Annual Report

for the year ended December 31, 2009

FAUJI FERTILIZER COMPANY LIMITED

Cover Concept

Solutions for growing appetites...

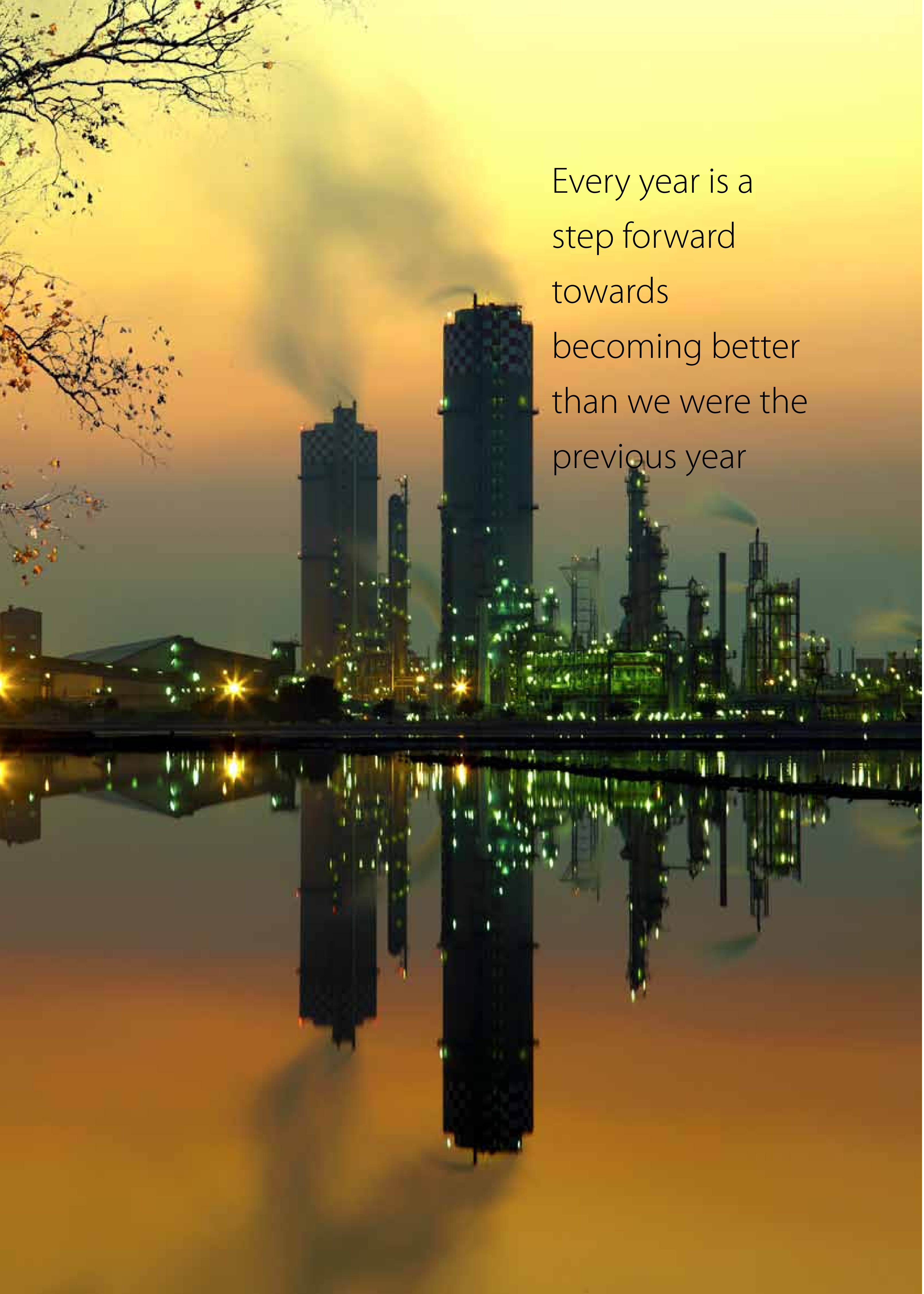
Things contract during a recession – industrial output, employment or consumer spending - but there is no evidence of appetites shrinking. On the contrary, Pakistan's appetite continues to swell 3-4% every year due to steady population growth - with or without a paused economy. There are ample reasons to believe that this trend will continue...Start with the fact that we must feed about 4 million additional mouths each year.

The need to produce enough food to sustain a hungry and increasingly crowded Pakistan has given farmers a critical mandate: to find a way that makes less equal 'more'. While many answers to this great challenge are yet to be found, we know fertilizer will be an essential part of any food solution for Pakistan for a long time. And so will FFC.

This year's annual report is an effort to discover FFC more than just being a successful business story but as the **'solution provider'** to the growing appetites of Pakistan.

Where we Stand

		2009		Variance Compared to 2008	%
Production	KT	2,464	↑	142	6
Sales	KT	2,464	↑	122	5
Turnover	Rs M	36,163	↑	5,570	18
Gross Profit	"	15,648	↑	3,290	27
Operating Profit	"	12,474	↑	2,784	29
Finance Cost	"	945	↑	250	36
Investment Income	"	857	↑	296	53
Dividend Income	"	1,944	↑	1,184	156
Net Profit after Tax	"	8,823	↑	2,298	35
EPS	Rs	13	↑	3.38	35



Every year is a step forward towards becoming better than we were the previous year

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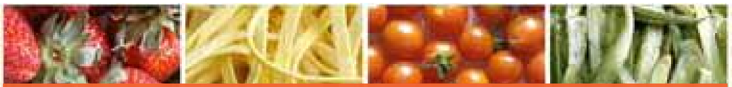
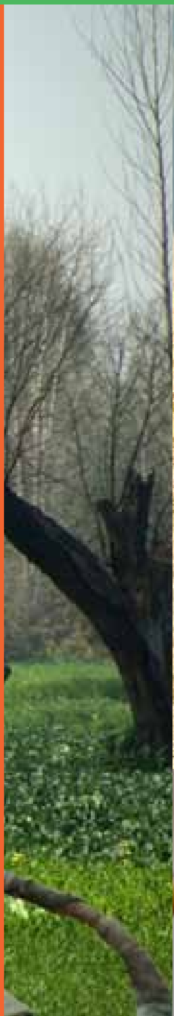


Vision, Mission, Strategy and Goals

Our Vision

FFC's vision for the 21st Century remains focused on harmonizing Company activities with fresh challenges and encompasses diversification and embarking on ventures within and beyond the territorial limits of the Country in collaboration with leading business partners.



Our Mission

FFC is committed to play its leading role in industrial and agricultural advancement in Pakistan by providing quality fertilizers and allied services to its customers and given the passion to excel, take on fresh challenges, set new goals and take initiatives for development of profitable business ventures.

Corporate Strategy

Our flexible and dynamic corporate strategy strives for enhancing customer satisfaction by adding value over the long run. We aim at creating value for the stakeholders by maintaining and improving our competitive position in the market. This is achieved by focusing on our 'sustainable competitive advantage' that is derived by continuously assembling and exploiting an appropriate combination of resources and capabilities in response to the changing market conditions. Our organizational culture is one of our most fundamental competitive advantages. We have built and preserve an innovation-adept culture, a culture that promotes transparency and accountability through honesty, integrity and diligence in our dealing with employees, customers, financial markets, Government, regulatory authorities, and all the other stakeholders. We consider diversification of our product line as a major factor behind corporate sustainability in the ever changing market scenario. Diversification in business line is also being considered. Our unique corporate strategy gets aligned with the resource allocation system and flows down to the operational levels, thus ensuring its implementation at all levels alongwith the achievement of the intended results.

Strategic Goals

- Drive land productivity through balanced fertilizer application
- Build leadership in Plant performance
- Expand sales
- Create new businesses
- Maintain operational efficiency to achieve synergies
- Economize on costs by eliminating duplication of resources
- Augment profitability for sustained economic growth
- Outperform the Industry

Policy Statement of Ethics & Business Practices

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

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

Standard of Conduct for Directors & Employees

- We shall conduct our employment activities with the highest principles of honesty, integrity, truthfulness and honour. To this end, we are to avoid not only impropriety, but also the appearance of impropriety.
- We shall not make, recommend, or cause to be taken any action, contract, agreement, investment, expenditure or transaction known or believed to be in violation of any law, regulation or corporate policy.
- We shall not use our respective positions in employment to force, induce, coerce, harass, intimidate, or in any manner influence any person, including subordinates, to provide any favor, gift or benefit, whether financial or otherwise, to ourselves or others.
- In business dealings with suppliers, contractors, consultants, customers and Government entities, we shall not provide or offer to provide, any gratuity, favour or other benefit and all such activities shall be conducted strictly on an arm's length basis.
- While representing the Company in dealings with third parties we shall not allow ourselves to be placed in a position in which an actual or apparent conflict of interest exists. All such activities shall be conducted strictly on an arm's length basis.
- All of us shall exercise great care in situations in which a pre-existing personal relationship exists between an individual and any third party or Government employee or official of an agency with whom the Company has an existing or potential business relationship. Where there is any doubt as to the propriety of the relationship, the individual shall report the relationship to Management so as to avoid even the appearance of impropriety.
- We shall not engage in outside business activities, either directly or indirectly, with a customer, vendor, supplier or agent of the Company, or engage in business activities which are inconsistent with, or contrary to, the business activities of the Company.
- We shall not use or disclose the Company's trade secrets, proprietary or confidential information gained in the performance of Company duties as a means of making private profit, gain or benefit.

Our Core Values

- At FFC we seek uncompromising integrity through each individual's effort towards quality product for our customers and sizable contribution to the national exchequer.
- Our business success is dependent on trusting relationships. Our reputation is founded on the integrity of the Company's personnel and our commitment to our principles of:
- **Honesty** in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets.
- **Excellence** in providing high-quality products and services to our customers.
- **Consistency** in our words and deeds.
- **Compassion** in our relationships with our employees and the communities affected by our business.
- **Fairness** to our fellow employees, stakeholders, business partners, customers and suppliers through adherence to all applicable laws, regulations and policies and a high standard of moral behaviour.

Company Information

Board of Directors

Lt Gen Hamid Rab Nawaz, HI(M) (Retired)
Chairman

Lt Gen Malik Arif Hayat, HI(M) (Retired)
Chief Executive and Managing Director

Mr Jorgen Madsen

Mr Qaiser Javed

Mr Tariq Iqbal Khan

Dr Nadeem Inayat

Mr Istaqbal Mehdi

Maj Gen Muhammad Tahir, HI(M) (Retired)

Brig Arif Rasul Qureshi, SI(M) (Retired)

Brig Rahat Khan, SI(M) (Retired)

Mr Shahid Aziz Siddiqi

Mr Shahid Anwar Khan

Mr Khizar Hayat Khan

Chief Financial Officer

Syed Shahid Hussain

Tel: No. 92-51-9272339

Fax: No. 92-51-9272337

E-mail: shahid_hussain@ffc.com.pk

Company Secretary

Brig Khalid Kibriya (Retired)

Tel: No. 92-51-9272327

Fax: No. 92-51-9272519

E-mail: ffcrwp@ffc.com.pk

Registered Office

93-Harley Street, Rawalpindi Cantt

Tel: No. 92-51-9272307-14

Fax: No. 92-51-9272316

E-mail: ffcrwp@ffc.com.pk

Plantsites

Goth Machhi, Sadikabad

(Distt: Rahim Yar Khan)

Tel: No. 92-68-5786420-9

Fax: No. 92-68-5786401

Mirpur Mathelo

(Distt: Ghotki)

Tel: No. 92-723-651021-24

Fax: No. 92-723-651102

Marketing Group

Lahore Trade Centre,

11 Shahrah-e-Aiwan-e-Tijarat, Lahore

Tel: No. 92-42-36369137-40

Fax: No. 92-42-36366324

Karachi Office

B-35, KDA Scheme No. 1, Karachi

Tel: No. 92-21-34390115-16

Fax: No. 92-21-34390117 & 34390122

Auditors

M/s KPMG Taseer Hadi & Co.

Chartered Accountants

Share Registrar

THK Associates (Pvt) Limited

Ground Floor, State Life Building – 3

Dr. Ziauddin Ahmed Road

Karachi – 75530

Tel: No. 92-21-111-000-322

Fax: No. 92-21-35655595

Web Presence

Updated Company's information together with the latest Annual Report can be accessed at FFC's website, www.ffc.com.pk

Board/Management Committees

Audit Committee

Mr Tariq Iqbal Khan
Chairman

Mr Qaiser Javed
Member

Maj Gen Muhammad Tahir, HI(M) (Retired)
Member

Dr Nadeem Inayat
Member

Human Resources Committee

Brig Arif Rasul Qureshi, SI(M) (Retired)
Chairman

Mr Qaiser Javed
Member

Dr Nadeem Inayat
Member

System & Technology Committee

Brig Rahat Khan, SI(M) (Retired)
Chairman

Dr Nadeem Inayat
Member

Brig Arif Rasul Qureshi, SI(M) (Retired)
Member

Projects Diversification Committee

Mr Tariq Iqbal Khan
Chairman

Mr Qaiser Javed
Member

Dr Nadeem Inayat
Member

Brig Rahat Khan , SI(M) (Retired)
Member

Business Strategy Committee

Lt Gen Malik Arif Hayat, HI(M) (Retired)
Chairman

Mr Abid Maqbool, GMF (BD)
Member

Mr Asad Sultan Chaudhary, GMM
Member

Mr Zafar Hadi, GMT (BD)
Member

Brig Khalid Kibriya (Retired),
Company Secretary / Member

Brig Fiaz Ahmed Satti (Retired), CCO
Member / Secretary

Executive Committee

Lt Gen Malik Arif Hayat, HI(M) (Retired)
Chairman

Mr Abid Maqbool, GMF (BD)
Member

Mr Asad Sultan Chaudhary, GMM
Member

Mr Zafar Hadi, GMT (BD)
Member

Syed Iqtidar Saeed, GM (T&E)
Member

Mr Tahir Javed, GM (M&O)
Member

Syed Shahid Hussain, CFO
Member

Mr Saulat Hussain, GM (HR)
Member

Mr Naeem ur Rehman, GMP-MM
Member

Brig Khalid Kibriya (Retired),
Company Secretary / Member

Brig Syed Qasim Abbas (Retired),
RM-GM
Member

Brig Fiaz Ahmed Satti (Retired), CCO
Member / Secretary

Board of Directors meetings attended by Directors during 2009

Directors	Board of Directors	Audit Committee	Human Resources Committee	System & Technology Committee	Projects Diversification Committee
Lt Gen Hamid Rab Nawaz, HI(M) (Retired)	5	–	–	–	–
Lt Gen Munir Hafiez, HI(M) (Retired) *	1	–	–	–	–
Lt Gen Malik Arif Hayat, HI(M) (Retired)	4	–	–	–	–
Dr Haldor Topsoe **	1	–	–	–	–
Mr Jorgen Madsen	–	–	–	–	–
Mr Qaiser Javed	5	5	4	–	2
Mr Tariq Iqbal Khan	4	5	–	–	2
Dr Nadeem Inayat	5	3	3	1	2
Mr Istaqbal Mehdi	5	–	–	–	–
Maj Gen Muhammad Tahir, HI(M) (Retired)	4	4	–	–	–
Brig Arif Rasul Qureshi, SI(M) (Retired)	4	–	4	4	–
Brig Rahat Khan, SI(M) (Retired)	5	–	–	4	2
Mr Shahid Aziz Siddiqi	3	–	–	–	–
Mr Shahid Anwar Khan	2	–	–	–	–
Mr Amir Tariq Zaman Khan #	1	–	–	–	–
Mr Khizar Hayat Khan ***	4	–	–	–	–
Mrs Shaista Sohail ****	–	–	–	–	–
Number of meetings held	*5*	*5*	*4*	*4*	*2*

* Lt Gen Munir Hafiez, HI(M) (Retired) retired from Directorship on March 16, 2009 and Lt Gen Malik Arif Hayat, HI (M) (Retired) appointed in his place on March 17, 2009.
** Dr Haldor Topsoe retired from Directorship on September 15, 2009 and Mr Jorgen Madsen appointed in his place on September 16, 2009.
# Mr Amir Tariq Zaman Khan retired from Directorship on February 16, 2009 and Mr Khizar Hayat Khan appointed in his place on February 17, 2009.
*** Mr Khizar Hayat Khan retired from Directorship on June 10, 2009 and Mrs Shaista Sohail appointed in his place on June 11, 2009.
**** Mrs Shaista Sohail retired from Directorship on July 02, 2009 and Mr Khizar Hayat Khan appointed in her place on July 03, 2009.

Profile of the Board

Lt Gen Hamid Rab Nawaz, HI(M), (Retired)

Chairman

Joined the Board on January 13, 2009

He is the Managing Director of Fauji Foundation and is Chairman on the Boards of various Fauji Group companies.

He had a distinguished career in the Pakistan Army, spanning over a period of 37 years. He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad.

Lt Gen Malik Arif Hayat, HI(M) (Retired)

Chief Executive and Managing Director

Joined the Board on March 17, 2009

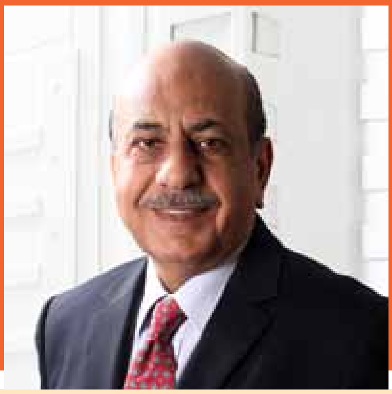
He was commissioned in the Army in 1971. He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad. He has served on various command staff & instructional assignments in his illustrious career in the Army including the important appointments of Director General Command, Control & Communication, Computer & Intelligence at GHQ and Commandant, Command and Staff College, Quetta. He has also commanded an Infantry Division.

Mr Jorgen Madsen

Director

Joined the Board on September 16, 2009

He is an Engineer by profession and works for Haldor Topsoe, Denmark.



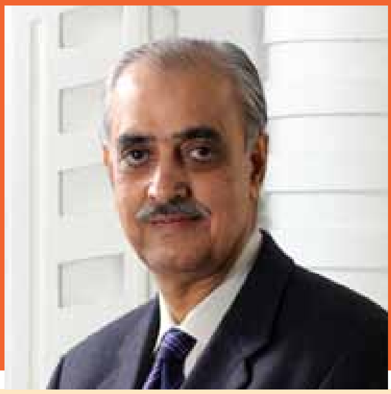
Mr Qaiser Javed

Director

Joined the Board on October 15, 1999

He is Director Finance of Fauji Foundation and Chief Executive of Daharki Power Holdings Limited.

He is a Fellow Member of Institute of Chartered Accountants of Pakistan and Institute of Taxation Management of Pakistan with over 34 years post qualification experience. He joined Fauji Foundation in 1976.



Mr Tariq Iqbal Khan

Director

Joined the Board on January 7, 2002

He is Chairman / MD of National Investment Trust Limited.

He is a Fellow Member of the Institute of Chartered Accountants of Pakistan, with over 40 years of experience in the Corporate Sector in the areas of Finance, Accounting, Capital Markets, Company Law, Taxation etc. He is a founder Director of Islamabad Stock Exchange and has also been its President from 1995 to 1998. He has also served as member Tax Policy and Co-ordination in Federal Board of Revenue and later joined Securities and Exchange Commission of Pakistan as a Commissioner and officiated as Acting Chairman in 2000.

Dr Nadeem Inayat

Director

Joined the Board on May 27, 2004

He holds a Doctorate in economics with rich experience of over 20 years in managing & operating investment portfolios of top tier banks and organizations of the Country.

Profile of the Board

Mr Istaqbal Mehdi

Director

Joined the Board on January 31, 2005

He held key positions in various Government and Financial Institutions.

Brig Arif Rasul Qureshi, SI(M) (Retired)

Director

Joined the Board On May 31, 2006

He is Director Industries of Fauji Foundation.

He is a graduate of Joint Services Staff College, Command and Staff College, Quetta and the National Defence University, Islamabad, the premier institutions of the Armed Forces of Pakistan.

Maj Gen Muhammad Tahir, HI(M) (Retired)

Director

Joined the Board on September 16, 2006

He graduated from Pakistan Military Academy in 1971. He also holds the degree of BSc (War Studies) from Baluchistan University Quetta, MSc (War Studies) from Egypt and MSc (Defence and Strategic Studies) from Quaid-e-Azam University, Islamabad. He is a graduate of Command and Staff College, Quetta, National Defence University, Islamabad and a Graduate from Fort Sill, Oklahoma, USA.

Brig Rahat Khan, SI(M) (Retired)

Director

Joined the Board on September 16, 2006

He joined Pakistan Army and was commissioned in the Corps of Engineers on October 27, 1974. He is a graduate of Military College of Engineering, Command and Staff College, Quetta and the National Defence University, Islamabad. He also holds a masters degree in Civil Engineering from Michigan State University, USA.

Mr Shahid Aziz Siddiqi

Director

Joined the Board on August 8, 2008

He holds a Masters degree from Karachi University and also obtained a post graduate degree in Development Economics from University of Cambridge, UK. He held several key positions in Government organizations.

Mr Shahid Anwar Khan

Director

Joined the Board on November 14, 2008

He is a nominee of the National Bank of Pakistan.

He holds a Bachelors degree in Engineering (Textile) from University of Engineering & Technology, Lahore. He is also MBA from Long Island University Brooklyn, USA.

Profile of the Board

Mr Khizar Hayat Khan

Director

Joined the Board on July 3, 2009

He is MSc in International Relations from Quaid-e-Azam University, Islamabad. He has also obtained a Masters Degree in Development Administration from Western Michigan University, USA and a Diploma in Executive Leadership Development Programme from Harvard University, USA.

Syed Shahid Hussain

Chief Financial Officer

Appointed as CFO on November 3, 2008

He is a fellow member of the Institute of Chartered Accountants of Pakistan and has been in the Company service since 1981. He has worked on various management positions, both within the Company and abroad, on secondment to a Fauji Group Joint Venture Project and has extensive experience in the fields of financial management, tax planning, corporate governance and secretarial practices.

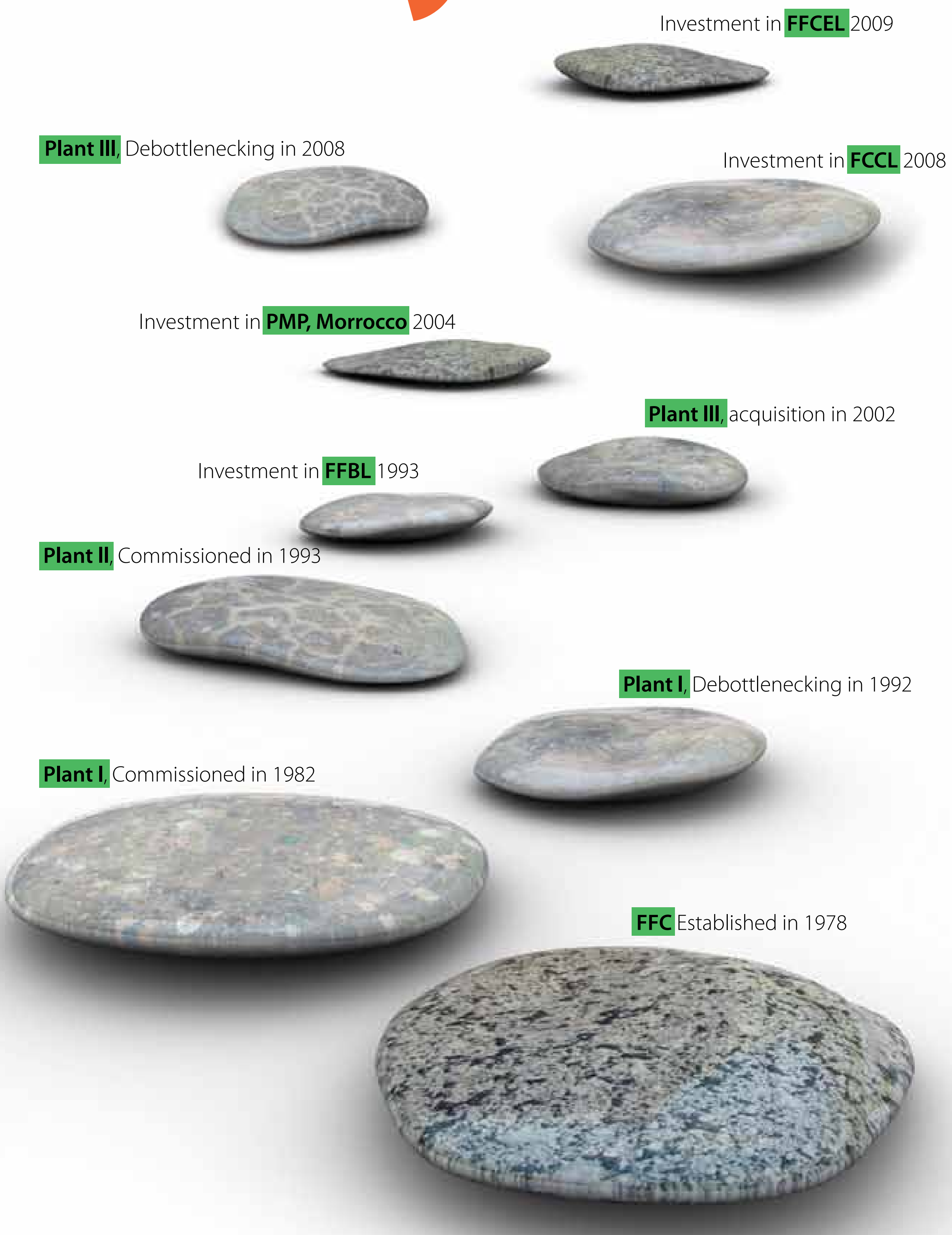
Brig Khalid Kibriya (Retired)

Company Secretary

Appointed as Company Secretary on January 4, 2008

He is a graduate from Command And Staff College, Quetta, Joint Services Staff College and Fort Bennings, Georgia, USA. His employment includes a three year tenure at the United Nations' Head Quarter in New York. He also served as the Secretary General of the Pakistan Red Crescent Society, a premier humanitarian organization at the national level.

Success Story



Notice of Meeting

Notice is hereby given that the 32nd Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at Pearl Continental Hotel, Rawalpindi on Wednesday, February 24, 2010 at 1000 hours to transact the following business:-

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on September 03, 2009.

2. To receive, consider and adopt the Audited Accounts of the Company together with the Auditors' and the Directors' Reports thereon for the year ended December 31, 2009 together with the Audited Consolidated Accounts of FFC and subsidiary FFBL for the year ended December 31, 2009.

3. To appoint Auditors for the year 2010 and to fix their remuneration.

4. To approve payment of Final Dividend for the year ended December 31, 2009 as recommended by the Board of Directors.

Special Business

5. To consider and approve the following Special Resolution for equity investment in FFC Energy Limited, pursuant to the provisions of Section 208 of the Companies Ordinance, 1984.

Special Resolution

"RESOLVED THAT pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Fauji Fertilizer Company Limited (The Company) be and is hereby authorized to make investment upto an amount of Rs 3 billion in FFC Energy Limited (FFCEL) and that the Chief Executive & Managing Director of the Company and any official of the Company, as may be authorized by him in this regard, be and are hereby authorized to take any and all actions, including, without limitation, to enter into any financial arrangement(s)/ agreement(s) with banks and financial institutions in connection with financing for the FFCEL project and execute any and all agreements and documents, and to seek any and all approvals, as deemed necessary to finalize the said investment in accordance with the terms and conditions hereof."

A statement under section 160(1) (b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice.

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

By Order of the Board

Brig Khalid Kibriya (Retired)
Company Secretary

Rawalpindi
February 02, 2010

Notes:

1. The share transfer books of the Company will remain closed from February 19, 2010 to February 25, 2010 (both days inclusive).

2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a person/ representative as proxy to attend and vote in place of the member at the Meeting. Proxies in order to be effective must be received at the Company's Registered Office, 93-Harley Street, Rawalpindi not later than 48 hours before the time of holding the Meeting.

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

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

A. For attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his/her original CNIC 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 (unless provided earlier) at the time of Meeting.

B. For appointing proxies:

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

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

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

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

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

Statement under section 160 (1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the Special Business, given in agenda item No. 5 of the Notice, to be transacted at the Annual General Meeting of the Company.

i) **Name of the investee company:** FFC Energy Limited (FFCEL)

ii) **Nature, amount, extent of proposed investment:** Equity investment upto an amount of Rs 3 billion

iii) **Price at which shares will be purchased:** Rs 10 per share

iv) **Source of funds from where shares will be purchased:** Own resources and / or the debts obtained from the banks and financial institutions

v) **Period for which investment will be made:** Long term investment

vi) **Purpose of Investment:** To establish a 50 MW wind energy project at Jhimpir, Distt. Thatta, Sindh, Pakistan

vii) **Benefits likely to accrue to the company and the shareholders from the proposed investments:** 15% return on equity guaranteed by the GOP pursuant to the Renewable Energy Policy

viii) **Interest of Directors and their relatives in the investee company:** There is no personal interest of the Directors as all of them are nominee Directors

Financial Performance

		2009	2008	2007	2006	2005	2004
Financial Performance – Profitability							
Gross profit margin	%	43.27	40.40	35.59	32.42	36.06	37.42
EBITDA margin to sales	%	41.68	37.99	32.86	27.99	33.00	34.60
Pre tax margin	%	36.11	32.82	27.49	23.32	28.31	29.02
Net profit margin	%	24.40	21.33	18.86	15.48	19.22	19.04
Return on equity	%	67.44	53.11	42.11	35.78	39.36	32.57
Return on capital employed	%	49.96	36.94	34.81	32.76	36.49	26.41
Operating Performance / Liquidity							
Total assets turnover	Times	0.94	0.96	0.97	1.09	0.90	0.80
Fixed assets turnover	Times	2.58	2.40	2.74	3.12	2.77	2.29
Debtors turnover	Times	96.07	27.58	21.19	36.95	24.65	12.81
Debtors turnover	Days	4	13	17	10	15	29
Inventory turnover	Times	236.45	55.20	25.54	29.31	47.47	31.93
Inventory turnover	Days	2	7	14	12	8	11
Creditors turnover	Times	54.82	49.13	50.58	27.32	19.44	35.57
Creditors turnover	Days	7	7	7	13	19	10
Operating cycle	Days	(1)	13	24	9	4	30
Return on assets	%	22.89	20.44	18.33	16.90	17.21	15.14
Current ratio		0.84	0.82	0.94	0.90	0.91	1.09
Quick / Acid test ratio		0.66	0.54	0.68	0.61	0.69	0.87
Capital Market / Capital Structure Analyses							
Market value per share							
Year end	Rs	102.93	58.73	118.75	105.55	137.00	139.45
High during the year	Rs	109.20	149.85	131.90	144.90	180.00	143.90
Low during the year	Rs	61.66	54.30	103.00	105.50	118.00	95.75
Breakup value / (Net assets/share)	Rs	19.28	24.90	25.80	26.26	25.21	41.68
Earnings per share (pre tax)	Rs	19.24	14.80	11.52	10.29	10.63	8.99
Earnings per share (after tax)	Rs	13.00	9.62	7.90	6.83	7.22	5.90
Earnings growth	%	35.14	21.71	15.64	(5.34)	22.31	27.33
Price earning ratio		7.92	6.10	15.03	15.45	18.97	23.63
Market price to breakup Value		5.34	4.81	4.52	4.72	5.57	2.81
Dividend yield / Effective dividend rate	%	14.93	13.57	9.43	8.07	11.39	15.36
Debt : Equity		26.74	30:70	17:83	8:92	7:93	19:81
Weighted average cost of debt		14.64	12.09	8.93	8.07	7.35	7.35
Interest cover		14.82	15.44	12.10	14.94	23.13	17.36
Corporate Distribution & Retention							
Dividend per share – Interim cash	Rs	9.90	10.50	7.50	6.10	9.75	12.00
Dividend per share – Proposed Final	Rs	3.25	3.25	3.50	3.90	2.25	3.00
Total dividend per share – cash	Rs	13.15	13.75	11.00	10.00	12.00	15.00
Dividend payout – Cash (after tax)	%	73.13	79.41	69.04	64.94	78.95	80.72
Dividend payout incl. proposed Cash	%	98.12	103.99	101.25	106.45	101.62	102.82
Bonus shares issued	%	10.00	–	–	–	40.00	15.00
Proposed bonus issue	%	–	25.00	–	–	–	15.00
Total dividend per share – bonus	%	10.00	25.00	–	–	40.00	30.00
Total dividend incl. bonus	%	141.50	162.50	110.00	100.00	160.00	180.00
Total dividend payout – cash & bonus	%	105.11	122.89	101.25	106.45	133.12	123.48
Dividend cover ratio	%	91.90	59.18	71.83	68.32	45.11	32.78
Retention (after interim cash)	%	26.87	20.59	30.96	35.06	21.05	19.28
Retention (after proposed cash & bonus)	%	(5.11)	(22.89)	(1.25)	(6.45)	(33.12)	(23.48)

	2009	2008	2007	2006	2005	2004
Summary of Balance Sheet						*(Rs Million)*
Share capital	6,785	4,935	4,935	4,935	4,935	2,950
Reserves	6,297	7,350	7,795	8,022	7,506	9,345
Shareholder's funds / Equity	13,082	12,285	12,730	12,957	12,441	12,295
Long term borrowings	4,579	5,378	2,671	1,194	981	2,868
Capital employed	17,661	17,663	15,401	14,151	13,422	15,163
Deferred liabilities	3,036	2,432	2,364	2,396	2,401	2,407
Property, plant & equipment	13,994	12,731	10,390	9,608	9,185	9,181
Long term assets	23,634	22,209	18,431	17,666	16,985	16,796
Net current assets / Working capital	(2,938)	(2,114)	(666)	(1,119)	(1,162)	775
Liquid funds - net	5,298	2,116	2,103	496	5,801	6,355
Summary of Profit & Loss						
Sales - net	36,163	30,593	28,429	29,951	25,481	21,027
Gross profit	15,648	12,358	10,117	9,709	9,187	7,869
Operating profit	12,473	9,690	7,699	6,962	6,816	6,103
Profit before tax	13,057	10,041	7,815	6,985	7,214	6,103
Profit after tax	8,823	6,525	5,361	4,636	4,897	4,004
EBITDA	15,071	11,622	9,342	8,384	8,410	7,276
Summary of Cash Flows						
Net cash flow from operating activities	8,919	8,166	5,914	(396)	6,177	7,575
Net cash flow from investing activities	(1,373)	(3,243)	(451)	(353)	1,611	1,070
Net cash flow from financing activities	(6,191)	(7,529)	(5,510)	(3,055)	(4,723)	(7,577)
Changes in cash & cash equivalents	1,355	(2,607)	(48)	(3,804)	3,065	1,068
Cash & cash equivalents – Year end	2,096	739	3,344	3,384	7,175	4,107
Others						
Market capitalization	69,841	28,982	58,600	52,086	67,606	41,134
Numbers of shares issued (Million)	679	493	493	493	493	295
Contribution to National Exchequer	13,634	11,663	11,979	11,370	9,500	9,446
Savings through Import Substitution (Million US $)	679	1,217	807	631	633	544
Quantitative Data						
						("000" Tonnes)
Sona Urea Production	2,464	2,322	2,320	2,296	2,303	2,174
Sona Urea Sales	2,464	2,342	2,298	2,293	2,304	2,291

