and resistance to government revenue generating measures at retail level. High input and financing costs and additional sales support to counter loss of market share also contributed towards the loss for the year.

Future Outlook

Pakistan economy is in stabilization phase with key economic indicators starting to show sign of improvement and the decision by State Bank of Pakistan not to change interest rates during the last two monetary policies supports easing out of inflationary pressure. However, the current macroeconomic challenges are likely to affect business profitability in the short term.

The Board is confident about the future growth of the Company by delivering quality products while keeping a strong focus on innovation and operational excellence. To sustain and grow during this period, management has initiated cost controlling measures that have started to show results through significant reduction in distribution cost in later half of the year. The Company has also made an investment to enhance Cheese processing capacity that will help further establish the Company as a complete and a key market player of the dairy industry.

The Company is focussed on improving shareholders' value through innovation, product and process optimization, effective cost controls and will continue to grow its market share Insha Allah.

Principle Risks and Uncertainties Facing FFL

Risks faced by the Company are not significantly different from risks posed to other companies working in the dairy sector. The recent and sudden devaluation of currency

along with changes in regulatory and revenue regimes by the Government, has exposed the Company to foreign exchange risk and regulatory risks. The Management and Board is well aware of the associated risks and has taken steps to mitigate the same. Apart from the above said risks, there are no significant risk and uncertainties posed to the business and operations of the Company, except as disclosed in the Contingencies and Commitment notes to the financial statements.

Board of Directors

Following are the Directors of FFL, who served on the Board during the financial year 2019:

- Lt Gen Syed Tariq Nadeem Gilani (Retd), (Chairman)
- Lt Gen Javed Iqbal (Retd)
- Lt Gen Tariq Khan (Retd)
- Dr Nadeem Inayat
- Mr Salman Hayat Noon (Resigned on Dec 10, 2019)
- Mr Muhammad Ali Gulfaraz (Appointed on Dec 27,2019)
- Lt Col Abdul Khaliq Khan (Retd)
- Mr Rehan Laiq
- Brig Raashid Wali Janjua (Retd) (Resigned on May 1, 2019)
- Syed Iqtidar Saeed (Appointed on May 1,2019)
- Mr Iltifat Rasul Khan
- Mr Basharat Ahmad Bhatti
- Ms Aminah Zahid Zaheer
- Mr Par Soderlund (Resigned on Dec 19, 2019)

Directors' **Report**

Adequacy of Internal Financial Controls of Subsidiaries

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

Acknowledgment

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

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

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

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

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

Place: Islamabad
Date: January 28, 2020

ڈائریکٹرز رپورٹ

•	لیفٹیننٹ جنرل طارق خان (ریٹائرڈ)	
•	ڈاکٹر ندیم عنایت	
•	جناب سلمان حیات نون	10 دسمبر 2019 کو ریٹائر ہوئے
•	جناب محمد علی گلفراز	27 دسمبر 2019 کو تقرری ہوئی
•	لیفٹیننٹ کرنل عبدالخالق خان (ریٹائرڈ)	
•	جناب ریحان لئیق	
•	بریگیڈیئر راشد ولی جنجوعہ (ریٹائرڈ)	یکم مئی 2019 کو ریٹائر ہوئے
•	سید اقتدار سعید	یکم مئی 2019 کو تقرری ہوئی
•	جناب التفات رسول خان	
•	جناب بشارت احمد بھٹی	
•	مس آمنہ زاہد ظہیر	
•	جناب پار سوور لونڈ	19 دسمبر 2019 کو ریٹائر ہوئے

ذیلی اداروں میں اندرونی مالیاتی کنٹرول

ذیلی اداروں کے متعلقہ بورڈز ایک موثر اندرونی کنٹرول کے نظام کے حامل ہیں۔ آزاد انٹرنل آڈٹ، جو براہ راست آڈٹ کمیٹیوں کو رپورٹ کرتے ہیں، بہتری کے بارے میں سفارشات پیش کرنے کے علاوہ اندرونی کنٹرول پر عمل درآمد کی نگرانی کرتا ہے۔ متعلقہ کمپنیوں کی آڈٹ کمیٹیاں سہ ماہی بنیادوں پر اندرونی کنٹرول کے لائحہ عمل اور مالیاتی حسابات کا جائزہ لیتی ہیں۔

نوٹ: کسی بھی جگہ اردو اور انگریزی کی عبارت میں ابہام کی صورت میں انگریزی عبارت کو درست تصور کیا جائے۔

مالیاتی کارکردگی

کمپنی نے تقابلی سال میں 7,649 ملین روپے کے مقابلے میں 5,745 ملین روپے کی فروخت حاصل کی۔تقابلی سال میں ٹیکس کے بعد رپورٹ کئے گئے سال میں 2,849 ملین روپے کے مقابلے میں 5,789 ملین روپے کا نقصان ہوا۔فی حصص نقصان 5.39 روپے کے مقابلے میں 10.96 روپے رہا۔

توقع سے کم فروخت اور صلاحیت سے کم پیداوار سے ہونے والے نقصان کی وجہ سست کاروباری سرگرمی ہے جس کی وجہ مارکیٹ کے خدشات اور پرچون کی سطح پر حکومتی محصولات پیدا کرنے والے اقدامات کی مزاحمت ہے۔زیادہ لاگت،مالیاتی اخراجات اوراضافی سیلز سپورٹ نے مارکیٹ میں حصے کے نقصان اور سال کے مجموعی نقصان کو کم کرنے میں کردار ادا کیا۔

مستقبل کا منظرنامہ

پاکستان کی معیشت استحکام کے مرحلے میں ہے جس کے ساتھ اہم معاشی اشاریے بہتری کی علامت ظاہر کرنے لگے ہیں سٹیٹ بینک آف پاکستان کی جانب سے گزشتہ دو مالیاتی پالیسیوں کے دوران شرح سود میں تبدیلی نہ کرنے کا فیصلہ افراط زر کے دباؤ کو ختم کرنے میں معاون ہے۔موجودہ میکرو اکنامک چیلنجز اگرچہ قلیل مدت میں کاروباری منافع کو متاثر کرنے کا باعث بن سکتے ہیں۔

بورڈ جدت اور آپریشنل برتری پر مضبوط توجہ مرکوز کرتے ہوئے معیاری مصنوعات کی فراہمی کے ذریعے کمپنی کے مستقبل کے بارے میں پر اعتماد ہے۔اس مدت کے دوران بقا اور ترقی کے لئے انتظامیہ نے لاگت پر قابو پانے کے اقدامات کا آغاز کیا ہے جس سے سال کی آخری ششماہی میں ترسیلی لاگت میں نمایاں کمی کے ذریعے نتائج ظاہر ہونا شروع ہو گئے ہیں۔کمپنی نے چیز کی پروسیسنگ کی گنجائش کو بڑھانے کے لئے سرمایہ کاری بھی کی ہے جو کمپنی کو ڈیری کی صنعت کے ایک مکمل اور اہم مارکیٹ پلیئر کے طور پر مزید نمایاں کرنے میں مدد دے گی۔

کمپنی جدت،مصنوعات اور پیداواری عمل کو بہتر بنانے اور لاگت کے موثر کنٹرول کے ذریعے حصص داران کی قدر کو بہتر بنانے پر توجہ مرکوز کئے ہوئے ہے اور انشاء اللہ اس کے مارکیٹ شیئر میں اضافہ ہوگا۔

ایف ایف ایل کو درپیش خطرات اور غیر یقینی کی صورتحال

کمپنی کو درپیش خطرات ڈیری سیکٹر میں کام کرنے والی دوسری کمپنیوں کو درپیش خطرات سے نمایاں طور پر مختلف نہیں ہیں۔حکومت کی جانب سے ریگولیٹری اور محصولات کے نظام میں تبدیلی کے ساتھ کرنسی کی حالیہ اور اچانک قدر میں کمی نے کمپنی کو غیر ملکی زرمبادلہ کے خطرے اور ریگولیٹری خطرات سے دوچار کر دیا ہے۔انتظامیہ اور بورڈ اس سے وابستہ خطرات سے بخوبی آگاہ ہیں اور اس کی تخفیف کے لئے اقدامات کئے ہیں۔مذکورہ بالا خطرات کے علاوہ کمپنی کو کاروبار اور آپریشنز کے لئے کوئی خاص خطرہ نہیں ہے۔

بورڈ آف ڈائریکٹرز

مالیاتی سال 2019 کے دوران ایف ایف ایل کے بورڈ میں خدمات سرانجام دینے والے ڈائریکٹرز مندرجہ ذیل ہیں:

•	لیفٹیننٹ جنرل سید طارق ندیم گیلانی (ریٹائرڈ) (چیئرمین)	
•	لیفٹننٹ جنرل جاوید اقبال (ریٹائرڈ)	

ڈائریکٹرز رپورٹ

فوجی فوڈز لمیٹڈ (ایف ایف ایل)

فوجی فوڈز لمیٹڈ کے اکثریتی حصص 50.59 فیصد کی ملکیت ایف ایف بی ایل کے پاس ہے جب کہ فوجی فاؤنڈیشن 12.75 فیصد حصص کی حامل ہے۔ یہ کمپنی ڈیری کی مصنوعات، جوس اور جام کی پراسیسنگ اور مارکیٹنگ میں سرگرم عمل ہے۔ ایف ایف ایل کا 'نور پور' پاکستان میں سب سے پرانا اور تسلیم شدہ برانڈ ہے۔

سال کے دوران سرگرمیاں

زیر جائزہ سال ڈیری انڈسٹری کے مسائل میں کوئی کمی نہیں لایا اور اس کی نمو بنیادی طور پر حکومت پاکستان کی طرف سے بڑی معاشی مشکلات سے نمٹنے کے لئے اٹھائے جانے والے درج ذیل اقدامات کی وجہ سے رکی رہی:

- افراط زر کو روکنے کے لئے پالیسی ریٹ کا ایک ہندسے سے دوہرے ہندسے تک اضافہ
- برآمدات کو بڑھانے کے لئے روپے کی قدر میں غیر معمولی کمی
- کرنٹ اکاؤنٹ خسارے کو کم کرنے کے لئے درآمدی ریگولیشنز اور ادائیگیوں پر پابندی یا سختی
- محصولات کی وصولی کو بہتر بنانے کے لئے پرچون کی سطح پر معیشت کی دستاویز سازی

مزید یہ کہ حکومت کی طرف سے اٹھائے جانے والے ڈیری سیکٹر سے مخصوص محصولات حاصل کرنے کے لئے درج ذیل اقدامات نے ڈیری مصنوعات کو مزید مہنگا بنا دیا:

- چائے کے وائٹنر پر 10 فیصد کم شرح کے سیلز ٹیکس کا نفاذ
- بغیر بالائی کے خشک دودھ کی درآمد پر اضافی 5 فیصد کسٹم ڈیوٹی کا نفاذ

معیشت کو مستحکم کرنے کے لئے کئے گئے اقدامات سے فائدے کے بجائے ملک میں مہنگائی مزید بڑھی، صارف کی قوت خرید کم ہوئی اور مجموعی طور پر کاروبار کے لاگتی اخراجات کو مزید بڑھا دیا۔

بین الاقوامی طور پر درآمد شدہ بغیر بالائی کے دودھ کی قیمتوں نے پہلی سہ ماہی میں نئی بلندیوں کو چھوا جس سے انڈسٹری کے لاگتی اخراجات میں اضافہ ہوا۔ اس کے اثرات مقامی دودھ کی قیمتوں پر بھی نظر آئے وہاں سال کی دوسری ششماہی میں غیر مثالی اضافے کا مشاہدہ کیا گیا۔

بیرونی معاشی عوامل سے مجبور ہو کر کمپنی نے جنوری میں چائے کے وائٹنر کی کیٹگری میں قیمت میں ردوبدل کا آغاز کیا تا کہ بڑھتے ہوئے لاگتی اخراجات کو جذب کیا جا سکے۔ لیکن انڈسٹری کے مجموعی طور پر قیمت کے ردوبدل سے لاتعلق رہنے پر کمپنی کے پاس ان اقدامات کو واپس لینے کے سوا کوئی چارہ نہ تھا جو فروخت کی مقدار میں نقصان کی وجہ بنا۔ مارکیٹ میں اپنی پوزیشن برقرار رکھنے کے لئے کمپنی کو مزید اخراجات کرنے پڑے۔ تاہم فنانس بل 20-2019 میں چائے کے وائٹنر پر سیلز ٹیکس کے نفاذ کے ساتھ انڈسٹری نے سال کی اگلی ششماہی میں سیلز ٹیکس کی ایڈجسٹمنٹ کی حد تک قیمت میں اضافہ کر دیا۔

ازمنگولیا یلی انڈسٹریل گروپ چائنہ کی جانب سے ایکوزیشن اینٹنٹ کی منسوخی

چین کی کمپنی نے طے شدہ مدت کے اندر دونوں فریقوں کے لین دین سے متعلق کسی سمجھوتے تک نہ پہنچنے کے نتیجے میں 29 اپریل 2019 کو اپنی پیشکش واپس لے لی۔

مستقبل کا منظرنامہ

ایف ایم ایل فرنچائز/آؤٹ لیٹس کے ذریعے مقامی مارکیٹ میں اپنے حصے کو وسیع کرنے کا ارادہ رکھتی ہے۔ ایف ایم ایل نے موجودہ مارکیٹ کے علاوہ ایشیاء، وسطی ایشیائی ریاستوں، روسی ریاستوں اور چین کی مارکیٹوں میں معیاری مصنوعات کی فراہمی کا ہدف طے کیا ہے۔

کمپنی پرامید ہے کہ 2020 کا سال 2019 کے مقابلے میں پیداواری حجم کے اعتبار سے بہت بہتر ہوگا جو نہ صرف ہماری کارکردگی کو بہتر بنائیگا بلکہ اس کے نتیجے میں جاری لاگت بھی ایڈجسٹ ہوجائے گی۔

ایف ایم ایل کو درپیش بڑے خطرات اور غیر یقینی صورتحال

ایف ایم ایل کو درپیش بڑے خطرات اور غیر یقینی صورتحال درج ذیل ہیں:

مسابقتی قیمتوں پر جانوروں کا حصول ایک چیلنج ہے جس کے لئے کمپنی نے ایک جامع نظام قائم کیا ہے تاکہ جانوروں کی قابل اعتماد اور موثر قیمت پر دستیابی کو یقینی بنایا جائے۔

ایف ایم ایل کی آمدن اور منافع پر مختلف ممالک کی مصنوعات کی قیمتوں کے انتہائی حساس اثرات مرتب ہوتے ہیں۔ ایف ایم ایل کا بھارت، برازیل، آسٹریلیا جیسے ممالک کے ساتھ براہ راست مقابلہ ہے۔

انتظامیہ نئی مارکیٹوں کے حصول کے لئے تمام کوششیں کررہی ہے، تاہم زیادہ توجہ چین کو براہ راست برآمد پر پابندیوں کو ہٹانے پر مرکوز ہے۔

بورڈ آف ڈائریکٹرز

مالی سال 2019 کے دوران ایف ایم ایل کے بورڈ پر خدمات انجام دینے والے ڈائریکٹرز کے نام درج ذیل ہیں:۔

• لیفٹیننٹ جنرل سید طارق ندیم گیلانی (ریٹائرڈ) (چیئرمین)	
• لیفٹیننٹ جنرل جاوید اقبال (ریٹائرڈ)	
• لیفٹیننٹ جنرل طارق خان (ریٹائرڈ)	
• ڈاکٹر ندیم عنایت	
• میجر جنرل طاہر اشرف خان (ریٹائرڈ)	
• میجر جنرل وسیم صادق (ریٹائرڈ)	20 اگست 2019 کو تقرری ہوئی
• جناب محمد امیر خان	یکم اکتوبر 2019 کو تقرری ہوئی
• شیخ عادل حسین	20 اگست 2019 کو تقرری ہوئی
• میجر جنرل کلیم صابر تاثیر (ریٹائرڈ)	4 اپریل 2019 کو ریٹائر ہوئے
• جناب ریحان لئیق	یکم اکتوبر 2019 کو ریٹائر ہوئے
• سید عامر احسن	21 نومبر 2019 کو ریٹائر ہوئے
• بریگیڈیئر شاہد افضل (ریٹائرڈ)	4 اپریل 2019 کو ریٹائر ہوئے

ڈائریکٹرز رپورٹ

•	بریگیڈیئر آصف علی (ریٹائرڈ)	10 مئی 2019 کو تقرری ہوئی
•	بریگیڈیئر حماد قادر (ریٹائرڈ)	20 ستمبر 2019 کو تقرری ہوئی
•	بریگیڈیئر راشد ولی جنجوعہ (ریٹائرڈ)	30 اپریل 2019 کو ریٹائر ہوئے
•	جناب ریحان لئیق	
•	کرنل ڈاکٹر محمد رشید حسین (ریٹائرڈ)	20 ستمبر 2019 کو تقرری ہوئی
•	سید اقتدار سعید	19 ستمبر 2019 کو ریٹائر ہوئے
•	جناب انوار محمود شاہد	31 مارچ 2019 کو ریٹائر ہوئے
•	سید عامر احسن	13 جنوری 2020 کو ریٹائر ہوئے

فوجی میٹ لمیٹڈ (ایف ایم ایل)

فوجی میٹ لمیٹڈ (ایف ایم ایل) کو 5 ستمبر 2013 کو ایک پبلک لمیٹڈ کمپنی کے طور پر بنایا گیا جس میں ایف ایف بی ایل اور فوجی فاؤنڈیشن کل حصص کے بالترتیب 90.18 فیصد اور 9.82 فیصد کے مالک ہیں۔ کمپنی کے سی او ڈی کا حصول 2 اپریل 2016 کو ہوا۔

پیداوار اور فروخت کے اہم نکات

31 دسمبر 2019 کو ختم ہونے والے سال کے دوران ایف ایم ایل نے اپنے پلانٹ سے 3,764 ٹن گوشت کی پیداوار حاصل کی۔ کمپنی نے 2,787 ٹن گوشت بیرون ملک برآمد کیا جس میں متحدہ عرب امارات کو 1,705 ٹن، ملائیشیا 583 ٹن، سعودی عرب 271 ٹن، ویتنام 141 ٹن، قطر 83 ٹن اور عمان کو 7 ٹن گوشت برآمد کیا گیا۔

ایف ایم ایل نے گزشتہ سال ملکی مارکیٹ میں Zabeeha کے نام سے مقامی برانڈ شروع کیا۔ بہتر منافع کا فائدہ اٹھانے کے لئے ایک سال کے دوران 16 آؤٹ لیٹس کھولے گئے، کراچی (9 آؤٹ لیٹس)، راولپنڈی (2 آؤٹ لیٹس) اور لاہور (5 آؤٹ لیٹس)۔

2018 کے دوران 7 آؤٹ لیٹس سے 147 ٹن کے مقابلے میں سال 2019 کے دوران مجموعی طور پر 502 ٹن کی فروخت حاصل کی گئی۔ تمام آؤٹ لیٹس پر فروخت کے رجحان میں اضافہ دیکھنے میں آ رہا ہے۔

ایف ایم ایل نے تیسری سہ ماہی کے دوران عیدالاضحی کے موقع پر کامیابی سے قربانی کا منصوبہ شروع کیا جس کے نتیجے میں کمپنی نے 82 ٹن بڑا گوشت اور 15 ٹن چھوٹا گوشت فروخت کیا۔

اہم مالی نکات

31 دسمبر 2019 کو ختم ہونے والے سال کے دوران کمپنی نے فروخت سے 2,264 ملین روپے (2018: 1,120 ملین روپے) حاصل کیے۔ ایف ایم ایل کو 468 ملین روپے (2018: 355 ملین روپے) کا مجموعی خسارہ ہوا۔ ٹیکس کی ادائیگی کے بعد 31 دسمبر 2019 کو ختم ہونے والے سال میں 1,892 ملین روپے (نقصان فی حصص: 2.48 روپے) کا خالص نقصان ہوا (2018: 1,318 ملین روپے، نقصان فی حصص: 2.93 روپے)۔ نقصان کی اہم وجوہات میں قرضوں پر مارک اپ شرح میں اضافہ اور فروخت کی مد میں ناقابل وصول رقم بھی شامل ہے۔

426,385 میگاواٹ (2018: 408,901 میگاواٹ) بجلی فراہم کی۔ ایف پی سی ایل نے ایف ایف بی ایل کو 1,532,131 میٹرک ٹن (2018: 1,453,282 میٹرک ٹن) سٹیم بھی فراہم کی۔

ایف پی سی ایل کو درپیش بڑے خطرات اور غیر یقینی صورتحال

ایف پی سی ایل کو درپیش بنیادی خطرات اور غیر یقینی صورتحال درج ذیل ہے:

میرٹ آرڈر کا خطرہ

نیپرا کے فیصلے کے مطابق ایف پی سی ایل کے ذریعے کے الیکٹرک کو بجلی کی ترسیل میرٹ آرڈر کے معیار کے تحت ہے۔ یہاں یہ خطرہ موجود ہے کہ ایف پی سی ایل، کے الیکٹرک کے میرٹ آرڈر پر پورا نہ اترے اور کے الیکٹرک کے نظام کو بجلی کی ترسیل میں ناکام رہے جس کے نتیجے میں Capacity Payments کی وصولی نہ ہو۔

فی الحال ایف پی سی ایل کے الیکٹرک نیٹ ورک کی میرٹ آرڈر فہرست میں اوپر ہے اور فوری طور پر یا قلیل مدت میں اس سلسلے میں کوئی خطرہ نہیں ہے۔

ایندھن کی فراہمی میں غیر یقینی

کوئلے کی قلت/ عدم دستیابی کی صورت میں ایف پی سی ایل بجلی کے خریداروں یعنی کے الیکٹرک اور ایف ایف بی ایل کو بجلی فراہم نہیں کر سکتی جس سے Capacity Payment کی عدم وصولی ہو سکتی ہے۔

ایف پی سی ایل نے اوپر بتائے گئے خطرات کی تخفیف کے لئے مناسب کنٹرول وضع کر رکھے ہیں۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کوڈ 2019، کمپنیز ایکٹ 2017 اور کمپنی کے میمورنڈم اور آرٹیکلز آف ایسوسی ایشن کے مطابق بورڈ میٹنگ کے ذریعے اختیارات کا استعمال کرتا ہے جو ہر سہ ماہی میں منعقد کی جاتی ہیں تا کہ کمپنی کے مالیاتی حالات اور کاروباری منصوبوں کا جائزہ لیا جائے اور ان کی منظوری دی جائے۔

ڈائریکٹرز کی فہرست جنہوں نے مالی سال 2019 کے دوران بورڈ میں خدمات انجام دیں درج ذیل ہے:

•	لیفٹیننٹ جنرل سید طارق ندیم گیلانی (ریٹائرڈ) (چیئرمین)	
•	لیفٹیننٹ جنرل جاوید اقبال (ریٹائرڈ)	
•	لیفٹیننٹ جنرل طارق خان (ریٹائرڈ)	
•	میجر جنرل طاہر اشرف خان (ریٹائرڈ)	
•	میجر جنرل کلیم صابر تاثیر (ریٹائرڈ)	19 ستمبر 2019 کو ریٹائر ہوئے
•	ڈاکٹر ندیم عنایت	9 مئی 2019 کو ریٹائر ہوئے

• بریگیڈیئر راشد ولی جنجوعہ (ریٹائرڈ)	1	11 مارچ 2019 کو تقرر ہوا اور یکم مئی 2019 کو ریٹائر ہوئے
• سید اقتدار سعید	4	یکم مئی 2019 کو تقرر ہوا
• میجر جنرل کلیم صابر تاثیر (ریٹائرڈ)	3	25 اگست 2019 کو ریٹائر ہوئے
• میجر جنرل طاہر اشرف خان (ریٹائرڈ)	6	
• بریگیڈیئر حماد قادر (ریٹائرڈ)	6	
• جناب نوید اے خان	3	25 اگست 2019 کو ریٹائر ہوئے
• جناب نصیر اے شیخ	3	25 اگست 2019 کو ریٹائر ہوئے
• ڈاکٹر راشد باجوہ	2	25 اگست 2019 کو ریٹائر ہوئے
• سید خالد سراج سبحانی	3	26 اگست 2019 کو تقرر ہوا
• مس ناز خان	3	26 اگست 2019 کو تقرر ہوا
• جناب معیذ الرحمان	3	26 اگست 2019 کو تقرر ہوا
• مس پورو چستی سدھوا	3	26 اگست 2019 کو تقرر ہوا

کمپنیز ایکٹ 2017 کی شق (3)226 کے تحت ذیلی اداروں کی معلومات فراہم کی جاتی ہیں۔

ایف ایف بی ایل پاور کمپنی لمیٹڈ

ایف پی سی ایل کا بنیادی کام پورٹ قاسم کراچی میں 103 میگا واٹ (مجموعی گنجائش 118 میگا واٹ) کے کوئلے پر چلنے والے بجلی گھر کو چلانا ہے۔ ایف پی سی ایل نے اپنی تجارتی سرگرمیوں کا آغاز 19 مئی 2017 کو کیا۔

مالیاتی نتائج

31 دسمبر 2019 کو ختم ہونے والے سال کے دوران ایف پی سی ایل نے 10,142 ملین روپے فروخت کی لاگت کے مقابلے میں 17,100 ملین روپے کی آمدن حاصل کی۔ گزشتہ سال کے دوران 3,055 ملین روپے کے منافع کے مقابلے میں بعد از ٹیکس منافع 3,891 ملین روپے ہے جس کے نتیجے میں فی حصص آمدن (EPS) 4.53 روپے رہی۔

سال کے دوران ایف پی سی ایل نے فی حصص 2.50 روپے کے حساب سے 2.147 ارب روپے ڈیویڈنڈ کی ادائیگی کی۔

طویل مدتی مالیاتی سہولیات کے تحت 31 دسمبر 2019 تک مجموعی طور پر 4,425 ملین روپے کی گیارہ ادائیگیاں کی گئیں۔ 31 دسمبر 2019 کو طویل مدت کی مالیاتی سہولیات کی بقایا رقم 15,399 ملین روپے ہے۔

آپریشنل نتائج

31 دسمبر 2019 کو ختم ہونے والے سال کے دوران ایف پی سی ایل نے ایف ایف بی ایل کو 151,172 میگا واٹ (2018: 151,537 میگا واٹ) اور کے الیکٹرک لمیٹڈ کو

مارکیٹ	8	مارکیٹ کے خطرات	بیرونی	ہو سکتا ہے اور پہلے بھی ہوا ہے	بڑا	کمپنی کو ڈی اے پی کی درآمدات سمیت معمول کے کاروباری آپریشنز کے دوران مارکیٹ کے تمام خطرات کا سامنا ہے۔ ممکن ہے کہ ڈی اے پی کی پیداوار کے لئے بنیادی خام مال فاسفورک ایسڈ کی درآمدی قیمت ڈی اے پی کی بین الاقوامی قیمت کے ساتھ ہم آہنگ نہ ہو اور ہمارے ملک کے مخصوص حالات کی وجہ سے اس کی قیمت زیادہ ہو۔ اس خطرے سے بچنے کیلئے مارکیٹ پر نظر رکھی جاتی ہے۔

داخلی کنٹرول کا نظام

مالیاتی اور انتظامی معلومات کی فراہمی اور تحفظ کے علاوہ ایک داخلی کنٹرول سسٹم مناسب یقین دہانی کے لئے ڈیزائن کیا گیا ہے تاکہ کمپنی کی پالیسیوں، منصوبوں، قوانین اور وسائل کے موثر استعمال سے مقاصد کی تکمیل کی جائے۔ ایف ایف بی ایل کا داخلی کنٹرول کا نظام بہت جامع ہے اور اسے موثر طور پر لاگو کیا جاتا ہے اور باقاعدگی سے نگرانی کی جاتی ہے۔

کمپنی نے ہر کاروباری یونٹ کے کنٹرول کے طریقوں کو مربوط بنایا ہے تاکہ اس بات کی تصدیق کی جا سکے کہ کاروباری پالیسیوں پر عملدرآمد کیا جا رہا ہے اور جب ضروری ہو تو اصلاحاتی اقدامات کئے جائیں۔ کمپنی صبح کے وقت اپنے ہیڈ آفس اور پلانٹ کے مقام پر بریفنگ کا انتظام کرتی ہے جو اعلی انتظامیہ کی طرف سے اس بات کو یقینی بنانے کیلئے ہے کہ کنٹرول موزوں اور مناسب طریقے سے کام کر رہے ہیں۔ اس دائرہ کار میں بورڈ آف ڈائریکٹرز نے 'وسل بلوئنگ پالیسی' اور 'سرمایہ کاری شکایات کی پالیسی' کی منظوری دے رکھی ہے۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز کوڈ آف کارپوریٹ گورننس 2019، کمپنیز ایکٹ 2017 اور کمپنی میمورینڈم اور آرٹیکلز آف ایسوسی ایشن کے مطابق بورڈ کی میٹنگ کے ذریعے اختیارات کا استعمال کرتا ہے، جو ہر سہ ماہی میں منعقد کی جاتی ہے تاکہ کمپنی کے مالیاتی معاملات اور کاروباری منصوبوں کا جائزہ لیا جائے اور ان کی منظوری دی جائے۔

سال کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس ہوئے۔ حاضری درج ذیل ہے:

	حاضری	
• لیفٹیننٹ جنرل سید طارق ندیم گیلانی (ریٹائرڈ) (چیئرمین)	6	
• لیفٹیننٹ جنرل جاوید اقبال (ریٹائرڈ)	6	
• لیفٹیننٹ جنرل طارق خان (ریٹائرڈ)	5	
• جناب ریحان لئیق	6	
• ڈاکٹر ندیم عنایت	6	
• میجر جنرل وسیم صادق (ریٹائرڈ)	1	27 فروری 2019 کو ریٹائر ہوئے

ماحولیاتی	4	ماحولیاتی خطرہ	بیرونی	ابھی تک نہیں ہوا لیکن ہوسکتا ہے	شدید	ایف ایف بی ایل کی انتظامیہ آغاز سے ہی ماحولیاتی تحفظ کے حوالے سے انتہائی باشعور ہے اور اسے ایک ماحول دوست ادارے کے طور پر برقرار رکھنے کے لئے ماحولیات اور تحفظ کے معیار پر کبھی سمجھوتہ نہیں کرتی۔
مالیاتی	5	شرح سود کا خطرہ	بیرونی	ہوسکتا ہے اور پہلے بھی ہو چکا ہے	بڑا	ایف ایف بی ایل اپنے ورکنگ کیپیٹل کی ضروریات ڈیمانڈ فنانس، جاری فنانس لائنز اور طویل مدتی قرضوں سے پورا کرتی ہے جو (KIBOR) سے منسلک ہیں۔ شرح سود کے اثر کو کم سے کم رکھنے کے لئے (KIBOR) کے اتار چڑھاؤ کی نگرانی کی جاتی ہے۔
	6	رقم کی عدم دستیابی کا خطرہ	اندرونی	ہوسکتا ہے اور پہلے بھی ہو چکا ہے	بڑا	ادائیگیوں سے پہلے فنڈز/او ڈی لائنز کے بندوبست کیلئے کوششیں کی جاتی ہیں۔ بزنس پلان کی ضروریات پوری کرنے کے لئے اضافی فنڈنگ کا بندوبست کیا جاتا ہے۔
	7	زرمبادلہ کی شرح کا خطرہ	بیرونی	ممکن ہے	سنگین	ایف ایف بی ایل کی غیر ملکی ادائیگیوں کو زرمبادلہ کے اتار چڑھاؤ کا سامنا کرنا پڑتا ہے۔ تاہم ادائیگیوں کے لئے ہم سٹیٹ بینک آف پاکستان کی Hedging کی دستیاب ریگولیٹری آپشنز سے آگاہ رہتے ہیں اور اس کے مطابق عمل کرتے ہیں۔

گزشتہ سال حاصل کی گئی فی حصص 1.54 روپے کی آمدن کے مقابلے میں 2019 میں فی حصص 6.34 روپے کا نقصان ہوا۔

نمایاں خطرات، وسائل، امکانات، نوعیت اور تخفیفی عوامل

اگر چہ خطرات کو مکمل طور پر ختم نہیں کیا جاسکتا لیکن یہ بات اہم ہے کہ انتظامیہ مجموعی طور پر کاروباری حکمت عملی کے تناظر میں ان کا احساس کرنے کیلئے تیار ہو، خطرات کو سمجھے، ترجیحات طے کرے اور ان کا سدباب کرے۔

ایف ایف بی ایل کو درپیش بڑے خطرات ردعمل کے ساتھ درج ذیل ہیں:

	نمبر	خطرہ	وسائل	امکان	نوعیت	تخفیفی عوامل
سٹریٹیجک	1	گیس میں تخفیف	بیرونی	پہلے بھی ہو چکا ہے	بڑی	ایف ایف بی ایل نے ایندھن گیس کو فیڈ کے طور پر استعمال کرنے اور اپنی توانائی کی ضروریات پوری کرنے کے لئے ایف ایف بی ایل پاور کمپنی لمیٹڈ (کوئلے پر چلنے والی) قائم کی ہے۔ مزید یہ کہ ایف ایف بی ایل ایندھن اور فیڈ گیس کی کمی کو کم سے کم سطح پر رکھنے کیلئے وزارت پیٹرولیم اور ایس ایس جی سی ایل کے ساتھ مستقل قریبی رابطے میں ہے۔
	2	فاسفورک ایسڈ کی فراہمی	بیرونی	پہلے بھی ہو چکا ہے	بڑی	ایف ایف بی ایل نے او سی پی گروپ مراکش کے ساتھ مشترکہ منصوبے پی ایم پی سے فاسفورک ایسڈ کی بلاتعطل سپلائی کو یقینی بنایا ہے۔
	3	متواتر تکنیکی پیش رفت	بیرونی	ابھی تک نہیں ہوا لیکن ہوسکتا ہے	بڑی	ایف ایف بی ایل وقتاً فوقتاً جدید ترین ٹیکنالوجی متعارف کروانے اور اسے نافذ کرنے کے لئے فعال لائحہ عمل پر یقین رکھتا ہے۔ ہمارے پلانٹس جدید ترین ٹیکنالوجی کے ساتھ ہائی۔ٹیک ہیں جنہیں تسلسل کے ساتھ بہتر بنایا جاتا ہے۔

ڈائریکٹرز رپورٹ

اندازہ 34 فیصد لگایا گیا ہے جو 2018 کے 31 فیصد مارکیٹ حصے سے زیادہ ہے۔

اہم مالیاتی نکات

کمپنی کی کارکردگی ظاہر کرنیوالے کلیدی مالیاتی نتائج کا خلاصہ:

	2019	2018
	روپے (ملین)	
فروخت۔ خالص	66,839	61,511
مجموعی منافع	5,885	8,183
دیگر آمدن	4,370	3,182
قبل از ٹیکس (نقصان)/ منافع	(3,869)	1,809
بعد از ٹیکس خالص (نقصان)/ منافع	(5,921)	1,437
فی حصص (نقصان)/ آمدن (روپوں میں)	(6.34)	1.54

مالیاتی جائزہ

کمپنی نے گزشتہ سال 8,183 ملین روپے کے مقابلے میں 2019 میں 5,885 ملین روپے مجموعی منافع کمایا۔ تیار مصنوعات کی قیمت بڑھتی ہوئی پیداواری لاگت سے مطابقت نہ لاسکی۔ اس کی بنیادی وجہ پاکستانی روپے کی قدر میں کمی کی وجہ سے فاسفورک ایسڈ کی قیمت میں اضافہ، فیڈ اور ایندھن گیس کے نرخوں میں مزید اضافہ اور جی آئی ڈی سی کا تسلسل ہے۔ مہنگائی کے دباؤ نے مقامی خام مال کی قیمت میں اضافہ کیا جس سے منافع مزید کم ہوا۔

ڈی اے پی فرٹیلائزر کی ضرورت سے زیادہ درآمد سے کمپنی کی فروخت مزید کم ہوئی جس کے نتیجے میں 189 کلوٹن کی بڑی انوینٹری 2020 میں منتقل ہوئی۔ دوسری سہ ماہی کے دوران ایکسل کے وزن کی پالیسی کے نفاذ سے ٹرکوں پر سامان کی ترسیل کی مقدار کم ہوئی جس کے نتیجے میں مال برداری کی لاگت میں تقریباً 40 فیصد اضافہ ہوا۔

پورا سال غیر فروخت شدہ انوینٹری کے ساتھ حکومت کی طرف سے سبسڈی اور سیلز ٹیکس کے ریفنڈ میں تاخیر سے سال کے زیادہ تر حصے میں بینکوں کے مہنگے سرمائے کا استعمال نمایاں رہا۔ اس کے نتیجے میں کمپنی کی مالیاتی لاگت نمایاں طور پر بلند رہی۔ پاکستانی روپے کی قدر میں کمی کے نتیجے میں زر مبادلہ کی شرح میں نمایاں اضافے سے سال کے دوران 635 ملین روپے کا نقصان ہوا۔

فوجی میٹ لمیٹڈ (ایف ایم ایل) اور فوجی فوڈز لمیٹڈ (ایف ایف ایل) بھی ملکی معیشت کی سست روی کی وجہ سے متاثر ہوئے جس سے کمپنی کی سرمایہ کاری سے بالترتیب 1,100 ملین روپے اور 420 ملین روپے کا نقصان ہوا۔ اس طرح سال میں مجموعی نقصان میں مزید اضافہ ہوا۔

مالیاتی آپریشنز کی آمدن کے ساتھ ایف پی سی ایل، عسکری بینک، پی ایم پی، ایف ڈبلیو ای I اور II اور فوجی سیمنٹ میں سرمایہ کاری سے گزشتہ سال 3,182 ملین روپے کے مقابلے میں 4,370 ملین روپے کا ڈیویڈنڈ حاصل ہوا۔ سال کے دوران کمپنی کے 2,052 ملین روپے ٹیکس بشمول 1,003 ملین روپے ٹرن اوور ٹیکس اور ڈیویڈنڈ اور مالیاتی آپریشنز پر 421 ملین روپے صرف ہوئے۔ گزشتہ سال کمائے گئے 1,437 ملین روپے کے خالص منافع کے مقابلے میں 2019 میں کمپنی کو 5,921 ملین روپے کا خالص نقصان ہوا۔

مارکیٹنگ کے اہم نکات

اندرون ملک فرٹیلائزر مارکیٹ کی صورتحال

2019 کی پہلی سہ ماہی میں یوریا کی فراہمی کی صورتحال متوازن رہی۔ تاہم حکومت پاکستان کی جانب سے 100 کلوٹن درآمد کے ساتھ ایس این جی پی ایل کے دونیٹ ورک پلانٹس کو مسلسل آر ایل این جی کی فراہمی کے باعث اندرون ملک زیادہ پیداوار حاصل ہوئی۔ جی آئی ڈی سی کا مسئلہ حل طلب رہا اور مارکیٹ مصنوعات کی قیمتوں کے تعین کے بارے میں الجھن کا شکار رہی جس سے مسئلہ مزید گھمبیر ہوگیا۔

سال کے دوران بڑی مقدار میں درآمدات کے ساتھ 2018 سے آگے منتقل ہونے والی بلندترین انوینٹری کے باعث سال بھر ڈی اے پی کی مارکیٹ ضرورت سے زیادہ سپلائی کا شکار رہی۔ فصلوں کے بڑھنے اور بوائی کے سیزن کے دوران موسمیاتی عوامل (بارشیں اور گرمی کی لہر) نے مجموعی طور پر کپاس، مکئی اور گندم کی پیداوار پر منفی اثرات مرتب کئے۔ کپاس کی فصل ہدف سے تقریباً30 فیصد سے کم رہی۔ اسی طرح مکئی کا تقریباً25 فیصد ہدف حاصل نہ ہوسکا۔ کچھ علاقوں میں گندم کی بوائی میں تاخیر بھی ہوئی۔ کم پیداوار، فصلوں کے معیار اور مصنوعات کی قیمتوں نے زرعی معیشت کو بری طرح متاثر کیا۔

