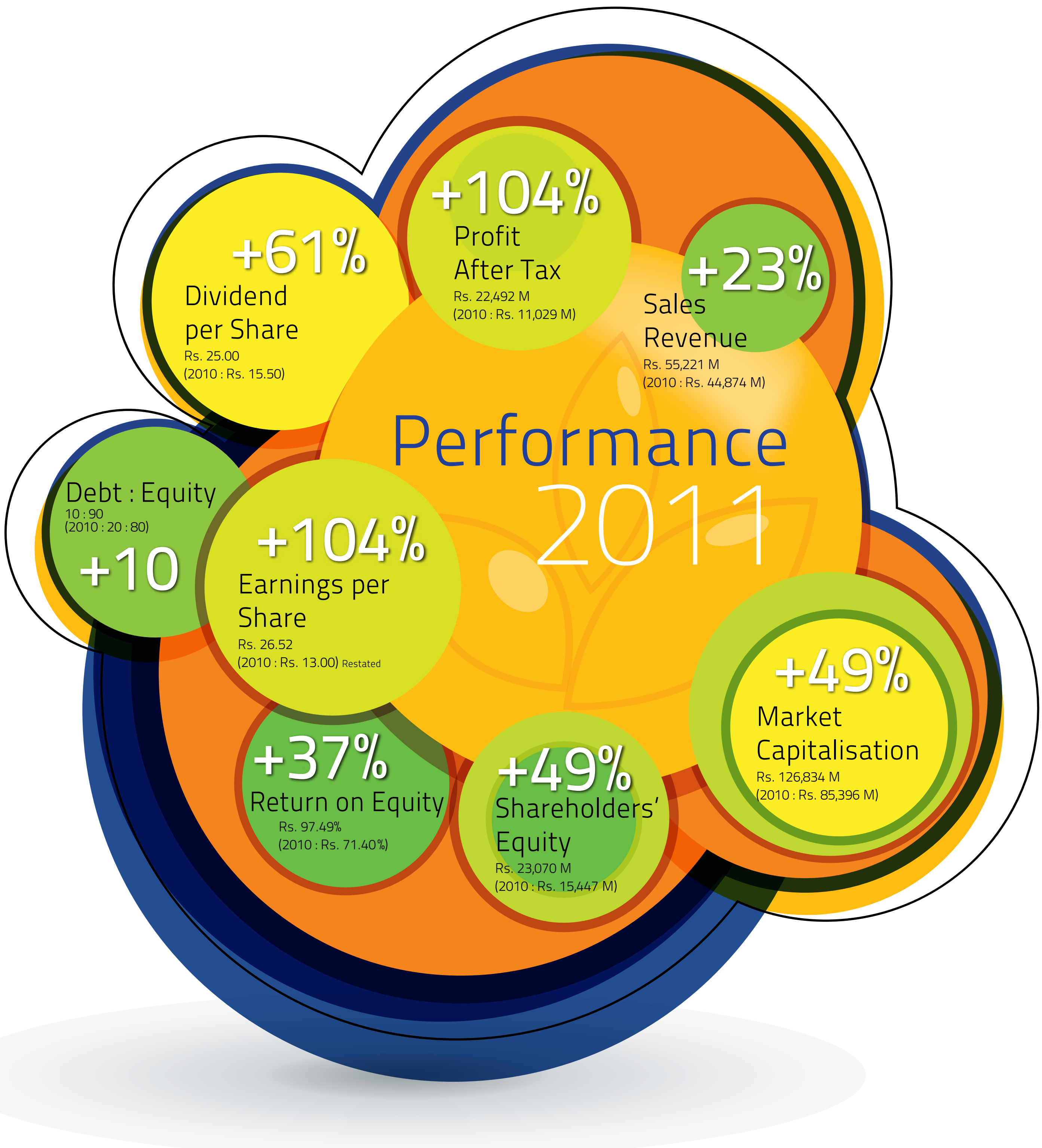
Annual Report for the year ended December 31, 2011

Inspiring Growth

FAUJI FERTILIZER COMPANY LIMITED


Performance
2011
+61%
Dividend
per Share
Rs. 25.00
(2010 : Rs. 15.50)
+104%
Profit
After Tax
Rs. 22,492 M
(2010 : Rs. 11,029 M)
+23%
Sales
Revenue
Rs. 55,221 M
(2010 : Rs. 44,874 M)
Debt : Equity
10 : 90
(2010 : 20 : 80)
+10
+104%
Earnings per
Share
Rs. 26.52
(2010 : Rs. 13.00) Restated
+37%
Return on Equity
Rs. 97.49%
(2010 : Rs. 71.40%)
+49%
Shareholders'
Equity
Rs. 23,070 M
(2010 : Rs. 15,447 M)
+49%
Market
Capitalisation
Rs. 126,834 M
(2010 : Rs. 85,396 M)

Contents

Vision & Mission Statement

Vision

In a nation of increasing population, we believe there is substantial opportunity of growth for FFC in the years to come.

FFC's vision is to play a leading role in the industrial and agricultural advancement of the Country pursuing new growth opportunities offering the convenience of multiple products, brands and channels within and beyond the territorial limits of Pakistan, to the benefit of our customers and our shareholders, elevating our image as a socially responsible and ethical company that is watched and emulated as a model of success.

Mission

FFC is a market-focused, process-centered organization delivering successful performance through a strong focus on quality.

Our mission is to stand above the competition and provide our customers with premium quality fertilizer products in a safe, reliable, efficient and environmentally sound manner, deliver exceptional services and unparalleled customer support, produce predictable earnings for our shareholders, and provide a dynamic and challenging environment for our employees.

Corporate Strategy

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

Policy Statement of Ethics & Business Practices

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

Standard of Conduct for Directors & Employees

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

Core Values

At FFC we seek uncompromising integrity through each individual's effort towards quality product for our customers and sizeable contribution to the National Exchequer.

Our business success is dependent on trusting relationships. Our reputation is founded on the integrity of the Company's personnel and our commitment to our principles of:

- Honesty in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets.
- Excellence in high-quality products and services to our customers.
- Consistency in our word and deed.
- Compassion in our relationships with our employees and the communities affected by our business.
- Fairness to our fellow employees, stakeholders, business partners, customers and suppliers through adherence to all applicable laws, regulations and policies and a high standard of moral behavior.

Company Information

Board of Directors

Lt Gen Muhammad Mustafa Khan,
HI(M) (Retired)
Chairman

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

Mr Jorgen Madsen
Mr Qaiser Javed
Dr Nadeem Inayat
Mr Istaqbal Mehdi
Mr Shahid Aziz Siddiqi
Mr Shahid Anwar Khan
Mr Wazir Ali Khoja
Maj Gen Zahid Parvez, HI(M) (Retired)
Brig Agha Ali Hassan, SI(M) (Retired)
Brig Dr Gulfam Alam, SI(M) (Retired)
Mr Agha Nadeem

Chief Financial Officer

Syed Shahid Hussain
Tel: No. 92-51-9272339
Fax: No. 92-51-9272337
E-mail: shahid_hussain@ffc.com.pk

Company Secretary

Brig Khalid Kibriya (Retired)
Tel: No. 92-51-9272327
Fax: No. 92-51-9272519
E-mail: ffcrwp@ffc.com.pk

Registered Office

93-Harley Street, Rawalpindi Cantt
Tel: No. 92-51-9272307-14
Fax: No. 92-51-9272316
E-mail: ffcrwp@ffc.com.pk

Plantsites

Goth Machhi, Sadiqabad
(Distt: Rahim Yar Khan)
Tel: No. 92-68-5786420-9
Fax: No. 92-68-5786401

Mirpur Mathelo
(Distt: Ghotki)
Tel: No. 92-723-661500-09
Fax: No. 92-723-661462

Marketing Division

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

Karachi Office

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

Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Share Registrar

THK Associates (Private) Limited
Ground Floor, State Life Building – 3
Dr Ziauddin Ahmed Road
Karachi – 75530
Tel: No. 92-21-111-000-322
Fax: No. 92-21-35655595

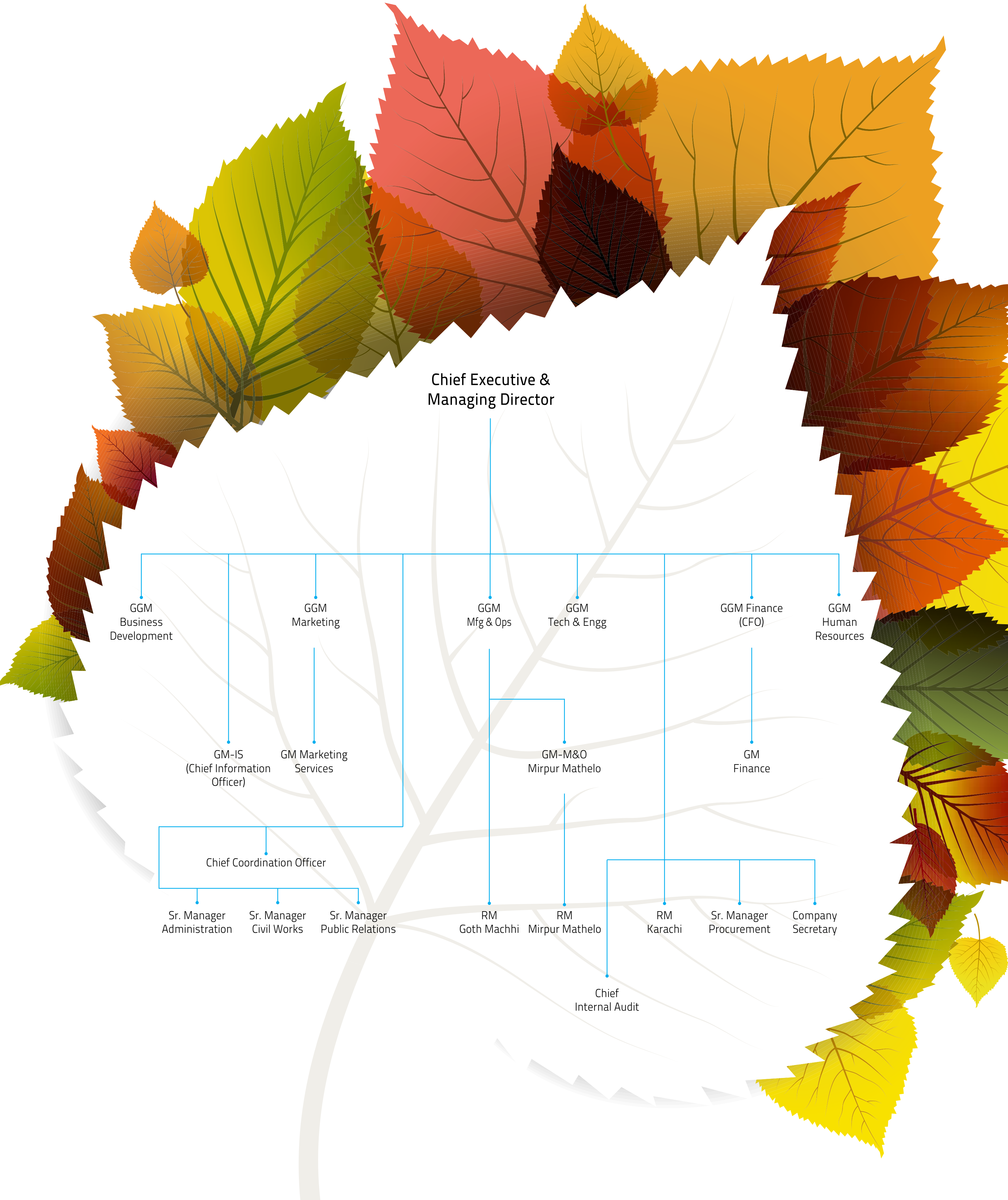
Bankers

Al Baraka Islamic Bank
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Barclays Bank PLC, Pakistan
Deutsche Bank AG
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
KASB Bank Limited
MCB Bank Limited
Meezan Bank Limited
Mybank Limited
National Bank of Pakistan
NIB Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited

Web Presence

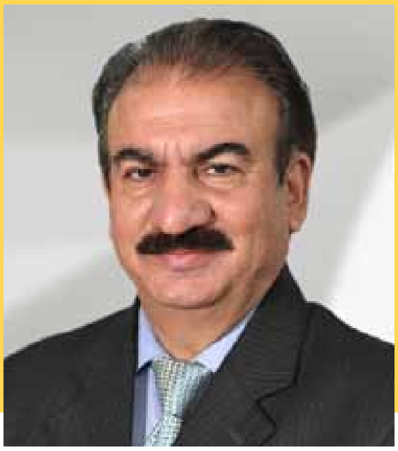
Updated Company's Information together with the latest Annual Report can be accessed at FFC's website, www.ffc.com.pk

Organogram



Chief Executive &
Managing Director
GGM
Business
Development
GGM
Marketing
GGM
Mfg & Ops
GGM
Tech & Engg
GGM Finance
(CFO)
GGM
Human
Resources
GM-IS
(Chief Information
Officer)
GM Marketing
Services
GM-M&O
Mirpur Mathelo
GM
Finance
Chief Coordination Officer
Sr. Manager
Administration
Sr. Manager
Civil Works
Sr. Manager
Public Relations
RM
Goth Machhi
RM
Mirpur Mathelo
RM
Karachi
Sr. Manager
Procurement
Company
Secretary
Chief
Internal Audit

Profile of the Board



Lt Gen Muhammad Mustafa Khan,
HI(M) (Retired)
Chairman

Joined the Board on January 02, 2012
He is the Managing Director of Fauji Foundation and Fauji Oil Terminal & Distribution Company Limited and Chairman on the Board of various Fauji Group companies including:

- Fauji Fertilizer Bin Qasim Limited,
- FFC Energy Limited,
- Fauji Cement Company Limited,
- Mari Gas Company Limited,
- Fauji Kabirwala Power Company Limited,
- Fauji Power Company (Daharki) Limited,
- Daharki Power Holdings Company Limited, and
- Fauji Akbar Portia Marine Terminal (Private) Limited.

He was commissioned in Pakistan Army in 1974. During his long meritorious service in the Army, he had been employed on various command, staff and instructional assignments including the prestigious appointment as Chief of General Staff and Corps Commander of Strike Corps/ Commander Central Command.

He is a graduate of Command and Staff College Quetta, Command & Staff College Fort Leavenworth USA and Armed Forces War College Islamabad (National Defence University). He also completed a Senior Executive Course from USA and holds a Masters degrees in War Studies and International Relations.

In recognition of his commendable services, he has been conferred the award of Hilal-e-Imtiaz (Military).

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

Joined the Board on March 17, 2009.
He is on the Board of various Group companies and subsidiaries including Fauji Fertilizer Bin Qasim Limited, FFC Energy Limited and Pakistan Maroc Phosphore, S.A., and chairs the Business Strategy Committee, Executive Committee and CSR Committee of the Company.

He had an illustrious carrier in the Pakistan Army from 1971 to 2009. He was awarded Hilal-e-Imtiaz (Military) by the Government of Pakistan for his meritorious services for the Country. He served on various command, staff & instructional assignments in his prominent career in the Army including the important appointments of Director General Command, Control & Communication, Computer & Intelligence at GHQ, Commandant of Command and Staff College, Quetta and Colonel Commandant of Punjab Regiment.

He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad.

Mr Jorgen Madsen
Director

Joined the Board on September 16, 2009.
He is an engineer by profession and has been employed with Haldor Topsoe, Denmark since 1973. He worked primarily with Topsoe Ammonia Technology, engaged in design of ammonia plants and their commissioning and start-ups. In his service with Haldor Topsoe, he has been engaged as a process engineer, Project Manager, and Manager of Ammonia Process Engineering Department.

He was the Manager of Engineering Division of Haldor Topsoe from 1995 to 2006, after which he established a Technology Department in R&D Division, with the main responsibility of transferring new pilot scale technologies to industrial scale technologies.

He has no involvement / engagement in other companies as CEO, Director, CFO or Trustee etc.

Mr Qaiser Javed
Director

Joined the Board on October 15, 1999.
He is a fellow member of the Institute of Chartered Accountants of Pakistan with over 35 years of post qualification experience.

He joined Fauji Foundation in 1976 and currently is Director Finance of Fauji Foundation and Foundation University. He is Chief Executive of Daharki Power Holdings Limited, Foundation Wind Energy - I Limited, Foundation Wind Energy - II (Private) Limited and also holds Directorship in the following Companies:

- Fauji Cement Company Limited,
- FFC Energy Limited,
- Fauji Fertilizer Bin Qasim Limited,
- Pakistan Maroc Phosphore S.A.,
- Fauji Oil Terminal & Distribution Company Limited,
- Fauji Kabirwala Power Company Limited,
- Fauji Akbar Portia Marine Terminal (Private) Limited,
- The Hub Power Company Limited,
- Mari Gas Company Limited, and
- Foundation Power Company (Daharki) Limited.

He is the Chairman of Audit Committee and member of Project Diversification Committee of the Company.

Dr Nadeem Inayat
Director

Joined the Board on May 27, 2004.
He holds a Doctorate in economics with rich and diversified domestic as well as international experience in the financial system of over 26 years. His work experience can be broadly categorised into corporate governance, policy formulation and deployment, project appraisal implementation, monitoring & evaluation, restructuring, and collaboration with donor agencies. As Director Investment, he is managing the investment portfolio of Fauji Foundation.

He is on the Board of following entities:

- Fauji Cement Company Limited,
- Fauji Oil Terminal & Distribution Company Limited,
- Fauji Fertilizer Bin Qasim Limited,
- Fauji Akbar Portia Marine Terminal (Private) Limited,
- Daharki Power Holdings Limited,
- Foundation Wind Energy - I Limited,
- Foundation Wind Energy - II (Private) Limited,
- Mari Gas Company Limited,
- Pakistan Maroc Phosphore S.A.,
- Foundation University, and
- Foundation Securities (Private) Limited.

He also conducted various academic courses on Economics, International Trade and Finance at reputable institutions of higher education in Pakistan.

He is the Chairman of Project Diversification Committee and member of Audit Committee, Human Resources Committee and System & Technology Committee of the Company.

Mr Istaqbal Mehdi
Director

Joined the Board on January 31, 2005.
He is the Chairman / CEO of Al-Aman Holding (Private) Limited and holds Directorship in Lotte Pakistan PTA Limited and Bata Pakistan Limited.

He did his Masters in Economics from Government College Lahore and also completed M. Phil in Financial Economics from University of Leeds, UK in 1976. Later he studied Public Enterprise Policy in Developing Countries from Harvard University, USA. He held the following several key positions in Government and Financial Institutions during his 30 years career:

- Chairman / CEO of Pak-Kuwait Investment Company (Private) Limited,
- Chairman / CEO of Pak-Kuwait Takaful Company Limited,
- Chairman / CEO of Pak Iran Joint Investment Company Limited,
- President & CEO of Zarai Taraqiati Bank of Pakistan,
- President & CEO of Agricultural Development Bank of Pakistan,
- Chairman & CEO of NIT,
- CEO of Experts Advisory Cell,
- Advisor / Consultant to the World Bank,
- Chairman of National Commodities Exchange Limited,
- Chairman of Task Force for restructuring of International Centre for Public Enterprise
- President of the Assembly, ICPE, and
- Chairman & CEO of ICP,

Apart from his prominent professional career, he has also made laudable contribution in the form of publications and papers on the subjects of Public Enterprise and Reforms, Privatisation and Restructuring, Poverty Alleviation, Governance Issues, Human Resource Management and Corporate Governance. He is also the co-author of internationally recognised management system 'Signaling System for Public Enterprises'. After its successful implementation at the Experts Advisory Cell in Pakistan, he helped setting it up in several other countries as well.

Profile of the Board

Mr Shahid Aziz Siddiqi
Director

Joined the Board on August 08, 2008.
He is presently the Chairman of State Life Insurance Corporation of Pakistan and Alpha Insurance Company Limited. He also holds Directorship in the following companies:

- Packages Limited,
- Thatta Cement Company Limited,
- International Industries Limited,
- Sui Southern Gas Company Limited,
- ORIX Leasing Pakistan Limited,
- Sui Northern Gas Pipelines Limited, and
- Pakistan Cables Limited

He holds a post graduate degree in Development Economics from University of Cambridge, UK and Masters from University of Karachi. He topped in the Central Superior Services of Pakistan examination for the elite Pakistan Civil Services in 1968.

He held several key Government positions including:

- Managing Director of Rice Export Corporation of Pakistan,
- Director General of Ports and Shipping,
- Director Labour, Sindh,
- Director Excise and Taxation, Sindh,
- Commissioner of Karachi Division, and
- Chairman National Highway Authority.

He is a Certified Board Director by Pakistan Institute of Corporate Governance / International Finance Corporation.

Mr Shahid Anwar Khan
Director

Joined the Board on November 14, 2008.
He is the Chairman on the Board of First Credit and Investment Bank Limited and holds Directorship in the following companies:

- National Bank Modaraba Management Company Limited,
- National Fullerton Asset & Management Company Limited,
- Galadari Cement (Gulf) Limited, and
- Fauji Oil Terminal & Distribution Company Limited.

He is an MBA from Long Island University New York, USA, Diploma Associate of Institution of Bankers in Pakistan and graduate in Textile Engineering from University of Engineering & Technology, Lahore.

He is a nominee of the National Bank of Pakistan (NBP) with which he has a prominent career of more than 25 years, including various senior assignments in Pakistan and Hong Kong. Presently, he is the Senior Executive Vice President and Group Chief of Credit Management Group, Head Office Karachi.

Being a senior member of Management of NBP, he is part of many important management committees, including Credit Committee, Operations Committee, Assets Liabilities Committee, Strategic Policy Committee and Trustee of NBP Pension & Provident Fund.

Mr Wazir Ali Khoja
Director

Joined the Board on July 29, 2010.
He is the Chairman / Managing Director of National Investment Trust Limited.

He also holds Directorship of the following companies:

- Bank Al Habib Limited,
- Packages Limited,
- Askari Bank Limited,
- Habib Metropolitan Bank Limited,
- Pak Suzuki Motors Company Limited,
- Burshane LPG (Pakistan) Limited,
- Sui Northern Gas Pipelines Limited,
- Sui Southern Gas Company Limited,
- Thatta Cement Company Limited,
- Pakistan State Oil Company Limited,
- Pak Telecom Mobile Limited (unlisted), and
- Sindh Bank Limited (unlisted).

Mr Wazir Ali Khoja, held various prominent positions during his professional banking career stretching over 32 years. Some key positions held by him are:

- Senior Executive Vice President in Muslim Commercial Bank (MCB)
- Head of HR Division of MCB
- Chief of Sports Division of MCB
- Member of governing body of Pakistan Cricket Board.

His main areas of expertise are Project Finance, Equity Market Operations and Treasury Affairs.

Maj Gen Zahid Parvez,
HI(M) (Retired)
Director

Joined the Board on July 16, 2010.
He is the Director Welfare (Education) in Fauji Foundation. He also holds Directorship in Mari Gas Company Limited.

He is a graduate of Australian Command and Staff College and National Defence University, Islamabad.

During his service in the Pakistan Army, he served on various command, staff and instructional appointments including appointment as Director General Budget, GHQ. He was awarded Hilal-e-Imtiaz (Military) by the Government of Pakistan.

He is the Chairman of Human Resources Committee and a member of Audit Committee of the Company.

Brig Agha Ali Hassan,
SI(M) (Retired)
Director

Joined the Board on July 16, 2010.
He is the Director Research & Analysis of Fauji Foundation.

He had a distinguished career in Pakistan Army, spanning over 32 years, during which he held various command, staff and instructional appointments. Additionally, being a civil engineer, he contributed towards various engineering projects of national importance. After his retirement from the Army, he served as an Engineering Consultant to UN and as Chief Operation Officer of Gammon Pakistan Limited. He was awarded Sitara-e-Imtiaz (Military) by the Government of Pakistan.

He is a graduate of Command and Staff College, Quetta and National Defence College Islamabad. He has done MSc in Civil Engineering from USA and is a member of National Civil Engineering Honour Society, USA. He is a Professional Engineer registered with Pakistan Engineering Council and an associate Member of Institute of Engineering Pakistan.

He holds Directorships in Fauji Cement Company Limited and Fauji Kabirwala Power Company Limited.

He is a member of Human Resources Committee and System & Technology Committee of the Company.

Brig Dr. Gulfam Alam,
SI(M) (Retired)
Director

Joined the Board on August 17, 2011.
He is the Director (Planning and Development) in Fauji Foundation and Project Director of Foundation Wind Power Company Limited.

He also holds Directorship of the following associated companies:

- Mari Gas Company Limited,
- Fauji Fertilizer Bin Qasim Limited,
- Fauji Oil Terminal & Distribution Company Limited,
- Fauji Akbar Portia Marine Terminal (Private) Limited,
- Fauji Cement Company Limited,
- Foundation Power Company (Daharki) Limited, and
- Daharki Power Holdings Limited.

He was commissioned in Pakistan Army Corps of Engineers in 1978 and during his tenure of service he was employed on numerous important assignments including Director Planning and Works at Engineer-in-Chief branch, GHQ, Deputy Group Command in Frontier Works Organization and teaching assignment at NUST. For his notable services for the Country, he was decorated with Sitara-e-Imtiaz (Military).

He got his Masters in Civil Engineering and PhD in Structural Engineering from University of Illinois, USA after graduating in Civil Engineering from Pakistan.

He is the Chairman of System & Technology Committee and member of Project Diversification Committee of the Company.

Profile of the Board

Mr. Agha Nadeem,
Director

Joined the Board on April 01, 2011. He served in Pakistan Army for 7 years, after which he joined Civil Service in 1981. Currently he is the Chairman on the Board of Governor of Pakistan Industrial and Technical Assistance. He is also controlling and supervising Utility Stores Corporation of Pakistan, and regulating the National Fertilizer Corporation and National Fertilizer Marketing Limited.

He graduated from Pakistan Military Academy, after which he proceeded with getting an MPA Degree from University of Connectivity, USA and completed Executive Development Course from Harvard University, USA.

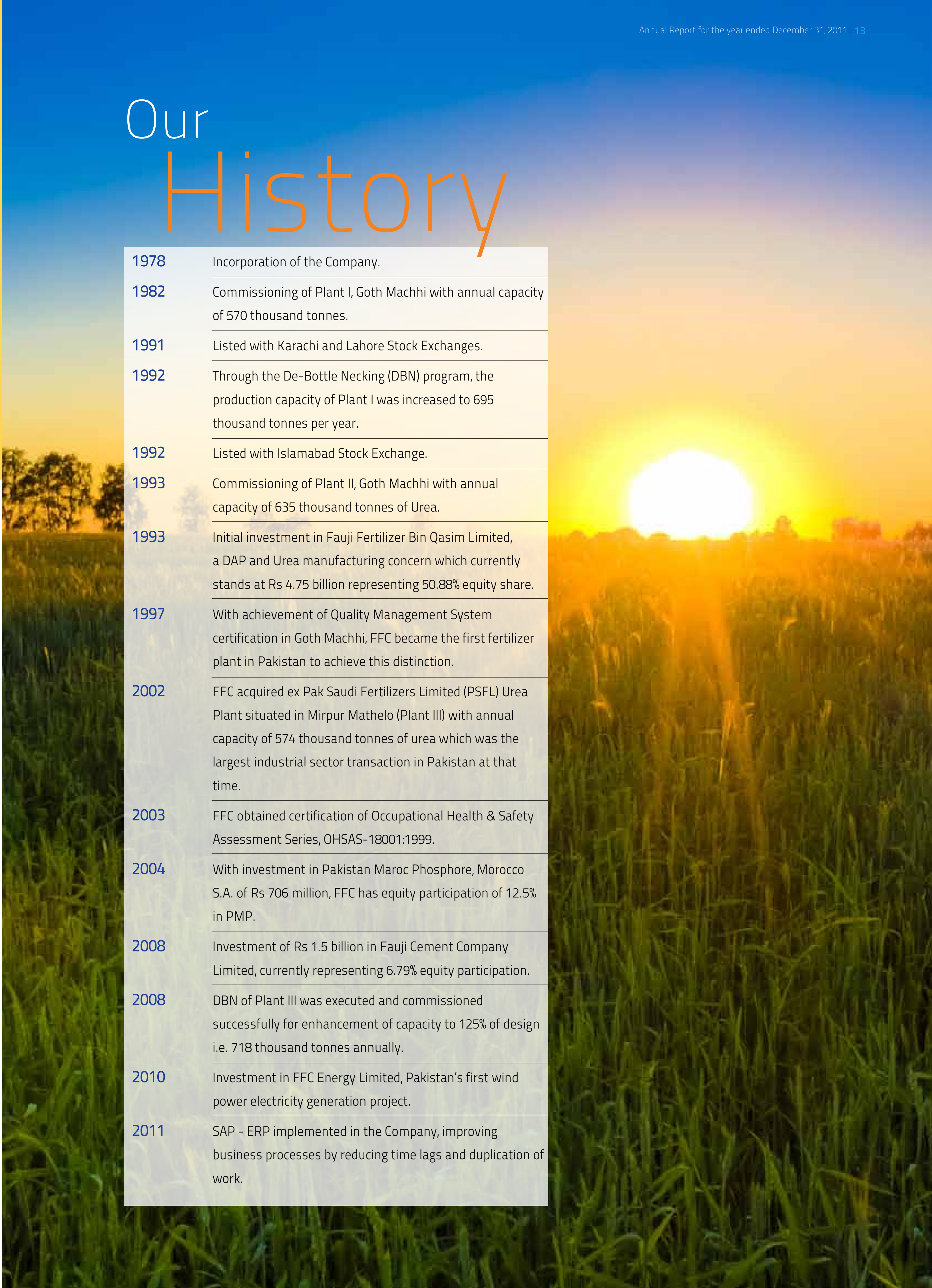
He held several key positions in Government sector during his career. His service for provincial governments include twenty years for Punjab Government as Deputy Commissioner, Additional Secretary, District Coordination Officer and Provincial Secretary and seven years for Balochistan Government as Assistant Commissioner, Additional Deputy Commissioner and Deputy Secretary Finance. Moreover, he served Federal Government as Joint Secretary, Ministry of Special Initiatives and Additional Secretary, Ministry of Health. His current assignment is Additional Secretary, Ministry of Industries & Production.

Syed Shahid Hussain
Chief Financial Officer

Appointed as CFO on November 03, 2008. He is a fellow member of the Institute of Chartered Accountants of Pakistan and has been in the Company service since 1981. He has worked on various management positions, both within the Country and abroad, on secondment to a Fauji Group joint venture project and has extensive experience in the fields of financial management, tax planning, corporate governance and secretarial practices.

Brig Khalid Kibriya (Retired)
Company Secretary

Appointed as Company Secretary on January 04, 2008. He is a graduate from Command and Staff College, Quetta, Joint Services Staff College and Fort Bennings, Georgia, USA. His employment includes a three year tenure at the United Nations' Head Quarter in New York. He also served as the Secretary General of the Pakistan Red Crescent Society, a premier humanitarian organisation at the national level.



Our History

1978	Incorporation of the Company.
1982	Commissioning of Plant I, Goth Machhi with annual capacity of 570 thousand tonnes.
1991	Listed with Karachi and Lahore Stock Exchanges.
1992	Through the De-Bottle Necking (DBN) program, the production capacity of Plant I was increased to 695 thousand tonnes per year.
1992	Listed with Islamabad Stock Exchange.
1993	Commissioning of Plant II, Goth Machhi with annual capacity of 635 thousand tonnes of Urea.
1993	Initial investment in Fauji Fertilizer Bin Qasim Limited, a DAP and Urea manufacturing concern which currently stands at Rs 4.75 billion representing 50.88% equity share.
1997	With achievement of Quality Management System certification in Goth Machhi, FFC became the first fertilizer plant in Pakistan to achieve this distinction.
2002	FFC acquired ex Pak Saudi Fertilizers Limited (PSFL) Urea Plant situated in Mirpur Mathelo (Plant III) with annual capacity of 574 thousand tonnes of urea which was the largest industrial sector transaction in Pakistan at that time.
2003	FFC obtained certification of Occupational Health & Safety Assessment Series, OHSAS-18001:1999.
2004	With investment in Pakistan Maroc Phosphore, Morocco S.A. of Rs 706 million, FFC has equity participation of 12.5% in PMP.
2008	Investment of Rs 1.5 billion in Fauji Cement Company Limited, currently representing 6.79% equity participation.
2008	DBN of Plant III was executed and commissioned successfully for enhancement of capacity to 125% of design i.e. 718 thousand tonnes annually.
2010	Investment in FFC Energy Limited, Pakistan's first wind power electricity generation project.
2011	SAP - ERP implemented in the Company, improving business processes by reducing time lags and duplication of work.

Board Committees

Audit Committee

Members

Mr Qaiser Javed
Chairman

Dr Nadeem Inayat
Member

Maj Gen Zahid Parvez, HI(M) (Retired)
Member

Meetings held during the year

Date	Attendees
January 27, 2011	2
April 18, 2011	3
July 28, 2011	3
October 20, 2011	2
December 09, 2011	3

Terms of Reference

The Audit Committee is, among other things, responsible for recommending to the Board of Directors the appointment of external auditors by Company's shareholders and considers any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors acts in accordance with the recommendations of the Audit Committee in the following matters:

(a) Determination of appropriate measures to safeguard the Company's assets.

(b) Review of preliminary announcements of results prior to publication.

(c) Review of quarterly, half yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on :-

- Major judgmental areas,
- Significant adjustments resulting from the audit,
- The going concern assumption,
- Any change in accounting policies and practices,
- Compliance with applicable accounting standards, and
- Compliance with listing regulations and other statutory and regulatory requirements.

(d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of Management, where necessary).

(e) Review of Management Letter issued by external auditors and Management's response thereto.

(f) Ensuring coordination between the internal and external auditors of the Company.

(g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

(h) Consideration of major findings of internal investigations and Management's response thereto.

(i) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.

(j) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors.

(k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.

(l) Determination of compliance with relevant statutory requirements.

(m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.

(n) Consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resources Committee

Members

Maj Gen Zahid Parvez, HI(M) (Retired)
Chairman

Dr Nadeem Inayat
Member

Brig Agha Ali Hassan, SI(M) (Retired)
Member

Meetings held during the year

Date	Attendees
October 18, 2011	3
December 02, 2011	2
December 07, 2011	3

Terms of Reference

The role of the Human Resources Committee is to assist the Board of Director in its oversight of the evaluation and approval of the employee benefit plans, welfare projects and retirement emoluments. The Committee will recommend any adjustments, which are fair and required to attract/retain high caliber staff, for consideration and approval.

The Committee has the following responsibilities, powers, authorities and discretion:-

(a) Conduct periodic reviews of the Good Performance Awards, 10C Bonuses, and Maintenance of Industrial Peace Incentives (MOIPI) as per the CBA agreements, Long Terms Service Award Policy and Safety Awards for safe plant operations.

(b) Periodic reviews of the amount and form of reimbursement for terminal benefits in case of retirement and death of any employee in relation to current norms.

(c) Consider any changes to the Company's retirement benefit plans including gratuity, pension, post retirement medical treatment, based on the actuarial reports, assumptions and funding recommendations.

(d) Review organisational policies concerning housing / welfare schemes, scholarship and incentives for outstanding performance and paid study leave beyond one year.

(e) Recommend financial package for CBA agreement to the Board of Directors.

(f) Ensure, in consultation with the MD/CEO that succession plans are in place and review such plans at regular intervals for those executives, whose appointment requires Board approval (under Code of Corporate Governance), namely, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit, including their terms of appointment and remuneration package in accordance with market positioning.

(g) Review and recommend compensation/benefits for the Chief Executive Officer/ Managing Director in consultation with the Company Secretary.

(h) Conduct periodic reviews of the amount and form of directors' compensation for Board and Committee services in relation to current norms. Recommend any adjustments for Board consideration and approval.

The Committee meets on as required basis or when directed by the Board of Directors. The Company Secretary sets the agenda, time, date and venue of the meeting in consultation with the Chairman of the Committee. The Group General Manager Human Resources shall act as Secretary of the Committee and submits the minutes of the meeting duly signed by its Chairman to the Company Secretary. These minutes are then circulated to the Board of Directors.

Board Committees

System & Technology Committee

Members

Brig Dr. Gulfam Alam, SI(M) (Retired)
Chairman

Dr Nadeem Inayat
Member

Brig Agha Ali Hassan, SI(M) (Retired)
Member

Meetings held during the year

Date	Attendees
December 02, 2011	2

Terms of Reference

The role of System & Technology committee is as follows:

(a) Review any major change in system and procedures suggested by the Management.

(b) Review the proposals suggested by the Management on the recent trends in use of Technology in production and marketing of fertilizers.

(c) Review the recommendations of the Management:-

- On options available for addressing major plant upgradation and technology improvements with relevant cost benefit analysis, and
- On Information Technology.

(d) Guidance in the development of concept paper for keeping abreast with the Continuous Improvement in Technological Advancements its implementation in manufacturing, marketing and at administrative levels with periodic review.

(e) Promote awareness of all stakeholders on needs for investment in chemical (specifically Fertilizer) technology and related research work.

(f) Promote awareness of all stakeholders on needs for investment in technology and related research work.

(g) Review IT proposals suggested by Management and send recommendations to the Board of Directors.