Horizontal & Vertical Analyses

Horizontal Analyses
Balance Sheet

Rs Million

	2009 Rs	09 Vs. 08 %	2008 Rs	08 Vs. 07 %	2007 Rs	07 Vs. 06 %	2006 Rs	06 Vs. 05 %	2005 Rs	05 Vs. 04 %	2004 Rs	04 Vs. 03 %
EQUITY AND LIABILITIES												
EQUITY												
Share capital	6,785	37.49	4,935	–	4,935	–	4,935	–	4,935	67.29	2,950	15.01
Capital reserves	160	–	160	–	160	–	160	–	160	–	160	–
Revenue reserves	6,137	(14.65)	7,190	(5.83)	7,635	(2.87)	7,862	7.02	7,346	(20.02)	9,185	4.41
	13,082	**6.49**	**12,285**	**(3.49)**	**12,730**	**(1.75)**	**12,957**	**4.15**	**12,441**	**1.19**	**12,295**	**6.71**
NON – CURRENT LIABILITIES												
Long term borrowings	4,579	(14.85)	5,378	101.35	2,671	123.70	1,194	21.71	981	(65.79)	2,869	(37.05)
Deferred taxation	3,036	24.83	2,432	2.89	2,364	(1.34)	2,396	(0.21)	2,401	(0.25)	2,407	(4.56)
	7,615	**(2.50)**	**7,810**	**55.11**	**5,035**	**40.25**	**3,590**	**6.15**	**3,382**	**(35.89)**	**5,276**	**(25.47)**
CURRENT LIABILITIES												
Trade and other payables	8,003	33.51	5,994	3.07	5,815	44.44	4,026	(40.25)	6,738	15.55	5,831	73.75
Interest and mark – up accrued	147	(24.55)	195	5.98	184	37.31	134	63.41	82	10.81	74	(10.84)
Short term borrowings	6,088	95.52	3,114	(0.86)	3,141	(30.68)	4,531	80.88	2,505	2,405.00	100	(96.64)
Current portion of long term borrowings	1,799	142.19	743	(27.37)	1,023	15.33	887	(53.02)	1,887	(16.79)	2,269	21.01
Taxation	1,817	2.18	1,778	35.43	1,313	0.54	1,305	(7.64)	1,414	136.45	598	81.76
	17,854	**51.01**	**11,824**	**3.03**	**11,476**	**5.44**	**10,883**	**(13.80)**	**12,626**	**42.32**	**8,872**	**2.96**
	38,551	**20.78**	**31,919**	**9.16**	**29,241**	**6.60**	**27,430**	**(3.58)**	**28,449**	**7.59**	**26,443**	**(2.85)**
ASSETS												
NON – CURRENT ASSETS												
Property, plant & equipment	13,994	9.92	12,731	22.53	10,391	8.14	9,608	4.61	9,185	0.04	9,181	(0.84)
Goodwill	1,569	–	1,569	–	1,569	0.01	1,569	(6.27)	1,674	(5.85)	1,779	(5.58)
Log term investments	7,728	(0.22)	7,744	22.45	6,325	(1.31)	6,409	5.79	6,058	5.06	5,766	(18.59)
Long term Loans & advances	337	107.05	163	13.99	143	85.71	77	18.46	65	(2.99)	67	4.69
Long term deposits & prepayments	6	220.01	2	–	2	–	2	(33.33)	3	–	3	–
	23,634	**6.41**	**22,209**	**20.50**	**18,430**	**4.33**	**17,665**	**4.00**	**16,985**	**1.13**	**16,796**	**(8.18)**
CURRENT ASSETS												
Stores, spares and loose tools	2,997	(1.22)	3,034	26.00	2,407	9.36	2,202	2.23	2,154	24.72	1,727	2.37
Stock in trade	144	(44.15)	258	(59.88)	643	(32.53)	953	70.18	560	155.71	219	(67.84)
Trade debts	257	(48.19)	496	(71.21)	1,723	79.29	961	45.61	660	(53.13)	1,408	(24.95)
Loans and advances	130	(5.17)	137	63.09	84	(11.58)	95	(18.80)	117	36.05	86	34.38
Deposits and prepayments	38	(64.45)	108	214.71	33	34.36	25	(3.85)	26	4.00	25	8.70
Other receivables	734	(40.44)	1,233	(20.09)	1,543	6.12	1,453	150.26	580	3.57	561	–
Short term investments	6,768	92.75	3,512	15.98	3,028	23.44	2,453	(60.40)	6,195	35.71	4,565	107.41
Cash and bank balances	3,849	313.00	932	(30.96)	1,350	(16.82)	1,623	38.48	1,172	10.98	1,056	(42.42)
	14,917	**53.63**	**9,710**	**(10.18)**	**10,811**	**10.70**	**9,765**	**(14.82)**	**11,464**	**18.85**	**9,647**	**8.07**
	38,551	**20.78**	**31,919**	**9.16**	**29,241**	**6.60**	**27,430**	**(3.58)**	**28,449**	**7.59**	**26,443**	**(2.85)**

Horizontal Analyses
Profit & Loss

Rs Million

	2009 Rs	09 Vs. 08 %	2008 Rs	08 Vs. 07 %	2007 Rs	07 Vs. 06 %	2006 Rs	06 Vs. 05 %	2005 Rs	05 Vs. 04 %	2004 Rs	04 Vs. 03 %
Sales	36,163	18.21	30,593	7.61	28,429	(5.08)	29,951	17.54	25,481	21.18	21,027	(0.04)
Cost of Sales	20,515	12.50	18,235	(0.42)	18,312	(9.53)	20,242	24.23	16,294	23.83	13,158	(3.97)
Gross profit	**15,648**	**26.62**	**12,358**	**22.15**	**10,117**	**4.21**	**9,709**	**5.68**	**9,187**	**16.75**	**7,869**	**7.31**
Distribution cost	3,174	18.96	2,668	10.33	2,418	(11.94)	2,747	15.86	2,371	34.18	1,767	(4.54)
	12,474	28.72	9,690	25.86	7,699	10.59	6,962	2.14	6,816	11.70	6,102	11.31
Finance cost	945	35.97	695	(1.28)	704	40.52	501	53.68	326	(12.60)	373	(28.41)
Other expenses	1,273	41.98	896	6.04	845	14.81	736	2.79	716	27.86	560	14.99
	10,256	26.63	8,099	31.69	6,150	7.42	5,725	(0.85)	5,774	11.70	5,169	15.53
Other income	2,801	44.16	1,942	16.69	1,665	32.14	1,260	(12.50)	1,440	54.18	934	104.38
Net profit before taxation	**13,057**	**30.04**	**10,041**	**28.48**	**7,815**	**11.88**	**6,985**	**(3.17)**	**7,214**	**18.20**	**6,103**	**23.77**
Provision for taxation	4,234	20.42	3,516	43.28	2,454	4.47	2,349	1.38	2,317	10.39	2,099	17.53
Net profit after taxation	**8,823**	**35.22**	**6,525**	**21.71**	**5,361**	**15.64**	**4,636**	**(5.33)**	**4,897**	**22.30**	**4,004**	**27.31**

Vertical Analyses
Balance Sheet

Rs Million

	2009		2008		2007		2006		2005		2004	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	6,785	17.60	4,935	15.46	4,935	16.88	4,935	17.99	4,935	17.35	2,950	11.16
Capital reserves	160	0.42	160	0.50	160	0.55	160	0.58	160	0.56	160	0.61
Revenue reserves	6,137	15.92	7,190	22.53	7,635	26.11	7,862	28.66	7,346	25.82	9,185	34.74
	13,082	**33.93**	**12,285**	**38.49**	**12,730**	**43.53**	**12,957**	**47.23**	**12,441**	**43.73**	**12,295**	**46.50**
NON - CURRENT LIABILITIES												
Long term borrowings	4,579	11.88	5,378	16.85	2,671	9.14	1,194	4.35	981	3.45	2,869	10.85
Deferred taxation	3,036	7.87	2,432	7.62	2,364	8.08	2,396	8.73	2,401	8.44	2,407	9.10
	7,615	**19.75**	**7,810**	**24.47**	**5,035**	**17.22**	**3,590**	**13.09**	**3,382**	**11.89**	**5,276**	**19.95**
CURRENT LIABILITIES												
Trade and other payables	8,003	20.76	5,994	18.78	5,815	19.89	4,026	14.68	6,738	23.68	5,831	22.05
Interest and mark - up accrued	147	0.38	195	0.61	184	0.63	134	0.49	82	0.29	74	0.28
Short term borrowings	6,088	15.79	3,114	9.76	3,141	10.74	4,531	16.52	2,505	8.80	100	0.38
Current portion of long term borrowings	1,799	4.67	743	2.33	1,023	3.50	887	3.23	1,887	6.64	2,269	8.58
Taxation	1,817	4.71	1,778	5.57	1,313	4.49	1,305	4.76	1,414	4.97	598	2.26
	17,854	**46.31**	**11,824**	**37.04**	**11,476**	**39.25**	**10,883**	**39.68**	**12,626**	**44.38**	**8,872**	**33.55**
	38,551	**100**	**31,919**	**100**	**29,241**	**100**	**27,430**	**100**	**28,449**	**100**	**26,443**	**100**
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	13,994	36.30	12,731	39.88	10,391	35.53	9,608	35.03	9,185	32.28	9,181	34.72
Goodwill	1,569	4.07	1,569	4.92	1,569	5.37	1,569	5.72	1,674	5.88	1,779	6.72
Log term investments	7,728	20.04	7,744	24.26	6,325	21.63	6,409	23.36	6,058	21.29	5,766	21.81
Long term loans & advances	337	0.88	163	0.51	143	0.49	77	0.28	65	0.23	67	0.25
Long term deposits & prepayments	6	0.02	2	0.006	2	0.006	2	0.007	3	0.01	3	0.01
	23,634	**61.30**	**22,209**	**69.58**	**18,430**	**63.03**	**17,665**	**64.40**	**16,985**	**59.70**	**16,796**	**63.52**
CURRENT ASSETS												
Stores, spares and loose tools	2,997	7.77	3,034	9.51	2,407	8.23	2,202	8.03	2,154	7.57	1,727	6.53
Stock in trade	144	0.37	258	0.81	643	2.20	953	3.47	560	1.97	219	0.83
Trade debts	257	0.67	496	1.55	1,723	5.89	961	3.50	660	2.32	1,408	5.32
Loans and advances	130	0.34	137	0.43	84	0.29	95	0.35	117	0.41	86	0.33
Deposits and prepayments	38	0.10	108	0.34	33	0.12	25	0.09	26	0.09	25	0.09
Other receivables	734	1.90	1,233	3.86	1,543	5.28	1,453	5.30	580	2.04	561	2.12
Short term investments	6,768	17.56	3,512	11.00	3,028	10.35	2,453	8.94	6,195	21.78	4,565	17.26
Cash and bank balances	3,849	9.98	932	2.92	1,350	4.62	1,623	5.92	1,172	4.12	1,056	3.99
	14,917	**38.70**	**9,710**	**30.42**	**10,811**	**36.97**	**9,765**	**35.60**	**11,464**	**40.30**	**9,647**	**36.48**
	38,551	**100**	**31,919**	**100**	**29,241**	**100**	**27,430**	**100**	**28,449**	**100**	**26,443**	**100**

Vertical Analyses
Profit & Loss

Rs Million

	2009		2008		2007		2006		2005		2004	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Sales	36,163	100.00	30,593	100.00	28,429	100.00	29,951	100.00	25,481	100.00	21,027	100.00
Cost of Sales	20,515	56.73	18,235	59.60	18,312	64.41	20,242	67.58	16,294	63.95	13,158	62.58
Gross profit	**15,648**	**43.27**	**12,358**	**40.40**	**10,117**	**35.59**	**9,709**	**32.42**	**9,187**	**36.05**	**7,869**	**37.42**
Distribution cost	3,174	8.78	2,668	8.72	2,418	8.51	2,747	9.17	2,371	9.30	1,767	8.40
	12,474	34.49	9,690	31.67	7,699	27.08	6,962	23.24	6,816	26.75	6,102	29.02
Finance cost	945	2.61	695	2.27	704	2.47	501	1.67	326	1.28	373	1.77
Other expenses	1,273	3.52	896	2.93	845	2.97	736	2.46	716	2.81	560	2.66
	10,256	28.36	8,099	26.47	6,150	21.63	5,725	19.11	5,774	22.66	5,169	24.58
Other income	2,801	7.75	1,942	6.35	1,665	5.86	1,260	4.21	1,440	5.65	934	4.44
Net profit before taxation	**13,057**	**36.11**	**10,041**	**32.82**	**7,815**	**27.49**	**6,985**	**23.32**	**7,214**	**28.31**	**6,103**	**29.02**
Provision for taxation	4,234	11.71	3,516	11.49	2,454	8.63	2,349	7.84	2,317	9.09	2,099	9.98
Net profit after taxation	**8,823**	**24.40**	**6,525**	**21.33**	**5,361**	**18.86**	**4,636**	**15.48**	**4,897**	**19.22**	**4,004**	**19.04**

Directors' Report

Lt Gen Hamid Rab Nawaz, HI (M) (Retired)
Chairman

FFC is proud of its financial strength and its impressive growth record. Our future prospects are linked to the need to feed a growing population in an environmentally sustainable way.

Shareholders' value

It has been a year of phenomenal growth for the Company, surpassing all previous records.

Our shareholders and all the other stakeholders can look back on the 2009 operating results with a real sense of pride which reflects in the performance of our people.

FFC is proud of its financial strength and its impressive growth record. Our future prospects are linked to the need to feed a growing population in an environmentally sustainable way.

We will continue to deploy our innovative skills and commercial dynamism while demonstrating that corporate and social responsibility is inherent in everything we do.

We are grateful to our shareholders, for recognition of our goals and for their trust and support in helping us to build and grow.

FFC is a value-driven Company and the Board takes decisions considering the long term perspective and aspirations of all our stakeholders. With our market capitalization at Rs 70 billion at the end of the year, the Company maintained and strengthened its position as the market leader in the fertilizer industry.

Times have changed. The bottom line profitability is no longer considered the prime objective of a business concern. Businesses should embrace responsibility for the impact of their activities on the environment, consumers, employees and all other members of the public sphere. Essentially, Corporate Social Responsibility is the deliberate inclusion of public interest into corporate decision making, and the honoring of a triple bottom line: People, Planet, Profits.

Agriculture technology has made a vital contribution to the economy by way of helping farmers improve crop yield and productivity over the last few years, but the pace of yield increase must now accelerate for a growing population to be fed. The creation of a new business in the related field is the cornerstone of our future strategy that will focus on integrated solutions to the farming community for growing appetites.

Our business makes a positive contribution to society by providing gainful employment, producing premium fertilizer to boost agricultural output, technical advice to the farming community to increase yield, foreign exchange savings by way of import substitutions, considerable contribution to the national exchequer and upliftment of the communities surrounding our production facilities. We are also mindful of the impact on the environment and stringent measures are in place to control pollution.

The Board ensures that a robust governance structure is in place. My fellow Directors and I are committed to fostering a culture that values and rewards exemplary ethical behavior, personal & corporate integrity and respect for others. Our approach to governance is based on the belief that there is a link between high-quality governance and business success. We continue to assess the performance of each Board member as well as the collective effort of the Board. I would like to thank my fellow Directors for their contribution, assistance and commitment throughout the year.

I wish the Company and its employees continued success and achievement of excellence in all spheres of activity - personal and corporate. We should all strive to flourish as the leading corporate organization of the Country and continue to set an example for others to follow.

Lt Gen Hamid Rab Nawaz,
HI (M) (Retired)
January 28, 2010

Lt Gen Malik Arif Hayat, HI (M) (Retired)
Chief Executive & Managing Director

Our challenge is to use our skills and capabilities to enable farmers to increase yields in an environmentally sustainable manner. This challenge is also, of course, a significant opportunity and underpins the long-term growth potential of our business.

Record Results

For the third consecutive year, we have achieved record profit driven by excellent operating performance and cost controls, scaling new heights in terms of production and sales, augmenting profitability and higher return for the stakeholders.

Our challenge is to use our skills and capabilities to enable farmers to increase yields in an environmentally sustainable manner. This challenge is also, of course, a significant opportunity and underpins the long-term growth potential of our business.

Looking ahead we face an uncertain economic climate, but the fundamental drivers of our industry remain firmly intact.

Consistency, hard work, dedication, adherence to Company policies & procedures, and code of ethics have contributed significantly towards the growth of the Company. Since commencement of production in 1982, our urea production capacity has grown from 570 tonnes annually to over 2 million tonnes today by debottlenecking, expansion and acquisition.

This year, the Company earned record net profit after tax of Rs 8.823 billion based on highest ever urea production & sales of 2.464 million tonnes translating into earning per share of Rs 13, up by 35% compared to last year.

In order for the Company to maintain its growth, diversification is now considered essential. The Company actively pursues investment proposals and is currently in the process of setting up a wind farm in Jhimpir, Distt. Thatta, Sindh to produce 50 MW of electricity.

As the leader in the fertilizer industry, we remain well-placed to respond to the challenges ahead. We shall continue to meet the growth in demand for our product, expectations of all our stakeholders and the requirements of the national economy.

The Board is conscious to the need of maintaining the balance between the interests of our debt and equity holders and sustenance of growth in net earnings. Recognized in Pakistan and abroad for best governance practices, financial reporting and disclosure excellence, we believe in timeliness and accuracy to enable informed decision making by our investors and their confidence in the Board.

I would like to thank my colleagues on the Board for their contribution in the success of the Company and achievement of record operational and financial results for the year.

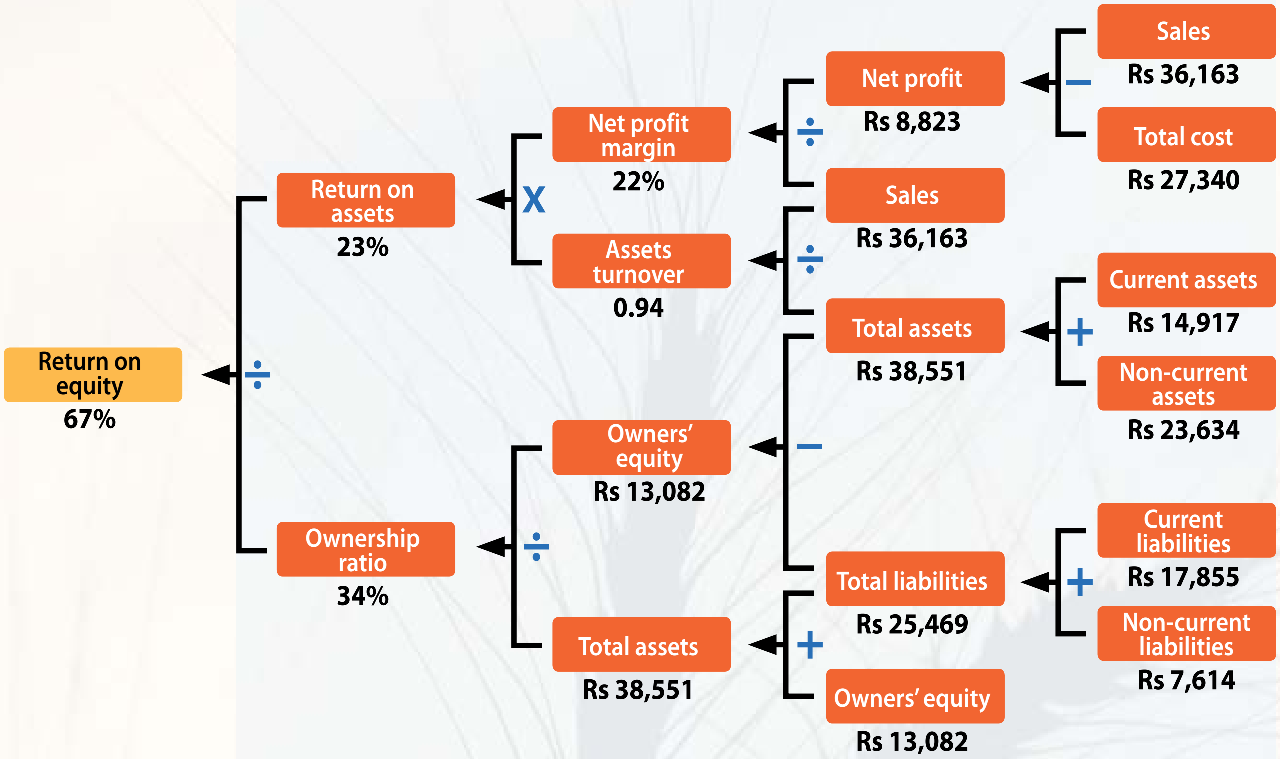
I have been fortunate to take the helm of a well-run business, focused on its customers' needs, with a great team responding to the opportunities for our sector. In a year's time, I hope to report that we have made further progress in all areas of operations.

Lt Gen Malik Arif Hayat,
HI (M) (Retired)
January 28, 2010

Syed Shahid Hussain
Chief Financial Officer

Risk Management

Over-achievement has become a hallmark of FFC's financial culture. The strong 2009 earnings arose from our focus on sound financial practices, maintaining a disciplined approach to risk management, economising on costs and eliminating duplication of resources. These enable us to maintain robust financial position, maximizing profitability and augmenting higher return for the shareholders.

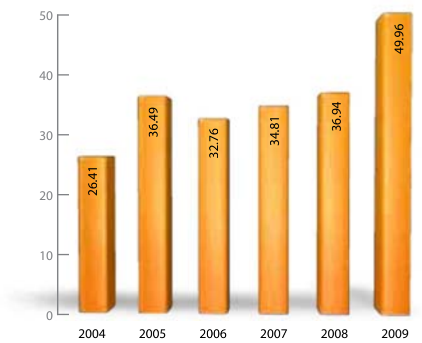


Moving Forward

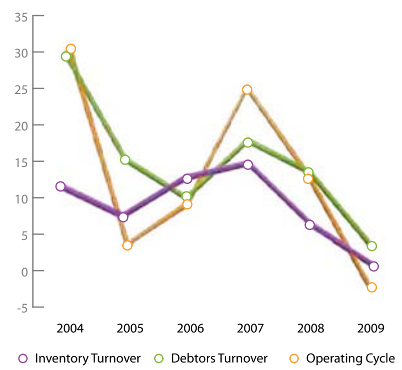
Performance Review

FFC has embarked on a journey with the aim to provide solutions to growing appetites. In order to meet the growing demand to produce more feed for the growing population, we have been operating our business at full capacity, seeking opportunities to increase volume of our product for our customers. In the process many new benchmarks have been established in terms of production and marketing. Our Company scaled new heights by achieving the highest profit after tax of Rs 8.823 billion, which translates into earning per share of Rs 13 compared to Rs 9.62 (Restated) earned last year.

Return on capital employed
(Percentage)



Inventory, Debtors Turnover & Operating Cycle
(Days)



Against nameplate capacity of 2.048 million tonnes per year (based on 330 days of operations), the aggregate utilization of all three plants of the Company during 2009 was 120%. The additional production of 142 thousand tonnes compared to last year was mainly due to DBN of Plant III commissioned in early 2009.

The entire quantity produced was sold during the year. The aggregate sales volume was up by 2% while the turnover increased by 18%, as opposed to 13% increase in cost of sales mainly due to increase in gas prices. Consequently, the gross profit improved by 27%.

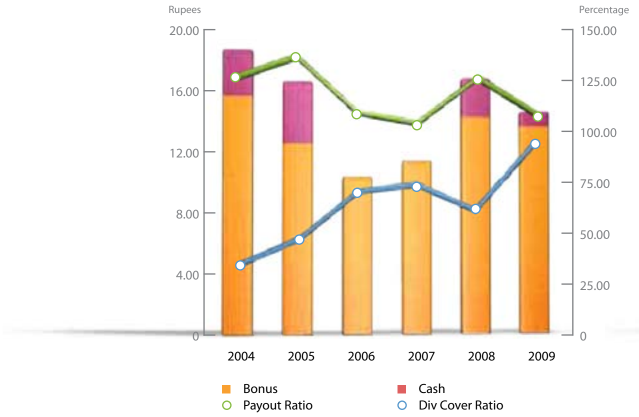
The Company's market share, including sales of FFBL's granular urea, stood at 48%, whereas, the combined DAP share during 2009 was 42%.

Distribution of fertilizer cost the Company Rs 3.175 billion, higher by 19% compared to last year mainly due to higher sales volume and higher product transportation costs. Operating profit, thus, registered a growth of 29% from Rs 9.7 billion in 2008 to Rs 12.5 billion in 2009.

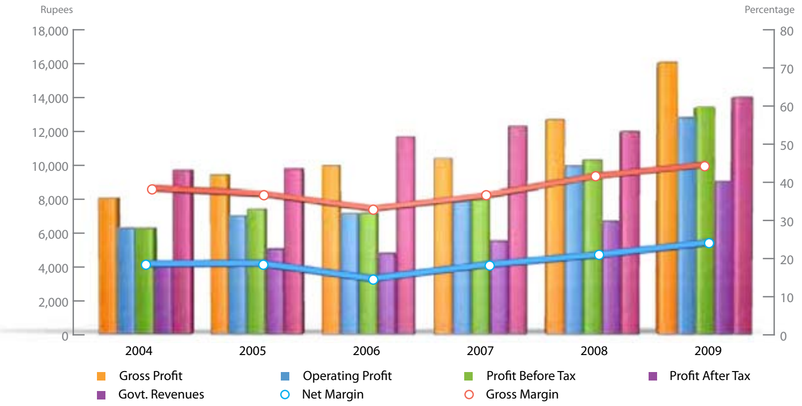
Finance cost was higher by 36% compared to last year mainly due to higher level of short term financing to meet working capital requirements and long term loans to finance Company's capital expenditure plans.

Investment income showed an increase of 53% due to higher available funds & returns, while dividend income registered an increase of 156% compared to last year yielding net contribution margin of 26% towards EPS and net of tax profit, which witnessed 35% increase for the year compared to 2008.

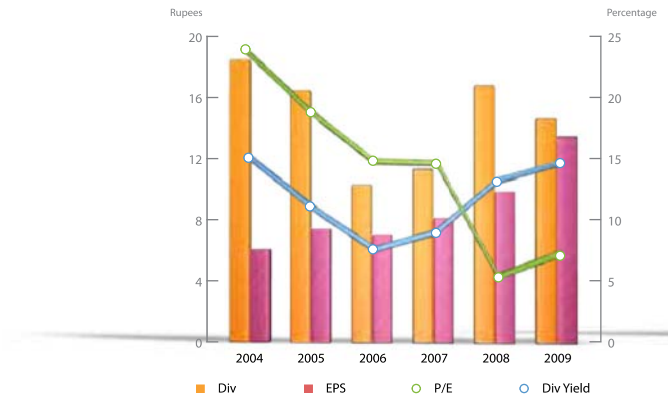
Dividend, Payout & Dividend Cover Ratio



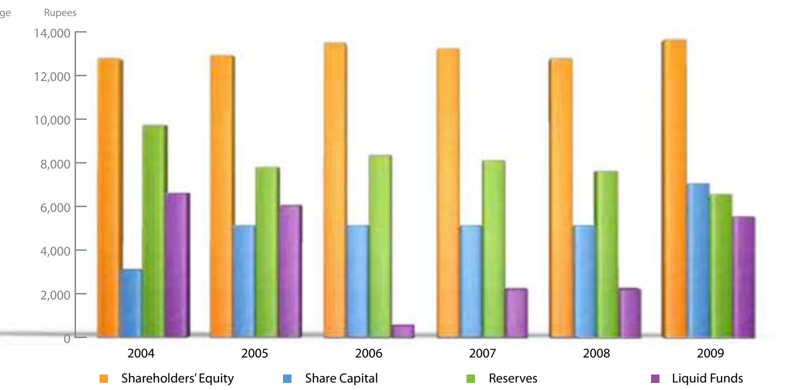
Profit, Margins & Govt. Revenues



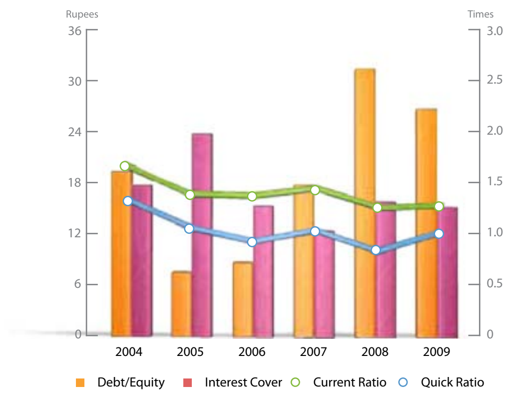
Dividend and Earnings



Equity / Liquid Funds



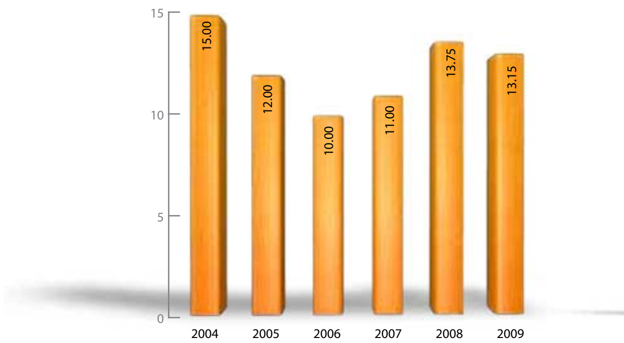
Leverage & Liquidity Ratios



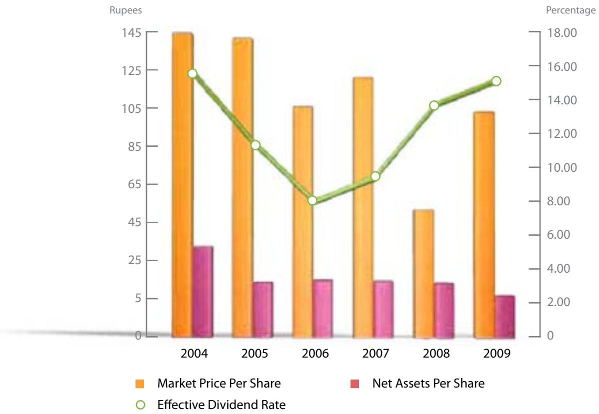
Key Sensitivities		*Impact on*	
		NPAT	*EPS*
		(Rs Million)	*(Rs)*
Sales Volume	±1%	113	0.17
Gas Consumption	±1%	67	0.10
Sales Price	±1%	200	0.29
Downtime	±2days	63	0.09
Dividend Income	±5%	203	0.30
Exchange Variation	±5%	65	0.10

Authorized share capital of the Company increased to Rs 10 billion, whereas, issued capital stands increased by Rs 1.8 billion due to issuance of bonus shares. Company registered record return on equity of 67% during the year as compared to 53% for 2008.

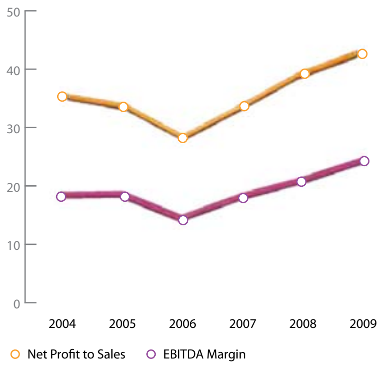
Dividend Per Share
(Rupees)



Market Price, Net Assets & Effective Dividend Rate



Net Profit & EBITDA Margin
(Percentage)



Appropriation of Company's profit

	Rupees "000"
Un-appropriated profit brought forward	1,373,592
Transfer from general reserve	250,000
	1,623,592
Final dividend 2008 @ 32.5%	(1,603,791)
	19,801
Net profit after taxation	8,823,106
Total available for appropriation	8,842,907
Appropriation	
Dividend on ordinary shares	
First interim 2009 @ 43%	2,652,424
Second interim 2009 @ 26%	1,764,171
Third interim 2009 @ 30%	2,035,582
	6,452,177
Unappropriated profit carried forward	**2,390,730**

For 2009, an amount of Rs 6.452 billion has been appropriated in respect of first, second and third interim dividends (95% based on enhanced capital after issue of bonus shares).

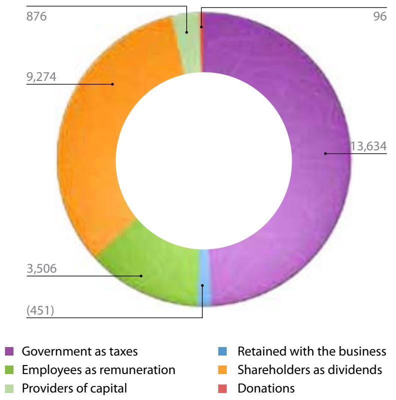
Post Balance Sheet Event

In view of the good performance, the Board is pleased to recommend a final cash dividend of Rs 3.25 per share (32.5%) in respect of the financial year ended December 31, 2009, over and above the three interim dividends paid during the year, subject to the approval of the shareholders in the Annual General Meeting scheduled for February 24, 2010.