یوریا

170 کلوٹن کی یوریا کی انوینٹری کے ساتھ سال کا آغاز ہوا۔ اندرون ملک پیداوار 6.2 ملین ٹن رہی جبکہ 100 کلوٹن کی درآمدات ہوئیں جس سے مجموعی طور پر دستیابی 6.4 ملین ٹن ہوگئی۔ اندرون ملک فروخت کا اندازہ 6.2 ملین ٹن لگایا گیا ہے جس سے تقریباً 200 کلوٹن کی اختتامی انوینٹری باقی رہے گی۔ گذشتہ سال 5.8 ملین ٹن کے مقابلے میں اندرون ملک یوریا کی فروخت 7 فیصد سے زیادہ رہی۔ سال کے دوران بنیادی طور پر فیڈ گیس اور ایندھن گیس کے نرخوں میں اضافے، افراط زر اور مالیاتی اخراجات کے باعث یوریا کی قیمت میں 290 روپے فی بیگ اضافہ ہوا۔

ڈی اے پی

سال 2019 کا آغاز 570 کلوٹن کی ڈی اے پی کی بھاری انوینٹری سے ہوا۔ 831 ملین ٹن کی اندرون ملک پیداوار کے ساتھ تقریباً 1.2 ملین ٹن ڈی اے پی درآمد کی گئی جس سے مجموعی دستیابی 2.6 ملین ٹن ہوگئی۔ سال کے دوران تقریباً 580 کلوٹن کی اختتامی انوینٹری کے ساتھ جو کہ فرٹیلائزر انڈسٹری کی تاریخ میں بلندترین انوینٹری ہے اندرون ملک فروخت 2 ملین ٹن رہی۔ 2019 کے دوران ڈی اے پی کی فروخت سال 2018 کی 2.2 ملین ٹن کے مقابلے میں 10 فیصد کم رہی۔

ایف ایف بی ایل کی فروخت کی کارکردگی

پچھلے سال کے دوران 562 کلوٹن فروخت کے مقابلے میں 2019 میں سونا یوریا (G) کی فروخت 508 کلوٹن ریکارڈ کی گئی جو 10 فیصد کی کمی ظاہر کرتی ہے۔ سونا ڈی اے پی کی 2019 کے دوران فروخت پچھلے سال کے مقابلے میں تقریباً برابر رہی جو کہ 2018 کے دوران 687 کلوٹن کے مقابلے میں 688 کلوٹن رہی۔ بنیادی طور پر پورا سال بھاری درآمدات کی وجہ سے سونا ڈی اے پی کی مارکیٹ میں ضرورت سے زیادہ سپلائی رہی اور شدید مسابقت پیدا ہوئی۔ ڈی اے پی کی تقریباً 189 کلوٹن کی بڑی انوینٹری سال 2020 میں منتقل ہوئی۔

2019 کے دوران سونا یوریا (G) کا یوریا مارکیٹ میں حصہ 8 فیصد تھا جو کہ 2018 میں 10 فیصد کے حصے سے کم ہے۔ سال 2019 کے دوران سونا ڈی اے پی کے مارکیٹ میں حصے کا

ڈائریکٹرز رپورٹ

پاکستان کی معیشت اور اس کا مستقبل

سال 2019 کے دوران معیشت میں نمایاں تبدیلی دیکھنے میں آئی۔ روپے کی شرح تبادلہ کو مارکیٹ کے بنیادی اصولوں سے منسلک کیا گیا۔ شرح سود میں تیزی سے اضافہ ہوا۔ ترقیاتی اخراجات میں نمایاں کمی آئی جبکہ توانائی کی قیمتوں میں اضافہ ہوا۔ یہ اقدامات معیشت کے دہرے خسارے کے بحران پر قابو پانے کے لئے اٹھائے گئے۔ اس حکمت عملی سے اشیاء کی طلب کے دباؤ پر قابو پانے اور برآمدات میں کمی لانے میں مدد ملی جس سے کرنٹ اکاؤنٹ کے خسارے میں نمایاں کمی ہوئی۔ تاہم اس عمل سے بڑی صنعتوں کی پیداوار میں کمی آئی اور افراط زر میں گذشتہ چار سال کی نسبت اپنے ہدف سے زیادہ اضافہ ہوا۔ پیداواری اخراجات میں اضافے کے ساتھ ساتھ پانی کی قلت سے زراعت کے شعبے کی پیداوار میں کمی آئی اور صنعتی شعبے کی سست روی کا اثر خدمات کے شعبے میں بھی ظاہر ہوا۔ مزید یہ کہ 2019 کے دوران پیداواری لاگت میں اضافہ بالخصوص DAP کی فروخت میں کمی کا باعث بنا اور کیڑے مار ادویات کے ناکافی استعمال سے پیداوار مزید متاثر ہوئی۔ شرح سود میں تیزی سے اضافے اور پاکستانی روپے کی قدر میں کمی سے حکومت پر قرض کی ادائیگی کا بوجھ مزید بڑھ گیا۔ صرف سود کی ادائیگی کے زمرے میں ٹیکس آمدنی کا 47 فیصد حصہ استعمال ہو گیا۔

اہم سرگرمیاں

اللہ کے فضل سے سال کے دوران پلانٹس کی مجموعی کارکردگی اطمینان بخش اور محفوظ رہی۔ گیس کی سپلائی گزشتہ سال کی سطح سے کچھ کم رہی۔ کمپنی نے 2018 کی 562 کلوٹن کے مقابلے میں 508 کلوٹن یوریا کی پیداوار حاصل کی جو 2018 میں حاصل کی گئی پیداوار سے 10 فیصد کم تھی۔

2019 میں 831 کلوٹن ڈی اے پی کی پیداوار کمپنی کی جانب سے گزشتہ کسی بھی ایک سال میں حاصل کی جانے والی سب سے زیادہ پیداوار ہے۔ یہ مقدار 2018 میں حاصل ہونے والی 730 کلوٹن کی پیداوار کے مقابلے میں 14 فیصد زیادہ ہے۔ گزشتہ سال ڈی اے پی کی پیداوار پاکستان میروک فاسفور، ایس اے (پی ایم پی) کی جانب سے فاسفورک ایسڈ کی کم فراہمی کے باعث متاثر ہوئی۔ ابتدائی طور پر خراب موسم کی وجہ سے بندرگاہ کی بندش اور بعد میں پی ایم پی کے پلانٹ میں تکنیکی مسائل کی بنا پر متاثر ہوئی۔ اس کے نتیجے میں بالترتیب مارچ، اگست اور اکتوبر میں طویل بندش دیکھنے میں آئی۔

2019 کے دوران ایف ایف بی ایل کو گیس کی سپلائی 19,042 ایم ایم ایس سی ایف تھی، جو 2018 میں ایس ایس جی سی سے حاصل 19,119 ایم ایم ایس سی ایف کے مقابلے میں کچھ کم تھی۔ سال کے دوران گیس کی عدم دستیابی کی وجہ سے یوریا پلانٹ 21 دن تک بند رہا۔ سال کے دوران پلانٹ کی مجموعی کارکردگی اطمینان بخش رہی۔

ٹرن اراؤنڈ 2019

پلانٹ اور آلات کی باقاعدگی سے دیکھ بھال پیداواری وسائل کے بہترین استعمال کیلئے کلیدی اہمیت کی حامل ہے۔ ایف ایف بی ایل نے 2019 کی پہلی سہ ماہی کے دوران آلات اور مشینوں کے اطمینان بخش معائنے اور بحالی کا کام کامیابی سے مکمل کیا۔ سالانہ معائنے سے پہلے اس سرگرمی میں شرکت کرنے والے ملازمین اور ٹھیکیدار کے عملے کو حفاظتی پہلوؤں اور آگاہی کی تربیت بھی دی گئی۔

30 دن کے مختص وقت کے مقابلے میں 28 دنوں میں 2,250 سے زائد مختلف قسم کے کام کامیابی سے مکمل کئے گئے۔ بہترین سامان کے ساتھ آلات کی تبدیلی اور مشینوں کی مرمت کے کام مکمل کیے گئے جس کی تصدیق پلانٹ کی مربوط اور فعال کارکردگی سے ہوتی ہے۔ زیادہ تر کام ملکی/مقامی وسائل کے استعمال سے مکمل کیا گیا۔ کچھ غیر ملکی ماہرین نے بھی اس سرگرمی میں حصہ لیا۔

STATEMENT OF **COMPLIANCE**

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company Fauji Fertilizer Bin Qasim Limited
Year Ending 31 December 2019

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

1. The total number of directors are 12 as follows:-
   a. Male: - 10
   b. Female: - 02
2. The composition of the Board is as follows:
   i. Independent Male Directors - 2
   ii. Independent Female Directors - 2
   iii Non-Executive Directors - 7
   iv. Executive Directors - 1
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 complete record of particulars of the 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 has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. All Directors of the Board are certified as “Directors’ Training Program” except one.
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 members given below:-

   a. **Audit Committee**

   - Mr Moeez ur Rehman, Chairman (Independent Director)
   - Dr Nadeem Inayat, Member (Non-Executive Director)
   - Mr Rehan Laiq, Member (Non-Executive Director)
   - Ms Naz Khan, Member (Independent Female Director)

   b. **HR and Remuneration Committee**

   - Ms Pouruchisty Sidhwa, Chairperson (Independent Female Director)
   - Maj Gen Tahir Ashraf Khan (Retd), Member (Non-Executive Director)
   - Brig Hamad Qadir (Retd), Member (Non-Executive Director)
   - Syed Khalid Siraj Subhani, Member (Independent Director)

c. **System & Technical Sub Committee (S&TC)**

- Syed Iqtidar Saeed, Chairman (Non-Executive Director)
- Dr Nadeem Inayat, Member (Non-Executive Director)
- Brig Hamad Qadir (Retd) , Member (Non-Executive Director)
- Syed Khalid Siraj Subhani, Member (Independent Director)

d. **Marketing & Sales Sub Committee (M&SC)**

- Dr Nadeem Inayat, Chairman (Non-Executive Director)
- Syed Iqtidar Saeed, Member (Non-Executive Director)
- Mr Rehan Laiq, Member (Non-Executive Director)

e. **Project Diversification Sub Committee (PDC)**

- Dr Nadeem Inayat, Chairman (Non-Executive Director)
- Syed Iqtidar Saeed, Member (Non-Executive Director)
- Mr Rehan Laiq, Member (Non-Executive Director)
- Ms Naz Khan, Member (Independent Female Director)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as follows:-
    a. Audit Committee; - Quarterly
    b. HR and Remuneration Committee - Quarterly
15. The Board has set up an effective internal audit function staffed with persons who are suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the 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 regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.

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

INDEPENDENT **AUDITORS' REVIEW REPORT**

TO THE MEMBERS OF THE FAUJI FERTILIZER BIN QASIM 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 Bin Qasim Limited** (the Company) for the year ended **31 December 2019** in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2019.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants

Place: Islamabad

Date: 13 February 2020

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF THE FAUJI FERTILIZER BIN QASIM LIMITED

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Fauji Fertilizer Bin Qasim Limited (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. This matter was 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 this matter.

Following is the key audit matter:

Key audit matter	How the matter was addressed in our audit
Investments in Fauji Meat Limited and Fauji Foods Limited – subsidiary companies	
The Company has gross equity investment in Fauji Meat Limited (FML) and Fauji Foods Limited (FFL) amounting to Rs. 6,885 million (including Rs. 3,135 million invested during the year) and Rs., 4,673 million, respectively, as at 31 December 2019. These represent 90.18% and 50.59% shareholding in FML and FFL, respectively. Furthermore, sub-ordinated long-term loans amounting to Rs. 500 million and Rs. 2,630 million, to FML and FFL, respectively, are outstanding at 31 December 2019. FML has consistently incurred losses since inception in 2016. As at 31 December 2019, the accumulated losses of FML, as disclosed in its financial statements, amounted to Rs. 5,544 million. FFL, a company listed with Pakistan Stock Exchange, wherein the Company made its initial investment in 2015, has also been consistently incurring losses, since 2013.	The following procedures were performed: • Assessed that whether the respective value in use models were in accordance with the requirements of IAS 36. • Assessed the cash flow forecasts, approved by the Board of Directors of FML and FFL, taking into account our knowledge of the businesses and comparing the cash flow forecasts to externally available industry, economic and financial data.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the accumulated losses of FFL, as disclosed in its financial statements, amounted to Rs. 12,197 million. As at 31 December 2019, FFL's quoted share price was Rs. 14.47/ share; consistently trading at share price below the Company's average cost of investment per share of 17.48 since 8 May 2019. These and other factors indicated that the Company's investments in FML and FFL might be impaired. As a result, in accordance with the requirements of IAS 36, the Company performed impairment assessments by comparing the carrying value of the Company's investment in FML and FFL to their recoverable amount to determine whether an impairment was required to be recognized. The Company also carried out assessment of Expected Credit Losses on the sub-ordinated loans and unutilized facility. Management used a discounted cash flow models to determine the value in use of FML and FFL. Following key assumptions were used as basis to determine the respective value in use: • Sales growth rate; • Operating margin; • Long-term market growth-rate; and • Discount rate For its equity investment in FFL, the Company also calculated its fair value less cost to sell. Management concluded that the Company's equity investment in FML, as of 31 December 2019, was impaired and has accordingly recognized an impairment charge amounting to Rs. 1,100 million, being the difference between the carrying value and value in use. Management also concluded that the Company's equity investment in FFL, as of 31 December 2019, was impaired and has accordingly recognized an impairment charge amounting to Rs. 420 million, being the difference between the carrying value and value in use. Changes in above mentioned assumptions can lead to significant changes in the assessment of the recoverable amounts. Accordingly, we consider this as a key audit matter due to the level of judgment required to estimate the recoverable amount. Refer to notes 13.3.1 and 13.3.4 of the accompanying financial statements, for a discussion on the matter by management.	• Involved our Valuation Specialists to assess the appropriateness of the management's assumptions. Analyzed the Company's sensitivity analysis in main areas being the sales growth, operating margin, discount rate and long-term market growth-rate assumptions. • Obtained corroborating evidence regarding the cash flow forecasts by comparing the managements' forecasts for current year with actual results. • Assessed the timing of re-payment/ adjustment of sub-ordinated loans incorporated into the discounted cash flow models. • Reviewed the financial statement disclosures for compliance with International Financial Reporting Standards.

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional 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, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

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

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

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants

Place: Islamabad

Date: 31 January 2020

STATEMENT OF **FINANCIAL POSITION**

AS AT DECEMBER 31, 2019

	Note	2019	2018
		(Rupees '000)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	**4**	**9,341,100**	9,341,100
Capital reserve	**5**	**228,350**	228,350
Revenue reserve			
Accumulated (loss) / profit		**(2,735,489)**	4,328,006
		6,833,961	13,897,456
NON-CURRENT LIABILITIES			
Long-term loans	**6**	**13,791,667**	16,083,333
Deferred liabilities	**7**	**1,578,651**	948,917
		15,370,318	17,032,250
CURRENT LIABILITIES			
Trade and other payables	**8**	**34,993,385**	29,825,284
Advances from customers		**83,309**	-
Unpaid dividend		**10,954**	10,784
Unclaimed dividend		**118,640**	117,530
Accrued interest	**9**	**962,251**	442,183
Short-term borrowings	**10**	**28,227,084**	13,913,497
Current portion of long-term loans	**6**	**4,566,667**	5,125,000
		68,962,290	49,434,278
		91,166,569	80,363,984
CONTINGENCIES AND COMMITMENTS	**11**		

The annexed notes, from 1 to 36, form an integral part of these financial statements.

	Note	2019	2018
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**12**	**10,427,911**	9,747,537
Long-term investments	**13**	**26,179,751**	24,564,751
Long-term loans	**14**	**3,130,000**	2,400,000
Long-term advances		**18,385**	102,055
Long-term deposits		**78,643**	78,643
		39,834,690	36,892,986
CURRENT ASSETS			
Stores and spares	**15**	**2,988,584**	2,721,558
Stock-in-trade	**16**	**14,756,054**	5,654,660
Trade debts	**17**	**8,606,885**	5,719,424
Advances	**18**	**923,231**	1,458,474
Trade deposits and short-term prepayments	**19**	**132,688**	48,492
Interest accrued		**247,867**	55,153
Other receivables	**20**	**6,004,866**	5,696,734
Income tax refundable - net		**2,651,366**	2,953,868
Sales tax refundable		**8,716,968**	4,537,400
Short-term investments	**21**	**1,009,029**	10,935,646
Cash and bank balances	**22**	**5,294,341**	3,689,589
		51,331,879	43,470,998
		91,166,569	80,363,984

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

STATEMENT OF **PROFIT OR LOSS**

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		(Rupees '000)	
Sales - net	**23**	**66,839,286**	61,510,528
Cost of sales	**24**	**(60,954,649)**	(53,327,113)
GROSS PROFIT		**5,884,637**	8,183,415
Selling and distribution expenses	**25**	**(5,345,447)**	(4,525,306)
Administrative expenses	**26**	**(1,421,843)**	(1,548,730)
		(6,767,290)	(6,074,036)
		(882,653)	2,109,379
Finance cost	**27**	**(5,198,681)**	(2,222,874)
Other expenses	**28**	**(2,157,818)**	(1,259,030)
Other income	**29**	**4,370,245**	3,181,634
(LOSS) / PROFIT BEFORE TAXATION		**(3,868,907)**	1,809,109
Taxation	**30**	**(2,051,838)**	(372,577)
(LOSS) / PROFIT FOR THE YEAR		**(5,920,745)**	1,436,532
(Loss) / earnings per share - basic and diluted (Rupees)	**31**	**(6.34)**	1.54

The annexed notes, from 1 to 36, form an integral part of these financial statements.

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

STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		(Rupees '000)	
(LOSS) / PROFIT FOR THE YEAR		**(5,920,745)**	1,436,532
Other comprehensive (loss) / income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post employment benefits obligation	**8.4.5**	**(208,640)**	10,869
TOTAL COMPREHENSIVE (LOSS) / INCOME		**(6,129,385)**	1,447,401

The annexed notes, from 1 to 36, form an integral part of these financial statements.

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

STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital	Capital reserve	Accumulated profit / (loss)	Total
		(Rupees ' 000)		
Balance as at January 01, 2018	9,341,100	228,350	3,581,188	13,150,638
Total comprehensive income				
Profit for the year	-	-	1,436,532	1,436,532
Other comprehensive income	-	-	10,869	10,869
Total comprehensive income for the year	-	-	1,447,401	1,447,401
Transactions with owners recorded directly in equity				
Distribution to owners				
Final dividend 2017 (Re. 0.75 per ordinary share)	-	-	(700,583)	(700,583)
Balance as at December 31, 2018	9,341,100	228,350	4,328,006	13,897,456
Balance as at January 01, 2019	**9,341,100**	**228,350**	**4,328,006**	**13,897,456**
Total comprehensive loss				
Loss for the year	**-**	**-**	**(5,920,745)**	**(5,920,745)**
Other comprehensive loss	**-**	**-**	**(208,640)**	**(208,640)**
Total comprehensive loss for the year	**-**	**-**	**(6,129,385)**	**(6,129,385)**
Transactions with owners recorded directly in equity				
Distribution to owners				
Final dividend 2018 (Re. 1 per ordinary share)	**-**	**-**	**(934,110)**	**(934,110)**
Balance as at December 31, 2019	**9,341,100**	**228,350**	**(2,735,489)**	**6,833,961**

The annexed notes, from 1 to 36, form an integral part of these financial statements.

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

STATEMENT OF **CASH FLOWS**
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operating activities	**32**	**(10,907,995)**	(2,601,608)
Finance costs paid		**(4,678,613)**	(1,953,496)
Taxes paid		**(1,121,370)**	(1,746,203)
Payment to gratuity fund	**8.4.5**	**(77,489)**	(59,851)
Compensated absences paid	**7.1**	**(47,016)**	(59,458)
Payment to Workers' (Profit) Participation Fund	**8.3**	**(10,954)**	(128,328)
Net cash used in operating activities		**(16,843,437)**	(6,548,944)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditures		**(2,359,566)**	(994,327)
Long-term advances		**83,670**	(80,446)
Long-term investments		**-**	(1,500,000)
Proceeds from sale of property, plant and equipment		**50,618**	24,137
Dividend received from related parties		**3,120,071**	1,689,310
Long-term loan received		**-**	33,863
Long-term loan provided		**(3,730,000)**	(2,400,000)
Short-term investments		**5,400,716**	(1,254,982)
Cash dividend on mutual funds		**67,323**	164,778
Profit received on bank balances, term deposits, sub-ordinated loans and guarantee fee		**694,600**	485,238
Net cash generated from / (used in) investing activities		**3,327,432**	(3,832,429)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans - received		**4,275,000**	8,125,000
Long-term loans - repaid		**(7,125,000)**	(5,458,333)
Short-term borrowings - net		**7,949,993**	(565,000)
Dividend paid		**(932,830)**	(702,113)
Net cash generated from financing activities		**4,167,163**	1,399,554
Net decrease in cash and cash equivalents		**(9,348,842)**	(8,981,819)
Cash and cash equivalents at the beginning of the year		**366,092**	9,347,911
Cash and cash equivalents at the end of the year	**22.3**	**(8,982,750)**	366,092

The annexed notes, from 1 to 36, form an integral part of these financial statements.

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

1 STATUS AND NATURE OF BUSINESS

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

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

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

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

2 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 applicable in Pakistan comprise of:

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

- Provisions of and directives issued under the Companies Act , 2017.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and staff gratuity and compensated absences which are carried at present value of defined benefit obligation net of fair value of any related plan asset.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and judgements

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

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

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

2.4.1 Staff retirement gratuity (note 8.4)

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

2.4.2 Property, plant and equipment (note 12)

The Company reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

2.4.3 Provision for inventory obsolescence (notes 15 and 16)

The Company reviews the carrying amount of stock in trade, stores and spares on an annual basis, and as appropriate, inventory is written down to its net realizable value, or a provision is made for obsolescence if there is any change in the usage pattern and physical form of related inventory. Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.4.4 Provision for expected credit losses (ECL) of trade debts and other receivable (notes 17 and 20)

The Company uses a provision matrix to calculate ECLs for trade debts. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company’s historical default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in economic conditions. The Company’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Company’s trade debts is disclosed in Note 34.2.

The measurement of impairment losses under IFRS 9 for financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the Company's calculation of ECL that are considered accounting judgements and estimates include:

- The Company’s criteria for assessing if there is a significant increase in credit risk and allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment; and
- Selection of forward-looking multiple scenarios and their probability weightings, to calculate the amount of ECL.

It is the Company's policy to regularly review its basis of calculations in the context of actual loss experience and adjust when necessary.

2.4.5 Taxation (note 7 and 30)

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

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

2.4.6 Contingencies (note 11)

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

2.4.7 Impairment of non-financial assets

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

2.4.8 Impairment of long-term equity investments and loans (note 13 and 14)

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

The information about impairment charge on the Company's long-term equity investments is disclosed in note 13.

2.4.9 Disclosure related to IFRS 16 "Lease"

As discussed in note 3.4, the Securities and Exchange Commission of Pakistan (SECP) has granted an exemption from the requirements of International Financial Reporting Standard (IFRS) - 16 "Leases" to all companies that have executed their power purchase agreement before 2019. Accordingly the Company does not apply lease accounting to it's agreements with FFBL Power Company Limited (FPCL). It is, however, mandatory to disclose the financial effect of the exemption on each item in the financial statements that would have been reported in complying with the requirements of IFRS - 16. Accordingly, to estimate the impact, the Company has to determine the interest rate inherent in the arrangement, present value of lease obligation, the useful lives of the plants and the impact of any shortfall in the capacity made available to the Company, during the period, by FPCL.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Employees' benefits

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

Provident fund - Defined contribution scheme

The Company operates a defined contributory provident fund for all its permanent employees. The fund is administered by trustees. Monthly contributions are made to the fund both by the Company and employees at the rate of 10% of basic pay. The employees of the Company have an option to deposit extra contribution, of 5% or 10% of basic pay, to the fund. The Company's contribution is charged to income for the year.

Gratuity fund - Defined benefit scheme

The Company operates a funded gratuity scheme for all employees who complete the qualifying period of service and age. The Fund is administered by trustees. Contributions to the fund are made on the basis of actuarial valuations, using the Projected Unit Credit Method, related details of which are given in note 8.4. Amounts determined by the actuary as charge for the year are included in the income for the year.

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

Compensated absences

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

3.2 Taxation

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

Current

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

Deferred

Deferred tax is calculated using balance sheet method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different 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.

3.3 Fixed assets

Property, plant and equipment

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in statement of profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in statement of profit or loss as incurred.

Depreciation is calculated on the straight line method and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 12. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

3.4 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, unless the lease term is 1 year or less or the lease contains a low-value asset.

Right of use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Through S.R.O No. 986(I)/2019, dated September 02, 2019, the SECP, however, has granted an exemption from the requirements of International Financial Reporting Standard (IFRS) - 16 "Leases" to all companies that have executed their power purchase agreement before 2019. Accordingly the Company does not apply lease accounting to it's agreements with FFBL Power Company Limited (FPCL). It is, however, mandatory to disclose the financial effect of the exemption on each item in the financial statements that would have been reported in complying with the requirements of IFRs. - 16.

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

Under a separate Steam Purchase Agreement (SPA), dated April 15, 2016, FPCL has also agreed to provide, on an exclusive basis, 211.30 MTPH steam for 30 years, from two of its Steam Turbines. As a consideration, the Company is liable to pay Capacity Price and Steam Price. The Company has assessed that the exemption available to power purchase agreement under the above mentioned SRO is also applicable to its steam purchase agreement as the term "Power" includes steam.

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

Under IFRS - 16, the lease payments required to be made by lessee for the right to use the asset is to be accounted for as finance lease under IAS - 17 "Leases". Had the standard been applied, following adjustments to statement of profit or loss and statement of financial position would have been made:

	2019 **(Rupees '000)**
Decrease in cost of sales	**6,343,350**
Increase in depreciation	**(571,705)**
Increase in finance cost	**(5,077,074)**
Net increase in cost	**694,571**
Decrease in profit for the year	**694,571**
Increase in right to use of assets	**15,626,603**
Increase in lease obligation	**19,836,960**

Lease Liability

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

3.5 Borrowing costs

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

3.6 Investments

3.6.1 Investments in subsidiaries

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

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

3.6.2 Investments in associates

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

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

3.6.3 Investments in joint ventures

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

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

3.7 Impairment of non-financial assets

Non-financial assets

The carrying amounts of non-financial assets other than stores and spares, stock-in-trade and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss.

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

3.8 Stores and spares

Stores and spares are valued at lower of weighted average cost and net realizable value.

For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores spares on regular basis and provision is made for obsolescence.

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

3.9 Stock in trade

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

Cost is determined as follows:

- Raw materials	at weighted average purchase cost and directly attributable expenses.
- Work-in-process and finished goods	at weighted average cost of raw materials and related manufacturing expenses.

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

3.10 Trade and other payables

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

3.11 Contract Balances

Contract assets and Contract liabilities

A contract asset is the right to consideration in exchange for goods transferred to the customer, when the right is conditioned on something other than the passage of time. Contract asset are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in note 3.12.

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related good. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e., transfers control of the related goods to the customer).

Trade debt

A trade debt is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 3.12.

3.12 Financial instruments

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 3.18 "Revenue recognition".

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade debts, deposits, loan to subsidiaries, interest accrued, loan and advances to employees, short-term investments and other receivables.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not carry debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any investment in equity instrument carried at fair value at OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Company's financial asset at fair value through profit or loss consists of its investment in mutual funds.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company’s statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(d) Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade debts, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At each reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers whether there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the Company's policy to measure ECLs on investment at fair value through OCI on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external credit agencies, both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in note 34.2.

Financial liability

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, long-term financing, accrued mark-up, unpaid and unclaimed dividend payable and short-term borrowings.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at 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 at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments, if any, entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

(c) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Off-setting of financial assets and liabilities

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

3.13 Cash and cash equivalents

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

3.14 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the statement of profit or loss over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 3.5.

3.15 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.16 Dividends

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

3.17 Foreign currency

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Exchange differences are included in profit or loss for the year.

3.18 Revenue recognition

The entity is in the business of manufacturing of fertilizer products. Revenue from contract with customer is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled for those goods. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Revenue from sale of fertilizer is recognized at a point in time, when the control of the asset is transferred to the customer, generally on the dispatch of the goods to the customer except for direct sales wherein the control is transferred upon delivery to customer. The Company's credit sales normally carry credit term of 30 days to 180 days and is secured against bank guarantee. The Company's remaining sales are against advance payment by its customers.

In determining the transaction price for the sale of fertilizer, the Company considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer, if any.

(i) Post-sales incentives

These post-sales incentives are based on monthly volume of purchases made by individual customers and is settled in cash, within 30 days of the month it relates to. Accordingly, no estimation uncertainty arises and the amount of payable is set off against the related trade debts.

(ii) Financing component

The Company allows credit period of 30 days to 180 days to its certain customers, for the sale of fertilizer, against a credit charge determined based upon volume of sales and period of credit. There is a financing component for these contracts considering the prevailing interest rate in the market.

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

3.19 Basis of allocation of common expenses

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

3.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company, by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.21 Finance income and finance costs

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

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

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

3.22 AMMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard and IFRIC		**Effective date (annual periods beginning on or after)**
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	January 01, 2020
IFRS 3	Business Combinations - Definition of a Business (amendments)	January 01, 2020
IFRS 7 & IFRS 9	Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)	January 01, 2020
IFRS 14	Regulatory Deferral Accounts - Original issue	July 01, 2019
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

The Company expects that the adoption of the above standards and amendments will have no material effect on the Company’s financial statements.

In addition to the above new standards and amendments to standards, improvements to various accounting standards have also been issued by the IASB in March 2018. Such improvements are generally effective for accounting periods beginning on or after January 01, 2020. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

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

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

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

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

IAS 19	Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments)	January 01, 2019
IFRS 9	Financial Instruments: Classification and Measurement	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatment	January 01, 2019

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the financial statements, except for changes introduced by IFRS 15, IFRS 16 and IFRS 9.

The Company applied IFRS 15, IFRS 16 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 01, 2019. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at that date. The Company applied this standard to contracts that are not completed as at January 01, 2019.

The cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of unappropriated profit. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at January 01, 2019 was, as follows:

	(Rupees '000)
Liabilities	
Trade and other payables	**(747,691)**
Advances from customers	**747,691**

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2019 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on statement of profit or loss, OCI or the Company's operating, investing and financing cash flows.

	Amounts prepared under		Increase / (decrease)
	IFRS 15	IAS 18	
	(Rupees '000)		
Liabilities			
Trade and other payables	**34,993,385**	**35,076,694**	**(83,309)**
Advances from customers	**83,309**	**-**	**83,309**

The nature of the adjustment as at January 01, 2019 and the reason for the significant change in the statement of financial position as at December 31, 2019 are described below:

(i) Direct sales to customers

As the impact of above change was insignificant on unappropriated profit as at January 01, 2019, no adjustment was recognized in the financial statements. Further, the Company reclassified advance received from customers, before delivery of fertilizer goods, from Trade and other payables to Advance from customers, by Rs. 747.69 million.

(ii) Other adjustments

In addition to the adjustments described above, other item of the primary financial statements such as Income tax refundable and unappropriated loss were adjusted as necessary.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for periods ending on or after June 30, 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9, with an initial application date of January 1, 2019. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 is instead required to be recognized directly in "Unappropriated profit". The effect of adopting IFRS 9 as at January 1, 2019 was, however, insignificant and accordingly has not been incorporated in the financial statements.

The nature of these adjustments are described below:

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI.

The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, January 1, 2019. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The following are the changes in the classification of the Company's financial assets:

Trade debts and other non-current and current financial assets (i.e., deposits, loans/ advances, other receivable and short-term investments) classified as Loans and receivables as at December 31, 2018 were held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2019.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at January 1, 2019.

		IFRS 9 measurement category	
	Carrying value	Fair value through profit or loss	Amortized cost
		(Rupees '000)	
IAS 39 measurement category			
Loans and receivables			
Long-term loans	**2,400,000**	-	**2,400,000**
Trade debts	**5,719,424**	-	**5,719,424**
Deposits	**95,099**	-	**95,099**
Advances	**86,566**	-	**86,566**
Interest accrued	**55,153**	-	**55,153**
Other receivables	**5,893,686**	-	**5,893,686**
Short-term investments	**5,590,000**	-	**5,590,000**
Fair value through profit or loss			
Short-term investments	**5,345,646**	**5,345,646**	-

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9, the Company would have been required to recognize additional impairment on the Company's financial assets, however, as the impact was insignificant the Unappropriated profit as at January 01, 2019 have not been adjusted.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

As disclosed in note 3.4, the Company is availing exemption, granted by SECP, from applying IFRS 16 to its only significant lease arrangement, i.e. PPA with FPCL. Accordingly, as of January 01, 2019, IFRS 16 does not have an impact on the Company, where it is a lessee.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

In addition to the above amendments, improvements to the following accounting standard (under the annual improvements 2015 - 2017 cycle) has also been adopted:

IFRS 3 & 11	Business combination and Joint arrangements - Clarification that an entity remeasure previously held interest in business that is joint operation, when an entity obtains control, whereas when entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest.
IAS 12	Income taxes - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
IAS 23	Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

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

		2019	2018
		(Rupees '000)	
4	**SHARE CAPITAL**		
4.1	**AUTHORIZED SHARE CAPITAL**		
	1,100,000,000 (2018: 1,100,000,000) Ordinary shares of Rs. 10 each	**11,000,000**	11,000,000
4.2	**ISSUED, SUBSCRIBED AND PAID - UP CAPITAL**		
	934,110,000 (2018: 934,110,000) Ordinary shares of Rs. 10 each issued for cash	**9,341,100**	9,341,100

4.3 Fauji Fertilizer Company Limited (FFCL) and Fauji Foundation (FF) held 465,891,896 and 170,842,386 (2018: 465,891,896 and 170,842,386) Ordinary shares, respectively, of the Company at the year end.

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

		2019	2018
		(Rupees '000)	
5	**CAPITAL RESERVE**	**228,350**	228,350

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

		Note	2019	2018
			(Rupees '000)	
6	**LONG-TERM LOANS**			
	LOANS FROM BANKING COMPANIES - SECURED			
	Related party			
	Askari Bank Limited	**6.1**	**500,000**	500,000
	Others			
	Habib Bank Limited		**1,333,334**	2,000,000
	United Bank Limited		**1,333,334**	2,000,000
	National Bank of Pakistan		**2,000,000**	2,000,000
	MCB Bank Limited		**8,750,000**	6,500,000
	Allied Bank Limited		**3,775,000**	4,875,000
	Bank Alfalah Limited		**-**	333,333
	Bank Al-Habib Limited		**666,666**	1,000,000
	Meezan Bank Limited	**6.3**	**-**	2,000,000
			17,858,334	20,708,333
			18,358,334	21,208,333
	Less: Current portion shown under current liabilities		**(4,566,667)**	(5,125,000)
			13,791,667	16,083,333

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

6.2 Terms and Conditions of these loans are as follows:

Lenders	Mark-up Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
Askari Bank Limited	6 Month KIBOR + 0.50	6 Half Yearly	September, 2020	March, 2023
Habib Bank Limited	3 Month KIBOR + 0.55	12 Quarterly	March, 2019	December, 2021
United Bank Limited	6 Month KIBOR + 0.55	6 Half Yearly	March, 2019	September, 2021
National Bank of Pakistan	3 Month KIBOR + 0.50	12 Quarterly	March, 2020	December, 2022
MCB Bank Limited	3 Month KIBOR + 0.55	12 Quarterly	December, 2018	September, 2021
	3 Month KIBOR + 0.55	12 Quarterly	July, 2020	April, 2023
	3 Month KIBOR + 0.85	12 Quarterly	June, 2021	March, 2024
Allied Bank Limited	3 Month KIBOR + 0.50	12 Quarterly	December, 2018	September, 2021
	6 Month KIBOR + 0.60	6 Half Yearly	June, 2021	December, 2023
	3 Month KIBOR + 0.50	12 Quarterly	September, 2020	June, 2023
Bank Al-Habib Limited	3 Month KIBOR + 0.50	12 Quarterly	February, 2019	November, 2021

These are secured against ranking charges over fixed and current assets of the Company and carry mark-up at rates ranging from 14.05 % to 14.45% per annum (2018: 8.77% to 11.39% per annum).

6.3 During the year, the Company repaid the facility early, which was due to be settled in April 2020.

		Note	2019	2018
			(Rupees '000)	
7	**DEFERRED LIABILITIES**			
	Compensated leave absences	**7.1**	**556,737**	554,969
	Deferred tax	**7.2**	**1,021,914**	393,948
			1,578,651	948,917
7.1	**Compensated leave absences**			
	The movement in the present value of compensated leave absences is as follows:			
	Balance at beginning of the year		**554,969**	524,302
	Expense for the year	**7.1.1**	**48,784**	90,125
	Benefits paid during the year	**7.1.1**	**(47,016)**	(59,458)
			556,737	554,969

		2019	2018
		(Rupees '000)	
	The main assumptions used for actuarial valuation are as follows:		
	Discount rate - per annum	**13.75%**	13.75%
	Expected rate of increase in salaries - per annum	**11.25%**	11.75%
	Leave accumulation factor (average) - days	**15.33**	16.66
	Mortality table	**SLIC-2001-2005**	SLIC-2001-2005
	Withdrawal factor	**Age-Based**	Low

7.1.1 Net of amount charged and recovered from subsidiaries, amounting to Rs. Nil (2018: Rs. 662 thousand).

		Note	2019	2018
			(Rupees '000)	
7.2	**The balance of deferred tax is in respect of the following major (deductible)/ taxable temporary differences:**			
	Accelerated tax depreciation		**1,511,560**	1,475,550
	Provision for inventory obsolescence		**(38,003)**	(44,671)
	Provision against doubtful other receivables		**(57,116)**	(53,177)
	Unabsorbed depreciation		**(394,527)**	-
	Minimum tax	**7.2.1**	**-**	(983,754)
		7.2.2	**1,021,914**	393,948

7.2.1 As a matter of prudence, the Company has not recognized deferred tax asset against tax credit available for minimum tax u/s 113 of Income Tax Ordinance 2001, amounting to Rs. 1,986,343 thousand and business tax losses and impairment of Rs. 4,681,693 thousand. The tax credit against minimum tax will expire in tax years 2022 to 2025, whereas business tax losses will expire in year 2026.

		Note	2019	2018
			(Rupees '000)	
7.2.2	**The movement of deferred tax during the current year is as follows:**			
	Balance at beginning of the year		**393,948**	(1,322,118)
	Charge for the year		**627,966**	1,716,066
			1,021,914	393,948
8	**TRADE AND OTHER PAYABLES**			
	Creditors	**8.1**	**30,987,333**	25,375,179
	Accrued liabilities	**8.2**	**2,832,505**	2,791,720
	Advances from customers		**-**	747,691
	Workers' (Profit) Participation Fund	**8.3**	**-**	10,954
	Payable to gratuity fund	**8.4**	**278,413**	82,607
	Payable to provident fund		**77**	56
	Workers' Welfare Fund		**561,622**	561,622
	Security deposits	**8.5**	**20,902**	8,865
	Other payables		**312,533**	246,590
			34,993,385	29,825,284

8.1 Creditors include payables to related parties amounting to Rs. 7,468,258 thousands (2018: 8,064,048 thousand) against purchase of raw material, steam and power. They also include Rs. 22,200,509 thousand (2018: 16,435,923 thousand) on account of Gas Infrastructure Development Cess (GIDC).