(h) Consider such other matters as may be referred to it by the Board of Directors.

Projects Diversification Committee

Members

Dr Nadeem Inayat
Chairman

Mr Qaiser Javed
Member

Brig Dr. Gulfam Alam, SI(M) (Retired)
Member

Meetings held during the year

Date	Attendees
April 18, 2011	3

Terms of Reference

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

Management Committees

Executive Committee

Members

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

Mr Abid Maqbool, GGM (BD)
Member

Mr Asad Sultan Chaudhary, GGM (M)
Member

Mr Zafar Hadi, GGM (BD) (TEC)
Member

Syed Iqtidar Saeed, GGM (T&E)
Member

Syed Shahid Hussain, CFO
Member

Mr Tahir Javed, GGM (M&O)
Member

Mr Saulat Hussain, GGM (HR)
Member

Brig Dr. Mukhtar Hussain, (Retired), GM-IS
Member

Mr Zaheer Anwar, GM (M&O)
Member

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

Brig Khalid Kibriya (Retired),
Company Secretary / Member

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

Terms of Reference

This Committee conducts its business under the Chairmanship of the Chief Executive with twelve members from the Management of the Company. The Committee is entrusted with the tasks to review Company operations on an ongoing basis, establishing adequacy of Company operational, administrative and control policies adopted by the Board and monitoring compliance thereof.

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

Business Strategy Committee

Members

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

Mr Abid Maqbool, GGM (BD)
Member

Mr Asad Sultan Chaudhary, GGM (M)
Member

Mr Zafar Hadi, GGM (BD) (TEC)
Member

Brig Khalid Kibriya (Retired),
Company Secretary / Member

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

Terms of Reference

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

CSR Committee

Members

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

Mr Asad Sultan Chaudhary, GGM (M)
Member

Syed Shahid Hussain, CFO
Member

Mr Tahir Javed, GGM (M&O)
Member

Brig Khalid Kibriya (Retired),
Company Secretary / Member

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

Terms of Reference

This Committee is chaired by the Chief Executive with five members from the Management of the Company. The committee gives a centralised platform to Company's CSR activities. Terms of reference for the Committee, drafted by the Board, include steering the direction of CSR activities from donations and welfare activities under different departments, planned and supervised at local level, to a centrally controlled strategic function, aligned with international guidelines and standardised to ensure quality.

CSR Committee ensures that Company, being a member of United Nations Global Compact, strictly adheres to its principles and makes notable contribution to the society.

Business Model

Growth Drivers	Cost Optimisation	Sales Growth	Cash Utilisation	
Our Key Assets	People	Market Goodwill	Efficient Production	Distribution Network
How we leverage our assets	Consumer Satisfaction	Execution Excellence	Planning for the Future	

Growth Drivers

FFC's growth is primarily driven by exponential expansion in sales revenue, powered by strong demand for our product and effective distribution network all over the Country.

Efficiency enhancement is our long term goal. We continuously seek opportunities to improve efficiency of our business processes to optimise costs, utilising less to produce more.

Our sales are largely cash based, which gives us the margin to effectively utilise available cash resources to fulfill Company's working capital requirements, and hence minimise external funding requirements resulting in reduced finance costs.

Our Key Assets

Human capital is by far our most treasured asset, directly affecting performance of the Company's business processes, ensuring success every year.

Among our most valuable assets is our brand name 'Sona', which is the soul behind our existence, growth and prosperity.

We are continuously investing in our production facilities to enhance operational efficiency and fuel the key growth drivers.

Our extensive distribution network, extends to all provinces of the Country, ensuring maximum market presence.

How we leverage our assets

Our assets in turn are leveraged by our management excellence and our consumer centric approach. Our strategies are focused around consumer satisfaction and quality perfection.

The pursuit of excellence in every sphere of operation is our aim which ensures continued success.

Our farsighted Management strategies are focused on development of our key assets which form the foundation for future growth.

Corporate Objectives

	Objectives	Strategies	Priority	Opportunities / Threats
1	Drive land productivity through balanced fertilizer application	Educate farmers regarding fertilizer usage through Farm Advisory Centers all over the Country.	High	Per acre production in our Country is lower than recorded in developed parts of the world. We can change this through our commitment and efforts to maximise the Country's agricultural yield.
2	Maintain Industry leadership	Keep ourselves abreast of latest technological advancements and upgrade our production facilities to enhance efficiency.	High	Our policy of upgrading our plants with state of the art equipment ensures that we keep pace with advancements and avoid redundancy. However, with the passage of time, upgradation and maintenance may result in high costs.
3	Expand Sales	Sales expansion through geographical diversification and improved farmer awareness.	High	There are still untapped opportunities to expand our distribution network within and outside the Country. The prevailing shortage of gas is, however, cause for concern and would impede progress in the long run if not addressed by the Government. Moreover, in case international prices fall below domestic prices, which are rising due to the impact of gas curtailment and imposition of Gas Infrastructure Development Cess, a flood of imports would hamper growth
4	Create new businesses to augment profitability for sustained economic growth	Continuously seek avenues to diversify within and outside the Fertilizer Industry.	High	Foreign investment in Pakistan is low, creating a gap for local investors to tap unexplored potential in emerging markets. Current pattern of growth might not be sustainable considering the shortage of gas. Diversification in unexplored emerging markets could minimise this risk.
5	Maintain operational efficiency to achieve synergies	Keep our business processes in perfect harmony, reducing time and money losses.	High	There is always room for improvement in efficiency. With focused Management strategies, operational efficiencies can be enhanced.
6	Economise on costs by eliminating redundancies	Keeping our resource utilisation at an optimum level through strict governance policies.	High	The time for flow of information can be further reduced through reorganising business processes in line with our newly implemented ERP system.

Notice of Meeting

Notice is hereby given that the 34th Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at 156, The Mall, Rawalpindi on Wednesday, March 07, 2012 at 1000 hours to transact the following business:-

Ordinary Business

1. Confirmation of the minutes of 33rd Annual General Meeting held on March 01, 2011.
2. Consideration and adoption of annual audited accounts and the consolidated audited accounts of FFC and its subsidiaries along with Directors' and Auditors' Reports thereon for the year ended December 31, 2011.
3. Appointment of Auditors for the year 2012 and to fix their remuneration.
4. Approve payment of Final Dividend for the year ended December 31, 2011 as recommended by the Board of Directors.
5. Transact any other business with the permission of the Chair.

Special Business

6. Approve the issue of bonus shares in the ratio of 50 ordinary shares for every 100 ordinary shares held by the members i.e. 50% as declared and recommended by the Board of Directors in their meeting held on January 30, 2012, and if thought fit, pass the following special resolution with or without modifications.

RESOLUTION

RESOLVED THAT a sum of Rs 4,240,794,160 (Rupees four billion, two hundred forty million, seven hundred ninety-four thousand and one hundred sixty only) out of reserves of the Company available for appropriation as at December 31, 2011, be capitalised and applied for issue of 424,079,416 (Four hundred twenty-four million, seventy-nine thousand and four hundred sixteen only) ordinary shares of Rs 10/- each allotted as fully paid bonus shares to the members of the Company whose names appear on the register of members as at close of business on February 29, 2012 in the proportion of fifty shares for every hundred shares held (i.e. 50%) and that such shares when issued shall rank pari passu in every respect with the existing ordinary shares of the Company.

AND RESOLVED THAT the bonus shares so allotted shall not be entitled for final cash dividend for the year 2011.

FURTHER RESOLVED THAT fractional entitlement of the members shall be consolidated into whole shares and sold on the Karachi Stock Exchange and the sale proceeds thereof shall be donated in terms of the directions given by the Board.

AND FURTHER RESOLVED THAT the Company Secretary be and is hereby authorised to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for issue, allotment and distribution of bonus shares.

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

By Order of the Board

Brig Khalid Kibriya (Retired)
Company Secretary

Rawalpindi
February 14, 2012

NOTES:

1. The share transfer books of the Company will remain closed from March 01, 2012 to March 07, 2012 (both days inclusive).
2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a person/ representative as proxy to attend and vote in place of the member at the Meeting. Proxies in order to be effective must be received at the Company's Registered Office, 93-Harley Street, Rawalpindi not later than 48 hours before the time of holding the Meeting.

3. Any individual beneficial owner of CDC, entitled to vote at this Meeting, must bring his/her original Computerised National Identity Card (CNIC) to prove identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

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

A. For attending the Meeting:

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

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

B. For appointing proxies:

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

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

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

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

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

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

This statement sets out the material facts concerning the Special Business, given in agenda items No. 6 of the Notice, to be transacted at the Annual General Meeting of the Company.

Issue of Bonus Shares

The directors are of the view that Company's financial position and its reserves justify the capitalisation of free reserves amounting to Rs 4,240,794,160 (Rupees four billion, two hundred forty million, seven hundred ninety-four thousand and one hundred sixty only) for the issue of bonus shares in the ratio of 50 bonus shares for every 100 ordinary shares held. The directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules 1996, the Auditors have certified that the free reserves and surplus retained after the issue of the bonus shares will not be less than 25% of the increased Capital.

Financial Performance

		2011	2010	2009	2008	2007	2006
Financial Performance - Profitability							
Gross profit margin	%	62.20	43.60	43.27	40.39	35.59	32.42
EBITDA margin to sales	%	63.64	41.43	41.68	37.99	32.86	27.99
Pre tax margin	%	60.06	36.35	36.11	32.82	27.49	23.32
Net profit margin	%	40.73	24.58	24.40	21.33	18.85	15.48
Return on equity	%	97.49	71.40	67.44	53.11	42.11	35.78
Return on capital employed	%	87.27	57.25	49.96	36.94	34.80	32.76
Operating leverage ratio		4.12	1.00	1.65	3.42	(2.36)	(0.06)
Operating Performance / Liquidity							
Total assets turnover	Times	0.99	1.04	0.94	0.96	0.97	1.09
Fixed assets turnover	Times	3.24	2.82	2.58	2.40	2.74	3.12
Debtors turnover	Times	248.18	145.93	96.06	27.59	21.19	36.95
Debtors turnover	Days	1	3	4	13	17	10
Inventory turnover	Times	162.43	282.79	235.80	55.17	25.54	29.31
Inventory turnover	Days	2	1	2	7	14	12
Creditors turnover	Times	33.45	59.69	54.78	49.08	50.59	27.34
Creditors turnover	Days	11	6	7	7	7	13
Operating cycle	Days	(8)	(2)	(1)	14	24	9
Return on assets	%	40.50	25.61	22.89	20.44	18.33	16.90
Current ratio		1.07	0.86	0.84	0.82	0.94	0.90
Quick / Acid test ratio		0.95	0.73	0.66	0.54	0.68	0.61
Cash to Current liabilities	Times	0.38	0.32	0.12	0.06	0.29	0.31
Cash flow from Operations to Sales	Times	0.35	0.33	0.25	0.27	0.21	(0.01)
Capital Market/Capital Structure Analysis							
Market value per share							
- Year end	Rs	149.54	125.86	102.93	58.73	118.75	105.55
- High during the year	Rs	198.35	128.50	109.20	149.85	131.90	144.90
- Low during the year	Rs	109.82	101.10	61.66	54.30	103.00	105.50
Breakup value / (Net assets/share)	Rs	27.21	22.77	19.28	24.90	25.80	26.26
Earnings per share (pre tax) - restated	Rs	39.11	19.23	15.39	11.84	9.21	8.24
Earnings per share (after tax) - restated	Rs	26.52	13.00	10.40	7.69	6.32	5.47
Earnings growth - restated	%	104.00	25.00	35.16	21.68	15.53	(24.24)
Price earning ratio - restated	Times	5.64	9.68	9.90	7.64	18.79	19.29
Market price to breakup Value	Times	5.56	4.78	5.34	4.81	4.52	4.72
Dividend yield / Effective dividend rate	%	16.51	14.24	14.93	13.57	9.43	8.07
Debt : Equity		10:90	20:80	26:74	30:70	17:83	8:92
Weighted average cost of debt	%	14.50	13.49	14.64	12.09	8.93	8.07
Interest cover	Times	43.20	16.00	14.82	15.45	12.09	14.95
Change in Market Value Added	%	48.31	23.25	239.94	(63.60)	17.23	(29.07)
Financial leverage ratio		0.57	0.73	0.95	0.75	0.54	0.51
Corporate Distribution & Retention							
Dividend per share - Interim cash	Rs	14.75	9.50	9.90	10.50	7.50	6.10
Dividend per share - Proposed final	Rs	5.25	3.50	3.25	3.25	3.50	3.90
Total dividend per share - cash	Rs	20.00	13.00	13.15	13.75	11.00	10.00
Dividend payout - Interim cash	%	55.62	58.45	73.13	79.40	69.05	64.93
Dividend payout - Interim & Proposed cash	%	75.42	79.98	98.12	103.98	101.27	106.45
Bonus shares issued	%	-	-	10.00	-	-	-
Proposed bonus issue	%	50.00	25.00	-	25.00	-	-
Total dividend per share - bonus	%	50.00	25.00	10.00	25.00	-	-
Total dividend - cash & bonus	%	250.00	155.00	141.50	162.50	110.00	100.00
Total dividend payout - cash & bonus	%	94.27	95.36	105.11	122.90	101.27	106.45
Dividend cover ratio	%	106.08	83.87	73.50	47.32	57.45	54.70
Retention (after interim cash)	%	44.38	41.55	26.87	20.60	30.95	35.07
Retention (after interim & proposed cash)	%	24.58	20.02	1.88	(3.98)	(1.27)	(6.45)

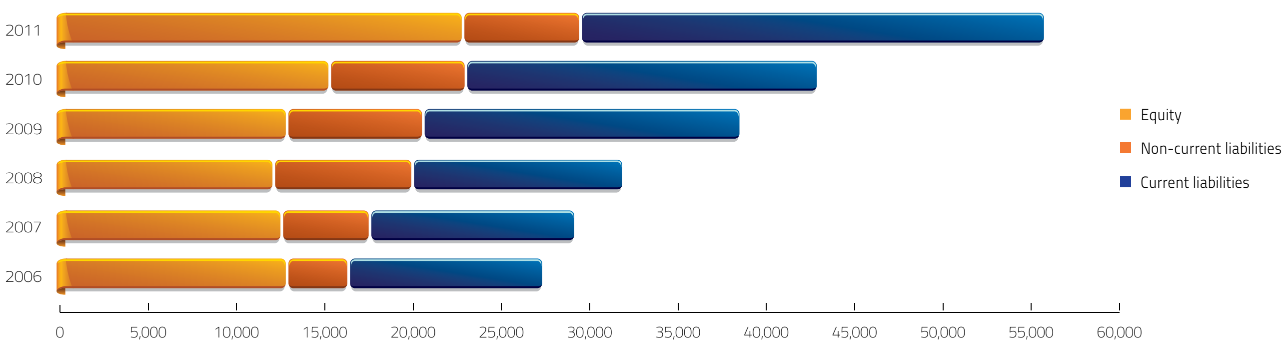
	2011	2010	2009	2008	2007	2006
						(Rs in million)
Summary of Balance Sheet						
Share capital	8,482	6,785	6,785	4,935	4,935	4,935
Reserves	14,588	8,662	6,297	7,350	7,795	8,022
Shareholder's funds / Equity	23,070	15,447	13,082	12,285	12,730	12,957
Long term borrowings	2,704	3,819	4,579	5,378	2,671	1,194
Capital employed	25,774	19,266	17,661	17,663	15,401	14,151
Deferred liabilities	3,833	3,807	3,036	2,432	2,364	2,396
Property, plant & equipment	17,051	15,934	13,994	12,731	10,390	9,608
Long term assets	27,895	25,837	23,635	22,210	18,430	17,666
Net current assets / Working capital	1,712	(2,764)	(2,938)	(2,115)	(665)	(1,119)
Liquid funds - net	14,603	7,830	5,298	2,117	2,103	496
Summary of Profit & Loss						
Sales	55,221	44,874	36,163	30,593	28,429	29,951
Gross profit	34,349	19,564	15,648	12,358	10,117	9,709
Operating profit	29,977	15,620	12,473	9,689	7,698	6,962
Profit before tax	33,166	16,310	13,057	10,041	7,814	6,985
Profit after tax	22,492	11,029	8,823	6,525	5,360	4,636
EBITDA	35,141	18,591	15,071	11,621	9,341	8,384
Summary of Cash Flows						
Net cash flow from Operating activities	19,557	14,768	8,919	8,166	5,914	(396)
Net cash flow from Investing activities	(8)	962	(1,373)	(3,243)	(451)	(353)
Net cash flow from Financing activities	(16,033)	(11,422)	(6,191)	(7,529)	(5,510)	(3,055)
Changes in cash & cash equivalents	3,516	4,308	1,355	(2,606)	(47)	(3,804)
Cash & cash equivalents - Year end	9,963	6,423	2,097	740	3,344	3,384
Others						
Market capitalisation	126,810	85,396	69,838	28,981	58,600	52,086
Number of shares issued (Million)	848	679	679	494	494	494
Contribution to National Exchequer	28,081	14,647	13,634	11,663	11,979	11,369
Savings through Import Substitution (Million US$)	1,126	756	679	1,217	807	631
Quantitative Data						
						('000 Tonnes)
Sona Urea Production	2,396	2,485	2,464	2,322	2,320	2,296
Sona Urea Sales	2,406	2,482	2,464	2,342	2,298	2,293

Horizontal Analysis
Balance Sheet

Rs in million

	2011	11 Vs. 10	2010	10 Vs. 09	2009	09 Vs. 08	2008	08 Vs. 07	2007	07 Vs. 06	2006	06 Vs. 05
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	8,482	25.01	6,785	-	6,785	37.49	4,935	-	4,935	-	4,935	-
Capital reserves	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	14,428	69.70	8,502	38.54	6,137	(14.65)	7,190	(5.83)	7,635	(2.89)	7,862	7.02
	23,070	49.35	15,447	18.08	13,082	6.49	12,285	(3.50)	12,730	(1.75)	12,957	4.15
NON - CURRENT LIABILITIES												
Long term borrowings	2,704	(29.20)	3,819	(16.60)	4,579	(14.86)	5,378	101.35	2,671	123.70	1,194	21.71
Deferred liabilities	3,832	0.66	3,807	25.40	3,036	24.84	2,432	2.88	2,364	(1.34)	2,396	(0.21)
	6,536	(14.29)	7,626	0.14	7,615	(2.50)	7,810	55.11	5,035	40.25	3,590	6.15
CURRENT LIABILITIES												
Trade and other payables	11,731	30.01	9,023	12.75	8,003	33.52	5,994	3.08	5,815	44.44	4,026	(40.25)
Interest and mark-up accrued	80	(42.03)	138	(6.12)	147	(24.62)	195	5.98	184	37.31	134	63.41
Short term borrowings	8,736	54.87	5,641	(7.36)	6,089	95.54	3,114	(0.86)	3,141	(30.68)	4,531	80.88
Current portion of long term borrowings	1,616	(8.13)	1,759	(2.22)	1,799	142.13	743	(27.37)	1,023	15.33	887	(52.99)
Taxation	3,762	9.81	3,426	88.55	1,817	2.19	1,778	35.42	1,313	0.61	1,305	(7.71)
	25,925	29.71	19,987	11.94	17,855	51.01	11,824	3.03	11,476	5.45	10,883	(13.80)
	55,531	28.96	43,060	11.69	38,552	20.78	31,919	9.16	29,241	6.60	27,430	(3.58)
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	17,051	7.01	15,934	13.86	13,994	9.92	12,731	22.53	10,390	8.14	9,608	4.61
Goodwill	1,569	-	1,569	-	1,569	-	1,569	-	1,569	-	1,569	(6.27)
Long term investments	8,659	10.03	7,870	1.84	7,728	(0.22)	7,745	22.45	6,325	(1.31)	6,409	5.79
Long term loans & advances	606	33.19	455	34.62	338	107.36	163	13.99	143	85.71	77	18.46
Long term deposits & prepayments	9	-	9	50.00	6	200.00	2	-	2	-	2	(33.33)
	27,894	7.96	25,837	9.32	23,635	6.42	22,210	20.52	18,429	4.32	17,665	4.00
CURRENT ASSETS												
Stores, spares and loose tools	2,447	0.29	2,440	(18.59)	2,997	(1.22)	3,034	26.00	2,408	9.36	2,202	2.23
Stock in trade	637	200.47	212	47.22	144	(44.19)	258	(59.88)	643	(32.53)	953	70.18
Trade debts	87	(75.70)	358	39.30	257	(48.19)	496	(71.20)	1,722	79.19	961	45.61
Loans and advances	432	28.57	336	158.46	130	(5.11)	137	63.10	84	(11.58)	95	(18.80)
Deposits and prepayments	54	8.00	50	31.58	38	(64.49)	107	214.71	34	36.00	25	(3.85)
Other receivables	892	44.34	618	(15.80)	734	(40.47)	1,233	(20.09)	1,543	6.19	1,453	150.52
Short term investments	21,794	81.31	12,020	77.60	6,768	92.71	3,512	15.98	3,028	23.44	2,453	(60.40)
Cash and bank balances	1,294	8.83	1,189	(69.11)	3,849	312.98	932	(30.96)	1,350	(16.82)	1,623	38.48
	27,637	60.47	17,223	15.46	14,917	53.64	9,709	(10.19)	10,812	10.72	9,765	(14.82)
	55,531	28.96	43,060	11.69	38,552	20.78	31,919	9.16	29,241	6.60	27,430	(3.58)

Balance Sheet Analysis - Equity & Liabilities

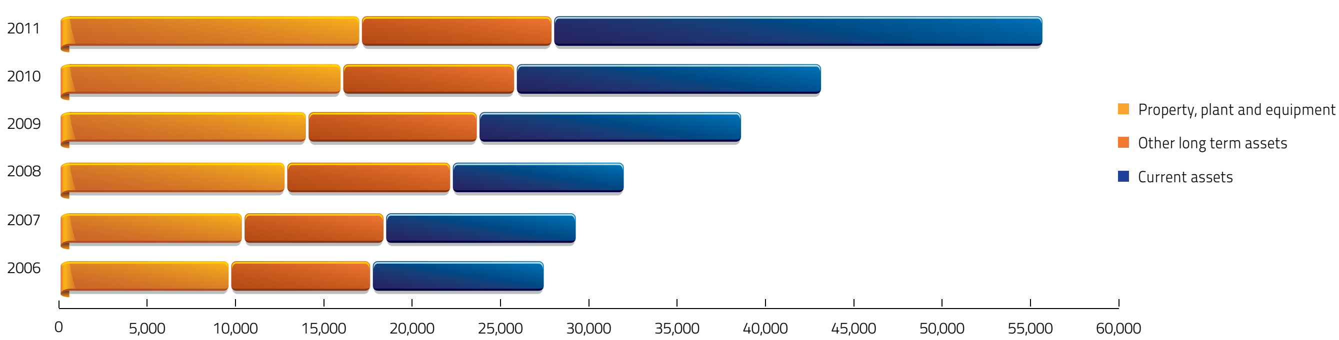


Vertical Analysis
Balance Sheet

Rs in million

	2011		2010		2009		2008		2007		2006	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	8,482	15.27	6,785	15.76	6,785	17.60	4,935	15.46	4,935	16.88	4,935	17.99
Capital reserves	160	0.29	160	0.37	160	0.42	160	0.50	160	0.54	160	0.58
Revenue reserves	14,428	25.98	8,502	19.74	6,137	15.91	7,190	22.53	7,635	26.11	7,862	28.66
	23,070	41.54	15,447	35.87	13,082	33.93	12,285	38.49	12,730	43.53	12,957	47.23
Long term borrowings	2,704	4.87	3,819	8.87	4,579	11.88	5,378	16.85	2,671	9.13	1,194	4.35
Deferred liabilities	3,832	6.90	3,807	8.84	3,036	7.87	2,432	7.62	2,364	8.09	2,396	8.74
	6,536	11.77	7,626	17.71	7,615	19.75	7,810	24.47	5,035	17.22	3,590	13.09
CURRENT LIABILITIES												
Trade and other payables	11,731	21.13	9,023	20.95	8,003	20.76	5,994	18.78	5,815	19.89	4,026	14.68
Interest and mark-up accrued	80	0.14	138	0.32	147	0.38	195	0.61	184	0.63	134	0.49
Short term borrowings	8,736	15.73	5,641	13.10	6,089	15.80	3,114	9.75	3,141	10.74	4,531	16.52
Current portion of long term borrowings	1,616	2.91	1,759	4.09	1,799	4.67	743	2.33	1,023	3.50	887	3.23
Taxation	3,762	6.78	3,426	7.96	1,817	4.71	1,778	5.57	1,313	4.49	1,305	4.76
	25,925	46.69	19,987	46.42	17,855	46.32	11,824	37.04	11,476	39.25	10,883	39.68
	55,531	100.00	43,060	100.00	38,552	100.00	31,919	100.00	29,241	100.00	27,430	100.00
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	17,051	30.70	15,934	37.00	13,994	36.30	12,731	39.88	10,390	35.53	9,608	35.03
Goodwill	1,569	2.83	1,569	3.64	1,569	4.07	1,569	4.92	1,569	5.36	1,569	5.72
Long term investments	8,659	15.59	7,870	18.28	7,728	20.04	7,745	24.26	6,325	21.63	6,409	23.36
Long term loans & advances	606	1.09	455	1.06	338	0.88	163	0.51	143	0.49	77	0.28
Long term deposits & prepayments	9	0.02	9	0.02	6	0.02	2	0.01	2	0.01	2	0.01
	27,894	50.23	25,837	60.00	23,635	61.31	22,210	69.58	18,429	63.02	17,665	64.40
CURRENT ASSETS												
Stores, spares and loose tools	2,447	4.41	2,440	5.67	2,997	7.77	3,034	9.51	2,408	8.23	2,202	8.03
Stock in trade	637	1.15	212	0.49	144	0.37	258	0.81	643	2.20	953	3.47
Trade debts	87	0.15	358	0.83	257	0.67	496	1.55	1,722	5.89	961	3.50
Loans and advances	432	0.78	336	0.78	130	0.34	137	0.43	84	0.29	95	0.35
Deposits and prepayments	54	0.10	50	0.12	38	0.10	107	0.34	34	0.12	25	0.09
Other receivables	892	1.60	618	1.44	734	1.90	1,233	3.86	1,543	5.28	1,453	5.30
Short term investments	21,794	39.25	12,020	27.91	6,768	17.56	3,512	11.00	3,028	10.35	2,453	8.94
Cash and bank balances	1,294	2.33	1,189	2.76	3,849	9.98	932	2.92	1,350	4.62	1,623	5.92
	27,637	49.77	17,223	40.00	14,917	38.69	9,709	30.42	10,812	36.98	9,765	35.60
	55,531	100.00	43,060	100.00	38,552	100.00	31,919	100.00	29,241	100.00	27,430	100.00

Balance Sheet Analysis - Assets



Horizontal and Vertical Analyses
Profit and Loss Account

Horizontal Analysis

Rs in million

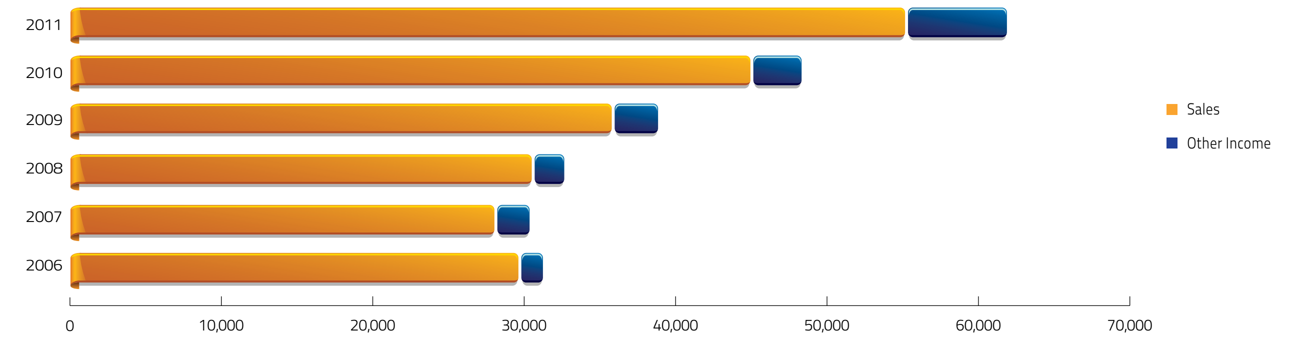
	2011 Rs	11 Vs. 10 %	2010 Rs	10 Vs. 09 %	2009 Rs	09 Vs. 08 %	2008 Rs	08 Vs. 07 %	2007 Rs	07 Vs. 06 %	2006 Rs	06 Vs. 05 %
Sales	55,221	23.06	44,874	24.09	36,163	18.21	30,593	7.61	28,429	(5.08)	29,951	17.54
Cost of Sales	20,872	(17.53)	25,310	23.37	20,515	12.50	18,235	(0.42)	18,312	(9.53)	20,242	24.23
Gross profit	34,349	75.57	19,564	25.03	15,648	26.62	12,358	22.15	10,117	4.20	9,709	5.68
Distribution cost	4,372	10.85	3,944	24.22	3,175	18.96	2,669	10.38	2,418	(11.98)	2,747	15.86
	29,977	91.91	15,620	25.23	12,473	28.73	9,689	25.85	7,699	10.59	6,962	2.14
Finance cost	786	(27.69)	1,087	15.03	945	35.97	695	(1.28)	704	40.52	501	53.68
Other expenses	2,655	92.95	1,376	8.18	1,272	41.96	896	6.04	845	14.81	736	2.79
	26,536	101.69	13,157	28.29	10,256	26.65	8,098	31.67	6,150	7.42	5,725	(0.85)
Other income	6,630	110.28	3,153	12.57	2,801	44.16	1,943	16.70	1,665	32.14	1,260	(12.50)
Net profit before taxation	33,166	103.35	16,310	24.91	13,057	30.04	10,041	28.48	7,815	11.88	6,985	(3.17)
Provision for taxation	10,674	102.12	5,281	24.73	4,234	20.42	3,516	43.28	2,454	4.47	2,349	1.38
Net profit after taxation	22,492	103.94	11,029	25.00	8,823	35.22	6,525	21.71	5,361	15.64	4,636	(5.33)

Vertical Analysis

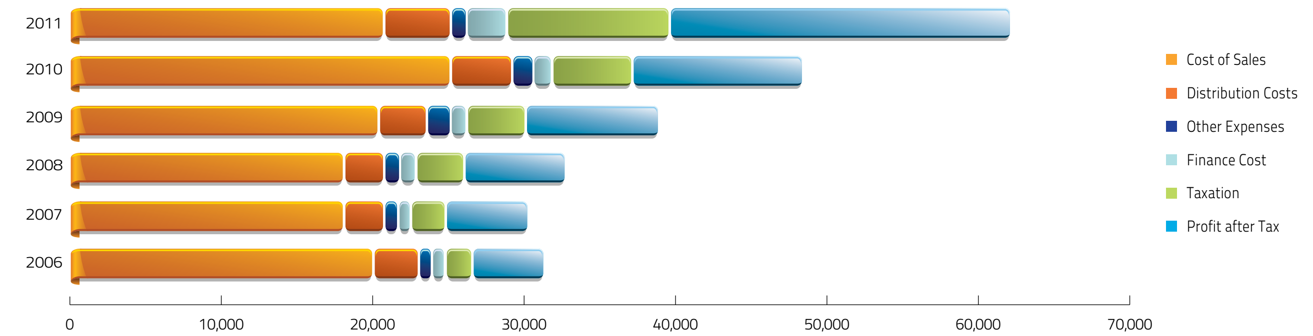
Rs in million

	2011 Rs	2011 %	2010 Rs	2010 %	2009 Rs	2009 %	2008 Rs	2008 %	2007 Rs	2007 %	2006 Rs	2006 %
Sales	55,221	100.00	44,874	100.00	36,163	100.00	30,593	100.00	28,429	100.00	29,951	100.00
Cost of Sales	20,872	37.80	25,310	56.40	20,515	56.73	18,235	59.61	18,312	64.41	20,242	67.58
Gross profit	34,349	62.20	19,564	43.60	15,648	43.27	12,358	40.39	10,117	35.59	9,709	32.42
Distribution cost	4,372	7.92	3,944	8.79	3,175	8.78	2,669	8.72	2,418	8.51	2,747	9.17
	29,977	54.29	15,620	34.81	12,473	34.49	9,689	31.67	7,699	27.08	6,962	23.24
Finance cost	786	1.42	1,087	2.42	945	2.61	695	2.27	704	2.48	501	1.67
Other expenses	2,655	4.81	1,376	3.07	1,272	3.52	896	2.93	845	2.97	736	2.46
	26,536	48.05	13,157	29.32	10,256	28.36	8,098	26.47	6,150	21.63	5,725	19.11
Other income	6,630	12.01	3,153	7.03	2,801	7.75	1,943	6.35	1,665	5.86	1,260	4.20
Net profit before taxation	33,166	60.06	16,310	36.35	13,057	36.11	10,041	32.82	7,815	27.49	6,985	23.32
Provision for taxation	10,674	19.33	5,281	11.77	4,234	11.71	3,516	11.49	2,454	8.63	2,349	7.84
Net profit after taxation	22,492	40.73	11,029	24.58	8,823	24.40	6,525	21.33	5,361	18.86	4,636	15.48

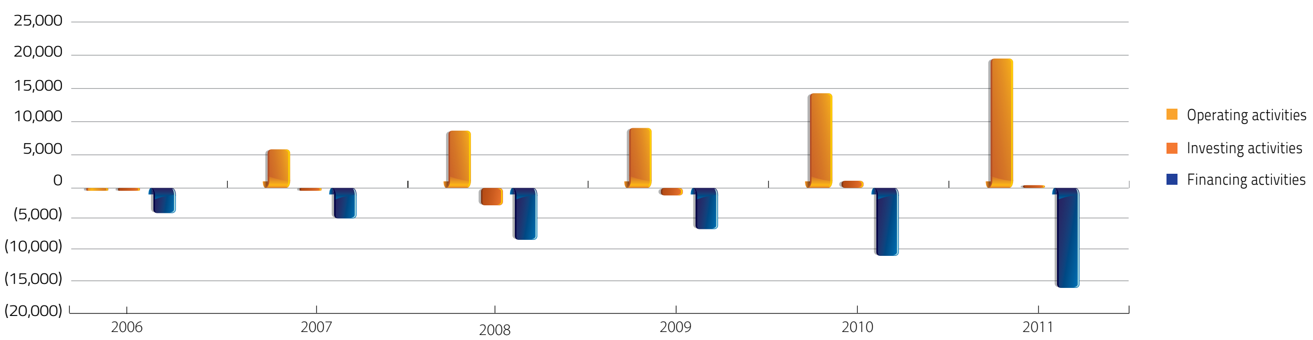
Profit and Loss Analysis - Income



Profit and Loss Analysis - Expenses



Cash Flow Analysis



Directors' Report

Chairman's Review

"We maximise the earning potential of the Company by exercising active governance and safeguarding shareholders' interest"

On the retirement of Lt Gen Hamid Rab Nawaz, HI (M) (Retired) from the Board of FFC, I have been given the responsibility and honor to chair the Board of one of the most professionally managed organisations in the Country. I shall ensure that the best practices of corporate governance adopted by my able predecessor are continued, and improved upon in times to come.

It gives me immense pleasure to announce that 2011 has been another successful year for the Company, setting new benchmarks in terms of profitability and payout.

While Pakistan was still recovering from the impact of unprecedented floods of 2010, the Country encountered a similar catastrophe in late 2011, triggered by exceptional rainfall in localised areas within Sindh and some areas of Punjab. The devastation caused by it disturbed all spheres of life including agriculture. The standing crop of Kharif in the flood affected areas was severely damaged, adversely affecting the Country's agriculture produce. The delay in land availability for cultivation amid the effects of water stagnation disturbed the Country's crop cycle, likely to have a negative impact on Rabi crop as well.

FFC played a key role in the Country's economic scenario, making a massive contribution of Rs 28,081 million to the National Exchequer by way of taxes and other levies during the year. As a Group, we provide for over 48% of the Country's total urea requirements, saving enormous amount of tax payers' money by way of import substitution.

We are proud of our strong governance structure, ensuring active evaluation of Company's performance. Based on the pillars of honesty, integrity, business ethics and morality, driven by a strong sense of responsibility to ourselves and our stakeholders, we have put in place a mechanism to evaluate the individual and collective efforts of the Board to ensure optimal Company performance.

I attribute this year's success to bold strategies, successfully executed by our dedicated employees. On behalf of the Board, I congratulate the Company and its employees who contributed toward a successful year and wish them continued growth and success in all areas of activity.

Lt Gen Muhammad Mustafa Khan,
HI (M) (Retired)
January 30, 2012

Directors' Report

CEO's Remarks

"Our goals are defined, vision is clear and efforts are focused, to make FFC a hallmark of success for years to come"

I feel privileged to be a part of this organisation, delivering so much to the Country in terms of employment, produce and wealth creation.

We delivered strong growth in earnings and dividends, with focus on sales, cost optimisation and effective cash utilisation, continuing to create value for our shareholders.