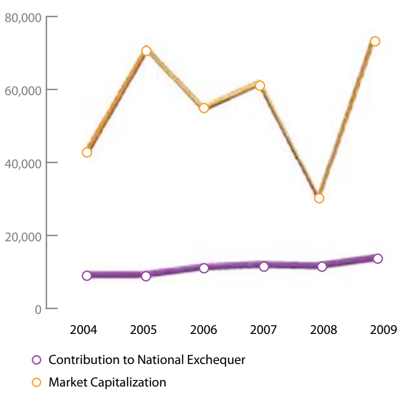
We are playing our part in the supply of food for Pakistan...

yesterday, today and tomorrow

Value Addition & Distribution
(Rupees in million)



Market Capitalization & Contribution to National Exchequer
(000' Rupees)



Contribution to the National Exchequer and Economy

The Company contributed an amount of Rs 13.6 billion by way of taxes, levies, excise duty, sales tax and gas surcharge in 2009 with aggregate contribution of Rs 120 billion to-date since inception.

Value addition in terms of foreign exchange savings worked out to US$ 679 million through import substitution by manufacturing 2,464 thousand tonnes of urea during 2009. Contribution to the economy included Rs 876 million on account of payments to providers of capital, Rs 9,274 million in the shape of shareholders' returns through cash dividends including Rs 617 million through bonus issue, while employees' remuneration and benefits stood at Rs 3,506 million.

Treasury Management

The Company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis. Repayments of all long term and short term loans due in 2010 and/or onwards have been accounted for. Working capital requirements have been planned to be financed through internal cash generations and short term borrowings from external sources where necessary.

The investment portfolio of the Company is fairly diversified, ranging from equity participation in FFBL, PMP, FCCL and investment in Government bonds and mutual funds. These investments are aimed at tapping the positive developments in the financial and industrial sectors. Investment of surplus funds along with strategic placements are made after thorough financial evaluation. The Board is satisfied that there are no short or long term financial constraints including accessibility to credit backed by FFC's debt discharging history and a strong balance sheet.

Risk mitigation

Credit Risk

All financial assets of the Company, except cash in hand, are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. Exposure is managed through application of credit limits to its customers secured by bank guarantees and diversification of investment portfolio placed with 'A' ranked banks and financial institutions.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines.

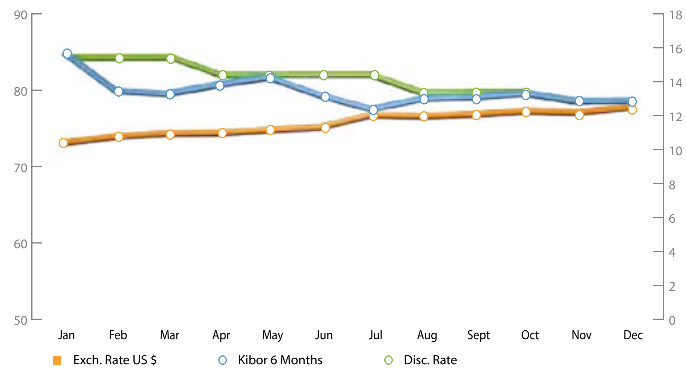
Interest Rate Risk

Variable rate long term financing is hedged against interest rate risk by holding "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates.

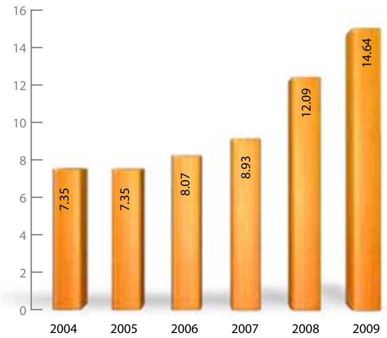
Foreign Exchange Risk

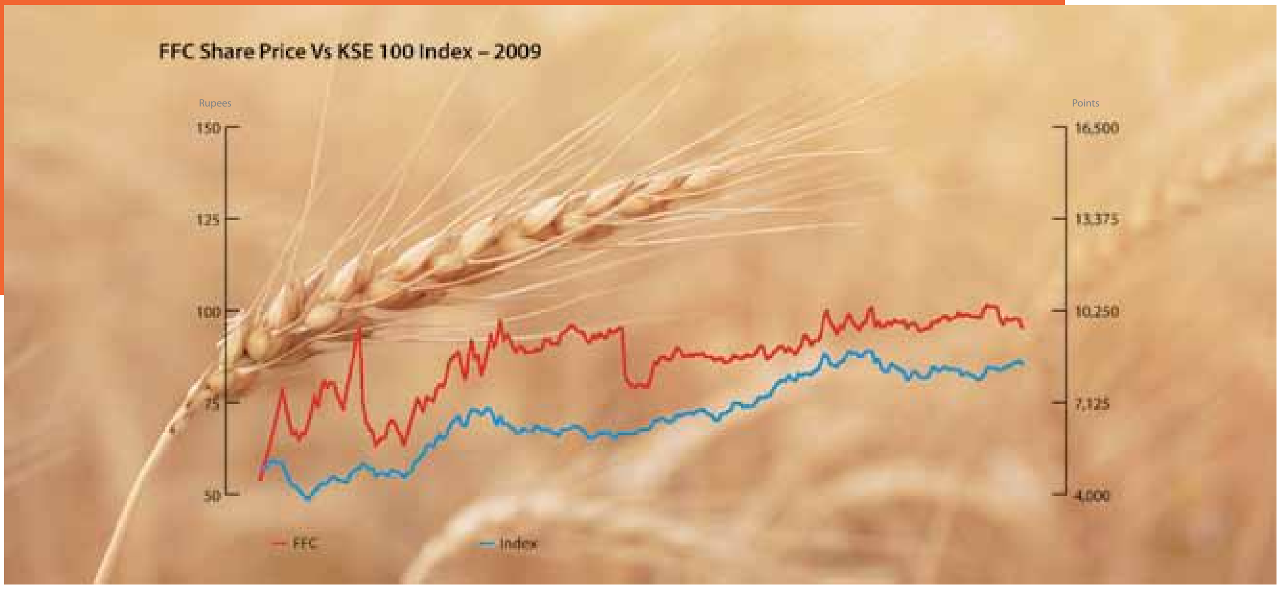
Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Company's foreign exchange risk exposure is restricted to foreign currency investments and bank balances. As foreign currency assets are denominated in US Dollar and carry interest, the Company's exposure emanating from any fluctuations in the Pak Rupee/ US Dollar parity gets adjusted against the change in interest rates to a certain extent.

KIBOR 6 Months, Discount & Exchange (US $) Rates – 2009

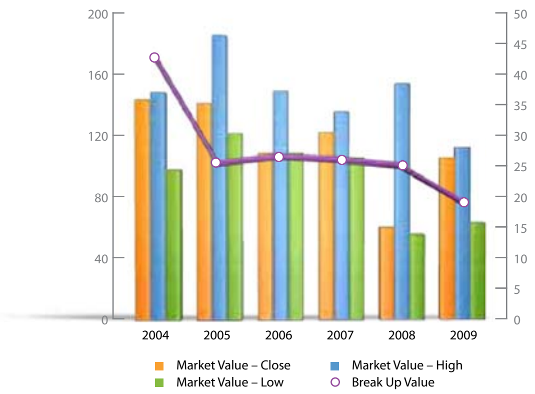


Weighted Average Cost of Debt
(Percentage)





Market & Break up Values
(Rupees)



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. 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.

Shareholders' Value

The Company continued to play a progressive role in the fertilizer Industry. The market capitalization of Company stock was recorded at Rs 70 billion at the close of the year.

FFC shares were subjected to a wide range of trading from a high of Rs 109.20 per share to a low of Rs 61.66 per share, closing the year at Rs 102.93 per share. There were 11,527 holders of the Company's equity stock at the close of 2009. Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 86% of the total share capital, of which 5% were held by foreign shareholders. A total of 517 million Company shares were traded on the stock markets during the year and the free float stood at 14%. The detailed Pattern of Shareholding, as required under the listing regulations, has been appended to the Annual Report.

Excellence Awards

FFC's Annual Report 2008 was once again adjudged the best in the Chemicals and Fertilizers Sector by the joint committee of the Institute of Chartered Accountants of Pakistan and Institute of Cost & Management Accountants of Pakistan. This competition is held annually based on annual reports of all listed companies.

Consolidated Operations & Segmental Review

The consolidated sales revenue of the Group for 2009 improved to Rs 73 billion representing an increase of 27% over last year and resulted in enhanced gross and after tax profits of Rs 25 billion and Rs 11 billion respectively, attributable to record operational results of both FFC & FFBL.

Fauji Fertilizer Bin Qasim Limited (FFBL)

Our investment in FFBL resulted in highest ever return of 40% during the year, higher by 24% over the return last year. FFBL enjoyed robust growth in profits and its performance is well in line with the Company's aggressive plans for the future.

FFBL produced 627 thousand tonnes of Sona urea granular, 6% less than last year. Production of Sona DAP at 540 thousand tonnes was 15% higher than production last year.

Pakistan Maroc Phosphore S.A, (PMP) - Morocco

PMP is a phosphoric acid producing company and a Joint Venture between OCP and Fauji Group. FFC has equity participation of Rs 706 million (12.5%) in PMP.

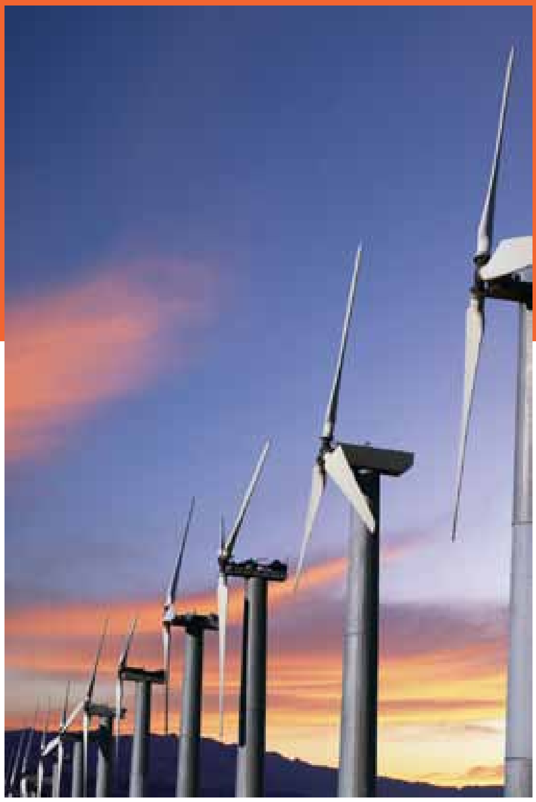
Commercial production commenced last year and FFC received first ever dividend of Rs 43 million in 2009. Production of phosphoric acid will ensure un-interrupted supply of raw material for FFBL's DAP production. Long-term raw material supply to FFBL is, thus, guaranteed in an extremely turbulent international market.

Fauji Cement Company Limited (FCCL)

FFC invested Rs 1.5 billion (12.63% equity participation) in FCCL, an associated company. FCCL's cement plant is one of the most efficient and best maintained plants in the Country and has an annual production capacity of 1.165 million tonnes.

The company earned net profit after tax of Rs 148 million for the first quarter ended September 30, 2009 compared to Rs 220 million for the same period. The decrease is attributed to reduction in cement prices.

In order to enhance margins and growth in market share, FCCL is in the process of installing a new production line with an installed capacity of 7,200 tonnes clinker per day in parallel with the existing line. New captive power plant of 16.3 MW capacity has been commissioned.



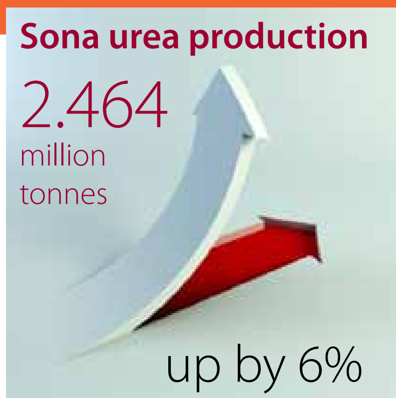
FFC Energy Limited (FFCEL)

FFCEL, a separate wholly owned company, has been incorporated in November 2009 to develop the wind power project with estimated investment of US$ 130 million. This project is being installed at Jhimpir, Distt. Thatta, Sindh with capacity to produce 50 MW electricity for onward supply to National Transmission & Dispatch Company (NTDC) to cater for energy needs of the Country.

Engineering, Procurement & Commissioning contract has been negotiated and initialed with the selected bidder Nordex, Germany and Operation & Maintenance contract is under negotiation. The Energy Purchase Agreement and Implementation Agreement have been negotiated with NTDC and Alternate Energy Development Board respectively. Applications for generation license and tariff petition are under preparation. Final Term Sheet for financing of the project has been received from consortium of local banks for review and acceptance. The financial close is expected to be achieved by June 2010 while the construction, testing and commissioning phase is projected to take 16 months after the financial close. The project is scheduled to commence commercial production by end of 2011.

Mr Tahir Javed
General Manager - Manufacturing & Operations

Production Excellence



FFC's Plants have shown a solid production increase over the years driven by continuous production enhancements with focus on fixed cost reduction, improving our competitiveness, yielding higher returns for the shareholders.

Sustained and quality output is a result of our commitment towards operational efficiency of manufacturing facilities.

Energy conservation has been one of our key areas of focus, to not only increase profitability in view of increasing gas prices but keeping in view the ever growing domestic demand for natural gas and power coupled with the challenge of increasing productivity to meet the demand of a growing population.

Plants' Performance

In aggregate, our manufacturing facilities produced 2.464 million tonnes of urea at 120% of combined annual designed capacity of 2.048 million tonnes (based on 330 days of operations) against 2.322 million tonnes produced last year. This was the highest ever through harmonized efforts and commitment of a dedicated work force. We are determined to continue our focus on increasing efficiency and maintaining the Company's position as one of the leading urea fertilizer manufacturers in the Country.

Consistent improvement in the energy efficiencies of our Plants was achieved with reduction in overall specific natural gas consumption by 1.5%-2.0%, which is equivalent to approximately 04 MMSCFD natural gas savings. The investments made to achieve these results indicate our commitment to save energy for the Nation's benefit in true professional spirit.

Plants I & II, Goth Machhi

In 2009, Plant I at Goth Machhi underwent turnaround maintenance and produced 807 thousand tonnes of urea at 116% of nameplate capacity (695 thousand tonnes) as against 841 thousand tonnes produced last year.

Plant II at Goth Machhi produced 847 thousand tonnes at 133% of designed capacity (635 thousand tonnes), the highest ever, as against 797 thousand tonnes produced last year with turnaround.

Balancing, Modernization and Replacement

Natural Gas Compression Facilities

Continuous decline in the natural gas pressure from the wellhead at Mari Gas Field has been hampering capacity. Further decline in years to come could seriously affect urea production. A grass root compression facility, comprising three compressor-engine sets, were installed close to the gas field to sustain production levels. Boost to the plant capacity factor was achieved after recent commissioning of the units.

Ammonia Synthesis Converter, R 501 Basket & Catalyst Replacement

New three-beds basket along with fresh catalyst was installed in the ammonia converter during turnaround-2009, replacing the two-beds basket installed in 1991. The three-beds basket provides better conversion resulting in more production and energy conservation.

Primary Reformer, F 201 Tubes & Catalyst Replacement

Old reformer tubes served for a record life of 27 years against design life of 11 years due to excellent operational control and vigilant monitoring. New tubes of advanced metallurgy were also installed in turnaround 2009, with more catalyst providing energy efficiency, margin for high load and increased reliability.

Plant Control & Information Management System (PCIMS)

PCIMS project, for modernization of instrumentation and control system at Plant I, was successfully commissioned, with shifting of ammonia plant control system on the new DCS. Obsolete relay-based emergency shutdown system of 70s vintage was also replaced with new state of art software based system. These new systems will improve hardware reliability and plant operation. Existing old power distribution cabinets were replaced with new cabinets of smart technology. Installation and commissioning of this new system was professionally handled by FFC team after months of preparation.

Turnaround 2009

Safety objective was successfully accomplished in the maintenance turnaround 2009 of Plant I. This turnaround was the most challenging compared to all previous turnarounds in FFC's history with respect to the quantum of jobs undertaken and their criticality. A total of 1,770 jobs including Primary Reformer F-201 tubes and catalyst, Ammonia Converter R-501 basket replacement, Gas Turbine TG-701 major overhauling and up-gradation of number of heat exchangers were successfully executed.

Turnaround was successfully completed in 391 hours; well ahead of the planned 416 hours. No major problem was observed during detailed inspection of equipment and machines, reflecting excellent operation and maintenance. All objectives of the turnaround were effectively achieved. After the turnaround, production increased by 6 percent along with energy index improvement by 7 percent due to the modifications undertaken.

Other major jobs handled during the turnaround include the following:

- New Internals for Ammonia Separator V-501
- Additional Trays and Relining of Urea Reactor R-101
- Up-gradation of Steam Generation Coil E-205C
- Replacement of Synthesis Cooler E-503
- Re-certification of Integrated Management Systems

FFC Group produced the highest ever 3.09 million tonnes accounting for 61 % of total urea produced in the Country

Plant III, Mirpur Mathelo

Plant III at Mirpur Mathelo produced 810 thousand tonnes at 113% of designed capacity (718 thousand tonnes), the highest ever, as against 684 thousand tonnes produced last year. Capacity and energy efficiency improved due to successful execution of DBN project.

Balancing, Modernization and Replacement

Low Temperature Shift Converter (LTSC)

LTSC performance deterioration called for catalyst replacement. Techno-economic modeling favored the

FFC produced the highest ever 2.464 million tonnes accounting for 48% of the total urea produced in the Country

alternative option of catalyst skimming / top-up over complete replacement. Skimming / top-up activity of reduced LTSC catalyst was carried out for the first time. The job was safely completed under Immediate Danger to Health & Life (IDHL) conditions in 2.7 days against planned time of 6 days.

Sewage Water Treatment Plant

This segment of the Plant was successfully commissioned. Sewage water is now being treated before disposal in canal, fulfilling NEQS compliance. Total cost incurred on the project was Rs 12 Million.

Utilities Cooling Tower Fans Revamp

Revamp was completed successfully in May, 2009. Cooling tower fans were replaced with high flow rate, state of the art fans and successful execution of the project enabled the Plant to overcome load limitation during Summer.

Screens

New screens at Bagging & Shipping for reclaiming product have been successfully installed. New screens are giving satisfactory results in terms of capacity as well as fines removal. 15 tonnes / hr reclaimed urea from bulk store having 10-35% fines were handled by the new screens with outlet product containing only 1% fines indicating its excellent performance. This will significantly improve the product image in the market.

After successful commissioning of new high efficiency screens for reclaimed urea, Partial Fresh Feed Screening was conceptualized. This modification would enable the Plant to extract the maximum advantage of new screens.

Additional Power Project

Implementation of the project is proceeding as per plan. LOI has been issued to gas turbine vendor, Turbomach of Switzerland. Equipment Supply Agreement signing and issuance of Purchase Order is underway. Techno-commercial negotiations for all major items including boiler and electric switch gear have been concluded. Carbon credit proposals are under review for commercial negotiations.

Extensive Marketing

Mr Asad Sultan Chaudhry
General Manager Marketing

Providing quality products and agronomical assistance to the farming community ensures growth in agricultural yield and solutions for growing appetites.

Through our network of dealers and warehouses, we ensure timely delivery of our product across the Country.

Higher crop yields are essential but it is not enough to just grow more. Higher quality is also important to maximize the value of crops.

We work closely with farmers and our distributors to share best practices in crop management to increase yields and reduce the risk of crop failure through balanced application of fertilizers.

Business Environment

The world economic situation has been improving since the second quarter of 2009 with global equity markets rebounding and falling risk premiums on lending. Ironically, the duration and intensity of the global economic crisis are difficult to predict. This, however, does not alter the underlying fundamentals that drive long term growth in demand for fertilizers. With the national population now in excess of 160 million, growing by over 2% annually, sustained and improved crop yield, together with balanced and proper fertilization are imperative. More fertilizer is needed to produce more food to support this growing population. Successive record crop production in past years did not significantly improve self sufficiency in the agriculture sector and the stocks-to-use ratio is declining, resulting in food shortage in the Country.

As a market leader in the fertilizer business, we understand that there is less land per person and with the population growing alarmingly there would be more people to be fed, hence the demand for more food and more protein.

FFC... because Pakistan wants more

The inevitable long term solution for growing appetites, thus, is the need to produce enough food, with improved nutrients, to sustain a hungry and increasingly crowded Country.

The demand for natural resources is increasing, while availability is decreasing. The underlying factors entailing efficient resource allocation are population growth, demand for food, climate change, and energy use.

For several years now, our Country has been driven by a fundamental shift in the rate of urbanization. In the current environment, the payback on appropriate and balanced application of fertilizers continues to be attractive for the farmers. If they do not plant sufficient acreage or do not apply enough fertilizer – even for a single season – the impact on national food supply could be severe. This challenge underscores the importance of enhancing yields and capitalizing on the opportunity for strong returns.

The agriculture sector depicted a growth of 4.7% as compared to 1.1% witnessed last year and contributes approximately 22 percent to the GDP of the Country, thus, emphasizing the importance of efficient allocation and utilization of scarce resources. About 25% of Pakistan's total land area is under cultivation and is watered by one of the largest irrigation systems in the world. This sector is the single largest sphere of Pakistan's economy and an overwhelming majority of the population depends directly or indirectly on the income streams generated by it. Consequentially, usage of fertilizer is of critical importance to the better utilization of arable land and water to increase crop yields.

Fertilizer business is tied to the Country's need for food - and when producing food, time is of essence. Crops must be planted, fertilized and harvested. Fertilizer demand in Pakistan has increased substantially compared to last year; urea in particular has witnessed 12% year on year growth during the year ended 2009.

Urea demand is expected to remain buoyant on the back of improved farmer economics and seed varieties. The off-take is forecast to remain above industry capacity even after upcoming expansions due by mid 2010.

The manufacturing costs pertaining to fertilizer industry were impacted by inflationary factors combined with escalations in the prices of feed & fuel gas.

Marketing

Year 2009 was the period of recovery for agriculture & fertilizer, specially for prices of finished fertilizers and raw materials in the international market. The prices of urea & DAP dropped in the international market in 2009 and were below the five years averages. Commodity prices are also back to normal levels as compared to the very high levels seen in 2008. Although prices of DAP and urea declined throughout 2009, but towards the end of the year DAP prices started to increase and this trend may continue as the supply side is presently weaker than demand. There is a considerable demand of DAP in US, India, Pakistan, South Asia and European markets and it seems set to increase further.

Urea demand in the local market remained high during 2009 and registered a growth of around 18% over 2008. This growth trend is attributable to increased urea availability as compared to last year. Substantially large quantity of 1,560 kt urea was imported in the Country during 2009 which was the highest ever. Industry urea production of 5,048 kt and sales of 6,446 kt during 2009 were also the highest ever. All time high industry DAP sales of 1,767 kt in the domestic market during 2009 registered a growth of 128%. High DAP sales were mainly because of low domestic prices in 2009, better availability, application of DAP in lower quantities during 2008, better crop yields and anticipation of DAP price increase in the domestic market due to price recovery in the international market. DAP production during the period was 540 kt and DAP imports were 981 kt.

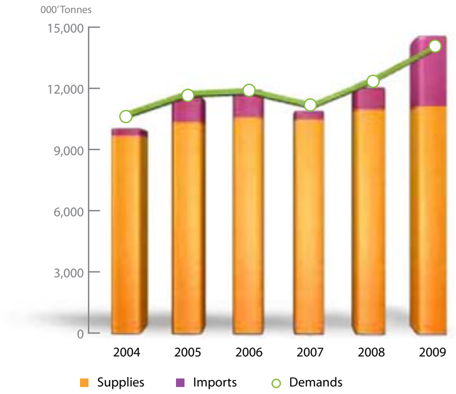
By the grace of Almighty Allah, 2009 was a very successful year for the Company. We sold 2.464 million tonnes of urea, the highest ever, against 2.342 million tonnes last year,

an improvement of 5%. Sales of imported fertilizers were, however, lower than last year but we ended the year by selling 2.505 million tonnes of FFC's fertilizers exceeding last year's performance by 2%. The Company also sold 627 thousand tonnes of FFBL's Sona urea granular and 709 thousand tonnes of Sona DAP. Combined urea sales of 3.091 million tonnes were the highest ever. In aggregate, the Company sold 3.841 million tonnes of fertilizers during 2009, including FFBL's products as against 3.453 million tonnes sold last year.

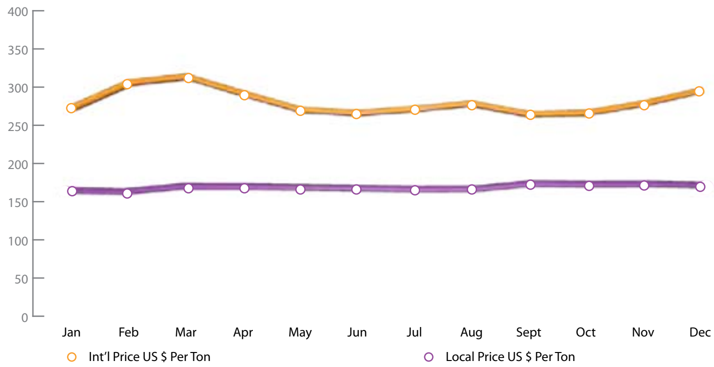
A notice has been served by the Competition Commission of Pakistan to the Fertilizer Industry, including FFC, with the accusation of tying in sales of DAP with urea. FFC has strongly denied the charge and is hopeful of a positive outcome.

Owing to continuous improvement in performance, the Company is well positioned to play its role in the development of the Country. Financial and technical strengths give us considerable flexibility to explore new avenues and endurance to remain industry leader.

Industry Urea Market
(Supplies Vs Demand)



International Vs Local Urea Prices 2009



Mr Saulat Hussain
General Manager Human Resources

People
Our Future

Our people are our voice and our identity; they are our future.

Great assets need great people. Talented and motivated people are our most precious resource. They form the fundamental platform of our strategic drivers and are essential to our success.

We are committed to open, honest and productive relationships, providing a healthy and safe workplace, and to assisting our people in their personal development.

Our Team

Highly motivated, competent and talented engineers & technicians ensure efficient production and technological advancement. A proactive marketing team ensures prompt delivery of our products across the Country to our customers and agronomic assistance to farmers. A qualified finance team is entrusted with planning, control and efficient management of Company's finances. An experienced administrative set up provides valuable support services.

The Company focuses on enhancing management and leadership skills in addition to awareness of advancements in the technological and commercial environment through seminars and training in-house and abroad. The Company encourages an enthusiastic and spirited work culture and we work in an environment of mutual respect and commitment. FFC team members are aware of their corporate and social responsibilities through our framework of ethics and values, to promote FFC's reputation as a model corporate citizen.

Compensation to our Employees

Our compensation policies are designed to achieve our objectives of attracting and retaining high-class talent that drives our business forward and maximizes return for our shareholders. Our underlying principle is "pay for performance".

Retirement Benefit Plans

Company Retirement Benefit Plans including gratuity, pension and provident funds were valued at Rs 3,022 million, registering a decline of Rs 227 million over last year. The valuation is based on actuarial reports, assumptions and funding recommendations.


We only worry about **being better,** big we get naturally
Comfo
Classic

Corporate **Social** Responsibility

Corporate Social Responsibility (CSR) is a form of corporate self-regulation integrated into our business model. We are committed to responsible business practices. We conduct business in a manner that balances meaningful contributions to society with economic well being while minimizing environmental impact. We are mindful of the impact on consumers, employees, communities, stakeholders and all members of the public sphere. We include public interest into our corporate decision making, recognizing the existence of broader corporate responsibilities as vital to our business success.

Our business makes a positive contribution to society by helping agriculture tackle important domestic challenges. By developing quality products and working with farmers to ensure they are used appropriately, we are contributing to agricultural growth. This means our business, CSR goals and strategies are aligned and fundamentally interlinked. We consider suppliers as our partners and work with them to help us achieve our policy aspirations in the delivery of our products and services. We provide our customers with services hallmarked by integrity, quality and care.

CSR - Fundamental Elements

How we behave	Stakeholders Engagement	Environment Stewardship	CSR Reporting
	Establish relationship with communities, groups and organization to solicit their input and involvement on critical issues	Operate in a safe and responsible manner to reduce the impact of operations on the environment.	Document social responsibility efforts and report on non-financial performance regularly as a means of measuring progress and advancing stakeholder dialogue.
How we invest in	**Community Development**	**Capacity Building**	**Education & Training**
	invest in sustainable programs to improve quality of life in communities in which we live and operate.	Establish mechanisms that allow communities or governments to develop and sustain themselves through their own human capital	Provide programme and learning opportunities to develop skilled, competitive workforces
What we influence/promote	**Human Rights**	**Rule of Law**	**Transparency**
	Respect and protect fundamental human and working rights	Respect local laws and promote the principles of justice, fairness and equality wherever we operate.	Promote openness in all business dealings

Our CSR Policy

As a responsible corporate citizen, we aim to act in a socially responsible manner to integrate health, safety, sustainable social and environmental concerns and economic benefits into our business operations. By interaction with all the stakeholders on a voluntary basis, adherence to law, ethical standards, international norms, we proactively promote the public interest and encourage community growth & development

Contribution to Society

Education

FFC has an active schools adoption program, whereby, educational institutions in the vicinity of Goth Machhi and Mirpur Mathelo are rehabilitated. The salaries of teachers at Goth Machhi Village/ Primary schools are being paid by the Company. Sona Welfare School was built in Mirpur Mathelo and is being run by FFC. Stipends and scholarships are awarded to deserving children of Company employees and farmers. The Company is also making annual contributions to Foundation University in Rawalpindi.

Medical Care

Construction of the new building of Hazrat Bilal Trust Hospital in Goth Machhi has been completed with the financial support of FFC and medical facilities are being provided to the surrounding community.

Sona Welfare Hospital in Mirpur Mathelo was constructed by FFC and is being operated to provide quality healthcare to the community adjacent to the Plant.

In the past, funding was provided by the Company to set up a state of the art Coronary Care Unit at District Hospital, Ghotki which is being run by District Administration.

Free camps were organized in surrounding villages of Mirpur Mathelo under supervision of specialist doctors from Sukkur and Rahim Yar Khan to provide medical treatment.

Sports

In 2009, the Company sponsored a number of sporting events held locally. At the national level, the following events were sponsored:

- Benazir Bhutto Shaheed All Pakistan Football Tournament in Kot Samaba
- 3rd Annual Defence of Pakistan Handball Mela 2009 in Rahim Yar Khan
- All Pakistan Sona Cup Volleyball Tournament in Ahmedpur Lamma

Other Contributions

In 2009, the Company contributed Rs 96 million towards welfare and social activities directly or through institutions and societies. This included contribution of Rs 70 million by the Company to the Internally Displaced Persons' fund for rehabilitation of people of Swat. Company employees also made significant contributions to this fund.

Our Technical Training Center continued to extend customized training services to other companies. Groups from KAFCO Bangladesh, OMV Pakistan, BHP Petroleum Ltd. & Engro Chemicals were trained. In addition, several new courses on management and technical skill improvement were introduced.

Health, Safety and Environment

In respect of the environment, we take full account of the impacts we have in the management of our operations - from research and development to manufacture, use and disposal. In response to the global issue of climate change, we are investing in low emission technology projects for energy generation like the wind farm being set up in Jhimpir, Distt. Thatta, Sindh and the state of the art power generation unit being set up in Mirpur Mathelo.

Strict monitoring of plant effluents is done on continuous basis to control their disposal within National Environmental Quality Standards (NEQS) limits. Goth Machhi voluntarily started reporting plant effluents analysis to Environmental Protection Agency Pakistan (EPA) through Self-Monitoring and Reporting Tool (SMART) program in 2002, long before there was any obligation from regulatory authorities.

Personnel and equipment safety has primacy over all business requirements and we remain dedicated to maintaining the highest standards of safety. Safety audits based on DuPont approach and OSHA standards are being regularly conducted.

As of December 31, 2009, 12.7 safe million man-hours were completed in Goth Machhi. The Plant also qualified for the prestigious "Industrial Leadership Award" from National Safety Council, USA after achieving 5 years of safe operation without lost work injury since November 16, 2004.

In Mirpur Mathelo, 7.45 million man-hours of safe operations were achieved as of December 31, 2009. Annual safety activities week was observed in January where safety equipment exhibition and fire fighting competitions were major events.

FFC has extended its Safety Health and Environment (SHE) program beyond Plant limits by starting an intensive off-the-job SHE program in the township for the families of employees. Regular issue of circulars on health, traffic and home safety has improved awareness among all residents. Safety talks at schools help to inculcate safety consciousness in the minds of children.

Brig Khalid Kibriya (Retired)
Company Secretary

At FFC, we are committed to the highest levels of governance and strive to promote a culture that values adherence to ethical standards, integrity and respect for all.

We believe that there is a nexus between governance and creation of shareholder value. Good governance does not relate only to the Board, the culture must be fostered throughout the organization.

Corporate Governance

Transparency of information for shareholders and investors is a prime consideration. This means accuracy and reliability of financial and other reporting framework, effective internal control principles including risk management, planning and monitoring of Company operations and performance under direct and indirect supervision through delegated authorities.

In conformity with the Code of Corporate Governance of Pakistan, the Company has developed and framed "Core Values", "Standard of Conduct for Directors and Employees" and "Policy Statement of Ethics and Business Practices". These standards are reviewed annually and revised to ensure contemporary relevance and are applicable to all those forming part of the Company.

Best Corporate Practices

All periodic financial statements of the Company and consolidated financial statements of FFC & FFBL were circulated to the Directors duly endorsed by the Chief Executive and the Chief Financial Officer for approval before publication. Quarterly un-audited financial statements along with Directors' Reviews were published and circulated to the shareholders and regulators within one month. Half yearly financial statements reviewed by the Auditors were circulated within two months of the end of the period.

Annual financial statements including consolidated financial statements, Directors' Report in addition to Auditors' Reports and other statutory statements and information are being circulated for consideration and approval by the shareholders within two months from the close of the financial year.

These statements have also been made available on the Company website and all important information, including distributions to shareholders, considered sensitive for share price fluctuation, were transmitted to stakeholders and regulators immediately.

