FAUJI FERTILIZER COMPANY LIMITED

When farmers succeed, we succeed! And we share our success with our stakeholders by rewarding them for putting their faith and confidence in us.

Financial Report 2010

Contents

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 2010, 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, 2010, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.

- The Chief Executive and the 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, 2010 and shall retire on the conclusion of the 33rd 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 33rd Annual General Meeting scheduled for March 01, 2011 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, 2011 at same Audit Fee as for 2010.

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

Qaiser Javed
Chairman - Audit Committee

Rawalpindi
January 27, 2011

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.

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 2010, if any, 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 2010 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 27, 2011
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, 2010.

Islamabad
January 27, 2011

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

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, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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, 2010 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 27, 2011

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

Balance Sheet

as at December 31, 2010

	Note	2010	2009
		(Rupees '000)	
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4	6,785,271	6,785,271
Capital reserves	5	160,000	160,000
Revenue reserves	6	8,502,276	6,137,171
		15,447,547	13,082,442
NON – CURRENT LIABILITIES			
Long term borrowings	7	3,819,405	4,578,809
Deferred taxation	8	3,215,821	3,035,757
		7,035,226	7,614,566
CURRENT LIABILITIES			
Trade and other payables	9	9,614,026	8,002,897
Interest and mark – up accrued	11	137,968	147,329
Short term borrowings	12	5,640,420	6,088,348
Current portion of long term borrowings	7	1,759,405	1,799,405
Taxation		3,426,264	1,816,595
		20,578,083	17,854,574
		43,060,856	38,551,582
CONTINGENCIES AND COMMITMENTS	13		

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

	Note	2010	2009
		(Rupees '000)	
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment	14	15,933,588	13,993,518
Goodwill	15	1,569,234	1,569,234
Long term investments	16	7,870,027	7,727,528
Long term loans and advances	17	455,328	337,541
Long term deposits and prepayments	18	9,037	6,305
		25,837,214	23,634,126
CURRENT ASSETS			
Stores, spares and loose tools	19	2,440,201	2,996,633
Stock in trade	20	211,720	144,087
Trade debts	21	357,956	256,886
Loans and advances	22	336,269	130,219
Deposits and prepayments	23	50,188	37,653
Other receivables	24	617,664	734,062
Short term investments	25	12,020,581	6,768,568
Cash and bank balances	26	1,189,063	3,849,348
		17,223,642	14,917,456
		43,060,856	38,551,582

Chairman

Chief Executive

Director

Profit and Loss Account

for the year ended December 31, 2010

	Note	2010	2009
		(Rupees '000)	
Sales	27	44,874,359	36,163,174
Cost of sales	28	25,310,406	20,515,044
GROSS PROFIT		19,563,953	15,648,130
Distribution cost	29	3,944,473	3,174,505
		15,619,480	12,473,625
Finance cost	30	1,086,741	944,947
Other expenses	31	1,376,000	1,272,448
		13,156,739	10,256,230
Other income	32	3,153,110	2,800,987
NET PROFIT BEFORE TAXATION		16,309,849	13,057,217
Provision for taxation	33	5,281,000	4,234,111
NET PROFIT AFTER TAXATION		11,028,849	8,823,106
Earnings per share – basic and diluted (Rupees)	34	16.25	13.00

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, 2010

	2010	2009
	(Rupees '000)	
Net profit after taxation	11,028,849	8,823,106
Other comprehensive income for the year		
(Deficit) / surplus on remeasurement of investments available for sale to fair value	(15,460)	41,953
Income tax relating to component of other comprehensive income	2,936	(11,862)
Other comprehensive income for the year – net of tax	(12,524)	30,091
Total comprehensive income for the year	11,016,325	8,853,197

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, 2010

	Note	2010	2009
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	20,241,360	14,487,016
Finance cost paid		(1,096,102)	(992,188)
Income tax paid		(3,488,331)	(3,603,877)
Payment to gratuity fund		(63,710)	(74,715)
Payment to pension fund		(77,446)	(78,963)
Payment to Workers' Welfare Fund		(261,143)	(200,821)
Payment to Workers' Profit Participation Fund – net		(625,969)	(617,377)
Net cash generated from operating activities	36.1	14,628,659	8,919,075
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,313,841)	(2,344,076)
Proceeds from sale of property, plant and equipment		260,433	15,869
Interest received		501,482	491,326
Investment in FFC Energy Limited		(650,000)	–
Decrease / (increase) in other investments		1,727,800	(1,538,085)
Dividends received		2,575,478	2,002,160
Net cash generated from / (used in) investing activities		1,101,352	(1,372,806)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing – disbursements		1,500,000	1,000,000
– repayments		(2,299,405)	(743,036)
Dividends paid		(10,622,306)	(6,447,973)
Net cash used in financing activities		(11,421,711)	(6,191,009)
Net increase in cash and cash equivalents		4,308,300	1,355,260
Cash and cash equivalents at beginning of the year		2,096,060	739,929
Effect of exchange rate changes		18,904	871
Cash and cash equivalents at end of the year	37	6,423,264	2,096,060

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, 2010

	Share capital	Capital reserves	Revenue reserves: (Deficit) / surplus on remeasurement of investments available for sale to fair value	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
	(Rupees '000)					
Balance at January 1, 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
Balance at January 1, 2010	6,785,271	160,000	6,970	3,739,471	2,390,730	13,082,442
Transfer to general reserve	–	–	–	500,000	(500,000)	–
Total comprehensive income for the year						
Profit for the year after taxation	–	–	–	–	11,028,849	11,028,849
Other comprehensive income	–	–	(12,524)	–	–	(12,524)
Total comprehensive income for the year	–	–	(12,524)	–	11,028,849	11,016,325
Distribution to owners						
Final dividend 2009: Rs 3.25 per share	–	–	–	–	(2,205,213)	(2,205,213)
First interim dividend 2010: Rs 4.00 per share	–	–	–	–	(2,714,108)	(2,714,108)
Second interim dividend 2010: Rs 3.50 per share	–	–	–	–	(2,374,845)	(2,374,845)
Third interim dividend 2010: Rs 2.00 per share	–	–	–	–	(1,357,054)	(1,357,054)
Total transactions with owners	–	–	–	–	(8,651,220)	(8,651,220)
Balance at December 31, 2010	6,785,271	160,000	(5,554)	4,239,471	4,268,359	15,447,547

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, 2010

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 subsidiaries, 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 has 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

Notes to the Financial Statements
for the year ended December 31, 2010

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.

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 controlled companies.

3.1 Retirement benefits

The Company has the following plans for its employees:

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.

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, 2010

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 utilised. 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 and loss account.

Notes to the Financial Statements

for the year ended December 31, 2010

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 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 statement of comprehensive income.

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 other comprehensive income until disposal at which time these are recycled to profit and loss account.

Notes to the Financial Statements
for the year ended December 31, 2010

3.6.4 Acquisition under common control

Acquisition under common control of the shareholders 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.

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.

Notes to the Financial Statements

for the year ended December 31, 2010

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.

3.15 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 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.

Notes to the Financial Statements
for the year ended December 31, 2010

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 recognised 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.

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.

Notes to the Financial Statements
for the year ended December 31, 2010

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:

– Amendments to IFRS 7 – Financial Instruments Disclosures	(effective 1 July 2010)
– Amendments to IAS 1 – Presentation of Financial Statements	(effective 1 January 2011)
– Amendments to IAS 24 – Related Party Disclosures	(effective 1 January 2011)
– Amendments to IAS 28 – Investments in Associates	(effective 1 July 2010)
– Amendments to IAS 31 – Interests in Joint ventures	(effective 1 July 2010)
– Amendments to IAS 32 – Financial Instruments Presentation	(effective 1 February 2010)
– Amendments to IFRIC 13 – Customers Loyalty Programmes	(effective 1 January 2011)
– Amendments to IFRIC 14 – The Limit on a Defined Benefit Asset,	
Minimum Funding equipments and their Interaction	(effective 1 January 2011)
– IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	(effective 1 July 2010)
– IFRS 9 – Financial Instruments	(effective 1 January 2013)

Notes to the Financial Statements
for the year ended December 31, 2010

			2010	2009
			(Rupees '000)	

4. SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Numbers December 31, 2010	Numbers December 31, 2009		2010	2009
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	422,031,163	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,220,312	4,220,312
678,527,065	678,527,065		6,785,271	6,785,271

AUTHORISED SHARE CAPITAL

This represents 1,000,000,000 (2009: 1,000,000,000) ordinary shares of Rs 10 each amounting to Rs 10,000,000 thousand (2009: Rs 10,000,000 thousand).

4.1 Fauji Foundation held 44.35% (2009: 44.35%) ordinary shares of the Company at the year end.

	Note	2010	2009
		(Rupees '000)	
5. CAPITAL RESERVES			
Share premium	5.1	40,000	40,000
Capital redemption reserve	5.2	120,000	120,000
		160,000	160,000

5.1 Share premium

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

5.2 Capital redemption reserve

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

	2010	2009
	(Rupees '000)	
6. REVENUE RESERVES		
General reserve	4,239,471	3,739,471
(Deficit) / surplus on remeasurement of available for sale investments to fair value – net of tax	(5,554)	6,970
Unappropriated profit	4,268,359	2,390,730
	8,502,276	6,137,171

Notes to the Financial Statements

for the year ended December 31, 2010

			Note	2010	2009
				(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	125,000	250,000
	ii)	United Bank Limited	7.1.1	457,143	685,714
	iii)	Bank Al-Falah Limited (BAFL)	7.1.1	156,250	281,250
	iv)	Standard Chartered Bank (Pakistan) Limited (SCB)	7.1.1	250,000	350,000
	v)	National Bank of Pakistan (NBP - 1)	7.1.1	200,000	300,000
	vi)	Silk Bank Limited (SB - 1)	7.1.1	60,000	90,000
	vii)	Silk Bank Limited (SB - 2)	7.1.1	60,000	90,000
	viii)	National Bank of Pakistan (NBP - 2)	7.1.1	416,667	500,000
	ix)	Faysal Bank Limited (FBL)	7.1.1	320,000	400,000
	x)	Bank Islami Limited (BIL)	7.1.1	156,250	218,750
	xi)	Al-Baraka Islamic Bank Limited (AIBL)	7.1.1	225,000	275,000
	xii)	Dubai Islamic Bank (DIB)	7.1.1	270,000	300,000
	xiii)	Meezan Bank Limited (MBL - 1)	7.1.1	312,500	437,500
	xiv)	MCB Bank Limited (MCB)	7.1.1	270,000	300,000
	xv)	Habib Bank Limited (HBL - 2)	7.1.1	300,000	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
	xviii)	Meezan Bank Limited (MBL - 3)	7.1.1	1,000,000	–
	xix)	Bank of Punjab (BoP)	7.1.1	500,000	–
				5,578,810	6,378,214
	Less: Current portion shown under current liabilities			1,759,405	1,799,405
				3,819,405	4,578,809

Notes to the Financial Statements
for the year ended December 31, 2010

7.1 Terms and conditions of these borrowings are given below:

	Lenders	Mark–up rate p.a. (%)	No of installments outstanding	Date of final repayment
i)	HBL - 1	6 months' KIBOR+1.45	2 half yearly	November 30, 2011
ii)	UBL	6 months' KIBOR+1.5	4 half yearly	August 30, 2012
iii)	BAFL	6 months' KIBOR+1.5	5 quarterly	March 20, 2012
iv)	SCB	6 months' KIBOR+1.3	5 half yearly	March 29, 2013
v)	NBP - 1	6 months' KIBOR+1.4	4 half yearly	August 30, 2012
vi)	SB - 1	6 months' KIBOR+1.5	4 half yearly	September 27, 2012
vii)	SB - 2	6 months' KIBOR+1.5	4 half yearly	December 28, 2012
viii)	NBP - 2	6 months' KIBOR+1	10 half yearly	September 17, 2015
ix)	FBL	6 months' KIBOR+1	8 half yearly	September 26, 2014
x)	BIL	6 months' KIBOR+1	5 half yearly	June 30, 2013
xi)	AIBL	6 months' KIBOR+1	9 half yearly	June 27, 2015
xii)	DIB	6 months' KIBOR+1	9 half yearly	June 30, 2015
xiii)	MBL -1	6 months' KIBOR+0.96	5 half yearly	March 28, 2013
xiv)	MCB	6 months' KIBOR+1	9 half yearly	June 30, 2015
xv)	HBL - 2	6 months' KIBOR+1	6 half yearly	September 29, 2013
xvi)	HBL - 3	6 months' KIBOR+0.30	4 periodic	February 28, 2012
xvii)	MBL -2	6 months' KIBOR+0.21	Pre-mature settlement	December 30, 2010
xviii)	MBL - 3	6 months' KIBOR+0.90	8 half yearly	December 31, 2015
xix)	BoP	6 months' KIBOR+0.80	8 half yearly	December 30, 2015

Notes to the Financial Statements
for the year ended December 31, 2010

7.1.1 Finances (i) through (xix) have been obtained to meet the debottle-necking, equity investment and other capital expenditure requirements of the Company. Finances (i) to (xix) 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. In addition finance (xvi) is secured against lien on Pakistan Investment Bonds having face value of Rs 500,000 thousand and repayment installments coincide with the PIBs maturity, while finance (xvii) is secured against ranking charge on current assets of the Company at 25% margin.