Our business model is based on consumer demand satisfaction and continuous enhancement in the effectiveness and efficiency of our business processes, with a keen insight on emerging scenarios for strategic decision making.

FFC has established itself as the leading organisation in the Fertilizer Industry, showing exponential growth over the years. This year we earned net profit of Rs 22,492 million, 104% in excess of the profit earned last year.

The Country's energy crisis is getting worse by the day, adversely affecting businesses and individuals alike. Demand of natural gas, being the most cost effective energy source, is increasing at an alarming rate while reserves are depleting with the passage of time. Steady supply of gas is vital for urea production which needs to be prioritised by the Government to avoid costly fertilizer imports.

In this age of information technology, we realise that farsighted strategic changeovers are required to adapt to the ever changing business environment. This year we successfully transferred many of our business processes to SAP-ERP system, which will not only harmonise our activities through integration, but also improve transparency in our reporting channels by way of integrated internal controls.

In order to sustain profitability, our Management is actively pursuing diversification, while ensuring steady payout to our stakeholders.

With your continuous support and by the grace of the Almighty, we remain committed to exceed your expectations.

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

January 30, 2012

Directors' Report

Financial Review

"FFC is playing its due role to salvage the economy of Pakistan"

Syed Shahid Hussain
Chief Financial Officer

Macro-economic Overview

The restoration of macroeconomic stability in a country is vital to provide a platform for generating growth, jobs, and improving the quality of life of the people.

Pakistan still faces the challenges of meeting the budget deficit, reviving growth, providing employment opportunities, solving the energy crisis and reduction of poverty.

Large scale manufacturing sector remained victim of power and gas outages and lower domestic demand as a meager growth of 0.98 percent was recorded.

Pakistan's per capita real income rose by 0.7 percent in 2010-11 as against 2.9 percent last year.

The agriculture sector provides employment to 45 percent of the population and contributes essential inputs for agro-based industry. Major crops, accounting for 31.1 percent of agricultural value added, registered a negative growth of 4 percent because of decrease in production of rice and cotton, amid severe floods in the Country.

Reduction in SBP base rate during the year is a welcome sign for private investors seeking to benefit from a decline in borrowing rates.

Moving forward, the Government needs to take urgent actions to avert the energy crisis and salvage Pakistan's sinking economy by rescuing manufacturing and agricultural sectors.

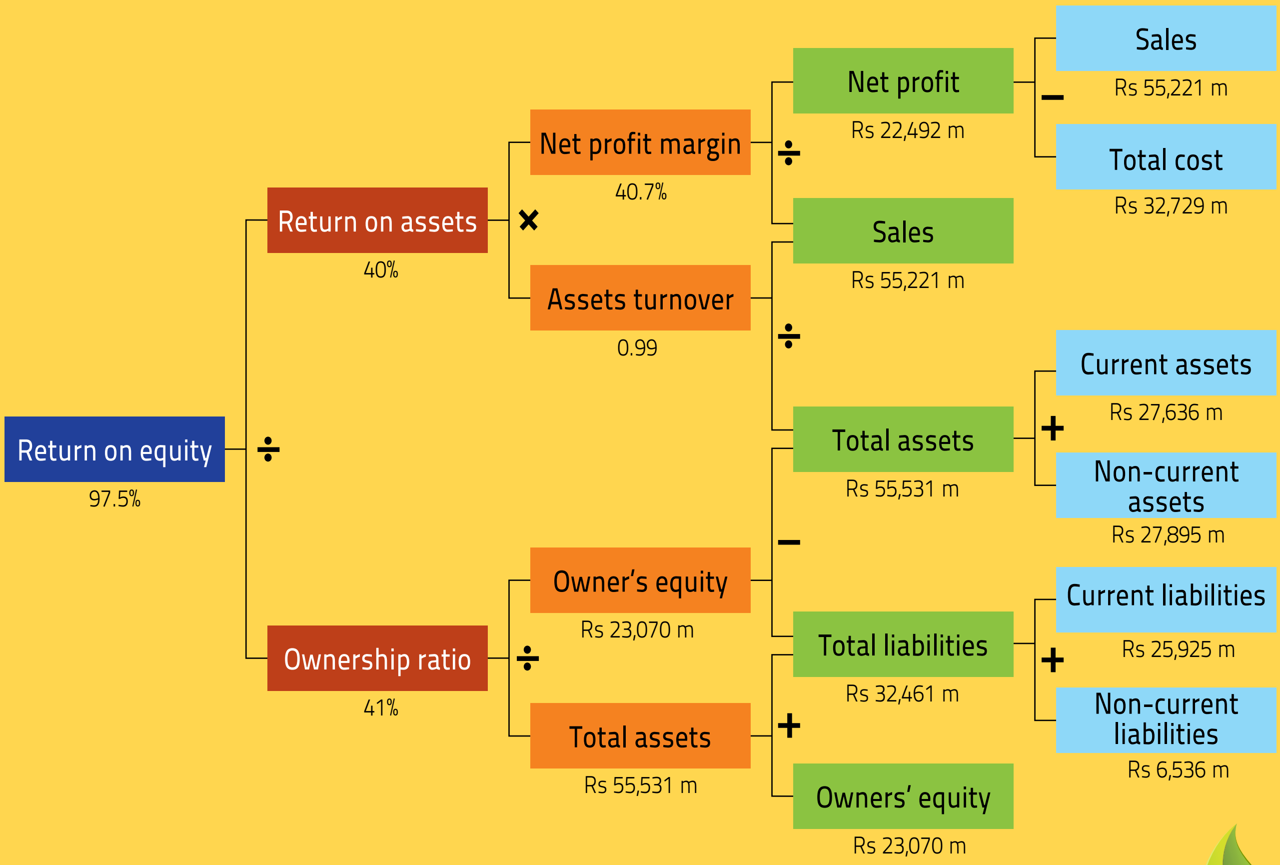
Financial Performance

Company's financial strength was evident this year by its soaring profits and strong asset base.

FFC redefined all previous benchmarks of profitability by earning net profit after tax of Rs 22,492 million with EPS of Rs 26.52, 104% higher than last year. This could not have been attained without indomitable will, unimpeachable integrity and steadfast commitment of our employees.

Production during the year was 2,396 thousand tonnes at 117% utilisation of nameplate capacity of 2,048 thousand tonnes, despite gas curtailment throughout the year.

'Sona' sales volume was 2,406 thousand tonnes, 3% lower than last year, while total turnover was recorded at



DuPont Analysis	2011	2010
Tax burden	32%	32%
Interest burden	2%	6%
EBIT margin	61%	39%
Asset turnover	0.99%	1.04%
Leverage	59%	64%
ROE	97.5%	71.4%

Rs 55,221 million, an all time record, 23% higher than the turnover last year.

FFC's urea market share was recorded at 41%, while combined market share of FFC and FFBL was 48%, compared to 49% last year.

Rs 4,372 million were spent on distribution of fertilizer, 11% higher than last year due to increase in transportation and warehousing costs. The operating profit grew by 92%, from Rs 15,620 million last year to Rs 29,977 million this year.

Active monitoring of cash utilisation and placements, resulted in a decrease in finance cost by 28% in comparison to previous year.

Other income, mainly consisting of investment income, registered an improvement of 110% primarily due to excellent cash management policy, ensuring best return on investments and increase of 89% in dividend income received from FFBL.

The rise in sales revenue coupled with lower cost of sales resulted in 76% increase in gross profit over last year, while the gross profit margin and net profit margins showed year-on-year growths of 43% and 66% respectively.

Similarly, the Return on Assets (ROA) and Return on Equity (ROE) ratios of FFC also showed an increase of 58% and 37% respectively, as compared to the values last year. The rise in ROA and ROE is mainly because of increase in the Company's net income as a result of good performance.

Directors' Report
Financial Review

Growth Analysis

Earnings Growth

EPS grew by 104% compared to last year due to increases in selling prices and investment income and decrease in production costs.

During the year, sales revenue showed a net increase of 23%, with 29% positive impact due to selling prices and 6% adverse effect of lower sales volume.

Decrease in production costs was due to GST relief and improved plant efficiency.

Other income increased primarily due to 89% increase in dividend income received from FFBL, in which the Company holds 50.88% equity.

Financial Position Growth

Financial position of the Company also improved by 49% during the year. With net assets of Rs 15,448 million, Company earned net profit after tax of Rs 22,492 million, highest ever since inception.

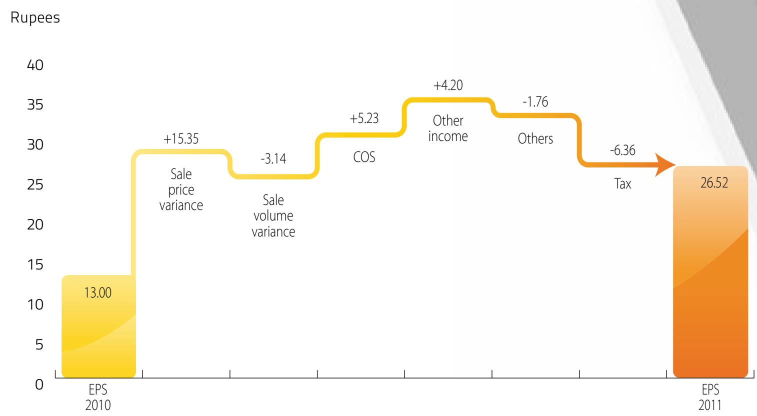
Dividends amounting to Rs 14,885 million were paid by the Company including Rs 2,375 million as final dividend for 2010 and Rs 12,510 million as interim dividend for the current year.

Moreover, bonus shares valuing Rs 1,696 million were also issued out of available reserves during the year.

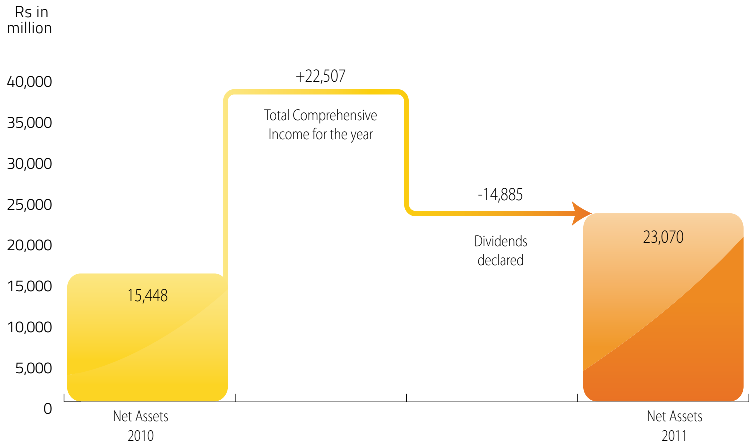
Growth History

FFC has shown phenomenal growth over the years. Since commencement of commercial production of its first plant in 1982, FFC has expanded its production capacity by over 2.5 times. Moreover, FFC's investments in other concerns including FFBL, PMP, FCCL and FFCEL aggregated to Rs 8,408 million as of December 31, 2011. Our strong pattern of growth in the past demonstrates our potential in the years to come.

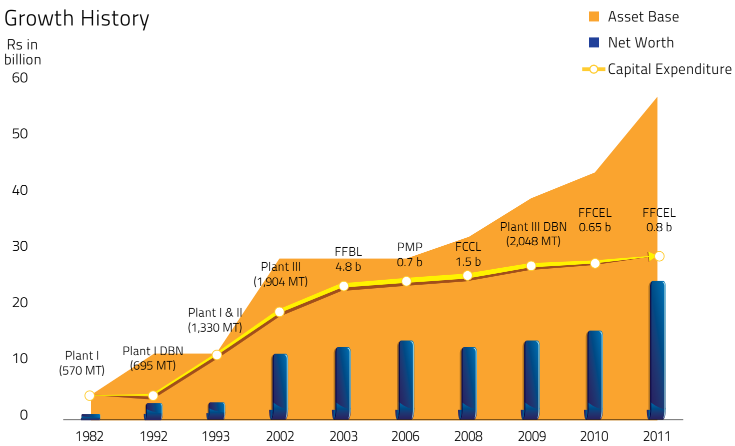
Earnings Growth



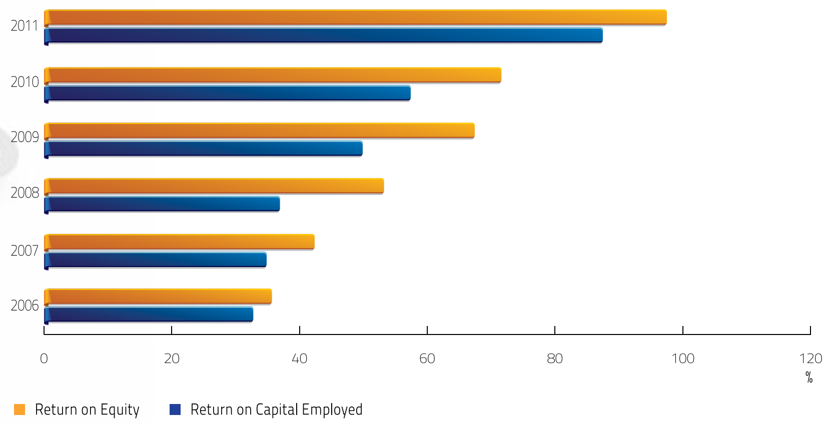
Financial Position Growth



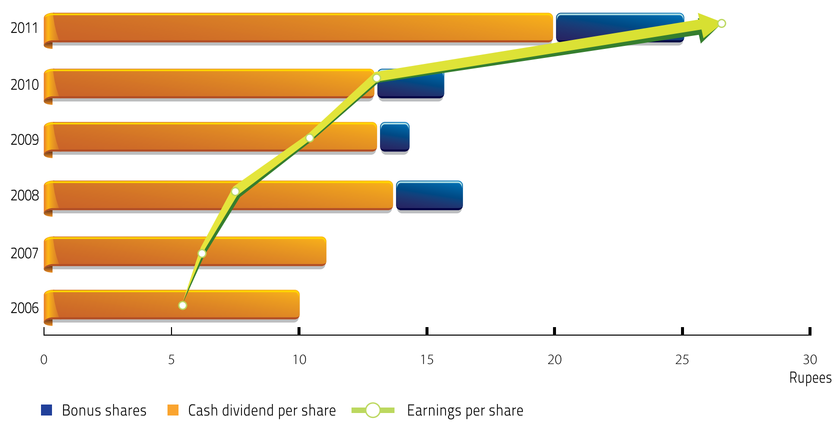
Growth History



Return on Equity & Capital Employed



Dividend per share & EPS



Appropriations

Till the year end, the Company had appropriated Rs 14,885 million of available funds, Rs 2,375 million were paid as final dividend for 2010 and Rs 12,510 million were appropriated as first, second and third interim cash dividends for 2011.

Appropriations during the year were as follows:

	Rs in million	Rs per share
Unappropriated profit brought forward	4,268	6.29
Final Dividend 2010	2,375	3.50
Transfer to General Reserve	3,000	
Net profit for the year 2011	22,492	26.52
Available for appropriation	**21,385**	
Appropriations:		
First interim dividend 2011	3,816	4.50
Second interim dividend 2011	4,029	4.75
Third interim dividend 2011	4,665	5.50
Unappropriated profit carried forward	**8,875**	**10.46**

Financial Commitments

The Company had Rs 7,394 million worth of financial commitments at year end for investment and procurement of goods and services, for which the Company has the ability and intention to fulfill. Details of these commitments are listed below:

No.	Description	Rs in million
1	Purchase of property, plant and equipment	2,722
2	Purchase of fertilizer and stores & spares	3,127
3	Proposed investment in FFCEL	1,236
4	Rentals under lease agreements	309
	Total	**7,394**

Directors' Report
Financial Review

Sensitivity Analysis

A company's performance is dependent upon many variables. Most of these variables are external to the company and are beyond its control. A slight shift in these variables can result in significant variations in profitability.

Although a conventional economic model is a useful tool to aid decision making, there are several types of uncertainties associated with it. Therefore, we fill this gap with the help of sensitivity analysis, enabling us to determine which parameters are the key drivers of our business model.

Key Sensitivities

- **Sales volume**, being one of the key growth drivers, is critical to our business model. Historically, being a demand driven market, our sales volume has been in a linear relation with production volume. The probability of its deviation depends upon the variables of gas consumption and downtime of our plants.

- **Selling price** of our product has seen quite a lot of variation during the year. As the quantum of sales is significant, a minor deviation in selling price makes a big difference.

- Natural gas is the key raw material for our product. Keeping our **gas consumption** at an optimal level is one of our primary concerns. Improvement in consumption levels may be obtained through efficiency enhancement, however, a reduction in consumption can also be caused due to gas curtailment.

- Maximum output can only be obtained through continuous operations but since the plants require regular maintenance, certain days of **downtime** are unavoidable. However, if the downtime extends beyond the planned period, it results in production losses and ultimately decrease in profitability.

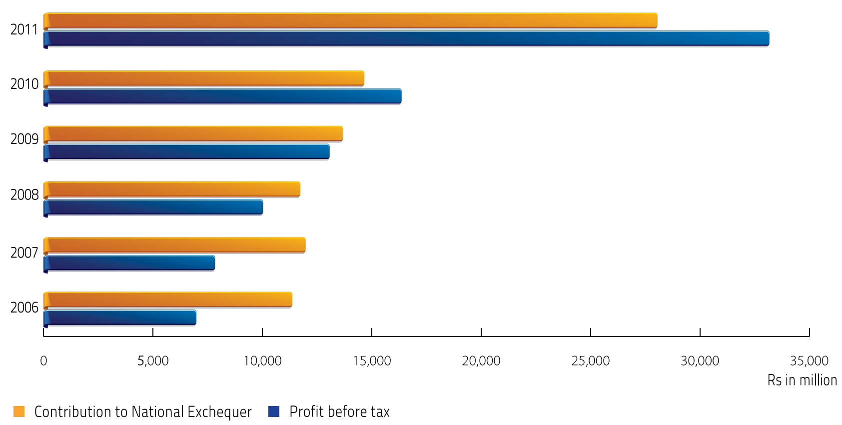
- The major constituent of our income from other sources is **Dividend income** we earn from our strategic investments. Although this variable is unrelated to other sensitivities, a significant variation in its pattern alone can seriously impact the Company's profitability.

- **Exchange valuation** of our foreign currency monetary assets and liabilities is carried out on the basis of exchange rates prevailing at the balance sheet date. Variation in exchange rates may materially affect Company's profitability.

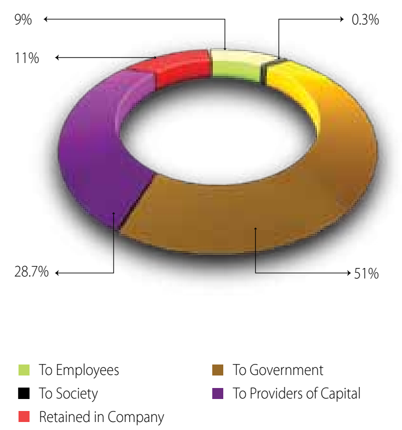
Although many of these sensitivities are inter-dependent, for the purpose of simplicity, their estimated standalone financial impacts are shown below:

Key Sensitivities		Impact	
		NPAT (Rs million)	EPS (Rs)
Sales Volume	±1%	256	0.30
Selling Price	±1%	334	0.39
Gas Consumption / Price	±1%	34	0.04
Downtime	±2 days	38	0.05
Dividend Income	±5%	203	0.24
Exchange Valuation	±5%	34	0.04

Profit before tax and Contribution to National Exchequer



Wealth distribution



Contribution to National Exchequer and Economy

FFC made a sizeable contribution of Rs 28,081 million to the National Exchequer by way of taxes, levies, excise duty, sales tax and development surcharge during the year 2011, taking the total contribution since inception to Rs 162,353 million.

Value addition in terms of foreign exchange savings worked out to US$ 1,126 million through import substitution by manufacture of 2,396 thousand tonnes of urea during the year.

Total value addition to the economy was Rs 54,827 million, a detailed distribution of which is as follows:

	2011 Rs in million	%	2010 Rs in million	%
WEALTH CREATED				
Total revenue inclusive of sales tax				
and other income	69,283	126.37	48,027	147.25
Purchases – materials and services	14,456	(26.37)	15,412	(47.25)
	54,827	**100**	**32,615**	**100**
WEALTH DISTRIBUTED				
To Employees				
Salaries, wages and other benefits				
including retirement benefits	4,932	9.00	4,117	12.62
To Government				
Income tax, sales tax, excise duty				
and custom duty	25,927	47.29	13,712	42.04
WPPF and WWF	2,154	3.93	936	2.87
To Society				
Donations and welfare activities	178	0.32	255	0.78
To Providers of Capital				
Dividend to shareholders	14,885	27.15	10,622	32.57
Finance cost of borrowed funds	844	1.54	1,096	3.36
Retained in the Company	5,907	10.77	1,877	5.76
	54,827	**100**	**32,615**	**100**

Directors' Report

Financial Review

Liquidity and Cash flow Management

The Company has an effective working capital management system, powered by a team of dedicated and competent employees, preparing forecasts and regularly monitoring Company's progress. Inflows and outflows of cash and other liquid assets, including investments, are managed to achieve optimal working capital cycle. Working capital requirement is largely met with internally generated cash and only minimal reliance is placed on short term borrowings.

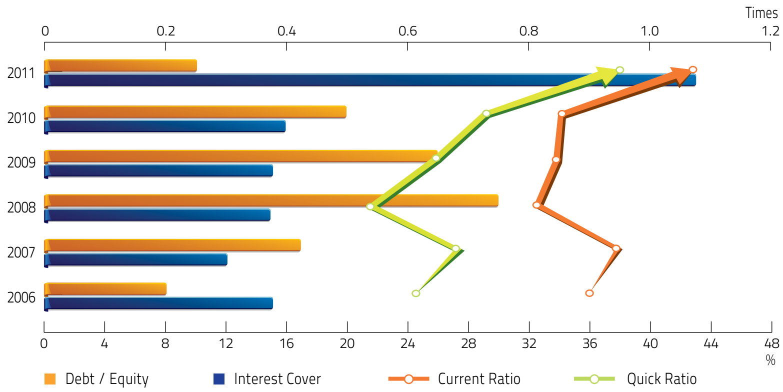
Company also manages a portfolio of long term and short term investments, made after thorough financial evaluation. The credit risk in short term investments is minimised through diversification in investments among top ranking financial institutions. Long term investments include equity stakes in FFBL, FFCEL, PMP and FCCL.

Capital Market and Market Capitalisation

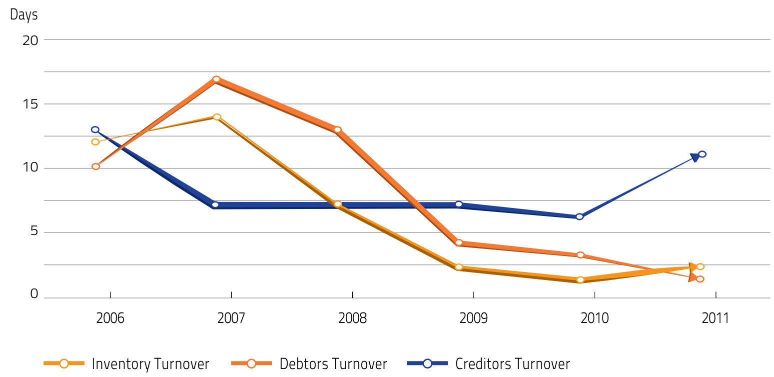
Pakistan's capital market is largely denoted in terms of annual performance of the Karachi Stock Exchange. In an analysis of last 6 years, market capitalisation rose from Rs 2,767 billion to Rs 2,946 billion up to 2011, whereas, listed capital has increased by a significant 78% from Rs 515 billion to Rs 1,048 billion.

FFC's market capitalisation stood at Rs 126.810 billion, with an increase of 49% since last year. Total turnover in FFC's shares was recorded at 549 million while the market price during the year underwent fluctuations between the highest of Rs 198.35 per share to the lowest of Rs 109.82 per share, closing at Rs 149.54 per share on December 31, 2011.

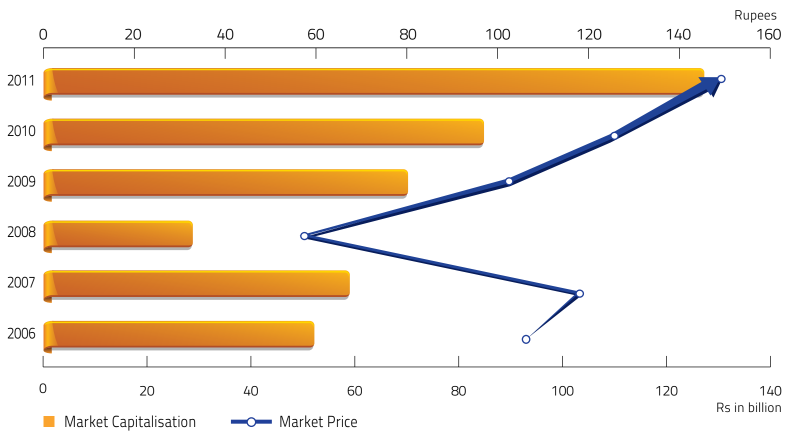
Leverage & Liquidity Ratios



Working capital cycles



Market Capitalisation & Market Price



"A strategic tradeoff between risks and rewards ensures maximisation of shareholders' wealth"

Risk Management

Risk is the element of uncertainty in any given scenario. It can be either favorable or unfavorable, but following a prudent rationale, we are more focused on identifying unfavorable risks, so that timely risk management procedures can be devised to handle such situations.

Risk management is the identification, assessment, and prioritization of risks, followed by coordinated and economical application of resources to minimise, monitor, and control the probability and/or impact of unfortunate events, or to maximise the realisation of opportunities.

Bigger the risks, bigger the rewards. At FFC, we have a responsibility to safeguard our assets and protect our shareholders' interest. Therefore, we have in place a mechanism of identifying, assessing, evaluating and mitigating risks, which enables us to make appropriate decisions. The trade-off between risks and rewards is made with the sole purpose of maximising shareholders' wealth.

Types of Risks

Risks can come from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate attack from an adversary, or events of uncertain or unpredictable nature. Broadly, we classify risks as follows:

I. Strategic Risks

Strategic risks are those risks associated with operating in a particular industry and are not in the company's control.

II. Operational Risks

These are risks associated with operational and administrative procedures. These include the risks relating to workforce turnover, supply chain disruption, IT system shutdowns, change in Board structure or control failures.

III. Commercial Risks

These risks emanate from the commercial substance of an organisation. Cut down in a company's market share, product price regulation or a new constitutional amendment posing adverse threat to a company's profitability and commercial viability are a few examples of this risk.

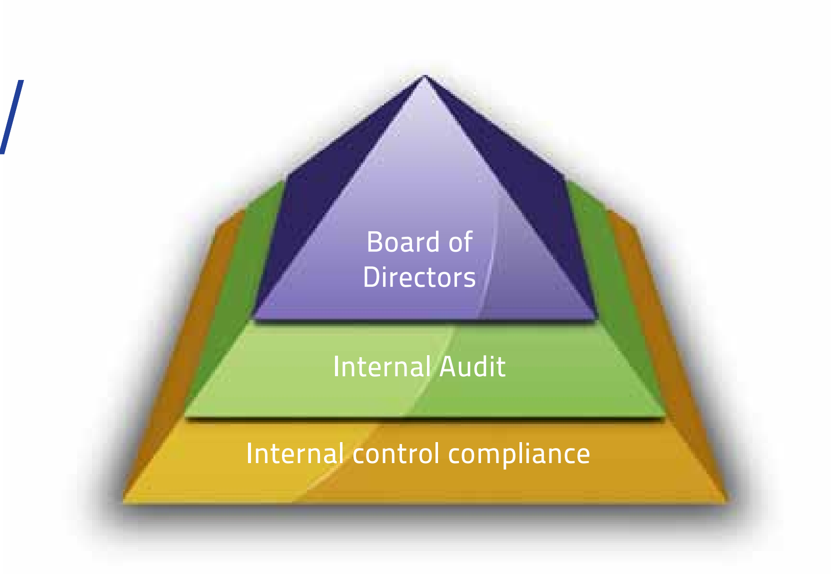
IV. Financial Risks

Financial Risks are divided in the following categories:

a. Credit Risk

Credit risk is the risk of financial loss to a company if a customer or counterparty to a financial instrument fail to meet their contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances.

Directors' Report Financial Review



We limit our exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Company has invested in securities with high credit ratings only, Management does not expect any counterparty to fail in meeting its obligations.

b. Market risk

Market risk is the risk that value of financial instruments 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.

c. Liquidity risk

Liquidity risk is the risk that a 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 maintains lines of credit.

Risk Governance

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

I. Board of Directors

Oversees the risk management process primarily through its committees:

- The Audit Committee monitors the Company's risk management process quarterly, or more frequently if required, focusing primarily on financial and regulatory compliance risks.
- The Human Resources Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk.
- The System & Technology Committee reviews the need for technological upgradation in various processes to reduce the risk of obsolescence and inefficiency in plant operations.
- The Projects Diversification Committee focuses on exploring new avenues for expansion and risk portfolio diversification.

II. Internal Audit

Provides independent & objective evaluations and reports to Management and the Audit Committee on the effectiveness of governance, risk management and control processes.

III. Internal Control Compliance

Each department identifies and manages risks pertaining to their respective areas of responsibility in addition to ensuring compliance with established internal controls.

Likelihood of Frequency		Risk Ranking Matrix	Severity of Consequences				
			1	2	3	4	5
			Negligible	Low	Acceptable	Major	Extreme
	5	Probable (0-6 months)	C	B	B	A	A
	4	High (6 months-2 years)	D	C	B	B	A
	3	Medium (2-10 years)	D	D	C	B	B
	2	Low (10-50 years)	E	D	D	C	B
	1	Remote (>50 years)	E	E	D	D	C

Risk Methodology and Ranking Matrix

After identifying an inherent risk, we assess it against our risk ranking matrix as if no mitigation measures had been taken. Through the matrix, we weigh the severity and likelihood of such a potential event, and establish relative risk levels from A through E to guide our mitigation activities.

A – Extreme: Initiate mitigation activities immediately to reduce risk. If such activities cannot sufficiently reduce risk level, consider discontinuation of the applicable business operation to avoid the risk.

B – Major: Initiate mitigation activities at next available opportunity to reduce risk. If such activities cannot sufficiently reduce the risk level, Board approval is required to confirm acceptance of this level of risk.

C – Acceptable: Level of risk is acceptable within tolerances of the risk management thresholds. Additional risk mitigation activities may be considered if benefits significantly exceed costs.

D – Low: Monitor risk according to risk management strategy requirements, but no additional activities are required.

E – Negligible: Consider discontinuing any related mitigation activities so resources can be directed to higher-value activities, provided such discontinuance does not adversely affect any other risk areas.

We can lower risk by reducing the likelihood of the initiating event occurring or by reducing the significance of the consequence if it does occur.

Residual risk remains after mitigation and control measures are applied to an identified inherent risk. We endeavor to be fully aware of all potential inherent risks that could adversely affect FFC, and to choose appropriately the levels of residual risks we accept.

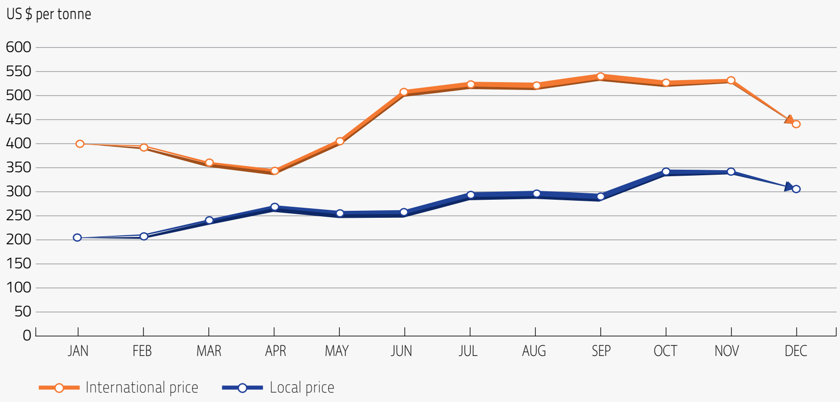
Directors' Report

Financial Review

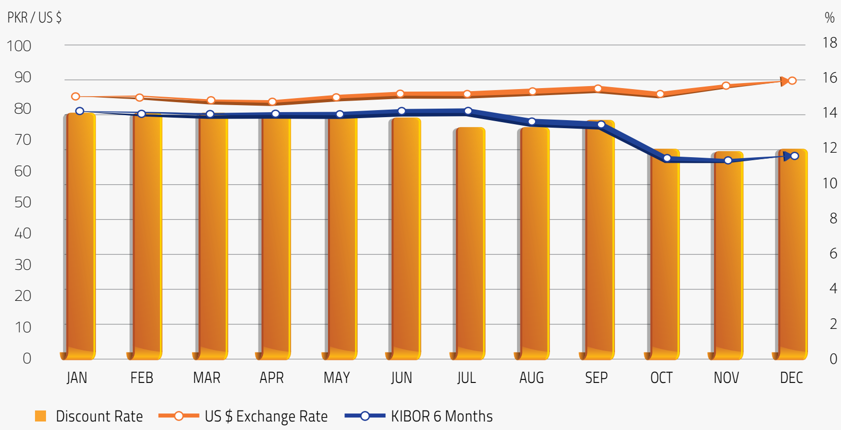
Major risks faced by FFC along with mitigating factors are listed below:

	Risks	Mitigating Factors
Strategic	Technological shift rendering FFC's production process obsolete or cost inefficient.	Being proactive, FFC mitigates this risk through Balancing, Modernisation and Replacements carried out at all the production facilities, to ensure that our production plants are state of the art and utilise latest technological developments for cost minimisation and output optimisation.
Commercial	Decline in international price of urea, forcing a local price fall.	FFC's current margins are adequate to weather such an eventuality.
Commercial	Strong market competition arises, lowering demand for FFC's product.	FFC combined with FFBL currently holds 48% urea market share, and opportunities for expansion of production capacity are being evaluated to increase or maintain the market share.
Operational	Turnover of trained employees at critical positions may render the operations incapacitated.	FFC has a detailed succession plan. We have a culture of employee training and development, continuously promoting and rotating employees within the departments. Furthermore, formal Work Procedures and Work Instructions are in place to provide guidance regarding any process undertaken by a new employee.
Financial	Rise in KIBOR rates inflating the borrowing costs.	FFC has hedged this risk of fluctuation in interest rates for long term finances by holding "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates. Furthermore, deposits and short term investments at floating rates minimise the adverse affects to some extent.
Financial	Default by customers and banks in payments to FFC.	This risk is being managed by encouraging cash and advance sales, constituting more than 95% of total sales. For credit sales, credit limits have been assigned to customers, backed by bank guarantees. Risk of default by banks has been mitigated by diversification of placements among 'A' ranked banks and financial institutions.
Financial	Insufficient cash available to pay a liability resulting in liquidity problem.	The cash management system of the Company is proactive and adequate funds are kept available for any unforeseen situation. Furthermore, committed credit lines from banks are available to bridge the liquidity gap, if any.
Financial	Fluctuations in foreign currency rates	FFC's foreign currency exchange rate risk is limited to foreign currency investments and bank balances bearing interest. Any fluctuation in exchange rates would be mitigated to some extent by resultant change in interest rates.

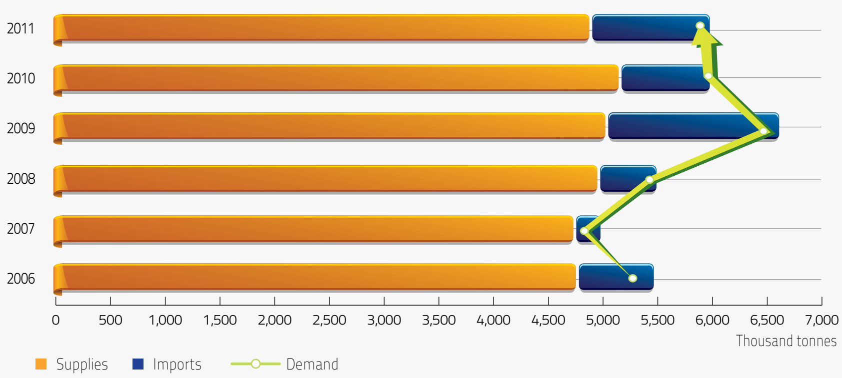
Internatioal Vs Local Urea Prices 2011



KIBOR 6 Months, Discount & US $ Exchange Rates 2011



Industry Urea Market
Supply Vs Demand



Directors' Report Financial Review

Mr Muhammad Shuaib (GM-F) receiving the overall Best Corporate Report Award 2010.


Mr Munir Malik (GM-F) receiving the SAFA Best Presented Accounts Award 2010.


Mr Muhammad Shuaib (GM-F) receiving the SAFA Certificate of Merit in Corporate Governance Disclosure Award.

Brig Fiaz Ahmad Satti (Retired), (CCO) receiving the Corporate Philanthropy Award 2010.

Corporate Awards

Best Corporate Report Award 2010

The Annual Report of the Company for the year ended December 31, 2010 bagged 1st place in the Fertilizer & Chemical sector and was also the overall winner in Best Corporate Report Awards 2010 declared by the joint committee of Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan in a ceremony held in Karachi on November 11, 2011.