Structure of BoD

The Company encourages effective representation of all stakeholders including minority interests. The Board members review and monitor Company's performance and report the facts to retain shareholders' confidence.

The Board comprises thirteen Directors including the Chairman and the Chief Executive and three independent non-executive Directors representing equity interest by financial institutions. Interests of the general public and the Government are represented by one non-executive Director each. These Directors have been nominated through resolutions of Boards of respective institutions. Seven non-executive Directors including the Chairman represent the sponsoring entity Fauji Foundation, in addition to the Chief Executive who is the only executive member on the Board.

Responsibilities of the BoD

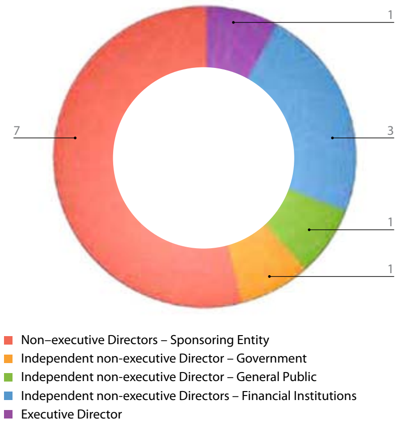
The Board acknowledges the significance of efficient discharge of duties imposed by corporate law and stands firmly committed in its objective to add value through effective participation and contribution towards achievement of Company's business objectives.

The Board further recognizes its responsibilities for protection and efficient utilization of Company assets for legitimate business objectives and compliance with laws & regulations at all Company levels.

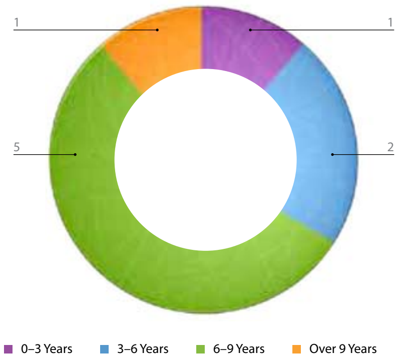
A formal schedule of responsibilities has been specifically ordained for the Board by virtue of provisions of the Articles of Association of the Company, the Companies Ordinance 1984, the Code of Corporate Governance and other applicable regulations.

The Board has devised formal policies related to procurement of goods and services, marketing, terms of credit and discount, acquisition and disposal of fixed assets, write-off of inventories, bad debts, loans and advances, investments and disinvestments of funds with maturity period exceeding six months, borrowings, donations, charities, delegation of financial powers, transactions with related parties, loans and advances, human resource management including succession planning, performance evaluation of Management, health, safety and environment, etc.

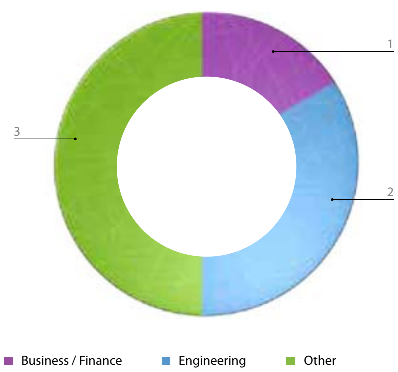
Composition of Executive and Non-executive Directors



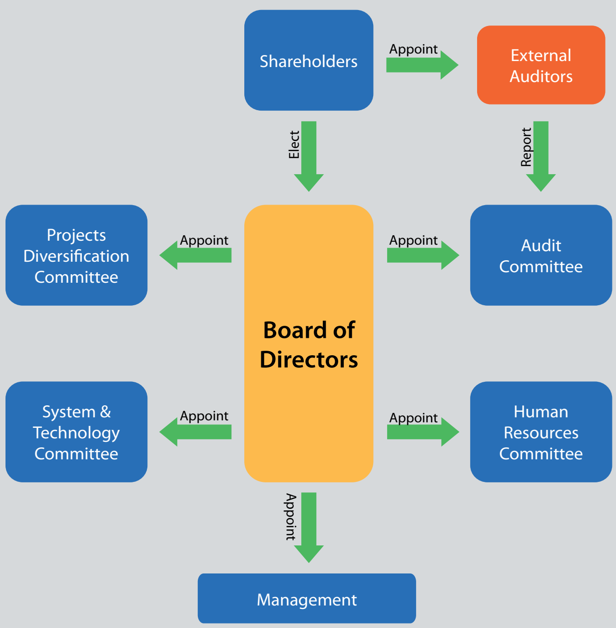
Directors' Tenure



Directors' Qualification



Governance Structure



As part of its duties, the Board undertakes reviews and approval of financial results before publication, review of minutes of Board Committee meetings, status and implications of any law suit or proceedings of material nature, ensures protection of environment and monitors joint venture activities.

The Board further carries out reviews of agreements with distributors, agents, minutes of Board meetings of the subsidiary company, ensures remittance of dividends, prompt share transfers, resolves disputes with labour through agreements with the Collective Bargaining Agent and keeps abreast of promulgation or amendment of laws, rules or regulations.

Training of BoD

Based on the requirements of Code of Corporate Governance, the Board carries out orientation for its Directors to acquaint them with their duties and responsibilities and enable them to better manage the affairs of the Company on behalf of shareholders.

Training of the Board regarding duties and responsibilities, structures of the Board/ Management committees, their relationship with each other and the ethics and compliance framework of the Company is undertaken on regular basis through an effective Orientation Program.

The orientation was viewed positively by the Directors who concluded that, following this orientation, the Board and its committees operate effectively and that each Director is contributing effectively and demonstrates commitment to the role.

Board performance

The Board has implemented a self-assessment exercise, covering key functions under the following activities, to gauge the performance of the Board and carries out the evaluation annually:

- Discharge of statutory/ regulatory duties and Board responsibilities
- Corporate Governance and Risk Management monitoring
- Seeking and contributing views and opinions on strategic decision making
- The skills and expertise of individual Board members
- Retention and motivation of employees
- Employees succession plan

The Board reviews activities related to management of the business. Non-Audit Committee Board members assess the performance of the Audit Committee.

Meetings of BoD

The Board held five meetings during the year. The Chairman ensured that minutes of meetings were appropriately recorded and circulated within 30 days thereof. Resolutions-in-Circulation were obtained for urgent matters, ratified through resolutions in subsequent meetings.

The quorum for meetings stipulated by the Articles of Association provides for not less than one-third of their number or four Directors, whichever is higher. The Directors did not have any interest in contracts involving the Company.

The CFO and the Company Secretary attended the meetings of the Board in the capacity of non Directors without voting entitlements as required by the Code of Corporate Governance.

Appointment of Directors

All the Directors are appointed for a term of three years on completion of which they are eligible for re-election under the Articles of Association of the Company through a formal election process. Consent to act as Director is obtained from each Director prior to election and the minority shareholders are encouraged to nominate their representative. No Director is a member of any stock exchange or engaged in the business of stock brokerage. They are not involved in external audit or have had no relationship with the external auditors of the Company during the preceding two years.

The members do not share any relationship other than that of fellow colleagues on the Board. Remuneration of the Board, including the Chief Executive, is disclosed in Note 35 to the Financial Statements, which has been determined under provisions of the Articles of Association of the Company. Election of Directors was held on September 3, 2009 and out of thirteen Directors, the twelve retiring Directors were re-elected unopposed whose term of office will expire on September 15, 2012.

Change in the Board of Directors

The Board places on record its appreciation for the valuable contributions made by the outgoing Directors, Dr Haldor Topsoe, Lt Gen Munir Hafiez, HI (M) (Retired), Mr Amir Tariq Zaman Khan, Mr Mohsin Raza and Mrs Shaista Sohail towards progress of the Company. Dr Haldor Topsoe was amongst the Founding Members and holds the distinction of longest stay on the Board of FFC. The causal vacancies which occurred during the year were filled within thirty days.
The Board also welcomes Lt Gen Malik Arif Hayat, HI (M) (Retired), CE & MD of FFC, Mr Jorgen Madsen, of Haldor Topsoe and Mr Khizar Hayat Khan, new Directors elected / nominated during the year. The Company looks forward to the new Directors' valuable guidance and contribution.

Board Committee

Audit Committee

Terms of reference of the Audit Committee have been drawn up by the Board in compliance with listing regulations and the Board acts in accordance with the recommendations of the Committee on matters forming part of Committee responsibilities.

The Committee conducted the following business during the year, in addition to ensuring compliance with the Code of Corporate Governance:

- Review of matters relating to the Company's annual business plans, cash flow projections, long term plans, capital & revenue budgets along with variance analyses, financial reporting including review of quarterly, half-yearly and annual financial statements, monitoring compliance with applicable accounting standards and review of financial and non-financial publications.
- The scope of the internal audit function, including powers and responsibilities forming part of its charter. Ensuring accessibility of the Committee and its Chairman to the Head of the function and administrative control by the Chief Executive.
- Extending assistance to the Board in reviewing, approving and monitoring effective compliance with the Company's mission, vision, corporate strategy & objectives, core values and standard of conduct.

- Review of operational, financial, compliance and risk management policies, instituting special projects, value for money studies and other investigations specified by the Board.
- Holding of separate meetings with the CFO, Head of Internal Audit and the External Auditors as required under the listing regulations to discuss issues of concern.
- The Committee comprises four non-executive members of the Board. The Chairman is an independent non-executive Director. All employees of the Company have access to the Committee. The Committee met five times during 2009.
- Minutes of meetings are drawn up expeditiously and circulated for the information and consideration of the Board in the immediately succeeding Board meeting.

Human Resources Committee

The Committee comprises three members including the Chairman who are appointed by the Board from the non-executive Directors. The Committee held four meetings during the year on as required/directed basis to assist the Board in the evaluation and approval of employee benefit plans, welfare projects, performance incentive rewards and financial packages as per the Collective Bargaining Agent (CBA) agreements deemed fair and necessary to attract and retain talented staff.

System and Technology Committee

The Committee has been entrusted with the role to review and recommend information technology proposals suggested by Management, promote awareness of all stakeholders on needs for investment in technology and related research work, review and assess Company systems and procedures, recommend proposals on technological innovations including plant up-gradation, technology improvements etc. with relevant cost benefit analysis.

Other responsibilities include keeping abreast with continuous improvements in technological, implementation in manufacturing, marketing and at administrative levels with periodic review and promotion of awareness of all stakeholders regarding the need for investment in fertilizer / information technologies, review of proposals and recommendations to the Board.

The Committee held four meetings during the year and consists of three members including the Chairman from the non-executive Directors of the Board.

Projects Diversification Committee

This Committee consists of four members of the Board and meets on required / directed basis to evaluate and discuss feasibilities for potential projects and new avenues for diversified investment of Company resources. The Committee presents its findings for Board's review and seeks approval for acquisition or expansion involving attractive returns, satisfactory growth and success potential. The Committee met two times in 2009.

Role and Responsibilities of the Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are segregated and they have distinct responsibilities. Chairman of the BoD has responsibilities and powers vested in him

by law and the Articles of Association of the Company, as well as duties assigned to him by the Board. In particular, the Chairman coordinates the activities of the Directors and various committees of the Board, and presides over the meetings of the BoD and shareholders.

Managing Director is the Chief Executive Officer and is responsible for the operations of the Company and conduct of its business, in accordance with the powers vested in him by law, the Articles of Association of the Company and authorities delegated to him through a General Power of Attorney and BoD resolutions from time to time. Managing Director recommends policy and strategic direction and Annual Business Plans for BoD approval and is responsible for exercising the overall control, discretion, administration and supervision for sound and efficient management and conduct of the business of the Company.

CEO Performance Review

The Board sets financial, non-financial goals and objectives for the CEO in line with the short, medium and long term plans of FFC and has delegated appropriate authority to the Management to implement strategic objectives of the Company.

The main corporate goals and objectives emanating from the Company's Corporate Plans and Budgets are incorporated as personal goals of the CEO, whose performance is assessed by the Chairman annually.

Management and its Committees

Management comprises heads of various functions who operate under powers and limits delegated by the Chief Executive and the Board for ensuring smooth operations and achieving the objectives under strategies adopted by the Board.

These objectives include manufacturing and marketing of fertilizers, identification of potential operational, market and business risks, implementation of effective budgetary controls for preparation of annual business plans/cash forecasts, monitoring control and reporting deviations thereof, procurement of goods and services, approving transactions under delegated financial powers, flow of quality and timely information between the Management and the Board to facilitate the decision making process.

Executive Committee

This Committee conducts its business under the chairmanship of the Chief Executive with eleven members from the Management of the Company.

The Committee is entrusted with the tasks to review Company operations on an ongoing basis, establishing adequacy of Company operational, administrative and control policies adopted by the Board and monitoring compliance thereof.

The Committee is also responsible for receiving feedback from different operational functions, preparing comprehensive agendas and feasibilities for matters requiring Board's approval and for dealing on the Board's behalf with matters of an urgent nature when the Board of Directors is not in session, in addition to other duties delegated by the Board.

Business Strategy Committee

This Committee is chaired by the Chief Executive with five members from the Management of the Company. Meetings are held on requirement basis for identification and management of risks and overseeing Plants operations etc. The Committee is also responsible for staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company in addition to other duties delegated to it by the Board.

Future Commitments

The Company was financially committed to disburse a total of Rs 2,131 million at the close of 2009 for procurement of property, plant & equipment, stores & spares and other goods and services, for which requests/contracts were executed during the year in favor of local and international contractors/vendors.

The Company continued with selective investments necessary to sustain its profitability, improve its plant operational efficiency and maintain its position as the leading fertilizer manufacturer in the Country. All short term commitments have been duly catered for in the Business Plan 2010 while projected cash flows for the long term include all long term undertakings.

We are confident that continued **dynamic strategies and investments in people and technologies** would enable us to achieve our goals

Challenges and Future Prospects

As part of its contribution towards the economic development of the Country, long term growth and its quest for providing solutions for growing appetites, FFC has envisaged a long term strategy that will address numerous challenges facing the agriculture sector and also maximize shareholders' wealth.

Population explosion, rapid urbanization, climate change, globalization and advancements in technology are the factors that must be considered well before forming any future strategy for our agriculture sector. The Company plans to add value to the agriculture sector through deployment of innovative technologies like corporate farming and micro financing. There are also investment opportunities in the areas of farm mechanization, seed culture, crop insurance, post-harvest handling, storage, infrastructure development, horticulture and water management.

The farming community faces constant liquidity problems from procurement of seeds & fertilizers, purchase of farm implements, harvesting to storage and delivery. There is dire need to assist the farming community financially and technically in order to resolve the problems being faced as well as to improve agricultural yield and quality. Our Company intends to capitalize on this opportunity by introducing and implementing modern farming techniques through small scale micro financing set-ups that would provide short term financing, agricultural inputs, pesticides, fuel, farming implements/machinery and technical assistance to the farming community under one roof.
The Company also intends to assist farmers by securing their investments through arrangement of crop insurance coverage at economical rates.

In view of the limited scope for increasing the land area under cultivation, further increases in agricultural production can be achieved only through better water management, improved irrigation, modern farming practices, research and development in the use of agricultural inputs and balanced utilization of fertilizers.

Increasing yields through technology

The Company's five Mobile Farm Extension Services Units provide support to farmers contributing significantly to better crop quality and increase in yields. The introduction of more such service units for the benefit of the farming community and the agriculture sector of Pakistan is being considered by the Company.

Improving crop quality

Higher crop yields are essential, but it is not enough just to grow more. Higher quality is also important to maximize the value of the crop and to meet rising consumer expectations

In Pakistan, agriculture is the major consumer of water and utilizes more than 95% of the Country's water resources. About 80% of the cropped area is irrigated and 90% of the agricultural output comes from irrigated land. Most developing countries lack renewable fresh water resources. The imbalance between water supply and demand varies greatly both regionally and seasonally, which has increased manifold, due to increased agricultural activities and reduced river flow.

Although Pakistan is responsible for only 0.4 percent of annual global emission of greenhouse gases, it ranks 12th in the list of those most affected by climate change. Climate change is not only because of increase in water requirement but also decrease in the crop yield. Such a change would lead to an intensification of the global hydrological cycle that could have a major impact on regional water resources and would disturb cropping patterns, reduce average yield, cause mass migration and unemployment. There is a dire need to evolve workable methods and approaches to cope with the low productivity and unseen climatic change effects through development of high-yield, drought/ salinity resistant varieties of crops, especially wheat and rice.

There is a need to have established strategies and policies to ensure plant conservation and combat desertification. More attention needs to be paid to water storage by constructing small and medium size dams. Improper planning would result in water scarcity which would impact the agriculture sector and Pakistan's economy negatively.

Pakistan's agricultural sector would also benefit immensely from increased farm mechanization. Manufacture of tractors, farm machinery & equipment, high efficiency irrigation systems (drip and sprinkle) and solar pumping systems are some areas where there should be technology transfers by collaboration with leading international manufacturers.

Pakistan's population is growing annually at the rate of 2% which is alarming. In a couple of decades, or sooner, severe shortages of food will be experienced. The Government needs to pay more attention to changing the mindset of our people to have smaller families for their own well being as well as for the economic benefit of the nation. Change in the dietary habits of the population would also have an impact on the food demand/supply situation.

The Government needs to effectively address the hoarding issue that leads to artificial shortages and increase in prices. We lack adequate storage facilities that results in wastage of produce. We believe private sector investment in stock management could effectively address this issue. We intend to invest in grain storage facilities to secure supplies and earn additional revenue for the Company.

According to World Bank reports, deforestation contributes significantly to global warming. There is dire need for more plantation of trees to address the imbalance. The corporate sector should sponsor and financially support tree plantation campaigns as a part of CSR strategy.

Severe electricity shortages are being faced by the nation badly affecting business and daily life of citizens. In the rural areas, electricity could be generated by installing bio-gas units. Replacement of incandescent bulbs with light emitting diodes (the latest technology) on a large scale would result in tremendous energy savings. Coal fired thermal units should also be installed due to abundant reserves. The wind corridor in Sindh, where the Company is installing a wind farm, has a generation capacity of 40,000 MW. This potential needs to be exploited to the maximum.

These challenges need to be urgently addressed and the Company will play its part by considering these as investment opportunities for the well being of the Nation and to enhance shareholder value.

Higher crop yields are essential, but it is not enough just to grow more. Higher quality is also important to maximize the value of the crop and to meet rising consumer expectations

Future Outlook

The world

Entering 2010, the factors affecting domestic fertilizer off-take will be water availability, fertilizer prices, fertilizer imports, Government fertilizer related policies and crop production/ prices (cotton, rice, wheat and sugarcane). The potential demand for urea shows more promising prospects compared with those in early 2009. Additional capacity in 2010 would match the projected increase in demand, with the exception of China. China will remain in a strong net exporting position. Urea trade patterns will likely change as more importing countries expand domestic capacity in 2010.

The supply and demand balances of nitrogen show large potential surpluses of close to 10.5 Mt in 2009, declining to 7.8 Mt in 2010. The impact of the global recession includes the decreased use of nitrogen by the industrial sector, making more supply available for the agriculture industry.

Pakistan

Pakistan continues to bear the burden of rapid increase in population, endemic corruption, turpitude, terrorism, political confrontation, bad governance and reliance on foreign aid.

GDP growth expectation at 3.3% and projected inflation at around 10% during the current fiscal year appear reasonable in the current economic climate, with the key challenge remaining liquidity which could upset external financing targets and the balance of payments.

The fertilizer sector currently consumes around 16% of the Country's total natural gas output which is all set to increase to about 33% next year with the onset of the new plants. The Qadirpur gas field's output is declining due to lower pressure. The Country needs to focus more on exploration of gas fields to augment supply and import of gas from Iran and Central Asian states.

Considerable potential exists for improvement in agricultural yield through application of modern farming techniques and we believe that the corporate sector should come forward to consider and explore the possibility of setting up technologically sophisticated agro companies to increase agricultural productivity in the Country.

With relatively stronger price return for farmers from cotton compared to last year, we expect a re-balancing of area under cultivation with farmer preference shifting back to cotton, which consumes higher fertilizer/acre. As a result, we expect fertilizer demand to remain strong in the next cropping season on the back of higher farm income from recently harvested crops. The Government is expected to maintain its focus on the agriculture sector due to its significant contribution towards GDP, and critical issues like soil conservation, farm mechanization, land reclamation, and plant protection.

Corporate Office

The Company is building a 12-storey Head Office in Rawalpindi which is expected to be completed by mid 2011. Office at a central location will result in improved operational efficiency and better coordination among Company's various disciplines and bring about a tangible change in the working environment, besides enhancing corporate outlook and image of the Company.

We anticipate tremendous opportunities ahead for our Company and our stakeholders as we prepare to help farmers meet their great challenge: to produce more per acre

Auditors

The existing auditors, KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment for the year 2009 and retire at the conclusion of the next Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

The Way Forward

The people of FFC are inspired by their heritage of success. They confronted every obstacle and rose to every challenge in 2009, while continuing to adhere to core values that define who they are. Their mission remains sustainable growth, coupled with creating value for their shareholders.

We have elaborate plans for transformation of the entire IT architecture of the Company by implementing ERP system (SAP) which will simplify our internal procedures thereby reducing the transactional cost and standardization of business processes resulting in improved productivity, cost savings, and a much better bottom line.

Management is focused on growth opportunities and continues to aggressively explore ways of improving profitability and minimizing business risks emanating from economic, market, and climatic conditions. However, in view of shortage of gas in the Country and upcoming urea plants, further expansion and growth opportunities in production of urea by the Company are limited. Nevertheless, we shall continue to pursue our remaining expansion and diversification projects as we prepare for strong demand anticipated over at least the next five years, and remain committed towards development of the energy sector and other allied agro based ventures.

The long-term drivers of the fertilizer business are undeniable. Even in these challenging economic times, the basic need for food remains. While financial conditions may be difficult to predict, our response to them will not be. Our long-held strategies have repeatedly proven effective at achieving sustainable growth.

We anticipate tremendous opportunities ahead for our Company and our stakeholders as we prepare to help farmers meet their great challenge: to produce more per acre.

Enhancing the Country's Energy Security & Contributing Towards a Greener Tomorrow

- FFC is pioneering a land mark project of developing / operating grid connected wind power plant.
- These first utility scale plants will reduce dependence on imported fuel thus enhancing our Energy Security.
- Will also help mitigate carbon emission thus contributing towards a Greener Tomorrow.

Financial Statements

FAUJI FERTILIZER COMPANY LIMITED

Report of the Audit Committee
on Adherence to the Code of Corporate Governance

The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2009, and reports that:

- The Company has adhered in full, without any material departure, with the mandatory and voluntary provisions of the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan, Company's statements on ethics, values, codes of conduct and the international best practices of Governance throughout the year, and the Company did not engage in any activities in contravention of any applicable law or regulation.

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

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

- Appropriate accounting policies have been consistently applied. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, for the financial year ended December 31, 2009, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiary for the year under review.

- The Chief Executive and the CFO have reviewed the financial statements of the Company, consolidated financial statements and the Directors' Report. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.

- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and the external reporting is consistent with Management processes and adequate for shareholder needs.

- All Directors have access to the Company Secretary. All direct or indirect trading and holdings of Company's shares by Directors & executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.

- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

INTERNAL AUDIT

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

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

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

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

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

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

EXTERNAL AUDITORS

- The statutory Auditors of the Company, M/s KPMG Taseer Hadi & Company, Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2009 and shall retire on the conclusion of the 32nd Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observations and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 30 days of the date of the Auditors' Report on financial statements under the listing regulations and shall therefore accordingly be discussed in the next Audit Committee Meeting. Audit observations for interim review were also discussed with the Auditors.

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the General Meetings of the Company during the year and have confirmed attendance of the 32nd Annual General Meeting scheduled for February 24, 2010 and have indicated their willingness to continue as Auditors.

- Being eligible for reappointment as Auditors of the Company, the Audit Committee recommends their reappointment for the financial year ending December 31, 2010 at same Audit Fee as for 2009.

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

Tariq Iqbal Khan
Chairman - Audit Committee

Karachi
January 25, 2010

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least 4 independent non-executive directors, 1 executive director, 1 director representing minority shareholders and 1 representing the interest of the Government of Pakistan.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, except Mr Tariq Iqbal Khan for whom relaxation has been obtained by NIT and communicated to us vide NIT letter No. NIT/CG-09/FFCL/1014 dated September 29, 2009.

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

4. Casual vacancies occurred in the Board during the year 2009 were filled up within 30 days of occurrence.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

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

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

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

9. The Board arranged one orientation course for its directors during the year 2009 to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

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

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

15. The Board has formed an audit committee. It comprises four members, who all are non-executive directors including the chairman of the committee.

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

17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. All material information as required under the relevant rules have been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

21. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.

22. We confirm that all other material principles contained in the Code have been complied with.

Lt Gen Malik Arif Hayat, HI (M) (Retired)
Chief Executive & Managing Director

Date: January 28, 2010
Place: Rawalpindi

Review Report to the Members
on Directors' Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Directors' Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Fauji Fertilizer Company Limited, ("the Company") to comply with the Listing Regulations No. 35 of Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's statement covers all risks or controls, or to form an opinion on the effectiveness of such internal control, the Company's corporate governance procedures and risks.

Further, Sub–Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/ N–269 dated January 19, 2009 requires the Company to place before the Board of Director for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2009.

Islamabad
January 28, 2010

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

Auditors' Report to
the Members of Fauji Fertilizer Company Limited

We have audited the annexed balance sheet of Fauji Fertilizer Company Limited ("the Company") as at December 31, 2009 and the related profit and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as indicated in note 2.5, with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Islamabad
January 28, 2010

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner
Muhammad Rehan Chughtai

Balance Sheet
as at December 31, 2009

	Note	2009	2008
		(Rupees '000)	
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4	6,785,271	4,934,742
Capital reserve	5	160,000	160,000
Revenue reserves	6	6,137,171	7,190,471
		13,082,442	12,285,213
NON – CURRENT LIABILITIES			
Long term borrowings	7	4,578,809	5,378,214
Deferred taxation	8	3,035,757	2,431,895
		7,614,566	7,810,109
CURRENT LIABILITIES			
Trade and other payables	9	8,002,897	5,993,674
Interest and mark – up accrued	11	147,329	194,570
Short term borrowings	12	6,088,348	3,114,000
Current portion of long term borrowings	7	1,799,405	743,036
Taxation		1,816,595	1,778,361
		17,854,574	11,823,641
		38,551,582	31,918,963
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 41 form an integral part of these financial statements.

	Note	2009	2008
		(Rupees '000)	
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment	14	13,993,518	12,730,813
Goodwill	15	1,569,234	1,569,234
Long term investments	16	7,727,528	7,744,779
Long term loans and advances	17	337,541	163,102
Long term deposits and prepayments	18	6,305	1,524
		23,634,126	22,209,452
CURRENT ASSETS			
Stores, spares and loose tools	19	2,996,633	3,034,268
Stock in trade	20	144,087	258,094
Trade debts	21	256,886	495,929
Loans and advances	22	130,219	136,944
Deposits and prepayments	23	37,653	107,369
Other receivables	24	734,062	1,233,479
Short term investments	25	6,768,568	3,511,563
Cash and bank balances	26	3,849,348	931,865
		14,917,456	9,709,511
		38,551,582	31,918,963

Chairman

Chief Executive

Director

Profit and Loss Account
for the year ended December 31, 2009

	Note	2009	2008
		(Rupees '000)	
Sales	27	36,163,174	30,592,806
Cost of sales	28	20,515,044	18,234,692
GROSS PROFIT		15,648,130	12,358,114
Distribution cost	29	3,174,505	2,668,571
		12,473,625	9,689,543
Finance cost	30	944,947	695,371
Other expenses	31	1,272,448	895,647
		10,256,230	8,098,525
Other income	32	2,800,987	1,942,558
NET PROFIT BEFORE TAXATION		13,057,217	10,041,083
Provision for taxation	33	4,234,111	3,516,000
NET PROFIT AFTER TAXATION		8,823,106	6,525,083
			Restated
Earnings per share – basic and diluted (Rupees)	34	13.00	9.62

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman	Chief Executive	Director

Statement of Comprehensive Income
for the year ended December 31, 2009

	2009	2008
	(Rupees '000)	
Net profit after taxation	8,823,106	6,525,083
Other comprehensive income for the year		
Surplus / (deficit) on remeasurement of investments available for sale to fair value	41,953	(90,906)
Income tax relating to component of other comprehensive income	(11,862)	29,631
Other comprehensive income for the year – net of tax	30,091	(61,275)
Total comprehensive income for the year	8,853,197	6,463,808

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman | Chief Executive | Director

Cash Flow Statement
for the year ended December 31, 2009

			Note	2009	2008
				(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES					
	Cash generated from operations		36	14,487,016	13,067,512
	Finance cost paid			(992,188)	(685,231)
	Income tax paid			(3,603,877)	(2,952,745)
	Payment to gratuity fund			(74,715)	(50,327)
	Payment to pension fund			(78,963)	(44,530)
	Payment to Workers' Welfare Fund			(200,821)	(151,813)
	Payment to Workers' Profit Participation Fund – net			(617,377)	(1,016,952)
	Net cash generated from operating activities		36.1	8,919,075	8,165,914
CASH FLOWS FROM INVESTING ACTIVITIES					
	Fixed capital expenditure			(2,344,076)	(3,234,087)
	Proceeds from sale of property, plant and equipment			15,869	11,173
	Interest received			491,326	314,586
	Investment in Fauji Cement Company Limited			–	(1,500,000)
	(Increase) / decrease in other investments			(1,538,085)	367,825
	Dividends received			2,002,160	797,516
	Net cash used in investing activities			(1,372,806)	(3,242,987)
CASH FLOWS FROM FINANCING ACTIVITIES					
	Long term financing	– disbursements		1,000,000	3,450,000
		– repayments		(743,036)	(1,022,500)
	Decrease in short term borrowings			–	(2,931,081)
	Dividends paid			(6,447,973)	(7,025,915)
	Net cash used in financing activities			(6,191,009)	(7,529,496)
	Net increase / (decrease) in cash and cash equivalents			1,355,260	(2,606,569)
	Cash and cash equivalents at beginning of the year			739,929	3,344,262
	Effect of exchange rate changes			871	2,236
	Cash and cash equivalents at end of the year		37	2,096,060	739,929

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman

Chief Executive

Director

Statement of Changes in Equity
for the year ended December 31, 2009

	Share capital	Capital reserve	Revenue reserves: Surplus / (deficit) on remeasurement of investments available for sale to fair value	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
	(Rupees '000)					
Balance at January 01, 2008	4,934,742	160,000	38,154	5,940,000	1,657,149	12,730,045
Transfer from general reserve	–	–	–	(100,000)	100,000	–
Total comprehensive income for the year						
Profit for the year after taxation	–	–	–	–	6,525,083	6,525,083
Other comprehensive income	–	–	(61,275)	–	–	(61,275)
Total comprehensive income for the year	–	–	(61,275)	–	6,525,083	6,463,808
Distribution to owners						
Final dividend 2007: Rs 3.50 per share	–	–	–	–	(1,727,160)	(1,727,160)
First interim dividend 2008: Rs 3.50 per share	–	–	–	–	(1,727,160)	(1,727,160)
Second interim dividend 2008: Rs 3.00 per share	–	–	–	–	(1,480,423)	(1,480,423)
Third interim dividend 2008: Rs 4.00 per share	–	–	–	–	(1,973,897)	(1,973,897)
Total transactions with owners	–	–	–	–	(6,908,640)	(6,908,640)
Balance at December 31, 2008	4,934,742	160,000	(23,121)	5,840,000	1,373,592	12,285,213
Balance at January 01, 2009	4,934,742	160,000	(23,121)	5,840,000	1,373,592	12,285,213
Transfer from general reserve	–	–	–	(250,000)	250,000	–
Total comprehensive income for the year						
Profit for the year after taxation	–	–	–	–	8,823,106	8,823,106
Other comprehensive income	–	–	30,091	–	–	30,091
Total comprehensive income for the year	–	–	30,091	–	8,823,106	8,853,197
Distribution to owners						
Bonus shares issued	1,850,529	–	–	(1,850,529)	–	–
Final dividend 2008: Rs 3.25 per share	–	–	–	–	(1,603,791)	(1,603,791)
First interim dividend 2009: Rs 4.30 per share	–	–	–	–	(2,652,424)	(2,652,424)
Second interim dividend 2009: Rs 2.60 per share	–	–	–	–	(1,764,171)	(1,764,171)
Third interim dividend 2009: Rs 3.00 per share	–	–	–	–	(2,035,582)	(2,035,582)
Total transactions with owners	1,850,529	–	–	(1,850,529)	(8,055,968)	(8,055,968)
Balance at December 31, 2009	6,785,271	160,000	6,970	3,739,471	2,390,730	13,082,442

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman

Chief Executive

Director

Notes to the Financial Statements
for the year ended December 31, 2009

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Company Limited ("the Company") is a public company incorporated in Pakistan under the Companies Act, 1913, (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered office of the Company is situated at 93 Harley Street, Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizer, chemical and other manufacturing operations.

These financial statements are the separate financial statements of the Company in which investments in subsidiary, associate and jointly controlled entity are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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 retirement gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets and unrecognised actuarial losses. The identifiable assets and liabilities of Pak Saudi Fertilizers Limited (PSFL) have been measured at their fair value on acquisition.

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 Rupee have been rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

2.5 Changes in accounting policies

The Company has changed its accounting policies in the following areas:
– Presentation of financial statements; and
– Disclosure of financial instruments

(i) The Company applies revised IAS 1 "Presentation of Financial Statements", which became effective from January 01, 2009. The Company has accordingly presented all changes in owners equity in the statement of changes in equity, whereas all non–owner changes in equity are presented in the statement of comprehensive income.

Notes to the Financial Statements
for the year ended December 31, 2009

Comparative information have been re–presented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earnings per share.

(ii) The Company applies IFRS 7 "Financial Instruments: Disclosures", which became effective from annual periods beginning on or after 01 July 2008. As a result, the Company has disclosed all the requirements of this standard with respect to financial instruments risk exposure, risk management policies and other related disclosures.

Comparative information have also been disclosed in conformity with this standard. Since the change in accounting policy results in increased disclosures on financial instruments, there is no impact on earnings per share.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by associated and jointly control companies except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Retirement benefits

The Company has the following plans for its employees:

(a) **Funded Gratuity Scheme**

Defined benefit funded gratuity for all eligible employees who complete qualifying period of service and age.