	Note	2010	2009
		(Rupees '000)	
8. DEFERRED TAXATION			
The balance of deferred tax is in respect of the following major temporary differences:			
Accelerated depreciation		3,317,000	3,111,000
Slow moving / surplus spares, doubtful debts, other receivables and investments		(99,000)	(76,000)
Remeasurement of investment available for sale		(2,179)	757
		3,215,821	3,035,757
9. TRADE AND OTHER PAYABLES			
Creditors		413,062	435,463
Accrued liabilities		2,161,679	1,562,320
Consignment account with Fauji Fertilizer Bin Qasim Limited – unsecured		–	161,203
Other liabilities		88,699	26,269
Deposits		171,047	128,072
Retention money		71,935	57,825
Advances from customers		5,798,379	2,842,722
Workers' Welfare Fund		726,397	661,343
Gratuity fund	10	32,174	5,940
Unclaimed dividend		150,654	2,121,740
		9,614,026	8,002,897

Notes to the Financial Statements

for the year ended December 31, 2010

10.	RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2010 Total	2009 Total
			(Rupees '000)		
a)	Reconciliation of amounts recognised in the balance sheet is as follow:				
	Present value of defined benefit obligation	1,146,571	1,306,278	2,452,849	2,048,797
	Fair value of plan assets	(857,578)	(1,082,456)	(1,940,034)	(1,702,951)
	Deficit	288,993	223,822	512,815	345,846
	Net actuarial losses not recognised	(256,819)	(223,822)	(480,641)	(339,906)
		32,174	–	32,174	5,940
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	953,746	1,095,051	2,048,797	1,783,733
	Current service cost	55,481	58,534	114,015	91,592
	Interest cost	118,784	141,535	260,319	233,407
	Benefits paid during the year	(41,654)	(30,345)	(71,999)	(81,625)
	Actuarial loss	60,214	41,503	101,717	21,690
	Present value of defined benefit obligation at end of the year	1,146,571	1,306,278	2,452,849	2,048,797
c)	The movement in fair value of plan assets is as follows:				
	Fair value of plan assets at beginning of the year	744,468	958,483	1,702,951	1,347,287
	Expected return on plan assets	92,626	125,329	217,955	191,088
	Contributions	63,710	77,446	141,156	153,678
	Benefits paid during the year	(41,654)	(30,345)	(71,999)	(81,625)
	Actuarial (loss) / gain	(1,572)	(48,457)	(50,029)	92,523
	Fair value of plan assets at end of the year	857,578	1,082,456	1,940,034	1,702,951
d)	Plan assets comprise of:				
	Investment in debt securities	47,517	47,517	95,034	98,942
	Investment in equity securities	162,122	15,919	178,041	87,526
	Term Deposit Receipts	370,467	541,610	912,077	777,634
	Defence Saving Certificates	–	–	–	168,189
	Mutual Funds	76,582	78,262	154,844	171,491
	National Investment Trust Units	61,736	107,898	169,634	174,094
	Deposits with banks	139,734	291,311	431,045	225,716
	Others	(580)	(61)	(641)	(641)
		857,578	1,082,456	1,940,034	1,702,951
e)	Actual return on plan assets	91,054	76,872	167,926	283,611
	Contributions expected to be paid to the plan during the next financial year	122,120	109,220	231,340	167,390

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, 2010

		Funded gratuity	Funded pension	2010 Total	2009 Total
			(Rupees '000)		
g)	Movement in liability recognised in the balance sheet:				
	Opening liability	5,940	–	5,940	10,162
	Expense for the year	89,944	77,446	167,390	149,456
	Payments to the fund during the year	(63,710)	(77,446)	(141,156)	(153,678)
	Closing liability	32,174	–	32,174	5,940
h)	Amount recognised in the profit and loss account is as follows:				
	Current service cost	55,481	58,534	114,015	91,592
	Interest cost	118,784	141,535	260,319	233,407
	Expected return on plan assets	(92,626)	(125,329)	(217,955)	(191,088)
	Actuarial losses recognised	8,305	2,706	11,011	15,545
		89,944	77,446	167,390	149,456

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 as follows:

	2010	2009	2008	2007	2006
			(Rupees '000)		
Present value of defined benefit obligation	1,146,571	953,746	854,834	736,148	635,237
Fair value of plan assets	(857,578)	(744,468)	(611,570)	(644,234)	(562,861)
Deficit	288,993	209,278	243,264	91,914	72,376
Experience adjustments					
– on obligations	(60,214)	(4,407)	(28,426)	(34,126)	(4,301)
– on plan assets	(1,572)	28,655	(119,116)	15,663	11,510

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

	2010	2009	2008	2007	2006
			(Rupees '000)		
Present value of defined benefit obligation	1,306,278	1,095,051	928,899	816,872	664,505
Fair value of plan assets	(1,082,456)	(958,483)	(735,717)	(781,717)	(684,985)
Deficit / (surplus)	223,822	136,568	193,182	35,155	(20,480)
Experience adjustments					
– on obligations	(41,503)	(17,283)	(9,565)	(72,385)	3,510
– on plan assets	(48,457)	63,868	(148,462)	16,750	42,491

Notes to the Financial Statements

for the year ended December 31, 2010

		2010		2009	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
k)	Principal actuarial assumptions used in the actuarial valuations are as follows:				
	Discount rate	14%	14%	12.75%	12.75%
	Expected rate of salary growth	13%–14%	14%	11.75–12.75%	12.75%
	Expected rate of return on plan assets	14%	14%	12.75%	12.75%

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 84,634 thousand, Rs 79,986 thousand, Rs 70,956 thousand and Rs 112,512 thousand respectively (2009: Rs 70,493 thousand, Rs 71,321 thousand, Rs 71,591 thousand and Rs 172,220 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under Inter Company Services Agreement.

		Note	2010	2009
			(Rupees '000)	
11.	INTEREST AND MARK – UP ACCRUED			
	On long term borrowings		112,484	133,877
	On short term borrowings		25,484	13,452
			137,968	147,329
12.	SHORT TERM BORROWINGS – SECURED			
	From banking companies			
	Short term running finance	12.1	5,640,420	6,088,348

12.1 Short term running finance

Short term running finance and istisna facilities are available from various banking companies under mark-up arrangements aggregating to Rs 11,490,000 thousand (2009: Rs 8,800,000 thousand) which represent the aggregate of sale prices of all mark-up agreements between the Company and respective banks. These facilities have various maturity dates upto October 30, 2011.

These facilities are secured by first pari passu and ranking hypothecation charges on assets of the Company. The per annum rates of mark-up range between one month KIBOR + 0.1% to 0.8% and three months KIBOR + 0.5% per annum (2009: One month KIBOR + 0.2% to 1.5% per annum to three months' KIBOR + 2.18% per annum.)

Notes to the Financial Statements
for the year ended December 31, 2010

			2010	2009
			(Rupees '000)	
13.	CONTINGENCIES AND COMMITMENTS			
	a)	Contingencies:		
	i)	Guarantees issued by banks on behalf of the Company.	17,192	17,192
	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, 2010.	187,685	187,685
	b)	Commitments in respect of:		
	i)	Capital expenditure.	1,412,000	1,930,397
	ii)	Purchase of fertilizer, stores, spares and other revenue items.	333,833	200,789
	iii)	Proposed investment in FFC Energy Limited.	1,163,000	–
	iv)	Rentals under lease agreements:		
		Premises – not later than one year	14,689	27,932
		– later than one year and not later than:		
		two years	17,935	30,873
		three years	4,603	13,507
		four years	725	720
		five years	791	726
		Vehicles – not later than one year	32,311	60,266
		– later than one year and not later than:		
		two years	20,027	54,745
		three years	16,033	34,179
		four years	21,206	20,865
		five years	9,552	15,457

Notes to the Financial Statements
for the year ended December 31, 2010

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
	(Rupees '000)													
COST														
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
Balance as at January 01, 2010	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
Additions during the year	304,845	–	213,982	–	–	968,852	281,607	49,911	20,248	28,696	202,014	1,808	2,300,992	4,372,955
Disposals	–	–	(2,463)	–	–	(300,008)	–	(7,880)	(7,968)	(11,663)	(34,745)	(546)	–	(365,273)
Transfers / adjustments	–	–	–	–	–	–	(114,565)	–	–	–	–	–	(1,059,114)	(1,173,679)
Balance as at December 31, 2010	533,231	178,750	2,889,557	42,150	26,517	24,297,571	868,078	386,827	181,455	330,196	1,321,799	17,861	2,566,930	33,640,922
DEPRECIATION														
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
Balance as at January 01, 2010	–	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
Charge for the year	–	14,323	116,613	107	–	731,440	133,211	37,252	14,996	26,269	126,242	1,912	–	1,202,365
Depreciation on disposals	–	–	(2,463)	–	–	(140,968)	–	(7,322)	(7,845)	(11,663)	(23,060)	(546)	–	(193,867)
Transfers / adjustments	–	–	–	–	–	–	(114,565)	–	–	–	–	–	–	(114,565)
Balance as at December 31, 2010	–	78,455	1,540,759	41,085	26,517	14,129,350	376,799	248,719	82,545	250,787	917,811	14,507	–	17,707,334
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
Written down value as at December 31, 2010	533,231	100,295	1,348,798	1,065	–	10,168,221	491,279	138,108	98,910	79,409	403,988	3,354	2,566,930	15,933,588
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, 2010

		Note	2010	2009
			(Rupees '000)	
14.1	Depreciation charge has been allocated as follows:			
	Cost of sales	28	1,177,038	1,054,220
	Distribution cost	29	17,364	14,800
	Charged to FFBL under Inter Company Services Agreement		7,963	7,658
			1,202,365	1,076,678

14.2 Details of property, plant and equipment disposed off:

Description	Cost	Book value	Sale proceeds
		(Rupees '000)	
Plant and machinery			
By way of open bidding			
Mr. Muhammad Asif	205,942	114,126	72,650
Write off	47,190	44,442	–
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand	112,141	12,838	9,729
2010	365,273	171,406	82,379
2009	91,408	4,693	15,869

		2010	2009
		(Rupees '000)	
14.3	CAPITAL WORK IN PROGRESS		
	Civil works including mobilisation advance	996,493	770,204
	Plant and machinery including advances to suppliers	1,380,239	468,334
	Intangible assets under development	190,198	86,514
		2,566,930	1,325,052

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 was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36. The value in use calculations are based on cashflow projections using the budgets and forecasts approved by the management. These are then extrapolated for a period of 10 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

Notes to the Financial Statements

for the year ended December 31, 2010

	Note	2010	2009
		(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 (PMP)	16.2	705,925	705,925
Investment in subsidiaries – at cost			
Fauji Fertilizer Bin Qasim Limited (FFBL)	16.3	4,752,330	4,752,330
FFC Energy Limited (FFCEL)	16.4	650,000	–
Investments available for sale	16.5		
Certificates of Investment		94,556	155,402
Pakistan Investment Bonds		493,775	602,164
Term Finance Certificates		130,093	145,493
		718,424	903,059
		8,326,679	7,861,314
Less: Current portion shown under short term investments	25		
Investments available for sale			
Certificates of Investment		43,086	24,026
Pakistan Investment Bonds		396,929	101,691
Term Finance Certificates		16,637	8,069
		456,652	133,786
		7,870,027	7,727,528

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, 2010. Market value of the Company's investment as at December 31, 2010 was Rs 470,625 thousand (December 31, 2009 was Rs 577,500 thousand). The recoverable amount of the investment in Fauji Cement Company Limited was tested for impairment based on value in use, in accordance with IAS - 36 "Impairment of Assets". The value in use calculations are based on cash flow projections based on the budget and forecasts approved by management for 2010. These are then extrapolated for a period of 10 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation, no impairment is required to be accounted for against the carrying amount of investment.

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, remains outstanding or without prior consent of FCCL.

16.2 Investment in joint venture – at cost

The Company has 12.5% equity participation in PMP, amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between the Company, Fauji Foundation, 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, if any legal restriction is laid on dividends by PMP, the investment will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

16.3 Investments in FFBL – at cost

Investment in FFBL represents 475,233 thousand fully paid ordinary shares of Rs 10 each representing 50.88% of FFBL share capital as at December 31, 2010. Market value of the Company's investment as at December 31, 2010 was Rs 16,980,075 thousand (2009: Rs 12,417,838 thousand), whereas value based on net assets as per audited financial statements as at December 31, 2010 was Rs 6,212,372 thousand (2009: Rs 5,423,758 thousand).

Notes to the Financial Statements

for the year ended December 31, 2010

16.4 Investment in FFCEL - at cost

Pursuant to the approval of the shareholders in the meeting held on February 24, 2010, during the period the Company has invested Rs 650,000 thousand in the equity of FFCEL. FFCEL has been incorporated for the purpose of implementing a project comprising the establishment and operation of wind power generation facility and the supply of electricity. The Company currently holds 100% shareholding interest in FFCEL.

16.5 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 (2009: 8.1% to 14.18% per annum).

Pakistan Investment Bonds (PIBs)

These were purchased for a period of 10 years with remaining period ranging between 1 to 2 years. Profit is payable on 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 8,320 & 20,000 certificates of Rs 5,000 each of Pakistan Mobile Communications Limited and Engro Chemicals Pakistan Limited. Profit is payable on half yearly basis at the rate of six months' KIBOR + 2.85% and 1.55% per annum respectively.

	Note	2010	2009
		(Rupees '000)	
17. LONG TERM LOANS AND ADVANCES–SECURED			
Loans and advances – considered good, to:			
Executives		534,782	290,632
Other employees		147,954	126,433
		682,736	417,065
Less: Amount due within twelve months,			
under current loans and advances	22	227,408	79,524
		455,328	337,541

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

	Opening balance as at January 01, 2010	Disbursements	Repayments	Closing balance as at December 31, 2010
	(Rupees '000)			
Executives	290,632	374,120	129,970	534,782
Other employees	126,433	49,354	27,833	147,954
2010	417,065	423,474	157,803	682,736
2009	201,177	353,393	137,505	417,065

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 354,583 thousand (2009: Rs 292,936 thousand).