Best Presented Accounts Awards 2010

The Annual Report of 2010 also qualified for nomination in Best Presented Accounts Awards 2010 organised by South Asian Federation of Accountants and was declared joint winner in the manufacturing sector.

FFC was also awarded Certificate of Merit in Corporate Governance Disclosure Award by SAFA.

KSE Top Companies 2010

FFC did not only ensure its inclusion in the top 25 companies' list annually published by Karachi Stock Exchange for the 17th consecutive time, but stood 1st for the year 2010.

These companies are selected based on a comprehensive criteria covering various aspects of performance including company's dividend distribution, trading pattern of its shares, capital efficiency, profitability, free-float and turnover of shares and participation in corporate social responsibility.

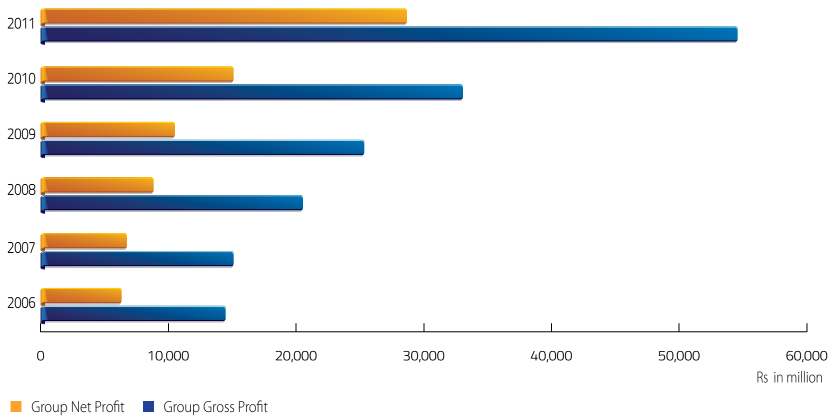
Corporate Philanthropy Award 2010

Pakistan Centre for Philanthropy annually distributes the PCP Corporate Philanthropy Awards to acknowledge the contribution of corporate sector supporting social causes and community development. The award is based on a survey of public listed companies in Pakistan. For 2010, FFC emerged 3rd by volume of donations which is a matter of pride for the Management and employees of FFC. We will continue to make progress in our contributions to make a difference in the lives of underprivileged in our society.

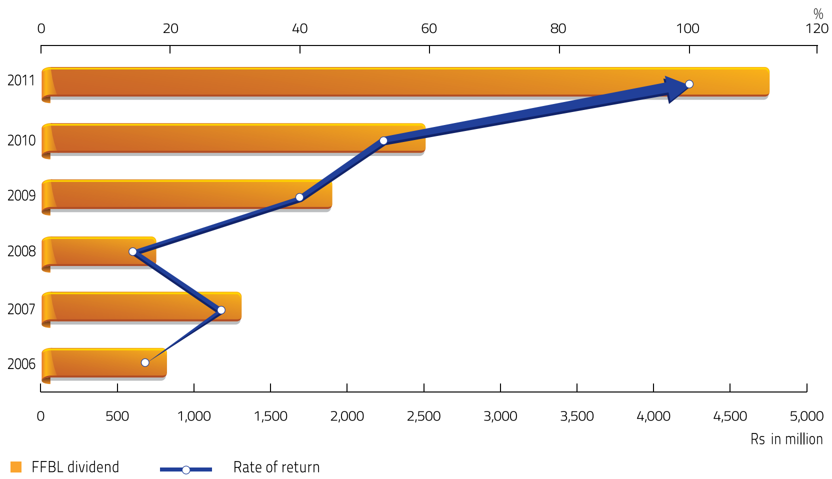

FFC has a history of delivering strong financial performance across a spectrum of market conditions.

Directors' Report
Financial Review

Group Profits



Return on FFBL investment



Consolidated Operations & Segmental Review

The consolidated profits of the Group exhibited a remarkable increase of 90% over last year, with sales revenue soaring to new height of Rs 111,112 million, compared to Rs 88,155 million in the year 2010.

Brief analysis of each company of the Group is as follows:

Fauji Fertilizer Bin Qasim Limited

FFC holds 50.88% ownership rights in FFBL, amounting to Rs 4,752 million. From the date of investment, FFBL has paid cumulative return of Rs 13,497 million. This year, the annual cash return on this investment was Rs 4,752 million, approximately 89% higher than last year due to outstanding performance by the Company, producing 433 thousand tonnes of Sona Urea (Granular) and 662 thousand tonnes of DAP which were sold by FFC Marketing Group, earning FFBL Rs 55,869 million in sales revenue. Net profit of FFBL was recorded at Rs 10,767 million with an EPS of Rs 11.53.

FFBL's share in the urea market declined from 9% last year to 7%, whereas, its share in the DAP market climbed to 59% as compared to 49% last year.

Overall DAP market showed a decline of 16% largely attributable to price hike due to withdrawal of GST exemption, and increase in international prices.

Pakistan Maroc Phosphore S.A., – Morocco

PMP is a joint venture between Officie Cherifien Des Phosphates, Morocco and Fauji Group with FFC and FFBL holding 12.5% and 25% equity respectively. FFC's cost of investment in PMP is Rs 706 million and it has earned Rs 43 million as dividend since the date of investment.

Principal activity of PMP is production of phosphoric acid which is used as a raw material in production of DAP by FFBL. This arrangement establishes an uninterrupted route for supply of raw material to FFBL.

PMP has a production capacity of 375 thousand tonnes of industrial phosphoric acid, which is sufficient to meet FFBL's raw material requirements. Excess production can be sold in the international market.

"We are proud of our Group structure, diversified, yet strong"

Fauji Cement Company Limited

Up to September 30, 2011, end of its first quarter of the year 2011-12, FCCL earned Rs 104 million as net profit after tax. FCCL's new line of production with capacity of 7,560 TPD started trial production in June 2011. Optimum level of production was achieved subsequent to September 30, 2011, and the new line was capitalised accordingly.

However, due to lower GoP spending on infrastructure projects in the Country, minimal growth is expected in domestic market necessitating exports to sustain profitability.

FFC Energy Limited

By the grace of Almighty, the project has achieved significant developments during 2011. These include execution of financing agreements, achievement of financial close, signing of the Implementation Agreement, Energy Purchase Agreement and Engineering, Procurement & Construction Contract.

Production of all 33 turbine nacelles and blade sets has been completed at Nordex's facilities in China and Germany. First consignment of 16 wind turbine nacelles, hubs, and blade sets have reached the project site. Final consignment of 17 remaining wind turbine nacelles are scheduled to be shipped in February 2012. Power Transformers, being critical components, are expected to arrive in March 2012. Fabrication of 25 towers is in progress at EPC Contractors' work facility near Karachi. All 33 Anchor Cages and eight towers have arrived at site.

Construction of watch towers, substation, workshop, dormitory and internal roads are currently in progress. Three kilometer long and six meter wide access road from highway link road to site has been completed. Concrete pouring of 8 wind turbine foundations has been completed while curing is currently being done. Foundation preparation works on remaining 25 turbine foundations are in progress.

The Company in the first six months of its construction phase has achieved 50% progress. It is expected that the Company will achieve project completion well before the scheduled completion date i.e. October 2012.

By the end of year, an aggregate of Rs 4,400 million has been disbursed by the lenders' consortium under the project finance facility, while equity contribution from the sponsor aggregated to Rs 1,450 million.

Subsequent Events

Board of Directors is pleased to announce a final cash dividend of Rs 5.25 per share i.e. 52.5% and bonus shares of 0.50 per share i.e. 50%, for the year ended 2011, taking the total payout for the year to Rs 25.00 per share i.e. 250%. Movement from unappropriated profit to general reserve of Rs 4,200 million was also proposed in the meeting held on January 30, 2012.

Meeting of the Board of Directors of FFBL was held on January 26, 2012, in which a final cash dividend of Rs 3.50 per share i.e. 35% was proposed. FFBL's total payout for the year was Rs 10 per share i.e. 100%.

Directors' Report

Operational Performance

"Our performance portrays the operational excellence we seek to implement at our production facilities"

Mr Tahir Javed
Group General Manager
Manufacturing & Operations

Our production performance during the year was outstanding despite gas curtailment during the year. Overall production of 2,396 thousand tonnes of urea was 117% utilisation of our combined nameplate capacity of 2,048 thousand tonnes, lower by 89 thousand tonnes compared to last year.

This was made possible by efficiency enhancement through extensive Balancing, Modernisation and Replacements and untiring efforts of our experienced and committed technical staff.

Plants I & II - Goth Machhi

Operational performance of both plants at Goth Machhi was satisfactory during the year 2011 and 'Sona' production of 1,625 thousand tonnes at a level of 122% efficiency was achieved, which was slightly below our target for the year. The shortfall is mainly due to natural gas curtailment enforced by GoP. Accordingly, the operating load had to be reduced by 8-10% at each plant. Total urea production loss due to gas curtailment was estimated at 57 thousand tonnes during the year.

The Company continued with selective investments necessary to sustain its profitability, improve its plant operational efficiency and maintain its position as the leading fertilizer manufacturer in the Country.

Major Activities

Old conventional prilling bucket system at Plant II was replaced with high efficiency prilling device in December 2011. The new device will produce improved product distribution range giving characteristic edge to 'Sona' over competitors. Salient features of the new vibro priller are minimal fine generation, less caking tendency and better product uniformity.

One new natural gas compressor was added in the existing compression facilities at Deh Shahbazpur (DSP) near Mari gas fields. Performance of the new unit is satisfactory. Now total number of compression units at DSP is four.

State of the art Operators Training Simulator for both Ammonia and Urea plants was successfully commissioned after site acceptance test was completed by a joint team of FFC and M/s Invensys. The prime objective of the OTS is to provide operator training with an aim to reduce the risk of major operational incidents, improve plant performance reduce start-up and shutdown time, and increase plant on-stream time.

Expansion of Well Area at Ahmad Pur Lamma was carried out by adding 15 new tube wells in the main network. Expansion will provide the necessary cushion to cater for the water quality deterioration of the wells due to extended usage especially in view of reduced availability of canal water.

Plant II Emergency Shutdown System replacement from Hima PLC to Triconex is underway. Existing auxiliary cabinet will be replaced with wall mounted cabinets.

Presently, engineering and pre-FAT (Factory Acceptance Test) is in progress at M/s Invensys's Dubai office. FFC's Project Team is working with M/s Invensys to meet the project completion timeline for February, 2012 turnaround.

Plant III – Mirpur Mathelo

Operational performance of Plant III remained excellent during the year, producing 771 thousand tonnes of urea, exceeding the planned target.

New benchmark was set in daily urea production, with the plant producing 2,466 tonnes (113.4% plant load). Maximum continuity record of 156 days was also achieved against previous best of 131 days in 2010.

Energy conservation was given prime importance in view of load limitation due to gas curtailment imposed by GoP. Considerable improvement in plant energy index was achieved with commissioning of new gas turbine based power generation system.

Energy index improvement resulted in gas saving to the tune of Rs 239 million compared to previous year.

Additional production gain from natural gas saving is estimated at 40 tonnes per day. Lowest ever specific energy consumption of 6.19 Gcal/tonne urea was achieved in November 2011 against 6.31 Gcal/tonne urea in December 2010.

Safety was given due importance over all business functions, resulting in achievement of 10.97 million man-hours of safe operation.

Integrated Management System first and second surveillance audits by the IMS certification agency (Bureau Veritas Certification) were carried out. All management systems and procedures were found conforming to IMS standards.

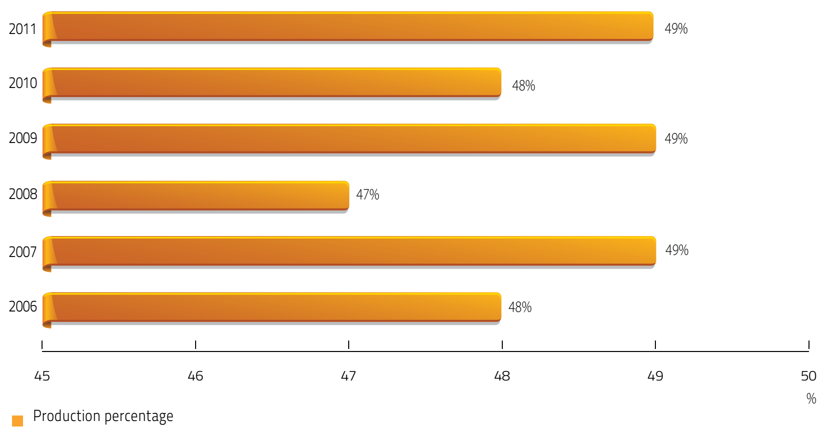
Directors' Report Operational Performance

Turnaround 2011

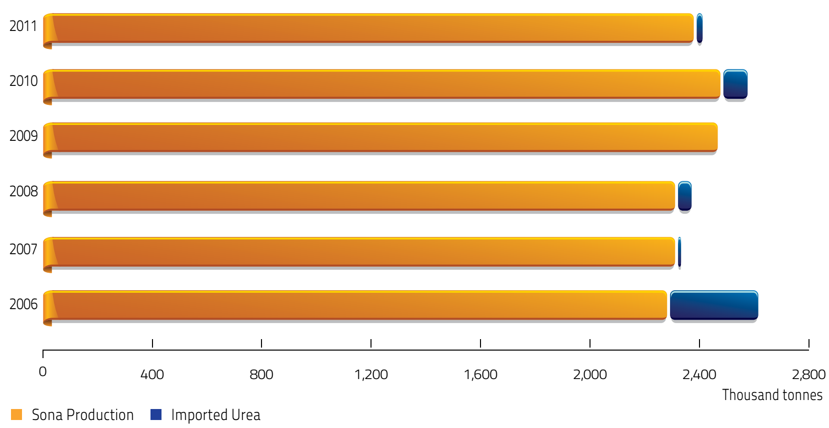
The 6th maintenance turnaround of Plant III was completed within the stipulated time, to improve reliability and energy efficiency of the plant. Major jobs handled during turnaround are mentioned below:

- New Omega Bond Urea Striper, E-101 installed successfully to improve reliability, product quality and energy efficiency.
- Waste Heat Steam Production Coil replacement with new coil was carried out to improve energy efficiency and reliability.
- Replacement of Gas-Gas Exchanger, due to repeated leakages in tube to tube sheet welds was carried out. Extensive piping modification and civil foundation reinforcement was carried out for the new 52 ton exchanger.
- Reformed Induced Draft Fan, which was posing plant load limitation during high load operation, was upgraded by tripping technique. Its associated turbine and gear box were also modified to increase their output power.
- CO_2 Compressor Surge Test, was carried out by General Electric specialists and new surge curves configured in anti-surge control system, thereby ending long standing compressor post-revamp problems.
- CO_2 Compressor Turbine Electronic Governor installed for accurate speed control, timely problem diagnostics and optimised machine operation.
- Air Compressor Anti-surge and Electronic Governor System, installed to improve safety of the machine and eliminate chronic issue of continuous air venting, thereby decreasing power consumption.
- Hydrogen Attack Survey of critical plant piping and Methanator Shell Integrity Tests, were performed by world's leading inspection company (SGS) to identify hydrogen attacked areas. Results were found satisfactory.
- Natural Gas line from Mari gas field was re-routed to below canals crossing at three locations to eliminate risk of sabotage activities.
- High Temperature Shift Convertor catalyst replacement was carried out due to aging and loss of activity.
- Desulphurizer Catalyst Replacement was carried out due to completion of its useful life.
- Ammonia Compressor K-441 Rotor Replacement was carried out to arrest high vibration problem.

FFC Production vs Total Industry Production



Urea Production & Imports



Energy Conservation

No matter how large the energy reserves of the world may be, the exponentially growing demand for energy has raised a serious global concern.

Being a responsible corporate citizen, we recognise the obligation to incorporate such practices in our business processes to optimise usage of energy by enhancing operational efficiency.

At our plantsites, our engineers are constantly in search of making the plant more efficient. The following major steps were undertaken during the year to enhance efficiency:

- LS steam flow regulation to Process Air compressor, TK-421 was not attempted in the past during running plant due to risk of plant shutdown. Testing of governor behavior during plant shutdown for TA-2011 was carried out successfully and LS flow reduced to turbine from 19 to 12 tonne per hour without any problem.
- After load reduction of the plant due to gas curtailment, direct LS steam to Benfield stripper, C-301 was stopped resulting in LS steam saving by 5 tonne per hour.
- Ammonia plant process condensate section HS steam was reduced by 0.5 tonne per hour keeping in view the low trend of organic matter.
- Chronic issue of continuous air venting eliminated after commissioning of new anti-surge and electronic governing system on air compressor. Due to full closure of anti-surge valves, compressor power consumption reduced as a result of speed optimisation. Around 100 rpm decrease in speed and about 1.5 tonnes per hour steam saving was achieved.
- After configuration of new surge curve, CO_2 compressor is being operated with anti-surge valve fully closed. As a result, steam consumption has decreased by 1.5 tonnes per hour.

Directors' Report

Market Overview

"We strategise our marketing, for the mutual benefit of Customers and the Company"

Mr Asad Sultan Chaudhry
Group General Manager Marketing

International Fertilizer Market

World fertilizer consumption is projected to reach 177 million nutrient tonnes in 2011 depicting a year on year increase of 4%.This exceeds the historical growth rate of the past decade, which was 2.2% per annum.

High agricultural commodity prices provide incentives for the farmers to improve productivity which played a positive role in improving the fertilizer demand world over. According to the forecast of the International Fertilizer Industry Association Agriculture Committee, global fertilizer demand is projected to expand at an average annual rate of 2.4% between 2010 and 2015.

Global demand of urea in 2011 is estimated to be 155.3 million tonnes registering a growth of 4% over 148 million tonnes demand for last year. Urea production is expected to be 155.3 million tonnes representing an increase of 3.8% over 2010. The year started with international urea prices at US $ 380-390. The price declined before moving up again and peaking at US $ 530 in September this year. After this, prices started moving down and in December 2011 there was a sharp drop to below US $ 300 Yuzhny.

Global DAP market remained more stable in terms of prices as compared to urea market in 2011. In January 2011 DAP international price was around US $ 600 which peaked at around US $ 700 in September / October this year before coming down to the level at start of the year.

Global DAP production in 2011 was relatively static at 33.3 million tonnes compared to 32.8 million tonnes in 2010. Its demand for 2011 is estimated to be around 32.2 million tonnes, creating surplus production of 1 million tonnes.

The global DAP supply / demand balance shows relatively tight market conditions from 2011 to 2013, with a potential surplus of less than 1 million tonnes during this period. However, by 2014, this potential surplus is expected to expand to 1.3 million tonnes.

Domestic Fertilizer Market

2011 commenced with uncertainty about prices and supplies. The question whether GoP would curtail gas supply to fertilizer plants and resort to urea imports kept on creating doubts not only for the Fertilizer Industry but also for the farming community, directly affecting urea supplies. Withdrawal of GST exemption on chemical fertilizers by GoP in March 2011 caused a dramatic increase in fertilizer prices, which adversely affected fertilizer consumption resulting in estimated decline of 3% in urea sales over the year.

GoP decision of gas curtailment to fertilizer sector, in an attempt to overcome the energy crises, severely affected the industry urea production.

* All prices given in terms of per tonne Freight on Board (FOB)

Total urea production is estimated at 4.9 million tonnes in 2011, whereas, industry production capacity is 6.9 million tonnes, thus creating a big gap between availability and demand. Import of fertilizer by the GoP was delayed which further widened the supply and demand gap.

Industry urea sales during the first half of 2011 were 11% lower than sales during corresponding period of 2010. Urea production during this period was 2,360 thousand tonnes, 7% lower as compared to the production during the same period of 2010. Imports of 240 thousand tonnes during the first half were inadequate to meet the demand, resulting in high market prices. Farmers were compelled to pay extra over and above manufacturers' suggested retail price.

Industry urea sales in the second half increased by an estimated 5% compared to the same period of 2010. GoP contracted to import 1,000 thousand tonnes urea during the second half, but due to logistical restraints only 805 thousand tonnes could be made available to farmers by the year end.

The urea market witnessed a decline this year, where the year started with an inventory of 166 thousand tonnes, 30% lower than opening inventory of 2010. Production during the year was also lower by 5%, resulting in only 4,906 thousand tonnes as compared to 5,149 thousand tonnes produced in the previous year. To meet this deficit, imports were increased from 886 thousand tonnes last year to 1,241 thousand tonnes, but the gap in demand and supply could not be met, resulting in decrease in urea sales by 3%, falling from 6,114 thousand tonnes in 2010 to 5,920 thousand tonnes. Consequently, urea inventory at the year end was estimated at 375 thousand tonnes, compared to the inventory of 166 thousand tonnes as of December 2010.

The decline in urea availability resulted in a short supply situation. The deficit in supply is largely attributable to gas curtailment, unscheduled gas outages and delay in urea imports.

DAP domestic market witnessed an estimated decline of 16% during 2011. This significant decline is mainly attributed to the higher domestic prices amid withdrawal of GST exemption by GoP. Gradual rise in the international prices during the second quarter also contributed to the higher prices in the domestic DAP market, resulting in lower than anticipated sales in 2011.

The DAP inventory at the start of the year was 19 thousand tonnes, 74% lower as compared to 74 thousand tonnes inventory at the beginning of 2010. Production and imports were recorded at 661 and 589 thousand tonnes respectively, during the year. Closing inventory of 2011 was estimated to be 116 thousand tonnes, much higher as compared to 19 thousand tonnes closing inventory of 2010.

Directors' Report Market Overview

FFC Marketing

FFC Marketing Group is a well organised establishment, fulfilling marketing and distribution requirements of both FFC and FFBL for over 15 years. The marketing setup, in the management of competent and experienced employees, is committed toward customer empowerment and farmer awareness.

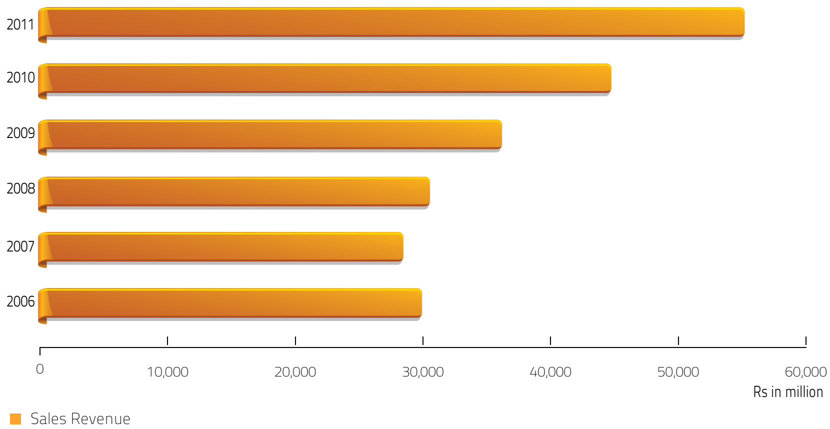
While the whole Fertilizer Industry was suffering from a decline in production and sales due to gas curtailment, FFC was no different. Being a demand driven market, available fertilizer was readily sold, but overall sales were bottle-necked by a decline in production.

Urea prices steadily increased over the year, ending 39% higher than at the close of last year. The increase in prices largely emanated from withdrawal of GST exemption on fertilizer products during the first quarter of the year. Another reason for this increase was shortage in urea supplies due to gas curtailment and gas shutdowns at various production facilities across the Country.

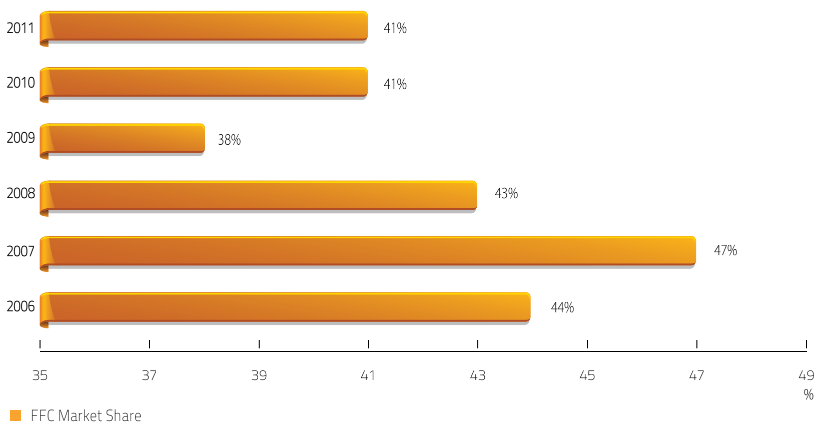
Our 'Sona' sales declined by only 3% over last year against 5% decrease in industry production, which is an evidence of our ability to withstand adversities and challenges. Marketing Group closed the year with urea sales volume reaching 2,406 thousand tonnes, made possible by successful execution of carefully planned and farsighted marketing strategies.

Imported fertilizer sales showed a decrease of over 89% as GoP's initiative to import fertilizer came at a very late stage of the year.

Sales Revenue



FFC Market Share

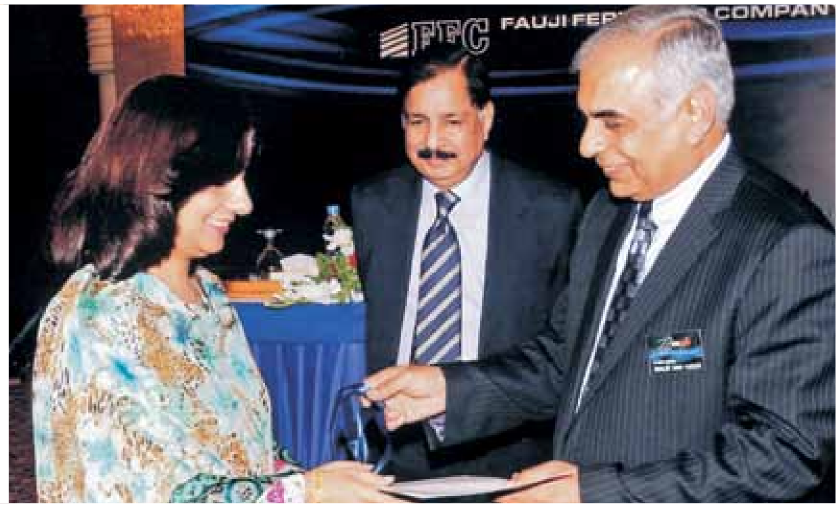


FFC managed to sell 10 thousand tonnes of SOP out of 11 thousand tonnes imported during the year.

While sale of FFBL's 'Sona' Granular of 433 thousand tonnes witnessed a decline of 18%, mainly on account of gas curtailment, sale of FFBL's Sona DAP remained steady at 662 thousand tonnes, marginally higher than last year.

FFC is well positioned in the market to face the challenging competition. As per National Fertilizer Development Corporation's statistics, cumulative market shares of FFC and FFBL in Urea and DAP markets were 48% and 58% respectively, as compared to 49% and 54% last year.

Farmers, being the end consumers of fertilizers, are not educated enough to know the difference between numerous types of fertilizers available and their application. FFC not only sells fertilizers but also educates the farmers about their fertilizer needs and their proper



Through our world-class work force, comprehensive portfolio of crop solutions and strong presence in all agricultural markets, we are uniquely positioned to help growers around the Country to grow more from less.

usage. This includes educating the farmers regarding the crops to be fertilized, the types of fertilizers to be used for different crops and the appropriate season for these crops.

Our aim is to make the agriculture sector self-reliant, high-yielding and consistently growing so that our Country matches the international yield benchmarks, besides meeting local demand and extending surplus agricultural produce across the borders to earn precious foreign exchange.

Province wise sales performance

'Sona' sales during the period showed an overall decrease of 3% compared to sales last year.

While turnover of fertilizer is highest in Punjab due to better fertility of land and developed irrigation system, this year urea sold in Punjab suffered a decline of 5% over last year, mainly attributable to increase in urea prices.

Sindh positions itself as the second largest consumer of fertilizer in the Country, showing a hike of 5% in urea consumption over last year.

Sales in Khyber Pakhtunkhwah at 260 thousand tonnes declined by 7% compared to last year.

Balochistan remained the lowest sales region as the land mostly consists of deserts and underground water levels are too deep for extraction. However, sales in this region showed an increase of 7% over last year, a healthy sign for the province's agriculture sector.

Sales of FFC's imported fertilizer registered an overall decline of 89% throughout the Country due to limited imports during the year.

Directors' Report

Human Capital

"The human mind is our fundamental resource, one that we fathom and nurture at our best"

Mr Saulat Hussain
Group General Manager Human Resources

FFC's human resource strategy focuses on investing continuously in its Human Capital. We strongly believe in bringing on board the most talented and imaginative people through a highly transparent and competitive recruitment process and then encouraging them to attain new levels of excellence through job enrichment and focused trainings.

To ensure that these objectives are achieved, our human resource function does not only fulfill the organisation's human resource requirements, but also endeavors to do so pragmatically, taking account of legal and ethical boundaries, in a way that retains the support and respect of the workforce.

Human Resource Development

Our human resource development framework focuses on training and education of employees, which consists of a three-step-process of first assessing employees' competencies, training them for their job, and then encouraging development of employees through education. This leads to fulfillment of organisation's long-term needs and augments individuals' career goals by enhancing employees' value.

Employee Retention

Since inception of the Company, we have believed in our people and, thus, strive to retain them for a better future. Turnover of employees over the last 6 years stands at a meager 5% per annum despite expansion in the industry.

Employee Benefits

FFC, being a caring employer, generously rewards its employees for its success. The total employee cost for the year, comprising of salaries, wages and other benefits amounted to Rs 4,932 million, 20% higher than last year.

Apart from monetary benefits, FFC provides free medical care to all its permanent employees and their eligible dependents, through its medical department comprising of qualified and experienced doctors.

Retirement Benefit Plans

At FFC, we also offer our employees multiple retirement benefit plans, through which a total of Rs 96 million were paid to the outgoing employees during the year.

Retirement benefit funds of the Company were valued at Rs 4,545 million, showing an increase of Rs 622 million compared to last year as a result of increase in interest rates. As per the latest audited accounts for the year ended December 31, 2010, detail of investments made by these funds is as follows:

Fund	Amount (Rs in million)
Provident Fund	1,931
Pension Fund	842
Gratuity Fund	718

Business ethics & anti-corruption measures

Adherence to the best ethical standards in the conduct of business is a goal that the Board of Directors has built into the Company's moral foundations. A code of conduct for the employees and directors of the Company is circulated both in English and Urdu languages annually, and acknowledgement is received from each employee and director, confirming their understanding and acceptance of the Code.

Salient features of the Code of Ethics include:

- Conduct of activities with honesty, integrity, truthfulness and honor.
- Compliance and respect of applicable laws and regulations and to refrain from any illegal activity.
- Respect of fellow members and employees and not to use one's position for undue coercion, harassment or intimidation.
- Impartiality in business dealings and refraining from any transaction involving personal interest on behalf of the Company.
- Avoidance of conflict of interest by directors, or appropriate disclosure in case of inability to avoid conflict.
- In case of unavoidable personal interest, extreme care shall be exercised and the matter should be reported.
- Refrain from businesses or dealings conflicting with Company's interests.
- Confidentiality of Company's sensitive information by directors and employees of the Company.
- Discourage any kind of discrimination among the employees.

Implementation of the Code of Ethics is one of the strategic goals of the board to embed ethics, morality, principles, values and standards in the everyday activities of the Company, directors and employees to promote a good corporate culture.

Employment of special persons

Being a caring employer, FFC takes special interest in creating employment opportunities for special persons. During the year many such employees were hired in positions with due consideration to their disabilities.

Relationship Management

Employees

Our most valued resource is our competent and committed work force, powering the Company's growth and contributing towards its corporate image. We invest in our human capital to maintain a healthy working relationship by providing an employee-friendly environment, nurturing their skills and talents.

Directors' Report Human Capital

Apart from compensation, FFC organises various functions and activities to feed social appetite of our employees and enhance the level of comfort among their superiors and co-workers.

By maintaining an amicable relationship with our employees, we ensure their welfare while reducing Company's risk of employee turnover.

Customers

Our brand is our identity, and a brand can neither thrive nor survive without customer loyalty. Our customer relationship management strategy goes beyond extending credit facilities and trade discounts to our customers, and provides a healthy work environment of mutual trust and respect.

To further strengthen our relationship with customers, various conferences with dealers and distributors are held during the year, giving them an opportunity to personally interact with our Marketing personnel and communicate their insight for improvement of mutual relationship.

Industries

By the grace of Almighty, FFC has established itself as a stable and mature organisation. Our technical strength enables us to extend a lending hand to other industries.

Our Technical Training Center continued to extend customised training services to other companies. Several groups from BHP Petroleum, Lotte Pakistan, Engro & Unilever Pakistan were provided training during the year.

Investors

The Company acknowledges and honors the trust our investors put in us by providing a steady return on their investment. We believe in a transparent relationship with our investors and dissemination of sensitive information to our investors is given foremost priority.

General Public

The Company contributes its fair share to the general public by way of providing employment and conducting social and welfare activities in the areas of its presence. Our welfare programs include rural development initiatives, adoption of schools for rehabilitation and extending medical facilities to the under-privileged localities. Apart from that, Company contributes heavily in times of national disasters by way of donations in cash and kind.

Government Authorities

As a policy matter, the Company abides by all the laws and regulations prevailing in the Country, which helps in maintaining a healthy relationship with Government authorities. As a responsible corporate citizen, Company has paid a total of Rs 162,353 million as tax and other levies since inception to the National Exchequer.

FFC has always found innovative ways to improve people's lives. With each generation, we've managed to adapt to the challenges of the day.

Directors' Report

Corporate Social Responsibility

"Corporate Social Responsibility is not something to be coerced; it is a voluntary decision that our leadership made on its own"

Brig Fiaz Ahmed Satti (Retired)
Chief Coordination Officer

Sustainable and responsible development is not only binding by local laws on corporate entities, but it is more about moral obligation which needs to be followed and practiced with the best spirit. For FFC, being socially responsible has always been a driving force in its operations, actions and implementation. FFC is proud of the fact that its journey for attaining sustainable and responsible development goes back almost 3 decades when it started its Agri Services initiative to facilitate and empower farmers across Pakistan with better understanding regarding the use of modern methods of agriculture and ways to achieve better yield for their crops.

Being the market leader in the fertilizer sector, FFC has proved from its actions that "Giving Back to the Community" develops a never ending bond of trust and recognition, which is undoubtedly the trademark for FFC's success over these years.

FFC CSR Objectives

- Company's obligation of paying back to society from which it derives economic gains.
- Investment in Community.
- Rural Development.
- Incorporating UNGC Principles in our governance.
- Environmental Protection.

FFC has throughout the years initiated and executed numerous notable projects around its fertilizer plants in districts Rahim Yar Khan and Ghotki as well as in other underprivileged communities across Pakistan.

Contribution to Society

Rehabilitation Activities by FFC

FFC is committed to the rehabilitation of flood affected communities, who suffered greatly as a result of devastating floods of 2010. FFC has contributed a total of Rs 255 million to the relief and rehabilitation activities of the flood affected masses. In April 2011, FFC and Pakistan Red Crescent Society signed an agreement for the rehabilitation and reconstruction of 3 villages in districts Ghotki and Rahim Yar Khan and as per plan this project will be completed by the 3rd quarter of 2012. The reconstruction will include 230 houses, water and sanitation facility, schools, basic health unit, mosque, clean water for drinking, livestock shelters, livelihood opportunities for natives and village pathways.

Ration Distribution to 750 Flood Affected Families

More than 750 flood affected families (comprising of 10 people per family) were provided dry ration for one month consisting of rice, wheat, pulses, sugar, ghee, tea, biscuits, mineral water, dates, hygiene packs (detergent, toothpaste, toothbrush, soap) etc. This activity undertaken in collaboration with Pakistan Red Crescent Society.

Community Investment

Education

FFC is currently pursuing the following educational projects:

- 'Sona' Public School (Mirpur Mathelo)
- 'Sona' Computer Institute
- FFC Scholarships Program for Wards of Farmer
- Students from Mirpur Mathelo & Sadiqabad
- Children of Employees
- FFC Adopted & Assisted Schools in districts Ghotki and Rahim Yar Khan

FFC Partnership with MIED for School Improvement Program

On 21st June 2011, FFC signed an agreement with renowned educationists, MIED for the implementation of School Improvement Program at FFC 'Sona' Public School (Mirpur Mathelo) and four FFC adopted schools in Goth Machhi. This project was launched in August 2011 and its duration is of nine months. The total cost of the project is Rs 1 million. On the recommendation of MIED experts, resources for upgradation of libraries, science labs and computer labs were procured for 'Sona' Public School and FFC Adopted Schools at an additional cost of Rs 0.8 million.

Objectives of MIED

MIED has deputed two of its SIP experts for nine months at 'Sona' Public School and adopted schools of Goth Machhi for the execution and implementation of SIP at these facilities. MIED experts are working on following areas for the improvement of quality of education namely:

- Capacity building of teachers and school management,
- Training session for teachers on latest teaching practices,
- Aligning school curriculum and time table with National Education Policy,
- Upgradation of resources for science labs and libraries,
- Introduction of Early Childhood Education, and
- Implementation of ICT database at 'Sona' Public School.