Funded Pension Scheme

Defined benefit funded pension for all eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 10 to the financial statements. All contributions are charged to profit and loss account for the year. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised over the average remaining service life of the employees.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long–term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

Contributory Provident Fund

Defined contributory provident fund for all eligible employees for which the Company's contributions are charged to profit and loss account.

(b) **Compensated absences**

The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.2 Taxation

Current

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any.

Notes to the Financial Statements
for the year ended December 31, 2009

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable 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 recognised for all taxable temporary differences and deferred tax assets are recognised 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 realised. Deferred tax is not recognised 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, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.3 Property, plant and equipment and capital work in progress

Property, plant and equipment including those acquired on PSFL acquisition, are stated at cost less accumulated depreciation except freehold land and capital work in progress, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs. Property, plant and equipment acquired on PSFL acquisition are stated at their cost to the Company, which represents their fair value on acquisition, less accumulated depreciation.

Depreciation is provided on a straight–line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 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.

The cost of replacing part of an item of property, plant and equipment is recognised 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 derecognised, if any. The costs of the day–to–day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

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

3.4 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount

Notes to the Financial Statements
for the year ended December 31, 2009

that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For non–financial assets and available–for–sale financial assets that are debt securities, the reversal is recognised in profit and loss account. For available–for–sale financial assets that are equity securities, the reversal is recognised directly in equity.

3.5 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognised as goodwill and thereafter tested for impairment annually. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

3.6 Investments

3.6.1 Investment in subsidiary

Investments in subsidiaries are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account.

3.6.2 Investment in associate and jointly controlled entity

Investments in associates and jointly controlled entities are initially recognised at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account.

3.6.3 Investments available for sale

These are initially recognised at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to equity until disposal at which time these are recycled to profit and loss account.

3.6.4 Acquisition under common control

Acquisition under common control of the shareholder are initially recognised using exchange transaction basis. All the acquisitions under common control are accounted for from the year in which the acquisition takes place without restating the Company's (acquirer) comparative financial statements.

3.6.5 Investments at fair value through profit or loss – Held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account.

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

3.7 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realisable value less impairment. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Impairment is also made for slow moving and/or items identified as surplus to the Company's requirement.

Notes to the Financial Statements
for the year ended December 31, 2009

3.8 Stock in trade

Stocks are valued at the lower of cost and net realisable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost
Work in process and finished goods	at weighted average cost of purchase, raw materials and applicable manufacturing expenses

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

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

3.9 Foreign currencies

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 balance sheet 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 the transactions. Exchange differences are included in profit and loss account for the year.

3.10 Revenue recognition

Sales revenue is recognised when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts. Scrap sales and miscellaneous receipts are recognised on realised amounts. Commission on sale of the subsidiary company products is recognised when such products are sold on its behalf.

3.11 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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.

3.12 Research and development costs

Research and development costs are charged to income as and when incurred.

3.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.14 Basis of allocation of common expenses

Selling and distribution expenses are allocated to the subsidiary company, in proportion to the sales volume handled on its behalf under the Inter Company Services Agreement.

Notes to the Financial Statements
for the year ended December 31, 2009

3.15 Fertilizer subsidy for farmers

Subsidy on potassic and phosphatic fertilizers announced by the GOP for farmers is recognized in the profit and loss account by adjusting the amount of subsidy against the related cost of purchase on a systematic basis in the same period in which these costs are incurred.

3.16 Dividend and reserve appropriation

Dividend is recognised as a liability in the period in which it is declared. Movement in reserves is recognised in the year in which it is approved.

3.17 Mark–up bearing borrowings

Mark–up bearing borrowings are recognised initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark–up bearing borrowings are stated at original cost less subsequent repayments.

3.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term running finances and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.19 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortised cost respectively. The Company derecognises the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments. The Company recognises the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

b) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount/cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

c) Off–setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet 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 realise the asset and settle the liability simultaneously.

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.

Notes to the Financial Statements
for the year ended December 31, 2009

3.21 Finance income and finance costs

Finance income comprises interest income on funds invested (including available for sale financial assets), dividend income, gains on the disposal of available for sale financial assets and changes in the fair value of investments held for trading. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex–dividend date.

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

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

3.22 Operating leases

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the term of the relevant lease.

3.23 New accounting standards, amendments and IFRIC interpretations that are not yet effective

"The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

– Revised IFRS 3 Business Combinations	(effective 01 July 2009)
– Amended IAS 27 Consolidated and Separate Financial Statements	(effective 01 July 2009)
– Amendments to IFRS 5 – Non – current Assets Held for Sale and Discontinued Operations	(effective 01 July 2009)
– Amendments to IAS 39 Financial Instruments: Recognition and Measurement	
Eligible hedged Items	(effective 01 July 2009)
– IFRIC – 17 Distributions of Non – cash Assets to Owners	(effective 01 July 2009)
– Amendments to IFRS 2 Share – based payments and IFRS 3 Business Combinations	(effective 01 July 2009)
– Amendments to IAS 38 Intangible Assets	(effective 01 July 2009)
– Amendments to IFRIC 9 Reassessment of Embedded Derivatives	(effective 01 July 2009)
– Amendments to IFRIC 16 Hedges of a Net Investment in a Foreign Operation	(effective 01 July 2009)
– Amendments to IFRS 5 Non – current Assets Held for Sale and	
Discontinued Operations	(effective 01 January 2010)
– Amendments to IFRS 8 Operating Segments	(effective 01 January 2010)
– Amendments to IAS 1 Presentation of Financial Statements	(effective 01 January 2010)
– Amendments to IAS 7 Statement of Cash Flows	(effective 01 January 2010)
– Amendments to IAS 17 Leases	(effective 01 January 2010)
– Amendments to IAS 36 Impairment of Assets	(effective 01 January 2010)
– Amendments to IAS 39 Financial Instruments	(effective 01 January 2010)
– Amendments to IFRS 1 First – time Adoption of International Financial	
Reporting Standards – Additional Exemptions for First – time Adopters	(effective 01 January 2010)
– Amendments to IFRS 2 Share – based Payment – Group Cash – settled	
Share – based Payment Transactions	(effective 01 January 2010)
– Amendment to IAS 32 Financial Instruments: Presentation –	
Classification of Rights Issues	(effective 01 January 2010)
– Revised IAS 24 Related Party Disclosures	(effective 01 February 2010)
– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	(effective 01 July 2010)
– Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets,	
Minimum Funding Requirements and their Interaction	(effective 01 January 2011)

Notes to the Financial Statements
for the year ended December 31, 2009

				2009	2008
				(Rupees '000)	
4.	**SHARE CAPITAL**				
	ISSUED, SUBSCRIBED AND PAID UP CAPITAL				
	Numbers 2009	Numbers 2008			
	256,495,902	256,495,902	Ordinary shares of Rs 10 each issued for consideration in cash	2,564,959	2,564,959
	422,031,163	236,978,328	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,220,312	2,369,783
	678,527,065	493,474,230		6,785,271	4,934,742

AUTHORISED SHARE CAPITAL

This represents 1,000,000,000 (2008: 500,000,000) ordinary shares of Rs 10 each amounting to Rs 10,000,000 thousand (2008: Rs 5,000,000 thousand).

4.1 Fauji Foundation held 44.35% (2008: 44.35%) ordinary shares of the Company at the year end.

		Note	2009	2008
			(Rupees '000)	
5.	**CAPITAL RESERVE**			
	Share premium	5.1	40,000	40,000
	Capital redemption reserve	5.2	120,000	120,000
			160,000	160,000

5.1 Share premium

This represents premium of Rs 5 per share received on public issue of 8,000,000 ordinary shares of Rs 10 each in 1991.

5.2 Capital redemption reserve

This represents reserve setup on redemption of preference shares of Rs 120,000 thousand in 1996.

		2009	2008
		(Rupees '000)	
6.	**REVENUE RESERVES**		
	General reserve	3,739,471	5,840,000
	Surplus / (deficit) on remeasurement of available for sale investments to fair value – net of tax	6,970	(23,121)
	Unappropriated profit	2,390,730	1,373,592
		6,137,171	7,190,471

Notes to the Financial Statements
for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
7.	**LONG TERM BORROWINGS**			
	This represents secured long term borrowings from the following:			
	Loans from banking companies – secured	7.1		
i)	Habib Bank Limited (HBL – 1)	7.1.1	250,000	375,000
ii)	United Bank Limited (UBL – 1)	7.1.1	685,714	800,000
iii)	Bank Al–Falah Limited (BAFL)	7.1.1	281,250	406,250
iv)	Standard Chartered Bank (Pakistan) Limited (SCB)	7.1.1	350,000	450,000
v)	National Bank of Pakistan (NBP – 1)	7.1.1	300,000	400,000
vi)	Silk Bank Formerly Saudi Pak Commercial Bank Limited (SB – 1)	7.1.1	90,000	120,000
vii)	Silk Bank Formerly Saudi Pak Commercial Bank Limited (SB – 2)	7.1.1	90,000	120,000
viii)	National Bank of Pakistan (NBP – 2)	7.1.1	500,000	500,000
ix)	Faysal Bank Limited (FBL)	7.1.1	400,000	400,000
x)	Bank Islami Limited (BIL)	7.1.1	218,750	250,000
xi)	Al–Baraka Islamic Bank Limited (AIBL)	7.1.1	275,000	300,000
xii)	Dubai Islamic Bank (DIB)	7.1.1	300,000	300,000
xiii)	Meezan Bank Limited (MBL – 1)	7.1.1	437,500	500,000
xiv)	MCB Bank Limited (MCB)	7.1.1	300,000	300,000
xv)	Habib Bank Limited (HBL – 2)	7.1.1	400,000	400,000
xvi)	Habib Bank Limited (HBL – 3)	7.1.1	500,000	500,000
xvii)	Meezan Bank Limited (MBL – 2)	7.1.1	1,000,000	–
			6,378,214	6,121,250
	Less: Current portion shown under current liabilities		1,799,405	743,036
			4,578,809	5,378,214

7.1 Terms and conditions of these borrowings are given below:

	Lenders	Mark–up rate p.a. (%)	No of instalments outstanding	Date of final repayment
i)	HBL – 1	6 months' KIBOR+1.45	4 half yearly	November 30, 2011
ii)	UBL – 1	6 months' KIBOR+1.5	6 half yearly	August 30, 2012
iii)	BAFL	6 months' KIBOR+1.5	9 quarterly	March 20, 2012
iv)	SCB	6 months' KIBOR+1.3	7 half yearly	March 29, 2013
v)	NBP – 1	6 months' KIBOR+1.4	6 half yearly	August 30, 2012
vi)	SB – 1	6 months' KIBOR+1.5	6 half yearly	September 27, 2012
vii)	SB – 2	6 months' KIBOR+1.5	6 half yearly	December 28, 2012
viii)	NBP – 2	6 months' KIBOR+1	12 half yearly	September 17, 2015
ix)	FBL	6 months' KIBOR+1	10 half yearly	September 26, 2014
x)	BIL	6 months' KIBOR+1	7 half yearly	June 30, 2013
xi)	AIBL	6 months' KIBOR+1	11 half yearly	June 27, 2015
xii)	DIB	6 months' KIBOR+1	10 half yearly	June 30, 2015
xiii)	MBL –1	6 months' KIBOR+0.96	7 half yearly	March 28, 2013
xiv)	MCB	6 months' KIBOR+1	10 half yearly	June 30, 2015
xv)	HBL – 2	6 months' KIBOR+1	8 half yearly	September 29, 2013
xvi)	HBL – 3	6 months' KIBOR+0.45	On maturity	June 20, 2010
xvii)	MBL –2	6 months' KIBOR+0.21	On maturity	January 30, 2011

Notes to the Financial Statements

for the year ended December 31, 2009

7.1.1 Finances (i) through (xvii) have been obtained to meet the debottlenecking, equity investment and other capital expenditure requirements of the Company. Finances (i) to (xv) are secured by an equitable mortgage on the assets and hypothecation of all assets including plant, machinery, tools and spares, and all other moveable properties of the Company including stocks and book debts ranking pari passu with each other with 25% margin. Finance (xvi) is secured against lien on Pakistan Investment Bonds having face value of Rs 500,000 thousand while finance (xvii) is secured against ranking charge on current assets of the Company at 25% margin.

		Note	2009	2008
			(Rupees '000)	
8.	DEFERRED TAXATION			
	The balance of deferred tax is in respect of the			
	following major temporary differences:			
	Accelerated depreciation		3,111,000	2,505,000
	Slow moving / surplus spares, doubtful debts,			
	other receivables and investments		(76,000)	(62,000)
	Remeasurement of investment available for sale		757	(11,105)
			3,035,757	2,431,895
9.	TRADE AND OTHER PAYABLES			
	Creditors		435,463	313,505
	Accrued liabilities		1,562,320	1,672,602
	Consignment account with			
	Fauji Fertilizer Bin Qasim Limited – unsecured		161,203	413,529
	Other liabilities		26,269	28,796
	Deposits		128,072	113,895
	Retention money		57,825	39,351
	Advances from customers		2,842,722	2,287,069
	Workers' Welfare Fund		661,343	601,020
	Gratuity fund	10	5,940	10,162
	Unclaimed dividend		2,121,740	513,745
			8,002,897	5,993,674

Notes to the Financial Statements
for the year ended December 31, 2009

10. RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2009 Total	2008 Total
		(Rupees '000)		
a) Reconciliation of amounts recognised in the balance sheet is as follow:				
Present value of defined benefit obligation	953,746	1,095,051	2,048,797	1,783,733
Fair value of plan assets	(744,468)	(958,483)	(1,702,951)	(1,347,287)
Deficit	209,278	136,568	345,846	436,446
Net actuarial losses not recognized	(203,338)	(136,568)	(339,906)	(426,284)
	5,940	–	5,940	10,162
b) The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation at beginning of the year	854,834	928,899	1,783,733	1,553,020
Current service cost	44,176	47,416	91,592	88,440
Interest cost	105,080	128,327	233,407	153,654
Benefits paid during the year	(54,751)	(26,874)	(81,625)	(49,372)
Actuarial loss	4,407	17,283	21,690	37,991
Present value of defined benefit obligation at end of the year	953,746	1,095,051	2,048,797	1,783,733
c) The movement in fair value of plan assets is as follows:				
Fair value of plan assets at beginning of the year	611,570	735,717	1,347,287	1,425,951
Expected return on plan assets	84,279	106,809	191,088	143,429
Contributions	74,715	78,963	153,678	94,857
Benefits paid during the year	(54,751)	(26,874)	(81,625)	(49,372)
Actuarial gain / (loss)	28,655	63,868	92,523	(267,578)
Fair value of plan assets at end of the year	744,468	958,483	1,702,951	1,347,287
d) Plan assets comprise of:				
Investment in debt securities	49,471	49,471	98,942	83,526
Investment in equity securities	79,471	8,055	87,526	46,686
Term Deposit Receipts	231,932	545,702	777,634	559,228
Defence Saving Certificates	75,118	93,071	168,189	287,958
Mutual Funds	72,000	99,491	171,491	114,861
National Investment Trust Units	63,359	110,735	174,094	121,836
Deposits with banks	173,697	52,019	225,716	137,196
Others	(580)	(61)	(641)	(4,004)
	744,468	958,483	1,702,951	1,347,287
e) Actual return on plan assets	112,934	170,677	283,611	(124,149)
Contributions expected to be paid to the plan during the next financial year	89,944	77,446	167,390	182,200

f) The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Company, at the beginning of the year, for returns over the entire life of the related obligations.

Notes to the Financial Statements
for the year ended December 31, 2009

		Funded gratuity	Funded pension	2009 Total	2008 Total
			(Rupees '000)		
g)	**Movement in liability recognised in the balance sheet:**				
	Opening liability	10,162	–	10,162	5,268
	Expense for the year	70,493	78,963	149,456	99,751
	Payments to the fund during the year	(74,715)	(78,963)	(153,678)	(94,857)
	Closing liability	5,940	–	5,940	10,162
h)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	44,176	47,416	91,592	88,440
	Interest cost	105,080	128,327	233,407	153,654
	Expected return on plan assets	(84,279)	(106,809)	(191,088)	(143,429)
	Actuarial losses recognised	5,516	10,029	15,545	1,086
		70,493	78,963	149,456	99,751

i) **Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the current year and previous four years is an follows:**

	2009	2008	2007	2006	2005
			(Rupees '000)		
Present value of defined benefit obligation	953,746	854,834	736,148	635,237	579,589
Fair value of plan assets	(744,468)	(611,570)	(644,234)	(562,861)	(502,285)
Deficit	209,278	243,264	91,914	72,376	77,304
Experience adjustments					
– on obligations	(4,407)	(28,426)	(34,126)	(4,301)	(11,620)
– on plan assets	28,655	(119,116)	15,663	11,510	(9,471)

j) **Comparison of present value of defined benefit obligation, fair value of plan assets and (surplus) / deficit of gratuity fund for the current year and previous four years is an follows:**

	2009	2008	2007	2006	2005
			(Rupees '000)		
Present value of defined benefit obligation	1,095,051	928,899	816,872	664,505	591,310
Fair value of plan assets	(958,483)	(735,717)	(781,717)	(684,985)	(565,789)
Deficit/(surplus)	136,568	193,182	35,155	(20,480)	25,521
Experience adjustments					
– on obligations	(17,283)	(9,565)	(72,385)	3,510	(64,734)
– on plan assets	63,868	(148,462)	16,750	42,491	31,981

Notes to the Financial Statements
for the year ended December 31, 2009

	2009		2008	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
k) Principal acturial assumptions used in the acturial valuations carried out as at December 31, 2009 are as follows:				
Discount rate	12.75%	12.75%	14%	14%
Expected rate of salary growth	11.75%–12.75%	12.75%	13–14%	14%
Expected rate of return on plan assets	12.75%	12.75%	14%	14%

l) "Salaries, wages and benefits" expense, stated in notes 28 and 29 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs 70,493 thousand, Rs 71,321 thousand, Rs 71,591 thousand and Rs 172,220 thousand respectively (2008: Rs 52,447 thousand, Rs 59,347 thousand, Rs 41,129 thousand and Rs 54,534 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under inter company services agreement.

	Note	2009	2008
		(Rupees '000)	
11. INTEREST AND MARK–UP ACCRUED			
On long term borrowings		133,877	187,347
On short term borrowings		13,452	7,223
		147,329	194,570
12. SHORT TERM BORROWINGS – SECURED			
From banking companies			
Short term running finance	12.1	6,088,348	3,114,000

12.1 Short term running finance

Short term running finance facilities are available from various banks under mark–up arrangements aggregating to Rs 8,800,000 thousand (2008: Rs 7,250,000 thousand) which represents the aggregate of sale prices of all mark–up agreements between the Company and the banks. These facilities have various maturity dates upto June 30, 2010.

These are secured by first pari passu and ranking hypothecation charges on assets of the Company. The rates of mark–up range from one month KIBOR + 0.2% to1.5% per annum to three months' KIBOR + 2.18% per annum (2008: one month KIBOR + 0.75% to 2.00% per annum to three months' KIBOR + 2.18% per annum).

Notes to the Financial Statements
for the year ended December 31, 2009

		2009	2008
		(Rupees '000)	
13.	**CONTINGENCIES AND COMMITMENTS**		
a)	**Contingencies:**		
i)	Guarantees issued by banks on behalf of the Company.	17,192	17,100
ii)	Disputed demands for income tax and levy of contribution to Workers' Welfare Fund related to former PSFL decided in favour of the Company by the Income Tax Appellate Authorities, are currently in appeal by the department. The Company is confident that there are reasonable grounds for a favourable decision.	178,590	178,590
iii)	Claims against the Company and/or potential exposure not acknowledged as debt.	50,696	50,696
iv)	Company's share of contingent liabilities of Fauji Cement Company Limited as at September 30, 2009.	187,685	156,165
b)	**Commitments in respect of:**		
i)	Capital expenditure.	1,930,397	3,122,914
ii)	Purchase of fertilizer, stores, spares and other revenue items.	200,789	201,521
iii)	Rentals under lease agreements:		
	Premises – not later than one year	27,932	35,689
	– later than one year and not later than:		
	two years	30,873	28,720
	three years	13,507	10,415
	four years	720	2,534
	five years	726	720
	Vehicles – not later than one year	60,266	89,625
	– later than one year and not later than:		
	two years	54,745	57,408
	three years	34,179	56,860
	four years	20,865	30,814
	five years	15,457	13,748

Notes to the Financial Statements
for the year ended December 31, 2009

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings and structures on freehold land	Buildings and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 14.3)	Total
	(R u p e e s ' 0 0 0)													
COST														
Balance as at January 01, 2008	218,801	178,750	2,145,270	42,150	26,517	19,178,903	457,437	288,319	126,407	271,343	874,813	12,919	1,628,213	25,449,842
Additions during the year	9,585	–	302,198	–	–	755,792	233,275	41,478	18,358	26,242	144,215	2,544	3,057,301	4,590,988
Disposals	–	–	–	–	–	(75)	(31,239)	(10,008)	(1,667)	(8,226)	(10,525)	–	–	(61,740)
Transfers / adjustments	–	–	–	–	–	–	–	(30)	–	–	30	–	(1,356,901)	(1,356,901)
Balance as at December 31, 2008	228,386	178,750	2,447,468	42,150	26,517	19,934,620	659,473	319,759	143,098	289,359	1,008,533	15,463	3,328,613	28,622,189
Balance as at January 01, 2009	228,386	178,750	2,447,468	42,150	26,517	19,934,620	659,473	319,759	143,098	289,359	1,008,533	15,463	3,328,613	28,622,189
Additions during the year	–	–	235,276	–	–	3,698,751	109,501	45,665	28,795	42,577	185,605	1,671	2,280,053	6,627,894
Disposals	–	–	(4,706)	–	–	(4,644)	–	(20,628)	(2,718)	(18,773)	(39,404)	(535)	–	(91,408)
Transfers / adjustments	–	–	–	–	–	–	(67,938)	–	–	–	(204)	–	(4,283,614)	(4,351,756)
Balance as at December 31, 2009	228,386	178,750	2,678,038	42,150	26,517	23,628,727	701,036	344,796	169,175	313,163	1,154,530	16,599	1,325,052	30,806,919
DEPRECIATION														
Balance as at January 01, 2008	–	35,486	1,236,223	40,755	26,517	12,423,894	206,112	178,164	55,994	196,181	649,778	10,248	–	15,059,352
Charge for the year	–	14,323	87,651	116	–	492,775	113,848	33,978	10,871	37,095	99,177	1,680	–	891,514
Depreciation on disposals	–	–	–	–	–	(59)	(31,239)	(8,424)	(1,421)	(8,220)	(10,127)	–	–	(59,490)
Transfers / adjustments	–	–	–	–	–	–	–	(7)	–	–	7	–	–	–
Balance as at December 31, 2008	–	49,809	1,323,874	40,871	26,517	12,916,610	288,721	203,711	65,444	225,056	738,835	11,928	–	15,891,376
Balance as at January 01, 2009	–	49,809	1,323,874	40,871	26,517	12,916,610	288,721	203,711	65,444	225,056	738,835	11,928	–	15,891,376
Charge for the year	–	14,323	104,343	107	–	626,866	137,370	34,879	12,507	29,825	114,726	1,732	–	1,076,678
Depreciation on disposals	–	–	(1,608)	–	–	(4,598)	–	(19,801)	(2,557)	(18,700)	(38,932)	(519)	–	(86,715)
Transfers / adjustments	–	–	–	–	–	–	(67,938)	–	–	–	–	–	–	(67,938)
Balance as at December 31, 2009	–	64,132	1,426,609	40,978	26,517	13,538,878	358,153	218,789	75,394	236,181	814,629	13,141	–	16,813,401
Written down value as at December 31, 2008	228,386	128,941	1,123,594	1,279	–	7,018,010	370,752	116,048	77,654	64,303	269,698	3,535	3,328,613	12,730,813
Written down value as at December 31, 2009	228,386	114,618	1,251,429	1,172	–	10,089,849	342,883	126,007	93,781	76,982	339,901	3,458	1,325,052	13,993,518
Rate of depreciation in %	–	6 1/4	5 to 10	5	5	5	20	15	10	20	15 – 33.33	30	–	–

Notes to the Financial Statements
for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
14.1.	**Depreciation charge has been allocated as follows:**			
	Cost of sales	28	1,054,220	870,170
	Distribution cost	29	14,800	15,139
	Charged to FFBL under Inter Company Services Agreement		7,658	6,205
			1,076,678	891,514

14.2 Details of property, plant and equipment sold:

Description	Cost	Book value	Sale proceeds
		(Rupees '000)	
As per Company policy to employee			
Lt Gen (Retired) Munir Hafiez	499	327	327
By Insurance claim against vehicles			
EFU Insurance Company	774	27	313
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand	90,135	4,339	15,229
2009	**91,408**	**4,693**	**15,869**
2008	61,740	2,250	11,173

		2009	2008
		(Rupees '000)	
14.3	**CAPITAL WORK IN PROGRESS**		
	Civil works	770,204	331,364
	Plant and machinery including advances to suppliers	468,334	2,997,249
	Intangible assets under development	86,514	–
		1,325,052	3,328,613

15. GOODWILL

This represents excess of the amount paid over fair value of net assets of PSFL on its acquisition. The recoverable amount of goodwill is determined using fair value less cost to sell basis. Fair value is determined using observable market data. Based on fair value, recoverable amount is much higher than the Company's net assets carrying amount including goodwill.

Notes to the Financial Statements
for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
16.	LONG TERM INVESTMENTS			
	Investment in associate – at cost			
	Fauji Cement Company Limited (FCCL)	16.1	1,500,000	1,500,000
	Investment in joint venture – at cost			
	Pakistan Maroc Phosphore S.A., Morocco	16.2	705,925	705,925
	Investment in subsidiary – at cost			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	16.3	4,752,330	4,752,330
	Investments available for sale	16.4		
	Certificates of Investment		155,402	232,647
	Pakistan Investment Bonds		602,164	568,271
	Term Finance Certificates		145,493	47,453
			903,059	848,371
			7,861,314	7,806,626
	Less: Current portion shown under short term investments	25		
	Investments available for sale			
	Certificates of Investment		24,026	61,828
	Pakistan Investment Bonds		101,691	–
	Term Finance Certificates		8,069	19
			133,786	61,847
			7,727,528	7,744,779

16.1 Investment in associate – at cost

Investment in associate represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 12.63% of FCCL share capital as at December 31, 2009. Market value of the Company's investment as at December 31, 2009 was Rs 577,500 thousand. However, the management believes that the recoverable amount of the Company's investment in FCCL is much higher than the fair value as at December 31, 2009.

The Company is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by The Royal Bank of Scotland Limited (formerly ABN AMRO (Pakistan) Limited), remains outstanding or without prior consent of FCCL.

16.2 Investment in joint venture – at cost

The Company has 12.5% equity participation in Pakistan Maroc Phosphore S.A. (PMP), amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between the Company, Fauji Foundation, FFBL and Officie Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market Phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the Shareholders' agreement, the Company cannot sell the shares of PMP outside Fauji Group (consisting of the Company, Fauji Foundation and FFBL) for a period of five years effective September 14, 2004. Further, if any legal restriction is laid on dividends by PMP, the same will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

Notes to the Financial Statements
for the year ended December 31, 2009

16.3 Investments in subsidiary – at cost

Investment in subsidiary represents 475,233 thousand fully paid ordinary shares of Rs 10 each representing 50.88% of FFBL share capital as at December 31, 2009. Market value of the Company's investment as at December 31, 2009 was Rs 12,417,838 thousand (2008: Rs 6,130,506 thousand), whereas value based on net assets as per audited financial statements as at December 31, 2009 was Rs 5,423,758 thousand (2008: Rs 5,335,466 thousand).

16.4 Investments available for sale

Certificates of Investment (COI)

These represent placements in certificates of investment of a financial institution for periods ranging from one to five years at profit rates ranging from 8.1% to 14.18% per annum (2008 : 6% to 15% per annum).

Pakistan Investment Bonds (PIBs)

These were purchased for a period of 10 years with remaining period ranging between 1 to 3 years. Profit is payable on a half yearly basis at rates ranging from 11% to 14% per annum. PIBs having face value of Rs 500,000 thousand are under lien of bank against loan for capital expenditure requirements.

Term Finance Certificates (TFCs)

These include 9,986 & 20,000 certificates of Rs 5,000 each of Pakistan Mobile Communications Limited and Engro Chemicals Pakistan Limited. Profit is payable on a half yearly basis at the rate of six months' KIBOR +2.85% and 1.55% per annum respectively.

	Note	2009	2008
		(Rupees '000)	
17. LONG TERM LOANS AND ADVANCES–SECURED			
Loans and advances – considered good, to:			
Executives		290,632	104,039
Other employees		126,433	97,138
		417,065	201,177
Less: Amount due within twelve months, shown			
under current loans and advances	22	79,524	38,075
		337,541	163,102

17.1 Reconciliation of carrying amount of loans and advances to executives and other employees:

	Opening balance as at January 01, 2009	Disbursements	Repayments	Closing balance as at December 31, 2009
	(Rupees '000)			
Executives	104,039	257,639	71,046	290,632
Other employees	97,138	95,754	66,459	126,433
	201,177	353,393	137,505	417,065
2008	172,600	71,865	43,288	201,177

These represent secured house building loans, house rent advances and advances pursuant to agreement with workers which are repayable within one to ten years. House building loans carry mark–up at 5% per annum.

The maximum amount of advances to executives outstanding at the end of any month during the year was Rs 292,936 thousand (2008: Rs 134,262 thousand).

Notes to the Financial Statements
for the year ended December 31, 2009

	Note	2009	2008
		(Rupees '000)	
18. LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits		6,087	1,524
Prepayments		218	–
		6,305	1,524
19. STORES, SPARES AND LOOSE TOOLS			
Stores		330,729	130,737
Spares		2,689,265	2,828,817
Provision for slow moving and surplus items		(204,240)	(160,763)
		2,485,025	2,668,054
Loose tools		279	279
Items in transit		180,600	235,198
		2,996,633	3,034,268
20. STOCK IN TRADE			
Raw materials		33,548	112,870
Work in process		37,186	44,699
Finished goods:			
Manufactured urea		73,353	66,842
Purchased fertilizers		–	33,683
		144,087	258,094
21. TRADE DEBTS			
Considered good:			
Secured		226,537	480,249
Unsecured	21.1	30,349	15,680
		256,886	495,929
Considered doubtful		1,758	1,758
		258,644	497,687
Provision for doubtful debts		(1,758)	(1,758)
		256,886	495,929

21.1 This includes Rs 1,552 thousand (2008: Rs 672 thousand) due from Fauji Foundation, an associated undertaking.

	Note	2009	2008
		(Rupees '000)	
22. LOANS AND ADVANCES			
Current portion of long term loans and advances	17	79,524	38,075
Loans and advances–unsecured			
– Executives		37,072	22,212
– Others		7,870	5,801
Advances to suppliers – considered good		5,753	70,856
		130,219	136,944
23. DEPOSITS AND PREPAYMENTS			
Deposits		1,110	55,048
Prepayments		36,543	52,321
		37,653	107,369

Notes to the Financial Statements
for the year ended December 31, 2009

	Note	2009	2008
		(Rupees '000)	
24. OTHER RECEIVABLES			
Accrued income on investments and bank deposits		48,067	62,033
Sales tax receivable		41,357	42,447
Advance tax	24.1	322,368	322,368
Receivable from Workers' Profit Participation Fund – unsecured	24.2	51,058	673,236
Receivable from FFC Energy Limited (a wholly owned project) – Unsecured		88,802	–
Other receivables – considered good		182,410	133,395
– considered doubtful		2,232	2,232
		184,642	135,627
Provision for doubtful receivables		(2,232)	(2,232)
		182,410	133,395
		734,062	1,233,479

24.1 This represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. The Company intends to adjust the remaining amount after finalisation of pending re–assessments by the taxation authorities.

	2009	2008
	(Rupees '000)	
24.2 Workers' Profit Participation Fund		
Balance at beginning of the year	50,950	(426,954)
Allocation for the year	(700,966)	(539,048)
Receipt from fund during the year	(50,952)	–
Payment to fund during the year	750,000	1,016,952
	49,032	50,950

24.2.1 This includes Rs 2,026 thousand (2008 : Rs 622,286 thousand) which represents amount paid to WPPF in prior years' in excess of the Company's obligation and profit earned thereon. During the year, the Company has received Rs 620,260 thousand worth of investment and cash.

	Note	2009	2008
		(Rupees '000)	
25. SHORT TERM INVESTMENTS			
Term deposits with banks and financial institutions			
Available for sale			
Local currency (Net of provision for doubtful recovery			
Rs 9,750 thousand (2008: Rs 13,000 thousand)	25.1	4,850,000	1,875,000
Foreign currency	25.1	1,081,360	1,033,936
		5,931,360	2,908,936
Investments at fair value through profit or loss – Held for trading			
Meezan Balanced Fund		61,000	39,700
National Investment Trust		546,031	84,069
AMZ Plus Income Fund		96,391	417,011
Current maturity of long term investments			
Available for sale	16	133,786	61,847
		6,768,568	3,511,563

25.1 These represent investments having maturities ranging between 1 to 6 months.

Notes to the Financial Statements
for the year ended December 31, 2009

	2009	2008
	(Rupees '000)	
26. CASH AND BANK BALANCES		
At banks:		
Deposit accounts:		
Local currency	3,807,471	761,381
Foreign currency	16,075	22,676
	3,823,546	784,057
Drafts in hand and in transit	24,384	146,331
Cash in hand	1,418	1,477
	3,849,348	931,865

Balances with banks include Rs 128,072 thousand (2008: Rs 113,895 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 15,000 thousand (2008: Rs 15,000 thousand) under lien of a bank, against a guarantee issued on behalf of the Company intends to adjust the remaining amount after finalisation of pending re–assessments by the taxation authorities.

27. SALES

Sales include Rs 1,662,247 thousand (2008: Rs 3,402,916 thousand) in respect of sale of purchased fertilizers and are exclusive of trade allowances and sales tax of Rs 929,768 thousand and Rs 1 thousand respectively (2008: Rs 507,945 thousand and Rs 1,089,587 thousand respectively).