8.2 This also includes a payable for ex-gratia to employees of the Company, amounting to Rs. 486,000 thousand .

		Note	2019	2018
			(Rupees '000)	
8.3	**Workers' (Profit) Participation Fund**			
	Balance at beginning of the year		**10,954**	43,328
	Provision for the year	**28**	**-**	95,954
			10,954	139,282
	Payment made during the year		**(10,954)**	(128,328)
			-	10,954

8.4 **Gratuity Fund**

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

		2019	2018
		(Rupees '000)	
8.4.1	**The amount recognized in the statement of financial position is as follow:**		
	Present value of defined benefit obligation	**895,981**	859,021
	Fair value of plan assets	**(617,568)**	(776,414)
	Deficit	**278,413**	82,607
8.4.2	**The movement in the present value of defined benefit obligation is as follows:**		
	Defined benefit obligation at beginning of the year	**859,021**	800,650
	Current service cost	**60,514**	72,313
	Interest cost	**109,222**	70,273
	Benefits paid during the year	**(44,184)**	(81,889)
	Actuarial gain	**(88,592)**	(2,326)
	Present value of defined benefit obligation at end of the year	**895,981**	859,021
8.4.3	**The movement in fair value of plan assets is as follows:**		
	Fair value of plan assets at beginning of the year	**776,414**	723,161
	Interest income	**105,081**	65,912
	Contributions	**77,489**	60,687
	Benefits paid during the year	**(44,184)**	(81,889)
	Return on plan assets excluding those included in interest income	**(297,232)**	8,543
	Fair value of plan assets at end of the year	**617,568**	776,414

		Note	2019	2018
			(Rupees '000)	
8.4.4	**Plan assets comprise of:**			
	Investment in listed securities		**328,874**	370,736
	Investment in mutual funds		**-**	136,960
	Investment in term deposit receipts		**-**	182,034
	Cash and bank balances		**288,694**	86,684
			617,568	776,414
	Actual return on plan assets		**(192,151)**	74,455
	Contributions expected to be paid to the plan during the next financial year		**74,796**	65,411
8.4.5	**Movement in liability recognized in the statement of financial position:**			
	Opening liability		**82,607**	77,489
	Expense for the year	8.4.5.1	**64,655**	75,838
	Other comprehensive loss / (income)		**208,640**	(10,869)
	Contributions	8.4.5.1	**(77,489)**	(59,851)
			278,413	82,607

8.4.5.1 Net of amount charged and recovered from subsidiaries, amounting to Rs. Nil (2018: Rs. 836 thousand).

		2019	2018
		(Rupees '000)	
8.4.6	**Amount recognized in the profit or loss is as follows:**		
	Current service cost	**60,514**	71,477
	Net interest	**4,141**	4,361
		64,655	75,838
8.4.7	**The expense is recognized in the following line items in the profit or loss:**		
	Cost of sales	**49,095**	57,349
	Administrative expenses	**15,560**	18,489
		64,655	75,838

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

	2019	2018	2017	2016	2015
			(Rupees '000)		
Present value of defined benefit obligation	**895,981**	859,021	800,650	778,609	666,607
Fair value of plan assets	**(617,568)**	(776,414)	(723,161)	(642,738)	(382,041)
Deficit	**278,413**	82,607	77,489	135,871	284,566

	2019	2018	2017	2016	2015
			(Rupees '000)		
Experience adjustments					
- Remeasurement gain / (loss) on obligation	**88,592**	2,326	10,959	(14,757)	(16,771)
- Remeasurement (loss) / gain on plan asset	**(297,232)**	8,543	(61,239)	1,536	(33,107)

8.4.9 Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2019 are as follows:

	2019	2018
Discount rate	**11.25%**	13.25%
Expected rate of salary growth	**11.25%**	11.25%
Mortality rate	**SLIC-2001-2005**	SLIC-2001-2005
Withdrawal factor	**Low**	Low
Average duration of defined benefit obligation	**9.87 years**	9.86 years

8.4.10 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent.

	Defined benefit obligation	
	1 percent increase	1 percent decrease
8.4.11 Effect in millions of Rupees		
Discount rate	**(792)**	**965**
Rate of salary growth	**968**	**(788)**

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

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2019 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

8.5 It includes security deposits received from Askari Bank Limited, a related party, amounting to Rs. Nil (2018: Rs. 3,600 thousand). The security deposits are not for the purpose of goods / services to be delivered / provided and have not been utilized for the purpose of business.

	2019	2018
	(Rupees '000)	
9 ACCRUED INTEREST		
Long-term loans	**283,630**	261,642
Short-term borrowings - demand finance	**198,773**	59,226
Short-term borrowings - running finance	**479,848**	121,315
	962,251	442,183

		2019	2018
		(Rupees '000)	
10	**SHORT-TERM BORROWINGS**		
	From banking companies and financial institutions - secured:		
	Demand Finance	**12,949,993**	5,000,000
	Running Finance	**15,277,091**	8,913,497
		28,227,084	13,913,497

The Company has arranged short-term facilities from various banks on a mark-up basis with limits aggregating to Rs. 28,360,000 thousand (2018: Rs. 21,320,000 thousand). These facilities carry mark-up ranging from 13.74% to 14.86% per annum (2018: 8.52% to 11.04% per annum) and are secured by a hypothecation charge on fixed and current assets of the Company.

		2019	2018
		(Rupees '000)	
11	**CONTINGENCIES AND COMMITMENTS**		
11.1	**Contingencies**		
11.1.1	Guarantees issued by banks on behalf of the Company	**53,409**	59,188

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

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

Since one ECA is yet to release HBL from its responsibility as guarantor, therefore the charge related to the portion of the said guarantee on the assets of the Company, has not been vacated up to December 31, 2019. The Company is making efforts in getting this guarantee released.

		2019	2018
		(Rupees '000)	
11.2	**Commitments**		
	i) Capital expenditures - contracted	**400,541**	1,727,516
	ii) Letters of credit for purchase of raw materials and stores and spares	**763,244**	812,323

12 PROPERTY, PLANT AND EQUIPMENT

	PROPERTY, PLANT AND EQUIPMENT												
	Leasehold land	Freehold land	Building on freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work-in-progress	Total
	(Rupees, 000)												
COST													
Balance as at January 01, 2018	200,095	120,000	997,882	2,160,382	24,996,219	104,097	453,252	526,633	344,204	2,323	419,022	291,111	30,615,220
Additions during the year	-	-	-	886	-	-	127,123	9,139	23,230	-	-	833,949	994,327
Disposals	-	-	-	-	(12,589)	-	(61,061)	(85)	(334)	-	-	-	(74,069)
Transfers	-	-	48,828	65,651	503,514	4,286	-	65,553	196	83	-	(688,111)	-
Balance as December 31, 2018	200,095	120,000	1,046,710	2,226,919	25,487,144	108,383	519,314	601,240	367,296	2,406	419,022	436,949	31,535,478
Balance as at January 01, 2019	**200,095**	**120,000**	**1,046,710**	**2,226,919**	**25,487,144**	**108,383**	**519,314**	**601,240**	**367,296**	**2,406**	**419,022**	**436,949**	**31,535,478**
Additions during the year *	**-**	**-**	**711**	**342,457**	**1,594,895**	**13,729**	**91,986**	**198,369**	**15,250**	**-**	**-**	**102,169**	**2,359,566**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(122,336)**	**-**	**(256)**	**-**	**-**	**-**	**(122,592)**
Transfers	**-**	**-**	**-**	**71,541**	**267,244**	**-**	**-**	**13,182**	**-**	**-**	**-**	**(351,967)**	**-**
Balance as at December 31, 2019	**200,095**	**120,000**	**1,047,421**	**2,640,917**	**27,349,283**	**122,112**	**488,964**	**812,791**	**382,290**	**2,406**	**419,022**	**187,151**	**33,772,452**
DEPRECIATION													
Balance as at January 01, 2018	88,057	-	42,691	900,588	18,099,529	25,021	269,645	165,948	252,713	2,137	363,720	-	20,210,049
Charge for the year	3,678	-	30,075	65,070	1,256,349	10,497	93,536	77,041	57,137	62	40,280	-	1,633,725
Disposals	-	-	-	-	(6,137)	-	(49,425)	(31)	(240)	-	-	-	(55,833)
Balance as December 31, 2018	91,735	-	72,766	965,658	19,349,741	35,518	313,756	242,958	309,610	2,199	404,000	-	21,787,941
Balance as at January 01, 2019	**91,735**	**-**	**72,766**	**965,658**	**19,349,741**	**35,518**	**313,756**	**242,958**	**309,610**	**2,199**	**404,000**	**-**	**21,787,941**
Charge for the year	**3,640**	**-**	**31,532**	**67,880**	**1,306,852**	**10,740**	**93,295**	**98,811**	**39,642**	**81**	**15,022**	**-**	**1,667,495**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(110,721)**	**-**	**(174)**	**-**	**-**	**-**	**(110,895)**
Balance as at December 31, 2019	**95,375**	-	**104,298**	**1,033,538**	**20,656,593**	**46,258**	**296,330**	**341,769**	**349,078**	**2,280**	**419,022**	-	**23,344,541**
Written down value - 2018	108,360	120,000	973,944	1,261,261	6,137,403	72,865	205,558	358,282	57,686	207	15,022	436,949	9,747,537
Written down value - 2019	**104,720**	**120,000**	**943,123**	**1,607,379**	**6,692,690**	**75,854**	**192,634**	**471,022**	**33,212**	**126**	**-**	**187,151**	**10,427,911**
Rate of depreciation	**2% to 4%**	**-**	**3%**	**3%**	**5%**	**10%**	**20% to 33%**	**15%**	**33% to 50%**	**30%**	**17% to 50%**	-	-

* Addition during the year includes borrowing cost of Rs. 101,394 thousand (2018: Nil) in respect of qualifying plant and machinery at the capitalization rate of 12.19%.

		Note	2019	2018
			(Rupees '000)	
12.1	**Capital work-in-progress**			
	This is made up as follows:			
	Plant and machinery		**83,865**	280,427
	Catalyst		**88,723**	84,681
	Others		**14,563**	71,841
			187,151	436,949
12.2	**Depreciation charge has been allocated as follows:**			
	Cost of sales	24	**1,485,966**	1,424,339
	Administrative expenses	26	**181,529**	209,386
			1,667,495	1,633,725

12.3 Details of property, plant and equipment sold:

	Sold to	Cost	Book value	Sale proceeds	Gain / (loss)
			(Rupees '000)		
Vehicles - as per Company policy to employees					
Toyota Corolla GLI	Lt Col Faheem Ahmed (Retd)	**2,209**	**1,657**	**1,341**	**(316)**
Honda City	Hamza Haroon	**1,702**	**603**	**692**	**89**
Toyota Corolla GLI	Tanweer Alam	**2,208**	**1,518**	**1,657**	**139**
Toyota Corolla GLI	Lt Col Abid Rehman (Retd)	**1,924**	**535**	**422**	**(113)**
Toyota Corolla XLI	Muhammad Ayub Sabir	**2,019**	**1,556**	**1,716**	**160**
Vehicles - as per Company policy through auction		**2,344**	**820**	**1,570**	**750**
Vehicles - at market rate to related parties					
Toyota Corolla GLI	FFBL Power Company Limited	**1,739**	**-**	**1,400**	**1,400**
Toyota Corolla XLI	FFBL Power Company Limited	**1,497**	**-**	**1,200**	**1,200**
Toyota Corolla XLI	FFBL Power Company Limited	**1,558**	**-**	**1,300**	**1,300**
Toyota Corolla XLI	FFBL Power Company Limited	**1,558**	**-**	**1,200**	**1,200**
Honda City	FFBL Power Company Limited	**1,429**	**-**	**1,150**	**1,150**
Honda City	FFBL Power Company Limited	**1,540**	**-**	**1,339**	**1,339**
Computer and ancillary equipments - Insurance claim		**256**	**82**	**81**	**(1)**
Aggregate of items of property, plant and equipment with individual book value below Rs. 500,000		**100,609**	**4,926**	**35,550**	**30,624**
	2019	**122,592**	**11,697**	**50,618**	**38,921**
	2018	74,069	18,236	24,137	5,901

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

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

		Note	2019	2018
			(Rupees '000)	
13	**LONG-TERM INVESTMENTS - AT COST**			
	Joint venture	**13.1**	**1,411,150**	1,411,150
	Associated companies	**13.2**	**7,991,556**	7,991,556
	Subsidiary companies	**13.3**	**16,777,045**	15,162,045
	Other long-term investment	**13.4**	**-**	-
			26,179,751	24,564,751

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

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

There has been no default by PMP against its loans. Further, there has been no litigations against PMP.

PMP has declared dividend amounting to Rs. 746,784 thousand (2018: 812,823 thousand), during the year.

13.2 Associated companies

2019	2018		Note	2019	2018
Number of Shares				(Rupees '000)	
		Quoted			
18,750,000	18,750,000	Fauji Cement Company Limited	**13.2.1**	**300,000**	300,000
271,884,009	271,884,009	Askari Bank Limited	**13.2.2**	**5,230,991**	5,230,991
		Unquoted			
122,587,323	122,587,323	Foundation Wind Energy-I Limited	**13.2.3**	**1,225,873**	1,225,873
123,461,690	12,346,169	Foundation Wind Energy-II Limited	**13.2.4**	**1,234,692**	1,234,692
536,683,022	425,567,501			**7,991,556**	7,991,556

13.2.1 The Company holds a 1.36% equity interest in Fauji Cement Company Limited (FCCL), however, it is concluded that the Company has significant influence due to its representation on the Board of Directors of FCCL. The market value of investment in FCCL as at December 31, 2019 was Rs. 291,750 thousand (2018: Rs. 392,438 thousand). The principal place of business of FCCL is Jhang Bahtar, Tehsil Fateh Jang, District Attock, Punjab.

13.2.2 This represents 21.57% share in the equity of Askari Bank Limited (AKBL) representing 271,884 thousand ordinary shares of Rs. 10 each acquired at an average price of Rs. 19.31 per share. The market value of the investment in AKBL as at December 31, 2019 was Rs. 5,040,730 thousand (2018: Rs. 6,503,465 thousand). The head office of AKBL is situated at AWT Plaza , P.O BOX 1084, Rawalpindi.

13.2.3 This represents an investment made in Foundation Wind Energy-I Limited (FWEL-I), a company established for setting up and operating a 49.5 MW wind power plant. Pursuant to a Share Holders Agreement, dated March 08, 2011, the Company holds 35% shareholding. The break-up value of shares based on unaudited financial information for the period ended September 30, 2019 is Rs. 23.17 per share (2018: Rs. 19.01 per share). FWEL-I achieved the Commercial Operation Date in April, 2015. The principal place of business of FWEL-I is Gharo, District Thatta, Sindh.

13.2.4 This represents an investment made in Foundation Wind Energy-II Limited (FWEL-II), a company established for setting up and operating a 49.5 MW wind power plant. Pursuant to a Share Holders Agreement, dated March 08, 2011, the Company holds 35% shareholding. During the year, FWEL-II has converted from a private limited company to public limited company and change its face value of shares from Rs. 100 per share to Rs. 10 per share resulted in increase in total number of shares (from 35,276,902 shares to 352,769,020 shares), without affecting the rights and privileges of its individual shareholders. The break up value of shares based on unaudited financial information for the period ended September 30, 2019 is Rs. 22.93 per share (2018: Rs. 193.38 per share). FWEL-II achieved a Commercial Operation Date in December, 2014. The principal place of business of FWEL-II is Gharo, District Thatta, Sindh.

13.3 Subsidiary companies

2019	2018			2019	2018
Number of Shares			Note	(Rupees '000)	
		Unquoted			
		Fauji Meat Limited			
688,500,000	375,000,000	Gross value	13.3.1	**6,885,000**	3,750,000
		Impairment during the year		**(1,100,000)**	-
				5,785,000	3,750,000
29,851,800	29,851,800	FFBL Foods Limited	13.3.2	**298,518**	298,518
644,062,500	644,062,500	FFBL Power Company Limited	13.3.3	**6,440,625**	6,440,625
		Quoted			
		Fauji Foods Limited			
267,314,886	267,314,886	Gross value	13.3.4	**4,672,902**	4,672,902
		Impairment during the year		**(420,000)**	-
				4,252,902	4,672,902
1,629,729,186	1,316,229,186			**16,777,045**	15,162,045

13.3.1 This represents the Company's investment in 90.18% (2018: 83.33%) equity shares of Fauji Meat Limited (FML). The Company initially acquired 225,000,000 ordinary shares of Rs. 10 each in FML for a total consideration of Rs. 2,250 million, with the further investment of 1,500 million in 2018. The principal objectives of FML are to establish and operate a meat abattoir unit for Halal Slaughtering of animals to obtain meat for local and export sale. FML has commenced its commercial operations during the first quarter of 2017. The Company has pledged 51% of shares of FML against a long-term project finance facility. The principal place of business of FML is Deh Kohistan Chak No. 1 Tapo Gharo, Tehsil Mir Pur Sakhro, District Thatta.

During the year, pursuant to approval in Extra Ordinary General Meeting (EOGM) of the Company, held on May 23, 2018, the Company has communicated their intention to exercise their option to convert sub-ordinated loan of Rs. 3,000 million along with related accrued mark-up as of June 30, 2019 amounting to Rs. 135 million to share capital, at face value. FML, pursuant to their EOGM held on August 26, 2019 has issued 313,500,000 shares to the Company.

As at the reporting date, the Company performed an impairment test for it's investment in FML. The Company has determined recoverable amount of FML, based on a value-in-use calculation, which was lower than the carrying amount of the investment in the Company's financial statements, accordingly an impairment charge of Rs. 1,100 million has been recognized in the statement of profit or loss (refer to note 28), due to challenging trading and economic conditions affecting food sector in Pakistan and abroad. Value-in-use was estimated using cash flow projections approved by Board of Directors of FML, covering a five-year period. The pre-tax risk adjusted discount rate and the long-term market growth-rate applied to cash flow projections is 15.76% (2018: 12.91%) and 2.75% (2018: 2%), respectively, both of which are inherently uncertain. The cash flow projections are sensitive to assumptions regarding the sales growth rate, operating margin, long-term market growth-rate and discount rate. These assumptions are based upon the Company's past experience and plans for the future periods, and are consistent with the external sources of information.

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

13.3.3 This represents the Company's investment in 75% equity shares of FFBL Power Company Limited (FPCL). The Company acquired 644,063 thousand ordinary shares of Rs. 10 each in FPCL for a total consideration of Rs. 6,440,625 thousand. The principal objective of FPCL is to set up and operate a 118 MW power project. FPCL has commenced commercial production on May 19, 2017, refer to note 3.4 for the Company's arrangement with FPCL for purchase of power and steam. The principal place of business of FPCL is Eastern Industrial Zone of Port Qasim, Karachi.

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

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

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

The market value of the investment in FFL, based upon share price of free float on PSX, as at December 31, 2019, was Rs. 3,868,046 thousand (2018: Rs. 8,094,295 thousand).

As at the reporting date, the Company performed an impairment test for it's investment in FFL. The Company has determined recoverable amount of FFL, based on a value-in-use calculation, which was lower than the carrying amount of the investment in the Company's financial statements, accordingly an impairment charge of Rs. 420 million has been recognized in the statement of profit or loss (refer to note 28) due to challenging trading and economic conditions affecting food sector in Pakistan. Value-in-use was estimated using cash flow projections approved by Board of Directors of FFL, covering a five-year period. The pre-tax risk adjusted discount rate and the long-term market growth-rate applied to cash flow projections is 15.74% and 5%, respectively, both of which are inherently uncertain. The cash flow projections are sensitive to assumptions regarding the sales growth rate, operating margin, long-term market growth-rate and discount rate.

13.4 The Company holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. The breakup value based on audited accounts for the year ended June 30, 2018 was negative Rs. 10.67 per ordinary share. This investment is fully impaired.

			2019	2018
		Note	**(Rupees '000)**	
14	**LONG-TERM LOANS**			
	Related parties			
	Fauji Meat Limited - unsecured	**14.1**	**500,000**	2,400,000
	Fauji Foods Limited - unsecured	**14.2**	**2,630,000**	-
			3,130,000	2,400,000

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

The Company has the right, as and when desired by the Board of Directors, to convert all or part of the outstanding loan (including mark-up accrued thereon) into the ordinary shares of FML by written notice to FML, subject to approval of Securities and Exchange Commission of Pakistan and fulfillment of other regulatory requirements. During the year, the Company has converted Rs. 3,000 million to share capital (refer note 13.3.1)

Based on the results of impairment assessment of the Company's equity investment in FML, as disclosed in note 13.3.1, management has determined that no impairment loss on the long-term loan to FML has occurred, as of reporting date.

14.2 This represents sub-ordinated loan to Fauji Foods Limited, a subsidiary company, out of total approved limit of Rs. 3,000 million. The loan carries mark-up at the rate which is higher of the Company's borrowing cost or KIBOR for the relevant period plus 1.5%, per annum, on the terms set out in the agreement and in compliance with the requirements of section 199 of Companies Act, 2017. Each tranche is repayable not later than 12 months from the disbursement of the respective tranche. The Company is currently in the process of obtaining consent of its shareholders under section 199 of Companies Act, 2017 to convert this loan to equity. Accordingly, as of reporting date, the Company does not expect to recover the loan in cash and the loan has been classified as non current. Maximum amount outstanding during the year was Rs. 2,630 million.

Based on the results of impairment assessment of the Company's equity investment in FFL, as disclosed in note 13.3.4, management has determined that no impairment loss on the long-term loan to FFL has occurred, as of reporting date.

		Note	2019	2018
			(Rupees '000)	
15	**STORES AND SPARES**			
	Stores		**470,454**	451,557
	Spares		**2,649,174**	2,435,449
	Provision for obsolescence	**15.1**	**(131,044)**	(165,448)
			2,988,584	2,721,558
15.1	**The movement in provision is as follows:**			
	Opening balance		**165,448**	126,389
	Provision recognized during the year	**24**	**33,491**	66,051
	Provision written-off against stores and spares		**(67,895)**	(26,992)
			131,044	165,448
16	**STOCK-IN-TRADE**			
	Packing materials		**89,462**	92,523
	Raw materials		**1,071,306**	977,059
	Raw materials in transit		**1,688,190**	1,673,143
	Work in process		**194,733**	95,760
	Finished goods	**16.1**	**11,712,363**	2,816,175
			14,756,054	5,654,660

16.1 As at December 31, 2019, finished goods stock amounting to Rs. 11,340,628 thousand (2018: Rs. 2,579,571 thousand) are held with Fauji Fertilizer Company Limited. It includes finished goods amounting to Rs. 57,793 thousand in transit.

		Note	2019	2018
			(Rupees '000)	
17	**TRADE DEBTS**			
	Secured - considered good		**8,606,885**	5,719,424
18	**ADVANCES**			
	Advances to:			
	Executives, secured, considered goods		**11,844**	19,946
	Other employees, secured, considered goods		**65,839**	66,620
		18.1 & 18.2	**77,683**	86,566
	Advances to suppliers and contractors			
	Considered goods		**845,548**	1,371,908
			923,231	1,458,474

18.1 Movement of carrying amount of advances to executives and other employees:

	2019	2018
	(Rupees '000)	
Balance at beginning of the year	**86,566**	74,469
Disbursements	**214,455**	322,590
Repayments	**(223,338)**	(310,493)
	77,683	86,566

18.2 These represent interest free advances given to employees, including executives, of the Company, in accordance with the Company's policy. These are repayable within one year. Maximum amount outstanding with key management personnels were Rs. 1,316 thousand, at any time during the year.

		Note	2019	2018
			(Rupees '000)	
19	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Security deposits		**16,343**	16,456
	Prepayments		**116,345**	32,036
			132,688	48,492
20	**OTHER RECEIVABLES**			
	Due from Fauji Fertilizer Company Limited - unsecured, considered goods	**20.1**	**2,885,789**	2,292,909
	Subsidy on DAP and Urea receivable from the Government of Pakistan	**20.2**	**3,160,992**	3,160,992
	Receivable from PMP	**20.3**	**9,231**	302,355
	Receivable from FPCL	**20.4**	**108,781**	87,307
	Receivable from FML	**20.5**	**5,173**	-
	Others - Considered goods		**31,852**	50,123
			6,201,818	5,893,686
	Less: Provision against doubtful other receivables	**20.6**	**(196,952)**	(196,952)
			6,004,866	5,696,734

20.1 This interest free balance represents amounts recovered by Fauji Fertilizer Company Limited, a related party, from customers on sale of the Company's products under an inter-company services agreement. Maximum amount outstanding during the year was Rs. 6,892 million. It is neither past due nor impaired.

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

20.3 This includes an amount of Rs. Nil (2018: Rs. 288,122 thousand), receivable from Pakistan Maroc Phosphore (PMP), a joint venture of the Company, against dividend. Maximum amount outstanding during the year was Rs. 779 million. It is neither past due nor impaired.

20.4 This represents receivable from FPCL, a subsidiary of the Company against the material / services provided and use of common facility, during the year. Maximum amount outstanding during the year was Rs..116 million. It is neither past due nor impaired.

20.5 This represents receivable from FML, a subsidiary of the Company against a charge under inter-company agreement for use of common facility, during the year. Maximum amount outstanding during the year was Rs. 5 million. It is neither past due nor impaired.

		Note	2019	2018
			(Rupees '000)	
20.6	**Movement in provision during the year is as follows:**			
	Balance at beginning of the year		**196,952**	196,952
	Provision during the year		**-**	-
			196,952	196,952
21	**SHORT-TERM INVESTMENTS**			
	Amortized cost / Loans and receivables			
	Term deposits with banks and financial institutions	**21.1**	**1,000,000**	5,590,000
	Investments at fair value through profit or loss			
	Mutual funds	**21.2**	**9,029**	5,345,646
			1,009,029	10,935,646

21.1 These deposits carry interest at rate 12.80% (2018: 10.75% to 12.25%) per annum, maturing on 19 February 2020.

21.2 **Mutual funds**

	2019		
Nature of fund	**No. of units**	**Cost**	**Fair value**
		(Rupees '000)	
Income fund	**23,297**	**285**	**282**
Money market funds	**595,481**	**8,577**	**8,747**
		8,862	**9,029**

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

		Note	2019	2018
			(Rupees '000)	
22	**CASH AND BANK BALANCES**			
	Deposit accounts			
	in local currency	**22.1**	**5,156,679**	3,414,290
	in foreign currency		**2,038**	2,041
		22.2	**5,158,717**	3,416,331
	Current accounts		**134,644**	272,278
	Cash in hand		**980**	980
			5,294,341	3,689,589

22.1 This includes Rs. 1,001,074 thousand (2018: Rs. 759,248 thousand) held under lien by the commercial banks against various facilities.

22.2 These deposit accounts carry interest at rates ranging from 5.98% to 13.70% (2018: 3.51% to 12.5%) per annum.

		Note	2019	2018
			(Rupees '000)	
22.3	**CASH AND CASH EQUIVALENTS**			
	Cash and cash equivalents included in the statement of cash flows comprise the following:			
	Cash and bank balances	**22**	**5,294,341**	3,689,589
	Short-term highly liquid investments	**21**	**1,000,000**	5,590,000
	Short-term running finance	**10**	**(15,277,091)**	(8,913,497)
			(8,982,750)	366,092
23	**SALES - NET**			
	Urea		**19,066,432**	17,193,184
	DAP		**49,739,376**	45,857,463
	Total revenue from contracts with customers	**23.1**	**68,805,808**	63,050,647
	Less:			
	Sales tax		**1,336,987**	1,502,961
	Trade discount		**605,614**	12,188
	Commission to Fauji Fertilizer Company Limited	**23.2**	**23,921**	24,970
			1,966,522	1,540,119
		23.3	**66,839,286**	61,510,528

23.1 Revenue from sale of fertilizer is recognized at a point in time, when the control of the asset is transferred to the customer, generally on the dispatch of the goods to the customer except for direct sales wherein the control is transferred upon delivery to customer. For detail refer note 3.18.

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

		2019	2018
		(Rupees '000)	
23.3	**Disaggregated revenue information**		
	Type of goods or service		
	Urea	**18,575,243**	16,653,877
	DAP	**48,264,043**	44,856,651
	Total revenue from contracts with customers	**66,839,286**	61,510,528
23.4	**Contract Balances**		
	Trade debts	**8,606,885**	5,719,424
	Advance from customers	**83,309**	-

Owing to market conditions, credit sales increased towards the end of the year and advances from customers decreased from Rs. 748 million to 83 million as a result of increased credit sales. The transaction price allocated to unsatistfied performance obligations as at December 31, 2019 are expected to be recognized as revenue within 1 year.

	2019	2018
	(Rupees '000)	
Set out below is the amount of revenue recognized from:		
Amounts included in contract liabilities at the beginning of the year	**747,691**	2,652,576
Performance obligations satisfied in previous years	**-**	-

		Note	2019	2018
			(Rupees '000)	
24	**COST OF SALES**			
	Raw materials consumed		**52,419,540**	39,448,936
	Packing materials consumed		**834,736**	774,321
	Fuel and power	**24.1**	**11,523,707**	10,396,856
	Chemicals and supplies consumed		**208,390**	200,895
	Salaries, wages and benefits	**24.2**	**1,721,380**	1,818,259
	Rent, rates and taxes		**88,182**	97,669
	Insurance		**129,023**	70,161
	Travel and conveyance		**136,665**	143,824
	Provision for obsolete stores and spares	**15**	**33,491**	66,051
	Repairs and maintenance		**1,209,245**	1,383,815
	Communication, establishment and other expenses		**159,485**	127,107
	Depreciation	**12.2**	**1,485,966**	1,424,339
	Opening stock - work-in-process		**95,760**	103,813
	Closing stock - work-in-process		**(194,733)**	(95,760)
	Cost of goods manufactured		**69,850,837**	55,960,286
	Opening stock - finished goods		**2,816,175**	183,002
	Closing stock - finished goods		**(11,712,363)**	(2,816,175)
	Cost of sales		**60,954,649**	53,327,113

24.1 This includes cost recognized for use of power and steam, generated by FPCL, a subsidiary company, amounting to Rs. 6,146,929 thousands and Rs. 4,280,344 thousands (2018: Rs. 5,379,730 thousands and Rs. 4,035,466 thousands), respectively.

24.2 This includes a charge on account of employees' retirement benefits in respect of the gratuity, provident funds and for compensated absences, amounting to Rs. 49,095 thousand, Rs. 50,738 thousand and Rs. 34,697 thousand, respectively. (2018: Rs. 57,349 thousand, Rs. 51,201 thousand and Rs. 63,881 thousand respectively). This also includes ex-gratia of Rs. 340,200 thousand (refer to note 8.2).

		Note	2019	2018
			(Rupees '000)	
25	**SELLING AND DISTRIBUTION EXPENSES**			
	Product transportation		**4,110,526**	3,232,440
	Salaries, wages and benefits		**31,968**	17,694
	Travel and conveyance		**2,386**	1,568
	Others		**498**	787
			4,145,378	3,252,489
	Expenses allocated by Fauji Fertilizer Company Limited			
	Salaries, wages and benefits		**774,084**	842,575
	Travel and conveyance		**59,859**	72,924
	Sales promotion and advertising		**66,698**	67,815
	Rent, rates and taxes		**109,140**	73,906
	Technical services		**4,189**	3,501
	Insurance expense		**7,315**	30,942
	Communication, establishment and other expenses		**61,956**	80,388
	Warehousing expenses		**111,825**	85,446
	Depreciation		**5,003**	15,320
		25.1	**1,200,069**	1,272,817
			5,345,447	4,525,306

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

		Note	2019	2018
			(Rupees '000)	
26	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	**26.1**	**762,252**	841,840
	Travel and conveyance		**86,465**	108,015
	Utilities		**10,052**	42,686
	Printing and stationery		**4,473**	4,482
	Repairs and maintenance		**139,298**	164,536
	Communication, advertisement and other expenses		**9,422**	50,992
	Rent, rates and taxes		**12,971**	17,456
	Listing fee		**2,907**	2,499
	Donations	**26.2**	**13,773**	18,578
	Legal and professional		**147,769**	33,117
	Depreciation	**12.2**	**181,529**	209,386
	Miscellaneous		**50,932**	55,143
			1,421,843	1,548,730

26.1 This includes charges on account of employees' retirement benefits in respect of the gratuity and provident funds and for compensated absences, amounting to Rs. 15,560 thousand, Rs. 22,018 thousand and Rs. 13,734 thousand (2018: Rs. 18,489 thousand, Rs. 22,765 thousand and Rs. 26,244 thousand), respectively. This also includes ex-gratia of Rs. 145,800 thousand (refer to note 8.2).

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

Donation to following parties / organizations exceeded 10% of total donation expense or Rs. 1,000 thousands:

	2019	2018
	(Rupees '000)	
Fauji Foundation	**6,000**	11,264
Pakistan Taekwondo Federation	**2,062**	1,000
Aspire Public School	**-**	500

		2019	2018
27	**FINANCE COSTS**		
	Mark-up on short-term borrowings	**1,484,004**	274,761
	Mark-up on demand finance	**1,111,308**	386,524
	Mark-up on long-term finance	**2,581,419**	1,526,871
	Guarantee fee	**16,354**	27,558
	Interest on WPPF	**122**	235
	Bank charges	**5,474**	6,925
		5,198,681	2,222,874

		Note	2019	2018
			(Rupees '000)	
28	**OTHER EXPENSES**			
	Workers' (Profit) Participation Fund	**8.3**	**-**	95,954
	Workers' Welfare Fund		**-**	14,012
	Impairment charge on investments		**1,520,000**	-
	Exchange loss		**634,828**	1,146,964
	Auditor's remuneration			
	Fees - annual audit		**1,400**	1,400
	Fees - half yearly review		**250**	250
	Fees - review of Statement of Compliance with CCG		**50**	50
	Fees - reasonable assurance on Free float		**95**	95
	Other certification and services		**1,015**	125
	Out of pocket expenses		**180**	180
			2,990	2,100
			2,157,818	1,259,030
29	**OTHER INCOME**			
	Income from financial assets			
	Profit on bank balances and term deposits		**595,396**	414,131
	Cash dividend on mutual funds		**67,323**	164,778
	Fair value gain on mutual fund investments		**64,099**	66,375
	Mark-up on sub-ordinated loans		**426,918**	64,634
			1,153,736	709,918
	Income from assets other than financial assets			
	Scrap sales and miscellaneous receipts		**276,809**	122,254
	Income from subsidiaries	**29.1**	**68,830**	51,510
	Subsidy from Government on DAP and Urea	**20.2**	**-**	314,619
	Dividends income		**2,831,949**	1,977,432
	Gain on sale of property, plant and equipment	**29.2**	**38,921**	5,901
			3,216,509	2,471,716
			4,370,245	3,181,634

29.1 This represent amounts charged to subsidiary companies against the use of common facilities under respective inter-company agreements.

29.2 This includes the gain on sale of fixed assets to related parties, amounting to Rs. 7,589 thousand (2018: Rs. 2,632 thousand). The net book value of the fixed assets was Rs. Nil (2018: Rs. 5,909 thousand).

		2019	2018
		(Rupees '000)	
30	**TAXATION**		
	Current tax		
	For the year	**1,423,872**	2,240,530
	Prior years	**-**	(3,584,019)
		1,423,872	(1,343,489)
	Deferred tax		
	For the year	**627,966**	(1,829,499)
	Prior years	**-**	3,545,565
		627,966	1,716,066
		2,051,838	372,577
30.1	**Reconciliation of tax charge for the year:**		
	(Loss) / profit before tax	**(3,868,907)**	1,809,109
	Tax on (loss) / profit	**(1,121,983)**	524,642
	Tax effect of lower rate on certain income / expenses	**(418,572)**	(370,666)
	Tax effect of exempt income / permanent differences	**3,994**	5,388
	Minimum tax	**1,002,589**	-
	Super tax and revision in tax liability	**-**	412,685
	Tax effect of deferred tax not recognized on business loss	**1,498,631**	-
	Tax effect of prior year adjustment	**983,754**	(38,454)
	Tax effect of differences between applicable rate and enacted rate	**102,052**	(161,556)
	Others	**1,373**	538
		2,051,838	372,577

		2019	2018
31	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	(Loss) / profit after taxation (Rupees '000)	**(5,920,745)**	1,436,532
	Weighted average number of ordinary shares in issue during the year (thousands)	**934,110**	934,110
	(Loss) / earnings per share - basic and diluted (Rupees)	**(6.34)**	1.54

There is no dilutive effect on the basic earnings per share of the Company for the year 2019.

		Note	2019	2018
			(Rupees '000)	
32	**CASH GENERATED FROM OPERATING ACTIVITIES**			
	(Loss) / profit before taxation		**(3,868,907)**	1,809,109
	Adjustments for:			
	Provision for gratuity		**64,654**	75,838
	Exchange loss		**634,828**	1,146,964
	Provision for compensated absences		**48,784**	90,125
	Provision for Workers' (Profit) Participation Fund	**8.3**	**-**	95,954
	Provision for Workers' Welfare Fund		**-**	14,012
	Depreciation	**12.2**	**1,667,495**	1,633,725
	Recognition of provision for obsolete stores and spares	**15.1**	**33,491**	66,051
	Impairment charge on investments		**1,520,000**	-
	Finance cost		**5,198,681**	2,222,874
	Mark-up on sub-ordinated loans		**(426,918)**	(64,634)
	Guarantee fee		**-**	(10,508)
	Dividend income		**(2,831,949)**	(1,977,432)
	Profit on bank balances and term deposits		**(595,396)**	(414,131)
	Fair value gain on mutual fund investments		**(67,323)**	(66,375)
	Cash dividend on mutual funds		**(64,099)**	(164,778)
	Gain on sale of property, plant and equipment		**(38,921)**	(5,901)
			1,274,420	4,450,893
	Working capital changes:			
	(Increase) / decrease in current assets			
	Stores and spares		**(300,517)**	(42,411)
	Stock-in-trade		**(9,101,394)**	(3,800,311)
	Trade debts		**(2,887,461)**	(4,714,842)
	Advances		**535,243**	(315,652)
	Trade deposits and short-term prepayments		**(84,196)**	13,514
	Other receivables		**(596,254)**	(1,378,222)
	Sales tax refundable		**(4,179,568)**	(3,058,953)
	Increase in current liabilities			
	Trade and other payables		**4,431,732**	6,244,376
			(12,182,415)	(7,052,501)
			(10,907,995)	(2,601,608)

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	**12,474**	**900,042**	11,646	902,309
Bonus paid	**5,008**	**203,063**	3,220	196,353
Contributory provident fund	**635**	**39,889**	552	40,797
Others	**6,708**	**229,449**	4,874	234,657
	24,825	**1,372,443**	20,292	1,374,116
No. of person (s)	**1**	**177**	1	180

The above are provided with medical facilities as well. The Chief Executive and certain executives are also provided with the Company's maintained vehicles and household equipment and other benefits in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment, while the contribution for executives in respect of gratuity is on the basis of an actuarial valuation. Leave encashment was paid to executives amounting to Rs. 47,016 thousand (2018 : Rs. 14,858 thousand) on separation in accordance with the Company's policy.