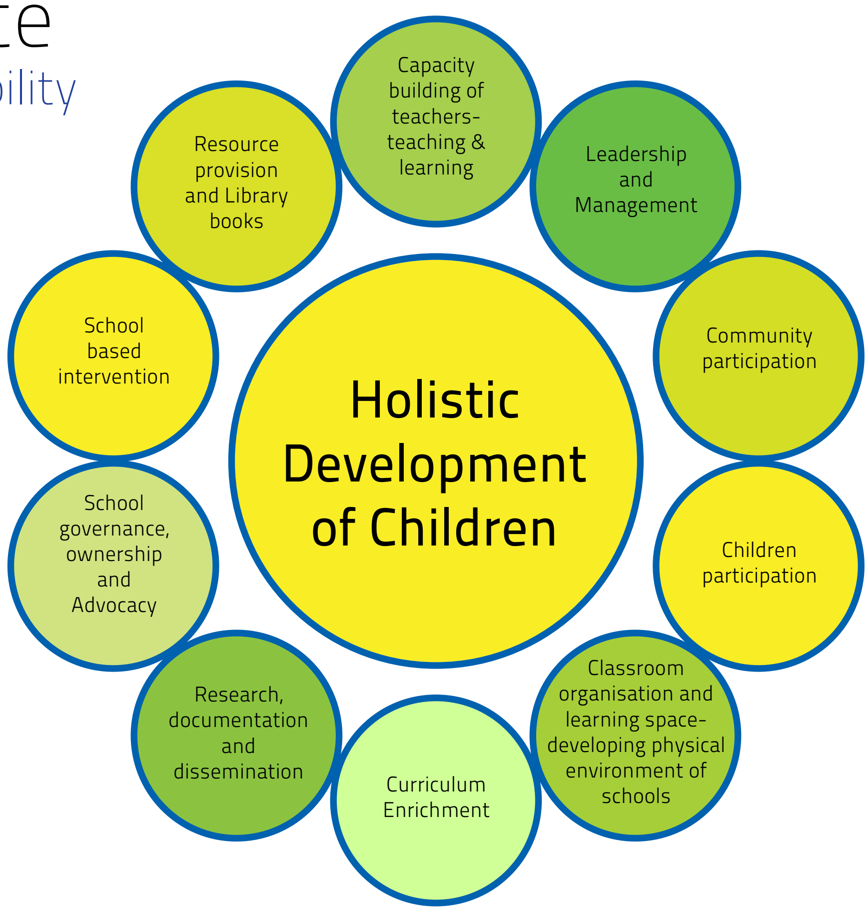
MIED SIP experts are reporting to FFC administration on monthly and quarterly basis for better coordination and enhanced efficiency. The aim behind this joint venture is to provide quality education to the underprivileged communities living around FFC plantsites at Goth Machhi and Mirpur Mathelo.

MIED SIP Achievements

Some of the achievements by MIED team are as follows:

- On the job technical support to teachers and school management during work hours,
- Setting up of purposeful and creative displays in classrooms,
- Implementation of pre lesson planning for teachers,

Directors' Report
Corporate
Social Responsibility



- Drafting of job descriptions, lesson planning format, and classroom observation formats for the schools,
- Regular coordination meetings with respective Resident Managers, School Administrators, Teachers, Section Heads and other stake holders,
- Data analysis and compilation for School Development Plan,
- Designing and implementation of compatible time tables,
- Alignment of timetable with National Education Policy (2009),
- Creation of School, Representative Councils for a healthy relationship between students, teachers and school administration,
- Drafting & implementation of examination policy in line with National Education Policy,
- Training workshop for teachers and school management,
- Special emphasis on progressive beliefs for teaching, knowledge enhancement and modern teaching skills,
- First hand observation of classroom sessions to help teachers in real classrooms situation,
- Advocacy sessions for teachers and school management for better understanding on School Improvement Programs,
- Overhaul of approach toward Early Childhood Education,
- Induction of joyful and creative learning through resources and effective classroom management,
- Implementation of enhanced seating plan for maximising student attention, and
- Establishment of learning corner within the class rooms for creative learning.

FFC Wards of Farmers Scholarship

FFC has made significant amendment and expansion to the Wards of Farmers Scholarship program. The total number of scholarship in 2011 was raised from 45 to 61. As per new expansion, 38 seats are allocated to Higher Education and 23 seats for Post Matric. Similarly in 2011, the amount of stipend for beneficiary students was also enhanced. For Higher Education it has been raised from Rs 1,500 per month to Rs 2,000 and for Post Matric it has been revised to Rs 1,300 per month from Rs 1,000 earlier.

To make FFC Wards of Farmers Scholarship program more advanced, efficient and transparent, CSR department has formulated E-Database for the beneficiary students. This initiative included announcement of selected candidates online on FFC CSR webpage, a complete list of students with photographs enrolled with FFC under Wards of Farmers Scholarship program (previous and new), establishment of online query service (e-mail correspondence) as well as dedicated phone lines for assistance to the students interested in applying for the program. FFC has also enhanced the area of coverage by allotting seats to Azad Jammu & Kashmir, Islamabad Capital Territory, FATA and Gilgit- Baltistan.

Water and Sanitation Works at four FFC Adopted Schools in Goth Machhi

In 2011, FFC initiated and completed the upgradation and rehabilitation of water & sanitation facilities at its four adopted schools in Goth Machhi. At a cost of Rs 0.47 million, facilities like hand washing, washrooms and proper disposal of waste water were provided to these adopted schools. This project was aimed to provide healthy and hygienic facilities to the students of these underprivileged communities. Lack of these facilities was resulting in low turnout especially in the case of female students. This project was completed in August 2011.

Health Care

Currently FFC is overseeing the following health care projects at various locations:

- 'Sona' Welfare Hospital (SWH) (Mirpur Mathelo)
- Hazrat Bilal Trust Hospital (Goth Machhi)
- Coronary Care Unit (Mirpur Mathelo)
- FFC Free Medical Camps
- Annual Funfairs for fund raising

The following major activities were undertaken to improve health care facilities at FFC maintained hospitals

Upgradation of 'Sona' Welfare Hospital (Mirpur Mathelo)

FFC 'Sona' Welfare Hospital provides quality health care facility to the underprivileged communities of Mirpur Mathelo. To make SWH energy efficient and sustainable, FFC has installed UPS of 8,000 watts to replace the diesel generator.

The UPS has the advantage of being sustainable, economical and environment friendly.

Installation of Evaporative Cooling Unit

FFC has replaced the high energy consuming AC units at SWH with a modern Evaporative Cooling Plant. Evaporative Cooling System has a running cost which is five times lower than that of ACs. The unit will require 1,200 watts for its operation and is supported by the UPS. With the Evaporative Cooling System and UPS, SWH will have uninterrupted cooling even during long hours of load-shedding. The new system will improve overall working environment at SWH to a large extent, which will have a positive impact on the performance of medical and paramedical staff. By making it energy efficient and saving day to day costs, funds will be utilised in future for medical expenses and welfare of community around FFC plantsites at Goth Machhi and Mirpur Mathelo.

Mother & Child Welfare

FFC has provided SWH with latest equipment to cater for medical complexities faced by the female community of Mirpur Mathelo. Women folk in the rural areas of Pakistan are most vulnerable to health issues, especially related to mother and child care. The provision of equipment at SWH will be a great relief for them, as this facility is exclusively available at SWH in Mirpur Mathelo.

FFC Free Medical Camps

FFC in coordination with partner organisations and medical teams holds free medical camps in the remote areas of Ghotki. In 2011, FFC medical teams conducted 14 camps which included general, diabetes, eye and dental specialisations. These camps provided relief to 4,200 inhabitants of district Ghotki.

Directors' Report
Corporate Social Responsibility

Sports Promotion

FFC has been promoting sports activities in districts Rahim Yar Khan and Ghotki, as well as across Pakistan. The aim is to provide a healthy and competitive environment to promote local talent. Some of the events sponsored and arranged by FFC are as follows:

- All Punjab 'Sona' Cup Girls Handball Championship
- National Tae Kwando Championship
- 3rd Jashan-e-Baharan Handball Mela
- All Pakistan Football Tournament
- 'Sona' Cup Kabaddi Tournament
- Jashan-e-Pakistan Volley Ball Tournament
- 2nd Twenty 20 Deaf Cricket National Champsionship
- 3rd M. Shamim Memorial Football Tournament
- 2nd Summer Season District Football Tournament
- Sponsorship for 15th Tour De Cycle Race
- Quaid-e-Azam Football Tournament
- District Hockey Championship
- Hockey Coaching Camp at Sadiqabad
- Interschool & College Handball Tournament
- 9th 'Sona' Golf Championship
- League Football Championship
- 3rd Anti Narcotics District Hand Ball Mela
- Jashan-e-Aazadi District Throw Ball Tournament

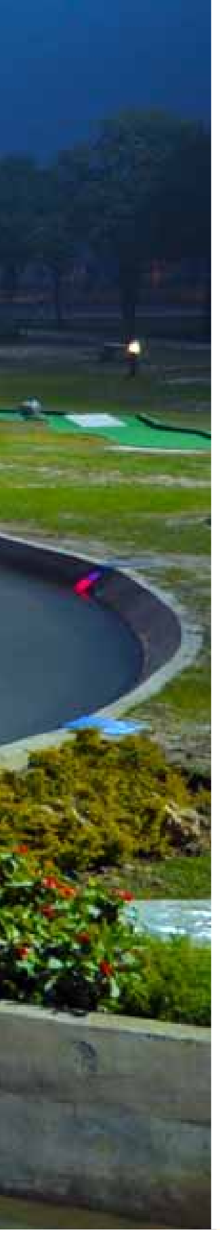
Rural Development

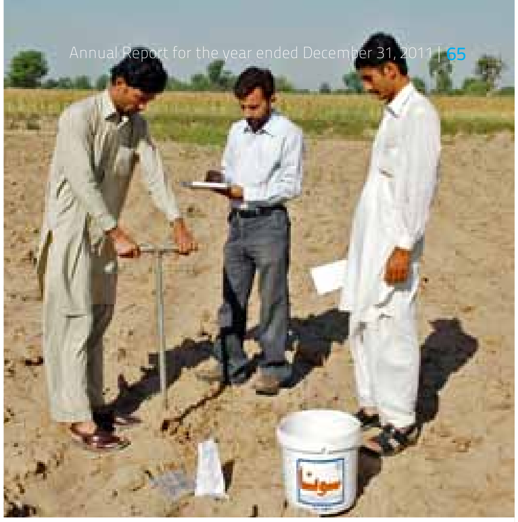
The following initiatives have been taken by FFC for rural development:

- Agri Support Service,
- Technical Training Centre (Goth Machhi), and
- 'Sona' Vocational Centre (Mirpur Mathelo)

Restructuring of Agri Services

Restructuring of Agri Services Department is underway to devise new strategy with focus on farmers' financial empowerment in order to lock-in farmer loyalty with FFC on long term basis. The process will involve realignment of ongoing Agri Services practices in development of modern farming techniques and practices with gradual shifting of Technical force from Marketing Group





"Fulfilling our responsibility to society is the least we can do to acknowledge its contribution to our success"

to FFC Agri Services Division. As a pilot project, contract farm model will initially be undertaken to assess the feasibility for future course of action. Agri Services has been tasked to initiate feasibility report for the proposed contract farm pilot project.

Technical Training Center

Technical training is considered to provide immediate relief from the shackles of poverty by imparting useful practical knowledge of basic technical trades at the Technical Training Center Goth Machhi and 'Sona' Vocational Center Mirpur Mathelo.

Environmental Protection

Active projects of FFC for environmental protection are as follows

- Tree plantation in districts Ghotki and Rahim Yar Khan
- Renewable Energy (FFCEL's Wind Farm at Jhampir)

Tree Plantation in Goth Machhi and Mirpur Mathelo

In line with FFC's commitment for contributing to a healthy and safe environment, in 2011 FFC continued with its initiative of tree plantation in Mirpur Mathelo, as executed earlier in Goth Machhi in 2010. In partnership with Forest Department Sindh, 3,000 new trees were planted at government primary schools around FFC plantsite (Mirpur Mathelo), 'Sona' Welfare Hospital, 'Sona' Public School as well as FFC Township.

This plantation was planned for multiple benefits, which included

- Provision of shade to the students in Summer
- Availability of seasonal fruits from these trees
- Awareness about the importance of trees among general masses
- Ornamental plants to add more beauty to the surrounding areas

FFC is working continuously to monitor the newly planted trees with quarterly progress report and surveys. FFC's initiative for environmental protection is in line with UN Global Compact principles 7, 8 and 9 which stress adoption, support and measures for the protection and betterment of environment by business entities.

Directors' Report Corporate Social Responsibility

Incorporation of UNGC Principles

First Sustainability Report 2011

FFC has launched the compilation of its first Sustainability Report in line with Global Reporting Initiative guidelines, which is scheduled to be published in the first quarter of 2012.

In the first phase, orientation on Sustainability Report was conducted at FFC Head Office, plantsites Mirpur Mathelo, Goth Machhi and Marketing Group Lahore from October 12-15, 2011.

In the second phase, FFC reached out to its stake holders including vendors, bankers, suppliers, public at large, market competitors, farmers, CBA representatives, stock exchanges, SECP, partner NGOs as well as renowned educational institutes like NUST, communities around plantsites and local governments for feed back.

The third phase of Sustainability Report consisted of "Aspects Identification". The compilation stage for the report is underway, after which it will be available in printed as well as soft version, at FFC and UN Global Compact web pages. This initiative is in line with the international requirement of aligning Company's future goals toward sustainable development.

Compilation of FFC's first Sustainability Report also indicates FFC's adherence to UNGC's charter and principles. UNGC requires its members to report annually, on the progress undertaken for the implementation of its 10 principles, to its stakeholders, investors and public at large.

10 principles of UNGC are as follows:

Human Rights

1: Businesses should support and respect the protection of internationally proclaimed human rights; and
2: make sure that they are not complicit in human rights abuses.

Labour

3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4: the elimination of all forms of forced and compulsory labour;
5: the effective abolition of child labour; and
6: the elimination of discrimination in respect of employment and occupation.

Environment

7: Businesses should support a precautionary approach to environmental challenges;
8: undertake initiatives to promote greater environmental responsibility; and
9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10: Businesses should work against corruption in all its forms, including extortion and bribery.

CSR Report 2011

FFC will be publishing its first CSR Report covering Company's commitment to the uplift and well being of underprivileged communities to date. CSR Report 2011 will feature an overview of FFC's CSR history, insight into the projects implemented during the current year as well as planned CSR activities in 2012. It will be released in the first quarter of 2012, in printed and soft versions, which will be available on FFC's web page as well.

Knowing that we're a part of the essential activity of growing food for a growing Pakistan not only inspires us, it fills us with a sense of responsibility.

Directors' Report

Corporate Governance

"Adherence to the best practices of corporate governance ensures success at every step"

Brig Khalid Kibriya (Retired)
Company Secretary

We ensure adherence to best practices of Corporate Governance by adopting a set of processes, customs and policies, to help us direct and control management activities with good business sense, objectivity, accountability and integrity.

We believe in openness and transparent reporting to our shareholders to empower them in exercising their lawful rights. We appreciate the trust and respect shareholders have for us and endeavor to meet their expectations with honesty, responsibility and commitment to the organisation.

We have made Corporate Governance a system of structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers. Adherence to the best ethical practices and compliance with applicable legal and regulatory requirements, in a manner that is environment friendly and supports local community needs, is also a priority.

Best Corporate Practices

Surpassing the minimum legal requirements for good corporate governance imposed by applicable laws and regulations, FFC pursues perfection by encouraging adherence to best corporate practices setting a good example for the industry to follow.

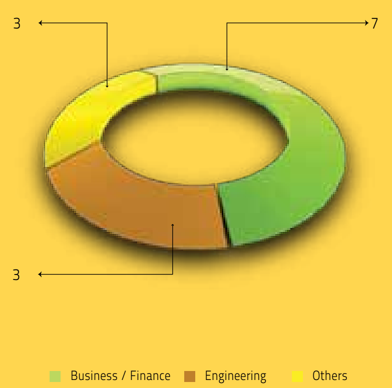
During the year, all periodic financial statements of the Company were circulated to the directors, endorsed by the Chief Executive and the Chief Financial Officer prior to circulation. Quarterly financial statements of the Company, along with consolidated financial statements of the Group, were approved, published and circulated to shareholders within one month of the closing date, while Half Yearly financial statements of the Company and consolidated financial statements of the Group were reviewed by the external auditors, approved by the Board, published and circulated to shareholders within the permitted time period of two months after closing. Other non-financial information to be circulated to governing bodies and other stake holders were also delivered in an accurate and timely manner.

The annual financial statements along with consolidated financial statements have also been audited by the external auditors and approved by the Board within one month after the closing date and will be presented to the shareholders in the Annual General Meeting for approval on March 07, 2012.

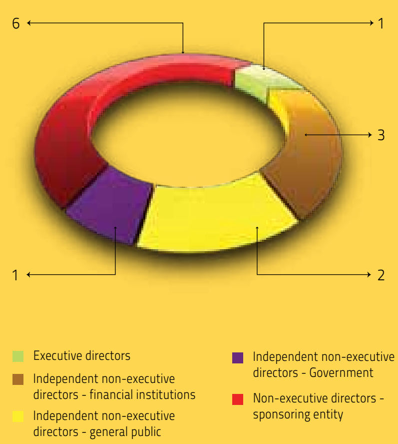
Composition of the Board of Directors

Legal and regulatory framework defines parameters regarding qualification and composition of the Board of Directors for smooth

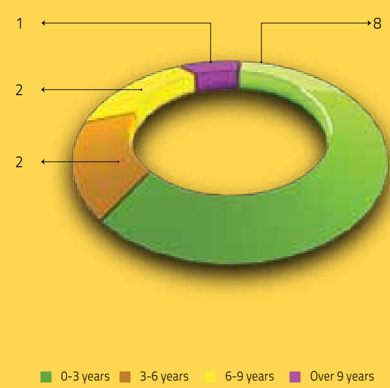
Directors' qualification



Balance of non-executive and executive directors



Directors' tenure



running of business and promotion of good corporate culture. In view of these requirements, the Company has on its board highly competent and committed personnel with vast experience, expertise, integrity, and strong sense of responsibility required for safeguarding of shareholders' interest. The Board consists of 13 directors, effectively representing the interest of shareholders including minority holders. There are 12 non-executive directors and only 1 executive director which conforms to and surpasses the legal requirement of 25% representation by non-executive directors.

Roles and Responsibilities

The directors are fully aware of the level of trust shareholders have in them and the immense responsibility they have bestowed on them for smooth running of the Company and safeguarding its assets.

The Board participates actively in major decisions of the Company including appointment of the Chief Executive Officer, approval of budgets for capital expenditures, investments in new ventures, issuance of shares to raise capital and approval of related party transactions. The Board also monitors Company's operations by approval of financial statements and dividend, review of internal and external audit observations regarding internal controls and their effectiveness.

For the purpose of ensuring consistency and standardisation, the Board has devised formal policies for conducting business and ensures their monitoring through an independent Internal Audit department, which continuously monitors adherence to Company policies and reports any deviations observed to the Audit Committee.

Meetings of the Board

Legally, the Board is required to meet at least once per quarter to monitor the Company's performance aimed at effective and timely accountability of its Management.

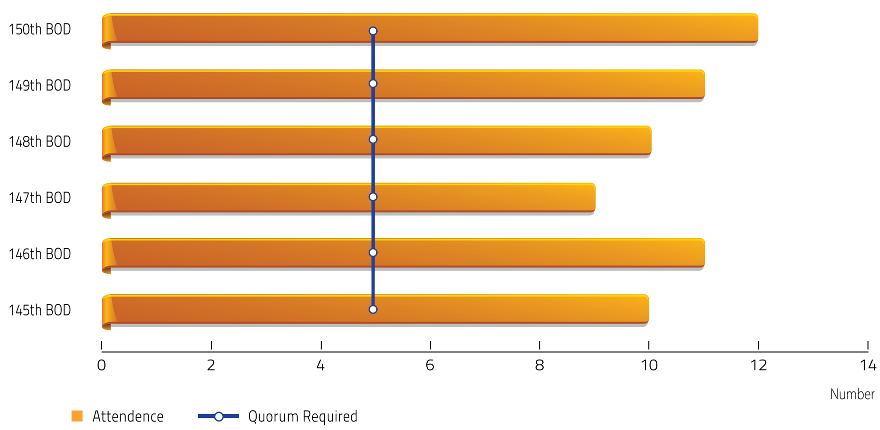
The Board held 6 meetings during the year, agendas of which were circulated in a timely manner beforehand.

Decisions made by the Board during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, which were duly circulated to all the directors for endorsement and were approved in the following Board meetings.

The directors of the Company did not have any personal interest in decisions taken by the Board in these meetings.

Directors' Report Corporate Governance

Attendence at BOD meetings



All meetings of the Board had minimum quorum attendance prescribed by the Code of Corporate Governance and were also attended by the Chief Financial Officer and the Company Secretary of the Company. Details of attendance by directors at each Board meeting are as follows:

Director	Meetings Held	Meetings Attended
Lt Gen Muhammad Mustafa Khan, HI(M) (Retd)**	-	-
Lt Gen Malik Arif Hayat, HI(M) (Retd) *	6	6
Mr Jorgen Madsen	6	1
Mr Qaiser Javed	6	6
Dr Nadeem Inayat	6	6
Mr Istaqbal Mehdi	6	6
Mr Shahid Aziz Siddiqi	6	5
Mr Shahid Anwar Khan	6	2
Mr Wazir Ali Khoja	6	4
Maj Gen Zahid Parvez, HI(M) (Retd)	6	6
Brig Agha Ali Hassan, SI(M) (Retd)	6	5
Brig Dr. Gulfam Alam, SI(M) (Retd) ***	2	2
Mr Agha Nadeem ****	4	4
Lt Gen Hamid Rab Nawaz, HI(M) (Retd)**	6	6
Brig Rahat Khan, SI(M) (Retd)***	4	3
Mr Khizar Hayat Khan****	1	1

* Lt Gen Malik Arif Hayat (Retd) is the only Executive Director on the Board. All other Directors are Non-executive Directors.

** Lt Gen Hamid Rab Nawaz (Retd) retired from Directorship on January 02, 2012 and Lt Gen Muhammad Mustafa Khan (Retd) was appointed in his place.

*** Brig Rahat Khan (Retd) retired from Directorship on August 16, 2011 and Brig Dr. Gulfam Alam (Retd) was appointed in his place on August 17, 2011

**** Mr Khizar Hayat Khan from Directorship on March 31, 2011 and Mr Agha Nadeem was appointed in his place on April 01, 2011.

Training of the Board

As per requirements of the regulatory framework, each member of the Board shall be subject to orientation and training for enhancing their management skills. During the year, apart from local orientation courses and training sessions held at different universities and institutions in Pakistan, Directors of FFC were sent abroad for training to enhance their management skills and keep them abreast with the best management practices and policies adopted by developed nations across the globe.

These courses help the directors reassess their role in the Company's progress and hone their competencies for the betterment of the Company.

Changes to the Board

During the year, three of our fellow Board members completed their tenure. We would like to register our appreciation for the contributions made by Lt Gen Hamid Rab Nawaz, HI(M) (Retd) Mr Khizar Hayat Khan and Brig Rahat Khan, SI(M) (Retd) during their tenure as Board members.

We would also like to welcome Lt Gen Muhammad Mustafa Khan, HI(M) (Retd), Brig Dr. Gulfam Alam, SI(M) (Retd) and Mr Agha Nadeem on the Board of Directors. We hope this change in composition of the Board will bring new vision and spirit to FFC and the members of the Board would work cohesively as a team for the benefit of the organisation and to generate new ideas for progress and improvement.

CEO's Performance Review

Appointment of the Chief Executive Officer is made by the Board of Directors for a tenure of three years. Each year, the Board reviews performance of the CEO against pre-determined operational, tactical and strategic goals. The Board assumes the monitoring role, giving full authority to the CEO to manage the Company, implement strategic decisions and policies of the Board and align the Company's direction with the vision and objectives set by directors for continuous development and progress.

Board's Performance

The Board has put in place a mechanism for performance evaluation by setting specific, measurable, achievable and realistic goals for the year and evaluating the performance of each member against these goals.

The annual review of the Board is based on the progress of the Company in the following major functions:

- Corporate governance,
- Compliance with regulatory requirements of legal framework,
- Value addition for all stakeholders of the Company,
- Financial performance of the Company,
- Strategic capital expenditures and their payback period,
- Operational efficiency, Balancing, Modernisation Replacements, and
- Employee turnover and retention.

Directors' Statement

Directors are pleased to state that:

- The financial statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts regarding the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- Information regarding outstanding taxes and levies, as required by listing regulations, is disclosed in the notes to the financial statements; and
- Statement of value of investments in respect of employees' retirement plans has been given in note 10 of the financial statements.

Core Competencies

The Board comprises highly qualified professionals from all disciplines to ensure effective and efficient decision making. The Board includes professionals from the Armed Forces, Finance and Engineering, to form an excellent combination of highly experienced professionals to run the affairs of the Company.

Trading in shares by directors, CEO, CFO and Company Secretary

Chief Executive Officer purchased 30,000 shares of the Company during the year which he held at the year end. Besides that, directors of the Company, Chief Financial Officer and Company Secretary and their spouses and minor children neither held any shares of the Company nor were involved in any transaction in Company's shares during the year.

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants have completed the annual audit for the year ended December 31, 2011, and have issued an unqualified audit report. The auditors will retire on the conclusion of the Annual General Meeting of the Company, and being eligible, have offered themselves for reappointment for the year ending December 31, 2012.

Directors' Report

Future Prospects

The fertilizer industry is currently facing a short supply situation. While Country's capacity to produce fertilizer exceeds demand, shortage of natural gas as raw material for fertilizer is restricting the overall produce.

As part of our farsighted risk management strategy, we are in the process of evaluating various investment opportunities to diversify our operations beyond the boundaries of fertilizer sector and abroad. In one such effort, FFC has already invested in FFC Energy Limited, which will generate electricity through wind power. The Company is considering further investment in the renewable energy sector.

Coal Gasification

Due to depleting gas reserves in the Country and resultant curtailment of gas for production of fertilizer, FFC's technical team continues to explore the opportunities for commercial scale conversion of coal to coal gas.

Moreover, conversion of existing high pressure steam generation from natural gas to coal is also being explored at both locations (Goth Machhi and Mirpur Mathelo). The feasibility of utilisation of Biomass is also being evaluated for steam generation to augment fertilizer production on release of gas currently being used as fuel.

Enterprise Resource Planning (ERP)

Implementation of SAP - ERP system of the Company is in progress. With major work already completed, many of the business processes have already been transferred to the ERP system. SAP integrates our operational functions at Head Office Rawalpindi, Marketing Office Lahore, plantsites Goth Machhi and Mirpur Mathelo. Complete implementation of ERP shall improve business processes by reducing time lags and duplication of work.

Commitment for the Future

Flourishing in an impoverished economy is not an easy task, but FFC has proved over the years that we have the tenacity and capability to face tough economic and environmental challenges. We shall ensure that every step we take benefits our Country at large and promotes wellbeing of its citizens.

Our strive for a stronger, greener and self-reliant Pakistan, powered by strong Agriculture and Industrial sectors, continues as we step forward into next year. We shall continue to utilise our resources in a sustainable way, while adding to shareholders' wealth.

Our foundation is strong, giving us the leverage to invest in our future and capitalise on the growth we enjoy today.

In the end, while we celebrate the success of our Company, we should all pray and strive for the salvation of our Country which is facing difficult times.

On behalf of the Board,

Lt Gen Muhammad Mustafa Khan
HI (M), (Retired)
Chairman

Rawalpindi
January 30, 2012

Financial Statements

Fauji Fertilizer Company Limited

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

The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2011, 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, 2011, 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, 2011 and shall retire on the conclusion of the 34th 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 34th Annual General Meeting scheduled for March 07, 2012 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, 2012 with enhanced Audit Fee from 1.3 million to 1.5 million.

- 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 30, 2012

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 2011, 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 2011 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 three 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

Rawalpindi
January 30, 2012

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 Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulation 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, 2011.

Islamabad
January 30, 2012

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, 2011 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, 2011 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 30, 2012

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

Balance Sheet

as at December 31, 2011

	Note	2011	2010
		(Rupees '000)	
EQUITY AND LIABILITIES			
EQUITY			
Share capital	4	8,481,588	6,785,271
Capital reserves	5	160,000	160,000
Revenue reserves	6	14,428,636	8,502,276
		23,070,224	15,447,547
NON - CURRENT LIABILITIES			
Long term borrowings	7	2,703,750	3,819,405
Deferred liabilities	8	3,832,614	3,806,795
		6,536,364	7,626,200
CURRENT LIABILITIES			
Trade and other payables	9	11,730,961	9,023,052
Interest and mark-up accrued	11	79,826	137,968
Short term borrowings	12	8,735,650	5,640,420
Current portion of long term borrowings	7	1,615,655	1,759,405
Taxation		3,762,236	3,426,264
		25,924,328	19,987,109
		55,530,916	43,060,856
CONTINGENCIES AND COMMITMENTS	13		

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

	Note	2011	2010
		(Rupees '000)	
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment	14	17,050,951	15,933,588
Goodwill	15	1,569,234	1,569,234
Long term investments	16	8,659,073	7,870,027
Long term loans and advances	17	605,883	455,328
Long term deposits and prepayments	18	9,370	9,037
		27,894,511	25,837,214
CURRENT ASSETS			
Stores, spares and loose tools	19	2,447,452	2,440,201
Stock in trade	20	636,923	211,720
Trade debts	21	86,669	357,956
Loans and advances	22	431,582	336,269
Deposits and prepayments	23	53,852	50,188
Other receivables	24	891,673	617,664
Short term investments	25	21,794,480	12,020,581
Cash and bank balances	26	1,293,774	1,189,063
		27,636,405	17,223,642
		55,530,916	43,060,856

Chairman

Chief Executive

Director

Profit and Loss Account

for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
Sales	27	55,221,168	44,874,359
Cost of sales	28	20,871,759	25,310,406
GROSS PROFIT		34,349,409	19,563,953
Distribution cost	29	4,372,151	3,944,473
		29,977,258	15,619,480
Finance cost	30	785,825	1,086,741
Other expenses	31	2,654,881	1,376,000
		26,536,552	13,156,739
Other income	32	6,629,501	3,153,110
NET PROFIT BEFORE TAXATION		33,166,053	16,309,849
Provision for taxation	33	10,674,000	5,281,000
NET PROFIT AFTER TAXATION		22,492,053	11,028,849
			Restated
Earnings per share – basic and diluted (Rupees)	34	26.52	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, 2011

	2011	2010
	(Rupees '000)	
Net profit after taxation	22,492,053	11,028,849
Other comprehensive income for the year		
Surplus / (deficit) on remeasurement of investments available for sale to fair value	18,802	(15,460)
Income tax relating to component of other comprehensive income	(2,990)	2,936
Other comprehensive income for the year – net of tax	15,812	(12,524)
Total comprehensive income for the year	22,507,865	11,016,325

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, 2011

	Note	2011	2010
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	33,121,687	20,381,138
Finance cost paid		(843,967)	(1,096,102)
Income tax paid		(10,398,028)	(3,488,331)
Payment to gratuity fund		(75,241)	(63,710)
Payment to pension fund		(109,220)	(77,446)
Payment to Workers' Welfare Fund		(329,070)	(261,143)
Payment to Workers' Profit Participation Fund - net		(1,808,776)	(625,969)
Net cash generated from operating activities	36.1	19,557,385	14,768,437
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,314,033)	(3,313,841)
Proceeds from sale of property, plant and equipment		14,123	82,379
Interest received		1,480,703	501,482
Investment in FFC Energy Limited		(800,000)	(650,000)
(Increase) / decrease in other investment		(3,230,683)	1,766,076
Dividends received		4,842,032	2,575,478
Net cash (used in) / generated from investing activities		(7,858)	961,574
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		500,000	1,500,000
- repayments		(1,759,405)	(2,299,405)
Dividends paid		(14,774,032)	(10,622,306)
Net cash used in financing activities		(16,033,437)	(11,421,711)
Net increase in cash and cash equivalents		3,516,090	4,308,300
Cash and cash equivalents at beginning of the year		6,423,264	2,096,060
Effect of exchange rate changes		23,893	18,904
Cash and cash equivalents at end of the year	37	9,963,247	6,423,264

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, 2011

	Share capital	Capital reserves	Revenue reserves: Surplus / (deficit) on remeasurement of investments available for sale to fair value	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
	(Rupees '000)					
Balance at January 01, 2010	6,785,271	160,000	6,970	3,739,471	2,390,730	13,082,442
Transfer from 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 - net of tax	-	-	(12,524)	-	-	(12,524)
Total comprehensive income for the year - net of tax	-	-	(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
Balance at January 01, 2011	6,785,271	160,000	(5,554)	4,239,471	4,268,359	15,447,547
Transfer to general reserve	-	-	-	3,000,000	(3,000,000)	-
Total comprehensive income for the year						
Profit for the year after taxation	-	-	-	-	22,492,053	22,492,053
Other comprehensive income - net of tax	-	-	15,812	-	-	15,812
Total comprehensive income for the year - net of tax	-	-	15,812	-	22,492,053	22,507,865
Distribution to owners						
Issue of bonus shares	1,696,317	-	-	(1,696,317)	-	-
Final dividend 2010: Rs 3.50 per share	-	-	-	-	(2,374,845)	(2,374,845)
First interim dividend 2011: Rs 4.50 per share	-	-	-	-	(3,816,715)	(3,816,715)
Second interim dividend 2011: Rs 4.75 per share	-	-	-	-	(4,028,754)	(4,028,754)
Third interim dividend 2011: Rs 5.50 per share	-	-	-	-	(4,664,874)	(4,664,874)
Total transactions with owners	1,696,317	-	-	(1,696,317)	(14,885,188)	(14,885,188)
Balance at December 31, 2011	8,481,588	160,000	10,258	5,543,154	8,875,224	23,070,224

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, 2011

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 and pension which is carried at present value of defined benefit obligation net of fair value of plan assets and unrecognised actuarial losses.

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, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to the Financial Statements

for the year ended December 31, 2011

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.

Deferred

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

Notes to the Financial Statements
for the year ended December 31, 2011

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 and impairment losses, if any 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 date when the asset becomes available for use upto the date of its disposal.

The cost of replacing part of an item of property, plant and equipment is 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 in profit and loss account.

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.

Notes to the Financial Statements

for the year ended December 31, 2011

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. Subsequent to the initial recognition goodwill is recognised at cost less impairment, if any.

3.6 Investments

3.6.1 Investment in subsidiaries

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 measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognised in other comprehensive income until disposal at which time these are recycled to profit and loss account. Impairment loss on investments available for sale is recognised in the profit and loss account.

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 items.

Notes to the Financial Statements
for the year ended December 31, 2011

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 realisable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory.

3.9 Foreign currencies

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange differences are included in profit and loss account for the year.

3.10 Revenue recognition

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

3.11 Borrowing costs

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

3.12 Research and development costs

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

3.13 Provisions

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

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

3.14 Basis of allocation of common expenses

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

Notes to the Financial Statements
for the year ended December 31, 2011

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 amortised cost less subsequent repayments.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term 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 their amortised cost which approximates 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 their amortised 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.

Notes to the Financial Statements
for the year ended December 31, 2011

3.21 Finance income and finance costs

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

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

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

3.22 Operating leases

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 - Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 27 - Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities, dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 - Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

Notes to the Financial Statements
for the year ended December 31, 2011

- IAS 19 - Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company does not plan to adopt this change early and the extent of the impact has not been determined.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after July 01, 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 - Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalised if certain criteria are met. The amendments have no impact on financial statements of the Company.

Notes to the Financial Statements

for the year ended December 31, 2011

	2011	2010
	(Rupees '000)	

4. SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Numbers December 31, 2011	Numbers December 31, 2010		2011 (Rupees '000)	2010 (Rupees '000)
256,495,902	256,495,902	Ordinary shares of Rs 10 each issued for consideration in cash	2,564,959	2,564,959
591,662,929	422,031,163	Ordinary shares of Rs 10 each issued as fully paid bonus shares	5,916,629	4,220,312
848,158,831	678,527,065		8,481,588	6,785,271

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2010: 1,000,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2010: Rs 10,000,000 thousand).

4.1 During the year, the Company issued 169,631,766 ordinary shares of Rs 10 each as fully paid bonus shares. Fauji Foundation held 44.35% (2010: 44.35%) ordinary shares of the Company at the year end.

	Note	2011 (Rupees '000)	2010 (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.