Notes to the Financial Statements
for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
28.	COST OF SALES			
	Raw materials consumed		7,509,129	6,349,067
	Fuel and power		5,163,657	4,269,216
	Chemicals and supplies		228,213	220,369
	Salaries, wages and benefits		2,679,390	2,035,064
	Training and employees welfare		448,339	361,681
	Rent, rates and taxes	28.1	23,963	16,014
	Insurance		137,125	102,610
	Travel and conveyance	28.1	210,244	144,937
	Repairs and maintenance (includes stores and spares consumed of Rs 640,622 thousand; (2008: Rs 546,964 thousand)	28.2	925,437	792,482
	Depreciation	14.1	1,054,220	870,170
	Communication and other expenses		775,398	585,460
	Opening stock – work in process		44,699	16,319
	Closing stock – work in process		(37,186)	(44,699)
	Cost of goods manufactured		19,162,628	15,718,690
	Opening stock of manufactured urea		66,842	164,714
	Closing stock of manufactured urea		(73,353)	(66,842)
			(6,511)	97,872
	Cost of sales – own manufactured urea		19,156,117	15,816,562
	Opening stock of purchased fertilizers		33,683	395,453
	Purchase of fertilizers for resale	28.3	1,325,244	2,056,360
			1,358,927	2,451,813
	Closing stock of purchased fertilizers		–	(33,683)
	Cost of sales – purchased fertilizers		1,358,927	2,418,130
			20,515,044	18,234,692

28.1 These include operating lease rentals amounting to Rs 88,018 thousand (2008: Rs 59,035 thousand).

28.2 This includes provision for slow moving and surplus spares amounting to Rs 43,477 thousand (2008: Rs 21,438 thousand).

28.3 Cost of purchased fertilizer is net of subsidy of Rs Nil per bag (2008: Rs 470 per bag) on potassic and phosphatic fertilizers as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan.

Notes to the Financial Statements
for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
29.	DISTRIBUTION COST			
	Product transportation		2,177,692	1,839,129
	Salaries, wages and benefits		698,165	547,765
	Training and employees welfare		36,740	29,222
	Rent, rates and taxes	29.1	51,703	52,016
	Insurance		167	581
	Technical services to farmers		6,231	5,857
	Travel and conveyance	29.1	78,178	77,058
	Sale promotion and advertising		33,414	36,269
	Communication and other expenses		58,851	43,077
	Warehousing expenses		18,564	22,458
	Depreciation	14.1	14,800	15,139
			3,174,505	2,668,571

29.1 These include operating lease rentals amounting to Rs 71,525 thousand (2008: Rs 69,150 thousand)

		2009	2008
		(Rupees '000)	
30.	FINANCE COST		
	Mark–up on long term borrowings	852,952	507,925
	Mark up on short term borrowings	82,131	110,807
	Exchange loss	–	68,070
	Bank and other charges	9,864	8,569
		944,947	695,371

Borrowing cost capitalised during the year amounted to Rs Nil (2008 : Rs 131,969 thousand) at an average rate of Nil per annum (2008: 12.8% per annum).

		2009	2008
		(Rupees '000)	
31.	OTHER EXPENSES		
	Research and development	308,334	153,773
	Workers' Profit Participation Fund	700,966	539,048
	Workers' Welfare Fund	261,144	200,822
	Auditors' remuneration		
	Audit fee	1,234	1,234
	Fee for half yearly review, audit of consolidated accounts and certifications for Government and related agencies	670	670
	Out of pocket expenses	100	100
		1,272,448	895,647

Notes to the Financial Statements
for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
32.	OTHER INCOME			
	Income from financial assets			
	Income on loans, deposits and investments		477,360	331,826
	Gain / (loss) on re–measurement of investments at fair value			
	through profit or loss – Held for trading		179,064	(181,711)
	Dividend income		101,228	125,638
	Loss on disposal of investments at fair value			
	through profit or loss – Held for trading		–	(27,517)
	Exchange gain		68,527	240,792
	Income from subsidiary			
	Commission on sale of FFBL products		26,717	20,080
	Dividend from FFBL		1,900,932	760,373
	Income from non–financial assets			
	Gain on sale of property, plant and equipment		11,176	8,923
	Other income			
	Scrap sales		22,839	28,900
	Workers' Profit Participation Fund	24.2	–	622,286
	Others		13,144	12,968
			2,800,987	1,942,558
33.	TAXATION			
	Provision for taxation – current year		3,642,111	3,319,000
	– prior year		–	99,000
	Deferred		592,000	98,000
			4,234,111	3,516,000
33.1	Reconciliation of tax charge for the year			
	Profit before taxation		13,057,217	10,041,083
			%	%
	Reconciliation of tax charge for the year			
	Applicable tax rate		35.00	35.00
	Add: Tax effect of amounts that are not			
	deductible for tax purposes		1.51	2.13
	Less: Tax effect of amounts taxed at lower rates		(3.83)	(1.99)
	Tax effect of rebates and tax credit		(0.26)	(0.12)
	Average effective tax rate charged on income		32.42	35.02

Notes to the Financial Statements
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		2009	2008
34.	**EARNINGS PER SHARE**		
	Net profit after tax (Rupees '000)	8,823,106	6,525,083
	Weighted average number of shares in issue during the year ('000)	678,527	678,527
	Basic and diluted earnings per share (Rupees)	13.00	9.62

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

Number of shares in issue during the year 2008 have been restated for the effect of bonus shares issued during 2009.

35. **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Company are given below:

	2009		2008	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	3,717	664,772	3,108	624,558
Contribution to provident fund	221	41,767	196	32,568
Bonus and other awards	1,225	–	2,657	108,611
Good performance award	–	712,652	424	327,942
Others	2,782	450,361	2,045	207,153
Total	7,945	1,869,552	8,430	1,300,832
No. of person(s)	1	378	1	322

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the chief executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Rs 1,739 thousand (2008 Rs Nil) were paid to the ex–chief executive on separation on account of gratuity. Leave encashment of Rs 1,830 thousand (2008: Rs Nil) and Rs 8,470 thousand (2008 Rs 2,227 thousand) were paid to the chief executive and executives respectively on separation, in accordance with the Company's policy.

In addition, 13 (2008: 12) directors were paid aggregate fee of Rs 1,260 thousand (2008: Rs 650 thousand).

Notes to the Financial Statements
for the year ended December 31, 2009

		2009	2008
		(Rupees '000)	
36.	CASH GENERATED FROM OPERATIONS		
	Net profit before taxation	13,057,217	10,041,083
	Adjustments for:		
	Depreciation	1,069,020	885,309
	Provision for slow moving and surplus spares	43,447	21,438
	Provision for gratuity	70,493	52,447
	Provision for pension	71,591	41,129
	Provision for Worker's Profit Participation Fund	700,966	539,048
	Provision for Worker's Welfare Fund	261,144	200,822
	Finance cost	944,947	695,371
	Income on loans, deposits and investments	(477,360)	(331,826)
	Gain on sale of property, plant and equipment	(11,176)	(8,923)
	Exchange gain – net	(68,527)	(239,930)
	(Gain) / loss on re–measurement of investments at fair value through profit or loss	(179,064)	181,711
	Dividend income	(2,002,160)	(886,011)
		423,321	1,150,585
		13,480,538	11,191,668
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	(5,812)	(647,718)
	Stock in trade	114,007	384,742
	Trade debts	239,043	1,226,673
	Loans and advances	6,725	(53,027)
	Deposits and prepayments	69,716	(73,704)
	Other receivables	401,862	377,474
	Increase in current liabilities:		
	Trade and other payables	360,157	681,104
		1,185,698	1,895,544
	Changes in long term loans and advances	(174,439)	(20,320)
	Changes in long term deposits and prepayments	(4,781)	620
		14,487,016	13,067,512
36.1	Cash flows from operating activities (Direct Method)		
	Cash receipts from customers – net	39,838,695	34,451,487
	Cash paid to suppliers / service providers and employees	(25,351,679)	(21,383,975)
	Payment to gratuity fund	(74,715)	(50,327)
	Payment to pension fund	(78,963)	(44,530)
	Payment to Workers' Welfare Fund	(200,821)	(151,813)
	Payment to Workers' Profit Participation Fund – net	(617,377)	(1,016,952)
	Finance cost paid	(992,188)	(685,231)
	Income tax paid	(3,603,877)	(2,952,745)
		8,919,075	8,165,914
37.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	3,849,348	931,865
	Short term running finance	(6,088,348)	(3,114,000)
	Short term highly liquid investments	4,335,060	2,922,064
		2,096,060	739,929

Notes to the Financial Statements
for the year ended December 31, 2009

38. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse 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.

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

	2009	2008
	(Rupees '000)	
Investments	903,059	848,371
Loans and advances	462,007	229,190
Deposits	7,197	56,572
Trade debts – net of provision	256,886	495,929
Other receivables	370,337	868,664
Short term investments	6,634,782	3,449,716
Bank balances	3,847,930	930,388
	12,482,198	6,878,830

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the country .

The Company's most significant amount receivable is from a bank which amounts to Rs 2,000,000 thousand (2008: Rs 500,000 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts are secured against letter of guarantee. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counterparties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts.

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

Notes to the Financial Statements
for the year ended December 31, 2009

Impairment losses

The aging of trade debts at the reporting date was:

	2009		2008	
	Gross	Impairment	Grosss	Impairment
	(Rupees '000)			
Not yet due	30,349	–	15,680	–
Past due 1–30 days	59,500	–	38,036	–
Past due 31–60 days	67,227	–	97,017	–
Past due 61–90 days	50,059	–	164,537	–
Over 90 days	51,509	1,758	182,417	1,758
	258,644	1,758	497,687	1,758

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts.

The Company has recorded an impairment loss of Rs 9,750 thousand (2008 : Rs 13,000 thousand) in respect of its investment in available–for–sale investments.

38.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Company maintain lines of credit as mentioned in note 12 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2009	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
	(Rupees '000)						
Long term borrowings	6,378,214	8,005,196	1,504,106	970,108	2,861,761	2,487,451	181,770
Trade and other payables	5,154,235	5,154,235	5,154,235	–	–	–	–
Mark – up accrued	147,329	147,329	147,329	–	–	–	–
Short term borrowings	6,088,348	6,101,799	6,101,799	–	–	–	–
	17,768,126	19,408,559	12,907,469	970,108	2,861,761	2,487,451	181,770

2008	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
	(Rupees '000)						
Long term borrowings	6,121,250	8,516,340	692,276	867,768	2,436,014	3,947,200	573,082
Trade and other payables	3,696,443	3,696,443	3,696,443	–	–	–	–
Mark – up accrued	194,570	194,570	194,570	–	–	–	–
Short term borrowings	3,114,000	3,121,223	3,121,223	–	–	–	–
	13,126,263	15,528,576	7,704,512	867,768	2,436,014	3,947,200	573,082

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Notes to the Financial Statements
for the year ended December 31, 2009

38.2.1 The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark–up rates have been disclosed in notes 7 and 12 to these financial statements.

38.3 Market risk

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

38.3.1 Currency risk

Exposure to Currency Risk

The Company is exposed to currency risk on bank balance and investments which is denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2009		2008	
	(Rupees '000)	(US Dollar '000)	(Rupees '000)	(US Dollar '000)
Bank balance	16,075	191	22,676	286
Investments (Term Deposit Receipts)	1,081,360	12,842	1,033,936	13,086

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2009	2008	2009	2008
US Dollars	81.57	71.92	84.20	79.01

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have decreased profit and loss by Rs 109,743 thousand (2008 : Rs 105,661 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.

38.3.2 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 and long term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate risk profile of the Company's interest bearing financial instruments is:

	Carrying Amount	
	2009	2008
	(Rupees '000)	
Fixed rate instruments		
Financial assets	10,657,965	4,541,364
Variable rate instruments		
Financial liabilities	12,466,562	9,235,250

Fair value sensitivity analysis for fixed rate instruments

The Company does not hold any financial asset or liability at fair value through profit and loss.

Notes to the Financial Statements
for the year ended December 31, 2009

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss 100 basis points increase	Profit or loss 100 basis points decrease
	(Rupees '000)	
December 31, 2009		
Cash flow sensitivity – Variable rate instruments	(64,366)	64,366
	(64,366)	64,366
December 31, 2008		
Cash flow sensitivity – Variable rate instruments	(50,704)	50,704
	(50,704)	50,704

38.4 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	December 31, 2009 Carrying amount	December 31, 2009 Fair value	December 31, 2008 Carrying amount	December 31, 2008 Fair value
			(Rupees '000)		
Assets carried at amortized cost					
Loans and advances	17 & 22	462,007	462,007	229,190	229,190
Deposits	18 & 23	7,197	7,197	56,572	56,572
Trade debts – net of provision	21	256,886	256,886	495,929	495,929
Other receivables	24	370,337	370,337	868,664	868,664
Cash and bank balances	26	3,847,930	3,847,930	930,388	930,388
		4,944,357	4,944,357	2,580,743	2,580,743
Assets carried at fair value					
Long term investments	16	903,059	903,059	848,371	848,371
Short term investments	25	6,634,782	6,634,782	3,449,716	3,449,716
		7,537,841	7,537,841	4,298,087	4,298,087
Liabilities carried at amortized cost					
Long term borrowings	7	6,378,214	6,378,214	6,121,250	6,121,250
Trade and other payables	9	5,154,235	5,154,235	3,696,443	3,696,443
Mark – up accrued	11	147,329	147,329	194,570	194,570
Short term borrowings	12	6,088,348	6,088,348	3,114,000	3,114,000
		17,768,126	17,768,126	13,126,263	13,126,263

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 change in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument, 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).

Notes to the Financial Statements
for the year ended December 31, 2009

	Level 1	Level 2 (Rupees '000)	Level 3
December 31, 2009			
Assets carried at fair value			
Available for sale investments	145,493	6,688,926	–
Investments at fair value through profit and loss account	703,422	–	–
	848,915	6,688,926	–
December 31, 2008			
Assets carried at fair value			
Available for sale investments	47,453	3,709,854	–
Investments at fair value through profit and loss account	540,780	–	–
	588,233	3,709,854	–

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

38.5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non–financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss account – held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Investment in associate and subsidiary

The fair value of investment in associate and subsidiary is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non – derivative financial assets

The fair value of non–derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non–derivative financial liabilities

Fair value, 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.

38.6 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

Notes to the Financial Statements
for the year ended December 31, 2009

39. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2008: 44.35%) shares of the Company at the year–end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Pakistan Maroc Phosphore is also a related party of the Company due to common directorship. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 17, 22 and 35 to the financial statements respectively.

	2009	2008
	(Rupees '000)	
Transactions with subsidiary company		
Marketing of fertilizer on behalf of subsidiary company under sale on consignment basis	514,854	313,494
Commission on sale of subsidiary company's products	26,717	20,080
Services and materials provided	49,207	26,197
Services and materials received	3,170	1,535
Dividend income	1,900,932	760,373
Balance payable at the year end–unsecured	161,203	413,529
Transactions with associated undertaking / companies due to common directorship		
Long term investment	–	1,500,000
Sale of fertilizer	2,832	2,201
Medical services	95	7
Office rent	3,572	3,266
Dividend paid	2,670,041	3,063,981
Purchase of gas as feed and fuel stock	11,600,090	9,501,499
Others	3,260	3,324
Technical services received	29,888	25,983
Balance receivable at the year end - unsecured (included in note 24)	88,831	29
Balance payable at the year end - unsecured	542,211	474,808
Other related parties		
Payments to:		
Employees' Provident Fund Trust	196,501	161,516
Employees' Gratuity Fund Trust	74,715	50,327
Employees' Pension Fund Trust	78,963	44,530
Others:		
Transactions with Workers' Profit Participation Fund (WPPF)	78,788	1,016,952
Balances (payable) / receivable at the year end - unsecured	(616,225)	62,054

Notes to the Financial Statements
for the year ended December 31, 2009

40. POST BALANCE SHEET EVENT

The Board of Directors in their meeting held on January 28, 2010 have proposed a final dividend of Rs 3.25 per share.

41. GENERAL

41.1 Production capacity	2009	2008
	(Tonnes '000)	
Design capacity - Weighted average 2,048 (2008: 1,915)	2,048	2,048
Production	2,464	2,322

41.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 40,000 thousand and Rs 7,350,000 thousand (2008: Rs 40,000 thousand and Rs 8,613,000 thousand) respectively are available to the Company against lien on shipping / title documents and charge on assets of the Company.

41.3 Donations aggregating Rs 95,536 thousand i.e, 1.08% of net profit (2008: Rs 35,895 thousand i.e, 0.55% of net profit), included under cost of sales and distribution cost do not include any amount paid to any person or organisation in which the chief executive, directors or their spouses had any interest.

41.4 These financial statements have been authorised for issue by the Board of Directors of the Company on January 28, 2010.

Chairman	Chief Executive	Director

Consolidated Financial **Statements**

FFC FAUJI FERTILIZER COMPANY LIMITED

Auditors' Report to
the Members of Fauji Fertilizer Company Limited

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Fauji Fertilizer Company Limited ("the Company") as at December 31, 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements are responsibility of the Company's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of Fauji Fertilizer Company Limited as at December 31, 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Islamabad
January 28, 2010

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner
Muhammad Rehan Chughtai

Consolidated Balance Sheet
as at December 31, 2009

	Note	2009	2008
		(Rupees '000)	
EQUITY AND LIABILITIES			
ATTRIBUTABLE TO EQUITY HOLDERS OF FAUJI FERTILIZER COMPANY LIMITED			
Share capital	4	6,785,271	4,934,742
Capital reserves	5	986,735	853,594
Revenue reserves	6	6,326,661	7,470,754
		14,098,667	13,259,090
NON - CONTROLLING INTERESTS		5,237,334	5,151,378
TOTAL EQUITY		19,336,001	18,410,468
NON - CURRENT LIABILITIES			
Long term borrowings	7	9,344,023	11,247,252
Deferred liabilities	8	7,104,562	6,640,243
		16,448,585	17,887,495
CURRENT LIABILITIES			
Trade and other payables	9	14,506,047	11,825,359
Interest and mark – up accrued	11	257,652	788,156
Short term borrowings	12	13,818,798	21,371,082
Current portion of long term:			
– Borrowings	7.1	2,216,349	1,159,980
– Murabaha	7.2	38,679	38,679
– Loans	7.3	648,201	648,201
Taxation – net		2,903,411	1,778,671
		34,389,137	37,610,128
		70,173,723	73,908,091
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

	Note	2009	2008
		(Rupees '000)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	14	29,570,418	28,577,917
Goodwill	15	1,569,234	1,569,234
Equity accounted investments	16.1	4,735,980	5,024,447
Other long term investments	16.2	769,273	786,525
Long term loans and advances	17	337,541	163,102
Long term deposits and prepayments	18	82,851	16,752
		37,065,297	36,137,977
CURRENT ASSETS			
Stores, spares and loose tools	19	4,846,427	4,456,835
Stock in trade	20	1,371,100	5,934,833
Trade debts	21	733,614	781,383
Loans and advances	22	241,572	201,581
Deposits and prepayments	23	42,460	112,245
Other receivables	24	948,370	13,898,285
Short term investments	25	11,427,504	3,511,563
Cash and bank balances	26	13,497,379	8,873,389
		33,108,426	37,770,114
		70,173,723	73,908,091

Chairman	Chief Executive	Director

Consolidated Profit and Loss Account
for the year ended December 31, 2009

	Note	2009	2008
		(Rupees '000)	
Sales	27	72,914,811	57,433,698
Cost of sales	28	47,574,610	36,829,444
GROSS PROFIT		25,340,201	20,604,254
Administrative expenses and distribution cost	29	5,810,394	4,651,800
		19,529,807	15,952,454
Finance cost	30	2,336,211	3,246,550
Other expenses	31	1,715,140	1,460,163
		15,478,456	11,245,741
Other income	32	1,759,916	2,307,641
Share of (loss) / profit of joint venture, net of profit of associate		(377,381)	248,774
NET PROFIT BEFORE TAXATION		16,860,991	13,802,156
Provision for taxation	33	6,262,485	5,032,809
NET PROFIT AFTER TAXATION		10,598,506	8,769,347
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		8,738,749	7,344,923
Non – controlling interests		1,859,757	1,424,424
		10,598,506	8,769,347

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman | Chief Executive | Director

Consolidated Statement of Comprehensive Income
for the year ended December 31, 2009

	2009	2008
	(Rupees '000)	
Net profit after taxation	10,598,506	8,769,347
Other comprehensive income for the year		
Exchange difference on translating foreign investment	188,409	858,598
Surplus / (deficit) on remeasurement to fair value of investments available for sale	41,953	(90,906)
	230,362	767,692
Income tax relating to component of other comprehensive income	(11,862)	29,631
Other comprehensive income for the year – net of tax	218,500	797,323
Total comprehensive income for the year	10,817,006	9,566,670
ATTRIBUTABLE TO:		
Equity holders of Fauji Fertilizer Company Limited	8,895,545	7,861,058
Non – controlling interests	1,921,461	1,705,612
	10,817,006	9,566,670

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman

Chief Executive

Director

Consolidated Cash Flow Statement
for the year ended December 31, 2009

	Note	2009	2008
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	38,395,733	6,022,344
Finance cost paid		(2,798,602)	(1,793,388)
Income tax paid		(4,717,020)	(4,055,963)
Payment to pension fund		(78,963)	(44,530)
Payment to gratuity fund		(102,417)	(68,277)
Payment to Workers' Welfare Fund		(288,919)	(151,813)
Payment to Workers' Profit Participation Fund		(896,267)	(1,235,021)
Compensated absences paid		(181,991)	(64,275)
		(9,064,179)	(7,413,267)
Net cash generated from / (used in) operating activities		29,331,554	(1,390,923)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,300,202)	(4,073,778)
Proceeds from sale of property, plant and equipment		22,605	18,353
Dividend received from PMP		95,389	–
Interest received		1,024,152	937,287
Investment in Fauji Cement Company Limited		–	(1,800,000)
Dividend received		214,932	37,143
Increase in investments		(1,265,063)	2,852,531
Net cash used in investing activities		(3,208,187)	(2,028,464)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing – disbursements		1,000,000	3,450,000
– repayments		(1,159,980)	(1,439,444)
Long term murabaha – repayments		(38,679)	(38,679)
Finance lease paid		–	(2,931,081)
Short term borrowings		–	(2,651)
Dividends paid		(7,936,309)	(8,016,113)
Net cash used in financing activities		(8,134,968)	(8,977,968)
Net increase / (decrease) in cash and cash equivalents		17,988,399	(12,397,355)
Cash and cash equivalents at beginning of the year		(9,575,629)	2,819,490
Effect of exchange rate changes		871	2,236
Cash and cash equivalents at end of the year	35	8,413,641	(9,575,629)

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman | Chief Executive | Director

Consolidated Statement of Changes in Equity
for the year ended December 31, 2009

	Attributable to equity holders of Fauji Fertilizer Company Limited							Non – controlling interests	Total
		Capital reserves			Revenue reserves				
	Share capital	Capital reserve	Translation reserve	Statutory reserve	(Deficit) /Surplus on remeasurement of available for sale investments to fair value	General reserve	Unappropriated profit		
	(Rupees '000)								
Balance at January 01, 2008	4,934,742	276,184	–	–	38,154	5,940,000	1,117,592	4,179,969	16,486,641
Transfer from general reserve	–	–	–	–	–	(100,000)	100,000	–	–
Total comprehensive income for the year									
Profit for the year after taxation	–	–	–	–	–	–	7,344,923	1,424,424	8,769,347
Other comprehensive income									
Total other comprehensive income for the year	–	–	577,410	–	(61,275)	–	–	281,188	797,323
Total comprehensive income for the year – net of tax	–	–	577,410	–	(61,275)	–	7,344,923	1,705,612	9,566,670
Distribution to owners									
FFC dividends:									
Final dividend 2007: Rs 3.50 per share	–	–	–	–	–	–	(1,727,160)	–	(1,727,160)
First interim dividend 2008: Rs 3.50 per share	–	–	–	–	–	–	(1,727,160)	–	(1,727,160)
Second interim 2008: Rs 3.00 per share	–	–	–	–	–	–	(1,480,423)	–	(1,480,423)
Third interim 2008: Rs 4.00 per share	–	–	–	–	–	–	(1,973,897)	–	(1,973,897)
Dividend to FFBL non – controlling interest holders									
Final dividend 2007: Rs 1.00 per share	–	–	–	–	–	–	–	(458,877)	(458,877)
First interim dividend 2008: Rs 0.60 per share	–	–	–	–	–	–	–	(275,326)	(275,326)
Total transactions with owners	–	–	–	–	–	–	(6,908,640)	(734,203)	(7,642,843)
Balance as at December 31, 2008	**4,934,742**	**276,184**	**577,410**	**–**	**(23,121)**	**5,840,000**	**1,653,875**	**5,151,378**	**18,410,468**
Balance at January 01, 2009	4,934,742	276,184	577,410	–	(23,121)	5,840,000	1,653,875	5,151,378	18,410,468
Transfer from general reserve	–	–	–	–	–	(250,000)	250,000	–	–
Transfer to statutory reserve by a joint venture	–	–	–	6,436	–	–	(6,436)	–	–
Total comprehensive income for the year									
Profit for the year after taxation	–	–	–	–	–	–	8,738,749	1,859,757	10,598,506
Other comprehensive income									
Total other comprehensive income for the year	–	–	126,705	–	30,091	–	–	61,704	218,500
Total comprehensive income for the year – net of tax	–	–	126,705	–	30,091	–	8,738,749	1,921,461	10,817,006
Distribution to owners									
FFC dividends:									
Final dividend 2008: Rs 3.25 per share	–	–	–	–	–	–	(1,603,791)	–	(1,603,791)
First interim dividend 2009: Rs 4.30 per share	–	–	–	–	–	–	(2,652,424)	–	(2,652,424)
Second interim dividend 2009: Rs 2.60 per share	–	–	–	–	–	–	(1,764,171)	–	(1,764,171)
Third interim dividend 2009: Rs 3.00 per share	–	–	–	–	–	–	(2,035,582)	–	(2,035,582)
Bonus shares issued	1,850,529	–	–	–	–	(1,850,529)	–	–	–
Dividend to FFBL non – controlling interest holders									
Final dividend 2008: Rs 2.25 per share	–	–	–	–	–	–	–	(1,032,472)	(1,032,472)
First interim dividend 2009: Rs 0.50 per share	–	–	–	–	–	–	–	(229,438)	(229,438)
Second interim dividend 2009: Rs 1.25 per share	–	–	–	–	–	–	–	(573,595)	(573,595)
Total transactions with owners	1,850,529	–	–	–	–	(1,850,529)	(8,055,968)	(1,835,505)	(9,891,473)
Balance as at December 31, 2009	**6,785,271**	**276,184**	**704,115**	**6,436**	**6,970**	**3,739,471**	**2,580,220**	**5,237,334**	**19,336,001**

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman

Chief Executive

Director

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Company Limited (FFC / parent company) and its subsidiary, Fauji Fertilizer Bin Qasim Limited (FFBL) are incorporated in Pakistan as public limited companies and their shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered offices of the companies are situated in Rawalpindi, Pakistan. FFC and FFBL are domiciled in Rawalpindi. The principal activity of FFC and its subsidiary is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical and other manufacturing operations. FFC and FFBL are collectively referred to as ("the Group companies") in these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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 retirement gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets and unrecognised actuarial losses. The identifiable assets and liabilities of Pak Saudi Fertilizers Limited (PSFL) have been measured at their fair value on acquisition.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Group company's functional currency. All financial information presented in Pak Rupee have been rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

2.5 Changes in accounting policies

The Group companies has changed their accounting policies in the following areas:

- Presentation of financial statements; and
- Disclosure of financial instruments

(i) The Group companies apply revised IAS 1 "Presentation of Financial Statements", which became effective from January 01, 2009. Accordingly all changes in owners equity are presented in the statement of changes in equity, whereas all non – owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earnings per share.

(ii) The Group companies apply IFRS 7 "Financial Instruments: Disclosures", which became effective from annual periods beginning on or after 01 July 2008. As a result, these consolidated financial statements disclose all the requirements of this standard with respect to financial instruments risk exposure, risk management policies and other related disclosures.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

Comparative information have also been disclosed in conformity with this standard. Since the change in accounting policy results in increased disclosures on financial instruments, there is no impact on earnings per share.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by associated and jointly control companies except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of FFC and its subsidiary, FFBL with 50.88% holding (2008: 50.88%) ("the Group companies/FFC and FFBL").

Subsidiaries

Subsidiaries are those enterprises in which parent company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investment held by the parent company is eliminated against parent company's share in paid up capital of the subsidiary.

Material intra – group balances and transactions have been eliminated.

Minority interests are that part of net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

Investments in associates and jointly control entities (equity accounted investees)

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group companies investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group companies share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group companies, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group companies share of losses exceeds their interest in an equity accounted investee, the carrying amount of that interest (including any long – term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group companies have an obligation or have made payments on behalf of the investee.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group companies 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.

3.2 Retirement benefits

FFC and FFBL operate the following retirement benefit schemes:

Funded gratuity scheme

Defined benefit funded gratuity for all eligible employees who complete qualifying period of service and age.

Contributory Provident Fund

Defined contributory provident fund for all eligible employees for which contributions are charged to profit and loss account.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

Funded Pension Scheme

FFC has defined benefit funded pension for eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 10 to the consolidated financial statements. All contributions are charged to profit and loss account for the year. Actuarial gains/ losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised over the average remaining service life of the employees.

Calculation of gratuity and pension require assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long – term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

Compensated absences

The Group companies have the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the consolidated financial statements.

3.3 Taxation

Current

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Provision for current taxation is based on taxable income at the applicable rate of taxation after taking into account tax credits and tax rebates, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised 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 realised.

Deferred tax is not recognised 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, and differences relating to investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The Group companies take into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group companies view differ from the income tax department at the assessment stage and where the Group companies consider that their view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3.4 Property, plant and equipment and capital work in progress

Property, plant and equipment including those acquired on PSFL acquisition, are stated at cost less accumulated depreciation except for freehold land and capital work in progress, which are stated at cost less impairment, if any. Cost comprises acquisition and other directly attributable costs. Property, plant and equipment acquired on PSFL acquisition are stated at their cost to FFC, which represents their fair value on acquisition, less accumulated depreciation.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

Depreciation is provided on the straight – line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 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.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group companies and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

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

3.5 Impairment

The carrying amount of the Group companies assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the profit and loss account. 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 amortisation, if no impairment loss had been recognised. For non – financial assets and available for sale financial assets that are debt securities, the reversal is recognised in profit and loss account. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

3.6 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognised as goodwill and thereafter tested for impairment annually. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

3.7 Investments

3.7.1 Investments available for sale

These are initially recognised at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to equity until disposal at which time these are recycled to profit and loss account.

3.7.2 Investments at fair value through profit or loss – Held for trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account.

3.7.3 Acquisition under common control

Acquisition under common control of the shareholder are initially recognised using a fair value accounting basis applying the requirements of IFRS 3 "Business Combinations". All the acquisitions under common control are accounted for from the year in which the acquisition takes place without restating the Group companies (acquirer) comparative financial statements.

3.7.4 Loans and receivables

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

The Group companies recognise the regular way purchase or sale of financial assets using settlement date accounting.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

3.8 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realisable value less impairment. The Group companies review the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Impairment is also made for slow moving and/or items identified as surplus to the Group companies' requirement.

3.9 Stock in trade

Stocks are valued at the lower of cost and net realisable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost and directly attributable expenses
Work in process and finished goods	at weighted average cost of purchase, raw materials and related manufacturing expenses

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

The Group companies review the carrying amount of stock in trade and stores, spares and loose tools (note 3.8) on a regular basis and as appropriate inventory is written down to its net realisable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory.

3.10 Foreign currencies

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 balance sheet 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 the transactions. Exchange differences are included in profit and loss account for the year.

Investment in foreign joint venture

The results and financial position of joint venture that have a functional currency different from Pak Rupees are translated into Pak Rupees as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
– income and expense are translated at the average exchange rates for the period.
– share capital is translated at historical exchange rate.

All resulting exchange differences are recognised in other comprehensive income within statement of comprehensive income. The Group companies have been recognising such differences in translation reserve over the years. When a foreign investment is sold, in part or in full, the relevant amount in the translation reserve is transferred to profit and loss account as part of the profit or loss on sale.

3.11 Revenue recognition

Sales revenue is recognised when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts. Scrap sales and miscellaneous receipts are recognised on realised amounts.

3.12 Mark – up bearing borrowings

Mark – up bearing borrowings are recognised initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark – up bearing borrowings are stated at original cost less subsequent repayments.

3.13 Government compensation

FFBL recognises Government compensation received in lieu of the Fertilizer Policy, 1989 as income subject to compliance with the related conditions.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

3.14 Fertilizer subsidy for farmers

Subsidy on potassic and phosphatic fertilizers announced by the GOP for farmers is recognised in the profit and loss account by adjusting the amount of subsidy against the related cost of purchase/production on a systematic basis in the same period in which these costs are incurred.

3.15 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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.

3.16 Research and development costs

Research and development costs are charged to income as and when incurred.

3.17 Provisions

Provisions are recognised when the Group companies have a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre – tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.18 Dividend and reserve appropriation

Dividend is recognised as a liability in the period in which it is declared. Movement in reserves is recognised in the year in which it is approved.

3.19 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term running finances and other short term highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change in value.

3.20 Operating leases

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the term of the relevant lease.