Directors of the Company were paid meeting fees aggregating to Rs..10,350 thousand (2018: Rs. 10,025 thousand). No other remuneration was paid to directors of the Company (2018: Nil). The number of directors of the Company was 12 (2018: 12).

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

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

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

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

34.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, deposits, advances, loans, interest accrued, short-term investments, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
	(Rupees '000)	
Long-term loans	**3,130,000**	2,400,000
Trade debts	**8,606,885**	5,719,424
Deposits	**94,986**	95,099
Advances	**77,683**	86,566
Interest accrued	**247,867**	55,153
Other receivables	**6,201,818**	5,893,686
Short-term investments	**1,009,029**	10,935,646
Bank balances	**5,293,361**	3,688,609
	24,661,629	28,874,183

Geographically there is no concentration of credit risk. The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the country.

The Company has significant amount receivable from Fauji Fertilizer Company Limited which amounts to Rs. 2,885,789 thousand (2018: Rs. 2,292,909 thousand) and which is included in total carrying amount of other receivables as at reporting date. At the reporting date this receivable is neither overdue nor impaired. The Company has also advanced an unsecured long-term loan of Rs. 500,000 thousand (2018: Rs. 2,400,000 thousand) and Rs. 2,630,000 thousand (2018: Nil), during the year, to Fauji Meat Limited (FML) and Fauji Foods Limited (FFL) , related parties (refer to note 14). Accrued interest of Rs. 236,425 and Rs. 118,864 is outstanding from FML and FFL, respectively. The remaining amount includes receivable from the Government of Pakistan amounting to Rs. 3,160,992 thousand (2018: Rs. 3,160,992 thousand) on account of subsidy income.

Trade debts are secured against letter of guarantee. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts and advances to employees.

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

34.2 Credit quality of financial assets

The credit quality of company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Rating	2019	2018
		(Rupees '000)	
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past	**unrated**	**8,606,885**	5,719,424
Deposits			
Counterparties without external credit ratings			
Others	**unrated**	**94,986**	95,099
Long-term loan			
Counterparties without external credit ratings			
Others	**unrated**	**3,130,000**	2,400,000
Advances			
Counterparties without external credit ratings			
Others	**unrated**	**77,683**	86,566
Interest accrued			
Counterparties with external credit ratings			
	AAA	**2,964**	6,441
	AA+	**-**	106
	AA-	**10,705**	3,314
	A+	**15,653**	8,466
	A	**-**	12,655
		29,322	30,982
Counterparties without external credit ratings			
Others	**unrated**	**357,303**	24,171
Other receivables			
Counterparties with external credit ratings			
Receivable from related party	**AA+**	**2,885,789**	2,292,909
Counterparties without external credit ratings			
Receivable from Government of Pakistan	**unrated**	**3,160,992**	3,160,992
Receivable from others including related parties	**unrated**	**149,864**	439,785

	Rating	2019	2018
		(Rupees '000)	
Short-term investments			
Counterparties with external credit ratings	**AAA**	**919**	2,000,000
	AA+	**921**	1,871,265
	AA	**6,469**	3,062,086
	A	**-**	502,265
	AA-	**-**	2,000,030
	A+	**1,000,720**	1,500,000
		1,009,029	10,935,646
Bank balances			
Counterparties with external credit ratings	**AAA**	**785,047**	772,154
	AA+	**444,205**	560,279
	AA	**918,759**	379,383
	AA-	**1,989,929**	166,326
	A+	**801,104**	47,497
	A	**152,218**	1,030,074
	A-	**202,099**	732,896
		5,293,361	3,688,609

Impairment losses

As at the reporting date trade debts of Rs. 904,829 thousand (2018: Rs. 31,598 thousand) were overdue up to 30 days. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The probability of default (PD) rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability - weighted outcome, the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions. Whereas, the loss given default is based upon external credit rating of banks who have issued the letter of guarantees to the customers. Accordingly, the Company assess that any ECL on trade debts will be minimal. This is supported by absence of any loss in prior periods and management is confident that this loss rate will be minimally affected by current conditions and, reasonable and supportable forecasts. Therefore, the Company has not recorded any ECL on trade debts.

As discussed in notes 13.3.1 and 13.3.4, the Company has carried out impairment test of its investments in FML and FFL, respectively, wherein the Company has recognized impairment charge on its equity investment in these companies. As a part of these impairment test, the Company has assessed that FML and FFL will be have cash flows from their operations to repay these loans along with related interest accrued, without any significant ECL.

As per historical pattern, the amount due from Fauji Fertilizer Company Limited is settled within a week. Accordingly, there is no significant risk of ECL in respect of this balance.

The amount of subsidy receivable is linked to a sovereign entity, who can print the currency which is routinely held by Central Bank and other major local financial institutions, which qualitatively indicate that historical credit loss information should be minimally affected by current conditions, and reasonable and supportable forecasts. Therefore, the Company does not expect any significant ECL as at the reporting date.

Being low risk instruments, the Company has assessed an allowance on its balances with banks based on 12 months ECL. Based upon above mentioned high credit ratings, ECL rate on bank balances and short-term investments round to zero.

In the previous years, the Company has recorded an impairment loss of Rs. 3,000 thousand in respect of its long-term investment as explained in note 13.4.

34.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The management uses different methods which assists it in monitoring cash flow requirements and optimizing the return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains lines of credit as mentioned in note 10 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2019	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
			(Rupees '000)			
Long-term loans including mark-up	**18,641,964**	**23,404,897**	**3,208,613**	**3,797,492**	**7,856,753**	**8,542,039**
Trade and other payables	**34,282,944**	**34,282,944**	**34,282,944**	**-**	**-**	**-**
Short-term borrowings including mark-up	**28,905,705**	**28,905,705**	**28,905,705**	**-**	**-**	**-**
	81,830,613	**86,593,546**	**66,397,262**	**3,797,492**	**7,856,753**	**8,542,039**
2018						
Long-term loans including mark-up	21,469,975	25,562,169	3,871,353	3,193,207	8,228,300	10,269,309
Trade and other payables	28,550,724	28,550,724	28,550,724	-	-	-
Short-term borrowings including mark-up	14,094,038	14,094,038	14,094,038	-	-	-
	64,114,737	68,206,931	46,516,115	3,193,207	8,228,300	10,269,309

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The contractual cash flow relating to long-term borrowings and short-term borrowings have been determined on the basis of expected mark up rates. The mark-up rates as at reporting date have been disclosed in note 6 and note 10 to these financial statements respectively.

34.4 Market risk

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

34.4.1 Currency risk

Exposure to Currency Risk

The Company is exposed to currency risk on certain liabilities and bank balance which are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2019		2018	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balances	**2,038**	**13**	2,041	18
Creditors	**(4,952,965)**	**(31,883)**	(5,979,529)	(42,987)
Net exposure	**(4,950,927)**	**(31,870)**	(5,977,488)	(42,969)

The following significant exchange rate applied during the year:

	Average rates		Reporting date rate (Bid-offer average)	
	2019	2018	2019	2018
US Dollars	**151.30**	122.74	**155.35**	139.10

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs. 495,093 thousand (2018: Rs. 597,749 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

34.4.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short-term borrowings from banks and short-term deposits with banks. At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments is:

	2019	2018
	(Rupees '000)	
Fixed rate instruments		
Financial assets	**1,000,000**	5,590,000
Financial liabilities	**12,949,993**	5,000,000
Variable rate instruments		
Financial assets	**8,288,717**	5,816,331
Financial liabilities	**33,635,425**	30,121,830

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to interest rate risk on its fixed rate instruments as all of these are of a short-term nature.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased / (decreased) profit by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2019		
Cash flow sensitivity-variable rate instruments	**(253,467)**	**253,467**
December 31, 2018		
Cash flow sensitivity-variable rate instruments	(243,055)	243,055

Market price risk

For investments at fair value through profit or loss, a 1 % increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 90 thousand (2018: Rs. 53,456 thousand).

34.5 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		2019		2018	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note	(Rupees '000)			
Assets carried at amortized cost					
Long-term loans	14	**3,130,000**	**3,130,000**	2,400,000	2,400,000
Trade debts	17	**8,606,885**	**8,606,885**	5,719,424	5,719,424
Deposits		**94,986**	**94,986**	95,099	95,099
Advances		**77,683**	**77,683**	86,566	86,566
Interest accrued		**247,867**	**247,867**	55,153	55,153
Other receivables - net of provision	20	**6,004,866**	**6,004,866**	5,696,734	5,696,734
Short-term investments	21	**1,000,000**	**1,000,000**	5,590,000	5,590,000
Cash and bank balances	22	**5,294,341**	**5,294,341**	3,689,589	3,689,589
		24,456,628	**24,456,628**	23,332,565	23,332,565
Assets carried at fair value					
Short-term investments - Investments at fair value through profit or loss	21	**9,029**	**9,029**	5,345,646	5,345,646

		2019		2018	
		Carrying amount	Fair value	Carrying amount	Fair value
			(Rupees '000)		
Liabilities carried at amortized cost					
Long-term loans including accrued interest	6 & 9	**18,641,964**	**18,641,964**	21,469,975	21,469,975
Trade and other payables	8	**34,282,944**	**34,282,944**	28,550,724	28,550,724
Short-term borrowings including accrued interest	9 & 10	**28,905,705**	**28,905,705**	14,094,038	14,094,038
		81,830,613	**81,830,613**	64,114,737	64,114,737

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in the market rate and rate of the instruments and most of the fixed rate instruments are short-term in nature, therefore fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value and assets for which fair value are disclosed by level of fair value hierarchy for the year ended 31 December, 2019. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes has occurred.

	Level 1	Level 2	Level 3
		(Rupees '000)	
December 31, 2019			
Assets carried at fair value			
Short-term investments - investment in mutual funds	**9,029**	**-**	**-**
December 31, 2018			
Assets carried at fair value			
Short-term investments - investment in mutual funds	5,345,646	-	-

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

34.6 Fair value estimation

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Investment in fair value through profit or loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date and accordingly are at level 1 in fair value hierarchy.

Investment in subsidiaries and associates

The fair value of investment in quoted securities are determined by reference to their quoted closing bid price at the reporting date and accordingly are at level 1 in fair value hierarchy.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

34.7 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The total long-term loans to equity ratio as at 31 December, 2019 based on total long-term loans of Rs. 18,358,334 thousand and total equity of Rs. 6,833,961 thousand was 2.69:1 (2018: 1.53:1).

The Company finances its operations through equity, borrowings and management of working capital with view of maintaining an appropriate mix between various source of finance to minimize risk.

35 RELATED PARTY TRANSACTIONS

The Company has related parties which comprise of subsidiaries, a joint venture, entities under common directorship, directors, key management personnel, share holders and employees' funds. Fauji Fertilizer Company Limited (FFCL) has a 49.88% share holding in the Company (2018: 49.88%), while Fauji Foundation (FF) holds 18.29% shares (2018: 18.29%) in the Company. Transactions with related parties and the balances outstanding, other than those which have been disclosed elsewhere in these financial statements are given below. The carrying values of the investment in and loans to related parties are disclosed in notes 13 and 14, respectively, to the financial statements.

	2019	2018
	(Rupees '000)	
Transactions with Fauji Foundation		
Dividend paid	**170,842**	128,132
Contribution paid for Youm-e-Shuhadaa and Defence day	**6,000**	2,000
Contribution to Institute of Cardiology	**-**	9,000
Contribution to Diamer Bhasha and Mohmad Dams Fund	**-**	264
Reimbursement of expenses	**5,912**	4,505
Balance receivable at year end	**-**	555
Transactions with the subsidiary companies		
Fauji Meat Limited		
Balance receivable at year end	**5,173**	-
Material / services provided	**12,351**	4,653
Receipt against material / services	**7,178**	4,653
Mark-up on sub-ordinated loan	**270,638**	70,195
Mark-up receivable on sub-ordinated loan	**97,667**	24,158
Receipt against mark-up on sub-ordinated loan	**62,129**	-
FFBL Power Company Limited		
Material / services provided	**560,200**	465,907
Material / services received	**10,422,458**	9,456,962
Balance payable at year end	**874,912**	972,075
Balance receivable at year end	**108,781**	87,307
Proceeds from sale of fixed assets	**7,589**	4,950
Receipt against material / services	**565,911**	575,272
Payment against material / services	**12,634,197**	10,814,269
Dividend received	**1,610,156**	1,127,109
Fauji Foods Limited		
Material / services provided	**3,456**	45,441
Receipt against material / services	**3,456**	45,441
Mark-up on sub-ordinated loan	**156,280**	-
Mark-up receivable on sub-ordinated loan	**118,864**	-
Receipt against mark-up on sub-ordinated loan	**37,417**	-
FFBL Foods Limited		
Material / services provided	**582**	-
Purchase of miscellaneous items	**77**	-
Receipt against material / services	**506**	430
Payment against material / services	**21**	-

	2019	2018
	(Rupees '000)	
Transactions with associated undertakings due to common directorship		
Fauji Fertilizer Company Limited		
Services and material acquired	**1,203,177**	1,278,319
Services and material provided	**2,989**	15,144
Receipts under consignment & current account	**54,958,990**	48,009,758
Commission charged to the Company	**23,921**	24,970
Dividend paid	**465,892**	349,419
Fauji Cement Company Limited		
Dividend received	**28,125**	37,500
Askari Bank Limited		
Balances at bank	**337,116**	398,998
Profit on bank balances	**167,387**	113,626
Long-term loans	**500,000**	500,000
Mark-up on long-term loans	**58,509**	59,546
Mark-up payable on long-term loans at the year end	**18,740**	11,751
Dividend received	**271,884**	-
Foundation Wind Energy-I Limited & Foundation Wind Energy-II Limited		
Mark-up and Guarantee fee	**-**	4,947
Dividend received	**175,000**	-
Others		
Transactions with Foundation Gas	**625**	709
Transactions with Fauji Foundation Hospital	**775**	233
Transactions with joint venture		
Pakistan Maroc Phosphore S.A., Morocco		
Purchase of raw materials	**40,809,746**	29,058,162
Expenses incurred on behalf of joint venture	**8,859**	11,348
Dividend received	**746,784**	524,701
Balance payable at the year end - secured	**6,593,346**	7,091,973
Balance receivable at the year end - unsecured	**9,231**	302,355
Other related parties		
Contribution to provident fund	**73,072**	74,125
Payment to gratuity fund	**77,489**	59,851
Payment to Workers' (Profit) Participation Fund and Workers Welfare Fund	**10,954**	128,328
Balance payable at the year end - unsecured (WWF and WPPF)	**561,622**	572,576
Payable to gratuity fund	**278,413**	82,607
Remuneration of key management personnel	**223,480**	277,910

In addition to the above:

- a ranking charge amounting to US$ 91,456,667 and Rs. 4,000 million (2018: US$ 91,456,667 and Rs. 4,000 million) has been registered on the assets of the Company, in respect of project financing arranged by Foundation Wind Energy-I Limited (FWEL-I).

- a ranking charge amounting to US$ 89,146,667 and Rs. 4,000 million (2018: US$ 89,146,667 and Rs. 4,000 million) has been registered on the assets of the Company, in respect of project financing arranged by Foundation Wind Energy-II Limited (FWEL-II).

- the Company has issued standby letter of credit amounting to Rs. 934 million in favour of the FML under the Diminishing Musharaka Agreement.

- the Company has provided sponsor support, to lenders of project financing arranged by FPCL, to fund any shortfall, to the extent FPCL is unable to fulfill its financial obligations:

(i) up to Rs. 29,150 million (2018: Rs. 29,150 million) and all cost over runs, till technical completion date; and

(ii) up to Rs. 8,000 million after project completion date.

35.1 Detail of related parties

Name of related party	**Basis of relationship**	**Percentage holding**
Fauji Foundation	Common Directorship	-
Fauji Fertilizer Company Limited	Common Directorship	-
Pakistan Maroc Phosphore	Joint Venture / Common Directorship	25.00%
Fauji Meat Limited	Subsidiary / Common Directorship	90.18%
Fauji Foods Limited	Subsidiary / Common Directorship	50.59%
FFBL Power Company Limited	Subsidiary / Common Directorship	75.00%
FFBL Foods Limited	Subsidiary / Common Directorship	100.00%
Fauji Cement Company Limited	Associate Company / Common Directorship	1.36%
Askari Bank Limited	Associate Company / Common Directorship	21.57%
Foundation Wind Energy-I Limited	Associate Company / Common Directorship	35.00%
Foundation Wind Energy-II Limited	Associate Company / Common Directorship	35.00%
FFBL Gratuity Fund	Employee benefit fund	-
FFBL Provident fund	Employee benefit fund	-
FFBL Workers' (Profit) Participation Fund	Employee benefit fund	-

36 GENERAL

		2019	2018
		(Tonnes)	
36.1	**Production capacity**		
	Design capacity		
	Urea	**551,100**	551,100
	DAP	**650,000**	650,000
	Actual production		
	Urea	**508,404**	561,819
	DAP	**830,696**	730,136

*The shortfall in actual production of Urea was due to gas curtailment and focus on DAP.

		2019	2018
		(Numbers)	
36.2	**Number of persons employed**		
	Employees at year end	**950**	1,009
	Average employees during the year	**972**	1,018

36.3 The Board of Directors of the Company in their meeting held on January 28, 2019 has recommended to:

(i) convert sub-ordinated loan of Rs. 2,630 million along with accrued mark-up of Rs. 118.864 million, of Fauji Foods Limited (FFL), into fully paid up ordinary shares at par value (i.e. Rs. 10 per share), subject to approval by members of the Company, in upcoming Annual General Meeting.

(ii) provide sponsor support, up to a maximum amount of Rs. 4,500 million, to FFL, a subsidiary of the Company, via either, or a combination of, a sub-ordinated shareholder loan (not exceeding Rs. 2,500 million) or collateral support, for a period not exceeding one (1) year as security for working capital facilities extended or to be extended by financial institutions to FFL, or in any other form, subject to approval by members of the Company, in upcoming Annual General Meeting.

(iii) provide sponsor support, up to a maximum amount of Rs. 3,000 million, to Fauji Meat Limited (FML), a subsidiary of the Company, via either, or a combination of, a sub-ordinated shareholder loan or collateral support, for a period not exceeding one (1) year as security for working capital facilities extended or to be extended by financial institutions to FML, or in any other form, subject to approval by members of the Company, in upcoming Annual General Meeting.

36.4 The Board of Directors in their meeting held on January 28, 2020 have proposed a final dividend of Rs. Nil per ordinary share.

36.5 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on January 28, 2020.

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

NOTES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF THE FAUJI FERTILIZER BIN QASIM LIMITED

To the members of Fauji Fertilizer Bin Qasim Limited (the Holding Company)

Opinion

We have audited the annexed consolidated financial statements of Fauji Fertilizer Bin Qasim Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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:

Key audit matters	How the matter was addressed in our audit
1. Impairment of goodwill	
During 2015, Fauji Fertilizer Bin Qasim Limited (the Holding Company) recognized goodwill amounting to Rs. 377.78 million on its acquisition of control of Fauji Foods Limited (FFL) based on management's assessment of benefits of synergies, revenue growth, future market development and the assembled workforce of FFL. As at reporting date, in accordance with the requirements of International Accounting Standard (IAS) 36 "Impairment of Assets", the Group performed its annual impairment assessment of the FFL segment, the Cash Generating Unit (CGU) to which the Group has allocated goodwill. In performing such impairment assessment, management compared the carrying value of the CGU to which goodwill had been allocated with the 'value in use' computed based on discounted cash flow method, to determine if any impairment loss should be recognized.	The following procedures were performed: • Assessed the Group's determination of CGU based on our understanding of the nature of the Group (and its operations) and assessed whether this was consistent with the internal reporting of the business. • We assessed and tested the design and operating effectiveness of the controls of the Group, over impairment testing process. • Assessed that whether the value in use model was in accordance with the requirements of IAS 36. • Assessed the cash flow forecast, approved by the Board of Directors of FFL, while taking into account our knowledge of the businesses and comparing the cash flow forecasts to externally available industry, economic and financial data.

<table>
<tr><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Following key assumptions were used as a basis to determine the value in use:
• Sales growth rate;
• Operating margin;
• Long-term market growth-rate; and
• Discount rate

Management has concluded that FFL segment was not impaired as of 31 December 2019, as its recoverable amount was higher than its net book value (including the grossed-up goodwill).

Changes in above assumptions can lead to significant changes in the assessment of the recoverable amount. Accordingly, we consider this as a key audit matter.

Refer to note 15.1 of the consolidated financial statements, for related disclosure.</td><td>• Involved our Valuation Specialists to assess the appropriateness of the management's assumptions. Analyzed the Group's sensitivity analysis in main areas being the sales growth, operating margin, discount rate and long-term market growth-rate assumptions.
• Obtained corroborating evidence regarding the cash flow forecasts by comparing the managements' forecasts for current year with actual results.
• Assessed the adequacy of disclosures made in the consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.</td></tr>
<tr><td colspan="2">2. Going Concern of subsidiaries – Fauji Meat Limited and Fauji Foods Limited</td></tr>
<tr><td>As of 31 December 2019, the Holding Company has ownership interest of 90.18% (2018: 83.33% & 2017: 75.00%) and 50.59% (2018: 50.59% & 2017: 49.40%), respectively, in Fauji Meat Limited (FML) and Fauji Foods Limited (FFL); accordingly, FML and FFL, along with other subsidiaries of the Holding Company are consolidated in the accompanying financial statements.

FML has consistently incurred losses since inception in 2016. As at 31 December 2019, the accumulated losses of FML, as disclosed in its financial statements, amounted to Rs. 5,544 million.

FFL has also been consistently incurring losses, since the Holding Company's acquisition in 2015. As at 31 December 2019, the accumulated losses of FFL, as disclosed in its financial statements, amounted to Rs. 12,197 million.

Both FML and FFL have majorly exhausted external sources of finance and are reliant on the Holding Company for support to continue operations.

Management of the Holding Company has concluded that above-mentioned conditions and other matters mentioned in note 1 of the accompanying consolidated financial statements indicate existence of material uncertainty that may cast significant doubt regarding going concern of FML. In respect of FFL, the above-mentioned conditions and other matters indicate existence of significant doubt regarding the going concern.</td><td>The following procedures were performed:
• Updated our understanding of the Holding Company's plans to address the liquidity and profitability concerns in FML and FFL by reading the minutes of meetings of the Board of Directors and its committees.
• Inspected the audited financial statements of FML and FFL to identify whether any impairment has been recorded in the current year.
• Assessed the cash flow forecasts, approved by the Board of Directors of FML and FFL, taking into account our knowledge of the businesses and comparing the cash flow forecasts to externally available industry, economic and financial data.
• Involved our Valuation Specialists to assess the appropriateness of the management's assumptions. Analyzed the Holding Company's sensitivity analysis in main areas being the sales growth, operating margin, discount rate and long-term market growth-rate assumptions.
• Obtained corroborating evidence regarding the cash flow forecasts by comparing the managements' forecasts for current year with actual results.
• Assessed the timing of re-payment/ adjustment of sub-ordinated loans incorporated into the discounted cash flow models.</td></tr>
</table>

Key audit matters	How the matter was addressed in our audit
Management has drawn up business plans for both FML and FFL, as discussed in note 1 of the accompanying consolidated financial statements and remains confident that both FML and FFL will continue to operate for foreseeable future, as going concerns. A significant degree of management judgement is involved in making these assessments and in forecasting the future cashflows of FML and FFL, which are inherently uncertain. Accordingly, we consider this as a key audit matter.	• Assessed the ability of Holding Company to provide the necessary financial support to FML and FFL, by assessing the availability of banking and other financial facilities. • Assessed the adequacy of disclosures made in the consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.
3. **Group Audit**	
The Group consist of the Holding Company and four (4) subsidiaries, organized into four (4) reportable segments. In addition, the Group holds a substantial equity investment portfolio, consisting of 4 associates and 1 joint venture, valued at Rs. 20,238,869 thousand (2018: Rs. 17,508,318 thousand), growing by 15.6% in the current year, under equity method of accounting, as at 31 December 2019. The disparate nature of the Group's business require adequate monitoring activities from an internal control perspective. Further, in our role as group auditor, it is essential that we obtain an appropriate level of understanding of the components and the component audit work, therefore, Group Audit has been considered as a Key Audit Matter as per the guidance of ISA 701.	The following procedures were performed: • In our audit approach, we have focused on risks in relation to decentralized structure and we have been closely involved in the audits performed at significant components. Members of the group team performed the audit of FFBL and also reviewed reporting deliverables from the component audit teams. • We also performed tests on consolidation adjustments and manual journal entries, both at group and component level to obtain an understanding of significant entries. • We reconfirmed our understanding of the design and implementation of controls relating to equity accounting, and then for each material component, we recalculated the amount of the Group's share of comprehensive income, in accordance with the requirements of International Financial Reporting Standards.

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

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

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

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

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional 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 Farooq Hameed.

EY Ford Rhodes
Chartered Accountants

Place: Islamabad

Date: 13 February 2020

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**
AS AT DECEMBER 31, 2019

	Note	2019	2018
		(Rupees '000)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	4	**9,341,100**	9,341,100
Capital reserve	5	**228,350**	228,350
Statutory reserve		**1,329,299**	1,050,097
Revenue reserves			
Translation reserve		**2,866,785**	1,688,216
Revaluation reserve on available-for-sale investments, net of tax	3.1	**(744,310)**	(481,495)
Accumulated (loss) / profit		**(3,875,066)**	4,383,873
		9,146,158	16,210,141
NON-CONTROLLING INTEREST	6	**1,582,983**	3,826,318
		10,729,141	20,036,459
NON-CURRENT LIABILITIES			
Long-term loans	7	**31,899,500**	38,404,111
Lease liability	8	**541,905**	289,272
Deferred liabilities	9	**3,641,252**	2,223,113
		36,082,657	40,916,496
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	10	**36,638,874**	31,584,173
Advance from customer		**193,815**	-
Unpaid dividend		**10,954**	10,784
Unclaimed dividend		**119,606**	118,496
Accrued interest	11	**1,520,388**	723,872
Short-term borrowings	12	**39,598,125**	22,501,589
Current portion of long-term loans	7	**8,951,344**	8,603,242
Current portion of lease liability	8	**183,998**	145,299
		87,217,104	63,687,455
		134,028,902	124,640,410
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes, from 1 to 41, form an integral part of these consolidated financial statements.

	Note	2019	2018
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**14**	**50,960,138**	50,077,055
Intangible assets	**15**	**419,534**	382,990
Long-term investments	**16**	**20,238,869**	17,508,318
Long-term advances		**18,385**	102,055
Long-term deposits		**85,249**	79,587
Deferred tax asset - net	**9**	**-**	1,613,571
		71,722,175	69,763,576
CURRENT ASSETS			
Stores and spares	**17**	**3,707,246**	3,187,689
Stock-in-trade	**18**	**17,137,919**	8,547,165
Trade debts	**19**	**10,411,213**	6,510,563
Advances	**20**	**1,265,006**	2,000,829
Trade deposits and short-term prepayments	**21**	**296,119**	235,661
Interest accrued		**42,428**	43,936
Other receivables	**22**	**6,089,123**	6,279,769
Income tax refundable - net		**4,360,559**	4,525,602
Sales tax refundable	**23**	**9,793,750**	5,613,037
Short-term investments	**24**	**1,409,029**	11,235,646
Cash and bank balances	**25**	**7,794,335**	6,696,937
		62,306,727	54,876,834
		134,028,902	124,640,410

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

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		(Rupees '000)	
Sales - net	26	**81,520,667**	77,555,064
Cost of sales	27	**(69,139,520)**	(63,335,899)
GROSS PROFIT		**12,381,147**	14,219,165
Selling and distribution expenses	28	**(7,103,557)**	(7,425,513)
Administrative expenses	29	**(2,412,601)**	(2,285,668)
		(9,516,158)	(9,711,181)
		2,864,989	4,507,984
Finance costs	30	**(9,909,862)**	(5,213,584)
Other expenses	31	**(807,238)**	(1,676,638)
Allowance for expected credit losses	32	**(391,459)**	-
Other income	33	**1,369,318**	1,348,654
Share of profit of joint venture and associates - net		**3,082,969**	2,402,358
(LOSS) / PROFIT BEFORE TAXATION		**(3,791,283)**	1,368,774
Taxation	34	**(4,580,554)**	(590,670)
(LOSS) / PROFIT FOR THE YEAR		**(8,371,837)**	778,104
Attributable to:			
-Equity holders of the Holding Company		**(6,369,628)**	1,567,570
-Non-controlling interest		**(2,002,209)**	(789,466)
		(8,371,837)	778,104
(Loss) / earnings per share - basic and diluted (Rupees)	35	**(6.82)**	1.68

The annexed notes, from 1 to 41, form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		(Rupees '000)	
(LOSS) / PROFIT FOR THE YEAR		**(8,371,837)**	778,104
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of a joint venture		**1,163,906**	837,131
Exchange difference on translation of an associate		**14,663**	26,386
		1,178,569	863,517
Surplus on revaluation of available-for-sale securities of an associate		**(309,194)**	(606,296)
Related deferred tax		**46,379**	90,945
Surplus on revaluation of available for sale securities - net of tax		**(262,815)**	(515,351)
		915,754	348,166
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation	**10.4**	**(197,913)**	11,916
TOTAL COMPREHENSIVE (LOSS) / INCOME		**(7,653,996)**	1,138,186
Attributable to:			
-Equity holders of the Holding Company		**(5,655,520)**	1,927,589
-Non-controlling interest		**(1,998,476)**	(789,403)
		(7,653,996)	1,138,186

The annexed notes, from 1 to 41, form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital	Reserves: Capital reserve	Statutory reserve	Translation reserve	Revaluation reserve on available-for-sale investments	Accumulated profit / (loss)	Non-controlling interest	Total
	(Rupees ' 000)							
Balance as at January 01, 2018	9,341,100	228,350	821,150	824,699	33,856	3,959,623	4,765,782	19,974,560
Total comprehensive income								
Profit for the year	-	-	-	-	-	1,567,570	(789,466)	778,104
Other comprehensive income for the year	-	-	-	863,517	(515,351)	11,853	63	360,082
Total comprehensive income for the year	-	-	-	863,517	(515,351)	1,579,423	(789,403)	1,138,186
Transfer to statutory reserve	-	-	228,947	-	-	(228,947)	-	-
Transactions with owners recorded directly in equity								
Distributions to owners								
Final dividend 2017 (Re. 0.75 per ordinary share)	-	-	-	-	-	(700,583)	-	(700,583)
FPCL dividend 2018 (Rs. 1.75 per ordinary share)	-	-	-	-	-	-	(375,704)	(375,704)
	-	-	-	-	-	(700,583)	(375,704)	(1,076,287)
Change in ownership interest								
Acquisition of non-controlling interest	-	-	-	-	-	(225,643)	225,643	-
Balance as at December 31, 2018	9,341,100	228,350	1,050,097	1,688,216	(481,495)	4,383,873	3,826,318	20,036,459
Balance as at January 01, 2019	**9,341,100**	**228,350**	**1,050,097**	**1,688,216**	**(481,495)**	**4,383,873**	**3,826,318**	**20,036,459**
Allowance for expected credit loss (refer note 3.23)	**–**	**–**	**–**	**–**	**–**	**(152,071)**	**(30,422)**	**(182,493)**
Adjusted balance as at January 01, 2019	**9,341,100**	**228,350**	**1,050,097**	**1,688,216**	**(481,495)**	**4,231,802**	**3,795,896**	**19,853,966**
Total comprehensive loss								
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(6,369,628)**	**(2,002,209)**	**(8,371,837)**
Other comprehensive loss for the year	**-**	**-**	**-**	**1,178,569**	**(262,815)**	**(201,646)**	**3,733**	**717,841**
Total comprehensive loss for the year	**-**	**-**	**-**	**1,178,569**	**(262,815)**	**(6,571,274)**	**(1,998,476)**	**(7,653,996)**
Transfer to statutory reserve	**-**	**-**	**279,202**	**-**	**-**	**(279,202)**	**-**	**-**
Transactions with owners recorded directly in equity								
Distributions to owners								
Final dividend 2018 (Re. 1 per ordinary share)	**-**	**-**	**-**	**-**	**-**	**(934,110)**	**-**	**(934,110)**
FPCL dividend 2019 (Rs. 2.25 per ordinary share)	**-**	**-**	**-**	**-**	**-**	**-**	**(536,719)**	**(536,719)**
	-	**-**	**-**	**-**	**-**	**(934,110)**	**(536,719)**	**(1,470,829)**
Change in ownership interest								
Acquisition of non-controlling interest (note 3.1.1)	**-**	**-**	**-**	**-**	**-**	**(322,282)**	**322,282**	**-**
Balance as at December 31, 2019	**9,341,100**	**228,350**	**1,329,299**	**2,866,785**	**(744,310)**	**(3,875,066)**	**1,582,983**	**10,729,141**

The annexed notes, from 1 to 41, form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in from operating activities	36	**(5,854,887)**	(766,789)
Finance costs paid		**(9,066,616)**	(4,745,175)
Taxes paid		**(1,360,656)**	(2,372,571)
Payment to gratuity fund		**(90,505)**	(83,432)
Gratuity payment to employees		**(5,685)**	-
Compensated absences paid		**(80,011)**	(61,791)
Payment to Workers Welfare Fund		**(4,755)**	-
Payment to Workers' (Profit) Participation Fund		**(324,503)**	(255,201)
Net cash used in from operating activities		**(16,787,618)**	(8,284,959)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditures		**(3,906,071)**	(3,285,485)
Intangible assets		**(3,270)**	(3,317)
Recovery of promissory note		**13,000**	-
Long-term advances		**83,670**	(80,446)
Long-term deposits		**(5,662)**	-
Proceeds from sale of property, plant and equipment		**147,157**	22,456
Encashment of letter of guarantee		**-**	334,554
Dividend received		**1,509,915**	562,200
Short-term investments - net		**5,400,716**	(1,254,982)
Long-term loans paid		**-**	33,863
Cash dividend on mutual funds		**67,323**	164,778
Profit received on bank balances and term deposits		**848,645**	610,773
Net cash generated from / (used in) investing activities		**4,155,423**	(2,895,606)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans - received		**4,275,000**	8,125,000
Long-term loans - repaid		**(10,478,239)**	(8,548,978)
Lease liability		**(184,155)**	(89,904)
Short-term borrowings - net		**9,149,992**	(215,001)
Dividend paid		**(1,469,549)**	(1,077,821)
Net cash generated from / (used in) financing activities		**1,293,049**	(1,806,704)
Net decrease in cash and cash equivalents		**(11,339,146)**	(12,987,269)
Cash and cash equivalents at the beginning of the year		**(4,564,653)**	8,422,616
Cash and cash equivalents at the end of the year	25.3	**(15,903,799)**	(4,564,653)

The annexed notes, from 1 to 41, form an integral part of these consolidated financial statements.

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

1 STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited group comprises of Fauji Fertilizer Bin Qasim Limited (FFBL / the Holding Company) and its subsidiaries, Fauji Meat Limited (FML), Fauji Foods Limited (FFL), FFBL Foods Limited and FFBL Power Company Limited (FPCL), collectively referred as "Group". The ultimate parent of FFBL is Fauji Foundation (FF).

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

Geographical location and addresses of major business units including plants of FFBL are as under:

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

Set out below is a list of subsidiaries of the Group:

Name	Principal place of Business	Ownership in 2019	Ownership in 2018
Fauji Meat Limited	Pakistan	90.18%	83.33%
FFBL Power Company Limited	Pakistan	75.00%	75.00%
Fauji Foods Limited	Pakistan	50.59%	50.59%
FFBL Foods Limited	Pakistan	100.00%	100.00%

Fauji Meat Limited (FML), is a public limited company incorporated on September 05, 2013 in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 with effect from May 31, 2017). The principal objective of FML is processing and marketing of meat products. FML commenced its operations with effect from April 02, 2016.

FML has incurred a net loss of Rs. 1,892 million during the year ended December 31, 2019. FML's accumulated loss as at the reporting date stands at Rs. 5,544 million. Further, as at December 31, 2019, FML had net current liabilities of Rs. 3,522 million. Management has devised a business plan and believes that FML will be able to generate sufficient future cash flows from its operations and the Holding Company has confirmed its continued financial and operational support to FML on as and when required. Accordingly, the management of FML consider it appropriate to prepare the FML's financial statements on a going concern basis. These conditions indicate a material uncertainty exists that may cast significant doubt on the FML's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Geographical location and addresses of major business units including plants of FML are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Deh Kohistan Chak No.1 Tapo Gharo, Tehsil Mir Pur Sakhro, District Thatta	Plant Site

FFBL Power Company Limited (FPCL), is a public limited company incorporated on June 27, 2014 in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 with effect from May 31, 2017). FPCL has been established to build, own and operate a 118 MW coal based power generation facility at Port Qasim Karachi. FPCL achieved its financial close in December 2015 and Commercial Operation Date on May 19, 2017.

Geographical location and addresses of major business units including plants of FPCL are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office
Karachi	
Port Qasim	Power Generation Facility

Fauji Foods Limited (FFL) was incorporated in Pakistan on September 26, 1966 as a public company and its shares are quoted on Pakistan Stock Exchange. It is principally engaged in processing and sale of toned milk, milk powder, fruit juices, allied dairy and food products.

FFL has incurred a loss after tax of Rs. 5,788.94 million (2018: Rs. 2,849.24 million), in accordance with its statutory financial statements, during the year and as of reporting date its current liabilities exceeds its current assets by Rs. 8,789.30 million (2018: Rs. 2,875.20 million), equity has eroded and stands at negative Rs. 3,677.79 million. Due to continuous operational losses for the last few years, the operations have been financed through the Holding Company support / equity injection and high level of borrowings and as at December 31, 2019, the total debt amounts to Rs. 13,638.61 million. The above mentioned conditions and other matters indicate existence of significant doubt on going concern of FFL.

The Board of the Directors ("BOD") of FFL have approved the business plan for financial year 2020 that shows improvements in cash generation. The cash flow forecasts for financial year 2020 includes financial support of Rs. 2,500 million from the Holding Company primarily for meeting the contractual obligations of FFL. The BOD of FFL has approved conversion of financial support for financial year 2019 of Rs. 2,630 million along with accrued mark-up into equity after approval of the shareholders and other requisite regulatory approvals. FFL is also considering renegotiating the terms of the loans with the lenders. Further the Holding Company has committed to provide all necessary financial and technical support to FFL as and when needed.

Geographical location and addresses of major business units including plants of FFL are as under:

Location	Purpose
Lahore	
42 CCA, Ex Park View, DHA Phase – VIII	Head Office
Bhalwal	
District Sargodha	Processing Unit

FFBL Foods Limited, is a public limited company incorporated on July 04, 2013 in Pakistan under the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017 with effect from May 31, 2017). The Board of Directors of FFBL Foods Limited is exploring different business propositions for FFBL Foods Limited at present.

Geographical location and addresses of major business units of FFBL Foods Limited are as under:

Location	Purpose
Islamabad	
FFBL Tower, C1/C2, Sector B, Jinnah Boulevard DHA Phase II, Islamabad	Head Office

Location	Purpose
Pindi Bhattian	
Moza Thatta Raika and Moza Thatta Bahuman	Agriculture Land

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 applicable in Pakistan comprise of:

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

- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and staff retirement gratuity and compensated absences, which are carried at the present value of the defined benefit obligations, net of fair value of related plan assets.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.4.1 Staff gratuity (notes 3.2 & 10.4)

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

2.4.2 Property, plant and equipment (notes 3.4 & 14)

The Group reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and the impairment.