Notes to the Financial Statements
for the year ended December 31, 2010

		Note	2010	2009
			(Rupees '000)	
18.	LONG TERM DEPOSITS AND PREPAYMENTS			
	Deposits		7,538	6,087
	Prepayments		1,499	218
			9,037	6,305
19.	STORES, SPARES AND LOOSE TOOLS			
	Stores		151,569	330,729
	Spares		2,438,472	2,689,265
	Provision for slow moving and surplus items		(237,198)	(204,240)
			2,201,274	2,485,025
	Loose tools		279	279
	Items in transit		87,079	180,600
			2,440,201	2,996,633
20.	STOCK IN TRADE			
	Raw materials		78,036	33,548
	Work in process		28,075	37,186
	Finished goods - manufactured urea		105,609	73,353
			211,720	144,087
21.	TRADE DEBTS			
	Considered good:			
	Secured		346,773	226,537
	Unsecured	21.1	11,183	30,349
			357,956	256,886
	Considered doubtful		1,758	1,758
			359,714	258,644
	Provision for doubtful debts		(1,758)	(1,758)
			357,956	256,886

21.1 This includes Rs Nil (2009: Rs 1,552 thousand) due from Fauji Foundation, an associated undertaking.

		Note	2010	2009
			(Rupees '000)	
22.	LOANS AND ADVANCES			
	Current portion of long term loans and advances	17	227,408	79,524
	Loans and advances – unsecured			
	– Executives		36,005	37,072
	– Others		14,562	7,870
	Advances to suppliers – considered good		58,294	5,753
			336,269	130,219

Notes to the Financial Statements

for the year ended December 31, 2010

		Note	2010	2009
			(Rupees '000)	
23.	DEPOSITS AND PREPAYMENTS			
	Deposits		1,224	1,110
	Prepayments		48,964	36,543
			50,188	37,653
24.	OTHER RECEIVABLES			
	Accrued income on investments and bank deposits		55,866	48,067
	Sales tax receivable		42,486	41,357
	Advance tax	24.1	322,368	322,368
	Receivable from Workers' Profit Participation Fund – unsecured	24.2	11,021	51,058
	Receivable from FFC Energy Limited (a subsidiary company) – Unsecured		25,553	88,802
	Other receivables – considered good		160,370	182,410
	– considered doubtful		2,232	2,232
			162,602	184,642
	Provision for doubtful receivables		(2,232)	(2,232)
			160,370	182,410
			617,664	734,062

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.

		Note	2010	2009
			(Rupees '000)	
24.2	Workers' Profit Participation Fund			
	Balance at beginning of the year		51,058	52,976
	Allocation for the year		(865,103)	(700,966)
	Adjustment for prior years	24.2.1	199,097	–
	Receipt from fund during the year		(49,031)	(50,952)
	Payment to fund during the year		675,000	750,000
			11,021	51,058

24.2.1 This includes Rs 2,026 thousand (2009 : Rs 622,286 thousand) which represents amount paid to WPPF in prior years' in excess of the Company's obligation.

Notes to the Financial Statements

for the year ended December 31, 2010

		Note	2010	2009
			(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 (2009: Rs 9,750 thousand)	25.1	9,800,000	4,850,000
	Foreign currency	25.1	1,074,621	1,081,360
			10,874,621	5,931,360
	Investments at fair value through profit or loss – Held for trading			
	Meezan Balanced Fund		75,000	61,000
	National Investment Trust		567,150	546,031
	AMZ Plus Income Fund (Net of provision for doubtful recovery			
	Rs 33,253 thousand (2009: Rs Nil))		–	96,391
	Crosby Phoenix Fund		47,158	–
	Current maturity of long term investments			
	Available for sale	16	456,652	133,786
			12,020,581	6,768,568

25.1 These represent investments having maturities ranging between 1 to 3 months.

		2010	2009
		(Rupees '000)	
26.	CASH AND BANK BALANCES		
	At banks:		
	Deposit accounts:		
	Local currency	1,146,614	3,807,471
	Foreign currency	20,720	16,075
		1,167,334	3,823,546
	Drafts in hand and in transit	20,021	24,384
	Cash in hand	1,708	1,418
		1,189,063	3,849,348

Balances with banks include Rs 171,047 thousand (2009: Rs 128,072 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 17,192 thousand (2009: Rs 15,000 thousand) under lien of a bank, against a guarantee issued on behalf of the Company.

27. SALES

Sales include Rs 4,503,757 thousand (2009: Rs 1,662,247 thousand) in respect of sale of purchased fertilizers and are exclusive of trade allowances and sales tax of Rs 1,053,250 thousand and Rs Nil respectively (2009: Rs 929,768 thousand and Rs 1 thousand respectively).

Notes to the Financial Statements
for the year ended December 31, 2010

		Note	2010	2009
			(Rupees '000)	
28.	COST OF SALES			
	Raw materials consumed		8,018,574	7,509,129
	Fuel and power		6,139,858	5,163,657
	Chemicals and supplies		280,434	228,213
	Salaries, wages and benefits		3,043,287	2,679,390
	Training and employees welfare		467,625	448,339
	Rent, rates and taxes	28.1	23,358	23,963
	Insurance		151,477	137,125
	Travel and conveyance	28.1	237,364	210,244
	Repairs and maintenance (includes stores and spares consumed of Rs 626,314 thousand; (2009: Rs 640,622 thousand))	28.2	953,134	925,437
	Depreciation	14.1	1,177,038	1,054,220
	Communication and other expenses		1,131,485	775,398
	Opening stock – work in process		37,186	44,699
	Closing stock – work in process		(28,075)	(37,186)
	Cost of goods manufactured		21,632,745	19,162,628
	Opening stock of manufactured urea		73,353	66,842
	Closing stock of manufactured urea		(105,609)	(73,353)
			(32,256)	(6,511)
	Cost of sales – own manufactured urea		21,600,489	19,156,117
	Opening stock of purchased fertilizers		–	33,683
	Purchase of fertilizers for resale	28.3	3,709,917	1,325,244
			3,709,917	1,358,927
	Closing stock of purchased fertilizers		–	–
	Cost of sales – purchased fertilizers		3,709,917	1,358,927
			25,310,406	20,515,044

28.1 These include operating lease rentals amounting to Rs 58,472 thousand (2009: Rs 88,018 thousand).

28.2 This includes provision for slow moving and surplus spares amounting to Rs 32,958 thousand (2009: Rs 43,477 thousand).

28.3 Cost of purchased fertilizer is net of subsidy of Rs 500 per bag (2009: Rs Nil per bag) on potassic 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, 2010

		Note	2010 (Rupees '000)	2009
29.	DISTRIBUTION COST			
	Product transportation		2,634,184	2,177,692
	Salaries, wages and benefits		849,182	698,165
	Training and employees welfare		43,899	36,740
	Rent, rates and taxes	29.1	64,175	51,703
	Technical services to farmers		7,786	6,231
	Travel and conveyance	29.1	84,581	78,178
	Sale promotion and advertising		39,427	33,414
	Communication and other expenses		149,093	59,018
	Warehousing expenses		54,782	18,564
	Depreciation	14.1	17,364	14,800
			3,944,473	3,174,505

29.1 These include operating lease rentals amounting to Rs 65,147 thousand (2009: Rs 71,525 thousand).

		2010 (Rupees '000)	2009
30.	FINANCE COST		
	Mark-up on long term borrowings	778,447	852,952
	Mark-up on short term borrowings	301,000	82,131
	Bank and other charges	7,294	9,864
		1,086,741	944,947
31.	OTHER EXPENSES		
	Research and development	286,586	308,334
	Workers' Profit Participation Fund	865,103	700,966
	Adjustment in WPPF relating to prior year charge	(199,097)	–
	Workers' Welfare Fund	326,197	261,144
	Loss on disposal of property, plant and equipment	89,027	–
	Auditors' remuneration		
	Audit fee	1,234	1,234
	Fee for half yearly review, audit of consolidated accounts and certifications for Government and related agencies	6,850	670
	Out of pocket expenses	100	100
		1,376,000	1,272,448

Notes to the Financial Statements

for the year ended December 31, 2010

		2010	2009
		(Rupees '000)	
32.	OTHER INCOME		
	Income from financial assets		
	Income on loans, deposits and investments	509,281	477,360
	Gain on remeasurement of investments - Held for trading	19,138	179,064
	Dividend income	56,743	101,228
	Impairment on investment - Held for trading	(33,253)	–
	Exchange gain	19,506	68,527
	Income from subsidiary		
	Commission on sale of FFBL products	23,626	26,717
	Dividend from FFBL	2,518,735	1,900,932
	Income from non-financial assets		
	Gain on disposal of property, plant and equipment	–	11,176
	Other income		
	Scrap sales	16,133	22,839
	Others	23,201	13,144
		3,153,110	2,800,987
33.	TAXATION		
	Provision for taxation – current year	5,098,000	3,642,111
	Deferred	183,000	592,000
		5,281,000	4,234,111
33.1	Reconciliation of tax charge for the year		
	Profit before taxation	16,309,849	13,057,217
		%	%
	Applicable tax rate	35.00	35.00
	Add: Tax effect of amounts that are not deductible for tax purposes	1.75	1.51
	Less: Tax effect of amounts taxed at lower rates	(3.95)	(3.83)
	Tax effect of rebates and tax credit	(0.42)	(0.26)
	Average effective tax rate charged on income	32.38	32.42

33.2 During the year, the Company revised its income tax returns relating to tax years 2007, 2008 and 2009 under the provisions of the Income Tax Ordinance, 2001.

Notes to the Financial Statements

for the year ended December 31, 2010

		2010	2009
		(Rupees '000)	
34.	EARNINGS PER SHARE		
	Net profit after tax (Rupees '000)	11,028,849	8,823,106
	Weighted average number of shares in issue during the year ('000)	678,527	678,527
	Basic and diluted earnings per share (Rupees)	16.25	13.00

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

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:

	2010		2009	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	5,355	775,315	3,717	664,772
Contribution to provident fund	340	48,736	221	41,767
Bonus and other awards	2,021	–	1,225	–
Good performance award	–	867,284	–	712,652
Others	3,305	581,650	2,782	450,361
Total	11,021	2,272,985	7,945	1,869,552
No. of person(s)	1	412	1	378

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs Nil (2009: Rs 1,830) and Rs 5,451 thousand (2009 Rs 8,470 thousand) were paid to the chief executive and executives respectively on separation, in accordance with the Company's policy.

In addition, 15 (2009: 13) directors were paid aggregate fee of Rs 1,670 thousand (2009: Rs 1,260 thousand).

Notes to the Financial Statements
for the year ended December 31, 2010

		2010	2009
		(Rupees '000)	
36.	CASH GENERATED FROM OPERATIONS		
	Net profit before taxation	16,309,849	13,057,217
	Adjustments for:		
	Depreciation	1,194,402	1,069,020
	Provision for slow moving and surplus spares	32,958	43,447
	Provision for gratuity	84,634	70,493
	Provision for pension	70,956	71,591
	Provision for Worker's Profit Participation Fund	865,103	700,966
	Provision for Worker's Welfare Fund	326,197	261,144
	Finance cost	1,086,741	944,947
	Income on loans, deposits and investments and others	(509,281)	(477,360)
	Gain on sale of property, plant and equipment	(89,027)	(11,176)
	Exchange gain - net	(19,506)	(68,527)
	Impairment in held for trading investments	33,253	–
	Adjustment in WPPF relating to prior year charge	(199,097)	–
	Gain on re-measurement of investments - held for trading	19,138	(179,064)
	Dividend income	(2,575,478)	(2,002,160)
		320,993	423,321
		16,630,842	13,480,538
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	523,474	(5,812)
	Stock in trade	(67,633)	114,007
	Trade debts	(101,070)	239,043
	Loans and advances	(206,050)	6,725
	Deposits and prepayments	(12,535)	69,716
	Other receivables	103,924	401,862
	Increase in current liabilities:		
	Trade and other payables	3,490,927	360,157
		3,731,037	1,185,698
	Changes in long term loans and advances	(117,787)	(174,439)
	Changes in long term deposits and prepayments	(2,732)	(4,781)
		20,241,360	14,487,016
36.1	Cash flows from operating activities (Direct Method)		
	Cash receipts from customers – net	49,136,896	39,838,695
	Cash paid to suppliers / service providers and employees	(28,895,536)	(25,351,679)
	Payment to gratuity fund	(63,710)	(74,715)
	Payment to pension fund	(77,446)	(78,963)
	Payment to Workers' Welfare Fund	(261,143)	(200,821)
	Payment to Workers' Profit Participation Fund – net	(625,969)	(617,377)
	Finance cost paid	(1,096,102)	(992,188)
	Income tax paid	(3,488,331)	(3,603,877)
		14,628,659	8,919,075

Notes to the Financial Statements

for the year ended December 31, 2010

		2010	2009
		(Rupees '000)	
37.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	1,189,063	3,849,348
	Short term running finance	(5,640,420)	(6,088,348)
	Short term highly liquid investments	10,874,621	4,335,060
		6,423,264	2,096,060

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:

	2010	2009
	(Rupees '000)	
Investments	718,424	903,059
Loans and advances	733,303	462,007
Deposits	8,762	7,197
Trade debts - net of provision	357,956	256,886
Other receivables	252,810	370,337
Short term investments - net of provision	11,563,929	6,634,782
Bank balances	1,187,355	3,847,930
	14,822,539	12,482,198

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 2,700,000 thousand (2009: Rs 2,000,000 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 counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts.

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

Notes to the Financial Statements

for the year ended December 31, 2010

Impairment losses

The aging of trade debts at the reporting date was:

	2010		2009	
	Gross	Impairment	Gross	Impairment
	(Rupees '000)			
Not yet due	11,183	–	30,349	–
Past due 1–30 days	158,250	–	59,500	–
Past due 31–60 days	51,744	–	67,227	–
Past due 61–90 days	63,099	–	50,059	–
Over 90 days	75,438	1,758	51,509	1,758
	359,714	1,758	258,644	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 and Rs 33,253 thousand (2009 : Rs 9,750 thousand and Rs NIL) in respect of its investment in available-for-sale investments and held for trading 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:

2010	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	5,578,810	7,503,904	1,205,857	1,388,399	2,160,142	2,749,506	–
Trade and other payables	5,640,420	5,665,904	5,665,904	–	–	–	–
Short term borrowings	5,640,420	6,101,799	6,101,799	–	–	–	–
	16,859,650	19,271,607	12,973,560	1,388,399	2,160,142	2,749,506	–

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	–	–	–	–
Short term borrowings	6,088,348	6,101,799	6,101,799	–	–	–	–
	17,620,797	19,261,230	12,760,140	970,108	2,861,761	2,487,451	181,770

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

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.