3.21 Financial Instruments

Financial assets and financial liabilities are recognised when the Group companies become a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortised cost respectively. The Group companies derecognise the financial assets and liabilities when they cease to be a party to such contractual provisions of the instruments. The Group companies recognise the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

b) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount/cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

c) Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group companies have a legally enforceable right to set-off the recognised amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

3.22 Finance income and finance costs

Finance income comprises interest income on funds invested (including available for sale financial assets), dividend income, gains on the disposal of available for sale financial assets and changes in the fair value of investments held for trading. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group companies right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

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

3.23 New accounting standards and IFRIC interpretations that are not yet effective

"The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Group companies current operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures:

– Revised IFRS 3 Business Combinations	(effective 01 July 2009)
– Amended IAS 27 Consolidated and Separate Financial Statements	(effective 01 July 2009)
– Amendments to IFRS 5 – Non – current Assets Held for Sale and Discontinued Operations	(effective 01 July 2009)
– Amendments to IAS 39 Financial Instruments: Recognition and Measurement –	
Eligible hedged Items	(effective 01 July 2009)
– IFRIC 17 – Distributions of Non – cash Assets to Owners	(effective 01 July 2009)
– Amendments to IFRS 2 Share – based payments and IFRS 3 Business Combinations	(effective 01 July 2009)
– Amendments to IAS 38 Intangible Assets	(effective 01 July 2009)
– Amendments to IFRIC 9 Reassessment of Embedded Derivatives	(effective 01 July 2009)
– Amendments to IFRIC 16 Hedges of a Net Investment in a Foreign Operation	(effective 01 July 2009)
– Amendments to IFRS 5 Non – current Assets Held for Sale and Discontinued Operations	(effective 01 January 2010)
– Amendments to IFRS 8 Operating Segments	(effective 01 January 2010)
– Amendments to IAS 1 Presentation of Financial Statements	(effective 01 January 2010)
– Amendments to IAS 7 Statement of Cash Flows	(effective 01 January 2010)
– Amendments to IAS 17 Leases	(effective 01 January 2010)
– Amendments to IAS 36 Impairment of Assets	(effective 01 January 2010)
– Amendments to IAS 39 Financial Instruments	(effective 01 January 2010)
– Amendments to IFRS 1 First – time Adoption of International	
Financial Reporting Standards – Additional Exemptions for First – time Adopters	(effective 01 January 2010)
– Amendments to IFRS 2 Share – based Payment – Group Cash – settled Share – based	
Payment Transactions	(effective 01 January 2010)
– Amendment to IAS 32 Financial Instruments: Presentation – Classification of	
Rights Issues	(effective 01 January 2010)
– Revised IAS 24 Related Party Disclosures	(effective 01 February 2010)
– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	(effective 01 July 2010)
– Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum	
Funding Requirements and their Interaction	(effective 01 January 2011)
– IFRS 9 Financial Instruments	(effective 01 January 2013)

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

			2009	2008
			(Rupees '000)	
4.	**SHARE CAPITAL**			
	ISSUED, SUBSCRIBED AND PAID UP CAPITAL			

Numbers 2009	Numbers 2008		2009	2008
256,495,902	256,495,902	Ordinary shares of Rs 10 each issued for consideration in cash	2,564,959	2,564,959
422,031,163	236,978,328	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,220,312	2,369,783
678,527,065	493,474,230		6,785,271	4,934,742

AUTHORISED SHARE CAPITAL

This represents 1,000,000,000 (2008: 500,000,000) ordinary shares of Rs 10 each amounting to Rs 10,000,000 thousand (2008: Rs 5,000,000 thousand).

4.1 Fauji Foundation held 44.35% (2008: 44.35%) ordinary shares of FFC at the year end.

		Note	2009	2008
			(Rupees '000)	
5.	**CAPITAL RESERVE**			
	Share premium	5.1	156,184	156,184
	Capital redemption reserve	5.2	120,000	120,000
	Statutory reserve		6,436	–
	Translation reserve		704,115	577,410
			986,735	853,594

5.1 Share premium

This represents premium of Rs 5 per share received on public issue of 8,000,000 ordinary shares of Rs 10 each of FFC in 1991 and its share in share premium of FFBL received on public issue of 45,670,000 ordinary shares in 1996 at the rate of Rs 5 per share.

5.2 Capital redemption reserve

This represents reserve setup by FFC on redemption of preference shares of Rs 120,000 thousand in 1996.

		2009	2008
		(Rupees '000)	
6.	**REVENUE RESERVES**		
	Surplus / (deficit) on remeasurement of available for sale investments to fair value – net of tax	6,970	(23,121)
	General reserve	3,739,471	5,840,000
	Unappropriated profit	2,580,220	1,653,875
		6,326,661	7,470,754

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
7.	LONG TERM BORROWINGS			
	Long term financing – secured	7.1	4,787,281	6,003,630
	Long term murabaha – secured	7.2	19,338	58,017
	Long term loan – Government of Pakistan	7.3	4,537,404	5,185,605
			9,344,023	11,247,252
	Long term financing – secured			
	Fauji Fertilizer Company Limited			
	Loans from banking companies	**7.1**		
i)	Habib Bank Limited (HBL – 1)	7.1.1	250,000	375,000
ii)	United Bank Limited (UBL)	7.1.1	685,714	800,000
iii)	Bank Al-Falah Limited (BAFL)	7.1.1	281,250	406,250
iv)	Standard Chartered Bank (Pakistan) Limited (SCB)	7.1.1	350,000	450,000
v)	National Bank of Pakistan (NBP – 1)	7.1.1	300,000	400,000
vi)	Silk Bank Formerly Saudi Pak Commercial Bank Limited (SB – 1)	7.1.1	90,000	120,000
vii)	Silk Bank Formerly Saudi Pak Commercial Bank Limited (SB – 2)	7.1.1	90,000	120,000
viii)	National Bank of Pakistan (NBP – 2)	7.1.1	500,000	500,000
ix)	Faysal Bank Limited (FBL)	7.1.1	400,000	400,000
x)	Habib Bank Limited (HBL – 2)	7.1.1	400,000	400,000
xi)	Bank Islami Limited (BIL)	7.1.1	218,750	250,000
xii)	Al-Baraka Islamic Bank Limited (AIBL)	7.1.1	275,000	300,000
xiii)	Dubai Islamic Bank (DIB)	7.1.1	300,000	300,000
xiv)	Meezan Bank Limited (MBL – 1)	7.1.1	437,500	500,000
xv)	MCB Bank Limited (MCB)	7.1.1	300,000	300,000
xvi)	Habib Bank Limited (HBL – 3)	7.1.1	500,000	500,000
xvii)	Meezan Bank Limited (MBL – 2)	7.1.1	1,000,000	–
			6,378,214	6,121,250
	Fauji Fertilizer Bin Qasim Limited			
	Loans from banking companies and financial institutions	7.1.2		
i)	Habib Bank Limited (HBL)		194,694	324,488
ii)	Standard Chartered Bank (Pakistan) Limited (SCB)		111,329	185,550
iii)	MCB Bank Limited (MCB)		191,926	319,876
iv)	Askari Bank Limited (ABL)		42,857	71,429
v)	Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited (SAPICO)		16,039	26,731
vi)	Pak Kuwait Investment Company (Pvt) Limited (PKIC)		68,571	114,286
			625,416	1,042,360
			7,003,630	7,163,610
	Less: Current portion shown under current liabilities		2,216,349	1,159,980
			4,787,281	6,003,630

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

7.1 **Terms and conditions of long term finances availed by FFC are given below:**

	Lenders	Mark – up rates (%)	No of instalments outstanding	Date of final repayment
i)	HBL – 1	6 months' KIBOR+1.45	4 half yearly	November 30, 2011
ii)	UBL	6 months' KIBOR+1.5	6 half yearly	August 30, 2012
iii)	BAFL	6 months' KIBOR+1.5	9 quarterly	March 20, 2012
iv)	SCB	6 months' KIBOR+1.3	7 half yearly	March 29, 2013
v)	NBP – 1	6 months' KIBOR+1.4	6 half yearly	August 30, 2012
vi)	SB – 1	6 months' KIBOR+1.5	6 half yearly	September 27, 2012
vii)	SB – 2	6 months' KIBOR+1.5	6 half yearly	December 28, 2012
viii)	NBP – 2	6 months' KIBOR+1	12 half yearly	September 17, 2015
ix)	FBL	6 months' KIBOR+1	10 half yearly	September 26, 2014
x)	HBL – 2	6 months' KIBOR+1	8 half yearly	September 29, 2013
xi)	BIL	6 months' KIBOR+1	7 half yearly	June 30, 2013
xii)	AIBL	6 months' KIBOR+1	11 half yearly	June 27, 2015
xiii)	DIB	6 months' KIBOR+1	10 half yearly	June 30, 2015
xiv)	MBL – 1	6 months' KIBOR+0.96	7 half yearly	March 28, 2013
xv)	MCB	6 months' KIBOR+1	10 half yearly	June 30, 2015
xvi)	HBL – 3	6 months' KIBOR+0.45	On maturity	June 20, 2010
xvii)	MBL – 2	6 months' KIBOR+0.21	On maturity	January 30, 2011

7.1.1 Finances (i) through (xvii) have been obtained to meet the debottlenecking, equity investment and other capital expenditure requirements of FFC. Finances (i) to (xv) are secured by an equitable mortgage on the assets and hypothecation of all assets including plant, machinery, tools and spares, and all other moveable properties of FFC including stocks and book debts ranking pari passu with each other with 25% margin. Finance (xvi) is secured against lien on Pakistan Investment Bonds having face value of Rs 500,000 thousand while finance (xvii) is secured against ranking charge on current assets of FFC at 25% margin.

7.1.2 **Terms and conditions of long term finances availed by FFBL are given below:**

	Lenders	Mark-up rates	No. of quarterly instalments outstanding	Repayment commenced from
i)	HBL	12.3799%	6	July 2004
ii)	SCB	12.3799%	6	July 2004
iii)	MCB	12.3799%	6	July 2004
iv)	ABL	12.3799%	6	July 2004
v)	SAPICO	12.3799%	6	July 2004
vi)	PKIC	12.3799%	6	July 2004

These finances are secured by first equitable mortgage charge created on all immovable properties of FFBL and by way of hypothecation of movable properties of FFBL. These charges rank pari passu with the charges already created or to be created in favour of other foreign and local lenders.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

		2009	2008
		(Rupees '000)	
7.2	Long term murabaha – secured		
	FFBL		
	Faysal Bank Limited (FBL) – a banking company	58,017	96,696
	Less: Current portion shown under current liabilities	38,679	38,679
		19,338	58,017

Lender	Mark-up rate	No. of quarterly instalments outstanding	Repayment commenced from
FBL	12.3799%	6	July 2004

This facility is secured by first equitable mortgage charge created on all immovable properties of FFBL and by way of hypothecation of movable properties of FFBL. These charge ranks pari passu with the charges already created or to be created in favour of other foreign and local lenders.

		Note	2009	2008
			(Rupees '000)	
7.3	Long term loan – Government of Pakistan - Unsecured			
	FFBL			
	Government of Pakistan (GOP) loan		3,870,599	4,223,180
	Deferred Government assistance		1,315,006	1,610,626
		7.3.1	5,185,605	5,833,806
	Less: Current portion shown under current liabilities		648,201	648,201
			4,537,404	5,185,605

7.3.1 This represents balance amount of GOP loan amounting to Rs. 9,723,015 thousand which is repayable in equal instalments in 16 years with 1 year grace at zero percent effective November 30, 2001. Final instalment will be paid in June 2017. This loan in accordance with International Accounting Standard – 39 "Financial Instruments: Recognition and Measurement" is stated at its fair value and the difference is recognised as Deferred Government assistance. Deferred Government assistance is being amortised to fully offset the financial charge on the loan at an imputed rate of 7%. The amount amortised and offset against financial charges during the year amounted to Rs 295,620 thousand.

Under the terms of restructuring with GOP, the excess cash, which may arise based on a pre-defined mechanism, shall be shared by FFBL with GOP through prepayment of GOP loan.

Loans from Export Credit Agencies (ECA), which were assumed by GOP, were initially secured by a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions, which guarantee is secured by first equitable mortgage created on all immovable properties of FFBL and by way of hypothecation of movable properties of FFBL. The charge ranks pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested FFBL to obtain an indemnity from 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, GOP had conveyed its agreement by assuming ECA loan liabilities by absolving related banks and financial institutions of their liabilities for which they earlier issued guarantees to ECA. As a result, two ECA have released the guarantee of HBL and have returned the original documents.

Since two ECA have yet to release HBL from its responsibility as guarantor therefore, the above referred guarantee and related charge on assets of FFBL have not been vacated upto December 31, 2009. FFBL is making efforts in getting this guarantee released.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
8.	DEFERRED LIABILITIES			
	Deferred taxation	8.1	6,960,754	6,523,733
	Deferred liabilities – Compensated leave absences – FFBL		143,808	116,510
			7,104,562	6,640,243
8.1	Deferred taxation			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation		7,105,365	6,640,826
	Provision for slow moving/surplus spares, doubtful debts, other receivables and short term investments		(164,557)	(130,865)
	Share of profit of associate		19,189	24,877
	Remeasurement of investments available for sale		757	(11,105)
			6,960,754	6,523,733

At 31 December 2009, a deferred tax liability of Rs 219,452 thousand for temporary difference of Rs 627,007 thousand related to investment in the joint venture was not recognised as the Group companies do not intend to dispose of the investment in the foreseeable future.

		Note	2009	2008
			(Rupees '000)	
9.	TRADE AND OTHER PAYABLES			
	Creditors		3,384,809	5,062,462
	Accrued liabilities		2,941,587	2,380,353
	Other liabilities	9.1	839,267	160,772
	Deposits		128,072	113,895
	Retention money		57,825	39,351
	Advances from customers		3,680,097	2,652,059
	Workers' Profit Participation Fund (WPPF)	9.2	3,270	–
	Workers' Welfare Fund		942,332	844,677
	Gratuity fund	10	20,413	18,579
	Unclaimed dividend		2,508,375	553,211
			14,506,047	11,825,359

9.1 This includes Rs 696,402 thousands payable by FFBL to GOP of which Rs 648,201 thousands relates to the current year and Rs 48,201 thousands after netting off the GOP compensation amounting to Rs 600,000 thousands for the year 2008.

		2009	2008
		(Rupees '000)	
9.2	Workers' Profit Participation Fund		
	Balance at beginning of the year	(32,513)	444,740
	Interest on funds utilised in Group companies' business	453	283
	Allocation for the year	1,013,268	757,485
	Receipt from fund during the year	50,952	–
	Payment to fund during the year	(1,028,890)	(1,235,021)
		3,270	(32,513)

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

10. RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2009 Total	2008 Total
		(Rupees '000)		
a) Reconciliation of amounts recognised in the balance sheet is as follow:				
Present value of defined benefit obligation	1,109,569	1,095,051	2,204,620	1,912,920
Fair value of plan assets	(851,007)	(958,483)	(1,809,490)	(1,413,796)
Deficit	258,562	136,568	395,130	499,124
Net actuarial losses not recognised	(238,149)	(136,568)	(374,717)	(480,545)
	20,413	–	20,413	18,579
b) The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation at beginning of the year	984,021	928,899	1,912,920	1,648,747
Current service cost	60,264	47,416	107,680	105,720
Interest cost	124,458	128,327	252,785	163,226
Benefits paid during the year	(67,190)	(26,874)	(94,064)	(61,121)
Actuarial loss	8,016	17,283	25,299	56,348
Present value of defined benefit obligation at end of the year	1,109,569	1,095,051	2,204,620	1,912,920
c) The movement in fair value of plan assets is as follows:				
Fair value of plan assets at beginning of the year	678,079	735,717	1,413,796	1,494,461
Expected return on plan assets	94,257	106,809	201,066	146,855
Contributions	102,417	78,963	181,380	112,807
Benefits paid during the year	(67,190)	(26,874)	(94,064)	(61,121)
Actuarial (loss) / gain	43,444	63,868	107,312	(279,206)
Fair value of plan assets at end of the year	851,007	958,483	1,809,490	1,413,796
d) Plan assets comprise of:				
Listed securities	153,577	57,526	211,103	53,441
Mutual funds	72,000	99,491	171,491	119,101
Term Deposit Receipts	231,932	545,702	777,634	559,228
Defence Saving Certificates	75,118	93,071	168,189	287,958
National Investment Trust Units	63,359	110,735	174,094	121,836
Deposits with banks	255,601	52,019	307,620	192,710
Pakistan Investment Bonds	–	–	–	83,526
Others	(580)	(61)	(641)	(4,004)
	851,007	958,483	1,809,490	1,413,796
e) Actual return on plan assets	137,700	170,677	308,377	(132,351)
Contributions expected to be paid to the plan during the next financial year	121,694	77,446	199,140	215,958

f) The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Group companies, at the beginning of the year, for returns over the entire life of the related obligations.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

		Funded gratuity	Funded pension	2009 Total	2008 Total
		(Rupees '000)			
g)	**Movement in liability recognised in the balance sheet:**				
	Opening liability	18,579	–	18,579	5,268
	Expense for the year	104,251	78,963	183,214	126,118
	Payments to the fund during the year	(102,417)	(78,963)	(181,380)	(112,807)
	Closing liability	20,413	–	20,413	18,579
h)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	60,264	47,416	107,680	105,720
	Interest cost	124,458	128,327	252,785	163,226
	Expected return on plan assets	(94,257)	(106,809)	(201,066)	(146,855)
	Actuarial losses recognised	13,786	10,029	23,815	4,027
		104,251	78,963	183,214	126,118

i) **Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the current year and previous four years is an follows:**

	2009	2008	2007	2006	2005
	(Rupees '000)				
Present value of defined benefit obligation	1,109,569	984,021	831,875	704,583	631,102
Fair value of plan assets	(851,007)	(678,079)	(712,744)	(613,389)	(540,975)
Deficit	258,562	305,942	119,131	91,194	90,127
Experience adjustments					
– on obligations	(8,016)	(46,783)	(49,543)	2,278	(2,658)
– on plan assets	43,444	(130,744)	20,504	10,449	(9,769)

j) **Comparison of present value of defined benefit obligation, fair value of plan assets and deficit / (surplus) of gratuity fund for the current year and previous four years is as follows:**

	2009	2008	2007	2006	2005
	(Rupees '000)				
Present value of defined benefit obligation	1,095,051	928,899	816,872	664,505	591,310
Fair value of plan assets	(958,483)	(735,717)	(781,717)	(684,985)	(565,789)
Deficit / (surplus)	136,568	193,182	35,155	(20,480)	25,521
Experience adjustments					
– on obligations	(17,283)	(9,565)	(72,385)	3,510	(64,734)
– on plan assets	63,868	(148,462)	16,750	42,491	31,981

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

		2009		2008	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
k)	Principal acturial assumptons used in the acturial valuaions carried out as at December 31, 2009 are as follows:				
	Discount rate	12.75% to 14%	12.75%	14% – 15%	14%
	Expected rate of salary growth	11.75% to 14%	12.75%	13% – 14%	14%
	Expected rate of return on plan assets	12.75% to 14%	12.75%	10% – 14%	14%

l) "Salaries, wages and benefits" expense, stated in notes 28 and 29 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs 104,251 thousand, Rs 93,953 thousand, Rs 78,963 thousand and Rs 209,289 thousand respectively (2008: Rs 81,588 thousand, Rs 77,221 thousand, Rs 44,530 thousand and Rs 94,491 thousand respectively).

		2009	2008
		(Rupees '000)	
11.	INTEREST AND MARK – UP ACCRUED		
	On long term financing		
	From banking companies and financial institutions	153,642	218,452
	On murabaha financing	1,834	2,886
	On short term borrowings	102,176	566,818
		257,652	788,156

		Note	2009	2008
			(Rupees '000)	
12.	SHORT TERM BORROWINGS – SECURED			
	From banking companies			
	Short term running finance	12.1	13,818,798	11,432,163
	Finance Against Trust Receipts		–	9,938,919
			13,818,798	21,371,082

12.1 Short term running finance

FFBL has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs 27,350,000 thousand (2008: Rs 24,500,000 thousand). These facilities carry mark-up ranging from 12.79% to 15.58% per annum (2008: 9.54 % to 17.05% per annum) and are secured by hypothecation charge over stocks and current assets of FFBL and lien on bank deposits. The purchase prices are repayable on various dates by the FFBL.

Short term running finance facilities are available to FFC from various banks under mark-up arrangements aggregating to Rs 8,600,000 thousand (2008: Rs 7,250,000 thousand) which represents the aggregate of sale prices of all mark-up agreements between FFC and the banks. These facilities have various maturity dates upto June 30, 2010.

These are secured by first pari passu and ranking hypothecation charges on assets of FFC. The rates of mark-up range from one month KIBOR + 0.2% to three months' KIBOR + 2.18% per annum (2008: one month KIBOR + 0.75% to 2.00% per annum to three months' KIBOR + 2.18% per annum).

Notes to the Consolidated Financial Statements
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			2009	2008
			(Rupees '000)	
13.	CONTINGENCIES AND COMMITMENTS			
a)	Contingencies:			
i)	Guarantees issued by banks on behalf of the Group companies.		47,223	42,198
ii)	Disputed demand for income tax and levy of contribution to Workers' Welfare Fund related to former PSFL decided in favour of FFC by the Income Tax Appellate Authorities, are currently in appeal by the department. FFC is confident that there are reasonable grounds for a favourable decision.		178,590	178,590
iii)	Income tax demands, not acknowledged as debt, have been challenged by FFBL and are currently in appeal; FFBL expects favourable outcome of appeal.		36,668	41,306
iv)	Claims against FFC and / or potential exposure not acknowledged as debt.		50,696	66,520
v)	Indemnity bonds and undertakings given to the custom authorities for the machinery imported by FFBL for installation at plant site.		119,650	119,650
vi)	Group's share of contingencies in Fauji Cement Company Limited as at September 30, 2009.		206,784	172,056
b)	Commitments in respect of:			
i)	Capital expenditure.		2,072,124	3,141,478
ii)	Purchase of fertilizer, stores, spares and other revenue items.		1,581,926	768,402
iii)	Group's share of commitment PMP as at September 30, 2009		43,761	–
iv)	Rentals under lease agreements:			
	Premises	– not later than one year	27,932	35,689
		– later than one year and not later than:		
		two years	30,873	28,720
		three years	13,507	10,415
		four years	720	2,534
		five years	726	720
	Vehicles	– not later than one year	60,266	89,625
		– later than one year and not later than:		
		two years	54,745	57,408
		three years	34,179	56,860
		four years	20,865	30,814
		five years	15,457	13,748

Notes to the Consolidated Financial Statements
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14. PROPERTY, PLANT AND EQUIPMENT

	Owned													Leased	
	Freehold land	Leasehold land	Buildings and structures on freehold land	Buildings and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 14.3)	Vehicles	Total
	(Rupees '000)														
COST															
Balance as at Jan 01, 2008	338,801	392,100	2,145,270	1,511,495	26,517	39,556,710	565,193	334,206	143,791	362,553	922,988	14,908	3,113,907	10,818	49,439,257
Additions during the year	9,585	–	302,198	4,125	–	759,089	233,275	44,963	19,069	50,660	154,522	2,563	3,850,630	–	5,430,679
Disposals	–	–	–	–	–	(75)	(31,239)	(10,529)	(1,667)	(23,008)	(10,548)	–	–	–	(77,066)
Transfers / adjustments	–	–	–	–	–	1,602,272	–	1,030	–	10,818	(3,944)	–	(3,428,116)	(10,818)	(1,828,758)
Balance as at Dec 31, 2008	348,386	392,100	2,447,468	1,515,620	26,517	41,917,996	767,229	369,670	161,193	401,023	1,063,018	17,471	3,536,421	–	52,964,112
Balance as at Jan 01, 2009	348,386	392,100	2,447,468	1,515,620	26,517	41,917,996	767,229	369,670	161,193	401,023	1,063,018	17,471	3,536,421	–	52,964,112
Additions during the year	–	–	235,276	75,848	–	3,879,103	213,695	64,559	31,325	106,083	198,150	2,234	3,329,232	–	8,135,505
Disposals	–	–	(4,706)	–	–	(10,072)	–	(20,740)	(2,718)	(31,960)	(39,419)	(535)	–	–	(110,150)
Transfers / adjustments	–	–	–	–	–	(1,333)	(67,938)	(36,560)	(15,961)	(15,865)	(34,514)	(783)	(4,835,098)	–	(5,008,052)
Balance as at Dec 31, 2009	348,386	392,100	2,678,038	1,591,468	26,517	45,785,694	912,986	376,929	173,839	459,281	1,187,235	18,387	2,030,555	–	55,981,415
DEPRECIATION															
Balance as at Jan 01, 2008	–	99,270	1,236,223	389,164	26,517	19,331,316	254,750	222,887	69,509	246,605	691,477	11,968	–	10,818	22,590,504
Charge for the year	–	18,962	87,651	44,214	–	1,592,765	132,225	34,236	11,259	51,906	106,575	1,793	–	–	2,081,586
Depreciation on disposals	–	–	–	–	–	(59)	(31,239)	(8,868)	(1,421)	(19,636)	(10,145)	–	–	–	(71,368)
Transfers / adjustments	–	–	–	–	–	(206,568)	–	(3,984)	–	10,818	(3,975)	–	–	(10,818)	(214,527)
Balance as at Dec 31, 2008	–	118,232	1,323,874	433,378	26,517	20,717,454	355,736	244,271	79,347	289,693	783,932	13,761	–	–	24,386,195
Balance as at Jan 01, 2009	–	118,232	1,323,874	433,378	26,517	20,717,454	355,736	244,271	79,347	289,693	783,932	13,761	–	–	24,386,195
Charge for the year	–	18,962	104,343	44,506	–	1,731,121	168,447	38,308	12,921	49,654	123,253	1,922	–	–	2,293,437
Depreciation on disposals	–	–	(1,608)	–	–	(5,050)	–	(19,910)	(2,557)	(31,504)	(38,937)	(519)	–	–	(100,085)
Transfers / adjustments	–	(3,867)	–	(85)	–	15,389	(67,938)	(36,046)	(13,480)	(23,062)	(38,198)	(1,263)	–	–	(168,550)
Balance as at Dec 31, 2009	–	133,327	1,426,609	477,799	26,517	22,458,914	456,245	226,623	76,231	284,781	830,050	13,901	–	–	26,410,997
Written down value as at Dec 31, 2008	348,386	273,868	1,123,594	1,082,242	–	21,200,542	411,493	125,399	81,846	111,330	279,086	3,710	3,536,421	–	28,577,917
Written down value as at Dec 31, 2009	348,386	258,773	1,251,429	1,113,669	–	23,326,780	456,741	150,306	97,608	174,500	357,185	4,486	2,030,555	–	29,570,418
Rate of depreciation in %	–	6 1/4	5 to 10	5	5	5	20	15	10	20	15 – 33.33	30	–	20	–

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		Note	2009	2008
			(Rupees '000)	
14.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	28	2,266,293	2,056,603
	Administrative expenses and distribution cost	29	27,144	24,983
			2,293,437	2,081,586

14.2 Details of property, plant and equipment sold:

Description	Cost	Book value	Sale proceeds
		(Rupees '000)	
Vehicles			
As per Company policy to employee			
Lt Gen (Retired) Munir Hafiez	499	327	327
Lt Col (Retired) Naveed Zafar	969	320	418
Lt Col (Retired) Gulzar Ahmed	954	64	156
Insurance claim	6,202	5,003	4,396
Aggregate of other items of property, plant and equipment with individual book values below Rs 50 thousand	101,526	4,351	17,308
2009	110,150	10,065	22,605
2008	77,066	5,698	18,353

		2009	2008
		(Rupees '000)	
14.3	**CAPITAL WORK IN PROGRESS**		
	Civil works	770,204	331,365
	Intangible assets under development	191,797	–
	Plant and machinery including advances to suppliers	1,025,102	3,205,056
	Others	43,452	–
		2,030,555	3,536,421

15. GOODWILL

This represents excess of the amount paid by FFC over fair value of net assets of PSFL on its acquisition. The recoverable amount of goodwill is determined using fair value less cost to sell basis. Fair value is determined using observable market data. Based on fair value, recoverable amount is much higher than the Company's net assets carrying amount including goodwill.

Notes to the Consolidated Financial Statements
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		Note	2009	2008
			(Rupees '000)	
16.	LONG TERM INVESTMENTS			
	Equity accounted investments	16.1	4,735,980	5,024,447
	Other long term investments	16.2	769,273	786,525
			5,505,253	5,810,972
16.1	Equity accounted investments			
	Investment in associated company – under equity method	16.1.1		
	Fauji Cement Company Limited (FCCL)			
	Cost of investment		1,800,000	1,800,000
	Post acquisition profits brought forward		65,256	–
	Share of profit for the year		126,642	65,256
	Balance as at December 31, 2009		1,991,898	1,865,256
	Investment in joint venture – under equity method	16.1.2		
	Pakistan Maroc Phosphore S.A. Morocco			
	Cost of investment		2,117,075	2,117,075
	Post acquisition profits brought forward		183,518	–
	Share of (loss) / profit for the year		(504,023)	183,518
	Dividend		(99,496)	–
	Gain on translation of net assets	16.1.4	1,047,008	858,598
	Balance as at December 31, 2009		2,744,082	3,159,191
			4,735,980	5,024,447
16.2	Other long term investments			
	Investments available for sale	16.2.1		
	Certificates of Investment		155,402	232,648
	Pakistan Investment Bonds		602,164	568,271
	Term Finance Certificates		145,493	47,453
	Arabian Sea Country Club Limited (ASCCL)			
	(300,000 shares of Rs 10 each)		3,000	3,000
	Less: Impairment in value of investment		(3,000)	(3,000)
			–	–
			903,059	848,372
	Less: Current portion shown under short term investments	25		
	Investments available for sale			
	Certificates of investment		24,026	61,828
	Pakistan Investment Bonds		101,691	–
	Term Finance Certificates		8,069	19
			133,786	61,847
			769,273	786,525

16.1.1 Investment in associated company – under equity method

FFC and FFBL have investment in FCCL. Fair value of investment in FCCL as at December 31, 2009 was Rs 693,000 thousand. However the management of FFC and FFBL believes that the recoverable amount of its investment in FCCL is much higher than the fair value as at December 31, 2009. FFC and FFBL collectively hold 15.16% interest in FCCL which is less than 20%, however it is concluded that the Group companies have significant influence due to their representation on the Board of Directors of FCCL.

FFC and FFBL are committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by The Royal Bank of Scotland Limited (Formerly known as ABN AMRO (Pakistan) Limited) remains outstanding or without prior consent of FCCL.

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16.1.2 **Investment in joint venture – under equity method**

Cost of investment represents equivalent to Moroccan Dirhams 300,000 thousand representing 37.50% interest in Pakistan Maroc Phosphore S.A. Morocco (PMP), a joint venture between FFC, FFBL, Fauji Foundation and Officie Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the shareholders' agreement, FFC and FFBL cannot sell the shares of PMP outside Fauji Group (consisting of FFC, FFBL and Fauji Foundation) for a period of five years effective September 14, 2004. Further, if any legal restriction is laid on dividends by Pakistan Maroc Phosphor S.A., the same will be converted to interest bearing loan. FFC and FFBL have also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

16.1.3 Summary financial information for equity accounted investees as per their financial statements, not adjusted for the percentage ownership of the Group companies:

	September 2009	September 2008	September 2009	September 2008
	(Rupees '000)			
	PMP (Joint venture)		FCCL (Associate)	
Non – current assets	17,427,167	16,766,051	21,440,496	7,890,671
Non – current liabilities	(11,544,126)	(7,449,854)	(11,268,719)	(561,303)
Current assets	10,863,556	30,212,344	1,805,921	4,252,059
Current liabilities	(9,562,642)	(30,569,599)	(2,393,605)	(2,148,419)
Revenue	12,456,577	18,316,035	3,814,771	2,456,740
Expenses	13,902,211	(17,002,377)	(3,173,391)	(1,976,375)
(loss) / Profit	(1,445,634)	1,313,658	641,380	480,365

Financial statements for the period ended September 30, 2009 have been used for accounting under equity method as these were the latest financial statements approved by the Board of Directors of FCCL and PMP.

16.1.4 This represents FFC and FFBL's share of translation reserve of PMP. This has arisen due to significant increase in exchange rate parity between the Moroccon Dirhams and Pak Rupees.

16.2.1 **Investments available for sale**

Certificates of Investment (COI)

These represent placements in certificates of investment of a financial institution for periods ranging from one to five years at profit rates ranging from 8.1% to 14.18% per annum (2008 : 6% to 15% per annum).

Pakistan Investment Bonds (PIBs)

These were purchased for a period of 10 years with remaining period ranging between 1 to 3 years. Profit is payable on a half yearly basis at rates ranging from 11% to 14% per annum. PIBs having face value of Rs 500,000 thousand are under lien of bank against loan for capital expenditure requirements.

Term Finance Certificates (TFCs)

These include 9,986 & 20,000 certificates of Rs 5,000 each of Pakistan Mobile Communications Limited and Engro Chemicals Pakistan Limited respectively. Profit is payable on a half yearly basis at the rate of six months' KIBOR +2.85% and 1.55% per annum respectively.

Arabian Sea Country Club Limited (ASCCL)

As per audited accounts of ASCCL for the year ended June 30, 2009, the break-up value of an ordinary share was Rs 8.25 (June 30, 2008: Rs 7.85).

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for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
17.	**LONG TERM LOANS AND ADVANCES – SECURED**			
	Loans and advances – considered good, to:			
	Executives		290,632	104,039
	Other employees		126,433	97,138
		17.1	417,065	201,177
	Less: Amount due within twelve months, shown			
	under current loans and advances	22	79,524	38,075
			337,541	163,102

17.1 Reconciliation of carrying amount of loans and advances to executives and other employees:

	Opening balance as at January 01, 2009	Disbursements	Repayments	Closing balance as at December 31, 2009
	(Rupees '000)			
Executives	104,039	257,639	71,046	290,632
Other employees	97,138	95,754	66,459	126,433
	201,177	353,393	137,505	417,065
2008	172,600	71,865	43,288	201,177

These represent secured house building loans, house rent advances and advances pursuant to agreement with workers which are repayable within one to ten years. House building loans carry mark-up at 5% per annum.

The maximum amount of advances to executives outstanding at the end of any month during the year was Rs 292,936 thousand (2008: Rs 134,262 thousand).