2.4.3 Provision for inventory obsolescence (notes 17 & 18)

The Group reviews the carrying amount of stock, stores and spares on a regular basis and as appropriate inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.4.4 Provision for expected credit losses of trade debts and other receivable (notes 19 and 22)

The Group uses a provision matrixes to calculate ECLs for trade debts. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade debts is disclosed in Note 38.2.

The measurement of impairment losses under IFRS 9 for financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the Group's calculation of ECL that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there is a significant increase in credit risk and allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment; and

- Selection of forward-looking multiple scenarios and their probability weightings, to calculate the amount of ECL.

It is the Group's policy to regularly review its basis of calculations in the context of actual loss experience and adjust when necessary.

2.4.5 Taxation (note 34)

The Group takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group's views differ from the views taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

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

2.4.6 Contingencies

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

2.4.7 Impairment of non-financial assets

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

2.4.8 Impairment of goodwill (note 15)

The carrying amount of the cash generating unit to which goodwill has been allocated is reviewed at each reporting date to determine whether there is any indication of impairment loss. If any indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

2.4.9 Disclosure related to IFRIC 4

As discussed in note 3.5, the Securities and Exchange Commission of Pakistan (SECP) has granted an exemption from the requirements of International Financial Reporting Standard (IFRS) - 16 "Leases" to all companies that have executed their power purchase agreement before 2019. Accordingly the Group does not apply lease accounting to it's agreement with K-Electric. It is, however, mandatory to disclose the financial effect of the exemption on each item in the financial statements that would have been reported in complying with the requirements of IFRS - 16. Accordingly, to estimate the impact, the Group has to determine classification of the lease (i.e. operating or finance) contained within arrangement, the interest rate inherent in the arrangement, net investment in lease, the useful lives of the plant and the impact of any shortfall in the capacity made available to the K-Electric, during the period, by the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidated financial statements

The consolidated financial statements include the financial statements of FFBL and its subsidiary companies as mentioned in note 1.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred is generally measured at fair value. Any goodwill that arises is tested annually for impairment. Any gain / (loss) on a bargain purchase is recognized in income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Impairment losses relating to goodwill cannot be reversed in future periods.

The consideration transferred does not include amounts related to the settlement of pre-fixing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration, that meets the definition of a financial instrument is classified as equity, then it is.

not measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognized in profit or loss

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Any further purchase, which does not result in a loss of control is accounted for as an equity transaction and no further goodwill is recognized.

Non-Controlling Interests (NCI)

NCI in subsidiaries are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control (known as a joint arrangement), whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture and associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

FFBL has an associate, Askari Bank Limited (AKBL), which is a banking company engaged in commercial banking and related services. The applicability of International Financial Reporting Standard 9 "Financial Instruments" and International Accounting Standard 40 "Investment Property" has been deferred for banking companies by the State Bank of Pakistan. Accordingly equity accounting of AKBL is based on its unaudited financial information for the nine months period ended September 30, 2019, prepared under the accounting framework applicable to banking companies in Pakistan ("Banking Framework". Further, revaluation reserve on AKBL's investments classified as available for sale securities under Banking Framework continue to be disclosed as Revaluation reserve on available for sale investments, net of tax, in the Group's consolidated financial statements.

Transactions eliminated on consolidation

Intra-group balances and transactions, and material unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Contingent liabilities recognized in business combination

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

3.1.1 Acquisition of non-controlling interest

The Group's acquisition of additional non-controlling interest in FML, comprising of 313,500,000 shares, for a consideration of Rs. 3,135,000 thousand, resulted in a negative equity adjustment of Rs. 322,282 thousand.

3.2 Employees' retirement benefits

The Group has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

The Holding Company, FPCL, FML and FFL operate defined contributory provident funds for all its permanent employees. The fund is administered by trustees. Monthly contributions are made to the fund by the group and their employees at the rate of 10% of basic pay. The employees of the Holding Company have an option to deposit extra contribution, equivalent to 5% or 10% of basic pay, to the it's fund. Group's contribution is charged to income for the year.

Gratuity Fund - Defined Benefit Scheme

The Holding Company, FPCL and FFL operate defined benefit gratuity schemes for all employees who complete the qualifying period of service and age. The Funds of the Holding Company and FPCL are administered by trustees. Contributions to the funds are made on the basis of actuarial valuations, using the Projected Unit Credit Method, related details of which are given in note 10.4. Amounts determined by the actuary as charge for the year are included in the profit or loss for the year.

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

Compensated absences

The Holding Company, FPCL, FML and FFL grant compensated absences to all its employees in accordance with the rules of the Holding Company, FPCL, FML and FFL. Under these unfunded scheme, regular employees are entitled maximum 30 days privilege leaves for each completed year of service. Unutilized privilege leaves are accumulated up to a maximum of 120 days and 60 days, respectively, to the Holding Company, FPCL, FML and FFLs' employees which are encashable at the time of separation from service on the basis of last drawn gross salary. Provisions are made in accordance with the actuarial recommendation. Actuarial valuation, in respect of the Holding Company and FFLs' compensated absences, is carried out using the Projected Unit Credit Method in respect of provision for compensated absences. Actuarial gains and losses are recognized in the income for the year in which they arise.

3.3 Taxation

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

Current

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

Deferred

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences such as the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments accounted in the consolidated financial statements by applying the equity method to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.4 Property, plant and equipment and capital work in progress

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in statement of profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated on the straight line method and charged to income to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 14. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

3.5 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, unless the lease term is 1 year or less or the lease contains a low-value asset.

Leasees

Right of use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Lease liability

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leasors

Net investment in lease

Through S.R.O No. 986(I)/2019, dated September 02, 2019, the SECP, however, has granted an exemption from the requirements of International Financial Reporting Standard (IFRS) - 16 "Leases" to all companies that have executed their power purchase agreements before 2019. Accordingly the Group does not apply lease accounting to it's agreement with K-Electric. It is, however, mandatory to disclose the financial effect of the exemption on each item in the consolidated financial statements that would have been reported in complying with the requirements of IFRS - 16.

During 2017, FFBL Power Company Limited (FPCL) achieved Commercial Operation Date (COD) on May 19, 2017. Under a Power Purchase Agreement (PPA), dated April 15, 2016, FPCL has agreed to provide, on an exclusive basis, 60,000 kWh electricity, with an 85% dependable capacity, for 30 years to K-Electric, from its Steam Turbine Generators at 50Hz. As a consideration, K-electric is liable to pay Capacity Price and Energy Price.

PPA conveys rights to K-Electric to use FPCL's specified Steam Turbine Generators. Under the waiver granted by SECP, however, the Group has elected to account for the transactions under PPA on an invoiced amount basis.

Under IFRS - 16, the consideration due from a lessee for the right to use the asset is to be accounted for as a net investment in the lease. Had the standard been applied, the following adjustments to the consolidated statement of profit or loss and the consolidated statement of financial position would have been made:

	2019	**2018**
	(Rupees '000)	
Increase in unappropriated profit at the beginning of the year	**583,468**	548,207
Decrease / increase in loss / profit for the year	**118,883**	35,261
Decrease / increase in unappropriated loss / profit at the end of the year	**702,351**	583,468

3.6 Intangibles

Intangibles are stated at the cash price equivalent of the consideration given, i.e., cash and cash equivalent paid less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortized over the period of their useful lives. Amortization is charged on a straight line basis over the estimated useful life and is included in the statement of profit or loss.

3.7 Borrowing costs

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

3.8 Impairment of non-financial assets

The carrying amounts of non-financial assets other than stock in trade, stores and spares and deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss.

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

3.9 Stores and spares

These are valued at lower of weighted average cost and net realizable value less impairment. For items which are slow moving and / or identified as surplus to the Group's requirement, an adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores spares on regular basis and provision is made for obsolescence.

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

3.10 Stock-in-trade

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

Cost is determined as follows:

- Raw materials	at weighted average purchase cost and directly attributable expenses
- Work-in-process and finished goods	at weighted average cost of raw materials and related manufacturing expenses

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

3.11 Contract balances

Contract assets and Contract liabilities

A contract asset is the right to consideration in exchange for goods transferred to the customer, when the right is conditioned on something other than the passage of time. Contract asset are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in note 3.12.

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related good. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer). The Group's contract liabilities consist of advances from customers.

Trade debt

A trade debt is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 3.12.

3.12 Financial instruments

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade debts that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 3.19 "Revenue recognition".

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade debts, deposits, interest accrued, loan and advances to employees, short-term investments and other receivables.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not carry debt instruments at fair value through OCI. In respect of securities held by AKBL refer to note 3.1.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have any investment in equity instrument carried at fair value at OCI. In respect of securities held by AKBL refer to note 3.1.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Group's financial asset at fair value through profit or loss consists of its investment in mutual funds.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(d) Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade debts, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established provision matrixes that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers whether there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the Group's policy to measure ECLs on investment at fair value through OCI on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the external credit agencies, both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in note 38.2.

- Trade debts (note 19)
- Other receivables (note 22)

Financial liability

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, long-term financing, accrued mark-up, lease liability (refer note 3.5 for related accounting policy), unpaid and unclaimed dividend payable and short-term borrowings.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at 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 at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments, if any, entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

(c) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Off-setting of financial assets and liabilities

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

3.13 Trade and other payables

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

3.14 Cash and cash equivalents

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

3.15 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the statement of profit or loss over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 3.4.

3.16 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.17 Dividends

Dividend is recognized as a liability in the period in which it is declared.

3.18 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is re-attributed to NCI. When the Group disposes off only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.19 Revenue recognition

Fertilizer segment

The Holding Company is in the business of manufacturing of fertilizer products. Revenue from contract with customer is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled for those goods. The Holding Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Revenue from sale of fertilizer is recognized at a point in time, when the control of the asset is transferred to the customer, generally on the dispatch of the goods to the customer except for direct sales wherein the control is transferred upon delivery to customer. The Holding Company's credit sales normally carry credit term of 30 days to 180 days and is secured against bank guarantee. The Holding Company's remaining sales are against advance payment by its customers.

In determining the transaction price for the sale of fertilizer, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer, if any.

(i) Post-sales incentives

These post-sales incentives are based on monthly volume of purchases made by individual customers and is settled in cash, within 30 days of the month it relates to. Accordingly, no estimation uncertainty arises and the amount of payable is set off against the related trade debts.

(ii) Financing component

The Company allows credit period of 30 days to 180 days to its certain customers, for the sale of fertilizer, against a credit charge determined based upon volume of sales and period of credit. There is a financing component for these contracts considering the prevailing interest rate in the market.

Power segment

FPCL signed its PPA with K Electric on July 04, 2018. Under the PPA, FPCL is obligated to sell and deliver all output of the Complex in accordance with provisions of PPA.

Revenue from sale of electricity is recognized when or as FPCL satisfies performance obligation by transferring a promised good to a customer. A good is transferred when the customer obtains control of that good. FPCL principally satisfies its performance obligation in respect of supply of electricity upon transmission of electricity to K - electric .

PPA also contains other performance obligations i.e. insurance and operation & maintenance.

Revenue associated with the operating phase of the PPA i.e. insurance and operations & maintenance of the plant is measured based on the consideration specified in contract with customer. Revenue from contract with customer is recognized when or as the FPCL satisfies a performance obligation by transferring a promised goods to the customer. The goods are transferred when the customer obtains control of that goods. The FPCL principally satisfies its performance obligations of insurance, operations and maintenance over time and the amount of revenue is recognized based on the consideration specified in the PPA. Consideration for operating phase of the PPA i.e. Insurance and fixed O&M component of tariff is billed to customers as part of capacity purchase price whereas variable O&M component is billed to customers as part of energy purchase price. The amount of revenue recognized in respect of operating phase excludes the estimates of variable consideration as it is not highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur in future when the uncertainty associated with the variable consideration is subsequently resolved.

Meat segment

FML is in the business of sale of meat. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which FML expects to be entitled in exchange for those goods. FML has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts, if any. Revenue from sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. FML also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., right of returns, volume rebates).

The nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies are as follows:

(i) Ex-Site - The FML's performance obligation is to deliver the goods to the customers' premises i.e., FML bears the related freight and insurance expense for transportation and the control of the goods is transferred to the customer at the point in time where goods are delivered to customers, which is the point in time where performance obligation of the contract is met.

The normal credit term is generally 30 days under both of the above selling terms of the contract.

Food segment

Revenue represents the fair value of consideration received or receivable for sale of goods, net of sales tax, sales returns and related discounts and commissions. Revenue is recognized when or as performance obligation is satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or point in time.

Scrap sales and miscellaneous receipts

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

3.20 Basis of allocation of common expenses

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

3.21 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segments' operating results are reviewed regularly by the Chief Executive and Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief executive and managing director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group has the following four (4) business segments, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable Segment	Operations
Fertilizer	Production and sale of UREA and DAP.
Power	Generation and supply of electricity.
Meat	Meat abattoir unit for halal slaughtering of animals to obtain meat for local and export sale.
Food	Processing and sale of tea creamer, toned milk, milk powder, fruit juices, allied dairy and food products.

3.22 AMMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard and IFRIC		Effective date (annual periods beginning on or after)
IAS 1 & IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	January 01, 2020
IFRS 3	Business Combinations - Definition of a Business (amendments)	January 01, 2020
IFRS 7 & IFRS 9	Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)	January 01, 2020
IFRS 14	Regulatory Deferral Accounts - Original issue	July 01, 2019

Standard and IFRIC		Effective date (annual periods beginning on or after)
IFRS 10 & IAS 28	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized

The Group expects that the adoption of the above standards and amendments will have no material effect on the Group's financial statements.

In addition to the above new standards and amendments to standards, improvements to various accounting standards have also been issued by the IASB in March 2018. Such improvements are generally effective for accounting periods beginning on or after January 01, 2020. The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

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

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

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

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

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

IAS 19	Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments)	January 01, 2019
IFRS 9	Financial Instruments: Classification and Measurement	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatment	January 01, 2019

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 01, 2019. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at that date. The Group applied this standard to contracts that are not completed as at January 01, 2019.

The cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of unappropriated profit. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at January 01, 2019 was, as follows:

	(Rupees '000)
Liabilities	
Trade and other payables	**(854,264)**
Advances from customer	**854,264**

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2019 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Company's operating, investing and financing cash flows.

	Amounts prepared under		Increase / (decrease)
	IFRS 15	IAS 18	
	(Rupees '000)		
Liabilities			
Trade and other payables	**36,638,874**	**36,832,689**	**(193,815)**
Advances from customer	**193,815**	**-**	**193,815**
Consolidated Statement of Profit or Loss			
Sales - net	**81,520,667**	**81,144,047**	**376,620**
Selling and distribution expenses	**(7,103,557)**	**(7,343,927)**	**(240,370)**

The nature of the adjustment as at January 01, 2019 and the reason for the significant change in the consolidated statement of financial position as at December 31, 2019 are described below:

(i) Advance from customer

The Group reclassified advance received from customers, before delivery of goods, from Trade and other payables to Advance from customers, by Rs. 854.264 million.

(i) Variable trade discount - Food segment

The Group has reclassified variable trade discount from selling and distribution expenses, offered within it's Food segment, which is now to be set off against the sales.

(ii) Other adjustments

In addition to the adjustments described above, other item of the primary financial statements such as Income tax refundable and unappropriated loss were adjusted as necessary.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for periods ending on or after June 30, 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9, with an initial application date of January 1, 2019. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 is instead required to be recognized directly in "Unappropriated profit". The effect of adopting IFRS 9 as at January 1, 2019 was, however, insignificant and accordingly has not been incorporated in the consolidated financial statements except for additional recognition of expected credit losses on trade debts of FML.

The nature of these adjustments are described below:

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI.

The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2019. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The following are the changes in the classification of the Group's financial assets:

Trade debts and other non-current and current financial assets (i.e., deposits, loans/ advances, other receivable and short-term investments) classified as Loans and receivables as at December 31, 2018 were held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2019.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at January 1, 2019.

	IFRS 9 measurement category		
	Carrying value	**Fair value through profit or loss**	**Amortized cost**
		(Rupees '000)	
IAS 39 measurement category			
Loans and receivables			
Trade debts	**10,411,213**	-	**10,411,213**
Deposits	**165,968**	-	**165,968**
Advances	**105,809**	-	**105,809**
Interest accrued	**42,428**	-	**42,428**
Other receivables - net of provision	**6,089,123**	-	**6,089,123**
Short-term investments	**1,400,000**	-	**1,400,000**
Fair value through profit or loss			
Short-term investments	**9,029**	**9,029**	-

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9, the Group would have been required to recognize additional impairment on the Group's financial assets, impact of transition to IFRS 9 on the opening balance of accumulated profit.

	Impact of adopting IFRS 9 on opening balance
	(Rupees '000)
Impact at January 01, 2019	
Recognition of expected credit losses	**182,493**

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of January 01, 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at January 01, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The following table summarizes the impact of transition to IFRS 16 as at January 01, 2019.

	Amounts prepared under		Increase / (decrease)
	IFRS 16	IAS 17	
	(Rupees '000)		
Property, plant and equipment			
Right of use assets	**140,708**	**-**	**140,708**
Liabilities			
Lease liabilities	**140,708**	**-**	**140,708**

The above right of use assets relates to rental agreements for Zabeeha retail outlets of Meat segment.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. Refer to note 3.5.

In addition to the above amendments, improvements to the following accounting standard (under the annual improvements 2015 - 2017 cycle) has also been adopted:

IFRS 3 & 11	Business combination and Joint arrangements - Clarification that an entity remeasure previously held interest in business that is joint operation, when an entity obtains control, whereas when entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest.
IAS 12	Income taxes - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
IAS 23	Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

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

		2019	2018
		(Rupees '000)	
4	**SHARE CAPITAL**		
4.1	**AUTHORIZED SHARE CAPITAL**		
	1,100,000,000 (2018: 1,100,000,000) Ordinary shares of Rs. 10 each	**11,000,000**	11,000,000
4.2	**ISSUED, SUBSCRIBED AND PAID - UP CAPITAL**		
	934,110,000 (2018: 934,110,000) Ordinary shares of Rs. 10 each issued for cash	**9,341,100**	9,341,100

4.3 Fauji Fertilizer Company Limited (FFCL) and Fauji Foundation (FF) held 465,891,896 and 170,842,386 (2018: 465,891,896 and 170,842,386) ordinary shares respectively of the Holding Company at the year end.

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

		2019	2018
		(Rupees '000)	
5	**CAPITAL RESERVE**	**228,350**	228,350

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

6 NON-CONTROLLING INTEREST (NCI)

The following table summarizes the information relating to each of the Group's subsidiaries that have NCI, before any intra-group eliminations.

	2019			
	FFBL Power Company Limited	Fauji Meat Limited*	Fauji Foods Limited	Total
NCI percentage	25%	9.82%	49.41%	
	(Rupees '000)			
Non-current assets	26,728,570	6,423,712	7,806,419	40,958,701
Current assets	6,680,427	1,477,615	4,000,770	12,158,812
Non-current liabilities	(15,672,807)	(907,630)	(3,040,524)	(19,620,961)
Current liabilities	(4,226,776)	(4,902,645)	(12,813,982)	(21,943,403)
Net assets / (liabilities)	13,509,414	2,091,052	(4,047,317)	11,553,149
Net assets attributable to NCI	3,377,354	205,408	(1,999,779)	1,582,983
Revenue	17,099,664	2,264,120	5,744,872	25,108,656
Profit / (loss) for the year	3,884,949	(1,891,959)	(5,495,262)	(3,502,272)
Other comprehensive income	6,422	-	4,304	10,726
Total comprehensive income/(loss)	3,891,371	(1,891,959)	(5,490,958)	(3,491,546)
Profit / (loss) allocated to NCI	971,237	(258,237)	(2,715,209)	(2,002,209)
Other comprehensive income allocated to NCI	1,606	-	2,127	3,733
Total comprehensive income / (loss) allocated to NCI	972,843	(258,237)	(2,713,082)	(1,998,476)
Cash flows from operating activities	4,846,627	(1,485,096)	(1,960,936)	1,400,595
Cash flows from investing activities	(644,956)	(16,197)	(739,335)	(1,400,488)
Cash flows from financing activities	(3,866,784)	(400,000)	2,215,323	(2,051,461)
Net increase / (decrease) in cash and cash equivalents	334,887	(1,901,293)	(484,948)	(2,051,354)

* 9.82% represents the effective interest of NCI in FML, as at reporting date.

	2018			
	FFBL Power Company Limited	**Fauji Meat Limited***	**Fauji Foods Limited**	**Total**
NCI percentage	25%	16.67%	49.41%	
	(Rupees '000)			
Non-current assets	27,068,211	6,389,569	8,909,862	42,367,642
Current assets	7,195,089	1,307,569	3,971,394	12,474,052
Non-current liabilities	(17,385,973)	(3,391,747)	(4,567,107)	(25,344,827)
Current liabilities	(5,112,409)	(3,274,886)	(6,870,509)	(15,257,804)
Net assets	11,764,918	1,030,505	1,443,640	14,239,063
Net assets attributable to NCI	2,941,230	171,785	713,303	3,826,318
Revenue	16,245,240	1,120,369	8,094,123	25,459,732
Profit / (loss) for the year	3,052,696	(1,317,738)	(2,604,175)	(869,217)
Other comprehensive income / (loss)	1,862	-	(816)	1,046
Total comprehensive income / (loss)	3,054,558	(1,317,738)	(2,604,991)	(868,171)
Profit / (loss) allocated to NCI	763,174	(265,917)	(1,286,723)	(789,466)
Other comprehensive income / (loss) allocated to NCI	466	-	(403)	63
Total comprehensive income / (loss) allocated to NCI	763,640	(265,917)	(1,287,126)	(789,403)
Cash flows from operating activities	2,090,886	(975,437)	(2,539,892)	(1,424,443)
Cash flows from investing activities	(120,861)	(22,306)	(1,456,341)	(1,599,508)
Cash flows from financing activities	(3,093,458)	2,400,000	(292,430)	(985,888)
Net increase / (decrease) in cash and cash equivalents	(1,123,433)	1,402,257	(4,288,663)	(4,009,839)

* 16.67% represents the effective interest of NCI in FML, as at reporting date.

6.1 During the year, FPCL declared an interim dividend at the rate of Rs. 2.5 per share (2018: Rs. 1.75 per share). Accordingly, an amount of Rs. 536,719 thousand (2018: Rs. 375,704 thousand) has been disbursed to Fauji Foundation, a related party.

		Note	2019	2018
			(Rupees '000)	
7	**LONG-TERM LOANS**			
	Fauji Fertilizer Bin Qasim Limited	7.1	**18,358,334**	21,208,333
	Fauji Meat Limited	7.2	**916,667**	2,416,667
	FFBL Power Company Limited	7.3	**17,437,921**	19,157,829
	Fauji Foods Limited	7.4	**4,316,667**	4,450,000
			41,029,589	47,232,829
	Less: Unamortized transaction cost			
	Opening balance		**225,476**	305,614
	Less: Amortization during the year	30	**46,731**	80,138
	Closing balance		**178,745**	225,476
			40,850,844	47,007,353
	Less: Current portion shown under current liabilities			
	Fauji Fertilizer Bin Qasim Limited		**(4,566,667)**	(5,125,000)
	Fauji Meat Limited		**(916,667)**	(1,500,000)
	FFBL Power Company Limited		**(1,859,676)**	(1,719,909)
	Fauji Foods Limited		**(1,608,334)**	(258,333)
			(8,951,344)	(8,603,242)
			31,899,500	38,404,111
7.1	**Loans from banking companies - secured (FFBL)**			
	Related party			
	Askari Bank Limited	7.1.1	**500,000**	500,000
	Others			
	Habib Bank Limited		**1,333,334**	2,000,000
	United Bank Limited		**1,333,334**	2,000,000
	National Bank of Pakistan		**2,000,000**	2,000,000
	MCB Bank Limited		**8,750,000**	6,500,000
	Allied Bank Limited		**3,775,000**	4,875,000
	Bank Alfalah Limited		**-**	333,333
	Bank Al-Habib Limited		**666,666**	1,000,000
	Meezan Bank Limited	7.1.3	**-**	2,000,000
			17,858,334	20,708,333
			18,358,334	21,208,333
	Less: Current portion shown under current liabilities		**(4,566,667)**	(5,125,000)
			13,791,667	16,083,333

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

7.1.2 Terms and conditions of these loans are as follows:

Lenders	Mark-up Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
Askari Bank Limited	6 Month KIBOR + 0.50	6 Half Yearly	September, 2020	March, 2023
Habib Bank Limited	3 Month KIBOR + 0.55	12 Quarterly	March, 2019	December, 2021
United Bank Limited	6 Month KIBOR + 0.55	6 Half Yearly	March, 2019	September, 2021
National Bank of Pakistan	3 Month KIBOR + 0.50	12 Quarterly	March, 2020	December, 2022
MCB Bank Limited	3 Month KIBOR + 0.55	12 Quarterly	December, 2018	September, 2021
	3 Month KIBOR + 0.55	12 Quarterly	July, 2020	April, 2023
	3 Month KIBOR + 0.85	12 Quarterly	June, 2021	March, 2024
Allied Bank Limited	3 Month KIBOR + 0.50	12 Quarterly	December, 2018	September, 2021
	6 Month KIBOR + 0.60	6 Half Yearly	June, 2021	December, 2023
	3 Month KIBOR + 0.50	12 Quarterly	September, 2020	June, 2023
Bank Al-Habib Limited	3 Month KIBOR + 0.50	12 Quarterly	February, 2019	November, 2021

These are secured against ranking charges over fixed and current assets of the Holding Company and carry mark-up at rates ranging from 14.05 % to 14.45% per annum (2018: 8.77% to 11.39% per annum).

7.1.3 During the year, the Holding Company repaid the facility early, which was due to be settled in April 2020.

	2019	2018
	(Rupees '000)	
7.2 Loans from banking companies - secured (FML)		
MCB Bank Limited	**208,333**	625,000
Habib Bank Limited	**291,667**	875,000
Al-Baraka Bank (Pakistan) Limited	**166,667**	333,334
Dubai Islamic Bank (Pakistan) Limited - facility I	**83,333**	250,000
Dubai Islamic Bank (Pakistan) Limited - facility II	**166,667**	333,333
	916,667	2,416,667
Less: Current portion shown under current liabilities	**(916,667)**	(1,500,000)
	-	916,667

Terms and conditions of loan facilities are as follows:

Lenders	Mark-up Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
MCB Bank Limited	6 Month KIBOR+1.35%	6 Semi-annual	November, 2017	May, 2020
Habib Bank Limited	6 Month KIBOR+1.35%	6 Semi-annual	November, 2017	May, 2020
Al-Baraka Bank (Pakistan) Limited	6 Month KIBOR+1.35%	6 Semi-annual	June, 2018	December, 2020
Dubai Islamic Bank (Pakistan) Ltd-I	6 Month KIBOR+1.35%	6 Semi-annual	November, 2017	May, 2020
Dubai Islamic Bank (Pakistan) Ltd-II	6 Month KIBOR+1.35%	6 Semi-annual	June, 2018	December, 2020

The facility is secured through first charge over current and fixed assets and first equitable mortgage over property amounting to Rs. 6.0 billion. Further securities of the facility includes assignment of all receivable, assignment of the FML's right under insurance policies, pledge of 51% shares of FML owned by the Holding Company and creation of lien over project accounts.

Significant covenants of the above facilities are as follows:

- Maintenance of debt equity ratio, loan coverage ratio, debt service coverage ratio and current ratio;
- Restriction on creation of further charge on FML's assets;
- Availability of stand by letter of credit from sponsor;
- Restriction on declaration of dividend; and
- Restriction on disposal of assets.

Further covenants under these facilities relate to the operations of FML.

FML has a secured bank loan with a carrying amount of Rs. 916.667 million as at year end (2018: Rs. 2,417 million). The loan is repayable in 6 equal semi-annual installments starting from November 2017. The loan contains significant covenants as mentioned above and non-compliance of these covenants can result in loan repayment on demand.

		2019	2018
		(Rupees '000)	
7.3	**Loans from banking companies - secured (FPCL)**		
	Commercial facilities		
	National Bank of Pakistan	**3,160,561**	3,472,288
	United Bank Limited	**877,380**	963,916
	Bank Alfalah Limited	**1,994,044**	2,190,718
	Soneri Bank Limited	**797,618**	876,287
	The Bank of Punjab	**797,618**	876,287
	MCB Bank Limited	**1,196,427**	1,314,431
		8,823,648	9,693,927
	Islamic facilities		
	National Bank of Pakistan	**797,618**	876,287
	Habib Bank Limited	**2,791,662**	3,067,005
	United Bank Limited	**877,380**	963,916
	Dubai Islamic Bank (Pakistan) Limited	**1,196,427**	1,314,431
	Meezan Bank Limited	**1,196,427**	1,314,431
	Faysal Bank Limited	**957,141**	1,051,545
	Sindh Bank Limited	**797,618**	876,287
		8,614,273	9,463,902
	Total outstanding	**17,437,921**	19,157,829
	Less: Current portion of long-term finance facilities	**(1,859,676)**	(1,719,909)
	Unamortized transaction cost	**(178,745)**	(225,476)
		15,399,500	17,212,444

7.3.1 FPCL has entered into long-term finance facilities under commercial facility of Rs. 11,062.5 million and musharika facility of Rs. 10,800 million with various banks, at a mark-up rate of 3 months KIBOR plus 1.75% per annum. The mark-up is payable on quarterly basis. Any delay in payments to banks by FPCL is subject to liquidated damages at the rate of applicable mark-up rate plus 2% per annum. The loan is repayable in 40 quarterly installments, commencing from 30 June 2017.

7.3.2 Facilities mentioned above are secured by way of, inter alia:

(a) First ranking pari passu charge up to Rs. 29,150 million by way of hypothecation on all present and future moveable and immoveable fixed assets (other than land and building) of FPCL;

(b) Equitable mortgage over land and building will be created and perfected within 6 months of facility effective date;

(c) First pari passu hypothecation charge on all present and future current assets of FPCL (excluding all present and future fuel stock and inventories and any charge over any accounts of FPCL opened in relation to working capital or any accounts currently opened by FPCL with other banks for the purposes of the letter of credit issuance);

(d) An assignment of assigned project receivables from K-Electric and FFBL in favour of financiers;

(e) An assignment over the FPCL's present and future rights and benefits under all material projects agreements and any amendment thereto and any performance guarantees and warranties issued under these agreements;

(f) Lien on all project accounts opened with various banks;

(g) An assignment of all insurances as co-loss payee or assignee;

(h) Share representing 100% of the paid up share capital of FPCL have been pledged, by the Holding Company and FF, till achievement of commercial operation date and thereafter shares not exceeding 51% of the paid up capital shall be pledged.

(i) Undertaking by the Holding Company to fund the following:

i. Uncapped support to fund any payment shortfall i.e. amount less than the required finance payment balance up to technical completion date and thereafter up to financing service cap i.e. up to Rs. 8,000 million till project completion date;

ii. In case of event of default and termination before technical completion date uncapped support to fund the payment of the outstanding secured obligations as defined in common term agreement;

iii. Sponsor shall fund 25% of the project costs inclusive of budgeted contingencies, (approx. USD 66.25 million).

7.3.3 Significant covenants of above facility are as follows:

- Maintenance of financing service coverage ratio (FSCR), current ratio, financing to equity ratio, financing life coverage ratio and forecast FSCR;
- Restriction on disposal of assets;
- Restriction on modification or amendment in any key project contract;
- Restriction on transfer or allotment of new shares;
- Restriction on incurring any new financial indebtedness;
- Restriction on declaration of dividend; and
- Restriction on creation of further charge on FPCL's assets.

Further covenants under this loan relate to the operations of FPCL.

		Note	2019	2018
			(Rupees '000)	
7.4	**Loans from banking companies - secured (FFL)**			
	Allied Bank Limited	**7.4.1**	**666,667**	800,000
	National Bank of Pakistan	**7.4.2**	**750,000**	750,000
	MCB Bank Limited	**7.4.3**	**1,000,000**	1,000,000
	Faysal Bank Limited	**7.4.4**	**1,900,000**	1,900,000
			4,316,667	4,450,000
	Less: Current portion shown under current liabilities		**(1,608,334)**	(258,333)
			2,708,333	4,191,667

Terms and Conditions of these loans are as follows:

Lender	Mark-up Rate	No. of Installments	Commencement of Repayment	Date of Final Repayment
Allied Bank Limited	3 Month Kibor+0.85%	12 Quarterly	August, 2019	May, 2022
National Bank of Pakistan	3 Month Kibor+1.20%	6 Half Yearly	December, 2019	June, 2022
MCB Bank Limited	3 Month Kibor+0.85%	12 Quarterly	February, 2020	November, 2022
Faysal Bank Limited	3 Month Kibor+1.58%	6 Half Yearly	June, 2020	December, 2022

7.4.1 This facility is secured by way of a first pari passu charge of Rs. 1,334 million, on present and future current and fixed assets of FFL and the equitable mortgage of property / land measuring 112.25 kanals and a building thereon, situated in Mauza Purana Bhalwal, Tehsil Bhalwal, District Sargodha, together with structures of all sorts, amenities, easements, etc. constructed or to be constructed thereon, plant and machinery, air conditioning / air conditioning plant, equipment, fittings and fixtures, appurtenances whatsoever, installed or to be installed therein / thereon etc.

7.4.2 This facility is secured by way of ranking charge of Rs. 1,000 million over current and fixed assets (excluding land and building) of FFL.

7.4.3 This facility is secured by way of a first pari passu charge of Rs. 1,333.33 million over all present and future current and fixed assets (including land and building) of FFL.

7.4.4 This facility is secured by way of a first pari passu charge of Rs. 2,534 million (25% margin) on all present and future current and fixed assets (excluding land and building) of FFL.

All these above facilities have been obtained to finance the balancing, modernization and replacement (BMR) of FFL.

		Note	2019	2018
			(Rupees '000)	
8	**LEASE LIABILITY**			
	Fauji Foods Limited	**8.1**		
	Leased vehicles - secured		**67,943**	131,937
	Leased machinery - unsecured		**207,531**	302,634
	Leased building - unsecured - *note 3.5*		**117,357**	-
			392,831	434,571
	Fauji Meat Limited	**8.2**		
	Leased retail outlets - unsecured - *note 3.5*		**333,072**	-
			725,903	434,571
	Less: Current maturity presented under current liabilities		**(183,998)**	(145,299)
			541,905	289,272

8.1 FFL has entered into lease agreements with different commercial banks for vehicles, with a supplier for filling machines in prior years and with a landlord for building during the year. The rentals under these agreements are repayable in 24 to 60 monthly and quarterly installments. The minimum lease payments have been discounted at an implicit interest rate of 10.43% to 14.39% (2018: 5.54% to 13.44%) per annum to arrive at their present value. At the end of the respective lease term, the assets, other than building, shall be transferred in the name of FFL. Taxes, repairs and insurance costs are to be borne by the FFL. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments and the period in which they will become due are:

		2019		
		Upto 1 year	Above 1 year	Total
			(Rupees '000)	
8.1.1	**Leased vehicles - secured**			
	Minimum lease payments	**57,584**	**39,089**	**96,673**
	Less: finance costs allocated to future periods	**(6,996)**	**(1,551)**	**(8,547)**
		50,588	**37,538**	**88,126**
	Less: Security deposits adjustable on expiry of lease terms	**(5,331)**	**(14,853)**	**(20,184)**
		45,257	**22,685**	**67,942**
8.1.2	**Leased machinery - unsecured**			
	Minimum lease payments	**96,720**	**168,790**	**265,510**
	Less: Finance costs allocated to future periods	**(21,541)**	**(36,437)**	**(57,978)**
		75,179	**132,353**	**207,532**
8.1.3	**Leased building - unsecured**			
	Minimum lease payments	**31,992**	**127,375**	**159,367**
	Less: Finance costs allocated to future periods	**(15,152)**	**(26,858)**	**(42,010)**
		16,840	**100,517**	**117,357**
	Present value of minimum lease payments	**137,276**	**255,555**	**392,831**

		2018		
		Upto 1 year	From 1 to 5 years	Total
			(Rupees '000)	
	Leased vehicles - secured			
	Minimum lease payments	61,292	115,595	176,887
	Less: Finance costs allocated to future periods	(11,096)	(7,712)	(18,808)
		50,196	107,883	158,079
	Less: Security deposits adjustable on expiry of lease terms	-	(26,142)	(26,142)
		50,196	81,741	131,937
	Leased machinery - unsecured			
	Minimum lease payments	134,615	265,509	400,124
	Less: Finance costs allocated to future periods	(39,512)	(57,978)	(97,490)
		95,103	207,531	302,634
	Present value of minimum lease payments	145,299	289,272	434,571

8.2 FML has entered into lease agreements with different landlords for Zabeeha retail outlets, in different cities of Pakistan. The minimum lease payments have been discounted at an implicit interest rate of 14.88% (2018: Rs. Nil) per annum to arrive at their present value.

The amount of future payments and the period in which they will become due are:

		2019		
		Upto 1 year	**Above 1 year**	**Total**
8.2.1	**Leased retail outlets - unsecured**			
	Minimum lease payments	**46,843**	**689,199**	**736,042**
	Less: finance costs allocated to future periods	**(121)**	**(402,849)**	**(402,970)**
	Present value of minimum lease payments	**46,722**	**286,350**	**333,072**

8.3 This includes amount of Rs. 34.58 million (2018: Rs. 54.93 million) payable to AKBL, a related party.

		Note	2019	2018
			(Rupees '000)	
8.4	**Amounts recognized in the profit or loss**			
	Interest on lease liabilities	**30**	**94,499**	-
	Depreciation	**14**	**80,078**	-
			174,577	-
9	**DEFERRED LIABILITIES**			
	Compensated leave absences	**9.1**	**681,824**	658,590
	Deferred tax - net	**9.2**	**2,959,428**	1,564,523
			3,641,252	2,223,113
9.1	**Compensated leave absences**			
	The movement in the present value of compensated absences is as follows:			
	Opening balance		**658,590**	549,047
	Expense for the year		**103,245**	171,334
	Benefits paid during the year		**(80,011)**	(61,791)
	Closing balance		**681,824**	658,590
	The main assumptions used for actuarial valuation for FFBL are as follows:			
	Discount rate - per annum		**13.75%**	13.75%
	Expected rate of increase in salaries - per annum		**11.25%**	11.75%
	Leave accumulation factor (average) - days		**15.33**	16.66
	Mortality table		**SLIC-2001-2005**	SLIC-2001-2005
	Withdrawal factor		**Age-Based**	Low
	The main assumptions used for actuarial valuation for FFL are as follows:			
	Discount Rate		**12.50%**	13.25%
	Expected rate of salary growth		**12.50%**	13.25%
	Mortality rate		**SLIC-2001-2005**	SLIC-2001-2005
	Leave accumulation factor (average) - days		**16**	16

		Note	2019	2018
			(Rupees '000)	
9.2	**The balance of deferred tax is in respect of the following major taxable / (deductible) temporary differences:**			
	Accelerated depreciation		**2,885,948**	2,523,579
	Share of profit of joint venture and associates		**1,142,960**	935,357
	Share of profit of subsidiary		**738,287**	178,730
	Provision for inventory obsolescence		**(38,003)**	(44,671)
	Provision for doubtful other receivables		**(57,116)**	(53,177)
	Deferred tax on revaluation of available-for-sale investments		**(142,330)**	(95,951)
	Minimum tax	**9.2.1**	**-**	(983,754)
	Unabsorbed losses, tax credits and others	**9.2.1**	**(1,570,318)**	(2,509,161)
		9.2.2	**2,959,428**	(49,048)
	Add: Deferred tax asset - shown under non-current assets		**-**	1,613,571
			2,959,428	1,564,523

9.2.1 This includes a deferred tax asset on unabsorbed tax depreciation of the Holding Company amounting to Rs. 394,527 thousand (2018: Rs. Nil). As a matter of prudence, the Holding Company has not recognized deferred tax asset against tax credit available for minimum tax u/s 113 of Income Tax Ordinance 2001, amounting to Rs. 1,986,343 thousand and business tax losses of Rs. 4,681,693 thousand. The tax credit against minimum tax will expire in tax years 2022 to 2025, whereas business tax losses will expire in year 2026.