Notes to the Financial Statements
for the year ended December 31, 2010

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 are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2010		2009	
	(Rupees '000)	(US Dollar '000)	(Rupees '000)	(US Dollar '000)
Bank balance	20,720	242	16,075	191
Investments (Term Deposit Receipts)	1,074,621	12,538	1,081,360	12,842

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2010	2009	2010	2009
US Dollars	85.92	81.57	85.71	84.2

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have decreased profit and loss by Rs 109,570 thousand (2009: Rs 109,743 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	
	2010	2009
	(Rupees '000)	
Fixed rate instruments	12,195,253	10,512,472
Variable rate instruments		
Financial assets	130,093	145,493
Financial liabilities	11,219,230	12,466,562

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, 2010

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 2009.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2010		
Cash flow sensitivity – Variable rate instruments	(81,364)	81,364
	(81,364)	81,364
December 31, 2009		
Cash flow sensitivity – Variable rate instruments	(64,366)	64,366
	(64,366)	64,366

Sensitivity analysis – price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 4,712 thousand after tax (2009: an increase of Rs 5,369 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For such investments classified as held for trading, the impact on profit or loss would have been an increase or decrease by Rs 28,771 thousand after tax (2009: Rs 29,358 thousand). The analysis is performed on the same basis for 2009 and assumes that all other variables remain the same.

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, 2010		December 31, 2009	
		Carrying amount	Fair value	Carrying amount	Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Loans and advances	17 & 22	733,303	733,303	462,007	462,007
Deposits	18 & 23	8,762	8,762	7,197	7,197
Trade debts – net of provision	21	357,956	357,956	256,886	256,886
Other receivables	24	252,810	252,810	368,419	368,419
Cash and bank balances	26	1,187,355	1,187,355	3,847,930	3,847,930
		2,540,186	2,540,186	4,942,439	4,942,439
Assets carried at fair value					
Long term investments	16	718,424	718,424	903,059	903,059
Short term investments	25	11,563,929	11,563,929	6,634,782	6,634,782
		12,282,353	12,282,353	7,537,841	7,537,841
Liabilities carried at amortised cost					
Long term borrowings	7	5,578,810	5,578,810	6,378,214	6,378,214
Trade and other payables	9	5,640,420	5,640,420	5,154,235	5,154,235
Mark – up accrued	11	137,968	137,968	147,329	147,329
Short term borrowings	12	5,640,420	5,640,420	6,088,348	6,088,348
		16,997,618	16,997,618	17,768,126	17,768,126

Notes to the Financial Statements
for the year ended December 31, 2010

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2 (Rupees '000)	Level 3
December 31, 2010			
Assets carried at fair value			
Available for sale investments	130,093	9,462,952	–
Investments at fair value through profit and loss account	689,308	–	–
	819,401	9,462,952	–
December 31, 2009			
Assets carried at fair value			
Available for sale investments	145,493	6,688,926	–
Investments held for trading	703,422	–	–
	848,915	6,688,926	–

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

Non – derivative financial assets

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

Non–derivative financial liabilities

Fair value, 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.

Notes to the Financial Statements

for the year ended December 31, 2010

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.

39. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2009: 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.

	2010	2009
	(Rupees '000)	
Transactions with subsidiary companies		
Marketing of fertilizer on behalf of subsidiary company under sale on consignment basis	601,278	514,854
Commission on sale of subsidiary company's products	23,626	26,717
Services and materials provided	80,370	49,207
Services and materials received	870	3,170
Dividend income	2,518,735	1,900,932
Balance payable at the year end–unsecured	–	161,203
Long term investment	650,000	–
Transactions with associated undertaking / companies due to common directorship		
Sale of fertilizer	1,298	2,832
Medical services	189	95
Office rent	3,809	3,572
Dividend paid	4,739,597	2,670,041
Purchase of gas as feed and fuel stock	12,832,710	11,600,090
Others (including donations)	121,978	3,260
Technical services received	–	29,888
Balance receivable at the year end - unsecured (included in note 24)	2,772	88,831
Balance payable at the year end - unsecured	550,892	542,211
Other related parties		
Payments to:		
Employees' Provident Fund Trust	209,911	196,501
Employees' Gratuity Fund Trust	63,710	74,715
Employees' Pension Fund Trust	77,446	78,963
Others:		
Transactions with Workers' Profit Participation Fund (WPPF)	40,037	78,788
Balances (payable) / receivable at the year end - unsecured	(747,550)	(618,143)

Notes to the Financial Statements

for the year ended December 31, 2010

40. POST BALANCE SHEET EVENT

The Board of Directors in their meeting held on January 27, 2011 have proposed a final dividend of Rs 3.50 per share, bonus shares of 0.25 per share, increase in authorised share capital by Rs 5 billion and movement from unappropriated profit to general reserve of Rs 1,700 million.

41. GENERAL

		2010	2009
41.1	Production capacity	(Tonnes '000)	
	Design capacity (Weighted average 2,048 (2009: 2,048)	2,048	2,048
	Production	2,485	2,464

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 14,490,000 thousand (2009: Rs 40,000 thousand and Rs 7,350,000 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 197,893 thousand i.e, 1.80% of net profit (2009: Rs 95,536 thousand i.e, 1.08% of net profit), included under cost of sales and distribution cost. Donation include Rs 89,387 thousand paid to the projects of Fauji Foundation (associated undertaking).

41.4 These financial statements have been authorised for issue by the Board of Directors of the Company on January 27, 2011.

Chairman | Chief Executive | Director

Consolidated Financial Statements

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") comprising consolidated balance sheet as at December 31, 2010, and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, 2010, 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 27, 2011

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

Consolidated Balance Sheet
as at December 31, 2010

	Note	2010	2009
		(Rupees '000)	
EQUITY AND LIABILITIES			
ATTRIBUTABLE TO EQUITY HOLDERS OF FAUJI FERTILIZER COMPANY LIMITED			
Share capital	4	6,785,271	6,785,271
Capital reserves	5	973,083	986,735
Revenue reserves	6	9,522,587	6,326,661
		17,280,941	14,098,667
NON – CONTROLLING INTERESTS		5,988,208	5,237,334
TOTAL EQUITY		23,269,149	19,336,001
NON – CURRENT LIABILITIES			
Long term borrowings	7	7,708,608	9,344,023
Deferred liabilities	8	7,080,897	7,104,562
		14,789,505	16,448,585
CURRENT LIABILITIES			
Trade and other payables	9	18,072,420	14,504,021
Interest and mark – up accrued	11	294,063	257,652
Short term borrowings	12	11,293,144	13,818,798
Current portion of long term:			
– Borrowings	7.1	1,967,877	2,216,349
– Murabaha	7.2	19,338	38,679
– Loans	7.3	648,201	648,201
Taxation – net		3,663,165	2,903,411
		35,958,208	34,387,111
		74,016,862	70,171,697
CONTINGENCIES AND COMMITMENTS	13		

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

	Note	2010	2009
		(Rupees '000)	
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment	14	31,057,091	29,570,418
Goodwill	15	1,569,234	1,569,234
Equity accounted investments	16.1	4,859,358	4,735,980
Other long term investments	16.2	261,772	769,273
Long term loans and advances	17	455,328	337,541
Long term deposits and prepayments	18	85,349	82,851
		38,288,132	37,065,297
CURRENT ASSETS			
Stores, spares and loose tools	19	4,342,439	4,846,427
Stock in trade	20	1,482,387	1,371,100
Trade debts	21	1,187,941	733,614
Loans and advances	22	450,631	241,572
Deposits and prepayments	23	64,170	42,460
Other receivables	24	856,429	946,344
Short term investments	25	13,270,581	11,427,504
Cash and bank balances	26	14,074,152	13,497,379
		35,728,730	33,106,400
		74,016,862	70,171,697

Chairman Chief Executive Director

Consolidated Profit and Loss Account

for the year ended December 31, 2010

	Note	2010	2009
		(Rupees '000)	
Sales	27	88,154,698	72,914,811
Cost of sales	28	55,103,948	47,574,610
GROSS PROFIT		33,050,750	25,340,201
Administrative expenses and distribution cost	29	7,286,329	5,810,394
		25,764,421	19,529,807
Finance cost	30	2,001,355	2,336,211
Other expenses	31	2,086,563	1,715,140
		21,676,503	15,478,456
Other income	32	1,635,389	1,759,916
Share of profit / (loss) of equity accounted investments - net		193,430	(377,381)
NET PROFIT BEFORE TAXATION		23,505,322	16,860,991
Provision for taxation	33	8,456,139	6,262,485
NET PROFIT AFTER TAXATION		15,049,183	10,598,506
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		11,859,670	8,738,749
Non – controlling interests		3,189,513	1,859,757
		15,049,183	10,598,506

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, 2010

	2010	2009
	(Rupees '000)	
Net profit after taxation	15,049,183	10,598,506
Other comprehensive income for the year		
Exchange difference on translating foreign investment	(20,301)	188,409
(Deficit) / surplus on remeasurement to fair value of investments available for sale	(15,460)	41,953
	(35,761)	230,362
Income tax relating to component of other comprehensive income	2,936	(11,862)
Other comprehensive income for the year – net of tax	(32,825)	218,500
Total comprehensive income for the year	15,016,358	10,817,006
ATTRIBUTABLE TO:		
Equity holders of Fauji Fertilizer Company Limited	11,833,494	8,895,545
Non – controlling interests	3,182,864	1,921,461
	15,016,358	10,817,006

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, 2010

	Note	2010	2009
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	33,563,894	38,395,733
Finance cost paid		(1,943,386)	(2,798,602)
Income tax paid		(7,748,746)	(4,717,020)
Payment to pension fund		(77,446)	(78,963)
Payment to gratuity fund		(90,930)	(102,417)
Payment to Workers' Welfare Fund		(390,686)	(288,919)
Payment to Workers' Profit Participation Fund		(1,129,518)	(896,267)
Compensated absences paid		(112,774)	(181,991)
		(11,493,486)	(9,064,179)
Net cash generated from operating activities		22,070,408	29,331,554
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,188,198)	(3,300,202)
Proceeds from sale of property, plant and equipment		91,696	22,605
Dividend received from PMP		49,751	95,389
Interest received		1,068,578	1,024,152
Dividend received		56,743	214,932
Decrease / (increase) in investments		2,486,208	(1,265,063)
Net cash used in investing activities		(435,222)	(3,208,187)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing – disbursements		1,500,000	1,000,000
– repayments		(3,364,549)	(1,159,980)
Long term murabaha – repayments		(38,679)	(38,679)
Dividends paid		(13,258,877)	(7,936,309)
Net cash used in financing activities		(15,162,105)	(8,134,968)
Net increase in cash and cash equivalents		6,473,081	17,988,399
Cash and cash equivalents at beginning of the year		8,413,641	(9,575,629)
Effect of exchange rate changes		18,907	871
Cash and cash equivalents at end of the year	35	14,905,629	8,413,641

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, 2010

	Attributable to equity holders of Fauji Fertilizer Company Limited							Non – controlling interests	Total
		Capital reserves			Revenue reserves				
	Share capital	Capital reserves	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, 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									
Bonus shares issued	1,850,529	–	–	–	–	(1,850,529)	–	–	–
FFC dividends:	–	–	–	–	–	–	(1,603,791)	–	(1,603,791)
Final dividend 2008: Rs 3.25 per share	–	–	–	–	–	–	(2,652,424)	–	(2,652,424)
First interim dividend 2009: Rs 4.30 per share	–	–	–	–	–	–	(1,764,171)	–	(1,764,171)
Second interim dividend 2009: Rs 2.60 per share	–	–	–	–	–	–	(2,035,582)	–	(2,035,582)
Third interim dividend 2009: Rs 3.00 per share	–	–	–	–	–	–	–		
Dividend by FFBL to 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 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
Balance at January 01, 2010	6,785,271	276,184	704,115	6,436	6,970	3,739,471	2,580,220	5,237,334	19,336,001
Transfer to general reserve	–	–	–	–	–	500,000	(500,000)	–	–
Total comprehensive income for the year									
Profit for the year after taxation	–	–	–	–	–	–	11,859,670	3,189,513	15,049,183
Other comprehensive income									
Total other comprehensive income for the year	–	–	(13,652)	–	(12,524)	–	–	(6,649)	(32,825)
Total comprehensive income for the year – net of tax	–	–	(13,652)	–	(12,524)	–	11,859,670	3,182,864	15,016,358
Distribution to owners									
FFC dividends:									
Final dividend 2009: Rs 3.25 per share	–	–	–	–	–	–	(2,205,213)	–	(2,205,213)
First interim dividend 2010: Rs 4.00 per share	–	–	–	–	–	–	(2,714,108)	–	(2,714,108)
Second interim dividend 2010: Rs 3.50 per share	–	–	–	–	–	–	(2,374,845)	–	(2,374,845)
Third interim dividend 2010: Rs 2.00 per share	–	–	–	–	–	–	(1,357,054)	–	(1,357,054)
Dividend by FFBL to non-controlling interest holders									
Final dividend 2009: Rs 2.25 per share	–	–	–	–	–	–	–	(1,032,472)	(1,032,472)
First interim dividend 2010: Rs 0.50 per share	–	–	–	–	–	–	–	(229,438)	(229,438)
Second interim dividend 2010: Rs 1.30 per share	–	–	–	–	–	–	–	(596,485)	(596,485)
Third interim dividend 2010: Rs 1.25 per share	–	–	–	–	–	–	–	(573,595)	(573,595)
Total transactions with owners	–	–	–	–	–	–	(8,651,220)	(2,431,990)	(11,083,210)
Balance at December 31, 2010	6,785,271	276,184	690,463	6,436	(5,554)	4,239,471	5,288,670	5,988,208	23,269,149

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, 2010

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 FFBL is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical and other manufacturing operations.

During the year, pursuant to the approval of the shareholders in the meeting held on February 24, 2010, during the year FFC has invested Rs 650,000 thousand in the equity of FFC Energy Limited (FFCEL). FFCEL has been incorporated for the purpose of implementing a project comprising the establishment and operation of wind power generation facility and the supply of electricity. FFCEL is incorporated to setup a 49.5 MW Wind energy power project at Jhampir, Distt Thatta, Sindh.