	2011 (Rupees '000)	2010 (Rupees '000)
6. REVENUE RESERVES		
Surplus / (deficit) on remeasurement of available for sale investments to fair value – net of tax	10,258	(5,554)
General reserve	5,543,154	4,239,471
Unappropriated profit	8,875,224	4,268,359
	14,428,636	8,502,276

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			(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
ii)	United Bank Limited (UBL)	7.1.1	228,572	457,143
iii)	Bank Alfalah Limited (BAFL)	7.1.1	31,250	156,250
iv)	Standard Chartered Bank (Pakistan) Limited (SCB)	7.1.1	150,000	250,000
v)	National Bank of Pakistan (NBP - 1)	7.1.1	100,000	200,000
vi)	Silk Bank Limited (SB - 1)	7.1.1	30,000	60,000
vii)	Silk Bank Limited (SB - 2)	7.1.1	30,000	60,000
viii)	National Bank of Pakistan (NBP - 2)	7.1.1	333,333	416,667
ix)	Faysal Bank Limited (FBL)	7.1.1	240,000	320,000
x)	Bank Islami Limited (BIL)	7.1.1	93,750	156,250
xi)	Al-Baraka Islamic Bank Limited (AIBL)	7.1.1	175,000	225,000
xii)	Dubai Islamic Bank (DIB)	7.1.1	210,000	270,000
xiii)	Meezan Bank Limited (MBL - 1)	7.1.1	187,500	312,500
xiv)	MCB Bank Limited (MCB)	7.1.1	210,000	270,000
xv)	Habib Bank Limited (HBL - 2)	7.1.1	200,000	300,000
xvi)	Habib Bank Limited (HBL - 3)	7.1.1	100,000	500,000
xvii)	Meezan Bank Limited (MBL - 2)	7.1.1	1,000,000	1,000,000
xviii)	Bank of Punjab (BOP)	7.1.1	500,000	500,000
xix)	Allied Bank Limited (ABL)	7.1.1	500,000	-
			4,319,405	5,578,810
	Less: Current portion shown under current liabilities		1,615,655	1,759,405
			2,703,750	3,819,405

Notes to the Financial Statements

for the year ended December 31, 2011

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	-	Paid on November 30, 2011
ii)	UBL	6 months' KIBOR+1.50	2 half yearly	August 30, 2012
iii)	BAFL	6 months' KIBOR+1.50	1 quarterly	March 20, 2012
iv)	SCB	6 months' KIBOR+1.30	3 half yearly	March 29, 2013
v)	NBP - 1	6 months' KIBOR+1.40	2 half yearly	August 30, 2012
vi)	SB - 1	6 months' KIBOR+1.50	2 half yearly	September 27, 2012
vii)	SB - 2	6 months' KIBOR+1.50	2 half yearly	December 28, 2012
viii)	NBP - 2	6 months' KIBOR+1.00	8 half yearly	September 17, 2015
ix)	FBL	6 months' KIBOR+1.00	6 half yearly	September 26, 2014
x)	HBL-2	6 months' KIBOR+1.00	4 half yearly	September 29, 2013
xi)	BIL	6 months' KIBOR+1.00	3 half yearly	June 30, 2013
xii)	AIBL	6 months' KIBOR+1.00	7 half yearly	June 27, 2015
xiii)	DIB	6 months' KIBOR+1.00	7 half yearly	June 30, 2015
xiv)	MBL -1	6 months' KIBOR+0.96	3 half yearly	March 28, 2013
xv)	MCB	6 months' KIBOR+1.00	7 half yearly	June 30, 2015
xvi)	HBL - 3	6 months' KIBOR+0.30	1 periodic	February 28, 2012
xvii)	MBL -2	6 months' KIBOR+0.90	8 half yearly	December 31, 2015
xviii)	BOP	6 months' KIBOR+0.80	8 half yearly	December 31, 2015
xix)	ABL	6 months' KIBOR+0.80	8 half yearly	December 22, 2016

7.1.1 Finances (i) through (xix) have been obtained to meet the debottle-necking, equity investment in associated/ subsidiary company and other capital expenditure requirements of the Company. These finances, except finance (xvi) are secured by an equitable mortgage on the Company's assets and hypothecation of all Company assets including plant, machinery, tools and spares, and all other moveable properties including stocks and book debts, ranking pari passu with each other with 25% margin. Finance (xvi) is secured against lien on Pakistan Investment Bonds (PIBs) having face value of Rs 100 million. Repayment dates of installments for this finance coincide with the maturity dates of PIBs.

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
8.	DEFERRED LIABILITIES			
	Deferred taxation	8.1	3,158,811	3,215,821
	Compensated leave absences	8.2	673,803	590,974
			3,832,614	3,806,795
8.1	DEFERRED TAXATION			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation		3,270,000	3,317,000
	Provision for slow moving spares, doubtful debts, other receivables and investments		(112,000)	(99,000)
	Remeasurement of investment available for sale		811	(2,179)
			3,158,811	3,215,821

8.2 Actuarial valuation has not been carried out as the impact is considered to be immaterial. This balance was previously included in trade and other payables and has been reclassified to deferred liabilities for appropriate presentation.

		Note	2011	2010
			(Rupees '000)	
9.	TRADE AND OTHER PAYABLES			
	Creditors		365,810	116,568
	Accrued liabilities		2,212,668	1,867,199
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		2,124,704	-
	Other liabilities		59,872	26,053
	Sales tax - net		724,310	62,646
	Deposits		180,825	171,047
	Retention money		92,056	71,935
	Advances from customers		4,435,326	5,798,379
	Workers' Welfare Fund		1,060,648	726,397
	Gratuity fund	10	79,053	32,174
	Pension fund	10	133,879	-
	Unclaimed dividend		261,810	150,654
			11,730,961	9,023,052

Notes to the Financial Statements

for the year ended December 31, 2011

10.	RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2011 Total	2010 Total
			(Rupees '000)		
a)	Reconciliation of amounts recognised in the balance sheet is as follow:				
	Present value of defined benefit obligation	1,323,367	1,838,728	3,162,095	2,452,849
	Fair value of plan assets	(973,277)	(1,377,160)	(2,350,437)	(1,940,034)
	Deficit	350,090	461,568	811,658	512,815
	Net actuarial losses not recognised	(271,037)	(327,689)	(598,726)	(480,641)
		79,053	133,879	212,932	32,174
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	1,146,571	1,306,278	2,452,849	2,048,797
	Current service cost	66,477	83,451	149,928	114,015
	Interest cost	156,611	261,486	418,097	260,319
	Benefits paid during the year	(57,897)	(37,852)	(95,749)	(71,999)
	Past service cost	-	52,298	52,298	-
	Actuarial loss	11,605	173,067	184,672	101,717
	Present value of defined benefit obligation at end of the year	1,323,367	1,838,728	3,162,095	2,452,849
c)	The movement in fair value of plan assets is as follows:				
	Fair value of plan assets at beginning of the year	857,578	1,082,456	1,940,034	1,702,951
	Expected return on plan assets	116,764	205,921	322,685	217,955
	Contributions	75,241	109,220	184,461	141,156
	Benefits paid during the year	(57,897)	(37,852)	(95,749)	(71,999)
	Actuarial (loss) / gain	(18,409)	17,415	(994)	(50,029)
	Fair value of plan assets at end of the year	973,277	1,377,160	2,350,437	1,940,034
d)	Plan assets comprise of:				
	Investment in debt securities	51,444	51,444	102,888	95,034
	Investment in equity securities	314,259	492,042	806,301	178,041
	Term Deposit Receipts	455,990	590,085	1,046,075	912,077
	National Investment Trust Units	53,891	94,188	148,079	169,634
	Deposits with banks	37,228	75,807	113,035	431,045
	Mutual Funds	67,105	79,905	147,010	154,844
	Others	(6,640)	(6,311)	(12,951)	(641)
		973,277	1,377,160	2,350,437	1,940,034
e)	Actual return on plan assets	98,355	223,336	321,691	167,926
	Contributions expected to be paid to the plan during the next financial year	133,582	103,580	237,162	231,340

f) The expected return on plan assets is based on the market expectations and depends 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, 2011

		Funded gratuity	Funded pension	2011 Total	2010 Total
			(Rupees '000)		
g)	Movement in liability recognised in the balance sheet:				
	Opening liability	32,174	-	32,174	5,940
	Expense for the year	122,120	243,099	365,219	167,390
	Payments to the fund during the year	(75,241)	(109,220)	(184,461)	(141,156)
	Closing liability	79,053	133,879	212,932	32,174
h)	Amount recognised in the profit and loss account is as follows:				
	Current service cost	66,477	83,451	149,928	114,015
	Interest cost	156,611	261,486	418,097	260,319
	Expected return on plan assets	(116,764)	(205,921)	(322,685)	(217,955)
	Past service cost	-	52,298	52,298	-
	Actuarial losses recognised	15,796	51,785	67,581	11,011
	Total cost for the year	122,120	243,099	365,219	167,390

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:

	2011	2010	2009	2008	2007
			(Rupees '000)		
Present value of defined benefit obligation	1,323,367	1,146,571	953,746	854,834	736,148
Fair value of plan assets	(973,277)	(857,578)	(744,468)	(611,570)	(644,234)
Deficit	350,090	288,993	209,278	243,264	91,914
Experience adjustments					
- on obligations	(11,605)	(60,214)	(4,407)	(28,426)	(34,126)
- on plan assets	(18,409)	(1,572)	28,655	(119,116)	15,663

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

	2011	2010	2009	2008	2007
			(Rupees '000)		
Present value of defined benefit obligation	1,838,728	1,306,278	1,095,051	928,899	816,872
Fair value of plan assets	(1,377,160)	(1,082,456)	(958,483)	(735,717)	(781,717)
Deficit	461,568	223,822	136,568	193,182	35,155
Experience adjustments					
- on obligations	(173,067)	(41,503)	(17,283)	(9,565)	(72,385)
- on plan assets	17,415	(48,457)	63,868	(148,462)	16,750

Notes to the Financial Statements

for the year ended December 31, 2011

		2011		2010	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
k)	Principal actuarial assumptions used in the actuarial valuations are as follows:				
	Discount rate	13%	13%	14%	14%
	Expected rate of salary growth				
	Management	13%	13%	14%	14%
	Non- Management	12%	N/A	13%	N/A
	Expected rate of return on plan assets	13%	13%	14%	14%
	Expected rate of increase in post retirement pension	N/A	7%	N/A	9%

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 115,634 thousand, Rs 90,825 thousand, Rs 222,162 thousand and Rs 143,652 thousand respectively (2010: Rs 84,634 thousand, Rs 79,986 thousand, Rs 70,956 thousand and Rs 112,512 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under Inter Company Services Agreement.

		Note	2011	2010
			(Rupees '000)	
11.	INTEREST AND MARK-UP ACCRUED			
	On long term borrowings		64,434	112,484
	On short term borrowings		15,392	25,484
			79,826	137,968
12.	SHORT TERM BORROWINGS-SECURED			
	From banking companies			
	Short term running finance	12.1	8,735,650	5,640,420

12.1 Short term running finance

Short term running finance and istisna facilities are available from various banking companies under mark-up/ profit arrangements amounting to Rs 11.54 billion (2010 Rs 11.49 billion) which represent the aggregate of sale prices of all mark-up / profit agreements between the Company and respective banks. The facilities have various maturity dates upto June 30, 2012.

These facilities are secured by first pari passu and ranking hypothecation charges on assets of the Company. Istisna facility of Rs 1.3 billion from an islamic financial institution is secured against lien over Term Deposits. Mark-up rates range between one month KIBOR + 0.1% to 1% and three months' KIBOR + 0.3% per annum (2010: one month KIBOR + 0.1% to 0.8% to three months' KIBOR + 0.50% per annum).

Notes to the Financial Statements

for the year ended December 31, 2011

			2011	2010
			(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, 2011.	101,247	187,685
	b)	Commitments in respect of:		
	i)	Capital expenditure.	2,721,870	1,412,000
	ii)	Purchase of fertilizer, stores, spares and other revenue items.	3,126,910	333,833
	iii)	Investment in FFC Energy Limited. The Company's commitment to the bank is secured against all present and future, movable and fixed assets excluding immovable properties, land and buildings of the Company.	1,236,000	1,163,000
	iv)	Rentals under lease agreements:		
		Premises – not later than one year	80,499	14,689
		– later than one year and not later than:		
		two years	48,841	17,935
		three years	23,894	4,603
		four years	23,733	725
		five years	23,740	791
		Vehicles – not later than one year	31,831	32,311
		– later than one year and not later than:		
		two years	22,035	20,027
		three years	26,644	16,033
		four years	17,892	21,206
		five years	9,856	9,552

Notes to the Financial Statements

for the year ended December 31, 2011

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, 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
Balance as at January 01, 2011	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
Additions during the year	1,580	-	185,190	-	-	1,699,296	62,310	50,734	12,718	36,960	96,766	373	2,928,147	5,074,074
Disposals	-	-	(418)	-	-	(1,502)	(144,652)	(9,836)	(2,246)	(20,388)	(14,134)	(10)	-	(193,186)
Transfers / adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,760,041)	(2,760,041)
Balance as at December 31, 2011	534,811	178,750	3,074,329	42,150	26,517	25,995,365	785,736	427,725	191,927	346,768	1,404,431	18,224	2,735,036	35,761,769
DEPRECIATION														
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
Balance as at January 01, 2011	-	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
Charge for the year	-	14,072	125,064	107	-	711,739	143,483	36,561	15,256	23,363	124,472	1,852	-	1,195,969
Depreciation on disposals	-	-	(221)	-	-	(1,483)	(144,652)	(9,506)	(2,223)	(20,387)	(14,003)	(10)	-	(192,485)
Balance as at December 31, 2011	-	92,527	1,665,602	41,192	26,517	14,839,606	375,630	275,774	95,578	253,763	1,028,280	16,349	-	18,710,818
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
- as at December 31, 2011	534,811	86,223	1,408,727	958	-	11,155,759	410,106	151,951	96,349	93,005	376,151	1,875	2,735,036	17,050,951
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, 2011

		Note	2011	2010
			(Rupees '000)	
14.1	Depreciation charge has been allocated as follows:			
	Cost of sales	28	1,172,751	1,177,038
	Distribution cost	29	16,927	17,364
	Charged to FFBL under Inter Company Services Agreement		6,291	7,963
			1,195,969	1,202,365

14.2 Details of property, plant and equipment disposed off:

Description	Method of disposal	Cost	Book value	Sale proceeds
		(Rupees '000)		
Building	Write-off	250	142	-
Submersible drainage pump	Write-off	168	55	-
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		192,768	504	14,123
2011		193,186	701	14,123
2010		365,273	171,406	82,379

		2011	2010
		(Rupees '000)	
14.3	Capital Work in Progress		
	Civil works including mobilisation advance	1,289,382	996,493
	Plant and machinery including advances to suppliers	1,178,226	1,380,239
	Intangible assets under development	267,428	190,198
		2,735,036	2,566,930

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 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using 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, 2011

	Note	2011	2010
		(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	1,450,000	650,000
Investments available for sale	16.5		
Certificates of Investment		108,961	94,556
Pakistan Investment Bonds		162,043	493,775
Term Finance Certificates		123,712	130,093
		394,716	718,424
		8,802,971	8,326,679
Less: Current portion shown under short term investments	25		
Investments available for sale			
Certificates of Investment		22,507	43,086
Pakistan Investment Bonds		104,706	396,929
Term Finance Certificates		16,685	16,637
		143,898	456,652
		8,659,073	7,870,027

16.1 Investment in associate – at cost

Investment in associate represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% of FCCL share capital as at December 31, 2011. Market value of the Company's investment as at December 31, 2011 was Rs 309,375 thousand (December 31, 2010 was Rs 470,625 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. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 3% 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 Investment in FFBL – at cost

Investment in FFBL represents 475,233 thousand fully paid ordinary shares of Rs 10 each representing 50.88% of FFBL's share capital as at December 31, 2011. Market value of the Company's investment as at December 31, 2011 was Rs 20,165,069 thousand (2010: Rs 16,980,075 thousand).

Notes to the Financial Statements

for the year ended December 31, 2011

16.4 Investment in FFCEL - at cost

16.4.1 Investment in FFCEL represents 145,000 thousand fully paid shares of Rs 10 each. 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. Under the terms of project financing agreements with the lender, the Company is committed to contribute further amounts aggregating upto Rs 1,558,500 thousand in the event of cost over-runs during the construction phase of the project of FFCEL. The Company currently holds 100% shareholding interest in FFCEL, out of which 70,000 shares amounting to Rs 700 thousand are held in the name of seven nominee directors of the Company in FFCEL. As at December 31, 2011, 58,650 thousand shares of FFCEL are pledged as security under project financing agreements.

16.4.2 All present and future movable and fixed assets excluding immovable properties, land and buildings of the Company are secured against guarantees given by the banks in favour of National Transmission and Despatch Company amounting to USD 1,732,500 on behalf of 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 (2010: 8.1% to 14.18% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 3, 5, 7 and 10 years tenure were purchased and are due to mature within a period of 4 years. Profit is receivable on half yearly basis with coupon rates ranging from 8% to 11.75% per annum (2010: 11% to 14% per annum). These PIBs have face value of Rs 164 million and PIBs with face value of Rs 100 million are under lien of a bank against loan for capital expenditure requirements.

Term Finance Certificates (TFCs)

These include 4,992 & 20,000 certificates of Rs 5,000 each of Pakistan Mobile Communications Limited and Engro Chemicals Pakistan Limited respectively. Profit is receivable on half yearly basis at the rate of six months' KIBOR + 2.85% and 1.55% per annum respectively.

	Note	2011	2010
		(Rupees '000)	
17. LONG TERM LOANS AND ADVANCES – SECURED			
Loans and advances – considered good, to:			
Executives		625,590	534,782
Other employees		199,709	147,954
		825,299	682,736
Less: Amount due within twelve months, shown under current loans and advances	22	219,416	227,408
		605,883	455,328

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

	Opening balance as at January 01, 2011	Disbursements	Repayments	Closing balance as at December 31, 2011
		(Rupees '000)		
Executives	534,782	251,093	160,285	625,590
Other employees	147,954	114,658	62,903	199,709
2011	682,736	365,751	223,188	825,299
2010	417,065	423,474	157,803	682,736

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

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 625,590 thousand (2010: Rs 534,782 thousand).

Notes to the Financial Statements

for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
18.	LONG TERM DEPOSITS AND PREPAYMENTS			
	Deposits		8,149	7,538
	Prepayments		1,221	1,499
			9,370	9,037
19.	STORES, SPARES AND LOOSE TOOLS			
	Stores		140,566	151,569
	Spares		2,467,085	2,438,472
	Provision for slow moving items		(273,970)	(237,198)
			2,193,115	2,201,274
	Loose tools		279	279
	Items in transit		113,492	87,079
			2,447,452	2,440,201
20.	STOCK IN TRADE			
	Raw materials		81,038	78,036
	Work in process		17,522	28,075
	Finished goods - manufactured urea		7,538	105,609
	- purchased fertilizer		144,090	–
	Stocks in transit		386,735	–
			636,923	211,720
21.	TRADE DEBTS			
	Considered good:			
	Secured		86,640	346,773
	Unsecured	21.1	29	11,183
			86,669	357,956
	Considered doubtful		1,758	1,758
			88,427	359,714
	Provision for doubtful debts		(1,758)	(1,758)
			86,669	357,956

21.1 This represents amounts due from Fauji Foundation, an associated undertaking.

		Note	2011	2010
			(Rupees '000)	
22.	LOANS AND ADVANCES			
	Loans and advances – unsecured, considered good			
	– Executives		106,420	36,005
	– Others		21,648	14,562
	Advances to suppliers – considered good		84,098	58,294
	Current portion of long term loans and advances	17	219,416	227,408
			431,582	336,269

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011 (Rupees '000)	2010
23.	DEPOSITS AND PREPAYMENTS			
	Deposits		3,786	1,224
	Prepayments		50,066	48,964
			53,852	50,188
24.	OTHER RECEIVABLES			
	Accrued income on investments and bank deposits		277,680	55,866
	Sales tax receivable		42,486	42,486
	Advance tax	24.1	322,368	322,368
	Receivable from Workers' Profit Participation Fund – unsecured	24.2	39,304	11,021
	Receivable from FFC Energy Limited			
	(a wholly owned company) – unsecured		18,256	25,553
	Other receivables – considered good		191,579	160,370
	– considered doubtful		2,232	2,232
			193,811	162,602
	Provision for doubtful receivables		(2,232)	(2,232)
			191,579	160,370
			891,673	617,664

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	2011 (Rupees '000)	2010
24.2	Workers' Profit Participation Fund			
	Balance at beginning of the year		11,021	51,058
	Allocation for the year		(1,780,493)	(865,103)
	Adjustment for prior years	24.2.1	–	199,097
	Receipt from fund during the year		(16,224)	(49,031)
	Payment to fund during the year		1,825,000	675,000
			39,304	11,021

24.2.1 This 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, 2011

		Note	2011 (Rupees '000)	2010 (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 (2010: Rs 9,750 thousand)		18,675,000	9,800,000
	Foreign currency		1,028,608	1,074,621
			19,703,608	10,874,621
	Investments at fair value through profit or loss – Held for trading			
	Meezan Balanced Fund		91,000	75,000
	National Investment Trust		467,511	567,150
	Crosby Phoenix Fund / AMZ Plus Income Fund			
	(Net of provision for doubtful recovery			
	Rs 33,253 thousand (2010: Rs 33,253 thousand)		56,524	47,158
	GoP Market Treasury Bills		1,331,939	–
	Current maturity of long term investments			
	Available for sale	16	143,898	456,652
			21,794,480	12,020,581

25.1 These represent investments having maturities ranging between 1 to 12 months and are being carried at cost as management expects there would be insignificant difference in the rate of returns on comparative investments. Term Deposits amounting to Rs1,450,000 thousand (2010: Rs Nil) are under lien of an islamic financial institution in respect of Istisna facility availed.

		2011 (Rupees '000)	2010 (Rupees '000)
26.	CASH AND BANK BALANCES		
	At banks		
	Deposit accounts		
	Local currency	1,206,093	1,146,614
	Foreign currency	85,232	20,720
		1,291,325	1,167,334
	Drafts in hand and in transit	–	20,021
	Cash in hand	2,449	1,708
		1,293,774	1,189,063

Balances with banks include Rs 180,825 thousand (2010: Rs 171,047 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 17,192 thousand (2010: Rs 17,192 thousand) under lien of a bank, against a guarantee issued on behalf of the Company.

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27. SALES

Sales include Rs 668,787 thousand (2010: Rs 4,503,757 thousand) in respect of sale of purchased fertilizers and are exclusive of trade allowances and sales tax of Rs Nil and Rs 7,431,849 thousand respectively (2010: Rs 1,053,250 thousand and Rs Nil respectively).

		Note	2011	2010
			(Rupees '000)	
28.	COST OF SALES			
	Raw materials consumed		6,931,091	8,018,574
	Fuel and power		5,209,357	6,139,858
	Chemicals and supplies		275,262	280,434
	Salaries, wages and benefits		3,715,936	3,043,287
	Training and employees welfare		505,877	467,625
	Rent, rates and taxes	28.1	30,351	23,358
	Insurance		171,097	151,477
	Travel and conveyance	28.1	399,316	237,364
	Repairs and maintenance (includes stores and spares consumed of Rs 626,314 thousand; (2010: Rs 640,622 thousand)	28.2	1,002,439	953,134
	Depreciation	14.1	1,172,751	1,177,038
	Communication and other expenses		890,597	1,131,485
	Opening stock - work in process		28,075	37,186
	Closing stock - work in process		(17,522)	(28,075)
	Cost of goods manufactured		20,314,627	21,632,745
	Opening stock of manufactured urea		105,609	73,353
	Closing stock of manufactured urea		(7,538)	(105,609)
			98,071	(32,256)
	Cost of sales - manufactured urea		20,412,698	21,600,489
	Opening stock of purchased fertilizers		-	-
	Purchase of fertilizers for resale	28.3	603,151	3,709,917
			603,151	3,709,917
	Closing stock of purchased fertilizers		(144,090)	-
	Cost of sales - purchased fertilizers		459,061	3,709,917
			20,871,759	25,310,406

28.1 These include operating lease rentals amounting to Rs 48,967 thousand (2010: Rs 58,472 thousand).

28.2 This includes provision for slow moving spares amounting to Rs 36,772 thousand (2010: Rs 32,958 thousand).

28.3 Cost of purchased fertilizer is net of subsidy of Rs Nil per bag (2010: Rs 500 per bag) on potassic and phosphatic fertilizers as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan.

Notes to the Financial Statements

for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
29.	**DISTRIBUTION COST**			
	Product transportation		2,838,703	2,634,184
	Salaries, wages and benefits		1,003,151	849,182
	Training and employees welfare		52,516	43,899
	Rent, rates and taxes	29.1	78,334	64,175
	Technical services to farmers		8,556	7,786
	Travel and conveyance	29.1	148,355	84,581
	Sale promotion and advertising		52,633	39,427
	Communication and other expenses		137,872	149,093
	Warehousing expenses		35,104	54,782
	Depreciation	14.1	16,927	17,364
			4,372,151	3,944,473

29.1 These include operating lease rentals amounting to Rs 82,698 thousand (2010: Rs 65,147 thousand).

		2011	2010
		(Rupees '000)	
30.	**FINANCE COST**		
	Mark–up on long term borrowings	704,652	778,447
	Mark–up on short term borrowings	60,962	301,000
	Bank and other charges	20,211	7,294
		785,825	1,086,741
31.	**OTHER EXPENSES**		
	Research and development	208,692	286,586
	Workers' Profit Participation Fund	1,780,493	865,103
	Adjustment in WPPF relating to prior year charge	–	(199,097)
	Workers' Welfare Fund	663,321	326,197
	Loss on disposal of property, plant and equipment	–	89,027
	Auditors' remuneration		
	Audit fee	1,360	1,234
	Fee for half yearly review, audit of consolidated accounts and certifications for Government and related agencies	915	6,850
	Out of pocket expenses	100	100
		2,654,881	1,376,000

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		2011	2010
		(Rupees '000)	
32.	OTHER INCOME		
	Income from financial assets		
	Income on loans, deposits and investments	1,702,517	509,281
	(Loss) / gain on remeasurement of investments - Held for trading	(42,373)	19,138
	Dividend income	89,702	56,743
	Impairment on investment - Held for trading	–	(33,253)
	Exchange gain	49,224	19,506
	Income from subsidiary		
	Commission on sale of FFBL products	21,911	23,626
	Dividend from FFBL	4,752,330	2,518,735
	Income from non-financial assets		
	Gain on disposal of property, plant and equipment	13,422	–
	Other income		
	Scrap sales	37,992	16,133
	Others	4,776	23,201
		6,629,501	3,153,110
33.	PROVISION FOR TAXATION		
	Current	10,734,000	5,098,000
	Deferred	(60,000)	183,000
		10,674,000	5,281,000
33.1	Reconciliation of tax charge for the year		
	Profit before taxation	33,166,053	16,309,849
		%	%
	Applicable tax rate	35.00	35.00
	Add: Tax effect of amounts that are not deductible for tax purposes	–	1.75
	Tax effect of additional surcharge	1.36	–
	Less: Tax effect of amounts taxed at lower rates	(3.65)	(3.95)
	Tax effect of permanent differences	(0.53)	(0.42)
	Average effective tax rate charged on income	32.18	32.38

33.2 During the year, the Company revised its income tax returns relating to tax years 2009 and 2010 under the provisions of the Income Tax Ordinance, 2001.

Notes to the Financial Statements

for the year ended December 31, 2011

	2011	2010 (Restated)
34. EARNINGS PER SHARE		
Net profit after tax (Rupees '000)	22,492,053	11,028,849
Weighted average number of shares in issue during the year ('000)	848,159	848,159
Basic and diluted earnings per share (Rupees)	26.52	13.00

There is no dilutive effect on the basic earnings per share of the Company. Number of shares in issue and earnings per share for the year ended December 31, 2010 have been restated by taking into effect, the bonus shares issued during the period @ 25%.

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:

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	5,695	914,732	5,355	775,315
Contribution to provident fund	374	57,480	340	48,736
Bonus and other awards	6,670	992,194	5,176	867,284
Others including gratuity	3,490	650,440	3,305	581,650
Total	16,229	2,614,846	14,176	2,272,985
No. of person(s)	1	472	1	412

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 (2010: Rs Nil) and Rs 5,031 thousand (2010 Rs 5,451 thousand) were paid to the chief executive and executives respectively on separation, in accordance with the Company's policy.

In addition, 14 (2010: 15) directors were paid aggregate fee of Rs 1,700 thousand (2010: Rs 1,670 thousand).

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for the year ended December 31, 2011

		2011	2010
		(Rupees '000)	
36.	CASH GENERATED FROM OPERATIONS		
	Net profit before taxation	33,166,053	16,309,849
	Adjustments for:		
	Depreciation	1,189,678	1,194,402
	Provision for slow moving spares	36,772	32,958
	Provision for gratuity	115,634	84,634
	Provision for pension	222,162	70,956
	Provision for Worker's Profit Participation Fund	1,780,493	865,103
	Provision for Worker's Welfare Fund	663,321	326,197
	Finance cost	785,825	1,086,741
	Income on loans, deposits and investments	(1,702,517)	(509,281)
	(Gain) / loss on sale of property, plant and equipment	(13,422)	89,027
	Exchange gain - net	(49,224)	(19,506)
	Impairment in held for trading investments	-	33,253
	Adjustment in WPPF relating to prior year charge	-	(199,097)
	Loss / (gain) on re-measurement of investments - Held for trading	42,373	(19,138)
	Dividend income	(4,842,032)	(2,575,478)
		(1,770,937)	460,771
		31,395,116	16,770,620
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	(44,023)	523,474
	Stock in trade	(425,203)	(67,633)
	Trade debts	271,287	(101,070)
	Loans and advances	(95,313)	(206,050)
	Deposits and prepayments	(3,664)	(12,535)
	Other receivables	(23,912)	103,924
	Increase / (decrease) in current liabilities:		
	Trade and other payables	2,115,458	3,420,462
		1,794,630	3,660,572
	Changes in long term loans and advances	(150,555)	(117,787)
	Changes in long term deposits and prepayments	(333)	(2,732)
	Changes in deferred liabilities	82,829	70,465
		33,121,687	20,381,138
36.1	Cash flows from operating activities (direct method)		
	Cash receipts from customers - net	54,129,431	49,136,896
	Cash paid to suppliers / service providers and employees - net	(21,007,744)	(28,755,758)
	Payment to gratuity fund	(75,241)	(63,710)
	Payment to pension fund	(109,220)	(77,446)
	Payment to Workers' Welfare Fund	(329,070)	(261,143)
	Payment to Workers' Profit Participation Fund - net	(1,808,776)	(625,969)
	Finance cost paid	(843,967)	(1,096,102)
	Income tax paid	(10,398,028)	(3,488,331)
		19,557,385	14,768,437

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for the year ended December 31, 2011

		2011	2010
		(Rupees '000)	
37.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	1,293,774	1,189,063
	Short term running finance	(8,735,650)	(5,640,420)
	Short term highly liquid investments	17,405,123	10,874,621
		9,963,247	6,423,264

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:

	2011	2010
	(Rupees '000)	
Long term investments	250,818	261,772
Loans and advances	953,367	733,303
Deposits	11,935	8,762
Trade debts - net of provision	86,669	357,956
Other receivables - net of provision	526,819	252,810
Short term investments - net of provision	21,794,480	12,020,581
Bank balances	1,291,325	1,187,355
	24,915,413	14,822,539

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 6,000,000 thousand (2010: Rs 2,700,000 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.

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Impairment losses

The aging of trade debts at the reporting date was:

	2011		2010	
	Gross	Impairment	Gross	Impairment
	(Rupees '000)			
Not yet due	77,356	-	11,183	-
Past due 1-30 days	8,558	-	158,250	-
Past due 31-60 days	755	-	51,744	-
Past due 61-90 days	-	-	63,099	-
Over 90 days	1,758	1,758	75,438	1,758
	88,427	1,758	359,714	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 (2010: Rs 9,750 thousand and Rs 33,253 thousand) 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:

2011	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	4,319,405	5,481,390	1,164,153	983,458	1,412,026	1,921,753	-
Trade and other payables	5,512,778	5,512,778	5,512,778	-	-	-	-
Short term borrowings	8,735,650	8,751,042	8,751,042	-	-	-	-
	18,567,833	19,745,210	15,427,973	983,458	1,412,026	1,921,753	-

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	3,162,027	3,162,027	3,162,027	-	-	-	-
Short term borrowings	5,640,420	5,665,904	5,665,904	-	-	-	-
	14,381,257	16,331,835	10,033,788	1,388,399	2,160,142	2,749,506	-

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

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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 risk, currency risk and market price risk.

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:

	2011			2010		
	(Rupees '000)	(US Dollar '000)	(Euro '000)	(Rupees '000)	(US Dollar '000)	(Euro '000)
Bank balance	85,232	95	662	20,720	242	-
Investments (Term Deposit Receipts)	1,028,608	11,480	-	1,074,621	12,538	-

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2011	2010	2011	2010
US Dollars	85.66	85.92	89.60	85.71
Euro	119.24	-	115.96	-

Sensitivity analysis

A 10% strengthening of the functional currency against USD and EURO at December 31 would have decreased profit and loss by Rs 111,384 thousand (2010: 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	
	2011	2010
	(Rupees '000)	
Fixed rate instruments		
Financial assets	23,423,175	13,313,022
Variable rate instruments		
Financial assets	123,712	130,093
Financial liabilities	13,055,055	11,219,230

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to variations in profit and loss on its fixed rate financial instruments.

Notes to the Financial Statements

for the year ended December 31, 2011

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 2010.

	Profit or loss 100 basis points increase	Profit or loss 100 basis points decrease
	(Rupees '000)	
December 31, 2011		
Cash flow sensitivity – Variable rate instruments	(52,153)	52,153
	(52,153)	52,153
December 31, 2010		
Cash flow sensitivity – Variable rate instruments	(81,364)	81,364
	(81,364)	81,364

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 2,290 thousand after tax (2010: Rs 4,712 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as held for trading, the impact on profit or loss would have been an increase or decrease by Rs 6,522 thousand after tax (2010: Rs 28,771 thousand). The analysis is performed on the same basis for 2010 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, 2011 Carrying amount	December 31, 2011 Fair value	December 31, 2010 Carrying amount	December 31, 2010 Fair value
		(Rupees '000)			
Assets carried at amortised cost					
Loans and advances	17 & 22	953,367	953,367	733,303	733,303
Deposits	18 & 23	11,935	11,935	8,762	8,762
Trade debts - net of provision	21	86,669	86,669	357,956	357,956
Other receivables	24	526,819	526,819	252,810	252,810
Cash and bank balances	26	1,293,774	1,293,774	1,189,063	1,189,063
		2,872,564	2,872,564	2,541,894	2,541,894
Assets carried at fair value					
Long term investments	16	250,818	250,818	261,772	261,772
Short term investments	25	21,794,480	21,794,480	12,020,581	12,020,581
		22,045,298	22,045,298	12,282,353	12,282,353
Liabilities carried at amortised cost					
Long term borrowings	7	4,319,405	4,319,405	5,578,810	5,578,810
Trade and other payables	9	5,512,778	5,512,778	3,162,027	3,162,027
Mark-up accrued	11	79,826	79,826	137,968	137,968
Short term borrowings	12	8,735,650	8,735,650	5,640,420	5,640,420
		18,647,659	18,647,659	14,519,225	14,519,225

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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 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, 2011			
Assets carried at fair value			
Available for sale investments	123,712	19,974,612	–
Investments - Held for trading	615,035	1,331,939	–
	738,747	21,306,551	–
December 31, 2010			
Assets carried at fair value			
Available for sale investments	130,093	11,462,952	–
Investments - Held for trading	689,308	–	–
	819,401	11,462,952	–

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.

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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 equity, 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. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Fauji Foundation holds 44.35% (2010: 44.35%) shares of the Company at the year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. 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.

	2011	2010
	(Rupees '000)	
Transactions with subsidiary companies		
Marketing of fertilizer on behalf of subsidiary company under sale on consignment basis	617,876	601,278
Commission on sale of subsidiary company's products	21,911	23,626
Services and materials provided	36,944	80,370
Services and materials received	1,104	870
Dividend income	4,752,330	2,518,735
Balance payable at the year end - unsecured	2,124,704	-
Balance receivable at the year end - unsecured	18,256	-
Long term investment	800,000	650,000
Company's assets are secured against guarantees given by the banks on behalf of FFCEL, refer note 16.4.2.		
Transactions with associated undertaking / companies due to common directorship		
Sale of fertilizer	-	1,298
Medical services	72	189
Office rent	4,166	3,809
Dividend paid	6,601,581	4,739,597
Purchase of gas as feed and fuel stock	10,741,818	12,832,710
Others (including donations)	109,786	121,978
Balance receivable at the year end - unsecured (included in note 24)	3,307	2,772
Balance payable at the year end - unsecured	-	550,892
Other related parties		
Payments to:		
Employees' Provident Fund Trust	235,829	209,911
Employees' Gratuity Fund Trust	75,241	63,710
Employees' Pension Fund Trust	109,220	77,446
Others:		
Transactions with Workers' Profit Participation Fund (WPPF)	28,283	40,037
Balances payable at the year-end	1,273,580	758,571
Balances receivable at the year-end, unsecured	39,304	11,021
Remuneration of key management personnel	17,929	15,846

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for the year ended December 31, 2011

40. POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on January 30, 2012 has proposed a final dividend of Rs 5.25 per share, bonus shares of 0.50 per share and a movement from unappropriated profit to general reserve of Rs 4,200 million.