This also includes a deferred tax asset on unused tax losses, unused tax credits and other deductible temporary differences of FFL, amounting to Rs. 820,917 thousand (2018: Rs. 2,069,440 thousand), Rs. 23,475 thousand (2018: Rs. 157,940 thousand) and Rs. 47,266 thousand (2018: Rs. 28,298 thousand), respectively. FFL has not recognized deferred tax asset of Rs. 3,490,210 thousand on tax losses of Rs. 12,035.22 million (2018: Rs. 1,295,910 thousand) as sufficient taxable profits may not be available to set these off in the foreseeable future. Tax losses (business) aggregating to Rs. 11,282.75 million will expire by tax year 2021 to 2026 in accordance with the provisions of Income Tax Ordinance, 2001.

		2019	2018
		(Rupees '000)	
9.2.2	**The movement of deferred tax during the current year is as follows:**		
	Opening balance	**(49,048)**	(1,749,630)
	Deferred tax on revaluation of available-for-sale investments - Other Comprehensive Income	**(46,379)**	(90,945)
	Charge for the year `	**3,054,855**	1,791,527
		2,959,428	(49,048)

		Note	2019	2018
			(Rupees '000)	
10	**TRADE AND OTHER PAYABLES**			
	Creditors	**10.1**	**31,722,943**	26,278,248
	Accrued liabilities	**10.2**	**3,489,396**	3,087,403
	Advances from customers		**-**	854,264
	Workers' (Profit) Participation Fund - unsecured	**10.3**	**19,852**	139,933
	Payable to gratuity fund / scheme - unsecured	**10.4**	**338,231**	150,183
	Workers' Welfare Fund		**567,248**	561,622
	Security deposits	**10.5**	**193,857**	8,865
	Provident Fund		**9,560**	5,478
	Withholding tax payable		**61,952**	57,758
	Other payables		**235,835**	440,419
			36,638,874	31,584,173

10.1 Creditors include payables to related party amounting to Rs. 6,593,346 thousands (2018: Rs. 7,091,973 thousand) against purchase of raw material. They also include Rs. 22,200,509 thousand (2018: Rs. 16,435,923 thousand) on account of Gas Infrastructure Development Cess (GIDC).

10.2 This includes a payable for ex-gratia to employees of the Holding Company, amounting to Rs. 486,000 thousand.

		Note	2019	2018
			(Rupees '000)	
10.3	**Workers' (Profit) Participation Fund - unsecured**			
	Balance at beginning of the year		**139,933**	138,048
	Allocation for the year	**31**	**204,422**	257,086
			344,355	395,134
	Payment made during the year		**(324,503)**	(255,201)
			19,852	139,933
10.4	**Payable to gratuity fund / scheme - unsecured**			
	The amount recognized in the statement of financial position is as follow:			
	Present value of defined benefit obligation		**991,443**	949,782
	Fair value of plan assets		**(653,212)**	(799,599)
	Deficit		**338,231**	150,183
	The movement in the present value of defined benefit obligation is as follows:			
	Defined benefit obligation at beginning of the year		**949,782**	855,765
	Current service cost		**81,373**	104,925
	Interest cost		**113,522**	74,963
	Payment made directly to employees		**(5,685)**	-
	Benefits paid through fund during the year		**(47,750)**	(81,964)
	Actuarial gain on obligation		**(99,799)**	(3,907)
	Present value of defined benefit obligation at end of the year		**991,443**	949,782

	2019	2018
	(Rupees '000)	
The movement in fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	**799,599**	723,161
Interest income	**108,570**	66,961
Contributions	**90,505**	83,432
Benefits paid during the year	**(47,750)**	(81,964)
Return on plan assets excluding those included in interest income	**(297,712)**	8,009
Fair value of plan assets at end of the year	**653,212**	799,599
Plan assets comprise of:		
Investment in listed securities	**328,874**	370,736
Investment in mutual funds	**-**	136,960
Investment in term deposit receipts	**-**	182,034
Cash and bank balances	**324,337**	109,869
	653,211	799,599
Actual return on plan assets	**(189,143)**	74,970
Contributions expected to be paid to the plan during the next financial year	**74,796**	65,411

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Group, at the beginning of the year, for returns over the entire life of the related obligations.

	2019	2018
	(Rupees '000)	
Movement in liability recognized in the statement of financial position:		
Opening liability	**150,183**	132,604
Expense for the year	**86,325**	112,927
Other comprehensive income	**197,913**	(11,916)
Payment made directly to employees	**(5,685)**	-
Contributions	**(90,505)**	(83,432)
	338,231	150,183
Amount recognized in the statement of profit or loss is as follows:		
Current service cost	**81,373**	104,925
Net interest	**4,952**	8,002
	86,325	112,927
The expense is recognized in the following line items in the statement of profit or loss:		
Cost of sales	**62,533**	80,010
Administrative expenses	**22,031**	24,367
Distribution expenses	**1,761**	8,550
	86,325	112,927

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

	2019	2018	2017	2016	2015 Restated
			(Rupees '000)		
Present value of defined benefit obligation	**991,443**	949,782	855,765	797,781	666,607
Fair value of plan assets	**(653,212)**	(799,599)	(723,161)	(642,738)	(382,041)
Deficit	**338,231**	150,183	132,604	155,043	284,566
Experience adjustments					
- Remeasurement gain / (loss) on obligation	**99,799**	3,907	9,559	(14,757)	(16,771)
- Remeasurement (loss) / gain on plan asset	**(297,712)**	8,009	(61,239)	1,536	(33,107)

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2019 for FFBL are as follows:

	2019	2018
Discount rate	**11.25%**	13.25%
Expected rate of salary growth	**11.25%**	11.25%
Mortality rate	**SLIC-2001-2005**	SLIC-2001-2005
Withdrawal factor	**Low**	Low
Average duration of defined benefit obligation	**9.87 years**	9.86 years

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2019 for FFL are as follows:

	2019	2018
Discount Rate	**12.50%**	13.25%
Expected rate of salary growth	**12.50%**	13.25%
Mortality rate	**SLIC 2001-2005**	SLIC-2001-2005
Average duration of defined benefit obligation	**8 years**	9 years

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2019 for FFBL Power Company Limited are as follows:

	2019	2018
Discount rate	**12.25%**	12.50%
Expected rate of salary growth	**12.25%**	12.50%
Mortality rate	**SLIC-2001-2005**	SLIC-2001-2005
Withdrawal factor	**Age-Based**	Age-Based
Average duration of defined benefit obligation	**14 years**	12 years

Sensitivity analysis - FFBL

The calculation of the defined benefit obligation is sensitive to the assumption set out above. The defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent in the following manner.

	Defined benefit obligation	
	1 percent increase	1 percent decrease
	Rupees in millions	
Discount rate	**(792)**	**965**
Salary increase rate	**968**	**(788)**

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

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2019 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

Sensitivity analysis - FFL

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at December 31, 2019 would have been as follows:

	Defined benefit obligation	
	1 percent increase	1 percent decrease
	Rupees in millions	
Discount rate	**44**	**57**
Salary increase rate	**57**	**44**

Sensitivity analysis - FPCL

The calculation of the defined benefit obligation is sensitive to the assumption set out above. The defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent in the following manner.

	Defined benefit obligation	
	1 percent increase	1 percent decrease
	Rupees in millions	
Discount rate	**(6)**	**6**
Salary increase rate	**6**	**(6)**

10.5 It includes security deposits received from Askari Bank Limited, a related party, amounting to Rs. Nil (2018: Rs. 3,600 thousand). The security deposits are not for the purpose of goods / services to be delivered / provided and have not been utilized for the purpose of business.

		2019	2018
		(Rupees '000)	
11	**ACCRUED INTEREST**		
	Demand finance	**267,850**	59,226
	Short-term borrowings	**792,172**	267,117
	Long-term loans	**459,903**	397,066
	Lease financing	**463**	463
		1,520,388	723,872
12	**SHORT-TERM BORROWINGS - SECURED**		
	From banking companies and financial institutions		
	Demand finance	**14,499,991**	5,349,999
	Running finance	**25,098,134**	17,151,590
		39,598,125	22,501,589

This includes an amount of Rs. 1,210.68 million (2018: Rs. 708.02 million) drawn from Askari Bank Limited, a related party. The Group has arranged short-term facilities from various banks on mark-up basis with limits aggregating to Rs. 41,932 million (2018: Rs. 30,211 million). These facilities carry mark-up ranging from 11.05% to 20.51% (2018: 6.46% to 11.71%) per annum and are secured by hypothecation of charge on fixed and current assets of the Group.

		2019	2018
		(Rupees '000)	
13	**CONTINGENCIES AND COMMITMENTS**		
13.1	**Contingencies:**		
13.1.1	i) Guarantees issued by banks on behalf of the Group	**53,409**	130,028
	ii) Group's share of contingent liabilities of Fauji Cement Company Limited as at September 30, 2019 (September 30, 2018)	**24,222**	23,413
	iii) Group's share of contingent liabilities of Foundation Wind Energy-I Limited as at September 30, 2019 (September 30, 2018)	**64,296**	63,601
	iv) Group's share of contingent liabilities of Foundation Wind Energy-II Limited as at September 30, 2019 (September 30, 2018)	**240,800**	252,840
	v) Group's share of contingent liabilities of Askari Bank Limited as at September 30, 2019 (September 30, 2018)	**41,498,101**	84,106,897

13.1.2 Fauji Fertilizer Bin Qasim Limited - contingencies

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

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

Since one ECA is yet to release HBL from its responsibility as guarantor, therefore the charge related to the portion of the said guarantee on the assets of the Holding Company, has not been vacated up to December 31, 2019. The Holding Company is making efforts in getting this guarantee released.

13.1.3 Fauji Foods Limited - contingencies

FFL has issued following guarantees:

- Guarantees aggregating Rs. 15.01 million (2018: Rs. 83.51 million) have been issued by banks on behalf of FFL to Sui Northern Gas Pipeline Limited, Pakistan State Oil and Controller Naval Account.

- The Taxation Officer, after conducting audit under section 177 of the Income Tax Ordinance, 2001 (the Ordinance) for the tax year 2005, had passed an amended assessment order under section 122 of the Ordinance raising tax demands of Rs. 34.99 million alleging that FFL suppressed its sales. The Commissioner Inland Revenue-Appeals (CIR-A) annulled this assessment order whereas the Appellate Tribunal Inland Revenue (ATIR) had set aside the order of CIR-A and remanded the case back to CIR-A for denovo proceedings. The CIR-A, vide his order dated 03 September 2012, has allowed partial relief of Rs. 11.32 million to FFL. The remaining disputed amount after rectification order under section 221 of the Income Tax Ordinance 2001 dated 16 May 2013 out of Rs. 34.99 million now stands at Rs. 18.28 million. Both FFL and the Department have filed appeals before the ATIR against the order of CIR-A, which are pending adjudications.

  FFL, during the financial year ended 30 June 2011, received a notice under section 177 of the Ordinance for the tax year 2009 for selection of its case for detailed scrutiny. FFL filed a writ petition before the Honourable Lahore High Court which was dismissed vide order dated 27 May 2015.

- FFL filed an appeal before the Honourable Supreme Court of Pakistan which directed that FFL should seek remedy in this respect before the intra court appeal of the Honourable Lahore High Court. The matter is now pending in intra court appeal.

- The Additional Commissioner Inland Revenue raised income tax demand under section 122(5A) of the Ordinance for the tax year 2010 amounting Rs. 5.63 million. FFL filed an appeal before Commissioner Inland Revenue - Appeals, which was decided in the favour of FFL, However the Department is contesting the order before the Appellate Tribunal Inland Revenue (ATIR).

- The Additional Commissioner Inland Revenue raised income tax demand under section 122(5A) of the Ordinance for the tax year 2011 amounting Rs. 21.8 million. FFL, through its external legal counsel, filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) which was decided in favour of FFL with the exception of Rs. 2.97 million addition by CIR-A. FFL has subsequently filed an appeal before the ATIR against confirmation of the said addition and the Department is contesting the relief allowed by CIR-A. Further, second amendment order has also been framed under section 122(5A) determining additional tax demand at Rs. 14.57 million. FFL filed an appeal before CIR-A against the second amendment order. The CIR-A set aside the order with directions to revisit the evidence and explanation and pass a judicious order.

- In the year 2015, FFL received a notice under section 177 of the Ordinance in respect of tax year 2012 for selection of its case for tax audit by the Commissioner Inland Revenue (CIR). FFL filed a writ petition before the Honourable Lahore High Court against the selection of case by CIR under the aforementioned section. During the financial year 2018, the writ petition was decided against FFL and consequently audit proceedings were initiated wherein a demand of Rs. 30 million was raised by Additional Commissioner Inland Revenue under section 122(1) of the Income Tax Ordinance, 2001. FFL, through its external council, filed an appeal against the order before the Commissioner Inland Revenue - Appeals (CIR - A) which is pending adjudication.

- During the year, the Additional Commissioner Inland Revenue amended the taxable loss under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2013 on account of un-reconciled sales, exchange loss and tax credit. FFL, through its external council, filed an appeal against the order before the Commissioner Inland Revenue - Appeals (CIR - A) which is pending adjudication.

- During the year ended 31 December 2016, the Additional Commissioner Inland Revenue raised income tax demand under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2014 amounting to Rs. 32.63 million by treating differences in sales tax returns as compared to audited accounts. The proceedings are in progress.

  Further, FFL has been selected for audit in respect of tax year 2014 under section 214C of the Income Tax Ordinance, 2001. Proceedings in this respect are still to be initiated.

- During the year ended 31 December 2019, the Assistant Commissioner Inland Revenue issued a show cause notice under section 161 of the Income Tax Ordinance, 2001 for the tax year 2017 against non-deduction of withholding tax on payments against milk procurement, contractual services and air ticketing amounting to Rs. 60.62 million. The proceedings are in progress.

- During the year ended 31 December 2016, Assistant Commissioner Inland Revenue (ACIR) raised sales tax demand of Rs. 4.84 million under section 11(2) and 11(3) of the Sales Tax Act 1990 against inadmissible refund claim and non-realization of sales tax on sale of scrap during the period from December 2012 to March 2013. FFL filed an appeal before Commissioner Inland Revenue - Appeals (CIR - A) which was decided against FFL. FFL being aggrieved filed an appeal before Appellate Tribunal Inland Revenue (ATIR). The ATIR decided the case in favour of FFL and waived off the whole tax demand against which the Department filed reference before the Honourable Lahore High Court which is pending adjudication.

- During the year ended 31 December 2017, Assistant Commissioner Inland Revenue (ACIR) raised sales tax demand of Rs. 102 million under section 10 and 11(2) of the Sales Tax Act 1990 against inadmissible input tax adjustment and non-deduction of withholding sales tax during the period from July 2015 to June 2016. FFL filed an appeal before Commissioner Inland Revenue - Appeals (CIR - A) which was decided against FFL. FFL being aggrieved filed an appeal before Appellate Tribunal Inland Revenue (ATIR). The ATIR decided the case in favour of FFL and waived off the whole tax demand against which the Department filed reference before the Honourable Lahore High Court which is pending adjudication.

- During the year ended 31 December 2017, Assistant Commissioner Inland Revenue (ACIR) issued sales tax order, dated 26 May 2017 for payment of Rs. 974 million for sales tax along with 100% default surcharge and penalty of Rs. 225 million due to alleged non-payment of sales tax on sales of "Chai Mix, Dairy Rozana and Dostea (tea whitener)" for the tax period July 2011 to December 2016. The order is based on the grounds that exemption is available to FFL only to the extent of dairy products and tea whitener is not milk / dairy product. FFL being aggrieved filed appeal initially before Commissioner Inland Revenue - Appeals (CIR-A) and then to the Appellate Tribunal Inland Revenue (ATIR) where the matter was heard and decided in favour of FFL on jurisdictional grounds. The Department and FFL have filed appeals before the Honourable High Court which are pending adjudication.

  Further during the year ended 31 December 2018, the Assistant Commissioner Inland Revenue (ACIR) issued a show cause notice, dated 10 October 2018 for payment of Rs. 974 million for sales tax along with 100% default surcharge and penalty of Rs. 129 million due to alleged non-payment of sales tax on sales of "Dostea Chai Mix (tea whitener)" for the tax period January to December 2017. The order was based on the same grounds on which the order dated 26 May 2017 as explained above was issued . FFL filed a writ petition against this show cause notice before the High Court on jurisdictional and technical grounds which is pending adjudication.

Meanwhile, the matter was forwarded by the Regional Tax Officer Sargodha to Model Custom Collectorate of Appraisement (East), Customs House, Karachi for determination of appropriate classification of tea whitener. During the year, the matter has been resolved by the classification committee through its order C-72/KAPE/DC/PCT/2017 dated 11 February 2019 and addressed to Deputy Commissioner Inland Revenue (Large Taxpayer Unit) for onwards pursual. Through the above order the classification of tea whitner continues to be under the same PCT code as was determined earlier by the Appraisement Committee through its order of 05 May 2011. Consequent to the decision of the classification committee, the management is hopeful that the above writ petitions will be decided in the favour of FFL.

- During the year ended 31 December 2018, Assistant Commissioner Inland Revenue (ACIR) through its order dated 23 October 2018, raised a sales tax demand for the period from July 2016 to June 2017, under section 11(2) and 11(3) of Sales Tax Act, 1990, amounting to Rs. 145.57 million along with penalty of Rs. 7.28 million against inadmissible adjustment of input tax on goods not related to taxable supplies, non-realization of sales tax on disposal of fixed assets and non-withholding of sales tax from payment made against advertisement. FFL filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) which is remanded back to ACIR for re-evaluation.

- During the year ended 31 December 2018, Assistant Commissioner Inland Revenue (ACIR) issued a show cause notice, dated 09 November 2018, against inadmissible adjustment of input tax on goods not related to taxable supplies and non-withholding of sales tax from payment made against advertisement amounting to Rs. 399.60 million. Against the show cause notice, the ACIR raised a sales tax demand of Rs. 135.34 million along with default surcharge and penalty. FFL is in process of filing an appeal against the order.

- During the year, Additional Commissioner Inland Revenue (ACIR) raised sales tax demand for the period from January 2016 to December 2016 under section 11(2) of the Sales Tax Act, 1990 against non realization of sales tax amounting to Rs. 1.94 million on sale of scrap. FFL filed an appeal before Commissioner Inland Revenue (Appeals), which was decided in the favour of the Department. FFL being aggrieved filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication. The ATIR decided the case in favour of FFL and waived off the whole tax demand against which the Department filed reference before the Honourable Lahore High Court which is pending adjudication.

Based on the opinion of the legal and tax advisors handling the above litigations, the management believes that the Company has strong legal grounds against each case and that no financial liability is expected to accrue. Accordingly, no provision has been made in these financial statements.

13.1.4 Fauji Meat Limited - contingencies

- In respect of tax year 2014, the Assistant Commissioner Inland Revenue (ACIR) issued order dated 28 March 2018 under Section 161/205 of the Income Tax Ordinance, 2001 and raised income tax demand of Rs. 7,484 thousand along with the default surcharge under Section 205 of the Ordinance. The Commissioner Inland Revenue (Appeals) vide appellate order dated 29 May 2018 has annulled the impugned order dated 28 March 2018 and deleted the income tax demand along with default surcharge of Rs. 7,484 thousand. FML has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid appellate order dated 29 May 2018 on certain legal grounds. The hearing of appeal is in progress.

- In respect of tax year 2015, the ACIR issued order D.C.R No 79/12 dated 28 March 2018 under section 161/205 of the Income Tax Ordinance, 2001 and raised income tax demand of Rs. 68,893 thousand along with the default surcharge under section 205 of the Ordinance. The CIR (Appeals) vide appellate dated 29 May 2018 has either deleted or remanded back the issues on which income tax demand of Rs. 67,225 thousand along with default discharge was raised. Further, the CIR (Appeals) has confirmed the ACIR's action on certain issues on which income tax demand along with default surcharge of Rs. 1,668 thousand was raised. The ACIR has also issued appeal effect order dated 31 July 2018 under section 124 in respect of the issues upheld by the CIR (Appeals) and raised demand of Rs. 1,668 thousand. FML has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the aforesaid appellate order dated 29 May 2018. The hearing of appeal is in progress. The ATIR has granted stay to FML for period of sixty days or till disposal of appeal whichever is earlier vide stay order dated 5 November 2019 against tax demand of Rs. 1,668 thousand.

- In respect of tax year 2016, the ACIR issued order dated 28 March 2018 under section 161/205 of the Income Tax Ordinance 2001 and raised income tax demand of Rs. 120,626 thousand along with the default surcharge under section 205 of the Ordinance. The CIR (Appeals) vide appellate order dated 29 May 2018 has either deleted or remanded back the issues on which income tax demand of Rs. 96,451 thousand was raised. Further CIR (Appeals) has confirmed the ACIR's action on certain issues on which income tax demand along with default surcharge of Rs. 24,175 thousand was raised. FML has filed an appeal with the ATIR against the aforesaid appellate order dated 29 May 2018. The hearing of appeal is in progress. The ATIR has granted stay to FML for period of sixty days or till disposal of appeal, whichever is earlier vide stay order dated 5 November 2019 against balance tax demand of Rs. 24,175 thousand.

- The Assistant Commissioner Sindh Revenue Board, Karachi vide Order-in-Original No 41 of 2018 dated 3 February 2018 has created a demand of Rs. 111,218 thousand along with penalty of Rs. 56,965 thousand on account of non-withholding and deposit of Sindh sales tax on consultancy and product transportation expenses for tax periods January 2015 to December 2016. FML filed an appeal with the Commissioner Appeals, Sindh Revenue Board, Karachi against the aforesaid order. Hearing of appeal is in progress. Further the Sindh High Court, Karachi granted stay vide order dated 23 September 2019 against the recovery of the amount raised vide aforementioned order till the decision of appeal pending before Commissioner Appeals, Sindh Revenue Board, Karachi.

The management is confident of favourable resolution in all of the cases.

			2019	**2018**
			(Rupees '000)	
13.2	**Commitments:**			
	i)	Capital expenditures - contracted	**400,541**	1,727,516
	ii)	Letters of credit for purchase of raw materials and stores and spares	**763,244**	812,323
	iii)	Commitments of FWEL -I & FWEL-II as at September 30, 2019 (2018: September 30, 2018)	**222,534**	363,971
	iv)	Commitments of Fauji Meat Limited	**4,040**	22,699
	v)	Commitments of FFBL Power Company Limited	**1,697,660**	1,073,466
	vi)	Commitments of Fauji Foods Limited	**29,930**	369,120
	vii)	Group's share of commitments of PMP as at September 30, 2019 (2018: September 30, 2018)	**65,710**	11,983
	viii)	Group's share of commitments of Fauji Cement Company Limited as at September 30, 2019 (2018: September 30, 2018)	**4,882**	9,098

14 PROPERTY, PLANT AND EQUIPMENT

	PROPERTY, PLANT AND EQUIPMENT																	
	Leasehold land	Freehold land	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress (note 14.1)	Sub Total	Vehicles	Building	Machinery	Sub Total	Total
	Owned													Right to use assets				
	(Rupees '000)																	
COST																		
Balance as at January 01, 2018	530,586	884,785	4,484,539	6,902,840	55,610,850	171,478	872,919	614,704	444,776	2,323	419,018	934,034	71,872,852	221,201	-	-	221,201	72,094,053
Additions during the year	-	4,864	16,395	178,578	660,781	10,306	202,413	23,428	43,218	-	-	2,145,502	3,285,485	25,468	-	357,369	382,837	3,668,322
Disposals	-	-	-	-	(12,589)	-	(62,862)	(85)	(334)	-	-	-	(75,870)	(1,787)	-	-	(1,787)	(77,657)
Adjustments	-	-	-	-	(682,611)	-	-	-	-	-	-	-	(682,611)	-	-		-	(682,611)
Transfers	-	-	48,828	65,651	503,514	4,286	-	65,553	196	83	-	(688,111)	-	-	-	-	-	-
Balance as at December 31, 2018	530,586	889,649	4,549,762	7,147,069	56,079,945	186,070	1,012,470	703,600	487,856	2,406	419,018	2,391,425	74,399,856	244,882	-	357,369	602,251	75,002,107
Balance as at January 01, 2019	**530,586**	**889,649**	**4,549,762**	**7,147,069**	**56,079,945**	**186,070**	**1,012,470**	**703,600**	**487,856**	**2,406**	**419,018**	**2,391,425**	**74,399,856**	**244,882**	**-**	**357,369**	**602,251**	**75,002,107**
Effect of adoption of IFRS 16 (note 3.23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**140,708**	-	**140,708**	**140,708**
Additions during the year *	-	-	**45,102**	**342,457**	**1,681,736**	**63,692**	**153,826**	**210,795**	**23,798**	-	-	**1,384,665**	**3,906,071**	**3,285**	**331,495**	-	**334,780**	**4,240,851**
Disposals	-	-	-	-	**(25,498)**	-	**(149,114)**	**(241)**	**(406)**	-	-	-	**(175,259)**	**(74,920)**	-	-	**(74,920)**	**(250,179)**
Adjustments	-	**(13,001)**	-	**(2,713)**	**(15,000)**	-	-	-	-	-	-	-	**(30,714)**	-	-	-	-	**(30,714)**
Transfers **	**32,492**	-	**175,618**	**144,953**	**1,767,283**	-	-	**40,945**	**8,018**	-	-	**(2,256,679)**	**(87,370)**	**31,077**	-	-	**31,077**	**(56,293)**
Balance as at December 31, 2019	**563,078**	**876,648**	**4,770,482**	**7,631,766**	**59,488,466**	**249,762**	**1,017,182**	**955,099**	**519,266**	**2,406**	**419,018**	**1,519,411**	**78,012,584**	**204,324**	**472,203**	**357,369**	**1,033,896**	**79,046,480**
DEPRECIATION																		
Balance as at January 01, 2018	117,581	-	187,781	1,005,976	19,251,608	32,145	338,185	176,828	306,142	2,137	363,721	-	21,782,104	44,330	-	-	44,330	21,826,434
Charge for the year	9,156	-	153,397	227,947	2,383,258	16,489	139,950	84,323	88,348	62	40,280	-	3,143,210	24,610	-	2,327	26,937	3,170,147
Adjustment	-	-	-	-	(15,169)	-	-	-	-	-	-	-	(15,169)	-	-	-	-	(15,169)
Disposals	-	-	-	-	(6,137)	-	(49,077)	(31)	(240)	-	-	-	(55,485)	(875)	-	-	(875)	(56,360)
Balance as at December 31, 2018	126,737	-	341,178	1,233,923	21,613,560	48,634	429,058	261,120	394,250	2,199	404,001	-	24,854,660	68,065	-	2,327	70,392	24,925,052
Balance as at January 01, 2019	**126,737**	**-**	**341,178**	**1,233,923**	**21,613,560**	**48,634**	**429,058**	**261,120**	**394,250**	**2,199**	**404,001**	**-**	**24,854,660**	**68,065**	**-**	**2,327**	**70,392**	**24,925,052**
Charge for the year	**7,615**	**-**	**160,917**	**232,295**	**2,479,143**	**17,918**	**148,208**	**108,811**	**65,718**	**81**	**15,017**	**-**	**3,235,723**	**37,229**	**28,554**	**14,295**	**80,078**	**3,315,801**
Disposals	-	-	-	-	**(2,792)**	-	**(121,740)**	**(180)**	**(324)**	-	-	-	**(125,036)**	**(29,475)**	-	-	**(29,475)**	**(154,511)**
Balance as at December 31, 2019	**134,352**	**-**	**502,095**	**1,466,218**	**24,089,911**	**66,552**	**455,526**	**369,751**	**459,644**	**2,280**	**419,018**	**-**	**27,965,347**	**75,819**	**28,554**	**16,622**	**120,995**	**28,086,342**
Written down value - 2018	403,849	889,649	4,208,584	5,913,146	34,466,385	137,436	583,412	442,480	93,606	207	15,017	2,391,425	49,545,196	176,817	-	355,042	531,859	50,077,055
Written down value - 2019	**428,726**	**876,648**	**4,268,387**	**6,165,548**	**35,398,555**	**183,210**	**561,656**	**585,348**	**59,622**	**126**	**-**	**1,519,411**	**50,047,237**	**128,505**	**443,649**	**340,747**	**912,901**	**50,960,138**
Rate of depreciation	**2% - 4%**	**-**	**3%**	**3%**	**3.33% - 5%**	**10%**	**20% - 33%**	**15%**	**33% - 50%**	**30%**	**17% - 50%**	**-**		**33%**		**5%**		

* Additions during the year includes borrowing cost of Rs. 101,394 thousand (2018: Nil) in respect of qualifying plant and machinery at the capitalization rate of 12.19%.

** During the year, an amount of Rs. 56,293 thousand was transferred from CWIP to intangible assets.

		Note	2019	2018
			(Rupees '000)	
14.1	**Capital work in progress - CWIP**			
	Fauji Fertilizer Bin Qasim Limited	**14.1.1**	**187,151**	436,949
	FFBL Power Company Limited	**14.1.2**	**664,761**	409,103
	Fauji Meat Limited	**14.1.3**	**425,830**	421,648
	Fauji Foods Limited	**14.1.4**	**241,669**	1,123,725
			1,519,411	2,391,425
14.1.1	**CWIP - Fauji Fertilizer Bin Qasim Limited**			
	Plant and machinery		**83,865**	280,427
	Catalyst		**88,723**	84,681
	Others		**14,563**	71,841
			187,151	436,949
14.1.2	**CWIP- FFBL Power Company Limited**			
	Plant, machinery and civil works		**628,422**	383,275
	Intangible		**36,339**	25,828
			664,761	409,103
14.1.3	**CWIP - Fauji Meat Limited**			
	Building		**179,875**	179,870
	Plant and machinery		**245,955**	241,778
			425,830	421,648
14.1.4	**CWIP - Fauji Foods Limited**			
	Plant and machinery		**237,315**	857,915
	Building		**349**	158,506
	Leased vehicles		**2,835**	24,651
	Intangible		**1,170**	55,743
	Others		**-**	26,910
			241,669	1,123,725
14.2	**Depreciation and amortization charge has been allocated as follows:**			
	Cost of sales	**27**	**3,041,458**	2,910,977
	Selling and distribution expenses	**28**	**12,473**	13,595
	Administrative expenses	**29**	**261,870**	245,575
			3,315,801	3,170,147

Particulars of immovable assets of the Group are as follows:

Location	**Company**	**Address**	**Covered Area (acre)**
Islamabad	FFBL	C1/C2, Sector B, Jinnah Boulevard DHA Phase II	2
Karachi	FFBL	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim	250
Karachi	FFBL	Tank Farm Area, Port Qasim	8
Karachi	FFBL	Near Rangers Check Post, Opposite Naval Marine Base, National Highway	202.2
Thatta	FML	Deh Kohistan Chak No. 1 Tapo Gharo, Tehsil Mir Pur Sakhro, District Thatta	46.35
Karachi	FPCL	Plot No. EZ/I/P-1 Eastern Zone, Port Qasim	100
Bhalwal	FFL	Sarghoda Road, Bhalwal	15.05
Pindi Bhattian	FFBL Foods	Moza Thatta Raika and Moza Thatta Bahuman	167

As at the reporting date, the Group performed an impairment test of FML, the Cash Generating Unit. The group has determined the recoverable amount of FML, using a value in use calculation, which was higher than the carrying amount of FML.

	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss)
			(Rupees '000)		
Details of property, plant and equipment sold:					
Plant & machinery - through negotiation					
Ecolean EL-1		21,377	18,883	25,000	6,117
Energy Meter Panel		4,121	3,823	8,472	4,649
Vehicles - as per Company policy to employees					
Toyota GLI	Lt Col Faheem Ahmed (Retd)	2,209	1,657	1,341	(316)
Honda City	Hamza Haroon	1,702	603	692	89
Toyota GLI	Tanweer Alam	2,208	1,518	1,657	139
Toyota GLI	Lt Col Abid Rehman (Retd)	1,924	535	422	(113)
Toyota XLI	Muhammad Ayub Sabir	2,019	1,556	1,716	160
Toyota GLI	Col Riasat Ali Khan	1,925	770	188	(582)
Toyota XLI	Maj. Mahboob	1,764	1,235	176	(1,059)
Honda City	Bashir Muhammad	1,630	1,304	250	(1,054)
Toyota GLI	Mahboob Ahmad	1,600	1,067	276	(791)
Toyota XLI	Muhammad Abdullah Khan	1,550	1,163	551	(612)
Toyota XLI	Muhammad Kashif Jamil	1,500	1,100	244	(856)
Toyota XLI	Syed Sarfaraz Ahmed	1,450	1,039	244	(795)
Toyota Altis	Khalid Bhatti	1,442	1,298	1,391	93
Suzuki Cultus	Najib Ur Rahman	730	560	156	(404)
Toyota XLI	Iftikhar Ahmed	1,662	659	665	6
Toyota XLI	Syed Adul Majid Shah	1,662	657	665	8
Toyota XLI	Imran Mirza	1,643	657	657	-
Toyota Altis	Farruk Shaikh	1,991	806	813	7
Toyota Altis	Shaista Hassan	2,016	909	910	1
Toyota XLI	Saqib Anwar	1,661	862	863	1
Toyota XLI	Muhammad Ali	1,661	664	664	-
Honda Civic	Brig. Salman Akbar	2,637	1,978	2,875	897
Toyota Altis	Abdul Razzaq	1,991	796	796	-
Toyota Altis	Muhammad Imran Khan Khattak	1,991	796	796	-
Vehicles - as per Company policy through auction					
Suzuki Jimny	M. Bilal	2,344	820	1,570	750
Toyota GLI	Abdul Hameed	1,492	895	1,335	440
Toyota GLI	M Afzal Anwar	1,407	844	1,455	611
Honda City	Sarwat Altaf	1,000	725	1,275	550
Toyota Altis	Umar Rashid	1,991	1,261	2,125	864
Toyota XLI	Sarwat Altaf	1,661	1,065	1,600	535
Toyota Altis	M Bilal Malik	1,991	1,277	2,000	723
Toyota Altis	Umar Rashid	1,991	1,294	2,135	841
Toyota XLI	Syed Riaz Ahmed	1,662	1,108	1,590	482
Toyota Altis	Malik Naeem Sarwar	1,998	1,448	1,745	297
Honda Civic	Umar Rashid	2,637	2,198	2,705	507
Toyota XLI	Mian Shehzad Aslam	1,661	1,024	1,595	571
Honda Civic	Umar Rashid	2,637	1,868	2,575	707
Insurance claim					
Computer and ancillary equipments		256	82	81	(1)
Honda Civic		2,607	1,274	2,500	1,226
Aggregate of items of property, plant and equipment with individual book value below Rs. 500,000		154,778	31,590	68,391	36,801
	2019	250,179	95,668	147,157	51,489
	2018	77,657	21,297	22,456	1,159

15 INTANGIBLE ASSETS

	Softwares	Goodwill (note 15.1)	Total
		(Rupees '000)	
COST			
Balance as at January 01, 2018	118,991	377,778	496,769
Additions during the year	3,317	-	3,317
Balance as at December 31, 2018	122,308	377,778	500,086
Balance as at January 01, 2019	**122,308**	**377,778**	**500,086**
Additions during the year	**59,562**	**-**	**59,562**
Balance as at December 31, 2019	**181,870**	**377,778**	**559,648**
AMORTIZATION			
Balance as at January 01, 2018	113,080	-	113,080
Charge for the year	4,016	-	4,016
Balance as at December 31, 2018	117,096	-	117,096
Balance as at January 01, 2019	**117,096**	**-**	**117,096**
Charge for the year	**23,018**	**-**	**23,018**
Balance as at December 31, 2019	**140,114**	**-**	**140,114**
Written down value - 2018	5,212	377,778	382,990
Written down value - 2019	**41,756**	**377,778**	**419,534**
Rate of amortization	**33%**		

15.1 On September 04, 2015, the Group acquired 38.25% of voting and non-voting shares of FFL and concluded that FFBL has obtained control over FFL, based on its ability to appoint a majority of its directors and senior management personnel. The Group paid a consideration of Rs. 479,857 thousand to obtain the control of FFL on the acquisition date, when the fair value of FFL's identified net assets amounted to Rs. 266,872 thousand including a non controlling interest of Rs. 164,793 thousand. Accordingly, the Group recognized goodwill of Rs. 377,778 thousand.

As at the reporting date, the Holding Company performed an impairment test for FFL, a cash generating unit ("CGU"). The Holding Company has determined recoverable amount of CGU, based on a value-in-use calculation, which was higher than the carrying amount of the CGU in the consolidated financial statements, accordingly no impairment was recognized. Value-in-use was estimated using cash flow projections approved by Board of Directors of FFL, covering a five-year period. The pre-tax risk adjusted discount rate and the long-term market growth-rate applied to cash flow projections is 15.74% and 5%, respectively, both of which are inherently uncertain. The cash flow projections are sensitive to assumptions regarding the sales growth rate, operating margin, long-term market growth-rate and discount rate.

		Note	2019	2018
			(Rupees '000)	
16	**LONG-TERM INVESTMENTS**			
	Interest in joint venture	**16.1**	**5,991,039**	4,770,687
	Interests in associates	**16.2**	**14,247,830**	12,737,631
	Other long-term investment	**16.4**	**-**	-
			20,238,869	17,508,318

16.1 Interest in joint venture

Pakistan Maroc Phosphorus (PMP) is a joint arrangement in which the Group, along with its partners, has joint control and a 25% ownership interest. It is one of the Group's strategic suppliers and is principally engaged in the production of phosphoric acid in Morocco. PMP is not publicly listed. PMP is structured as a separate vehicle and the Group has a residual interest in the net assets of PMP. Accordingly, the Group has classified its interest in PMP as a joint venture.

The cost of the Group's investment is Moroccan Dirhams 200,000 thousand, which was made from 2004 to 2006 and represents 25% interest In PMP, a joint venture between the Group, Fauji Foundation, Fauji Fertilizer Company Limited and Office Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad. The principal place of business is Jorf Lasfar, Morocco. According to the shareholders' agreement, if any legal restrictions are laid on dividends by Pakistan Maroc Phosphore S.A., the Group's equity will be converted to an interest bearing loan. The Group has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

There has been no default by PMP against its loans. Further, there has been no litigations against PMP.

PMP has declared dividend amounting to Rs. 746,784 thousand (2018: Rs. 812,823 thousand), during the year.

The following table summarises the financial information of PMP as included in its own financial statements for the period ended September 30, 2019, which have been used for equity accounting as these were the latest approved financial statements. Further, results of operations of the last quarter of 2018 have also been considered for equity accounting. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in PMP.