FFCEL has executed Engineering Procurement and Commissioning (EPC) and Operation & Maintenance Contract (O&M) and is currently in negotiations with National Electric Power Regulatory Authority (NEPRA), Alternative Energy Development Board (AEDB) and local lenders for finalization of Energy Purchase Agreement (EPA), Implementation Agreement (IA) and project financing. The negotiations are in advance stage and FFCEL is expected to achieve financial close by the first quarter of 2011.

FFC, FFBL and FFCEL 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 consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and staff retirement gratuity 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 consolidated financial statements are presented in Pak Rupees, which is the Group companies functional currency. All financial information presented in Pak Rupee have been rounded to the nearest thousand.

2.4 Use of estimates and judgments

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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of FFC and its subsidiary companies. FFC has 50.88% shareholding interest in FFBL. In FFCEL, FFC currently holds 100% shareholding interest (2009: FFBL with 50.88%) ("the Group companies / FFC, FFBL and FFCEL").

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 subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

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

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 subsidiaries 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2010

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.

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 utilised. 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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 and impairment loss, if any 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.

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 and loss account.

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

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 comprehensive income.

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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2010

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 statement of comprehensive income 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.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Group's 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, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its 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 has an obligation or has 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's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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.

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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2010

3.13 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.

3.14 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.

3.15 Research and development costs

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

3.16 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.

3.17 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.

3.18 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 which are subject to insignificant risk of change in value.

3.19 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.

3.20 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2010

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 realise the asset and settle the liability simultaneously.

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 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.

3.22 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:

– Amendments to IFRS 7 – Financial Instruments Disclosures	(effective 1 July 2010)
– Amendments to IAS 1 – Presentation of Financial Statements	(effective 1 January 2011)
– Amendments to IAS 24 – Related Party Disclosures	(effective 1 January 2011)
– Amendments to IAS 28 – Investments in Associates	(effective 1 July 2010)
– Amendments to IAS 31 – Interests in Joint ventures	(effective 1 July 2010)
– Amendments to IAS 32 – Financial Instruments Presentation	(effective 1 February 2010)
– Amendments to IFRIC 13 – Customers Loyalty Programmes	(effective 1 January 2011)
– Amendments to IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding equipments and their Interaction	(effective 1 January 2011)
– IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	(effective 1 July 2010)
– IFRS 9 – Financial Instruments	(effective 1 January 2013)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

			2010	2009
			(Rupees '000)	
4. SHARE CAPITAL				
ISSUED, SUBSCRIBED AND PAID UP CAPITAL				
Numbers December 31, 2010	December 31, 2009			
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	422,031,163	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,220,312	4,220,312
678,527,065	678,527,065		6,785,271	6,785,271

AUTHORISED SHARE CAPITAL

This represents 1,000,000,000 (2009: 1,000,000,000) ordinary shares of Rs 10 each amounting to Rs 10,000,000 thousand (2009: Rs 10,000,000 thousand).

4.1 Fauji Foundation held 44.35% (2009: 44.35%) ordinary shares of FFC at the year end.

	Note	2010	2009
		(Rupees '000)	
5. CAPITAL RESERVES			
Share premium	5.1	156,184	156,184
Capital redemption reserve	5.2	120,000	120,000
Statutory reserve		6,436	6,436
Translation reserve		690,463	704,115
		973,083	986,735

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.

	2010	2009
	(Rupees '000)	
6. REVENUE RESERVES		
(Deficit) / surplus on remeasurement of available for sale investments to fair value – net of tax	(5,554)	6,970
General reserve	4,239,471	3,739,471
Unappropriated profit	5,288,670	2,580,220
	9,522,587	6,326,661

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

			2010	2009
		Note	(Rupees '000)	
7.	LONG TERM BORROWINGS			
	Long term financing – secured	7.1	3,819,405	4,787,281
	Long term murabaha – secured	7.2	–	19,338
	Long term loan – Government of Pakistan	7.3	3,889,203	4,537,404
			7,708,608	9,344,023
	Long term financing – secured			
	Fauji Fertilizer Company Limited			
	Loans from banking companies	7.1		
	i) Habib Bank Limited (HBL – 1)	7.1.1	125,000	250,000
	ii) United Bank Limited (UBL)	7.1.1	457,143	685,714
	iii) Bank Al-Falah Limited (BAFL)	7.1.1	156,250	281,250
	iv) Standard Chartered Bank (Pakistan) Limited (SCB)	7.1.1	250,000	350,000
	v) National Bank of Pakistan (NBP – 1)	7.1.1	200,000	300,000
	vi) Silk Bank Limited (SB – 1)	7.1.1	60,000	90,000
	vii) Silk Bank Limited (SB – 2)	7.1.1	60,000	90,000
	viii) National Bank of Pakistan (NBP – 2)	7.1.1	416,667	500,000
	ix) Faysal Bank Limited (FBL)	7.1.1	320,000	400,000
	x) Bank Islami Limited (BIL)	7.1.1	156,250	218,750
	xi) Al-Baraka Islamic Bank Limited (AIBL)	7.1.1	225,000	275,000
	xii) Dubai Islamic Bank (DIB)	7.1.1	270,000	300,000
	xiii) Meezan Bank Limited (MBL – 1)	7.1.1	312,500	437,500
	xiv) MCB Bank Limited (MCB)	7.1.1	270,000	300,000
	xv) Habib Bank Limited (HBL – 2)	7.1.1	300,000	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
	xviii) Meezan Bank Limited (MBL – 3)	7.1.1	1,000,000	–
	xix) Bank of Punjab (BOP)	7.1.1	500,000	–
			5,578,810	6,378,214
	Fauji Fertilizer Bin Qasim Limited			
	Loans from banking companies and financial institutions	7.1.2		
	i) Habib Bank Limited (HBL)		64,899	194,694
	ii) Standard Chartered Bank (Pakistan) Limited (SCB)		37,110	111,329
	iii) MCB Bank Limited (MCB)		63,974	191,926
	iv) Askari Bank Limited (AKBL)		14,287	42,857
	v) Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited (SAPICO)		5,346	16,039
	vi) Pak Kuwait Investment Company (Pvt) Limited (PKIC)		22,856	68,571
			208,472	625,416
			5,787,282	7,003,630
	Less: Current portion shown under current liabilities		1,967,877	2,216,349
			3,819,405	4,787,281

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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

	Lenders	Mark – up rates p.a. (%)	No of installments 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	4 half yearly	August 30, 2012
iii)	BAFL	6 months' KIBOR+1.5	5 quarterly	March 20, 2012
iv)	SCB	6 months' KIBOR+1.3	5 half yearly	March 29, 2013
v)	NBP – 1	6 months' KIBOR+1.4	4 half yearly	August 30, 2012
vi)	SB – 1	6 months' KIBOR+1.5	4 half yearly	September 27, 2012
vii)	SB – 2	6 months' KIBOR+1.5	4 half yearly	December 28, 2012
viii)	NBP – 2	6 months' KIBOR+1	10 half yearly	September 17, 2015
ix)	FBL	6 months' KIBOR+1	8 half yearly	September 26, 2014
x)	BIL	6 months' KIBOR+1	5 half yearly	June 30, 2013
xi)	AIBL	6 months' KIBOR+1	9 half yearly	June 27, 2015
xii)	DIB	6 months' KIBOR+1	9 half yearly	June 30, 2015
xiii)	MBL –1	6 months' KIBOR+0.96	5 half yearly	March 28, 2013
xiv)	MCB	6 months' KIBOR+1	9 half yearly	June 30, 2015
xv)	HBL – 2	6 months' KIBOR+1	6 half yearly	September 29, 2013
xvi)	HBL – 3	6 months' KIBOR+0.30	4 periodic	February 28, 2012
xvii)	MBL –2	6 months' KIBOR+0.21	Pre–mature settlement	December 31, 2010
xviii)	MBL – 3	6 months' KIBOR+0.90	8 half yearly	December 31, 2015
xix)	BoP	6 months' KIBOR+0.80	8 half yearly	December 30, 2015

7.1.1 Finances (i) through (xix) have been obtained to meet the debottle–necking, equity investment and other capital expenditure requirements of FFC. Finances (i) to (xix) 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. In addition finance (xvi) is secured against lien on Pakistan Investment Bonds having face value of Rs 500,000 thousand and repayment installments coincide with the PIBs maturity, while finance (xvii) is secured against ranking charge on current assets of the Company at 25% margin.

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

	Lenders	Mark-up rates p.a. (%)	No. of quarterly installments outstanding	Repayment commenced from
i)	HBL	12.4257%	2	July 2004
ii)	SCB	12.4257%	2	July 2004
iii)	MCB	12.4257%	2	July 2004
iv)	AKBL	12.4257%	2	July 2004
v)	SAPICO	12.4257%	2	July 2004
vi)	PKIC	12.4257%	2	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, 2010

		2010	2009
		(Rupees '000)	
7.2	Long term murabaha – secured		
	FFBL		
	Faysal Bank Limited (FBL) – a banking company	19,338	58,017
	Less: Current portion shown under current liabilities	19,338	38,679
		–	19,338

Lender	Mark–up rate p.a. (%)	No. of quarterly installments outstanding	Repayment commenced from
FBL	12.4257%	2	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 charges ranks pari passu with the charges already created or to be created in favour of other foreign and local lenders.

		Note	2010	2009
			(Rupees '000)	
7.3	Long term loan – Government of Pakistan – Unsecured			
	FFBL			
	Government of Pakistan (GOP) loan		3,493,342	3,870,599
	Deferred Government assistance		1,044,062	1,315,006
		7.3.1	4,537,404	5,185,605
	Less: Current portion shown under current liabilities		648,201	648,201
			3,889,203	4,537,404

7.3.1 This represents balance amount of GOP loan amounting in total to Rs 9,723,015 thousand which is repayable in equal installments in 16 years with 1 year grace at zero percent effective November 30, 2001. Final installment 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 270,944 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 the Company 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 ECAs have released the guarantee of HBL and have returned the original documents.

Since two ECAs 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 up to December 31, 2010. FFBL is making efforts in getting this guarantee released.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

		Note	2010	2009
			(Rupees '000)	
8.	DEFERRED LIABILITIES			
	Deferred taxation	8.1	6,905,456	6,960,754
	Deferred liabilities – Compensated leave absences – FFBL		175,441	143,808
			7,080,897	7,104,562
8.1	Deferred taxation			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation		7,071,372	7,105,365
	Provision for slow moving / surplus spares, doubtful debts, other receivables and short term investments		(184,554)	(164,557)
	Share of profit of associate		20,817	19,189
	Remeasurement of investments available for sale		(2,179)	757
			6,905,456	6,960,754

At December 31, 2010, a deferred tax liability of Rs 256,940 thousand for temporary difference of Rs 734,115 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. Further, deferred tax asset amounting to Rs 14,520 thousand mainly relating to tax losses of FFCEL has not been recognised.

		Note	2010	2009
			(Rupees '000)	
9.	TRADE AND OTHER PAYABLES			
	Creditors		4,408,139	3,384,809
	Accrued liabilities		3,494,613	2,941,587
	Other liabilities		350,800	839,267
	Deposits		171,047	128,072
	Retention money		71,935	57,825
	Advances from customers		8,061,891	3,680,097
	Workers' Profit Participation Fund (WPPF)	9.1	58,845	1,244
	Workers' Welfare Fund		1,069,511	942,332
	Gratuity fund	10	52,931	20,413
	Unclaimed dividend		332,708	2,508,375
			18,072,420	14,504,021
9.1	Workers' Profit Participation Fund			
	Balance at beginning of the year		1,244	(34,539)
	Interest on funds utilised in Group companies' business		1,247	453
	Allocation for the year		1,384,969	1,013,268
	Adjustment for prior years	9.1.1	(199,097)	–
	Receipt from fund during the year		49,031	50,952
	Payment to fund during the year		(1,178,549)	(1,028,890)
			58,845	1,244

9.1.1 This represents amount paid by FFC to WPPF in prior years' in excess of its obligation.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

10.	RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2010 Total	2009 Total
			(Rupees '000)		
a)	Reconciliation of amounts recognised in the balance sheet is as follows:				
	Present value of defined benefit obligation	1,373,814	1,306,278	2,680,092	2,204,620
	Fair value of plan assets	(1,000,856)	(1,082,456)	(2,083,312)	(1,809,490)
	Deficit	372,958	223,822	596,780	395,130
	Non vested past service cost	(1,424)	–	(1,424)	–
	Net actuarial losses not recognised	(318,603)	(223,822)	(542,425)	(374,717)
		52,931	–	52,931	20,413
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	1,109,569	1,095,051	2,204,620	1,912,920
	Current service cost	78,555	58,534	137,089	107,680
	Interest cost	140,599	141,535	282,134	252,785
	Benefits paid during the year	(52,679)	(30,345)	(83,024)	(94,064)
	Non vested past service cost	1,424	–	1,424	–
	Actuarial loss	96,346	41,503	137,849	25,299
	Present value of defined benefit obligation at end of the year	1,373,814	1,306,278	2,680,092	2,204,620
c)	The movement in fair value of plan assets is as follows:				
	Fair value of plan assets at beginning of the year	851,007	958,483	1,809,490	1,413,796
	Expected return on plan assets	107,541	125,329	232,870	201,066
	Contributions	90,930	77,446	168,376	181,380
	Benefits paid on behalf of the fund	1,277	–	1,277	–
	Benefits paid during the year	(52,679)	(30,345)	(83,024)	(94,064)
	Actuarial (loss) / gain	2,780	(48,457)	(45,677)	107,312
	Fair value of plan assets at end of the year	1,000,856	1,082,456	2,083,312	1,809,490
d)	Plan assets comprise of:				
	Investment in debt securities	73,550	47,517	121,067	168,189
	Investment in equity securities	218,124	15,919	234,043	211,103
	Term Deposit Receipts	370,467	541,610	912,077	777,634
	Mutual Funds	76,582	78,262	154,844	171,491
	National Investment Trust Units	61,736	107,898	169,634	174,094
	Deposits with banks	200,977	291,311	492,288	307,620
	Others	(580)	(61)	(641)	(641)
		1,000,856	1,082,456	2,083,312	1,809,490
e)	Actual return on plan assets	110,321	76,872	187,193	308,377
	Contributions expected to be paid to the plan during the next financial year	180,073	109,220	289,293	199,140