Notes to the Consolidated Financial Statements
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		Note	2009	2008
			(Rupees '000)	
18.	LONG TERM DEPOSITS AND PREPAYMENTS			
	Deposits		82,633	16,752
	Prepayments		218	–
			82,851	16,752
19.	STORES, SPARES AND LOOSE TOOLS			
	Stores		401,498	178,079
	Spares		4,538,111	4,105,574
	Provision for slow moving and surplus items		(403,735)	(303,995)
			4,134,376	3,801,579
	Loose tools		279	279
	Items in transit		310,274	476,898
			4,846,427	4,456,835
20.	STOCK IN TRADE			
	Raw and packing material		1,084,495	202,547
	Work in process		42,326	48,301
	Finished goods:			
	Manufactured urea	20.1	244,279	5,650,302
	Purchased fertilizers		–	33,683
			1,371,100	5,934,833

20.1 This includes adjustment of Rs Nil (2008: 1,364,208 thousand) for writing down the stock of Phosphoric Acid and DAP of FFBL to net realisable value. After this adjustment, the value of Phosphoric Acid and DAP stocks at the year ended December 31, 2008 were Rs 26,829 thousand and Rs 5,557,786 thousand respectively.

		2009	2008
		(Rupees '000)	
21.	TRADE DEBTS		
	Considered good		
	Secured	703,265	763,861
	Unsecured	28,797	15,680
		732,062	779,541
	Due from Fauji Foundation, an associated undertaking – unsecured,		
	Considered good	1,552	1,842
	Considered doubtful	1,758	1,758
		735,372	783,141
	Provision for doubtful debts	(1,758)	(1,758)
		733,614	781,383

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	Note	2009	2008
		(Rupees '000)	
22. LOANS AND ADVANCES			
Advances to:			
Executives - unsecured - considered good		40,618	23,691
Other employees - considered good		21,683	13,905
		62,301	37,596
Advances to suppliers and contractors			
Considered good		99,747	125,910
Considered doubtful		45	45
		99,792	125,955
Provision for doubtful advances		(45)	(45)
		99,747	125,910
Current portion of long term loans and advances	17	79,524	38,075
		241,572	201,581
23. DEPOSITS AND PREPAYMENTS			
Deposits		2,157	57,017
Prepayments		40,303	55,228
		42,460	112,245
24. OTHER RECEIVABLES			
Accrued income on investments and bank deposits		164,886	127,702
Advance tax	24.1	322,368	322,368
Receivable from WPPF – Unsecured – FFC	24.2 and 9.2	2,026	654,799
Sale tax refundable – net		160,844	161,977
Subsidy receivable from Government of Pakistan (GOP)	24.3	–	12,440,060
Receivable from FFC Energy Limited			
(a wholly owned project) – Unsecured		88,802	–
Other receivables – considered good	24.4	209,444	191,379
– considered doubtful		55,714	55,714
		265,158	247,093
Provision for doubtful receivables		(55,714)	(55,714)
		209,444	191,379
		948,370	13,898,285

24.1 This represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. FFC intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

24.2 This represents amount paid to WPPF in prior years' in excess of the FFC's obligation and profit earned thereon (2008: balance includes Rs 622,286 thousand). During the year, FFC has received Rs 620,260 thousand worth of investment and cash.

24.3 This represents amount of DAP subsidy of FFBL from GOP recognised in accordance with Ministry of Food, Agriculture and Livestock (MINFAL) notification No. 7 – 1/2006 – Fert dated 29th September, 2006, outstanding at December 31, 2008. This amount has, however, received in full during the year 2009.

24.4 This includes unsecured receivable of FFBL from Fauji Foundation (an associated undertaking) amounting to Rs 43 thousand (2008: Rs 25 thousand).

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

		Note	2009	2008
			(Rupees '000)	
25.	SHORT TERM INVESTMENTS			
	Term deposits with banks and financial institutions			
	Available for sale	25.1		
	Local currency (Net of provision for doubtful recovery Rs 9,750 thousand (2008: Rs 13,000 thousand)		4,850,000	1,875,000
	Foreign currency		1,081,360	1,033,936
			5,931,360	2,908,936
	Investments at fair value through profit or loss – Held for trading			
	Fixed income / money market funds		962,358	540,780
	Loans and receivables at amortized cost			
	Term deposits with banks and financial institutions		4,400,000	–
	Current maturity of long term investments	16.2		
	Available for sale		133,786	61,847
			11,427,504	3,511,563

25.1 These represent investments having maturities ranging between 1 to 6 months.

		2009	2008
		(Rupees '000)	
26.	CASH AND BANK BALANCES		
	At banks:		
	Deposit accounts		
	Local currency	11,783,719	7,515,680
	Foreign currency	17,724	24,241
	Current accounts		
	Local currency	1,669,919	1,185,477
		13,471,362	8,725,398
	Drafts in hand and in transit	24,384	146,331
	Cash in hand	1,633	1,660
		13,497,379	8,873,389

Balances with banks include Rs 128,072 thousand (2008: Rs 113,895 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 15,000 thousand (2008: Rs 15,000 thousand) under lien of a bank, against a guarantee issued on behalf of FFC. FFBL deposits accounts include Rs Nil (2008: Rs 1,858,133 thousand) which are under pledge with commercial banks against letters of credit and for short term borrowings. In addition Rs 118,539 thousand (2008: Rs 410,896 thousand) are held under lien by the commercial banks against bank guarantees issued on behalf of FFBL.

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27. SALES

Sales include Rs 1,662,247 thousand (2008: Rs 3,402,916 thousand) in respect of sale of purchased fertilizers and are exclusive of trade allowances and sales tax of Rs 1,448,646 thousand and Rs 1 thousand respectively (2008: Rs 737,962 thousand and Rs 1,429,434 thousand respectively).

	Note	2009 (Rupees '000)	2008 (Rupees '000)
28. COST OF SALES			
Raw materials consumed		23,498,010	41,250,894
Fuel and power		7,154,161	5,982,227
Chemicals and supplies		386,583	355,643
Salaries, wages and benefits		3,753,917	2,651,889
Training and employees welfare		448,339	361,681
Rent, rates and taxes	28.1	52,322	39,620
Insurance		206,796	149,320
Travel and conveyance	28.1	265,389	186,999
Repairs and maintenance (includes stores & spares consumed of Rs 640,622 thousand (2008: 546,964 thousand)	28.2	1,960,994	1,388,931
Depreciation	14.1	2,266,293	2,056,603
Communication and other expenses		810,881	642,521
Opening stock – work in process		48,301	29,791
Closing stock – work in process		(42,326)	(48,301)
Subsidy on DAP fertilizer from GOP – FFBL	24.3	–	(15,522,573)
Cost of goods manufactured		40,809,660	39,525,245
Add:Opening stock of manufactured fertilizers		5,650,302	416,981
Less:Closing stock of manufactured fertilizers		(244,279)	(5,650,302)
		5,406,023	(5,233,321)
Cost of sales of own manufactured fertilizers		46,215,683	34,291,924
Opening stock of purchased fertilizers		33,683	396,699
Purchase of fertilizers for resale	28.3	1,325,244	2,174,504
		1,358,927	2,571,203
Less:Closing stock of purchased fertilizers		–	(33,683)
Cost of sale – purchased fertilizers		1,358,927	2,537,520
		47,574,610	36,829,444

28.1 These include operating lease rentals amounting to Rs 88,018 thousand (2008: Rs 59,035 thousand).

28.2 This includes provision for slow moving and surplus spares amounting to Rs 99,470 thousand (2008: Rs 134,983 thousand).

28.3 Cost of purchased fertilizer is net of subsidy of Rs Nil per bag (2008: Rs 470 per bag) on potassic and phosphatic fertilizers as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan.

Notes to the Consolidated Financial Statements
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		Note	2009	2008
			(Rupees '000)	
29.	ADMINISTRATIVE EXPENSES AND DISTRIBUTION COST			
	Product transportation		3,858,474	3,279,394
	Salaries, wages and benefits		1,088,014	790,132
	Rent, rates and taxes	29.1	85,113	77,732
	Insurance		14,855	581
	Technical services		9,847	8,137
	Travel and conveyance	29.1	127,775	113,549
	Sale promotion and advertising		50,674	45,984
	Communication and other expenses		95,346	62,087
	Warehousing expenses		56,634	45,477
	Depreciation	14.1	27,144	24,983
	Administrative expenses		396,518	203,744
			5,810,394	4,651,800

29.1 These include operating lease rentals amounting to Rs 71,525 thousand (2008: Rs 69,150 thousand).

		2009	2008
		(Rupees '000)	
30.	FINANCE COST		
	Mark – up on long term financing and murabaha	958,631	634,285
	Mark – up on long term financing from PKIC, an associated company	–	14,092
	Mark – up on short term borrowings	1,294,934	1,544,978
	Exchange loss – net	67,660	1,041,110
	Interest on Workers' Profit Participation Fund	453	283
	Finance charges on leased property, plant and equipment	–	29
	Bank charges	14,533	11,773
		2,336,211	3,246,550

Borrowing cost capitalised during the year amounted to Rs Nil (2008 : Rs 131,969 thousand) at an average rate of Nil per annum (2008: 12.8% per annum).

		2009	2008
		(Rupees '000)	
31.	OTHER EXPENSES		
	Research and development	308,334	153,773
	Workers' Profit Participation Fund	1,013,268	757,485
	Workers' Welfare Fund	386,574	288,919
	Property, plant and equipment written off	4,200	257,332
	Auditors' remuneration		
	Audit fee	1,784	1,674
	Fee for half yearly review, audit of consolidated accounts		
	and certifications for Government and related agencies	830	830
	Out of pocket expenses	150	150
		1,715,140	1,460,163

Notes to the Consolidated Financial Statements
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		Note	2009	2008
			(Rupees '000)	
32.	OTHER INCOME			
	Income from financial assets			
	Income on loans, deposits and investments		1,061,336	923,670
	Gain / (loss) on remeasurement of investments at fair value through profit or loss – Held for trading		179,064	(181,711)
	Dividend income		214,932	125,638
	Gain on sale of investments		219,425	112,525
			1,674,757	980,122
	Income from non-financial assets			
	Gain on sale of property, plant and equipment		12,540	12,655
	Other income			
	Compensation from GOP	32.1	–	600,000
	Scrap sales		59,475	79,610
	WPPF	24.2	–	622,286
	Others		13,144	12,968
			72,619	1,314,864
			1,759,916	2,307,641

32.1 GOP had committed to FFBL to pay Rs 5 billion over a period of seven years in lieu of non- implementation of Fertilizer Policy, 1989. On this account, amounts aggregating Rs 5 billion have been received from GOP. The last instalment of GOP compensation of Rs 600,000 thousand was received in 2008.

		2009	2008
		(Rupees '000)	
33.	PROVISION FOR TAXATION		
	Current – for the year	5,837,326	4,738,206
	– prior years'	–	99,000
	Deferred – for the year	425,159	195,603
		6,262,485	5,032,809
33.1	Reconciliation of tax charge for the year		
	Profit before taxation	16,860,991	13,802,156
		%	%
	Applicable tax rate	35.00	35.00
	Add: Tax effect of amounts that are not deductible for tax purpose	1.33	1.31
	Tax effect of intra group transactions	1.13	0.55
	Less: Tax effect of amounts taxed at lower rates	(0.12)	(0.31)
	Tax effect of rebates and tax credits	(0.20)	(0.09)
	Average effective tax rate charged on income	37.14	36.46

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		2009	2008
		(Rupees '000)	
34.	CASH GENERATED FROM OPERATIONS		
	Net profit before taxation	16,860,991	13,802,156
	Adjustments for:		
	Depreciation	2,293,437	2,081,586
	Provision for slow moving and surplus spares	99,740	134,983
	Property, plant and equipment written off	4,200	257,332
	Finance cost	2,268,551	2,273,510
	Provision for Workers' Profit Participation Fund	1,013,268	757,485
	Provision for Workers' Welfare Fund	386,574	288,919
	Compensation from GOP	–	(600,000)
	Income on loans, deposits and investments	(1,061,336)	(923,670)
	Gain on sale of property, plant and equipment	(12,540)	(12,655)
	Provision for gratuity	104,251	81,588
	Provision for compensated absences	209,289	94,491
	Provision for pension	78,963	44,530
	Exchange loss – net	67,660	973,902
	Dividend income	(214,932)	(125,638)
	(Gain) / loss on remeasurement of investment at fair value through		
	profit or loss – held for trading	(179,064)	181,711
	Gain on sale of investments	(219,425)	(140,042)
	Share of loss / (profit) of associate and joint venture	377,381	(248,774)
	Stock in trade written down to net realisable value	–	1,364,208
		5,216,017	6,483,466
		22,077,008	20,285,622
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	(489,332)	(917,261)
	Stock in trade	4,563,733	(6,068,259)
	Trade debts	47,769	1,184,970
	Loans and advances	(39,991)	(38,145)
	Deposits and prepayments	69,785	(70,113)
	Other receivables	12,966,996	(11,302,278)
	(Decrease) / increase in current liabilities:		
	Trade and other payables	(559,697)	2,967,508
		16,559,263	(14,243,578)
	Changes in long term loans and advances	(174,439)	(20,320)
	Changes in long term deposits and prepayments	(66,099)	620
		38,395,733	6,022,344
35.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	13,497,379	8,873,389
	Short term borrowings	(13,818,798)	(21,371,082)
	Short term highly liquid investments	8,735,060	2,922,064
		8,413,641	(9,575,629)

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36. FINANCIAL INSTRUMENTS

The Group companies have exposures to the following risks from their use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group companies risk management framework. The Board is also responsible for developing and monitoring the Group companies risk management policies.

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

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

36.1 Credit risk

Credit risk is the risk of financial loss to the Group companies if a customer or counterparty to a financial instrument fails to meet their contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2009	2008
	(Rupees '000)	
Investments	903,059	848,372
Loans and advances	479,366	238,773
Deposits	84,790	73,769
Trade debts – net of provision	733,614	781,383
Other receivables	465,158	13,413,940
Short term investments	11,293,718	3,449,716
Bank balances	13,495,746	8,871,729
	27,455,451	27,677,682

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the country .

The Group companies' most significant amount receivable is from a bank which amounts to Rs 2,000,000 thousand (2008: Rs 500,000 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts are secured against letter of guarantee. The Group companies have placed funds in financial institutions with high credit ratings. The Group companies assesses the credit quality of the counterparties as satisfactory. The Group companies does not hold any collateral as security against any of their financial assets other than trade debts.

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

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Impairment losses

The aging of trade debts at the reporting date was:

	2009		2008	
	Gross	Impairment	Grosss	Impairment
	(Rupees '000)			
Not yet due	30,349	–	15,680	–
Past due 1 – 30 days	271,954	–	118,623	–
Past due 31 – 60 days	67,227	–	97,017	–
Past due 61 – 90 days	311,371	–	369,404	–
Over 90 days	54,471	1,758	182,417	1,758
	735,372	1,758	783,141	1,758

Based on past experience, the management believe that no impairment allowance is necessary in respect of trade debts.

The Group companies have recorded an impairment loss of Rs 12,750 thousand (2008 : Rs 16,000 thousand) in respect of their investment in available for sale investments.

36.2 Liquidity risk

Liquidity risk is the risk that the Group companies will not be able to meet their financial obligations as they fall due. The Group companies approach to managing liquidity is to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group companies reputation. The Group companies use different methods which assists them in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group companies ensure that they have sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Group companies maintain lines of credit as mentioned in note 12 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2009	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
	(Rupees '000)						
Long term borrowings	12,247,252	13,954,405	2,549,340	1,218,490	3,628,151	5,080,253	1,478,171
Trade and other payables	10,805,537	10,805,537	10,805,537	–	–	–	–
Mark – up accrued	257,652	257,652	257,652	–	–	–	–
Short term borrowings	13,818,798	13,998,735	13,998,735	–	–	–	–
	37,129,239	39,016,329	27,611,264	1,218,490	3,628,151	5,080,253	1,478,171

2008	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
	(Rupees '000)						
Long term borrowings	13,094,112	15,687,445	1,775,662	1,141,781	3,471,797	6,780,521	2,517,684
Trade and other payables	9,154,721	9,154,721	9,154,721	–	–	–	–
Mark – up accrued	788,156	788,156	788,156	–	–	–	–
Short term borrowings	21,371,082	21,847,987	21,847,987	–	–	–	–
	44,408,071	47,478,309	33,566,526	1,141,781	3,471,797	6,780,521	2,517,684

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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36.2.1 The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates have been disclosed in notes 7 and 12 to these financial statements.

36.3 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 companies incurs financial liabilities to manage their market risk. All such activities are carried out with the approval of the Board. The Group companies are exposed to interest rate and currency risks.

36.3.1 Currency risk

Exposure to Currency Risk

The Group companies are exposed to currency risk on creditors, bank balance and investment in Term Deposits Receipts which are denominated in currency other than the functional currency of the Group companies. The Group companies exposure to foreign currency risk is as follows:

	2009		2008	
	(Rupees '000)	(US Dollar '000)	(Rupees '000)	(US Dollar '000)
Bank balance	17,724	211	24,241	307
Investments (Term Deposit Receipts)	1,081,360	12,843	1,033,936	13,086
Creditors	(2,427,143)	(28,826)	(4,225,757)	(53,484)

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2009	2008	2009	2008
US Dollars	81.57	71.92	84.20	79.01

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs 132,806 thousand (2008 : Rs 316,758 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.

36.3.2 Interest rate risk

The interest rate risk is the risk that the fair value of 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 and long term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate risk profile of the Group companies interest bearing financial instruments is:

	Carrying Amount	
	2009	2008
	(Rupees '000)	
Fixed rate instruments		
Financial assets	15,057,965	4,541,365
Financial liabilities	(2,600,000)	(13,938,921)
	12,457,965	(9,397,556)
Variable rate instruments		
Financial assets	7,977,897	6,755,864
Financial liabilities	(18,280,445)	(14,692,467)
	(10,302,548)	(7,936,603)

Fair value sensitivity analysis for fixed rate instruments

The Group companies do not hold any financial asset or liability at fair value through profit and loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2009		
Cash flow sensitivity – Variable rate instruments	(55,216)	55,216
	(55,216)	55,216
December 31, 2008		
Cash flow sensitivity – Variable rate instruments	(69,596)	69,596
	(69,596)	69,596

36.4 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	December 31, 2009		December 31, 2008	
		Carrying amount	Fair value	Carrying amount	Fair value
			(Rupees '000)		
Assets carried at amortized cost					
Loans and advances	17 & 22	479,366	479,366	238,773	238,773
Deposits	18 & 23	84,790	84,790	73,769	73,769
Trade debts – net of provision	21	733,614	733,614	781,383	781,383
Other receivables	24	465,158	465,158	13,413,940	13,413,940
Investment carried at amortised cost	25	4,400,000	4,400,000	–	–
Cash and bank balances	26	13,495,746	13,495,746	8,871,729	8,871,729
		19,658,674	19,658,674	23,379,594	23,379,594
Assets carried at fair value					
Long term investments	16	903,059	903,059	848,372	848,372
Short term investments	25	6,893,718	6,893,718	3,449,716	3,449,716
		7,796,777	7,796,777	4,298,088	4,298,088
Liabilities carried at amortized cost					
Long term borrowings	7	12,247,252	12,247,252	13,094,112	13,094,112
Trade and other payables	9	10,805,537	10,805,537	9,154,721	9,154,721
Mark – up accrued	11	257,652	257,652	788,156	788,156
Short term borrowings	12	13,818,798	13,818,798	21,371,082	21,371,082
		37,129,239	37,129,239	44,408,071	44,408,071

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 change in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value. The interest rates used to determine fair value of GOP loan is 15% (2008: 18%). Since originally the loan is zero interest rate, there is no difference in the carrying amount of the loan and fair 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).

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

	Level 1	Level 2	Level 3
		(Rupees '000)	
December 31, 2009			
Assets carried at fair value			
Available for sale investments	–	6,688,926	–
Available for sale investments	145,493	–	–
Investments at fair value through profit and loss account	962,358	–	–
	1,107,851	6,688,926	–
December 31, 2008			
Assets carried at fair value			
Available for sale investments	–	3,709,855	–
Available for sale investments	47,453	–	–
Investments at fair value through profit and loss account	540,780	–	–
	588,233	3,709,855	–

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values.

36.5 Determination of fair values

A number of the Group companies accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss account – held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Investment in associate

The fair value of investment in associate is determined by reference to their quoted closing bid price at the reporting date. The fair value is determined for disclosure purposes.

Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, 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.

36.6 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 companies define 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 companies approach to capital management during the year and the Group companies are not subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

37. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these consolidated financial statements in respect of remuneration including benefits applicable to the chief executives, directors and executives of the Group companies are given below:

	2009		2008	
	Chief Executives	Executives	Chief Executives	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	8,717	996,393	6,759	820,905
Contribution to provident fund	452	57,588	359	44,332
Bonus and other awards	3,028	114,481	2,657	193,386
Good performance award	–	712,652	424	327,942
Others	4,841	657,506	4,291	292,033
Total	17,038	2,538,620	14,490	1,678,598
No. of persons	2	533	2	448

The above were provided with medical facilities; the chief executives and certain executives were also provided with some furnishing items and vehicles in accordance with the Group companies' policy. Gratuity is payable to the chief executives in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Rs 1,739 thousand (2008 Rs Nil) were paid to the ex–chief executive of FFC on separation on account of gratuity. Leave encashment of Rs 1,830 thousand (2008: Rs Nil) and Rs 13,045 thousand (2008: Rs 2,833 thousand) were paid to the ex–chief executive of FFC and executives of Group companies respectively on separation, in accordance with the Group companies' policy.

In addition, 22 (2008: 21) directors were paid aggregate fee of Rs 1,990 thousand (2008: Rs 1,449 thousand).

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Fauji Foundation holds 44.35% (2008: 44.35%) shares of FFC at the year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of FFC. Pakistan Maroc Phosphore is also a related party of Group companies due to common directorship. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 17, 22 and 37 to the financial statements respectively.

	2009	2008
	(Rupees '000)	
Transactions with associated undertaking / companies due to common directorship		
Long term investment	–	1,800,000
Sale of fertilizer	5,062	4,043
Rent charged to Group companies	4,509	4,118
Dividend paid	3,251,446	3,304,967
Repayment of principal portion of long term finance	–	45,714
Financial charges	–	14,092
Medical services	95	7
Purchase of gas as feed and fuel stock	11,600,090	9,501,499
Technical services received	29,888	25,983
Others	3,260	3,324
Loan balance payable at the year end – secured	–	114,286
Balance payable – unsecured	542,211	474,808
Balance receivable – unsecured (included in note 24)	88,831	1,871
Transactions with joint venture company		
Raw material purchased	13,187,963	26,717,686
Dividend received	95,389	–
Expenses incurred on behalf of joint venture company	20,423	23,930
Balance payable – secured	2,412,237	4,212,313
Balance receivable – unsecured	11,005	20,501
Other related parties		
Payments to:		
Employees' Provident Fund Trust	219,133	179,390
Employees' Gratuity Fund Trust	102,417	68,277
Employees' Pension Fund Trust	78,963	44,530
Others:		
Transactions with Workers' Profit Participation Fund (WPPF)	357,678	1,235,021
Balance payable at the year end – unsecured	963,995	208,457

Notes to the Consolidated Financial Statements
for the year ended December 31, 2009

39. POST BALANCE SHEET EVENT

The Board of Directors of FFC in their meeting held on January 28, 2010 have proposed a final dividend of Rs 3.25 per share while a dividend of Rs 2.25 per share has been proposed by the Board of Directors of FFBL on January 26, 2010.

40. GENERAL

40.1 Production capacity

	2009	2008
	(Tonnes '000)	
Design capacity		
Urea	2,599	2,599
DAP	600	446
Production		
Urea	3,091	2,990
DAP	540	471

The shortfall in DAP production was mainly due to non-availability of required quantity of gas and turnaround during the year.

40.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 40,000 thousand and Rs 7,350,000 thousand (2008: Rs 40,000 thousand and Rs 8,613,000 thousand) respectively are available to FFC against lien on shipping / title documents and charge on assets of FFC.

40.3 Donations aggregating Rs 95,536 thousand i.e, 0.90% of net profit (2008: Rs 35,895 thousand i.e, 0.41% of net profit), included under cost of sales and distribution cost do not include any amount paid to any person or organisation in which the chief executive, directors or their spouses had any interest.

40.4 These consolidated financial statements have been authorised for issue by the Board of Directors of FFC on January 28, 2010.

Chairman

Chief Executive

Director

Pattern of Shareholding
as at December 31, 2009

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1,404	1	100	65,874	0.01
2,029	101	500	562,965	0.08
1,497	501	1,000	1,139,565	0.17
3,856	1,001	5,000	8,765,771	1.29
1,048	5,001	10,000	7,505,756	1.11
428	10,001	15,000	5,297,322	0.78
241	15,001	20,000	4,209,366	0.62
153	20,001	25,000	3,436,449	0.51
131	25,001	30,000	3,595,768	0.53
86	30,001	35,000	2,832,648	0.42
55	35,001	40,000	2,094,529	0.31
55	40,001	45,000	2,336,323	0.34
52	45,001	50,000	2,498,483	0.37
41	50,001	55,000	2,162,400	0.32
23	55,001	60,000	1,342,483	0.20
34	60,001	65,000	2,134,278	0.31
34	65,001	70,000	2,320,827	0.34
14	70,001	75,000	1,020,220	0.15
15	75,001	80,000	1,167,081	0.17
19	80,001	85,000	1,569,884	0.23
11	85,001	90,000	968,724	0.14
11	90,001	95,000	1,015,200	0.15
18	95,001	100,000	1,776,791	0.26
7	100,001	105,000	715,061	0.11
10	105,001	110,000	1,067,696	0.16
11	110,001	115,000	1,236,574	0.18
6	115,001	120,000	707,174	0.10
5	120,001	125,000	610,530	0.09
8	125,001	130,000	1,021,892	0.15
7	130,001	135,000	931,262	0.14
5	135,001	140,000	692,063	0.10
3	140,001	145,000	426,657	0.06
6	145,001	150,000	892,709	0.13
7	150,001	155,000	1,064,957	0.16
5	155,001	160,000	791,327	0.12
9	160,001	165,000	1,466,788	0.22
1	165,001	170,000	169,400	0.03
6	170,001	175,000	1,040,484	0.15
6	175,001	180,000	1,068,535	0.16
2	180,001	185,000	364,099	0.05
2	185,001	190,000	374,488	0.06
2	190,001	195,000	381,548	0.06
6	195,001	200,000	1,193,230	0.18
2	200,001	205,000	405,005	0.06
4	205,001	210,000	828,767	0.12
3	210,001	215,000	638,408	0.09
1	215,001	220,000	215,703	0.03
2	220,001	225,000	446,597	0.07
1	225,001	230,000	228,315	0.03
6	230,001	235,000	1,397,221	0.21
3	235,001	240,000	718,079	0.11
2	245,001	250,000	499,290	0.07
2	250,001	255,000	506,625	0.07
3	255,001	260,000	775,663	0.11
1	265,001	270,000	269,723	0.04
4	270,001	275,000	1,097,122	0.16
1	275,001	280,000	279,700	0.04
1	280,001	285,000	281,875	0.04

Pattern of Shareholding
as at December 31, 2009

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
2	285,001	290,000	575,402	0.08
1	290,001	295,000	291,194	0.04
1	295,001	300,000	300,000	0.04
2	305,001	310,000	618,677	0.09
2	310,001	315,000	626,301	0.09
1	315,001	320,000	318,587	0.05
2	320,001	325,000	642,876	0.09
3	325,001	330,000	986,746	0.15
1	330,001	335,000	330,745	0.05
2	335,001	340,000	677,306	0.10
1	340,001	345,000	345,000	0.05
3	345,001	350,000	1,045,779	0.15
1	350,001	355,000	351,000	0.05
3	355,001	360,000	1,074,772	0.16
2	360,001	365,000	726,970	0.11
1	370,001	375,000	375,000	0.06
1	375,001	380,000	375,187	0.06
1	380,001	385,000	380,715	0.06
2	385,001	390,000	778,316	0.11
1	395,001	400,000	400,000	0.06
3	405,001	410,000	1,221,890	0.18
1	410,001	415,000	412,629	0.06
1	425,001	430,000	430,000	0.06
2	440,001	445,000	882,254	0.13
1	445,001	450,000	447,000	0.07
1	450,001	455,000	454,158	0.07
1	460,001	465,000	461,462	0.07
1	470,001	475,000	475,000	0.07
1	475,001	480,000	480,000	0.07
1	480,001	485,000	482,312	0.07
1	485,001	490,000	489,391	0.07
1	495,001	500,000	500,000	0.07
1	520,001	525,000	524,958	0.08
1	540,001	545,000	543,647	0.08
2	545,001	550,000	1,100,000	0.16
1	555,001	560,000	556,350	0.08
1	565,001	570,000	568,950	0.08
1	580,001	585,000	581,575	0.09
2	590,001	595,000	1,187,555	0.18
2	595,001	600,000	1,196,715	0.18
1	615,001	620,000	620,000	0.09
1	685,001	690,000	686,390	0.10
1	695,001	700,000	695,727	0.10
1	710,001	715,000	713,254	0.11
1	715,001	720,000	717,858	0.11
1	740,001	745,000	740,592	0.11
1	770,001	775,000	773,136	0.11
1	780,001	785,000	782,493	0.12
1	810,001	815,000	810,351	0.12
1	855,001	860,000	855,937	0.13
1	865,001	870,000	869,951	0.13
1	870,001	875,000	871,438	0.13
1	885,001	890,000	886,210	0.13
1	890,001	895,000	891,050	0.13
1	995,001	1,000,000	1,000,000	0.15
1	1,000,001	1,005,000	1,001,498	0.15
2	1,075,001	1,080,000	2,158,873	0.32
2	1,180,001	1,185,000	2,365,942	0.35

Pattern of Shareholding
as at December 31, 2009

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
2	1,195,001	1,200,000	2,400,000	0.35
1	1,200,001	1,205,000	1,203,125	0.18
1	1,240,001	1,245,000	1,244,396	0.18
1	1,245,001	1,250,000	1,248,166	0.18
1	1,255,001	1,260,000	1,258,100	0.19
2	1,295,001	1,300,000	2,597,200	0.38
1	1,395,001	1,400,000	1,395,542	0.21
1	1,405,001	1,410,000	1,405,063	0.21
1	1,415,001	1,420,000	1,419,615	0.21
1	1,565,001	1,570,000	1,569,108	0.23
1	1,635,001	1,640,000	1,638,677	0.24
1	1,645,001	1,650,000	1,647,320	0.24
1	1,660,001	1,665,000	1,662,720	0.25
1	1,725,001	1,730,000	1,726,091	0.25
1	1,830,001	1,835,000	1,830,516	0.27
1	1,890,001	1,895,000	1,890,926	0.28
1	2,000,001	2,005,000	2,003,187	0.30
1	2,465,001	2,470,000	2,466,730	0.36
1	2,620,001	2,625,000	2,622,112	0.39
1	2,685,001	2,690,000	2,688,053	0.40
1	2,735,001	2,740,000	2,737,900	0.40
1	2,755,001	2,760,000	2,760,000	0.41
1	2,935,001	2,940,000	2,936,648	0.43
1	3,050,001	3,055,000	3,051,017	0.45
1	3,055,001	3,060,000	3,056,716	0.45
1	3,580,001	3,585,000	3,584,515	0.53
1	3,590,001	3,595,000	3,590,507	0.53
1	3,720,001	3,725,000	3,722,048	0.55
1	4,770,001	4,775,000	4,771,154	0.70
1	4,865,001	4,870,000	4,865,932	0.72
1	6,090,001	6,095,000	6,090,529	0.90
1	6,150,001	6,155,000	6,152,850	0.91
1	6,305,001	6,310,000	6,309,862	0.93
1	9,375,001	9,380,000	9,375,184	1.38
1	12,440,001	12,445,000	12,444,987	1.83
1	26,095,001	26,100,000	26,095,415	3.85
1	26,840,001	26,845,000	26,841,223	3.96
1	29,580,001	29,585,000	29,584,471	4.36
1	57,450,001	57,455,000	57,450,131	8.47
1	69,075,001	69,080,000	69,075,420	10.18
1	23,183,000	23,183,500	231,833,516	34.17
11,527			**678,527,065**	**100.00**

Pattern of Shareholding
as at December 31, 2009

Serial No.	Categories of Shareholders	No of Shareholders	No of Shares held	Percentage %
1	NIT & ICP	3	32,636,175	4.81
2	Bank, DFI & NBFI	34	39,534,246	5.83
3	Insurance Companies	22	67,370,470	9.93
4	Modarabas & Mutuals Funds	79	59,600,763	8.78
5	Foreign Investors	54	33,920,228	5.00
6	Charitable Trust & Others	138	340,548,536	50.19
7	Others	185	9,844,843	1.45
8	Individuals	11,012	95,071,804	14.01
	Total Shares	11,527	678,527,065	100.00

	No of Shares
NIT & ICP	
National Investment Trust	32,635,488
Investment Corporation of Pakistan	687
Executives	409,161
Public Sector Companies and Corporations	33,554,622
Banks, Development Finance Institutions, Non – Banking Finance Institutions, Insurance Companies, Modarabas, Mutual Funds	166,505,479
Shareholders Holding ten percent or more voting interest	
Fauji Foundation	300,908,936

Financial Calendar

The Company follows the period of January 01 to December 31 as the financial year.

Financial Results will be announced as per the following tentative schedule:

Annual General Meeting	February 24, 2010
1st Quarter ending March 31, 2010	Last Week of April, 2010
2nd Quarter ending June 30, 2010	Last Week of July, 2010
3rd Quarter ending September 30, 2010	Last Week of October, 2010
Year ending December 31, 2010	Last Week of January, 2011

Notes

AGM

On February 24, 2010 at 10:00 am

Pearl Continental Hotel,

The Mall, Rawalpindi.

Form of Proxy
32nd Annual General Meeting

I/We ____

of ____

being a member(s) of Fauji Fertilizer Company Limited hold ______________________

Ordinary Shares hereby appoint Mr / Mrs / Miss ______________________

of ______________________ or falling him / her ______________________

of ______________________ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf

at the 32nd Annual General Meeting of the Company to be held on February 24, 2010 and / or any adjournment thereof.

As witness my/our hand/seal this ______________________ day of ______________________ February 2010.

Signed by ____

in the presence of ____

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 93 – Harley Street, Rawalpindi not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities

In addition to the above the following requirements have to be met.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

(ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

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

AFFIX
CORRECT
POSTAGE

Company Secretary
FAUJI FERTILIZER COMPANY LIMITED
93 – Harley Street,
Rawalpindi.


Inspiring Life
with a commitment to grow
FFC
FAUJI FERTILIZER COMPANY LIMITED

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