41. GENERAL

	2011	2010
41.1 Production capacity	(Tonnes '000)	
Design capacity	2,048	2,048
Production	2,396	2,485

41.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 2,231,232 thousand and Rs 13,550,000 thousand (2010: Rs 40,000 thousand and Rs 14,490,000 thousand) respectively are available to the Company against lien on shipping / title documents and charge on assets of the Company alongwith Corporate Guarantee of the Company in a particular case.

41.3 Donations aggregating Rs 178,151 thousand i.e, 0.79% of net profit after tax (2010: Rs 197,893 thousand i.e, 1.80% of net profit), included under cost of sales and distribution cost. Donations include Rs 70,000 thousand (2010: Rs 89,938 thousand) paid to the projects of Fauji Foundation, Fauji Towers Tipu Road Rawalpindi (associated undertaking). The following directors' interest in the projects of Fauji Foundation is limited to the extent of their involvement in Fauji Foundation as management personnel:

2011	2010
Lt Gen Muhammad Mustafa Khan, HI(M) (Retd)	Lt Gen Hamid Rab Nawaz, HI(M) (Retd)
Mr. Qaiser Javed	Mr. Qaiser Javed
Dr. Nadeem Inayat	Dr. Nadeem Inayat
Maj Gen Zahid Parvez, HI (M) (Retd)	Maj Gen Zahid Parvez, HI (M) (Retd)
Brig Agha Ali Hassan, SI (M) (Retd)	Brig Agha Ali Hassan, SI (M) (Retd)
Brig Dr Gulfam Alam, SI (M) (Retd)	Brig Rahat Khan, (Retd)

41.4 These financial statements have been authorised for issue by the Board of Directors of the Company on January 30, 2012.

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 of Fauji Fertilizer Company Limited ("the Company") comprising consolidated balance sheet as at December 31, 2011, 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, 2011, 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 30, 2012

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

Consolidated Balance Sheet

as at December 31, 2011

	Note	2011	2010
		(Rupees '000)	
EQUITY AND LIABILITIES			
ATTRIBUTABLE TO EQUITY HOLDERS			
OF FAUJI FERTILIZER COMPANY LIMITED			
Share capital	4	8,481,588	6,785,271
Capital reserves	5	972,682	973,083
Revenue reserves	6	16,308,762	9,522,587
		25,763,032	17,280,941
NON - CONTROLLING INTEREST		6,688,550	5,988,208
TOTAL EQUITY		32,451,582	23,269,149
NON - CURRENT LIABILITIES			
Long term borrowings	7	10,080,890	7,708,608
Deferred liabilities	8	7,504,401	7,671,871
		17,585,291	15,380,479
CURRENT LIABILITIES			
Trade and other payables	9	20,956,921	17,481,446
Interest and mark-up accrued	11	496,159	294,063
Short term borrowings	12	16,211,794	11,293,144
Current portion of long term:			
- Borrowings	7	1,615,655	1,967,877
- Murabaha	7.2	-	19,338
- Loans	7.3	648,201	648,201
Taxation - net		4,425,068	3,663,165
		44,353,798	35,367,234
		94,390,671	74,016,862
CONTINGENCIES AND COMMITMENTS	13		

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

	Note	2011	2010
		(Rupees '000)	
ASSETS			
NON – CURRENT ASSETS			
Property, plant and equipment	14	37,161,882	30,971,029
Intangible asset	14	46,399	74,060
Goodwill	15	1,569,234	1,569,234
Equity accounted investments	16.1	5,503,123	4,859,358
Other long term investments	16.2	250,818	261,772
Long term loans and advances	17	605,883	455,328
Long term deposits and prepayments	18	90,487	97,351
		45,227,826	38,288,132
CURRENT ASSETS			
Stores, spares and loose tools	19	4,353,190	4,235,495
Stock in trade	20	4,043,916	1,482,387
Trade debts	21	733,185	1,187,941
Loans and advances	22	872,320	557,575
Deposits and prepayments	23	67,009	64,170
Other receivables	24	1,055,982	856,429
Short term investments	25	30,632,717	13,270,581
Cash and bank balances	26	7,404,526	14,074,152
		49,162,845	35,728,730
		94,390,671	74,016,862

Chairman | Chief Executive | Director

Consolidated Profit and Loss Account

for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
Sales	27	111,111,913	88,154,698
Cost of sales	28	56,625,023	55,103,948
GROSS PROFIT		54,486,890	33,050,750
Administrative expenses and distribution cost	29	7,731,516	7,286,329
		46,755,374	25,764,421
Finance cost	30	1,824,471	2,001,355
Other expenses	31	3,831,447	2,086,563
		41,099,456	21,676,503
Other income	32	3,228,875	1,635,389
Share in profit of equity accounted investments	16.1	409,077	193,430
NET PROFIT BEFORE TAXATION		44,737,408	23,505,322
Provision for taxation	33	16,096,233	8,456,139
NET PROFIT AFTER TAXATION		28,641,175	15,049,183
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		23,351,868	11,859,670
Non-controlling interests		5,289,307	3,189,513
		28,641,175	15,049,183

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, 2011

	2011	2011
	(Rupees '000)	
Net profit after taxation	28,641,175	15,049,183
Other comprehensive income for the year		
Exchange difference on translating foreign investment	(597)	(20,301)
Surplus / (deficit) on remeasurement of investments available for sale to fair value	18,802	(15,460)
	18,205	(35,761)
Income tax relating to component of other comprehensive income	(2,990)	2,936
Other comprehensive income for the year - net of tax	15,215	(32,825)
Total comprehensive income for the year	28,656,390	15,016,358
ATTRIBUTABLE TO:		
Equity holders of Fauji Fertilizer Company Limited	23,367,279	11,833,494
Non-controlling interests	5,289,111	3,182,864
	28,656,390	15,016,358

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, 2011

	Note	2011	2010
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	49,367,836	33,563,894
Finance cost paid		(1,413,481)	(1,943,386)
Income tax paid		(15,645,446)	(7,748,746)
Payment to pension fund		(109,220)	(77,446)
Compensated absences paid		(110,263)	(112,774)
Payment to gratuity fund		(121,523)	(90,930)
Payment to Workers' Welfare Fund		(329,070)	(390,686)
Payment to Workers' Profit Participation Fund - net		(2,729,781)	(1,129,518)
		(20,458,784)	(11,493,486)
Net cash generated from operating activities		28,909,052	22,070,408
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(8,702,512)	(4,188,198)
Proceeds from sale of property, plant and equipment		20,169	91,696
Dividend received		1,003,657	205,452
Interest received		1,931,355	1,068,578
(Increase) / decrease in investments		(11,093,762)	2,387,250
Net cash used in investing activities		(16,841,093)	(435,222)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		4,636,138	1,500,000
- repayments		(2,616,078)	(3,364,549)
Long term murabaha - repayments		(19,338)	(38,679)
Short term borrowings - net		2,168,762	1,626,238
Dividends paid		(19,150,348)	(13,258,877)
Net cash used in financing activities		(14,980,864)	(13,535,867)
Net (decrease)/ increase in cash and cash equivalents		(2,912,905)	8,099,319
Cash and cash equivalents at beginning of the year		19,131,867	11,013,641
Effect of exchange rate changes		23,893	18,907
Cash and cash equivalents at end of the year	35	16,242,855	19,131,867

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, 2011

	Attributable to equity holders of Fauji Fertilizer Company Limited								
		Capital reserves			Revenue reserves				
	Share capital	Capital reserve	Translation reserve	Statutory reserve	Surplus/(deficit) on remeasurement of available for sale investments to fair value	General reserve	Unappropriated profit	Non-controlling Interests	Total
	(Rupees '000)								
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 - net of tax	-	-	(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)
Dividends 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
Balance at January 01, 2011	6,785,271	276,184	690,463	6,436	(5,554)	4,239,471	5,288,670	5,988,208	23,269,149
Transfer to general reserve	-	-	-	-	-	3,000,000	(3,000,000)	-	-
Total comprehensive income for the year									
Profit for the year after taxation	-	-	-	-	-	-	23,351,868	5,289,307	28,641,175
Other comprehensive income - net of tax	-	-	(401)	-	15,812	-	-	(196)	15,215
Total comprehensive income for the year - net of tax	-	-	(401)	-	15,812	-	23,351,868	5,289,111	28,656,390
Distribution to owners									
FFC dividends:									
Issue of bonus shares	1,696,317	-	-	-	-	(1,696,317)	-	-	-
Final dividend 2010: Rs 3.50 per share	-	-	-	-	-	-	(2,374,845)	-	(2,374,845)
First interim dividend 2011: Rs 4.50 per share	-	-	-	-	-	-	(3,816,715)	-	(3,816,715)
Second interim dividend 2011: Rs 4.75 per share	-	-	-	-	-	-	(4,028,754)	-	(4,028,754)
Third interim dividend 2011: Rs 5.50 per share	-	-	-	-	-	-	(4,664,874)	-	(4,664,874)
Dividends by FFBL to non-controlling interest holders:									
Final dividend 2010: Rs 3.50 per share	-	-	-	-	-	-	-	(1,606,069)	(1,606,069)
First interim dividend 2011: Rs 1.25 per share	-	-	-	-	-	-	-	(573,596)	(573,596)
Second interim dividend 2011: Rs 2.25 per share	-	-	-	-	-	-	-	(1,032,473)	(1,032,473)
Third interim dividend 2011: Rs 3.00 per share	-	-	-	-	-	-	-	(1,376,631)	(1,376,631)
Total transactions with owners	1,696,317	-	-	-	-	(1,696,317)	(14,885,188)	(4,588,769)	(19,473,957)
Balance at December 31, 2011	8,481,588	276,184	690,062	6,436	10,258	5,543,154	10,755,350	6,688,550	32,451,582

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, 2011

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.

FFC Energy Limited (FFCEL) (subsidiary) is a public limited company. The registered office of FFCEL is situated in Rawalpindi. FFCEL is currently setting up a 49.5 MW wind power energy project at Jhampir, Distt Thatta, Sindh.

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 and pension which is carried at present value of defined benefit obligation net of fair value of plan assets and unrecognised actuarial losses.

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, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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 (2010: 50.88%) in FFBL. In FFCEL, FFC currently holds 100% shareholding interest ("the Group companies / FFC, FFBL and FFCEL").

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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 investment held by the parent company is eliminated against parent company's share 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.

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.

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 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.

Contributory Provident Fund

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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.

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 when the asset becomes available for use upto its 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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 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.

Intangible assets

Intangibles other than goodwill are stated at the cash price equivalent of the consideration given, i.e., cash and cash equivalent paid less accumulated amortization and impairment loss, if any. Intangibles with finite useful lives are amortised over the period of their useful lives. Amortisation is charged on a straight line basis over the estimated useful life and is included in the profit and loss account.

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.

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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

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 items.

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 realizable 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 currencies are recorded in the books at the rates of exchange ruling on the date of the transaction. Assets and liabilities in foreign currencies at the year end are translated into rupees at the rates prevailing on the balance sheet date. Exchange differences are included in the income 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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 their amortixed cost less subsequent repayments.

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

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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

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 amortised cost which approximates 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 amortised 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 will be effective for accounting periods beginning on or after January 01, 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 - Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Group.

Notes to the Consolidated Financial Statements
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- IAS 27 - Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Group.

- IAS 28 - Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Group.

- IAS 19 - Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Group does not plan to adopt this change early and the extent of the impact has not been determined.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Group.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Group.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

			2011	2010
			(Rupees '000)	

4. SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Numbers December 31, 2011	Numbers December 31, 2010		2011 (Rupees '000)	2010 (Rupees '000)
256,495,902	256,495,902	Ordinary shares of Rs 10 each issued for consideration in cash	2,564,959	2,564,959
591,662,929	422,031,163	Ordinary shares of Rs 10 each issued as fully paid bonus shares	5,916,629	4,220,312
848,158,831	678,527,065		8,481,588	6,785,271

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2010: 1,000,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2010: Rs 10,000,000 thousand).

4.1 During the year, the parent Company issued 169,631,766 ordinary shares of Rs 10 each as fully paid bonus shares. Fauji Foundation held 44.35% (2010: 44.35%) ordinary shares of FFC at the year end.

	Note	2011 (Rupees '000)	2010 (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		690,062	690,463
		972,682	973,083

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 on redemption of preference shares of Rs 120,000 thousand in 1996.

	2011 (Rupees '000)	2010 (Rupees '000)
6. REVENUE RESERVES		
Surplus / (deficit) on remeasurement of available for sale investments to fair value - net of tax	10,258	(5,554)
General reserve	5,543,154	4,239,471
Unappropriated profit	10,755,350	5,288,670
	16,308,762	9,522,587

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
7.	LONG TERM BORROWINGS			
	Long term financing - secured	7.1	6,839,888	3,819,405
	Long term loan and			
	deferred Government assistance	7.3	3,241,002	3,889,203
			10,080,890	7,708,608

		Note	2011	2010
7.1	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
ii)	United Bank Limited (UBL)	7.1.1	228,572	457,143
iii)	Bank Al-Falah Limited (BAFL)	7.1.1	31,250	156,250
iv)	Standard Chartered Bank (Pakistan) Limited (SCB)	7.1.1	150,000	250,000
v)	National Bank of Pakistan (NBP - 1)	7.1.1	100,000	200,000
vi)	Silk Bank Limited (SB - 1)	7.1.1	30,000	60,000
vii)	Silk Bank Limited (SB - 2)	7.1.1	30,000	60,000
viii)	National Bank of Pakistan (NBP - 2)	7.1.1	333,333	416,667
ix)	Faysal Bank Limited (FBL)	7.1.1	240,000	320,000
x)	Bank Islami Limited (BIL)	7.1.1	93,750	156,250
xi)	Al-Baraka Islamic Bank Limited (AIBL)	7.1.1	175,000	225,000
xii)	Dubai Islamic Bank (DIB)	7.1.1	210,000	270,000
xiii)	Meezan Bank Limited (MBL - 1)	7.1.1	187,500	312,500
xiv)	MCB Bank Limited (MCB)	7.1.1	210,000	270,000
xv)	Habib Bank Limited (HBL - 2)	7.1.1	200,000	300,000
xvi)	Habib Bank Limited (HBL - 3)	7.1.1	100,000	500,000
xvii)	Meezan Bank Limited (MBL - 2)	7.1.1	1,000,000	-
xviii)	Bank of Punjab (BOP)	7.1.1	500,000	1,000,000
xix)	Allied Bank Limited (ABL)	7.1.1	500,000	500,000
			4,319,405	5,578,810
	Fauji Fertilizer Bin Qasim Limited			
	Loans from banking companies and financial institutions	7.1.2		
i)	Habib Bank Limited (HBL)		-	64,899
ii)	Standard Chartered Bank (Pakistan) Limited (SCB)		-	37,110
iii)	MCB Bank Limited (MCB)		-	63,974
iv)	Askari Bank Limited (AKBL)		-	14,287
v)	Saudi Pak Industrial and Agricultural			
	Investment Company (Private) Limited (SAPICO)		-	5,346
vi)	Pak Kuwait Investment Company (Private) Limited (PKIC)		-	22,856
			-	208,472

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
FFC Energy Limited	7.2		
Loans from banking companies & financial institutions			
Long term financing - secured		4,400,000	-
Less: Transaction cost			
Initial transaction cost		(269,797)	-
Amortised during the year		5,935	-
		4,136,138	-
		8,455,543	5,787,282
Less: Current portion shown under current liabilities		1,615,655	1,967,877
		6,839,888	3,819,405

7.1.1 Terms and conditions of long term finances availed by FFC 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	-	Paid on November 30, 2011
ii)	UBL	6 months' KIBOR+1.50	2 half yearly	August 30, 2012
iii)	BAFL	6 months' KIBOR+1.50	1 quarterly	March 20, 2012
iv)	SCB	6 months' KIBOR+1.30	3 half yearly	March 29, 2013
v)	NBP - 1	6 months' KIBOR+1.40	2 half yearly	August 30, 2012
vi)	SB - 1	6 months' KIBOR+1.50	2 half yearly	September 27, 2012
vii)	SB - 2	6 months' KIBOR+1.50	2 half yearly	December 28, 2012
viii)	NBP - 2	6 months' KIBOR+1.00	8 half yearly	September 17, 2015
ix)	FBL	6 months' KIBOR+1.00	6 half yearly	September 26, 2014
x)	HBL-2	6 months' KIBOR+1.00	4 half yearly	September 29, 2013
xi)	BIL	6 months' KIBOR+1.00	3 half yearly	June 30, 2013
xii)	AIBL	6 months' KIBOR+1.00	7 half yearly	June 27, 2015
xiii)	DIB	6 months' KIBOR+1.00	7 half yearly	June 30, 2015
xiv)	MBL -1	6 months' KIBOR+0.96	3 half yearly	March 28, 2013
xv)	MCB	6 months' KIBOR+1.00	7 half yearly	June 30, 2015
xvi)	HBL - 3	6 months' KIBOR+0.30	1 periodic	February 28, 2012
xvii)	MBL -2	6 months' KIBOR+0.90	8 half yearly	December 31, 2015
xviii)	BOP	6 months' KIBOR+0.80	8 half yearly	December 31, 2015
xix)	ABL	6 months' KIBOR+0.80	8 half yearly	December 22, 2016

Notes to the Consolidated Financial Statements

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Finances (i) through (xix) have been obtained to meet the debottle - necking, equity investment and other capital expenditure requirements of the parent company. These finances, except finance (xvi) are secured by an equitable mortgage on the parent company's assets and hypothecation of all assets including plant, machinery, tools and spares, and all other moveable properties including stocks and book debts, ranking pari passu with each other with 25% margin. Finance (xvi) is secured against lien on Pakistan Investment Bonds (PIBs) having face value of Rs 100 million. Repayment dates of installments for this finance coincide with the maturity dates of PIBs.

7.1.2 FFBL has repaid the long term financing from banking companies and financial institutions in full. This financing was secured against first equitable mortgage charge created on all immovable properties of FFBL and by way of hypothecation of movable properties of FFBL.

7.2 FFC Energy Limited

This represents availed portion of a long term loan facility of Rs 11.02 billion from consortium of ten financial institutions. This facility carries mark up at six months KIBOR plus 295 basis points payable six monthly in arrears. This facility is repayable over a period of 10 years with a grace period of 2 years.

This facility is secured against

- First ranking exclusive assignment / mortgage over receivables under Energy Purchase Agreement.
- Lien over and set-off rights on project account.
- First ranking, hypothecation charge over all moveable assets of FFCEL.
- Exclusive mortgage over lease rights in immovable property on which project will be established.

The Common Term Agreement contains various covenants as to Security; Engineering, Procurement & Construction; Operations & Maintenance; Project Accounts; Insurance; Tax and Financial of the Project and Conditions Precedents (CPs) to each disbursement of loan. The major disbursement CPs includes that all representations and warranties to be true and correct; no event of default is subsisting; maintenance of debt to equity ratio etc.

	Note	2011	2010
		(Rupees '000)	
7.3. Long term loan and deferred Government assistance, unsecured			
Government of Pakistan (GoP) loan - FFBL		3,089,673	3,493,342
Less: Current portion shown under current liabilities		648,201	648,201
		2,441,472	2,845,141
Deferred Government assistance - FFBL		799,530	1,044,062
	7.3.1	3,241,002	3,889,203

7.3.1 This represents balance amount of GoP loan amounting in total of 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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

"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 244,532 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. Pursuant to the approval of Ministry of Finance (MoF) Government of Pakistan (GoP), the Company appointed consultants for examination of FFBL's financial record relating to the Company's determination of the amount of excess cash and prepayment to GoP. The draft report of consultants is under consideration and has been submitted to MoF for review and concurrence. Accordingly the Management believes that the excess cash will be paid once review of report and concurrence with methodology is finalised between the parties.

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

Since two ECA have yet to release HBL from its responsibility as guarantor therefore, the above referred guarantee and related charge on assets of FFBL have not been vacated up to December 31, 2011. FFBL is making efforts to get this guarantee released.

		Note	2011	2010
			(Rupees '000)	
8.	DEFERRED LIABILITIES			
	Deferred taxation	8.1	6,597,331	6,905,456
	Compensated leave absences	8.2	907,070	766,415
			7,504,401	7,671,871

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

		2011	2010
		(Rupees '000)	
8.1	DEFERRED TAXATION		
	The balance of deferred tax is in respect of the following major temporary differences:		
	Accelerated depreciation	6,759,403	7,071,372
	Provision for slow moving spares, doubtful debts, other receivables and short term investments	(196,562)	(184,554)
	Share of profit of associate	33,679	20,817
	Remeasurement of investments available for sale	811	(2,179)
		6,597,331	6,905,456

At December 31, 2011, a deferred tax liability of Rs 390,634 thousand (2010: Rs 256,940 thousand) for temporary difference of Rs 1,116,097 thousand (Rs 734,115 thousand) related to investment in the joint venture was not recognised as the Group companies control the timing of reversal of temporary differences.

8.2 Actuarial valuation has not been carried out as the impact is considered to be immaterial. An amount of Rs 590,974 thousand was previously included in trade and other payables and has been reclassified to deferred liabilities for appropriate presentation.

		Note	2011	2010
			(Rupees '000)	
9.	TRADE AND OTHER PAYABLES			
	Creditors		7,325,419	4,111,645
	Accrued liabilities		3,662,884	3,200,133
	Other liabilities		921,493	288,154
	Sales tax - net		1,004,552	62,646
	Deposits		180,825	171,047
	Retention money		92,056	71,935
	Advances from customers		5,162,304	8,061,891
	Workers' Profit Participation Fund	9.1	-	58,845
	Workers' Welfare Fund		1,711,392	1,069,511
	Gratuity fund	10	105,800	52,931
	Pension fund		133,879	-
	Unclaimed dividend		656,317	332,708
			20,956,921	17,481,446
9.1	Workers' Profit Participation Fund			
	Balance at beginning of the year		58,845	1,244
	Interest on funds utilised in Group companies' business		1,139	1,247
	Allocation for the year		2,647,734	1,384,969
	Adjustment for prior years	9.1.1	-	(199,097)
	Receipt from fund during the year		16,224	49,031
	Payment to fund during the year		(2,746,005)	(1,178,549)
			(22,063)	58,845

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, 2011

10.	RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2011 Total	2010 Total
			(Rupees '000)		
a)	Reconciliation of amounts recognised in the balance sheet is as follow:				
	Present value of defined benefit obligation	1,610,464	1,838,728	3,449,192	2,680,092
	Fair value of plan assets	(1,169,860)	(1,377,160)	(2,547,020)	(2,083,312)
	Deficit	440,604	461,568	902,172	596,780
	Non vested past service cost	-	-	-	(1,424)
	Net actuarial losses not recognised	(334,804)	(327,689)	(662,493)	(542,425)
		105,800	133,879	239,679	52,931
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	1,373,814	1,306,278	2,680,092	2,204,620
	Current service cost	104,101	83,451	187,552	137,089
	Interest cost	187,708	261,486	449,194	282,134
	Benefits paid during the year	(68,139)	(37,852)	(105,991)	(83,024)
	Past service cost	(1,424)	52,298	50,874	1,424
	Actuarial loss	14,404	173,067	187,471	137,849
	Present value of defined benefit obligation at end of the year	1,610,464	1,838,728	3,449,192	2,680,092
c)	The movement in fair value of plan assets is as follows:				
	Fair value of plan assets at beginning of the year	1,000,856	1,082,456	2,083,312	1,809,490
	Expected return on plan assets	137,119	205,921	343,040	232,870
	Contributions	121,523	109,220	230,743	168,376
	Benefits paid on behalf of the fund	-	-	-	1,277
	Benefits paid during the year	(68,139)	(37,852)	(105,991)	(83,024)
	Actuarial (loss) / gain	(21,499)	17,415	(4,084)	(45,677)
	Fair value of plan assets at end of the year	1,169,860	1,377,160	2,547,020	2,083,312
d)	Plan assets comprise of:				
	Investment in equity securities	374,380	492,042	866,422	234,043
	Investment in debt securities	79,242	51,444	130,686	121,067
	Term Deposit Receipts	455,990	590,085	1,046,075	912,077
	Mutual funds	67,105	79,905	147,010	154,844
	National Investment Trust Units	53,891	94,188	148,079	169,634
	Deposits with banks	145,892	75,807	221,699	492,288
	Others	(6,640)	(6,311)	(12,951)	(641)
		1,169,860	1,377,160	2,547,020	2,083,312
e)	Actual return on plan assets	115,620	223,336	338,956	187,193
	Contributions expected to be paid to the plan during the next financial year	185,990	103,580	289,570	289,293

f) The expected return on plan assets is based on the market expectations and depends 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, 2011

		Funded gratuity	Funded pension	2011 Total	2010 Total
			(Rupees '000)		
g)	Movement in liability recognised in the balance sheet:				
	Opening liability	52,931	-	52,931	20,413
	Expense for the year	174,392	243,099	417,491	202,171
	Payment on behalf of the fund	-	-	-	(1,277)
	Payments to the fund during the year	(121,523)	(109,220)	(230,743)	(168,376)
	Closing liability	105,800	133,879	239,679	52,931
h)	Amount recognised in the profit and loss account is as follows:				
	Current service cost	102,677	83,451	186,128	137,089
	Interest cost	187,708	261,486	449,194	280,948
	Expected return on plan assets	(137,119)	(205,921)	(343,040)	(232,870)
	Vested past service cost	-	52,298	52,298	3,892
	Actuarial losses recognised	21,126	51,785	72,911	13,112
		174,392	243,099	417,491	202,171

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:

	2011	2010	2009	2008	2007
			(Rupees '000)		
Present value of defined benefit obligation	1,610,464	1,373,814	1,109,569	984,021	831,875
Fair value of plan assets	(1,169,860)	(1,000,856)	(851,007)	(678,079)	(712,744)
Deficit	440,604	372,958	258,562	305,942	119,131
Experience adjustments					
- on obligations	(14,404)	(96,346)	(8,016)	(46,783)	(49,543)
- on plan assets	(21,499)	2,780	43,444	(130,744)	20,504

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

	2011	2010	2009	2008	2007
			(Rupees '000)		
Present value of defined benefit obligation	1,838,728	1,306,278	1,095,051	928,899	816,872
Fair value of plan assets	(1,377,160)	(1,082,456)	(958,483)	(735,717)	(781,717)
Deficit	461,568	223,822	136,568	193,182	35,155
Experience adjustments					
- on obligations	(173,067)	(41,503)	(17,283)	(72,385)	3,510
- on plan assets	17,415	(48,457)	63,868	16,750	42,491

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	2011		2010	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
k) Principal actuarial assumptions used in the actuarial valuations are as follows:				
Discount rate	12.50 % - 13%	14%	14%	14%
Expected rate of salary growth	12 % - 13%	14%	13%-14%	14%
Expected rate of return on plan assets	12.50 % - 13%	14%	14%	14%

l) "Salaries, wages and benefits" expense, stated in notes 28 and 29 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs 174,392 thousand, Rs 159,396 thousand, Rs 243,099 thousand and Rs 250,918 thousand respectively (2010: Rs 124,782 thousand, Rs 128,612 thousand, Rs 77,446 thousand and Rs 192,838 thousand respectively).

	Note	2011	2010
		(Rupees '000)	
11. INTEREST AND MARK-UP ACCRUED			
On long term borrowings			
- from banking companies and financial institutions		276,378	119,203
On murabaha financing		-	623
On short term borrowings		219,781	174,237
		496,159	294,063
12. SHORT TERM BORROWINGS – SECURED			
From banking companies			
Short term running finance	12.1	16,211,794	11,293,144

12.1 Short term running finance

Short term running finance and istisna facilities are available to FFC from various banking companies under mark-up / profit arrangements amounting to Rs 11.54 billion (2010 Rs 11.49 billion) which represent the aggregate of sale prices of all mark-up / profit agreements between FFC and respective banks. The facilities have various maturity dates upto June 30, 2012.

These facilities are secured by first pari passu and ranking hypothecation charges on assets of the FFC. Istisna facility of Rs 1.3 billion from an islamic financial institution is secured against lien over Term Deposits. The mark-up rates range between one month KIBOR + 0.1% to 1% and three months KIBOR + 0.3% per annum (2010: one month KIBOR + 0.1% to 0.8% and three months KIBOR + 0.50% per annum).

FFBL has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs 19,735,000 thousand (2010: Rs 19,450,000 thousand). These facilities carry mark-up ranging from 12.04% to 14.23% per annum (2010: 11.62% to 13.03% 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

			2011	2010
			(Rupees '000)	
13.	**CONTINGENCIES AND COMMITMENTS**			
	a)	**Contingencies:**		
	i)	Guarantees issued by banks on behalf of the Group companies.	158,681	52,896
	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
	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 plantsite.	119,650	119,650
	vi)	Group's share of contingencies in Fauji Cement Company Limited as at September 30, 2011.	121,496	206,784
	vii)	FFBL's share of contingent liabilities of Foundation Wind Energy - I Limited as at September 30, 2011.	7,595	-
	viii)	FFBL's share of contingent liabilities of Foundation Wind Energy - II (Private) Limited as at September 30, 2011.	7,595	-
	b)	**Commitments in respect of:**		
	i)	Capital expenditure (including commitments relating to FFCEL)	17,468,405	11,633,786
	ii)	Purchase of raw material, fertilizer, stores, spares and other revenue items.	4,226,170	1,564,881
	iii)	FFBL's share of commitments of Foundation Wind Energy-I Limited as at September 30, 2011.	1,627,214	-
	iv)	FFBL's share of commitments of Foundation Wind Energy-II (Private) Limited as at September 30, 2011.	1,779,887	-
	v	Group's share of commitments of PMP as at September 30, 2011.	13,176	24,020
	vi)	FFBL's share of commitments for investment in wind power projects.	4,764,715	5,000,000
	vii)	Rentals under lease agreements:		
		Premises - not later than one year	80,499	14,689
		- later than one year and not later than:		
		two years	48,841	17,935
		three years	23,894	4,603
		four years	23,733	725
		five years	23,740	791
		Vehicles - not later than one year	31,831	32,311
		- later than one year and not later than:		
		two years	66,940	20,027
		three years	26,644	16,033
		four years	17,892	21,206
		five years	9,856	9,552

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

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)	Sub-total	Intangibles	Total
	(Rupees '000)															
COST																
Balance as at January 01, 2010	348,386	392,100	2,678,038	1,591,468	26,517	45,788,950	912,986	376,929	173,839	459,282	1,187,235	18,387	2,030,555	55,984,672	-	55,984,672
Additions during the year	304,845	-	213,982	21,138	-	968,852	281,607	66,629	21,899	132,402	236,887	1,994	2,981,818	5,232,053	-	5,232,053
Disposals	-	-	(2,463)	-	-	(300,240)	-	(7,880)	(7,968)	(30,145)	(34,826)	(546)	-	(384,068)	-	(384,068)
Transfers / adjustments	-	-	-	-	-	64,558	(151,918)	4,770	63	(6,266)	68,261	-	(1,295,255)	(1,315,787)	98,747	(1,217,040)
Balance as at December 31, 2010	653,231	392,100	2,889,557	1,612,606	26,517	46,522,120	1,042,675	440,448	187,833	555,273	1,457,557	19,835	3,717,118	59,516,870	98,747	59,615,617
Balance as at January 01, 2011	653,231	392,100	2,889,557	1,612,606	26,517	46,522,120	1,042,675	440,448	187,833	555,273	1,457,557	19,835	3,717,118	59,516,870	98,747	59,615,617
Additions during the year	1,580	-	185,190	84,464	-	1,699,296	62,310	58,276	13,696	88,825	110,384	485	9,146,754	11,451,260	9,458	11,460,718
Disposals	-	-	(418)	(90)	-	(3,502)	(144,652)	(9,870)	(2,246)	(43,528)	(14,465)	(10)	-	(218,781)	-	(218,781)
Transfers / adjustments	-	-	-	-	-	120,885	-	-	-	-	-	-	(2,880,926)	(2,760,041)	-	(2,760,041)
Balance as at December 31, 2011	654,811	392,100	3,074,329	1,696,980	26,517	48,338,799	960,333	488,854	199,283	600,570	1,553,476	20,310	9,982,946	67,989,308	108,205	68,097,513
DEPRECIATION																
Balance as at January 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	-	26,410,997
Charge for the year	-	18,963	116,613	46,647	-	1,839,923	171,259	43,671	15,567	78,437	158,586	2,602	-	2,492,268	24,687	2,516,955
Depreciation on disposals	-	-	(2,463)	-	-	(141,088)	-	(7,322)	(7,845)	(23,180)	(23,062)	(546)	-	(205,506)	-	(205,506)
Transfers / adjustments	-	-	-	-	-	-	(151,918)	(417)	-	-	417	-	-	(151,918)	-	(151,918)
Balance as at December 31, 2010	-	152,290	1,540,759	524,446	26,517	24,157,749	475,586	262,555	83,953	340,038	965,991	15,957	-	28,545,841	24,687	28,570,528
Balance as at January 01, 2011	-	152,290	1,540,759	524,446	26,517	24,157,749	475,586	262,555	83,953	340,038	965,991	15,957	-	28,545,841	24,687	28,570,528
Charge for the year	-	18,711	125,064	47,820	-	1,817,802	171,255	44,941	15,984	83,019	166,002	2,079	-	2,492,677	37,119	2,529,796
Depreciation on disposals	-	-	(221)	(12)	-	(2,633)	(144,652)	(9,523)	(2,223)	(37,686)	(14,132)	(10)	-	(211,092)	-	(211,092)
Balance as at December 31, 2011	-	171,001	1,665,602	572,254	26,517	25,972,918	502,189	297,973	97,714	385,371	1,117,861	18,026	-	30,827,426	61,806	30,889,232
Written down value																
- as at December 31, 2010	653,231	239,810	1,348,798	1,088,160	-	22,364,371	567,089	177,893	103,880	215,235	491,566	3,878	3,717,118	30,971,029	74,060	31,045,089
- as at December 31, 2011	654,811	221,099	1,408,727	1,124,726	-	22,365,881	458,144	190,881	101,569	215,199	435,615	2,284	9,982,946	37,161,882	46,399	37,208,281
Rate of depreciation in %	-	6 1/4	5 to 10	5	5	5	20	15	10	20	15 - 33.33	30	-	-	33	-

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
14.1	Depreciation charge has been allocated as follows:			
	Cost of sales	28	2,484,751	2,469,561
	Distribution cost	29	45,045	47,394
			2,529,796	2,516,955

14.2 Details of property, plant and equipment disposed off:

Description	Method of disposal	Cost	Book value	Sale proceeds
		(Rupees '000)		
Building	write-off	250	142	-
Submersible Drainage Pump	write-off	168	55	-
Property, plant and equipment	write-off	2,000	850	-
Vehicles				
As per Group companies' policy to employees				
Maj. (R) Shoukat Beg		1,354	903	1,111
Mr. Muhammad Nauman Younas		994	62	256
Mr. Shabbir Ahmed Memon		929	372	137
Mr. Ashfaq Ahmed		952	325	137
Mr. Danyal Ahuja		915	181	137
Mr. Usman Ibrahim		1,095	753	944
Mr. Kashif Jamil		1,020	277	227
Mr. Muhammad Asif Nakhuda		1,286	371	190
Mr. Syed Ali Noman Raza		1,407	463	310
Mr. Muhammad Shahid		1,020	288	227
Mr. Zulfiqar Haider Naqvi		1,336	677	196
Mr. Muhammad Irfan Anwar		1,029	194	233
Mr. Naveed Hisam		1,020	151	227
Mr. Bilal Qamar		929	113	137
Mr. Shahid Majeed		900	186	132
Mr. Muhammad Saeed Uppal		1,404	527	486
Aggregate of items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		198,773	799	15,082
2011		218,781	7,689	20,169
2010		384,068	178,562	91,696

		2011	2010
		(Rupees '000)	
14.3	Capital Work in Progress		
	Civil works including mobilisation advance	1,520,262	1,028,220
	Plant and machinery including advances to suppliers	8,195,256	2,498,700
	Intangible assets under development	267,428	190,198
		9,982,946	3,717,118

Notes to the Consolidated Financial Statements

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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 - "Impairment of Assets". The value in use calculations are based on cashflow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2011	2010
			(Rupees '000)	
16.	LONG TERM INVESTMENTS			
	Equity accounted investments	16.1	5,503,123	4,859,358
	Other long term investments	16.2	250,818	261,772
			5,753,941	5,121,130
16.1	Equity accounted investments			
	Investment in associated company - under equity method			
	Fauji Cement Company Limited (FCCL)	16.1.1		
	Cost of investment		1,800,000	1,800,000
	Post acquisition profits brought forward		208,170	191,898
	Share of profit for the year		49,026	16,272
	Balance as at December 31, 2011		2,057,196	2,008,170
	Foundation Wind Energy-I Limited	16.1.4		
	Advance for issue of shares		131,160	-
	share of loss		(11,751)	-
			119,409	-
	Foundation Wind Energy-II (Private) Limited	16.1.4		
	Advance for issue of shares		104,125	-
	share of loss		(10,779)	-
			93,346	-
	Investment in joint venture - under equity method			
	Pakistan Maroc Phosphore S.A. Morocco (PMP)	16.1.2		
	Cost of investment		2,117,075	2,117,075
	Post acquisition loss brought forward		(292,594)	(420,001)
	Share of profit for the year		382,581	177,158
	Dividends received		-	(49,751)
	Gain on translation of net assets		1,026,110	1,026,707
	Balance as at December 31, 2011		3,233,172	2,851,188
			5,503,123	4,859,358

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
16.2	Other long term investments			
	Investments available for sale	16.2.1		
	Certificates of Investment		108,961	94,556
	Pakistan Investment Bonds		162,043	493,775
	Term Finance Certificates		123,712	130,093
	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)
			-	-
			394,716	718,424
	Less: Current portion shown under			
	short term investments	25		
	Investments available for sale			
	Certificates of investment		22,507	43,086
	Pakistan Investment Bonds		104,706	396,929
	Term Finance Certificates		16,685	16,637
			143,898	456,652
			250,818	261,772

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, 2011 was Rs 371,250 thousand (2010: Rs 564,750 thousand). FFC and FFBL collectively hold 8.15% 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 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. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 3% 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 their 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.