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, 2010

		Funded gratuity	Funded pension	2010 Total	2009 Total
			(Rupees '000)		
g)	Movement in liability recognised in the balance sheet:				
	Opening liability	20,413	–	20,413	18,579
	Expense for the year	124,725	77,446	202,171	183,214
	Payment on behalf of the fund	(1,277)	–	(1,277)	–
	Payments to the fund during the year	(90,930)	(77,446)	(168,376)	(181,380)
	Closing liability	52,931	–	52,931	20,413
h)	Amount recognised in the profit and loss account is as follows:				
	Current service cost	78,555	58,534	137,089	107,680
	Interest cost	139,413	141,535	280,948	252,785
	Expected return on plan assets	(107,541)	(125,329)	(232,870)	(201,066)
	Vested past service cost	1,186	2,706	3,892	–
	Actuarial losses recognised	13,112	–	13,112	23,815
		124,725	77,446	202,171	183,214

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:

	2010	2009	2008	2007	2006
			(Rupees '000)		
Present value of defined benefit obligation	1,373,814	1,109,569	984,021	831,875	704,583
Fair value of plan assets	(1,000,856)	(851,007)	(678,079)	(712,744)	(613,389)
Deficit	372,958	258,562	305,942	119,131	91,194
Experience adjustments					
– on obligations	(96,346)	(8,016)	(46,783)	(49,543)	2,278
– on plan assets	2,780	43,444	(130,744)	20,504	10,449

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

	2010	2009	2008	2007	2006
			(Rupees '000)		
Present value of defined benefit obligation	1,306,278	1,095,051	928,899	816,872	664,505
Fair value of plan assets	(1,082,456)	(958,483)	(735,717)	(781,717)	(684,985)
Deficit / (surplus)	223,822	136,568	193,182	35,155	(20,480)
Experience adjustments					
– on obligations	(41,503)	(17,283)	(72,385)	3,510	(64,734)
– on plan assets	(48,457)	63,868	16,750	42,491	31,981

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

		2010		2009	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
k)	Principal actuarial assumptions used in the actuarial valuations carried are as follows:				
	Discount rate	14%	14%	12.75% to 14%	12.75%
	Expected rate of salary growth	13%–14%	14%	11.75% to 14%	12.75%
	Expected rate of return on plan assets	14%	14%	12.75% to 14%	12.75%

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 89,944 thousand, Rs 79,986 thousand, Rs 77,446 thousand and Rs 121,864 thousand respectively (2009: Rs 104,251 thousand, Rs 93,953 thousand, Rs 78,963 thousand and Rs 209,289 thousand respectively).

			2010	2009
			(Rupees '000)	
11.	INTEREST AND MARK – UP ACCRUED			
	On long term financing			
	From banking companies and financial institutions		119,203	153,642
	On murabaha financing		623	1,834
	On short term borrowings		174,237	102,176
			294,063	257,652
12.	SHORT TERM BORROWINGS – SECURED			
	From banking companies			
	Short term running finance	12.1	11,293,144	13,818,798
			11,293,144	13,818,798

12.1 Short term running finance

Short term running finance and istisna facilities are available to FFC from various banking companies under mark-up arrangements aggregating to Rs 11,490,000 thousand (2009: Rs 8,600,000 thousand) which represent the aggregate of sale prices of all mark-up agreements between FFC and respective banks. These facilities have various maturity dates upto October 30, 2011.

FFBL has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs 19,450,000 thousand (2009: Rs 27,350,000 thousand). These facilities carry mark-up ranging from 11.62% to 13.03% per annum (2009: 12.79 % to 15.58% 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 FFBL.

These facilities are secured by first pari passu and ranking hypothecation charges on assets of FFC. The per annum rates of mark-up range between one month KIBOR +0.1% to 0.8% and three months' KIBOR + 0.5% per annum (2009: One month KIBOR + 0.2% to 1.5% per annum to three months' KIBOR + 2.18% per annum.)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

			2010	2009
			(Rupees '000)	
13.	CONTINGENCIES AND COMMITMENTS			
	a)	Contingencies:		
	i)	Guarantees issued by banks on behalf of the Group companies.	52,896	47,223
	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.	96,390	36,668
	iv)	Claims against FFC and / or potential exposure not acknowledged as debt.	50,696	50,696
	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, 2010.	206,784	206,784
	b)	Commitments in respect of:		
	i)	Capital expenditure (including commitments relating to FFCEL)	11,633,786	2,072,124
	ii)	Purchase of fertilizer, stores, spares and other revenue items.	1,564,881	1,581,926
	iii)	Group's share of commitments of PMP as at September 30, 2010	16,154	43,761
	iv)	FFBL's share of commitments for investment in wind power projects	5,000,000	–
	v)	Rentals under lease agreements:		
		Premises – not later than one year	14,689	27,932
		– later than one year and not later than:		
		two years	17,935	30,873
		three years	4,603	13,507
		four years	725	720
		five years	791	726
		Vehicles – not later than one year	32,311	60,266
		– later than one year and not later than:		
		two years	20,027	54,745
		three years	16,033	34,179
		four years	21,206	20,865
		five years	9,552	15,457

Notes to the Consolidated Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT

	Owned assets														Total
	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	Intangibles	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 14.3)	
	(R u p e e s ' 0 0 0)														
COST															
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
Balance as at Jan 01, 2010	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
Additions during the year	304,845	12,003	213,982	21,138	–	972,108	281,607	66,629	–	21,899	132,402	236,887	1,994	2,981,818	5,247,312
Disposals	–	–	(2,463)	–	–	(300,240)	–	(7,880)	–	(7,968)	(30,145)	(34,826)	(546)	–	(384,068)
Transfers / adjustments	–	–	–	–	–	64,558	(151,918)	4,770	98,747	63	(6,266)	68,261	–	(1,295,255)	(1,217,040)
Balance as at Dec 31, 2010	653,231	404,103	2,889,557	1,612,606	26,517	46,522,120	1,042,675	440,448	98,747	187,833	555,272	1,457,557	19,835	3,717,118	59,627,619
DEPRECIATION															
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
Balance as at Jan 01, 2010	–	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
Charge for the year	–	18,963	116,613	46,647	–	1,839,923	171,259	43,671	24,687	15,567	78,437	158,586	2,602	–	2,516,955
Depreciation on disposals	–	–	(2,463)	–	–	(141,088)	–	(7,322)	–	(7,845)	(23,180)	(23,062)	(546)	–	(205,506)
Transfers / adjustments	–	–	–	–	–	–	(151,918)	(417)	–	–	–	417	–	–	(151,918)
Balance as at Dec 31, 2010	–	152,290	1,540,759	524,446	26,517	24,157,749	475,586	262,555	24,687	83,953	340,038	965,991	15,957	–	28,570,528
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
Written down value as at Dec 31, 2010	653,231	251,813	1,348,798	1,088,160	–	22,364,371	567,089	177,893	74,060	103,880	215,234	491,566	3,878	3,717,118	31,057,091
Rate of depreciation in %	–	6 1/4	5 to 10	5	5	5	20	15	33	10	20	15 – 33.33	30	–	–

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

		Note	2010	2009
			(Rupees '000)	
14.1	Depreciation charge has been allocated as follows:			
	Cost of sales	28	2,469,561	2,266,293
	Administrative expenses and distribution cost	29	47,394	27,144
			2,516,955	2,293,437

14.2 Details of property, plant and equipment sold:

Description	Cost	Written down value	Sale proceeds
		(Rupees '000)	
Vehicles			
As per Company policy to employee			
Brig. (R) Muhammad Zia	1,914	1,467	644
Maj. (R) Arif Butt	1,407	1,008	576
Maj. (R) Zahir Ahmed Khan	1,404	1,100	1,184
Maj. (R) Hayat Rana	1,407	1,030	824
Mr. Muhammad Javed Akhtar	979	229	507
Mr. Raja Rehan Munawar	893	56	167
Mr. Malik Irshad Hussain	1,029	407	256
By way of open bidding			
Mr. Muhammad Asif	205,942	114,126	72,650
Write off	47,190	44,442	–
Aggregate of other items of property, plant and equipment with individual book values below Rs 50 thousand	121,903	14,697	14,888
2010	384,068	178,562	91,696
2009	110,150	10,065	22,605

		2010	2009
		(Rupees '000)	
14.3	CAPITAL WORK IN PROGRESS		
	Civil works including mobilisation advance	996,493	770,204
	Intangible assets under development	1,380,239	191,797
	Plant and machinery including advances to suppliers	1,169,714	1,025,102
	Others	170,672	43,452
		3,717,118	2,030,555

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 was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36. The value in use calculations are based on cashflow projections using the budgets and forecasts approved by the management. These are then extrapolated for a period of 10 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

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		Note	2010	2009
			(Rupees '000)	
16.	LONG TERM INVESTMENTS			
	Equity accounted investments	16.1	4,859,358	4,735,980
	Other long term investments	16.2	261,772	769,273
			5,121,130	5,505,253
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		191,898	65,256
	Share of profit for the year		16,272	126,642
	Balance as at December 31, 2010		2,008,170	1,991,898
	Investment in joint venture – under equity method	16.1.2		
	Pakistan Maroc Phosphore S.A. Morocco (PMP)			
	Cost of investment		2,117,075	2,117,075
	Post acquisition profits brought forward		(420,001)	183,518
	Share of profit / (loss) for the year		177,158	(504,023)
	Dividend		(49,751)	(99,496)
	Gain on translation of net assets	16.1.4	1,026,707	1,047,008
	Balance as at December 31, 2010		2,851,188	2,744,082
			4,859,358	4,735,980
16.2	Other long term investments			
	Investments available for sale	16.2.1		
	Certificates of Investment		94,556	155,402
	Pakistan Investment Bonds		493,775	602,164
	Term Finance Certificates		130,093	145,493
	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)
			–	–
			718,424	903,059
	Less: Current portion shown under short term investments	25		
	Investments available for sale			
	Certificates of Investment		43,086	24,026
	Pakistan Investment Bonds		396,929	101,691
	Term Finance Certificates		16,637	8,069
			456,652	133,786
			261,772	769,273

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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, 2010 was Rs 564,750 thousand (2009: Rs 693,000 thousand). 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.

The recoverable amount of the investment in FCCL was tested for impairment based on value in use, in accordance with IAS - 36 "Impairment of Assets". The value in use calculations are based on cash flow projections based on the budget and forecasts approved by management for 2010. These are then extrapolated for a period of 10 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation, no impairment is required to be accounted for against the carrying amount of investment.

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.

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 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, if any legal restrictions are laid on dividends by Pakistan Maroc Phosphor S.A., the investment will be converted to interest bearing loan. The Group has 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 2010	September 2009	September 2010	September 2009
	(Rupees '000)			
	PMP (Joint venture)		FCCL (Associate)	
Non - current assets	15,334,867	17,427,167	25,409,061	21,440,496
Non - current liabilities	(17,930,158)	(11,544,126)	(23,794,477)	(11,268,719)
Current assets	12,598,897	10,863,556	2,297,921	1,805,921
Current liabilities	(10,003,607)	(9,562,642)	(3,912,505)	(2,393,605)
Revenue	17,473,341	12,456,577	2,890,334	3,814,771
Expenses	(16,629,304)	(13,902,211)	(2,727,893)	(3,173,391)
Profit / (loss)	844,037	(1,445,634)	162,441	641,380

Financial statements for the period ended September 30, 2010 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 (2009 : 8.1% to 14.18% per annum).

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Pakistan Investment Bonds (PIBs)

These were purchased for a period of 10 years with remaining period ranging between 1 to 2 years. Profit is payable on 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.

Arabian Sea Country Club Limited (ASCCL)

As per audited accounts of ASCCL for the year ended June 30, 2010, the break-up value of an ordinary share was Rs 11.14 (June 30, 2009: Rs 8.25).

		Note	2010	2009
			(Rupees '000)	
17.	LONG TERM LOANS AND ADVANCES – SECURED			
	Loans and advances – considered good, to:			
	Executives		534,782	290,632
	Other employees		147,954	126,433
		17.1	682,736	417,065
	Less: Amount due within twelve months, shown			
	under current loans and advances	22	227,408	79,524
			455,328	337,541

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

	Opening balance as at January 01, 2010	Disbursements	Repayments	Closing balance as at December 31, 2010
	(Rupees '000)			
Executives	290,632	374,120	129,970	534,782
Other employees	126,433	49,354	27,833	147,954
2010	417,065	423,474	157,803	682,736
2009	201,177	353,393	137,505	417,065

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 354,583 thousand (2009: Rs 292,936 thousand).