	Note	2019	2018
		(Rupees '000)	
Percentage ownership interest		**25%**	25%
Non-current assets		**11,372,715**	9,891,045
Current assets including cash and cash equivalents amounting to Rs. 536.363 million		**23,046,663**	21,131,425
Non-current liabilities		**(5,034)**	(1,218)
Current liabilities		**(10,438,409)**	(10,890,463)
Net Assets (100%)		**23,975,935**	20,130,789
Group's share of net assets (25%)		**5,993,984**	5,032,697
Dividend declared after September 30, 2018		**-**	(288,122)
Other adjustment		**(2,945)**	26,112
		(2,945)	(262,010)
Carrying amount of interest in joint venture		**5,991,039**	4,770,687
Revenue		**32,922,418**	26,986,409
Depreciation and amortization		**(1,599,417)**	(1,301,587)
Finance costs		**48,325**	(242,087)
Income tax expense		**(653,237)**	(617,429)
Other expenses		**(27,505,170)**	(22,261,375)
Profit (100%)		**3,212,919**	2,563,931
Group's share of profit (25%)		**803,230**	640,983

16.2 Interests in associates

	Note	2019	2018
Fauji Cement Company Limited	**16.2.1**	**422,373**	420,371
Foundation Wind Energy- I Limited	**16.2.2**	**2,899,002**	2,388,392
Foundation Wind Energy- II Limited	**16.2.2**	**2,874,539**	2,430,853
Askari Bank Limited	**16.2.3**	**8,051,916**	7,498,015
		14,247,830	12,737,631

16.2.1 FFBL holds a 1.36% equity interest in Fauji Cement Company Limited (FCCL), which is less than 20%; however it is concluded that the Group has a significant influence due to its representation on the Board of Directors of FCCL. The market value of the investment in FCCL, as at December 31, 2019, was Rs. 291,750 thousand (2018: Rs. 392,438 thousand). The principal place of business of FCCL is Jhang Bahtar, Tehsil Fateh Jang, District Attock, Punjab.

16.2.2 FFBL holds a 35% shareholding in Foundation Wind Energy- I Limited (FWEL-I) and Foundation Wind Energy - II Limited (FWEL-II) each. The break-up value of shares based on unaudited interim financial information for the period ended September 30, 2019 is Rs. 23.17 per share (2018: Rs. 19.01 per share) and Rs. 22.93 per share (2018: Rs. 193.38 per share) respectively. During the year, FWEL-II has converted from a private limited company to public limited company and change its face value of shares from Rs. 100 per share to Rs. 10 per share resulted in increase in total number of shares (from 35,276,902 shares to 352,769,020 shares), without affecting the rights and privileges of its individual shareholders. Both FWEL-I and FWEL-II have achieved their Commercial Operation Date in April 2015 and December 2014, respectively. Both FWEL-I and FWEL-II have been established for operating 49.5 MW wind power plants each. The principal place of business of FWEL-I & FWEL-II is Gharo, District Thatta, Sindh.

16.2.3 FFBL holds 21.57% equity of Askari Bank Limited (AKBL), representing 271,884 thousand ordinary shares of Rs. 10 each, acquired at an average price of Rs. 19.31 per share. The market value of the investment in AKBL as at December 31, 2019 was Rs. 5,040,730 thousand (2018: Rs. 6,503,465 thousand). AKBL is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The head office of AKBL is situated at AWT Plaza, P.O BOX 1084, Rawalpindi.

The management of the Company has carried out an impairment analysis of this investment, based on future expected cash flows for the next five years and thereafter cash flows on terminal values, with a 2% (2018: 2%) per annum growth. The future cash flows have been discounted at a risk adjusted rate of 16.40% (2018: 18.56%) to arrive at an intrinsic value of shares of AKBL. Based on the analysis, management believes that the carrying value of the investment in the associated company is less than its recoverable amount.

16.3 The following table summarises the financial information of associates as included in their own unaudited interim financial information for the period ended September 30, 2019, which have been used for accounting under the equity method as these were the latest approved financial statements.

The reporting date of AKBL is 31 December and the reporting date of other associates is 30 June. Accordingly, for the purpose of incorporation of results of AKBL, the operations of three quarters of the financial year 2019 and the last quarter of the financial year 2018, have been considered while the results of operations of the first quarter of financial year 2020, and three quarters of financial year 2019, have been considered for other associates. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in associates.

			2019 (Rupees '000)		
	FCCL	**FWEL - I**	**FWEL - II**	**AKBL**	**Total**
Percentage of shareholding	1.36%	35%	35%	21.57%	
Non-current assets	22,987,482	11,655,761	11,402,801	-	46,046,044
Current assets	5,952,752	3,962,610	4,030,498	-	13,945,860
Total assets	28,940,234	15,618,371	15,433,299	818,592,014	878,583,918
Non-current liabilities	(4,173,357)	(5,621,591)	(5,490,604)	-	(15,285,552)
Current liabilities	(4,610,356)	(1,882,022)	(1,854,037)	-	(8,346,415)
Total liabilities	(8,783,713)	(7,503,613)	(7,344,641)	(786,385,369)	(810,017,336)
Net assets (100%)	20,156,521	8,114,758	8,088,658	32,206,645	68,566,582
Group's share of net assets	274,129	2,840,165	2,831,030	6,946,973	12,892,297
Goodwill	154,817	57,818	42,489	1,099,231	1,354,355
Other adjustment	(6,573)	1,019	1,020	5,712	1,178
	148,244	58,837	43,509	1,104,943	1,355,533
Carrying amount of interest in associate	422,373	2,899,002	2,874,539	8,051,916	14,247,830
Revenue	19,698,826	3,340,609	3,317,131	25,741,978	52,098,544
Profit from continuing operations (100%)	2,215,245	1,608,885	1,617,673	5,193,862	10,635,665
Group's share of profit	30,127	563,110	566,186	1,120,316	2,279,739

	2018 (Rupees '000)				
	FCCL	FWEL - I	FWEL - II	AKBL	Total
Percentage of shareholding	1.36%	35%	35%	21.57%	
Non-current assets	22,564,922	11,096,697	10,841,726	-	44,503,345
Current assets	5,769,480	2,861,863	3,131,561	-	11,762,904
Total assets	28,334,402	13,958,560	13,973,287	675,244,422	731,510,671
Non-current liabilities	(4,062,957)	(5,870,413)	(5,737,692)	-	(15,671,062)
Current liabilities	(4,361,109)	(1,431,306)	(1,413,641)	-	(7,206,056)
Total liabilities	(8,424,066)	(7,301,719)	(7,151,333)	(645,628,467)	(668,505,585)
Net assets (100%)	19,910,336	6,656,841	6,821,954	29,615,955	63,005,086
Group's share of net assets	270,781	2,329,894	2,387,684	6,388,161	11,376,520
Goodwill	154,817	57,818	42,489	1,099,231	1,354,355
Other adjustment	(5,227)	680	680	10,623	6,756
	149,590	58,498	43,169	1,109,854	1,361,111
Carrying amount of interest in associates	420,371	2,388,392	2,430,853	7,498,015	12,737,631
Revenue	21,709,204	2,592,093	2,560,838	22,886,589	49,748,724
Profit from continuing operations (100%)	3,685,882	1,000,500	1,015,101	4,662,897	10,364,380
Group's share of profit	50,128	350,175	355,285	1,005,787	1,761,375

		2019	2018
		(Rupees '000)	
16.4	**Investment - available for sale - unquoted**		
	Arabian Sea Country Club Limited (ASCCL)		
	300,000 ordinary shares of Rs. 10 each	**3,000**	3,000
	Less: Impairment in value of investment	**(3,000)**	(3,000)
		-	-

The Company holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. The breakup value based on audited accounts for the year ended June 30, 2018 was negative Rs. 10.76 per ordinary share. This investment is fully impaired.

		Note	2019	2018
			(Rupees '000)	
17	**STORES AND SPARES**			
	Stores		**1,197,729**	823,490
	Spares		**2,649,174**	2,533,003
	Provision for obsolescence	**17.1**	**(139,657)**	(168,804)
			3,707,246	3,187,689

		Note	2019	2018
			(Rupees '000)	
17.1	**The movement in provision is as follows:**			
	Opening balance		**168,804**	126,389
	Provision made during the year	**27**	**38,748**	69,407
	Written off during the year		**(67,895)**	(26,992)
			139,657	168,804
18	**STOCK-IN-TRADE**			
	Packing materials		**104,891**	104,145
	Raw materials		**3,031,206**	3,240,432
	Raw materials in transit		**1,693,621**	1,908,823
	Work in process		**341,189**	133,055
	Finished goods	**18.1**	**12,014,713**	3,162,474
	Others		**7,582**	6,067
			17,193,202	8,554,996
	Provision for stock	**18.3**	**(55,283)**	(7,831)
			17,137,919	8,547,165

18.1 As at December 31, 2019, finished goods stock amounting to Rs. 11,340,628 thousand (2018: Rs. 2,579,571 thousands) are held with Fauji Fertilizer Company Limited. It includes finished goods amounting to Rs. 57,793 thousand in transit.

18.2 During the year, FFL and FML have charged Rs. 32,000 thousand and Rs. Nil (2018: Rs. 12,950 thousand and Rs. 20,270 thousand), respectively, to statement of profit or loss on account of write down of finished goods, work in progress, stock in transit and others.

		Note	2019	2018
			(Rupees '000)	
18.3	**The movement in provision is as follows:**			
	Opening balance		**7,831**	-
	Provision made during the year	**27**	**55,283**	7,831
	Written off during the year		**(7,831)**	-
			55,283	7,831
19	**TRADE DEBTS**			
	Secured - considered good		**8,606,885**	5,719,424
	Unsecured - considered good		**1,804,328**	791,139
	Considered doubtful		**1,071,659**	507,435
			11,482,872	7,017,998
	Less: Allowance for expected credit losses / provision for doubtful debts	**19.1**	**(1,071,659)**	(507,435)
			10,411,213	6,510,563

		Note	2019	2018
			(Rupees '000)	
19.1	**Allowance for expected credit losses / provision for doubtful debts**			
	Opening balance		**507,435**	227,006
	Impact of adoption of IFRS - 9		**182,493**	-
	Adjusted opening balance		**689,928**	227,006
	Allowance / provision for the year	**32**	**381,731**	280,429
			1,071,659	507,435

FML has initiated legal proceedings against various parties with overdue balances.

		Note	2019	2018
19.2	**Area wise break of gross trade debts outstanding at year end in respect of export sales is as follows:**			
	Middle East		**1,210,261**	780,040
	Asia Pacific		**11,758**	22,590
			1,222,019	802,630
	Less: Allowance / provision for the year		**(1,009,204)**	(492,658)
			212,815	309,972
20	**ADVANCES**			
	Advances to:			
	Executives, unsecured considered good		**11,844**	19,946
	Other employees, unsecured considered good		**93,965**	73,874
		20.1	**105,809**	93,820
	Advances to suppliers and contractors - Considered good		**1,172,674**	1,907,009
	Less: Provision for doubtful advances	**28**	**(13,477)**	-
			1,265,006	2,000,829

20.1 These represent interest free advances given to employees, including executives, of the Group, in accordance with the Group's policy. These are repayable within one year. Maximum amount outstanding with key management personnels were Rs. 9,316 thousand, at any time during the year.

		2019	2018
		(Rupees '000)	
21	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**		
	Security deposits	**80,719**	166,817
	Prepayments	**215,400**	68,844
		296,119	235,661

		Note	2019	2018
			(Rupees '000)	
22	**OTHER RECEIVABLES**			
	Due from Fauji Fertilizer Company Limited - unsecured, considered good	22.1	**2,885,789**	2,292,909
	Subsidy receivable from Government of Pakistan	22.2	**3,160,992**	3,160,992
	Receivable from PMP	22.3	**9,231**	302,355
	Others - considered good		**249,542**	729,946
	Due from associated companies	22.4	**39**	309
			6,305,593	6,486,511
	Less: allowance / provision against doubtful other receivables	22.5	**(216,470)**	(206,742)
			6,089,123	6,279,769

22.1 This interest free balance represents amounts recovered by Fauji Fertilizer Company Limited, a related party, from customers on sale of the Holding Company's products under an inter-company services agreement. Maximum amount outstanding during the year was Rs. 6,892 million. It is neither past due nor impaired.

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

22.3 This includes an amount of Rs. Nil (2018: Rs. 288,122 thousand), receivable from Pakistan Maroc Phosphore (PMP), a joint venture of the Holding Company, against dividend. Maximum amount outstanding during the year was Rs. 779 million. It is neither past due nor impaired.

22.4 This includes amounts due from Askari Bank Limited and Noon International (Private) Limited, amounting to Rs. Nil (2018: 270 thousand) and Rs. 39 thousand (2018: Rs. 39 thousand), respectively. Maximum amounts outstanding during the year was Rs. Nil (2018: 2,827 thousand) and Rs. 39 thousand (2018: Rs. 39 thousand), respectively. These are interest free in the normal course of business on account of sale of goods or services. The amount due from Noon International (Private) Limited are due for more than 6 months, respectively.

		Note	2019	2018
			(Rupees '000)	
22.5	**Movement in allowance / provision during the year is as follows:**			
	Opening balance as at 01 January		**206,742**	196,952
	Allowance / provision during the year	32	**9,728**	9,790
	Closing balance as at 31 December		**216,470**	206,742
23	**SALES TAX REFUNDABLE**			
	Gross sales tax refundable		**9,803,225**	5,613,037
	Less: Provision against doubtful sales tax refundable	28	**(9,475)**	-
	Net sales tax refundable		**9,793,750**	5,613,037

		Note	2019	2018
			(Rupees '000)	
24	**SHORT-TERM INVESTMENTS**			
	Loans and receivables			
	Term deposits with banks and financial institutions	**24.1**	**1,400,000**	5,890,000
	Investments at fair value through profit or loss			
	Mutual funds	**24.2**	**9,029**	5,345,646
			1,409,029	11,235,646

24.1 These deposits carry interest at rates ranging from 12.80% to 14.50% (2018: 10.5% to 12.25%) per annum maturing on various dates, latest by February 29, 2020.

24.2 Mutual funds

	2019		
Nature of fund	**No. of units**	**Cost**	**Fair value**
		(Rupees '000)	
Income funds	**23,297**	**285**	**282**
Money market funds	**595,481**	**8,577**	**8,747**
		8,862	**9,029**

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

		Note	2019	2018
			(Rupees '000)	
25	**CASH AND BANK BALANCES**			
	Deposit accounts			
	- in local currency	**25.1**	**7,505,854**	6,355,058
	- in foreign currency		**2,038**	2,041
		25.2	**7,507,892**	6,357,099
	Current accounts		**284,212**	337,514
	Cash in hand		**2,231**	2,324
			7,794,335	6,696,937

25.1 This includes Rs. 3,128,624 thousand (2018: Rs. 3,626,826 thousand) held under lien by the commercial banks against various facilities.

25.2 These deposit accounts carry interest at rates ranging from 3.0% to 14.35% (2018: 2.85% to 12.50%) per annum.

		Note	2019	2018
			(Rupees '000)	
25.3	**Cash and cash equivalents**			
	Cash and cash equivalents included in the statement of cash flows comprise the following:			
	Cash and bank balances	**25**	**7,794,335**	6,696,937
	Short-term highly liquid investments	**24**	**1,400,000**	5,890,000
	Short-term running finance	**12**	**(25,098,134)**	(17,151,590)
			(15,903,799)	(4,564,653)

		Note	2019	2018
26	**SALES - NET**			
	Gross sales		**87,429,639**	82,398,857
	Less:			
	Sales tax		**4,387,464**	4,365,346
	Advance tax u/s 235		**351,810**	306,437
	Trade discounts and leakages allowed		**1,142,846**	147,040
	Commission to Fauji Fertilizer Company Limited	**26.1**	**26,852**	24,970
			5,908,972	4,843,793
		26.2	**81,520,667**	77,555,064

26.1 Commission is paid @ Re. 1 per bag sold by Fauji Fertilizer Company Limited, based on inter-company services agreement.

		2019	2018
		(Rupees '000)	
26.2	**Disaggregated revenue information**		
	Type of goods or service		
	Fertilizer		
	Urea	**18,575,243**	16,653,877
	DAP	**48,264,043**	44,856,651
		66,839,286	61,510,528
	Power		
	Electricity	**5,665,320**	4,877,920
	Steam	**715,386**	613,435
	Coal	**91,122**	1,527,313
	Others	**200,561**	256,212
		6,672,389	7,274,880
	Meat		
	Beef bone in	**1,214,362**	630,514
	Beef boneless	**548,806**	304,712
	Mutton	**390,717**	154,917
	Chicken	**85,819**	21,214
	Others	**24,416**	9,012
		2,264,120	1,120,369

	2019	2018
	(Rupees '000)	
Foods		
Tea whitener	**3,127,637**	5,734,209
UHT milk	**1,611,434**	999,802
Butter	**695,317**	570,184
Cheese	**248,612**	149,765
Others	**61,872**	195,327
	5,744,872	7,649,287
	81,520,667	77,555,064
Country wise		
Foreign (Meat segment)		
UAE	**1,058,488**	495,851
Malysia	**281,451**	-
Vietnam	**49,612**	262,796
KSA	**151,224**	2,494
Oman	**3,123**	40,208
Qatar	**56,369**	-
Kuwait	**-**	24,803
Bahrain	**-**	1,288
	1,600,267	827,440
Domestic	**79,920,400**	76,727,624
	81,520,667	77,555,064

		2019	2018
		(Rupees '000)	
26.3	**Contract Balances**		
	Trade debts	**10,411,213**	6,510,563
	Advance from customers	**193,815**	-

Owing to market conditions, credit sales increased towards the end of the year and advances from customers decreased from Rs. 854 million to Rs. 194 million as a result of increased credit sales. The transaction price allocated to unsatisfied performance obligations as at December 31, 2019 are expected to be recognized as revenue within 1 year.

	2019	2018
	(Rupees '000)	
Set out below is the amount of revenue recognized from:		
Amounts included in contract liabilities at the beginning of the year	**854,264**	2,740,091
Performance obligations satisfied in previous years	**-**	-

		Note	2019	2018
			(Rupees '000)	
27	**COST OF SALES**			
	Raw materials consumed		**65,040,474**	51,916,534
	Packing materials consumed		**2,626,398**	3,567,692
	Tagging cost		**7,186**	2,073
	Milk collection charges		**-**	262,328
	Fuel and power		**1,449,256**	1,354,490
	Ash dumping		**29,013**	22,204
	Chemicals and supplies consumed		**604,815**	604,105
	Salaries, wages and benefits	**27.1**	**2,991,098**	3,005,276
	Rent, rates and taxes		**92,249**	98,979
	Insurance		**286,953**	164,900
	Travel and conveyance		**217,375**	209,012
	Repairs and maintenance		**1,445,587**	1,595,730
	Provision for obsolete stores	**17.1**	**38,748**	61,576
	Provision for stocks-in-trade	**18.3**	**55,283**	7,831
	Communication, establishment and other expenses		**287,945**	242,940
	Amortization		**1,468**	-
	Depreciation	**14.2**	**3,041,458**	2,910,977
	Opening stock - work-in-process		**133,055**	129,948
	Closing stock - work-in-process		**(341,189)**	(133,055)
	Cost of goods manufactured		**78,007,172**	66,023,540
	Opening stock - finished goods		**3,154,643**	467,002
	Closing stock - finished goods		**(12,022,295)**	(3,154,643)
	Cost of sales		**69,139,520**	63,335,899

27.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 62,533 thousand, Rs. 74,851 thousand and Rs. 71,660 thousand (2018: Rs. 80,010 thousand, Rs. 90,421 thousand and Rs. 131,715 thousand), respectively. This also includes ex-gratia of Rs. 340,200 thousand (refer to note 10.2).

		Note	2019	2018
			(Rupees '000)	
28	**SELLING AND DISTRIBUTION EXPENSES**			
	Product transportation		**4,551,484**	3,692,056
	Provision for doubtful trade debts	**19.1**	**-**	280,429
	Provision for other receivable	**22.5**	**-**	9,790
	Provision for doubtful advances	**20**	**13,477**	-
	Provision for Sales tax refundable	**23**	**9,475**	-
	Marketing expenses of group			
	Salaries, wages and benefits	**28.1**	**291,281**	270,189
	Rent, rates and taxes		**7,756**	85,399
	Insurance		**2,853**	-
	Travel and conveyance		**52,507**	13,852
	Sales promotion and advertising		**893,596**	1,722,864
	Communication, establishment and other expenses		**66,013**	64,522
	Amortization		**2,573**	-
	Depreciation	**14.2**	**12,473**	13,595
			1,329,052	2,170,421
	Expenses allocated by Fauji Fertilizer Company Limited			
	Salaries, wages and benefits		**774,084**	842,575
	Rent, rates and taxes		**109,140**	73,906
	Technical services		**4,189**	3,501
	Insurance expense		**7,315**	30,942
	Travel and conveyance		**59,859**	72,924
	Sales promotion and advertising		**66,698**	67,815
	Communication, establishment and other expenses		**61,956**	80,388
	Warehousing expenses		**111,825**	85,446
	Depreciation		**5,003**	15,320
		28.2	**1,200,069**	1,272,817
			7,103,557	7,425,513

28.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 1,763 thousand, Rs. 8,898 thousand and Rs. 6,504 thousand (2018: Rs. 8,550 thousand, Rs. 10,014 thousand and Rs. 4,202 thousand), respectively.

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

		Note	2019	2018
			(Rupees '000)	
29	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	**29.1**	**1,240,348**	1,253,274
	Travel and conveyance		**121,107**	155,444
	Utilities		**30,253**	59,688
	Printing and stationery		**12,219**	16,112
	Repairs and maintenance		**172,491**	187,763
	Communication, establishment and other expenses		**18,145**	60,136
	Rent, rates and taxes		**40,016**	66,083
	Insurance		**11,493**	8,717
	Donations	**29.2**	**13,773**	18,578
	Legal and professional		**358,936**	94,195
	Depreciation	**14.2**	**261,870**	245,575
	Amortization		**18,977**	4,016
	Miscellaneous		**112,973**	116,087
			2,412,601	2,285,668

29.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 22,033 thousand, Rs. 32,383 thousand and Rs. 25,083 thousand (2018: Rs. 24,367 thousand, Rs. 31,284 thousand and Rs. 35,417 thousand), respectively. This also includes ex-gratia of Rs. 145,800 thousand (refer to note 10.2).

29.2 During the year, the Group has not paid donation to any organization in which any director of the Holding Company or his spouse has interest.

Donation to following parties / organizations exceeded 10% of total donation expense or Rs. 1,000 thousands:

	2019	2018
	(Rupees '000)	
Pakistan Taekwondo Federation	**2,062**	1,000
Aspire Public School	**-**	500
Fauji Foundation	**6,000**	11,264
Kidney Centre	**-**	600

		2019	2018
30	**FINANCE COSTS**		
	Mark-up on short-term borrowings	**2,504,947**	578,211
	Mark-up on long-term finance	**5,961,692**	4,093,243
	Mark-up on demand facility	**1,263,609**	386,524
	Mark-up on lease finance	**94,499**	10,347
	Amortization of transaction cost	**46,730**	80,138
	Bank charges	**21,909**	37,328
	Guarantee fee	**16,354**	27,793
	Interest on WPPF	**122**	-
		9,909,862	5,213,584

		Note	2019	2018
			(Rupees '000)	
31	**OTHER EXPENSES**			
	Workers' (Profit) Participation Fund	10.3	**204,422**	257,086
	Workers' Welfare Fund		**10,381**	14,012
	Exchange loss - net		**578,751**	1,389,538
	Fair value loss on deposits		**4,674**	-
	Auditor's remuneration - Holding Company			
	Fees - annual audit		**1,400**	1,400
	Fees - half yearly review		**250**	250
	Fees - review of Statement of Compliance with CCG		**50**	50
	Fees - reasonable assurance on free float		**95**	95
	Other certification and services		**1,070**	125
	Out of pocket expenses		**125**	180
			2,990	2,100
	Auditor's remuneration - Subsidiary Companies			
	Fees - annual audit		**2,193**	1,775
	Fees - half yearly review		**125**	125
	Tax advisory services		**-**	1,420
	Other certification and services		**786**	425
	Out of pocket expenses		**280**	345
			3,384	4,090
	Others		**2,636**	9,812
			807,238	1,676,638
32	**ALLOWANCE FOR EXPECTED CREDIT LOSSES**			
	Provision for debtors	19.1	**381,731**	-
	Provision for other receivable	22.5	**9,728**	-
			391,459	**-**
33	**OTHER INCOME**			
	Income from financial assets			
	Profit on bank balances and term deposits		**847,137**	594,297
	Fair value gain on mutual fund investments		**64,099**	66,375
	Cash dividend on mutual funds		**67,323**	164,778
			978,559	825,450
	Income from assets other than financial assets			
	Scrap sales and miscellaneous receipts		**319,517**	181,215
	Subsidy from Government on DAP and Urea	22.2	**-**	314,619
	Gain on sale of property, plant and equipment		**51,489**	1,159
	Miscellaneous income		**19,753**	26,211
			1,369,318	1,348,654

		2019	2018
		(Rupees '000)	
34	**TAXATION**		
	Current tax	**1,525,699**	2,383,162
	For the period	**-**	(3,584,019)
	Prior period	**1,525,699**	(1,200,857)
	Deferred tax	**3,054,855**	(2,085,901)
	For the period	**-**	3,877,428
	Prior period	**3,054,855**	1,791,527
		4,580,554	590,670
34.1	**Reconciliation of tax charge for the year:**		
	(Loss) / profit before tax	**(3,791,283)**	1,368,774
	Tax on (loss) / profit	**(1,099,472)**	396,944
	Tax effect of lower rate on certain income / expenses	**(491,368)**	(370,666)
	Tax effect of exempt income / permanent differences	**(1,013,600)**	(135,180)
	Effect of minimum tax	**1,002,589**	-
	Super tax and revision in tax liability	**-**	412,685
	Alternative corporate tax	**(13,151)**	(45,355)
	Tax effect of revision in rate of tax	**102,052**	170,307
	Tax effect of unused tax losses	**4,205,732**	78,592
	Tax effect of prior year tax losses	**-**	(244,723)
	Tax effect of profit of associates	**207,603**	179,896
	Tax effect of profit of subsidiaries	**559,557**	87,286
	Tax effect of prior year adjustment	**978,345**	(38,454)
	Tax effect of tax credit	**135,951**	100,401
	Others	**6,316**	(1,063)
		4,580,554	590,670

		2019	2018
35	**(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED**		
	(Loss) / profit attributable to equity holders of the Holding Company (Rupees in thousands)	**(6,369,628)**	1,567,570
	Weighted average number of ordinary shares in issue during the year (thousands)	**934,110**	934,110
	(Loss) / earnings per share - basic and diluted (Rupees)	**(6.82)**	1.68

There is no dilutive effect on the basic earnings per share of the Group for the year 2019.

		Note	2019	2018
			(Rupees '000)	
36	**CASH GENERATED FROM OPERATING ACTIVITIES**			
	(Loss) / profit before taxation		**(3,791,283)**	1,368,774
	Adjustments for:			
	Provision for gratuity		**86,325**	112,927
	Exchange loss - net		**578,751**	1,389,538
	Provision for compensated absences		**103,245**	171,334
	Allowance / provision for other receivables		**9,728**	9,790
	Provision for advances		**13,477**	-
	Provision for sales tax refundable		**9,474**	-
	Amortization of transaction cost		**46,730**	80,138
	Non-cash adjustment in property, plant and equipment		**2,713**	-
	Provision for Workers' (Profit) Participation Fund		**204,422**	257,086
	Provision for Workers' Welfare Fund		**10,381**	14,012
	Depreciation and amortization	14.2 & 15	**3,338,819**	3,174,163
	Adjustment to prior year depreciation		**-**	(15,169)
	Finance costs		**9,863,132**	5,133,446
	Fair value gain on mutual fund investments		**(64,099)**	(66,375)
	Share of profit of joint venture and associates		**(3,082,969)**	(2,402,358)
	Allowance / provision for doubtful trade debts		**381,731**	280,429
	Provision for stores and spares		**38,748**	69,407
	Provision for stock-in-trade		**55,283**	7,831
	Mark-up on sub-ordinated loans		**-**	(507)
	Guarantee fee		**-**	(4,440)
	Profit on bank balances and term deposits		**(847,137)**	(594,297)
	Cash dividend on mutual funds		**(67,323)**	(164,778)
	Gain on sale of property, plant and equipment		**(51,489)**	(1,159)
			6,838,659	8,819,792
	Working capital changes:			
	(Increase) / decrease in current assets			
	Stores and spares		**(558,305)**	(332,539)
	Stock-in-trade		**(8,646,037)**	(4,720,129)
	Trade debts		**(4,464,874)**	(4,536,030)
	Advances		**722,346**	(523,897)
	Trade deposits and short-term prepayments		**(60,458)**	(18,620)
	Other receivables		**(107,204)**	(1,450,891)
	Sales tax refundable		**(4,190,187)**	(3,081,461)
	Increase in current liabilities			
	Trade and other payables		**4,611,173**	5,076,986
			(12,693,546)	(9,586,581)
			(5,854,887)	(766,789)

37 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	2019			2018		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees '000)					
Managerial remuneration	**-**	**12,474**	**1,095,294**	-	11,646	1,110,426
Bonus paid	**-**	**5,008**	**238,141**	-	3,220	232,059
Contributory Provident Fund	**-**	**635**	**54,648**	-	552	60,327
Others	**2,624**	**6,708**	**425,852**	5,249	4,874	429,888
	2,624	**24,825**	**1,813,935**	5,249	20,292	1,832,700
No. of person(s)	**13**	**1**	**269**	11	1	266

The above are provided medical facilities. Chief Executive and certain executives are also provided with the Group's maintained vehicles and household equipment and other benefits in accordance with the Group's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contribution for executives in respect of gratuity is on the basis of actuarial valuation. Leave encashment was paid to executives amounting to Rs. 47,016 thousand (2018: Rs. 14,858 thousand) on separation in accordance with the Group's policy.

In addition, the directors of the Group are paid meeting fees, aggregating Rs. 23,922 thousand (2018: Rs. 20,949 thousand).

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

38 FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

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

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

38.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, deposits, advances, long-term loans, interest accrued, short-term investments, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019	2018
	(Rupees '000)	
Trade debts	**10,411,213**	6,510,563
Deposits	**165,968**	246,404
Advances	**105,809**	93,820
Interest accrued	**42,428**	43,936
Other receivables - net of provision	**6,089,123**	6,279,769
Short-term investments	**1,409,029**	11,235,646
Bank balances	**7,792,104**	6,694,613
	26,015,674	31,104,751

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the country.

The Holding Company has significant amount receivable from Fauji Fertilizer Company Limited which amounts to Rs. 2,885,789 thousand (2018: Rs. 2,292,909 thousand) and which is included in total carrying amount of other receivables as at reporting date. At the reporting date this receivable is neither overdue nor impaired. The remaining amount includes receivable from the Government of Pakistan amounting to Rs. 3,160,992 thousand (2018: Rs. 3,160,992 thousand) on account of subsidy income.

The Holding Company's trade debts are secured against letter of guarantee. The Group has placed funds in financial institutions with high credit ratings. The Group assesses the credit quality of the counter parties as satisfactory. The Group does not hold any collateral as security against any of its financial assets other than trade debts of the Holding Company and advances to employees.

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

38.2 Credit quality of financial assets

The credit quality of Group's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Rating	2019	2018
		(Rupees '000)	
Trade debts			
Counterparties without external credit ratings			
Existing customers with no default in the past	**Unrated**	**9,161,336**	6,201,957
Counterparties with external credit rating			
K-Electric Limited	**A1+**	**1,249,877**	308,606
Deposits			
Counterparties without external credit ratings			
Others	**Unrated**	**165,968**	246,404
Advances			
Counterparties without external credit ratings			
Others	**Unrated**	**105,809**	93,820
Interest accrued			
Counterparties with external credit ratings			
	AAA	**2,964**	6,519
	AA+	**-**	106
	AA-	**10,705**	3,314
	AA	**-**	12,863
	A+	**15,653**	8,466
	A-	**9,852**	-
	A	**-**	12,655
		39,174	43,923
Counterparties without external credit ratings			
Others	**Unrated**	**3,254**	13
		42,428	43,936
Other receivables			
Counterparties with external credit ratings			
Receivable from related parties	**AA+**	**2,885,789**	2,292,909
Counterparties without external credit ratings			
Receivable from Government of Pakistan	**Unrated**	**3,160,992**	3,160,992
Receivable from others including related parties	**Unrated**	**42,342**	825,868
		6,089,123	6,279,769
Short-term investments			
Counterparties with external credit ratings	**AAA**	**919**	2,000,000
	AA+	**921**	1,871,265
	AA	**6,469**	3,362,086
	A	**-**	502,265
	AA-	**-**	2,000,030
	A+	**1,000,720**	1,500,000
	A-	**400,000**	-
		1,409,029	11,235,646

	Rating	2019	2018
		(Rupees '000)	
Bank balances			
Counterparties with external credit ratings	**AAA**	**2,175,344**	2,846,091
	AA+	**642,513**	606,179
	AA	**921,410**	379,821
	AA-	**1,990,032**	173,546
	A+	**801,918**	47,817
	A	**152,218**	1,030,074
	A-	**1,091,875**	1,611,085
	AA-	**16,794**	-
		7,792,104	6,694,613

Impairment losses

As at reporting date, the age analysis of trade debts is as follows:

Aging	2019 Gross	2019 Impairment	2018 Gross	2018 Impairment
	(Rupees '000)		(Rupees '000)	
1-30 days	**4,505,102**	**12,253**	1,365,042	-
31-60 days	**1,741,716**	**14,836**	1,435,146	-
61-90 days	**865,770**	**13,856**	1,905,304	-
91-365 days	**3,602,792**	**263,222**	1,742,432	-
Over 365 days	**767,491**	**767,491**	570,074	507,435
	11,482,871	**1,071,658**	7,017,998	507,435

An impairment analysis of trade debts is performed at each reporting date using provision matrixes to measure expected credit losses (ECL). The probability of default (PD) rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability - weighted outcome, the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions. Whereas, the loss given default, in respect of the Holding Company's trade debts, is based upon external credit rating of banks who have issued the letter of guarantees to the customers. Accordingly, the Holding Company assess that any ECL on it's trade debts will be minimal. Any ECL on trade debts of FPCL is also minimal. Whereas, FML and FFL have recognized allowance for ECL amounting to Rs. 1,049,202 thousand and Rs. 22,456 thousand, respectively.

As per historical pattern, the amount due from Fauji Fertilizer Company Limited is settled within a week. Accordingly, there is no significant risk of ECL in respect of this balance.

The amount of subsidy receivable is linked to a sovereign entity, who can print the currency which is routinely held by Central Bank and other major local financial institutions, which qualitatively indicate that historical credit loss information should be minimally affected by current conditions, and reasonable and supportable forecasts. Therefore, the Group does not expect any significant ECL as at the reporting date.

Being low risk instruments, the Group has assessed an allowance on its balances with banks based on 12 months ECL. Based upon above mentioned high credit ratings, ECL rate on bank balances and short-term investments round to zero.

In the previous years, the Holding Company has recorded an impairment loss of Rs. 3,000 thousand in respect of its long-term investment as explained in note 16.4.

38.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The management uses different methods which assists it in monitoring cash flow requirements and optimizing the return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains lines of credit as mentioned in note 12 to the consolidated financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2019	Carrying amount	Contractual cash flows	Less than one year	One to five years	Five years onwards
			(Rupees '000)		
Long-term loans	**41,310,747**	**47,115,689**	**12,088,055**	**31,275,787**	**3,751,847**
Lease liability	**726,366**	**1,257,592**	**233,139**	**1,024,453**	**-**
Trade and other payables	**35,642,030**	**35,642,030**	**35,642,030**	**-**	**-**
Short-term borrowings including mark-up	**40,658,147**	**40,658,147**	**40,658,147**	**-**	**-**
	118,337,290	**124,673,458**	**88,621,371**	**32,300,240**	**3,751,847**

2018	Carrying amount	Contractual cash flows	Less than one year	One to five years	Five years onwards
			(Rupees '000)		
Long-term loans	47,404,419	52,741,452	11,317,265	35,149,293	6,274,894
Lease liability	435,034	550,869	195,907	354,962	-
Trade and other payables	29,814,935	29,814,935	29,814,935	-	-
Short-term borrowings including mark-up	22,827,932	22,827,932	22,827,932	-	-
	100,482,320	105,935,188	64,156,039	35,504,255	6,274,894

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

38.3.1 The contractual cash flow relating to long-term borrowings and short-term borrowings have been determined on the basis of expected mark up rates. The mark-up rates as at reporting date have been disclosed in note 7 and note 12 to these consolidated financial statements respectively.

38.4 Market risk

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

38.4.1 Currency risk

Exposure to currency risk

The Group is exposed to currency risk on certain liabilities, trade debts and bank balances which are denominated in currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2019		
	Rupees '000	US Dollar '000	EURO '000
Bank balances	**2,038**	**13**	**-**
Trade debts	**1,222,019**	**7,887**	**-**
Creditors	**(5,689,659)**	**(36,571)**	**(48)**
Net exposure	**(4,465,602)**	**(28,671)**	**(48)**

	2018		
	Rupees '000	US Dollar '000	EURO '000
Bank balances	2,041	18	-
Trade debts	802,746	5,771	-
Creditors	(6,796,749)	(48,287)	(503)
Net exposure	(5,991,962)	(42,498)	(503)

The following significant exchange rate applied during the year:

	Average rates		Spot rate (Bid-Offer average)	
	2019	2018	2019	2018
US Dollars	**151.30**	122.74	**155.35**	139.10
Euro	**168.10**	145.53	**174.05**	159.10

Sensitivity analysis

FFBL

A 10% strengthening of the functional currency against USD at 31 December would have increased profit by Rs. 495,093 thousand (2018: Rs. 597,749 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

FPCL

At December 31, 2019, if the currency had weakend or strengthened by 10% against the mentioned foreign currencies, with all other variables remaining constant, the profit before tax would have been Rs. 63,070 thousand (2018: Rs. 78,910 thousand) lower / higher.

FFL

At December 31, 2019, if the currency had weakend or strengthened by 10% against the mentioned foreign currencies, with all other variables remaining constant, the loss before tax would have been Rs. 840 thousand (2018: Rs. 10,022 thousand) lower / higher.

FML

At December 31, 2019, if the currency had weakend or strengthened by 10% against the mentioned foreign currencies, with all other variables remaining constant, the loss after tax would have been Rs. 118,000 thousand (2018: Rs. 78,714 thousand) lower / higher.

38.4.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short-term borrowings from banks and short-term deposits with banks. At the balance sheet date the interest rate risk profile of the Group's interest bearing financial instruments is:

	2019	2018
	(Rupees '000)	
Fixed rate instruments		
Financial assets	**1,400,000**	5,890,000
Financial liabilities	**14,499,991**	5,349,999
Variable rate instruments		
Financial assets	**7,507,892**	6,357,099
Financial liabilities	**66,674,881**	64,593,514

Fair value sensitivity analysis for fixed rate instruments

The Group is not exposed to interest rate risk on its fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2019		
Cash flow sensitivity-Variable rate instruments	**(591,670)**	**591,670**
December 31, 2018		
Cash flow sensitivity-Variable rate instruments	(582,364)	582,364

38.4.3 Market price risk

For investments at fair value through profit or loss, a 1% increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 90 thousand (2018: Rs. 53,456 thousand).