16.1.2 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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 2011	September 2010	September 2011	September 2010	September 2011	September 2010	September 2011	September 2010
	PMP (Joint venture)		FCCL (Associate)		Foundation Wind Energy-I (Associate)		Foundation Wind Energy-II (Associate)	
Non - current assets	13,819,766	15,334,867	27,808,729	25,409,061	14,406	-	31,946	-
Non - current liabilities	(7,335,342)	(17,930,158)	(12,246,697)	(23,794,477)	-	-	(100,090)	-
Current assets	14,646,899	12,598,897	4,575,385	2,297,921	131,837	-	136,844	-
Current liabilities	(12,510,466)	(10,003,607)	(6,648,437)	(3,912,505)	(6,184)	-	(7,345)	-
Revenue for the period	24,215,172	17,473,341	4,119,151	2,890,334	1,040	-	1,579	-
Expenses for the period	(23,949,274)	(16,629,304)	(3,840,804)	(2,727,893)	(34,617)	-	(32,376)	-
Profit / (loss) for the period	265,898	844,037	278,347	162,441	(33,577)	-	(30,797)	

Financial statements for the period ended September 30, 2011 have been used for accounting under equity method as these were the latest financial statements approved by the Board of Directors of FCCL, PMP, Foundation Wind Energy-I and Foundation Wind Energy-II.

16.1.4 Foundation Wind Energy - I Limited (formerly Beacon Energy Limited) and Foundation Wind Energy - II (Private) Limited (formerly Green Power (Private) Limited) are in a process of setting up 49.5 MW wind power plant each. Total estimated cost for each plant is US$ 130 million. Pursuant to Share Holders Agreement dated March 08, 2011 FFBL will eventually hold 35% shareholding in Foundation Wind Energy-I and Foundation Wind Energy-II. The projects are expected to commence commercial production in 2013.

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 (2010: 8.1% to 14.18% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 3, 5, 7 and 10 years tenure were purchased and are due to mature within a period of 4 years. Profit is receivable on half yearly basis with coupon rates ranging from 8% to 11.75% per annum (2010: 11% to 14% per annum). These PIBs have face value of Rs 164 million and PIBs with face value of Rs 100 million are under lien of a bank against loan for capital expenditure requirements.

Term Finance Certificates (TFCs)

These include 4,992 and 20,000 certificates of Rs 5,000 each of Pakistan Mobile Communications Limited and Engro Chemicals Pakistan Limited respectively. Profit is receivable on half yearly basis at the rate of six months' KIBOR + 2.85% and 1.55% per annum respectively.

ASCCL

As per audited accounts of ASCCL for the year ended June 30, 2011, the break-up value of an ordinary share was Rs 7.90 (June 30, 2010: Rs 11.14).

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
17. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances – considered good, to:			
Executives		625,590	534,782
Other employees		199,709	147,954
		825,299	682,736
Less: Amount due within twelve months, shown under current loans and advances	22	219,416	227,408
		605,883	455,328

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

	Opening balance as at January 01, 2011	Disbursements	Repayments	Closing balance as at December 31, 2011
	(Rupees '000)			
Executives	534,782	251,093	160,285	625,590
Other employees	147,954	114,658	62,903	199,709
2011	682,736	365,751	223,188	825,299
2010	417,065	423,474	157,803	682,736

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

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 625,590 thousand (2010: Rs 534,782 thousand).

	2011	2010
	(Rupees '000)	
18. LONG TERM DEPOSITS AND PREPAYMENTS		
Deposits	84,461	83,850
Prepayments	6,026	13,501
	90,487	97,351
19. STORES, SPARES AND LOOSE TOOLS		
Stores	478,192	490,619
Spares	4,223,277	4,085,630
Provision for slow moving items	(462,050)	(428,112)
	3,761,227	3,657,518
Loose tools	279	279
Items in transit	113,492	87,079
	4,353,190	4,235,495

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		Note	2011	2010
			(Rupees '000)	
20.	STOCK IN TRADE			
	Raw and packing materials		514,553	1,070,614
	Work in process		58,478	57,568
	Finished goods - manufactured fertilizers		344,756	354,205
	- purchased fertilizers		144,090	-
	Stocks in transit		2,982,039	-
			4,043,916	1,482,387
21.	TRADE DEBTS			
	Considered good			
	Secured		733,156	1,176,758
	Unsecured		-	11,183
			733,156	1,187,941
	Due from Fauji Foundation, an associated			
	undertaking - unsecured, considered good		29	-
	Considered doubtful		1,758	1,758
			734,943	1,189,699
	Provision for doubtful debts		(1,758)	(1,758)
			733,185	1,187,941
22.	LOANS AND ADVANCES			
	Loans & advances - unsecured, considered good to:			
	Executives		119,518	46,980
	Other employees		38,694	27,546
			158,212	74,526
	Advances to suppliers and contractors			
	Considered good		494,692	255,641
	Considered doubtful		45	45
			494,737	255,686
	Provision for doubtful advances		(45)	(45)
			494,692	255,641
	Current portion of long term loans and advances	17	219,416	227,408
			872,320	557,575
23.	DEPOSITS AND PREPAYMENTS			
	Deposits		5,678	2,516
	Prepayments		61,331	61,654
			67,009	64,170

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

		Note	2011 (Rupees '000)	2010 (Rupees '000)
24.	OTHER RECEIVABLES			
	Accrued income on investments and bank deposits		328,728	107,140
	Advance tax	24.1	322,368	322,368
	Sale tax refundable - net		108,958	108,943
	Workers' Profit Participation Fund	9.1	22,063	-
	Other receivables - considered good		273,865	317,978
	- considered doubtful		55,714	55,714
			329,579	373,692
	Provision for doubtful receivables		(55,714)	(55,714)
			273,865	317,978
			1,055,982	856,429

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.

		Note	2011 (Rupees '000)	2010 (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)		18,675,000	9,800,000
	(2010: Rs 9,750 thousand)			
	Foreign currency		1,028,608	1,074,621
			19,703,608	10,874,621
	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			
	(2010: Rs 33,253 thousand)		9,535,211	689,308
	Loans and receivables at amortised cost			
	Term deposits with banks and financial institutions		1,250,000	1,250,000
	Current maturity of long term investments			
	Available for sale	16.2	143,898	456,652
			30,632,717	13,270,581

25.1 These represent investments having maturities ranging between 1 to 12 months and are being carried at cost as management expects there would be insignificant difference in the rate of returns on comparative investments. Term deposits amounting to Rs 1,450,000 thousand (2010: Rs Nil) are under lien of an islamic financial institution in respect of Istisna facility availed.

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		2011	2010
		(Rupees '000)	
26.	CASH AND BANK BALANCES		
	At banks		
	Deposit accounts		
	Local currency	6,911,357	10,530,959
	Foreign currency	86,839	22,324
	Current accounts		
	Local currency	403,406	3,498,940
		7,401,602	14,052,223
	Drafts in hand and in transit	-	20,021
	Cash in hand	2,924	1,908
		7,404,526	14,074,152

Balances with banks include Rs 180,825 thousand (2010: Rs 171,047 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 17,192 thousand (2010: Rs 17,192 thousand) under lien of a bank, against a guarantee issued on behalf of FFC. In addition Rs 126,541 thousand (2010: Rs 208,060 thousand) held under lien by the commercial banks against credit facilities of FFBL.

		2011	2010
		(Rupees '000)	
27.	SALES		
	Gross Sales Revenue	126,448,933	89,682,744
	Less:		
	Sales Tax	15,325,673	-
	Trade Discounts	11,347	1,528,046
		15,337,020	1,528,046
		111,111,913	88,154,698

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		Note	2011	2010
			(Rupees '000)	
28.	COST OF SALES			
	Raw materials consumed		36,478,419	31,655,000
	Fuel and power		7,257,452	8,478,880
	Chemicals and supplies		469,182	441,999
	Salaries, wages and benefits		5,228,185	4,359,503
	Training and employees welfare		505,877	467,625
	Rent, rates and taxes	28.1	57,132	48,474
	Insurance		274,844	230,677
	Travel and conveyance	28.1	538,164	312,285
	Repairs and maintenance	28.2	1,854,994	1,854,773
	Depreciation	14.1	2,484,751	2,469,561
	Communication and other expenses		1,008,423	1,200,421
	Opening stock - work in process		57,568	42,326
	Closing stock - work in process		(58,478)	(57,568)
	Cost of goods manufactured		56,156,513	51,503,956
	Add: Opening stock of manufactured fertilizers		354,205	244,279
	Less: Closing stock of manufactured fertilizers		(344,756)	(354,204)
			9,449	(109,925)
	Cost of sales - manufactured fertilizers		56,165,962	51,394,031
	Opening stock of purchased fertilizers		-	-
	Purchase of fertilizers for resale	28.3	603,151	3,709,917
			603,151	3,709,917
	Closing stock of purchased fertilizers		(144,090)	-
	Cost of sales - purchased fertilizers		459,061	3,709,917
			56,625,023	55,103,948

28.1 These include operating lease rentals amounting to Rs 48,967 thousand (2010: Rs 58,472 thousand).

28.2 This includes provision for slow moving spares amounting to Rs 36,772 thousand (2010: Rs 32,958 thousand).

28.3 Cost of purchased fertilizer of FFC is net of subsidy of Rs Nil per bag (2010: Rs 500 per bag) on potassic and phosphatic fertilizers as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan.

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for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
29.	ADMINISTRATIVE EXPENSES AND DISTRIBUTION COST			
	Product transportation		4,746,907	4,548,162
	Salaries, wages and benefits		1,490,699	1,368,001
	Rent, rates and taxes	29.1	110,291	103,276
	Insurance		-	8,214
	Technical services		12,483	13,540
	Travel and conveyance	29.1	190,256	134,267
	Sale promotion and advertising		71,824	61,039
	Communication and other expenses		215,636	187,736
	Warehousing expenses		64,633	82,456
	Depreciation	14.1	45,045	47,394
	Administrative expenses	29.2	783,742	732,244
			7,731,516	7,286,329

29.1 These include operating lease rentals amounting to Rs 82,698 thousand (2010: Rs 65,147 thousand).

29.2 Administrative expenses

This represents administrative and general expenses of FFBL and FFCEL breakup of which is as follows:

	2011	2010
	(Rupees '000)	
Salaries, wages and benefits	503,278	361,124
Travel and conveyance	131,645	82,363
Utilities	5,061	4,777
Printing and stationery	8,976	10,230
Repairs and maintenance	13,595	19,190
Communication, advertisement and other expenses	54,418	49,093
Rent, rates and taxes	9,984	8,255
Listing fee	738	389
Donations	6,499	130,960
Legal and professional	18,458	18,540
Feasibility study	-	21,588
Miscellaneous	31,090	25,735
	783,742	732,244

		2011	2010
30.	FINANCE COST		
	Mark-up on long term financing and murabaha	708,521	827,558
	Mark-up on short term borrowings	872,440	1,134,890
	Exchange loss - net	208,894	21,558
	Interest on Workers' Profit Participation Fund	1,139	1,247
	Bank charges	33,477	16,102
		1,824,471	2,001,355

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for the year ended December 31, 2011

		2011	2010
		(Rupees '000)	
31.	**OTHER EXPENSES**		
	Research and development	208,692	286,586
	Workers' Profit Participation Fund	2,647,734	1,384,969
	Adjustment in WPPF relating to prior year charge	-	(199,097)
	Workers' Welfare Fund	970,951	517,865
	Loss on disposal of property, plant and equipment	-	86,866
	Auditors' remuneration		
	Audit fee	2,788	2,184
	Fee for half yearly review, audit of consolidated accounts,		
	certifications and other services	1,132	7,040
	Out of pocket expenses	150	150
		3,831,447	2,086,563
32.	**OTHER INCOME**		
	Income from financial assets		
	Income on loans, deposits and investments	2,152,943	991,326
	(Loss) / gain on remeasurement of investments at fair value		
	through profit or loss - Held for trading	(26,358)	19,138
	Dividend income	1,003,657	205,452
	Gain on sale of investments	33,049	370,281
	Impairment of investment - Held for trading	-	(33,253)
		3,163,291	1,552,944
	Income from non-financial assets		
	Gain on sale of property, plant and equipment	12,480	-
	Other income		
	Scrap sales	48,328	53,124
	Others	4,776	29,321
		53,104	82,445
		3,228,875	1,635,389
33.	**PROVISION FOR TAXATION**		
	Current	16,407,348	8,508,500
	Deferred	(311,115)	(52,361)
		16,096,233	8,456,139

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		2011	2010
		(Rupees '000)	
33.1	Reconciliation of tax charge for the year		
	Profit before taxation	44,737,408	23,505,322

		%	%
	Applicable tax rate	35.00	35.00
	Add: Tax effect of amounts that are not deductible for tax purposes	0.27	0.26
	Tax effect of additional surcharge	1.01	
	Less: Tax effect of amounts taxed at lower rates	-	(0.06)
	Tax effect of permanent differences	(0.30)	0.78
	Average effective tax rate charged on income	35.98	35.98

33.2 During the year, FFC revised its income tax returns relating to tax years 2009 and 2010 under the provisions of the Income Tax Ordinance, 2001.

34. CASH GENERATED FROM OPERATIONS

	2011	2010
Net profit before taxation	44,737,408	23,505,322
Adjustments for:		
Depreciation	2,529,796	2,516,955
Provision for slow moving spares	33,938	32,958
(Gain)/ loss on disposal of property, plant and equipment	(12,480)	86,866
Finance cost	1,615,577	1,979,797
Provision for Workers' Profit Participation Fund	2,647,734	1,384,969
Provision for Workers' Welfare Fund	970,951	517,865
Adjustment in WPPF relating to prior year charge	-	(199,097)
Income on loans, deposits and investments	(2,152,943)	(991,326)
Provision for gratuity	174,392	124,725
Provision for compensated absences	250,918	246,615
Provision for pension	243,099	77,446
Exchange loss - net	208,894	21,558
Dividend income	(1,003,657)	(205,452)
Loss / (gain) on remeasurement of investments - Held for trading	26,358	(19,138)
Gain on sale of investments	(33,049)	(370,281)
Share in profit of associate and joint venture	(409,077)	(193,430)
Impairment in investment held for trading	-	33,253
	5,090,451	5,044,283
	49,827,859	28,549,605

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	2011	2010
	(Rupees '000)	
Changes in working capital		
(Increase) / decrease in current assets:		
Stores and spares	(83,757)	479,611
Stock in trade	(2,561,529)	(111,287)
Trade debts	454,756	(454,327)
Loans and advances	(314,745)	(209,059)
Deposits and prepayments	(4,450)	(21,710)
Other receivables	44,098	26,785
Increase /(decrease) in current liabilities:		
Trade and other payables	2,149,295	5,424,561
	(316,332)	5,134,574
Changes in long term loans and advances	(150,555)	(117,787)
Changes in long term deposits and prepayments	6,864	(2,498)
	49,367,836	33,563,894

35. CASH AND CASH EQUIVALENTS

	2011	2010
Cash and bank balances	7,404,526	14,074,152
Short term borrowings	(9,816,794)	(7,066,906)
Short term highly liquid investments	18,655,123	12,124,621
	16,242,855	19,131,867

36. FINANCIAL INSTRUMENTS

The Group companies have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group 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 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.

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36.1 Credit risk

Credit risk is the risk of financial loss to the Group companies if a customer or counterparty to a financial instrument fails to meet 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:

	2011	2010
	(Rupees '000)	
Long term investments	250,818	261,772
Loans and advances	983,511	757,262
Deposits	90,139	86,366
Trade debts - net of provision	733,185	1,187,941
Other receivables - net of provision	624,656	425,118
Short term investments	30,632,717	13,270,581
Bank balances	7,401,602	14,072,244
	40,716,628	30,061,284

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 6,000,000 thousands (2010: Rs 2,700,000 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 assess the credit quality of the counterparties 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 counterparty to fail to meet its obligations.

Impairment losses

The aging of trade debts at the reporting date was:

	2011		2010	
	Gross	Impairment	Gross	Impairment
	(Rupees '000)			
Not yet due	723,872	-	11,183	-
Past due 1-30 days	8,558	-	321,458	-
Past due 31-60 days	755	-	51,744	-
Past due 61-90 days	-	-	729,876	-
Over 90 days	1,758	1,758	75,438	1,758
	734,943	1,758	1,189,699	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 an impairment loss of Rs 12,750 thousand and Rs 33,253 thousand (2010 : Rs 12,750 thousand and Rs 33,253) in respect of its available-for-sale and held for trading investments respectively.

Notes to the Consolidated Financial Statements

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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 their 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:

2011	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	12,556,690	19,286,520	2,352,735	1,315,505	2,837,004	6,291,304	6,489,972
Trade and other payables	13,078,673	13,078,673	13,078,673	-	-	-	-
Short term borrowings including mark-up	16,416,183	16,431,575	16,431,575	-	-	-	-
	42,051,546	48,796,768	31,862,983	1,315,505	2,837,004	6,291,304	6,489,972

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	8,287,398	6,202,787	6,202,787	-	-	-	-
Short term borrowings including mark-up	11,441,897	11,467,381	11,467,381	-	-	-	-
	30,073,319	29,946,628	19,759,378	1,388,399	2,808,343	4,694,106	1,296,402

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

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 risk and currency risk.

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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 Deposit 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:

	2011				2010	
	(Rupees '000)	(US Dollar '000)	(Rupees '000)	(Euros '000)	(Rupees '000)	(US Dollar '000)
Bank balance	10,089	113	76,750	662	22,324	261
Investments (Term Deposit Receipts)	1,028,608	11,480	-	-	1,074,621	12,538
Creditors	(6,053,541)	(67,562)	-	-	(3,417,020)	(39,853)
Short term loan	-	-	-	-	(1,179,426)	(13,756)
	(5,014,844)	(55,969)	76,750	662	(3,499,501)	(40,810)

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2011	2010	2011	2010
US Dollars	85.92	85.92	89.60	85.71
Euro	119.24	-	115.96	-

Sensitivity analysis

US Dollars

A 10% strengthening of the functional currency against USD at December 31 would have decreased profit and loss by Rs 501,461 thousand (2010: Rs 348,107 thousand). A 10% weakening of the functional currency against USD at December 31 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

Euros

A 10% strengthening of the functional currency against Euro at December 31 would have increased profit and loss by Rs 7,695 thousand (2010: Nil). A 10% weakening of the functional currency against Euro at December 31 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:

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	Carrying Amount 2011	2010
	(Rupees '000)	
Fixed rate instruments		
Financial assets	24,503,863	14,612,587
Financial liabilities	(6,395,000)	(4,226,238)
	18,108,863	10,386,349
Variable rate instruments		
Financial assets	5,104,194	9,351,003
Financial liabilities	(14,136,199)	(12,873,526)
	(9,032,005)	(3,522,523)

Fair value sensitivity analysis for fixed rate instruments

The Group companies do not hold any fixed rate 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 2010.

	Profit or loss 100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2011		
Cash flow sensitivity – Variable rate instruments	(53,205)	53,205
	(53,205)	53,205
December 31, 2010		
Cash flow sensitivity – Variable rate instruments	(93,075)	(93,075)
	(93,075)	(93,075)

Sensitivity analysis – price risk

For quoted investments classified as available for sale, a 1% increase in market price at reporting date would have increased equity by Rs 2,290 thousand after tax (2010: Rs 4,712 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 82,404 thousand after tax (2010: Rs 28,771 thousand). The analysis is performed on the same basis for 2010 and assumes that all other variables remain the same.

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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, 2011		December 31, 2010	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		(Rupees '000)			
Assets carried at amortised cost					
Loans and advances	17 & 22	983,511	983,511	757,262	757,262
Deposits	18 & 23	90,139	90,139	86,366	86,366
Trade debts - net of provision	21	733,185	733,185	1,187,941	1,187,941
Other receivables	24	624,656	624,656	425,118	425,118
Investment carried at amortised cost	25	1,250,000	1,250,000	1,250,000	1,250,000
Cash and bank balances	26	7,404,526	7,404,526	14,074,152	14,072,244
		11,086,017	11,086,017	17,780,839	17,778,931
Assets carried at fair value					
Long term investments	16	250,818	250,818	261,772	718,424
Short term investments	25	29,238,819	29,238,819	12,020,581	11,563,929
		29,489,637	29,489,637	12,282,353	12,282,353
Liabilities carried at amortised cost					
Long term borrowings	7	12,556,690	12,556,690	10,344,024	10,344,024
Trade and other payables	9	13,078,673	13,078,673	9,957,598	9,957,598
Short term borrowings	12	16,416,183	16,416,183	11,293,144	11,293,144
		42,051,546	42,051,546	31,594,766	31,594,766

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 15% (2010: 14%). 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).

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	Level 1	Level 2 (Rupees '000)	Level 3
December 31, 2011			
Assets carried at fair value			
Investments at fair value through profit and loss account -			
held for trading	8,173,272	1,331,939	-
Available for sale investments	123,712	19,974,612	-
	8,296,984	21,306,551	-
December 31, 2010			
Assets carried at fair value			
Investments at fair value through profit and loss account -			
held for trading	689,308	-	-
Available for sale investments	130,093	11,462,952	
	819,401	11,462,952	-

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 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 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 its 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.

No-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 equity, which 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.

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for the year ended December 31, 2011

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:

	2011		2010	
	Chief Executives	Executives	Chief Executives	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	12,692	1,461,415	13,039	1,165,842
Contribution to provident fund	688	84,921	721	67,762
Bonus and other awards	10,164	1,478,709	8,747	1,181,505
Others including gratuity	7,933	840,717	6,986	709,500
Total	31,477	3,865,762	29,493	3,124,609
No. of persons	2	710	2	584

The above were provided with medical facilities; the chief executives and certain executives were also provided with some furnishing items, vehicles and other benefits in accordance with the Group companies' 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 (2010: Rs Nil) and Rs 7,770 thousand (2010 Rs: 7,169 thousand) were paid to the chief executives and executives respectively on separation, in accordance with the Group companies' policies.

In addition, 14, 12 and 7 (2010: 15, 12 and 7) directors of FFC, FFBL and FFCEL were paid aggregate fees of Rs 1,700 thousand, Rs 550 thousand and Rs 260 thousand (2010: Rs 1,670 thousand, Rs 770 thousand and Rs 320 thousand) respectively.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Fauji Foundation holds 44.35% (2010: 44.35%) shares of FFC at the year end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of FFC. Related parties also comprise of directors, major shareholders, key management personnel, entities under common directorship, 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.

	2011	2010
	(Rupees '000)	
Transactions with associated undertaking / companies due to common directorship		
Long term investment	235,285	-
Sale of fertilizer	2,840	3,767
Rent charged to Group companies	5,277	4,839
Dividend paid	8,216,594	5,595,554
Repayment of principal portion of long term finance	19,338	38,679
Financial charges	328	4,169
Medical services	72	189
Purchase of gas as feed and fuel stock	10,741,818	12,832,710
Others (including donations)	109,786	121,978
Loan balance payable at the year end - secured	-	19,338
Balance payable - unsecured	-	550,892
Balance receivable - unsecured (included in note 24)	-	2,772
Transactions with joint venture company		
Raw material purchased	28,064,300	19,342,767
Expenses incurred on behalf of joint venture company	34,373	27,808
Balance payable - secured	5,947,347	3,347,622
Balance receivable - unsecured	28,569	21,376
Other related parties		
Payments to:		
Employees' Provident Fund Trust	273,691	240,663
Employees' Gratuity Fund Trust	121,523	92,207
Employees' Pension Fund Trust	109,220	77,446
Others:		
Transactions with Workers' Profit Participation Fund (WPPF)	(80,908)	57,601
Balance payable at the year end - unsecured	1,929,008	1,181,287
Remuneration to key management personnel	33,987	32,253

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

39. POST BALANCE SHEET EVENT

The Board of Directors of FFC in its meeting held on January 30, 2012 has proposed a final dividend of Rs 5.25 per share, bonus shares of 0.50 per share and a movement from unappropriated profit to general reserve of Rs 4,200 million. Dividend of Rs 3.50 per share has been proposed by the Board of Directors of FFBL on January 26, 2012.

40. GENERAL

	2011	2010
40.1 Production capacity	(Tonnes '000)	
Design capacity		
Urea	2,599	2,599
DAP	650	650
Production		
Urea	2,829	3,009
DAP	662	660

40.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 2,231,232 thousand and Rs 13,550,000 thousand (2010: Rs 40,000 thousand and Rs 14,490,000 thousand) respectively are available to Group companies against lien on shipping / title documents and charge on assets of the parent company along with Corporate Guarantee of the parent company in a particular case.

40.3 Donations aggregating Rs 184,650 thousand i.e, 0.64% of net profit (2010: Rs 328,853 thousand i.e, 2.18% of net profit), included under cost of sales and distribution cost. Donation include Rs 70,000 thousand (2010: Rs 180,326) paid to the projects of Fauji Foundation, Fauji Towers Tipu Road Rawalpindi (associated undertaking). The following directors' interest in the donee is limited to the extent of their involvement in Fauji Foundation as management personnel:

2011	2010
Lt Gen Muhammad Mustafa Khan, HI (M) (Retd)	Lt Gen Hamid Rab Nawaz, HI (M) (Retd)
Mr. Qaiser Javed	Mr. Qaiser Javed
Dr. Nadeem Inayat	Dr. Nadeem Inayat
Maj Gen Zahid Parvez, HI (M) (Retd)	Maj Gen Zahid Parvez, HI (M) (Retd)
Brig Agha Ali Hassan, SI (M) (Retd)	Brig Agha Ali Hassan, SI (M) (Retd)
Brig Dr Gulfam Alam, SI (M) (Retd)	Brig Rahat Khan, SI (M) (Retd)
	Brig Liaqat Ali (Retd)
	Brig Jawaid Rashid (Retd)
	Brig Pervez Sarwar Khan, SI (M) (Retd)

40.4 These consolidated financial statements have been authorised for issue by the Board of Directors of FFC on January 30, 2012.

Chairman   Chief Executive   Director

Pattern of Shareholding

as at December 31, 2011

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1379	1	100	64,074	0.0076
2017	101	500	587,703	0.0693
1438	501	1000	1,150,880	0.1357
3583	1001	5000	8,682,745	1.0237
1098	5001	10000	8,091,175	0.954
446	10001	15000	5,555,515	0.655
297	15001	20000	5,239,957	0.6178
183	20001	25000	4,175,975	0.4924
143	25001	30000	3,935,404	0.464
133	30001	35000	4,347,271	0.5126
68	35001	40000	2,584,553	0.3047
66	40001	45000	2,816,500	0.3321
79	45001	50000	3,829,894	0.4516
37	50001	55000	1,935,071	0.2282
33	55001	60000	1,896,739	0.2236
37	60001	65000	2,316,583	0.2731
18	65001	70000	1,225,452	0.1445
23	70001	75000	1,683,155	0.1984
20	75001	80000	1,549,296	0.1827
24	80001	85000	1,980,045	0.2335
18	85001	90000	1,572,649	0.1854
9	90001	95000	826,493	0.0974
25	95001	100000	2,475,391	0.2919
7	100001	105000	717,617	0.0846
15	105001	110000	1,618,286	0.1908
8	110001	115000	905,970	0.1068
15	115001	120000	1,763,661	0.2079
17	120001	125000	2,106,648	0.2484
4	125001	130000	504,938	0.0595
13	130001	135000	1,717,943	0.2026
3	135001	140000	415,451	0.049
5	140001	145000	707,272	0.0834
8	145001	150000	1,185,525	0.1398
5	150001	155000	761,686	0.0898
9	155001	160000	1,422,901	0.1678
3	160001	165000	483,484	0.057
7	165001	170000	1,167,639	0.1377
8	170001	175000	1,386,291	0.1634

Pattern of Shareholding

as at December 31, 2011

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
4	175001	180000	714,007	0.0842
1	180001	185000	185,000	0.0218
6	185001	190000	1,127,145	0.1329
3	190001	195000	579,868	0.0684
16	195001	200000	3,183,031	0.3753
6	200001	205000	1,218,234	0.1436
3	205001	210000	620,155	0.0731
3	210001	215000	640,124	0.0755
3	215001	220000	652,596	0.0769
4	220001	225000	892,466	0.1052
1	225001	230000	230,000	0.0271
2	230001	235000	466,881	0.055
2	235001	240000	476,641	0.0562
1	240001	245000	240,465	0.0284
9	245001	250000	2,236,837	0.2637
1	250001	255000	253,358	0.0299
1	255001	260000	257,789	0.0304
2	260001	265000	529,990	0.0625
3	265001	270000	803,500	0.0947
2	275001	280000	557,758	0.0658
2	280001	285000	565,153	0.0666
1	285001	290000	289,247	0.0341
2	290001	295000	585,240	0.069
5	295001	300000	1,494,188	0.1762
3	300001	305000	904,034	0.1066
1	305001	310000	306,658	0.0362
1	310001	315000	312,500	0.0368
1	315001	320000	316,350	0.0373
6	320001	325000	1,935,093	0.2282
4	325001	330000	1,313,607	0.1549
3	330001	335000	995,783	0.1174
3	340001	345000	1,029,295	0.1214
2	345001	350000	697,421	0.0822
2	350001	355000	704,060	0.083
1	355001	360000	356,875	0.0421
4	360001	365000	1,451,504	0.1711
1	365001	370000	366,492	0.0432

Pattern of Shareholding

as at December 31, 2011

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
2	370001	375000	748,237	0.0882
2	375001	380000	758,576	0.0894
2	380001	385000	766,250	0.0903
1	385001	390000	388,483	0.0458
3	395001	400000	1,199,335	0.1414
1	400001	405000	400,513	0.0472
2	405001	410000	813,067	0.0959
1	420001	425000	425,000	0.0501
2	430001	435000	863,431	0.1018
1	435001	440000	437,261	0.0516
1	440001	445000	443,750	0.0523
1	445001	450000	448,795	0.0529
1	450001	455000	454,337	0.0536
1	465001	470000	470,000	0.0554
1	475001	480000	475,893	0.0561
1	480001	485000	485,000	0.0572
1	485001	490000	485,395	0.0572
3	495001	500000	1,500,000	0.1769
1	500001	505000	501,500	0.0591
2	505001	510000	1,014,281	0.1196
1	515001	520000	520,000	0.0613
2	530001	535000	1,065,177	0.1256
1	540001	545000	544,885	0.0642
2	545001	550000	1,100,000	0.1297
1	550001	555000	554,253	0.0653
1	570001	575000	571,501	0.0674
1	590001	595000	594,281	0.0701
2	595001	600000	1,198,442	0.1413
1	600001	605000	602,890	0.0711
1	605001	610000	610,000	0.0719
2	610001	615000	1,224,238	0.1443
1	615001	620000	617,550	0.0728
1	630001	635000	632,706	0.0746
1	650001	655000	653,245	0.077
1	660001	665000	663,317	0.0782
1	675001	680000	679,558	0.0801
1	680001	685000	680,487	0.0802

Pattern of Shareholding
as at December 31, 2011

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
2	695001	700000	1,400,000	0.1651
1	710001	715000	712,733	0.084
1	740001	745000	740,693	0.0873
1	755001	760000	758,566	0.0894
1	760001	765000	761,599	0.0898
1	765001	770000	767,452	0.0905
1	780001	785000	783,000	0.0923
1	785001	790000	788,243	0.0929
1	790001	795000	793,750	0.0936
1	795001	800000	800,000	0.0943
1	820001	825000	823,940	0.0971
1	845001	850000	850,000	0.1002
1	855001	860000	856,625	0.101
1	880001	885000	884,101	0.1042
1	920001	925000	924,820	0.109
1	935001	940000	938,284	0.1106
2	965001	970000	1,934,720	0.2281
1	975001	980000	978,116	0.1153
1	980001	985000	983,000	0.1159
1	990001	995000	994,789	0.1173
3	995001	1000000	3,000,000	0.3537
1	1010001	1015000	1,012,938	0.1194
1	1040001	1045000	1,043,057	0.123
1	1045001	1050000	1,050,000	0.1238
1	1055001	1060000	1,056,460	0.1246
1	1065001	1070000	1,066,399	0.1257
1	1080001	1085000	1,082,000	0.1276
1	1085001	1090000	1,089,921	0.1285
2	1095001	1100000	2,195,794	0.2589
1	1105001	1110000	1,107,762	0.1306
1	1135001	1140000	1,139,969	0.1344
1	1155001	1160000	1,160,000	0.1368
1	1220001	1225000	1,221,983	0.1441
1	1295001	1300000	1,300,000	0.1533
1	1345001	1350000	1,350,000	0.1592
1	1445001	1450000	1,447,026	0.1706
1	1475001	1480000	1,479,693	0.1745

Pattern of Shareholding

as at December 31, 2011

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
2	1485001	1490000	2,976,299	0.3509
1	1500001	1505000	1,503,906	0.1773
1	1630001	1635000	1,633,261	0.1926
1	1650001	1655000	1,652,036	0.1948
1	1945001	1950000	1,945,985	0.2294
1	1975001	1980000	1,977,299	0.2331
1	2010001	2015000	2,011,552	0.2372
1	2070001	2075000	2,071,865	0.2443
1	2165001	2170000	2,167,678	0.2556
1	2590001	2595000	2,595,000	0.306
1	2600001	2605000	2,604,037	0.307
1	2760001	2765000	2,763,199	0.3258
1	2970001	2975000	2,973,400	0.3506
1	3005001	3010000	3,008,000	0.3547
1	3045001	3050000	3,047,225	0.3593
1	3065001	3070000	3,065,661	0.3614
1	3080001	3085000	3,084,221	0.3636
1	3360001	3365000	3,360,066	0.3962
1	3520001	3525000	3,522,475	0.4153
1	3675001	3680000	3,676,236	0.4334
1	4020001	4025000	4,020,152	0.474
1	4465001	4470000	4,465,058	0.5264
1	4900001	4905000	4,900,633	0.5778
1	5710001	5715000	5,713,868	0.6737
1	5960001	5965000	5,963,942	0.7032
1	6340001	6345000	6,340,121	0.7475
1	8510001	8515000	8,514,292	1.0039
1	8880001	8885000	8,883,462	1.0474
1	10195001	10200000	10,200,000	1.2026
1	16855001	16860000	16,859,760	1.9878
1	27240001	27245000	27,241,010	3.2118
1	28690001	28695000	28,691,734	3.3828
1	32615001	32620000	32,619,268	3.8459
1	74220001	74225000	74,223,716	8.7512
1	86340001	86345000	86,344,275	10.1802
1	289790001	289795000	289,791,895	34.1672
11,546			848,158,831	100.00

Pattern of Shareholding

as at December 31, 2011

Serial No.	Categories of Shareholders	No of Shareholders	No of Shares held	Percentage %
1	NIT & ICP	3	33,157,292	3.91
2	Bank, DFI & NBFI	28	55,688,427	6.57
3	Insurance Companies	18	88,623,210	10.45
4	Modarabas & Mutual Funds	78	21,727,811	2.56
5	Foreign Investors	81	61,008,502	7.19
6	Charitable Trust & Others	161	407,940,978	48.10
7	Others	192	54,117,160	6.38
8	Individuals	10985	125,895,451	14.84
	Total Shares	11546	848,158,831	100.00

	No of Shares
NIT & ICP	
National Investment Trust	33,156,792
Investment Corporation of Pakistan	500
Executives	
CE & MD - Lt Gen Malik Arif Hayat, HI (M) (Retired)	30,000
Other Executives	1,141,938
Public Sector Companies and Corporations	41,943,276
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Mutual Funds	166,039,448
Shareholders holding ten percent or more voting interest	
Fauji Foundation	376,136,170

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 07, 2012
1st Quarter ending March 31, 2012	Last Week of April, 2012
2nd Quarter ending June 30, 2012	Last Week of July, 2012
3rd Quarter ending September 30, 2012	Last Week of October, 2012
Year ending December 31, 2012	Last Week of January, 2013

Form of Proxy

34th Annual General Meeting

I/We ____

of ____

being a member(s) of Fauji Fertilizer Company Limited hold ______________________

Ordinary Shares hereby appoint Mr / Mrs / Miss ______________________

of ____________________ or failing him / her ______________________

of ____________________ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at

the 34th Annual General Meeting of the Company to be held on Wednesday March 07, 2012 and / or any adjournment thereof.

As witness my/our hand/seal this ____________________ day of ____________________ March 2012.

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.