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

		2010	2009
		(Rupees '000)	
18.	LONG TERM DEPOSITS AND PREPAYMENTS		
	Deposits	83,850	82,633
	Prepayments	1,499	218
		85,349	82,851
19.	STORES, SPARES AND LOOSE TOOLS		
	Stores	490,619	401,498
	Spares	4,085,630	4,538,111
	Provision for slow moving and surplus items	(428,112)	(403,735)
		3,657,518	4,134,376
	Loose tools	279	279
	Items in transit	194,023	310,274
		4,342,439	4,846,427
20.	STOCK IN TRADE		
	Raw and packing material	1,070,614	1,084,495
	Work in process	57,568	42,326
	Finished goods - manufactured fertilizers	354,205	244,279
		1,482,387	1,371,100
21.	TRADE DEBTS		
	Considered good		
	Secured	1,176,758	703,265
	Unsecured	11,183	28,797
		1,187,941	732,062
	Due from Fauji Foundation, an associated undertaking - unsecured, considered good	–	1,552
	Considered doubtful	1,758	1,758
		1,189,699	735,372
	Provision for doubtful debts	(1,758)	(1,758)
		1,187,941	733,614

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		Note	2010	2009
			(Rupees '000)	
22.	LOANS AND ADVANCES			
	Advances to:			
	Executives – unsecured – considered good		46,980	40,618
	Other employees – considered good		27,546	21,683
			74,526	62,301
	Advances to suppliers and contractors			
	Considered good		148,697	99,747
	Considered doubtful		45	45
			148,742	99,792
	Provision for doubtful advances		(45)	(45)
			148,697	99,747
	Current portion of long term loans and advances	17	227,408	79,524
			450,631	241,572
23.	DEPOSITS AND PREPAYMENTS			
	Deposits		2,516	2,157
	Prepayments		61,654	40,303
			64,170	42,460
24.	OTHER RECEIVABLES			
	Accrued income on investments and bank deposits		107,140	164,886
	Advance tax	24.1	322,368	322,368
	Sale tax refundable - net		108,943	160,844
	Receivable from FFC Energy Limited (a wholly owned company) - Unsecured		–	88,802
	Other receivables - considered good	24.2	317,978	209,444
	- considered doubtful		55,714	55,714
			373,692	265,158
	Provision for doubtful receivables		(55,714)	(55,714)
			317,978	209,444
			856,429	946,344

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 includes sales tax refund payment order of Rs 53,030 thousand (2009: Rs Nil) against FFBL's claim of sales tax which has subsequently been received by FFBL.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2010

		Note	2010	2009
			(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 (2009: Rs 9,750 thousand)		9,800,000	4,850,000
	Foreign currency		1,074,621	1,081,360
			10,874,621	5,931,360
	Investments at fair value through profit or loss – Held for trading			
	Fixed income / money market funds (Net of provision for doubtful recovery			
	Rs 33,253 thousand (2009: Rs Nil)		689,308	962,358
	Loans and receivables at amortised cost			
	Term deposits with banks and financial institutions		1,250,000	4,400,000
	Current maturity of long term investments	16.2		
	Available for sale		456,652	133,786
			13,270,581	11,427,504

25.1 These represent investments having maturities ranging between 1 to 3 months.

		2010	2009
		(Rupees '000)	
26.	CASH AND BANK BALANCES		
	At banks:		
	Deposit accounts		
	Local currency	10,530,959	11,783,719
	Foreign currency	22,324	17,724
	Current accounts		
	Local currency	3,498,940	1,669,919
		14,052,223	13,471,362
	Drafts in hand and in transit	20,021	24,384
	Cash in hand	1,908	1,633
		14,074,152	13,497,379

Balances with banks include Rs 171,047 thousand (2009: Rs 128,072 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 17,192 thousand (2009: Rs 15,000 thousand) under lien of a bank, against a guarantee issued on behalf of FFC. In addition Rs 208,060 thousand (2009: Rs 118,539 thousand) held under lien by the commercial banks against credit facilities of FFBL.

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27. SALES

Sales include Rs 4,503,757 thousand (2009: Rs 1,662,247 thousand) in respect of sale of purchased fertilizers and are exclusive of trade allowances and sales tax of Rs 1,053,250 thousand and Rs Nil respectively (2009: Rs 1,448,646 thousand and Rs 1 thousand respectively).

		Note	2010	2009
			(Rupees '000)	
28.	COST OF SALES			
	Raw materials consumed		31,655,000	23,498,010
	Fuel and power		8,478,880	7,154,161
	Chemicals and supplies		441,999	386,583
	Salaries, wages and benefits		4,359,503	3,753,917
	Training and employees welfare		467,625	448,339
	Rent, rates and taxes	28.1	48,474	52,322
	Insurance		230,677	206,796
	Travel and conveyance	28.1	312,285	265,389
	Repairs and maintenance	28.2	1,854,773	1,960,994
	Depreciation	14.1	2,469,561	2,266,293
	Communication and other expenses		1,200,421	810,881
	Opening stock – work in process		42,326	48,301
	Closing stock – work in process		(57,568)	(42,326)
	Cost of goods manufactured		51,503,956	40,809,660
	Add: Opening stock of manufactured fertilizers		244,279	5,650,302
	Less: Closing stock of manufactured fertilizers		(354,204)	(244,279)
			(109,925)	5,406,023
	Cost of sales of own manufactured fertilizers		51,394,031	46,215,683
	Opening stock of purchased fertilizers		–	33,683
	Purchase of fertilizers for resale	28.3	3,709,917	1,325,244
	Cost of sale – purchased fertilizers		3,709,917	1,358,927
			55,103,948	47,574,610

28.1 These include operating lease rentals amounting to Rs 58,472 thousand (2009: Rs 88,018 thousand).

28.2 This includes provision for slow moving and surplus spares amounting to Rs 32,958 thousand (2009: Rs 99,740 thousand).

28.3 Cost of purchased fertilizer of FFC is net of subsidy of Rs 500 per bag (2009: Rs Nil 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	2010	2009
			(Rupees '000)	
29.	ADMINISTRATIVE EXPENSES AND DISTRIBUTION COST			
	Product transportation		4,548,162	3,858,474
	Salaries, wages and benefits		1,368,001	1,088,014
	Rent, rates and taxes	29.1	103,276	85,113
	Insurance		8,214	14,855
	Technical services		13,540	9,847
	Travel and conveyance	29.1	134,267	127,775
	Sale promotion and advertising		61,039	50,674
	Communication and other expenses		187,736	95,346
	Warehousing expenses		82,456	56,634
	Depreciation	14.1	47,394	27,144
	Administrative expenses		732,244	396,518
			7,286,329	5,810,394

29.1 These include operating lease rentals amounting to Rs 65,147 thousand (2009: Rs 71,525 thousand).

		2010	2009
		(Rupees '000)	
30.	FINANCE COST		
	Mark – up on long term financing and murabaha	827,558	958,631
	Mark – up on short term borrowings	1,134,890	1,294,934
	Exchange loss – net	21,558	67,660
	Interest on Workers' Profit Participation Fund	1,247	453
	Bank charges	16,102	14,533
		2,001,355	2,336,211
31.	OTHER EXPENSES		
	Research and development	286,586	308,334
	Workers' Profit Participation Fund	1,384,969	1,013,268
	Adjustment in WPPF relating to prior year charge	(199,097)	–
	Workers' Welfare Fund	517,865	386,574
	Loss on disposal of property, plant and equipment	86,866	4,200
	Auditors' remuneration		
	Audit fee	2,184	1,784
	Fee for half yearly review, audit of consolidated accounts		
	and certifications for Government and related agencies	7,040	830
	Out of pocket expenses	150	150
		2,086,563	1,715,140

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		2010	2009
		(Rupees '000)	
32.	OTHER INCOME		
	Income from financial assets		
	Income on loans, deposits and investments	991,326	1,061,336
	Gain on remeasurement of investments at fair value		
	through profit or loss - Held for trading	19,138	179,064
	Dividend income	205,452	214,932
	Gain on sale of investments	370,281	219,425
	Impairment of investment - Held for trading	(33,253)	–
		1,552,944	1,674,757
	Income from non-financial assets		
	Gain on sale of property, plant and equipment	–	12,540
	Other income		
	Scrap sales	53,124	59,475
	Others	29,321	13,144
		82,445	72,619
		1,635,389	1,759,916
33.	PROVISION FOR TAXATION		
	Current – for the year	8,508,500	5,837,326
	Deferred – for the year	(52,361)	425,159
		8,456,139	6,262,485
33.1	Reconciliation of tax charge for the year		
	Profit before taxation	23,505,322	16,860,991
		%	%
	Applicable tax rate	35.00	35.00
	Add: Tax effect of amounts that are not deductible for tax purpose	0.26	1.33
	Tax effect of intra group transactions	1.07	1.13
	Less: Tax effect of amounts taxed at lower rates	(0.06)	(0.12)
	Tax effect of rebates and tax credits	(0.29)	(0.20)
	Average effective tax rate charged on income	35.98	37.14

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		2010	2009
		(Rupees '000)	
34.	CASH GENERATED FROM OPERATIONS		
	Net profit before taxation	23,505,322	16,860,991
	Adjustments for:		
	Depreciation	2,516,955	2,293,437
	Provision for slow moving and surplus spares	32,958	99,740
	Loss on disposal of property, plant and equipment	86,866	4,200
	Finance cost	1,979,797	2,268,551
	Provision for Workers' Profit Participation Fund	1,384,969	1,013,268
	Provision for Workers' Welfare Fund	517,865	386,574
	Adjustment in WPPF relating to prior year charge	(199,097)	–
	Income on loans, deposits and investments	(991,326)	(1,061,336)
	Gain on sale of property, plant and equipment	–	(12,540)
	Provision for gratuity	124,725	104,251
	Provision for compensated absences	246,615	209,289
	Provision for pension	77,446	78,963
	Exchange loss – net	21,558	67,660
	Dividend income	(205,452)	(214,932)
	Gain on remeasurement of investments - held for trading	(19,138)	(179,064)
	Gain on sale of investments	(370,281)	(219,425)
	Share of (profit) / loss of associate and joint venture	(193,430)	377,381
	Impairment in investment held for trading	33,253	–
		5,044,283	5,216,017
		28,549,605	22,077,008
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	479,611	(489,332)
	Stock in trade	(111,287)	4,563,733
	Trade debts	(454,327)	47,769
	Loans and advances	(209,059)	(39,991)
	Deposits and prepayments	(21,710)	69,785
	Other receivables	26,785	12,966,996
	Increase / (decrease) in current liabilities:		
	Trade and other payables	5,424,561	(559,697)
		5,134,574	16,559,263
	Changes in long term loans and advances	(117,787)	(174,439)
	Changes in long term deposits and prepayments	(2,498)	(66,099)
		33,563,894	38,395,733

		2010	2009
35.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	14,074,152	13,497,379
	Short term borrowings	(11,293,144)	(13,818,798)
	Short term highly liquid investments	12,124,621	8,735,060
		14,905,629	8,413,641

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36. FINANCIAL INSTRUMENTS

The Group companies have 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 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 counter party 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:

	2010	2009
	(Rupees ‘000)	
Investments	718,424	903,059
Loans and advances	757,262	479,366
Deposits	86,366	84,790
Trade debts – net of provision	1,187,941	733,614
Other receivables	425,118	465,158
Short term investments	12,813,929	11,293,718
Bank balances	14,072,244	13,495,746
	30,061,284	27,455,451

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 most significant amount receivable is from a bank which amounts to Rs 2,700,000 thousands (2009: Rs 2,000,000 thousands). 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 counter parties as satisfactory. The Group companies do not hold any collateral as security against any of their financial assets other than trade debts.

The Group companies limit their exposure to credit risk by investing only in liquid securities and only with counter parties 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 counter party to fail to meet their obligations.

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Impairment losses

The aging of trade debts at the reporting date was:

	2010		2009	
	Gross	Impairment	Gross	Impairment
	(Rupees '000)			
Not yet due	11,183	–	30,349	–
Past due 1 – 30 days	321,458	–	271,954	–
Past due 31 – 60 days	51,744	–	67,227	–
Past due 61 – 90 days	729,876	–	311,371	–
Over 90 days	75,438	1,758	54,471	1,758
	1,189,699	1,758	735,372	1,758

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

The Group companies have recorded impairment loss of Rs 12,750 thousand and Rs 33,253 thousand (2009 : Rs 12,750 thousand and Rs Nil) in respect of its investment in available-for-sale investments and held for trading 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:

2010	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	10,344,024	12,276,460	2,089,210	1,388,399	2,808,343	4,694,106	1,296,402
Trade and other payables	9,957,598	9,957,598	9,957,598	–	–	–	–
Short term borrowings	11,293,144	11,903,276	11,903,276	–	–	–	–
	31,594,766	34,137,334	23,950,084	1,388,399	2,808,343	4,694,106	1,296,402

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	15,687,445	1,775,662	1,141,781	3,471,797	6,780,521	2,517,684
Trade and other payables	10,803,511	10,803,511	10,803,511	–	–	–	–
Short term borrowings	13,818,798	21,847,987	21,847,987	–	–	–	–
	36,869,561	48,338,943	34,427,160	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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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 incur 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:

	2010		2009	
	(Rupees '000)	(US Dollar '000)	(Rupees '000)	(US Dollar '000)
Bank balance	22,324	261	17,724	211
Investments (term deposit receipts)	1,074,621	12,538	1,081,360	12,843
Creditors	(3,417,020)	(39,853)	(2,427,143)	(28,826)
Short term loan	(1,179,426)	(13,756)	–	–

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2010	2009	2010	2009
US Dollars	85.92	81.57	85.71	84.2

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs 348,107 thousand (2009 : Rs 132,806 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 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 Group companies' interest bearing financial instruments is:

	Carrying Amount	
	2010	2009
	(Rupees '000)	
Fixed rate instruments		
Financial assets	13,445,253	15,057,965
Financial liabilities	(4,226,238)	(2,600,000)
	9,219,015	12,457,965
Variable rate instruments		
Financial assets	9,351,004	7,977,897
Financial liabilities	(12,873,526)	(18,280,445)
	(3,522,522)	(10,302,548)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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 2009.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2010		
Cash flow sensitivity – Variable rate instruments	(69,653)	69,653
	(69,653)	69,653
December 31, 2009		
Cash flow sensitivity – Variable rate instruments	(55,216)	55,216
	(55,216)	55,216

Sensitivity analysis – price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 4,712 thousand after tax (2009: an increase of Rs 5,369 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For such investments classified as held for trading, the impact on profit or loss would have been an increase or decrease by Rs 28,771 thousand after tax (2009: Rs 29,358 thousand). The analysis is performed on the same basis for 2009 and assumes that all other variables remain the same.

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:

		December 31, 2010		December 31, 2009	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
			(Rupees '000)		
Assets carried at amortised cost					
Loans and advances	17 & 22	757,262	757,262	479,366	479,366
Deposits	18 & 23	86,366	86,366	84,790	84,790
Trade debts – net of provision	21	1,187,941	1,187,941	733,614	733,614
Other receivables	24	425,118	425,118	465,158	465,158
Investment carried at amortised cost	25	1,250,000	1,250,000	4,400,000	4,400,000
Cash and bank balances	26	14,072,244	14,072,244	13,495,746	13,495,746
		17,778,931	17,778,931	19,658,674	19,658,674
Assets carried at fair value					
Long term investments	16	718,424	718,424	903,059	903,059
Short term investments	25	11,563,929	11,563,929	6,893,718	6,893,718
		12,282,353	12,282,353	7,796,777	7,796,777
Liabilities carried at amortised cost					
Long term borrowings	7	10,344,024	10,344,024	12,247,252	12,247,252
Trade and other payables	9	9,957,598	9,957,598	10,805,537	10,805,537
Short term borrowings	12	11,293,144	11,293,144	13,818,798	13,818,798
		31,594,766	31,594,766	36,871,587	36,871,587

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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 amortised cost, since majority of the interest bearing instruments 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 is significantly approximates to carrying value. The interest rates used to determine fair value of GOP loan is 14% (2009: 15%). Since originally the loan is zero interest based, 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).