38.5 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Note	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Trade debts	19	**10,411,213**	**10,411,213**	6,510,563	6,510,563
Deposits		**165,968**	**165,968**	246,404	246,404
Advances	20	**105,809**	**105,809**	93,820	93,820
Interest accrued		**42,428**	**42,428**	43,936	43,936
Other receivables	22	**6,089,123**	**6,089,123**	6,279,769	6,279,769
Short-term investments	24	**1,400,000**	**1,400,000**	5,890,000	5,890,000
Cash and bank balances	25	**7,794,335**	**7,794,335**	6,696,937	6,696,937
		26,008,876	**26,008,876**	25,761,429	25,761,429
Assets carried at fair value					
Short-term investments-Investments at fair value through profit or loss	24	**9,029**	**9,029**	5,345,646	5,345,646
Liabilities carried at amortized cost					
Long-term loans including mark-up	7 & 11	**41,310,747**	**41,310,747**	47,404,419	47,404,419
Trade and other payables	10	**35,642,030**	**35,642,030**	29,814,935	29,814,935
Finance lease liability including mark-up		**726,366**	**726,366**	435,034	435,034
Short-term borrowings including mark-up		**40,658,147**	**40,658,147**	22,827,932	22,827,932
		118,337,290	**118,337,290**	100,482,320	100,482,320

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in the market rate and rate of the instruments and most of the fixed rate instruments are short-term in nature, therefore fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2 (Rupees '000)	Level 3
December 31, 2019			
Assets carried at fair value			
Short-term investments - investment in mutual funds	**9,029**	**-**	**-**
December 31, 2018			
Assets carried at fair value			
Short-term investments - investment in mutual funds	5,345,646	-	-

The carrying value of financial assets and liabilities reflected in consolidated financial statements approximate to their respective fair values.

38.6 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss account - held for trading

The fair value of held for trading investments is determined by reference to their quoted closing repurchase price at the reporting date.

Investment in associate

The fair value of investment in quoted associate is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

38.7 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

The total long-term finance to equity ratio as at December 31, 2019 based on total long-term finance of Rs. 40,850,844 thousand and total equity of Rs. 10,729,141 thousand was 3.81:1 (2018: 2.35:1).

The Group finances its operations through equity, borrowings and management of working capital with view of maintaining an appropriate mix between various source of finance to minimize risk.

39 RELATED PARTY TRANSACTIONS

Fauji Fertilizer Company Limited (FFCL) has 49.88% share holding in FFBL (2018: 49.88%). While Fauji Foundation (FF) holds 18.29% shares (2018: 18.29%) in the Company. The Group has related parties which comprise of a joint venture, entities under common directorship, directors, key management personnel and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. The carrying value of investment in joint venture and associates are disclosed in note 16 to the consolidated financial statements.

	2019	2018
	(Rupees '000)	
Transactions with Fauji Foundation		
Dividend paid	**707,561**	504,015
Contribution paid for Youm-e-Shuhudaa & Defence Day	**6,000**	2,000
Donation paid (Institute of Cardioligy and Dams Fund)	**-**	9,264
Expenses in respect of Nukkerji land	**-**	4,847
Payable at the year end	**-**	3,118
Reimbursement of expenses	**5,912**	4,505
Transactions with associated undertakings due to common directorship		
Fauji Fertilizer Company Limited		
Services and material acquired	**1,203,177**	1,278,319
Services and material provided	**2,989**	15,144
Receipts under consignment and current account	**54,958,990**	48,009,758
Commission charged	**23,921**	24,970
Dividend paid - net	**465,892**	349,419
Fauji Cement Company Limited		
Dividend received	**28,125**	37,500
Sale of coal	**77,882**	-
Askari Bank Limited		
Expenses paid	**1,741**	2,298
Finance costs paid	**88,158**	27,733
Profit on Bank balances	**191,184**	119,793
Balance at Bank	**337,116**	431,728
Short-term borrowings	**-**	708
Long-term loan	**500,000**	500,000
Mark-up on long-term loan	**58,509**	-
Mark-up payable on long-term loan	**18,740**	-
Dividend received	**271,884**	-

	2019	2018
	(Rupees '000)	
Foundation Wind Energy-I Limited & Foundation Wind Energy-II Limited		
Mark-up and Guarantee fee	**-**	4,947
Dividend received	**175,000**	-
Others		
Transactions with Foundation Gas	**625**	709
Transactions with Fauji Foundation Hospital	**775**	233
Transactions with joint venture		
Pakistan Maroc Phosphore		
Purchase of raw materials	**40,809,746**	29,058,162
Expenses incurred on behalf of joint venture	**8,859**	11,348
Balance payable at the year end - secured (included in note 11)	**6,593,346**	7,091,973
Balance receivable at the year end - unsecured (included in note 24)	**9,231**	302,355
Dividend received	**746,784**	524,701
Other related parties		
Contribution to provident fund	**116,132**	155,336
Payment to gratuity fund	**90,505**	83,432
Payment to Workers' (Profit) Participation Fund and Worker's Welfare Fund	**329,258**	255,201
Payment to Fauji Security Services (Private) Limited	**3,184**	2,898
Payment to Noon Sugar Mills	**21,225**	-
Balance payable at the year end - unsecured (WPPF and WWF)	**587,100**	701,555
Payable to gratuity fund	**338,282**	150,183
Payable to provident fund	**9,560**	5,478
Remuneration of key management personnel	**369,646**	411,037

In addition to above:

- Ranking charge amounting to US$ 91,456,667 and Rs. 4,000 million (2018: US$ 91,456,667 and Rs. 4,000 million) has been registered on assets of FFBL in respect of project financing arranged by Foundation Wind Energy-I Limited (FWEL-I).

- Ranking charge amounting to US$ 89,146,667 and Rs. 4,000 million (2018: US$ 89,146,667 and Rs. 4,000 million) has been registered on assets of FFBL in respect of project financing arranged by Foundation Wind Energy-II Limited (FWEL-II).

39.1 Detail of related parties

Name of related party	Basis of relationship	Percentage holding
Fauji Foundation	Common Directorship	-
Fauji Fertilizer Company Limited	Common Directorship	-
Pakistan Maroc Phosphore	Joint Venture / Common directorship	25.00%
Fauji Cement Company Limited	Associate Company / Common directorship	1.36%
Askari Bank Limited	Associate Company / Common directorship	21.57%
Foundation Wind Energy-I Limited	Associate Company / Common directorship	35.00%
Foundation Wind Energy-II Limited	Associate Company / Common directorship	35.00%
FFBL Gratuity Fund	Employee benefit fund	-
FFBL Provident fund	Employee benefit fund	-
FFBL Workers' (Profit) Participation Fund	Employee benefit fund	-
Fauji Security Services (Private) Limited	Associated Undertaking / Common directorship	-
FFL Provident fund	Employee benefit fund	-

40 INFORMATION ABOUT REPORTABLE SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive and Managing Director. The Chief Executive and Managing Director considers the business from the products perspective. As at December 31, 2019 the Group is organized into four main operating segments based on its products:

- Fertilizer;
- Power;
- Meat; and
- Food

Information related to each reportable segment is set out below. Segment profit / (loss) before tax, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segment, relative to other entities that operate in the same industries.

	2019					
	Fertilizers	Power	Meat	Food	Consolidation adjustments/ eliminations	Total
	(Rupees '000)					
Segment revenues	66,839,286	17,099,664	2,264,120	5,744,872	(10,427,275)	81,520,667
Segment (loss) / profit before tax	(3,868,907)	4,059,657	(1,918,683)	(3,875,156)	1,811,806	(3,791,283)
Other income	4,370,245	258,495	121,779	105,938	(3,487,139)	1,369,318
Finance costs	5,198,681	2,612,415	827,518	1,698,167	(426,919)	9,909,862
Depreciation	1,667,495	984,967	321,795	389,893	(48,349)	3,315,801
Share of profit of equity - accounted investees	-	-	-	-	3,082,969	3,082,969
Segment assets (excluding long-term investments)	64,986,818	33,408,997	7,901,327	12,099,369	(4,984,256)	113,412,255
Equity accounted investees	-	-	-	-	20,238,869	20,238,869
	64,986,818	33,408,997	7,901,327	12,099,369	15,254,613	133,651,124
Capital expenditure	2,359,566	663,701	17,598	880,747	(15,541)	3,906,071
Segment liabilities (total)	84,332,608	19,899,583	5,810,275	15,830,792	(2,573,497)	123,299,761
Long-term loans	18,358,334	17,437,921	1,416,667	4,316,667	(500,000)	41,029,589
Short-term borrowings	28,227,084	1,145,000	3,534,097	6,691,944	-	39,598,125

	2018					
	Fertilizers	**Power**	**Meat**	**Food**	**Consolidation adjustments/ eliminations**	**Total**
			(Rupees '000)			
Segment revenues	61,510,528	16,245,240	1,120,369	8,094,123	(9,415,196)	77,555,064
Segment profit / (loss) before tax	1,809,109	3,299,279	(1,269,249)	(2,942,512)	472,147	1,368,774
Other income	3,181,634	250,884	20,712	23,827	(2,128,403)	1,348,654
Finance costs	2,222,874	1,855,724	530,385	674,797	(70,196)	5,213,584
Depreciation	1,633,725	974,920	302,216	309,062	(49,776)	3,170,147
Share of profit / (loss) of equity - accounted investees	-	-	-	-	2,402,358	2,402,358
Segment assets (excluding long-term investments)	55,799,233	34,263,300	7,697,138	13,166,900	(4,172,257)	106,754,314
Equity accounted investees	9,402,706	-	-	-	8,105,612	17,508,318
	65,201,939	34,263,300	7,697,138	13,166,900	3,933,355	124,262,632
Capital expenditure	994,327	799,845	28,765	1,462,548	-	3,285,485
Segment liabilities (total)	66,466,528	22,498,383	6,666,632	11,413,902	(2,441,494)	104,603,951
Long-term loans	21,208,333	18,932,353	4,816,667	4,450,000	(2,400,000)	47,007,353
Short-term borrowings	13,913,497	2,070,000	1,527,008	4,991,084	-	22,501,589

40.1 Reconciliation of information on reportable segments to applicable financial reporting standards:

	2019	2018
	(Rupees '000)	
Revenue for reportable segments	**81,520,667**	77,555,064
Consolidated Revenue	**81,520,667**	77,555,064
(Loss) / Profit before tax for reportable segments	**(5,603,089)**	896,627
Less:		
Dividend income from associates and joint venture	**(2,831,949)**	(1,977,432)
Add:		
Share of profit of joint venture and associates - net	**3,082,969**	2,402,358
Reduction in depreciation charge / intergroup adjustment	**48,349**	49,776
Reversal of impairment	**1,520,000**	-
Inter-group elimination	**(7,563)**	(2,555)
Consolidated (loss) / profit before tax from continuing operations	**(3,791,283)**	1,368,774
Segment assets (excluding long-term investments)	**118,396,511**	110,926,571
Less:		
Gain on sale of a land and others assets by Holding Company to subsidiaries	**(1,229,789)**	(1,229,789)
Inter-group eliminations	**(1,165,772)**	(1,083,773)
Loan from FFBL to subsidiaries	**(3,130,000)**	(2,400,000)
Add:		
Inter-company adjustment - Pre-COD sale of fuel	**541,305**	541,305
Consolidated total assets	**113,412,255**	106,754,314
Total liabilities for reporting segments	**125,873,258**	107,045,445
Add:		
Deferred tax on joint venture and associate	**1,000,630**	839,406
Deferred tax on subsidiary	**738,287**	178,730
Contingent liability	**23,915**	23,915
Others	**(40,557)**	228
Less:		
Inter-group eliminations	**(1,165,772)**	(1,083,773)
Loan from FFBL to subsidiaries	**(3,130,000)**	(2,400,000)
Consolidated total liabilities	**123,299,761**	104,603,951

	2019 (Rupees '000)			
Other material items	**Other income**	**Finance Costs**	**Capital expenditure**	**Depreciation**
Reportable segments Total	**4,856,457**	**10,336,781**	**3,921,612**	**3,364,150**
Less:				
Dividend income from joint venture and associates	**(2,831,949)**	**-**	**-**	**-**
Inter-company adjustment	**(655,190)**	**(426,919)**	**(15,541)**	**-**
Reduction in depreciation	**-**	**-**	**-**	**(48,349)**
Consolidated Total	**1,369,318**	**9,909,862**	**3,906,071**	**3,315,801**

	2018 (Rupees '000)			
Other material items	**Other income**	**Finance Costs**	**Capital expenditure**	**Depreciation**
Reportable segments Total	3,477,057	5,283,780	3,285,485	3,219,923
Less:				
Dividend income from joint venture and associates	(1,977,432)	-	-	-
Inter-company adjustment	(150,971)	(70,196)	-	-
Reduction in depreciation	-	-	-	(49,776)
Consolidated Total	1,348,654	5,213,584	3,285,485	3,170,147

40.2 There were no major customers of the Group which formed part of 10% or more of the Group's revenue.

40.3 All of the Group's assets (except for its investment in a joint venture) are situated in Pakistan.

41 GENERAL

		Unit	2019	2018
41.1	**Fauji Fertilizer Bin Qasim Limited**			
	Design capacity			
	Urea	Tonnes	**551,100**	551,100
	DAP	Tonnes	**650,000**	650,000
	Actual production			
	Urea*	Tonnes	**508,404**	561,819
	DAP	Tonnes	**830,696**	730,136

* The shortfall in actual production of Urea was due to gas curtailment and focus on DAP.

		Unit	2019	2018
41.2	**FFBL Power Company Limited**			
	Electricity			
	Installed capacity based on 8,760 hours (2018: 8,760 hours)	Megawatt	**543,558**	543,558
	Actual energy delivered	Megawatt	**577,557**	560,438

		Unit	2019	2018
	Steam			
	Installed capacity based on 8,760 hours (2018: 8,760 hours)	Metric ton	**1,489,200**	1,489,200
	Actual energy delivered	Metric ton	**1,532,131**	1,453,282

The variation in production of electricity & steam depends upon availability of plant and demand from customer in addition to shutdown for annual turn around (maintenance).

		Unit	2019	2018
41.3	**Fauji Meat Limited**			
	Design capacity*			
	Meat	Metric ton	**30,000**	30,000
	Actual production			
	Meat	Metric ton	**3,764**	1,968

Actual production is based on demand of meat products of FML during the year.

*At single shift of 08 hours per day and 25 operating days in a month.

		Unit	2019	2018
41.4	**Fauji Foods Limited**			
	Design capacity			
	Liquid products	Litres	**227,760,000**	227,760,000
	Non-liquid products	Kgs	**8,760,000**	6,935,000
	Actual production			
	Liquid products	Litres	**60,873,948**	90,295,898
	Non-liquid products	Kgs	**1,651,307**	1,778,587

Actual production is based on demand of milk products of FFL during the year.

		2019	2018
41.5	**Number of persons employed**		
	Total employees on year end	**2,253**	2,954
	Average employees during the year	**2,621**	2,964

41.6 The Board of Directors in their meeting held on January 28, 2020 have proposed a final dividend of Rs. Nil per ordinary share.

41.7 These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company in their meeting held on January 28, 2020.

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

NOTES

Pattern of **Shareholding**

AS AT DECEMBER 31, 2019

Categories of shareholders	Shares held	Percentage
1-Directors, Chief Executive Officer, and their spouse and minor children.	27,660	0.00
2-Excutives	124,303	0.01
3-Associated Companies, undertakings and related parties.		
i- Fauji Fertilizer Company Ltd	465,891,896	49.88
ii- Fauji Foundation	170,842,386	18.29
4-NIT and ICP	2,218,124	0.24
5-Banks, Development Financial Institutions, Non Banking Financial Institutions.	80,768,749	8.65
6-Insurance Companies	6,050,754	0.65
7-Modarabas and Mutual Funds	3,954,451	0.42
8-Share holders holding 10%		
i- Fauji Fertilizer Company Ltd	465,891,896	49.88
ii- Fauji Foundation	170,842,386	18.29
9-General Public		
a. Local	154,621,205	16.55
b. Foreign	173,316	0.02
10-Others (Joint Stock Companies, Charitable Trusts, Non-resident Companies, Cooperative Societies, Various Funds etc)	49,437,156	5.29

فیصد	حصص کی تعداد	حصص یافتگان کی اقسام
0.00	27,660	1- [illegible]
0.01	124,303	2- [illegible]
		3- [illegible]
49.88	465,891,896	i- [illegible]
18.29	170,842,386	ii- [illegible]
0.24	2,218,124	4- [illegible]
8.65	80,768,749	5- [illegible]
0.65	6,050,754	6- [illegible]
0.42	3,954,451	7- [illegible]
		8- [illegible]
49.88	465,891,896	i- [illegible]
18.29	170,842,386	ii- [illegible]
		9- [illegible]
16.55	154,621,205	[illegible]
0.02	173,316	[illegible]
5.29	49,437,156	10- [illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	نام
20.97 [illegible]	-	100,000	24-05-2019	[illegible]	[illegible]

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
973	1	-	100	49,232
3738	101	-	500	1,723,151
2661	501	-	1,000	2,256,764
4153	1,001	-	5,000	11,887,141
1327	5,001	-	10,000	10,659,429
575	10,001	-	15,000	7,376,952
358	15,001	-	20,000	6,561,290
238	20,001	-	25,000	5,580,280
171	25,001	-	30,000	4,845,174
102	30,001	-	35,000	3,388,709
93	35,001	-	40,000	3,589,196
51	40,001	-	45,000	2,207,435
126	45,001	-	50,000	6,215,078
48	50,001	-	55,000	2,537,980
45	55,001	-	60,000	2,621,965
45	60,001	-	65,000	2,843,547
23	65,001	-	70,000	1,578,693
36	70,001	-	75,000	2,653,598
23	75,001	-	80,000	1,798,479
7	80,001	-	85,000	581,515
12	85,001	-	90,000	1,063,597
10	90,001	-	95,000	933,326
63	95,001	-	100,000	6,277,105
9	100,001	-	105,000	931,036
13	105,001	-	110,000	1,416,749
14	110,001	-	115,000	1,585,581
8	115,001	-	120,000	945,900
8	120,001	-	125,000	996,000
3	125,001	-	130,000	384,835
1	130,001	-	135,000	135,000
4	135,001	-	140,000	556,500
4	140,001	-	145,000	574,000
13	145,001	-	150,000	1,945,000
3	150,001	-	155,000	460,000
7	155,001	-	160,000	1,104,700
3	160,001	-	165,000	488,912
5	165,001	-	170,000	842,500

Pattern of **Shareholding**

AS AT DECEMBER 31, 2019

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
7	170,001	-	175,000	1,218,608
5	175,001	-	180,000	891,841
2	180,001	-	185,000	368,559
6	185,001	-	190,000	1,123,608
3	190,001	-	195,000	580,152
23	195,001	-	200,000	4,599,500
2	200,001	-	205,000	404,000
2	205,001	-	210,000	420,000
4	210,001	-	215,000	851,500
4	215,001	-	220,000	871,500
5	220,001	-	225,000	1,122,500
1	225,001	-	230,000	225,914
2	230,001	-	235,000	467,000
1	235,001	-	240,000	239,500
5	245,001	-	250,000	1,246,500
4	255,001	-	260,000	1,024,310
3	260,001	-	265,000	788,878
2	265,001	-	270,000	534,615
2	275,001	-	280,000	560,000
1	280,001	-	285,000	283,038
2	290,001	-	295,000	581,500
4	295,001	-	300,000	1,199,500
1	300,001	-	305,000	302,500
1	310,001	-	315,000	312,500
1	320,001	-	325,000	324,000
1	325,001	-	330,000	325,500
3	335,001	-	340,000	1,015,924
2	345,001	-	350,000	699,500
2	360,001	-	365,000	725,000
1	370,001	-	375,000	372,500
1	375,001	-	380,000	376,000
2	380,001	-	385,000	766,000
4	395,001	-	400,000	1,597,120
2	410,001	-	415,000	827,000
1	425,001	-	430,000	430,000
2	440,001	-	445,000	890,000
2	445,001	-	450,000	900,000
2	455,001	-	460,000	916,000

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
2	460,001	-	465,000	925,360
2	495,001	-	500,000	1,000,000
1	570,001	-	575,000	572,500
1	575,001	-	580,000	576,000
1	580,001	-	585,000	585,000
2	595,001	-	600,000	1,200,000
1	600,001	-	605,000	602,000
1	615,001	-	620,000	617,000
1	620,001	-	625,000	625,000
1	635,001	-	640,000	640,000
2	645,001	-	650,000	1,300,000
1	655,001	-	660,000	657,000
1	670,001	-	675,000	675,000
1	675,001	-	680,000	680,000
2	700,001	-	705,000	1,402,900
1	720,001	-	725,000	724,000
1	735,001	-	740,000	738,275
1	765,001	-	770,000	770,000
1	770,001	-	775,000	774,500
1	780,001	-	785,000	784,435
1	805,001	-	810,000	807,500
1	815,001	-	820,000	817,500
1	820,001	-	825,000	821,000
1	840,001	-	845,000	841,000
1	895,001	-	900,000	899,000
2	905,001	-	910,000	1,820,000
1	925,001	-	930,000	927,661
1	995,001	-	1,000,000	1,000,000
2	1,005,001	-	1,010,000	2,019,000
2	1,095,001	-	1,100,000	2,200,000
1	1,190,001	-	1,195,000	1,190,503
1	1,290,001	-	1,295,000	1,293,000
1	1,330,001	-	1,335,000	1,332,000
1	1,395,001	-	1,400,000	1,400,000
1	1,430,001	-	1,435,000	1,431,189
1	1,445,001	-	1,450,000	1,448,500
1	1,520,001	-	1,525,000	1,520,500
1	1,635,001	-	1,640,000	1,638,000

Pattern of **Shareholding**

AS AT DECEMBER 31, 2019

Number of Shareholders	Shareholdings			Total Shares Held
	From	-	To	
1	1,670,001	-	1,675,000	1,675,000
1	1,725,001	-	1,730,000	1,729,000
1	1,765,001	-	1,770,000	1,769,474
1	1,830,001	-	1,835,000	1,830,500
1	2,155,001	-	2,160,000	2,157,500
1	2,195,001	-	2,200,000	2,200,000
1	2,265,001	-	2,270,000	2,269,500
1	2,280,001	-	2,285,000	2,285,000
1	2,715,001	-	2,720,000	2,720,000
2	2,895,001	-	2,900,000	5,794,078
1	2,970,001	-	2,975,000	2,975,000
1	2,995,001	-	3,000,000	3,000,000
1	3,370,001	-	3,375,000	3,372,400
1	3,375,001	-	3,380,000	3,378,527
1	5,040,001	-	5,045,000	5,042,500
1	7,330,001	-	7,335,000	7,331,000
1	8,595,001	-	8,600,000	8,597,500
1	9,340,001	-	9,345,000	9,341,100
1	9,995,001	-	10,000,000	10,000,000
1	11,315,001	-	11,320,000	11,316,000
1	46,695,001	-	46,700,000	46,699,000
1	161,500,001	-	161,505,000	161,501,286
1	465,890,001	-	465,895,000	465,891,896
15,161	**TOTAL**			**934,110,000**

Trade in shares of the Company by Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children

Name	Designation	Date	Purchase	Sale	Rate Rs./ share
Mr Masoom Hussain Zaidi	GM (CS&TD)	24/05/2019	100,000	-	20.97

Pattern of **Shareholding - FFBL Subsidiaries**

AS AT DECEMBER 31, 2019

FAUJI MEAT LIMITED

Categories of Shareholders	Shareholders	Share held	Percentage
FAUJI FERTILIZER BIN QASIM LIMITED	1	688,499,986	90
FAUJI FOUNDATION	1	75,000,000	10
DIRECTORS	9	14	0.00
	11	763,500,000	100.00

فوجی میٹ لمیٹڈ

حصص یافتگان کی اقسام	حصص یافتگان کی تعداد	حصص کی تعداد	فیصد
فوجی فرٹیلائزر بن قاسم لمیٹڈ	1	688,499,986	90
فوجی فاؤنڈیشن	1	75,000,000	10
ڈائریکٹرز	9	14	00
کل	11	763,500,000	100

FFBL POWER COMPANY LIMITED

Categories of Shareholders	Shareholders	Share held	Percentage
FAUJI FERTILIZER BIN QASIM LIMITED	1	644,062,491	75.00
FAUJI FOUNDATION	1	214,687,500	25.00
DIRECTORS	9	9	0.00
	11	858,750,000	100.00

ایف ایف بی ایل پاور کمپنی لمیٹڈ

حصص یافتگان کی اقسام	حصص یافتگان کی تعداد	حصص کی تعداد	فیصد
فوجی فرٹیلائزر بن قاسم لمیٹڈ	1	644,062,491	75
فوجی فاؤنڈیشن	1	214,687,500	25
ڈائریکٹرز	9	9	00
کل	11	858,750,000	100

FFBL FOODS LIMITED

Categories of Shareholders	Shareholders	Share held	Percentage
FAUJI FERTILIZER BIN QASIM LIMITED	1	29,851,838	100.00
DIRECTORS	7	7	0.00
	8	29,851,845	100.00

ایف ایف بی ایل فوڈز لمیٹڈ

حصص یافتگان کی اقسام	حصص یافتگان کی تعداد	حصص کی تعداد	فیصد
فوجی فرٹیلائزر بن قاسم لمیٹڈ	1	29,851,838	100
ڈائریکٹرز	7	7	00
کل	8	29,851,845	100

Pattern of **Shareholding - FFBL Subsidiaries**

AS AT DECEMBER 31, 2019

FAUJI FOODS LIMITED

Categories of Shareholders	Share held	Percentage
1- Directors, Chief Executive Officer, and their spouse and minor children	91	0.0000%
2- Associated Companies, undertakings and related parties. (Parent Company)	359,393,302	68.0145%
3- NIT and ICP	10,249	0.0019%
4- Banks Development Financial Institutions, Non Banking Financial Institutions.	1,136,000	0.2150%
5- Insurance Companies	126,572	0.0240%
6- Modarabas and Mutual Funds	5,130,500	0.9709%
7- Shareholders holding 10% or more	334,686,802	63.3388%
8- General Public		
a-Local	136,188,778	25.7735%
b-Foreign	43,000	0.0081%
9- Others (to be specified)		
1- Joint Stock Companies	24,032,187	4.5480%
2- Foreign Companies	1,327,400	0.2512%
3- Other Companies	1,019,113	0.1929%

فیصد	حصص کی تعداد	حصص یافتگان کی اقسام
0.00	91	[illegible]
68.02	359,393,302	[illegible]
0.00	10,249	[illegible]
0.22	1,136,000	[illegible]
0.02	126,572	[illegible]
0.97	5,130,500	[illegible]
63.34	334,686,802	[illegible]
		[illegible]
25.77	136,188,778	[illegible]
0.00	43,000	[illegible]
		[illegible]
4.55	24,032,187	[illegible]
0.25	1,327,400	[illegible]
0.20	1,019,113	[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
18.78 [illegible]	+	100,000	09-12-2019	[illegible] 10 [illegible] 2019 [illegible]	[illegible]

FAUJI FOODS LIMITED

No of Shareholders	Shareholding			No of Shares
	From	-	To	
851	1	-	100	43,263
1339	101	-	500	610,286
1537	501	-	1,000	1,494,891
3366	1,001	-	5,000	10,059,931
1167	5,001	-	10,000	9,492,255
418	10,001	-	15,000	5,449,710
311	15,001	-	20,000	5,809,454
214	20,001	-	25,000	5,057,308
139	25,001	-	30,000	3,986,296
81	30,001	-	35,000	2,690,292
81	35,001	-	40,000	3,153,066
35	40,001	-	45,000	1,511,501
105	45,001	-	50,000	5,187,264
30	50,001	-	55,000	1,590,959
29	55,001	-	60,000	1,713,224
26	60,001	-	65,000	1,651,048
14	65,001	-	70,000	952,503
33	70,001	-	75,000	2,436,850
27	75,001	-	80,000	2,127,075
5	80,001	-	85,000	417,000
14	85,001	-	90,000	1,244,302
5	90,001	-	95,000	467,500
50	95,001	-	100,000	4,989,000
6	100,001	-	105,000	618,500
9	105,001	-	110,000	978,500
4	110,001	-	115,000	451,500
2	115,001	-	120,000	235,168
7	120,001	-	125,000	870,500
4	125,001	-	130,000	512,500
6	130,001	-	135,000	799,000
5	135,001	-	140,000	692,000
6	140,001	-	145,000	861,000
11	145,001	-	150,000	1,646,500
5	150,001	-	155,000	770,101
5	155,001	-	160,000	800,000
2	160,001	-	165,000	326,500
2	165,001	-	170,000	338,400
3	170,001	-	175,000	524,000
3	175,001	-	180,000	535,500
1	180,001	-	185,000	184,740
1	185,001	-	190,000	185,500

Pattern of **Shareholding - FFBL Subsidiaries**

AS AT DECEMBER 31, 2019

FAUJI FOODS LIMITED

No of Shareholders	Shareholding			No of Shares
	From	-	To	
1	190,001	-	195,000	192,072
15	195,001	-	200,000	2,996,800
4	200,001	-	205,000	816,500
3	205,001	-	210,000	628,000
2	215,001	-	220,000	440,000
4	220,001	-	225,000	895,500
1	230,001	-	235,000	232,000
5	235,001	-	240,000	1,186,500
10	245,001	-	250,000	2,499,500
1	250,001	-	255,000	252,500
3	255,001	-	260,000	774,500
1	260,001	-	265,000	265,000
2	265,001	-	270,000	537,056
1	270,001	-	275,000	275,000
1	280,001	-	285,000	284,500
1	290,001	-	295,000	294,500
7	295,001	-	300,000	2,096,000
1	300,001	-	305,000	303,500
3	305,001	-	310,000	920,666
2	310,001	-	315,000	628,000
1	315,001	-	320,000	320,000
1	320,001	-	325,000	320,500
2	340,001	-	345,000	686,500
3	345,001	-	350,000	1,050,000
1	365,001	-	370,000	367,500
1	380,001	-	385,000	384,000
1	390,001	-	395,000	393,500
4	395,001	-	400,000	1,599,000
1	420,001	-	425,000	420,500
1	430,001	-	435,000	435,000
1	440,001	-	445,000	444,000
2	455,001	-	460,000	917,684
1	465,001	-	470,000	469,000
1	485,001	-	490,000	488,500
2	505,001	-	510,000	1,020,000
1	515,001	-	520,000	519,000
1	520,001	-	525,000	524,000
1	525,001	-	530,000	527,500
1	535,001	-	540,000	540,000
1	550,001	-	555,000	552,468
1	555,001	-	560,000	555,500

FAUJI FOODS LIMITED

No of Shareholders	Shareholding			No of Shares
	From	-	To	
2	580,001	-	585,000	1,165,500
1	615,001	-	620,000	618,000
1	620,001	-	625,000	621,000
1	670,001	-	675,000	674,000
2	745,001	-	750,000	1,496,000
1	765,001	-	770,000	767,500
1	790,001	-	795,000	791,000
1	795,001	-	800,000	800,000
1	935,001	-	940,000	936,000
1	990,001	-	995,000	992,000
1	1,100,001	-	1,105,000	1,105,000
1	1,150,001	-	1,155,000	1,150,500
1	1,225,001	-	1,230,000	1,227,400
1	1,250,001	-	1,255,000	1,254,000
1	1,375,001	-	1,380,000	1,377,000
1	2,140,001	-	2,145,000	2,142,500
1	2,195,001	-	2,200,000	2,200,000
1	2,530,001	-	2,535,000	2,535,000
1	3,835,001	-	3,840,000	3,836,500
1	6,060,001	-	6,065,000	6,064,857
1	6,875,001	-	6,880,000	6,880,000
1	10,400,001	-	10,405,000	10,400,500
1	11,770,001	-	11,775,000	11,771,000
1	20,400,001	-	20,405,000	20,401,000
1	67,370,001	-	67,375,000	67,371,916
1	267,310,001	-	267,315,000	267,311,886
10,084				528,407,192

Trade in shares of the Company by Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children

Name	Designation	Date	Purchase	Sale	Rate Rs./ share
Mr. Salman Hayat Noon	Director – resigned with effect from December 10, 2019	09-Dec-19	100,000	-	16.76

Financial **Calendar - 2020**

The Company's financial year starts from January 01 and ends at December 31 each year.

Tentative schedule for announcements of quarterly financial results in 2020 is as under:

Annual General Meeting	March 30, 2020
First Quarter ending March 31, 2020	Last week of April 2020
Second Quarter ending June 30, 2020	Third week of July 2020
Third Quarter ending September 30, 2020	Last week of October 2020
Year ending December 31, 2020	Last week of January 2021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Form of **Proxy**

26TH ANNUAL GENERAL MEETING

The Company Secretary
Fauji Fertilizer Bin Qasim Limited
FFBL Tower, C1/C2, Sector-B,
Jinnah Boulevard, DHA-II,
Islamabad.

I/We, _________ of ________________, being a Member(s) of FAUJI FERTILIZER BIN QASIM LIMITED, holder of __________ ordinary shares as per registered Folio No.________________ hereby appoint Mr. / Mst. ______________________ Folio No (if member) ____________of _______ or failing him/her Mr. / Mst ________________________ Folio No (if member)_________________ of _____________as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the Annual General Meeting of the Company to be held on 30 March 2020 and at any adjournment thereof.

Signed under my/our hand this _____ day of ________ 2020.

Affix Revenue Stamp of Rs. 5

____

Signature should agree with the specimen signature registered with the Company

Signed in the presence of:

____

Signature of Witness-1

____

Signature of Witness-2

Notes:

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or it notarially certified copy of that power of authority shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument purposes to vote, and in default the instrument of a proxy shall not be treated as valid.

AFFIX
CORRECT
POSTAGE

The Company Secretary

Fauji Fertilizer Bin Qasim Limited
FFBL Tower, C1/C2, Sector-B,
Jinnah Boulevard, DHA-II,
Islamabad.
Tel: +92 51 8763325

پراکسی فارم

26 واں سالانہ اجلاس عام

کمپنی سیکریٹری
فوجی فرٹیلائیزر بن قاسم لمیٹڈ
ایف ایف بی ایل ٹاور، سی 1 / سی 2 ، سیکٹر-بی، جناح بلیوارڈ،
ڈی ایچ اے II، اسلام آباد

میں / ہم.. بحیثیت ممبر(ز) فوجی فرٹیلائیزر بن قاسم لمیٹڈ اور حامل.........عام حصص رجسٹرڈ فولیو نمبر...........محترم / محترمہ...رجسٹرڈ فولیو نمبر (اگر ممبر ہے) .... یا انکے حاضر نہ ہوسکنے کی صورت میں محترم / محترمہ..................................رجسٹرڈ فولیو نمبر (اگر ممبر ہے).............کو اپنی / ہماری عدم موجودگی میں کمپنی کے 30 مارچ 2020 کو ہونے والے سالانہ اجلاس عام میں شرکت کرنے حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

میرے / ہمارے دستخط آج بتاریخ..............2020 ہوئے۔

پانچ روپے کی ریونیو ٹکٹ چسپاں کریں

دستخط..

دستخط کا کمپنی میں موجود دستخطی نمونے سے مشابہت ہونا ضروری ہے

یہ دستخط درج ذیل گواہان کی موجودگی میں کیے گئے:

....

دستخط گواہ - 1 دستخط گواہ - 2

اہم نکات:

1۔ پراکسی مقرر کرنے کیلئے یہ دستاویز مقرر کرنے والے یا اسکے نمائندے کے ہاتھ سے پُر کی جانی چاہیے یا اگر مقرر کنندہ کارپوریشن (کمپنی) ہے تو دستاویز پر کمپنی کی مہر ہو یا کمپنی کے نمائندہ کے ہاتھ سے پُر کی جائے۔ ایسے کسی بھی شخص کو پراکسی مقرر نہیں کیا جاسکتا جو ووٹ ڈالنے کی اہلیت کا حامل کمپنی کا ممبر نہ ہو، ماسوائے کارپوریشن (کمپنی) کے جو کسی غیر ممبر کو پراکسی مقرر کر سکتی ہے۔

2۔ یہ پراکسی / دستاویز اور پاور آف اٹارنی یا دیگر اختیار (اگر کوئی ہے) جن کے تحت یہ پراکسی دی جارہی ہے کی تصدیق شدہ نقل اجلاس کے انعقاد، جس میں نامزد شخص ووٹ ڈالنا چاہتا ہے، سے کم از کم 48 گھنٹے قبل کمپنی کے دفتر میں موصول ہونی چاہیئں۔ بصورت دیگر دستاویز کالعدم قرار دے دی جائے گی۔

AFFIX CORRECT POSTAGE

The Company Secretary
Fauji Fertilizer Bin Qasim Limited
FFBL Tower, C1/C2, Sector-B,
Jinnah Boulevard, DHA-II,
Islamabad.
Tel: +92 51 8763325

Glossary

Asset
Asset is a resource controlled by an enterprise as a result of past events, from which future economic benefits are expected to flow to enterprise.

Associate Company
Associate company is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of investor.

Borrowing Costs
Borrowing costs are interest and other cost incurred by an enterprise in connection with the borrowing funds.

Cash Equivalents
Cash equivalents are short terms highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Cash Flows
Cash flows are inflows and outflows of cash and cash equivalents.

Consolidated Financial Statements
These include financial statements of FFBL and its subsidiaries i.e Fauji Meat Limited, Fauji Foods Limited (formerly NPL), FFBL Power Company Limited and FFBL Foods Limited as per IFRS 10.

Depreciation
Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair Value
Fair Value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments
Financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financing Activities
Financing activities are activities that result in changes in the size and composition of equity capital and borrowings of the enterprise.

Intangible Asset
Intangible Asset is an identifiable non-monetary asset without physical substance held for use in the production / supply of goods and services, for rental to others, or for administrative purposes.

Investing Activities
Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Liability
A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

Non-Controlling Interest
Equity in a subsidiary not attributable, directly or indirectly, to the holding company.

Operating Activities
Operating activities are principal revenue producing activities of the enterprise and other activities that are not investing or financing activities.

Holding Company
A parent is an enterprise that has one or more subsidiaries.

Related Party
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party in making financial and operational decisions.

Residual Value
Residual value is the net amount which the enterprise expects to obtain for an asset at the end of its useful life after deducting the expected cost of disposal.

Revenue
Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise.

Subsidiary Company
A subsidiary is an enterprise that is controlled by another enterprise (holding company).

Abbreviations

Annual General Meeting	AGM
Askari Bank Limited	AKBL
Central Depository Company	CDC
Code of Corporate Governance	CCG
Corporate Social Responsibility	CSR
China Pakistan Economic Corridor	CPEC
Dividend Per Share	DPS
Di-Ammonium Phosphate	DAP
Earnings per Share	EPS
Enterprise Resource Planning	ERP
Environmental Protection Agency	EPA
Fauji Meat Limited	FML
Fauji Foods Limited	FFL
FFBL Power Company Limited	FPCL
Fauji Fertilizer Company Limited	FFCL
Free On Board	FOB
Gas Infrastructure Development Cess	GIDC
General Sales Tax	GST
Government of Pakistan	GoP
Gross Domestic Product	GDP
Human Development Foundation	HDF
Institute of Chartered Accountants of Pakistan	ICAP
Institute of Cost and Management Accountants of Pakistan	ICMAP
International Organization for Standardization	ISO
Information & Communication Technology	ICT
International Financial Reporting Standards	IFRS
Key Performance Indicator	KPI
Memorandum of Understanding	MoU
Million Metric British Thermal Unit	MMBTU
Million Standard Cubic Foot	MSCF
National Environment Quality Standards	NEQS
National Forum for Environment & Health	NFEH
Non Governmental Organization	NGO
Pakistan Moroc Phosphore	PMP
Pakistan Stock Exchange	PSX
Securities and Exchange Commission of Pakistan	SECP
State Bank of Pakistan	SBP
Sui Northern Gas Pipeline Limited	SNGPL
Sui Southern Gas Company Limited	SSGCL
Workers' Profit Participation Funds	WPPF

Fauji Fertilizer Bin Qasim Limited

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