	Level 1	Level 2 (Rupees '000)	Level 3
December 31, 2010			
Assets carried at fair value			
Available for sale investments	–	11,462,952	–
Available for sale investments	130,093	–	–
Investments at fair value through profit and loss account	689,308	–	–
	819,401	11,462,952	–
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	–

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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2010

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.

37. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these consolidated financial statements for the year in respect of remuneration including benefits applicable to the chief executives, directors and executives of the Group companies are given below:

	2010		2009	
	Chief Executives	Executives	Chief Executives	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	13,039	1,165,842	8,717	996,393
Contribution to provident fund	721	67,762	452	57,588
Bonus and other awards	5,592	314,221	3,028	114,481
Good performance award	–	867,284	–	712,652
Others	6,986	709,500	4,841	657,506
Total	26,338	3,124,609	17,038	2,538,620
No. of persons	2	584	2	533

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 chief executives in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs Nil (2009: Rs 1,830 thousand) and Rs 7,169 thousand (2009 Rs: 13,045 thousand) were paid to the chief executives and executives respectively on separation, in accordance with the Group company's policy.

In addition, 27 (2009: 22) directors were paid aggregate fee of Rs 2,440 thousand (2009: Rs 1,990 thousand).

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Fauji Foundation holds 44.35% (2009: 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 executives, directors and executives are disclosed in notes 17, 22 and 37 to the financial statements respectively.

	2010	2009
	(Rupees '000)	
Transactions with associated undertaking / companies due to common directorship		
Sale of fertilizer	5,301	5,062
Rent charged to Group companies	4,602	4,509
Dividend paid	3,440,402	3,251,446
Repayment of principal portion of long term finance	38,679	–
Financial charges	4,169	–
Medical services	95	95
Purchase of gas as feed and fuel stock	11,600,090	11,600,090
Technical services received	29,888	29,888
Others	93,648	3,260
Loan balance payable at the year end – secured	19,338	–
Balance payable – unsecured	50,892	542,211
Balance receivable – unsecured (included in note 24)	–	88,831
Transactions with joint venture company		
Raw material purchased	19,342,767	13,187,963
Dividend received	49,751	95,389
Expenses incurred on behalf of joint venture company	27,808	20,423
Balance payable – secured	3,347,622	2,412,237
Balance receivable – unsecured	21,376	11,005
Other related parties		
Payments to:		
Employees' Provident Fund Trust	240,663	219,133
Employees' Gratuity Fund Trust	90,930	102,417
Employees' Pension Fund Trust	77,446	78,963
Others:		
Transactions with Workers' Profit Participation Fund (WPPF)	57,601	357,678
Balance payable at the year end – unsecured	1,181,287	963,995

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

39. POST BALANCE SHEET EVENT

The Board of Directors of FFC in their meeting held on January 27, 2011 have proposed a final dividend of Rs 3.50 per share, bonus shares of 0.25 per share, increase in authorised share capital by Rs 5 billion and movement from unappropriated profit to general reserve of Rs 1,700 million. Dividend of Rs 3.50 per share has been proposed by the Board of Directors of FFBL on January 25, 2011.

40. GENERAL

		2010	2009
		(Tonnes '000)	
40.1	Production capacity		
	Design capacity		
	Urea	2,599	2,599
	DAP	600	600
	Production		
	Urea	3,009	3,091
	DAP	660	540

The shortfall in Urea production was mainly due to non–availability of required quantity of gas.

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 14,490,000 thousand (2009: Rs 40,000 thousand and Rs 7,350,000 thousand) respectively are available to FFC against lien on shipping / title documents and charge on assets of FFC.

40.3 Donations aggregate to Rs 328,853 thousand i.e, 2.18 % of net profit (2009: Rs 95,536 thousand i.e, 0.90% of net profit), and include Rs 179,775 thousand paid to the projects of Fauji Foundation (associated undertaking).

40.4 These consolidated financial statements have been authorised for issue by the Board of Directors of FFC on January 27, 2011.

Chairman

Chief Executive

Director

Pattern of Shareholding

as at December 31, 2010

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1,286	1	100	60,756	0.01
1,725	101	500	493,712	0.07
1,317	501	1,000	1,027,954	0.15
3,430	1,001	5,000	7,888,927	1.16
958	5,001	10,000	6,905,664	1.02
417	10,001	15,000	5,172,281	0.76
244	15,001	20,000	4,314,253	0.64
168	20,001	25,000	3,820,803	0.56
138	25,001	30,000	3,805,161	0.56
77	30,001	35,000	2,537,307	0.37
63	35,001	40,000	2,394,477	0.35
50	40,001	45,000	2,124,185	0.31
56	45,001	50,000	2,720,201	0.40
45	50,001	55,000	2,387,373	0.35
17	55,001	60,000	988,228	0.15
19	60,001	65,000	1,203,094	0.18
26	65,001	70,000	1,767,156	0.26
19	70,001	75,000	1,394,939	0.21
17	75,001	80,000	1,328,441	0.20
16	80,001	85,000	1,331,698	0.20
8	85,001	90,000	705,331	0.10
16	90,001	95,000	1,477,530	0.22
30	95,001	100,000	2,964,208	0.44
8	100,001	105,000	814,993	0.12
13	105,001	110,000	1,391,498	0.21
5	110,001	115,000	563,881	0.08
12	115,001	120,000	1,411,769	0.21
3	120,001	125,000	369,185	0.05
2	125,001	130,000	256,012	0.04
7	130,001	135,000	930,947	0.14
5	135,001	140,000	689,264	0.10
4	140,001	145,000	567,196	0.08
7	145,001	150,000	1,045,632	0.15
9	150,001	155,000	1,370,377	0.20
5	155,001	160,000	794,410	0.12
8	160,001	165,000	1,301,728	0.19
2	165,001	170,000	335,524	0.05
5	170,001	175,000	868,073	0.13
5	175,001	180,000	886,247	0.13
2	180,001	185,000	362,195	0.05
6	185,001	190,000	1,124,232	0.17
4	190,001	195,000	765,382	0.11
14	195,001	200,000	2,787,584	0.41
1	200,001	205,000	203,144	0.03
1	205,001	210,000	206,125	0.03
2	215,001	220,000	431,005	0.06
4	220,001	225,000	896,597	0.13
1	225,001	230,000	229,000	0.03
1	230,001	235,000	230,336	0.03
4	235,001	240,000	953,649	0.14
2	240,001	245,000	486,098	0.07
4	245,001	250,000	994,491	0.15
1	250,001	255,000	251,625	0.04

Pattern of Shareholding

as at December 31, 2010

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
3	255,001	260,000	774,125	0.11
1	265,001	270,000	270,000	0.04
3	270,001	275,000	823,437	0.12
3	275,001	280,000	834,852	0.12
2	280,001	285,000	565,873	0.08
1	285,001	290,000	285,500	0.04
2	290,001	295,000	588,194	0.09
7	295,001	300,000	2,085,271	0.31
1	300,001	305,000	305,000	0.05
1	310,001	315,000	310,158	0.05
3	315,001	320,000	954,546	0.14
2	320,001	325,000	647,463	0.10
3	330,001	335,000	996,900	0.15
1	335,001	340,000	338,113	0.05
5	345,001	350,000	1,742,323	0.26
1	355,001	360,000	359,036	0.05
3	360,001	365,000	1,092,335	0.16
1	365,001	370,000	367,753	0.05
3	370,001	375,000	1,119,409	0.17
1	380,001	385,000	380,715	0.06
2	385,001	390,000	773,403	0.11
3	395,001	400,000	1,196,843	0.18
1	405,001	410,000	406,783	0.06
3	445,001	450,000	1,350,000	0.20
1	465,001	470,000	469,009	0.07
1	470,001	475,000	475,000	0.07
2	475,001	480,000	952,589	0.14
2	480,001	485,000	964,405	0.14
1	485,001	490,000	489,391	0.07
5	495,001	500,000	2,500,000	0.37
1	505,001	510,000	508,051	0.07
1	525,001	530,000	525,058	0.08
1	540,001	545,000	543,647	0.08
1	545,001	550,000	550,000	0.08
1	560,001	565,000	562,151	0.08
3	590,001	595,000	1,773,943	0.26
1	595,001	600,000	600,000	0.09
1	605,001	610,000	609,000	0.09
2	625,001	630,000	1,259,300	0.19
2	630,001	635,000	1,265,595	0.19
1	665,001	670,000	670,000	0.10
1	680,001	685,000	681,383	0.10
1	685,001	690,000	686,390	0.10
1	730,001	735,000	730,614	0.11
1	755,001	760,000	760,000	0.11
1	770,001	775,000	773,136	0.11
1	775,001	780,000	778,754	0.11
1	780,001	785,000	782,493	0.12
1	800,001	805,000	801,638	0.12
1	810,001	815,000	810,351	0.12
1	825,001	830,000	829,603	0.12
1	855,001	860,000	855,937	0.13
1	885,001	890,000	886,210	0.13

Pattern of Shareholding

as at December 31, 2010

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	905,001	910,000	908,345	0.13
1	970,001	975,000	974,942	0.14
1	1,000,001	1,005,000	1,001,498	0.15
1	1,015,001	1,020,000	1,017,949	0.15
1	1,035,001	1,040,000	1,036,187	0.15
1	1,040,001	1,045,000	1,044,000	0.15
1	1,045,001	1,050,000	1,046,125	0.15
1	1,075,001	1,080,000	1,080,000	0.16
1	1,170,001	1,175,000	1,174,684	0.17
1	1,180,001	1,185,000	1,183,755	0.17
1	1,195,001	1,200,000	1,200,000	0.18
1	1,200,001	1,205,000	1,203,125	0.18
1	1,225,001	1,230,000	1,228,545	0.18
2	1,255,001	1,260,000	2,515,013	0.37
1	1,265,001	1,270,000	1,270,000	0.19
1	1,370,001	1,375,000	1,374,615	0.20
1	1,445,001	1,450,000	1,445,542	0.21
1	1,595,001	1,600,000	1,600,000	0.24
1	1,615,001	1,620,000	1,615,563	0.24
1	1,760,001	1,765,000	1,762,720	0.26
1	1,840,001	1,845,000	1,843,187	0.27
1	1,980,001	1,985,000	1,982,343	0.29
1	1,995,001	2,000,000	2,000,000	0.29
1	2,070,001	2,075,000	2,073,162	0.31
1	2,075,001	2,080,000	2,075,637	0.31
1	2,080,001	2,085,000	2,083,516	0.31
1	2,190,001	2,195,000	2,191,420	0.32
1	2,220,001	2,225,000	2,220,532	0.33
1	2,305,001	2,310,000	2,309,110	0.34
1	2,465,001	2,470,000	2,467,377	0.36
1	2,580,001	2,585,000	2,582,492	0.38
1	2,675,001	2,680,000	2,677,912	0.39
1	2,685,001	2,690,000	2,688,053	0.40
1	2,765,001	2,770,000	2,766,730	0.41
1	3,180,001	3,185,000	3,181,072	0.47
1	3,570,001	3,575,000	3,572,047	0.53
1	3,690,001	3,695,000	3,691,872	0.54
1	3,770,001	3,775,000	3,771,736	0.56
1	3,920,001	3,925,000	3,920,507	0.58
1	4,275,001	4,280,000	4,275,128	0.63
1	4,325,001	4,330,000	4,325,423	0.64
1	4,720,001	4,725,000	4,720,609	0.70
1	4,770,001	4,775,000	4,771,154	0.70
1	6,150,001	6,155,000	6,152,850	0.91
1	7,490,001	7,495,000	7,492,306	1.10
1	8,195,001	8,200,000	8,196,463	1.21
1	8,660,001	8,665,000	8,662,968	1.28
1	15,890,001	15,895,000	15,894,987	2.34
1	26,095,001	26,100,000	26,095,415	3.85
1	26,955,001	26,960,000	26,956,982	3.97
1	59,295,001	59,300,000	59,298,973	8.74
1	69,075,001	69,080,000	69,075,420	10.18
1	231,830,001	231,835,000	231,833,516	34.17
10,438			678,527,065	100.00

Pattern of Shareholding

as at December 31, 2010

Serial No.	Categories of Shareholders	No of Shareholders	No of Shares held	Percentage %
1	NIT & ICP	3	30,529,529	4.50
2	Bank, DFI & NBFI	30	48,008,546	7.08
3	Insurance Companies	20	70,862,711	10.44
4	Modarabas & Mutuals Funds	68	23,196,854	3.42
5	Foreign Investors	72	50,133,722	7.39
6	Chariatable Trust & Others	155	318,650,333	46.96
7	Others	178	41,529,926	6.12
8	Individuals	9912	95,615,444	14.09
	Total Shares	10438	678,527,065	100.00

	No of Shares
NIT & ICP	
National Investment Trust	30,529,029
Investment Corporation of Pakistan	500
Executives	593,161
Public Sector Companies and Corporations	33,554,622
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Mutual Funds	142,068,111
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	March 01, 2011
1st Quarter ending March 31, 2011	Last Week of April, 2011
2nd Quarter ending June 30, 2011	Last Week of July, 2011
3rd Quarter ending September 30, 2011	Last Week of October, 2011
Year ending December 31, 2011	Last Week of January, 2012

Form of Proxy

33rd 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 33rd Annual General Meeting of the Company to be held on Tuesday, March 01, 2011 and / or any adjournment thereof.

As witness my/our hand/seal this ______________ day of ______________ February 2011.

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.

FFC FAUJI FERTILIZER COMPANY LIMITED

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